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REIT Issuer:

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Notice Concerning Revision of Operating Forecast and Forecast of Dividend
for Fiscal Year Ended December 2015 (16th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of its revision of the operating forecast and forecast of dividend for the fiscal year ended December 2015 (January 1, 2015 through December 31, 2015), which was announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)” dated December 15, 2015 as follows.

1. Revision of the operating forecast and forecast of dividend for the fiscal year ended December 2015 (January 1, 2015 through December 31, 2015)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
Previous forecast (A)	JPY1M 17,326	JPY1M 10,927	JPY1M 9,224	JPY1M 9,223	JPY 2,945	JPY 0
Revised forecast (B)	JPY1M 17,343	JPY1M 10,988	JPY1M 9,295	JPY1M 9,294	JPY 2,975	JPY 0
Variance (C) = (B) - (A)	JPY1M 17	JPY1M 61	JPY1M 71	JPY1M 71	JPY 30	JPY 0
Variance (D) = (C) / (A)	% 0.1	% 0.6	% 0.8	% 0.8	% 1.0	% 0

(Reference) Forecast of net income per unit for the full year: JPY3,036

(Calculated based on the forecast period-average number of investment units of 3,060,647 units.)

- (*1) Reserve for dividends, JPY60M, is planned to be the source of dividend payment.
- (*2) Dividend per unit is calculated based on the number of investment units issued as of December 31, 2015: 3,144,227 units
- (*3) For operating forecast for the full fiscal year ended December 2015, please see “<Reference Material 1> Highlights of the operating forecast and forecast of dividend” below.
- (*4) For the calculation method of dividend per unit, please see “<Reference Material 2> Dividend per unit.”
- (*5) Amounts are rounded down to the nearest JPY1M, and percentage figures are rounded off to one decimal place.

Note: This document is intended to serve as a press release to make available the information on the revision of the operating forecast and forecast of dividend for the fiscal year ended December 2015 (16th Period). This document should not be construed as an offer to sell or solicitation of an offer to purchase any investment units or other investment of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

2. Rationale for the revision of operating forecast and forecast of dividend

JHR's operating results of the fiscal year ended December 2015 (16th period) have almost become clear, and JHR will revise the operating forecast and forecast of dividend as of today. Major factors for the variance of operating forecast and forecast of dividend for the full fiscal year ended December 2015 (16th Period) and the previous forecasts are as follows in (1), (2), and (3).

(1) Increase in variable rent, etc.

An increase in variable rent and income from management contracts due to a gain in GOP (*1) of HMJ's five hotels (*2), Accor's six hotels (*3), and six "the b" hotels (*4) as well as other increase in upside sharing, etc. as major factors, operating revenue is forecasted to increase by JPY17M compared with the previous forecast.

(2) Decrease in operating expenses, etc.

With regard to operating expenses, financial expenses, etc., they are forecasted to decrease by JPY53M compared with the previous forecast as a result of conducting a review of expenses.

(3) Increase in use of negative goodwill

As a result of reviewing expenses of loss on retirement of noncurrent assets and financial costs in accordance with prepayment at the timing of selling properties, the amount of negative goodwill that JHR has used is expected to increase by JPY24M compared with the previous forecast. For detail, please see "<Reference Material 2> Dividend per unit" below.

As for the comparison with the previous year, please see "<Reference Material 1> Highlights of the operating forecast and forecast of dividend" and "<Reference Material 3> <1> Sales and GOP of HMJ's group hotels (*2), <2> Sales and GOP of Accor's six hotels, and <3> Sales and GOP of five "the b" hotels (*4)."

(*1) GOP is Gross Operating Profit, which is the remaining amount calculated by deducting operating expenses from total sales, income, etc. Operating expenses are expenses such as personnel costs and general and administrative expenses, incurred from hotel operation.

(*2) HMJ's five hotels are five hotels, namely, Kobe Meriken Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima. HMJ's five hotels plus Okinawa Marriott Resort & Spa and Sheraton Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA, are called HMJ's group hotels.

(*3) Accor's six hotels are the six hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka.

(*4) Five "the b" hotels are five "the b" hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata. Six "the b" hotels are five "the b" hotels plus "the b" Suidobashi, which was rebranded on July 1, 2015 from Dormy Inn Suidobashi.

Note:

The above is the operating forecast as of today and the actual dividend per unit may fluctuate. This forecast does not guarantee the amount of dividend shown above.

* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

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<Reference Material 1> Highlights of the operating forecast and forecast of dividend

The following table provides comparison and major causes of variance between actual results of fiscal year ended December 2014 (15th Period) and a forecast of fiscal year ended December 2015 (16th Period).

(Unit: JPY M)

		15th Period		16th Period		Comparison with Previous Period		Major Causes of Variance							
		Actual		Forecast This Time				Property Acquisition (*1)		Property Disposition (*2)		Existing Properties		Causes of Variance (Existing Properties)	
		(A)		(B)		(B) - (A) Variance									
Properties	No. of properties	30		36		6 20.0%		9		- 3		-			
	Acquisition price	173,429		225,723		52,294 30.2%		57,025		- 4,731		-			
Profit and Loss	Operating revenue	12,760		17,343		4,583 35.9%		2,195		244		2,143			
	Real estate operating revenue	12,760		17,033		4,273 33.5%		2,195		- 60		2,139			
	Fixed rent	Composition	Composition										(1) Full year impact, etc. of JPY180M from 3 properties (*3) acquired in the previous fiscal year (2) Decrease of JPY21M due to a sale of 1 property (*4) in the previous fiscal year		
		71.1%	9,066	60.5%	10,311	1,244 13.7%		1,150		- 60		155			
	Variable rent	28.9%	3,693	39.5%	6,722	3,029 82.0%		1,045		-		1,984		(1) HMJ's 5 hotels -- increase in variable rent by JPY521M (2) Increase in income from management contracts, etc. by JPY100M (*5) (3) Increases from upside sharing, etc. by JPY369M (4) Full-year impact, etc. of JPY993M from 3 properties acquired in the previous fiscal year	
	Gain on sale of real estate, etc.	0		309		309		-		305		4			
	NOI (*6)	11,002		14,829		3,827 34.8%		2,086		- 54 (*8)		1,795			
	NOI yield (*6)	6.3%		6.6% (*7)(7.1%)		0.2%		-		-		-			
	NOI after depreciation (*6)	8,597		12,031		3,434 39.9%		1,817		- 41 (*8)		1,658			
	NOI yield after depreciation (*6)	5.0%		5.3% (*7)(5.8%)		0.4%		-		-		-			
	Operating income	7,545		10,988		3,443 45.6%									
Net income	5,774		9,294		3,519 61.0%										
Dividend	Use of negative goodwill	240		60		- 179 -74.7%									
	Total dividends	6,015		9,354		3,338 55.5%									
	No. of units issued	2,791,281		3,144,227		352,946 12.6%									
	Dividend per unit (JPY)	2,155		2,975		820 38.1%									

- (*1) This indicates an impact from acquiring nine properties on the statement of income. Nine properties are five "the b" hotels acquired on January 30, 2015, Hotel Francs on March 31, 2015, Mercure Yokosuka on April 2, 2015, Okinawa Marriott Resort & Spa on July 10, 2015, and ACTIVE-INTER CITY HIROSHIMA on December 18, 2015.
- (*2) This indicates an impact from selling 3 properties (Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata) on October 30, 2015 on the statement of income.
- (*3) The properties refer to ibis Styles Sapporo acquired on July 9, 2014, and Mercure Sapporo and Mercure Okinawa Naha acquired on September 30, 2014.
- (*4) The property refers to Dormy Inn Namba which was sold on January 24, 2014.
- (*5) An increase in income from management contracts from ibis Tokyo Shinjuku and ibis Styles Kyoto Station.
- (*6) Each is calculated using the following formula

$$\text{NOI (Net Operating Income)} = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets}$$

$$\text{NOI yield} = \text{NOI} \div \text{Acquisition price}$$

$$\text{NOI after depreciation} = \text{Real estate operating revenue} - \text{Real estate operating costs}$$

$$\text{NOI yield after depreciation} = \text{NOI after depreciation} \div \text{Acquisition price}$$
- (*7) Forecast as of end of fiscal year ended December 2015 includes the acquisition price of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015. On the other hand, NOI and NOI after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA. Please see numbers in parentheses for NOI yield and NOI yield after depreciation excluding the effect of ACTIVE-INTER CITY HIROSHIMA.
- (*8) NOI and NOI after depreciation do not include gain on sale of real estate, etc. NOI and NOI after depreciation which include the impact are JPY251M and JPY264M, respectively.

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<Reference Material 2> Dividend per unit

Dividend per unit for the fiscal year ended December 2015 is calculated based on the following assumptions.

Net income	JPY9,294M
Balance carried forward	JPY1M
Use of negative goodwill (Loss on retirement of noncurrent assets) (*1)	JPY25M
Use of negative goodwill (financial costs in accordance with prepayment at the timing of selling properties)	JPY35M
Distributable amount	JPY9,356M
Total number of investment issued	3,144,227 units
Dividend per unit	JPY2,975

(*1) Amount posted as a loss on retirement of noncurrent assets will be appropriated by dividend reserve from negative goodwill and is expected to have no impact on dividend.

(*2) The balance of the dividend reserve (negative goodwill) after the appropriation for dividends for the fiscal year ended December 2015 (16th period) is expected to be JPY13,867M.

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<Reference Material 3>

Sales and GOP of HMJ's group hotels, Accor's six hotels, and five "the b" hotels, among those that adopt variable rent are indicated below. Moreover, numbers are based on figures obtained from hotel lessees, etc. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number. Also, sales and GOP are rounded off to the nearest JPY1M. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of HMJ's group hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of HMJ's group hotels		Fiscal year ended December 2014		Fiscal year ended December 2015	
		Actual	Comparison with previous period	Forecast this time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period
Kobe Meriken Park Oriental Hotel	1st half of the year	2,424	0.4%	2,424	-0.0%
	2nd half of the year	2,798	0.1%	2,828	1.1%
	Full year	5,222	0.2%	5,252	0.6%
Oriental Hotel tokyo bay	1st half of the year	3,366	4.9%	3,395	0.9%
	2nd half of the year	3,844	-3.3%	3,927	2.2%
	Full year	7,210	0.4%	7,322	1.6%
Namba Oriental Hotel	1st half of the year	998	6.8%	1,189	19.1%
	2nd half of the year	1,151	10.9%	1,341	16.6%
	Full year	2,149	9.0%	2,530	17.8%
Hotel Nikko Alivila	1st half of the year	2,190	-0.1%	2,377	8.6%
	2nd half of the year	3,301	3.7%	3,571	8.2%
	Full year	5,491	2.2%	5,948	8.3%
Oriental Hotel Hiroshima	1st half of the year	1,046	-0.0%	991	-5.2%
	2nd half of the year	1,178	-2.5%	1,142	-3.0%
	Full year	2,223	-1.4%	2,134	-4.0%
Total of HMJ's five hotels	1st half of the year	10,024	2.3%	10,376	3.5%
	2nd half of the year	12,272	0.6%	12,810	4.4%
	Full year	22,296	1.4%	23,186	4.0%
Okinawa Marriott Resort & Spa	1st half of the year	1,600	5.8%	1,614	0.9%
	2nd half of the year	2,211	7.1%	2,402	8.7%
	Full year	3,811	6.6%	4,016	5.4%
Sheraton Hiroshima Hotel	1st half of the year	1,359	3.5%	1,346	-1.0%
	2nd half of the year	1,511	1.0%	1,502	-0.6%
	Full year	2,870	2.2%	2,847	-0.8%

(*) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) on December 18, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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(2) Hotel GOP

(Unit: JPY1M)

GOP of HMJ's group hotels		Fiscal year ended December 2014		Fiscal year ended December 2015	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of HMJ's five hotels	GOP	6,302	2.4%	6,941	10.1%
	Ratio of GOP to sales	28.3%	0.3%	29.9%	1.7%
Okinawa Marriott Resort & Spa	GOP	1,105	12.5%	1,230	11.3%
	Ratio of GOP to sales	29.0%	1.5%	30.6%	1.6%
Sheraton Hiroshima Hotel	GOP	651	11.3%	716	10.0%
	Ratio of GOP to sales	22.7%	1.9%	25.1%	2.5%

(*) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) on December 18, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

<2> Sale and GOP of Accor's six hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of Accor's six hotels		Fiscal year ended December 2014		Fiscal year ended December 2015	
		Actual	Comparison with previous period	Forecast this time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period
ibis Tokyo Shinjuku	1st half of the year	427	12.0%	453	6.1%
	2nd half of the year	445	7.5%	421	-5.5%
	Full year	872	9.6%	873	0.2%
ibis Styles Kyoto Station	1st half of the year	305	-1.2%	357	17.1%
	2nd half of the year	384	13.3%	457	18.8%
	Full year	690	6.3%	814	18.0%
ibis Styles Sapporo	1st half of the year	397	2.3%	429	7.9%
	2nd half of the year	522	4.8%	591	13.1%
	Full year	920	3.7%	1,019	10.9%
Mercure Sapporo	1st half of the year	425	5.5%	499	17.5%
	2nd half of the year	573	3.9%	672	17.4%
	Full year	998	4.6%	1,172	17.4%
Mercure Okinawa Naha	1st half of the year	363	28.0%	407	12.1%
	2nd half of the year	414	14.5%	516	24.5%
	Full year	778	20.5%	923	18.7%
Mercure Yokosuka	1st half of the year	545	3.7%	550	1.0%
	2nd half of the year	491	9.5%	512	4.3%
	Full year	1,036	6.4%	1,062	2.6%
Total	1st half of the year	2,463	7.5%	2,696	9.5%
	2nd half of the year	2,829	8.3%	3,168	12.0%
	Full year	5,292	7.9%	5,863	10.8%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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(2) Hotel GOP

(Unit: JPY1M)

GOP of Accor's six hotels	Fiscal year ended December 2014		Fiscal year ended December 2015	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of Accor's six hotels	2,075	15.6%	2,512	21.0%
Ratio of GOP to sales	39.2%	2.6%	42.8%	3.6%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

<3> Sales and GOP of five “the b” hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of five “the b” hotels		Fiscal year ended December 2014		Fiscal year ended December 2015	
		Actual	Comparison with previous period	Forecast this time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period
the b akasaka-mitsuke	1st half of the year	131	-13.7%	221	69.4%
	2nd half of the year	213	94.9%	242	13.8%
	Full year	344	31.8%	464	35.0%
the b ikebukuro	1st half of the year	279	8.1%	301	7.7%
	2nd half of the year	283	4.6%	324	14.5%
	Full year	562	6.4%	625	11.1%
the b ochanomizu	1st half of the year	121	7.9%	132	9.0%
	2nd half of the year	124	1.6%	130	4.8%
	Full year	246	4.6%	262	6.9%
the b hachioji	1st half of the year	242	9.8%	267	10.4%
	2nd half of the year	256	0.9%	291	13.8%
	Full year	497	5.0%	558	12.2%
the b hakata	1st half of the year	172	7.0%	191	10.9%
	2nd half of the year	191	8.7%	215	12.8%
	Full year	363	7.9%	406	11.9%
Total	1st half of the year	944	4.7%	1,111	17.7%
	2nd half of the year	1,067	14.6%	1,203	12.8%
	Full year	2,011	9.7%	2,315	15.1%

(*) The b akasaka-mitsuke completed its renovation work by the previous owner in April 2014. The number of guest rooms has increased from 91 to 122. Therefore, the number of guest rooms available for sales in the first half of 2015 and the first half of 2014 are different.

(*) Although five “the b” hotels were acquired on January 30, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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(2) Hotel GOP

(Unit: JPY1M)

GOP of five “the b” hotels	Fiscal year ended December 2014		Fiscal year ended December 2015	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of five “the b” hotels	854	15.5%	1,079	26.4%
Ratio of GOP to sales	42.4%	2.1%	46.6%	4.2%

(*) Although five “the b” hotels were acquired on January 30, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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