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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)

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Notice Concerning Revision of Operating Forecast and Forecast of Dividend
for the Fiscal Year Ended December 2016 (17th Period), and

Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2017 (18th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of the revision of the operating forecast and forecast of dividend for the full year of the fiscal year ended December 2016 (January 1, 2016 through December 31, 2016), which was announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2016 (17th Period)” dated August 24, 2016, and newly informs you of the operating forecast and forecast of dividend for the fiscal year ending December 2017 (January 1, 2017 through December 31, 2017) as follows:

1. Revision of the operating forecast and forecast of dividend for the full year of the fiscal year ended December 2016 (January 1, 2016 through December 31, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 22,281	JPY1M 13,760	JPY1M 11,980	JPY1M 11,890	JPY 3,356	JPY 0
Revised forecast (B)	JPY1M 22,073	JPY1M 13,815	JPY1M 12,147	JPY1M 12,051	JPY 3,400	JPY 0
Variance (C)= (B) – (A)	JPY1M (208)	JPY1M 54	JPY1M 166	JPY1M 160	JPY 44	JPY 0
Variance (D)= (C)/(A)	% (0.9)	% 0.4	% 1.4	% 1.3	% 1.3	% 0

(Reference) Forecast of net income per unit for the full year: ¥3,442
(Calculated based on the forecast of the average number of investment units during the period (3,501,175 units))

- (*1) Dividend per unit is calculated based on the number of investment units issued as of today: 3,761,907 units.
- (*2) Reserve for dividends in the amount of ¥739 million is planned to be allocated as a part of dividend payment.
- (*3) Amounts are rounded down to the nearest millions of yen, 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 2016 (17th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2017 (18th period) of JHR. 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. Operating forecast and forecast of dividend for the fiscal year ending December 2017 (January 1, 2017 through December 31, 2017)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Fiscal year ending December 2017 Midterm	JPY1M 11,056	JPY1M 6,280	JPY1M 5,447	JPY1M 5,447	JPY —	JPY —
Fiscal year ending December 2017 Full year	JPY1M 24,530	JPY1M 14,719	JPY1M 12,987	JPY1M 12,986	JPY 3,540	JPY 0

(Reference) Forecast of net income per unit for the full year: ¥3,452

(Calculated based on the forecast of the average number of investment units during the period (3,761,907 units))

(*1) Dividend per unit is calculated based on the number of investment units issued as of today: 3,761,907 units.

(*2) Reserve for temporary difference adjustment in the amount of ¥332 million is planned to be allocated as a part of dividend payment.

(*3) For the assumptions of the operating forecast above, please see “<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)” below.

(*4) Amounts are rounded down to the nearest millions of yen, and percentage figures are rounded off to one decimal place.

3. Rationale for the revisions of the operating forecast for the full year of the fiscal year ended December 2016 (January 1, 2016 through December 31, 2016)

The GOP (*1) of the HMJ group hotels (*2), the six Accor hotels (*3), and the six *the b* hotels (*4) are assumed to be lower than the assumptions for the previous forecast. JHR expects operating revenue to decrease by ¥208 million compared with the previous forecast. Also, as a result of reviewing various expenses related to properties, depreciation, and other operating expenses, etc., JHR forecasts a decrease in operating expenses and non-operating expenses, etc. by ¥368 million in total. Consequently, JHR expects an increase in dividend per unit by ¥44 compared with the previous forecast.

For hotel sales and hotel GOP for the HMJ group hotels, the six Accor hotels, and the six *the b* hotels, please refer to <1> Sales and GOP of the HMJ Group Hotels (*1), <2> Sales and GOP of the Six Accor Hotels, and <3> Sales and GOP of the Six *the b* Hotels in <Reference Materials 1> in <Reference Information> Assumptions of the operating forecast for the full year in the fiscal year ending December 2017 (18th period) below.

(*1) GOP is Gross Operating Profit, which is the remaining amount calculated by deducting expenses incurred from hotel operation, such as personnel cost and general and administrative expenses, from hotel sales. The same shall apply hereafter.

(*2) The HMJ group hotels are the nine HMJ group hotels, which are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima (the five hotels hereinafter collectively called “the five HMJ hotels”) plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata, and Holiday Inn Osaka Namba (*5). HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply hereafter.

(*3) The six Accor hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka. The same shall apply hereafter.

(*4) The six *the b* hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata (the five hotels hereinafter collectively called “the five *the b* hotels”) plus the b suidobashi (rebranded from Dormy Inn Suidobashi on July 1, 2015). The same shall apply hereafter.

(*5) HOTEL VISTA GRANDE OSAKA completed its rebranding on November 1, 2016 and changed its name to Holiday Inn Osaka Namba. The same shall apply hereafter.

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4. Highlights of the operating forecast and forecast of dividend for the full year of the fiscal year ending December 2017 (January 1, 2017 through December 31, 2017)

Comparison between the operating forecast for the fiscal year ending December 2017 (18th Period) and the operating forecast for the full year of the fiscal year ended December 2016 (17th Period) and major factors causing the variance from the previous forecast are as follows.

(millions of yen)

		17th Period		18th Period	Comparison with Previous Forecast		Main Factors for the Variance
		Previous Forecast (*1)	Forecast This Time (A)	(*2) (B)	(B)-(A)	Variance	
Properties	No. of properties	41	41	41	-	-	
	Acquisition price	286,801	286,801	286,801	-	-	
Profit and Loss	Operating revenue	22,281	22,073	24,530	2,456	11.1%	
	Real estate operating revenue	22,281	22,073	24,530	2,456	11.1%	
	Fixed rent	Composition 57.2% 12,736	Composition 57.6% 12,721	Composition 55.9% 13,718	997	7.8%	① Full-year impact, etc. from five properties (*3) acquired in the 17th period: JPY1,125M ② Decrease in termination charge due to replacement of tenants: (JPY126M)
	Variable rent	42.8% 9,545	42.4% 9,352	44.1% 10,811	1,458	15.6%	① The seven HMJ group hotels (*4) -- increase in variable rent: JPY192M ② The six Accor hotels -- increase in income from management contracts, etc.: JPY113M ③ The six the b hotels -- increase in variable rent: JPY14M ④ Decrease in revenue sharing, etc.: (JPY110M) ⑤ Full-year impact, etc. from five properties acquired in the 17th period: JPY1,249M
	Gain on sale of real estate properties	-	-	-	-	-	
	NOI (*5)	18,918	18,769	20,312	1,542	8.2%	
	<i>NOI yield</i>	6.6%	6.5%	7.1%	0.5%		
	NOI after depreciation (*5)	15,541	15,457	16,600	1,142	7.4%	
	<i>NOI yield after depreciation</i>	5.4%	5.4%	5.8%	0.4%		
	Operating income	13,760	13,815	14,719	904	6.5%	
	Net income	11,890	12,051	12,986	934	7.8%	
Dividend	Use of negative goodwill	736	739	332	(407)	(55.0%)	The amount to be used from negative goodwill in the 18th period includes the 50-year amortization amount of negative goodwill. (*6)
	Total dividends	12,624	12,790	13,317	526	4.1%	
	No. of units issued	3,761,907	3,761,907	3,761,907	-	-	
	Dividend per unit (JPY)	3,356	3,400	3,540	140	4.1%	

(*1) Operating forecast for the fiscal year ended December 2016 (17th period) announced in "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2016 (17th Period)" dated August 24, 2016.

(*2) For the assumptions of the forecast for the fiscal year ending December 2017 (18th Period), please see "<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th Period)."

(*3) Five properties, which are CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya, purchased in the fiscal year ended December 2016 (17th Period).

(*4) Seven hotels refer to Okinawa Marriott Resort & Spa and Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA, in addition to the five HMJ group hotels.

(*5) Each is calculated using the following formula.

NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

NOI yield = NOI ÷ acquisition price

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NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ acquisition price

- (*6) For details of the 50-year amortization amount of negative goodwill, please see “<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th Period).”

The above is the operating forecast as of today, and 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 Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)

Item	Assumptions																								
Calculation period	Full year (18th Period): January 1, 2017 through December 31, 2017 (365 days)																								
Assets under management	The 41 properties owned by JHR as of today are assumed, and it is also assumed that there will be no change in assets (acquisitions or dispositions, etc.) through the end of the fiscal year ending December 2017 (18th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.																								
Operating revenue	- Operating revenue is calculated based on leases and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regards to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated based on the said lease contracts is included. - Rents, etc. of the main hotels are calculated based on the following assumptions. (1) The Five HMJ Hotels The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows. Annual rent (¥6,969 million) = Fixed rent (¥3,221 million/year) + Variable rent Variable rent = [(a) Total GOP of the five HMJ hotels – (b) GOP base amount] × 85.0% The five HMJ hotels for the fiscal year ending December 2017 (18th period) (Unit: millions of yen) <table><tr><th></th><th>Total GOP of the five HMJ hotels (a)</th><th>GOP base amount (b)</th><th>Variable rent ((a) – (b)) × 85.0%</th></tr><tr><td>Midterm</td><td>2,935</td><td>1,675</td><td>1,071</td></tr><tr><td>Full year</td><td>7,760</td><td>3,351</td><td>3,748</td></tr></table> (*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for the comparison of sales and GOP of the five HMJ hotels. (2) Okinawa Marriott Resort & Spa The fixed rent and variable rent of Okinawa Marriott Resort & Spa is calculated as follows. Annual rent (¥1,095 million) = Fixed rent (¥550 million/year) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: millions of yen) <table><tr><th></th><th>Hotel GOP (a)</th><th>GOP base amount (b)</th><th>Variable rent ((a) – (b))×90.0%</th></tr><tr><td>Midterm</td><td>348</td><td>350</td><td>—</td></tr><tr><td>Full year</td><td>1,305</td><td>700</td><td>545</td></tr></table> (*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Okinawa Marriott Hotel Resort & Spa.		Total GOP of the five HMJ hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%	Midterm	2,935	1,675	1,071	Full year	7,760	3,351	3,748		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b))×90.0%	Midterm	348	350	—	Full year	1,305	700	545
	Total GOP of the five HMJ hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%																						
Midterm	2,935	1,675	1,071																						
Full year	7,760	3,351	3,748																						
	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b))×90.0%																						
Midterm	348	350	—																						
Full year	1,305	700	545																						

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 2016 (17th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2017 (18th period) of JHR. 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.

Item	Assumptions												
Operating revenue	(3) ACTIVE-INTER CITY HIROSHIMA ACTIVE-INTER CITY HIROSHIMA is a complex facility composed of a hotel building, an office building, and a retail zone. Rent for each facility is calculated as follows. (a) Hotel building (Sheraton Grand Hiroshima Hotel) Annual rent (¥641 million) = Fixed rent (¥348 million/year)+ Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 82.5% (Unit: millions of yen)												
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 82.5%</td></tr><tr><td>Midterm</td><td>364</td><td>234</td><td>107</td></tr><tr><td>Full year</td><td>823</td><td>468</td><td>293</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%	Midterm	364	234	107	Full year	823	468	293
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%									
	Midterm	364	234	107									
	Full year	823	468	293									
	(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Sheraton Grand Hiroshima Hotel.												
	(b) Office building and retail zone Rent from the office building and the retail zone is expected to be ¥219 million for the midterm and ¥439 million for the full year. These figures include ¥8 million for the midterm and ¥16 million for the full year as variable rent pursuant to an agreement for revenue sharing with some retail tenants.												
	(4) Hotel Centraza Hakata The fixed and variable rent of Hotel Centraza Hakata is calculated as follows. Annual rent (¥758 million) = Fixed rent (¥400 million) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: millions of yen)												
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 90.0%</td></tr><tr><td>Midterm</td><td>409</td><td>212</td><td>177</td></tr><tr><td>Full year</td><td>823</td><td>425</td><td>358</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Midterm	409	212	177	Full year	823	425	358
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%									
Midterm	409	212	177										
Full year	823	425	358										
(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Hotel Centraza Hakata.													
(5) Holiday Inn Osaka Namba The fixed and variable rent of Holiday Inn Osaka Namba is calculated as follows. Annual rent (¥1,384 million) = Fixed rent (¥576 million) + Variable rent Variable rent = [(a) Hotel GOP - (b) GOP Base Amount] × 92.5% (Unit: millions of yen)													
<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP Base Amount (b)</td><td>Variable rent ((a) – (b))× 92.5%</td></tr><tr><td>Midterm</td><td>727</td><td>325</td><td>372</td></tr><tr><td>Full year</td><td>1,523</td><td>650</td><td>808</td></tr></table>		Hotel GOP (a)	GOP Base Amount (b)	Variable rent ((a) – (b))× 92.5%	Midterm	727	325	372	Full year	1,523	650	808	
	Hotel GOP (a)	GOP Base Amount (b)	Variable rent ((a) – (b))× 92.5%										
Midterm	727	325	372										
Full year	1,523	650	808										
(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Holiday Inn Osaka Namba.													

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Item	Assumptions							
Operating revenue	(6) The Six Accor Hotels							
	Income from management contracts and variable rent of the six Accor hotels (Unit: millions of yen)							
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
	Midterm	201	264	238	239	220	154	1,319
	Full year	413	572	592	604	483	257	2,924
	(1) Please refer to “<Reference Materials 1> <2> Sales and GOP of the Six Accor Hotels” below for the comparison of sales and GOP of the six Accor hotels.							
	(2) For income from management contracts, it is assumed that each hotel’s GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel’s GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking area rent.							
	(3) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.							
	(7) The Six <i>the b</i> Hotels							
	Fixed and variable rent of the six <i>the b</i> hotels (midterm) (Unit: millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*1)	42	68	108	34	60	44	359
	Variable	18	76	77	21	47	66	307
	Total	60	144	186	56	108	111	667
	Fixed and variable rent of the six <i>the b</i> hotels (full year) (Unit: millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*1)	84	136	217	69	121	89	719
	Variable	42	144	153	45	94	144	625
	Total	127	280	371	114	216	234	1,345
	(1) Fixed rent includes rent from non-hotel tenant(s).							
	(2) Please refer to “<Reference Materials 1> <3> Sales and GOP of the Six <i>the b</i> Hotels” below for the comparison of sales and GOP of the six <i>the b</i> hotels.							
	(8) Other hotels subject to variable rent							
	Variable rent from other hotels subject to variable rent (Unit: millions of yen)							
		Midterm		Full year				
	Smile Hotel Nihombashi Mitsukoshimae	19		19				
	Hotel Vista Kamata Tokyo	—		23				
	Chisun Inn Kamata	38		80				
	Hotel Keihan Universal City	Undisclosed (*)		Undisclosed (*)				
	Hotel Sunroute Shinbashi	88		88				
	Hilton Tokyo Bay	Undisclosed (*)		Undisclosed (*)				
	Hilton Nagoya	Undisclosed (*)		Undisclosed (*)				
	Total	850		1,490				
	(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.							

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Item	Assumptions																														
Operating revenue	• The following is the breakdown of variable rent and income from management contracts. <Breakdown of variable rent for the fiscal year ending December 2017 (18th period)> (Unit: millions of yen) <table><tr><th></th><th>Midterm</th><th>Full year</th></tr><tr><td>The Five HMJ Hotels</td><td>1,071</td><td>3,748</td></tr><tr><td>Okinawa Marriott Resort & Spa</td><td>—</td><td>545</td></tr><tr><td>ACTIVE-INTER CITY HIROSHIMA</td><td>115</td><td>309</td></tr><tr><td>Hotel Centraza Hakata</td><td>177</td><td>358</td></tr><tr><td>Holiday Inn Osaka Namba</td><td>372</td><td>808</td></tr><tr><td>The Six Accor Hotels</td><td>1,319</td><td>2,924</td></tr><tr><td>The Six <i>the b</i> Hotels</td><td>307</td><td>625</td></tr><tr><td>Other seven hotels with variable rent</td><td>850</td><td>1,490</td></tr><tr><td>Total (28 hotels)</td><td>4,213</td><td>10,811</td></tr></table>		Midterm	Full year	The Five HMJ Hotels	1,071	3,748	Okinawa Marriott Resort & Spa	—	545	ACTIVE-INTER CITY HIROSHIMA	115	309	Hotel Centraza Hakata	177	358	Holiday Inn Osaka Namba	372	808	The Six Accor Hotels	1,319	2,924	The Six <i>the b</i> Hotels	307	625	Other seven hotels with variable rent	850	1,490	Total (28 hotels)	4,213	10,811
		Midterm	Full year																												
	The Five HMJ Hotels	1,071	3,748																												
	Okinawa Marriott Resort & Spa	—	545																												
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	The Six <i>the b</i> Hotels	307	625																												
	Other seven hotels with variable rent	850	1,490																												
Total (28 hotels)	4,213	10,811																													
	(*) For details of variable rent and income from management contract, please refer to page 68, “D. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)” dated August 24, 2016.																														
Operating expenses	• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. • It is assumed that ¥1,491 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues. • In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. Also, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2017 (18th period) for the five properties (CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya) acquired in the fiscal year ended December 2016 (17th period) are assumed to be ¥175 million (equivalent to nine months). • Depreciation is calculated using the straight-line method, and is estimated to be ¥3,639 million, including the planned capital expenditures ¥2,864 million (capital expenditures I ¥1,841 million, capital expenditures II ¥529 million, and capital expenditures III ¥493 million (*)) for fiscal year ending December 2017 (18th period). (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (II) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment for renovating guest rooms, etc. for maintaining/improving the competitiveness of the hotels. • Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.																														
Non-operating expenses	• ¥1,734 million is expected for all non-operating expenses, including interest expense, arrangement fee, amortization for the following (1) handling fees and (2) derivative instruments (interest rate caps). • Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.																														

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 2016 (17th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2017 (18th period) of JHR. 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.

Item	Assumptions														
Interest-bearing debt	- The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥126,179 million as of December 31, 2016, and it is assumed that the balance of interest-bearing debt will be ¥125,449 million as of December 31, 2017. - It is assumed that the contractual repayment in the fiscal year ending December 2017 (18th period) in the amount of ¥729 million will be paid by cash on hand.														
Issuance of investment units	- The number of investment units issued as of today (3,761,907 units) is assumed. - It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2017 (18th period).														
Dividend per unit	- Dividend per unit for the fiscal year ending December 2017 (18th period) is calculated based on the following assumptions. <table> <tr> <td>Net income</td><td>¥12,986 million</td></tr> <tr> <td>Use of reserve for temporary difference adjustment (negative goodwill) (*1)</td><td></td></tr> <tr> <td> Negative goodwill – 50-year amortization amount (*1)</td><td>¥262 million</td></tr> <tr> <td> Loss on retirement of noncurrent assets (*2)</td><td>¥70 million</td></tr> <tr> <td>Distributable amount</td><td>¥13,319 million</td></tr> <tr> <td>Total number of investment units issued</td><td>3,761,907 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,540</td></tr> </table> (*1) JHR resolved at the board of directors' meeting today to transfer the remaining balance of dividend reserve ((¥13,127 million) attributable to the gain on negative goodwill to “reserve for temporary difference adjustment,” and reverse ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the remaining balance of the dividend reserve, to pay out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every year from the fiscal year ending December 2017 (18th period). For details on the policy on the handling of negative goodwill, please refer to our press release “Policy on the Handling of Negative Goodwill” dated today. Since the remaining balance of dividend reserve and the 50-year amortization amount are the forecast amount after deducting the forecast amount of the reversal for the fiscal year ended December 2016 (17th period), these amounts may fluctuate in the future. (*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit. - Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. at hotels, change in the business environment for hotel business of tenants, etc., unexpected repairs, and actual number of new units issued, etc. - The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2017 (18th period) is expected to be ¥12,794 million.	Net income	¥12,986 million	Use of reserve for temporary difference adjustment (negative goodwill) (*1)		Negative goodwill – 50-year amortization amount (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥70 million	Distributable amount	¥13,319 million	Total number of investment units issued	3,761,907 units	Dividend per unit	¥3,540
Net income	¥12,986 million														
Use of reserve for temporary difference adjustment (negative goodwill) (*1)															
Negative goodwill – 50-year amortization amount (*1)	¥262 million														
Loss on retirement of noncurrent assets (*2)	¥70 million														
Distributable amount	¥13,319 million														
Total number of investment units issued	3,761,907 units														
Dividend per unit	¥3,540														

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 2016 (17th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2017 (18th period) of JHR. 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.

Dividend per unit resulting from excess of earnings	• It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Other	• It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made. • It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above.

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<Reference Materials 1>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the HMJ group hotels, the six Accor hotels and the six *the b* hotels. The numerical figures are based on figures obtained from hotel lessees, etc. Please note that these numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the numbers and information. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of the HMJ Group Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,424	(0.0%)	2,465	0.0%	1.7%	2,519	2.2%
	Second half of the year	2,828	1.1%	2,889	(2.5%)	2.1%	2,984	3.3%
	Full year	5,252	0.6%	5,354	(1.3%)	1.9%	5,503	2.8%
Oriental Hotel tokyo bay	First half of the year	3,395	0.9%	3,454	0.0%	1.7%	3,452	(0.1%)
	Second half of the year	3,927	2.2%	3,820	(3.9%)	(2.7%)	3,935	3.0%
	Full year	7,322	1.6%	7,274	(2.1%)	(0.7%)	7,387	1.6%
Namba Oriental Hotel	First half of the year	1,189	19.1%	1,386	0.0%	16.6%	1,438	3.7%
	Second half of the year	1,341	16.6%	1,485	(3.0%)	10.7%	1,544	4.0%
	Full year	2,530	17.8%	2,871	(1.6%)	13.5%	2,982	3.9%
Hotel Nikko Alivila	First half of the year	2,377	8.6%	2,421	0.0%	1.8%	2,502	3.4%
	Second half of the year	3,571	8.2%	3,729	0.2%	4.4%	3,787	1.5%
	Full year	5,948	8.3%	6,150	0.1%	3.4%	6,289	2.3%
Oriental Hotel Hiroshima	First half of the year	991	(5.2%)	1,025	0.0%	3.4%	1,026	0.1%
	Second half of the year	1,142	(3.0%)	1,212	5.7%	6.1%	1,248	3.0%
	Full year	2,134	(4.0%)	2,236	3.0%	4.8%	2,274	1.7%
Total of the Five HMJ Hotels	First half of the year	10,376	3.5%	10,751	0.0%	3.6%	10,938	1.7%
	Second half of the year	12,810	4.4%	13,134	(1.5%)	2.5%	13,498	2.8%
	Full year	23,186	4.0%	23,885	(0.8%)	3.0%	24,436	2.3%
Okinawa Marriott Resort & Spa	First half of the year	1,614	0.9%	1,607	0.0%	(0.4%)	1,629	1.4%
	Second half of the year	2,402	8.7%	2,308	(6.2%)	(3.9%)	2,445	5.9%
	Full year	4,016	5.4%	3,915	(3.8%)	(2.5%)	4,074	4.1%
Sheraton Grand Hiroshima Hotel	First half of the year	1,346	(1.0%)	1,369	0.0%	1.7%	1,391	1.6%
	Second half of the year	1,502	(0.6%)	1,607	6.7%	7.0%	1,568	(2.5%)
	Full year	2,847	(0.8%)	2,976	3.5%	4.5%	2,959	(0.6%)
Hotel Centraza Hakata	First half of the year	1,124	2.0%	1,155	0.0%	2.8%	1,178	2.0%
	Second half of the year	1,205	6.6%	1,257	2.4%	4.3%	1,146	(8.9%)
	Full year	2,330	4.4%	2,413	1.2%	3.6%	2,324	(3.7%)
Holiday Inn Osaka Namba	First half of the year	832	47.9%	1,104	(0.6%)	32.7%	1,115	1.0%
	Second half of the year	1,133	57.6%	1,108	(6.1%)	(2.2%)	1,201	8.4%
	Full year	1,965	53.4%	2,212	(3.4%)	12.6%	2,316	4.7%
Total of HMJ Group Hotels	First half of the year	15,291	4.4%	15,985	(0.0%)	4.5%	16,251	1.7%
	Second half of the year	19,053	6.8%	19,415	(1.5%)	1.9%	19,858	2.3%
	Full year	34,343	5.7%	35,400	(0.9%)	3.1%	36,109	2.0%

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- (*1) Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015. The figures for the fiscal year ended in December 2015 are for the entire year including prior to the acquisition.
- (*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ended December 2016 are for the entire year including prior to the acquisition.
- (*3) Holiday Inn Osaka Namba was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ended December 2016 are for the entire year including prior to the acquisition.
- (*4) Renovation of Holiday Inn Osaka Namba was completed by the previous owner in March 2014. The number of guest rooms has increased from 304 to 314. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

(2) Hotel GOP

(Unit: millions of yen)

GOP and ratio of GOP of the HMJ Group Hotels (*1)		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Five HMJ Hotels	GOP	6,941	10.1%	7,589	0.5%	9.3%	7,761	2.3%
	Ratio of GOP to sales	29.9%	1.7%	31.8%	0.4%	1.8%	31.8%	(0.0%)
Okinawa Marriott Resort & Spa	GOP	1,230	11.3%	1,241	(6.3%)	0.9%	1,306	5.2%
	Ratio of GOP to sales	30.6%	1.6%	31.7%	(0.8%)	1.1%	32.0%	0.4%
Sheraton Grand Hiroshima Hotel	GOP	716	10.0%	834	2.7%	16.6%	823	(1.3%)
	Ratio of GOP to sales	25.1%	2.5%	28.0%	(0.2%)	2.9%	27.8%	(0.2%)
Hotel Centraza Hakata	GOP	715	8.7%	834	6.0%	16.6%	824	(1.3%)
	Ratio of GOP to sales	30.7%	1.2%	34.6%	1.5%	3.9%	35.4%	0.9%
Holiday Inn Osaka Namba	GOP	1,309	73.1%	1,473	(5.2%)	11.4%	1,524	3.5%
	Ratio of GOP to sales	66.6%	7.6%	66.6%	(1.3%)	(0.7%)	65.8%	(0.8%)
Total of the HMJ Group Hotels	GOP	10,912	15.2%	11,971	(0.5%)	9.6%	12,237	2.2%
	Ratio of GOP to sales	31.8%	2.6%	33.8%	0.1%	2.0%	33.9%	0.1%

- (*1) Ratio of GOP refers to the ratio of GOP to sales.
- (*2) Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015. The figures for the fiscal year ended in December 2015 are for the entire year including prior to the acquisition.
- (*3) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ended December 2016 are for the entire year including prior to the acquisition.
- (*4) Holiday Inn Osaka Namba was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ended December 2016 are for the entire year including prior to the acquisition.

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<2> Sales and GOP of the Six Accor Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
ibis Tokyo Shinjuku	First half of the year	453	6.1%	406	0.0%	(10.3%)	406	0.1%
	Second half of the year	421	(5.5%)	430	(5.4%)	2.2%	430	(0.0%)
	Full year	873	0.2%	836	(2.8%)	(4.3%)	836	0.0%
ibis Styles Kyoto Station	First half of the year	357	17.1%	464	0.0%	30.0%	492	6.1%
	Second half of the year	457	18.8%	514	0.5%	12.6%	540	4.9%
	Full year	814	18.0%	979	0.3%	20.2%	1,032	5.4%
ibis Styles Sapporo	First half of the year	429	7.9%	490	0.0%	14.3%	505	3.2%
	Second half of the year	591	13.1%	633	(4.4%)	7.1%	650	2.8%
	Full year	1,019	10.9%	1,123	(2.5%)	10.1%	1,155	2.9%
Mercure Sapporo	First half of the year	499	17.5%	546	0.0%	9.3%	585	7.2%
	Second half of the year	672	17.4%	715	(5.7%)	6.4%	745	4.2%
	Full year	1,172	17.4%	1,261	(3.3%)	7.6%	1,330	5.5%
Mercure Okinawa Naha	First half of the year	407	12.1%	489	0.0%	20.2%	519	6.0%
	Second half of the year	516	24.5%	556	(0.7%)	7.7%	578	4.0%
	Full year	923	18.7%	1,045	(0.4%)	13.2%	1,096	4.9%
Mercure Yokosuka	First half of the year	550	1.0%	569	0.0%	3.5%	586	3.0%
	Second half of the year	512	4.3%	503	(3.6%)	(1.8%)	540	7.5%
	Full year	1,062	2.6%	1,072	(1.7%)	0.9%	1,127	5.1%
Total	First half of the year	2,696	9.5%	2,965	0.0%	10.0%	3,094	4.4%
	Second half of the year	3,168	12.0%	3,350	(3.4%)	5.8%	3,482	3.9%
	Full year	5,863	10.8%	6,315	(1.8%)	7.7%	6,576	4.1%

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

(2) Hotel GOP

(Unit: millions of yen)

GOP and ratio of GOP of the Six Accor Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
	Actual	Comparison with previous period	Forecast this time	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six Accor Hotels	2,512	21.0%	2,877	(2.6%)	14.6%	2,987	3.8%
Ratio of GOP to sales	42.8%	3.6%	45.6%	(0.4%)	2.7%	45.4%	(0.1%)

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

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<3> Sales and GOP of the Six *the b* Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six <i>the b</i> Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
the b akasaka-mitsuke	First half of the year	221	69.4%	242	0.0%	9.4%	242	(0.0%)
	Second half of the year	242	13.8%	225	(14.4%)	(6.9%)	231	2.3%
	Full year	464	35.0%	468	(7.5%)	0.9%	473	1.1%
the b ikebukuro	First half of the year	301	7.7%	323	0.0%	7.3%	325	0.7%
	Second half of the year	324	14.5%	313	(10.2%)	(3.5%)	324	3.4%
	Full year	625	11.1%	635	(5.3%)	1.7%	648	2.0%
the b ochanomizu	First half of the year	132	9.0%	131	0.0%	(0.8%)	134	2.5%
	Second half of the year	130	4.8%	135	(3.5%)	3.8%	138	2.2%
	Full year	262	6.9%	266	(1.8%)	1.5%	273	2.3%
the b hachioji	First half of the year	267	10.4%	291	0.0%	9.0%	296	1.8%
	Second half of the year	291	13.8%	276	(10.1%)	(5.3%)	291	5.6%
	Full year	558	12.2%	566	(5.2%)	1.5%	587	3.7%
the b hakata	First half of the year	191	10.9%	230	0.0%	20.6%	240	4.2%
	Second half of the year	215	12.8%	248	1.7%	15.2%	255	2.7%
	Full year	406	11.9%	478	0.9%	17.7%	494	3.4%
Total of the Five <i>the b</i> Hotels	First half of the year	1,111	17.7%	1,216	0.0%	9.4%	1,237	1.7%
	Second half of the year	1,203	12.8%	1,197	(8.1%)	(0.5%)	1,238	3.4%
	Full year	2,315	15.1%	2,413	(4.2%)	4.3%	2,475	2.6%
the b suidobashi	First half of the year	—	—	177	0.0%	—	183	3.1%
	Second half of the year	—	—	177	(5.2%)	—	194	9.8%
	Full year	—	—	354	(2.7%)	—	377	6.5%
Total of the Six <i>the b</i> Hotels	First half of the year	—	—	1,394	0.0%	—	1,420	1.9%
	Second half of the year	—	—	1,374	(7.7%)	—	1,432	4.3%
	Full year	—	—	2,768	(4.0%)	—	2,852	3.1%

(*1) The five *the b* hotels were acquired on January 30, 2015. The figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

(*2) 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 numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

(*3) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated for the fiscal year ended December 2015 and comparison with the previous period for the fiscal year ended December 2016.

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(2) Hotel GOP

(Unit: millions of yen)

GOP and the ratio of GOP of the Five <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
	Actual	Comparison with previous period	Forecast this time	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Five <i>the b</i> Hotels	1,079	26.4%	1,187	(4.3%)	10.1%	1,198	0.9%
Ratio of GOP to sales	46.6%	4.2%	49.2%	(0.1%)	2.6%	48.4%	(0.8%)

(Unit: millions of yen)

GOP and the ratio of GOP of the Five <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ended December 2016)			FY 2017 (Fiscal year ending December 2017)	
	Actual	Comparison with previous period	Forecast this time	Comparison with the previous forecast	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six <i>the b</i> Hotels	—	—	1,363	(4.1%)	—	1,381	1.3%
Ratio of GOP to sales	—	—	49.2%	0.0%	—	48.4%	(0.8%)

(*1) The five *the b* hotels were acquired on January 30, 2015. The figures for the five *the b* hotels for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

(*2) The *b* *suidobashi* was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures for the six *the b* hotels are indicated for the fiscal year ended December 2015 and comparison with previous period for the fiscal year ended December 2016.

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 2016 (17th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2017 (18th period) of JHR. 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.