JAPAN HOTEL REIT

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Notice concerning the Revision of the Operating Forecast for the Fiscal Year December 2012 (13th period)

Japan Hotel REIT Investment Corporation (hereinafter called "JHR") informs you of the revision of the operating forecast for the fiscal year December 2012 that was announced on the "Latest Short Financial Result (REIT) for FY03/2012 (April 1, 2012 through December 31, 2012) dated May 23, 2012 as follows.

1. Rationale of revising the operating forecast

Board of Directors of JHR resolved to issue the new investment units with the aim of fundraising for the asset acquisition and pre-payment of the partial loan as well as to acquire and dispose of the assets (hereinafter called "asset replacement") today. Accordingly, the operating forecast for the fiscal year December 2012 is revised. Loss on transfer and dilution of the investment unit may be anticipated by the asset replacement, however, no impact is now forecasted on the dividend per unit for the fiscal year December 2012 because of the appropriation of the retained earnings based on the negative goodwill (JPY18.6B is projected as of now). JHR intends to maintain JPY1,341.- which is the dividend per unit announced on May 23, 2012. The latest forecast for this term without considering the asset replacement is projected to progress mostly according to the plan.

Despite the asset replacement, operating income, ordinary income and the current net profit has decreased compared with the previous forecast. This is because the loss on transfer, JPY981M, has been projected. Please see the "Attachment 2" for the profit and loss statement without the special causes such as loss on transfer and the advantage of the negative goodwill.

Because of the merger (hereinafter called "merger") with Japan Hotel and Resort, Inc. (hereinafter called "former JHR") effective on April 1, 2012, the financial settlement has been changed to once a year (December). However, the 13th period is the first operating period after the merger and irregular financial settlement has been applied for this operating period that has nine months from April 1, 2012 through December 31, 2012. Consequently, the dividend per unit for the fiscal year December 2012, JPY1,341.- is not the dividend on annual basis. For your information, the dividend per unit on annual basis calculated under a certain assumptions is JPY1,563.- (the dividend per unit on annual basis forecasted last time was JPY1,502.-). Please refer to "Attachment 1", "Assumptions of the operating forecast for the fiscal year December 2012" for the assumption of the dividend per unit on annual basis.

2. Revision of the operating forecast for the fiscal year December 2012 (April 1, 2012 through December 31, 2012) (*1)

	Operating income	Operating profit	Ordinary income	Current net profit	Dividend per unit (Excess of earnings exclusive) (*1)	Dividend per unit resulted from excess of earnings
Previous forecast (A)	JPY1M 6,997	JPY1M 3,572	JPY1M 2,443	JPY1M 21,041	JPY 1,341	JPY 0
Revised forecast (B)	JPY1M 7,226	JPY1M 2,799	JPY1M 1,598	JPY1M 20,196	JPY 1,341	JPY 0
Variance (C)= (B)－(A)	JPY1M 229	JPY1M -772	JPY1M -844	JPY1M -844	JPY 0	JPY 0
Variance ratio (D)= (C)/(A) (*2)	% 3.3	% -21.6	% -34.6	% -4.0	% 0	% 0

(*1) Because of the merger with former JHR, the financial settlement term has been changed to one year from January 1, 2012 to December 31, 2012. However, the calculation period of the first year after the merger is nine months from April 1, 2012 to December 31, 2012.

(*2) The Current net profit includes the negative goodwill (JPY18.6B) and loss on transfer (JPY981M) and it is not the source of the dividend. See Attachment 1,"Assumption of the Operating Forecasts for the fiscal year 2012" for detail.

(*3) The dividend per unit on annual basis is JPY1,563.- See "Assumption of the Operating Forecasts for the fiscal year 2012" for the assumption of the calculation for annual basis and the dividend per unit on annual basis.

(*4) In addition to the total number of units having been issued as of today, 1,859,281, issuance of the secondary offering resolved by the board meeting today (240,000 units), and the issuance of the units by way of third party allotment with the secondary offering through over-allotment (12,000 units maximum) have been assumed, and the total maximum number of the new offering is 252,000 units.

(*5) Amount less than a unit will be rounded off. Less than two decimal places are rounded off.

(*6) See Attachment 3 for the impact and effect on JHR after the asset replacement.

Note: The above is the projection based on the current operating status and the actual dividend per unit may fluctuate. The projection stated above does not guarantee the amount indicated.

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

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<Attachment 1>

Assumption of the operating forecast for the fiscal year December 2012

<table>
<tr><th>Item</th><th>Assumption</th></tr>
<tr><td>Calculation term</td><td>・Whole fiscal year of the fiscal year December 2012 (13th period) : April 1, 2012 to December 31, 2012 (275 days)</td></tr>
<tr><td>Operating asset</td><td>・JHR currently owns 28 properties and one property is removed (“property disposed”) and two properties are added (“new assets”). Thus, the total 29 properties are the base of the assumption.

＜Properties disposed＞
<table>
<tr><th>Scheduled disposition date</th><th>Property name</th></tr>
<tr><td>September 28, 2012</td><td>Millennia Hotel Matsuyama (Matsuyama NH Building)</td></tr>
</table>

＜Properties acquired＞
<table>
<tr><th>Scheduled acquisition date</th><th>Property name</th></tr>
<tr><td>September 19, 2012</td><td>Hotel Keihan Universal City</td></tr>
<tr><td>September 19, 2012</td><td>Hotel Sunroute Shinbashi</td></tr>
</table>

・JHR assumes that no transfer of the asset will occur by the end of December 2012 such as new acquisition or disposition except for the above assets. It may fluctuate if the operating asset was transferred.</td></tr>
<tr><td>Number of units issued</td><td>・In addition to the total number of units having been issued as of today (1,859,281 units), issuance of the new units resolved by the board meeting today (240,000 units), and the issuance of the units by way of third party allotment with the secondary offering through over-allotment (12,000 units maximum) have been assumed, and the total maximum number of the new offering is 252,000 units.
・No additional issuance of the investment unit by the end of December 2012 is presupposed.</td></tr>
<tr><td>Operating income</td><td>・The operating income has been calculated based on the effective lease agreement as of today considering the competitiveness of the hotel and the market conditions.
・The operating income of the new assets have been calculated based on the information provided by the present owners.
・Among nine properties having been succeeded from the former JHR through the merger, the variable rent of HMJ’s five hotels (*1) are calculated based on the new lease agreement effective from April 1, 2012.

<u>Grounds of calculation for the HMJ’s five hotels</u>
Rent of the fiscal year December 2012 (JPY4.196B)＝ Fixed rent (JPY2.415B)＋ Variable rent（JPY1.780B）
Fixed rent ＝ JPY286M/month x 9 months
Variable rent ＝ [① GOP of the total HMJ five hotels (*2)－ ② GOP base amount] x 81.5%
① GOP of HMJ’s five hotels for the fiscal year December 2012 is projected to be JPY4.697B
② GOP base amount is projected to be JPY2.513B for the fiscal year December 2012 (13th period). The annual GOP base amount is set to be JPY3.351B and JHR does not intend to change it by the expiration of the trust agreement.

The three terms comparison for the hotel sales, GOP and variable rent of HMJ’s five hotels is indicated in <reference 1>.

(*1) Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima.
(*2) Gross Operating Profit which is the standard management index of the hotel’s operational capability.
Gross Operating Profit = Hotel sales volume – Operating cost directly related to the sales of each hotel
1.Cost of sales, 2. Labor cost and welfare cost of the hotel staff, 3. Supply cost, 4. Cost for the sales dept. including outsourcing cost and various handling charges, 6. General administration cost, 6. Sales promotion and advertisement cost, 7. Repair and maintenance cost (Facilities maintenance and management cost inclusive), 8. Water and energy cost, 9. Insurance for operating the hotel, 10. Tax to operate the</td></tr>
</table>

Item	Assumption
	hotel (Revenue stamp tax, etc.), 11. Allowance for bad debts and loss from bad debts for the hotel receivables, 12. Other direct costs to operate the hotel. ・ Referring to the operating income of Ibis Tokyo Shinjuku, the real estate operational income of JPY172M from A.A.P.C. Japan (operator) and JPY75M (fix rent) from the non-hotel tenant are inclusive. The real estate operational income does not include the management cost paid by JHR, trustee, and other costs that had been paid by GOP of Ibis Tokyo Shinjuku. ・ Lessee's rent delinquency is not considered for the assumption of the operating income.
Operating cost	・ The cost besides the depreciation cost of the real estate leasing cost (the major operating cost) is based on the past actual data for the existing properties. The past actual data provided by the present owners have also been applied to the new assets, and the factor that may fluctuate the cost has been reflected on the calculation. ・ Referring to tax such as the fixed asset tax and the city planning tax, only the cost necessary for the subject operating period has been calculated from the tax amount imposed, and payment of JPY602M has been assumed. In general, the fixed asset tax and the city planning tax for the new asset are proportionately adjusted between JHR and the present owners based on the period. JHR intends to integrate the adjusted amount into the acquisition price thus it will not be calculated as the cost. ・ Depreciation cost has been calculated by the straight-line method including incidental cost and the additional capital expenditure for the fiscal year December 2012 (13th period), JPY1.037B, and JPY1.605B is projected. ・ The repair cost of the building has been calculated based on the necessary amount for each operating term. Please note that 1. Emergency repair may be required by the unexpected incident and damage, 2. More cost is required for the fatigued property, and 3. The cost is not regularly required. Thus the actual repair cost of each operating period may differ greatly from the projected cost. ・ Loss on transfer of JPY981M has been calculated based on the scheduled disposition price of JPY422M, book value as of the end of September 2012, JPY1.385B, and the cost necessary for the disposition, JPY17M.
Non-operating cost	・ JPY1.149B has been projected for the interest payment and loan related cost. ・ JPY50M has been projected for the secondary offering and issuance of new investment unit. ・ JHR presupposes that the cost for the secondary offering and issuance of new investment unit will be depreciated in three years by the straight-line method.
Loan	・ The balance of the interest-bearing loan (Loan and the corporate bond of JHR)as of April 1, 2012 is JPY60.467B. JHR presupposes that it will be JPY65.865B after the asset replacement, and it will be JPY65.509B as of December 31, 2012. ・ The total balance after the asset replacement is calculated based on the total balance as of April 1, 2012, loan of JPY6B for the new acquisition, repayment of JPY419M with the disposition proceeds and JPY182M by the repayment with own fund. ・ The loan that needs to be repaid in 13th period is JPY12.753B, and refinance has been assumed for all of it.
Extraordinary income from negative goodwill	・ Negative goodwill has been projected by the merger. It has been assumed that the merger falls under the acquisition stipulated by "Accounting Standard concerning the Business Combinations" modified on December 26, 2008, and the profit from the negative goodwill is to be entered as the extraordinary income. ・ As of today, JPY18.600B has been calculated for the negative goodwill based on the total asset succeeded from former JHR, JPY83.849B, financial obligations succeeded, JPY42.141B, acquisition cost of the merger, JPY21.746B (based on the closing price as of March 30, 2012, JPY18,700.-), various merger cost, JPY695M and the merger subsidy, JPY608M. The amount of the negative goodwill has not been fixed yet and it may fluctuate in future.

<table>
<tr><th>Item</th><th>Assumption</th></tr>
<tr><td>Dividend per unit</td><td>

・ Dividend per unit has been calculated as follows:

<table>
<tr><td>Current net profit</td><td>JPY20.196B</td></tr>
<tr><td>Profit from negative goodwill(extraordinary income)</td><td>-JPY18.600B</td></tr>
<tr><td>Use of negative goodwill(loss on retirement of noncurrent asset）</td><td>JPY53M</td></tr>
<tr><td>Use of negative goodwill（loss on transfer）</td><td>JPY981M</td></tr>
<tr><td>Use of negative goodwill（coping with dilution）</td><td>JPY200M</td></tr>
<tr><td>Total amount of dividend</td><td>JPY2.831B</td></tr>
<tr><td>No. of units issued</td><td>2,111,281 units</td></tr>
<tr><td>Dividend per unit</td><td>JPY1,341</td></tr>
</table>

・ Dividend per unit may fluctuate depending on various factors such as transfer of the operating asset, rent fluctuation because of the transfer of the hotel lessee or their business climate, and unexpected repair, etc.

</td></tr>
<tr><td>Dividend per unit in excess of earnings</td><td>

・ It is assumed that JHR will not provide the dividend per unit in excess of earnings.

</td></tr>
<tr><td>Dividend on annual basis</td><td>

・ The other items for the existing properties except for the variable rent of HMJ's five hotels are on the annual basis (not for nine months), and the variable rent of HMJ's five hotels are calculated based on the data for the period from January 2012 to December 2012.
・ The projections for the new assets are for one year from January 2013 through December 2013 calculated based on the data provided by the present owners.　Tax such as the fixed asset tax and the city planning tax are assumed to be JPY56M for nine months.
・ Referring to the properties to be disposed of, JHR's not owing them throughout a year has been assumed.　It has been projected that the annual operating revenue for the properties to be disposed of is JPY75M and the operating income is JPY44M.
・ Negative good will, JPY18.6B, and the loss on transfer, JPY981M, are not considered for the assumption.

<u>Grounds for the rent of HMJ's five hotels</u>

Rent on annual basis (5.055B)＝ Fixed rent(3.221B）＋ variable rent（1.834B）

Fixed rent ＝ 268M/month x 12 months
Variable rent ＝ [①Total GOP of HMJ's five hotels－ ②GOP base amount] x 81.5％

① Total GOP of HMJ's five hotels for the period from January 2012 to December 2012 is assumed to be JPY5.602B.
② The base amount for the annual GOP is JPY3.351B and it will not be changed by the expiration of the lease agreement has been presupposed.

The three terms comparison for the hotel sales, GOP and variable rent of HMJ's five hotels is indicated in

</td></tr>
<tr><td>New assets</td><td>

・ The operating statuses of the new assets are as follows:

＜Hotel Keihan Universal City＞　(JPY1M)

<table>
<tr><th></th><th>Fiscal year December 2012</th><th>Annual basis</th></tr>
<tr><td>Operating income</td><td>160</td><td>565</td></tr>
<tr><td>Operating profit</td><td>112</td><td>362</td></tr>
</table>

</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumption</th></tr>
<tr><td></td><td>＜Hotel Sunroute Shinbashi＞ （JPY1M）
<table>
<tr><th></th><th>Fiscal Year December 2012</th><th>Annual basis</th></tr>
<tr><td>Operating income</td><td>88</td><td>343</td></tr>
<tr><td>Operating profit</td><td>68</td><td>248</td></tr>
</table>
</td></tr>
<tr><td>Other</td><td>・ Modification of law, tax law, accounting standard, regulation of the Tokyo Stock Exchange, and regulation of the Investment Trust Association that may impact on the above are not assumed.
・ No contingency is assumed for the general economy, real estate market, and hotel business environment.
・ Less than JPY1M is rounded off for the numbers above.</td></tr>
</table>

＜Reference 1＞

(1) Hotel sales by each hotel

(Unit: JPY1M)

Sales of the five hotels with variable rent		January 2010 to December 2010 (12 months) (*2)		January 2011 to December 2011 (12 months) (*2)		January 2012 to December 2012 (12 months) (*2)		April 2012 to December 2012 (9 months) (*3)	
		Actual	Comparison with last term	Actual	Comparison with last term	Projection	Comparison with last term	Projection	Comparison with last term
Kobe Meriken Park Oriental Hotel	1st half	2,800	4.2%	2,546	-9.1%	2,528	-0.7%		
	2nd half	3,012	-5.8%	3,008	-0.1%	3,005	-0.1%		
	Whole financial year	5,812	-1.2%	5,554	-4.4%	5,533	-0.4%	4,339	△0.9%
Oriental Hotel Tokyo Bay	1st half	3,130	4.4%	2,219	-29.1%	3,161	42.4%		
	2nd half	3,478	5.6%	3,529	1.5%	3,582	1.5%		
	Whole financial year	6,608	5.0%	5,748	-13.0%	6,742	17.3%	5,128	13.6%
Namba Oriental Hotel	1st half	914	9.7%	940	2.9%	874	-7.1%		
	2nd half	956	7.1%	968	1.3%	913	-5.7%		
	Whole financial year	1,870	8.3%	1,909	2.1%	1,786	-6.4%	1,353	△7.0%
Hotel Nikko Alivila	1st half	2,035	-7.0%	1,911	-6.1%	2,108	10.3%		
	2nd half	3,005	0.7%	3,163	5.3%	3,245	2.6%		
	Whole financial year	5,040	-2.6%	5,074	0.7%	5,352	5.5%	4,354	4.2%
Oriental Hotel Hiroshima	1st half	1,009	0.5%	904	-10.4%	988	9.3%		
	2nd half	1,058	-0.4%	1,034	-2.2%	1,118	8.1%		
	Whole financial year	2,067	0.0%	1,939	-6.2%	2,106	8.6%	1,625	8.4%
Total	1st half	9,888	1.8%	8,521	-13.8%	9,659	13.4%		
	2nd half	11,508	0.7%	11,703	1.7%	11,861	1.4%		
	Whole financial year	21,396	1.2%	20,223	-5.5%	21,520	6.4%	16,799	4.8%

(*1) The sales of HMJ's five hotels on this operating forecast are projected based on that the previous sales forecast announced on May 23, 2012 has not changed.

(*2) The financial settlement term for the fiscal year December 2012 has only nine months but each hotel sales have been calculated on annual basis for the comparison purpose (January 1 through December 31).

(*3) The numbers for the fiscal year December 2012 (Apr. 1 through Dec. 31) is indicated. The nine months are compared to the nine months in the last term.

(*4) Amount less than JPY1M is rounded off.

(2) Hotel GOP

(Unit: JPY1M)

GOP of HMJ's five hotels	January 2010 to December 2010 (12 months) (*2)		January 2011 to December 2011 (12 months) (*2)		January 2012 to December 2012 (12 months) (*2)		April 2012 to December 2012 (9 months) (*3)	
	Actual	Comparison with last term	Actual	Comparison with last term	Projection	Comparison with last term	Projection	Comparison with last term
HMJ's five hotels in total	5,696	10.9%	5,158	△9.4%	5,602	8.6%	4,697	4.3%
GOP ratio to the sales	26.6%	2.3%	25.5%	△1.1%	26.0%	0.5%	28.0%	-0.2%

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(*1) The sales of HMJ's five hotels on this operating forecast are projected based on that the previous sales forecast announced on May 23, 2012 has not changed.

(*2) The financial settlement term for the fiscal year December 2012 has only nine months but each hotel sales have been calculated on annual basis for the comparison purpose (January 1 through December 31).

(*3) The numbers for the fiscal year December 2012 (Apr. 1 through Dec. 31) is indicated. The nine months are compared to the nine months in the last term.

(*4) Amount less than JPY1M is rounded off.

＜Reference 2＞

	13th period Previous Operating forecast		13th period Operating forecast today		Variance	
	(9 months)	(Annual basis)	(9 months)	(Annual basis)	(9 months)	(Annual basis)
Operating income	**6,997**	**8,790**	**7,226**	**9,623**	**229**	**833**
NOI (*1)	**5,905**	**7,335**	**6,122**	**8,068**	**216**	**732**
Real estate rent income (*2)	**4,281**	**5,170**	**4,464**	**5,786**	**183**	**616**
Operating profit	**3,572**	**4,228**	**3,781**	**4,848**	**209**	**619**
Current net profit	**2,440**	**2,721**	**2,578**	**3,230**	**137**	**508**

(*1) NOI = Operational revenue – Operational cost + Depreciation cost + loss on retirement of noncurrent assets
(*2) Real estate rent income = Real estate operational revenue – Real estate operational cost
(*3) The above does not include extraordinary factors such as the negative goodwill (JPY18.600B) and loss on transfer (JPY981M).
(*4) The amount less than JPY1M is rounded off.

＜Reference 3＞

JHR improves profitability and stability, and enlarges the size of the asset though this public offering and the asset replacement

		Initial operating forecast on annual basis (*1)	Properties to be acquired	Property to be disposed	Operating forecast after the asset replacement on annual basis (*1)
No. of Properties		**28**	**2**	**1**	**29**
Total acquisition price (scheduled acquisition inclusive)	JPY1M	**122,285**	**10,800**	**1,352**	**131,733**
NOI yield	%	**6.0**	**7.3**	**4.1**	**6.1**
NOI yield after depreciation	%	**4.2**	**6.0**	**2.1**	**4.4**
Dividend per unit (*1)	JPY	**1,502**			**1,563**
LTV (Purchase price)	%	**49.4**			**50.0**

(*1) Please see attachment 1, "Assumption for the operating forecast for the fiscal year December 2012" for the assumption of the calculation to the annual basis and the dividend per unit.
(*2) NOI yield = NOI /Acquisition price (scheduled acquisition inclusive)
(*3) NOI yield after depreciation = Real estate rent /Acquisition price (scheduled acquisition inclusive)
(*4) LTV (Purchase price) = Amount of the interest-bearing borrowings (Borrowings and the balance of the investment corporation bond) /Total acquisition price (scheduled acquisition inclusive)
(*5) Amount less than JPY1M is rounded off and it is calculated to two decimal places.