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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)  
Kaname Masuda, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.  
Hisashi Furukawa, Representative Director and President

Contact:

Makoto Hanamura  
General Manager  
Investor Relations Department, Operations Division  
TEL: +81-3-6422-0530

Notice Concerning Revision of Operating Forecast and Forecast of Dividend  
for the Fiscal Year Ended 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 2017 (January 1, 2017 through December 31, 2017), which was announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ended December 2017 (18th Period), and Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2018 (19th Period)” dated January 9, 2018, as follows. Please note there is no change in the operating forecast and forecast of dividend for the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018).

1. Revision of the operating forecast and forecast of dividend for the full year of the fiscal year ended 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
Previous forecast (A)	JPY1M 25,482	JPY1M 15,754	JPY1M 13,996	JPY1M 13,994	JPY 3,680	JPY 0
Revised forecast (B)	JPY1M 25,475	JPY1M 15,757	JPY1M 14,006	JPY1M 14,005	JPY 3,683	JPY 0
Variance (C)= (B) – (A)	JPY1M (6.8)	JPY1M 3.8	JPY1M 10.1	JPY1M 10.1	JPY 3	JPY 0
Variance (D)= (C)/(A)	% (0.0)	% 0.0	% 0.1	% 0.1	% 0.1	% 0.0

(Reference) Forecast of net income per unit for the full year: ¥3,606  
(Calculated based on the average number of investment units during the period (3,883,679 units))

- (\*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,010,847 units.
- (\*2) Reserve for temporary difference adjustment in the amount of ¥769 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 2017 (18th period), and on the notice of operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th 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. Rationale for the revisions of the operating forecast for the full year of the fiscal year ended December 2017 (January 1, 2017 through December 31, 2017)

JHR's operating results of the fiscal year ended December 2017 (18th period) have almost become clear, and JHR will revise the operating forecast and forecast of dividend as of today.

For hotel sales and hotel GOP (\*1) for the twelve HMJ hotels (\*2), the six Accor hotels (\*3), and the six *the b* hotels (\*4), please refer to <Reference Materials 1> <1> Sales and GOP of the Twelve HMJ Hotels, <2> Sales and GOP of the Six Accor Hotels, and <3> Sales and GOP of the Six *the b* Hotels 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 five HMJ hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima. The nine HMJ hotels are the five HMJ hotels plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA, Hotel Centraza Hakata and Holiday Inn Osaka Namba. The twelve HMJ hotels are the nine HMJ hotels plus Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara. HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply hereinafter.
- (\*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 Suidobashi, the b Akasaka-Mitsuke, the b Ikebukuro, the b Ochanomizu, the b Hachioji and the b Hakata. The same shall apply hereafter.

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 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 the fiscal year ended December 2016 (17th period) and the forecast for the full year of the fiscal year ended December 2017 (18th period).

(Unit: millions of yen)

		17th Period	18th Period	Comparison with Previous Period (B)-(A) Variance		Property Acquisition in 18th Period (*1)	Property Acquisition in 17th Period (*2)	Existing Properties	Causes of Variance (Existing Properties)
		Actual (A)	Forecast This Time (B)						
<b>Properties</b>	<b>No. of properties</b>	41	44	3	7.3%				
	<b>Acquisition price</b>	286,801	319,474	32,673	11.4%				
<b>Profit and Loss</b>	<b>Operating revenue</b>	22,107	25,475	3,368	15.2%	931	2,218	217	
	<b>Real estate operating revenue</b>	22,107	25,475	3,368	15.2%	931	2,218	217	
	<b>Fixed rent, etc.</b>	Composition 57.5% 12,714	Composition 55.8% 14,221	1,506	11.9%	536	1,069	(99)	Receipt of termination charge due to replacement of tenants in 17th period: JPY(126)M Increase in rent due to replacement of tenants in 18th period: JPY10M and others
	<b>Variable rent, etc.</b>	42.5% 9,392	44.2% 11,253	1,861	19.8%	395	1,148	316	The seven HMJ hotels(*3) -- increase in variable rent: JPY397M The six Accor hotels -- increase in income from management contracts, etc.: JPY115M The six <i>the b</i> hotels-- decrease in variable rent: JPY(58)M Decrease in revenue sharing, etc.: JPY(137)M
	<b>NOI (*4)</b>	18,829	21,424	2,594	13.8%	922	1,533	139	
	<i>NOI yield</i>	6.6%	6.7%	0.1%					
	<b>NOI after depreciation (*4)</b>	15,517	17,563	2,046	13.2%	739	1,273	33	
	<i>NOI yield after depreciation</i>	5.4%	5.5%	0.1%					
	<b>Operating income</b>	13,885	15,757	1,872	13.5%				
	<b>Ordinary income</b>	12,220	14,006	1,786	14.6%				
<b>Net income</b>	12,123	14,005	1,881	15.5%					
<b>Dividend</b>	<b>Use of negative goodwill</b>	740	769	29	4.0%				
	<b>Total dividends</b>	12,865	14,771	1,906	14.8%				
	<b>No. of units issued</b>	3,761,907	4,010,847	248,940	6.6%				
	<b>Dividend per unit (JPY)</b>	3,420	3,683	263	7.7%				

- (\*1) Stating the impact on the income statement by Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara, which were acquired in the fiscal year ended December 2017 (18th period).
- (\*2) Stating the impact on the income statement by CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya, which were acquired in the fiscal year ended December 2016 (17th period).
- (\*3) The seven hotels that exclude Hotel Centraza Hakata and Holiday Inn Osaka Namba from the nine HMJ hotels.
- (\*4) Each is calculated using the following formula. The same shall apply hereafter.

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

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

NOI yield after depreciation = NOI after depreciation ÷ acquisition price

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<Reference Material 2>

Dividend per unit for the fiscal year ended December 2017 is calculated based on the following assumptions.

Net income	¥14,005 million
Use of reserve for temporary difference adjustment (negative goodwill)	
50-year amortization amount of negative goodwill (*1)	¥262 million
Loss on retirement of noncurrent assets (*2)	¥132 million
Correspondence to dilution (*3)	¥374million
Distributable amount	¥14,774 million
Total number of investment units issued	4,010,847 units
Dividend per unit	¥3,683

- (\*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is paid 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 ended December 2017 (18th period).
- (\*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.
- (\*3) Allocation of temporary difference adjustment from negative goodwill is planned to be used in order to avoid the impact of dilution on dividend per unit due to the issuance of new investment units.
- (\*4) The balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) to dividends for the fiscal year ended December 2017 (18th period) is expected to be ¥12,357 million.

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<Reference Materials 3>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the twelve HMJ 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 Twelve HMJ Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Twelve HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,465	1.7%	2,431	(1.4)%
	Second half of the year	2,896	2.4%	2,950	1.9%
	Full year	5,361	2.1%	5,381	0.4%
Oriental Hotel tokyo bay	First half of the year	3,454	1.7%	3,319	(3.9)%
	Second half of the year	3,817	(2.8)%	3,518	(7.8)%
	Full year	7,271	(0.7)%	6,838	(6.0)%
Namba Oriental Hotel	First half of the year	1,386	16.6%	1,394	0.6%
	Second half of the year	1,491	11.1%	1,492	0.1%
	Full year	2,877	13.7%	2,887	0.3%
Hotel Nikko Alivila	First half of the year	2,421	1.8%	2,568	6.1%
	Second half of the year	3,734	4.6%	3,821	2.3%
	Full year	6,155	3.5%	6,389	3.8%
Oriental Hotel Hiroshima	First half of the year	1,025	3.4%	993	(3.0)%
	Second half of the year	1,216	6.4%	1,159	(4.7)%
	Full year	2,240	5.0%	2,153	(3.9)%
Total of the Five HMJ Hotels	First half of the year	10,751	3.6%	10,706	(0.4)%
	Second half of the year	13,154	2.7%	12,941	(1.6)%
	Full year	23,905	3.1%	23,647	(1.1)%
Okinawa Marriott Resort & Spa	First half of the year	1,607	(0.4)%	1,692	5.3%
	Second half of the year	2,326	(3.2)%	2,459	5.7%
	Full year	3,933	(2.1)%	4,151	5.6%
Sheraton Grand Hiroshima Hotel	First half of the year	1,369	1.7%	1,601	17.0%
	Second half of the year	1,627	8.3%	1,747	7.4%
	Full year	2,996	5.2%	3,348	11.8%
Hotel Centraza Hakata	First half of the year	1,155	2.8%	1,266	9.5%
	Second half of the year	1,265	5.0%	1,198	(5.3)%
	Full year	2,421	3.9%	2,464	1.8%
Holiday Inn Osaka Namba	First half of the year	1,104	32.7%	1,011	(8.4)%
	Second half of the year	1,103	(2.7)%	1,063	(3.6)%
	Full year	2,206	12.3%	2,074	(6.0)%
Total of the Nine HMJ Group Hotels	First half of the year	15,985	4.5%	16,276	1.8%
	Second half of the year	19,476	2.2%	19,408	(0.3)%
	Full year	35,461	3.3%	35,684	0.6%

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Sales of the Twelve HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Hilton Tokyo Narita Airport	First half of the year	1,420	(0.8)%	1,542	8.6%
	Second half of the year	1,566	2.8%	1,696	8.3%
	Full year	2,986	1.1%	3,238	8.4%
International Garden Hotel Narita	First half of the year	734	11.9%	705	(4.1)%
	Second half of the year	718	8.5%	733	2.1%
	Full year	1,453	10.2%	1,438	(1.0)%
Hotel Nikko Nara	First half of the year	1,483	(1.4)%	1,458	(1.7)%
	Second half of the year	1,521	(2.4)%	1,512	(0.6)%
	Full year	3,003	(1.9)%	2,970	(1.1)%
Total of the Twelve HMJ Hotels	First half of the year	19,622	3.9%	19,980	1.8%
	Second half of the year	23,281	2.1%	23,349	0.3%
	Full year	42,903	2.9%	43,329	1.0%

(\*1) The figures for the fiscal year ended December 2016 of Hotel Centraza Hakata and Holiday Inn Osaka Namba, which were acquired for the fiscal year ended December 2016, are for the entire year including prior to the acquisition.

(\*2) For the properties acquired during the fiscal year ended December 2017 (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), the figures for the fiscal year ended December 2016 and the fiscal year ended December 2017 are the numbers for the entire year including period prior to the acquisition.

## (2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Twelve HMJ Hotels (*1)		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison With the previous period	Forecast this time	Comparison with the previous period
Total of the Nine HMJ Hotels	GOP	12,010	10.1%	12,457	3.7%
	Ratio of GOP	33.9%	2.1%	34.9%	1.0%
Total of the Twelve HMJ Hotels	GOP	14,124	10.4%	14,666	3.8%
	Ratio of GOP	32.9%	2.2%	33.8%	0.9%

(\*1) Ratio of GOP refers to the ratio of GOP to sales. The same shall apply hereinafter.

(\*2) The figures for the fiscal year ended December 2016 of Hotel Centraza Hakata and Holiday Inn Osaka Namba, which were acquired for the fiscal year ended December 2016, are for the entire year including prior to the acquisition.

(\*3) For the properties acquired during the fiscal year ended December 2017 (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), the figures for the fiscal year ended December 2016 and the fiscal year ended December 2017 are numbers for the entire year including period prior to the acquisition.

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## &lt;2&gt; Sales and GOP of the Six Accor Hotels

## (1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
ibis Tokyo Shinjuku	First half of the year	406	(10.3)%	365	(10.1)%
	Second half of the year	426	1.3%	408	(4.1)%
	Full year	832	(4.7)%	773	(7.1)%
ibis Styles Kyoto Station	First half of the year	464	30.0%	482	3.7%
	Second half of the year	513	12.3%	496	(3.4)%
	Full year	977	20.1%	977	0.0%
ibis Styles Sapporo	First half of the year	490	14.3%	548	11.9%
	Second half of the year	633	7.1%	671	6.1%
	Full year	1,122	10.1%	1,219	8.6%
Mercure Sapporo	First half of the year	546	9.3%	596	9.3%
	Second half of the year	708	5.3%	755	6.6%
	Full year	1,254	7.0%	1,351	7.8%
Mercure Okinawa Naha	First half of the year	489	20.2%	532	8.7%
	Second half of the year	560	8.6%	564	0.8%
	Full year	1,049	13.7%	1,096	4.5%
Mercure Yokosuka	First half of the year	569	3.5%	551	(3.2)%
	Second half of the year	502	(2.0)%	486	(3.1)%
	Full year	1,071	0.8%	1,037	(3.2)%
Total of the Six Accor Hotels	First half of the year	2,965	10.0%	3,074	3.7%
	Second half of the year	3,341	5.5%	3,380	1.2%
	Full year	6,306	7.6%	6,454	2.4%

## (2) Hotel GOP

(Unit: millions of yen)

GOP and ratio of GOP of the Six Accor Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Total of the Six Accor Hotels		2,885	14.9%	3,004	4.1%
Ratio of GOP to sales		45.8%	2.9%	46.5%	0.8%

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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 Accor Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
the b akasaka-mitsuke	First half of the year	242	9.4%	215	(11.2)%
	Second half of the year	226	(6.7)%	218	(3.4)%
	Full year	468	1.0%	433	(7.5)%
the b ikebukuro	First half of the year	323	7.3%	306	(5.3)%
	Second half of the year	312	(3.7)%	311	(0.4)%
	Full year	635	1.6%	617	(2.9)%
the b ochanomizu	First half of the year	131	(0.8)%	130	(0.9)%
	Second half of the year	135	3.5%	133	(1.1)%
	Full year	266	1.3%	263	(1.0)%
the b hachioji	First half of the year	291	9.0%	266	(8.5)%
	Second half of the year	273	(6.1)%	282	3.2%
	Full year	564	1.1%	548	(2.8)%
the b hakata	First half of the year	230	20.6%	244	5.9%
	Second half of the year	249	15.5%	266	6.9%
	Full year	478	17.9%	509	6.4%
the b suidobashi	First half of the year	177	—	173	(2.1)%
	Second half of the year	174	—	177	1.9%
	Full year	351	—	351	(0.2)%
Total of the Six <i>the b</i> Hotels	First half of the year	1,394	—	1,333	(4.3)%
	Second half of the year	1,369	—	1,388	1.4%
	Full year	2,763	—	2,721	(1.5)%

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

(2) Hotel GOP

(Unit: millions of yen)

GOP and the ratio of GOP of the Six <i>the b</i> Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)	
		Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Total of the Six <i>the b</i> Hotels		1,370	—	1,304	(4.8)%
Ratio of GOP to sales		49.6%	—	47.9%	(1.7)%

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

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