

This is an English translation of summarized financial results prepared for reference purposes only. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

February 20, 2014

## Financial Report for the Fiscal Period Ended December 31, 2013 (January 1, 2013 – December 31, 2013)

### Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange  
Securities code: 8985  
URL: <http://www.jhrth.co.jp/>  
Representative: Yukio Isa, Executive Director

Asset management company: Japan Hotel REIT Advisors Co., Ltd.  
Representative: Hiroyuki Suzui, Representative Director  
Contact: Noboru Itabashi,  
General Manager of Accounting  
Finance and Accounting Division  
Phone: +81-3-6422-0530

Scheduled date to file Securities Report: March 20, 2014  
Scheduled date to start dividend payment: March 20, 2014

Preparation of supplementary material on financial report: Yes  
Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts truncated to the nearest million yen)

### 1. Summary of financial results for the fiscal period ended December 2013 (January 1, 2013 – December 31, 2013)

#### (1) Operating results

(Percentages show changes from the previous period)

	Operating income		Operating profit		Ordinary income		Current net profit	
Fiscal period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2013	11,472	57.5%	5,367	106.8	3,740	164.8	3,233	(83.0)
December 31, 2012	7,283	408.8	2,595	246.0	1,412	197.5	19,031	-

	Current net profit per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating income
Fiscal period ended	Yen	%	%	%
December 31, 2013	1,307	4.1	2.4	32.6
December 31, 2012	9,711	41.1	1.5	19.4

(Note 1) Current net profit per unit is calculated based on the average number of investment units during the fiscal period.

(Note 2) Current net profit for the fiscal period ended December 2013 includes loss on sale of real estate (1,189 million yen) and impairment loss (516 million yen). Please see “<Reference 1> Operating results excluding extraordinary factors” on page 4 for the operating status excluding extraordinary factors.

(Note 3) Because of the changed fiscal period, the fiscal period ended December 31, 2012 has the irregular financial settlement period that is from April 1, 2012 through December 31, 2012 (nine months). Accordingly, current net profit for the fiscal period ended December 31, 2012 is not the annualized net profit.

(Note 4) Current net profit for the fiscal period ended December 31, 2012 includes gain on negative goodwill (18,578 million yen) resulted from the merger, loss on sale of real estate, etc. (1,393 million yen) and impairment loss (958 million yen). Please see “<Reference 1> Operating results excluding extraordinary factors” on page 4 for the operating status excluding extraordinary factors.

## (2) Cash distributions

	Dividend per unit (Dividend from excess of earnings exclusive)	Total dividends	Dividend from excess of earnings per unit	Total dividend from excess of earnings	Payout ratio	Dividend to net assets
Fiscal period ended	JPY	JPY M	JPY	JPY M	%	%
December 31, 2013	1,939	5,082	0	0	157.2	5.8
December 31, 2012	1,427	3,012	0	0	15.8	4.3

(Note 1) The source of dividends for the fiscal period ended December 2012 is calculated by adding provision for dividends to unappropriated retained earnings. Please see "<Reference 2> Dividend per unit and the provision for dividends" on page 4 for detail.

(Note 2) Current net profit for the fiscal period ended December 2012 includes gain on negative goodwill (18,578 million yen) recorded under extraordinary income and it is not the source of dividends. The source of dividends is calculated by adding provision for dividends to unappropriated retained earnings after deducting gain on negative goodwill. Please see "<Reference 2> Dividend per unit and the provision for dividends" on page 4 for detail.

(Note 3) The fiscal period ended December 2012 has irregular financial settlement period (nine months from April 1, 2012 through December 31, 2012). Accordingly, the dividend per unit for the fiscal period ended December 2012 is not the dividend for one year. The annualized dividend per unit calculated under the certain conditions is 1,621 yen.

(Note 4) Payout ratio is calculated by the formula below. Fractions after two decimal places are rounded off.  

$$\text{Total amount for dividends (total dividend from excess of earnings exclusive)} / \text{Current net profit} \times 100$$

## (3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2013	170,727	89,756	52.6	34,241
December 31, 2012	139,623	69,010	49.4	32,686

(Note) Net assets per unit are calculated based on the number of investment units issued at the end of the period.

## (4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2013	9,991	(33,349)	26,988	12,553
December 31, 2012	4,334	(11,349)	8,927	8,922

## 2. Forecasts of results for the fiscal period ending December 31, 2014 (January 1, 2014 - December 31, 2014)

(Percentages show changes from the previous period)

	Operating income	Operating profit	Ordinary income	Current net profit	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
	Millions of yen    %	Millions of yen    %	Millions of yen    %	Millions of yen    %	Yen	Yen
Fiscal period ending June 30, 2014 (Midterm)	5,275    10.3	2,709    22.0	1,860    31.1	1,858    30.0	1,940	0
Fiscal period ending December 31, 2014 (Full year)	11,964    4.3	6,684    24.5	5,074    35.7	5,072    56.9		

(Reference) Estimated current net profit for full year: 1,935 yen

(\*) The dividend allowance, 13 million yen, is scheduled to be the source of dividends.

### 3. Other

#### (1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: No change
- b. Changes in accounting policies due to other reasons: No change
- c. Changes in accounting estimates: No change
- d. Restatement of prior period financial statements after error corrections: No change

#### (2) Number of units issued

- a. Total number of units issued at the end of period (treasury units inclusive)
 

As of December, 2013	2,621,281 units
As of December, 2012	2,111,281 units
- b. Number of treasury units at end of period
 

As of December 2013	0 unit
As of December, 2012	0 unit

#### \* Status of audit procedures

As of the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

#### \* Appropriate use of forecasts of results and other special items

Forward-looking statements presented in this financial report including forecasts of results are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by these forecasts.

**<Reference 1> Operating results excluding extraordinary factors**

a. The operating results for the fiscal period ended December 2012 and December 2013 are as follows:

	Fiscal period ended December 2012 (Actual for nine months) (JPY M) (*1)	Fiscal period ended December 2013 (Actual for twelve months) (JPY M) (*2)
Operating income	7,283	11,472
Operating profit	3,988	6,556
Ordinary income	2,806	4,929
Current net profit	2,805	4,939
NOI (*3)	6,216	9,907

(\*1) Operating forecast excluding extraordinary factors such as gain on negative goodwill, loss on sale of real estate (Millennia Hotel Matsuyama and Hotel Resol Sapporo Minaminijo), and impairment loss of Hotel Vista Hashimoto.

(\*2) Operating forecast excluding extraordinary factors such as loss on sale of real estate (Hotel Vista Hashimoto and Pearl Hotel Kayabacho), and impairment loss of Dormy Inn Namba.

(\*3) NOI: Real estate operating income – Real estate operating expenses + Depreciation expenses + Loss on retirement of noncurrent assets (Only for your information. Extraordinary factors do not affect NOI.)

**<Reference 2> Dividend per unit and the provision for dividends**

Dividend per unit is calculated according to the following conditions:

		Fiscal period ended December 2012 (JPY M)	Fiscal period ended December 2013 (JPY M)
Unappropriated retained earnings for the period		19,031	3,235
Gain on negative goodwill (included in extraordinary income)		(18,578)	-
Provision for dividends	Utilization of negative goodwill (Impairment loss)	958	516
	Utilization of negative goodwill (Loss on retirement of noncurrent assets)	9	8
	Utilization of negative goodwill (Loss on sale of real estate)	1,393	1,189
	Utilization of negative goodwill (Coped with dilution)(*)	200	135
Total amount of dividends		3,012	5,082
Total number of investment units		2,111,281 units	2,621,281 units
Dividend per unit		1,427	1,939

(\*) Coped with dilution resulted from public offerings in the fiscal period ended December 2012 and December 2013.

**<Reference 3> Balance of dividend allowance (negative goodwill)**

Balance of dividend allowance after appropriation for dividend in the fiscal period ended December 2013 is as follows:

Gain on negative goodwill in the previous period (Transferred to dividend allowance)	18,578 million
<u>Provision for dividends in the fiscal period ended December 2012</u>	<u>(2,560 million)</u>
Balance of dividend allowance at the end of this period	16,017 million
<u>Provision for dividends in the fiscal period ended December 2013</u>	<u>(1,848 million)</u>
Balance of dividend allowance after providing to dividends	14,168 million