

<b>Provisional Translation Only</b>
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Notice Regarding Commencement of Asset Management under Management Contract Scheme (ibis Tokyo Shinjuku)

This is to notify concerning ibis Tokyo Shinjuku (hereinafter called the “Property”) that Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), the owner of the Property through trust, has decided to commence its asset management under the management contract scheme.

1. General meaning

With regards to the hotel portion of the Property, JHR, through trust, has executed the lease agreement with Hoshi Investment Godo Kaisya (hereinafter called the “Current Tenant”) receiving variable rent lined to the GOP (Note 1) from the Current Tenant. The Current Tenant has assigned its operation to AAPC Japan K.K. (hereinafter called “Accor”) the hotel operator.

At this time, JHR shall terminate the lease agreement with the Current tenant by mutual agreement, and execute the management contract agreement between JHR as assignor of hotel operation, and Accor as hotel operator, and commence its asset management of the Property under the management contract scheme (first time by J-REIT).

(Note 1) GOP is the amount equivalent to the gross revenue of the hotel minus staff cost, material cost, utilities cost, advertising cost, etc. of the hotel operation.

2. Outline of Management Contract Scheme

Contract type	Management Contract Agreement
Parties	Assignor: JHR Operator: Accor
Floor area subject to management contract	5,789. 26sqm.
Deposit	None
Earning from asset management of real estate under management contract	Amount equivalent to GOP ((Note 2)
Management Contract fee (“MC fee”)	Fee linked to revenue and GOP of the hotel (Note 3) (Note 4) (Note 5)
Contract period	From July 1, 2012 to June 30, 2024 (12 years)
Contract execution date	June 25, 2012 (planned)

Moreover, as the Property is owned through trust, the new lease agreement shall be executed between trustee and JHR. Further, the part of basement 1 to second floor has been leased to the retail tenants at a fixed-rent and there

are no changes in terms of management scheme, etc. to these areas.

(Note 2): JHR recognizes the said amount as “Earning from real estate under management”, and this earnings portion corresponds to the rents that are the earnings from real estate under management under the Lease Scheme. In the event the said amount becomes negative, then the said negative amount is paid by JHR to Accor.

(Note 3): MC Fee to the operator is planned to be treated as outsourcing fee by JHR.

(Note 4): It is not disclosed as permission to disclose the MC fee amount is not obtained by Accor; however, there are no changes to calculation method of the fees.

(Note 5): Previously, JPY 150,000 (including consumption tax) per month was subtracted from the monthly GOP equivalent amount; however, the subtraction of the said amount will not occur under the management contract scheme.

### 3. General approach to the Property

Concerning the Property, the lease agreement was statutory terminated with the previous tenant, and in order avoid disruption of the hotel business and its guests, etc., caused by abrupt closure of the hotel, we have adopted the emergency measures which is to execute the lease agreement (variable rent linked to GOP) with the Current Tenant on August 1, 2011. After having through the transition period of the hotel operation with the previous tenant, the Current Tenant has assigned the hotel operation to Accor from November 1, 2011.

As stated above, the leasing to the Current Tenant was determined as an emergency measures. . For the purpose of stabilizing management scheme of the Property, and to secure a long-term agreement with reasonable terms and conditions (considering its location and the economic environment within surround the Property), JHR and the Japan Hotel REIT Advisors have continually been reviewing the Property which includes the management scheme of the Property

The Property is located approximately 3-minute walk from Shinjuku station, one of the largest terminal station in Japan, and with its great location the Property can expect to see a steady flow of hotel guest demand. Also we acknowledge that the current economic climate is slowly but steadily improving with an increased demand arising from reconstruction of the great earthquake, as well as economic growth of emerging countries, etc. For the environment surrounding the hotel business, we expect to see an increase in demand due to recovery of domestic leisure and the business demand, also recovery of demand increase by foreign visitors in Japan. The operation of the Property by Accor for the past 8 months since November 2011 has been in line with this trend.

From this perspective, we believe that continual use of Accor (current hotel operator) as the hotel operator, and execution of the management contract agreement directly between JHR and Accor, and formulation of scheme which enables JHR to directly and promptly bring in earning result of the hotel operation, will contribute to the stabilization of the investment scheme for the Property, and most suitable for further earning improvement of the Property.

### 4. Future outlook

The impact on the earnings under this management contract scheme is expected to be minimal, and no changes are made to the earning forecast for the period ending December 2012 (period covering from April 1, 2012 to December 31, 2012) which was released on April 25<sup>th</sup>, 2012 in “Notice Regarding the Forecast of Business Performance for the Fiscal Year Ending December 31, 2012” and “*Tanshin* Report for the period ending March 2012”(Japanese only) released on May 23, 2012 in the

### 5. Others

JHR has made a resolution to change the Articles of Incorporation at the 5<sup>th</sup> Unit-holder’s Meeting held on February 24, 2012, so it can adopt the management contract scheme. JHR has received confirmation from related government ministries and agencies, etc. regarding the applicability of laws related to investment trusts and investment corporations and regulations related to tax pass-through, etc. upon the introduction of the management contract scheme.

(Reference)

Outline of Management Contract Scheme

Under the Management Contract Scheme, the management of the hotels by JHR is assigned to hotel operator and the business profit are brought into JHR in the form of earnings from real estate under management.

Specifically, JHR, the owner of the hotel real estate, executes management contract agreement with hotel operator and assigns the operations necessary for the management of the hotel business to the hotel operator. JHR recognizes the hotel revenue arising from the hotel business (management) of the hotel operator as earnings from real estate under management and the same time pays the management contract fees to the hotel operator. As a result, JHR recognize the revenues of the hotels owned by JHR minus the management contract fee as the “earnings from real estate under management through management contract” and this earnings portion corresponds to the rents that are the earnings from real estate under management under the Lease Scheme.

Under the management contract scheme, the earnings from hotel operation are all reflected in the earnings from real estate under management of JHR. In the upward trend (of profit), it enables to bring in its result to JHR directly and swiftly. However, in the downward trend (of profit), it is possible that profit may see a substantial decrease, and the “earning from real estate under management” could become negative, which may have a material impact on the bottom line of JHR. In this way, the earnings from real estate under management may be affected directly with upside or/and downside of the hotel earnings. Moreover, for the details concerning the asset management under the management contract scheme, please refer to the “Notice regarding Asset Management under Management Contract Scheme (Supplementary explanation)” which was released on February 20, 2012

For the risk detail under the management contract scheme, please refer to the [3: Investment risk, (2) Mechanism of JHR, and the risk associated with depending to the related parties (□) risk under hotel management contact scheme of the 12<sup>th</sup> Period Security Report submitted today.

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