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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
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Notice Concerning Proposal to Modify Management Fee System

With respect to the management fee that has been paid from Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) to its asset management company, Japan Hotel REIT Advisors Co., Ltd. (hereinafter called “asset management company”), JHR has proposed to modify the management fee system through which JHR will be able to pay more attention to the investor’s benefits. (*).

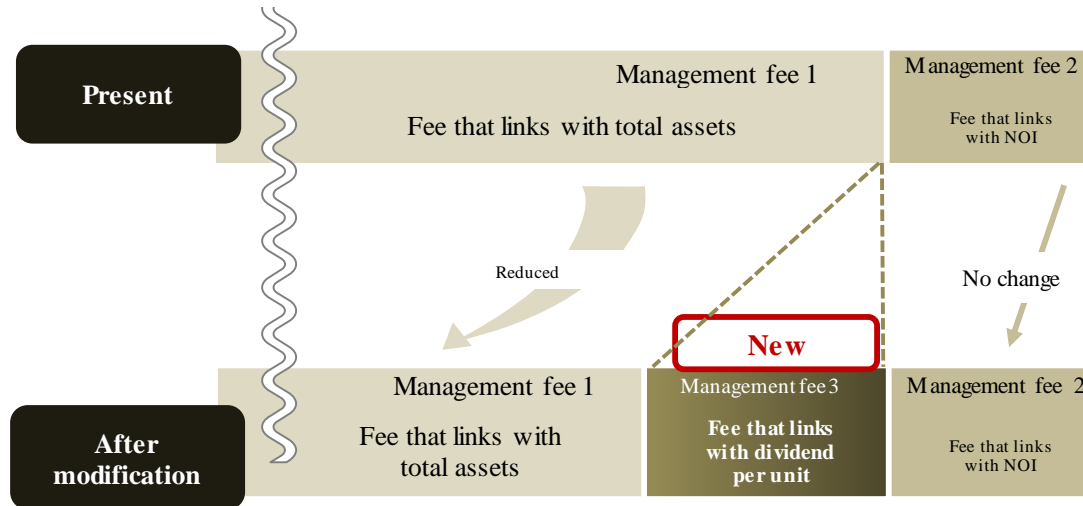
(*) As we have announced by our press release “Notice Concerning Modification of Articles of Incorporation and Appointment of Directors” dated October 24, 2013, we have scheduled to propose modification of the present management fee system at the 6th Investors’ Meeting of JHR to be held on November 28, 2013.

1. Main purpose and outline of this modification

The present management fee system is the asset-based fee system where fee that links with JHR’s total assets is the main fee. This fee system, however, did not always link with the benefits of our investors and JHR had been investigating to structure another fee system though which JHR will be able to pay more attention to the investors’ benefits.

On the aforementioned modification proposal, the percentage of the management fee is reduced and the fee that directly links with “dividend per unit” is applied. Implementation of this fee system that links with “dividend per unit” will clearly show JHR’s posture that “JHR and the investors’ benefits are in the same boat.” JHR will strengthen the operation to achieve this further.

Outline of the modification is as follows:



	Management fee 1 (Maximum)	Management fee 2 (Maximum)	Management fee 3 (Maximum) (New)
Present	Total assets*1 × 0.4%	NOI*2 × 1.0%	
After modifi	Total assets*1 × 0.35%	NOI*2 × 1.0%	Dividend per unit (for calculating management fee 3)*3 × 43,000.-

- *1. Total assets: The total assets are the total of the cash reserves balance, the securities balance, tangible assets and intangible assets.
- *2. NOI: Real estate operating income – Real estate operating expense (excluding depreciation expense) at each business period.
- *3. Dividend per unit (for calculating the management fee 3): Dividend before deducting the management fee 3 and taxes ÷ Total investment units issued at each business period.
- (*1) Dividend before deducting the management fee 3 and taxes is the available dividend amount for each business period of the Investment Corporation stipulated by Article 34, Clause 1 (before deducting corporate tax, inhabitant tax and business tax, adjustment amount of the corporate tax, management fee 3 and its nondeductible consumption tax, etc.).
- (*2) Besides the above fees, acquisition fee, disposition fee and merger fee have been stipulated. No change in these fees.

2. Other

The above modification is the agenda of the 6th Investors Meeting of JHR to be held on November 28th. If it was resolved at the Investors Meeting, this modification is scheduled to be effective from the fiscal period ending December 2014.

The management fee level that is calculated based on the total assets and dividend per unit will remain the same even after the modification above.

(*) Please refer to the press release “Notice Concerning Modification of Articles of Incorporation and Appointment of Directors” dated October 24, 2013 concerning the detail of the modification of the Article of Incorporation.

3. Further prospect

This modification will not impact on the operating forecast for the fiscal year December 2013 (January 1, 2013 through December 31, 2013).

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