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REIT Issuer:

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Notice Concerning Change in Lessees (Dormy Inn Suidobashi)

This is to inform you that with regards to Dormy Inn Suidobashi (hereinafter called “Property”), one of assets of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), JHR has determined to select Ishin Hotels Group Co., Ltd. (hereinafter called the “New Lessee”) as a new lessee after the expiration of the lease contract with the current lessee (expiration date: June 30, 2015). JHR also informs you that the new lease with the New Lessee starts on July 1, 2015 and the name of the Property will be changed to “the b suidobashi.”

1. Summary of Change in Lessees

Date of change: July 1, 2015 (scheduled)

	New	Current
Lessee	Ishin Hotels Group Co., Ltd.	Kyoritsu Maintenance Co., Ltd.
Name of hotel	the b suidobashi	Dormy Inn Suidobashi
Lease period	5 years July 1, 2015 through June 30, 2020	10 years July 1, 2005 through June 30, 2015
Rent (annual)	Variable rent: linked to GOP Fixed rent (minimum guaranteed rent): JPY85,000,000.-(*)	Fixed rent: JPY84,000,000.-

(*) Regardless of the amount of the variable rent, the rent scheme allows JHR to receive the fixed rent as a minimum guarantee.

2. Background of Change in Lessees

The existing lease agreement with the current lessee is a fixed-term lease agreement stipulated in Article 38 of Act on Land and Building Leases. There is no renewal and the lease officially expires at the expiration of the lease period. JHR, therefore, has been negotiating with multiple candidates for the new lessee for the lease after the existing lease agreement expires.

JHR has come to an agreement with the New Lessee with the new lease agreement. The new lease with the New Lessee will start on July 1, 2015.

3. Rationale for the Selection of the New Lessee

JHR has set “achieving both stability and upside potential” as its investment strategy. Currently, the Property only uses a fixed rent scheme, as a source of stable revenue. But since JHR believes that the property has upside potential, JHR has negotiated with multiple candidates with the aim of not only securing stability but also realizing upside potential for the new rent scheme for the new lease after the expiration of the existing lease agreement.

The new lease agreement with the New Lessee is a mixed lease form of fixed rent and variable rent. While it ensures stability, it pursues upside potential at the same time, benefiting JHR’s strategy.

The New Lessee is a hotel operating group expanding in Japan's domestic market focusing on "the b" brand, including the five "the b" hotels(*) as announced on January 9, 2015 in "Notice Concerning Acquisition and Lease of New Assets" and today's "Notice Concerning Completion of Asset Acquisition." The New Lessee operates seven hotels in Tokyo as "the b" brand hotels, including the ones that JHR has acquired. JHR believes that the New Lessee is a hotel operator with sufficient management skills in the Tokyo market.

Furthermore, after the change in the lessees, JHR will be leasing six of its assets to the New Lessee group, of which five are located in Tokyo. This will further enable JHR to pursue synergy effect from an operation point of view.

(*) Five "the b" hotels refer to the five hotels "the b akasaka-mitsuke," "the b ikebukuro," "the b ochanomizu," "the b hachioji," and "the b hakata."

4. Summary of the New Lessee (*)

Name	Ishin Hotels Group Co., Ltd. Website http://www.ishinhotels.com/
Address	4-3-13, Toranomon, Minato-ku, Tokyo 10F, Hulic Kamiyacho Building
Major business	Acquisition, ownership, operation, and property management of hotels
Name and title of representative	President and Chief Executive Officer Michael Nigitsch
Capital	JPY163M
Establishment	January 2001
Relationship between JHR and its asset management company	
Capital relationship Human relationship Business relationship	JHR and its asset management company do not have any capital, human, and business relationships that should be statutory reported with the New Lessee. The related parties of JHR and its asset management company do not have any capital, human, and business relationships that should be specifically reported with the related parties of the New Lessee.
Related parties	The New Lessee does not come under the related parties of JHR and its asset management company. Related parties of the New Lessee do not come under the related parties of JHR and its asset management company.

(*) It is agreed that a new hotel operating company established by the New Lessee to operate the Property will succeed the title as lessee from the existing lessee.

5. Future Prospect

The impact of the change in lessees is minor and no revision is required for the operating forecast for the fiscal year December 2015 (January 1, 2015 through December 31, 2015).

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