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Japan Hotel REIT Investment Corporation (TSE code: 8985)

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Notice Concerning Conclusion of Interest Rate Swap Contracts

With reference to our press release “Notice Concerning New Loan (Determination of Conditions and Interest Rates, etc.)” today, Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you that JHR has concluded the interest rate swap contracts as follows.

1. Details of the Interest Rate Swap Contracts

(1) Interest Rate Swap Contract for Term Loan 5 (5 years)

As for the JPY5,000M of the scheduled loan of JPY6,794M, JHR will apply the existing interest rate swap contract (*) to Facility I which is scheduled to prepay on September 30, 2014. In addition, JHR will conclude an interest rate swap contract <contract 1> for JPY5,000M corresponding to remaining period (1.5years) of Term Loan 5. Also, a 5-year interest rate swap contract <contract 2> will be concluded for the balance JPY1,794M.

(*) For details regarding interest rate swap contracts for Facility 1, please refer to “Notice Concerning Conclusion of Interest Rate Swap Contracts” announced on October 10, 2012.

<Contract 1>

Counterparty	SMBC Nikko Securities Inc.
Notional principal	JPY5,000M
Interest rate	Fixed interest rate to pay 0.44875% Variable interest rate to receive (Japanese Yen TIBOR for three months in JBA)
Contract term	March 31, 2018 through September 30, 2019
Interest payment date	The first interest payment date is June 30, 2018. Subsequent interest payment dates shall be at the end of every three months and on the expiration date of the contract. (If the payment date is not a business day, it shall be paid on the preceding business day.)

*The interest rate for JPY5,000M of Term Loan 5 plans to be fixed at around 0.95% throughout the term.

<Contract 2>

Counterparty	SMBC Nikko Securities Inc.
Notional principal	JPY1,794M
Interest rate	Fixed interest rate to pay 0.30225% Variable interest rate to receive (Japanese Yen TIBOR for three months in JBA)
Contract term	September 30, 2014 through September 30, 2019
Interest payment date	The first interest payment date is December 30, 2014. Subsequent interest payment dates shall be at the end of every three months and on the expiration date of the contract. (If the payment date is not a business day, it shall be paid on the preceding business day.)

*Through the conclusion of this interest rate swap contract, the interest rate for JPY1,794M of Term Loan 5 will be substantially fixed at 0.80225%.

(2) Interest Rate Swap Contract for Term Loan 6 (Term: 6 Years)

Counterparty	SMBC Nikko Securities Inc.
Notional principal	JPY6,882M
Interest rate	Fixed interest rate to pay 0.3662% Variable interest rate to receive (Japanese Yen TIBOR for three months in JBA)
Contract term	September 30, 2014 through September 30, 2020
Interest payment date	The first interest payment date is December 30, 2014. Subsequent interest payment dates shall be at the end of every three months and on the expiration date of the contract. (If the payment date is not a business day, it shall be paid on the preceding business day.)

*Through the conclusion of this interest rate swap contract, the interest rate for Term Loan 6 will be substantially fixed at 0.9162%.

(3) Interest Rate Swap Contract for Term Loan 7 (Term: 7 Years)

Counterparty	Shinsei Bank, Limited
Notional principal	JPY4,000M
Interest rate	Fixed interest rate to pay 0.439% Variable interest rate to receive (Japanese Yen TIBOR for three months in JBA)
Contract term	September 30, 2014 through September 30, 2021
Interest payment date	The first interest payment date is December 30, 2014. Subsequent interest payment dates shall be at the end of every three months and on the expiration date of the contract. (If the payment date is not a business day, it shall be paid on the preceding business day.)

*Through the conclusion of this interest rate swap contract, the interest rate for Term Loan 7 will be substantially fixed at 1.039%

2. New Loans Subject to Fix Interest Rate

Name of Loan	Period	Amount of Borrowing (Schedule) (JPY M)	Interest Rate
Term Loan 5	5 years	6,794	Japanese Yen TIBOR for three months in JBA+0.50%
Term Loan 6	6 years	6,882	Japanese Yen TIBOR for three months in JBA+0.55%
Term Loan 7	7 years	4,000	Japanese Yen TIBOR for three months in JBA+0.60%

3. Interest Rate Fixation Ratio

Through the conclusion of above-mentioned interest rate swap contracts, the ratio of borrowings with fixed interest rates is expected to rise to about 90%. (The ratio includes the borrowings which purchased the interest rate cap.)

4. Future Outlook

The impact on the operating forecast for the fiscal period ending December 2014 (January 1, 2014 through December 31, 2014) is slight, thus no change is required.

5. Others

With respect to the new loan, no important change is required for the “Risk in relation to borrowing by loans and investment corporation bonds” in “Investment Risk” in the Securities Report submitted on March 20, 2014 and the Midterm Financial Settlement Report for the FY2014 submitted on September 19, 2014.

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