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REIT Issuer:

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Notice Concerning Discretionary Investment Business and Investment Advisory Business, and
Change of Organization and Key Employees of the Asset Management Company

Japan Hotel REIT Advisors Co., Ltd. (hereinafter called “JHRA”), the asset management company of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), informs you that, JHRA has resolved at the Board of Directors’ Meeting held today that JHRA will submit a registration to initiate investment advisory business and a modification of statement of operational procedures to initiate discretionary investment business to the Financial Services Agency based on the Financial Instruments and Exchange Act, in order to initiate discretionary investment business and investment advisory business as new business for JHRA. In line with the initiation of new business, the change of its organization and key employees of JHRA has also been resolved.

1. Rational of These Matters

Hotel market in Japan has grown considerably on the back of the stable domestic demand for accommodations and recent continuous increase of inbound visitors. Also domestic and international investors’ needs to invest in hotels have increased. Moreover, under an expectation of further expansion of the demand for hotel accommodations, various hotels have been developed and newly operated in major markets throughout Japan.

Under these circumstances, JHRA believes that JHRA can respond to growing needs of various hotel investments and provide new investment opportunities by conducting discretionary investment business and investment advisory business for other clients regarding the hotel transactions which were not included in investment target of JHR. Furthermore, new know-how acquired through new business leads to enhance the asset management capability of JHRA and is also utilized for asset management of JHR.

In accordance with the initiation of the new business, JHRA will change a part of its organization and establish the rigid rules in order to appropriately cope with the conflict of interest that may occur among JHR and clients of discretionary investment business and investment advisory business. Please refer to “4. Conflict of Interest Management” below for detailed information.

2. Filing to change Registration for the Initiation of Investment Advisory Business and Modification of Statement of Operational Procedures for the Initiation of Discretionary Investment Business.

(1) Filing for Registration of Investment Advisory Business

The change of registration was submitted to the Financial Services Agency as of today to initiate investment advisory business.

(2) Modification of Statement of Operational Procedures for the Initiation of Discretionary Investment Business

The modification is scheduled to be submitted without delay after the change of registration for investment advisory business has completed.

3. Change of Organization and Other Matters

- (1) Private Fund Department will be newly set up and it will be responsible for discretionary investment business and investment advisory business.
- (2) Asset Management Department will change its name to Public REIT Department and it will be responsible for decision of property acquisition and disposition in addition to the existing asset management business of JHR.
- (3) The decision of property acquisition and disposition for JHR, which was conducted by Acquisition Department, will be transferred to Public REIT Department. Consequently, Acquisition Department will be in charge of property sourcing and execution support for acquisition and disposition, etc. for both Public REIT Department and Private Fund Department.
- (4) Effective date for the change is scheduled to be July 17, 2018 (plan).

*Please refer to Attachment 1 for the new organization chart.

4. Conflict of Interest Management

By the initiation of the new business, JHRA may be entrusted investment management business by clients other than JHR, or JHRA may make investment advice for clients other than JHR. In order to cope properly with the conflict of interest between JHR and other clients, JHRA formulates rules as follows:

(1) Acquisition Opportunity of Hotel, etc.

Public REIT Department, which conducts asset management solely for JHR, will have priority to review any acquisition opportunities. However, exception is that JHR is not able to review the acquisition at the request of seller or other reasons. Also, “pipeline meeting” will be newly established and it will decide on which department and/or client will have priority to review each acquisition opportunity and any change on the decision, etc..

(2) Property Disposition of Clients of Investment Advisory Business

In principle, property will be disposed to third party through bid process. However, in case that JHR acquires property from client of investment advisory business, a real estate appraiser will be invited as an external member to the Investment and Operation Committee, in which the subject transaction is deliberated, and the right to refuse is given to such external member. Moreover, client of investment advisory business will be categorized as sponsor-related parties defined by the rule for transaction with sponsor-related parties, and the subject transaction is required to obtain approval as a sponsor-related transaction in Compliance Committee as well as Board of Directors’ Meeting of JHR.

Also, property of JHR is, in principle, supposed to be sold to third party through bid process. However, the same decision making process as described above is required in case that the property is acquired by client of investment advisory business.

*Please refer to Attachment 2 for the new decision making flow regarding property acquisition and disposition

5. Change of Key Employees (as of July 17, 2018) (plan)

Name	New	Current	Change
Azuma Takeda	General Manager of Private Fund Department	Senior Manager of Acquisitions Department	New appointment
Hiroki Fukasawa	General Manager of Public REIT Department	General Manager of Asset Management Department	Change in title

*Please refer to Attachment 3 for the brief profile of newly appointed key employees.

6. Future Prospects

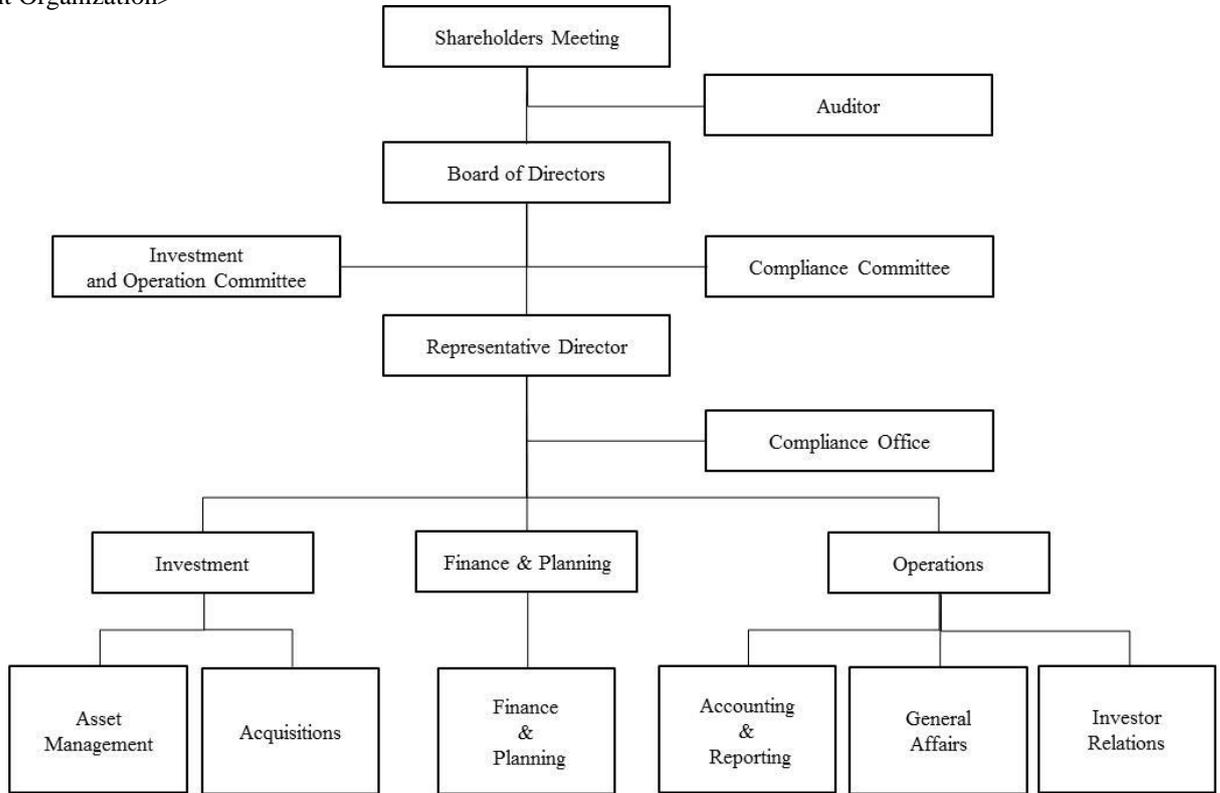
There is no impact on the forecast for the operation of JHR for the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018), and therefore no change in the forecast.

The necessary applications with respect to these changes will be submitted to the relevant authorities in accordance with the Financial Instruments and Exchange Law and other applicable laws and regulations.

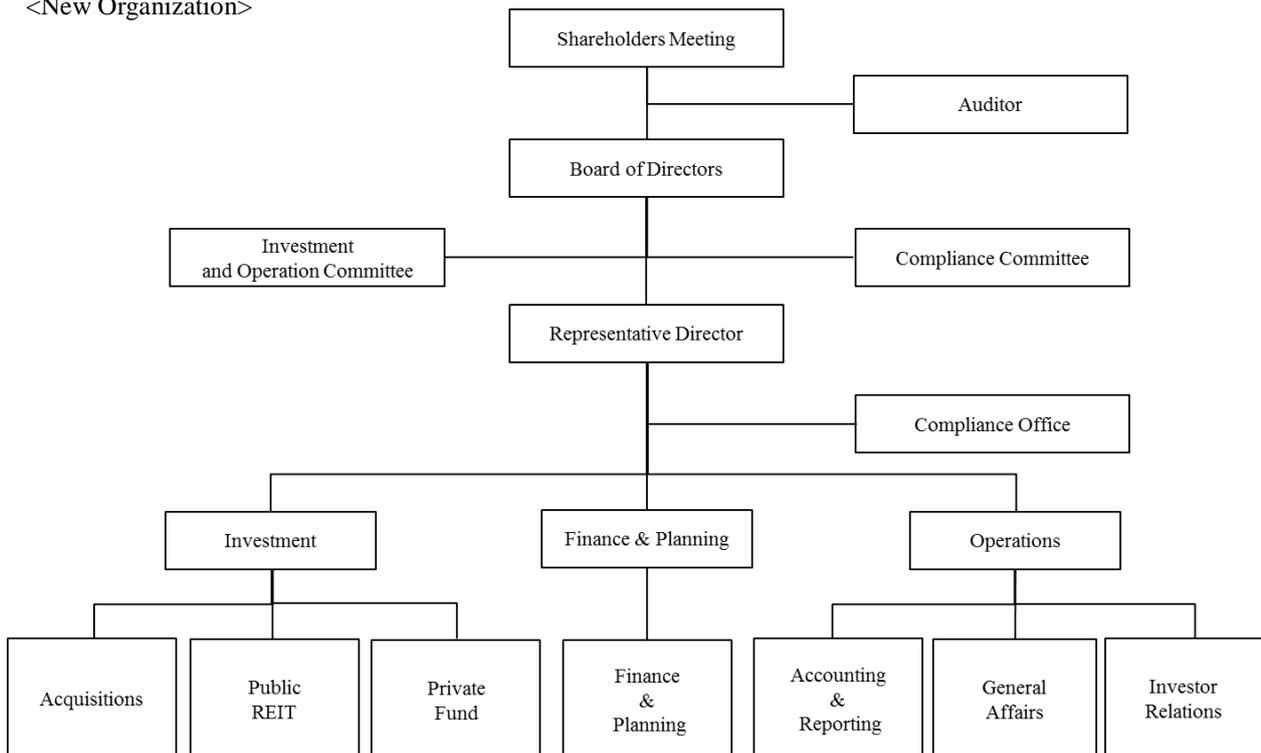
*Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

Attachment 1: Organization Chart

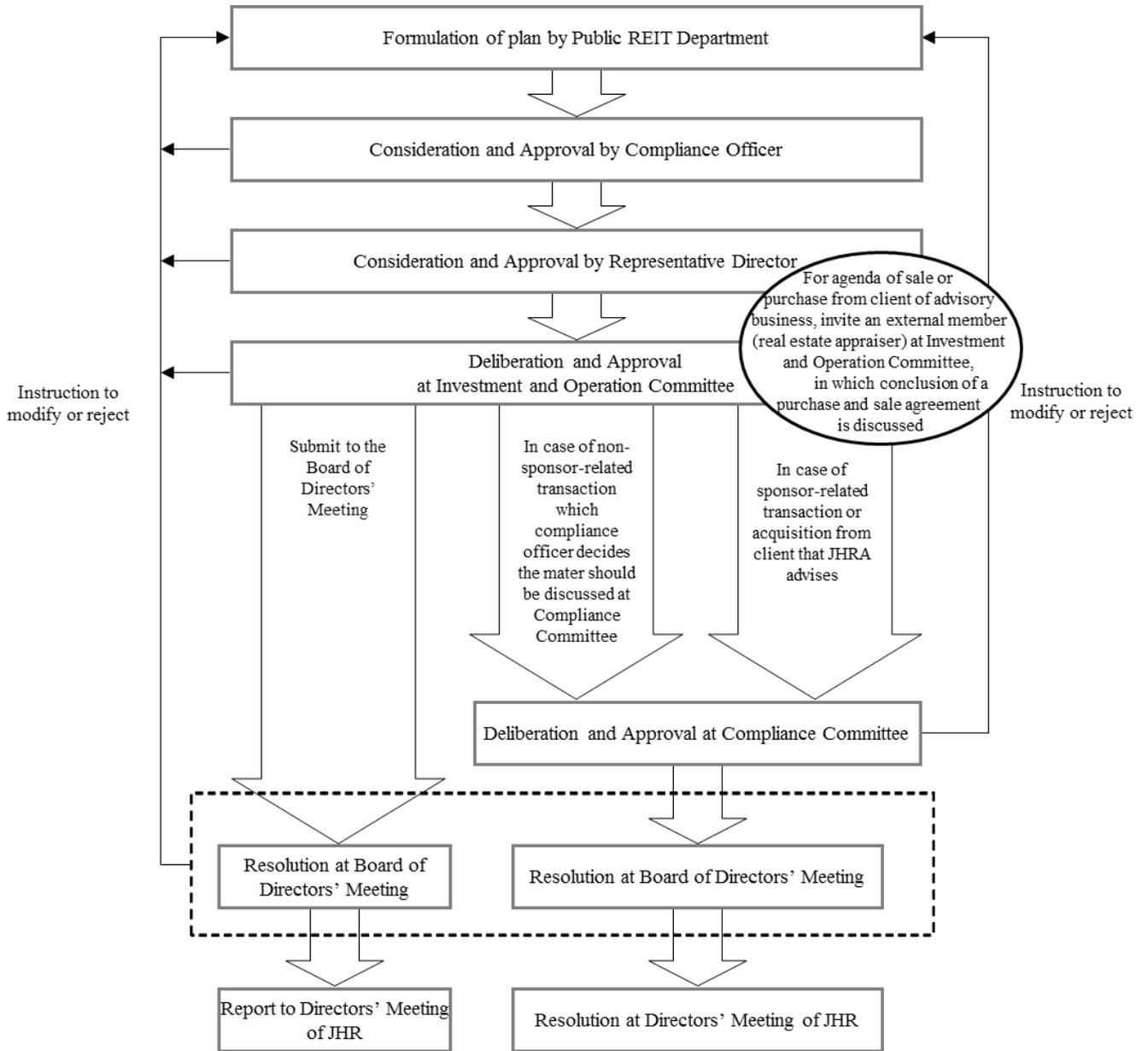
<Current Organization>



<New Organization>



Attachment 2: Decision Making Flow



Attachment 3: Brief Profile of the Newly Appointed Key Employee

Title	Name	Brief Profile	
General Manager of Private Fund Division	Azuma Takeda	April 1995 October 1999 October 2000 October 2003 November 2009 May 2016 July 2018	L Kakuei Corp. (Current Haseko Real Estate Development Holdings Inc.) Kineda Appraisal Corporation Land Coordinating Research inc. Hudson Japan Servicer K.K.(Current Hudson Japan KK) Vice President of Valuation Department Hudson Japan Servicer K.K.(Current Hudson Japan KK) Vice President of Hotel Operation Department Japan Hotel REIT Advisors Co., Ltd. Senior Manager of Acquisitions Department, Investment Division (Present) Japan Hotel REIT Advisors Co., Ltd. General Manager of Private Fund Division (plan)