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October 29, 2015

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Notice Concerning Sale of Assets

(Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata)

This is to inform you that Japan Hotel REIT Advisors Co., Ltd., the asset management company of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), resolved today to sell the investment assets as below on behalf of JHR.

1. Summary of Sale

Summary of Sale				
Name of assets-to-be-sold	Comfort Hotel Shin-Yamaguchi	Daiwa Roynet Hotel Akita	Hotel Sunroute Niigata	Total
Type of assets-to-be-sold	Real estate beneficial interest in trust			—
Acquisition date	September 27, 2007	April 1, 2012	June 15, 2006	
Asset type	Hotel			
Hotel type (*1)	Limited-service hotel			
Grade (*2)	Economy		Mid-price	
Planned sale price (*3)	—			JPY4,890M
Book value (*4)	JPY787M	JPY1,644M	JPY1,967M	JPY4,400M
Gain on sale (forecast) (*3)(*5)	—			JPY305M
Contract date	October 29, 2015			—
Closing date (scheduled)	October 30, 2015 (scheduled)			
Planned buyer	Please see “5. Summary of Planned Buyer”			

(*1) JHR has categorized its hotels into limited-service hotels, full-service hotels, and resort hotels in accordance with their types of operations.

(*2) Based on ADR, etc., JHR has classified its hotels into four categories as luxury, upper middle, mid-price, and economy.

(*3) Excludes settlement amount of fixed asset tax and city planning tax, etc., as well as selling expenses, consumption tax and local consumption tax. The planned sale prices of individual properties are undisclosed since JHR has not obtained consent from the buyer for a reason that it relates to the buyer’s business plan after its acquisition of the properties. Therefore, gain on sale (forecast) of individual properties is also undisclosed.

(*4) The assumed book value as of the end of October 2015 is rounded off to the nearest JPY1M.

(*5) The gain on sale (forecast) of the properties are calculated based on the planned sale price, assumed book value as of the end of October 2015, and expenses related to the sale (forecast). Also, amounts are rounded down to the nearest JPY1M.

2. Rationale for Sale

JHR aims to further improve the quality of its portfolio by reshuffling, etc. its assets as one of growth strategies.

These assets-to-be-sold currently have stable earnings. But, as a result of comprehensive consideration of hotel types, locations, etc. of JHR's whole portfolio, we have decided to sell these properties.

The planned sale price exceeds both assumed book value as of the date of sale and the latest appraisal value.

3. Use of Proceeds from Sale

We expect the gain on sale of the properties to be JPY305M. As for the use of sales proceeds, we plan to make a partial prepayment of the existing loans to JHR's lenders as announced in today's press release, "Notice Concerning Prepayment of Loans," and we also plan to allocate the amounts equivalent to the gain on sale to dividends. Moreover, the balance will be allocated to funds for acquiring new properties, etc.

We will later announce the details of the partial prepayment of the loans once they are determined.

4. Summary of Assets-to-be-Sold

(1) Comfort Hotel Shin-Yamaguchi

Asset category	Real estate beneficial interest in trust	
Address	1255-1 Aza Watari Kamiichi, Ogori-shimogo, Yamaguchi-shi, Yamaguchi	
Intended use	Hotel	
Area	Land	754.06 m ²
	Building	3,002.15 m ² (including the accessory building: 3.14 m ²)
Ownership	Land	Ownership
	Building	Ownership
Building structure	Steel-framed building. Eight stories above ground.	
Completion	August 2007	
Acquisition price	JPY866M	
Appraisal value	JPY834M Date of appraisal: June 30, 2015 Appraiser: Morii Appraisal & Investment Consulting Inc.	
Trustee	Sumitomo Mitsui Trust Bank, Limited	
No. of tenants	1	
Rentable area	2,999.00 m ²	
Rented area	2,999.00 m ²	
Rent	JPY5M/month	
Deposit and guarantee money	JPY30M	
Occupancy rate (based on rented area)	100%	
Collateral	n/a	

(2) Daiwa Roynet Hotel Akita

Asset category	Real estate beneficial interest in trust	
Address	2-12, Omachi, Akita-shi, Akita	
Intended use	Hotel	
Area	Land	1,540.15 m ²
	Building	7,539.52 m ² (including the accessory building: 100.16 m ²)
Ownership	Land	Ownership
	Building	Ownership
Building structure	Steel-framed building. Fourteen stories above ground.	
Completion	June 2006	
Acquisition price	JPY1,760M	
Appraisal value	JPY1,880M Date of appraisal: June 30, 2015 Appraiser: Japan Real Estate Institute	

Trustee	Sumitomo Mitsui Trust Bank, Limited
No. of tenants	1
Rentable area	7,539.52 m ²
Rented area	7,539.52 m ²
Rent	JPY11M/month
Deposit and guarantee money	JPY115M
Occupancy rate (based on rented area)	100%
Collateral	n/a

(3) Hotel Sunroute Niigata

Hotel Samuraido Niigata		
Asset category		Real estate beneficial interest in trust
Address		1-212, Higashi-odori, Chuo-ku, Niigata-shi, Niigata
Intended use		Hotel
Area	Land	1,402.51 m ²
	Building	8,328.84 m ² (including the accessory building: 73.03 m ²)
Ownership	Land	Ownership
	Building	Ownership
Building structure		Steel-framed, steel-framed reinforced concrete, reinforced concrete building. Fourteen stories above ground with one story below ground.
Completion		August 1992
Acquisition price		JPY2,105M
Appraisal value		JPY1,930M Date of appraisal: June 30, 2015 Appraiser: Morii Appraisal & Investment Consulting Inc.
Trustee		Sumitomo Mitsui Trust Bank, Limited
No. of tenants		1
Rentable area		8,328.84 m ²
Rented area		8,328.84 m ²
Rent		JPY13M/month
Deposit and guarantee money		JPY150M
Occupancy rate (based on rented area)		100%
Collateral		n/a

5. Summary of Planned Buyer

Information is undisclosed since JHR has not obtained consent from the planned buyer, including its company form.

There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company, and the planned buyer. The planned buyer also does not fall under the category of related parties of JHR and the Asset Management Company. The planned buyer also does not fall under the category of interested parties, etc. as stipulated in the Act on Investment Trusts and Investment Corporations, nor does it fall under the category of sponsor-related parties stipulated in the Asset Management Company's company code.

6. Summary of Brokerage

(1) Summary of broker

Name	Sumitomo Mitsui Trust Bank, Limited
Headquarters	1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Name and title of representative	Hitoshi Tsunekage, President
Capital	JPY342,037M (as of March 31, 2015)
Establishment	July 1925 (changed the trade name in April 2012)

Business	Trust services, banking services, etc.
Relationship between JHR or asset management company	There are no capital or human relationships to be specifically noted between the broker and JHR. JHR has various business relationships with the broker. The broker is JHR's asset custody company and administrative agent and acts as a trustee for real estate beneficial interests in trust owned by JHR. JHR also obtains loans from the broker. There are no capital, human or business relationships to be specifically noted between the Asset Management Company and the broker. Moreover, the affiliated parties and companies of JHR and the Asset Management Company do not have any capital, human or business relationships with the affiliated parties and companies of the broker that should be specifically reported. The broker does not fall under the category of related parties of JHR and the Asset Management Company. Affiliated parties and companies of the broker do not fall under the category of related parties of JHR and the Asset Management Company.

(2) Detail and amount of brokerage fees

JHR has not obtained consent to disclose the information from the broker.

7. Schedule of Sale

Date of resolution for the sale	October 29, 2015
Date of conclusion of purchase and sale agreement	October 29, 2015
Settlement and transfer	October 30, 2015 (scheduled)

8. Future prospects

With respect to the operating forecast after the sale of the assets, please refer to "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)" dated today.

9. Appraisal Report Summary
(1) Comfort Hotel Shin-Yamaguchi

Property name	Comfort Hotel Shin-Yamaguchi	
Appraisal value	JPY834,000,000.-	
Name of appraiser	Morii Appraisal & Investment Consulting Inc.	
Date of appraisal	June 30, 2015	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY834,000,000.-	
Value by direct capitalization method	JPY844,000,000.-	
Operating income	JPY60,530,000.-	
Potential gross income	JPY60,530,000.-	
Fixed rent	JPY59,927,000.-	Assessed prospective rent income for medium to long term based on the current lease agreement.
Car park, other income	JPY603,000.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY6,636,000.-	
Maintenance and management expenses	JPY0.-	No assessment is made since the tenant bears all expenses.
Utilities cost	JPY0.-	No assessment is made since the tenant bears all costs.
Repair cost	JPY938,000.-	Assessed by factoring in the level described in the engineering report.
Property management fee	JPY840,000.-	Assessed by factoring in the current agreement and the fee level at similar real estate.
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY4,707,000.-	Assessed from a mid- to long-term perspective based on the actual amount in FY2015.
Casualty insurance premium	JPY151,000.-	Assessed by taking into consideration such factors as past records and premium rates, etc. of similar buildings.
Other expenses	JPY0.-	
Net operating income	JPY53,894,000.-	
Gain on management of deposits	JPY605,000.-	Assessed with 2.0% investment yield on management of deposits.
Capital expenditures	JPY2,188,000.-	Assessed by factoring in the level described in the engineering report.
Net cash flow	JPY52,311,000.-	
Cap rate	6.2%	Assessed by factoring in the market cap rate, etc. of similar real estate.
Value by DCF method	JPY823,000,000.-	
Discount rate	6.0%	Assessed by factoring in the investment yield, etc. of similar real estate.
Terminal cap rate	6.4%	Assessed by factoring in the market terminal cap rate, etc. of similar real estate.
Indicated value by cost approach	JPY453,000,000.-	
Land ratio	15.0%	
Building ratio	85.0%	
Other matters noted in appraisal by appraiser	The appraiser considered that indicated value by an income approach is convincing since it reflects the reality of the market more than indicated value by a cost approach. Therefore, the appraiser adopted the indicated value by an income approach.	

(2) Daiwa Roynet Hotel Akita

Property name	Daiwa Roynet Hotel Akita	
Appraisal value	JPY1,880,000,000.-	
Name of appraiser	Japan Real Estate Institute	
Date of appraisal	June 30, 2015	
Item	Detail	Summary, etc
Indicated value by income approach	JPY1,880,000,000.-	
Value by direct capitalization method	JPY1,900,000,000.-	
Operating income	JPY138,000,000.-	
Potential gross income	JPY138,000,000.-	
Fixed rent	JPY138,000,000.-	Assessed prospective rent income for medium to long term based on the current lease agreement.
Car park, other income	JPY0.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY18,742,000.-	
Maintenance and management expenses	JPY0.-	No assessment is made since the tenant bears all expenses.
Utilities cost	JPY0.-	No assessment is made since the tenant bears all costs.
Repair cost	JPY743,000.-	Assessed by factoring in the evaluation in the engineering report.
Property management fee	JPY2,400,000.-	Assessed by factoring in the current agreement and the fee level at similar real estate.
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY15,275,000.-	Assessed based on the standard taxable value for FY2015.
Casualty insurance premium	JPY324,000.-	Assessed by taking into consideration such factors as a current insurance premium and premium rates, etc. of similar buildings.
Other expenses	JPY0.-	
Net operating income	JPY119,258,000.-	
Gain on management of deposits	JPY2,300,000.-	Assessed with 2.0% investment yield on management of deposits.
Capital expenditures	JPY1,733,000.-	Assessed by factoring in the evaluation in the engineering report.
Net cash flow	JPY119,825,000.-	
Cap rate	6.3%	Assessed by factoring in the market cap rate, etc. of similar real estate.
Value by DCF method	JPY1,850,000,000.-	
Discount rate	6.1%	Assessed by factoring in the investment yield, etc. of similar real estate.
Terminal cap rate	6.7%	Assessed by factoring in the market terminal cap rate, etc. of similar real estate.
Indicated value by cost approach	JPY1,340,000,000.-	
Land ratio	9.1%	
Building ratio	90.9%	
Other matters noted in appraisal by appraiser	The appraiser considered that indicated value by an income approach which reflects price formation process from earnings' perspective is more convincing than indicated value by a cost approach. Therefore, the appraiser decided to adopt the indicated value by an income approach and used the indicated value by a cost approach as reference.	

(3) Hotel Sunroute Niigata

Property name	Hotel Sunroute Niigata	
Appraisal value	JPY1,930,000,000.-	
Name of appraiser	Morii Appraisal & Investment Consulting Inc.	
Date of appraisal	June 30, 2015	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY1,930,000,000.-	
Value by direct capitalization method	JPY1,950,000,000.-	
Operating income	JPY156,002,000.-	
Potential gross income	JPY156,002,000.-	
Fixed rent	JPY156,000,000.-	Assessed prospective rent income for medium to long term based on the current lease agreement.
Car park, other income	JPY2,000.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY19,022,000.-	
Maintenance and management expenses	JPY0.-	No assessment is made since the tenant bears all expenses.
Utilities cost	JPY0.-	No assessment is made since the tenant bears all costs.
Repair cost	JPY7,300,000.-	Assessed by factoring in the level described in the engineering report.
Property management fee	JPY2,040,000.-	Assessed by factoring in the current agreement and the fee level at similar real estate.
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY9,184,000.-	Assessed from a mid- to long-term perspective based on the actual amount in FY2015.
Casualty insurance premium	JPY498,000.-	Assessed by taking into consideration such factors as past records and premium rates, etc. of similar buildings.
Other expenses	JPY0.-	
Net operating income	JPY136,980,000.-	
Gain on management of deposits	JPY3,000,000.-	Assessed with 2.0% investment yield on management of deposits.
Capital expenditures	JPY17,032,000.-	Assessed by factoring in the level described in the engineering report.
Net cash flow	JPY122,948,000.-	
Cap rate	6.3%	Assessed by factoring in the market cap rate, etc. of similar real estate.
Value by DCF method	JPY1,910,000,000.-	
Discount rate	6.1%	Assessed by factoring in the investment yield, etc. of similar real estate.
Terminal cap rate	6.5%	Assessed by factoring in the market terminal cap rate, etc. of similar real estate.
Indicated value by cost approach	JPY1,110,000,000.-	
Land ratio	42.8%	
Building ratio	57.2%	
Other matters noted in appraisal by appraiser	The appraiser considered that indicated value by an income approach is convincing since it reflects the reality of the market more than indicated value by a cost approach. Therefore, the appraiser adopted the indicated value by an income approach.	

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

(Reference) Portfolio list after the sale of assets-to-be-sold

No.	Hotel	Type	Grade	No. of guest rooms (*1)	Area (*2)	Completion	Acquisition price (JPY1M) (*3)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	5.2%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	9.5%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	7.2%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	9.1%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	2.0%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	3.5%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	3.7%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	2.0%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.1%
12	the b suidobashi	Limited-service	Mid-price	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.5%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.5%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	1.0%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	1.0%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.8%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	202	Tokyo	March 1998	1,534	0.7%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.8%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	1.0%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	0.8%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	0.7%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.4%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	2.9%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	2.3%
31	Hilton Tokyo Bay	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	12.5%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	3.2%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	3.3%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	2.9%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	1.4%
36	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	November 2002	6,250	3.0%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	3.1%
38	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	August 1999	2,320	1.1%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	1.3%
40	the b hakata	Limited-service	Mid-price	175	Other	September 1997	2,300	1.1%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	1.5%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.8%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	March 2005	14,950	7.2%
	Total	—	—	8,401	—	—	208,403	100.0%

- (*1) Number of rooms available to sell as of today (rooms occupied by the hotel for a long term is excluded).
- (*2) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, and Tochigi prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Okinawa means Okinawa prefecture.
- (*3) Acquisition prices stated on a purchase and sale agreement for beneficial interest in trust or a real estate purchase and sale agreement are indicated (consumption tax, local consumption tax and the acquisition expenses such as broker's fee are not included). The acceptance prices are indicated for the assets that have been accepted through the merger.
- (*4) The percentage of each acquisition price to the total of acquisition price is indicated and the numbers are rounded off to one decimal place.
- (*5) Numbers for the assets transferred (No. 7, No. 11, No. 19, No. 20, No. 21, No. 23, No. 27 and No. 28) are missing numbers.