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September 20, 2013

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
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Notice Concerning Disposition of Asset (“Pearl Hotel Kayabacho”)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has resolved to dispose of the asset as follows:

1. Asset summary

Name of the asset to be disposed	Pearl Hotel Kayabacho
Category of the asset to be disposed	Real estate beneficial interest in trust
Acquisition date	June 15, 2006
Asset category by use	Hotel
Asset type (*1)	Limited service hotel
Grade (*2)	Economy
Transfer price (*3)	JPY2.3B
Book value (*4)	JPY3.172B
Estimated transfer loss (*5)	-JPY966M
Conclusion of the disposition contract	September 20, 2013
Scheduled transfer date	October 31, 2013 (plan)
Buyer	See “5. Buyer summary” below

(*1) Hotels are categorized into “Limited-service hotel”, “Full-service hotel”, and “Resort hotel”.

(*2) JHR has categorized the hotel grade into four types such as “Luxury class”, “Upper middle class”, “Mid-price class” and “Economy class” based on the average daily rate.

(*3) The transfer price does not include the transfer expense, settlement of the fixed property tax and city planning tax, consumption tax and local consumption tax.

(*4) The estimated book value as of the end of October 2013 is indicated. Numbers less than JPY1M are rounded down.

(*5) The estimated transfer loss caused by this disposition was calculated by the transfer price, JPY2.3B (plan), book value as of the end of October 2013, JPY3.172B (estimate), and disposition expense, JPY94M. Numbers less than JPY1M are rounded down.

2. Rationale of the disposition

As a part of the growth strategy, JHR has strived to improve the quality of the portfolio through the asset replacement and other efforts. JHR has disposed of the hotels whose profitability has declined or business recovery may be difficult in future.

The aforementioned Pearl Hotel Kayabacho has maintained certain profitability but JHR determined to dispose of the hotel in consideration of balance between future growth potential and capital expenditure required in future, etc.

comprehensively. The disposition will result in transfer loss of JPY966M but JHR intends to evade impact on dividend for the 14th period (FY12/2013) using negative goodwill.

In order to ensure diligent growth of the operating assets and stable revenue, JHR will continue to manage the asset from medium to long term perspective. JHR will strive to improve the portfolio quality further by taking advantage of negative goodwill when required.

3. Intended use of the disposition proceeds

JHR plans to prepay some loans with the disposition proceeds in accordance with the loan agreements concluded with the financial institutions as of today. Please refer to the “Notice Concerning Prepayment of Loans” dated today for detail.

4. Summary of the asset to be disposed

Asset category		Real estate beneficial interest in trust
Location		3-3, Shinkawa 1-chome, Chuo-ku, Tokyo
Intended use		Hotel
Area	Land	979.61 m ²
	Building	7,032.49 m ²
The way of owning	Land	Ownership
	Building	Ownership
Building structure		Steel framed reinforced concrete and reinforced concrete building. Ten stories above ground and one below.
Building completion		January 1981
Acquisition price		JPY3.121B
Appraisal value		JPY2.885B As of June 30, 2013 Appraiser: Chuo Real Estate Appraisal Co., Ltd.
Trustee		Sumitomo Mitsui Trust Bank, Limited.
Expiration of the trust period		September 10, 2014
No. of tenant		1
Rentable area		7,134.03 m ²
Area rented		7,134.03 m ²
Rent		JPY18M/month
Security deposit and guarantee money		JPY35M
Occupancy (based on the area rented)		100%
Collateral		Secured

5. Buyer summary

Name	Godo Gaisha Support Holdings No. 12
Location of the head office	Tokyo Kyodo Accounting Office 1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Representative	Representative employee of General Incorporated Association Support Holdings No. 12
Amount of Capital	JPY100,000.-
Establishment	September 2013
Buyer's business	1. Acquisition, owing, disposition, leasing, and management of real estates 2. Acquisition, owning and disposition of real estate beneficial interest in trust 3. Any businesses which are incidental or related to the businesses above.
Relationship between JHR, its asset management company and the buyer	Relationship that should be statutory reported such as capital relationship, human relationship, and business relationship do not exist between JHR, its asset management company and the buyer. The

	related parties of JHR and its asset management company do not have any capital and human relationship with the related parties of the buyer and its related company. The buyer is not the related party of JHR and its asset management company. The related parties and related companies of the buyer are not the related parties of JHR and its asset management company.
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6. Summary of intermediary

(1) Summary of intermediary

Name	Loadstar Capital K.K.
Location of the head office	9-15, Ebisu 4-chome, Shibuya-ku, Tokyo
Title and name of the representative director	Tatsushi Iwano, Representative Director
Amount of Capital	JPY10,000,000.-
Establishment	March 2012
Intermediary's business	Financial instruments business type two Investment advisory and agency business Acquisition, owning, disposition, brokerage and management of real estates.
Relationships between JHR, its asset management company and the intermediary	Relationship that should be statutory reported such as capital relationship, human relationship, and business relationship do not exist between JHR, its asset management company and the buyer. The related parties of JHR and its asset management company do not have any capital and human relationship with the related parties of the buyer and its related company. The buyer is not the related party of JHR and its asset management company. The related parties and related companies of the buyer are not the related parties of JHR and its asset management company.

(2) Amount of the intermediary fee and its breakdown

We do not disclose them, as the intermediary does not agree with disclosure.

7. Transfer schedule

Approval of sale	September 20, 2013
Conclusion of the disposition contract	September 20, 2013
Settlement and transfer	October 31, 2013 (plan)

8. Future prospect

The impact on the operating forecast of the fiscal year December 2013 (January 1, 2013 through December 31, 2013) is slight and no change is required as of today.

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

<Reference: Portfolio list after disposition of Pearl Hotel Kayabacho>

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	7.2%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	13.1%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	9.8%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	12.4%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	2.7%
6	Ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	4.8%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	5.0%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	2.7%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.5%
11	Dormy Inn Namba	Limited-service	Economy	105	Kansai	February 1999	1,270	0.8%
12	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.7%
13	Dormy Inn Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.7%
14	Hakata Nakasu Washington Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	1.4%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	1.3%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	1.1%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	March 1998	1,534	1.0%
18	Comfort Hotel Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	2.5%
19	Comfort Hotel Shin Yamaguchi	Limited-service	Economy	139	Other	August 2007	866	0.6%
21	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Other	June 2006	1,760	1.2%
22	Smile Hotel Nihonbashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	1.4%
23	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Other	August 1992	2,105	1.4%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	1.1%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	1.0%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.5%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	3.9%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	3.2%
31	Hilton Tokyo Bay Hotel	Resort	Luxury	809	Kanto (excluding Tokyo)	June 1988	26,050	17.1%
	Total	—	—	6,568	—	—	152,302	100.0%

(*1) No. of rooms available to sell as of today (rooms occupied by the hotel for a long term is excluded.)

(*2) Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaragi, Gunma, and Tochigi prefectures. Tokyo and Okinawa mean Tokyo Metropolitan area and Okinawa prefecture respectively.

(*3) The purchase prices stated on the Purchase and Sales Agreement for the Beneficial Interest in Trust or Real Estate Purchase and Sale Agreement are indicated (Consumption tax, local consumption tax and the acquisition expense 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 purchase price to the total purchase price is indicated and the numbers are rounded off to one decimal place.
- (*5) Numbers of the properties that have already been disposed (No. 7, No. 27, No. 28) and that of Pearl Hotel Kayabacho (No. 20) are missing numbers.