

**This English translation is provided for information purposes only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.**

August 7, 2018

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)  
Kaname Masuda, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.  
Hisashi Furukawa, Representative Director and President

Contact:

Makoto Hanamura  
General Manager  
Investor Relations Department, Operations Division  
TEL: +81-3-6422-0530

Notice Concerning Sale of Assets

(R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu)

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 (hereinafter called the “Sale”) as below on behalf of JHR.

1. Summary of Sale

Summary of Sale				
Name of assets-to-be-sold	R&B Hotel Higashi-nihonbashi	the b akasaka-mitsuke	the b ochanomizu	Total
Type of assets-to-be-sold	Real estate beneficial interest in trust and movable assets attached to the hotel			—
Acquisition date	June 16, 2006	January 30, 2015	January 30, 2015	
Asset type	Hotel			
Hotel type (*1)	Limited-service hotel			
Grade (*2)	Economy	Mid-price	Mid-price	
Sale price (planned) (*3)	JPY3,050M	JPY6,600M	JPY2,500M	JPY12,150M
Book value (*4)	JPY1,483M	JPY6,293M	JPY2,353M	JPY10,131M
Gain on sale (forecast) (*5)	JPY1,543M	JPY265M	JPY128M	JPY1,937M
Appraisal value (*6)	JPY2,090M	JPY6,010M	JPY2,360M	JPY10,460M
Contract date	August 7, 2018			—
Closing date (scheduled)	August 10, 2018 (scheduled)			
Buyer (planned)	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.

(\*4) The assumed book value as of the end of July 2018 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 July 2018, and expenses related to the sale (forecast). Also, amounts are rounded down to the nearest JPY1M.

(\*6) Appraisal value is as of June 30, 2018.

## 2. Rationale for Sale

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

As a result of comprehensive consideration regarding positions of the assets to be sold (hotel types, locations, etc. of JHR's whole portfolio), the competitiveness for mid-to-long term, upside and stability, etc. within our portfolio, we have decided to sell these properties.

The planned sale price exceeds both of the book value (assumed value as of the end of July, 2018) and the appraisal value (as of the end of June, 2018).

## 3. Use of Proceeds from Sale

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 Repayment of the Existing Loans." Consequently, we plan to allocate the remaining balance to funds for acquiring new property, etc. It is assumed that the LTV (total asset base) as of the end of the fiscal year 2018 will decline to 38.8% from 39.9%.

Also, we expect to recognize the gain on sale by the sale of the properties in amount of JPY1,937M. As for JPY1,235M of the gain on sale related to sale of R&B Hotel Higashi-nihonbashi which we held over 10 years, we plan to internally retain it as reserve for special advanced depreciation (please see the note below) and allocate the remaining balance to dividends.

(Note) We plan to apply "Special provisions for taxation in the case where a special account is set up accompanied with transfer of specified assets" (Article 65-8 in the Act on Special Measures Concerning Taxation), which is not applied to reserve for advanced depreciation for special tax treatment for property replacement stipulated by "Ordinance on Accountings of Investment Corporations."

## 4. Summary of Assets-to-be-Sold

### (1) R&B Hotel Higashi-nihonbashi

Asset category		Real estate beneficial interest in trust
Address (Lot Number)		30-11 Higashi-nihonbashi 2-chome, Chuo-ku, Tokyo and other 5 lots
Intended use		Hotel
Area	Land	507.83 m <sup>2</sup> (*)
	Building	3715.26 m <sup>2</sup>
Ownership	Land	Ownership, Leasehold right
	Building	Ownership
Building structure		Steel-framed building. Ten stories above ground.
Completion		March 1998
Acquisition price		JPY1,534M
Appraisal value		JPY2,090M Date of appraisal: June 30, 2018 Appraiser: JLL Morii Valuation & Advisory K.K.
Trustee		Sumitomo Mitsui Trust Bank, Limited
Maturity date of trust		September 24, 2024
No. of tenants		1
Rentable area		3,800.77 m <sup>2</sup>
Rented area		3,800.77 m <sup>2</sup>
Rent		JPY10,183 thousands/month
Deposit and guarantee money		N/A
Occupancy rate (based on rented area)		100%
Collateral		N/A

(\*) including the leased land area of 77.38 m<sup>2</sup>

### (2) the b akasaka-mitsuke

Asset category		Real estate beneficial interest in trust and movable assets attached to the hotel
Address (Lot Number)		2114-2 Akasaka 3-chome, Minato-ku, Tokyo and other 2 lots

Intended use		Hotel
Area	Land	625.46 m <sup>2</sup>
	Building	2,867.04 m <sup>2</sup>
Ownership	Land	Ownership
	Building	Ownership
Building structure		Steel-framed building. Eight stories above ground.
Completion		November 2002 (newly-built) April 2014 (extended)
Acquisition price		JPY6,250M
Appraisal value		JPY6,010M Date of appraisal: June 30, 2018 Appraiser: Japan Real Estate Institute
Trustee		Mizuho Trust & Banking Co.,Ltd.
Maturity date of trust		January 31, 2025
No. of tenants		2
Rentable area		2,867.04 m <sup>2</sup>
Rented area		2,867.04 m <sup>2</sup>
Rent	Fixed rent	JPY8,500 thousands /month
	Variable rent	Linked to GOP (*1)
Deposit and guarantee money		Undisclosed (*2)
Occupancy rate (based on rented area)		100%
Collateral		N/A

(\*1) The detail of the variable rent is not disclosed as consent on disclosure has not been obtained from the lessee.

(\*2) The detail is not disclosed as consent on disclosure has not been obtained from the lessee.

(3) the b ochanomizu

Asset category		Real estate beneficial interest in trust and movable assets attached to the hotel	
Address (Lot Number)		7-5 Kanda-awajimachi 1-chome, Chiyoda-ku, Tokyo and 2 other lots	
Intended use		Hotel	
Area	Land	357.47 m <sup>2</sup>	
	Building	1,742.23 m <sup>2</sup>	
Ownership	Land	Ownership	
	Building	Ownership	
Building structure		Steel-framed reinforced concrete building. Nine stories above ground.	
Completion		August 1999	
Acquisition price		JPY2,320M	
Appraisal value		JPY2,360M Date of appraisal: June 30, 2018 Appraiser: Japan Real Estate Institute	
Trustee		Mitsubishi UFJ Trust and Banking Corporation	
Maturity date of trust		January 31, 2025	
No. of tenants		2	
Rentable area		1,742.23 m <sup>2</sup>	
Rented area		1,742.23 m <sup>2</sup>	
Rent	Fixed rent	JPY5,750 thousands /month	
	Variable rent	Linked to GOP (*1)	
Deposit and guarantee money		Undisclosed (*2)	
Occupancy rate (based on rented area)		100%	
Collateral		N/A	

(\*1) The detail of the variable rent is not disclosed as consent on disclosure has not been obtained from the lessee.

(\*2) The detail is not disclosed as consent on disclosure has not been obtained from the lessee.

5. Summary of Buyer (Planned)

The planned buyer of the three assets to be sold is the followings:

Name	Tiger 2 GK
Headquarters	c/o Mentor Capital Tax Corporation, 2-9 Nishi-shinbashi 1-chome, Minato-ku, Tokyo
Name and title of representative	Tadatsugu Ishimoto, Operating Director
Capital	JPY100,000.-
Establishment	May 24, 2018
Business	1. Acquisition, possession and disposition of real estate beneficial interest in trust 2. Acquisition, possession, disposition, leasing and management of real estates 3. Acquisition, possession and disposition of stock of company and partnership interests of partnership which has intention for management, etc. of building 4. Other work incidental to or related to the above
Capital relationships Human relationships Business relationships	Relationships that should be specifically reported such as capital, human and business relationships do not exist between JHR, its asset management company and the buyer. Relationships that should be specifically reported such as capital and human relationships do not exist between related parties of JHR and its asset management company and related parties of the buyer.
Related parties	The buyer does not fall under the category of related parties of JHR and its asset management company. Affiliated parties and companies of the buyer do not fall under the category of related parties of JHR and its asset management company.

6. Summary of Brokerage

Not applicable

7. Payment Method

A lump-sum payment on transfer

8. Schedule of Sale

Date of resolution for the sale	August 7, 2018
Date of conclusion of purchase and sale agreement	August 7, 2018
Settlement and transfer	August 10, 2018 (scheduled)

9. Future prospects

With respect to the operating forecast after the Sale, please refer to “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)” dated on August 7, 2018.

# 10. Appraisal Report Summary

## (1) R&B Hotel Higashi-nihonbashi

Property name	R&B Hotel Higashi-nihonbashi	
Appraisal value	JPY2,090,000 thousands	
Name of appraiser	JLL Morii Valuation & Advisory K.K.	
Date of appraisal	June 30, 2018	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY2,090,000 thousands	
Value by direct capitalization method	JPY2,120,000 thousands	
Operating income	JPY122,208 thousands	
Potential gross income	JPY122,208 thousands	
Fixed rent	JPY122,208 thousands	
Other income	JPY0 thousands	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY17,433 thousands	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair cost	JPY3,109 thousands	
Property management fee	JPY1,200 thousands	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY7,534 thousands	
Casualty insurance premium	JPY190 thousands	
Other expenses	JPY5,400 thousands	Leasing cost
Net operating income	JPY104,775 thousands	
Gain on management of deposits	JPY81 thousands	
Capital expenditures	JPY7,254 thousands	
Net cash flow	JPY97,440 thousands	
Cap rate	4.6%	
Value by DCF method	JPY2,050,000 thousands	
Discount rate	4.4%	
Terminal cap rate	4.8%	
Indicated value by cost approach	JPY1,420,000 thousands	
Land ratio	82.6%	
Building ratio	17.4%	
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) the b akasaka-mitsuke

Property name	the b akasaka-mitsuke	
Appraisal value	JPY6,010,000thousands	
Name of appraiser	Japan Real Estate Institute	
Date of appraisal	June 30, 2018	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY6,010,000 thousands	
Value by direct capitalization method	JPY6,130,000 thousands	
Operating income	JPY285,520 thousands	
Potential gross income	JPY285,520 thousands	
Fixed rent	JPY136,384 thousands	
Variable rent	JPY149,136 thousands	
Other income	JPY0.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY20,893 thousands	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair cost	JPY3,896 thousands	
Property management fee	JPY1,200 thousands	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY15,649 thousands	
Casualty insurance premium	JPY148 thousands	
Other expenses	JPY0.-	
Net operating income	JPY264,627 thousands	
Gain on management of deposits	JPY300 thousands	
Capital expenditures	JPY9,090 thousands	Assessed by factoring in the level of capital expenditures of similar real estate, building age, annual average repair cost in the engineering report, etc..
FF&E reserve	JPY4,699 thousands	Assessed by factoring in plans for the level of FF&E reserve of similar real estate and plans for repair and renewal, etc. .
Net cash flow	JPY251,138 thousands	
Cap rate	4.1%	
Value by DCF method	JPY5,880,000 thousands	
Discount rate	3.9%	
Terminal cap rate	4.3%	
Indicated value by cost approach	JPY4,600,000 thousands	
Land ratio	92.9%	
Building ratio	7.1%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that indicated value by an income approach which reliably reproduced 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) the b ochanomizu

Property name	the b ochanomizu	
Appraisal value	JPY2,360,000thousands	
Name of appraiser	Japan Real Estate Institute	
Date of appraisal	June 30, 2018	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY2,360,000 thousands	
Value by direct capitalization method	JPY2,400,000 thousands	
Operating income	JPY118,822 thousands	
Potential gross income	JPY118,822 thousands	
Fixed rent	JPY69,000 thousands	
Variable rent	JPY49,822 thousands	
Other income	JPY0 thousands	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY9,973 thousands	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair cost	JPY2,277 thousands	
Property management fee	JPY1,200 thousands	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY6,408 thousands	
Casualty insurance premium	JPY88 thousands	
Other expenses	JPY0.-	
Net operating income	JPY108,849 thousands	
Gain on management of deposits	JPY0 thousands	
Capital expenditures	JPY5,312 thousands	Assessed by factoring in the level of capital expenditures of similar real estate, building age, annual average repair cost in the engineering report, etc.
FF&E reserve	JPY2,726 thousands	Assessed by factoring in the level of FF&E reserve of similar real estate and plans for repair and renewal etc..
Net cash flow	JPY100,811 thousands	
Cap rate	4.2%	
Value by DCF method	JPY2,320,000 thousands	
Discount rate	4.0%	
Terminal cap rate	4.4%	
Indicated value by cost approach	JPY1,250,000 thousands	
Land ratio	85.0%	
Building ratio	15.0%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that indicated value by an income approach which reliably reproduced 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.	

\* 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 (*3) (JPY1M)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	3.5%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	6.4%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Kansai	March 1996	15,000	4.8%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	6.1%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Chugoku	September 1993 Extended in September 2006	4,100	1.3%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	2.3%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 Extended in June 2005 Extended in May 2006	7,610	2.5%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	1.3%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kyushu (excluding Okinawa)	January 2008	2,334	0.8%
12	the b suidobashi	Limited-service	Mid-price	99	Tokyo	August 1986 Extended in September 1989	1,120	0.4%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.3%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Kyushu (excluding Okinawa)	March 1995	2,130	0.7%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	0.7%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.6%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.2%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	0.7%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Kyushu (excluding Okinawa)	Main building and annex both September 2001	1,652	0.5%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	105	Tokyo	January 1992	1,512	0.5%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.3%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	1.9%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	1.6%
31	Hilton Tokyo Bay	Resort	Luxury	828	Kanto (excluding Tokyo)	June 1988	26,050	8.4%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	2.1%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	2.2%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	1.9%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	1.0%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	2.1%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	0.8%
40	the b hakata	Limited-service	Mid-price	175	Kyushu (excluding Okinawa)	September 1997	2,300	0.7%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	1.0%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.5%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	February 2005 Extended in December 2006	14,950	4.8%
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (*5)	Full-service	Luxury	238	Chugoku	August 2010	17,320	5.6%
45	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	December 2009	6,705	2.2%
46	Hotel Centraza Hakata	Full-service	Mid-price	194	Kyushu (excluding Okinawa)	July 1985	7,197	2.3%
47	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Kansai	August 2008	27,000	8.7%
48	HOTEL ASCENT FUKUOKA	Limited-service	Economy	263	Kyushu (excluding Okinawa)	April 1999	4,925	1.6%
49	Hilton Nagoya	Full-service	Luxury	460	Chubu	February 1989	15,250	4.9%
50	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Kanto (excluding Tokyo)	August 1993	13,175	4.3%
51	International Garden Hotel Narita	Full-service	Mid-price	463	Kanto (excluding Tokyo)	May 1996	9,125	2.9%
52	Hotel Nikko Nara	Full-service	Upper-middle	330	Kansai	February 1998	10,373	3.4%
	Total	—	—	11,090	—	—	309,370	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, Tochigi and Yamanashi prefectures. Chubu means Aichi, Mie, Shizuoka, Nagano, Gifu, Niigata, Toyama, Ishikawa and Fukui prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Chugoku means Hiroshima, Okayama, Tottori, Yamaguchi and Shimane prefectures. Kyushu (excluding Okinawa) means Fukuoka, Nagasaki, Miyazaki, Kumamoto, Saga, Oita and Kagoshima prefectures. Okinawa means Okinawa prefecture.
- (\*3) Acquisition prices stated on a purchase and sale agreement for beneficial interest in trust 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) Type, grade and total number of guest rooms of ACTIVE-INTER CITY HIROSHIMA are those of the main facility, Sheraton GrandHiroshima Hotel.
- (\*6) Numbers for the assets transferred (No. 7, No. 11, No. 17, No. 19, No. 20, No. 21, No. 23, No. 27, No. 28, No.36 and No.38) are missing numbers.