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August 28, 2012

REIT Issuer:

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

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

1. Disposition summary

Name of the asset to be disposed	Millennia Hotel Matsuyama (Matsuyama NH Building)
Category of asset to be disposed	Real estate beneficial interest in trust
Acquisition date	February 20, 2008
Asset category by use	Hotel
Asset type (*1)	Business Hotel
Grade (*2)	Economy
Transfer price (*3)	JPY422,000,000.-
Book value (*4)	JPY1,385,000,000.-
Estimated loss on transfer	-JPY981,000,000.-
Conclusion of the Disposition Contract	August 28, 2012
Transfer date (Scheduled)	September 28, 2012
Buyer	See “5. Buyer summary”.

(*1) Hotels are categorized into “Business Hotel”, “City Hotel”, and “Resort Hotel” based on the type of operation.

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

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

(*4) Estimated book value as of the end of September 2012. Number is rounded off at JPY1M.

(*5) Estimated loss is calculated based on the following assumptions. Transfer price: JPY422M, Estimated book value as of September 2012: JPY1.385B, Sales costs: JPY17M.

2. Rationale of the dispositions

JHR is the only J-REIT specifying in hotels created by the merger (hereinafter called “merger”) of Nippon Hotel Fund Investment Corporation, Ltd. (former company name of JHR) and Japan Hotel and Resort

Note: This documents is intended to serve as a press release to make available the information on public offerings and secondary offering of units only. This documents should not be construed as an offer to sell or solicitation of an offer to purchase any unit or other investment of JHR. Prospective investors are advised to read the JHR’s prospectus for new unit issuance and secondary offering (and its amendments, if any) and make any investment decisions at their own risk and responsibility.

Investment Corporation, Ltd. effective on April 1, 2012. JHR has strived for improving the portfolio quality through the asset replacement to pursue the growth strategy further following the merger. Taking advantage of the negative goodwill resulted from the merger, JHR has determined to dispose of the asset whose profitability has declined and further improvement of the business environment is difficult to expect.

Though the transfer price is lower than the latest real estate appraisal value and the book value, JHR believes that the price is still at the appropriate level as the market price of the recent hotel trading market based on the rent history and operations of the hotel.

The loss on the transfer of approximately JPY981M is projected for this disposition but it will be covered by the increased retained earnings resulted from the negative goodwill of the merger, and the impact on the dividend for 13th period (FY12/2012) will be evaded. With this negative goodwill, JHR will continuously dispose of the asset whose profitability has declined and drastic improvement is difficult to expected.

3. Intended use of the disposition proceeds

The disposition proceeds will be partially appropriated for the pre-payment of loan based on the loan agreement having been concluded with the financial institutions. Please refer to “Notice concerning Pre-Payment of Loan” issued dated today for detail.

4. Summary of the asset to be disposed

Asset		Beneficial interest in trust
Location		2-5-5, Honmachi, Matsuyama-shi, Ehime prefecture
Intended use		Hotel
Area	Land	1,279.67m ²
	Building	5,083.77m ² (accessory building (Car park, 44.81 m ²) inclusive)
Ownership	Land	Ownership
	Building	Ownership
Building structure		Steel-reinforced concrete structure with flat roof. Eleven stories above ground with one below.
Building completion		March 1991
Acquisition price		JPY1,352,000,000-
Appraisal value		JPY691,000,000 as of March 31, 2012 Appraiser: Morii Appraisal & Investment Consulting Inc.
Trustee		Sumitomo Mitsui Trust Bank, Limited
Expiration of the trust period		February 28, 2018
Number of tenant		1
Rentable area		5,083.77m ² (Accessory building (Car park, 44.81 m ²) inclusive)
Area rented		5,083.77m ² (Accessory building (Car park, 44.81 m ²) inclusive)
Rent		JPY6,000,000/month
Security deposit and guarantee money		JPY5,000,000.-
Occupancy		100%
Mortgage		Mortgage is settled.

5. Buyer summary

Name	MiK Corporation.
Location	2-1-3 Tsutsumi-cho, Aomori-shi, Aomori prefecture
Title and name of the representative	Yutaka Muramoto, Representative Director

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Amount of Capital	JPY48M
Establishment	September 1991
Buyer's business	Management of pharmacy, Drugs and medical equipment sales, Management of restaurant, hotel and Onsen Ryokan (Japanese style hotel), Operation of driving range and Real estate brokerage business.
Relationship between the buyer and JHR or its asset management company	Relationships 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 relationships that should be specifically reported with the related parties of the buyer. The buyer owns 100% ownership of Fine Resort Co., Ltd., sole tenant of the property The buyer is not the related parties of JHR or its asset management company. The related parties of the buyer are not the related parties of JHR and its asset management company, either.

6. Summary of the intermediary

(1) Summary of the intermediary

Intermediary	Sumitomo Mitsui Trust Bank, Limited.
Location	1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Title and name of the representative	Hitoshi Tsunekage, Representative Director and President
Amount of Capital	JPY342B as of April 1, 2012
Establishment	July 1925
Intermediary's business	Trust bank business
The relationship between the intermediary and JHR and its management company	JHR has entrusted the intermediary with custody of the asset thus they are the related party of JHR. JHR has concluded the agreement with the intermediary for entrusting them with the various business affairs, and the intermediary has furnished JHR with loans. Furthermore, JHR and the asset management company of JHR has business connection with them through the basic agreement in relation to providing information for brokerage of the income producing assets

(2) Amount of commission and its breakdown

The amount of commission and its breakdown are not disclosed because the intermediary has not agreed to disclose it.

7. Disposition schedule

Approval of Board of Directors	August 28, 2012
Conclusion of disposition contract	August 28, 2012
Settlement and transfer date	September 28, 2012 (plan)

8. Future prospect

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With reference to the operating forecast for the fiscal year December 2012 (April 1, 2012 through December 31, 2012), please refer to “Notice concerning the Revision of the Operating Forecast for the fiscal year December 2012 (13th period)” dated today.

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

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