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Notice Concerning the Series of Efforts

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has issued the series of the press releases today as below, and this press release is to provide you with the comprehensive explanation for those press releases, informing you of the objectives and meanings of our actions.

**1. Press Releases issued dated today:**

- (1) Notice Concerning Issuance of New Investment Units and Secondary Offering
- (2) Notice Concerning Acquisitions of New Assets  
 (“Hotel Keihan Universal City” and “Hotel Sunroute Shinbashi”)
- (3) Notice Concerning Disposition of Asset (“Millennia Hotel Matsuyama”)
- (4) Notice Concerning New Loan
- (5) Notice Concerning Pre-Payment of Loan
- (6) Notice Concerning Revision of the Operating Forecast for the fiscal year December 2012 (13<sup>th</sup> period)

**2. JHR’s policy going forward**

Aiming for coping with both stability and upside potentials, JHR (previously called Nippon Hotel Fund Investment Corporation) has merged with Japan Hotel and Resort, Inc. effective on April 1, 2012, and changed its name to Japan Hotel REIT Investment Corporation for new start.

JHR intends to dispose of the existing asset whose profitability is declining and further growth potential is judged to be limited while acquiring the highly competitive hotel which is capable of attracting both the domestic and foreign leisure customers who are expected to increase as with the growth of the tourism industry in Japan.

**3. Highlights of the asset replacement and fundraising**

The above-mentioned press releases issued dated today are the series of efforts where each action is related with each other as shown below. JHR considers that these series of efforts are the strategic first step to promote growth following the merger, and aims for achieving the further growth cycle.

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.

## 1) Asset replacement

While acquiring the two properties that can enjoy the stable profits by steady leisure and business demands (\*1), JHR dispose of one property (\*2) whose profitability has declined and significant improvement of the business circumstance is difficult to expect. JHR believes that this asset replacement contributes to improve the profitability and stability of the portfolio and is effective to expand the size of the asset.

<Please see the press releases of above 1. (2) for the new acquisition and 1. (3) for the disposition.>

(*1)	Property to be acquired	Purchase Price (JPY1M)	Appraisal value (JPY1M)
	Hotel Keihan Universal City	6,000	6,840
	Hotel Sunroute Shinbashi	4,800	5,640

  

(*2)	Property to be disposed	Disposition price (JPY1M)	Appraisal value (JPY1M)
	Millennia Hotel Matsuyama	422	691

## 2) Fund for the new acquisition

In order to ensure the continuous financial soundness after the asset replacement, JHR will assort various methods properly for the asset acquisition such as new loan, issuance of new investment units and secondary offering, and own fund. This is effective to maintain the almost same LTV after the asset replacement.

<Please see the press release of above 1. (4) for the new loan and 1. (1) for issuance of new investment units and secondary offering respectively.>

## 3) Dividend projection for a unit

Dilution of the dividend per unit on the fiscal year December 2012 may be projected by loss on transfer by the asset disposition and issuance of new investment units. However, JHR will utilize the increased retained earnings taking advantage of the negative goodwill to eliminate the impact on the dividend, and the dividend per share announced on May 23, 2012, JPY1,341, is planned to be maintained.

Furthermore, the dividend per unit on annual basis for the fiscal year December 2012 that was calculated under the certain assumptions and announced on May 23, 2012 is presumed to be JPY1,563 after the asset replacement. (The dividend per unit on annual basis at the last forecast was JPY1,502.-).

<The above number is estimate based on the operational status as of today and the actual amount of dividend may fluctuate depending on the circumstance. The above estimate does not guarantee the amount indicated. Please see the Press Release above 1. (6) for detail.>

## 4) Change expected by this asset replacement

The change expected by the efforts indicated on 1) to 3) above is as the following chart:

**Improvements of the profitability and the stability and expansion of the asset size will be realized by this asset replacement.**

		Initial operating forecast on annual basis (*1)		Properties to be acquired		Property to be disposed		Operating forecast after the asset replacement on annual basis (*1)
No. of Properties		28		2		1		29
Total acquisition price (scheduled acquisition inclusive)	JPY1M	122,285		10,800		1,352		131,733
NOI yield	%	6.0	+	7.3	-	4.1	→	6.1
NOI yield after depreciation	%	4.2		6.0		2.1		4.4
Dividend per unit (*1)	JPY	1,502						1,563
LTV (Purchase price)	%	49.4						50.0

(\*1) Please see attachment of the press releases of above 1. (6), “Assumption for the operating forecast for the fiscal year December 2012”.

(\*2)  $\text{NOI yield} = \text{NOI} / \text{Total acquisition price (scheduled acquisition inclusive)}$

$\text{NOI} = \text{Real estate operational income} - \text{Real estate operational cost} + \text{Depreciation cost} + \text{Loss on retirement of noncurrent assets}$

(\*3)  $\text{NOI yield after depreciation} = \text{Real estate rent} / \text{Acquisition price}$

$\text{Real estate income} = \text{Real estate operational income} - \text{Real estate operational cost}$

(\*4)  $\text{LTV (Purchase price)} = \text{Amount of the interest-bearing borrowings after the asset replacement} / \text{Total acquisition price after the asset replacement}$

(\*5) Amount less than JPY1M is rounded off. Percentage: The numbers are rounded off to two decimal places.

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

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