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Notice Concerning Sale of Asset
(Sotetsu Fresa Inn Shimbashi-Karasumoriguchi)

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 asset under management (hereinafter called the “Sale”) and completed the sale as below on behalf of JHR.

1. Summary of Sale

Name of assets-to-be-sold	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi
Type of assets-to-be-sold	Real estate beneficial interest in trust
Acquisition date	September 19, 2012
Asset type	Hotel
Hotel type (*1)	Limited-service hotel
Grade (*2)	Mid-price
Sale price (*3)	JPY8,000M
Book value (*4)	JPY4,791M
Gain on sale (forecast) (*5)	JPY3,156M
Appraisal value (*6)	JPY8,950M
Contract date	July 1, 2020
Closing date	July 1, 2020
Buyer	Undisclosed (*7)

(*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 book value (forecast) as of the end of June 2020 is rounded off to the nearest JPY1M.

(*5) The gain on sale (forecast) of the properties are calculated based on the sale price, assumed book value (forecast) as of the end of June 2020, and expenses related to the sale (forecast). Also, amounts are rounded down to the nearest JPY1M.

(*6) Appraisal value is as of December 31, 2019.

(*7) Undisclosed as the consent of the buyer has not been obtained.

2. Rationale for Sale

As described in “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2020 (21st Period)” dated on March 25, 2020, the business environment in the hotel market has been challenging due to the global spread of COVID-19, and at present, it has been still difficult to forecast the impact on our hotel performance.

Under such circumstances where the outlook for revenue is uncertain, JHR judged that it would be appropriate to recognize a part of the unrealized gains on its owned assets as gain on sale of properties and improve liquidity on hand. Therefore, JHR decided to sell the asset.

3. Use of Proceeds from Sale and allocation of revenue

As for the use of sales proceeds, we plan to improve liquidity on hand through keeping the proceeds as cash on hand. Also, we consider allocating the proceeds to capital expenditures such as guest room renovation, etc. and funds for acquiring new properties in the future, etc., depending on the situation.

Furthermore, we expect the gain on sale of properties in the amount of JPY3,156M by the Sale, and plan to allocate part of the amount or the entire amount to dividends.

4. Summary of the Sales Asset

Name of the Sales Asset		Sotetsu Fresa Inn Shimbashi-Karasumoriguchi
Asset category		Real estate beneficial interest in trust
Address (Lot Number)		4-34-1, Shimbashi, Minato-ku, Tokyo and ten other lots
Intended use		Hotel, Stores, Parking lot
Area	Land	761.01 m ²
	Building	5,476.39 m ²
Ownership	Land	Ownership
	Building	Ownership
Building structure		Steel structured and steel-framed reinforced concrete building/sixteen stories above ground and 1 story below ground
Completion		March 2008
Acquisition price		JPY4,800M
Appraisal value		JPY8,950M Date of appraisal: December 31, 2019 Appraiser: DAIWA REAL ESTATE APPRAISAL CO., LTD.
Trustee		Sumitomo Mitsui Trust Bank, Limited
Maturity date of trust		July 31, 2022
No. of tenants		4
Rentable area		5,246.66 m ²
Rented area		5,246.66 m ²
Rent (*1)	Fixed rent	JPY24,833 thousands/month
	Variable rent	As for the hotel lessee, apart from the above fixed rent, rent from revenue sharing is paid.
Deposit and guarantee money		JPY60,599 thousands
Occupancy rate (based on rented area)		100%
Collateral		N/A

(*1) Stating based on the fixed-term building lease agreements, etc. which are in effect as of today, with the lessees of the hotel and stores. The detail of the rent from revenue sharing is not disclosed as consent on disclosure has not been obtained from the lessee.

(*2) Stating the amount at the time of conclusion of fixed-term building lease agreements, etc. with the lessees of the hotel and stores.

5. Summary of Buyer

Information is undisclosed since JHR has not obtained consent from the buyer. There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company, and the buyer. The buyer also does not fall under the category of related parties of JHR and the Asset Management Company. The 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 by the 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	July 1, 2020
Date of conclusion of purchase and sale agreement	July 1, 2020
Settlement and transfer	July 1, 2020

9. Future prospects

As mentioned in “1. Summary of Sale” above, although the gain on sale of properties, etc. in the amount of JPY3,156M is expected by the Sale, it is difficult to forecast the impact of COVID-19 on our hotel revenue at present. Therefore, the operating forecast after the Sale remains unchanged from “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2020 (21st Period)” dated on March 25, 2020, and will be determined later.

We will promptly announce the operating forecast after carefully examining and considering the impact of the above-mentioned events on revenues of the hotels owned by JHR, the status of implementation of measures to reduce costs, which we are working with our tenants, etc., the review of plans for capital expenditure, as well as various measures to be taken by JHR including the appropriateness of utilizing negative goodwill and its details, etc.

10. Appraisal Report Summary

Property name	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	
Appraisal value	JPY8,950,000 thousands	
Name of appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.	
Date of appraisal	December 31, 2019	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY8,950,000 thousands	
Value by direct capitalization method	JPY9,100,000 thousands	
Operating income	JPY430,937 thousands	
Potential gross income	JPY432,700 thousands	
Potential rent income	JPY399,430 thousands	
Utilities income	JPY26,663 thousands	
Parking lots income	JPY4,410 thousands	
Other income	JPY2,196 thousands	
Vacancy loss, etc.	JPY1,762 thousands	
Operating expenses	JPY69,667 thousands	
Maintenance and management expenses	JPY3,510 thousands	
Utilities cost	JPY30,411 thousands	
Repair cost	JPY7,105 thousands	
Property management fee	JPY1,200 thousands	
Tenant leasing cost, etc.	JPY642 thousands	
Tax and public dues	JPY25,941 thousands	
Casualty insurance premium	JPY354 thousands	
Other expenses	JPY500 thousands	
Net operating income	JPY361,270 thousands	
Gain on management of deposits	JPY597 thousands	
Capital expenditures	JPY6,958 thousands	
Net cash flow	JPY354,910 thousands	
Cap rate	3.9%	
Value by DCF method	JPY8,880,000 thousands	
Discount rate	3.7%	
Terminal cap rate	4.1%	
Indicated value by cost approach	JPY6,380,000 thousands	
Land ratio	89.1%	
Building ratio	10.9%	
Other matters noted in appraisal by appraiser	The appraiser judged that the indicated value by an income approach is relatively convincing compared to the indicated value by cost approach. Therefore, the appraiser decided the appraisal value by using the indicated value by cost approach as reference and using the indicated value by income approach as standard.	

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

(Reference) Portfolio list after the sale of the asset

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	323	Kansai (excluding Osaka)	July 1995	10,900	2.9%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	511	Kanto (excluding Tokyo)	May 1995	19,900	5.4%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	March 1996	15,000	4.1%
4	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	April 1994	18,900	5.1%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Chugoku	September 1993 Extended in September 2006	4,100	1.1%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	2.0%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 Extended in June 2005 Extended in May 2006	7,610	2.1%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	1.1%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kyushu (excluding Okinawa)	January 2008	2,334	0.6%
12	the b suidobashi	Limited-service	Mid-price	99	Tokyo	August 1986 Extended in September 1989	1,120	0.3%
13	dormy inn · global cabin Asakusa	Limited-service	Economy	75	Tokyo	March 1997	999	0.3%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Kyushu (excluding Okinawa)	March 1995	2,130	0.6%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai (excluding Osaka)	March 2000	2,050	0.6%
16	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.5%
18	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.0%
22	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	0.6%
24	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Kyushu (excluding Okinawa)	Main building and annex both in September 2001	1,652	0.4%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	105	Tokyo	January 1992	1,512	0.4%
26	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.2%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	June 2001	6,000	1.6%
31	Hilton Tokyo Bay	Resort	Luxury	828	Kanto (excluding Tokyo)	June 1988	26,050	7.0%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai (excluding Osaka)	March 2009	6,600	1.8%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	1.8%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	1.6%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	0.8%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	1.8%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	0.7%
40	the b hakata	Limited-service	Mid-price	175	Kyushu (excluding Okinawa)	September 1997	2,300	0.6%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	0.8%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.4%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	February 2005 Extended in December 2006	14,950	4.0%
44	ACTIVE-INTER CITY HIROSHIMA (*5) (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Chugoku	August 2010	17,320	4.7%
45	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	Decemebre 2009	6,705	1.8%
46	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Kyushu (excluding Okinawa)	July 1985	7,197	1.9%
47	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	August 2008	27,000	7.3%
48	HOTEL ASCENT FUKUOKA	Limited-service	Economy	263	Kyushu (excluding Okinawa)	April 1999	4,925	1.3%
49	Hilton Nagoya	Full-service	Luxury	460	Chubu	February 1989	15,250	4.1%
50	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Kanto (excluding Tokyo)	August 1993	13,175	3.6%
51	International Garden Hotel Narita	Full-service	Mid-price	463	Kanto (excluding Tokyo)	May 1996	9,125	2.5%
52	Hotel Nikko Nara	Full-service	Upper-middle	330	Kansai (excluding Osaka)	February 1998	10,373	2.8%
53	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	January 2018	2,738	0.7%
54	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	January 1996	62,400	16.9%
	Total	-	-	11,485	-	-	369,708	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. Osaka means Osaka prefecture. Kansai (excluding Osaka) means Kyoto, 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 Grand Hiroshima Hotel.
- (*6) Numbers for the assets transferred and the sales asset are missing numbers.