

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.

October 26, 2020

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, President & CEO

Contact:

Makoto Hanamura
Executive Director
Head of Planning Group, Operations Division
TEL: +81-3-6422-0530

Notice Concerning Purchase and Sale of Asset
(Exchange of a Part of Site of Hotel Ascent Fukuoka)

This is to inform you that Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has reached an agreement on a transaction (hereinafter called the “Exchange Transaction”), through Sumitomo Mitsui Trust Bank, Limited (“SMTB”), who is the trustee of the Property, in order to acquire a land, which is a part of site of Hotel Ascent Fukuoka (hereinafter called the “Property”), and also to dispose a land, which is a part of site of an adjacent building owned by JHR, as described in the settlement below as of today.

1. Rationale and Background of the Transaction

The Exchange Transaction is an exchange transaction between the land leased by SMTB, who is the trustee, as a part of site of the Property (hereinafter called “Leased Land,” the owner of the land of the Leased Land is called the “Owner of the Adjacent Site,” and the acquisition of the Leased Land is called the “Acquisition”), and the real estate beneficial interest in trust of the land owned by SMTB, which is leased to the Owner of the Adjacent Site as a part of the site of the adjacent building (hereinafter called the “Beneficial Interest in Trust of the Land to Let,” and the sale of the Beneficial Interest in Trust of the Land to Let is called the “Sale”).

With respect to the Leased Land, the Owner of the Adjacent Site filed a lawsuit against SMTB, who is the current lessee, to request confirmation on non-existence of repayment obligation on the security deposit. The security deposit was originally pledged by the former owner to the Owner of the Adjacent Site when the Owner of the Adjacent Site concluded a fixed-term lease contract with the former owner of the Property. However, this lawsuit was rejected in the first trial. Negotiations for settlement have been held in the subsequent appeals court. At this time, the Owner of the Adjacent Site agreed to acknowledge the existence of the obligation to repay the security deposit, and to exchange the Leased Land and the Beneficial Interest in Trust of the Land to Let. Therefore, the settlement has been reached.

JHR believes that the Exchange Transaction will contribute to the enhancement of the asset value as the mutual leasehold relationship will be terminated and JHR will acquire the full ownership of the Property. There is no impact on compliance with laws and regulations with respect to the assets after the Exchange Transaction.

2. Summary of Sale

	Acquisition	Sale
Details of asset (registered lot number)	Land at 3-47, Tenjin, Chuo-ku, Fukuoka-shi	Land at 3-46-2 Tenjin, Chuo-ku, Fukuoka-shi
Area of asset (registered area)	113.52m ²	135.62m ²
Type of asset	Real estate	Real estate beneficial interest in trust
Transaction price	JPY653MM	JPY523MM
Book value (Note 1)	—	JPY333MM
Expected gain on exchange of real estate, etc. (Note 2)	—	JPY184MM
Appraisal value (Note 3)	JPY660MM	JPY523MM
Date of appraisal	July 1, 2020	July 1, 2020
Settlement date	October 26, 2020	October 26, 2020
Transaction date	October 29, 2020 (scheduled)	October 29, 2020 (scheduled)
Transaction party	Seller: Owner of the Adjacent Site Buyer: JHR	Seller: JHR Buyer: Owner of the Adjacent Site
Transaction method	JHR will acquire it and additionally put it into a trust	The beneficial interest in trust will be split and JHR will dispose it

(*1) The estimated book value as of the timing of the transaction. Rounded down to the nearest JPY1M.

(*2) The amount obtained by excluding book value and related expenses for the Exchange Transaction is expected to be recorded as a gain on exchange of real estate, etc.

(*3) Appraisal value by Japan Real Estate Institute

3. Summary of the Counterparty

Information is undisclosed since JHR has not obtained consent from the counterparty. There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company, and the counterparty. The counterparty also does not fall under the category of related parties of JHR and the Asset Management Company. The counterparty 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.

4. Future prospects

As for the operating forecast after the Exchange Transaction, please refer to “Notice Concerning of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2020 (21st Period)” as of today.

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