

This English translation has been made for information purpose only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

December 19, 2013

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
Yukio Isa, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.
Hiroyuki Suzui, Representative Director

Contact:

Kazuyuki Udo
Director and Officer
Management & Planning Office
TEL : +81-3-6422-0530

Notice Concerning Disposition of Asset (Dormy Inn Namba)

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

1. Asset summary

Name of the asset to be disposed	Dormy Inn Namba
Category of the asset to be disposed	Real estate beneficial interest in trust
Acquisition date	June 15, 2006
Asset category by use	Hotel
Asset type (*1)	Limited service hotel
Grade (*2)	Economy
Transfer price (*3)	JPY700M
Book value (*4)	JPY1.201B
Variance between book value and transfer price (*5)	-JPY523M
Conclusion of disposition contract	December 19, 2013
Scheduled transfer date	January 24, 2014 (plan)
Buyer	See “5. Buyer summary” below

(*1) JHR has categorized hotels into “Limited-service hotel”, “Full-service hotel”, and “Resort hotel” based on style of operation.

(*2) JHR has categorized the hotel grades into four types such as “Luxury class”, “Upper middle class”, “Mid-price class” and “Economy class” based on the average daily rate, etc.

(*3) The transfer price does not include transfer expenses, amount settled for fixed property tax and city planning tax, consumption tax and local consumption tax.

(*4) The estimated book value as of the end of December 2013 is shown.

(*5) Variance between transfer price and book value has been calculated based on transfer price, JPY700M, book value as of the end of December 2013, JPY1.201B (estimate), and disposition expenses, JPY22M. These are for your reference based on the book value dated December 19, 2013 and different from the actual numbers as of disposition.

(*6) Numbers less than JPY1M are rounded down.

2. Rationale for the disposition

As a part of the growth strategy, JHR has strived to improve the portfolio quality through asset replacement and other efforts. JHR has executed dispositions of hotels whose profitability has declined and business recovery may be difficult in future. Dormy Inn Namba maintains profitability to some extent today, but JHR judged that it is not an asset suitable to be retained for medium-to-long term basis, based on its location, market competitiveness and building specification, etc., and resolved to dispose of it.

As a result of this disposition, impairment loss of JPY523M is forecast in 14th period (fiscal period ending December

2013), but the loss will be covered by dividend allowance with negative goodwill, and impact on dividends on 14th period (fiscal period ending December 2013) will be avoided.

In order to ensure diligent growth of the operating assets and stable revenue, JHR will continuously manage the asset from medium to long term perspective. JHR will strive to improve the portfolio quality further by taking advantage of negative goodwill when required.

3. Intended use of the disposition proceeds

JHR plans to prepay some loans with disposition proceeds in accordance with the loan agreements concluded with the financial institutions as of today. Please refer to “Notice Concerning Prepayment of Loans” dated today for detail.

4. Summary of the asset to be disposed

Asset category		Real estate beneficial interest in trust
Location		3-17-12 Namba-naka, Naniwa-ku, Osaka city
Intended use		Hotel
Area	Land	572.95m ²
	Building	3,291.91m ²
The way of owning	Land	Ownership
	Building	Ownership
Building structure		Ten-story reinforced concrete building with flat roof
Building completion		February 1999
Acquisition price		JPY1.270B
Appraisal value		JPY1.090B as of June 30, 2013 Appraiser: The Tanizawa Sōgō Appraisal Co., Ltd.
Trustee		Sumitomo Mitsui Trust Bank, Limited.
Expiration of the trust period		End of February 2021
No. of tenants		2
Rentable area		3,402.08m ²
Area rented		3,402.08m ²
Rent		JPY6.5M/month (Hotel area)
Security deposit and guarantee money		JPY65M (Hotel area)
Occupancy (based on the area rented)		100%
Collateral		Secured

5. Buyer summary

JHR does not disclose information, as the buyer does not agree with disclosure.

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. The buyer is not a connected party of JHR and its asset management company, and related parties of the buyer are not connected parties of JHR and its asset management company.

6. Summary of intermediary

(1) Summary of intermediary

Name	Japan Real Estate Solution Co., Ltd.
Location of the head office	7-2-22 Ginza, Chuo-ku, Tokyo
Title and name of the representative director	Hiroto Horiguchi, Representative Director
Amount of Capital	JPY100M
Establishment	August 2006
Intermediary's business	Financial instruments business type two Purchase and sale of real estates and brokerage of real estate

	Real estate appraisal business, etc.
Relationships between JHR, its asset management company and the intermediary	Relationships that should be specifically reported such as capital, human and business relationships do not exist between JHR, its asset management company and the intermediary. 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 intermediary. The intermediary is not a connected party of JHR and its asset management company, and related parties of the intermediary are not connected parties of JHR and its asset management company.

(2) Amount of the intermediary fee and its breakdown

JHR does not disclose information, as the intermediary does not agree with disclosure.

7. Transfer schedule

Approval of sale	December 19, 2013
Conclusion of the disposition contract	December 19, 2013
Settlement and transfer	January 24, 2014 (plan)

8. Future prospect

With respect to detail of the operating forecast for the fiscal period ending December 2013 (January 1, 2013 through December 31, 2013) and the fiscal period ending December 2014 (January 1, 2014 through December 31, 2014), please see our press release “Notice Concerning Revision of Operating Forecast for Fiscal Period December 2013 (14th period)” dated today and “Notice Concerning Operating Forecast for Fiscal Period Ending December 2014 (15th period)” dated today, respectively.

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

<Reference: Portfolio list after disposition of Dormy Inn Namba>

No.	Hotel	Type	Grade	No. of guest rooms (*1)	Area (*2)	Completion	Acquisition price (JPY1M)(*3)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	6.9%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	12.6%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	9.5%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	12.0%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	2.6%
6	Ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	4.6%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	4.8%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	2.6%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.5%
12	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.7%
13	Dormy Inn Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.6%
14	Hakata Nakasu Washington Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	1.4%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	1.3%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	1.1%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	March 1998	1,534	1.0%
18	Comfort Hotel Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	2.4%
19	Comfort Hotel Shin Yamaguchi	Limited-service	Economy	139	Other	August 2007	866	0.5%
21	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Other	June 2006	1,760	1.1%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	1.3%
23	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Other	August 1992	2,105	1.3%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	1.0%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	1.0%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.5%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	3.8%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	3.0%
31	Hilton Tokyo Bay Hotel	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	16.5%
32	Ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	4.2%
	Total	—	—	6,687	—	—	157,632	100.0%

(*1) No. of rooms available to sell as of today (rooms occupied by the hotel for a long period are excluded.)

(*2) Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaragi, Gunma, and Tochigi prefectures. Tokyo and Okinawa mean Tokyo Metropolitan area and Okinawa prefecture, respectively.

(*3) The purchase prices stated on the Purchase and Sale Agreement for the Beneficial Interest in Trust or Real Estate Purchase and

Sale Agreement are shown (Consumption tax, local consumption tax and the acquisition expenses such as intermediary's fee are not included.). The acceptance prices are shown for the assets that have been accepted through the merger.

- (*4) The percentage of each purchase price to the total purchase price is shown and the numbers are rounded off to one decimal place.
- (*5) Numbers of the properties that have already been disposed (No. 7, No. 11, No. No. 27, and No. 28) and that is scheduled to be disposed (No. 20) are missing numbers.