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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
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Notice Concerning Acquisition and Lease of New Asset
(ACTIVE-INTER CITY HIROSHIMA “Sheraton Hiroshima Hotel”)

This is to inform you that Japan Hotel REIT Advisors Co., Ltd. (hereinafter called the “Asset Management Company”), the asset management company of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), has resolved to acquire and lease the below property (hereinafter called the “New Asset”) today on behalf of JHR.

The Lessee of the New Asset applies to an Interested Party as stipulated in the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951 including modifications made thereafter; hereinafter called the “Investment Trust Law”). Therefore, the leasing of the New Asset has been consented by JHR based on approval of JHR’s Board of Directors based on the Investment Trust Law and the company code for a transaction with Sponsor-Related Party stipulated by the Asset Management Company. (Please see “8. Transaction with Interested Party”)

1. Summary of the New Asset

Name of the New Asset	Asset type (*1)	Rent type	Planned acquisition price (*2)	Scheduled acquisition date (*3)	Collateral
ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)	Full-service Hotel	Fixed rent and variable rent	JPY17,320,000,000.-	December 18, 2015	unsecured

(*1) Asset type indicates that of Sheraton Hiroshima Hotel, the main facility.

(*2) The planned acquisition price is the planned price on the purchase and sale agreement for acquisition of the New Asset. The planned acquisition price does not include expenses for acquisition, fixed asset tax, city planning tax and consumption tax, etc.

(*3) The purchase and sale agreement for real estate beneficial interest in trust (hereinafter called the “PSA for beneficial interest in trust”) has been concluded with the seller to acquire the New Asset on the scheduled acquisition date above.

(*4) See “5. Summary of the seller” below for the seller.

2. Rationale for Acquisition and Lease

JHR aims to provide attractive investment opportunities in hotels that can realize both stability and upside potential. JHR has decided to acquire the New Asset as it benefits JHR’s policy for the following reasons.

(1) Acquisition of high-quality large property

The New Asset is a relatively new large complex facility, “ACTIVE-INTER CITY HIROSHIMA,” comprised of a hotel building, an office building and a commercial zone, located a one-minute walk from Shinkansen Exit of JR Hiroshima Station. The central facility of the complex is Sheraton Hiroshima Hotel (hereinafter called the “Hotel”). Carrying the name of the world’s leading international brand Sheraton, the Hotel is a

full-service hotel with high specifications targeting high-end customers, which JHR believes to be the most competitive in the Hiroshima area. Furthermore, the occupancy rate of tenants in office building and the commercial zone is 100% as of November 30, 2015, boasting a strong competitive edge due to needs for convenience of proximity to JR Hiroshima Station as well as for relatively new properties.

(2) Improvement in portfolio quality

JHR aims to further improve portfolio quality by acquiring the highly competitive New Asset. While securing stability through fixed rents from office and retail tenants, JHR intends to pursue the upside potential, while still carefully considering stability, at the Hotel by implementing a scheme that combines fixed rents and variable rents.

3. Features of the New Asset

(1) Features of the New Asset

The features of the Hotel, which is the main facility of the New Asset, are as follows.

1) Superiority in Location

According to a market report by KPMG FAS Co. Ltd. (hereinafter called “KPMG”), the Hotel is a full-service hotel situated in ACTIVE-INTER CITY HIROSHIMA, a complex facility closely located (one-minute walk) from the Shinkansen (bullet train) Exit of JR Hiroshima Station. As there are no other high-rise buildings nearby, it enjoys high visibility as a hotel. Construction of a pedestrian deck between the Hotel and JR Hiroshima Station is underway to directly connect the station and the second floor of the Hotel. It will offer ultimate convenience to guests especially when taking the Shinkansen. Furthermore, visiting sightseeing spots such as the Hiroshima Peace Memorial Park, ruins of Hiroshima Castle, Shukkeien and the city center by streetcar or bus is also possible.

2) Superiority in Infrastructure

According to a market report by KPMG, the Hotel is the newest full-service hotel in Hiroshima city which opened in 2011 and has 238 guest rooms. Its sophisticated appearance with pale pink exterior and large windows creates an impression of being a high-grade hotel. All rooms have greater than 35m² in space, the largest guest room size among hotels in the city, making the Hotel very competitive in attracting foreign travelers with loads of luggage. The main attraction are the King rooms, which can accommodate up to three guests with the use of an extra bed. There are 7 banquet halls with unified taste in lighting design and tone of walls, rendering the overall feeling of brightness and transparency. They offer a quality suitable for medium to small scale parties and weddings with high unit prices. The Hotel is also equipped with a spa, pool and Jacuzzi as well as a fitness gym, and the fitness gym that is open to hotel guests for free is especially popular among foreign tourists.

3) Superiority in Operations

The Hotel is a full-service hotel carrying the name Sheraton, which is a brand under Starwood Hotels and Resorts Worldwide, one of the world’s leading international hotel chains. JHR believes that the internationally recognized Sheraton brand will be advantageous when attracting inbound travelers especially in Hiroshima where many of the visitors are from Europe and the U.S. The Hotel had an Average Daily Rate (ADR)^(*1) of approximately 18,000 yen for January to September in 2015, succeeding in attracting the high-end customer segment in Hiroshima city. The Hotel is thus regarded luxury in JHR’s grade category.

Moreover, Oriental Hotel Hiroshima, a property owned by JHR, is located not in the Hiroshima Station area but in the city center area and mainly targets a customer segment in different price range. Its Revenue Per Available Room (RevPAR)^(*2) for January to October in 2015 grew by 9.3% year-on-year, showing a solid growth. Since Hotel Management Japan Co., Ltd. (hereinafter called “HMJ”), the lessee of the hotel, is scheduled to acquire shares of the Hotel’s lessee and operating company, JHR believes that further growth can be achieved by taking in broader customer base, etc. through synergy effect with Oriental Hotel Hiroshima, which belongs to the same HMJ group, in the Hiroshima market that JHR has deep knowledge of.

Furthermore, JHR has the tenant selection criteria of selecting hotel lessees based on a comprehensive assessment of its creditworthiness and capability of hotel operation. The lessee of the New Asset is deemed to meet the tenant selection criteria set forth by JHR.

(*1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period

(excluding service charges) by the total number of rooms sold during the period. The same shall apply hereinafter.

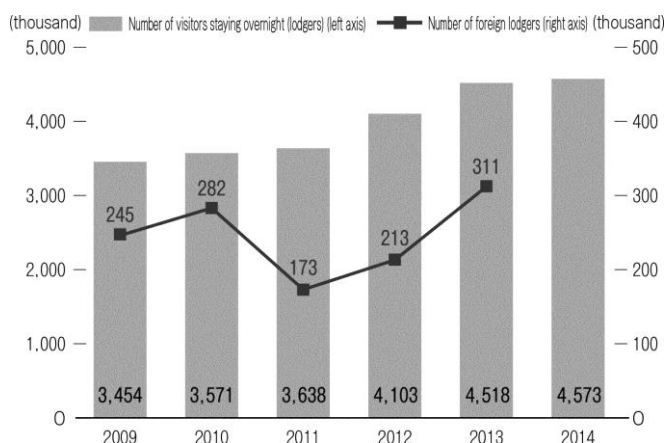
(*2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of available rooms during the period. Revenue per available room equals the product of ADR and occupancy rate. The same shall apply hereinafter.

(2) Market Overview

i) Hotel Market

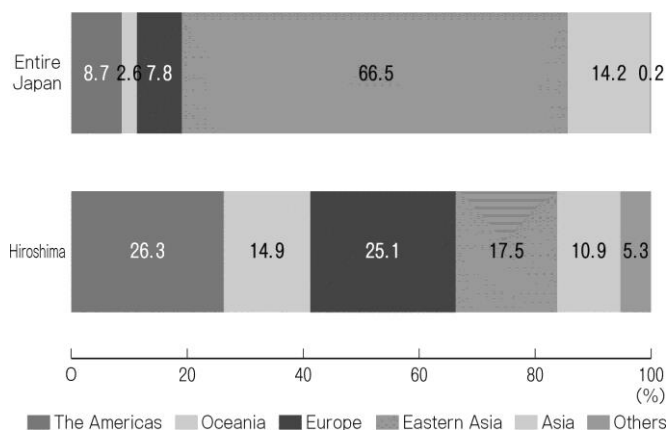
The total number of tourists in Hiroshima Prefecture in 2014 announced by Hiroshima Prefecture was 61 million, up 1.2% from 2013, marking a record high for the third consecutive year. Hiroshima city among such has received over 10 million sightseeing visitors each year since 2005. In 2014, the number was 11.6 million, up 1.2% from the previous year, hitting a record high for the fourth consecutive year. While the number of tourists from within Japan indicated only a slight increase of 0.2%, the number of inbound tourists increased 24.0% leading the overall growth. Percentage by region of inbound tourists visiting Hiroshima city shows that the Americas, Oceania and Europe account for a large part, as much as 66.3% in 2014 according to the Japan National Tourism Organization (JNTO). Each region has its own monthly trend; peak season for the Americas is March to July, for Oceania December to January and for Europe April and October. Such differences in peak season works well by diversifying the lodging demand. In terms of policy, according to the “number of tourists in Hiroshima city” announced by Hiroshima city, Hiroshima city is developing an environment to receive inbound tourists by installing free Wi-Fi, etc. while proactively conducting promotional activities such as inviting overseas local travel agents in cooperation with Hiroshima Prefecture and Chugoku Transport & Tourism Bureau. Since the World Heritage sites of Itsukushima-jinja Shrine, Atomic Bomb Dome and Hiroshima Peace Memorial Museum are highly recognized as destinations, the number of inbound tourists to Hiroshima is expected to continue growing.

<Change in Number of Foreign Lodgers in Hiroshima City>



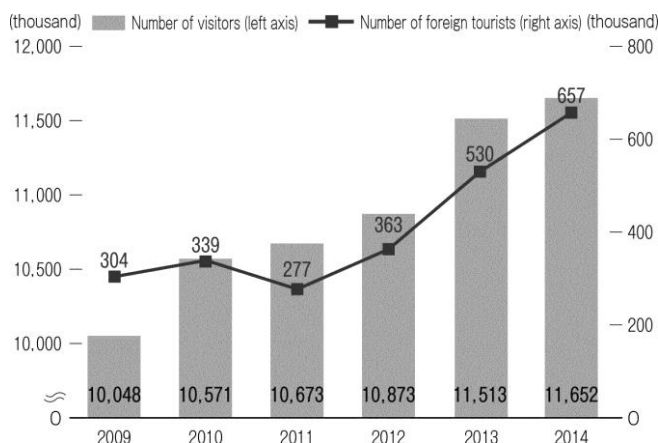
(Source: Hiroshima City)

<Classification of Foreign Tourists in Hiroshima City (2014)>



(Source: Japan National Tourism Organization)

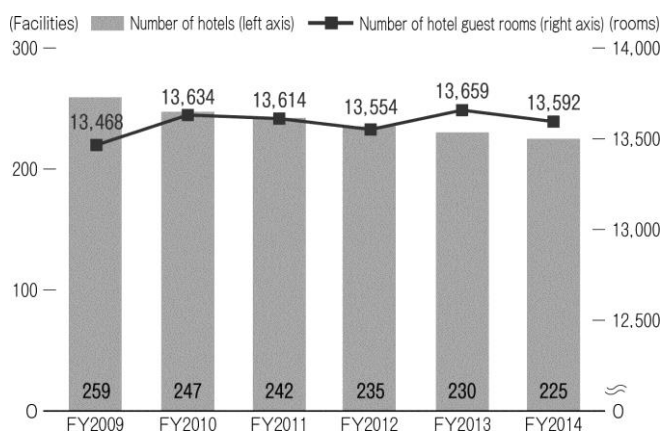
<Change in the Number of Sightseeing Visitors in Hiroshima City>



(Source: Hiroshima City)

Regarding supply, according to the Report on Public Health Administration and Services issued by the Ministry of Health, Labour and Welfare, the number of guest rooms at hotels/ryokans in Hiroshima city is a little over 13,000, remaining almost flat over the past several years. According to a market report prepared by KPMG, supply of a little over 800 rooms from three hotels is expected in Hiroshima city. However, since all of them are limited-service hotels and will not be direct competitors for the Hotel, JHR believes the impact of the future increase in supply will be limited.

<Change in the Number of Hotels/Ryokans and the Number of Guest Rooms in Hiroshima City>



(Source: Report on Public Health Administration and Services, Ministry of Health, Labour and Welfare)

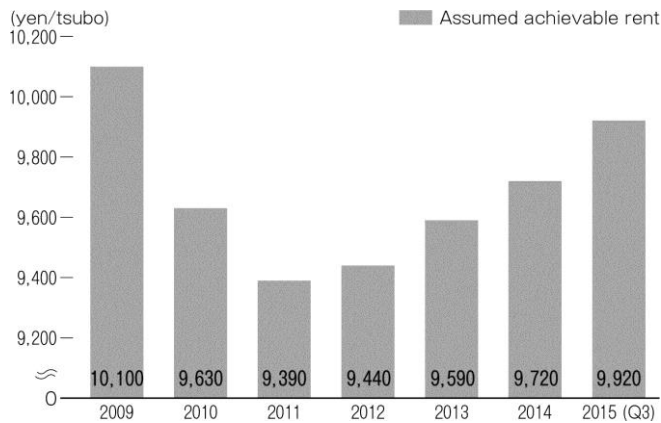
ii) Office Market

Hiroshima city is a core commercial city in the Chugoku/Shikoku regions with population of over 1 million and has a concentration of government's local agencies, branch offices of major firms and headquarters of listed companies based in Hiroshima such as Mazda Motor Corporation. In particular, the major station, JR Hiroshima Station is a huge terminal station located within a little over an hour to both Kansai and Kyushu areas by Shinkansen. In line with the improved convenience of the Shinkansen and such, the number of JR users overtook the number of flight users when visiting from Tokyo in 2009, and the number of JR users has since continued to increase. ACTIVE-INTER CITY HIROSHIMA is a convenient facility standing adjacent to this JR Hiroshima Station.

According to Japan Office MarketView reported by CBRE Inc., the office vacancy rate in Hiroshima city has lowered for 15 consecutive quarters since hitting a record high in the third quarter of 2011, and has continued to mark a record low since the third quarter of 2013. It reached 4.9% in the second quarter of 2015, falling below 5% which is considered as a tight limit of supply/demand balance. Demand for floor area due to increased staff is strong among local firms as well as major firms operating nationwide, and it is believed that the expansion trend in office

demand brought by improved business sentiment has penetrated. In addition, with the assumed achievable rent increasing by 1.1% from the previous quarter, it is said that the upward phase has fully taken place. On the supply front, no new supply has been seen since 2012. In such a favorable Hiroshima office market, JHR believes that demand for ACTIVE-INTER CITY HIROSHIMA will further intensify due to its convenience of standing adjacent to the JR Hiroshima Station, need for relatively new properties, etc.

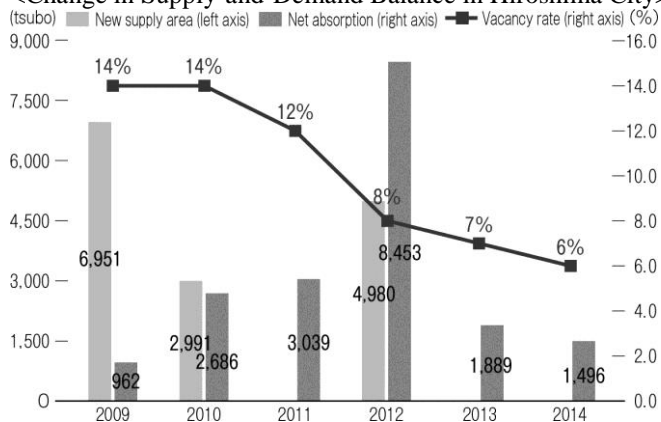
<Change in Assumed Achievable Rent in Hiroshima City>



(Source: CBRE)

(*) Each number assumes achievable rent as of the end of each year.

<Change in Supply-and-Demand Balance in Hiroshima City>



(Source: CBRE)

Moreover, in the Futabanosato area next to the Shinkansen Exit on the north side of JR Hiroshima Station where ACTIVE-INTER CITY HIROSHIMA is located, a large-scale redevelopment is underway aiming for rejuvenating the area into a place appropriate as a gateway to Hiroshima, and a town with a concentration of various city functions is being developed. Also on the south side of the station, two super high-rise buildings mainly for residence but also having commercial, public facilities, etc. are scheduled for construction under an urban redevelopment project. Furthermore, construction of Hiroshima Station North Exit entrance/exit on the Hiroshima Expressway Route 5 is planned, which would provide better access to Sanyo Expressway and Hiroshima Airport once completed. In the previous cases of JR station-front redevelopment in Nagoya city, Sapporo city, Fukuoka city, etc., areas around those JR stations flourished significantly afterward. JHR believes that ACTIVE-INTER CITY HIROSHIMA can also expect such favorable effects through the flourishing of the JR Hiroshima station-front area in a similar way.

4. Details of the New Asset and Lease

Property No.	44	Property name	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)			
1. Asset summary (*1)						
Asset category		Real estate beneficial interest in trust and movable assets attached to the hotel				
Scheduled acquisition date		December 18, 2015				
Planned acquisition price		JPY17,320,000,000.-				
Appraisal value		JPY17,900,000,000.- (See “12. Appraisal Report Summary” below for details.)				
2. Summary of real estate (or trusted real estate) (*2)						
Intended use of the property		Hotel / Full-service hotel (*3)				
Ownership	Land	Right of site (common ownership)				
	Building	Condominium ownership (*4)				
Land	Plot No.	1704 Wakakusa-cho, Higashi-ku, Hiroshima city, Hiroshima Prefecture				
	Address	12-1 Wakakusa-cho, Higashi-ku, Hiroshima city, Hiroshima Prefecture				
	Acreage	6,379.02 m ² (*5)				
	Zoning, etc.	Commercial district and quasi-fire prevention district				
	Building-to-land ratio	80%				
	Floor area ratio (*6)	400%				
Building	Structures and stories	S/RC/SRC, Twenty-one stories above ground with one story below ground				
	Intended use	Hotel				
	Completion	August 2010				
	Total floor space	39,540.75 m ² (*7)				
	Designer	Takenaka Corporation				
	Constructor	Takenaka Corporation				
	Institute that confirmed building	Japan ERI				
Present owner		Trustee: Sumitomo Mitsui Trust Bank, Limited (expiration date of trust period: December 31, 2026) Beneficiary: Wakakusa City GK				
3. Traffic (*8)						
One minute on foot from Hiroshima Station on the JR Sanyo Main Line and Sanyo Shinkansen and other lines						
4. Lease status						
Total number of tenants	33 (as of the end of October 2015)					
Rentable area	31,181.05 m ²					
Rented area	31,181.05 m ²					
Annual contractual rent	Fixed rent (Hotel)	JPY348,000,000.-				
	Variable rent (Hotel)	In case GOP exceeded GOP base amount JPY468,000,000.-, the amount arrived by multiplying 82.5% to the exceeded amount (applied from January 2016)				
	Office rent	JPY289,903,000.-				
	Commercial rent	JPY135,150,000.- (excluding the rent portion linked to sales)				
Deposit and guarantee money	JPY408,559,050.-					
Transition in occupancy rate for the past five years (based on area, excluding the hotel)	As of the end of December 2011	As of the end of December 2012	As of the end of December 2013	As of the end of December 2014	As of the end of November 2015	
	92%	98%	98%	97%	100%	
5. Related parties for hotel operation						
Hotel lessee		K.K. A.I.C Hiroshima Management				
Property manager		XYMAX KYUSHU Corporation				
6. Hotel website (*9)						
http://www.sheraton-hiroshima.jp/						
7. Summary of the building inspection report						
Investigation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date		September 25, 2015				
Repair cost	Urgently required	JPY0.-				
	Required within one year	JPY0.-				
	Total amount for another 12 years	JPY447,312,000.-				
Earthquake PML value (*10)		2.0%				
8. Special remark (*11)						
Based on an agreement between JHR, the Trustee, the hotel lessee, and HMJ, in the event that JHR transfers the real estate beneficial interest in trust of the New Asset to the third party, JHR in principle needs prior consent from the hotel lessee and HMJ. Also based on the agreement, in the event that the Trustee transfers the New Asset to the third party, the Trustee may need prior consent from the hotel lessee and HMJ.						

- (*1) Asset summary
- Asset category indicates category of real estate beneficial interest in trust as specified asset and the hotel's movable assets to be purchased together with the real estate beneficial interest in trust.
 - Planned acquisition price is the price stated on the real estate purchase and sale agreement etc. and does not include various expenses required to acquire the New Asset (e.g., broker's fee).
- (*2) Summary of real estate (or trusted real estate)
- Structures and stories, intended use of the building and completion of the building are taken from the certified copy of real estate registry. However, if erroneous information is identified by investigation, correct information is stated.
 - In Structures, S means Steel-framed structure, RC means Reinforced Concrete structure and SRC means Steel Reinforced Concrete structure.
 - Zoning, etc. (use district, special use district, fire prevention district and quasi-fire prevention district) are stated based on Article 8, Clause 1-1, Clause 2, and Clause 5 of City Planning Act.
- (*3) Intended use of the property
Intended use of the property indicates that of Sheraton Hiroshima Hotel, the main facility.
- (*4) Ownership
The building of ACTIVE-INTER CITY HIROSHIMA is a condominium ownership building, which consists of Sheraton Hiroshima Hotel, office space, retail zone, car parking space and bicycle parking space, and JHR's share of joint ownership of right of site is 9,862,454/10,000,000 (approximately 98.62%).
- (*5) Acreage
The land of ACTIVE-INTER CITY HIROSHIMA is comprised of the entire joint ownership of right of site. The acreage indicates JHR's share of joint ownership in registered right of site, which is 6,379.02 m², 9,862,454/10,000,000 (approximately 98.62%) of the total land (6,468.25 m²).
- (*6) Floor area ratio
Special urban renaissance districts (Wakakusa-cho No.1 district) have designated floor area ratio (upper limit 600%, lower limit 300%), building-to-land ratio (upper limit 80%), building area (lower limit 200m²), height (upper limit 100m), position of walls, etc. District planning in the area surrounding Hiroshima Station's Shinkansen Exit (District E) limits the use of land to multi-functional use that combines commercial and urban residential building functions, mainly offering office and lodging functions, in order to emphasize its role as a broad-based hub. Specifically, restriction on intended use of buildings, etc. (restriction on horse-race betting ticket sales stand and buildings related to shop-type sex-related amusement special businesses, etc.) and restriction on forms or designs of building, etc. are set forth.
- (*7) Total floor space
The total floor space is the exclusive areas of the hotel, offices, shops, and car parking space in the certified copy of real estate registry.
- (*8) Traffic
It is according to the information on the website of the hotel lessee.
- (*9) Hotel website
It is the website address of the present hotel lessee.
- (*10) PML
PML (Probable Maximum Loss) is the anticipated damage ratio resulted from earthquake. Since no uniform definition has been made yet on PML, we used the following method. Probability and anticipated loss amount caused by a major earthquake that may occur once every 475 years are evaluated and statistically processed to identify the anticipated percentage of loss amount against the building replacement cost. It has been calculated based on site inspection, assessment of building condition, confirmation of the consistency with the design document, ground investigation, local factors and structural investigation. Indicated PML is the PML on detailed valuation (Phase 2) of the investigation company.
- (*11) Special remark
In principle, the following items are stated: (1) Right of the third party except for tenant(s) of the building or restriction on the property based on the right, (2) Important matters stipulated in the management rules, agreements or memoranda concluded with joint owners of the condominium ownership of building and joint ownership of land, (3) Important restrictions stipulated by the administrative laws and regulations to the property.

5. Summary of the Seller

(1) Seller of Real Estate Beneficiary Interest in Trust

Name	Wakakusa City GK
Headquarters	ALT Co., Ltd., 1-4 Yotsuya, Shinjuku-ku, Tokyo
Representative	Representative member: Hiroshima Wakakusa Toshikaihatsu GK Functional manager: Takeru Morita
Capital	JPY300,000.-
Establishment	December 16, 2009
Net assets	Undisclosed as consent of the seller could not be obtained.
Total assets	Undisclosed as consent of the seller could not be obtained.
Major shareholder and shareholding ratio	Undisclosed as consent of the seller could not be obtained.
Major business	1. Acquisition, maintenance, management and disposition of real estate, etc. developed by Hiroshima Wakakusa Toshikaihatsu GK under Wakakusa-cho District Category 1 Urban Redevelopment Project 2. Other work incidental to or related to the above
Capital relationship Human relationship Business relationship	There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company and the seller. Moreover, the affiliated parties and companies of JHR and the Asset Management Company do not have any capital, human and business relationships with the affiliated parties and companies of the seller that should be specifically reported.
Related parties	The seller does not fall under the category of related parties of JHR and the Asset Management Company. Affiliated parties and companies of the seller do not fall under the category of related parties of JHR and the Asset Management Company.

(2) Seller of FF & E attached to the Hotel

Name	K.K. A.I.C Hiroshima Management
Headquarters	ALT Co., Ltd., 1-4 Yotsuya, Shinjuku-ku, Tokyo
Representative	Representative director: Takeru Morita
Capital	JPY300,000.-
Establishment	March 16, 2010
Net assets	Undisclosed as consent of the seller could not be obtained.
Total assets	Undisclosed as consent of the seller could not be obtained.
Major shareholder and shareholding ratio	Undisclosed as consent of the seller could not be obtained.
Major business	Work related to Wakakusa-cho District Category 1 Urban Redevelopment Project
Capital relationship Human relationship Business relationship	There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company and the seller. Moreover, the affiliated parties and companies of JHR and the Asset Management Company do not have any capital, human and business relationships with the affiliated parties and companies of the seller that should be specifically reported. As stated in 8. Transaction with Interested Party below, the seller falls under the category of interested party, etc. on the same day as the scheduled acquisition date. However, the seller does not fall under the category of interested party as of the time of acquisition of FF&E attached to the Hotel.
Related parties	The seller does not fall under the category of related parties of JHR and the Asset Management Company. Affiliated parties and companies of the seller do not fall under the category of related parties of JHR and the Asset Management Company.

6. Status of Previous Owner

The previous owner does not have any special interest relationship with either JHR or its asset management company.

7. Summary of Intermediary

(1) Summary of the Intermediary

Name	SMBC Trust Bank Ltd.
Headquarters	1-3-1, Nishi-shimbashi, Minato-ku, Tokyo
Title and representative	President & CEO Hidetoshi Furukawa
Capital	JPY27.55B (as of March 31, 2015)
Establishment	February , 1986 (changed the company name in October 2013)
Major business	Trust bank business, banking business, etc.
Relationships between JHR, its asset management company, and the intermediary	There are no capital and human relationships to be specifically noted between the intermediary and JHR. There are no capital, human, or business relationships to be specifically noted between the Asset Management Company and the intermediary. Affiliated parties and companies of JHR and the Asset Management Company do not have any capital and human relationships with the affiliated parties and companies of the intermediary that should be specifically reported. The intermediary does not fall under the category of interested party of JHR and the Asset Management Company. Affiliated parties and companies of the intermediary do not fall under the category of related parties of JHR and the Asset Management Company.

(2) Breakdown and the amount of brokerage fees, etc.

The brokerage fee is not disclosed as the intermediary did not agree with disclosure of the amount.

8. Transaction with Interested Party

HMJ is scheduled to acquire 100% of the shares (partner's equity) of the hotel lessee K.K. A.I.C Hiroshima Management on the same day as the scheduled acquisition date. Since HMJ falls under the category of interested party, etc. as stipulated in Article 201 of the Investment Trust Law as well as Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, the hotel lessee which HMJ will acquire shares also falls under the category of interested party, etc. Therefore, in accordance with the Code for Transaction with Sponsor-Related Party which is the company code of the Asset Management Company, the appropriate procedures stipulated in the Code for Transaction with Sponsor-Related Party such as the obtaining of approval of a compliance committee attended by experts from the outside and of the Board of Directors of JHR have been completed, prior to the conclusion of the fixed-term lease agreement with the hotel lessee.

9. Settlement Method

JHR plans to pay the settlement amounts by using a new loan, cash on hand, etc.

10. Schedule until Settlement Date

Resolution for the acquisition	December 15, 2015
Conclusion of purchase and sale agreement	December 15, 2015
Settlement and transfer	December 18, 2015 (scheduled)

11. Future Prospects

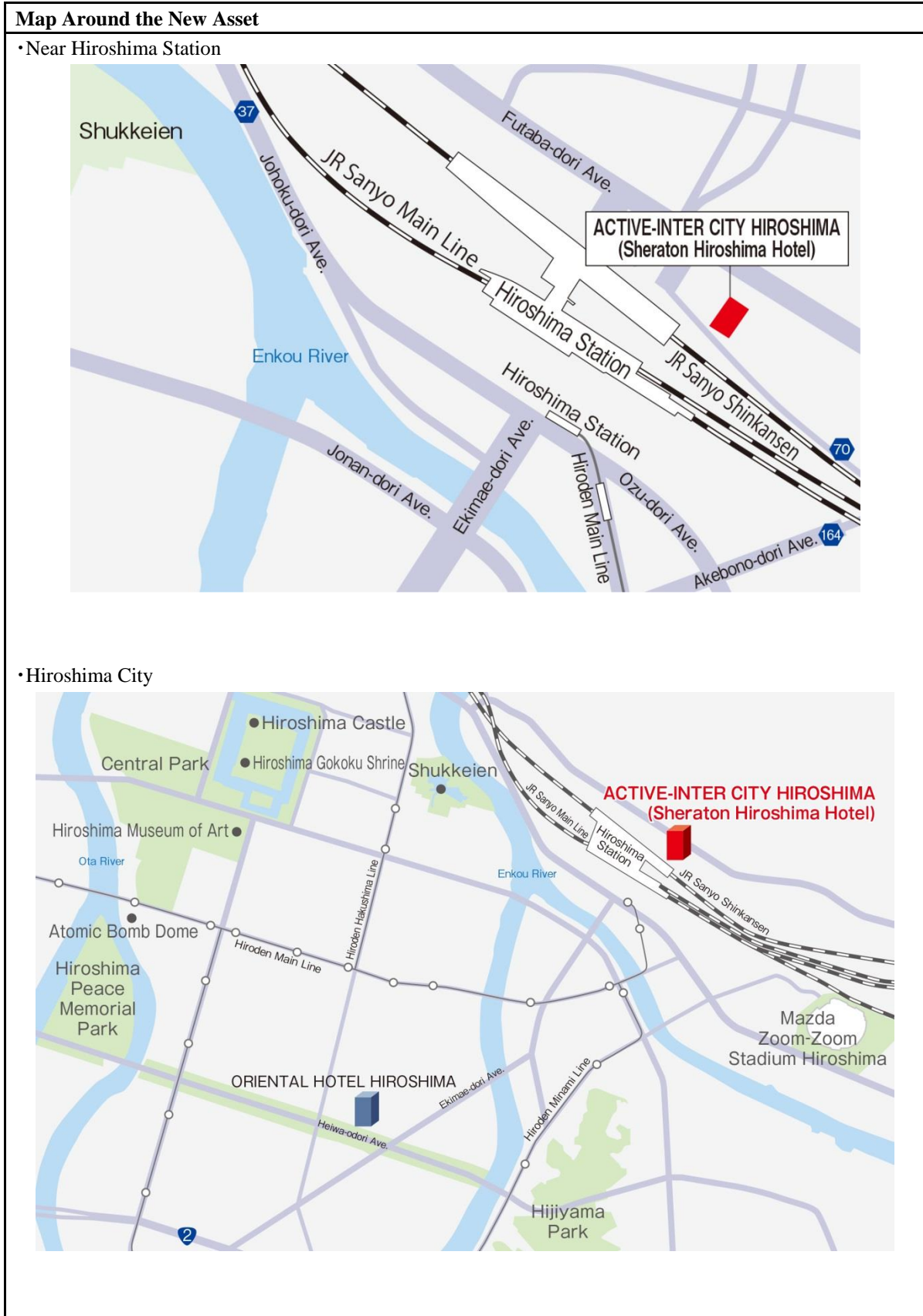
With respect to the operating forecast after the acquisition of the New Asset, please refer to "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2015 (16th Period)" dated today.

12. Appraisal Report Summary

Property name	ACTIVE-INTER CITY HIROSHIMA)	
Appraisal value	JPY17,900,000,000.-	
Name of appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Date of appraisal	November 1, 2015	
Item	Details	Summary, etc.
Indicated value by income approach	JPY17,900,000,000.-	
Value by direct capitalization method	JPY 18,300,000,000.-	
Operating income	JPY1,396,601,000.-	
Potential gross income	JPY1,421,748,000.-	
Office rent	JPY 371,750,000.-	
Retail rent	JPY 167,856,000.-	
Hotel rent	JPY588,075,000.-	Of which, fixed rent is JPY348,000,000-
Other income	JPY 294,066,000.-	Utilities income, parking income and other
Vacancy loss, etc.	JPY 25,146,000.-	
Operating expenses	JPY 468,250,000.-	
Maintenance and management expenses	JPY 90,550,000.-	Assessed by reference to similar real estate and calculating it to be 800 yen/month/tsubo for rentable area
Utilities cost	JPY 215,056,000.-	Assessed based on actual cost and calculating it to be 1,900 yen/month/tsubo for rentable area
Repair cost	JPY 13,308,000.-	Assessed assuming it to be amount equivalent to 0.12% of building replacement cost
Property management fee	JPY 10,394,000.-	Assessed by reference to contract of similar real estate and calculating the amount equivalent to 2.0% of rent income
Tenant leasing cost, etc.	JPY 4,551,000.-	Assessed by reference to tenant leasing cost of similar real estate and deciding it to be amount of one-month rent of the new tenant
Tax and public dues	JPY 126,703,000.-	Assessed based on actual taxation amount for fiscal 2015
Casualty insurance premium	JPY 3,161,000.-	Assessed based on the actual amount
Other expenses	JPY 4,527,000.-	Assessed by calculating supplies expenses, other miscellaneous expenses, etc. to be 40 yen/month/tsubo for rentable area
Net operating income	JPY928,351,000.-	
Gain on management of deposits	JPY 9,983,000.-	Assessed comprehensively factoring in both perspectives of investment and procurement and calculating with investment yield of 2.0%
Capital expenditures	JPY61,939,000.-	Assessed by taking into consideration other expenses such as renewal cost related to entire FF&E (including FF&E reserve assessed by factoring in contents of lease agreement of the subject real estate) in addition to 0.28% equivalent of building replacement cost
Net cash flow	JPY876,396,000.-	
Cap rate	4.8%	
Value by DCF method	JPY 17,700,000,000.-	
Discount rate	4.6%	Assessed by factoring in the investment cap rate, etc. of similar real estate
Terminal cap rate	5.0%	Assessed by factoring in the investment cap rate, etc. of similar real estate
Indicated value by cost approach	JPY 20,000,000,000.-	
Land ratio	47.0%	
Building ratio	53.0%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that earning capacity and investment profitability are most properly reflected in indicated value based on income approach. Therefore, the appraiser determined the appraisal value by taking much account on the indicated value by income approach and by taking note of the indicated value by cost approach as reference.	

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

<Attachment 1> Map around the New Asset



<Attachment 2> Exterior appearance and interior of the New Asset

Exterior Appearance of ACTIVE-INTER CITY
HIROSHIMA



Lobby



Minami (Main Banquet Hall)



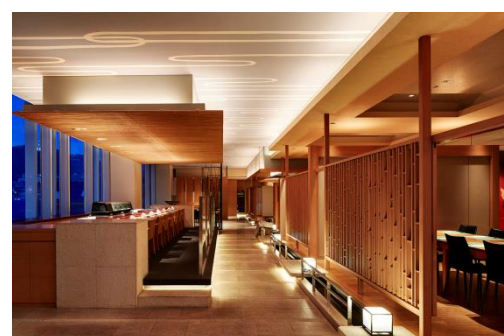
Club Corner Suite (Guest Room)



Chapel



Miyabi-Tei (Restaurant)



(Reference) The portfolio list after acquisition of the New Asset

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	4.8%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	8.8%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	6.6%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	8.4%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	1.8%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	3.2%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	3.4%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	1.8%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.0%
12	the b suidobashi	Limited-service	Mid-price	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.5%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.4%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	0.9%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	0.9%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.8%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	202	Tokyo	March 1998	1,534	0.7%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.7%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	0.9%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	0.7%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	0.7%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.4%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	2.7%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	2.1%
31	Hilton Tokyo Bay	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	11.5%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	2.9%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	3.0%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	2.7%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	1.3%
36	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	November 2002	6,250	2.8%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	2.9%
38	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	August 1999	2,320	1.0%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	1.2%
40	the b hakata	Limited-service	Mid-price	175	Other	September 1997	2,300	1.0%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	1.4%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.7%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	March 2005	14,950	6.6%
44	ACTIVE-INTER CITY HIROSHIMA	Full-service	Luxury	238	Other	August 2010	17,320	7.7%
	Total	—	—	8,639	—	—	225,723	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. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Okinawa means Okinawa prefecture.
- (*3) The acquisition prices stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement are indicated (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). The acceptance prices are indicated for the assets that have been accepted through the merger. The acquisition price (plan) is indicated for the New Asset.
- (*4) The percentage of each acquisition price (plan) to the total of acquisition price (plan) is indicated and the numbers are rounded off to one decimal place.
- (*5) Type, grade, No. of guest rooms of ACTIVE-INTER CITY HIROSHIMA are those of the main facility, Sheraton Hiroshima Hotel.
- (*6) Numbers for the assets transferred (No. 7, No. 11, No. 19, No. 20, No. 21, No. 23, No. 27 and No. 28) are missing numbers.