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Notice Concerning Acquisition of New Asset
("Mercure Yokosuka")

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"), has resolved to acquire the property below (hereinafter called the "New Asset") today as follows.

1. Summary of the new asset

Name of the New Asset	Asset Type	Rent Type	Scheduled Acquisition Price (*2)	Scheduled Acquisition Date (*3)	Collateral
Mercure Yokosuka	Full service hotel	Variable rent	JPY1,650,000,000.-	April 2, 2015	unsecured

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

(*2) See "5. Summary of seller" below for the seller.

2. Rationale for acquisition

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

- 1) The New Asset is located in a market where stable demand can be expected. JHR believes that it is the best hotel in the area from the aspects of both infrastructure (building and facilities) and operations (service), and stable hotel income can be expected.
- 2) The New Asset is scheduled to be leased to Accor Hotels (hereinafter called "Accor") which operates eleven hotels in Japan. After the purchase of the New Asset, the number of the hotels that Accor operates in Japan on behalf of JHR will increase to six, enabling JHR to expect further internal growth.

3. Features of the New Asset

(1) Features of the New Asset

1) Competitive location

The New Asset is a high-rise hotel in the complex facilities named Bay Square Yokosuka Ichibankan,

which is like a landmark in Yokosuka City. It is favorably located approximately one minute on foot from Shioiri Station on the Keikyu Line and approximately seven minutes on foot from JR Yokosuka Station. The New Asset is also within walking distance of the U.S. Fleet Activities Yokosuka and the Japan Maritime Self-Defense Force Yokosuka Base. It is therefore situated in the area which is very convenient for people related to these facilities. In addition to its location of only one minute to Dobuita Street, a popular area with unique atmosphere of the city with the base, it also has good access for sightseeing in the Miura Peninsula, Kamakura, and Shonan.

2) Competitive infrastructure (building and facilities)

The New Asset is a full-service hotel which boasts its competitiveness compared with competitors from the viewpoint of the size of guest rooms, excellent views, and the age of the building. The hotel won “No. 1 in the Area” (as of March 20, 2015) by TripAdvisor, the world’s leading travel website (buzz marketing site). Also, the characteristics of all the 160 guest rooms are that they have large ceiling-to-floor windows, and well-managed white-themed interior provides very bright and clean atmosphere.

3) Competitive operations

The New Asset, rebranded and opened as Mercure Yokosuka in 2009, is a foreign-branded hotel, and JHR believes it has a high operating capability. Furthermore, since the number of “Mercure” brand hotels has been increasing in Japan at a good pace, the name recognition of the New Asset is expected to grow in the future.

*Mercure Yokosuka is a condominium-ownership building, with Bay Square Yokosuka Ichibankan as one building.

(2) Market summary

According to a market report prepared by KPMG, Yokosuka City, in which the New Asset is located, has been receiving over 300,000 lodgers annually since 2007. The stable transition of accommodation demand is due to factors such as attracting business demand from regional businesses, etc., and leisure demand in addition to accommodation demand from military-related guests, Yokosuka City’s largest client base. Also, as the city’s tourism strategy, Yokosuka City approved Yokosuka City Tourism Promotion Acts in November 2014. Yokosuka City is scheduled to establish a new Tourism Division in April 2015 to revitalize the city with tourism resources. It is expected to contribute to further tourism demand.

Regarding supply, on the other hand, the number of hotels and Japanese-style hotels (ryokan) in Yokosuka City where Mercure Yokosuka is located in continues to be flat at slightly fewer than 30 since 2004 while the number of Japanese-style hotels has been declining. It is considered to be a market with stable demand and supply in the future.

4. Details of the New Asset

Property No.	42	Property name	Mercure Yokosuka			
1. Asset summary (*1)						
Asset category		Real estate beneficial interest in trust and movable assets attached to the hotel				
Scheduled acquisition date		April 2, 2015				
Scheduled acquisition price		JPY1,650,000,000.-				
Appraisal value		JPY1,680,000,000.- (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				
Ownership	Land	Right of site (common ownership)				
	Building	Condominium ownership (*3)				
Land	Plot No.	3-27, Honcho, Yokosuka-shi, Kanagawa Prefecture				
	Address	3-27, Honcho, Yokosuka-shi, Kanagawa Prefecture				
	Acreage	1,887.86m ² (*4)				
	Zoning, etc.	Commercial district, fire prevention district, height controlled district, Category 3 height controlled district				
	Building-to-land ratio	90%				
	Floor area ratio	600%				
Building	Structures and stories	Steel-reinforced concrete, partial steel-framed building. Twenty-one stories above ground with three stories below ground.				
	Intended use	Theater, hotel, store, residential complex, office, car parking space				
	Completion	November 1993				
	Total floor space	16,881.82m ² (*5)				
	Designer	TANGE ASSOCIATES				
	Constructor	Consortium of Konoike Construction Co., Ltd., Tobishima Corporation, PENTA-OCEAN CONSTRUCTION CO., LTD., and Magara Construction Co., Ltd.				
	Institute that confirmed building	Yokosuka City				
Present owner		Trustee: Sumitomo Mitsui Trust Bank, Limited (Expiration Date of Trust Period: April 30, 2025) Beneficiary: Mitsui Fudosan Co., Ltd.				
3. Traffic (*6)						
Approximately one minute on foot from Shioiri Station on the Keikyu Line and approximately seven minutes on foot from Yokosuka Station on the JR Yokosuka Line						
4. Lease status						
Total number of tenants		1				
Rentable area		16,881.82m ²				
Rented area		16,881.82m ²				
Annual contractual rent	Fixed rent	-				
	Variable rent	GOP-linked rent				
Deposit and guarantee money		Not disclosed (*7)				
Change in occupancy rate for the past five years based on area	January 2010 to December 2010	January 2011 to December 2011	January 2012 to December 2012	January 2013 to December 2013	January 2014 to December 2014	
	100%	100%	100%	100%	100%	
5. Related parties for hotel operation (*8)						
Hotel lessee		AAPC Japan K.K.				
Property manager		NIPPON KANZAI Co., Ltd.				
6. Hotel website (*9)						
http://mercureyokosuka.jp/						
7. Summary of the building inspection report						
Investigation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date		January 28, 2015				
Repair cost	Urgently required	JPY0.-				
	Required within one year	JPY0.-				
	Total amount for another 12 years	JPY344,242,000.-				
Earthquake PML value (*10)		7.1%				
8. Special remark (*11)						
In case of selling or leasing the condominium unit, the unit owner needs to submit a prior notice to the administrator of the management company and obtain approval.						

(*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.
- Acquisition price is the price stated in the real estate purchase and sale agreement 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.
- 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) Ownership

- The building of Mercure Yokosuka is a condominium ownership building (total floor space of 67,019.04m²), named Bay Square Yokosuka Ichibankan, which consists of a hotel, theater, shop, residential complex, office, and car parking space, and the percentage of voting rights is 272/1,000 (27.2%).

(*4) Acreage

- The land of Mercure Yokosuka consists of right of site of all joint owners. As for acreage, 1,887.86 m², which is JHR's share of joint ownership of right of site (181,372/1,000,000= approximately 18.13%) of the total area (10,408.79m²) is indicated.

(*5) Total floor space

- The total floor space indicates the hotel's exclusively owned space which is shown in the certified copy of real estate registry.

(*6) Traffic

- It is according to the information on the website of present operator

(*7) Deposit and guarantee money

- Deposit and guarantee money are not disclosed, as hotel lessee does not agree with disclosure.

(*8) Related parties for hotel operation

- Hotel lessee indicates a lessee whose trustee has scheduled to lease to. Property manager indicates property manager to be contracted by trustee.

(*9) Hotel website

- It is the website address of the present operator.

(*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 valuation detail (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 other 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.

(*12) All amounts are rounded down to JPY1,000.

5. Summary of seller

Name	Mitsui Fudosan Co., Ltd.
Headquarters	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Representative	President and Chief Executive Officer Masanobu Komoda
Capital	JPY174,296M
Establishment	July 15, 1941
Net assets	JPY1,325,420M (as of March 31, 2014)
Total assets	JPY4,548,822M (as of March 31, 2014)
Major shareholders and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust account 8.22%) Japan Trustee Services Bank, Ltd. (Trust account 5.73%) (as of March 31, 2014)
Major business	Acquisition, possession, disposition, leasing, sale, and management of real estate
Capital relationship Human relationship Business relationship	JHR acquired an asset (Mercure Hotel Sapporo*) from the seller on September 30, 2014. Otherwise, JHR and its asset management company do not have any capital, human and business relationships that should be statutory reported with the seller. The affiliated parties and companies of JHR and its asset management company do not have any capital, human and business relationships that should be specifically reported with the affiliated parties and companies of the seller.
Related parties	The seller does not fall under the category of related parties of JHR and its asset management company. Affiliated parties and companies of the seller do not fall under the category of related parties of JHR and its asset management company.

* For details regarding the above-mentioned transaction, please see “Notice Concerning Acquisition of New Assets (“Mercure Hotel Sapporo” and “Mercure Hotel Okinawa Naha”) dated August 20, 2014.

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

Not applicable.

8. Transaction with interested party

Not applicable.

9. Settlement method

JHR plans to pay the settlement amount by cash on hand, etc.

10. Schedule until settlement date

Mercure Yokosuka

Resolution for the acquisition	March 25, 2015
Conclusion of purchase and sale agreement	March 25, 2015
Settlement and transfer	April 2, 2015 (scheduled)

11. Future prospects

With respect to operating forecast for the fiscal year ending December 2015 (January 1, 2015 through December 31, 2015), acquisition of the new asset has only slight impact and no change is required.

12. Appraisal report summary

Mercure Yokosuka

Property name	Mercure Yokosuka
Appraisal value	JPY1,680,000,000.-
Name of appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of appraisal	February 28, 2015

Item	Details	Summary, etc.
Indicated value by income approach	JPY1,680,000,000.-	
Value by direct capitalization method	JPY1,620,000,000.-	
Operating income	JPY242,202,000.-	
Rent income	JPY208,498,000.-	Analyzed the hotel's income of the previous fiscal years by taking into consideration the hotel's mid- to long-term competitiveness. Assessed the standardized rent income (assumption)
Income from utilities	JPY33,704,000.-	Assessed by reference to the actual amount
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY120,543,000.-	
Maintenance and management expenses	JPY14,809,000.-	Assessed based on the actual amount
Utilities cost	JPY39,832,000.-	Assessed based on the actual numbers of the previous fiscal years by taking into consideration the vacancy rate
Repair cost	JPY8,302,000.-	Assessed based on the 12-year average cost of the repair cost indicated in the engineering report
Property management fee	JPY2,760,000.-	Assessed based on the estimate
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY36,440,000.-	Assessed based on the actual amount
Casualty insurance premium	JPY2,484,000.-	Assessed based on estimates, etc.
Other expenses	JPY15,912,000.-	Assessed based on the actual amount of reserve fund for repair work
Net operating income	JPY121,659,000.-	
Gain on management of deposits	JPY0.-	
Capital expenditures	JPY42,431,000.-	Assessed by taking into consideration the renewal work, etc. on FF&E and other expenses, based on the 12-year average cost of repair work indicated in the engineering report
Net cash flow	JPY79,228,000.-	
Cap rate	4.9%	Assessed by taking into consideration the cap rate, etc. of similar real estate

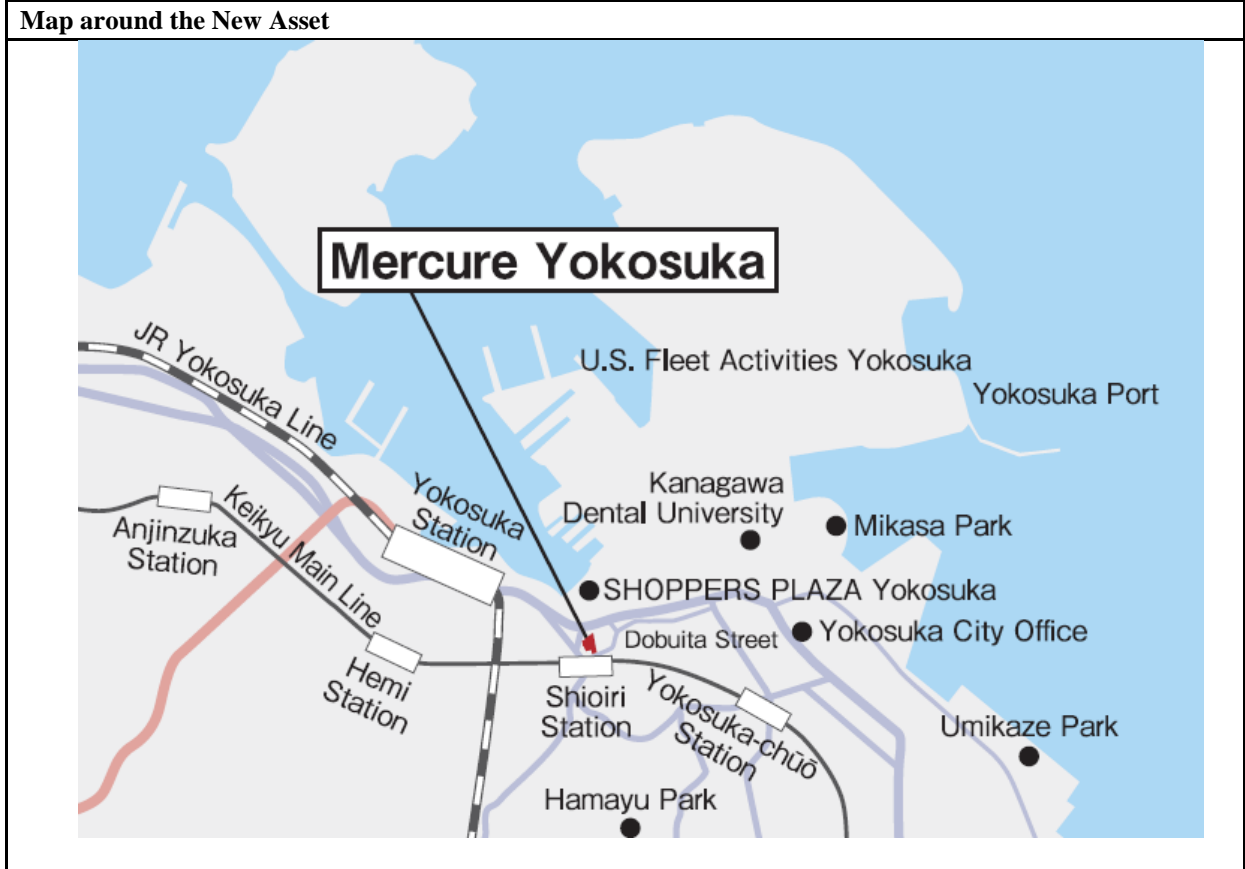
	Value by DCF method	JPY1,700,000,000.-	
	Discount rate	4.8%	Assessed by taking into consideration the past transaction cases, etc. of similar real estate
	Terminal cap rate	5.1%	Assessed by taking into consideration the market cap rate, etc. of similar real estate
	Indicated value by cost approach	JPY3,380,000,000.-	
	Land ratio	41.0%	
	Building ratio	59.0%	Including movable assets

Other matters considered in appraisal by appraiser	The appraiser considered that earning capacity and investment profitability are most properly reflected in 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 coast approach as reference.
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*Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/>

<Attachment 1> Map around the New Asset

(1) Mercure Yokosuka



<Attachment 2> External and internal appearance of the New Asset

(1) Mercure Yokosuka

External Appearance



Lobby



Privilege King Room



**Bistro Bourgogne
(Restaurant)**



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

No.	Hotel	Type	Grade	No. of guest rooms (*2)	Area (*3)	Completion	Acquisition price (plan) (JPY1M) (*4)	Investment ratio (*5)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	5.5%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	10.0%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	7.6%
4	Hotel Nikko Aivila	Resort	Luxury	396	Okinawa	April 1994	18,900	9.5%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	2.1%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	3.7%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	3.8%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	2.1%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.2%
12	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.6%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.5%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	1.1%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	1.0%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.9%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	202	Tokyo	March 1998	1,534	0.8%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.9%
19	Comfort Hotel Shin Yamaguchi	Limited-service	Economy	139	Other	August 2007	866	0.4%
21	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Other	June 2006	1,760	0.9%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	1.1%
23	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Other	August 1992	2,105	1.1%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	0.8%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	0.8%
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	3.0%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	2.4%
31	Hilton Tokyo Bay	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	13.1%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	3.3%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	3.4%
34	Mercure Hotel Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	3.0%
35	Mercure Hotel Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	1.5%
36	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	November 2002	6,250	3.2%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	3.3%
38	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	August 1999	2,320	1.2%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	1.3%
40	the b hakata	Limited-service	Mid-price	175	Other	September 1997	2,300	1.2%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	1.6%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.8%
	Total	—	—	8,631	—	—	198,184	100.0%

(*1) Includes Hotel Francs which is scheduled to be acquired on March 31, 2015.

(*2) Number of rooms available to sell as of today (rooms occupied by the hotel for a long term is excluded).

(*3) 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.

(*4) 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 Assets.

(*5) 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.

(*6) Numbers for the assets transferred (No. 7, No. 11, No. 20, No. 27 and No. 28) are missing numbers.