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Notice Concerning Acquisition and Lease of New Assets

(Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara)

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 properties below (hereinafter called the “Assets for Anticipated Acquisition”) today on behalf of JHR.

The lessees of Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara fall under an “Interested Party, etc.” as stipulated in the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951, as amended; hereinafter called the “Investment Trust Act”). Therefore, the leasing of Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara has been approved by JHR based on approval at JHR’s Board of Directors meeting pursuant to the Investment Trust Act and the internal codes for transactions with Sponsor-Related Parties stipulated by the Asset Management Company (Please see “8. Transaction with Interested Party” below).

1. Summary of the Assets for Anticipated Acquisition

Name of the Assets for Anticipated Acquisitions	Asset type (*1)	Rent type	Anticipated acquisition price (*2)	Anticipated acquisition date (*3)	Collateral
Hilton Tokyo Narita Airport	Full-service hotel	Fixed rent and Variable rent	JPY13,175,000,000.-	July 12, 2017	Unsecured
International Garden Hotel Narita			JPY9,125,000,000.-	July 12, 2017	
Hotel Nikko Nara			JPY10,373,000,000.-	August 1, 2017	
Total			JPY32,673,000,000.-		

(*1) JHR categorizes hotels into three types, “limited-service hotel,” “full-service hotel” and “resort hotel” according to the manner of operation provided. The same shall apply below.

(*2) The anticipated acquisition price is the price set forth in the purchase and sale agreement for beneficial interest in trust for acquisition of the relevant Assets for Anticipated Acquisition. The anticipated acquisition price does not include expenses for acquisition, property taxes, city planning taxes and consumption tax, etc.

(*3) The purchase and sale agreement for each real estate beneficial interest in trust and other related agreements (hereinafter called the “PSA”) has been concluded with the relevant seller to acquire the relevant Assets for Anticipated Acquisition. The PSA for Hotel

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Nikko Nara, among the Assets for Anticipated Acquisition, falls under forward commitment. See “9. Matters on Forward Commitment, etc.” below for details on the PSA.
(*4) See “5. Summary of the Sellers” below for the sellers.

2. Rationale for Acquisition and Lease

JHR aims to provide investors with attractive investment opportunities in hotels that can realize both stability and upside potential (*). The Asset Management Company has made the determination to acquire the Assets for Anticipated Acquisition as they benefit JHR for the following reasons.

(*) Upside means an increase in income from variable rent, etc. resulting from improvement in hotels’ performance. Upside potential is the possibility of upside. The same shall apply below.

The Assets for Anticipated Acquisition are Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara.

Hilton Tokyo Narita Airport is a full-service hotel with the highest ADR (*1) in the area, operating under the internationally renowned “Hilton” brand, attracting travelers in the higher price range as an upper-middle grade hotel. On the other hand, International Garden Hotel Narita, whose hotel grade is mid-price and different from that of Hilton Tokyo Narita Airport, targets guests in the dense mid-price range (*2). Therefore, JHR believes it can expect to attract a broad customer base through these two hotels.

Hotel Nikko Nara is located in a good location which is directly connected to JR Nara Station and allows good access to famous tourist spots including world cultural heritage sites. The hotel can expect stable domestic demand and upside potential by an increase in inbound demand as a large high-quality hotel located close to tourist destinations with abundant historical cultural heritage sites which represent Japan. The hotel operates under “Hotel Nikko” brand of Okura Nikko Hotel Management Co., Ltd., a brand which enjoys high brand awareness both domestically and overseas, and is a full-service hotel with the largest number of guest rooms within Nara City.

Each of the Assets for Anticipated Acquisition is a large property located in areas where stable demand and robust growth can be expected going forward, and JHR believes that the acquisition of these properties will enhance the quality of its portfolio by allowing for further diversification with respect to area, hotel grade, brand, etc.

JHR sets overall evaluation combining credibility and hotel management capability for its criteria to select hotel lessees. JHR believes each of the lessees of Assets for Anticipated Acquisition satisfies its criteria to select hotel tenants mentioned in “Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Securities and Related Parties” which was disclosed at Tokyo Stock Exchange on March 31, 2017 (available in Japanese only).

(*1) ADR refers to average daily rate, which is calculated by dividing total rooms revenue for a certain period by the total number of rooms sold during the period. The same shall apply below.

(*2) JHR categorizes hotels into four grade classes: luxury, upper-middle, mid-price and economy from perspective of ADR, etc. The same shall apply below.

3. Features of the Assets for Anticipated Acquisition

I. Narita Area

(1) Narita Market

Narita has Narita Airport, Japan’s largest gateway to gateway cities of the world. In addition to stable lodging demand from airline crews (*1), JHR believes further demand can be expected due to an increase in arrival/departure frequency and the number of available arrival/departure slots at Narita Airport, an increase in both domestic and inbound international travelers as well as an increase in lodging demand before or after flights due to an easing of limitations on night-time flights and other factors.

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JHR will pursue growth in Hilton Tokyo Narita Airport and International Garden Hotel Narita through the active asset management strategy by leveraging the HMJ (*2) platform. Furthermore, based on the above advantages of each hotel, JHR aims to maximize GOP (*3) by achieving synergies between two hotels, enhancing efficiency of hotel operations and implementing other efforts.

(*1) Airline crews refer to flight attendants and other airline employees boarding flights. The same shall apply below.

(*2) HMJ is an abbreviated name of Hotel Management Japan, Co., Ltd. The same shall apply below.

(*3) GOP is Gross Operating Profit, which is the remainder after operating expenses are deducted from total sales. Operating expenses are expenses such as personnel costs and general and administrative expenses, etc., incurred from hotel operation. The same shall apply below.

(2) Features of the Assets for Anticipated Acquisition

1) Hilton Tokyo Narita Airport

a. Superiority in location

According to the market report prepared by KPMG FAS Co., Ltd. (hereinafter called “KPMG”), the hotel is located 15 minutes away from Narita Airport by shuttle bus. The hotel provides convenient access to nearby tourist sites, shopping centers and the Tokyo metropolitan area, and also provides direct access by JR bus from Tokyo and Ginza stations, which is convenient for Narita Airport users coming from various locations.

b. Superiority in infrastructure

According to the market report prepared by KPMG, the hotel has high visibility as it is located amidst abundant greenery, with external appearance of sophisticated white-based color and soft curves creating a resort hotel-like atmosphere. Each guest room is at least 25m², providing adequate space for use by 2 or more persons. In addition, the hotel is also equipped with various facilities including restaurants, a lounge, conference rooms, banquet halls, a wedding hall, a fitness gym and a swimming pool, providing convenience with respect to both business and leisure as a full-service, upper-middle class hotel that provides Hilton Hotel’s refined services.

c. Superiority in operations

The hotel is a full-service hotel and one of the few hotels in Narita City operating under an international brand. The Hilton brand provides strong appeal for business use associated with listed international corporations as well as for leisure use by foreign customers in the middle or higher classes.

2) International Garden Hotel Narita

a. Superiority in location

According to the market report prepared by KPMG, the hotel is located 20 minutes away from Narita Airport by shuttle bus, providing convenient access to both Narita City and Narita Airport. The hotel also provides convenient access, about a 20-minute drive from the hotel, to nearby tourist sites.

b. Superiority in infrastructure

According to the market report prepared by KPMG, the horizontally long hotel building with an impression of substance is outstanding in this area, and especially the hotel’s green signboard which stands along a frontal road is an outstanding symbol evoking images of a high-class golf club. The hotel offers three types of guest rooms; double, twin, and deluxe double, of which all rooms excluding the two deluxe double rooms are uniformly 28m² in size, making it easy to make group sales.

c. Superiority in operations

The hotel enjoys strong demand from airline crews of Asian airlines and mid-tier airlines from Americas and Europe, which makes up over half of total room sales, allowing the hotel to maintain a stable occupancy rate. Unlike Hilton Tokyo Narita Airport, the hotel’s grade is the middle price range in which has the highest guest volumes among guest segments, allowing the hotel to attract a different customer segment from Hilton Tokyo Narita Airport.

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II. Nara Area

(1) Nara Market

Nara Prefecture has the largest number of world cultural heritages in Japan and ranks third in the number of national treasures and important cultural properties in Japan, and is therefore widely known as a tourist destination with an abundance of historical and cultural sites.

JHR believes Nara, a major tourist destination in Japan, is a market where further growth can be expected due to stability of domestic leisure demand and inbound demand.

(2) Features of the Assets for Anticipated Acquisition

1) Hotel Nikko Nara

a. Superiority in location

According to the market report prepared by KPMG, the hotel with direct access to JR Nara Station provides convenient access to nearby tourist destinations, being located about 45 minutes by rapid train to JR Kyoto Station, about 50 minutes by rapid train to JR Osaka Station and about 33 minutes by rapid train to JR Tennoji Station. In addition, the hotel's location, which is about a 90-minute direct limousine bus ride away from the Kansai International Airport, also provides easy access for airport users. The hotel is connected to one of the largest event halls in the prefecture, which JHR believes will attract demand from tourists who participate in events at the site.

b. Superiority in infrastructure

According to the market report prepared by KPMG, the hotel is a large, full-service hotel with the largest number of guest rooms and banquet halls in Nara City. Over 80% of the guest rooms are 20m² or more, which has superiority to attract leisure demand. The hotel is also equipped with various facilities including Japanese, Western and Chinese restaurants, lounges, conference rooms, banquet halls, a wedding hall and a large public bath. In particular, the large banquet hall is the largest scale in Nara City with a floor area of 1,000m², making it also possible to attract business demand.

c. Superiority in operations

The hotel is a full-service hotel with "Hotel Nikko" brand of Okura Nikko Hotel Management Co., Ltd., a brand which enjoys strong recognition both domestically and overseas. Excluding Nara Hotel, which is a classic hotel targeting a different customer base, the hotel has the highest ADR level in the area and an occupancy rate of over 80%. Following the acquisition, JHR will pursue growth through the active asset management strategy by leveraging the HMJ platform.

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4. Details of the Assets for Anticipated Acquisitions

(1) Hilton Tokyo Narita Airport

Property No.	50	Property Name	Hilton Tokyo Narita Airport		
1. Asset summary (*1)					
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel				
Anticipated acquisition date	July 12, 2017				
Anticipated acquisition price	JPY13,175,000,000.-				
Appraisal value	JPY13,400,000,000.- (See "13. 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	Ownership			
	Building	Ownership			
Land	Plot No.	456, Aza Yamada, Kosuge, Narita-shi, Chiba and 1 other parcel			
	Address	456, Kosuge, Narita-shi, Chiba			
	Acreage	32,552.84 m ²			
	Zoning, etc.	Urbanization control area			
	Building-to-land ratio	60%			
	Floor area ratio	300%			
Building	Structure and stories	SRC/S with flat roof, Thirteen stories above ground with two stories below ground			
	Intended use	Hotel			
	Completion	August 1993			
	Total floor space	56,817.28 m ²			
	Designer	K.K. KANKO KIKAKU SEKKEISHA / GKK ARCHITECTS & ENGINEERS Co., Ltd.			
	Constructor	Kajima Corporation / Takenaka Corporation / SHIMIZU CORPORATION			
Institute that confirmed building	Building official, Chiba Prefecture				
Present owner	Trustee: Mizuho Trust & Banking Co., Ltd. (expiration date of trust period: Last date of August 2027) Beneficiary: NRT Project Godo Kaisha				
3. Transportation (*3)					
15 minutes by shuttle bus from Narita Airport Terminal 1 and 2					
4. Lease status					
Total number of tenants	1				
Leasable area	56,817.28 m ²				
Leased area	56,817.28 m ²				
Contractual rent	Fixed rent	JPY37,000,000.- /month			
	Variable rent	Until December 31, 2017: In case GOP on and after July 12, 2017 exceeds GOP base amount JPY260,000,000.-, the amount arrived by multiplying 86.5% to the exceeded amount On and after January 1, 2018: In case GOP exceeds GOP base amount JPY550,000,000.- per year, the amount arrived by multiplying 86.5% to the exceeded amount			
Terms of lease	From July 12, 2017 to June 30, 2037				
Deposit and guarantee money	JPY0.-				
Change in occupancy rate for the past five years based on area	End of December 2012	End of December 2013	End of December 2014	End of December 2015	End of December 2016
	100%	100%	100%	100%	100%
5. Related parties for hotel operation					
Hotel lessee	KK NaritaKosuge Operations				
Property manager	Nippon Kanzai Co., Ltd.				
6. Hotel website (*4)					
http://www.hiltonnarita.jp/					
7. Summary of the building inspection report					

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Investigation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
Investigation date	March 13, 2017	
Repair expenses	Urgently required	JPY0.-
	Required within one year	JPY0.-fa
	Total amount for another 12 years	JPY1,294,263,000.-
Earthquake PML value (*5)	2.4%	
8. Special remark		
The hotel lessee and Hilton Worldwide Franchising LP (hereinafter called the “Franchiser”) will enter into a franchise agreement (hereinafter called the “Franchise Agreement”) on June 19, 2017. With regard to the Franchise Agreement, certain conditions including Franchiser’s prior consent are required for JHR to sell trust beneficiary interest of the property or terminate the lease agreement by mutual consent or revise the lease agreement of the property.		

(*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 (hereinafter called the “real estate and other assets”).
- Anticipated acquisition price is the price stated on the purchase and sale agreement of real estate beneficial interest in trust and other related agreements and does not include various expenses required for the acquisition of the real estate and other assets (e.g., brokerage fee).

(*2) Summary of real estate (or trusted real estate)

- Structures and stories, intended use of the buildings 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 or quasi-fire prevention district) are stated based on Article 8, Clause 1-1, Clause 1-2, and Clause 1-5 of City Planning Act.

(*3) Transportation

- Stated according to the information on the website currently operated by the hotel lessee.

(*4) Hotel website

- Stated the website address currently operated by the hotel lessee.

(*5) PML

- PML (Probable Maximum Loss) is the anticipated damage ratio resulting from an 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) by the investigation company.

(*6) All amounts are rounded down to the nearest JPY1,000.

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(2) International Garden Hotel Narita

Property No.	51	Property name	International Garden Hotel Narita		
1. Asset summary (*1)					
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel				
Anticipated acquisition date	July 12, 2017				
Anticipated acquisition price	JPY9,125,000,000.-				
Appraisal value	JPY9,430,000,000.- (See “13. 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	Ownership			
	Building	Ownership			
Land	Plot No.	241, Aza Okanzuki, Yoshikura, Narita-shi, Chiba and 5 other parcels			
	Address	241-1, Yoshikura, Narita-shi, Chiba			
	Acreage	11,858.79m ²			
	Zoning, etc.	Category 1 residential area			
	Building-to-land ratio	60%			
	Floor area ratio	200%			
Building	Structure and stories	SRC, Nine stories above ground with one story below ground			
	Intended use	Hotel			
	Completion	May 1996			
	Total floor space	21,814.93m ²			
	Designer	Techno Tank K.K.			
	Constructor	Fujita Corporation			
Institute that confirmed building	Building official, Chiba Prefecture				
Present Owner	Trustee: Mizuho Trust & Banking Co., Ltd. (expiration date of trust period: Last date of August 2027) Beneficiary: IG Real Estate Hanbai Godo Kaisha				
3. Transportation (*3)					
20 minutes by shuttle bus from Narita Airport Terminal 1 and 2					
4. Lease status					
Total number of tenants	1				
Leasable area	21,814.93 m ²				
Leased area	21,814.93 m ²				
Contractual rent	Fixed rent	JPY28,000,000.- /month			
	Variable rent	Until December 31, 2017: In case GOP on and after July 12, 2017 exceeds GOP base amount JPY170,000,000.-, the amount arrived by multiplying 98.0% to the exceeded amount On and after January 1, 2018: In case GOP exceeds GOP base amount JPY360,000,000.- per year, the amount arrived by multiplying 98.0% to the exceeded amount			
Terms of lease	From July 12, 2017 to June 30, 2027				
Deposit and guarantee money	JPY0.-				
Change in occupancy rate for the past five years based on area	End of December 2012	End of December 2013	End of December 2014	End of December 2015	End of December 2016
	100%	100%	100%	100%	100%
5. Related parties for hotel operation					
Hotel lessee	KK NaritaYoshikura Operations				
Property manager	Nippon Kanzai Co., Ltd.				
6. Hotel website (*4)					
https://gardennarita.com/					
7. Summary of the building inspection report					
Investigation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date	March 13, 2017				

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Repair expenses	Urgently required	JPY0.-
	Required within one year	JPY0.-
	Total amount for another 12 years	JPY419,493,000.-
Earthquake PML value (*5)		5.2%
8. Special remark		
None.		

(*1) Asset summary

- Asset category indicates category of real estate and other assets.
- Anticipated acquisition price is the price stated on the purchase and sale agreement of real estate beneficial interest in trust and other related agreements and does not include various expenses required for the acquisition of the real estate and other assets (e.g., brokerage fee).

(*2) Summary of real estate (or trusted real estate)

- Structures and stories, intended use of the buildings 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 or quasi-fire prevention district) are stated based on Article 8, Clause 1-1, Clause 1-2, and Clause 1-5 of City Planning Act.

(*3) Transportation

- Stated according to the information on the website currently operated by the hotel lessee.

(*4) Hotel website

- Stated the website address currently operated by the hotel lessee.

(*5) PML

- PML (Probable Maximum Loss) is the anticipated damage ratio resulting from an 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) by the investigation company.

(*6) All amounts are rounded down to the nearest JPY1,000.

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(3) Hotel Nikko Nara

Property No.	52	Property name	Hotel Nikko Nara		
1. Asset summary (*1)					
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel				
Anticipated acquisition date	August 1, 2017				
Anticipated acquisition price	JPY10,373,000,000.-				
Appraisal value	JPY11,200,000,000.- (See “13. 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 (shared)			
	Building	Compartmentalized ownership (*3)			
Land	Plot No.	1087 Sanjo-honmachi, Nara-shi, Nara			
	Address	8-1 Sanjo-honmachi, Nara-shi, Nara			
	Acreage	3,049.23m ² (*4)			
	Zoning, etc.	Commercial district and fire prevention district			
	Building-to-land ratio	80%			
	Floor area ratio	600%			
Building	Structure and stories	SRC/RC/S with flat roof, Eleven stories above ground with two stories below ground (*5)			
	Intended use	Hotel			
	Completion	February, 1998			
	Total floor space	21,011.31m ² (*6)			
	Designer	Kyodo Kumiai Toshi Sekkei Rengou			
	Constructor	Consortium of Obayashi Corporation / MURAMOTO Corporation / Asakawagumi Co., Ltd.			
	Institute that confirmed building	Building official, Nara City			
Present owner	Trustee: Sumitomo Mitsui Trust Bank, Limited (expiration date of trust period: Last date of December, 2027) Beneficiary: JH Nara Bridge Fund Goudou Kaisha				
3. Transportation (*7)					
Connected directly to Nara Station West Exit (JR Kansai Main Line), 12 minutes' walk from Kintetsu Nara Station (Kintetsu Nara Line)					
4. Lease status					
Total number of tenants	1				
Leasable area	21,011.31m ²				
Leased area	21,011.31m ²				
Contractual rent	Fixed rent	Until December 31, 2017: JPY34,000,000.- /month On and after January 1, 2018: JPY35,000,000.- /month			
	Variable rent	Until December 31, 2017: In case GOP on and after August 1, 2017 exceeds GOP base amount JPY204,200,000.-, the amount arrived by multiplying 83.0% to the exceeded amount On and after January 1, 2018: In case GOP exceeds GOP base amount JPY470,000,000.- per year, the amount arrived by multiplying 91.5% to the exceeded amount			
Terms of lease	From August 1, 2017 to December 31, 2020				
Deposit and guarantee money	JPY0.-				
Change in occupancy rate for the past five years based on area	End of December 2012	End of December 2013	End of December 2014	End of December 2015	End of December 2016
	100%	100%	100%	100%	100%
5. Related parties for hotel operation					
Hotel lessee	Hotel Management Co., Ltd.				
Property manager	Nippon Kanzai Co., Ltd.				
6. Hotel website (*8)					
http://www.nikkonara.jp/					
7. Summary of the building inspection report					
Investigation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date	April 4, 2017				
Repair	Urgently required	JPY0.-			

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expenses	Required within one year	JPY0.-
	Total amount for another 12 years	JPY975,492,000.-
Earthquake PML value (*9)		7.5%
8. Special remark (*10)		
The hotel lessee and Okura Nikko Hotel Management Co., Ltd. (hereinafter called the “Hotel Operator”) have entered into a hotel operations and management contract dated April 28, 2010, as amended. Under the agreement, certain conditions including the Hotel Operator’s prior consent are required for HMJ to sell its shares in the hotel lessee or its status under the contract. Thus, in the event that HMJ sells the hotel lessee’s shares concurrently with JHR’s transfer of trust beneficiary interest of the property, such conditions must be met.		

(*1) Asset summary

- Asset category indicates category of real estate and other assets.
- Anticipated acquisition price is the price stated on the purchase and sale agreement of real estate beneficial interest in trust and other related agreements and does not include various expenses required for the acquisition of the real estate and other assets (e.g., brokerage fee).

(*2) Summary of real estate (or trusted real estate)

- Structures and stories, intended use of the buildings 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 or quasi-fire prevention district) are stated based on Article 8, Clause 1-1, Clause 1-2, and Clause 1-5 of City Planning Act.

(*3) Ownership of building

- Building of Hotel Nikko Nara is a compartmentalized ownership of Redeveloped Building 1 in front of JR Nagoya Station (Total floor space: 39,843.43m²), which consists of hotel building, retail space and car parking space, etc. JHR’s share of voting right of the building is 223/353 (approximately 63.2%).

(*4) Acreage

- The land of Hotel Nikko Nara 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 3,049.23m², 1,185,918,257,889/2,101,131,000,000 (approximately 56.44%) of the total land (5,402.42 m²).

(*5) Structure and stories

- Stated as one building.

(*6) Total floor space

- It is a total of the exclusive areas of the hotel and the floor space of attached buildings taken from the certified copy of real estate registry.

(*7) Transportation

- Stated according to the information on the website currently operated by the hotel lessee.

(*8) Hotel website

- Stated the website address currently operated by the hotel lessee.

(*9) PML

- PML (Probable Maximum Loss) is the anticipated damage ratio resulting from an 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) by the investigation company.

(*10) 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 real estate and other assets based on the right, (2) Important matters stipulated in the management rules, agreements or memoranda, etc. concluded with other owners of the compartmentalized ownership of building and/or joint ownership of land, etc., (3) Important restrictions stipulated by the administrative laws and regulations to the property.

(*11) All amounts are rounded down to the nearest JPY1,000.

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5. Summary of the Sellers

(1) Hilton Tokyo Narita Airport

Name	NRT Project Godo Kaisha
Headquarters	c/o AOJ Tax Corporation, 1-11-6 Kyobashi, Chuo-ku, Tokyo
Representative	Representative member: ISH Toranomom Asset Leasing Functional manager: Takahito Idezawa
Capital	JPY100,000.-
Establishment	August 12, 2016
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, possession and disposition of real estates 2. Leasing and management of real estates 3. Acquisition, possession and disposition of real estate beneficial interest in trust 4. 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) International Garden Hotel Narita

Name	IG Real Estate Hanbai Godo Kaisha
Headquarters	1-1-7 Moto-Akasaka, Minato-ku, Tokyo
Representative	Representative member: Ippan Shadan Houjin IG Real Estate Holdings Functional manager: Terumitsu Nosaka
Capital	JPY100,000.-
Establishment	August 2, 2016
Net assets	Undisclosed as consent from the seller could not be obtained.
Total assets	Undisclosed as consent from the seller could not be obtained.
Major shareholder and shareholding ratio	Undisclosed as consent from the seller could not be obtained.
Major business	1. Acquisition, possession, management and disposition of securities and real estate beneficial interest in trust 2. Acquisition, possession, management and disposition of real estates for sale 3. Acquisition, possession and disposition of monetary claims 4. All 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.

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(3) Hotel Nikko Nara

Name	JH Nara Bridge Fund Goudou Kaisha
Headquarters	c/o ALT Co., Ltd., 2-9-15 Yotsuya, Shinjuku-ku, Tokyo
Representative	Representative member: Ippan Shadan Houjin JH Nara Bridge Fund Holdings Functional manager: Takeru Morita
Capital	JPY100,000.-
Establishment	October 18, 2016
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, possession, management and disposition of securities and real estate beneficial interest in trust 2. Acquisition, possession, management and disposition of real estates for sale 3. Acquisition, possession and disposition of monetary claims 4. All 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.

6. Status of Previous Owners

The previous owners do not have any special interest relationship with either JHR or the Asset Management Company.

7. Summary of Intermediary

There is no intermediary for the Assets for Anticipated Acquisition.

8. Transaction with Interested Party

With respect to Hilton Tokyo Narita Airport, HMJ is scheduled to acquire 100% of the shares of the hotel lessee, KK NaritaKosuge Operations, on the same day as the anticipated acquisition date. With respect to International Garden Hotel Narita, HMJ is scheduled to acquire 100% of the shares of the hotel lessee, KK NaritaYoshikura Operations, on the same day as the anticipated acquisition date. With respect to Hotel Nikko Nara, HMJ is scheduled to acquire 100% of the shares of the hotel lessee, Hotel Management Co., Ltd., on the same day as the anticipated acquisition date.

Since HMJ falls under the category of an interested party, etc. as stipulated in Article 201 of the Investment Trust Act as well as Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, the hotel lessees, which will be subsidiaries of HMJ, will also fall under the category of interested party, etc. Therefore, in accordance with the Code for Transaction with Sponsor-Related Parties stipulated by the Asset Management Company, appropriate procedures stipulated in the Code for Transactions with Sponsor-Related Parties such as approval of the compliance committee attended by outside experts and of the meeting at Board of Directors of JHR have been obtained, prior to the conclusion of the fixed-term building lease agreements with the hotel lessees.

9. Matters on Forward Commitment, etc.(*).

(1) Asset to be acquired subject to Forward Commitment, etc.

Property name	Conclusion of purchase and sale agreement	Settlement date and anticipated acquisition date
Hotel Nikko Nara	June 19, 2017	August 1, 2017

(*). "Forward commitment, etc." is defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. by Financial Services Agency as "a postdated real estate transaction contract where there is an agreement to either make a financial settlement or close on a property sales after a period of one month or more following the conclusion of the contract, or any other similar contracts."

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(2) Impact on the financial condition of JHR if forward commitment, etc. cannot be implemented

In order to ensure acquisition of the Assets for Anticipated Acquisitions, JHR today concluded the PSA of Hotel Nikko Nara, one of the Assets for Anticipated Acquisition, with the seller. This PSA stipulates that either party may cancel the agreement if the other party violates the obligations stipulated in the agreement and that the violating party shall pay a certain amount of trading value to the other party.

However, the PSA contains a special condition which stipulates that completion of debt financing (Please refer to today's press release "Notice Concerning New Loans") or other fundraising by JHR is a condition precedent to the payment of the transaction amount. Accordingly, in the event that debt financing or fundraising by JHR for the payment of the transaction amount is not completed, the PSA will be terminated without payment of cancellation penalty.

10. Settlement method

JHR plans to pay the transaction amounts by using new loans, funds to be procured through issuance of new investment units together with cash on hand.

11. Schedule of Settlement Dates

(1) Hilton Tokyo Narita Airport

Resolution for the acquisition	June 19, 2017
Conclusion of purchase and sale agreement	June 19, 2017
Settlement and transfer	July 12, 2017 (scheduled)

(2) International Garden Hotel Narita

Resolution for the acquisition	June 19, 2017
Conclusion of purchase and sale agreement	June 19, 2017
Settlement and transfer	July 12, 2017 (scheduled)

(3) Hotel Nikko Nara

Resolution for the acquisition	June 19, 2017
Conclusion of purchase and sale agreement	June 19, 2017
Settlement and transfer	August 1, 2017 (scheduled)

12. Future Prospects

With respect to the operating forecast after the acquisition of the Assets for Anticipated Acquisition, please refer to "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2017 (18th period)" dated today.

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13. Appraisal Report Summary

(1) Hilton Tokyo Narita Airport

Appraisal Report Summary		
Property name	Hilton Tokyo Narita Airport	
Appraisal value	JPY13,400,000,000.-	
Name of appraiser	Japan Real Estate Institute	
Date of appraisal	April 1, 2017	
Item	Details	Summary, etc.
Indicated value by income approach	JPY13,400,000,000.-	
Value by direct capitalization method	JPY13,400,000,000.-	
Operating income	JPY858,797,000.-	
Potential gross income	JPY858,797,000.-	
Fixed rent	JPY444,000,000.-	
Variable rent	JPY414,797,000.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY120,280,000.-	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair expenses	JPY32,357,000.-	
Property management fee	JPY2,520,000.-	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY81,835,000.-	
Non-life insurance premium	JPY3,568,000.-	
Other expenses	JPY0.-	
Net operating income	JPY738,517,000.-	
Gain on management of deposits	JPY0.-	
Capital expenditures	JPY108,701,000.-	Assessed considering the level of capital expenditure for similar properties, the building age, the average value of annual repair and renewal expenses on the engineering report and renewal costs for furniture, fixtures and equipment
Net cash flow	JPY629,816,000.-	
Cap rate	4.7%	
Value by DCF method	JPY13,300,000,000.-	
Discount rate	4.4%	
Terminal cap rate	4.8%	
Indicated value by cost approach	JPY12,800,000,000.-	
Land ratio	57.9%	
Building ratio	42.1%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that value based on income approach is more persuasive because the value based on income approach reflects profitability and economy of investment. Therefore, the appraiser determined the appraisal value by standardizing on the indicated value by income approach and by taking note of the indicated value by cost approach as reference.	

*All amounts are rounded down to the nearest JPY1,000.

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(2) International Garden Hotel Narita

Appraisal Report Summary		
Property name	International Garden Hotel Narita	
Appraisal value	JPY9,430,000,000.-	
Name of appraiser	Japan Real Estate Institute	
Date of appraisal	April 1, 2017	
Item	Details	Summary, etc.
Indicated value by income approach	JPY9,430,000,000.-	
Value by direct capitalization method	JPY9,430,000,000.-	
Operating income	JPY553,267,000.-	
Potential gross income	JPY553,267,000.-	
Fixed rent	JPY336,000,000.-	
Variable rent	JPY217,267,000.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY51,813,000.-	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair expenses	JPY10,487,000.-	
Property management fee	JPY2,280,000.-	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY37,423,000.-	
Non-life insurance premium	JPY1,623,000.-	
Other expenses	JPY0.-	
Net operating income	JPY501,454,000.-	
Gain on management of deposits	JPY0.-	
Capital expenditures	JPY39,374,000.-	Assessed considering the level of capital expenditure for similar properties, the building age, the average value of annual repair and renewal expenses on the engineering report and renewal costs for furniture, fixtures and equipment
Net cash flow	JPY462,080,000.-	
Cap rate	4.9%	
Value by DCF method	JPY9,420,000,000.-	
Discount rate	4.6%	
Terminal cap rate	5.0%	
Indicated value by cost approach	JPY5,890,000,000.-	
Land ratio	43.7%	
Building ratio	56.3%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that value based on income approach is more persuasive because the value based on income approach reflects profitability and economy of investment. Therefore, the appraiser determined the appraisal value by standardizing on the indicated value by income approach and by taking note of the indicated value by cost approach as reference.	

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(3) Hotel Nikko Nara

Appraisal Report Summary		
Property name	Hotel Nikko Nara	
Appraisal value	JPY11,200,000,000.-	
Name of appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.	
Date of appraisal	May 1, 2017	
Item	Details	Summary, etc.
Indicated value by income approach	JPY11,200,000,000.-	
Value by direct capitalization method	JPY11,300,000,000.-	
Operating income	JPY732,566,000.-	
Potential gross income	JPY732,566,000.-	
Fixed rent	JPY420,000,000.-	
Variable rent	JPY312,565,000.-	
Vacancy loss, etc.	JPY0.-	
Operating expenses	JPY101,285,000.-	
Maintenance and management expenses	JPY0.-	
Utilities cost	JPY0.-	
Repair expenses	JPY24,387,000.-	
Property management fee	JPY2,760,000.-	
Tenant leasing cost, etc.	JPY0.-	
Tax and public dues	JPY46,713,000.-	
Non-life insurance premium	JPY1,606,000.-	
Other expenses	JPY25,818,000.-	Assessed the reserve fund for repairs and maintenance based on the actual amount
Net operating income	JPY631,280,000.-	
Gain on management of deposits	JPY0.-	
Capital expenditures	JPY78,298,000.-	Assessed considering the level of capital expenditure for similar properties, the building age, the average value of annual repair and renewal expenses on the engineering report and renewal costs for furniture, fixtures and equipment
Net cash flow	JPY552,982,000.-	
Cap rate	4.9%	
Value by DCF method	JPY11,200,000,000.-	
Discount rate	4.7%	
Terminal cap rate	5.1%	
Indicated value by cost approach	JPY5,060,000,000.-	
Land ratio	46.2%	
Building ratio	53.8%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that value based on income approach is more persuasive because the value based on income approach reflects profitability and economy of investment. Therefore, the appraiser determined the appraisal value by standardizing on the indicated value by income approach and by taking note of the indicated value by cost approach as reference.	

*All amounts are rounded down to the nearest JPY1,000.

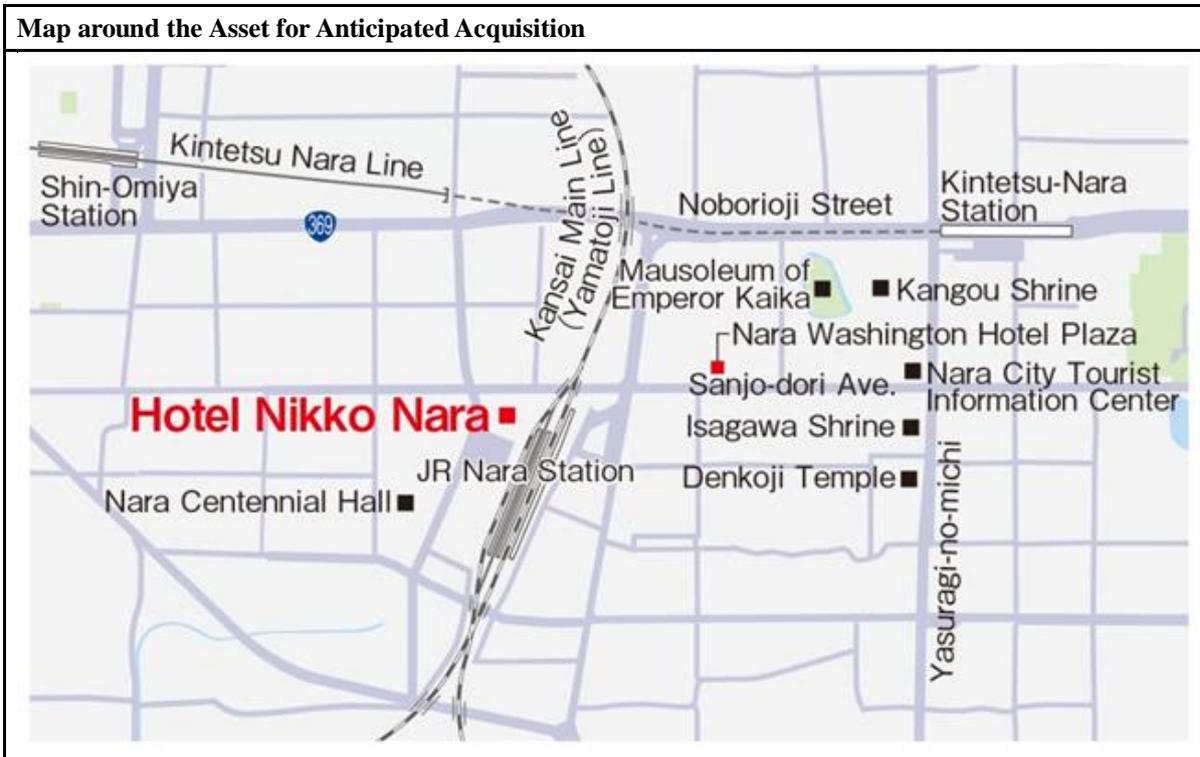
* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

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<Attachment 1> Map around the Assets for Anticipated Acquisitions
 (1) Hilton Tokyo Narita Airport / International Garden Hotel Narita



(2) Hotel Nikko Nara



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<Attachment 2> Exterior appearance and interior of the Assets for Anticipated Acquisition
(1) Hilton Tokyo Narita Airport

Exterior Appearance



Guest Room



Entrance



Bar Lounge (Terrace Bar)



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(2) International Garden Hotel Narita

Exterior Appearance



Guest Room



Entrance



Restaurant



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(3) Hotel Nikko Nara

Exterior Appearance



Guest Room



Entrance



Wedding Hall (Shrine)



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(Reference) The portfolio list after the acquisition of the Assets for Anticipated Acquisitions

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	319	Kansai	July 1995	10,900	3.4
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excl. Tokyo)	May 1995	19,900	6.2
3	Namba Oriental Hotel	Limited-Service	Mid-price	258	Kansai	March 1996	15,000	4.7
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	5.9
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Chugoku	September 1993 (Extended in September 2006)	4,100	1.3
6	ibis Tokyo Shinjuku	Limited-Service	Mid-price	206	Tokyo	September 1980	7,243	2.3
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	2.4
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excl. Tokyo)	October 2006	4,070	1.3
10	Dormy Inn Kumamoto	Limited-Service	Mid-price	291	Kyushu (excl. Okinawa)	January 2008	2,334	0.7
12	the b suidobashi	Limited-Service	Mid-price	99	Tokyo	August in 1986 (Extended in September 1989)	1,120	0.4
13	Dormy Inn EXPRESS Asakusa	Limited-Service	Economy	77	Tokyo	March 1997	999	0.3
14	Hakata Nakasu Washington Hotel Plaza	Limited-Service	Mid-price	247	Kyushu (excl. Okinawa)	March 1995	2,130	0.7
15	Nara Washington Hotel Plaza	Limited-Service	Mid-price	204	Kansai	March 2000	2,050	0.6
16	R&B Hotel Ueno-hirokoji	Limited-Service	Economy	187	Tokyo	April 2002	1,720	0.5
17	R&B Hotel Higashi-nihonbashi	Limited-Service	Economy	202	Tokyo	March 1998	1,534	0.5
18	Comfort Hotel Tokyo Higashi Nihonbashi	Limited-Service	Economy	259	Tokyo	January 2008	3,746	1.2
22	Smile Hotel Nihombashi Mitsukoshimae	Limited-Service	Economy	164	Tokyo	March 1997	2,108	0.7
24	Toyoko Inn Hakata-guchi Ekimae	Limited-Service	Economy	257	Kyushu (excl. Okinawa)	September 2001	1,652	0.5
25	Hotel Vista Kamata Tokyo	Limited-Service	Economy	105	Tokyo	January 1992	1,512	0.5
26	Chisun Inn Kamata	Limited-Service	Economy	70	Tokyo	April 2003	823	0.3
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	1.9
30	Hotel Sunroute Shinbashi	Limited-Service	Mid-price	220	Tokyo	March 2008	4,800	1.5
31	Hilton Tokyo Bay	Resort	Luxury	828	Kanto (excl. Tokyo)	June 1988	26,050	8.2
32	ibis Styles Kyoto Station	Limited-Service	Mid-price	215	Kansai	March 2009	6,600	2.1
33	ibis Styles Sapporo	Limited-Service	Mid-price	278	Hokkaido	July 2010	6,797	2.1
34	Mercure Sapporo	Limited-Service	Mid-price	285	Hokkaido	April 2009	6,000	1.9
35	Mercure Okinawa Naha	Limited-Service	Mid-price	260	Okinawa	August 2009	3,000	0.9
36	the b akasaka-mitsuke	Limited-Service	Mid-price	122	Tokyo	November 2002	6,250	2.0
37	the b ikebukuro	Limited-Service	Mid-price	175	Tokyo	June 1982	6,520	2.0
38	the b ochanomizu	Limited-Service	Mid-price	72	Tokyo	August 1999	2,320	0.7
39	the b hachioji	Limited-Service	Mid-price	196	Tokyo	August 1986	2,610	0.8
40	the b hakata	Limited-Service	Mid-price	175	Kyushu (excl. Okinawa)	September 1997	2,300	0.7
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excl. Tokyo)	August 1991	3,105	1.0
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excl. Tokyo)	November 1993	1,650	0.5
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	February 2005	14,950	4.7
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Chugoku	August 2010	17,320	5.4
45	CANDEO HOTELS UENO-KOEN	Limited-Service	Mid-price	268	Tokyo	December 2009	6,705	2.1
46	Hotel Centraza Hakata	Full-service	Mid-price	194	Kyushu (excl. Okinawa)	July 1985	7,197	2.3
47	Holiday Inn Osaka Namba	Limited-Service	Mid-price	314	Kansai	August 2008	27,000	8.5
48	HOTEL ASCENT FUKUOKA	Limited-Service	Economy	263	Kyushu (excl. Okinawa)	April 1999	4,925	1.5
49	Hilton Nagoya	Full-service	Luxury	460	Chubu	February 1989	15,250	4.8
50	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Kanto (excl. Tokyo)	August 1993	13,175	4.1
51	International Garden Hotel Narita	Full-service	Mid-price	463	Kanto (excl. Tokyo)	May 1996	9,125	2.9
52	Hotel Nikko Nara	Full-service	Upper-middle	330	Kansai	February 1998	10,373	3.2
	Total	—	—	11,486	—	—	319,473	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 and Fukui prefectures. Kansai means Kyoto, Osaka, 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) The acquisition prices stated on the purchase and sale agreement for beneficial interest in trust and other related agreements are

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indicated (consumption tax, local consumption tax and the acquisition expense such as brokerage fee are not included). The acceptance prices are indicated for the assets that have been accepted through the merger. The anticipated acquisition price is indicated for the Assets for Anticipated Acquisitions.

- (*4) The percentage of each acquisition price or anticipated acquisition price to the total of acquisition price (include anticipated 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 JHR has disposed of are excluded from the table above (No. 7, No. 11, No. 19, No. 20, No. 21, No. 23, No. 27 and No. 28).
- (*7) Number of guest rooms of Hilton Tokyo Bay was changed from 823 to 828 on March 3, 2017.

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