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Notice Concerning Acquisitions of New Assets
(“Hilton Tokyo Bay Hotel”)

This is to inform you that Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has resolved to acquire the property below (hereinafter called “New asset”) today.

1. Summary of the new assets

Name of new assets	Hilton Tokyo Bay Hotel
Category of new assets	Beneficial interest in trust
Asset type	Hotel
Classification (*1)	Resort Hotel
Grade (*2)	Luxury class
Rent type	Fixed rent
Acquisition price (Plan) (*3)	JPY26,050,000,000.-
Conclusion of the Purchase Agreement (*4)	April 2, 2013
Scheduled acquisition date	April 26, 2013
Seller (*5)	MGS Diamond Godo Gaisha
Acquisition funds (*6)	Loan, Issuance of new investment units, and cash on hand
Collateral	Requested

(*1) Hotels are classified into “Business Hotel”, “City Hotel”, and “Resort Hotel” based on its operation type.

(*2) JHR has classified the hotel grade into “Luxury class”, “Upper middle class”, “Mid-price class” and “Economy class” based on the average daily rate.

(*3) The acquisition price above is based on the purchase price stated on the Purchase Agreement. The acquisition price does not include the acquisition cost, fixed asset tax, city planning tax, and consumption tax, etc.

(*4) In order to acquire the asset on the scheduled day, JHR has concluded the agreement with condition precedent to transfer the beneficial interest in trust (hereinafter called “Agreement with condition precedent”) with the seller. See “7. “Agreement with condition precedent” for detail.

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

(*6) See “Notice Concerning New Loan” dated today and “Notice Concerning Issuance of New Investment Units and Secondary Offering” dated today for the borrowing and fundraising through the issuance of the investment units respectively.

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2. Rationale for the acquisition

JHR made a fresh start as the only J-REIT specifying in the hotels after the merger between Nippon Hotel Fund Investment Corporation and Japan Hotel and Resort Inc. effective on April 1, 2012. JHR aims for providing you with the attractive investment opportunities in the hotel assets that can bring you “stability and upside potential”, one of our greatest characteristics. The 14th period (FY12/2013) is the second term after the merger where the external growth and improvement of the portfolio quality are further accelerated. We enjoy the fruits borne by the growth strategy implemented in the 13th period (FY12/2012) and continuously seed for stimulating the future growth cycle in the 14th period.

Specifically, we offer the new investment units in the 14th period following the public offering in the 13th period and acquire the new asset. This is the acquisition of the so-called trophy asset which will be the biggest asset in our portfolio. We believe that the acquisition of the large scale hotel will expand our asset scale and improve the profitability, and its stable rent income will further enhance the portfolio stability. In addition, the new asset is the official hotel of Tokyo Disney Resort (hereinafter called “TDR”) which is the world biggest scale theme park, and the acquisition of such highly reputed hotel should greatly contribute to elevate the publicity and the image of JHR.

The acquisition of the new asset is in accordance with JHR’s external growth strategy. The new asset is the hotel real estate in the stable market that can continuously attract people and is capable of capturing both domestic and foreign leisure customers who are expected to increase going forward. Following two property acquisitions on last September that had strong announcement effect, JHR plans to acquire the new asset at more than 10% lower than the appraisal value through one-on-one negotiation with the seller. Though NOI (net operating income) yield of the new asset (5.9%) is lower than those of the present portfolio yield (6.2%), we plan to ensure NOI yield after depreciation* (4.7%) is higher than the present portfolio yield (4.5%). (*NOI yield after depreciation has stronger impact on dividend.)

- *1) $\text{NOI} = \text{Income of the real estate operation} - \text{Cost of the real estate operation} + \text{Depreciation cost} + \text{Loss on retirement of noncurrent assets}$
 $\text{NOI yield} = \text{NOI} \div \text{Acquisition price}$
 $\text{NOI after depreciation} = \text{Real estate operation income} - \text{Real estate operation cost}$
 $\text{NOI yield after depreciation} = \text{NOI after depreciation} \div \text{Acquisition price}$

The characteristics of the new asset are as follows:

<Hilton Tokyo Bay Hotel>

The new asset is situated in Maihama, Urayasu-shi, Chiba prefecture. It is a big scale full-service hotel adjoining to TDR and one of the six TDR official hotels. In addition to 809 guest rooms, it consists of multiple food and beverage facilities, banquet halls and wedding facility, etc. and has the largest number of guest rooms among six TDR official hotels. The new asset is at the South-West corner of the “Official Hotels District” facing the sea, and the guest can enjoy either ocean view or TDR’s park view from all guest rooms. Therefore, JHR believes the new asset has a strong competitive edge compared with other official hotels of TDR. Moreover, the hotel has been managed by Hilton Group that has developed the global-scale hotel chain. Hilton is the world prestigious hotel operator in terms of the number of hotels they are operating with Hilton brand, and enjoys high publicity in and out of Japan.

In accordance with the market report made by Jones Lang LaSalle dated November 2012 (Jones Lang LaSalle is the Japanese subsidiary of Jones Lang LaSalle Group that is the world prominent total real estate service company conducting business in one thousand cities in seventy countries. They are comprehensively offering the strategic solution and services for the real estates.), TDR, the adjoining theme park of the new asset, is the leisure facility to which more than twenty five million people visit annually and more visitors are now expected for their thirty years anniversary events planned this year. JHR has considered that TDR market is one of the greatest attractive hotel markets that can satisfy the vigorous leisure demands of various generations and contributes to both stability and growth of the hotel business performance.

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JHR has already owned Oriental Hotel Tokyo Bay (hereinafter called “OHT”) in TDR market, and this is the second acquisition opportunity in the same market. JHR will positively utilize the expertise, experience and know-how of the hotel operation in TDR market obtained through the operation of OHT for managing the new asset, and capture more demand of this attractive market.

JHR will positively promote the asset replacement going forward and aim for achieving bigger growth cycle toward further expansion of the asset scale and improvement of the portfolio quality.

3. Detail of the new asset

Please refer to “Appendix 1” and “Appendix 4” for the detail of the new asset.

4. Summary of the seller

Name	MGS Diamond Godo Gaisha
Headquarter	3-1-20 Nihonbashi-Muromachi, Chuo-ku, Tokyo
Representative	Akira Sugai, Executive Officer General Incorporated Association MGS Diamond Holdings
Capital	JPY2.1M as of February 22, 2013
Establishment	July 21, 2006
Major businesses	Owning, leasing, sales and brokerage of the real estates.
Relationship between the seller and JHR or its asset management company	<u>Capital relationship, Human relationship and Business relationship</u> JHR, its asset management company and the seller do not have any capital, human, and business relationships that should be statutory reported. The related parties of JHR and its asset management company do not have any capital, human, and business relationships that should be specifically reported with the related parties of the seller. The seller is neither the related party of JHR nor its asset management company. The related parties of the seller have no capital and human relationships with the related parties of JHR and its asset management company, either.

5. Status of the property buyer

There is no information that is statutory requested to report.

6. Summary of the intermediary

None

7. The agreement with condition precedent

In order to ensure the acquisition of the new assets, JHR concluded the agreement with conditions precedent with the seller today. This agreement contains the special conditions in which the issuance of the new investment units of JHR announced today and fulfillment of the relevant fundraising are stipulated as the condition precedent to the effectuation of the agreement. Therefore, in the event that JHR does not fulfill the fundraising including issue of new investment unit, the transfer agreement with condition precedent will be invalid without penalty payment. JHR believes it will neither seriously impact on the finance of JHR nor the dividend source of JHR.

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8. Settlement method

JHR will pay the acquisition price through the new borrowing, fundraising through the issuance of the new investment units, and cash on hand.

9. Acquisition schedule

Resolution for the acquisition	April 2, 2013
Conclusion of the Purchase Agreement	April 2, 2013
Settlement and transfer	April 26, 2013 (plan)

10. Future prospect

With reference to the operating forecast for the fiscal year December 2013 (January 1, 2013 through December 31, 2013), please refer to the separate press release dated April 2, 2013 “Notice Concerning the Revision of the Operating Forecast for the Fiscal Year December 2013 (14th period)”.

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

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Appendix 1 Detail of the new asset

Property No.	31		Property name	Hilton Tokyo Bay Hotel		
1. Asset summary (*1)						
Asset category			Real estate beneficial interest in trust			
Acquisition date			April 26, 2013			
Acquisition price			JPY26,050,000,000.-			
Appraisal value			JPY29,400,000,000.- (See attachment 1 for detail)			
2. Property summary (or Trusted property summary) (*2)						
Intended use of the property			Hotel/Resort Hotel			
Ownership	Land		Co-ownership (*3)			
	Building		Co-ownership (*4)			
Land	Plot No.		1-33 Maihama, Urayasu-shi, Chiba prefecture			
	Address		1-8 Maihama, Urayasu-shi, Chiba prefecture			
	Acreage		36,121.00m2 (*5)			
	Zoning		Semi-industrial area			
	Building-to-land ratio		60%			
	Floor area ratio		200%			
Building	Structure and floors		Steel framed reinforced concrete building. Eleven stories above ground with one below.			
	Intended use		Hotel			
	Completion		June 1988			
	Total floor area		72,146.60m2 (*6)			
	Designer		Nihon Sekkei Jimusho (present Nihonsekkei Inc.)			
	Main contractor		Shimizu Corporation			
	Institute that confirmed building		Chiba prefecture			
Present owner			Trustee: Mizuho Trust & Banking Co., Ltd. Beneficiary: MGS Diamond Godogaisha			
3. Transportation (*7)						
Three minutes on foot from "Bayside" station of Disney Resort Line.						
4. Leasing status						
No. of tenant		1(*8)				
Rentable area		64,931.94m2 (*9)				
Rented area		64,931,94m2 (*9)				
Annual rent	Fixed rent		157,043,000 (*10)			
	Variable rent		Besides the fixed rent above, the variable rent is paid when the designated conditions are fulfilled.(*11)			
Security deposit and guarantee money		Undisclosed (*12)				
Area-based occupancy for the last five years		January 2009 to December 2009	January 2010 to December 2010	January 2011 to December 2011	January 2012 to December 2012	January 2013 to April 2013
		100%	100%	100%	100%	100%
5. Related companies for the hotel operation (*13)						
Hotel lessee		THE DAI-ICHI BUILDING CO., LTD.				
Sub lessee		Tokyo Bay Hilton Hotel				
Hotel Operator		Hilton International Company				
6. Hotel website (*14)						
http://www.hiltontokyobay.jp/						
7. Summary of the building investigation report						
Investigation company			Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Investigation date			November 13, 2012			
Repair cost	Urgently required		JPY0.-			
	Required within one year		JPY0.-			
	Total repair cost required for another twelve years		JPY949,575,000 (*15)			
Quake PML ratio (*16)			3.2%			
8. Special remark(*17)						
Approval from the Public Enterprises Agency Chiba Prefecture is required to sell the land.						


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- (*1) The asset summary: “Asset category” indicates the asset classification, and “Acquisition price” is the price stated on the contract. It does not include the acquisition cost such as brokerage.
- (*2) Property summary: “Structure and floors”, “Intended use” and “Completion” have been taken from the registration book. If erroneous information was identified by the investigation, the registration data were not used. “Zoning” is indicated pursuant to the “Use District”, “Special Use District”, and “Fire Prevention District and Quasi-Fire Prevention District” of Article 8-1-1, 8-1-2 and 8-1-5 of City Planning Act.
- (*3) The land of Hilton Tokyo Bay Hotel is a shared property. JHR plans to own 9/10 and 1/10 will be continuously owned by Daiichi Life Insurance Company, Limited.
- (*4) The building of Hilton Tokyo Bay Hotel is a shared property. JHR plans to own 9/10 and 1/10 will be continuously owned by Daiichi Life Insurance Company, Limited.
- (*5) Acreage: The land of Hilton Tokyo Bay Hotel is a shared property. Only 9/10 of the land indicated here is subject to purchase and sale. JHR plans to own 9/10 and 1/10 will be continuously owned by Daiichi Life Insurance Company, Limited.
- (*6) The total floor area: The total floor area includes the accessory building (37.38m²). The total floor area to be purchased is 9/10 of the area above.
- (*7) Transportation: The information is based on the website of the hotel sub lessee.
- (*8) Leasing status: The total number of tenants is the number of tenant JHR will have direct lease agreement.
- (*9) “Rentable area” and “Rented area”: Hilton Tokyo Bay Hotel is the shared property. The area JHR owns (64,931,94m², Share 9/10) is indicated out of 72,146.60m², total shared area).
- (*10) Fixed rent: The annual fixed rent includes the antenna installation fee (JPY1,043,000.-)
- (*11) Variable rent: It is undisclosed, as the hotel lessee does not agree with it.
- (*12) Security deposit and guarantee money: It is not disclosed, as the hotel lessee does not agree with disclosure.
- (*13) Related companies for the hotel operation
The hotel lessee is the lessee JHR has planned to deal with. The hotel sub lessee is the sub lessee of the hotel lessee. The hotel operator is the operator to be hired by the hotel sub lessee.
- (*14) Hotel website: The hotel website is the website the sub lessee has provided.
- (*15) Repair cost: The subjects of the repair cost are Hilton Tokyo Bay Hotel (100%) and the emergency power generator (55%) in the utility building that collectively provides/discharges the cold water, hot water, steam, electric power, service water and used water for reusing. 55% of the emergency power generator belongs to the hotel building and the owner of the trusted property owns 9/10 of 55%.
- (*16) PML: PML (Probable Maximum Loss) is the anticipated damage ratio by the earthquake. No uniform definition has been made yet but the anticipated loss amount caused by the earthquake that may occur in another 475 years are calculated and statistically processed irrespective of the earthquake size and the probability. It indicates the anticipated ratio of the loss amount against the building replacement cost. It has been calculated based on the site inspection, valuation of building condition, confirmation of the consistency with the design document, ground investigation, local factors and structural investigation.
- (*17) Special remarks: In principle, following is stated; (1) Right or restriction based on the right of the third party besides the tenant of the building (2) Management regulations and important matters stipulated by the agreement or memoranda concluded with other co-owners of the strata-titled building and shared land, (3) Important restrictions stipulated by the administrative law to this property.
- (*18) The amount less than JPY1,000 is rounded down.

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Appendix 2 The local characteristics and the market summary

<p>Local characteristics</p>
<p>TDR (Tokyo Disney Land, Tokyo Disney Sea and commercial facilities) is located near “Maihama” station of JR Keiyo line, and it forms one of the greatest urban resort districts in Japan to which more than twenty five million people have annually visited since the opening of Disney Sea in 2003. This district is surrounded by six official hotels including the new asset, and synergy of these hotels has produced good publicity and resort atmosphere.</p>
<p>Market summary</p>
<p>The official hotels of TDR are impacted by the number of TDR visitors. Despite inevitable temporary closing after the Great East Japan Earthquake in 2011, TDR fully exerted its potential to attract people and eventually enjoyed more than twenty five million visitors in the fiscal year. The number of TDR visitors in 2012 is said to have reached the second highest level since 2010, the peak period, owing to new attractions and repercussion of 2011. Furthermore, the one of the theme park of TDR, Tokyo Disney Land, will celebrate the thirty years anniversary during the period from April 15, 2013 through March 20, 2014, and many anniversary events have been scheduled. TDR is thought to be continuously favorable in attracting people.</p>
<p>Map of the asset to be acquired</p>
 <p>The map illustrates the location of the Hilton Tokyo Bay asset, highlighted in red. It is situated near the Maihama Station on the JR Keiyo Line. Other nearby landmarks include Urayasu Police Station, Urayasu City Hall, Oriental Hotel Tokyo Bay, and Shin-Urayasu Station. The map also shows the Metropolitan Expressway Wangan Line, the Disney Resort Line, and the locations of Tokyo Disney Land and Tokyo Disney Sea. The area is bordered by Tokyo Bay to the east and south.</p>

Note: The above local characteristics and the market summary have been summarized/extracted from the Appraisal Report of Daiwa Real Estate Appraisal Co., Ltd. and the market report of Jones Lang LaSalle.

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Attachment 3 Pictures of the building exterior and the internal furnishings of the new asset

Building Exterior



Happy Magic Room



Cerebrio



Chapel



Forest Garden (Restaurant)



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<Reference 1> Summary of the Appraisal Report

Hilton Tokyo Bay Hotel

Summary of the appraisal report	
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Price	As of February 1, 2013
Appraisal value	29,400,000,000
Price	29,400,000,000
Price by the direct capitalization method	29,600,000,000
Gross income	1,884,518,000
Rent income	1,884,518,000
Fixed rent	1,872,000,000
Variable rent	0
Other income	12,518,000
Total cost	338,735,000
Net operating income (NOI)	1,545,783,000
Net cash flow (NCF)	1,510,518,000
Ratio of yield	5.1%
Price by DCF method	29,300,000,000
Discount rate	4.9%
Terminal cap rate	5.3%
Price based on the current value	23,200,000,000
Land price	18,378,617,000
Building price	4,821,383,000

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<Reference 2> The portfolio list after the acquisition of the new asset

No.	Hotel	Type	Grade	No. of guest rooms (*1)	Area (*2)	Completion	Acquisition price including plan (JPY1M) (*3)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	City	Upper middle	319	Kansai	July 1995	10,900	6.9%
2	Oriental Hotel Tokyo Bay	City	Mid-price	503	Kanto (Tokyo exclusive)	May 1995	19,900	12.7%
3	Namba Oriental Hotel	Business	Mid-price	257	Kansai	March 1996	15,000	9.6%
4	Hotel Nikko Alivla	Resort	Luxury	396	Okinawa	April 1994	18,900	12.0%
5	Oriental Hotel Hiroshima	City	Upper Middle	227	Other	September 1993 (Extended on September 2006)	4,100	2.6%
6	Ibis Tokyo Shinjuku	Business	Mid-price	206	Tokyo	September 1980	7,243	4.6%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 Extended on June 2005 and May 2006	7,610	4.8%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (Tokyo exclusive)	October 2006	4,070	2.6%
10	Dormy Inn Kumamoto	Business	Mid-price	294	Other	January 2008	2,334	1.5%
11	Dormy Inn Namba	Business	Economy	105	Kansai	February 1999	1,270	0.8%
12	Dormy Inn Suidobashi	Business	Economy	99	Tokyo	August 1986 Extended on September 1989	1,120	0.7%
13	Dormy Inn Asakusa	Business	Economy	77	Tokyo	March 1997	999	0.6%
14	Hakata Nakasu Washington Hotel Plaza	Business	Mid-price	247	Other	March 1995	2,130	1.4%
15	Nara Washington Hotel Plaza	Business	Mid-price	204	Kansai	March 2000	2,050	1.3%
16	R&B Hotel Ueno-Hirokoji	Business	Economy	187	Tokyo	April 2002	1,720	1.1%
17	R&B Hotel Higashi-Nihombashi	Business	Economy	203	Tokyo	March 1998	1,534	1.0%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Business	Economy	259	Tokyo	January 2008	3,746	2.4%
19	Comfort Hotel Shin Yamaguchi	Business	Economy	139	Other	August 2007	866	0.6%
20	Pearl Hotel Kayabacho	Business	Economy	268	Tokyo	January 1981	3,121	2.0%
21	Daiwa Roynet Hotel Akita	Business	Economy	221	Other	June 2006	1,760	1.1%
22	Smile Hotel Nihonbashi-Mitsukoshimae	Business	Economy	164	Tokyo	March 1997	2,108	1.3%
23	Hotel Sunroute Niigata	Business	Mid-price	231	Other	August 1992	2,105	1.3%
24	Toyoko Inn Hakataguchi Ekimae	Business	Economy	257	Other	September 2001	1,652	1.1%
25	Vista Hotel Kamata	Business	Economy	106	Tokyo	January 1992	1,512	1.0%
26	Chisan Inn Kamata	Business	Economy	70	Tokyo	April 2003	823	0.5%
27	Hotel Vista Hashimoto	Business	Economy	99	Kanto (Tokyo exclusive)	December 1986	1,510	1.0%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	3.8%
30	Hotel Sunroute Shimbashi	Business	Mid-price	220	Tokyo	March 2008	4,800	3.1%
31	Hilton Tokyo Bay Hotel	Resort	Luxury	809	Kanto (Tokyo exclusive)	June 1988	26,050	16.6%
				6,935			156,933	100%

(*1) The number of guest rooms available as of today is indicated for each hotel (Rooms having been occupied by the hotel itself for a long time exclusive.)

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- (*2) Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Kanto (except for Tokyo) means Kanagawa, Chiba, Saitama, Ibaragi, Gunma, Tochigi and Yamanashi prefectures. Tokyo and Okinawa mean Tokyo Metropolitan area and Okinawa prefecture respectively.
- (*3) The purchase amount indicated on either the purchase agreement for the beneficial interest in trust or the real estate purchase agreement is stated. The accepted prices are stated for the properties obtained through the merger, and the purchase prices are stated for the properties bought.
- (*4) Percentage of acquisition price (including plan) of each property to the total acquisition price (including plan) is indicated. The amount less than two decimal places is rounded off.
- (*5) Property No. 7 (Hotel Resol Sapporo Minaminijo) and No. 28 (Millennia Hotel Matsuyama) are missing numbers, as they have already been disposed of.

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