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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)

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Notice Concerning Acquisition of New Asset
(CANDEO HOTELS UENO-KOEN)

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 the property (hereinafter called the “New Asset”) today on behalf of JHR as follows.

1. Summary of the New Asset

Name of the New Asset	Asset type (*1)	Rent type	Planned acquisition price (*2)	Scheduled acquisition date (*3)	Collateral
CANDEO HOTELS UENO-KOEN	Limited-service hotel	Fixed rent	JPY6,705,000,000.-	February 1, 2016	unsecured

(*1) JHR categorizes hotels into three type, “limited-service hotel,” “full-service hotel” and “resort hotel” based on its operational status.

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

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

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

2. Rationale for Acquisition

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

(1) Acquisition in Tokyo metropolitan area

The New Asset is located in the Ueno area in Tokyo metropolitan area, which is one of our “strategic investment areas.” Tokyo is believed to be the area that will receive benefits the most from an increase in inbound demand, and the New Asset enjoys excellent convenience due to its proximity to the station, making it highly competitive.

(2) Improvement in portfolio quality

JHR aims to further improve portfolio quality by acquiring the highly competitive New Asset. The acquisition of the New Asset is believed to contribute to stability of JHR’s portfolio since stable rent can be expected over the long-term as the New Asset (1) stands close to the station, (2) is relatively new, and (3) has fixed rent.

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3. Features of the New Asset

(1) Features of the New Asset

According to a market report prepared by KPMG FAS Co. Ltd., (hereinafter “KPMG”) the features of the New Asset are as follows.

1) Superiority in Location

The Hotel is located close to Uguisudani Station on the JR Yamanote Line (a three-minute walk) and enjoys high visibility from the station as a large rooftop signboard has been set up. Since both JR Nippori Station and Ueno Station, which are adjacent stations, are within walking distance and access to Narita International Airport and Haneda Airport as well as to Tokyo Station, Akihabara and Asakusa is excellent, the location offers high convenience in terms of both leisure and business. Furthermore, Ueno Park, which is connected from the south exit of JR Uguisudani Station, is one of the most well-known parks in Tokyo with many cultural facilities, among which The National Museum of Western Art, National Museum of Nature and Science and Tokyo Metropolitan Art Museum are particularly close. Moreover, as there are many events throughout the year, it is an attractive location for tourists from both within Japan and abroad. In addition, since the Hotel stands along an arterial road which allows large buses to stop, it can sufficiently respond to large groups of guests.

2) Superiority in Infrastructure

The Hotel is a limited-service hotel which opened in 2010 and has 268 guest rooms. Light-colored interior and freshness of being relatively new, along with meticulous maintenance, provide for comfort in the guest rooms. Only 27 out of 268 rooms are single rooms, and 241 rooms are available for 2 or more guests. Beds from Simmons, an U.S. bed manufacturer, that are equipped in all rooms as well as 32-inch liquid crystal display TVs are enhancing appeal of guest rooms. The hallways on the guest floors secure ample width, a floor layout with consideration for vacationers carrying loads of luggage.

3) Superiority in Operations

“CANDEO HOTELS” operated by Candeo Hospitality Management, Inc., the Hotel’s lessee, is a relatively new hotel chain specializing in lodging established in 2005. The company operates 13 hotels (a little over 1,800 rooms) nationwide (as of November 2015). The Hotel is its flagship hotel being one of the largest among the hotels operated by the company.

CANDEO HOTELS differentiate themselves with comfortable beds and good breakfast. In particular, “healthy buffet-style breakfast” offering 60 kinds of dishes is highly evaluated by users in online questionnaire.

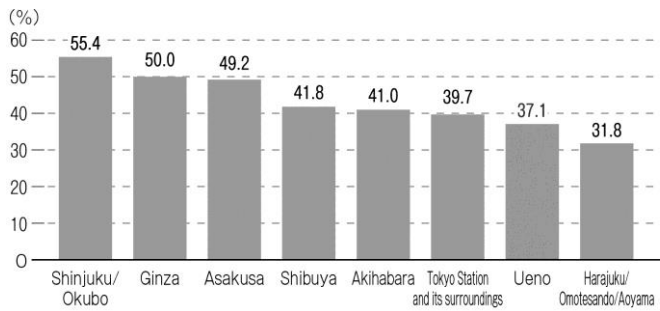
Furthermore, JHR has the tenant selection criteria of selecting hotel lessees based on a comprehensive assessment of its creditworthiness and capability of hotel operation. The lessee of the New Asset is deemed to meet the tenant selection criteria set forth by JHR.

(2) Tokyo (Ueno) Market Overview

According to Tokyo Metropolitan Government, the number of sightseeing visitors to Tokyo has been on the rise since 2011, and the number was 515 million in 2014, up 0.5% from the previous year. While the number of day-trippers decreased 0.2% to 475 million from the previous year, the number of overnight guests increased 9.7% to 39 million, indicating stronger lodging demand. Furthermore, the number of foreign visitors to Tokyo hit a record high of 8.8 million in 2014, an increase of 30.3% from the previous year. With “realization of world’s leading tourist city Tokyo bustled with 18 million foreign visitors a year” as one of urban strategies, Tokyo has set a target of 15 million visitors for 2020 and 18 million visitors for 2024, and has been developing an environment to receive them by improving/reinforcing multilingual services, etc. Furthermore, the Ueno area is a popular area among foreign tourists visiting Tokyo, as shown in the Survey on Behavioral Traits of Foreign Tourists by Country conducted by Tokyo Metropolitan Government which indicated that 37.1% of them visited the Ueno area. Since the same survey shows high visit percentage to Asakusa, Akihabara and Tokyo Station and its surroundings, all close to the Ueno area, it proves a high visit percentage to the area where the property is located.

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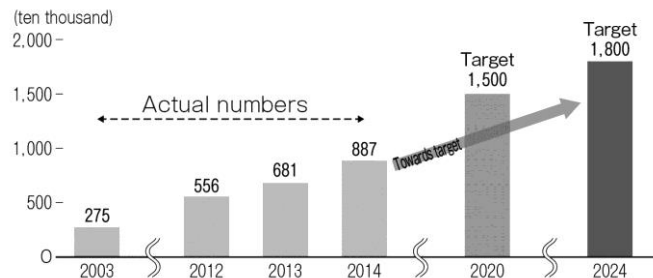
<Inbound Visits in Tokyo>



Source: Survey on Behavioral Traits of Foreign Tourists by Country by Tokyo Metropolitan Government

Note : Survey in FY2014, multiple answers allowed (total responses 13,321)

<Tourism Promotion Strategy by Tokyo Metropolitan Government>



Source: The Long-Term Vision for Tokyo by Tokyo Metropolitan Government

On the new supply front, according to a market report by KPMG, only about 8,500 rooms are expected in the entire Tokyo against roughly 140,000 of existing rooms and about 2,000 rooms are expected in the Ueno/Asakusa area over the next three years, leaving supply/demand balance to remain tight. Since the Hotel features excellent access to Tokyo Station, Akihabara Station, etc., it can also take in lodging demand in areas other than the Ueno/Asakusa area. Thus the impact of new supply in the Ueno/Asakusa area is believed to be minimal.

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4. Details of the New Asset

Property No.	45	Property name	CANDEO HOTELS UENO-KOEN			
1. Asset summary (*1)						
Asset category		Real estate beneficial interest in trust and movable assets attached to the hotel				
Scheduled acquisition date		February 1, 2016				
Planned acquisition price		JPY6,705,000,000.-				
Appraisal value		JPY6,820,000,000.- (See “12. Appraisal Report Summary” below for details.)				
2. Summary of real estate (or trusted real estate) (*2)						
Intended use of the property		Hotel / Limited-service hotel				
Ownership	Land	Ownership				
	Building	Ownership				
Land	Plot No.	1-7-22, 1-7-24, 1-7-32, 1-7-65 and 1-24-20 Negishi, Taito-ku, Tokyo				
	Address	1-2-13 Negishi, Taito-ku, Tokyo				
	Acreage	1,559.03 m ²				
	Zoning, etc.	Commercial district and fire prevention district				
	Building-to-land ratio	80%				
	Floor area ratio	600% / 400% (The subject land stretches across areas with different floor area ratio. The base floor area ratio that is a weighted average of each area’s floor area ratio in proportion to the land acreage is approximately 487%.)				
Building	Structures and stories	Steel-framed structure, Twelve stories above ground (*3)				
	Intended use	Hotel and retail stores				
	Completion	December 2009				
	Total floor space	7,030.10 m ² (*4)				
	Designer	Ichige Architectural Office				
	Constructor	Nishimatsu-Katsumura specific construction consortium				
	Institute that confirmed building	District construction surveyor of Taito Ward				
Present owner		Trustee: Mitsubishi UFJ Trust and Banking Corporation (expiration date of trust period: February 28, 2026) Beneficiary: GK Ueno Parkside				
3. Traffic (*5)						
Approx. three minutes on foot from Uguisudani Station on the JR Yamanote and Keihin Tohoku lines						
4. Lease status						
Total number of tenants		1				
Rentable area		7,934.26 m ² (*6)				
Rented area		7,934.26 m ² (*6)				
Annual contractual rent		Fixed rent	JPY316,716,000.-			
Deposit and guarantee money		Undisclosed (*7)				
Change in occupancy rate for the past five years based on area	End of December 2011	End of December 2012	End of December 2013	End of December 2014	End of December 2015	
	100%	100%	100%	100%	100%	
5. Related parties for hotel operation						
Hotel lessee		Candeo Hospitality Management, Inc.				
Property manager		Jones Lang LaSalle K.K.				
6. Hotel website (*8)						
https://www.candeohotels.com/ueno/						
7. Summary of the building inspection report						
Investigation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date		November 4, 2015				
Repair cost	Urgently required	JPY0.-				
	Required within one year	JPY0.-				
	Total amount for next 12 years	JPY92,718,000.-				
Earthquake PML value (*9)		3.1%				
8. Special remark (*10)						
None						

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- (*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 "real estate and other assets").
 - Planned acquisition price is the price stated on the real estate purchase and sale agreement etc. and does not include various expenses required to acquire the real estate and other assets (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) Structure and stories
 - Includes an accessory building for car park (Steel-framed structure: 56.58m²).
- (*4) Total floor area
 - Total floor area indicates the area shown in the real estate registry and includes an accessory building (car park) of 56.58 m².
- (*5) Traffic
 - It is according to the information on the website of the hotel lessee.
- (*6) Rentable area and Rented area
 - Total floor area which has been inspected based on the lease agreement with the hotel lessee is indicated. The figure includes the floor area for the mechanical parking equipment.
- (*7) Deposit and guarantee money
 - Undisclosed as consent of the hotel lessee could not be obtained.
- (*8) Hotel website
 - It is the website address of the present hotel lessee.
- (*9) PML
 - PML (Probable Maximum Loss) is the anticipated damage ratio resulted from earthquake. Since no uniform definition has been made yet on PML, we used the following method. Probability and anticipated loss amount caused by a major earthquake that may occur once every 475 years are evaluated and statistically processed to identify the anticipated percentage of loss amount against the building replacement cost. It has been calculated based on site inspection, assessment of building condition, confirmation of the consistency with the design document, ground investigation, local factors and structural investigation. Indicated PML is the PML on detailed valuation (Phase 2) 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 concluded with other owners of the condominium ownership of building and/or joint ownership of land, (3) Important restrictions stipulated by the administrative laws and regulations to the property.
- (*11) All amounts are rounded down to JPY1,000.

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5. Summary of the Seller

Name	GK Ueno Parkside
Headquarters	ALT Co., Ltd., 2-9-15 Yotsuya, Shinjuku-ku, Tokyo
Representative	Representative member: General Incorporated Association Ueno Parkside Functional manager: Takuya Ikeda
Capital	JPY300,000.-
Establishment	March 18, 2010
Net assets	Undisclosed as consent of the seller could not be obtained.
Total assets	Undisclosed as consent of the seller could not be obtained.
Major shareholder and shareholding ratio	Undisclosed as consent of the seller could not be obtained.
Major business	1. Acquisition, possession, disposition and management of beneficial interest in trust 2. Purchase/sales, possession, management, and leasing of real estates 3. 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 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 amounts by using new loans, proceeds from issuance of new investment units and cash on hand.

10. Schedule until Settlement Date

Resolution for the acquisition	January 4, 2016
Conclusion of purchase and sale agreement	January 4, 2016
Settlement and transfer	February 1, 2016 (scheduled)

11. Future Prospects

With respect to the operating forecast after the acquisition of the New Asset, please refer to “Notice Concerning Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2016 (17th Period)” dated today.

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12. Appraisal Report Summary

Property name	CANDEO HOTELS UENO-KOEN	
Appraisal value	JPY6,820,000,000.-	
Name of appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Date of appraisal	November 1, 2015	
Item	Details	Summary, etc.
Indicated value by income approach	JPY6,820,000,000.-	
Value by direct capitalization method	JPY 6,920,000,000.-	
Operating income	JPY 316,716,000.-	
Potential gross income	JPY 316,716,000.-	
Fixed rent	JPY 316,716,000.-	Assessed based on the current rent level factoring in the hotel's rent paying capability and medium- to long-term competitiveness.
Variable rent	JPY 0.-	
Vacancy loss, etc.	JPY 0.-	
Operating expenses	JPY 27,965,000.-	
Maintenance and management expenses	JPY 0.-	
Utilities cost	JPY 0.-	
Repair cost	JPY 2,318,000.-	Assessed by taking into consideration such factors as the level of expenses of similar real estate and the annual average amount of repair/renewal cost in engineering reports
Property management fee	JPY 1,200,000.-	Assessed by taking into consideration such factors as the fee rate of similar real estate and factors specific to the subject real estate
Tenant leasing cost, etc.	JPY 0.-	
Tax and public dues	JPY 23,896,000.-	Assessed based on standard taxation amount for fiscal 2015
Casualty insurance premium	JPY 528,000.-	Assessed by taking into consideration such factors as the estimated amount of insurance premium of the subject real estate and insurance premium of similar buildings
Other expenses	JPY 23,000.-	
Net operating income	JPY 288,751,000.-	
Gain on management of deposits	JPY 1,584,000.-	Assessed at investment return of 2.0%
Capital expenditures	JPY 5,409,000.-	Assessed by factoring in such factors as the level of capital expenditures of similar real estate, building age and the annual average amount of repair/renewal cost in engineering reports
FF&E reserve	JPY 8,232,000.-	Assessed by reference to such factors as repair/renewal plans in addition to the level of FF&E reserve of similar real estate
Net cash flow	JPY 276,694,000.-	
Cap rate	4.0%	Assessed based on the cap rate of similar real estate, etc. taking into consideration factors specific to the subject real estate.
Value by DCF method	JPY 6,770,000,000.-	
Discount rate	3.8%	Assessed by factoring in the investment cap rate, etc. of similar real estate
Terminal cap rate	4.2%	Assessed by factoring in the market cap rate, etc. of similar real estate
Indicated value by cost approach	JPY 3,980,000,000.-	
Land ratio	59.2%	
Building ratio	40.8%	Including movable assets
Other matters noted in appraisal by appraiser	The appraiser considered that profitability and investment profitability are most properly reflected in indicated value based on income approach. 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.	

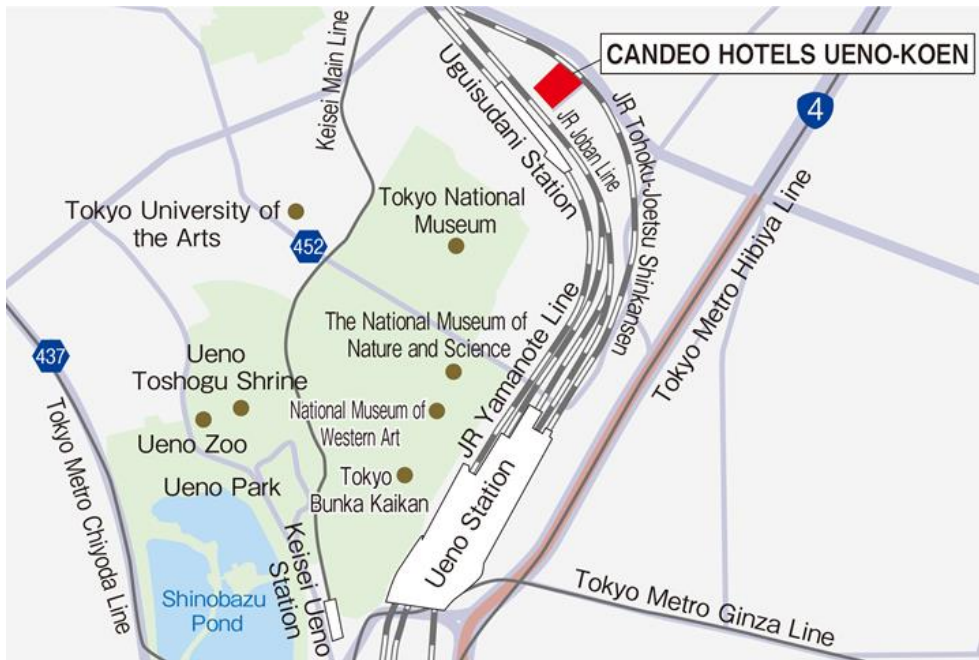
* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

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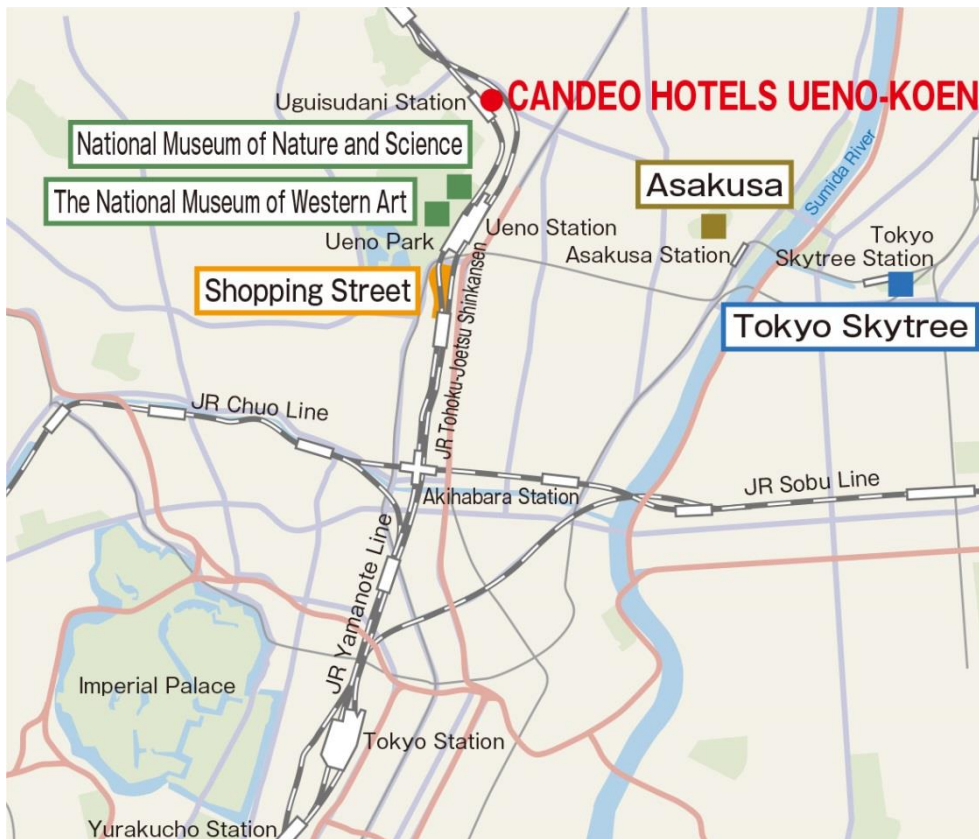
<Attachment 1> Map around the New Asset

Map around the New Asset

• Around Uguisudani Station



• Around the Ueno Area



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

Exterior Appearance



Lobby



Standard Twin (Guest Room)



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

No.	Hotel	Type	Grade	No. of guest rooms (*1)	Area (*2)	Completion	Acquisition price (planned acquisition price inclusive) (JPY1M) (*3)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	4.7%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	8.6%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	6.5%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	8.1%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	1.8%
6	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	3.1%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	3.3%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	1.8%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.0%
12	the b suidobashi	Limited-service	Mid-price	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.5%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.4%
14	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	0.9%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	0.9%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	0.7%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	202	Tokyo	March 1998	1,534	0.7%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	1.6%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	0.9%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	0.7%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	0.7%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.4%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	2.6%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	2.1%
31	Hilton Tokyo Bay	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	11.2%
32	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	2.8%
33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	2.9%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	2.6%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	1.3%
36	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	November 2002	6,250	2.7%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	2.8%
38	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	August 1999	2,320	1.0%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	1.1%
40	the b hakata	Limited-service	Mid-price	175	Other	September 1997	2,300	1.0%
41	Hotel Frances	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	1.3%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.7%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	March 2005	14,950	6.4%
44	ACTIVE-INTER CITY HIROSHIMA	Full-service	Luxury	238	Other	August 2010	17,320	7.5%
45	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	December 2009	6,705	2.9%
	Total	—	—	8,907	—	—	232,428	100.0%

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- (*1) Number of rooms available to sell as of today (rooms occupied by the hotel for a long term is excluded).
- (*2) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Okinawa means Okinawa prefecture.
- (*3) The acquisition prices stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement are indicated (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). The acceptance prices are indicated for the assets that have been accepted through the merger. The acquisition price (plan) is indicated for the New Asset.
- (*4) The percentage of each acquisition price (planned acquisition price inclusive) to the total of acquisition price (planned acquisition price inclusive) is indicated and the numbers are rounded off to one decimal place.
- (*5) Type, grade, No. of guest rooms of ACTIVE-INTER CITY HIROSHIMA are those of the main facility, Sheraton Hiroshima Hotel.
- (*6) Numbers for the assets transferred (No. 7, No. 11, No. 19, No. 20, No. 21, No. 23, No. 27 and No. 28) are missing numbers.

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