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REIT Issuer:

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Notice Concerning Sale of Asset
(ibis Tokyo Shinjuku)

This is to inform you that Japan Hotel REIT Advisors Co., Ltd., the asset management company of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”), resolved today to sell the asset under management (hereinafter called the “Sale”) as below on behalf of JHR.

1. Summary of Sale

Name of assets to be sold	ibis Tokyo Shinjuku
Type of assets to be sold	Real estate beneficial interest in trust
Acquisition date	June 16, 2006
Asset type	Hotel
Hotel type (*1)	Limited-service hotel
Grade (*2)	Mid-price
Sale price (*3)	JPY11,300M
Book value (*4)	JPY7,805M
Gain on sale (forecast) (*5)	JPY3,165M
Appraisal value (*6)	JPY9,900M
Contract date	September 15, 2021
Closing date	December 15, 2021
Buyer	Undisclosed (*7)

(*1) JHR has categorized its hotels into limited-service hotels, full-service hotels, and resort hotels in accordance with their types of operations.

(*2) Based on ADR, etc., JHR has classified its hotels into four categories as luxury, upper middle, mid-price, and economy.

(*3) Excludes settlement amount of fixed asset tax and city planning tax, etc., as well as selling expenses, consumption tax and local consumption tax.

(*4) The book value (forecast) as of December 15, 2021 is rounded off to the nearest JPY1M.

(*5) The gain on sale (forecast) of the properties are calculated based on the sale price, book value (forecast) as of December 15, 2021, and expenses related to the sale (forecast). Also, amounts are rounded down to the nearest JPY1M.

(*6) Appraisal value as of June 30, 2021 is stated.

(*7) Undisclosed as the consent of the buyer has not been obtained.

2. Rationale for Sale

Due to the spread of the infection of COVID-19 and its lengthening, the business environment in the hotel market remains challenging.

Under such circumstances where the outlook for revenue is uncertain, JHR judged that it would be appropriate to recognize a part of the unrealized gains on its owned assets as gain on sale of properties and use a portion of the transfer proceeds to repay existing loans for proper control of LTV (the ratio of interest-bearing debt to total assets) and to improve ready liquidity. Therefore, JHR decided to sell the asset after comprehensively considering trends in the real estate market and the characteristics of the asset to be transferred.

3. Use of Proceeds from Sale and allocation of profit

We plan to improve ready liquidity by allocating a portion of the transfer proceeds to repay existing loans and using the remaining amount as cash on hand at JHR.

In addition, we expect the gain on sale of properties in the amount of JPY3,165M by the Sale, and plan to allocate part of the amount or the entire amount to dividends.

4. Summary of the asset to be sold

Name of the asset to be sold		ibis Tokyo Shinjuku
Asset category		Real estate beneficial interest in trust
Address (Lot Number)		7-1-3, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Intended use		Hotel, Stores
Area	Land	937.67 m ²
	Building	7,398.19 m ²
Ownership	Land	Ownership
	Building	Ownership
Building structure		Steel-framed reinforced concrete, reinforced concrete, steel construction building/eleven stories above ground and 1 story below ground
Completion		September 1980
Acquisition price		JPY7,243M
Appraisal value		JPY9,900M Date of appraisal: June 30, 2021 Appraiser: Japan Real Estate Institute
Trustee		Sumitomo Mitsui Trust Bank, Limited
Maturity date of trust		September 24, 2024
No. of tenants		4
Rentable area		6,801.84 m ²
Rented area		6,801.84 m ²
Rent	Fixed rent (store section)	JPY8,318 thousands/month (*1)
	Real estate operating revenue from management contract (hotel section)	Amount equivalent to hotel GOP (*2)
Deposit and guarantee money		N/A
Occupancy rate (based on rented area)		100%
Collateral		N/A

(*1) Stating based on the fixed-term building lease agreements, etc. which are in effect as of today, with the lessees of the stores, etc.

(*2) GOP refers to gross operating profit. JHR concluded a management contract with the entrusted management company, and recognizes the amount equivalent to GOP as “real estate management revenue from management contract”. This is equivalent to rent, which is income from real estate under lease contract. If the amount equivalent to GOP becomes negative, such negative amount

will be paid by JHR to the entrusted management company.

5. Summary of Buyer

Information is undisclosed since JHR has not obtained consent from the buyer. There are no capital, human or business relationships to be specifically noted between JHR or the Asset Management Company, and the buyer. The buyer also does not fall under the category of related parties of JHR and the Asset Management Company. The buyer also does not fall under the category of interested parties, etc. as stipulated in the Act on Investment Trusts and Investment Corporations, nor sponsor-related parties stipulated by the Asset Management Company.

6. Summary of Broker

The broker does not fall under the category of interested parties, etc. as stipulated in the Act on Investment Trusts and Investment Corporations, nor sponsor-related parties stipulated by the Asset Management Company.

7. Payment Method

A lump-sum payment at the timing of transfer

8. Schedule of Sale

Date of resolution for the sale	September 15, 2021
Date of conclusion of purchase and sale agreement	September 15, 2021
Settlement and transfer	December 15, 2021 (schedule)

9. Future prospects

For the operating forecast after the Sale, please refer to “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2021 (22nd Period)” dated today.

10. Appraisal Report Summary

Property name	ibis Tokyo Shinjuku	
Appraisal value	JPY9,900,000 thousands	
Name of appraiser	Japan Real Estate Institute.	
Date of appraisal	June 30, 2021	
Item	Detail	Summary, etc.
Indicated value by income approach	JPY9,900,000 thousands	
Value by direct capitalization method	JPY10,100,000 thousands	
Operating income	JPY607,716 thousands	
Potential gross income	JPY607,716 thousands	
Potential rent income	JPY544,716 thousands	
Utilities income	JPY63,000 thousands	
Parking lots income	JPY0	
Other income	JPY0	
Vacancy loss, etc.	JPY0	
Operating expenses	JPY150,468 thousands	
Maintenance and management expenses	JPY39,900 thousands	
Utilities cost	JPY63,000 thousands	
Repair cost	JPY9,835 thousands	
Property management fee	JPY2,040 thousands	
Tenant leasing cost, etc.	JPY0	
Tax and public dues	JPY35,086 thousands	
Casualty insurance premium	JPY607 thousands	
Other expenses	JPY0	
Net operating income	JPY457,248 thousands	
Gain on management of deposits	JPY665 thousands	
Capital expenditures	JPY22,949 thousands	
FFE reserve	JPY19,550 thousands	
Net cash flow	JPY415,414 thousands	
Cap rate	4.1%	
Value by DCF method	JPY9,700,000 thousands	
Discount rate	3.8%	
Terminal cap rate	4.2%	
Indicated value by cost approach	JPY10,400,000 thousands	
Land ratio	94.9%	
Building ratio	5.1%	
Other matters noted in appraisal by appraiser	The appraiser judged that the indicated value by income approach, which faithfully replicates the price formation process from the profit aspect, was more persuasive, and adopted the indicated value by income approach. The indicated value by cost approach was limited to reference only, and the indicated value by income approach was used.	

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

(Reference) Portfolio list after the sale of the asset

Prop erty 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	323	Kansai (excluding Osaka)	July 1995	10,900	3.0%
2	Oriental Hotel tokyo bay	Full- service	Mid-price	511	Kanto (excluding Tokyo)	May 1995	19,900	5.5%
3	Namba Oriental Hotel	Limited- service	Mid-price	258	Osaka	March 1996	15,000	4.1%
4	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	April 1994	18,900	5.2%
5	Oriental Hotel Hiroshima	Full- service	Upper- middle	227	Chugoku	September 1993 Extended in September 2006	4,100	1.1%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 Extended in June 2005 Extended in May 2006	7,610	2.1%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	1.1%
10	Dormy Inn Kumamoto	Limited- service	Mid-price	291	Kyushu (excluding Okinawa)	January 2008	2,334	0.6%
12	the b suidobashi	Limited- service	Mid-price	99	Tokyo	August 1986 Extended in September 1989	1,120	0.3%
13	dormy inn • global cabin Asakusa	Limited- service	Economy	75	Tokyo	March 1997	999	0.3%
14	Hakata Nakasu Washington Hotel Plaza	Limited- service	Mid-price	247	Kyushu (excluding Okinawa)	March 1995	2,130	0.6%
15	Nara Washington Hotel Plaza	Limited- service	Mid-price	204	Kansai (excluding Osaka)	March 2000	2,050	0.6%
16	R&B Hotel Ueno-hirokoji	Limited- service	Economy	187	Tokyo	April 2002	1,720	0.5%
18	Comfort Hotel Tokyo Higashi Nihombashi	Limited- service	Economy	259	Tokyo	January 2008	3,746	1.0%
22	Smile Hotel Nihombashi Mitsukoshimae	Limited- service	Economy	164	Tokyo	March 1997	2,108	0.6%
24	Toyoko Inn Hakata-guchi Ekimae	Limited- service	Economy	257	Kyushu (excluding Okinawa)	Main building and annex both in September 2001	1,652	0.5%
25	Chisun Hotel Kamata	Limited- service	Economy	105	Tokyo	January 1992	1,512	0.4%
26	Chisun Inn Kamata	Limited- service	Economy	70	Tokyo	April 2003	823	0.2%
29	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	June 2001	6,754	1.9%
31	Hilton Tokyo Bay	Resort	Luxury	828	Kanto (excluding Tokyo)	June 1988	26,050	7.2%
32	ibis Styles Kyoto Station	Limited- service	Mid-price	215	Kansai (excluding Osaka)	March 2009	6,600	1.8%

33	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	July 2010	6,797	1.9%
34	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	April 2009	6,000	1.7%
35	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	August 2009	3,000	0.8%
37	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	June 1982	6,520	1.8%
39	the b hachioji	Limited-service	Mid-price	196	Tokyo	August 1986	2,610	0.7%
40	the b hakata	Limited-service	Mid-price	175	Kyushu (excluding Okinawa)	September 1997	2,300	0.6%
41	Hotel Francs	Full-service	Mid-price	222	Kanto (excluding Tokyo)	August 1991	3,105	0.9%
42	Mercure Yokosuka	Full-service	Mid-price	160	Kanto (excluding Tokyo)	November 1993	1,650	0.5%
43	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	February 2005 Extended in December 2006	14,950	4.1%
44	ACTIVE-INTER CITY HIROSHIMA (*5) (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Chugoku	August 2010	17,320	4.8%
45	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	December 2009	6,705	1.8%
46	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Kyushu (excluding Okinawa)	July 1985	7,197	2.0%
47	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	August 2008	27,000	7.4%
48	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Kyushu (excluding Okinawa)	April 1999	5,248	1.4%
49	Hilton Nagoya	Full-service	Luxury	460	Chubu	February 1989	15,250	4.2%
50	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Kanto (excluding Tokyo)	August 1993	13,175	3.6%
51	International Garden Hotel Narita	Full-service	Mid-price	463	Kanto (excluding Tokyo)	May 1996	9,125	2.5%
52	Hotel Nikko Nara	Full-service	Upper-middle	330	Kansai (excluding Osaka)	February 1998	10,373	2.9%
53	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	January 2018	2,738	0.8%
54	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	January 1996	62,400	17.2%
	Total	-	-	11,279	-	-	363,542	100.0%

(*1) Number of rooms available for sale 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, Ishikawa and Fukui prefectures. Osaka means Osaka prefecture. Kansai (excluding Osaka) means Kyoto, 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) Acquisition prices stated on a purchase and sale agreement for beneficial interest in trust or real estate are indicated (consumption tax, local consumption tax and the acquisition expenses such as broker's fee are not included). The acceptance prices are indicated for the assets that have been accepted through the merger.

(*4) The percentage of each acquisition price to the total of 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 transferred and the asset to be sold are missing numbers.