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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
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Notice Concerning Issuance of Investment Corporation Bonds and Prepayment of Loans

Japan Hotel REIT Investment Corporation (hereinafter called *ōJHRō*) informs you of its decision to issue investment corporation bonds (hereinafter called *ōBondsō*) and prepayment of the existing loans (hereinafter called *ōRepaymentō*) today as follows.

I. Issuance of Investment Corporation Bonds

1. Summary of investment corporation bonds

- (1) Name of investment corporation bonds
Tenth unsecured investment corporation bonds of JHR
(with pari passu covenants among investment corporation bonds) (nickname: HOTEL REIT Bond)
(hereinafter called *ōBondsō*)
- (2) Total amount of Bonds
JPY10billion
- (3) Form of Bonds
Bond certificates will not be issued. Bonds are subject to the Act on Book Entry of Corporate Bonds and Shares.
- (4) Issue price
JPY100 for JPY100 of each bond
- (5) Redemption price
JPY100 for JPY100 of each bond
- (6) Interest rate
0.840%/year

- (7) Amount of each bond
JPY1million
 - (8) Offering method
Public offering
 - (9) Subscription period
January 24, 2018 (Wednesday) to February 20, 2018 (Tuesday)
 - (10) Payment date
February 21, 2018 (Wednesday)
 - (11) Collateral
Neither collateral nor guarantee is provided for Bonds, and no assets have been particularly secured for Bonds.
 - (12) Redemption method and date
The total amount of Bonds will be redeemed on February 21, 2028.
Bonds may be repurchased and cancelled at any time from the day following the payment date except for case(s) separately determined by the depository.
 - (13) Interest payment date
February 21 and August 21 each year
If the payment date falls on a bank holiday, the payment shall be made on the preceding business day.
 - (14) Financial covenants
A negative pledge clause and a clause of conversion from unsecured to secured bonds are applicable.
 - (15) Rating of Bonds
A+ (Japan Credit Rating Agency, Ltd.)
 - (16) Bond trustee, issuing agent, and paying agent
Resona Bank, Limited
 - (17) Underwriters
SMBC Nikko Securities Inc.
Mizuho Securities Co., Ltd.
Daiwa Securities Co. Ltd.
2. Rationale for issuance
To diversify financing sources by issuing the Bonds to individual investors
 3. Amount of proceeds, use, and planned payment schedule
 - (1) Amount of proceeds (ballpark net amount)
JPY9,940 million
 - (2) Detail of intended use of proceeds and planned payment schedule
The proceeds will be allocated to prepay the existing loans by the end of February, 2018. The residual funds will be allocated to part of the fund for future acquisition of specified assets (the meaning set forth in Article

2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No.198 of 1951, as amended)) in the future, part of funds for repayment of loans or repair cost and capital expenditure to maintain or improve competitiveness of the existing properties.

(*) Procured funds are planned to be deposited in financial institutions until its payment for intended use.

II. Prepayment of the Loans

1. Summary of Repayment

(1) Details of Repayment

JHR plans to allocate the ballpark net amount of tenth unsecured investment corporation bonds of JHR mentioned above in I. Issuance of Investment Corporation Bonds to fund the Repayment.

(2) Repayment amount

JPY8,921M

(3) Scheduled date of Repayment

February 28, 2019

(4) Details of the individual loans subject to Repayment

Loan name	Facility S
Lenders	Sumitomo Mitsui Banking Corporation, The Tokyo Star Bank, Limited, Shinsei Bank, Limited
Lender to be repaid	Sumitomo Mitsui Banking Corporation
Loan Balance before Repayment	JPY4,286.25M
Amount of Repayment	JPY1,400M
Date of Borrowing	April 26, 2013
Maturity Date	April 26, 2018
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for three months)+0.90%
Loan Balance after Repayment	JPY2,886.25M

Loan name	Facility T
Lenders	Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd. Shinsei Bank, Limited
Lenders to be repaid	Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd.
Loan Balance before Repayment	JPY3,000M
Amount of Repayment	JPY1,200M
Date of Borrowing	October 31, 2013
Maturity Date	September 30, 2018
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for three months)+0.60%
Loan Balance after Repayment	JPY1,800M

Loan name	Term Loan 1
Lenders	Sumitomo Mitsui Banking Corporation, Resona Bank, Limited, Shinsei Bank, Limited, Sumitomo Mitsui Trust Bank, Limited, The Nomura Trust and Banking Co., Ltd., The Chiba Bank, Ltd., Nipponkoa Insurance Inc.
Lenders to be repaid	All lenders listed above

Loan Balance before Repayment	JPY3,321M
Amount of Repayment	JPY3,321M
Date of Borrowing	March 31, 2014
Maturity Date	March 31, 2018
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.45%
Loan Balance after Repayment	JPY0

Loan name	Term Loan 33
Lenders	Sumitomo Mitsui Banking Corporation, Shinsei Bank, Limite, Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited
Repayment to	Same as above
Loan Balance before Repayment	JPY3,000M
Amount of Repayment	JPY3,000M
Date of Borrowing	July 12, 2017
Maturity Date	June 29, 2018
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for one months) + 0.275%
Loan Balance after Repayment	JPY0

III. Interest-bearing debts after the issuance of the Bonds and the Repayment (Plan)

(Unit: millions of yen)

Category		Before Issuance of Bonds and Repayment	After Issuance of Bonds and Repayment	Fluctuation
	Short-term loans	3,000	0	-3,000
	Long-term loans (*2)	113,788	107,867	-5,921
Total loans		116,788	107,867	-8,921
Total investment corporation bonds		23,600	33,600	+10,000
Total interest-bearing debts		140,388	141,467	+1,079

(*1) The amount is rounded down to the nearest one million yen.

(*2) Long-term loans payable within one year are included in the long-term loans.

The fixed interest rate ratio (including purchase of interest rate caps) to the total interest-bearing debt after the issuance of the Bonds and the Repayment is expected to be around 96%.

IV. Future Prospects

The impact of the issuance of the Bonds and the Repayment is subtle and no change is required for the operating forecast for the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018).

V. Other necessary matters that investors should know to understand and judge the above information appropriately.

With respect to the risk in relation to redemption of Bonds, etc., no important change is required in Investment Risk in both the Securities Report submitted on March 22, 2017 (including the details amended on the correction report) and the Semiannual Securities Report (Japanese only) submitted on September 20, 2017.

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