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August 20, 2014

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Notice Concerning New Loan (New Loan and Refinancing)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you that the board of directors meeting today has resolved below for new borrowing (hereinafter called “New loan”). All loans including the New loan will be unsecured from September 30, 2014.

1. Rationale for the borrowing

The New loan will be partially applied to acquire beneficial interest in trust of “Mercure Sapporo” and “Mercure Okinawa Naha” (hereinafter called “Beneficial interest”), refinance of existing loans and will be applied to prepayment of existing loans. Please see our press release “Notice Concerning Acquisition of New Asset (“Mercure Sapporo” and “Mercure Okinawa Naha”)” dated today for detail of the Beneficial interest.

2. Details of New loan

Lender	The financial syndicate arranged by Sumitomo Mitsui Banking Corporation (*)
Loan amount	JPY17.676B (plan)
Interest rate	Undetermined (*)
Borrowing date	September 30, 2014 (plan)
Borrowing method	Undetermined (*)
Interest payment date	Undetermined (*)
Principal repayment method	Undetermined (*)
Due date of principal repayment	Undetermined (*)
Collateral	Unsecured, unguaranteed (plan)
(*) The details of individual borrowing will be notified later upon determination.	

3. Use of New loan (plan)

Funds to acquire properties (*)	JPY7.426B
Prepayment of loans	JPY7.182B
Refinancing for the amount to be repaid on September 30, 2014	JPY3.067B
Total of New loan	JPY17.676B

(*) The short term loan of JPY6.800B concerning the acquisition of Best Western Hotel Sapporo Nakajima Koen as of July 9, 2014 will be prepaid and JPY7.426 B will be borrowed to acquire Beneficial interest and Best Western Hotel Sapporo Nakajima Koen.

4. Interest-bearing debts before and after the New loan (Plan)

Category	Before the New loan	After the New loan	(Unit: JPY M) Fluctuation
Short term loan	6,800	0	-6,800
Long term loan due within one year	15,779	10,448	-5,331
Long term loan (*3)	53,545	66,128	+12,582
Total loans	76,125	76,576	+450
Investment corporation bonds	4,500	4,500	0
Interest bearing debts	80,625	81,076	+450
LTV (based on appraisal value)	45.0%	43.1%	-1.9%

(*1) LTV (based on appraisal value) before the New loan is obtained by the calculation in accordance with the following formula.

Balance of interest bearing debts at the end of August 2014 / (Total appraisal value at the end of June 2014 + Appraisal value of Best Western Hotel Sapporo Nakajima Koen acquired as of July 9, 2014)

(*2) Following formula has been applied for LTV (based on appraisal value) after the New loan is obtained by the calculation in accordance with the following formula.

Balance of interest bearing debts after the contractual repayment of JPY1.620M at the end of September / (Total appraisal value at the end of June 2014 + Appraisal value of Beneficial interest and Best Western Hotel Sapporo Nakajima Koen acquired as of July 9, 2014)

(*3) The New loan is indicated as included in long term loan.

(*4) The numbers less than JPY1M are rounded down.

5. Others

With respect to the New loan, no important change is required for the “Risk in relation to borrowing by loans and investment corporation bonds” in “Investment Risk” on the Securities Report for the 14th period submitted in March 20, 2014.

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