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REIT Issuer:

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Notice Concerning Issuance of New Investment Units and Secondary Offering

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has resolved at the Board of Directors meeting today to issue new investment units and secondary offering as follows:

1. Issuance of new investment units through public offering (Primary offering)

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|-----|---|---|
| (1) | Number of investment units to be offered: | 170,000 units |
| (2) | Issue price
(Offer price): | To be determined
The issue price (offer price) shall be determined by taking the price arrived at when the closing price in regular trading of the investment units of JHR (“JHR investment units”) on the Tokyo Stock Exchange, Inc. on any day between September 2, 2014 (Tue.) through September 5, 2014 (Fri.) (the “Pricing Date”) (when there is no closing price on that day, the closing price on the most recent day preceding that day) is multiplied by a factor between 0.90 and 1.00 (price shall be rounded down to the nearest 1 yen) as the provisional condition, in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association, then taking the demand conditions and other factors into account. |
| (3) | Paid-in amount
(Issue value): | To be determined
The paid-in amount (issue value) shall be determined on the Pricing Date in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association. Please note that the paid-in amount (issue value) refers to the amount per JHR investment unit that JHR is to receive as the amount paid in for new investment units. |
| (4) | Total paid-in amount
(Issue value): | To be determined |
| (5) | Offering method: | The offering shall be a primary offering in which all JHR investment units subject to the primary offering shall be purchased and underwritten by SMBC Nikko Securities Inc., Daiwa Securities Co. Ltd., and Mizuho Securities Co., Ltd. (“Underwriters”). Furthermore, the co-lead managers will be SMBC Nikko Securities Inc. and Daiwa Securities Co. Ltd. (collectively referred to as the “Co-lead Managers”). |

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- (6) Underwriting agreement details: The Underwriters shall purchase and underwrite JHR investment units at the paid-in amount (issue value) determined on the Pricing Date, and conduct a primary offering at an amount that differs to the concerned paid-in amount (issue value). JHR shall not pay an underwriting fee to the Underwriters. However, the Underwriters shall pay in the total paid-in amount (issue value) on the payment date stated in (9) below, and the difference between the total issue price (offer price) and total paid-in amount (issue value) shall be the proceeds of the Underwriters.
- (7) Subscription unit: 1 unit or more in multiples of 1 unit
- (8) Subscription period: The subscription period shall be between the business day following the Pricing Date and the date that marks two business days after the Pricing Date.
- (9) Payment date: The payment date shall be any day between September 9, 2014 (Tue.) and September 12, 2014 (Fri.). However, the date shall be five business days after the Pricing Date.
- (10) Transfer date: The transfer date shall be the business day following the payment date.
- (11) When the secondary offering through Underwriters is suspended, the primary offering is also suspended.
- (12) The issue price (offer price), paid-in amount (issue value) and other matters necessary for this issuance of new investment units shall be determined at a future meeting of JHR's Board of Directors.
- (13) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

2. Secondary offering of the investment units (Offering through the purchase and underwriting by Underwriters)

- (1) Number of investment units to be offered: 170,000 units
- (2) Seller: SMBC Nikko Securities Inc.
- (3) Selling price: To be determined
Pursuant to the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association, the price will be determined by taking the price arrived at when the closing price in regular trading of the investment units of JHR on the Tokyo Stock Exchange, Inc. on the Pricing Day (when there is no closing price on that day, the closing price on the most recent day preceding that day) is multiplied by a factor between 0.90 and 1.00 (price shall be rounded down to the nearest 1 yen) as the provisional condition, taking the demand conditions and other factors into account. The selling price is to be the same as the issue price (offer price) of the primary offering.
- (4) Offering method: The investment units shall be offered through the Underwriters and the all investment units shall be purchased by the Underwriters. The compensation of the Underwriters is the total amount obtained by subtracting the underwriting price which is to be paid by the Underwriters to the Seller from the amount of the selling price.
- (5) Total selling price: To be determined
- (6) Subscription unit: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period is to be the same as the subscription period of the primary offering.
- (8) Transfer date: The transfer date is to be the same as the transfer date of the primary offering.
- (9) The seller shall purchase 97,750 investment units of JHR, 64,938 investment units of JHR and 7,312 investment units of JHR from Taiyo Investment Special Purpose Company, Umi Investment Special Purpose Company and Opal Paramount Sdn Bhd respectively (hereinafter called "Purchase by SMBC Nikko Securities Inc.") and 170,000 units in total shall be sold. In the event that purchase by SMBC Nikko Securities Inc. is

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suspended, the offering through the Underwriters is also suspended. In the event that the offering through the Underwriters is suspended, the Purchase by SMBC Nikko Securities Inc. is also suspended.

- (10) When the primary offering is suspended, the offering through the Underwriters will also be suspended.
- (11) The selling price and other necessary matters for offering the investment units shall be determined at a future meeting of JHR's Board of Directors.
- (12) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the financial Instruments and Exchange Act takes effect.

3. Secondary offering (Secondary offering through over-allotment) (See <Reference 1> below)

- (1) No. of investment units to be sold: 17,000 units
The number of investment units to be sold above indicates the maximum number of investment units of the secondary offering through over-allotment. There may be cases where the number is reduced in light of demand conditions and other factors, or there may be cases where the secondary offering through over-allotment itself does not take place at all. The number of investment units to be sold shall be determined on the Pricing Date, taking the demand conditions and other factors into account.
- (2) Seller: SMBC Nikko Securities Inc.
- (3) Selling price: To be determined
The selling price shall be determined on the Pricing Date. The selling price shall be the same as the issue price (offer price) of the primary offering.
- (4) Total selling price: To be determined
- (5) Offering method: Upon the primary offering and offering through the Underwriters, taking the demand conditions and other factors of those into account, SMBC Nikko Securities Inc. will conduct, separate from the primary offering and offering through the Underwriters, a secondary offering of JHR investment units that it is to borrow from JHR unitholders with 17,000 units set as the maximum number.
- (6) Subscription unit: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period is to be the same as the subscription period of the primary offering.
- (8) Transfer date: The transfer date is to be the same as the transfer date of the primary offering.
- (9) When the primary offering or offering through the underwriters is suspended, the secondary offering through over-allotment is also suspended.
- (10) The number of investment units to be sold, selling price and other matters necessary for this secondary offering of investment units shall be determined at a future meeting of JHR's Board of Directors.
- (11) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

<Reference>

1. Secondary offering through over-allotment

Upon the primary offering and offering through the Underwriters, taking the demand conditions and other factors into account, SMBC Nikko Securities Inc. may offer the investment units borrowed from the unitholders of JHR (hereinafter called "Borrowed Investment Units"), the maximum of 17,000 units (secondary offering through over-allotment). The number of units scheduled for the secondary offering through the over-allotment is the maximum number of offer and it may decrease or the secondary offering through the over-allotment will not take place at all depending on the conditions.

In association with this secondary offering through over-allotment, the unitholders of JHR will, in order to return the Borrowed Investment Units, provide SMBC Nikko Securities Inc. with the right to acquire the additional investment units of JHR up to the maximum number of investment units designated for the over-allotment (hereinafter called "Green Shoe Option") at the equal price as the issue value of primary offering through October 3, 2014 (Fri.).

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In order to return the Borrowed Investment Units, there may be cases where SMBC Nikko Securities Inc. may also acquire the investment units up to the number of investment units for the secondary offering through the over-allotment at the Tokyo Stock Exchange, Inc. (hereinafter called “Syndicated Cover Transaction”) during the period from the day following the close of the subscription period designated for the primary offering, offering through the Underwriters and secondary offering through the over-allotment (hereinafter called “Subscription Period”) until October 3, 2014 (Fri.) (hereinafter called “Syndicated Cover Transaction Period”). All of the investment units acquired by SMBC Nikko Securities Inc. through the Syndicated Cover Transaction will be used for returning the Borrowed Investment Units. There may be cases where SMBC Nikko Securities Inc. does not conduct the Syndicated Cover Transaction at all or completes the Syndicated Cover Transaction with a number of investment units which are less than the number of investment units offered through the secondary offering through over-allotment, at its own discretion.

Furthermore, SMBC Nikko Securities Inc. may be required to conduct a stabilizing transaction in relation to the primary offering, offering through the Underwriters, and secondary offering through the over-allotment. All or a part of the investment units purchased through such stabilizing transaction may possibly be used for returning the Borrowed Investment Units.

In such a case, for the number of investment units as a result of reducing the number of investment units acquired through the Syndicated Cover Transaction and stabilizing transactions and used to return the Borrowed Investment Units from the number of investment units for the secondary offering through over-allotment, SMBC Nikko Securities Inc. intends to exercise the Green Shoe Option and acquire JHR investment units from JHR’s unitholders.

Whether the secondary offering through over-allotment takes place or not, or the number of the investment units to be sold through the secondary offering through over-allotment if secondary offering through the over-allotment takes place will be determined on the Pricing Date. If the secondary offering through the over-allotment does not take place, SMBC Nikko Securities Inc. does not borrow the investment units from the unitholders, the unitholders of JHR will not provide SMBC Nikko Securities Inc. with the Green Shoe Option and the syndicate cover transaction will not take place at the Tokyo Stock Exchange, Inc.

The foregoing transaction will be conducted upon consultation between SMBC Nikko Securities Inc. and Daiwa Securities Co. Ltd.

2. Total number of issued investments units after new issue

Total number of issued investment units	2,621,281 units
Number of additional investment units to be issued through the primary offering	170,000 units
Total number of issued investment units after the primary offering	2,791,281 units

3. Purpose and rationale of issuance

JHR intends to provide investors with attractive investment opportunities in hotels that accommodate both stability and upside potential. We believe the property acquisition announced today in “Notice Concerning Acquisition of New Assets (“Mercure Sapporo” and “Mercure Okinawa Naha”)” will benefit this policy.

JHR determined to issue the new investment units considering the financial soundness of JHR, market trends, and dividend level per unit.

Simultaneously with the above fundraising, JHR will also offer the units through the seller, SMBC Nikko Securities Inc., to improve the liquidity of the investment units.

4. Amount of funds to be procured, intended use and payment schedule

(1) Amount of funds to be procured (Ballpark net amount JHR will receive)

JPY8,993,000,000.-

(Note: The amount is the forecast calculated using the closing price of the regular transactions on the Tokyo Stock Exchange, Inc. dated August 13, 2014 (Wed.).)

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(2) Concrete intended use of the funds to be procured and payment schedule

The net amount to be received by the primary offering, JPY8,993,000,000.-, will be partially allocated to the new acquisition funds as notified by “Notice Concerning Acquisition of New Assets (Mercure Sapporo and Mercure Okinawa Naha)” dated today and to partial repayment of existing loans.

In the event that an amount remains, it will be saved for future property acquisitions or repayment of loans.

5. Designated destination of distribution

None

6. Future prospects

Please refer to “Notice Concerning the Revision of the Operating Forecast for the Fiscal Year December 2014 (15th period).”

7. Operating results of the last three fiscal terms and status of the equity finance

(1) Operating results of the past three fiscal terms

	Fiscal period March 2012	Fiscal year December 2012	Fiscal year December 2013
Current net profit per unit (*1, 2, 3)	JPY680.-	JPY9,711.-	JPY1,307.-
Dividend per unit (*1)	JPY8,166.-	JPY1,427.-	JPY1,939.-
Actual payment ratio (*4)	100.0%	15.8%	157.2%
Net asset per unit (*2)	JPY33,941.-	JPY32,686.-	JPY34,241.-

*1) The financial settlement period for the fiscal year March 2012 is six months. The financial settlement of the fiscal year December 2012 is irregular (nine months from April 1, 2012 through December 31, 2012) owing to the change of the financial settlement period. Therefore, the current net profit and dividend per unit in the fiscal year December 2012 are not for a full year.

*2) JHR has divided one investment unit into twelve effective on April 1, 2012. The current net profit and net asset per unit of fiscal period March 2012 has been calculated based on the premise that the investment unit was divided at the beginning of the fiscal period. The current net profit per unit for the fiscal year December 2012 and December 2013 have been calculated based on the average number of investment units during the term, and the net asset per unit has been calculated based on the number of investment units issued as of the end of the term.

*3) The current net profit for the fiscal year ended December 2012 includes the extraordinary profit, negative goodwill of JPY18,578B, loss on sale of real estate, etc. of JPY1,393M and impairment loss of JPY958M, and it is different from the dividend source. Moreover, current net profit for the fiscal year ended December 2013 includes loss on sale of real estate of JPY1,189M and impairment loss of JPY516M, and it is different from the dividend source.

*4) Actual payment ratio for the fiscal period March 2012 is “Dividend per unit / Current net profit per unit x 100.” Actual payment ratio of the fiscal year December 2012 and the fiscal year December 2013 are “Total dividend amount (excluding the total dividend from excess of earning surplus) / Current net profit x 100.” Fractions of less than two decimal places are rounded off.

(2) Recent price of the investment unit

a) Status of the recent three fiscal terms

	Fiscal period March 2012 (*2)	Fiscal year December 2012 (*2)	Fiscal year December 2013
Opening price	JPY16,208.-	JPY18,670.-	JPY24,170.-
High	JPY19,550.-	JPY25,110.-	JPY51,500.-
Low	JPY15,008.-	JPY17,830.-	JPY23,670.-
Closing price	JPY18,700.-	JPY23,880.-	JPY50,400.-

*1) Opening price, high price, low price and closing price are JHR’s regular trading prices on the Tokyo Stock Exchange, Inc. and they are indicated for comparison.

*2) JHR has divided a unit into twelve effective on April 1, 2012. The above was made based on the premise that the investment units were divided at the beginning of the fiscal period March 2012.

b) Status of the recent six months

	March 2014	April	May	June	July	August (*2)
Opening price	JPY49,900.-	JPY48,000.-	JPY46,850.-	JPY47,500.-	JPY52,700.-	JPY56,300.-
High	JPY50,200.-	JPY48,150.-	JPY47,650.-	JPY54,000.-	JPY57,000.-	JPY60,500.-

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Low	JPY46,650.-	JPY45,500.-	JPY45,350.-	JPY47,500.-	JPY52,700.-	JPY55,400.-
Closing price	JPY47,100.-	JPY47,050.-	JPY47,450.-	JPY53,300.-	JPY57,000.-	JPY59,400.-

*1) Opening price, high price, low price and closing price are JHR's regular trading prices on the Tokyo Stock Exchange, Inc. and they are indicated for comparison.

*2) The price of August 2014 is as of August 19, 2014.

c) Investment unit price on the business day proceeding the resolution day of the issuance

	August 19, 2014
Opening price	JPY60,000.-
High	JPY60,200.-
Low	JPY59,000.-
Closing price	JPY59,400.-

(3) Status of the equity finance for the recent three fiscal terms

a) Public offering

Date of Issuance	April, 17, 2013
Procured amount	JPY20,585,130,000.- (Ballpark net amount)
Issue price	JPY40,363 per unit
No. of units issued at offering	2,111,281 units
No. of units issued for this offering	510,000 units
Total No. of units issued after the offering	2,621,281 units
Initial intended use at offering	To be allocated to part of the acquisition funds (*).
Scheduled payment period at offering	April 2013
How it has been allocated as of today	All the amount has been allocated according to the initial intended use.

*See "Notice Concerning Acquisitions of New Asset ("Hilton Tokyo Bay Hotel") dated April 2, 2013 for details.

Date of Issuance	September 12, 2012
Procured amount	JPY4,855,680,000.- (Ballpark net amount)
Issue price	JPY20,232 per unit
No. of units issued at offering	1,859,281 units
No. of units issued for this offering	240,000 units
Total No. of units issued after the offering	2,099,281 units
Initial intended use at offering	To be allocated to part of the acquisition funds (*).
Scheduled payment period at offering	September 2012
How it has been allocated as of today	All the amount has been allocated according to the initial intended use.

*See "Notice Concerning Acquisitions of New Assets ("Hotel Keihan Universal City" and "Hotel Sunroute Shinbashi") dated August 28, 2012 for details.

b) Capital increase through the third-party allotment

Date of Issuance	October 11, 2012
Procured amount	JPY242,784,000.- (Ballpark net amount)
Issue price	JPY20,232 per unit
No. of units issued at offering	2,099,281 units
No. of units issued for this offering	12,000 units
Total No. of units issued after the offering	2,111,281 units
Allottee and No. of units allotted	Daiwa Securities Co. Ltd. 12,000 units
Initial intended use at offering	To be allocated to part of the repayment of loans.

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Scheduled payment period at offering	To be determined
How it has been allocated as of today	All the amount has been allocated according to the initial intended use.

8. Other (restrictions on disposition and additional issuance of new investment units)

- (1) With reference to the primary offering and offering through the Underwriters, the unitholders of JHR such as Taiyo Investment Special Purpose Company, Umi Investment Special Purpose Company and Opal Paramount Sdn Bhd will agree with the Co-lead Managers not to sell the investment units they own as of today for the period of sixty days after the transfer date of the offerings above starting from the Pricing Date without written approval of the Co-lead Managers in advance. (This excludes the Purchase by SMBC Nikko Securities Inc., lending units to SMBC Nikko Securities Inc. for Secondary offering through the over-allotment, and selling units to SMBC Nikko Securities Inc. for the Green Shoe Option.) The above-mentioned unitholders belong to the group of main sponsors of the asset management company of JHR (hereinafter called “Main Sponsors”). The Main Sponsors will continuously retain their position after Purchase by SMBC Nikko Securities Inc., the primary offering and offering through the Underwriters and continuously own the investment units of JHR. The Main Sponsors have already confirmed through the asset management company of JHR that they intend to continuously invest in the asset management company of JHR, hold investment units and be involved in the operation of JHR through dispatching Director(s), etc.

The number of investment units each unitholder owns as of June 5, 2014 is as follows:

Name of the unitholders	No. of investment units owned
Taiyo Investment Special Purpose Company	114,689 units
Umi Investment Special Purpose Company	77,435 units
Opal Paramount Sdn Bhd	7,312 units
Total	199,436 units

(*) The investment units jointly owned by the above unitholders of JHR after the Purchase by SMBC Nikko Securities Inc., primary offering and offering through the Underwriters is complete (in the case all green shoe options indicated in <Reference> 1. “Secondary offering through the over-allotment” are all executed) are 12,436 units. (Ownership share to the total investment units after the issuance of investment units through primary offering, (2,791,281 units), is 0.44%. (Fractions of less than two decimal places are rounded down.))

- (2) With reference to the primary offering and offering through the Underwriters, JHR will agree with the Co-lead Managers not to issue new investment unit for the period of ninety days after the transfer date of the above offerings starting from the Pricing Date, without written approval of Co-lead Managers in advance.

The Co-lead Managers have been authorized to remove restriction (1) and (2) above partially or entirely at their own discretion.

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

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