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June 4, 2015

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
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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 conduct a 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: | 140,000 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 June 15, 2015 (Monday) and June 18, 2015 (Thursday) (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 Rules 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 Rules 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. (collectively referred to as the “Underwriters”). Furthermore, the co-lead managers shall be SMBC Nikko Securities Inc. and Daiwa Securities Co. Ltd. (collectively referred to as the “Co-lead Managers”). |
| (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 (at the issue price (offer price)) that differs from |

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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) to JHR 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) of the primary offering 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 June 22, 2015 (Monday) and June 25, 2015 (Thursday). 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 the purchase and underwriting by Underwriters is suspended, the primary offering shall also be 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 shall be subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

2. Secondary offering (Secondary offering through the purchase and underwriting by Underwriters)

- (1) Number of investment units to be sold: 5,272 units
- (2) Seller: SMBC Nikko Securities Inc.
- (3) Selling price: To be determined
Pursuant to the method stated in Article 25 of the Rules 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 JHR investment units 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, then 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 all the investment units shall be purchased and underwritten 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 shall be the same as the subscription period of the primary offering.
- (8) Transfer date: The transfer date shall be the same as the transfer date of the primary offering.
- (9) The seller shall purchase 5,272 JHR investment units from JHR unitholder Umi Investment Special Purpose Company (hereinafter called "Purchase by SMBC Nikko Securities Inc.") and shall sell the units. In the event that the Purchase by SMBC Nikko Securities Inc. is suspended, the offering through the purchase and underwriting by Underwriters shall also be suspended. In the event that the offering through the purchase and underwriting by the Underwriters is suspended, the Purchase by SMBC Nikko Securities Inc. shall also be suspended.
- (10) When the primary offering is suspended, the secondary offering through the purchase and underwriting by Underwriters shall also be suspended.

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- (11) The 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.
- (12) Each of the items above shall be 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) Number of investment units to be sold: 7,000 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 or the secondary offering through over-allotment itself does not take place at all depending on the demand conditions and other factors. 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 the secondary offering through the purchase and underwriting by Underwriters, taking the demand conditions and other factors into account, SMBC Nikko Securities Inc. shall conduct, separate from the primary offering and the secondary offering through the purchase and underwriting by Underwriters, a secondary offering of JHR investment units that is to borrow from JHR unitholders with 7,000 units set as the maximum number.
- (6) Subscription unit: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period shall be the same as the subscription period of the primary offering.
- (8) Transfer date: The transfer date shall be the same as the transfer date of the primary offering.
- (9) When the primary offering or the secondary offering through the purchase and underwriting by Underwriters is suspended, the secondary offering through over-allotment shall also be 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 shall be subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

4. Issuance of new investment units by way of third-party allotment (See <Reference>1. below)

- (1) Number of investment units to be offered: 7,000 units
- (2) Paid-in amount (Issue value): To be determined
The paid-in amount (issue value) shall be determined on the Pricing Date. The paid-in amount (issue value) shall be the same as the paid-in amount (issue value) of the primary offering.
- (3) Total paid-in amount (issue value): To be determined
- (4) Allottee and number of investment units to be allotted: SMBC Nikko Securities Inc.
7,000 units
- (5) Subscription unit: 1 unit or more in multiples of 1 unit
- (6) Subscription period (Subscription date): July 22, 2015 (Wednesday)
- (7) Payment date: July 23, 2015 (Thursday)

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- (8) If some or all of the investment units are not subscribed for by the end of the subscription period (subscription date) stated in (6) above, the issuance of those investment units not subscribed for shall be cancelled.
- (9) The paid-in amount (issue value) and other matters necessary for this issuance of new investment units by way of third-party allotment (the “third-party allotment”) shall be determined at a future meeting of JHR’s Board of Directors.
- (10) When the primary offering or the secondary offering through the purchase and underwriting by Underwriters are suspended, the issuance of new investment units by way of the third-party allotment shall also be suspended.
- (11) Each of the items above shall be 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, etc.

Upon the primary offering and secondary offering through the purchase and underwriting by Underwriters, taking the demand conditions and other factors of the primary offering and the secondary offering through the purchase and underwriting by Underwriters into account, there may be cases where SMBC Nikko Securities Inc. conducts a secondary offering of JHR investment units that is to borrow from JHR unitholders (hereinafter called the “Borrowed Investment Units”) with 7,000 units set as the maximum number (secondary offering through over-allotment). The number of investment units scheduled for the secondary offering through over-allotment is the maximum number of investment units of the secondary offering through over-allotment. There may be cases where the number is reduced or the secondary offering through over-allotment itself does not take place at all depending on the demand conditions and other factors.

In association with the secondary offering through over-allotment, JHR has resolved at the meeting of JHR’s Board of Directors held on June 4, 2015 (Thursday) to issue new investment units by way of the third-party allotment for 7,000 units of JHR investment units to SMBC Nikko Securities Inc. as the allottee and with July 23, 2015 (Thursday) as the payment date in order for SMBC Nikko Securities Inc. to acquire the JHR investment units necessary to return the Borrowed Investment Units.

In order to return the Borrowed Investment Units, there may be cases where SMBC Nikko Securities Inc. also purchases JHR investment units up to the number of investment units of the secondary offering through over-allotment on the Tokyo Stock Exchange, Inc. (hereinafter called the “Syndicate Covering Transaction”) during the period from the day following the close of the subscription period of the primary offering, secondary offering through the purchase and underwriting by Underwriters and secondary offering through over-allotment until July 17, 2015 (Friday) (hereinafter called the “Syndicate Covering Transaction Period”). All of the JHR investment units purchased by SMBC Nikko Securities Inc. through the Syndicate Covering Transaction will be used to return the Borrowed Investment Units. During the Syndicate Covering Transaction Period, there may be cases where SMBC Nikko Securities Inc. does not conduct the Syndicate Covering Transaction at all or completes the Syndicate Covering Transaction with a number of investment units that is less than the number of investment units of the secondary offering through over-allotment, at its own discretion.

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

In such a case, for the number of investment units after reducing the number of investment units purchased through the Syndicate Covering Transaction and stabilizing transaction and used to return the Borrowed Investment Units from the number of investment units of the secondary offering through over-allotment, SMBC Nikko Securities Inc. intends to acquire JHR investment units by accepting the allotment of the third-party allotment. Thus, there may be cases where there is no subscription for the number of investment units of the third-party allotment, in whole or in part. As a result, there may be cases where the final number of investment units of the third-party allotment is reduced by that extent or the issuance itself does not take place at all due to forfeiture.

Whether the secondary offering through over-allotment takes place or not, and the number of investment units of the

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secondary offering through over-allotment if the secondary offering through over-allotment takes place, will be determined on the Pricing Date. If the secondary offering through over-allotment does not take place, the foregoing borrowing of JHR investment units from JHR unitholders by SMBC Nikko Securities Inc. does not take place. Accordingly, SMBC Nikko Securities Inc. does not accept and does not subscribe for the allotment of the third-party allotment, and the issuance of new investment units by way of the third-party allotment itself does not take place at all due to forfeiture. Moreover, the Syndicate Covering Transaction on the Tokyo Stock Exchange, Inc. also does not take place.

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

2. Total number of investment units issued after new issuance

Total number of investment units issued as of today	3,000,322 units
Increase in number of investment units through the primary offering	140,000 units
Total number of investment units issued after the primary offering	3,140,322 units
Increase in number of investment units through the third-party allotment	7,000 units (*)
Total number of investment units issued after the third-party allotment	3,147,322 units (*)

(*) The number of investment units in the case where SMBC Nikko Securities Inc. subscribes for all of the number of new investment units through the third-party allotment and issuance of those investment units does take place.

3. Purpose and rationale of issuance and secondary offering

JHR aims to build a portfolio that simultaneously pursue stability and upside potential. JHR believes the property acquisition announced in “Notice Concerning Acquisition of New Asset (“Mercure Yokosuka”)” dated March 25, 2015 and “Notice Concerning Acquisition and Lease of New Asset (“Okinawa Marriott Resort & Spa”)” dated today will benefit this policy.

In addition to the foregoing reason, JHR determined to issue the new investment units considering also such factors as securing of financial soundness, market trends and level of dividend per unit.

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

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

JPY 11,940,000,000.- (Maximum)

(*) The amount is the sum total of the proceeds from the primary offering and the maximum proceeds from the issuance of new investment units by way of the third-party allotment. In addition, the amount is the forecast calculated using the closing price in regular trading of JHR investment units on the Tokyo Stock Exchange, Inc. on May 18, 2015 (Monday).

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

Among the proceeds from the primary offering, JPY 11,372,000,000.-, JPY 1,779,000,000 will be allocated to cash on hands, as the same amount was allocated from cash on hands as acquisition funds for “Mercure Yokosuka” (*1) (including various expenses concerning the acquisition), a specified asset (the meaning in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations; the same shall apply hereinafter) which JHR acquired as of April 2, 2015, and in order to compensate the reduced amount in cash on hands due to the allocation. In addition, the proceeds will be allocated to part of the funds for acquisition of a new specified asset by JHR, “Okinawa Marriott Resort & Spa” (*2). The residual funds, if any, will be saved for cash on hands together with JPY 568,000,000.-, the maximum amount of proceeds from issuance of new investment units through the third-party allotment resolved on the same date as the primary offering, to be allocated to part of the funds for future acquisition of specified assets, part of the funds for repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(*1) See “Notice Concerning Acquisition of New Asset (“Mercure Yokosuka”)” dated March 25, 2015 for details of Mercure Yokosuka.

(*2) See “Notice Concerning Acquisition and Lease of New Asset (“Okinawa Marriott Resort & Spa”)” dated today for details of Okinawa Marriott Resort & Spa that JHR plans to acquire.

5. Designated destination of distribution

None

6. Future prospects

Please refer to “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2015 (16th Period)” dated today.

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

(1) Operating results of the recent three fiscal terms

	Fiscal year ended December 2012	Fiscal year ended December 2013	Fiscal year ended December 2014
Net income per unit (*1, 2, 3)	JPY9,711.-	JPY1,307.-	JPY2,159.-
Dividend per unit (*1)	JPY1,427.-	JPY1,939.-	JPY2,155.-
Actual payout ratio (*4)	15.8%	157.2%	104.2%
Net assets per unit (*2)	JPY32,686.-	JPY34,241.-	JPY35,948.-

(*1) JHR's financial settlement period of the fiscal year ended December 2012 is irregular (nine months from April 1, 2012 through December 31, 2012) owing to change of the financial settlement period. Therefore, net income per unit and dividend per unit for the fiscal year ended December 2012 are not derived from net income per unit and dividend per unit for a full year.

(*2) Net income per unit has been calculated based on the average number of investment units during the period and net assets per unit has been calculated based on the number of investment units issued at the end of the period.

(*3) Net income for the fiscal year ended December 2012 includes the extraordinary profit, negative goodwill of JPY18,578M, loss on sale of real estate, etc. of JPY1,393M and impairment loss of JPY958M, and it is different from the dividend source. Moreover, net income 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 payout ratio is "Total dividends (total dividends from excess of earnings exclusive) / Net income × 100." Actual payout ratio is rounded off to one decimal place.

(2) Recent investment unit price

a) Status of the recent three fiscal terms

	Fiscal year ended December 2012	Fiscal year ended December 2013	Fiscal year ended December 2014
Opening price	JPY18,670.-	JPY24,170.-	JPY49,700.-
High	JPY25,110.-	JPY51,500.-	JPY82,400.-
Low	JPY17,830.-	JPY23,670.-	JPY45,350.-
Closing price	JPY23,880.-	JPY50,400.-	JPY77,000.-

(*) Opening price, high price and low price are a comparison of the closing prices in regular trading of JHR investment units on the Tokyo Stock Exchange, Inc.

b) Status of the recent six months

	January 2015	February	March	April	May	June (*2)
Opening price	JPY76,200.-	JPY76,600.-	JPY79,500.-	JPY82,600.-	JPY86,500.-	JPY84,700.-
High	JPY82,500.-	JPY80,300.-	JPY85,700.-	JPY88,300.-	JPY87,800.-	JPY84,700.-
Low	JPY75,400.-	JPY73,100.-	JPY76,600.-	JPY82,300.-	JPY82,600.-	JPY83,500.-
Closing price	JPY77,600.-	JPY79,400.-	JPY85,400.-	JPY88,300.-	JPY85,000.-	JPY83,500.-

(*1) Opening price, high price and low price are a comparison of the closing prices in regular trading of JHR investment units on the Tokyo Stock Exchange, Inc.

(*2) Investment unit price for June 2015 is as of June 3, 2015.

c) Investment unit price on the business day preceding the issuance resolution date

	June 3, 2015
Opening price	JPY84,000.-
High	JPY84,000.-
Low	JPY82,900.-
Closing price	JPY83,500.-

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

a) Capital increase through public offering

Date of issuance	January 27, 2015
Amount of funds procured	JPY14,974,800,000.- (Ballpark net amount)
Issue value	JPY74,874.- per unit
Number of investment units issued at time of the offering	2,791,281 units

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Number of investment units issued through the offering	200,000 units
Total number of investment units issued after the offering	2,991,281 units
Initial intended use of funds at time of the offering	To be allocated to part of the funds for acquisition of specified assets (*) and the residual funds, if any, will be saved for cash on hand to be allocated to part of the funds for future acquisition of specified assets, part of the funds for repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.
Payment schedule of funds at time of the offering	January and March 2015
Allocation of funds as of today	The entire amount of funds procured has been allocated according to the initial intended use of funds.

(*) See “Notice Concerning Acquisition and Lease of New Assets (Five “the b” Hotels and “Hotel Francs”)” dated January 9, 2015 for details.

Date of issuance	September 9, 2014
Amount of funds procured	JPY10,179,600,000.- (Ballpark net amount)
Issue value	JPY59,880.- per unit
Number of investment units issued at time of the offering	2,621,281 units
Number of investment units issued through the offering	170,000 units
Total number of investment units issued after the offering	2,791,281 units
Initial intended use of funds at time of the offering	To be allocated to part of the funds for acquisition of specified assets (*) and part of the funds for the repayment of existing loans.
Payment schedule of funds at time of the offering	September 2014
Allocation of funds as of today	The entire amount of funds procured has been allocated according to the initial intended use of funds.

(*) See “Notice Concerning Acquisitions of New Assets (“Mercure Hotel Sapporo” and “Mercure Hotel Okinawa Naha”)” dated August 20, 2014 for details.

Date of issuance	April 17, 2013
Amount of funds procured	JPY20,585,130,000.- (Ballpark net amount)
Issue value	JPY40,363.- per unit
Number of investment units issued at time of the offering	2,111,281 units
Number of investment units issued through the offering	510,000 units
Total number of investment units issued after the offering	2,621,281 units
Initial intended use of funds at time of the offering	To be allocated to part of the funds for acquisition of specified assets. (*)
Payment schedule of funds at time of the offering	April 2013
Allocation of funds as of today	The entire amount of funds procured has been allocated according to the initial intended use of funds.

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

Date of issuance	September 12, 2012
Amount of funds procured	JPY4,855,680,000.- (Ballpark net amount)
Issue value	JPY20,232.- per unit

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Number of investment units issued at time of the offering	1,859,281 units
Number of investment units issued through the offering	240,000 units
Total number of investment units issued after the offering	2,099,281 units
Initial intended use of funds at time of the offering	To be allocated to part of the funds for acquisition of specified assets. (*)
Payment schedule of funds at time of the offering	September 2012
Allocation of funds as of today	The entire amount of funds procured has been allocated according to the initial intended use of funds.

(*) 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 third-party allotment

Date of issuance	February 18, 2015
Amount of funds procured	JPY676,935,834.- (Ballpark net amount)
Issue value	JPY74,874.- per unit
Number of investment units issued at time of the offering	2,991,281 units
Number of investment units issued through the offering	9,041 units
Total number of investment units issued after the offering	3,000,322 units
Allottee and number of investment units allotted	SMBC Nikko Securities Inc. 9,041 units
Initial intended use of funds at time of the offering	To be allocated to part of the funds for future acquisition of specified assets, part of the funds for repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.
Payment schedule of funds at time of the offering	To be determined
Allocation of funds as of today	Part of the funds has been allocated to acquire specific assets. The total remaining amount is scheduled to be allocated to what was initially intended by the end of June 2015.

Date of issuance	October 11, 2012
Amount of funds procured	JPY242,784,000.- (Ballpark net amount)
Issue value	JPY20,232.- per unit
Number of investment units issued at time of the offering	2,099,281 units
Number of investment units issued through the offering	12,000 units
Total number of investment units issued after the offering	2,111,281 units
Allottee and number of investment units allotted	Daiwa Securities Co. Ltd. 12,000 units
Initial intended use of funds at time of the offering	To be allocated to part of the repayment of loans.
Payment schedule of funds at time of the offering	To be determined
Allocation of funds as of today	The entire amount of funds procured has been allocated according to the initial intended use of funds.

8. Other (Restrictions on sale, additional issuance of investment units, etc.)

- (1) With reference to the primary offering and the second offering through purchase and underwriting by Underwriters, JHR unitholders Taiyo Investment Special Purpose Company will agree with the Co-lead Managers not to sell, etc. the JHR investment units they hold as of today for a period of 45 days after the transfer date of the primary offering and the secondary offering through the purchase and underwriting by Underwriters starting from the Pricing Date without written approval of the Co-lead Managers in advance. (This excludes the lending, etc. of JHR investment

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units to SMBC Nikko Securities Inc. for the secondary offering through over-allotment.)

The number of investment units held by Taiyo Investment Special Purpose Company as of June 4, 2015 (Thursday) is 7,164 units.

- (2) With reference to the primary offering and the second offering through purchase and underwriting by Underwriters, JHR will agree with the Co-lead Managers not to issue, etc. JHR investment units for a period of 90 days after the transfer date of the primary offering and the second offering through purchase and underwriting by Underwriters starting from the Pricing Date without written approval of the Co-lead Managers in advance. (This excludes issuance by way of third-party allotment mentioned above in 4.)

The Co-lead Managers have been authorized to remove restriction (1) and (2) above, in whole or in part, at their discretion.

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

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