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REIT Issuer:

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Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you that 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

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| (1) | Number of investment units to be offered: | 447,800 investment units of JHR (“JHR investment units”) in total of (i) and (ii) below:
(i) 420,000 JHR investment units to be underwritten and purchased by the Domestic Underwriters and the Overseas Underwriters in the Domestic Public Offering and the Overseas Offering as described in (6)(i) and (ii) below.
(ii) 27,800 JHR investment units, the maximum number of JHR investment units to be additionally issued subject to a purchase right granted to the Overseas Underwriters in the Overseas Offering as described in (6)(ii) below. |
| (2) | Issue price
(Offer price): | To be determined
The issue price (offer price) shall be determined in accordance with the methods provided in Article 25 of the Rules Concerning Underwriting, etc. of Securities set forth by the Japan Securities Dealers Association based on the provisional pricing obtained by the closing price of JHR investment units for ordinary trading on the Tokyo Stock Exchange, Inc. on any day between January 16, 2019 (Wednesday) and January 18, 2019 (Friday) (the “Pricing Date”) (when there is no closing price on the Pricing Date, the closing price on the immediately preceding day) multiplied by a range between 0.90 and 1.00 (with any fractions of one yen rounded down to the nearest 1 yen), while taking into consideration the level of demand and other factors. |
| (3) | Total issue price
(Offer price): | To be determined |
| (4) | 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 provided in Article 25 of the Rules Concerning Underwriting, etc. of Securities set forth 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. |

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This press release does not constitute an offer of securities in the United States. The securities referred to above have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities referred to above will not be publicly offered or sold in the United States.

- (5) Total paid-in amount (Issue value): To be determined
- (6) Offering method: Simultaneously offered in Japan and overseas (collectively referred to as the “Global Offerings”, together with the secondary offering through over-allotment described in “2. Secondary offering (Secondary offering through over-allotment)” below). Certain underwriters will act as joint global coordinators for the Global Offerings.
- (i) Domestic Public Offering
The offering in Japan (the “Domestic Public Offering”) shall be a public offering in which all investment units subject to the Domestic Public Offering shall be purchased and underwritten by certain domestic underwriters (collectively referred to as the “Domestic Underwriters”). Furthermore, the certain Domestic Underwriters will act as domestic joint lead managers for the Domestic Public Offering and the secondary offering through over-allotment.
- (ii) Overseas Offering
The offering in overseas (the “Overseas Offering” and collectively referred to, together with the Domestic Public Offering, as the “Offering”) shall be offered in overseas markets mainly in the U.S., Europe and Asia (provided, however, that the offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) in which all investment units subject to the Overseas Offering shall be purchased and underwritten severally and not jointly in the total amount by overseas underwriters as joint lead managers and joint bookrunners (the “Overseas Underwriters” and collectively referred to, together with the Domestic Underwriters, as the “Underwriters”). In addition, the right to purchase additionally-issued JHR investment units described in (1)(ii) above shall be granted to the Overseas Underwriters.
- (iii) The total number of units to be offered in the Offering shall be 447,800 units, consisting of 222,050 units expected to be offered through the Domestic Public Offering and 225,750 units expected to be offered through the Overseas Offering (of which, 197,950 units will be purchased by the Overseas Underwriters and 27,800 units will be purchased under the right to purchase additionally-issued JHR investment units to be granted to the Overseas Underwriters). However, the final allocation of the JHR investment units to be offered shall be determined on the Pricing Date taking into consideration the level of demand and other factors.
- (7) Underwriting agreement details: The Underwriters shall purchase and underwrite the JHR investment units at the paid-in amount (issue value) determined on the Pricing Date, and conduct the Offering at an amount (at the issue price (offer price)) that differs from the paid-in amount (issue value). JHR shall not pay an underwriting fee to the Underwriters. However, the Underwriters shall pay the total paid-in amount (issue value) to JHR on the payment date stated in (10) below, and the difference between the total issue price (offer price) and total paid-in amount (issue value) of the Offering shall be the proceeds of the Underwriters.
- (8) Subscription unit: 1 unit or more in multiples of 1 unit
- (9) Subscription period (Domestic Public Offering): From the business day immediately following the Pricing Date to the second business day following the Pricing Date
- (10) Payment date: The payment date shall be any day between January 23, 2019 (Wednesday) and January 25, 2019 (Friday). However, the date shall be five business days after the Pricing Date.
- (11) Transfer date: The transfer date shall be the business day immediately following the payment date.
- (12) The issue price (offer price), the paid-in amount (issue value), the ultimate breakdown of the number of investment units (the number of investment units to be underwritten and purchased, as described in (1)(i) above and the number of investment units to be additionally issued pursuant to the purchase right, as described in (1)(ii) above) for the Domestic Public Offering and for the Overseas Offering and any other matter required for the issuance of the new investment units shall be determined at a future meeting of JHR’s Board of Directors.
- (13) Each of the provisions regarding the Domestic Public Offering above shall be subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

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

- (1) Number of investment units to be sold: 3,700 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 into account the demand conditions and other factors in the Domestic Public Offering.
- (2) Seller: A Domestic Underwriter
- (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 Domestic Public Offering.
- (4) Total selling price: To be determined
- (5) Offering method: Upon the Domestic Public Offering, taking into account the demand conditions and other factors of the Domestic Public Offering, the Domestic Underwriter shall conduct, separate from the Domestic Public Offering, a domestic secondary offering of the JHR investment units to be borrowed from Japan Hotel REIT Advisors Co., Ltd. (“JHRA”) with 3,700 units set as the maximum number (the “Borrowed Investment Units”).
- (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 Domestic Public Offering.
- (8) Transfer date: The transfer date shall be the same as the transfer date of the Domestic Public Offering.
- (9) When the Domestic Public Offering 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 provisions 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. Issuance of new investment units by way of third-party allotment (See <Reference> 1. below)

- (1) Number of investment units to be offered: 3,700 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 Domestic Public Offering.
- (3) Total paid-in amount (Issue value): To be determined
- (4) Allottee and number of investment units to be allotted: A Domestic Underwriter 3,700 units
- (5) Subscription units: 1 unit or more in multiples of 1 unit
- (6) Subscription period (Subscription date): February 19, 2019 (Tuesday)
- (7) Payment date: February 20, 2019 (Wednesday)
- (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 canceled.
- (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.

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- (10) When the Domestic Public Offering is suspended, the issuance of new investment units by way of the Third-party Allotment shall also be suspended.
- (11) Each of the provisions 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 Domestic Public Offering, taking into account the demand conditions and other factors of the Domestic Public Offering, there may be cases where a Domestic Underwriter conducts a secondary offering of the JHR investment units that is to be borrowed from JHRA with 3,700 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 relation to the secondary offering through over-allotment, JHR has resolved at the meeting of JHR's Board of Directors held on January 8, 2019 (Tuesday) to issue new investment units by way of the Third-party Allotment for 3,700 units of the JHR investment units to the Domestic Underwriter as the allottee and with February 20, 2019 (Wednesday) as the payment date in order for the Domestic Underwriter 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 the Domestic Underwriter also purchases the 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 Cover Transaction") during the period from the day following the close of the subscription period of the Domestic Public Offering and secondary offering through over-allotment until February 15, 2019 (Friday) (hereinafter called the "Syndicate Cover Transaction Period"). All of the JHR investment units purchased by the Domestic Underwriter through the Syndicate Cover Transaction will be used to return the Borrowed Investment Units. During the Syndicate Cover Transaction Period, there may be cases where the Domestic Underwriter does not conduct the Syndicate Cover Transaction at all or completes the Syndicate Cover 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, the Domestic Underwriter may conduct a stabilizing transaction in relation to the Domestic Public Offering 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. The Domestic Underwriter may also transfer to the Overseas Underwriters the whole or part of the JHR investment units purchased through the stabilizing transactions, for the purpose of having such JHR investment units used for settling part of the Overseas Offering.

In such a case, for the number of investment units obtained by reducing the number of investment units purchased through the Syndicate Cover 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, the Domestic Underwriter intends to acquire the 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 secondary offering through over-allotment if the secondary offering through over-allotment takes place, will be determined on the Pricing Date.

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If the secondary offering through over-allotment does not take place, the foregoing borrowing of the JHR investment units from JHRA by the Domestic Underwriter does not take place. Accordingly, the Domestic Underwriter 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 Cover Transaction on the Tokyo Stock Exchange, Inc. also does not take place.

The foregoing transactions will be conducted by the Domestic Underwriter upon consultation with the other domestic joint lead managers.

2. Change in total number of investment units issued after new issuance this time

Total number of investment units issued as of today	4,010,847 units	
Increase in number of investment units through the Offerings	447,800 units	(* 1)
Total number of investment units issued after the Offerings	4,458,647 units	(* 1)
Increase in number of investment units by way of the Third-party Allotment	3,700 units	(* 2)
Total number of investment units issued after the Third-party Allotment	4,462,347 units	(* 2)

(*1) The number of investment units in the case where the right to purchase additionally-issued JHR investment units granted to the Overseas Underwriters as described in “1. Issuance of new investment units through public offering (1)(ii)” above is exercised in full and all of the investment units are issued.

(*2) The number of investment units in the case where the Domestic Underwriter proposes to subscribe for all of the number of new investment units to be issued by way of the Third-party Allotment and issuance of those investment units does take place.

3. Purpose and rationale of issuance

JHR aims to build a portfolio that simultaneously pursues stability and upside potential. JHR believes the property acquisition announced in “Notice Concerning Acquisition and Lease of New Assets (Hilton Tokyo Odaiba and Hotel Oriental Express Osaka Shinsaibashi)” dated today will meet with the direction of this policy.

JHR maintains a basic financing policy, under which JHR pursues an appropriate combination of equity and debt financing, when acquiring properties, and JHR plans to raise funds based on this policy at this time as well.

In order to raise funds for the acquisitions, etc. of the properties described above, JHR determined to issue new investment units considering such factors as securing of financial soundness, market trends and level of dividend per unit, etc.

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

(1) Amount of funds to be raised (estimated net amount JHR will receive)

¥33,380,000,000- (Maximum)

(*) The amount is the total sum of ¥16,417,000,000- in anticipated proceeds from the Domestic Public Offering, ¥16,690,000,000- in maximum anticipated proceeds from the Overseas Offering and ¥273,000,000- in maximum anticipated proceeds from the issuance of new JHR investment units through the Third-party Allotment, with amounts rounded down to the nearest million yen. In addition, the above figures represent estimated amounts calculated based on the closing price of the JHR investment units for ordinary trading on the Tokyo Stock Exchange, Inc. on December 7, 2018 (Friday).

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(2) Specific use and payment schedule of funds to be raised

The proceeds from the Domestic Public Offering of ¥16,417,000,000- and the maximum proceeds from the Overseas Offering of ¥16,690,000,000- will be allocated to part of the funds for acquisition of new 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); the same shall apply hereinafter), “Hilton Tokyo Odaiba” and “Hotel Oriental Express Osaka Shinsaibashi” (*1), by JHR.

The maximum proceeds from the issuance of new investment units by way of the Third-party Allotment of ¥273,000,000- that was resolved on the same date as the Domestic Public Offering will be allocated to part of the funds for acquisition of “Hilton Tokyo Odaiba”.

The residual funds of the proceeds from the Domestic Public Offering, the Overseas Offering and the Third-party Allotment, if any, will be retained as cash on hand to be allocated to part of the funds for future acquisition of specified assets, part of the funds for repayment of loans, or repair expenses and capital expenditures to maintain or improve competitiveness of existing properties.

(*1) See “Notice Concerning Acquisition and Lease of New Assets (Hilton Tokyo Odaiba and Hotel Oriental Express Osaka Shinsaibashi)” dated today for details of Hilton Tokyo Odaiba and Hotel Oriental Express Osaka Shinsaibashi that JHR plans to acquire.

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

5. Designated destination of distribution

None

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

(1) With reference to the Global Offerings, JHRA will agree with the joint global coordinators not to sell, etc. the 3,700 units of the JHR investment units held before the Global Offerings, for a period of 180 days after the transfer date of the Domestic Public Offering starting from the Pricing Date without written approval of the joint global coordinators in advance. (This excludes lending of investment units to the Domestic Underwriter in connection with the secondary offering through over-allotment and certain other situations.)

The joint global coordinators will have the authority to cancel the restrictions above, in whole or in part, at their discretion.

(2) With reference to the Global Offerings, JHR will agree with the joint global coordinators not to issue, etc. the JHR investment units for a period of 90 days after the transfer date of the Domestic Public Offering starting from the Pricing Date without written approval of the joint global coordinators in advance. (This excludes the Global Offerings, the Third-party Allotment, issuance of investment units pursuant to splits of investment units and other situations.)

The joint global coordinators will have the authority to cancel the restrictions 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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