

This English translation is provided for information purposes only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

July 23, 2019

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
Kaname Masuda, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.
Hisashi Furukawa, Representative Director and President

Contact:

Makoto Hanamura
General Manager
Planning Department, Operations Division
TEL: +81-3-6422-0530

Notice Concerning Issuance of Green Bonds and Prepayment of Loans

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of its decision to issue the twelfth unsecured investment corporation bonds (green bonds) (nickname: Hotel Green Bonds) (hereinafter called the “Green bonds”), as announced in “Notice Concerning Submission of Revised Shelf Registration Statement for Issuance of Green Bonds” dated July 1, 2019 and to prepay the loans (hereinafter called “Repayment”) today as follows.

I. Issuance of investment corporation bonds (green bonds)

1. Summary of the Green Bonds

- (1) Name of the investment corporation bonds
Twelfth unsecured investment corporation bonds of JHR
(Pari passue covenants between investment corporation bonds are attached.) (green bonds)
(nickname: Hotel Green Bonds)
- (2) Total amount of the Green Bonds
JPY2Bn
- (3) Form of the Green Bonds
The Green Bonds certificates will not be issued. The Green Bonds are subject to the Act on Book-Entry Transfer 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
0.400%/year
- (7) Amount of each bond
JPY100M

- (8) Offering method
Public offering
- (9) Subscription period
July 23, 2019 (Tuesday)
- (10) Payment date
July 31, 2019 (Wednesday)
- (11) Collateral
Neither collateral nor guarantee is provided for the Green Bonds, and no assets have been particularly secured for the Green Bonds.
- (12) Redemption method and date
The total amount of the Green Bonds will be redeemed on July 31, 2024.
The Green Bonds may be repurchased and cancelled any time from the day following the payment date except for case(s) separately determined by the book-entry transfer institution.
- (13) Interest payment date
January 31 and July 31 each year
If the payment date falls on a bank holiday, the payment shall be made on the preceding bank business day.
- (14) Financial covenants
A negative pledge clause is applicable.
- (15) Rating of bonds
A+ (Japan Credit Rating Agency, Ltd. (JCR))
- (16) Green Bonds Evaluation
The Green Bonds obtained “Green 1” rating in the evaluation by JCR, which is the highest evaluation in the “JCR Green Bond Evaluation” (Note 1).
- (17) Finance agent, issuing agent, and paying agent
Mizuho Bank, Ltd.
- (18) Underwriters
SMBC Nikko Securities Inc. (Green Bond Structuring Agent) (Note 2)
Mizuho Securities Co., Ltd.
Daiwa Securities Co., Ltd.

(Note 1) “JCR Green Bond Evaluation” is a third-party evaluation by JCR in accordance with the Green Bond Principles 2018 established by Green Bond Principles Executive Committee and the Green Bond Guidelines 2017 established by the Ministry of the Environment. In this evaluation, JCR evaluates the greenness of use of procured fund, as to whether the fund is used for projects classified as the green project and also evaluates management, operation and transparency of issuer by evaluating the organization for management and operation as well as transparency of the issuer. Green Bond Evaluation by JCR is decided through comprehensive evaluation which takes these evaluations into account. For details of “JCR

Green Bond Evaluation,” please refer to “Sustainable Finance & ESG” on JCR’s website.
(<https://www.jcr.co.jp/en/greenfinance/>).

(Note 2) “Green Bond Structuring Agent” denotes one who supports the issuance of green bonds through formulation of a Green Bond Framework and advices on acquiring second-party opinions, etc.

2. Rationale for issuance

The Green Bonds will be issued based on the “Green Bond Framework” announced in “Notice Concerning Submission of Revised Shelf Registration Statement for Issuance of Green Bonds” dated July 1, 2019, and the Green Bonds aim to expand the market of ESG investment and diversify financing sources.

The usage of the Green Bonds is as follows:

- 1) Funds to repay procured funds for renovation of Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata)

Out of the renovation cost, items applicable to the followings:

- Funds for capital expenditures and constructions of equipment which has an effect on CO2 reduction such as air conditioning equipment and electric equipment, etc.
- Funds for capital expenditures and constructions of equipment which contributes to environment other than CO2 reduction, such as improvement of water consumption

- 2) Funds for constructions for renovation etc. of the other hotels

Out of constructions cost for renovation in the future, costs related to renewal of the air conditioning equipment, etc. which has an effect on CO2 reduction by 10% or more

3. Amount of proceeds, use, and planned payment schedule

- (1) Amount of proceeds (ballpark net amount)

JPY1,990M

- (2) Detail of intended use of proceeds and planned payment schedule

The ballpark net amount of JPY1,990M, which is calculated by deducting the ballpark amount for issuance costs of JPY10M from the payment amount of the Green Bonds of JPY2,000M, will be allocated to the following funds:

Usage of Proceed	Amount to be allocated (plan)	Date to be used
Funds for repayment of procured fund for renovation of Oriental Hotel Fukuoka Hakata Station	JPY1,600M	July 31, 2019
Funds for construction for renovation, etc. of the other hotels	The remaining amount which is calculated by deducting the allocated amount above from the ballpark net amount	Until the end of June 2021

Of the proceeds from the Green Bonds, the funds for construction, etc. of the other hotels will not be allocated until the subject construction is completed. The unallocated amounts is planned to be held as cash and equivalents.

4. Investors who declared investment in the Green Bonds

Listed below are investors who declared investment in the Green Bonds and agreed to disclose their names as of today (companies are listed in Japanese syllabary order).

- THE TAIKO BANK, LTD.
- The Kita Osaka Shinkin Bank
- Kyushuhizen Shinkin Bank
- TETSUDOKOSAIKAI FOUNDATION
- Sugamo Shinkin Bank
- Daitokyo Shinkumi Credit Cooperative
- Fujinomiya Shinkin Bank

II. Prepayment of the loans

1. Summary of Repayment

(1) Details of Repayment

JHR plans to allocate JPY 1,600M out of the ballpark net amount of the Green Bonds mentioned above in “I. Issuance of investment corporation bonds” to fund the Repayment.

(2) Repayment amount

JPY1,600M

(3) Scheduled date of Repayment

July 31, 2019

(4) Details of the individual loans subject to Repayment

Loan name	Term Loan 51
Lender	The Bank of Fukuoka, Ltd.
Loan Balance before Repayment	JPY800M
Amount of Repayment	JPY800M
Date of Borrowing	November 30, 2018 (first installment), April 26, 2019 (second installment)
Maturity Date	December 30, 2019
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Loan Balance after Repayment	JPY0M

Loan name	Term Loan 52
Lender	THE NISHI-NIPPON CITY BANK, LTD.
Loan Balance before Repayment	JPY800M
Amount of Repayment	JPY800M
Date of Borrowing	November 30, 2018 (first installment), April 26, 2019 (second installment)
Maturity Date	December 30, 2019
Interest Rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Loan Balance after Repayment	JPY0M

III. Status of interest-bearing debts after the issuance of the Green 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	900	900	0
	Long-term loans (*2)	127,871	126,271	(1,600)
Total loans		128,771	127,171	(1,600)
Total investment corporation bonds		39,600	41,600	+2,000
Total interest-bearing debts		168,371	168,771	+400

(*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 to the total interest-bearing debt after the issuance of the Green Bonds and the Repayment is forecasted to be around 97%.

IV. Future Prospects

The impact of the issuance of the Green Bonds and the Repayment is subtle and no change is required for the operating forecast for the fiscal year ending December 2019 (January 1, 2019 through December 31, 2019).

V. Other

With respect to the risks in relation to redemption of the Green Bonds, etc., no important change is required for the “Investment Risks” in the Securities Report submitted on March 20, 2019 (Japanese only).

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