

Provisional Translation Only

This English translation of the Japanese original is provided solely for information purposes. In the event that there is any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

April 2, 2012

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
Yukio Isa, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.
Hiroyuki Suzui, Representative Director

Inquiries:

Junichi Hirayama
Director, Operations Division
TEL : +81-3-6422-0530

Notice Concerning Completion of Merger between Nippon Hotel Fund Investment Corporation and Japan Hotel and Resort, Inc.

We are pleased to announce that Nippon Hotel Fund Investment Corporation (hereinafter, “NHF”) has completed its merger with Japan Hotel and Resort, Inc. (hereinafter, “former JHR”) as previously announced in the press release dated 22 December, 2011, “Notice Concerning Execution of Merger Agreement between Nippon Hotel Fund Investment Corporation and Japan Hotel and Resort, Inc.”. The merger took effect on April 1, 2012. Please note that NHF, the surviving company, has changed its name to Japan Hotel REIT Investment Corporation (hereinafter, “New JHR”).

Details

1. Effects of the Merger

(1) Better Balance between Stability and Upside

Former JHR has invested in selected hotels in advantageous locations and with tenant and management support company highly skilled in hotel management and has aimed to improve profit by strategically combining fixed and variable rents while achieving mid-to-long term stability. Meanwhile, NHF has aimed to achieve mid-to-long term profit by leasing its properties in advantageous location to excellent operators for a long term.

As a consequence of the merger of the two, New JHR will be able to expand its income base secured by fixed rent while pursuing profitability from variable rent.

(2) Expanded Asset Value

New JHR takes over the assets of Former JHR (9 properties valued at 78.8 billion yen (Note 1) at acceptance), which results in the New JHR’s asset totaling 28 properties valued at 122.2 billion yen (Note 2) (based on the acquisition value). This expansion in the asset diversifies the New JHR’s portfolio in terms of hotel grade, type, location, and rent type (fixed or variable).

(Note 1) This is the estimated acceptance value calculated by New JHR based on the appraisal value as at March 31, 2012.

(Note 2) This is the value calculated on the assumption that the assets of the former JHR will be handed over to New JHR at the estimated acceptance value above.

(3) Improved quality of portfolio and accrued negative goodwill

Negative goodwill is expected as a consequence of the merger. Going forward, New JHR plans to replace some of its properties to improve profitability and stability. If the replacement incurs a loss on sale, the negative goodwill is expected to help maintain the level of dividend.

(4) Improved liquidity of investment units

As the merger comes into effect, NHF has executed a 12-for-one unit split. The consequent increase in the number of issued units and traded units are expected to stabilize the unit price and the reduction in the unit price is expected to stimulate the trading, leading to an expansion of its investor base.

2. Business Operation after Merger

(1) External Growth Strategy

New JHR will establish a portfolio that has growth potential and produces stable profit, by strategically acquiring properties and by diversifying its portfolio, while taking account of the grade, type and rent type (fixed or variable) of the currently-held properties.

(2) Internal Growth Strategy

In addition to cutting cost through the merger, new JHR will endeavor to maximize its asset value by maintaining and managing the physical conditions of its assets. In asset management, new JHR will actively take measures to control profit such as maintaining and raising rent and cutting cost, while leveraging the knowledge and network that the asset management company of New JHR has built on to date.

(3) Financial Strategy

In order to further secure its financial ground, New JHR will focus on soundness and safety of its finance by enhancing bank formation and relationship with financial institutions and by diversifying financing channels through, for example, issuance of investment corporation bonds.

(4) Other

Former JHR is the first REIT that introduced investor benefit program to improve investors' satisfaction. New JHR will inherit the program and continuing its operation.

Please refer to the press releases dated December 22, 2011, "Notice Concerning the Execution of Merger Agreement between Nippon Hotel Fund Investment Corporation and Japan Hotel and Resort, Inc." for detail of the merger and "Notice Concerning the Split of Units"(Japanese only) for the unit split, posted on the website of the former Nippon Hotel Fund Investment Corporation.

This completion of merger will be reported to the authorities pursuant to applicable laws and regulations.

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