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Notice Concerning Submission of Revised Shelf Registration Statement for Issuance of Green Bonds

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you that it submitted a revised shelf registration statement for issuance of the twelfth unsecured investment corporation bonds (green bonds) (nickname: Hotel Green Bonds) (hereinafter called the “Green bonds”) to the Kanto Local Finance Bureau as of today. The Green Bonds are planned to be issued in July 2019, the issuance amount is JPY2Bn, and the duration is 5 years.

1. Summary of the submitted revised shelf registration statement

JHR submitted the revised shelf registration statement which stated regarding the Green Bonds to the Kanto Local Finance Bureau as of today. JHR plans to appoint SMBC Nikko Securities Inc. as Green Bond Structuring Agent (Note 1), and appoint SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd. and Daiwa Securities Group Inc. as the lead managers for the issuance of the Green Bonds to discuss the viability of issuing of the Green Bonds and the details of the issue terms such as interest rates, etc..

Moreover, JHR plans to use all of the proceeds from the Green Bonds for the funds to repay loans borrowed for renovation and for constructions for renovation, etc., which meet the eligible criteria formulated in the Green Bond Framework (which is stated below in “3. Summary of the Green Bond Framework 1) Eligibility as the Green Bonds”).

1) Funds for repayment for renovation cost 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

(Note 1) “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.

2. Purpose and background of the issuance of the Green bonds

JHR and its asset management company, Japan Hotel REIT Advisors Co., Ltd. (hereinafter called “JHRA”) have been working on to enhance sustainability based on our recognitions to the risks and opportunities of Environment, Social and Governance (ESG), based on the belief that sound business management which coexists with society and environment will contribute to enhancement of unitholder’s value in the mid-to-long term.

Our effort of the ESG initiatives has been highly rated by third-party organizations. For instance, in regards to “Hotel Nikko Alivila” and “Mercure Okinawa Naha,” JHR acquired a BELS evaluation in February 2018 as first such cases for hotels assets of J-REIT (Note 2), which is a public valuation and display system under a guideline by the Ministry of Land, Infrastructure, Transport and Tourism to evaluate the energy conservation performance of each building. Moreover, JHR borrowed loans which utilized SMBC Environmental Assessment Loan in March 2018. In addition, JHR participated in GRESB Real Estate Assessment in 2018 and acquired “4-star” in “GRESB Rating” as first such cases for J-REIT specializing in hotels.

JHR has submitted the revised shelf registration statement as of today based on our belief that issuance of the Green Bond will further contribute to the expansion of the market of ESG investment. Moreover, we believe the issuance of the Green Bond will strengthen our financial base through expansion of investor base which is interested in ESG investment.

(Note 2) Investigated by JHRA based on public information

3. Summary of the Green Bond Framework

1) Eligibility as the Green Bonds

JHR has established a Green Bond Framework based on “Green Bond Principles 2018” (Note 3) and “Green Bond Guidelines, 2017” (Note 4). Our Green Bond Framework stated eligible standards of the Green Bonds as follows:

i) Funds for repayment for renovation costs of Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata)

Out of the renovation costs, 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, etc. and constructions of equipment which contributes to environment other than CO₂ reduction, such as improvement of amount of water consumption

ii) Funds for construction, etc. of the other hotels

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

2) Management of proceeds

Among the proceeds from the Green Bonds, the amount which is applicable to i) renovation costs of Oriental Hotel Fukuoka Hakata Station mentioned above is planned to be allocated to repayment of the loans as soon as possible. ii) Funds for constructions for renovation, etc. of the other hotels will be separately managed by a ledger and is planned to be held as cash or cash equivalents until they are allocated.

3) Reporting

a. The allocation status of the funds

JHR will disclose the allocation status of the funds procured by the Green Bonds on the website once a year.

b. KPI related to environment improvement effect

JHR will disclose the following benchmarks once a year on the website until the redemption date of the Green Bonds.

- i) Each index after the constructions for renovation at Oriental Hotel Fukuoka Hakata Station
 - Water consumption
 - Energy consumption
 - CO₂ emissions
- ii) Other hotels
 - Name of the hotels which renewed equipment for air conditioning, etc.
 - Details of the renewal

JHR plans to have a third-party review for accuracy of the reporting status from Japan Credit Rating Agency, Ltd. (JCR) once a year until the maturity date.

(Note 3) “Green Bond Principles 2018” (hereinafter called “Green Bond Principles”) is a guideline regarding issuance of green bond established by Green Bond Principles Executive Committee, which is a private association in which International Capital Market Association has function as main office.

(Note 4) “Green Bond Guidelines, 2017” (hereinafter called “Green Bond Guidelines”) is a guideline regarding business practice related to Green Bonds, which is established and disclosed by the Ministry of the Environment Government of Japan in March 2017.

4. Evaluation by outside entities

As for the third-part evaluation for the Green Bonds, JHR has obtained “Green 1” rating in preliminary evaluation by Japan Credit Rating Agency, Ltd. (JCR), which is the highest evaluation in the “JCR Green Bond Evaluation” (Note 5).

Furthermore, while JHR has obtained the rating, JCR has received notification from the Green Finance Organization Japan, regarding the decision to grant subsidy from the Ministry of the Environment’s FY2018 “Financial Support Programme for Green Bond Issuance” (Note 6).

(Note 5) “JCR Green Bond Evaluation” is a third-party evaluation by JCR in accordance with the Green Bond Principles and the Green Bond Guideline. For details of “JCR Green Bond Evaluation,” please refer to “Sustainable Finance & ESG” on JCR’s website.
[\(https://www.jcr.co.jp/en/greenfinance/\)](https://www.jcr.co.jp/en/greenfinance/).

(Note 6) “Financial Support Programme for Green Bond Issuance” refers to a program providing subsidies for expenses incurred by registered issuance supporters that support companies, municipalities and other bodies who seek to issue green bonds in granting outside review, consultation on establishing a green bond framework, etc. The requirements for the eligible green bonds for the program are that the full amount of proceeds from the bonds is to be used for green projects and that it has to satisfy certain requirements at the time of issuance.

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