

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.

December 21, 2010

REIT Issuer:

Japan Hotel and Resort, Inc. (TSE code: 8981)
Kaname Masuda, Executive Director

Asset Management Company:

Japan Hotel & Resort K.K.
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Notice regarding Issuance of Investment Corporation Bonds

Japan Hotel and Resort, Inc. (hereinafter the “JHR”) hereby provides notice that JHR decided to issue investment corporation bonds as follows:

1. **Outline of Investment Corporation Bonds**

(1) Name	Japan Hotel and Resort, Inc. First series of Unsecured Investment Corporation Bonds (with pari passu conditions among specified JHR Bonds)
(2) Total issue amount	¥2 billion
(3) Form of bond certificate	No bond certificate to be issued upon the Act on Book-Entry Transfer of Company Bonds, Shares, etc.
(4) Payment price	¥100 per par value of ¥100
(5) Redemption price	¥100 per par value of ¥100
(6) Interest rate	2.11% per annum
(7) Unit price	¥100 million
(8) Offering method	Public Offering
(9) Application date	December 21, 2010
(10) Payment date	December 28, 2010
(11) Collateral	No secured mortgage or guarantee is applicable to, and no assets are specifically reserved.
(12) Redemption period and method	* The total issue amount will be redeemed on December 27, 2013. * If the day of redemption is a bank holiday, payment will be moved up to the previous bank business day. * Redemption by purchase of the total issue amount shall be possible any time after the day following the payment date, unless otherwise stipulated by the transfer institution.
(13) Interest payment date	June 28 and December 28, every year
(14) Financial Covenants	Provision of collateral restrictions is applicable.
(15) Rating	A- (Rating and Investment Information, Inc.)
(16) Agent for finance, issue and payment	Sumitomo Mitsui Banking Corporation
(17) Underwriter	Daiwa Securities Capital Markets Co., Ltd.

2. Reason for issuance
Partial prepayment for existing borrowings with cash reserves

3. Amount and expected date of expenditure
- Amount (Approximate net balance): ¥1,979 million
 - Details of existing borrowings and prepayment date

(1) Lender	Sumitomo Mitsui Banking Corporation Mizuho Bank Ltd. The Norinchukin Bank
(2) Balance	¥19,000 million (Facility D)
(3) Maturity Date	February 15, 2011
(4) Prepayment amount	¥2,002 million
(5) Prepayment date(Planned)	December 28, 2010

4. Status of borrowings after the bonds issuance

(unit: million yen)

	Before As of December 21, 2010	After (Note 1) As of December 28, 2010	Change
Long-term borrowings to be repaid within a year (A)	19,500	17,498	△2,002
Long-term borrowings (B)	17,203	17,203	-
Sub Total	36,703	34,701	△2,002
Investment corporation bonds (C)	-	2,000	2,000
Total (A)+(B)+(C)	36,703	36,701	△2
Other interest-bearing debt (D)	-	-	-
Total interest-bearing debt (A)+(B)+(C)+(D)	36,703	36,701	△2
LTV (Note 2)	41.3%	41.30%	0.00%

Note 1 Figures are after prepayment.

Note 2 Loan to Value (LTV) = Interest-bearing Debt at year-end / Total asset at year end.

The amounts of total assets at year end are audited amounts as of the end of August, 2010.

5. Other Matters Required for Investors to Accurately Understand and Evaluate the Information

There is no change to the content of “Investment Risks” of annual securities reports (in Japanese) filed on November 19, 2010 regarding the bond issuance risk.

* The Japanese original was distributed to the press clubs in the Tokyo Stock Exchange, Ministry of Land, Infrastructure and Transport.

* Japan Hotel and Resort, Inc. website: <http://www.jhrth.com/>