

**Provisional Translation Only**

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March 24, 2011

REIT Issuer:

Japan Hotel and Resort, Inc. (TSE code: 8981)

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Notice regarding Completion of Acquisition of Domestic Real Estate Trust Beneficiary Interest and Notice regarding Additional Acquisition of Auxiliary Facilities related to the Beneficiary Interest

Japan Hotel and Resort, Inc., (hereinafter “JHR”) hereby provides notice that today JHR has completed the acquisition of the asset announced in the “Notice regarding New Acquisition (Hakone Setsugetsuka)” (hereinafter the “hotel”) dated March 18, 2011 (hereinafter the “initially acquired asset”).

Furthermore, today JHR additionally acquired the auxiliary facilities related to the initially acquired asset (hereinafter the “additionally acquired assets”) from the lessee of the hotel, and concluded a Memorandum of Amendment to increase the rent in the lease contract of the hotel. JHR hereby provides notice that as a result of taking these steps the profitability and asset value of the combined assets including the initially acquired asset and the additionally acquired assets (hereinafter the “overall assets”) has been improved.

1. Overview of the additionally acquired assets

Type of asset	Real estate trust beneficiary interest
Asset Name	Hakone Gora Onsen, Tokinoyu, Setsugetsuka
Acquisition Price (Note)	¥3,550 million

(Note) The acquisition price does not include acquisition costs, fixed asset tax, city planning tax, consumption tax, etc.

Please refer to the notice regarding new acquisition (Hakone Setsugetsuka) dated March 18, 2011 for details.

2. Overview of the additionally acquired assets

The additionally acquired assets are comprised of the auxiliary facilities owned by the lessee that are located within the site of the initially acquired asset, including private open-air baths, etc.

Type of asset (Note 1)	Auxiliary facilities
Rent Type	Fixed Rent (Note 2)
Acquisition Price (Note 3)	¥509 million
Date of conclusion of agreement	March 24, 2011
Acquisition date	March 24, 2011
Seller	Kyoritsu Maintenance Co., Ltd.
Funding	Cash on hand
Collateral	Secured

(Note 1) The additionally acquired assets will be incorporated in the trust property of the acquired asset (trust beneficiary interest) announced in the press release dated March 18, 2011

(Note 2) The fixed rent will be increased by 59,500,000 yen/year (excluding consumption tax) from the rent announced in the press release dated March 18, 2011

(Note 3) The acquisition price does not include acquisition costs, fixed asset tax, city planning tax, consumption tax, etc. Note that the acquisition price for the sum of the initially acquired asset and the additionally acquired assets comes to a total of 4,059,000,000 yen

#### <Overview of overall assets>

	(A)	(B)	(A) + (B)
	Initially acquired asset	Additionally acquired assets	Overall assets
Type of Asset	Real estate trust beneficiary interest	Auxiliary facilities	Real estate trust beneficiary interest
Rent Type	Fixed rent	Fixed rent	Fixed rent
Rent (Annual)	¥234,840,000	¥59,500,000	¥294,340,000
Acquisition Price	¥3,550 million	¥509 million	¥4,059 million
Appraisal value (Note)	¥3,370 million	—	¥4,060 million
Acquisition date	March 24, 2011	March 24, 2011	—
Seller	Spring Property Co., Ltd.	Kyoritsu Maintenance Co., Ltd.	—
Funding	Borrowings and cash on hand	Cash on hand	Borrowings and cash on hand
Collateral	Secured	Secured	Secured

(Note) The appraisal for the acquisition of the additionally acquired assets is a combined assessment of the assets that incorporate the additionally acquired assets with the initially acquired asset (the overall assets), and the additionally acquired assets are not assessed separately. The appraisal value of the overall assets is 4,060,000,000 yen.

### 3. Reason

We acquired the additional assets with the objectives of revising the rent in the lease contract for the hotel upwards and improving the profitability and asset value of the overall assets, by acquiring the additional asset and incorporating the additionally acquired assets (auxiliary facilities) with the initially acquired asset (trust beneficiary interest).

As a result of this, the acquisition price of the overall assets was a price lower than the appraisal value.

#### 4. Outline of Seller

Trading Name	Kyoritsu Maintenance Co., Ltd.
Location of Head Office	2-18-8. Sotokanda, Chiyoda-ku, Tokyo
Representative	Mitsutaka Sato, President
Paid-in Capital	¥5,136,449,000 (As of March 15, 2011)
Date of Foundation	September 27, 1979
Description of Business	<ol style="list-style-type: none"> <li>1. Management of student dormitories and company dormitories</li> <li>2. Food service operations and contracting for schools, hospitals, dormitories, resort facilities, social welfare facilities, etc. and operations related to nutritional management and guidance</li> <li>3. Management of pay nursing homes based on the Act on Social Welfare Service for Elderly</li> <li>4. Management and contracting of hotels, Japanese inns, recreational facilities, training institutes and restaurants</li> <li>5. An in-home service business and preventive long-term care service business based on the Long-Term Care Insurance Act</li> <li>6. Buying, selling, leasing, mediation and management of real estate</li> <li>7. Sale and mail-order sale of household electrical appliances, furniture, office equipment, daily necessities, alcoholic beverages, tobacco, salt, stamps, clothing, food products, cosmetics, confectionary, lighters, stationery and toys</li> <li>8. Import and sale of fresh food, processed food and frozen food</li> <li>9. Travel agency business based on the Travel Agency Act</li> <li>10. Building maintenance</li> </ol>
Relationship of JHR and the asset management company	There are no matters related to parties with a potential conflict of interest to report.

#### 5. Settlement

JHR paid the settlement amount with cash on hand.

#### 6. Future Outlook

We will announce the forecast of business performance for the fiscal year ending August 31, 2011 on April 21, 2011.

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

< Appendix 1 > Details of overall assets

Property No.	9	Property Name	Hakone Setsugetsuka
<b>1. Overview of the Asset</b>			
Type of Asset	Real estate trust beneficiary interest		
Acquisition date	March 24, 2011		
Acquisition Price	¥4,059 million		
Appraisal value	¥4,060 million (Please refer to the last page)		
<b>2. Overview of the real estate</b>			
Usage category	Hotel		
Form of ownership	Land	Trust beneficiary interest	
	Bldg.	Trust beneficiary interest	
Land	Registered	1300-34 Gora, Hakone-machi, Ashigarashimo-gun, Kanagawa-ken	
	Residential	1300 Gora, Hakone-machi, Ashigarashimo-gun, Kanagawa-ken	
	Land Space	10,478.89 m <sup>2</sup>	
	Zone, etc	Commercial zone, fire prevention zone (secondary)	
	Building-to-land ratio	80%	
	Floor-area ratio	300%	
Bldg.	Structure/ Floor	RC, B1/5F	
	Use	Hotel, Onsen	
	Completion	October, 2006	
	Total Floor Area	10,655.03 m <sup>2</sup>	
	Design Company	Tokyu Construction Co., Ltd	
	Construction company	Tokyu Construction Co., Ltd	
	Building construction authorization agency	Japan ERI Co, Ltd.	
Current Owner	Trustee: Mitsubishi UFJ Trust and Banking Corporation Beneficiary: Japan Hotel and Resort, Inc.		
<b>3. Access</b>			
One minute's walk from Gora Station, the transfer station for the Hakone Tozan Railway and Hakone Ropeway. Approximately 90 minutes from Tomei Tokyo IC. Approximately 30 minutes from Tomei Gotemba IC.			
<b>4. Overview of Lease</b>			
No. of Tenant	1		
Total Leasable Area	10,655.03 m <sup>2</sup>		
Leased Area	10,655.03 m <sup>2</sup>		
Total Rent Revenues (Annual)	Fixed Rent	¥294,340,000	
Deposits and Guarantee Deposits	Deposit ¥9,570,000		

Occupancy Rates over last 5 years	Nov.15, 2006- Aug.2007	Sep.2007- Aug.2008	Sep.2008- Aug.2009	Sep.2009- Aug.2010	Sep.2010- Feb.2011
	100 %	100 %	100%	100%	100 %
<b>5. Overview of Hotel Lessee</b>					
Hotel Lessee	Kyoritsu Maintenance Co., Ltd.				
The company commissioned to manage the buildings, etc.	Kyoritsu Maintenance Co., Ltd.				
<b>6. Website</b>					
<a href="http://www.hotespa.net/hotels/setsugetsuka/">http://www.hotespa.net/hotels/setsugetsuka/</a>					
<b>7. Overview of Building Assessment</b>					
Building Assessment Company	Property Risk Solution Corporation				
Date of Building Assessment	November 17, 2010 February 24, 2011				
Repair Expense	Emergency	0			
	Within a year	0			
	Total for the next 12 years	¥74,900,000			
PML (Probable Maximum Loss)	14.4% (As of February 25, 2011)				
<b>8. Remarks</b>					
<p>* According to documents disclosed by the seller, the presence of naturally-occurring lead at levels exceeding the standard value has been confirmed in some areas within the site of the property. However, at the time of acquisition of the property we requested that the Property Risk Solution Corporation, an external organization with expertise in this area, carry out a survey of the property, and as a result we obtained the judgment that there is no health risk from the property after taking into account the measures taken by the seller to resolve the problem and other factors.</p> <p>* Along with the acquisition of the property, we plan to inherit the Hot Spring Supply Agreement that exists between Hakone Tozan Railway Co., Ltd. and Spring Property Co., Ltd.</p>					

<Appendix 2> Portfolio

(Unit: million yen)

Hotel	Type	Grade	Location	Acquisition Price	Investment Ratio	Year Built	Total No. of rooms
1 Kobe Meriken Park Oriental Hotel	City	Upper Middle	Chuo-ku Kobe	11,400	12.8%	Jul.,1995	319
2 Oriental Hotel Tokyo Bay	City	Mid-priced	Urayasu-city Chiba	19,400	21.8%	May,1995	502
3 Namba Oriental Hotel	Business	Mid-priced	Chuo-ku Osaka	16,700	18.7%	Mar.,1996	257
4 Hotel Nikko Alivila	Resort	Luxury	Yomitanson Nakagami-gun Okinawa	19,700	22.1%	Apr.,1994	396
5 Nara Washington Hotel Plaza	Business	Mid-priced	Nara-city Nara	1,800	2.0%	Mar.,2000	204
6 Hakata Nakasu Washington Hotel Plaza	Business	Mid-priced	Hakata-ku Fukuoka	3,880	4.4%	Mar.,1995	247
7 Daiwa Roynet Hotel Akita	Business	Economy	Akita-city Akita	2,278	2.6%	Jun., 2006	221
8 Oriental Hotel Hiroshima	City	Upper Middle	Hiroshima-city Hiroshima	9,900	11.1%	Sep1993	227
9 Hakone Setsugetsuka	Resort	Mid-priced	Hakone-machi Ashigarashimo-gun Kanagawa	4,059	4.6%	Oct.,2006	158
<b>Total</b>				<b>89,117</b>	<b>100.0%</b>	<b>-</b>	<b>2,531 室</b>

< Reference > Overview of Appraisal Report

<b>Overview of Appraisal Report</b>	
Appraisal Company	Japan Real Estate Institute
Date of value estimate	March 8, 2011
Appraisal value	¥4,060 million
Estimated value	
Estimated value calculated using the direct capitalization method	¥4,080 million
Gross income	¥294,345,000
Rent Revenues	
Fixed rent	¥294,340,000
Other income	¥5,000
Total costs	¥27,985,000
Net operating income (NOI)	¥266,360,000
Net cash flow (NCF)	¥260,933,000
Cap Rate	6.4%
Estimated value calculated using the DCF method	¥4,030 million
Discount rate	6.2%
Terminal cap rate	6.6%
Total property value (Note )	¥3,740 million
Land price	¥953 million
Buildings price	¥2,160 million
Marketability of the land and buildings as an integrated unit	120%

(Note) We set the marketability of the land and buildings as an integrated unit at 120%, so the final total property value is 3,740,000 yen, a figure obtained by multiplying the total price of the land and buildings, 3,113,000 yen, by 120%.