

Provisional Translation Only
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Notice regarding New Acquisition of Domestic Real Estate Trust Beneficiary Interest  
(Hakone Setsugetsuka)

Japan Hotel and Resort, Inc., (hereinafter “JHR”) hereby provides notice that JHR has decided to acquire the following.

1. Overview of the Asset JHR Plans to Acquire

Asset Name	Hakone Gora Onsen, Tokinoyu, Setsugetsuka
Type of asset JHR plans to acquire	Real estate trust beneficiary interest
Usage category	Hotel
Type	Resort Hotel
Grade	Mid-Priced
Rent Type	Fixed Rent
Acquisition Price	¥3,550 million
Date of conclusion of agreement (Planned)	March 24, 2011
Acquisition date (Planned)	March 24, 2011
Seller	Spring Property Co., Ltd.
Funding	Borrowings and cash on hand
Collateral	Secured

2. Reason

In accordance with the “Targets and Policies for Asset Management” stipulated in the JHR Articles of Incorporation, we will acquire the property with the aim of ensuring steady growth and stable profits in the medium- to long-term, and in order to diversify our portfolio.

Furthermore, the acquisition price of the property is a price that is 180 million yen (approximately 5.3%) above the appraisal value, but the property is a highly scarce, top grade property located in a region in which the number of visitors is expected to increase; moreover, taking the following points into consideration we believe that it has sufficient asset value to justify the acquisition price.

A report by a third-party specialized agency confirmed that there was no effect on the property due to the earthquake with its hypocenter off the coast of Sanriku or the earthquake with its hypocenter in the eastern part of Shizuoka Prefecture, etc.

(i) About competitiveness in terms of “hard” aspects

The property is in Gora Onsen, one of the major hot spring areas in Hakone Town, an area which is highly popular and very accessible from the Tokyo Metropolitan Area. The property is located one minute’s walk from Gora Station, the transfer station for the Hakone Tozan Railway and the Hakone Ropeway. The east side of the property is located in a scenic environment in which guests can see Mt. Myojogatake, where the famous “Daimonji-yaki bonfire festival” is held, and can look out over the majestic nature of Hakone. It is a highly scarce, top grade property with outstanding potential as a resort, located close to many attractions, and with a very high profile.

Furthermore the property is a recently-built property, which is rare in Hakone Town. It opened as recently as November 2006. It is a resort hotel which offers an open-air bath in each of the guest rooms (158 rooms). Additional facilities include large shared baths with natural spring water, private open-air baths, restaurants, etc., so the property is highly competitive in terms of “hard” aspects compared to other properties.

(ii) About competitiveness in terms of “soft” aspects

Kyoritsu Maintenance Co., Ltd., the lessee of the property, manages high quality business hotels and resort hotels throughout Japan, so we believe that the hotel management capability of this company is very good. They are producing high earning capacity at the property as well so we can expect stable rent revenues.

(iii) About portfolio diversification

First of all, the property is located in Kanagawa Prefecture, a prefecture in which JHR did not own any properties until now, so it is a property that can contribute to regional diversification. Next, it is a resort-type property located in a region in which leisure demand from both Japan and overseas can be expected. Moreover, it is a fixed rent type of property that can contribute to ensuring stable rent revenues. We believe that acquisition of the property will help with diversification of our portfolio because the property has the aforementioned characteristics.

3. Details about the Asset JHR Plans to Acquire

Please refer to Appendix 1 below.

4. Outline of Seller

Trading Name	Supring Property Co., Ltd.
Location of Head Office	Akasaka Chuo Bldg. 3-2-6 Akasaka, Minato-ku, Tokyo
Representative	Naoto Kasuya, Director
Paid-in Capital	¥3 million (as of March 14, 2011)
Date of Foundation	March 11, 2004
Major Shareholder	We have not disclosed this information because we have not obtained the consent of the seller to do so.
Description of Business	<ol style="list-style-type: none"> <li>1. Acquisition, ownership, sale and other disposition of the real estate trust beneficiary interest with the land included in this deal (and the buildings on the land included in this deal) as the trust property</li> <li>2. Development of the buildings</li> <li>3. All operations auxiliary to or related to the previous items</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.
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#### 5. Outline of Agency

Name	Part A Co., Ltd.
Location	1-8-4 Shinbashi, Minato-ku, Tokyo
Representative	Masashi Yamashima
Paid-in Capital	¥20 million (as of March 18, 2011)
Date of Foundation	July 20, 2004
Description of Business	Construction and design, administration, Consulting, Real estate consulting
Relationship of JHR and the asset management company	
Capital/Personnel/Business relationship	There are no capital relationships, human relationships, or transactional relationships between JHR/the asset management company and the company in question that need to be reported. Furthermore, there are no capital relationships, human relationships, or transactional relationships worth noting between the parties concerned or affiliated companies of JHR/the asset management company and the parties concerned or affiliated companies of the company in question.
Related parties	The company in question is not classified as a related party of JHR/the asset management company. Furthermore, the parties concerned and affiliated companies of the company in question are not classified as related parties of JHR/the asset management company.

#### 6. Settlement

JHR plans to pay the settlement amount with borrowings of ¥3,000 million and cash on hand.

#### 7. Schedule (Planned)

March 24, 2011	Conclusion of the beneficiary interest transfer agreement, lump-sum payment of the settlement amount, handover of the property
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#### 8. 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 Asset to be acquired

Property No.	9	Property Name	Hakone Setsugetsuka		
<b>1. Overview of the Asset</b>					
Type of Asset	Real estate trust beneficiary interest				
Acquisition date (Planned)	March 24, 2011				
Acquisition Price (Planned)	¥3,550 million				
Appraisal value	¥3,370 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	10,655.03m <sup>2</sup>			
	Design Company	Tokyu Construction Co., Ltd			
	Construction company	Tokyo Construction Co., Ltd			
	Building construction authorization agency	Japan ERI Co, Ltd.			
Current Owner	Trustee: Mitsubishi UFJ Trust and Banking Corporation Beneficiary: Spring Property Co., Ltd.				
<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	¥234,840,000			
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	¥70,900,000
PML (Probable Maximum Loss)		14.4%
<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>* Within the site of the property, there are some assets owned by the lessee, including the private open-air baths, etc.</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 > Characteristics of the Region and Market Overview

**Characteristics of the Region**

The property is in Gora Onsen, one of the major hot spring areas in Hakone Town, an area which is highly popular and very accessible from the Tokyo Metropolitan Area. The property is located one minute's walk from Gora Station, the transfer station for the Hakone Tozan Railway and the Hakone Ropeway. The east side of the property is located in a scenic environment in which guests can see Mt. Myojogatake, where the famous "Daimonji-yaki bonfire festival" is held, and can look out over the majestic nature of Hakone. It is a highly scarce, top grade property with outstanding potential as a resort, located close to many attractions, and with a very high profile.

**Market Overview**

Hakone Town is positioned approximately 80km west of Tokyo in the center of the Fuji-Hakone-Izu National Park, and is a tourist region in which visitors can enjoy the changing scenery throughout the four seasons of the year, and that offers tourist attractions such as the Owakudani volcanic valley, Lake Ashinoko, the Hakone Sekisho [checkpoint], etc., and many facilities such as art museums, natural history museums, and others.

Furthermore, because it is one of the most famous hot spring areas in Japan with a history going back to the opening of its first hot spring in the Nara Period, and in addition because of its strong ability to attract visitors from the Tokyo Metropolitan Area, Hakone Town has been the place that has attracted the greatest number of hot spring tourists among all local governments with hot springs in Japan for the last five years in a row. In 2009 19,650,000 tourists, 5,570,000 hot spring bathers, and 4,530,000 hotel guests came to Hakone Town. 97.2% of the hotel guests were Japanese and 2.8% of them were foreign nationals.

**対象物件周辺の地図**



(Note) The statements in the above "Characteristics of the Region" section and "Market Overview" section are extracts or summaries of a market report written by KPMG FAS Co., Ltd., the Hakone Town Tourist Fact-Finding Survey Report (2009), and information provided by Hakone Gora Onsen Tokinoyu Setsugetsuka.

< Appendix 3 > Pictures

Hakone Setsugetsuka



Rooms



Hot Spring (Onsen)



< Appendix 4 > 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	12.9%	Jul.,1995	319
2 Oriental Hotel Tokyo Bay	City	Mid-priced	Urayasu-city Chiba	19,400	21.9%	May,1995	502
3 Namba Oriental Hotel	Business	Mid-priced	Chuo-ku Osaka	16,700	18.8%	Mar.,1996	257
4 Hotel Nikko Alivila	Resort	Luxury	Yomitanson Nakagami-gun Okinawa	19,700	22.2%	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	11.2%	Sep1993	227
9 Hakone Setsugetsuka	Resort	Mid-priced	Hakone-machi Ashigarashimo-gun, Kanagawa	3,550	4.0%	Oct.,2006	158
<b>Total</b>				<b>88,608</b>	<b>100.0%</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	¥3,370 million
Estimated value	
Estimated value calculated using the direct capitalization method	¥3,390 million
Gross income	¥234,845,000
Rent Revenues	
Fixed rent	¥234,840,000
Other income	¥5,000
Total costs	¥26,376,000
Net operating income (NOI)	¥208,469,000
Net cash flow (NCF)	¥203,342,000
Cap Rate	6.0%
Estimated value calculated using the DCF method	¥3,340 million
Discount rate	6.0%
Terminal cap rate	6.5%
Total property value (Note )	¥3,180 million
Land price	¥953 million
Buildings price	¥1,700 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 3,180,000,000 yen, a figure obtained by multiplying the total price of the land and buildings, 2,653,000,000 yen, by 120%.