

Announcement of Operational Results

Second Term (ended August 2007)

October 23, 2007

The logo for Japan Hotel and Resort, Inc. features the company name in a white serif font on a teal rectangular background. The Japanese characters '日本ホテルアンドリゾート' are written in a smaller font below the English text.

Japan Hotel and Resort, Inc.

<http://www.jhrth.com>

The logo for Japan Hotel & Resort K.K. features the company name in a white serif font on a green rectangular background. The Japanese characters '日本ホテルアンドリゾート' are written in a smaller font below the English text.

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Japan Hotel and Resort, Inc.

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Japan Hotel and Resort K.K.

Financial product trading company;

Director of Kanto Finance Bureau (Financial Product) No. 333 (deemed registration number)

Member of The Investment Trusts Association, Japan

Chapter 1 Overview of Second Term Results (ended August 2007)

Chapter 2 Topics in the Second Term

Chapter 3 Operating Performance of Individual Properties

Chapter 4 Basic Policy of Growth Strategies

Appendix A Portfolio Data Book

Appendix B Internal Controls

Appendix C Investor Composition and Unit Price

Appendix D Descriptions and Photos of Properties



Chapter 1 Overview of Second Term Results (ended August 2007)

1

Growth of room revenues than the year-ago level FY05 (Sept. 2005 to Aug. 2006) vs. FY06 (Sept. 2006 to Aug. 2007)

- RevPAR of the four hotels with variable rents increased by 2.9% to 17.6% year on year

2

Strategic changes in lease contracts

- Lease contracts for HMJ hotels with variable rents changed to the contracts introducing stepped-up rents (New terms are applied from the third term)
- The REIT will reflect the return from strategic capital expenditures more directly through an increase in variable rents

3

Acquisition of new properties: TTL: ¥12,178 mn Oriental Hotel Hiroshima and Daiwa Roynet Hotel Akita

- Daiwa Roynet Hotel Akita: A new business hotel acquired in Feb. 2007
- Oriental Hotel Hiroshima: A property introducing variable rent, acquired in Oct. 2007 (third term)

4

Proactive financing strategy: Unsecured loans & Moody's A3 credit rating

- Strategic refinancing: The REIT changed secured loans (¥31.7 bn) at the time of the listing to unsecured loans and dispersed the loan maturities.
- The REIT was rated A3 by Moody's Investors Service for the first time as a domestic hotel JREIT

(Summary) Balance Sheet, Income Statement

■ Chapter 1 Overview of Second Term Results (ended August 2007) ■

Japan Hotel and Resort, Inc.

Second Term (Summary) Balance Sheet

		Actual	% of total assets
Assets	Cash and equivalents	¥ 4,845mn	5.9 %
	Investment properties, etc.	¥ 75,520mn	91.3 %
	Others	¥ 2,356mn	2.8 %
	Total assets	¥ 82,721mn	100.0 %
Liabilities	Borrowings	¥ 31,753mn	38.4 %
	Deposits	¥ 1,775mn	2.1 %
	Others	¥ 805mn	1.0 %
	Total liabilities	¥ 34,334mn	41.5 %
Net Assets	Net assets	¥ 48,387mn	58.5 %

Second Term (Summary) Income Statement — Full Year

	Estimate	Actual	Variance (%)
Operating revenues	¥ 5,606mn	¥ 5,592mn	(0.2 %)
Operating profit	—	¥ 3,007mn	—
Recurring profit	¥ 2,455mn	¥ 2,472mn	0.7 %
Net income	¥ 2,453mn	¥ 2,470mn	0.7 %
Dividend per unit	¥ 26,750	¥ 26,944	¥ 194

Reason behind the variances between estimates and actuals

- The primary factor for the variance in operating revenues lies in variable rents.

Financial Indicators

Second Term Financial Indicators

FFO	2nd term ¥ 3,931 mn	(1st term) ¥ 2,183 mn	■ Funds From Operations (FFO) is calculated as a total of net income, depreciation cost, and loss from disposal on fixed assets
ROA	2nd term 3.0%	(1st term) 1.8% (annualized 3.3%)	■ Return On Assets (ROA) is the ratio of recurring profit to total assets and is calculated by dividing recurring profit by average total assets between total assets at the beginning of the term and total assets at the end of the term. The figure in brackets for the first term is an annualized number based on the actual period of operations (198 days). ROA for the first term that is calculated by dividing recurring profit by total assets at the end of the term is also 1.8% (annualized 3.3%)
ROE	2nd term 5.2%	(1st term) 3.2% (annualized 5.9%)	■ Return On Equity (ROE) is calculated by dividing net income by average net assets between net assets at the beginning of the term and net assets at the end of the term. The figure in the brackets for the first term is an annualized number based on the actual period of operations (198 days). ROE for the first term that is calculated by dividing net income by net assets at the end of the term is 3.1% (annualized 5.7%)
LTV	2nd term 38.4%	(1st term) 38.8%	■ Loan To Value (LTV) is the leverage ratio at year-end and is calculated by dividing the amount of interest-bearing debt at year-end by the amount of total assets at year-end
Depreciation Cost	2nd term ¥ 1,355 mn	(1st term) ¥ 668 mn	■ The REIT incurred ¥ 1,355 mn in depreciation cost and ¥ 105 mn in loss from disposal of fixed assets in the second term
Capital Expenditure	2nd term ¥ 836 mn	(1st term) ¥ 999 mn	■ Capital expenditure for the second term is ¥ 836 mn

Third Term Projections

Third Term Projections

	Interim period	Full year
Operating term	182 days	366 days
Operating revenues	¥ 2,946 mn	¥ 6,098 mn
Recurring profit	¥ 972 mn	¥ 2,019 mn
Net income	¥ 972 mn	¥ 2,019 mn
Dividend per unit	—	¥ 22,022

Assumptions

- The number of days for the third term is 366 days from September 1, 2007 to August 31, 2008.
- The projections are made for the eight properties: seven that the REIT held at the end of the previous term and Oriental Hotel Hiroshima that the REIT acquired on October 1, 2007.
- Dividend per unit assumes that the number of investment units outstanding as of August 31, 2007 (91,700 units) remains unchanged at the end of August 31, 2008.
- Projected operating revenues include ¥ 2,349 mn in expected variable rents.
- Fixed asset tax and city planning tax for the third term are expected to be about ¥ 416 mn. (Fixed asset tax and city planning tax related to Oriental Hotel Hiroshima are expected to be ¥ 20 mn (for five months).)
- The REIT borrowed a long-term loan of ¥ 10,200 mn on October 1, 2007. As a result, the amount of debt payable at the end of the third term is expected to be ¥ 41,953 mn.
- Actual operating revenues, recurring profit, net income, and dividend per unit may differ from the projections, depending on the future acquisition or sale of real estate, trends in the real-estate market, and changes in other conditions surrounding the REIT. The projected dividend is not guaranteed.

P&L Comparison between 2nd Term Results and 3rd Term Projections

■ Chapter 1 Overview of Second Term Results (ended August 2007) ■

Japan Hotel and Resort, Inc.

Comparison of projections for 3rd term (full year) and results for 2nd term and analysis of major factors for change

	Results for 2nd term	Forecasts for 3rd term	Variance	Major factors for change
Operating term	365 days	366 days	—	
Operating revenues	¥ 5,592 mn	¥ 6,098 mn	¥ 506 mn	<p><u>Major factors for difference: Operating revenues</u></p> <p>Increase in rent revenues associated with the acquisition of Oriental Hotel Hiroshima ¥ 400 mn</p> <p>Rise in fixed rent revenues: ¥ 202 mn</p> <p>Rise in variable rent revenues: ¥ 197 mn</p> <p>Increase of 5.5 months' fixed rent from Daiwa Roynet Hotel Akita ¥ 63 mn</p> <p>Increase based on 3rd term budgets of four hotels with existing variable rents ¥ 42 mn</p> <hr/> <p style="text-align: right;">Total ¥ 506 mn</p>
Recurring profit	¥ 2,472 mn	¥ 2,019 mn	(¥ 453 mn)	<p><u>Major factors of difference: Recurring profit</u></p> <p>(1) Factors for increases in revenues</p> <p style="padding-left: 20px;">Increase in operating revenues ¥ 506 mn</p> <p>(2) Factors for increases in expenses</p> <p style="padding-left: 20px;">Increase in depreciation expenses based on the capital expenditure plan for the 3rd term ¥ (294 mn)</p> <p style="padding-left: 20px;">Increase in disposal on fixed asset for 3rd term ¥ (105 mn)</p> <p style="padding-left: 20px;">Increase in fixed asset tax and city planning tax in 3rd term ¥ (253 mn)</p> <p style="padding-left: 20px;">Increase in interest costs for borrowings associated with acquisition of Hiroshima in 3rd term ¥ (130 mn)</p> <p style="padding-left: 20px;">Increase in interest costs for existing borrowings associated with expected rises in interest rate in 3rd term ¥ (187 mn)</p> <p>(3) Net amount of increases and decreases in other revenues and expenses ¥ 10 mn</p> <hr/> <p style="text-align: right;">Total ¥ (453 mn)</p>
Net income	¥ 2,470 mn	¥ 2,019 mn	(¥ 451 mn)	
Dividend per unit	¥ 26,944	¥ 22,022	(¥ 4,922)	

CAPEX Comparison between 2nd Term Results 3rd Term Projections

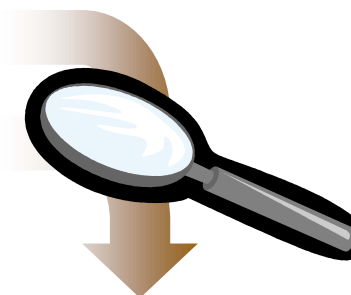
■ Chapter 1 Overview of Second Term Results (ended August 2007) ■

Japan Hotel and Resort, Inc.

Outline of Capital Expenditure Plan — an Assumption for 3rd Term Projections (Full Year)

Outline of Capital Expenditure Plan for the Third Term

CAPEX I	Related to the maintenance and replacement of the frames and facilities of buildings	¥ 280 mn
CAPEX II	Related to the purchase of FF&E necessary for the operation of hotels	¥ 404 mn
CAPEX III	Related to the renovation of guest rooms, banquet halls and restaurants	¥ 1,344 mn
Total		¥ 2,029 mn



Strategic Capital Expenditure for the Third Term

Hotel	Description	Estimate (tax excluded)
Kobe Meriken Park Oriental Hotel	Construction of rooms dedicated for brides on the 6th floor	¥ 70 mn
	Renovation of the "Yacht Club" on the 14th floor	¥ 50 mn
Oriental Hotel Tokyo Bay	Renovation of 108 rooms on the fifth and 6th floors	¥ 240 mn
	Renovation of the public lobby and the surrounding area on the 1st and 2nd floors	¥ 60 mn
Hotel Nikko Alivla	Renovation of 132 rooms and corridors on the 3rd through 8th floors	¥ 554 mn
Oriental Hotel Hiroshima	Renovation of 192 rooms and corridors on the 7th through 18th floors	¥ 340 mn
	Conversion from guest rooms to space for commercial tenants on the 6th floor	¥ 30 mn
Total		¥ 1,344 mn

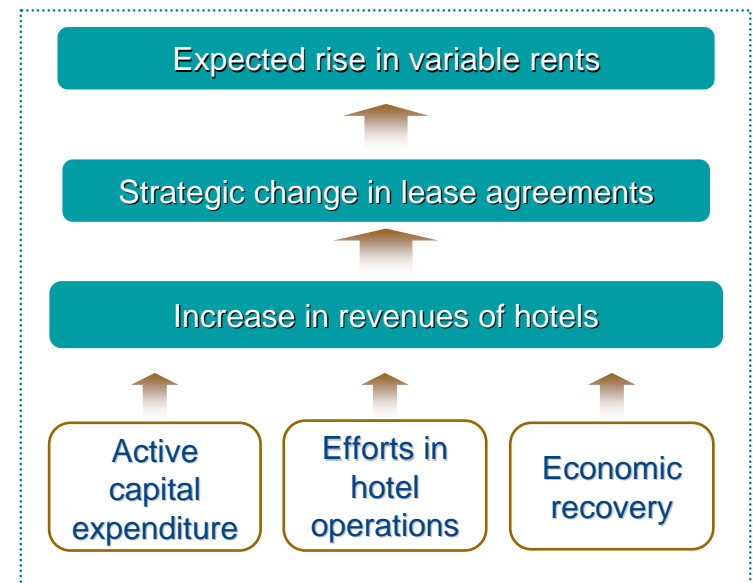
Chapter 2 Topics in the Second Term

Objectives of strategic change in lease agreements

- Introduced stepped-up rents (August 27, 2007) to distribute the results of internal growth more appropriately
- Reflects the return from capital expenditures made to hotels with variable rents more directly in increases in variable rents

Change in lease agreements

- Starting from the third term, if revenues in the fiscal term exceed a revenue threshold for stepping up, a stepped-up rate for variable rents is applied to the amount of revenues in excess of the threshold to calculate a variable rents
- The existing standard rate of 10% is applied to revenues up to a revenue threshold for stepping up to calculate a variable rents
- The change applies to the four hotels with variable rents and Oriental Hotel Hiroshima
- The fixed rent and rent cap scheme remain the same
- Rent cap structure (For reference) :
 - The upper limit of total variable rents (sum of rents based on a standard rate and stepped-up rates) of the above five hotels is a variable rent cap calculated for the hotels
 - Variable rent cap: 90% of the revised GOP calculated by subtracting fixed rents and fees to operators from GOP of the five hotels



◆ The above description is expectations that are not guaranteed.

Outline of Strategic Change in Lease Agreements

Changes in lease agreement schemes

Name of Hotel	Before the Change		After the Change			
	Annual Fixed Rents (Amount)	Annual Variable Rents (Rate)	Annual Fixed Rents (Amount)	Revenue Threshold for Stepping up (Amount)	Variable rents rate	
					Standard Rate	Stepped-up Rate
Kobe Meriken Park Oriental Hotel	¥ 3,000 mn	10% of Hotel Revenues	¥ 3,000 mn	Annual amount ¥ 21,515 mn (Note 1)	Applied to the amount up to the revenue threshold for stepping up	Applied to the amount in excess of the revenue threshold for stepping up
Oriental Hotel Tokyo Bay					10% of the above amount	30% of the above amount
Namba Oriental Hotel						
Hotel Nikko Alivila						
Oriental Hotel Hiroshima (acquired on October 1, 2007)	N/A	N/A	¥ 221 mn	Annual amount ¥ 2,204 mn (Note 2)	Applied to the amount up to the revenue threshold for stepping up	Applied to the amount in excess of the revenue threshold for stepping up
					10% of the above amount	40% of the above amount

(Note 1) Whether Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel and Hotel Nikko Alivila (hereinafter the “Four Existing Hotels”) reach the revenue threshold or not is determined based on the total revenues of the Four Existing Hotels.

(Note 2) Because Oriental Hotel Hiroshima is acquired on October 1, 2007, the revenue threshold for stepping up for the third term is ¥ 2,023,000,000 (rounded down to the nearest million yen) which is calculated by dividing the expected annual revenues by the number of days of the year (366) and then multiplying by the number of days of the expected operating days (336).

(Note 3) The upper limit of total variable rents (sum of rents based on the standard rate and the stepped-up rate) of the above five hotels (hereinafter the “Five Subject Hotels”) is a variable rent cap calculated for the Five Subject Hotels.

Operator's Activities for Improving Performance

Management Support by Archon Hospitality



Tracks of External Growth (1)

Growth of Asset Size

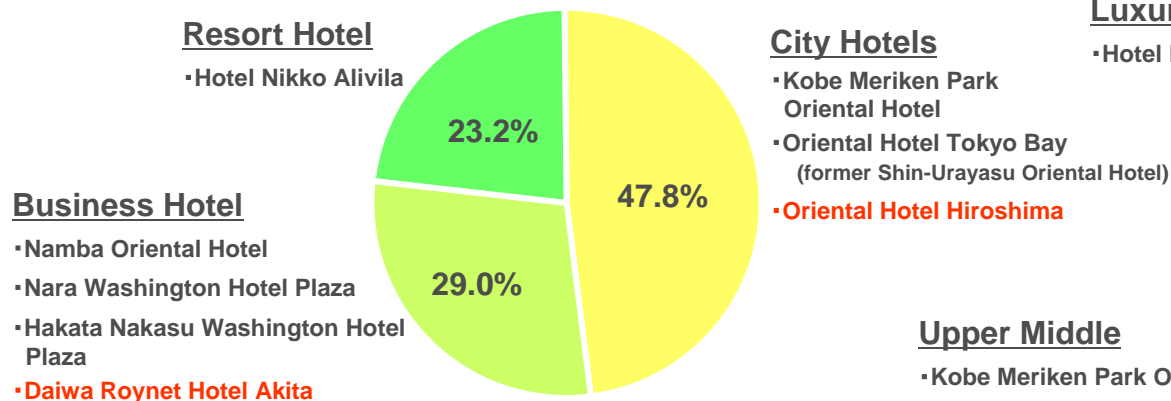
- The REIT's asset size increased from over ¥ 72 bn yen to more than ¥85 bn based on acquisition prices (as of October 1, 2007)
- Daiwa Roynet Hotel Akita was acquired in the second term (acquisition cost: ¥ 2,278 mn)
- Oriental Hotel Hiroshima was acquired in October in the third term (acquisition cost: ¥ 9,900 mn)



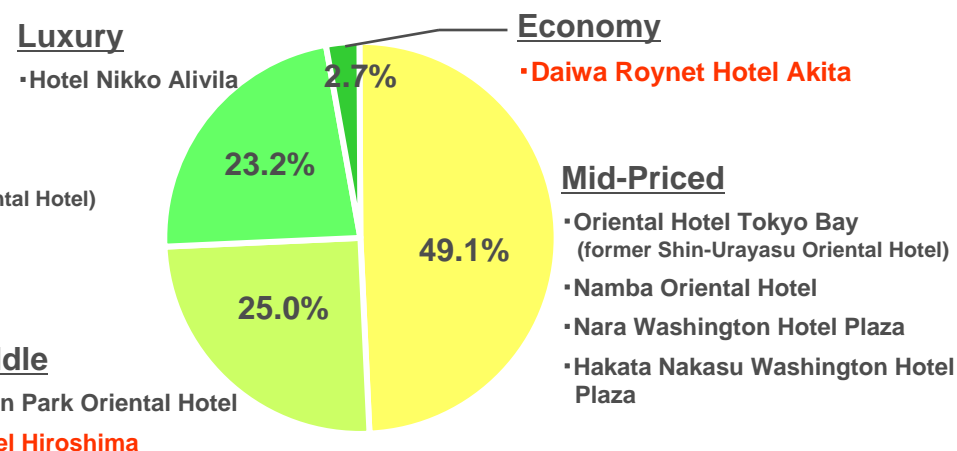
Tracks of External Growth (2)

Portfolio Diversification

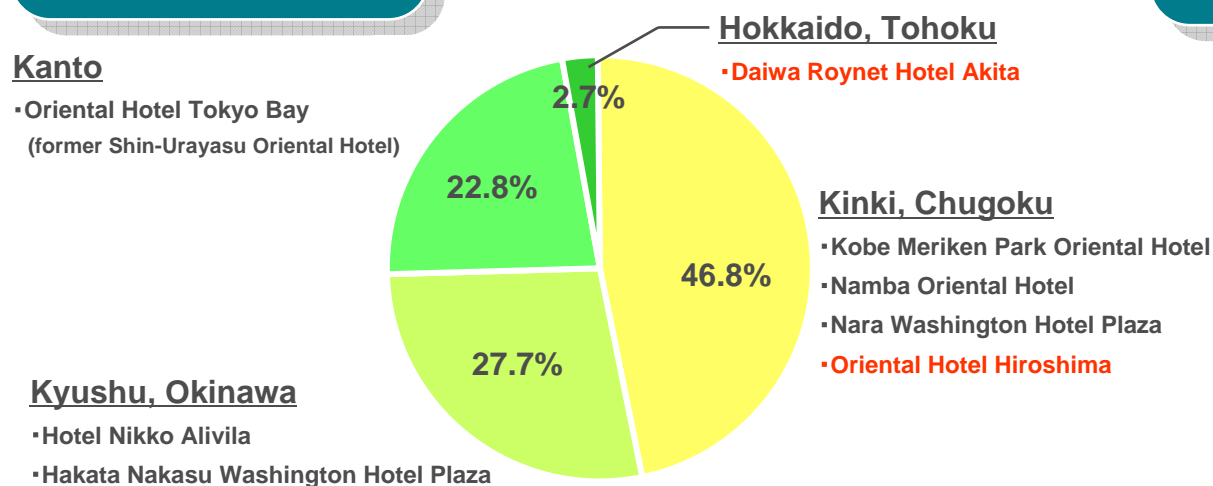
By type (Note 1)



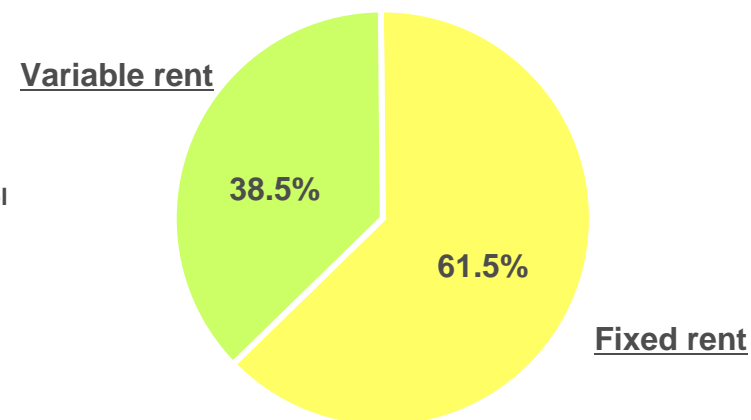
By grade (Note 1)



By region (Note 1)



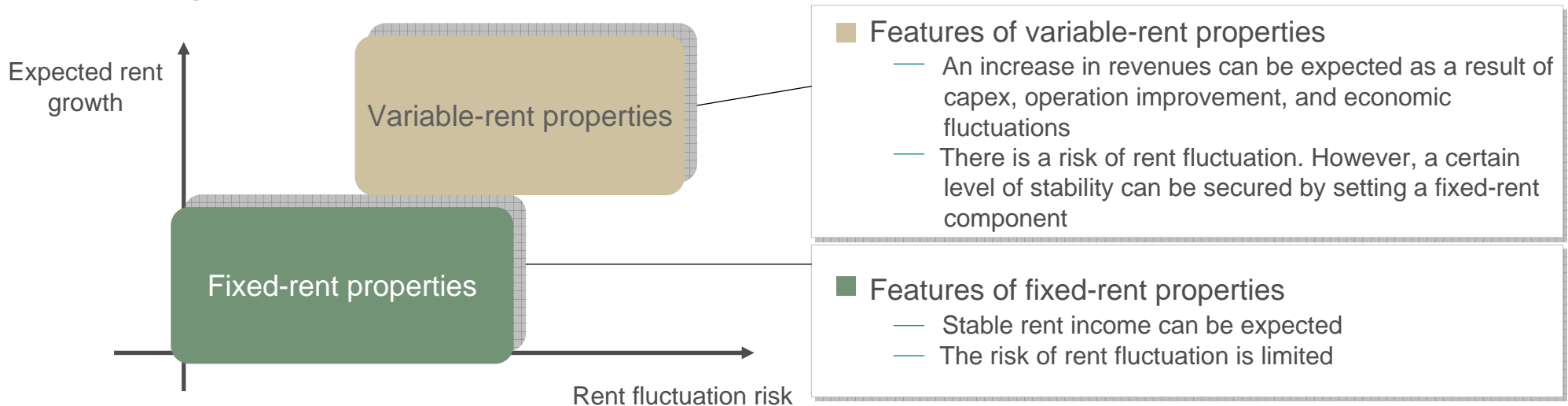
By rent type (Note 2)



(Note 1) Each pie chart is created based on acquisition prices (as of October 1, 2007).

(Note 2) The breakdown is based on expected variable rents in the third term. Actual variable rents may change.

Pursuing an optimum combination of variable-rent properties and fixed-rent properties



Features of portfolio management in the third term

■ Daiwa Roynet Hotel Akita (fixed-rent property)

- A property having a “high” cap rate that will have a positive impact on the entire portfolio
- Expansion of the risk tolerance of the entire portfolio

■ Oriental Hotel Hiroshima (variable-rent property)

- Space for an increase in value, and a rise in revenues
- Stepped-up variable rent in accordance with the investment risk

Building a portfolio in maintaining stability and expecting future increases in revenues by combining fixed-rent properties, which significantly contribute to short-term EPS, and variable-rent properties, from which we can expect rises in revenues in the medium to long term.

Property Acquired in Third Term: Oriental Hotel Hiroshima

Overview

- Acquisition determined on August 27, 2007; acquisition completed on October 1, 2007
- Located on Heiwa Odori, the main street in Hiroshima
- The brand was changed from Hiroshima Washington Hotel Plaza in October 2006
- Converted into a stylish urban hotel by a famous designer
- Management is supported by Archon Hospitality



Asset Overview		
Appraised value as of end Aug. 07		¥ 9.9 bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Hiroshima-city, Hiroshima
	Size	1,792.84㎡
Building	Structure/floors	SRC / 2 basement floors 23 floors with a deck roof
	Year Built	September, 1993
	Total floor space	13,752.22㎡
Hotel Lessee		K.K. Hotel Management Japan
Operator		Archon Hospitality K.K.
PML		10.7%

Oriental Hotel Hiroshima

Motive for Acquisition

Evaluation of Oriental Hotel Hiroshima

Rakuten Travel

Rankings of hotels popular among couples in Valentine's month:

Feb. 2007 Chugoku and Shikoku area 1st

Rankings of city hotels popular among women:

Sep. 2007 Chugoku and Shikoku area 2nd

Source: Rakuten Travel
(<http://travel.rakuten.co.jp/ranking/theme/>)

French restaurant
"OZAWA"



- Superiority in "Hard" aspects
 - Convenient location: The hotel faces Heiwa Odori. Behind the hotel lies the downtown area Nagarekawa
 - Splendid views: The hotel is one of the tallest buildings in the city (with 23 floors). Rooms on the higher floors and restaurants on the 22nd and 23rd floors have spectacular views.
 - Stylish, urban hotel: Stylish interior design by renowned designers and artists including Shigeru Uchida and Katsuhiko Hibino
 - Good amenities: Development of original amenity goods including shampoo and body-wash
- Superiority in "Soft" aspects
 - Management support by Archon Hospitality
 - Tenants include an established French restaurant in Tokyo named "OZAWA"
 - The hotel focuses on weddings
 - Cultural events including exhibitions by renowned designers in the gallery and concerts in the wedding chapel



Suite

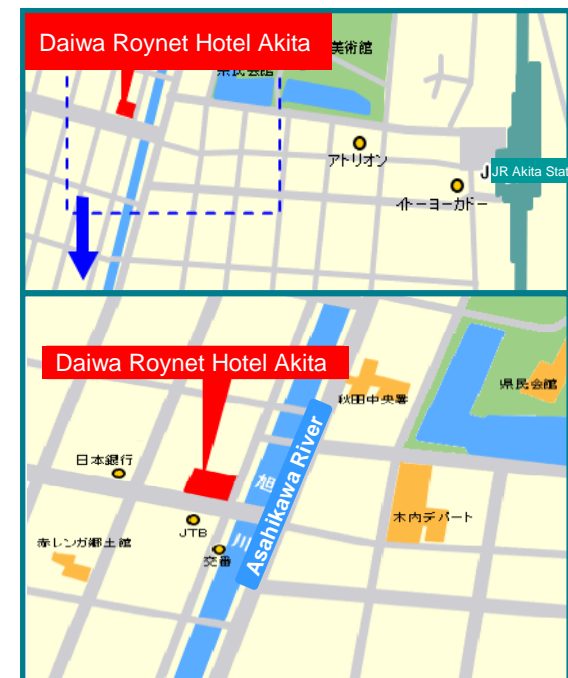


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Property Acquired in Second Term: Daiwa Roynet Hotel Akita

Overview

- Business demand in Akita
- Close to Kawabata-dori, the largest downtown area in Akita
- Operated by Daiwa Royal, which runs series of Roynet Hotels
- New building built in June 2006



Asset Overview

Appraised value as of end Aug. 07		¥ 2.24 bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Akita-city, Akita
	Size	1,540.15m ²
Building	Structure/floors	S / 14 floors
	Year Built	June, 2006
	Total floor space	7,539.52m ²
# of rooms		221
Hotel Lessee		Daiwa Royal Co., Ltd.
PML		6.4%

Daiwa Roynet Hotel Akita

Motive for Acquisition:

- Superiority in “Hard” aspects
 - Convenient location:
At the halfway point between JR Akita station and the government office quarter. Close to Kawabata-dori, the largest downtown area in Akita
 - New building: Built in June 2006; opened in July 2006
 - Spacious room: 18m² for a single room
 - Good amenities: Equipped with full double size beds and air purifiers
- Superiority in “Soft” aspects
 - The entire building is leased to Daiwa Royal Co., Ltd.:
The Daiwa House Group operates high-quality economy hotels, specializing in the accommodation business nationwide
 - Roynet Hotel brand:
Highly regarded by users of business hotels



Evaluation of Daiwa Roynet Hotel Akita

■ Rakuten Travel

Rankings of city and economy hotels popular among business people in their thirties:

June 2007 Hokkaido and Tohoku area 4th

Rankings of hotels on business in terms of amenities:

Mar. 2007 Hokkaido and Tohoku area 1st

Rankings of hotels on business in terms of rooms:

Nov. 2006 Hokkaido and Tohoku area 2nd

Source: Rakuten Travel

(<http://travel.rakuten.co.jp/ranking/theme/>)

■ Jalan net

Users' Word-of-Mouth Rankings

August 1, 2006 to August 31, 2007

Tohoku area

Overall rankings: 4th

Room rankings: 4th

Top 10 by area (seven areas) in 1st half of FY 2006

April 1, 2006 to September 30, 2006

Tohoku area

Top 10 in the room rankings: 1st

Top 10 in the cleanliness rankings: 4th

Top 10 in the good value rankings: 7th

Source: Jalan (<http://www.jalan.net>)

Financing Strategies (1)

Conversion to Unsecured Loans

Strategic refinancing

Outline of refinancing

- Strategic refinancing: Converted secured loans (¥ 31.7 bn for three years) to unsecured loans on August 24, 2007 (second term)
- Distributing the terms of loans: Facility A (¥ 19 bn, over one year) and Facility B (¥ 12.7 bn, over five years)
- Borrowing unsecured loans after refinancing: Facility C (¥ 10.2 bn, one and a half years; acquisition of Oriental Hotel Hiroshima)—October 1, 2007 (third term)

term (Note 1)	Facility	Lender	Remaining Loan (¥ mn)	Interest Rate	Means of Hedging	Interest Rate after Hedging	Repayment Date	Repayment Method (Note 2)	Usage	Remarks
Mid-term	A	Sumitomo Mitsui Banking Corporation	19,000	1.08% (annual rate) till November 15, 2007	Spread interest rate cap (Note 3)	1.08% (annual rate) till November 15, 2007	February 13, 2009	Lump-sum payment in principle	Prepayment of existing loans	Unsecured, non-guaranteed
		Mizuho Bank, Ltd.								
		The Norinchukin Bank								
Mid-term	C	Sumitomo Mitsui Banking Corporation	10,200	1.06% (annual rate) till November 15, 2007	--	1.06% (annual rate) till November 15, 2007	April 15, 2009	Lump-sum payment in principle	Acquisition of beneficial rights to real estate trust with Oriental Hotel Hiroshima being a trust property	Unsecured, non-guaranteed
		Mizuho Bank, Ltd.								
		The Norinchukin Bank								
Long-term	B	Sumitomo Mitsui Banking Corporation	12,753	1.28% (annual rate) till November 15, 2007	Interest rate swap (Note 4)	1.9085% (annual rate) till November 15, 2007	November 15, 2012	Lump-sum payment in principle	Prepayment of existing loans	Unsecured, non-guaranteed
		Mizuho Bank, Ltd.								
		The Norinchukin Bank								
Total			41,953							

(Note 1) Short-term means shorter than one year, medium-term one to five years, and long-term five years or longer.

(Note 2) The REIT may decide to prepay all or part of the above borrowings if certain conditions, such as prior written notice, are fulfilled.

(Note 3) Spread interest rate cap purchased on June 23, 2006 will continue to be applied with the above term loan of ¥19 bn (facility A; variable interest rate for over one year) a hedge target.

(Note 4) The start date of the interest rate swap agreement concluded on September 21, 2007 is November 15, 2007, which is the first interest payment date of the above term loan of ¥12.7 bn yen (facility B; variable interest rate for over five years). The fixed interest rate is 1.4585%.

Credit ratings

- The REIT was rated A3 by the U.S. rating agency Moody's Investors Service, the first for a domestic hotel REIT.
- The REIT continued to be rated A by Rating and Investment Information (R&I).

Rating agency	Date of announcement	Rating object	Rating	Rating outlook
Moody's Investors Service	October 12, 2007 (third term)	Issuer	A3	Stable
Rating and Investment Information (R&I)	August 29, 2006 (first term)	Issuer	A	Stable

Financing Strategies (2)

Use of Derivatives for Interest Rate Hedge

Hedging against risk of higher interest rates

Overview of hedging strategies

- Maintain the appropriate balance between fixed and variable borrowing rates and hedge against interest rate increases, while enjoying the benefit of borrowing at current low interest rates.

Hedging strategy	Hedging instrument	Ratio to total borrowings		Borrowings hedged	
				Borrowings	Facility
Making borrowing rates semi-fixed	interest rate cap spread	Semi-fixed rates	45.3%	¥ 19.0 bn	Facility A
Making borrowing rates fixed	Interest rate swaps	Fixed rates	30.4%	¥ 12.7 bn	Facility B
Maintaining variable rates	--	Variable rates	24.3%	¥ 10.2 bn	Facility C
		Total	100.0%	¥ 41.9 bn	

Summary of hedges for individual loans

- Term loan of ¥ 19 bn (Facility A): The interest rate cap spread (purchased on June 23, 2006 in the first term) continue to hedge against the term loan.

Description of Interest Rate Cap Spread

Notional Amount	¥ 19 bn	Strike Price	Low strike price	1.30%
Start Date	Jun. 27, 2006		High strike price	3.00%
Maturity Date	Feb. 15, 2011	Variable Interest Receipt	If 6-month TIBOR ≤ 1.30%	0.00%
Premium Payment	¥ 408,500,000 (46bps of the Notional Amount) (215bps of the Notional Amount)		If 1.3% < 6-month TIBOR ≤ 3.00%	6-month TIBOR -1.300%
			If 6-month TIBOR > 3.00%	1.70%

- Term loan of ¥ 12.7 bn (Facility B): The interest rate is fixed by an interest rate swap (concluded on September 21, 2007 in the third term).

Description of Interest Rate Swap

Counterparty	Goldman Sachs Japan Co., Ltd.	Scheduled start date	November 15, 2007
Notional principal	¥ 12,753 mn	End date	November 15, 2012
Fixed payment rate (note)	1.4585%	Interest payment date	For both fixed interest payments and variable interest receipts, the first payment date is May 15, 2008. The following payment dates are 15th of every May and November (if a payment date is not a business day, the business day immediately preceding the payment date) and the date of the termination of the interest rate swap agreement.
Variable interest receipt	6-month yen TIBOR		

(Note) As a result of the conclusion of the interest rate swap agreement at the above fixed payment rate, the interest rate for the term loan of ¥ 12.7 bn (Facility B; variable interest rate for over five years), the hedge target, will be fixed at 1.9085% starting November 15, 2007.

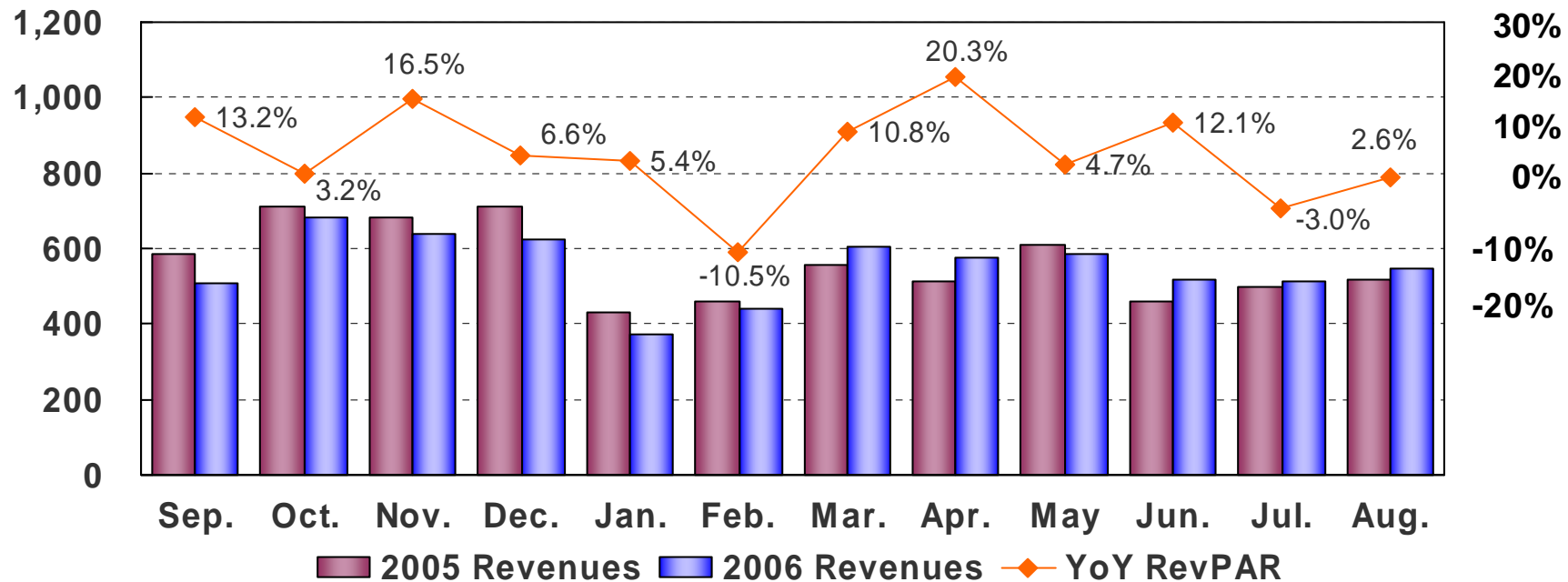
Chapter 3 Operating Performance of Individual Properties

Kobe Meriken Park Oriental Hotel

Hotel Performance (Note 1)

- The fall in wedding numbers, negatively affected in revenues in the first half of the second term. It turned around after March
- Synergy between the renovation of rooms and revenue management in the first term contributed to room revenues in the first half
- Year-on-year RevPAR fell in February 2007 with the renovation of rooms but it showed an upward trend after the renovation
- RevPar fell from the year-ago level in July 2007, mainly as a result of a fall in occupancy rate due to typhoons, etc

(Yen in millions)



(Note 1) Some monthly figures have not been audited and are for reference purposes only.

(Note 2) A total of 42 rooms on the 11th floor were renovated from January 15 to March 2, 2007, 46 rooms on the 10th floor were renovated from January 9 to March 8, 2007, and the lobby lounge "Pier" was renovated from May 8 to June 20, 2007.

Kobe Meriken Park Oriental Hotel Renovation

Renovation of 88 rooms and corridors on the 10th and 11th floors

Succeeding the design adopted in the renovation of rooms and corridors in the first term, each room was renovated in the form guests can feel comfortable in every part of the room, which features a sofa for one, a comfortable, sloping bed (or beds) with headboard, and rattan deck chairs on the balcony. Kobe Port can be viewed from the bathrooms of new corner suites.

Expenditure: ¥ 222 mn

Effected: Jan. - Mar. 2007

(Note) The above expenditure includes not only expenses for buildings and associated facilities classified as fixed assets but also expenses for fixtures and equipments.



Before



After



Kobe Meriken Park Oriental Hotel Renovation

Renovation of the lobby lounge “Pier”

The renowned design company, Hirsch Bedner Associates (HBA) was adopted to supervise the design of the lounge and succeeded to create a sophisticated space with a classical, European design featuring modern elements.

While the number of seats increased from 118 to 144, the positions of the tables and lamps were arranged so that the lounge resembles a collection of private rooms.

In the rear of the lounge, a separate room named Salon de Branche has been set up, where a small number of people can hold a wedding party.



Expenditure: ¥ 98 mn

Effected: May - June 2007

After

(Note) The above expenditure includes not only expenses for buildings and associated facilities classified as fixed assets but also expenses for fixtures and equipment.



Before

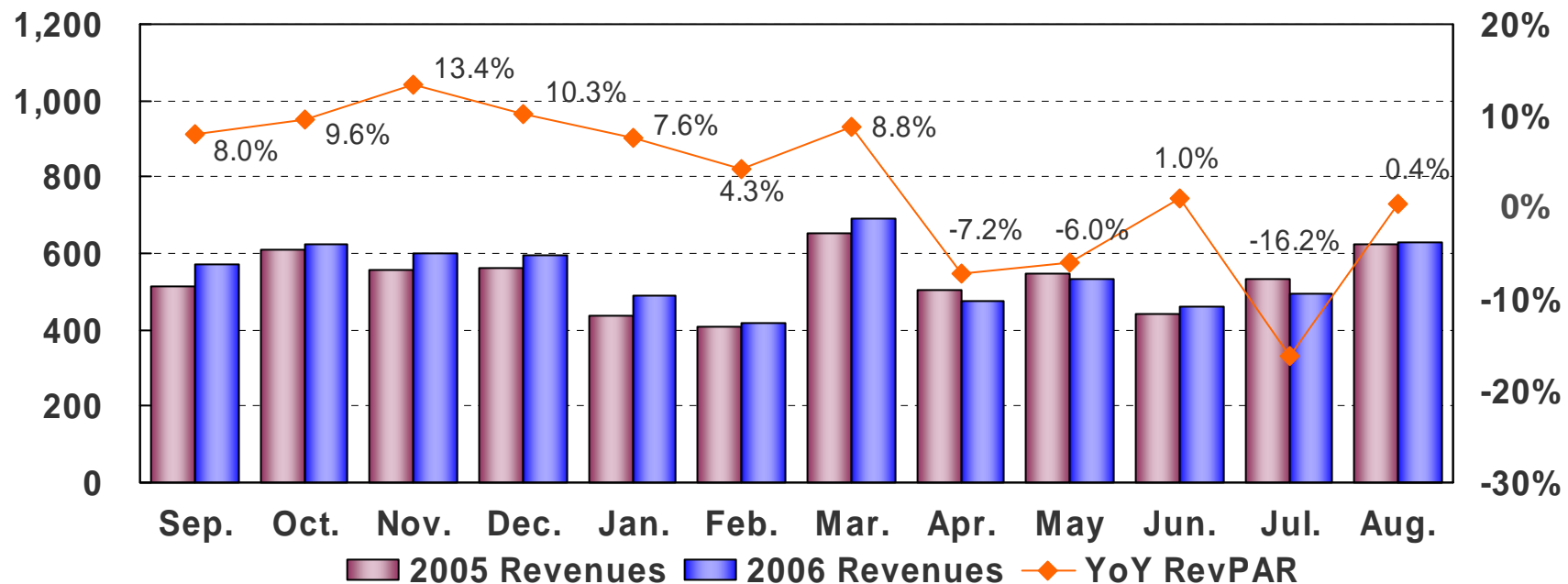


Oriental Hotel Tokyo Bay

Hotel Performance (Note 1)

- Monthly revenues exceeded the year-ago level from September 2006 to March 2007
- After April 2007, the occupancy ratio fell with the entries of new competitors and pricing policies adopted by existing hotels in response to these entries. However ADR continued to top the year-ago level as a result of re-branding
- Year-on-year RevPAR fell in July 2007 mainly due to a decline in the occupancy ratio caused by typhoons, etc
- In the full year, the occupancy ratio remained above 80% on average. Revenues from restaurants and weddings exceeded with the previous year's performance. Total revenues increased from the year-ago level

(Yen in millions)



(Note 1) Some monthly figures have not been audited and are for reference purposes only.

(Note 2) A total of 108 rooms on the seventh and eighth floors were renovated from January 8 to March 4, 2007, and the restaurant Chinese Table was renovated from June 18 to July 21, 2007.

Renovation of 108 rooms and corridors in the seventh and eighth floors

In the renovation, the hotel created a space where families can feel at home, incorporating the taste of Provence of southern France, the concept for the entire hotel, into the design.

The hotel remodeled 14 “Grande 6” deluxe twin rooms on the seventh floor into comfortable rooms for up to six people, installing double-deck beds for children.

Expenditure: ¥ 171 mn

Effected : Jan. - Mar. 2007

(Note) The above estimated expenditure includes not only expenses for buildings and associated facilities classified as fixed assets but also expenses for fixtures and equipment.

Before



After



Renovation of the restaurant “Chinese Table”

The hotel renovated a Chinese buffet restaurant that had remained popular with local and hotel guests for 12 years after its establishment.

The renovation was designed to increase the number of seats from 127 to 145, enabling the restaurant to accommodate more guests, and to change the design to a more upscale one based on the concept of the hotel re-branding that started in April 2007.

Expenditure: ¥ 58 mn

Effectuated : June - July 2007

(Note) The above estimated expenditure includes not only expenses for buildings and associated facilities classified as fixed assets but also expenses for fixtures and equipment.

Before



After

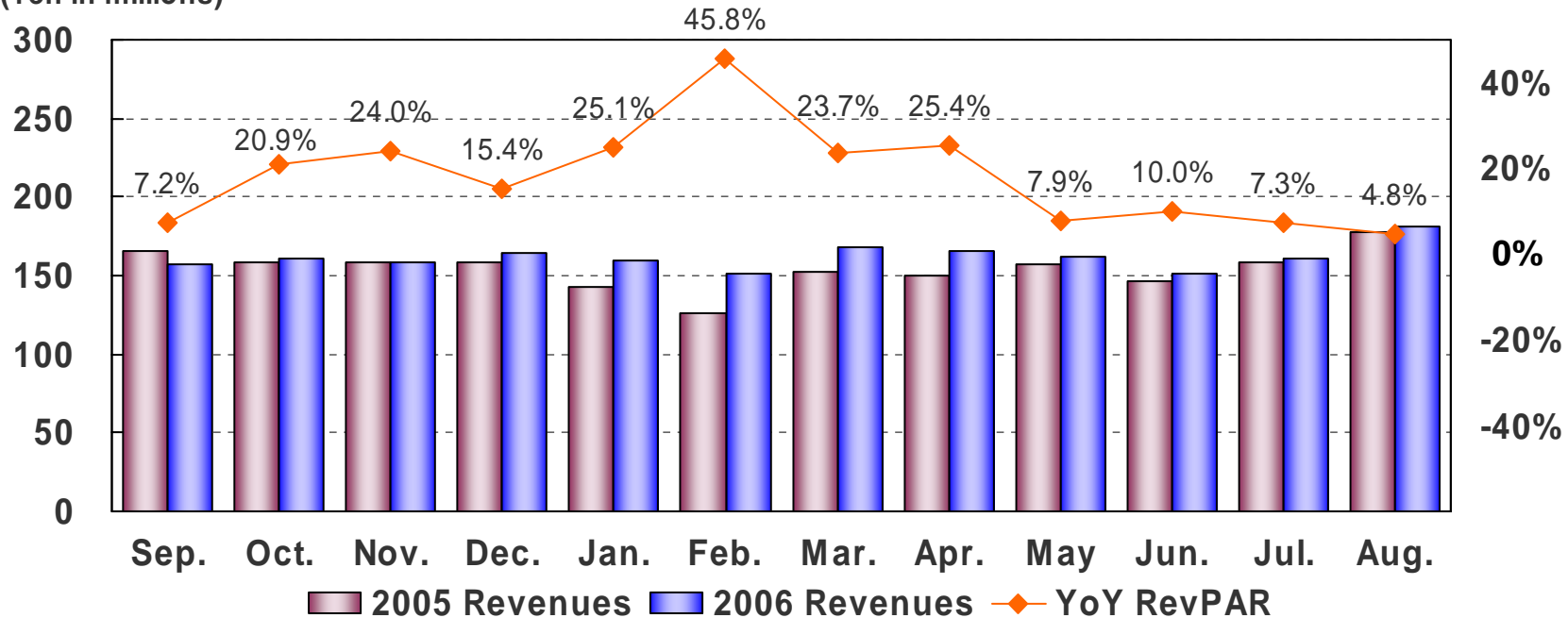


Namba Oriental Hotel

Hotel Performance (Note 1)

- Monthly RevPAR continued to exceed the year-ago level thanks to the effects of the renovation of rooms and revenue management using the internet reservation system in the first term
- The main reason for the rise in year-on-year RevPAR change for February is that revenues stopped in January and February 2006 with the renovation of rooms
- Falls in rents with the departure of a large tenant at the beginning of 2006 were more than offset by increases in room revenues

(Yen in millions)



(Note 1) Some monthly figures have not been audited and are for reference purposes only.

(Note 2) A total of 43 rooms on the seventh floor was renovated from January 29 to February 17, 2006, and 43 rooms on the eighth floor were renovated from February 12 to March 3, 2006.

Renovation of the directly managed *shabu-shabu* restaurant “Nagi”

Namba Oriental Hotel renovated its *shabu-shabu* restaurant, the only restaurant directly managed by the hotel, and opened as “Nagi”. The hotel has created an sophisticated space with a chic and relaxed atmosphere, a space separated from the hustle and bustle of the Namba streets.

Expenditure: ¥ 40 mn

Effected : Oct. - Dec. 2006

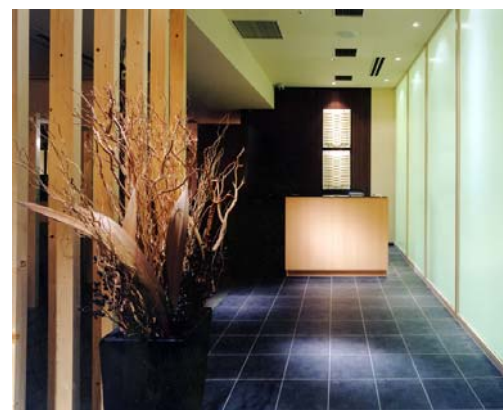
(Note) The above expenditure includes not only expenses for buildings and associated facilities classified as fixed assets but also expenses for fixtures and equipment.



After



Before

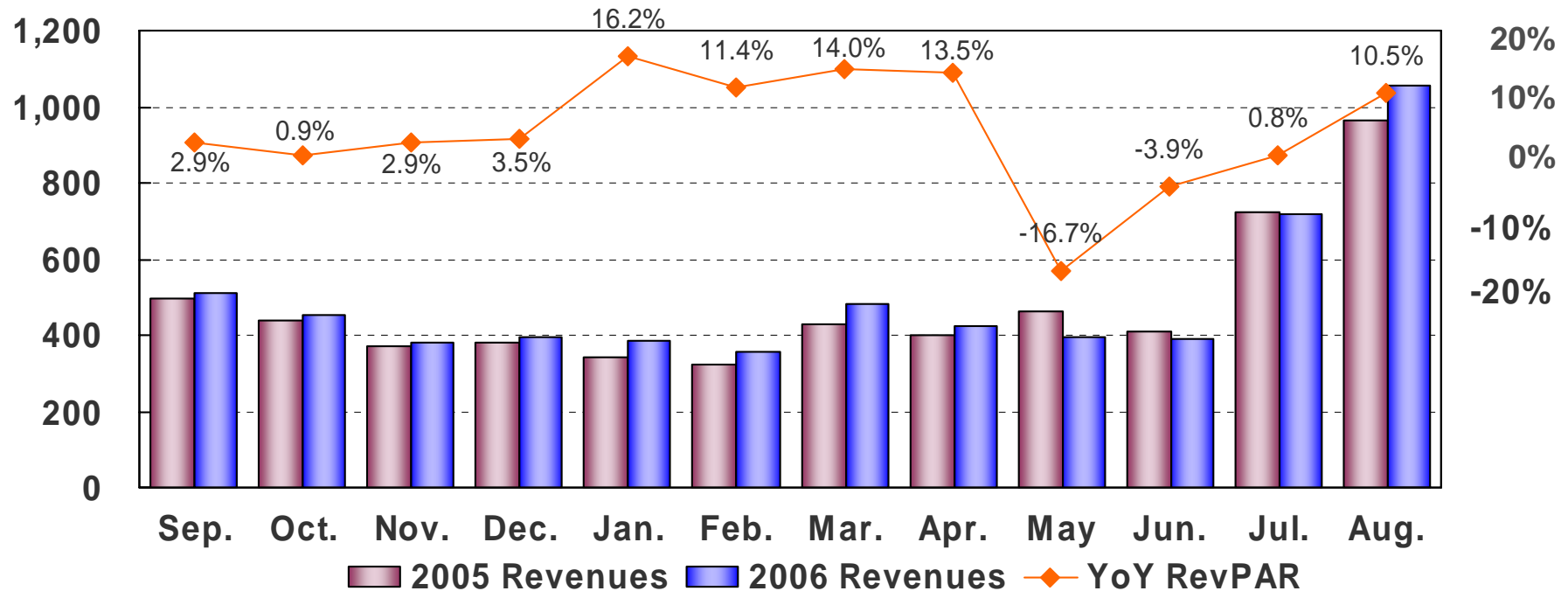


Hotel Nikko Alivila

Hotel Performance (Note 1)

- Monthly revenues and RevPAR exceeded the year-ago level every month from September 2006 to April 2007, including the off-season period (from December to February)
- Revenues and RevPAR were low in May because the hotel was not successful to bring in a large number of hotel guests during Golden Week holidays
- The annual number of tourists who visited Okinawa Prefecture increased 4.4% year on year

(Yen in millions)



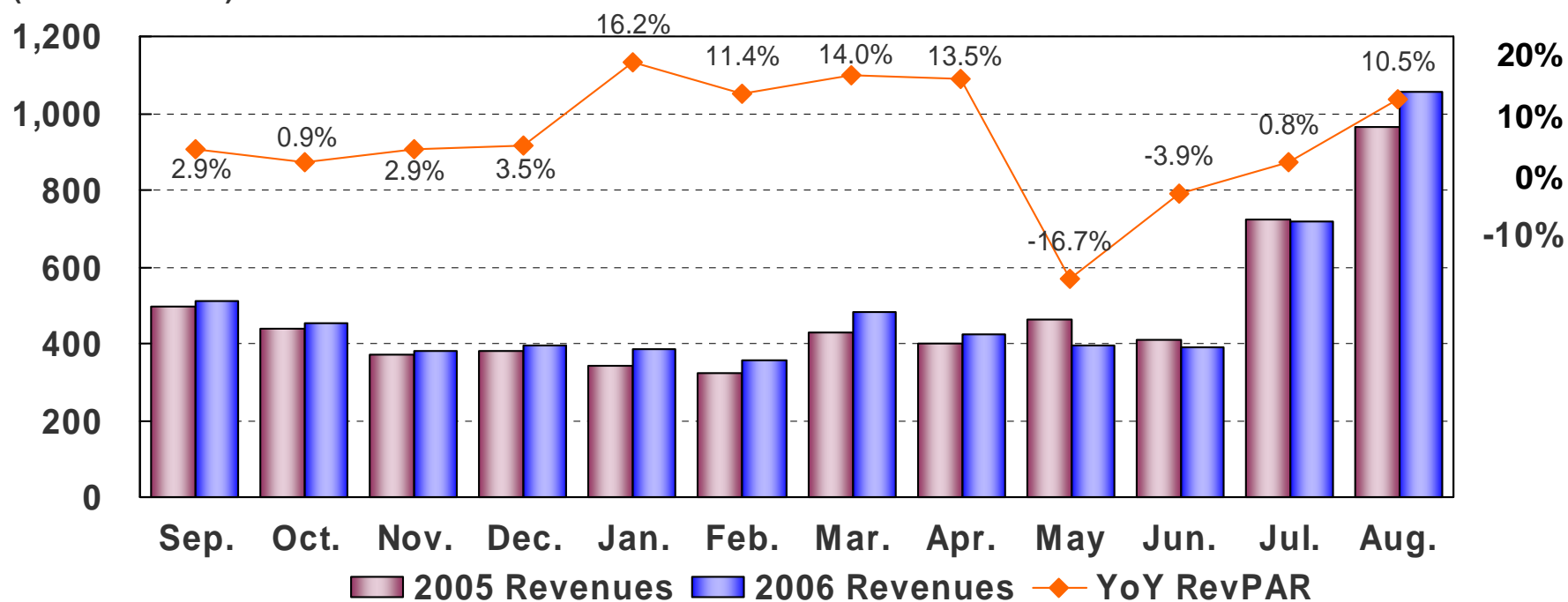
(Note 1) Some monthly figures have not been audited and are for reference purposes only.

Hotel Performance ^(Note 1) : 4 HMJ Hotels

(Aggregated performance)

- Total revenues for the second term of the four HMJ hotels with the variable rent scheme increased by 1.8% year on year. Strong sales in Tokyo Bay, Namba and Alivila contributed to the increases, while wedding revenues in Kobe declined in the first half and accommodation sales in Tokyo Bay fell in the second half
- RevPAR of each of four HMJ hotels with the variable rent scheme rose by 2.9% to 17.6% year on year, showing strong accommodation revenues
- RevPAR of the four HMJ hotels as a whole increased by 5.4% year on year

(Yen in millions)



(Note 1) Some monthly figures have not been audited and are for reference purposes only.

Chapter 4 Basic Policy of Growth Strategies

Features of REITs Specializing in Hotels

1 Separation of ownership, management, and operation functions of the hotel business

- Diversifying risks of the hotel business
- Maintaining a sound sense of tension among the three parties
- Specialization of each function

The chart at right has been created by Japan Hotel and Resort K.K. based on the report titled "Hotel Investment Market in a New Stage (July 2006)" by KPMG FAS.

Function	Details (scope of investments)	Risk (Risk level)	Return
Owning land and buildings	Owning hotel property (Initial investments, capex)	Investment risks (middle)	Rents
Lease agreement ↓ Hotel management	Hotel management, hiring of employees, lessee (usually FF&E and working capital)	Management risks (high)	GOP minus management fees and rents
Management agreement ↓ Hotel operation	Providing know-how for hotel operation, dispatching GM, granting a brand (usually no investment charges)	Cancellations of agreements, brand defamation (low)	Management fees

2 Unique profit and loss structure

- Capital intensive and labor intensive; high break-even point
 - When revenues exceed the break-even point, it will have a significant effect on profitability
- Cyclic and seasonable variability—high profit volatility
 - By diversifying investments by type, grade and region, it is possible to maintain stable revenues throughout the portfolio

Hotel type	Function	Business Sensitivity	Variability in Revenue	Entry Barrier	Sales/GOP Ratio
Resort hotel	Multiple Functions	High	High	High	Low
City hotel	↕	↕	↕	↕	↕
Business hotel	Single Function	Low	Low	Low	High

The above chart has been created by Japan Hotel and Resort K.K. based on the report titled "Hotel Investment Market in a New Stage (July 2006)" by KPMG FAS.

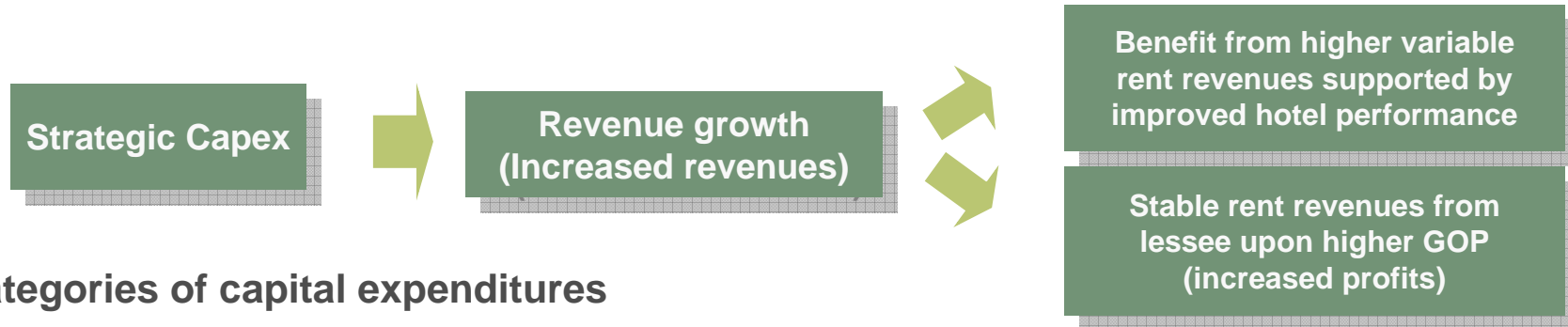
3 Macroeconomic trends in relation to the hotel industry

- Retirement of baby boomers: An increase in demand for domestic travel from senior citizens with higher consumer propensity
- A Japanese economic recovery is anticipated. Hence, a rise in hotel revenues, which are sensitive to business conditions, is also expected
 - The RevPAR (on an annual basis) of each hotel rises by 2.9% to 17.6% year on year (in the case of four HMJ hotels with variable rent scheme).
- Visit Japan Campaign: Expected increase in the number of inbound tourists

Positioning of capital expenditure (“Capex”) and strategic renovation

- The REIT classifies Capex into three categories as shown below and enhances the value of the assets over the medium to the long-term

Although the lessee normally makes Capex for the facilities, the REIT will make Capex for renovating facilities (“Strategic Capex”) to uphold and improve competitiveness of the hotels in an effort to increase hotel revenues and variable rent revenues



Categories of capital expenditures

CAPEX I Capex related to building repairs and maintenance

Replacements and maintenance of facilities required for maintaining the asset value of properties

CAPEX II Capex spending on Furniture, Fixtures and Equipments

Purchase of furniture, fixtures, and equipments required for operating hotels

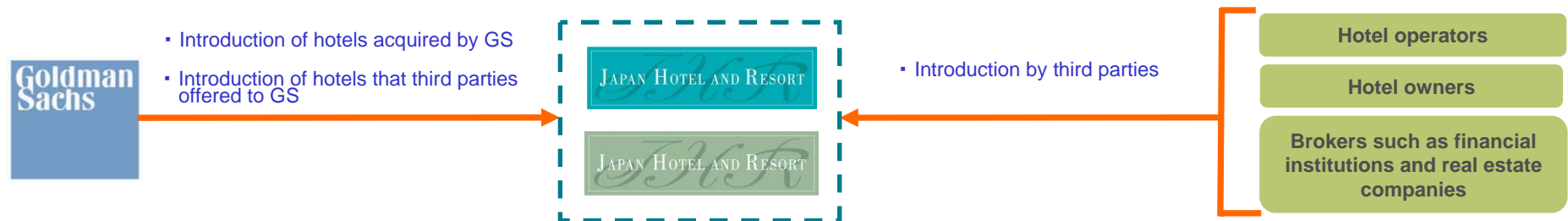
CAPEX III Strategic Capex

Capex related to the strategic renovation of guest rooms, banquet halls and restaurants. Spending with the view to increase ADR, occupancy rate, number of banquets & weddings, number of covers and average check in restaurants to uphold and improve hotel competitiveness

Future Direction of External Growth Strategy

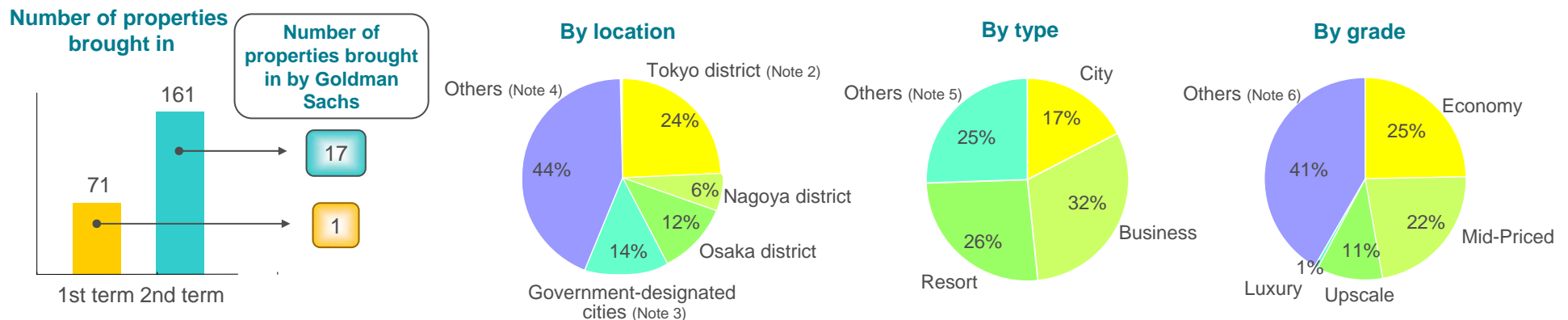
Sources of properties

- The asset management company searches and acquires properties using its expertise and strong network in hotel investment. It also acquires properties using the pipeline agreement with the Goldman Sachs Group, which has a wealth of know-how in hotel investments and operations



Potential opportunities to acquire properties

- A total of 161 properties (Note 1) were brought in through the above network, etc. during the second term



(Note 1) The number of properties brought in from September 1, 2006 to August 31, 2007 was 161. The number from February 15, 2006, when the REIT was listed, to August 31, 2006 was 71.
 (Note 2) The Tokyo district includes Tokyo, Kanagawa, Saitama and Chiba prefectures; the Nagoya district Aichi, Gifu and Mie prefectures; and the Osaka district Osaka, Kyoto and Nara districts.
 (Note 3) Government-designated cities exclude those within the three major districts.
 (Note 4) Others are properties other than those included in the three major districts or in government-designated cities, and properties whose details were not disclosed when they were brought in.
 (Note 5) Others include development properties whose types are not determined and whose details were not disclosed when they were brought in.
 (Note 6) Others include development properties whose grades are not determined and whose details were not disclosed when they were brought in.

Appendix A Portfolio Data Book

Basic Terms

$$\begin{array}{|c|} \hline \text{ADR} \\ \text{(Average Daily Rate)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Occupancy Rate} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{RevPAR} \\ \text{(Revenue Per Available Room)} \\ \hline \end{array}$$

■ Total rooms revenues during a certain period (excluding service charge) / Total rooms sold during the same period

■ Total rooms sold during a certain period / Total number of available rooms in the same period

■ Total rooms revenues during a certain period / Total number of available rooms in the same period

$$\begin{array}{|c|} \hline \text{GOP} \\ \text{(Gross Operating Profit)} \\ \hline \end{array} = \text{Total department profit (Note 1) - Undistributed expenses}$$

: Commonly used performance indicators for hotels

(Note 1) Rooms, food & beverages, shops, tenants and others

Monthly Hotel Indicators

Kobe Meriken Oriental Hotel

Fiscal year	Year ended August 2007													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Occupancy ratio	94.3%	88.6%	86.6%	81.7%	62.0%	63.3%	79.6%	83.9%	73.7%	75.3%	67.4%	69.1%	93.1%	77.2%
ADR	13,986	14,784	15,266	19,204	14,762	13,847	15,373	15,279	16,201	17,638	16,218	16,428	18,099	16,691
RevPAR	13,193	13,106	13,215	15,689	9,153	8,764	12,232	12,825	11,938	13,275	10,937	11,347	16,846	12,877
Total revenues	508	680	641	624	375	442	3,270	605	578	586	516	514	549	3,349
Rooms							806							857
Food and beverages							2,239							2,267
Shops							76							79
Tenants							31							31
Others							117							115

Fiscal year	2006/8													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited
Occupancy ratio	74.9%	86.4%	76.4%	85.9%	64.6%	80.2%	77.9%	81.9%	62.5%	81.9%	71.4%	80.7%	97.6%	79.5%
ADR	15,555	14,689	14,842	17,136	13,436	12,208	14,783	14,123	15,869	15,474	13,668	14,483	16,809	15,133
RevPAR	11,653	12,698	11,345	14,720	8,682	9,788	11,509	11,573	9,926	12,673	9,754	11,694	16,413	12,029
Total revenues	586	713	681	711	430	460	3,594	555	512	610	461	498	517	3,152
Rooms							758							806
Food and beverages							2,541							2,123
Shops							89							80
Tenants							31							31
Others							174							112

Fiscal year	2006/8 VS 2007/8													
Month	September	October	November	December	January	February	1st half total	March	April	May	June	July	August	2nd half total
Occupancy ratio	19.4%	2.2%	10.2%	-4.2%	-2.6%	-16.9%	1.7%	2.0%	11.2%	-6.6%	-4.0%	-11.6%	-4.5%	-2.3%
ADR	(1,569)	95	424	2,068	1,326	1,639	590	1,156	332	2,164	2,550	1,945	1,290	1,558
RevPAR	1,540	408	1,870	969	471	(1,024)	723	1,252	2,012	602	1,183	(347)	433	848
Total revenues	13.2%	3.2%	16.5%	6.6%	5.4%	-10.5%	6.3%	10.8%	20.3%	4.7%	12.1%	-3.0%	2.6%	7.0%
Total revenues	(78)	(33)	(40)	(87)	(55)	(18)	(324)	50	66	(24)	55	16	32	197
Rooms							48							51
Food and beverages							(302)							144
Shops							(13)							(1)
Tenants							(0)							(0)
Others							(57)							3

(Note) Total revenues are presented in millions of yen, and ADR and RevPAR are in yen.

Monthly Hotel Indicators

Oriental Hotel Tokyo Bay (former Shin-Urayasu Oriental Hotel)

Fiscal year	Year ended August 2007													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Occupancy ratio	91.4%	95.5%	91.1%	82.7%	78.2%	81.4%	86.7%	92.4%	61.1%	72.1%	67.2%	65.2%	89.0%	74.6%
ADR	18,351	18,949	18,846	20,261	14,963	13,989	17,706	22,744	21,681	20,781	17,070	18,871	25,517	21,529
RevPAR	16,774	18,091	17,160	16,750	11,697	11,387	15,357	21,026	13,247	14,989	11,475	12,300	22,706	16,065
Total revenues	571	622	601	595	489	420	3,300	693	476	535	463	495	629	3,291
Rooms							1,555							1,645
Food and beverages							1,444							1,363
Shops							58							54
Tenants							131							136
Others							112							93

Fiscal year	2006/8													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited
Occupancy ratio	87.7%	89.8%	87.5%	78.6%	74.9%	82.2%	83.6%	96.1%	78.5%	80.8%	75.1%	78.9%	91.4%	83.6%
ADR	17,701	18,385	17,287	19,318	14,510	13,292	16,832	20,095	18,175	19,731	15,123	18,610	24,731	19,631
RevPAR	15,530	16,513	15,130	15,183	10,875	10,921	14,063	19,320	14,276	15,948	11,364	14,679	22,607	16,404
Total revenues	512	609	555	560	436	409	3,094	654	503	549	441	535	625	3,307
Rooms							1,420							1,685
Food and beverages							1,415							1,325
Shops							19							53
Tenants							127							135
Others							113							109

Fiscal year	2006/8 VS 2007/8													
Month	September	October	November	December	January	February	1st half total	March	April	May	June	July	August	2nd half total
Occupancy ratio	3.7%	5.7%	3.6%	4.1%	3.3%	-0.8%	3.1%	-3.7%	-17.4%	-8.7%	-7.9%	-13.7%	-2.4%	-8.9%
ADR	650	564	1,559	943	453	697	874	2,649	3,506	1,050	1,947	261	786	1,898
RevPAR	1,244	1,578	2,030	1,567	822	466	1,294	1,706	(1,029)	(959)	111	(2,379)	99	(339)
Total revenues	8.0%	9.6%	13.4%	10.3%	7.6%	4.3%	9.2%	8.8%	-7.2%	-6.0%	1.0%	-16.2%	0.4%	-2.1%
Total revenues	59	13	46	35	53	11	206	39	(27)	(14)	22	(40)	4	(16)
Rooms							135							(40)
Food and beverages							29							38
Shops							39							1
Tenants							4							1
Others							(1)							(16)

(Note) Total revenues are presented in millions of yen, and ADR and RevPAR are in yen.

Monthly Hotel Indicators

Namba Oriental Hotel

Fiscal year	Year ended August 2007													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Occupancy ratio	87.8%	87.5%	91.3%	83.6%	89.4%	90.2%	88.2%	92.1%	92.3%	85.3%	82.1%	86.8%	92.4%	91.1%
ADR	9,744	10,010	10,594	10,531	9,710	9,970	10,093	10,331	10,548	10,485	9,967	10,068	11,515	10,347
RevPAR	8,556	8,759	9,672	8,801	8,683	8,991	8,907	9,514	9,738	8,947	8,184	8,741	10,645	9,424
Total revenues	157	161	158	164	160	151	951	168	166	162	151	161	181	990
Rooms							456							484
Food and beverages							56							66
Shops							-							-
Tenants							410							414
Others							30							26

Fiscal year	2006/8													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited
Occupancy ratio	94.3%	76.8%	82.4%	74.7%	74.1%	66.7%	78.2%	77.6%	79.3%	78.7%	77.9%	84.7%	94.3%	82.1%
ADR	8,461	9,437	9,469	10,218	9,365	9,246	9,227	9,907	9,795	10,530	9,551	9,612	10,773	10,051
RevPAR	7,979	7,245	7,799	7,629	6,941	6,167	7,217	7,690	7,764	8,291	7,441	8,145	10,155	8,255
Total revenues	166	159	158	159	143	126	921	153	150	157	147	158	178	944
Rooms							374							429
Food and beverages							74							68
Shops							-							-
Tenants							439							418
Others							33							28

Fiscal year	2006/8 VS 2007/8													
Month	September	October	November	December	January	February	1st half total	March	April	May	June	July	August	2nd half total
Occupancy ratio	-6.5%	10.7%	8.9%	8.9%	15.3%	23.5%	10.0%	14.5%	13.0%	6.6%	4.2%	2.1%	-1.9%	9.0%
ADR	1,283	573	1,125	313	345	724	866	424	753	(45)	416	456	742	296
RevPAR	577	1,514	1,873	1,172	1,742	2,824	1,690	1,824	1,974	656	743	596	490	1,169
Total revenues	7.2%	20.9%	24.0%	15.4%	25.1%	45.8%	23.4%	23.7%	25.4%	7.9%	10.0%	7.3%	4.8%	14.2%
Total revenues	(9)	2	0	5	17	25	30	15	16	5	4	3	3	46
Rooms							82							54
Food and beverages							(18)							(2)
Shops							-							-
Tenants							(29)							(4)
Others							(3)							(3)

(Note) Total revenues are presented in millions of yen, and ADR and RevPAR are in yen.

Monthly Hotel Indicators

Hotel Nikko Alivila

Fiscal year	Year ended August 2007													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Occupancy ratio	96.1%	91.5%	77.9%	67.9%	70.5%	84.8%	81.3%	89.7%	74.7%	62.0%	69.7%	84.3%	95.8%	79.4%
ADR	24,983	18,384	18,053	22,641	21,837	17,563	20,612	20,990	23,949	27,309	23,724	41,899	57,584	33,856
RevPAR	23,997	16,817	14,056	15,376	15,391	14,901	16,762	18,828	17,881	16,935	16,525	35,338	55,187	26,895
Total revenues	509	453	382	395	385	357	2,481	484	422	396	389	719	1,054	3,465
Rooms							1,326							2,160
Food and beverages							903							981
Shops							198							245
Tenants							-							-
Others							54							79

Fiscal year	2006/8													
Year	2006	2006	2006	2006	2007	2007	1st half total	2007	2007	2007	2007	2007	2007	2nd half total
Month	September	October	November	December	January	February		March	April	May	June	July	August	
Status	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited
Occupancy ratio	91.9%	91.3%	79.2%	66.4%	62.8%	80.0%	78.7%	79.7%	77.5%	76.6%	80.0%	90.4%	91.7%	82.7%
ADR	25,381	18,255	17,246	22,353	21,104	16,719	20,200	20,735	20,327	26,528	21,491	38,770	54,470	31,320
RevPAR	23,320	16,663	13,665	14,850	13,248	13,377	15,892	16,521	15,757	20,326	17,189	35,056	49,937	25,899
Total revenues	496	439	369	381	343	325	2,363	427	398	465	408	724	966	3,388
Rooms							1,255							2,067
Food and beverages							856							993
Shops							194							243
Tenants							-							-
Others							58							85

Fiscal year	2006/8 VS 2007/8													
Month	September	October	November	December	January	February	1st half total	March	April	May	June	July	August	2nd half total
Occupancy ratio	4.2%	0.2%	-1.3%	1.5%	7.7%	4.8%		2.6%	10.0%	-2.8%	-14.6%	-10.3%	-6.1%	
ADR	(398)	129	807	288	733	844	412	255	3,622	781	2,233	3,129	3,114	2,536
RevPAR	677	154	391	526	2,143	1,524	870	2,307	2,124	(3,391)	(664)	282	5,250	996
Total revenues	2.9%	0.9%	2.9%	3.5%	16.2%	11.4%	5.5%	14.0%	13.5%	-16.7%	-3.9%	0.8%	10.5%	3.8%
Total revenues	13	14	13	14	42	32	118	57	24	(69)	(19)	(5)	88	77
Rooms							71							93
Food and beverages							47							(13)
Shops							4							2
Tenants							-							-
Others							(4)							(6)

(Note) Total revenues are presented in millions of yen, and ADR and RevPAR are in yen.

List of Portfolio and Asset Mix

■ Appendix A Portfolio Data Book ■

Japan Hotel and Resort, Inc.

Property name	Type	Grade	Total # of rooms	Structure/ # of floors	Acquisition price (¥ mn)	Investment ratio (when acquired)	Appraised value as of Aug. 31, 2006 (¥ mn)	Appraised value as of Aug. 31, 2007 (¥ mn)	Investment ratio (based on appraised value as of Aug. 31, 2007)	Year Built	Capitalization Rate as of Aug. 31, 2007
Kobe Meriken Park Oriental Hotel	City	Upper middle	329	S 14 floors	11,400	13.4%	12,000	13,900	16.7%	7/1995	5.2%
Oriental Hotel Tokyo Bay	City	Medium-priced	506	SRC-S-RC 12 floors 2 basement floors	19,400	22.8%	19,500	20,900	25.2%	5/1995	4.9%
Namba Oriental Hotel	Economy	Medium-priced	257	S-SRC 9 floors 1 basement floor	16,700	19.6%	16,700	18,200	21.9%	3/1996	4.5%
Hotel Nikko Alivila	Resort	Luxury	397	SRC 10 floors 1 basement floor	19,700	23.2%	19,800	21,600	26.0%	4/1994	5.7%
Nara Washington Hotel Plaza	Economy	Medium-priced	204	S 7 floors	1,800	2.1%	1,900	2,070	2.5%	3/ 2000	5.7%
Hakata Nakasu Washington Hotel Plaza	Economy	Medium-priced	247	S 12 floors	3,880	4.6%	3,900	4,160	5.0%	3/1995	5.0%
Daiwa Roynet Hotel Akita	Economy	Economy	221	S 14 floors	2,278	2.7%	-	2,240	2.7%	6/2006	5.2%
Oriental Hotel Hiroshima	City	Upper middle	251	SRC 23 floors 2 basement floors	9,900	11.6%	-	(Note 1) -	-	9/1993	(Note 2) -
Total			2,412		85,058 (8 properties)	100.0%	73,800 (6 properties)	83,070 (7 properties)	100.0%		

(Note 1) The latest total appraised value of the eight properties including Oriental Hotel Hiroshima is ¥ 92,970 mn, which is the sum of the appraised value of Oriental Hotel Hiroshima on August 20, 2007 (¥ 9,900 mn) and the total appraisal value of the other seven properties at the end of August (¥ 83,070 mn).

(Note 2) The capitalization rate for Oriental Hotel Hiroshima at the time of acquisition was 5.3%, based on the appraisal report (prices as of August 20, 2007).

Profit/Loss by Property

■ Appendix A Portfolio Data Book ■

Japan Hotel and Resort, Inc.

	Name of Property	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay (former Shin- Urayasu Oriental Hotel)	Namba Oriental Hotel	Hotel Nikko Alivila	Nara Washington Hotel Plaza (Note 3)	Hakata Nakasu Washington Hotel Plaza (Note 3)	Daiwa Roynet Hotel Akita (Note 4)
Profit/loss (Note 1) (¥ 000)	Rent revenues	1,239,544	1,325,335	994,091	1,551,630	147,000	259,000	74,750
	Rent expenses (Note 2)	321,997	66,134	50,337	135,805	14,000	17,000	2,199
	NOI	917,546	1,259,200	943,754	1,415,824	133,000	241,000	72,550

(Note 1) The above numbers are actual results from September 1, 2006 to August 31, 2007.

(Note 2) Depreciation and amortization and loss on disposal of property are excluded from the rental business expenses.

(Note 3) The lessor of Nara Washington Hotel Plaza and Hakata Nakasu Washington Hotel Plaza did not agree to disclose rents in thousands of yen. Thus, the figures for the hotels are rounded down to the nearest million yen.

(Note 4) Because Daiwa Roynet Hotel Akita was acquired on February 15, 2007, the above numbers are results for 6.5 months.

Risk-Related Information

List of architects, construction companies, and building permit issuers

- Additional verification procedure following reports of falsifications of earthquake resistance specifications
 - Obtained additional reports from specialized third parties, reviewed data necessary for verification, and confirmed that there are no special grounds for any doubt on earthquake-resistance specifications required by the Building Standards Law in the building structures.

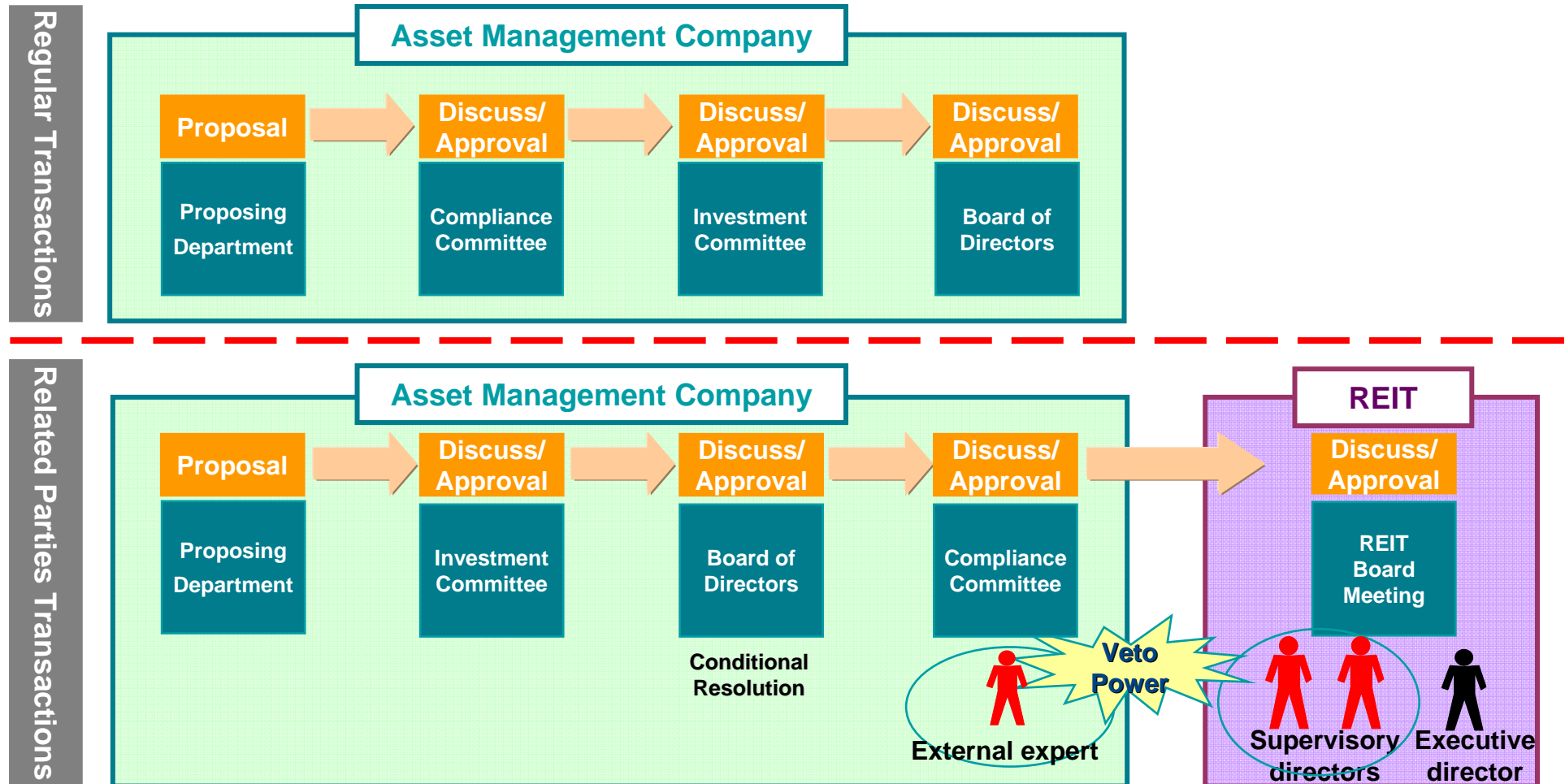
List of architects, construction companies, and building permit issuers related to portfolio properties:

Name of Property	Architect	Constructor	Approval Institution
Kobe Meriken Park Oriental Hotel	Takenaka Corporation	Takenaka Corporation	Kobe city
Oriental Hotel Tokyo Bay (Former Shin-Urayasu Oriental Hotel)	Haseko Corporation	Haseko Corporation	Chiba Prefecture
Namba Oriental Hotel	Takenaka Corporation	Takenaka Corporation	Osaka city
Hotel Nikko Alivila	Sato Kogyo Co., Ltd.	Sato Kogyo Co., Ltd.	Okinawa Prefecture
Nara Washington Hotel Plaza	Actem K.K.	Joint venture of Asanuma Corporation, Satohide Corporation and Kiuchi Construction Co., Ltd.	Nara city
Hakata Nakasu Washington Hotel Plaza	Sougou Sekkei Co., Ltd.	Joint venture of Kumagai Gumi Co., Ltd. and Tatsumura Gumi Co., Ltd.	Fukuoka city
Daiwa Roynet Hotel Akita	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	Japan ERI Co., Ltd.
Oriental Hotel Hiroshima	Sato Kogyo Co., Ltd.	Sato Kogyo Co., Ltd.	Hiroshima city

Appendix B Internal Controls

Decision-Making Process

- The external expert must be present at the Compliance Committee when discussing deals with conflicting interests
- The external expert is the only party with veto power
- The two supervisory directors at the REIT must support the proposal



Activities of the Investment Corporation Committee

Second Term of the Investment Corporation (September 1, 2006 to August 31, 2007)

REIT Board Meeting	Number of meetings held	Total number of resolutions	Total number of reports
	20	42	51

Activities of the Asset Management Company Bodies

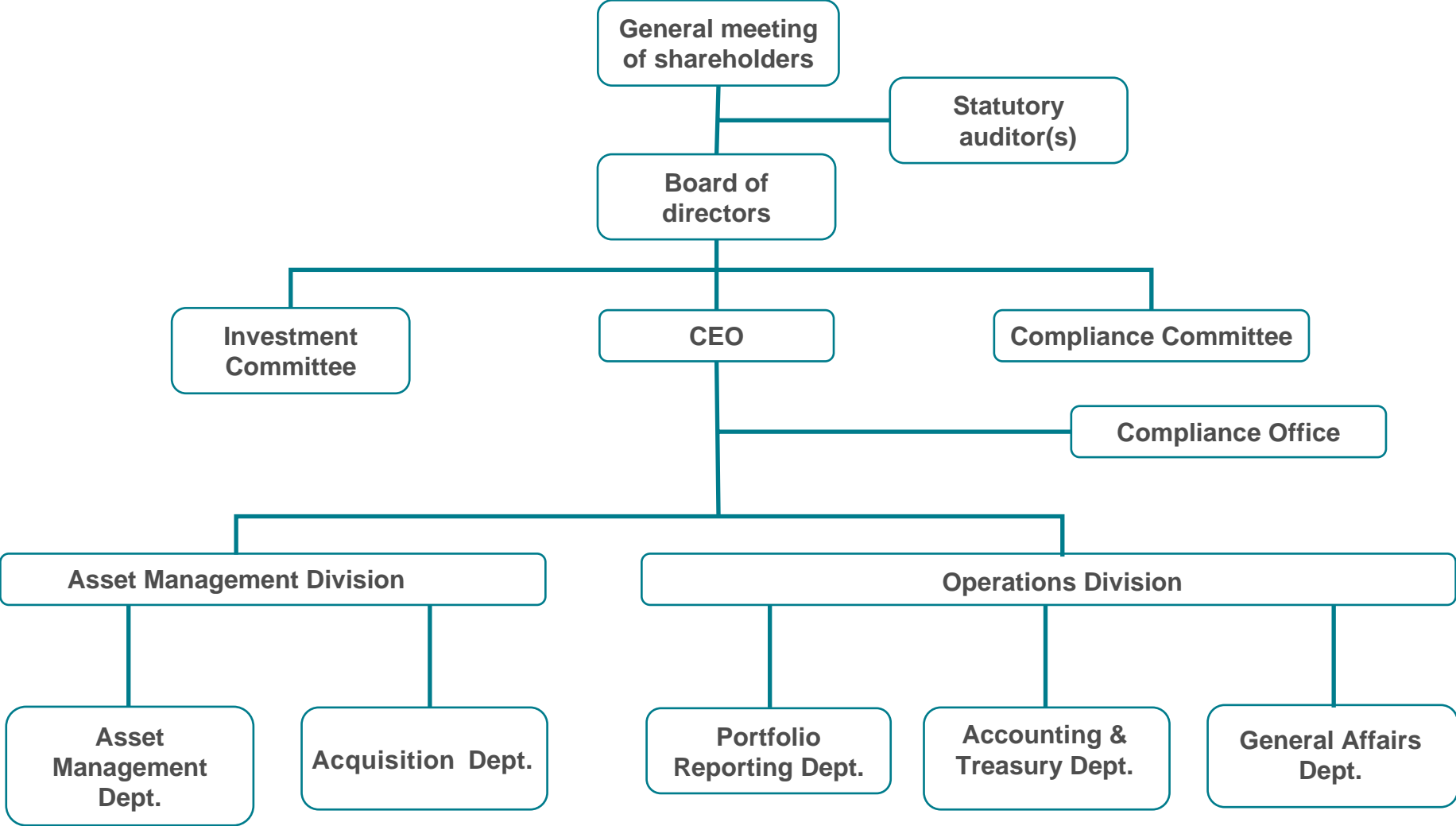
Second Term of the Investment Corporation (September 1, 2006 to August 31, 2007)

Decision-Making Body	Number of meetings held	Total number of resolutions	Total number of reports
Compliance Committee	30	43	24
Investment Committee	32	49	13
Board of Directors	45	90	16

Initiatives to strengthen the governance structure

- Providing training for compliance with the Financial Products and Trading Act and other laws and regulations
- Using consulting to improve risk management and internal auditing
- Enhancing trails to ensure the adequacy of business decisions

Asset Management Company: Organizational Chart



Appendix C Investor Composition and Unit Price

List of Top 20 Investors at the End of 2nd Term (as of Aug.31, 2007)

■ Appendix C Investor Composition and Unit Price ■

Japan Hotel and Resort, Inc.

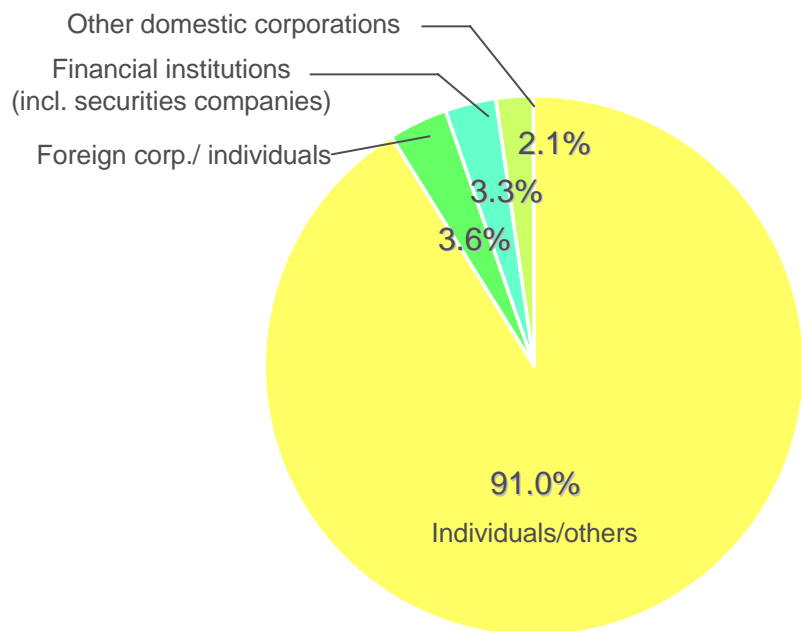
No.	Name	No. of units held (units)	Weighting of units held against all outstanding units (Note 2) (%)	No.	Name	No. of units held (units)	Weighting of units held against all outstanding units (Note 2) (%)
1	Japan Hotel Alliance Co., Ltd. (Note 1)	9,150	9.97	11	American Life Insurance Company G.A.L.	1,988	2.16
2	Japan Trustee Services Bank, Ltd. (trust account)	6,759	7.37	12	Merrill Lynch International Equity Derivatives	1,715	1.87
3	Goldman Sachs International	6,688	7.29	13	Joyo Bank, Ltd.	1,693	1.84
4	Nikko Cititrust Trust and Banking Corporation (investment trust account)	6,403	6.98	14	Deutsche Bank AG London 610	1,182	1.28
5	The Master Trust Bank of Japan, Ltd. (trust account)	5,982	6.52	15	AIG Edison Life Insurance Company Non-DIMA THGEN	1,061	1.15
6	Mori Trust Co., Ltd.	4,575	4.98	16	Sumitomo Mitsui Banking Corporation	988	1.07
7	CMBL S.A. RE Mutual Funds	3,576	3.89	17	Northern Trust Company (AVFC) Sub-account British Client	930	1.01
8	Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,978	3.24	18	Melon Bank NA, As Agent For Its Client Melon Omnibus US Pension	863	0.94
9	The Nomura Trust and Banking Co., Ltd. (investment trust account)	2,388	2.60	19	AIG Star Life Insurance Company General Account	857	0.93
10	The Bank of New York Treaty JASDAQ Account	2,000	2.18	20	The Eighteenth Bank, Limited	833	0.90
					Total	62,609	68.17

(Note 1) Japan Hotel Alliance Ltd. is a wholly owned subsidiary of the Goldman Sachs Group, and has transferred its assets to the REIT. It has purchased and holds 9,150 units in the REIT that were issued on February 15, 2006 through the public offering.

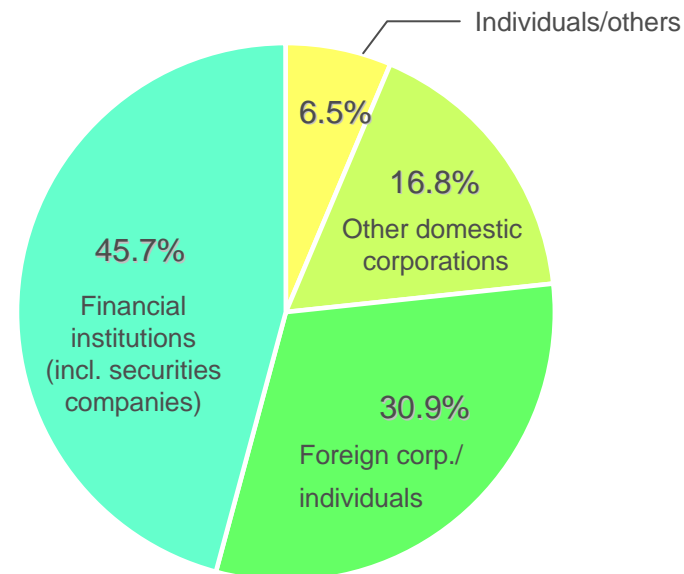
(Note 2) The ratio of investment units held to the total number of investment units issued is rounded off to the second decimal place.

Units Held by Attribute (as of August 31, 2007)

Number of investors



Number of investment units held



Category	Individuals/ others	Financial institutions (incl. securities companies)	Other domestic corporations	Foreign corp./ individuals	Total
By # of investors	2,332	85	55	91	2,563
Proportion	91.0%	3.3%	2.1%	3.6%	100.0%
By # of units held	5,998	41,944	15,398	28,360	91,700
Proportion	6.5%	45.7%	16.8%	30.9%	100.0%

Submission of Large Volume Holdings Reports (as of Oct. 5, 2007)

■ Appendix C Investor Composition and Unit Price ■

Japan Hotel and Resort, Inc.

Share holdings of joint holders

1. Nomura Securities Co., Ltd. (Submission to the Kanto Local Finance Bureau: Aug. 7, 2007)

Submitter or joint holders	Number of shares held (shares, units)	Shareholding (%)
Nomura Securities Co., Ltd.	591	0.64%
NOMURA INTERNATIONAL PLC	131	0.14%
Nomura Asset Management Co., Ltd.	3,938	4.29%
Total	4,660	5.08%

2. American International Group, Inc. (Submission to the Kanto Local Finance Bureau: Sep. 21, 2007)

Submitter or joint holders	Number of shares held (shares, units)	Shareholding (%)
AIG Star Life Insurance Co., Ltd.	857	0.93%
American Life Insurance Company	1,988	2.17%
AIG Edison Life Insurance Company	1,800	1.96%
Total	4,645	5.07%

3. Goldman Sachs Japan Co., Ltd. (Submission to the Kanto Local Finance Bureau: Oct. 3, 2007)

Submitter or joint holders	Number of shares held (shares, units)	Shareholding (%)
Goldman Sachs International	1,032	1.13%
Japan Hotel Alliance Co., Ltd.	9,150	9.98%
Green Investment Co., Ltd.	200	0.22%
Total	10,382	11.32%

4. Morgan Stanley Japan Securities Co., LTD. (Submission to the Kanto Local Finance Bureau: Oct. 5, 2007)

Submitter or joint holders	Number of shares held (shares, units)	Shareholding (%)
Morgan Stanley Japan Securities Co., LTD.	10	0.01%
Morgan Stanley & Co. International PLC	508	0.55%
Morgan Stanley Investment Management Limited	1,240	1.35%
Morgan Stanley Asset & Investment Trust Management Co., Limited	262	0.29%
Morgan Stanley Investment Management Inc.	4,094	4.46%
Total	6,114	6.67%

5. Nikko Asset Management Co., Ltd. (Submission to the Kanto Local Finance Bureau: Oct. 5, 2007)

Submitter or joint holders	Number of shares held (shares, units)	Shareholding (%)
Nikko Asset Management Co., Ltd.	6,719	7.33%
Nikko Citigroup Limited	203	0.22%
Total	6,922	7.55%

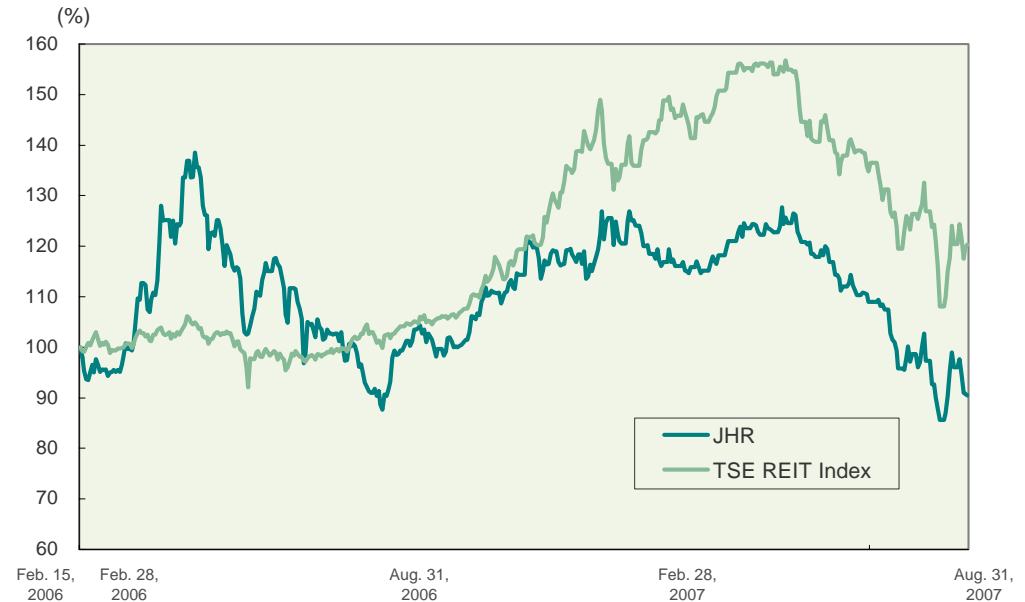
(Note) The ratio of the number of investment units held (share certificates held) to the total number of investment units issued (share holding ratio) is rounded to the second decimal place.

Price Performance

JHR^(Note 1) Unit Price/
Traded Volume



TSE REIT Index
and JHR^(Note 1) Unit Price

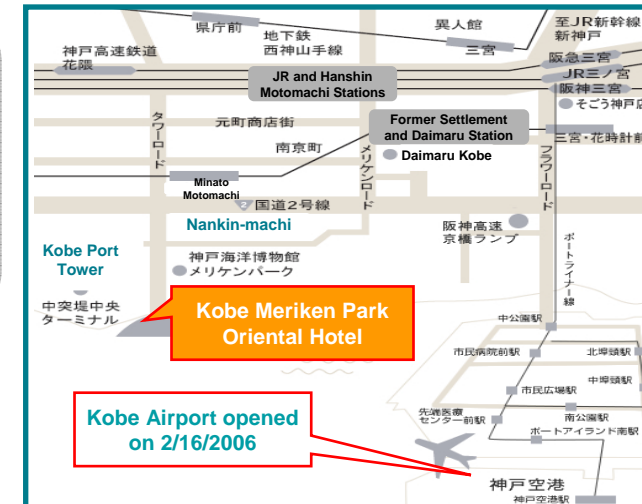


(Note 1) JHR = Japan Hotel and Resort, Inc.

Appendix D Descriptions and Photos of Properties

Kobe Meriken Park Oriental Hotel

- Located on the center of Kobe and about 1.5 km southwest of Sannomiya
 - Located on the pier of Meriken Park and surrounded by harbor and commercial facilities, serving demand for the urban resort experience
- With 329 rooms, a variety of restaurants and banquet facilities that can be used for weddings
- All rooms have a balcony. There is an independent seaside chapel outside. The structure of the property is ideal for an urban resort



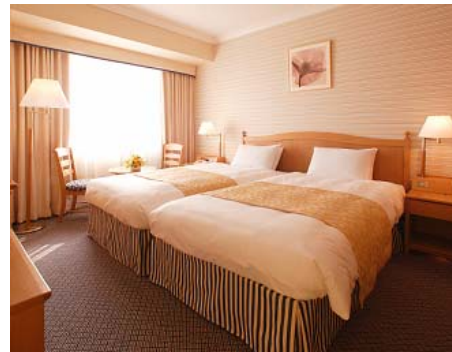
Asset Overview	
Appraised value as of end Aug. 07	¥ 13.9 bn
Form of Ownership	Lease
Land	Condo ownership
Location	Chuo-ku, Kobe
Size	22,660.09㎡
Structure/floors	S / 14 floors
Building	Year Built
	July, 1995
	Total floor space
	48,701.82㎡
Hotel Lessee	K.K. Hotel Management Japan
Operator	Archon Hospitality K.K.
PML	13.8%

Oriental Hotel Tokyo Bay (Former Shin-Urayasu Oriental Hotel)

■ Appendix D Descriptions and Photos of Properties ■

Japan Hotel and Resort, Inc.

- Partner hotel of Tokyo Disney Resort (TDR), directly linked to JR Shin-Urayasu Station by a pedestrian deck
- Urban hotel with 506 guest rooms. There are also dining and banquet facilities that can be used for weddings
- Unique structure including a chapel in the hotel atrium
- The babies' suites for families with children up to three years old are particularly popular and the occupancy rate of these rooms is high

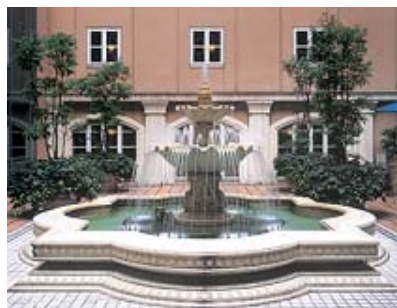


Asset Overview

Appraised value as of end Aug. 07		¥ 20.9 bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Urayasu-city, Chiba
	Size	9,914.00m ²
Building	Structure/floors	SRC-S-RC / 12 floors and 2 basement floors
	Year Built	May, 1995
	Total floor space	44,833.11m ²
Hotel Lessee	K.K. Hotel Management Japan	
Operator	Archon Hospitality K.K.	
PML	15.3%	

Namba Oriental Hotel

- Located in the Namba area, one of the major downtown areas in Osaka
 - There is an arcade in the Sennichimae shopping district and many restaurants and amusement facilities in the surrounding area
 - Osaka attractions, Shinsaibashi and Dotonbori, are within walking distance
- All 257 rooms have double or twin beds. The rooms are larger than those of standard economy hotels
- There are many tenant facilities besides guest rooms



Asset Overview		
Appraised value as of end Aug. 07		¥ 18.2 bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Chuo-ku, Osaka
	Size	4,503.23m ²
Building	Structure/floors	SRC-S-RC / 9 floors and 1 basement floor
	Year Built	March, 1996
	Total floor space	19,364.33m ²
Hotel Lessee	K.K. Hotel Management Japan	
Operator	Archon Hospitality K.K.	
PML	11.1%	

Hotel Nikko Alivila

- Located on the west-side of the Onna-son area in Okinawa
- Not contiguous to a highway; the surrounding area is quiet and provides exclusivity
- A variety of dining facilities and a banquet hall that can be used for weddings
- Beach can be viewed from all 397 rooms



Asset Overview

Appraised value as of end Aug. 07		¥ 21.6 bn
Form of Ownership	Land	Owned/Lease
	Building	Owned
Land	Location	Yomitanson, Nakagami-gun, Okinawa
	Size	67,423.55m ²
Building	Structure/floors	SRC-S-RC / 10 floors and 1 basement floor
	Year Built	April, 1994
	Total floor space	38,024.98m ²
Hotel Lessee		K.K. Hotel Management Japan
Operator		JAL Hotels Co., Ltd.
PML		5.0%

Nara Washington Hotel Plaza

- Located in international tourist site “Nara”, the surrounding area is a downtown area
- Relatively new facilities compared with competitors
- Operated by the Washington Hotel



Asset Overview		
Appraised value as of end Aug. 07		¥ 2.07 bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Nara-city, Nara
	Size	2,393.48m ²
Building	Structure/floors	S / 7 floors
	Year Built	March, 2000
	Total floor space	5,385.82m ²
Hotel Lessee	Washington Hotel Corporation	
PML	6.7%	

Hakata Nakasu Washington Hotel Plaza

- Located in “Fukuoka” where demand is being created for both business and leisure
- Located in “Nakasu”, one of Kyushu’s most thriving areas
- Operated by the Washington Hotel



Asset Overview		
Appraised value as of end Aug. 07	¥ 4.16 bn	
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Hakata-ku, Fukuoka
	Size	1,128.46m ²
Building	Structure/floors	S / 12 floors
	Year Built	March, 1995
	Total floor space	5,692.24m ²
Hotel Lessee	Washington Hotel Corporation	
PML	0.14%	