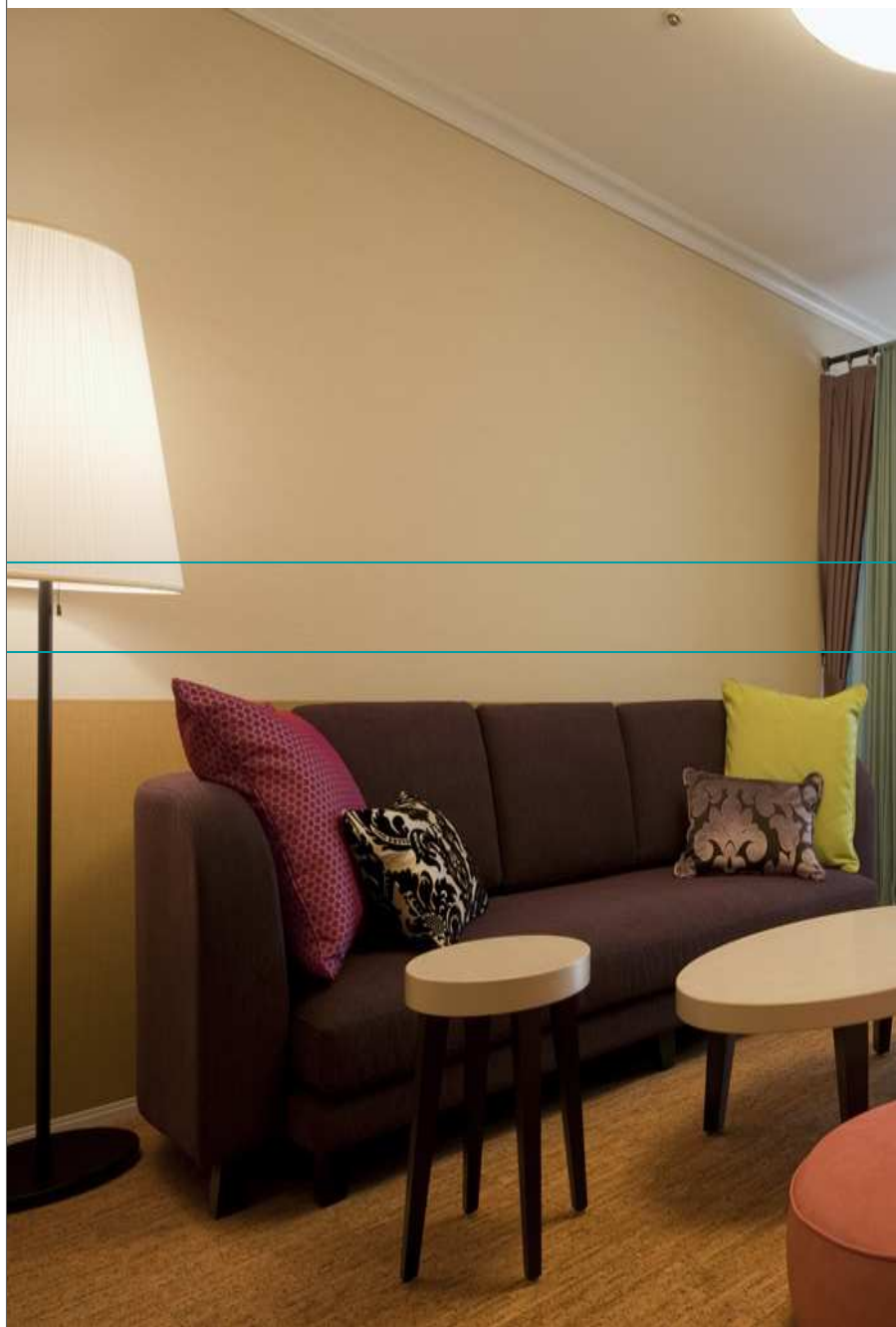


Provisional Translation Only

This English translation is provided solely for information purposes. In the event that there is any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



## Announcement of Operational Results

Fifth Term (ended August 2010) Semi-Annual

April, 2010



**Japan Hotel and Resort, Inc.**

<http://www.jhrth.com>



**Japan Hotel & Resort K.K.**

<http://www.jhrkk.com>

## Japan Hotel and Resort

1. FY2010(5th term) full-year variable rents are expected to increase by ¥29mn (1.8%) compared to FY2009 <almost the same as the previous forecast>
2. The dividend per unit has been revised upward slightly from the previous forecast → from ¥10,072 to ¥10,091

## The Five Hotels with Variable Rents

### 1st Half

1. Revenues decreased by ¥799mn (7.3%) compared to the first half of FY2009 <¥54mn more than the previous forecast>. However,
2. Due to the effect of cost reduction, GOP only fell ¥160mn (6.4%) compared to the first half of FY2009
3. The GOP ratio with respect to revenues improved from 23.1% in the first half of FY2009 to 23.3%

### 2nd Half

1. Revenues are expected to increase by ¥92mn (0.8%) compared to the second half of FY2009 <¥409mn less than the previous forecast>
  - The increase in revenue resulting from the waning impact of the swine influenza is cancelled out by the decrease in revenue resulting from falling unit prices (ADR)
2. GOP is expected to increase by ¥165mn compared to the second half of FY2009 because of the effects of cost reductions

### Full-year

1. Revenues are expected to decrease by ¥707mn (3.2%) compared to FY2009 <¥355mn less than the previous forecast>. However,
2. GOP is forecast to be ¥5,453mn, the same level as in FY2009 <no change from the previous forecast>
  - A recovery in hotel demand and improvement in occupancy rates is being seen but we are taking a conservative view of unit price rises
  - Proactive cost reduction efforts will yield results

<b>Chapter1</b>	Semi-annual results and outlook for FY2010 ended August 2010	3
<b>Chapter2</b>	Highlights of Hotel Performance	10
<b>Chapter3</b>	Future Investment and Management Policy	17
<b>Appendix</b>	<b>A</b> Investor Composition and Unit Price	26
	<b>B</b> Basic Information	30
	<b>C</b> Market Data	36
	<b>D</b> Portfolio Data Book	44
	<b>E</b> Description of Hotels	54

**Chapter1** Semi-annualresultsandoutlookforFY2010endedAugu st2010

# Highlights of Semi-Annual Results for FY2010

Japan Hotel and Resort, Inc.

(million yen)

	Half Year ended February 29, 2008 Actual	Half Year ended February 28, 2009 Actual	Half Year ended February 28, 2010 Previous Forecast (5)	Half Year ended February 28, 2010 Actual	Difference 2010 vs. 2009
<b>Operating Revenues</b>	<b>2,952</b>	<b>2,974</b>	<b>2,891</b>	<b>2,897</b>	<b>Δ77</b>
Variable Rent Revenues	1,087	1,090	1,005	1,010	Δ80
Operating Expenses	1,487	1,571	1,595	1,573	2
Depreciation Costs	768	864	892	886	22
Loss from Disposal of Fixed Assets	46	7	11	6	Δ1
<b>Operating Profit</b>	<b>1,465</b>	<b>1,402</b>	<b>1,296</b>	<b>1,324</b>	<b>Δ79</b>
Non-Operating Profit	Δ321	Δ421	Δ570	Δ567	Δ146
<b>Recurring Profit</b>	<b>1,144</b>	<b>980</b>	<b>726</b>	<b>756</b>	<b>Δ225</b>
<b>Net Income</b>	<b>1,143</b>	<b>979</b>	<b>725</b>	<b>755</b>	<b>Δ225</b>
NOI (1)	2,529	2,523	2,435	2,447	Δ76
NOI% (2)	5.9	5.9	5.7	5.8	Δ0.1
FFO (3)	1,957	1,852	1,628	1,648	Δ204
LTV% (4)	45.6	44.1	-	42.1	Δ2.0
Number of Outstanding Units	91,700	105,719	105,719	105,719	0

(Note)

(1) Net Operating Income (NOI) = Rent Revenues - Rent-related Expenses + Depreciation Costs + Loss from Disposal of Fixed Assets.

(2) NOI% = NOI / Acquisition Price. Semi-annual NOI is doubled for this calculation purpose.

(3) Funds from Operation (FFO) = Net Income + Depreciation Costs + Loss from Disposal of Fixed Assets.

(4) Loan to Value (LTV) = Interest-bearing Debt at year-end / Total Assets at year-end.

(5) The previous forecast was announced on October 22, 2009.

# Outlook for FY2010

Japan Hotel and Resort, Inc.

(million yen)

	Ended August 31, 2007 Actual	Ended August 31, 2008 Actual	Ended August 31, 2009 Actual	Ended August 31, 2010 Previous Forecast	Ended August 31, 2010 Forecast	Difference 2010 Forecast vs. 2009
<b>Operating Revenues</b>	<b>5,592</b>	<b>6,063</b>	<b>5,385</b>	<b>5,413</b>	<b>5,416</b>	<b>32</b>
Variable Rent Revenues	2,109	2,315	1,613 (1)	1,641 (1)	1,642 (1)	29
<b>Operating Expenses</b>	<b>2,585</b>	<b>3,085</b>	<b>3,119</b>	<b>3,184</b>	<b>3,217</b>	<b>97</b>
Depreciation Costs	1,355	1,623	1,752	1,795	1,788	36
Loss from Disposal of Fixed Assets	105	71	8	29	29	21
<b>Operating Profit</b>	<b>3,007</b>	<b>2,978</b>	<b>2,265</b>	<b>2,228</b>	<b>2,199</b>	<b>△66</b>
Non-Operating Profit	△535	△672	△1,003	△1,162	△1,130	△127
<b>Recurring Profit</b>	<b>2,472</b>	<b>2,306</b>	<b>1,261</b>	<b>1,066</b>	<b>1,068</b>	<b>△193</b>
<b>Net Income</b>	<b>2,470</b>	<b>2,304</b>	<b>1,259</b>	<b>1,064</b>	<b>1,066</b>	<b>△193</b>
Dividend per Unit (yen)	26,944	25,130	11,913	10,072	10,091	△1,822
NOI	4,984	5,184	4,477	4,498	4,511	34
NOI%	6.6	6.1	5.3	5.3	5.3	0.0
FFO	3,931	3,999	3,020	2,889	2,885	△136
LTV%	38.4	45.1	42.0	-	-	-
Number of Outstanding Units	91,700	91,700	105,719	105,719	105,719	0

Note (1) This variable rent revenues are determined by the variable rent cap. For details, refer to "(Reference Information) Variable Rents Calculation" on the next page.

## Assumptions

- Operating Days for FY2010 are 365 days from September 1, 2009 to August 31, 2010.
- The Projections are based upon the eight properties that the REIT held at the end of Feb., 2010.
- The outstanding debt at the end of the fifth term (FY2010) is expected to be ¥36,953mn.
- Actual operating revenues, recurring profit, net income and dividend per unit may differ from the outlook, depending on the future acquisition or a sale of a property, trends in the real estate market, and changes in other conditions surrounding the REIT. The projected dividend is not guaranteed.

# (Reference Information)

## Variable Rents Calculation

Japan Hotel and Resort, Inc.

(million yen)

	$\left( \begin{array}{l} \text{GOP of} \\ \text{Hotels with} \\ \text{Variable Rents} \\ \text{(note 1, 2)} \end{array} - \begin{array}{l} \text{Fixed Rents of} \\ \text{Hotels with} \\ \text{Variable Rents} \\ \text{(note 1)} \end{array} - \begin{array}{l} \text{Operators' Fees} \\ \text{(note 3)} \end{array} \right) \times 90\% = \text{Variable} \\ \text{Rent Cap} \\ \text{(note 4)(a)}$				$\begin{array}{l} \text{Hotel Revenues} \\ \text{multiplied by} \\ \text{Variable Rent} \\ \text{Rate} \\ \text{(note 5)(b)} \end{array}$	$\begin{array}{l} \text{Variable Rents} \\ \text{received (c):} \\ \text{Smaller of (a)} \\ \text{and (b)} \end{array}$
FY2010 Forecast	$(5,452 - 3,221 - 406)$	X 90% =	1,642	<	2,121	1,642
FY2010 Previous Forecast	$(5,452 - 3,221 - 407)$	X 90% =	1,641	<	2,157	1,641
FY2009 Results	$(5,447 - 3,221 - 433)$	X 90% =	1,613	<	2,192	1,613
FY2008 Results	$(6,303 - 3,202 - 505)$	X 90% =	2,335	>	2,315	2,315
FY2007 Results	$(6,007 - 3,000 - 534)$	X 90% =	2,225	>	2,109	2,109

(Note)

- (1) The hotels with variable rents are the hotels which are released to K.K. Hotel Management Japan (hereinafter "HMJ" or "the lessee") and included four hotels in FY2007, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, and Hotel Inakko Alivila. With the addition of Oriental Hotel Hiroshima from FY2008 onwards, there are five hotels.
- (2) GOP (Gross Operating Profit): Total departmental profit minus unallocated expenses.
- (3) The total fees paid to JAL Hotels Co., Ltd. and Arc hon Hospitality K.K. and are fluctuated along with revenues and GOP of hotels with which service is provided.
- (4) Variable rent cap: 90% of the adjusted GOP calculated by subtracting fixed rents and operators' fees from GOP of the five hotels with variable rents. In the fixed term building lease contract with HMJ dated December 14, 2005, it was agreed that the upper limit of the total variable rents would be this variable rent cap.
- (5) Hotel revenue did not reach the revenue threshold for stepping up so the variable rent rate is the standard rate of 10%.

# (Reference Information)

The figures in these reference materials are rounded off to the nearest million yen.

Japan Hotel and Resort, Inc.

## 1. Hotel Revenues (By Hotel)

(million yen)

5 Hotels with Variable Rents		1 <sup>st</sup> Half	vs. LY	2 <sup>nd</sup> Half	vs. LY	Full Year	vs. LY		1 <sup>st</sup> Half	vs. LY	2 <sup>nd</sup> Half	vs. LY	Full Year	vs. LY			
Kobe Meriken Park Oriental Hotel	FY2010(1)	Forecast	3,041	△2.6%	2,878	0.0%	5,919	△1.3%	Tokyo Bay Oriental Hotel	FY2010(1)	Forecast	3,189	△7.5%	3,189	3.1%	6,378	△2.5%
		Previous(2)	2,890	△7.5%	2,927	1.7%	5,816	△3.1%			Previous(2)	3,116	△9.6%	3,342	8.0%	6,458	△1.3%
	FY2009		3,122	△7.5%	2,877	△14.6%	5,999	△11.0%		FY2009		3,448	2.2%	3,093	△9.2%	6,542	△3.6%
	FY2008		3,374	-	3,370	-	6,744	-		FY2008		3,374	-	3,409	-	6,783	-
Namba Oriental Hotel	FY2010(1)	Forecast	866	△6.4%	915	7.0%	1,781	0.0%	Hotel Nikko Alivilla	FY2010(1)	Forecast	1,947	△15.5%	3,066	△4.1%	5,012	△8.8%
		Previous(2)	855	△7.5%	911	6.5%	1,766	△0.8%			Previous(2)	2,135	△7.3%	3,283	2.7%	5,418	△1.4%
	FY2009		925	△7.4%	855	△12.4%	1,781	△9.9%		FY2009		2,303	1.8%	3,195	△11.0%	5,498	△6.1%
	FY2008		999	-	976	-	1,976	-		FY2008		2,262	-	3,591	-	5,853	-
Oriental Hotel Hiroshima (3)	FY2010(1)	Forecast	1,066	△3.9%	1,059	6.6%	2,125	1.1%	Total	FY2010(1)	Forecast	10,109	△7.3%	11,107	0.8%	21,215	△3.2%
		Previous(2)	1,057	△4.7%	1,053	6.0%	2,111	0.4%			Previous(2)	10,054	△7.8%	11,516	4.6%	21,570	△1.6%
	FY2009		1,109	12.0%	994	2.8%	2,103	7.5%		FY2009		10,908	△0.8%	11,015	△10.5%	21,923	△6.0%
	FY2008		990	-	967	-	1,957	-		FY2008		11,000	-	12,312	-	23,312	-

(1) The figures of FY2010 1<sup>st</sup> Half are actual, but not audited.

(2) Forecast as of October 22, 2009.

(3) Although in FY2008 JHR owned this property for 11 months, figure for a 12-month period is used for a comparison purpose. The figure is not audited.

## 2. Hotel GOP

	FY2008(1)			FY2009			FY2010 Forecast(2)		
	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year
5 Hotels with Variable Rents	2,539	3,764	6,303	2,516	2,931	5,447	2,356	3,096	5,453
vs. LY (amount)	-	-	-	△23	△833	△856	△160	165	5
vs. LY (%)	-	-	-	△0.9%	△22.1%	△13.6%	△6.4%	5.6%	0.1%
GOP ratio with respect to revenues	23.4%	30.6%	27.2%	23.1%	26.6%	24.8%	23.3%	27.9%	25.7%

(1) In the case of the Oriental Hotel Hiroshima only, the figures for FY2008 are the GOP and revenues for the 11-month period JHR owned this hotel.

(2) The figures of FY2010 1<sup>st</sup> Half are actual, but not audited.

## 3. Rent Revenues

Rental Income of JHR(1)	FY2008	FY2009	FY2010 Forecast		FY09 vs. FY08		FY10 vs. FY09	
			Previous	Current	Amount	%	Amount	%
Total Rental Income	6,064	5,385	5,414	5,417	△679	△11.2%	32	0.6%
Fixed rents and variable rents from HMJ	5,518	4,835	4,863	4,864	△683	△12.4%	29	0.6%
Variable Rents from HMJ	2,315	1,614	1,642	1,643	△701	△30.3%	29	1.8%

(1) The total rental income is the total amount of rental income from the 8 hotels owned by JHR. In FY 2008 JHR owned the Oriental Hotel Hiroshima for 11 months.

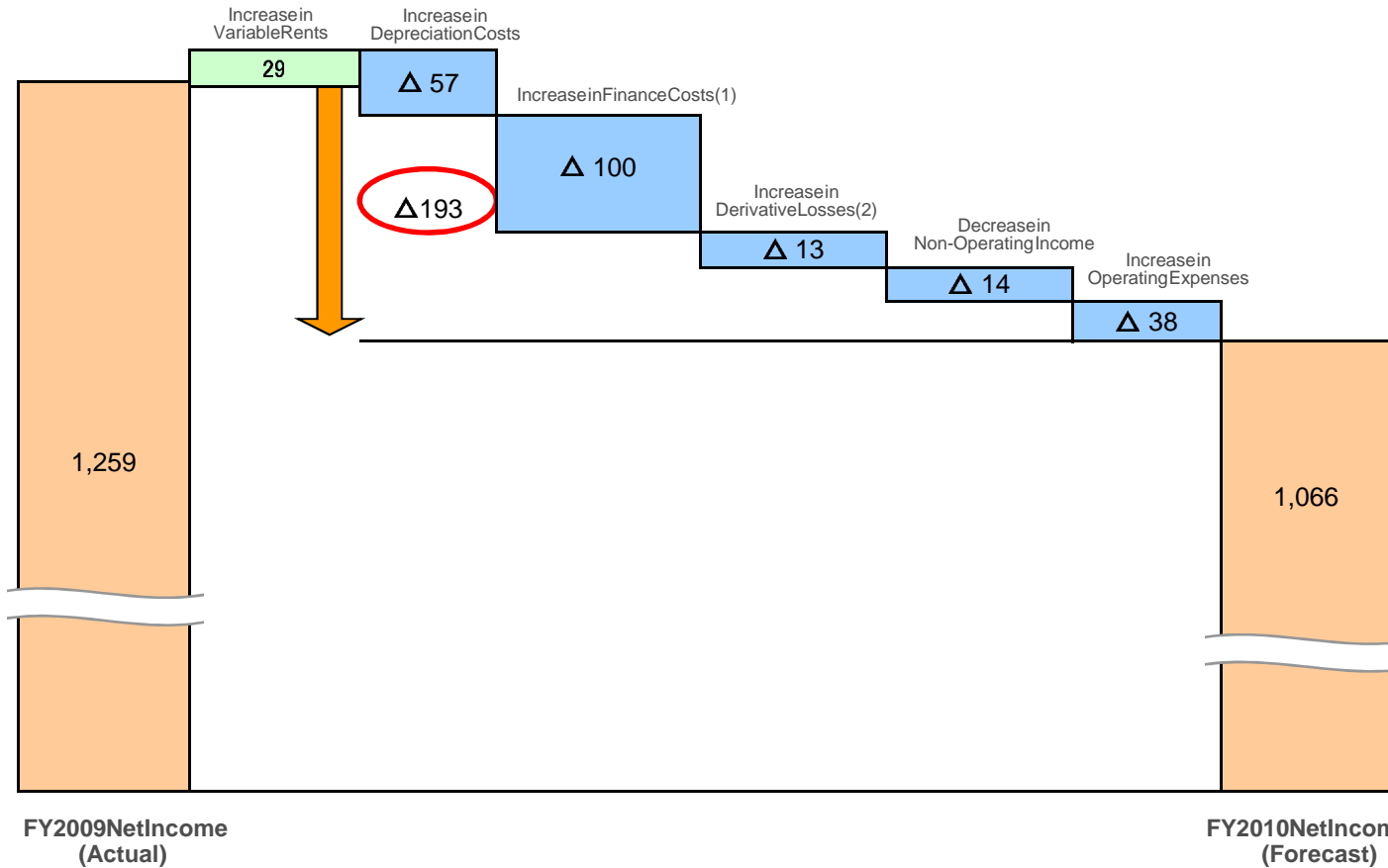


# Net Income Comparison

Japan Hotel and Resort, Inc.

## FY2010 Forecast VS FY2009 Results

(million yen)



(Note)

- (1) The increase in the finance cost is mainly due to the fact that the interest rate on borrowings rose as a result of the refinancing of 29.2 billion yen implemented in FY2009.
- (2) Derivative losses are amortization of the premium payment for the spread-type interest rate cap. Derivative losses incurred were approximately 262 million yen by FY2009 and JHR plan to incur all of the remaining costs, approximately 146 million yen, in FY2010.

# Summary of Balance Sheet

Japan Hotel and Resort, Inc.

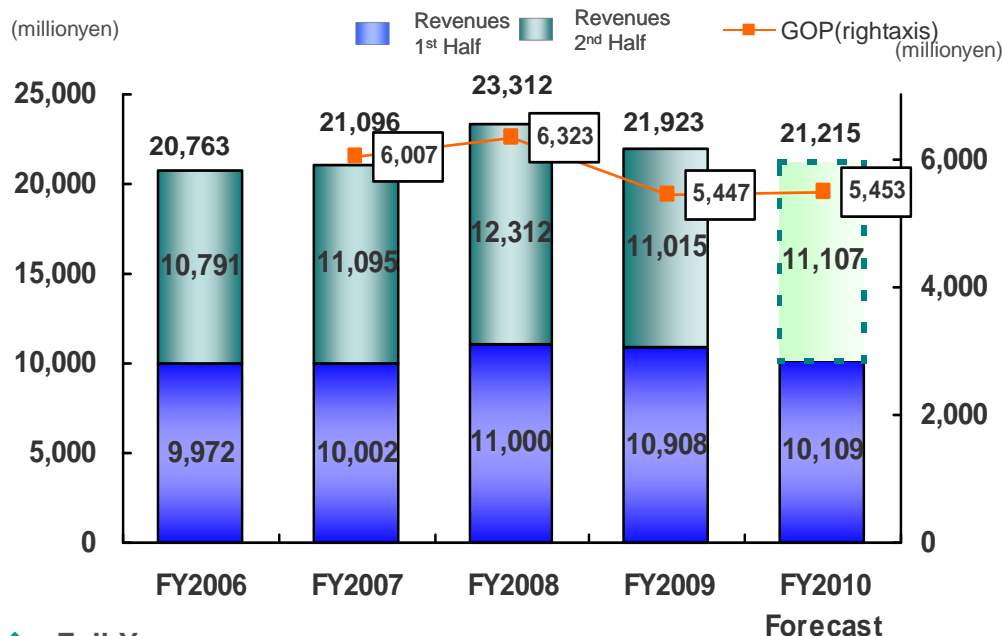
(million yen)	Ended Feb.28, 2009	(%)	Ended Feb.28, 2010	(%)	Ended Feb.28, 2009	(%)	Ended Feb.28, 2010	(%)	
<b>ASSETS</b>					<b>LIABILITIES</b>				
<b>Current Assets</b>	<b>6,303</b>	6.9	<b>3,982</b>	4.5	<b>Current Liabilities</b>	<b>9,333</b>	10.2	<b>20,196</b>	22.8
Cash and Bank Deposit	3,740		3,151		Trade and Other Payables	63		46	
Rent Receivable	480		461		Long-Term Debt to be repaid within one year	8,700		19,500	
Others	2,082		370		Account Payable and Other Payables	274		319	
<b>Fixed Assets</b>	<b>85,417</b>	93.1	<b>84,414</b>	95.5	Rents Received in Advance	295		330	
Property and Equipment at Cost	72,526	79.1	71,369	80.7	Others	0		0	
Buildings(1)	2,385		2,222		<b>Fixed Liabilities</b>	<b>34,038</b>	37.1	<b>19,988</b>	22.6
Land	884		884		Long-Term Debts	31,753		17,703	
Buildings in construction	28		20		Leasehold & Security Deposit Received	2,285		2,285	
Buildings in Trust(1)	29,751		28,786		<b>TOTAL LIABILITIES</b>	<b>43,371</b>	47.3	<b>40,184</b>	45.5
Land in Trust	39,476		39,454		<b>EQUITY</b>				
Intangible Assets	12,370	13.5	12,355	14.0	Total Unitholders' Capital	47,514	51.8	47,514	53.7
Investment and Other Assets	519	0.6	690	0.8	Retained Earnings	980	1.1	755	0.9
<b>Deferred Assets</b>	<b>17</b>	0.0	<b>11</b>	0.0	Unrealized Gains or Losses from Deferred Hedge	△128	△0.1	△45	△0.1
<b>TOTAL ASSETS</b>	<b>91,738</b>	100.0	<b>88,409</b>	100.0	<b>TOTAL EQUITY</b>	<b>48,366</b>	52.7	<b>48,224</b>	54.5
					<b>TOTAL LIABILITIES and UNITHOLDER SEQUITY</b>	<b>91,738</b>	100.0	<b>88,409</b>	100.0

Note(1) Buildings include structures, machinery and equipment.

## Chapter2 HighlightsofHotelPerformance

# Highlights of Hotel Performance

## 5 Hotels (1) with Variable Rents (2)



### Results of 1st Half of FY2010

- Total revenues fell by ¥799mn (7.3%) compared to the first half of FY 2009, a result ¥54mn higher than the forecast at the beginning of the term.
- In the room segment, occupancy rates and ADR decreased due to the decline in demand resulting from the economic slowdown, the decrease in the number of visitors to Okinawa, and the impact of price competition, etc., so revenues decreased by ¥612mn (13.9%) compared to the first half of FY 2009.
- In the food & beverages segment, wedding revenues increased but restaurant revenues decreased due to the fall in the number of guests, etc. so segment revenues decreased by ¥112mn (2.1%) compared to the first half of FY 2009.

### Outlook for 2nd Half of FY2010

- Total revenues are expected to increase by ¥92mn (0.8%) compared to the second half of FY 2009, a forecast ¥409mn lower than the forecast at the beginning of the term.
- In the room segment, a recovery from the impact of the swine influenza in the second half of FY 2009 is expected but continuing price competition will cancel out this effect so we expect to maintain our performance at the same level as in the second half of FY 2009.
- In the food & beverages segment, it is expected that restaurant revenues will decrease due to a fall in the number of guests but the numbers of general banquets and wedding banquets will increase so segment revenues will increase compared to the second half of FY 2009.

### Outlook of GOP for FY2010

- Given that full-year total revenues compared to the same period in FY 2009 will fall by ¥707mn (3.2%), it is expected that GOP will be at the same level as in FY 2009, maintaining the forecast at the beginning of the term of ¥5,453mn.
- Total costs are expected to decrease by ¥712mn (4.3%) compared to the same period in FY 2009 due to reduction of labor costs, utilities costs, etc., so the GOP ratio is expected to improve from 24.8% in the previous term to 25.7% in the current term.

#### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	81.2	81.4	77.6	75.7
ADR(yen)	18,439	19,042	18,172	17,758
RevPAR (yen)	14,963	15,500	14,107	13,441

#### ◆ 1st Half

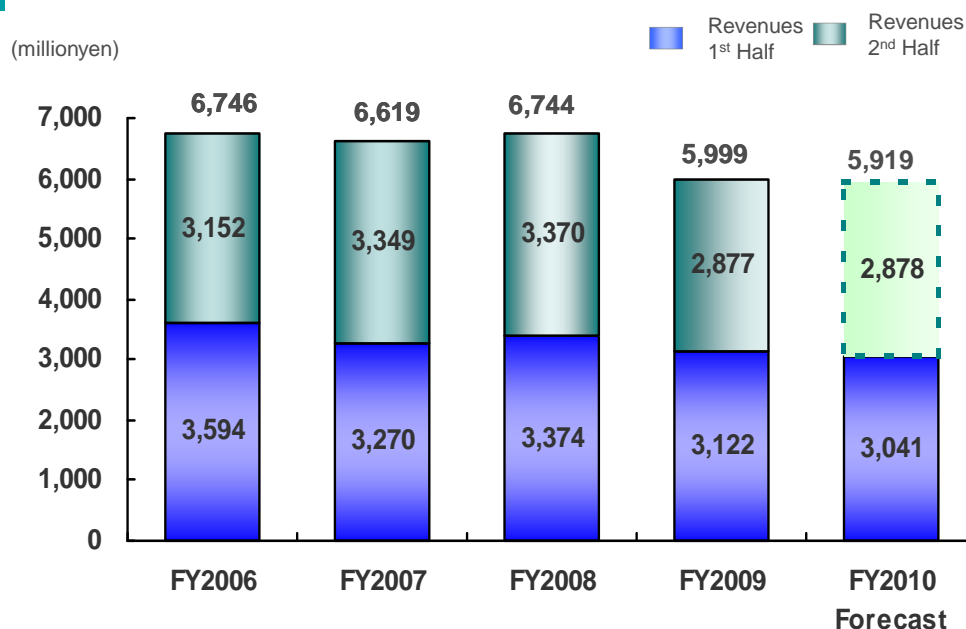
	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	80.0	84.0	76.4	79.4	75.2
ADR(yen)	15,978	16,585	16,014	16,291	14,805
RevPAR(yen)	12,780	13,925	12,235	12,938	11,134

(Note) (1) The 5 hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima, all of which are released to Hotel Management Japan K.K. (hereinafter "HMJ" or "the lessee"). For FY2006 the actual operating period of JHR was the approximately six-and-a-half months beginning on February 15, 2006 but figures for a 12-month period are used for the comparative analysis. Furthermore, although JHR held the Oriental Hotel Hiroshima for approximately 11 months in FY2008, for the comparative analysis 12-month period figures of revenues, GOP and operating data are used, and these are not audited.

(2) Revenues and operating data before February 15, 2006 in FY2006 is obtained from the seller and the data after that date is obtained from the lessee. The data prior to February 15, 2006 is not audited while the data from that date to the end of FY2009 is audited. The data for FY2010 is not audited. The figures for FY2010 are forecasts only and the actual results may differ from the forecast, depending on various factors. (This also applies to each of the hotels below.) Please refer to "Explanation of Hotel Terminology" on page 53 for definitions of ADR and RevPAR.

# HighlightsofHotelPerformance

## KobeMerikenParkOrientalHotel



### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	78.7	78.4	78.0	70.7
ADR(yen)	14,961	16,025	15,448	15,472
RevPAR(yen)	11,771	12,556	12,049	10,933
GOP(Myen)	-	1,330	1,319	891
GOP(%)	-	20.1	19.6	14.8

### ◆ 1st Half

	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	77.9	79.6	76.0	74.9	74.2
ADR(yen)	14,783	15,373	15,442	15,896	14,228
RevPAR(yen)	11,509	12,232	11,732	11,905	10,550

## Resultsof1<sup>st</sup> HalfofFY2010

- Total revenues fell by ¥81mn (2.6%) compared to the first half of FY 2009, a result ¥151mn higher than the forecast at the beginning of the term.
- In the room segment, we maintained occupancy rates at the same level as in FY 2009 through our aggressive sales of products with their price as the selling point but revenues decreased by ¥86mn (11.3%) compared to the first half of FY 2009.
- In the food & beverages segment, restaurant revenues were lower than in FY 2009 due to the impact of the economic slowdown but wedding banquet revenues and general banquet revenues were higher than in FY 2009 due to increased numbers of both types of banquets, so segment revenues increased by ¥28mn (1.3%) compared to the first half of FY 2009.

## Outlookfor2<sup>nd</sup> HalfofFY2010

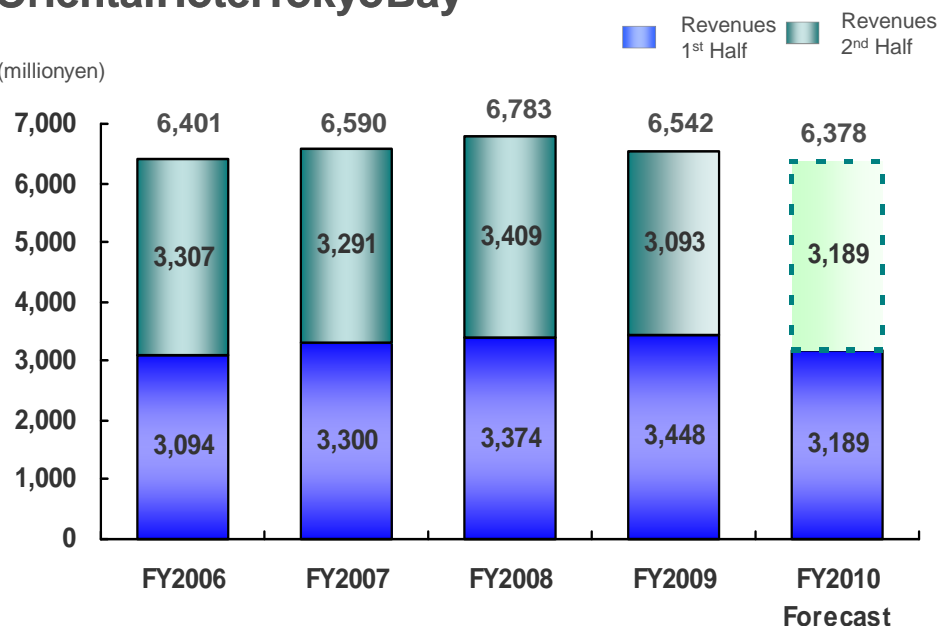
- Total revenues are expected to be maintained at the same level as in the second half of FY 2009, a forecast ¥49mn lower than the forecast at the beginning of the term.
- In the room segment, there will be an impact from a fall in ADR but on the other hand a recovery in occupancy can be expected due to the waning of the impact of last year's swine influenza, so revenues are expected to increase compared to the second half of FY 2009.
- In the food & beverages segment, we expect to increase the number of general banquets so that revenues from these banquets will be higher than in FY 2009 but due to the impact of the entry of new competitors in the wedding banquets segment and the impact of the decrease in the number of guests in the restaurants segment revenues are expected to decrease compared to the second half of FY 2009.

# HighlightsofHotelPerformance

Japan Hotel and Resort, Inc.

## OrientalHotelTokyoBay

(millionyen)



### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	83.6	80.6	79.6	80.8
ADR(yen)	18,243	19,446	19,817	18,830
RevPAR(yen)	15,243	15,679	15,784	15,205
GOP(Myen)	-	1,630	1,708	1,531
GOP(%)	-	24.7	25.2	23.4

### ◆ 1st Half

	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	83.6	86.7	81.3	89.3	86.3
ADR(yen)	16,832	17,706	18,316	17,928	15,955
RevPAR(yen)	14,063	15,357	14,893	16,002	13,766

## Resultsof1<sup>st</sup> HalfofFY2010

- Total revenues fell by ¥260mn (7.5%) compared to the first half of FY 2009, a result ¥72mn higher than the forecast at the beginning of the term.
- In the room segment, both occupancy and ADR decreased due to the waning of the effects of Tokyo Disney Resort's 25th anniversary and price competition among competitor hotels, so revenues decreased by ¥225mn (14.0%) compared to the first half of FY 2009.
- In the food & beverages segment, wedding banquet revenues increased due to the effect of the chapel renovation but restaurant revenues and general banquet revenues decreased due to the impact of the economic slowdown, so segment revenues decreased by ¥21mn (1.3%) compared to the first half of FY 2009.

## Outlookfor2<sup>nd</sup> HalfofFY2010

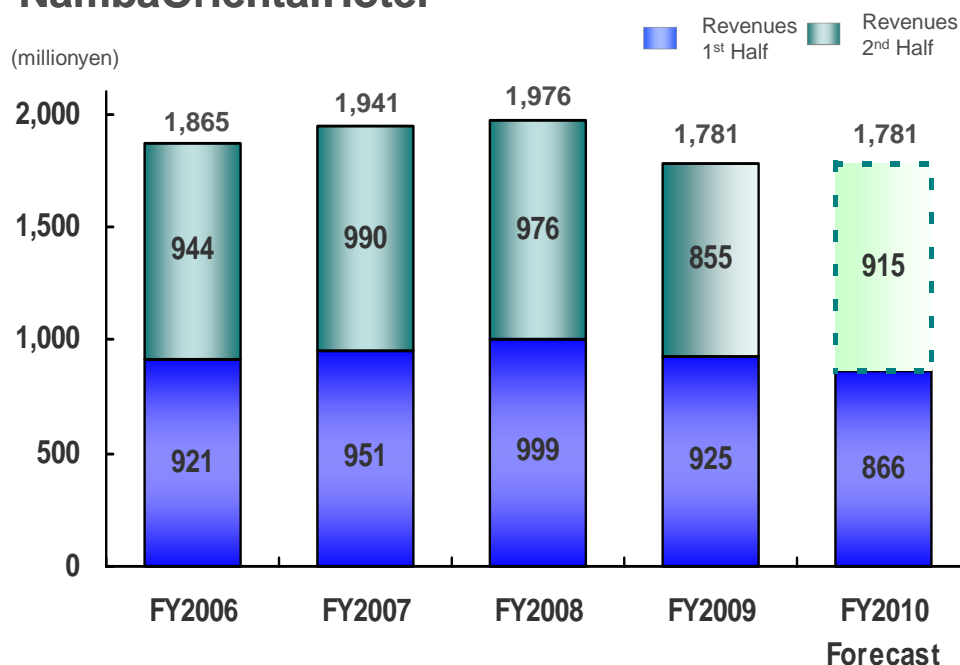
- Total revenues are expected to increase by ¥96mn (3.1%) compared to the second half of FY 2009, a forecast ¥153mn lower than the forecast at the beginning of the term.
- In the room segment, price competition among competitor hotels is forecast to continue but an increase in revenues compared to the second half of FY 2009 is expected due to our recovery from the waning of the effects of Tokyo Disney Resort's 25th anniversary and the effects of the guest room renovations we implemented in the current term, etc.
- In the food & beverages segment, restaurant revenues are expected to decrease but wedding banquets are forecast to continue to perform strongly so segment revenues are expected to increase compared to the second half of FY 2009.

# HighlightsofHotelPerformance

Japan Hotel and Resort, Inc.

## NambaOrientalHotel

(millionyen)



### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	80.2	88.4	86.8	75.5
ADR(yen)	9,652	10,300	10,649	10,365
RevPAR(yen)	7,740	9,104	9,248	7,827
GOP(Myen)	-	1,114	1,099	963
GOP(%)	-	57.4	55.6	54.1

### ◆ 1st Half

	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	78.2	88.2	88.7	80.4	79.9
ADR(yen)	9,227	10,093	10,539	10,604	9,152
RevPAR(yen)	7,217	8,907	9,350	8,520	7,311

## Resultsof1<sup>st</sup> HalfofFY2010

- Total revenues fell by ¥60mn (6.4%) compared to the first half of FY 2009, a result ¥10mn higher than the forecast at the beginning of the term.
- In the room segment, there is a strong trend toward lower prices in the overall market and we aimed to secure occupancy by aggressively launching products with their price as the selling point, but revenues decreased by ¥62mn (14.2%) compared to the first half of FY 2009.
- In the food & beverages segment, due to the effects of menu revisions, etc. revenues increased by ¥9mn (14.5%) compared to the first half of FY 2009.

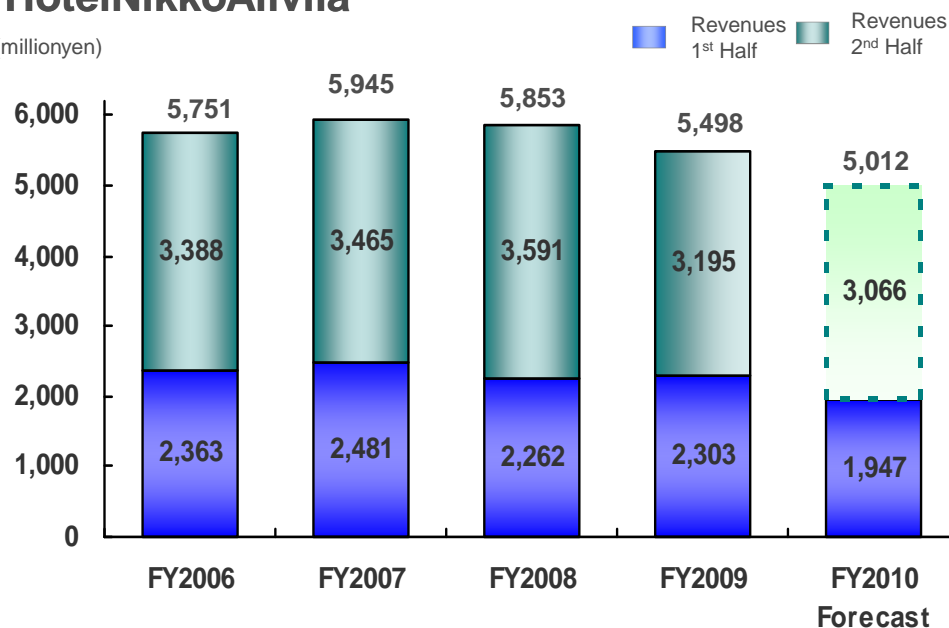
## Outlookfor2<sup>nd</sup> HalfofFY2010

- Total revenues are expected to increase by ¥60mn (7.0%) compared to the second half of FY 2009, a forecast ¥5mn higher than the forecast at the beginning of the term.
- In the room segment, revenues are expected to increase compared to the second half of FY 2009 due to a recovery in occupancy resulting from the waning of the impact of the FY 2009 swine influenza, a recovery in demand from overseas visitors to Japan, the effects of the guest room renovations implemented in the current term, etc.
- In the food & beverages segment, revenues are expected to increase compared to the second half of FY 2009 as the number of people using the restaurants increases along with the recovery in guest room occupancy, etc.

# HighlightsofHotelPerformance

## HotelNikkoAlivila

(millionyen)



### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	80.7	80.4	77.4	75.6
ADR(yen)	25,935	27,197	28,347	27,561
RevPAR(yen)	20,928	21,859	21,934	20,837
GOP(Myen)	-	1,933	1,933	1,743
GOP(%)	-	32.5	33.0	31.7

### ◆ 1st Half

	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	78.7	81.3	71.1	73.4	61.8
ADR(yen)	20,200	20,612	21,646	22,327	21,898
RevPAR(yen)	15,892	16,762	15,394	16,378	13,531

## Resultsof1<sup>st</sup> HalfofFY2010

- Total revenues fell by ¥356mn (15.5%) compared to the first half of FY 2009, a result ¥189mn lower than the forecast at the beginning of the term.
- In the room segment, interest in inexpensive, nearby, and short travel formats strengthened due to the impact of the economic slowdown and the number of visitors to Okinawa Prefecture decreased. Faced with this situation, we limited the size of our price reductions in order to be able to achieve flexible unit price recovery when the economic recovery begins but there was a large drop in occupancy so revenues decreased by ¥224mn (17.3%) compared to the first half of FY 2009.
- In the food & beverages segment, we aimed to improve the food intake ratio through implementation of aggressive marketing policies in the restaurants but revenues were lower than in FY 2009 due to a decrease in the number of hotel guests, so segment revenues decreased by ¥100mn (12.7%) compared to the first half of FY 2009.

## Outlookfor2<sup>nd</sup> HalfofFY2010

- Total revenues are expected to decrease by ¥130mn (4.1%) compared to the second half of FY 2009, a forecast ¥217mn lower than the forecast at the beginning of the term.
- In the room segment, the fall in the number of visitors to Okinawa Prefecture has been slowing down since the beginning of the year but it is expected that the pressure to reduce prices among competitor hotels will continue so we will switch to a strategy with the emphasis on achieving occupancy through aggressive sales of low-priced products. Nonetheless, revenues are expected to decrease compared to the second half of FY 2009.
- In the food & beverages segment, the number of people using the restaurants is recovering along with the improvement of guest room occupancy but revenues are forecast to be lower than in FY 2009 so segment revenues are expected to decrease compared to the second half of FY 2009.

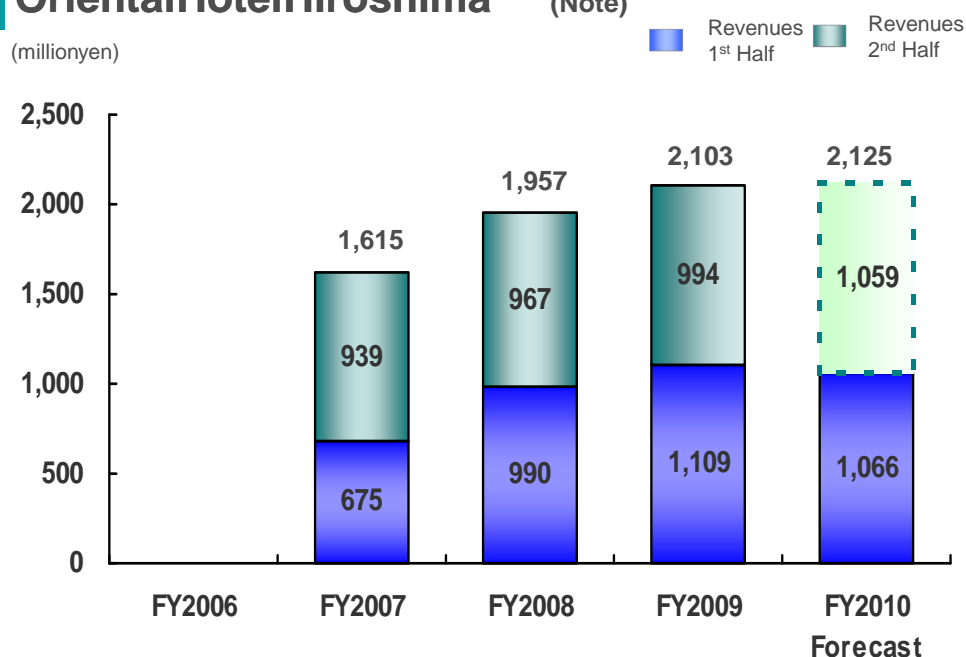


# Highlights of Hotel Performance

Japan Hotel and Resort, Inc.

## Oriental Hotel Hiroshima (Note)

(million yen)



### ◆ Full-Year

	FY2006	FY2007	FY2008	FY2009
Occ.Rate(%)	-	55.3	63.4	71.8
ADR(yen)	-	8,350	8,853	9,043
RevPAR(yen)	-	4,617	5,611	6,497
GOP(Myen)	-	-	264	320
GOP(%)	-	-	13.5	15.2

### ◆ 1st Half

	FY2006	FY2007	FY2008	FY2009	FY2010
Occ.Rate(%)	-	46.7	62.6	73.4	70.2
ADR(yen)	-	8,279	8,638	8,958	8,906
RevPAR(yen)	-	3,868	5,408	6,576	6,249

(Note) JHR acquired this property during FY2008 but for the comparative analysis data for FY2007 and information obtained from the seller. This data is not audited.

## Results of 1st Half of FY2010

- Total revenues fell by ¥43mn (3.9%) compared to the first half of FY 2009, a result ¥9mn higher than the forecast at the beginning of the term.
- In the room segment, the trend of reducing prices continued in the overall market due to the impact of the economic slowdown. Nonetheless, by strengthening marketing policies we were able to maintain ADR at the same level as in the first half of FY 2009 which caused a slight decline in occupancy rates, so revenues decreased by ¥15mn (5.0%) compared to the first half of FY 2009.
- In the food & beverages segment, segment revenues decreased by ¥29mn (3.7%) compared to the first half of FY 2009 due to the decrease in the unit price and number of wedding banquets.

## Outlook for 2nd Half of FY2010

- Total revenues are expected to increase by ¥65mn (6.6%) compared to the second half of FY 2009, a forecast ¥5mn higher than the forecast at the beginning of the term.
- In the room segment, revenues are expected to be higher than in the second half of FY 2009 due to the waning of the impact of the swine influenza that emerged in the second half of FY 2009 and in addition due to the strengthening of agent sales both domestically and internationally.
- In the food & beverages segment, segment revenues are expected to be higher than in the second half of FY 2009 as the measures to attract guests and the strengthening of marketing structures that we have been implementing from the first half of the year increase the numbers of both general banquets and wedding banquets.

he period in FY2008 prior to acquisition of the prop

erty is included here based on

## **Chapter3** FutureInvestmentandManagementPolicy

# Internal Growth

## Internal Growth Strategies

Japan Hotel and Resort, Inc.

### Perception of the Market Conditions

#### ■ General Market Conditions

- There are signs of a partial economic recovery centered on foreign demand and there are expectations that the worsening of the income environment will stop but the economic environment with an uncertain outlook will continue as before

#### ■ Hotel Market Conditions

- There are signs of a recovery in demand due to a recovery in the number of overseas visitors to Japan, etc. but continued price competition is anticipated and the tough management environment will continue
- Prospects for the medium to long term are positive due to (i) increasing travel demand by the baby-boomer generation, (ii) changes in consumption trend from time-saving expenditures to time-enjoying expenditures, and (iii) increases in the number of foreign visitors to Japan by the nationwide promotion of tourism in Japan.

**Agile business management with even closer attention to market trends than before is necessary**

**Maintaining/improving the competitiveness of four hotels and the asset value is also needed in order to gain returns in the time of economic recovery**

#### Basic Policies

**Through a deep understanding of the hotel business, hands-on management, and a strong cooperative relationship with the operators, the goal of the REIT is to maximize the mid/long-term value of the hotel and generate outstanding investment returns**

- ◆ Assuming that the tough management environment will continue, we will carefully monitor revenues and GOP so that profitability at each property will be maintained
  - In order to carefully implement marketing strategies and cost management, intensively discuss with the lessee and the hotel operators, and request implementation (when necessary, provide recommendations and support)
- ◆ While minimizing current risks, we will aim to maximize the mid-term profitability of the five hotels with variable rent
  - Revise the capital expenditure plan to respond to changes in the operating environment – carefully select and implement strategic CAPEX that maintains competitiveness in the short-term revenues and leads to strengthened competitive medium- to long-term
  - Drive forward the repositioning/rebranding project

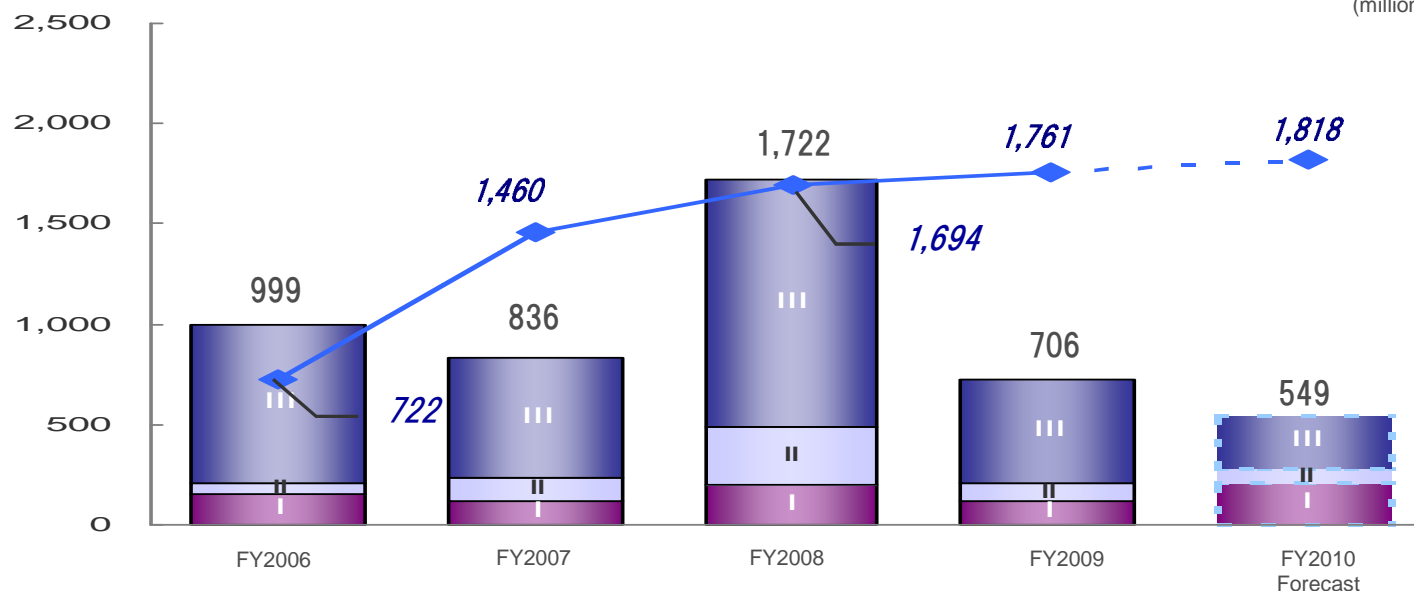
# Internal Growth

## CAPEX Trend and Plan

■ CAPEX I ■ CAPEX II ■ CAPEX III (Note1)

◆ Depreciation Costs + Loss from Disposal of Fixed Assets

(million yen)



	FY2006	FY2007	FY2008	FY2009	FY2010 Forecast
CAPEX I	156	118	202	97	204
CAPEX II	49	118	283	90	75
CAPEX III	793	600	1,236	518	269
<b>Total</b>	<b>999</b>	<b>836</b>	<b>1,722</b>	<b>706</b>	<b>549</b>

- The renovation of the guestrooms of Nikko Alivila planned for FY2007 slipped into FY2008, and CAPEX increased as a result.
- CAPEX plan in FY2009 was revised downward from ¥1,125mn to ¥706mn.

Note(1) CAPEX I: Replacement of equipments and facilities required for maintaining the asset value of properties.  
 CAPEX II: Purchase of fixtures, furniture, and equipment required for operating hotels, unrelated to their building frame or facilities.  
 CAPEX III: Strategic renovation of guestrooms, banquet halls and restaurants with the view to maintain and increase hotel competitiveness.

# CAPEX(CapitalExpenditurePlan)

Japan Hotel and Resort, Inc.

## 5HotelswithVariableRents:MajorCAPEXIII

():expenditures,millionyen

CompletedbyFY2009					
	FY2006	FY2007	FY2008	FY2009	FY2010
KobeMerikenPark OrientalHotel	<ul style="list-style-type: none"> <li>12-13F GuestRooms (189)</li> <li>Restaurant(51)</li> </ul>	<ul style="list-style-type: none"> <li>10-11FGuestRooms (222)</li> <li>RestaurantPier(98)</li> </ul>	<ul style="list-style-type: none"> <li>BridesRoom(68)</li> <li>Banquet(46)</li> </ul>	-	-
OrientalHotelTokyo Bay	<ul style="list-style-type: none"> <li>9-10F GuestRooms (145)</li> <li>Banquet(59)</li> </ul>	<ul style="list-style-type: none"> <li>7-8FGuestRooms (171)</li> <li>Restaurant(58)</li> </ul>	<ul style="list-style-type: none"> <li>5-6FGuestRooms (210)</li> <li>Lobby(60)</li> </ul>	-	<ul style="list-style-type: none"> <li>Chapel(77) Completed</li> <li>12FGuestRooms(135) Completed</li> </ul>
NambaOriental Hotel	<ul style="list-style-type: none"> <li>7-8F GuestRooms (93)</li> </ul>	<ul style="list-style-type: none"> <li>Restaurant(40)</li> </ul>	-	-	<ul style="list-style-type: none"> <li>4FGuestRoomsand corridorson4,5,6<sup>th</sup> floors(20) Completed</li> </ul>
HotelNikkoAlivila	<ul style="list-style-type: none"> <li>SuiteRooms(32)</li> <li>Restaurant(155)</li> </ul>	-	<ul style="list-style-type: none"> <li>3-8FGuestRooms (479)</li> </ul>	<ul style="list-style-type: none"> <li>1-6FSouthandWest GuestRooms(361)</li> </ul>	-
OrientalHotel Hiroshima	N/A	AcquiredinOctober2007	<ul style="list-style-type: none"> <li>7-18FGuestRooms (347)</li> <li>TenantFloor(23)</li> </ul>	<ul style="list-style-type: none"> <li>3F,4FBanquet (138)</li> </ul>	-
<b>CAPEXIII TOTAL</b>	<b>793</b>	<b>600</b>	<b>1,236</b>	<b>518</b>	<b>232</b>

(Note)TheguestroomsthatweareplanningtorenovateinFY2011orlateraretheguestrooms onthe 7<sup>th</sup> to9<sup>th</sup> floorsoftheKobeMerikenParkOrientalHotel,the 3<sup>rd</sup> flooroftheOrientalHotel TokyoBay,the5<sup>th</sup> and6<sup>th</sup> floorsoftheNambaOrientalHotelandinthecentrebuidingoftheHotelNikkoAlivila.

# External Growth

## External Growth Strategies

Japan Hotel and Resort, Inc.

### Perception of the Market Conditions

#### ■ Trends in Hotel Investment Market

- Real estate prices seem to have bottomed out for the time being and the market is showing a moderate recovery centered on hotels that seem to be relatively inexpensive or highly scarce, top grade hotels. Furthermore, the fall in the prices for highly scarce, top grade hotels is becoming limited.
- The acquisition of specific properties, and the timing of such acquisitions, will be determined carefully by closely examining the profitability and stability of individual properties, and the environment for fund procurement.



**Select and acquire prime properties with growth potential at a low price**

**After acquisition, cooperate with the operator to encourage internal growth**

#### Basic Policies

**Ensure stable revenues, and aim to acquire properties with the focus on construction of a portfolio with internal growth potential**

**In the mid/long-term, aim to build a portfolio which consciously maintains a balance between five items: by grade, by type, by region, by year-built and by rent type (fixed or variable)**

#### Essential Conditions

**Hotels that can bring in "domestic leisure customers" and "leisure customers visiting Japan"**

**Hotels that are expected to increase revenues through operational improvements**

(However, it is assumed that the hotel is already ensuring stable revenues.)

- Regarding the hotel type, target major investments to city hotels and resort hotels for which a certain amount of management know-how is necessary and barriers to new entry to the market are high.
- Target investment in business hotels to those hotels which can bring in leisure demand as well.
- Regarding areas, target investments to leisure destinations and places travelers stop on the way to their final destination.

\* "Leisure demand" means demand for tourism, shopping, movies and theater, exchanges of traditions and cultures, concerts, accommodation, meals, experiences of nature, marine sports, golf, skiing, summer getaways, winter getaways, etc.

#### <Points to focus on in the short-term>

1. **Taking into consideration the profitability and stability, etc. of individual properties, we will make careful judgments while focusing on the fund procurement environment**
2. **Regions: Tokyo, Osaka, Kyoto, Fukuoka, Hokkaido, Okinawa and Hakone**

# External Growth

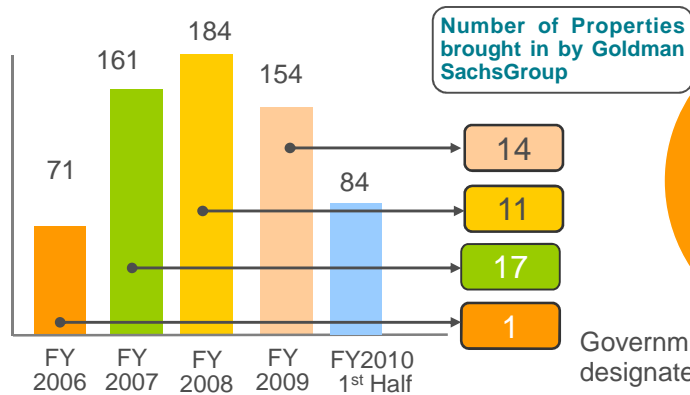
## Potential Opportunities to Acquire Properties

- The asset management company searches and acquires properties using its own expertise and strong network in hotel investment, and also using the pipeline agreement with the Goldman Sachs Group (GS Group), which has a wealth of know-how in hotel investments and operations
  - Introduction of hotels acquired by GS Group
  - Introduction of hotels brought by third parties to GS Group

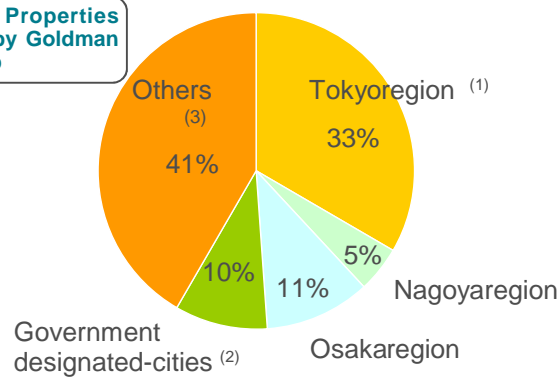


- A total of 84 properties were brought in during the first half of the 5th term (September 2009 to February 2010), 21 properties more than the 63 properties brought in during the first half of the 4th term. The characteristic features were the high grade existing properties, such as upscale properties primarily in the three major urban regions, and resort properties.

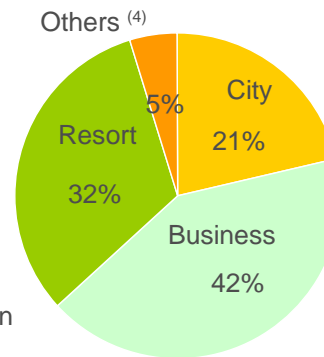
### Number of properties brought in



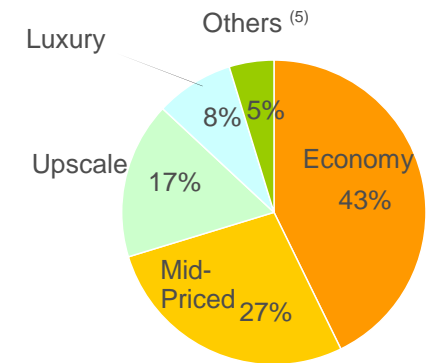
### By Location



### By Type



### By Grade



(Note)

- (1) The Tokyo region includes Tokyo, Kanagawa, Saitama and Chiba prefectures; the Nagoya includes Aichi, Gifu and Mie prefectures; and the Osaka includes Osaka, Kyoto, Nara and Hyogo prefectures.
- (2) Government-designated cities exclude those with in the above three major regions.
- (3) Others include properties located in areas other than the three major regions or government-designated cities, and properties whose details were not disclosed when they were brought in.
- (4) Others included developmental properties whose types are not determined and properties whose details were not disclosed when brought in.
- (5) Others included developmental properties whose grades are not determined and properties whose details were not disclosed when brought in.

## Perception of the Market Conditions

- Although the fund procurement environment of the J-REIT is gradually improving, the tough situation will continue for new financing



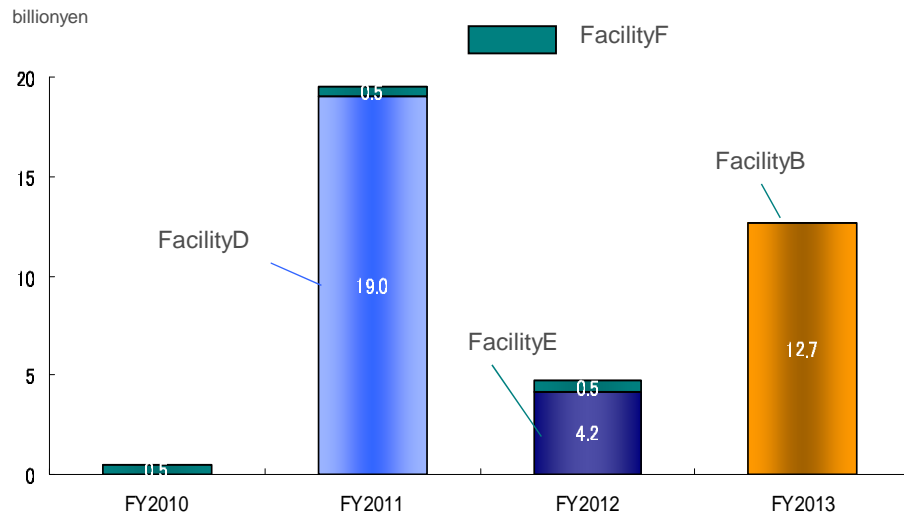
**Stable financial foundation under strong relationship with the existing lenders**

## Basic Policies

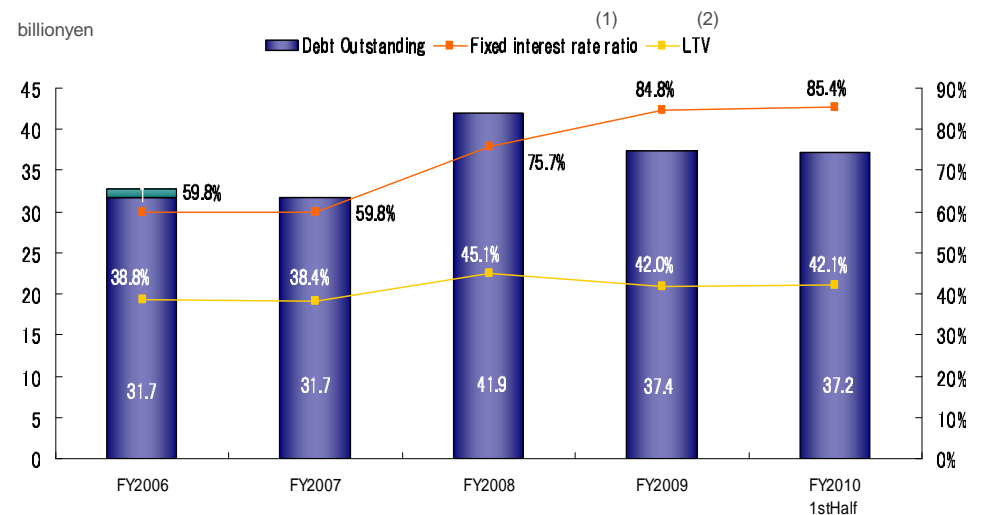
**Management placing importance on ensuring financial soundness and stability**

- Maintain conservative Loan to Value (LTV) levels: target of 30%-50%
- Diversify financing sources, study the possibility of issuing corporate bonds
- Disperse debt maturity
- Interest rate hedging strategy: reduce interest rates rising risk and enjoy a certain level of profit from current low interest rates

## Debt Outstanding by Maturity



## Debt Outstanding and LTV Ratio



(1) Long-term fixed interest-bearing liabilities are borrowings with a reduced risk of interest rises caused by interest swap and cap transactions.

(2) LTV (loan-to-value, the ratio of liabilities to assets at the end of the term) equals the end-of-term interest-bearing liabilities (end-of-term borrowings + the Japan Hotel and Resort corporate bond balance) divided by the total end-of-term assets.



## List of Debts

<As of the end of February, 2010>

Term(1)	Facility	Lenders	Balance (Million Yen)	Interest rate (2)	Borrowing Date	Maturity Date	Remarks
Mid-term	B	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. The Norinchukin Bank	12,753	1.909%	August 24, 2007	November 15, 2012	Secured, non-guaranteed
Short-term	D		19,000	1.757%	February 13, 2009	February 15, 2011	Secured, non-guaranteed
Mid-term	E		4,200	2.053%	March 24, 2009	March 24, 2012	Secured, non-guaranteed
Mid-term	F		1,250	1.753%	March 24, 2009	March 24, 2012	Secured, non-guaranteed, amortization payment
Total			37,203				

(Note)

(1) Short-term means shorter than one year and mid-term means one to five years.

(2) The interest rate figures show the interest rate in the most recent interest calculation period for each facility, rounded to three decimal places. The annual amortization ratio of the up-front fees is not included. The figure for Facility B also takes into consideration the effects of interest rate swaps.

## Condition of Interest Rate Hedging

Facility	Balance (Million Yen)	FY2009	FY2010	FY2011	FY2012	FY2013
B	12,753	Interest rate swap (until Nov. 15, 2012)				
D	19,000	Interest rate cap (until Feb. 15, 2011)				

## Status of Credit Rating

Rating Agency	Type of Rating	Rating (1)	Rating Outlook
Rating and Investment Information, Inc. (R&I)	Issuer Rating	A —	Stable

Note (1) Please see our December 24, 2009 press release "Notice regarding a Change of Rating" regarding the revision of the rating.

## Perception of the Market Condition

- Lack of depth in the J-REIT investor base
- The J-REIT investor base is unbalanced so share prices are volatile and no market has been formed for the original middle return investment products.



- Improve the satisfaction of existing investors through appropriate information disclosure
- Construct a broad investor base

**Basic Policies** Prompt disclosure of information that is easy to understand, based on the principles of timeliness, accuracy, and continuity.



### ◆ Improvement of the satisfaction of existing investors

- Maintain and improve the quality of monthly information disclosure
- Enrich disclosure contents of forecasting results
- Proactive utilization of feedback through IR activities

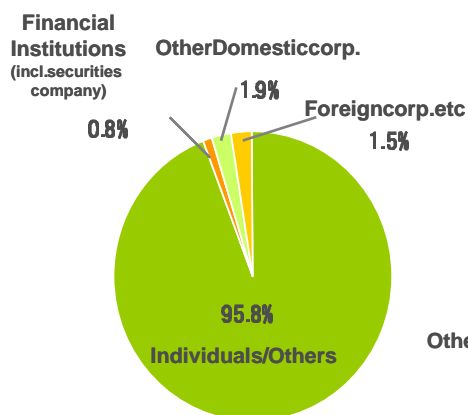
### ◆ Expansion of the investor base

- Institutional investors: in addition to individual visits, study the possibility of holding site visit events at the hotels
- Foreigners: Translate some of our website into English, information delivery by wire.
- Individuals: participation in explanation meetings and IR events for individuals, utilization of the full range of media, introduction of the investor benefit program, study the possibility of offering site visit tours to the properties

**Appendix A** Investor Composition and Unit Price

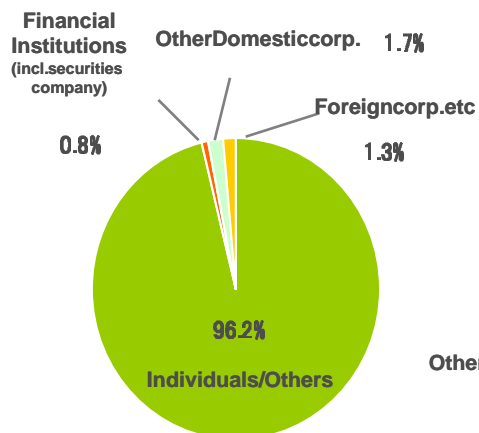
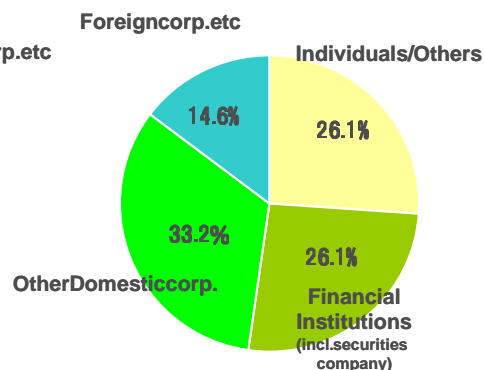
# Units Held by Attribute

## Number of investors (1)

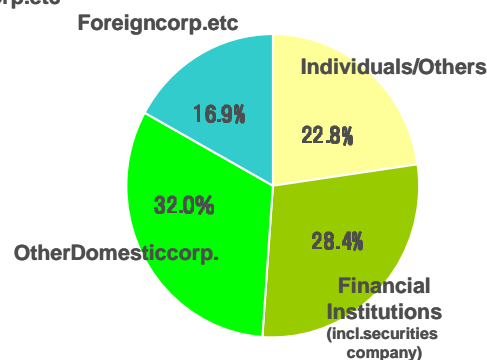


Aug. 31, 2009

## Number of investment units held (1)



Feb. 28, 2010



(Note)

- (1) The ratio of the number of investors and number of investment units held to the total are rounded off to the first decimal place.
- (2) Green Investment Co., Ltd. is a wholly owned subsidiary of the Goldman Sachs Group, and acquired 200 units when the REIT was established, and additionally acquired 14,019 units issued on February 3, 2009.
- (3) Japan Hotel Alliance Co., 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, 2009.
- (4) The ratio of investment units held to the total number of investment units issued is rounded down to the second decimal place.

## Unit-holder details (as of February 28, 2010)

	Investors		Units	
	Number	%	Number	%
Individuals/Others	5,633	96.2%	24,119	22.8%
Financial Institutions (incl. securities company)	44	0.8%	29,993	28.4%
Other domestic corp.	101	1.7%	33,787	32.0%
Foreign corp. etc.	78	1.3%	17,820	16.9%
Total	5,856	100.0%	105,719	100.0%

## Top 10 Investors (as of February 28, 2010)

No	Name	# of Units Held	(4) (%)
1	Green Investment Co., Ltd. (2)	14,219	13.44
2	Japan Trustee Services Bank, Ltd. (Trust Account)	9,725	9.19
3	Japan Hotel Alliance Co., Ltd. (3)	9,150	8.65
4	Nikko Cititrust and Banking Corporation (Inv. Trust Account)	8,407	7.95
5	Shikoku Railway Company	5,301	5.01
6	Goldman Sachs International	4,893	4.62
7	Trust & Custody Services Bank, Ltd. (Securities Inv. Trust A/C)	3,978	3.76
8	Goldman Sachs & Co. REG	2,328	2.20
9	The Master Trust Bank of Japan, Ltd. (Trust Account)	2,259	2.13
10	The Nomura Trust and Banking Co., Ltd. (Inv. Trust A/C)	1,685	1.59

# Submission of Large Volume Holdings Reports (as of March 31, 2010)

Japan Hotel and Resort, Inc.

## Submitter and Joint Holders

### 1. Goldman Sachs Japan Co., Ltd. (Submission to Kanto Local Finance Bureau: February 9, 2009)

Submitter and Joint Holders	Number of Units Held	Shareholdings (%)
Japan Hotel Alliance Co., Ltd.	9,150	8.66
Green Investment Co., Ltd.	14,219	13.45
Total	23,369	22.10

### 2. The Sumitomo Trust & Banking Co., Ltd. (Submission to Kinki Local Finance Bureau: October 21, 2009)

Submitter and Joint Holders	Number of Units Held	Shareholdings (%)
Nikko Asset Management Co., Ltd.	8,450	7.99
Total	8,450	7.99

### 3. DIAM Co., Ltd. (Submission to Kanto Local Finance Bureau: March 2, 2010)

Submitter (Large Volume Holder)	Number of Units Held	Shareholdings (%)
DIAM Co., Ltd.	5,875	5.56
Total	5,875	5.56

### 4. Shikoku Railway Company (Submission to Shikoku Local Finance Bureau: April 3, 2009)

Submitter (Large Volume Holder)	Number of Units Held	Shareholdings (%)
Shikoku Railway Company	5,495	5.20
Total	5,495	5.20

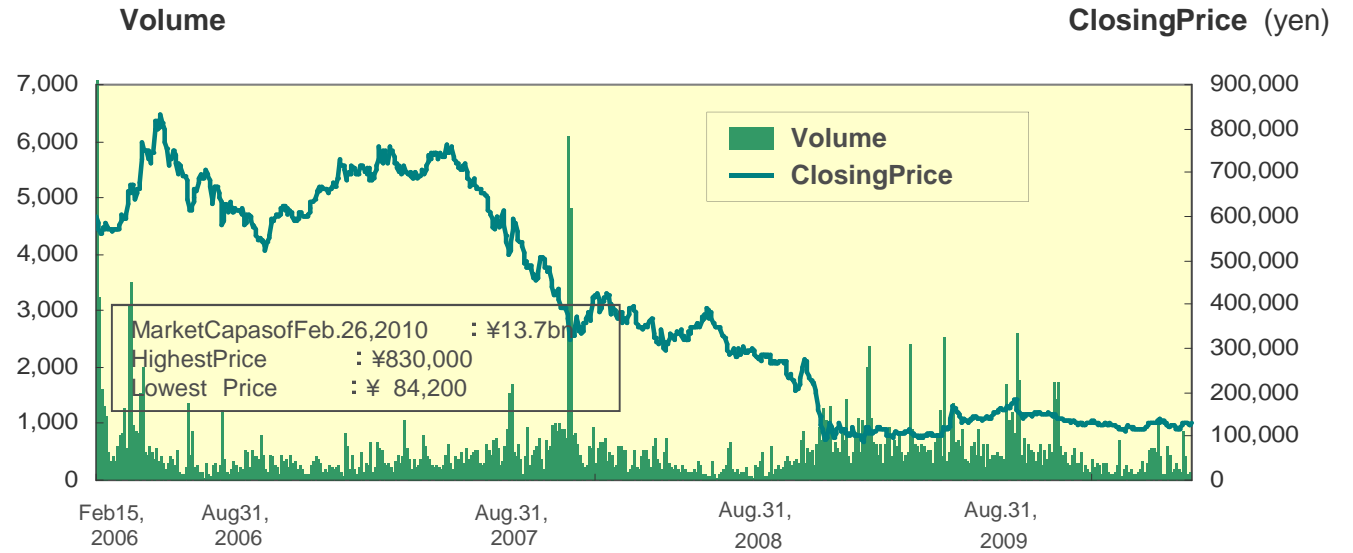
(Note) The ratio of the number of investment units held to the total number of investment units issued (Shareholdings ratio) is rounded off to the second decimal place.

# Price Performance

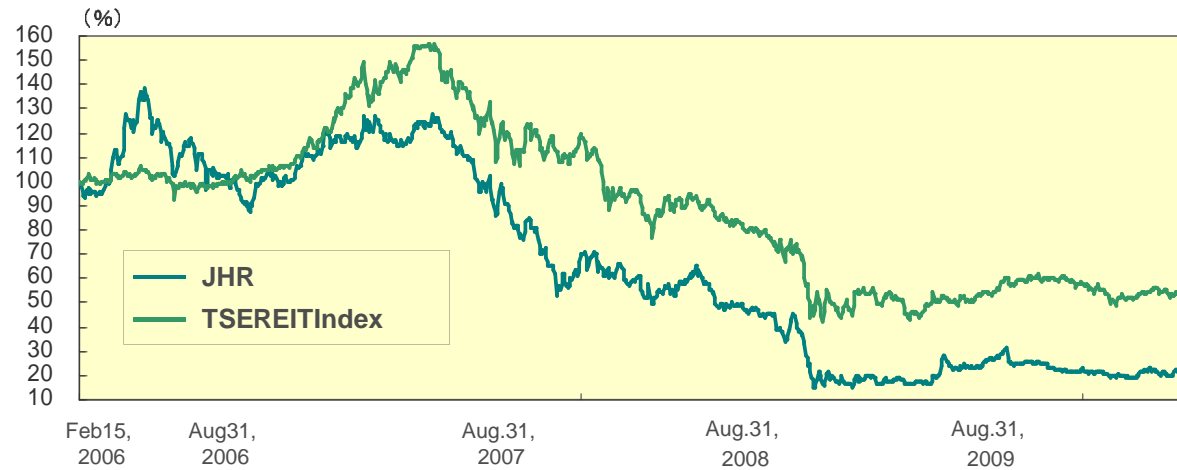
As of Feb. 26, 2010

Japan Hotel and Resort, Inc.

## JHR Unit Price / Trade Volume



## TSEREIT Index / JHR Unit Price



**AppendixB** BasicInformation

# PortfolioMap



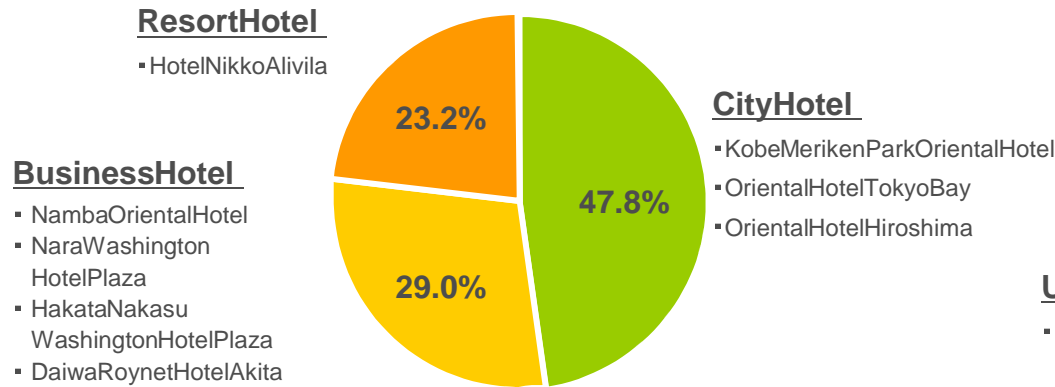
PortfolioName	Type	Grade	AppraisalValue (millionyen)(1)	AcquisitionPrice (millionyen)(2)	Investment Ratio(%) (2)	YearBuilt	Numbersof Room(3)
① KobeMerikenParkOrientalHotel	CityHotel	UpperMid dle	12,200	11,400	13.4	Jul1995	319
② OrientalHotelTokyoBay	CityHotel	Mid-Priced	19,800	19,400	22.8	May1995	505
③ NambaOrientalHotel	BusinessHotel	Mid-Priced	16,100	16,700	19.6	Mar1996	257
④ HotelNikkoAlivila	ResortHotel	Luxury	19,900	19,700	23.2	Apr1994	396
⑤ NaraWashingtonHotelPlaza	BusinessHotel	Mid-Priced	2,050	1,800	2.1	Mar2000	204
⑥ HakataNakasuWashingtonHotelPlaza	BusinessHotel	M id-Priced	3,830	3,880	4.6	Mar1995	247
⑦ DaiwaRoynetHotelAkita	BusinessHotel	Economy	1,950	2,278	2.7	Jun2006	221
⑧ OrientalHotelHiroshima	CityHotel	UpperMiddle	8,200	9,900	11.6	Sep1993	227
PortfolioTotal			84,030	85,058	100.0	-	2,376

(Note) (1) Appraisal value as of Feb. 28, (2) The acquisition price is rounded down to the nearest million yen. The investment ratio is rounded off to the first decimal place. (3) The number of rooms is the number of available rooms (excluding rooms used by the hotel itself for a long time) as of August, 2009.

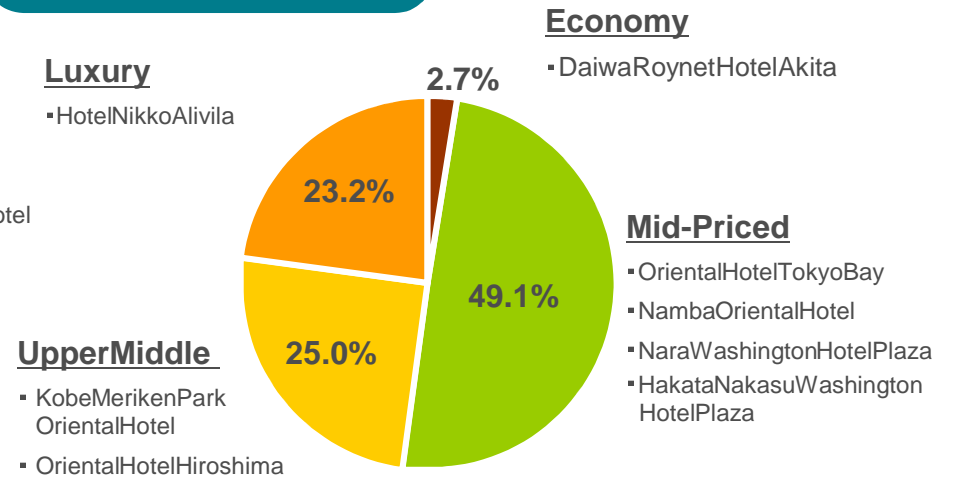


# Portfolio Diversification

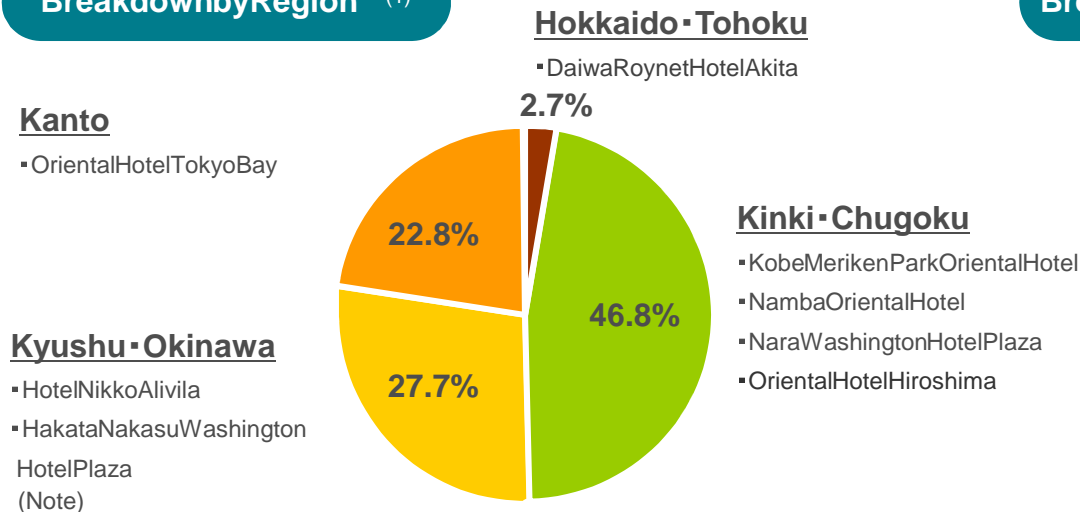
## Breakdown by Type (1)



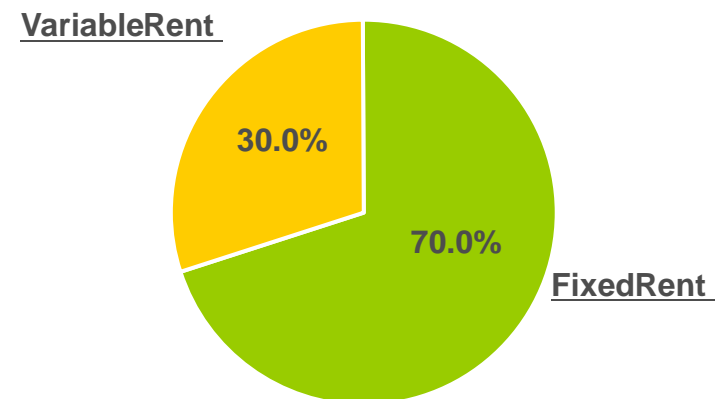
## Breakdown by Grade (1)



## Breakdown by Region (1)



## Breakdown by Rent Type (2)



(1) Each graph represents ratio based on acquisition prices.  
 (2) The ratio is based on variable rents in FY2009.

# Value of Properties

Japan Hotel and Resort, Inc.

(Amount: million yen)

Hotel	Type	Grade	Total Number of Rooms	Appraisal Value								Value at Balance Sheet <sup>(1)</sup>	Acquisition Price	
				as of Aug 31, 2007		as of Aug 31, 2008		as of Aug 31, 2009		as of Feb. 28, 2010			Feb. 28, 2010	Price
				Appraisal Value	CAP Rate	Appraisal Value	CAP Rate	Appraisal Value	CAP Rate	Appraisal Value	CAP Rate			
Kobe Meriken Park Oriental Hotel	City	Upper Middle	319	13,900	5.2%	13,800	5.5%	12,800	5.8%	12,200	6.0%	10,803	11,400	5.4%
Oriental Hotel Tokyo Bay	City	Mid-Priced	505	20,900	4.9%	20,900	5.1%	20,300	5.3%	19,800	5.4%	18,649	19,400	5.2%
Namba Oriental Hotel	Business	Mid-Priced	257	18,200	4.5%	17,900	4.7%	16,800	5.0%	16,100	5.2%	16,410	16,700	5.0%
Hotel Nikko Alivila	Resort	Luxury	396	21,600	5.7%	21,600	6.0%	20,400	6.2%	19,900	6.3%	19,872	19,700	6.2%
Nara Washington Hotel Plaza	Business	Mid-Priced	204	2,070	5.7%	1,970	6.0%	2,070	6.2%	2,050	6.3%	1,658	1,800	6.2%
Hakata Nakasu Washington Hotel Plaza	Business	Mid-Priced	247	4,160	5.0%	4,060	5.2%	3,960	5.5%	3,830	5.7%	3,818	3,880	5.5%
Daiwa Roynet Hotel Akita	Business	Economy	221	2,240	5.2%	2,090	5.5%	1,990	5.8%	1,950	6.0%	2,230	2,278	5.2%
Oriental Hotel Hiroshima	City	Upper Middle	227	—	—	9,780	5.5%	8,800	5.8%	8,200	6.0%	10,259	9,900	5.3%
<b>Total</b>			<b>2,376</b>	<b>83,070</b>		<b>92,100</b>		<b>87,120</b>		<b>84,030</b>		<b>83,703</b>	<b>85,058</b>	

Note(1) The book value includes values of real estate, machinery, fixtures, facilities and equipments.

# JHR Structure

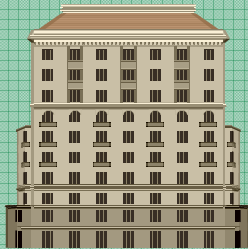
## Asset Management Company

Japan Hotel & Resort K.K.

Asset Management Agreement

JAPAN HOTEL AND RESORT

Japan Hotel and Resort, Inc.



## Lessee

K.K. Hotel Management Japan

Kobe Meriken Park  
Oriental Hotel

Oriental Hotel  
Tokyo Bay

Namba  
Oriental Hotel

Oriental Hotel  
Hiroshima

Hotel Nikko Alivila

Washington Hotel Corporation

Nara Washington Hotel Plaza

Hakata Nakasu  
Washington Hotel Plaza

DAIWAROYAL Co., Ltd.

Daiwa Roynet Hotel Akita

## Operator

Archon Hospitality  
K.K.

JAL Hotels Co., Ltd.

Lease  
Rent  
(Fixed + Variable)

Lease  
Fixed Rent



## Scheme of Variable Rents with Stepped-up

Japan Hotel and Resort, Inc.

	Annual Fixed Rents (¥mn)	Variable rents scheme *			CAPEX borne by JHR (1)
		Standard Rate	Stepped-up Rate	Revenue Threshold for Stepping up (¥mn)	
Kobe Meriken Park Oriental Hotel	3,000	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	Annual Amount 21,440	CAPEX I & CAPEX II & CAPEX III
Oriental Hotel Tokyo Bay		10% of the above amount	30% of the above amount		
Namba Oriental Hotel					
Hotel Nikko Alivila					
Oriental Hotel Hiroshima (acquired in October 1, 2007)	221	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	Annual Amount 2,204	CAPEX I & CAPEX II & CAPEX III
		10% of the above amount	40% of the above amount		
Nara Washington Hotel Plaza	134	N/A			CAPEX I only
Hakata Nakasu Washington Hotel Plaza	259				
Daiwa Roynet Hotel Akita	138				

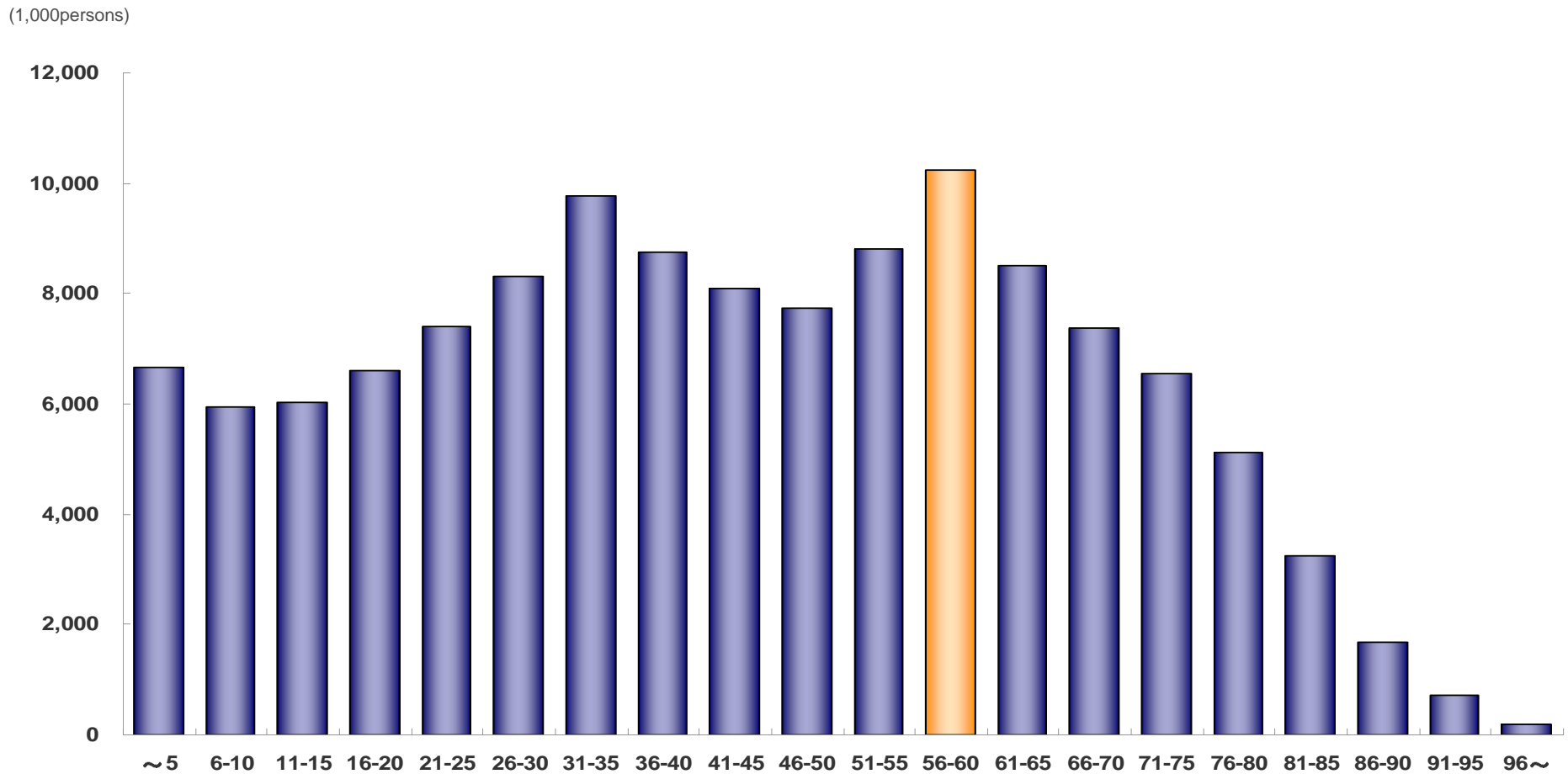
\* The upper limit of total variable rents (sum of rents based on the standard rate and the stepped-up rate) of the above five hotels is a variable rent cap calculated for the five hotels.

$$\text{Variable rent cap} = (\text{GOP(2) of the five hotels} - \text{Fixed rents from the five hotels} - \text{Fees to operators}) \times 90\%$$

- (1) CAPEX I: Replacement of equipments and facilities required for maintaining the asset value of properties.  
 CAPEX II: Purchase of fixtures, furniture, and equipment required for operating hotels, unrelated to their building frame or facilities.  
 CAPEX III: Strategic renovation of guest rooms, banquet halls and restaurants with the view to maintain and increase hotel competitiveness.
- (2) GOP (Gross Operating Profit): Total departmental profit minus unallocated expenses.

## AppendixC MarketData

## ScaleofmarketforBabyBoomergeneration

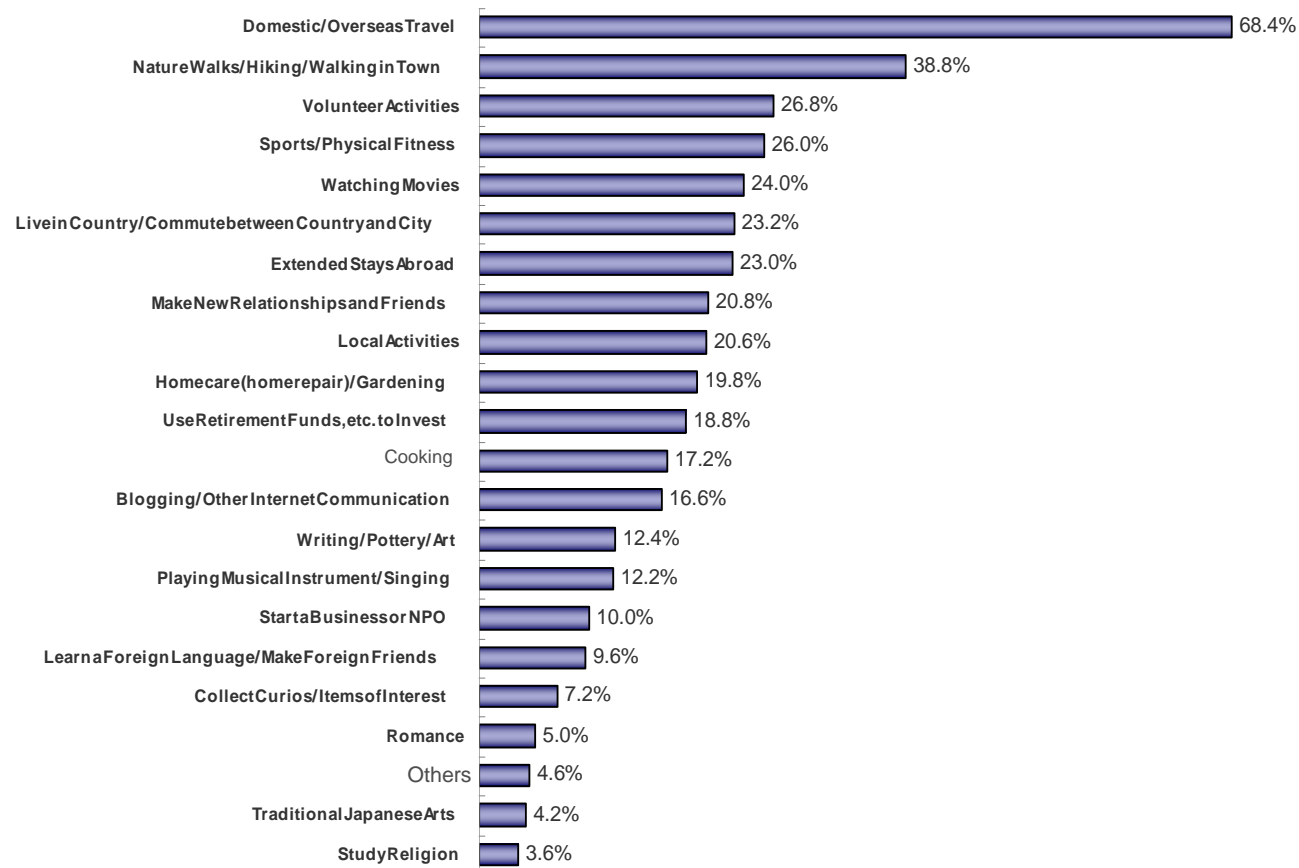


Source: Statistics Bureau, Ministry of Internal Affairs and Communications "2005 Population Census"

→ The number of Japanese population between ages 56 to 60 is 10.8 million, which makes up 8.5% of Japanese total population

## BabyBoomergenerationquestionnaire

"Activitiesyouwouldliketodoinyourlifeafter theageof60" (answerallthatapply)



Source: Nomura Research Institute, Ltd.

→ The Baby Boomer generation has the highest percentage of needs for travel in Japan and abroad, accounting for around 70% of the surveyed population

percentage of needs for travel in Japan and abroad

## Leisure activities people desire to participate in : top five categories

No	Overall		Male		Female	
	Leisure activities	%	Leisure activities	%	Leisure activities	%
1	<b>Domestic tourism and travel</b> (summering, wintering, hot springs, etc.)	74.5	<b>Domestic tourism and travel</b> (summering, wintering, hot springs, etc.)	69.6	<b>Domestic tourism and travel</b> (summering, wintering, hot springs, etc.)	79.1
2	<b>Dining Out</b> (not counting day today dining out)	62.4	<b>Dining Out</b> (not counting day today dining out)	57.9	<b>Dining Out</b> (not counting day today dining out)	66.7
3	<b>Driving</b>	47.6	<b>Driving</b>	49.1	<b>Driving</b>	46.1
4	<b>PC</b> (games, hobbies, communications, etc.)	39.7	<b>PC</b> (games, hobbies, communications, etc.)	44.8	<b>Visiting Zoo, Botanical Gardens, Aquarium &amp; Museum</b>	44.3
5	<b>Overseas travel</b>	39.4	<b>Lottery</b>	39.8	<b>Movies (excluding TV)</b>	42.8

→ The percentage of people desiring to participate in domestic tourism and travel was 74.5% overall. It was the No. 1 activity for both genders: 69.6% for male, 79.1% for female

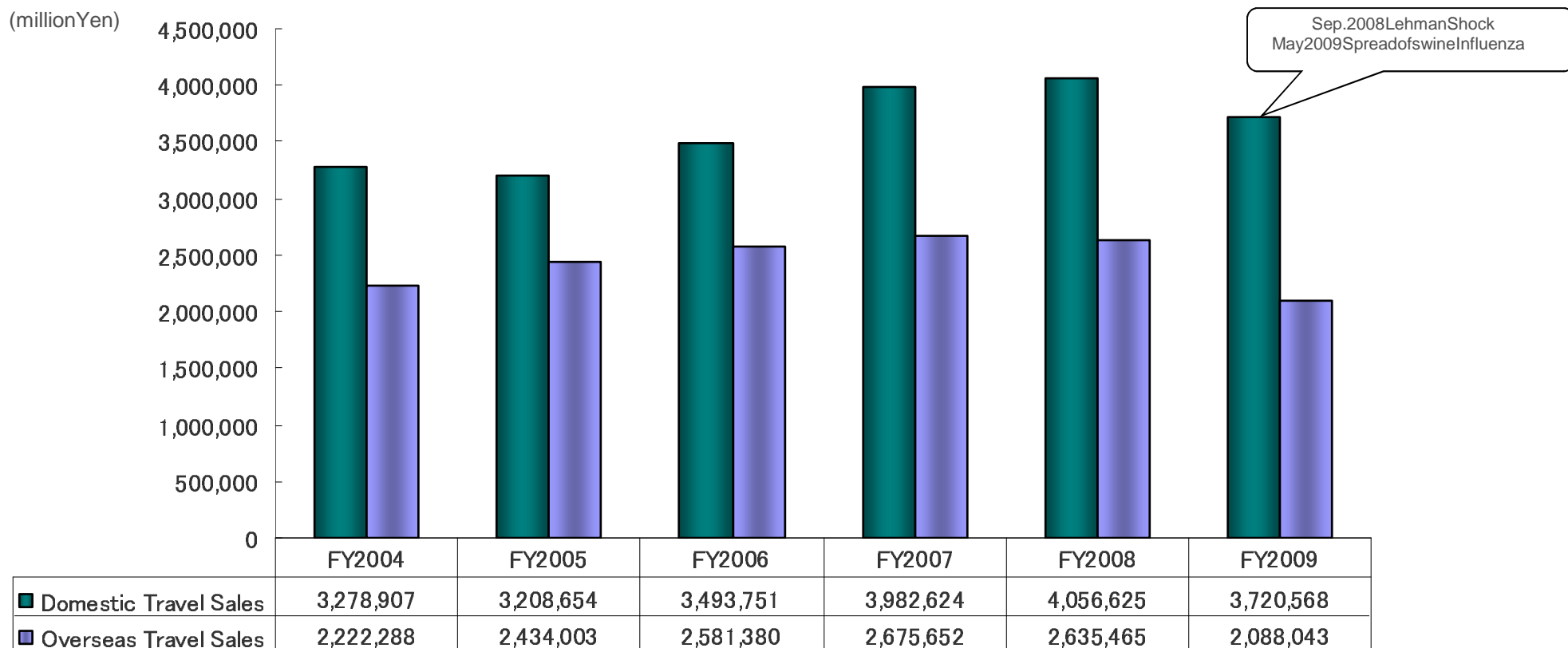
## Potential demand for leisure activities: top five categories

No	Leisure activities	%
1	<b>Overseas travel</b>	30.8
2	<b>Domestic tourism and travel</b> (summering, wintering, hot springs, etc.)	20.0
3	<b>Music events, concerts</b>	9.7
4	<b>Camping</b>	7.9
5	<b>Watching Sports</b>	7.4

→ Under potential demand (percentage of people desiring to participate, minus the percentage already participating), domestic tourism and travel was No. 2 overall



# TravelMarketTrends



Sep. 2008 Lehman Shock  
May 2009 Spread of swine influenza

Domestic Travel Sales		2009/9	2009/10	2009/11	2009/12	2010/1
FY2010		325,520	336,837	306,184	264,410	218,345
	vs. LY	-3.5%	-14.3%	-14.2%	-13.6%	-8.3%
Overseas Travel Sales		2009/9	2009/10	2009/11	2009/12	2010/1
FY2010		223,757	174,009	153,830	160,922	131,281
	vs. LY	-7.3%	-18.7%	-18.6%	-16.3%	-8.3%

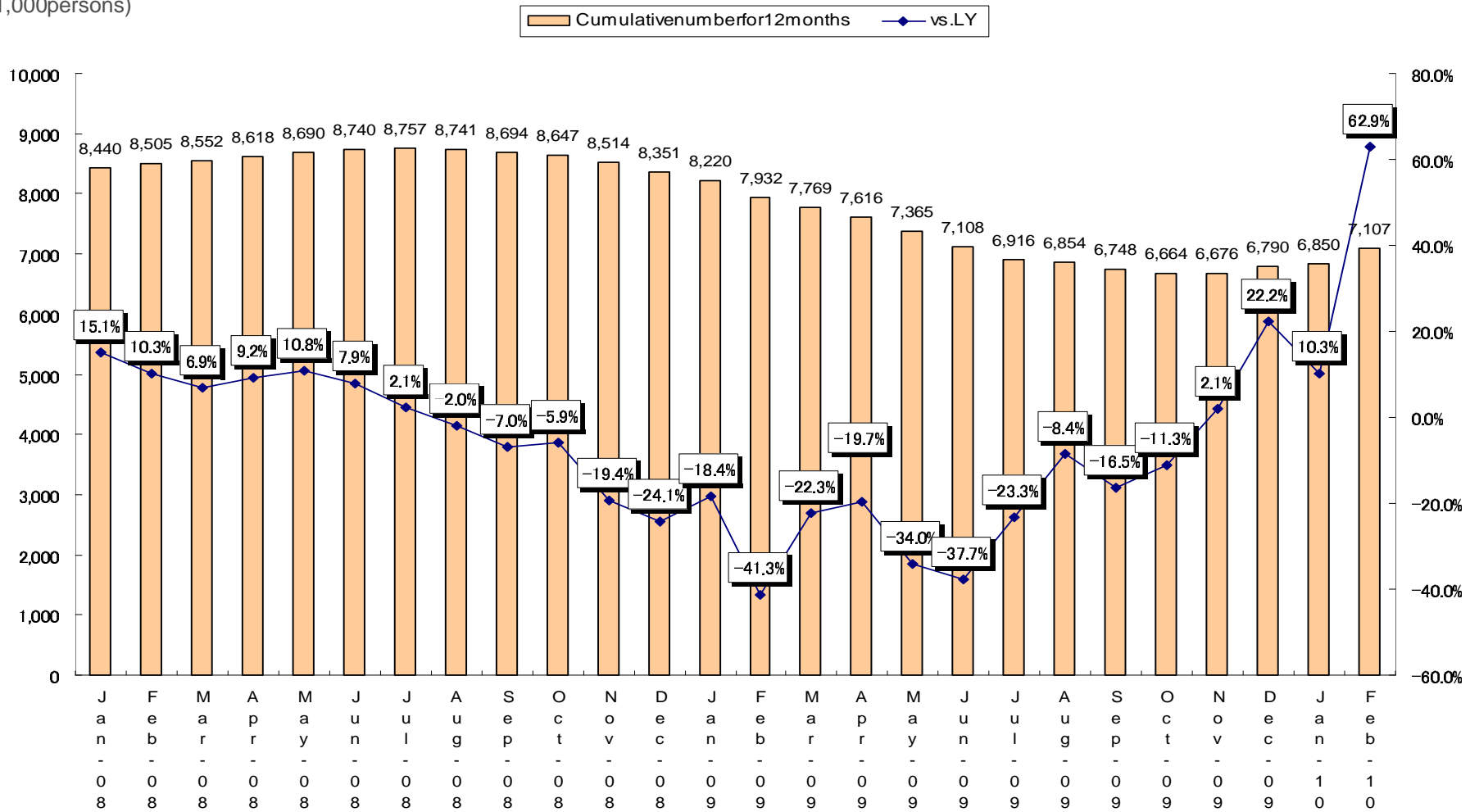
• The figures exclude Overseas Visitors to Japan.

Source: Japan Association of Travel Agents

→ Due to the economic slowdown following the Lehman shock in September 2008, the impact of the swine influenza that spread in May 2009, and other factors, domestic travel fell 8.3% and overseas travel fell 20.8% in the fiscal year ended August 31, 2009 compared to the previous year.

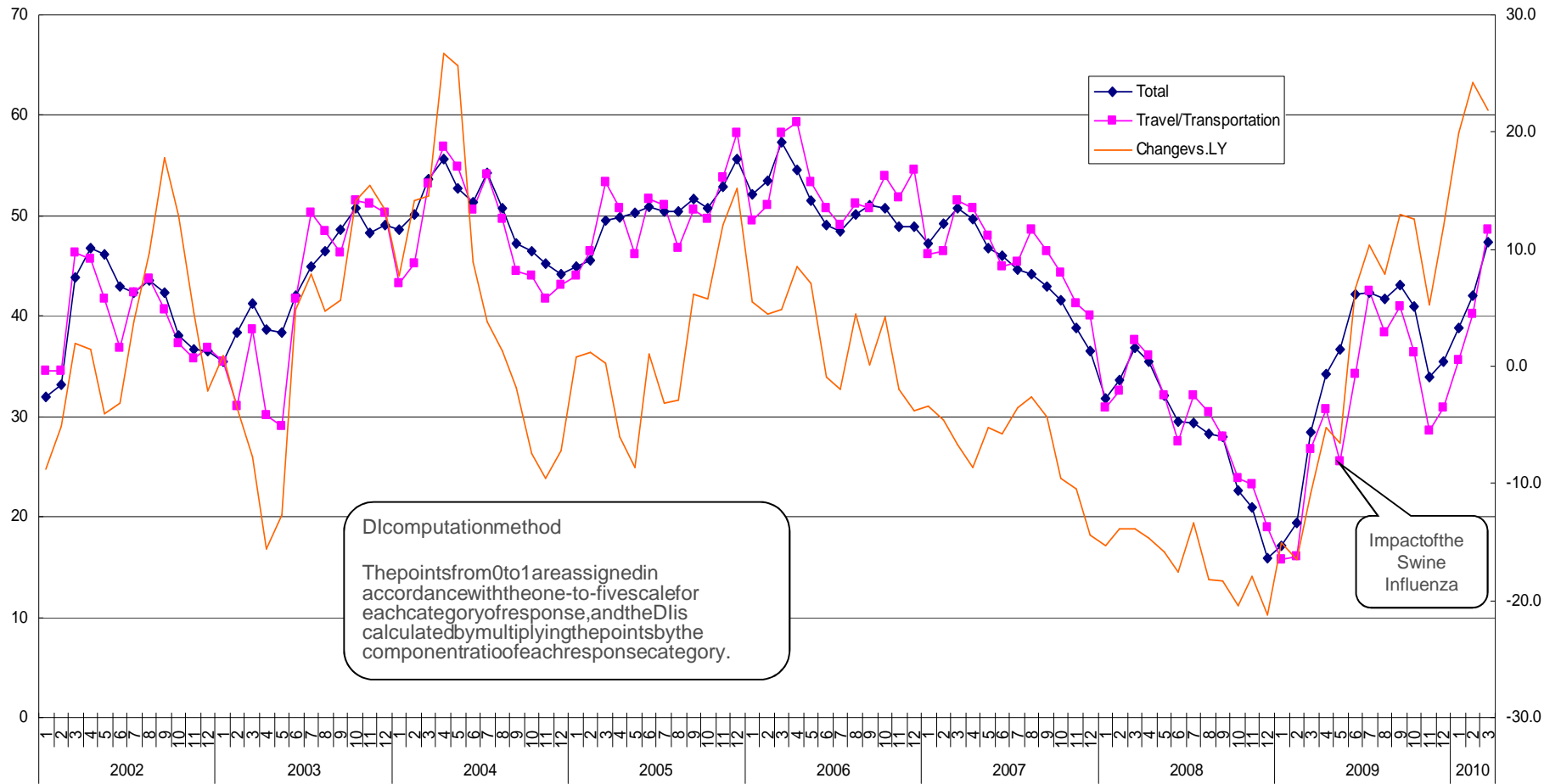
# Trends in Overseas Visitors to Japan

(1,000 persons)



Source: Japan National Tourism Organization (JNTO)

→ Every month from August 2008 to October 2009 there were fewer overseas visitors to Japan than in the same month of the previous year. From November 2009 onward the number of overseas visitors to Japan was greater than in the same month of the previous year.



Source:CabinetOffice

→ThecurrenteconomicconditionsDIhasbeenrecoveringsince thesamemonthofthepreviousyear.

thebeginningof2009andfromJune2009onwardsit

hasbeenhigher thanin

	CY2009 Results <sup>(2)</sup>	Goldman Sachs <sup>(1)</sup>		Daiwa Institute of Research <sup>(2)</sup>	
		CY2010 Forecast	CY2011 Forecast	CY2010 Forecast	CY2011 Forecast
Real GDP	-5.0	2.2	1.7	2.0	1.9
Consumers Expenditure	-1.0	2.8	0.5	1.9	1.3
Government Expenditure	1.7	1.0	0.6	1.1	0.4
Private Housing Investment	-14.2	-10.1	4.5	-7.7	5.0
Private Capital Investment	-19.3	0.8	6.4	-0.8	4.3
Public Fixed Investment	5.8	-2.6	-6.4	-2.2	-8.1
Exports of Goods and Services	-24.0	16.5	8.9	15.9	6.6
Imports of Goods and Services	-17.0	8.6	8.7	4.4	4.0
Nominal GDP	-6.0	0.4	1.4	0.4	1.3
GDP Deflator	-1.0	-1.8	-0.2	-1.5	-0.6
Consumer Price Increases (Excluding Fresh Goods)	-1.3	-1.0	-0.5	-1.0	-0.2
Domestic Corporate Goods Price	-5.3	-2.5	0.6	1.0	0.4

(Note)

(1) Source: Goldman Sachs Economic Research dated March 20, 2010

(2) Source: Japanese Economic Outlook No. 164 dated February 18, 2010

## AppendixD PortfolioDataBook

# MonthlyHotelIndicators

## 5hotelswithVariableRents

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010endedAugust31,2010														
Year	2009	2009	2009	2009	2010	2010	1stHalf	2010	2010	2010	2010	2010	2010	2010	2ndHalf	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb	Total	Mar	Apr	May	Jun	Jul	Aug	Total		
Status	←						Unaudited	→						Unaudited		
OccupancyRate	78.4%	81.4%	75.4%	74.0%	66.1%	76.2%	75.2%									
ADR(Yen)	17,724	15,265	14,527	15,948	12,971	11,870	14,805									
RevPAR(Yen)	13,891	12,422	10,957	11,801	8,572	9,044	11,134									
TotalRevenues(Myen)	1,692	1,924	1,882	1,753	1,396	1,462	10,109									
Rooms							3,781									
Food&Beverages							5,279									
Shops							194									
Tenant							576									
Others							279									
GOP(Myen)							2,356									

Fiscal Year		FY2009endedAugust31,2009														
Year	2008	2008	2008	2008	2009	2009	1stHalf	2009	2009	2009	2009	2009	2009	2009	2ndHalf	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb	Total	Mar	Apr	May	Jun	Jul	Aug	Total		
Status	←						Audited	→						Audited		
OccupancyRate	85.7%	87.7%	81.9%	76.3%	68.3%	76.7%	79.4%	79.1%	69.8%	64.2%	62.2%	72.8%	83.8%	72.0%	75.7%	
ADR(Yen)	17,921	16,643	16,920	18,589	14,307	12,602	16,291	17,862	15,280	18,728	14,794	20,918	26,416	19,349	17,758	
RevPAR(Yen)	15,362	14,588	13,858	14,179	9,771	9,662	12,938	14,121	10,662	12,018	9,196	15,236	22,125	13,936	13,441	
TotalRevenues(Myen)	1,888	2,049	2,164	1,934	1,443	1,430	10,908	1,962	1,593	1,829	1,452	1,907	2,271	11,015	21,923	
Rooms							4,393							4,812	9,205	
Food&Beverages							5,391							5,020	10,411	
Shops							233							278	512	
Tenant							587							587	1,174	
Others							303							318	621	
GOP(Myen)							2,516							2,931	5,447	

Fiscal Year		FY2009vs.FY2010													
Month	Sep	Oct	Nov	Dec	Jan	Feb	1sthalf	Mar	Apr	May	Jun	Jul	Aug	2nd half	Total
OccupancyRate	-7.3%	-6.3%	-6.5%	-2.3%	-2.2%	-0.5%	-4.2%								
ADR(Yen)	△ 197	△ 1,377	△ 2,393	△ 2,641	△ 1,336	△ 732	△ 1,486								
RevPAR(Yen)	△ 1,471	△ 2,166	△ 2,901	△ 2,377	△ 1,199	△ 619	△ 1,804								
TotalRevenues(Myen)	△ 196	△ 125	△ 282	△ 181	△ 47	32	△ 799								
Rooms							△ 612								
Food&Beverages							△ 112								
Shops							△ 39								
Tenant							△ 11								
Others							△ 24								
GOP(Myen)							△ 160								

(Note) Occupancyrateisroundedofftothefirstdecimalplace.Revenueisroundedofftothenearestmillionyen,andADR&RevPARareroundedofftothenearestyen.

# MonthlyHotelIndicators

## KobeMerikenParkOrientalHotel

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010 ended August 31, 2010														
Year	2009	2009	2009	2009	2010	2010	1st Half Total	2010	2010	2010	2010	2010	2010	2010	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Unaudited	→						Unaudited		
OccupancyRate	71.3%	74.9%	73.3%	82.9%	70.7%	71.6%	74.2%									
ADR(Yen)	15,851	14,530	14,184	16,271	12,485	11,480	14,228									
RevPAR(Yen)	11,304	10,876	10,391	13,485	8,821	8,216	10,550									
Total Revenues(Myen)	491	567	611	538	406	429	3,041									
Rooms							672									
Food&Beverages							2,218									
Shops							45									
Tenant							31									
Others							75									
GOP(Myen)							600									

Fiscal Year		FY2009 ended August 31, 2009														
Year	2008	2008	2008	2008	2009	2009	1st Half Total	2009	2009	2009	2009	2009	2009	2009	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Audited	→						Audited		
OccupancyRate	75.3%	79.8%	75.5%	82.0%	65.3%	71.1%	74.9%	71.1%	63.4%	53.5%	49.3%	69.8%	91.3%	66.5%	70.7%	
ADR(Yen)	15,587	15,902	17,300	18,726	14,185	12,771	15,896	14,435	13,777	17,984	12,818	13,873	16,523	15,001	15,472	
RevPAR(Yen)	11,737	12,686	13,070	15,350	9,258	9,087	11,905	10,263	8,732	9,613	6,323	9,683	15,086	9,976	10,933	
Total Revenues(Myen)	479	562	704	578	377	422	3,122	524	441	541	380	462	528	2,877	5,999	
Rooms							757							645	1,403	
Food&Beverages							2,189							2,056	4,246	
Shops							55							52	107	
Tenant							31							31	63	
Others							89							92	181	
GOP(Myen)							505							385	891	

Fiscal Year		FY2009 vs. FY2010													
Month	Sep	Oct	Nov	Dec	Jan	Feb	1st half tttl	Mar	Apr	May	Jun	Jul	Aug	2nd half tttl	Total
OccupancyRate	-4.0%	-4.9%	-2.2%	0.9%	5.4%	0.5%	-0.7%								
ADR(Yen)	264	△ 1,372	△ 3,116	△ 2,455	△ 1,700	△ 1,291	△ 1,668								
RevPAR(Yen)	△ 433	△ 1,810	△ 2,679	△ 1,865	△ 437	△ 871	△ 1,355								
Total Revenues(Myen)	12	5	△ 93	△ 40	29	7	△ 81								
Rooms							△ 85								
Food&Beverages							29								
Shops							△ 10								
Tenant							0								
Others							△ 14								
GOP(Myen)							95								

(Note) Occupancy rate is rounded off to the first decimal place. Revenue is rounded off to the nearest million yen, and ADR & RevPAR are rounded off to the nearest yen.

# MonthlyHotelIndicators

## OrientalHotelTokyoBay

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010 ended August 31, 2010														
Year	2009	2009	2009	2009	2010	2010	1st Half Total	2010	2010	2010	2010	2010	2010	2010	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Unaudited	←						Unaudited		
OccupancyRate	89.7%	93.2%	84.8%	88.1%	76.4%	85.4%	86.3%									
ADR(Yen)	16,608	17,716	17,010	18,262	13,368	11,895	15,955									
RevPAR(Yen)	14,893	16,518	14,429	16,097	10,208	10,160	13,766									
Total Revenues(Myen)	439	632	605	597	474	442	3,189									
Rooms							1,384									
Food&Beverages							1,552									
Shops							1									
Tenant							139									
Others							113									
GOP(Myen)							708									

Fiscal Year		FY2009 ended August 31, 2009														
Year	2008	2008	2008	2008	2009	2009	1st Half Total	2009	2009	2009	2009	2009	2009	2009	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Audited	←						Audited		
OccupancyRate	91.0%	93.0%	91.6%	88.1%	79.9%	92.3%	89.3%	90.7%	65.4%	65.6%	61.1%	68.0%	83.0%	72.4%	80.8%	
ADR(Yen)	18,224	19,766	20,526	20,987	14,663	12,700	17,928	23,269	17,553	19,948	15,263	17,181	23,621	19,923	18,830	
RevPAR(Yen)	16,592	18,385	18,805	18,480	11,722	11,720	16,002	21,099	11,474	13,077	9,332	11,680	19,608	14,422	15,205	
Total Revenues(Myen)	557	650	683	633	472	454	3,448	692	450	522	408	470	551	3,093	6,542	
Rooms							1,610							1,475	3,084	
Food&Beverages							1,573							1,369	2,942	
Shops							2							1	3	
Tenant							139							136	274	
Others							125							113	238	
GOP(Myen)							825							706	1,531	

Fiscal Year		FY2009 vs. FY2010													
Month	Sep	Oct	Nov	Dec	Jan	Feb	1st half tttl	Mar	Apr	May	Jun	Jul	Aug	2nd half tttl	Total
OccupancyRate	-1.3%	0.2%	-6.8%	0.0%	-3.5%	-6.9%	-3.0%								
ADR(Yen)	△ 1,616	△ 2,050	△ 3,516	△ 2,725	△ 1,295	△ 805	△ 1,973								
RevPAR(Yen)	△ 1,699	△ 1,867	△ 4,376	△ 2,383	△ 1,514	△ 1,560	△ 2,236								
Total Revenues(Myen)	△ 118	△ 18	△ 78	△ 36	2	△ 12	△ 259								
Rooms							△ 226								
Food&Beverages							△ 21								
Shops							△ 1								
Tenant							0								
Others							△ 12								
GOP(Myen)							△ 117								

(Note) Occupancy rate is rounded off to the first decimal place. Revenue is rounded off to the nearest million yen, and ADR & RevPAR are rounded off to the nearest yen.



# MonthlyHotelIndicators

## NambaOrientalHotel

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010 ended August 31, 2010														
Year	2009	2009	2009	2009	2010	2010	1st Half Total	2010	2010	2010	2010	2010	2010	2010	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Unaudited	→						Unaudited		
OccupancyRate	72.8%	85.3%	84.0%	84.6%	75.5%	76.6%	79.9%									
ADR(Yen)	9,640	8,555	9,409	9,472	9,025	8,835	9,152									
RevPAR(Yen)	7,016	7,299	7,908	8,017	6,813	6,769	7,311									
Total Revenues(Myen)	138	145	148	158	141	136	866									
Rooms							374									
Food&Beverages							71									
Shops							-									
Tenant							394									
Others							27									
GOP(Myen)							477									

Fiscal Year		FY2009 ended August 31, 2009														
Year	2008	2008	2008	2008	2009	2009	1st Half Total	2009	2009	2009	2009	2009	2009	2009	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Audited	→						Audited		
OccupancyRate	80.8%	88.2%	87.0%	75.3%	73.3%	77.5%	80.4%	80.7%	76.5%	56.6%	53.3%	74.6%	82.4%	70.8%	75.5%	
ADR(Yen)	10,615	10,665	11,482	11,061	10,397	9,183	10,604	10,378	10,012	10,928	9,097	9,632	10,381	10,098	10,365	
RevPAR(Yen)	8,576	9,411	9,990	8,325	7,617	7,117	8,520	8,377	7,659	6,182	4,853	7,186	8,555	7,145	7,827	
Total Revenues(Myen)	154	164	165	160	149	133	925	156	145	134	117	146	158	855	1,781	
Rooms							436							372	807	
Food&Beverages							62							55	117	
Shops							-							-	-	
Tenant							405							408	814	
Others							22							21	43	
GOP(Myen)							508							455	963	

Fiscal Year		FY2009 vs. FY2010													
Month	Sep	Oct	Nov	Dec	Jan	Feb	1st half ttl	Mar	Apr	May	Jun	Jul	Aug	2nd half ttl	Total
OccupancyRate	-8.0%	-2.9%	-3.0%	9.3%	2.2%	-0.9%	-0.5%								
ADR(Yen)	△ 975	△ 2,110	△ 2,073	△ 1,589	△ 1,372	△ 348	△ 1,452								
RevPAR(Yen)	△ 1,560	△ 2,112	△ 2,082	△ 308	△ 804	△ 348	△ 1,209								
Total Revenues(Myen)	△ 16	△ 19	△ 17	△ 2	△ 8	3	△ 59								
Rooms							△ 62								
Food&Beverages							9								
Shops							-								
Tenant							△ 11								
Others							5								
GOP(Myen)							△ 31								

(Note) Occupancy rate is rounded off to the first decimal place. Revenue is rounded off to the nearest million yen, and ADR & RevPAR are rounded off to the nearest yen.

# MonthlyHotelIndicators

## HotelNikkoAlivila

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010endedAugust31,2010														
Year	2009	2009	2009	2009	2010	2010	1stHalf	2010	2010	2010	2010	2010	2010	2010	2ndHalf	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb	Total	Mar	Apr	May	Jun	Jul	Aug	Total		
Status	←						Unaudited	←						Unaudited		
OccupancyRate	74.1%	73.9%	57.8%	44.6%	47.1%	74.7%	61.8%									
ADR(Yen)	30,978	20,485	19,235	24,073	20,106	15,825	21,898									
RevPAR(Yen)	22,944	15,148	11,125	10,734	9,465	11,829	13,531									
TotalRevenues(Myen)	459	384	303	266	244	291	1,947									
Rooms							1,069									
Food&Beverages							687									
Shops							147									
Tenant							-									
Others							43									
GOP(Myen)							395									

Fiscal Year		FY2009endedAugust31,2009														
Year	2008	2008	2008	2008	2009	2009	1stHalf	2009	2009	2009	2009	2009	2009	2009	2ndHalf	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb	Total	Mar	Apr	May	Jun	Jul	Aug	Total		
Status	←						Audited	←						Audited		
OccupancyRate	94.7%	90.9%	72.9%	59.8%	55.6%	66.2%	73.4%	77.5%	77.6%	73.2%	77.0%	82.8%	78.7%	77.8%	75.6%	
ADR(Yen)	27,289	20,821	19,684	26,623	20,786	17,266	22,327	21,730	20,517	26,518	21,032	41,999	60,457	32,415	27,561	
RevPAR(Yen)	25,854	18,920	14,355	15,918	11,550	11,435	16,378	16,842	15,928	19,409	16,188	34,770	47,608	25,223	20,837	
TotalRevenues(Myen)	532	467	370	368	290	275	2,303	419	388	443	372	686	887	3,195	5,498	
Rooms							1,293							2,025	3,318	
Food&Beverages							786							875	1,662	
Shops							177							225	402	
Tenant							-							-	-	
Others							46							70	116	
GOP(Myen)							512							1,231	1,743	

Fiscal Year		FY2009vs.FY2010													
Month	Sep	Oct	Nov	Dec	Jan	Feb	1sthalf	Mar	Apr	May	Jun	Jul	Aug	2nd half	Total
OccupancyRate	-20.6%	-17.0%	-15.1%	-15.2%	-8.5%	8.5%	-11.6%								
ADR(Yen)	3,689	△ 336	△ 449	△ 2,550	△ 680	△ 1,441	△ 429								
RevPAR(Yen)	△ 2,910	△ 3,772	△ 3,230	△ 5,184	△ 2,085	394	△ 2,847								
TotalRevenues(Myen)	△ 73	△ 83	△ 67	△ 102	△ 46	16	△ 356								
Rooms							△ 224								
Food&Beverages							△ 99								
Shops							△ 30								
Tenant							-								
Others							△ 3								
GOP(Myen)							△ 117								

(Note) Occupancyrateisroundedofftothefirstdecimalplace.Revenueisroundedofftothenearestmillionyen,andADR&RevPARareroundedofftothenearestyen.

# MonthlyHotelIndicators

## OrientalHotelHiroshima

Japan Hotel and Resort, Inc.

Fiscal Year		FY2010 ended August 31, 2010														
Year	2009	2009	2009	2009	2010	2010	1st Half Total	2010	2010	2010	2010	2010	2010	2010	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Unaudited	←						Unaudited		
OccupancyRate	77.0%	72.6%	78.5%	69.3%	59.3%	64.2%	70.2%									
ADR(Yen)	9,465	8,985	9,161	8,691	8,455	8,475	8,906									
RevPAR(Yen)	7,287	6,524	7,190	6,024	5,014	5,439	6,249									
Total Revenues(Myen)	165	197	216	195	131	163	1,066									
Rooms							282									
Food&Beverages							751									
Shops							-									
Tenant							12									
Others							21									
GOP(Myen)							177									

Fiscal Year		FY2009 ended August 31, 2009														
Year	2008	2008	2008	2008	2009	2009	1st Half Total	2009	2009	2009	2009	2009	2009	2009	2nd Half Total	Total
Month	Sep	Oct	Nov	Dec	Jan	Feb		Mar	Apr	May	Jun	Jul	Aug			
Status	←						Audited	←						Audited		
OccupancyRate	78.4%	80.5%	79.1%	72.0%	63.2%	67.0%	73.4%	65.2%	67.3%	69.0%	66.6%	68.6%	85.1%	70.3%	71.8%	
ADR(Yen)	9,062	8,838	9,448	9,109	8,676	8,482	8,958	8,855	8,597	9,788	8,479	8,738	10,021	9,129	9,043	
RevPAR(Yen)	7,102	7,116	7,474	6,556	5,486	5,683	6,576	5,772	5,783	6,754	5,647	5,990	8,523	6,419	6,497	
Total Revenues(Myen)	167	205	242	195	155	146	1,109	171	168	190	174	143	147	994	2,103	
Rooms							297							295	592	
Food&Beverages							780							665	1,445	
Shops							-							-	-	
Tenant							12							12	24	
Others							20							22	42	
GOP(Myen)							166							153	320	

Fiscal Year		FY2009 vs. FY2010														
Month	Sep	Oct	Nov	Dec	Jan	Feb	1st half tttl	Mar	Apr	May	Jun	Jul	Aug	2nd half tttl	Total	
OccupancyRate	-1.4%	-7.9%	-0.6%	-2.7%	-3.9%	-2.8%	-3.2%									
ADR(Yen)	403	147	△287	△418	△221	△7	△52									
RevPAR(Yen)	185	△592	△284	△532	△472	△244	△327									
Total Revenues(Myen)	△2	△8	△26	0	△24	17	△43									
Rooms							△15									
Food&Beverages							△29									
Shops							-									
Tenant							0									
Others							1									
GOP(Myen)							11									

(Note) Occupancy rate is rounded off to the first decimal place. Revenue is rounded off to the nearest million yen, and ADR & RevPAR are rounded off to the nearest yen.

# Rent Revenues and Expenses

Japan Hotel and Resort, Inc.

(Amount: thousand yen)

Term	Kobe Meriken Park Oriental Hotel			Oriental Hotel Tokyo Bay			Namba Oriental Hotel			Hotel Nikko Alivila			Nara Washington Hotel Plaza (1)		
	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.
	11,400,000			19,400,000			16,700,000			19,700,000			1,800,000		
Operating Days	181	181	0	181	181	0	181	181	0	181	181	0	181	181	0
Acq. Price	11,400,000			19,400,000			16,700,000			19,700,000			1,800,000		
<b>Total Rent Revenues</b> ①	601,051	592,924	△8,127	677,981	652,028	△25,953	492,507	486,545	△5,962	708,809	673,217	△35,592	73,000	77,000	4,000
Fixed Rent Revenues	288,322	288,322	0	333,150	333,151	1	399,979	399,980	1	478,546	478,546	0	73,000	76,000	3,000
Variable Rent Revenues	312,244	304,117	△8,127	344,830	318,877	△25,953	92,527	86,565	△5,962	230,262	194,670	△35,592	-	-	-
Other Revenues	484	484	0	-	-	-	-	-	-	-	-	0	0	0	0
<b>Total Rent Expenses</b> ②	403,200	392,448	△10,752	309,373	319,479	10,106	131,527	133,961	2,434	265,883	282,131	16,248	30,000	32,000	2,000
Insurance	3,192	2,506	△686	3,158	3,084	△74	1,462	1,414	△48	2,348	2,366	18	0	0	0
Land Lease Payment	120,938	120,938	0	-	-	-	-	-	-	9,999	9,999	0	-	-	-
Other Lease Payment	18,287	17,915	△372	-	-	-	-	-	-	32,074	32,074	0	-	-	-
Building Maintenance Fee	480	480	0	480	480	0	480	480	0	960	960	0	2,000	1,000	△1,000
Trust Fee	1,900	1,500	△400	1,900	1,500	△400	1,900	1,500	△400	2,900	2,500	△400	1,000	1,000	0
Property Tax	36,361	34,774	△1,587	62,905	63,958	1,053	48,492	50,429	1,937	35,912	36,246	334	5,000	6,000	1,000
Depreciation ③	214,034	213,625	△409	240,597	243,028	2,431	79,039	79,877	838	180,399	197,190	16,791	21,000	21,000	0
Loss from Disposal of Fixed Assets ④	7,144	-	△7,144	97	6,393	6,296	-	-	-	425	-	△425	-	-	-
Other Expenses	861	707	△154	234	1,033	799	152	260	108	863	792	△71	0	0	0
<b>Operating Profit</b> ⑤ (=①-②)	197,851	200,476	2,625	368,608	332,548	△36,060	360,979	352,583	△8,396	442,925	391,085	△51,840	42,000	44,000	2,000
<b>NOI</b> ⑥ (=③+④+⑤)	419,029	414,101	△4,928	609,302	581,969	△27,333	440,018	432,460	△7,558	623,749	588,275	△35,474	63,000	65,000	2,000
<b>NOI%</b> (Annualized ⑥/Acq. Price)	7.41%	7.33%	-0.09%	6.33%	6.05%	-0.28%	5.31%	5.22%	-0.09%	6.38%	6.02%	-0.36%	7.06%	7.28%	0.22%

Note(1) The lessees of Nara Washington Hotel Plaza, Hakata Nakasu Washington Hotel Plaza and Daiwa Roy net Hotel Akitadidnot agree to disclose rents in thousand yen. Thus, the figures of those hotels are rounded down to the nearest million yen.

# Rent Revenues and Expenses

Japan Hotel and Resort, Inc.

(Amount: thousand yen)

Term	Hakata Nakasu Washington Hotel Plaza (1)			Daiwa Roynet Hotel Akita (1)			Oriental Hotel Hiroshima			Total		
	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.	FY2009 1st Half	FY2010 1st Half	Var.
	Operating Days	181	181	0	181	181	0	181	181	0	181	181
Acq. Price	3,880,000			2,278,500			9,900,000			85,058,500		
<b>Total Rent Revenues ①</b>	129,000	129,000	0	69,000	69,000	0	221,428	217,143	△4,285	2,974,324	2,897,828	△76,496
Fixed Rent Revenues	129,000	129,000	0	69,000	69,000	0	110,502	110,502	0	-	-	-
Variable Rent Revenues	-	-	-	-	-	-	110,926	106,641	△4,285	-	-	-
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Rent Expenses ②</b>	35,000	35,000	0	39,000	39,000	0	107,705	107,845	140	1,323,035	1,343,465	20,430
Insurance	0	0	0	0	0	0	1,355	1,355	0	13,112	12,425	△687
Land Lease Payment	-	-	-	-	-	-	-	-	130,938	130,938	0	0
Other Lease Payment	-	-	-	-	-	-	-	-	50,362	49,990	△372	△372
Building Maintenance Fee	1,000	1,000	0	1,000	1,000	0	480	480	0	8,650	7,746	△904
Trust Fee	1,000	1,000	0	-	-	-	1,900	1,500	△400	12,700	10,500	△2,200
Property Tax	7,000	7,000	0	9,000	9,000	0	24,334	24,528	194	230,114	233,465	3,351
Depreciation ③	23,000	24,000	1,000	28,000	28,000	0	77,532	79,206	1,674	864,587	886,343	21,756
Loss from Disposal of Fixed Assets ④	-	-	-	-	-	-	-	-	-	7,667	6,393	△1,274
Other Expenses	0	0	0	-	-	-	2,103	774	△1,329	4,903	5,662	759
<b>Operating Profit ⑤ (=①-②)</b>	94,000	94,000	0	29,000	29,000	0	113,722	109,298	△4,424	1,651,288	1,554,362	△96,926
<b>NOI ⑥ (=③+④+⑤)</b>	117,000	118,000	1,000	57,000	57,000	0	191,254	188,504	△2,750	2,523,542	2,447,098	△76,444
<b>NOI% (Annualized ⑥/Acq. Price )</b>	6.08%	6.13%	0.05%	5.04%	5.04%	0.00%	3.90%	3.84%	-0.06%	5.98%	5.80%	-0.18%

Note(1) The lessees of Nara Washington Hotel Plaza, Hakata Nakasu Washington Hotel Plaza and Daiwa Roynet Hotel Akita did not agree to disclose rents in thousand yen. Thus, the figures of those hotels are rounded down to the nearest million yen.

$$\begin{array}{ccc}
 \boxed{\text{ADR}} & \times & \boxed{\text{Occupancy Rate}} & = & \boxed{\text{RevPAR}} \\
 \text{(Average Daily Rate)} & & & & \text{(Revenue Per Available Room)}
 \end{array}$$

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

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

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

$$\boxed{\text{GOP}} \\
 \text{(Gross Operating Profit)}$$

$$= \text{Total departmental (1) profit} - \text{Unallocated expenses}$$

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

: Commonly used performance indicators for hotels

**AppendixE**    **DescriptionofHotels**

# KobeMerikenParkOrientalHotel

Japan Hotel and Resort, Inc.



## Overview

- Located on the center of Kobe and about 1.5kms 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 319 rooms, a variety of restaurants and banquet facilities that can be used for weddings
- All rooms have a balcony. There is an independent sea side chapel outside. The structure of the property is ideal for an urban resort

## Growth Story

- The highly unique location and the impressive exterior make this a landmark of Kobe. The hotel is utilizing these strengths to establish a unique market position that is not swayed by its competition.
- To this end, the hotel is strengthening its brand power and building its competitiveness in the room and restaurant segment to add to its existing competitiveness in banquets. This improves the overall performance of the hotel.
- In the 5th term, the hotel will refine the concept of the hotel and formulate an action plan for realizing that concept. It plans to move to the implementation stage after that.

## Asset Overview

Appraisal Values of Feb.28,2010		¥ 12.2bn
Form of Ownership	Land	Lease
	Building	Condo Ownership
Land	Location	Chuo-ku, Kobe
	Size	22,660.09㎡
Building	Structure/ Floor	S/14 floors
	Year Built	July, 1995
	Total Floor Space	31,899.07㎡
Hotel Lessee	K.K.Hotel Management Japan	
Operator	Archon Hospitality K.K.	
PML		11.6%



# Oriental Hotel Tokyo Bay

Japan Hotel and Resort, Inc.



## Overview

- Partner hotel of Tokyo Disney Resort (TDR), directly linked to JR Shin-Urayasu Station by a pedestrian deck
- Urban hotel with 505 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 facilities with children up to three years old are particularly popular and the occupancy rate of these rooms is high

## Growth Story

- The hotel has been proceeding with initiatives in repositioning and rebranding since 2005. The results are notable, and the indicators for competitiveness are steadily improving.
- In the 5th term, the hotel has renovated the chapel and the guest rooms as a part of its repositioning and rebranding initiatives.
- Due to the renovation of the chapel, the number of weddings is steadily increasing and going forward it will aim to improve its operation further.
- It has renovated the guest rooms on the 12th floor to convert them into concept guest rooms for families with infant children (the Kiddy Sweets) in order to bring in customers that have been using the highly-popular Baby's Sweet, and improve the customer lifetime value.

## Asset Overview

Appraisal Value as of Feb. 28, 2010		¥ 19.8bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Urayasu-city, Chiba
	Size	9,914.00mf
Building	Structure/ Floor	SRC-S-RC/12 floors and 2 basement floors
	Year Built	May, 1995
	Total Floor Space	44,833.11mf
Hotel Lessee	K.K. Hotel Management Japan	
Operator	Archon Hospitality K.K.	
PML		14.2%

# NambaOrientalHotel

Japan Hotel and Resort, Inc.



## Overview

- Located in the Namba area, one of the major downtown areas in Osaka
- 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
- Many tenant facilities besides guestrooms

## Growth Story

- The hotel possesses the strength of attracting not only business customers, but also inbound and other leisure customers.
- In order to take full advantage of this strength, the hotel will take the opportunity provided by the guest room renovations implemented in the 5th term to expand sales channels, bring in leisure demand which is expected to continue growing in the future, and make it self a key revenue source.
- The restaurants are gaining more attention with their menus conscious of local production and consumption. In the future, the customer appeal will be continuously strengthened with the introduction of new products, etc.

## Asset Overview

Appraisal Values of Feb. 28, 2010		¥16.1bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Chuo-ku, Osaka
	Size	4,505.23㎡
Building	Structure/ Floor	S-SRC/9 floors and 1 basement floor
	Year Built	March, 1996
	Total Floor Space	19,364.33㎡
Hotel Lessee	K.K. Hotel Management Japan	
Operator	Archon Hospitality K.K.	
PML		13.4%

# Hotel Nikko Alivila

Japan Hotel and Resort, Inc.



### Overview

- 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 396 rooms

### Growth Story

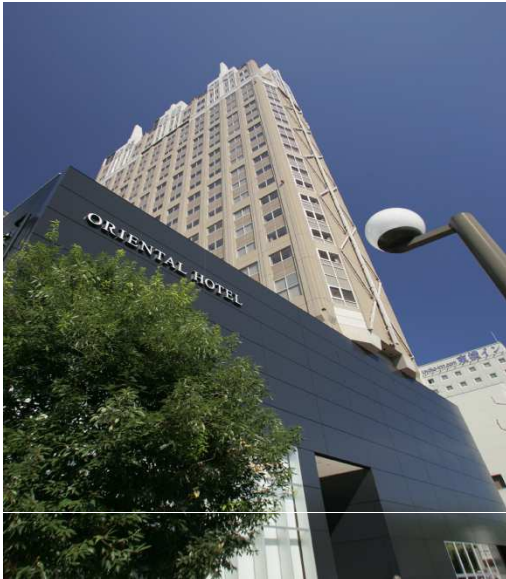
- This hotel is widely popular as an A-class resort in Okinawa, Japan's most famous resort area.
- The hotel is enhancing its service aspects while also enhancing the safety and comfort of the facility, in order to establish a position as the only hotel in Okinawa that is of the highest quality.
- In "soft" aspects, the hotel is differentiating itself from its competitors by being responsive to travel needs of time-enjoying expenditures. Examples include enhancing its "edutainment" program in which participants can experience the beautiful nature of Yomitan-son and local culture.

Asset Overview		
Appraisal Value as of Feb. 28, 2010		¥19.9bn
Form of Ownership	Land	Owned/Lease
	Building	Owned
Land	Location	Yomitan-son, Nakagami-gun, Okinawa
	Size	67,423.55㎡
Building	Structure/Floor	SRC-S-RC/10 floors and 1 basement floor
	Year Built	April, 1994
	Total Floor Space	38,024.98㎡
Hotel Lessee		K.K. Hotel Management Japan
Operator		JAL Hotels Co., Ltd
PML		7.3%



# OrientalHotelHiroshima

Japan Hotel and Resort, Inc.



## Overview

- Located on Heiwa Odori, the main street in Hiroshima
- Rebranding from Hiroshima Washington Hotel in October 2006
- Acquired on October 1, 2007
- Converted into a stylish urban hotel by a famous designer

## Growth Story

- In September 2008, the hotel completed the renovation of the banquet halls and has nearly completed the full renovation that it has been working on for the 2 years since its rebranding.
- Due to the rebranding, it has been making steady progress in improving quality (improving the average customer spend) and improving the occupancy rates and turnover rates (increasing the number of guests).
- In the 5th term, the hotel is further deepening its cultural strategy founded on partnership with the local community.
- In addition, taking full advantage of the strength of it is having two world heritage sites in the prefecture, focusing its efforts on bringing in foreign tourist demand by expanding its sales channels, etc.

## Asset Overview

Appraisal Values of Feb. 28, 2010		¥ 8.2bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Hiroshima-city, Hiroshima
	Size	1,792.84㎡
Building	Structure/Floor	SRC/23 floors and 2 basement floors
	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%

# Nara Washington Hotel Plaza

Japan Hotel and Resort, Inc.

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



Asset Overview		
Appraisal Value as of Feb. 28, 2010		¥ 2.05bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Nara-city, Nara
	Size	2,322.28㎡
Building	Structure/ Floor	S/7 floors
	Year Built	March, 2000
	Total Floor Space	5,385.82㎡
Hotel Lessee	Washington Hotel Corporation	
PML		13.7%

# HakataNakasuWashingtonHotelPlaza

Japan Hotel and Resort, Inc.

- 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

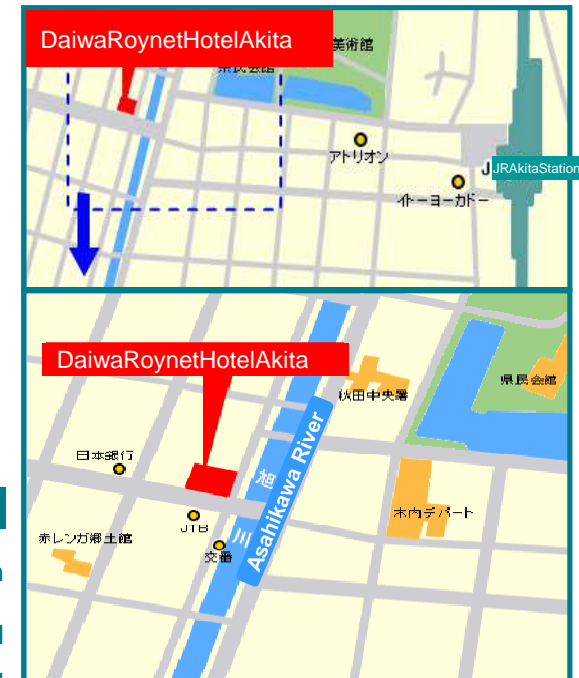


Asset Overview		
Appraisal Values of Feb. 28, 2010		¥ 3.83bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Hakata-ku, Fukuoka
	Size	1,128.46㎡
Building	Structure/ Floor	S/12 floors
	Year Built	March, 1995
	Total Floor Space	5,692.24㎡
Hotel Lessee	Washington Hotel Corporation	
PML		8.2%

# DaiwaRoynetHotelAkita

Japan Hotel and Resort, Inc.













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



Asset Overview		
Appraisal Values of Feb. 28, 2010		¥ 1.95bn
Form of Ownership	Land	Owned
	Building	Owned
Land	Location	Akita-city, Akita
	Size	1,540.15㎡
Building	Structure/ Floor	S/14 floors
	Year Built	June, 2006
	Total Floor Space	7,539.52㎡
Hotel Lessee		DaiwaRoyal Co., Ltd
PML		6.4%



# Examples of Renovation

Guest Rooms		Banquet Hall etc.	
Before	After	Before	After
<p>① Oriental Hotel Tokyo Bay</p> 		<p>① Oriental Hotel Tokyo Bay</p> 	<p>Chapel</p> 
<p>② Hotel Nikko Alivila</p> 		<p>② Hotel Nikko Alivila Alivila</p> 	<p>Club desk</p> 
<p>③ Oriental Hotel Hiroshima</p> 		<p>③ Oriental Hotel Hiroshima</p> 	<p>Banquet hall</p> 



This material is a supplementary document prepared and provided for the understanding of the results briefing and is intended only for the purposes of providing information. It is not created with the intention of offering investment units of Japan Hotel and Resort, Inc. (hereinafter the “Investment Corporation”) or offering or selling any other particular products.

This material is neither a disclosure document nor a management report required under or based on the Financial Products and Trading Act, Investment Trust and Investment Corporation Act, government ordinances, Cabinet Office regulations, rules accompanying those acts, Tokyo Stock Exchange listing rules, or other related rules and regulations.

This material contains forward-looking statements about the financial conditions, operational results, and businesses of the Investment Corporation and Japan Hotel & Resort, K.K. (hereinafter the “Asset Management Company”), the asset management company of the Investment Corporation, and the plans and intentions of the management of those companies. The forward-looking statements contain known and unknown risks, uncertainties, and factors that may lead to material differences between the results of the Investment Corporation and explicit or implicit forecasts. Forecasts are made based on the Investment Corporation’s present and future business strategies and assumptions relating to the political and economic circumstances that will surround the Investment Corporation in the future.

Every effort has been made to ensure the accuracy of the information contained in this material. However, the accuracy, certainty, validity, or fairness of the information are not guaranteed. The information may be revised or retracted without prior notice.

Regarding the offering and trade of investment units, in addition to the price of the investment units the prescribed fees may be sometimes required, etc. stipulated by the securities companies, etc. Japan Hotel and Resort and the Asset Management Company do not handle the offering and trade of the investment units so please inquire to the securities company that is selling the investment units for the amount, ceiling and calculation methods for fees, etc.

Japan Hotel and Resort mainly invests in real estate-related assets, etc., primarily hotels subject to price fluctuations, so investors may suffer losses, including even loss of the original principal, due to economic conditions such as conditions in the real estate market, securities market, interest environment, etc., the character of the investment units, mechanisms and dependence on the related persons of Japan Hotel and Resort, changes to legal systems related to real estate, etc. (tax regulations, building regulations), damage to real estate-related assets caused by natural disasters, etc., fluctuations in the prices or earning capacity of the real estate-related assets, etc., being managed, the character of the trust beneficiary rights being managed, the delisting of the investment units, etc., or due to the worsening of the financial position or the bankruptcy of Japan Hotel and Resort, etc. For details please refer to the Japan Hotel and Resort rules and regulations, securities registration statement, prospectus, securities report, etc. These documents can be viewed from the following link.

<http://www.jhrth.com/ir/index4.html>

JapanHotel&ResortK.K.  
Financialproducttradingcompany  
DirectorofKantoFinanceBureau(FinancialProduct )No.333  
MemberofTheInvestmentTrustsAssociation,Japan