

Provisional Translation Only

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June 25, 2009

REIT Issuer:

Japan Hotel and Resort, Inc. (TSE code: 8981)
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Notice Regarding Request to Moody's Investors Service for Withdrawal of Rating

We hereby provide notice that Japan Hotel and Resort, Inc. (hereinafter "JHR") has requested that Moody's Investors Service (hereinafter "Moody's") withdraw the issuer rating for JHR.

1. Reasons for withdrawal:

JHR had requested an issuer rating from both Rating and Investment Information, Inc. (hereinafter "R&I") and Moody's because we planned to issue investment corporate bonds in order to diversify our fund procurement sources. However, we believe that we cannot expect to issue new investment corporate bonds in the near term in the current financial markets so we judge that it is not rational management for JHR to continue to bear the costs of maintaining external ratings at two companies. Note that in JHR there is no issuance of the existing investment corporate bonds.

We will not withdraw our request to R&I for a rating.

2. Impact of the withdrawal:

1) Operating Conditions

The impact of the withdrawal of the aforementioned rating on our business results is minor, so there is no change in our forecast for the operating conditions of JHR in the 4th Term (September 1, 2008 – August 31, 2009).

2) Loan Agreements

The withdrawal of the aforementioned rating does not infringe upon the financial covenants or any of the other clauses in the loan agreements JHR has concluded with the existing financial institutions.

3) Interest Rate Swaps and Spread-type Interest Rate Cap Transactions

In order to alleviate the risk of interest rate rises, JHR has concluded an agreement with Goldman Sachs Japan Co., Ltd. (hereinafter "GSJL") that was drawn up by ISDA (International Swaps and Derivatives Association, Inc.), and has executed interest rate swaps and spread-type interest rate cap transactions with remaining terms of approximately three years and approximately two years, respectively. The withdrawal of the aforementioned rating qualifies as a "cause for termination of the agreement" under the agreement but, in order to alleviate the risk of future interest rate rises, JHR plans to maintain both transactions after changing the details of the agreement as shown below.

Major Details of the Change

Details of change (changes are underlined)	(Before): We shall maintain <u>both a “Baa3” or higher issuer rating from Moody’s and a “BBB+” or higher issuer rating from R&I.</u> (After): We shall maintain a <u>“BBB-”</u> or higher issuer rating from R&I.
Conditions of the change	In accordance with the change to the above conditions, we will conclude a Credit Support Annex (hereinafter “CSA”), based on ISDA, with GSJL. Based on this CSA, with current interest rate levels JHR will be required to pledge approximately 300 million yen of cash collateral to GSJL.
Date of conclusion of changed agreement	June 25, 2009

Reference:

- 1) This CSA stipulates that an amount determined in accordance with interest rate levels at a certain point shall be pledged as collateral in both directions, and the CSA is the type of agreement that is generally concluded for this type of transaction. The cash collateral amount will fluctuate based on interest rate levels and other factors but if there are no fluctuations we expect it to decline along with the decline in the remaining terms.
- 2) GSJL is an interested party of the asset management company and changes to this interest rate swap agreement, etc. constitute a transaction with an interested party, so after obtaining the institutional approval of the asset management company in accordance with its voluntary rules related to those transactions, the asset management company has carried out the proper procedures including obtaining prior approval in the compliance committee attended by external experts and in JHR’s Board Meeting.
- 3) Provision of this collateral requires the approval of the existing financial institutions that lend money to JHR, and we have obtained the necessary approval.

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

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