

Provisional Translation Only

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Notice regarding Revisions to the Forecast of Business Performance
for the Fiscal Year ending August 31, 2009

Japan Hotel and Resort, Inc. (hereinafter “JHR”) hereby provides notice that JHR has decided to revise the forecast of business performance for the fiscal year ending August 31, 2009 (September 1, 2008 - August 31, 2009) that was announced in the Semi-Annual Operational Results for the Fiscal Year ending August 31, 2009 that were released on April 20, 2009. The details of the revision are as follows.

1. Revision to the Forecast of Business Performance for the Full Fiscal Year ending August 31, 2009 (September 1, 2008 - August 31, 2009)

| | Operating Revenues | Operating Profit | Recurring Profit | Net Income | Dividend per Unit (excluding profit surplus dividend per unit) | Profit surplus dividend per unit |
|-----------------------|--------------------|------------------|------------------|----------------|--|----------------------------------|
| Previous forecast (A) | 5,995 M Yen | 2,761 M yen | 1,755 M Yen | 1,753 M Yen | 16,584 Yen | 0 Yen |
| Revised forecast (B) | 5,359 M Yen | 2,216 M Yen | 1,207 M Yen | 1,205 M Yen | 11,400 Yen | 0 Yen |
| Change (C)= B-A | △636 M Yen | △544 M Yen | △548 M Yen | △548 M Yen | △5,184 Yen | 0 Yen |
| Change (D)= C/A | △10.6 % | △19.7 % | △31.2 % | △31.3 % | △31.3 % | 0 % |

(Note 1) Forecasted number of issued investment units at the end of the fiscal year: 105,719

(Note 2) The above figures are rounded down to the nearest million yen and the nearest yen, and rounded off to the first decimal place.

2. Reason for the Revisions to the Forecast of Business Performance

JHR has made this revision because it now expects a large decline in its variable rents due to the expected decline in hotel revenues and hotel GOP (note) associated with the Kobe Meriken Park Oriental Hotel, the Oriental Hotel Tokyo Bay, the Namba Oriental Hotel, the Hotel Nikko Alivila and the Oriental Hotel

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Hiroshima (hereinafter “the five hotels with variable rents”) that it leases to Hotel Management Japan K.K. (hereinafter “HMJ”) in the fiscal year ending August 31, 2009 mainly caused by the impact of swine influenza. As stated below, the upper limit to JHR’s variable rents is the variable rent cap calculated from the GOP of the hotels so the extent of the decline in the variable rents is larger than the extent of the decline in the revenues of the hotels (4.8% lower than in the previous projection). Furthermore, the current revisions to the Forecast of business performance contain a partial revision of JHR’s expenses as well.

(Note) GOP (Gross Operating Profit): Total departmental profit minus unallocated expenses.

3. Overview of the Revisions to the Forecast of Business Performance

The details of the revisions to the forecast for each item are described below.

(1) The revenues of the five hotels with variable rents which are the basis for the calculation of the variable rents

1) Revenues of the Hotels

Due to the combined impact of the swine influenza (described below) and the worsening of the economic environment of households, we anticipate that the revenues of the five hotels with variable rents will be 21,840 million yen, 1,099 million yen (4.8%) lower than in our previous forecast and 1,472 million yen (6.3%) lower than last year. (Reference Materials 1)

(i) Direct impact of swine influenza

As we stated in the monthly disclosure for May this year, due to the first outbreak in Kobe and subsequent spread of swine influenza in Japan there were cancellations in the room segment and the food & beverages segment, primarily at the Kobe Meriken Park Oriental Hotel and the Namba Oriental Hotel (the two Kansai hotels).

(ii) Indirect impact of swine influenza

With the domestic spread of swine influenza, people have been reducing their leisure travel and business trips and avoiding going out, resulting in a decline in the number of visitors to other regions nationwide, so hotel reservations and use of the hotels and their facilities have also fallen.

For the two Kansai hotels revenues declined 17.8% in May compared to the same month last year, and a decline in revenues of about 30% compared to the same month last year is expected in June as well.

Regarding leisure demand in the summer holiday period, current reservations at the five hotels with variable rents for July and August are lower than in our previous forecast due to reduced consumer confidence, which is thought to be the result of factors such as swine influenza and the worsening of the economic environment of households, as stated above. This has inevitably led us to lower our forecasts for the hotels.

Reference Materials 1: Revenues

(Million Yen)

| | 3 rd Term Results | 4 th Term | | Relative to last year | | Relative to previous forecast | |
|--------------------------------------|------------------------------|----------------------|------------------|-----------------------|---------|-------------------------------|--------|
| | | Previous Forecast | Revised Forecast | Amount | % | Amount | % |
| | | | | | | | |
| Kobe Meriken Park Oriental Hotel | 6,744 | 6,359 | 5,819 | △ 925 | △ 13.7% | △ 540 | △ 8.5% |
| Oriental Hotel Tokyo Bay | 6,783 | 6,668 | 6,536 | △ 247 | △ 3.6% | △ 132 | △ 2.0% |
| Namba Oriental Hotel | 1,976 | 1,882 | 1,768 | △ 208 | △ 10.5% | △ 114 | △ 6.1% |
| Hotel Nikko Alivila | 5,853 | 5,833 | 5,592 | △ 261 | △ 4.5% | △ 241 | △ 4.1% |
| 4 Hotels with Variable Rent Revenues | 21,355 | 20,742 | 19,715 | △ 1,640 | △ 7.7% | △ 1,027 | △ 5.0% |
| Oriental Hotel Hiroshima (Note 1) | 1,956 | 2,197 | 2,125 | 168 | 8.6% | △ 72 | △ 3.3% |
| 5 Hotels with Variable Rent Revenues | 23,312 | 22,939 | 21,840 | △ 1,472 | △ 6.3% | △ 1,099 | △ 4.8% |

(Note 1) In the 3rd term JHR owned this property for 11 months but for the comparative analysis we are using figures for a 12-month period, and these figures have not been audited yet.

(Note 2) Please refer to Reference Materials 5 below for the operating performance for each hotel.

2) GOP of the Hotels

We are now expecting total GOP for the five hotels with variable rents to be 5,413 million yen, 735 million yen (11.9%) lower than in the previous forecast and 890 million yen (14.1%) lower than last year. (Reference Materials 2)

Generally the proportion of personnel expenses and other fixed expenses is high in hotel management (particularly the room segment), so in cases like in the second half of this year when revenues decline rapidly due to special factors, and the revenues go below a certain level, the ratio of GOP to revenues tends to decline dramatically.

Since April this year, the five hotels with variable rents have been working on reducing expenses, particularly variable expenses, in order to improve GOP. They have also been taking measures to convert fixed expenses into variable expenses, but we expect the ratio of GOP to revenues to decline due to the rapid decline in revenues mainly caused by the swine influenza outbreak.

Reference Materials 2: GOP

(Million Yen)

| | 3 rd Term Results | 4 th Term | | Relative to last year | | Relative to previous forecast | |
|--------------------------------------|------------------------------|----------------------|------------------|-----------------------|---------|-------------------------------|---------|
| | | Previous forecast | Revised forecast | Amount | % | Amount | % |
| | | | | | | | |
| 5 Hotels with Variable Rent Revenues | 6,303 | 6,148 | 5,413 | △ 890 | △ 14.1% | △ 735 | △ 11.9% |
| Ratio of GOP to revenues | 27.2% | 26.8% | 24.8% | - | - | - | - |

(Note) For the Oriental Hotel Hiroshima in the 3rd term, both GOP and revenues, which form the basis for the calculation of the GOP ratio, are calculated for 11 months, the period that JHR owned this property.

(2) Variable Rents of JHR:

As noted above, total rent revenues, which are equivalent to the operating revenues of JHR, are expected to be 5,359 million yen, 636 million yen (10.6%) lower than in the previous forecast and 704 million yen (11.6%) lower than last year, mainly due to the decline in variable rents caused by the declining profitability of the five hotels with variable rents. (Reference Materials 3)

Regarding the variable rents that JHR collects from HMJ, as a general rule, JHR receives 10% of the revenues of the five hotels with variable rents (if the revenues of the five hotels with variable rents

exceed a certain amount, 30% or 40% of the excess revenues). Nonetheless, we have adopted a rent structure with a variable rent cap as the upper limit in order to maintain the sense of stability of the overall scheme by avoiding situations in which the payments of variable rents that HMJ is required to make exceed the capacity of HMJ to pay due to temporary special factors. The variable rent cap is calculated from the GOP of the hotels.

(Note) Please refer to Reference Materials 4 for the method of calculating the variable rent cap.

The variable rents collected from HMJ in the fiscal year ending August 31, 2009 are expected to be the variable rent cap calculated from the GOP of the hotels rather than the amount calculated by multiplying the revenues of the five hotels with variable rents by the variable rents rate. This is because the rapid decline in the revenues of the hotels has led to a decline in the ratio of hotel GOP to hotel revenues.

In a situation in which the variable rents are calculated using the variable rent cap, looking at an example of variance between the previous forecast and the current revised forecast, the 1,099 million yen fall in the revenues of the hotels has caused the 735 million yen fall in the GOP of the hotels. We project that this 735 million yen reduction in GOP will reduce the variable rent cap by 636 million yen resulting in a fall in variable rents of the same amount.

Reference Materials 3: Variable Rent Revenues (Million Yen)

| | 3 rd Term Results | 4 th Term | | Relative to last year | | Relative to previous forecast | |
|------------------------|------------------------------|----------------------|------------------|-----------------------|---------|-------------------------------|---------|
| | | Previous forecast | Revised forecast | Amount | % | Amount | % |
| | | | | | | | |
| Total Rent Revenues | 6,063 | 5,995 | 5,359 | △ 704 | △ 11.6% | △ 636 | △ 10.6% |
| Variable Rent Revenues | 2,315 | 2,219 | 1,583 | △ 731 | △ 31.6% | △ 636 | △ 28.7% |

Reference Materials 4: Variable Rent Cap

| | Method of calculating the variable rent cap | | | | Variable rent cap (a) | Hotel revenues multiplied by variable rent rate (b) | Variable rents that can be collected (C) (a) or (b), whichever is smaller |
|--|---|---|--------------------------|-----------|-----------------------|---|---|
| | (GOP of hotels with variable rents | - Fixed rents of hotels with variable rents | - Operators' fees (Note) |) x 90% = | | | |
| 4 th Term Revised forecast | (5,413 | - 3,221 | - 433 |) x 90% = | 1,583 | < 2,184 | 1,583 |
| 4 th Term Previous forecast | (6,148 | - 3,221 | - 460 |) x 90% = | 2,219 | < 2,293 | 2,219 |
| 3 rd Term Results | (6,303 | - 3,202 | - 505 |) x 90% = | 2,335 | > 2,315 | 2,315 |
| 2 nd Term Results | (6,007 | - 3,000 | - 534 |) x 90% = | 2,225 | > 2,109 | 2,109 |

(Note) The fees to operators are the total amount paid to JAL Hotels Co., Ltd. and Archon Hospitality K. K., and they vary according to the revenues and GOP of the hotels whose operations they support.

(3) Partial Revision of the Expenses of JHR:

In our partial revision of expenses we are expecting a total decline of approximately 90 million yen compared to our previous forecast. The main items accounting for this decline are as follows.

| | |
|---|------------------------|
| 1) Depreciation Costs and Loss from Disposal of Fixed Assets: | Approx. 24 million yen |
| 2) Asset Management Fees: | Approx. 28 million yen |
| 3) Other general and administrative expenses: | Approx. 37 million yen |
| Total: | Approx. 90 million yen |

As the asset management company of JHR, we take this revised forecast of a large fall in dividends very seriously. Although the business environment is severe, in order to maximize the profits of JHR we will work to improve the asset values and competitiveness of the hotels and concentrate our efforts on all aspects of the management of JHR. We would appreciate your continued support.

【Note】

1. The actual results for FY 2009 may differ substantially from the forecast, depending on various factors.
2. JHR does not guarantee the dividend amount in this forecast. If in the future we expect a difference from this forecasted figure greater than a certain amount, we may make a revision to the forecast.

* 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/>

Reference Materials 5: Operating Performance

| Kobe Meriken Park Oriental Hotel | Revised forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | Hotel Nikko Aliviva | Revised forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
|----------------------------------|-----------------------|-------------------|-------------------|-----------------------|---------------------|-----------------------|------------------|-------------------|--------------------|--------|--------|
| | | Occupancy Rate(%) | 74.9% | 63.7% | | | 69.2% | Occupancy Rate(%) | 73.4% | 79.7% | 76.6% |
| | | ADR (Yen) | 15,896 | 14,270 | | | 15,158 | ADR (Yen) | 22,327 | 32,862 | 27,871 |
| | | RevPAR(Yen) | 11,905 | 9,088 | | | 10,496 | RevPAR(Yen) | 16,378 | 26,193 | 21,337 |
| | Total Revenues (MYen) | 3,122 | 2,697 | 5,819 | | Total Revenues (MYen) | 2,303 | 3,289 | 5,592 | | |
| | Previous forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | Previous forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
| | | Occupancy Rate(%) | 74.9% | 81.1% | | | 78.0% | Occupancy Rate(%) | 73.4% | 80.3% | 76.8% |
| | | ADR (Yen) | 15,896 | 15,660 | | | 15,787 | ADR (Yen) | 22,327 | 34,944 | 28,986 |
| | | RevPAR(Yen) | 11,905 | 12,695 | | | 12,314 | RevPAR(Yen) | 16,378 | 28,052 | 22,274 |
| | Total Revenues (MYen) | 3,122 | 3,237 | 6,359 | | Total Revenues (MYen) | 2,303 | 3,530 | 5,833 | | |
| | 3rd Term Results | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | 3rd Term Results | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
| | | Occupancy Rate(%) | 76.0% | 80.1% | | | 78.0% | Occupancy Rate(%) | 71.1% | 83.6% | 77.4% |
| | | ADR (Yen) | 15,442 | 15,455 | | | 15,448 | ADR (Yen) | 21,646 | 33,987 | 28,347 |
| RevPAR(Yen) | | 11,732 | 12,372 | 12,049 | RevPAR(Yen) | | 15,394 | 28,404 | 21,934 | | |
| Total Revenues (MYen) | 3,374 | 3,370 | 6,744 | Total Revenues (MYen) | 2,262 | 3,590 | 5,853 | | | | |

| Oriental Hotel Tokyo Bay | Revised forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | Oriental Hotel Hiroshima | Revised forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
|--------------------------|-----------------------|-------------------|-------------------|-----------------------|--------------------------|-------------------------|------------------|-------------------|--------------------|-------|-------|
| | | Occupancy Rate(%) | 89.3% | 70.1% | | | 79.6% | Occupancy Rate(%) | 73.4% | 71.1% | 72.3% |
| | | ADR (Yen) | 17,928 | 20,296 | | | 18,984 | ADR (Yen) | 8,958 | 9,037 | 8,997 |
| | | RevPAR(Yen) | 16,002 | 14,221 | | | 15,108 | RevPAR(Yen) | 6,576 | 6,427 | 6,501 |
| | Total Revenues (MYen) | 3,448 | 3,088 | 6,536 | | Total Revenues (MYen) | 1,109 | 1,015 | 2,125 | | |
| | Previous forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | Previous forecast | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
| | | Occupancy Rate(%) | 89.3% | 76.8% | | | 83.0% | Occupancy Rate(%) | 73.4% | 76.0% | 74.7% |
| | | ADR (Yen) | 17,928 | 20,375 | | | 19,074 | ADR (Yen) | 8,958 | 9,052 | 9,006 |
| | | RevPAR(Yen) | 16,002 | 15,646 | | | 15,826 | RevPAR(Yen) | 6,576 | 6,881 | 6,730 |
| | Total Revenues (MYen) | 3,448 | 3,220 | 6,668 | | Total Revenues (MYen) | 1,109 | 1,088 | 2,197 | | |
| | 3rd Term Results | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | 3rd Term Results (Note) | 1st Half Results | 2nd Half Forecast | Full-Year Forecast | | |
| | | Occupancy Rate(%) | 81.3% | 78.0% | | | 79.6% | Occupancy Rate(%) | 62.6% | 64.2% | 62.6% |
| | | ADR (Yen) | 18,316 | 21,365 | | | 19,817 | ADR (Yen) | 8,638 | 9,075 | 8,876 |
| RevPAR(Yen) | | 14,893 | 16,666 | 15,784 | RevPAR(Yen) | | 5,408 | 5,826 | 5,556 | | |
| Total Revenues (MYen) | 3,374 | 3,408 | 6,783 | Total Revenues (MYen) | 990 | 966 | 1,956 | | | | |

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| | | | | | |
|-----------------------|------------------------------|-----------------------|------------------------------|-------------------------------|--------------------|
| Namba Oriental Hotel | Revised forecast | | 1 st Half Results | 2 nd Half Forecast | Full-Year Forecast |
| | | Occupancy Rate(%) | 80.4% | 66.9% | 73.6% |
| | | ADR (Yen) | 10,604 | 10,378 | 10,499 |
| | | RevPAR(Yen) | 8,520 | 6,941 | 7,724 |
| | | Total Revenues (MYen) | 925 | 843 | 1,768 |
| | Previous forecast | | 1 st Half Results | 2 nd Half Forecast | Full-Year Forecast |
| | | Occupancy Rate(%) | 80.4% | 81.7% | 81.1% |
| | | ADR (Yen) | 10,604 | 10,712 | 10,658 |
| | | RevPAR(Yen) | 8,520 | 8,756 | 8,638 |
| | | Total Revenues (MYen) | 925 | 957 | 1,882 |
| | 3 rd Term Results | | 1 st Half Results | 2 nd Half Forecast | Full-Year Forecast |
| | | Occupancy Rate(%) | 88.7% | 85.0% | 86.8% |
| | | ADR (Yen) | 10,539 | 10,763 | 10,649 |
| RevPAR(Yen) | | 9,350 | 9,146 | 9,248 | |
| Total Revenues (MYen) | | 999 | 976 | 1,976 | |

(Note) JHR owned this property for 11 months but for the comparative analysis we are using figures for a 12-month period, and these figures have not been audited yet.

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