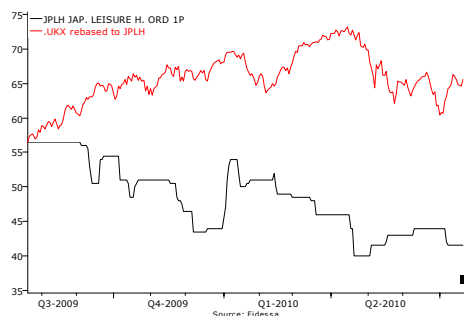


Japan Leisure Hotels Ltd 36p

FLASH: Trading Statement. Reduction In Forecasts, But Still Moving Forwards

22 July 2010

Share Price: 36p



12m High: 57p

12m Low: 36p

Market Cap: £20m on diluted capital, £16m on undiluted capital

Shares in Issue: 44.1m undiluted

56.5m diluted, with options

NAV/Share: 74p/share

Gearing: Nil (£2.9m net cash)

Interest Cover: 39X.

EPIC Code: JPH.L

Sector: Travel and Leisure

Market: London AIM

Broker: Shore Capital Stockbrokers Ltd

PR: Pelham Bell Pottinger +44 (0)20 7337 1509

Website: www.japanleisurehotels.com

Description: Invests into the Japanese leisure hotel industry

Analysts: Roger Hardman/Rae Ellingham

Tel: +44(0)20 7929 3399

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A Trading Statement this morning says that revenue and EBITDA for the current year will be lower than market expectations, so we are reducing our estimates.

- Price cutting by competitors has been impacting some hotels. One of the units has seen its REVPAR fall by 12% in recent weeks. But some hotels are holding up well and this is not a general trend.
- The newly refurbished Yokkaichi, the second largest hotel in the group, has experienced a slower than expected build-up after the refurbishment that took it out of action between January and May. It would be premature to read too much into eight weeks' trading after what was supposed to be a 'soft' re-opening, but we (and the management) will be watching closely for lessons to be applied to other refurbishments likely in 2011.
- Market conditions are aggressive. This is not a surprise, because the Japanese economy is flat, and still experiencing price deflation. JPLH has been reducing costs, and has been introducing marketing initiatives such as a loyalty card.

We already expected the first half to show a modest loss, because of the loss of income from the Yokkaichi during its refurbishment. We are now reducing our second half estimate. The effect for the full year will be:

- Revenue growth of 2% rather than the 7% we had previously expected.
- EBITDA of Y274m rather than the Y334m we previously forecast. Our new forecast is still higher than the 2009 EBITDA however, the company is still moving forward.
- Adjusted profit of Y34m and eps of UK0.3p, still ahead of the previous year, in spite of the Yokkaichi closure.
- We retain our dividend forecast at UK1.5p, 50% up on 2009.

We have pulled back our 2011 estimates also.

Overall, the announcement should have limited impact upon the share price, because JPLH's value lies in its potential once the chain has reached three to five times its current size, rather than its 2010 or 2011 earnings.

Y/E	Income	EBITDA	Adjusted Profit	Adjusted EPS	EV/EBITDA	P/E Ratio	Div	Yield
Dec	m	¥m	¥m	UKp.	X	X	UKp	%
2008A#	1,183	227	-21	0	7.7	-	0	-
2009A	1,197	264	0	0	6.6	-	1.0	2.8
2010E*	1,220	274	34	0.3	6.3	95.0	1.5	4.2
2011E*	1,320	370	120	1.2	4.7	30.0	2.0	5.5

* Before possible acquisitions and associated issue of new equity # Minor restatement of some 2008 numbers
EBITA calculated on undiluted capital.

Japan Leisure Hotels Ltd

22 July 2010

Management	Major Shareholders						
<p>Chief Executive Officer: Steve Mansfield</p> <p>Chief Financial Officer: Robert Marshall</p> <p>Non-executive Directors:</p> <ul style="list-style-type: none"> - Alan Clifton - Chairman - Sarah Evans - William Hunter 	<table> <tr> <td>Goldman Sachs Securities (Nominees) Ltd</td> <td>82.6%</td> </tr> <tr> <td>Credit Suisse Client Nominees (UK) Ltd</td> <td>5.0%</td> </tr> <tr> <td>OMX Securities Nominees Ltd</td> <td>3.4%</td> </tr> </table>	Goldman Sachs Securities (Nominees) Ltd	82.6%	Credit Suisse Client Nominees (UK) Ltd	5.0%	OMX Securities Nominees Ltd	3.4%
Goldman Sachs Securities (Nominees) Ltd	82.6%						
Credit Suisse Client Nominees (UK) Ltd	5.0%						
OMX Securities Nominees Ltd	3.4%						
Key Dates	Key Milestones						
<p>AGM: Mid summer. No date yet.</p> <p>Next Interim Results: September 2010</p>	<p>2008: JPLH lists on AIM and invests in a portfolio of five hotels, subsequently branded under the name Bonita</p> <p>JPLH invests in the Yokkaichi hotel .</p>						

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