

## **IRCJ Approves Application for Assistance for Kinugawa Grand Hotel Co., Ltd.**

**Tokyo, January 18, 2005** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Kinugawa Grand Hotel Co., Ltd (“Kinugawa Grand Hotel”) and related companies under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

### **1. Outline of businesses approved for assistance**

Company name	Kinugawa Grand Hotel Co., Ltd.
Date of establishment	1963
Capital	¥20 million
Head office	Fujiwara City, Tochigi Prefecture
Representative	Tomoko Namiki
Number of employees	65 (47 full time, 14 part time, 4 temporary staff)
Outline of business	Japanese Inn and Onsen business The Kinugawa Grand Hotel is a Japanese style onsen and inn situated at Kinugawa Onsen in the Nikko National Park and has 100 rooms with capacity for 469 guests.

### **2. Name of financial institution or other party jointly submitting application**

The Ashikaga Bank, Ltd.

### **3. Outline of revitalization plan for Kinugawa Grand Hotel**

#### **1. Business plan**

##### 1. Business strategy

The business concept is to target individual customers, especially female customers, and continue to leverage the inn’s distinctive characteristics such as its cuisine and Japanese gardens, in order to enhance the inn as a place where women can relax during their stay in other words, ‘the ultimate relaxation inn for women’.

##### 2. Facilities strategy

Above the seventh floor special rooms blending Japanese and Western elements will be built and a high room rate sought. Also for rooms in the annex above the second floor, where customer satisfaction has been low, a higher occupancy ratio will be sought by lowering the room rate.

##### 3. Organizational management structure

· The new board of directors is expected to comprise one representative director who will be an external appointment and two corporate officers, totaling three in all.

· With the aim of strengthening governance of the business a modern operational administration system will be established under the direction of an outside management company.

#### 4. Capital expenditure plans

It is planned to refurbish guest rooms, increase dining facilities and refurbish the public areas.

#### 2. Corporate restructuring

It is planned that after a 100% capital reduction the Kinugawa Grand Hotel will receive a ¥200 million capital injection from private investors and the IRCJ.

Also, it is planned that ¥250 million of convertible bonds will be issued and purchased by private investors and the IRCJ . An application under the Law on Special Measures for Industrial Revitalization is also planned.

#### 3. Outline of Financial Assistance

A total of ¥2.5 billion in financial support will be requested from financial institutions.

#### 4. Projected figures for the revitalization plan

	Fiscal year ended 2004 (actual)	May Fiscal year ending May 2008 (target)
Sales	¥1,265 million	¥1,243 million
Operating Income	¥117 million	¥94 million

#### 5. Implications for management

In order to clarify responsibility, all current directors will resign.

#### 6. Implications for shareholders

As a result of the 100% percent capital reduction all shares will be cancelled without compensation.

#### 7. IRCJ Rationale for providing assistance

##### 1). Causes of current financial situation

The main causes of the situation of the Kinugawa Grand Hotel are 1.

Over-investment in facilities expansion, 2. Weak marketing (reliance on agents and on large parties of guests). With the decline in sales resulting from a weak economy, the Kinugawa Grand Hotel was unable to escape from its excessive debt and became unable to raise the funds for necessary capital investment.

## 2). Potential for revitalization

The Kinugawa Grand Hotel has strengths to attract female guests such as its Japanese gardens and cuisine. Hereafter, individual guests, especially female guests, will be targeted and, with the business concept 'the ultimate relaxation inn for women', by implementing capital investment, strengthened marketing and raising service levels, the IRCJ believes that there is ample potential for revitalization. Also, the process can be positioned as an example of a Japanese Inn/Hotel revitalization scheme based on the use of an outside operational support company.

## 4. **Comments from the state ministers in charge of the Industrial Revitalization Corporation of Japan, and from ministers in charge of the target company's industry.**

None expressed

Note on comments from ministers: The IRCJ is a quasi-governmental organization. As such, the IRCJ is required to obtain comments about decisions to assist private-sector companies from the three government ministers in charge of the IRCJ, and from the minister of the industrial sector in which the target company operates.

## 5. **Debt repurchase application period**

From January 18, 2005, until February 28, 2005 (applications must arrive at the IRCJ on or before this date).

Note: The debt repurchase application period is a period established for the purpose of consensus building between the financial institutions concerned and the IRCJ in regard to debt repurchase and the revitalization plan. This period is so named because, where agreement is achieved in legal terms, the financial institutions concerned apply to the IRCJ for debt repurchase etc.

## 6. **Request for temporary cessation of demands for credit repayment**

Under Article 24, Clause 1 of the Industrial Revitalization Corporation Act, financial institutions and other creditors of the Kinugawa Grand Hotel have been requested not to recover loans or exercise any other rights they may have as creditors before the end of the debt repurchase application period as per item 5 above.

## 7. **Treatment of trade and other creditors**

The decision to provide assistance concerns only the request for financial support made

to financial institutions in regard to amounts lent to the assisted business and has no effect on the claims of trade and other creditors.

**For more information, please contact**

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**About the IRCJ**

The IRCJ was established jointly by the public and private sector on April 16, 2003, with the aim of providing revitalization assistance beneficial to both the industrial and the financial sectors in Japan. It targets assistance at companies that have sound business fundamentals but are unable to thrive because of excessive debt levels or other factors. The IRCJ has approximately 200 employees and is based in Tokyo. For more information please visit [www.ircj.co.jp](http://www.ircj.co.jp)