

## IRCJ approves application for assistance for Shikisai Hotel Co., Ltd.

**Tokyo, June 4, 2004** – The Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved an application by Shikisai Hotel Co., Ltd. for assistance under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003.

### 1. Outline of business approved for assistance

Company name	Shikisai Hotel Co., Ltd. (hereafter, “Shikisai Hotel”)
Date of establishment	1954
Capital	10 million yen (as of November 2003)
Head office	Nikko City, Ibaraki Prefecture (Chuzenji hot spring)
Representative	Mr. Tamotsu Kamio
Number of employees	35 (as of April 2004)
Outline of business	<u>Hot spring resort hotel operations</u> Management of 36-room hot spring resort hotel by Lake Chuzenji in the Nikko National Park.

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

The Ashikaga Bank. Ltd.

### 3. Outline of business revitalization plan and rationale for IRCJ involvement

#### 1. Outline of business plan

##### 1. Clarification of hotel concept

The hotel concept will be clarified around the theme of ‘privacy’, and will target wealthy customers with smaller-scale, exclusive services in the upper price range.

##### 2. Building the Shikisai brand

The Shikisai brand will be developed to associate the brand with the idea of relaxation, with milky white hot spring waters, hotel rooms with tactile comfort and space, and a location in the natural surroundings of the Nikko National Park. Brand awareness will be developed amongst the target customer group, with a focus on generating repeat business.

##### 3. Introduction of seasonal room rate system

Target customer groups will be differentiated through the introduction of room rates that vary depending on the season, based on a peak season from August to October, a busy season from May to July and September to November, and a low season from December through April. Employee numbers and room rates will be more closely controlled under this system.

##### 4. Organizational management system

The sales strength of Shikisai Hotel will be boosted through the introduction of support from the operations support company outlined on the separate sheet. A new board of directors is planned, comprising an external representative director, and two part time directors.

## 5. Capital expenditure

Capital expenditure of approximately 100 million yen is planned through the end of November 2005, for the purpose of establishing a clearly defined Shikisai brand. This capital expenditure is an essential part of the revitalization plan of increasing sales, increasing brand power, and attracting more customers to the hotel.

## **2. Organizational restructuring**

1. The entire operations of Shikisai Hotel will be transferred to a new company, and following the transfer the former company will be wound up.
2. It is expected that the company being wound up will not distribute any surplus financial assets to shareholders, so a capital reduction will not be implemented.
3. After transferring operations to the new company, and after the capital injection, shareholder responsibility will be reflected in a planned 100% capital reduction of the new company.
4. An application will be made the Law on Special Measures for Industrial Revitalization.

## **3. Outline of financial support**

Financial support of approximately 1.2 billion yen will be sought from financial institutions.

## **4. Financial forecasts under the revitalization plan**

Million yen	<b>FY ending November 2004</b>	<b>FY ending November 2007</b>
Net sales	502	579
Operating income	19	27
Ordinary income	(30)	13
Net income	(516)	13
Net interest-bearing debt	1,731	430

## **5. Implications for management**

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

## **6. Implications for shareholders**

It is planned to wind up the existing Shikisai Hotel company immediately after the management transfer of operations to the new company, and a distribution of surplus financial assets is not expected to take place. The value of shares will accordingly become zero, clarifying management responsibility.

## **7. IRCJ rationale for providing assistance**

### 1. Cause of current situation

The key factors behind the current situation at Shikisai Hotel are excessive investment in a new building, and lax management of costs by the former management. Subsequent weakness in the economy lead to a decline in sales, and the company became excessively indebted. Accordingly, the company was unable to raise necessary capital funding.

### 2. Possibility of revitalization

Shikisai Hotel, although a small-scale operation, holds a 30% share of the accommodation market within the Chuzenji hot spring resort, and its ability to attract customers provides it with a strong operational base and a certain level of

revenue. Through measures such as targeting individual customers with a clear hotel concept, developing the Shikisai brand, implementing necessary capital investment, and improving management of the hotel operations, the IRCJ believes that there is a strong possibility of successfully revitalizing the company. Moreover, the IRCJ believes that this case has merit as the first hotel revitalization plan that is based on the use of an operations support company.

**4. Comments from the State Minister In Charge Of Industrial Revitalization And Administrative Reforms and the minister relevant to the company seeking assistance.**

None expressed.

\*Note on comments from ministers:

The IRCJ is a quasi-governmental organization. As such it is IRCJ policy to obtain comments about decisions to assist private-sector companies from the government ministries that regulate the industries in which these companies operate.

**5. Debt repurchase application period**

The application period for the repurchase of debt from Shikisai Hotel is from June 4, 2004 to July 30, 2004.

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 Shikisai 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 160 employees and is based in Tokyo. For more information please visit [www.ircj.co.jp](http://www.ircj.co.jp)