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NEWS RELEASE

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R&I View: Refinancing of Japan Hotel and Resort

Current Rating will not change Despite the Pros and Cons

On January 21, Japan Hotel and Resort, Inc. (JHR, Sec. Code: 8981) announced the refinancing plan on loans due in February and April 2009. According to the announcement, loans due in February (19 billion yen) will be refinanced by the same three financial institutions, which JHR had borrowed from, for the same amount with duration of 2 years. Loans due in April (10.2 billion yen) will be refinanced by 5.7 billion yen with duration of 3 years (of which 1.5 billion yen is under scheduled repayment of 0.5 billion yen annually), 1.5 billion yen through private placement to be offered to parties including the sponsor group, and the rest will be repaid by from cash on hand. All the loans will be provided with collateral.

The positive aspects of this arrangement are as follows: (1) it will bring down JHR's debt ratio; (2) the arrangement will show sponsor's commitment towards JHR through their acceptance of private placement; and (3) the loans will not become due for the next two years. On the other hand, the negative aspects are as follows: (1) the sale of its properties and new borrowings will be restricted due to the provision of the collateral; and (2) increase in funding costs.

In light of the above factors, R&I considers it will not be necessary to change JHR's rating. The Issuer Rating does not take account of the subordinated status of the uncollateralized obligation against the secured loans (this means that if the level of Issuer Rating is low, R&I may reflect the subordinated status on long-term issue ratings).

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Structured Finance Rating Division TEL. 03-3276-3406·3428 FAX. 03-3276-3429 EMAIL sfdept@r-i.co.jp Homepage http://www.r-i.co.jp