Value Creation Case Studies ▶ Case 1 The Facility Operations Business and the Beppu SUGINOI HOTEL

Beppu City in Oita Prefecture is one of Japan's leading hot spring resort areas. The Beppu SUGINOI HOTEL is one of the largest in the Beppu area, and became popular as a large hot spring resort against the backdrop of the group travel boom during Japan's period of rapid economic growth. However, as the boom subsided and Japan's bubble period came to a close, the hotel's business suffered, and it filed for application of the Civil Rehabilitation Act in 2001, ORIX Group then decided to support the hotel in 2002.

Beginning with facility ownership and financial support, ORIX Group took on the challenge of full-scale operations of the hotel by initiating various measures to add value. The hotel is currently undergoing large-scale renovations that began in 2019.

The hotel aims to grow further by responding to travelers' emerging needs as a place to which guests want to return.







and is scheduled for completion in 2025.

Completed portion of the large-scale renovation. Currently, the Hoshi Kan building is under development Ceada Palace is a buffet restaurant, created by renovating the site of a large theater from the Showa period. Sora Kan was completed in 2023 and features guest suites.

Generate project Assess

Identify changes in customer needs and markets

In the 1990s, travel styles changed, group travel declined, and the collapse of the bubble economy caused a sudden recession. The Beppu SUGINOI HOTEL also experienced a sharp decline in quests and experienced financial difficulties.

ORIX Group has its origins in the financing business, and began developing office buildings and condominium sales in 1993. ORIX Real Estate was established in 1999 to consolidate these businesses and further pursue specialized real estate expertise.

Assess profitability and risk

Initiate investment consideration

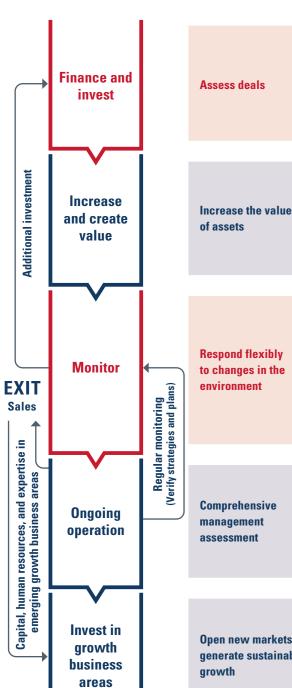
Conduct due diligence using knowledge from both financing and real estate businesses.

- Evaluate the potential for increasing asset value through means including development and renovation.
- Estimate the cost of repairs and renovation.
- Confirm legal compliance. Forecast tourist demand through area market analysis.
- Evaluate debt structuring and restructuring plans.
- Evaluate fiscal soundness including profitability and cash flow through detailed assessment of financial statements.









We decided that innovative measures such as expanding the variety of facilities and services would create significant capacity for growth. Decisions made in 2002 supported the hotel's revitalization, with the ORIX Group assuming Assess deals responsibility for business management and increasing the value of the property and Kamori Kanko handling the operation of the hotel.

Circumstances and Issues in 2002

At the time of acquisition, the number of customers both from Japan and overseas was declining, and the annual number of overnight guests had fallen from 390,000 in 1997 to 270.000 in 2002.



- · New open-air hot spring bath called "Tanayu," inspired by the rice terraces of the Beppu area
- · Buffet featuring locally sourced ingredients



Tanayu, an open-air hot spring bath with a panoramic view

Respond flexibly to changes in the environment

Although the number of overnight stavs was increasing. price conscious overseas guests were over-represented among clients, while use among domestic individual quests was not growing.

Target families to

increase domestic quests.

→ Attracting customers identified as an issue. Facility transitioned to direct management by **ORIX** Group in 2008 to strengthen operations,

Direct management enhanced direct marketing within Japan, and the annual number of overnight guests increased from 410.000 in 2010 to 690.000 in 2018.

→ In 2019, announced a large-scale renovation including the construction of two new guest room buildings and the reconstruction of one existing building to further add value to the property.



Implement measures to add value and support post-COVID-19 recovery.

- → Focus on improving services while maintaining employment.
 - Promote new product planning and development in collaboration with the local community.
 - Increase employee satisfaction by improving working conditions.
- Shift from emphasizing occupancy rate to increasing average

Enhanced marketing strategies to build repeat business in the Japanese family demographic.

Ramped up approach to target customers.

- Based direct mail on factors including customer usage.
- Opened a new chapel overlooking Beppu Bay. Strengthened commercials aimed at younger customers.

Further renovated facilities and services.

- New outdoor pool with fountain show
- · New buffet restaurant that provides entertainment

Employed foreign nationals.

 Strengthened local hiring and internships in Southeast Asia.



Provide facilities and services that meet the diverse needs of the Japanese family demographic.

Address various needs, such as those of guests who mainly use leisure facilities, and those of guests who emphasize amenities such as hot springs and meals.

Design flexible quest rooms and accommodation buildings while retaining existing customers, and complete construction in stages.



Based on existing guest demographics, target friends, couples, and inbound tourists from other areas in addition to Asia to attract a wide range of guests and increase average spend per quest.