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FOR IMMEDIATE RELEASE

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Stock Code: 3010

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Notice of KACHIKAIHATSU Group's Management Improvement and Corporate Value Enhancement Initiatives for the Post COVID-19 Era

We extend our deepest condolences to those who have lost loved ones due to COVID-19 and offer our sympathies to everyone affected by the virus.

Since the COVID-19 pandemic took hold, the hotel industry has faced extremely challenging conditions, with the postponement of the Tokyo Olympics, travel restrictions imposed by the Japanese government and other governments around the world, and significant decline in foreign visitors to Japan and domestic hotel guests even after the declaration of a state of emergency was lifted, amid calls for a new normal and the recommended cancellation of large events. Under such conditions, the KACHIKAIHATSU Group has worked to reduce expenses, lower its break-even point and generate sufficient cash flows to shore up its defences.

With reports of hotel operator failures leading to the cancellation of many hotel development projects and examination of the repurposing of existing hotels, the Group believes that supply of new hotels will be slow in the future and that the restructuring of the domestic hotel industry, with the elimination of the weakest players, is inevitable. However, the COVID-19 pandemic is expected to gradually come to an end, leading first to the recovery of domestic hotel guests. Then, bolstered by the Tokyo Olympics and Paralympics, now rescheduled for next summer, and the Japanese government's "Tourism Vision Realization Program 2020", medium-term and long-term plans reaffirming the aim of attracting 60 million inbound visitors by 2030, we anticipate that foreign visitors to Japan will also gradually recover, though it is difficult to reasonably estimate the timing of this recovery. Meanwhile, Japan is deemed to have unique and internationally competitive tourism resources, for example, our food culture and customs, subcultures such as the anime culture, Japan's natural beauty with its four distinct seasons, and clean and safe living conditions. Foreign travellers have begun to recognize Japan's appeal and demand to visit Japan among foreign tourists is expected to grow moving forward.

The Group intends to strengthen its defenses whilst at the same time seeing the restructuring of the hotel industry, with the elimination of the weak, as a good opportunity to go on the offensive and radically improve the revenue structure of the hotel business and further expand earnings by signing hotel management contracts and lease contracts with favorable conditions and acquiring hotel properties and hotel operators at bargain prices.

The Group's planned initiatives are outlined below.

1. Initiatives to reduce expenses and generate sufficient cash flows during the COVID-19 crisis

The Group is seeking to lower its break-even point by reducing costs, including optimizing the management efficiency of the hotels it operates and suspending their operations. It is also consulting with various financial institutions for financing in addition to utilizing the various grants and subsidies announced by the government and local public organizations. Specific measures include the following.

(1) Negotiations to reduce the rents of hotels operated by the Group

In response to decline in the occupancy rates and room rates of hotels operated by the Group since the start of the COVID-19 pandemic, the Group has been continuously negotiating with hotel owners to reduce rents, terminate contracts and switch over to franchise or other form of contracts to avoid fixed rents. As a result of these efforts and thanks to the understanding and cooperation of owners, total rent reductions of 603 million yen for the current fiscal year had been agreed as of September 8, 2020.

(2) Generation of sufficient cash flows

As stated in "Notice of Completion of Payment for 2020 First Series of Unsecured Convertible Bonds with Stock Acquisition Rights through a Third-party Placement and 2020 First Series of Stock Acquisition Rights" released on July 30, 2020, the Group generated cash flows of 1,500 million yen as the funds necessary to open Best Western Hotel Fino Shin-Yokohama, Best Western Plus Fukuoka Tenjin-minami and Fino Hotel Sapporo Odori, which were the three new hotels scheduled to open this year, as well as the funds for repayment of borrowings payable in the current fiscal year and subsequent fiscal years and funds for the payment of taxes. With the aim of stabilizing its financial position by securing the means to raise funds in a flexible and stable manner and increasing cash on hand during the COVID crisis, the Group also borrowed a total of 800 million yen in loans which can be used as working capital, as stated in "Notice of Conclusion of Commitment Line Agreements and Borrowing of Capital" disclosed today. We are currently in consultation with various financial institutions aiming to further boost our capital.

2. Initiatives to acquire new properties to operate as hotels in anticipation of post-COVID era ~ Expansion of hotels under a new brand

The Group believes that, after the COVID-19 pandemic comes to an end, demand among domestic hotel guests will recover. Taking into consideration the Tokyo Olympics and Paralympics, now rescheduled for next summer, and the Japanese government's "Tourism Vision Realization Program 2020," plans reaffirming the aim of attracting 60 million inbound visitors by 2030, the Group believes there is every possibility foreign visitors to Japan will also recover to higher than pre-COVID levels in the medium and long term. Meanwhile, Japan is deemed to have unique and internationally competitive tourism resources, for example, our food culture and customs, subcultures such as the anime culture, Japan's natural beauty with its four distinct seasons, and clean and safe living conditions. Foreign travellers have begun to recognize Japan's appeal and demand to visit Japan among foreign tourists is expected to grow moving forward. To tap into future demand, the Group will continue implementing initiatives to improve the earning potential of its existing hotel business. At the same time, the Group sees the restructuring of the hotel industry, with the elimination of the weak, as a good opportunity to go on the offensive and radically improve the revenue structure of the hotel business and further expand earnings by signing hotel management contracts and lease contracts with favorable conditions and acquiring hotel properties and hotel operators at bargain prices.

Accordingly, in addition to the existing hotel brands it operates, the Group is working with its sponsor the Star Asia Group to implement initiatives in preparation for the expansion of a new hotel brand based on the concept of hotels which give guests the opportunity to interact more casually with each other.

3. Reintroduction of shareholder benefit program

In the hotel business, which is our main business, providing services during the COVID-19 crisis that deliver greater satisfaction than ever before to our hotel guests is extremely important in order to differentiate ourselves from our competitors. In this environment, the Group believes that the shareholder benefit program will be a good opportunity for us to attract more people to the hotels we operate and to gain various feedback for improving our operations. We also judged that the program will demonstrate our appreciation to shareholders for their unwavering support and make investment in our shares more attractive, encouraging more shareholders to hold our shares over the medium and long term, which will lead to medium-to-long-term improvement in our corporate value and, on this basis, we decided to reintroduce the shareholder benefit program. As stated in "Notice of Introduction of Shareholder Benefit Program" disclosed today, we reviewed our previous benefit program and established reward standards and a benefits program according to the number of shares held and the length of time held.

4. Notice of change of trading name

As stated in "Notice of Change of Trading Name and Partial Amendment of Articles of Incorporation" disclosed today, we resolved to change our trading name to "Polaris Holdings K.K." subject to approval at the general meeting of shareholders to be held in June 2021. Since October 2008, we have been conducting business under the trading name KACHIKAIHATSU Co., Ltd., with the real estate business as our main business. In the future, as stated in our "Growth Strategy Plan" disclosed on August 7, 2020, we will contribute to the creation of a better society whilst aiming to maximize shareholder value, by focusing with high levels of expertise on the business of operating hotels where both domestic and foreign guests want to stay and the real estate business, actively disclosing information to domestic and overseas investors, and building good relations with investors to enable us to raise capital not only through borrowing from financial institutions but also from capital markets. To mark this major turning point, the Group will swap its old trading name for a new trading name which is easy to remember for guests and investors both in Japan and

overseas.

5. Future outlook

The Group has decided to postpone disclosure of its consolidated forecast due to the current difficulty of reasonably forecasting the impact of the COVID-19 pandemic on the Group's business activities in the fiscal year ending March 31, 2021. The Group will promptly announce the forecast as soon as disclosure becomes possible.