

～For the Future Value～



July 14, 2020

## Supplementary Material on Financing

Kachikaihatsu Co., Ltd.

Tokyo Stock Exchange Code: 3010

For details on this matter, please refer to “Notice Concerning Issuance of 1st Series Unsecured Convertible Bond-Type Bonds with Share Acquisition Rights of 2020 and 1st Series Share Acquisition Rights of 2020 Through Third-Party Allotment, and Signing of Agreement on Purchase Thereof” dated July 14, 2020

## New Hotel Opening Projects

- ✓ The following four openings had been planned as [new hotel opening projects](#) toward the upcoming holding of the Tokyo Olympic and Paralympic Games.
- ✓ The openings were postponed from February 2020 due to the COVID-19 pandemic, but, having engaged in intermittent talks with the building owners, [working-level talks are now underway eyeing a 2020 opening](#).

### New Hotel Opening Projects

- Best Western Hotel Fino Tokyo Akasaka (tentative name)
- Best Western Hotel Fino Shin-Yokohama (tentative name)
- Best Western Plus Fukuoka Tenjin-minami (tentative name)
- Fino Hotel Sapporo Odori (tentative name)

## Securing Funds Required for Business Continuity

- ✓ With the pandemic unlike any before, the view is that it is [difficult to reasonably estimate the pace of the spread and when it will end going forward](#).
- ✓ Not being able to reasonably foresee the impact of the pandemic on the Group's business management raises [concerns that funds from the Group's existing businesses alone could not be enough to cover the funds required for business continuity](#).

## Restructuring of the Hotel Industry

- ✓ As evidenced by such factors as various media reports on business failures and suspension of development projects due to the spread of COVID-19, the view is that [a restructuring and shakeout of the domestic hotel industry is inevitable going forward](#).
- ✓ The view is that, under such circumstances, [we have been presented with a very favorable opportunity to boost profitability even further going forward by drastically improving the earnings structure of the Hotel Business](#) through such measures as securing new hotels under management with management agreements and lease agreements under more favorable terms and conditions and/or acquiring hotel properties as well as hotel operators at attractive prices.



**Concluded that this financing would be necessary**

## Financing Through Combination of Convertible Bonds and Share Acquisition Rights

- ✓ Issuing convertible bonds for [procurement of funds for certain upon issuance and future recapitalization](#)
- ✓ Simultaneously issuing share acquisition rights for [additional procurement of funds and future recapitalization](#)
- ✓ In principle, exercise price is fixed, meaning [the impact on share prices will be limited](#)  
(different mechanism to so-called “moving strike (MS) warrants” where the amount procured decreases and the number of potential newly issued shares increases with regular fluctuations in exercise price)

### Features in common

Date of issuance	July 30, 2020
Allottee	Capital RE LLC
Members	<p><b>(1) 26.7% EVO FUND</b> Flagship fund of <a href="#">Evolution Financial Group</a> with a track record in undertaking financing for listed companies in Japan in the past</p> <p><b>(2) 40.0% Japan Opportunities Master Fund</b> Fund with 100% of the voting rights held by Evolution Capital Management. Operates funds invested by a subsidiary of <a href="#">BlackRock, Inc.</a>, the world’s largest asset manager</p> <p><b>(3) 33.3% SAO III LLC</b> Entity managed by <a href="#">Star Asia Group</a>, an affiliate of the Company’s largest shareholder</p>
Total par value	3,003,899,732 yen
Number of potential shares	24,390,220 shares

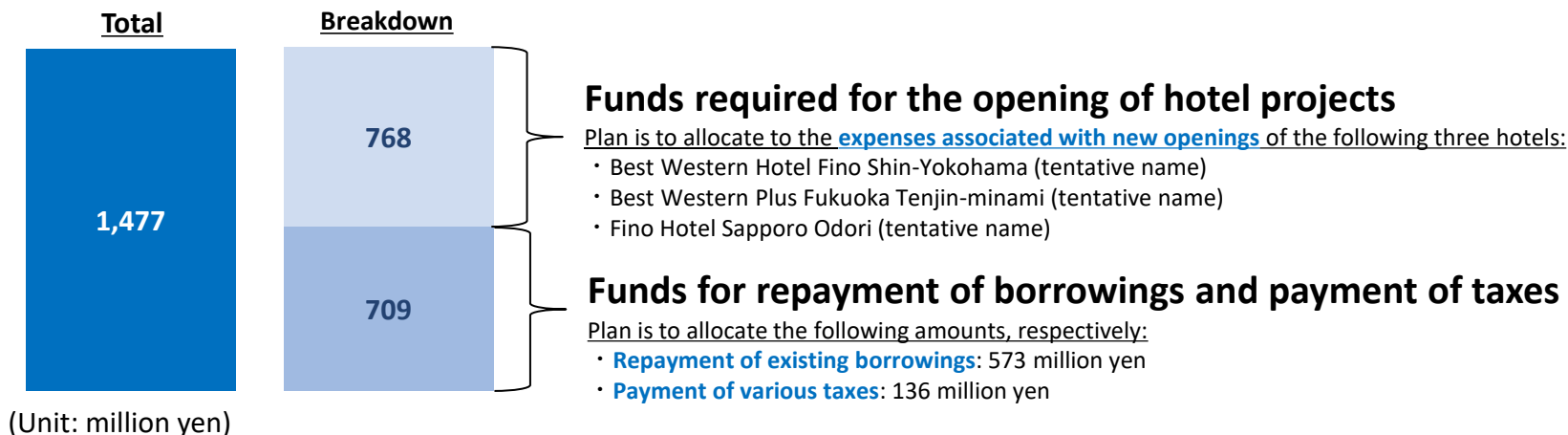
### Convertible bonds

Total par value	1,500,000,000 yen (face value of each bond: 50,000,000 yen; total: 30 bonds)
Number of potential shares	12,195,120 shares
Total number of share acquisition rights	30 share acquisition rights
Conversion price	123 yen
Redemption price	100 yen per 100-yen par value
Coupon rate	0.00%
Maturity date	July 28, 2023
Soft call provision	Some or all of the bonds remaining may be redeemed at 100 yen per 100-yen value of the bonds if, for 20 consecutive trading days, the closing price of the shares of the Company exceeds the amount equivalent to 130% of the then applicable conversion price ⇒ Encourages exercise where the share price exceeds conversion price

### Share acquisition rights

Number of share acquisition rights	121,951 share acquisition rights (100 shares per share acquisition right)
Number of potential shares	12,195,100 shares
Amount to be paid in exchange	32 yen per share acquisition right
Amount of funds to be procured	1,503,899,732 yen at maximum
Exercise price	123 yen
Soft call provision	All or some of the share acquisition rights remaining may be purchased at the same amount as the amount paid in per share acquisition right if, for 20 consecutive trading days, the closing price of the shares of the Company exceeds the amount equivalent to 130% of the then applicable conversion price ⇒ Encourages exercise where the share price exceeds exercise price

## ■ Convertible bonds



## ■ Share acquisition rights



This document is an announcement intended to provide information on issuance of bonds with share acquisition rights and share acquisition rights through third-party allotment and has not been prepared for the purpose of soliciting investment.

The forward-looking statements on projections, strategies, etc. contained in this document are based on judgments made within the scope ordinarily foreseeable based on information reasonably available to the Company at the time of preparation of this document.

However, such involve the risk that, in actual practice, results may differ from the outlook presented in this document due to ordinarily unforeseeable special circumstances arising, ordinarily unforeseeable results arising or other various factors.

The Company's stance is to strive to proactively disclose information considered material to investors, but as the forward-looking statements on projections, strategies, etc. contained in this document involve potential risks and uncertainties, investors should refrain from relying entirely on solely the forward-looking statements on projections, strategies, etc. contained in this document.

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