

We will Change of Trading Name from "Kachikaihatsu" to "Polaris Holdings"  
to go through the 147th Ordinary General Meeting of Shareholders due to be held in June 2021.



November 30, 2020

FOR IMMEDIATE RELEASE

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Representative: Atsuo Umeki, President and  
Representative Director  
Stock Listing: Tokyo Stock Exchange, Second  
Section Stock Code: 3010  
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**Notice of Execution of MOU Regarding Revenue Guarantee Contracts  
and Receipt of Pre-opening Fees**

Kachikaihatsu Co., Ltd. (hereinafter, "Polaris Holdings") announced today that subsidiary group, the Board of Directors of KOKO HOTELS Co., Ltd., resolved to execute a memorandum of understanding to receive a fee of approximately JPY350 million from SAJP IV Hospitality LLC, an affiliate of Star Asia Group, the sponsor of Polaris Holdings, (hereinafter, the "MOU on Revenue Guarantee Contracts"). The fee is for the preparation of operations for five hotels under the recently launched KOKO HOTELS brand. Details are as follows.

1. Outline of the MOU

As announced in the "Notice of Execution of Hotel Management Contracts and Revenue Guarantee Contracts for Five Hotels" (disclosed on October 13th, 2020), KOKO HOTELS Co., Ltd. decided to execute new hotel management contracts (hereinafter, the "Hotel Management Contracts") and commence management of the five hotels under Polaris Group's new brand, KOKO HOTELS. The Group had prepared for the opening of these hotels and commenced operations during the period of October 14th to November 13th, 2020 and KOKO HOTELS Co., Ltd. was entrusted with the management of the five hotels based on the Hotel Management Contracts. However, due to the COVID-19 pandemic and the harsh conditions the hotel industry is facing, KOKO HOTELS concluded guaranteed revenue contracts (hereinafter, the "Guaranteed Revenue Contracts") with SAJP IV Hospitality LLC to avoid the risk of generating potential losses related to the hotel management. As such, SAJP IV Hospitality LLC will cover the operating expenses and management fees if the revenue from the hotels under management falls below operating expenses.

As announced in the "Notice of Execution of MOU Regarding Guaranteed Revenue Contracts and Negotiations for Receipt of Pre-opening Fees" (disclosed on November 13th, 2020), based on these Guaranteed Revenue Contracts, KOKO HOTELS Co., Ltd. also held negotiations with SAJP IV Hospitality LLC for the execution of the MOU on Revenue Guarantee Contracts to receive a fee given the several months of pre-opening activities prior to the commencement of the management of the five hotels. This fee covers outsourcing expenses for hotel opening preparations given the current harsh conditions the industry is facing due to the COVID-19 pandemic. As a result of the negotiations, KOKO HOTELS Co., Ltd. decided to execute the MOU on Revenue Guarantee Contracts to receive JPY350 million (including consumption tax) from SAJP IV Hospitality LLC.

## 2. Outline of Counterparty

(i) Name	SAJP IV Hospitality LLC	
(ii) Address	125 Gaither Drive, Suite L, Mount Laurel, NJ 08054 USA	
(iii) Business descriptions	Investment	
(iv) Date of establishment	August 19, 2020	
(v) Relationship between the Company and this company	Capital relationship	The Company does not have a direct capital relationship with this company, but this company is a subsidiary, etc. of the Company's parent company, etc.
	Human relationship	There are no human relationships requiring special mention between the Company and this company. This company is a subsidiary of Star Asia Group. The Company has five directors from Star Asia Group.
	Business relationship	There are no relationships requiring special mention.
	Whether this company is a related party	This company is a related party because it has the same parent company as the Company.

(Note) Polaris Holdings will refrain from disclosing this information in accordance with the wishes of the counterparty and an NDA.

## 3. Schedule

(i) Date of agreement	November 30, 2020
(ii) Date of receiving pre-opening funds	Late December 2020 (planned)

## 4. Outlook

With regard to the impact on performance in the current fiscal year, Polaris Holdings will record JPY350 million (including consumption tax) as net sales due to execution of the MOU on Revenue Guarantee Contracts and receipt of the pre-opening fee.

With regards to the consolidated forecasts, Polaris Holdings will continue to postpone disclosure at this time given the difficulty in reasonably forecasting the impact of the COVID-19 pandemic on Polaris Group's business activities for the fiscal year ending March 31st, 2021. The Group will promptly announce a forecast as soon as disclosure becomes possible.

## 5. Matters related to Transactions with Controlling Shareholders

### (1) Compliance with Guideline for the Policies for the Protection of Minority Shareholders in Cases of Transactions with the Controlling Shareholder

Since SAJP IV Hospitality LLC, who is the counterparty to the MOU on Revenue Guarantee Contracts, is a subsidiary company of the sponsor of Polaris Holdings, this transaction constitutes a transaction with the controlling shareholder.

Polaris Holdings indicates as its "Guideline for the Policies for the Protection of Minority Shareholders in Cases of Transactions with the Controlling Shareholder" in its Corporate Governance Report disclosed on July 6th, 2020 that "we shall execute any transaction with the controlling shareholder based upon a full examination of the rationale for the transaction and the validity of the terms and conditions in light of general terms and conditions and shall take action as appropriate to ensure the transaction is not detrimental to the interests of minority shareholders.

In connection with this transaction, ahead of the negotiations for execution of the MOU on Revenue Guarantee Contracts with SAJP IV Hospitality LLC, Polaris Holdings examined the rationale for the transaction and the validity of the terms and conditions in light of general terms of conditions based on a report made at the meeting of its Board of Directors attended by Outside Directors held on November 13th, 2020, and execution of the MOU on Revenue Guarantee Contracts will also require approval at a meeting of the Board of Directors of Polaris Holdings attended by Outside Directors prior to a resolution by the Board

of Directors of KOKO HOTELS Co., Ltd., which is a subsidiary of Polaris Holdings, and Polaris Holdings is thus taking steps to ensure the fairness of the terms and conditions of this transaction and believes that such action is in compliance with the abovementioned Guideline.

(2) Steps Taken to Ensure Fairness and Avoid Conflicts of Interest

To ensure fairness, the MOU on Revenue Guarantee Contracts was executed in accordance with internal rules and procedures, as described in "(1) Compliance with Guideline for the Policies for the Protection of Minority Shareholders in Cases of Transactions with the Controlling Shareholder." Moreover, Polaris Holdings obtained an opinion to the effect that the details and terms and conditions of the transaction are fair from a person who has no interest in the controlling shareholder, as described in "(3) Outline of Opinion Obtained from a Person who has no Interest in the Controlling Shareholder, that the Transaction will not Damage the Interests of its Minority Shareholders" below.

To avoid conflicts of interest, at the meeting of the Board of Directors of Polaris Holdings attended by Outside Directors, Director Malcolm F. MacLean IV and Director Taro Masuyama, who both concurrently serve as Managing Partners for the Star Asia Group, were excluded from the resolution on execution of the MOU on Revenue Guarantee Contracts as directors who have a special interest in the resolution. Director Satoshi Hosono and Director Ryutaro Hashimoto are employees of an entity which belongs to the Star Asia Group and Director Atsuo Umeki is Representative Director of an entity which belongs to the Star Asia Group but these entities are separate from SAJP IV Hospitality LLC and are not actually in a position to exercise influence over SAJP IV Hospitality LLC. These Directors were, therefore, included in the resolution on the basis that their interest in the resolution is not to the extent that they cannot be expected to exercise their voting rights fairly.

(3) Outline of Opinion Obtained from a Person who has no Interest in the Controlling Shareholder, that the Transaction will not Damage the Interests of its Minority Shareholders

On November 30th, 2020, Polaris Holdings received a written opinion from attorney-at-law Satoru Kanai (Daichi Law Offices) who has no interest in the controlling shareholder to the effect that, for the reasons detailed below, the purpose of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts is rational and the details and terms and conditions of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts are deemed to be fair and also that the transaction cannot be described as detrimental to the interests of minority shareholders because measures to ensure fairness were taken as part of procedures for conclusion of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts.

(i) Rationale of the Purpose of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts

Polaris Holdings announced the launch of an original brand based on a new hotel concept, aimed at creating high-tech hotels that utilize both AI and IT to achieve efficient hotel management, as part of the Group's Growth Strategy Plan.

These five hotels are consistent with the Group's Growth Strategy Plan because they can help build the Group's original brand. They can also be expected to contribute to the Polaris Group's sustainable profit growth because they are all located in convenient locations and can tap into both business and tourism demand and because they can focus on efficient hotel management with a low fixed cost ratio.

In addition, the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts state that when KOKO HOTELS Co., Ltd. undertakes operation of these five hotels, (i) SAJP IV Hospitality LLC will pay JPY350 million as a necessary pre-opening fees and operating reserve and (ii) SAJP IV Hospitality LLC will pay KOKO Hotels Co., Ltd. a guarantee payment to cover the shortfall in operating expenses and management fees if the revenue from these five hotels under management falls below the operating expenses.

Accordingly, the purpose of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee

Contracts can be described as rational because the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts will contribute to enhancement of the corporate value of Polaris Holdings and are also justifiable in terms of the relationship between Polaris Holdings and its minority shareholders.

(ii) Fairness of Content and Terms and Conditions of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts

KOKO HOTELS Co., Ltd. will not have any kind of financial burden in relation to SAJP IV Hospitality LLC imposed on it as a result of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts. The hotel management contracts which KOKO HOTELS Co., Ltd. has executed with the master lessee of each hotel are not contracts which deviate from the general content and terms and conditions of similar contracts and there was no evidence that KOKO HOTELS Co., Ltd. might be unilaterally made to suffer disadvantage in return for executing the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts.

Based on the foregoing, the content of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts is deemed to be fair.

(iii) Fairness of Procedures for Execution of the Revenue Guarantee Contracts and the MOU on Revenue Guarantee Contracts

Resolutions on the execution of the Hotel Management Contracts and the Revenue Guarantee Contracts were passed at the Management Strategy Meeting of Polaris Holdings held on October 13th, 2020 by unanimous agreement of all the members and were then passed at a meeting of the Board of Directors of KOKO HOTELS Co., Ltd. held on the same date by unanimous approval of all the directors.

With respect to the MOU on Revenue Guarantee Contracts, negotiations for execution of the MOU on Revenue Guarantee Contracts were reported at the meeting of the Board of Directors of Polaris Holdings held on November 13th, 2020, and resolutions on its execution are expected to be passed at meetings of the Boards of Directors of Polaris Holdings and KOKO HOTELS Co., Ltd. respectively due to be held on November 30th, 2020 - by unanimous agreement of all the members excluding Mr. Taro Masuyama and Mr. Malcolm F. MacLean IV as directors with a special interest in the resolution at the former meeting, and by unanimous approval of all the directors at the latter.

Meanwhile, at meetings of the Audit & Supervisory Board, Representative Director Atsuo Umeki and the Director in charge of this matter Satoshi Hosono have shared information with Audit & Supervisory Board members in a timely manner and sought their opinion.

In light of the facts outlined above, steps to ensure the fairness of decision-making by the Board of Directors are deemed to have been taken.