

We will Change of Trading Name from "Kachikaihatsu" to "Polaris Holdings" to go through the Extraordinary General Meeting of Shareholders due to be held in late March 2021.



February 26, 2021

FOR IMMEDIATE RELEASE

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Representative Director
Stock Listing: Tokyo Stock Exchange, Second Section
Stock Code: 3010
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POLARIS EXECUTES AGREEMENT TO OPERATE ADDITIONAL HOTEL

As previously announced on September 14, 2020, Kachikaihatsu Co., Ltd. (hereinafter "Polaris Holdings" or "Polaris")) has been in discussions regarding entering into a lease agreement to operate the Hotel WBF Art Stay Namba in Osaka (hereinafter the "Property"), This hotel property is owned by Star Asia Investment Corporation (Stock Code 3468; hereinafter "SAR"). FINO Hotels Co., Ltd. (hereinafter "FINO Hotels"), a subsidiary of Polaris, enter into a fixed-term building lease contract to operate the Property (hereinafter the "Fixed-Term Building Lease Contract") as agreed at the Board of Directors meeting held today. Star Asia Investment Management Co., Ltd. (hereinafter "SAIM") is the asset manager of SAR and is owned by Star Asia Group, the sponsor group of Polaris Holdings.

Details are as follows:

1. Reasoning for Fixed-Term Lease Building Contract

As part of the "Kachikaihatsu Growth Strategy Plan (from fiscal year ending March 31, 2021 to fiscal year ending March 31, 2022)" released last August, Polaris created the KOKO HOTEL concept, which was developed in-house and uses the latest AI and IT technology to help make hotels run both more efficiently and effortlessly. As part of our new strategy announced in January of this year, stated in the "Notice of Our Strategy for Establishing Competitive and Profitable Hotel Operations Platform" (see the Exhibit) released on January 27, 2021, Polaris Holdings has been aiming to reduce the number of hotel rooms under long-term lease contracts—and their high monthly rent obligations—and aggressively target increasing the number of hotel rooms under either variable monthly rent contracts linked to the hotel operating performance or hotels with attractive "fee-for-service," contracts.

Last fall, Polaris agreed through discussions with SAIM and SAR to open a new hotel and enter into a lease contract that would enable Polaris to reduce hotel operator risks by using completely variable rent linked to net hotel operating income. As a result, Polaris decided to open a new hotel under the KOKO HOTEL brand. Polaris will announce a final opening date as soon as it has been determined through discussions with SAIM and SAR. Polaris has already been operating five hotels under the KOKO HOTEL brand since fall of 2020 and will continue to explore the possibility of opening other new hotels.

2. Reason for selecting the trustee

Polaris Holdings has selected FINO Hotels as the trustee given its strong track record of operating 1,644 rooms at 14 hotels nationwide—including 521 rooms and four hotels in the Osaka area. Furthermore, by already having a strong hotel footprint in Osaka region, it will be possible to create further economies of scale by sharing human resources and making bulk orders for hotel equipment and supplies.

3. Overview of the Property

(i) Name	KOKO HOTEL Osaka Namba (Note)
(ii) Address	5-8-25, Nipponbashi, Naniwa-ku, Osaka-shi, Osaka
(iii) Overview of the hotel	100 rooms on nine stories above ground
(iv) Characteristics of the hotel	<p>The hotel is in a good location, only a 10-minute walk from Namba Station, one of the Osaka's largest train station and an important jump-off point for sightseeing in the "Minami" (south) area of the city.</p> <p>The Hotel it is also close to large retail facilities such as Namba Parks and Namba CITY and has easy access to the Osaka Shinsaibashi area with its vibrant entertainment, restaurants, and shopping centers. The hotel is also close to the Osaka Tennoji Zoo, the third oldest in Japan, further helping attract a wide range of customers.</p> <p>We believe that Japan will again rank high among foreign travel destinations as COVID-19 recedes, the "Minami" area will once more be one of the most desirable destinations for future inbound tourists and hotels around Namba Station. The hotel's with its superb access to the Kansai International Airport will be very popular.</p>

Note: The Property will be operated as KOKO HOTEL Osaka Namba after the Group starts operations.

4. Overview of the Fixed-term Building Lease Contract

(i) Counterparty	Mitsubishi UFJ Trust and Banking Corporation (Note 1)
(ii) Term	March 1, 2021 to February 28, 2031
(iii) Other details of the Contract	<p>>Security deposit: None</p> <p>>Rent: [Variable rent]</p> <p>The rent shall be an amount calculated by multiplying an amount equivalent to GOP (Note 3) during the rent calculation period (every three months) (Note 2) for the operation of the Property by 80%, plus an amount equivalent to consumption taxes and local consumption taxes. However, if the amount calculated by multiplying an amount equivalent to GOP by 80% is a negative number, the rent shall be zero.</p> <ul style="list-style-type: none"> • SAR shall incur nine million yen (exclusive of consumption tax) as pre-operating expenses associated with rebrand opening.
(iv) Total lease payments	Although total lease payments are expected to exceed an amount equivalent to 30% of the consolidated net assets of Polaris Holdings in the previous fiscal year, Polaris Holdings will refrain from disclosing it because it is unable to forecast a specific amount given that rents related to the Fixed-term Building Lease Contract are fully variable rents linked to the net hotel operating income.

(Note 1) Mitsubishi UFJ Trust and Banking Corporation is the trustee and a pro-forma owner of the Property.

(Note 2) The rent calculation period shall be every three months with the ends of April, July and October every year and January of the following year as the dates of calculation.

(Note 3) GOP means an amount obtained by deducting the cost of sales and operating expenses (not including the amount equivalent to consumption taxes and local consumption taxes) such as personnel expenses from hotel revenues of the Property (not including the amount equivalent to consumption taxes and local consumption taxes).

Overview of SAR

(i)	Name	Star Asia Investment Corporation
(ii)	Address	Atago Green Hills Mori Tower 18F, 2-5-1, Atago, Minato-ku, Tokyo
(iii)	Positions and names of representatives	Executive Director Atsushi Kato
(iv)	Business descriptions	Real estate investment business based on the Act on Investment Trusts and Investment Corporations
(v)	Total amount of investment (Note)	52,745 million yen
(vi)	Date of establishment	December 1, 2015
(vii)	Total net assets (Note)	54,614 million yen
(viii)	Total assets (Note)	113,035 million yen
(ix)	Main equity investors and their investment ratio (Note)	The Master Trust Bank of Japan, Ltd. (Trust account) 8.6% Japan Trustee Services Bank, Ltd. (trust account) 7.8%
(x)	Relationships between Polaris Holdings and SAR	Capital relationship
		There are no direct capital relationships between Polaris Holdings and SAR. SAR is an investment corporation and SAIM is the asset manager of SAR. SAIM is owned by Star Asia Group, the parent group of Polaris Holdings (percentage of Polaris owned by Star Asia Group: 75.65%).
		Human relationship
		There are no human relationships requiring special mention between Polaris Holdings and SAR. SAR is an investment corporation and SAIM is the asset manager of SAR. SAIM is owned by Star Asia Group. Five professionals from Star Asia Group serve as the directors of Polaris Holdings.
		Business relationship
		There are no business relationships requiring special mention between Polaris Holdings and SAR.
		Whether this company is a related party
		SAR is not deemed a related party of Polaris Holdings.

Note: The items are stated based on information available as of July 31, 2020.

5. Overview of FINO Hotels

(i)	Name	FINO Hotels Co., Ltd.
(ii)	Address	1-12-3, Iwamotocho, Chiyoda-ku, Tokyo
(iii)	Positions and names of representatives	President Shigeru Takakura
(iv)	Business descriptions	Hotel operations business
(v)	Share capital	99 million yen

6. Schedule

(i)	Date of resolution at the Board of Directors meeting	February 26, 2021
(ii)	Date of the Fixed-Term Building Lease Contract	February 26, 2021

7. Future outlook

The impact of the conclusion of the Fixed-Term Building Lease Contract on the performance of Polaris Holdings for the current fiscal year will be minor. If there are any material developments in the future, Polaris Holdings will promptly make a public announcement.

With regards to the consolidated forecasts, Polaris Holdings will 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 31, 2021. The Company will promptly announce the forecast as soon as disclosure becomes possible.

8. Matters concerning transactions with controlling shareholder

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

Because SAIM that manages assets of SAR, the effective counterparty in the Fixed-Term Building Lease Contract, is a subsidiary of the parent company of Polaris Holdings, this transaction is deemed 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 6, 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.

Polaris Holdings takes steps to ensure the fairness of terms and conditions of this transaction given that FINO Hotels, a subsidiary of Polaris Holdings, passed the resolution at its Board of Directors meeting after Polaris Holdings approved this transaction at its Board of Directors meeting held on February 26, 2021 attended by Outside Directors. Therefore, Polaris Holdings believes that such measures comply with the Guideline above.

(2) Steps taken to ensure fairness and avoid conflicts of interest

To ensure fairness, the Fixed-Term Building Lease Contract was concluded 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 Board of Directors meeting of Polaris Holdings attended by Outside Directors, Director Malcolm F. MacLean IV and Director Taro Masuyama, who both concurrently serve as Managing Partners for Star Asia Group, were excluded from the resolution on the conclusion of the Fixed-Term Building Lease Contract as directors who have a special interest in the resolution. Director Satoshi Hosono and Director Ryutaro Hashimoto are employees of a company that belongs to Star Asia Group, and Director Atsuo Umeki is Representative Director of a company that belongs to Star Asia Group. However, these companies are separate from SAIM and SAR and are not actually in a position to exercise influence over SAIM and SAR. These Directors were, therefore, included in the resolution on the basis that their interest in the resolution is not at a level that would prevent them from exercising their voting rights fairly.

(3) Outline of opinions obtained from a person who has no interest in the controlling shareholder regarding that the transaction will not damage the interests of its minority shareholders

On February 26, 2021, Polaris Holdings received an opinion from Outside Director Takashi Handa who is an independent officer of Polaris Holdings with no interest in the controlling shareholder to the effect that this transaction does not damage the interests of minority shareholders because measures to ensure fairness are taken in the procedures for concluding the Fixed-Term Building Lease Contract, in addition to that the purpose of concluding the Fixed-Term Building Lease Contract is rational and that the contents and terms of the Fixed-Term Building Lease Contract are fair, for the following reasons.

(i) Rationality of the purpose of MOU regarding the Fixed-Term Building Lease Contract

If FINO Hotels leases the Property based on the Fixed-Term Building Lease Contract and operates the hotel business, it is expected to contribute to the sustained growth of the Kachikaihatsu Group after the COVID-19 pandemic has subsided. This will help to enhance the corporate value of Kachikaihatsu, and therefore it is thought to be possible to recognize the legitimacy of the purpose also in Kachikaihatsu's relationship with minority shareholders. According to the above, it can be said that the purpose of concluding the Fixed-Term Building Lease Contract is rational.

(ii) Fairness and appropriateness of the contents and terms of the Fixed-Term Building Lease Contract

Because the rent is a completely variable rent that is likened to the business performance of the hotel based on the contents and terms of the Fixed-Term Building Lease Contract, Polaris Holdings believes that the rent risk is lower than the fixed rent. In addition, compared with similar cases of the same kind, the operator's burden to provide funds for opening has also been reduced. In addition, in other contents and terms of the contract, no provisions were found that deviate from contents and terms typically found in similar contracts. Given the above, it is recognized that the contents of the Fixed-Term Building Lease Contract are fair and appropriate.

(iii) Fairness of procedures for concluding the Fixed-Term Building Lease Contract

The conclusion of the Fixed-term Building Lease Contract was approved at the Board of Directors meeting held on February 26, 2021 attended by Outside Directors by excluding directors who have a special interest from the resolution, and a resolution was passed at the Board of Directors meeting of FINO Hotels. In addition, information on this matter is shared with Audit and Supervisory Committee Members by the Director in charge at the Audit and Supervisory Committee, and their opinions are sought. Given the above, it is recognized that measures to ensure the fairness of procedures for concluding the Fixed-Term Building Lease Contract are also taken.