



August 4, 2021

## FOR IMMEDIATE RELEASE

Company Name: Polaris Holdings Co., Ltd.

Representative: Atsuo Umeki, President and Representative Director

Stock Listing: Tokyo Stock Exchange, Second Section

Stock Code: 3010

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### **Polaris Executes Revenue Guarantee Contracts for KOKO HOTEL Tsukiji Ginza**

Polaris Holdings Co., Ltd. (hereinafter the "Company") announced today that its Board of Directors has resolved at a meeting held today to enter into a Revenue Guarantee Contract (hereinafter the "Revenue Guarantee Contract") with affiliates of Star Asia Group, our sponsor group, to solidify minimum profitability related to the hotel operations of KOKO HOTEL Tsukiji Ginza. KOKO HOTELS, a subsidiary of the Company. As previously reported, the Company executed a hotel management agreement (hereinafter the "Contracted Management Agreement") to begin operating the KOKO HOTEL Tsukiji Ginza, as described in the "Polaris Makes Investment in Acquisition of 188 Room Tsujiki Ginza Hotel; Will Operate the Hotel Under its KOKO HOTEL Brand" press release dated April 27, 2021.

#### 1. Details of and Background Behind the Revenue Guarantee Contract

As stated in the "Polaris Makes Investment in Acquisition of 188 Room Tsujiki Ginza Hotel; Will Operate the Hotel Under its KOKO HOTEL Brand" press release dated March 31, 2021, due to the unprecedented COVID-19 pandemic there are temporarily a very limited number of buyers in the market for hotel properties. As a result, there are more opportunities to purchase competitive hotel properties in strong locations with a high return on investment at attractive discounts to current market values

The Company has opportunistically acquired hotel properties and will also operate the hotels under management contracts as the Company has strategically shifted its business strategy to an owner-operator model, where the Company is both the owner and operator of the hotel properties.

Accordingly, the Polaris co-invested alongside Star Asia Group in a special purpose company (hereinafter the "SPC") to acquire the trust beneficial interest in the land and building of this new hotel located in Chuo-ku, Tokyo. Furthermore, the Company signed a Management Agreement to operate the KOKO HOTEL Tsukiji Ginza. KOKO HOTELS is the proprietary hotel operating brand of the Company. It is expected that operations of the hotel will commence on September 8, 2021.

As the COVID-19 pandemic continues to significantly impact hotel operations, we have entered into a Revenue Guarantee Contract with SAJP V LLC, an affiliate of Star Asia Group to solidify minimum profitability related to the operation of the hotel by avoiding losses as well as securing the management fee for operating the hotel. In the event that the hotel sales are below operating costs, SAJP V LLC shall provide KOKO HOTELS with a deposit to cover the costs of hotel operations and the management fee. We will solidify the Group's ability to earn profits from the operation of the hotel. The Company has entered into the agreement relating to the Revenue Guarantee Contract with SAJP V LLC (hereinafter the "Agreement"). The Company will make a deposit in proportion to its investment ratio in the SPC.

## 2. Outline of Counterparty

### i SAJP V LLC

(i) N a m e	SAJP V LLC	
(ii) A d d r e s s	125 Gaither Drive, Suite L, Mount Laurel, NJ 08054 USA	
(iii) P o s i t i o n s a n d n a m e s o f r e p r e s e n t a t i v e s	An affiliate of Star Asia Group	
(iv) B u s i n e s s d e s c r i p t i o n s	Investment	
(v) S h a r e c a p i t a l	(Note)	
(vi) D a t e o f e s t a b l i s h m e n t	November 10, 2020	
(vii) N e t a s s e t s	(Note)	
(viii) T o t a l a s s e t s	(Note)	
(ix) M a j o r s h a r e h o l d e r s a n d t h e i r s h a r e h o l d i n g r a t i o s	(Note)	
(x) R e l a t i o n s h i p b e t w e e n t h e C o m p a n y a n d t h i s c o m p a n y	C a p i t a l r e l a t i o n s h i p	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.
	H u m a n r e l a t i o n s h i p	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.
	B u s i n e s s r e l a t i o n s h i p	There are no relationships requiring special mention.
	A p p l i c a b i l i t y t o r e l a t e d p a r t i e s	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) D a t e o f A g r e e m e n t	August 4, 2021
(ii) C o m m e n c e m e n t D a t e o f t h e A g r e e m e n t P e r i o d	September 8, 2021 (plan)

(Note) The Commencement Date of the Agreement Period will change depending on the commencement date of hotel operations in the Contracted Management Agreement.

## 4. Outlook

The Agreement's impact on the business results in the current period under review is currently undetermined as the deposit money covered by the Revenue Guarantee Contract depends on the results of the operations of KOKO HOTEL Tsukiji Ginza. However, the Revenue Guarantee Contract is designed to secure the management fee while avoiding losses related to the hotel's operations.

With regards to the consolidated forecasts, the Group will continue to postpone disclosure at this time given the difficulty in reasonably forecasting the impact of the COVID-19 pandemic on the Group's business activities for the fiscal year ending March 31, 2022. The Company will promptly announce the 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

As SAJP V LLC, the counterparty to the Revenue Guarantee Contract and the Agreement, are subsidiaries of the parent company, etc. of the Company, the 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 9, 2021 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.

Before entering into the Revenue Guarantee Contract and the Agreement, the Company sought opinions from the Audit Supervisory Board Members of the Company, and after confirming that there were no particular objections, responded to the resolutions of the Board of Directors of the Company and KOKO HOTELS, took detailed measures to ensure the fairness of the terms and conditions of the Revenue Guarantee Contract and the Agreement as they were negotiated on an arms-length basis. We believe that these actions are in compliance with the above Guidelines.

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

To ensure fairness, the Revenue Guarantee Contract and the Agreement were 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.

In entering into the Revenue Guarantee Contract and the Agreement, the Company's Board of Directors resolved that Director Malcolm F. MacLean IV and Director Taro Masuyama, who concurrently serve as Managing Partners of Star Asia Group, be designated as Specially Interested Directors, with the approval of all Directors excluding Mr. MacLean IV and Mr. Masuyama. The conclusion of the Revenue Guarantee Contract was resolved by the Board of Directors of the Company, and on the same day a resolution was passed by the Board of Directors of KOKO HOTELS. Ryutaro Hashimoto, Director of the Company and Satoshi Hosono, Director of the Company and KOKO HOTELS, are employees of an entity which belongs to the Star Asia Group and Atsuo Umeki, Director of the Company and KOKO HOTELS, is Representative Director of an entity which belongs to the Star Asia Group, but these entities are separate from SAJP V LLC are not actually in a position to exercise influence over SAJP V 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 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 August 4, 2021, Outside Director Takashi Handa, an independent officer of Polaris Holdings with no interest in the controlling shareholder, expressed the opinion in writing that this transaction does not damage the interests of minority shareholders because measures to ensure fairness have been taken in the procedures for concluding the Revenue Guarantee Contract and the Agreement, in addition to that the purpose of concluding the Revenue Guarantee Contract and the Agreement is rational and that the contents and terms of the Revenue Guarantee Contract and the Agreement are fair, for the following reasons.

(1) Rationality of the purpose of entering into the Agreement

The content of the Revenue Guarantee Contract and the Agreement are that in the event that KOKO HOTELS is entrusted with the operation of the hotel in accordance with the Contracted Management Agreement, because the COVID-19 pandemic continues to significantly impact hotel operations, KOKO HOTELS will solidify minimum profitability related to the operation of the hotel by avoiding losses related to the operation of the hotel. In the event that hotel sales are below operating costs, SAJP V LLC shall provide KOKO HOTELS with a deposit to cover the costs of hotel operations and the management fee. The contents of the Agreement are that the Company will bear a portion of the deposit in the provisions of the Revenue Guarantee Contract to be provided by SAJP V LLC in proportion to its investment ratio in the SPC.

Accordingly, the purpose of the Revenue Guarantee Contract and the Agreement can be described as rational because the Revenue Guarantee Contract and the Agreement will contribute to enhancement of the Company's corporate value and are also justifiable in terms of the relationship between the Company and its minority shareholders.

(ii) Fairness and appropriateness of the contents and terms of the Contract

According to the provisions of the Revenue Guarantee Contract and the Agreement, except for the purpose of entering into the Agreement, which is that the Company shall bear a part of the deposit under the Revenue Guarantee Contract in proportion to its investment ratio in the SPC, the Company and KOKO HOTELS will not impose any financial burdens on SAJP V LLC as a result of the conclusion of the Revenue Guarantee Contract and the Agreement. We could not find anything that would impose a unilateral disadvantage on the Company and KOKO HOTELS as a result of the conclusion of the Revenue Guarantee Contract and the Agreement.

Therefore, the contents of the Revenue Guarantee Contract and the Agreement are found to be fair and reasonable.

(iii) Fairness of procedures for concluding the Contract

The Board of Directors of the Company and KOKO HOTELS are to resolve to enter into the Revenue Guarantee Contract on August 4, 2021 and the Company will pass a resolution regarding the Agreement at the Board of Directors on the same day. The resolution of the Board of Directors of the Company will be made by the directors other than Mr. Taro Masuyama and Mr. Malcolm F. MacLean IV, who concurrently serve as Managing Partners of Star Asia Group. In addition, Director Atsuo Umeki shares information on this matter with the Audit Supervisory Board Members, and their opinions were sought.

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

*NOTE: This is an English translation summary of the Company's announcement in Japanese. No assurances or warranties are given for completeness or accuracy of this English translation summary.*