

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.



January 27, 2021

FOR IMMEDIATE RELEASE

Company Name: KACHIKAIHATSU Co., Ltd.  
Representative: Atsuo Umeki, President and  
Representative Director  
Stock Listing: Tokyo Stock Exchange, Second  
Section Stock Code: 3010  
Inquiries: Satoshi Hosono, Director and CFO  
(TEL: 03-5822-3010)

### **Notice of our strategy for Establishing Competitive and Profitable Hotel Operations Platform**

As Kachikaihatsu Co., Ltd. (hereinafter, "Polaris Holdings") announced on the "Growth Strategy" on Aug 7, 2020, we target minimum 15% ROE in order to achieve mid-to long-term earning growth and maximize shareholder value. Today we announced our strategy for establishing competitive and profitable hotel operations platform to achieve our target above. Details are as follows.

# Establishing and Promoting a Competitive and Profitable Hotel Operating Platform

Jan 2021

Polaris Holdings Co., Ltd.

## Establishing and Promoting a Competitive and Profitable Hotel Operating Platform

As announced through the “Growth Strategy” statement on August 7, 2020, the Company targets a minimum 15% ROE in order to achieve mid to long term earnings growth and to maximize shareholder value. The following are the strategic steps to achieve this objective:

- **Centralized Revenue Management Process.** Polaris will begin implementing a new technology driven operating process for the critically important “Revenue Management” systems at our hotels that aims to maximize hotel revenues and earnings through implementation of robust sales & marketing and room pricing strategies and will now be managed by the newly assembled and [centralized Revenue Management Team](#) located in the headquarters. This will allow the dedicated and highly skilled Revenue Management Team to exclusively focus on revenue growth across all hotels. Separately, the [general manager at each hotel will now be solely focused on improving the hotel operational efficiency, reducing operating expenses, and boosting guest satisfaction](#), in order to maximize hotel profitability. As a result, we have established this top notch and highly competitive hotel operating platform
- **Reduced Break-Even Point Through Tactical Cost Reductions.** In order to establish a hotel operations platform that will generate profits even under low ADR and low occupancy, we have [reduced the break-even point by streamlining all fixed costs and variable costs](#). As part of this strategy, we have implemented a shared-human resource department and bulk procurement to start benefitting from the economies of scale among hotels in a nearby geographic areas
- **Transformation to a Stable “Fee-For-Service” Model.** We have materially reduced and will continue to reduce the number of hotel rooms under long-term lease contracts that have high fixed monthly rent obligations which require the operator to pay fixed monthly rent payments regardless of the hotel’s operating performance. [We have increased and will continue to increase the number of hotel rooms under variable monthly rent contracts that are linked to the hotel operating performance, as well as hotels under long term management contracts that have attractive “fee for service” contracts payable to the operator.](#) Generally, management contracts are more “asset light” and efficient from a capital and cash management perspective - as they don’t require the operator to post upfront deposits and capital expenditures are paid by the hotel owners
- **Refined New Hotel Opening Priority.** Polaris new focus on acquiring hotels under management contracts with [large room number that generally assure lower break-even points as well as](#) hotels in [competitive locations](#) that are in close proximity to major train stations, commercial districts, or tourist attractions and have both a strong business and leisure demand.
- **Fully Utilize Relationship with Star Asia Group.** [Expand the quality and quantity of opportunities to acquire new hotel operational mandates](#), while [striking a fair balance with owners regarding risk and benefit sharing](#) of new hotel operations, by fully utilizing the relationship with our sponsor, Star Asia Group. Star Asia Group is an independent real estate investment management group that is fully committed to supporting the ultimate business goals of improving hotel operating efficiencies, scale the number of hotels under management, and strive for very attractive and sustainable earnings growth

## Establishing Competitive and Profitable Hotel Operations Platform

Generally, lease agreements with fixed monthly rent present the highest risk/return to the hotel operator, whereas management contracts pay stable fees to the operator. We have been transforming the Company to a much more stable “Fee-For-Service” model to generate sustainable revenue growth. In order to succeed in winning the attractive management contracts, we have been establishing and promoting a competitive and profitable hotel operations platform that will generate sufficient earnings to be fairly shared between the hotel operator and the hotel owner

Contract Type	Lease Agreement with Fixed Rent	Lease Agreement with Variable Rent	Management Contract
Mechanism	<ul style="list-style-type: none"> <li>Operator leases the property from owner, and pays fixed monthly rent regardless of hotel profits</li> <li>Operator assumes most risks and rewards associated with hotel operations</li> </ul>	<ul style="list-style-type: none"> <li>Operator lease the property from owner, and pays variable monthly rent, generally, as % of profits</li> <li>Operator and owner shares risks and rewards associated with hotel operations</li> </ul>	<ul style="list-style-type: none"> <li>Operator provides hotel management services to owner for fees, generally, as % of revenues and % of profits</li> <li>Owner assumes most risks and rewards associated with hotel operations</li> </ul>
Risk-Return Profile	Volatile High-Risk/High-Return Model	Medium-Risk/Medium-Return Model	Stable “Fee-For-Services“ Model
Conceptual Relationship between Hotel Profits and Operator Profits			

## Establishing Competitive and Profitable Hotel Operations Platform

Over the past 12 months, with the unwavering capital and strategic support from Star Asia Group, we increased our hotels and rooms under management from 19 hotels with 3,109 rooms to 24 hotels with 4,367 rooms

We have been making a significant progress in transforming our business model from a volatile high-risk / high-return model (predominantly lease agreements with fixed rent) to a stable “Fee-for-Service” Model (predominantly management contracts) in order to achieve sustainable earning growths;

- Our hotel rooms under management contract increased from 292 to 1,525
- Star Asia Group acquired 5 hotels with 1,233 hotel rooms, and retained us as operator under management contracts
- We terminated or canceled the lease agreements on 4 hotels with 551 hotel rooms that were not competitive or profitable

Hotel Rooms by Contract Type

