



June 12, 2019

Company name: KACHIKAIHATSU CO. LTD.  
Representative: Shigeru Takakura  
President & Representative Director  
(Securities Code: 3010 TSE Second Section)  
Contact: Koichi Akiyama  
Director & Manager of Administrative Division  
(TEL: +81-3-5822-3010)

**Kachikaihatsu Completes a Strategic Business Partnership Agreement with Star Asia Group,**  
**Enhances**  
**the Board and Executive Management Team**  
**and Launches a Significant New Growth Strategy for the Company**

KACHIKAIHATSU CO. LTD. (“Kachikaihatsu” or the “Company”) hereby announces that, Company entered into a strategic business partnership agreement (the “Strategic Agreement”) with Star Asia Management Ltd. (“SAM”), a core subsidiary of Star Asia Group, as further described in the “Notice Concerning Capital and Business Partnership, Issuance of New Shares through Third-Party Allotment, Changes in the Largest Shareholder among Major Shareholders and Changes in Other Related Companies” dated October 25, 2018. This Strategic Agreement was formalized and resolved at a meeting of the Company’s Board of Directors held on June 12, 2019.

The Company also announces that it has changed and enhanced its Executive Management Team and Board of Directors after its transition to a company with an audit and supervisory committee as described in “Notice Concerning Transition to a Company with an Audit and Supervisory Committee and Partial Amendment to the Articles of Incorporation” dated May 28, 2019. Importantly, the Company has also established and launched a new significant growth strategy to be implemented under this new leadership.

1. Conclusion of the Agreement on Comprehensive Business Partnership

(1) Purpose of the Agreement

The Company issued new shares through a third-party allotment to Star Asia Opportunity III LP (“SAO”), an affiliate of Star Asia Group, as announced in “Notice Concerning Issuance of New Shares through Third-Party Allotment (Contribution in Kind (Debt Equity Swap) and Monetary Contribution), Partial Amendment to the Articles of Incorporation and Changes in Parent Companies” dated February 27, 2019 and “Notice Concerning Completion of Payment for Issuance of New Shares through Third-Party Allotment” dated March 29, 2019.. As a result of this share issuance, SAO’s shareholding ratio increased to 75.53%. and SAO, SAO III GP Ltd. (the general partner of SAO) and Star Asia Group LLC (“SAG”) (a SAG company of SAO III GP Ltd.) became the parent companies of Kachikaihatsu.

Through the Strategic Agreement, the Company and Star Asia Group are entirely aligned to maximize earnings and shareholder value. This Strategic Agreement will allow the Company to grow more quickly and generate stable earnings by relying on and utilizing the combined experience, strengths and resources of the Company and Star Asia Group.

(2) Details of the Agreement

The Company has submitted a proposal for election of directors which includes five senior executives of Star Asia Group as candidates for the 145th Ordinary General Shareholders’ Meeting to be held on June 27, 2019.

As part of the Strategic Agreement, the Company has entered into a project management agreement with Star Asia Sogo Kaihatsu Co., Ltd. (“SASK”), a Star Asia Group company where SASK will project manage all of the development and construction activities of the Company.

Furthermore, the Company has agreed with SAM to (1) provide real estate property details and information regarding

any Company owned hotels to Star Asia Investment Management Co., Ltd. (“SAIM”), the asset management company of Star Asia Investment Corporation (TSE: 3468), (2) discuss acquisition and disposition strategies for new and existing properties and (3) collaborate on development opportunities for the Company.

### (3) Overview of SAM

Overview of SAM

(1) Name	Star Asia Management Ltd.	
(2) Address	87 Mary Street, George Town, Grand Cayman KY1-9001, Cayman Islands	
(3) Title and name of representative	Directors: Malcolm F. MacLean IV, and Taro Masuyama	
(4) Business description	Investment advisory business and investment management business	
(5) Capital	USD 50,000	
(6) Date of establishment	January 26, 2007	
(7) Major shareholders and their shareholding ratios	Tsuru II LLC (50%) Suzaku II LLC (50%)	
(8) Relationship between the Company and SAM		
	Capital relationship	Star Asia Group LLC, which is the parent company of SAM, indirectly holds 75.3% of the shares of the Company.
	Personnel relationship	Not applicable. However, two personnel of Star Asia Management Japan Ltd. belonging to the Star Asia Group and one personnel from Star Asia Sogo Kaihatsu Co., Ltd. are seconded to the Company. These three personnel and two directors who are the representatives of SAM are scheduled to assume the of the role of Director upon approval by the 145th Ordinary General Shareholders’ Meeting of the Company.
	Business relationship	The Strategic Agreement has been concluded with SAM.
	Related party status	SAM is a subsidiary of Star Asia Group LLC, which is the parent company of the Company, and falls under the category of a related party of the
(9) Business results and financial status for the past three years	Due to the nature of its business as a fund adviser and investment manager, as well as being an unlisted company, SAM has refused to disclose its sales, operating income, net assets and other management indices for the reason that such figures fall under the category of classified information in business operation, etc.	

### (4) Future Outlook

The Company and the Star Asia Group are determined and focused on creating strong synergies by capitalizing on the experience, strengths and resources of both parties as described in the Strategic Business Partnership Agreement.. There is no immediate change to the forecast of the consolidated business results for the fiscal year ending March 2020 as a result of the Strategic Agreement. The Company will promptly announce any changes to the forecast when such changes or updates are necessary.

## 2. Executive Personnel Subsequent to Transition to a Company with an Audit and Supervisory Committee

As described in “Notice Concerning Transition to a Company with an Audit and Supervisory Committee and Partial Amendment to the Articles of Incorporation” dated May 28, 2019, the Company resolved to become a company with an audit and supervisory committee at a meeting of its Board of Directors, provided that the matter is approved at the 145th Ordinary General Shareholders’ Meeting to be held on June 27, 2019. As a result, the Company has decided on the candidates for Director whose appointment will be discussed at the Ordinary General Shareholders’ Meeting. Details are as follows.

### (1) Candidates for Director (excluding directors who are audit and supervisory committee members)

Name	Position at the Company after election	Current position
Shigeru Takakura	President & Representative Director	President & Representative Director of the Company
Kunihiro Sugimoto	Managing Director	Managing Director of the Company
Malcolm F. MacLean IV	Director (part-time)	Managing Partner of Star Asia Group
Taro Masuyama	Director (part-time)	Managing Partner of Star Asia Group
Atsuo Umeki	Chairman & Director	CEO of Star Asia Sogo Kaihatsu Co., Ltd.
Ryutaro Hashimoto	Director (part-time)	Managing Director of Star Asia Management Japan Ltd.
Satoshi Hosono	Director & CFO	Director of Star Asia Management Japan Ltd.

### (2) Candidates for Director who are audit and supervisory committee members)

Name	Position at the Company after election	Current position
Koichi Akiyama	Director (Auditing committee member)	Director & Manager of Administrative Division of the Company
Takashi Handa	Outside Director (Auditing committee member)	Certified public accountant Company official
Yuuki Kitazoe	Outside Director (Auditing committee member)	Company official

## 3. Growth Strategy under New Administration

The Company will actively generate business opportunities under the new administration, provided that the transition to a company with an audit and supervisory committee, election of directors, etc. are approved at the 145th Ordinary General Shareholders’ Meeting to be held on June 27, 2019, as described above. Please also see “Growth Strategy Plan” which summarizes the growth strategy to be implemented under the new administration.



# Growth Strategy (2019.6)

**Kachikaihatsu Co. Ltd.,**

[ TSE Securities code: 3010 ]

Kachikaihatsu Co., Ltd. ("Kachikaihatsu") aims to deliver superior long-term earnings growth and maximize shareholder value by developing and operating real estate in hospitality and other fields in carefully selected locations.

Kachikaihatsu will contribute to creating a better society through such efforts. As for the properties we develop, we aim to respond to specific and currently underserved needs of foreign and domestic guests in hospitality and other fields, and look to contribute to the creation of a better society through such efforts.

1. Balance interest among stakeholders including guests, employees, property owners, clients, local communities, banks and shareholders. Create and develop brand(s) that guests want to stay at, employees want to work for, clients want to deal with, local communities and municipalities want to attract, banks want to lend to, and shareholders want to invest in.
2. Employ high-quality hospitality, finance and real estate professionals by offering competitive working conditions and responding to various needs through such combination.
3. Establish a culture for risk management where we clarify, eliminate, and reduce financial, fiscal, operational, environmental, and natural disaster risks in-house to realize stable long-term earnings.
4. Adopt an asset-light business model and carefully manage risks by wisely and tactically utilizing the balance sheet. Develop, acquire or reposition carefully selected real estate in hospitality and other fields and sell properties to those who share the vision of fair risk/distribution of return after stable operation.
5. Analyze the hospitality market with endless zeal, discover specific and currently underserved needs of foreign and domestic guests, and develop as well as operate unique and competitive hospitality properties enabling sustainable profit growth.

Kachikaihatsu aims to deliver long-term earnings growth and to maximize shareholder value by developing and operating strategically located properties that can respond to specific and currently underserved needs of foreign and domestic guests in hospitality and other fields.

Profit Drivers	Balance Sheet Usage/Impact
Hotel operating profit (Master Lease, Management Contract) Fair profit sharing between operator and owners	Low
Real estate development profit Competitive hospitality and other properties that serve underserved needs	High
Real estate development management/brokerage fees	Low



**Target Minimum ROE of 15%**

Kachikaihatsu will be an integral part of Star Asia Group ("SAG")'s real estate ecosystem and positioned as SAG's publicly traded hospitality operation and real estate development platform. Kachikaihatsu believes that receiving the following sponsor support from SAG will be a significant advantage.

## Financial support

SAG has provided a total of over JPY 3,387 million of funds to the Kachikaihatsu and set a credit line of JPY 600 million as commitment line. SAG is prepared to provide additional capital as needed or in light of profitability.

## Expansion of financial accounting and risk management system

SAG proposes to appoint Satoshi Hosono, a Director at Star Asia Management Japan Ltd., as a Director and CFO of Kachikaihatsu. Mr. Hosono has 15 years of experience in structured finance and investment banking (See Biographies).

## Presence of function to hold real estate for the long term

Star Asia Investment Corporation ("SAIC"), which is managed by SAG, is a real estate investment trust securities issuer listed on the real estate investment trust securities market of TSE (Securities code: 3468). SAIC owns JPY 102.3 billion of real estate-related assets as of February 1, 2019 and has announced its intent to further expand its asset size. SAIC owns JPY 102.3 billion of real estate-related assets as of February 1, 2019 and has announced its intent to further expand its assets. Kachikaihatsu and SAG have entered into a comprehensive business partnership agreement including the provision of real estate information to SAIC and Star Asia Investment Management, whose management is entrusted to SAIC. As a result, SAIC and Star Asia Investment Management can obtain information on property acquisition. In addition, Kachikaihatsu can enhance capital efficiency and generate higher ROEs by selling hospitality properties it has developed to SAIC as well as by continuing to operate such properties.

## Expansion of real estate-related functions

SAG proposes to appoint Atsuo Umeki, President of Star Asia Sogo Kaihatsu Co., Ltd., SAG's real estate development function, as the Chairman and a Director of Kachikaihatsu. Mr. Umeki has more than 30 years of experience in real estate development, management and transaction, and had served as the CEO of a TSE-listed real estate development company before serving as President of Star Asia Sogo Kaihatsu (See Biographies).

Kachikaihatsu and Star Asia Sogo Kaihatsu have entered into a project management agreement for development projects implemented by Star Asia Sogo Kaihatsu. Based on such agreement, Kachikaihatsu will support the Nishi-Sugamo Residence and Hakata Office development projects which are being implemented by Star Asia Sogo Kaihatsu.

## Formulation of strict governance system

Since its inception in 2006, SAG has invested over JPY 650 billion in real estate-related assets in Japan and Asia by meeting and exceeding the expectations of sophisticated global institutional investors. SAG appointed Malcolm F. MacLean and Taro Masuyama, Founders and Managing Partners of SAG, as well as Ryutaro Hashimoto, Managing Director of Star Asia Management Japan Ltd., as Non-Executive Directors of Kachikaihatsu in order to see to it that the governance system of Kachikaihatsu contributes to the best interest of all shareholders (See Biographies).

Mr. MacLean, Mr. Masuyama, Mr. Umeki, Mr. Hashimoto and Mr. Hosono, who are appointed as new directors of Kachikaihatsu, as well as several employees at SAG specializing in tax accounting, real estate development, investments and loans, and hotel operations, are contributing to remarkably expanding and improving Kachikaihatsu's business.



# Overview of Star Asia Group

Founded in 2007 by Malcolm MacLean and Taro Masuyama who each have more than 20 years of experience in real estate, credit, corporate finance, capital market and securitization, Star Asia Group is a non-listed and independent fund management company investing mainly in Japanese real estate-related assets.

- Invested in over JPY 650 billion of assets since inception
- Managing funds for the most sophisticated global investors including Ivy League and other university endowments in the US, large foundations in the US, Japanese pension funds and university endowments
- Star Asia Management Ltd. is a Registered Investment Advisor with the US Securities and Exchange Commission
- 393 officers and employees <sup>1</sup> primarily located in Tokyo and a few in the United States



Note)

1. As of March 31, 2019, including officers and employees of affiliates not shown above.
2. Purpose Build Student Accommodations.
3. 50%/50% joint venture with GSA Group.

Kachikaihatsu aims to deliver superior long-term growth in earnings (minimum target ROE of 15%) and to maximize shareholder value by having SAG as its sponsor and proactively utilizing SAG's specialized resources. Kachikaihatsu has set the following seven items as immediate key initiatives to be achieved.

## 1 Reorganize composition of Board of Directors and governance structure to realize maximum performance

- Realize efficient and prompt management decisions and business execution by the management with specialized knowledge and abundant experience and build a strong governance system consisting of two independent outside directors
- Expand risk management system, conduct borrowing proactively and formulate capital policies by newly establishing the position of CFO

## 2 Improve IR communication and transparency

- Build an information distribution system in both Japanese and English, paying consideration to domestic as well as overseas institutional investors
- Proactively develop IR activities to generate interest and support from a wide range of domestic and foreign institutional investors

## 3 Enhance profitability of hotels under management

- Aim to maximize profits from hotels under management through the expansion of sales channels, thorough cost reduction and management, and expansion of earnings utilizing the non-operating portion

## 4 Develop a new hospitality brand/product that serves the needs of foreign and domestic guests

- Efficiently acquire earnings by developing and operating hotels specializing in accommodation as well as hotels with new concepts different from those of conventional hotels specializing in accommodation

## 5 Establish a Real Estate Department led by senior executives with abundant knowledge, experience and track record

- Start a consistent development business including the purchase, development and sale after stable operation of compelling sites suitable for hotel development in cooperation with Star Asia Sogo Kaihatsu

## 6 Enter into a comprehensive business partnership agreement pertaining to strategic pipeline with SAIC

- Disclose information on properties which are operated stably after development to SAIC and Star Asia Investment Management, and lock in property development profits and secure stable holders when Star Asia Investment Corporation decides to purchase and own such properties

## 7 Sell real estate that is not utilized efficiently and reduce interest bearing liabilities

- Improve ordinary income and ROA and shift to management with high capital efficiency focusing on main business

## 【Biographies / Work Experience】

## Atsuo Umeki

born 1963

---

April 1986	Joined Tomen Corp.
April 2000	Joined Tomen Business Support Corp.
August 2000	Sales Manager, Meiho Enterprise Corp.
January 2001	Director, Meiho Enterprise Corp.
August 2002	Representative Director President, Meiho Enterprise Corp.
January 2009	Representative Director President, Meiho Properties Corp.
February 2012	Representative Director, Meiho Enterprise Corp.
October 2012	Representative Director CEO, Meiho Enterprise Corp.
August 2015	Director, House Saison Enterprise Corp.
November 2017	Representative Director, Star Asia Sogo Kaihatsu (Present)

## Satoshi Hosono

born 1980

---

April 2003	Joined Daiwa Securities
May 2005	Joined ORIX Corp.
May 2006	Joined Mizuho Securities Co., Ltd.
November 2012	Joined XYMAX Corp.
January 2015	Star Asia Management Japan Ltd. Director (Present)
December 2018	Executive Officer, Kachikaihatsu Co., Ltd. (Present)

## **Notes on this document**

- This document is made based on information available at the time of writing. Plans, forecasts, strategies, and other forward-looking statements in this report are not historical facts, and include elements of risk and uncertainty. Actual results may therefore differ materially from these forward-looking statements due to changes in the business environment and other factors.
- Kachikaihatsu Co. Ltd., expressly disclaims any obligation or responsibility to update or revise or supplement any forward-looking statement in any presentation material or generally to any extent. Use of or reliance on the information in this document is at your own risk.



For inquiries about this document, mail to: [info@Kachikaihatsu.co.jp](mailto:info@Kachikaihatsu.co.jp)