

September 14, 2020

For Immediate Release

Real Estate Investment Trust Securities Issuer
Star Asia Investment Corporation
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(Code: 3468)

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Notice Concerning Status of a Tenant of a Hotel Property (follow-up report)
- Signing of Memorandum Agreement regarding Hotel Operations with KACHIKAIHATSU Co. Ltd.-

With respect to “HOTEL WBF ART STAY NAMBA” (hereinafter, the “Property”) which is an asset managed by Star Asia Investment Corporation (“SAR”) as disclosed in the press release dated April 27, 2020 entitled “Notice Concerning Status of a Tenant of a Hotel Property”, SAR has entered into a “Memorandum Agreement regarding Hotel Operations” (hereinafter the “Memorandum Agreement”) towards signing of a lease agreement for the Property with KACHIKAIHATSU Co. Ltd. (TSE 2nd Section: Code No. 3040; hereinafter referred to as “KACHIKAIHATSU”), a member of Star Asia Group which falls under an interested person of Star Asia Investment Management Co., Ltd. (“Asset Manager”), the asset manager for SAR, as one of the new tenant candidates. Details are as follows.

1. Signing of the Memorandum Agreement

(1) Background leading to signing of the Memorandum Agreement

SAR and the Asset Manager have determined, as a result of considering various options for utilizing the Property, that the best option would be to invite a new operator for the Property as a hotel. Currently, SAR and the Asset Manager are in negotiations with multiple new operator candidates (tenant candidates), and intend to select an operator which is believed to contribute most to unitholders’ interests. One of the multiple operator candidate companies is KACHIKAIHATSU which is a member of Star Asia Group, and today a Memorandum Agreement was signed with KACHIKAIHATSU in order to accelerate discussions with the firm towards signing of a lease agreement. KACHIKAIHATSU’s core business is hotel operations and management, and hotel development, and has operational experience of 19 hotels including its affiliate companies (as of September 14, 2020), and is believed to be a tenant candidate for the Property. Under the Memorandum Agreement, the Asset Manager is not prevented from continuing negotiations with tenant candidates other than KACHIKAIHATSU, and the Asset Manager intends to also continue negotiations with other tenants concurrently with negotiating with KACHIKAIHATSU.

(2) Summary of the Memorandum Agreement

Contract counterparty	:	KACHIKAIHATSU CO. LTD.
Contract signing date	:	September 14, 2020
Contents of agreement	:	Agreement to proceed with negotiations towards signing of a lease agreement for the Property.

(3) Company Overview of KACHIKAIHATSU Co. Ltd.

Name	KACHIKAIHATSU CO. LTD. (the “Company”)
Location	1-12-3, Iwamotocho, Chiyoda-ku, Tokyo, Japan
Representative	Atsuo Umeki
Main Business Description	Hotel business, real estate business
Capital	99 million yen (*1)
Established	September 20, 1912
Net Asset	651 million yen (*1)
Total Asset	3,990 million yen (*1)
Major shareholder and ratio of shareholding	Star Asia Opportunity III LP 75.5%
Relationship with SAR or the Asset Manager	
Capital Relationship	There is no direct capital relationship between SAR / the Asset Manager and the Company. However, the Company is a subsidiary etc. of the parent company etc. of the Asset Manager. Furthermore, a fund managed by the parent company of the Asset Manager holds 75.5% of the shares of the Company.
Personnel Relationship	There is no special personnel relationship worth noting between SAR / the Asset Manager and the Company. However, 5 persons have been appointed as directors of KACHIKAIHATSU from the sponsor group.
Business Relationship	There is no special business relationship worth noting between SAR / the Asset Manager and the Company. However, with respect to HOTEL WBF ART STAY NAMBA which is a hotel owned by SAR, the “Memorandum Agreement regarding Hotel Operations” has been signed today, and negotiations will proceed towards signing of a lease agreement.
Related party or not	The Company falls under an interested party etc. as prescribed under the Investment Trust Law, and an interested party as prescribed under the “Interested Party Transaction Rules” which are voluntary rules established by the Asset Manager in order to prevent conflicts of interest related to SAR’s asset management. Going forward, when deciding on transactions, the Asset Manager will conduct deliberations and make resolutions pursuant to such rules.

(Note) The above is written based on information as of March 31, 2020,

2. Future Outlook

The signing of the Memorandum Agreement will have no impact on SAR’s management status.

* Star Asia Investment Corporation website address: <http://starasia-reit.com/en/>

This is an English translation of the announcement in Japanese dated September 14, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.