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For Immediate Release

Real Estate Investment Trust Securities Issuer  
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**Notice Concerning Conclusion of Memorandum on the Change of Sponsor Support Agreement**

Star Asia Investment Corporation (SAR) and Star Asia Investment Management Co., Ltd. (Asset Manager) announced today that they concluded a memorandum on the change of the sponsor support agreement (including the changes made afterwards, hereinafter referred as “Sponsor Support Agreement”) concluded with Star Asia Management Limited (the Sponsor) in January 14<sup>th</sup>, 2016, as described below.

**1. Content of the memorandum on the change of Sponsor Support Agreement**

SAR and Asset Manager expect to gain support from KACHIKAIHATSU CO. LTD. (KACHIKAIHATSU) by positioning it as a member of the Sponsor Group in Sponsor Support Agreement, and have reached an agreement to change Sponsor Support Agreement as a result of negotiation with the Sponsor. The underline indicates the change.

<Definition of sponsor group after the change>

- (i) Sponsor (Star Asia Management Limited)
- (ii) Star Asia Management Japan Ltd.
- (iii) Star Asia Asset Management LLC
- (iv) Star Asia Group LLC
- (v) Star Asia Asset Advisors, Co. Ltd.
- (vi) Star Asia Sogo Kaihatsu, Co. Ltd.
- (vii) KACHIKAIHATSU CO. LTD.
- (viii) Malcolm F. MacLean
- (ix) Taro Masuyama
- ( x ) Investment destination of funds (excluding minority investments) for which Malcolm F. MacLean IV and Taro Masuyama make investment decisions (a) that are located in Japan and own or acquire investment assets such as real estates or investment vehicles or (b) that own or acquire investment units of SAR / investment vehicles relating with SAR

## 2. Reasons for the conclusion of memorandum on the change of Sponsor Support Agreement

In order to expand functions with regards to investment in real estates in Japan, Star Asia Group (SAG) concluded “Capital and Business Alliance Agreement” (Alliance Agreement) with KACHIKAIHATSU in October 25<sup>th</sup>, 2018, then the fund managed by SAG acquired KACHIKAIHATSU’s shares through the third-party allocation of shares (due date of payment: November 12<sup>th</sup>, 2018) and the share purchase from previous shareholders, and through the other third-party allocation of shares (due date of payment: March 29<sup>th</sup>, 2019). As a result, SAG holds 75.53% shares of KACHIKAIHATSU, as of today. In addition, KACHIKAIHATSU and SAG also concluded “Comprehensive Agreement Concerning Business Alliance” (Comprehensive Agreement) today.

KACHIKAIHATSU envisions a future business strategy mainly based on its abundant experiences and know-hows with regards to development, operation and building management of hotels which it owns. In addition, KACHIKAIHATSU takes conclusion of Alliance Agreement as an opportunity to attempt to create a synergy-effect by making efficient use of several functions concerning real estate business which SAG has while reinforcing its functions with regards to purchasing & selling, leasing, building management, brokerage and development of other type assets in order to contribute to the business strategy mentioned above further.

On the other hand, SAG believes that they can facilitate investment in operational assets (\*) because Comprehensive Agreement enables SAG to incorporate functions of hotels’ development / operation / building management, which KACHIKAIHATSU has, in the inside of the group.

SAR and Asset Manager consider that if they can receive information of assets which KACHIKAIHATSU develops and assets which third-party intends to sell, such useful information will contribute to further SAR’s growth. Therefore, we have concluded memorandum on the change of Sponsor Support Agreement, in order to set KACHIKAIHATSU as the sponsor group.

SAR will use such functions reinforced by SAG to pursue more growth ever than before.

(\*) Operational assets mean hotels and other type assets which so-called “operational abilities” have numerous impacts on revenues, and not only a property itself but also a space plan / an operation ability with using the plan effectively will be provided in a unified manner to customers.

## 3. Overview of KACHIKAIHATSU (As of June 12, 2019)

Name	KACHIKAIHATSU CO. LTD. (listed on the second section of the Tokyo Stock Exchange, Code:3010)
Location	1-12-3, Iwamotocho, Chiyoda-ku, Tokyo, Japan
Representative	Shigeru Takakura
Main business description:	1. Hotel operation / management 2. Purchasing & selling, leasing, management, brokerage and development of lands and buildings / Investment in silent partnerships concerning lands and buildings 3. – 27. Omission 28. Relating business concerning each item mentioned above
Capital (*1)	JPY 7,884,980,010
Established	September 20 <sup>th</sup> , 1912
Net Asset (*2)	JPY 1,549,081,000
Total Asset (*2)	JPY 7,280,527,000

Major Shareholder	Star Asia Opportunity III LP
Shareholding Ratio (*1)	75.53%
Relationship with SAR or Asset Manager	
Capital relationship	Although there is no direct capital relationship to report as of today, KACHIKAIHATSU falls under a subsidiary of Asset Manager's parent company. In addition, the fund which belongs to Asset Manager's parent company holds 75.53% of total number of shares of KACHIKAIHATSU.
Personnel relationship	There is no personnel relationship to report as of today, however, 3 members are sent to KACHIKAIHATSU by SAG. In addition, 5 members including these 3 are going to take posts of directors through an annual shareholders' meeting of KACHIKAIHATSU, according to information disclosed by KACHIKAIHATSU today.
Business relationship	There is no business relationship to report. With respect to BestWestern Tokyo Nishikasai, BestWestern Yokohama and BestWestern Tokyo Nishikasai Grande (hereinafter referred as "3 BW Hotels"), however, KACHIKAIHATSU receives royalties, which based on franchise contracts with Rembrandt Inn Co., LTD. (the operator of 3 BW Hotels, hereinafter referred as "Rembrandt"), with regards to 3 BW Hotels as of today. In addition, SAR receives rents concerning 3 BW Hotels from Rembrandt based on the lease agreement.
Related party or no	The company falls under an interested party stipulated in the "Rules on Transactions with Interested Parties" (the Rule) (*3), which is an internal rule and has been formulated by Asset Manager and interested parties whose definition is on "Act on Investment Trusts and Investment Corporations", in order to avoid conflict of interest. From now on, when deciding to conduct a deal, Asset Manager will execute it after a deliberation and a decision stipulated in the Rule

(\*1) The amount based on information disclosed by KACHIKAIHATSU after the third-party allocation of shares (due date of payment: March 29<sup>th</sup>, 2019).

(\*2) The amount based on information stated in KACHIKAIHATSU's consolidated balance sheet with regards to the third quarter accounting period of consolidation (period end date: December 31<sup>th</sup>, 2018), which is one of the parts that consists of the quarterly report submitted by KACHIKAIHATSU in February 13<sup>th</sup>, 2019.

(\*3) As for the Rule, please see the below content: "4. Others, Content of change in rules concerning compliance and interested party, etc."

#### 4. Other

Content of change in rules concerning compliance and interested party, etc.

The definition of "interested party" stipulated in the Rule, which is an internal rule of Asset Manager, is scheduled to be changed as follows. A change from the previous version are underlined.

<Definition of interest party after the change>

- (1) The Interested Parties of the Asset Manager as stipulated in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations
- (2) The shareholders and officers of the Asset Manager
- (3) Special purpose company, etc. (SPC) which executes an investment management agreement with the shareholders of the Asset Manager
- (4) SPCs in which majority of investment is made by the Asset Manager and the shareholders of the Asset

Manager

- (5) Star Asia Management Limited, Star Asia Management Japan Limited, Star Asia Asset Management LLC, Star Asia Group LLC, Star Asia Asset Advisors Co., Ltd., Star Asia Sogo Kaihatsu, Co. Ltd., KACHIKAIHATSU, Malcolm F. MacLean IV, Taro Masuyama and investment destination of funds (excluding minority investments) for which Malcolm F. MacLean IV and Taro Masuyama make investment decisions (a) that are in Japan and own or acquire investment assets such as real estates or investment vehicles or (b) that own or acquire investment units of SAR / investment vehicles relating with SAR.

Furthermore, required procedures of the above change will be conducted in accordance with the provisions of the Financial Instruments and Exchange Act, Building Lots and Buildings Transaction Business Act and other applicable laws and regulations.

\* Star Asia Investment Corporation website address: <http://starasiareit.com/en/>