

## 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  
Inquiries: Satoshi Hosono, Director and CFO (TEL: 03-5822-3010)

### **Notice Regarding Debt Financing and TK Equity Interest**

Polaris Holdings Co. Ltd. (hereinafter "Polaris" or the "Company") announced today that its consolidated operating subsidiary, Tenjin Hotel Kanri (hereinafter "Tenjin Hotel Kanri"), concluded to borrow funds and utilize equity capital in the TK partnership in order to acquire trust beneficiary interest (hereinafter "the Property") in the land and building of Fino Hotel Sapporo-odori (hereinafter "the Hotel. Details are as follows.

#### **1. Overview**

As announced in the Company's press release dated December 10, 2021 titled "Notice Concerning the Purchase of Fino Hotel Sapporo-Odori," Tenjin Hotel Kanri has acquired the Hotel from the previous owner. The Hotel has already been under management by Fino Hotels, a consolidated subsidiary of the Company under a long-term fixed-rent lease agreement. This long term fixed rent lease agreement has now been terminated as the Hotel will now be owned and operated by Polaris.

The Hotel Management Company used funds for the acquisition of the Property through borrowings from financial institutions and an equity investment in a silent partnership. The Hotel Management Company has decided to borrow funds from the Tokyo Branch of Deutsche Bank AG and to accept equity investment in a silent partnership from the Company and Star Asia Opportunity III LP ("SAO III"), an affiliate of Star Asia Group.

#### **2. Overview of Subsidiary**

(i) Name	GK Tenjin Hotel Kanri
(ii) Address	5-1-4 Toranomom, Minato-ku, Tokyo
(iii) Positions and name of representatives	Representative Executive Officer General Incorporated Association Tenjin Hotel Kanri
(iv) Business Description	Acquisition, holding and disposition of trust beneficiary interests in real estate
(v) Capital amount	300 thousand yen

#### **3. Borrowing of funds**

##### **(1) Overview**

(i) Lender	Tokyo Branch of Deutsche Bank Aktiengesellschaft (Deutsche Bank)
(ii) Borrowing amount	2,459 million yen
(iii) Term	December 28, 2021 to December 30, 2026
(iv) Establishment of collateral rights	Yes

**(2) Overview of Lenders**

(i) Name	Tokyo Branch of Deutsche Bank Aktiengesellschaft (Deutsche Bank)	
(ii) Address	Sanno Park Tower, 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo	
(iii) Positions and name of representatives	Representative in Japan and Tokyo Branch Manager Tamio Homma	
(iv) Business Description	Deutsche Bank is based in Japan and in general provides corporate banking services including foreign exchange, cash management, and trade finance, real estate finance, agency services, etc.	
(v) Date of establishment	June 22, 1971	
(vi) Relationship between the Company and this company	Capital relations	Not applicable
	Human relations	Not applicable
	Business relations	Tenjin Hotel Kanri concluded a loan agreement with the concerned company on June 8, 2021 to borrow funds of JPY2.2 billion.
	Applicability to related parties	Not applicable

**4. Acceptance of silent partnership equity****(1) Overview**

The Hotel Management Company has received a small minority silent partnership investment of 10 million yen (hereinafter referred to as the "Silent Partnership Investment") from the Asset Management Company.

**(2) Overview of the Silent Partnership Equity Investor**

(i) Name	Star Asia Opportunity III LP	
(ii) Address	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	
(iii) Establishment Foundation etc.	Authorized Limited Partnership (LPS)	
(iv) Group Target	Investment	
(v) Group Formation Date	January 29, 2016	
(vi) Exit Total capital Amount	The amount of investment shall not be stated in accordance with the policy of the allottee.	
(vii) Investors, Investment Ratio, and Investor Profile	Investors are comprised of overseas institutional investors. However, due to the policy of the planned allottee, the specific names and investment ratios are not stated.	
(viii) Business Business Conduct Group Personnel	persons Name	SAO III GP Ltd.
	Location Existing Land	The offices of Maples Corporate Services Limited, PO Box309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands
	the title and name of the representative person	Director: Malcolm F. MacLean IV, Taro Masuyama
	Matters Business In Description	Investment and management of funds
	Capital units Money	50,000 U.S. dollar

(ix) Overview of Domestic Agent	persons Name	Shigeto Kuraya
	Location Existing Land	18F, 5-1, Atago 2-chome, Minato-ku, Tokyo Atago Green Hills
	the title and name of the representative person	-
	Matters Business In Description	-
	Capital units Money	-
(x) Relationship between the listed company and the fund	Relationship between the listed company and the fund	SAO III is the parent company of the Company. (Shareholding ratio: 73.48%) SAO III is an affiliated of Star Asia Group, and the Company and Star Asia Group have a business alliance relationship. The Company has received five Directors from the Star Asia Group. SAO III is a related party of the Company.
	Relationship between the listed company and the managing partner	SAO III GP Ltd. is the parent company of the Company. SAO IIIGP Ltd. is an affiliate of Star Asia Group. Mr. Malcolm F. MacLean IV and Mr. Taro Masuyama, the representatives of SAO III GP Ltd. are directors of the Company. SAO III GP Ltd. is a related party of the Company.
	Relationship between the Company and the Domestic Agent	No items to be reported

## 5. Matters related to transactions with controlling shareholders

### (1) Compliance with the Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

Since the counterparty of the TK Investment Agreement is the parent company of the Company, the Transaction falls under the category of transaction with the controlling shareholder.

The Company's Corporate Governance Report disclosed on July 9, 2021 states "Guidelines for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders" as follows : "In the case of conducting transactions with controlling shareholders, the Company shall fully examine and implement the reasonableness of the transaction and the appropriateness of the transaction conditions in light of general transaction conditions, and shall take appropriate measures so as not to harm the interests of minority shareholders."

The Company has taken measures to ensure the fairness of the terms and conditions of the Silent Partnership Equity Interest Agreement after obtaining the opinions of the Company's Audit and Supervisory Committee Members in advance and confirming that they have no objections to the conclusion of the Silent Partnership Equity Interest Agreement. The Company believes that such measures comply with the above guidelines.

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

In order to ensure fairness, the TK Equity Agreement is executed in accordance with the internal rules and procedures stipulated in "(1) Compliance with the Guidelines for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders." In addition, the Company has obtained an opinion from a party with no interest in the controlling shareholder stating that the details and conditions of the Transaction are fair, as described in "(3) Summary of Opinion Obtained from a Party with No Interest in the Controlling Shareholder Regarding that the Transaction is Not Disadvantageous to Minority Shareholders" below.

The conclusion of the TK Agreement is subject to the approval of all Directors, including Independent Outside Directors, apart from Mr. Taro Masuyama and Mr. Malcolm F. MacLean IV, who concurrently serve as Managing Partner at Star Asia Group. The Company's Directors, Ryutaro Hashimoto, and Satoshi Hosono, are employees of companies belonging to the Star Asia Group, and the Company's Director, Atsuo Umeki, is the Representative Director of a Star Asia Group

affiliate. However, since both companies are separate entities from the Special Committee on Shareholder Relations and are not able to have effective influence over the Special Committee on Shareholder Relations, the Company believes that they do not have an interest in the Company to the extent that they cannot be expected to exercise their voting rights in a fair manner, and therefore they are included in the resolution of the Company's Board Meeting.

### (3) Summary of Opinion Obtained from a Party Having No Conflict of Interest with the Controlling Shareholder that the Transaction Is Not Disadvantageous to Minority Shareholders

On December 24, 2021, the Company received a written opinion from Outside Director, who is an independent officer of the Company and has no conflict of interest with the controlling shareholder, stating that the purpose of the TK Equity Interest Agreement is reasonable, that the details and conditions of the TK Equity Interest Agreement are considered to be fair, and that the Company does not consider the Transaction to be disadvantageous to the Company's minority shareholders because measures have been taken to ensure fairness in the procedures for the conclusion of the TK Equity Interest Agreement.

#### (i) Rationale for the conclusion of the TK Agreement

The conclusion of the TK Agreement is intended to serve as a means of procuring funds for the acquisition of the Property by the management of the Tenjin Hotel Kanri in order to transition to an owner/operator model, which is one of the growth strategies of the Group's hotel business and serves the purpose of agile asset building of the Company. In addition, the transition to an owner operator model significantly lowers the breakeven point of the Hotel, resulting in a return on shareholders' equity.

In addition to improving return on equity, the sale of the property with potential unrealized gains could also contribute to earnings when the liquidity of the hotel property market returns to normalized levels.

Therefore, the conclusion of the Silent Partnership Agreement is necessary to ensure that the Company's corporate value is maintained in line with the Group's growth strategy. The purpose of the Silent Partnership Agreement is reasonable as the Company believes that it can justify the purpose of the Silent Partnership

Agreement in terms of the relationship with the Company's minority shareholders.

**(ii) Fairness and Validity of the Terms and Conditions of the TK Agreement**

The main terms and conditions of the Silent Partnership Agreement are the terms and conditions of a general silent partnership agreement under which the Tenjin Hotel Kanri Company will engage in business through the contributions received from the investors and distribute profits and losses arising from the business to the silent partners. In addition, the conclusion of the TK Agreement did not cause any disadvantage to the management of GK Tenjin Hotel Kanri.

Therefore, the TK Agreement is deemed to be fair and appropriate.

**(iii) Fairness of procedures for the conclusion of the TK Agreement**

Prior to the decision on the management of the Tenjin Hotel, the conclusion of the Silent Partnership Agreement is scheduled to be approved by all Directors, including Independent Outside Directors, at the Company on December 24, 2021, except for Mr. Taro Masuyama and Mr. Malcolm F. MacLean IV, who concurrently serve as Managing Partners of the Star Asia Group. In addition, Directors and Audit & Supervisory Committee Members share information and ask for their opinions.

Considering the facts mentioned above, it can be concluded that measures have been taken to ensure the fairness of decision-making on management of the Company and GK Tenjin Hotel Kanri.

*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.*