



FY2024 – FY2026

Medium-Term Management Plan

Polaris Holdings Co., Ltd.

Securities Code : 3010

May 14, 2024



Management Philosophy

“Change · Create · Challenge”

To become a “Company of Choice” by a wider range of stakeholders,

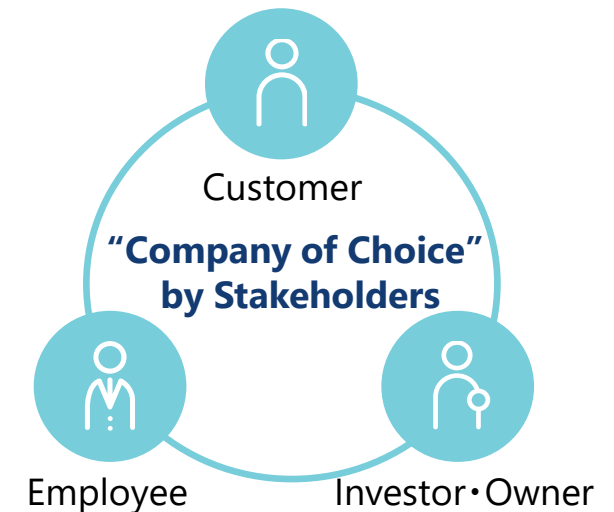
- **Change** ways to be free from conventional wisdom and preconceived Ideas,
- **Create** with fresh perspective and free thinking, and
- **Challenge** to strive more efficient management practices.



Long-Term Vision

Be a “Company of Choice” as “Top Tier of Hotel Operator”

- **Company of Choice** by customers: Pursue customer satisfaction and provide a comfortable space
- **Company of Choice** by employees: Respect diversity of employees and co-create a comfortable working environment
- **Company of Choice** by investors and owners: Achieve stable revenue growth by building strong profitability and a stable financial foundation



Trajectory of Polaris Turnaround Strategy (1)

Initiatives and Strategies with **Star Asia Group** (from the fiscal year March 2020 to March 2023)

1

Strengthening financial foundation and securing growth capital by agile capital measures

Total JPY 16 billion

New Financing

Equity JPY 7 billion
Debt JPY 9 billion

2

Pursuing economies of scale through expansion of number of operating hotels and rooms

3,109 Rooms \Rightarrow 8,205 Rooms
(x2.6 over)

3

Securing stable revenue by reduction of breakeven point

Management and Variable-rent lease hotels ratio
21% \Rightarrow **53%**

4

Expanding profitability through business restructuring and growth

EBITDA
JPY -0.1 billion \Rightarrow JPY 4.1 billion
(JPY 4.2 billion Increase)

5

Acquisition and Divestment of hotel assets leveraging market turbulence and recovery amid the COVID-19

Capital gain by divestment
Approx. **JPY 2 billion**

6

Strategic M&A facilitated through creditors

Increased **14 hotels (2,453 rooms)**
by acquisition of Red Planet

7

Cost reduction by restructuring subsidiaries and withdrawing from unprofitable business

Withdrawing from unprofitable business
10 properties
Max. 14 to 4 companies
(Restructuring
11 companies)

8

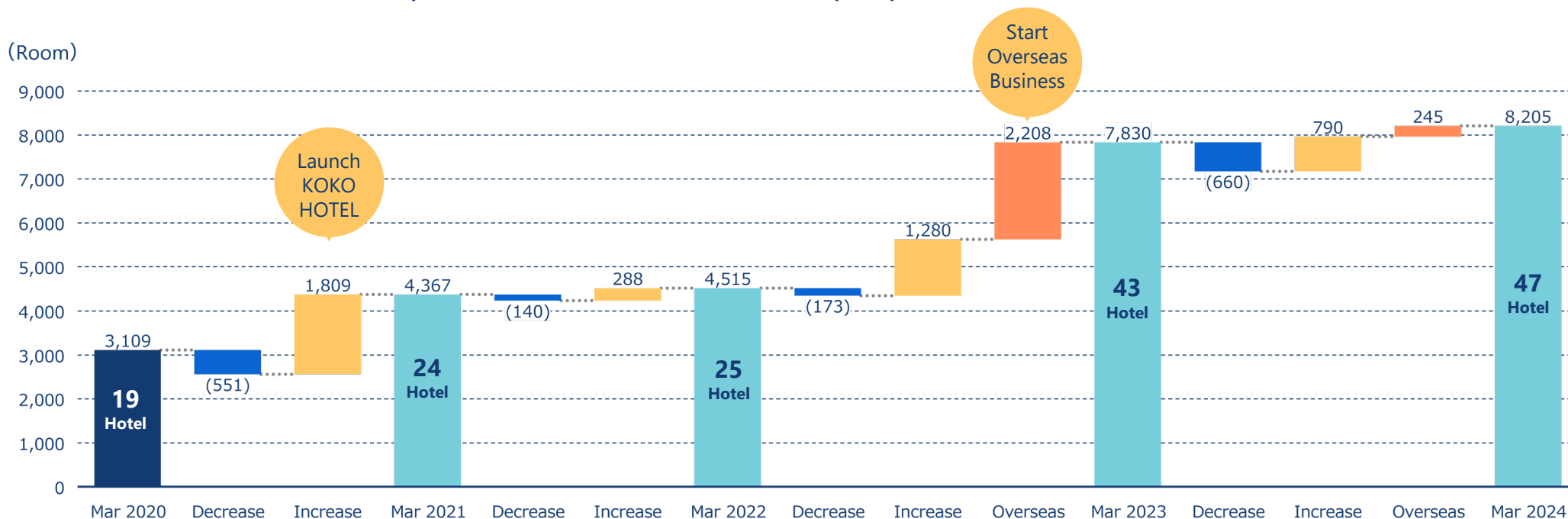
Reducing revenue outflow by launching new original hotel brand

Began **19** hotels operation of own brand, KOKO HOTEL

Trajectory of Polaris Turnaround Strategy (2)

Both number of operating rooms and EBITDA(*) exceeded the targets disclosed in October 2021(**)

Since April 2020, increased 38 operating hotels (6,620 rooms) and closed/terminated 10 unprofitable fixed-rent lease properties (1,524 rooms)



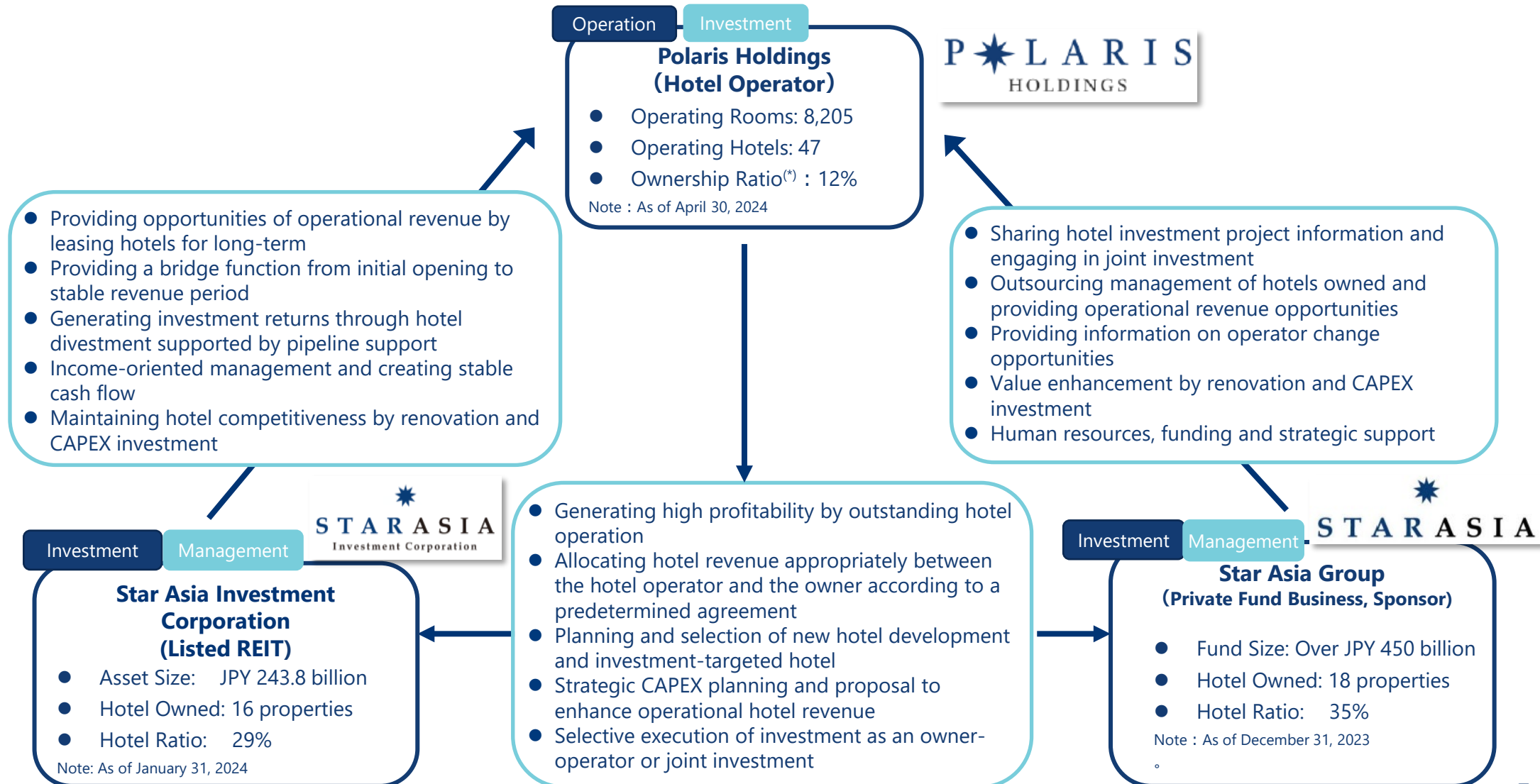
	FY 2024 Mar Target (Disclosed Oct 2021)	FY 2024 Mar Actual
Number of Operating Rooms	6,396	8,205
EBITDA	JPY 2.26 billion	JPY 3.8 billion

Exceeding Targets

(*): Earnings Before Interest Taxes Depreciation and Amortization, profit calculated by adding interest payments and depreciation expenses to the pre-tax profit

(**): https://www.polaris-holdings.com/wp-content/uploads/2021/10/irnews20211022_jp.pdf

As a member of Star Asia Group ecosystem, continue to grow rapidly by seizing opportunities in the ever-changing capital market and hotel supply-demand environment



(*): Ratio of owned hotels to domestic rooms under operation

Strategies to Expand Number of Properties and Operating Rooms and Hotel Investment and Management

Capturing changes in the capital market and hotel supply-demand environment, pursuing **joint investments** with Star Asia Group (sponsor) under favorable conditions, **selling hotel properties** to Star Asia Investment Corporation (REIT), and **contracting hotel management** in a flexible and diverse management structures

Joint Investment with Sponsor

- Through collaboration with the sponsor, proposing a seamless hotel property liquidity process to owners, from management contract to divestment
- Leveraging improving financial conditions, pursuing joint investments with the sponsor in hotel properties based on Polaris operations

Provide Bridge Function to REIT

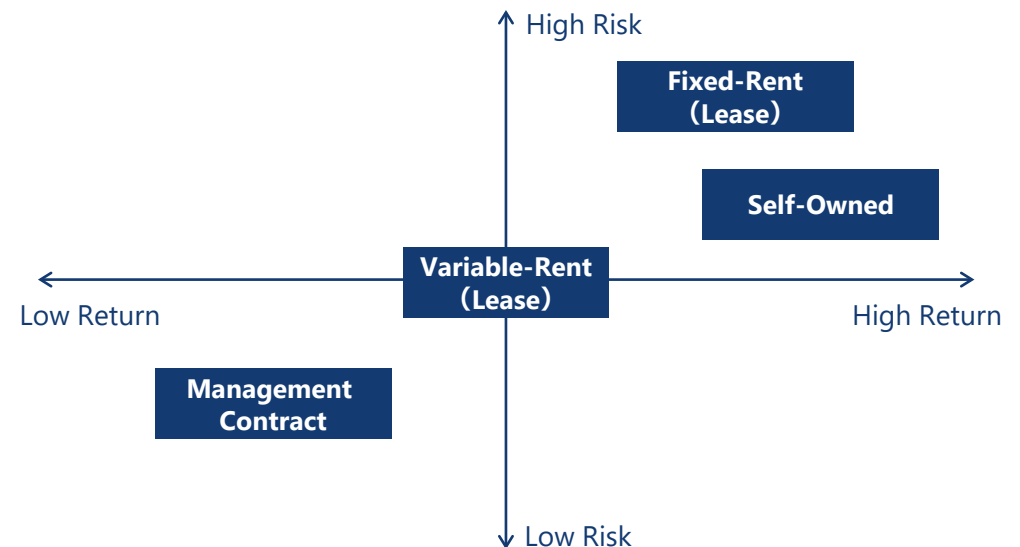
- As a bridge function to the REIT, hold invested hotel properties for a certain period until operation stabilizes, then transfer them to the REIT to secure gains on sales and recycle funds
- Securing long-term operating revenues by executing a long-term lease agreements with the REIT at the time of transfer of the hotel property
- In addition to urban assets, considering acquiring hotel assets with upside potential such as small-scale, regional, and development projects



Investment
Track Record
2 Properties

Flexible and Diverse Management Structure

- Proposing operational models tailored to the hotel owners' preference (fixed-rent, fixed + variable-rent, management contract, self-owned)
- Actively expanding stable "Fee For Service" management contract and variable-rent that balance risk and return
- For hotels with anticipated stable profitability, considering both fixed-rent and self-owned operation



Quantitative Targets for the fiscal year ending March 2027

Setting **new objectives** for the fiscal year ending March 2027 and continue growth strategy

Resumption of dividends in the fiscal year ending March 2025 and implementing **measures committing to shareholder value** while maintaining financial stability

Key Financial Indicator

Consolidated Revenue	Consolidated Operating Income	Consolidated Net Income	Return on Equity (ROE)	Average growth rate of operating profit (*)
JPY 25 billion	JPY 2.9 billion (Operating profit margin over 10%)	JPY 2.5 billion	15%	30%

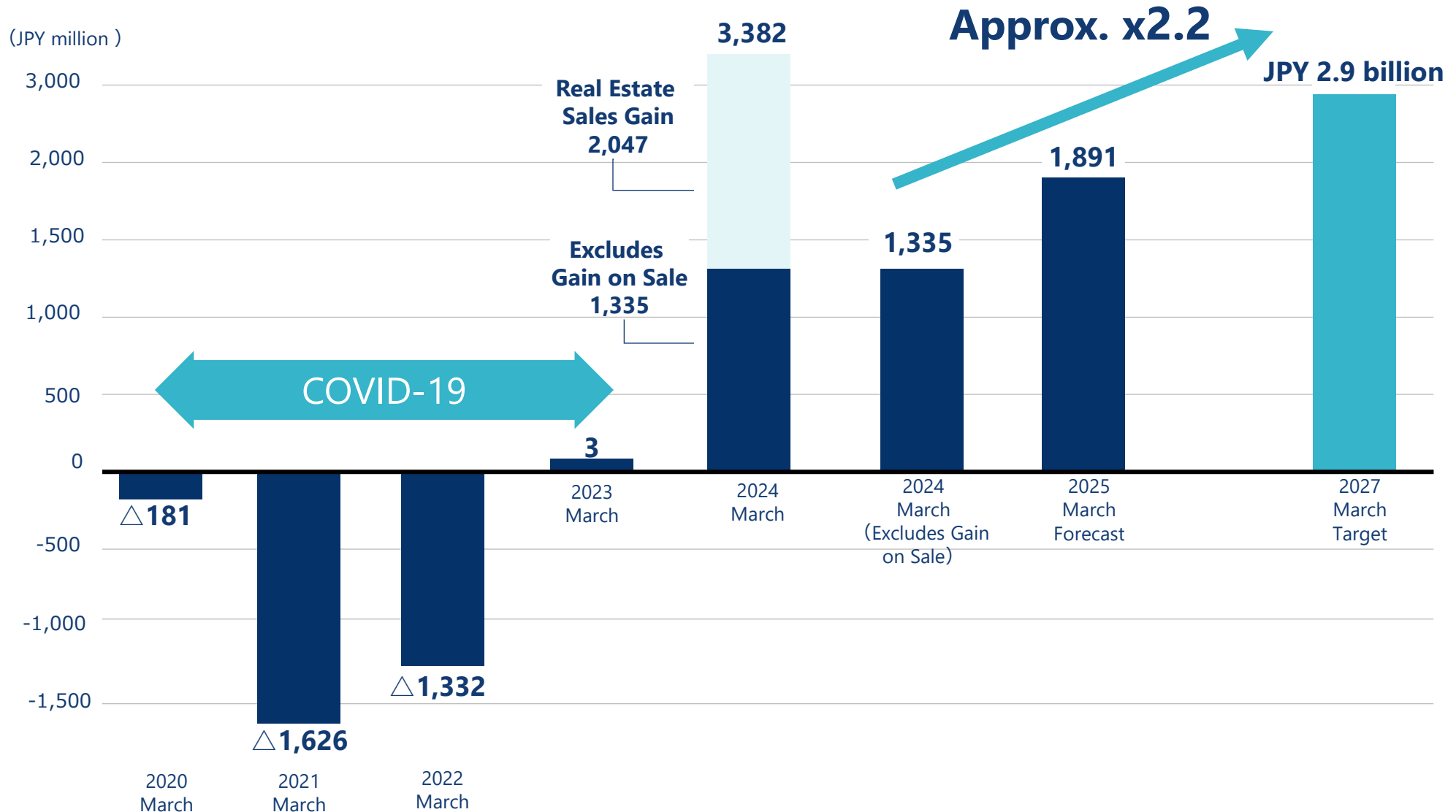
Other Quantitative Targets

 Operating Rooms	 Operating Hotels	 Dividend Payout Ratio
10,000	60	30%

(*): Average growth rate from the fiscal year ending March 2024 actuals excluding one-time gains on sales of real estate

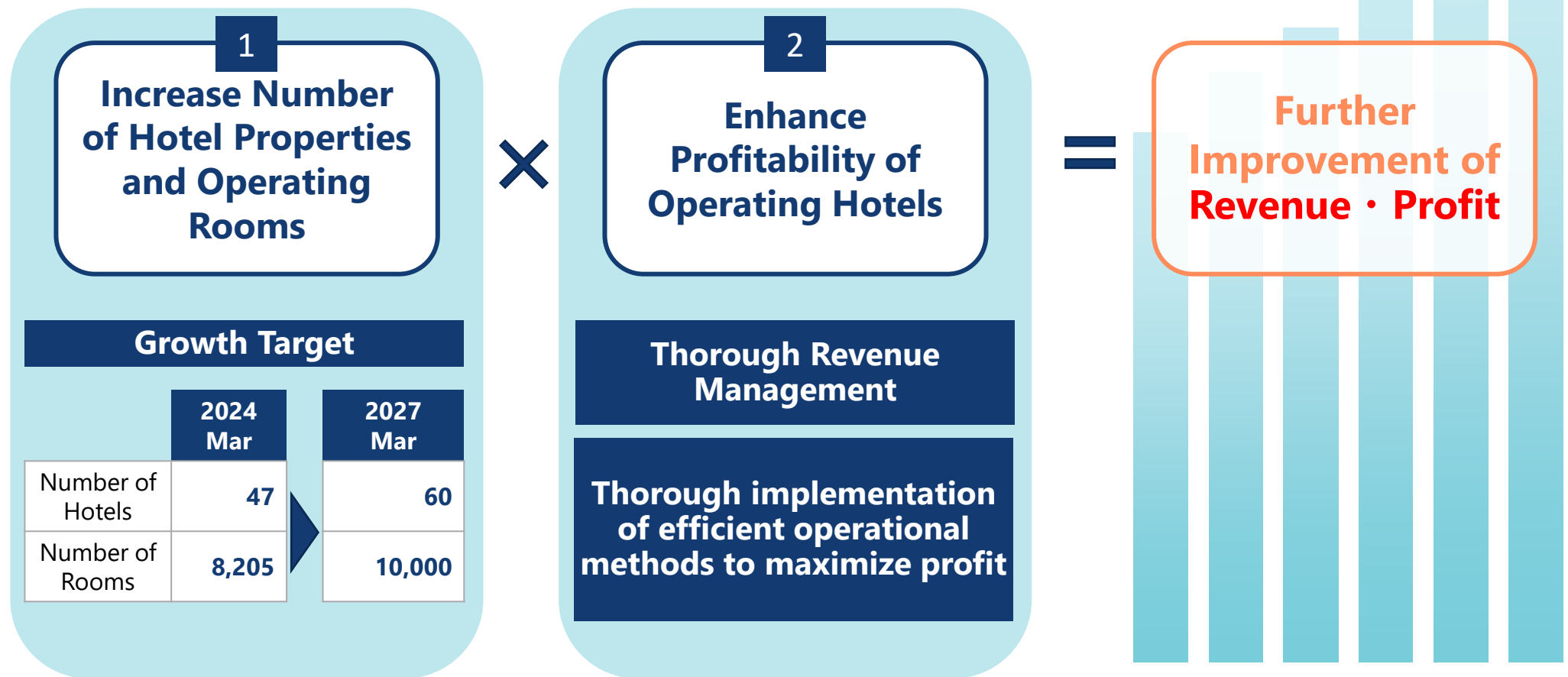
Growth Targets for the fiscal year ending March 31, 2027 (Operating Profit)

Continue to stable and high growth based on the profitability and stability of the business portfolio built through the COVID-19 pandemic



Growth Driver to Achieve Targets

Increase the number of hotel and guest rooms under management and improve profitability to **further improvement of Revenue · Profit**

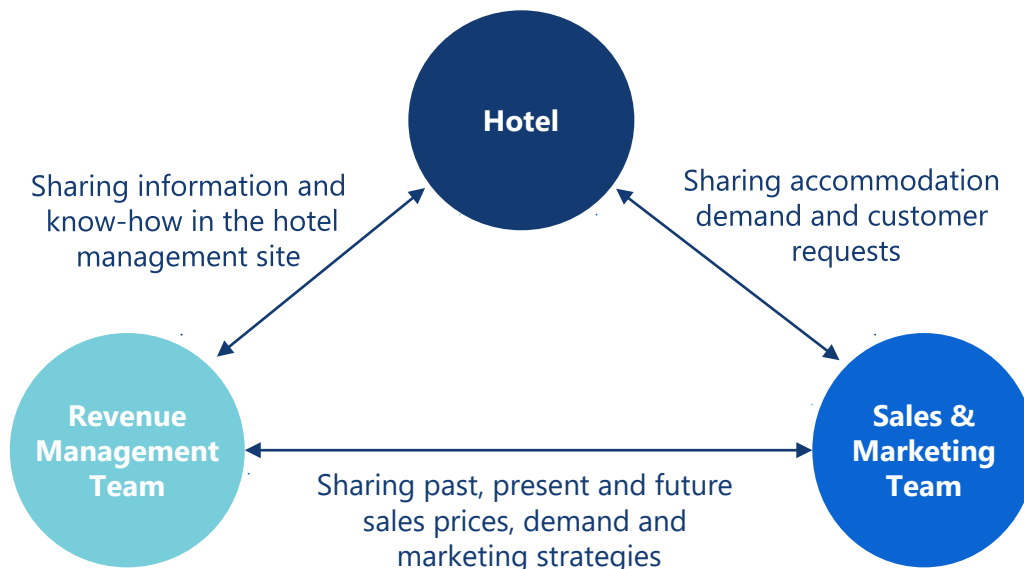


Enhancing Profitability

Maximizing profitability by thorough revenue management, cost containment with break-even point in mind, and outstanding hotel management

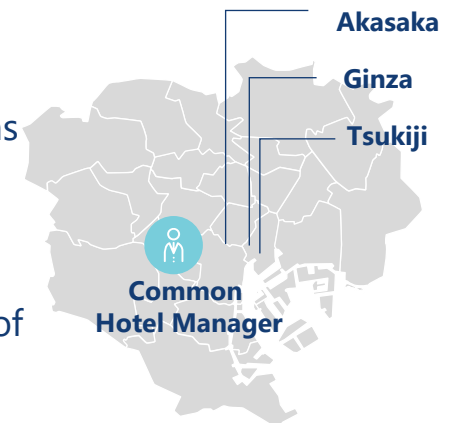
Thorough Revenue Management

- Dedicated revenue management team works closely with hotel site, sales, and marketing teams to implement sophisticated revenue management in line with changes in market demand
- Promote KOKO HOTEL brand through Instagram and other SNS, conduct promotions in the chains, and enhance branding to increase recognition



Efficient Operational Methods to Maximize Profit

- Providing food service • outsourcing based on area characteristics
- ✓ Cost management through outsourcing breakfast service in collaboration with food and beverage tenants on the 1st floor
- ✓ Secure rental income from the tenants
- Improving efficiency of human resource management by taking advantage of location characteristics
- ✓ Securing employment through dominant strategies targeting prime locations near train stations or in prosperous areas
- ✓ Practicing efficient management by sharing managers with neighboring hotels (assignment of area managers)
- ✓ Optimize staff numbers and reducing labor costs through shift efficiency and multi-tasking



Number of Domestic Hotel Properties and Rooms and New Hotel Opening Plan

Since March 2024, **already confirmed to open 3 new hotel properties and 753 rooms**, and aiming for further expansion

Hotel Properties :33

Rooms Operated :5,752

※As of March 31, 2024

**March 2024
47 Properties**



**March 2026
51 Properties**



**March 2027
60 Properties**

Kinki

- KAYA Kyoto Nijo Castle
- SureStay PLUS Hotel by Best Western Shin-Osaka
- Best Western Osaka Tsukamoto
- Best Western PLUS Hotel Fino Osaka Kitahama
- Best Western Hotel Fino Osaka Shisaibashi
- KOKO HOTEL Kobe Sannomiya
- KOKO HOTEL Osaka Namba
- KOKO HOTEL Osaka Shisaibashi
- **KOKO HOTEL Osaka Nippombashi Namba Annex (2025 Spring)**

Kyushu

- Best Western Plus Fukuoka Tenjin-minami
- KOKO HOTEL Fukuoka Tenjin
- KOKO HOTEL Premier Kumamoto
- KOKO HOTEL Kagoshima Tenmonkan

Chugoku

- KOKO HOTEL Hiroshima Ekimae

Hokkaido

- KOKO HOTEL Sapporo Odori
- KOKO HOTEL Sapporo Station
- Best Western Plus Hotel Fino Chitose

Tohoku

- KOKO HOTEL Sendai Kotodai Park
- KOKO HOTEL Sendai Station West
- KOKO HOTEL Sendai Station South
- Value The Hotel Sendai Natori
- Value The Hotel Ishinomaki
- Value The Hotel Naraha Kidoekimae
- Value The Hotel Higashimatsuhima Yamot

Kanto

- Best Western Hotel Fino Tokyo Akasaka
- Best Western Hotel Fino Shin-Yokohama
- KOKO HOTEL Residence Asakusa Kappabashi
- KOKO HOTEL Residence Asakusa Tawaramachi
- KOKO HOTEL Premier Nihonbashi Hamacho
- KOKO HOTEL Ginza 1-chome
- KOKO HOTEL Tsukiji Ginza
- **KOKO HOTEL Kaihin-Makuhari (2026 Spring)**

Chubu

- KOKO HOTEL Nagoya Sskae
- KOKO HOTEL Premier Kanazawa Korinbo
- Best Western PLUS Nagoya Sakae

Okinawa

- **KOKO HOTEL Naha Maejima (2027 Spring)**

Overseas (Philippines) Number of Hotel Properties and Rooms

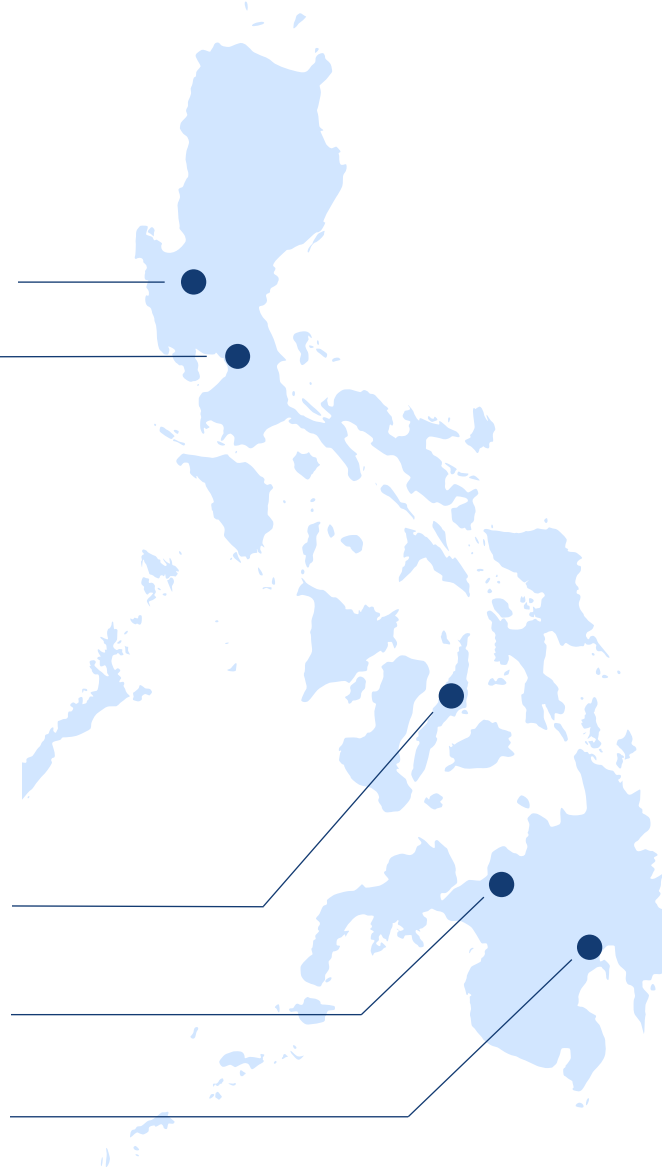
Red Planet Hotel subsidiaries operate and owns 14 hotel properties in Philippines, making it **country's second-largest limited-service hotel chain**

Hotels :14

Rooms Total :2,453



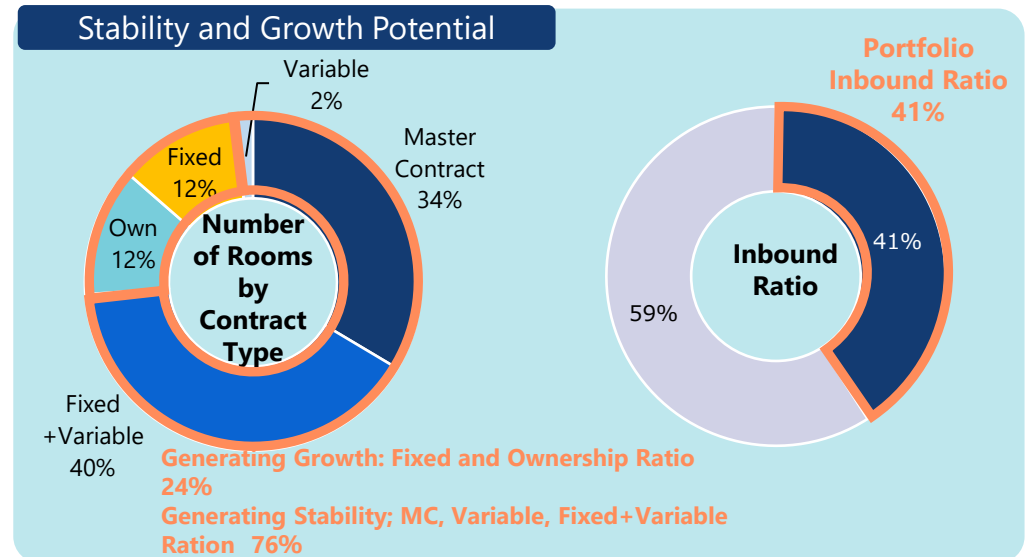
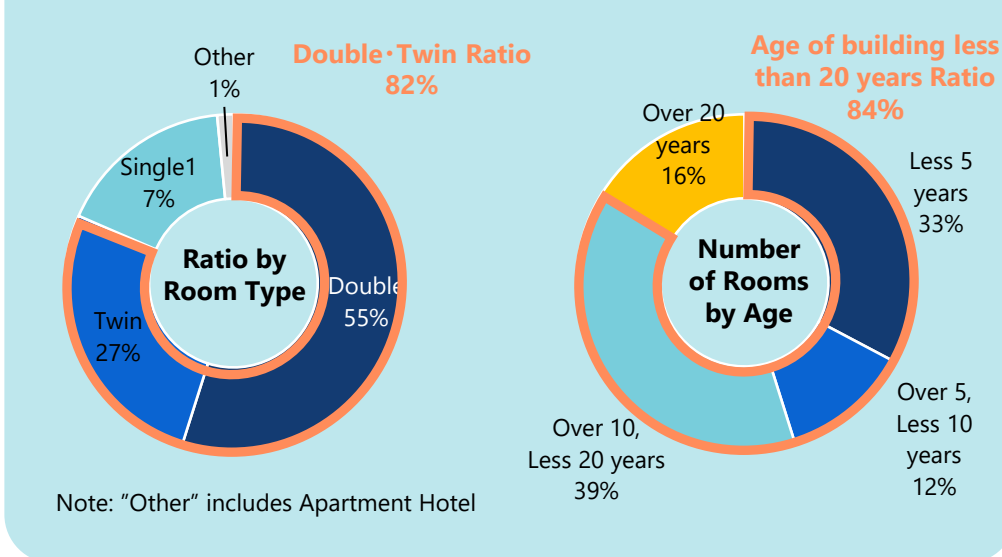
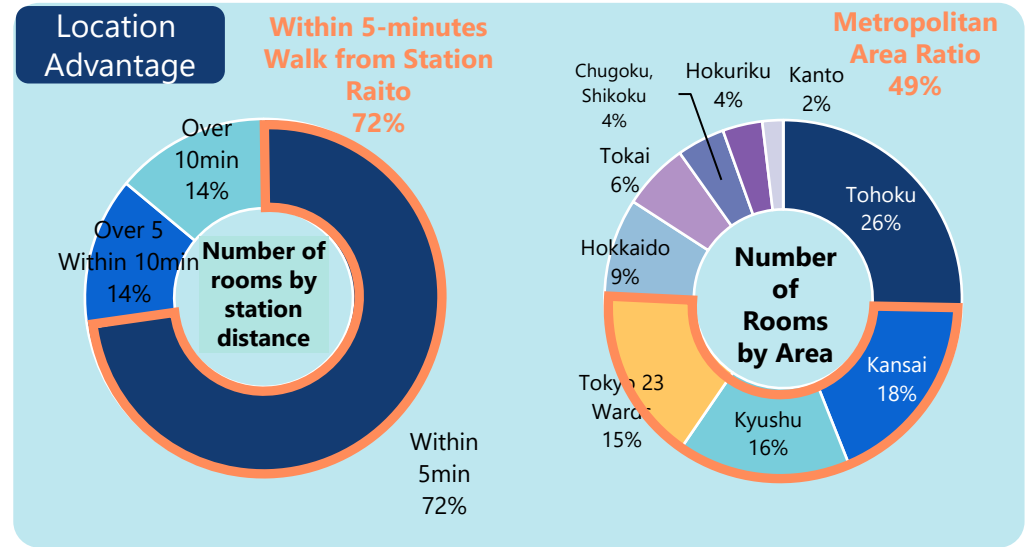
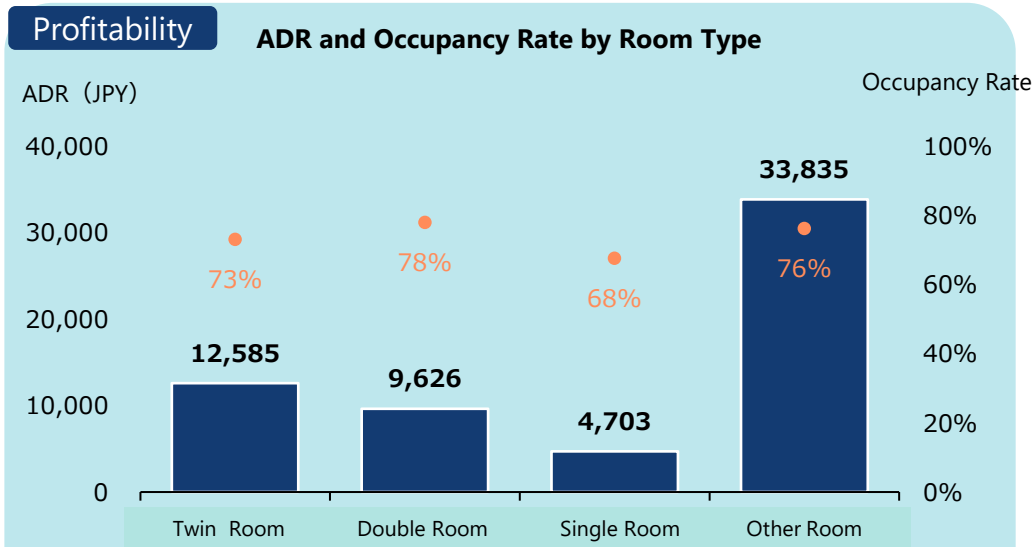
● Red Planet Angeles City	165 Rooms
● Red Planet Manila Ortigas	182 Rooms
● Red Planet Cubao Aurora Boulevard	167 Rooms
● Red Planet Manila Aseana City	200 Rooms
● Red Planet Manila Amorsolo	189 Rooms
● Red Planet Manila Mabini	167 Rooms
● Red Planet Manila Bay	150 Rooms
● Red Planet Manila Binondo	171 Rooms
● Red Planet Manila Makati	213 Rooms
● Red Planet Quezon Timog	140 Rooms
● Red Planet BGC The Fort	245 Rooms
● Red Planet Cebu	150 Rooms
● Red Planet Cagayan de Oro	159 Rooms
● Red Planet Davao	155 Rooms



(*): Research by the company, Rank based on number of hotels in operation

Portfolio with Profitability · Location Advantage · Growth Potential

“Company of Choice” in line with hotel demand, building a portfolio efficiently captures increasing leisure and inbound demand



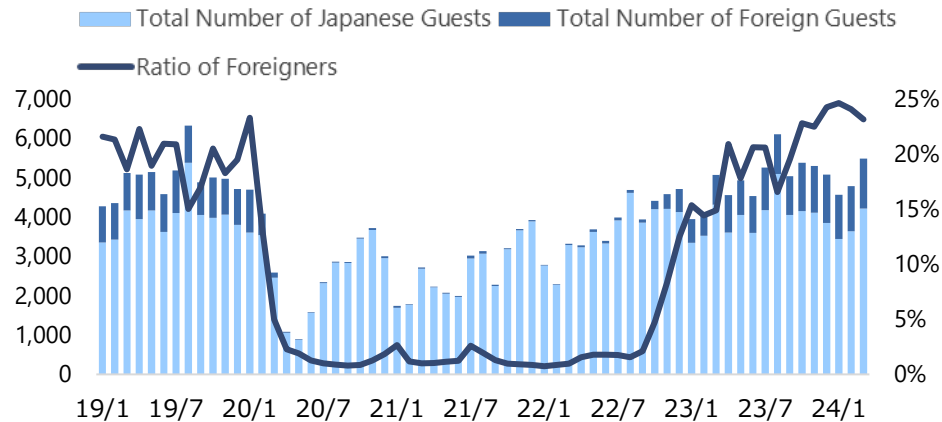
(*):The figures represent actuals for domestic hotels in the fiscal year March 2024

Business Environment Analysis

~Hotel Market (1)

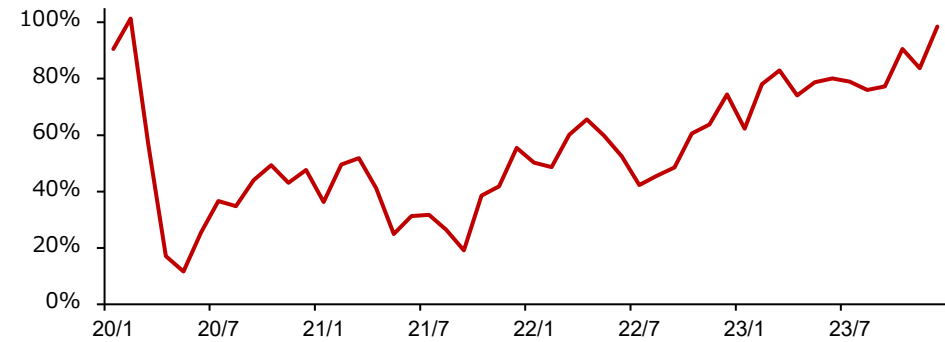
Domestic hotel accommodation demand grew by capturing **domestic and inbound leisure and business demand**

Total number of overnight guests nationwide since 2019 (in thousand)



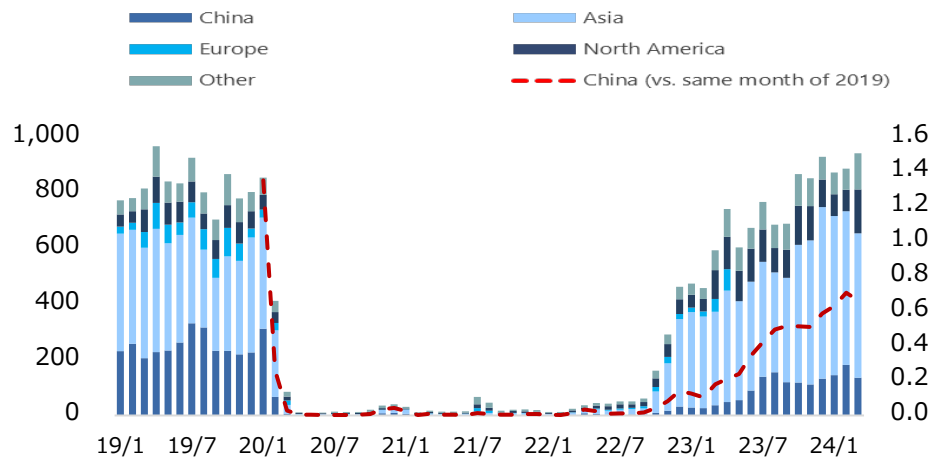
Source: Japan Tourism Agency's "Accommodation Survey" (Complied by the Company)

Average number of business trips/travel (compared to the same month in 2019)



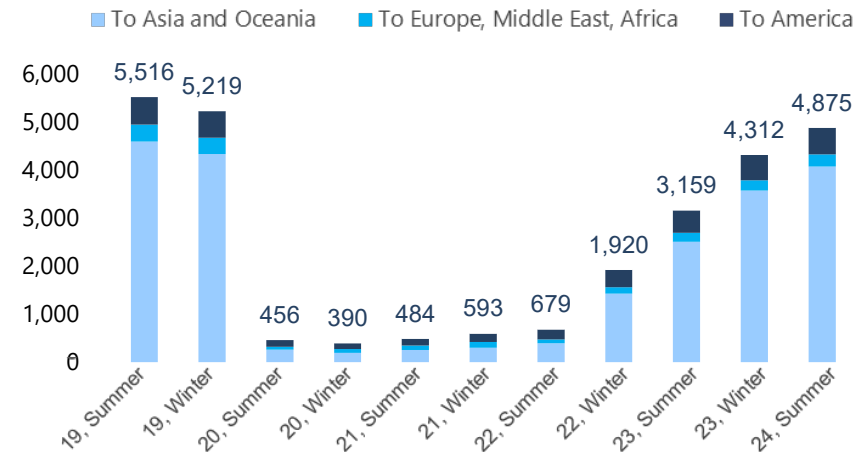
Source: Japan Tourism Agency's "Travel and Tourism Consumer Confidence Survey" (Complied by the Company)

Total number of inbound overnight guests by nationality and place of origin since 2019



Source: Japan Tourism Agency's "Accommodation Survey" (complied by the Company)

The number of international scheduled passenger flights since 2019



Source: Ministry of Land, Infrastructure, Transport and Tourism's "About Approval of Business Plans for the 2024 Summer Schedule Period" (complied by the Company)

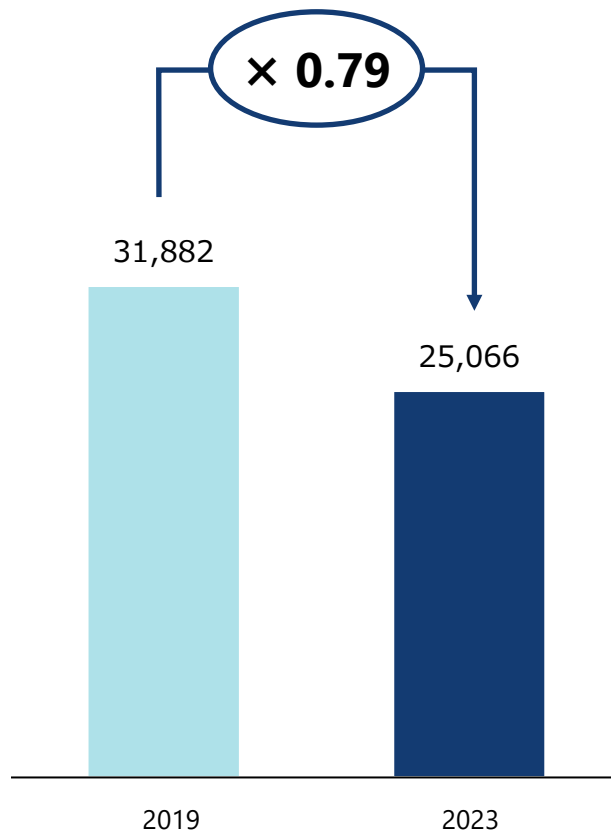
Business Environment Analysis

~Hotel Market (2)

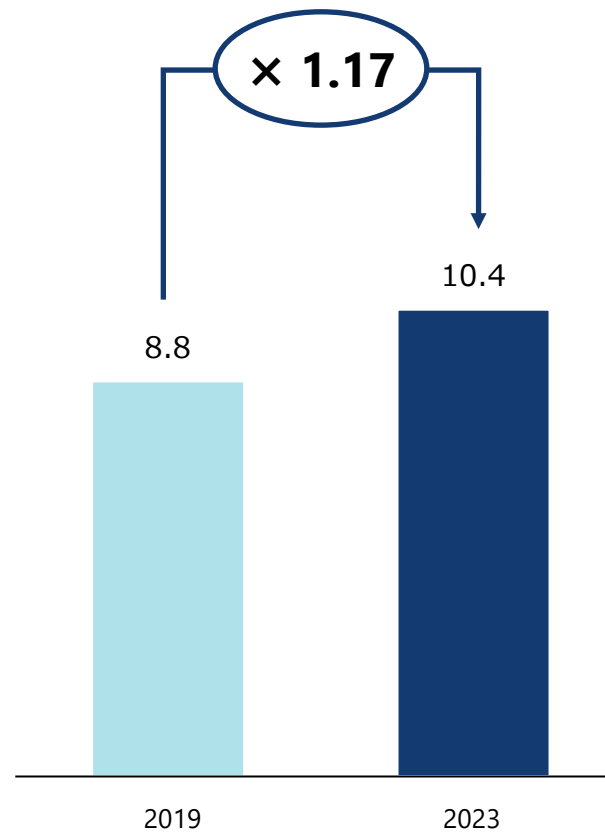
The growth drivers for the hotel market are ① Recovery of inbound tourists from China, ② Lengthening of stay, ③ Increase in travel spending

Qualitative changes in inbound visitors

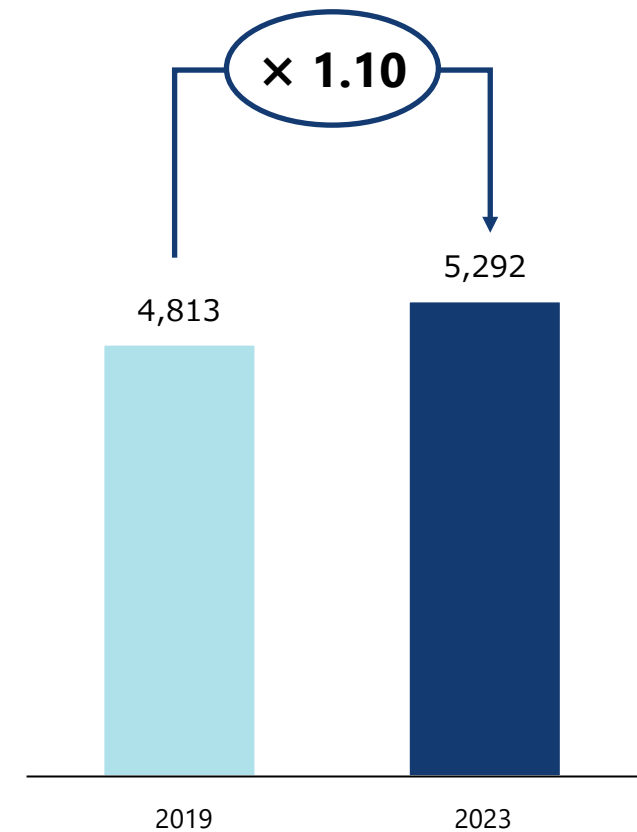
Number of Inbound (thousand)



Average Stay (night)



Spending by Inbound (JPY 1 billion)

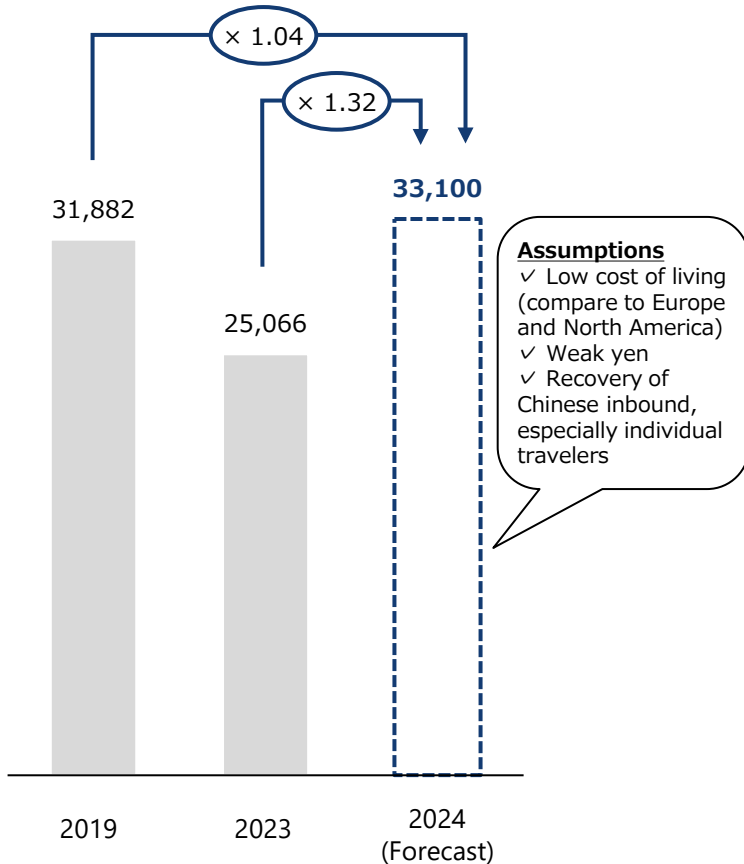


Recovery of inbound continues, surpassing pre-COVID levels

In addition to the return of tourists from China, an **increase in inbound from Asia** is also expected

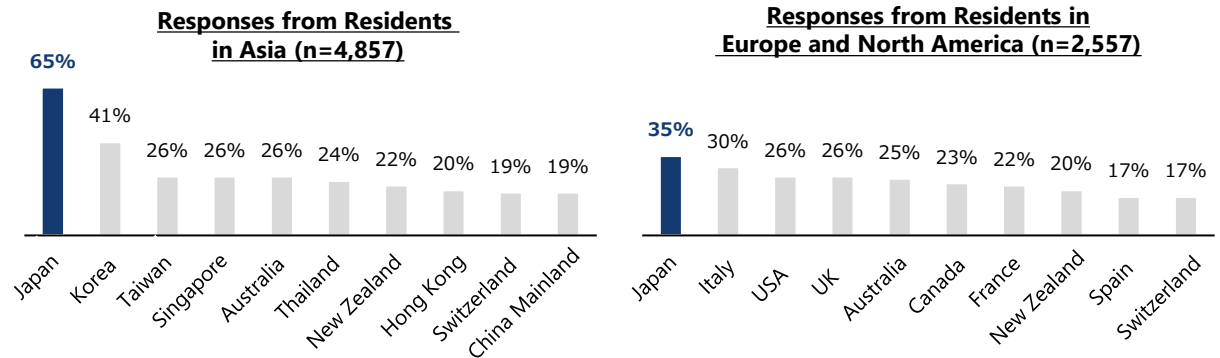
Potential for further increase in inbound

Trend in Number of Inbound (thousand)

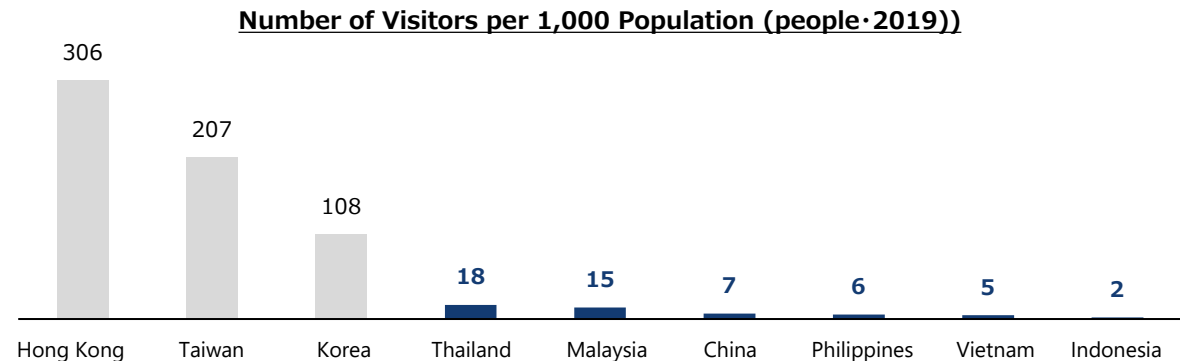


Results of a Survey on the Intention of Overseas Residents to travel (conducted in July 2023)

Q : Countries or regions want to travel next (Top 10)



Potential of Inbound from Asia based on Population



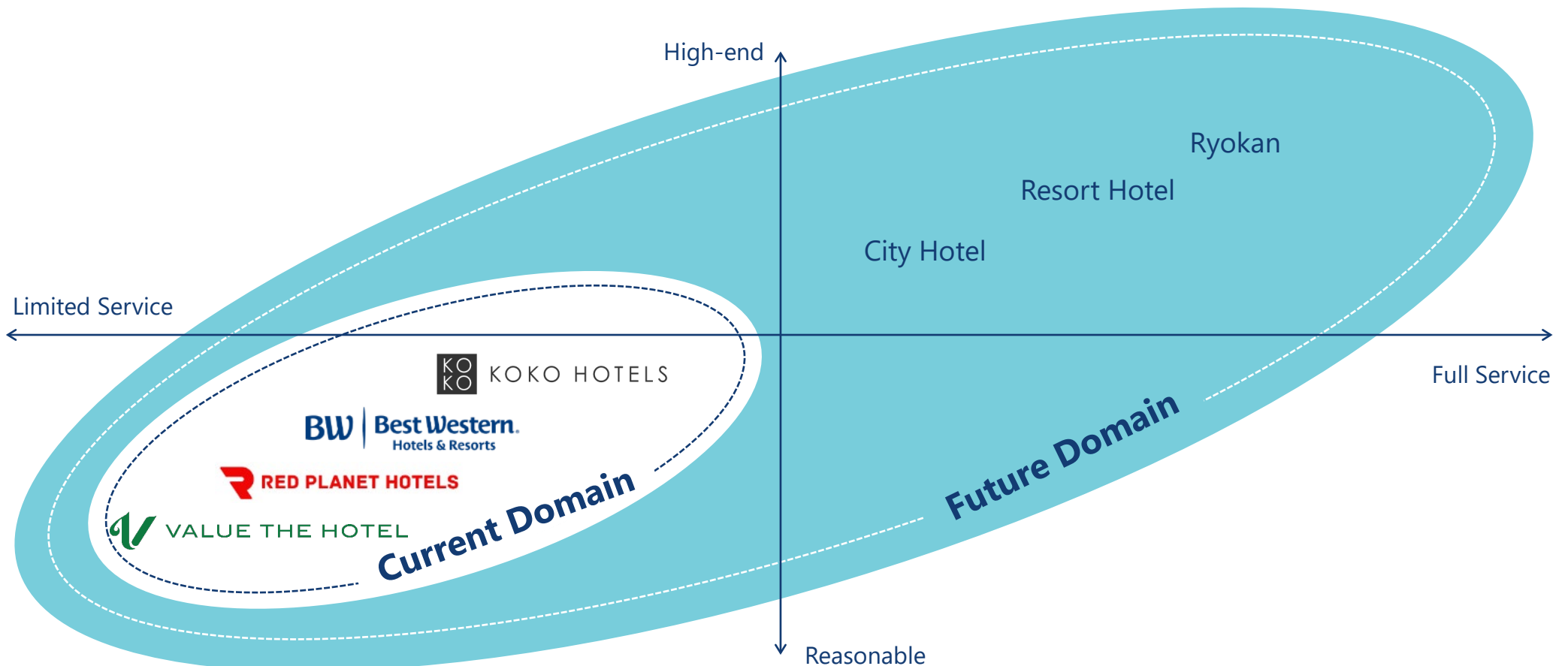
Source: Japan National Tourism Organization (JNTO) "Statistics of Foreign Visitors to Japan", JTB "2024 (Travel Trends Forecast for January~December), DBJ·JTB "Survey on Intentions of Asian, European, American and Australian Inbound Tourists (2023 Edition)", and compiled by the Company based on data from the Statistics Bureau of the Ministry of Internal Affairs and JNTO "Statistics of Foreign Visitors to Japan"

Appendix

Expansion of Operating Platform

In addition to expansion of limited-service hotel, enhancing organizational management capabilities to **challenge new hotel types** such as resorts, ryokan, and full-service hotels

Pursing to expand number of operating rooms through M&A



Human Resource Strategy

~ Basic Measures to Secure Human Resources

Optimizing recruitment and training costs by **securing and developing excellent human resources** through flexible recruitment methods and expanding training programs, with length of service as a KPI

1

New Initiatives in Recruitment

- Start Recruiting New Graduates
- Efficiency in Recruitment Cost through RPO Implementation
- Creating an Attractive Work Environment by Improving Compensation
- Proactive use of Internship Programs and Specified Skill Programs

2

Development Program aimed at Improving Management Skills and Expertise

- Introducing practical training tools such as flexible online trainings and review OJT trainings
- Transitioning to “Principle to Proper Promotion” system based on enhanced training and development of hotel staff and managers
- Strengthening management training to foster leaders who are trusted by their subordinates
- Supporting career development (collaboration with external training programs)
- Introducing foreign language training and personnel exchange with overseas hotels

Human Resource Strategy

~ Basic Measures to Utilize Human Resources

Create an “exciting” workplace where every employee shines by improving Employee Satisfaction (ES) through expansion and revision of personnel and training system, discovering latent abilities, and utilizing resources effectively by placing employee in suitable positions

1

Improvement of Employment Environment

- Review the salary system to ensure that the results of personnel evaluations are fairly reflected in wages
- Improving ratio of female managers
- Implementation of diverse employment forms and internal rotations (talent exchange)
- Effective use of internal resources through internal recruitment

2

Employee Retention (Improvement of Turnover)

- Introduction and steady operation of a new evaluation system that visualizes individual abilities and contributions to the company
- Expansion of welfare benefits (introduction of employee stock ownership plan, enhancement of internal events)
- Monitoring Employee Satisfaction (ES)

3

Creating Attractive Workplace Through Corporate Culture Reform

- Global perspectives
- From individual to team
- Creating an enjoyable workplace
- Conducting interdepartmental networking events



~Towards the Next 100 Years~

Since the establishment in 1912, the Company has continued business despite facing various challenges over 100 years. This longevity is undoubtedly attributed to the support of customers, employees, stakeholders, and all those associated with the Polaris group.



The Polaris group recognizes the importance of E (Environment) S (Society) G (Governance) initiatives in order to co-create medium to long term social value with all stakeholders for the next 100 years and is committed to promoting such initiatives.

Through efforts to resolve ESG challenges, strive to ensure that customers can use hotels with peace of mind, to create a safe and secure workplace, and to contribute to the local community.

Relationship with SDG

Challenges

Initiatives

 Customer	 	<ul style="list-style-type: none"> ● Safety and Security ● Respect for Human Dignity 	<ul style="list-style-type: none"> ● Hospitality ● Hotel Disaster and Fire Prevention Measures ● Food Safety
 Employee	 	<ul style="list-style-type: none"> ● Labor Safety 	<ul style="list-style-type: none"> ● Creating Safe and Secure Workplaces ● Enhancing Employee Engagement
 Society · Environment	   	<ul style="list-style-type: none"> ● Contribution to the Local Community ● Environment 	<ul style="list-style-type: none"> ● Amenity Buffet ● Plastic-Free ● Collaboration with Local Community ● Hosting Town Revitalization Events
 Corporate Ethics		<ul style="list-style-type: none"> ● Governance · Compliance 	<ul style="list-style-type: none"> ● Enhancing Governance ● Thorough Compliance ● Implementing SDG Training
 Diversity		<ul style="list-style-type: none"> ● Respect for Human Dignity ● Respect for Diversity ● Skills Development 	<ul style="list-style-type: none"> ● Promoting Diversity ● Individual Skills Development

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However, there are risks that could cause actual results to differ materially from those contained in the forward-looking statements due to the occurrence of extraordinary circumstances or unforeseeable result that could not have been foreseen in the ordinary course of events.

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