



Financial Highlights: Strong Performance and Asset Sale Drive Earnings

- Due to the strong performance of the hotels under management, Polaris achieved financial results exceeding the forecast announced on November 14, 2023, and recorded the highest profit since Star Asia Group became the sponsor in 2018 . Overseas business also achieved solid operating income profit.
- All financial KPIs grew significantly compared to the previous year due to gains from the sale of two hotel assets (approximately JPY2.05 billion).
- Net income exceeded ordinary income due to one-time extraordinary income (approximately JPY406 million) from lease contract cancellations and recording of deferred tax assets by utilizing loss carryforwards.

[Consolidated] Unit: JPY Million	FY3/2024 (Actual)			Forecast (2023/11/14)	FY3/2023 (Actual)	Change vs Forecast	
	Domestic	Overseas	Total			Amount	Rate (%)
Sales	20,415	2,130	22,545	22,100	7,018	+445	+2.0%
Operating Income	3,203	180	3,382	3,070	3	+312	+10.2%
Ordinary Income	2,910	△301	2,609	2,340	△215	+269	+11.5%
Net Profit Attributed to Parent Company	3,370	△72	3,297	2,670	534	+627	+23.5%

Finalcial Highlights: Strong Growth Across All Segments

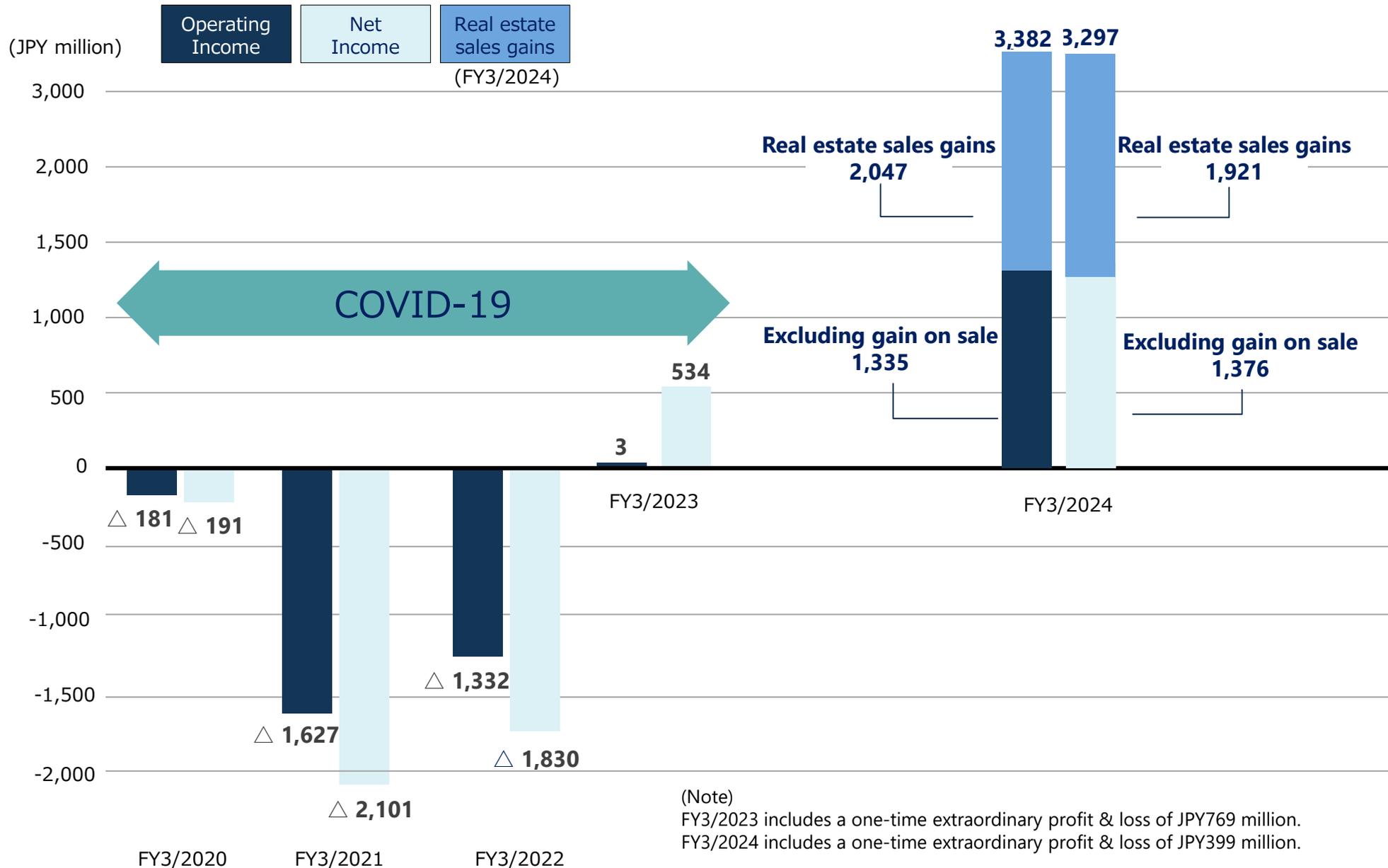
- The hotel business sales doubled and operating income increased approximately 3.5x year on year (YoY) reflecting a continuing strong recovery in hotel demand, an increase in the number of rooms under management, and the positive performance of the overseas business (Red Planet).
- The real estate business showed a significant increase in both sales and operating income due to the sale of two hotels, Best Western Plus Fukuoka Tenjin Minami and Fino Hotel Sapporo Odori (currently KOKO HOTEL Sapporo Odori).

[By Segment] Unit: JPY million		FY3/2024 (Actual)	FY3/2023 (Actual)	Change vs FY3/2023	
				Amount	Rate (%)
Hotel Business	Sales	14,507	6,999	+7,508	+107.3%
	Operating Icome	2,026	588	+1,438	+244.4%
Real Estate Business	Sales	8,039	19	+8,020	–
	Operating Income	2,044	△300	+2,344	–

(Note) Intersegment transactions are excluded.

Financial Highlights: Best Annual Result in 5 years

- **Achieved the highest operating income and net income** for the last five fiscal years even after excluding the impact of one-time gain on asset sales (approximately JPY2.05 billion).



New Hotel Openings – Keep Expanding Platform with Strong Pipeline

- **Opened 6 new hotels with 1,035 rooms in Japan and overseas**, further expanding our management platform in FY3/2024 which will drive future ongoing profitability.
- **Obtaining hotel operation mandates from new third-party owners** leveraging the Group’s capabilities.
- Pipeline for next FY and beyond includes **3 new hotels with 753 rooms. Further growth to be expected.**

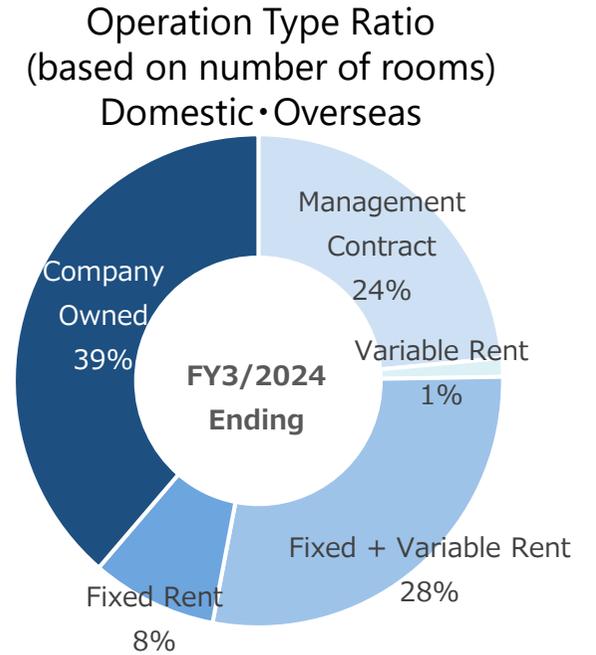
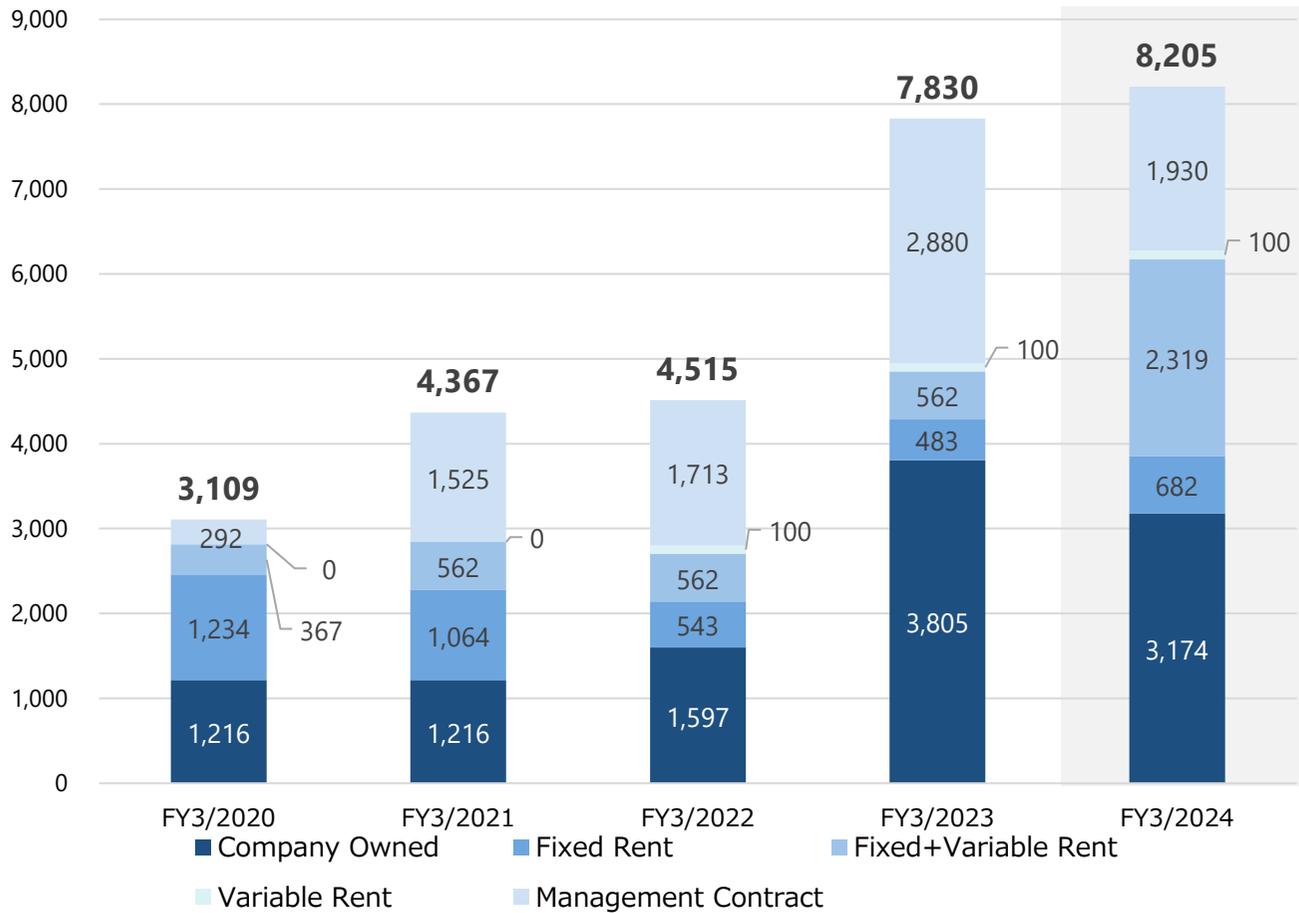
Opened in FY3/2024					
Management Contract			Variable rent Lease Contract		Company Owned
KAYA Kyoto Nijo Castle BW Signature Collection by Best Western	KOKO HOTEL Sendai Kotodai Park	KOKO HOTEL Sendai Station West	KOKO HOTEL Sendai Station South	Best Western Plus Nagoya Sakae	Red Planet BGC The Fort
					
April 2023 Open Kyoto City 57 rooms	September 2023 Open Sendai city 230 rooms	September 2023 Open Sendai city 170 rooms	September 2023 Open Sendai city 190 rooms	March 2024 Open Nagoya city 143 rooms	December 2023 Open Bonifacio Global City, Philippines 245 rooms
Third Party Owner	Star Asia Group			Third Party Owner	Company-owned

New Pipeline		
FY3/2026	FY3/2027	FY3/2028
Management Contract	Management Contract	Variable rent Lease Contract
KOKO HOTEL Osaka Nihonbashi Namba	KOKO HOTEL Kaihin Makuhari	KOKO HOTEL Naha Maejima
Spring 2025 Open Osaka city 320 rooms	Spring 2026 Open Chiba city 301 rooms	Spring 2027 Open Naha City 132 rooms
Third Party Owner	Star Asia Group	Third Party Owner

Optimizing Portfolio to Maximize Growth and Stability

- **Building hotel management portfolio which balances both growth potential and stability** with: (1) management contracts, variable-rent, and fixed + variable rent leases with fee-based and lower break-even points, and (2) fixed-rent leases and company owned hotels with more upside potential.

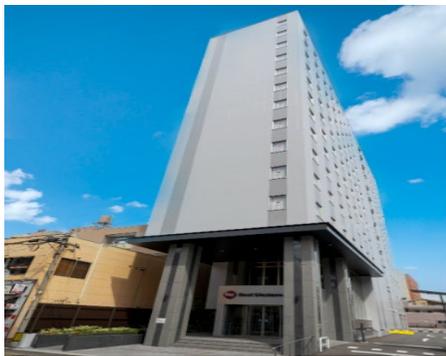
Unit: room



(Note) The number of rooms above includes the number of rooms operated in the Philippines.

Proactive Acquisition and Sale of Hotel Assets - Enhance Capital Recycle

- During the distressed hotel market caused by the pandemic, Polaris strategically acquired hotel assets at a discount and then sold them when the market recovered. The Company recorded operating income of approximately JPY2.05 billion, realizing gains, while securing capital for growth, and improving its overall financial position.

	Properties sold in FY3/2024		Properties under investment
	Best Western Plus Fukuoka Tenjin Minami	Fino Hotel Sapporo Odori (Currently KOKO HOTEL Sapporo Odori)	KOKO HOTEL Tsukiji Ginza
			
Acquisition date	April 2021	December 2021	April 2021
Acquisition price	JPY2,730 million	JPY3,180 million	Not disclosed
Sale price	JPY3,800 million	JPY4,200 million	-
Note	<ul style="list-style-type: none"> • The Company had purchased the hotel properties owned by a third party that was previously operated by Polaris Group under long-term fixed rent lease agreements. • Upon purchase, terminated the existing lease agreement, substantially reducing the fixed rent payment obligation, and successfully realized gains on the properties through the sale in FY3/2024. • The Company continues to operate the hotels even after the sale, and secured earnings linked to business performance through a rent structure that combines fixed and variable rent. 		<ul style="list-style-type: none"> • The Company and the sponsor jointly purchased the property (Polaris stake: 6.9%) • As co-owner/operator, the Company is entrusted with the operation through a fee-based management contract and has secured unrealized profits on property.

Initiatives to Improve Profitability by Changing Operating Structure

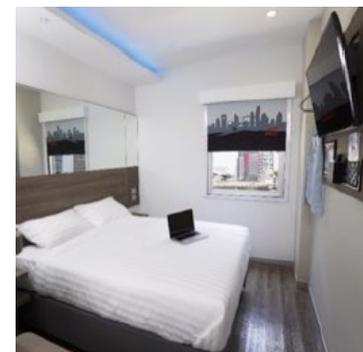
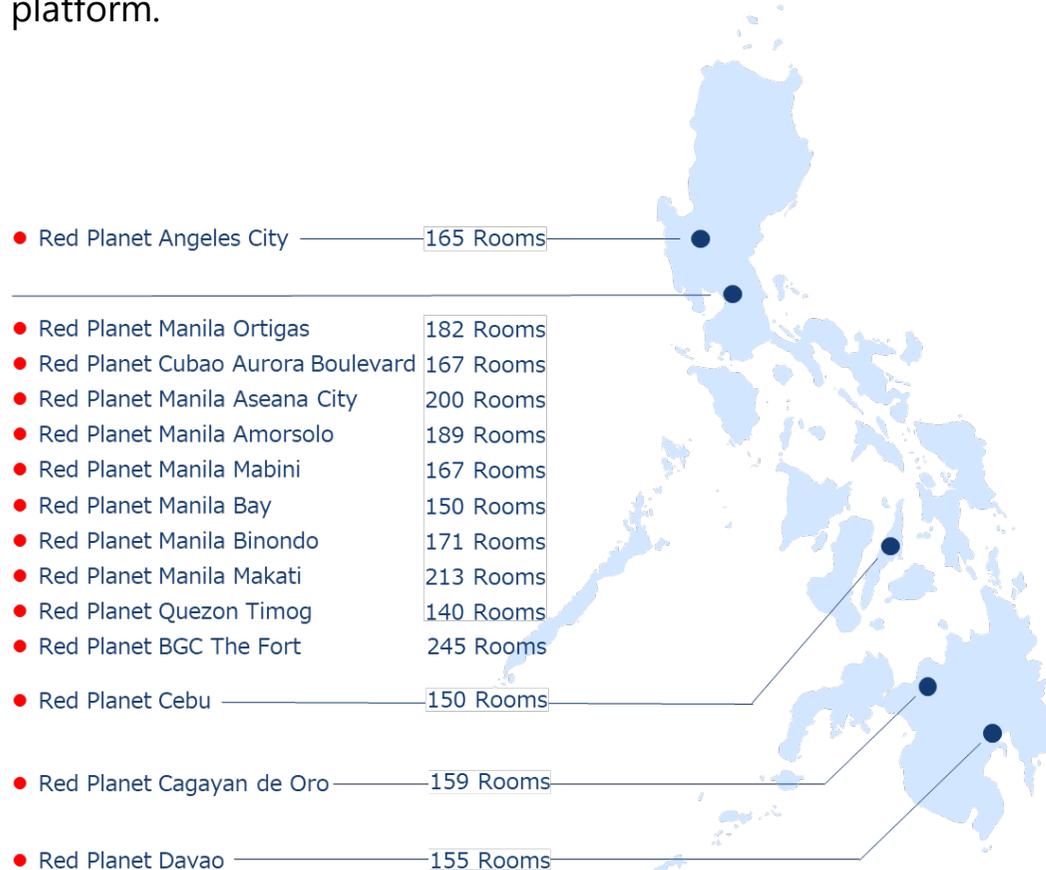
- To leverage the positive changes in the market environment after the pandemic, Polaris tactically changed the management structure of operating contracts to secure stronger profits over the medium to long term.

Subject Hotels	Before Change	After Change	Effect of Change
KOKO HOTEL Ginza 1-chome KOKO HOTEL Sapporo Station KOKO HOTEL Fukuoka Tenjin KOKO HOTEL Hiroshima Station KOKO HOTEL Kagoshima Tenmonkan	Management Contract	Lease agreement (Fixed + Variable Rent)	Following acquisition of the properties by Star Asia REIT, long-term lease agreements with fixed + variable rent were concluded, ensuring long-term earning base while hedging the risk of market volatility.
Best Western Fukuoka Tenjin Minami Fino Hotel Sapporo Odori (Now KOKO HOTEL Sapporo Odori)	Company-owned	Lease agreement (Fixed + Variable Rent)	Along with the sale of the properties from the Company group to Star Asia REIT, concluded long-term lease contract with fixed + variable rent to continue the operation. Secured a long-term profit base while hedging risk of market volatility.
KOKO HOTEL Premier Nihonbashi Hamacho KOKO HOTEL Kobe Sannomiya	Management Contract	Lease agreement (Fixed Rent)	Started operations during pandemic, and initially hedged risks by entering management contract with Star Asia Group. Upon market recovery, significantly improved profitability by switching to a fixed-rent lease contract to make higher returns.

Growth Accelerates in Overseas Business



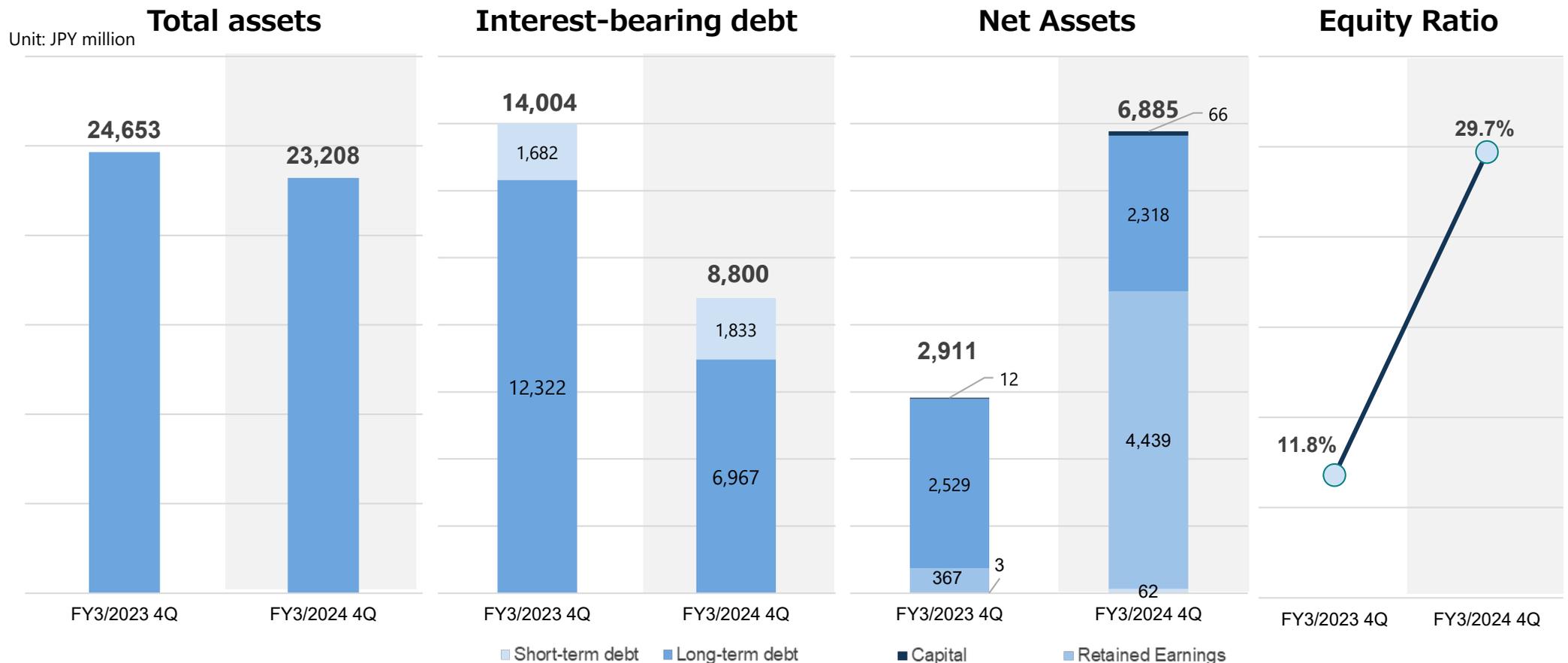
- The Group acquired 100% of the shares of a corporate group that owns and operates “Red Planet” brand select-service hotels in the Republic of the Philippines, making it a wholly owned subsidiary and **positively contributing to business results from the current fiscal year.**
- Currently operating **14 hotels (2,453 rooms)** in the Philippines, making it **the country's second largest select-service hotel chain***. Out of the 14 hotels, 12 hotels own the buildings and lease land, while 2 hotels own both the land and building, making it an owner-operator model, which can minimize the leakage of profit to third parties.
- In October 2023, the Polaris Group **completed the additional acquisition of Red Planet Hotels Manila Corporation** which owns and operates **“Red Planet BGC The Fort”** (245 rooms, soft-opened in December 2023) located in the prime Bonifacio Global City area, further contributing to the expansion of the Group’s operating platform.



(*) Based on the Company’s research, ranking based on the number of hotels operated.

Financial Strength Further Improved while Securing Capital for Growth

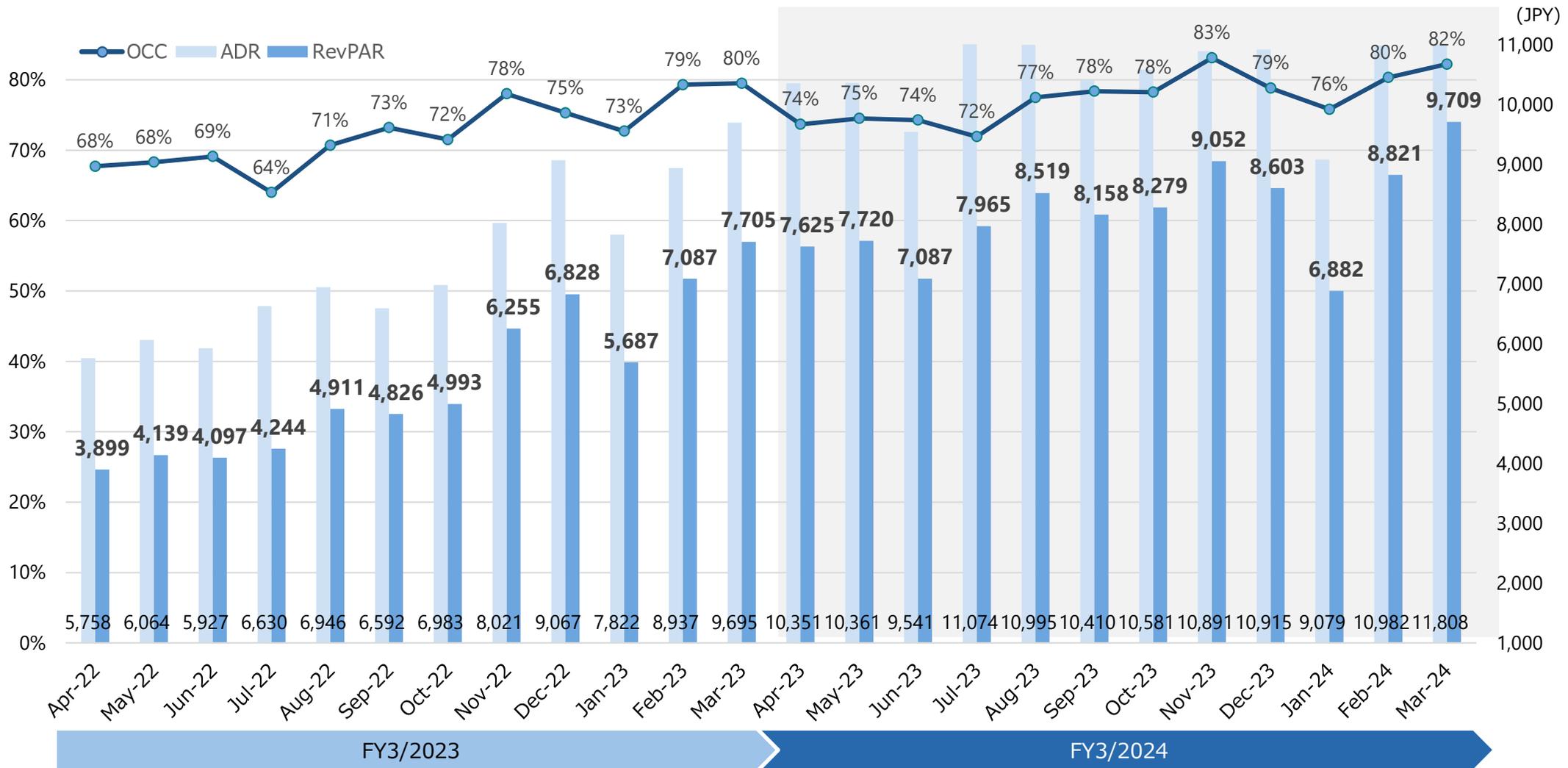
- **Interest-bearing debt decreased** following the repayment of related loan upon sale of hotel assets.
- Net income growth and the exercise of warrants **significantly improved the equity ratio, resulting in a healthy and strong financial position.**
- **Expecting to significantly reduce interest payments for the overseas business (approximately JPY216 million over three years)** through early redemption of corporate bonds as well as new borrowings at significantly lower interest rates from sponsor.



(Note 1) Excluding lease obligations
 (Note 2) The repayment deadline for long-term debt is over one year.

Domestic Hotels: Strong RevPAR Growth Continues

■ **Revenue per available room (RevPAR) significantly increased**, driven by an increase in the hotel ADRs through revenue management initiatives that aggressively capture changes in room demand.

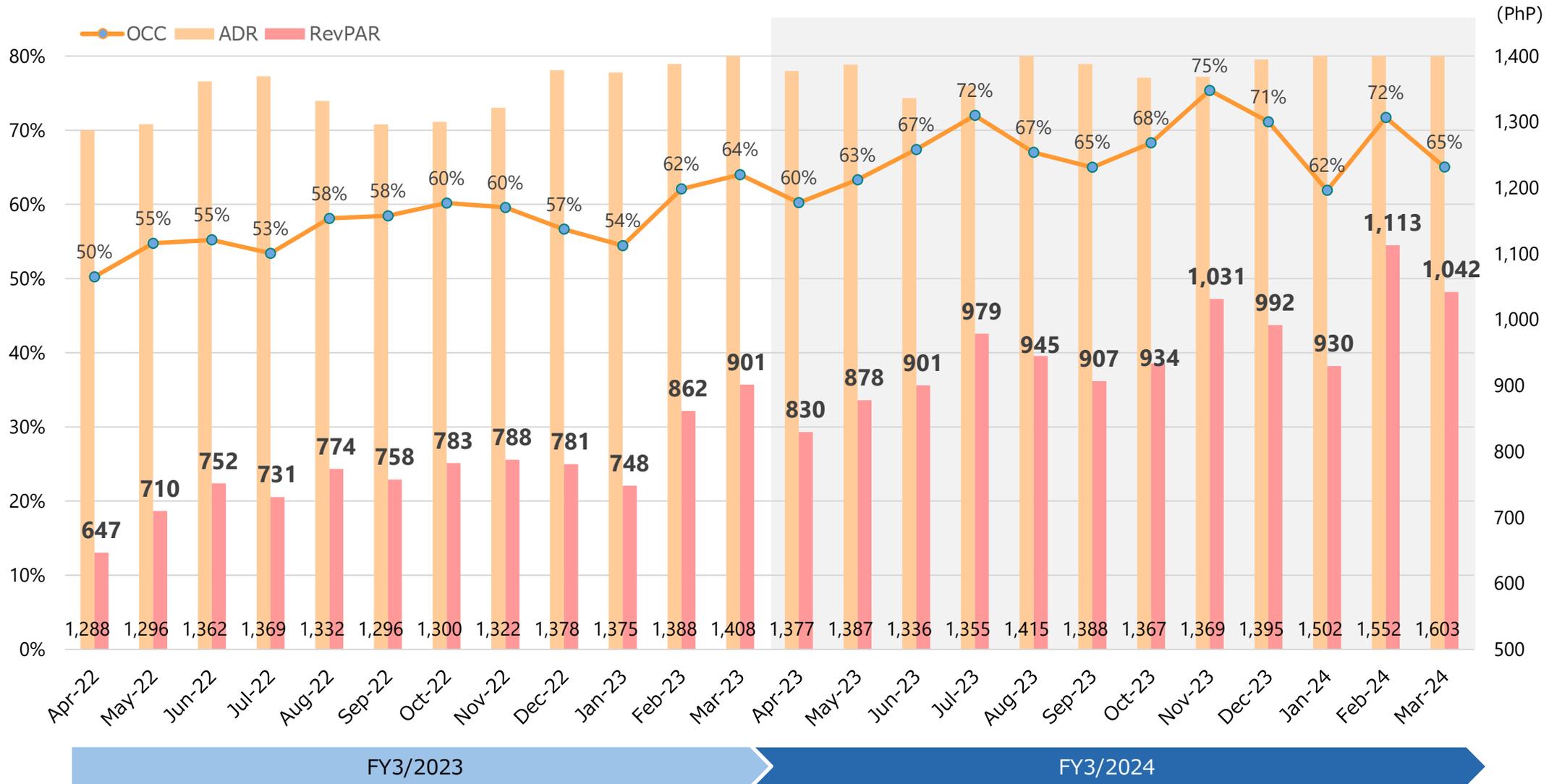


(Note)
 OCC (%): Average Occupancy Rate
 ADR (JPY): Average Daily Rate
 RevPAR (JPY): Revenue Per Available Room (OCC x ADR)
 * The weighed average of each indicator for hotels that were actually in operation as of each month is shown.

Overseas Hotels: Gradual Recovery Continues



Gradual recovery trend continues.



(Notes)

OCC(%): Average Occupancy Rate

ADR(PhP): Average Daily Rate

RevPAR(PhP): Revenue Per Available Room (OCC x ADR)

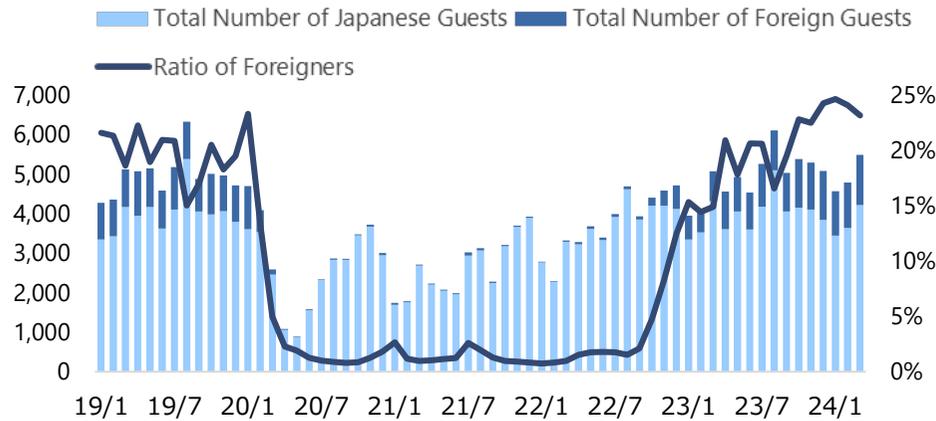
※The weighted average of each indicator for hotels that were actually in operation as of each month is shown.

※Results (overseas) are reflected in the consolidated financial statements three months earlier.

Steady Recovery in Domestic Hotel Market Further Continues

- Thanks to nationwide travel support and the relaxation of border control measures, the number of overnight stays by both Japanese and inbound visitors **have recovered to the FY2019 level.**
- The total number of inbound overnight stays has already exceeded the FY2019 level, and the recovery of the current lagging number of Chinese visitors is expected to **further boost demand.**

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



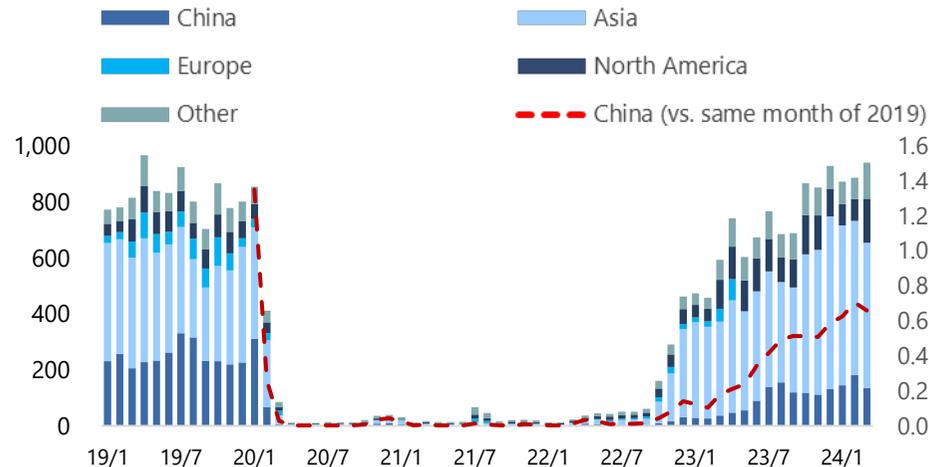
Source: Japan Tourism Agency's "Accommodation Survey" (Complied by the Company)

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



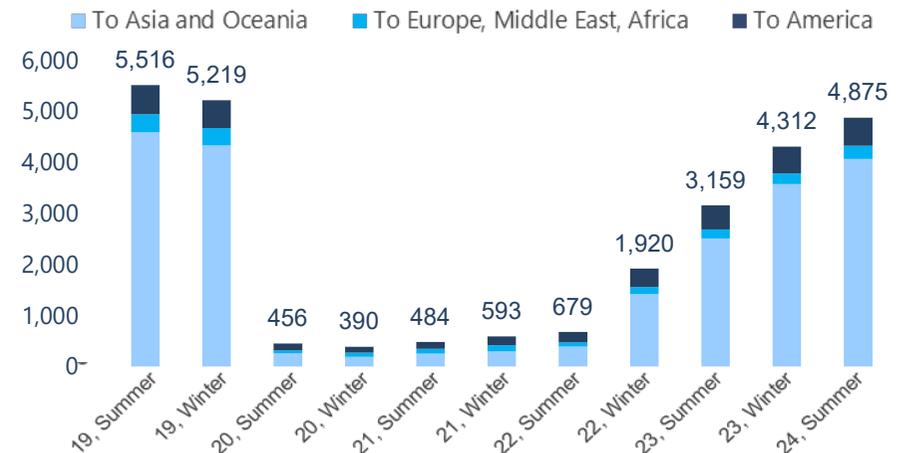
Source: Japan Tourism Agency's "Travel and Tourism Consumer Confidence Survey" (Complied by the Company)

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)

FY3/2025 Earnings Forecasts

- Polaris expects the positive hotel market environment to continue on the back of ongoing recovery and further growth of inbound guests—continue targeting to sales to outpace cost increases.
- Polaris forecasts Sales and Earnings to continue to increase in FY3/2024 excluding the one-time impact of hotel asset sales.

[Consolidated] Unit: JPY million	FY3/2024 (Actual)	FY3/2024 (Adjusted Actual) (*)	FY3/2025 Forecast	Change vs FY3/2024 (**)	
				Amount	Rate (%)
Sales	22,545	14,545	20,078	+5,533	+38.0 %
Operating Income	3,382	1,335	1,891	+556	+41.6%
Ordinary Income	2,609	688	1,315	+627	+91.2%
Net Profit Attributed to Parent Company	3,297	1,376	1,473	+97	+7.0%

(*): Excluding the impact of gain on sale of two hotel properties recorded in FY3/2024 as a one-time earnings

(**): Comparison with Adjusted Actual of FY3/2024

Disclaimer

This material is released for the purpose of providing information on the financial results for the fiscal year ended Mar 2024 (consolidated), and not intended as a solicitation to invest.

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However, the information contained in this material contains potential risks and uncertainties, and therefore, investors should not place undue reliance on the information contained herein. Therefore, please refrain from relying solely on the information contained herein.

For further details on this matter, please refer to the May 14, 2024 press release titled "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)".

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