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August 13, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Polaris Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3010
 URL: <https://www.polaris-holdings.com/en/>
 Representative: Takahiro Tsujikawa, President & CEO
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

(Amounts are rounded off to the nearest million yen.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	4,752	73.4	442	142.1	287	-	257	-
June 30, 2023	2,740	129.8	183	-	(4)	-	(33)	-

Note: Comprehensive income For the three months ended June 30, 2024: ¥363 million [-%]
 For the three months ended June 30, 2023: ¥24 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	2.07	2.03
June 30, 2023	(0.28)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	22,915	7,248	31.6
March 31, 2024	23,208	6,885	29.7

Reference: Equity
 As of June 30, 2024: ¥7,247 million
 As of March 31, 2024: ¥6,884 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	3.00	3.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,078	(10.9)	1,891	(44.1)	1,315	(49.6)	1,473	(55.3)	11.87

Note: Revisions to the consolidated financial forecast most recently announced: None

* **Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: -companies (-)

Excluded: 1 companies General Incorporated Association Tenjin Hotel Kanri)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	124,133,889 shares
As of March 31, 2024	124,133,889 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	1,674 shares
As of March 31, 2024	1,674 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	124,132,215 shares
Three months ended June 30, 2023	119,502,094 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

1. Overview of Business Results, etc.

(1) Overview of Operating Results

The following is a summary of Polaris group's operating results for the first quarter of the consolidated fiscal year ending March 31, 2025.

a. Consolidated Results

Unit: JPY Million	FY3/2024 1Q	FY3/2025 1Q	Change (%)
Sales	2,740	4,752	73.4%
Operating Income	183	442	142.1%
Ordinary Income	(4)	287	—
1Q Net Profit Attributed to Parent Company	(33)	257	—

During the first quarter of the consolidated fiscal year, the Japanese economy saw a gradual recovery, supported by improvements in employment and income and an increase in inbound demand, however, the outlook remains uncertain, as prices for resources, energy, and various materials continue to rise due to factors such as the depreciation of yens.

In the hotel industry, the Polaris group's main business, the number of inbound visitors to Japan exceeded 3 million each month from March to June 2024, and the number of foreign visitors to Japan continued to increase, recording a record high of 3.14 million for the single month of June. In addition, according to the Inbound Consumption Trends Survey, the amount of inbound travel spending (the first preliminary report) from April to June 2024 increased significantly to 2,137 billion yen (+68.6% from the same period in 2019, +73.5% from the same period in the previous year), contributing to the expansion of the market size.

According to the Lodging Travel Statistics Survey published by the Japan Tourism Agency, the second preliminary report May 2024 shows that the total number of overnight guests in Japan was 53.9 million (+4.9% from the same month in 2019, +5.0% from the same month in the previous year) of which, 40.34 million were Japanese overnight guests (-3.2% from the same month in 2019, -4.7% from the same month in the previous year) and 13.56 million were foreign overnight guests (+39.4% from the same month in 2019, +50.4% from the same month in the previous year).

On the back of this positive environment, financial results for the first quarter of the consolidated fiscal year ending March 31, 2025 were net sales JPY 4,752 million (of which, domestic net sales JPY 4,087 million, overseas net sales JPY 666 million) and operating income JPY 442 million (of which, domestic operating income JPY 357 million, overseas operating income JPY 85 million). The major factors are as described in section "b. Results by Segment".

Ordinary income was JPY 287 million (of which, domestic ordinary income JPY 352 million, overseas income JPY -65 million).

Profit attributable to owners of parent on a consolidated basis was JPY 257 million (of which, profit attributable to owners of parent for the domestic operation JPY 351 million, profit attributable to owners of parent for the overseas operation JPY -94 million).

Polaris disclosed Medium Term Management Plan (FY2024-FY2026) (hereinafter the "Plan") through the fiscal year ending March 31, 2027 on May 14, 2024 and to achieve the business strategy on the Plan, executed a Comprehensive Support Agreement for Hotel Management, etc. with Star Asia Investment Management Co., Ltd (hereinafter the "SAIM") and Star Asia Investment Corporation which has entrusted the management of its assets to SAIM which both belong to the Star Asia Group, the parent company group of Polaris, on the same date.

Based on the Plan, Polaris made a strategic joint investment with Star Asia Group, the sponsor group of Polaris, in June 2024 in Minacia Co., Ltd. (hereinafter the "Minacia"), which has high similarity and compatibility with Polaris group's hotel business and to achieve synergy effects through collaboration with Minacia, executed a Business Alliance Agreement.

b . Results by Segment

< Hotel Business >

Unit: JPY Million	FY3/2023 1Q	FY3/2025 1Q	Change (%)
Sales	2,729	4,735	73.5%
Operating Income	268	607	126.4%

The hotel business recorded net sales of JPY 4,735 million and operating income of JPY 607 million. Polaris has maintained high occupancy rates and room rates through precise revenue management in a favorable hotel market. The business started to operate KOKO HOTEL Sendai Sendai Kotodai Park, KOKO HOTEL Sendai Station South, KOKO HOTEL Sendai Station West in Sendai City, Miyagi Prefecture, in September 2023, Red Planet BGC The Fort in December 2023, and Best Western PLUS Nagoya Sakae in Nagoya City, Aichi Prefecture, in March 2024 and contributed to improve business performance. In addition, Fino Hotel Sapporo Odori was rebranded to KOKO HOTEL Sapporo Odori in order to further expand recognition of original brand, KOKO HOTEL in April 2024.

< Real Estate Business >

Unit: JPY Million	FY3/2024 1Q	FY3/2025 1Q	Change (%)
Sales	134	18	(86.9%)
Operating Income	64	17	(73.4%)

The real estate business recorded net sales of JPY 18 million and operating income of JPY 17 million.

(2) Overview of Financial Condition

The following is an overview of Polaris group's financial condition for the first quarter of the consolidated fiscal year ending March 31, 2025.

(Asset)

Total assets amounted to JPY 22,915 million, which decreased by JPY 293 million from the end of the previous fiscal year. Major factors included a JPY 906 million decrease in other current assets and a JPY 451 million increase in buildings and structures, net.

(Liability)

Total liabilities amounted to JPY 15,667 million, which decreased by JPY 656 million from the end of the previous fiscal year. Major factors included a JPY 341 million in accounts payable – other and a JPY 525 million in other current liabilities.

(Net Asset)

The net assets amounted to JPY 7,248 million, which increased by JPY 363 million from the end of the previous fiscal year. Major factors included a JPY 257 million increase in retained earnings, in net income attributable to parent company shareholders.

(3) Forecast Information including Consolidated Performance Forecast

There are no changes from the full-year performance forecast disclosed on May 14, 2024 “Consolidated Financial Results for the Fiscal Year Ended March 31 2024 Under Japanese GAAP”.

Quarterly Consolidated Financial Statements

1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,384,374	2,915,861
Accounts receivable - trade	1,761,216	1,781,317
Raw materials and supplies	126,576	117,372
Other	2,690,186	1,783,761
Allowance for doubtful accounts	△5,926	△6,224
Total current assets	7,956,426	6,592,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,776,563	10,227,149
Land	493,725	506,100
Right-of-use assets, net	2,087,426	2,139,221
Other, net	414,356	412,657
Construction in progress	37,247	59,999
Total property, plant and equipment	12,809,316	13,345,126
Intangible assets		
Other	30,234	53,570
Total intangible assets	30,234	53,570
Investments and other assets		
Investment securities	179,909	179,909
Leasehold and guarantee deposits	1,258,893	1,260,966
Other	973,330	1,483,534
Total investments and other assets	2,412,131	2,924,409
Total non-current assets	15,251,681	16,323,105
Total assets	23,208,107	22,915,192

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	362,824	340,132
Short-term borrowings	984,000	970,700
Current portion of long-term borrowings	849,308	815,443
Accounts payable - other	1,846,072	1,505,545
Income taxes payable	18,071	34,376
Provision for shareholder benefit program	6,235	6,235
Provision for bonuses	—	34,875
Other	1,713,840	1,188,626
Total current liabilities	5,780,350	4,895,931
Non-current liabilities		
Long-term borrowings	6,016,982	6,009,261
Subordinated capital loans	950,000	950,000
Lease liabilities	2,925,280	3,039,203
Retirement benefit liability	32,897	34,584
Asset retirement obligations	169,000	169,000
Other	448,815	569,005
Total non-current liabilities	10,542,975	10,771,053
Total liabilities	16,323,325	15,666,984
Net assets		
Shareholders' equity		
Share capital	65,571	65,571
Capital surplus	2,317,803	2,317,803
Retained earnings	4,438,943	4,696,041
Treasury shares	△2,992	△2,992
Total shareholders' equity	6,819,325	7,076,424
Accumulated other comprehensive income		
Foreign currency translation adjustment	64,735	171,062
Total accumulated other comprehensive income	64,735	171,062
Share acquisition rights	722	722
Total net assets	6,884,782	7,248,207
Total liabilities and net assets	23,208,107	22,915,192

2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three months ended June 30, 2024)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	2,740,109	4,752,112
Cost of sales	165,408	201,714
Gross profit	2,574,701	4,550,398
Selling, general and administrative expenses	2,392,153	4,108,387
Operating profit	182,548	442,011
Non-operating income		
Interest income	6,082	6,555
Subsidy income	3,901	2,039
Foreign exchange gains	5,414	1,214
Other	1,975	200
Total non-operating income	17,372	10,008
Non-operating expenses		
Interest expenses on bonds	15,767	—
Interest expenses	183,499	160,573
Other	5,050	4,803
Total non-operating expenses	204,316	165,376
Ordinary profit (loss)	△4,396	286,643
Extraordinary losses		
Loss on valuation of investment securities	2,585	—
Total extraordinary losses	2,585	—
Profit (loss) before income taxes	△6,981	286,643
Income taxes - current	11,747	21,872
Income taxes - deferred	14,519	7,673
Total income taxes	26,266	29,545
Profit (loss)	△33,247	257,098
Profit (loss) attributable to owners of parent	△33,247	257,098

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three months ended June 30, 2024)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	△33,247	257,098
Other comprehensive income		
Valuation difference on available-for-sale securities	30	—
Foreign currency translation adjustment	57,591	106,327
Total other comprehensive income	57,621	106,327
Comprehensive income	24,374	363,425
Comprehensive income attributable to owners of parent	24,374	363,425