

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 13, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 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
 Inquiries: Satoshi.Hosono, Executive Officer and CFO
 Telephone: +81-3-5822-3010
 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	%
Nine months ended								
December 31, 2024	16,868	△7.5	1,838	△39.1	1,231	△48.3	1,212	△57.3
December 31, 2023	18,237	266.6	3,018	—	2,384	—	2,836	—

Note: Comprehensive income For the nine months ended December 31, 2024: ¥1,171 million [△61.4%]
 For the nine months ended December 31, 2023: ¥3,030 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2024	9.44	9.37
December 31, 2023	23.19	22.86

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2024	65,295	26,689	40.9
March 31, 2024	23,208	6,885	29.7

Reference: Equity
 As of December 31, 2024: ¥26,689 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	—	0.00	—		
Fiscal year ending March 31, 2025 (Forecast)				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	26,000	(15.3)	2,200	(Δ35.0)	1,500	(Δ42.5)	1,500	(Δ54.5)	9.71

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: 2 companies (Minacia Co., Ltd., Minacia Total Service Co., Ltd.)
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 December 31, 2024	233,754,680 shares
As of March 31, 2024	124,133,889 shares

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

As of December 31, 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)

Nine months ended December 31, 2024	128,488,291 shares
Nine months ended December 31, 2023	122,328,320 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 Financial Position and Operating Results

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

a. Consolidated Results

Unit: JPY Million	FY3/2024 3Q	FY3/2025 3Q	Change (%)
Sales	18,237	16,868	(7.5%)
Operating Income	3,018	1,838	(39.1%)
Ordinary Income	2,384	1,231	(48.3%)
1Q Net Profit Attributed to Parent Company	2,836	1,212	(57.3%)

During the third quarter of the consolidated fiscal year, though the outlook for the Japanese economy remained uncertain due to factors such as rising prices for resources, energy and various materials, and the impact of unstable exchange rates, the economy shows signs of a gradual recovery, supported by improvements in the employment and income and an increase in inbound demand.

In the hotel industry, the Group's main business, despite there were some temporary effects from the typhoon that cut across the Japanese archipelago and a warning for a possible Nankai Trough earthquake following an earthquake centered in the Hyuuganada region of Miyazaki Prefecture, the hotel market continued to grow due to higher demand for overnight stays throughout the third quarter of the consolidated fiscal year ending March 31, 2025 than in the same period of the previous year.

According to the Lodging Travel Statistics Survey published by the Japan Tourism Agency, the total number of overnight guests in Japan from April to December 2024 was 502.88 million (+4.8% from the same period in the previous year) of which, 375.14 million were Japanese overnight guests (-2.0% from the same period in the previous year) and 127.74 million were foreign overnight guests (+31.3% from the same period in the previous year).

The number of inbound visitors to Japan, as reported by the Japan National Tourism Organization (JNTO), exceeded 3.4 million in a single month for the first time in December 2024. This increase was driven by travel demand in conjunction with Christmas and New Year holidays as well as school holidays. As a result, the total number of visitors for the year 2024 reached 36.87 million, surpassing the previous record of 31.88 million in 2019 by approximately 5 million. The number of inbound visitors to Japan reached a record high in a single month, mainly during peak seasons such as cherry blossom and autumn foliage seasons and summer school vacations, and the number of foreign visitors from not only East Asia but also Southeast Asia, Europe, the United States, Australia, and the Middle East increased, resulting in a new annual record.

On the back of this positive environment, financial results for the third quarter of the consolidated fiscal year ending March 31, 2025 were net sales JPY 16,868 million (of which, domestic net sales JPY 14,706 million, overseas net sales JPY 2,161 million) and operating income JPY 1,838 million (of which, domestic operating income JPY 1,370 million, overseas operating income JPY 468 million). The major factors are as described in section "b. Results by Segment."

Ordinary income was JPY 1,231 million (of which, domestic ordinary income JPY 1,086 million, overseas income JPY 145 million).

Profit attributable to owners of parent on a consolidated basis was JPY 1,212 million (of which, profit attributable to owners of parent for the domestic operation JPY 1,072 million, profit attributable to owners of parent for the overseas operation JPY 141 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 accomplished Share Exchange to make Minacia Co., Ltd. (hereinafter the “Minacia”) which has high similarity and compatibility hotel business with Polaris Group’s, making Minacia a wholly owned subsidiary on December 27, 2024. The management integration with Minacia, resulted strong growth of 97 hotels and 14,964 rooms, which significantly exceeded the initial target, Polaris made upward revision to quantitative targets through the fiscal year ending March 2027.

b . Results by Segment

<Hotel Business>

Unit: JPY Million	FY3/2024 3Q	FY3/2025 3Q	Change (%)
Sales	10,226	16,206	58.5%
Operating Income	1,328	1,833	38.1%

The hotel business recorded net sales of JPY 16,206 million and operating income of JPY 1,833 million. Polaris has maintained high occupancy rates and room rates through precise revenue management in a favorable hotel market. Polaris Group started to operate KAYA Kyoto Nijo Castle BW Signature Collection by Best Western in Kyoto city, Kyoto Prefecture in April 2023, KOKO HOTEL 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, KOKO HOTEL Residence Kyoto Nijo Castle in December 2024 and contributed to improve business performance by continuous expansion of new operating hotel platform. 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. Furthermore, in August 2024, the hotel management structure of KOKO HOTEL Residence Asakusa Kappabashi, KOKO HOTEL Residence Asakusa Tawaramachi, KOKO HOTEL Tsukiji Ginza, KOKO HOTEL Osaka Shinsaibashiin, and in December 2024, KOKO HOTEL Sendai Station South, KOKO HOTEL Sendai Station West, KOKO HOTEL Sendai Kotodai Park, KOKO HOTEL Premier Kanazawa Korinbo, KOKO HOTEL Nagoya Sakae, KOKO HOTEL Premier Kumamoto was changed from fee-type hotel management to fixed and variable rent-type hotel management in order to secure long-term operation and improve profitability.

<Real Estate Business>

Unit: JPY Million	FY3/2024 3Q	FY3/2025 3Q	Change (%)
Sales	8,291	662	(92.0%)
Operating Income	2,260	660	(70.8%)

The real estate business recorded net sales of JPY 662 million and operating income of JPY 660 million. The sales and operating income decreased from the same period of the previous fiscal year due to a significant increase in revenue and profit following the sale of properties of Best Western PLUS Fukuoka Tenjin-minami and Fino Hotels Sapporo Odori (currently named KOKO HOTEL Sapporo Odori), which Polaris Group held as real estate for sale in the previous third quarter consolidation. In the current third quarter consolidation, Polaris Group recognized a gain of JPY 656 million on dividend distribution from a silent partnership as a result of the sale of KOKO Tsukiji Ginza Hotel property, held as trust beneficiary rights by a Special Purpose Company, in which the Company has a silent partnership interest.

(2) Overview of Financial Condition

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

(Asset)

Total assets amounted to JPY 65,295 million, which increased by JPY 42,087 million from the end of the previous fiscal year. Major factors included a JPY 26,076 million recognition in Goodwill, a JPY 7,892 million recognition in Leased assets (net) and a JPY 3,224 million increase in Cash and deposits from the management integration with Minacia.

(Liability)

Total liabilities amounted to JPY 38,606 million, which increased by JPY 22,283 million from the end of the previous fiscal year. Major factors included a JPY 11,334 million increase in long-term borrowings (includes current portion of long-term borrowings) due to new financing through a syndicated loan, etc., and a JPY 9,254 million increase in Lease liabilities from the management integration with Minacia.

(Net Asset)

The net assets amounted to JPY 26,689 million, which increased by JPY 19,804 million from the end of the previous fiscal year. Major factors included a JPY 18,690 million increase in Capital surplus from the share exchange related to the management integration with Minacia, etc. and a JPY 1,212 million increase in retained earnings, in net income attributable to parent company shareholders.

Regarding the funding sources for the Group's capital and the liquidity of funds, the Group manages funds by monitoring future cash flows in considering of business environment and the state of operations and plans to primarily secure funds through borrowings from financial institutions when the need for funds arises.

(3) Explanation about consolidated earnings forecast

There are no changes to the full-year earnings forecast announced in the "Polaris Revises Upward Consolidated Financial Forecast for the Year Ending March 31, 2025" released on December 27, 2024.

Quarterly Consolidated Financial Statements

1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	3,384,374	6,607,904
Accounts receivable - trade	1,761,216	3,700,487
Raw materials and supplies	126,576	200,598
Other	2,690,186	1,341,495
Allowance for doubtful accounts	△5,926	△7,007
Total current assets	7,956,426	11,843,477
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,776,563	10,516,250
Land	493,725	491,821
Right-of-use assets, net	2,087,426	1,953,075
Other, net	414,356	680,416
Construction in progress	37,247	77,532
Leased assets, net	-	7,891,571
Total property, plant and equipment	12,809,316	21,610,666
Intangible assets		
Goodwill	-	26,076,215
Other	30,234	86,736
Total intangible assets	30,234	26,162,952
Investments and other assets		
Investment securities	179,909	2,415
Leasehold and guarantee deposits	1,258,893	2,501,489
Other	973,330	3,174,173
Total investments and other assets	2,412,131	5,678,078
Total non-current assets	15,251,681	53,451,695
Total assets	23,208,107	65,295,172

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	362,824	395,762
Short-term borrowings	984,000	-
Current portion of long-term borrowings	849,308	811,499
Accounts payable - other	1,846,072	2,724,089
Income taxes payable	18,071	73,689
Provision for shareholder benefit program	6,235	14,764
Provision for bonuses	-	318,846
Other	1,713,840	2,541,145
Total current liabilities	5,780,350	6,879,793
Non-current liabilities		
Long-term borrowings	6,016,982	17,389,153
Subordinated capital loans	950,000	950,000
Lease liabilities	2,925,280	12,178,947
Retirement benefit liability	32,897	44,043
Asset retirement obligations	169,000	245,538
Other	448,815	918,623
Total non-current liabilities	10,542,975	31,726,303
Total liabilities	16,323,325	38,606,096
Net assets		
Shareholders' equity		
Share capital	65,571	10,000
Capital surplus	2,317,803	21,007,884
Retained earnings	4,438,943	5,651,420
Treasury shares	△2,992	△2,992
Total shareholders' equity	6,819,325	26,666,313
Accumulated other comprehensive income		
Foreign currency translation adjustment	64,735	22,763
Total accumulated other comprehensive income	64,735	22,763
Share acquisition rights	722	-
Total net assets	6,884,782	26,689,076
Total liabilities and net assets	23,208,107	65,295,172

2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Nine months ended December 31, 2024)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	18,236,769	16,867,932
Cost of sales	6,447,064	656,989
Gross profit	11,789,704	16,210,944
Selling, general and administrative expenses	8,771,797	14,372,774
Operating profit	3,017,907	1,838,169
Non-operating income		
Interest income	21,503	16,688
Dividend income	4	-
Subsidy income	7,515	4,690
Foreign exchange gains	-	3,512
Other	1,923	4,611
Total non-operating income	30,945	29,502
Non-operating expenses		
Interest expenses	516,516	418,254
Commission expenses	86,355	202,414
Interest expenses on bonds	47,647	-
Foreign exchange losses	8,143	-
Other	6,370	15,612
Total non-operating expenses	665,032	636,280
Ordinary profit	2,383,821	1,231,391
Extraordinary income		
Gain on cancellation of lease contract	405,812	-
Reversal of provision for loss on store closings	57,125	-
Total extraordinary income	462,937	-
Extraordinary losses		
Loss on valuation of investment securities	2,585	-
Loss on retirement of non-current assets	17,700	-
Total extraordinary losses	20,285	-
Profit before income taxes	2,826,473	1,231,391
Income taxes - current	10,923	46,729
Income taxes - deferred	△20,746	△27,815
Total income taxes	△9,823	18,914
Profit	2,836,295	1,212,477
Profit attributable to owners of parent	2,836,295	1,212,477

(Quarterly Consolidated Statements of Comprehensive Income)

(For the Nine months ended December 31, 2024)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	2,836,295	1,212,477
Other comprehensive income		
Valuation difference on available-for-sale securities	38	-
Foreign currency translation adjustment	193,260	△41,972
Total other comprehensive income	193,298	△41,972
Comprehensive income	3,029,593	1,170,506
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,029,593	1,170,506