



**POLARIS HOLDINGS CO., LTD.**  
**JUNE 2023 SUPPLEMENTARY MATERIAL FOR THE 149<sup>TH</sup> FISCAL PERIOD**

**P \* L A R I S**  
HOLDINGS

## Financial Highlights: Operating and Net Profit Turned **POSITIVE**

- Hotel business revenue increased significantly due to improved revenue management, a 20% increase in the number of hotels in operation, a 25% increase in the number of rooms to 5,622, as well as the receipt of funds for opening preparations for newly opened hotels
- Operating income returned to positive due to increasing net sales and thorough the implementation of cost saving strategies including reducing rent paid, consolidating human resources, and discontinuation of unprofitable hotel operations
- In order to further reduce costs and strengthen our financial position, the Company recorded an impairment loss of JPY538 million as well as a JPY151 million restructuring charge for discontinuation the operations of unprofitable hotels
- The Red Planet Holdings (Philippines) Limited (“RP Philippines”) acquisition resulted in the Company posting a gain of JPY1.46 billion in negative goodwill
- The Company posted positive operating and net profit for the March 31, 2023 fiscal period. This is the first time since the March 31, 2017 fiscal period

*Unit : JPY million*

	FY3/2022 (Actual)	FY3/2023 (Actual)	Change vs FY3/2023
<b>Net sales</b>	3,712	<b>7,018</b>	3,306
<b>Operating income</b>	△ 1,332	<b>3</b>	1,335
<b>Ordinary income</b>	△ 1,623	<b>△ 216</b>	1,407
<b>Profit</b>	△ 1,830	<b>534</b>	2,364

(Notes)

- Since the revenue and expenses after the acquisition of RP Philippines will be reflected in the fiscal year ending Mar 2024, they are not reflected in the revenue and operating income for the fiscal year ending Mar 2023, but the operating income for the fiscal year ending Mar 2023 reflects 128 millions yen in expenses related to the acquisition.
- Red Planet Hotels Manila Corporation (a different legal entity from the aforementioned-RP Philippines) as described in the January 10, 2023 press release titled “Polaris to Acquire 2 Additional Red Planet Hotel Assets in Central Manila” is scheduled to be completed in the fiscal year ending Mar 2024.

# Financial Highlights: A Bigger and Much Better Balance Sheet

- Total assets increased by +JPY12.6 billion due to RP Philippines becoming a consolidated subsidiary
- Net assets increased by +JPY2.7 billion due to net income including gain on negative goodwill and exercise of stock acquisition rights
- Significant improvement in Equity Ratio: 1.6%→11.8% (+10.2%)

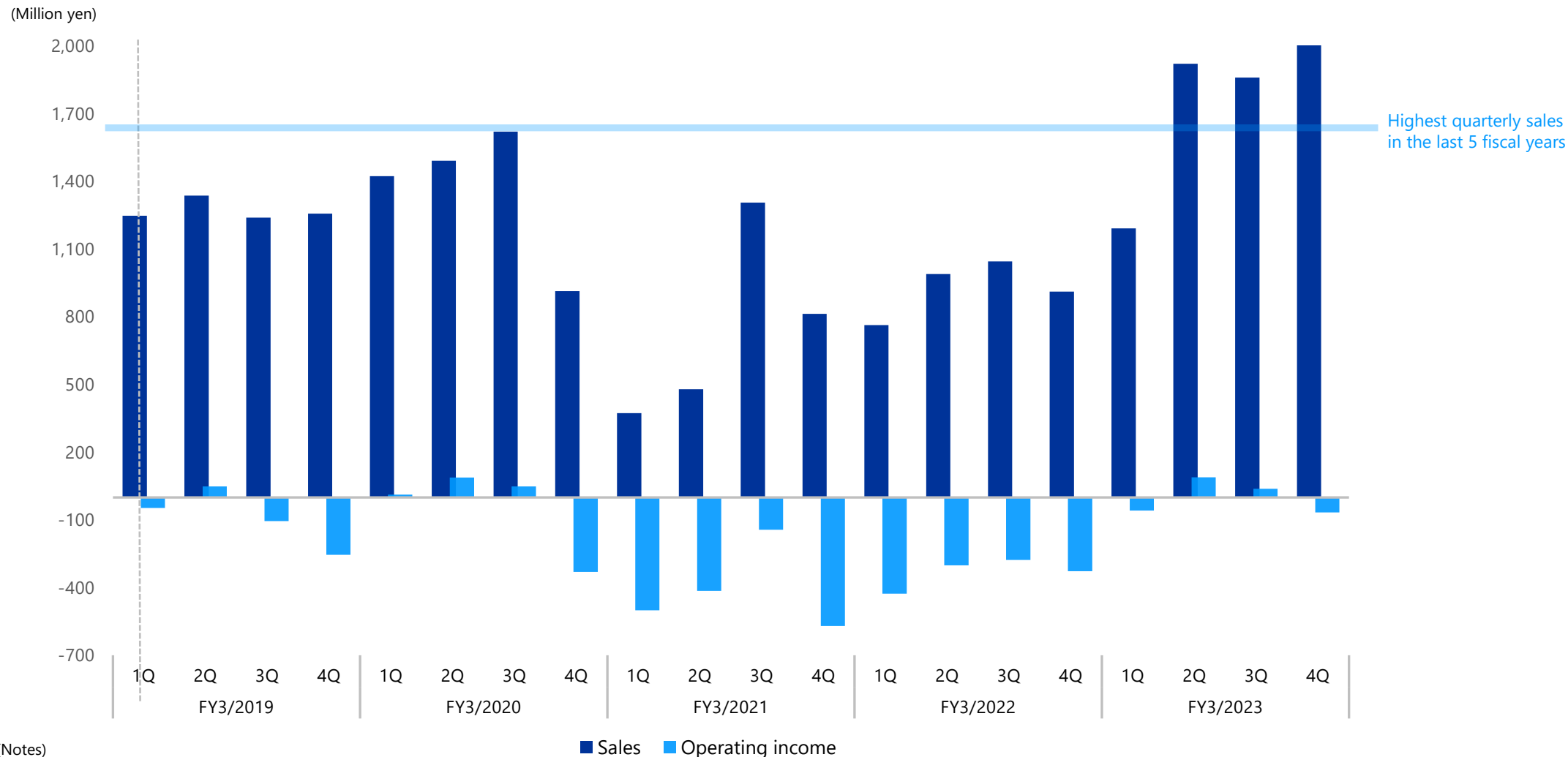
## Balance Sheet (Comparison with FY3/2022)

Unit : JPY million

	FY3/2022	FY3/2023	Change vs FY3/2022	Comment		FY3/2022	FY3/2023	Change vs FY3/2022	Comment
Cash and deposits	2,404	4,283	1,879	-	Accounts payable - trade	-	390	390	Due to the acquisition of RP's Philippines business +JPY390million
Accounts receivable - trade	616	1,839	1,223	Due to the acquisition of RP's Philippines business +JPY720million	Short-term borrowings	1,099	587	▲ 512	Extension of due date to from the sponsor group Δ JPY300million Repayment of c-tax loan related to the purchase of hotel property ΔJPY159million
Real estate for sale	5,953	5,857	▲ 96	-	Current portion of long-term borrowings	364	1,094	730	Due to the acquisition of RP's Philippines business +JPY626million
Other current assets	389	883	494	Due to the acquisition of RP's Philippines business +JPY448million	Lease liabilities	20	54	34	-
<b>Total current assets</b>	<b>9,362</b>	<b>12,862</b>	<b>3,500</b>		Accounts payable - other	477	1,129	652	Contractually reserved portion of the consideration for the acquisition of RP's Philippines business +JPY457million
Buildings and structures	435	7,046	6,611	Due to acquisition of RP's Philippines business +JPY6,649million	Provision for loss on store closings	-	151	151	-
Tools, furniture and fixtures	348	225	▲ 123	Impairment losses	Other current liabilities	227	1346	1,119	Due to the acquisition of RP's Philippines business +JPY976million
Machinery, equipment and vehicles	-	61	61	-	<b>Total current liabilities</b>	<b>2,187</b>	<b>4,751</b>	<b>2,564</b>	
Land	248	476	228	Due to acquisition of RP's Philippines business +JPY228million	Bonds payable	-	918	918	Conversion of convertible bond with stock acquisition rights into straight bonds by changing the terms and conditions
Right-of-use assets	-	2,040	2,040	Due to acquisition of RP's Philippines business +JPY2,040million	Convertible-bond-type bonds with share acquisition rights	900	-	▲ 900	Same as above
Construction in progress	-	16	16	-	Long-term borrowings	6,391	10,453	4,062	Due to the acquisition of RP's Philippines business +JPY4,067million
<b>Total property, plant and equipment</b>	<b>1,031</b>	<b>9,867</b>	<b>8,836</b>		Lease liabilities	148	3176	3,028	Due to the acquisition of RP's Philippines business +JPY3,052million
<b>Total intangible assets</b>	<b>6</b>	<b>29</b>	<b>23</b>		Asset retirement obligations	167	318	151	-
Beneficial interests in real estate trust	611	316	▲ 295	Impairment losses	Other non-current liabilities	2,049	2,126	77	-
Deferred tax assets	-	390	390	Due to the acquisition of RP's Philippines business +JPY390million	<b>Total non-current liabilities</b>	<b>9,655</b>	<b>16,991</b>	<b>7,336</b>	
Other	1,024	1,187	163	-	Share capital	1,829	12	▲ 1,817	Exercise of stock acquisition rights to shares +JPY1,094million, Reduction of capital ΔJPY2,911million
<b>Total investments and other assets</b>	<b>1,635</b>	<b>1,893</b>	<b>258</b>		Capital surplus	2,163	2,528	365	Exercise of stock acquisition rights to shares +JPY1,094million, Transfer from Share capital +JPY2,911million and Compensation for a deficiency Δ JPY3,640million
<b>Total non-current assets</b>	<b>2,673</b>	<b>11,790</b>	<b>9,117</b>		Retained earnings	-3,808	366	4,174	Compensation for a deficiency +JPY3,640million Net profit in FY3/2023 +JPY534million
<b>Total assets</b>	<b>12,035</b>	<b>24,653</b>	<b>12,618</b>		Treasury shares	-2	-2	0	-
					<b>Total shareholders' equity</b>	<b>181</b>	<b>2,904</b>	<b>2,723</b>	
					Share acquisition rights	10	5	▲ 5	-
					<b>Total net assets</b>	<b>192</b>	<b>2,910</b>	<b>2,718</b>	
					<b>Total liabilities and net assets</b>	<b>12,035</b>	<b>24,653</b>	<b>12,618</b>	
					<b>Equity Ratio</b>	<b>1.6%</b>	<b>11.8%</b>	<b>10.2%</b>	

## Financial Highlights: Best Quarterly Results in 5 years

- Despite the continued impact of the global pandemic, both net sales and operating income have improved significantly since the second quarter, with net sales reaching new quarterly highs for the last five fiscal years
- In addition to a recovery in existing hotels, the growing number of new management contract hotels significantly boosted both sales and operating income. The rebound in hotel performance is expected to continue

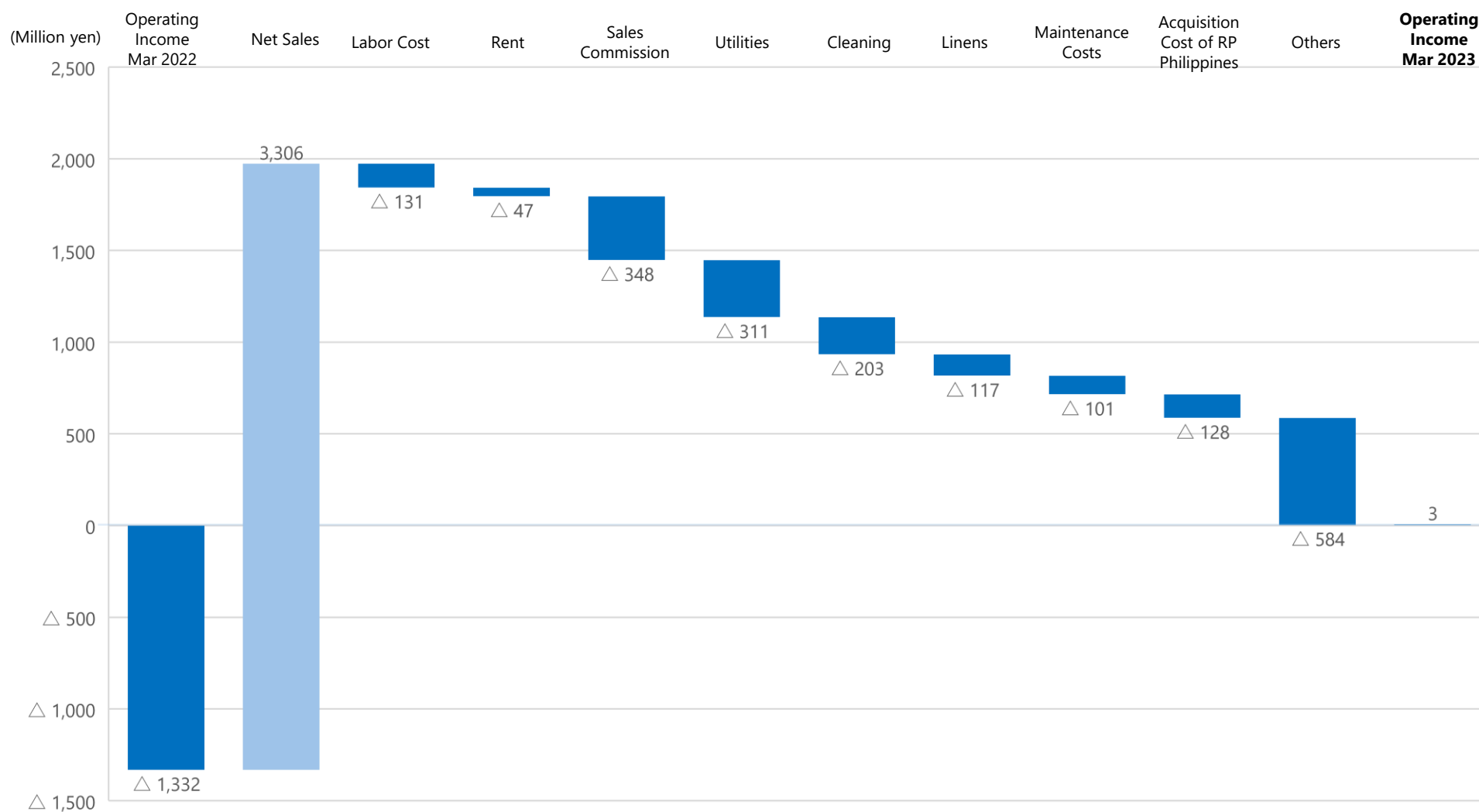


(Notes)

The revenue and operating income after the acquisition of the RP Philippines business will be reflected in the fiscal year ending Mar 2024, therefore, the sales and operating income for the fiscal year ending Mar 2023 are not reflected in the above figures.

## Financial Highlights: Analysis of Changes in Net sales/Operating Income

- Net sales increased significantly from the previous periods, partly due to an increase in the number of hotels in operation
- Although some expenses rose from the previous periods due to the increase in net sales, proactive cost controls kept the increase relatively low, resulting in a significant improvement in profitability
- Even taking into account the JPY128 million acquisition cost for RP Philippines, operating income returned to the black for fiscal year ended March 2023



## Financial Highlights: Strong Growth Forecasts for FY2024

- For the Japan hotels, both sales and operating income are expected to remain strong in the current fiscal period ending March 31, 2024 as the pandemic impact continue to wane
- Overseas hotel business is expected to see increased operating income profitability. However, given the relatively high overseas financing costs recurring income and net income are not expected to turn to the black until next fiscal year or beyond

*Unit : JPY million*

	FY3/2023 (Actual)	FY3/2024 (Forecast)	Change vs FY3/2023
<b>Net sales</b>	<b>7,018</b>	<b>12,000</b>	4,982
<b>Operating income</b>	<b>3</b>	<b>800</b>	797
<b>Ordinary income</b>	<b>△ 216</b>	<b>100</b>	316
<b>Profit</b>	<b>534</b>	<b>40</b>	△ 494

*Unit : JPY million*

<b>Domestic</b>	
<b>Net sales</b>	<b>10,000</b>
<b>Operating income</b>	<b>600</b>
<b>Ordinary income</b>	<b>300</b>
<b>Profit</b>	<b>300</b>

*Unit : JPY million*

<b>Overseas</b>	
<b>Net sales</b>	<b>2,000</b>
<b>Operating income</b>	<b>200</b>
<b>Ordinary income</b>	<b>△ 200</b>
<b>Profit</b>	<b>△ 260</b>

(Notes)

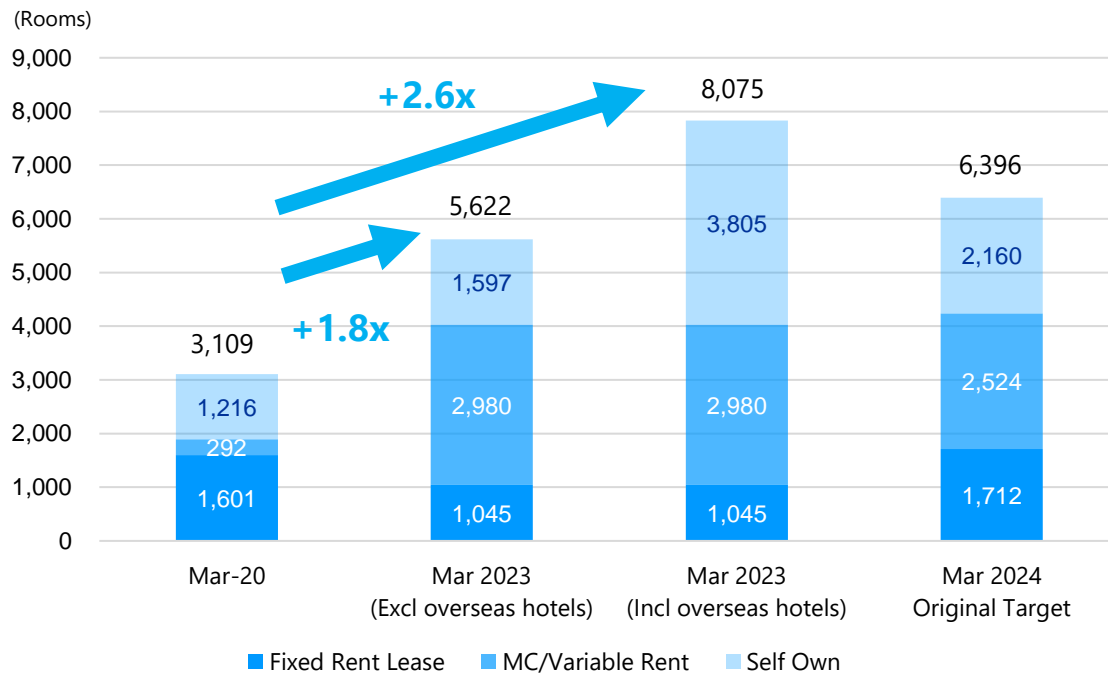
- The above forecasts do not reflect the aforementioned results related to the share purchase and sale of Red Planet Hotels Manila Corporation and the results related to the management of several hotels located in Sendai City, Miyagi Prefecture, as disclosed in the "Polaris to Operate Additional Hotels in Sendai, Japan" dated Jan 19, 2023.
- Due to the processing of consolidated financial statements, the fiscal year of overseas subsidiaries differs from that of the Company and reflects the financial figures from Jan to Dec each year. Therefore, the forecast for the fiscal year ending Mar 2024 reflects the financial results of overseas subsidiaries from Jan to Dec 2023.
- The above forecasts are based on information currently available. Actual results may differ from these forecasts due to various factors.



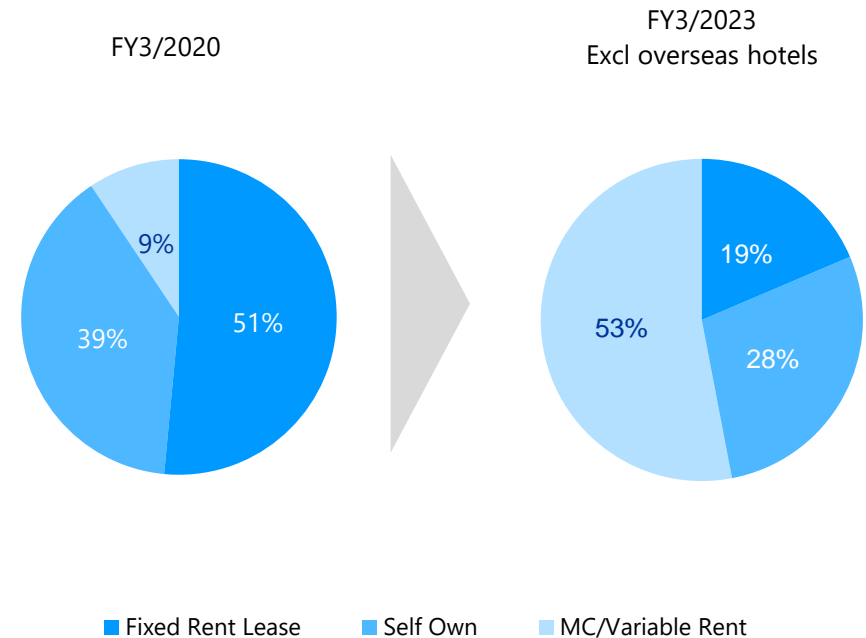
# Operations: Expansion of Hotel Operations Ahead of Plan

- Number of rooms under management has grown 2.6 times in last 3 years with strong sponsor support
- Achieved the target for the number of rooms under management by the end of March 2023 significantly ahead of schedule through the opportunistic acquisition of domestic hotels and Red Planet’s Philippine operations
- Significantly decreased the ratio of rooms under fixed-rent lease contracts from 51% to 19% due to an increase in the number of hotels managed under fee-based management contracts, an increase in the number of company-owned properties, and withdrawal from unprofitable hotels (8 hotels with 864 rooms in total)
- Tactical changes to the revenue structure and reduction of operating costs have strengthened resilience to downside risks

**Number of Rooms Management by Type of Contract**












**Change in Composition of Rooms Under Management by Type of Contract**



## Operations: Expansion of Fee-Based and Variable Rent Hotels









- 19 new hotels (3,377 rooms) with competitive fee structures were opened between FY3/2021 and FY3/2023
- 15 hotels (2,801 rooms) are under fee-based management contracts or full variable-rent lease contracts. The reduction in the fixed rent portion reduces operational risks while promoting the construction of a capital-efficient portfolio that generates stable revenues and income

### Added in FY3/2021

Fixed Rent Lease Contracts		Company Owned		Management Contracts				
Best Western Tokyo Akasaka	Best Western Shin Yokohama	Fino Hotel Sapporo Odori	Best Western Plus Fukuoka Tenjin Minami	KOKO HOTEL Ginza 1 chome	KOKO HOTEL Sapporo Ekimae	KOKO HOTEL Fukuoka Tenjin	KOKO HOTEL Hiroshima Ekimae	KOKO HOTEL Kagoshima Tenmonkan
								
87 rooms	108 rooms	145 rooms	236 rooms	305 rooms	224 rooms	159 rooms	250 rooms	295 rooms

### Added in FY3/2022




### Added in FY3/2023

Management Contracts	Variable-rent Lease Contracts	Management Contracts							
KOKO HOTEL Tsukiji Ginza	KOKO HOTEL Osaka Namba	KOKO HOTEL Premier Kanazawa Korinbo	KOKO HOTEL Osaka Shinsaibashi	KOKO HOTEL Nagoya Sakae	KOKO HOTEL Premier Kumamoto	KOKO HOTEL Premier Nihonbashi Hamacho	KOKO HOTEL Kobe Sannomiya	KOKO HOTEL Residence Asakusa Tawaramachi	KOKO HOTEL Residence Asakusa Kappabashi
									
188 rooms	100 rooms	207 rooms	211 rooms	204 rooms	205 rooms	223 rooms	141 rooms	47 rooms	42 rooms



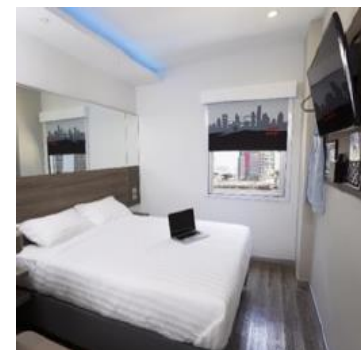
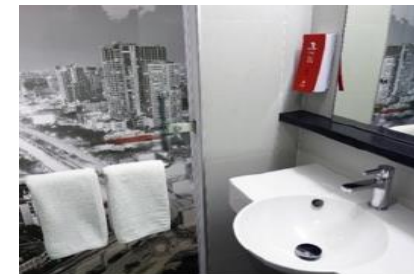
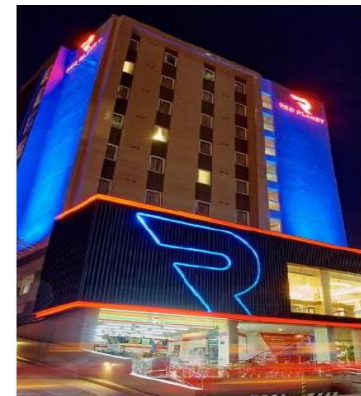
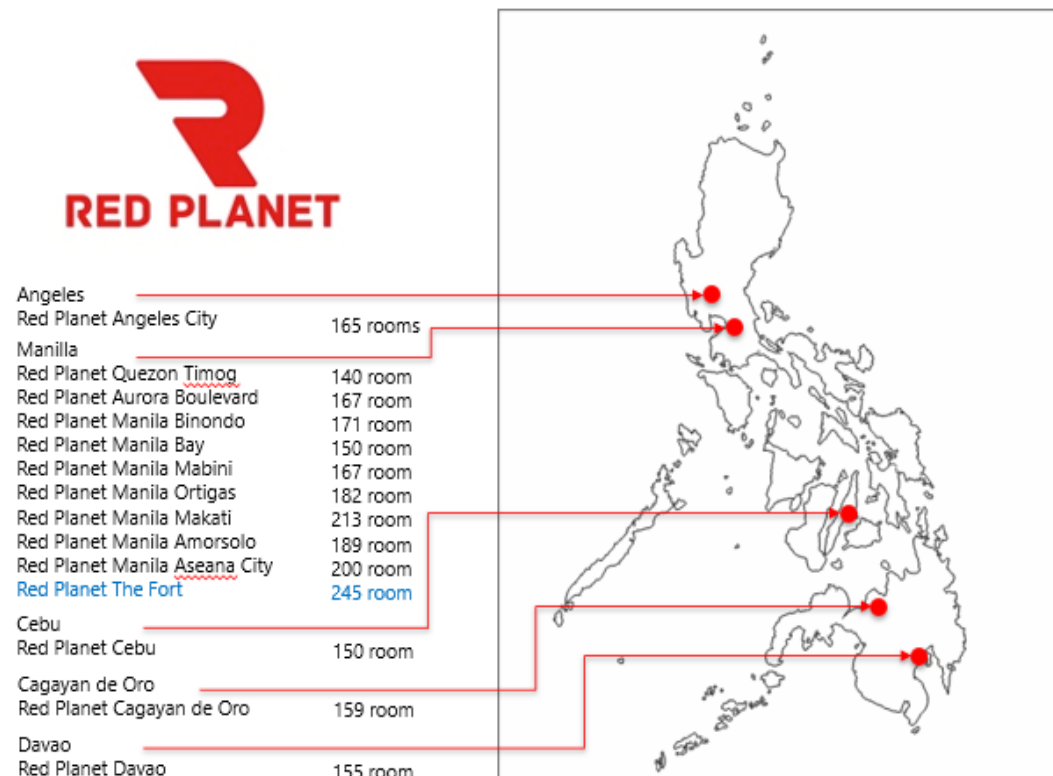
## Sponsor Synergies: Acquired Key Properties During Hotel Downturn

- Given the wide distress in the hotel operations and transaction markets during the pandemic, the Company group capitalized on the opportunity and acquired 3 hotel properties
- The Best Western Plus Fukuoka Tenjin Minami and The Fino Hotel Sapporo Odori were operated under long-term fixed rent lease contracts, but due to the acquisitions, the Company successfully terminated the fixed-rent payment obligations and now keeps 100% of the hotel economics
- As both properties were acquired below appraisal values, there are attractive unrealized gains on these properties

	KOKO HOTEL Tsukiji Ginza	Best Western Plus Fukuoka Tenjin Minami	Fino Hotel Sapporo Odori
			
Acquisition Date	April 2021	April 2021	December 2021
Acquisition Price (million yen)	Not disclosed	2,730	3,180
Note	<ul style="list-style-type: none"> <li>✓ The Company group and the sponsor jointly purchased, which had been operated by an affiliate of the seller</li> <li>✓ As the co-owner and operator, the Company group is entrusted with the management of the property under a fee-based management contract and has secured unrealized profit on the property</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Company group purchased the hotel properties owned by a third party, which was operated by Polaris group under long-term fixed-rent lease agreement. Polaris is now the owner and operator of the properties</li> <li>✓ Upon purchase, terminated the existing lease agreement, substantially reducing the fixed rent payment obligation and secured strong unrealized gains on the properties</li> <li>✓ Financed part of the acquisition with a loan from a major foreign financial institution based on an appraisal value of the properties</li> </ul>	

## Sponsor Synergies: Acquired Second Largest Philippine Hotel Chain

- Acquired 100% of the share ownership in the Red Planet group companies that owned and operated hotels in the Philippines under the “Red Planet” brand. The Company will now own and operate a hotel portfolio of 13 hotels (2,208 rooms) through its wholly owned subsidiaries
- The “Red Planet” brand is one of Asia’s leading midscale and limited-service hotel brands, providing high quality service in terms of both hardware and software under a unified brand strategy. The brand boasts a high level of operational competitiveness, including a unique customer loyalty program, efficient sales and marketing operations, and an advanced IT platform, etc.
- Red Planet is the second largest hotel operator in the country in terms of the number of rooms managed, and with a dedicated customer base, it operates a highly efficient hotel management business that takes advantage of economies of scale
- The opportunistic acquisition of Red Planet resulted in a gain on negative goodwill of JPY1.461 billion which was recorded as extraordinary income



## Financials: Secured Additional Capital For Growth

- During the pandemic, the Company secured both working capital and growth capital in cooperation with our sponsor, with the goal to further expand the number of hotels in management and ensuring more stable operations
- As of March 2023, the Company secured approximately JPY4.2 billion yen in cash and approximately JPY2.9 billion in shareholders' equity to significantly strengthen its financial base

<p>July 2020 Issuance of 1<sup>st</sup> convertible bond and stock acquisition rights</p>	<ul style="list-style-type: none"> <li>✓ Issued JPY1.5 billion of convertible bonds with stock acquisition rights and JPY1.5 billion of stock acquisition rights (both with a current exercise price of JPY122.5) to raise capital to prepare for the opening of new hotels, repay loans and fund growth</li> <li>✓ The bonds had a clause allowing early redemption at JPY110.8 of the bond amount upon request from the bondholders after October 2021. In December 2022, the convertible bond was amended to the following conditions:               <ul style="list-style-type: none"> <li>➢ The redemption date was extended from July 2023 to June 2024</li> <li>➢ The redemption amount on the redemption date was kept constant at JPY110.8</li> <li>➢ The convertible bond-type stock acquisition rights were waived</li> </ul> </li> </ul>
<p>May 2021 Commitment Line of Credit by the Sponsor</p>	<ul style="list-style-type: none"> <li>✓ Signed a commitment line agreement with the Sponsor Group for up to JPY900 million to provide sufficient liquidity to the Company during the pandemic</li> </ul>
<p>October 2021 Capital increase through third-party allotment and issuance of stock acquisition rights</p>	<ul style="list-style-type: none"> <li>✓ Raised approximately JPY5.9 billion in growth capital and eliminated excess liabilities by issuing JPY2.8 billion in new shares (32,557,500 shares issued) and JPY3.1 billion in stock acquisition rights (exercise price: JPY86, maximum 36,357,600 shares issued) through a third-party allocation</li> <li>✓ Acquired Fino Hotel Sapporo Odori using the capital raised</li> <li>✓ Approximately JPY2.18 billion cash already raised through exercise of stock acquisition rights</li> <li>✓ Secured JPY1,16 billion as working capital by amending the use of funds in September 2022, as the Company achieved its target growth of new hotels under operation significantly ahead of schedule</li> </ul>
<p>March 2022 Additional funding provided by the Sponsor</p>	<ul style="list-style-type: none"> <li>✓ Borrowed JPY300 million from the Sponsor Group to secure additional working capital and liquidity due to the prolonged impact of the pandemic in Japan</li> </ul>
<p>March 2023 Additional funding provided by the Sponsor and a Japanese bank</p>	<ul style="list-style-type: none"> <li>✓ Borrowed JPY400 million from the Sponsor Group and JPY200 million from a major Japanese bank to secure additional working capital and liquidity due to the prolonged impact of the pandemic in Japan</li> </ul>

## Financials: Summary of Stock Acquisition Rights

Status of Exercise of  
Stock Acquisition Rights  
regarding

July 2020  
Issuance of stock  
acquisition rights  
and

October 2021  
Issuance of stock  
acquisition rights

### ■ 2020 Stock Acquisition Rights

#### Initial

- ✓ Exercise period : From July 31, 2020 to July 28, 2023
- ✓ Number of stock acquisition rights: 121,951
- ✓ Class, description and number of shares to be issued upon exercise: 12,195,100 shares of common stock

#### Current (as of May 2023)

- ✓ Number of stock acquisition rights: 116,951
- ✓ Class, description and number of shares to be issued upon exercise: 11,695,100 shares of common stock

Number of stock acquisition rights exercised: 5,000 (Number of common shares to be increased: 500,000 shares, amount of increase in common stock/capital reserve (total): JPY61,500,000)

### ■ 2021 First Series of Stock Acquisition Rights

#### Initial

- ✓ Exercise period: From November 25, 2021 to November 22, 2024
- ✓ Number of stock acquisition rights: 325,575
- ✓ Class, description and number of shares to be issued upon exercise: 32,557,500 shares of common stock

#### Current (as of May 2023)

- ✓ Number of stock acquisition rights: 12,895
- ✓ Class, description and number of shares to be issued upon exercise : 1,289,500 shares of common stock

Number of stock acquisition rights exercised: 312,000 (Number of common shares to be increased: 31,268,000 shares, amount of increase in common stock/capital reserve (total): JPY2,689,048,000)

### ■ 2021 Second Series of Stock Acquisition Rights

#### Initial

- ✓ Exercise period : From November 25, 2021 to November 22, 2024
- ✓ Number of stock acquisition rights: 38,001
- ✓ Class, description and number of shares to be issued upon exercise: 3,800,100 shares of common stock

#### Current (as of May 2023)

- ✓ Number of stock acquisition rights: 38,001
- ✓ Class, description and number of shares to be issued upon exercise: 3,800,100 shares of common stock

Number of stock acquisition rights exercised: 0 (Number of common shares to be increased: 0 shares, amount of increase in common stock/capital reserve (total): JPY0)

# Corporate Initiatives: Better and Stronger Platform with Lower B/E Point

- Continue to aggressively improve the operating performance and strengthen the financial base while securing funds for continued growth
- Importantly, maximize revenues while continuing to lower the break-even point of the hotels under management. The Company's growth in rooms has significantly improved the economics of scale that the Company can achieve

Our Challenge	Our Achievements	
Strengthen financial structure and Securing capital for future growth	<ul style="list-style-type: none"> <li>• Borrowed JPY400 million from the Sponsor Group and JPY200 million from a major Japanese bank to secure working capital during the prolonged impact of the pandemic in Japan</li> <li>• Raised capital of approximately JPY2.2 billion by issuing common stock upon exercise of stock acquisition rights (the same amount was recorded in capital stock/capital surplus)</li> </ul>	
Maximize revenue and gross operating profit	<ul style="list-style-type: none"> <li>• Centralized revenue management teams of five experienced revenue managers were established to develop tactical sales and pricing strategies to maximize revenue and gross operating profit</li> <li>• Revenue management that proactively captures improvement in demand for lodging resulted in a 66.4% increase in ADR compared to the fiscal year ended March 2021</li> </ul>	
Lower break-even point	Expand Fee-For-Service management	<ul style="list-style-type: none"> <li>• Due to an increase in the number of hotels under "Fee-For-Service" type of management contracts, the amount of rent paid per saleable room at managed hotels reduced by 19% compared to the fiscal year ended Mar 2022</li> <li>• Decrease in the proportion of rooms under lease agreements with fixed-rent payment obligations to 19% from 51% in the fiscal year ended March 2020</li> </ul>
	Develop Owner AND Operator model	<ul style="list-style-type: none"> <li>• In the midst of market distress caused by the pandemic, the Company group acquired a portfolio of 13 hotels (2,208 rooms) by acquiring 100% ownership Red Planet group companies in the Philippines. The Company group is now the owner and operator of this leading brand</li> <li>• The Company will monitor trends in the hotel property transaction market and pursue opportunities to acquire hotels at a discount, especially when prices are low, while considering the realization of potential gains from the sale of properties when prices soar</li> </ul>
	Operating expense reduction	<ul style="list-style-type: none"> <li>• Optimized the number of staff per hotel by increasing shift efficiency and multitasking. Reduced labor costs per room by over 21% while increasing the scale of operations</li> </ul>
Expand operation platform by working with the Sponsor	<ul style="list-style-type: none"> <li>• Increased the number of hotels under management by approximately 1.8 times from the fiscal year ended March 2020 and 2.6 times including overseas hotels</li> <li>• 8 hotels (1,280 rooms) were newly commissioned based on "Fee-For-Service" type of management contract with the Sponsor as the owner</li> </ul>	



## Corporate Initiatives: Growing the Brand

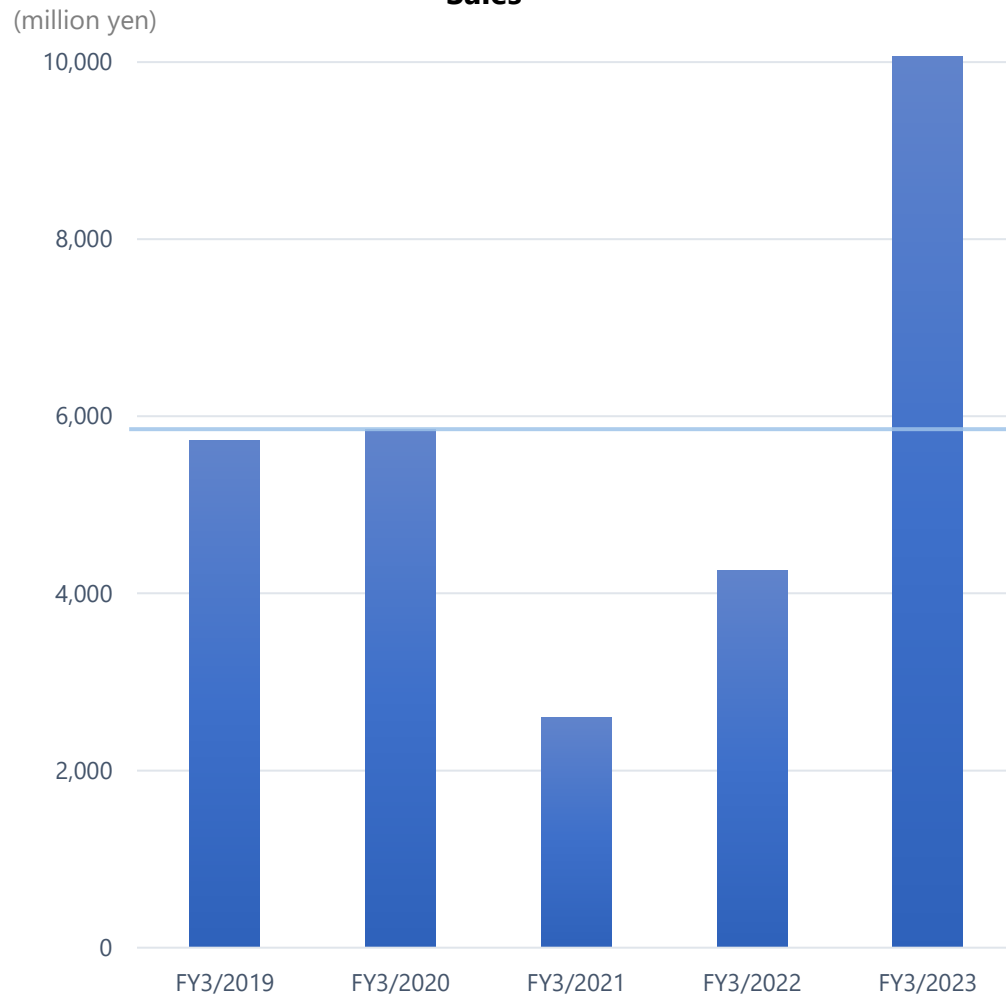
- The Company will continue with its growth strategies to date and will implement initiatives to further improve profitability which will significantly increasing shareholder value

Our Goal	Our Tactics
Strengthen financial position	<ul style="list-style-type: none"> <li>✓ Continue to reduce interest-bearing debt</li> <li>✓ Improvement of equity capital ratio to optimize balance sheet</li> </ul>
Aggressive expansion	<ul style="list-style-type: none"> <li>✓ In April 2023, the Company group was hired as the operator by a third-party hotel owner for "KAYA Kyoto Nijo Castle BW Signature Collection by Best Western" located in Kyoto City, Japan</li> <li>✓ Will be hired by the Sponsor Group to manage several hotels in Sendai City opening this fall</li> <li>✓ Upon completion of the scheduled acquisition of the new Red Planet Hotel Manila The Fort (245 rooms in the Manila Central Business District) which is currently in the stage of development, the Company group will have another large urban hotel under management</li> </ul>
Strengthen branding	<ul style="list-style-type: none"> <li>✓ Constantly improve the KOKO Hotels brand concept to strengthen the brand awareness and durability in the market</li> <li>✓ Shift to an active strategy that contributes to differentiation and further profit growth by making profitable investments, including optimization of guest room composition, etc.</li> <li>✓ Further improvement and strengthening of operations as well as the reputation/track record of the brand and provided services</li> <li>✓ Creation of synergies with overseas hotels</li> </ul>
Optimization of portfolio	<ul style="list-style-type: none"> <li>✓ While continuing to lower the break-even point through lower cost operation, selectively consider master lease contracts for properties where earnings opportunities are expected to increase post pandemic</li> <li>✓ While consider reducing downside risk, switch from long-term fixed-rent type contracts to contracts with variable rents with lower fixed-rent which generate more upside when profitability increases</li> <li>✓ Continue to promote the own/operator model while monitoring trends in the hotel property transaction market</li> </ul>
Strengthening our response to ESG, SDGs and Sustainability	<ul style="list-style-type: none"> <li>✓ Promote various sustainability-related initiatives with the aim of achieving both sustainable social development by addressing environmental issues and contributing to local communities while generating medium to long-term growth for the Company</li> <li>✓ Promote and support diversity, including the appointment of additional female managers and employees</li> <li>✓ Always enhancing corporate governance and internal controls in Japan and overseas</li> </ul>

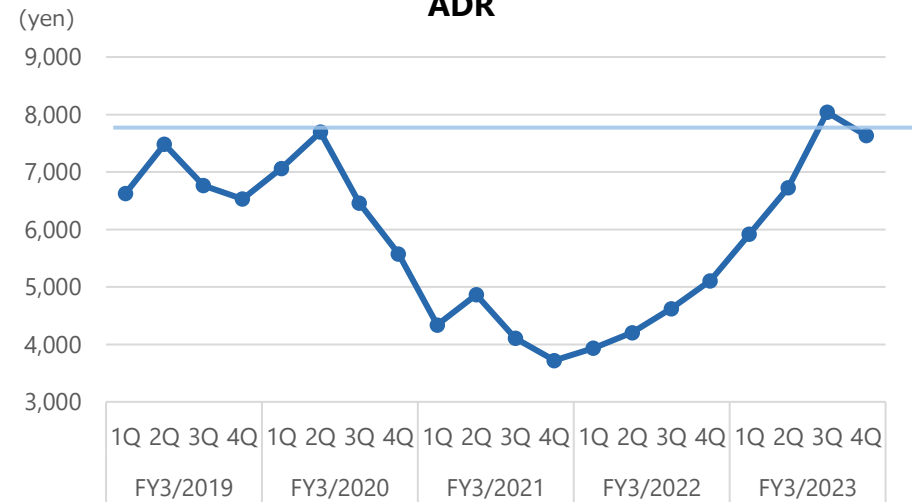
# Company Market Trends: Sales, ADR and Occupancy All Hit 5 Year Highs

- Revenue, ADR and occupancy rates all exceeded the highest levels in the last five fiscal years, including the pre-pandemic fiscal year ended March 2019
- The Company expects this trend to continue as the pandemic travel restrictions will continue to wane globally (i.e. China)

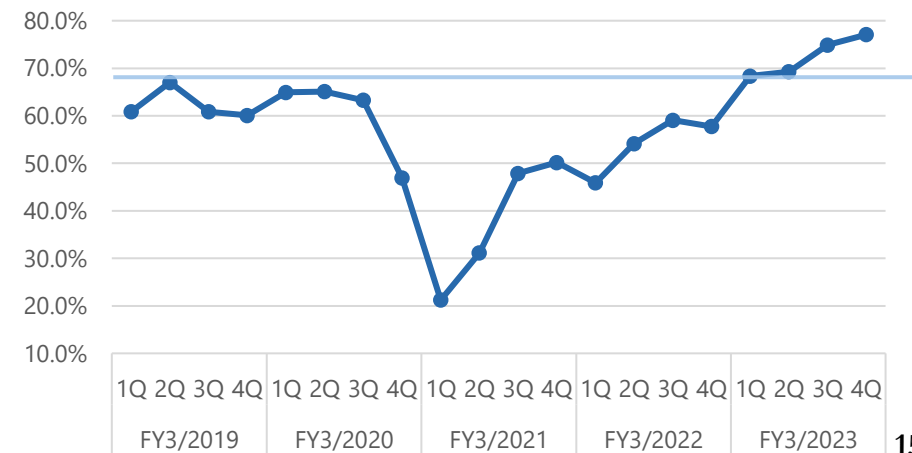
**Sales**



**ADR**



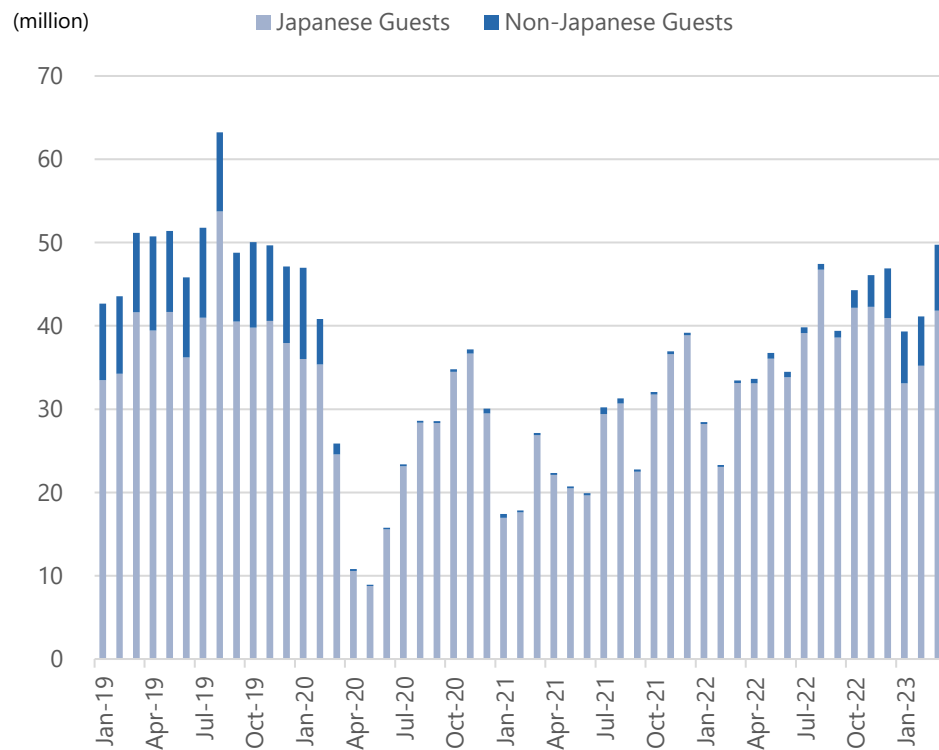
**Occupancy**



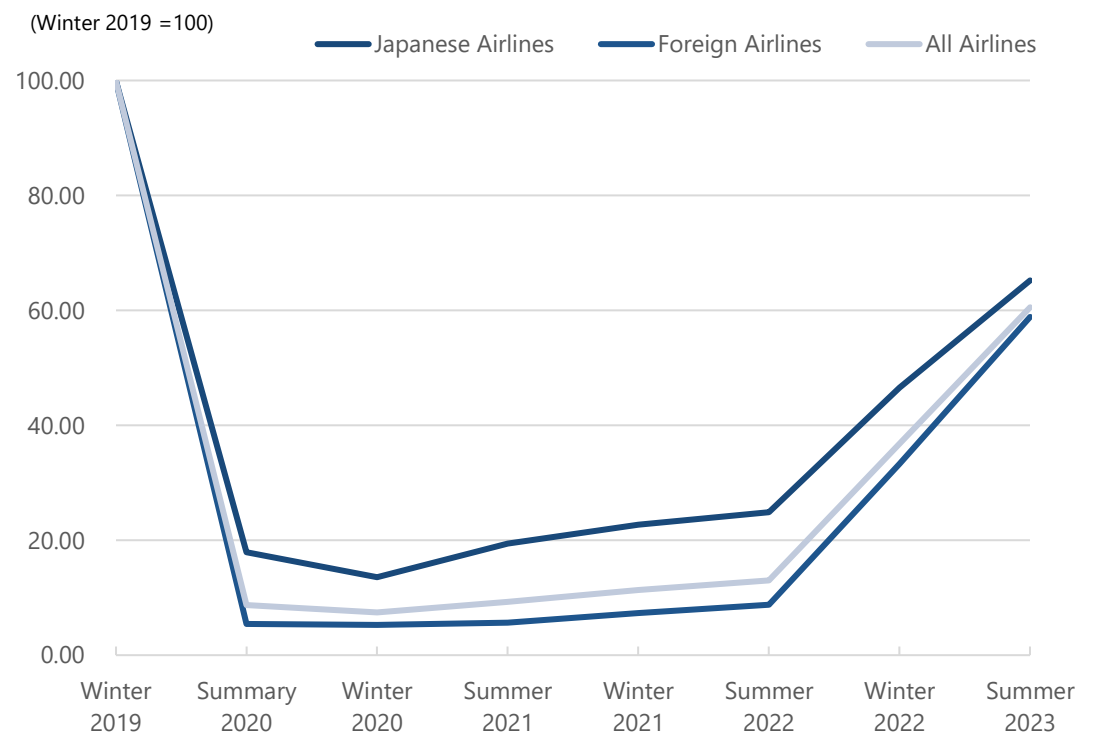
# Hotel Market Trends: Recovery Expected to Continue

- The number of domestic overnight stays has exceeded the same month for 2019 every month since October 2022
- The number of foreign overnight stays recovered to 100.5% for the same month in 2019 commencing in March 2023
- The number of regular international flights (passenger flights) by nationality has remained at 60% of the winter 2019 level. This is expected to recover further due to the continued relaxation of travel measures and increase in flight capacity globally

## Total number of Overnights Stays



## International Regular Flights (Passenger Flights) Trends by Nationality



(Source) Japanese Tourism Agency (compile by the Company)

(Source) Ministry of Land, Infrastructure, Transport and Tourism (compiled by the Company)

## Appendix: Platform Overview - Hotel Profiles by Operating Contract

- Long-term fixed-rent lease contracts, which are the most common in Japan, are a high-risk management style for hotel operators especially during market downturns and emergencies. However, during market boom times, hotel operators can enjoy excess profits compared to management contracts
- During the pandemic, the Company expanded the number of hotels under management with management or variable rent contracts to achieve stable earnings growth
- When the market recovers, the Company can consider selling its owned properties to third parties and realize gains on the sale while continuing to secure hotel operating revenues

Contract Type	Fixed Rent Lease	Fixed and Variable Rent Lease	Management Contract	Owner AND Operator
<b>Outline</b>	<ul style="list-style-type: none"> <li>• Operator rents a building from owner and operator pays fixed rent to owner</li> <li>• This type has the highest volatility of profit or loss for the operator</li> <li>• Most common type in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Operator rents a hotel from owner and operator pays fixed rent and variable rent linked to hotel revenue or profit to the owner</li> <li>• Owner and operator share risk/return regarding hotel profit</li> <li>• Type has been increasing in Japan as a result of COVID-19 situation</li> </ul>	<ul style="list-style-type: none"> <li>• Owner entrusts operations of hotels to the operator and the owner pays management fees from revenue and profit to the operator</li> <li>• This type has the highest volatility of profit or loss for the owner</li> <li>• Most common type in the US</li> </ul>	<ul style="list-style-type: none"> <li>• Owner owns and operates hotels</li> <li>• High profitability for owner without paying rent or management fee</li> <li>• Eliminates conflicts of interest</li> <li>• However, capital needed to buy hotels</li> </ul>
<b>Risk/Return for Operator</b>	High Risk and High Return	Middle Risk and Middle Return	Stable "Fee-For-Service" (Fee as compensation for service)	Middle Risk and Middle Return (Owner-Operator)
<b>Conceptual diagram of relationship between hotel operating profit and operator profit</b>				
<b>Hotels Operated by Polaris Group</b>	<ul style="list-style-type: none"> <li>• BW Osaka Tsukamoto</li> <li>• BW Plus Hotel Fino Chitose</li> <li>• BW Plus Hotel Fino Osaka Kitahama</li> <li>• BW Hotel Fino Tokyo Akasaka</li> <li>• BW Hotel Fino Shin-Yokohama</li> <li>• VTH Ishinomaki</li> <li>• VTH Narahakidoekimae</li> <li>• Kinuura Grand Hotel</li> </ul>	<ul style="list-style-type: none"> <li>• Sure Stay Plus Hotel Shin-Osaka</li> <li>• KOKO Hotel Osaka Namba (Fully variable rent)</li> </ul>	<ul style="list-style-type: none"> <li>• BW Hotel Fino Osaka Shinsaibashi</li> <li>• KAYA Kyoto Nijyo Castle BW Signature Collection</li> <li>• KOKO Ginza 1 chome, KOKO Sapporo Ekimae, KOKO Fukuoka Tenjin, KOKO Hiroshima Ekimae, KOKO Kagoshima Tenmonkan., KOKO Tsukiji Ginza, Osaka Shinsaibashi, Nagoya Sakae and Kobe Sannomiya</li> <li>• KOKO Premier Kanazawa Korinbo, Kumamoto and Nihonbashi Hamacho</li> <li>• KOKO Residence Asakusa Tawaramachi, Asakusa Kappabashi</li> </ul>	<ul style="list-style-type: none"> <li>• BW Plus Fukuoka Tenjin Minami</li> <li>• Fino Hotel Sapporo Odori</li> <li>• VTH Higashi Matsushima Yamoto</li> <li>• VTH Sendai Natori</li> <li>• VTH Furukawa Sanbongi</li> </ul>

## Disclaimer

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This material is released for the purpose of providing information on the financial results for the fiscal year ended Mar 2023 (consolidated), and not intended as a solicitation to invest.

The information in this document concerning future forecasts, strategies, etc., is based on judgements made by the Company based on information reasonably available to the Company at the time this document was prepared and within the scope of what can be expected in the ordinary course of business.

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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 15, 2023 press release titled “[Summary] Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)”

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