

FOR IMMEDIATE RELEASE

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**Polaris Executes New Agreement
for Operations of 5 KOKO Hotels to Maximize Profitability**

Polaris Holdings Co., Ltd. (hereinafter the “Polaris” or the “Company”) announced today that KOKO HOTELS Co., Ltd. (hereinafter “KOKO HOTELS”), a subsidiary of Polaris, executed a Memorandum of Understanding (hereinafter the “MOU”) to succeed the position of lessee in the fixed-term building lease contracts (hereinafter the “Lease Agreements”) previously concluded between GK KOKO HOTEL Sapporo Ekimae, GK KOKO HOTEL Ginza 1-chome, GK KOKO HOTEL Hiroshima Ekimae, GK KOKO HOTEL Fukuoka Tenjin and GK KOKO HOTEL Kagoshima Tenmonkan (hereinafter collectively the “5 SPC”) and Star Asia Investment Corporation (Stock Code 3468; hereinafter “SAR”). KOKO HOTELS had been operating these hotels under a Management Contract with 5 SPC and has been operating KOKO HOTEL Sapporo Ekimae, KOKO HOTEL Ginza 1-chome, KOKO HOTEL Hiroshima Ekimae, KOKO HOTEL Fukuoka Tenjin, and KOKO HOTEL Kagoshima Tenmonkan (hereinafter collectively the “5 Hotels”) since October 2020.

1. Reasons for the subject structural change

Polaris Group has been continuously focusing on improving profitability with one of the main strategies of increasing the number of hotels under fee-based management and variable rent-type lease contracts with the overall aim of lowering the break-even point and maximizing profits.

The recent acquisition of five hotel properties by SAR on September 1, 2023 provided one such opportunity. SAR entered into a Lease Agreement with the 5 SPC and KOKO HOTELS then subsequently entered into a new Management Contract with the 5 SPC. After further discussions between SAR and the 5 SPC, and with KOKO HOTELS preparing to take over the Lease Agreement from December 1, 2023, an agreement was reached where KOKO HOTELS decided to succeed the position of the lessee from the 5 SPC and entered into an MOU to change the operation of the 5 hotels from a management contract to a variable rent-type lease agreement.

The rent for the Lease Agreements is a structure that combines fixed rent and variable rent, which enhances the higher profitability for Polaris Group than the existing Management Contracts. The structural change allows Polaris to enjoy revenue linked to performance while still controlling the break-even point. In addition, the contract period of the Lease Agreements is 15 years, providing Polaris Group with a secure long-term operational platform, which contributes to the stabilization of the Polaris Group revenue base and the enhancement of corporate value.

2. Outline of the Lease Agreements

i. KOKO HOTEL Sapporo Ekimae

(i) Hotel Name	KOKO HOTEL Sapporo Ekimae
(ii) Location	3-3-10, Kita 1-jo Nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido 060-0001, Japan
(iii) Hotel Overview	12 above ground, 1 basement level, 224 rooms
(iv) Contract period	September 1, 2023 - August 31, 2038
(v) Other contract details	<ul style="list-style-type: none"> • Rent: [Fixed Rent] Monthly: JPY 7,600,000- (The anniversary of one year after the contract start date) Monthly: JPY 11,400,000- (After the anniversary of one year after the contract start date) [Variable Rent] Actual GOP of rent calculation period (one month) x 85% — Fixed Rent
(vi) Total lease expenses	The total amount of lease payments is expected to exceed the amount equivalent to 30% of the Company's consolidated net assets for the previous fiscal year. However, since the lease payments under this agreement are structured as a combination of fixed rent and variable rent determined by the performance of the hotel operation, the Company is unable to reasonably predict the specific amount and as such, refrains from disclosing the amount of the rent.

ii. KOKO HOTEL Ginza 1-chome

(i) Hotel Name	KOKO HOTEL Ginza 1-chome
(ii) Location	1-9-5 Ginza, Chuo-ku, Tokyo 104-0061, Japan
(iii) Hotel Overview	12 above ground, 1 basement level, 305 rooms
(iv) Contract period	September 1, 2023 - August 31, 2038
(v) Other contract details	<ul style="list-style-type: none"> • Rent: [Fixed Rent] Monthly: JPY 15,600,000- (The anniversary of one year after the contract start date) Monthly: JPY 23,300,000 - (After the anniversary of one year after the contract start date) [Variable Rent] Actual GOP of rent calculation period (one month) x 85% — Fixed Rent
(vi) Total lease expenses	The total amount of lease payments is expected to exceed the amount equivalent to 30% of the Company's consolidated net assets for the previous fiscal year. However, since the lease payments under this agreement are structured as a combination of fixed rent and variable rent determined by the performance of the hotel operation, the Company is unable to reasonably predict the specific amount and as such, refrains from disclosing the amount of the rent.

iii. KOKO HOTEL Hiroshima Ekimae

(i) Hotel Name	KOKO HOTEL Hiroshima Ekimae
(ii) Location	10-3 Kyobashi-cho, Minami-ku, Hiroshima City, Hiroshima 732-0828, Japan
(iii) Hotel Overview	14 above ground, 1 basement level, 250 rooms
(iv) Contract period	September 1, 2023 - August 31, 2038
(v) Other contract details	<ul style="list-style-type: none"> • Rent: [Fixed Rent] Monthly: JPY 5,100,000- (The anniversary of one year after the contract start date) Monthly: JPY 7,700,000- (After the anniversary of one year after the contract start date) [Variable Rent] Actual GOP of rent calculation period (one month) x 85% — Fixed Rent
(vi) Total lease expenses	The total amount of lease payments is expected to exceed the amount equivalent to 30% of the Company's consolidated net assets for the previous fiscal year. However, since the lease payments under this agreement are structured as a combination of fixed rent and variable rent determined by the performance of the hotel operation, the Company is unable to reasonably predict the specific amount and as such, refrains from disclosing the amount of the rent.

iv. KOKO HOTEL Fukuoka Tenjin

(i) Hotel Name	KOKO HOTEL Fukuoka Tenjin
(ii) Location	1-22-14 Imaizumi, Chuo-ku, Fukuoka City, Fukuoka 810-0021, Japan
(iii) Hotel Overview	14 above ground, 1 basement level, 159 rooms
(iv) Contract period	September 1, 2023 - August 31, 2038
(v) Other contract	• Rent:

details	<p>[Fixed Rent] Monthly: JPY 5,500,000- (The anniversary of one year after the contract start date) Monthly: JPY 8,200,000- (After the anniversary of one year after the contract start date)</p> <p>[Variable Rent] Actual GOP of rent calculation period (one month) x 85% — Fixed Rent</p>
(vi) Total lease expenses	The total amount of lease payments is expected to exceed the amount equivalent to 30% of the Company's consolidated net assets for the previous fiscal year. However, since the lease payments under this agreement are structured as a combination of fixed rent and variable rent determined by the performance of the hotel operation, the Company is unable to reasonably predict the specific amount and as such, refrains from disclosing the amount of the rent.

v. KOKO HOTEL Kagoshima Tenmonkan

(i) Hotel Name	KOKO HOTEL Kagoshima Tenmonkan
(ii) Location	4-24 Higashi Sengoku-cho, Kagoshima City, Kagoshima 892-0842, Japan
(iii) Hotel Overview	13 above ground, 295 rooms
(iv) Contract period	September 1, 2023 - August 31, 2038
(v) Other contract details	<p>• Rent:</p> <p>[Fixed Rent] Monthly: JPY 5,000,000- (The anniversary of one year after the contract start date) Monthly: JPY 7,500,000- (After the anniversary of one year after the contract start date)</p> <p>[Variable Rent] Actual GOP of rent calculation period (one month) x 85% — Fixed Rent</p>
(vi) Total lease expenses	The total amount of lease payments is expected to exceed the amount equivalent to 30% of the Company's consolidated net assets for the previous fiscal year. However, since the lease payments under this agreement are structured as a combination of fixed rent and variable rent determined by the performance of the hotel operation, the Company is unable to reasonably predict the specific amount and as such, refrains from disclosing the amount of the rent.

3. Outline of Contract Partner

(i) Name	Star Asia Investment Corporation	
(ii) Location	Atago Green Hills MORI Tower 18F, 2-5-1 Atago, Minato-ku, Tokyo	
(iii) Title and name of representative	Atsushi Kato, Executive Officer	
(iv) Business	Real estate investment business based on the Law Concerning Investment Trusts and Investment Corporations	
(v) Total amount of investments (Note)	JPY 66,123 million	
(vi) Date of Establishment	December 1, 2015	
(vii) Net assets (Note)	JPY 103,224 million	
(viii) Total assets (Note)	JPY 209,259 million	
(ix) Major Investors and Investment Ratio (Note)	Custody Bank of Japan, Ltd. 11.3%	
(x) Relationship between Polaris and SAR	Capital relationship	There is no direct capital relationship between Polaris and SAR. SAR is an investment corporation and SAIM is the asset manager of SAR. SAIM is owned by Star Asia Group, the parent group of Polaris (percentage of Polaris owned by Star Asia Group: 73.98%).
	Human relationship	There is no personnel relationship between Polaris and SAR that should be noted. Five members of Star Asia Group serve as directors of the Company.
	Business relationship	There are no business relationships requiring special mention between Polaris and SAR.
	Related Party Status	SAR is not deemed a related party of Polaris.

(Note) Based on information as of July 31, 2023.

4. Schedule

Succession date of lessee's position: December 1, 2023 (scheduled)

5. Outlook

Effect of the MOU on the Company's financial results for the current fiscal year is reflected on the "Upward Revision of Consolidated Financial Forecast for the Year Ending March 31, 2024 and Recognition of Extraordinary Income (Gain on Cancellation of Lease Agreements)" disclosed today.