



# POLARIS HOLDINGS CO., LTD.

PRESENTATION FOR INVESTORS

OCTOBER 2021



## **Polaris Holdings: A new way to stay**

- ❖ **We believe Japan's tourism resources including unique national character, exceptional culinary experiences as well as its distinct history and natural features results in superior international competitiveness and will continue to attract many more inbound tourists over the long run**
- ❖ **We believe that by providing convenient, comfortable and clean accommodations at a reasonable price to inbound and domestic travelers, we aim to positively contribute to the Japanese tourism industry, communities we belong to, and our employees' well being. We believe such efforts will lead to maximizing shareholder value for Polaris**
- ❖ **We believe that as the hotel industry recovers from an unprecedented crisis caused by COVID-19, by utilizing the deep financial resources, extensive real estate knowledge and capital market skills of our sponsor, Star Asia Group, we have created a new and profitable branded hotel experience in Japan**
- ❖ **We believe Polaris Holdings is very well positioned to continue to take advantage of this unique situation and further execute on our profitable growth strategy**

## Meet our challenges with achievements

- ❖ To significantly improve the balance sheet and secure capital for future growth, Polaris is scheduled to consummate a third-party allotment of common shares and warrants to **inject JPY2.8 billion of equity (JPY5.9 billion if warrants are fully exercised)**
- ❖ By maximizing the profitability at each hotel and lowering the break even point, Polaris has transformed its hotel operating platform to generate significant profitability with the upcoming market recovery
- ❖ Since mid 2020, Polaris’ rooms under management **have increased by 1.5x**. Polaris will continue to expand its hotel operating platform by working closely with its sponsor

Our Challenges		Our Achievements
Strengthen financial structure and Securing capital for future growth		<ul style="list-style-type: none"> <li>Issued JPY1.5 billion convertible bond and warrants exercisable into JPY1.5 billion common shares in July 2020</li> <li>In November 2021, scheduled to <b>raise JPY 2.8 billion</b> (JPY5.9 billion if warrants are fully exercised) <b>of equity capital for growth and to significantly improve the balance sheet</b></li> <li>Purchased two hotels at deeply discount prices <b>which resulted in a JPY2.2 billion unrealized gain</b> compared to appraisal values</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 impactful sales and pricing strategies to maximize revenue and gross operating profit</li> </ul>
Lower break-even point	Expand Fee-For-Service management	<ul style="list-style-type: none"> <li>By increasing hotels under “Fee-for-Service” management contracts, <b>rent per operated hotel room<sup>1</sup> decreased 42%</b></li> <li>We have tactically lowered the percentage of rooms operated under fixed lease contracts to 31% from 51%</li> </ul>
	Develop Owner AND Operator model	<ul style="list-style-type: none"> <li><b>Polaris eliminated JPY313 million of annual fixed rent leakage</b> by purchasing BWP Fukuoka Tenjin Minami at an attractive discounted price and becoming the owner <u>and</u> operator</li> <li>Polaris and Star Asia Group jointly purchased KOKO HOTEL Tsukiji Ginza at an attractive discounted price and have retained Polaris as the operator under a management contract</li> </ul>
	Operating expense reduction	<ul style="list-style-type: none"> <li>Reduced staff per hotel by optimizing staff shifts and introducing multi-task work style. Along with expansion of the hotel platform, <b>payroll per available room has been decreased by 30%</b></li> <li>JPY100 million expense reduction is expected by changing and streamlining cleaning, building maintenance and other contracts</li> <li><b>Built profit structure where Polaris can maintain EBITDA break-even if RevPAR at the same 2019 historical supply/demand balance drops by 17%</b> by transforming its hotel operating platform and expense reduction <sup>2</sup></li> </ul>
Expand operation platform by working with sponsor		<ul style="list-style-type: none"> <li><b>Opened 11 competitively positioned hotels during the past 18 months</b>, the number of rooms operated by Polaris has <b>increased 1.5x</b></li> <li>The 11 hotels are owned solely by Polaris, co-owned with Star Asia Group, or solely owned by Star Asia Group. All hotels are strategically operated under Fee-for-Service management contracts or variable rent lease contracts</li> </ul>

1. Total rent obligations divided by available rooms for sale.

2. “EBITDA” stands for Earnings Before Interest, Taxes, Depreciation and Amortization, calculated by adding interest and depreciation to earnings before taxes. “RevPAR” stands for Revue Per Available Room, which shows rooms revenue per available room per day.

## Acquisition of competitive hotels at discounted prices

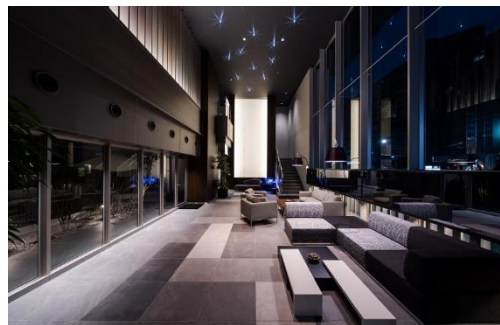
In April 2021, Polaris took advantage of the broken hotel transaction market caused by COVID-19, and acquired two new and highly competitive hotels at deeply discounted prices as both the owner AND operator

### Best Western Plus Fukuoka Tenjin Miami

**Model Case 1:** Terminated long-term fixed rent lease contract with third party owner and purchased the hotel at discounted price as an owner-operator.

Eliminated JPY313 million annual fixed rent obligation which resulted in a JPY2.07 billion unrealized gain compared to its appraisal value.

- Opened in October 2020 with 236 rooms
- 8 min walk from Tenjin station, and 5 min walk from Tenjin Minami station
- Located near popular Hakata entertainment district and Canal City retail complex. Good access to Fukuoka Airport and Fukuoka Port. This location is attractive for both leisure and business travelers
- Lower break even point, potential for future capital gains and significant profit contribution expected when the market recovers



### KOKO HOTEL Tsukiji Ginza








**Model Case 2:** Polaris and sponsor jointly purchased the hotel at discounted price. Polaris operates the hotel under fee-for-service management contract. The discount purchase resulted in a JPY1.94 billion unrealized gain (Polaris share 6.9%) compared to its appraisal value.

- Opened in September 2021 with 188 rooms
- 5 min walk from Tsukiji station, and 9 min walk from Higashi Ginza station
- Good access to Ginza area and near Tsukiji Fish Market. Location is attractive for both domestic and inbound travelers
- Average room size is 20.7sqm which is larger than the competition; 73% of rooms can accommodate three or more guests and suitable for strong leisure demand
- Expected cash flow distribution from ownership, fee income based on management contract and potential for future capital gains



# A new and better way to operate hotels in Japan

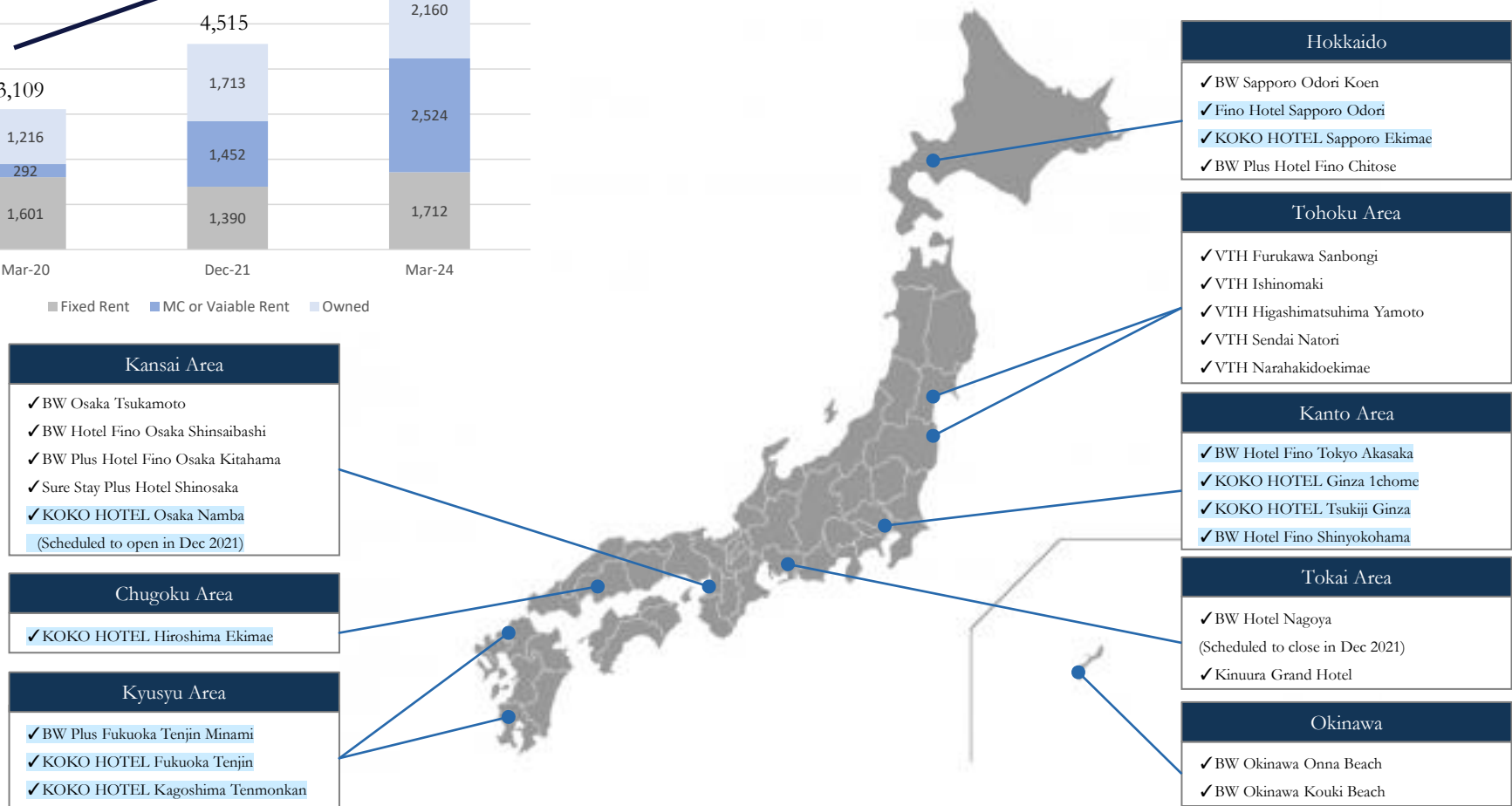
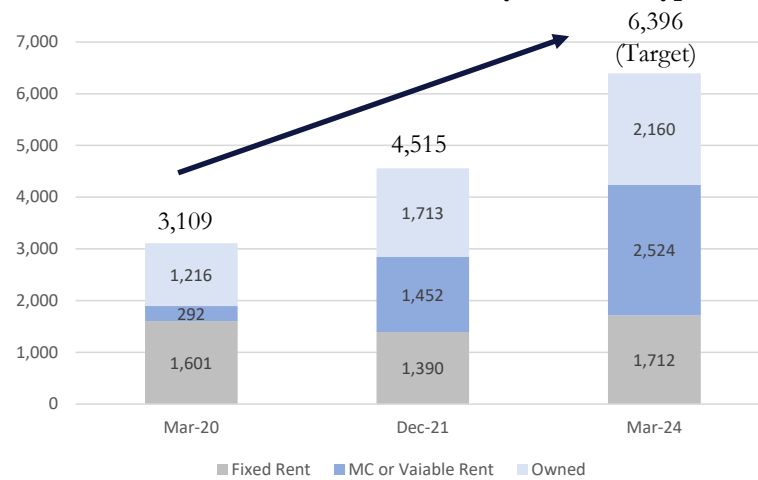
Launched “KOKO HOTEL” brand in 2020, Polaris secured 7 competitive hotels to operate totaling 1,521 rooms in collaboration with our sponsor under management contracts or variable rent lease contracts. **With no fixed rent obligation, we expect to generate stable earnings while significantly reducing the downside risk for the operator**

From Oct 2020 to Nov 2020					Sep 2021	Dec 2021
Management Contract					Management Contract	Lease Contract (Fully Variable Rent)
KOKO HOTEL Ginza 1chome	KOKO HOTEL Sapporo	KOKO HOTEL Fukuoka	KOKO HOTEL Hiroshima	KOKO HOTEL Kagoshima	KOKO HOTEL Tsukiji Ginza	KOKO HOTEL Osaka Namba
						
30 5rooms	224 rooms	159 rooms	250 rooms	295 rooms	188 rooms	100 rooms
1 min walk from Ginza 1-chome Station	4 min walk from Odori Station	4 min walk from Tenjin Minami Station	7 min walk from Hiroshima Station	5 min walk from Tenmonkan Dori Station	5 min walk from Tsukiji Station	7 min walk from Namba Station
<ul style="list-style-type: none"> <li>Sponsor bought 5 hotel and retained Polaris as the operator under management contracts</li> <li>Launched “KOKO HOTEL” brand and rebranded with no operational downtime</li> <li>Location and room mix is attractive for both business and leisure demand</li> <li>All hotels have more than 150 rooms and sub-lease tenants in lower floors which produces stable profit, resulting in a lower break-even levels</li> <li>Experienced relatively high occupancies even during the Covid-19 pandemic given strong and resilient locations</li> </ul>					<ul style="list-style-type: none"> <li>Polaris and sponsor jointly purchased the hotel and Polaris operates under management contract</li> <li>Good access to Ginza, ideal location and facility for leisure demand.</li> </ul>	<ul style="list-style-type: none"> <li>Polaris operates for Star Asia Investment Corporation (TSE: 3468)</li> <li>Operator’s risk reduced due to variable rent contract</li> <li>Good access to Namba and Shinsaibashi area which is popular for inbound guests</li> </ul>

## Plan to increase rooms under management by 40-45%

- ❖ Since mid 2020, the number of hotels and rooms operated by Polaris has increased 1.5x from 19 hotels with 3,190 rooms in March 31, 2020 to 25 hotels and 4,515 rooms in September 30, 2021
- ❖ To build an even more competitive and profitable hotel operating platform, Polaris aims to increase the number of rooms under management by 40-45% by acquiring additional hotels, increasing hotels under management contract or variable rent (partially fixed rent) lease contracts

**Transformation of Number of Rooms by Contract Type**

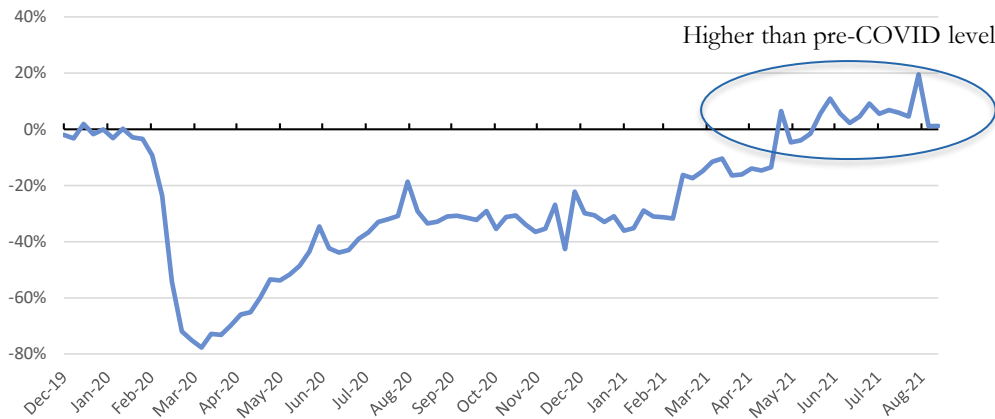


\*Hotels in blue highlighted are opened after Mar 2020

# Vaccination progress will drive hotel market recovery

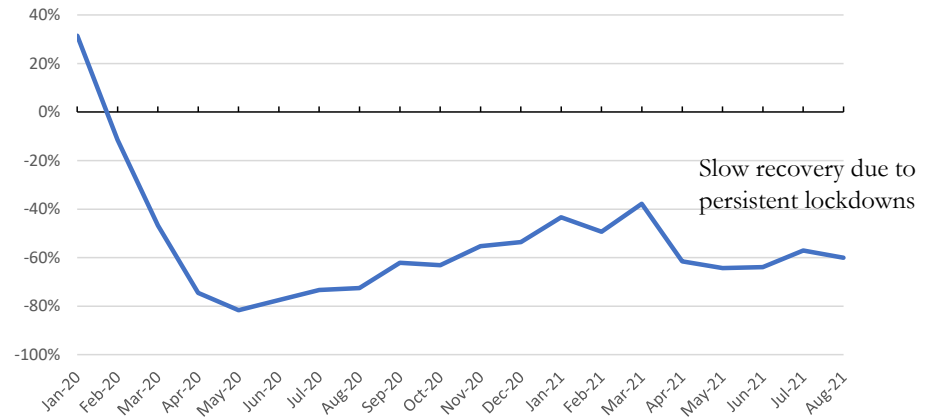
- ❖ In the US, as vaccination rates increased and travel restrictions eased, RevPAR at Best Western branded hotels in the US have already exceeded pre-COVID levels from June 2021
- ❖ In Japan, the number of fully vaccinated people has reached 64.3% as of October 10, 2021, now a higher percentage than in the US. We expect Polaris’s hotel performance to recover strongly as lockdowns are eased

**Best Western Hotel in the US**  
RevPAR variance vs 2019



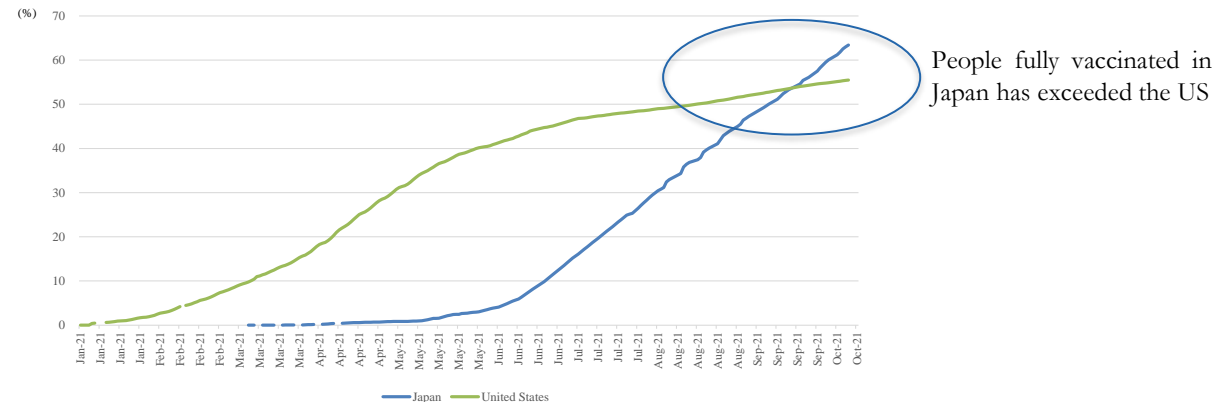
Source: Best Western Hotels.

**Polaris’s Hotel Performance**  
RevPAR Variance vs 2019



Source: Polaris Holdings Co., Ltd.

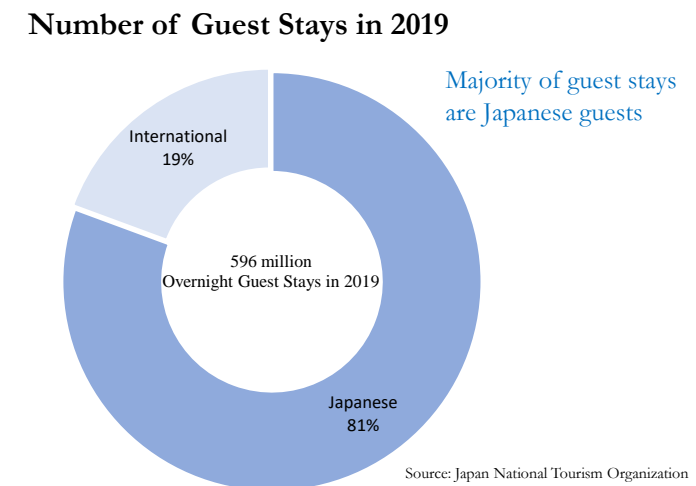
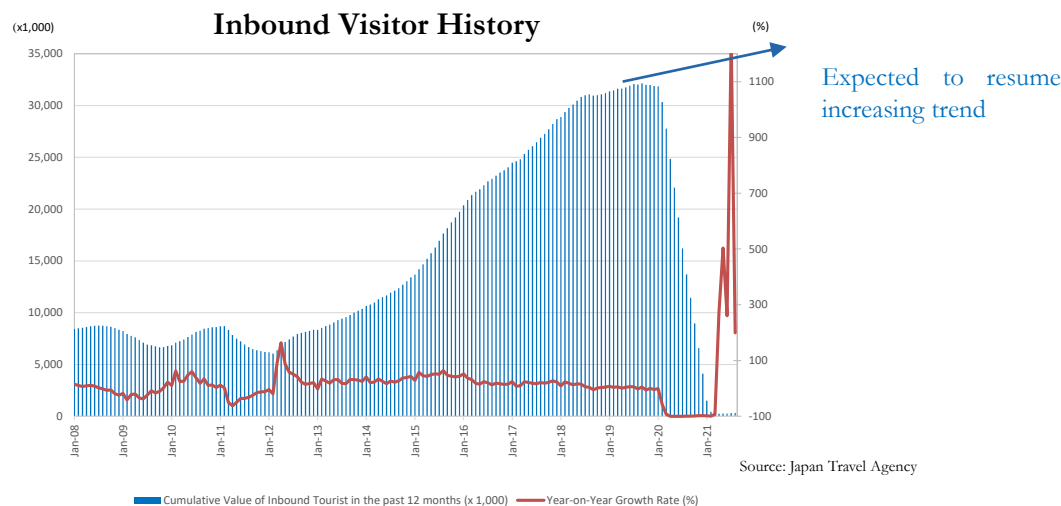
**People Fully Vaccinated**  
in Japan vs the US



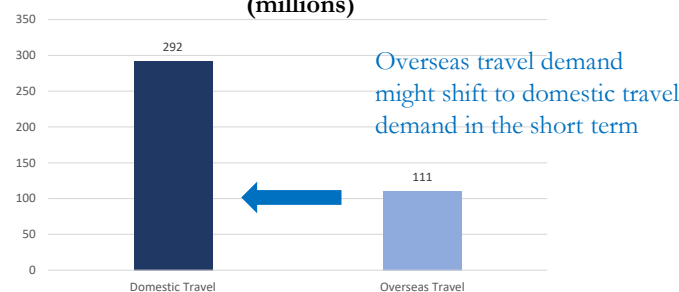
Source: Our World in Data

# First domestic pent-up travel demand, then inbound demand returns

- ❖ Since 2003, thanks to the Government’s “Visit Japan Campaign” as well as a national policy focused on achieving 40 million inbound visitors by 2020 and 60 million in 2030, inbound visitors increased significantly by 3.8x from 8.35 million visitors in 2007 to 31.88 million in 2019. However, for the past 18 months the number of inbound visitors has been essentially **zero** due to the COVID-19 pandemic and strict border closings
- ❖ Polaris believes that over time, as global restrictions are eased, the number of inbound visitors should easily reach and likely exceed pre-COVID levels given Japan’s unique and competitive tourism resources
- ❖ Of the total 596 million overnight stays in 2019 in Japan, a significant majority (81%) were Japanese guests, therefore, recovery of domestic travel demand is important for the overall Japan hotel market
- ❖ The number of Japanese accommodation nights by Japanese leisure travelers was 111 million in 2019. As the vaccination campaign progresses and the State of Emergency is lifted, Japanese leisure travelers who are unable to or hesitant to travel overseas will likely choose domestic travel. This will likely result in increased domestic travel demand by Japanese leisure travelers in the short term



**Number of Accommodation Nights by Japanese Leisure Travelers in 2019 (millions)**

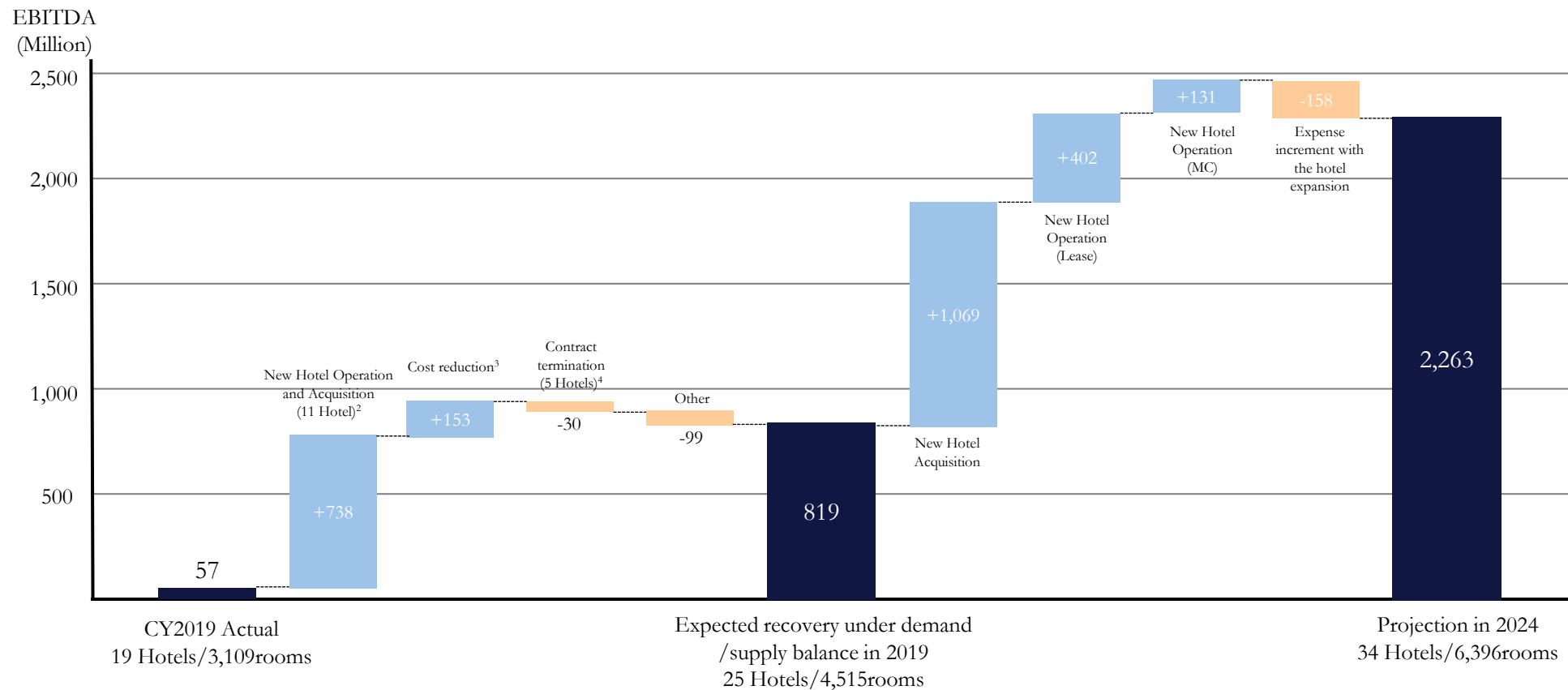


Source: Japan Travel Agency



## We estimate over JPY2.2bn EBITDA in FY2024

- ❖ Polaris' break even point for its hotel operating platform has been significantly reduced through initiatives such as the acquisition of competitive hotel assets, new hotel openings, cost reductions and the termination of contracts at unprofitable hotels
- ❖ Assuming current hotels under management and hotel demand recovers to the 2019 level, **we expect to generate JPY819 million EBITDA**. This is significant growth compared to the 2019 actual EBITDA
- ❖ Polaris plans to accelerate its growth strategy by utilizing the capital secured through the announced capital raise. Polaris aims to **increase its rooms under management by 40-45%** by the end of the fiscal year 2023
- ❖ As a result, Polaris currently projects **JPY2,263 million EBITDA in fiscal year 2024**



Forward-looking statements or projections included in this document, including earnings projections, are based on currently available information and certain premises that are judged to be rational at the time of writing.

- Assuming 3 each hotels which have the equivalent economic effect of BWP Fukuoka Tenjin Minami (owned), BWP Chitose (lease contract) and average of 6 KOKO HOTELS (management contract) and increase the number of operated rooms to 6,396 rooms.
- BW Tokyo Akasaka, BW Shinyokohama, Fino Sapporo Odori, BWP Tenjin Minami, 7 KOKO HOTELS Ginza 1-chome, Sapporo, Fukuoka, Hiroshima, Kagoshima, Tsukiji, Osaka (scheduled to open in Dec 2021)).
- Cost reduction effect at 11 hotels which were operated at the end of Dec 2019 and Dec 2021.
- BW Tokyo Akihabara, VTH Hirono, BW Yonezawa, BW Yamagata Airport and BW Nagoya (scheduled to close in Dec 2021).

## Balance sheet projections: a turn to black

- ❖ Based on JGAAP, Polaris had a negative net worth at the end of June 2021. However, considering its long-dated subordinated loan<sup>1</sup> as equity and including the unrealized gains on acquired hotels, Polaris had **JPY1.9 billion positive net worth**
- ❖ By utilizing growth capital from the announced third-party allotment, warrants to be exercised, and convertible bond to be converted, Polaris strives to continue acquiring hotel assets at discounted prices and securing hotel operating mandates to further improve its profitability and increase its unrealized and realized gains
- ❖ **Ultimate goal is to maximize value for all shareholders**

### At the end of June 2021

JGAAP	Cash on hand and in banks	1,587	Short-term loans debts	931
	Inventory assets	2,800	Other	1,139
	Other	907		
	<b>Current Assets</b>	<b>5,294</b>	<b>Current Liabilities</b>	<b>2,070</b>
			Long-term loans debts	4,000
			Long-term corporate bond	900
			Subordinated equity loan	950
			Other	1,442
	<b>Non-current Assets</b>	<b>2,823</b>	<b>Non-current Liabilities</b>	<b>7,291</b>
			Shareholders'equity	-1,249
		Other	4	
		Net assets	-1,245	
<b>Assets</b>	<b>8,116</b>	<b>Liabilities and Assets</b>	<b>8,116</b>	

### At the end of March 2024 (Projection)

	Cash on hand and in banks	5,726	Short-term loans debts	498
	Inventory assets	10,763	Other	1,176
	Other	766		
	<b>Current Assets</b>	<b>17,255</b>	<b>Current Liabilities</b>	<b>1,674</b>
			Long-term loans debts	9,718
			Long-term corporate bond	0
			Subordinated equity loan	950
			Other	1,433
	<b>Non-current Assets</b>	<b>2,677</b>	<b>Non-current Liabilities</b>	<b>12,102</b>
			Shareholders'equity	6,152
			Other	4
			Net assets	6,156
<b>Assets</b>	<b>19,932</b>	<b>Liabilities and Assets</b>	<b>19,932</b>	

Economic BS	Cash on hand and in banks	1,587	Short-term loans debts	931
	Inventory assets	2,800	Other	1,139
	Unrealized gain	2,204		
	Other	907		
	<b>Current Assets</b>	<b>7,498</b>	<b>Current Liabilities</b>	<b>2,070</b>
			Long-term loans debts	4,000
			Long-term corporate bond	900
			Other	1,442
	<b>Non-current Assets</b>	<b>2,823</b>	<b>Non-current Liabilities</b>	<b>6,341</b>
			Shareholders'equity	-1,249
		Subordinated equity loan	950	
		Unrealized gain	2,204	
		Other	4	
		Net assets	1,909	
<b>Assets</b>	<b>10,320</b>	<b>Liabilities and Assets</b>	<b>10,320</b>	

	Cash on hand and in banks	5,726	Short-term loans debts	498
	Inventory assets	0	Other	1,176
	Unrealized gain	8,414		
	Other	766		
	<b>Current Assets</b>	<b>14,905</b>	<b>Current Liabilities</b>	<b>1,674</b>
			Long-term loans debts	9,718
			Long-term corporate bond	0
			Other	1,433
	<b>Non-current Assets</b>	<b>2,677</b>	<b>Non-current Liabilities</b>	<b>11,152</b>
			Shareholders'equity	6,152
			Subordinated equity loan	950
			Unrealized gain	8,414
			Other	4
			Net assets	15,519
<b>Assets</b>	<b>17,582</b>	<b>Liabilities and Assets</b>	<b>28,346</b>	

Unit : JPY million

Forward-looking statements or projections included in this document, including earnings projections, are based on currently available information and certain premises that are judged to be rational at the time of writing. Actual results may differ significantly

1. Long-dated subordinated loan has September 20, 2040 stated maturity, and is accounted as liability under JGAAP, but is accounted as equity for financial audit purposes by financial institutions.

## EBITDA multiple of hotel operators

EBITDA multiple of the Japan hotel operators is 15.6x as of the end of fiscal year 2019 not affected by COVID-19, and EBITDA multiple of US hotel operators is 19.0x at the same period. As Polaris increases its hotels under fee-for-service management contracts and variable rent lease contracts, Polaris's EBITDA will become more stable and lower risk. As Polaris further differentiates itself from other Japanese hotel operators, the EBITDA multiple could converge to a level similar to the EBITDA multiple of US hotel operators.

### Japan Hotel Operator EBITDA Multiple as of the end of fiscal year 2019

(JPY billions except for EV/T12M EBITDA)		Enterprise Value	T12M EBITDA	EV/T12M EBITDA
9616 JP Equity	KYORITSU MAINTENANCE CO LTD	280.8	19.3	14.5
4681 JP Equity	RESORTTRUST INC	219.1	29.0	7.6
9708 JP Equity	IMPERIAL HOTEL LTD	82.2	7.7	10.7
9722 JP Equity	FUJITA KANKO INC	75.3	5.3	14.2
9713 JP Equity	ROYAL HOTEL LTD/THE	59.6	3.6	16.6
6565 JP Equity	ABHOTEL CO LTD	35.8	1.9	18.8
5261 JP Equity	RESOL HOLDINGS CO LTD	34.6	1.6	21.6
6076 JP Equity	AMAZE CO LTD	29.1	5.0	5.8
9723 JP Equity	KYOTO HOTEL LTD/THE	20.4	1.4	14.6
6547 JP Equity	GREENS CO LTD	18.1	2.9	6.2
9704 JP Equity	AGORA HOSPITALITY GROUP CO L	15.2	0.4	38.0
9720 JP Equity	HOTEL NEW GRAND CO LTD	5.5	0.3	18.3
<b>Average EV/T12M EBITDA</b>				<b>15.6</b>

Notes:

Source: Bloomberg December 11, 2020.

Kamogawa Grand Hotel (9695) and Kachikaihatsu (3010) excluded due to negative EBITDA.

Red Planet Japan (3350) excluded due to unusually high multiple.

### US Hotel Operator EBITDA Multiple as of the end of fiscal year 2019

(US\$ millions except for EV/T12M EBITDA)		Enterprise Value	T12M EBITDA	EV/T12M EBITDA
MAR	Marriott International Inc	60,790.3	2,370.0	25.6
HLT	Hilton Worldwide Holdings	39,577.2	2,111.0	18.7
H	Hyatt Hotels Corp	10,204.1	730.0	14.0
WH	Wyndham Hotels & Resorts Inc	7,948.6	421.0	18.9
CHH	Choice Hotels International Inc	6,610.5	372.5	17.7
<b>Average EV/T12M EBITDA</b>				<b>19.0</b>

Notes:

Source: Bloomberg December 11, 2020.

## Risk/return profile by type of hotel operating contract

- ❖ Long-term fixed rent lease contracts are predominantly used in Japan, however, operators under this type of contract are typically exposed to excessive and asymmetric risks. Operators aggressively priced these fixed contracts during 2016 to 2019, when the Japan hotel market was overheated
- ❖ On the other hand, under management contracts, which are common in the US, owners take responsibility for both risks and returns, and operators receive fee income as a compensation for its services and eliminate fixed rent obligation
- ❖ Polaris is strategically targeting more stable earnings growth by increasing hotels under management contract or lease contract with variable rent, where the operator and owner can fairly share the risks and returns
- ❖ Given the continuing broken hotel transaction market in Japan, Polaris plans to achieve high profitability by acquiring additional competitive hotel assets at discounted prices and operate the hotels as an owner and operator without 3<sup>rd</sup> party rent leakage. As the hotel market recovers, Polaris could generate significant capital gains along with keeping stable operating income by disposing of hotels and signing management contracts or variable rent contracts

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</b>	<ul style="list-style-type: none"> <li>•BW Osaka Tsukamoto</li> <li>•BW Nagoya</li> <li>•BW Sapporo Odori Koen</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>•Fino Hotel Sapporo Odori</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>•BW Okinawa Koki Beach</li> <li>•BW Okinawa Onna Beach</li> <li>•KOKO HOTEL Ginza 1chome</li> <li>•KOKO HOTEL Sapporo Ekimae</li> <li>•KOKO HOTEL Fukuoka Tenjin</li> <li>•KOKO HOTEL Hiroshima Ekimae</li> <li>•KOKO HOTEL Kagoshima Tenmonkan</li> <li>•KOKO HOTEL Tsukiji Ginza</li> </ul>	<ul style="list-style-type: none"> <li>•BW Plus Fukuoka Tenjin Minami</li> <li>•VTH Higashi Matsushima Yamoto</li> <li>•VTH Sendai Natori</li> <li>•VTH Furukawa Sanbongi</li> </ul>

# Polaris Management Team



**Executive Chairman : Shigeru Takakura**

Mr. Takakura joined Polaris Holdings in 2013. He is a seasoned hotel professional with more than 48 years experience in hospitality industry. Previously, Mr. Takakura was a Director of Rembrandt Holdings and General Manager. Prior to joining Rembrandt Holdings in 2011, Mr. Takakura was a General Manager of Loisir Hotel Atsugi and Kobe Bay Sheraton Hotel & Towers at Solare Hotels & Resorts established by Lone Star. He was also responsible for operation of full-service hotel. Prior to joining Solare Hotels & Resorts in 2005, Mr. Takakura was Head of Sales Department covering Japan ,South Korea and Guam at Hilton International. He was also Deputy Manager of Hilton Tokyo.



**Director : Taro Masuyama**

Mr. Masuyama is a Founder, Managing Partner and Director of Star Asia Group which he co-founded in 2006. Mr. Masuyama is also co-Chair of the Investment Committee at Star Asia Group. Previously, Mr. Masuyama was a Managing Director, and Head of Pacific Rim Structured Credit Products and Japan Credit Sales and Marketing at Merrill Lynch. Prior to joining Merrill Lynch in April 1999, Mr. Masuyama was a Vice President of Global Credit Derivatives at Bankers Trust in New York. Mr. Masuyama was also a management consultant at Andersen Consulting in Tokyo, Chicago and Los Angeles, where he helped multi-national corporations streamline their headquarter functions.



**CEO, President and Head of Real Estate Department : Atsuo Umeki**

Mr. Umeki is also the CEO and President of Star Asia Sogo Kaihatsu. He is a well-connected and seasoned real estate professional with 30 years of experience in real estate development, construction, leasing and sales. Previously, Mr. Umeki was the CEO and President of Meiho Enterprises Co., Ltd. (TSE; 8927), a publicly listed Japanese real estate development and property management company focused primarily in the Tokyo-metropolitan area. Prior to joining Meiho Enterprises, Mr. Umeki was with Tomen Corporation (currently Toyota Tsusho Corporation) where he constructed and developed real estate properties in Tokyo and New York.



**Director : Malcolm F. MacLean IV**

Mr. MacLean is a Founder, Managing Partner and Director of Star Asia Group which he co-founded in 2006. Mr. MacLean is responsible for the day-to-day investment activities at the Firm as co-Chair of the Investment Committee. Previously, Mr. MacLean was the President, Portfolio Manager and Head Trader for Mercury Real Estate Advisors LLC. Mr. MacLean has over 29 years of experience in the global real estate investment business while focusing on the acquisition of real estate properties, private and public real estate debt and equity securities, as well as corporate acquisitions primarily throughout Japan.. Mr. MacLean was a Senior Vice President in PaineWebber's and Kidder Peabody & Co's (now UBS) Real Estate Investment Banking Groups



**Director, COO, CFO and Head of Financial and Corporate Planning Department : Satoshi Hosono**

Mr. Hosono is also Director at Star Asia Management Japan Ltd., since joining the firm in January 2015. Prior to joining Star Asia Management Japan, Mr. Hosono was a Manager at Xymax Corporation. From 2006 to 2012, Mr. Hosono worked for Mizuho Securities Ltd., as a Vice President in the Real Estate Finance Department and Financial Solutions Department, From 2005 to 2006, Mr. Hosono worked at Orix Corporation. Mr. Hosono also worked at Daiwa Securities Co Ltd. from 2003 to 2005.



**Director : Ryutaro Hashimoto**

Mr. Hashimoto is a Managing Director at Star Asia Management Japan Ltd., Prior to joining Star Asia Management Japan in August 2015, Mr. Hashimoto was an Associate at The Blackstone Group for 5 years, where he had similar responsibilities for acquisitions/dispositions as well as financing of Blackstone's investments in Japan. Prior to joining Blackstone in 2010, Mr. Hashimoto was an Analyst in the Global Principal Investments Group at Merrill Lynch, where he was responsible for acquisition, disposition and monitoring various types of real estate investments in Japan for Merrill Lynch's Real Estate Fund as well as its own balance sheet.



**Head of Hotel Business Department : Yohei Taguchi**

Mr. Taguchi is Vice President at Star Asia Management Japan Ltd., Prior to joining to the Star Asia Management Japan., Mr. Taguchi was a Senior Vice President at Ichigo Investment Advisors Co., Ltd., where he was in charge of the asset management for more than 20 hotels owned by Ichigo Hotel REIT Investment Corporation. Prior to Ichigo, Mr. Taguchi was a Senior Manager at Japan Hotel REIT Advisors Co., Ltd. where he was responsible for the asset management of hotels held by Japan Hotel REIT Investment Corporation., Prior to Japan Hotel REIT Advisors Co., Ltd., he worked for Hoshino Resorts Inc., Prior to Hoshino, Mr. Taguchi was a consultant at Accenture Japan Ltd.,



**Director, Audit and Supervisory Committee Member : Takashi Handa**

Mr. Handa's recent expertise is mainly transaction support such as financial due diligence, financial model audit, structuring advisory services and valuation services. He became a global partner and CEO of Mazars FAS Corporation after entering into the partnership agreement with Mazars group. Previously, Mr. Handa developed his professional skills in asset management business in Morgan Stanley Capital as a controller, dealing with investment, financing and M&A transactions for 6 years. He started his carrier at Arthur Andersen Japan (currently KPMG Azura Audit Corporation) and accumulated audit and assurance experiences for 14 years including 5 years secondment in Europe (Spain and UK)



**Director, Audit and Supervisory Committee Member : Koichi Akiyama**

Since joining the Polaris Holdings, Mr Akiyama has served in the Management Department for 13 years as General Affairs Department Manager and Accounting Department Manager, and then served as Director and General Manager of Administration Division for 3 years. Previously, Mr. Akiyama was a Manager in the Management Department at a business school for 20 years, responsible for launching new departments and independence from the parent company of the management department in a service industry company.



**Director, Audit and Supervisory Committee Member : Yuuki Kitazoe**

Mr. Kitazawa established Kitazoe & Company Co., Ltd. in 2012. He is a professional in management and IT consulting for over 30 years, mainly focusing on IT reform. Mr. Kitazawa provides consulting services to a wide range of industries. In business planning, he proposes IT solutions with high strategic value that meets client needs and responds to various transformation projects such as IT diagnosis, IT strategy, integration of IT and office work associated with M&A, organizational reform and human resource development. Previously he worked at Accenture.



**Taro Masuyama**  
**Founder,**  
**Managing Partner and**  
**Director of Star Asia Group**



**Malcolm F. MacLean IV**  
**Founder,**  
**Managing Partner and**  
**Director of Star Asia Group**

Star Asia Group is a private and independent investment group focused exclusively on Japanese real estate and real estate-related assets.

- ❖ Founded by Taro Masuyama and Malcolm F. MacLean IV in 2006, Star Asia Group is an independent fund management company focused exclusively on Japanese real estate and real estate-related assets (i.e., debt, equity, property, securitized assets, corporations, etc.)
- ❖ Since its founding, Star Asia Group has invested in excess of JPY932.5 billion (as of Sept. 2021) and has current assets under management of JPY388.8 billion.(as of June 2021)
- ❖ Star Asia Group has 357 officers and employees with over 50 professionals in Japan in our investment and management division along with our finance team located in the US
- ❖ Star Asia Group’s partners and employees always operate under our **Guiding Principles** which continuously drives the Group to become and remain one of the leading real estate investment management firms in Japan
- ❖ Star Asia Group’s strong track record and long-term partnership approach with our investors have been integral in attracting significant capital from sophisticated global investors, including large US university endowments and foundations, Japanese and European pension funds, U.S. and Asia based family offices as well as other global real estate investors
- ❖ Star Asia Group is committed to its disciplined **Investment Philosophy** with a single goal of meeting and exceeding our client’s expectations for the mandates we are given

Star Asia Group						
Publicly Traded Hotel Owner and Operator	Private Fund Management	Asset Management	Private Funds		Unlisted Investment Company	Publicly Traded J-REIT
<b>Polaris Holdings</b>	<b>Star Asia Management LLC</b> <ul style="list-style-type: none"> <li>Registered with US SEC as an investment advisor</li> <li>Manages multiple private funds through related companies</li> </ul>	<b>Star Asia Asset Advisors Co., Ltd.</b> <ul style="list-style-type: none"> <li>Provides property level asset management, brokerage, property management, etc.</li> </ul>	<b>Star Asia Japan Special Situations LP Series</b> <ul style="list-style-type: none"> <li>Star Asia Group’s flagship funds</li> </ul>	<b>Star Asia Opportunity III LP</b> <ul style="list-style-type: none"> <li>Star Asia Group private fund</li> </ul>	<b>Star Asia Sogo Kaihatsu Co., Ltd.</b> <ul style="list-style-type: none"> <li>Star Asia Group’s property development company</li> </ul>	<b>Star Asia Investment Corporation</b> <ul style="list-style-type: none"> <li>Diversified JREIT listed on the 1<sup>st</sup> Section of the TSE (3468)</li> <li>Owns 60 properties totaling JPY179.6 billion</li> </ul>
<b>Polaris Hotel Portfolio</b>	Providing knowledge and management team for turn around and growth of Polaris <ul style="list-style-type: none"> <li>Dispatching management member (Mr. Umeki, Mr. Hosono and Mr. Taguchi) and non-executive director (Mr. Masuyama, Mr. MacLean and Mr. Hashimoto) to Polaris</li> <li>Providing advice based on abundant experience of real estate and capital market</li> <li>Dispatch additional human resource as needed</li> </ul>	Serving asset management service for hotels operated by Polaris <ul style="list-style-type: none"> <li>KOKO HOTEL Ginza 1chome</li> <li>KOKO HOTEL Sapporo Ekimae</li> <li>KOKO HOTEL Fukuoka Tenjin</li> <li>KOKO HOTEL Hiroshima Ekimae</li> <li>KOKO HOTEL Kagoshima Tenmonkan</li> <li>KOKO HOTEL Tsukiji Ginza</li> <li>BWP Fukuoka Tenjin Minami</li> </ul>	Contacted hotel management agreement of owned hotels with Polaris <ul style="list-style-type: none"> <li>KOKO HOTEL Ginza 1chome</li> <li>KOKO HOTEL Sapporo Ekimae</li> <li>KOKO HOTEL Fukuoka Tenjin</li> <li>KOKO HOTEL Hiroshima Ekimae</li> <li>KOKO HOTEL Kagoshima Tenmonkan</li> <li>KOKO HOTEL Tsukiji Ginza(Co-investment with Polaris)</li> </ul>	Owner of approximately 76% of Polaris common shares (including Star Asia Group senior management direct ownership)	Provides advice to Polaris regarding the hotel and real estate markets	Owner of Osaka hotel that has lease agreement as variable rent structure where Polaris is the hotel operator <ul style="list-style-type: none"> <li>KOKO HOTEL Osaka Namba (Dec 2021 Open)</li> </ul>

Star Asia Group’s strong and expanding business provides unwavering support to Polaris to facilitate its recovery and growth

# Guiding Principles

Star Asia Group's partners and employees share a long-term perspective and always operate under our **Guiding Principles** which continuously drive the Group to become and remain one of the leading real estate investment management firms in Japan.

## *1. Client First*

We are rewarded only when we consistently meet and exceed our investor clients' expectations for the mandates they have given to us

## *2. Highest Ethical Standards and Integrity*

We always abide by the highest ethical standards and integrity. Unethical actions by an employee could easily destroy the group's long-standing reputation and trust

## *3. Creativity*

We utilize our experience, persistence, and creativity to identify and monetize investment opportunities which may not be immediately apparent to our competitors

## *4. Respect for Others*

We treat our investor clients, employees, trade counterparties, and vendors with the utmost respect, and always strive to be trustworthy partner

## *5. Collaborative and Cooperative Culture*

We succeed only when we work together as one-group by fully utilizing our collective strengths in a cooperative manner to serve our investor clients. The group's performance always exceeds the sum of our individual performances

## *6. Adaptability*

We stay nimble, proactive and critical, allowing us to adjust quickly as the market environment changes in order to continue to be a successful leader in the market we do business

## *7. Meritocracy*

We reward our employees for their specific personal performance as well as their contribution to the group and to the investor client performance

## *8. Endless Pursuit of Excellence*

We will tirelessly pursue excellence not only for our investor clients but also for ourselves

# Investment Philosophy

Star Asia Group is committed to its disciplined Investment Philosophy with a single goal of meeting and exceeding our clients' expectations for the mandates we are given.

## 1. Research Focus

We believe that consistent outperformance can only be achieved when investment opportunities identified through our rigorous origination process are validated against the comprehensive understanding of the ever-changing market environment. Government policies, macroeconomic environment, state of capital markets, trends in demographics, real estate supply/demand dynamics, status of the real estate market cycle, outlook and appetite by potential tenants, as well as anticipated behavior of other market participants are only a few of the critical inputs we analyze. In order to formulate and continually update our understanding of the current market environment, we run iterative processes of gathering feedback from our day-to-day investment and asset management activities, which are supplemented by various third-party research reports and data that is further investigated and verified by us to generate our unbiased view

## 2. Market Inefficiencies

Unlike highly efficient foreign exchange, interest rate and public equity markets, the Japanese and other Asian private real estate markets are inherently inefficient. Although Tokyo is the world's largest metropolis in terms of population (approximately 35 million), GDP, and real estate capital values, in our opinion, it is significantly less efficient than the U.S. or U.K. markets. The Japanese real estate market has high barriers-to-entry, asymmetric information flows, a less developed securitization market, and a limited universe of well-capitalized opportunistic market participants, which together creates market inefficiencies. We believe that thorough robust analysis and deep local relationships combined with our significant hands-on experience allow us to identify and capitalize on these market inefficiencies that are not obvious to our competitors

## 3. Maximizing and Unlocking and Value

The real estate properties that we evaluate for investment are typically not operated to their maximum potential at the time of our investment. Some owners are not professional real estate investors, failed to invest necessary capital expenditures, and/or had poorly managed leasing strategies. Some real estate properties have certain compliance issues that can be cured with limited cost and time, or have potential to generate higher net operating income if repositioned or repurposed properly. We utilize our own experience along with technical advice from third-party professionals, as necessary, to formulate and execute the optimal asset management, capital expenditures, renovation, and repositioning plans. Implementation of these plans will maximize and unlock the property's intrinsic value in the most efficient manner from a cost and time perspective

## 4. Specialization

We believe deliberate specialization and a flat organization allow us to identify, properly structure, and dependably execute attractive, but often complex, investment opportunities. This specialization leads us to more predictable success and sets us apart from our competitors. Our senior professionals have years of hands-on experience in real estate deal sourcing, underwriting, structuring, asset management, financing, capital markets, and securitization. Star Asia's senior professionals have developed deep-rooted local relationships over multiple real estate cycles, and have executed some of the most creative and complex investment opportunities in the market

## 5. Risk Control

Our objective is to achieve consistent and superior risk-adjusted returns by only assuming well-calculated risks. When a potentially attractive investment opportunity is identified, we examine all the risks associated with the potential opportunity through our rigorous review process. We then negotiate with the counterparties to determine a fair risk-sharing arrangement while formulating structural solutions to eliminate or mitigate other risks, where possible. Concurrently, we conduct quantitative and qualitative analyses to evaluate the viability of the potential investment opportunity against our strict underwriting criteria

## 6. Dependability

Our trade counterparties know that they can depend on us when they need to sell their real estate related assets quickly, discreetly and/or through a complex structure that others may not be able to handle or understand. We are always candid and transparent by clearly explaining our requirements up front including expected deal economics, our strict due diligence process, and then work tirelessly and creatively to meet the counterparty's specific objectives and timing. Our flat organization and highly efficient, decision-making process allows us to be very flexible, tactical and decisive. This philosophy and execution style are valued by our trade counterparties who repeatedly bring attractive investment opportunities that reward our clients with outsized returns



## Important Notice

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The information contained herein is not intended to be, nor should it be construed or used as, an offer to sell, or a solicitation of any offer to buy, an interest in any fund or investment product managed by Polaris Holdings Co., Ltd., Star Asia Group or any of their affiliates (collectively, “Company”). No offer or solicitation of any security may be made prior to the delivery to a qualified offeree of a confidential private offering memorandum and only in those jurisdictions where permitted by law. Before making an investment with Company, prospective investors are advised to thoroughly and carefully review any offering memorandum with their financial, legal, and tax advisors to determine whether an investment is suitable for them. In the case of any inconsistency between descriptions or terms in this document and the offering memoranda, the offer memoranda shall control. The information contained herein is for informational purposes only and contains confidential and proprietary information. The Company and its affiliates are not responsible for any errors or omissions associated with this presentation or any other information provided.

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