

FOR IMMEDIATE RELEASE

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Stock Listing: Tokyo Stock Exchange, Second Section
Stock Code: 3010
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**Polaris Opportunistically Acquires Red Planet Hotel Philippines Business;
Continues to Execute Strategic Growth Plans in Japan and South East Asia**

Polaris Holdings Ltd (“Polaris” or the “Company”) is pleased to announce that the Company has entered into a definitive agreement to acquire all the outstanding shares of a holding company (the "Philippines Acquisition Target Group") that owns and operates 13 limited-service hotels (2,208 rooms) under the Red Planet brand as well as 2 attractive sites for potential hotel development. The hotels are all well-positioned in strong and competitive locations in the Republic of the Philippines (the "Hotel Portfolio"). Red Planet Group is the 2nd largest owner/operator of limited-service hotels in the Philippines with a sophisticated brand and efficient operations given its advanced proprietary technology platform. The Board of Directors has resolved to proceed with the acquisition and consolidate the Philippine Acquisition Target Group into the Company’s subsidiary through Polaris Asia. Through its strategic growth initiatives, Polaris has now increased its hotels rooms under management by 2.54x since the outbreak of COVID-19 pandemic.

1. Reasons for the Acquisition

As Polaris continues to strive to maximize value for all shareholders, the Company has strengthened its balance sheet, secured capital for future growth, increased revenues and gross operating profits for each hotel, lowered the break-even point, and opportunistically expanded its hotel operating platform during the COVID-19 pandemic. In order to further accelerate these accretive growth plans, the Company has agreed to acquire all of the outstanding shares of the Philippines Acquisition Target Group, a leading hotel owner and operating platform in the Philippines, for approximately JPY857 million¹. This transaction was facilitated by taking advantage of the long-term relationship Star Asia Group, our parent company sponsor, has with the seller.

Red Planet Group is one of the leading mid-scale economy hotel brands that operates under a sophisticated brand standard in the Philippines, Japan, Indonesia, and Thailand and offers high quality hotel lodging, targeted services, and a highly effective customer loyalty program. The Red Planet Group also has financially efficient operations in terms of its sales and costs by utilizing its own proprietary, advanced technology platform which is one of the best in the region. Unfortunately, Red Planet Group’s rapid growth and increased leverage, along with reduced sales due to travel restrictions during the COVID-19 pandemic, resulted in an imminent liquidity need.

The Philippine Acquisition Target Group, a member of the Red Planet Group, is the 2nd largest owner/operator of limited-service

1 USD6.35 million. USD1 = JPY134.93 monthly average TTS in June 2022

hotels in the Philippines², with 13 limited-service hotels (2,208 rooms) under its ownership and operation as well as 2 sites for potential hotel development. Of the 13 hotels, two (Red Planet Angeles City and Red Planet Manila Bay) are fee simple comprised of land and building ownership, while 11 hotels are ground leased with building ownership. Compared to leasing both the building and land from third-party owners, which is typical in Japan, the Philippines Acquisition Target Group's business model is expected to generate much higher returns given much less rent leakage to 3rd party hotel owners. The Hotel Portfolio has generated positive EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) over the past three years, including the period when severe travel restrictions were imposed due to the COVID-19 pandemic.³ All the hotels are conveniently located in highly competitive locations within Manila as well as desirable tourist destinations in the Philippines, where continued domestic and international business and tourist demand can be expected. Since few major organized limited-service hotel operators exist in the Philippines, the Philippines Acquisition Target Group has established valuable economies of scale in terms of its customer loyalty base and operational efficiency given its extensive platform.

Under the agreed upon terms and conditions of the acquisition, the Philippines Acquisition Target Group and its subsidiaries will eliminate JPY7,922 million⁴ of effective debt obligations owed to Red Planet Group companies outside the Philippines Acquisition Target Group. As a result of this effective debt forgiveness, the GAAP net assets of the Philippines Acquisition Target Group will be improved from approximately negative JPY3,468 million⁵ to approximately positive JPY4,454 million. The GAAP net assets of approximately positive JPY4,454 million⁶ is based on the JPY8,470 million⁷ GAAP book value of the hotel property portfolio. Colliers International Group, a third-party real estate specialist company, has valued the hotel property portfolio at approximately JPY10,390 million⁸. The economic net assets of the Philippines Acquisition Target Group will be approximately positive JPY6,374 million⁹ assuming the Colliers' value. The acquisition price of approximately JPY857 million for all the issued shares of the Philippines Acquisition Target Group represents a 81% discount to the GAAP net assets of approximately JPY4,454 million and a 87% discount to the economic net assets of approximately JPY6,374 million.

Philippines Acquisition Target Group Consolidated Pro Forma Balance Sheet as of Dec 2021				
	Pre-Debt Forgiveness GAAP BS	Effective Debt Forgiveness ("EDF")	Post EDF GAAP BS	Post EDF Economic BS
ASSETS				
Land, Property and Equipment	¥8,470,300,678		¥8,470,300,678	¥10,389,960,000
Loan to Other Red Planet Group Entities	¥988,907,692	-¥192,439,236	¥796,468,456	¥796,468,456
Other Assets	¥5,278,808,899		¥5,278,808,899	¥5,278,808,899
Total Assets	¥14,738,017,269		¥14,545,578,033	¥16,465,237,355
LIABILITIES AND EQUITY				
Bank Loans	¥5,026,419,014		¥5,026,419,014	¥5,026,419,014
Borrowings from Other Red Planet Group Entities	¥8,196,365,622	-¥8,114,524,059	¥81,841,563	¥81,841,563
Other Liabilities	¥4,982,982,275		¥4,982,982,275	¥4,982,982,275
Net Assets	-¥3,467,749,642		¥4,454,335,181	¥6,373,994,503
Purchase Price of Shares	¥856,805,500	Discount Ratio	81%	87%
Notes:				
- Economic BS uses Land, Property and Equipment valuation by Colliers International Group.				
- Loans to and Borrowing from Other Red Planet Group Entities are forgiven.				
- Purchase Price of Shares represents 81% of GAAP Net Assets and 87% of Economic Net Assets.				
JPY/PHP average TTS Jun 2022	¥2.66			
JPY/USD average TTS Jun 2022	¥134.93			

² The Company's study.

³ SyCip Gorres Velayo & Co. (A member firm of Ernst & Young Global Limited) compiled the audited and unaudited financial information provided by Red Planet Group.

⁴ 2,978 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022.

⁵ 1,304 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

⁶ 1,675 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

⁷ 3,184 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

⁸ 3,906 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

⁹ 2,396 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

All or a part of the difference between the JPY857 million acquisition price and the JPY6,374 million economic net assets (subject to final detailed audit by the Company's auditor) will be accounted for as negative goodwill. Negative goodwill will be added to the Company's consolidated net assets on the balance sheet as the Company recognizes the negative goodwill as extraordinary profit after the acquisition is completed. Polaris will announce the final amount of negative goodwill as soon as our auditor finalizes its audit.

The restrictions on activities during the COVID-19 pandemic have been gradually lifted in the Philippines, and the acquisition of this hotel platform is expected to generate attractive profit growth as the country continues to recover. This profit growth and net asset accretion should significantly contribute to enhancing Polaris' shareholder value. Upon completion of this acquisition, Polaris and its subsidiaries will operate a total of 44 hotels with 7,890 rooms, an increase of approximately 39% in rooms under management. Through its strategic growth initiatives, Polaris has increased its hotels rooms under management by 2.54x since the outbreak of the COVID-19 pandemic.

2. Overview of the Owned Hotel Portfolio

Hotel Name	Location	Number of rooms
① Red Planet Davao	J.P. Laurel Avenue Davao City 8000 Philippines	155
② Red Planet Manila Ortigas	Lot 5, Block 4, Shaw Boulevard Pasig 1600 Philippines	182
③ Red Planet Aurora Boulevard	Corner of Aurora Boulevard and Stanford Street, Cubao, Quezon City	167
④ Red Planet Manila Aseana City	Lot 38 Block 2, Bradco Avenue, Paranaque City 1700, Philippines	200
⑤ Red Planet Manila Amorsolo	99 Urban Avenue, Brgy. Pio Del Pilar, Makati City 1230, Philippines	189
⑥ Red Planet Angeles City	Don Juico Avenue, Malabonias, Angeles City, Pampanga 2009, Philippines	165
⑦ Red Planet Cebu	36 Archbishop Reyes Avenue, Cebu City 6000, Philippines	150
⑧ Red Planet Manila Mabini	1740 A. Mabini St., Malate Manila 1004 Philippines	167
⑨ Red Planet Manila Bay	Corner of Arquiza and Alhambra St., Ermita, Manila 0930, Philippines	150
⑩ Red Planet Manila Binondo	251-61 Juan Luna St., Binondo, Manila 1006, Philippines	171
⑪ Red Planet Manila Makati	E. Mercado Corner F. Calderon St., Kalayaan Avenue, Barangay Poblacion, Makati City 1210, Philippines	213
⑫ Red Planet Cagayan de Oro	C.M. Recto Avenue, Cagayan de Oro City 9000, Philippines	159
⑬ Red Planet Quezon Timog	100 Timog Avenue Barangay Sacred Heart Quezon City 1100, Philippines	140
Total		2,208

3. Overview of the Subsidiary to be Transferred (Red Planet Holdings (Philippines) Limited)

(1)	Company Name	Red Planet Holdings (Philippines) Limited		
(2)	Address	Brumby House, Jalan Bahasa, P.O. Box 80148, 87011 Labuan F.T., Malaysia to Brumby Center, Lot 42, Jalan Muhibbash, 87000 Labuan F.T., Malaysia		
(3)	Title and Name of Representative	Mark Michael Reinecke/Director		
(4)	Business	Investment holding		
(5)	Capital Stock	USD\$10,000		
(6)	Date of Establishment	25 June 2010		
(7)	Major Shareholders and Shareholding Ratio	RPHL Holdco Limited, 100%		
(8)	Relationship between the Listed Company and the Company	Capital Ties	None	
		Personal Relations	None	
		Business Relations	None	
(9)	Consolidated Operating Results and Consolidated Financial Position for the Past Three Years			
	Fiscal Year End	FY12/2020	FY12/2021	Mar/2022
	consolidated net sales	JPY1,940 million ¹⁰	JPY1,925 million ¹¹	JPY486 million ¹²
	Total consolidated assets	JPY15,769 million ¹³	JPY14,738 million ¹⁴	JPY14,383 million ¹⁵
	consolidated net assets	▲JPY2,886 million ¹⁶	▲JPY3,468 million ¹⁷	▲JPY3,648 million ¹⁸

Note

The above figures are based on the financial statements submitted by Red Planet Group and our own calculations based on the results of research conducted by Sycip Gorres Velayo & Co. (A member firm of Ernst & Yong Global Limited), an international specialist accounting firm. The debt waiver/forgiveness and valuation of real estate holdings are not reflected as stated in "1. Reasons for Acquisition of Shares".

4. Outline of the Counterparty of the Share Acquisition

(1)	Company Name	RPHL Holdco Limited
(2)	Address	89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Island
(3)	Title and Name of Representative	Timothy John Hansing, Director Simon Morris Gerovich, Director Mark Michael Reinecke, Director
(4)	Business	Investment holding

¹⁰ 729 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹¹ 724 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹² 183 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹³ 5,928 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹⁴ 5,541 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹⁵ 5,407 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹⁶ ▲1,085 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹⁷ ▲1,304 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

¹⁸ ▲1,371 million Philippine pesos. PHP1 = JPY2.66 average TTS in June 2022

(5)	Capital Stock	USD\$0.01	
(6)	Date of Establishment	16 Aug 2016	
(7)	Net Asset	USD\$572,953 (as of Mar 2022)	
(8)	Total Asset	USD\$672,546 (as of Mar 2022)	
(9)	Major Shareholders and Shareholding Ratio	Red Planet Hotels Limited, 100%	
(10)	Relationship between the Listed Company and the Company	Capital Ties	None
		Personal Relations	None
		Business Relations	None
		Status as a Related Party	None

5. Outline of the Company's Subsidiary that will acquire the shares

(1)	Company Name	Polaris Asia Co., Ltd.
(2)	Address	1-12-3, Iwamotocho, Chiyoda-ku, Tokyo 101-0032, Japan
(3)	Title and Name of Representative	Atsuo Umeki, CEO
(4)	Business	Hotel Business
(5)	Capital Stock	1 million Yen

6. Number of Shares Acquired, Acquisition Price and Status of Shares Held Before and After Acquisition

(1)	Number of Shares Held Before the Acquisition	0 shares (Number of voting right : 0) (Percentage of voting right : 0.0%)
(2)	Number of Shares Acquired	10,000 shares (Number of voting right : 10,000)
(3)	Acquisition Price	For the common shares of Red Planet Holdings (Philippines) Limited: JPY857 million Advisory Fees etc. (approximate): JPY135 million Total (approximate): JPY992 million
(4)	Number of Shares Held After the Acquisition	10,000 shares (Number of voting right : 10,000) (Percentage of voting right : 100.0%)

7. Schedule

(1)	Date of Resolution by the Board of Directors	July 26, 2022
(2)	Contract Date	July 26, 2022 (Scheduled)
(3)	Date of Share Transfer	January, 2023 (Scheduled)

8. Future Outlook

The Company has decided to postpone disclosure of its consolidated forecast due to the current difficulty of reasonable forecasting the impact of the COVID-19 on our group business activities for the fiscal year ending March 31, 2023. The Company will promptly announce forecasts as soon as disclosure become possible.