



POLARIS HOLDINGS CO., LTD.

JUNE 2023 SUPPLEMENTARY MATERIAL FOR THE 149TH FISCAL PERIOD

P * L A R I S
HOLDINGS

Financial Highlights: OP and NP turned to black

- Hotel business revenue increased significantly due to the improved revenue management, a 20.0% 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 black due to increasing net sales and thorough implementation of cost saving operations such as reducing rent paid, consolidating human resources, and the discontinuation of unprofitable hotel operations.
- In order to further reduce costs and strengthen our financial position, the Company recorded an impairment loss of 538 million yen as well as 151 million yen restructuring charge for the discontinuation of hotels with declining profitability.
- As a result of the acquisition of shares in Red Planet Holdings (Philippines) Limited (“RP Philippines”), the Company posted a gain of 1,461 million yen of negative goodwill which brings the company back into the black for the first time since the fiscal year ended March 31, 2017.

Unit : JPY million

	FY3/2022 (Actual)	FY3/2023 (Actual)	Change vs FY3/2023
Net sales	3,712	7,018	3,306
Operating income	△ 1,332	3	1,335
Ordinary income	△ 1,623	△ 216	1,407
Profit	△ 1,830	534	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 better balance sheet

- Total assets increased by 12,618 million yen due to RP Philippines becoming a consolidated subsidiary.
- Net assets increased by 2,718 million yen due to net income including gain on negative goodwill and exercise of stock acquisition rights (Equity ratio: 1.6%→11.8% (+10.2%))

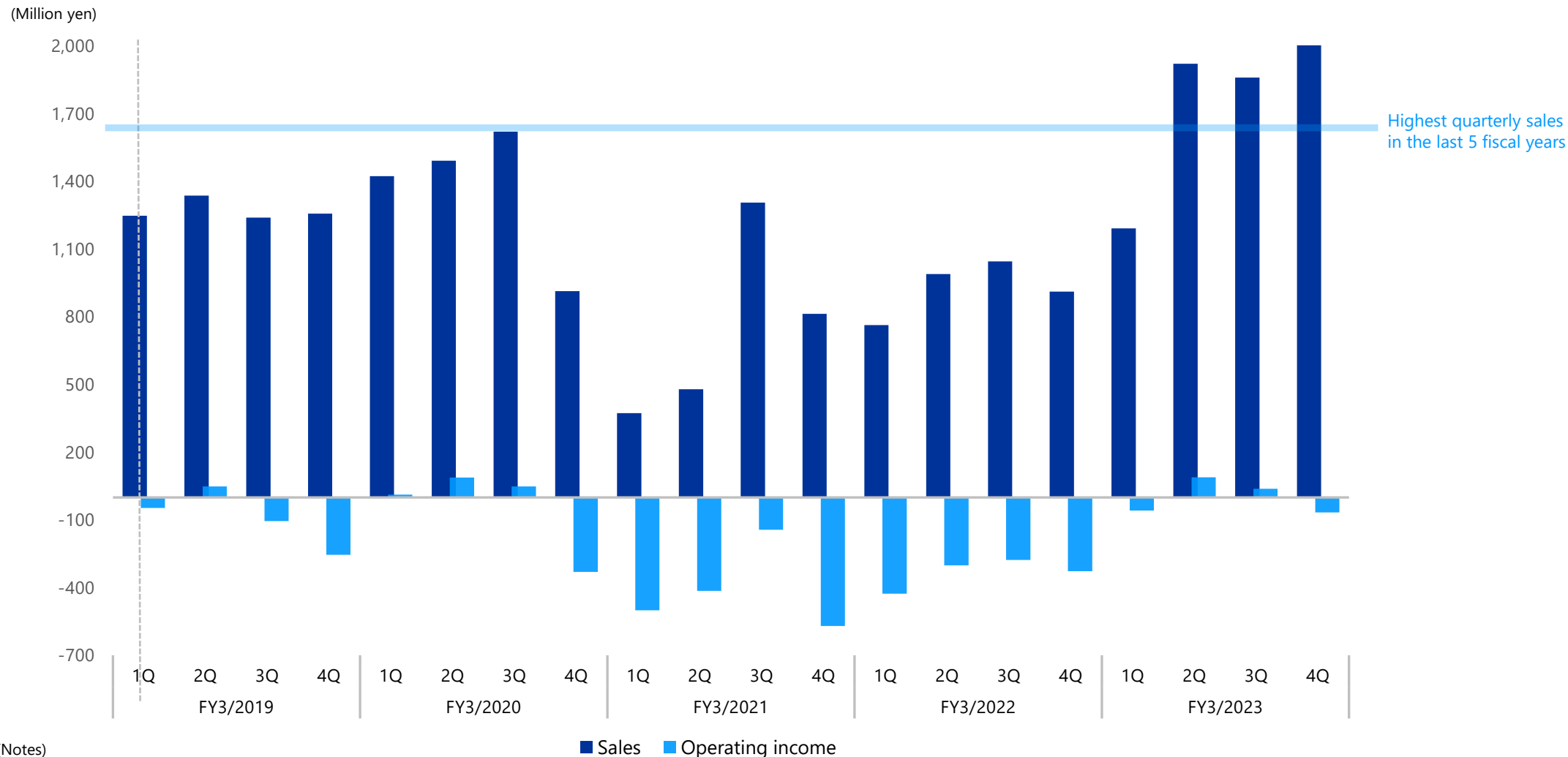
Balance Sheet (Comparison with FY3/2022)

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	-
Total current assets	9,362	12,862	3,500		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	-	Total current liabilities	2,187	4,751	2,564	
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
Total property, plant and equipment	1,031	9,867	8,836		Lease liabilities	148	3176	3,028	Due to the acquisition of RP's Philippines business +JPY3,052million
Total intangible assets	6	29	23		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	Total non-current liabilities	9,655	16,991	7,336	
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
Total investments and other assets	1,635	1,893	258		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
Total non-current assets	2,673	11,790	9,117		Retained earnings	-3,808	366	4,174	Compensation for a deficiency +JPY3,640million Net profit in FY3/2023 +JPY534million
Total assets	12,035	24,653	12,618		Treasury shares	-2	-2	0	-
					Total shareholders' equity	181	2,904	2,723	
					Share acquisition rights	10	5	▲ 5	-
					Total net assets	192	2,910	2,718	
					Total liabilities and net assets	12,035	24,653	12,618	
					Equity Ratio	1.6%	11.8%	10.2%	

Financial highlights: Quarterly results best in 5 years

- Despite the continued impact of the spread of the Covid-19, 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.

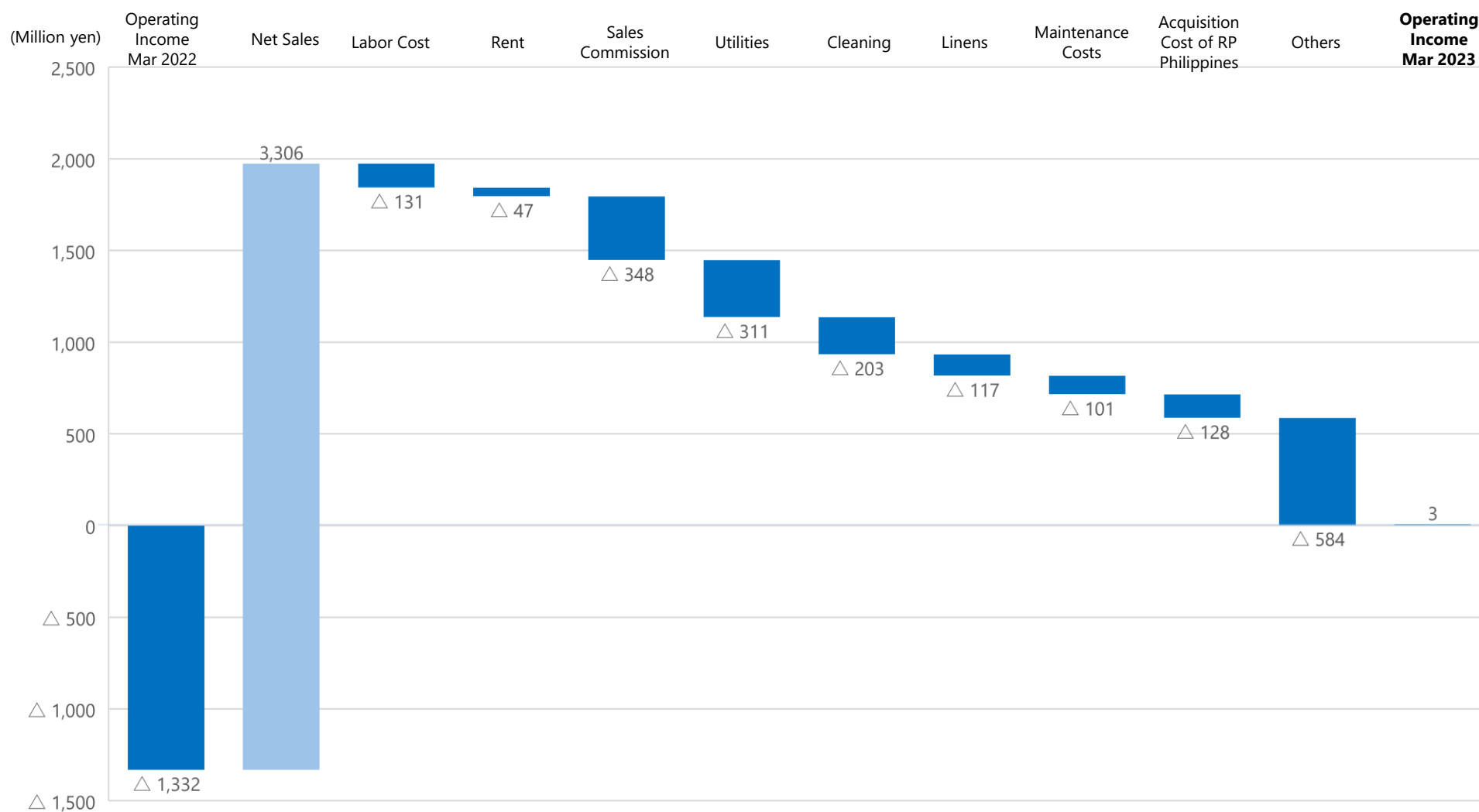


(Notes)

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: Net sales/operating income analysis of change

- Net sales increased significantly from the previous period, partly due to an increase in the number of hotels in operation
- Although some expenses rose from the previous period due to the increase in net sales, appropriate cost controls kept the increase relatively low, resulting in a significant improvement in profitability.
- Even taking into account the 128 million yen acquisition cost for RP Philippines, operating income returned to black for fiscal year ended Mar, 2023.



Financial highlights: Strong growth forecasts for FY2024

- In the domestic hotel business, both sales and operating income are expected to remain strong in FY3/2024 as the Covid-19 disaster subsides.
- Overseas hotel business is expected to see operating income profitability, however, given the relatively high interest rates compared to Japan, both ordinary income and net income are not expected to turn to black until the next fiscal year or later.

Unit : JPY million

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

Unit : JPY million

Domestic	
Net sales	10,000
Operating income	600
Ordinary income	300
Profit	300

Unit : JPY million

Overseas	
Net sales	2,000
Operating income	200
Ordinary income	△ 200
Profit	△ 260

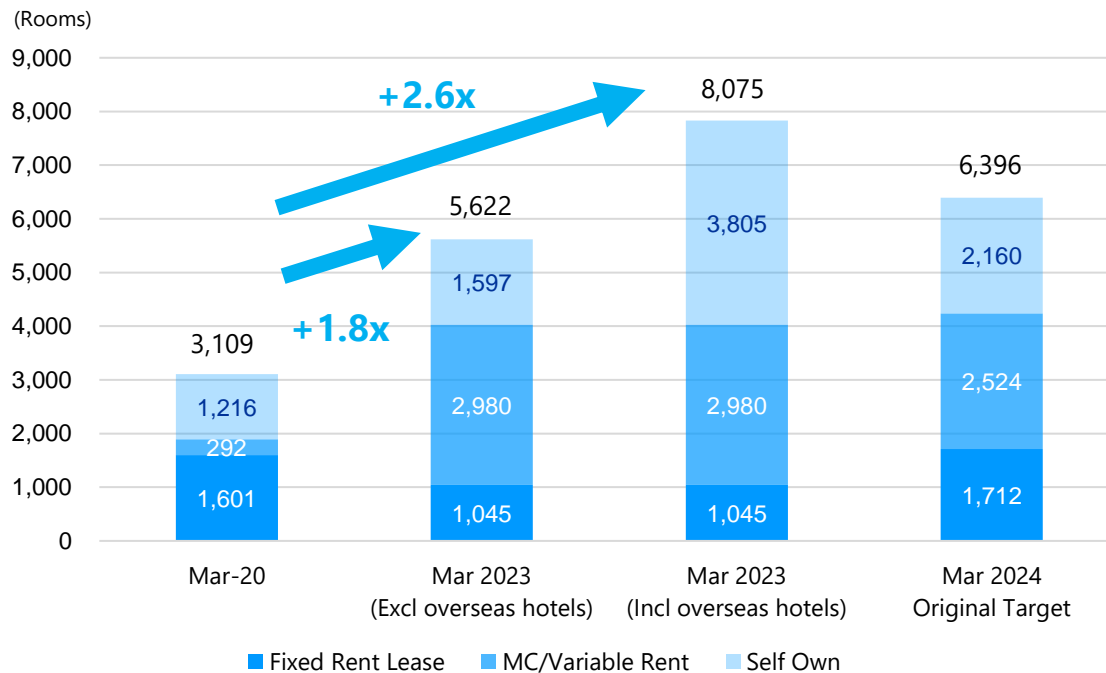
(Notes)

- 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.

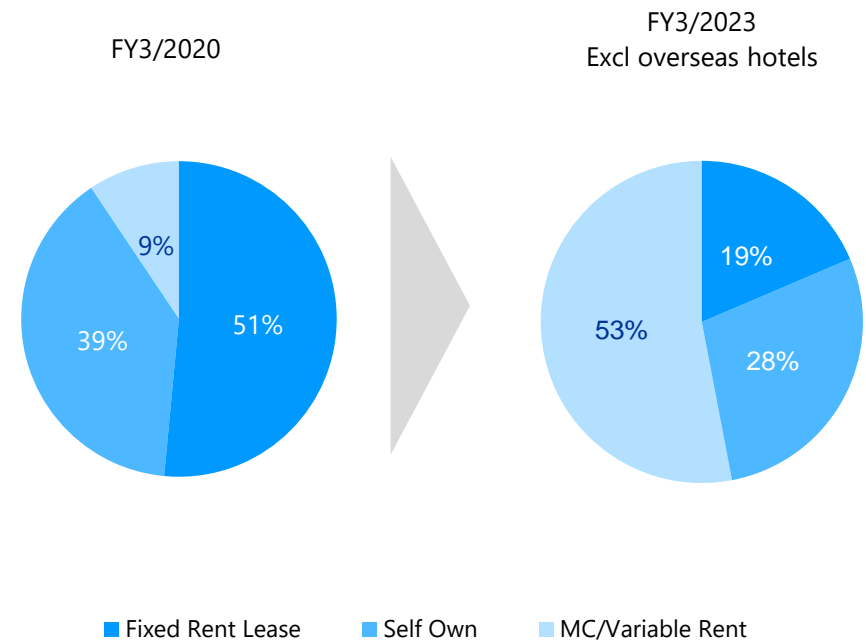
Operations: Expansion of operating platforms ahead of plan

- Number of rooms under management has grown 2.6 times in about 3 years with sponsor support (1.8 times in domestic alone)
- Achieved the target for the number of rooms under management by the end of Mar 2024 significantly ahead of schedule through the acquisition of Red Planet’s Philippine operations.
- 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)
- Reform of the revenue structure and reduction of operating costs will strengthen 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





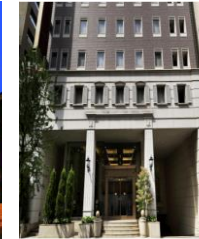





- 19 new hotels (3,377 rooms) with competitive fee structures were opened between FY3/2021 and FY3/2023.
- 15 hotels (2,801 rooms) are under fee-based management contracts or full variable-rent lease contracts—the reduction in the fixed rent portion reduces operational risks while promoting the construction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

Added in FY3/2021

Fixed-rent lease contract		Self owned		Management contract				
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 contract	Variable-rent lease contract	Management contract							
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

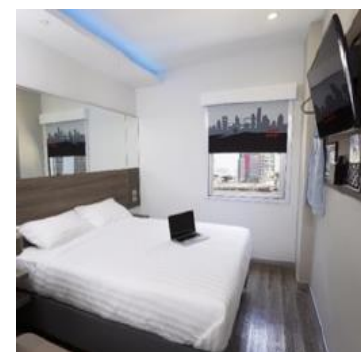
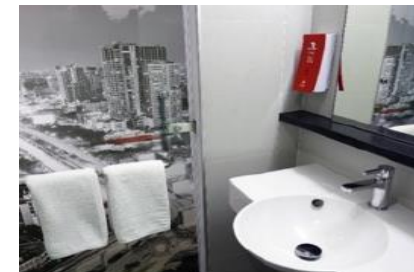
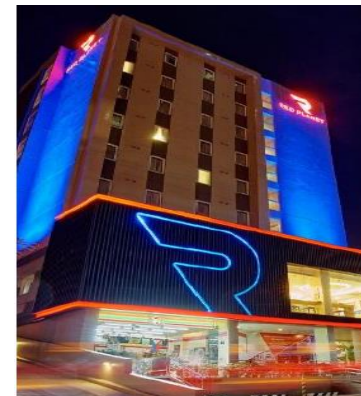
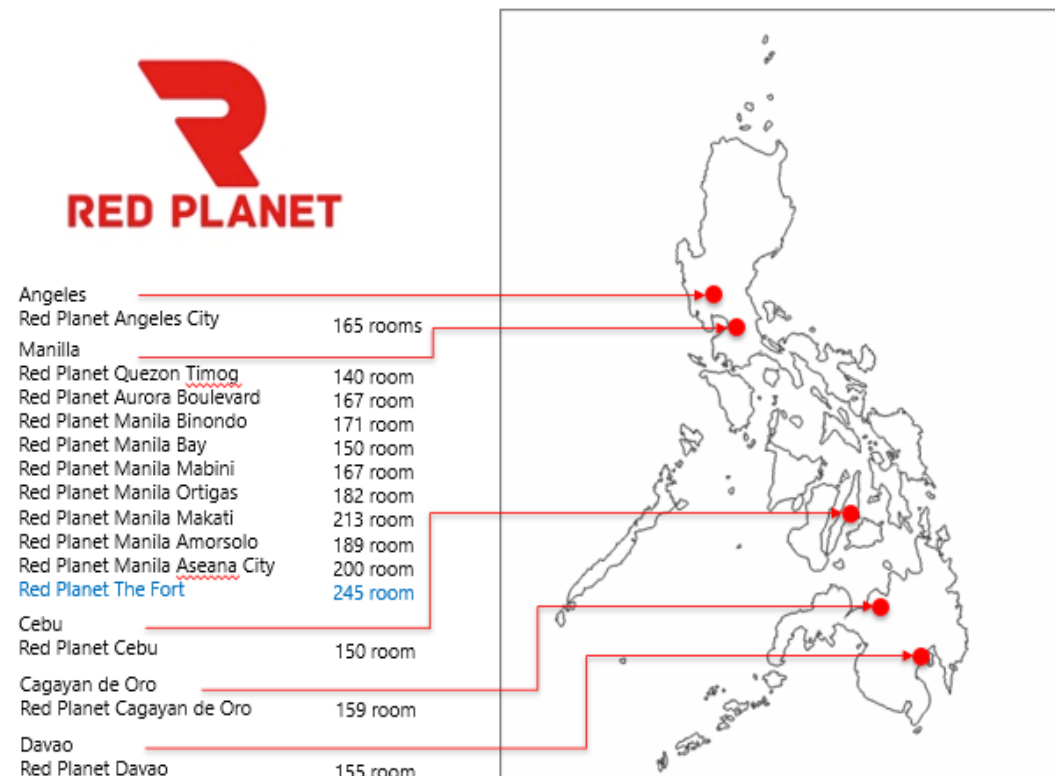
Sponsor synergies: Acquired key properties during hotel downturn

- We used the softening of the hotel transaction market during Covid-19 as an opportunity and with the collaboration of our sponsor, we acquired three hotel properties.
- The Best Western Plus Fukuoka Tenjin Minami and The Fino Hotel Sapporo Odori were initially operated under long-term fixed rent lease contracts, but after acquisition, we succeeded in significantly reducing fixed-rent payment obligations.
- As both properties were acquired below appraisal value, there remains unrealized gains on the property.

	KOKO HOTEL Tsukiji Ginza	Best Western Plus Fukuoka Tenjin Minami	Fino Hotel Sapporo Odori
			
Acquisition Date	Apr 2021	Apr 2021	Dec 2021
Acquisition Price (million yen)	Not disclosed	2,730	3,180
Note	<ul style="list-style-type: none"> ✓ The Company and the sponsor jointly purchased, which had been operated by an affiliate of the seller (Polaris owns 6.9% and the sponsor owns 93.1%). ✓ As the co-owner and operator, the Company is entrusted with the management of the property under a fee-based management contract and has secured unrealized profit on the property. 	<ul style="list-style-type: none"> ✓ The Company purchased the hotel properties owned by a third party, which was operated by Polaris group under long-term fixed-rent lease agreement, as the owner and operator. ✓ Upon purchase, terminated the existing lease agreement, substantially reducing the fixed rent payment obligation and securing an unrealized gain on the properties. ✓ Financed part of the acquisition with a loan from a major foreign financial institution based on an appraisal value of the properties. 	

Sponsor synergies: Acquired second largest Philippine hotel chain

- Acquired 100% of the shares of a group of companies that own and operate hotels in the Republic of the Philippines under the “Red Planet” brand as owner-operators and made them wholly-owned subsidiaries. The acquisition of the group will result in a hotel portfolio of 13 hotels (2,208 rooms).
- The “Red Planet” brand is one of Asia’s leading midscale, 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 acquisition of Red Planet allowed for a gain on negative goodwill of 1,461 millions yen—which was recorded as extraordinary income.



Financials: Secured new funds for growth

- During the Covid-19 pandemic, we secured working capital and growth capital through various procurement methods in cooperation with our sponsor, with a view to further expanding the number of hotels in operation and ensuring stable management.
- As of Mar 2023, we have secured approximately 4.2 billions yen in cash and deposits and approximately 2.9 billions yen in shareholders' equity to strengthen our financial base.

July 2020
Issuance of 1st convertible
bond and stock acquisition
rights

- ✓ Issued 1.5 billions yen of convertible bonds with stock acquisition rights and 1.5 billions yen of stock acquisition rights (both with an exercise price of 123 yen, currently 122.5 yen) to raise funds to prepare for the opening of new hotels, repay loans and fund growth
- ✓ The bonds had a clause allowing early redemption at 110.8 yen per 100 yen of the bond amount upon request from the bondholders after Oct 2021, but in Dec 2022, based on an agreement with the underwriters, the convertible bond were changed to the following conditions.
 - The redemption date was extended from Jul 2023 to Jun 2024.
 - The redemption amount on the redemption date was changed to 110.8 yen per 100 yen.
 - The convertible bond-type stock acquisition rights were waived.

May 2021
Commitment Line of Credit
by the sponsor

- ✓ Signed a commitment line agreement with the sponsor group for up to 900 millions yen in light of the impact of the prolonged Covid-19 disaster.

Oct 2021
Capital increase through
third-party allotment and
issuance of stock acquisition
rights

- ✓ Raised approximately 5.9 billions yen in growth capital and eliminated excess liabilities by issuing 2.8 billions yen in new shares (32,557,500 shares issued) and 3.1 billions yen in stock acquisition rights (exercise price: 86 yen, maximum 36,357,600 shares issued) through a third-party allocation.
- ✓ Acquired Fino Hotel Sapporo Odori using the funds raised.
- ✓ Already raised approximately 2,180 millions yen by exercising stock acquisition rights.
- ✓ Secured 1,161 millions yen as working capital by changing the use of funds in Sep 2022, as the Company achieved its target of securing the number of hotels to operate by the fiscal year ending Mar 2024 significantly ahead of schedule.

Mar 2022
Additional funding provided
by the sponsor

- ✓ Borrowed 300 millions yen from the sponsor group to secure working capital in light of the impact of the prolonged Covid-19 disaster.

Mar 2023
Additional funding provided
by the sponsor and banks

- ✓ Borrowed 400 millions yen from the sponsor group and 200 millions yen from external financial institutions to secure working capital in light of the impact of the prolonged Covid-19 disaster.

Financials: Stock acquisition rights

Status of Exercise of
Stock Acquisition Rights
regarding

July 2020
Issuance of stock
acquisition rights
And
Oct 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): 61,500,000 yen)

■ 2021 First Series of Stock Acquisition Rights

Initial

- ✓ Exercise period: From Nov 25, 2021 to Nov 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): 2,689,048,000 yen)

■ 2021 Second Series of Stock Acquisition Rights

Initial

- ✓ Exercise period : From Nov 25, 2021 to Nov 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): 0 yen)

Corporate initiatives: Better platform and lower B/E point

- Steadily strengthening the financial base and securing funds for future growth post Covid-19.
- In addition, as part of our growth strategy to maximize revenues and lower the break-even point of the hotels we manage, we have achieved a significant increase in the number of rooms under management while leveraging the relationships of our sponsor group.

Our Challenge	Our Achievements	
Strengthen financial structure and Securing capital for future growth	<ul style="list-style-type: none"> • Borrowed 400 million yen from the sponsor group and 200 million yen from external financial institutions to secure working capital in light of the impact of the prolonged Covid-19 disaster • Raised funds of approximately 2.2 billion yen by issuing common stock upon exercise of stock acquisition rights (the same amount was recorded in capital stock/capital surplus). 	
Maximize revenue and gross operating profit	<ul style="list-style-type: none"> • 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. • Revenue management that proactively captures improvement in demand for lodging resulted in a 66.4% increase in ADR compared to the fiscal year ended Mar 2021 	
Lower break-even point	Expand Fee-For-Service management	<ul style="list-style-type: none"> • 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 will be reduced by 19% compared to the fiscal year ended Mar 2022. • Decrease in the proportion of rooms under lease agreements with fixed-rent payment obligations to 19% (51% in FY3/2020)
	Develop Owner AND Operator model	<ul style="list-style-type: none"> • Seizing the opportunity presented by the sluggish hotel property market, the Company acquired a portfolio of 13 hotels (2,208 rooms) by acquiring 100% of the shares of a group of companies that own and operate hotels in the Republic of the Philippines under the "Red Planet" brand as an owner-operator and making it a wholly owned subsidiary. • The Company will monitor trends in the hotel property transaction market and pursue opportunities to purchase hotels at a discount, especially when prices are low, while considering the realization of potential gains from the sale of properties when prices soar.
	Operating expense reduction	<ul style="list-style-type: none"> • Optimized the number of staff per hotel by increasing shift efficiency and multitasking. Reduced labor costs per room by 21% while increasing the scale of operations.
Expand operation platform by working with sponsor	<ul style="list-style-type: none"> • The number of hotel rooms under management will increase approximately 1.8 times from the fiscal year ended Mar 2020 in domestic alone, and 2.6 times including overseas hotels. • 8 hotels (1,280 rooms) are newly commissioned based on "Fee-For-Service" type of management contract with Star Asia Group as the owner. 	

Corporate initiatives: Growing the brand

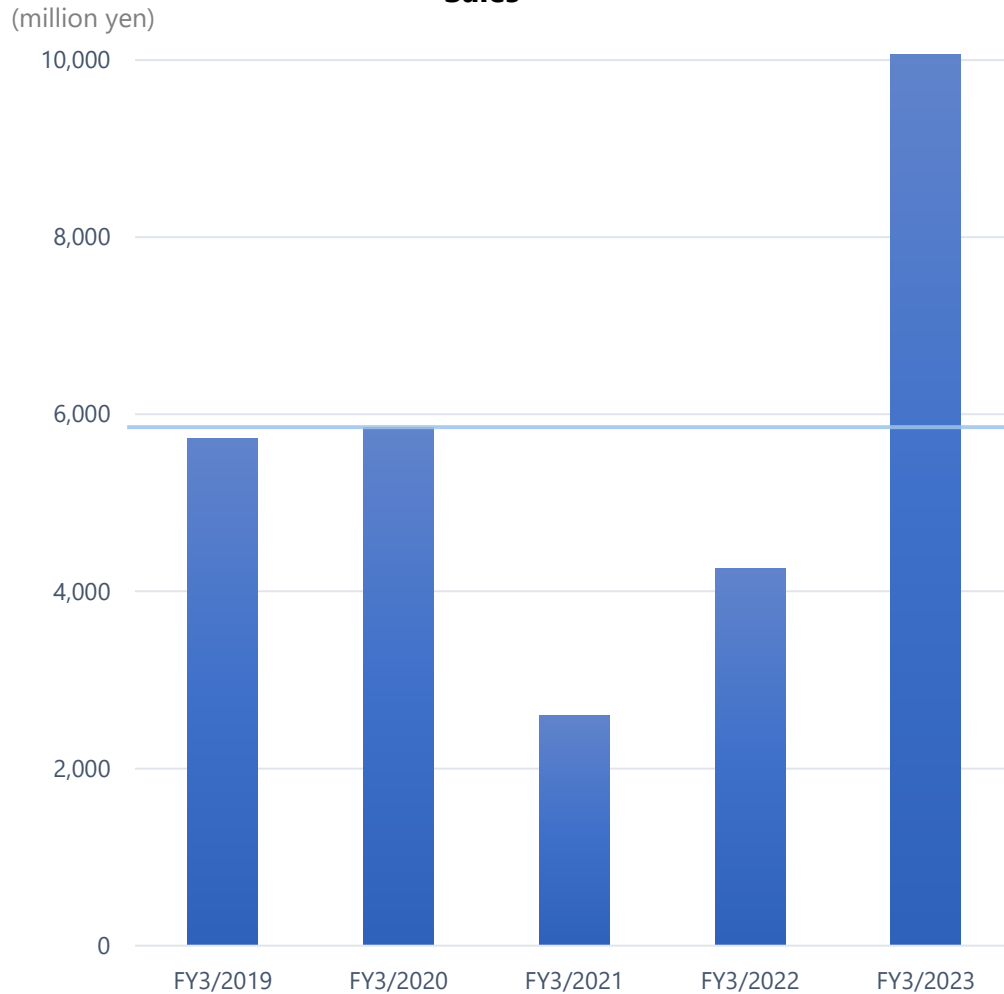
- The Company will continue with its growth strategies to date and will implement initiatives to further improve profitability and realize management indicators that should be targeted in the current fiscal year, thereby increasing corporate value.

Our Goal	Our Achievements
Strengthen financial position	<ul style="list-style-type: none"> ✓ Continuous reduction of interest-bearing debt ✓ Improvement of capital adequacy ratio
Aggressive expansion	<ul style="list-style-type: none"> ✓ In Apr 2023, the Company was newly commissioned by a third-party hotel owner to manage "KAYA Kyoto Nijo Castle BW Signature Collection by Best Western" located in Kyoto City, Japan. ✓ Plans to be commissioned by Star Asia Group to manage several hotels in Sendai City this fall. ✓ In addition, upon completion of the acquisition of Red Planet Hotels Manila Corporation (Republic of the Philippines), Red Planet Hotel Manila The Fort (245 rooms, scheduled to open in Oct 2023), which is being developed by the acquired company, will be added to the hotel under management.
Strengthen branding	<ul style="list-style-type: none"> ✓ Redefinition of the brand concept to strengthen the recognition and brand power of its own hotel brand, KOKO hotel ✓ Shift to an active strategy that contributes to differentiation and further profit growth by executing additional investments, including optimization of guest room composition, etc. ✓ Further improvement of operations, including reorganization of operations and hospitality ✓ Creation of synergies with overseas hotels
Optimization of portfolio	<ul style="list-style-type: none"> ✓ While continuing to lower the break-even point through low-cost operation, selectively consider master lease contracts for properties where earnings opportunities are expected in the post-Covid period. ✓ Consideration of a scheme to reduce downside risk by switching from a long-term fixed-rent payment type to a contract with variable rents and low fixed-rent, while at the same time enjoying more upside potential when earnings increase. ✓ Continue to promote the own-operator model while monitoring trends in the hotel property transaction market.
Strengthening our response to ESG, SDGs and Sustainability	<ul style="list-style-type: none"> ✓ Promote various sustainability-related initiatives with the aim of achieving both sustainable social development through addressing environmental issues and contributing to local communities, and medium to long-term growth for the Group. ✓ Strengthening governance, e.g. internal control systems, including at overseas hotels, and promoting diversity, including the appointment of female managers. ✓ Further enhancement of corporate governance

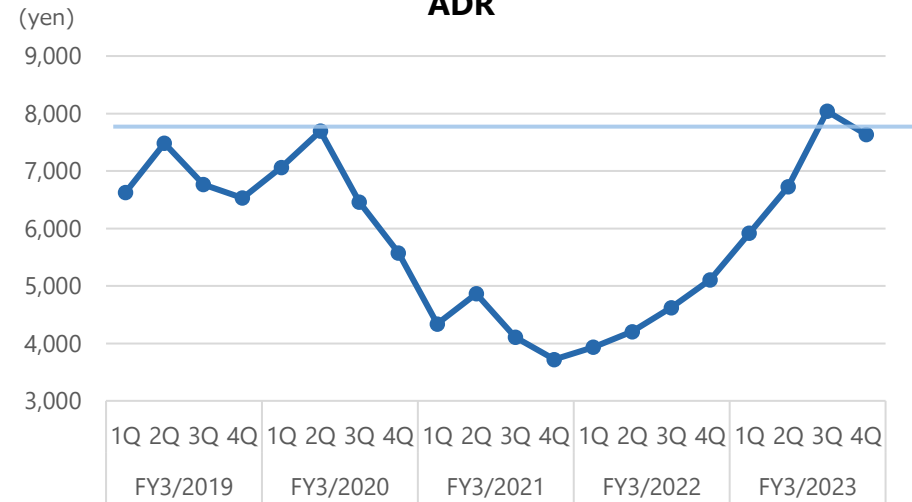
Company market trends: Sales, ADR and occupancy all hit five year highs

■ Revenue, ADR and occupancy rates all exceeded highest levels in the last five fiscal years—including the fiscal year ended Mar 2019.

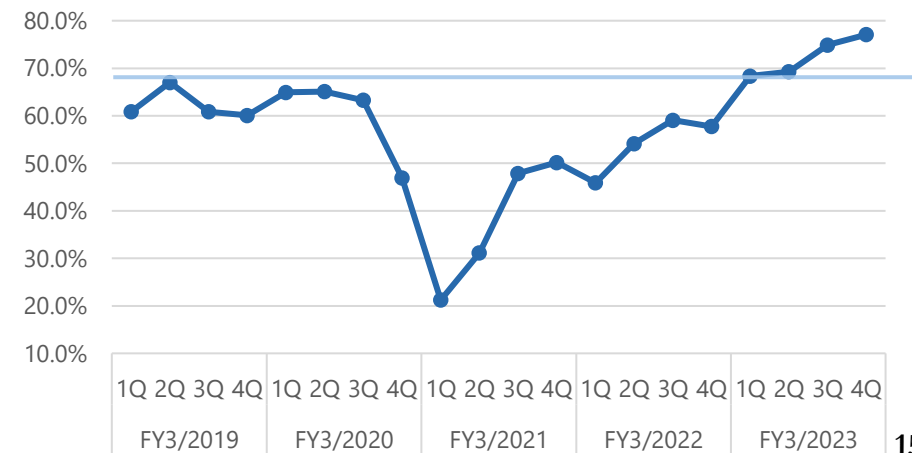
Sales



ADR



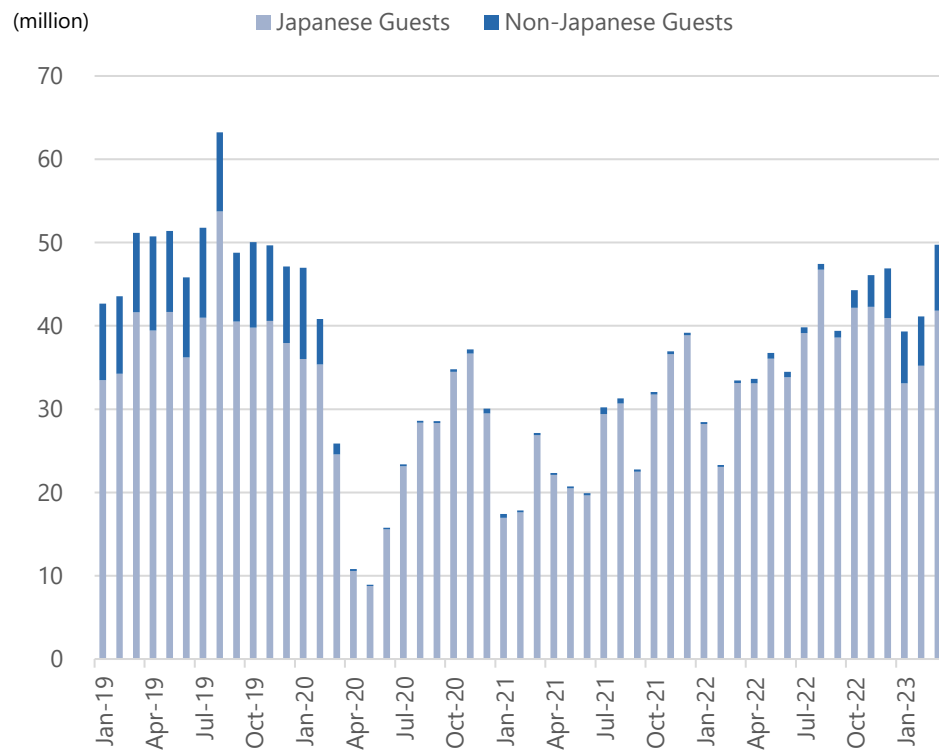
Occupancy



Hotel market trends: Recovery expected to continue

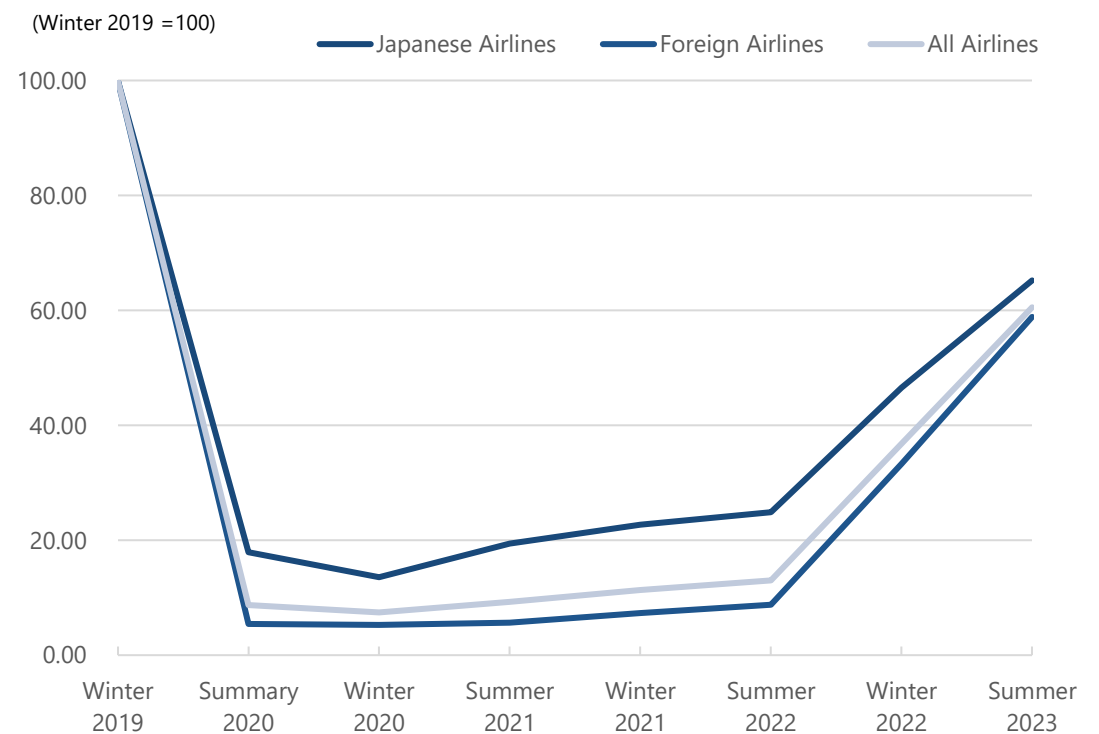
- The number of domestic overnight stays has exceeded the same month for 2019 every month since Oct 2022,
- The number of foreign overnight stays recovered to 100.5% for the same month in 2019 in Mar 2023.
- The number of regular international flights (passenger flights) by nationality has remained at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

Total number of overnights stays



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

International Regular Flights (Passenger Flights) Trends by Nationality



(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 solid profits above the break-even point compared to management contracts.
- In the Covid-19 disaster, the Company group aims to expand the number of hotels under management, focusing on the management scheme with management contract or variable rent contracts for operators, to achieve stable earnings growth.
- Furthermore, when the market recovers, we can consider selling the properties owned by the Group to outside parties and realize gains on the sale while continuing to secure operating revenues.

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

Disclaimer

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.

However, there are risks that could cause actual results to differ materially from those contained in the forward-looking statements due to the occurrence of extraordinary circumstances or unforeseeable result that could not have been foreseen in the ordinary course of events.

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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