

KAYA Kyoto Nijo Castle  
BW Signature Collection by Best Western



**POLARIS HOLDINGS CO., LTD.**

**SEPTEMBER 2023 SUPPLEMENTARY MATERIAL FOR THE 150<sup>TH</sup> FISCAL PERIOD**

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

# FY3/2024 2Q: Asset sales and room growth drive earnings

- Sales increased significantly, approximately 4.5 times higher Year on Year (YoY) due to the sale of the Best Western Plus Fukuoka Tenjin Minami and Fino Hotel Sapporo Odori, an increase in the number of rooms under management, strong hotel performance, and making Red Planet's management company a subsidiary.
- Operating income increased by over JPY 2.6 billion compared to last year, due to the recognition of gains from the sale of the two hotel properties plus a significant improvement in operating profit from the domestic hotels.
- The Overseas business (Red Planet) achieved an operating income profit. (Jan-Jun 2023 Actual)
- The recognition of an extraordinary gain on the termination of lease agreements resulted in a substantial increase in 2Q net profit.

[Consolidated] Unit : JPY Million	FY3/2024 2Q			FY3/2023 2Q	Change vs FY3/2023 2Q	
	Domestic	Overseas	Total		Amount	Rate (%)
	Sales	13,221	899		<b>14,120</b>	3,114
Operating Income	2,600	23	<b>2,624</b>	31	<b>+2,593</b>	–
Ordinary Income	2,314	△134	<b>2,180</b>	△60	<b>+2,240</b>	–
2Q Net Profit attributed to Parent Company	2,501	54	<b>2,555</b>	△107	<b>+2,661</b>	–

## FY3/2024 2Q: Strong recovery across all segments

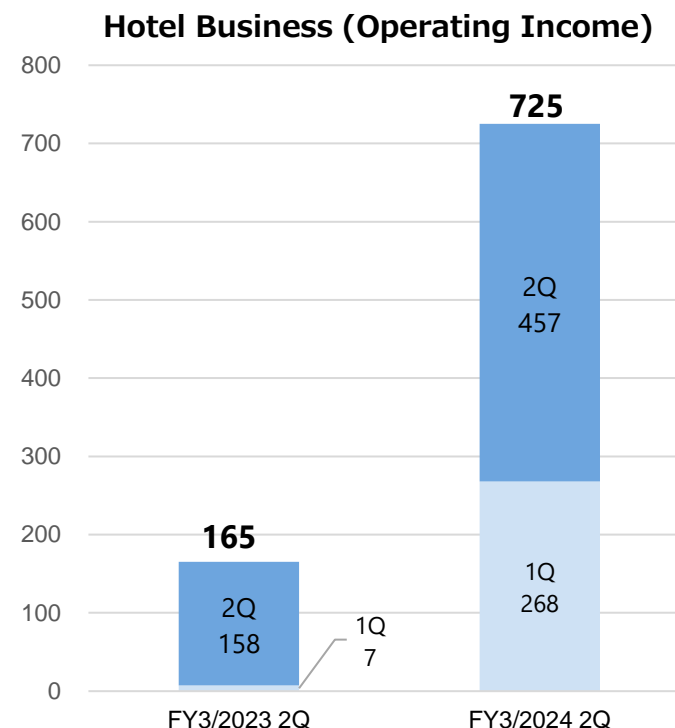
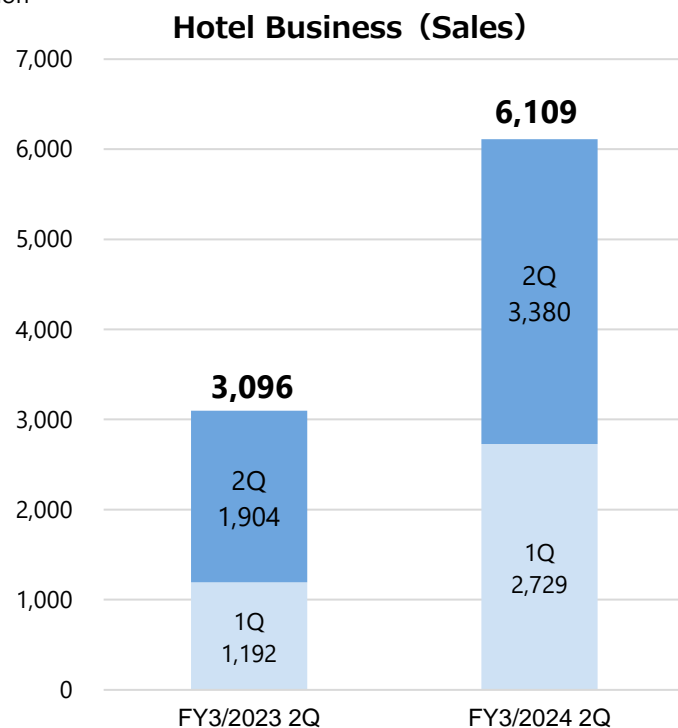
- The hotel business sales doubled and operating income increased approximately 4.4 times year on year (YoY) as the business continued to see a strong recovery in Japanese and inbound demand as well as an expansion in new rooms under management, and the positive impact on the performance of the overseas business (Red Planet).
- The real estate business sales and operating income both increased significantly on the sale of the two hotel properties—Best Western Plus Fukuoka Tenjin Minami and Fino Hotel Sapporo Odori.

〔By Segment〕 Unit : JPY Million		FY3/2024 2Q	FY3/2023 2Q	Change vs FY3/2023 2Q	
				Amount	Rate (%)
Hotel Business	Sales	<b>6,109</b>	3,096	<b>+3,013</b>	+97.3%
	Operating Income	<b>725</b>	165	<b>+560</b>	+339.6%
Real Estate Business	Sales	<b>8,291</b>	176	<b>+8,115</b>	-
	Operating Income	<b>2,290</b>	18	<b>+2,272</b>	-

# FY3/2024 2Q: New hotel openings help drive growth

- The number of both domestic and foreign guests increased with the lifting of travel restrictions, and a significant recovery in the number of foreign visitors following the easing of entry restrictions.
- “KAYA Kyoto Nijo Castle BW Signature Collection by Best Western” was opened in April 2023.
- Three new Sendai hotels, “KOKO Hotel Sendai Kotodai Park, KOKO Hotel Sendai Station West, KOKO Hotel Sendai Station South” were all opened in September 2023.
- The Group will continue to operate the two disposed hotels post sale and continue to enjoy strong revenues linked to business performance through a rent structure that combines both fixed and variable-rent.

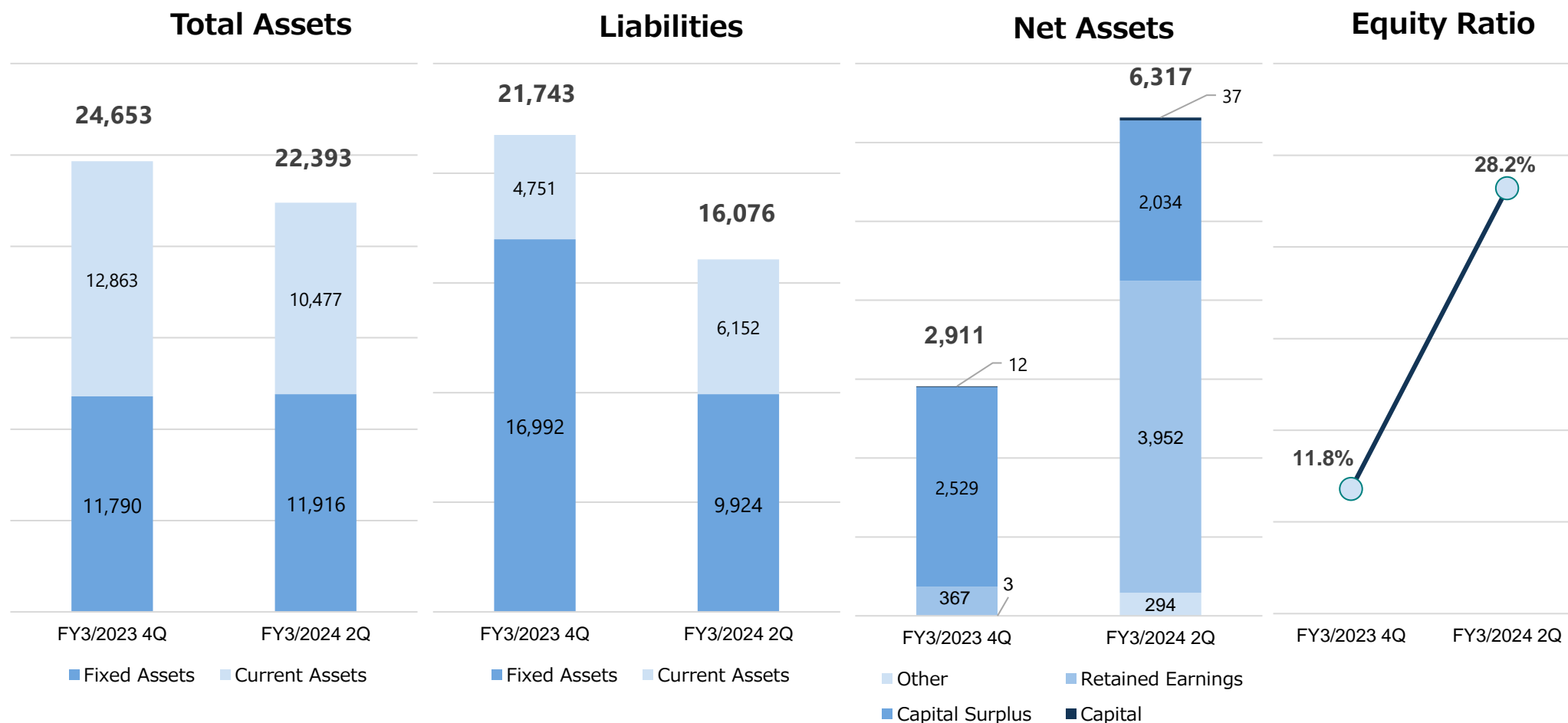
Unit : JPY Million



# FY3/2024 2Q: Balance sheet shows strong improvement

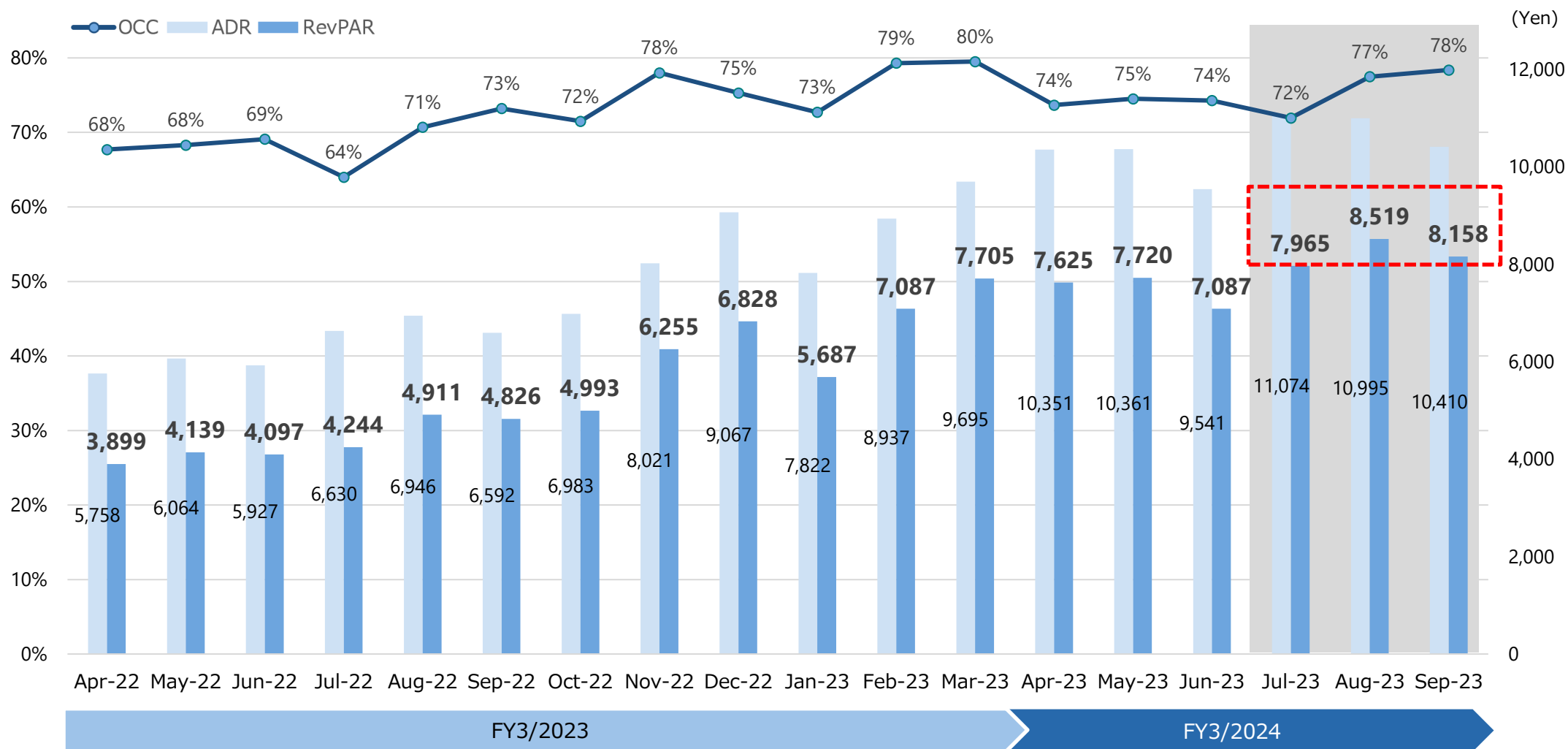
- **Current assets decreased** following the sale of hotel assets and **non-current liabilities decreased** with the repayment of related debt.
- **Overall financial strength greatly improved** through the exercise of warrants and capital reduction.
- **Equity ratio more than doubled** due to substantial net income gains and through the exercise of warrants.

Unit : JPY Million



# Domestic Hotels: Strong RevPAR growth continues

- **Revenue per available room (RevPAR) increased**, driven by an increase in the Average Daily Rate (ADR) through revenue management that accurately captures changes in room demand.



(Notes)

OCC (%) : Average Occupancy Ratio

ADR (JPY) : Average Daily Rate

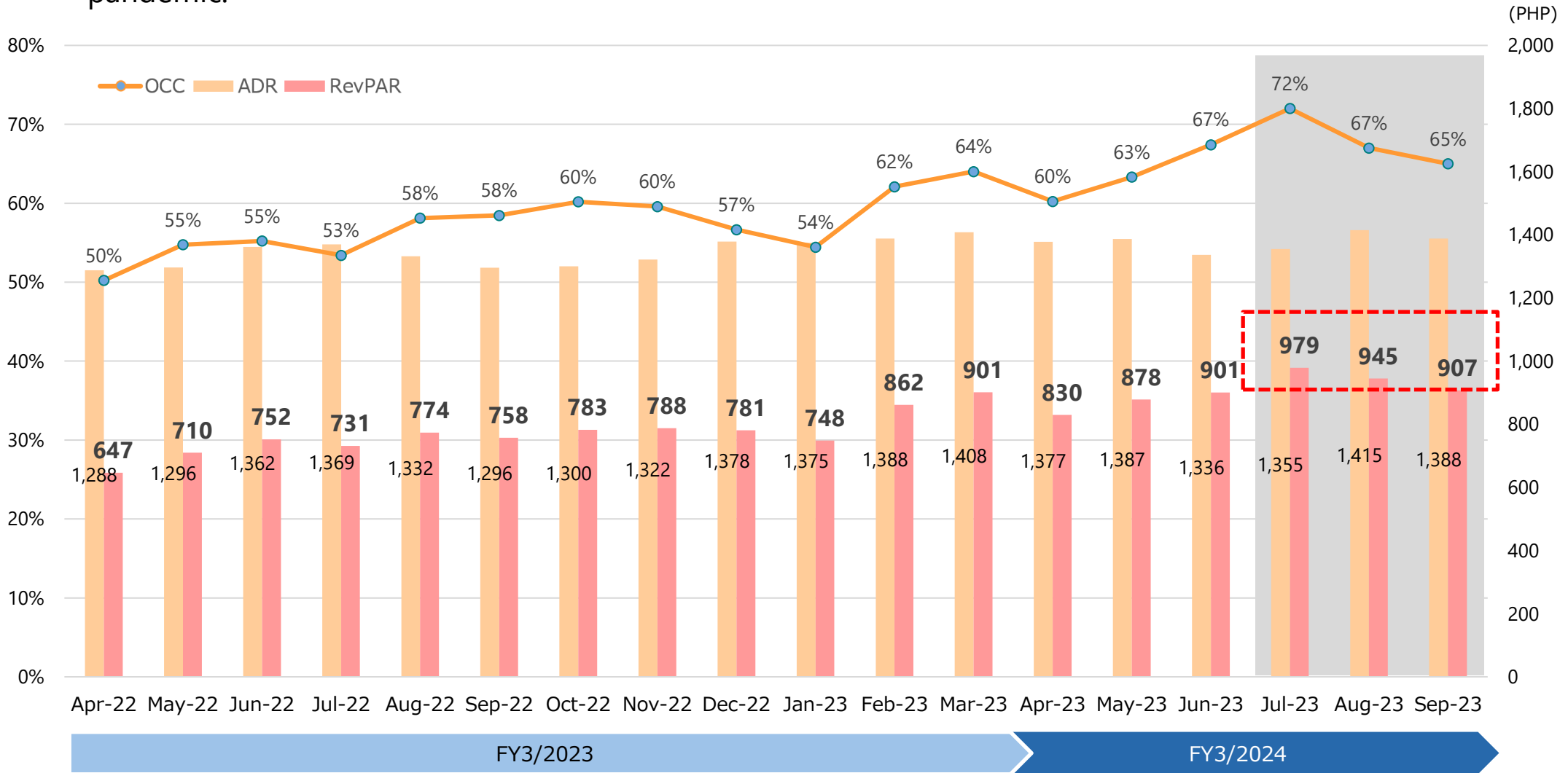
RevPAR (JPY) : Revenue Per Available Room (OCC x ADR)

※The weighted average of each indicator for hotels that were actually in operation as of each month is shown.

# Overseas Hotels: Gradual recovery continues



■ Gradual recovery trend continues as the Philippines begins to emerge from the COVID-19 pandemic.



(Notes)

OCC (%) : Average Occupancy Ratio

ADR (PhP) : Average Daily Rate

RevPAR (PhP) : Revenue Per Available Room (OCC x ADR)

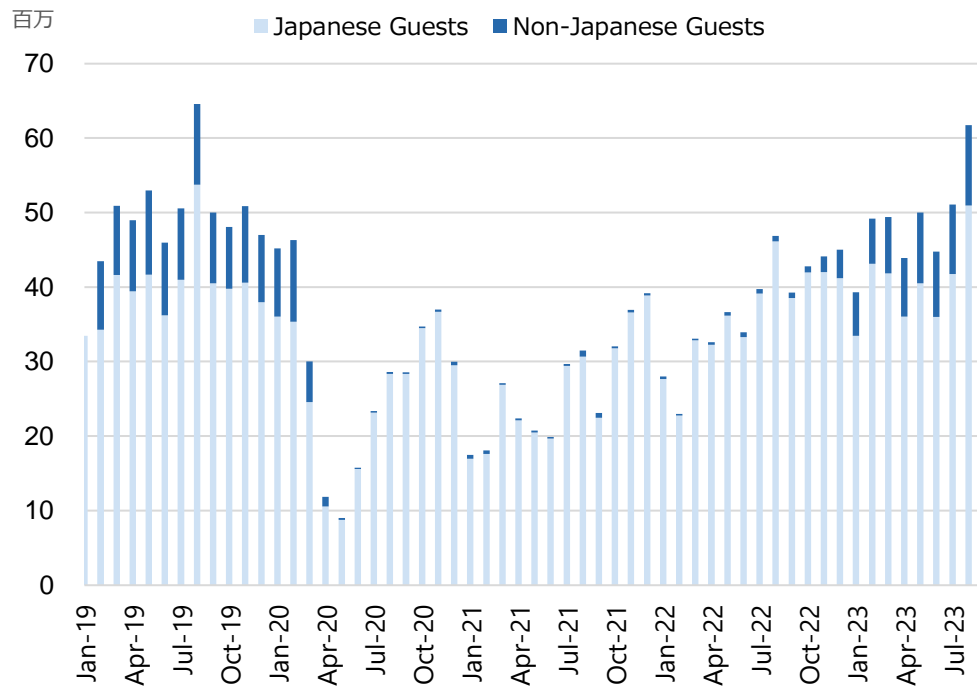
※The weighted average of each indicator for hotels that were actually in operation as of each month is shown.

※Results (overseas) are reflected in the consolidated financial statements three months earlier.

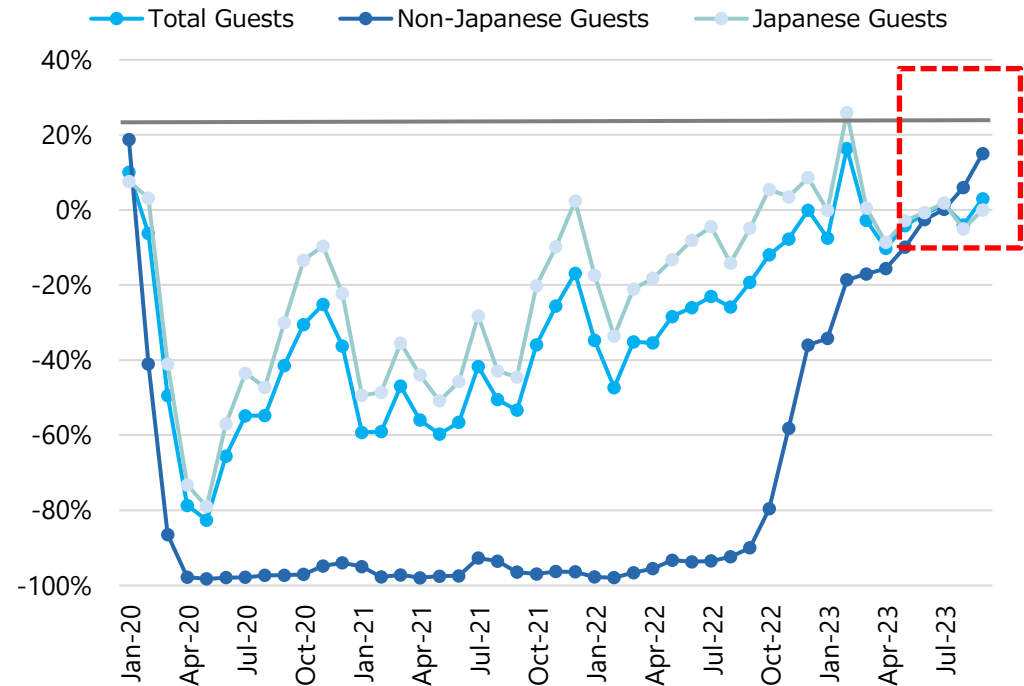
# Domestic Hotel Market: Recovery to 2019 levels

- Due to nationwide travel support and the relaxation of travel restrictions, the number of domestic and international guests **has recovered to the same levels or surpassed 2019**, starting around the summer 2022.
- The total number of foreign guests has already exceeded the 2019 level with the potential for much more improvement in the number of visitors from China, which has not yet been fully realized—The Group anticipates **there is a strong further potential for an increase in demand**.

Total Number of Guests



Total Number of Guests vs 2019



(Source) Japanese Tourism Agency "Lodging Travel Statistics Survey" (compile by the Company)



# New hotel openings—almost 9,000 rooms under management

- “KAYA Kyoto Nijo Castle BW Signature Collection by Best Western” opened in Kyoto in April 2023.
- “KOKO HOTEL” brand opened three hotels in Sendai in September 2023.
- The number of rooms under management has grown to 8,955 (including hotels to be managed).

## FY3/2024 2 Q

### Management Contract

KAYA Kyoto Nijo Castle BW Signature Collection by Best Western	KOKO HOTEL Sendai Kotodai Park	KOKO HOTEL Sendai Station West	KOKO HOTEL Sendai Station South
			
April 2023 Open Kyoto-shi, Nakagyo-ku Number of Rooms: 57 Rooms	September 2023 Open Sendai-shi, Aoba-ku Number of Rooms: 230 Rooms	September 2023 Open Sendai-shi, Aoba-ku Number of Rooms: 170 Rooms	September 2023 Open Sendai-shi, Aoba-ku Number of Rooms: 190 Rooms

### Hotels Scheduled to Open

### Discontinued Hotel

## FY3/2024 – FY3/2025

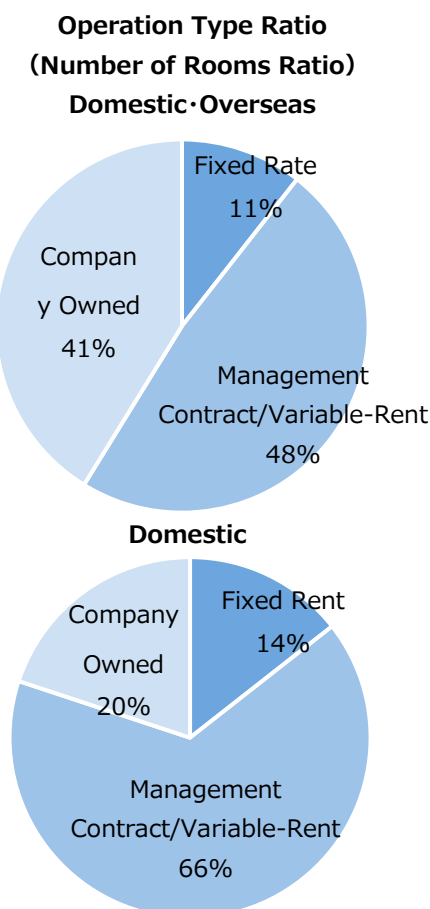
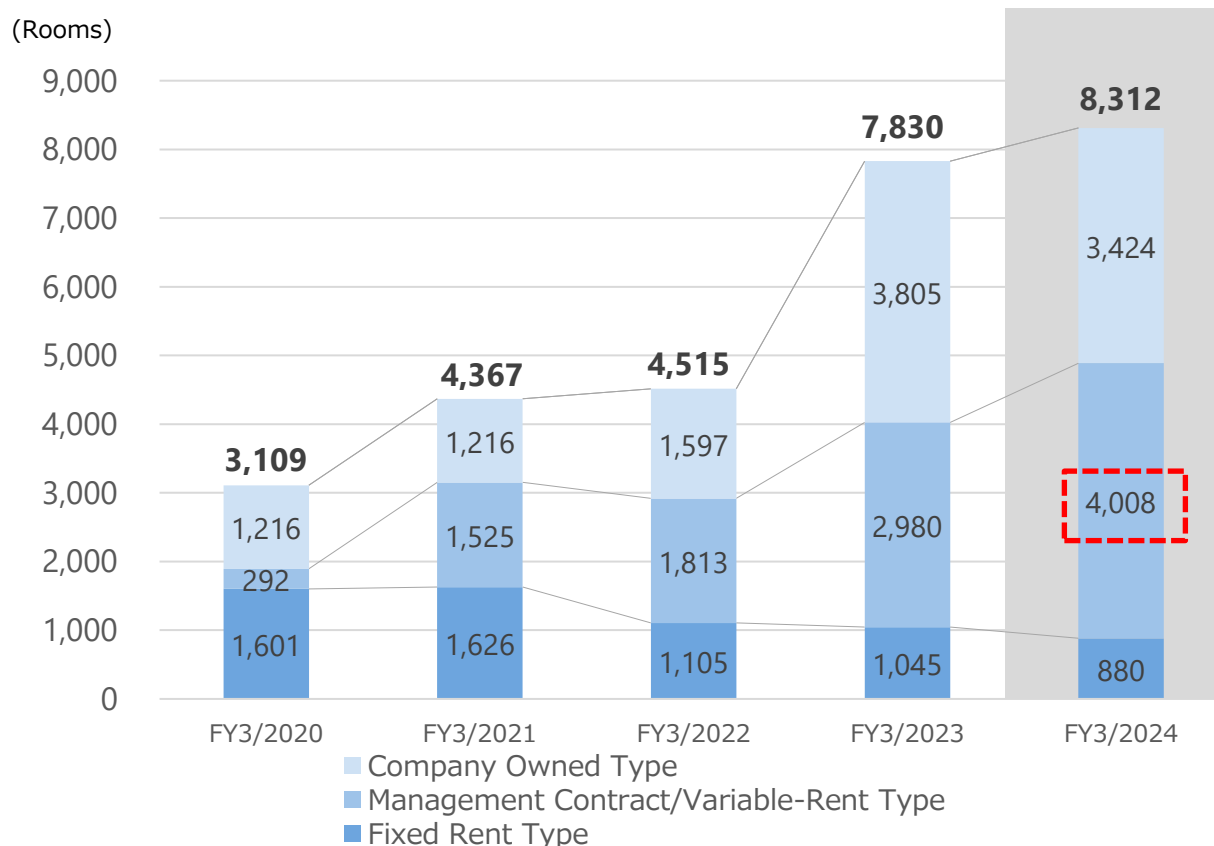
Company Owned	Variable-rent Lease Contracts	Management Contracts
Red Planet Hotel Manila The Fort (Temporary Name)	Best Western Plus Nagoya Sakae (Temporary Name)	KOKO HOTEL Osaka Nihonbashi Namba (Temporary Name)
February 2024 Open (Scheduled) Bonifacio Global City, Philippines Number of Rooms: 245	Spring 2024 Open (Scheduled) Nagoya-shi, Naka-ku Number of Rooms: 143	Spring 2025 Open (Scheduled) Osaka-shi, Chuo-ku Number of Rooms: 255

### KINUURA GRAND HOTEL

July 2023 Close  
Aichi, Hekinan-shi

# Continue move towards MC/Variable-rent hotel model

- With the opening of the Kyoto and Sendai hotels under a Management Contract model, the **“Management Contract/Variable Rent Type” hotels increased by 647 rooms this quarter.**
- The sale of the Best Western Plus Fukuoka Tenjin Minami and Fino Hotel Sapporo Odori has transitioned **381 rooms from “Company Owned” to “Management Contract/Variable-Rent” hotels**
- By increasing the number of “Management Contract/Variable-Rent” hotels during the pandemic, the Group **strengthened resilience to the downside** and future expansion will continue **targeting competitive fixed and variable-rent hotel projects.**



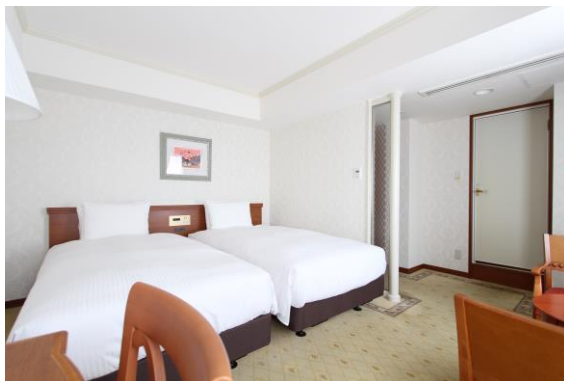
((Note) The number of rooms above includes the number of rooms operated in the Philippines.

# Proactive initiatives to improve profitability

- At KOKO HOTEL Nagoya Sakae and KOKO HOTEL Osaka Shinsaibashi, the Group **increased the number of twin rooms and replaced them with wider beds** in cooperation with hotel owners to help capture leisure demand and inbound travelers.
- **Completed interior renovation** of KOKO HOTEL Fukuoka Tenjin in cooperation with the owner to improve competitiveness by eliminating age-related deterioration

## KOKO HOTEL Nagoya Sakae

- Double Room converted to Twin Room (39 Rooms)



## KOKO HOTEL Osaka Shinsaibashi

- Double Room converted to Twin Room (22 Rooms)
- Replacement with a wide bed (115 rooms)



## KOKO HOTEL Fukuoka Tenjin

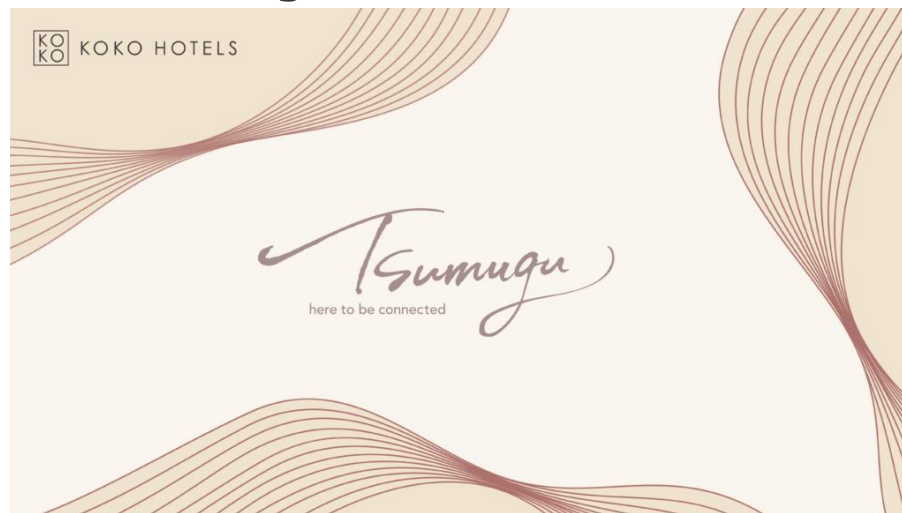
- Interior renewal of guest rooms, corridors and lobby
- Installation of amenity bar



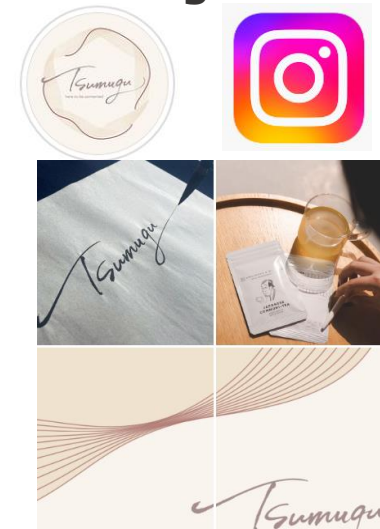
# KOKO HOTELS: Refreshing brand visuals and taglines

- KOKO HOTELS has expanded to 18 hotels in the three years since the brand was launched.
- KOKO HOTELS has a new brand tagline "Tsumugu (*Weave*) -here to be connected-" and has renewed its brand visuals and brand statement and launched new services from October 10, 2023.
- KOKO HOTELS will continue to strengthen its digital marketing and chain promotion to increase brand awareness and improve the reservation rate through the company's website.

## Brand Concept "'Weaving" People, Things and Time' Hotel



## Opened Instagram account to enhance digital marketing



### ■ Brand Story

KOKO HOTELS aims to be a place where individuals with diverse personalities and things, come together to a place where moments of encounter and realization provide subtle updates to daily life. We aspire to be an entity that establishes diverse relationships between people, things, and time, and weave stories from the present to the future.

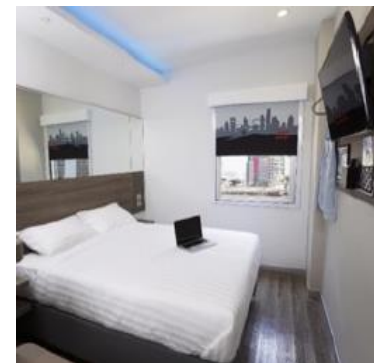
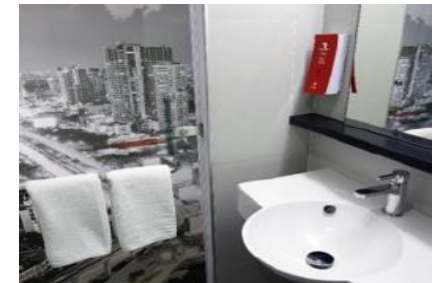
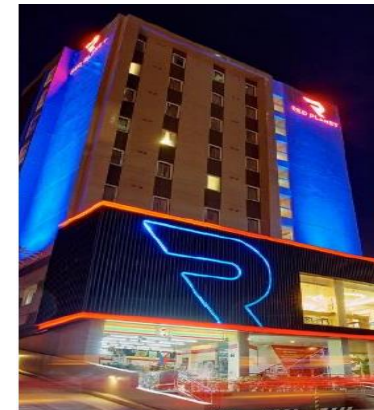
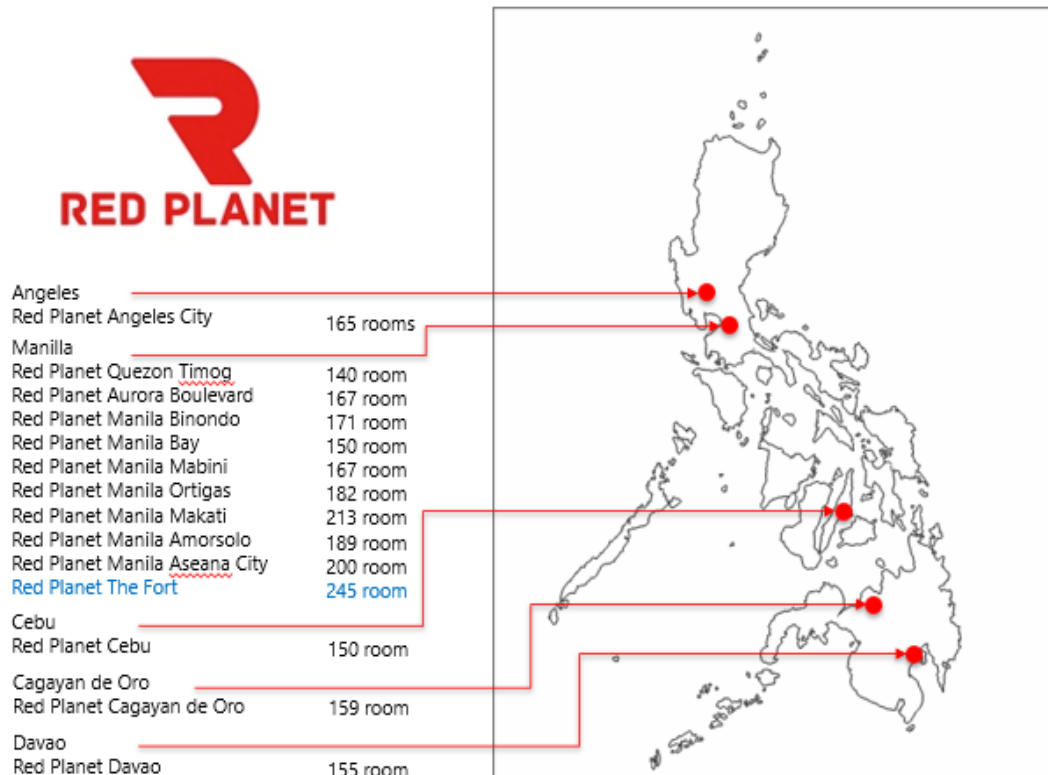
### ■ Brand Visual

The word "weaving," which is central to the new brand story, was written by calligrapher Kisen Kuzuya. This important word is enveloped in a soft thread motif, reminiscent of bringing together each individual sentiment. The deep elements are depicted in warm colors, expressing the small encounters and realizations that occur during customers' journeys.

# Growth accelerates at Red Planet Philippines



- The Group acquired 100% of the shares of the corporate group that owns and operates "Red Planet" brand select-service hotels in the Republic of the Philippines making it a wholly owned subsidiary and **contributing to business results from the current fiscal year.**
- The "Red Planet" provides high quality services in terms of both hardware and software under a unified brand standard. In addition, the company boasts strong competitiveness through its unique **customer loyalty program**, and its strength lies in its efficient operations in terms of costs as well as sales and marketing with **one of the regions most advanced IT platforms.** The company **operates 13 hotels (2,208 rooms)** in the Philippines.
- In October, the Group **completed the additional acquisition of Red Planet Hotels Manila Corporation** which owns and operates the "**Red Planet Hotels Manila The Fort**". The hotel, located in the Bonifacio Global City area, has 245 rooms and is scheduled to soft-open by the end of February 2024—though work is progressing ahead of schedule.



# FY3/2024 4Q: Upward revision to full year forecasts

- The Group has revised upwards sales, operating income, and ordinary income due to business outperformance which has successfully surpassed previous forecasts. The Group expects continued strong performance in the second half of the fiscal year.
- The Group has also added the impact of the acquisition of Red Planet Hotels Manila Corporation on October 2, which was not accounted for in previous forecast.
- Finally, due to the termination of a lease agreement for a closed domestic hotel property and the termination of the land lease agreements for unprofitable overseas hotel operations resulted in the recognition of an extraordinary gain (lease termination gain) of JPY 366 million and substantial increase in net profit.

〔Consolidated〕 Unit : JPY Million	Initial Forecast	Previous Forecast (2023/8/10)	Revised Forecast	Change vs Previous Forecast	
				Amount	Rate (%)
Sales	12,000	21,000	<b>22,100</b>	+1,100	+5.2%
Operating Income	800	2,726	<b>3,070</b>	+344	+12.6%
Ordinary Income	100	2,134	<b>2,340</b>	+206	+9.7%
2Q Net Profit attribute to the Parent Company	40	1,780	<b>2,670</b>	+890	+50.0%

## Disclaimer

This material is released for the purpose of providing information on the financial results for the fiscal year ended Mar 2024 (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 November 14, 2023 press release titled "Consolidated Financial Results for the Three Months Ended September 30, 2023 (Under Japanese GAAP)".

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