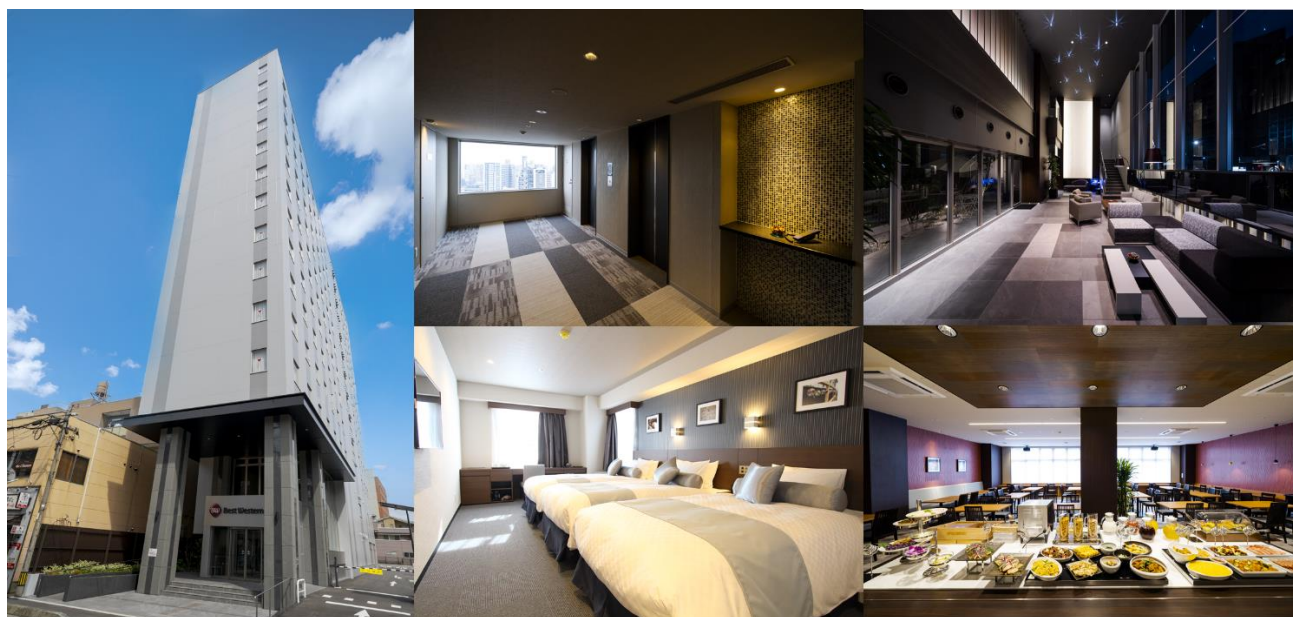


**POLARIS ACQUIRES 236 ROOM HOTEL IN FUKUOKA  
IMPLEMENTS AGGRESSIVE GROWTH STRATEGY TO CAPITALIZE ON DISTRESSED  
HOTEL MARKET  
TARGETS JPY1.9 BILLION<sup>1</sup> FY2022 EBITDA**

Polaris Holdings (“Polaris” or the “Company”) announced today that it entered into a definitive agreement to opportunistically acquire the newly constructed and well located Best Western Plus Fukuoka Tenjin Minami Hotel (“BW Tenjin”) that the Company currently operates under a long-term fixed lease contract. The brand new 236-room hotel was built in October 2020 and is conveniently located near the very popular Hakata/Nakasu entertainment quarter and Canal City retail and entertainment complex. The hotel is also only an 8-minute walk from Tenjin Station on the Subway Airport Line and only a 5-minute walk from Tenjin Minami Station on the Fukuoka Municipal Subway Nanakuma Line. Both the Fukuoka Airport and the Fukuoka Port are also easily accessible from the hotel.

The acquisition price is very attractive reflecting the current status of the hotel trading market based on the Company’s determination, and, it is expected that Polaris should be able to achieve significant future capital gains on this investment. Importantly, this acquisition will result in the termination of the 40-year fixed term lease agreement saving the Company JPY313 million annually in fixed-rent leakage, or over JPY12.5 billion throughout the cancelled lease term. The lease termination will significantly reduce the break-even point of the Company and ultimately position the Company for maximum profitability as the hospitality market rebounds.



As previously announced, Polaris will continue to execute on its highly competitive and profitable hotel operating strategy to generate stable earnings moving forward. However, with unprecedented distress in the hotel market due to COVID-19, traditional hotel buyers have temporarily disappeared, leaving an ideal opportunity for Polaris to proactively acquire competitive hotel properties at discounted prices with potential for attractive returns on invested capital. Polaris will act as the owner and operator to effectively reduce the operating breakeven point and achieve attractive Return-On-Equity (ROE). Furthermore, Polaris will have the potential to realize large capital gains when

the liquidity returns to the hotel sales market. The Company aims to acquire additional competitive hotels at significant discounts to appraisal values, targeting approximately JPY1.9 billion EBITDA in full-year 2022<sup>1</sup>.

- Due to the COVID-19 pandemic followed by an extensive global travel ban and two state of emergency declarations, the hotel industry has been rocked by significantly reduced sales and profits with many hotel owners and operators being forced to close or enter bankruptcy proceedings.
- Given the uncertainty Covid-19 has caused to hotel performance across the market, hotel JREITs, traditionally the largest buyers of hotel properties, have seen their share prices severely impacted, and have been unable to purchase hotel assets. With the lack of JREIT buying and the non-existence of other buyers, prices of hotel properties have plummeted.
- Polaris is uniquely positioned to work closely with our sponsor, Star Asia Group, who has significant capital and experienced real estate investment professionals to capitalize on the distressed hotel acquisition opportunities currently available in the Japanese market. The acquisition of the BW Tenjin hotel represents the first of many such potential acquisition opportunities.
  - ✓ The acquisition price of the BW Tenjin hotel is very attractive reflecting the current status of the hotel trading market based on the Company's determination, and should generate an attractive return on investment as well as a large potential future capital gain.
  - ✓ This acquisition will result in the termination of the 40-year fixed term lease agreement which will save the Company JPY313 million annually in fixed-rent leakage, or over JPY12.5 billion throughout the cancelled lease term.
- We believe that Covid-19 will be a transient event and with the rollout of vaccines, pent-up demand among domestic travelers is expected to recover first followed by the return of foreign travelers returning to Japan as the pandemic subsides globally.
- We believe the supply/demand dynamics in the hotel market could improve favorably as many new hotel development projects have been or will be canceled or delayed.
- By acquiring hotel properties at discounted prices and then integrating the ownership and operation of the hotels will allow Polaris to further lower the operating break-even point. By eliminating monthly rent payments to third-party owners, we can expect this strategy will achieve higher ROEs for shareholders.
- As hotel JREITs resume hotel property acquisitions and hotel property liquidity normalizes, Polaris may choose to opportunistically sell its hotel properties to recycle capital and realize significant capital gains on those investments. Importantly, the Company could retain recurring earnings through long-term lease contracts with variable rents or fee-based management contracts with these new owners
- With a strong pipeline of potential hotel property acquisitions provided by Star Asia Group, we are now considering the purchase of several other competitive hotel properties at discounted prices, targeting approximately JPY1.9 billion<sup>1</sup> EBITDA in full-year 2022<sup>1</sup>. Any purchases will be made with the view of maximizing shareholder value over the medium to longer-term by utilizing debt finance from financial institutions, equity finance and/or a hybrid of the two.

- Polaris will continue to execute on this tactical business growth strategy and will continue to disclose additional information as it becomes available

Footnote:

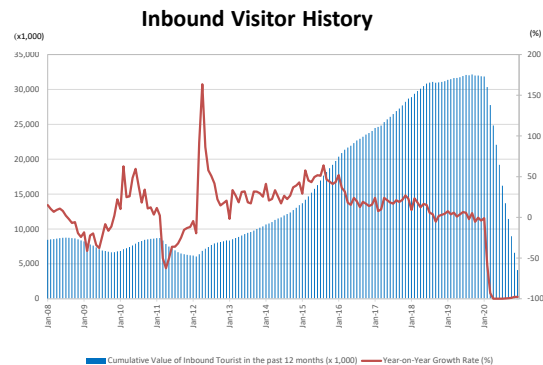
1. Assumes the Company's current hotels under management/ownership, and acquisition of two additional hotel properties equivalent to BW Tenjin as well as the supply and demand environment for hotel accommodation equivalent to the 2019 calendar year.

## EXHIBIT: STATE OF THE DISTRESSED HOTEL MARKET AND THE ROAD TO RECOVERY

The Japanese hotel industry has faced significantly reduced sales and profits and is still facing an uncertain future all caused by the COVID-19 pandemic and travel restrictions imposed by governments. Making the situation more difficult, the largest single investor segment, the JREITS, have been absent from the hotel property transaction market causing hotel property prices to plummet

The market has now turned into a buyer's market and we firmly believe that by tactically utilizing the significant capital and very experienced investment team at Star Asia Group, Polaris will be able to acquire hotel properties at significant discounts to appraisal values

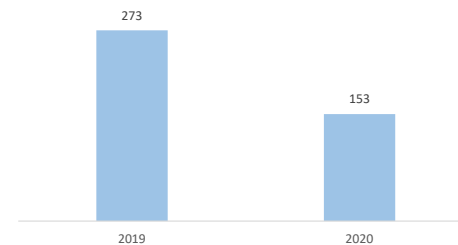
1. The Japanese Government led *Visit Japan Campaign* which started in 2003 had a target of 40 million foreign visitors to Japan by 2020 and 60 million by 2030. The successful program helped expand the number of foreign visitors to Japan by a factor of 3.8x from 8.4 million in 2007 to 31.9 million in 2019. However, due to the COVID-19 pandemic and the travel restrictions imposed by Japan and other countries, the number of foreign visitors to Japan in 2020 dropped to 4.1 million, which was the lowest level since the start of the *Visit Japan Campaign*



Source: Japan National Tourism Organization.

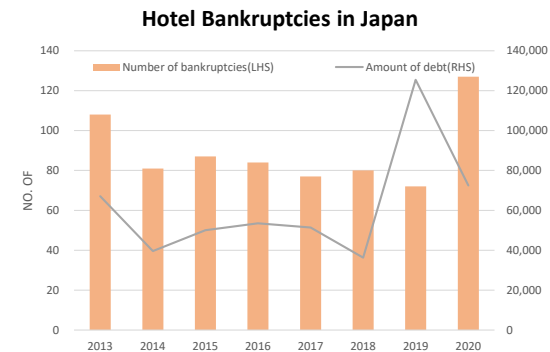
2. The spread of COVID-19 and the declaration of state of emergency have also curtailed demand for accommodations by domestic travelers. In 2020, the total number of guests staying at business hotels was down 44% to 153 million from 273 million in 2019

Number of Guest Stays at Business Hotels (millions)



Source: Japan Tourism Agency.

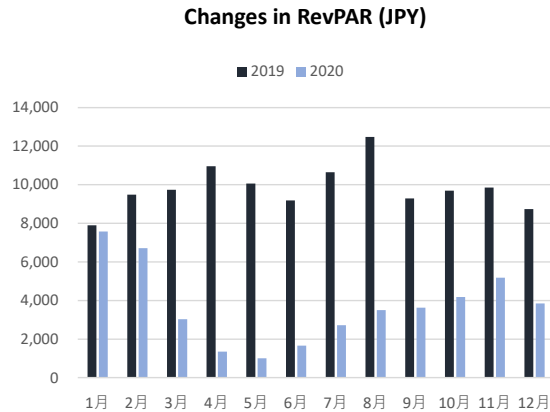
3. The hotel industry has seen significantly reduce sales and profits, and many hotel owners and operators continue to go bankrupt or go out of business



Source: Teikoku Data Bank.

## EXHIBIT: STATE OF THE DISTRESSED HOTEL MARKET AND THE ROAD TO RECOVERY

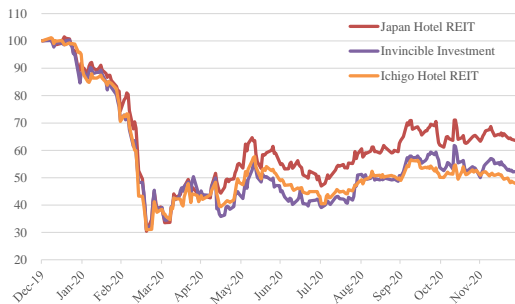
4. The average RevPAR (Revenue Per Available Room) in 2020 for the three hotel JREITs (Japan Hotel REIT, Invincible Investment, Ichigo Hotel REIT) decreased 62% compared to 2019 levels



Source: Home pages of Japan Hotel REIT, Invincible Investment and Ichigo Hotel REIT.

5. The stock prices of the three hotel JREITs (Japan Hotel REIT, Invincible Investment, Ichigo Hotel REIT) decreased 44% on average in 2020

**Changes in Stock Price (December 31, 2019 = 100)**



Source: Bloomberg.

6. JRETs had been the major buyer of hotel properties, however, the acquisition of hotel properties by JREITs plummeted in 2020 by over 80% compared to 2019

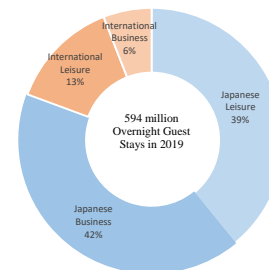
**Acquisition of Major Property Classes by JRETs (JPY billions)**



Source: Mizuho Securities.

7. In 2019, the total number of overnight guests was 594 million with 81% Japanese and 19% international guests. With such a large majority of total guests being Japanese, it will be crucial that the demand for domestic travelers returns

**Number of Overnight Guest Stays at Accommodations in 2019**

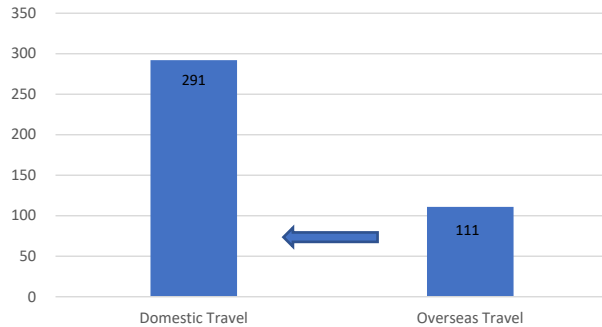


Source: Japan Tourism Agency.

## EXHIBIT: STATE OF DISTRESSED HOTEL MARKET AND ROAD TO RECOVERY

8. In 2019, the number of nights stayed by Japanese that departed to foreign countries for leisure travel was 111 million. As the state of emergency is lifted and vaccination progresses, we believe that pent-up overseas travel demand will be transferred to domestic travel and will help make up for the almost non-existent foreign visitors to Japan

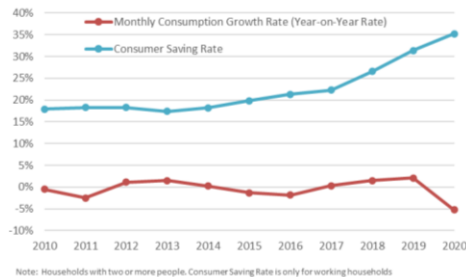
**Number of Japanese Accommodation Nights for Leisure Travels (millions)**



Source: Japan Tourism Agency.

9. Japanese consumers have been saving money at a record clip thanks to self-restraint and lack of options to spend during the pandemic. Additionally, with the government's special cash payment of JPY100,000 per person, the average monthly savings of two or more working households was JPY175,000, the highest since 2000. As a result we believe there is a strong possibility there will be considerable pent-up consumer demand in 2021 and beyond

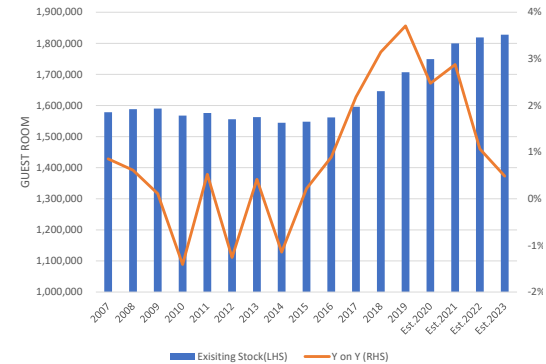
**Consumer Saving Rate and Monthly Consumption Growth Rate**



Source: Ministry of Internal Affairs and Communications.

10. The total stock of hotel rooms was approximately 1.75 million nationwide at the end of 2019, showing an annual increase of 3.7%. However, due to the impact of the pandemic, the number of new supply in the future is expected to dry up

**Hotel Guest Room Supply**



Source: Hoteres.

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