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ASTRIS CORPORATE ADVISORY JAPAN

Polaris Holdings (3010)

Management demonstrating clear commitment to growth

18 May 2026

Q4 FY3/26 results update

- **Consistent growth strategy** – Polaris beat FY3/26 guidance and expectations with a strong showing in Q4 FY3/26 amid an evolving market environment, with existing RevPAR up 12.3% YoY, and sustaining double-digit underlying OPM. With the Minacia PMI completed, the company has built a solid foundation to pursue growth initiatives, encompassing a multifaceted approach that includes market-share gains through new hotel openings, diversification of hotel brands and portfolio with a pivot towards more upscale offerings, and the stimulation of domestic demand. Management is also taking a balanced approach to targeting growth and shareholder returns by maintaining flat dividends YoY (DPS increased YoY to ¥5 in FY3/26).

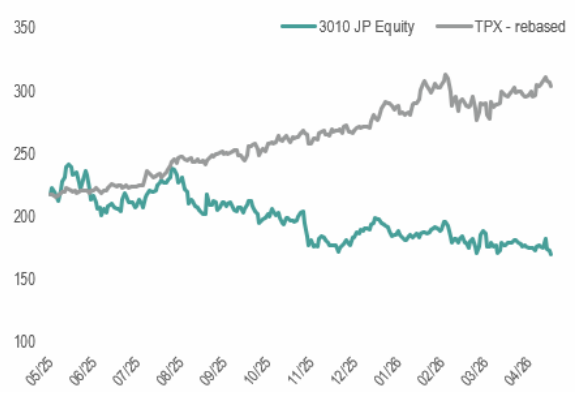
Raising our earnings estimates

- **Underlying earnings momentum to remain sound** – FY3/26 results involved recognition of ¥1.86bn deferred tax asset, demonstrating confidence in sustained profitability. From FY3/27 onwards, accounting tax expenses are expected to normalize, which will distort NI and EPS, but operating performance is expected to maintain growth. We have upwardly revised our earnings estimates for FY3/27 and beyond to reflect underlying momentum and high free cash flow generation.
- **Valuations** – On our revised earnings estimates, the shares are trading at a PER FY3/27 of 19.6x (on +11.0% reported OP growth YoY, +21.1% EBITDA growth YoY), a free cash flow (FCF) yield of 15.3%, and a dividend yield of 2.9%.

Year-end	3/25	3/26	3/27E	3/28E	3/29E
Sales (¥bn)	27.88	48.47	54.71	65.60	74.98
OP (¥bn)	2.80	4.04	4.49	5.90	7.12
NI (¥bn)	2.61	4.60	2.04	3.56	4.34
EPS (¥)	16.90	19.66	8.74	15.21	18.57
DPS (¥)	3.00	5.00	5.00	5.48	6.68
Sales growth YoY (%)	+23.7	+73.8	+12.9	+19.9	+14.3
OP growth YoY (%)	-17.1	+44.1	+11.0	+31.6	+20.6
NP growth YoY (%)	-20.8	+76.1	-55.5	+74.1	+22.1
EPS growth YoY (%)	-37.1	+16.3	-55.5	+74.1	+22.1
PER (x)	10.1	8.7	19.6	11.2	9.2
EV/EBITDA (x)	14.5	8.6	7.1	5.8	5.0
EV/Sales (x)	2.2	1.3	1.1	0.9	0.8
PBR (x)	1.4	1.2	1.3	1.2	1.1
ROE (%)	9.2	14.3	6.4	10.8	12.5
ROCE (%)	4.8	6.7	7.9	10.8	13.3
FCF yield (%)	14.4	13.2	15.3	20.2	17.0
Dividend yield (%)	1.8	2.9	2.9	3.2	3.9

Source: Company, Astris Advisory (estimates)
*Note: outstanding dilution is 8.4%

Share price: ¥171 **Market cap: ¥40.0bn**



Source: Bloomberg

Price Performance	YTD	1M	3M	12M
Abs (%)	-10.0	-6.0	-10.5	-23.7
Rel (%)	-19.8	-7.7	-10.9	-45.3

Company sector

Real Estate Management/Services
Hotels, Restaurants & Leisure (GICS)

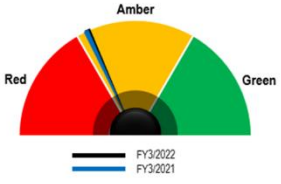
Stock data	
Price (¥)	171
Mkt cap (¥bn)	40.0
Mkt cap ($m)	251.7
52-week range (¥)	170-254
Shares O/S (m)	233.9
Average daily value ($m)	0.3
Free float (%)	25.2
Foreign shareholding (%)	85.9
Ticker	3010
Exchange	Tokyo Standard
Net Debt/Equity (x)	4.4
FFO leverage (x)	3.5
BBG BUY | HOLD | SELL	0 | 0 | 0

Source: Bloomberg

Business Overview

Polaris Holdings is a hotel operator that manages three core domestic hotel chains—KOKO HOTELS, Best Western Hotels, and Value The Hotel—and operates Red Planet Hotels in the Philippines. Following its management integration with Minacia, the company has significantly expanded its operating platform and is driving further growth.

Astris-Sustainability ESG rating



Reference Ratings	
MSCI	N/A
Sustainalytics	N/A
Refinitiv	N/A
S&P Global	N/A
Bloomberg	N/A

Next events

Q1 FY3/27 results August 2026

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This report has been commissioned and paid for by the company

Recent results

Q1-4 FY3/26 results

Results ahead of revised guidance; strong underlying OP growth YoY

Key financials

(¥bn)	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)	FY3/26 revised guidance	YoY (%)
Sales	**27.88**	**48.47**	**+73.8**	**47.00**	**+67.1**
Gross profit	26.82	46.53	+73.5	-	
Gross margins (%)	*96.2*	*96.0*		-	
Operating profit/(loss)	**2.80**	**4.04**	**+44.1**	**3.70**	**+28.4**
Operating margins (%)	***10.1***	***8.3***		***7.9***	
Goodwill amortization	***0.33***	***1.30***	***N/A***	***1.30***	***N/A***
Operating profit ex-goodwill	***3.13***	***5.35***	***+70.9***	***5.00***	***+59.7***
Operating margins ex-goodwill (%)	***11.2***	***11.0***		***10.6***	
Recurring profit	1.89	2.90	+53.0	2.60	+32.0
Net income attributable to the parent	2.61	4.60	+76.1	4.00	-0.4

Source: Company
Note: FY3/26 net income growth due to recognizing ¥1.86bn deferred tax asset

Both acquisitive and organic growth drove Hotel Operations' sales and earnings

Per business segment (pre-elimination)

(¥bn)	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)
Sales			
Hotel Operations	27.15	48.43	+78.4
Real Estate	0.73	0.03	-95.3
Operating profit/(loss)			
Hotel Operations	2.94	5.10	+73.2
Real Estate	0.73	0.03	-95.3
Operating margins (%)			
Hotel Operations	10.8	10.5	
Real Estate	100.0	100.0	

Source: Company
Note" Minacia included in P&L from Q4 FY3/25; Minacia and overseas hotel operations (bar one hotel) have Jan.-Sept. 2025 results recognized in Q1-3 FY3/26 due to a different FY end.

Key highlights

Q1-4 FY3/26 results were ahead of upwardly revised guidance (issued March 2026), demonstrating strong underlying OP growth of 70.9% YoY. We believe the key takeaway is that **management continues to execute its growth strategy steadfastly, taking a multidisciplinary approach whilst heeding, but not being sidetracked by, global macro and geopolitical matters.**

We view the key outcomes for the FY as follows:

- Brand integration and PMI successfully completed with Minacia.

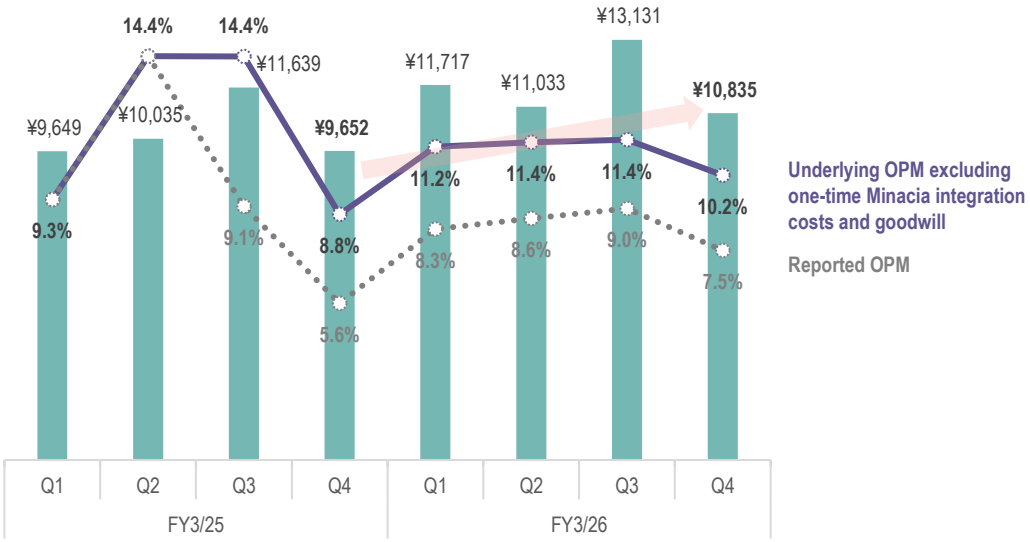
- Eight new hotel openings, with 11 newly contracted hotel projects (total of 21), with hotel portfolio repositioning into regional areas and to apartment hotels, onsen/lifestyle, and resort hotels.
- Growing existing hotels' RevPAR by 11% YoY.
- Positioning to benefit from the capital and business alliance with its sponsor, Star Asia Group, and Mizuho Leasing Group.
- Enhancing shareholder returns by raising DPS to ¥5 (up from ¥3 in FY3/25).
- Ranked as the 8th largest domestic operator for limited-service hotels by room number.
- **Disclosing new Medium-Term Management Plan 2030** (MTP 2030) covering FY3/27 to FY3/31 – core targets for FY3/31 are 1) ¥100bn sales, 2) ¥10bn OP pre-goodwill amortization, 3) managing 150 hotels and 20,000 rooms, and 4) dividend payout ratio of 30%+ and ROE 10%+.

When we look at Q4 FY3/26 quarterly performance in isolation, despite a more challenging market environment (with China geopolitical tensions and the Middle East conflict), the company has shown:

- Domestic RevPAR growth of 12.3% YoY.
- Underlying quarterly 10.2% OPM, higher than 8.8% OPM booked in Q4 FY3/25.

Domestic RevPAR remains on an uptrend

Quarterly total OPM (%) and Domestic RevPAR (¥)

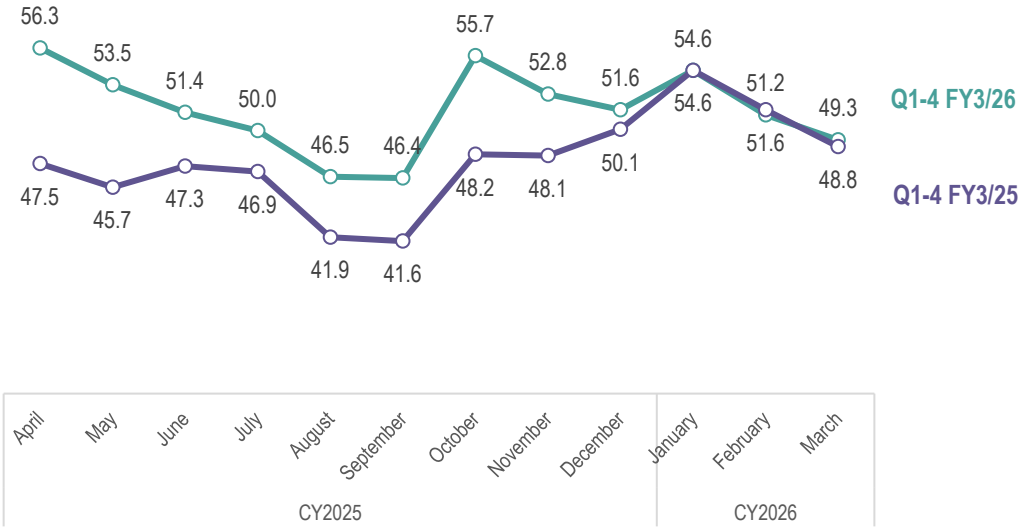


Source: Company

Q4 FY3/26 saw the inbound demand ratio reach levels similar to those a year ago – we view this as sustainable.

Inbound demand appears to be stabilizing

Inbound ratio (%)



Source: Company

s

Outlook for FY3/27

With management continuing to pursue growth opportunities proactively, we view the FY3/27 guidance as conservative. The core assumptions are as follows:

- Topline growth to be driven by existing RevPAR growth of 5% YoY, and six new hotel openings (reaching 99 hotels).
- Total room numbers to increase from 14,241 to 14,894 (+653 rooms YoY, +4.6% YoY).
- In the new medium-term plan (covering FY3/27 – FY3/31), operating expenses for existing hotels are expected to increase 3% YoY. Investments to strengthen hotel competitiveness and the IT/AI system should enable margin expansion in the longer term.

Guidance maintains growth profile YoY

FY3/27 company guidance

(¥bn)	FY3/26	FY3/27 Guidance	YoY (%)
Sales	**48.47**	**54.50**	**+12.4**
OP	**4.04**	**4.20**	**+3.9**
OPM (%)	*8.3*	*7.7*	
Underlying OP	**5.35**	**5.50**	**+3.0**
Underlying OPM (%)	*11.0*	*10.1*	
RP	2.90	3.00	+3.6
PBT	2.84	N/A	
*Net tax	(1.76)	1.40	-
Effective tax rate (%)	*-61.9*	*46.7*	
NI	4.60	1.60	-65.2
EPS (¥)	19.66	6.84	-65.2
DPS (¥)	5.0	5.0	-
Payout ratio (%)	25.4	73.1	
Number of hotels	93	99	+6.5
Number of rooms	14,241	14,894	+4.6

Source: Company
*Note: assume RP equals PBT in FY3/27

Our commentary

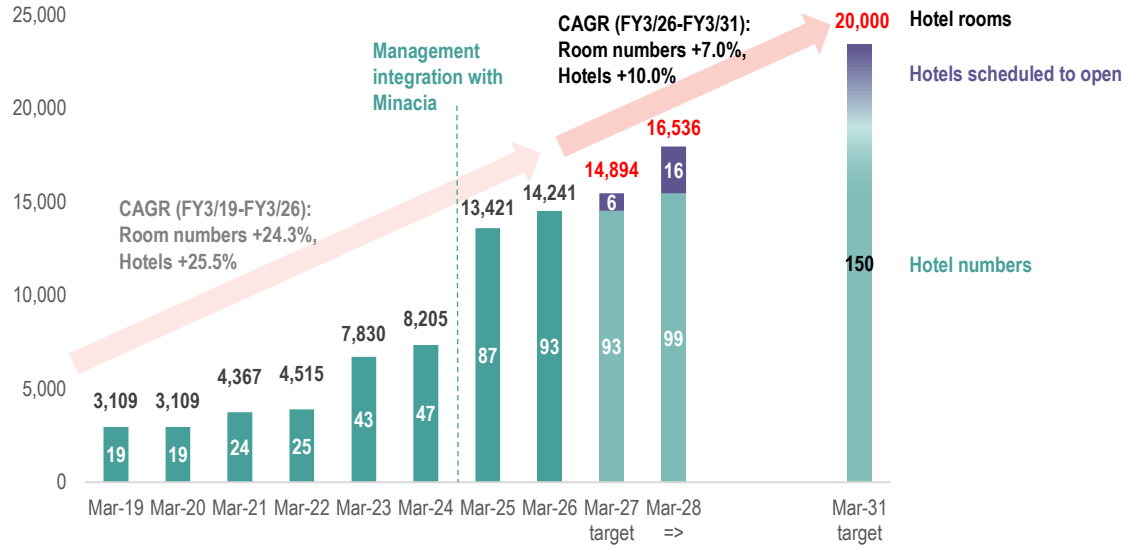
While market conditions are more challenging than a year ago, we believe the company has established a firm foundation to drive growth in FY3/27. Key targets disclosed in the new medium-term plan point to a sustained upward trajectory for market share gains, and management's opportunistic approach lends itself to upside risk. However, the following initiatives should drive growth YoY:

- **Aiming to increase market share** – The company is showing confidence in longer-term demand by accelerating new hotel openings and establishing a larger footprint.
- **Diversification of hotel brands** – A pivot toward more upscale hotels, which will capture a new market focus for the company, targeting higher ADRs than the core limited-service hotels.

- **Strengthening marketing efforts to drive domestic demand** – the following initiatives should drive user acquisition and repeat sales:
    - Improving brand awareness of the flagship 'KOKO HOTELS' brand.
    - Increasing the number of loyalty program members (currently 250,000).
    - Increase the ratio of direct bookings (currently 15%).

Aiming for sustainable growth

Updated medium-term plans for the hotel and room numbers in operation

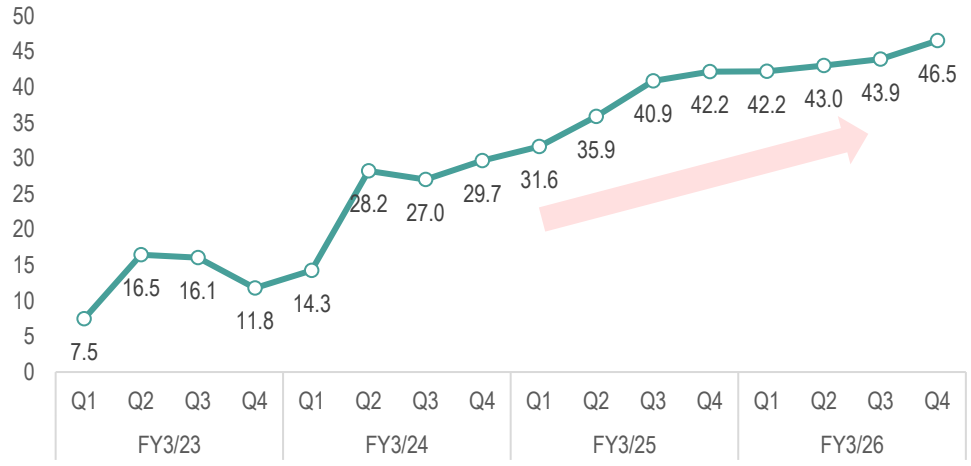


Source: Company

The scope for further investment activity (via M&A, alliances, or hotel investments) is supported by continued improvement in the equity base; there is greater flexibility in capital allocation than previously.

Continued uplift in equity base

Quarterly equity ratio (%)



Source: Company

Market environment

Growth normalization phase for inbound demand

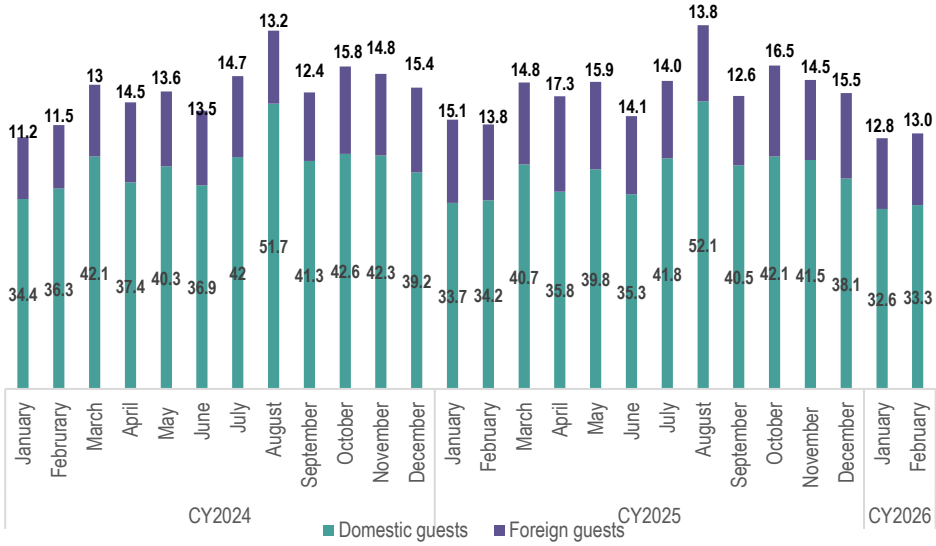
Monthly number of inbound visitors (millions)



Source: Japan National Tourism Organization's Inbound Visitor Statistics
*Note: No regional breakdown available for February and March 2026

Foreign guests' overnight stays remain stable

Trend in the number of guests (per million overnight stays per month)



Stable foreign guest demand

Source: Japan Tourism Agency

Astris earnings estimates and key assumptions

We have revised our earnings estimates for FY3/26 and beyond. The key changes and assumptions are as follows:

- **Raising sales growth** – Concrete plans for new hotel openings and raising RevPAR YoY have meant we have increased our sales estimates for FY3/27 and beyond.
- **Margin trajectory unchanged** – We have maintained our OPM assumption of 8.2% for FY3/27 and 9.0% for FY3/28. With the medium-term plan outlining a pivot towards targeting higher ADR with more upscale hotels, we believe margin expansion is possible.
- **Tax rate to normalize; free cash flow representative of performance** – The recognition of the deferred tax asset in FY3/26 points to sustainable profitability going forward. Reported EPS is temporarily distorted by tax accounting effects, and therefore PER may not fully reflect underlying operating momentum or cash-generation capability. We believe free cash flow-based valuation metrics provide a more representative picture of underlying fundamentals during this transition period.

Revised earnings estimates

Astris Advisory earnings estimates

Year-end	FY3/27 guidance	FY3/27E (old)	FY3/27E (new)	FY3/28E (old)	FY3/28E (new)	FY3/29E (new)
Sales (¥bn)	**54.50**	**52.33**	**54.71**	**58.23**	**65.60**	**74.98**
Growth YoY (%)	*+12.4*	*+8.0*	*+12.9*	*+11.3*	*+19.9*	*+14.3*
Operating profit (¥bn)	**4.20**	**4.29**	**4.49**	**5.24**	**5.90**	**7.12**
OPM (%)	***7.7***	***8.2***	***8.2***	***9.0***	***9.0***	***9.5***
EBITDA (¥bn)	**N/A**	**7.10**	**8.73**	**8.23**	**10.75**	**12.49**
EBITDA margin (%)	-	*13.6*	*16.0*	*14.1*	*16.4*	*16.7*
Growth YoY (%)	-	*-1.5*	*+21.1*	*+15.9*	*+23.1*	*+16.1*
Recurring profit (¥bn)	3.00	3.38	3.78	4.01	5.08	6.20
Growth YoY (%)	*+3.6*	*+16.7*	*+30.7*	*+18.7*	*+34.3*	*+22.1*
****Implied effective tax rate (%)***	***46.7***	***15.0***	***46.0***	***16.0***	***30.0***	***30.0***
Net income (¥bn)	**1.60**	**2.87**	**2.04**	**3.37**	**3.56**	**4.34**
Growth YoY (%)	*-65.2*		*-55.5*	*+17.3*	*+74.1*	*+22.1*
DPS (¥)	5.0	4.4	5.0	5.2	5.5	6.7
Payout ratio (%)	73.1	36.0	57.2	36.0	36.0	36.0
Dividend yield (%)	**2.9**	**2.6**	**2.9**	**3.0**	**3.2**	**3.9**
FCF (¥bn)	**N/A**	**6.37**	**6.12**	**6.96**	**8.07**	**6.81**
FCF margin (%)	-	12.2	11.2	12.0	12.3	9.1
FCF conversion (%)	-	188.3	161.8	173.5	158.7	109.8
FCF yield (%)	**-**	**15.9**	**15.3**	**17.4**	**20.2**	**17.0**
Diluted FCF yield (%)	**-**	**14.7**	**14.1**	**16.1**	**18.6**	**15.7**

Source: Astris Advisory
Note: FCF conversion is FCF/Pre-tax Profit
Note*: Implied effective tax rate assumes no extraordinary gains or losses

Operating platform data – as of May 13th 2026

Classification		Number of hotels	Number of rooms
In operation	Domestic	79 hotels	11,830 rooms
	Overseas	15 hotels	2,528 rooms
New openings scheduled	Domestic	21 hotels	2,178 rooms
Total		**115 hotels**	**16,536 rooms**

Source: Company

Summary

Polaris Holdings is a hotel operator with six core brands (five domestic and one overseas). In January 2023, it acquired Red Planet's business in the Philippines, and in December 2024, it acquired domestic operator Minacia, becoming the eighth-largest player in the limited-service hotel segment. With the support of the Star Asia Group and a key focus on stable earnings growth, the business has scaled rapidly since 2022, driven by strong organic growth and strategic M&A.

We view the current growth strategy to focus on the following:

Focus on sustaining growth, regardless of market environment

- **Aiming to increase market share** – The company is showing confidence in longer-term demand by accelerating new hotel openings and expanding its footprint.
- **Portfolio repositioning** – A continuation of the existing strategy to increase exposure and diversify to resilient geographic regions, and increase the brand portfolio to apartment hotels, onsen/lifestyle, and resort hotels. Also, shifting focus to upscale hotels to boost ADRs.
- **Grow domestic demand** – Driving domestic user acquisition and repeat sales by establishing a loyalty program called “KOKO FAMILY”, conducting brand integration, and introducing more attractive shareholder benefits for hotel discount vouchers.

We estimate that Polaris Holdings will demonstrate sustainable growth, driven by the following factors:

- **Continued expansion of the domestic operating platform.**
- **Strong management capability with a proactive growth mindset.**

On our revised earnings estimates, the shares are trading at a PER FY3/27 of 19.3x (on +11.0% reported OP growth YoY, +21.1% EBITDA growth YoY), a free cash flow (FCF) yield of 15.3%, and a dividend yield of 2.9%.

JGAAP Financial Summary

(¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Sales	**27.88**	**48.47**	**54.71**	**65.60**	**74.98**
COGS	1.06	1.94	2.19	2.62	2.25
Gross profit	**26.82**	**46.53**	**52.52**	**62.97**	**72.73**
Gross profit margin (%)	96.2	96.0	96.0	96.0	97.0
Operating profit	**2.80**	**4.04**	**4.49**	**5.90**	**7.12**
OP margin (%)	10.1	8.3	8.2	9.0	9.5
Non-operating income	0.05	0.15	0.10	0.12	0.11
Non-operating expense	(0.96)	(1.29)	(0.80)	(0.94)	(1.03)
Recurring profit	**1.89**	**2.90**	**3.78**	**5.08**	**6.20**
Extraordinary gains	-	0.09	-	-	-
Extraordinary losses	(0.00)	(0.15)	-	-	-
Pre-tax profit	**1.89**	**2.84**	**3.78**	**5.08**	**6.20**
Tax	(0.72)	(1.76)	1.74	1.52	1.86
Effective tax rate (%)	(38.2)	(61.9)	46.0	30.0	30.0
Net income	**2.61**	**4.60**	**2.04**	**3.56**	**4.34**
Non-controlling NI	-	-	-	-	-
Parent attributable NI	**2.61**	**4.60**	**2.04**	**3.56**	**4.34**
Sales growth YoY (%)	+23.7	+73.8	+12.9	+19.9	+14.3
OP growth YoY (%)	-17.1	+44.1	+11.0	+31.6	+20.6
RP growth YoY (%)	-27.4	+53.0	+30.7	+34.3	+22.1
NI growth YoY (%)	-20.8	+76.1	-55.5	+74.1	+22.1

Cash flow statement (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Profit before tax	**1.89**	**2.84**	**3.78**	**5.08**	**6.20**
Depreciation/amortization	1.48	3.17	4.25	4.85	5.36
Other non-cash items	0.22	0.12	0.17	0.15	0.16
Changes in working capital	0.26	(0.33)	0.19	0.05	(2.52)
Tax paid	0.43	(0.11)	(1.74)	(1.52)	(1.86)
Cash from Operating Activities	**4.29**	**5.81**	**6.65**	**8.60**	**7.34**
Capex	(0.48)	(0.53)	(0.53)	(0.53)	(0.53)
Acquisitions/increase stakes	(3.42)	-	-	-	-
Other investing cash flow	0.03	(1.60)	(0.78)	(1.19)	(0.99)
Cash from Investing Activities	**(3.88)**	**(2.13)**	**(1.31)**	**(1.72)**	**(1.52)**
Total cash dividends paid	-	(0.70)	(1.17)	(1.17)	(1.28)
Debt issuance/(retirement)	3.72	(3.00)	(3.00)	(3.00)	(3.00)
Equity financing	0.33	-	-	-	-
Other	-	(0.00)	(0.00)	(0.00)	(0.00)
Cash from Financing Activities	**4.04**	**(3.70)**	**(4.17)**	**(4.17)**	**(4.29)**
FX impact	0.02	(0.01)	0.00	(0.00)	0.00
Net cash flow	**4.47**	**(0.04)**	**1.17**	**2.70**	**1.54**
Free cash flow	**3.80**	**5.27**	**6.12**	**8.07**	**6.81**
EBITDA	**4.28**	**7.21**	**8.73**	**10.75**	**12.49**
Free cash flow margin (%)	2.4	3.4	4.4	5.4	6.4
Free cash flow conversion (%)	39.2	47.3	48.3	49.3	50.3
EBITDA margin (%)	15.3	14.9	16.0	16.4	16.7
Capex/sales (%)	0.1	0.1	1.1	2.1	3.1
Capex/depreciation (%)	23.3	21	22	23	24
CFO margin (%)	2.6	3.5	4.5	5.5	6.5

Balance sheet (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Cash & equivalents	7.51	7.52	8.69	11.39	12.93
Trade debtors	3.80	4.47	5.04	6.05	6.91
Real estate for sale and stock	-	-	-	-	-
Other	1.79	1.95	2.20	2.64	3.02
Current assets	**13.10**	**13.93**	**15.93**	**20.07**	**22.86**
Tangible assets	21.81	21.03	18.06	14.61	10.74
Intangible assets	25.84	24.51	23.27	22.03	20.79
Investment & others	6.42	9.73	9.73	9.73	9.73
Fixed assets	**54.07**	**55.27**	**51.06**	**46.36**	**41.26**
Total assets	**67.17**	**69.21**	**66.99**	**66.44**	**64.12**
Short-term borrowing	2.45	2.71	2.71	2.71	2.71
Trade creditors	0.49	0.43	0.50	0.59	0.51
Other	5.30	6.03	6.98	8.36	7.17
Current liabilities	**8.23**	**9.17**	**10.19**	**11.67**	**10.39**
Long-term borrowing	29.38	26.85	23.84	20.84	17.83
Other LT liabilities	1.23	1.03	1.03	1.03	1.03
Long-term liabilities	**30.62**	**27.88**	**24.87**	**21.87**	**18.87**
Shareholder's equity	**28.33**	**32.16**	**31.93**	**32.89**	**34.86**
Non-controlling interests	-	-	-	-	-
Total net assets	**28.33**	**32.16**	**31.93**	**32.89**	**34.86**
Total liabilities & net assets	**67.17**	**69.21**	**66.99**	**66.44**	**64.12**

Key metrics	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Profitability					
Gross margin (%)	96.2	96.0	96.0	96.0	97.0
Operating margin (%)	10.1	8.3	8.2	9.0	9.5
Net margin (%)	9.4	9.5	3.7	5.4	5.8
ROA (%)	3.9	6.6	3.1	5.4	6.8
ROE (%)	9.2	14.3	6.4	10.8	12.5
ROCE (%)	4.8	6.7	7.9	10.8	13.3
ROIC (%)	9.8	10.7	4.0	7.2	8.9
Liquidity					
Current ratio (x)	1.6	1.5	1.6	1.7	2.2
Quick ratio (x)	1.6	1.5	1.6	1.7	2.2
Leverage					
Debt/Equity ratio (x)	1.1	0.9	0.8	0.7	0.6
Net Debt/Equity ratio (x)	0.9	0.7	0.6	0.4	0.2
Equity ratio (x)	0.4	0.5	0.5	0.5	0.5
Interest cover (x)	3.8	5.5	5.6	6.3	6.9
Net Debt/EBITDA (x)	5.7	3.1	2.0	1.1	0.6
Valuation					
EPS reported (¥)	16.90	19.66	8.74	15.21	18.57
PER (x)	**10.1**	**8.7**	**19.6**	**11.2**	**9.2**
Diluted PER (x)	**11.0**	**9.4**	**21.2**	**12.2**	**10.0**
DPS (¥)	3.0	5.0	5.0	5.5	6.7
Dividend payout ratio (%)	17.8	25.4	57.2	36.0	36.0
Dividend yield (%)	**1.8**	**2.9**	**2.9**	**3.2**	**3.9**
Free cash flow yield (%)	**14.4**	**13.2**	**15.3**	**20.2**	**17.0**
Diluted FCF yield (%)	**13.3**	**12.2**	**14.1**	**18.6**	**15.7**
PBR (x)	1.4	1.2	1.3	1.2	1.1
EV/sales (x)	2.2	1.3	1.1	0.9	0.8
EV/EBITDA (x)	14.5	8.6	7.1	5.8	5.0
EV/EBIT (x)	22.1	15.3	13.8	10.5	8.7
EV/FCF (x)	16.3	11.8	10.1	7.7	9.1

Source: Company, Astris Advisory (estimates)

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