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Real Estate Investment Trust Securities Issuer

Star Asia Investment Corporation

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(Code: 3468)

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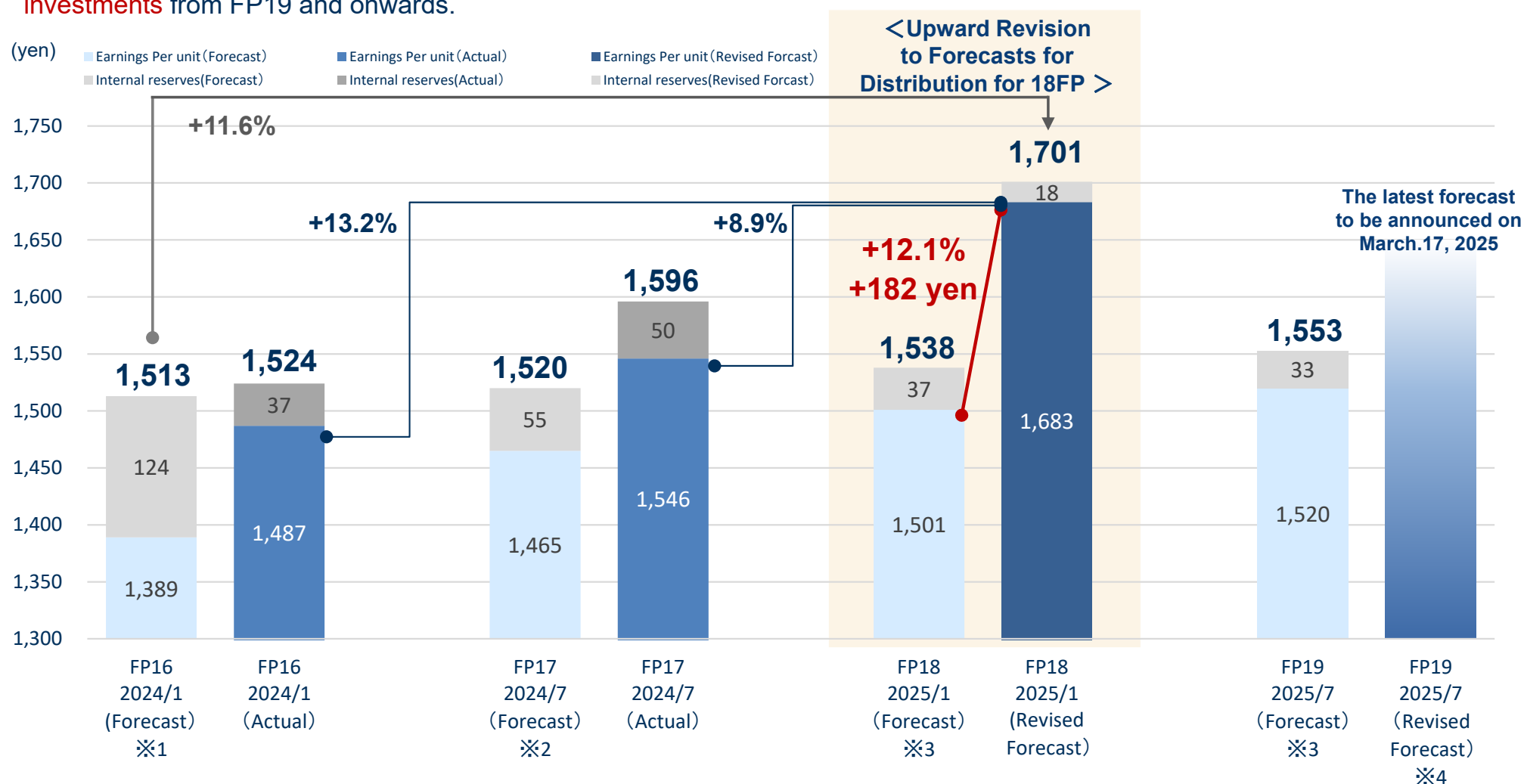
# Supplementary Material on Timely Disclosure Announced as of Today

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- Notice Concerning Revision to Forecasts for Operating Results and Distribution for the 18th Fiscal Period Ended January 31, 2025 (upward revision)

# 1. Upward Revision to Distribution Forecast for 18FP

- ◆ The performance of eleven hotels acquired through the public offerings conducted in 2023 and 2024 has remained strong, and net income per unit was **+182 yen / +12.1%** compared to initial forecast.
- ◆ Increase rate in DPU exceeds inflation rate / 1,524 yen => 1,701 yen **+11.6%**
- ◆ The amount of available retained earnings (37 yen per unit initially forecasted) is to be partially retained to be **used for strategic investments** from FP19 and onwards.



※1: Announced on September 13, 2023 ※2: Announced on March 15, 2024 ※3: Announced on September 13, 2024 ※4: To be announced on March 17, 2025

## 2. Factor Analysis (1)

By leveraging the strengths as a diversified REIT, increased exposure to hotels which are inflation-responsive assets

- ◆ Maximization of profits was realized through close cooperation with Polaris, a member of Star Asia Group
- ◆ Increase in hotel revenues has led to increase in rents (hotels operated by Polaris※<sup>1</sup>), and is expected to contributed to enhancement of portfolio NOI / achieve revenue increase outpacing inflation.

### Revenue increase factors of the hotel portfolio (operated by Polaris)

<b>External Environment Factors</b>	<ul style="list-style-type: none"> <li>■ <b>Supported by increase in the number of foreigners visiting Japan</b> against the background of Japan's abundant tourism resources and the weak yen (+47.1% compared to the preceding year ※<sup>2</sup>)</li> <li>■ <b>Domestic travel demand has recovered</b> due to increase in number of events held etc. (+4.5% compared to the preceding year in tourist number) ※<sup>3</sup></li> </ul>
<b>A rent structure where increase in hotel revenues directly leads to increase in revenues at Investment Corporation</b>	<ul style="list-style-type: none"> <li>■ Given the existence of <b>“fixed + variable”</b> rent structure, rent revenues outpacing inflation can be obtained through variable rents, while also securing a certain level of stability. Variable rent = <math>\text{GOP} \times 85\%</math> - fixed rent (For KOKO HOTEL Osaka Namba the formula is <math>\text{GOP} \times 80\%</math>...) Expected actual performance in FP18: Fixed rent 25.6% : Variable rent 74.4% ※<sup>4</sup></li> <li>■ By capturing the strong accommodation demand, the increase in hotel revenues directly lead to the expansion of revenues of the Investment Corporation.</li> </ul>
<b>Polaris's contribution to revenues increase</b>	<ul style="list-style-type: none"> <li>■ Due to Polaris's management, <b>a high GOP margin</b> of (59.5 % in FP18) was achieved. Lodging-specialized hotels with around 200 rooms which is said to realize the most efficient operations can be operated by small number of staff.</li> <li>■ <b>Dynamic pricing</b> which pursues maximization of ADR by capturing the best timing such as for holding events.</li> <li>■ The hotels operated by Polaris are located at the centers of each city and <b>can attract outside tenants on the lower floors.</b></li> <li>■ Rent revenues from tenants can support the operator's revenues</li> <li>■ The merger of Polaris and Minacia boosted <b>the operator's management efficiency.</b> Examples: negotiation of optimal terms of amenity unit price and the outsourcing contract, and area management.</li> </ul>

※<sup>1</sup>: Polaris Holdings Co., Ltd. (Securities Code: 3010), a member of Star Asia Group, and its affiliates (referred to as “Operator” or “Polaris”)

※<sup>2</sup>: Statistical data on foreigners visiting Japan publicized by the Japan National Tourism Organization (JNTO)

※<sup>3</sup>: Statistics July-September 2024 Travel and Tourism Consumption Trends Survey (Preliminary Report) of the Japan Tourism Agency

※<sup>4</sup>: Based on the data of hotels operated by Polaris

## 2. Factor Analysis (2)

### Contribution to increase in NOI of Newly Acquired Assets in 2023 and 2024

- ◆ in FP18, **NOI yield are expected to exceed significantly appraisal NOI yield at time of acquisition** regarding the eleven assets totaled 49.1 bn yen acquired in 2023 and five assets totaled 35.8 bn yen in 2024 / eleven assets: 4.8% => **6.2%** five assets: 4.6% => **6.0%**※1

	Public Offering in 2023 (the sixth)	Public Offering in 2024 (the seventh), etc.
Assets acquired	 KOKO HOTEL Ginza 1-Chome  KOKO HOTEL Sapporo Ekimae  KOKO HOTEL Fukuoka Tenjin  KOKO HOTEL Hiroshima Ekimae  KOKO HOTEL Kagoshima Tenmonkan  KOKO HOTEL Sapporo Odori  Best Western Plus Fukuoka Tenjin-minami  Urban Park Kamata-Minami I  Urban Park Umejima  Urban Park Kamata-Minami II	 KOKO HOTEL Tsukiji Ginza  KOKO HOTEL Residence Asakusa Kappabashi  KOKO HOTEL Residence Asakusa Tawaramachi  KOKO HOTEL Osaka Shinsaibashi  Urban Forum Warabi ※2
Total acquisition price	49,191 million yen	35,800 million yen
Total appraisal value (at time of acquisition)	52,924 million yen	39,840 million yen
NOI yield	<div> <div>Average appraisal NOI yield (at time of acquisition)</div> <div>4.8%</div> <div>+1.4%</div> <div>Average appraisal NOI yield (18FP upward revision)</div> <div>6.2%</div> </div>	<div> <div>Average appraisal NOI yield (at time of acquisition)</div> <div>4.6%</div> <div>+1.4%</div> <div>Average appraisal NOI yield (18FP upward revision)</div> <div>6.0% ※1</div> </div>
Comparison in GOP (at time of acquisition vs actual)		

※1 The fixed property taxes, city planning taxes and other public charges for the five assets acquired on Aug. 16 and Aug. 30, 2024 are not to be recorded as expenses in the fiscal period ended January 31, 2025. Therefore, the figure is calculated by the following formula.
















revised NOI / 155 days \* 184 days (calculation period of 18FP) – for the above applicable taxes expected for 19FP] \* 2 / total acquisition price

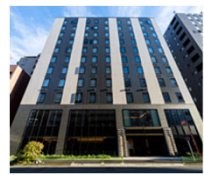












※2 Urban Forum Warabi was acquired by cash on hand, however it is recognized a series of assets acquisition based on the funds from the public offering.

## 2. Factor Analysis (3)

The performance of hotels located in Central Tokyo increased significantly compared to initial forecast

- ◆ In FP18, Rev PAR of hotels located in Central Tokyo were higher compared to forecast:  
KOKO HOTEL Ginza 1-Chome was **+14.2%**, and KOKO HOTEL Tsukiji Ginza was **+ 31.1%** (average in FP18)

KOKO HOTEL Ginza 1-Chome		Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	FP18 average	
OCC	Forecast	89.1%	90.6%	90.7%	91.1%	91.2%	88.0%	<b>92.2%</b>	<ul style="list-style-type: none"> <li>Jan. 2025 / Inbound ratio: 87.6%</li> <li>Sep. 2024 / Reviewed contracts with OTA to promote higher profitability</li> <li>Changed the amenities on the premium floors to <b>attract customers from nearby commercial establishments.</b></li> <li>Completed twinning construction of 20 rooms, aiming for further increase in ADR. →Lead to the <b>+6,000 yen for RevPAR</b> for 19FP and afterwards</li> <li>Dec. 2024 / Improved Wi-Fi environment to <b>increase customer satisfaction</b> to attract repeat customers</li> </ul> 
	Actual	96.0%	95.9%	95.5%	96.2%	96.5%	91.1%	<b>95.2%</b>	
ADR	Forecast	¥17,507	¥18,007	¥20,007	¥20,507	¥20,007	¥16,807	<b>¥18,646</b>	
	Actual	¥15,055	¥16,898	¥22,744	¥25,545	¥24,113	¥19,427	<b>¥20,638</b>	
	difference	-14.0% 	-6.2% 	13.7% 	24.6% 	20.5% 	15.6% 	<b>10.7%</b> 	
Rev PAR	Forecast	¥15,598	¥16,315	¥18,143	¥18,692	¥18,249	¥14,797	<b>¥17,199</b>	
	Actual	¥14,456	¥16,198	¥21,716	¥24,582	¥23,267	¥17,701	<b>¥19,645</b>	
	difference	-7.3% 	-0.7% 	19.7% 	31.5% 	27.5% 	19.6% 	<b>14.2%</b> 	

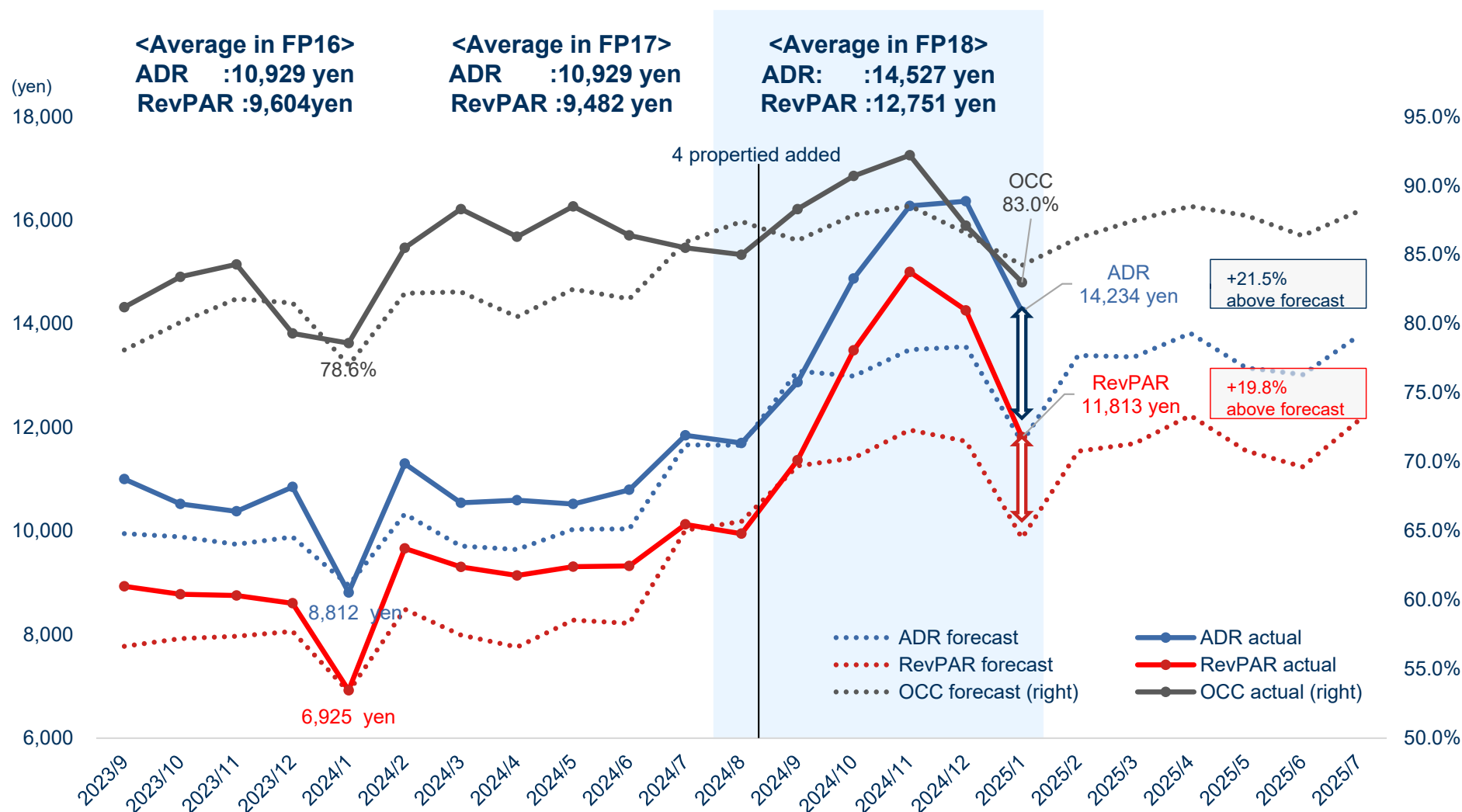
KOKO HOTEL Tsukiji Ginza		Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	FP18 average	
OCC	Forecast	※	86.7%	87.0%	88.3%	88.3%	88.1%	<b>91.3%</b>	<ul style="list-style-type: none"> <li>“Tsukiji District Community Development Project” is underway at the old site of Tsukiji Market close to the hotel with the business scale of 900bn</li> <li>January 2025 / <b>Inbound ratio: 92.7%</b></li> <li><b>Realizing maximization of revenue</b> by triple use or fourth use of twin rooms</li> </ul> 
	Actual	※	96.6%	97.3%	96.8%	95.7%	94.9%	<b>96.3%</b>	
ADR	Forecast	※	¥23,711	¥24,182	¥25,069	¥24,814	¥20,929	<b>¥22,285</b>	
	Actual	※	¥20,422	¥28,477	¥32,020	¥31,931	¥26,122	<b>¥27,711</b>	
	difference	※	-13.9% 	17.8% 	27.7% 	28.7% 	24.8% 	<b>24.3%</b> 	
Rev PAR	Forecast	※	¥20,557	¥21,028	¥22,146	¥21,902	¥18,430	<b>¥20,351</b>	
	Actual	※	¥19,719	¥27,700	¥30,992	¥30,556	¥24,795	<b>¥26,679</b>	
	difference	※	-4.1% 	31.7% 	39.9% 	39.5% 	34.5% 	<b>31.1%</b> 	

※These columns are omitted due to the small number of operating days. (Acquired on August 30, 2024)

## 2. Factor Analysis (4)

KPIs of the hotels operated by Polaris significantly exceeded forecasts due to its high efficiency

◆ For January 2025, actual ADR was **+21.5%** and RevPAR was **+19.8%** compared to forecasts



※This chart reflects the performance figures of hotels (KOKO HOTEL Series and BEST WESTERN Yokohama) operated by Polaris Holdings Co., Ltd. (Securities Code: 3010), a member of Star Asia Group, and its affiliates. However, the figures for 8 hotels are shown up to the end of August 2024, and figures for 12 hotels after adding the 4 properties acquired on August 30 are reflected in the figures from September 2024.



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