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For Immediate Release

REIT Securities Issuer
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Notice Concerning Installation of Seawater Desalination Plant at HOSHINOYA Taketomi Island

Hoshino Resorts REIT, Inc. (hereinafter "HRR") announces that HOSHINOYA Taketomi Island (address: Taketomi-cho, Yaeyama-gun, Okinawa; hereinafter the "Property"), owned by HRR and operated by the Hoshino Resorts Group (Note 1), has installed a thermal desalination heat pump system (Note 2; hereinafter the "Seawater Desalination Plant") so that the Property will become self-sufficient with respect to supplying its own drinking water by desalinating seawater. The Seawater Desalination Plant has gone into operation on February 13, 2021.

(Note 1) Hoshino Resorts Group collectively refers to Hoshino Resorts Inc., its parent company, and its subsidiaries.
(Note 2) ZENERAL HEATPUMP INDUSTRY CO., LTD. and enagia Inc. have developed the Seawater Desalination Plant (patent pending) for its installation at the Property.

1. Decision to Install the Seawater Desalination Plant: Background and Developments

The Property draws its water supply from Ishigaki Island by means of underwater pipe due to its location on Taketomi Island, which lacks water resources given that the island has no mountains or rivers. As such, any disruption to that water supply would mean that the entirety of Taketomi Island would endure a water outage. For instance, in January 2013 water supply had to be stopped for two days due to water leakage caused by a loose fitting on the pipe, which had been laid more than four decades earlier. Consequently, HRR deems that it must take sufficient action to address the possibility of water outage at the Property in order to ensure consistency and continuity of its business operations. In addition, the Property incurs water rates that are high relative to those of other facilities owned by HRR given that the Property gains its supply by means of the water pipeline, which runs across the ocean floor.

HRR has accordingly concluded that it should seek a more effective means of accessing water supply by installing a seawater desalination plant, upon having engaged in discussion and review of options from the perspective of the aforementioned risk of potential water outages and economic viability. We have also determined that a solution consisting solely of seawater desalination would result in high costs and furthermore would not operate in the event of a power outage. As such, we have also determined that our best option is to install a thermal desalination heat pump system whereby a seawater desalination plant handles integrated functions of solar power generation, electricity storage, and heat pump capabilities.

Also, given that the Seawater Desalination Plant saves energy and can be enlisted for disaster relief, it is eligible for a subsidy from Japan's Ministry of the Environment to cover expenses of carbon dioxide emission control projects (the "Subsidy"). The Subsidy is available under the second phase of the Ministry's program for promoting installation of autonomous and decentralized energy equipment with the aim of concurrently achieving disaster readiness at the local level and decreasing carbon emissions. As such, HRR deems that it will be able to keep initial investment costs down by drawing on the Subsidy.

2. Seawater Desalination Plant Installation and Capabilities

(1) Seawater Desalination Plant installation

【Total project cost (tentative)】 93 million yen (incl. feasibility study and contingency costs) (Note)

【Contractor】 ZENERAL HEATPUMP INDUSTRY CO., LTD.

【Provider of】 Delivery and installation of thermal desalination heat pump system

【Timeline】 From September 2020 to January 2021

(Note) Whereas the Subsidy is to be applied to a portion of the installation cost, the total project cost is as of yet undetermined given that the ultimate Subsidy amount will be determined upon completion of the project. HRR received approval for the Subsidy in September 2020.

(2) Seawater Desalination Plant capabilities

① Seawater desalination

The plant will pump seawater from an underground source and then desalinate the water using a special filter. The volume of water the plant produces will be equivalent to that the Property currently provides to guests in plastic bottles. The plant will access high quality seawater, thereby resulting in a minimal load placed on desalinization filters and reducing the need for maintenance.

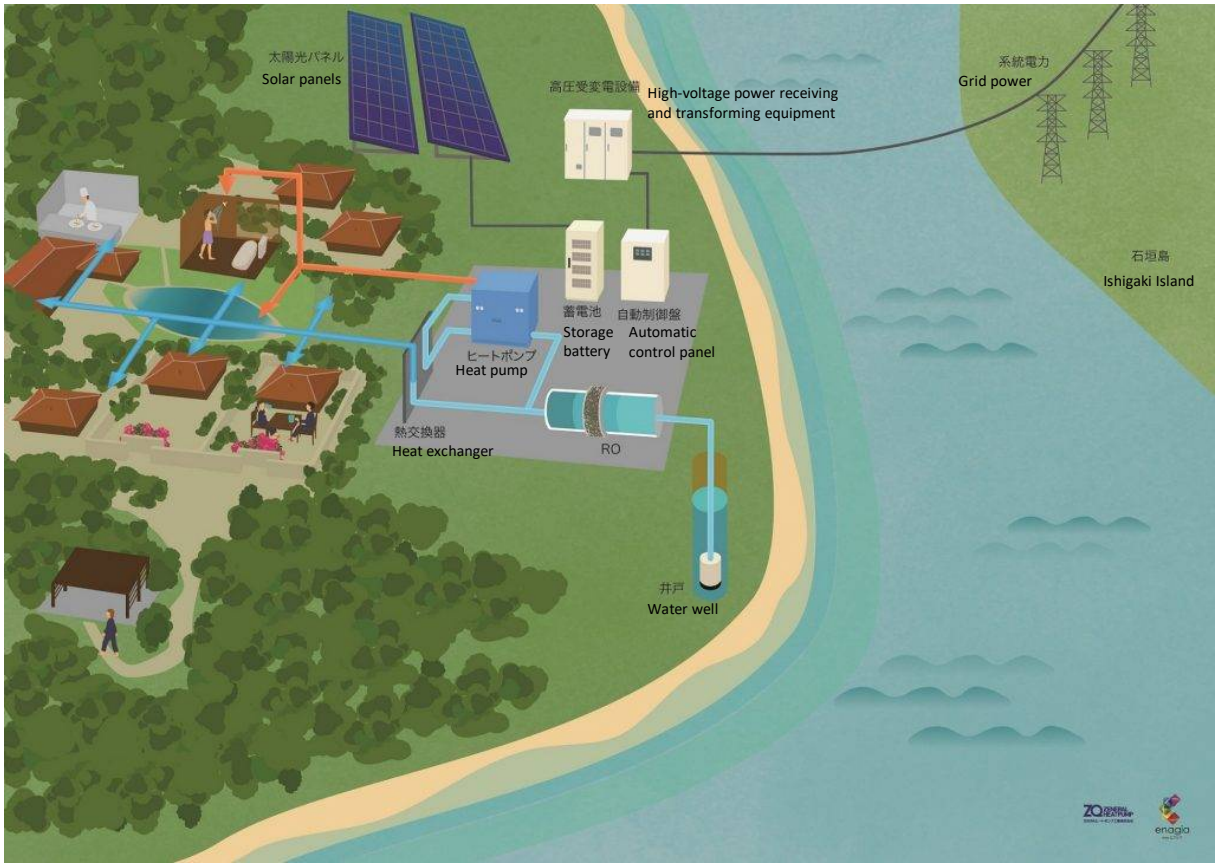
② Solar power generation

Because the plant is equipped with solar panels and storage batteries, it functions as a clean energy system capable of operating autonomously even if a disaster strikes. As such, the plant will be capable of producing a self-sufficient supply of hot and cold water as well as electric power on-site, even during times of disaster.

③ Heat pump

Enlisting its built-in water-cooling heat pump, the plant cools desalinated water to optimal temperatures and is capable of supplying hot water using heat generated in the cooling process.

<Conceptual image of the Seawater Desalination Plant>



3. Significance of the Seawater Desalination Plant in terms of ESG Criteria

HRR deems that investment in the Seawater Desalination Plant is economically sound given that water cost savings upon installation of the facility will result in slightly less than 5 million yen annually in benchmark profit, which serves as the basis for calculating the Property's floating rent. Meanwhile, HRR also deems that such investment will yield significant outcomes from an environmental, social, and governance (ESG) perspective.

From the perspective of the environmental component of ESG, we expect to achieve a reduction in carbon dioxide emissions of approximately 65 tons annually. The lower emissions volume will be a result of cutting down on electricity consumption through use of the Seawater Desalination Plant's solar power generation, electric power storage and heat pump capabilities given the integrated nature of the plant with respect to those functions, as mentioned previously.

Moreover, because the Seawater Desalination Plant will enable us to achieve self-sufficient production of 60 tons of drinking water per day, it will eliminate the need for us to provide our guests with mineral water in plastic bottles amounting to roughly 40,000 bottles per year. Instead, we will install water jugs in guest rooms and water dispensers in the public spaces. HRR also deems that this initiative will help protect the environment on and around Taketomi Island, where the Property is located. This is particularly important given that the island has been encountering substantial challenges in dealing with plastic bottles that accumulate in the form of marine debris and litter carelessly discarded within the community.

From the perspective of the social component of ESG, On February 17, 2021, HRR entered into an agreement with the town of Taketomi, where the Property is located, promising to lend its support with respect to assisting evacuees and serving as a designated shelter if a disaster strikes. Once the Seawater Desalination Plant has been set up, the Property will be capable of providing safe water supply to its overnight guests, employees and Taketomi Island residents even during power and water outages caused by disasters. As such, HRR deems that this will enable the Property to contribute to the local community serving as a designated evacuation site.

4. Past Initiatives of Hoshino Resorts Group with Respect to the Property

Ever since the Property opened for business on June 1, 2012, Hoshino Resorts Group has been engaging in initiatives that involve promoting cultural heritage of the islanders and environmental conservation as well as finding solutions to challenges faced by the islanders, all the while learning from the Taketomi Island residents about their history, culture and traditions.

<u>From October 2012: Involvement in the Tanadui Festival</u>

We engaged in various initiatives in the spirit of promoting the cultural heritage of the Tanadui (seed sowing) Festival, which is the largest such event on Taketomi Island. Such activities included making offerings of foxtail millet grown in the Property's garden, and making the traditional *iiyachi* festival snack.

<u>From December 2012: Takidhun Workshops</u>

We arranged workshops where participants are able to learn about history and culture directly from island residents who are actively involved in conveying traditional culture of the island.

<u>From June 2014: Taketomi Village Day</u>

Every year since 2014, the Property has been hosting an event to convey the gratitude we feel every day toward the island residents, during the month of June when the Property first opened for business. We strive to make it a gathering that also provides our overnight guests with opportunities to encounter the culture of Taketomi Island in a casual setting.

<u>From October 2017: Field Project</u>

Taketomi Island was once home to numerous farms, but their number has been decreasing with the development of the tourism industry and distribution channels. With that in mind, on the Property grounds we grow crops specific to Taketomi Island with the aim of teaching the next generation about such agricultural goods and the island's food culture.

<u>October 2020: Extracurricular classes held at Taketomi Elementary and Junior High School</u>

We held extracurricular classes for Taketomi Elementary and Junior High School students given cancellation of

their extracurricular lessons outside the island due to the outbreak of COVID-19. Content of the classes has involved having the students take part in activities on seawater desalination on the Property grounds and providing them with opportunities to learn about career development through lectures given by our staff members.

5. HRR's Sustainability Initiatives

HRR believes it is important to engage in investment and asset management in a manner that is mindful of ESG (environmental, social and governance) considerations, while also maximizing unitholder value and heightening HRR's business sustainability.

HRR will work in conjunction with Hoshino Resort Asset Management Co., Ltd., to which HRR entrusts asset management, in taking on efforts beyond those that involve having the Seawater Desalination Plant installed on the Property. Accordingly, we will also continue taking action with respect to the environment and saving energy at portfolio properties, while also engaging in initiatives to streamline energy use and achieve sustainability.

For details regarding HRR's sustainability policy and initiatives thus far, please refer to the following website.

https://www.hoshinoresorts-reit.com/en/sustainability/index.html

* Hoshino Resorts REIT, Inc. website address: https://www.hoshinoresorts-reit.com/en/