

May 19, 2021

For Immediate Release

REIT Securities Issuer
Hoshino Resorts REIT, Inc.
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(Code: 3287)
Asset Management Company
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Notice Concerning Issuance of New Investment Units by Way of Third-Party Allotment

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that it has resolved at the Board of Directors’ Meeting held on May 19, 2021 concerning the issuance of new investment units by way of third-party allotment (hereinafter the “Third-Party Allotment”).

1. Outline of Issuance of New Investment Units

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| (1) Number of new investment units to be issued: | 3,103 units |
| (2) Issue value (paid-in amount): | 633,000 yen per unit |
| (3) Total issue value (total paid-in amount): | 1,964,199,000 yen |
| (4) Offering or allotment method: | Third-party allotment |
| (5) Subscription period (subscription date): | May 28, 2021 (Friday) |
| (6) Payment date: | May 31, 2021 (Monday) |
| (7) Planned allottee and number of units: | Hoshino Resorts Holdings Inc.
3,103 units |
| (8) Subscription unit: | One unit or more in multiples of one unit |
| (9) Offering administrator: | Nomura Securities Co., Ltd. |
| (10) Each of the aforementioned items shall be subject to the effectiveness of the filing of the securities registration statement in accordance with the Financial Instruments and Exchange Act of Japan. | |

2. Changes in Number of Issued Investment Units after this Issuance of New Investment Units

Total number of issued Investment Units at present:	221,862 units
Number of new Investment Units to be issued by way of the Third-Party Allotment:	3,103 units
Total number of issued Investment Units after the Third-Party Allotment:	224,965 units

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3. Reason for and Purpose of New Issuance

HRR's basic policy is to invest in hotels, ryokans and ancillary facilities that serve at the core of the tourism industry and for which stable use is expected for the medium to long term. Among other things, HRR makes focused investments in facilities that are likely to secure steady cash flow over a long-term period. HRR intends to make the best use of information, know-how, managerial resources and others on the development, operation, leasing, property management, etc. of hotels, ryokans and ancillary facilities possessed by the Hoshino Resorts Group (collectively referring to Hoshino Resorts Inc. (hereinafter "Hoshino Resorts") and its parent company and subsidiaries; the same shall apply hereinafter), for stable operation of assets under management owned by HRR and steady external growth.

HRR made a decision to acquire properties stated in "Notice Concerning Acquisition of Domestic Real Estate (KAI Nagato)," which was released today, with funds raised by way of the Third-Party Allotment (hereinafter the "Asset to be Acquired by way of the Third-Party Allotment"). The Asset to be Acquired by way of the Third-Party Allotment is properties operated by the Hoshino Resorts Group (Note) for which stable operation taking advantage of the Hoshino Resorts Group's high operational capabilities is expected, and HRR believes that acquiring this asset will further enhance quality of the portfolio, and expanding the asset size is expected to improve the stability of revenue over the medium- to long-term and increase distributions.

Moreover, when considering methods to raise funds for the Asset to be Acquired by way of the Third-Party Allotment, HRR and Hoshino Resort Asset Management Co., Ltd. (hereinafter the "Asset Management Company") made discussions and examinations with Hoshino Resorts Holdings Inc. on additional acquisition by Hoshino Resorts Holdings Inc. of investment units of HRR held by the Hoshino Resorts Group, which had been examined positively by HRR and the Asset Management Company for some time as part of further strengthening of sponsor support for HRR's growth.

The Hoshino Resorts Group operates more than 30 accommodation facilities in Japan and overseas as of today, has a high level of expertise in the operation of hotels, ryokan and ancillary facilities, and provides a broad range of support, including prioritized provision of property information and granting of preferential negotiation rights on sale and purchase, support for asset acquisition operations, etc., provision of the warehousing function, and implementation of co-investment, to HRR and the Asset Management Company under the sponsor support agreement. HRR and the Asset Management Company believe that steady cash flow can be secured over a long-term period utilizing high operational capabilities of the Hoshino Resorts Group as lessee by acquiring and managing properties operated by the Hoshino Resorts Group, and in addition, commitment by the Hoshino Resorts Group as sponsor through provision of the above support is a source of value of HRR. Because increasing the "same-boat" investment ratio of the Hoshino Resorts Group to further share mutual interests with an investor is expected to further strengthen commitment through sponsor support by the Hoshino Resorts Group for HRR's continued growth, HRR and the Asset Management Company have judged that the Third-Party Allotment is an action that contributes to increasing investor value over the medium- to long-term. Furthermore, in considering the scale of the Third-Party Allotment, HRR and the Asset Management Company have judged, as a result of discussions with Hoshino Resorts Holdings Inc., that the issuance of new investment units of about 2 billion yen is appropriate, comprehensively taking into account trends of the price of HRR's investment units, planned acquisition price of Asset to be Acquired by way of the Third-Party Allotment, LTV level and acquisition capability after the acquisition of the asset, dilution rate, and the same-boat investment ratio of the entire Hoshino Resorts Group after the Third-Party Allotment (approximately 4%).

In addition, HRR and the Asset Management Company examined capital increase through the third-party allotment and public offering from the perspective of appropriateness as fundraising methods. As a result of examining trends of the price of HRR's investment units, scale of funding, certainty of funding, funding

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cost (in the case of public offering, the offer price is usually determined after the publication by discounting the investment unit price on the day before the date of determining the offer price at a few percentages, and the amount paid to HRR is generally a price that is further discounted at a few percentages), influence on market liquidity after the capital increase, risk of fluctuations in the investment unit price up to the determination of terms and conditions, and other factors, HRR has judged that the Third-Party Allotment is the best for this fundraising due to the points that funds necessary for the acquisition of the Asset to be Acquired by way of the Third-Party Allotment can be certainly procured at a reasonable issue price without any influence of fluctuations in the investment unit price, and that this can restrain dilution of existing investors' rights to some extent by reducing the number of new investment units to be issued necessary for the funding compared with the case where funds are raised through a public offering on the same scale as the Third-Party Allotment.

(Note) "Properties operated by the Hoshino Resorts Group" refers to hotels, ryokans and ancillary facilities operated by the Hoshino Resorts Group. The same applies hereinafter.

4. Amount of Funds to be Procured, Use of Proceeds and Scheduled Expenditure Date

(1) Amount of funds to be procured

1,964,199,000 yen

(2) Specific use of the funds to be procured and scheduled expenditure date

Specific use of proceeds from the Third-Party Allotment of 1,964,199,000 yen and scheduled expenditure date are as follows:

Specific use	Amount	Scheduled Expenditure Date
Part of funds to acquire the Asset to be Acquired by way of the Third-Party Allotment	1,946 million yen	June 1, 2021

5. Approach to Reasonableness of Use of Funds

Funds raised through the Third-Party Allotment will be used as part of funds to acquire the Asset to be Acquired by way of the Third-Party Allotment. HRR considers that the Third-Party Allotment and the acquisition of the Asset to be Acquired by way of the Third-Party Allotment will help expand the scale of the portfolio and improve the stability, and is expected to increase distributions in and after the fiscal period ending October 2021. As stated in "Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2021 and Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2022" released today, distributions per unit for the fiscal period ending October 2021 is expected to increase by 351 yen (5.9%) from the previous forecast of 5,987 yen per unit to 6,338 yen per unit. From such a perspective, HRR has judged that the above use of funds contributes to an increase in HRR's investor value and medium- to long-term growth, and is reasonable.

6. Reasonableness of Terms and Conditions of Issuance

(1) Rationale for calculating the issue value

The paid-in amount was set at 633,000 yen, which is the closing price of the investment units of HRR (hereinafter the "Investment Units") in a regular trading session at the Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange") on May 18, 2021, the business day immediately before the date of resolution by the Board of Directors on the Third-Party Allotment (hereinafter the "Board of Directors Resolution Date").

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The closing price of the Investment Units in a regular trading session on the business day immediately before the date of resolution on the issuance was used as the basis for the method for calculating the paid-in amount for the Third-Party Allotment, because HRR has considered that the closing price on the business day immediately before the date of resolution on the issuance, which is the market price at the nearest point of time to the time of calculation, is a reasonable price to serve as the basis for the calculation of the fair price of the Investment Units at present.

The paid-in amount of 633,000 yen is at a discount of 1.1% from 639,944 yen of the average of closing prices in a regular trading session for the Investment Units at the Tokyo Stock Exchange for one (1) month immediately before the Board of Directors Resolution Date (from April 19, 2021 to May 18, 2021) (rounded down to the nearest yen), a premium of 1.1% from 626,068 yen of the average of closing prices in a regular trading session for the Investment Units at the Tokyo Stock Exchange for three (3) months immediately before the Board of Directors Resolution Date (from February 19, 2021 to May 18, 2021) (rounded down to the nearest yen), and a premium of 11.6% from 567,256 yen of the average of closing prices in a regular trading session for the Investment Units at the Tokyo Stock Exchange for six (6) months immediately before the Board of Directors Resolution Date (from November 19, 2020 to May 18, 2021) (rounded down to the nearest yen).

As such, HRR has judged that this paid-in amount is appropriate and reasonable value set with consideration given to existing investors, the issuance does not fall under issuance on terms and conditions particularly favorable to the planned allottee, and the amount is fair.

(2) Rationale for judging that the number of units to be issued and the scale of dilution of investment units are reasonable

The number of new investment units to be issued in the Third-Party Allotment will be 3,103 units and a dilution will be caused at a ratio of 1.40% for the number of issued investment units of 221,862 units as of today.

However, through the acquisition of the Asset to be Acquired by way of the Third-Party Allotment using funds raised by way of the Third-Party Allotment, HRR expects to further increase the quality of its portfolio and expand the asset size, thereby improving the stability of revenue over the medium- to long-term and increasing distributions. As such, HRR believes that raising the same-boat investment ratio of the Hoshino Resorts Group is expected to further strengthen commitment through support from the Hoshino Resorts Group, resulting in benefits also brought to existing investors through an increase in investor value over the medium- to long-term. Therefore, HRR has judged that the number of units to be issued and the scale of dilution of investment units in the Third-Party Allotment are reasonable.

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7. Reason for Choosing the Planned Allottee, etc.

(1) Overview of the planned allottee

① Company name	Hoshino Resorts Holdings Inc.
② Location	2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano
③ Name and title of representative	Yoshiharu Hoshino, CEO
④ Business description	Operation of resort business
⑤ Amount of capital (as of March 31, 2021)	10,000 thousand yen
⑥ Date of incorporation	November 13, 2013
⑦ Number of issued shares (as of March 31, 2021)	1,040,900 shares
⑧ Fiscal Year-End	November
⑨ Number of Employees (as of November 30, 2020)	(Consolidated) 5,143
⑩ Major business partners	—
⑪ Main banks	Sumitomo Mitsui Banking Corporation, The Hachijuni Bank, Ltd., The Shoko Chukin Bank, Ltd., others
⑫ Major shareholder and shareholding ratio (as of March 31, 2021)	Yamaboushi Investment Limited Partnership 93.6%
⑬ Relationship between HRR/Asset Management Company and the planned allottee	
Capital relationship	As of today, the planned allottee owns 6,140 investment units of HRR and all of the shares of Hoshino Resorts Inc., which owns all shares of the Asset Management Company.
Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the planned allottee.
Business relationship	There is no business relationship required to be stated between HRR and the planned allottee. The Asset Management Company holds monetary claims of 300 million yen to the planned allottee as of today.
Status of classification as related party	The planned allottee does not fall under the related party of HRR. However, since the planned allottee is the parent company owning all shares of Hoshino Resorts, which is the parent company of the Asset Management Company, the planned allottee falls under the related party of the Asset Management Company.

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⑭ Financial position and operating results for the last three (3) years (unit: thousands of yen; except as specified)			
Fiscal year	Fiscal year ended November 2018	Fiscal year ended November 2019	Fiscal year ended November 2020
Consolidated net assets	32,472,187	33,556,305	28,334,276
Consolidated total assets	74,466,999	75,396,645	78,129,993
Consolidated net assets per share (yen)	31,633.94	32,801.01	27,441.23
Consolidated operating revenue	67,512,879	69,880,592	48,908,249
Consolidated operating profit (loss)	2,778,064	1,824,905	(7,531,646)
Consolidated ordinary profit (loss)	2,802,292	1,911,290	(5,017,584)
Profit (loss) attributable to owners of parent	1,351,674	499,974	(4,343,185)
Consolidated profit (loss) per share (yen)	1,349.92	499.33	(4,337.55)
Distribution per share (yen)	—	—	—

* HRR has confirmed that the planned allottee, or its executives or major shareholders (major contributors) have no relationship with gang groups, etc., and submitted a confirmation letter stating it to the Tokyo Stock Exchange.

(2) Reason for choosing the planned allottee

For the reason for choosing Hoshino Resorts Holdings Inc. as the planned allottee, please refer to “3. Reason for and Purpose of New Issuance” above.

(3) The holding policy of the planned allottee

HRR has confirmed with the planned allottee that the planned allottee intends to continue to hold the Investment Units to be acquired by way of the Third-Party Allotment unless the circumstances are exceptional. In addition, the planned allottee agrees with HRR and the Asset Management Company that the planned allottee shall not conduct a sale, etc. of the Investment Units to a third party without the prior written approval of HRR and the Asset Management Company for the period of 180 days after the payment date, in principle (excluding a sale, etc. of all or part of the Investment Units with a company of which all or part of voting rights are directly or indirectly owned by the planned allottee being as the counterparty on the condition that the company is subject to the same restrictions and obligations as those imposed on the planned allottee).

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8. Major Investors and Ratio of Investment Units Held

(1) Major investors and ratio of investment units held before and after the Third-Party Allotment

Before the Third-Party Allotment (as of April 30, 2021)		After the Third-Party Allotment	
The Master Trust Bank of Japan, Ltd. (Trust account)	15.06%	The Master Trust Bank of Japan, Ltd. (Trust account)	14.85%
Custody Bank of Japan, Ltd. (Trust account)	10.64%	Custody Bank of Japan, Ltd. (Trust account)	10.50%
BNP PARIBAS SECURITIES SERVICES SINGAPORE/JASDEC/CLIENT ASSET (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	8.91%	BNP PARIBAS SECURITIES SERVICES SINGAPORE/JASDEC/CLIENT ASSET (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	8.79%
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	4.10%	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	4.04%
Hoshino Resorts Inc.	2.76%	Hoshino Resorts Inc.	2.72%
Mizuho Securities Co., Ltd.	2.63%	Mizuho Securities Co., Ltd.	2.59%
Custody Bank of Japan, Ltd. (Securities investment trust account)	2.48%	Custody Bank of Japan, Ltd. (Securities investment trust account)	2.44%
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	2.31%	J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	2.28%
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.90%	STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.87%
JP MORGAN CHASE BANK 385771 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.21%	Hoshino Resorts Holdings Inc.	1.37%

(2) Matters concerning satisfaction of the conduit requirements

None

9. Future Outlook

For forecasts of the management status for the fiscal period ending October 2021 (May 1, 2021 to October 31, 2021) and the fiscal period ending April 2022 (November 1, 2021 to April 30, 2022), please refer to “Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2021 and Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2022” released separately today.

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10. Operating Results of the Past Three Fiscal Periods and Status of Equity Financing, etc.

(1) Operating results of the past three fiscal periods

	Fiscal period ended October 2019 (13th FP)	Fiscal period ended April 2020 (14th FP)	Fiscal period ended October 2020 (15th FP)
Net income per unit	13,173 yen	13,301 yen	12,860 yen
Distribution per unit	13,174 yen	13,302 yen	12,860 yen
Of which, distributions of earnings per unit	13,174 yen	13,302 yen	12,860 yen
Of which, distributions in excess of earnings	–	–	–
Actual payout ratio	100.0%	100.0%	100.0%
Net assets per unit	476,245 yen	476,373 yen	475,931 yen

(2) Recent status of investment unit price

1) Status in the last three fiscal periods

	Fiscal period ended October 2019 (13th FP)	Fiscal period ended April 2020 (14th FP)	Fiscal period ended October 2020 (15th FP)
Opening price	540,000 yen	590,000 yen	368,000 yen
Highest price	617,000 yen	595,000 yen	554,000 yen
Lowest price	527,000 yen	250,000 yen	341,000 yen
Closing price	590,000 yen	370,000 yen	492,000 yen

2) Status in the last six months

	December 2020	January 2021	February	March	April	May
Opening price	501,000 yen	499,000 yen	510,000 yen	593,000 yen	642,000 yen	645,000 yen
Highest price	505,000 yen	525,000 yen	610,000 yen	665,000 yen	663,000 yen	657,000 yen
Lowest price	481,500 yen	493,500 yen	509,000 yen	562,000 yen	626,000 yen	621,000 yen
Closing price	503,000 yen	512,000 yen	600,000 yen	638,000 yen	642,000 yen	633,000 yen

(Note) The investment unit prices for May 2021 show the figures as of May 18, 2021.

3) Investment unit price on the business day preceding day of resolution on issuance

	May 18, 2021
Opening price	630,000 yen
Highest price	636,000 yen
Lowest price	625,000 yen
Closing price	633,000 yen

(3) Status of equity financing conducted in the past three fiscal periods

None

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

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