



**Hoshino  
Resorts  
REIT**

# Supplementary Explanatory Materials: Press Release Issued on May 19, 2021

“Notice Concerning Issuance of New Investment Units by Way of  
Third-Party Allotment”

“Notice Concerning Acquisition of Domestic Real Estate (KAI Nagato)”

Securities Code: 3287

<https://www.hoshinoresorts-reit.com/en/>

Asset Management Company:

Hoshino Resort Asset Management Co., Ltd.

May 19, 2021

KAI Nagato



# Overview of the capital increase through third-party allotment / deeper synergy with Hoshino Resorts Group

Hoshino Resorts REIT, Inc.

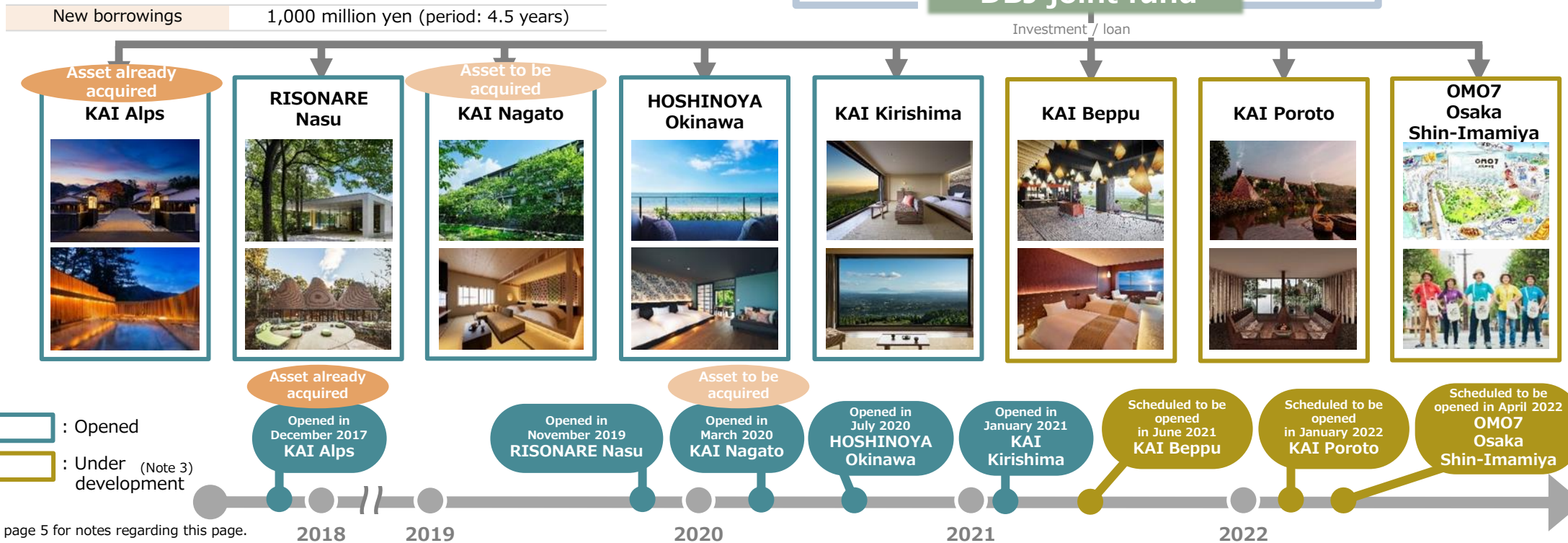
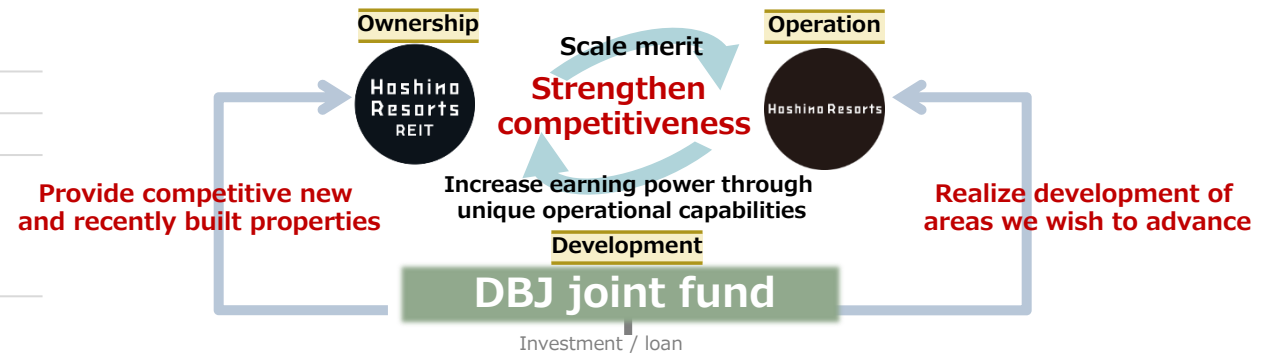
- Through a variety of collaborations with the Hoshino Resorts Group, HRR worked to grow its portfolio and improve quality even during the COVID-19 pandemic. However, HRR will now aim to further strengthen its collaboration system through the increase of the “same-boat” investment ratio of the Hoshino Resorts Group. Moreover, HRR will carry out the acquisition of “KAI Nagato” using the DBJ joint fund, which is a new development function of the Hoshino Resorts Group.

## Overview of the capital increase through third-party allotment and new borrowings

Resolution date for issuance	May 19, 2021
Payment date (planned)	May 31, 2021
Number of new investment units to be issued	3,103 units (Dilution rate: 1.40%)
Issue value	633,000 yen (To NAV per unit (15th fiscal period-end): 1.23 times) <sup>(Note 1)</sup>
Total issue value	1,964,199,000 yen
Planned allottee	Hoshino Resorts Holdings Inc.
Investment ratio of the Hoshino Resorts Group after the capital increase through third-party allotment	4.11% (As of April 30, 2021: 2.76%)

## Deeper synergy with Hoshino Resorts Group

- By adding the new “development” function with the DBJ joint fund, in addition to the Hoshino Resorts Group’s “operation” function and HRR’s “ownership” function, the further acceleration of the cycle for strengthening the Hoshino Resorts Group’s overall competitiveness is expected, and HRR expects revenue to increase going forward due to stable external growth as sponsor pipelines<sup>(Note 2)</sup> for new and recently built properties are continually accumulated.






# Initiatives to respond flexibly to difficult circumstances and to turn toward a growth phase through ongoing collaboration with the Hoshino Resorts Group

Hoshino Resorts REIT, Inc.

- We will promote initiatives to turn toward a growth phase even under the COVID-19 pandemic through active collaboration with the Hoshino Resorts Group.

Through more in-depth acquisition methods and strategic asset replacement in cooperation with the Hoshino Resorts Group, we aim to improve the quality of our portfolio with asset size of 200 billion yen and ratio of properties operated by Hoshino Resorts<sup>(Note 1)</sup> of over 50%.

<Current series of initiatives> Trend of property acquisition and transfer from November 2020 (16th fiscal period) until today

	Recent acquisition	Asset replacement		Acquisition through the capital increase through third-party allotment
Date of acquisition/transfer	Acquired on November 2, 2020	To be transferred on June 1, 2021 (planned)	To be acquired on June 1, 2021 (planned)	To be acquired on June 1, 2021 (planned)
Property name	KAI Enshu	ANA Crowne Plaza Fukuoka	Grand Hyatt Fukuoka	KAI Nagato
Picture of property				
Acquisition method	Sponsor pipeline (owned by Hoshino Resorts Group)	-	Cooperative investment structure with sponsor	Sponsor pipeline (DBJ joint fund development)
Completion date	April 1997 (24 years)	November 1976 (44 years)	March 1996 (25 years)	November 2019 (1 year)
(Planned) acquisition/transfer price <sup>(Note 2)</sup>	1,050 million yen	7,700 million yen	7,700 million yen	2,750 million yen
Appraisal NOI yield	7.9%	6.2%	8.3%	6.1%
Yield after depreciation	5.9%	5.0%	5.4%	4.2%

## Effects of this current series of initiatives on the portfolio (The estimated impact on financial figures etc. at end of October 2020 calculated by the Asset Management Company)

	Number of properties	Asset scale	Average appraisal NOI yield <sup>(Note 5)</sup>	Average building age <sup>(Note 6)</sup>	Ratio of Hoshino Resorts operated properties	LTV <sup>(Note 7)</sup>	Acquisition capability up to LTV 40% <sup>(Note 8)</sup>	NAV per unit <sup>(Note 9)</sup>
Before this series of initiatives <sup>(Note 3)</sup>	61 properties	161.7 billion yen	6.55%	25.4 years	32.2%	37.9%	6.1 billion yen	515,480 yen
After this series of initiatives <sup>(Note 4)</sup>	63 properties (+ 2 properties)	165.6 billion yen (+ 3.9 billion yen)	6.64% (+ 0.09pt)	24.1 years (- 1.3 years)	33.7% (+ 1.5pt)	37.8% (- 0.17pt)	6.7 billion yen (+ 0.6 billion yen)	518,822 yen (+ 3,342 yen)



# Summary of the asset to be acquired through the capital increase through third-party allotment

Hoshino Resorts REIT, Inc.

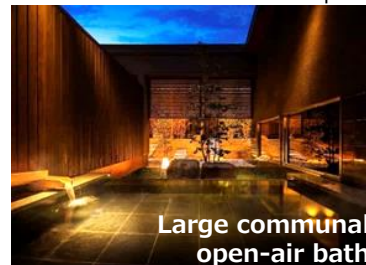
## KAI Nagato

### Acquisition Highlights

- Acquisition of the newly built and opened KAI Nagato in <Nagato Yumoto Onsen town>, targeting revitalization through collaboration by Hoshino Resorts, Nagato City and local business owners
- Achieved steady operational results even under the pandemic by capturing microtourism demand
- Acquisition from a jointly managed fund (DBJ joint fund) by Hoshino Resorts and the Development Bank of Japan (second case)



KAI Nagato exterior view



Large communal open-air bath



'Nagato Gosai no Ma' Japanese-style room

### Overview of the property

Location	Fukawayumoto, Nagato-shi, Yamaguchi
Completion date	November 2019
Planned acquisition date	June 1, 2021
Total number of guest rooms	40 rooms
Lessee	Hoshino Resorts Group
Rent type	Fixed + Floating (premium fixed rent for the first 2.4 years)
Premium fixed rent period	June 2021 - October 2023
Operator	Hoshino Resorts Group
Planned acquisition price	2,750 million yen
Real estate appraisal value	2,910 million yen

Lease period	20 years
Appraisal NOI yield	6.1%
Appraisal NCF yield	5.8%
Yield after depreciation	4.2%



### Overview of Hot Spring Town Revitalization Project through Public-Private Partnership

#### ①Timeline of this project



#### ②Main thrust of the Nagato Yumoto Onsen Master Plan proposed by Hoshino Resorts

Having analyzed that Nagato Yumoto Onsen has the potential to realize one type of popular hot spring town, "people are attracted to attractive hot spring towns that make use of nature," we identified 6 elements necessary for the revitalization of the hot spring town and formulated a master plan.

##### Potential of Nagato Yumoto Onsen town

- Natural ambience of the Otozoregawa River
- Water experiences such as footbaths and stepping stones
- 10 hot spring ryokans within a range of about 1km
- A certain level of regional development is possible through the master plan

##### 6 elements necessary for revitalization

- baths
- eating tour
- cultural experiences
- ease of navigation
- picturesque scenery
- space where you can relax



##### Examples of initiatives through public-private partnership

- Installation of a terrace along the river
- Installation of a riverbed
- Rebuilding the outdoor bath "Onto"
- Installation of night lighting



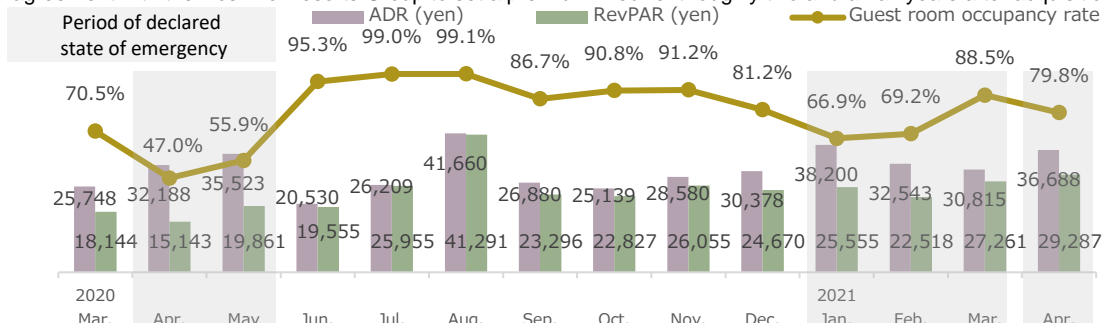
Example of social experiment conducted "Riverbed," aiming for permanent installation in the future, opened for a limited time for the local community to experience future brimming activity

#### ③Promotion of public-private partnership projects, including with local business owners



#### Monthly operational results of the property

The average guest room occupancy rate from June to December 2020 remained high at 91.9%. Concluded a lease agreement with the Hoshino Resorts Group to set a premium fixed rent roughly two and a half years after acquisition.

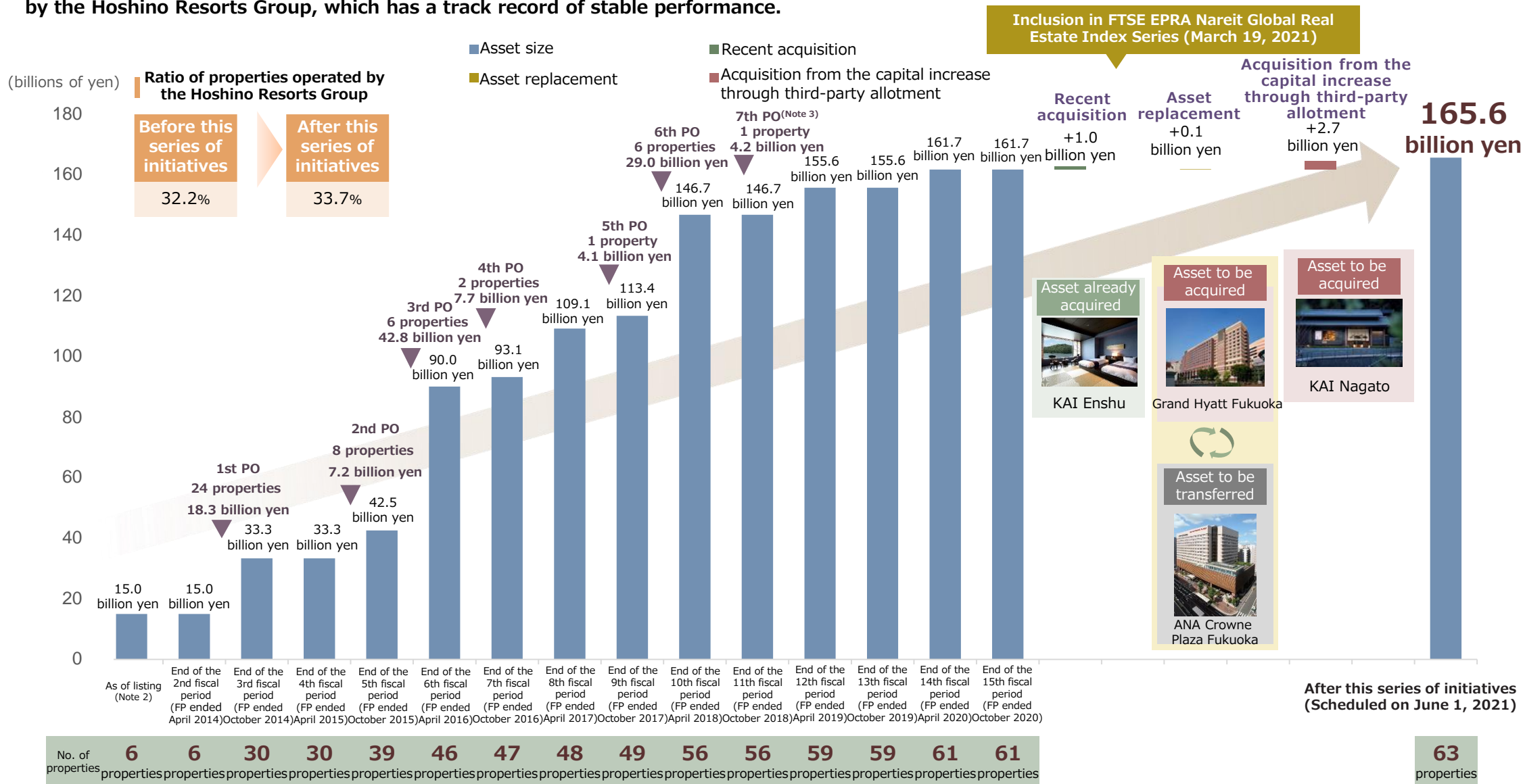




# Growth of asset size / inclusion in the global real estate index

Hoshino Resorts REIT, Inc.

- In addition to steadily growing asset size and market value through seven public offerings since listing in 2013, investment unit price has been relatively maintained stably during the COVID-19 pandemic through various collaborative initiatives with the Hoshino Resorts Group, and as a result, in March 2021, HRR was included in the FTSE EPRA Nareit Global Real Estate Index Series<sup>(Note 1)</sup>, which is an index of major real estate equities worldwide. HRR expects that the investor base will be further expanded and liquidity will be increased.
- HRR will continue to aim to improve earnings stability going forward through external growth centered mainly on the acquisition of properties operated by the Hoshino Resorts Group, which has a track record of stable performance.



## All pages in this document

- (Note 1) Hoshino Resorts REIT, Inc. is referred to as “HRR,” and Hoshino Resort Asset Management Co., Ltd., which is an asset management company that is entrusted with managing assets by HRR, is referred to as the “Asset Management Company.”
- (Note 2) Hoshino Resorts Inc. (“Hoshino Resorts”), its parent company and its subsidiaries are collectively referred to as “Hoshino Resorts Group.”
- (Note 3) “KAI Nagato” and “Grand Hyatt Fukuoka” may be collectively referred to as “Assets to be acquired,” “ANA Crowne Plaza Fukuoka” may be referred to as “Asset to be transferred,” and “KAI Enshu” may be referred to as “Asset acquired.”
- (Note 4) Unless otherwise stated in this document, amounts are rounded down, and ratios are rounded to the nearest specified unit.
- (Note 5) Indicators related to the operational results of properties stated in this document are based on figures provided by the lessee or operator as provided, included only as reference information, and said information may be incomplete or inaccurate. In addition, this information may not be calculated using the same methods of accounting, etc. adopted by HRR. Therefore, this information may not necessarily match future sales and other operational performance of the property, and in certain instances, there is potential to deviate significantly.
- (Note 6) The completion date of the building stated in this document is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act for the main building. In addition, the building age of Asset Acquired, Assets to be Acquired and Asset to be Transferred is rounded down to the nearest year.
- (Note 7) Each indicator stated in this document is calculated as follows.
- Appraisal NOI yield = Net operating income (NOI) / (Planned) acquisition/transfer price
  - Appraisal NCF yield = Net cash flow (NCF) / (Planned) acquisition/transfer price
  - Yield after depreciation = (NOI – Depreciation) / (Planned) acquisition/transfer price
- For NOI and NCF, the annual NOI and NCF, which are the assumed return prices stated in the real estate appraisal report for each property calculated using the direct capitalization method, are used. Depreciation is the figure calculated by the Asset Management Company based on the useful life.
- (Note 8) The issuance of new investment units by way of third-party allotment to Hoshino Resorts Holdings Inc. based on the resolution by HRR on May 19, 2021 is referred to as the “capital increase through third-party allotment.”

## Page 1

- (Note 1) NAV per unit = NAV at each point in time (Net Assets – Total Distributions + Total Appraisal Value of Owned Assets – Total Book Value of Owned Assets) / Total number of issued investment units
- “To NAV per unit (15th fiscal period-end)” indicates the ratio of issue value to NAV per unit of HRR at end of 15th fiscal period (end of October 2020).
- (Note 2) “Pipeline” refers to property acquisition opportunities provided to HRR, and “sponsor pipeline” refers to property acquisition opportunities provided to HRR by the Hoshino Resorts Group, which includes HRR sponsor Hoshino Resorts Inc. The same applies below.
- (Note 3) As of May 19, 2021, except for Assets to be acquired, there are no specific plans for HRR to acquire such properties that have already been opened or are under development, and there is no guarantee they will be acquired in the future.

## Page 2

- (Note 1) “Properties operated by Hoshino Resorts” refers to hotels, ryokan and ancillary facilities operated by the Hoshino Resorts Group. The same applies below. The “ratio of properties operated by the Hoshino Resorts Group” refers to the ratio of the (planned) acquisition price of properties operated by the Hoshino Resorts Group to the (planned) acquisition price of HRR’s entire portfolio. The same applies below.
- (Note 2) “(Planned) acquisition/transfer price” indicates the sales/purchase price of the property stated in the sales and purchase agreement related to the acquisition or transfer of Asset acquired, Assets to be acquired or Asset to be transferred (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- (Note 3) “Before this series of initiatives” refers to at end of 15th fiscal period (end of October 2020). The same applies below.
- (Note 4) “After this series of initiatives” refers to June 1, 2021 onward. The figures for after this series of initiatives are calculated by simple addition and subtraction of the figures in the portfolio at end of 15th fiscal period (end of October 2020) at a certain point of time and figures pertaining to Asset acquired, Assets to be acquired and Asset to be transferred, and may not match the actual figures in the portfolio after this series of initiatives. The same applies below.
- (Note 5) “Average appraisal NOI yield” before this series of initiatives is calculated by the Asset Management Company by dividing total of net operating income stated in real estate appraisal report, etc. with appraisal date of end of 15th fiscal period (end of October 2020) for 61 properties owned before this series of initiatives by total of (planned) acquisition price of the portfolio at each point in time. “Average appraisal NOI yield” after this series of initiatives is calculated by deducting net operating income for Asset to be transferred from said total for before this series of initiatives, and adding total of net operating income of Asset acquired and Assets to be acquired stated in real estate appraisal report, etc. upon acquisition, and then dividing the obtained figure by total of (planned) acquisition price of the portfolio at each point in time. The amounts are rounded to first decimal place.
- (Note 6) “Average building age” indicates estimated age as of June 2021. The figure for before this series of initiatives is the average building age for 61 properties owned at end of 15th fiscal period (end of October 2020), and the figure for after this series of initiatives is the average building age for 63 properties that are planned to be owned after this series of initiatives. In making the calculation, the building age based on the completion date of the building with the largest leasable space among the buildings that make up each property is weighted-averaged by total leasable space of each property and rounded to the nearest unit. However, the figure for “HOSHINOYA Kyoto” is calculated based on the completion date of the main building renovation, the figure for “KAI Izumo” is calculated based on the completion date of the new building, and the figure for “KAI Ito” is calculated based on the completion date of the expansion.
- (Note 7) “LTV” indicates the ratio of interest-bearing liabilities to total assets of HRR at each point in time. “LTV” after this series of initiatives is the ratio calculated by the Asset Management Company based on the expected increase/decrease in interest-bearing liabilities and total assets on the balance sheet from end of 15th fiscal period (end of October 2020) to after this series of initiatives.
- (Note 8) “Acquisition capability” refers to the capability to acquire properties by raising additional debt funds through borrowing from financial institutions and/or HRR issuing bonds etc., assuming it is possible to raise LTV to a specific value. Please note that we do not guarantee or promise to procure debt funds or acquire properties with the debt funds to be procured. “Acquisition capability” before and after this series of initiatives is the amount of acquisition capability if LTV is provisionally raised to 40.0% at end of 15th fiscal period (end of October 2020) and after this series of initiatives, each amount rounded down to the nearest 100 million yen.



(Note 9) “NAV per unit” after this series of initiatives is calculated by dividing estimated NAV by total number of issued investment units after the capital increase through third-party allotment. Estimated NAV is the sum of NAV at end of 15th fiscal period (end of October 2020) plus the sum of the amount of unitholders’ capital to be increased by way of third-party allotment, and total of the differences between appraisal value and (planned) acquisition price of Asset acquired and Assets to be acquired, minus the differences between estimated book value and appraisal value of Asset to be transferred as of the planned transfer date; and total number of issued investment units after the capital increase is total number of issued investment units as of May 19, 2021, plus the number of investment units to be increased by the capital increase through third-party allotment. The amount of unitholders’ capital to be increased by the capital increase through third-party allotment equals to total issue value in the capital increase through third-party allotment. Total number of investment units after the capital increase through third-party allotment equals to total number of investments units to be issued in the capital increase through third-party allotment.

## Page 4

- (Note 1) “FTSE EPRA Nareit Global Real Estate Index Series” is an investment index for real estate equities jointly developed and published by the FTSE Group, which provides financial data, in collaboration with the European Public Real Estate Association (EPRA) and the National Association of Real Estate Investment Trusts (Nareit). It has been adopted by many institutional investors and others around the world as a benchmark for international real estate investment.
- (Note 2) “At the time of listing” refers to July 16, 2013, immediately after HRR was listed on the Tokyo Stock Exchange REIT Market.
- (Note 3) “1st PO” is the public offering based on the securities registration statement filed by HRR in April 2014, “2nd PO” is the public offering based on the securities registration statement filed by HRR in April 2015, “3rd PO” is based on the securities registration statement filed by HRR in October 2015, “4th PO” is the public offering based on the securities registration statement filed by HRR in April 2016, “5th PO” is the public offering based on the securities registration statement filed by HRR in April 2017, “6th PO” is the public offering based on the securities registration statement filed by HRR in October 2017, and “7th PO” is the public offering based on the securities registration statement filed by HRR in April 2018, respectively.



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Registration as a Financial Instruments Business: Director of Kanto Local Finance Bureau (Kin-sho) No. 2405  
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