

Hoshino Resorts REIT, Inc.

November 10, 2021

For Immediate Release

REIT Securities Issuer

Hoshino Resorts REIT, Inc.

Representative: Kenji Akimoto, Executive Director
(Code: 3287)

Asset Management Company

Hoshino Resort Asset Management Co., Ltd.

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Notice Concerning Acquisition of Domestic Real Estate (KAI Kirishima and KAI Beppu)

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which HRR entrusts asset management, made a decision today to acquire the following properties (hereinafter the “Assets to be Acquired”).

After the acquisition of “KAI Kirishima,” the planned counterparty to the acquisition and lease of “KAI Kirishima” will correspond to an interested party, etc. under the Act on Investment Trusts and Investment Corporations (act No. 198 of 1951, as amended) (hereinafter the “Investment Trusts Act”), and will also fall under the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. (As of today, there is no capital relationship between the planned counterparty and HRR/the Asset Management Company, and the planned counterparty does not correspond to an interested party, etc. under the Investment Trusts Act. Also, the planned counterparty does not fall under the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company.) In addition, as of today, the planned counterparty to the acquisition and lease of “KAI Beppu” corresponds to an interested party, etc. under the Investment Trusts Act, and also falls under the definition of interested party, etc. (a subsidiary of the parent company of the Asset Management Company) as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. Therefore, upon the decision for the lease of “KAI Kirishima” and the acquisition and lease of “KAI Beppu,” the Asset Management Company has obtained the consent of HRR in accordance with the approval of HRR’s Board of Directors’ Meeting held on November 10, 2021, pursuant to the Investment Trusts Act and “interested party transaction rules.”

1. Overview of Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 3)	Seller
Properties operated by Hoshino Resorts Group	KAI	K-12	KAI Kirishima	Kirishima-shi, Kagoshima	3,913	Kirishima Hotel Management INC.
Properties operated by Hoshino Resorts Group	KAI	K-13	KAI Beppu	Beppu-shi, Oita	7,335	Hanabishi Holdings INC.
Total					11,248	—

(Note 1) “Category” indicates either Properties operated by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI” and “Other”) or Properties operated by outside operators (“Urban tourism” and “Other”) in accordance with the classification of investment target assets of HRR.

Disclaimer: This press release is a document for public announcement concerning the acquisition of domestic real estate (KAI Kirishima and KAI Beppu) by HRR and has not been prepared for the purpose of solicitation for investment. Investors are advised to ensure that they read the prospectus for the issuance of new investment units and secondary offering of investment units, as well as the amendments thereto, prepared by HRR before they invest and that they make decisions on investment at their own responsibility and discretion.

Hoshino Resorts REIT, Inc.

The same shall apply hereinafter.

(Note 2) "Property No." indicates the number of properties for investment target assets of HRR classified under the four categories of "HOSHINOYA," "RISONARE," "KAI" and "Other" within the management guidelines of the Asset Management Company before revision as of October 11, 2017. The same shall apply hereinafter.

(Note 3) "Planned acquisition price" indicates the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), each rounded down to the nearest million yen.

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| (1) Date of execution of purchase agreement: | November 10, 2021 |
| (2) Planned acquisition date: | December 1, 2021 (delivery and settlement date) |
| (3) Seller: | Please refer to "4. Details of Seller" later in this document. |
| (4) Funds for acquisition: | Proceeds from issuance of new investment units resolved at HRR's Board of Directors' Meeting held on November 10, 2021 (plan) |
| (5) Method of payment: | Lump-sum payment upon delivery (plan) |
| (6) Collateral: | None |

2. Reason for Acquisition

HRR makes focused investments in facilities that are likely to secure steady cash flow over a long-term period. Among hotels, ryokans and ancillary facilities (Note) operated by the Hoshino Resorts Group (collectively referring to Hoshino Resorts Inc. and its parent company and subsidiaries; the same shall apply hereinafter) (hereinafter the "properties operated by the Hoshino Resorts Group"), HRR intends to invest in the properties under the three core brands of "HOSHINOYA," "Hoshino Resorts KAI" and "Hoshino Resorts RISONARE" operated by the Hoshino Resorts Group in cases where stable use of such properties is expected, and which are expected to secure a long-term and stable cash flow. Based on this intention, HRR decided on the acquisition of the Assets to be Acquired, which is one of the Hoshino Resorts KAI brand facilities.

The acquisition of the Assets to be Acquired is judged to strengthen the stability of HRR's earnings, as the risk of deterioration in operating cash flow caused by the changes in the travel needs of travelers or the trends, disasters, economic situations in Japan and abroad will be reduced with progressed diversification of facilities' locations and cash flow characteristics of the portfolio.

In addition, "Kai Kirishima," which opened in January 2021, has been trending firmly with a cumulative guest room occupancy rate for the five months from May to September 2021 of 85.2% mainly due to securing demand for microtourism (short-distance travel that both supports local economies and includes measures against COVID-19). "Kai Beppu," which opened in July 2021 (grand opening), opened during the 5th wave of the rapid spread of COVID-19, but the guest room occupancy rate in July 2021, the opening month, was at a respectable level at 61.5%, and the occupancy rate in September 2021, when the number of daily infections began to gradually decrease, was 59.8%, securing a certain level of demand for accommodation despite impact of the pandemic. HRR decided to acquire the Assets to be Acquired, taking into account the operational results of the Assets to be Acquired and the high operating capabilities of the Hoshino Resorts Group under the ongoing pandemic from 2020, and determines that the Assets to be Acquired are assets that can secure long-term and stable cash flow. For details on the monthly operation results of the Assets to be Acquired, please refer to the "Supplementary Explanatory Materials: 'Notice Concerning Issuance of New Investment Units and Acquisition of Assets (Domestic Real Estate and Mezzanine Loan Receivables)'" disclosed separately on this date.

After acquisition of the Assets to be Acquired by HRR, the Hoshino Resorts Group plans to acquire the shares of "Kirishima Hotel Management INC.," which is the lessee of "KAI Kirishima," and "Hanabishi Holdings INC.," which is the lessee of "KAI Beppu," from the jointly managed fund (hereinafter "DBJ Joint Fund") formed by Hoshino

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Resorts Co., Ltd. and Development Bank of Japan, Ltd., making the two companies wholly owned subsidiaries. The Hoshino Resorts Group plans to conclude a share transfer agreement with DBJ Joint Fund around February 2022.

(Note) “Hotel” refers to accommodation facilities mainly with western-style structures and facilities, “ryokan” to accommodation facilities mainly with Japanese-style structures and facilities and “ancillary facilities” to large facilities such as ski resorts, golf courses, pools and retail stores attached to hotels and ryokans. The same shall apply hereinafter.

3. Contents of Assets to be Acquired

The tables below present an overview of the Assets to be Acquired.

The following is an explanation of the matters stated in each column of the tables below.

a. Explanation on “Overview of specified asset”

- For “Use,” accommodation facilities mainly with western-style structures and facilities are indicated as “hotel”; and those mainly with Japanese-style structures and facilities are indicated as “ryokan” based on the current conditions of the property. Since the description in “Use” is a classification to grasp the overall characteristics of each facility in accordance with the investment policy of HRR, such may differ from use of individual buildings comprising the facility stated in the real estate registry.
- “Planned acquisition date” is the planned acquisition date for the Assets to be Acquired but may be changed under a mutual agreement between HRR and the current owner.
- “Type of specified asset” is the type of real estate and other assets as specified assets.
- “Planned acquisition price” indicates the sales/purchase price of the Assets to be Acquired stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- “Appraisal value (Appraisal date)” is the real estate appraisal value and appraisal date stated in the real estate appraisal report for the Assets to be Acquired obtained from Japan Real Estate Institute.
- “Location (Indication of residential address),” in principle, is the indication of residential address. In cases where there is no indication of residential address, it is the building location (if several, one of the locations) in the real estate registry.
- “Transportation” is in accordance with the real estate appraisal report for the Assets to be Acquired obtained from Japan Real Estate Institute.
- “Lot number” of Land is the building location (if several, one of the locations) in the registry.
- “Building coverage ratio” of Land is, in principle, the ratio of building area to area of the building site as stipulated in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (hereinafter the “Building Standards Act”) and indicates the upper limit of the building coverage ratio stipulated by city planning according to type of use district, etc. (designated building coverage ratio) (if several, all of them). Designated building coverage ratio may be relaxed, raised or reduced due to reasons such as the existence of fireproof structures in a fire prevention district, and thus may differ from a building coverage ratio that actually applies.
- “Floor-area ratio” of Land is the ratio of total floor area of the building to site area as stipulated in Article 52 of the Building Standards Act and indicates the upper limit of the floor-area ratio stipulated by city planning according to type of use district, etc. (designated floor-area ratio) (if several, all of them). Designated floor-area ratio may be relaxed, raised or reduced due to reasons such as width of roads connected to the site, and thus may differ from a floor-area ratio that actually applies.
- “Use district” of Land is the type of use district classified (if several, all of them) in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto).
- “Site area” of Land is based on the description in the registry (It includes the leased area, if there is any leased land. The leased area is based on the description in the lease agreement.) and may differ from the

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present state.

- “Type of ownership” of Land and Building is the type of rights held by HRR.
- “Completion date” of Building is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act for the main building.
- “Structure / floors” of Building is based on the description in the registry for the main building.
- “Total floor area” of Building is based on the description in the registry, including floor area of annex buildings.
- “Building engineer” and “Constructors” of Building indicate the company names at the time of building engineering and construction of the main building.
- “Leasable floor area” is the area equivalent to the area owned by HRR out of leasable area and indicates the figure stated in the lease agreement, to be effective on HRR’s planned acquisition date of the Assets to be Acquired, or in the building drawing of the property.
- “Occupancy rate” is the occupancy rate expected as of the planned acquisition date (the ratio of the total leased floor area to the total leasable floor area). In case a lease agreement with suspensive conditions of becoming effective under the condition of HRR’s acquisition has been concluded between HRR and the tenant, the occupancy rate is indicated assuming that leasing has started on the planned acquisition date.
- “Main tenant” is the tenant with the largest leased area out of those leasing the property from HRR in accordance with the lease agreement that is to be effective on HRR’s planned acquisition date of the Assets to be Acquired.
- “No. of tenants” is the number of those leasing the property from HRR in accordance with the lease agreement that is to be effective on HRR’s planned acquisition date of the Assets to be Acquired. However, this excludes those leasing or planning to lease part of the site or the building for the purpose of parking or installing antennas.
- “No. of guest rooms” is the number of guest rooms available for accommodation at that property.
- “No. of sublease tenants” is the number of those planning to lease (sublease) the property from those leasing the property from HRR in accordance with the lease agreement that is to be effective on HRR’s planned acquisition date of the Assets to be Acquired. However, this excludes those planning to lease (sublease) part of the site or the building for the purpose of parking or installing antennas.

b. Explanation on “Overview of leasing”

- “Overview of leasing” is the detail of the lease agreement concerning the Assets to be Acquired with the tenant who is to lease the hotel or ryokan after HRR’s acquisition.
- All of “Lessee,” “Type of contract,” “Contract period,” “Leased floor area,” “Rent,” “Security deposit and guarantee deposit,” “Renewal at the end of contract period,” “Rent revision,” “Midterm cancellation,” “Penalty” and “Method for re-contract” are based on the statements in the lease agreement that is to be effective on the planned acquisition date of the Assets to be Acquired.

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Hoshino Resorts REIT, Inc.

KAI Kirishima			Category		Properties operated by the Hoshino Resorts Group (KAI)		
			Use		Ryokan		
Overview of specified asset							
Planned acquisition date		December 1, 2021		Type of specified asset		Real Estate	
Planned acquisition price		3,913,000,000 yen		Appraisal value (Appraisal date)		4,020,000,000 yen (November 1, 2021)	
Location (Indication of residential address)		2583-21 Aza Kirishimayama, Kirishimataguchi, Kirishima-shi, Kagoshima					
Transportation		Approximately 10.0 km from “Kirishima-Jingu Station” on the JR Nippo Main Line					
Land	Lot number	2583-21 Aza Kirishimayama, Kirishimataguchi, Kirishima-shi, Kagoshima and other		Building	Completion date	October 2020	
	Building coverage ratio	20%			Structure / floors	Reinforced concrete structure with galvanized alloy steel sheet roof/B1/5F	
	Floor-area ratio	60%			Total floor area	5,360.73 m ²	
	Use district	Not designated			Building engineer	Class 1 architectural office, Shimizu Corporation, Kyushu Branch	
	Site area	105,194.73 m ²			Constructors	Shimizu Corporation, Kyushu Branch	
	Type of ownership	Ownership			Type of ownership	Ownership	
Leasable floor area		5,360.73 m ²		Occupancy rate		100%	
Main tenant		Kirishima Hotel Management INC.		No. of tenants		1	
No. of guest rooms		49		No. of sublease tenants		0	

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Hoshino Resorts REIT, Inc.

Overview of leasing	
Lessee	Kirishima Hotel Management INC.
Type of contract	Fixed term building lease agreement
Contract period	20 years from December 1, 2021
Leased floor area	5,360.73 m ²
Rent	<p>Annual fixed rent: 97,396,800 yen (However, annual rent for the period from December 1, 2021 to April 30, 2022 is 182,808,000 yen (annualized), for the period from May 1, 2022 to October 31, 2023 is 202,052,400 yen, for the period from November 1, 2023 to October 31, 2024 is 220,377,600 yen and for the period from November 1, 2024 to April 30, 2025 is 230,000,400 yen (annualized).)</p> <p>Floating rent: Floating rent arises under the following conditions, starting from May 1, 2025. Calculation method for floating rent for each month uses, for May to October every year, rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; for November to next April every year, rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. Amount equivalent to one-twelfth of the amount calculated based the following formula using these GOPs (with lower limit of 0 yen) will be the floating rent.</p> <p><Calculation> Floating rent for the period will be: (1) An amount equivalent to 81% of the portion of floating rent calculation period GOP that exceeds 113,458,800 yen (excluding, however, the portion exceeding 318,987,800 yen). plus (2) An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 318,987,800 yen. (Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost, selling expenses, general and administrative expenses and chain service fees (out of expenses paid by the lessee as headquarters function, expenses directly related to the sales activities of this property) from the total sale proceeds of the facility during a certain period of time.</p>
Security deposit and guarantee deposit	<p>Security deposit: 0 yen HRR has agreed with the Hoshino Resorts Group Lessees (collectively referring to Hoshino Resorts Inc., Hoshino Resort Management Co., Ltd., K.K. Arashiyama Onsen Rankyokan, K.K. Horizon Hotels, Asahikawa Grand Hotel Co., Ltd., HRO Inc., KK IHB, Osaka Hotel Management LLC, Yaeyama Hotels and Resorts Co., Ltd., Asama onsen Hotel Management Co., Ltd., Nakakaruizawa Hotel Management Co., Ltd., Naha Matsuyama Hotel Management Co., Ltd., Kanzanji Hotel Management Co., Ltd., Nagato Hotel Management Co., Ltd., Hakata Sumiyoshi Hotel Management Co., Ltd., Kirishima Hotel Management INC. and Hanabishi Holdings INC.; the same shall apply hereinafter), as of December 1, 2021, to consider security deposit, guarantee deposit, etc. paid by Hoshino Resorts Group Lessees in accordance with the lease agreements concluded with the lessor as being paid to guarantee all the debts by all Hoshino Resorts Lessees to the lessor based on the lease agreements.</p>
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for full 10 years from the start date of the lease. Rent may be revised every 5 years thereafter, when there is a significant change in tax and public dues or in economic conditions, any other uncontrollable circumstances occur, or the both parties reach a mutual agreement.
Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after 10 years from the start date of the lease by notifying the intent of cancellation to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is dissolved due to reasons attributable to the lessee, or when the lease is cancelled due to intention of the lessee that is agreed by the lessor, the lessee will pay penalty in either the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years after the start of the lease) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent. However, if the lease period is less than 12 months, the average monthly rent during that period will be applied.) to HRR, the lessor.
Method for re-contract	The contract will end at the end of the contract period without renewal; however, re-contract is possible through discussion between the concerned parties.

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Hoshino Resorts REIT, Inc.

KAI Beppu			Category		Properties operated by the Hoshino Resorts Group (KAI)	
			Use		Ryokan	
Overview of specified asset						
Planned acquisition date		December 1, 2021		Type of specified asset	Real Estate	
Planned acquisition price		7,335,000,000 yen		Appraisal value (Appraisal date)	7,650,000,000 yen (November 1, 2021)	
Location (Indication of residential address)		2-14-29 Kitahama, Beppu-shi, Oita				
Transportation		Approximately 630 m from “Beppu Station” on the JR Nippo Main Line				
Land	Lot number	2-818-71 Kitahama, Beppu-shi, Oita and other		Building	Completion date	February 2021
	Building coverage ratio	80%			Structure / floors	Reinforced concrete structure with flat roof/12F
	Floor-area ratio	400%			Total floor area	7,822.41 m ²
	Use district	Commercial district			Building engineer	Class 1 architectural office, Shimizu Corporation, Kyushu Branch
	Site area	2,807.60 m ²			Constructors	Shimizu Corporation, Kyushu Branch
	Type of ownership	Ownership			Type of ownership	Ownership
Leasable floor area		7,822.41 m ²		Occupancy rate		100%
Main tenant		Hanabishi Holdings INC.		No. of tenants		1
No. of guest rooms		70		No. of sublease tenants		0

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Hoshino Resorts REIT, Inc.

Overview of leasing	
Lessee	Hanabishi Holdings INC.
Type of contract	Fixed term building lease agreement
Contract period	20 years from December 1, 2021
Leased floor area	7,822.41 m ²
Rent	<p>Annual fixed rent: 176,469,600 yen (However, annual rent for the period from December 1, 2021 to April 30, 2022 is 324,638,400 yen (annualized), for the period from May 1, 2022 to October 31, 2022 is 396,780,000 yen (annualized) and for the period from November 1, 2022 to October 31, 2023 is 420,126,000 yen.)</p> <p>Floating rent: Floating rent arises under the following conditions, starting from November 1, 2023. Calculation method for floating rent for each month uses, for May to October every year, rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; for November to next April every year, rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. Amount equivalent to one-twelfth of the amount calculated based the following formula using these GOPs (with lower limit of 0 yen) will be the floating rent.</p> <p><Calculation> Floating rent for the period will be: (1) An amount equivalent to 84% of the portion of floating rent calculation period GOP that exceeds 200,919,000 yen (excluding, however, the portion exceeding 565,322,700 yen). plus (2) An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 565,322,700 yen.</p> <p>(Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost, selling expenses, general and administrative expenses and chain service fees (out of expenses paid by the lessee as headquarters function, expenses directly related to the sales activities of this property) from the total sale proceeds of the facility during a certain period of time.</p>
Security deposit and guarantee deposit	<p>Security deposit: 0 yen HRR has agreed with the Hoshino Resorts Group Lessees as of December 1, 2021, to consider security deposit, guarantee deposit, etc. paid by Hoshino Resorts Group Lessees in accordance with the lease agreements concluded with the lessor as being paid to guarantee all the debts by all Hoshino Resorts Lessees to the lessor based on the lease agreements.</p>
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for full 10 years from the start date of the lease. Rent may be revised every 5 years thereafter, when there is a significant change in tax and public dues or in economic conditions, any other uncontrollable circumstances occur, or the both parties reach a mutual agreement.
Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after 10 years from the start date of the lease by notifying the intent of cancellation to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is dissolved due to reasons attributable to the lessee, or when the lease is cancelled due to intention of the lessee that is agreed by the lessor, the lessee will pay penalty in either the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years after the start of the lease) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent. However, if the lease period is less than 12 months, the average monthly rent during that period will be applied.) to HRR, the lessor.
Method for re-contract	The contract will end at the end of the contract period without renewal; however, re-contract is possible through discussion between the concerned parties.

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4. Details of Seller

K-12 KAI Kirishima

Company name	Kirishima Hotel Management INC.	
Head office location	2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano	
Name and title of representative	Kaita Nakamura, Representative Director	
Amount of capital	1,000,000 yen	
Date of incorporation	July 4, 2007	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major shareholder and shareholding ratio	Not disclosed as consent from the seller has not been obtained.	
Main business	Hot spring ryokans business	
Relationship with HRR/Asset Management Company	Capital relationship	There is no capital relationship required to be stated between HRR/the Asset Management Company and the seller. (Note)
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Status of classification as related party	The seller does not fall under the related party of HRR/the Asset Management Company.

(Note) As of today (at the time of concluding the real estate purchase agreement), the seller did not fall under the definition of interested person, etc. under the Investment Trusts Act or interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company; however, after the acquisition of “KAI Kirishima,” it is to become a corporation in the Hoshino Resorts Group, corresponding to a parent company of the Asset Management Company or a subsidiary of the parent company, which will make it correspond with an interested person, etc. under the Investment Trusts Act and an interested party, etc., under the Asset Management Company’s internal “interested party transaction rules.” The same shall apply hereinafter.

K-13 KAI Beppu

Company name	Hanabishi Holdings INC.	
Head office location	2-14-29 Kitahama, Beppu-shi, Oita	
Name and title of representative	Kaita Nakamura, Representative Director	
Amount of capital	10,000,000 yen	
Date of incorporation	July 25, 2005	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major shareholder and shareholding ratio	Not disclosed as consent from the seller has not been obtained.	
Main business	Hot spring ryokans business	
Relationship with HRR/Asset Management Company	Capital relationship	The seller is a subsidiary of the parent company of the Asset Management Company.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Status of classification as related party	The seller is a company with the same parent company as the Asset Management Company, and thus falls under related party.

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5. Transaction with Interested Party, etc.

The planned counterparty to the acquisition and lease of “KAI Kirishima” is to become a corporation in the Hoshino Resorts Group, corresponding to a parent company of the Asset Management Company or a subsidiary of the parent company, after the acquisition of “KAI Kirishima” by HRR. (As of today, the planned counterparty does not correspond to a parent company of the Asset Management Company or a subsidiary of the parent company and is not a corporation in the Hoshino Resorts Group.) The planned counterparty to the lease of “KAI Kirishima” therefore is to fall under the definition of interested person, etc. as set forth in Article 201 of the Investment Trusts Act, Article 123 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480, 2000, including amendments thereto), and the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. Accordingly, the Asset Management Company has gone through the approval procedures set forth in the internal rules for conducting the lease transaction pertaining to “KAI Kirishima” and has also obtained HRR’s agreement based on the approval made at HRR’s Board of Directors’ Meeting held on November 10, 2021 pursuant to the Investment Trusts Act and the “interested party transaction rules.”

In addition, as of today, the planned counterparty to the acquisition and lease of “KAI Beppu” is a subsidiary of the parent company of the Asset Management Company. The planned counterparty to the acquisition and lease of “KAI Beppu” therefore falls under the definition of interested person, etc. as set forth in Article 201 of the Investment Trusts Act, Article 123 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480, 2000, including amendments thereto), and the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. Accordingly, the Asset Management Company has gone through the approval procedures set forth in the internal rules for conducting acquisition and transactions pertaining to “KAI Beppu” and has also obtained HRR’s agreement based on the approval made at HRR’s Board of Directors’ Meeting held on November 10, 2021 pursuant to the Investment Trusts Act and the “interested party transaction rules.”

6. Status of Owners, etc. of Property

The acquisition of “KAI Kirishima” is not an acquisition from any entity having a special interest in HRR or the Asset Management Company.

In addition, the following table states (i) Name, (ii) Relationship with the party with special interest, and (iii) Background, reason, etc. for acquisition with respect to “KAI Beppu.”

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Property name (Location)	Previous owner, etc.	Previous, previous owner, etc.
	(i), (ii), (iii) Acquisition price Acquisition timing	(i), (ii), (iii) Acquisition price Acquisition timing
KAI Beppu (2-14-29 Kitahama, Beppu-shi, Oita)	(1) Land A. Principal land (i) Hanabishi Holdings INC. (ii) A subsidiary of the parent company of the Asset Management Company (iii) Acquired for hotel operation purposes B. Land other than the above (i) Hanabishi Holdings INC. (ii) A subsidiary of the parent company of the Asset Management Company (iii) Acquired for hotel operation purposes (2) Building (i) Hanabishi Holdings INC. (ii) A subsidiary of the parent company of the Asset Management Company (iii) – (Note 2)	(1) Land A. Principal land Not a party having special vested interest B. Land other than the above Not a party having special vested interest
	(1) Land A. Principal land – (Note 1) B. Land other than the above – (Note 1) (2) Building – (Note 2)	–
	(1) Land A. Principal land December 2005 B. Land other than the above September and December 2005 (2) Building February 2021 (Completion)	–

(Note 1) The description is omitted because it was owned by the previous owner for more than one year.

(Note 2) Not listed because it is a property developed by the previous owner.

7. Future Outlook

For details of the impact of the acquisition of the Assets to be Acquired on the management status of HRR and the future outlook for the fiscal period ending April 2022 (November 1, 2021 to April 30, 2022) and the fiscal period ending October 2022 (May 1, 2022 to October 31, 2022), please refer to “Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2022 and Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2022” announced separately today.

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8. Appraisal Summary

K-12 KAI Kirishima

Appraisal summary		
Appraiser	Japan Real Estate Institute	
Appraisal value	4,020,000,000 yen	
Appraisal date	November 1, 2021	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①-②-③)	258,789,000 yen	—
① Gross potential revenue (rent income, common area fees income, other income, etc.)	258,789,000 yen	Recorded rent income based on an assessment of gross operating profit (GOP) of the target real estate asset during stable operating period, based on the content, etc. of the lease agreement.
② Vacancy loss	0 yen	Not recorded, after judging the content of the lease contract, the attributes and credit capability, etc., of the lessee occupying the property.
③ Bad debts expenses	0 yen	Recording of bad debts judged unnecessary upon consideration of the status of the lessee and other factors.
(2) Operating expenses (④+⑤+⑥+⑦+⑧+⑨+⑩+⑪)	30,870,000 yen	—
④ Maintenance	10,550,000 yen	Recorded outsourcing expenses such as cleaning expenses and facility maintenance expenses, giving consideration to the individual nature of the target real estate.
⑤ Utilities	0 yen	Not recorded as this is to be borne by the lessee under the lease agreement.
⑥ Repair costs	4,700,000 yen	Recorded giving consideration to future management and operation plans, expense levels of similar real estate, and average annual amounts of repair and renewal expenses in the ER, making reference to past fiscal years amounts.
⑦ Property management fees	0 yen	Not recorded because there are no particular outsourcing fees paid to outside providers of tenant management services and building management services.
⑧ Advertisement for leasing, etc.	0 yen	Not recorded because it was judged unnecessary after considering the business operations, the attributes of the lessee, and the content of the lease agreement.
⑨ Tax and public dues	15,179,000 yen	Land: Recorded the tax amount after considering the materials concerning taxes and public dues, and the details of burden adjustment measures. Building: Recorded based on the material concerning tax and public dues. Depreciable assets: Recorded based on the material concerning tax and public dues.
⑩ Insurance	441,000 yen	Recorded, giving consideration to estimates and insurance premium rate for buildings similar to the target building.
⑪ Other expenses	0 yen	—
(3) Net operating income ((1)-(2))	227,919,000 yen	—
(4) Interests on temporary deposits	0 yen	Not recorded as there is no temporary deposits based on the current lease agreement.
(5) Capital expenditures	10,900,000 yen	Assessed after envisaging the accumulation of average annual expenditures expected going forward, and considering the level of capital expenditures for similar real estate, year of construction, and average annual amount of repair and renewal expenses in the ER.
(6) Net cash flow ((3)+(4)-(5))	217,019,000 yen	—

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Hoshino Resorts REIT, Inc.

(7) Cap rate	5.3%	—
Direct capitalization value	4,090,000,000 yen	—
Discounted cash flow value	3,950,000,000 yen	—
Discount rate	5.0%	—
Terminal cap rate	5.4%	—
Integrated value by using cost method	3,920,000,000 yen	—
Ratio of land	30.1%	—
Ratio of building	69.9%	—
Other matters appraiser noted upon valuation	None	

K-13 KAI Beppu

Appraisal summary		
Appraiser	Japan Real Estate Institute	
Appraisal value	7,650,000,000 yen	
Appraisal date	November 1, 2021	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①-②-③)	422,858,000 yen	—
① Gross potential revenue (rent income, common area fees income, other income, etc.)	422,858,000 yen	Recorded rent income based on an assessment of gross operating profit (GOP) of the target real estate asset during stable operating period, based on the content, etc. of the lease agreement.
② Vacancy loss	0 yen	Not recorded, after judging the content of the lease contract, the attributes and credit capability, etc., of the lessee occupying the property.
③ Bad debts expenses	0 yen	Recording of bad debts judged unnecessary upon consideration of the status of the lessee and other factors.
(2) Operating expenses (④+⑤+⑥+⑦+⑧+⑨+⑩+⑪)	30,671,000 yen	—
④ Maintenance	8,600,000 yen	Recorded outsourcing expenses such as facility maintenance expenses, giving consideration to the individual nature of the target real estate.
⑤ Utilities	0 yen	Not recorded as this is to be borne by the lessee under the lease agreement.
⑥ Repair costs	1,920,000 yen	Recorded giving consideration to future management and operation plans, expense levels of similar real estate, and average annual amounts of repair and renewal expenses in the ER, making reference to past fiscal years amounts.
⑦ Property management fees	0 yen	Not recorded because there are no particular outsourcing fees paid to outside providers of tenant management services and building management services.
⑧ Advertisement for leasing, etc.	0 yen	Not recorded because it was judged unnecessary after considering the business operations, the attributes of the lessee, and the content of the lease agreement.
⑨ Tax and public dues	19,469,000 yen	Land: Recorded the tax amount after considering the materials concerning taxes and public dues, and the details of burden adjustment measures. Building: Recorded based on the material concerning tax and public dues. Depreciable assets: Recorded based on the material concerning tax and public dues.
⑩ Insurance	682,000 yen	Recorded, giving consideration to estimates and insurance premium rate for buildings similar to the target building.
⑪ Other expenses	0 yen	—
(3) Net operating income ((1)-(2))	392,187,000 yen	—

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Hoshino Resorts REIT, Inc.

(4) Interests on temporary deposits	0 yen	Not recorded as there is no temporary deposits based on the current lease agreement.
(5) Capital expenditures	4,480,000 yen	Assessed after envisaging the accumulation of average annual expenditures expected going forward, and considering the level of capital expenditures for similar real estate, year of construction, and average annual amount of repair and renewal expenses in the ER.
(6) Net cash flow ((3)+(4)-(5))	387,707,000 yen	—
(7) Cap rate	5.0%	—
Direct capitalization value	7,750,000,000 yen	—
Discounted cash flow value	7,550,000,000 yen	—
Discount rate	4.8%	—
Terminal cap rate	5.2%	—
Integrated value by using cost method	6,500,000,000 yen	—
Ratio of land	34.0%	—
Ratio of building	66.0%	—
Other matters appraiser noted upon valuation	None	

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

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<Appendix>

Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report of the Assets to be Acquired

Reference Material 2: Appearance and Map of the Assets to be Acquired

Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report of the Assets to be Acquired

Property No.	Property name	Investigator	Engineering report date	Short-term repair expenses (thousand yen) (Note 1) (Note 2)	Long-term repair expenses (annual average) (thousand yen) (Note 1) (Note 3)
K-12	KAI Kirishima	Tokio Marine dR Co., Ltd.	November 2021	–	15,508
K-13	KAI Beppu	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	October 2021	–	6,400

(Note 1) “Short-term repair expenses” and “Long-term repair expenses (annual average)” are those based on the engineering report.

(Note 2) “Short-term repair expenses” are repair and renewal expenses required when implementing repair and renewal within about one year due to progressed deterioration, excluding expenses for normal repair or interior/facility renewal, based on the engineering report prepared by the investigator after their investigation.

(Note 3) “Long-term repair expenses (annual average)” are repair and renewal expenses required in the 12 years from the investigation date, based on the engineering report prepared by the investigator after their investigation. The figure is converted to annual average and rounded to the nearest thousand yen by HRR.

Property No.	Property name	Investigator	Investigation date	PML value (Probable maximum loss) (%)
K-12	KAI Kirishima	Tokio Marine dR Co., Ltd.	September 6, 2021	6.0
K-13	KAI Beppu	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	August 20, 2021	(High-rise buildings) 9.6 (Low-rise buildings) 4.4

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Reference Material 2: Appearance and Map of the Assets to be Acquired

K-12 KAI Kirishima

(Figure 1)



(Figure 2)



(Map)



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K-13 KAI Beppu

(Figure 1)



(Figure 2)



(Map)



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