



**Hoshino
Resorts
REIT**

Supplementary Explanatory Materials: Press Releases Issued on November 10, 2021

“Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units”

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

“Notice Concerning Acquisition of Assets (Mezzanine Loan Receivables) (TLS5 Specified Purpose Company Class D Loan Receivables)”

Securities Code: 3287

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

Asset Management Company:
Hoshino Resort Asset Management Co., Ltd.

November 10, 2021

KAI Kirishima Guest room

This document contains and organizes additional information pertaining to press releases “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units,” “Notice Concerning Acquisition of Domestic Real Estate (KAI Kirishima and KAI Beppu)” and “Notice Concerning Acquisition of Assets (Mezzanine Loan Receivables) (TLS5 Specified Purpose Company Class D Loan Receivables)” dated November 10, 2021. For details on this public offering (defined on page 22), please refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated November 10, 2021.

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REIT Securities Issuer: Hoshino Resorts REIT, Inc. (securities code: 3287)

Asset Management Company: Hoshino Resorts Asset Management Co., Ltd. (Financial instruments business operator, Director of Kanto Local Finance Bureau (Kin-sho) No. 2405, Member of the Investment Trusts Association, Japan)

HRR is creating schemes to benefit from the growth of Japan's tourism industry

Investment Highlights

1. Implemented the 8th public offering with a view toward reviving tourism demand in the future
Promoting a new growth phase of HRR
2. Abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group
Growth cycle of "ownership," "operation" and "development"
3. Acquired "KAI Kirishima" and "KAI Beppu" opened in 2021
Hoshino Resorts Group-operated properties that can be expected to be competitive even under the COVID-19 pandemic

Investment Highlights (1)



Implemented the 8th public offering with a view toward reviving tourism demand in the future

Promoting a new growth phase of HRR

Hoshino Resorts REIT, Inc.

HRR has strived to improve investor value by actively acquiring properties and replacing assets even under the COVID-19 pandemic. Through this public offering, we aim to further improve the ratio of properties operated by the Hoshino Resorts Group^(Note 1) and to build a financial base for promoting a new growth phase.

Outline of the public offering

Assets to be acquired		Before the public offering ^(Note 8)	After the public offering ^(Note 8)
Property name	KAI Kirishima KAI Beppu	No. of properties	63
Picture of property	 	Asset size ^(Note 9)	65
Acquisition method ^(Note 2)	Sponsor pipeline (DBJ joint fund development)	165.6 billion yen	176.8 billion yen
Completion date ^(Note 3)	October 2020 (1 year) February 2021 (8 months)	Ratio of properties operated by the Hoshino Resorts Group	33.7%
Planned acquisition price ^(Note 4)	3,913 million yen 7,335 million yen	NAV per unit ^(Note 10)	518,443 yen
Real estate appraisal value ^(Note 5)	4,020 million yen 7,650 million yen	LTV ^(Notes 11,13)	38.1%
To real estate appraisal value ^(Note 6)	97.3% 95.9%	Acquisition capability ^(Notes 12,13,14)	5.5 billion yen
Planned acquisition date ^(Note 7)	December 1, 2021		14.7 billion yen

Aim of HRR (1)

By increasing the ratio of properties operated by the Hoshino Resorts Group, we aim to improve the stability of earnings and the growth potential of our portfolio

Implemented a public offering aimed at increasing NAV per unit in order to increase investor value

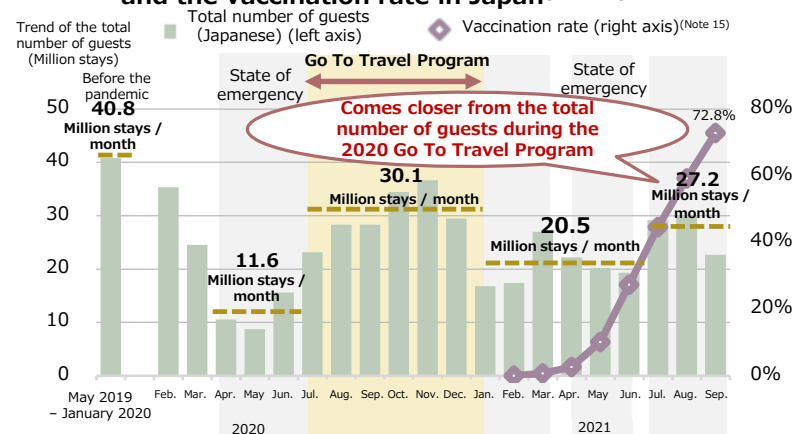
Aim of HRR (2)

In order to acquire properties flexibly, we plan to expand acquisition capability

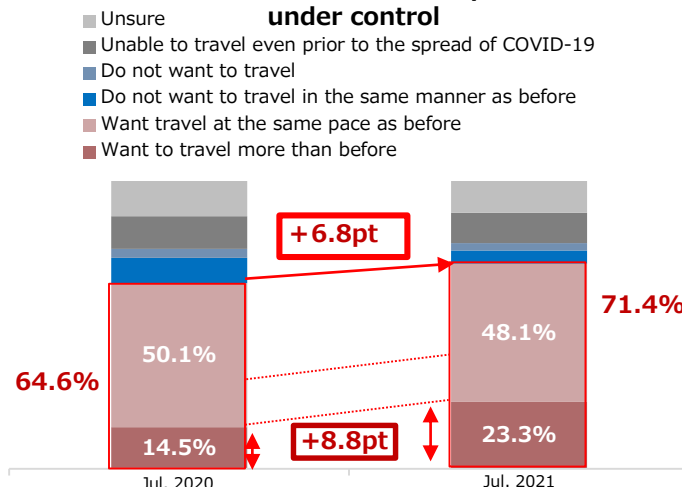
Aiming to build a financial base that can steadily invest in growth opportunities that capture the revival of tourism demand

- As the vaccination rate rises, current demand for accommodation is on a recovery trend
- Increased travel motivation in the survey of travel intentions after the pandemic has come under control

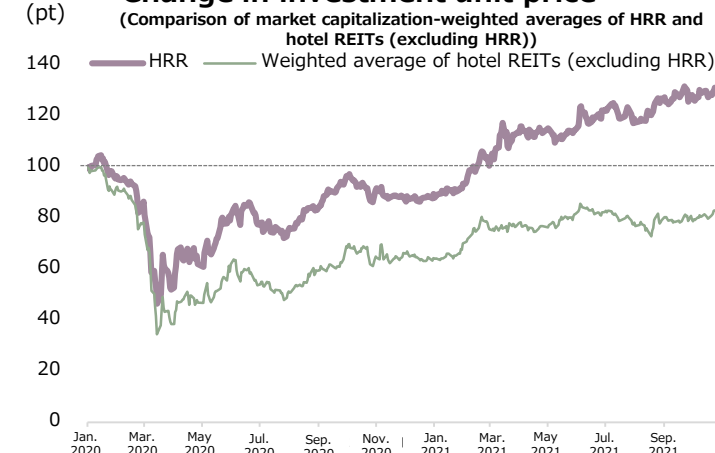
Trend of the total number of guests and the vaccination rate in Japan^(Note 15)



Trend of intentions to travel after the pandemic has come under control



Change in investment unit price^(Note 16)



Investment Highlights (1)

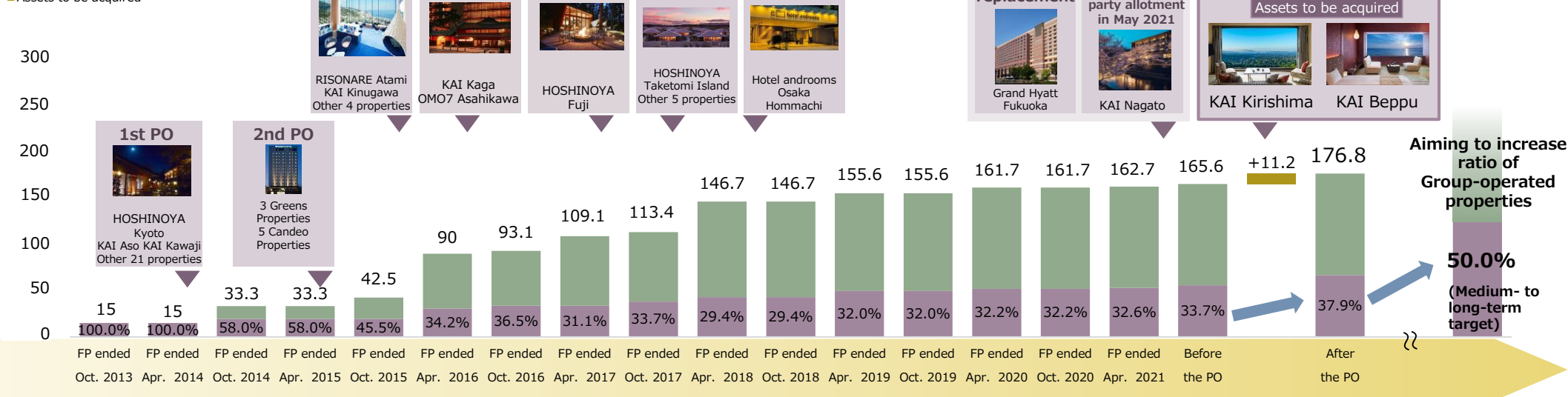
Implemented the 8th public offering with a view toward reviving tourism demand in the future

Promoting a new growth phase of HRR

Since its listing, HRR and the Hoshino Resorts Group have leverage synergistic effects in strengthening their competitiveness and have grown together. HRR will continue to utilize the abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group to increase the ratio of properties operated by the Hoshino Resorts Group and aim for medium- to long-term growth.

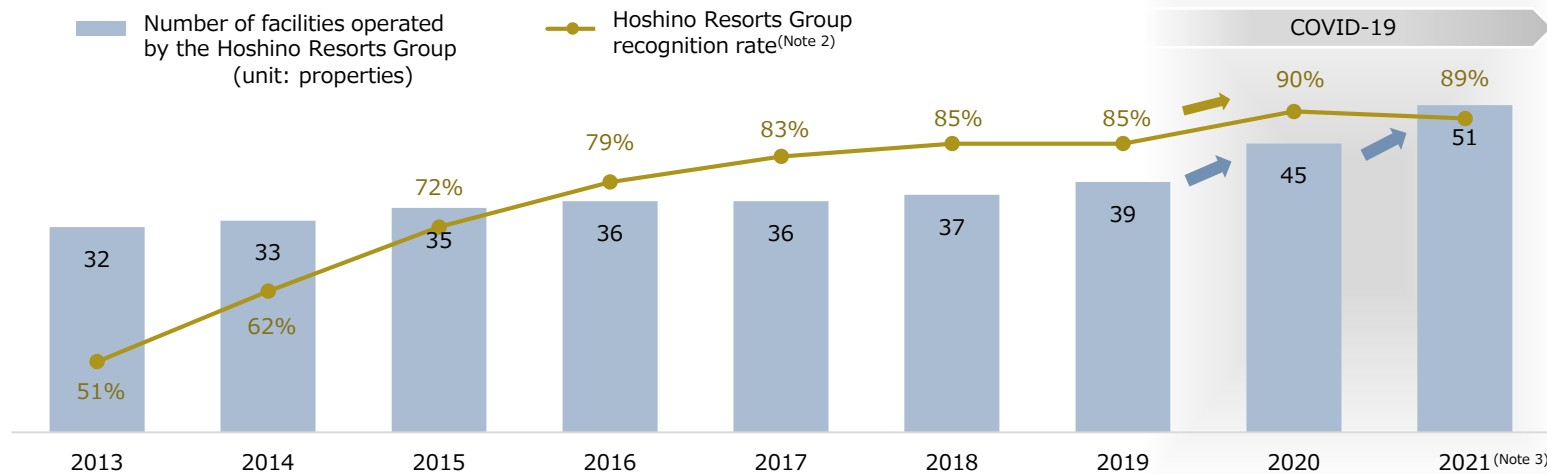
Trend of the asset size of HRR (Unit: billion yen, (planned) acquisition price basis)

■ Properties operated by the Hoshino Resorts Group
■ Properties operated by outside operators^(Note 1)
■ Assets to be acquired



Trend of the number of facilities operated by the Hoshino Resorts Group and the recognition rate of the Hoshino Resorts Group (After 2013)

■ Number of facilities operated by the Hoshino Resorts Group (unit: properties)
● Hoshino Resorts Group recognition rate^(Note 2)



Year	Efforts of the Hoshino Resorts Group since the listing of HRR
2013	HRR listed
2015	DBJ joint fund created
2017	Opening of "HOSHINOYA Bali," the first overseas expansion of the "HOSHINOYA" brand DBJ joint fund development property Opening of the first "KAI Alps"
2018	Started developing the urban tourism brand "OMO"
2019	Started developing the "BEB" brand for young people
2021	Acquisition of shares of WBF (making it a subsidiary)

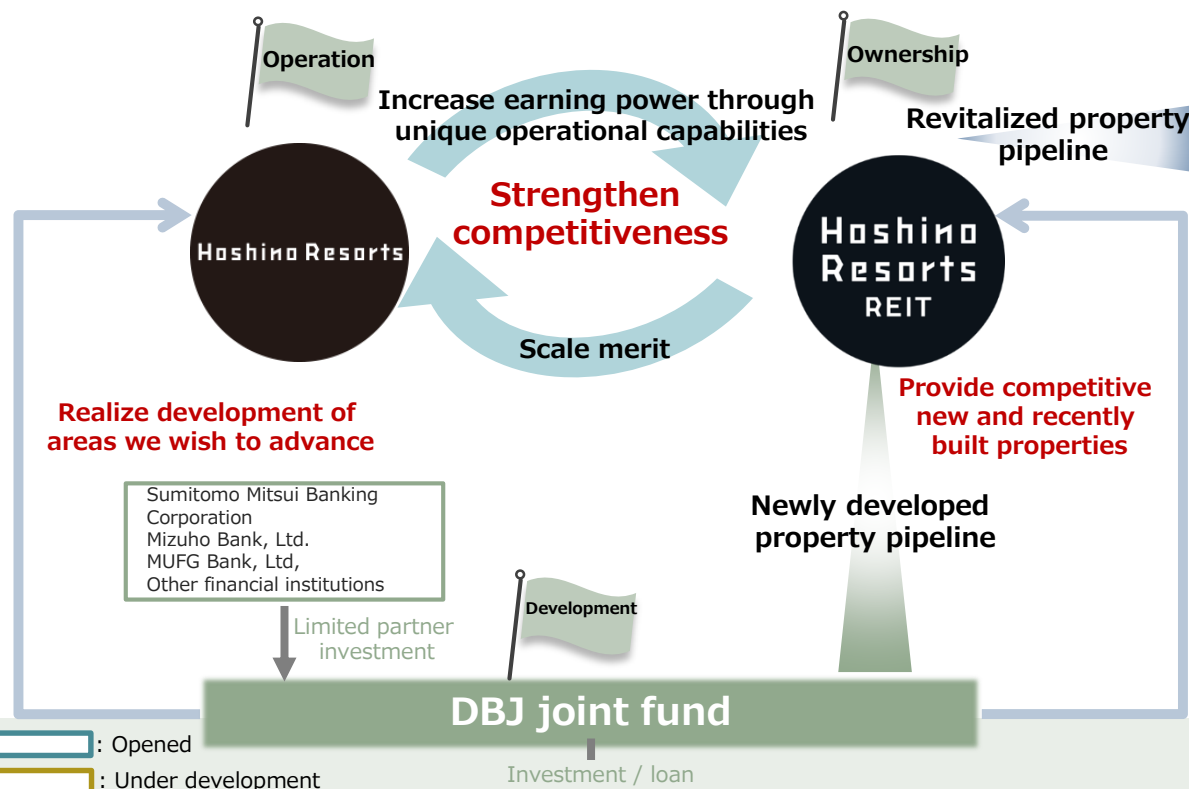
Investment Highlights (2)

Abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group
Growth cycle of “ownership,” “operation” and “development”

Hoshino Resorts REIT, Inc.

Players with a high presence, HRR (ownership), the Hoshino Resorts Group (operation), and the DBJ joint fund (development), are responsible for the three important functions of “ownership,” “operation” and “development” that make up the hotel business, and through leveraging a strong partnership, HRR believes that it can expect to continue to achieve external growth and improve the quality of its portfolio. Furthermore, by utilizing the “revitalization” function of the Hoshino Resorts Group, HRR aims to further build up the pipeline.

HRR's basic strategy and expansion of pipeline (Note 1) (Note 2)



Revitalization

WBF (Hoshino Resorts subsidiary)

Investing in mezzanine loan receivables (Note 3) that could lead to future pipeline expansion

TLS5 Specified Purpose Company

<Underlying asset>
 (tentative name) Hotel WBF
 Grande Kansai Airport, etc. (Note 4)



Appraisal value of the underlying asset (Note 7)
 12,900 million yen

Debt
 (non-recourse receivables, etc.)
 8,710 million yen

Equity
 (preferred equity, etc.)

Loan receivables with priority over the Loan Receivables to be acquired

Loan Receivables to be Acquired
 750 million yen
 Class D Lender: Hoshino Resorts Inc. (to be acquired by HRR)

Specified bonds subordinated to the Loan Receivables to be acquired

No. 1 preferred equity (A) 750 million yen
 No. 1 preferred equity (A) member: Hoshino Resorts Inc.

Preferred investment / specified investment other than Hoshino Resorts (including those subordinated to No. A investment)

Asset name	TLS5 Specified Purpose Company Class D Loan Receivables
Planned acquisition price	750 million yen
Face value	750 million yen
Interest rate	1) Applicable interest rate (Note 5) : 10.5%/11.5% per annum 2) PIK interest (Note 6)
Planned acquisition date	December 1, 2021

Hoshino Resorts Tourism Revitalization Fund

Overview

Hoshino Resorts will strive to support Japanese hotels and ryokans through the management of a business in the hopes of the tourism and hotel industry to recover from the effects of novel coronavirus as soon as possible.

Total Fund
Fund management company
 (Unlimited liability partnership employee)

Approximately 5 billion yen (as of the date of this document)

H&R Asset Solutions Co., Ltd.

Owned assets

KAI Alps
 Opened in December 2017



RISONARE Nasu
 Opened in November 2019



Owned assets

KAI Nagato
 Opened in March 2020



HOSHINOYA Okinawa
 Opened in July 2020



Assets to be acquired

KAI Kirishima
 Opened in January 2021



Assets to be acquired

KAI Beppu
 Opened in July 2021



KAI Poroto
 Scheduled to be opened in January 2022



OMO7 Osaka
 Scheduled to be opened in April 2022 (Note 8)



Investment Highlights (2)

Abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group

Growth cycle of “ownership,” “operation” and “development”

Hoshino Resorts REIT, Inc.

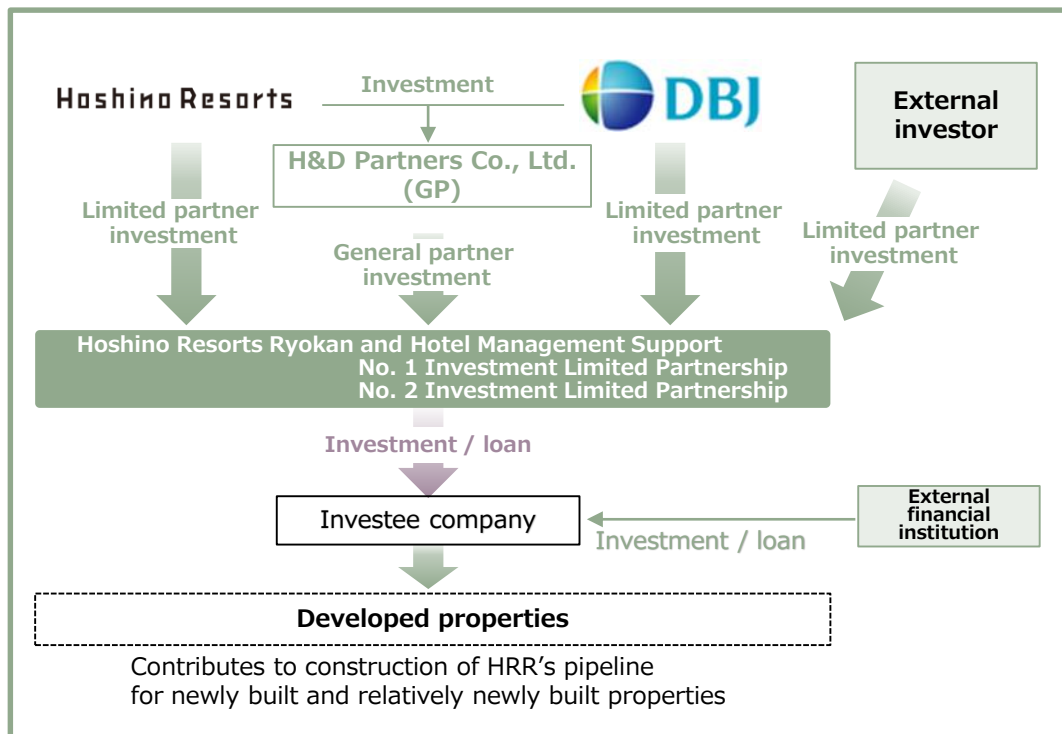
The DBJ joint fund, which is a joint management fund of Hoshino Resorts and Development Bank of Japan, was formed with the intention of contributing to regional revitalization, and already has a track record of over 6 years since the start of supplying funding. We believe that it will continue to contribute to the construction of a competitive pipeline for newly built and relatively newly built properties for HRR.

DBJ joint fund

Concept

- Providing risk money to solve management issues such as business succession, earthquake-resistant repairs and undercapitalization of the tourism industry, which plays an important role in the local economy
- Intend to contribute to regional revitalization by increasing the tourism exchange population

Outline of the scheme (as of the end of October 2021)^(Note 1)



History and achievements

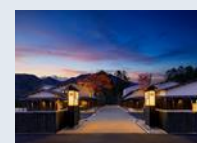
- Jul. 2013 HRR was listed on the Tokyo Stock Exchange
- Jun. 2015 Development Bank of Japan established “Growth Co-creation Facility”
- Dec. 2015 No. 1 Fund^(Note 2) established by Hoshino Resorts and Development Bank of Japan
- Jul. 2017 No. 2 Fund^(Note 2) established by inviting external investors
- Mar. 2019 HRR acquired the “KAI Alps” from No. 1 Fund
- Jun. 2021 HRR acquired “KAI Nagato” from No. 2 Fund
- Dec. 2021 HRR plans to acquire “KAI Kirishima” and “KAI Beppu” from No. 2 Fund

Projects covered by the “Growth Co-creation Facility” established in 2015 by Development Bank of Japan as a voluntary initiative to further accelerate the creation and development of the growth fund market

HRR acquired properties developed by the DBJ Joint fund in March 2019 and June 2021

Assets to be acquired through the public offering

Owned assets



KAI Alps



KAI Nagato

Assets to be acquired



KAI Kirishima



KAI Beppu

Investment Highlights (2)

Abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group
Growth cycle of “ownership,” “operation” and “development”

Hoshino Resorts REIT, Inc.

In response to Hoshino Resorts' WBF Group^(Note 1) and Hoshino Resorts Tourism Revitalization Fund's “revitalization” efforts, HRR also invested in mezzanine loan receivables and invested in silent partnerships to ensure stable and high return through investment, and to expand the pipeline in the future.

WBF Group revitalization initiatives / Hoshino Resorts Tourism Revitalization Fund formation



The Hoshino Resorts Group acquired the shares of WBF as follows and took over the operations of 14 facilities from WBF Group

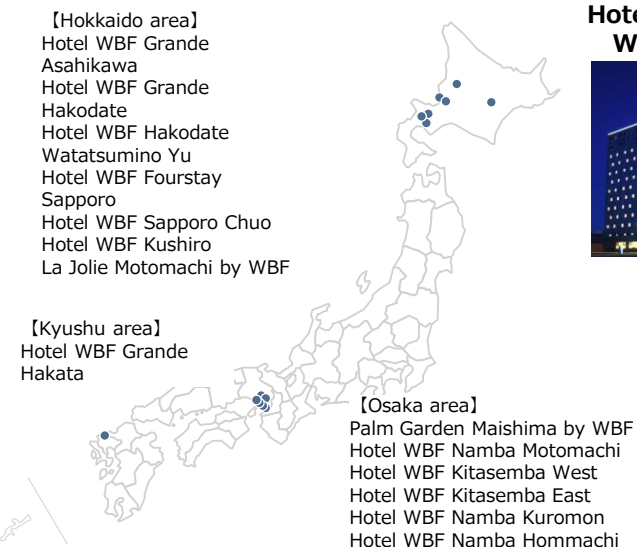
June 2020

- WBF Group and Hoshino Resorts conclude “Basic Agreement on Appointment of Sponsor”

March 2021

- Hoshino Resorts acquired the shares of WBF, and the Hoshino Resorts Group took over the operations of 14 facilities from the WBF Group

List of WBF hotels (14 facilities) that the Hoshino Resorts Group has taken over^(Note 2)



Hotel WBF Hakodate Watatsumino Yu



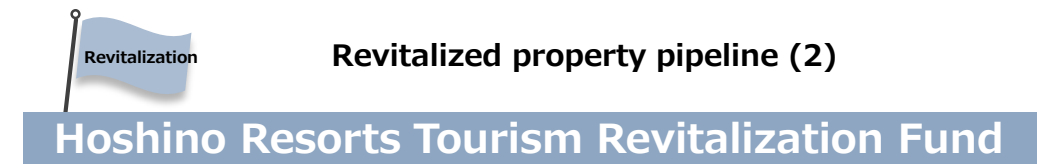
Hotel WBF Fourstay Sapporo



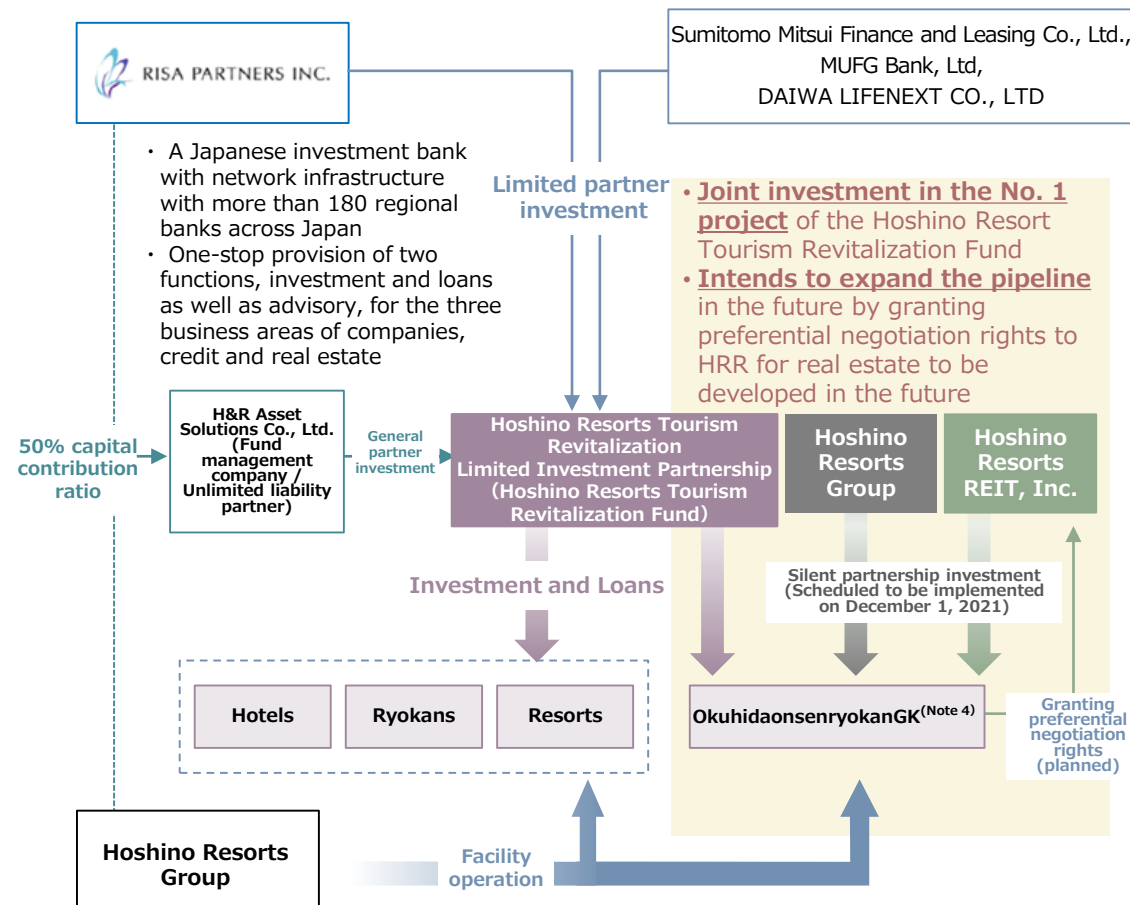
Hotel WBF Namba Kuromon



Source: Created by the Asset Management Company based on information provided by the Hoshino Resorts Group



Structure of Hoshino Resorts Tourism Revitalization Fund^(Note 3)



Investment Highlights (2)

Abundant investment opportunities created by the management capabilities of the Hoshino Resorts Group
Growth cycle of “ownership,” “operation” and “development”

Hoshino Resorts REIT, Inc.

HRR will aim for further external growth by acquiring properties utilizing the sponsor pipeline^(Note 1).
List of the major sponsor pipeline^(Note 2)

Hoshino Resorts Group owned facilities

Start of operation	Name of facility
1995	Karuizawa Hotel Bleston Court
2003	Bandaisan Onsen Hotel
2008	KAI Atami (under renovation)
2013	KAI Nikko
2017	The Surfjack Hotel & Swim Club
2019	RISONARE Kohamajima

DBJ joint fund owned facilities

Start of operation (Note 3)	Name of facility
2019	RISONARE Nasu
2020	HOSHINOYA Okinawa
2022 (planned)	KAI Poroto
2022 (planned)	OMO7 Osaka

■ KAI Nikko Address: Tochigi



■ RISONARE Kohamajima Address: Okinawa



Hoshino Resorts Group development projects (part)

Start of operation (Note 3)	Address
2022	Yufu-shi, Oita (KAI Yufuin)
2022	Unzen-shi, Nagasaki
2023	Kumaomoto-shi, Kumamoto
2024	Nara-shi, Nara (Former Nara Prison)
2025	Yokohama-shi, Kanagawa
2025	Shimonoseki-shi, Yamaguchi (RISONARE Shimonoseki (tentative name))
TBA	Asuka-mura, Nara
TBA	Wazuka-cho, Kyoto

■ HOSHINOYA Okinawa

Address: Okinawa



■ KAI Poroto Address: Hokkaido



WBF owned facilities

Start of operation	Name of facility
2010	Hotel WBF Kushiro
2014	Hotel WBF Grande Hakodate
2015	La Jolie Motomachi by WBF
2015	Hotel WBF Grande Asahikawa
2018	Hotel WBF Namba Kuromon
2019	Hotel WBF Hakodate
2019	Hotel WBF Fourstay Sapporo

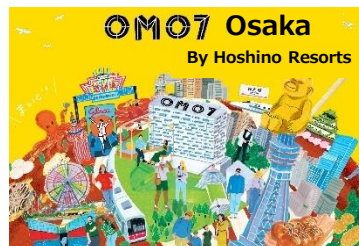
Mezzanine loan receivables/ silent partnership investments

Start of operation (Note 3)	Name of facility
TBA	TLS5 Specified Purpose Company Class D Loan Receivables (collateral assets: (Tentative Name) Hotel WBF Grande Kansai Airport)
TBA	OkuhidaonsenryokanGK Silent Partnership Equity Interest

■ RISONARE Nasu Address: Tochigi



■ OMO7 Osaka Address: Osaka



Third-party owned facilities (part)

Start of operation (Note 3)	Name of facility
2004	RISONARE Tomamu
2004	Tomamu The Tower
2005	Aomoriya
2005	Oirase Keiryu Hotel
2010	KAI Tsugaru
2016	HOSHINOYA Tokyo
2017	HOSHINOYA Bali
2017	KAI Anjin
2018	OMO5 Tokyo Otsuka
2018	KAI Sengokuhara
2019	HOSHINOYA Guguan
2020	BEB5 Tsuchiura
2021	OMO3 Kyoto Toji
2021	OMO5 Kyoto Sanjo
2021	HOSHINO Resorts KASUKE Tiantai
2021	OMO5 Okinawa Naha
2021	OMO5 Kyoto Gion
2022 (planned)	OMO3 Tokyo Akasaka
2022 (planned)	OMO3 Sapporo Susukino
2022 (planned)	OMO5 Otaru
2022 (planned)	OMO1 Tokyo Kawasaki

■ RISONARE Tomamu Address: Hokkaido



Hoshino Resorts Group-operated property that can be expected to be competitive even under the pandemic

The assets to be acquired this time are all of the "KAI" brand of Kyushu, one of Japan's leading hot spring resorts. As Kyushu has abundant tourism resources and has high growth potential as a tourist destination, as of the date of this document, the Hoshino Resorts Group has positioned Kyushu as an area where it will continue to focus business development.

Acquisition of the "KAI" brand in Kyushu, one of Japan's leading hot spring resorts

- The "KAI" brand, which aims to be a chain of high-end hot spring ryokan, is a **high-end hot spring ryokan brand** that aims to meet customer needs of "wanting to travel to various places" by expanding to famous hot spring areas nationwide
- As a "hot spring ryokan where you can discover the charms of the local region," it features **"Gotochi-Gaku"(cultural discovery)"** where you can experience traditional culture and crafts, and **"local rooms"** where you can experience local culture
- Through development with the DBJ joint fund, the 2nd Hoshino Resorts Group facility in the Kyushu area, **"KAI Kirishima,"** and the 3rd facility, **"KAI Beppu,"** have opened



KAI Kirishima



KAI Beppu

Hoshino Resorts Group business development in Kyushu and the attractiveness of the development area

- In order to create a hot spring ryokan, **high quality and abundant hot springs with a characteristic climate** are indispensable, and **Kyushu is a very attractive area in that respect**
- The Hoshino Resorts Group **plans to continue expanding the number of locations** in order to brush up tourism resources in each area and propose trips that allow you to tour around Kyushu

The charm of Kagoshima

Abundant nature in the great outdoors that can only be experienced there

- A magnificent natural tourism resource that can only be experienced in Kagoshima, including Sakurajima and Amami Oshima



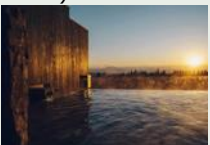
Sakurajima



Amami Oshima

One of the best hot spring resorts in Japan, boasting the second largest number of hot springs in Japan

- There are many hot spring towns, including two major hot spring towns (Kirishima Onsen and Ibusuki Onsen)

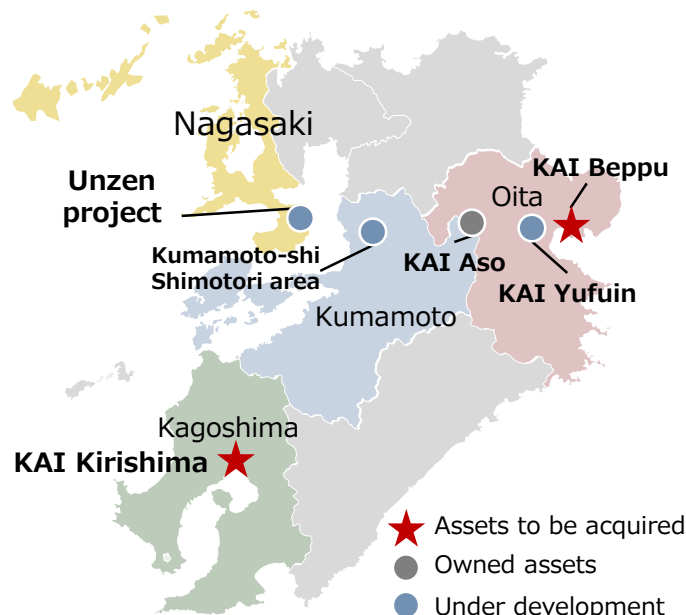


Panorama view open-air bath (KAI Kirishima)



Sand bath hot spring in Ibusuki

Hoshino Resorts Group Kyushu expansion area^(Note)



The charm of Oita

Japan's number one hot spring resort in terms of both the number of source springs and the amount of spring water generated

- Nationally famous hot spring towns such as Beppu Onsen and Yufuin Onsen

Beppu "JIGOKU MEGURI"
"HELL" TOUR

Yufuin Onsen

Special local produce brought up in abundant nature

- Rich in famous specialty ingredients such as special seafood grown in the Bungo Channel and beef grown in Aso



Bungo hot pot kaiseki dining



Tomato sukiyaki pot kaiseki dining

Investment Highlights (3) Acquired “KAI Kirishima” and “KAI Beppu” opened in 2021 Hoshino Resorts Group-operated property that can be expected to be competitive even under the pandemic

Hoshino Resorts REIT, Inc.

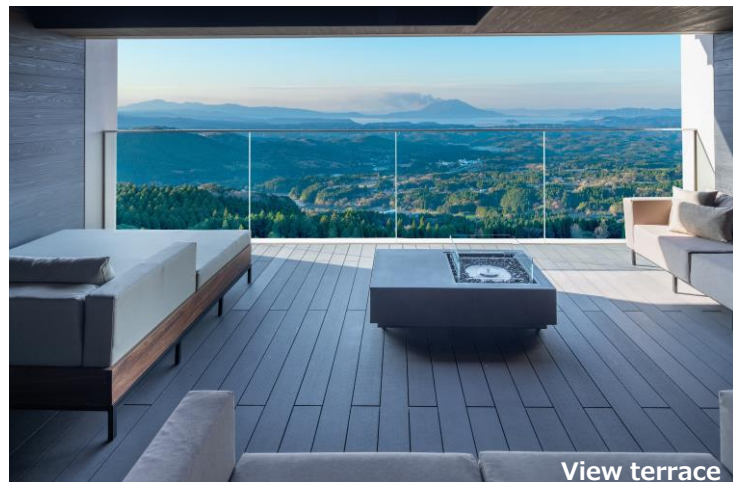
KAI Kirishima



A hot spring ryokan with a superb view (Note 1)
overlooking Sakurajima

Highlights of acquisition

- Located in Kirishima Onsen, which has a rare natural environment, this hot spring ryokan offers a spectacular view of Sakurajima and Kinkowan from all guest rooms
- Achieved steady operational results even under the pandemic by capturing microtourism demand
- Acquired from the DBJ joint fund



View terrace



Guest room
panorama room



Open-air bath

Overview of the property

Address	Kirishima-shi, Kagoshima
Completion date	October 2020
Planned acquisition date	December 1, 2021
Total number of guest rooms	49
Lessee	Hoshino Resorts Group
Rent type	Fixed + Floating (fixed rent for the first 3.4 years)
Operator	Hoshino Resorts Group
Planned acquisition price	3,913 million yen
Real estate appraisal value	4,020 million yen
To real estate appraisal value	97.3%
Lease period	20 years

Appraisal NOI yield (Note 2)	5.8%
Appraisal NCF yield (Note 3)	5.5%
Yield after depreciation (Note 4)	4.3%

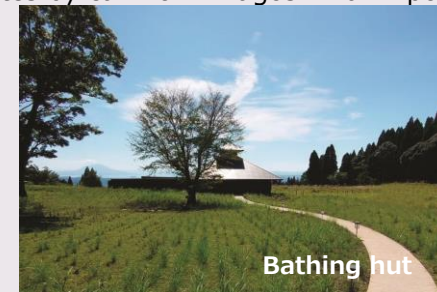


The charm of KAI Kirishima

- Surrounded by the magnificent nature of Kirishima Kinkowan National Park, **you can enjoy a panoramic view of Sakurajima and Kinkowan**
At the bathing hut down the mountain accessed via a slope car, soak in the sulfur springs of Kirishima and enjoy the rich nature and starry sky
- The guest rooms include the local room “Satsuma Shirasu-Daichi no Ma” with traditional crafts of Kagoshima prefecture such as Satsuma Japanese paper and headboard made of Shirasu, which is volcanic ash deposits peculiar to the prefecture, **and you can see Sakurajima from all the rooms**
- **A variety of sightseeing spots in the surrounding areas** such as Kirishima Jingu and Takachiho Farm, etc.
- Easy access, about 15 minutes by car from “Kirishima Jingu” station on the JR Kyushu Nippou Line, and about 45 minutes by car from “Kagoshima Airport”



Slope car



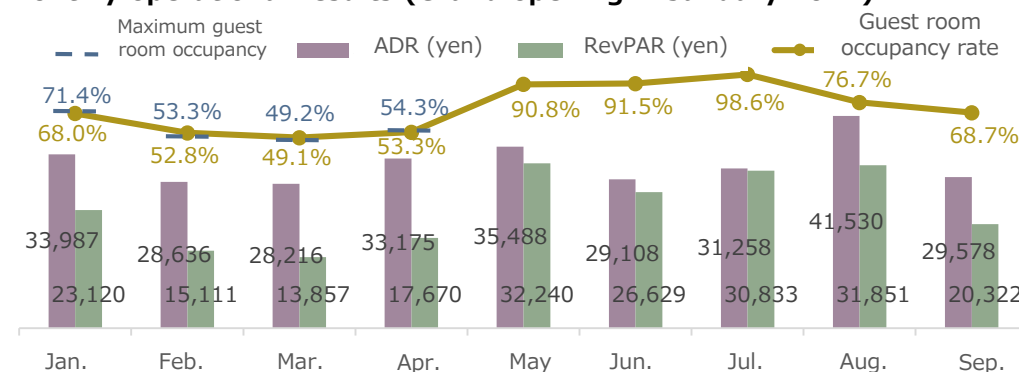
Bathing hut

Partnership agreement with Kirishima-shi

On November 1, 2019, Hoshino Resorts and Kirishima-shi, Kagoshima, signed a “Partnership Agreement” regarding the environmental improvement of Kirishima-Kinkowan National Park and the dissemination of its appeal associated with the construction of this property.

The agreement stipulates that Kirishima-shi and Hoshino Resorts will work together to create attractive accommodations that make the most of the natural environment while striving to protect the natural environment.

Monthly operational results (Grand opening in January 2021) (Notes 5,6,7,8,9,10)



Investment Highlights (3)
Acquired “KAI Kirishima” and “KAI Beppu” opened in 2021
Hoshino Resorts Group-operated property that can be expected to be competitive even under the pandemic

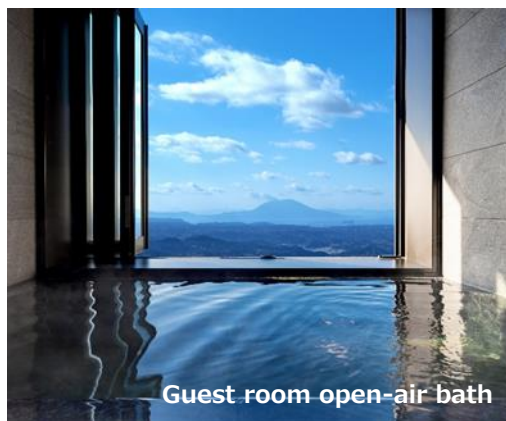
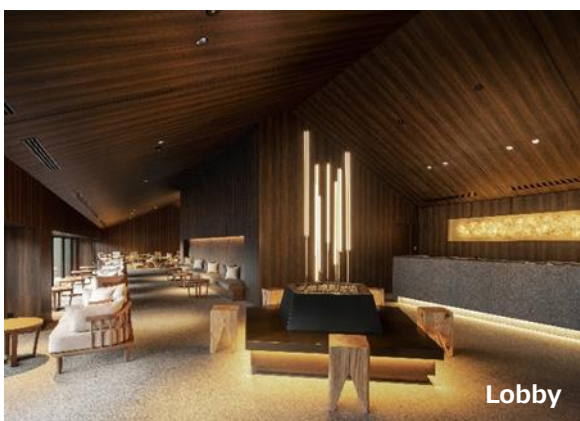
Hoshino Resorts REIT, Inc.

KAI Kirishima



A hot spring ryokan with a superb view overlooking Sakurajima

Photo gallery



Investment Highlights (3) Acquired “KAI Kirishima” and “KAI Beppu” opened in 2021 Hoshino Resorts Group-operated property that can be expected to be competitive even under the pandemic

Hoshino Resorts REIT, Inc.

KAI Beppu

Highlights of acquisition

- Located in Beppu Onsen, which boasts the largest number of springs and the amount of spring water in Japan^(Note 2) all guest rooms have ocean views overlooking Beppu Bay
- A hot spring ryokan where you can fully enjoy the charm of Beppu throughout your stay with the concept of “dramatic hot spring town”
- Acquired from the DBJ joint fund



Overview of the property

Address	Beppu-shi, Oita
Completion date	February 2021
Planned acquisition date	December 1, 2021
Total number of guest rooms	70
Lessee	Hoshino Resorts Group
Rent type	Fixed + Floating (fixed rent for the first 1.9 years)
Operator	Hoshino Resorts Group
Planned acquisition price	7,335 million yen
Real estate appraisal value	7,650 million yen
To real estate appraisal value	95.9%
Lease period	20 years

Appraisal NOI yield ^(Note 3)	5.3%
Appraisal NCF yield ^(Note 4)	5.3%
Yield after depreciation ^(Note 5)	3.9%



Stay in a dramatic hot spring town

(Note 1)

The charm of KAI Beppu

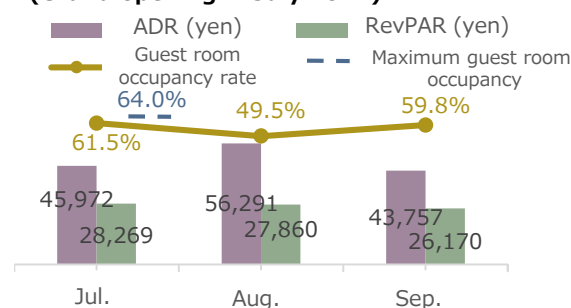
- A footbath overlooking Beppu Bay in front of you and a “lab” that resembles a night stall spread out, **reminiscent of the lively hot spring town of Beppu**, which was once compared to “Sleepless Town”
- The guest rooms feature **“Picture Window” where you can enjoy the sea like a painting**
In order to further enhance the beautiful seascape, **“Kakishibu-color” inspired by Beppu’s famous “Blood Pond Hell” is used for the walls and headboards**
“Bungo Shibori Interior” that incorporates local traditional crafts and culture
- **There are many sightseeing spots** such as “Beppu JIGOKU MEGURI THE HELL TOUR,” “Yukemuri Observatory” and “Takegawara Onsen”
- Easy access, about 10 minutes on foot from “Beppu” station on the JR Kyushu Nippou Line, and about 50 minutes by car from “Oita Airport”



Designed by world-famous architect Kengo Kuma

Hoshino Resorts wants you to experience the charm of the area by discovering the local culture and traditional crafts, and Mr. Kuma wants to convey new charm by blending into the surrounding environment using materials rooted in the local area, and design of this property was realized as a result of matching principles

Monthly operational results (Grand opening in July 2021) (Notes 6, 7)



Architect
Kengo Kuma

Investment Highlights (3)
Acquired “KAI Kirishima” and “KAI Beppu” opened in 2021
Hoshino Resorts Group-operated property that can be expected to be competitive even under the pandemic

Hoshino Resorts REIT, Inc.

KAI Beppu



Stay in a dramatic hot spring town

Photo gallery



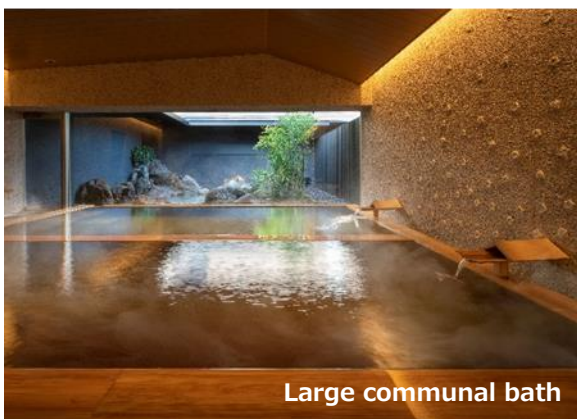
Bath place



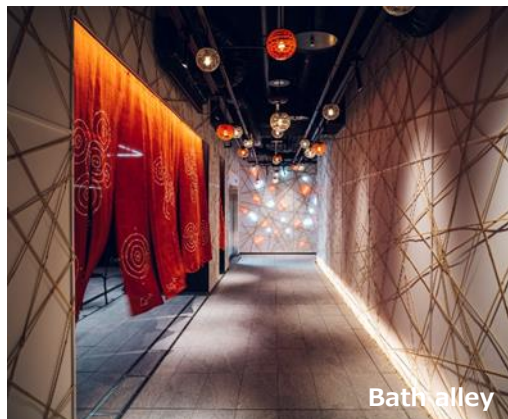
Seasonal kaiseki dining



Lab: hot spring mist making experience



Large communal bath



Bath alley



Gotochi-Gaku “Toji Jug Band”



Appendix

1. Hoshino Resorts Group's COVID-19-related initiatives
2. Financial highlights
3. ESG initiatives
4. Rent type of properties owned by HRR
5. Status of portfolio (after the public offering)

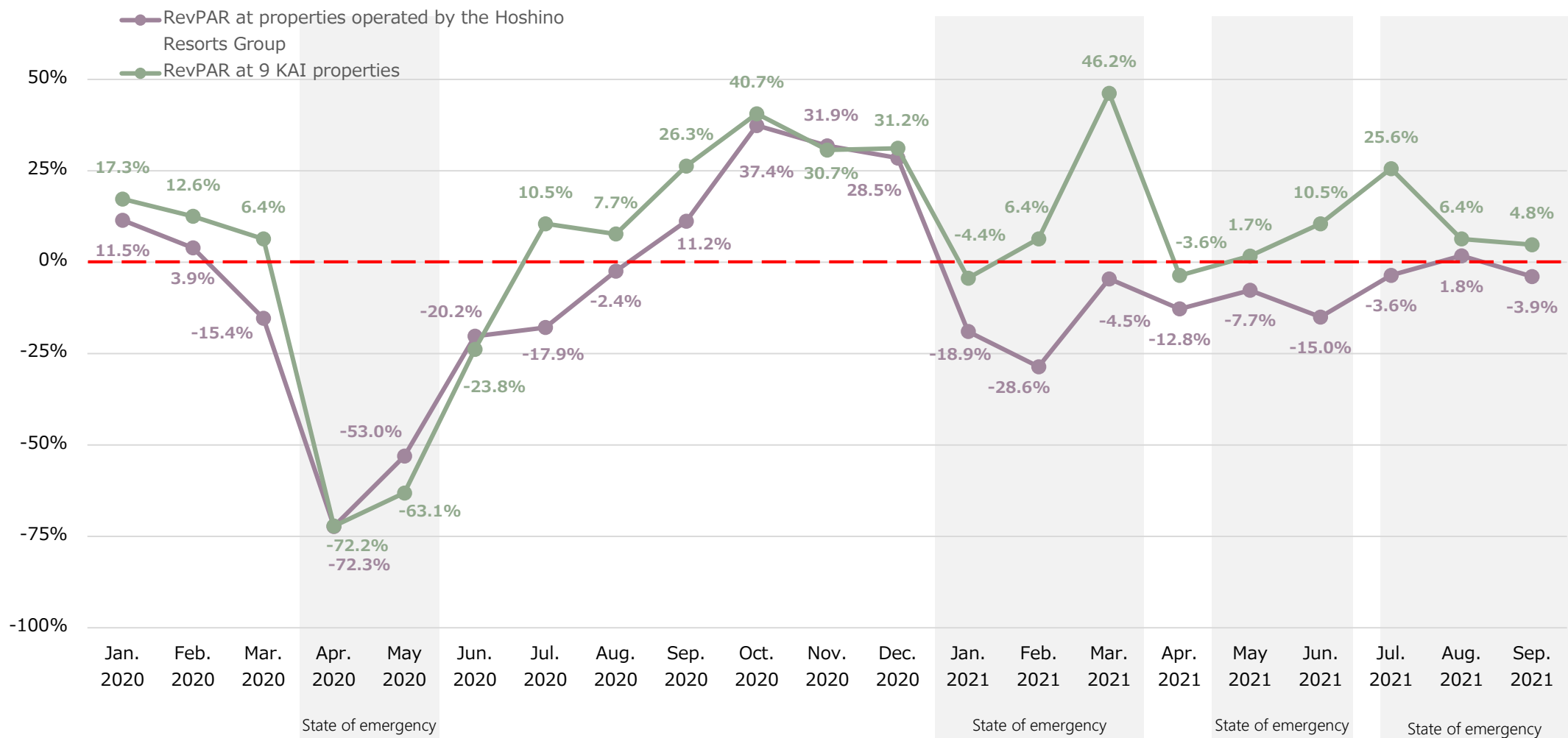
Hoshino Resorts Group's COVID-19-related initiatives

Operational results of properties operated by the Hoshino Resorts Group

Hoshino Resorts REIT, Inc.

Properties operated by the Hoshino Resorts Group, particularly KAI, a brand for high end hot spring ryokans located in famous hot spring resort areas, turned positive on a year-on-year comparison at an early stage in July 2020, and have also shown operational results equivalent to or surpassing pre-pandemic levels since then, despite the repeated declarations of state of emergency.

Changes in RevPAR of properties operated by the Hoshino Resorts Group and 9 KAI properties (compared to 2019) (Notes 1, 2, 3, 4)



Financial highlights

Build a solid financial foundation that balances financial soundness with property acquisition mobility

Hoshino Resorts REIT, Inc.

Since the spread of COVID-19, HRR has issued the first green bonds among hotel REITs and also conducted 5.5-year refinancing, which is the longest refinancing among hotel REITs, fixing interest-bearing debts for a long period of time and distributing repayment dates. In addition, HRR aims to create acquisition capability and ensure property acquisition mobility through the public offering.

Most recent financing

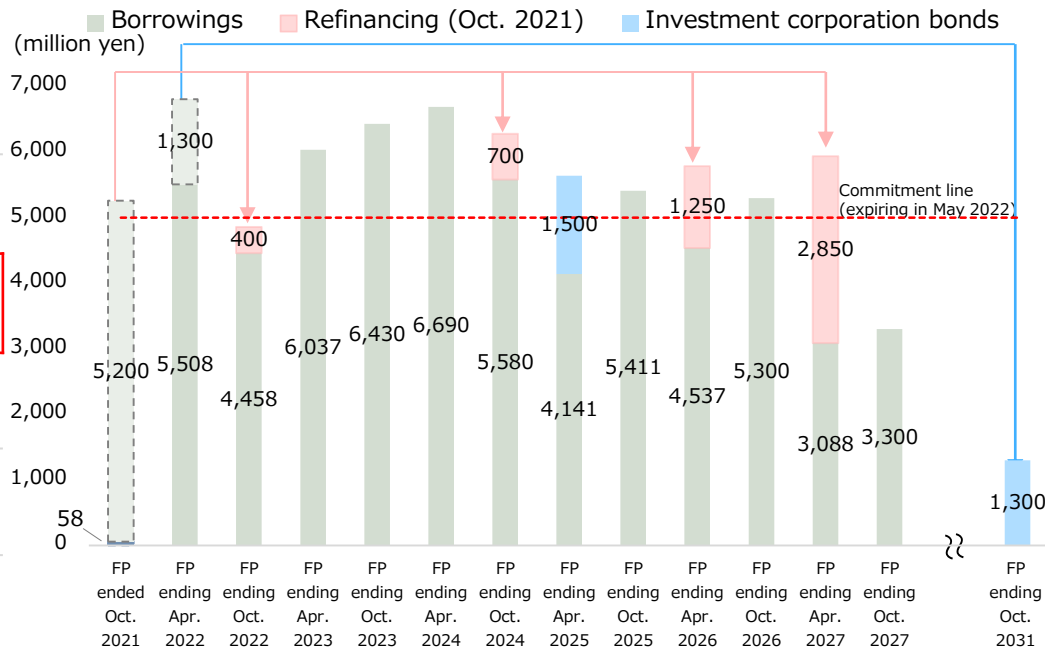
(1) Issuance of Green Bonds
(10-year bond)

Name	Second Series Unsecured Investment Corporation Bond (green bonds named Hoshino Resorts REIT Initiative Green "Owl Bonds")
Issuance date	August 26, 2021
Term	10 years
Total issue amount	1.30 billion yen
Interest rate (annual rate)	1.000%

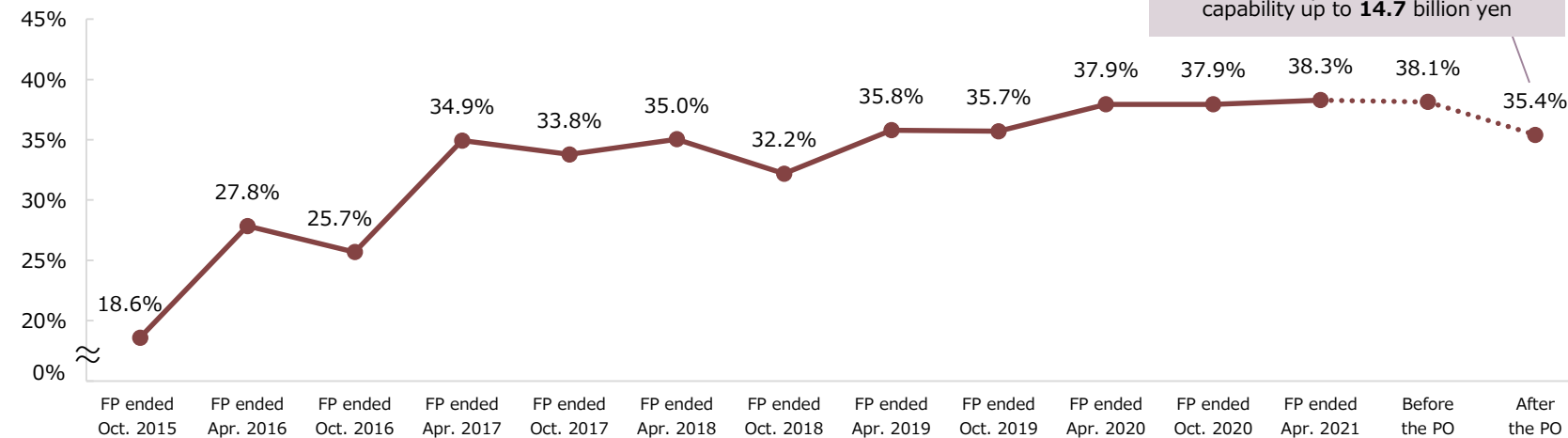
(2) Refinancing (up to 5.5 years)

Lenders	Syndication with MUFG Bank, Ltd. as the arranger (10 banks in total)(Note 1)			
Borrowing date	October 29, 2021			
Period	1.0 year	3.0 years	4.5 years	5.5 years
Amount of borrowings (total amount)	0.40 billion yen	0.70 billion yen (Total 5.20 billion yen)	1.25 billion yen	2.85 billion yen
Borrowing interest (annual rate) (Notes 2, 3)	0.35727%	0.3995%	0.5175%	0.6300%

Diversification status of repayment dates (as of October 31, 2021)



LTV control



LTV 40.0% expected to be acquisition capability up to 14.7 billion yen

Financial highlights (As of October 31, 2021)

Japan Credit Rating Agency, Ltd. (JCR)
Long-term issuer rating "A (stable)"
Unchanged as of January 8, 2021

Long-term interest-bearing debt ratio(Note 4)
99.3%

Fixed interest ratio(Note 5) 98.8%

Average remaining period(Note 6) 3.3 years

Average interest rate(Note 7) 0.71%

■ External assessment of HRR on ESG

GRESB Real Estate Assessment

Awarded “3 Stars” in 2021 GRESB Rating in October 2021



CASBEE real estate green building certification

“HOSHINOYA Karuizawa (Harunire Terrace)” receives S-rank CASBEE real estate green building certification in March 2021.



BELS energy certification

Three more properties receive BELS energy certification.



7 of our 63 properties have already received certification (as of the date of this material's release)

KAI Kinugawa (★★★★★)

Quintessa Hotel Osaka Shinsaibashi (★★★)

KAI Alps Front building (★★★★)

BEB5 Karuizawa (★★)

KAI Kaga (New Building) (★★★★★)



Candeo Hotels Sano (★★★★)



Chisun Inn Chiba Hamano R16 (★★)



2019

2020

2021

■ Measures for employees of the Asset Management Company

Pleasant working environment/diversity

〈Flat organization culture〉

The Hoshino Resorts Group believes that a flat organizational culture that promotes diversity is the source of its corporate competitiveness. The Asset Management Company has inherited this culture from the Hoshino Resorts Group. HRR believes that the Asset Management Company maintains a flat organizational hierarchy to the best of its ability, and has an organizational culture that urges employees to engage in free and lively debate about what the company should do regardless of age or gender, owing to personal relationships where one can say what they want to at any time to anyone.

〈Welfare and benefits system〉

- Study leave system
- Childbirth, parenting, and nursing care leave
- * With actual track record of parenting care leave use
- Reduced work hour system
- Career comeback system
- Support for skill acquisition while using parenting leave
- Introduction of the cumulative investment unit investment program

〈Employee satisfaction surveys〉

As of the date of this material's release, the Asset Management Company administers employee satisfaction surveys to all employees once a year and uses the results to create more pleasant working environments.

〈Labor consultation and Whistle-blowing hotline〉

As of the date of this material's release, the Asset Management Company has established a labor consultation and whistle-blowing hotline within the Hoshino Resorts Group for all employees to use. Confidentiality is maintained and we strive to rapidly identify and address problems.

Health and wellbeing of employees during the COVID-19 pandemic

- COVID-19 pandemic countermeasures
- Staggered work hours
- Mask distribution
- Daily temperature checks
- Working from home
- Sanitizer placement
- Fever monitoring

Environmental operation of HRR

<Sustainability targets>

HRR recognizes energy saving and the reduction of greenhouse gas as important environmental challenges for the lodging industry. We have established individual policies and are striving to reduce our environmental impact. We are working on applying ingenuity and implementing measures led by the concept of not placing the burden of endurance on guests or staff members. The Asset Management Company has defined our energy usage reduction targets as follows.

<For total assets held by HRR, our goal is to reduce annual energy usage by 1% in accordance with the Act on the Rational Use of Energy (commonly known as the Energy Conservation Act)>

Hoshino Resorts Group's environmental management

<Ecosystem of prosperous coexistence>

Hoshino Resorts Group sees hotels and local communities as being inseparable. Greater local allure directly contributes to an increase in hotel business. Likewise, when hotels share the allure of their areas, it helps increase the area's brand power.

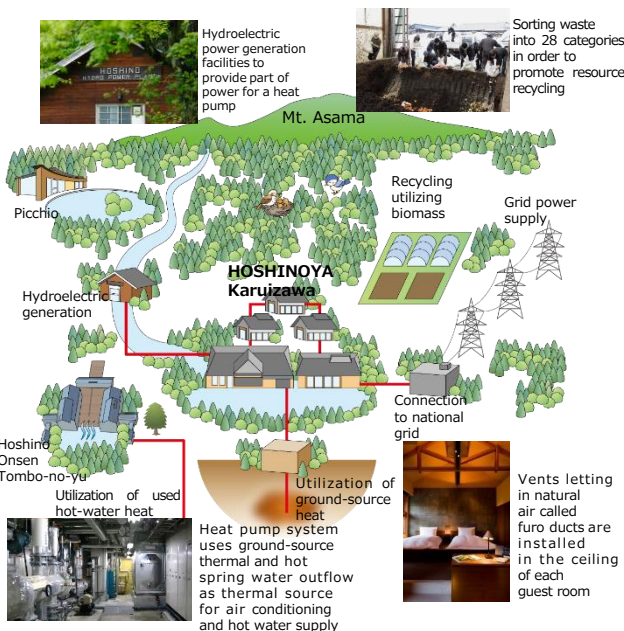
These locally-rooted activities are one of our sources of sustainable corporate competitiveness. Local communities have regional techniques; agricultural, forestry, and fishery products; tourism resources, and more. These are all sources of value. Hoshino Resorts Group also believes that environmental management requires development in the areas of ecotourism, zero emissions operation, and energy grids without environmental impacts.



We carry out unique initiatives based on the above philosophy.

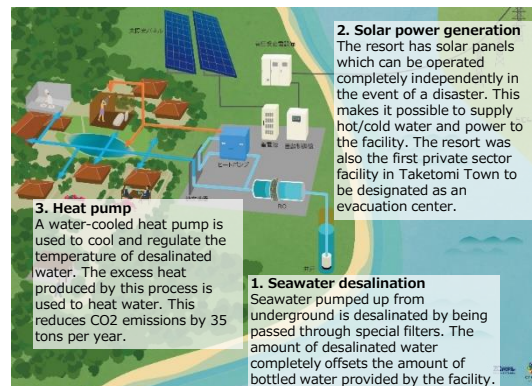
"EIMY" self-sufficient energy system of HOSHINOYA Karuizawa

"EIMY" stands for "Energy In My Yard". It is the concept of generating the power that you use locally, to the greatest degree possible, using local natural energy sources. Hydroelectric power generation facilities have been used in "HOSHINOYA Karuizawa" since early 20th century. We have combined this with measures that leverage the features of our resorts, such as geothermal energy and waste heat from hot springs. "HOSHINOYA Karuizawa" also has facilities aimed at conserving the natural environment, such as the Karuizawa National Wild Bird Sanctuary Forest.



HOSHINOYA Taketomi Island seawater desalination equipment and community contribution measures

The equipment installed at "HOSHINOYA Taketomi Island" is a "thermal desalination heat pump system" that not only desalinates seawater, but also generates and stores solar power and functions as a heat pump. (Note 1) It cuts annual CO2 emissions by 65 tons (Note 2) and can supply island residents with water in the event of a disaster.



In addition, on March 11, 2021, Hoshino Resorts Group, operator of "HOSHINOYA Taketomi Island", concluded a partnership agreement with "Taketomi-jima Regional Foundation" ("the Foundation"), which is dedicated to maintaining the natural environment of Taketomi Island, with the aim of preserving the island's natural environment and sustainably protecting island culture. Under this agreement, "HOSHINOYA Taketomi Island" and the Foundation will collaborate in increasing Taketomi Island's social and economic value through measures such as revitalizing traditional crops and developing activities aimed at solving the problem of waste washing ashore on the island.



Partnership agreement with Taketomi-jima Regional Foundation

Three collaborations

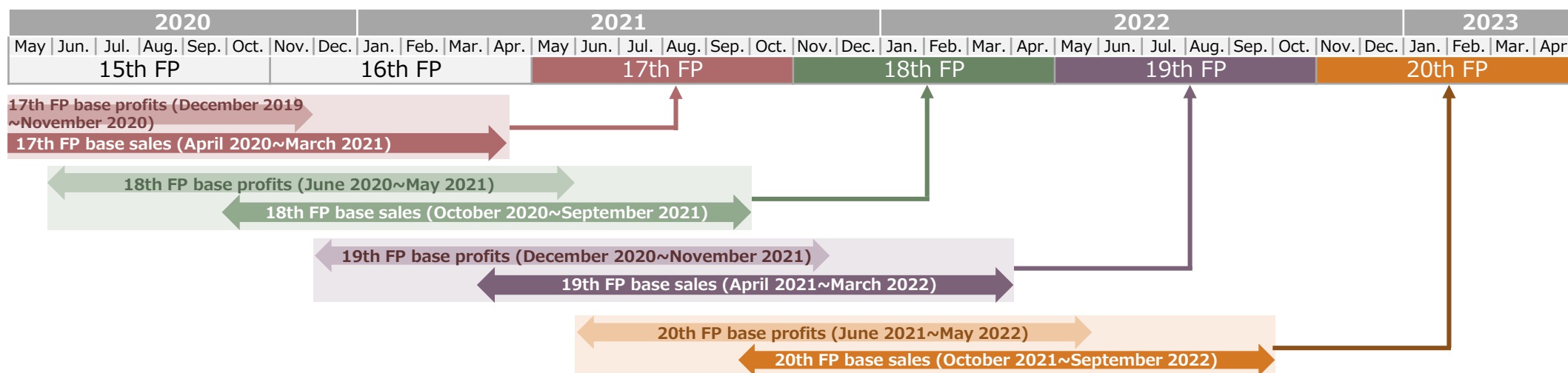
1. Develop activities aimed at solving the problem of waste washing ashore
2. Revitalize traditional crops across the island
3. Engage in technical collaboration with the aim of turning traditional crops into a local specialty

Rent type of properties owned by HRR

Hoshino Resorts REIT, Inc.

Rent type		Fixed rent	Fixed rent + floating rent	Fixed rent + floating rent	(after the public offering) Floating rent
Benchmark index for calculation of floating rent		—	Facility sales	Facility profits	Facility profits
No. of properties		9 properties	31 properties	24 properties	1 property
(Planned) acquisition price	Amount	9.4 billion yen	35.4 billion yen	115.9 billion yen	16.0 billion yen
	Ratio	5.3%	20.0%	65.6%	9.0%
Name of facility		5 Candeo properties, 3 Greens properties, HOTEL NIKKO KOCHI ASAHI ROYAL	HOSHINOYA Karuizawa, HOSHINOYA Kyoto, RISONARE Yatsugatake, KAI Matsumoto, KAI Izumo, KAI Ito, KAI Hakone, KAI Aso, KAI Kawaji, 22 Roadside properties	HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga, KAI Alps, KAI Enshu, KAI Nagato, KAI Kirishima, KAI Beppu, 3 ANA Crowne Plaza properties, OMO7 Asahikawa, Iriomote Hotel, BEB5 Karuizawa, 4 the b properties, hotel androoms Osaka Hommachi, Sol Vita Hotel Naha, Quintessa Hotel Osaka Shinsaibashi, Grand Hyatt Fukuoka	Hyatt Regency Osaka

(Reference) Corresponding period for profits or sales that serve as a basis for calculation of floating rent (excluding “Quintessa Hotel Osaka Shinsaibashi”)



Status of portfolio (after the public offering)

Hoshino Resorts REIT, Inc.

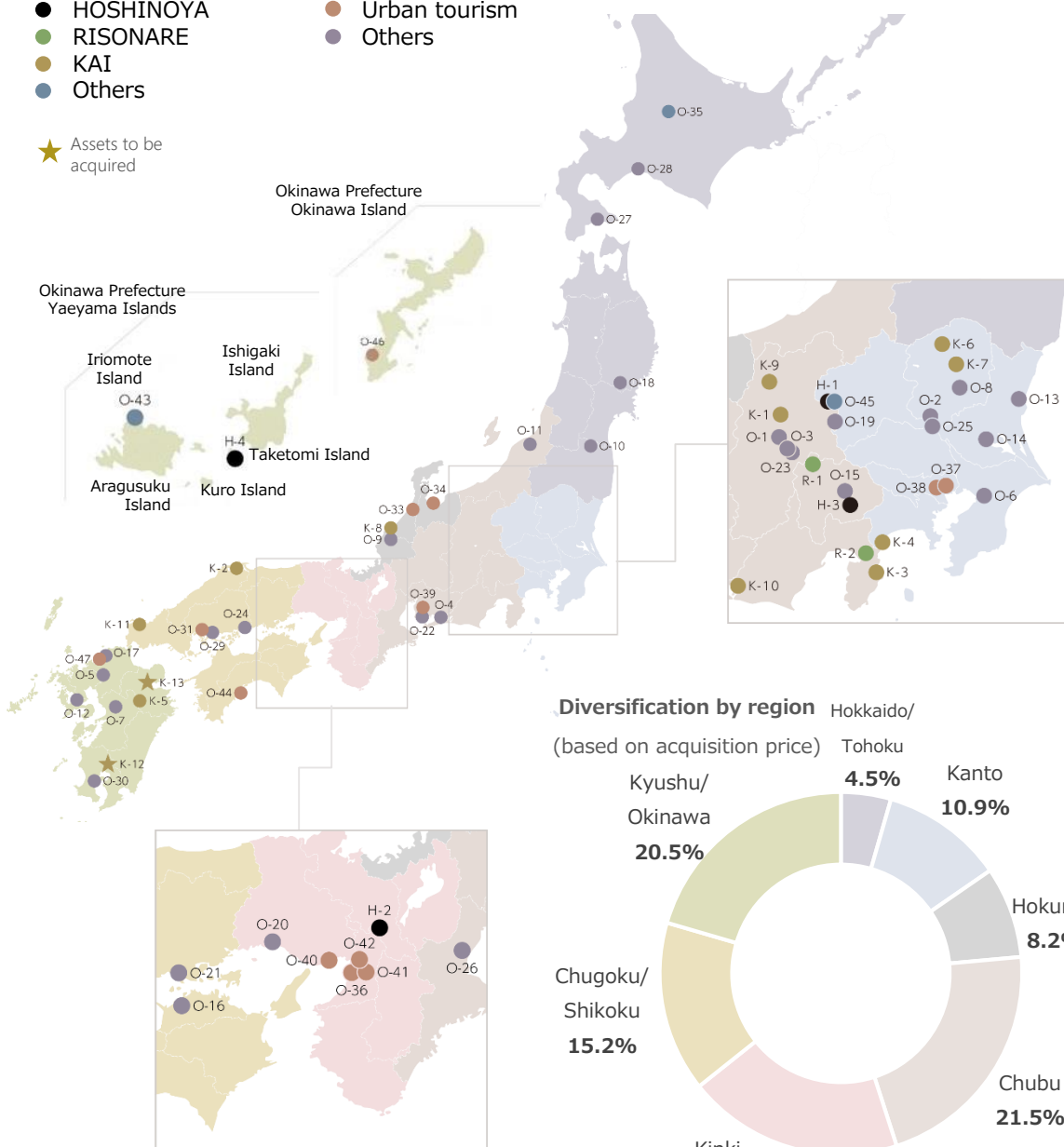
Properties operated by the Hoshino Resorts

- HOSHINOYA
- RISONARE
- KAI
- Others

★ Assets to be acquired

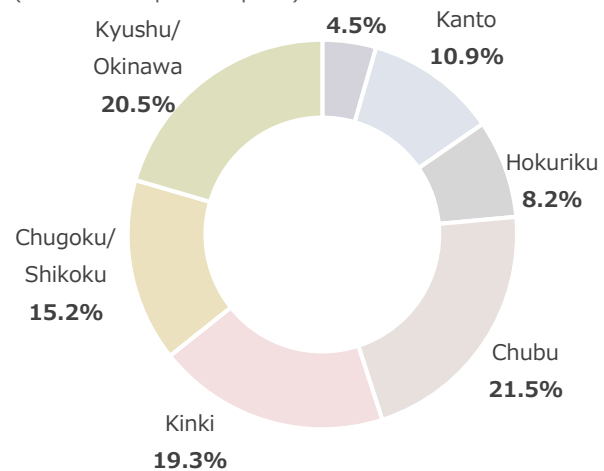
Properties operated by outside operators

- Urban tourism
- Others



Diversification by region

(based on acquisition price)



Category	Prop erty No.	Property name	Category	Prop erty No.	Property name
<Properties operated by the Hoshino Resorts>				O-42	hotel androoms Osaka Hommachi
	H-1	HOSHINOYA Karuizawa		O-44	HOTEL NIKKO KOCHI ASAHI ROYAL
	H-2	HOSHINOYA Kyoto		O-46	Sol Vita Hotel Naha
	H-3	HOSHINOYA Fuji		O-47	Grand Hyatt Fukuoka
	H-4	HOSHINOYA Taketomi Island	Others	O-1	Chisun Inn Shiojiri Kita IC
	R-1	RISONARE Yatsugatake		O-2	Chisun Inn Sano Fujioka IC
	R-2	RISONARE Atami		O-3	Chisun Inn Suwa IC
	K-1	KAI Matsumoto		O-4	Chisun Inn Toyokawa IC
	K-2	KAI Izumo		O-5	Chisun Inn Tosu
	K-3	KAI Ito		O-6	Chisun Inn Chiba Hamano R16
	K-4	KAI Hakone		O-7	Chisun Inn Kumamoto Miyukifueda
	K-5	KAI Aso		O-8	Chisun Inn Utsunomiya Kanuma
	K-6	KAI Kawaji		O-9	Chisun Inn Fukui
	K-7	KAI Kinugawa		O-10	Chisun Inn Fukushima Nishi IC
	K-8	KAI Kaga		O-11	Chisun Inn Niigata Chuo IC
	K-9	KAI Alps		O-12	Chisun Inn Nagasaki Airport
	K-10	KAI Enshu		O-13	Chisun Inn Hitachinaka
	K-11	KAI Nagato		O-14	Chisun Inn Tsuchiura Ami
	K-12	KAI Kirishima		O-15	Chisun Inn Kofu Isawa
	K-13	KAI Beppu		O-16	Chisun Inn Marugame Zentsuji
	O-35	OMO7 Asahikawa		O-17	Chisun Inn Munakata
	O-43	Iriomote Hotel		O-18	Chisun Inn Iwate Ichinoseki IC
	O-45	BEB5 Karuizawa		O-19	Chisun Inn Karuizawa
<Properties operated by outside operators>				O-20	Chisun Inn Himeji Yumesakibashi
Urban tourism	O-31	ANA Crowne Plaza Hiroshima		O-21	Chisun Inn Kurashiki Mizushima
	O-33	ANA Crowne Plaza Kanazawa		O-22	Candeo Hotels Handa
	O-34	ANA Crowne Plaza Toyama		O-23	Candeo Hotels Chino
	O-36	Hyatt Regency Osaka		O-24	Candeo Hotels Fukuyama
	O-37	the b akasaka		O-25	Candeo Hotels Sano
	O-38	the b sangenjaya		O-26	Candeo Hotels Kameyama
	O-39	the b nagoya		O-27	Comfort Hotel Hakodate
	O-40	the b kobe		O-28	Comfort Hotel Tomakomai
	O-41	Quintessa Hotel Osaka Shinsaibashi		O-29	Comfort Hotel Kure
				O-30	Chisun Inn Kagoshima Taniyama

- *In this material, “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.
- *In this material, the “Hoshino Resorts Group” refers to Hoshino Resorts Inc. (hereinafter may be referred to as “Hoshino Resorts” or the “sponsor”) and its parent company and subsidiaries. In addition, “Properties operated by the Hoshino Resorts Group” refers to hotels, ryokans and ancillary facilities operated by the Hoshino Resorts Group.
- *In this material, the eighth public offering since the establishment of HRR, which was resolved at HRR’s Board of Directors’ Meeting held on November 10, 2021, is referred to as the “8th public offering” or the “public offering.”
- *In this material, the “COVID-19 pandemic” means that COVID-19 has caused serious impacts on all industries.
- *In this material, “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).
- *In this material, “DBJ joint fund” refers to the jointly managed fund formed by Hoshino Resorts and Development Bank of Japan (hereinafter “DBJ”).
- *In this material, “WBF” collectively refers to two companies, WBF Hotel & Resorts Co., Ltd. and White Bear Family Co., Ltd., and their subsidiaries, etc., and the “WBF Group” collectively refers to WBF and WBF Holdings Co., Ltd.
- *In this material, “Hoshino Resorts Tourism Revitalization Fund” refers to Hoshino Resorts Tourism Revitalization Limited Investment Partnership.
- *In this material, “planned acquisition date” is the planned acquisition date as of the date of this material’s release, but may be changed under a mutual agreement between HRR and the current owner.
- *In this material, “capital increase through third-party allotment in May 2021” refers to fundraising through third-party allotment for Hoshino Resorts with the payment date of May 31, 2021.

Page 3

- (Note 1) 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 (limited to estate-related assets). For “real estate related assets,” please refer to “Part I. Fund Information, Section 1. Status of Fund, 2. Investment Policy (2) Investment target (i) Type of investment target assets” of the Securities Report submitted by HRR on July 27, 2021. The same applies hereinafter.
- (Note 2) For “Acquisition method,” please refer to “Part I. Fund Information, Section 1. Status of Fund, 2. Investment Policy (1) Investment policy (iv) Growth strategy (a) External growth” of the Securities Report submitted by HRR on July 27, 2021.
- (Note 3) “Completion date” is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (hereinafter “Building Standards Act”) for the main building, and “building age” is shown in parentheses. “Building age” shows the period from the completion date to October 31, 2021 with the number of days less than one month rounded down.
- (Note 4) “Planned acquisition price” indicates the sales/purchase price of each Asset to be acquired 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.
- (Note 5) Appraisal of Assets to be acquired has been commissioned to Japan Real Estate Institute, and “real estate appraisal value” indicates real estate appraisal value stated in the real estate appraisal report with appraisal date of November 1, 2021, each rounded down to the nearest million yen.
- (Note 6) “To real estate appraisal value” indicates the value derived by dividing planned acquisition price by real estate appraisal value, rounded to the second decimal place.
- (Note 7) “Planned acquisition date” is the planned acquisition date as of the date of this material’s release, but planned acquisition date of Asset to be acquired may be changed under a mutual agreement between HRR and the current owner.
- (Note 8) “Before the public offering” refers to October 31, 2021, and “After the public offering” refers to December 21, 2021 which is after the payment for the public offering and the third-party allotment. The same applies hereinafter.
- (Note 9) “Asset size” indicates the total of (planned) acquisition prices of assets (to be) acquired of HRR at each point in time.

Page 3

(Note 10) “NAV per unit” means net assets per unit based on appraisal value (or survey value), which is obtained by the following calculation formula, and differs from the amount of net assets per unit shown in the balance sheet.

NAV per unit = NAV / number of issued investment units

“NAV” means difference between assets and liabilities of HRR (net amount) when value of real estate related assets owned by HRR is appraised based on appraisal value (or survey value), which is obtained by the following calculation formula, and differs from the amount of net assets shown in the balance sheet.

NAV = net assets*1 – total distributions*2 + (total appraisal value (or survey value) of real estate related assets*3 – total book value of real estate related assets*1)

*1 For “net assets” and “total book value of real estate related assets,” the amount on the balance sheet as of the end of each fiscal period is used.

*2 For “total distributions,” total distributions on the statement pertaining to cash distributions (including distributions in excess of earnings) in each fiscal period is used.

*3 For “total appraisal value (or survey value) of real estate related assets,” appraisal value or survey value with the appraisal date of the end of each fiscal period is used.

NAV per unit before the public offering (hereinafter “NAV per unit (before the PO)”) and NAV per unit after the public offering (hereinafter “NAV per unit (after the PO)”) mean net assets per unit based on appraisal value (or survey value) at each point in time, which is obtained by the following calculation formula.

NAV per unit (before the PO) = NAV (before the PO) / total number of issued investment units as of the date of this material’s release

NAV (before the PO) = NAV (as of the end of the fiscal period ended April 2021) + total amount of issue value in the capital increase through third-party allotment in May 2021*1 + (total appraisal value of “Grand Hyatt Fukuoka” and “KAI Nagato” (hereinafter may be collectively referred to as “assets acquired in the 17th fiscal period”)*2 – total acquisition value of assets acquired in the 17th fiscal period*3) – (appraisal value of “ANA Crowne Plaza Fukuoka” (hereinafter the “asset transferred in the 17th fiscal period”)*4 – book value of the asset transferred in the 17th fiscal period as of the end of the fiscal period ended April 2021)

*1 “Total amount of issue value in the capital increase through third-party allotment in May 2021” means the total amount of issue value in the third-party allotment obtained through the capital increase through third-party allotment in May 2021 of 1,964 million yen. The same applies hereinafter.

*2 “Total appraisal value of assets acquired in the 17th fiscal period” is calculated using the appraisal value stated in each real estate appraisal report (appraisal report at the time of acquisition) prepared at the appraisal date on February 15, 2021 for “Grand Hyatt Fukuoka” and on April 12, 2021 for “KAI Nagato.”

*3 “Total acquisition value of assets acquired in the 17th fiscal period” is the estimated amount calculated by the Asset Management Company on the basis of the estimated amount of acquisition price, acquisition cost, etc. based on information obtained by the Asset Management Company as of the date of this material’s release, and may differ from the actual figure.

*4 “Appraisal value of the asset transferred in the 17th fiscal period” means real estate appraisal value stated in the real estate appraisal report prepared with April 30, 2021 as the appraisal date.

NAV per unit (after the PO) = NAV (after the PO) / number of issued investment units after the public offering*5

NAV (after the PO) = NAV (before the PO) + total amount of issue value in the public offering and the third-party allotment*6 + total appraisal value of Assets to be acquired – total amount of planned acquisition value of Assets to be acquired*7

*5 “Number of issued investment units after the public offering” refers to the number of issued investment units as of the date of this material’s release plus the number of investment units newly issued through the public offering and the third-party allotment. The third-party allotment is based on the premise that all the investment units to be offered are subscribed to by Nomura Securities Co., Ltd. and issued. Therefore, if all or part of the investment units to be offered in the third-party allotment are not subscribed to and not issued, the actual number of investment units newly issued through the public offering will be smaller than the above number of units.

*6 “Total amount of issue value in the public offering and the third-party allotment” is the estimated amount as of the date of this material’s release based on the premise that all the investment units to be offered in the third-party allotment are issued, which is calculated on the basis of the closing price of the investment unit in a regular trading session at the Tokyo Stock Exchange as of Tuesday, October 26, 2021, and does not necessarily match the actual total amount of issue value in the public offering and the third-party allotment. If the actual issue value is lower than the estimated amount, or if all or part of the investment units to be offered in the third-party allotment are not subscribed to and not issued, the total amount of issue value in the public offering and the third-party allotment will also decrease. Hence, the actual NAV per unit (after the PO) may be lower.

*7 “Total amount of planned acquisition value of Assets to be acquired” is the estimated amount calculated by the Asset Management Company on the basis of the estimated amount of planned acquisition price, acquisition cost, etc. based on information obtained by the Asset Management Company as of the date of this material’s release, and may differ from the actual figure.

(Note 11) “LTV” is the ratio of interest-bearing debt to HRR total assets at a given time. LTV before the public offering (hereinafter “LTV (before the PO)”) and LTV after the public offering (hereinafter “LTV (after the PO)”) are the unaudited result of trial calculations found by the following calculation formula, and may differ from actual LTV. The same applies hereinafter.

LTV (before the PO) = (total interest-bearing debts on the balance sheet as of the end of the fiscal period ended April 2021 + increase or decrease in interest-bearing debts from May 1, 2021 to October 31, 2021) / (total assets on the balance sheet as of the end of the fiscal period ended April 2021 + increase or decrease in interest-bearing debts from May 1, 2021 to October 31, 2021 + total amount of issue value in the third-party allotment in May 2021 + security deposit and guarantee deposit on assets acquired in the 17th fiscal period – security deposit and guarantee deposit on the asset transferred in the 17th fiscal period)

LTV (after the PO) = (total interest-bearing debts on the balance sheet as of the end of the fiscal period ended April 2021 + estimated amount of increase or decrease in interest-bearing debts from May 1, 2021 to December 21, 2021) / (total assets on the balance sheet as of the end of the fiscal period ended April 2021 + estimated amount of increase or decrease in interest-bearing debts from May 1, 2021 to December 21, 2021 + total amount of issue value in the third-party allotment in May 2021 + estimated total amount of issue value in the public offering + estimated total amount of issue value in the third-party allotment + security deposit and guarantee deposit on assets acquired in the 17th fiscal period and Assets to be acquired – security deposit and guarantee deposit on the asset transferred in the 17th fiscal period)

The calculation was made with the “estimated total amount of issue value in the public offering” and the “estimated total amount of issue value in the third-party allotment” being 13,148,300,830 yen and 657,075,993 yen, respectively. These amounts are estimated amounts as of the date of this material’s release calculated on the basis of the closing price of the investment unit in a regular trading session at the Tokyo Stock Exchange as of October 26, 2021. In addition, the third-party allotment is based on the premise that all the investment units to be offered are subscribed to by Nomura Securities Co., Ltd. and issued.

Therefore, these amounts do not necessarily match the actual total amount of issue value in the public offering and the actual total amount of issue value in the third-party allotment.

If the actual issue value is lower than the estimated amount, or if all or part of investment units to be offered in the third-party allotment are not subscribed to and not issued, the amount of funds raised in the public offering or the third-party allotment will be lower than the above amount and consequently actual LTV will be higher than the stated figure. Conversely, if the actual issue value is higher than the above estimated amount, the amount of funds raised in the public offering or the third-party allotment will be higher than the above amount and consequently actual LTV will be lower than the stated figure.

(Note 12) “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. The same applies hereinafter. Please note that we do not guarantee or promise to procure debt funds or acquire properties with the debt funds to be procured.

Page 3

- (Note 13) The estimated amount of “acquisition capability” before the public offering and after the public offering indicates the amount of acquisition capability if LTV (before the PO) and LTV (after the PO) are raised to 40.0%, rounded down to the nearest 100 million yen. As for the estimated amount of “acquisition capability” after the public offering, if the actual total amount of issue value in the public offering is smaller or larger than the estimated amount as of the date of this material’s release, actual “acquisition capability” after the public offering may be lower or higher than the stated amount accordingly. The same applies hereinafter.
- (Note 14) The figures of “LTV” and “acquisition capability” after the public offering are estimated figures as of the date of this material’s release, which were derived based on the estimated amount of proceeds in the public offering, etc. calculated on the basis of the closing price of the investment unit in a regular trading session at the Tokyo Stock Exchange as of October 26, 2021. Proceeds in the public offering may change, and these estimated figures do not necessarily match actual figures of LTV and acquisition capability. The same applies hereinafter.
- (Note 15) “Vaccination rate” refers to the proportion of people who completed vaccinations for COVID-19 to the overall population, and shows the proportion of people who completed at least one vaccination to the overall population based on the estimate of the Statistics Bureau of the Ministry of Internal Affairs and Communications as of September 2021.
- (Note 16) Figures derived by indexing the price of investment unit as of December 30, 2019 as 100 are shown. “Hotel REITs” refers to six investment corporations listed on the Tokyo Stock Exchange which held accommodation facilities such as hotels and ryokans at 80% or more based on (planned) acquisition price as of October 29, 2021, and are five listed investment corporations specializing in hotels and ryokans provided by THE ASSOCIATION FOR REAL ESTATE SECURITIZATION as well as Invincible Investment Corporation. Of hotel REITs, five investment corporations other than HRR are referred to as “hotel REITs (excluding HRR).” The same applies hereinafter.

Page 4

- (Note 1) “Properties operated by outside operators” refers to hotels, ryokans and ancillary facilities operated by operators other than the Hoshino Resorts Group. The same applies hereinafter.
- (Note 2) “Hoshino Resorts Group recognition rate” indicates the ratio of respondents to the survey, which has been conducted by Macromill, Inc. in August or September of each year since 2013 at the request of the Hoshino Resorts Group, who gave “Hoshino Resorts” as “facilities of which they have seen or heard the name” to all valid responses in the survey, rounded to the first decimal place.
In implementing the above survey, Macromill, Inc. collected responses from the respondents (monitors of Macromill, Inc.) who said that they lived in the surveyed areas (the Kanto region (referring to Tokyo, Chiba, Kanagawa and Saitama) and the Kansai region (Kyoto, Osaka, Hyogo, Nara, Wakayama and Shiga)) at the time when the survey was conducted, using the method of Internet research (referring to the method that is one of representative methods for market research and where questionnaire members gathered on the Web are asked to answer a questionnaire via email, etc. and they respond on a questionnaire screen).
The figures of the Hoshino Resorts Group recognition rate were calculated from responses to the survey conducted in a limited scope targeting certain research areas and respondents, and neither indicate the number and ratio of people who previously used, or will use in the future, facilities operated by the Hoshino Resorts Group, nor show the number and ratio of people who have chosen facilities operated by the Hoshino Resorts Group for accommodation.
- (Note 3) For 2021, the number of facilities as at the end of September 2021 is shown.

Page 5

- (Note 1) “Pipeline” refers to property acquisition opportunities provided to HRR. The same applies hereinafter.
- (Note 2) This is an image to clearly explain HRR’s basic strategy and its strategy for expansion of pipeline, and does not guarantee or promise that the stated strategy can be realized and the stated properties are opened in the stated period. In addition, except for Assets to be acquired, there is no specific plan for HRR to acquire the indicated properties, nor is there any guarantee that HRR will acquire them in the future.
- (Note 3) When an SPC is used for real estate securitization, it is common to use capital-like financing (equity) together with debt financing such as loans and bond issues. As a means of raising debt financing, loans that are subordinated to loans from banks and other financial institutions in terms of repayment ranking, etc., may be implemented. Such loans are called mezzanine loans, and loans that have priority over mezzanine loans are called senior loans (receivables based on mezzanine loans refers to the “mezzanine loan receivables”).
Mezzanine loans are generally subordinated to senior loans in terms of repayment ranking, etc., but the interest rate is generally set higher than that of senior loans.
Therefore, if the principal and interest are repaid on time, higher returns can be realized compared to senior loans. In the event that the full amount of principal and interest of the senior loan and mezzanine loan cannot be paid due to a decrease in income from the underlying real estate, etc. or a decline in the value of the real estate, etc., the payment for the senior loan shall take priority over the payment for the mezzanine loan. As a result, the principal and interest of the mezzanine loan will not be paid as scheduled. However, since payments to mezzanine loans are in principle made in priority to payments to capital-like financing (equity), even if the value of real estate, etc. declines, the principal of capital-like financing (equity) will be damaged first, and then the principal of mezzanine loans will be impaired only after all capital-like financing (equity) has been impaired. Therefore, mezzanine loans are generally regarded as relatively safer assets than capital-like financing (equity).
- (Note 4) The “underlying asset” includes composition costs, reserve funds, etc. in addition to “(Tentative name) Hotel WBF Grande Kansai Airport”. The name “(Tentative name) Hotel WBF Grande Kansai Airport” is a tentative name as of the date of this material’s release, and the official name will be decided by the borrower, etc. in the future, and the name may be changed from “(Tentative name) Hotel WBF Grande Kansai Airport” at the time of commencement of the operation of this property. There is no specific plan for HRR to acquire the underlying asset, nor is there any guarantee that HRR will acquire the underlying asset in the future. The same applies hereinafter.
- (Note 5) The annual rate of 10.50% is the interest rate applied in the period up to the scheduled repayment date, and the annual rate of 11.50% is the interest rate applied in the period from the day following the scheduled repayment date to the final repayment date.
- (Note 6) In regard to the Loan Receivables to be Acquired, interest in the amount calculated by the following formula (hereinafter “PIK interest”) shall be incurred, and on each interest payment date, the payment will be automatically deferred until the scheduled repayment date (or the final repayment date if the scheduled repayment date is extended). The PIK interest shall not be incorporated into the principal amount and will not bear interest. Amount of PIK interest on Loan Receivables to be Acquired = [Principal balance of the Loan Receivables to be Acquired on the first day of the interest calculation period] x [2.00%] x [actual number of days in the referenced interest calculation period] / 365
- (Note 7) The “underlying asset” refers to “(Tentative name) Hotel WBF Grande Kansai Airport.” In addition, the “appraisal value of the underlying asset” is the appraisal value of the building and its site for its own use, based on the assumption that it is not yet open for business and the operator has not yet been determined, on the appraisal date of March 1, 2021, which was provided by TLS5 Specified Purpose Company. The said appraisal value is not the appraisal value obtained by HRR.
- (Note 8) This is an image of the framed concept for the development of “OMO7 Osaka,” not a conceptional drawing of the property at completion, and does not show its appearance after the completion, etc. The same applies hereinafter.

Accompanying notes (4)

Page 6

(Note 1) This is an image to clearly explain the scheme of the DBJ joint fund, and does not guarantee or promise that all individual funds that fall under the DBJ joint fund adopt the same scheme. Except for Assets to be acquired, there is no specific plan for HRR to acquire the developed properties stated, nor is there any guarantee that HRR will acquire them in the future. “GP” and “LP” mean general partners and limited partners, respectively.

(Note 2) “No. 1 Fund” refers to Hoshino Resorts Ryokan and Hotel Management Support No. 1 Investment Limited Partnership, and “No. 2 Fund” refers to Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment Limited Partnership.

Page 7

(Note 1) “WBF Group” refers to WBF and WBF Holdings Co., Ltd. The same applies hereinafter.

(Note 2) There is no specific plan for HRR to acquire the hotels stated in the list, nor is there any guarantee that HRR will acquire them in the future.

(Note 3) This is an image to clearly explain the structure of Hoshino Resorts Tourism Revitalization Fund and the overview and intent of silent partnership investment to be made by HRR on December 1, 2021, and does not guarantee or promise that all individual investments or loans of Hoshino Resorts Tourism Revitalization Fund employ the same structure. “GP” and “LP” mean general partners and limited partners, respectively.

(Note 4) There is no specific plan for HRR to acquire properties to be developed by OkuhidaonsenryokanGK in the future, nor is there any guarantee that HRR will acquire them in the future.

Page 8

(Note 1) “Sponsor pipeline” refers to property acquisition opportunities provided by the Hoshino Resorts Group including Hoshino Resorts, the sponsor of HRR, to HRR. The same applies hereinafter.

(Note 2) There is no specific plan for HRR to acquire the properties stated in the list, nor is there any guarantee that HRR will acquire them in the future.

(Note 3) Facilities for which “(planned)” is stated in “Start of operation” have not commenced operation as of the date of this material’s release, and the schedule to commence operation as of the date of this material’s release is shown and may be changed in the future.

Page 9

(Note) There is no specific plan for HRR to acquire the assets stated as under development, nor is there any guarantee that HRR will acquire them in the future.

Page 10

(Note 1) This is a concept invented by the Hoshino Resorts Group to demonstrate the appeal of the property to customers, and does not guarantee or promise the current status of facilities of the property and any service offered in the facilities.

(Note 2) “Appraisal NOI yield” indicates figures calculated by the Asset Management Company by dividing Net Operating Income, which was derived by subtracting operating expenses from operating revenue stated in the real estate appraisal report or research report (hereinafter referred to as the “real estate appraisal report, etc.”) of “KAI Kirishima,” by the planned acquisition price of “KAI Kirishima,” rounded to the second decimal place. “Appraisal NOI yield” was calculated by the Asset Management Company, and is not the figure stated in the real estate appraisal report, etc. Net operating income is income before deducting depreciation. It is different from Net Cash Flow (NCF), which is derived by adding interest on security deposit, etc. to and deducting capital expenditures from net operating income. In addition, net operating income by the direct capitalization method is used. The same applies hereinafter.

(Note 3) “Appraisal NCF yield” indicates figures calculated by the Asset Management Company by dividing Net Cash Flow (NCF) for one year stated in the real estate appraisal report, etc. of “KAI Kirishima,” by the planned acquisition price of “KAI Kirishima,” rounded to the second decimal place. Net Cash Flow (NCF) is derived by adding interest on security deposit, etc. to and deducting capital expenditures from net operating income, and net income by the direct capitalization method is used. “Appraisal NCF yield” was calculated by the Asset Management Company, and is not the figure stated in the real estate appraisal report, etc. The same applies hereinafter.

(Note 4) “Yield after depreciation” indicates figures calculated by the Asset Management Company by dividing the figure derived by deducting estimated depreciation as of the date of this material’s release from Net Operating Income, which was derived by subtracting operating expenses from operating revenue stated in the real estate appraisal report, etc. of “KAI Kirishima,” by the planned acquisition price of “KAI Kirishima,” rounded to the second decimal place. Estimated depreciation as of the date of this material’s release uses the estimated amount calculated by the Asset Management Company by multiplying the planned acquisition price and the estimated amount of acquisition cost, etc. by the depreciation rate using the straight line method based on the useful life, taking into account information obtained by the Asset Management Company such as the engineering report. “Yield after depreciation” was calculated by the Asset Management Company (result of trial calculations), and is not the figure stated in the real estate appraisal report, etc. In addition, net operating income by the direct capitalization method is used. The same applies hereinafter.

(Note 5) Because the opening day (grand opening) of “KAI Kirishima” is January 29, 2021, the total value from the opening day to the end of the month is shown for monthly operational results in January 2021.

(Note 6) “Guest room occupancy rate” is the figure sought by the following formula and rounded to the second decimal place. The same applies hereinafter.

Guest room occupancy rate = Number of guest rooms sold / Number of guest rooms available

(Note 7) “ADR” refers to Average Daily Rate, and indicates the figure derived by dividing the total room revenue for a certain period by the total number of guest rooms sold (total number of occupied rooms) during the same period, rounded down to the nearest specified unit. The same applies hereinafter.

(Note 8) “RevPAR” refers to Revenue Per Available Room, and indicates the figure derived by dividing the total room revenue for a certain period by the total number of guest rooms available during the same period, rounded down to the nearest specified unit. The same applies hereinafter.

(Note 9) “Maximum guest room occupancy” is the upper limit of the guest room occupancy rate when a restriction is placed on the number of guest rooms sold. The same applies hereinafter.

(Note 10) The past guest room occupancy rate, ADR, RevPAR and maximum guest room occupancy indicate information obtained from the seller as it is and are 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 operational performance of the asset, and in certain instances, there is potential to deviate significantly.

Page 12

(Note 1) This is a concept invented by the Hoshino Resorts Group to demonstrate the appeal of the property to customers, and does not guarantee or promise the current status of facilities of the property and any service offered in the facilities.

(Note 2) This information is based on “10 Best Hot Springs by Prefecture (2019)” of JAPAN SPA ASSOCIATION (announced on April 19, 2021) and “Hot spring data, Overview of hot springs in the prefecture” on the website of the Oita Prefectural Government, and HRR does not guarantee or promise its accuracy.

Page 12

- (Note 3) “Appraisal NOI yield” indicates figures calculated by the Asset Management Company by dividing Net Operating Income, which was derived by subtracting operating expenses from operating revenue stated in the real estate appraisal report, etc. of “KAI Beppu,” by the planned acquisition price of “KAI Beppu,” rounded to the second decimal place. “Appraisal NOI yield” was calculated by the Asset Management Company, and is not the figure stated in the real estate appraisal report, etc. Net operating income is income before deducting depreciation. It is different from Net Cash Flow (NCF), which is derived by adding interest on security deposit, etc. to and deducting capital expenditures from net operating income. In addition, net operating income by the direct capitalization method is used.
- (Note 4) “Appraisal NCF yield” indicates figures calculated by the Asset Management Company by dividing Net Cash Flow (NCF) for one year stated in the real estate appraisal report, etc. of “KAI Beppu,” by the planned acquisition price of “KAI Beppu,” rounded to the second decimal place. Net Cash Flow (NCF) is derived by adding interest on security deposit, etc. to and deducting capital expenditures from net operating income, and net income by the direct capitalization method is used. “Appraisal NCF yield” was calculated by the Asset Management Company, and is not the figure stated in the real estate appraisal report, etc.
- (Note 5) “Yield after depreciation” indicates figures calculated by the Asset Management Company by dividing the figure derived by deducting estimated depreciation as of the date of this material’s release from Net Operating Income, which was derived by subtracting operating expenses from operating revenue stated in the real estate appraisal report, etc. of “KAI Beppu,” by the planned acquisition price of “KAI Beppu,” rounded to the second decimal place. Estimated depreciation as of the date of this material’s release uses the estimated amount calculated by the Asset Management Company by multiplying the planned acquisition price and the estimated amount of acquisition cost, etc. by the depreciation rate using the straight line method based on the useful life, taking into account information obtained by the Asset Management Company such as the engineering report. “Yield after depreciation” was calculated by the Asset Management Company (result of trial calculations), and is not the figure stated in the real estate appraisal report, etc. In addition, net operating income by the direct capitalization method is used.
- (Note 6) Because the grand opening day of “KAI Beppu” is July 8, 2021, the total value from the grand opening day to the end of the month is shown for monthly operational results in July 2021.
- (Note 7) The past guest room occupancy rate, ADR, RevPAR and maximum guest room occupancy indicate information obtained from the seller as it is and are 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 operational performance of the asset, and in certain instances, there is potential to deviate significantly.

Page 15

- (Note 1) “Microtourism” refers to a travel style in which people spend time in nearby places while avoiding the 3Cs (Crowded spaces, human Contacts, Closed spaces), advocated by the Hoshino Resorts Group as the new way to travel balancing prevention of the spread of infection with local economies in the context of the COVID-19 pandemic. The same applies hereinafter.
- (Note 2) “Time beset by COVID-19” refers to the period in and after April 2020 in which COVID-19 has spread across the nation and been prolonged, and new normal to prevent the infection has prevailed.
- (Note 3) “Microtourism business zones” refers to business zones designated by the Hoshino Resorts Group with the entire country segmented into 11 areas, in order to promote its microtourism measures. These business zones are the concept uniquely established by the Hoshino Resorts Group, and do not necessarily match the actual customer-attracting scope of each facility located in the business zones.
- (Note 4) Except for assets (to be) acquired by HRR, there is no specific plan for HRR to acquire the assets stated, nor is there any guarantee that HRR will acquire them in the future.
- (Note 5) This was not implemented in HRR’s assets (to be) acquired.

Page 16

- (Note 1) “RevPAR of properties operated by the Hoshino Resorts Group” and “RevPAR of 9 KAI properties” indicate the ratio of RevPAR in each month of 2020 and 2021 to figures in the same month of 2019.
- (Note 2) Because “BEB5 Karuizawa” was opened in February 2019, “KAI Enshu” was acquired in November 2020, and “KAI Nagato” was acquired in June 2021, they are not included in the stated figures.
- (Note 3) “9 KAI properties” refers to “KAI Matsumoto”, “KAI Izumo”, “KAI Ito”, “KAI Hakone”, “KAI Aso”, “KAI Kawaji”, “KAI Kinugawa”, “KAI Kaga” and “KAI Alps” owned by HRR as of December 31, 2018.
- (Note 4) In the chart, the period for which the declaration of the states of emergency was issued in Tokyo is shown as the “state of emergency.”

Page 17

- (Note 1) “Syndication with MUFG Bank, Ltd. as the arranger” refers to MUFG Bank, Ltd., Development Bank of Japan Inc., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited, Mizuho Bank, Ltd., The Bank of Fukuoka, Ltd., The Ashikaga Bank, Ltd., The Yamaguchi Bank, Ltd., The Bank of Kyoto, Ltd., The Higo Bank, Ltd.
- (Note 2) “Borrowing interest (annual rate)” for the period of 1.0 year is for borrowings on a floating interest basis, but was calculated based on JBA three-month Japanese yen TIBOR as of October 27, 2021. The actual floating rate applied is three-month Japanese yen TIBOR at the specified point in time two business days before each due date of interest payment, and may differ from the borrowing rate.
- (Note 3) For “Borrowing interest (annual rate)” (excluding the period of 1.0 year), interest payable has been fixed by an interest rate swap agreement.
- (Note 4) “Long-term interest-bearing debt ratio” indicates the ratio of borrowings with a period of over one year and HRR issuing bonds with a long-term redemption period to interest-bearing debts.
- (Note 5) “Fixed interest ratio” indicates the ratio of fixed-rate borrowings and HRR issuing bonds to interest-bearing debts. Interest-bearing debts carrying floating rate fixed by an interest rate swap agreement were calculated as interest-bearing debts carrying fixed rate to which the said fixed rate is applied.
- (Note 6) “Average remaining period” indicates figures weight-averaged based on the balance of each interest-bearing debt for the period after the public offering up to the final repayment date, rounded to the second decimal place.
- (Note 7) “Average interest rate” is the weighted-average of interest rate on each interest-bearing debt based on the balance of each interest-bearing debt. Loan fees, etc. are not included. Interest rate on interest-bearing debts carrying floating rate was calculated based on JBA one-month Japanese yen TIBOR and JBA three-month Japanese yen TIBOR as of October 27, 2021. Interest-bearing debts carrying floating rate fixed by an interest rate swap agreement were calculated as interest-bearing debts carrying fixed rate to which the said fixed rate is applied.

Page 19

- (Note 1) This product was developed by ZENERAL HEATPUMP INDUSTRY CO., LTD. and Energia Inc. for use at HOSHINOYA Taketomi Island, and a patent for the system’s technology has been applied for as of the date of this material’s release.
- (Note 2) Reduction in CO₂ emissions indicates the figure calculated by HRR in accordance with the “Guidebook for Calculating Effects of Projects to Address Global Warming <for Applicants for Subsidized Projects>” released by the Ministry of the Environment at the time of planning the “thermal desalination heat pump system” project, was derived to quantitatively calculate effects of reduction in energy-related CO₂ emissions for the subsidized project for countermeasure technology against global warming conducted by the Ministry of the Environment, and does not indicate the amount of actually reduced CO₂ emissions.