



Hoshino
Resorts
REIT

18th Fiscal Period ended April 2022 Presentation Materials

Hoshino Resorts REIT, Inc. Presentation Materials

Securities Code: 3287

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

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

July 25, 2022



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





HOSHINOYA Taketomi Island

We believe the tourism industry is very important for Japan's revitalization in an aging society with a declining birthrate.

We aim to create schemes to benefit from the growth in Japan's tourism industry through unitholders owning investment units, and continually expand unitholder value.



Iriomote Hotel



RISONARE Yatsugatake

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The following abbreviations are used hereinafter.

"Hoshino Resorts", "Hoshino Resorts Group"	Hoshino Resorts Inc., its parent company and its subsidiaries
"4 HOSHINOYA Properties"	HOSHINOYA Karuizawa, HOSHINOYA Kyoto, HOSHINOYA Fuji and HOSHINOYA Taketomi Island
"2 RISONARE Properties"	RISONARE Yatsugatake, RISONARE Atami
"8 KAI Properties"	KAI Matsumoto, KAI Tamatsukuri, KAI Ito, KAI Hakone, KAI Aso, KAI Kawaji, KAI Kinugawa and KAI Kaga
"13 KAI Properties"	KAI Matsumoto, KAI Tamatsukuri, KAI Ito, KAI Hakone, KAI Aso, KAI Kawaji, KAI Kinugawa, KAI Kaga, KAI Alps, KAI Enshu, KAI Nagato, KAI Kirishima and KAI Beppu
"22 Roadside Properties", "Roadside"	22 Chisun Inn budget hotels operated by the Solare Group
"3 ANA Crowne Plaza Properties"	ANA Crowne Plaza Hiroshima, ANA Crowne Plaza Kanazawa and ANA Crowne Plaza Toyama
"4 the b Properties"	the b akasaka, the b sangenjaya, the b nagoya and the b kobe
"2 Hyatt Properties"	Hyatt Regency Osaka, Grand Hyatt Fukuoka
"5 Candeo Properties"	Candeo Hotels Handa, Candeo Hotels Chino, Candeo Hotels Fukuyama, Candeo Hotels Sano and Candeo Hotels Kameyama
"3 Greens Properties"	Comfort Hotel Hakodate, Comfort Hotel Tomakomai and Comfort Hotel Kure

Unless otherwise noted, monetary amounts are rounded down to the nearest unit and ratios are rounded to the second decimal place.

Main monthly indicators and inbound ratios are based on figures supplied by tenants.

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Highlights of the 18th fiscal
period ended April 2022

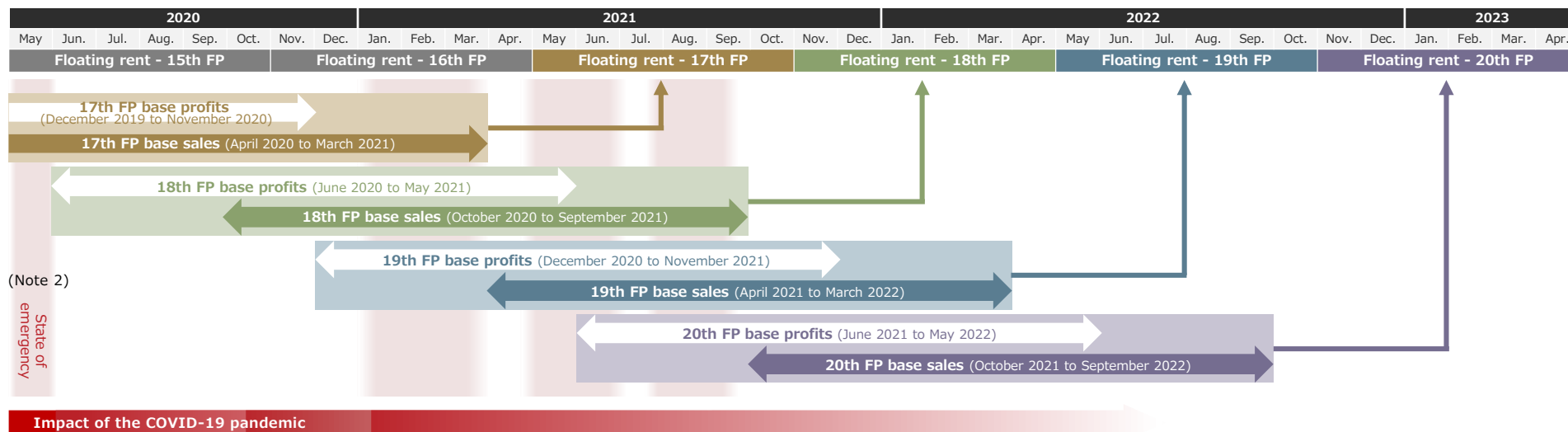
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Results of distribution per unit and business forecast assumptions

	Previous forecast (released Dec. 15, 2021)	This forecast (released Jun. 15, 2022)	
Results for the 18th FP (ended April 2022)	7,153 yen	Actual results 7,195 yen (+42 yen vs. Dec. 15 forecast)	<ul style="list-style-type: none"> Results were affected by COVID-19-related declines in revenue for sales-linked properties up to and including September 2021 and for profit-linked properties for the period up to and including May 2021, primarily for properties other than those operated by Hoshino Resorts. Actual results were roughly in line with the December 2021 forecast.
Forecast for the 19th FP (ending October 2022)	7,542 yen	Forecast 7,607 yen (+65 yen vs. Dec. 15 forecast)	<ul style="list-style-type: none"> Results have been forecast to be affected by COVID-19-related declines in revenue for sales-linked properties for the period up to and including March 2022 and for profit-linked properties for the period up to and including November 2021, primarily for properties other than those operated by Hoshino Resorts. Travel demand recovered from winter 2021 to spring 2022 in comparison to the period leading up to and including fall 2021, and sales results improved in comparison to the December 2021 forecast, primarily for Hoshino Resorts-managed properties. One-off expenses related to the public offering were recorded.
Forecast for the 20th FP (ending April 2023)	—	Forecast 8,331 yen (+724 yen, +9.5% vs. 19th FP)	<ul style="list-style-type: none"> Results have been forecast to be affected by COVID-19-related declines in revenue for sales-linked properties for the period up to and including September 2022 and for profit-linked properties for the period up to and including May 2022, primarily for properties other than those operated by Hoshino Resorts. Total rent for Hoshino Resorts-managed properties possessed since before the COVID-19 pandemic rose above pre-pandemic levels. External growth through the public offering is expected to contribute significantly, causing business performance to improve in relation to the 19th fiscal period ending Oct. 2022

Reference: Corresponding period for profits or sales that serve as a basis for calculation of floating rent (excluding “Quintessa Hotel Osaka Shinsaibashi”)(Note1)



Fiscal period ended April 2022 (18th FP) Financial Summary

	Results of the 17th FP	Forecast for the 18th FP <small>(released Dec. 15, 2021) (A)</small>	Results of the 18th FP <small>(B)</small>	Comparison with Forecast <small>(B)-(A)</small>
Operational status <small>(millions of yen)</small>				
Operating revenue	4,840	5,431	5,438	+6
Operating expenses	2,994	3,228	3,237	+9
Operating profit	1,845	2,203	2,200	▲2
Ordinary profit	1,412	1,755	1,764	+8
Profit	1,410	1,754	1,761	+7
Distribution per unit	6,344 yen	7,153 yen	7,195 yen	+42 yen
Others				
NOI (millions of yen)	3,892	4,360	4,336	▲23
NOI yield	4.7%	4.9%	4.9%	▲0.0pt
LTV	38.1%	35.4%	35.5%	+0.1pt
NAV per unit	522,634 yen	-	537,090 yen	-

Breakdown of operating revenue

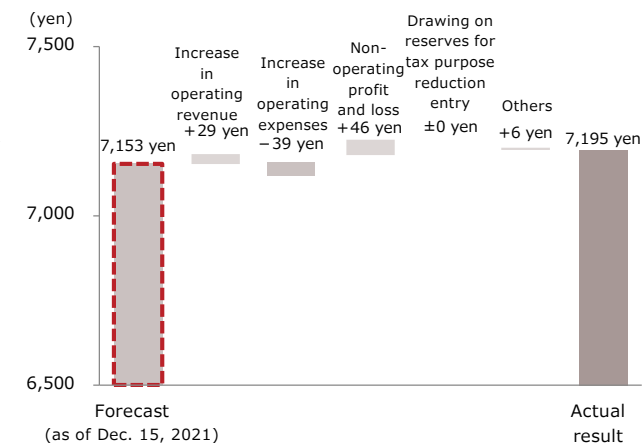
■ Fixed rent + Minimum guarantee	4,590 million yen (84.4%)
■ Floating rent excluding Minimum guarantee	797 million yen (14.7%)
■ Other revenue	50 million yen (0.9%)

Comparison with previous forecast of operating expenses

■ Rental business expenses (repair expenses)	37 million yen
■ Rental business expenses (expenses other than repair expenses)	▲10 million yen
■ Increase/decrease in other expenses	▲17 million yen

Breakdown of distribution increase and decrease

■ Distribution per unit	7,195 yen
■ Comparison with Forecast	+42 yen (+0.6%)



Implementation of the 9th public
offering and financial summary of
the 18th fiscal period ended April 2022

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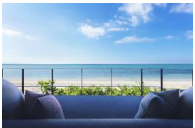
Investment Highlights (1): Aiming to achieve a medium-term target of 300 billion yen in assets, accelerated the growth phase with a view to increasing the ratio of properties operated by Hoshino Resorts Group to more than 50%

Outline of the 9th public offering

HRR conducted a public offering with the aim of achieving external growth that helps to increase investor value through acquisition of HOSHINOYA Okinawa, Hoshino Resorts Group's flagship brand, and efficient financing backed by its good reputation in the capital market.

Outline of the 9th public offering^(Note 1)

Assets acquired

Property name	HOSHINOYA Okinawa
Lessee and operator	Hoshino Resorts Group
Picture of property	
Acquisition method	Sponsor pipeline (DBJ joint fund development)
Completion date	November 2019 (2 years and 8 months)
Acquisition date	July 1, 2022
Acquisition price	12,210 million yen
Real estate appraisal value	13,300 million yen
To real estate appraisal value	91.8%

	Before the PO	After the PO
No. of properties	65 ^{properties}	66 ^{properties}
Asset size	176.8 ^{billion yen}	189.0 ^{billion yen}
Ratio of properties operated by Hoshino Resorts Group	37.9%	42.0%
Unitholders' capital ^(Notes 2, 6)	117.2 ^{billion yen}	123.8 ^{billion yen}
NAV per unit ^(Notes 3, 6)	537,090 ^{yen}	542,903 ^{yen}
LTV ^(Notes 4, 6)	35.5%	36.3%
Acquisition capability ^(Notes 5, 6)	14.3 ^{billion yen}	12.5 ^{billion yen}

Overview of the offering

Type of offering	Domestic offering
No. of investment units in offering (public offering)	10,670 units
Payment amount (public offering)	6,292 million yen

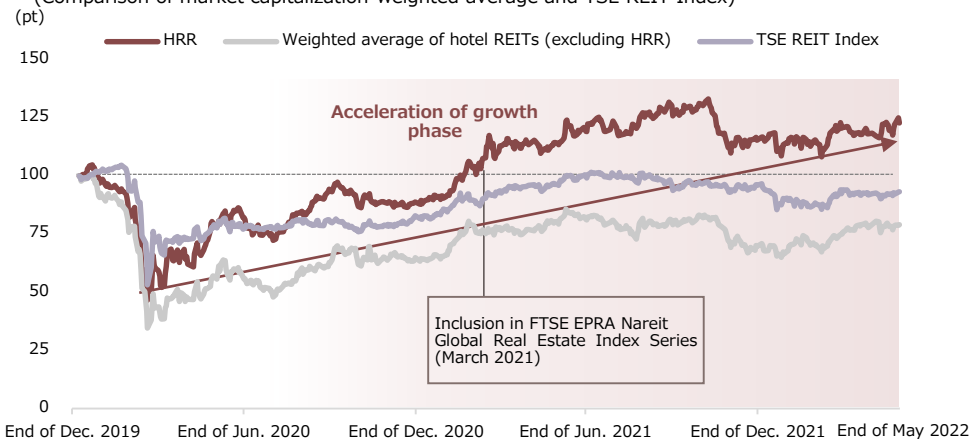
Aim of HRR

- To increase asset size and improve portfolio quality by acquiring the newest property of "HOSHINOYA", Hoshino Resorts Group's flagship brand
- To improve the growth potential and stability of earnings by increasing the ratio of properties operated by Hoshino Resorts Group
- To increase NAV per unit through the public offering at a firm investment unit price in addition to acquisition of property at a reasonable price

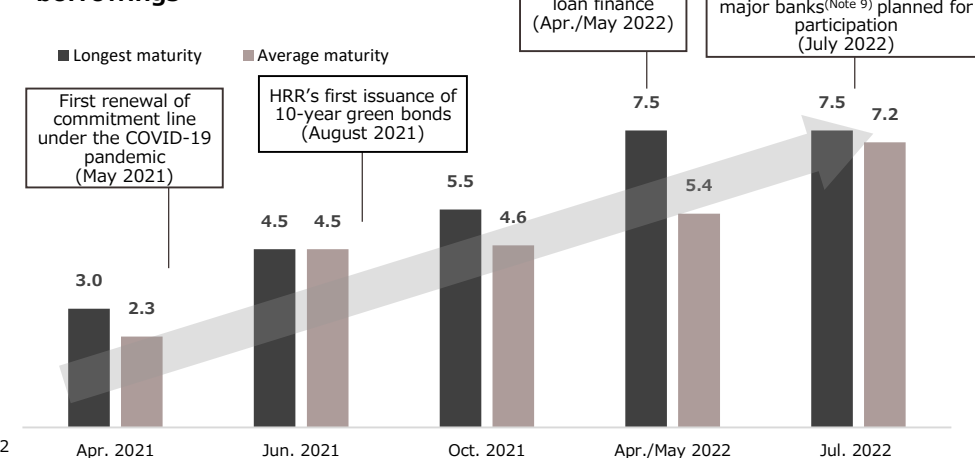
Good reputation in the capital market under the COVID-19 pandemic

Investment unit price^(Note 8) of HRR and Hotel REITs (excluding HRR)^(Note 7)

(Comparison of market capitalization-weighted average and TSE REIT Index)



Financing record through borrowings

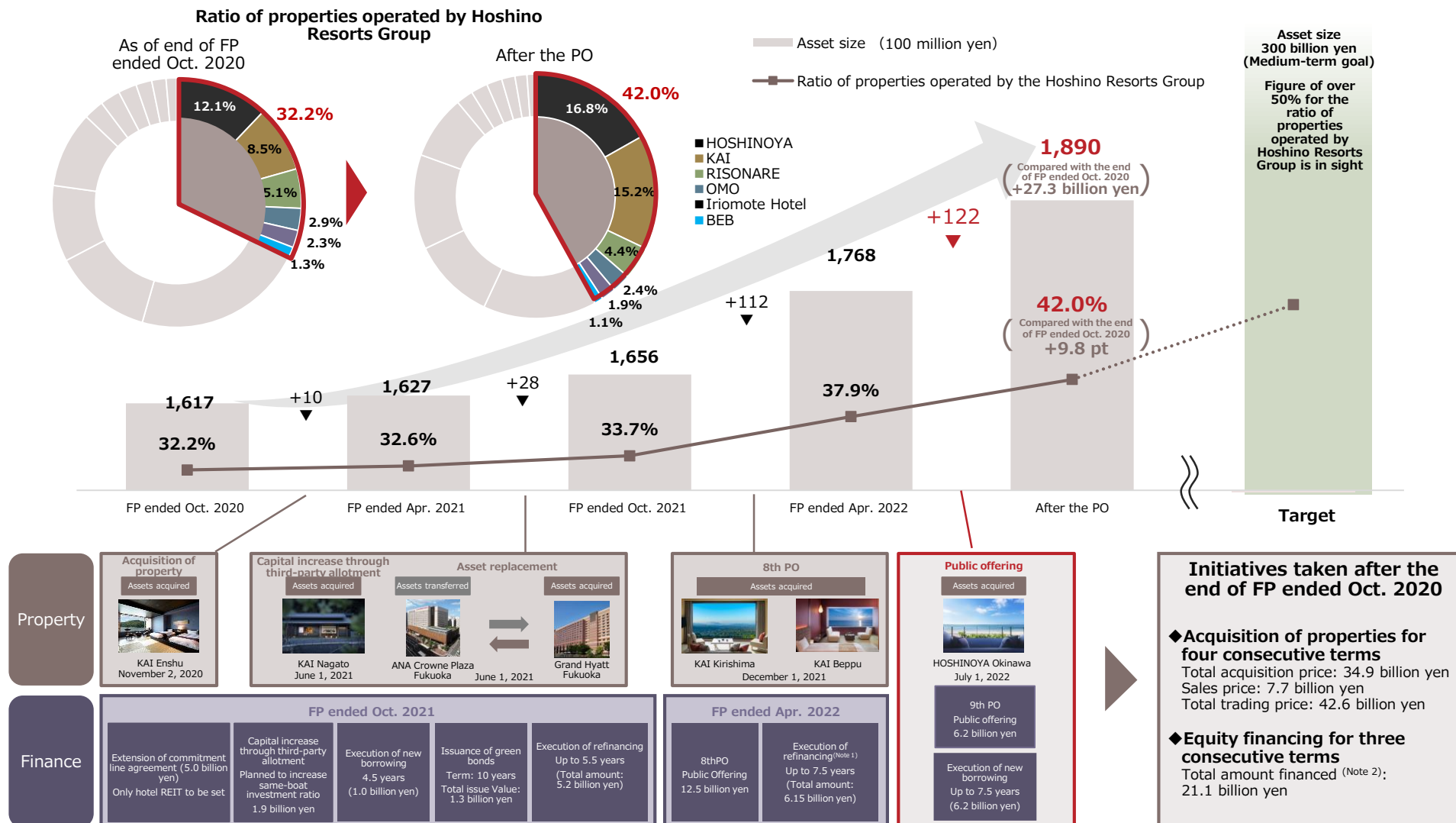


Investment Highlights (1): Aiming to achieve a medium-term target of 300 billion yen in assets, accelerated the growth phase with a view to increasing the ratio of properties operated by Hoshino Resorts Group to more than 50%

Active efforts promoted under the COVID-19 pandemic

HRR will continue to keep actively working for further growth, with the aim of achieving 300 billion yen in asset size and over 50% in the ratio of properties operated by Hoshino Resorts Group.

Trend of the asset size of HRR

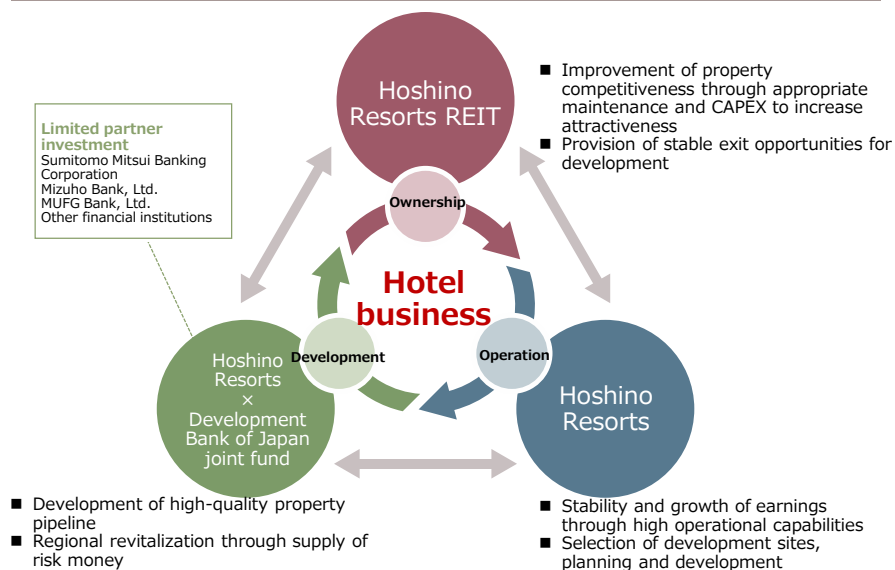


Investment Highlights (2): Realizing sustainable external growth by leveraging Hoshino Resorts Group's growth cycle of "ownership," "operation," and "development"

Abundant acquisition opportunities through DBJ joint fund, a jointly managed fund by Hoshino Resorts and Development Bank of Japan

Under the strong partnership created by HRR (ownership), Hoshino Resorts Group (operation) and the DBJ joint fund (development), HRR has realized external growth through continuous acquisition of competitive, high-quality properties. We will continue playing our role in the three-party growth cycle, with the aim of enhancing sustainable external growth and improving portfolio quality.

HRR basic strategy: Three-party growth cycle



9 properties operated by Hoshino Resorts Group have been completed or are under development through the DBJ joint fund ^(Note)

Of them, 5 properties (29.2 billion yen acquisition price basis) have been acquired by HRR



Assets acquired



HOSHINOYA Okinawa

By building a structure suitable for the current environment, we have acquired properties through a joint fund operated by Hoshino Resorts and the Development Bank of Japan for the third consecutive fiscal year.

■ External growth embracing opportunity to acquire high-quality, recently built properties at a reasonable price

We embraced the opportunity to acquire a new facility for "HOSHINOYA", Hoshino Resorts Group's flagship brand, at a reasonable price (91.8% of the real estate appraisal value). This price is one which is only available in the current environment, in which the COVID-19 pandemic has inhibited the overheating of competition for the acquisition of hotel properties. We have also taken COVID-19 pandemic risk into consideration.

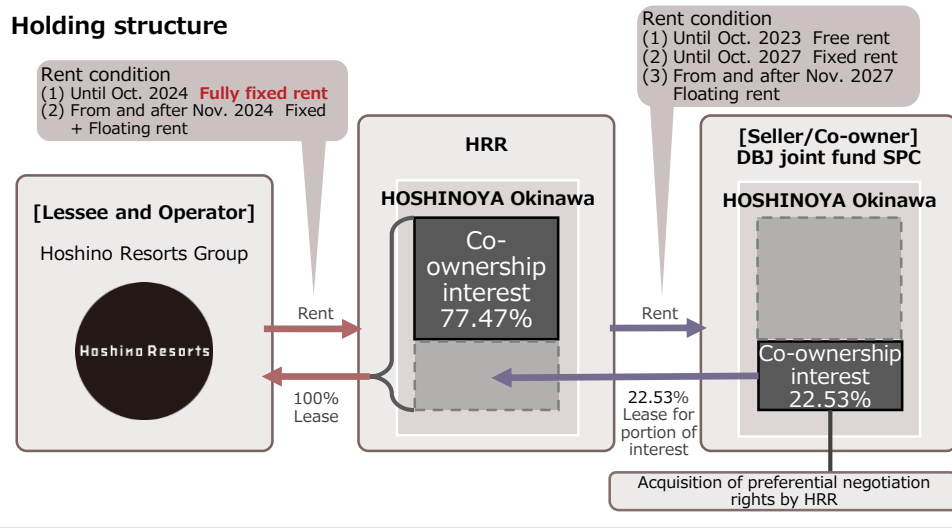
■ Reduction of impact of COVID-19 risk through rent specification based on sponsor commitment

Agreement was reached with Hoshino Resorts to set fully fixed rent for a period of two years and four months after acquisition on the back of its commitment to HRR and operation of the property.

■ We obtained preferential negotiation rights for the 22.53% co-ownership interest intended to be held continuously by the joint fund SPC.

Probability of acquisition was increased from the preferential negotiation rights obtained in view of future acquisition of unacquired portions.

Holding structure



Overview of the property



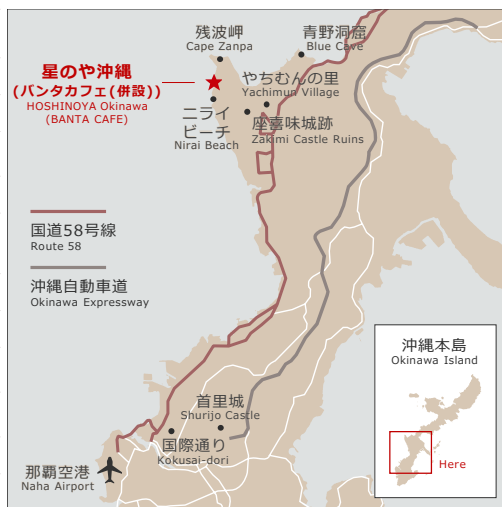
HOSHINOYA Okinawa

Stay at the *gusuku* residence

Property highlights

- In Okinawa Prefecture, which boasts the same number of visitors as Hawaii, Hoshino Resorts acquired HOSHINOYA, the uncompromising flagship brand developed by Hoshino Resorts Group.
- In an area surrounded by a 4.5-meter-high *gusuku* (Okinawan fortress) wall, there is a 40-meter-long infinity pool and ocean front in all rooms. In addition, there is an ocean cafe, "Banta Cafe," where you can enjoy a spectacular view. It has a magnificent sense of scale.
- Blessed with beautiful sea and Okinawan vegetation, the beach resort offers a panoramic view of the sea surrounded by coral reefs from all guest rooms, as well as an attractive facility with a variety of cultural activities to attract customers throughout the year.

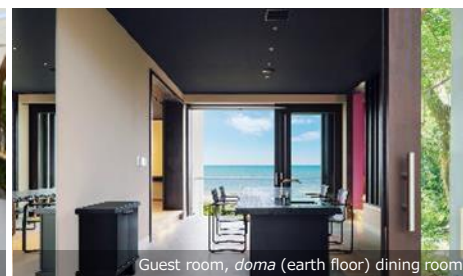
Location	Yomitan-son, Nakagami-gun, Okinawa
Completion date	November 2019
Acquisition date	July 1, 2022
Total number of guest rooms	100
Lessee	Hoshino Resorts Group
Rent type	Fixed + floating (initially, fixed rent for two years and four months)
Operator	Hoshino Resorts Group
Acquisition price	12,210 million yen
Real estate appraisal value	13,300 million yen
Ratio to real estate appraisal value	91.8%
Lease period	20 years
Appraisal NOI yield	5.8%
Appraisal NCF yield	5.7%
Yield after depreciation	4.4%



Gusuku wall



Pool



Guest room, *doma* (earth floor) dining room

About the Concept "Gusuku Residence"

"Gusuku" is a historical site left in Okinawa and the Amami Islands. Generally, it is considered a place where a sanctuary, a settlement where people live, or a castle of influential people is surrounded by stones or stone walls. Hoshino Resorts Group suggests a stay where you can wonder what would have happened if the rich Okinawan lifestyle had been preserved and continued to evolve in a *gusuku*.

TOPICS

Overview of the property



HOSHINOYA Okinawa

Stay at the *gusuku* residence

The attractiveness of this property, where you can experience the nature of Okinawa and have a magnificent sense of scale

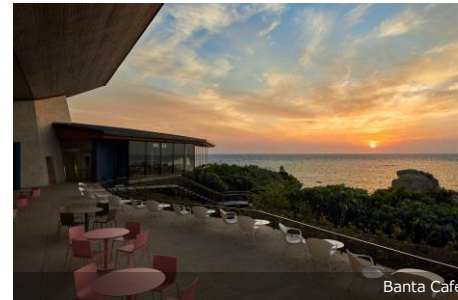
- Blessed with beautiful sea and Okinawan vegetation, this is a resort with a superb view of the sea surrounded by coral reefs from all rooms.
- The fields and gardens are designed to fit in with the scenery so that you can enjoy the nature of Okinawa and the peaceful flow of time.
- An infinity pool boasts a total length of 40 meters and features a heating function of up to 40 degrees Celsius that can be used 24 hours a day all year.
- Situated on a cliff with a spectacular view of the ocean, it has an ocean cafe, "Banta Cafe," with an overwhelming scale.
- "Doma dining room" in all guest rooms, where you can enjoy meals and conversation as if you were living in the room, surrounded by the wind and the sound of waves passing through.



Appearance



Pool



Banta Cafe



Guest room, doma (earth floor) dining room



Overview of the property



HOSHINOYA Okinawa

Stay at the *gusuku* residence

Attractiveness of cultural experiences and activities unique to the property

- Viewing and experiencing Ryukyu dance where you can feel Ryukyu aesthetics and hospitality
- Ryukyu karate training, where you learn the essence and spirit of karate that originated in Okinawa and face yourself
- "Gathering Service," where you can enjoy freshly prepared authentic dishes that have been readied by the chef and easily finished in your guest room at any time you like.
- "Ryukyu Siciliana," where you can enjoy Okinawan ingredients with Sicilian cooking techniques

Commended at "JAPAN TRAVEL AWARDS 2022" (Note)

In this award on the theme of tourism and diversity, HOSHINOYA Okinawa was evaluated as follows: "Although it is a resort where you can fully enjoy doing nothing, it has all the activities you want to experience in Okinawa such as Ryukyu karate, Ryukyu dance, and other cultural experiences, horseback riding on the beach and snorkeling" and received best luxury in the luxury category "facilities and services."

TOPICS



A tour of Yuntaku Garden



Asanagi yonnā (morning) horse riding



Ryukyu Siciliana



Sabani (plank-built fishing boat) steering experience



Ryukyu karate



Yanbaru eco-tour



Ryukyu dance



Gathering dining service



Morning deep-breathing

The macroeconomic environment surrounding Okinawa Prefecture

The number of visitors of Okinawa Prefecture, which is full of charm as a sightseeing spot, was as large as that of Hawaii before the COVID-19 pandemic. The number also shows that Okinawa Prefecture is still very popular as a tourist destination after the COVID-19 pandemic. In addition, Naha Airport, which serves as the gateway to Okinawa Prefecture and connects Japan and overseas, completed developing and expanding the new international passenger terminal building in 2014 and adding a second runway in 2020. HRR expects that tourism demand in Okinawa Prefecture will grow over the medium to long term.

Attractiveness as a sightseeing spot in Okinawa Prefecture

- One of Japan's most popular resort areas with abundant nature and rich activities that take advantage of the highly transparent ocean and warm climate
- Two sites were registered as UNESCO World Heritage sites: "Gusuku Sites and Related Properties of the Kingdom of Ryukyu" in 2000; and the northern part of Okinawa Island in 2021. Okinawa is a globally recognized natural and cultural tourist destination

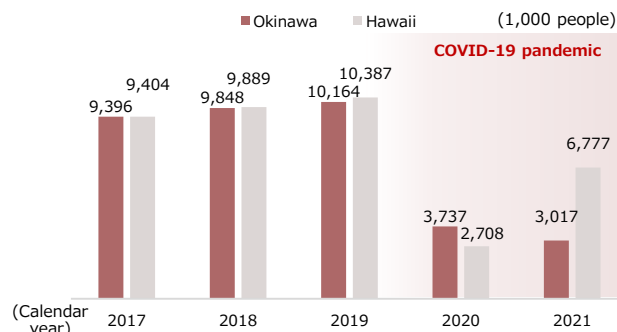
About Yomitan-son

- Located in the central part of the main island of Okinawa, about 60 minutes by car from Naha Airport
- There are many sightseeing spots such as World Heritage Site Zakimi Castle Ruins, Cape Zanpa, and Blue Cave.
- Surrounded by a natural coast, you can enjoy unspoiled nature and superb views



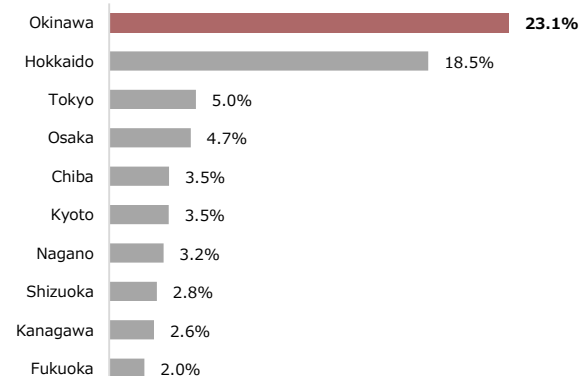
Number of tourists to Okinawa Prefecture and Hawaii before the COVID-19 pandemic^(Note 1)

- The number of visitors of Okinawa Prefecture and Hawaii^(Note 2) before the COVID-19 pandemic was at the same high level, boasting a large tourist market



Source: Prepared by the Asset Management Company based on Okinawa Prefecture's "Overview of Visiting Tourist Statistics" and the Hawaii Tourism Authority's database "TOURISM DATA WAREHOUSE"

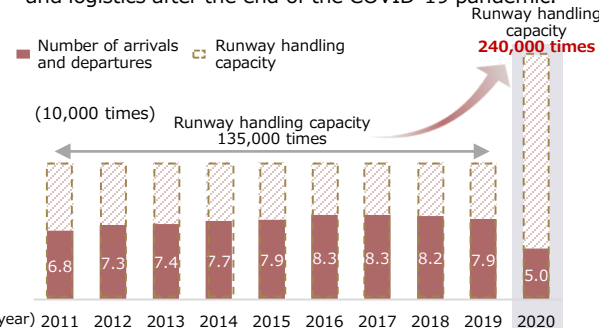
Ranking of prefectures that people want to visit after the pandemic is over^(Note 3)



Source: Prepared by the Asset Management Company based on ASOVIEV Inc.'s "Prefectures that people want to visit when the pandemic calms down"

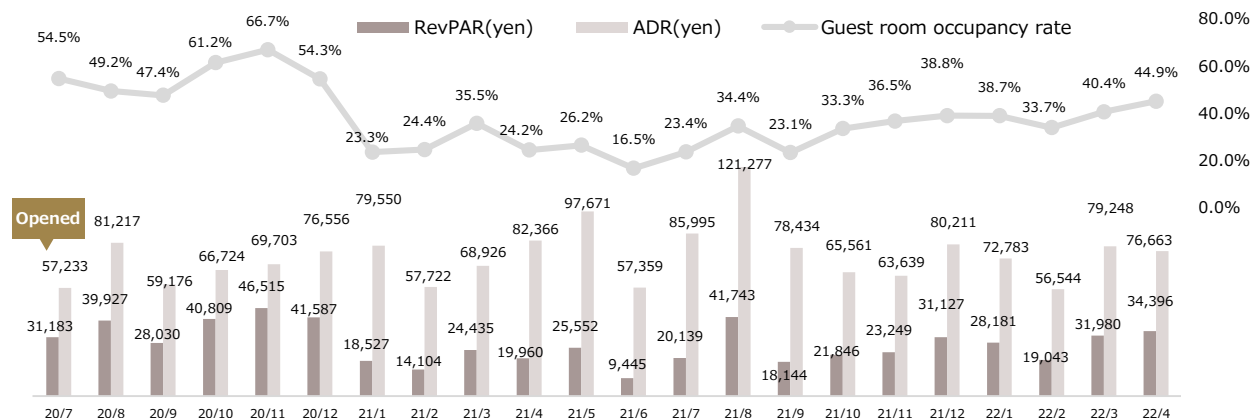
Addition of Naha Airport's second runway

- The operation of Runway 2 started in March 2020, and the runway handling capacity increased about 1.8 times. HRR expects there will be a revitalization of human flow and logistics after the end of the COVID-19 pandemic.



Source: Prepared by the Asset Management Company based on the Ministry of Land, Infrastructure, Transport and Tourism's "2020 Airport Management Status Report" and press release "Regarding Sharing of the Naha Airport Additional Runway Project"

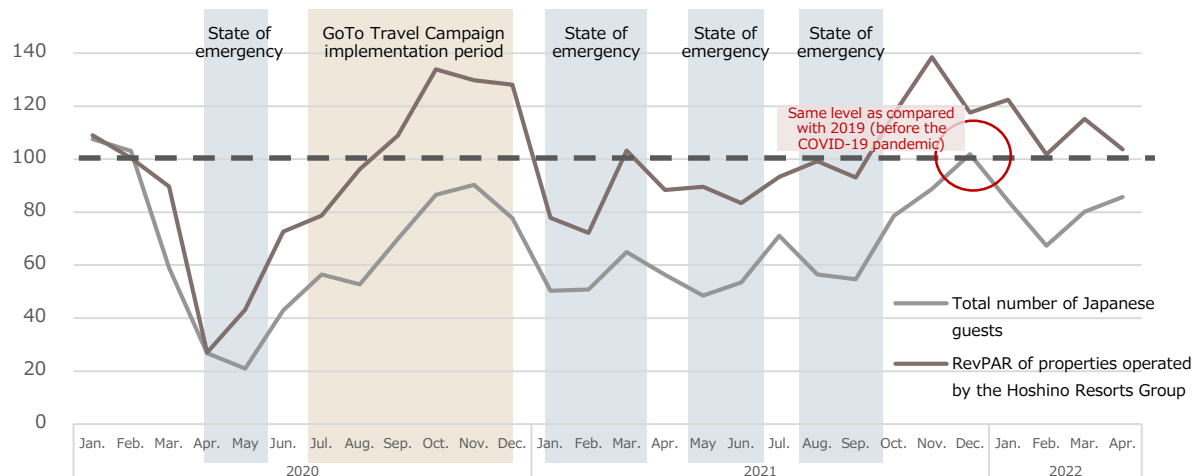
HOSHINOYA Okinawa Monthly Operation Results



Environment surrounding the tourism industry

HRR believes that travel demand, considered an important form of entertainment for many people today, recovered to the same level as before the COVID-19 pandemic in December 2021 and will continue to recover. Hoshino Resorts Group has maintained a solid track record through the COVID-19 pandemic by providing services suitable for microtourism.

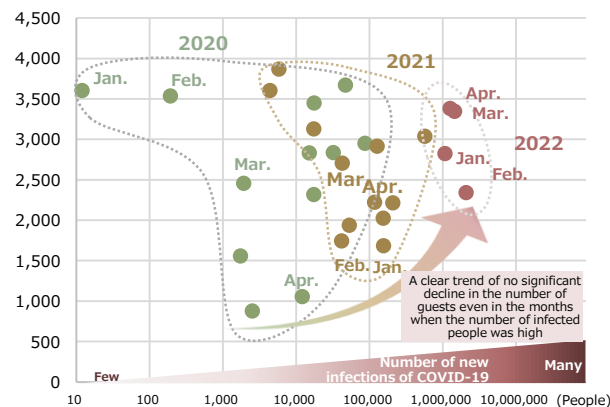
■ Trends in RevPAR of the total number of guests in Japan and properties operated by Hoshino Resorts Group (2019 monthly figures are indexed at 100)



Source: Prepared by the Asset Management Company based on the Ministry of Land, Infrastructure, Transport and Tourism's "Accommodation Survey"

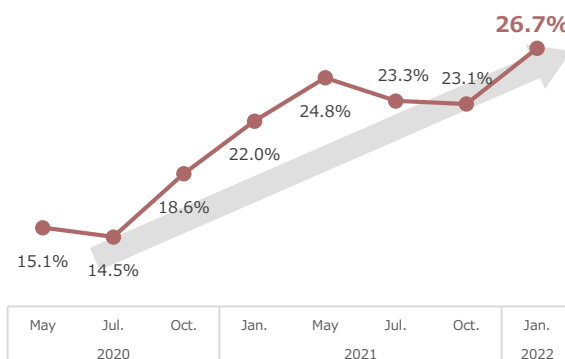
■ Relationship between the monthly total number of Japanese guests and the number of new infections

Monthly total number of Japanese guests (10,000 people)



Source: Prepared by the Asset Management Company based on the Ministry of Land, Infrastructure, Transport and Tourism's "Accommodation Survey" and the Ministry of Health, Labour and Welfare's "Open Data" on COVID-19

■ Changes in the number of people who want to travel more than ever after the COVID-19 pandemic has been resolved



Source: Prepared by the Asset Management Company based on The Japan Travel Bureau Foundation's "Trends of Japanese tourists under COVID-19 pandemic (Part 16)"

Yoshiharu Hoshino, CEO, Hoshino Resorts ~Benefits of travel~



"Travel is essential for modern people"

While the number of travelers dropped sharply because of the government's request, travelers returned quickly as the infections stopped. This means that travel has a more established role as "part of people's lives" than one might imagine and is the opposite of unnecessary and non-urgent. The benefits of travel include stress relief, extraordinary experiences, and communication with family members. Travel is firmly rooted in our daily lives as an event that adds color to our lives. In particular, I felt that the role of travel during the COVID-19 pandemic, which caused a great sense of being cooped up, was recognized as being as necessary as food, clothing, and shelter.

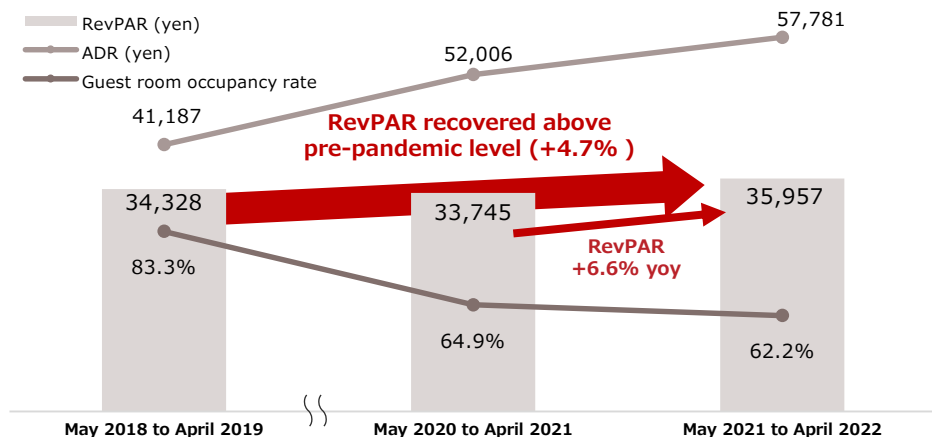
"Even if you don't go far, the benefits of travel will not change"

Hoshino Resorts Group has long promoted microtourism. Customers who can drive one or two hours from home have visited our hotel many times. Many of them said that they had the same pleasure as going abroad and Japanese *ryokans* (inns) and resorts had improved. There was no need to travel overseas because it was just as effective as a normal trip. The COVID-19 pandemic has made me realize once again the great demand and importance of microtourism.

Operating results summary by brand (prior to the COVID-19 pandemic and changes over the last two years)

The properties managed by Hoshino Resorts Group have captured the demand for microtourism under the COVID-19 pandemic. HRR thinks that RevPAR has achieved a strong performance of +6.6% over the previous year and + 4.7% compared with before the COVID-19 pandemic, due to the favorable performance of RISONARE, KAI, and BEB in particular. RevPAR for properties operated by outside operators showed a recovery trend from the previous year for each brand, showing a significant increase of +15.6% over the previous year.

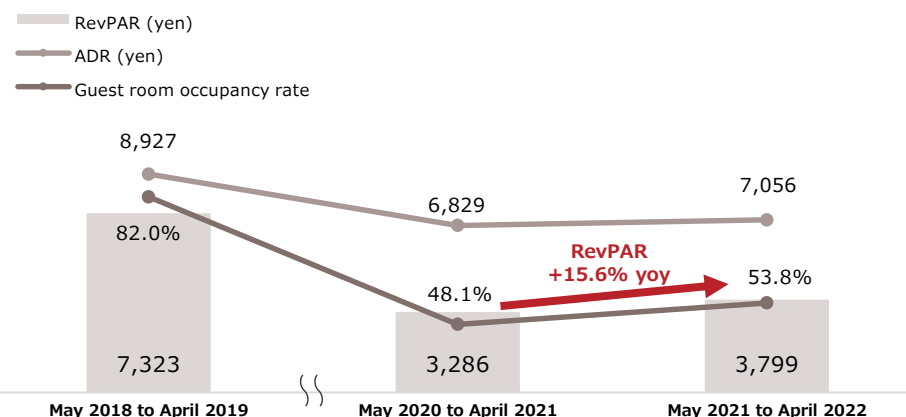
Total properties operated by Hoshino Resorts Group^(Note 1)



		2018/5 to 2019/4 (1)	2020/5 to 2021/4 (2)	2021/5 to 2022/4 (3)	Compared with before the COVID-19 pandemic (3) - (1)	Compared with the previous year (3) - (2)
(Note 2) HOSHINOYA	Guest room occupancy rate	88.9%	71.8%	66.8%	-22.1pt	-5.0pt
	ADR (yen)	74,623	82,925	90,221	+15,598	+7,296
	RevPAR (yen)	66,320	59,515	60,228	-6,092	+713
(Note 2) RISONARE	Guest room occupancy rate	88.8%	68.7%	73.0%	-15.8pt	+4.3pt
	ADR (yen)	42,863	54,509	63,451	+20,588	+8,942
	RevPAR (yen)	38,064	37,466	46,332	+8,268	+8,866
Strong performance						
KAI 8 properties	Guest room occupancy rate	79.6%	77.2%	77.6%	-2.0pt	+0.4pt
	ADR (yen)	39,260	44,408	47,438	+8,178	+3,030
	RevPAR (yen)	31,256	34,296	36,821	+5,565	+2,525
Strong performance						
OMO7 Asahikawa	Guest room occupancy rate	77.7%	36.5%	29.2%	-48.5pt	-7.3pt
	ADR (yen)	11,507	11,751	13,863	+2,356	+2,112
	RevPAR (yen)	8,935	4,291	4,054	-4,881	-237
(Note 3) BEB5 Karuizawa	Guest room occupancy rate	-	66.1%	76.6%	-	+10.5pt
	ADR (yen)	-	17,823	17,685	-	-138
	RevPAR (yen)	-	11,785	13,553	-	+1,768
Strong performance						

Total of major properties operated by outside operators^(Note 1)

(3ANA Crowne Plaza properties, Hyatt Regency Osaka, 22 Roadside properties, and 4 the b properties are calculated)



		2018/5 to 2019/4 (1)	2020/5 to 2021/4 (2)	2021/5 to 2022/4 (3)	Compared with before the COVID-19 pandemic (3) - (1)	Compared with the previous year (3) - (2)
ANA Crowne Plaza 3 properties	Guest room occupancy rate	81.0%	33.3%	42.2%	-38.8pt	+8.9pt
	ADR (yen)	13,200	10,745	9,496	-3,704	-1,249
	RevPAR (yen)	10,686	3,580	4,008	-6,678	+428
Hyatt Regency Osaka	Guest room occupancy rate	72.5%	24.4%	25.9%	-46.6pt	+1.5pt
	ADR (yen)	15,305	14,492	14,771	-534	+279
	RevPAR (yen)	11,096	3,535	3,821	-7,275	+286
Roadside 22 properties	Guest room occupancy rate	80.8%	62.4%	65.2%	-15.6pt	+2.8pt
	ADR (yen)	6,084	5,525	5,952	-132	+427
	RevPAR (yen)	4,919	3,450	3,883	-1,036	+433
the b 4 properties	Guest room occupancy rate	93.6%	38.0%	52.2%	-41.4pt	+14.2pt
	ADR (yen)	9,923	5,686	6,175	-3,748	+489
	RevPAR (yen)	9,283	2,161	3,222	-6,061	+1,061



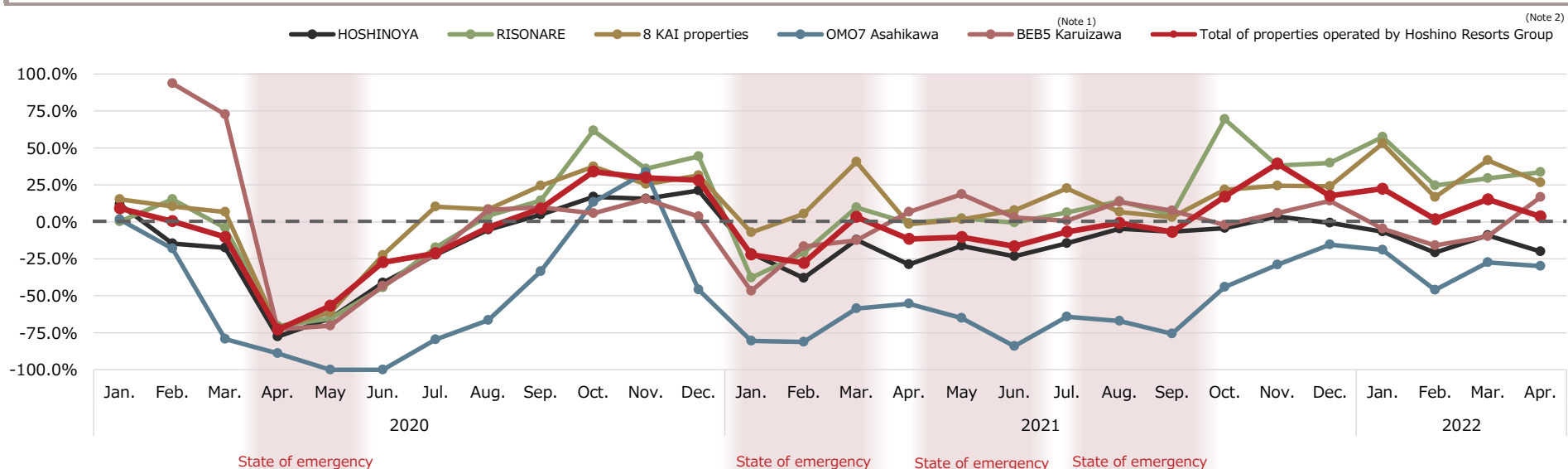
Please refer to the "Hotel Operational Results Data" for monthly operating results for individual properties.
<https://www.hoshinoresorts-reit.com/en/ir/library.html>

Results from January 2020 to April 2022 (properties operated by Hoshino Resorts Group)

Hoshino Resorts Group has succeeded in capturing demand for microtourism since the COVID-19 pandemic, and recorded solid operating results even under the state of emergency declared from the summer of 2020.

In addition, despite the expansion of Omicron variant in Japan, KAI and RISONARE continued to perform well. As a result, the total RevPAR of properties operated by Hoshino Resorts Group for all months from October 2021 exceeded that of 2019.

Rate of change in RevPAR compared with 2019



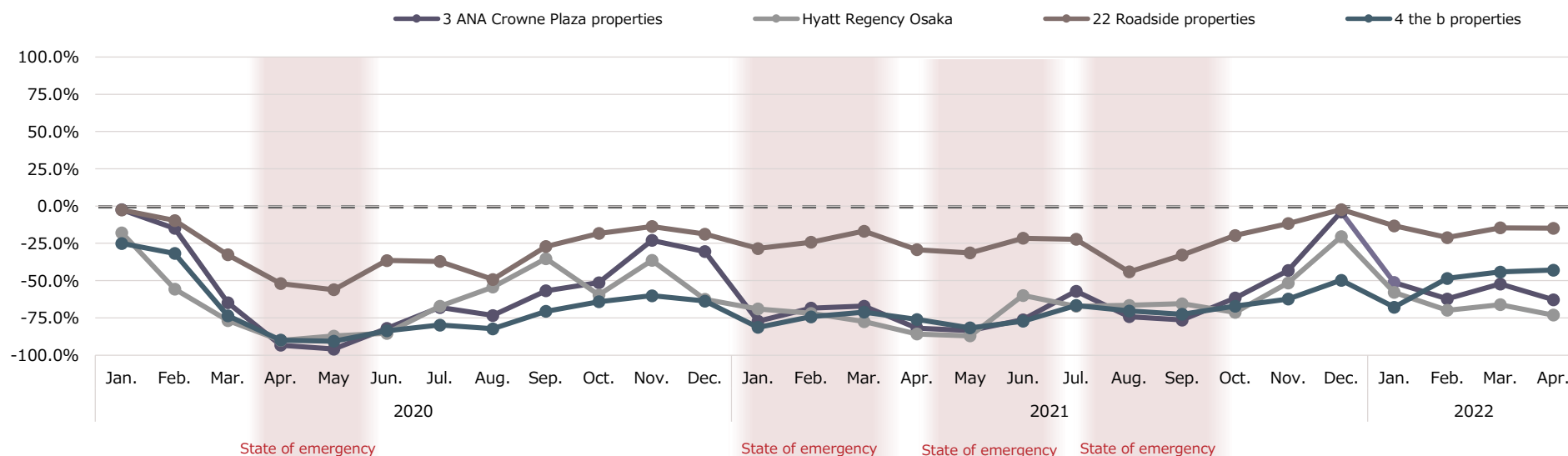
Trends since November 2021 (comments by brand)

HOSHINOYA	ADR for all properties remained at high levels, and from November to December 2021, RevPAR generally recovered to the same level as in 2019. On the other hand, due to the influence of the priority measures to prevent the spread of the disease reissued in late January 2022, Kyoto and Taketomi Island had a hard time acquiring guests during the same period. In addition, ancillary income has recovered steadily, including an increase in the eating rate and a recovery in wedding demand.
RISONARE	Both occupancy rate and ADR were favorable thanks to the appeal of "RISONARE's Family Journey" and the enhanced attractiveness of each property's activities. Yatsugatake saw record sales in February and March 2022, and demand for weddings is also recovering. In Atami, demand returned from the Kanto region, the main acquisition area, and the market performed well.
KAI	Despite the priority measures to prevent the spread of the disease that were reimplemented in late January 2022, both occupancy rate and ADR remained at high levels, supported by demand for microtourism. Some properties had record-high occupancy rates and sales per month since their opening. In particular, Kirishima, acquired in December 2021, performed well in December and January, with occupancy generally at full capacity, and continued to operate at high levels.
OMO7 Asahikawa	While the return of travelers from outside Hokkaido has been slow due to the effects of the COVID-19 pandemic, tourism demand from Hokkaido residents has been steadily increasing thanks to supporting measures by local governments such as <i>Domin-wari</i> and <i>Asappi-wari</i> (travel discount campaigns). With the addition of well-received animal rooms and the installation of animal objects in the Plateau (a large public bath and sauna) and lobby lounge, the hotel has further strengthened its differentiation from neighboring hotels, which are mainly targeted at business guests. It has acquired leisure guests and improved the multiple occupancy ratio, thereby maintaining ADR that is generally the same level as 2019. Reservation numbers for agents and facility usage by groups have recently been on a recovery trajectory, and July OTB RevPAR is now over 90% of what it was for the same month in 2019.
BEB5 Karuizawa	Although effects of the COVID-19 pandemic in the Kanto region on operations were observed, the impact of the measures taken in the entire Karuizawa-Hoshino area at Christmas and other times contributed to guest acquisition. During the spring break period, demand for wedding services at Hotel Bleston Court recovered, leading to the acquisition of accommodation for weekend attendees, in addition to strong demand for graduation trips by students. The use of workation plans is also gradually rising.

Results from January 2020 to April 2022 (properties operated by outside operators)

Demand has been on a recovery trend since the state of emergency was lifted in October 2021. For example, in December 2021, 3 ANA Crowne Plaza properties and 22 Roadside properties recovered to the same level of RevPAR as in 2019. The rapid expansion of the Omicron variant temporarily slowed the pace of recovery, but 22 Roadside properties remained firm, supported by business demand for vehicle transportation.

Rate of change in RevPAR compared with 2019



Trends since November 2021 (comments by brand)

3 ANA Crowne Plaza properties	Demand returned in December 2021, mainly for leisure activities, and RevPAR results remained at the same level as in 2019. On the other hand, since the beginning of the new year, the new acquisition of individual guests both for business and leisure activities has been slowing due to group travel cancellations and the priority measures for preventing the spread of COVID-19. Since the lifting of the measures in March, demand for accommodation, mainly for leisure, has been on a recovery trend. Operation rates rose even further during Golden Week and have remained at high levels.
2 Hyatt properties	At the end of 2021, Hyatt succeeded in capturing a certain level of demand thanks to the support of measures to stimulate demand, such as the "Osaka Welcome Campaign" and the "Three C's Avoidance Trip to Fukuoka." On the other hand, demand for both business and leisure activities remained sluggish due to the impact of the priority measures to prevent the spread of the disease implemented in January 2022. After the lifting of the measures in April, the recovery in leisure demand has been leading the way but there are also signs that business event bookings are gradually improving.
22 Roadside properties	Under the priority measures to prevent the spread of the disease, leisure demand tended to slow, partly due to restrictions on events. Still, leisure demand remained strong, supported by firm business demand. Since the lifting of the measures, event restrictions have been eased, and leisure demand has shown signs of recovery, with RevPAR approaching the 2019 level.
4 the b properties	Demand for both business and leisure activities is sluggish under the priority measures to prevent the spread of the disease. After the lifting of the measures, there has been a recovery trend, mainly in leisure demand. In Akasaka, since February, the government has been leasing a condominium as a medical facility for people with mild cases of COVID-19, and profits have improved significantly.

Summary of real estate appraisal amount, etc.

RISONARE and KAI, both Hoshino Resorts-managed properties, have been recognized for their strong operation results, which have increased in comparison to the previous reporting period. For non-Hoshino Resorts-managed properties, evaluation results include the long-term impact of the pandemic, but the strong operation results of the 22 roadside properties were highly evaluated, and the amount of decline relative to the previous reporting period was limited. Cap rates have remained unchanged for all properties.

(millions of yen)

	Real estate appraisal amount, etc.			Direct reduction amount		DCF amount	
	End of 18th FP	vs. 17th FP		End of 18th FP	vs. 17th FP	End of 18th FP	vs. 17th FP
Total for 65 properties	192,341	+27	+0.0%	195,442	▲0.0%	190,456	+0.1%
Total for Properties operated by the Hoshino Resorts	80,649	+112	+0.1%	80,666	+0.1%	80,442	+0.2%
4 HOSHINOYA Properties	25,580	▲30	▲0.1%	25,680	▲0.0%	25,360	▲0.2%
2 RISONARE Properties	12,450	+150	+1.2%	12,020	+0.1%	12,880	+2.4%
13 KAI Properties ^(Note)	31,999	+42	+0.1%	32,326	+0.2%	31,622	+0.1%
Hoshino Resorts Others	10,620	▲50	▲0.5%	10,640	+0.1%	10,580	▲0.8%
Total for Properties operated by outside operators	111,692	▲85	▲0.1%	114,776	▲0.1%	110,014	▲0.0%
3 ANA Crowne Plaza Properties	28,920	▲110	▲0.4%	30,310	▲0.4%	28,310	▲0.4%
2 Hyatt Properties	23,570	▲80	▲0.3%	24,010	-	23,210	▲0.5%
22 Roadside Properties	19,394	+73	+0.4%	19,600	+0.2%	19,183	+0.5%
4 the b Properties	19,250	▲10	▲0.1%	20,160	▲0.1%	18,860	-
Others	20,558	+42	+0.2%	20,696	+0.0%	20,451	+0.4%

Financial operation where stability and flexibility coexist (1)

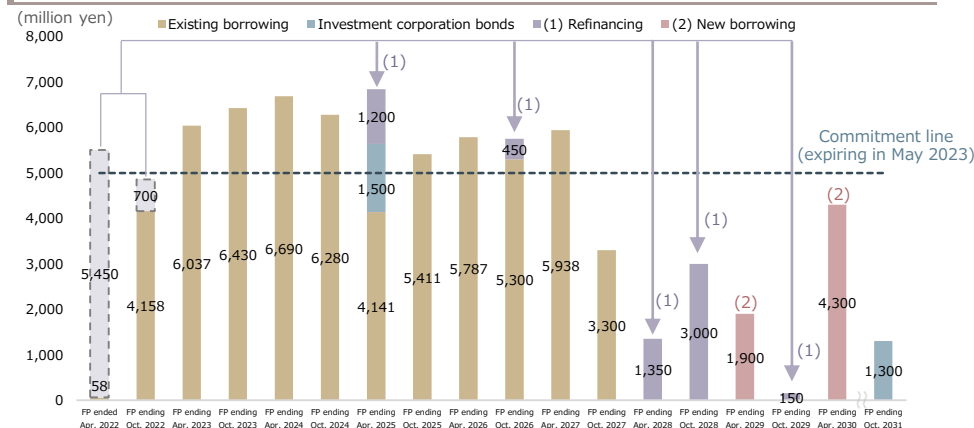
In April and May 2022, HRR carried out a 7.5-year refinancing, the longest financing period for a hotel REIT since the COVID-19 pandemic. Furthermore, with regard to new borrowing, all participating banks extended the financing period to a maximum of 7.5 years, which has contributed to the long-term fixing of interest-bearing debts and the diversification of repayment dates. We have secured an acquisition capacity of 12.5 billion yen after the public offering and we are maintaining our property acquisition flexibility.

Latest refinancing and the new borrowing

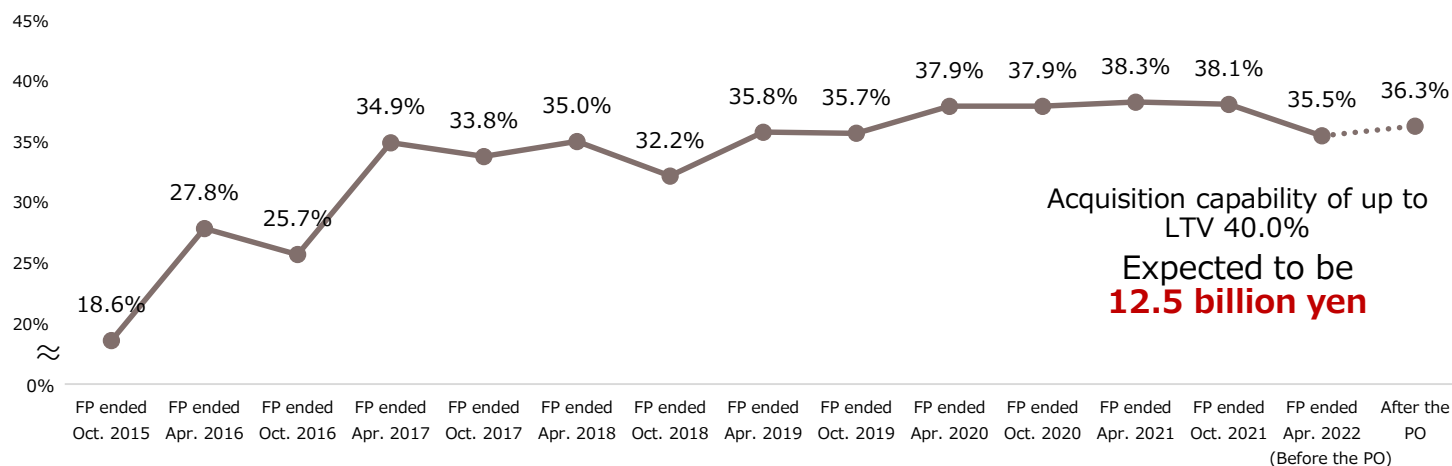
- (1) Apr/May 2022 refinancing (up to 7.5 years)
(including the first green loan among Hotel REITs)
- (2) New borrowing (up to 7.5 years)

Lenders	Loan Syndication (total of ten banks) with MUFG Bank, Ltd. as Arranger (Note 1)	Lenders	MUFG Bank, Ltd., Development Bank of Japan Inc., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited., Mizuho Bank, Ltd.
Borrowing date	April 28, 2022 or May 2, 2022	Borrowing date	July 1, 2022
Period (years)	3.0 4.5 6.0 6.5 7.5	Period (years)	6.5 7.5
Amount of borrowings (total amount)	1.20 billion yen (4 banks) 0.45 billion yen (2 banks) 1.35 billion yen (4 banks) 3.00 billion yen (4 banks) 0.15 billion yen (1 bank) (Total 6.15 billion yen)	Amount of borrowing (total amount)	1.90 billion yen (5 banks) 4.30 billion yen (5 banks) (Total 6.20 billion yen)
Borrowing interest (annual rate) (Note 2)	0.5020% 0.6670% 0.9085% 0.9920% 1.1540% 0.5060% 0.6680% 0.9115%	Borrowing rate (annual rate) (Note 2)	1.0470% 1.2140%

Diversification status of repayment dates (after the PO)



LTV control



Key financial indicators (after the PO)

Long-term interest-bearing debt ratio
100.0%

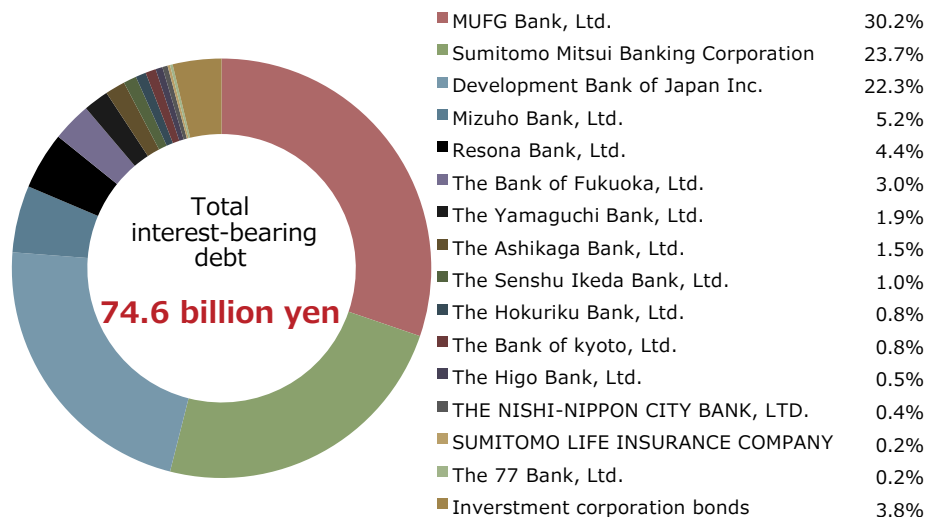
Fixed interest ratio
99.5%

Average remaining period
3.4 years

Average interest rate
0.74%

Financial operation where stability and flexibility coexist (2)

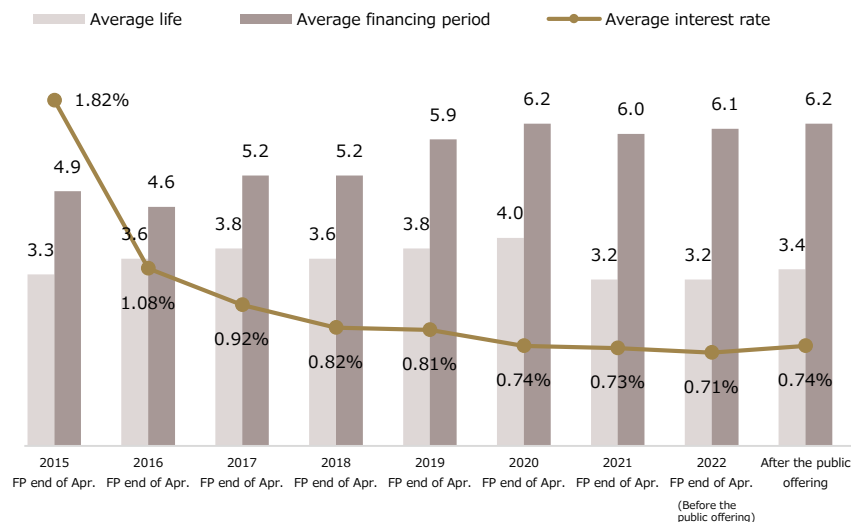
Render Formation (after the public offering)



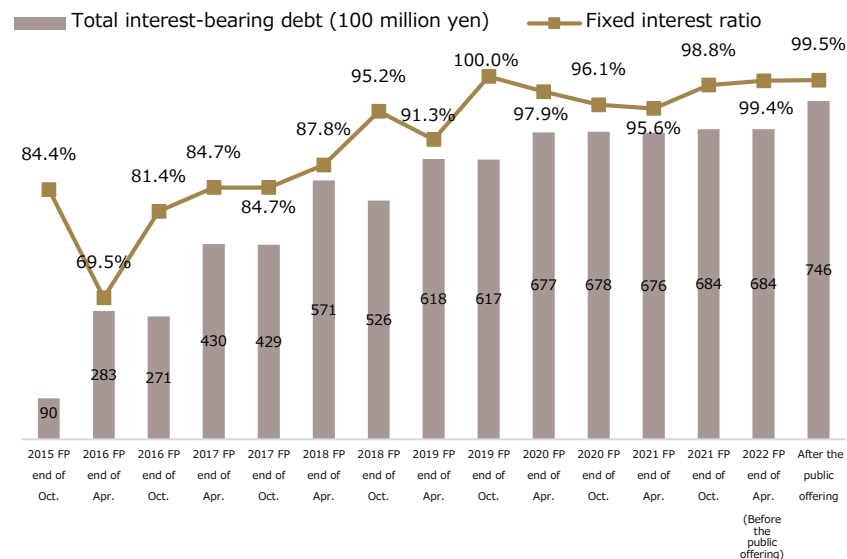
Status of credit ratings, etc.

Rating agency	Japan Credit Rating Agency, Ltd. (JCR)	
Rating target/evaluation target	Long-term issuer rating	Green finance framework
Rating/overall Assessment	A (stable)	Green1(F)

Procurement conditions



Total interest-bearing debt and fixed interest rate ratio



Measures against climate change



- The Asset Management Company has declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding the assets management of HRR. Under an appropriate governance system based on the concept of being resilient to climate change, the Asset Management Company is committed to implementing various approaches such as reduction of GHG emissions based on the following scenario analysis.

Implementation of scenario analysis

Risks (negative impact) and opportunities (positive impact) on HRR business due to change in ESG investment trends in the real estate investment market and climate change such as natural disasters were specifically identified (total risks: 14, total opportunities: 7).

Based on them, the magnitude of financial impact on HRR due to risks and opportunities that arise was assessed for each of the 4°C and 1.5°C scenarios from both medium-term (2030) and long-term (2050) perspectives. Measures against each were then arranged.

Obtained “BBB” MSCI ESG rating

- In April 2022, HRR obtained a “BBB” rating which was an upgrade of 2 notches from the previous “B” rating.
- HRR believes the improved evaluation of “human resource development” and “green building certification” has contributed to the upgrading.



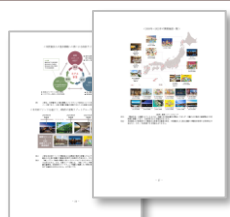
Received “3 stars” in GRESB Real Estate Assessment and “A level” for GRESB Public Disclosure

- In the 2021 GRESB Real Estate Assessment, HRR received “3 stars” in the GRESB Rating which is assigned using a five-point. In comparison with the “2 stars” obtained in 2020 when participating for the first time, evaluation of “risk assessment” and “tenant community” improved.
- HRR was also highly recognized for its initiatives for ESG information disclosure, and received the highest “A level” for the GRESB Public Disclosure, exceeding the “B level” it received in 2020.

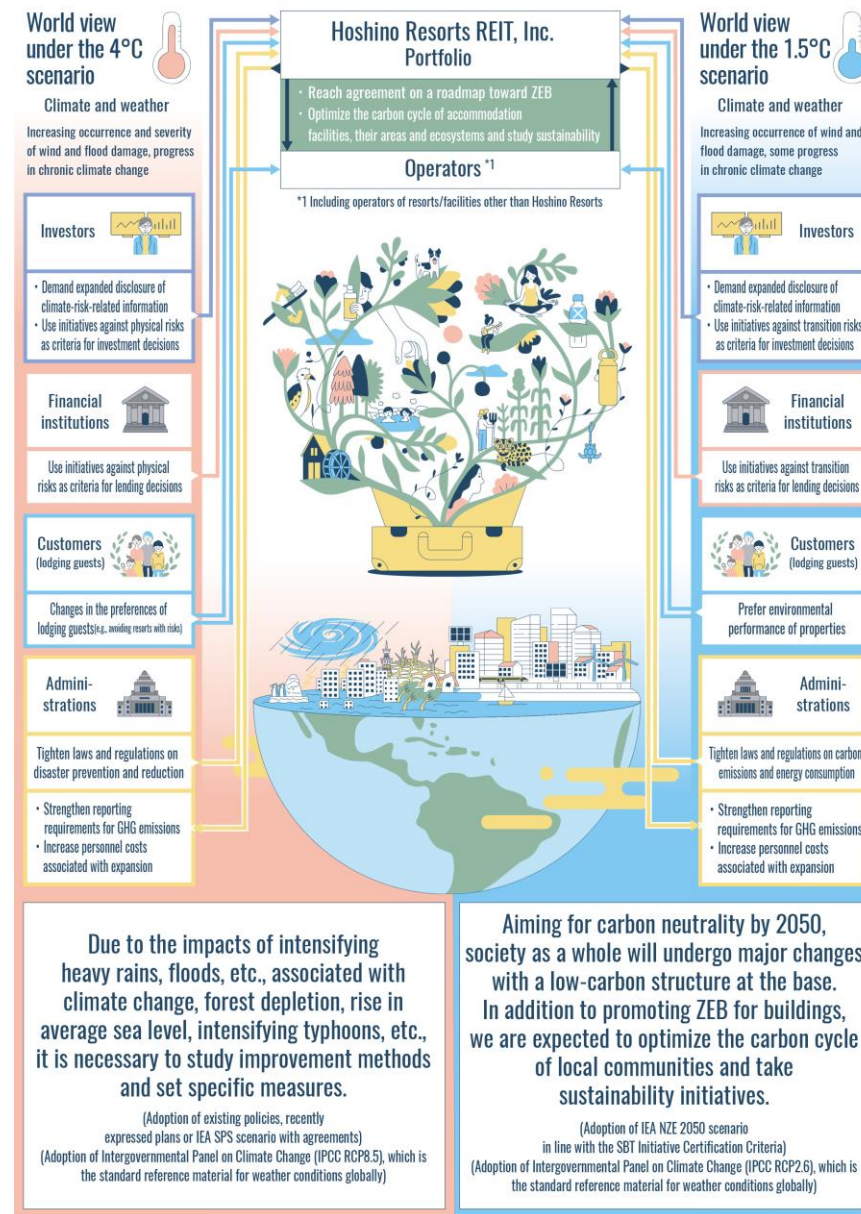


Digitization of prospectus

- By digitizing our prospectus, use of paper, ink and others were reduced with the aim of making environmentally conscious offerings.
- We reduced approximately 1.95 million sheets of B5-sized paper^(Note) in this offering.
- By preparing pages in color, we intended to make the material easier for investors to read.



World view based on 4°C and 1.5°C scenario



CHAPTER 3

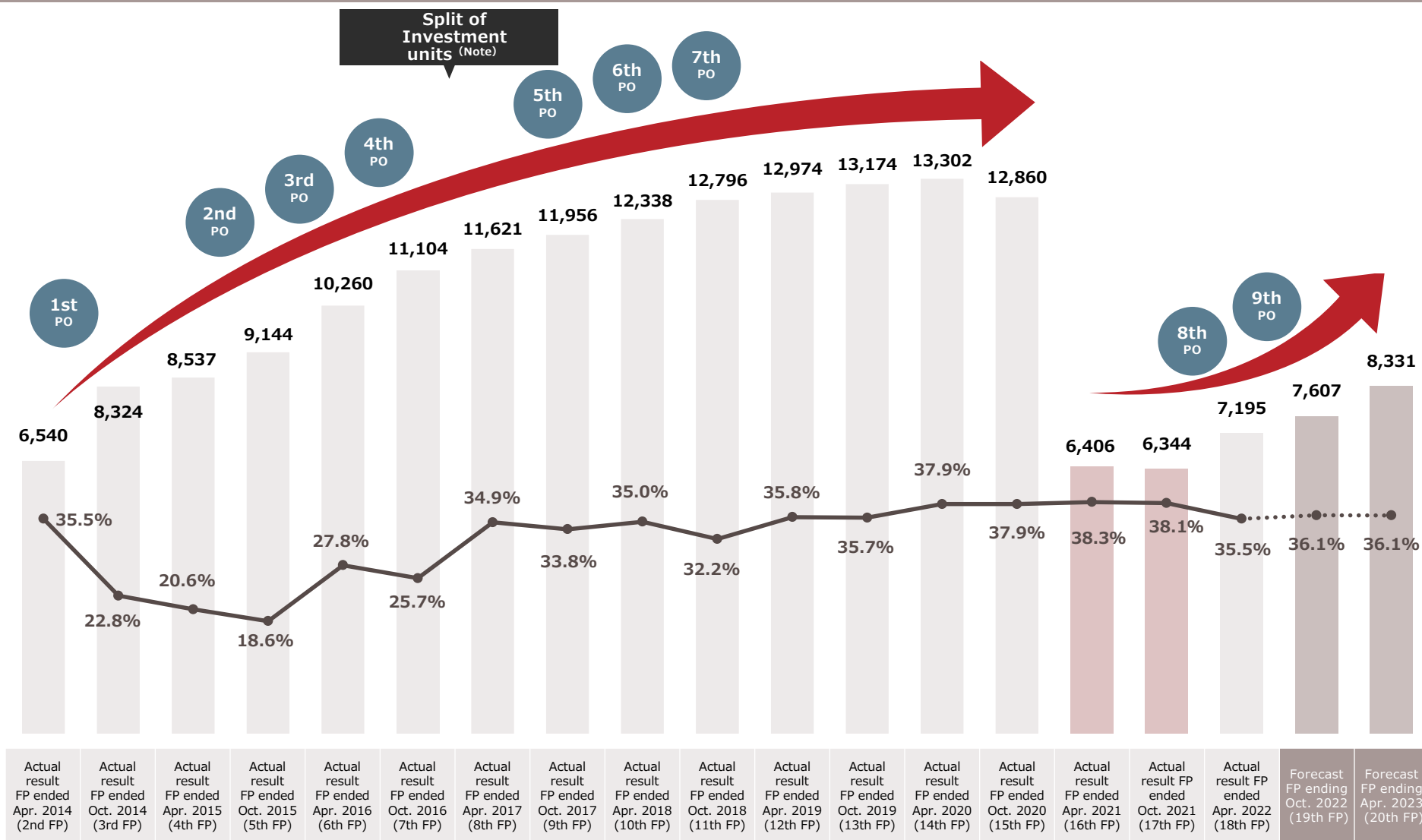
Forecasts for 19th fiscal period
ending October 2022 and
20th fiscal period ending April 2023

Hoshino
Resorts
REIT



Changes in distributions per unit and LTV

Changes in distributions per unit (yen) and LTV (%)



Impact of COVID-19

Forecasts for 19th fiscal period ending October 2022 and 20th fiscal period ending April 2023

FP ending October 2022	Assumption
Operating revenue (millions of yen)	5,868
Operating profit (millions of yen)	2,457
Ordinary profit (millions of yen)	1,947
Profit (millions of yen)	1,945
Distribution per unit (yen)	7,607
(Note)	

[Operating revenue]
Fixed rent 5,024 million yen
Floating rent 784 million yen
Other rent 10 million yen
Other revenue 47 million yen

[Operating expenses]
Fixed assets tax, city planning tax, etc. 500 million yen
Depreciation 1,593 million yen

[Non-operating expenses]
Debt-financing-related expenses 478 million yen
Investment unit issuance costs 32 million yen

[Expected LTV at the end of FP]
36.1%

FP ending April 2023	Assumption
Operating revenue (millions of yen)	6,171
Operating profit (millions of yen)	2,589
Ordinary profit (millions of yen)	2,132
Profit (millions of yen)	2,130
Distribution per unit (yen)	8,331
(Note)	

[Operating revenue]
Fixed rent 5,098 million yen
Floating rent 1,014 million yen
Other rent 10 million yen
Other revenue 46 million yen

[Operating expenses]
Fixed assets tax, city planning tax, etc. 518 million yen
Depreciation 1,639 million yen

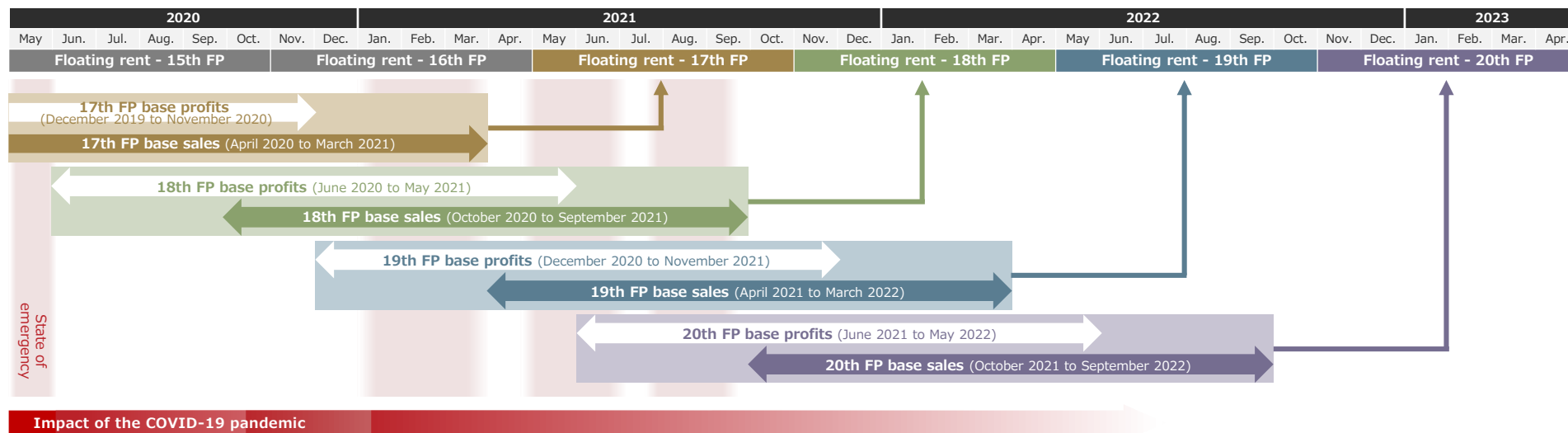
[Non-operating expenses]
Debt-financing-related expenses 458 million yen

[Expected LTV at the end of FP]
36.1%

Actual rent and Expected rent

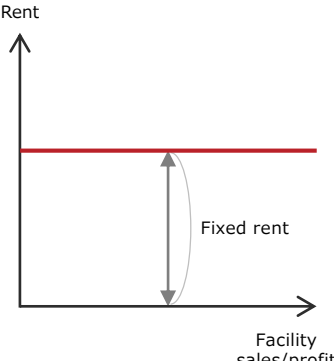
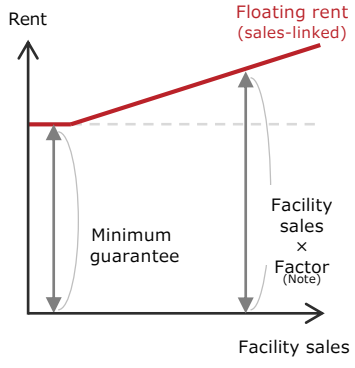
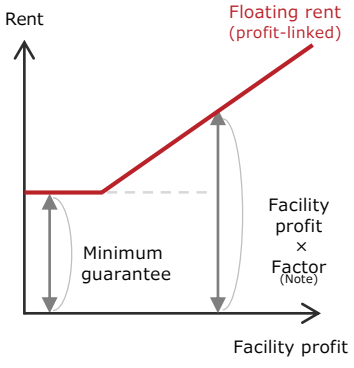
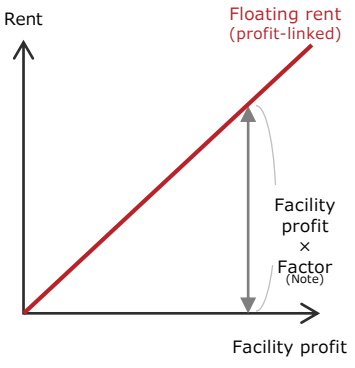
		Actual rent for the 18th fiscal period ended April 2022			Expected rent for the 19th fiscal period ending October 2022			Expected rent for the 20th fiscal period ending April 2023			(millions of yen)
Operators	Brand	Fixed rent, etc.	Floating rent	Total	Fixed rent, etc.	Floating rent	Total	Fixed rent, etc.	Floating rent	Total	Supplement
Properties operated by the Hoshino Resorts	HOSHINOYA	618	194	813	618	175	794	618	200	819	
	RISONARE	374	249	623	374	261	635	374	309	683	
	KAI	781	282	1,064	841	258	1,100	853	304	1,158	Premium fixed rent for KAI Alps until 18th FP. KAI Kirishima and KAI Beppu contributed to the 18th fiscal period ended Apr. 2022 for five months, beginning with December 2021.
	Others	386	-	386	386	-	386	338	-	338	Iriomote Hotel will be paying a premium fixed leasing rate until the 19th fiscal period ending Oct. 2022.
Subtotal		2,161	726	2,888	2,221	696	2,917	2,185	814	3,000	
Properties operated by outside operators	3 ANA Crowne Plaza properties	696	-	696	696	-	696	696	-	696	
	2 Hyatt Properties	406	-	406	502	-	502	521	-	521	Premium fixed rent for Grand Hyatt Fukuoka until 20th FP.
	22 Roadside properties	558	70	628	558	81	639	558	134	692	
	4 the b properties	265	-	265	265	-	265	265	-	265	
	Others	513	-	513	522	7	530	522	65	587	
Subtotal		2,439	70	2,510	2,544	88	2,633	2,563	199	2,763	
Total		4,601	797	5,398	4,765	784	5,550	4,749	1,014	5,763	
Newly acquired properties		HOSHINOYA Okinawa									Newly acquired properties will be contributing to the 19th fiscal period ending Oct. 2022 for four months, beginning with July 2022.
Total for 66 properties after acquisition of new properties		4,601	797	5,398	5,034	784	5,819	5,109	1,014	6,123	

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



Rent type

(As of July 1, 2022)

Rent type		Fixed rent	Fixed rent + floating rent	Fixed rent + floating rent	Floating rent
Benchmark index for calculation of floating rent		-	Facility sales	Facility profits	Facility profits
No. of properties		9	31	25	1
Acquisition price	Amount	9.4 billion yen	35.4 billion yen	128.2 billion yen	16 billion yen
	Ratio	5.0%	18.7%	67.8%	8.5%
Property name		5 Candeo properties, 3 Greens properties, Hotel Nikko Kochi Asahi Royal	HOSHINOYA Karuizawa, HOSHINOYA Kyoto, RISONARE Yatsugatake, Kai Matsumoto, Kai Tamatsukuri, Kai Ito, Kai Hakone, Kai Aso, Kai Kawaji, 22 Roadside properties	HOSHINOYA Fuji, HOSHINOYA Taketomi Island, HOSHINOYA Okinawa, 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
Rent plan image					

Future operation strategy

Hoshino
Resorts
REIT



HOSHINOYA Fuji

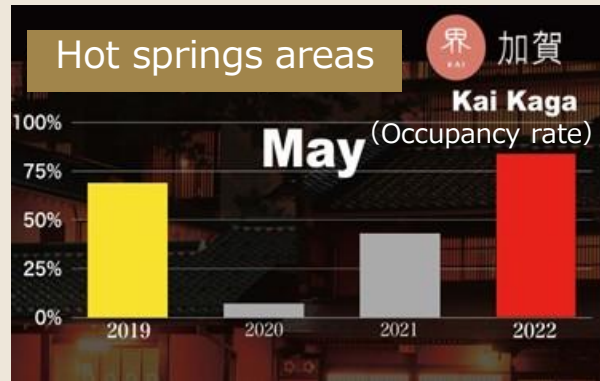
Travel market forecasts and the aims of Hoshino Resorts

Hoshino Resorts believes that urban travel demand and travel demand for tourism destinations reached by airplane will recover in the post-COVID period, so it is strategically opening new facilities. Furthermore, if the yen remains weak, demand may shift as a result of an increase in inbound tourism and a rise in domestic travel among people that normally would have travelled overseas. This would have a positive impact on the domestic travel market.

Demand remained strong even during the COVID-19, but a close eye will have to be kept out for future demand declines



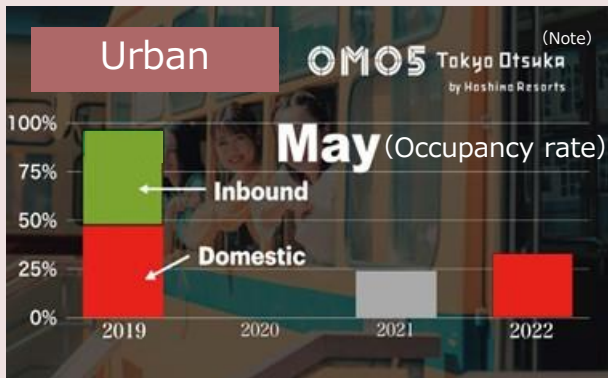
Recovery has been especially pronounced for tourism destinations near Tokyo (Karuizawa, Nasu, Yatsugatake, Atami, and Hakone).



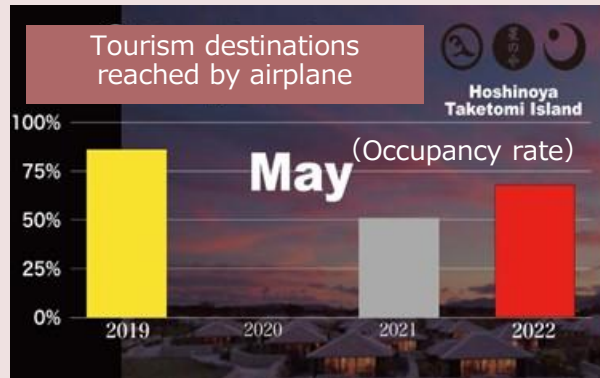
Results have been strong even in the midst of the pandemic. Most facilities have ADR and occupancy rates higher than those of 2019.

Shift in demand

Facilities struggled during the pandemic, but hopes are high for a future recovery

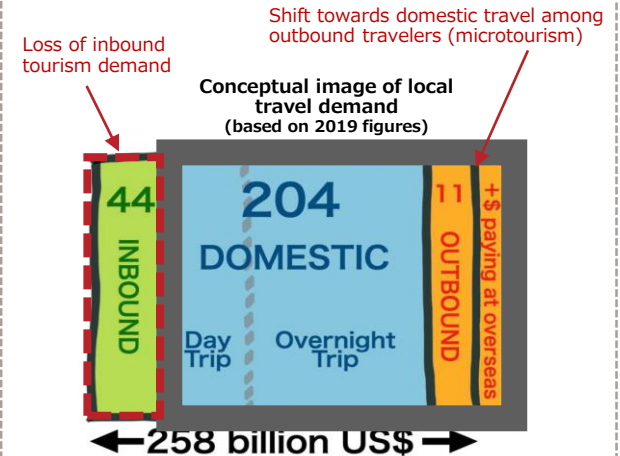


If there is no inbound tourism demand recovery, the situation will be a harsh one, but we are increasing the number of OMO facilities with an eye towards an eventual recovery in urban tourism demand.

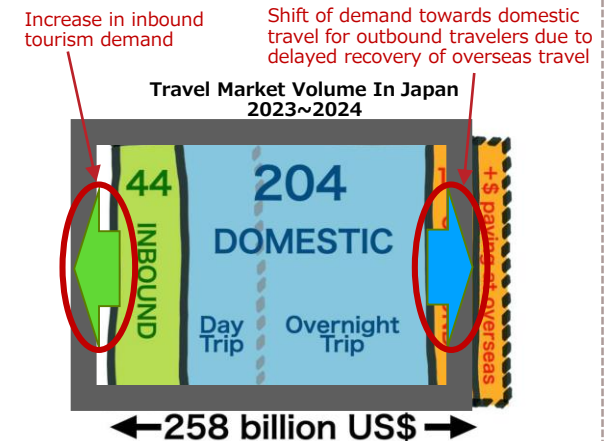


Occupancy rates have not sufficiently recovered for Hokkaido, Okinawa, or outlying islands, but we are increasing the number of facilities in Hokkaido and Okinawa with an eye towards a recovery in demand for travel to destinations reached by airplane.

Japanese travel market forecast (overview diagram)



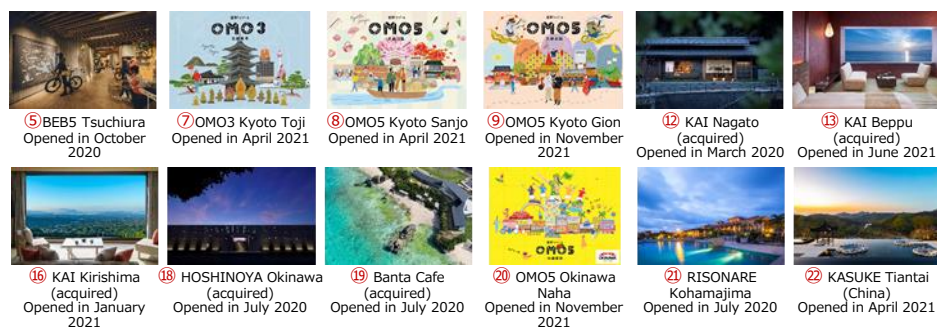
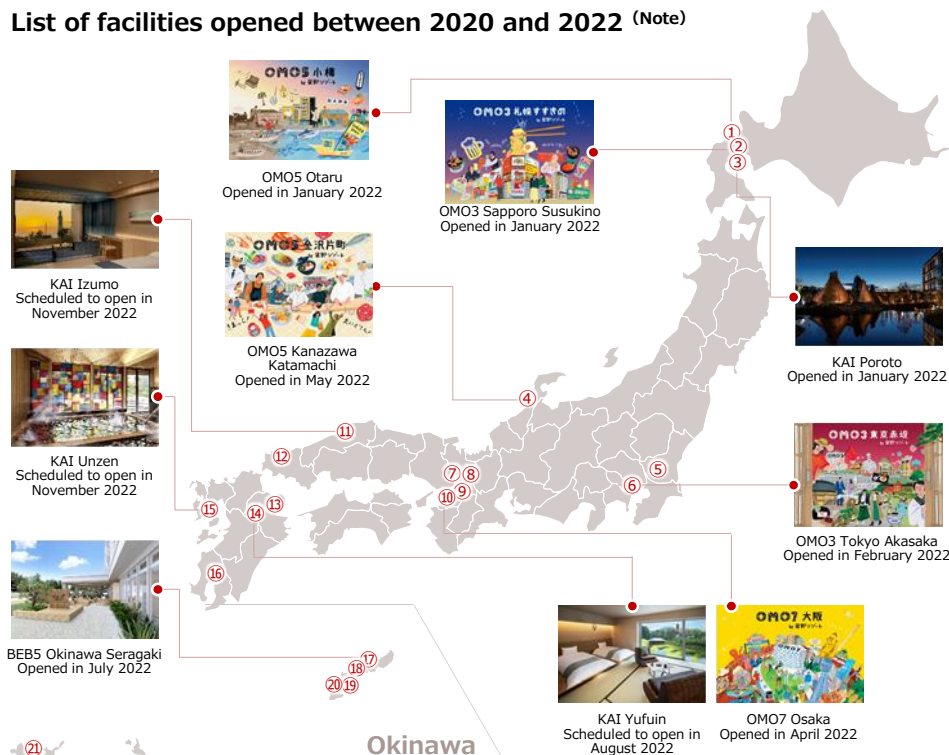
Resumption of travel to/ from other countries
Impact of weak yen



Measures for the COVID-19 pandemic and future opening

Hoshino Resorts Group quickly implemented initiatives such as microtourism, stays avoiding the three C's (Crowded places, Close-contact setting, Confined and enclosed spaces), and regional cooperation projects in the wake of the COVID-19 pandemic. HRR believes that Hoshino Resorts Group has maintained and improved its business performance and shown its ability to respond to crises and create demand through the initiatives. HRR considers that Hoshino Resorts Group's high management capability is being re-evaluated because of the unprecedented crisis. In fact, Hoshino Resorts Group has accelerated its business expansion by making progress in many opening projects under the COVID-19 pandemic.

List of facilities opened between 2020 and 2022 (Note)



Source: Hoshino Resorts Group

TOPICS

Hoshino Resorts Group's major initiatives under the COVID-19 pandemic

■ Proposal of microtourism and suggestion of stays to avoid three C's

Since April 2020, ahead of other tourism business operators, Hoshino Resorts Group has advocated "microtourism" and proposed "stays to avoid the three C's" as new ways of travel during the period of the pandemic.

■ Declaring measures against coronavirus aiming for the highest level

In order to enable people to enjoy their extraordinary life with peace of mind, Hoshino Resorts Group has developed "a buffet for the new normal" and a "congestion check service for the large bathhouse" and has rapidly evolved the existing services.

■ Regional cooperation projects

In order to protect local industries and traditional cultures and encourage local people to rediscover the appeal of local communities, Hoshino Resorts Group worked actively with businesses affected by the COVID-19 pandemic to help support the local economy.

■ Marketing evolution and microtourism establishment

Since 2021, Hoshino Resorts Group has divided the country into 11 microtourism business regions and disseminated information on regional attractions in cooperation with the local media in each region. Hoshino Resorts Group has been continuously working to capture demand for microtourism since the early days of the COVID-19 pandemic. As a result, demand for many of Hoshino Resorts Group properties has become firmly established, and Hoshino Resorts Group has been able to secure a certain level of performance even during the COVID-19 pandemic.

Opening from 2020 to 2022

- Hoshino Resorts Group plans to open 22 new facilities (2,257 rooms in total) from 2020 to December 2022.
- Hoshino Resorts Group is expanding its bases nationwide in anticipation of a revival in demand for tourism after the pandemic, centering on the luxury hot spring ryokan brand "KAI" which performed well even amid the COVID-19 pandemic and the urban tourism brand "OMO".

Number of facilities
Total number of guest rooms

+22 facilities (planned)
+2,257 rooms (planned)

3,170

40

5,427

62

December 2019

December 2022 (planned)

Source: Hoshino Resorts Group

Development of small-mass marketing

Hoshino Resorts Group has adopted a small-mass marketing strategy that aims to create demand for each of a wide variety of small masses (customer base that is not the majority but has a certain market size) and provides services tailored to customers' age groups and behavior patterns. (Note 1)

Seniors

Hot spring ryokan subscription (Note 2) service "Hot Spring Touring KAI One Year Pass" for those aged 70 or over only



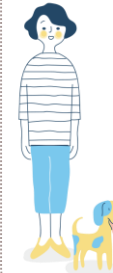
Millennial generation Generation Z

Development of "BEB," a sub-brand targeting people in their 20s



Dog lovers

Expansion of the number of hotels and ryokans where guests can stay with their dogs to 46 from 9

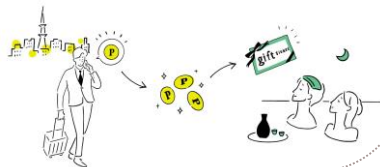


Business

Service collaboration with "WeWork Japan", a flexible office provider



Hoshino Resorts Group's first reward points program "OMO Points"



Hokkaido residents

Seicomart Club members only "Travel Accumulation Hokkaido Travel Project"



New market

Tie-up with "HafH," a travel subscription service provided by KabuK Style Inc.



Vision of Hoshino Resorts REIT

Japanese tourism REIT designed to maximize investor value by benefiting from long-term tourism industry growth in Japan.



**Hoshino
Resorts
REIT**



AUM

Over 300 billion yen in the medium term

- Added to the Tokyo Stock Exchange REIT Core Index
- Higher liquidity
- Risk dispersion

Property composition

Over 50% consisting of Hoshino Resorts operators

- Ensuring sustainable competitive ability and revenue stability
- Tourism market revitalization
- Working with the community to create sustainable economic frame

Internal growth

Growth through collaboration with operators

- Attractive investment paired with unique “soft” power
- Rebranding opportunities
- Advantageous operator selection

Financial base

Both long-term stability and dynamic procurement

- Long-term fixation and financing cost reduction
- LTV control to secure acquisition capacity
- Better credit rating

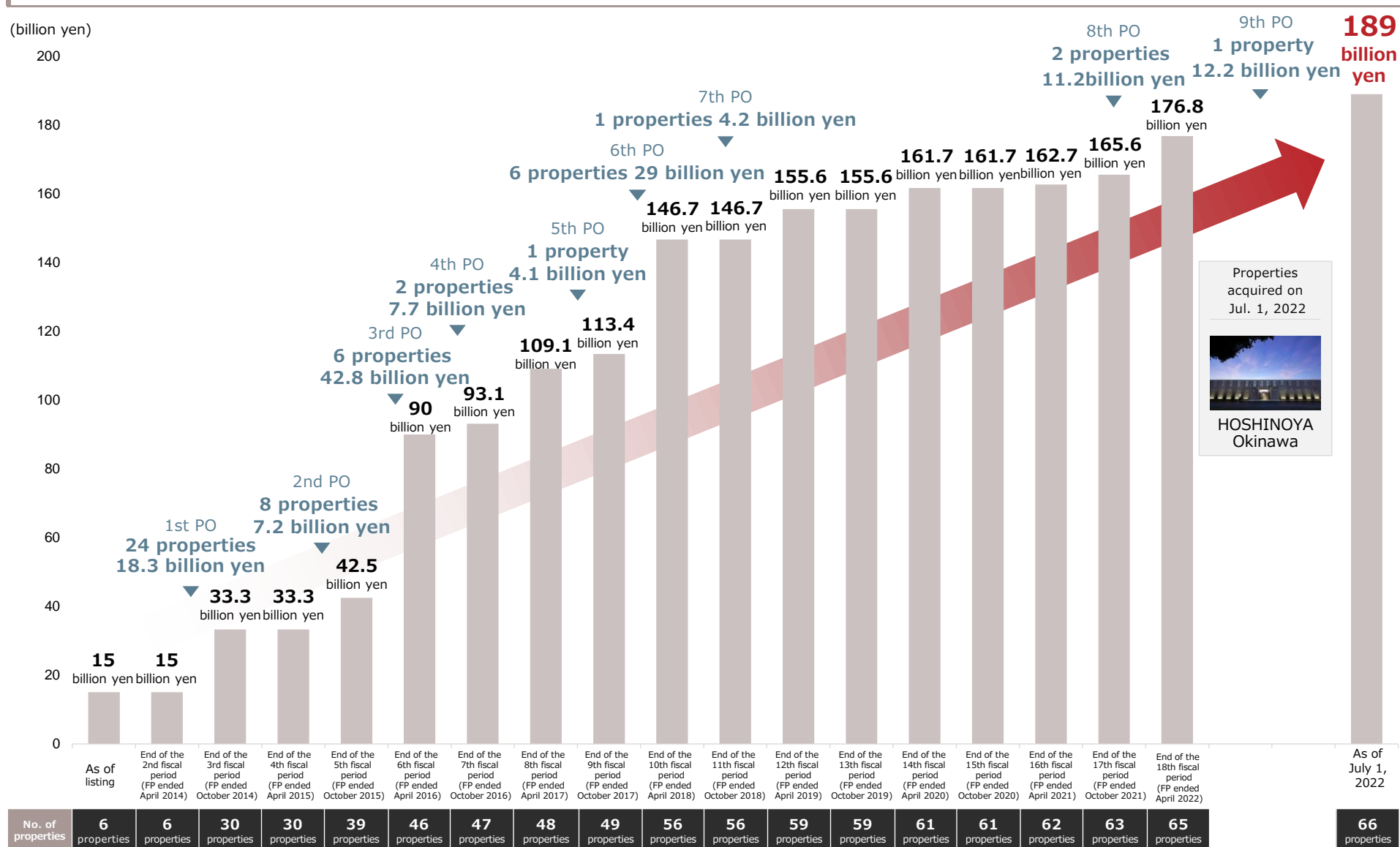
ESG initiatives

Contributing to long-term increase in investor value

- Disaster resilience and resort environment initiatives
- Mechanisms for customer satisfaction leading to social contribution
- Obtain/improve external certification/evaluation related to ESG

Steady growth of asset size

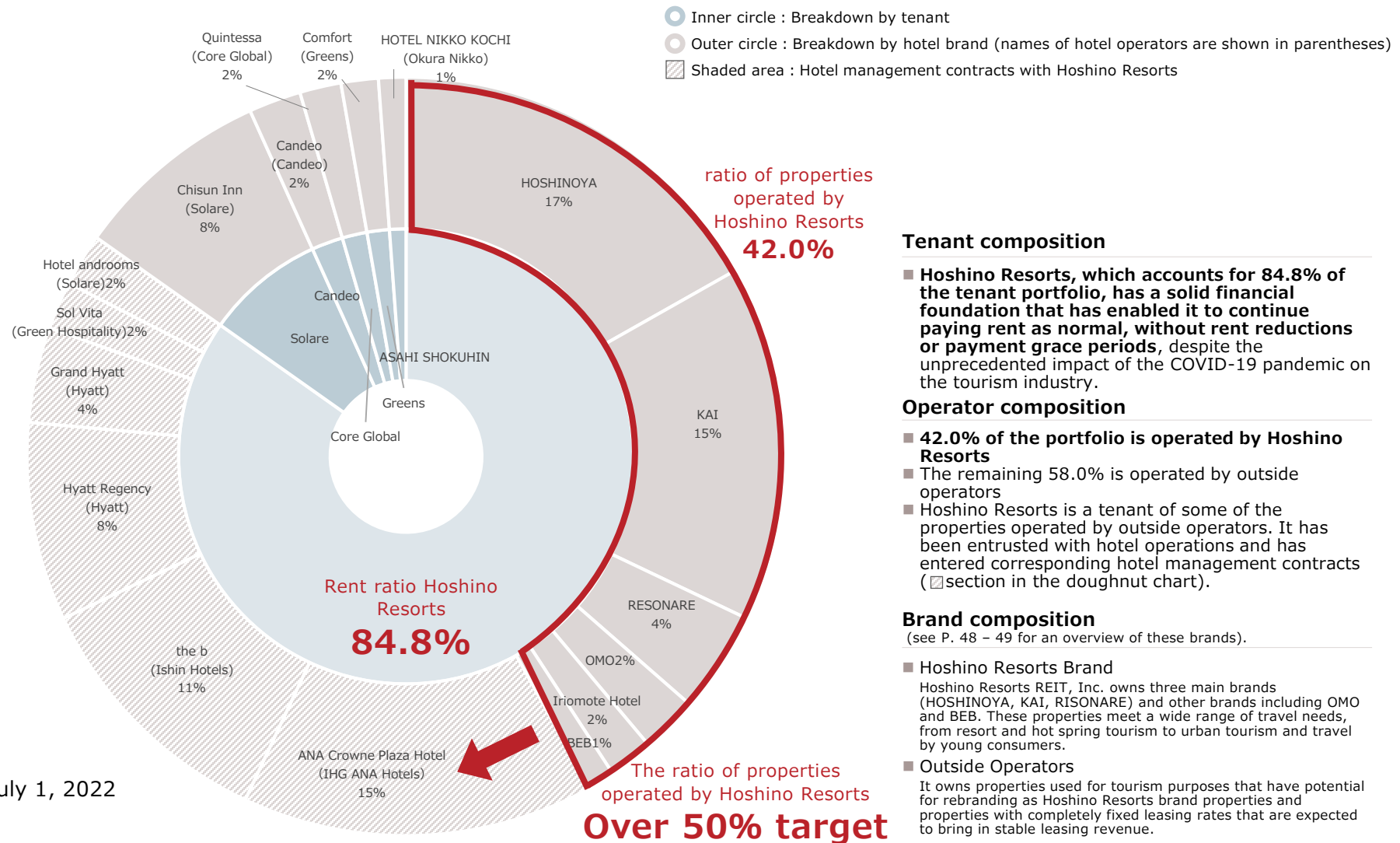
Asset scale in terms of acquisition price



Portfolio structure

We are aiming for a Hoshino Resorts-managed property composition ratio of over 50%, which is expected to bring in stable, long-term cash flow.

Portfolio structure (based on acquisition price)



List of the property pipeline

HRR has abundant investment opportunities created by the management capabilities of Hoshino Resorts Group.

List of the major sponsor pipelines (Note 1)

Facilities owned by Hoshino Resorts Group

Start of operation	Name of facility
1992	Onward Beach Resort Guam
1995	Karuizawa Hotel Bleston Court
2003	Bandaisan Onsen Hotel
2008	KAI Atami (under renovation)
2013	KAI Nikko
2017	Surfjack Hotel & Swim Club
2019	RISONARE Kohamajima

Facilities owned by DBJ joint fund

Start of operation	Name of facility
2019	RISONARE Nasu
2020	HOSHINOYA Okinawa (22.53% co-ownership interest)
2022	KAI Poroto
2022	OMO7 Osaka
2022 (planned)	KAI Unzen

Hoshino Resorts Group development projects (part)

Start of operation	Location
2022 (planned)	Yufu-shi, Oita (KAI Yufuin)
2022 (planned)	Izumo-shi, Shimane (KAI Izumo)
2023 (planned)	Kumamoto-shi, Kumamoto (OMO5 Kumamoto)
2024 (planned)	Nara-shi, Nara (former Nara Prison)
2025 (planned)	Shimonoseki-shi, Yamaguchi (RISONARE Shimonoseki (tentative name))
2025 (planned)	Katsuyama-shi, Fukui
2026 (planned)	Yokohama-shi, Kanagawa (OMO7 Yokohama (tentative name))
TBA	Asuka-mura, Nara
TBA	Wazuka-cho, Kyoto
TBA	Gotanda, Shinagawa-ku, Tokyo

Facilities owned by WBF (Note 2)

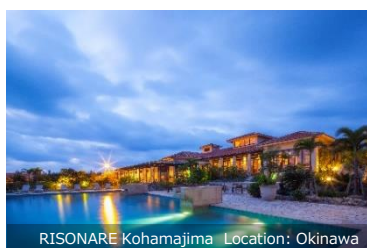
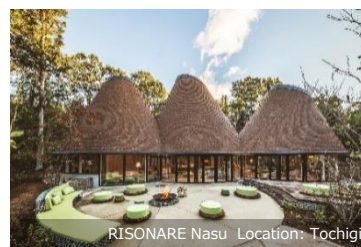
Start of operation	Name of facility
2010	Hotel WBF Kushiro
2014	Hotel WBF Grande Hakodate
2015	Hotel WBF Grande Asahikawa
2018	Hotel WBF Namba Kuromon
2019	Hotel WBF Hakodate Watatsumino Yu
2019	Hotel WBF Fourstay Sapporo

Mezzanine loan receivables / silent partnership investments

Start of operation	Name
TBA	TL55 Specified Purpose Company Class D Loan Receivables (collateral assets: (tentative name) Hotel WBF Grande Kansai Airport)
TBA	OkuhidaonsenryokanGK Silent Partnership Equity Interest

Facilities owned by a third party (part)

Start of operation	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	OMO3 Tokyo Akasaka
2022	OMO3 Sapporo Susukino
2022	OMO5 Otaru
2022	OMO5 Kanazawa Katamachi
2022	BEB5 Okinawa Seragaki
2022 (planned)	OMO1 Tokyo Kawasaki



ESG initiatives



The condition of our planet's environment is worsening day by day, with a growing number of disasters caused by climate change. HRR believes that it is vital to use sustainable methods to promote "Creating Shared Value (CSV)," a source of competitiveness in the new modern era, by contributing to the environment and society while generating profits, helmed by the powerful leadership of executives and management personnel. In order to meet the expectations of stakeholders with respect to environmental, social, and governance issues, the Asset Management Company, as a member of the tourism industry, will speedily and thoroughly address these global issues through the leadership of its executives, who can turn these issues into real estate value, social value, and corporate value.

CSV: Creating Shared Value

The concept of CSV was developed by Michael Porter, an American management scholar. In the CSV approach, commercial enterprises create both economic value and social value by meeting society's needs (solving social issues).



Iriomote Hotel

Building and promoting ESG unique to the tourism industry

From the perspective of real estate management, Hoshino Resorts Group will build an ecosystem unique to the tourism industry: building design and construction, local communities, and employee well-being.

Ecosystem unique to the tourism industry

Maximization of property value

Infrastructure, facilities, and equipment

Roadmap established with the goal of carbon neutrality by 2050

Indices

- Achieving unique ESG initiatives that combine economic and social values (CSV: Creating Shared Value)
- Creation of energy-conservation checklists and improvement schedules for properties
- Visualization and target-setting of energy consumption and management
- Medium- to long-term plan to improve hardware (tangible elements such as facilities, equipment and tools) through tenant satisfaction surveys

Local community

Matching regional culture and economy unique to the tourism industry

Indices

- Cooperation in maintenance and conservation of the local natural environment and contribution to the economy and employment
- Conservation of the natural environment
- Disaster-Ready
- Local economies and employment
- Working to increase the number of people settled in local areas
- Local health and community
- Local agriculture and fisheries industries and food
- Local education

Employees (including tenants)

Employee well-being

Indices

- Ensuring employee productivity and work comfort through regular tenant satisfaction surveys
- Proposals for career development and diversity

Environmental operation of HRR

Sustainability targets

For total assets held by HRR, the Asset Management Company's goal is to reduce annual energy usage by 1% in accordance with the Act on Rationalizing Energy Use (the Energy Conservation Act).

HRR recognizes energy-saving and the reduction of greenhouse gases as important environmental challenges for the lodging industry. HRR has established individual policies and is striving to reduce its environmental impact. HRR is working on applying ingenuity and implementing measures led by the concept of not placing the burden of endurance on guests or staff members.

Hoshino Resorts Group's environmental management

Ecosystem of prosperous coexistence

Hoshino Resorts Group sees hotels and local communities as being inseparable. In other words, greater local allure directly contributes to an increase in the hotel business. Likewise, when hotels share the allure of their areas, it helps increase the area's brand power. Based on this thought, Hoshino Resorts Group is conducting activities rooted in the region.

Hoshino Resorts Group believes that such activities rooted in the region are part of its sustainable corporate competitiveness and that the local technologies, agricultural, forestry and fishery products, tourism resources, etc., that exist in the region are all sources of value.

Hoshino Resorts Group also believes that environmental management requires development in the areas of ecotourism, zero-emissions operations, and energy grids without environmental impacts.



Hoshino Resorts Group carries out unique initiatives based on the above philosophy.

Creating new value for local communities and real estate by responding to environmental and social issues

HOSHINOYA Karuizawa - "EIMY" self-sufficient energy system

Energy In My Yard is the concept of using as much of our energy as possible from the renewables of our own places. In addition to hydroelectric power generation, which has been used for about 100 years, Hoshino Resorts Group also utilizes heat pumps that use geothermal heat and hot spring water discharge, taking advantage of the facility's characteristics.

Hydroelectric power generation facilities to provide part of power for a heat pump



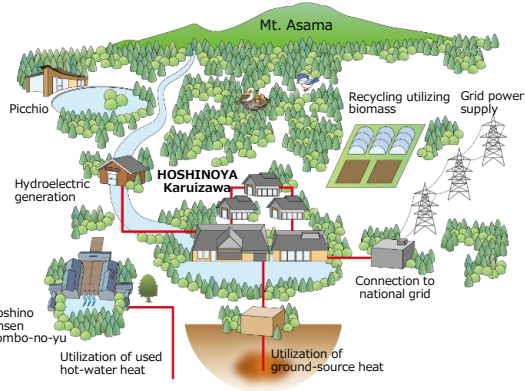
Heat pump system uses ground-source thermal and hot spring water outflow as a thermal source for air conditioning and hot water supply



Sorting waste into 28 categories in order to promote resource recycling



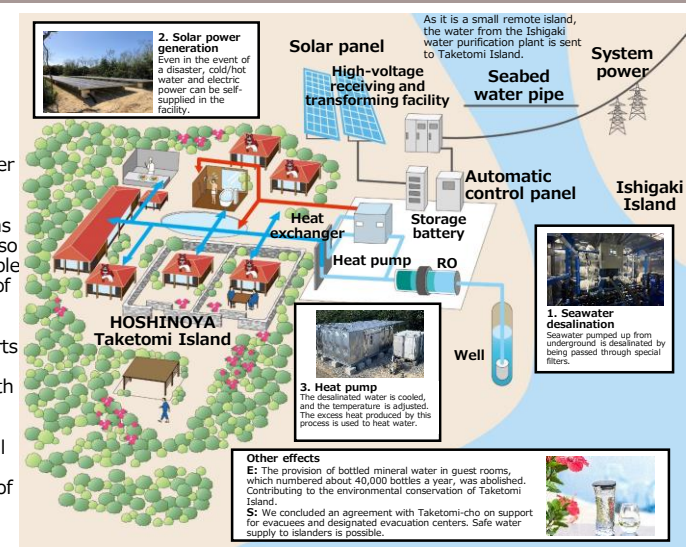
Vents letting in natural air called furo ducts are installed in the ceiling of each guest room



HOSHINOYA Taketomi Island - Utilization of seawater desalination equipment and cooperation with local communities

At HOSHINOYA Taketomi Island, Hoshino Resorts Group has installed a hot water supply heat pump unit utilizing seawater desalination heat sources (Note) that enables self-sufficiency in drinking water through seawater desalination. This unit not only reduces CO₂ emissions by 46 tons per year but also provides water to the people of the island in the event of a disaster.

In addition, Hoshino Resorts Group has entered into a partnership agreement with Taketomijima Regional Foundation for the conservation of the natural environment and sustainable island culture of Taketomi Island.



Iriomote Hotel - Japan's first eco-tourism resort activity on Iriomote Island, a World Natural Heritage Site

Iriomote Island was registered as a World Natural Heritage site in July 2021. Hoshino Resorts Group is working to become Japan's first "eco-tourism resort" to create a sustainable tourism system while protecting the island's natural environment with the involvement of guests.

Ecological hotel management

Hoshino Resorts Group works to achieve zero emissions.

- Stop providing and selling plastic (PET) bottles
- Installing water servers
- Introduction of detergent-free smart laundries



Beach cleaning

Employees clean the beach to preserve the marine environment.

Nature tours to experience the charm and value of the island

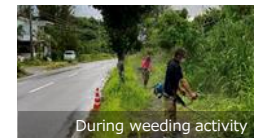
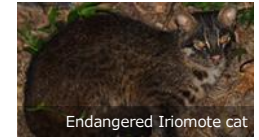
Hoshino Resorts Group works to protect and preserve biodiversity, including endangered and endemic species.

- Iriomote cat trace tour
- Holding "World Heritage School" for people to learn about the natural environment

Endangered Iriomote cat conservation activities

In order to prevent the Iriomote cat, an endangered species, from being killed on roads, Hoshino Resorts Group conducts weeding activities to increase visibility on the road.

- Holding "Iriomote Wildcat School"



Environmental (E) Initiatives

Environmental performance^(Note 1)

Energy consumption

Period ^(Note 2)	FY2019	FY2020	FY2021
No. of properties ^(Note 3)	56	57	61
Energy consumption (MWh)	155,083	124,934	163,116
Energy consumption per basic unit ^(Note 4) (kWh/m ²)	342.2	272.0	330.4

GHG emissions

Period ^(Note 2)	FY2019	FY2020	FY2021
No. of properties ^(Note 3)	56	57	61
Greenhouse gas (GHG) emissions (t-CO ₂)	50,133	41,827	51,274
Greenhouse gas (GHG) emissions per basic unit ^(Note 5) (kgCO ₂ /m ²)	110.6	91.1	103.9

Water consumption

Period ^(Note 2)	FY2019	FY2020	FY2021
No. of properties ^(Note 3)	58	60	63
Water consumption (m ³)	1,881,761	1,336,263	1,508,187
Water consumption per basic unit ^(Note 6) (m ³ /m ²)	4.3	2.9	3.1

Waste

Period ^(Note 2)	FY2019	FY2020	FY2021
No. of properties ^(Note 3)	11	11	50
Amount of waste (t)	1,937	1,036	2,441
Recycling ratio ^(Note 7) (%)	29.7	35.5	17.6

Green lease agreements

- Green leases are those between building owners and tenants where agreements and memorandums regarding the reduction of environmental burden, such as through real estate energy-saving and other measures, and the improvement of the work environment are exchanged and independently agreed upon, and the details of these agreements are put into practice.
- By implementing green lease agreements, HRR aims to link the reduction of light and heat expenses, etc. with improving the global environment and increasing profits.

Green lease agreements concluded (as of July 1, 2022)

Number of properties with a green lease agreement executed	Execution ratio based on leasable floor area ^(Note 8, 9)
34/66 properties	81.6%

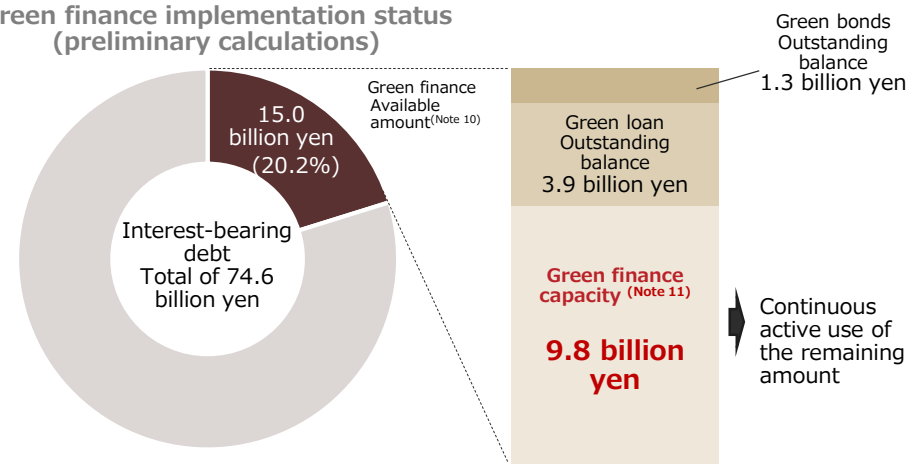
External sustainability evaluation

Year of acquisition	Property name	BELS	CASBEE
2019	KAI Kinugawa	★★★★★	
	Quintessa Hotel Osaka Shinsaibashi	★★★	
2020	KAI Alps (part subject to evaluation: front building)	★★★★	
	BEB5 Karuizawa	★★	
2021	KAI Kaga (part subject to evaluation: new building)	★★★★★	
	Candeo Hotels Sano	★★★★	
	Chisun Inn Chiba Hamano R16	★★	
	HOSHINOYA Karuizawa (part subject to evaluation: Harunire Terrace)		S-rank (★★★★★)
2022	ANA Crowne Plaza Hiroshima	★★	
	ANA Crowne Plaza Toyama	★	

Green finance initiatives

- HRR will actively utilize sustainability finance, including green bonds and green loans, to promote ESG initiatives from a financial perspective.

Green finance implementation status (preliminary calculations)



Social (S) Initiatives

Conducting a tenant satisfaction survey

Hoshino Resorts REIT, Inc.

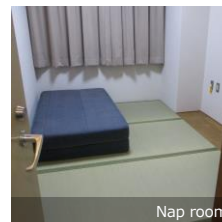
A survey was conducted on the satisfaction of tenant employees at 30 of the properties owned by HRR, which included the viewpoints of well-being such as ease of working and health promotion, and 65.5% of the surveys responded.

HRR believes that the maintenance of a comfortable backyard will improve labor productivity and motivation and is implementing planned repairs based on the results of this survey. Based on the wishes of our stakeholders, we at HRR will continue striving to maximize real estate value by making investments that contribute to improving labor productivity and motivation, as well as creating safe and secure places to work.

Renovation case based on the tenant satisfaction survey KAI Enshu - Improving Comfort and Labor Productivity

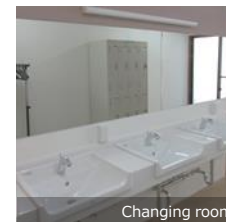
TOPICS

New nap rooms for women



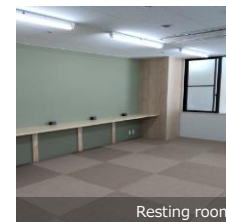
Nap room

Addition of washstands, expansion of mirrors, etc.



Changing room

Replacement of tatami mats and cloth, etc.



Resting room

Measures for employees of the Asset Management Company

Hoshino Resort Asset Management Co., Ltd.

Hoshino Resorts Group believes that a flat organizational culture that promotes diversity is the source of its corporate competitiveness. Hoshino Resorts Group, therefore, prides itself on maintaining a flat organizational hierarchy to the best of its ability and having an organizational culture that urges employees to engage in free and lively debates about what the company should do regardless of age or gender, owing to personal relationships where one can say what they want, at any time, to anyone.

The Asset Management Company also conducts an annual employee satisfaction survey on its employees to create a comfortable working environment. Personnel data of the Asset Management Company is as follows.

Personnel data of the Asset Management Company (as of December 31 of each fiscal year)

	2019	2020	2021
Total number of employees	24	27	34
Male	13	14	21
Female	11	13	13
Percentage of men	54%	52%	62%
Percentage of women	46%	48%	38%
Percentage of men in managerial positions	100%	100%	83%
Percentage of women in managerial positions	0%	0%	17%
Annual turnover rate	23.1%	4.2%	10.7%
Overtime hours worked (monthly average)	20	23	27

Contribution to the local community

Hoshino Resorts Group “KAI” - handwork time

- At KAI, guests can watch up close the rare skills of craftsmen, writers, and producers who have inherited the local culture, as well as experience “handwork time.”
- Through this project, HRR believes that helping to promote local culture and have it inherited and supporting the local economy will lead to an improvement in Hoshino Resorts Group’s management capabilities.

KAI Enshu and Marutama Seicha (self-sufficient tea manufacture) in Kita-ku, Hamamatsu-shi

Experience of natural bounties in new tea picking and hand-kneading designated as intangible cultural properties by Shizuoka Prefecture



KAI Kinugawa and “Kurobane Aizome Konya”

A stay where you can experience various *kurobane* (a costume) indigo dyeing, including a guided tour of the workshop by a young craftsman who has inherited 200 years of history.



About Hoshino Resorts

Hoshino
Resorts
REIT



Hoshino Onsen Ryokan (at the time of its opening)

"The travel and tourism industry will be a leading industry in maintaining world peace."

Led by this idea, Hoshino Resorts is a company that dreams big and will work steadily to bring the people of the world together in friendship over the century to come.



History

	1904	Began development of hot spring in Karuizawa
	1914	Opened Hoshino Onsen Ryokan
	1991	Yoshiharu Hoshino, Hoshino Resorts' 4th and current CEO, joins Hoshino Onsen and is appointed its representative
Phase (1)	1992	Announcement of company's future vision as an operation company whose main business does not consist of property ownership
	1995	Company name changed to Hoshino Resorts Co., Ltd.
	2001	RISONARE Yatsugatake begins operations
	2003	Hoshino Resorts Alts Bandai begins operations
Phase (2)	2004	Hoshino Resorts Tomamu begins operations
	2005	Goldman Sachs becomes hot springs ryokan operation investment partner
		Opened HOSHINOYA Karuizawa
	2010	Master brand strategy is launched
	2011	KAI brand is launched
		RISONARE brand is launched
	2013	Hoshino Resorts REIT, Inc. is listed on the Tokyo Stock Exchange
Phase (3)	2015	Hoshino Resorts' development system is improved through the creation of a jointly operated fund together with the Development Bank of Japan.
	2016	Opened HOSHINOYA Tokyo
	2017	Opened HOSHINOYA Bali
	2018	OMO brand is launched
	2019	BEB brand is launched
	2021	Acquisition of WBF as a subsidiary
Phase (4)	As of July 2022, Hoshino Resorts operates 55 facilities in Japan and 4 facilities overseas	

- [Phase (1)] 1991-2000 Developing know-how as a hotel operator
- [Phase (2)] 2001-2010 Large resort and hot spring ryokan revitalization projects and launch of three core brands
- [Phase (3)] 2011-2020 Creation of a business model that separates ownership, operation, and development
- [Phase (4)] 2021~ Sharing Japanese ryokans with the world

Hoshino Resorts' strengths

Hoshino Resorts
“Seven Spheres of Delight”



HOSHINOYA
Flagships

Authentic Japan with modern comfort



RISONARE

Recreation — the art of creating anew



KAI

Destinations for blissful bathing and dining



OMO

Instant access to the lively local scene



BEB

Kicked-back stays with the crew



Other Unique Lodgings

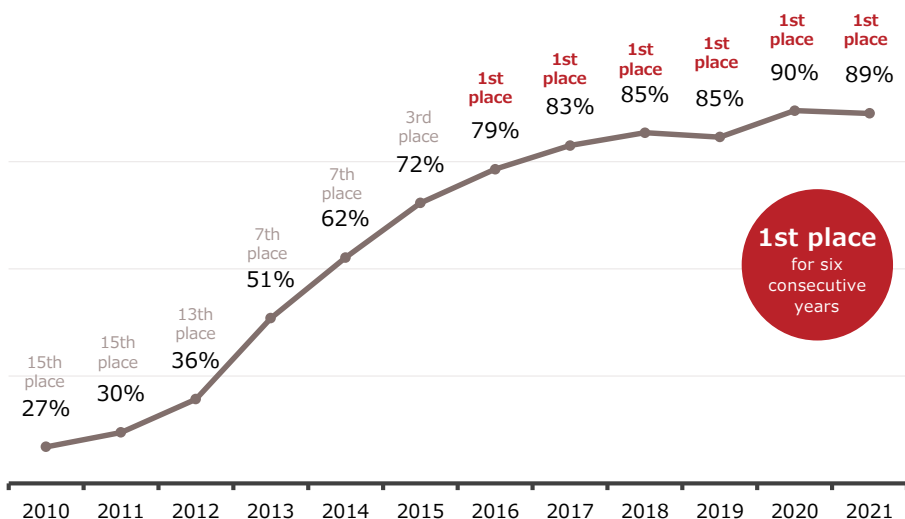
Getaways with a sense of place



Daytrip Destinations

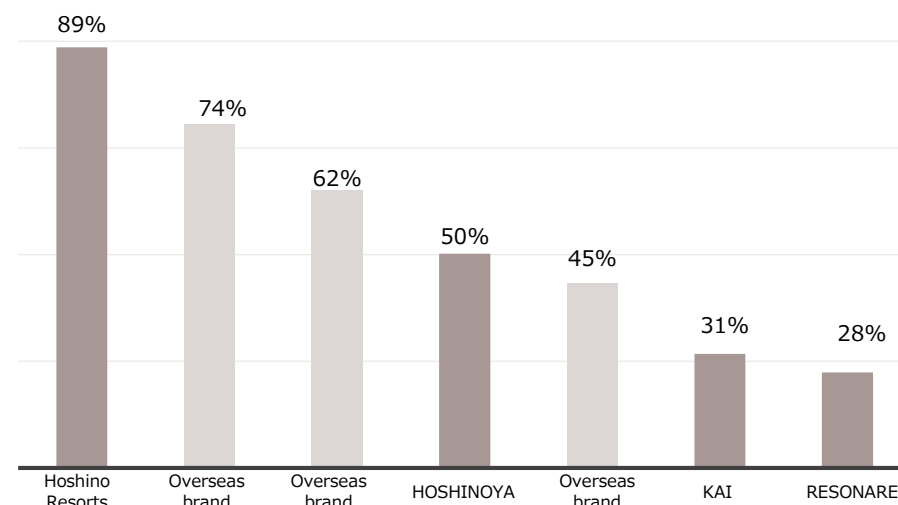
Thermal soaks and thrilling slopes

Awareness of the hotel brand "Hoshino Resorts" (in Japan)



Awareness by hotel brand (2021)

Source: Survey by Hoshino Resorts



Three key points for building long-term customer draw, developed through our history as a resort operator



When Hoshino Resorts operates a hotel, it focuses on providing the hotel with a long-term competitive advantage. We believe that creating sustainable customer draw that is unaffected by changes in the market environment will become even more important in the future.

One of the main reasons that customers consistently give for choosing a hotel is that the hotel is new and clean. Over the multi-decade lifecycles of hotels, new competitors are constantly appearing. It is vital not to allow oneself to get drawn into competition where the newness of facilities confers an advantage. A hotel model that is reliant on physical facilities is one in which newcomers always have an advantage. That's why it is vital to create a model of competition that is not driven by physical facilities -- a model in which being a pioneer is advantageous. Hoshino Resorts' approach uses three core "soft" strengths developed through its 108 year history of hotel and resort operation.

CEO, Hoshino Resorts Yoshiharu Hoshino

Flat organization culture

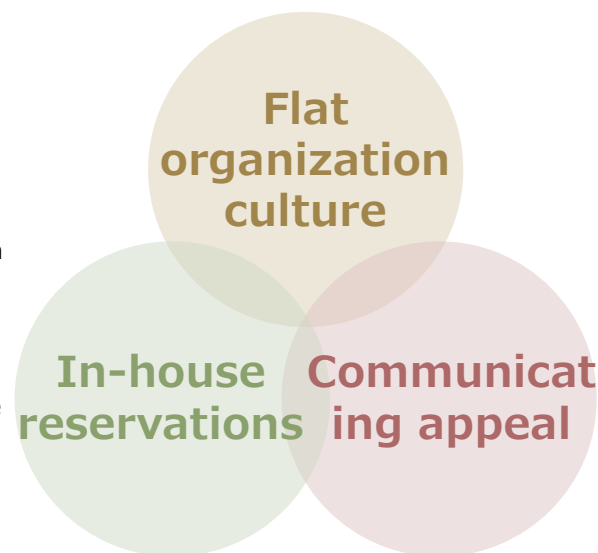
- Independent PDCA cycle through the sharing of management information
- Hierarchy-free organization in which members can actively engage in debate and discussion

Smooth reservations through our own website

- Website designed with a focus on convenience, such as providing optimal rates and advance reservations for activities
- High profits through the high percentage of reservations made directly from our website (60% to 70%)
- Maintain equal footing with OTAs, providing mutual synergistic benefits

Communicating appeal

- Multitasking
Each employee can perform front desk, guestroom, restaurant, and other duties, improving productivity
⇒The time that is freed up is used in development aimed at providing facilities with greater allure
- Ongoing, year-long communication of new appeal
The development of new attractions and enticements for the season to come is conducted by each facility, not the head office
- Close ties with the community
Showcasing what an area has to offer improves local brand power and creates an even stronger collaborative relationship between Hoshino Resorts and the community



Examples of local collaboration projects

Local collaboration projects are being conducted with business and craftspeople that support local industry and culture in regions throughout Japan. Collaboration fields have focused on “food”, “traditional crafts”, “festivals”, and other areas which have been impacted by the COVID-19 pandemic. (Note 1, 2)

Collaboration themes	Kyusyu,Okinawa	Chubu,Hokuriku, Kinki,Chugoku	Kanto	Tohoku	Hokkaido	Nation wide
Food loss prevention			 Go-KINJO Delivery Ranger x OMO5 Tokyo otsuka  Strawberry farmer x KAI Nikko, Kawaji, Kinugawa  Charter boat and long-established confectioner x HOSHINOYA Tokyo	 Hirosaki apple farming assistance x KAI Tsugaru  Gastronomy fair x Hoshino Resorts Aomoriya	 Neighborhood delivery café x OMO7 Asahikawa  Development of tea yokan x KAI brand	
Preserving traditional crafts, Helping creators	 Yachimun creator x Hoshino Resorts Banta Cafe  Sanshin performer x HOSHINOYA Taketomi Island	 Shimada Tea Industrial Promotion Association x KAI Enshu  Shinshu pickle shop x KAI Alps	 Mashiko ware artist x KAI Nikko, Kawaji, Kinugawa  Odawara Lantern shop x KAI Hakone  Artist x KAI Sengokuhara			
Activity		 Enshu handheld firework pyrotechnician x KAI Enshu  Izumo brewery x KAI Tamatsukuri	 Wine festival x RISONARE Yatsugatake  Nasu discovery BOX x RISONARE Nasu	 Nebuta master x Hoshino Resorts Aomoriya  Hirosaki neputa artist x KAI Tsugaru	 Fireworks x Hoshino Resorts Tomamu	
Collaboration with tourism operators			 Autumn skybus x KAI Nikko, Kawaji, Kinugawa  Night skybus Tokyo x HOSHINOYA Tokyo	 Skybus Tokyo x Hoshino Resorts Oirase Keiryu Hotel		



The images with icons at left are activities conducted in concert with the Ministry of Agriculture, Forestry and Fisheries' #GenkiItadakimasuProject (which translates to “Healthily and Happily Eating Project,” a project that supports the consumption of ingredients from Japan that have lost their buyers due to the COVID-19 pandemic).

CHAPTER 7

Appendix

Hoshino
Resorts
REIT













ANA Crowne Plaza Toyama

Overview of owned properties by brand (1)

Hoshino Resorts REIT, Inc. owns five diverse brands operated by Hoshino Resorts.











As of July 1, 2022

Operator	Hoshino Resorts				
Brand name					
Genre	Flagship	Family resort	High-end hot spring ryokan	Urban hotel	Casual hotel
Overview of facility	A brand that provides people with overwhelmingly extraordinary experiences through unique concepts	Western-style hotels combining refined design with a wealth of activities	Sophisticated hot spring ryokans with a comfortable Japanese aesthetic where guests can rediscover regional appeal	Urban tourism hotels that go beyond mere places to sleep, instead making trips even more exciting	More than a Japanese pub, but not quite a full journey - hotels where everyone can kick back and relax
Annual ADR (Note 1)	Approx 75,000 yen ^(Note 2)	Approx 43,000 yen	Approx 37,000 yen ^(Note 3)	Approx 11,000 yen	Approx 15,000 yen ^(Note 4)
Representative hotel	 HOSHINOYA Karuizawa	 RISONARE Yatsugatake	 KAI Hakone	 OMO7 Asahikawa	 BEB5 Karuizawa
Number of owned facilities	5	2	13	1	1
Total acquisition value (ratio)	31,803 million yen (16.8%)	8,250 million yen (4.4%)	28,823 million yen (15.2%)	4,619 million yen (2.4%)	2,170 million yen (1.1%)

Overview of owned properties by brand (2)

Hoshino Resorts REIT, Inc. also invests in properties operated by companies other than Hoshino Resorts which are capable of producing long-term, stable cash flow.

As of July 1, 2022

Operator	SHR Roadside Inn Co., Ltd.	IHG ANA Hotels Group Japan LLC,	Hyatt International Asia Pacific Limited	Ishin Hotels Group Co., Ltd.	
Brand name					
Genre	Roadside hotels	City hotels	City hotels	City hotels	City hotels
Overview of facility	Lodging-focused hotels near expressway interchanges and major arterial roads	Upscale hotels that combine the world-class services of Crowne Plazas with the high-quality hospitality of ANA hotels	Iconic luxury hotels that offer grand stays	Hotels designed to maximize the value of connections	Stylish city hotels located in major cities across the nation
Annual ADR (Note)	Approx 6,000 yen	Approx 13,000 yen	Approx 29,000 yen	Approx 16,000 yen	Approx 10,000 yen
Representative hotel	 Chisun Inn Fukushima Nishi IC	 ANA Crowne Plaza Toyama	 Grand Hyatt Fukuoka	 Hyatt Regency Osaka	 the b akasaka
Number of owned facilities	22	3	1	1	4
Total acquisition value (ratio)	15,995 million yen (8.5%)	28,401 million yen (15.0%)	7,700 million yen (4.1%)	16,000 million yen (8.5%)	20,800 million yen (11.0%)

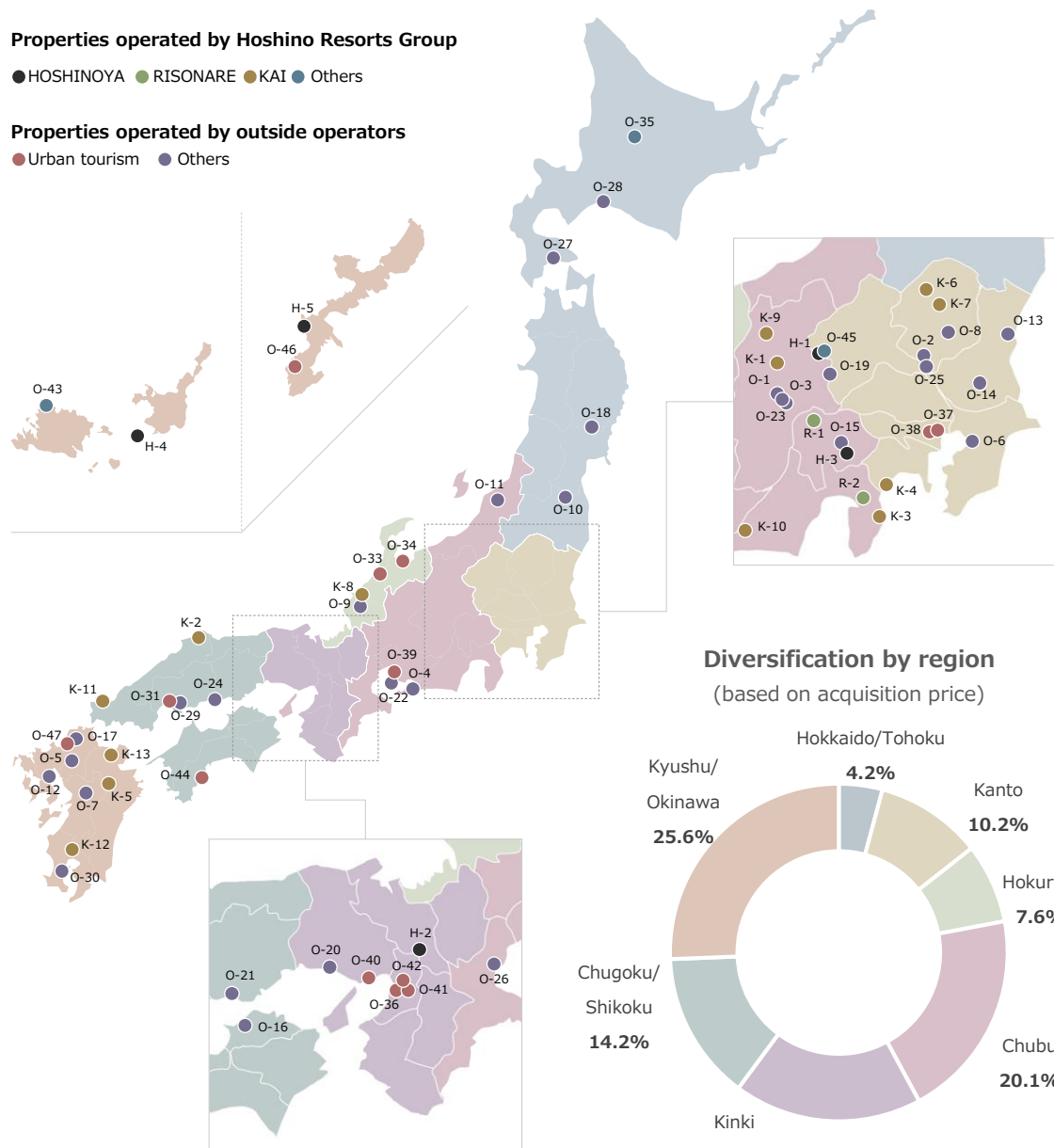
Status of portfolio

Properties operated by Hoshino Resorts Group

● HOSHINOYA ● RISONARE ● KAI ● Others

Properties operated by outside operators

● Urban tourism ● Others



As of July 1, 2022

Categ ory	Property no.	Property name
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Properties operated by Hoshino Resorts Group

	H-1	HOSHINOYA Karuizawa
	H-2	HOSHINOYA Kyoto
	H-3	HOSHINOYA Fuji
	H-4	HOSHINOYA Taketomi Island
	H-5	HOSHINOYA Okinawa
	R-1	RISONARE Yatsugatake
	R-2	RISONARE Atami
	K-1	KAI Matsumoto
	K-2	KAI Tamatsukuri
	K-3	KAI Ito
	K-4	KAI Hakone
	K-5	KAI Aso
	K-6	KAI Kawaji
	K-7	KAI Kinugawa
	K-8	KAI Kaga
	K-9	KAI Alps
	K-10	KAI Enshu
	K-11	KAI Nagato
	K-12	KAI Kirishima
	K-13	KAI Beppu
	O-35	OMO7 Asahikawa
	O-43	Iriomote Hotel
	O-45	BEB5 Karuizawa

Properties operated by outside operators

	O-31	ANA Crowne Plaza Hiroshima
	O-33	ANA Crowne Plaza Kanazawa
	O-34	ANA Crowne Plaza Toyama
	O-36	Hyatt Regency Osaka
	O-37	the b Akasaka
	O-38	the b Sangenjaya
	O-39	the b Nagoya
	O-40	the b Kobe
	O-41	Quintessa Hotel Osaka Shinsaibashi
	O-42	hotel androoms Osaka Hommachi

Categ ory	Property no.	Property name
--------------	-----------------	---------------

	O-44	Hotel Nikko Kochi Asahi Royal
	O-46	Sol Vita Hotel Naha
	O-47	Grand Hyatt Fukuoka
	O-1	Chisun Inn Shiojiri Kita IC
	O-2	Chisun Inn Sano Fujioka IC
	O-3	Chisun Inn Suwa IC
	O-4	Chisun Inn Toyokawa IC
	O-5	Chisun Inn Tosu
	O-6	Chisun Inn Chiba Hamano R16
	O-7	Chisun Inn Kumamoto Miyukifueda
	O-8	Chisun Inn Utsunomiya Kanuma
	O-9	Chisun Inn Fukui
	O-10	Chisun Inn Fukushima Nishi IC
	O-11	Chisun Inn Niigata Chuo IC
	O-12	Chisun Inn Omura Nagasaki Airport
	O-13	Chisun Inn Hitachinaka
	O-14	Chisun Inn Tsuchiura Ami
	O-15	Chisun Inn Kofu Isawa
	O-16	Chisun Inn Marugame Zentsuji
	O-17	Chisun Inn Munakata
	O-18	Chisun Inn Iwate Ichinoseki IC
	O-19	Chisun Inn Karuizawa
	O-20	Chisun Inn Himeji Yumesakibashi
	O-21	Chisun Inn Kurashiki Mizushima
	O-22	Candeo Hotels Handa
	O-23	Candeo Hotels Chino
	O-24	Candeo Hotels Fukuyama
	O-25	Candeo Hotels Sano
	O-26	Candeo Hotels Kameyama
	O-27	Comfort Hotel Hakodate
	O-28	Comfort Hotel Tomakomai
	O-29	Comfort Hotel Kure
	O-30	Chisun Inn Kagoshima Taniyama

Properties operated by Hoshino Resorts

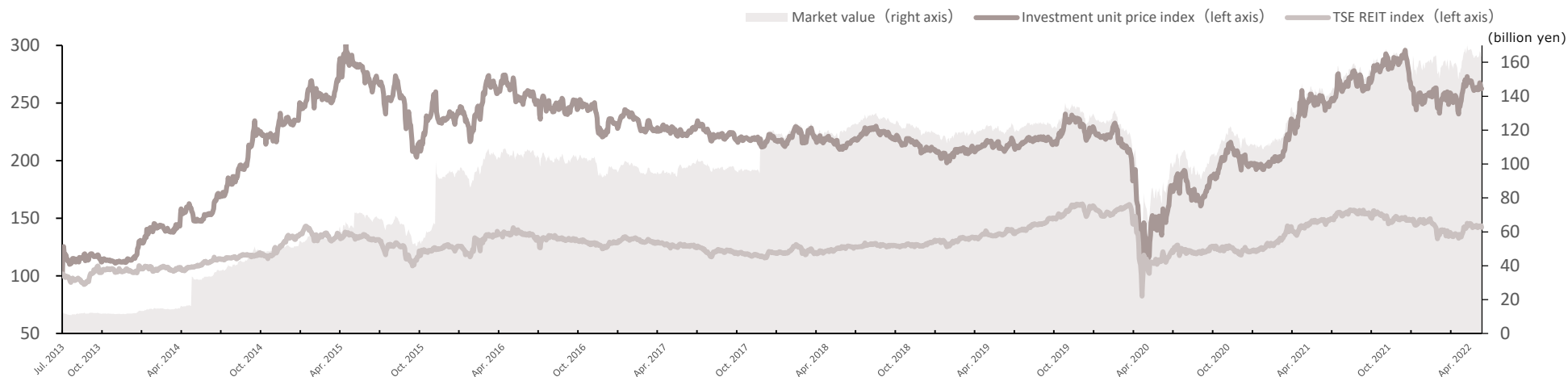
Name of property	May 2020 ~Apr. 2021	May 2021 ~Apr. 2022	Change
HOSHINOYA Karuizawa	0.3%	0.2%	-0.1pt
HOSHINOYA Kyoto	0.3%	0.1%	-0.1pt
HOSHINOYA Fuji	0.6%	0.4%	-0.2pt
HOSHINOYA Taketomi Island	0.3%	0.3%	+0.0pt
RISONARE Yatsugatake	0.0%	0.0%	+0.0pt
RISONARE Atami	0.0%	0.0%	+0.0pt
KAI Matsumoto	0.0%	0.1%	+0.0pt
KAI Tamatsukuri	0.0%	0.0%	-0.0pt
KAI Ito	0.0%	0.0%	-0.0pt
KAI Hakone	0.1%	0.1%	-0.1Pt
KAI Aso	0.1%	0.1%	-0.1Pt
KAI Kawaji	0.0%	0.0%	-0.0pt
KAI Kinugawa	0.0%	0.0%	-0.0pt
KAI Kaga	0.0%	0.0%	-0.0pt
KAI Alps	0.1%	0.1%	-0.0pt
KAI Enshu	0.0%	0.0%	-0.0pt
KAI Nagato	0.0%	0.0%	+0.0pt
KAI Kirishima	-	0.0%	+0.0pt
KAI Beppu	-	0.1%	+0.1pt
OMO7 Asahikwa	0.0%	0.4%	+0.3Pt
Iriomote Hotel	0.0%	0.0%	+0.0pt
BEB5 Karuizawa	0.1%	0.0%	-0.1pt

Properties operated by outside operators

Name of property	May 2020 ~Apr. 2021	May 2021 ~Apr. 2022	Change
22 Roadside Properties	0.0%	0.0%	+0.0pt
ANA Crowne Plaza Hiroshima	2.0%	1.2%	-0.8pt
ANA Crowne Plaza Kanazawa	0.2%	0.2%	+0.0pt
ANA Crowne Plaza Toyama	0.1%	0.1%	+0.0pt
Hyatt Regency Osaka	3.9%	2.7%	-1.2pt
Grand Hyatt Fukuoka	1.6%	2.5%	+0.9pt
the b akasaka	1.8%	1.3%	-0.5pt
the b sangenjaya	0.5%	0.2%	-0.3pt
the b nagoya	0.6%	0.4%	-0.2pt
the b kobe	0.3%	0.4%	+0.1pt
hotel androoms Osaka Hommachi	0.0%	0.1%	+0.1pt
Sol Vita Hotel Naha	0.1%	0.0%	-0.1pt
Quintessa Hotel Osaka Shinsaibashi	1.1%	7.5%	+6.4pt
Overall portfolio	0.3%	0.5%	+0.2pt

Change in market value and investment unit price/ Information on unitholders as of the end of the fiscal period ended April 2022

Change in market value and investment unit price^(Note 1)

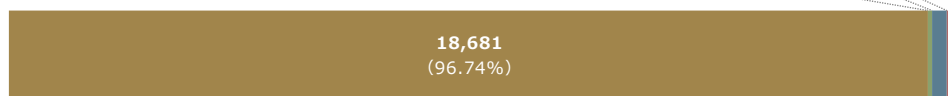


Composition of unitholders (as of April 30, 2022)^(Note 2)

- Individual
- Financial institutions (including financial trading operators)
- Other domestic corporations
- Foreign corporations, etc.



Number of units held
by type of unitholder
Total: 244,355 units



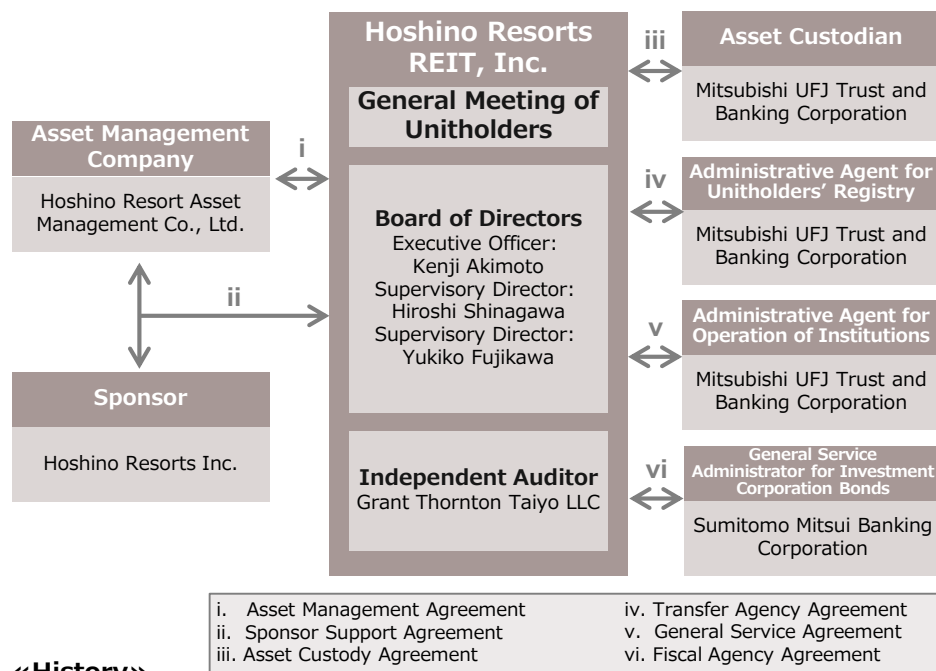
Number of investors
by type of unitholder
Total: 19,309

(Note 3)

Major unitholders	Number of investment units held (units)	Ratio(%)
The Master Trust Bank of Japan, Ltd. (Trust account)	44,624	18.26
Custody Bank of Japan, Ltd. (Trust account)	24,952	10.21
BNP PARIBAS SECURITIES SERVICES SINGAPORE/JASDEC/CLIENT ASSET (Standing proxy: Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	19,777	8.09
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	10,876	4.45
Custody Bank of Japan, Ltd. (Securities Investment Trust)	6,596	2.69
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (Standing proxy: Mizuho Bank Settlement & Clearing Services Department)	4,460	1.82
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank Settlement & Clearing Services Department)	4,336	1.77
Mizuho Securities Co., Ltd.	4,151	1.69
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	2,942	1.20
K.K. Horizon Hotels. Pty. Ltd.	2,586	1.05
Total	125,300	51.27

Overview of Hoshino Resorts REIT, Inc. and Asset Management Company

Structure of Hoshino Resorts REIT, Inc.



«History»

February 28, 2013

Application for registration of Hoshino Resorts REIT, Inc. was filed by the organizer (Hoshino Resort Asset Management Co., Ltd.) under Article 69-1 of the Act on Investment Trusts and Investment Corporations (Investment Trusts Act)

March 6, 2013

Hoshino Resorts REIT, Inc. was registered and established under Article 166 of the Investment Trusts Act

March 25, 2013

Application for registration of Hoshino Resorts REIT, Inc. was filed under Article 188 of the Investment Trusts Act

April 10, 2013

Hoshino Resorts REIT, Inc. was registered by the Prime Minister under Article 187 of the Investment Trusts Act (registration number 84, filed with the Director of the Kanto Local Finance Bureau)

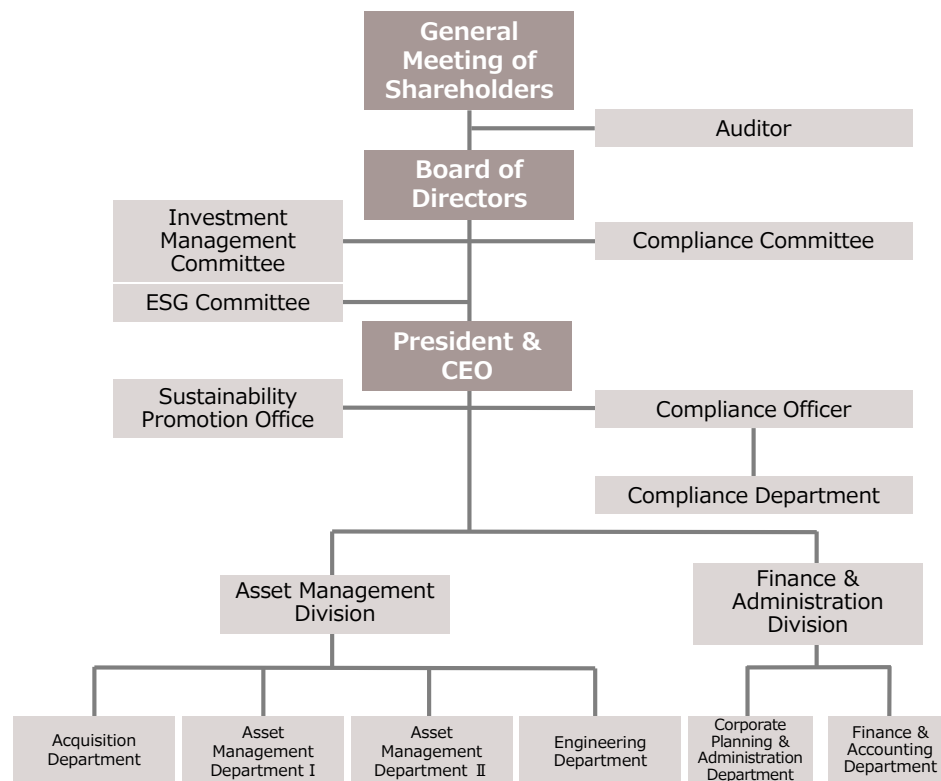
July 12, 2013

Hoshino Resorts REIT, Inc. was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (securities code: 3287)

July 16, 2013

Asset management started

Structure of Asset Management Company



«Overview»

Name

Address

Date of Establishment

Paid-in Capital

Shareholder

Registration and Licenses

Hoshino Resort Asset Management Co., Ltd.

6-18, Kyobashi 3-chome, Chuo-ku, Tokyo

May 14, 2010

100 million yen

Hoshino Resorts Inc. 100%

Registration as a Financial Instruments Business: Director of Kanto Local Finance Bureau (Kin-sho) No. 2405 Discretionary Real Estate Transaction License: The Minister of Land, Infrastructure, Transportation and Tourism No.74 Building Lots and Buildings Transaction Business License: The Governor of Tokyo No. (3) 94316

P6

Note 1: The timing of floating rents arising and the specific calculation methods vary depending on the property. The starting dates of floating rent are stated as May 1, 2022 (19th FP) for KAI Alps; May 1, 2022 (19th FP) for Grand Hyatt Fukuoka; November 1, 2022 (20th FP) for Iriomote Hotel; May 1, 2023 (21st FP) for BEB5 Karuizawa; November 1, 2023 (22nd FP) for KAI Nagato; November 1, 2023 (22nd FP) for KAI Beppu; November 1, 2024 (24th FP) for OMO7 Asahikawa; November 1, 2024 (24th FP) for HOSHINOYA Okinawa; and May 1, 2025 (25th FP) for KAI Kirishima. Therefore, floating rent will not arise prior to those said dates regardless of the amounts of sales or profits of the hotels, ryokans, or ancillary facilities. This also applies hereafter.

Note 2: Periods during which states of emergency were declared for Tokyo are indicated as "States of Emergency." This also applies hereafter.

P9

Note 1: The 9th public offering refers to the 9th public offering since the establishment of HRR by way of primary offering to raise funds to acquire a new Hoshino Resorts Group property, "HOSHINOYA Okinawa," with the aim of accelerating the new growth phase that started in November 2020, together with the third-party allotment of shares accompanying this offering (hereinafter referred to as "the Third-Party Allotment"). The 9th public offering may also be referred to as "the Public Offering" or "the PO." At the Board of Directors' meetings held on June 15 and June 21, 2022, it was decided to issue new investment units by way of the Third-Party Allotment. If Nomura Securities Co., Ltd. requests all of the new investment units issued by way of the Third-Party Allotment (limit: 533) and the investment units are issued, up to 533 investment units (paid-in amount: 314 million yen) will be issued in addition to the investment units by way of public offering. This also applies hereafter.

Note 2: "Unitholders' capital" after the PO is the amount obtained by adding the estimated total issue value in the PO to the total amount of investment before the PO.

Note 3: "NAV per unit" before the PO was calculated by dividing the NAV as of the end of the 18th fiscal period ended Apr. 2022 by the total number of issued investment units as of the end of the 18th fiscal period ended Apr. 2022 (244,355 units). "NAV per unit" after the Public Offering was calculated by dividing the post-PO NAV tentatively calculated by the Asset Management Company by the total number of investment units expected to be issued (255,558 units). Calculations are based on the assumptions that Nomura Securities Co., Ltd. requests all of the investment units to be issued by way of this PO and that the investment units are issued.

Note 4: The "LTV" before the public offering is the interest-bearing debt ratio as of the end of the 18th fiscal period ended Apr. 2022. The "LTV" after the PO is the predicted interest-bearing debt ratio calculated by the Asset Management Company based on the interest-bearing debt ratio adjusted by the change in interest-bearing debt and total assets indicated in balance sheets between the end of the 18th fiscal period ended Apr. 2022 and the conclusion of the PO. This also applies hereafter.

Note 5: "Acquisition capability" 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. This also applies hereafter.

Note 6: The "Unitholders' capital," "LTV per unit," "LTV" and "Acquisition capability" figures after the PO are estimated figures as of June 21, 2022, and were derived based on the estimated amount of proceeds in the PO. Proceeds in the PO are subject to change, so these estimated figures may not necessarily match the actual LTV and acquisition capability figures. This also applies hereafter.

Note 7: "Hotel REITs" refers to six investment corporations listed on the Tokyo Stock Exchange that held accommodation facilities such as hotels and ryokans at 80% or more based on the (planned) acquisition price as of May 31, 2022, 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)," which are MORI TRUST Hotel Reit, Inc, Invincible Investment Corporation, Japan Hotel REIT Investment Corporation, Ichigo Hotel REIT Investment Corporation and Oedo Onsen Reit Investment Corporation. The same applies hereafter.

Note 8: Figures derived by indexing the price of investment unit as of December 30, 2019 as 100 are shown.

Note 9: "All major banks" refers to MUFG Bank, Ltd., Development Bank of Japan Inc., Sumitomo Mitsui Banking Corporation, Resona Bank, Ltd. and Mizuho Bank, Ltd. that are all lenders in the New Loan (refers to the new loan executed in July in parallel with the Offering; the same shall apply hereinafter).

P10

Note 1: This includes refinancing in May 2022.

Note 2: "Total amount financed" is the sum of the amount paid in for the capital increase through the May 2021 Third-Party Allotment and the November 2021 Public Offering, plus the estimated total amount of Issue Value for the Public Offering. Calculations are based on the assumptions that Nomura Securities Co., Ltd. requests all of the investment units to be issued by way of the Third-Party Allotment and that the investment units are issued.

P11

Note: The diagram indicates properties that have been developed or are under development by the Joint Fund, and except for assets already acquired, there are no specific plans for HRR to acquire the properties listed on this page, nor is there any guarantee that HRR will acquire them in the future.

P14

Note: "JAPAN TRAVEL AWARDS 2022" is an initiative organized by Shiitake Creative Inc. to broadly invite tourism-related products, services, initiatives, people, etc. that travelers can experience, and to commend outstanding accomplishments in each category.

P15

Note 1: The number of visitors to Okinawa Prefecture is the total number of people who visited Okinawa Prefecture in each year (excluding Okinawa residents), whether for tourism or not, and the number of visitors to the State of Hawaii is the total number of people who visited Hawaii in each year.

Note 2: "Hawaii" refers to the entire State of Hawaii, not just the Big Island.

Note 3: The survey conducted by ASOVIEW Inc. is based on the questionnaire results for its members and does not guarantee or promise that the actual percentage or ranking of the number of travelers by prefecture in the post-COVID-19 period will match the results of said survey.

P17

Note 1: Properties acquired after May 2018 are not included.

Note 2: For "HOSHINOYA" and "RISONARE," only the operating results of the assets owned by HRR are shown. The same applies hereinafter.

Note 3: Figures prior to April 2019 are not shown for "BEB5 Karuizawa" (opened in February 2019), as it does not have annual operating results until April 2019.

P18

Note 1: As "BEB5 Karuizawa" opened in February 2019, the year-on-year performance for January 2020 is not available. In addition, January 2021 and January 2022 are calculated by comparison with January 2020. Furthermore, since the operation was not stable for a certain period after opening, February and March 2021 and February and March 2022 are calculated in comparison with February and March 2020, respectively.

Note 2: Properties acquired after January 2019 are not included.

P20

Note: Of the 13 KAI properties, KAI Kirishima and KAI Beppu were acquired on December 1, 2021, when calculating figures for comparing results to those of the end of the fiscal period for these two properties, the figures indicated in the real estate appraisals, etc., as of the time of acquisition of the properties were used.

P21

Note 1: "Loan Syndication (total of ten banks) with MUFG Bank, Ltd. as 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 Hokuriku Bank, Ltd., The Ashikaga Bank, Ltd., The Yamaguchi Bank, Ltd. and The Bank of Kyoto, Ltd.

Note 2: HRR has entered into an interest rate swap agreement to fix the "borrowing rate (annual)." This also applies hereafter.

P23

Note: The reduction in the number of sheets of paper is an estimated figure calculated based on the assumption that the number of sheets of paper used per prospectus is approximately 100 pages of B5 paper (this is a (rough) estimate of the number of sheets of B5 paper that would be used if the prospectus were printed for the PO, and does not include amendments) and that 19,520 copies of the prospectus are assumed to be required (19,520 copies of the prospectus in the November 2021 PO are assumed in this calculation). This does not constitute a guarantee or promise that it will match the actual number of sheets of paper that will not be required to be printed.

P25

Note: Since split of investment units was implemented on November 1, 2016, distribution per unit for the 7th FP and before indicated are one-half of the actual amount considering the split.

P26

Note: The distribution per unit was calculated by dividing by 255,558, the total number of investment units envisioned as being issued, including the maximum of 533 investment units issued by way of third-party allotment. Part of the internal reserves for reduction entry are envisioned as being allocated to distributions.

P28

Note: Factors differ depending on property.

P30

Note: OMO5 Tokyo Otsuka is not owned by HRR. As of the present, HRR has no plans and has made no decisions to acquire this facility.

P31

Note: Except for real estate acquired by HRR, there is no specific plan for HRR to acquire the properties stated in the “List of facilities opening in 2020–2022,” nor is there any guarantee that HRR will acquire them in the future.

P32

Note 1: The services indicated on this page are some of the services offered by Hoshino Resorts Group as of the day of the creation of this document. These services also include services provided by properties other than those owned by HRR.

Note 2: Due to popular demand, this service has sold out and applications for the service are no longer being accepted. It is unknown when applications will be accepted again.

P36

Note 1: Except for assets already acquired by HRR, there are no specific plans for HRR to acquire the properties listed on this page, nor is there any guarantee that HRR will acquire them in the future.

Note 2: “WBF” collectively refers to two companies, WBF Hotel & Resorts Co., Ltd. and White Bear Family Co., Ltd., and their subsidiaries, etc. The same applies hereinafter.

P39

Note: “Hot water supply heat pump unit utilizing seawater desalination heat sources” 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 document’s release.

P40

Note 1: The indicated figures are based on the figures provided by the operators of individual properties.

Note 2: Data are collected from April to March each year.

Note 3: Of the properties owned by the Asset Management Company, those with 100% of the area of data acquisition are covered.

Note 4: Primary units are calculated as (energy consumption of owned properties for which data has been acquired for 100% of the property area) ÷ primary unit denominator (total area (m2) of owned properties for which data has been acquired for 100% of the property area). The areas used in calculations are based on the areas listed in the certificate of inspection for each property and used in GRESB Real Estate Assessments.

Note 5: Primary units are calculated as (greenhouse gas (GHG) emissions of owned properties for which data has been acquired for 100% of the property area) ÷ primary unit denominator (total area (m2) of owned properties for which data has been acquired for 100% of the property area). The areas used in calculations are based on the areas listed in the certificate of inspection for each property and used in GRESB Real Estate Assessments.

Note 6: Primary units are calculated as (water consumption of owned properties for which data has been acquired for 100% of the property area) ÷ primary unit denominator (total area (m2) of owned properties for which data has been acquired for 100% of the property area). The areas used in calculations are based on the areas listed in the certificate of inspection for each property and used in GRESB Real Estate Assessments.

Note 7: A recycling rate is calculated as (waste recycled from the property with 100% of the area of data acquisition among the properties owned) ÷ (waste generated from the property with 100% of the area of data acquisition among the properties owned).

Note 8: The leasable area is the area indicated in leasing agreements for each property.

Note 9: The “execution ratio based on leasable floor area” is calculated using the following formula. “Execution ratio based on leasable floor area” = total leasable area of properties that have concluded green lease agreements ÷ total leasable area of properties in portfolio x 100

Note 10: “Green finance available” is calculated by multiplying the total acquisition price of properties that meet eligibility criteria as of the date of this document by LTV (after the PO), based on the Green Finance Framework developed by HRR (hereinafter “the Framework”). The calculated figure is a preliminary calculation by the Asset Management Company based on information available as of June 21, 2022, and is not a guarantee or promise that it will match the actual number in the future.

Note 11: “Green finance capacity” is calculated by deducting the principal balance of green financing (Green Loans and Green Bonds) that HRR provides as of the date of this document from the amount of Green finance available. The calculated figure is a preliminary calculation by the Asset Management Company based on information available as of June 21, 2022, and is not a guarantee or promise that it will match the actual number in the future.

P46

Note 1: This page contains examples of local collaboration projects that have been carried out by Hoshino Resorts as of the date of this document's creation. It does not constitute a guarantee that these projects are currently being implemented as of the date of this document's creation.

Note 2: Except for assets already acquired by HRR, there are no specific plans for HRR to acquire the properties listed on this page, nor is there any guarantee that HRR will acquire them in the future.

P48

Note 1: The Annual ADR is a reference value calculated based on the period between November 2018 and October 2019.

Note 2: Annual ADR for the HOSHINOYA brand is indicated for four HOSHINOYA properties and does not include HOSHINOYA Okinawa.

Note 3: Annual ADR for the KAI brand is the ADR for 13 KAI properties other than KAI Enshu, KAI Nagato, KAI Kirishima and KAI Beppu.

Note 4: Annual ADR for BEB5 Karuizawa is a reference value calculated based on the average ADR for the nine-month period between February and October 2019.

P49

Note: The Annual ADR is a reference value calculated based on the period between November 2018 and October 2019. Annual ADR for Grand Hyatt Fukuoka was calculated based on the period from January to December 2019.

P52

Note 1: The starting date for the above graph is July 11, 2013, which was the business day preceding the listing day. The investment prices have been converted into an index by setting one-half of 510,000 Yen (the issue price at the public offering conducted on July 11, 2013) as 100 (considering the investment unit 2-for-1 split on November 1, 2016), and the investment unit prices for October 26, 2016 (final trading day before split) and earlier were similarly adjusted to half their former price before conversion. In addition, the TSE REIT index was re-indexed by setting the closing price of July 11, 2013 as 100.

Note 2: The ratios in the parentheses following the number of units held by type of unitholder represent the ratio of units held by each type of unitholder to the total number of issued investment equity units. The ratios in the parentheses following the number of investors by type of unitholder represent the ratio of investors by each type of unitholder to the total number of investors owning Hoshino Resorts REIT, Inc.. Each is rounded down to the second decimal place.

Note 3: Ratio indicates the ratio of the number of investment units held to the total investment units issued and outstanding, rounded down to two decimal places.

This document is provided for information purposes only and is not a solicitation for investment, nor recommendation or invitation to make specific transactions. We caution readers to undertake investment decisions at their own discretion and responsibility.

This document is not a disclosure document or report based upon the Financial Instruments and Exchange Act, the Act on Investment Trusts and Investment Corporations, public listing regulations of the Tokyo Stock Exchange or other related laws and regulations.

This document includes charts, data and other materials prepared by Hoshino Resort Asset Management Co., Ltd. (the “Asset Management Company”) based on data, indices, etc. disclosed by third parties, in addition to statements related to Hoshino Resorts REIT, Inc. (“HRR”). Statements on analysis, judgments and other opinions of the Asset Management Company as of the date of the document are also included.

The contents of this document have not been audited and their accuracy and completeness are not guaranteed. Analysis, judgments and other opinions of the Asset Management Company that are not actual instance are only reflecting the views of the Asset Management Company as of the date of the document. Therefore, other views and opinions exist and the Asset Management Company may change its views in the future.

The figures under the same item of other disclosed materials may differ from figures presented in this document due to different rounding of fractions and such.

While HRR and the Asset Management Company has taken due care in the preparation of this document, the possibility of errors exists. Readers are also cautioned that the contents of this document are subject to correction or change without prior notice.

HRR or the Asset Management Company will not be responsible for any inaccuracy in data, indices and such disclosed by third parties.

Although this documents include statements regarding HRR’s future policies, etc., these statements do not guarantee such future policies, etc.

For the convenience of preparing graphs, the dates indicated may differ from actual business dates.

Contact TEL: +81-3-5159-6338

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

Asset Management Company: Hoshino Resort 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)