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REIT Securities Issuer
Hoshino Resorts REIT, Inc.
Representative: Kenji Akimoto, Executive Director
(Code: 3287)

Asset Management Company
Hoshino Resort Asset Management Co., Ltd.
Representative: Kenji Akimoto, President & CEO
Contact: Takahiro Kabuki, Director & CFO
TEL: +81-3-5159-6338

Result of the Sustainability Finance Framework Evaluation

Notice Concerning < Acquisition of Overall Evaluation SU1 (F) >

Hoshino Resorts REIT, Inc. (hereinafter referred to as "HRR") announces that it received today the highest rating of <Overall Evaluation SU1 (F)> for its Sustainability Finance Framework (hereinafter the "Framework") from Japan Credit Rating Agency, Ltd. (hereinafter "JCR").

1. Evaluation results of the Framework

Evaluation agency	Evaluation subject	Evaluation result
JCR	Sustainability Finance Framework	<div>Overall Evaluation SU1(F)</div> <div>Greenness and social beneficial impacts evaluation (use of proceeds) gs1 (F)</div> <div>Management, operation and transparency evaluation m1 (F)</div>

(Note) "JCR Sustainability Finance Framework Evaluation" refers to a third-party evaluation by JCR of the extent to which proceeds raised through the issuance of sustainability finance to be evaluated are allocated to green projects and social projects as defined by JCR, and the extent to which efforts are made to manage, operate, and ensure transparency with respect to the use of such sustainability finance proceeds. Details of the evaluation method, etc. are available on the JCR website below.

<https://www.jcr.co.jp/en/greenfinance/sustainability/>

2. HRR's Sustainability Investment Policy and purpose of and background behind formulation of the Framework

HRR believes that "travel" is essential in any social environment change, as it has, since ancient times, humbled people's hearts, healed them, revitalized communities, and brought us adventures with new discoveries and new realizations that change history.

Hoshino Resort Asset Management Co., Ltd. (hereinafter the "Asset Management Company"), HRR's asset management company, together with Hoshino Resorts Group (Hoshino Resorts Inc., HRR's sponsor, its parent company and its subsidiaries are collectively referred to as Hoshino Resorts Group), aims to realize a sustainable economy and society through the tourism industry, by not only addressing climate change, but also by making concrete contributions to society. In addition, all stakeholders in the value chain of the accommodation business related to HRR aim to achieve HRR's ESG strategy, "Operations with CSV in mind," in the medium to long term, while cooperating and collaborating with each other for environmental conservation and social contribution. They have established goals such as the realization of an equal society in which all people can play an active role, the development of healthy and comfortable working environments, and

contributing to regional revitalization and pushing forward with daily business activities. Based on this concept, HRR's Sustainability Investment Policy for promoting and implementing solutions to environmental and social issues is as follows:

HRR believes that solutions to climate change and social issues are interrelated, albeit to varying degrees. The Asset Management Company clarifies the risks of climate change and social issues and responds to climate change to achieve a reduction in GHG emissions by hotels and implements initiatives to increase disaster resilience. HRR also recognizes that the preservation and utilization of the history and cultural value of the area in which the hotel is located, as well as the revitalization of industry, are related to "travel", namely the quality of tourism resources.

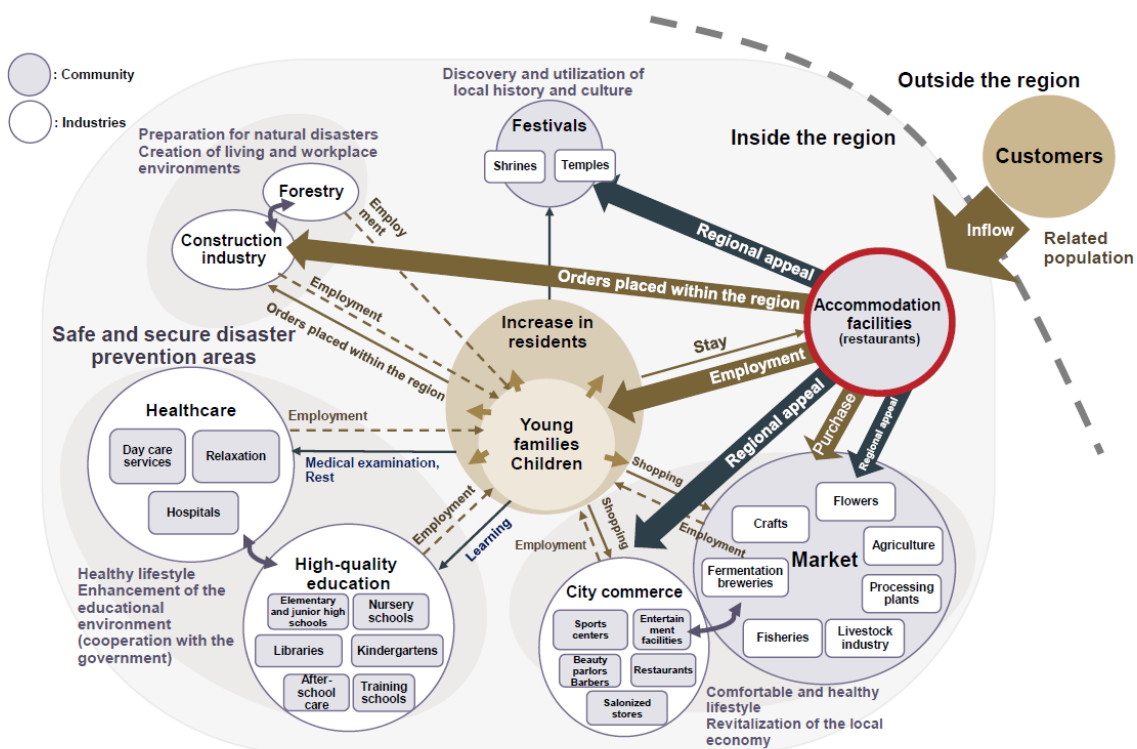
Further, HRR believes that the role of hotels in areas where residents live is to provide solutions so that the entire community can achieve wellbeing and produce output that contributes to the circulation of the local economy, such as an increase in population, and that it is important to achieve an outcome of updated markets and community composition as a result of efforts to resolve these issues.

At the same time, in addition to taking measures for real estate, it is also necessary to stockpile emergency supplies and conduct training on a daily basis so that hotels can be used as evacuation centers in the event of disasters caused by heavy rain or rising temperatures due to climate change.

In accordance with the above Sustainability Investment Policy and the Sustainability Policy, the Asset Management Company will carry out appropriate asset management by thorough implementation of risk management and compliance.

Based on the above policies, HRR formulated the Framework with reference to the Sustainability Bond Guidelines (SBG) 2021 and other principles established by the International Capital Markets Association (ICMA), the Green Bond Guidelines 2020 (the Ministry of the Environment), the Social Bond Guidelines 2021 (the Financial Services Agency), and the "Interim Summary of the ESG Investment Promotion Study Group Addressing Social Issues in the Real Estate Sector" (the Ministry of Land, Infrastructure, Transport and Tourism).

■ The role of accommodation facilities in the region and the concept of circulation (conceptual diagram)



(Note) The above diagram is a conceptual diagram prepared by the Asset Management Company for the purpose of communicating HRR's Sustainability Investment Policy, etc. in an easy-to-understand manner, and does not guarantee the accuracy or realization of the content.

3. HRR's awareness of environmental and social issues

HRR summarizes environmental and social issues that have a large impact on the tourism industry as follows: In setting "Issues to be resolved," constraints for climate change are the achievement of the CO2 emission reduction target for 2030 (target: 46% reduction from 2013 levels) and realization of carbon neutrality by 2050, and for social issues, the constraints are the revitalization of local industries and linking the economy to tourism. With these constraints, we have considered concrete action guidelines in terms of both hard and soft aspects that are easy to understand for those involved in accommodation facilities or real estate and that can be used to mobilize collective efforts to produce results.

	Climate change	Social issues
HRR's risks	Climate change risk ➤ Transition risk Increase in various costs due to climate change ➤ Physical risk Damage to real estate, suspension of business and man-made disasters as a result of various disasters	Social risk ➤ Decline of local economy, culture and industry due to a decrease in population and depopulation ➤ Execution of uniform development that undermines the original charm of the city
Issues to be resolved	➤ Building repairs and management to reduce CO ₂ ➤ "Disaster Ready" support ➤ Response to ecosystem protection	➤ To play a role in publicizing the region (increase in population) ➤ To create a system to drive the local economy (response to population decline and depopulation) ➤ To discover and utilize local history and culture (industrial revitalization) ➤ To update local industries (industrial revitalization) ➤ To become the core of local communities (community development) ➤ Response to various disasters (protection of stranded commuters and local residents)

4. Overview of the Framework

(1) Use of proceeds raised through sustainability finance

HRR plans to use the proceeds raised through sustainability finance to acquire assets that meet the following social eligibility criteria and green eligibility criteria (hereinafter collectively "Eligibility Criteria") or to refinance the funds.

(2) Eligibility Criteria

■ Social Eligibility Criteria

HRR, the Asset Management Company, the lessee, or the operator shall, for the target property, implement two or more of the following "Initiatives for related parties, including users of real estate", and two or more of the "Initiatives for local communities" (however, at least one of 1 through 4 shall be included). If the property falls under the Green Eligibility Criteria B. (Acquisition or installation of renewable energy power generation facilities) described below, the social beneficial impacts of the property on which the relevant asset is to be installed shall apply mutatis mutandis.

The figures in the "Stages of social issues" section in the following table are based on the "Interim Summary of the ESG Investment Promotion Study Group Addressing Social Issues in the Real Estate Sector" (the Ministry of Land, Infrastructure, Transport and Tourism). Please refer to the attachment for the relevant materials.

< Initiatives for related parties, including users of real estate >

*Related parties, including users of real estate: tenants, employees, residents, visitors, workers engaged in real estate development, etc.

	Social issues	Stages of social issues	Output	Outcome	Impact
1	Healthy living and workstyle	①, ②, ③	Implementation of "Ease of Work Survey" related to society and wellness	<ul style="list-style-type: none"> Realization of healthy and comfortable work environments Improving turnover, labor productivity, health and satisfaction 	Improvement of health and comfort
2	Comfort of the workplace environment	①, ②	Publication of the Sustainability Guide	Voluntary action on climate change and social issues	Raising awareness of environmental and social issues
3	Preparation for natural disasters	①	Implementation of regular building safety management checks, disaster drills, stockpiling of emergency supplies, food, medicine, etc.	Disaster preparedness and training	To protect people's lives and livelihoods
4	Preparation for natural disasters	①	Analysis of portfolio resistance (resilience) from historical disaster data	Understanding current circumstances to apply past lessons to disaster prevention	To protect people's lives and livelihoods
5	Realization of diverse work styles and improved productivity	③	Promoting the use of internship programs, intra-group personnel exchange programs, training programs for new graduates, career development programs, and professional development programs	Early development of high-quality human resources and formation of career vision	To exercise one's motivation and ability

< Initiatives for local communities >

	Social issues	Stages of social issues	Output	Outcome	Impact
1	Local charm and rich economy	③,④	To explore local industry and history, and provide guests with more appeal for their stay	Revitalization of the culture of festivals and other events, secondary industries such as processed foods, and primary industries such as agriculture	<ul style="list-style-type: none"> ▪ Increase in the number of nonresident population ▪ Rejuvenation of the local population
2	Local charm and rich economy	③,④	Plans to develop hot spring areas and install commercial facilities, etc.	<ul style="list-style-type: none"> ▪ Revitalization of stores in town ▪ Enhancing appeal for guests ▪ Fostering various communities 	<ul style="list-style-type: none"> ▪ Interaction between regions and outside areas ▪ Fostering a new culture ▪ Economic revitalization
3	Prosperous economy	③	<ul style="list-style-type: none"> ▪ Providing workplaces to increase local employment ▪ Employee transfers from outside areas 	<ul style="list-style-type: none"> ▪ Securing stable employment ▪ Enriching people's lives 	<ul style="list-style-type: none"> ▪ Meaningful work ▪ Rich life
4	To protect people's lives and livelihoods	①,②	Providing shelters (places and food)	Protection of stranded commuters and local residents	<ul style="list-style-type: none"> ▪ Cooperation and coexistence with local communities
5	Dignity is preserved	①	Providing low-cost hotels	Realization of a simple and comfortable stay	Realization of an inclusive society
6	Dignity is preserved	①	Prevention of pandemics and establishment of patient care facilities	Prevention of infectious diseases	Reduction in the number of infected people and strain on hospital beds
7	Healthy living and local charm	②,④	<ul style="list-style-type: none"> ▪ Conservation of the natural environment and protection of organisms (animals, plants and fungi) ▪ Building coexistence with the natural environment and organisms 	<ul style="list-style-type: none"> ▪ Ecosystem conservation ▪ Enhancing regional appeal ▪ Maintenance of a healthy lifestyle 	<ul style="list-style-type: none"> ▪ Realization of diversity ▪ Increase in the number of nonresident population ▪ Interaction between regions and outside areas ▪ Improvement of health and comfort

■ Green Eligibility Criteria

A. Additional initiatives that contribute to green buildings and the environment

Properties that have acquired or are scheduled to acquire any of the certifications of the third party certification organizations of item a. through item d. stated below (for item a., it is required that the efforts specified in (i) through (v) are being carried out).

In addition, if the efforts prescribed in (i) through (v) of item a. are implemented for item b. through item d., the entire property shall be deemed to be a green eligible property.

- a. Two stars for BELS certification, and any of the following efforts are being made by HRR, the Asset Management Company, the lessee, or the operator in the property:
 - (i) Procurement of natural energy (hydroelectric power generation, etc.) by EIMY (Energy In My Yard) (Note)
 - (ii) Procurement of natural energy other than (i) above
 - (iii) Implementation of 3Rs through "Zero Emission Activities"
 - (iv) Reduction in use of plastic products
 - Switching from individually packaged soaps to pump bottles
 - Toothbrush recycling
 - Abolition of PET bottles, etc.
 - (v) Nature conservation activities
- b. At least 3 stars in BELS certification
- c. Certified or above in LEED certification
- d. B+ or above in CASBEE certification

(Note) "EIMY" is an energy system adopted by HOSHINOYA Karuizawa based on the concept of (Energy In My Yard) which means "using natural energy where possible to cover power consumption". "HOSHINOYA Karuizawa" uses hydroelectric power generation, which has been used for approximately 100 years, as well as heat pumps that utilize geothermal heat and hot spring waste water, taking advantage of the features of the facility.

B. Renewable Energy

Acquisition or installation of renewable energy power generation facilities

For further details of the Framework, please refer to JCR website below.

<https://www.jcr.co.jp/en/ratinglist/sf/3287>

* The HRR website address: <https://www.hoshinoresorts-reit.com/en/>

[Attachment]

Excerpt from the “Interim Summary of the ESG Investment Promotion Study Group Addressing Social Issues in the Real Estate Sector” (the Ministry of Land, Infrastructure, Transport and Tourism)

https://www.mlit.go.jp/tochi_fudousan_kensetsugyo/tochi_fudousan_kensetsugyo_tk5_000001_00005.html

*Only available in Japanese

