

# Hoshino Resorts REIT, Inc.

January 28, 2020

For Immediate Release

REIT Securities Issuer

Hoshino Resorts REIT, Inc.

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

Asset Management Company

Hoshino Resort Asset Management Co., Ltd.

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## Notice Concerning Acquisition of Domestic Real Estate

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which HRR entrusts asset management, made a decision today to acquire the following properties (hereinafter the “Assets to be Acquired”) indicated in “Notice Concerning Conclusion of Agreement Regarding Acquisition of Assets” announced on December 16, 2019.

### 1. Overview of Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 3)	Seller
Properties operated by Hoshino Resorts Group	Other	O-45	BEB5 Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	2,170	Nakakaruizawa Hotel Management Co., Ltd.
Properties operated by outside operators	Urban tourism	O-46	Sol Vita Hotel Naha	Naha-shi, Okinawa	3,860	SV Hotel Management Co., Ltd.
Total					6,030	—

(Note 1) “Category” indicates either Properties operated by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI” and “Other”) or Properties operated by outside operators (“Urban tourism” and “Other”) in accordance with the brands of assets invested by HRR. The same shall apply hereinafter.

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

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

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|--|--|
| (1) Date of execution of purchase agreement: | January 28, 2020   |
| (2) Planned acquisition date:                | January 31, 2020 (delivery and settlement date)                |
| (3) Seller:                                  | Please refer to “4. Details of Seller” later in this document. |
| (4) Funds for acquisition:                   | Borrowing and cash on hand (plan)                              |
| (5) Method of payment:                       | Lump-sum payment upon delivery                                 |
| (6) Collateral:                              | None   |

## 2. Reason for Acquisition

HRR makes focused investments in facilities that are likely to secure steady cash flow over a long-term period. With regard to hotels, ryokans and ancillary facilities (Note) operated by the Hoshino Resorts Group (collectively referring to Hoshino Resorts Inc. and its parent company and subsidiaries; the same shall apply hereinafter) (hereinafter the “properties operated by the Hoshino Resorts Group”), HRR intends to invest in the properties operated by the Hoshino Resorts Group other than the three core brands of “HOSHINOYA,” “Hoshino Resorts KAI” and “Hoshino Resorts RISONARE” (hereinafter “other properties of the Hoshino Resorts Group”) in cases where stable use of such properties is expected, and which are expected to secure a long-term and stable cash flow. Based on this intention, HRR decided on the acquisition of “BEB5 Karuizawa,” which is operated by the Hoshino Resorts Group.

Furthermore, with regard to facilities operated by operators other than the Hoshino Resorts Group, HRR intends to achieve external growth by proactively investing in hotels, ryokans and ancillary facilities in cases where stable use of such properties is expected, and which are expected to secure a long-term and stable cash flow, as well as securing stability in earnings. Based on this intention, HRR decided on the acquisition of “Sol Vita Hotel Naha.” The acquisition of the Assets to be Acquired, which comprises one of the properties operated by the Hoshino Resorts Group and one of properties operated by operators other than the Hoshino Resorts Group, is judged to strengthen the stability of HRR’s earnings, as the risk of deterioration in operating cash flow caused by the changes in the travel needs of travelers or the trends, disasters, economic situations in Japan and abroad will be reduced with progressed diversification of facilities’ locations, business models, brands and operators of the portfolio.

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

## 3. Contents of Assets to be Acquired

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

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

### a. Explanation on “Overview of specified asset”

- For “Use,” accommodation facilities mainly with western-style structures and facilities are indicated as “hotel”; and those mainly with Japanese-style structures and facilities are indicated as “ryokan” based on the current conditions of the property. Since the description in “Use” is a classification to grasp the overall characteristics of the facility in accordance with the investment policy of HRR, such may differ from use of individual buildings comprising the facility stated in the real estate registry.
- “Planned acquisition date” is the planned acquisition date for each of the Assets to be Acquired but may be changed under a mutual agreement between HRR and the current owner.
- “Type of specified asset” is the type of real estate and other assets as specified assets.
- “Planned acquisition price” indicates the sales/purchase price of each of the Assets to be Acquired stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- “Appraisal value (Appraisal date)” is the real estate appraisal value and appraisal date stated in the real estate appraisal report for each of the Assets to be Acquired obtained from Japan Valuers Co., Ltd.
- “Location (Indication of residential address),” in principle, is the indication of residential address. In cases where there is no indication of residential address, it is the building location (if several, one of the locations) in the real estate registry.
- “Transportation” is in accordance with the real estate appraisal report for each of the Assets to be Acquired

obtained from Japan Valuers Co., Ltd.

- “Lot number” of Land is the building location (if several, one of the locations) in the registry.
  - “Building coverage ratio” of Land is, in principle, the ratio of building area to area of the building site as stipulated in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (hereinafter the “Building Standards Act”) and indicates the upper limit of the building coverage ratio stipulated by city planning according to type of use district, etc. (designated building coverage ratio) (if several, all of them). Designated building coverage ratio may be relaxed, raised or reduced due to reasons such as the existence of fireproof structures in a fire prevention district, and thus may differ from a building coverage ratio that actually applies.
  - “Floor-area ratio” of Land is the ratio of total floor area of the building to site area as stipulated in Article 52 of the Building Standards Act and indicates the upper limit of the floor-area ratio stipulated by city planning according to type of use district, etc. (designated floor-area ratio) (if several, all of them). Designated floor-area ratio may be relaxed, raised or reduced due to reasons such as width of roads connected to the site, and thus may differ from a floor-area ratio that actually applies.
  - “Use district” of Land is the type of use district classified (if several, all of them) in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto).
  - “Site area” of Land is based on the description in the registry (It includes the leased area, if there is any leased land. The leased area is based on the description in the lease agreement.) and may differ from the present state.
  - “Type of ownership” of Land and Building is the type of rights held by HRR.
  - “Completion date” of Building is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act for the main building.
  - “Structure / floors” of Building is based on the description in the registry for the main building.
  - “Total floor area” of Building is based on the description in the registry, including floor area of annex buildings.
  - “Building engineer” and “Constructors” of Building indicate the company names at the time of building engineering and construction of the main building.
  - “Leasable floor area” is the area equivalent to the area owned by HRR out of leasable area and indicates the figure stated in the lease agreement to be concluded/concluded between HRR and the tenant or in the building drawing of the property.
  - “Occupancy rate” is the occupancy rate expected as of the planned acquisition date (the ratio of the total leased floor area to the total leasable floor area). In case a lease agreement with suspensive conditions of becoming effective under the condition of HRR’s acquisition has been concluded between HRR and the tenant, the occupancy rate is indicated assuming that leasing has started on the planned acquisition date.
  - “Main tenant” is the tenant with the largest leased area out of those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR.
  - “No. of tenants” is the number of those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR.
  - “No. of guest rooms” is the number of guest rooms available for accommodation at that property.
  - “No. of sublease tenants” is the number of those planning to sublease the property from those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR. However, this excludes those planning to sublease part of the site or the building for the purpose of parking or installing antennas.
- b. Explanation on “Overview of leasing”
- “Overview of leasing” is the detail of the lease agreement concerning each of the Assets to be Acquired with the tenant who is to lease the hotel or ryokan after HRR’s acquisition.
  - All of “Lessee,” “Type of contract,” “Contract period,” “Leased floor area,” “Rent,” “Security deposit and

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guarantee deposit," "Renewal at the end of contract period," "Rent revision," "Midterm cancellation," "Penalty" and "Method for re-contract" are based on the statements in the lease agreement that is to be effective on the planned acquisition date of the Assets to be Acquired and on other agreements concluded pertaining to such.

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BEB5 Karuizawa			Category		Properties operated by the Hoshino Resorts Group Other	
			Use		Hotel	
Overview of specified asset						
Planned acquisition date		January 31, 2020		Type of specified asset	Real Estate	
Planned acquisition price		2,170,000,000 yen		Appraisal value (Appraisal date)	2,260,000,000 yen (December 1, 2019)	
Location (Indication of residential address)		3364-15 Aza Hatogaya, Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano				
Transportation		Approximately 4.8 km from Karuizawa Station of JR Hokuriku Shinkansen and Shinano Railway Line				
Land	Lot number	3364-15 Aza Hatogaya, Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano and other		Building	Completion date	November 2018
	Building coverage ratio	80% / 60% / 30%			Structure / floors	Wooden construction with galvanized alloy steel sheet roof/2 F
	Floor-area ratio	200% / 50%			Total floor area	2,807.36 m <sup>2</sup>
	Use district	Neighborhood commercial district, Category 1 residential district, Category 1 low-rise residential district			Building engineer	Tatsuro Sasaki Architects
	Site area	5,307.36 m <sup>2</sup>			Constructors	Takehana Kougyo Co., Ltd.
	Type of ownership	Ownership			Type of ownership	Ownership
Leasable floor area		2,807.36 m <sup>2</sup>		Occupancy rate		100%
Main tenant		Nakakaruizawa Hotel Management Co., Ltd.		No. of tenants		1
No. of guest rooms		73		No. of sublease tenants		0

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Overview of leasing	
Lessee	Nakakaruizawa Hotel Management Co., Ltd.
Type of contract	Fixed term building lease agreement
Contract period	20 years from January 31, 2020
Leased floor area	2,807.36 m <sup>2</sup>
Rent	<p>Annual fixed rent: 75,099,600 yen (However, annual fixed rent for the period from January 31, 2020 to April 30, 2023 is to be 136,440,000 yen)</p> <p>Floating rent: Floating rent arises under the following conditions, starting from May 1, 2023. Calculation method for floating rent for each month uses, for May to October every year, rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; for November to next April every year, rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. Amount equivalent to one-twelfth of the amount calculated based the following formula using these GOPs (with lower limit of 0 yen) will be the floating rent (However, rent for the period from January 31, 2020 to April 30, 2023 will be the amount of premium annual fixed rent (136,440,000 yen) without floating rent).</p> <p>&lt;Calculation&gt; Floating rent for the period will be: (1) An amount equivalent to 87% of the portion of floating rent calculation period GOP that exceeds 84,826,800 yen (excluding, however, the portion exceeding 155,400,000 yen). plus (2) An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 155,400,000 yen.</p> <p>(Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost, selling expenses, general and administrative expenses and chain service fees (out of expenses paid by the lessee as headquarters function, expenses directly related to the sales activities of this property) from the total sale proceeds of the facility during a certain period of time.</p>
Security deposit and guarantee deposit	<p>No security deposit will be paid.</p> <p>HRR has agreed with the Hoshino Resorts Group Lessees (correctively referring to Hoshino Resorts Inc., Hoshino Resort Management Co., Ltd., K.K. Arashiyama Onsen Rankyokan, K.K. Horizon Hotels, Asahikawa Grand Hotel Co., Ltd., HRO Inc., KK IHB, Osaka Hotel Management LLC, Yaeyama Hotels and Resorts Co., Ltd., Asama onsen Hotel Management Co., Ltd., Nakakaruizawa Hotel Management Co., Ltd. and Naha Matsuyama Hotel Management Co., Ltd.; the same shall apply hereinafter), as of the same date as the date of this lease agreement, to consider security deposit, guarantee deposit, etc. paid by Hoshino Resorts Group Lessees in accordance with the lease agreements concluded with the lessor as being paid to guarantee all the debts by all Hoshino Resorts Lessees to the lessor based on the lease agreements.</p>
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for full 10 years from the start date of the lease. Rent may be revised every 5 years thereafter, when there is a significant change in tax and public dues or economic conditions, any other uncontrollable circumstances occur, or the both parties reach a mutual agreement.
Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after 10 years from the start date of the lease by notifying the intent of cancellation to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is dissolved or is cancelled due to intention of the lessee that is agreed by the lessor, the lessee will pay penalty in either the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years after the start of the lease) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent. However, if the lease period is less than 12 months, the average monthly rent during that period will be applied.) to HRR, the lessor.
Method for re-contract	The contract will end at the end of the contract period without renewal; however, re-contract is possible through discussion between the concerned parties.

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Sol Vita Hotel Naha			Category		Properties operated by outside operators Urban tourism	
			Use		Hotel	
Overview of specified asset						
Planned acquisition date		January 31, 2020		Type of specified asset	Real Estate	
Planned acquisition price		3,860,000,000 yen		Appraisal value (Appraisal date)	3,980,000,000 yen (December 1, 2019)	
Location (Indication of residential address)		2-17-17 Matsuyama, Naha-shi, Okinawa				
Transportation		Approximately 9-minute walk from Miebash Station of Yui Rail				
Land	Lot number	2-17-8 Matsuyama, Naha-shi, Okinawa and other		Building	Completion date	November 2005
	Building coverage ratio	80% / 60%			Structure / floors	Reinforced concrete structure with flat roof/8F
	Floor-area ratio	400% / 200%			Total floor area	5,245.95 m <sup>2</sup>
	Use district	Commercial district, Category 1 residential district			Building engineer	OOKI ARCHITECTS & ASSOCIATES, INC.
	Site area	2,129.30 m <sup>2</sup>			Constructors	NAKAMOTO INDUSTRY CO., LTD.
	Type of ownership	Ownership			Type of ownership	Ownership
Leasable floor area		5,245.95 m <sup>2</sup>		Occupancy rate		100%
Main tenant		Naha Matsuyama Hotel Management Co., Ltd.		No. of tenants		1
No. of guest rooms		200		No. of sublease tenants		1

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Overview of leasing	
Lessee	Naha Matsuyama Hotel Management Co., Ltd.
Type of contract	Fixed term building lease agreement
Contract period	20 years from January 31, 2020
Leased floor area	5,245.95 m <sup>2</sup>
Rent	<p>Annual fixed rent (1): 115,800,000 yen  Annual fixed rent (2): 150,000 yen (However, the annual fixed rent on or after June 1, 2033 is to be 125,000 yen.)  Total annual fixed rent: 115,950,000 yen (However, the annual fixed rent on or after June 1, 2033 is to be 115,925,000 yen.)</p> <p>Floating rent: Calculation method for floating rent for each month uses, for May to October every year, rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; for November to next April every year, rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. Amount equivalent to one-twelfth of the amount calculated based the following formula using these GOPs (with lower limit of 0 yen) will be the floating rent.</p> <p>&lt;Calculation&gt;  Floating rent for the period will be:  (1) An amount equivalent to 76% of the portion of floating rent calculation period GOP that exceeds 152,470,000 yen (excluding, however, the portion exceeding 242,400,000 yen).  plus  (2) An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 242,400,000 yen.</p> <p>(Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost and selling expenses, general and administrative expenses from the total sale proceeds of the facility during a certain period of time.</p>
Security deposit and guarantee deposit	<p>No security deposit will be paid.</p> <p>HRR has agreed with the Hoshino Resorts Group Lessees as of the same date as the date of this lease agreement, to consider security deposit, guarantee deposit, etc. paid by Hoshino Resorts Group Lessees in accordance with the lease agreements concluded with the lessor as being paid to guarantee all the debts by all Hoshino Resorts Lessees to the lessor based on the lease agreements.</p>
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for full 10 years from the start date of the lease. Rent may be revised every 5 years thereafter, when there is a significant change in tax and public dues or economic conditions, any other uncontrollable circumstances occur, or the both parties reach a mutual agreement.
Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after 10 years from the start date of the lease by notifying the intent of cancellation to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is dissolved or is cancelled due to intention of the lessee that is agreed by the lessor, the lessee will pay penalty in either the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years after the start of the lease) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent. However, if the lease period is less than 12 months, the average monthly rent during that period will be applied.) to HRR, the lessor.
Method for re-contract	The contract will end at the end of the contract period without renewal; however, re-contract is possible through discussion between the concerned parties.



## 4. Details of Seller

### O-45 BEB5 Karuizawa

Company name	Nakakaruizawa Hotel Management Co., Ltd.	
Head office location	3364-15 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano (scheduled)	
Name and title of representative (Note)	Kaita Nakamura, President (scheduled)	
Amount of capital	3,000,000 yen	
Date of incorporation	March 8, 2006	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major shareholder and shareholding ratio (Note)	K.K. Arashiyama Onsen Rankyokan 100.0% (scheduled)	
Main business	Ryokans business, etc.	
Relationship with HRR/Asset Management Company (Note)	Capital relationship	The seller is a subsidiary of the parent company of the Asset Management Company.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Status of classification as related party	The seller is a company with the same parent company as the Asset Management Company, and thus falls under related party.

(Note) Because K.K. Arashiyama Onsen Rankyokan, a company of the Hoshino Resorts Group, plans to acquire all the shares issued and outstanding of the above seller to make the seller a subsidiary of the Asset Management Company's parent company ahead of the acquisition of "BEB5 Karuizawa" by HRR, the above shows the plan as of the time of the acquisition by HRR. The same shall apply hereinafter.

### O-46 Sol Vita Hotel Naha

Company name	SV Hotel Management Co., Ltd. (Note)	
Head office location	West wing 2F, Naha Shintoshin Media Building, 1-3-31 Omoromachi, Naha-shi, Okinawa	
Name and title of representative	Kaita Nakamura, Representative Liquidator (Note)	
Amount of capital	1 yen	
Date of incorporation	August 17, 2016	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major shareholder and shareholding ratio	Hoshino Resorts Inc. 100.0%	
Main business	Hot spring ryokans business, etc.	
Relationship with HRR/Asset Management Company	Capital relationship	The seller is a subsidiary of the parent company of the Asset Management Company.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Status of classification as related party	The seller is a company with the same parent company as the Asset Management Company, and thus falls under related party.

(Note) The dissolution of the above seller was decided as of November 15, 2019, and is currently in the process of liquidation. The same shall apply hereinafter.

## 5. Transaction with Interested Party, etc.

The sellers and lessees of the Assets to be Acquired are scheduled to both fall under the definition of a subsidiary of the parent company of the Asset Management Company as of the planned acquisition date for the Assets to be Acquired.

These parties are therefore scheduled to fall under the definition of interested party, etc. as set forth in Article 201 of the Act on Investment Trusts and Investment Corporations, Article 123 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations, and the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. Accordingly, the Asset Management Company has gone through the approval procedures set forth in the internal rules for conducting acquisition and lease transactions of the Assets to be Acquired with the parties and has also obtained HRR’s agreement based on the approval made at HRR’s Board of Directors’ meeting held on January 28, 2020 pursuant to the “interested party transaction rules.”

## 6. Status of Owners, etc. of Property

The following table states (i) Name, (ii) Relationship with the party with special interest, and (iii) Background and reason for acquisition.

Property name	Previous owner
	(i), (ii), (iii) Acquisition (transfer) price Acquisition (transfer) timing
BEB5 Karuizawa (3364-15 Aza Hatogaya, Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano)	(i) Nakakaruizawa Hotel Management Co., Ltd. (ii) Subsidiary of the parent company of the Asset Management Company (iii) Acquired for development purposes
	Omitted as the previous owner owned the land for over 1 year. Additionally, omitted as the building was developed by the previous owner.
	Land: November 2016 Building: November 2018 (Completion)

Property name	Previous owner	Previous, previous owner	Previous, previous, previous owner
	(i), (ii), (iii) Acquisition (transfer) price Acquisition (transfer) timing	(i), (ii), (iii) Acquisition (transfer) price Acquisition (transfer) timing	(i), (ii), (iii) Acquisition (transfer) price Acquisition (transfer) timing
Sol Vita Hotel Naha (2-17-17 Matsuyama, Naha-shi, Okinawa)	(i) SV Hotel Management Co., Ltd. (ii) Subsidiary of the parent company of the Asset Management Company (iii) Acquisition through merger to take over the hotel business	(i) MSV Investment Co., Ltd. (ii) Subsidiary of the parent company of the Asset Management Company (iii) Acquisition through company split to take over the hotel business	Not a party having special vested interest
	Omitted as the previous owner owned the property for over 1 year	—	—
	November 2016	April 2007	—

## 7. Future Outlook

For the forecasts regarding the management status of HRR for the fiscal period ending April 2020 (November 1, 2019 to April 30, 2020) and the fiscal period ending October 2020 (May 1, 2020 to October 31, 2020), the impact

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of the acquisition of the Assets to be Acquired is immaterial because the acquisition was assumed and there are no changes to the information in “(REIT) Financial Report for Fiscal Period Ended October 2019” announced on December 16, 2019.

## 8. Appraisal Summary

### O-45 BEB5 Karuizawa

Appraisal summary		
Appraiser	Japan Valuers Co., Ltd.	
Appraisal value	2,260,000,000 yen	
Appraisal date	December 1, 2019	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①-②-③)	136,009,500 yen	—
① Potential gross income	136,009,500 yen	Assessed based on actual agreement.
② Vacancy loss	0 yen	—
③ Bad debts expenses	0 yen	Not recorded as secured by security deposit.
(2) Operating expenses (④+⑤+⑥+⑦+⑧)	8,253,771 yen	—
④ Management commission fees	2,058,720 yen	The amount borne by the owner is applied.
⑤ Repair costs	1,606,425 yen	Recorded 30% of the 12-year average of “repair and renewal expenses” stated in ER.
⑥ Tax and public dues	3,362,305 yen	Assessed based on actual amount.
⑦ Insurance	266,321 yen	The estimate amount is applied.
⑧ Other expenses	960,000 yen	Assessed based on actual amount.
(3) Net operating income ((1)-(2))	127,755,729 yen	—
(4) Interest income, etc.	0 yen	Interest income is not recorded in consideration of the terms and conditions of the agreement.
(5) Capital expenditures	3,748,325 yen	Recorded 70% of the 12-year average of “repair and renewal expenses” stated in ER.
(6) Net cash flow ((3)+(4)-(5))	124,007,404 yen	—
(7) Cap rate	5.50%	—
Direct capitalization value	2,250,000,000 yen	—
Discounted cash flow value	2,260,000,000 yen	—
Discount rate	5.20%	—
Terminal cap rate	5.60%	—
Integrated value by using cost method	1,080,000,000 yen	—
Ratio of land	25.65%	—
Ratio of building	74.35%	—
Other matters appraiser noted upon valuation	None	

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## O-46 Sol Vita Hotel Naha

Appraisal summary		
Appraiser	Japan Valuers Co., Ltd.	
Appraisal value	3,980,000,000 yen	
Appraisal date	December 1, 2019	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①+②+③-④-⑤)	212,446,300 yen	—
① Potential gross income	199,793,300 yen	Assessed based on actual agreement.
② Income from shops	12,528,000 yen	Assessed based on actual agreement.
③ Installation fees for solar panels	125,000 yen	Assessed based on past results.
④ Vacancy loss	0 yen	—
⑤ Bad debts expenses	0 yen	Not recorded as secured by security deposit.
(2) Operating expenses (⑥+⑦+⑧+⑨+⑩)	11,638,858 yen	—
⑥ Management commission fees	0 yen	Not recorded as paid by the tenant.
⑦ Repair costs	414,000 yen	Assessed for the shop space on the first floor.
⑧ Tax and public dues	10,786,979 yen	Assessed based on actual amount.
⑨ Insurance	437,879 yen	Recorded scheduled amount.
⑩ Other expenses	0 yen	—
(3) Net operating income ((1)-(2))	200,807,442 yen	—
(4) Interest income, etc.	31,320 yen	Calculated as investment return at 1.0%.
(5) Capital expenditures	21,845,303 yen	Recorded the 12-year average of “renewal expenses” stated in ER and 2.0% of hotel operating income.
(6) Net cash flow ((3)+(4)-(5))	178,993,459 yen	—
(7) Cap rate	4.50%	—
Direct capitalization value	3,980,000,000 yen	—
Discounted cash flow value	3,970,000,000 yen	—
Discount rate	4.20%	—
Terminal cap rate	4.60%	—
Integrated value by using cost method	1,870,000,000 yen	—
Ratio of land	75.88%	—
Ratio of building	24.12%	—
Other matters appraiser noted upon valuation	None	

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

<Appendix>

Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report

Reference Material 2: Map and Appearance

## <Appendix>

### Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report

Property No.	Property name	Investigator	Investigation date	Short-term repair expenses (thousand yen) (Note 1) (Note 2)	Long-term repair expenses (annual average) (thousand yen) (Note 1) (Note 3)
O-45	BEB5 Karuizawa	Tokio Marine & Nichido Risk Consulting Co., Ltd.	November 2019	–	5,355
O-46	Sol Vita Hotel Naha	Tokio Marine & Nichido Risk Consulting Co., Ltd.	October 2019	–	15,151

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

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

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

Property No.	Property name	Investigator	Investigation date	PML value (Probable maximum loss) (%)
O-45	BEB5 Karuizawa	Tokio Marine & Nichido Risk Consulting Co., Ltd.	November 2019	3.0
O-46	Sol Vita Hotel Naha	Tokio Marine & Nichido Risk Consulting Co., Ltd.	October 2019	4.7

## Reference Material 2: Map and Appearance

### O-45 BEB5 Karuizawa





O-46 Sol Vita Hotel Naha

