

November 10, 2021

For Immediate Release

REIT Securities Issuer  
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 (Code: 3287)

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

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 have HRR acquire assets (mezzanine loan receivables) (hereinafter the “Loan Receivables to be Acquired”) as follows.

As of today, the counterparty for the acquisition of the Loan Receivables to be Acquired is correspond with an interested person, etc. under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (hereinafter the “Investment Trusts Act”), and falls under the definition of interested party, etc. as set forth in the “interested party transaction rules,” which are the internal rules of the Asset Management Company. Therefore, in deciding to acquire the Loan Receivables to be Acquired, the Asset Management Company has obtained the consent of HRR based on the approval of HRR’s Board of Directors’ Meeting held on November 10, 2021, in accordance with the Investment Trusts Act and the “interested party transaction rules.”

### 1. Overview of Acquisition

(1)	Date of execution of purchase agreement	November 10, 2021
(2)	Planned acquisition date	December 1, 2021 (settlement date)
(3)	Seller	Please refer to “4. Details of Seller” later in this document.
(4)	Method of payment	Lump-sum payment upon delivery (plan)
(5)	Type of Loan Receivables to be Acquired	Monetary claims Subordinated loan claim (non-recourse loan) to TLS5 Specified Purpose Company, holder of “(Tentative name) Hotel WBF Grande Kansai Airport” (Note 1)
(6)	Overview of Loan Receivables to be Acquired	
	Name	TLS5 Specified Purpose Company Class D Loan Receivables
	Face value	750 million yen
	Planned acquisition price	750 million yen (Note 2)
	Interest rate	1) Applicable interest rate Period until the scheduled repayment date (Note 3): 10.50% per annum Period from the day after the scheduled repayment date to the final repayment date: 11.50% per annum 2) PIK interest In regard to the Loan Receivables to be Acquired, interest in the amount calculated by the following formula (hereinafter “PIK interest”) shall be incurred, and on each interest payment date, the payment will be automatically deferred until the scheduled repayment date (or the final

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		<p>repayment date if the scheduled repayment date is extended). The PIK interest shall not be incorporated into the principal amount and will not bear interest.</p> <p>Amount of PIK interest on Loan Receivables to be Acquired =          [Principal balance of the Loan Receivables to be Acquired on the first day of the interest calculation period] x [2.00%] x [actual number of days in the referenced interest calculation period] / 365</p>											
	Interest payment date	Last day of each month, and scheduled repayment date and final repayment date											
	Final repayment date	July 31, 2024 (Note 4)											
	Underlying asset	“(Tentative name) Hotel WBF Grande Kansai Airport” (hereinafter the “underlying asset”). (Note 5)											
(7)	Overview of the structure of the Loan Receivables to be Acquired	<table border="1"> <thead> <tr> <th colspan="3">TLS5 Specified Purpose Company</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Underlying asset, etc. (Note 6)</td> <td rowspan="3">Debt (non-recourse receivables, etc.)</td> <td>Loan receivables with priority over the Loan Receivables to be Acquired</td> </tr> <tr> <td>Loan Receivables to be Acquired 750 million yen (Loan Receivables to be Acquired) Class D Lender: Hoshino Resorts Inc. (to be acquired by HRR)</td> </tr> <tr> <td>Specified bonds subordinated to the Loan Receivables to be Acquired</td> </tr> <tr> <td rowspan="2">Equity (preferred equity, etc.)</td> <td>No. 1 preferred equity (A) 750 million yen No. 1 preferred equity (A) member: Hoshino Resorts Inc.</td> </tr> <tr> <td>Preferred equity and specified equity other than Hoshino Resorts, Inc. (including those subordinated to No. 1 preferred equity (A))</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>On December 1, 2021, or on a date that may be separately agreed upon in writing by the Class D Lender and HRR, HRR plans to acquire the Loan Receivables to be Acquired (principal amount: 750 million yen) from the Class D Lender.</li> <li>The Loan Receivables to be Acquired are subordinated to loan receivables with priority over the Loan Receivables to be Acquired (total principal amount: 7,860 million yen) in the order of interest payment and principal repayment. On the other hand, the Loan Receivables to be Acquired have priority over the specified bonds issued by the borrower (TLS5 Specified Purpose Company; the same shall apply hereinafter) and the preferred equity (hereinafter collectively referred to as “equity, etc.”).</li> <li>In repayment of the principal, even in the unlikely event of a decline in the value of the underlying asset, etc., the first damage to equity, etc. will occur, the principal of the Loan Receivables to be Acquired will be impaired only after all of the equity, etc. have been impaired.</li> <li>With regard to the Loan Receivables to be Acquired, on each interest payment date during the period until the loan receivables with priority over the Loan Receivables to be Acquired are fully repaid, if there is a shortfall in the payment of interest owed to the Class D lender, the repayment date for the amount corresponding to the said shortfall shall be changed to the next interest payment date (such interest shall hereinafter be referred to as “carry forward interest”). Carry forward interest shall not be incorporated into the principal and will not bear interest.</li> <li>The appraisal value of the underlying asset (Note 7) is 12,900 million yen. The ratio of the borrower’s debt (loan receivables with priority over the Loan Receivables to be Acquired, Loan Receivables to be Acquired and specified bond senior receivables subordinated to the Loan Receivables to be Acquired, a total of 8,710 million yen) to this amount is approximately 67.5%. Therefore, based on the ratio of the borrower’s debt to the appraisal value of the underlying asset, HRR judges that the</li> </ol>	TLS5 Specified Purpose Company			Underlying asset, etc. (Note 6)	Debt (non-recourse receivables, etc.)	Loan receivables with priority over the Loan Receivables to be Acquired	Loan Receivables to be Acquired 750 million yen (Loan Receivables to be Acquired) Class D Lender: Hoshino Resorts Inc. (to be acquired by HRR)	Specified bonds subordinated to the Loan Receivables to be Acquired	Equity (preferred equity, etc.)	No. 1 preferred equity (A) 750 million yen No. 1 preferred equity (A) member: Hoshino Resorts Inc.	Preferred equity and specified equity other than Hoshino Resorts, Inc. (including those subordinated to No. 1 preferred equity (A))
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		risk of principal impairment of the Loan Receivables to be Acquired is relatively low.	
(8)	Overview of Hoshino Resorts Inc.'s preferential negotiation rights (Note 8)	In the event that the borrower intends to sell the underlying asset, the borrower shall notify in writing Hoshino Resorts Inc. (hereinafter "Hoshino Resorts") of its intention to sell. By giving written notice of its intention to purchase to the borrower within 10 business days from the date of receipt of such notice, Hoshino Resorts shall acquire the right to negotiate the acquisition of the underlying asset on a priority basis for two months (hereinafter "priority negotiation rights"). (However, the terms and conditions of the sale and purchase of the underlying asset: (1) the sale price of the underlying asset must be an amount that can be reasonably satisfied by the borrower at its discretion, and (2) if the borrower has already received an application (including a notice of intent) from a third party to purchase the underlying asset, the terms and conditions of the application must be the same or higher).	
(9)	Overview of the borrower		
	Company name	TLS5 Specified Purpose Company	
	Head office location	Within the office of TOKYO UNITED GROUP 2-9-15, Yotsuya, Shinjuku-ku, Tokyo	
	Name and title of representative	Takuya Ikeda, Director	
	Amount of capital	100,000 yen (Amount of specified capital)	
	Date of incorporation	July 27, 2018	
	Net assets	Not disclosed as consent from the borrower has not been obtained.	
	Total assets	Not disclosed as consent from the borrower has not been obtained.	
	Preferred equity investors and specified equity investors	Preferred equity investors and specified equity investors other than Hoshino Resorts, Inc. are not disclosed as consent from the borrower has not been obtained.	
	Business	1) Transfer of specified assets in accordance with asset securitization plans based on the Act on the Securitization of Assets, and operations related to the management and disposal of such assets 2) All other operations incidental and related to the aforementioned business relating to the securitization of specified assets	
	Relationship with HRR/Asset Management Company	Capital relationship	There is no capital relationship required to be stated between HRR/the Asset Management Company and the borrower.
		Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the borrower.
		Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the borrower.
Status of classification as related party		The borrower does not fall under the related party of HRR/the Asset Management Company.	

(Note 1) The name "(Tentative name) Hotel WBF Grande Kansai Airport" is a tentative name as of today, and the official name will be decided by the borrower, etc. in the future, and the name may be changed from "(Tentative name) Hotel WBF Grande Kansai Airport" at the time of commencement of the operation of this property.

(Note 2) "Planned acquisition price" indicates the sales/purchase price of the Loan Receivables to be Acquired stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest million yen.

(Note 3) The "scheduled repayment date" is July 31, 2024.

(Note 4) The final principal repayment date of the Loan Receivables to be Acquired is the scheduled repayment date (July 31, 2024). However, if the borrower requests and all lenders agree, the loan will be extended until the final repayment date (January 31, 2026). In addition, there is a possibility that the loan will be repaid before the final repayment date due to certain reasons such as the sale of the underlying asset.

(Note 5) For details of the underlying asset, please refer to "3. Overview of the Underlying Asset" below.

(Note 6) The underlying asset, etc., includes composition costs and reserve funds in addition to the underlying asset.

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- (Note 7) The “appraisal value of the underlying asset” is the appraisal value of the building and its site for its own use, based on the assumption that it is not yet open for business and the operator has not yet been determined, on the appraisal date of March 1, 2021, which was provided by the borrower. The said appraisal value is not the appraisal value obtained by HRR.
- (Note 8) The company holding the preferential negotiation rights is Hoshino Resorts, not HRR. However, based on the sponsor support agreement with Hoshino Resorts, when selling the said property, HRR can receive information about the property at the latest at the same time as the information is provided to third parties. The same shall apply hereinafter.
- (Note 9) The asset manager of the borrower is not disclosed because the consent from the borrower has not been obtained.

## 2. Reason for Acquisition

HRR aims to improve the possibility and efficiency of property acquisition by utilizing acquisition methods, such as acquiring properties from the sponsor pipeline (utilizing the sponsor support agreement), acquiring properties completed by the Hoshino Resorts Group (collectively referring to Hoshino Resorts, and its parent company and subsidiaries; the same shall apply hereinafter) for revitalization (utilizing the Hoshino Resorts Group’s expertise in revitalization), acquiring properties leased to those other than the Hoshino Resorts Group (the Asset Management Company’s original route) as well as by collaborating with the Hoshino Resorts Group (collaborative investment structure). In this way, HRR will continue to promote external growth.

In line with this policy, HRR intends to create opportunities for future acquisitions (Note 1). Through discussions with the Hoshino Resorts Group, as a new way of utilizing the cooperative investment structure that HRR has been implementing with the Hoshino Resorts Group, HRR has decided to acquire from the Hoshino Resorts Group a subordinated loan claims against TLS5 Specified Purpose Company, a specified purpose company for the development of the underlying asset in which the Hoshino Resorts Group has a preferred equity stake, and thereby indirectly invest in the underlying asset.

The subordinated loan claims to TLS5 Specified Purpose Company are loan claims that are subordinated in terms of payment of principal and interest, etc. to priority loan claims (senior loan receivables) to TLS5 Specified Purpose Company, and fall under the category of so-called mezzanine loan receivables (Note 2).

Aiming to secure stable and high income by investing in mezzanine loan receivables, HRR will acquire the Loan Receivables to be Acquired, mezzanine loan receivables backed by “(Tentative name) Hotel WBF Grande Kansai Airport.” The acquisition will be made with funds procured from the issuance of new investment units resolved at HRR’s Board of Directors’ Meeting held on November 10, 2021.

The Loan Receivables to be Acquired have a final repayment date of July 2024. As Hoshino Resorts, which holds the No. 1 equity (A), has obtained preferential negotiating rights upon the sale of properties in connection with the repayment of the Loan Receivables to be Acquired, we believe that the acquisition of the Loan Receivables to be Acquired is an investment that can lead to the future expansion of the pipeline for HRR.

(Note 1) There is no specific plan for HRR to acquire the underlying asset, nor is there any guarantee that HRR will acquire the underlying asset in the future.

(Note 2) When an SPC is used for real estate securitization, it is common to use capital-like financing (equity) together with debt financing such as loans and bond issues. As a means of raising debt financing, loans that are subordinated to loans from banks and other financial institutions in terms of repayment ranking, etc., may be implemented. Such loans are called mezzanine loans, and loans that have priority over mezzanine loans are called senior loans.

Mezzanine loans are generally subordinated to senior loans in terms of repayment ranking, etc., but the interest rate is generally set higher than that of senior loans.

Therefore, if the principal and interest are repaid on time, higher returns can be realized compared to senior loans. In the event that the full amount of principal and interest of the senior loan and mezzanine loan cannot be paid due to a decrease in income from the underlying real estate, etc. or a decline in the value of the real estate, etc., the payment for the senior loan shall take priority over the payment for the mezzanine loan. As a result, the principal and interest of the mezzanine loan will not be paid as scheduled.

However, since payments to mezzanine loans are in principle made in priority to payments to capital-like financing (equity), even if the value of real estate etc. declines, the principal of capital-like financing (equity) will be damaged first, and then the principal of mezzanine

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loans will be impaired only after all capital-like financing (equity) has been impaired. Therefore, mezzanine loans are generally regarded as relatively safer assets than capital-like financing (equity).

### 3. Overview of the Underlying Asset

(Tentative name) Hotel WBF Grande Kansai Airport		Category	Pending	
		Use	Hotel	
Location	833-1, Rinkuorai-kita, Izumisano-shi, Osaka			
Transportation	2-minute walk from Rinku Town Station on the Nankai Electric Railway Nankai Airport Line and JR Kansai-airport Line			
Land	Lot number	833-1, Rinkuorai-kita, Izumisano-shi, Osaka	Completion date	August 2020
	Building coverage ratio	80%	Structure / floors	Reinforced concrete, steel-construction with flat roof/B1/22F
	Floor-area ratio	600%	Total floor area	28,975.89 m <sup>2</sup>
			No. of rooms	700
	Site area	2,954.00 m <sup>2</sup>	No. of buildings	1
			Building engineer	NIKKISEKKEI Co., Ltd.
Constructors			Specified Construction Joint Venture of JDC Corporation, ASAHI CONSTRUCTION CO., LTD., and Usami Gumi Co.	
Type of ownership	Ownership	Type of ownership	Ownership	
Overview of leasing	Not applicable			

(Note 1) The above information is based on information available as of today and is subject to change without notice. There is no specific plan for HRR to acquire the underlying asset, nor is there any guarantee that HRR will acquire the underlying asset in the future.

(Note 2) "Transportation" is based on research conducted by HRR.

#### <Valuation of the Underlying Asset of the Asset Management Company>

The property is located in Rinku Town, one of the sub-centers of Osaka Prefecture, on the opposite shore of Kansai International Airport. Rinku Town, a gateway city hub which spans the two cities and one town of Izumisano-shi, Tajiri-cho and Sennan-shi in Osaka Prefecture, is an area that was reclaimed and developed in conjunction with the opening of Kansai International Airport in September 1994. It is also the area on the opposite shore of the bay closest to Kansai International Airport, so it is the first area that visitors to Japan come into contact with when they arrive at the airport and the last area they visit.

The nearest station to the property is "Rinku Town Station," which is served by Nankai Electric Railway and West Japan Railway Company. As the property is located right in front of the north exit of Rinku Town Station, it has extremely good visibility from areas including the station platform and the pedestrian deck on the north exit side. In addition, as the area around the property is dotted with shopping and leisure facilities such as "Rinku Premium Outlets" and "Kanku Ice Arena," visitation is expected to increase as the COVID-19 pandemic recedes. HRR believes that the property will benefit from this.

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## 4. Details of Seller

Company name	Hoshino Resorts Inc.	
Head office location	2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano	
Name and title of representative	Takashi Sogawa, Representative Director	
Amount of capital	10 million yen	
Date of incorporation	January 11, 1951	
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 Holdings Inc. 100.0%	
Main business	Operation of resort business, etc.	
Relationship with HRR/Asset Management Company	Capital relationship	The seller is the parent company of the Asset Management Company and owns 1,226 investment units of HRR as of today.
	Personnel relationship	The Asset Management Company received one seconded employee from the seller. Furthermore, one employee of the Asset Management Company serves concurrently as an employee at the seller.
	Business relationship	As of today, the seller is leasing from HRR "HOSHINOYA Karuizawa," "KAI Kinugawa" and "HOSHINOYA Fuji." In addition, the seller is leasing to HRR the land of "HOSHINOYA Karuizawa." Furthermore, the seller has concluded a sponsor support agreement and a memorandum concerning the use of trademarks, etc. with HRR and the Asset Management Company.
	Status of classification as related party	The seller is a parent company of the Asset Management Company, and thus falls under related party.

## 5. Transaction with Interested Party, etc.

The counterparty for the acquisition of the Loan Receivables to be Acquired is the parent company of the Asset Management Company. Therefore, the counterparty for the acquisition of the Loan Receivables to be Acquired falls under the definition of interested person, etc. as set forth in Article 201 of the Investment Trusts Act, Article 123 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480, 2000, as amended), 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 acquiring the Loan Receivables to be Acquired and has also obtained HRR's agreement based on the approval made at HRR's Board of Directors' Meeting held on November 10, 2021 pursuant to the Investment Trusts Act and the "interested party transaction rules."

## 6. Future Outlook

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

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

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