

June 15, 2022

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.
 Representative: Kenji Akimoto, President & CEO
 Contact: Takahiro Kabuki, Director & CFO
 TEL: +81-3-5159-6338

Notice Concerning Acquisition and Lease of Domestic Real Estate (HOSHINOYA Okinawa (77.47% co-ownership))

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 today announced its decision to acquire and lease the following property (hereinafter the “Asset to be Acquired”).

The counterparty to the lease of the Asset to be Acquired by the Asset Management Company is a new management corporation for the Asset to be Acquired and planned to be established through an incorporation-type demerger from Yomitan Hotel Management Co., Ltd. The new management corporation will become a wholly owned subsidiary of Hoshino Resorts Inc., (hereinafter sometimes “Hoshino Resorts”) around the same time as the acquisition of the Asset to be Acquired by HRR, and will become an interested party, etc., under the Act on Investment Trusts and Investment Corporations (Act No.198 of 1951 including subsequent amendments) (hereinafter the “Investment Trust Act”) and the “interested party transaction rules,” which are internal rules of the Asset Management Company. Therefore, in agreeing to the terms of the lease transaction with Hoshino Resorts, the Asset Management Company has obtained the consent of HRR in accordance with the approval of HRR’s Board of Directors’ Meeting held on June 15, 2022 pursuant to the Investment Trusts Act and the “Related Parties Transactions Rules.”

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	HOSHI NOYA	H-5	HOSHINOYA Okinawa (Note 4)	Yomitan-son, Nakagami-gun, Okinawa	12,210	Yomitan Hotel Management Co., Ltd.

(Note 1) “Category” indicates either properties by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI” and “Others”) or properties operated by outside operators (“Urban tourism” and “Other”) in accordance with the classification of investment target assets of 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 sales commissions), each rounded down to the nearest million yen.

(Note 4) HRR plans to acquire co-ownership interests (77.47% interest) in the building and site rights, etc., of HOSHINOYA Okinawa. The other co-ownership interests (22.53% interest) in the building and site rights, etc., will continue to be held by the seller, Yomitan Hotel Management Co., Ltd.

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|---|--|
| (1) Date of execution of purchase agreement | June 15, 2022 |
| (2) Planned acquisition date | July 1, 2022 (delivery and settlement date) |
| (3) Seller | Please refer to “5. Details of Seller” later in this document. |
| (4) Funds for acquisition | Proceeds from issuance of new investment units, borrowings and cash on hand resolved at the meeting of HRR’s Board of Directors held on June 15, 2022 (plan) |
| (5) Method of payment | Lump-sum payment upon delivery (plan) |
| (6) Collateral | None |

2. Overview of the Lease

Property No.	Property name	Lessee
H-5	HOSHINOYA Okinawa	Yomitan Operations Co., Ltd. (Note)

(Note) The lessee, Yomitan Operations Co., Ltd. (the “New Management Corporation”), will be the management corporation of the new Asset to be Acquired and will be formed through an incorporation-type demerger from Yomitan Hotel Management Co., Ltd., which is the owner and management corporation of the Asset to be Acquired as of today. Hoshino Resorts intends to make the New Management Corporation a wholly owned subsidiary around the same time as HRR’s acquisition of the Asset to be Acquired.

- (1) Scheduled date of execution of lease agreement: July 1, 2022
- (2) For lease terms and other details, see “Overview of the Lease” in “4. Details of the Asset to be Acquired and the Lease of the Asset to be Acquired” below.

3. Reason for and Overview of the Acquisition and Lease

(1) Reason for the acquisition and lease

HRR makes focused investments in facilities that are likely to secure steady cash flow over a long-term period. Among the hotels, ryokans and ancillary facilities (Note) operated by 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 Hoshino Resorts Group”), HRR intends to invest in the properties under the three core brands of “HOSHINOYA,” “KAI” and “Hoshino Resorts RISONARE” operated by 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 the Asset to be Acquired under the “HOSHINOYA” brand.

HRR believes that the acquisition of the Asset to Be Acquired will promote diversification of its portfolio in terms of the location of facilities and cash flow characteristics, thereby reducing the risk of a significant decline in cash flow due to changes in travelers’ needs or trends, disasters, or domestic and international economic trends, compared to previous periods, and will enhance the stability of its earnings.

At the same time as HRR’s acquisition of the Asset to be Acquired, the New Management Corporation will be established as the management corporation of the new Asset to be Acquired through an incorporation-type demerger from Yomitan Hotel Management Co., Ltd. Furthermore, Hoshino Resorts plans to make the New Management Corporation a wholly owned subsidiary around the same time as HRR’s acquisition of the Asset to be Acquired.

In conjunction with the acquisition of the Asset to be Acquired, HRR has selected tenants and operators based on the tenant and operator selection criteria established by HRR (for details of the selection criteria, see the “Report on the Management System, etc. of the Issuer of Real Estate Investment Trust Securities, etc.” dated January 28, 2022), and judged that the New Management Corporation, which will be a wholly owned subsidiary of Hoshino Resorts, which has high expertise in hotel operations, is also suitable as a tenant of the Asset to be Acquired. HRR has therefore decided to select the New Management Corporation as a tenant of the Asset to be Acquired and to lease the Asset to be Acquired.

See “(2) Overview of the Acquisition and Lease” below for the scheme for acquisition and holding, etc., of the Asset to be Acquired.

(Note) “Hotel” refers to lodging facilities with mainly Western-style structures and facilities, “ryokan” refers to lodging facilities with mainly Japanese-style structures and facilities, and “ancillary facilities” refers to large-scale facilities such as ski resorts, golf courses, swimming pools, and stores incidental to hotels or ryokans. The same shall apply hereinafter.

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(2) Overview of the Acquisition and Lease

By building the structure to suit the current environment, HRR expects to acquire properties from the DBJ Joint Fund (a jointly managed fund formed by Hoshino Resorts and Development Bank of Japan Inc.; hereinafter sometimes the “Joint Fund”) over three consecutive fiscal periods, following the acquisition of “KAI Nagato” (acquired in June 2021 (17th fiscal period)), “KAI Kirishima” and “KAI Beppu” (both acquired in December 2021 (18th fiscal period)).

HRR is undertaking this acquisition of the Asset to be Acquired as part of its external growth strategy to seize the opportunity to acquire a high-quality, relatively new property at a reasonable price, and to use it as the newest facility of HOSHINOYA, the flagship brand of Hoshino Resorts Group (Note 1). HRR plans to acquire the property at the comparatively cheap price of 91.8% of its appraised real estate value, which is only possible in the current environment where competition to acquire hotel properties is not likely to overheat due to the COVID-19 pandemic (Note 2), while also taking into account the COVID-19 risk (Note 3) as follows.

HRR’s handling of COVID-19 risk aims to reduce the impact of that risk by designing rents based on sponsor commitments. Specifically, HRR has agreed with Hoshino Resorts to a fully fixed rent for the first two years and four months following the acquisition, backed by Hoshino Resorts Group’s commitment to the operation of HRR and the Asset to be Acquired (Note 4). No tenant belonging to Hoshino Resorts Group received a rent reduction or exemption during the COVID-19 pandemic. HRR believes that by concluding a lease agreement with Hoshino Resorts Group, a stable tenant, it will be able to adopt a rent scheme that will ensure stable earnings even during the immediate period when the impacts of COVID-19 are expected to remain to some extent.

HRR plans to obtain preferential negotiating rights to the 22.53% co-ownership interest in the HOSHINOYA Okinawa building, which will continue to be owned by Yomitan Hotel Management Co., Ltd. (hereinafter sometimes the “the Joint Fund SPC”). HRR has thereby been improving the probability of acquisition with a view to acquiring the unacquired portion in the future.

After HRR acquires “HOSHINOYA Okinawa,” ownership will be structured as follows. The Joint Fund SPC is the seller of HOSHINOYA Okinawa and will become a co-owner after the acquisition of the co-ownership interest in HRR. Meanwhile, HRR will lease from the Joint Fund SPC a 22.53% co-ownership interest in the building, which the Joint Fund SPC plans to continue to own, together with a 77.47% co-ownership interest in the building (Note 5), which HRR plans to own. The entire building will be leased by HRR to the New Management Corporation who is the lessee and operator under a master lease agreement with fixed rent for a certain period after acquisition. For a summary of the preferential negotiating rights that will be granted to HRR by the Joint Fund SPC for the co-ownership interest (22.53% interest) in the building that the Joint Fund SPC plans to continue to hold, see “4. Details of the Asset to be Acquired and the Lease of the Asset to be Acquired” below.

In acquiring “HOSHINOYA Okinawa,” HRR has been establishing a solid acquisition scheme that incorporates the hedging of risk, taking into account the impact of the COVID-19 pandemic as described above. Specifically, HRR plans to design rents that are primarily fixed for a certain period of time after the acquisition, and to keep the expected acquisition price low by continuing to partially share the property with the Joint Fund SPC. With this solid acquisition scheme, HRR intends to realize an acquisition with both revenue stability and post-COVID-19 upside expectations in view, while implementing appropriate risk control.

In addition, HRR holds a total of 999 Class B preferred shares (Note 6) (total acquisition price: 499.5 million yen) of Yomitan Hotel Management Co., Ltd., the owner and management corporation of the Asset to be Acquired as of today. Yomitan Hotel Management Co., Ltd. has agreed with HRR to redeem by acquiring all of the Class A preferred shares (Note 7) in the transfer of the Asset to be Acquired to HRR. It has also agreed with HRR on amendments of the provisions regarding the dividend of surplus of the 1st, 2nd, and 3rd tranche Class B preferred shares held by HRR as follows, subject to the transfer of the Asset to be Acquired and the completion of redemption of all of the Class A preferred shares.

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Before amendments	After amendments
<p>Amount of 1st tranche Class B preferred dividend per 1st tranche Class B preferred share: Amount calculated by the following formula</p> <ul style="list-style-type: none"> Amount of 1st tranche Class B preferred dividend per 1st tranche Class B preferred share = amount paid per 1st tranche Class B preferred share × preferred dividend rate Dividends of surplus in excess of the amount of 1st tranche Class B preferred dividend will not be paid (non-participating) If the amount of dividends per share paid to 1st tranche Class B preferred shareholders in a given fiscal year does not reach the amount of 1st tranche Class B preferred dividends, the shortfall will accumulate from the following fiscal year onward. 	<p>Amount of 1st tranche Class B preferred dividend per 1st tranche Class B preferred share:</p> <ul style="list-style-type: none"> Amount of 1st tranche Class B preferred dividend per 1st tranche Class B preferred share = accumulated amount of 160,554 yen In the event of a distribution of surplus in excess of the above preferred dividend amount, a dividend of surplus equal to the amount of the dividend of surplus per share of common stock will be paid per 1st tranche Class B preferred share in the same order as the common shareholders or registered pledgees of common stock.
<p>Amount of 2nd tranche Class B preferred dividend per 2nd tranche Class B preferred share: Amount calculated by the following formula</p> <ul style="list-style-type: none"> Amount of 2nd tranche Class B preferred dividend per 2nd tranche Class B preferred share = amount paid per 2nd tranche Class B preferred share × preferred dividend rate Dividends of surplus in excess of the amount of 2nd tranche Class B preferred dividend will not be paid (non-participating) If the amount of dividends per share paid to 2nd tranche Class B preferred shareholders in a given fiscal year does not reach the amount of 2nd tranche Class B preferred dividends, the shortfall will accumulate from the following fiscal year onward. 	<p>Amount of 2nd tranche Class B preferred dividend per 2nd tranche Class B preferred share:</p> <ul style="list-style-type: none"> Amount of 2nd tranche Class B preferred dividend per 2nd tranche Class B preferred share = accumulated amount of 130,162 yen In the event of a distribution of surplus in excess of the above preferred dividend amount, a dividend of surplus equal to the amount of the dividend of surplus per share of common stock will be paid per 2nd tranche Class B preferred share in the same order as the common shareholders or registered pledgees of common stock.
<p>Amount of 3rd tranche Class B preferred dividend per 3rd tranche Class B preferred share: Amount calculated by the following formula</p> <ul style="list-style-type: none"> Amount of 3rd tranche Class B preferred dividend per 3rd tranche Class B preferred share = amount paid per 3rd tranche Class B preferred share × preferred dividend rate Dividends of surplus in excess of the amount of 3rd tranche Class B preferred dividend will not be paid (non-participating) If the amount of dividends per share paid to 3rd tranche Class B preferred shareholders in a given fiscal year does not reach the amount of 3rd tranche Class B preferred dividends, the shortfall will accumulate from the following fiscal year onward. 	<p>Amount of 3rd tranche Class B preferred dividend per 3rd tranche Class B preferred share:</p> <ul style="list-style-type: none"> Amount of 3rd tranche Class B preferred dividend per 3rd tranche Class B preferred share = accumulated amount of 107,529 yen In the event of a distribution of surplus in excess of the above preferred dividend amount, a dividend of surplus equal to the amount of the dividend of surplus per share of common stock will be paid per 3rd tranche Class B preferred share in the same order as the common shareholders or registered pledgees of common stock.

As a result of these amendments, the 1st, 2nd and 3rd tranche of Class B preferred shares held by HRR will be eligible for preferred dividends only for the amount of dividends accrued to July 1, 2022, the scheduled acquisition date of the Asset to be Acquired, and will have the same rights as common stock with respect to other distributions of earnings and residual assets.

For details on the acquisition scheme and monthly operating results of the Asset to be Acquired, see the “Supplementary Explanatory Material: Notice Concerning Issuance of New Investment Units and Acquisition of Domestic Real Estate” released separately today.

(Note 1) “Hoshino Resorts Group’s flagship brand” refers to the core brand of Hoshino Resorts Group, which aims to provide an overwhelmingly extraordinary experience and world-standard service.

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- (Note 2) “The COVID-19 pandemic” refers to the severe impacts that COVID-19 has had on all industries. The same shall apply hereinafter.
- (Note 3) “COVID-19 risk” refers to the risk that the spread of COVID-19 infections will cause the hotel’s operating results to stagnate or deteriorate, which may result in a decrease in HRR’s rental income or other adverse impacts on HRR’s revenue. The same applies below.
- (Note 4) The counterparty to the lease agreement is actually the New Management Corporation, but since it has not yet been established as of yet, the terms and conditions of the agreement with the New Management Corporation have been agreed with Hoshino Resorts, which is planning to be the 100% parent company of the New Management Corporation.
- (Note 5) The Asset to be Acquired by HRR are co-ownership interests in the building of HOSHINOYA Okinawa and site rights, etc. (77.47% interest).
- (Note 6) For more information on Class B preferred shares, refer to the press release issued by HRR on March 16, 2018, “Notice Concerning Acquisition of Assets (Class B Preferred Shares of Yomitan Hotel Management Co., Ltd.)”
- (Note 7) As of today, HRR does not hold any Class A preferred shares. In addition, as of today, Class A preferred shares have priority over Class B preferred shares and common stock with respect to the distribution of surplus and residual assets.

4. Details of the Asset to be Acquired and the Lease of the Asset to be Acquired

An overview of the Asset to be Acquired and the lease of the Asset to be Acquired are shown in the table below.

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

a. Explanation of “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 each 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 the Asset 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 the Asset 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, etc. for the Asset 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, etc. for the Asset to be Acquired obtained from Japan Real Estate Institute.
- “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

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- 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.
 - HRR has agreed with Hoshino Resorts, among other things, that HRR will lease from Yomitan Hotel Management Co., Ltd. the co-ownership interest in the building it owns (22.53% interest), together with the co-ownership interest that HRR plans to own (77.47% interest), and that HRR will lease the entire building to the New Management Corporation under a master lease agreement. Because of this, “Leasable floor area” is the area that can be leased by HRR based on said agreement, and is indicated in the written agreement executed in connection with the lease agreement to be executed between HRR and the New Management Corporation and in the drawings of the relevant property (however, it excludes the floor area of the two buildings and the buildings attached thereto (hereinafter sometimes the “Leased Buildings”) owned by Okinawa Umi no Sono Co., Ltd. (hereinafter sometimes the “Lessor and Sublessor of the Land”) that will be leased by HRR and subleased to the New Management Corporation) (however, if the leased floor area and the leasable floor area described in the relevant agreement exceed the total floor area, the total floor area has been stated).
 - “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). If 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 on HRR’s planned acquisition date based on the written agreement executed in connection with the lease agreement to be concluded between HRR and the New Management Corporation.
 - “No. of tenants” is the number of those leasing the property from HRR in accordance as of the planned acquisition date based on the written agreement executed in connection with the lease agreement to be concluded between HRR and the New Management Corporation. However, this excludes those leasing or planning to lease part of the site or the building for the purpose of parking or installing antennas.
 - “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 lease (sublease) the property from those leasing the property from HRR as of the planned acquisition date, based on the written agreement executed in connection with the lease agreement to be concluded between HRR and the New Management Corporation. However, this excludes those planning to lease (sublease) part of the site or the building for the purpose of parking or installing antennas.
 - “Notes” presents items that are considered important such as the rights and usage, etc. of each asset upon acquisition, and items considered to be important in terms of their impact on the valuation amount, earning potential, and disposal potential of each asset.
- b. Explanation on “Overview of leasing”
- “Overview of leasing” is the detail of the written agreement between HRR and the New Management Corporation in relation to the Asset to be Acquired. However, “Leased area” is the area excluding the area of the Leased Buildings from the leased area stated in the relevant written agreement.

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Hoshino Resorts REIT, Inc.

HOSHINOYA Okinawa		Category	Properties operated by Hoshino Resorts Group (HOSHINOYA)		
		Use	Hotel		
Overview of specified asset					
Planned acquisition date	July 1, 2022		Type of specified asset	Real estate	
Planned acquisition price	12,210,000,000 yen		Appraisal value (Appraisal date)	13,300,000,000 yen (May 20, 2022)	
Location (indication of residential address)	474 Gima, Yomitan-son, Nakagami-gun, Okinawa				
Transportation	Approximately 60 minutes from Naha Airport via Okinawa Expressway				
Land	Lot number	406-1, Aza-Gima-Kataebaru, Yomitan-son, Nakagami-gun, Okinawa, etc.		Completion date	November 2019
	Building coverage ratio	60%		Structure/ floors	Reinforced concrete structure with flat roof, single-story
	Floor-area ratio	200%		Total floor area	10,657.52m ² (Note 1)
	Use district	Not designated		Building engineer	Azuma Architect & Associates Co., Ltd.
	Site area	122,067.15m ² (Note 1)		Constructors	Sato Kogyo Co., Ltd., Kyushu Branch
	Type of ownership	Land leasehold right and land sublease right		Type of ownership	Ownership (co-ownership)
Leasable floor area	10,657.52m ²		Occupancy rate	100%	
Main tenant	New Management Corporation (Note 2)		No. of tenants	1	
No. of guest rooms	100		No. of sublease tenants	0	

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Notes:

- HRR plans to acquire a co-ownership interest in the building and a quasi co-ownership interest in the land leasehold and sublease rights on the land (both representing 77.47% interest) (hereinafter sometimes the “Co-ownership Interests”), and after the acquisition of the Co-ownership Interests, HRR plans to co-own the building and the land leasehold and sublease rights on the land (hereinafter the “Building, etc.”) with Yomitan Hotel Management Co., Ltd. (hereinafter sometimes the “Co-owner”). In acquiring the Co-ownership Interests, HRR intends to enter into a co-ownership agreement (the “Co-ownership Agreement”) with the co-owner regarding the management and operation of the Building, etc. The main details of the Co-ownership Agreement to be concluded are as follows.

Lease of the Building, etc.: The Co-owner will lease to HRR the co-owner's co-ownership interest in the Building, etc.

Decision-making regarding the Building, etc.: In principle, HRR will be solely responsible for decision-making on matters related to real estate. However, certain matters, such as the demolition and reconstruction of the building, will be decided by agreement between HRR and the Co-owner.

Disposal, etc. of the Building, etc.: HRR may assign all or part of HRR's Co-ownership Interests during the period from this Co-ownership Agreement to October 31, 2027 only with the prior written consent of the Co-owner. However, the Co-owner will not delay, withhold, or reject such consent unreasonably. The Co-owner, when transferring all or part of the Co-ownership Interests, will negotiate the transfer with HRR on a preferential basis prior to negotiating the transfer with a third party. The Co-owner must not negotiate any assignment with any third party other than HRR for a certain period of time if HRR has responded to the effect HRR desires the assignment.

- With respect to the land, the seller leases from the Lessor and Sublessor of the Land owned by Okinawa Umi no Sono Co., Ltd. (hereinafter “Subject Land (i)”) and subleases the land owned by an individual, etc. and leased by Okinawa Umi no Sono Co., Ltd. (hereinafter “Subject Land (ii)”) and Subject Lands (i) and (ii) are collectively “Subject Land”). HRR intends to acquire a quasi co-ownership interest (77.47% interest) in such land leasehold and sublease rights from the seller and, after the acquisition, intends to terminate the existing land lease and sublease agreements by mutual consent and enter into a new land lease and sublease agreement with the Co-owner and Lessor and Sublessor of the Land with the following details.

Land leasehold right and land sublease right settlor: Okinawa Umi no Sono Co., Ltd.

Land leasehold right and land sublease right holders: HRR (77.47% interest) and the Co-owner (22.53% interest)

Type of land leasehold right and land sublease right: Ordinary land leasehold right

Lease and sublease period: 30 years starting from July 1, 2022

Rent (monthly): 10,558,912 yen

Rent revision: In principle, the parties may not revise the rent until June 30, 2025. However, the parties may revise the rent in certain cases, such as an increase in the value in the property tax roll for the land, by written notice to the land leasehold right and land sublease right settlor on or before July 1, 2025 and every third anniversary thereafter.

Security deposit and guarantee: Not applicable

Key money: Not applicable

Renewal: The land leasehold right and land sublease right settlor and the land leasehold right and land sublease right holders will discuss the renewal of the lease and sublease at least 12 months prior to the expiration of the lease and sublease period.

Midterm termination: The land leasehold right and land sublease right settlor may not terminate the agreement before maturity.

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- As described above, the seller leases and subleases all of the Subject Land from the Lessor and Sublessor of the Land, but as of today, the seller's leasehold and subleasehold interests in some of the Subject Land have not been fulfilled. HRR intends to fulfill the countervailing requirements after the acquisition of the Subject Land, but it may not be able to fulfill the countervailing requirements for all the Subject Land. Therefore, HRR plans to agree with the Lessor and Sublessor of the Land that the Lessor and Sublessor of the Land may not transfer the ownership and leasehold of the land to any third party without HRR's consent.
- In acquiring the property, HRR plans to sublease the Leased Buildings on the land to the lessee after jointly leasing it with the Co-owner (total leased area of 719.54m²).

(Note 1) The asset HRR plans to acquire is a co-ownership interest in the building, its site rights, etc. (77.47% interest), but the site area and total floor space represent the entire area of the building and land. Of the land area, 105,589.12 m² is subject to the land leasehold right and land sublease right of HRR, and the remaining land is not subject to the land leasehold right and land sublease right, but HRR will agree with the Lessor and Sublessor of the Land that it may use the said remaining land.

(Note 2) The lessee, the New Management Corporation of HOSHINOYA Okinawa, will be established through a new incorporation-type demerger from Yomitan Hotel Management Co., Ltd. The same shall apply hereinafter.

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Hoshino Resorts REIT, Inc.

Overview of leasing	
Lessee	New Management Corporation
Type of contract	Fixed term building lease agreement
Contract period	20 years from July 1, 2022
Leased floor area	10,657.52m ²
Rent	<p>Annual fixed rent: 361,926,000 yen (However, annual rent for the period from July 1, 2022 to October 31, 2022 is 806,770,800 yen (annualized); for the period from November 1, 2022 to October 31, 2023 is 720,118,800 yen; and for the period from November 1, 2023 to October 31, 2024 is 822,849,600 yen.)</p> <p>Floating rent: Floating rent arises under the following conditions, starting from November 1, 2024. 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>< Calculation ></p> <ul style="list-style-type: none"> • From November 2024 to October 2027 <ul style="list-style-type: none"> A. An amount equivalent to 65% of the portion of floating rent calculation period GOP that exceeds 458,536,800 yen (excluding, however, the portion exceeding 1,380,898,800 yen) B. An amount equivalent to 50% of the portion of floating rent calculation period GOP exceeding 1,380,898,800 yen • November 2027 and thereafter <ul style="list-style-type: none"> A. An amount equivalent to 81% of the portion of floating rent calculation period GOP that exceeds 404,012,400 yen (excluding, however, the portion exceeding 1,380,898,800 yen) B. An amount equivalent to 50% of the portion of floating rent calculation period GOP exceeding 1,380,898,800 yen <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>Security deposit: 0 yen</p> <p>Effective July 1, 2022, HRR will agree with Hoshino Resorts Group lessee that all security deposits, guarantees, etc. pledged by Hoshino Resorts Group lessee under the lease agreements with the Lessor will be deemed pledged to secure all of Hoshino Resort Group lessee’s obligations to Lessor under the lease agreements. Herein, the term “Hoshino Resorts Group lessee” collectively refers to Hoshino Resorts, Inc., Hoshino Resorts Management Co., Ltd., K.K. Arashiyama Onsen Rankyo-kan, 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., Nakakaruzawa Hotel Management Co., Ltd., Naha Matsuyama</p>

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Hoshino Resorts REIT, Inc.

	Hotel Management Co., Ltd., Kanzanji Hotel Management Co., Ltd., Nagato Hotel Management Co., Ltd., Hakata Sumiyoshi Hotel Management Co., Ltd., Kirishima Hotel Management INC., Hanabishi Holdings INC., and the New Management Corporation. The same will apply hereinafter.
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 five years thereafter, when there is a significant change in tax and public dues or in economic conditions, any other uncontrollable circumstances occur, or 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 terminate 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 canceled for reasons attributable to the lessee, or when the lessor agrees to cancel the lease agreement in response to the lessee's intention, the lessee will pay to HRR, the lessor, as a penalty fee the higher of an amount equal to the rent from the date of cancellation or termination until the last day of the non-cancellation period (10 years after the start of the lease period) or an amount equal to 12 months' rent (in calculating rent, the average monthly rent for the past 12 months, starting from the first month prior to the month in which the lease agreement expires, will be used; however, if the lease period is less than 12 months, the average monthly rent for the lease period will be used).
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.

5. Details of Seller

H-5 HOSHINOYA Okinawa

Company name	Yomitan Hotel Management Co., Ltd.	
Head office location	310-1 Aza-Gima, Yomitan-son, Nakagami-gun, Okinawa	
Name and title of representative	Mitsunori Seo, Representative Director	
Amount of capital	10,000,000 yen	
Date of incorporation	August 25, 2017	
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	Not disclosed as consent from the seller has not been obtained.	
Main business	Hot spring ryokans business	
Relationship with HRR or the Asset Management Company	Capital relationship	As of today, HRR holds a total of 999 Class B preferred shares in the seller. There is no capital relationship required to be stated between the Asset Management Company and the seller.
	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 does not fall under the related party of HRR/the Asset Management Company.

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6. Transactions with Interested Party, etc.

There are no applicable matters regarding the seller of the Asset to be Acquired.

At the same time as HRR's acquisition of the Asset to be Acquired, a New Management Corporation that will be the counterparty to the lease with HRR will be established as the management corporation of the new Asset to be Acquired through an incorporation-type demerger from Yomitan Hotel Management Co., Ltd. the owner and management corporation of the Asset to be Acquired as of today. Furthermore, Hoshino Resorts plans to make the New Management Corporation a wholly owned subsidiary around the same time as HRR's acquisition of the Asset to be Acquired.

The New Management Corporation is scheduled to fall under the category of an interested party, etc. as stipulated in Article 201 of the Investment Trust Act and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000 including subsequent amendments), and will also fall under the category of an interested party, etc. under internal rules of the Asset Management Company, the "Related Party Transaction Rules," around the same time as HRR's acquisition of the Asset to be Acquired. Accordingly, HRR has followed the approval procedures set forth in its internal rules in conducting the lease of the Asset to be Acquired, and has obtained HRR's consent based on the approval of HRR's Board of Directors meeting held on June 15, 2022, in accordance with the Investment Trust Act and the "Related Parties Transactions Rules".

7. Status of Property Acquirer, etc.

The acquisition is not an acquisition from any entity having a special interest in HRR or the Asset Management Company.

8. Future Outlook

For details on the impact of the acquisition of the Asset to Be Acquired on the management status of HRR and the future outlook for the fiscal period ending October 31, 2022 (May 1, 2022 to October 31, 2022) and the fiscal period ending April 30, 2023 (November 1, 2022 to April 30, 2023), please refer to the "(REIT) Financial Report for Fiscal Period Ended April 2022" released separately today.

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9. Appraisal Report Summary
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Appraisal report summary (Note)		
Real estate appraisal agency	Japan Valuers Co., Ltd.	
Appraisal value	13,300,000,000 yen	
Appraisal date	May 20, 2022	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue ((i) - (ii) - (iii))	889,131,400 yen	-
(i) Gross potential revenue (equivalent to 100% interest)	1,147,397,900 yen	Recorded based on actual contract (floating rent portion calculated based on tenant income and expense related data).
(ii) Rent payable to Co-owner	258,266,500 yen	Recorded based on actual contract (floating rent portion calculated based on tenant income and expense related data).
(iii) Bad debt expenses	0 yen	Not recorded as secured by security deposits, etc.
(2) Operating expenses ((iv)+(v)+(vi)+(vii)+(viii)+(ix))	179,273,446 yen	-
(iv) Administrative consignment expenses	5,732,263 yen	Owner-paid amount adopted.
(v) Repair expenses	5,226,514 yen	30% of the 12-year average for repair and renewal expenses in the ER recorded.
(vi) Taxes and public dues	45,113,026 yen	Land: Not recorded as all land is leased. Building: Assessed based on actual value. Depreciable assets: scheduled amount of the owner's share recorded based on the standard taxable amount.
(vii) Insurance premiums	1,800,773 yen	Scheduled amount adopted.
(viii) Rent payable (Section U)	13,944,600 yen	Actual amount recorded.
(ix) Land rent payable (including common facility usage fees)	107,456,270 yen	Actual amount recorded.
(3) Net operating income ((i) - (ii))	709,857,954 yen	-
(4) Gains on lump-sum investments, etc. (income)	△90,000 yen	Calculated at an investment yield of 1.0%.
(5) Capital expenditures (CAPEX)	12,195,198 yen	70% of the 12-year average for repair and renewal expenses in the ER recorded.
(6) Net revenue ((iii)+(iv)-(v))	697,572,756 yen	-
(7) Cap rate	5.2%	-
Direct capitalization value	13,400,000,000 yen	-
Discounted cash flow value	13,200,000,000 yen	-
Discount rate	4.8%	-
Terminal cap rate	5.3%	-
Integrated value by using cost method	10,100,000,000 yen	-
Ratio of land	35.2%	-
Ratio of building	64.8%	-
Other matters appraisal agency noted upon valuation	Not applicable	

(Note) The Asset to be Acquired by HRR are the co-ownership interests in the building of HOSHINOYA Okinawa and its site rights, etc. (77.47% interest), and the real estate appraisal of said assets shown in the table above were calculated by taking into account said percentage interest.

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

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< Appendix >

Reference Material 1 Summary of Engineering Report and Earthquake Risk Assessment Report of the Asset to be Acquired

Reference Material 2 Photographs and Map of the Asset to be Acquired

Reference Material 1 Summary of Engineering Report and Earthquake Risk Assessment Report of the Asset to be Acquired

Property No.	Property name	Investigator	Engineering report date	Short-term repair expenses (thousand yen) (Note 1) (Note 2)	Long-term repair expenses (annual average) (thousand yen) (Note 1) (Note 3)
H-5	HOSHINOYA Okinawa	Tokio Marine dR Co., Ltd.	March 2022 (other than the Leased Buildings) April 2022 (the Leased Buildings)	-	22,488 (Note 4)

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

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

(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 investigated and prepared by the investigator. The figure has been converted to an annual average and rounded to the nearest thousand yen by HRR.

(Note 4) The figure is based on the amount in the engineering report prepared by the investigator and has been converted to the annual average amount for repair and renewal expenses for all buildings of "HOSHINOYA Okinawa" (including the Leased Buildings) for the next 12 years from the time of the investigation and rounded to the nearest 1,000 yen by HRR.

Property No.	Property name	Investigator	Investigation date	PML value (probable maximum loss) (%) (Note)
H-5	HOSHINOYA Okinawa	Tokio Marine dR Co., Ltd.	September 3, 2021	4.8, 4.7, 1.6, 2.1, 2.6

(Note) The Asset to be Acquired have multiple PML values due to multiple buildings having been constructed on an extensive site.

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Reference Material 2 Photographs and Map of the Asset to be Acquired

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(Photo 1)



(Photo 2)



(Map)



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