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Notice Concerning Changes to Internal Regulations (Asset Management Guidelines) of Asset Management Company

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), the asset management company to which HRR entrusts its asset management, resolved today to revise its asset management guidelines of internal regulations, subject to the approval of a proposal for partial amendments to the Articles of Incorporation at the General Meeting of Unitholders of HRR (hereinafter the “Unitholders’ Meeting”) to be held on January 26, 2023. Details are as follows:

1. Background and Reasons for Changes to the Asset Management Guidelines

In cooperation with Hoshino Resorts Group (Note 1), HRR has been working to preserve assets that contribute to the tourism industry, such as the environment, ecosystems, and regional attractions and traditions, and utilize them in its business, in accordance with the concept of Creating Shared Value (CSV) (Note 2), thereby ensuring the competitiveness of its properties and the growth and quality improvement of its portfolio. Through this experience, HRR believes that assets that contribute to the tourism industry, such as the environment, ecosystems, and regional attractions and traditions, are essential for improving the quality of travel. HRR also believes that development of the tourism industry through the use of those assets contributes to the economy, and helps solve the depopulation problem, and the problem of loss of history of the region, and has come to regard travel itself as an opportunity to “create a sustainable symbiosis between nature and human activities.”

And in recent years, the concept of “Responsible Tourism” has emerged as a global trend. This is not a return to the way tourism was in 2019 (before the spread of the COVID-19), when overtourism problems arose as a result of the pursuit of “volume” of tourists in many tourist destinations. Instead, it is an idea to achieve sustainable tourism by focusing on tourists who consider the natural environment, contribute to local communities, and respect these issues, in other words, by pursuing the “quality” of tourists. In addition to the conventional “Sustainable Tourism” that aims for sustainable tourism on the part of tourist destinations and operators, we also emphasize the importance of sustainability awareness on the part of tourists (please refer to the attachment to this document for “Sustainable Tourism”).

As a specific example, in Hawaii, the concept that became the source of Responsible Tourism was born more than 40 years ago, and in recent years tourists have been asked to observe several activities for the purpose of protecting the environment and ecosystems (Note 3). In Japan, Shirakawa-go (Gifu Prefecture), a World Heritage site, is working to conserve the landscape and environment by measures such as controlling the number of visitors.

Mr. Yoshiharu Hoshino, Representative of Hoshino Resorts Group, also advocates “Stakeholder Tourism,” which is a form of tourism where not only tourism operators but also local communities, the local environment, and visitors enter the tourism circle, and each of them can feel the fair return from tourism. He argues that, as a destination to which Japan’s operators go after the COVID-19 pandemic, building Stakeholder Tourism, rather than returning to the 2019 tourism model, should lead to long-term sustainability and be very important for Japan to become a tourism-oriented country.

Even before the concept of Responsible Tourism and Sustainable Tourism became widespread, HRR and its sponsor, Hoshino Resorts Inc., have been engaged in initiatives related to those as their own values, as described above. Considering that these initiatives are becoming the trend of the times, HRR, as a real estate investor and tourism operator, has recently examined a framework for its contribution to more flexible and broadly sustainable tourism and for HRR’s sustainable competitiveness.

Based on the above background, HRR contributes to both Japan’s attractive tourism industry and sustainable local communities by adding assets that contribute to the tourism industry as new investment targets, and aims to become a “REIT in the Tourism-Oriented Country” that contemplates sustainable growth in its portfolio. In addition, HRR continues to make maximum use of Hoshino Resorts Group’s know-how to appropriately preserve, utilize, and improve those assets that contribute to the portfolio, and to ensure the growth potential and stability or diversity of the portfolio through enhancing the attractiveness of those. In this way, it intends to maximize unitholder value.

Based on such intention, HRR has resolved today at its Board of Directors’ Meeting to submit a proposal to the Unitholders’ Meeting to make the necessary changes to the Articles of Incorporation regarding the addition of such assets that contribute to the tourism industry to its investment targets. And the Asset Management Company has decided today to revise the asset management guidelines that set forth HRR’s investment policy, subject to the approval of the proposal for partial amendment to the Articles of Incorporation at the Unitholders’ Meeting.

Please also refer to the diagram of “<Reference> Role of Accommodation Facilities in Local Areas and Concept of Circulation (Conceptual Diagram)” below for HRR’s view on the relationship between local communities and accommodation facilities.

In addition, HRR anticipates there will be rice terraces, sake breweries, wineries, etc. as assets contributing to the tourism industry, but as of today, there are no specific investments being considered.

(Note 1) Hoshino Resorts Inc. and its parent company and its subsidiaries are collectively referred to. The same shall apply hereafter.

(Note 2) It refers to an approach to creating social value by responding to social needs while creating economic value, as advocated by U.S. business scholar Michael Porter and others.

(Note 3) For an example of Responsible Tourism in Hawaii, please refer to the following website:

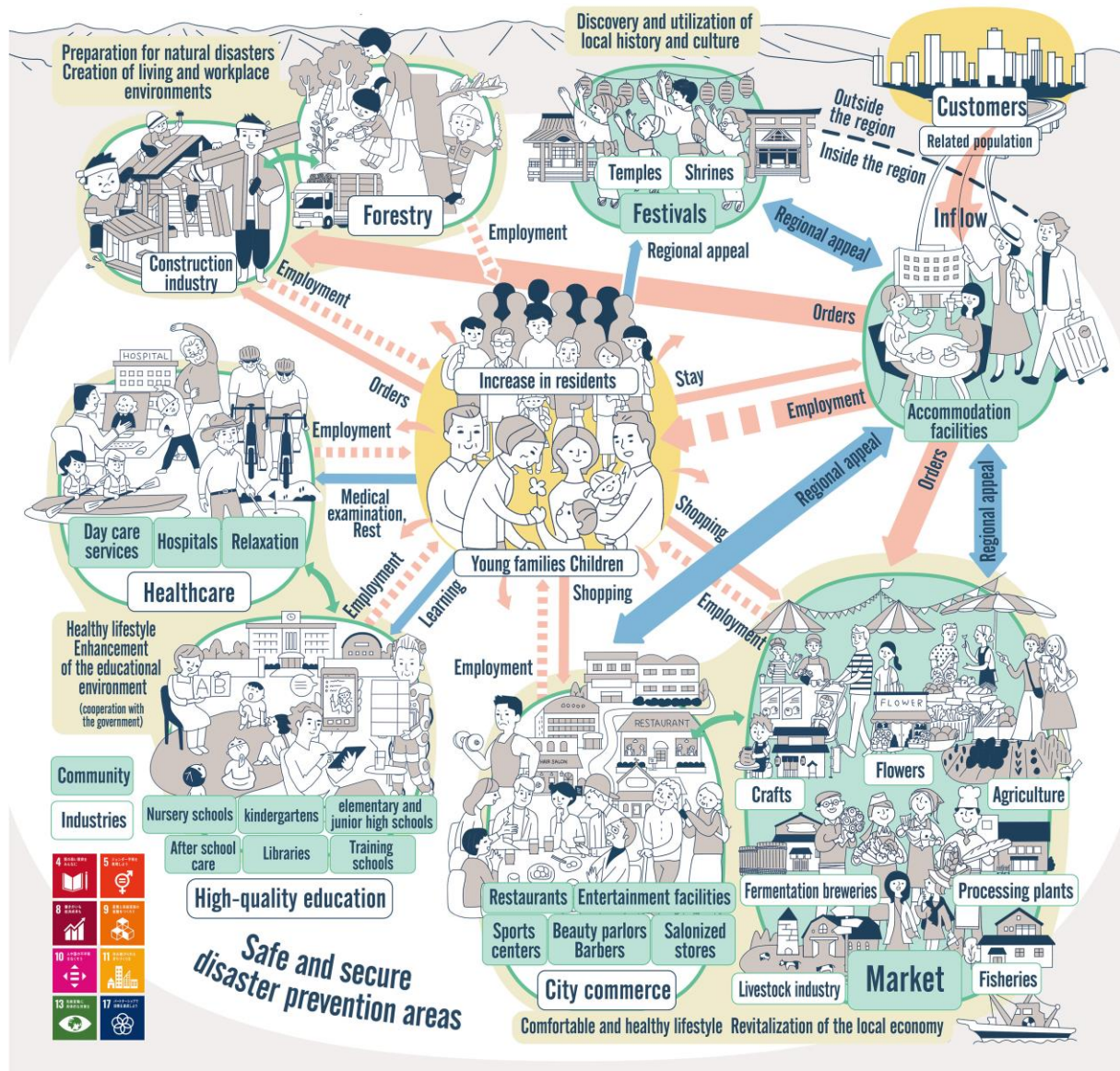
https://www.allhawaii.jp/malamahawaii/responsible_tourism/

*Only available in Japanese

2. Change Date (scheduled)

January 26, 2023

<Reference> Role of Accommodation Facilities in Local Areas and Concept of Circulation (Conceptual Diagram)



(Note) The above diagram is a conceptual one prepared by the Asset Management Company for the purpose of easily communicating HRR's views regarding the relationship between local communities and accommodation facilities, and is not appropriate for all regions.

3. Major Changes in the Asset Management Guidelines

(1) Partial changes to the basic philosophy

HRR has stipulated that it shall realize a sustainable regional economy and society through the tourism industry, together with adding assets related to the tourism industry (hereinafter the "Tourism-related Assets") to the investment targets.

(2) Partial changes in the basic policy

For the Tourism-related Assets, HRR has stipulated that it shall invest in assets that are expected to secure long-term and stable cash flow, or assets that HRR owns or plans to acquire, or assets that are expected to have a beneficial effect on tourism in the area where such assets are located, and that it shall establish a sustainability policy and others and manage assets while respecting them in order to aim for the realization of a sustainable economy and society through the tourism industry.

(3) Partial change in portfolio construction policy

For the Tourism-related Assets, in order to make it possible to determine whether or not to invest in the Tourism-related Assets regardless of whether or not they are profitable, taking into consideration that the acquisition of the Tourism-related Assets can have a beneficial effect on HRR's portfolio directly or indirectly, even if its own profitability is not expected, HRR has stipulated that it shall, when selecting the Tourism-related Assets which become specific assets subject to investment, determine whether or not to invest in the target by comprehensively judging the profitability of the relevant assets, as well as the content and extent of the effects that are expected on tourism in the region where the assets HRR holds or plans to acquire or the relevant assets are located.

(4) Partial changes in investment standards

In investing in the Tourism-related Assets, HRR has stipulated that it shall comprehensively examine the profitability of the relevant assets, as well as the content and extent of the effects that are expected on tourism in the region where assets HRR holds or plans to acquire or the relevant assets are located, and shall comprehensively judge whether or not to invest, taking into account the risks of the entire portfolio. And in investing in the Tourism-related Assets, HRR has stipulated that it shall apply the same investment standards as those for hotels, Ryokans, and ancillary facilities, after making the necessary adjustments in accordance with the characteristics of the Tourism-related Assets to be invested in.

Moreover, it was stipulated that the ratio of investment in the Tourism-related Assets (acquisition price basis) shall be limited up to 3.0%.

(5) Partial changes to due diligence standards

In selecting the Tourism-related Assets to be invested in, HRR has stipulated that it shall apply the same due diligence standards as those for hotels, Ryokans, and ancillary facilities, after making the necessary adjustments in accordance with the characteristics of the Tourism-related Assets to be invested in and that it may, if the Tourism-related Assets to be invested in are not expected to have profitability independently, not conduct surveys on all or some of the survey items related to business feasibility.

Even if all or some of the items to be surveyed are not conducted, HRR's policy is to make a careful and appropriate decision as to whether or not to acquire assets after appropriately considering the weight of the effect on the portfolio.

(6) Partial changes in policy on portfolio operation and management

As described above, for the Tourism-related Assets, even if independent profitability is not expected, HRR's policy is to judge whether or not to invest regardless of whether or not they are profitable. Therefore, HRR has stipulated that it shall, as an investment policy in capital expenditures, aim to maximize the beneficial effects on tourism in the region where the assets that are held or planned to be acquired by HRR or the relevant assets are located.

4. Other

The subject matter will have no impact on HRR's financial results.

Moreover, in accordance with the provisions of the Financial Instruments and Exchange Act, an extraordinary report on the subject matter was submitted to the Director-General of the Kanto Local Finance Bureau as of today.

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

Attachment: Sustainable Tourism

< Material 1 >

*Only available in Japanese

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| ◆SDGsへの貢献と持続可能な観光（サステナブル・ツーリズム）の推進に向けて、新たにJNTOとしての取組方針を策定し、取組をより一層強化 | |
| SDGs（持続可能な開発目標） | 2015年の国連サミットにおいて採択された、持続可能な世界を実現するための 2016年から2030年までの国際目標「持続可能な開発目標（Sustainable Development Goals=SDGs）」 |
| 持続可能な観光（サステナブル・ツーリズム） | UNWTOは「訪問客、産業、環境、受け入れ地域の需要に適合しつつ、現在と 未来の環境、社会文化、経済への影響に十分配慮した観光 」と定義 |

背景：観光をめぐる環境の変化

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| <ul style="list-style-type: none"> ・旅行者の増加による自然環境や地域住民の生活に対する負荷（観光の負の側面）の発生 ・コロナ禍の長期化による観光業界の大打撃 ・旅行者の地域資源等のサステナビリティ（持続可能性）に対する意識の高まり <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> ◆世界の旅行者の68%が「旅行に使ったお金が現地コミュニティに還元されることを望んでいる」 ◆世界の旅行者の43%が「旅行に関する選択にさらに配慮することで現地のコミュニティや経済を支えたい」と考えている <p><small>※Booking.com 調査「旅行が及ぼすインパクトに関する意識の高まり：責任ある旅行の始まり」（2021年4月22日）より引用</small></p> </div> | <p style="color: red; text-align: center;">ポストコロナを見据えて</p> <p>観光が、これまで以上に生み出す負荷や悪影響を最小化する形で回復し、「旅行者から選ばれる観光地」となるため、地域全体でサステナブル・ツーリズムを推進することが求められている</p> <p style="text-align: center; color: red; font-size: 2em;">↓</p> <p style="text-align: center;">『SDGsへの貢献と持続可能な観光（サステナブル・ツーリズム）の推進に係る取組方針』の策定と取組の強化</p> |
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(Note) Excerpt from press release issued by Japan National Tourism Organization (JNTO) (<https://www.jnto.go.jp/jpn/index.html>) on June 22, 2021
*Only available in Japanese

<Material 2>

*Only available in Japanese

JNTOが考える持続可能な観光（サステナブル・ツーリズム）

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| <p>地域の「環境」を守る・育む</p> <ul style="list-style-type: none"> ・環境資源を最適な形で観光に活用している事例を情報発信 <p>→<u>自然や生物多様性の保全等に貢献</u></p> | <p>地域の「文化」を守る・育む</p> <ul style="list-style-type: none"> ・地域の有形無形の伝統・文化資産等を魅力ある形で海外に発信 <p>→外国人旅行者による体験等を通じて、<u>伝統・文化の保存・継承に貢献</u></p> | <p>地域の「経済」を守る・育む</p> <ul style="list-style-type: none"> ・日本全国各地への外国人旅行者の安定した誘客・滞在の促進 ・地域ならではの体験や特産品等の購入促進 <p>→<u>地域経済の活性化と安定的・長期的な雇用を創出し、住んで良し・訪れて良しの地域づくりに貢献</u></p> |
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(Note) Excerpt from press release issued by Japan National Tourism Organization (JNTO) (<https://www.jnto.go.jp/jpn/index.html>) on June 22, 2021
*Only available in Japanese