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For Immediate Release

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Notice Concerning Acquisition and Lease of Domestic Real-Estate Trust Beneficiary Right, and Asset Replacement through Transfer of Domestic Real Estate

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), an asset management company that is entrusted with managing assets, has today decided to acquire (hereinafter the “Acquisition,” with the property to be acquired through the Acquisition is referred to as the “Asset to be Acquired”) and lease the beneficiary right in a domestic real estate trust (shared equity 88.28%), to transfer domestic real estate (hereinafter the “Transfer,” with the property to be transferred through the Transfer is referred to as the “Asset to be Transferred”) (hereinafter, the Acquisition and the Transfer in collectively referred to as the “Asset Replacement”) as follows. Since the borrower in the lease of the Asset to be Acquired corresponds with an Interested Person, etc. under the Act on Investment Trusts and Investment Corporations (act No. 198 of 1951, including amendments thereto) (hereinafter the “Investment Trusts Act”), in agreeing with the Hoshino Resorts Group on the conditions for the lease transaction, the Asset Management Company has obtained the consent of HRR in accordance with the approval of HRR’s Board of Directors meeting held on March 18, 2021.

1. Overview of Asset Replacement

(1) Change in real estate appraisal value due to the Asset Replacement (Note)

Property name	Planned transfer price / Planned acquisition price (million yen)	Assumed book value (million yen)	Real estate appraisal value (million yen)
(1) Asset to be Transferred ANA Crowne Plaza Fukuoka	7,700	7,644	8,360
(2) Asset to be Acquired Grand Hyatt Fukuoka	7,700	7,863	8,870
Difference ((2)-(1))	±0 (same amount)	+219	+510

(Note) For details of each item, please refer to “(2) Overview of Acquisition” and “(3) Overview of Transfer” later in this document.

(2) Overview of Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 5)	Seller
Properties operated by outside operators	Urban tourism	O-47	Grand Hyatt Fukuoka (Note 3) (Note 4)	Fukuoka-shi, Fukuoka	7,700	Fukuoka REIT Corporation

(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 classification of investment target assets of HRR. The same shall apply hereinafter.

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(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) The Asset to be Acquired is the following exclusively owned section of the sectional ownership building Canal City Hakata in which Grand Hyatt Fukuoka is located: a shared ownership portion of Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%). As of today, this portion together with other exclusively owned sections of Canal City Hakata ・ B form the trust assets of a single trust; however, prior to the Acquisition, Fukuoka REIT Corporation plans to conduct a creation-type trust split of the trust, in which it will split off only the Asset to be Acquired and place them in a new trust, separately from the other exclusively owned sections. HRR plans to acquire the trust beneficiary right of the new trust. Furthermore, Grand Building is the nominal designation for the building, which is presented in the real estate register as "Hotel A." The same shall apply hereinafter.

(Note 4) After the Asset Replacement, Fukuoka REIT Corporation continues to retain the trust beneficiary right of the remaining shared portion (ownership ratio 11.72%) from the Asset to be Acquired of HRR, which is the shared ownership portion of Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%).

(Note 5) "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.

- (1) Date of execution of sales and purchase agreement: March 18, 2021
- (2) Planned acquisition date: June 1, 2021 (delivery and settlement date) (Note)
- (3) Seller: Please refer to "5. Details of Seller and Buyer of Asset Replacement" later in this document.
- (4) Funds for acquisition: Payment to be received for the transfer of the Asset to be Transferred (plan)
- (5) Method of settlement: Lump-sum payment upon delivery (plan)
- (6) Collateral: None

(Note) The sales and purchase agreement for the Acquisition falls under a forward commitment, etc. specified in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.," which has been established by the Financial Services Agency (this commitment is defined as a postdated sales and purchase agreement under which the settlement and delivery of the property shall be made one month or more from the execution of the agreement, or any other agreement similar thereto. The same shall apply hereinafter.). Please refer to "8. Impact on HRR's Finance in the Case Where a Forward Commitment, etc. Cannot Be Implemented" later in this document for that matter.

(3) Overview of Transfer

Category		Property No.	Property name	Location	Planned transfer price (million yen) (Note)	Buyer
Properties operated by outside operators	Urban tourism	O-32	ANA Crowne Plaza Fukuoka	Fukuoka-shi, Fukuoka	7,700	Fukuoka Jisho Co., Ltd.

(Note) "Planned transfer 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.

- (1) Date of execution of sales and purchase agreement: March 18, 2021
- (2) Planned transfer date: June 1, 2021 (delivery and settlement date) (Note 1)
- (3) Buyer: Please refer to "5. Details of Seller and Buyer of Asset Replacement" later in this document.
- (4) Assumed book value: 7,644 million yen
(as of planned transfer date) (Note 2)

(5) Difference between planned transfer price and assumed book value:

55 million yen (Note 3)

(6) Method of settlement:

Lump-sum payment upon delivery (plan)

(Note 1) The sales and purchase agreement for the Transfer falls under a forward commitment, etc. specified in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.,” which has been established by the Financial Services Agency. Please refer to “8. Impact on HRR’s Finance in the Case Where a Forward Commitment, etc. Cannot Be Implemented” later in this document for that matter.

(Note 2) The assumed book value at the planned transfer date as calculated by the Asset Management Company based on the book value amount at the end of the fiscal period ended October 2020, planned capital expenditure up to the planned delivery date, and expected depreciation expense, presented rounded down to the nearest million yen.

(Note 3) The difference between the planned transfer price and the assumed book value on the planned delivery date is presented rounded down to the nearest million yen. The amount is for reference only, and differs from the actual gain (loss) on sale.

2. Overview of Leasing

Property No.	Property name	Lessee
O-47	Grand Hyatt Fukuoka	New Management Corporation (plan) (Note)

(Note) The lessee, “New Management Corporation (plan)” is to be the new management corporation of the “Grand Hyatt Fukuoka” to be established by the current management corporation of the “Grand Hyatt Fukuoka,” FJ. Hotels Co., Ltd. Hoshino Resorts Group is to acquire the effective management right to New Management Corporation upon the acquisition by HRR of the Asset to be Acquired.

(1) Planned date of execution of lease agreement: June 1, 2021 (plan)

(2) For details of leasing including the terms and conditions, please refer to “Overview of leasing” in “4. Contents of Assets to be Acquired, Transferred and Leased in Relation to the Asset Replacement, (1) Contents of Asset to be Acquired” later in this document.

3. Reason for Asset Replacement and Leasing of Asset to be Acquired

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 regards the properties under the three core brands of “HOSHINOYA,” “Hoshino Resorts KAI” and “Hoshino Resorts RISONARE” operated by the Hoshino Resorts Group as the facilities that are able to secure steady cash flow over a long-term period.

Moreover, HRR’s policy is to achieve external growth while ensuring earning stability by making proactive investments in facilities among hotels, ryokans, and ancillary facilities (Note) not operated by the Hoshino Resorts Group (hereinafter “properties operated by outside operators”) where such facilities are expected to see stable usage and are likely to secure steady cash flow over the long-term period.

Under this policy, HRR has long been interested in the “Grand Hyatt Fukuoka” as an exclusive luxury hotel in Fukuoka-shi that is likely to secure stable cash flow over the long-term period. HRR has therefore explored the feasibility of a joint three-way transaction regarding the acquisition of this hotel involving Fukuoka Jisho Co., Ltd., the buyer of “ANA Crowne Plaza Fukuoka,” to further specific discussions regarding the hotel’s acquisition with Fukuoka REIT Corporation, the seller, which is considering various measures for the hotel in response to the spread of COVID-19. As a result of discussions between the three companies, HRR judged that the Asset Replacement would contribute to increasing investor value over the medium- to long-term, and has therefore decided to execute an asset replacement by way of acquiring the beneficiary right to a real estate trust whose trust asset is the shared ownership related to “Grand Hyatt Fukuoka,” which is a property operated by an operator outside of the Hoshino Resorts Group, and transferring “ANA Crowne Plaza Fukuoka.”

The Asset Replacement is expected to increase HRR’s NAV (net asset value). In addition, HRR will realize the

acquisition of an exclusive luxury hotel in Fukuoka-shi, capable of benefitting from the upside of the city's efforts to advance its concentration of offices and commercial facilities and continue developing as a gateway to the Kyushu area for visitors from the rest of Japan and overseas such as Asia. Moreover, HRR believes that the Asset Replacement will contribute to increased medium- to long-term earnings stability and growth potential by enabling it to increase its total number of guest rooms and leased floor area, while reducing the building age of its portfolio.

In addition, when HRR acquires the Asset to be Acquired, a new management corporation (hereinafter the "New Management Corporation") for the "Grand Hyatt Fukuoka" is to be established by the current management corporation of the "Grand Hyatt Fukuoka," FJ. Hotels Co., Ltd. Furthermore, Hoshino Resorts Group will acquire the effective management right for the New Management Corporation, and intends to participate in the management of "Grand Hyatt Fukuoka." HRR considers it significant as an example case of HRR cooperating with the sponsor, Hoshino Resorts Group, to conduct investment.

Furthermore, in conjunction with its acquisition of the Asset to be Acquired, HRR will select tenants and operators in accordance with its standard for selection of tenants and operators (for details of the standard, refer to "Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties," released on January 25, 2021). The New Management Corporation, whose effective management right is to be acquired by the Hoshino Resorts Group, which has advanced expertise in hotel management, has also been deemed suitable as a tenant for the Asset to be Acquired. Therefore, it has been decided to select the New Management Corporation as a tenant of the Asset to be Acquired and to lease the Asset to be Acquired.

For details of the Asset Replacement scheme and expected investment effect, please see the separate press release announced today, entitled "Supplementary Explanation Materials – Notice Concerning Acquisition and Lease of Domestic Real-Estate Trust Beneficiary Right, and Asset Replacement through Transfer of Domestic Real Estate."

(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.

4. Contents of Assets to be Acquired, Transferred and Leased in Relation to the Asset Replacement

The tables below present an overview of the Assets to be Acquired or Transferred as well as the leasing of the Asset to be Acquired in relation to the Asset Replacement.

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 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.
- "Planned transfer date" is the planned transfer date for the Asset to be Transferred but may be changed under a mutual agreement between HRR and the buyer.
- "Type of specified asset" is the type of real estate and other assets as specified assets.
- "Trustee" is the trustee listed on the trust agreement that is to come into effect upon the acquisition by HRR.
- "Trust period" is the trust period listed in the trust agreement that is to come into effect upon the acquisition by HRR.

- “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).
- “Planned transfer price” indicates the sales/purchase price of the Asset to be Transferred 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 the Asset to be Acquired or the Asset to be Transferred obtained from Rich Appraisal Institute Co., Ltd.
- “Assumed book value” is the assumed book value at the planned transfer date as calculated by the Asset Management Company based on the book value amount at the end of the fiscal period ended October 2020, planned capital expenditure up to the planned delivery date, and expected depreciation expense, presented rounded down to the nearest million yen.
- “Acquisition date” is the initial date of acquisition of the Asset to be Transferred.
- “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 the Asset to be Acquired or the Asset to be Transferred obtained from Rich Appraisal Institute 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 the trustee for real estate in trust, and those held by HRR for real estate.
- “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 or to be acquired 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. However, for the Asset to be Acquired, HRR has entered an agreement between the trustee who holds Canal City Hakata • B Grand Building and Fukuoka REIT Corporation wherein the master lease for the first basement floor of Canal City Hakata • B Grand Building is held by Fukuoka REIT Corporation and the master lease for the section other than the first basement floor of Canal City Hakata • B Grand Building is held by HRR, and each may lease (sub-lease) to an end tenant the section for which they hold the master lease. Therefore, in accordance with this agreement, the floor area corresponding to the section that HRR may lease (sub-lease) is presented as either the area in an agreement concluded between HRR and the tenant relating to a lease agreement to be concluded between them, or to the area presented on the property plan.

- “Occupancy rate” is the planned occupancy rate (ratio of the total leased floor area to the total leasable floor area) as of the planned acquisition date or planned transfer date, rounded to the first decimal place.
- “Main tenant” is the tenant with the largest leased area out of those leasing (subleasing) the property from HRR in accordance with the lease agreement effective as of acquisition or transfer by HRR.
- “No. of tenants” is the number of those leasing (subleasing) the property from HRR in accordance with the lease agreement effective as of acquisition or transfer by HRR. However, this excludes those leasing (subleasing) or planning to lease (sublease) 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 (subleasing) the property from HRR in accordance with the lease agreement effective as of acquisition or transfer by HRR. 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 or transfer, 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 executed with regard to the lease agreement concerning the Asset to be Acquired with the tenant who is to lease the hotel or ryokan after HRR’s acquisition (hereinafter the “Hotel Tenant”).
- All of “Lessee,” “Type of contract,” “Contract period,” “Rent,” “Security deposit and 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 Asset to be Acquired to be executed with the Hotel Tenant and on other agreements executed pertaining to such.
- The “leased floor area” indicates the leasable floor area portion of the leased floor area indicated in the agreement concluded between HRR and the Hotel Tenant in connection with the lease agreement to be concluded between the two parties.

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(1) Contents of Asset to be Acquired

Grand Hyatt Fukuoka			Category	Properties operated by outside operators (Urban tourism)		
			Use	Hotel		
Overview of specified asset						
Planned acquisition date		June 1, 2021 (plan)		Type of specified asset	Trust beneficiary right (plan)	
Trustee		Sumitomo Mitsui Trust Bank, Limited (plan)		Trust period	10 years from June 1, 2021 (plan)	
Planned acquisition price		7,700,000,000 yen		Appraisal value (Appraisal date)	8,870,000,000 yen (February 15, 2021)	
Location (Indication of residential address)		1-2-82 Sumiyoshi, Hakata-ku, Fukuoka-shi, Fukuoka				
Transportation		800 m from “Hakata Station” on the JR Kagoshima Line, Kyushu Shinkansen and the Subway-Kuko Line				
Land (Note 1)	Lot number	1-217-30 Sumiyoshi, Hakata-ku, Fukuoka-shi, Fukuoka		Building (Note 2)	Completion date	March 1996
	Building coverage ratio	80%			Structure / floors	Steel-framed reinforced concrete structure/14F
	Floor-area ratio	500%			Total floor area	39,701.27 m ² (Note 2) (Note 3)
	Use district	Commercial district			Building engineer	Class 1 architectural office, Fukuoka Jisho Co., Ltd.
	Site area	34,363.91 m ² (Note 1)			Constructors	Canal City Hakata New Construction Joint Venture
	Type of ownership	Ownership (co-ownership)			Type of ownership	Sectional ownership (co-ownership) (Note 2)
Leasable floor area		35,048.87 m ²		Occupancy rate		100%
Main tenant		New Management Corporation (plan)		No. of tenants		1
No. of guest rooms		372		No. of sublease tenants		4 (plan)

Notes:

The building is an exclusively owned section of the sectional ownership building Canal City Hakata. It is a trust beneficiary right of a new trust whose trust asset is the shared ownership portion of Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%) (hereinafter, the “Shared Ownership Property”), which is an exclusively owned portion used mainly as a hotel.

The trustee of the trust (hereinafter, the “Trustee”) is to have sectional ownership with multiple sectional owners of Canal City Hakata, and is to share ownership of the Shared Ownership Property with the trustee (hereinafter, the “Shared Owner”) of a trust whose beneficiary is the other Shared Owner, Fukuoka REIT Corporation (hereinafter “FRC”). HRR and the Trustee plan to execute a shared owner agreement regarding the management and operation of the Shared Ownership Property between FRC and the Shared Owner (hereinafter, the “Shared Owner Agreement”) upon acquisition of the Asset to be Acquired. The main points of the Shared Owner Agreement are as follows.

- Lease of the Shared Ownership Property:

The Trustee and the Shared Owner lease the first basement floor section of the building to FRC and the section other than the first basement floor to HRR with the intention of ensuring that the revenue and expenses arising from the first basement floor section of the building are attributed in effect only to FRC, while those arising from the section of the building other than the first basement floor are attributed to HRR.

- Decision-making regarding the Shared Ownership Property: Decision making regarding the exercise of rights as a sectional owner and decision making regarding action as a sectional owner related to the overall Shared Ownership Property is made by HRR alone, in principle.

However, when other sectional owners of the sectional ownership building Canal City Hakata include Sumitomo Mitsui Trust Bank, Limited as the trustee, in the exercise of voting rights based on the management terms, FRC acts as the representative instructor and aggregates voting rights according to the number of voting rights in multiple trusts entrusted to Sumitomo Mitsui Trust Bank, Limited, and the voting rights are exercised in a unified manner in accordance with the requirement for the proportion to the total number of voting rights in which the exercise of voting rights, etc. based on the management terms is allowed. Matters related to the section leased to FRC are decided upon by FRC alone. In addition, matters relating to the sale or other disposal of the Shared Ownership Property and changes or cancellation, etc. of agreements related to leasing of the Shared Ownership Property are decided by agreement with FRC and HRR.

- Disposal, etc. of the Shared Ownership Property:

If HRR and the Trustee attempt to transfer all or part of their trust beneficiary rights or their shared ownership of the Shared Ownership Property to a third party, they must first obtain the prior permission of FRC. Likewise, if FRC and the Shared Owner attempt to transfer all or part of the trust beneficiary rights held by FRC or the shared owner, or their shared ownership of the Shared Ownership Property to a third party, they must first obtain the prior permission of HRR.

The management terms for the sectional ownership property Canal City Hakata, including the building, state that if the sectional owner attempts to transfer their sectional ownership, they must first submit the specified notification form to the manager. In addition, if attempting to transfer to a third party sectional ownership or the trust beneficiary rights for the trust whose trust assets are sectional ownership, in principle the owner must give first right of purchase to other sectional owners.

(Note 1) The Asset to be Acquired is the trust beneficiary right of a new trust whose trust asset is the Shared Ownership Property (the shared ownership portion of Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and its building site right, etc.). The site area presented is the area of the entire plot of land that is to be included in the trust asset.

(Note 2) The building is a sectional ownership building, and the Asset to be Acquired is the trust beneficiary right of a new trust whose trust asset is the Shared Ownership Property (the shared ownership portion of Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and its building site right, etc.). The total floor area is presented as the area of the entire Canal City Hakata ・ B Grand Building, which is the exclusively owned section that is to be included in the trust asset.

(Note 3) As of the date of this report, the registration for the building additions carried out in 2002 is incomplete. HRR and FRC have agreed that the registration that FRC bears responsibility for will be completed by November 30, 2021.

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Overview of leasing	
Lessee	New Management Corporation (plan) (Note 1)
Type of contract	Fixed term building lease agreement
Contract period	20 years from June 1, 2021 (plan)
Leased floor area	35,048.87 m ² (Note 2)
Rent	Annual fixed rent: (1) From June 2021 to October 2021: 728,568,000 yen (annualized) (2) From November 2021 to April 2022: 813,108,000 yen (annualized) (3) From May 2022 to October 2022: 1,004,640,000 yen (annualized) (4) From November 2022 to April 2023: 1,043,040,000 yen (annualized) (5) From May 2023 onward: 540,612,000 yen Floating rent: Floating rent arises under the following conditions, starting from May 1, 2022. Calculation method for floating rent for each month uses, for May to October every year, rent calculation EBITDA 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 EBITDA; for November to next April every year, rent calculation EBITDA of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period EBITDA. Amount equivalent to one-twelfth of the amount calculated based the following formula using these EBITDA (with lower limit of 0 yen) will be the floating rent. <Calculation> Floating rent for the period will be: (1) From May 2022 to October 2022 A. An amount equivalent to 65% of the portion of floating rent calculation period EBITDA that exceeds 1,322,539,000 yen (excluding, however, the portion exceeding 1,409,364,000 yen). B. An amount equivalent to 50% of the portion of floating rent calculation period EBITDA that exceeds 1,409,364,000 yen. (2) From November 2022 to April 2023 A. An amount equivalent to 65% of the portion of floating rent calculation period EBITDA that exceeds 1,322,539,000 yen (excluding, however, the portion exceeding 1,409,364,000 yen). B. An amount equivalent to 50% of the portion of floating rent calculation period EBITDA that exceeds 1,409,364,000 yen. (3) From May 2023 onward A. An amount equivalent to 65% of the portion of floating rent calculation period EBITDA that exceeds 579,113,000 yen (excluding, however, the portion exceeding 1,409,364,000 yen). B. An amount equivalent to 50% of the portion of floating rent calculation period EBITDA that exceeds 1,409,364,000 yen. (*1) "EBITDA" refers to the amount obtained by subtracting sales cost, non-allocatable cost, management fee and costs under GOP from the total sale proceeds of the facility during a certain period of time. (*2) The sales cost and the non-allocatable cost, management fee, and costs under GOP are limited to those that are paid in direct connection to operations at the property. Other expenses (including but not limited to expenditures in relation to other facilities operated by the lessee), are not included. In addition, the FFE reserve and FFE-related expenses actually paid by the lessee are not included in costs under GOP either.
Security deposit and guarantee deposit	Security deposit: 144,000,000 yen However, if revolving mortgage or other collateral with content that the lessor is satisfied with is established on an asset in relation to ownership of the Hoshino Resorts Group with any debt based on the lease agreement as secured claim by the start date of the lease, and provisional registration, etc. for the revolving mortgage or other collateral is made, deposit of 24,000,000 yen in the security deposit shall be suspended during the period in which the revolving mortgage or other collateral is effectively maintained. HRR plans to agree 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 the 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 Group Lessees to the lessor based on the lease agreements.
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 in economic conditions, any other uncontrollable circumstances occur, or the both parties reach a mutual agreement.

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Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after full 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 cancelled due to reasons attributable to the lessee, or when the lease is cancelled due to intention of the lessee agreed to 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 non-cancellable period (for 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.

(Note 1) The lessee, "New Management Corporation (plan)" is to be the new management corporation of the "Grand Hyatt Fukuoka" to be established by the current management corporation of the "Grand Hyatt Fukuoka," FJ. Hotels Co., Ltd. Hoshino Resorts Group is to acquire the effective management right to New Management Corporation upon the acquisition by HRR of the Asset to be Acquired. In this way, Hoshino Resorts Group intends to participate in the management of "Grand Hyatt Fukuoka."

(Note 2) As for the first basement floor section of the building that is scheduled to be leased by FRC from the Shared Owner based on the Shared Owner Agreement, HRR will lease (sublease) part of that section from FRC and then lease (sublease) it to New Management Corporation. The area related to this lease (sublease) is not included in the above leased floor area.

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(2) Contents of Asset to be Transferred

ANA Crowne Plaza Fukuoka			Category		Properties operated by outside operators (Urban tourism)	
			Use		Hotel	
Overview of specified asset						
Planned transfer date		June 1, 2021 (plan)		Planned transfer price		7,700,000,000 yen
Assumed book value		7,644 million yen				
Acquisition date		November 2, 2015		Type of specified asset		Real Estate
Acquisition price		7,599,000,000 yen		Appraisal value (Appraisal date)		8,360,000,000 yen (October 31, 2020)
Location (Indication of residential address)		3-3-3 Hakataeki Mae, Hakata-ku, Fukuoka-shi, Fukuoka				
Transportation		Approximately 450 m from “Hakata Station” on the JR Kagoshima Line				
Land	Lot number	3-52 Hakataeki Mae, Hakata-ku, Fukuoka-shi, Fukuoka and other		Building	Completion date	November 1976 (hotel building) February 1999 (chapel)
	Building coverage ratio	80%			Structure / floors	Steel-framed reinforced concrete structure with flat roof/B3/15F (hotel building) Reinforced concrete structure with glass sheet roof/4F (chapel)
	Floor-area ratio	600%			Total floor area	26,753.82 m ² (hotel building) 618.92 m ² (chapel)
	Use district	Commercial district			Building engineer	KANKO KIKAKU SEKKEISHA (hotel building/chapel)
	Site area	3,411.67 m ²			Constructors	KAJIMA CORPORATION (hotel building/chapel)
	Type of ownership	Ownership			Type of ownership	Ownership
Leasable floor area		27,372.74 m ²		Occupancy rate		100%
Main tenant		K.K. Horizon Hotels		No. of tenants		1
No. of guest rooms		320		No. of sublease tenants		5
Notes: None						

5. Details of Seller and Buyer of Asset Replacement

(1) Details of Seller: O-47 Grand Hyatt Fukuoka

Company name	Fukuoka REIT Corporation	
Head office location	1-2-25 Sumiyoshi, Hakata-ku, Fukuoka-shi, Fukuoka	
Name and title of representative	Etsuo Matsuyuki, Executive Director	
Unitholders' capital	98,938 million yen (as of August 31, 2020)	
Date of incorporation	July 2, 2004	
Net assets	101,525 million yen (as of August 31, 2020)	
Total assets	199,004 million yen (as of August 31, 2020)	
Major unitholder and investment unit holding ratio (as of August 31, 2020)	Custody Bank of Japan, Ltd. (Trust Account) (21.31%) The Master Trust Bank of Japan, Ltd. (Trust Account) (10.83%) Fukuoka Jisho Co., Ltd. (9.18%)	
Main business	Management of assets, primarily through investment in specified assets such as real estate (assets stipulated in Article 2 paragraph 1 of the Act on Investment Trusts and Investment Corporations)	
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 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.

(2) Details of Buyer: O-32 ANA Crowne Plaza Fukuoka

Company name	Fukuoka Jisho Co., Ltd.	
Head office location	1-2-25 Sumiyoshi, Hakata-ku, Fukuoka-shi, Fukuoka	
Name and title of representative	Ichiro Enomoto, President and C.E.O	
Amount of capital	100 million yen	
Date of incorporation	July 19, 1961	
Net assets	61,455 million yen (as of May 31, 2020)	
Total assets	198,299 million yen (as of May 31, 2020)	
Major shareholder and shareholding ratio	Not disclosed as consent from the buyer has not been obtained.	
Main business	Development, sale, leasing, brokerage, and management of real estate	
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 buyer.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the buyer.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the buyer.
	Status of classification as related party	The buyer does not fall under the related party of HRR/the Asset Management Company.

6. Transaction with Interested Party, etc.

Not applicable regarding the seller of the Asset to be Acquired and the buyer of the Asset to be Transferred.

For the Asset to be Acquired, the Hotel Tenant is scheduled to become a company whose effective management rights are held by the parent company of the Asset Management Company on the planned acquisition date of the Asset to be Acquired. The Hotel Tenant therefore may fall under the definition of interested party, etc. as set forth in Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198, 1951. This includes subsequent amendments.), Article 123 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480, 2000. This includes subsequent amendments.), 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 agreeing with the Hoshino Resorts Group on the conditions for a lease transaction pertaining to the Asset to be Acquired to be conducted with the Hotel Tenant and has also obtained HRR’s agreement based on the approval made at HRR’s Board of Directors’ meeting held on March 18, 2021 pursuant to the “interested party transaction rules.”

7. Status of Owners, etc. of Property

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

8. Impact on HRR’s Finance in the Case Where a Forward Commitment, etc. Cannot Be Implemented

All of the sales and purchase agreements related to the Asset Replacement fall under a forward commitment, etc. by an investment corporation specified in the “Comprehensive guidelines for Supervision of Financial Instruments Business Operators, etc.,” which has been established by the Financial Services Agency. An overview of the conditions relating to penalty payments stipulated in the sales and purchase agreements, etc. is as follows. Under the beneficiary right transfer agreement pertaining to the acquisition of the Asset to be Acquired (hereinafter the “Acquisition Agreement”), if HRR or the seller do not fulfill their obligations under the agreement, the other party may demand fulfillment having determined a reasonable period of time, and if the first party fails to fulfill the obligations within that period, the other party may cancel the Acquisition Agreement, providing that it is prior to the execution of the acquisition of the Asset to be Acquired. Moreover, in cases where it is clearly unfeasible to rectify the non-fulfillment despite the demand, the other party may immediately cancel the Acquisition Agreement without the need to issue a demand. When the Acquisition Agreement is canceled in this way, the cancelling party may claim a penalty payment corresponding to 20% of the amount of the purchase payment.

Under the real estate purchase and sale agreement pertaining to the transfer of the Asset to be Transferred (hereinafter the “Transfer Agreement”), if HRR or the buyer do not fulfill their obligations under the agreement, the other party may demand fulfillment having determined a reasonable period of time, and if the first party fails to fulfill the obligations within that period, the other party may cancel the Transfer Agreement, providing that it is prior to the execution of the transfer of the Asset to be Transferred. Moreover, in cases where it is clearly unfeasible to rectify the non-fulfillment despite the demand, the other party may immediately cancel the Transfer Agreement without the need to issue a demand. When the Transfer Agreement is canceled in this way, the cancelling party may claim a penalty payment corresponding to 20% of the amount of the purchase payment. Moreover, in the Asset Replacement, one of the preconditions for HRR’s purchase and sale price payment obligation under the Acquisition Agreement and the Transfer Agreement is that the planned acquisition price of the Asset to be Acquired and the planned transfer price of the Asset to be Transferred are the same amount, and that the execution of the acquisition of the Asset to be Acquired is objectively certain and the execution of the transfer of the Asset to be Transferred is objectively certain. Therefore, HRR considers that there is little concern

regarding fund procurement for the Asset Replacement, and that the possibility of a situation arising in which it cannot fulfill its forward commitment is low.

9. Future Outlook

The delivery and settlement date of the Asset to be Acquired and Asset to be Transferred pertaining to the Asset Replacement and the starting date of the lease of the Asset to be Acquired is to be June 1, 2021 (plan). Therefore, the Asset Replacement and the lease of the Asset to be Acquired will have no impact on the forecast operating status of HRR for the fiscal period ending April 2021 (November 1, 2020 to April 30, 2021).

Moreover, the Asset Replacement and the lease of the Asset to be Acquired will have a negligible impact on the operating status of HRR for the fiscal period ending October 2021 (May 1, 2021 to October 31, 2021), and there has been no change to the forecast announced on December 15, 2020 in the “(REIT) Financial Report for Fiscal Period Ended October 2020”

10. Appraisal Summary

O-47 Grand Hyatt Fukuoka

Appraisal summary		
Appraiser	Rich Appraisal Institute Co., Ltd.	
Appraisal value	8,870,000,000 yen	
Appraisal date	February 15, 2021	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①-②-③)	1,121,293,982 yen	—
① Gross potential revenue (rent income, common area fees income, other income, etc.)	1,121,293,982 yen	Based on the agreement conditions presented by the client, the fixed rent and floating rent for a standard fiscal year were recorded.
② Vacancy loss	0 yen	Not recorded, considering the current status of use, content of agreement, etc.
③ Bad debts expenses	0 yen	Recording of bad debts judged unnecessary as secured by temporary deposits.
(2) Operating expenses (④+⑤+⑥+⑦+⑧+⑨+⑩+⑪)	481,486,320 yen	—
④ Maintenance	247,184,000 yen	Association management fee: Assessed in reference to the actual amount based on the material presented by the client.
⑤ Utilities	33,546,400 yen	Utilities of common-use areas: Assessed in reference to the actual amount based on the material presented by the client.
⑥ Repair costs	20,996,000 yen	Recorded repair cost for overall common use areas that the owner bears using ER as a standard.
⑦ Property management fees	360,000 yen	Assessed in reference to the fee level of similar properties.
⑧ Advertisement for leasing, etc.	0 yen	Not recorded.
⑨ Tax and public dues	146,340,100 yen	Land: Recorded making reference to shared ownership ratio and land price increase based on materials related to land tax, etc. for fiscal 2020. Building: Recorded making reference to shared ownership ratio and price fluctuations based on materials related to building tax, etc. for fiscal 2020. Depreciable assets: Recorded making reference to the site ownership ratio of the exclusively owned section versus the total amount of the entire facility and the shared ownership ratio and price fluctuations based on materials related to depreciable asset tax, etc. for fiscal 2020.
⑩ Insurance	4,843,620 yen	Recorded estimated amount based on material presented by the client.
⑪ Other expenses	28,216,200 yen	Recorded scheduled amount indicated in material presented by the client.
(3) Net operating income ((1)-(2))	639,807,662 yen	—
(4) Interests on temporary deposits	1,125,177 yen	Separately determined the standard number of months of deposits and assessed making reference to the interest and yield levels of financial assets which have comparatively high liquidity (subtracting the amount equivalent to investment loss for security deposit on lease of the first basement floor section).
(5) Capital expenditures	229,966,000 yen	Recorded average annual amount of renewal cost for the overall common use section and the subject shared ownership section (referring to the shared ownership section) using the ER as a standard.
(6) Net cash flow ((3)+(4)-(5))	410,966,839 yen	—
(7) Cap rate	4.6%	—
Direct capitalization value	8,930,000,000 yen	—

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Discounted cash flow value	8,850,000,000 yen	–
Discount rate	4.3%	–
Terminal cap rate	4.7%	–
Integrated value by using cost method	9,630,000,000 yen	–
Ratio of land	32.7%	–
Ratio of building	67.3%	–
Other matters appraiser noted upon valuation	Of “Grand Hyatt Fukuoka,” the first basement floor section is not subject to appraisal, but a certain area in the first basement floor is leased and used.	

O-32 ANA Crowne Plaza Fukuoka

Appraisal summary		
Appraiser	Rich Appraisal Institute Co., Ltd.	
Appraisal value	8,360,000,000 yen	
Appraisal date	October 31, 2020	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue (①-②-③)	571,231,369 yen	–
① Gross potential revenue (rent income, common area fees income, other income, etc.)	571,231,369 yen	Fixed rent: Referred to the fixed term building lease agreement and building management outsourcing agreement with stoppage conditions presented by the client, and to the hotel lease market, and recorded the current rent, judging it to be appropriate. Floating rent: Assessed standard rent obtained stably over the medium to long term by considering the status of income and expenditure of hotel operation, etc.
② Vacancy loss	0 yen	Not recorded, considering the current status of use, content of agreement, etc.
③ Bad debts expenses	0 yen	Recording of bad debts judged unnecessary as secured by interest income.
(2) Operating expenses (④+⑤+⑥+⑦+⑧+⑨+⑩+⑪)	95,329,056 yen	–
④ Maintenance	0 yen	Not recorded as paid by the tenant.
⑤ Utilities	0 yen	Not recorded as paid by the tenant.
⑥ Repair costs	0 yen	Not recorded as paid by the tenant.
⑦ Property management fees	1,800,000 yen	Assessed based on the fee level of similar properties.
⑧ Advertisement for leasing, etc.	0 yen	Not recorded, considering the current status of use, content of agreement, etc.
⑨ Tax and public dues	92,153,100 yen	Land: Assessed making reference to the impact of land price increases in recent years based on materials related to land tax, etc. for fiscal 2020. Building: Recorded amount equivalent to actual amount based on the material concerning the amount of tax on building in fiscal 2020. Depreciable assets: Recorded based on the material concerning the amount of tax on depreciable assets in fiscal 2020.
⑩ Insurance	1,375,956 yen	Recorded amount equivalent to actual amount by judging the amount indicated in material presented by the client as appropriate (recorded fire insurance, etc.).
⑪ Other expenses	0 yen	Not recorded.
(3) Net operating income ((1)-(2))	475,902,313 yen	–
(4) Interests on security deposits, etc.	1,200,000 yen	Separately determined the standard number of months of deposits and assessed making reference to the interest and yield levels of financial assets which have comparatively high liquidity.
(5) Capital expenditures	44,389,000 yen	Recorded amount equivalent to the annual average renewal fee (excluding an amount equivalent to repair costs that are born by the lessee) indicated in the ER.

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(6) Reserve for FF&E	46,885,000 yen	Assessed by multiplying the total hotel revenue by a certain rate based on the actual amount of FF&E for the previous fiscal year.
(7) Net cash flow ((3)+(4)-(5)-(6))	385,828,313 yen	—
(8) Cap rate	4.4%	—
Direct capitalization value	8,770,000,000 yen	—
Discounted cash flow value	8,190,000,000 yen	—
Discount rate	4.2%	—
Terminal cap rate	4.6%	—
Integrated value by using cost method	13,400,000,000 yen	—
Ratio of land	90.1%	—
Ratio of building	9.9%	—
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 of the Asset to be Acquired

Reference Material 2: Appearance and Map of the Asset to be Acquired

<Appendix>

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

O-47 Grand Hyatt Fukuoka

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)
O-47	Grand Hyatt Fukuoka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	March 2021	—	(1) 165,418 (2) 846,693

(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 those based on the engineering report prepared by the investigator after their investigation. Moreover, (1) indicates those for a part of the exclusively owned section of the sectional ownership building and the entire shared ownership section inside Canal City Hakata and (2) indicates those of the shared ownership section of the sectional ownership building Canal City Hakata. The figures are the repair and renewal expenses of each section required in the 12 years from the investigation date converted to annual averages and rounded to the nearest thousand yen by HRR.

Property No.	Property name	Investigator	Investigation date	PML value (Probable maximum loss) (%)
O-47	Grand Hyatt Fukuoka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	January 2021	4.1

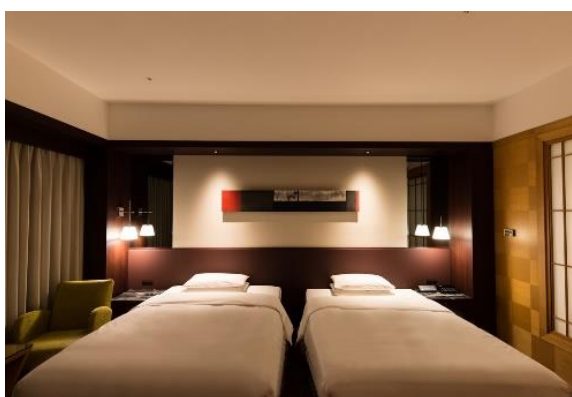
Reference Material 2: Appearance and Map of the Asset to be Acquired

O-47 Grand Hyatt Fukuoka

(Figure 1)



(Figure 2)



(Map)



(Note) The Subway-Nanakuma Line operated by the Fukuoka City Transportation Bureau is currently undergoing the Subway-Nanakuma Line Extension Project which will extend the line from Tenjin-Minami Station to Hakata Station. In addition, a new station is planned for opening near to Canal City Hakata, positioned at an intermediate point in the extension section (scheduled for opening in fiscal 2022). This map is an image of the current map with the line extension and the new station (planned) shown.