

A black circular logo with the text "Hoshino Resorts REIT" in white. The word "Hoshino" is on the top line, "Resorts" is on the second line, and "REIT" is on the third line.

**Hoshino
Resorts
REIT**

Supplementary Explanatory Materials: Press Release Issued on March 18, 2021

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

March 18, 2021



Securities Code: 3287
<https://www.hoshinoresorts-reit.com/en/>

Asset Management Company:
Hoshino Resort Asset Management Co., Ltd.

Exterior view of Grand Hyatt Fukuoka

Overview of Asset Replacement (1)

Hoshino Resorts REIT, Inc.

Overview of Asset Replacement

[Asset to be Acquired] Grand Hyatt Fukuoka (Shared equity in Grand Building 88.28%) (Note 1)

Planned acquisition date	June 1, 2021
Planned acquisition price	7,700 million yen
Real estate appraisal value	8,870 million yen
Location	Within "Canal City Hakata"
Completion date (building age) (Note 2)	March 1996 (24 years)
Total floor area (Note 3)	39,701.27 m ²
Total number of guest rooms	372 rooms
Appraisal NOI yield (Note 4)	8.3%
Yield after depreciation (Note 4)	5.4%

Property replacement

[Asset to be Transferred] ANA Crowne Plaza Fukuoka

Planned transfer date	June 1, 2021
Planned transfer price (Acquisition price)	7,700 million yen (7,599 million yen)
Real estate appraisal value (Note 5)	8,360 million yen
Assumed book value (as of planned transfer date) (Note 6)	7,644 million yen
Location	Vicinity of Hakata Station
Completion date (building age) (Note 2)	November 1976 (44 years)
Total floor area	27,372.74 m ²
Total number of guest rooms	320 rooms
Appraisal NOI yield (Note 4)	6.2%
Yield after depreciation (Note 4)	5.0%

Effects of Asset Replacement

Location

1

Acquisition of property in prime location in the center of Fukuoka City

Grand Hyatt Fukuoka is located in Canal City Hakata, which is a prominent multipurpose commercial facility in the Kyushu region that is visited by many tourists

2

Anticipation of future upsides due to redevelopment of Fukuoka City

Further revitalization of the city of Fukuoka is anticipated due to the redevelopment of Tenjin Big Bang and Hakata Connected, the planned opening of a new station near Canal City Hakata with the Subway-Nanakuma Line Extension Project, etc., and it is expected that the benefits of these will be enjoyed

Brand

3

Exclusive luxury hotels in Fukuoka

Grand Hyatt Fukuoka ★★★★★ (Five stars)
ANA Crowne Plaza Fukuoka ★★★★★ (Four stars)
(according to the "Expedia" website)

Scale & Characteristics of Property

4

Increase in total number of guest rooms (+52 rooms)

Increase in number of guest rooms available

5

Reduction of building age (approx. decrease of 20 years)

Elimination of risks, such as increase of future repair costs for old properties, large-scale repairs and reconstruction

6

Increase of total floor area (leased floor area)

Expansion of scale due to increase of total floor area (leased floor area) in the overall HRR portfolio (total floor area: +approx. 12,000 m², leased floor area: +approx. 7,000 m²)

Finance

7

Increase of NAV (+188 million yen) (Note 7)

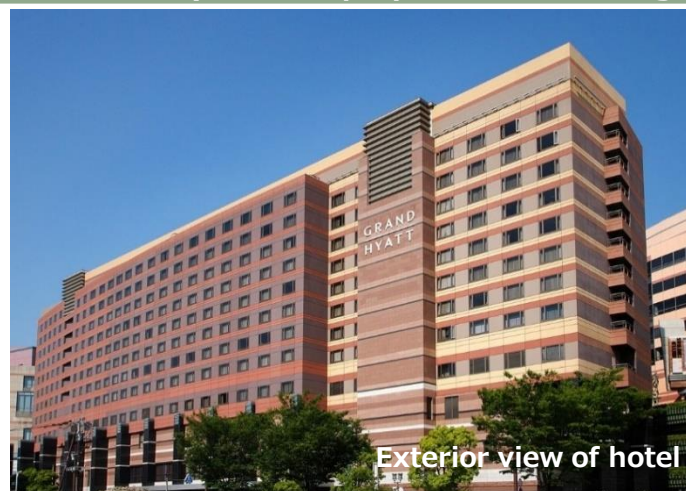
Grand Hyatt Fukuoka generated more unrealized gains than ANA Crowne Plaza Fukuoka due to Grand Hyatt Fukuoka being acquired for less than the real estate appraisal value

Overview of Grand Hyatt Fukuoka and ANA Crowne Plaza Fukuoka

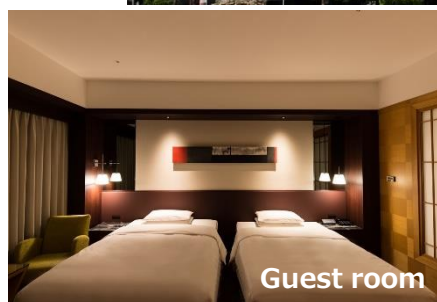
Hoshino Resorts REIT, Inc.

Acquired Grand Hyatt Fukuoka, which is one of the limited luxury hotel brands, in Fukuoka City, which is advancing its concentration of offices and commercial facilities and continuing to develop as a gateway to the Kyushu area for visitors from the rest of Japan and overseas such as Asia. Canal City Hakata, which is a landmark that represents the Hakata area, is a hotel constructed with both shopping and entertainment functions, and demand for leisure from within and outside Japan can be anticipated.

[Asset to be Acquired] Grand Hyatt Fukuoka (Shared equity in Grand Building 88.28%)



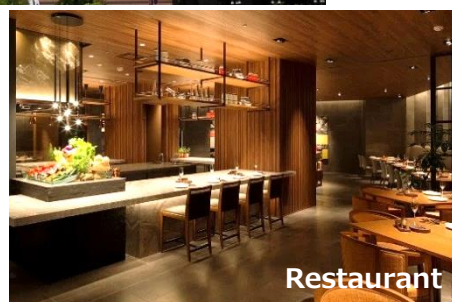
Exterior view of hotel



Guest room



Bar lounge



Restaurant



Chapel

Overview of the property

Completion date (building age)	March 1996 (24 years)
Planned acquisition date	June 1, 2021
Total number of guest rooms	372 rooms
Lessee's attribute	Hoshino Resorts Group
Rent type	Fixed + Floating
Operator's attribute	Outside operators
Planned acquisition price	7,700 million yen
Real estate appraisal value	8,870 million yen
Lease period	20 years from the initial date of acquisition
Annual ADR (2019)	29,304 yen
Appraisal NOI yield	8.3%
Yield after depreciation	5.4%



(Note)

[Asset to be Transferred] ANA Crowne Plaza Fukuoka

Overview of the property

Completion date (building age)		November 1976 (44 years)	
Planned transfer date	Acquisition date	June 1, 2021	November 2, 2015
Total number of guest rooms		320 rooms	
Lessee's attribute		Hoshino Resorts Group	
Rent type		Fixed + Floating	
Operator's attribute		Outside operators	
Planned transfer price	Acquisition price	7,700 million yen	7,599 million yen
Real estate appraisal value		8,360 million yen	
Lease period		20 years from the initial date of acquisition	
Annual ADR (2019)		15,549 yen	
Appraisal NOI yield		6.2%	
Yield after depreciation		5.0%	



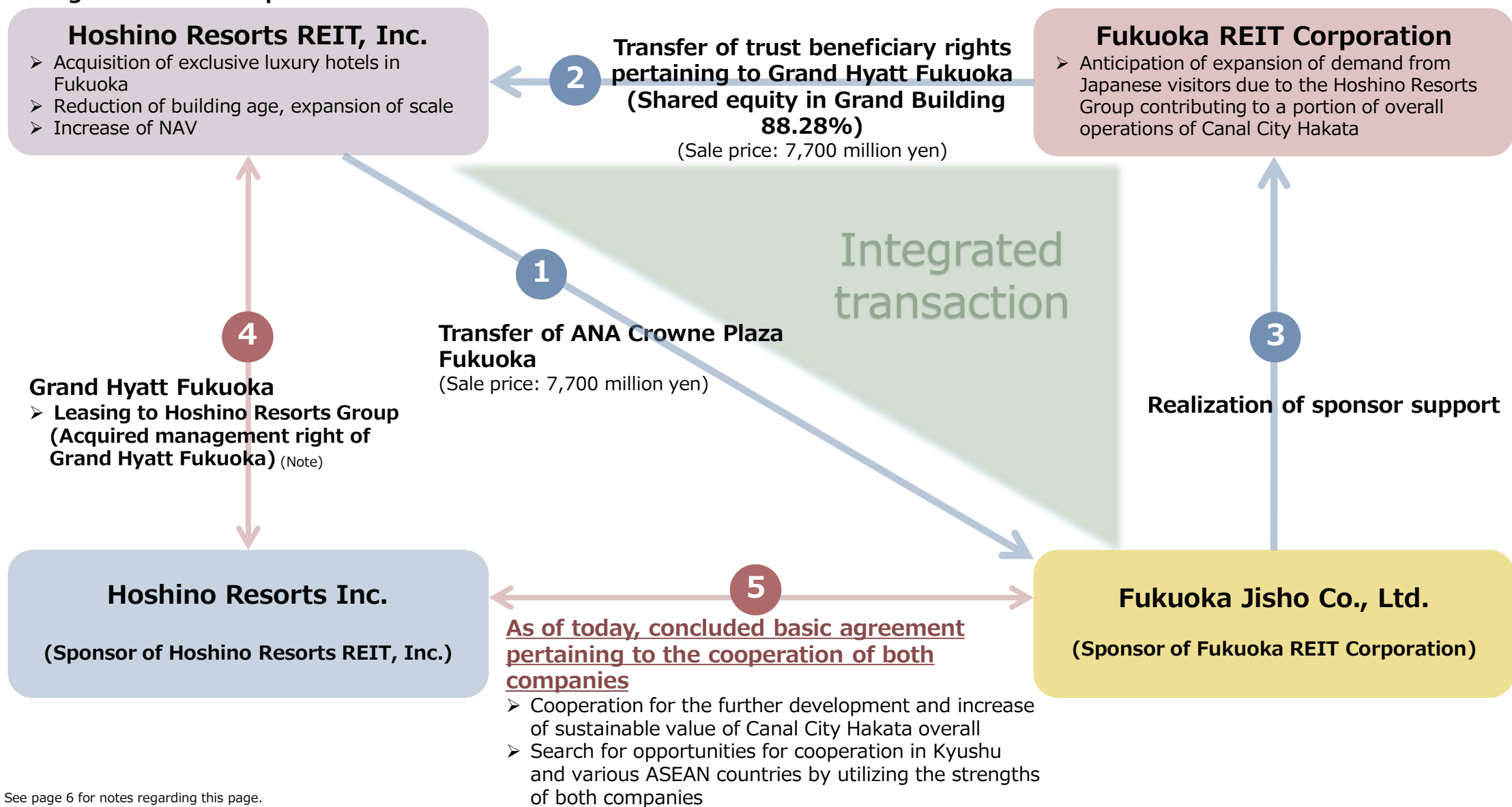
Exterior view of hotel

Overview of Asset Replacement (2)

Hoshino Resorts REIT, Inc.

This Asset Replacement is being carried out in an integrated transaction that was realized after HRR, Fukuoka REIT Corporation and Fukuoka Jisho Co., Ltd. agreed on the merits. Moreover, the Hoshino Resorts Group plans to participate in the management of the hotel as a lessee of Grand Hyatt Fukuoka.

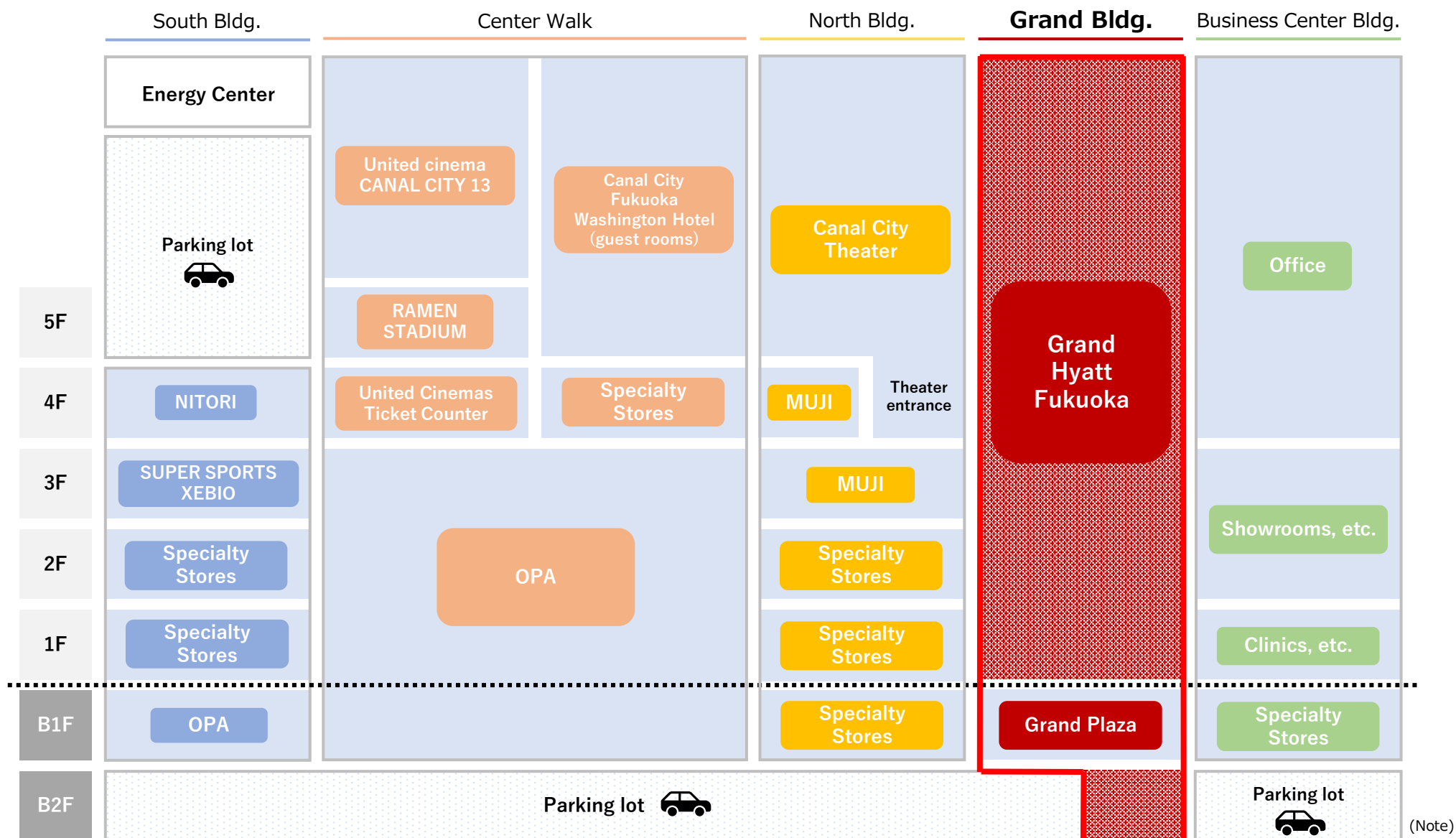
Furthermore, as of today, the Hoshino Resorts Group and the Fukuoka Jisho Group have concluded an agreement, and will cooperate within and outside Japan to increase the sustainable value of Canal City Hakata overall going forward, and utilize the strengths of both companies.



Appendix (1) Overview of Canal City Hakata

Hoshino Resorts REIT, Inc.

-  : Portion to be acquired by HRR (planned to be 88.28% of shared equity in Grand Building)
-  : Of the Asset to be Acquired, portion applicable to income and expenditures attributable to HRR (all of Grand Building excluding B1F)



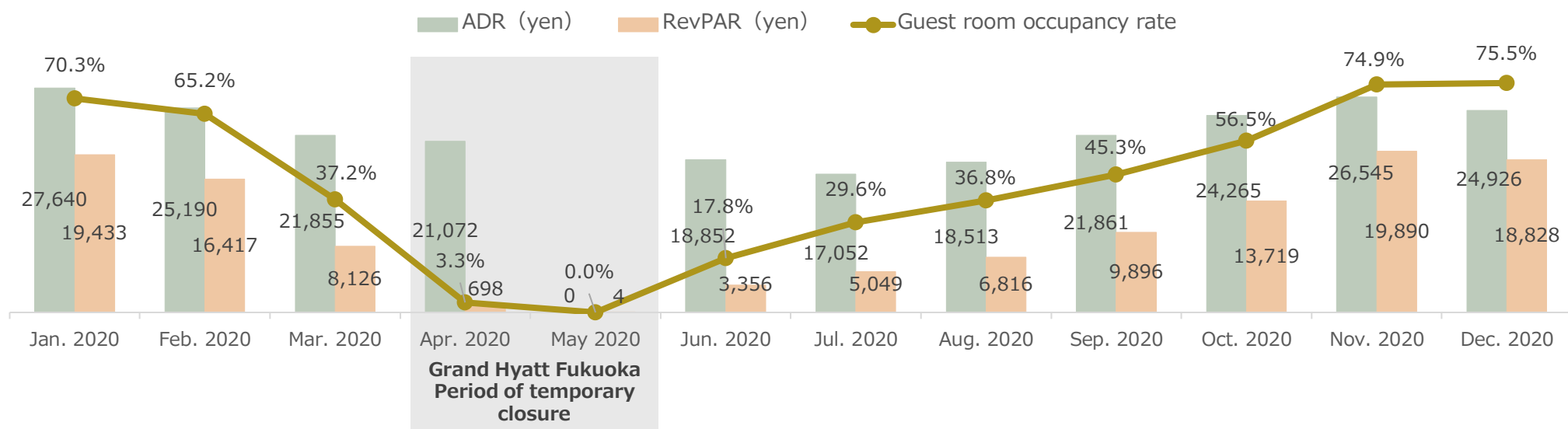
Appendix (2) Operational results of Grand Hyatt Fukuoka and ANA Crowne Plaza Fukuoka

Hoshino Resorts REIT, Inc.

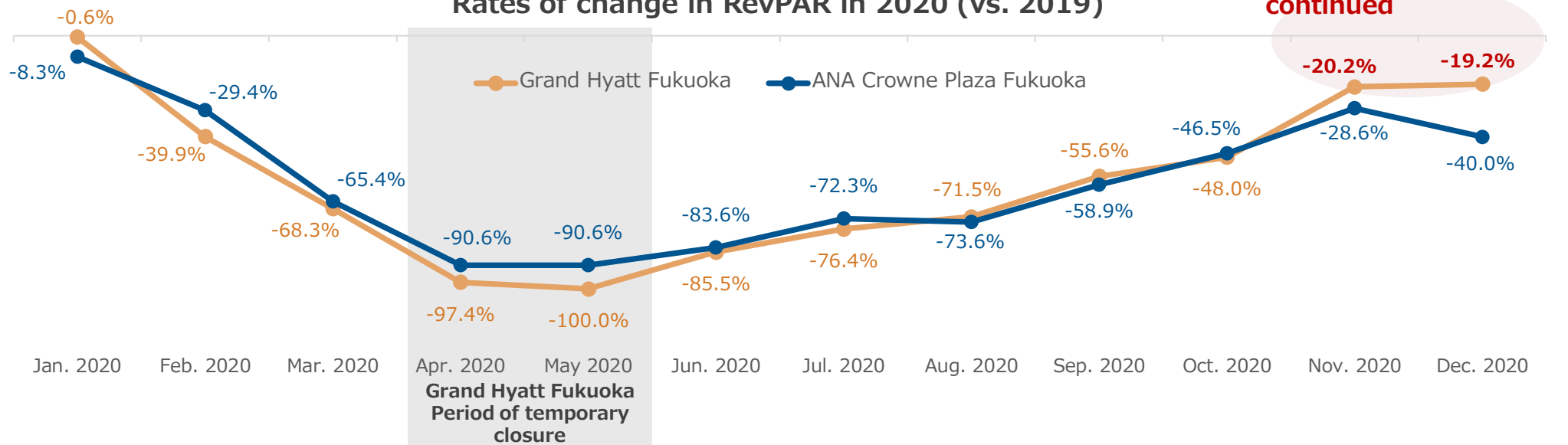
: Period of temporary closure due to COVID-19

(Grand Hyatt Fukuoka was closed temporarily from April 8, 2020 to May 31, 2020. ANA Crowne Plaza Fukuoka did not have a period of temporary closure.)

Grand Hyatt Fukuoka Monthly operation results



Grand Hyatt Fukuoka and ANA Crowne Plaza Fukuoka Rates of change in RevPAR in 2020 (vs. 2019)



All pages in this document

- (Note 1) Hoshino Resorts REIT, Inc. is referred to as “HRR,” and Hoshino Resort Asset Management Co., Ltd., which is an asset management company that is entrusted with managing assets by HRR, is referred to as the “Asset Management Company.”
- (Note 2) Hoshino Resorts Inc., its parent company and its subsidiaries are collectively referred to as “Hoshino Resorts Group.”
- (Note 3) Unless otherwise stated in this document, amounts are rounded down, and ratios are rounded to the nearest specified unit.
- (Note 4) Acquisition of trust beneficiary rights in domestic real estate (shared equity: 88.28%) and transfer of domestic real estate are collectively referred to as the “Asset Replacement.”
- (Note 5) Indicators related to the operational results of properties stated in this document are based on the figures provided by the lessee or operator.

Page 1

- (Note 1) 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.”
- (Note 2) The completion date of the building is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act for the main building. In addition, the building age is rounded down to the nearest year.
- (Note 3) 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 Canal City Hakata ・ B Grand Building (Building 217 Lot 30-1) and the shared ownership of its site. 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 4) Each indicator is calculated as follows.
 ・ Appraisal NOI yield = Net operating income (NOI) / Planned acquisition price or planned transfer price
 ・ Yield after depreciation = (NOI – Depreciation) / Planned acquisition price or planned transfer price
 For NOI, the annual NOI, which is the assumed return price stated in the real estate appraisal report for each property calculated using the direct capitalization method, is used. Depreciation is the figure calculated by the Asset Management Company based on the useful life.
- (Note 5) The real estate appraisal value is the value on the appraisal date of October 31, 2020.
- (Note 6) The assumed book value is the book value assumed at the planned transfer date, and is 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.
- (Note 7) The increase of NAV is calculated as follows. The assumed book value includes machinery and equipment, structures, and leasehold interests in land, but excludes tools, furniture and fixtures, software, and construction in progress.
- ・ Increase of NAV = (Real estate appraisal value of Grand Hyatt Fukuoka – Assumed book value as of planned acquisition date of Grand Hyatt Fukuoka)
 – (Real estate appraisal value of ANA Crowne Plaza Fukuoka – Assumed book value as of planned transfer date of ANA Crowne Plaza Fukuoka)

Page 2

- (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.

Page 3

- (Note) The lessee who leases Grand Hyatt Fukuoka from HRR is to be the new “Grand Hyatt Fukuoka” management corporation to be established by FJ. Hotels Co., Ltd., which is the “Grand Hyatt Fukuoka” management company as of today. Hoshino Resorts Group plans to acquire Grand Hyatt Fukuoka through HRR while also acquiring the management right of the new management corporation. In this way, the plan is for Hoshino Resorts Group to participate in the management of “Grand Hyatt Fukuoka.”

Page 4

- (Note) The overview shows the conceptual building layout as of March 18, 2021, and the configuration and floor area ratios may be different from the current conditions.

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