



Hoshino

Hoshino
Resorts
REIT

Fiscal Period Ended April 2023/20th FP

Presentation Materials

Hoshino Resorts REIT, Inc. Presentation Materials

Securities Code: 3287

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

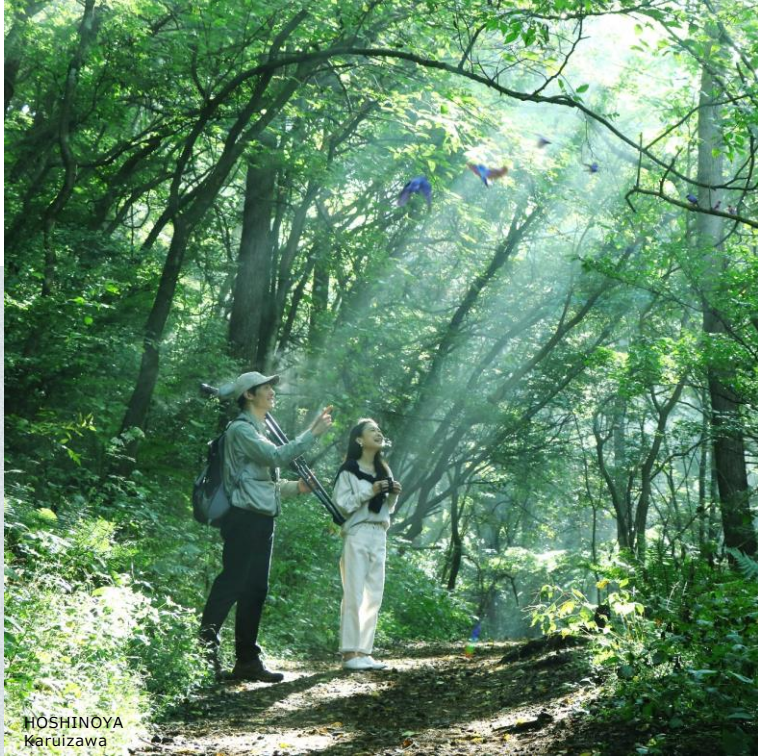
Asset Management Company:
Hoshino Resort Asset Management Co., Ltd.

June 15, 2023



HRR is creating schemes to benefit from the growth of Japan's tourism industry





HOSHINOYA
Karuizawa

We believe that the tourism industry is crucial for Japan's revitalization in an aging society with a declining birthrate.

We aim to create schemes to benefit from the growth in Japan's tourism industry through unitholders owning investment units, and continually expand unitholder value.



KAI Aso



HOSHINOYA Karuizawa

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We do not provide any guarantees regarding the completeness or accuracy of the English translation of this document. If there is any discrepancy between the English translation and the original Japanese text, the latter shall prevail.

For notes in the text, please refer to the 'Accompanying Notes' mentioned later.

Also, the following abbreviations are used for some items on the following pages.

“Hoshino Resorts”	Hoshino Resorts Inc., its parent company and subsidiaries
“4 HOSHINOYA Properties”	HOSHINOYA Karuizawa, HOSHINOYA Kyoto, HOSHINOYA Fuji and HOSHINOYA Taketomi Island
“5 HOSHINOYA Properties”	HOSHINOYA Karuizawa, HOSHINOYA Kyoto, HOSHINOYA Fuji, HOSHINOYA Taketomi Island and HOSHINOYA Okinawa
“2 RISONARE Properties”	RISONARE Yatsugatake and RISONARE Atami
“8 KAI Properties”	KAI Matsumoto, KAI Tamatsukuri, KAI Ito, KAI Hakone, KAI Aso, KAI Kawaji, KAI Kinugawa and KAI Kaga
“13 KAI Properties”	KAI Matsumoto, KAI Tamatsukuri, KAI Ito, KAI Hakone, KAI Aso, KAI Kawaji, KAI Kinugawa, KAI Kaga, KAI Alps, KAI Enshu, KAI Nagato, KAI Kirishima and KAI Beppu
“22 Roadside properties”	22 Chisun Inn budget hotels operated by the Solare Group
“3 ANA Crowne Plaza Properties”	ANA Crowne Plaza Hiroshima, ANA Crowne Plaza Kanazawa and ANA Crowne Plaza Toyama
“4 the b properties”	the b Akasaka, the b Sangenjaya, the b Nagoya and the b Kobe
“2 Hyatt Properties”	Hyatt Regency Osaka (Note) and Grand Hyatt Fukuoka
“5 Candeo Properties”	Candeo Hotels Handa, Candeo Hotels Chino, Candeo Hotels Fukuyama, Candeo Hotels Sano and Candeo Hotels Kameyama
“3 Greens Properties”	Comfort Hotel Hakodate, Comfort Hotel Tomakomai and Comfort Hotel Kure

• Unless otherwise noted, the monetary amounts are rounded to the nearest unit, and ratios are rounded to the second decimal place.

• Main monthly indicators and inbound ratios are based on figures supplied by tenants.

• This document may include properties not owned by HRR as of the date of this document, such as facilities owned by Hoshino Resorts, DBJ Joint Fund, and WBF. HRR has no specific plans to acquire any of these properties, including those described in the list of major sponsor pipelines, nor is there any guarantee that HRR will be able to acquire them in the future. For information on properties currently owned by HRR, please refer to this website: <https://www.hoshinoresorts-reit.com/en/portfolio/list.html>

• QR codes can be scanned using a smartphone or other device to access the website.

Hoshino Resorts REIT, Inc.

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CHAPTER 1

Financial summary

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Financial Summary for the fiscal period ended April 2023 (20th fiscal period)

	Results of the 19th FP	Forecast for the 20th FP (Financial results as of Dec. 15, 2022) (A)	Results of the 20th FP (B)	Comparison with Forecast (B)-(A)
Operational status (million yen)				
Operating revenue	5,882	6,248	6,266	+17
Operating expenses	3,419	3,630	3,638	+7
Operating profit	2,463	2,617	2,627	+10
Ordinary profit	1,966	2,137	2,142	+4
Profit	1,964	2,135	2,338	+202
Distribution per unit	7,681 yen	8,350 yen	8,385 yen	+35 yen
Others				
Rental NOI (million yen)	4,676	4,936	4,953	+16
Rental NOI yield	4.95%	5.17%	5.18%	+0.01pt
LTV	36.2%	36.8%	36.7%	▲0.05pt
NAV per unit	547,528 yen	-	550,913 yen	-

Breakdown of operating revenue

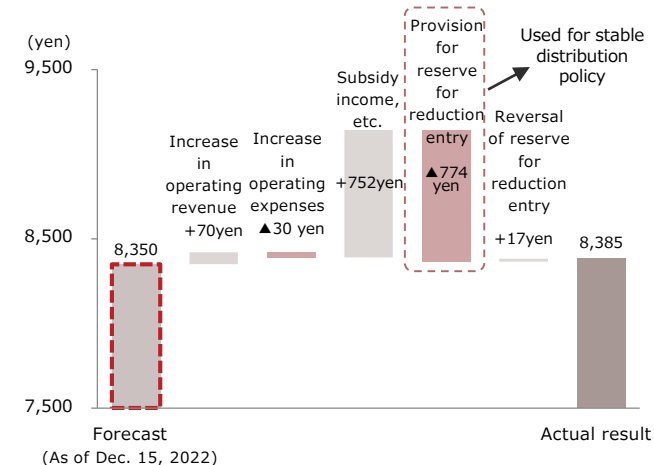
■ Fixed rent	5,139 million yen (82.0%)
■ Floating rent	1,068 million yen (17.1%)
■ Other revenue	57 million yen (0.9%)

Comparison with previous forecast of operating expenses

■ Rental business expenses (repair expenses)	+ 1 million yen
■ Rental business expenses (expenses other than repair expenses)	+ 14 million yen
■ Increase/decrease in other expenses	▲8 million yen

Breakdown of distribution increase and decrease

■ Distribution per unit	8,385 yen
■ Comparison with Forecast	+ 35 yen (+ 0.4%)



Forecast distribution per unit and rent

Actual distributions and distribution forecasts

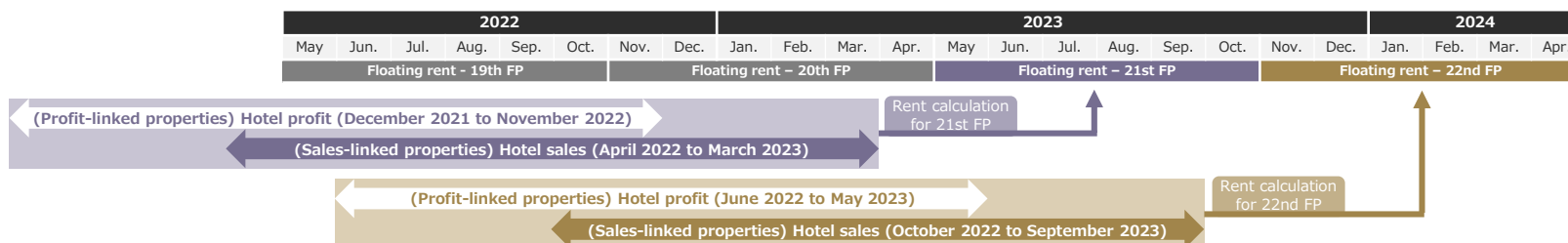
	Previous forecast (released Dec. 15, 2022)	This announcement (released Jun. 15, 2023)	
Results of the 20th FP (ended April 2023)	8,350 yen	Actual results 8,385 yen (Vs. previous forecast + 35 yen)	- The majority of floating rent was finalized as of the issuing of the previous forecast, so actual results were largely in line with the forecast (* See the "Reference" section below regarding the floating rent design) 190 million yen in subsidy income was carried over as provision for reserve for reduction entry. (Equivalent to 774 yen in distributions) HRR plans to use this for its future stable distribution policy.
Forecast for the 21st FP (ended October 2023)	8,370 yen	Forecast 8,400 yen (Vs. previous forecast + 30 yen)	- When the previous forecast was issued, values for some rent calculation periods, primarily for sales-linked properties, were estimated values, but the majority of floating rents other than these were already finalized, so there were no major differences from the previous forecast. - Rents for properties operated by Hoshino Resorts have climbed back to pre-COVID levels, but the recovery has been delayed for properties operated by outside operators.
Forecast for the 22nd FP (ended April 2024)	-	Forecast 8,600 yen (+200 yen, +2.4% vs. 21st FP)	- For properties operated by Hoshino Resorts which performed steadily even during the pandemic, there has been a temporary labor shortage from January 2023 onward, so the recovery of distributions has been slow (see details on the following page). - Rent for properties operated by outside operators has recovered by 130 million yen year-on-year due to factors such as floating rent coming in for Grand Hyatt Fukuoka, etc.

Rent assumptions (Unit: million yen)

		Results of FP ended April 2023 (the 20th FP)			Forecast for FP ended October 2023 (the 21st FP)			Forecast for FP ended April 2024 (the 22nd FP)		
Operators	Brand	Fixed rent, etc.	Floating rent	Total	Fixed rent, etc.	Floating rent	Total	Fixed rent, etc.	Floating rent	Total
Properties operated by Hoshino Resorts	HOSHINOYA	978	216	1,195	978	267	1,246	1,030	261	1,292
	RISONARE	374	319	693	374	368	742	374	317	691
	KAI	853	304	1,158	870	319	1,189	717	391	1,109
	Others	420	-	420	350	70	420	350	34	384
	Sub-total	2,627	840	3,468	2,573	1,025	3,599	2,471	1,005	3,477
Properties operated by outside operators	3 ANA Crowne Plaza Properties	696	-	696	696	-	696	696	-	696
	2 Hyatt Properties (Note 1)	521	-	521	270	-	270	270	37	308
	22 Roadside Properties	558	139	697	558	196	754	558	215	774
	4 the b Properties	265	-	265	265	83	349	265	145	411
	Others	481	88	570	491	104	595	491	113	605
	Sub-total	2,523	227	2,751	2,281	383	2,665	2,281	513	2,794
	Total	5,150	1,068	6,219	4,855	1,409	6,264	4,753	1,518	6,272
Newly acquired properties	the b asakusa	-	-	-	31	14	45	46	81	127
	HOTEL VISTA MATSUYAMA	-	-	-	48	-	48	56	18	74
After acquisition of new properties: 69 properties in total		5,150	1,068	6,219	4,934	1,423	6,358	4,856	1,618	6,474

(Reference) Correspondence between floating rent and hotel sales/profit (excluding some properties)

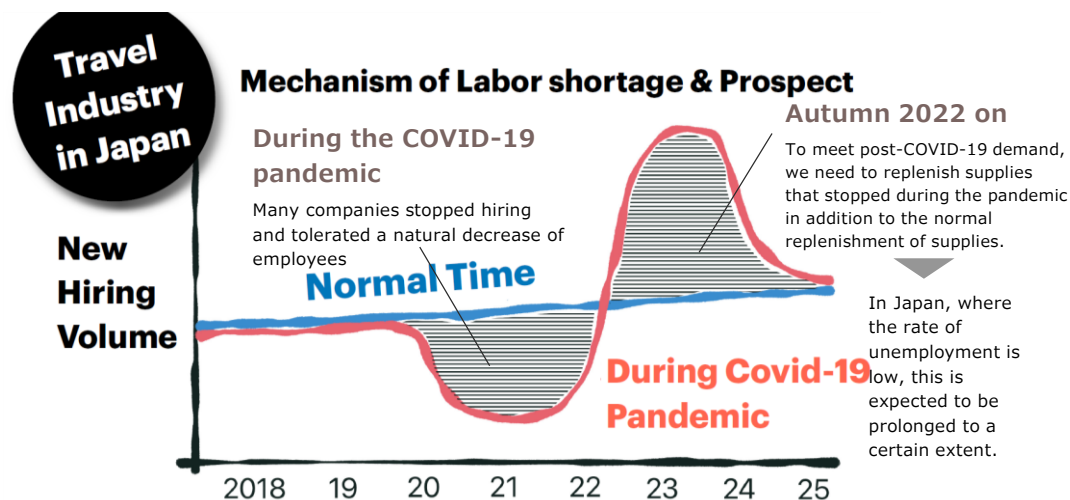
(Note)



Labor shortages in the domestic travel industry and the efforts of Hoshino Resorts

Although labor shortages have also occurred at Hoshino Resorts from the start of 2023 like the domestic travel industry, Hoshino Resorts believes that the structure of these shortages is different and that this is a temporary problem that will be resolved by spring 2024 at Hoshino Resorts. Moreover, we have already implemented three measures to acquire demand this summer to achieve solid results even before this problem is resolved.

Analysis of labor shortages in the domestic travel industry by Hoshino Resorts



The case of Hoshino Resorts

During the COVID-19 pandemic

Against the backdrop of strong operating results, many new business openings came to us during the COVID-19 pandemic, and we are promoting new business to acquire a competitive advantage in the future. We are also carrying out recruiting activities positively and have hired many talented human resources, partly because other companies were holding back on hiring.

Start of 2023

The market overall resumed recruitment rapidly with an increase in people moving to airline and travel company and city jobs, which is not usually seen, and temporary labor shortages occurred at Hoshino Resorts.

Future prospects of Hoshino Resorts

We see the labor shortages at Hoshino Resorts as a temporary problem and expect them to be resolved by spring 2024.

Three measures Hoshino Resorts will take to acquire demand this summer

- Hoshino Resorts sees the labor shortages as a temporary problem that will be resolved in a year's time, but we believe it that maintaining results firmly even before the problem is fully resolved is important.
- To that end, we believe it is important to acquire demand in summer 2023 and have already implemented three measures.

Hoshino Resorts

3 short term measures

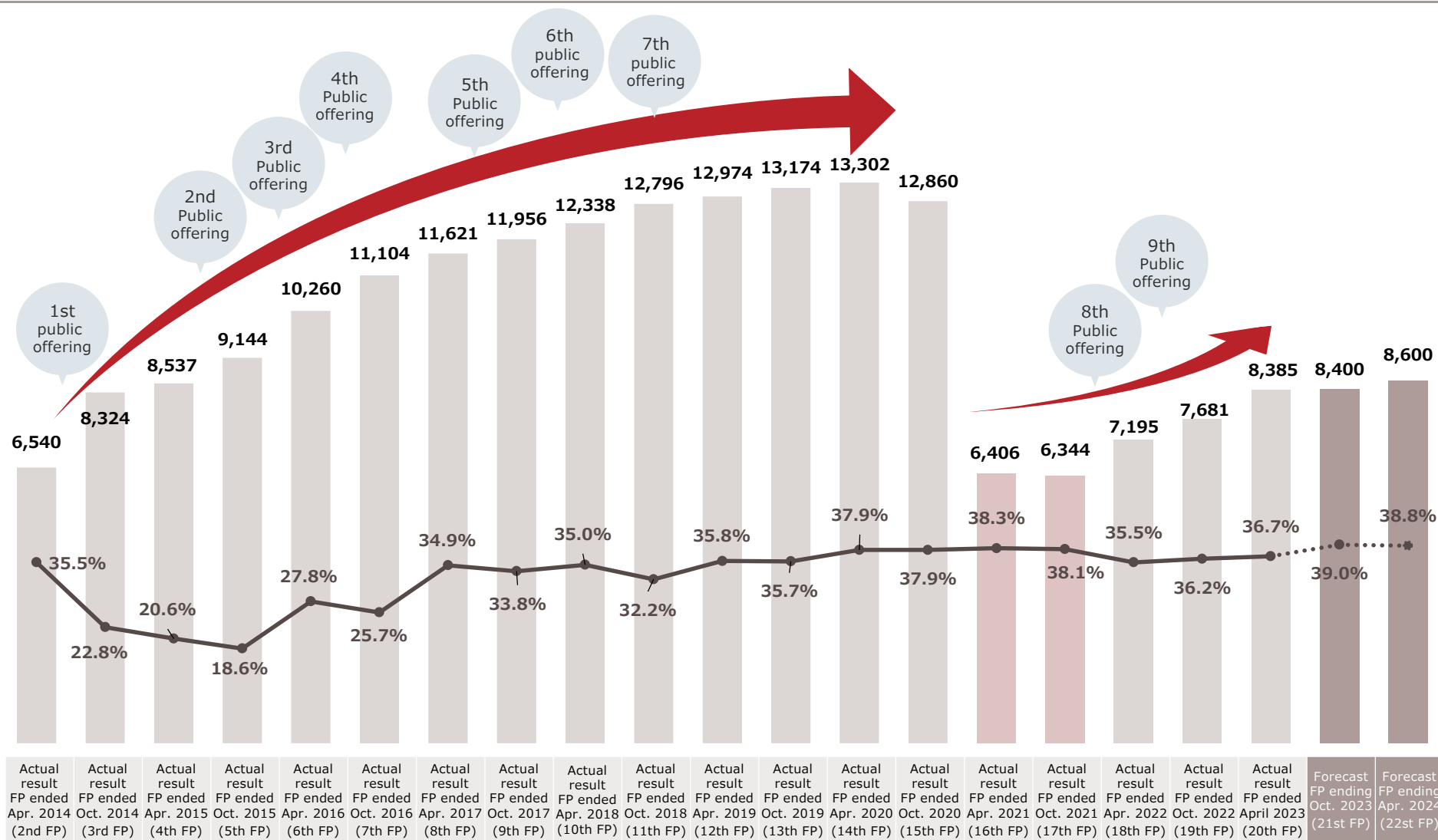
- ① Short term staff & Hourly workers
- ② Overtime hourly wages
- ③ Changes in operations

Representative Hoshino held repeated discussions at facilities nationwide



Changes in distributions per unit and LTV

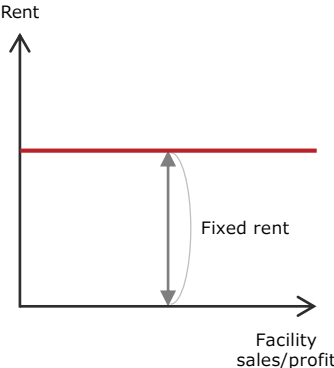
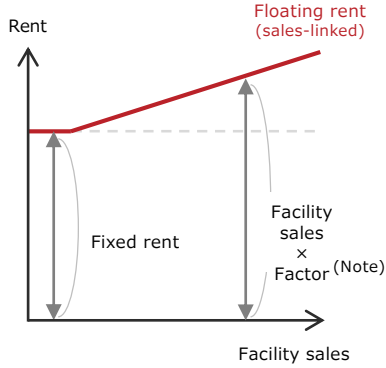
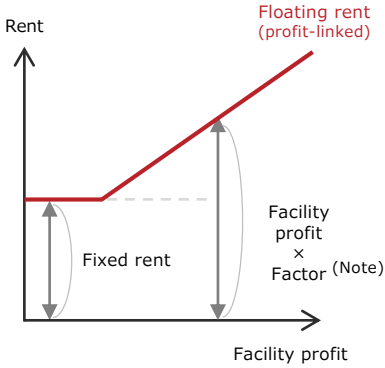
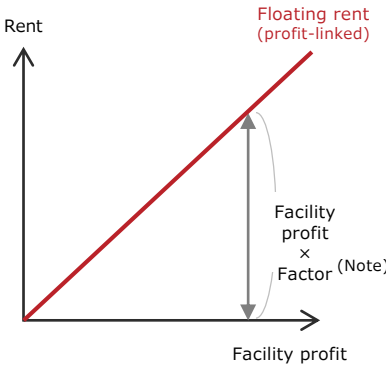
Changes in distributions per unit (yen, after considering investment unit split) and LTV (%)



Impact of the COVID-19 pandemic

Rent type

(Forecast for July 1, 2023)

Rent type		Fixed rent	Fixed rent + floating rent	Fixed rent + floating rent	Floating rent
Benchmark index for calculation of floating rent		-	Facility sales	Facility profit	Facility profit
No. of properties		8 properties	30 properties	30 properties	1 property
Acquisition price	Amount	7.2 billion yen	34.7 billion yen	140.6 billion yen	16 billion yen
	Ratio	3.6%	17.5%	70.8%	8.1%
Property name		◆ 5 Candeo Properties ◆ Comfort: Hakodate, Tomakomai, Kure	◆ Hoshinoya: Karuizawa, Kyoto ◆ RISONARE: Yatsugatake ◆ KAI: Matsumoto, Ito, Hakone, Aso, Kawaji ◆ 22 Roadside properties	◆ HOSHINOYA: Fuji, Taketomi Island, Okinawa ◆ RISONARE: Atami ◆ KAI: Tamatsukuri, Kinugawa, Kaga, Alps, Enshu, Nagato, Kirishima, Beppu ◆ OMO7 Asahikawa, OMO7 Kochi, BEB5 Karuizawa, Iriomote Hotel ◆ 3 ANA Crowne Plaza Properties ◆ 5 the b properties ◆ hotel androoms Osaka Hommachi ◆ Sol Vita Hotel Naha ◆ Quintessa Hotel Osaka Shinsaibashi ◆ Grand Hyatt Fukuoka ◆ Comfort Hotel Takamatsu ◆ HOTEL VISTA MATSUYAMA	◆ Grand Prince Hotel Osaka Bay (former Hyatt Regency Osaka)
Rent plan image					

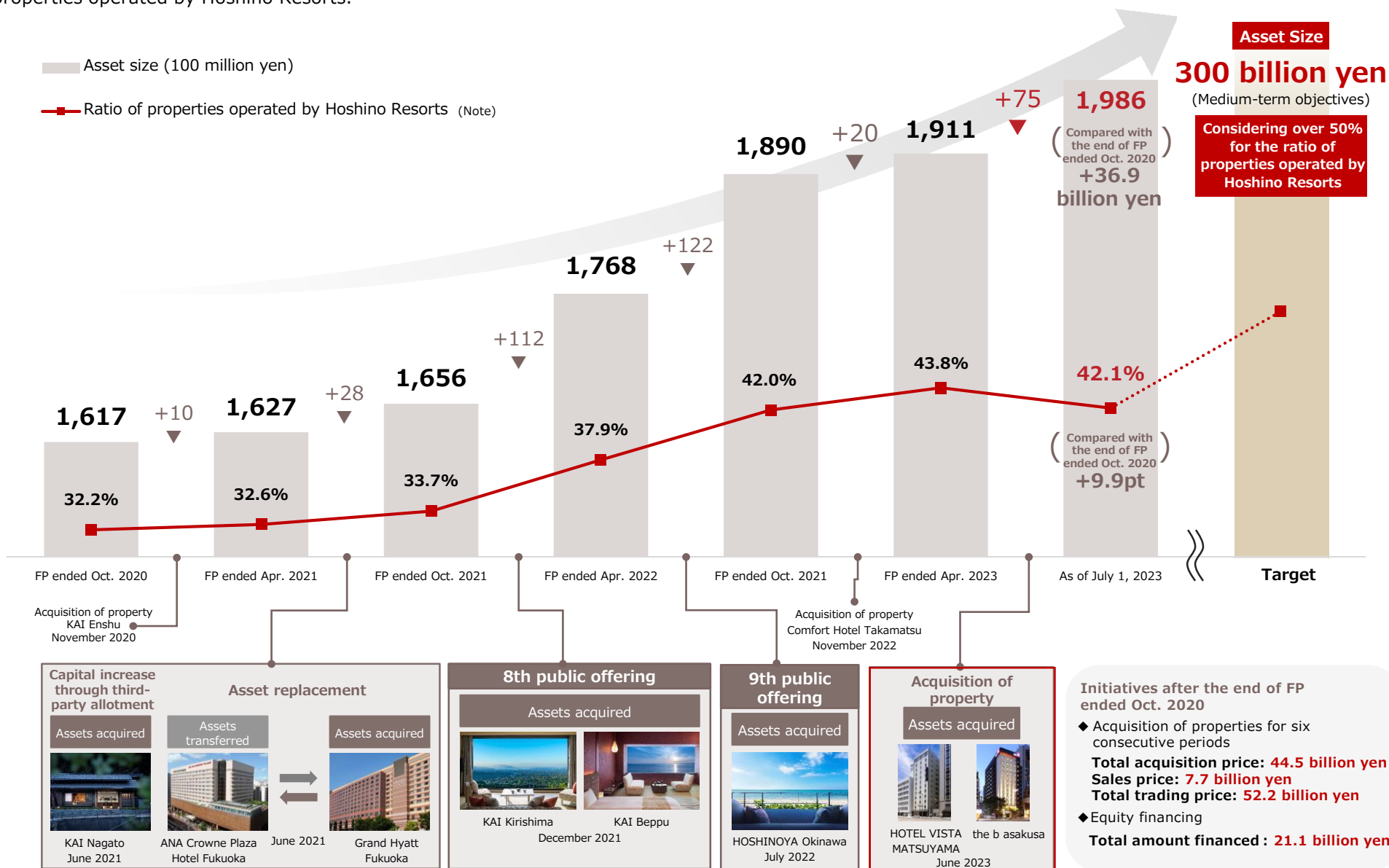
Highlights

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Active efforts promoted under the COVID-19 pandemic

HRR will continue to keep actively working for further growth, with the aim of achieving 300 billion yen in asset size and over 50% in the ratio of properties operated by Hoshino Resorts.



the b asakusa

Property Highlights

- Hoshino Resorts acquired a high-quality, recently-built property located in the Asakusa area, one of Japan's leading tourist destinations and where an upswing in the recovery of tourism demand can be expected following the COVID-19 pandemic, at a price of 78.6% of the real estate appraisal value for a 4.8% yield after depreciation.
- The hotel has a good location close to the station along Kokusai Dori, the main street in Asakusa. On the east side are Sensoji Temple and Kaminarimon, both of which have a history of nearly 1,400 years, and on the west side are Kappabashi Dogugai, where there are many eateries, and Higashi Honganji. These are some of Tokyo's top tourist attractions and attract people of all ages regardless of the season.
- The hotel is scheduled to open on July 1, 2023 with Ishin Hotels Group Co., Ltd., the company that develops "the b hotels" chain and has extensive hotel management know-how, as the hotel operator. The property was previously operated as "the b asakusa" by the same operator from October 2018 to April 2020 (the hotel closed due under the impact of the COVID-19 pandemic), and its reopening will take advantage of their past operating experience.
- As the property was able to maintain a high occupancy rate of 80 to 90% before the pandemic (see graph on next page), high demand can be expected among both Japanese and foreign travelers in the post-COVID-19 period.

Location	Nishi Asakusa, Taito-ku, Tokyo
Completion date	September 2018
Date of acquisition	June 1, 2023
Total number of guest rooms	166 rooms
Lessee	Ishin Asakusa Operations Co., Ltd.
Rent type	Fixed + Variable
Operator	Ishin Hotels Group Co., Ltd.
Acquisition price	5,630 million yen
Real estate appraisal value	7,160 million yen
Lease agreement period	10.6 years
Appraisal NOI yield	5.9%
Appraisal NCF yield	5.5%
Yield after depreciation	4.8%



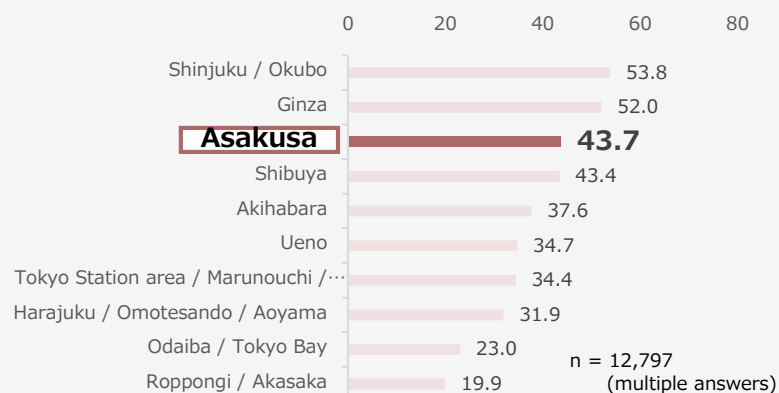
Newly acquired properties

the b asakusa

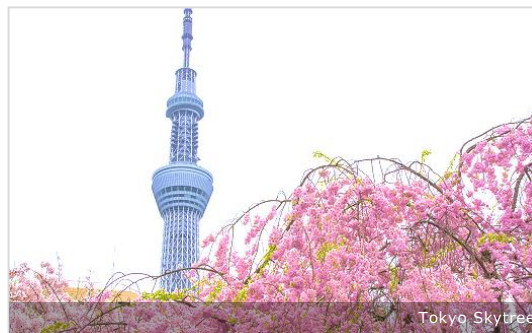
High inbound demand in the Asakusa area

- Before the COVID-19 pandemic, about half of all foreign visitors to Tokyo visited Asakusa, and high tourism demand is expected after the pandemic too.

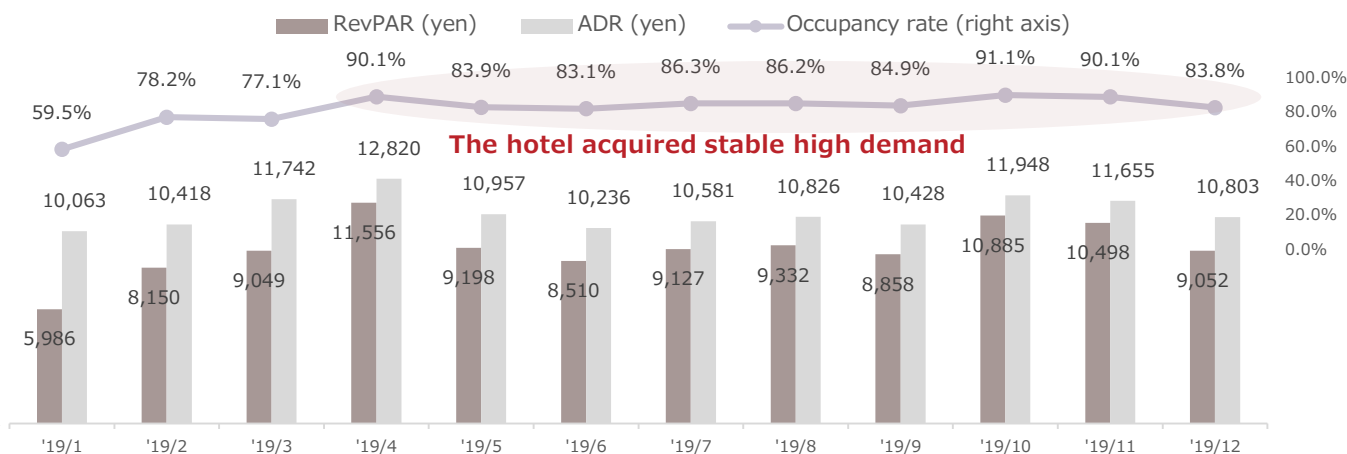
Places visited by foreign visitors (2019, limited to visitors to Tokyo)



Source: Tokyo Metropolitan Government 2019 "Survey on Behavioral Characteristics of Foreign Tourists by Country/Region"



Monthly operating results (January to December 2019) * Reference figures during the initial start-up period (October 2018 to April 2020)



HOTEL VISTA MATSUYAMA

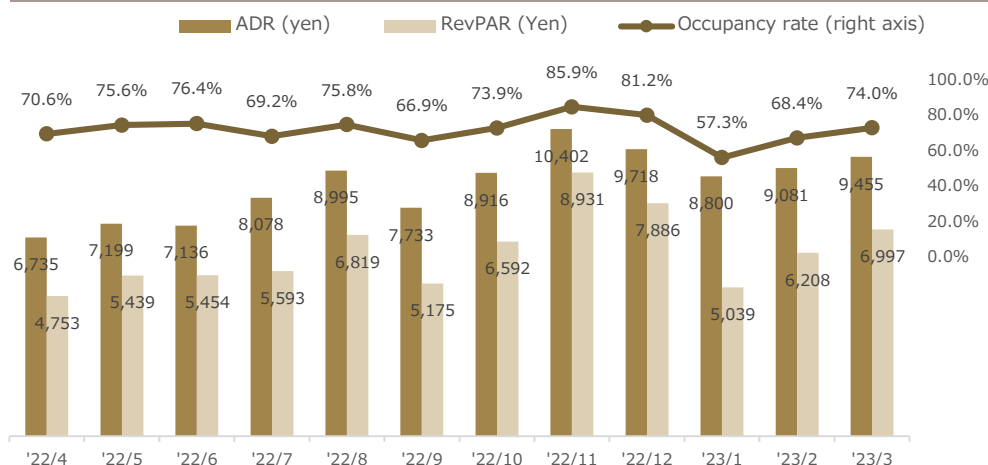
Property Highlights

- We have acquired a high-quality, relatively new property located in the Okaido area, a key downtown area of Matsuyama City, Ehime Prefecture, the largest city in the Shikoku region, which is showing in an increase in demand for tourism, at 90.7 % of the appraisal value.
- It is situated nearby main sightseeing spots around Matsuyama City, such as Matsuyama Castle, Bansuiso, Saka no Ue no Kumo Museum, and Okaido Shopping Street, all of which are within walking distance. Moreover, it is an excellent location near Dogo Onsen, said to be the oldest hot spring in Japan. It is also close to the Ehime Prefectural Office, the District Court, and Sanban-cho, the business district of Matsuyama City, and is highly convenient for business. Accordingly, stable accommodation demand is expected for both tourism and business.
- From 2022 onwards, both ADR and guest room occupancy rates are gradually recovering as we move toward the post-COVID-19 era. The further acquisition of accommodation demand in the future can be expected.

Location	Ichiban-cho, Matsuyama, Ehime	Acquisition price	1,904 million yen
Completion date	April 2020	Real estate appraisal value	2,100 million yen
Date of acquisition	June 1, 2023	Lease agreement period	10 years from June 2020
Total number of guest rooms	140 rooms	Appraisal NOI yield	6.5%
Lessee and operator	Vista Hotel Management Co., Ltd.	Appraisal NCF yield	6.0%
Rent type	Fixed + Variable	Yield after depreciation	4.6%



Monthly operating results (April 2022 to March 2023)



Opening of the rebranded Grand Prince Hotel Osaka Bay

On July 1, 2023, the Hyatt Regency Osaka located in the Osaka Bay area will be rebranded to open as the Grand Prince Hotel Osaka Bay. By making maximum use of the strong operational knowhow of Seibu Prince Hotels and the comprehensive capabilities of the Seibu Group, together with Hoshino Resorts' RISONARE Osaka, we will aim to strengthen the medium to long-term competitiveness of the hotel as a whole.

Highlights

	Before the rebrand	After the rebrand (July 1, 2023 ~)
Property name	Hyatt Regency Osaka	Grand Prince Hotel Osaka Bay
		
Operator	Hyatt International	Seibu Prince Hotels Worldwide Inc.
Lessee	Hoshino Resort (rent terms unchanged)	
Total number of guest rooms	480 rooms (of which, 64 rooms are operated as "RISONARE Osaka")	



Appearance

Background / main points

- We selected Seibu Prince Hotels as an operator with whom we will be able to enjoy upsides in both leisure and business in the Osaka Bay area, where the Osaka Expo and an integrated resort (IR) are planned, following the termination of the operating agreement with Hyatt at the end of June 2023.
- Seibu Prince Hotels opened the "Grand Prince" brand, the first full-service hotel in Osaka City. Aiming to acquire MICE demand, the brand's specialty, this is a major project that will also serve as a stepping stone for the strengthening of their network in western Japan and future business expansion.
- "RISONARE Osaka," operated by Hoshino Resorts, has agreed to continue working together as a "collaboration hotel" to promote the strengthening of the performance of the facility overall.
- Investment in renovation after the rebranding will be made in consultation with Seibu Prince Hotels.

Strengths of Seibu Prince Hotels

- Seibu Prince Hotels is a member of the Seibu Group, one of Japan's leading corporate groups. The company operates a total of more than 80 hotels of various types in Japan and overseas, and has extensive hotel management knowhow.
- Banquet category: In addition to the company's nationwide MICE network, Seibu Prince Hotels has extensive experience managing venues including for large international conferences.
- Accommodation: The company has a strong customer base and relationships with travel agencies
- Acquisition of considerable inbound demand through collaboration with overseas sales bases (eight offices in New York, Shanghai, London, etc.)

Rebranded opening of OMO7 Kochi by Hoshino Resorts

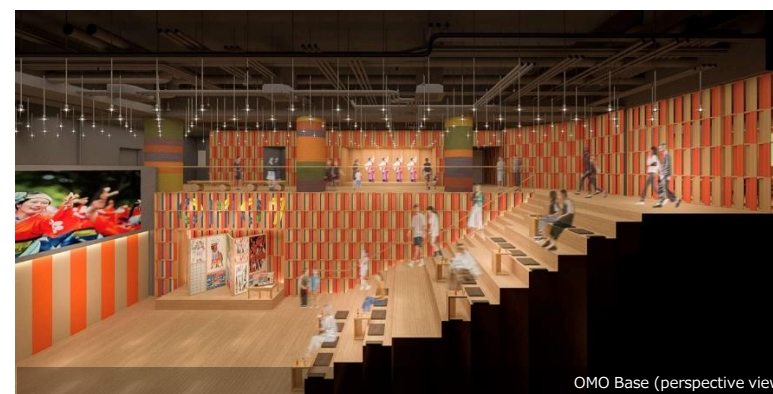
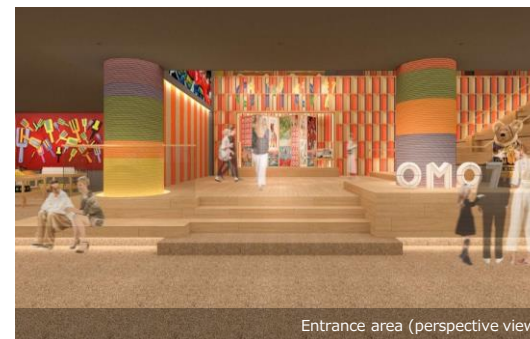
In April 2023, we rebranded Hotel Nikko Kochi Asahi Royal "OMO7 Kochi by Hoshino Resorts," a hotel in which guests enjoy the city to its fullest together with the local community. The hotel will be temporarily closed in the fall of 2023 for renovations, with renovation expenses borne by Hoshino Resorts as a general rule. The hotel will reopen in the spring of 2024 with a new design focused on the lively culture of Kochi, such as its Yosakoi Festival.

Highlights

	Before rebranding	After rebranding (from April 6, 2023)
Property name	Hotel Nikko Kochi Asahi Royal	OMO7 Kochi
		
Operator	Okura Nikko Hotels	Hoshino Resorts
Lessee	Asahi Shokuhin Co., Ltd.	Hoshino Resorts
Total number of guest rooms	191 rooms	

Key points

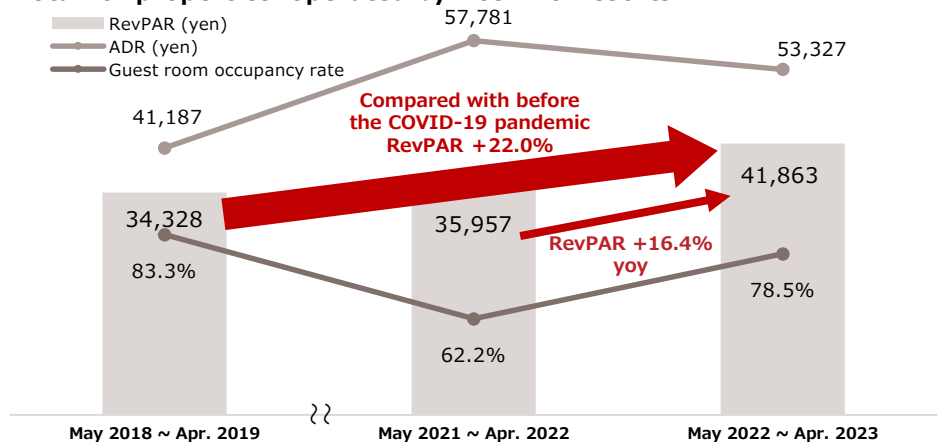
- The 13th OMO hotel in Japan
- The hotel is located within walking distance of the Harimaya Bridge area, an integral part of the city's central commercial district. It offers excellent access to one of Japan's largest outdoor markets, gourmet fare at the Hirome Market, Kochi Castle, and more. The city is also dotted with historical sites.
- The hotel will be temporarily closed starting in the fall of 2023 for renovations, and the renovated hotel will reopen in the spring of 2024. The designs of the hotel's public spaces, guestrooms, and restaurants are inspired by the lively culture of Kochi, such as its Yosakoi Festival.
- Hoshino Resorts prioritizes investment flexibility, and it has been agreed that renovation-related CAPEX, etc., will be borne by Hoshino Resorts as a general rule.
- HRR will own the right to purchase the renovation-related assets owned by Hoshino Resorts at book value in conjunction with deliberations regarding rent changes.



Operating results summary by brand (prior to the COVID-19 pandemic and changes over the last two years)

Hoshino Resorts-managed properties performed well, with each brand's ADR exceeding pre-pandemic levels and RevPAR for the last year increasing 22.0% above pre-pandemic RevPAR. Properties operated by outside operators have still failed to reach their pre-pandemic levels, but their recovery is making significant progress, with RevPAR rising 58.9% year-on-year.

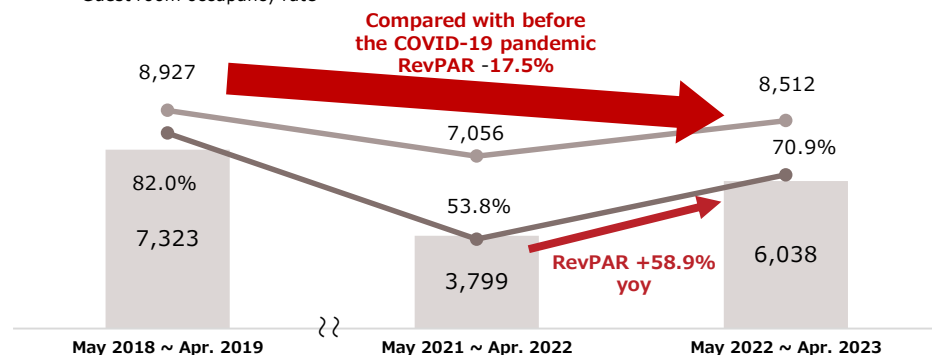
Total for properties operated by Hoshino Resorts (Note 1)



		2018/5 ~ 2019/4 (①)	2021/5 ~ 2022/4 (②)	2022/5 ~ 2023/4 (③)	Compared with before the COVID-19 pandemic (③-①)	Compared with the previous year (③-②)
HOSHINOYA 4 properties	Guest room occupancy rate	88.9%	66.8%	77.3%	-11.6pt	+10.5pt
	ADR (yen)	74,623	90,221	89,203	+14,580	-1,018
	RevPAR (yen)	66,320	60,228	68,925	+2,605	+8,697
RISONARE 2 properties	Guest room occupancy rate	88.8%	73.0%	78.2%	-10.6pt	+5.2pt
	ADR (yen)	42,863	63,451	66,878	+24,015	+3,427
	RevPAR (yen)	38,064	46,332	52,297	+14,233	+5,965
KAI 8 properties	Guest room occupancy rate	79.6%	77.6%	85.6%	+6.0pt	+8.0pt
	ADR (yen)	39,260	47,438	45,965	+6,705	-1,473
	RevPAR (yen)	31,256	36,821	39,362	+8,106	+2,541
OMO7 Asahikawa	Guest room occupancy rate	77.7%	29.2%	71.5%	-6.2pt	+42.3pt
	ADR (yen)	11,507	13,863	15,045	+3,538	+1,182
	RevPAR (yen)	8,935	4,054	10,762	+1,827	+6,708
(Note 2)						
BEB5 Karuizawa	Guest room occupancy rate	-	76.6%	81.4%	-	+4.8pt
	ADR (yen)	-	17,685	18,873	-	+1,188
	RevPAR (yen)	-	13,553	15,363	-	+1,810

Total for major properties operated by outside operators (Note 1)

(3ANA Crowne Plaza properties, Hyatt Regency Osaka, 22 Roadside properties, and 4 the b properties are calculated)



		2018/5 ~ 2019/4 (①)	2021/5 ~ 2022/4 (②)	2022/5 ~ 2023/4 (③)	Compared with before the COVID-19 pandemic (③-①)	Compared with the previous year (③-②)
ANA Crowne Plaza 3 properties	Guest room occupancy rate	81.0%	42.2%	67.3%	-13.7pt	+25.1pt
	ADR (yen)	13,200	9,496	11,201	-1,999	+1,705
	RevPAR (yen)	10,686	4,008	7,538	-3,148	+3,530
Hyatt Regency Osaka	Guest room occupancy rate	72.5%	25.9%	41.3%	-31.2pt	+15.4pt
	ADR (yen)	15,305	14,771	18,687	+3,382	+3,916
	RevPAR (yen)	11,096	3,821	7,724	-3,372	+3,903
Roadside 22 properties	Guest room occupancy rate	80.8%	65.2%	75.9%	-4.9pt	+10.7pt
	ADR (yen)	6,084	5,952	6,309	+225	+357
	RevPAR (yen)	4,919	3,883	4,788	-131	+905
The b 4 properties	Guest room occupancy rate	93.6%	52.2%	80.8%	-12.8pt	+28.6pt
	ADR (yen)	9,923	6,175	8,556	-1,367	+2,381
	RevPAR (yen)	9,283	3,222	6,916	-2,367	+3,694

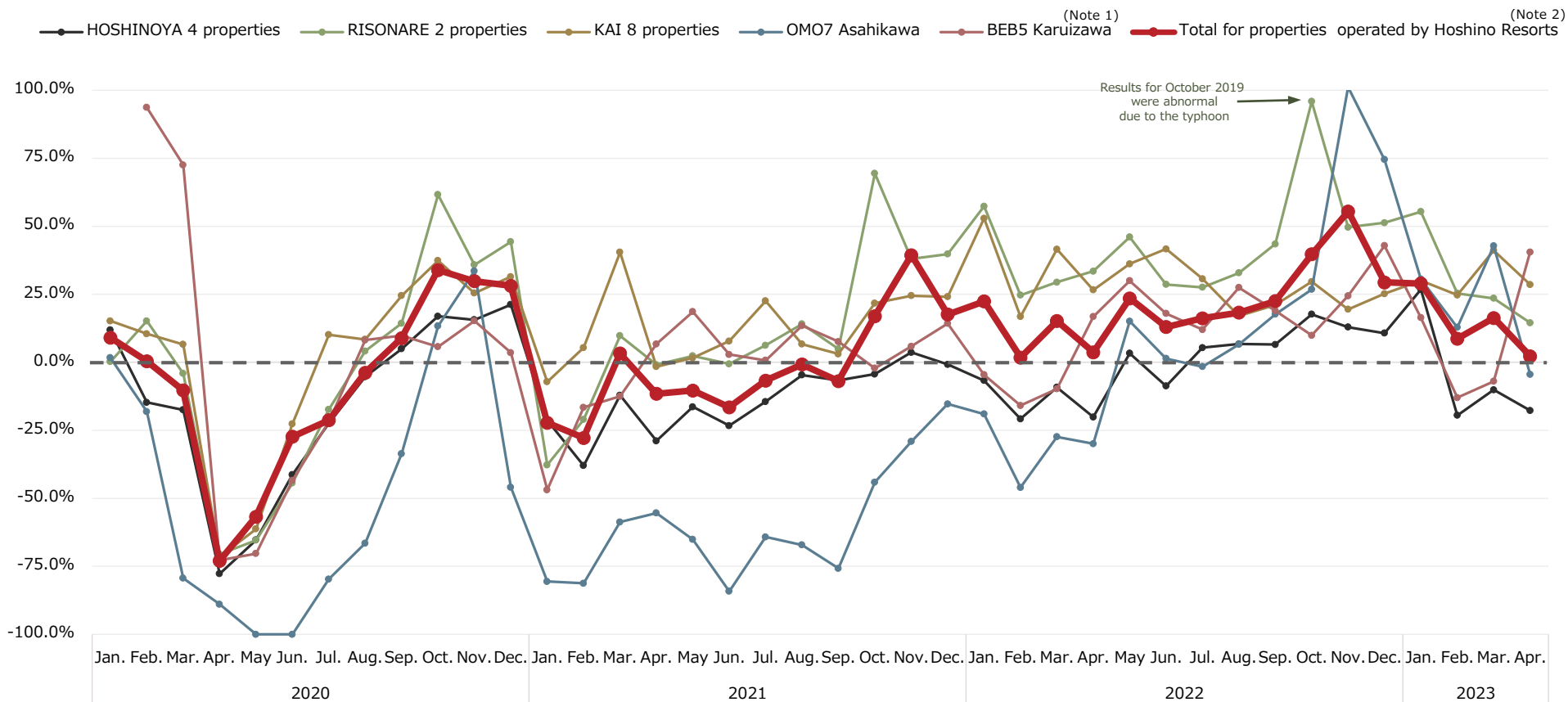


Please refer to "Hotel Operational Results Data" for monthly operating results for individual properties.
<https://www.hoshinoresorts-reit.com/en/ir/library.html>

Monthly Operating Results since the COVID-19 Pandemic (Properties operated by Hoshino Resorts)

Despite the pandemic, Hoshino Resorts rapidly achieved a recovery starting in the summer of 2020. In 2021 and 2022, its operational results grew even beyond pre-pandemic levels. In 2023, results were affected by operation restrictions resulting from personnel shortages, but demand for accommodations remained robust. The Group is working as one to lift these operation restrictions this summer.

Rate of change in RevPAR compared with 2019

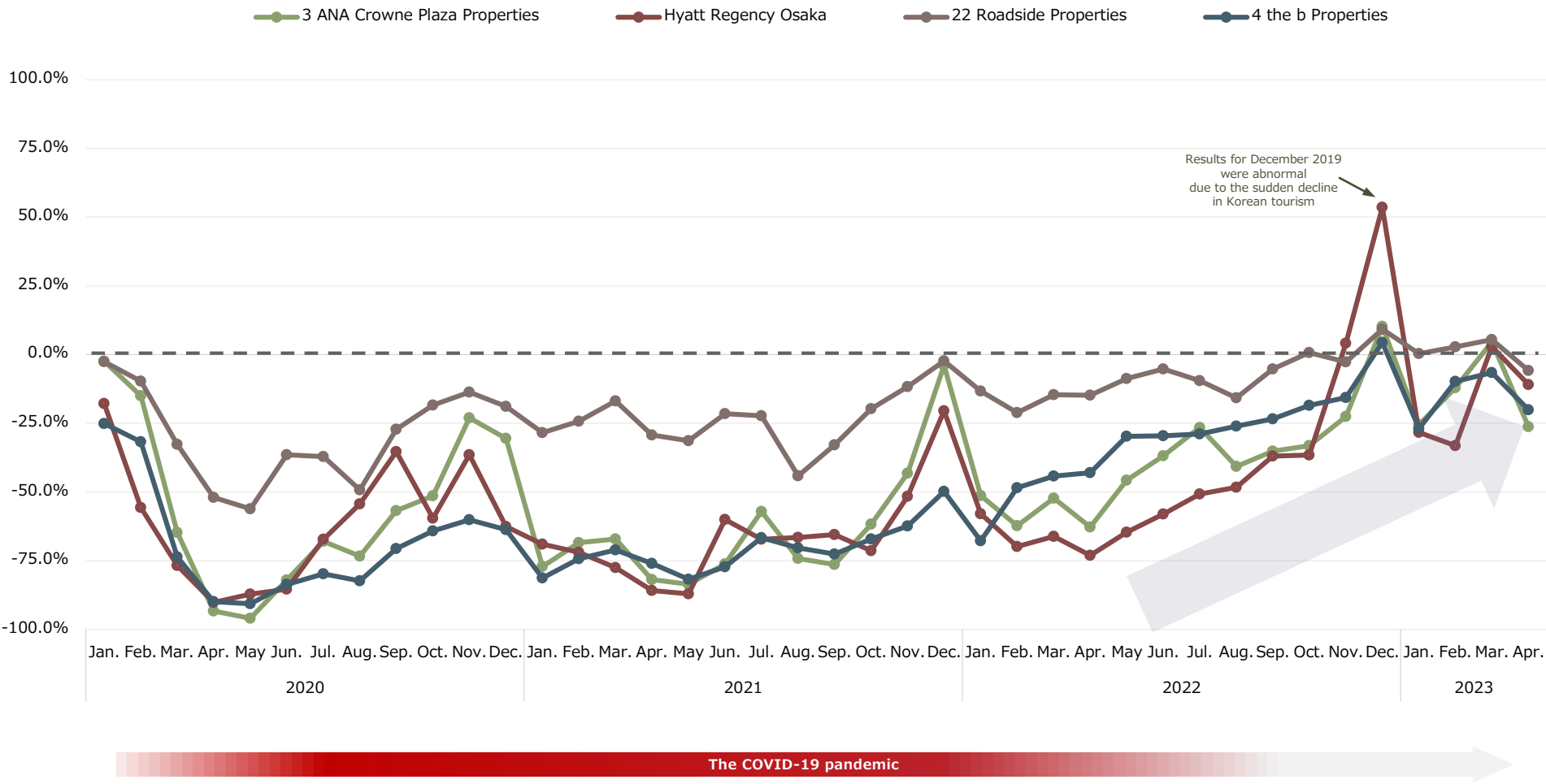


The COVID-19 pandemic

Monthly Operating Results since the COVID-19 Pandemic (Properties operated by outside operators)

The operating results of the 22 Roadside properties remained solid throughout the pandemic and have recently returned to pre-pandemic levels. For city hotels in urban areas, which have particularly struggled during the pandemic, there has been a rapid recovery since the autumn of 2022.

Rate of change in RevPAR compared with 2019



Summary of real estate appraisal amount, etc.

Real estate appraisal values increased overall, reflecting the strong operating results of properties operated by Hoshino Resorts and the recent recovery in demand for properties operated by companies other than Hoshino Resorts.

	Real estate appraisal amount, etc.			Key factors
	End of 20th FP (millions of yen)	vs. 19th FP (millions of yen)		
Total for 67 properties	209,130	+921	+0.4%	
Total for properties operated by the Hoshino Resorts	97,550	+478	+0.5%	
5 HOSHINOYA Properties	39,140	+270	+0.7%	Hoshinoya Kyoto: Increased operating revenue due to strong performance
2 RISONARE Properties	12,900	+130	+1.0%	Risonare Yatsugatake: Increased operating revenue and decreased taxes and public dues due to strong performance
13 KAI Properties	32,710	+198	+0.6%	Kai Hakone, Kai Kinugawa: Increased operating revenue due to strong performance
Hoshino Resorts Others	12,800	▲120	▲0.9%	OMO7 Kochi: Reflects the rebranding and changed rent structure (adoption of variable rent)
Total for properties operated by outside operators	111,580	+443	+0.4%	
3 ANA Crowne Plaza properties	28,920	-	-	
2 Hyatt properties	23,840	+300	+1.3%	Hyatt Regency Osaka: Increased operating revenues due to recovery of demand
22 Roadside properties	19,615	+133	+0.7%	Reflects recent increased operating revenue due to recovery of demand
4 the b properties	18,720	+10	+0.1%	Reflects recent increased operating revenue due to recovery of demand
Others ^(Note)	20,485	-	-	

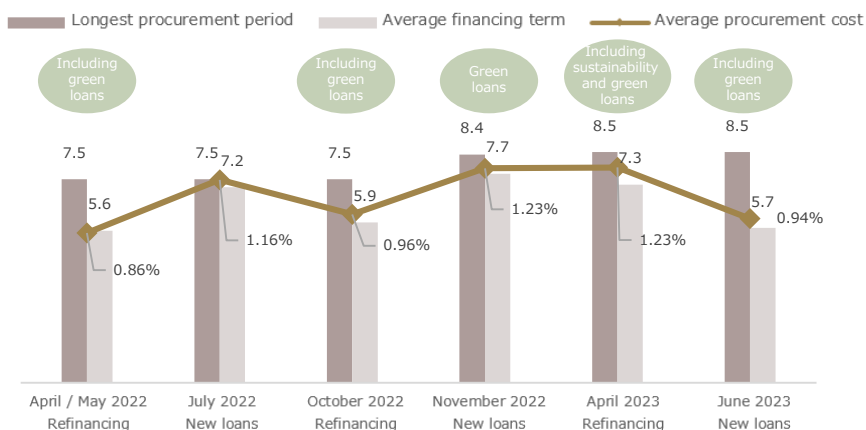
Building of strong financial foundations and diverse procurement methods (1)

We are implementing financial strategies in response to environmental changes, and have built strong financial foundations and diverse procurement methods.

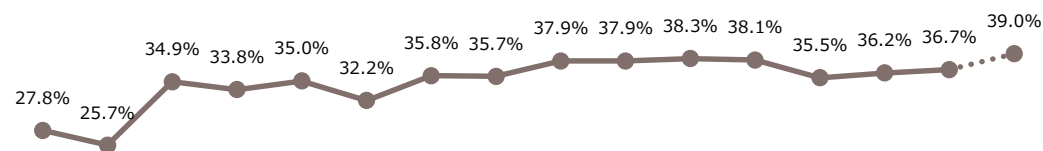
Recent initiatives

- Acquisition of a new A (stable) rating from R&I, improvement of the JCR rating (A stable => A + stable)
- In association with an increase in managed assets, commitment lines have increased to 6.0 billion yen (+1.0 billion yen) (among hotel-focused J-REITs, HRR is the only one).
- Procurement from banks using the Bank of Japan's "Funds-Supplying Operations to Support Financing for Climate Change Responses" and action to reduce ongoing interest costs by reducing risk premiums
- Execution of our first sustainability loan as HRR

Latest state of borrowings



Change in LTV

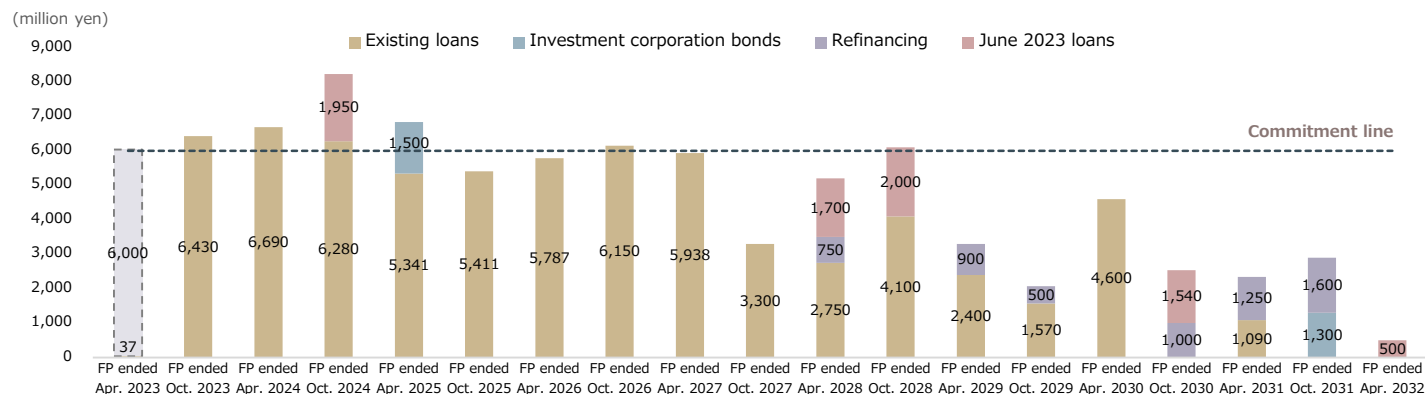


Acquisition capability of up to LTV 40.0% is expected to be **3.6 billion yen**

FP ended Apr. 2016, Oct. 2016, Apr. 2017, Oct. 2017, Apr. 2018, Oct. 2018, Apr. 2019, Oct. 2019, Apr. 2020, Oct. 2020, Apr. 2021, Oct. 2021, Apr. 2022, Oct. 2022, Apr. 2023, Oct. 2023 (forecast)

Diversification of repayment dates

As of June 1, 2023



Key financial indicators

(as of June 1, 2023)

Long-term interest-bearing debt ratio 97.7%

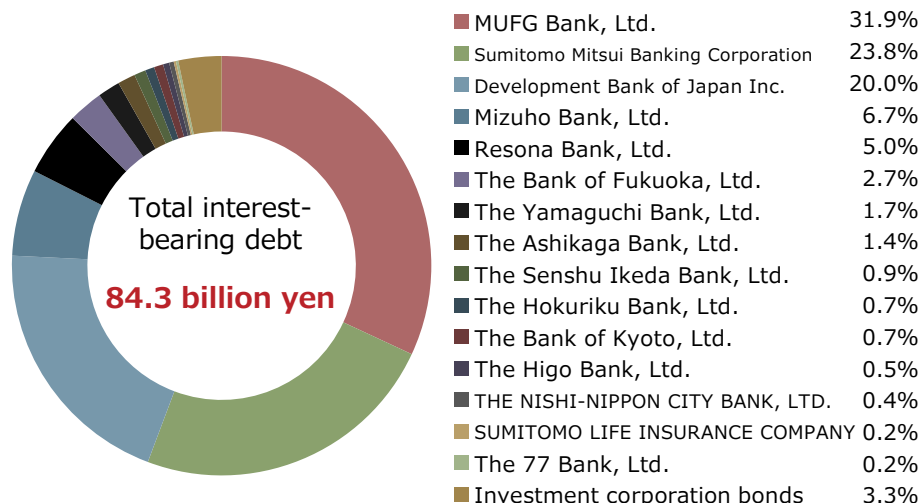
Fixed interest rate ratio 97.7%

Average remaining period 3.6 years

Average interest rate 0.81%

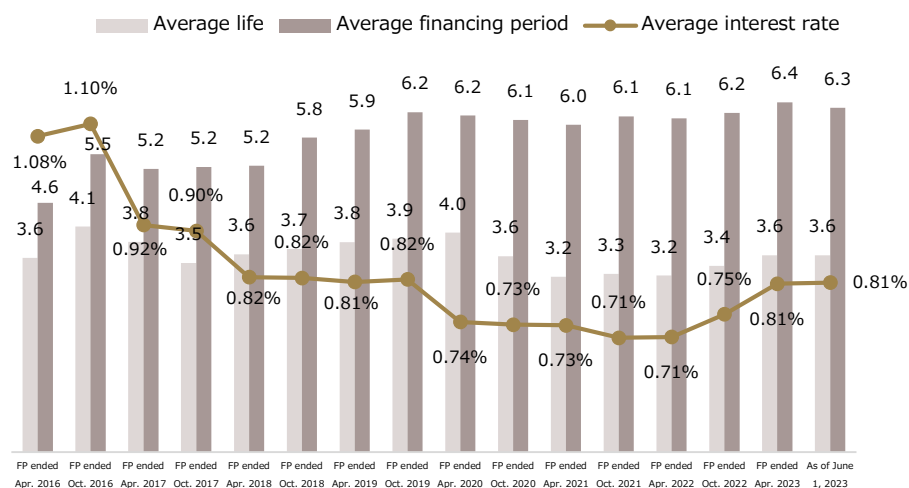
Building of strong financial foundations and diverse procurement methods (2)

Lender formation



As of June 1, 2023

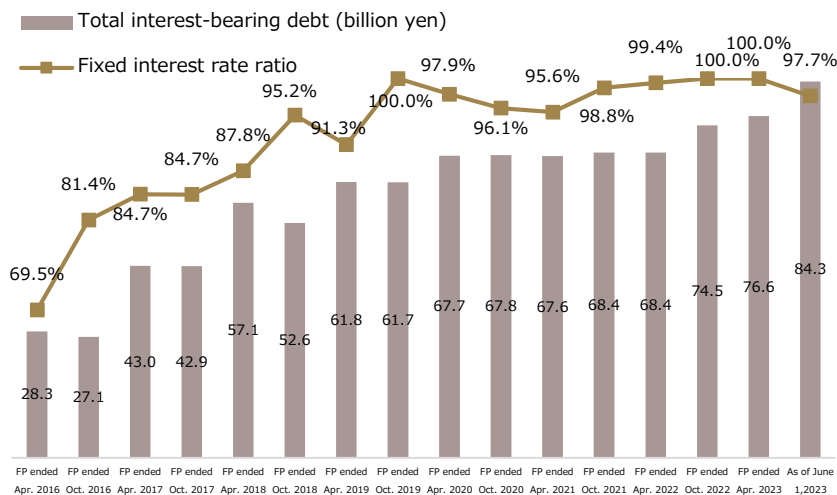
Procurement conditions



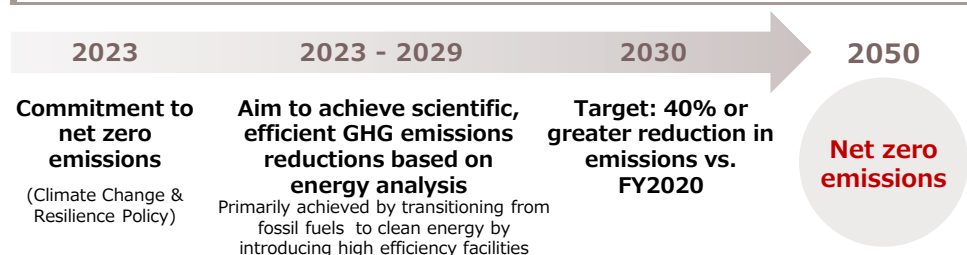
Status of credit ratings, etc.

Rating agency	Japan Credit Rating Agency, Ltd. (JCR)			Rating and Investment Information, Inc. (R&I)
Rating target/evaluation target	Long-term issuer rating	Sustainability finance framework	Green finance framework	Issuer rating
Rating/overall assessment	[Improvement] A+ (stable) ↑ A (stable)	SU1 (F)	Green1 (F)	[Newly acquired] A (stable)

Total interest-bearing debt and fixed interest rate ratio



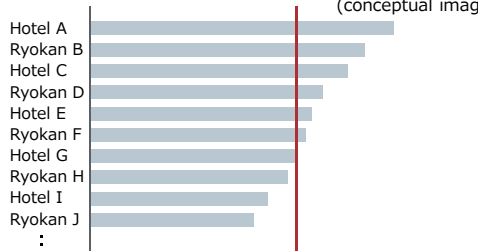
Roadmap for achieving net zero emissions



From 2023, HRR is analyzing property energy usage and scientifically verifying the path to carbon neutrality

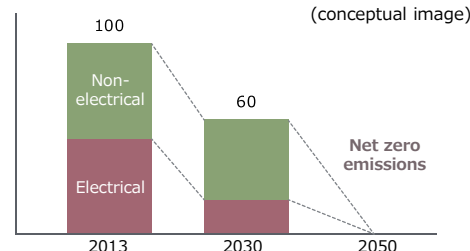
- Sharing its environmental perspective with stakeholders
- Deliberation of replacement of properties excluded from business scope, etc.

Analysis of energy usage by each property (conceptual image)



- HRR will formulate individual GHG reduction plans based on the results of its analyses of energy use by specific properties

GHG emissions rate reductions (conceptual image)



- Energy conservation and environmental friendliness of water supply systems of hot spring ryokan
- Switch to green energy

Defining HRR's target social impact

The sustainable tourism-oriented real estate finance ecosystem

Achieving net zero emissions in the tourism industry

- Deliberate regarding the environmental value of forest conservation and ecosystem maintenance and restoration, not only in terms of real estate, but also TNFD, etc.
- Aim to achieve net zero emissions from a management vantage, such as lodging styles, thereby increasing brand value
- Respond to the physical risks of increasingly severe disasters and acquire third-party certification

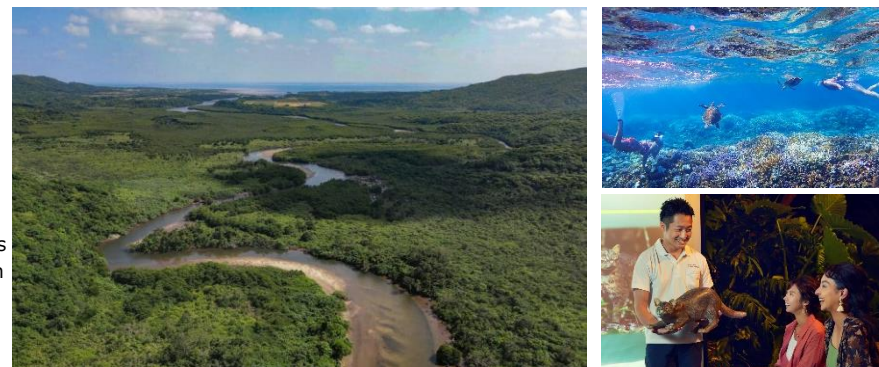
Raise awareness among and collaborate with tenants

- Since 2020, HRR has distributed sustainability guides to all tenants of all hotels with the aim of deepening their awareness of the importance of SDG activities and securing their collaboration.
- By conducting tenant satisfaction surveys, it is carrying out ongoing activities for improving the work productivity and wellbeing of tenant employees. (See details on P. 36)



[Hoshino Resorts Iriomote Hotel]

Limiting usage to stays of two nights or longer in order to establish an ecotourism cycle



Background

- Iriomote Island is home to Japan's largest mangrove forest. 90% of the island is covered by jungle, and it abounds with nature, including rare indigenous species like the Iriomote cat. It has been registered as one of Japan's World Natural Heritage Sites.
- Hoshino Resorts aims to make it an ecotourism resort, so in spring 2021 it started three initiatives: ecological hotel management, nature tours that share the island's appeal and value, and Iriomote cat protection activities.
- However, many of the island's visitors are day trip visitors from Ishigaki Island, and only roughly 22% of visitors spend the night on the island (in FY2015, according to materials from the Taketomi Town Iriomote Island Ecotourism Promotion Council), and there are concerns regarding visitors' environmental impact and over-tourism.

Objectives of this initiative

- Hotel stays are limited to stays of two days or more, promoting continuous stay tourism
 - To help achieve net zero emissions, GHG emissions are being reduced by reducing total travel distance per night
 - Nature conservation by expanding touring ranges and avoiding overtourism
 - Economic ripple effects through the rest of the island by increasing the number of guests staying on the island
 - Increasing guest satisfaction

Other

- Established sustainability equity framework and green equity framework (See details on P. 35)
- Formulated DEI Policy concerning (D)iversity, (E)quity, and (I)nclusion. For details, see <https://www.hoshinoresorts-reit.com/en/sustainability/index.html>

CHAPTER 3

Future operation strategy

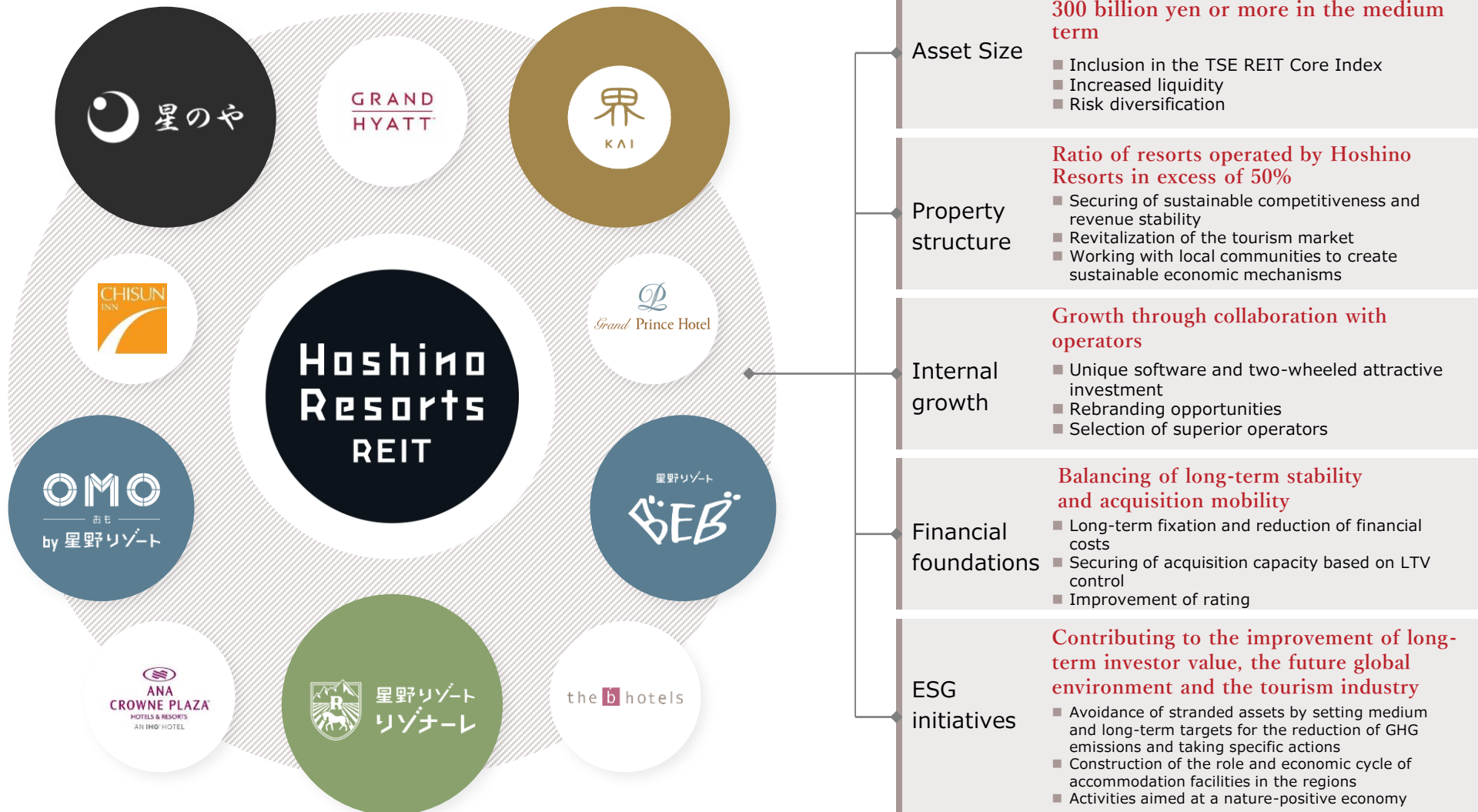
Hoshino
Resorts
REIT

RISONARE Atami



The vision for Hoshino Resorts REIT, Inc.

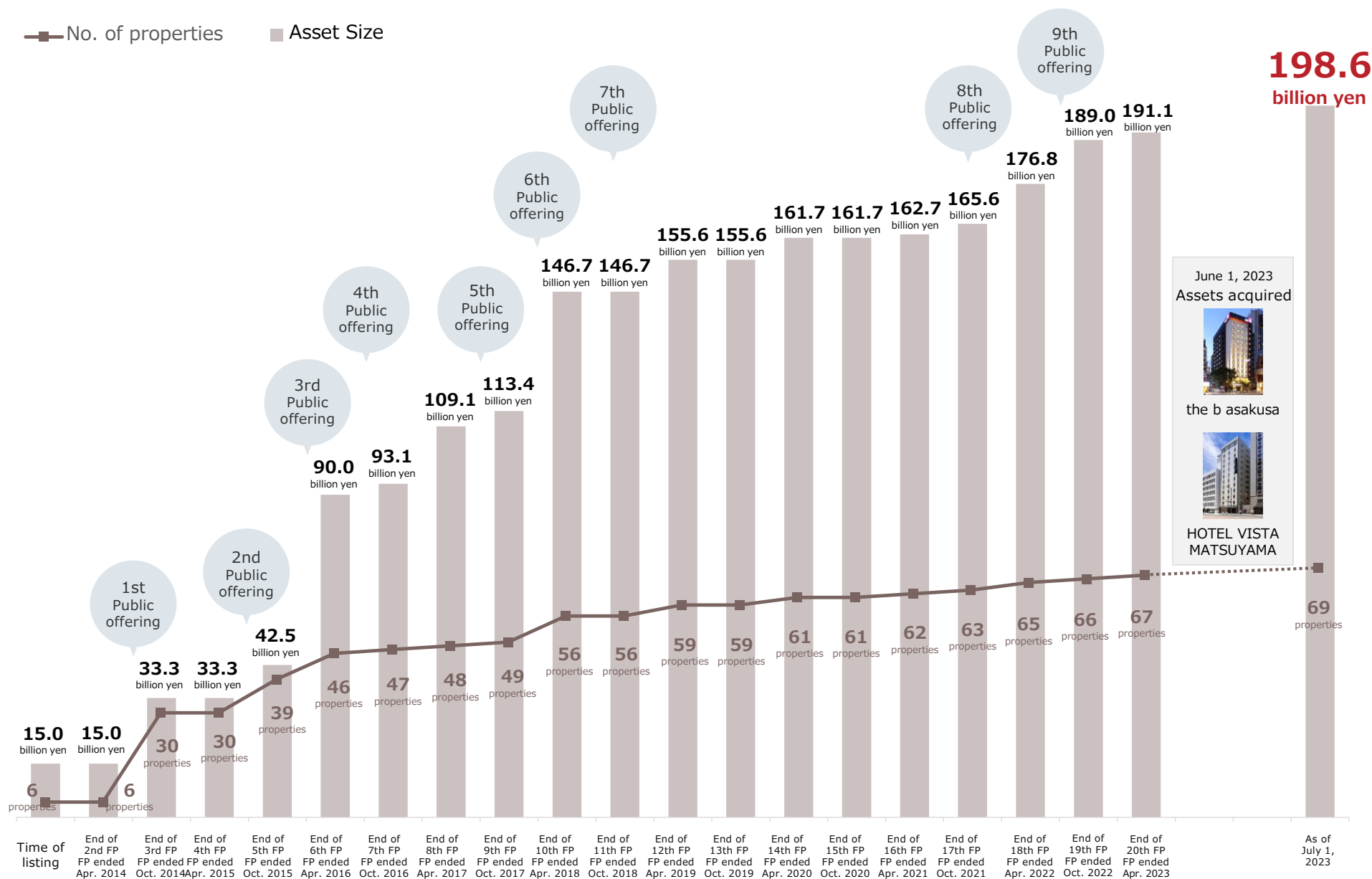
A tourism-oriented REIT that reaps the benefits of the long-term growth of Japan's tourism industry to maximize investor value



Steady growth in asset size

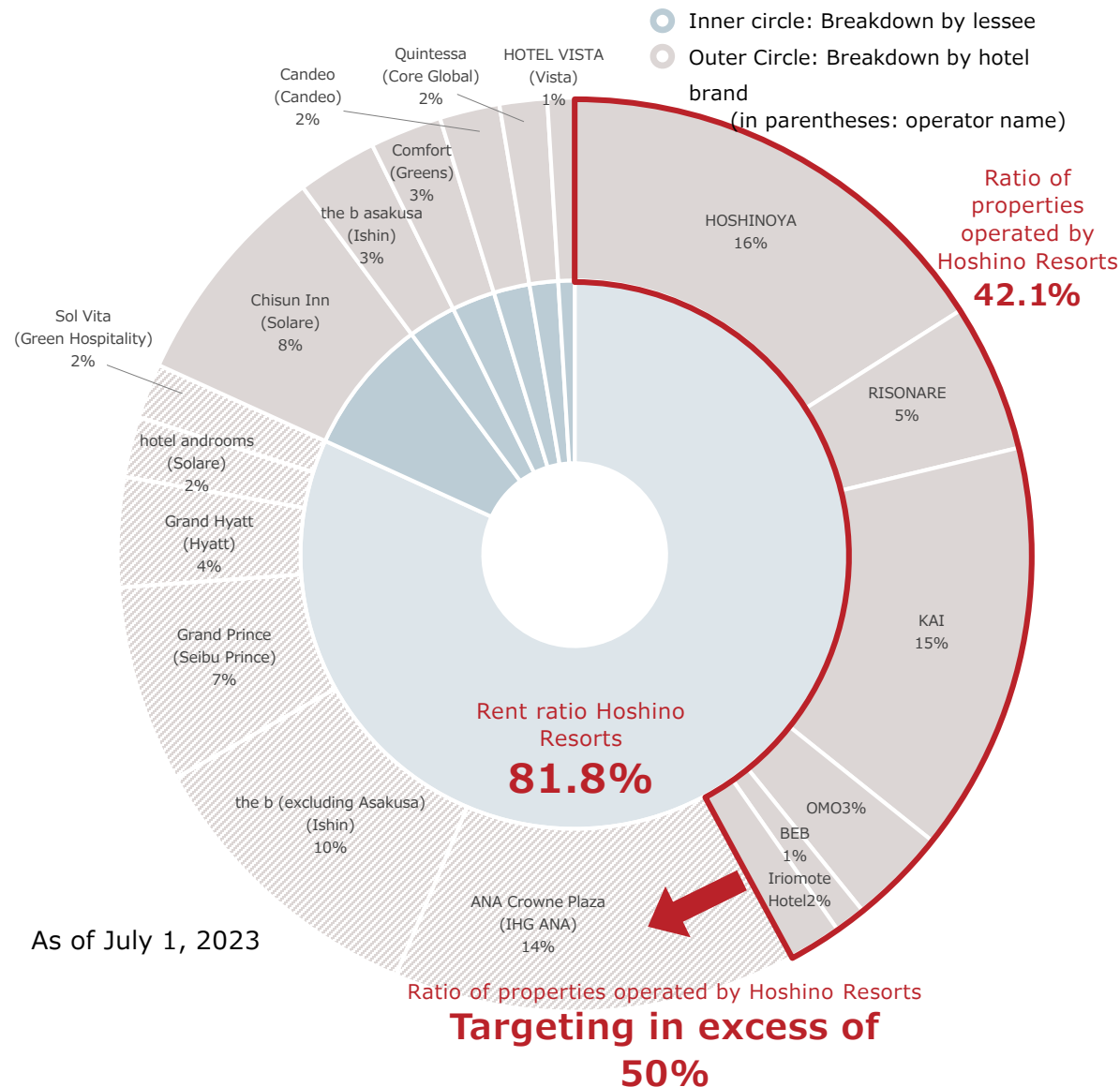
—■ No. of properties

■ Asset Size



Portfolio structure (based on acquisition price)

We will aim to increase the composition ratio of properties operated by Hoshino Resorts to more than 50%, the level at which stable cash flow can be expected over the long term.



Supplementary explanation

- Hoshino Resorts, which continued to pay rent without reductions or deferrals through the COVID-19 pandemic, an unprecedented crisis for the tourism industry, accounts for the majority of tenants.
- The  part of the pie chart shows where Hoshino Resorts has leased a hotel owned by HRR and consigned its operation to an external operator.
- For brands other than Hoshino Resorts, we hold properties that are used for tourism purposes and have the opportunity to rebrand to Hoshino Resorts, or properties with fully fixed rents that are expected to have stable rents.

Please see our website for other portfolio summaries and maps.
<https://www.hoshinoresorts-reit.com/en/portfolio/index.html>
<https://www.hoshinoresorts-reit.com/en/portfolio/map.html>

Abundant acquisition opportunities through DBJ joint fund, a jointly managed fund by Hoshino Resorts and Development Bank of Japan

A strong partnership has been built between HRR (ownership), Hoshino Resorts (operation) and the joint fund (development) based on the provision of stable development exits by HRR and the strong operating capabilities of Hoshino Resorts. HRR will continue to play a role in the growth cycle of the three parties and is aiming for sustainable external growth and improvement in the quality of its portfolio based on the acquisition of highly competitive properties.

HRR basic strategy: Three-party growth cycle

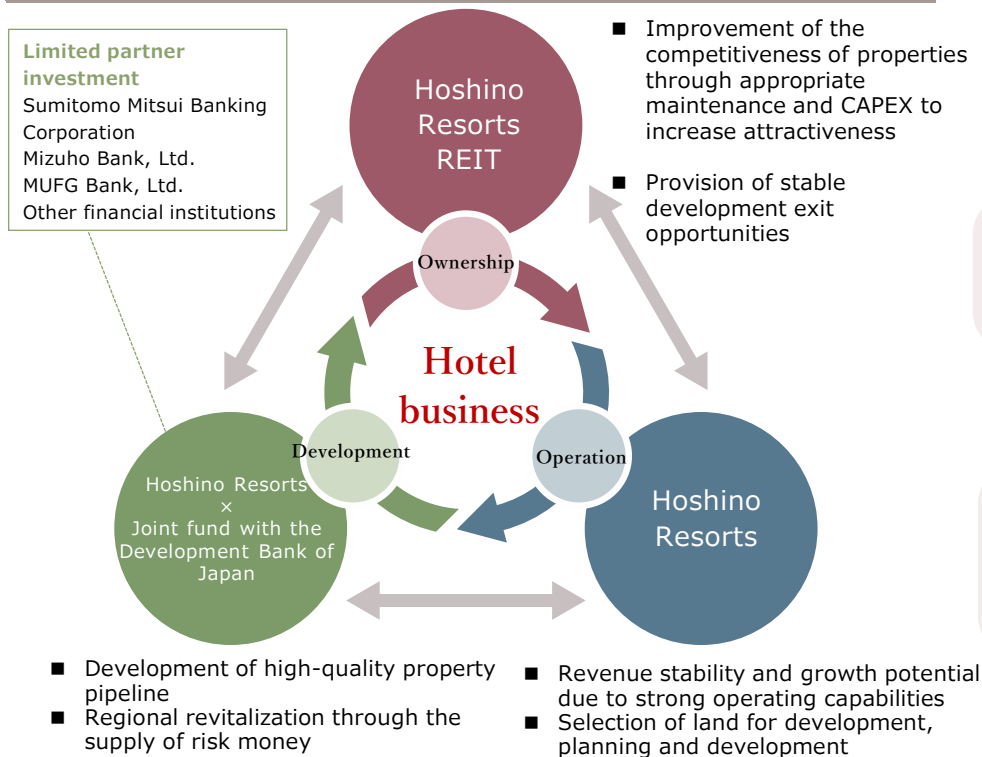
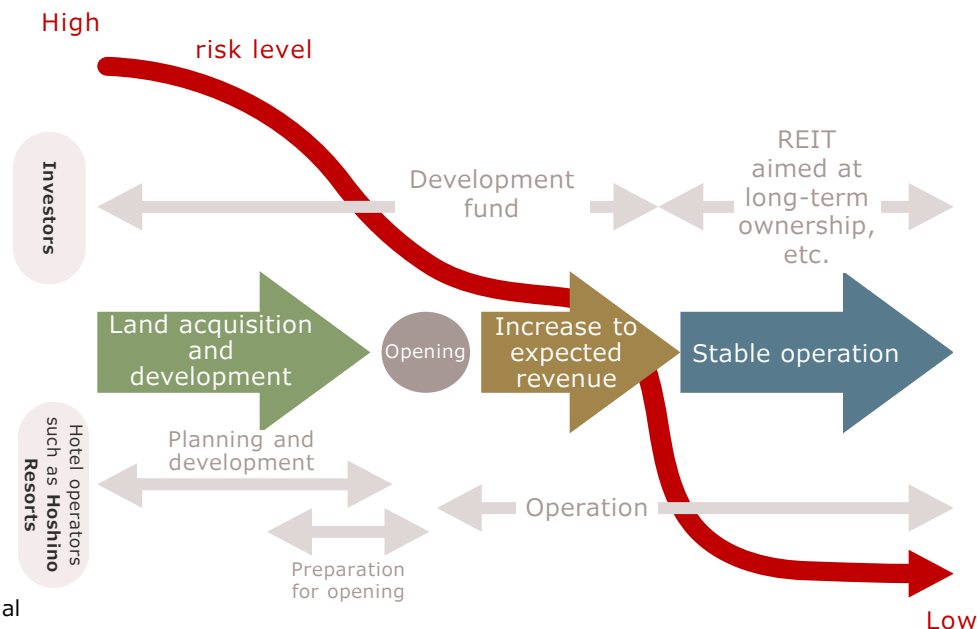
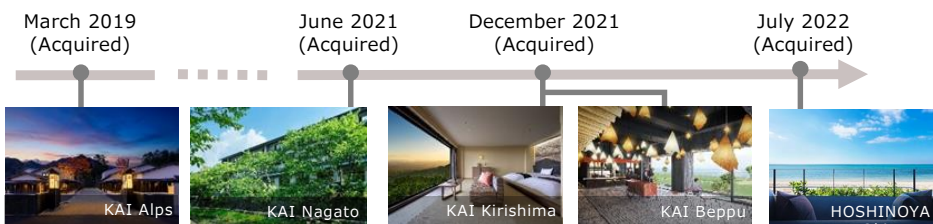


Image of risk level from hotel development to stable operation (Note)

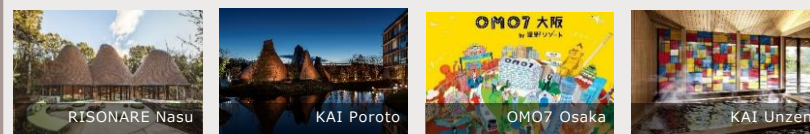


Nine properties operated by Hoshino Resorts have been developed or are under development through the DBJ joint fund.

Of these, five properties worth 29.2 billion yen (based on acquisition price) have been acquired by HRR.



Hoshino Resorts x DBJ joint fund owned properties



List of the property pipeline

Hoshino Resorts x DBJ joint fund owned properties



RISONARE Nasu
Start of operation: 2019



HOSHINOYA Okinawa
Start of operation: 2020
(22.53% co-ownership)



KAI Poroto Start of operation: 2022



OMO7 Osaka Start of operation: 2022



KAI Unzen Start of operation: 2022

Hoshino Resorts-owned facilities

Start of operation	Name of facility
1992	RIZONARE Guam
1995	Karuizawa Hotel Bleston Court
2003	Bandaisan Onsen Hotel
2008	KAI Atami (under renovation)
2013	KAI Nikko
2017	Surfjack Hotel & Swim Club
2019	RISONARE Kohamajima

Hoshino Resorts development projects (partial)

Start of operation	Location
2024 (plan)	Nara-shi, Nara (former Nara Prison)
2025 (plan)	Shimonoseki-shi, Yamaguchi (RISONARE Shimonoseki (provisional name))
2025 (plan)	Katsuyama-shi, Fukui
2026 (plan)	Yokohama-shi, Kanagawa (OMO7 Yokohama)
2026 (plan)	HOSHINOYA Lodge Niseko (provisional name)
2026 (plan)	Teshikaga-cho, Hokkaido (Kawayu Onsen, KAI Brand)
To be determined	Asuka-mura, Nara

WBF-owned facilities

Start of operation	Name of facility
2010	Hotel WBF Kushiro
2014	Hotel WBF Grande Hakodate
2015	Hotel WBF Grande Asahikawa
2019	Hotel WBF Hakodate Watatsumino Yu
2019	Hotel WBF Fourstay Sapporo

Mezzanine loan receivables / silent partnership investment

Start of operation	Name
2023	OMO Kansai Airport
2024 (plan)	KAI Okuhida

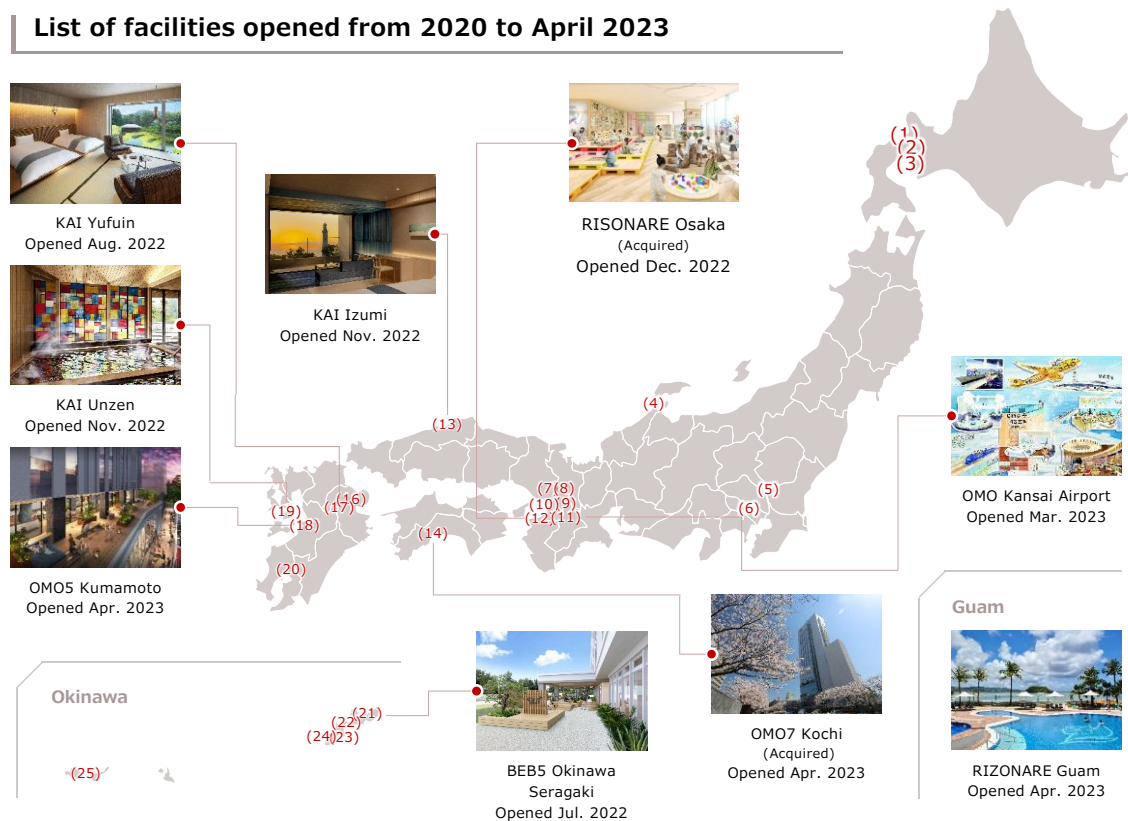
Third-party owned facilities (partial)

Start of operation	Name of facility	Start of operation	Name of facility
2004	RISONARE Tomamu	2021	OMO5 Kyoto Sanjo
2004	Tomamu The Tower	2021	HOSHINO Resorts KASUKE Tiantai
2005	Aomoriya	2021	OMO5 Okinawa Naha
2005	Oirase Keiryu Hotel	2021	OMO5 Kyoto Gion
2010	KAI Tsugaru	2022	OMO3 Tokyo Akasaka
2016	HOSHINOYA Tokyo	2022	OMO3 Sapporo Susukino
2017	HOSHINOYA Bali	2022	OMO5 Otaru
2017	KAI Anjin	2022	OMO5 Kanazawa Katamachi
2018	OMO5 Tokyo Otsuka	2022	BEB5 Okinawa Seragaki
2018	KAI Sengokuhara	2022	KAI Yufuin
2019	HOSHINOYA Guguan	2022	KAI Izumi
2020	BEB5 Tsuchiura	2023	OMO5 Kumamoto
2021	OMO3 Kyoto Toji	2023 (plan)	OMO3 Asakusa

Initiatives in response to the COVID-19 pandemic and future openings

Hoshino Resorts, whose operating capabilities during the COVID-19 pandemic were highly recognized, has received many business openings and is accelerating the speed of business expansion.

List of facilities opened from 2020 to April 2023



Source: Hoshino Resorts

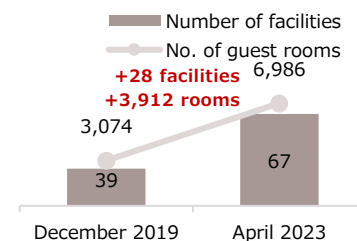
TOPICS Major initiatives of Hoshino Resorts during the COVID-19 pandemic

Creation of demand for micro-tourism

- From 2021 on, we divided the country into 11 micro-tourism trade areas and worked with local media in each area to promote local attractions.
- Hoshino Resort worked continuously to capture demand for micro-tourism from the beginning of the COVID-19 pandemic. As a result, demand was established for many properties operated by Hoshino Resorts, and we were able to secure a certain level of results even during the COVID-19 pandemic.

Expansion of the number of sites

- We are increasing our sites nationwide centered on the KAI high-class hot spring ryokan brand, and the OMO urban tourism brand, which performed well even during the COVID-19 pandemic.



Source: Hoshino Resorts

CHAPTER 4

ESG initiatives

**Hoshino
Resorts
REIT**



Currently, with the global environment continuing to deteriorate, including global warming and disasters caused by climate change, HRR believes it is important to realize both profit and contributions to the environment and society based on the strong leadership of management, and to promote CSV (Creating Shared Value), a source of competitiveness in a new age, by sustainable means. In addition, to meet the expectations of stakeholders regarding environmental, social and governance issues as a company engaged in the tourism industry, the Asset Management Company will resolve these global issues steadily and speedily through management leadership so that they can be converted into real estate, social and corporate value.

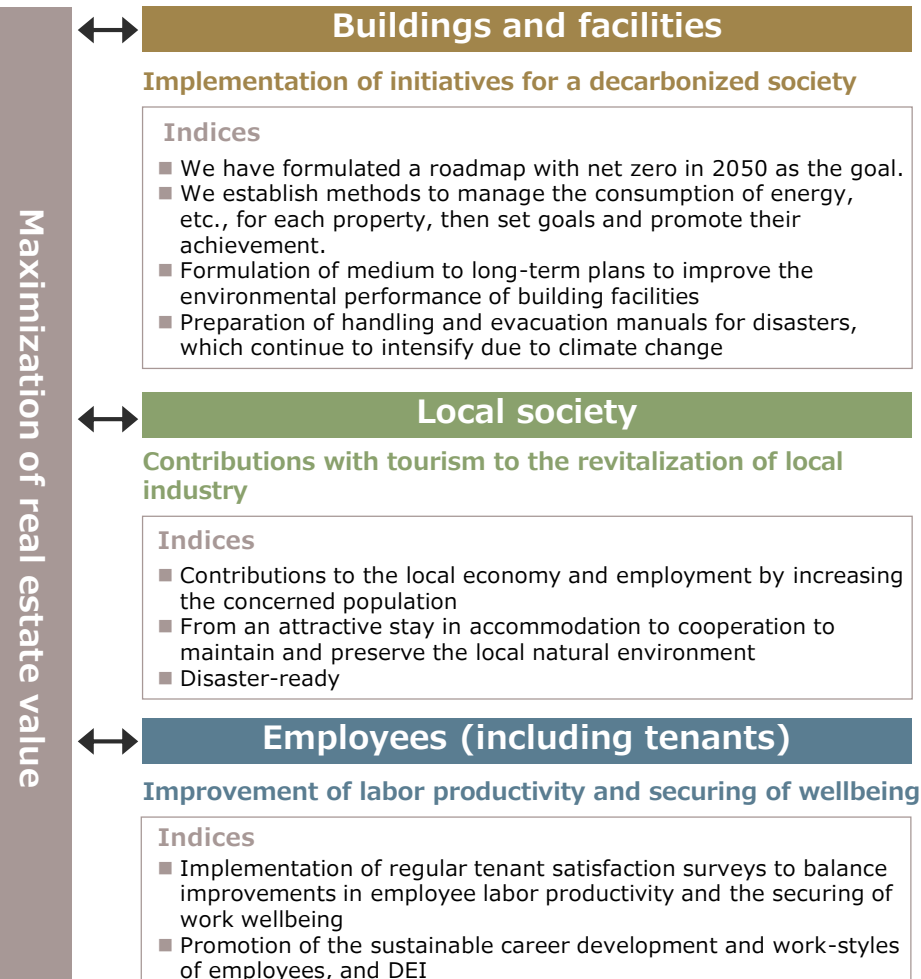
CSV: Creating Shared Value

This was proposed by people including the American business scholar Michael Porter. CSV is an approach by which for-profit companies try to create both economic and social value by responding to social needs (solving social issues).

Building an ecosystem unique to the tourism industry

By promoting unique ESG initiatives (CSV: Creating Shared Value) by which economic value and social value are linked by real estate management, we will build an ecosystem unique to the tourism industry.

An ecosystem unique to the tourism industry

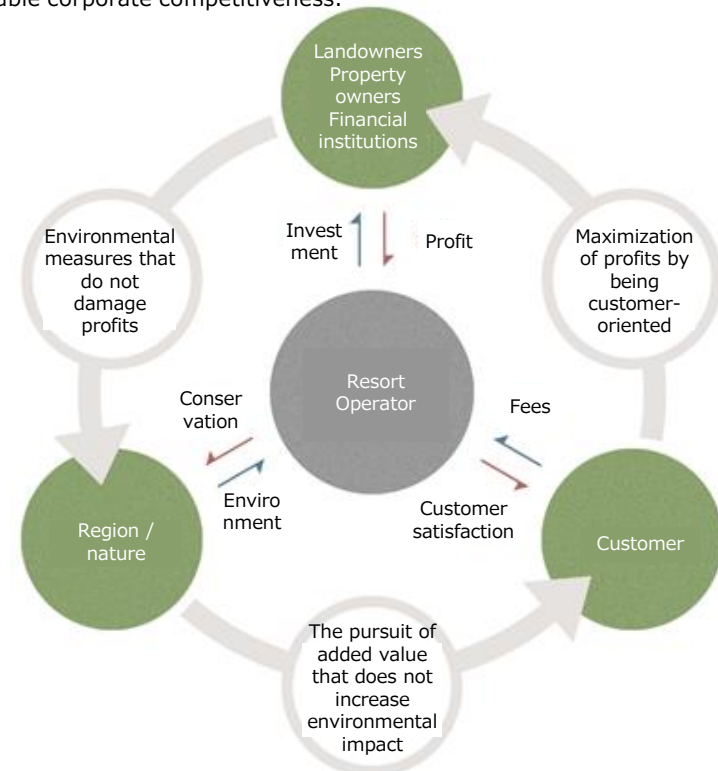


Hoshino Resorts' environmental management

< Ecosystem of coexistence and co-prosperity >

Hoshino Resorts believes that a hotel and its area are one and the same. In other words, the increased attractiveness of its area is connected directly to a hotel's business performance, and on the other hand, we believe that by communicating the attractiveness of its area, a hotel can contribute to the enhancement of the area's brand power, so we conduct various activities rooted in our surrounds.

Hoshino Resorts promotes eco-tourism, zero emissions and other environmental management initiatives because we believe that the natural environment, local technologies, agricultural, forestry and fishery products, and tourism resources that exist in our areas will provide a source of accommodation value, and in turn, connect to sustainable corporate competitiveness.



The creation of new value for local communities and real estate by addressing environmental and social issues

HOSHINOYA Karuizawa - "EIMY" system for energy self-sufficiency

In addition to hydroelectric power, which we have been using for about 100 years based on the idea of "using renewable energy from our own sites for the energy we use as much as possible" (Energy in My Yard), we also use geothermal heat and heat pumps that use hot water from hot springs.

Hydroelectric plant that provides some of the power for a heat pump



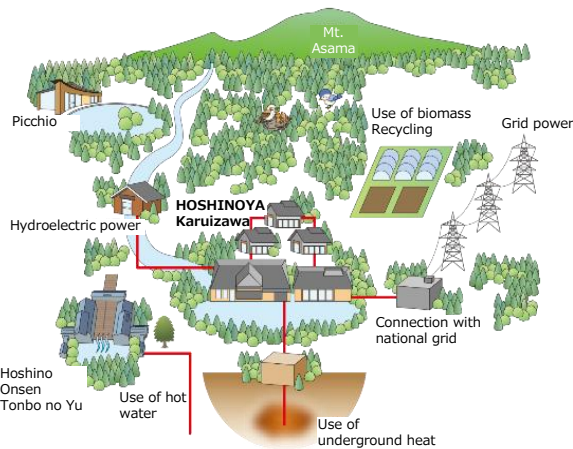
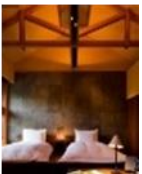
Heat pump equipment that uses underground heat and hot spring waste heat as heat sources for air-conditioning and hot water supply



We separate waste into 28 categories to promote resource recycling



Vents in guest room ceilings known as "furo"



HOSHINOYA Taketomi Island - Use of seawater desalination equipment and collaborating with the region

We installed a seawater desalination heat source hot water heat pump unit (Note) to enable self-sufficiency in drinking water. This has not only reduced CO₂ emissions by 46 tons a year, but will also be able to supply water to people on the island in the event of a disaster.

Furthermore, Hoshino Resorts has also concluded a partnership agreement with the Taketomijima Regional Foundation to conserve the natural environment and the sustainable island culture.



Introduction of facilities designed with consideration for ecosystems, history and traditions

Harunire Terrace (HOSHINOYA Karuizawa), which has no boundaries with nature

- A walking path where the natural environment takes priority.

The walking trail from HOSHINOYA Karuizawa to Harunire Terrace follows a woodchip trail that keeps the landscape of both the forest and the river intact, and there are no unromantic guard fences.



A walking trail

- Wood decks that protect the existing ecosystem
In order to establish a commercial complex while maintaining nature, the wood deck separates activity from the soil and allows plants, organisms and people to coexist beautifully.



Wood deck

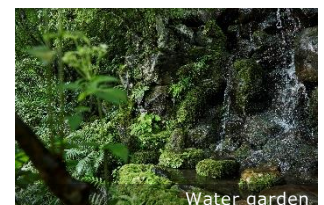
HOSHINOYA Kyoto - A garden where history and modernity merge, taking advantage of the landscape and nature.

- Located at the foot of Arashiyama, you can enjoy the flow of the Hozu River, part of the Yodo River system before you. This place has been one of Kyoto's most famous scenic spots since the Kamakura period, with cherry blossoms in spring and autumn leaves in autumn.



An Arashiyama valley

- A modern design was added to the beautiful garden, which is said to have been created by Saichi Kojima VI, with water drawn from a stream in Arashiyama forming a small waterfall and flowing into a pond. Skilled gardeners maintain its beauty carefully throughout the year.



Water garden

Environmental (E) Initiatives

Environmental performance^(Note 1)

Energy consumption

Period ^(Note 2)	FY2020	FY2021	FY2022
No. of properties ^(Note 3)	57	61	63
Energy consumption (MWh)	127,559	163,150	172,256
Energy consumption per basic unit ^(Note 4) (kWh/m ²)	277.7	330.5	333.7

Water consumption

Period ^(Note 2)	FY2020	FY2021	FY2022
No. of properties ^(Note 3)	55	60	63
Water consumption (m ³)	1,317,622	1,505,654	1,708,488
Water consumption per basic unit ^(Note 6) (m ³ /m ²)	3.0	3.1	3.2

GHG emissions

Period ^(Note 2)	FY2020	FY2021	FY2022
No. of properties ^(Note 3)	57	61	63
Greenhouse gas (GHG) emissions (t-CO ₂)	42,218	51,274	54,929
Greenhouse gas (GHG) emissions per basic unit ^(Note 5) (kgCO ₂ /m ²)	91.9	103.9	106.4

Waste

Period ^(Note 2)	FY2020	FY2021	FY2022
No. of properties ^(Note 3)	11	50	60
Amount of waste (t)	1,036	2,442	3,678
Recycling ratio ^(Note 7) (%)	34.1	20.1	21.7

Green lease agreements

- HRR is striving to conclude green lease agreements and reduce the environmental impact of real estate through collaborations with tenants.

Green lease agreements concluded (as of June 15, 2023)

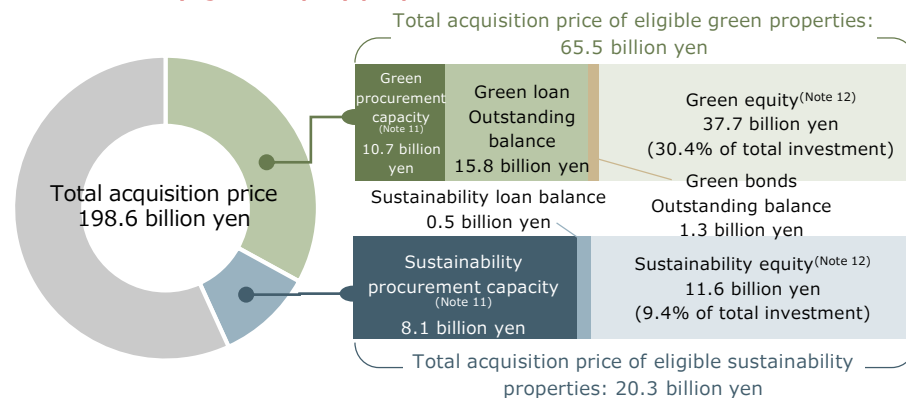
Number of properties with a green lease agreement executed	Execution ratio based on leasable floor area ^(Note 8, 9)
36/69 properties	83.6%

External sustainability evaluation^(Note 10)

	evaluation	Name of property (evaluated building(s)) * Properties in blue are newly acquired properties
CASBEE	S-rank ★★★★★	HOSHINOYA Karuizawa (Harunire Terrace)
BELS	★★★★★	KAI Kinugawa (Lobby and guestroom building, etc.), KAI Kaga (New building), KAI Nagato (Main building), KAI Kirishima, KAI Beppu, HOSHINOYA Okinawa (Guestroom buildings 1 to 7), the b asakusa
	★★★★	KAI Alps (Front building), Candeo Hotels Sano
	★★★	Quintessa Hotel Osaka Shinsaibashi, HOSHINOYA Taketomi Island (Some Zuki villas), HOSHINOYA Kyoto (Funamachiai), HOTEL VISTA MATSUYAMA
	★★	BEB5 Karuizawa, Chisun Inn Chiba Hamano R16, ANA Crowne Plaza Hiroshima, Comfort Hotel Takamatsu
	★	ANA Crowne Plaza Toyama

Sustainability finance and Green finance initiatives

- HRR established the first J-REIT framework that clearly indicates sustainability/green equity ratios**, and has collected opinions from rating agencies. It is implementing a policy of further promoting ESG activities from both the debt and equity directions.
- The sustainability/green equity ratio for total investment is 39.8%. **Roughly 40% of the investment units of investors are allocated to eligible sustainability/green equity properties.**



Social (S) initiatives

Implementation of tenant satisfaction surveys

< Hoshino Resorts REIT, Inc. >

We implemented a satisfaction survey among tenant employees at 34 properties owned by HRR, also including well-being perspectives such as the ease of working and promotion of health.

Using the results of this survey, we will strive for the maximization of real estate value not only by creating safe and secure places to work, but also by making investments that contribute to the improvement of labor productivity and motivation.

This fiscal year, we also focused on the residential environment for employees working on remote islands and elsewhere. Specifically, Hoshino Resorts reported that in the renovation of the employee dormitory at Iriomote Hotel, in addition to the overall beautification of rooms, improvements were made to the kitchen based on a survey of employees' living habits to make up for the limited dining environment on the remote island, and changes were made to compact, user-friendly furniture, resulting in a significant increase in employee satisfaction.

Initiatives for employees

< Hoshino Resort Asset Management Co., Ltd. >

Using Hoshino Resorts' organizational culture and management resources, the Asset Management Company is engaged in many human resources initiatives that will enhance its sustainable competitiveness as a hotel asset management corporation. For details, please see

<https://www.hoshinoresorts-reit.com/en/sustainability/society.html>.

The following is the personnel data of the Asset Management Company.

Personnel data of the Asset Management Company (as of December 31 of each fiscal year)

	2020	2021	2022
Total number of employees	27 people	34 people	36 people
Male	14 people	21 people	22 people
Female	13 people	13 people	14 people
Percentage of Male	52%	62%	61%
Percentage of Female	48%	38%	39%
Percentage of male managerial positions	100%	83%	90%
Percentage of female managerial positions	0%	17%	10%
Annual turnover	4.2%	10.7%	5.9%
Overtime hours worked (monthly average)	24 hours	27 hours	25 hours

Examples of retrofitting backspaces and other facilities aimed at improving comfort and labor productivity

KAI Tamatsukuri

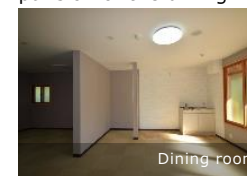
Installation of a large tatami room

Expansion of the dining room

TOPICS



Women's rest room

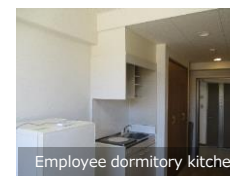


Dining room

Iriomote Hotel

Kitchen renovation

Beautification of rooms
New beds and TV stands



Employee dormitory kitchen



Employee dormitory room

Contributions to local society

< Hoshino Resorts KAI - handcraft >

- At KAI, we hold "Handcraft Moments," cultural experiences where guests can look close up at the rare skills of crafts people and producers who have succeeded to local culture, or engage in them together.

KAI Ito x "Hina no Tsurushikazari," a traditional craft that originated in Inatori in Izu Town

Guests learn the meaning embedded in the dolls and the warmth of parents for their children, and create the hanging ornaments under the guidance of the crafts-person.



KAI Tamatsukuri x "Sakemochida Honten," a long-established sake brewery in Izumo City

This is an experience where guests learn about the relationship between Shinto rituals and sake and the depth of taste of sake from a brewery.



CHAPTER
5

Appendix (1):
About Sponsor
Hoshino Resorts

Hoshino
Resorts
REIT



Hoshino Onsen Ryokan (at the time of its opening)

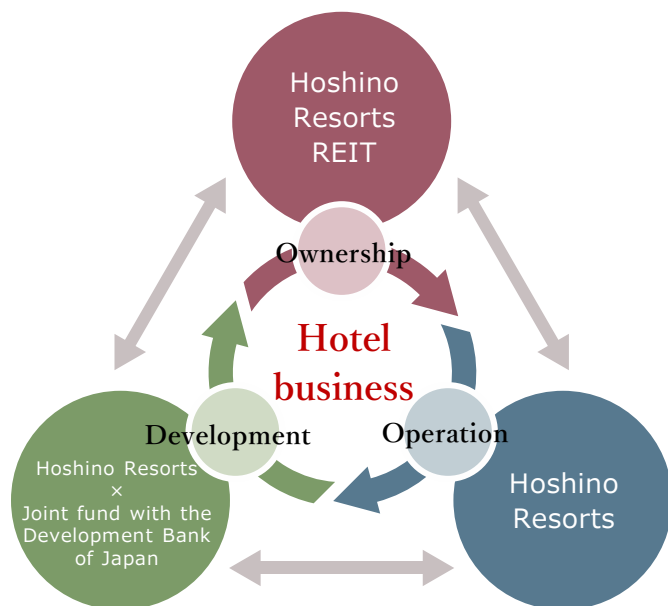
The history of Hoshino Resorts

The travel industry has become the most important peacekeeping industry in the world.

We will work on our next hundred years of business from the perspective of connecting people around the world as friends and be a company that strives to have “big dreams and steady operations.”



HOSHINOYA Karuizawa



History

Phase (1)

1991 to 2000

Accumulated know-how as a hotel operator

- 1904 Began development of hot spring in Karuizawa
- 1914 Opened Hoshino Onsen Ryokan

- 1991 Yoshiharu Hoshino, Hoshino Resorts' 4th and current CEO, joins Hoshino Onsen and is appointed its representative
- 1992 **Announcement of company's future vision as an operation company whose main business does not consist of property ownership**

- 1995 Company name changed to Hoshino Resorts, Inc.

Phase (2)

2001 to 2010

Revitalization of large resorts and hot spring ryokan projects and launch of three major brands

- 2001 Start of operation of RISONARE Yatsugatake
- 2003 Start of operation of Alts Bandai Resort
- 2004 Start of operation of Tomamu Resort
- 2005 Became a partner in the operation of an onsen ryokan invested in by Goldman Sachs
- Opened HOSHINOYA Karuizawa
- 2010 Master brand strategy is launched

Phase (3)

2011 to 2020

Built a business model separating ownership, operations and development

- 2011 KAI brand is launched
- RISONARE brand is launched
- 2013 **Hoshino Resorts REIT, Inc., listed on the Tokyo Stock Exchange**
- 2015 **Organized as a jointly run fund with the Development Bank of Japan to establish a development framework**
- 2016 Opened HOSHINOYA Tokyo
- 2017 Opened HOSHINOYA Bali
- 2018 OMO brand is launched
- 2019 BEB brand is launched

Phase (4)

2021 ~

Taking Japanese ryokan to the world

- 2021 Acquisition of WBF as a subsidiary

As of April 2023

Hoshino Resorts operating 62 accommodation facilities in Japan and 5 overseas.

About Hoshino Resorts Brand

Hoshino Resorts - Seven journeys - Seven Spheres of Delight



HOSHINOYA
HOSHINOYA

A brand that tempts the overwhelmingly extraordinary with original themes
Luxury hotel embodying the true characteristics of land, history and culture



RISONARE
RISONARE

Resort hotels with sophisticated design and plenty of activities
Countryside resort with food culture unique to the landscape



KAI
KAI

High quality hot spring ryokan focused on a pleasant Japanese atmosphere, where guests rediscover regional charm
"Japanese Auberge" in classic hot spring regions



OMO

Exciting urban hotels

City tourism hotel to discover the city



BEB

More than a tavern, less than a trip, hotels where everybody spends their time in a laid-back way
Kicked-back stays with the crew



Other unique accommodation facilities

Other Unique Lodgings

Resorts and hot spring ryokan with outstanding individuality, developed in Japan and around the world
Getaways with a sense of place



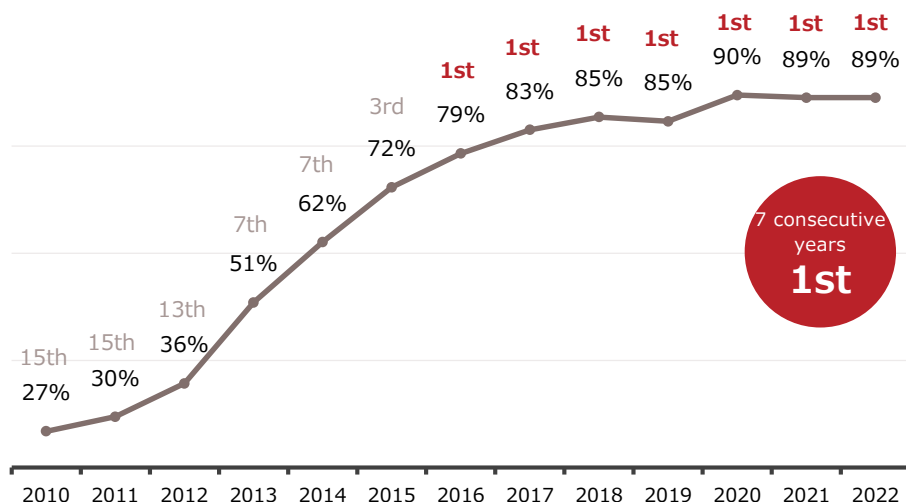
Daytrip facilities

Daytrip Destinations

From hot springs to skiing, we have a variety of services to enjoy a day off
Thermal soaks and thrilling slopes

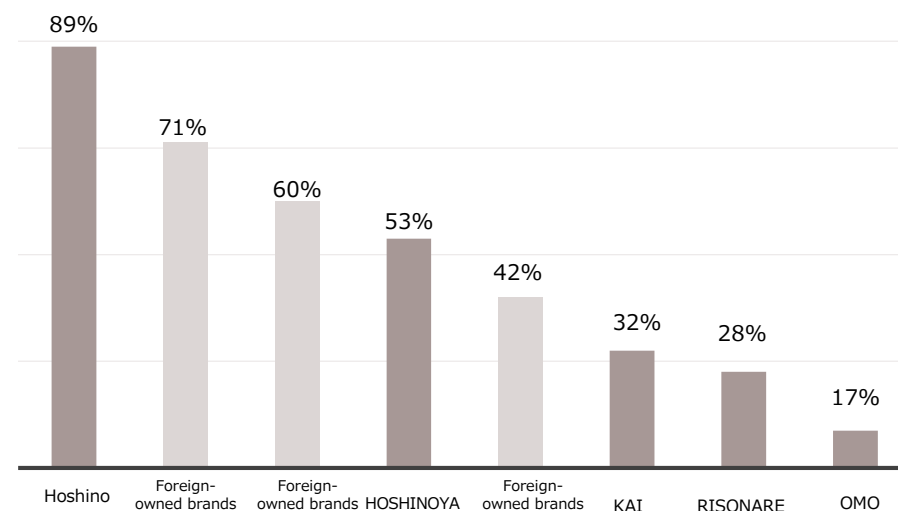
Change in Hoshino Resorts hotel brand recognition (Japan)

(Source) Hoshino Resorts survey



Recognition by hotel brand (2022)

(Source) Hoshino Resorts survey



Three points for building a long-term competitive advantage



When operating a hotel, Hoshino Resorts focuses on creating a structure that gives that hotel a long-term competitive advantage.

The response “Because it’s new and clean” is always one of the main reasons why guests choose a hotel. Within a life cycle of several decades, there will always be competitors whose hotels are newer than ours and measures to avoid new facilities reaching an advantageous position are important.

The hard-dependent model has the latecomer advantage, and it becomes necessary to create a structure that gives the starter advantage by competing with soft power. Hoshino Resorts’ approach to this issue lies in the three soft powers that have emerged from a history of operating history in regional areas of more than 100 years.

Hoshino Resort representative: Yoshiharu Hoshino

Flat organizational culture

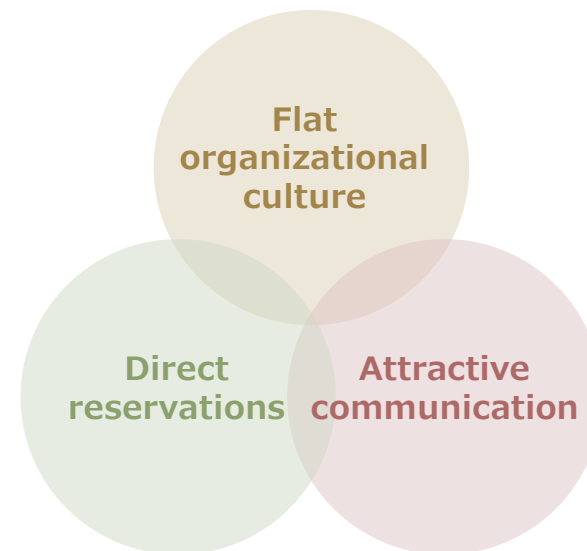
- Autonomous PDCA cycle based on the sharing of management information
- Flat relationships that enable active discussion regardless of position, gender, etc.

Smooth reservations on the company’s website

- We pursue convenience such as optimal rates and the pre-booking of activities.
- We realize high profit margins with a rate of direct reservations on the company’s website of 60 to 70%.
- We maintain an equal relationship with OTA and demonstrate high synergistic effects mutually.

Attractive communication

- Proposal-type attractive communication that is different to Western-style service
- Introduction of multitasking: Productivity can be improved by a single staff member handling multiple tasks, such as reception work, room cleaning and serving. The extra time generated is used to develop attraction (ryokan method)
- The creation of new attractiveness led not by headquarters, but always by facilities
- Deep collaboration with local society: We create the attraction of facilities by communicating local attraction, local brand power improves, and collaborative relationships with local society are strengthened further.



Appendix (2):

About

Hoshino Resorts REIT
and the portfolio

Hoshino
Resorts
REIT



Overview of property portfolio by brand (1)

HRR owns a wide range of brands developed by Hoshino Resorts.

July 1, 2023 forecast

Operator					
Brand					
Genre	Luxury hotels	Resort hotels	Luxury hot spring ryokan	City tourist hotels	Casual hotels
Brand overview	A brand that tempts the overwhelmingly extraordinary with original themes	Resort hotels with sophisticated design and plenty of activities	High quality hot spring ryokan focused on a pleasant Japanese atmosphere, where guests rediscover regional charm	Exciting urban hotels	More than a tavern, less than a trip, hotels where everybody spends their time in a laid-back way
Annual ADR ^(Note 1)	About 89,000 yen ^(Note 2)	About 67,000 yen	About 46,000 yen ^(Note 3)	About 15,000 yen	About 19,000 yen
Representative facilities	 HOSHINOYA Karuizawa	 RISONARE Yatsugatake	 KAI Hakone	 OMO7 Asahikawa	 BEB5 Karuizawa
No. of properties owned	5	2	13	2	1
Total acquisition price (Ratio)	31,803 million yen (16.0%)	10,383 million yen (5.2%)	28,823 million yen (14.5%)	6,819 million yen (3.4%)	2,170 million yen (1.1%)

Overview of property portfolio by brand (2)

HRR also invests in properties other than those operated by Hoshino Resorts that are likely to secure steady cash flows over a long-term period.

July 1, 2023 forecast

Operator	Solare	IHG ANA Hotels	Hyatt International	Seibu Prince Hotels	Ishin Hotels Group
Brand					
Genre	Roadside	Full-service	Full-service	Full-service	Specialized in accommodation
Brand overview	Hotels that specialize in accommodation near highway interchanges and along major roads	Upscale hotels offering the world-class service of Crowne Plaza and the high-quality hospitality boasted by ANA Hotels	Hotels that offer luxurious, iconic and grand stays	Comfortable, spacious interiors, relaxing guest rooms and excellent service Hotels that serve as bases for interaction that place a high value on connections between people	Stylish city hotels in major cities nationwide
Annual ADR ^(Note)	About 6,300 yen	About 11,000 yen	About 28,000 yen	-	About 8,500 yen
Representative facilities	 Chisun Inn Fukushima Nishi IC	 ANA Crowne Plaza Toyama	 Grand Hyatt Fukuoka	 Grand Prince Hotel Osaka Bay	 the b akasaka
No. of properties owned	22	3	1	1	5
Total acquisition price (Ratio)	15,995 million yen (8.1%)	28,401 million yen (14.3%)	7,700 million yen (3.9%)	13,866 million yen (7.0%)	26,430 million yen (13.3%)

Inbound tourism ratio

Properties operated by Hoshino Resorts

Name of property	May 2021 ~ Apr. 2022	May 2022 ~ Apr. 2023	Change
HOSHINOYA Karuizawa	0.2%	16.4%	+16.2pt
HOSHINOYA Kyoto	0.1%	29.4%	+29.2pt
HOSHINOYA Fuji	0.4%	29.8%	+29.4pt
HOSHINOYA Taketomi Island	0.3%	1.8%	+1.5pt
HOSHINOYA Okinawa	-	7.4%	+7.4pt
RISONARE Yatsugatake	0.0%	0.4%	+0.3pt
RISONARE Atami	0.0%	0.7%	+0.7pt
KAI Matsumoto	0.1%	4.4%	+4.3pt
KAI Tamatsukuri	0.0%	1.7%	+1.7pt
KAI Ito	0.0%	4.3%	+4.3pt
KAI Hakone	0.1%	11.0%	+11.0pt
KAI Aso	0.1%	5.5%	+5.5pt
KAI Kawaji	0.0%	2.6%	+2.6pt
KAI Kinugawa	0.0%	4.3%	+4.3pt
KAI Kaga	0.0%	1.8%	+1.8pt
KAI Alps	0.1%	4.6%	+4.5pt
KAI Enshu	0.0%	1.8%	+1.8pt
KAI Nagato	0.0%	1.2%	+1.2pt
KAI Kirishima	0.0%	1.7%	+1.7pt
KAI Beppu	0.1%	3.9%	+3.8pt
OMO7 Asahikwa	0.4%	3.4%	+3.0pt
Iriomote Hotel	0.0%	0.1%	+0.1pt
BEB5 Karuizawa	0.0%	2.5%	+2.5pt
Sub-total	0.1%	4.7%	+4.6pt

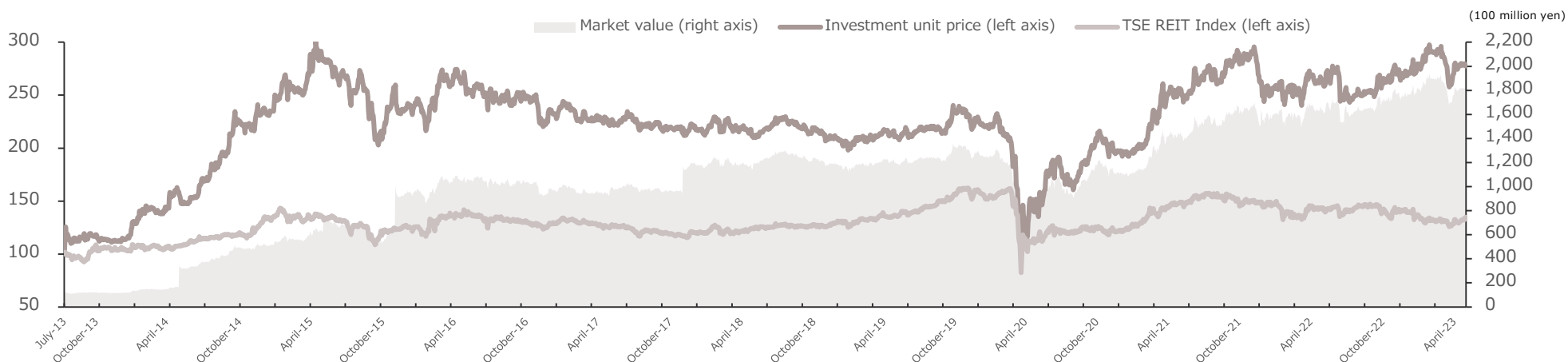
Properties operated by outside operators

Name of property	May 2021 ~ Apr. 2022	May 2022 ~ Apr. 2023	Change
22 Roadside Properties	0.0%	0.2%	+0.2pt
ANA Crowne Plaza Hiroshima	1.2%	12.0%	+10.8pt
ANA Crowne Plaza Kanazawa	0.2%	8.2%	+8.0pt
ANA Crowne Plaza Toyama	0.1%	6.7%	+6.6pt
Hyatt Regency Osaka	2.7%	34.4%	+31.7pt
Grand Hyatt Fukuoka	2.5%	25.0%	+22.5pt
the b akasaka	1.3%	58.1%	+56.8pt
the b sangenjaya	0.2%	4.4%	+4.2pt
the b nagoya	0.4%	14.0%	+13.6pt
the b kobe	0.4%	8.0%	+7.6pt
hotel androoms Osaka Hommachi	0.1%	18.1%	+18.0pt
Sol Vita Hotel Naha	0.0%	0.0%	+0.0pt
Quintessa Hotel Osaka Shinsaibashi	7.5%	22.8%	+15.3pt
Sub-total	0.6%	11.5%	+10.9pt

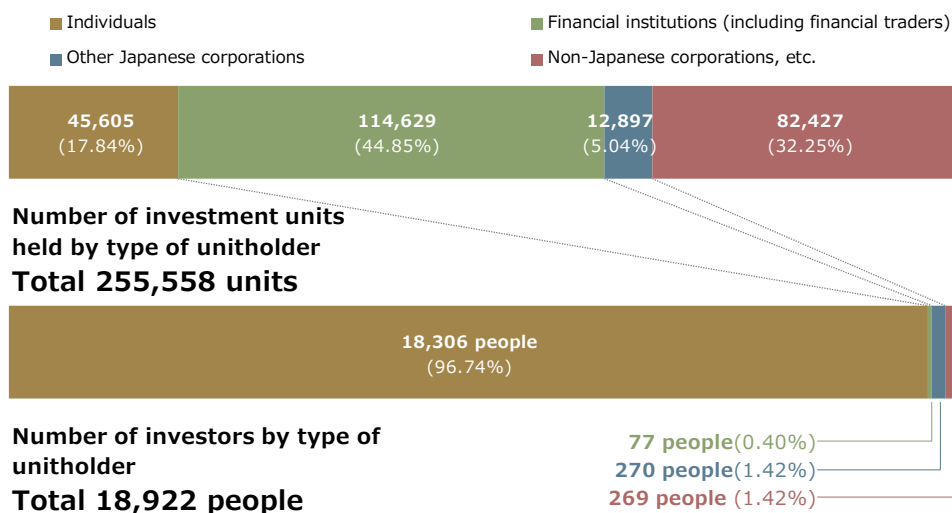
Total	0.5%	9.5%	+9.0pt
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Changes in market value and investment unit price/ Information on investors as of the end of the fiscal period ended April 2023

Changes in market value and investment unit price^(Note 1)



Investor Composition (as of April 30, 2023)^(Note 2)



(Note 3)

Major investors	Number of investment units held (units)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	42,495	16.62
Custody Bank of Japan, Ltd. (Trust account)	37,706	14.75
BNP PARIBAS SINGAPORE/2S/JASDEC/CLIENT ASSET	19,777	7.73
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	11,867	4.64
K.K. Horizon Hotels	4,732	1.85
STATE STREET BANK WEST CLIENT - TREATY 505234	4,333	1.69
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,152	1.23
JP MORGAN CHASE BANK 385781	3,021	1.18
STATE STREET BANK AND TRUST COMPANY 505103	2,956	1.15
JP MORGAN CHASE BANK 385770	2,802	1.09
Total	132,841	51.98

* Percentage of investment units held by Hoshino Resorts: 3.84%

P4

(Note) The Hyatt Regency Osaka is scheduled to be rebranding to open as the Grand Prince Hotel Osaka Bay on July 1, 2023. In this document, the property may be described as one of “2 Hyatt properties” or referred to as “Hyatt Regency Osaka” or “Grand Prince Hotel Osaka Bay” for convenience.

P7

(Note) The timing of occurrence of variable rent and the specific calculation method differ depending on the property.

P10

(Note) The coefficient differs depending on the lease agreement for each property.

P12

(Note) In the calculation of the ratio, the acquisition price of the “Hyatt Regency Osaka” has been divided proportionally by the number of rooms of the “Hyatt Regency Osaka” and “RISONARE Osaka” in association with the opening of “RISONARE Osaka.” The same shall apply hereinafter.

P18

(Note 1) Properties acquired from May 2018 on are not included.

(Note 2) Figures are not given for “BEB5 Karuizawa” (opened in February 2019) prior to April 2019 because it has no annual operating results prior to April 2019.

P19

(Note 1) Because “BEB5 Karuizawa” opened in February 2019, there is no comparison figure against the result for the previous year for January 2020. Consequently, the figures for January 2021 to 2023 have been calculated compared with January 2020. Furthermore, because operations are not stable for a certain period of time after opening, the figures for February and March from 2021 to 2023 have been calculated compared with February and March of 2020, respectively.

(Note 2) Properties acquired from January 2019 on are not included.

P21

(Note) Because “Comfort Hotel Takamatsu” was acquired in November 2022, in calculating the figures for the end of the previous fiscal year, we adopted the figures stated in the real estate appraisal report already acquired as of the acquisition date.

P29

(Note) This document only describes the risk level and the roles of related parties from generally assumed hotel development to stable operation as an image and does not guarantee that the actual development of a hotel will be as shown in the image.

P34

(Note) “ Hot water heat pump unit utilizing seawater desalination heat sources ” is a product that Zeneral Heatpump Industry Co., Ltd., and Enagia® Inc., developed for introduction to “HOSHINOYA Taketomi Island.”

P35

- (Note 1) All figures shown are based on the figures provided by the operator of each property.
- (Note 2) The data collection period is from April to March each year.
- (Note 3) Those properties owned by HRR whose data acquisition area is 100% are included.
- (Note 4) The calculation method of primary units is (energy consumption of those owned properties with a data acquisition area of 100%) divided by the denominator (area of properties with a data acquisition area of 100% (m²)).
- (Note 5) The calculation method of primary units is (greenhouse gas (GHG) emissions of owned properties with a data acquisition area of 100%) divided by the denominator (area of properties with a data acquisition area of 100% (m²)).
- (Note 6) The calculation method of primary units is (water consumption of owned properties with a data acquisition area of 100%) divided by the denominator (area of properties with a data acquisition area of 100% (m²)).
- (Note 7) The calculation method of primary units is (waste recycling volume of owned properties with a data acquisition area of 100%) divided by the denominator (area of properties with a data acquisition area of 100% (m²)).
- (Note 8) Leasable floor area is calculated based on the lease agreement for each property.
- (Note 9) "Percentage contracted based on leasable floor area" is calculated using the following formula.
"Percentage contracted based on leasable floor area" = total leasable floor area of properties with green lease agreements divided by total leasable floor area of the portfolio overall x 100
- (Note 10) Evaluations may vary by building depending on the property, and in that case, the evaluation results for the building that received the highest rating (the evaluated building) at each property is listed.
- (Note 11) "Green / sustainability procurement capacity" is calculated based on the green / sustainability finance framework formulated by HRR by deducting the balance of green / sustainability loans (bonds) from the amount calculated by multiplying the total acquisition prices of properties that meet the eligibility criteria as of the date of this document by [total interest-bearing debt divided by total acquisition price of all properties].
- (Note 12) "Green / sustainability equity" is calculated based on the green / sustainability finance framework formulated by HRR by multiplying the total acquisition prices of properties that meet the eligibility criteria as of the date of this document by [1 - total interest-bearing debt divided by total acquisition price of all properties].

P42

- (Note 1) Annual ADR is a reference value calculated taking May 2022 to April 2023 as the base period.
- (Note 2) Annual ADR for the HOSHINOYA brand is the figure for four HOSHINOYA properties and does not include "HOSHINOYA Okinawa."
- (Note 3) Annual ADR for the KAI brand is the figure excluding "KAI Alps," "KAI Enshu," "KAI Nagato," "KAI Kirishima" and "KAI Beppu" from the 13 KAI properties.

P43

- (Note) Annual ADR is a reference value calculated taking May 2022 to April 2023 as the base period. However, ADR is not shown for Grand Prince Hotel Osaka Bay because it has not been rebranded and opened as of the date of this document.

P45

- (Note 1) The start date for the graph is July 11, 2013, the day of business immediately prior to the new listing date. In consideration of the investment unit split (half) effective as of November 1, 2016, the investment unit price has been indexed taking one-half of the issue price 510 000 Yen of the public offering implemented on July 11, 2013 as 100 and revising the figures prior to October 26, 2016, the last trading day before the investment unit split, accordingly. In addition, the Tokyo Stock Exchange REIT index has been indexed taking the closing price as of July 11, 2013 as 100.
- (Note 2) The ratios in parentheses under the number of units held by type of unitholder indicate the ratio of units held by each type of unitholder against the total number of investment units issued. In addition, the ratio in parentheses under number of investors by type of unitholder indicates the ratio of the number of investors by each type of unitholder to the total number of investors who own HRR. All figures are shown rounded down to two decimal places.
- (Note 3) Percentage means the ratio of the number of investment units owned against the total number of investment units issued, rounded down to two decimal places.

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This document is not a disclosure document or report based upon the Financial Instruments and Exchange Act, the Act on Investment Trusts and Investment Corporations, public listing regulations of the Tokyo Stock Exchange or other related laws and regulations.

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The contents of this document have not been audited and their accuracy and completeness are not guaranteed. Analyses, judgments and other opinions of the Asset Management Company that are not actual instance are only reflecting the views of the Asset Management Company as of the date of the document. Therefore, other views and opinions exist and the Asset Management Company may change its views in the future.

The figures under the same item of other disclosed materials may differ from figures presented in this document due to different rounding of fractions, etc.

While HRR and the Asset Management Company has taken due care in the preparation of this document, the possibility of errors exists. Readers are also cautioned that the contents of this document are subject to correction or change without prior notice.

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Although this documents include statements regarding HRR's future policies, etc., these statements do not guarantee such future policies, etc.

This document may include properties that are not included in the properties held by HRR as of the date of this document, such as facilities owned by Hoshino Resorts, DBJ Joint Fund, and WBF. There are no specific plans for HRR to acquire any of these properties, including those described in the list of major sponsor pipelines, as of the date of this document, nor is there any guarantee that HRR will be able to acquire them in the future. Please refer to "Status of Portfolio" on our website: <https://www.hoshinoresorts-reit.com/en/portfolio/list.html>

For the convenience of preparing graphs, the dates indicated may differ from actual business dates.

Contact TEL: +81-3-5159-6338

REIT Securities Issuer: Hoshino Resorts REIT, Inc. (securities code: 3287)

Asset Management Company: Hoshino Resort Asset Management Co., Ltd. (Financial instruments business operator, Director of Kanto Local Finance Bureau (Kin-sho) No. 2405, Member of the Investment Trusts Association, Japan)