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For immediate release

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Hoshino Resorts REIT, Inc.
Representative: Kenji Akimoto, Executive Director
(Code: 3287)

Asset Management Company
Hoshino Resort Asset Management Co., Ltd.
Representative: Kenji Akimoto, President & CEO
Contact: Takahiro Kabuki, Director & CFO
TEL: +81-3-5159-6338

Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Right (HOTEL VISTA MATSUYAMA)

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), the asset management company to which HRR entrusts its asset management, has made a decision today to implement an acquisition (hereinafter the “Acquisition”) of the following domestic real estate trust beneficiary right (hereinafter the “Asset to be Acquired”; the property involved in the Asset to Be Acquired is referred to as the “Property”).

Please also refer to the Appendix attached at the end of this document for details such as a property summary of the Property.

1. Overview of the Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 3)	Seller
Operation by entities other than the Hoshino Resorts Group	Urban tourism	O-50	HOTEL VISTA MATSUYAMA	Matsuyama-shi, Ehime	1,904	Fuyo General Lease Co., Ltd.

(Note 1) “Category” indicates either operations by the Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI,” and “Others”) or operations by entities other than the Hoshino Resorts Group (“Urban tourism” and “Others”) in accordance with the classification of investment target assets of HRR. The same shall apply hereinafter.

(Note 2) “Property No.” indicates the property number assigned to each of the four categories of “HOSHINOYA,” “RISONARE,” “KAI,” and “Other” according to the classification of the investment assets of the Asset Management Company prior to the revision of the Asset Management Company’s management guidelines dated October 11, 2017. The same shall apply hereinafter.

(Note 3) “Planned acquisition price” indicates the sales/purchase price of the Asset to Be Acquired stated in the sales and purchase agreement (excluding consumption tax, local consumption tax, and expenses such as sales commissions), rounded down to the nearest million yen.

(1) Date of conclusion of the sales and purchase agreement: May 23, 2023

(2) Scheduled acquisition date: June 1, 2023 (delivery settlement date)

(3) Seller: Fuyo General Lease Co., Ltd.

(4) Acquisition funds: Borrowings and cash on hand (planned)

(5) Payment method: Full payment upon delivery (planned)

(6) Collateral setting: None

(7) Existence of intermediary: Yes (Note)

(Note) The intermediary is a domestic general business company and does not fall under the category of a person who has a special interest in HRR or the Asset Management Company.

2. Reasons for the Acquisition

HRR makes focused investments in facilities that are likely to secure steady cash flows over a long-term period. HRR believes that, of the hotels, ryokans, and ancillary facilities (Note) operated by the Hoshino Resorts Group (Hoshino Resorts Inc., its parent company and subsidiaries; the same shall apply hereinafter), three of its core brands—HOSHINOYA, KAI, and Hoshino Resorts RISONARE—are particularly equipped to secure long-term and stable cash flows.

In addition, regarding hotels, ryokans, and ancillary facilities operated by entities other than the Hoshino Resorts Group, HRR has a policy of achieving external growth while ensuring the stability of earnings by actively investing in facilities that are expected to be used stably as well as secure long-term and stable cash flows. Based on this policy, HRR has decided to obtain the Asset to Be Acquired.

The Property is located in the Okaido area, a key downtown area of Matsuyama City, Ehime Prefecture, the largest city in the Shikoku region. It is excellently situated within walking distance of Matsuyama's most well-known shopping streets, such as Okaido and Gintengai shopping streets, as well as major sightseeing spots in Matsuyama City, including Matsuyama Castle, Bansuiso, and Saka no Ue no Kumo Museum. It is also very close to the Ehime Prefectural Office, the Matsuyama District Court, and Sanban-cho, the business district of Matsuyama City, making it highly convenient for business users such as those on business trips. Accordingly, HRR believes that stable accommodation demand can be expected for both tourism and business.

HRR believes that the Acquisition will further diversify its portfolio in terms of facility location, the business model and brand, and operators, thereby reducing the risk of a significant decline in cash flows due to changes in traveler needs or trends, disasters, and domestic and international economic trends, compared with previous periods, and strengthen the stability of HRR's earnings.

Please also refer to the Appendix attached at the end of this document for details such as a property summary of the Property.

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

3. Details of the Asset to Be Acquired

The table below gives an overview of the Asset to Be Acquired.

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

a. Description of the "Overview of Specified Asset" column

- For "Use," accommodation facilities mainly with Western-style structures and facilities are indicated as "hotel" while those mainly with Japanese-style structures and facilities are indicated as "ryokan" based on the current conditions of the property. Because the description in "Use" is a classification to better understand the overall characteristics of individual facilities in accordance with the investment policy of HRR, it may differ from the use of individual buildings comprising the facilities stated in the real estate registry.
- "Scheduled acquisition date" indicates the scheduled acquisition date of the Asset to Be Acquired but is subject to change upon agreement between HRR and the current owner(s).
- "Type of specified asset" indicates the type of real estate and other assets as specified assets.
- "Trustee" indicates the trustee stated in the trust agreement.
- "Trust period" indicates the trust period to be described in the trust agreement after the change planned in connection with the Acquisition.
- "Planned acquisition price" indicates the sales/purchase price of the Asset to Be Acquired stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes, and expenses such as transaction commissions).

- “Appraisal value (Appraisal date)” indicates the real estate appraisal value and appraisal date stated in the real estate appraisal report for the Property obtained from Japan Valuers Co., Ltd.
- “Location (residential indication),” in principle, indicates the residential address. In cases where there is no residential address, it is the building location (if several, one of the locations) in the real estate registry.
- “Transportation” is based on the real estate appraisal report, etc. for the Property obtained from Japan Valuers Co., Ltd.
- “Lot number” of the land is the building location (if several, one of the locations) in the registry.
- “Building coverage ratio” of the 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 the type of use district, etc. (designated building coverage ratio) (if several, all of them). The 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 the building coverage ratio that actually applies.
- “Floor-area ratio” of the land is the ratio of total floor area of the building to the 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 the type of use district, etc. (designated floor-area ratio) (if several, all of them). The 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 the floor-area ratio that actually applies.
- “Use district” of the 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 the land is based on the description in the registry (if there is any leased land, the leased area is included; the leased area is based on the description in the lease agreement) and may differ from the present state.
- “Type of ownership” for the land and buildings indicates the type of right held by the trustee for real estate in trust and that held by HRR for real estate.
- “Completion date” of the building is the date of inspection of the completion of construction for the main building as per the inspection certificate under the Building Standards Act.
- “Structure / floors” of the building is based on the description in the registry for the main building.
- “Total floor area” of the building is based on the description in the registry, including the floor area of annex buildings.
- “Building engineer” and “Constructor” of the building indicate the company names at the time of design and construction of the main building.
- “Leasable floor area” is the area indicated in the lease agreement that will be effective as of the scheduled acquisition date of the Asset to Be Acquired by HRR, or in the drawings of said property.
- “Occupancy rate” is the occupancy rate expected as of the scheduled acquisition date (the ratio of the total leased floor area to the total leasable floor area). If a lease agreement with suspensive conditions of becoming effective under the condition of HRR’s acquisition has been concluded between HRR and the tenant, the occupancy rate is indicated assuming that leasing has started on the scheduled acquisition date.
- “Major tenant” indicates the party with the largest leased area among those who lease the property from HRR under the lease agreement that will come into effect on the scheduled acquisition date of the Asset to Be Acquired by HRR.
- “No. of tenants” indicates the number of parties who will lease the property from HRR based on the lease agreement that is expected to come into effect on the scheduled acquisition date of the Asset to Be Acquired by HRR. However, this excludes those planning to lease part of the site or the building for the purpose of parking or installing antennas.
- “No. of guest rooms” indicates the number of guest rooms that can be used for accommodation.

- “No. of sublease tenants” is the number of parties that are scheduled to receive leases (subleases) from parties that lease the property from HRR based on the lease agreements that are scheduled to come into effect on the scheduled acquisition date of the Asset to Be Acquired 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.
 - In principle, “Special notes” indicate items that are considered important in terms of the rights and use of the Property as of the scheduled acquisition date as well as items that are considered important in terms of impact on the appraisal value, profitability, and disposability of the Property and other factors.
- b. Explanation of the “Lease Summary” column
- The “Lease Summary” column indicates the content of the lease agreement with the tenant who is to lease the hotel or ryokan with respect to the Asset to Be Acquired.

HOTEL VISTA MATSUYAMA			Category		Operation by entities other than the Hoshino Resorts Group (Urban tourism)		
			Use		Hotel		
Overview of Specified Asset							
Scheduled acquisition date		June 1, 2023		Type of specified asset		Trust beneficiary right	
Trustee		Mitsubishi UFJ Trust and Banking Corporation		Trust period		13 years from June 1, 2020 (scheduled)	
Planned acquisition price		1,904,000,000 yen		Appraisal value (Appraisal date)		2,100,000,000 yen (May 1, 2023)	
Location (residential address)		3-3-5, Ichiban-cho, Matsuyama-shi, Ehime					
Transportation		Approximately 80 meters from Okaido Station on the Jonan Line of the Iyo Railway					
Land	Lot number	3-3-5, Ichiban-cho, Matsuyama-shi, Ehime		Building	Completion date	April 2020	
	Building coverage ratio	80%			Structure/floors	12-storied building with steel-frame and flat roof	
	Floor-area ratio	600%			Total floor area	3,987.95m2	
	Use district	Commercial area			Building engineer	DAIWA HOUSE INDUSTRY CO., LTD., Ehime Branch, Architectural First-Class Architect Office	
	Site area	644.76m ²			Constructor	DAIWA HOUSE INDUSTRY CO., LTD., Ehime Branch	
	Type of ownership	Leasehold right			Type of ownership	Ownership	
Leasable floor area		3,987.95m ²		Occupancy rate		100%	
Main tenant		VISTA HOTEL MANAGEMENT Co., Ltd.		No. of tenants		1	
No. of guest rooms		140		No. of sublease tenants		0	
Special notes							
• The trustee has entered into a fixed-term land lease agreement for business in respect to the Land with individuals (two people) who are the lessors as follows:							
Lessor: Individuals (2 persons)							
Lessee: Trustee							
Type of leasehold: Fixed-term leasehold for business use							
Lease period: May 1, 2020 to March 31, 2070							
Rent: Non-disclosure (Note)							
Rent revision: Not applicable.							
Security deposit and guarantee deposit: Non-disclosure (Note)							
Premium: Not applicable							
Contract Renewal: Not applicable.							
Midterm cancellation: Not applicable.							
Preferential negotiation right: If all or any of the lessors intend to transfer all or part of their co-ownership interest in the Land to a third party, such intent and the desired transfer price shall be notified to the lessee in writing, and the lessee shall have the right of preferential negotiation for such transfer with the lessor who wishes to transfer the same for sixty (60) days after receiving such notice.							

(Note) Not disclosed because consent for disclosure has not been obtained from the lessors.

Lease Summary	
Lessee	VISTA HOTEL MANAGEMENT Co., Ltd.
Type of contract	Fixed-term building lease agreement
Contract period	10 years from June 1, 2020
Leased floor area	3,987.95m ²
Rent	Annual fixed rent: 115,000,000 yen Variable rent: As variable rent for each business year (one year from January 1 to December 31 every year), the amount obtained by multiplying the annual GOP of the business conducted in the Facility and the business incidental thereto after deducting the fixed rent for the relevant period by the fluctuation rate (58%) (Note) "Annual GOP" refers to the amount after deducting the cost of sales, personnel expenses, operating expenses, and other expenses related to the hotel business operated in the Building from the total operating revenue of the Facility for a certain period of time.
Security deposit and guarantee deposit	Security deposit: 38,300,000 yen
Renewal at the end of contract period	The contract shall end at the end of the contract period with no option for renewal.
Rent revision	Rent shall not be revised during the lease period. Provided, however, that the same shall not apply, if a natural disaster, terrorism, riot, outbreak of an epidemic, or significant change in the economic or social environment makes it significantly unreasonable to maintain the current rental conditions.
Midterm cancellation	The lessors and the lessee may not, in principle, cancel the Lease Agreement during the lease period.
Penalty	Not applicable
Method for re-contracting	There is no option for renewal and this agreement will terminate upon expiration of the lease term, but it may be renewed upon consultation between the parties.

4. Details of the Seller

Details of the Seller O-50 HOTEL VISTA MATSUYAMA

Trade name	Fuyo General Lease Co., Ltd.	
Head office	1-1, Kojimachi 5-chome, Chiyoda-ku, Tokyo	
Title and name of representative	Hiroaki Oda, President & CEO	
Capital stock	10,532 million yen (as of March 31, 2023)	
Date of incorporation	May 1, 1969	
Net assets	409,437 million yen (as of March 31, 2023)	
Total assets	3,149,740 million yen (as of March 31, 2023)	
Major shareholders and shareholding ratio (As of September 30, 2022)	Hulic Co., Ltd. (14.00%) The Master Trust Bank of Japan, Ltd. (Trust account) (9.11%) Meiji Yasuda Life Insurance Company (8.48%)	
Main business	Leasing	
Relationship with HRR or the Asset Management Company	Capital relationship	There is no capital relationship that should be stated between HRR/the Asset Management Company and the seller.
	Personal relationships	There is no personal relationship that should be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship that should be stated between HRR/the Asset Management Company and the seller.
	Applicability to related parties	It is not a related party of HRR or the Asset Management Company.

5. Transactions with Interested Persons, etc.

Not applicable

6. Status of Property Acquirer, etc.

The Asset to Be Acquired will not be acquired from any person who has a special interest in HRR and the Asset Management Company.

7. Future Outlook

Because the Acquisition is scheduled to take place on June 1, 2023, it will not impact the future outlook of the financial results for the fiscal period ended April 2023 (November 1, 2022 to April 30, 2023).

In addition, the impact on the future outlook of the financial results for the fiscal period ending October 2023 (May 1, 2023 to October 31, 2023) is minimal, and there is no change from the “(REIT) Financial Report for Fiscal Period Ended October 2022” released on December 15, 2022.

8. Appraisal Report Summary

Appraisal Report Summary		
Real estate appraisal agency	Japan Valuers Co., Ltd.	
Appraisal value	2,100,000,000 yen	
Appraisal date	May 1, 2023	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue ((i) – (ii) – (iii))	150,341,720 yen	-
(i) Potential gross revenue	150,341,720 yen	Based on actual contracts.
(ii) Amount equivalent to vacancy loss	0 yen	-
(iii) Amount equivalent to bad debt loss	0 yen	Not recorded based on the content of the contract and collateral such as security deposits.
(2) Operating expenses ((iv) + (v) + (vi) + (vii) + (viii))	26,222,612 yen	-
(iv) Management outsourcing expenses	0 yen	Not recorded. Paid for by the tenant.
(v) Repair expenses	1,759,525 yen	Recorded 30% of the 12-year average for “repair and renewal expenses” in ER.
(vi) Taxes and public dues	6,091,542 yen	Assessed based on the actual amount.
(vii) Insurance premium	371,545 yen	Based on the estimated amount.
(viii) Rent to pay	18,000,000 yen	Based on the actual amount.
(3) Net operating income ((i) – (ii))	124,119,108 yen	-
(4) Lump sum investment profit, etc.	113,000 yen	Investment return of 1.0%
(5) Capital expenditure	9,478,744 yen	Recorded 70% of the 12-year average for “repair and renewal expenses” in ER and fixed amount equivalent to FF&E reserve.
(6) Net revenue ((iii) + (iv) - (v))	114,753,364 yen	-
(7) Discount rate	4.8%	The Property is a fixed-term land lease for business use, and the fixed-term capitalization method (Inwood method) is used for trial calculations using the direct capitalization method and the DCF method.
Direct capitalization value	2,110,000,000 yen	-
Price by DCF method	2,080,000,000 yen	-
Discount rate (up to 10th year)	4.5%	-
Discount rate (after the 11th year)	5.1%	-
Integrated value using cost method	1,580,000,000 yen	-
Ratio of land	26.2%	-
Ratio of building	72.7%	-
FF & E ratio	1.1%	-
Other matters noted by the appraisal agency in their appraisal	Not applicable	

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

* 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.

< Appendix >

Reference material: Summary of Building Condition Evaluation Report and Earthquake Risk Assessment Report of the Property

Reference material: Summary of Building Condition Evaluation Report and Earthquake Risk Assessment Report of the Property

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-50	HOTEL VISTA MATSUYAMA	Tokio Marine dR Co., Ltd.	May 2023	-	5,865

(Note 1) “Short-term repair expenses” and “Long-term repair expenses (annual average)” are based on the descriptions in the Building Condition Evaluation Report.

(Note 2) “Short-term repair expenses” are repair and renewal expenses required when implementing repairs and renewals within approximately one year due to progressed deterioration, excluding expenses for normal repairs or interior/facility renewals, based on the Building Condition Evaluation Report investigated and prepared by the investigator.

(Note 3) “Long-term repair expenses (annual average)” are the amount of repair and renewal expenses for the next 12 years from the time of the investigation, based on the Building Condition Evaluation Report surveyed and prepared by the investigator. The figure has been converted to an annual average and rounded to the nearest thousand yen by HRR.

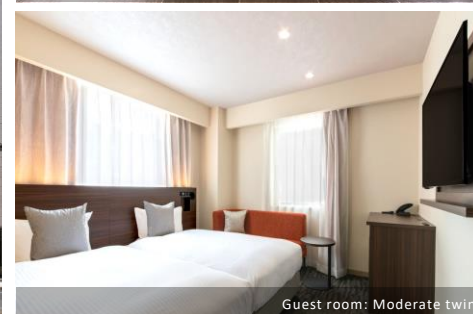
Property No.	Property name	Investigator	Investigation date	PML value (expected maximum loss ratio) (%)
O-50	HOTEL VISTA MATSUYAMA	Tokio Marine dR Co., Ltd.	March 31, 2023	1.8

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 an increase in tourism demand, 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, which is 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 onward, both ADR and guest room occupancy rates are gradually recovering as we move toward the post-corona era. With further recovery of tourism demand in the future, it is expected that operations will be maintained at a reasonable level.

Location	Ichiban-cho, Matsuyama, Ehime	Planned acquisition price	1,904 million yen
Completion date	April 2020	Real estate appraisal value	2,100 million yen
Scheduled acquisition date	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)

