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For immediate release

REIT Securities Issuer
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Notice Concerning the Transfer of Domestic Real Estate (KAI Kawaji)

Hoshino Resort Asset Management Co., Ltd., an asset management company entrusted by Hoshino Resorts REIT, Inc. (hereinafter referred to as "HRR") with the management of its assets (hereinafter referred to as the "Asset Management Company"), announced today the decision to transfer the property as follows (hereinafter referred to as the "Transfer").

1. Overview of the Transfer

(1) Name of the property: KAI Kawaji (the “Property”)
(2) Location: Kawaji Onsen, Nikko-shi, Tochigi
(3) Expected transfer price: 1,260,000,000 yen (Note 1)
(4) Assumed carrying amount: 1,071,257,728 yen (Note 2)
(5) Difference between expected transfer price and assumed carrying amount: 188,742,272 yen (Note 3)
(6) Date of execution of purchase agreement: May 24, 2024
(7) Scheduled transfer date: May 31, 2024
(8) Intermediary: None

Note 1: Excluding property tax, city planning tax, consumption tax and local consumption tax.
Note 2: An assumed carrying amount at the time of transfer is stated.
Note 3: This is a reference value calculated as the difference between the expected transfer price and the assumed carrying amount, and is different from the loss (gain) on sale.

2. Reason for the Transfer

The Asset Management Company has endeavored to build a portfolio based on a comprehensive assessment, taking into account the stability and future potential of each property's cash flow, as well as the growth potential and profitability of the overall portfolio and risk factors.

The Property is an older property among the KAI brand properties, one of Hoshino Resort's major brands, and while an increase in capital expenditures required to maintain competitiveness is expected due to aging, the decision to make this Transfer is based on the possibility of returning profits to investors by realizing gains on transfer through this sale.

Following the Transfer, the Hoshino Resorts Group plans to cease operations of "KAI Kawaji" as of September 30, 2024.

3. Details of the assets to be transferred

Details of the property are as described in the individual property table in "Part I: Fund Information / Section 1: Fund Status / 5 Management Status / (2) Investment Assets / (iii) Other Major Investment Assets / (l)

Disclaimer: This press release has been prepared for the purpose of publicly announcing the transfer of domestic real estate (KAI Kawaji) by HRR, and has not been prepared for the purpose of soliciting investments within or outside Japan. When making an investment, please ensure to read the prospectus for the issuance of new investment units and secondary offering of investment units prepared by HRR and any amendments thereto. Any investments should be made based on your own assessment and at your own risk.

Summary of Individual Properties, etc." in the Securities Report filed on January 26, 2024.

4. Overview of the transferee

Details of the transferee are not disclosed as the consent for disclosure has not been obtained. There is no significant capital relationship, personnel relationship and business relationship between HRR and the Asset Management Company and the transferee, and the transferee does not fall under a related party of HRR and the Asset Management Company.

The transferee is not an interested party, etc. as defined in Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended), nor is it an interested party, etc. as defined in the Asset Management Company's internal regulations or "Rules on Transactions with Interested Parties".

5. Future Outlook

The Transfer is scheduled to take place on May 31, 2024, so there will be no impact on the operating forecast for the period ended April 2024 (November 1, 2023 - April 30, 2024).

In addition, for details on the impact on and outlook for operating conditions for the period ending October 2024 (May 1, 2024 - October 31, 2024) and the period ending April 2025 (November 1, 2024 - April 30, 2025), please refer to the "Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2024 and Announcement of Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2025" separately announced today.

6. Appraisal report summary

Appraisal report summary			
Real estate appraisal agency		JLL Morii Valuation & Advisory K.K.	
Appraisal value		1,320,000,000 yen	
Appraisal date		October 31, 2023	
		Value	Remarks, etc.
Direct capitalization method			
(1) Operating revenue ((i) - (ii) - (iii))		113,858,000 yen	-
	(i) Gross potential income (rental income, common expenses, other income, etc.)	113,858,000 yen	Appraised stable medium to long term rent, etc. based on current conditions, etc.
	(ii) Vacancy and other losses	0 yen	Not recognized as the lease is expected to be long term under the terms of the agreement.
	(iii) Loss from bad debts	0 yen	Not recognized as the lease is secured by deposits, etc.
(2) Operating expenses ((iv)+(v)+(vi)+(vii)+(viii)+(ix)+(x)+(xi))		20,561,000 yen	-
	(iv) Maintenance and management expenses	580,000 yen	Appraised based on the contract offered (20 yen/month/rental tsubo).
	(v) Utilities expenses	0 yen	Not recorded due to tenant's burden.
	(vi) Repair expenses	7,653,000 yen	Recognized at 30% of the amount determined to be reasonable based on ER's estimate.
	(vii) PM fees	0 yen	Not recorded due to tenant's burden.
	(viii)Tenant recruiting expenses, etc.	0 yen	-
	(ix) Taxes and public dues	11,126,000 yen	Land: Based on the reported actual value and taking into account the rate of change. Buildings: Appraised, taking into account depreciation over time. Depreciable assets: Valued based on actual value, taking into account depreciation over time.

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	(x) Property insurance premium	602,000 yen	The materials presented were deemed adequate and recorded (equivalent to 0.02% of replacement cost).
	(xi) Other expenses	600,000 yen	Land rent paid
(3) Net operating revenue ((1) - (2))		93,297,000 yen	-
(4) Gain on investments from guarantee deposits, etc.		498,000 yen	Appraised by multiplying the amount of security deposits, etc., at full occupancy less the amount equal to vacancy by the yield of 1.0%.
(5) Capital expenditure		17,856,000 yen	Recorded at 70% of the amount leveled off based on ER's estimate as reasonable.
(6) Net revenue ((3)+(4)-(5))		75,939,000 yen	-
(7) Cap rate		5.7%	-
Direct capitalization value		1,330,000,000 yen	-
Discounted cash flow value		1,310,000,000 yen	-
	Discount rate	5.5%	-
	Terminal cap rate	5.9%	-
Integrated value by using cost method		793,000,000 yen	-
	Ratio of land	15.9%	-
	Ratio of building	84.1%	-
Other matters noted by the appraisal agency upon valuation		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.*

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