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For immediate release

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Notice Concerning Acquisition of Domestic Real Estate (KAI Poroto)

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd., the asset management company, to which HRR entrusts its asset management (hereinafter the “Asset Management Company”), has made a decision today to acquire (hereinafter the “Acquisition”) real estate in Japan (hereinafter the “Asset to Be Acquired”) as follows:

Furthermore, the counterparty to the lease of the Asset to Be Acquired will become an interested party, etc. under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (hereinafter the “Investment Trust Act”) after the acquisition of the Asset to Be Acquired, and will also become an interested party, etc. under the Asset Management Company’s internal rules, the “Related Party Transactions Rules.” Therefore, in deciding on the leasing, the Asset Management Company has obtained the consent of HRR based on the approval of HRR’s Board of Directors meeting held today, pursuant to the Investment Trust Act and the “Related Party Transactions Rules.”

1. Overview of Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 3)	Seller
Properties operated by Hoshino Resorts Group	KAI	K-14	KAI Poroto	Shiraoi-gun, Hokkaido	3,060	K.K. Shiraoi Hotel Management

(Note 1) “Category” indicates either properties operated by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI,” “OMO” and “Others”) or properties operated by outside operators (“Urban Tourism” and “Others”), according to the brand of the assets that HRR invests in. 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 “Others” (including OMO) according to the brand of the assets that HRR invests in. 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 taxes, local consumption taxes and expenses such as transaction commissions), each rounded down to the nearest million yen.

(1) Date of conclusion of purchase agreement	December 16, 2024
(2) Scheduled acquisition date	January 8, 2025 (delivery settlement date)
(3) Seller	Please refer to “4. Overview of the Seller” below.
(4) Acquisition funds	Borrowings and cash on hand (planned)
(5) Payment method	Full payment upon delivery (planned)
(6) Collateral setting	None
(7) Intermediary	None

2. Reason for acquisition

HRR makes active investments in facilities that are likely to secure a steady cash flow over a long-term period. Of the hotels, ryokans and ancillary facilities (Note 1) operated by Hoshino Resorts Group (Hoshino Resorts Inc., its parent company and subsidiaries; the same shall apply hereinafter), HRR believes that four brands of “HOSHINOYA,” “KAI,” “Hoshino Resorts RISONARE,” and “OMO by Hoshino Resort” which are the core brands, are the facilities that can especially secure long-term and stable cash flows.

The Asset to Be Acquired is a four-story hot spring ryokan located on the shores of Lake Poroto, which opened in January 2022 as the KAI brand’s first facility in Hokkaido. Its strength lies in its unique concept of allowing guests to experience Ainu culture, and with occupancy rates remaining above 90% from May 2024 to October 2024 due in part to an increase in inbound tourism, we believe that stable operation can be expected in the medium to long term.

For this reason, HRR believes that it will be able to ensure stability and growth in its portfolio earnings. In light of the financing environment, HRR will continue to aim to achieve its mid- to long-term target of total assets of over 300 billion yen and Hoshino Resorts Group–operated property ratio (Note 2) of over 50%

(Note 3).

Please also refer to the Supplementary Explanatory Material attached at the end of this document for details such as a property overview of the Asset to Be Acquired.

Following the acquisition of the Asset to Be Acquired by HRR, Hoshino Resorts Group plans to promptly acquire shares in K.K. Shiraoi Hotel Management, the management corporation of KAI Poroto, and make it a wholly owned subsidiary.

(Note 1) “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.

(Note 2) “Hoshino Resorts Group–operated properties” refers to hotels, ryokans and ancillary facilities operated by the Hoshino Resorts Group. Additionally, “Hoshino Resorts Group–operated property ratio” refers to the ratio of the (planned) acquisition price of properties managed by Hoshino Resorts Group in the (planned) acquisition price of HRR’s entire portfolio.

(Note 3) They are the target values in the medium-term management plan formulated by the Asset Management Company. Such target values are those as of today, and we do not guarantee that HRR’s asset size will reach the target value in the future or when they will be achieved. Further, the medium- to long-term targets may be changed or eliminated due to factors such as fluctuations in the investment environment and real estate market conditions.

3. Details of the Asset to Be Acquired

An overview of the Asset to Be Acquired and Lease Summary are as shown in the tables below.

For explanations of the information in each column of each table, please see below.

[1] Explanation of an Overview of Specified Asset column

- “Category” indicates either management by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI,” “OMO” and “Others”) or management by outside operators (“Urban tourism” and “Others”) in accordance with the classification of the investment target assets of HRR.
- For “Purpose of 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 Asset to Be Acquired. Since the description in the “Use” column is a classification to grasp the overall characteristics of each facility in accordance with the investment policy of HRR, it may differ from the use of individual buildings comprising each facility stated in the real estate registry.
- “Scheduled acquisition date” indicates the scheduled acquisition date as of the date of this document, but it 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.
- “Planned acquisition price” indicates the sales/purchase price stated in the sales and purchase agreement regarding the Asset to Be Acquired (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- “Appraisal value (Appraisal date)” is the real estate appraisal value and appraisal date stated in the real estate appraisal report for the Asset to Be Acquired obtained from Japan Valuers Co., Ltd.
- “Location (residential indication),” in principle, indicates the residential indication. For properties without residential indication, the building address listed on the real estate registry (or one of the addresses if there are multiple addresses) is indicated.
- “Transportation” is based on the real estate appraisal report on the Asset to Be Acquired, which was obtained from Japan Valuers Co., Ltd.

- “Lot number” of land is the building location (if several, one of the locations) in the registry.
- “Building coverage ratio” of land is, in principle, the ratio of building area to the area of the building site as stipulated in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (hereinafter the “Building Standards Act”) and indicates the upper limit of the building coverage ratio stipulated by city planning according to type of use district, etc. (designated building coverage ratio) (if several, all of them). The designated building coverage ratio may be relaxed, raised or reduced due to reasons such as being fireproof structures in a fire prevention district, and thus may differ from a building coverage ratio that actually applies.
- “Floor-area ratio” of land is the ratio of total floor area of the building to 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 a floor-area ratio that actually applies.
- “Use district” of land is the type of use district classified (if several, all of them) in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto).
- “Site area” of land is based on the description in the registry (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” of land and building indicates the type of rights held by HRR.
- “Completion date” of building is the date of inspection of the completion of construction for the main building as per the inspection certificate under the Building Standard Law.
- “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 floor area of annex buildings.
- “Building engineer” and “Constructors” of the building indicate the company names at the time of building engineering and construction of the main building.
- “Leasable floor area” is 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 the Asset to Be Acquired respectively.
- “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.
- “Main tenant” indicates the party with the largest leased area among those who will lease the Asset to Be Acquired from HRR under the lease agreement that will be effective 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 Asset to Be Acquired from HRR based on the lease agreement that will be effective on the scheduled acquisition date of the Asset to Be Acquired by HRR. However, this excludes those who lease or are scheduled to lease part of the site or the building for the purpose of parking, installing antennas, etc.
- “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 will lease the Asset to Be Acquired from HRR based on the lease agreements that are scheduled to be in effect as of the scheduled acquisition date of the Asset to Be Acquired by HRR. However, this excludes those who are currently leasing (subleasing) or will be leased (subleased) part of the site or building for the purpose of parking, installing antennas, etc.

[2] Explanation of the “Lease Summary” column

- The “Lease Summary” column indicates the content of the lease agreement with the tenant who is scheduled to lease the hotel with respect to the Asset to Be Acquired.

KAI Poroto			Category		Properties operated by Hoshino Resorts Group (KAI)	
			Purpose of use		Ryokan	
Overview of Specified Asset						
Scheduled acquisition date		January 8, 2025		Type of specified asset		Real estate
Planned acquisition price		3,060,000,000 (3.06 billion) yen		Appraisal value (Appraisal date)		3,260,000,000 (3.26 billion) yen (December 1, 2024)
Location (residential indication)		1-1018-94, Wakakusa-cho, Shiraoi-cho, Shiraoi-gun, Hokkaido				
Transportation		About 900m southwest of Shiraoi Station on the JR Muroran Main Line, about 3km west of the Shiraoi Interchange on the Do-O Expressway				
Land	Lot number	1-1018-94, Wakakusa-cho, Shiraoi-cho, Shiraoi-gun, Hokkaido and other		Building	Completion date	October 2021
	Building coverage ratio	60%			Structure/floors	4-storied building with reinforced concrete structure and flat roof
	Floor-area ratio	200%			Total floor area	4,920.19m ²
	Use district	Type 2 residential area			Building engineer	K.K. NAP DESIGN WORKS
	Site area	10,396.00m ²			Constructor	MAEDA CORPORATION
	Type of ownership	Ownership			Type of ownership	Ownership
Leasable floor area		4,920.19m ²		Occupancy rate		100%
Main tenant		K.K. Shiraoi Hotel Management		No. of tenants		1
No. of guest rooms		42		No. of sublease tenants		0

Lease Summary	
Lessee	K.K. Shiraoi Hotel Management
Type of contract	Fixed-term building lease agreement
Contract period	20 years from January 8, 2025
Leased floor area	4,920.19m ²
Rent	Annual fixed rent: 72,055,200 yen Floating rent: Floating rent accrues on the following basis: Method of calculating floating rent for each month uses, for May to October every year, the rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; and for November to next April every year, the rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. The amount equivalent to one-twelfth of the amount calculated based on the following formula using these GOPs (with a lower limit of 0 yen) will be the floating rent. <Calculation Formula> [1] An amount equivalent to 81% of the portion of floating rent calculation period GOP that exceeds 83,508,000 yen (excluding, however, the portion exceeding 236,000,000 yen) [2] An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 236,000,000 yen (Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost, selling, general and administrative expenses, and chain service fees (out of expenses paid by the lessee as headquarters function, expenses directly related to the sales activities of this property) from the total sale amount of this facility during a certain period of time.
Security deposit and guarantee deposit	Security deposit: 0 yen Effective December 16, 2024, HRR has reached an agreement between the Lessee and the Lessees belonging to Hoshino Resorts Group, that, pursuant to the lease agreement concluded with the Lessor, the security deposits, guarantee deposits, etc. provided by the Lessees belonging to Hoshino Resorts Group to the Lessor will be deemed to have been provided to secure all of the debts of all Lessees belonging to Hoshino Resorts Group to the Lessor under the lease agreements.
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for a full 10 years from the start date of the lease.
Midterm cancellation	The lessee may not, in principle, cancel the Lease Agreement during the contract period. However, the lessee may terminate the agreement after 10 years from the start date of the lease by notifying its intention to cancel to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is canceled for reasons attributable to the lessee, or when the lessor agrees to cancel the lease agreement in response to the lessee's intention, the lessee will pay to HRR, the lessor, as a penalty fee the higher of an amount equal to the rent from the date of cancellation or termination until the last day of the non-cancellation period (10 years after the start of the lease period) or an amount equal to 12 months' rent (in calculating rent, the average monthly rent for the past 12 months, starting from the first month prior to the month in which the lease agreement expires, will be used; however, if the lease period is less than 12 months, the average monthly rent for the lease period will be used).
How to renew a contract	The contract will end upon expiration of the lease period without renewal; however, re-contracting is possible through discussion between the parties.

4. Overview of the Seller

K-14 KAI Poroto

Trade name	K.K. Shiraoi Hotel Management	
Head office location	1-1018-94, Wakakusa-cho, Shiraoi-cho, Shiraoi-gun, Hokkaido	
Title and name of representative	Kaita Nakamura, Representative Director	
Capital stock	1,000,000 yen	
Date of incorporation	January 15, 2007	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major Shareholder	Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment LPS (100%)	
Main business lines	1. Ryokan business 2. Debt purchasing business 3. Selling/purchasing and leasing of real estate and brokerage thereof 4. Real estate management and appraisal 5. Collection and provision of real estate information 6. Acquisition, holding, management and sale of real estate trust beneficiary interests 7. Selling/purchasing and leasing of fixtures, furniture, fittings, and interior decorations, and brokerage thereof 8. Money lending business and related consultancy services 9. All business incidental or related to each item of the above	
Relationship with HRR or the Asset Management Company	Capital relationship	There is no capital relationship required to be stated between HRR/the Asset Management Company and the seller.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Related party status	It does not fall under the related party of HRR/the Asset Management Company.

5. Transactions with Interested Party, etc.

There are no applicable matters regarding the seller of the Asset to Be Acquired.

After HRR acquires the Asset to Be Acquired, the counterparty to the lease of the Asset to Be Acquired is expected to be a corporation belonging to Hoshino Resorts Group, which will be categorized as the parent company or a subsidiary of the Asset Management Company. (As of today, it is not categorized as the parent company or a subsidiary of the Asset Management Company, and is not a corporation belonging to Hoshino Resorts Group.) For this reason, the counterparty to lease the Asset to Be Acquired is scheduled to fall under the category of an interested party, etc. as stipulated in Article 201 of the Investment Trust Act and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000 including subsequent amendments), and will also fall under the category of an interested party, etc. under the internal rules of the Asset Management Company, the “Related Party Transactions Rules.” Accordingly, the Asset Management Company has gone through the approval procedures set forth in its internal rules in making a transaction of leasing the Asset to Be Acquired, and also has obtained HRR’s consent based on the approval of HRR’s Board of Directors meeting held today in accordance with the Investment Trust Act and the “Related Party Transactions Rules.”

6. Status of Property Acquirer, etc.

The Acquisition is not an acquisition from any person who has a special interest or stake in HRR and the Asset Management Company.

7. Future Outlook

For details of the impact of the acquisition of the Asset to Be Acquired on the management status of HRR and the future outlook for the fiscal period ending April 30, 2025 (November 1, 2024, to April 30, 2025) and the fiscal period ending October 31, 2025 (May 1, 2025, to October 31, 2025), please refer to “(REIT) Financial Report for Fiscal Period Ended October 2024” released separately today.

8. Appraisal Report Summary

K-14 KAI Poroto

Appraisal Report Summary			
Real estate appraisal agency		Japan Valuers Co., Ltd.	
Appraisal value		3,260,000,000 (3.26 billion) yen	
Appraisal date		December 1, 2024	
		Appraisal value	Assessment method
Direct capitalization method			
I. Operating income (i-ii-iii)		193,179,864 yen	-
	i. Potential gross revenue (Rental revenue, revenue from common area fee, other revenue, etc.)	193,179,864 yen	Based on the scheduled contract (floating rent portion calculated based on tenant income and expense-related data).
	ii. Amount equivalent to vacancy loss	0 yen	-
	iii. Bad debt losses	0 yen	Not recorded as secured by security deposits, etc.
II. Operating expenses (a.+ b.)		27,499,204 yen	-
	Management outsourcing expenses	4,253,000 yen	Owner-paid amount adopted.
	Repair expenses	4,842,950 yen	30% of the 12-year average for "Repair and renewal expenses" in the ER recorded.
	a. Administrative expenses, etc.	9,095,950 yen	-
	Taxes and public dues	17,866,397 yen	Assessed based on actual value.
	Insurance premium	536,857 yen	Based on the actual amount.
	b. Miscellaneous expenses	18,403,254 yen	-
III. Net operating income (I-II)		165,680,660 yen	-
c. Gain on lump-sum investments, etc. (income)		0 yen	-
d. Capital expenditures (CAPEX)		11,300,217 yen	70% of the 12-year average for "Repair and renewal expenses" in the ER recorded.
Lump-sum deposit balance		0 yen	-
NCF attributable to land and buildings (III. + c. - d.)		154,380,443 yen	-
Capitalization rate		4.7%	-
Direct capitalization value		3,280,000,000 yen (3.28 billion) yen	-
Discounted cash flow value		3,230,000,000 yen (3.23 billion) yen	-
	Discount Rate (DR)	4.5%	-
	Terminal Capitalization Rate (TCR)	4.9%	-
Value indicated by the cost approach		2,480,000,000 yen (2.48 billion) yen	-
	Ratio of land	29.4%	-
	Ratio of building	70.6%	-
Other matters the appraisal agency noted 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.*

<Appendix>

Reference material 1: Summary of Engineering Report and Earthquake Risk Assessment Report of the Asset to Be Acquired

1. Summary of Engineering Report of the Asset to Be Acquired

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)
K-14	KAI Poroto	Tokio Marine dR Co., Ltd.	November 2024	-	16,143 thousand yen

(Note 1) "Short-term repair expenses" and "Long-term repair expenses (annual average)" are based on the descriptions in the Engineering Report.

(Note 2) "Short-term repair expenses" are repair and renewal expenses required when implementing repairs and renewals within about one year due to progressed deterioration, excluding expenses for normal repairs or interior/facility renewals, based on the Engineering 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 Engineering 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.

2. Summary of Earthquake Risk Assessment Report

Property No.	Property name	Investigator	Investigation date	PML value (Probable Maximum Loss ratio) (%)
K-14	KAI Poroto	Tokio Marine dR Co., Ltd.	September 11, 2023	5.3