

Supplementary Explanatory Material for the Press Release Dated March 18, 2025

“Notice Concerning Changes to Domestic Real Estate Lease Agreements (Grand Hyatt Fukuoka and HOSHINOYA Okinawa)”

Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2025

March 18, 2025

**Hoshino
Resorts
REIT**



Securities Code: 3287

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

Asset management company: Hoshino Resort Asset Management Co., Ltd.

Top: Grand Hyatt Fukuoka Club Lounge
Bottom: HOSHINOYA Okinawa guest room

Due to changes in rent design for owned assets, revised forecast distribution for the 25th period (fiscal period ending October 2025) upward by 8.0%

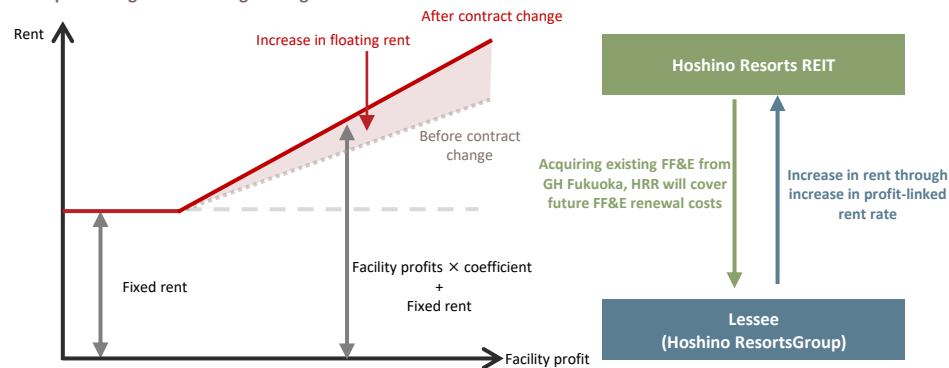
In order to increase current distributions and boost future distribution growth, HRR has revised the rent design for its assets.

Outline of Initiative (i) Increase floating rent ratio for Grand Hyatt Fukuoka (hereinafter GH Fukuoka)

- In order to enable flexible investment that captures demand in the thriving Fukuoka market, change the FF&E burden to HRR
- In addition, by raising the rate of profit-linked rent, change the rent structure to allow HRR to enjoy greater upside in floating rent (until fiscal period ending April 2029)



<Conceptual image of rent design change>

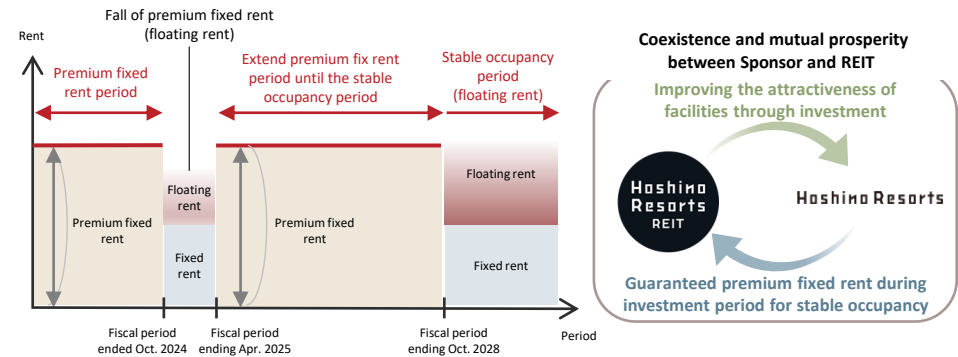


Outline of the Initiative (ii) Re-establish premium fixed rent period for HOSHINOYA Okinawa

- Strengthen the stability of rental income through resetting the premium fixed rent period until fiscal period ending October 2028
- Aim to achieve the operational results we had anticipated at the time of acquisition, by implementing drastic operational improvements and CAPEX investments in the accommodation and food and beverage sectors during this period



<Conceptual image of rent design change>

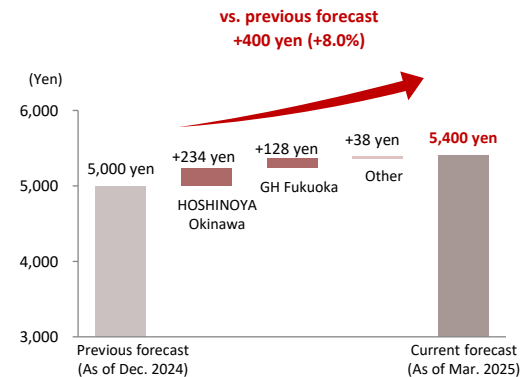


Changes in financial indicators as a result of the Initiative

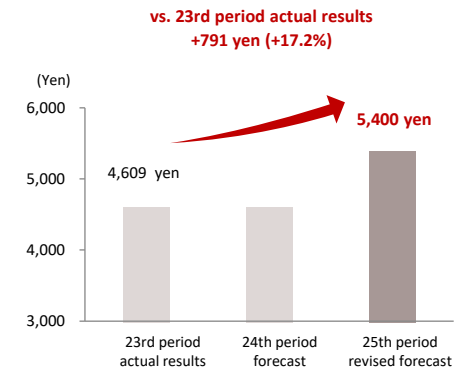
	25th period forecast (Financial results announced on Dec. 16, 2024) (A)	25th period revised forecast (B)	vs. previous forecast (B)-(A)
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Management status (million yen)	25th period forecast (Financial results announced on Dec. 16, 2024) (A)	25th period revised forecast (B)	vs. previous forecast (B)-(A)
Operating revenue	8,041	8,315	+273
Operating expenses	4,312	4,350	+37
Operating profit	3,728	3,964	+236
Ordinary profit	2,926	3,160	+234
Profit	2,925	3,160	+234
Distribution per unit	5,000 yen	5,400 yen	+400 yen

◆ Factors behind the increase in forecast distributions for the 25th period (fiscal period ending October 2025)



◆ Trends in distributions since the 23rd period



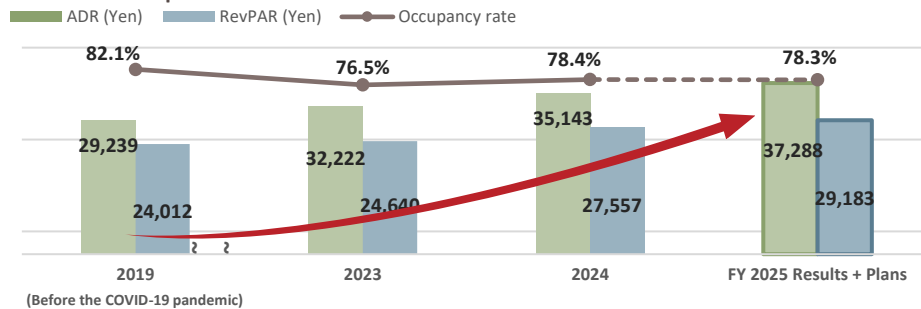
Efforts for Medium- to Long-Term Rent Increases

In addition to changing rent designs, we will continually implement measures to improve profitability, aiming for sustainable growth beyond the short-term effects.

Grand Hyatt Fukuoka

- 2025 results and plans see strong growth of **ADR by 27.5%** and **RevPAR by 21.5%**, compared with pre-COVID-19 levels (2019)
- The Fukuoka market has been performing well in recent years, exceeding expectations at the time of acquisition, and Grand Hyatt Fukuoka is expected to continue seeing favorable operating results

Track records of operation



Strategic CAPEX to Seize Growth Opportunities

2023 Grand Club™ Renewal

- A new lounge experience in Fukuoka's finest space



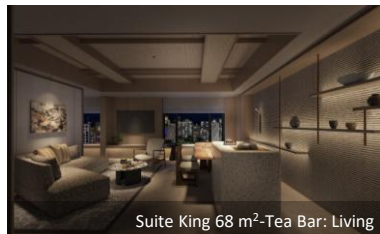
Club lounge



Terrace area

2025: Increase number of guest rooms on the club floor (introduce a new guest room category that is distinct from existing rooms)

- Aim to increase rental income by growing the number of guest rooms for improving ADR. In addition, make the introduction of a new room category be a test case for the renovation concept for existing rooms
- The guest room design follows the classic luxury of Grand Hyatt, while creating a relaxing, natural and residential feel suitable for medium- to long-term stays

CLDK50m²Suite King 68 m²-Tea Bar: Living

HOSHINOYA Okinawa

- Aim for medium- to long-term profit growth through investment focusing on differentiating the facility's attractiveness regardless of the market environment in Okinawa, attracting the wealthy, and strengthening the food and beverage sector
- Through the following measures, aim to **increase ADR by 16,000 yen**, and attract **400,000 customers per year to BANTA CAFE**, and **67,000 customers per year to OLU Grill**

Specific examples of measures for 2025 and beyond

Accommodation sector

Creating a path from the guest room terrace to the beach

- Increasing the average daily rate by creating a unique stay experience at HOSHINOYA Okinawa

Installation of a heliport

- Attracting more wealthy customers by fostering a sense of luxury and quality
- Increased occupancy rate of the top-class suite Tida

Construction of a management road on the seaside of the guest room building

- Reduction in construction costs for large-scale repairs and maintenance costs for daily operations

Food and beverage sector

Traffic circle improvement, kitchen expansion and function enhancement for BANTA CAFE & OLU Grill

- Increased customer numbers by strengthening reception of day-trip tour groups

Interior change of OLU Grill

- Increase more customers including visitors other than hotel guests by renovating the interior to embody the concept

Expanding the guest area at BANTA CAFE

- Increase customers by improving capacity shortage and adding attractiveness

(Note) The contents of this document are current as of the date of this document and are subject to change without notice.

Impact of the Investment on KPI

	Plan (Dec. 2024 to Nov. 2025)	Target (Jun. 2027 to May 2028)
Occupancy rate	79%	80%
ADR	68,298 yen	84,000 yen
RevPAR	53,759 yen	67,200 yen
Rent Calculation GOP	846 million yen	1,419 million yen
Annual rent	614 million yen	980 million yen
Number of visitors to BANTA CAFE	227,759 people	400,000 people
Number of visitors to OLU Grill	42,468 people	67,164 people

Promoting Continuous Efforts to Increase Investment Unit Prices

Going forward, HRR will continue to flexibly and proactively promote initiatives aimed at increasing investment unit prices.

(Dividend discount model)

$$P = \frac{D}{(R_f + R_p) - G}$$

P: Investment unit price

D: Distributions

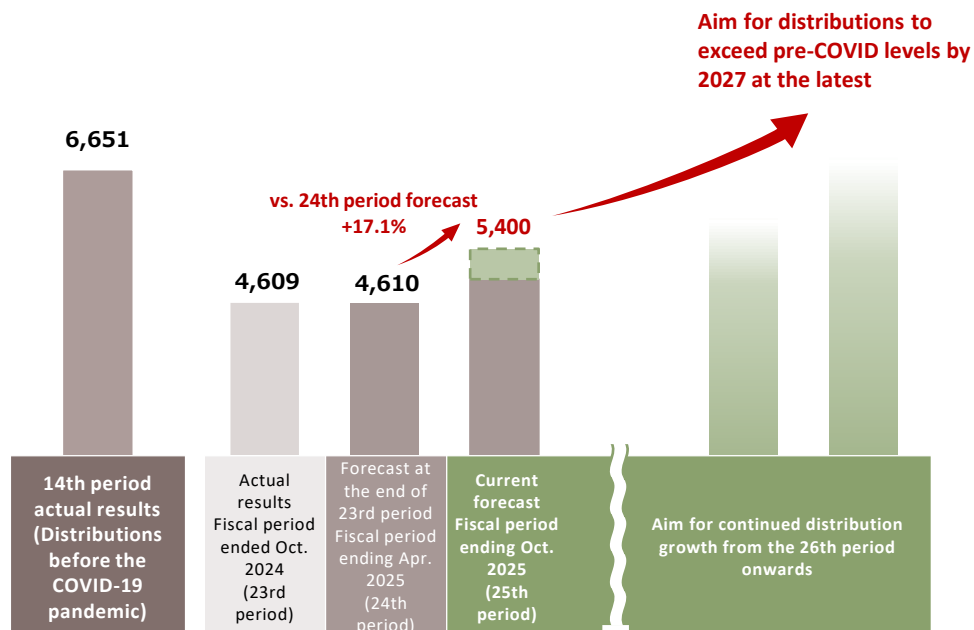
G: Expected growth rate

R_f: Risk-free rate

R_p: Risk premium

Scenario for recovery of distribution per unit (yen) to pre-COVID-19 levels

* The figures take into account the investment unit split



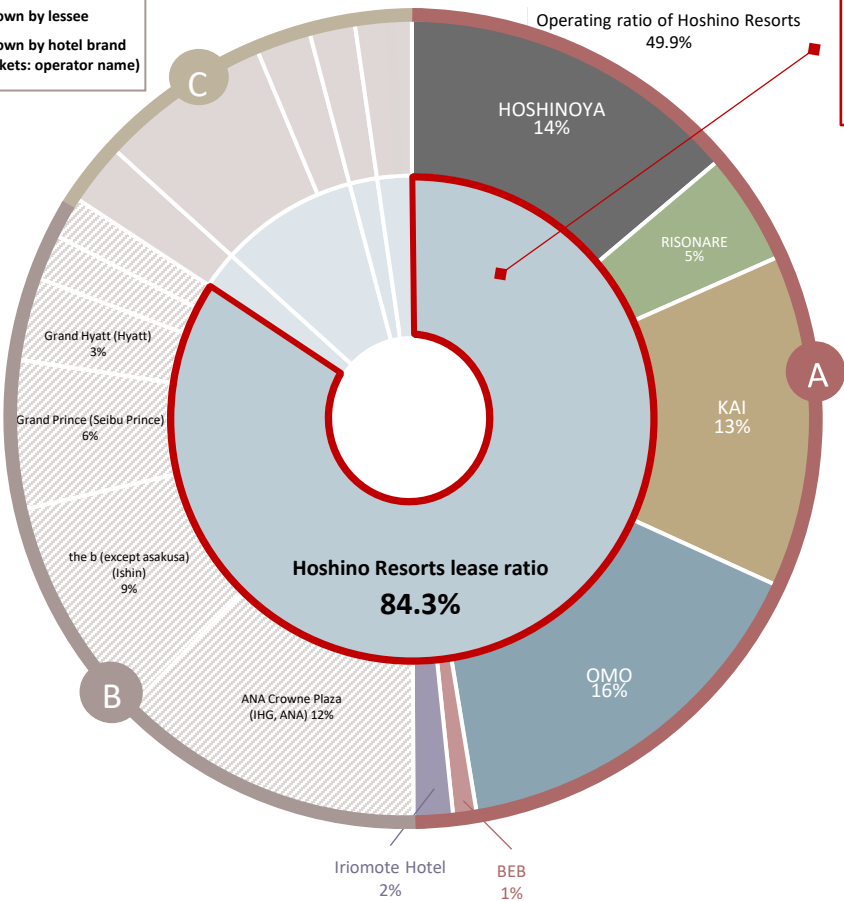
Future Initiatives Under Consideration (Initiatives announced today are highlighted in red)	
Internal growth	Rent increase <Achievements> HOSHINOYA Okinawa and Grand Hyatt Fukuoka CAPEX to improve profitability Continuous implementation GOP Control Close cooperation with operators Curbing interest rate increases The ratio of long-term fixed interest rate in existing borrowings is high, providing an adjustment valve for short-term variable interest rates in the future
External growth (property acquisition, sale and replacement)	- Selective investment Currently, the emphasis is on yield and quality rather than on asset size - Replacement by selling low-yield properties and acquiring high-yield ones - Realizing capital gains from selling properties
Reduction of inherent risk premiums	- Probability to improve profitability Disclosure of distributions, roadmap for improving profitability, etc. Sponsor commitment Premium fixed rent, increased same-boat investment ratio

(Reference) Sponsor’s Rent Commitments and Cumulative Distributions

Portfolio composition (acquisition price basis)

As of March 18, 2025

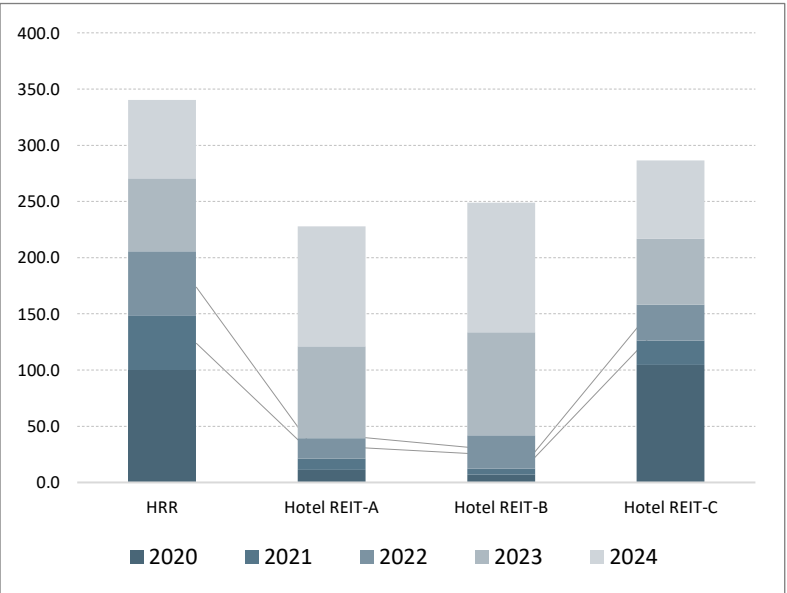
- Inner circle: Breakdown by lessee
- Outer circle: Breakdown by hotel brand (In brackets: operator name)



Hoshino Resorts, which continued to pay rent without any rent reduction or deferral throughout the COVID-19 pandemic, an unprecedented crisis for the tourism industry, accounts for the majority of lessees

Cumulative distributions since 2020 (indexed with 2019 distributions set at 100)

While other hotel REITs were affected by the COVID-19 shock and significantly reduced their distributions, HRR maintained its distributions at the same level as 2019 for the year immediately following COVID-19, thanks in part to the rent commitments of its sponsor, Hoshino Resorts. Moreover, even during the most difficult times, the reduction in distributions was limited to around 50%. As a result, its cumulative distributions over the five years since 2020 are the highest among hotel REITs.



	Operator	Lessee	Owner
A	Hoshino Resorts	Hoshino Resorts	HRR
B	Operators other than Hoshino Resorts	Hoshino Resorts	
C	Operators other than Hoshino Resorts	Hoshino Resorts	

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

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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)