

Hoshino REIT

Supplementary Explanatory Material for the Press Releases Dated October 16, 2026

Notice Concerning Consolidation of the Operating Structure of Domestic Real Estate (Grand Prince Hotel Osaka Bay)
Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2026 and Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2027

Securities Code: 3287
https://www.hoshinoresorts-reit.com/en/

Asset Management Company:
Hoshino Resort Asset Management Co., Ltd.
Kenji Akimoto, President & CEO

October 16, 2026

Grand Prince Hotel Osaka Bay

Maximizing portfolio value through consolidation of hotel operations in anticipation of the opening of Osaka IR

Rent from Grand Prince Hotel Osaka Bay (hereinafter the "Property") consists solely of floating rent linked to operating performance. The Property's operating performance is therefore directly reflected in HRR's revenue. In anticipation of changes in the Osaka market and the opening of Osaka IR (an integrated resort) around autumn 2030 (Note 1), HRR will implement the consolidation of hotel operations for the Property as part of its structural reform efforts to improve the profitability of its properties in Osaka.

Challenges

Area | Changes in the Osaka market

- Price competition has temporarily intensified following a drop in demand after Expo 2025 Osaka, Kansai, Japan ("Expo 2025") and a decline in demand from Chinese visitors to Japan.
- Demand is expected to recover from 2027 onward as the impact of the drop-off in demand following Expo 2025 fades.
- Osaka IR is scheduled to open on nearby Yumeshima around autumn 2030. Demand for large-scale MICE (meetings and events) is also expected to increase.

Operations | Operating structure of the Property

- During the COVID-19 downturn in MICE activity, demand from new customer segments attracted by RISONARE Osaka helped sustain the Property's revenue.
- All guest rooms were subsequently renovated to attract more MICE-related demand (completed in April 2025).
- However, operating under two brands and two operators limits flexibility in responding to large-scale demand after Osaka IR opens.

Business | Decline in wedding demand

- The number of marriages in Japan decreased by approximately 40% from 2000 to 2025 (Note 2).
- The decline in wedding demand has resulted in excess capacity at the Property's two wedding facilities.

Operator | Dispersion of management resources within the Hoshino Resorts Group

- Marketing resources are divided between RISONARE Osaka and OMO7 Osaka.
- There are concerns that the two properties target some of the same customer segments.

Details of the initiatives

[1] Consolidation of hotel operations (the change in operating structure)

Operations at RISONARE Osaka are scheduled to end on November 23, 2026. Seibu Prince Hotels Worldwide Inc. ("Seibu Prince Hotels") will operate all 480 guest rooms under a single-operator structure from December 1, 2026 (Note 3). No change to the lease agreement.

[2] Consolidation of wedding facilities (the demolition)

Operations at the chapel building Le Salon Blanc (which may hereinafter be referred to as the "Building on Leased Land") are scheduled to end on October 31, 2026. The Property's two wedding facilities will be consolidated into one. The Building on Leased Land, etc. will be demolished, and the leased land will be returned in connection with the expiration of the land lease agreement.

Expected benefits

Maximization of portfolio value

Grand Prince Hotel Osaka Bay

Maximization of revenue opportunities

A single operator will manage sales of all 480 guest rooms in an integrated manner to establish a structure capable of responding flexibly to large-scale demand following the opening of Osaka IR.

Elimination of cost burdens

Duplication in the operating structure and wedding facilities will be eliminated. Annual expenses, including land rent and property tax, will be reduced by approximately 27 million yen, and future repair and replacement costs associated with the demolished facilities will also be eliminated.

Greater certainty in executing the asset strategy

Improved profitability and simplified property rights arrangements (a single operator and a site consisting solely of owned land) will contribute to HRR's earnings growth in both scenarios: continued ownership of the Property and a potential sale.

OMO7 Osaka

Improved earnings by focusing management resources

The Hoshino Resorts Group will focus its management resources in the Osaka area on OMO7 Osaka to establish a structure capable of reliably securing demand during the anticipated market recovery from 2027 onward.

Impact on distributions

Total distributions per unit (including distributions in excess of earnings) for the two fiscal periods will be 13,552 yen, up 2 yen from the previously announced forecast and remaining virtually unchanged.

Distributions per unit will be 7,197 yen for FP ending Oct. 2026 (27th FP), an increase of 497 yen from the previously announced forecast, and 6,355 yen for FP ending Apr. 2027 (28th FP), a decrease of 495 yen.

In connection with the early termination of RISONARE Osaka operations, HRR will receive **a consent fee of 260 million yen** (Note 4) from K.K. Horizon Hotels ("Horizon Hotels"), the lessee and a Hoshino Resorts Group company. The distribution targets (7,000 yen for the 31st FP and 8,000 yen thereafter) remain unchanged.

Osaka market conditions and roles of the properties

The Osaka accommodation market is currently in a difficult situation due to the drop-off in demand following Expo 2025 and a decline in visitors from China. However, Osaka IR is scheduled to open on Yumeshima near the Property around autumn 2030.
HRR will assign distinct roles to its properties in Osaka to maximize the value of its overall Osaka portfolio.

External environment recognition: short term

- The drop-off in demand following Expo 2025, coupled with a decline in demand from visitors from China, has temporarily intensified price competition in the Osaka accommodation market.
- Although the Osaka accommodation market is expected to recover from 2027 onward, the outlook for external factors, particularly the international situation, remains uncertain.

External environment recognition: medium to long term

- Osaka IR is scheduled to open on Yumeshima around autumn 2030. Approximately 20 million visitors from Japan and overseas are expected annually.
- Demand for accommodation and banquets is expected to increase in stages, driven by construction-related personnel before the opening of Osaka IR and visitors to Osaka IR after its opening.

Status of owned properties in Osaka

- HRR owns four properties in Osaka City.
- Grand Prince Hotel Osaka Bay (480 rooms): Renovations of all guest rooms were completed in April 2025.
- OMO7 Osaka (436 rooms): Since its acquisition in June 2024, the property has performed relatively well compared with the overall Osaka accommodation market through efforts to enhance the hotel and other initiatives.

Locations and roles of owned properties in Osaka

HRR owns four properties in Osaka City. The combined acquisition price of these properties accounts for approximately 22% of the total acquisition price of its portfolio.



Locations of owned properties in Osaka City



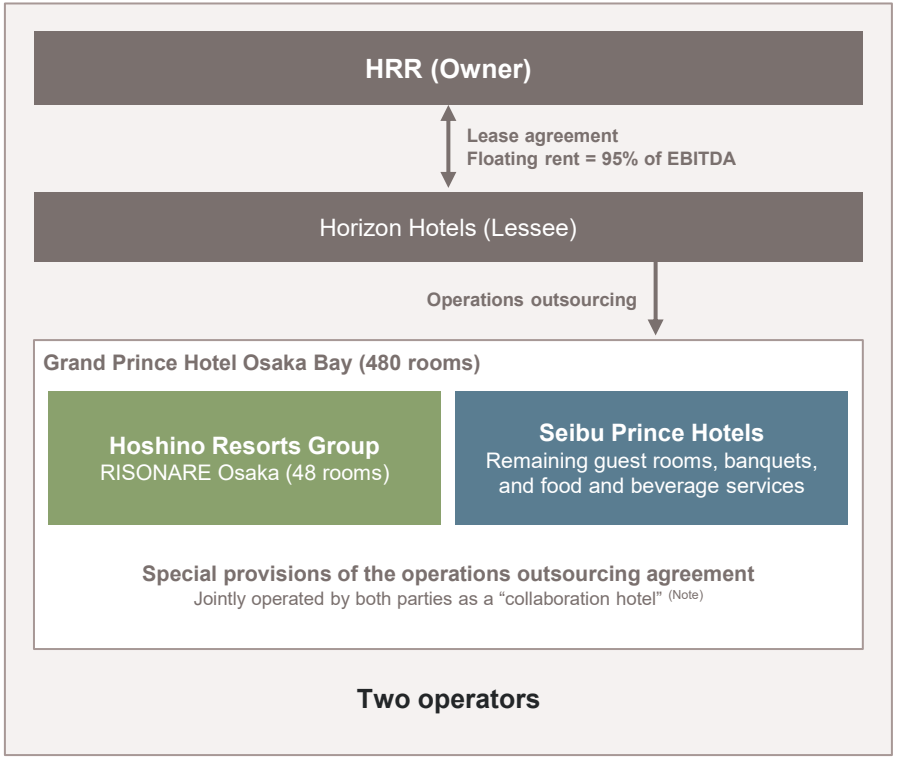
Surrounding area of Grand Prince Hotel Osaka Bay (Yumeshima and Sakishima)

	Short term	Medium to long term (after the opening of Osaka IR)
Grand Prince Hotel Osaka Bay	Consolidate hotel operations before demand recovers to improve operational efficiency.	Market all 480 guest rooms as a single unit to secure demand associated with large-scale MICE and Osaka IR.
OMO7 Osaka	Enhance the hotel in preparation for the anticipated market recovery from 2027 onward.	The Hoshino Resorts Group will focus its management resources in the Osaka area on OMO7 Osaka to improve earnings by securing tourism and urban demand.

End of RISONARE Osaka operations and transition to a single-operator structure under Seibu Prince Hotels

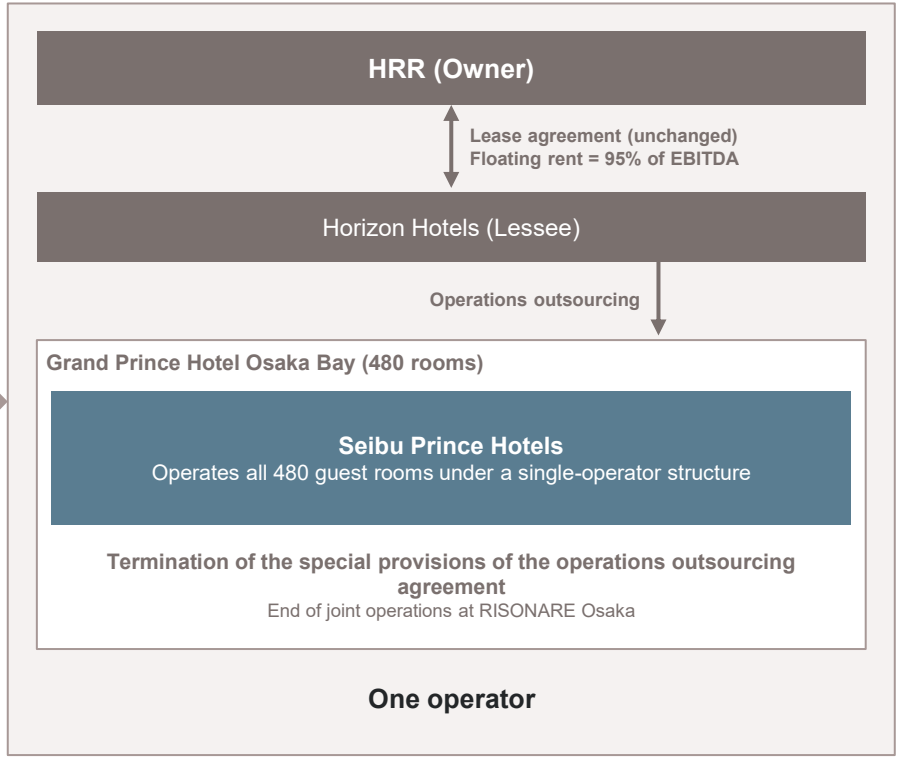
Since its opening in December 2022, RISONARE Osaka has contributed to the Property's revenue throughout the recovery in accommodation demand. Following the end of RISONARE Osaka operations, Seibu Prince Hotels will operate all 480 guest rooms under a single-operator structure. No major renovation work is planned in connection with the change in operating structure.

Current (before change)



Consolidation

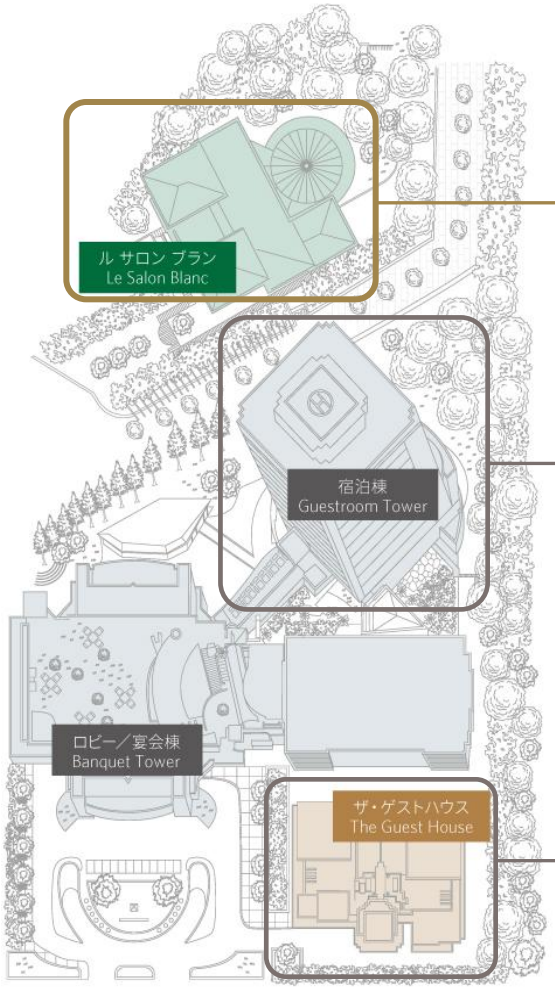
After implementation (from December 1, 2026)



Consolidation of wedding facilities at a single location to streamline the business structure

Operations at the chapel building Le Salon Blanc, located on leased land, will end on October 31, 2026. The two wedding facilities will be consolidated into a single location. The Building on Leased Land, etc. will be demolished in connection with the expiration of the land lease agreement on March 31, 2027. Wedding services will continue at the wedding facility on land owned by HRR.

Layout of facilities on the property



Leased land (lessor: the City of Osaka) | Demolition and return

Le Salon Blanc (chapel and wedding venue on leased land)

Overview

- Land: Fixed-term land leasehold right for business purposes, 7,054.47 m²
  (lessor: the City of Osaka)
- Building: Total floor area: 1,874.94 m²
  (completion: July 2012)

Schedule (planned)

October 31, 2026	End of wedding facility operations
October 31, 2026 – March 2027	Demolition, removal and related work
March 31, 2027	Return of the leased land upon expiration of the land lease term

Extraordinary loss associated with the demolition
(to be recorded in the 27th FP)

Book value of buildings, etc.	110 million yen
Book value of leasehold rights	301 million yen
Demolition, removal and related costs	200 million yen
Total (Note 1)	**612 million yen**

Effect of the return of leased land (FP ending October 2027 (29th FP) onward)

- Elimination of land rent of **24 million yen per year** and property tax and other related expenses of **approximately 3 million yen per year** associated with the Building on Leased Land
- Elimination of future repair and renewal costs (annual average of approximately 12 million yen according to the ER) (Note 2) and duplicated operating costs

Owned land | Operations to continue

Guestroom Tower (hotel building: 480 guest rooms)

- RISONARE Osaka operations to end on November 23, 2026
- No major renovation or refurbishment work is planned; Seibu Prince Hotels will operate all guest rooms under a single-operator structure

Owned land | Operations to continue

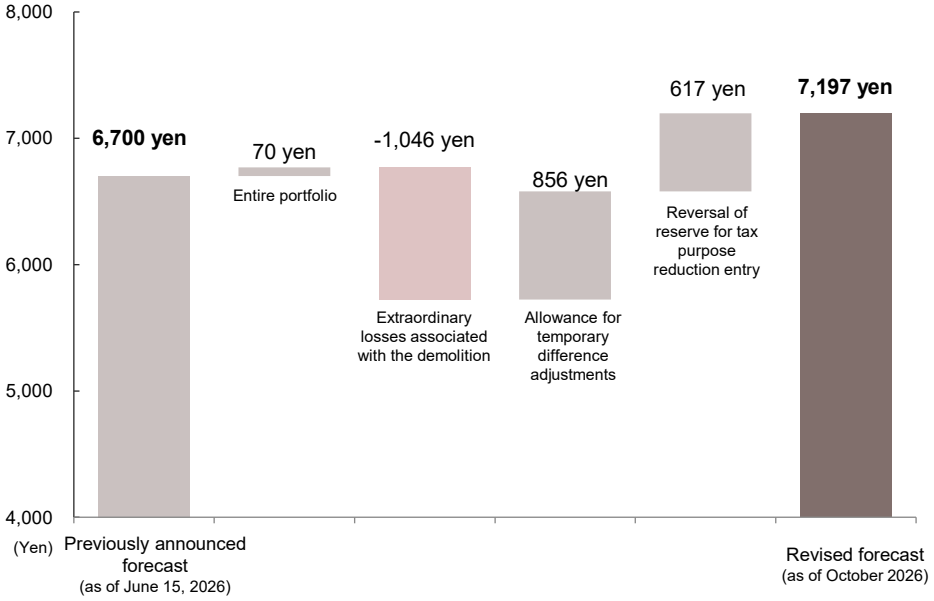
The Guest House (banquet venue)

- Consolidation of wedding facilities, with wedding business operations to continue
- Two wedding facilities on the property; only one facility, located on leased land, will be demolished
- Limited impact on attracting wedding customers after consolidation due to declining demand for wedding facilities

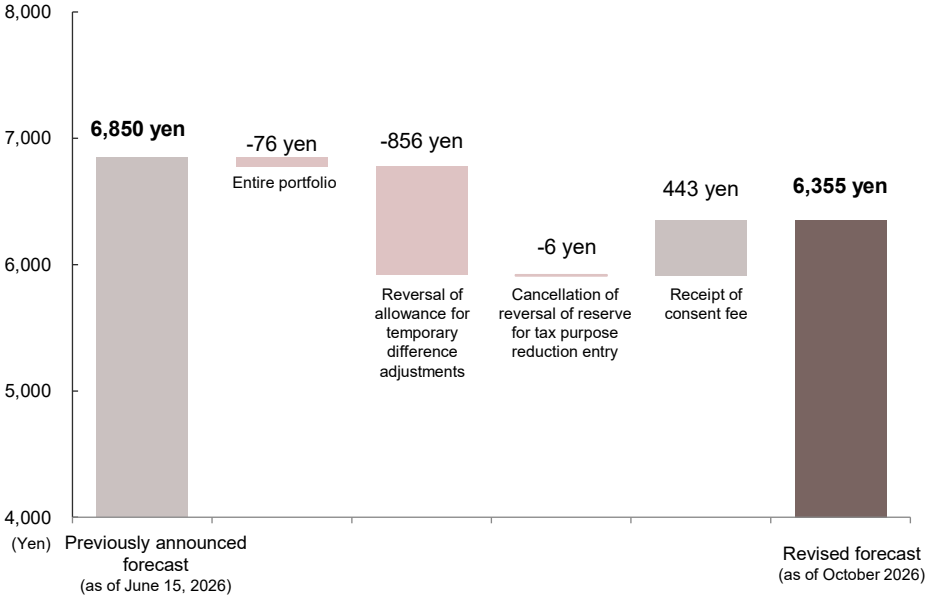
Minimizing the impact on distributions over the two fiscal periods ending October 2026 and April 2027

Total distributions per unit for the two fiscal periods: Previously announced forecast: 13,550 yen
→ Revised forecast: 13,552 yen (increase of 2 yen from the previously announced forecast)

Fiscal period ending October 2026 (27th FP)



Fiscal period ending April 2027 (28th FP)



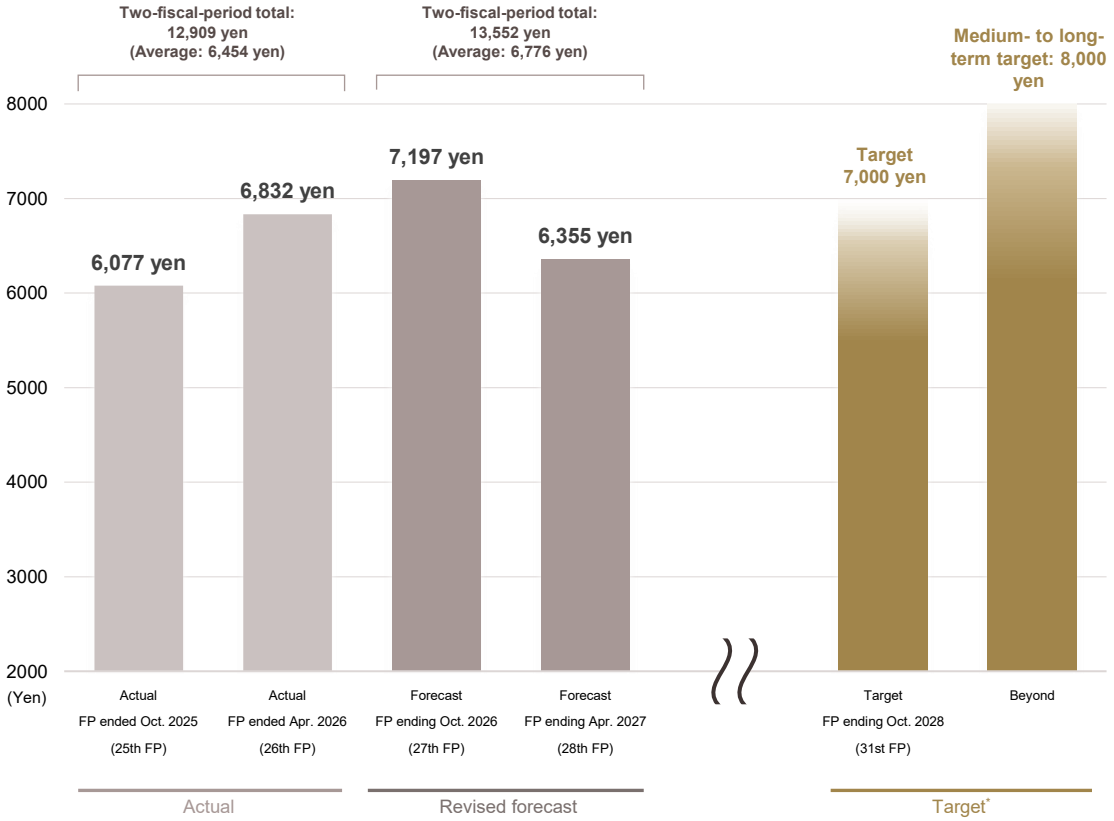
- Of the extraordinary losses, etc. associated with the demolition, amortization of leasehold rights and costs of demolition, removal and related work (totaling 856 yen per unit) will be recognized for accounting purposes in the fiscal period ending October 2026. For tax purposes, however, these amounts are expected to be deductible upon the demolition in the fiscal period ending April 2027. Consequently, a difference between accounting and tax treatment will arise in the fiscal period ending October 2026 and is expected to be resolved in the fiscal period ending April 2027.
- To address this difference between accounting and tax treatment and minimize the occurrence of corporate income taxes, etc., HRR plans to make distributions in excess of earnings totaling 856 yen per unit, attributable to the allowance for temporary difference adjustments, in the fiscal period ending October 2026. HRR expects to reverse the allowance for temporary difference adjustments of 856 yen per unit in the fiscal period ending April 2027, as the difference between accounting and tax treatment is expected to be resolved.
- Before making distributions attributable to the allowance for temporary difference adjustments, HRR plans to reverse the entire reserve for tax purpose reduction entry and use the amount reversed for distributions. HRR also expects to receive a consent fee from the lessee and use the proceeds for distributions.
- Although distributions per unit will vary between the two fiscal periods, their combined total is expected to be comparable to the previously announced forecast.

* The forecast figures presented on this page were calculated based on the assumptions set forth in the "Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2026 and Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2027" dated today and represent estimates as of the date of this material. Actual distributions per unit may differ from the above forecasts depending on the acquisition or disposition of real estate, etc., developments in real estate markets, trends in interest rates, and other changes in circumstances surrounding HRR. The above forecast figures do not guarantee the distribution amounts.

Making distribution growth more achievable and steadily advancing toward medium- to long-term targets

HRR has realigned its portfolio and streamlined its operating structure in the Osaka area while maintaining the aggregate level of distributions over the two fiscal periods. Through cost reductions and the maximization of revenue opportunities, HRR aims to enhance the respective values of its two properties in Osaka and achieve distribution growth over the medium to long term.

Trends and growth targets for distribution per unit



Growth target for distribution

Target: 7,000 yen (FP ending Oct. 2028 (31st FP))
Thereafter, aim for 8,000 yen over the medium to long term

Drivers of distribution growth (reproduced from the June 2026 presentation material)

Hoshino Resorts

- Recovery in profitability following increases in personnel expenses
- Growth mainly through capturing inbound demand at KAI
- "OMO7 Osaka" reaching projected earnings
- Revenue improvement through value-enhancing investment

External properties

- Investment mainly in accommodation-focused properties with significant room for revenue growth
- ML agreement changes aimed at rent increases
- Revenue recovery at Grand Prince Hotel Osaka Bay
- Rebranding

External growth

- Selective investment in high-yield properties and properties with significant growth potential (property replacement / utilization of acquisition capacity)

The initiatives aim to make the distribution growth targets more achievable.

* The figures presented as "Targets" on this page are growth targets established and announced by HRR as of the date of this material, and their achievement is neither guaranteed nor promised. HRR may not achieve these growth targets depending on its future performance and developments in market conditions.

Notes

P2

(Note 1) As of the date of this material, the scheduled opening date of Osaka IR and the expected number of visitors are based on the “Plan Regarding the Development of Specified Complex Tourist Facilities Area in Yumeshima, Osaka,” approved by the Minister of Land, Infrastructure, Transport and Tourism on April 14, 2023, and materials published by MGM Osaka Corporation (which changed its name from Osaka IR Co., Ltd. on May 1, 2025), the operator responsible for the establishment and operation of Osaka IR. The scheduled opening date and expected number of visitors may change, and Osaka IR may not open at all. The information presented does not constitute a guarantee or commitment by HRR that Osaka IR will open.

(Note 2) The number of marriages is based on the Vital Statistics published by the Ministry of Health, Labour and Welfare. The number was approximately 798,000 in 2000 and approximately 489,000 in 2025.

(Note 3) The scheduled date of transition to the single-operator structure under Seibu Prince Hotels is based on the plan as of the date of this material. Under the planned amendment to the operations outsourcing agreement between Horizon Hotels and Seibu Prince Hotels, the transition date will be set as December 1, 2026, or another date separately agreed upon by the two parties. Accordingly, the actual transition date may differ from December 1, 2026.

(Note 4) In connection with the opening of RISONARE Osaka, HRR carried out renovation work on the designated guest rooms and common areas at the request of the lessee. As RISONARE Osaka operations will end before the originally planned operating period expires, HRR will receive a consent fee from Horizon Hotels, the lessee, equivalent to the unrecovered investment amount, in consideration for HRR’s consent to the early termination of operations. The amount of the consent fee and the timing of its recognition have not yet been finalized. The information presented reflects the plans as of the date of this material and may differ from the amount actually received and the actual timing of recognition. HRR plans to agree with the lessee that, when calculating EBITDA for the calculation period specified in the lease agreement as the basis for determining the rent paid by the lessee, the consent fee will not be treated as an expense of the lessee deductible from gross sales revenue.

P4

(Note) A “collaboration hotel” is a hotel that offers experiences under multiple brands within a single building.

P5

(Note 1) The amounts are approximate figures based on the book values and estimates as of the date of this material. The amounts, timing of recognition, and accounting classifications are subject to change following discussions with the audit firm. As amounts are rounded down to the nearest million yen, the sum of the individual amounts does not equal the total.

(Note 2) The annual average amount is calculated by dividing the total estimated medium- to long-term repair and renewal costs for the Building on Leased Land for a 12-year period by 12. The total costs are stated in the engineering report dated November 2021 and prepared by Tokio Marine dR Co., Ltd. The calculation is based on estimates as of the date of the report. Actual costs may differ from the estimated amount.

This document is provided for information purposes only and is not intended to solicit investments in, invite subscriptions for, or recommend the purchase or sale of any specific financial product. We caution readers to undertake investment decisions at their own discretion and responsibility.

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.

This document includes charts, data and other materials prepared by Hoshino Resort Asset Management Co., Ltd. based on data, indices, etc. disclosed by third parties, in addition to statements related to Hoshino Resorts REIT, Inc. Statements on analyses, judgments and other opinions of the Asset Management Company as of the date of the document are also included.

The contents of this document have not been audited, and no guarantee is made as to their accuracy or reliability. Analyses, judgments and other opinions of the Asset Management Company that are not actual facts 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 have 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.

HRR or the Asset Management Company will not be responsible for any inaccuracy in data, indices, etc. disclosed by third parties.

Although this document includes 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 HRR's portfolio as of the date of this document, such as facilities owned by Hoshino Resorts, the DBJ Joint Fund, and WBF-related companies. 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.

* This English translation is provided for informational purposes only. If there is any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

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 Management Association of Japan)