

Supplementary Explanatory Material for the Press Release

Dated April 18, 2025

**Hoshino
Resorts
REIT**

"Notice Concerning Asset Replacement Due to Acquisition of Domestic Real Estate and Transfer of Domestic Real Estate, and Changes to Domestic Real Estate Lease Agreements (Measures for Co-existence and Co-prosperity with Sponsor, etc.)"

"Notice Concerning Acquisition and Lease of Domestic Real Estate, and Asset Replacement through Transfer of Domestic Real Estate"

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

April 18, 2025



Securities Code: 3287

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

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

Upper: Grand Staircase of QMO7 Kochi
Lower: External view of Hotel WBF Grande Asahikawa

Due to asset replacement, etc., the forecast distribution for the fiscal period ending Oct. 2025 has been revised upward to +600 yen (+11.1%) (+1,000 yen, or +20.0% compared to the forecast in the 2024/12 quarterly report).

Disclosed on March 18, 2025

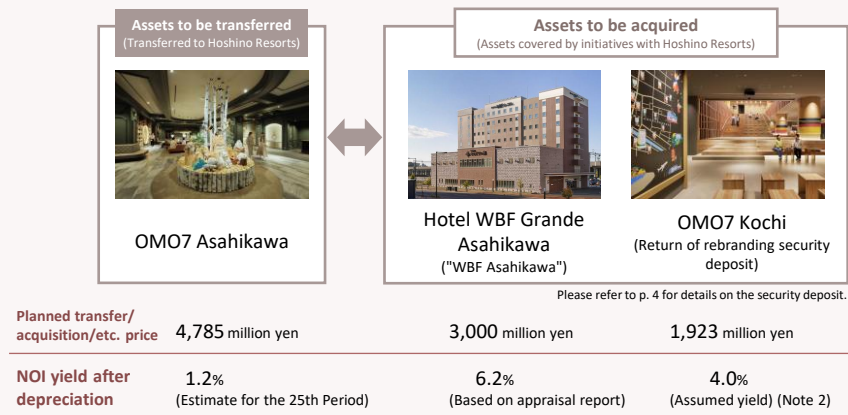
- Reestablishment of the premium fixed rent period backed by investment in strengthening the operational capabilities of HOSHINOYA Okinawa
- Rent increase due to rent design change at Grand Hyatt Fukuoka

Disclosed on April 18, 2025 (Initiatives)

- Asset Replacement, etc. with Hoshino Resorts ^(Note 1)
(Refund of security deposit upon rebranding of OMO7 Asahikawa⇔Hotel WBF Grande Asahikawa, OMO7 Kochi)
- Asset replacement with a third party (KAI Aso⇔Comfort Inn Niigata Kameda)
- Rent increase due to rent design changes for the b5 properties

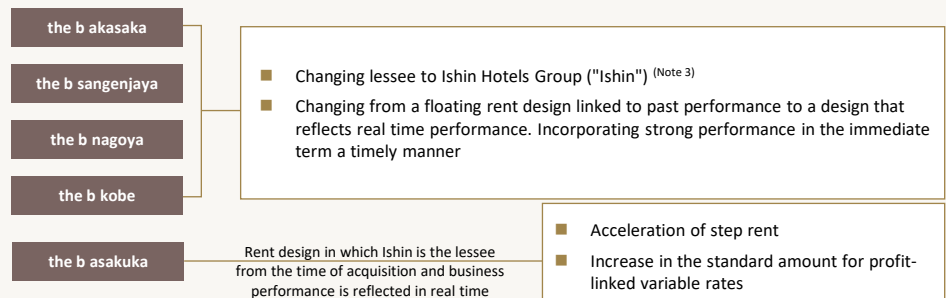
Asset Replacement (i)

[For Hoshino Resorts] Replacement of problematic properties with high yield properties



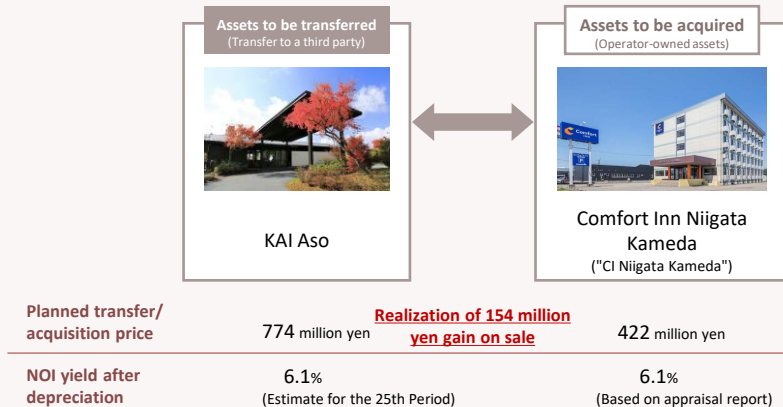
Rent increase

[the b brand] Rent increase initiatives

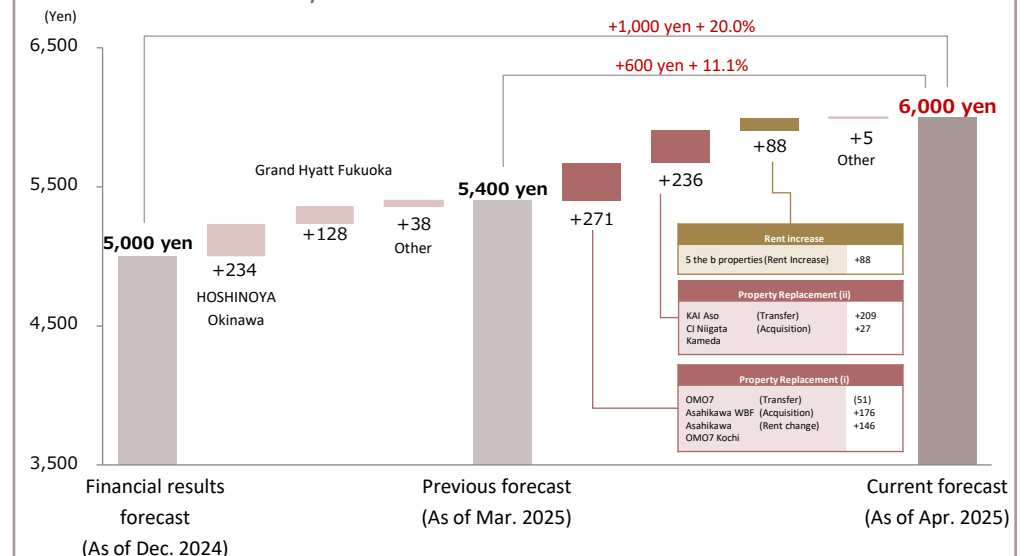


Asset Replacement (2)

[For third-party] Realization of Capital Gains and Replacement with High-yield Properties



Changes in forecast distributions for the fiscal period ending Oct. 2025 (25th Period) due to a series of initiatives



Improving yields through asset replacement, etc. in cooperation with sponsors

Outline of Initiatives (i) Replacement of problematic properties with high yield properties

Assets to be transferred (Transferred to Hoshino Resorts)		Assets to be acquired (Assets covered by initiatives with Hoshino Resorts)	
		 	
OMO7 Asahikawa		Hotel WBF Grande Asahikawa	OMO7 Kochi (Return of rebranding security deposit)
Please refer to p. 4 for details on the security deposit.			
4,785million yen	Planned transfer/ acquisition/etc. price	3,000million yen	1,923million yen
1.2% (Estimate for the 25th Period)	NOI yield after depreciation ^(Note)	6.2% (Based on appraisal report) [6.6%(Based on actual results)]	4.0% (Assumed yield)
4,610million yen	Real estate appraisal value	3,540million yen	-
March 1994	Completion date	July 2015	June 2024 Renovation
• Premium fixed rent up to 23rd Period • Fixed + variable from 24th Period	Rent design	Fixed + variable	• Premium fixed rent for 5-year period • Fixed + variable thereafter
Hoshino Resorts	Operator	Hoshino Resorts	Hoshino Resorts

Circumstances Leading to Asset Replacement

Additional investment and some time are forecast to be needed following discussions with Hoshino Resorts to improve the yields of OMO7 Asahikawa. The issue was examined alongside measures to help dramatically improve Hoshino Resorts' balance sheet.

Based on this, the idea arose to conduct an asset replacement with WBF Asahikawa, which is held by Hoshino Resorts and has a strong track record. At the same time, Hoshino Resorts also emphasized the balance of funds accompanying the acquisition and transfer upon the replacement.

Hoshino Resorts simultaneously began considering the return of the security deposit equivalent to the amount of the rebranding work that Hoshino Resorts paid to HRR upon the rebranding of OMO7 Kochi.

HRR concluded that if rent has been designed so it is possible to benefit from having premium fixed rent for the five-year period until occupancy stabilizes at OMO7 Kochi plus future upside, together with WBF Asahikawa, it would lead to an improvement in the yield of the portfolio, and could therefore be approached as an integrated transaction.

Asset to be acquired: Hotel WBF Grande Asahikawa



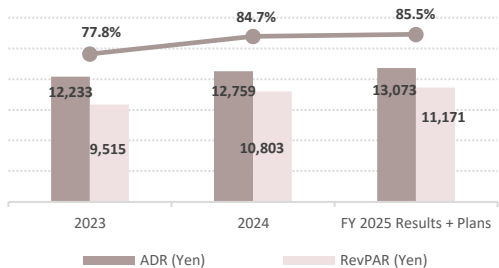
- Convenient location, 5 types of guest rooms suitable for a wide range of people/120 guest rooms offered
- Furthermore, the hotel offers high added value in the form of a rare natural hot spring in the vicinity of Asahikawa Station and sauna/several types of bedrock baths, giving it an edge over competing facilities
- Acquisition at a bargain price of 85% of the appraisal value

Planned
acquisition date:

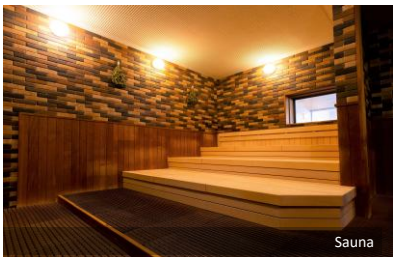
May 1, 2025

Track records of operation

- RevPAR **+17.4%** over 2023



Large communal bath



Sauna



Tennoyu Bedrock Bath

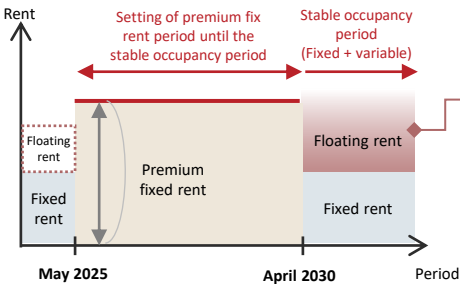
Rent Design Changes Intended to Increase Rents (OMO7 Kochi, 5 the b properties)

Change in rent design due to the return of security deposit upon OMO7 Kochi's rebranding

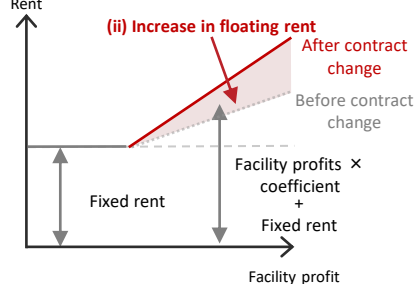
- Investment pertaining to rebranding will be executed by HRR through Hoshino Resorts, the lessee, contributing the amount equivalent to the investment as a security deposit
- Upon the return of the security deposit in question by HRR, the rent design will be changed as follows
 - ① Set to premium fixed rent until stable occupancy (five-year period), taking into account operating conditions in the immediate term
 - ② Floating rent rate from that point will be raised above conventional level

Conceptual image of rent design change

(i)Setting of premium fixed rent until the stable occupancy period

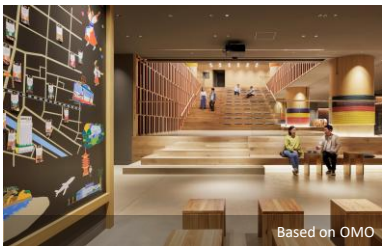
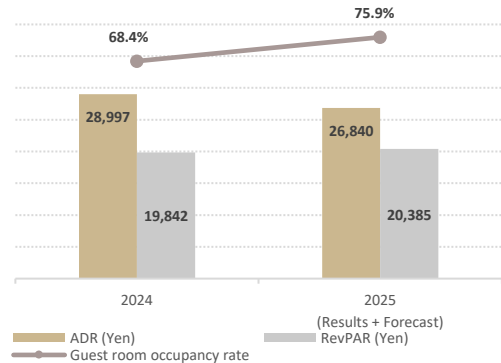


(ii) Raising of floating rent rate after the end of the premium fixed rent period



Track records of operation

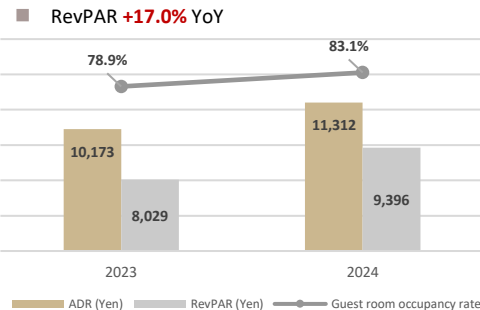
- RevPAR **+2.7% YoY**
- Since the rebranding, the accommodation and banquet business has been in line with plan for stable occupancy



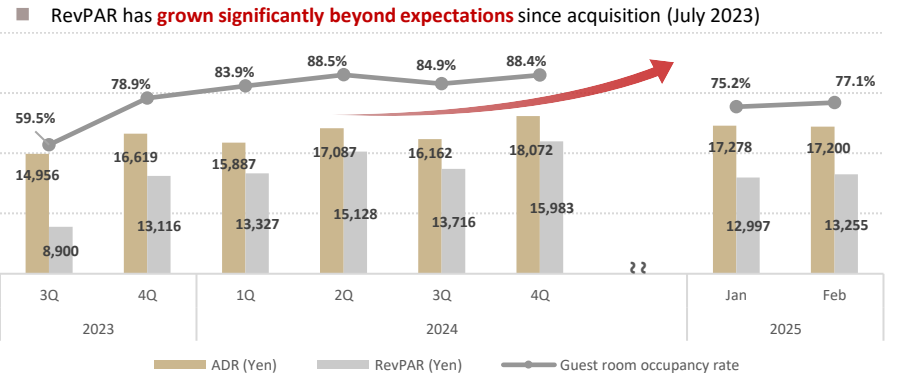
Outline of Initiatives (ii) Rent increase due to rent design changes for the b5 properties

Background of Initiatives	■ Ishin, which has undertaken a hotel management contract from Hoshino Resorts, the current lessee of 4 b properties, approached HRR to acquire the leasehold right in order to increase the probability of continuing operation. In return for the change of the lessee to Ishin, a rent increase will be realized. (Rent increases will mainly take place in the fiscal periods ending Oct. 2025 and Apr. 2026.)
4 the b properties ◆ Akasaka ◆ Sangenjaya ◆ Nagoya ◆ Kobe	■ Will change from a floating rent design linked to past performance to a design that reflects real time performance starting from the fiscal period ending Oct. 2025 ■ In doing so, will incorporate the current favorable situation with accommodation demand into rents in a timely manner
◆ Asakusa	■ Accelerating the timing of rent increase for step rent ■ Increasing the standard amount for profit-linked variable rates

Track records of operation at 4 b properties (Akasaka/Sangenjaya/Nagoya/Kobe)



Track records of operation at the b asakusa



Realization of capital gains that contribute to higher dividends and asset replacement with high-yield properties

Outline of Initiatives (iii) Realization of Capital Gains and Replacement with High-yield Properties

- KAI Aso: Realization of capital gains on property where capital expenditure efficiency is an issue
- CI Niigata Kameda: Acquisition of roadside hotel with high yield and stable track record of operation

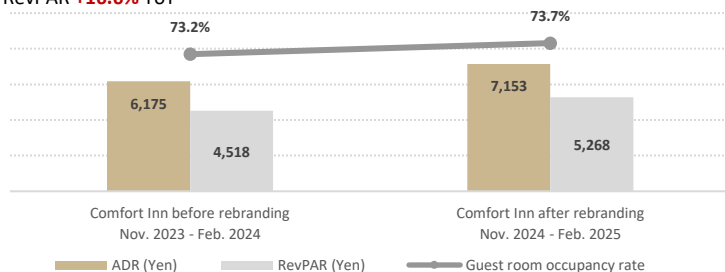
Realization of 154 million yen of gain on sale Distribution in full planned for the fiscal period ending Oct. 2025

Assets to be transferred (Transfer to a third party)		Assets to be acquired (Operator-owned assets)
		
KAI Aso		Comfort Inn Niigata Kameda
774million yen	Planned transfer/ acquisition price	422 million yen
6.1% (Estimate for the 25th Period)	NOI yield after depreciation	6.1% (Based on appraisal report) [7.6%(Based on actual results)]
774million yen	Real estate appraisal value	475million yen
April 2006	Completion date	August 2002
Fixed + variable	Rent design	Fixed + variable
Hoshino Resorts	Operator	Greens Co., Ltd. ("Greens")

Track records of operation for 22 roadside properties (Note)

(CI Niigata Kameda is not included)

- Continued steady earnings growth after rebranding
- RevPAR +16.6% YoY



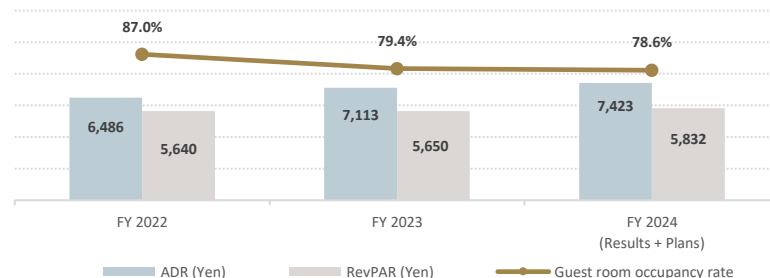
Asset to be acquired: Comfort Inn Niigata Kameda

- Located favorably close by the Niigata Kameda Interchange, Kameda Industrial Park and sports facilities such as a stadium, and will continue steadily operation while capturing demand for business and leisure activities
- Acquisition of properties that will contribute to the expansion of the roadside hotel business, which HRR and Greens have agreed to with the aim of expanding the business nationwide by 2030

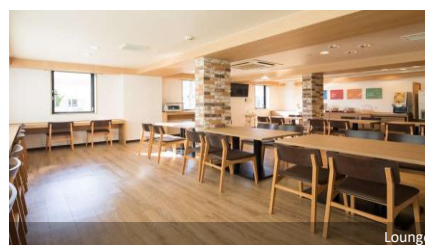
Track record of operation

(Fiscal Year: July to June of following year)

- RevPAR +3.2% YoY



Planned acquisition date: May 1, 2025



Promoting Continuous Initiatives to Increase Investment Unit Prices

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

P: Investment unit price

D: Distributions

G: Expected growth rate

Rf: Risk-free rate

Rp: Risk premium

(Dividend discount model)

$$P = \frac{D}{(Rf + Rp) - G}$$

Track record of initiatives and future direction

Track record of initiatives
announced on Mar. 18 and Apr. 18

Internal growth

1. Rent increase
HOSHINOYA Okinawa, Grand Hyatt Fukuoka, OMO7 Kochi, 5 the b properties
2. CAPEX to improve profitability
Continuous implementation
3. GOP control
Close cooperation with operators
4. 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
- ◆ Replacement

1. Carefully selected investment: Prioritizing yield and quality without chasing asset size in the immediate term **Comfort Inn Niigata Kameda**
2. Sale of low-yield properties and replacement with acquisition of high-yield properties **OMO7 Asahikawa ⇄ WBF Asahikawa, OMO7 Kochi**
3. Realization of capital gains from sale of properties **KAI Aso**

Reduction of inherent risk premiums

1. Probability to improve profitability
Disclosure of distributions, roadmap for improving profitability, etc.
2. Sponsor commitment
Premium fixed rent, asset replacement, increased same-boat investment ratio

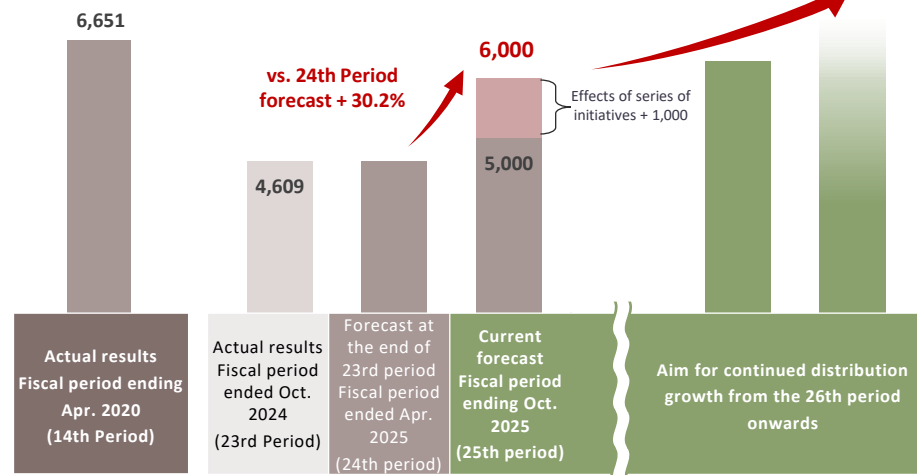
Strengthening of portfolio for the fiscal period ending Oct. 2025 (25th Period)

	As of time of disclosure of the financial results on Dec. 16 2024	Following series of initiatives
Number of properties	70 properties	70 properties
Asset size	229.7 billion yen	227.9 billion yen
Rent NOI yield	5.9%	6.2%
Operating ratio of Hoshino Resorts	49.9%	49.4%
Hoshino Resorts lease ratio	84.3%	74.8%

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

* The figures take into account the investment unit split

Aim for distributions to exceed pre-COVID levels by 2027 at the latest



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Note 1: "Hoshino Resorts" collectively refers to Hoshino Resorts Inc., its parent company and its subsidiaries. The same shall apply hereinafter.

Note 2: In calculating the NOI yield after depreciation for OMO7 Kochi, the annual rate is calculated by deducting depreciation expenses are deducted from net operating income calculated based on the operating forecast for the next ten years estimated by the Asset Management Company and dividing the difference by the amount of security deposit to be returned, rounded to one decimal place, under the rent conditions before and after the change in the rent design under the Initiatives. The value is based on the forecast of the Asset Management Company and may differ from the actual yield. The same shall apply hereinafter.

Note 3: With regard to the b akasaka/the b sangenjaya/the b kobe/the b nagoya, full amendment agreements for the lease agreement of each property are scheduled to be executed, and upon completion of the incorporation-type company split of the hotel operation business planned by K.K. Horizon Hotels, which is the current lessee, the position of the lessee in the lease agreements for each property is scheduled to be transferred to the company that will be established by the incorporation-type company split. For details, please see the "Notice Concerning Asset Replacement Due to Acquisition of Domestic Real Estate and Transfer of Domestic Real Estate, and Changes to Domestic Real Estate Lease Agreements (Measures for Co-existence and Co-prosperity with Sponsor, etc.)" to be disclosed on the same date as these materials.

P3

Note: "NOI yield after depreciation" is the figure calculated by the Asset Management Company by dividing NOI after depreciation by the total of the planned acquisition or transfer prices, rounded to one decimal place. For the NOI of assets to be transferred, estimated operating net income for the 25 Period as estimated by the Asset Management Company is used. For the Net Operating Income (NOI) of assets to be acquired, NOI obtained by deducting operating expenses from the operating income stated in the appraisal report is used. For the estimated amount depreciation expense as of today for assets to be acquired, the estimated amount calculated by the Asset Management Company by multiplying the planned acquisition price, acquisition cost, etc. by the straight-line depreciation rate based on the useful life, taking into consideration information obtained by the Asset Management Company such as the building condition assessment report, etc. for assets to be acquired, is used. For the depreciation expense for assets to be transferred, the actual amount of depreciation expense during the holding period or an estimated amount based on the actual amount is used. Note that NOI is income before deducting the depreciation expense. This differs from net cash flow, in which the addition of investment income such as security deposits and capital expenditures are deducted from NOI. Additionally, for assets to be acquired, net operating income based on the direct capitalization method is used.

Based on this, each indicator is calculated as follows. The same shall apply hereinafter.

- $\text{NOI yield after depreciation} = (\text{NOI} - \text{Depreciation expense}) \div \text{Planned acquisition or transfer price}$
- $\text{NOI yield after depreciation based on actual results} = (\text{NOI estimated by the Asset Management Company in the 25th Period} - \text{depreciation expense} - \text{Annual tax amount stated in the fixed asset tax notice received in 2022 or 2024}) \div \text{Planned acquisition price}$

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Note: "22 Roadside Properties" refers to the 22 Comfort Inn budget hotels operated by Greens.

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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)