

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Hoshino Resorts REIT, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 8, 2021
Publication date of review publication:	January 8, 2021

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|---|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Hoshino Resorts REIT, Inc. (HRR) was established in March 2013, specializing in hotels and traditional wooden Ryokans (Japanese-style inns) that was listed on the Tokyo Stock Exchange (real estate investment trust securities market) in July. The basic policy of HRR is to invest intensively in hotels, Ryokans and ancillary facilities that have become the core of the tourism industry over the medium to long term and are expected to have stable demands. HRR particularly invest in facilities that are expected to be able to ensure cash flows in the long-term stably. The shareholder of Hoshino Resorts Asset Management Co., Ltd. (HRAM), an asset management company, is Hoshino Resorts Co., Ltd. The current portfolio has a total of 62 properties and an asset size of a total acquisition price of ¥162.7 billion. Hoshino Resorts, the sponsor of HRAM, opened its first Ryokan, Hoshino Onsen (hot spring) in Karuizawa, Nagano Prefecture, in 1904, marking its 106th year this year. Since its opening, this Ryokan has realized a reduction of environment burden through the excavation of hot springs and the installation of hydroelectric power stations. Hoshinoya Karuizawa, which is currently open on the site of the former Hoshino Onsen Ryokan, achieved its energy self-sufficiency rate at about 70 % through EIMY (Energy In My Yard), heating use of hot spring waste water, construction devised for energy conservation, and recycling using biomass. Consideration for the overall environments since Hoshino Resorts' founding are incorporated into its operations. HRAM manages and operates properties HRR owns in order to support and develop the initiatives of Hoshino Resorts. HRR established a sustainability policy as a policy for addressing environmental issues.

The scope of evaluation is the green finance framework (the "Framework") established by HRR to limit the use of proceeds to the assets/activities with environmental improvement effects. To assess whether the Framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles (2020 edition), the Green Bond Guidelines (2020 edition) and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines (2020 edition). These principles, which are not binding because they are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Ministry of the Environment, respectively, are not regulations, but JCR evaluates the Framework by reference to these principles and guidelines as globally unified standards.

HRR defines the eligibility criteria for the use of proceeds in this framework to the acquisition of green buildings, introduction of equipment with energy-saving performance, renovation work, and introduction of renewable energy. Eligibility criteria for Green Building should be BELS three stars or higher, LEED Silver or higher and CASBEE certification B+ or higher. In case for properties with BELS two star, HRR added additional conditions which has environmental benefits. JCR evaluates that the eligibility criteria established by HRR are targeted at properties with environmental improvement effects.

HRAM is structured so that specialized departments and the managements are properly involved in the process of implementation projects and executing HRR's Green Finance. Because cash management is managed by the department in charge with internal control system, and the reporting items to be disclosed are also appropriately designed. JCR confirmed a strong management and operational system and high transparency with respect to HRR.

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for the "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation." Detailed evaluation is discussed in the next chapter.

The Framework meets the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and the Sustainability Linked Loan Guidelines of the Ministry of the Environment.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. The eligibility criteria set out in the Framework for funding are acquiring or refinancing of funds for green buildings which meet regional, national or internationally recognised standards or certifications, which are expected to be effective in improving the environment.

- ii. Use of proceeds for green building falls under the categories of "Green buildings which meet regional, national or internationally recognised standards or certifications." and "Energy Efficiency" among the green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines. Use of proceeds for renewable energy power generation facilities falls under the categories of "Renewable Energy."

b. Negative impact on Environment

The Asset Management Company conducts due diligence when acquiring properties and checks for factors that could negatively impact the environment. Through interviews with the Asset Management Company, JCR evaluates that there are little possibilities of a negative impact on the environment caused by the logistics facilities owned by the Investment Corporation. JCR confirms that if there is a negative impact on the environment, it is necessary to take corrective measures by the seller as a precondition to avoid or mitigate the negative impact.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>) : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Investment Corporation has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The purpose of the green finance is to finance or to refinance the acquisition of the Green Eligible Assets described in this evaluation report and will not be used for any other purpose.
The Investment Corporation does not expect to generate unallocated funds because the funds procured through the green finance will be used for the acquisition of properties or refinancing in a short period of time after the procurement. On the other hand, in the event that unallocated funds arise due to such factors as the sale of assets subject to the use of the proceeds prior to repayment or redemption of the green finance, the Investment Corporation shall manage the outstanding balance of the green finance so that it does not exceed the amount of Green Eligible Liabilities (the total acquisition cost of Green Eligible Assets) \times (Loan To Value ratio (LTV) of the total assets at the end of the recent fiscal period).

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>) : |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of proceeds procured through the green finance will be announced on the Investment Corporation's website, and in legal documents such as revised shelf registration documents and shelf registration supplements in the case of issuing the green bonds. JCR confirms that in the event of a major change in circumstances, such as the occurrence of unallocated funds due to the sale of properties acquired through the green finance, disclosure will be made on the Investment Corporation's website.

b. Impact reporting for environmental benefits

In accordance with the Framework, the Investment Corporation plans to report on the effects of environmental improvements in energy consumption, CO2 emissions, water consumption, and waste volume, in addition to the number of Green Eligible Assets, the level of environmental certification, and the total floor space.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

GHG Emissions / Savings

Energy Savings

Decrease in water use

Other ESG indicators (please specify):

Status of Environmental Certification Acquisition

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify):

Show on the website

Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Website on sustainability of Hoshino Resorts REIT, Inc.	https://www.hoshinoresorts-reit.com/en/sustainability/index.html
JCR's website about green finance evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Second Party Opinion

Certification

Verification

Scoring/Rating

Other (please specify):

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: January 8, 2021

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- 1. Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3. Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.