

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product name: Hoshino Resorts REIT, Inc.

Legal entity identifier: 353800DF2MUZWFL4IL56

The following is the adverse sustainability impact statement of Hoshino Resorts REIT, Inc. (“HRR”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). HRR has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Hoshino Resort Asset Management Co., Ltd. (the “Asset Management Company”) to manage and operate the properties in its portfolio. HRR and the Asset Management Company are hereinafter referred to collectively as “we”, “us” or “our,” unless noted otherwise. References to “fiscal year” or “FY” herein are to the 12 months began or beginning on April 1 of the year specified in line with the fiscal year of the Asset Management Company, unless noted otherwise.

Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C (2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), HRR is required to publish on its website the information referred to therein covering the period of one calendar year. HRR is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Management Company for the management and operation of its properties. The Asset Management Company does not operate based on a calendar year, but operates based on fiscal year ending in March of every year. A recalculation and translation of some of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from April 1, 2024 to March 31, 2025. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from April 1, 2024 to March 31, 2025. The statement will be reviewed at least once during every twelve-month period ending on March 31 of each year.

We believe that our sustainability initiatives are essential for our sustainable growth. We improve long-term returns of investors and contribute to the realization of sustainable society and urban development by implementing initiatives that address social issues. Under our sustainability policies and framework, we, in collaboration with the Asset Management Company, take actions on climate change, including energy conservation, and being resilient in times of disasters.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of SFDR.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders.

To this end, we consider PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in our portfolio.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our ESG initiatives. Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1

Principal adverse sustainability impacts statement

HRR does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Indicators applicable to investments in real estate assets								
Adverse sustainability indicator		Metric	Impact in 2024 (From April 1, 2024 to March 31, 2025)	Impact in 2023 (From April 1, 2023 to March 31, 2024)	Impact in 2022 (From April 1, 2022 to March 31, 2023)	Impact in 2021 (From April 1, 2021 to March 31, 2022)	Explanation	Actions taken
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A	We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	As of March 31, 2025, 63.3% of our properties did not have environmental certifications based on number of properties.	As of March 31, 2024, 68.7% of our properties did not have environmental certifications based on number of properties.	As of March 31, 2023, 74.6% of our properties did not have environmental certifications based on number of properties.	As of March 31, 2022, 87.3% of our properties did not have environmental certifications based on number of properties.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Comprehensive Assessment System for Built Environment	We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as CASBEE for Real Estate certification, executing Green

							Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, and other equivalent certifications.	Leases (defined below) with tenants (as of March 31, 2025, 100% of our leases with tenants (based on leasable floor area)), and introducing energy-saving equipment.
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Table 2

Additional climate and other environment-related indicators

HRR does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-17 as contained in Table 2 of Annex 1 of the Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Climate change	<p>18. GHG emissions</p> <p>Total GHG emissions generated by real estate assets were 50,133 t-CO2 in FY 2019, 42,218t-CO2 in FY 2020, 51,274t-CO2 in FY 2021, 54,667t-CO2 in FY 2022, 62,713t-CO2 in FY 2023 and 59,237t-CO2 in FY 2024.</p> <p>The figure has increased from FY 2022 to FY 2023 partially because the number of properties from which we collected data for each indicator has increased. We aim to achieve an average annual reduction of 1% over the medium to long term (five years).</p>	Total GHG emissions generated by real estate assets
Energy consumption	<p>19. Energy consumption intensity</p> <p>Energy consumption of real estate assets was 342.2 kWh/m² in FY 2019, 277.7 kWh/m² in FY 2020, 330.5 kWh/m² in FY 2021, 329.3 kWh/m² in FY 2022, 360.9kWh/m² in FY 2023 and 355.0kWh/m² in FY 2024.</p> <p>The figure has increased from FY 2022 to FY 2023 partially because the number of properties from which we collected data for each indicator has increased. We aim to achieve an average annual reduction of 1% over the medium to long term (five years).</p>	Energy consumption in GWh of owned real estate assets per square meter
Waste	<p>20. Waste production in operations</p> <p>The amount of waste generated from real estate assets was 1,937 tons in FY 2019, 1,036 tons in FY 2020, 2,442 tons in FY 2021, 3,558 tons in FY 2022, 4,092 tons in FY 2023 and 3,661 tons in FY 2024.</p> <p>The recycle ratio was 29.7% in FY 2019, 34.1% in FY 2020, 20.1% in FY 2021, 14.2 % in FY 2022, 21.6 % in FY 2023 and 21.5 % in FY 2024.</p> <p>The figure has increased from FY 2022 to FY 2023 partially because the number of properties from which we collected data for each indicator has increased. We aim to achieve an average annual reduction of 1% over the medium to long term (five years).</p>	The amount of waste generated from real estate assets and the recycle ratio

	Note: The Recycle Ratio is calculated by dividing (amount of waste recycled at real estate assets) by (amount of waste generated at real estate assets).	
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Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

HRR has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on the Asset Management Company to manage and operate the properties in its portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Management Company and the tenants of the properties in HRR's portfolio, to the extent available.

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Management Company or tenants		
Social and employee matters	<p>6. Insufficient whistleblower protection</p> <p>The Asset Management Company takes the following measures to protect whistleblowers in accordance with the Asset Management Company's whistleblower protection regulations, which are in compliance with the Whistleblower Protection Act of Japan:</p> <ul style="list-style-type: none"> (i) The Asset Management Company may not dismiss or otherwise mistreat the whistleblower in any way for having whistleblown. (ii) The Asset Management Company shall take appropriate measures to ensure that the working environment of the whistleblower does not deteriorate following whistleblowing. (iii) The Asset Management Company may impose disciplinary action in accordance with the Asset Management Company's employment regulations against any person who has treated the whistleblower in a disadvantageous manner or harassed the whistleblower. <p>Hoshino Resort group, which accounts for more than 80% of our tenants, has established a labor consultation and whistleblowing desk for all employees of the Hoshino Resort group including us. To ensure that whistleblowers are not disadvantaged, confidentiality is strictly observed, and we make efforts to detect</p>	<p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>The Asset Management Company has a grievance/complaints handling mechanism and most of our tenants also have the same mechanism.</p>

	<p>and respond to problems related to whistleblowers as early as possible.</p>	
	<p>7. Incidents of discrimination</p> <p>The Asset Management Company and Hoshino Resort group, which accounts for more than 80% of our tenants, has established regulations concerning the prevention of discrimination and harassment. We have also implemented measures based on those regulations, and are committed to ensuring that employees are able to perform their duties effectively and to protect their interest.</p>	<p>1. Number of incidents of discrimination reported in investee companies expressed as a weighted average</p> <hr/> <p>2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average</p> <p>No discrimination has been reported by any of the Asset Management Company's officers or employees.</p>

Human Rights	<p>13. Operations and suppliers at significant risk of incidents of forced or compulsory labor</p> <p>The employment regulations of the Asset Management Company and Hoshino Resort group, which accounts for more than 80% of our tenants, stipulate working hours of its employees. The prescribed working hours are 40 hours per week, and overtime work is limited to 45 hours per month for up to six months per year, with a maximum of 80 hours per month for those exceeding 45 hours, and an annual maximum of 720 hours, which is monitored in our personnel system to ensure that the maximums are not exceeded.</p>	<p>Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labor in terms in terms of geographic areas and/or the type of operation</p> <p>In FY2024, there was no breach of labor-related laws, regulations or standards within the Asset Management Company.</p>
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Asset Management Company views thorough compliance as one of its most important management tasks. Compliance means not only prevention of illegal conduct (such as bribery and excessive client entertainment) through strict observance of applicable laws and regulations, internal rules and market rules, but also conducting honest and fair corporate activities in accordance with social norms. As a company engaged in the financial instruments business, we have social responsibility to consistently pursue compliance to enhance the value of our business, both qualitatively and quantitatively. We aim to contribute to the development of the economy and society through compliant activities, thereby enhance our reputation among investors and earn the trust of society.</p> <p>For further information regarding our governance and risk management system, please refer to our website: https://www.hoshinoresorts-reit.com/en/sustainability/governance.html</p>	<p>Share of investments in entities without policies on anti-corruption and anti- bribery consistent with the United Nations Convention against Corruption</p> <p>The Asset Management Company has compliance policies addressing anti-corruption and anti-bribery that apply to all of its officers and employees.</p>

For descriptions of actions which HRR takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://www.hoshinoresorts-reit.com/en/sustainability/index.html>

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for our properties.

Prior to our investment in a new property, we conduct due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision.

HRR has established a Green Finance Framework to conduct green finance in accordance with the Green Bond Principles, stipulated by International Capital Market Association and other voluntarily published principles and guidelines including the Green Loan Guidelines and the Sustainability Linked Loan Guidelines stipulated by

Ministry of the Environment. It aims to provide ESG investment opportunities to a wide range of investors interested in sustainability. Funds raised through green financing will be used for acquisition of green buildings or expenditures that meet the following eligibility criteria or the refinancing of green financing bonds.

- (1) *Green building and additional initiatives contributing to the environment* – Properties that have acquired or are expected to acquire certifications from third-party organizations by satisfying one of criteria (i) to (iv) below.
 - (i) 2-star BELS certification and one or more of the following are currently being undertaken by HRR or operators at the relevant property:
 - i. Procurement of environmentally-friendly energy through EIMY
 - ii. Procurement of environmentally-friendly energy other than that indicated in i.
 - iii. Implementation of 3Rs (reduce, reuse, and recycle) through zero emissions activities
 - iv. Reduction of usage of plastic products
 - v. Nature conservation activities
 - (ii) 3-star BELS certification or higher
 - (iii) Silver level LEED certification or higher
 - (iv) B+ CASBEE certification or higher
- (2) *Energy-saving performance* – Introduction of energy-saving equipment, use of LED lighting, and installation of power storage systems (which are expected to reduce consumption or emissions by 10% or more in comparison to before the equipment was installed)
- (3) *Renovation*
 - (i) Renovation of assets that can provide environmental benefits, such as reducing consumption or emissions of CO₂, energy and water (which is expected to reduce consumption or emissions by 10% or more in comparison to before renovation)
 - (ii) Construction with the aim of acquiring environmental certifications, re-acquiring certifications, or raising the level of certifications
- (4) *Renewable energy* - Acquisition or installation of renewable energy power generation facilities

HRR has also established a the Sustainability Finance Framework as a basic policy for sustainability finance in compliance with the Sustainability Bond Guidelines (SBG) 2021 and other principles and guidelines, in order to provide ESG investment opportunities to a wide range of investors interested in sustainability.

- (1) HRR summarizes environmental and social issues that have a large impact on the tourism industry below. In the process of defining “Issues to be resolved”, HRR set the constraints for climate change are the achievement of the CO₂ emissions reduction target for 2030 (target: 46% reduction from 2013 levels) and realization of carbon neutrality by 2050, and for social issues, the constraints are the revitalization of local industries and linking the economy to tourism. With these constraints, we have considered concrete action guidelines in terms of both hard and soft aspects that are easy to understand for those involved in accommodation facilities or real estate and that can be used to mobilize collective efforts to produce results.

(2) Use of procured funds: HRR plans to use the proceeds raised through sustainability finance to acquire assets that meet the following social eligibility criteria and green eligibility criteria (hereinafter collectively “Eligibility Criteria”) or to refinance the funds.

(3) Eligibility Criteria:

(i) Social eligibility criteria: HRR, the Asset Management Company, the lessee, or the operator, for the target property, implements two or more of the following “Initiatives for related parties, including users of real estate”, and two or more of the “Initiatives for local communities” (however, at least one of 1 through 4 should be included). If the property falls under the Green eligibility criteria “(2) Renewable energy” described below, the social beneficial impacts of the property shall apply mutatis mutandis.

<Initiatives for related parties including users of real estate>

Social issues	Output	Outcome	Impact
Healthy living and workstyle	Implementation of “Ease of Work Survey” related to society and wellness	<ul style="list-style-type: none"> Realization of healthy and comfortable work environments Improving turnover, labor productivity, health and satisfaction 	Improvement of health and comfort
Comfort of the workplace environment	Publication of the Sustainability Guide	Voluntary action on climate change and social issues	Raising awareness of environmental and social issues
Preparation for natural disasters	Implementation of regular building safety management checks, disaster drills, stockpiling of emergency supplies, food, medicine, etc.	Disaster preparedness and training	To protect people’s lives and livelihoods
Preparation for natural disasters	Analysis of portfolio resistance (resilience) from historical disaster data	Understanding current circumstances to apply past lessons to disaster prevention	To protect people’s lives and livelihoods
Realization of diverse work styles and improved productivity	Promoting the use of internship programs, intra-group personnel exchange programs, training	Early development of high-quality human resources	To exercise one’s motivation and ability

	programs for new graduates, career development programs, and professional development programs	and formation of career vision	
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<Initiatives for local communities>

Social issues	Output	Outcome	Impact
Local charm and rich economy	To explore local industry and history, and provide guests with more appeal for their stay	Revitalization of the culture of festivals and other events, secondary industries such as processed foods, and primary industries such as agriculture	<ul style="list-style-type: none"> • Increase in the number of nonresident population • Rejuvenation of the local population
Local charm and rich economy	Plans to develop hot spring areas and install commercial facilities, etc.	<ul style="list-style-type: none"> • Revitalization of stores in town • Enhancing appeal for guests • Fostering various communities 	<ul style="list-style-type: none"> • Interaction between regions and outside areas • Fostering a new culture • Economic revitalization
Prosperous economy	<ul style="list-style-type: none"> • Providing workplaces to increase local employment • Employee transfers from outside areas 	<ul style="list-style-type: none"> • Securing stable employment • Enriching people's lives 	<ul style="list-style-type: none"> • Meaningful work • Rich life
To protect people's lives and livelihoods	Providing shelters (places and food)	Protection of stranded commuters and local residents	Cooperation and coexistence with local communities

Dignity is preserved	Providing low-cost hotels	Realization of a simple and comfortable stay	Realization of an inclusive society
Dignity is preserved	Prevention of pandemics and establishment of patient care facilities	Prevention of infectious diseases	Reduction in the number of infected people and strain on hospital beds
Healthy living and local charm	<ul style="list-style-type: none"> • Conservation of the natural environment and protection of organisms (animals, plants and fungi) • Building coexistence with the natural environment and organisms 	<ul style="list-style-type: none"> • Ecosystem conservation • Enhancing regional appeal • Maintenance of a healthy lifestyle 	<ul style="list-style-type: none"> • Realization of diversity • Increase in the number of nonresident population • Interaction between regions and outside areas • Improvement of health and comfort

(ii) Green eligibility criteria

Green building and additional initiatives contributing to the environment	<p>Properties which have acquired or are scheduled to acquire certifications from third-party certification authorities by satisfying criteria (1) to (4) below (for criterion (1), at least one of the initiatives defined in (i) to (v) must be underway). If the initiatives specified in (i) to (v) of (1) are implemented for (2) to (4), the entire property deemed to be a Green Eligible Property.</p> <ul style="list-style-type: none"> • (1) Two stars for BELS certification, and any of the following efforts are being made by HRR, the Asset Management Company, the lessee, or the operator in the property. <ul style="list-style-type: none"> ○ (i) Procurement of natural energy (hydroelectric power, etc.) through EIMY (Energy In My Yard) ○ (ii) Procurement of natural energy other than that indicated in (i)
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	<ul style="list-style-type: none"> ○ (iii) Implementation of 3Rs (reduce, reuse, and recycle) through zero emissions activities ○ (iv) Reduction of usage of plastic products <ul style="list-style-type: none"> ▪ Switching from individually packaged soaps to pump bottles ▪ Toothbrush recycling ▪ Elimination of plastic drink bottles, etc. ○ (v) Nature conservation Activities <ul style="list-style-type: none"> • (2) 3 stars BELS certification or higher • (3) Certified or above in LEED certification • (4) B+ CASBEE certification or higher
Renewable energy	Acquisition or installation of renewable energy power generation facilities

For further information, please refer to our ESG website:

<https://www.hoshinoresorts-reit.com/en/sustainability/index.html>

4. Engagement policies

Due Diligence and Screening

Prior investing in a property, we investigate whether it is in compliance with relevant laws and regulations, the presence of harmful substances, the history of past land usage and the soil conditions. We also maintain the probable maximum loss (PML) of our portfolio in Japan at 20% or less, and we consider purchasing earthquake insurance on any property with a PML of more than 20%.

In addition, we monitor and track energy consumption, GHG emissions and water consumption and waste at our properties. We consider the principal adverse impact of our investment decisions on sustainability factors at all major steps of the investment decision and management process throughout the life cycle of the properties in its portfolio.

Engagement

We aim to include environmental provisions, which we refer to as “Green Lease” provisions, in our lease contracts with tenants. A “Green Lease” is a voluntary agreement to reduce the environmental impact of the property, including through energy-savings efforts, and to improve the working environment. By executing a Green Lease with a tenant, we aim to contribute to our global environment while improving our profitability through reduced utility costs and other benefits from the lease.

In July 2021, Iriomote Island was registered as a World Natural Heritage Site. In order to protect the island’s natural environment and create a system of sustainable tourism, both employees and guests are engaged in activities aiming to make the resort Japan’s first ecotourism resort. To achieve this, we are working to eliminate the use of plastic bottles at Iriomote Hotel by guiding all guests to bring their own amenities and bottles and no longer selling plastic bottles at the hotel. We also offer nature tours to guests to promote a greater understanding of the island’s biodiversity. To help protect Iriomote cats, an endangered species, we engage in various conservation activities, such as cutting roadside grass to improve the cats’ visibility and help prevent roadkill. Furthermore, to help eliminate micro plastics and protect the aquatic wildlife, we began beach cleanup in March 2021.

On March 11, 2021, HOSHINOYA Taketomi Island signed a partnership agreement with Taketomijima Regional Foundation, which engages in the conservation of Taketomi Island’s natural environment. Taketomi Island is located in Southwest of Okinawa Main Island and famous for its richness of nature and a village with stone walls and one-story houses with red tile roofs. The agreement aims to conserve the island’s natural environment and preserve its culture sustainably and sets forth that HOSHINOYA Taketomi Island and the Foundation will work together in developing activities to solve issues such as marine debris and reviving traditional crops. At HOSHINOYA Taketomi Island, we installed a thermal desalination heat pump system, which desalinates seawater, generates and stores solar power and functions as a heat pump. It cuts annual CO₂ emissions by 65 tons and can supply island residents with water in the event of a disaster.

5. References to international standards

We follow the United Nations’ 17 Sustainability Development Goals, a reference framework adopted at the United Nations Summit held in September 2015. We became a signatory as a supporter to the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”) established by the Financial Stability Board and joined the TCFD Consortium in December 2021, an organization comprised of Japanese companies that support the recommendations and discuss initiatives aimed at effective information disclosure by companies and linking of disclosed information to appropriate investment decisions by financial institutions.

6. Historical comparison

See Tables 1 and 2 above.