

July 13, 2017

For Immediate Release

REIT Securities Issuer  
 Hoshino Resorts REIT, Inc.  
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 (Code: 3287)

Asset Management Company  
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## Notice Concerning Additional Acquisition of Domestic Real Estate

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which HRR entrusts asset management, made a decision today regarding the acquisition of new land (HOSHINOYA Kyoto Annex Land; hereinafter the “Land”) in the vicinity of an asset under management of HRR, “HOSHINOYA Kyoto” (hereinafter the “Property” or the “Existing Asset”).

In addition, HRR also announces that the Asset Management Company made a decision today that HRR will, in effect, acquire the new building (HOSHINOYA Kyoto Annex; hereinafter the “Building”) that is under construction on the Land, and that after the construction completes, HRR will succeed the status, etc. of the contractee under the construction agreement of the Building from the seller of the Land at the same time as the acquisition of the Land (hereinafter, the Land and the Building may be collectively referred to as the “Asset to be Additionally Acquired”).

### 1. Overview of Acquisition

Property name	Location	Planned acquisition price (Note 1)	Seller (Note 2)
HOSHINOYA Kyoto Annex (Asset to be Additionally Acquired)	Kyoto-shi, Kyoto	354,222 thousand yen	K.K. Arashiyama Onsen Rankyokan

(Note 1) “Planned acquisition price” is the sum total amount of (a) the sales/purchase price of the Land stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), which is 93,000 thousand yen, and (b) the contract price in the agreement on contracting of construction work for construction (new construction) of the Building to be borne by HRR with the abovementioned succession of status (excluding consumption taxes, local consumption taxes and other expenses), which is 261,222 thousand yen.

(Note 2) “Seller” is the counterparty to the abovementioned acquisition and succession of status (hereinafter the “Seller”).

- (1) Contract Date: July 13, 2017 (Note)
- (2) Planned Acquisition Date: July 14, 2017 (delivery and settlement date)
- (3) Seller: Please refer to “4. Details of Seller” later in this document.
- (4) Funds for Acquisition: Cash on hand
- (5) Method of Payment: Lump-sum payment upon delivery of land and construction completion and delivery of building
- (6) Collateral: None

(Note) The contract date of the sales and purchase agreement for the acquisition of the Land and the memorandum on succession of status for the abovementioned succession of status.

## 2. Reason for Acquisition

As part of the internal growth strategy set by HRR, HRR is acquiring the Land in the vicinity of the Property, and is succeeding the status, etc. of the contractee under the agreement on contracting of construction work for the Building that is under construction on the Land. After construction of the Building is completed, the Building is scheduled to be additionally leased to the lessee of the Property as a waiting room for the courtesy boat, shop-cum-office, etc. for use by the Property's staying guests, which is intended to achieve effects similar to an extension of the Property.

HRR will work to stabilize revenue by increasing the amount of fixed rent and work to enhance asset value over the medium to long term by strengthening the competitiveness of the Property as a lodging facility through such initiatives.

In addition, the appraisal value of the entire Property by a real estate appraiser (Japan Valuers Co., Ltd.) with June 1, 2017 as the effective date of the appraisal (date of value) is 4,260 million yen, assuming that the construction of the Building has been completed. The appraisal value of the Property by the same real estate appraiser with April 30, 2017 as the effective date of the appraisal (date of value) is 3,830 million yen, assuming that the Building has not been completed. Therefore, an increase in amount of 430 million yen is expected.

Based on the above, HRR has judged that the Asset to be Additionally Acquired will serve to enhance the profitability and asset value of HRR.

## 3. Contents of the Asset to be Additionally Acquired

The tables below present an overview of the Land and the Property after completion of construction of the Building subject to completion of the acquisition of the Asset to be Additionally Acquired.

The following is an explanation of the matters stated in each column of the tables below.

### a. Explanation on "Overview of Specified Asset"

- "Acquisition Date" in the case of the Land is the planned acquisition date, and in the entries under "<Overview of the Property after Completion of Construction of the Building (Reference)>," that in the case of the main wing is the acquisition date for the Existing Asset and that in the case of the annex is the date on which the Building after construction completion is scheduled to be delivered to HRR.
- "Type of Specified Asset" is the type of real estate and other assets as specified assets.
- "Acquisition Price" in the case of the Land is the Land's sales/purchase price stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions). In addition, acquisition price in the case of the entry under "<Overview of the Property after Completion of Construction of the Building (Reference)>" is the sum total amount of the Existing Asset's and the Land's respective sales/purchase price stated in the respective sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- "Appraisal Value (Appraisal Date)" in the case of the Land is the real estate appraisal value and appraisal date stated in the real estate appraisal report for the Land obtained from Japan Valuers Co., Ltd. In addition, appraisal value in the case of the entry under "<Overview of the Property after Completion of Construction of the Building (Reference)>" is the indicated value by income approach for the Property after completion of construction of the Building stated in the real estate appraisal report for the Land obtained from Japan Valuers Co., Ltd.
- "Location (Indication of Residential Address)" is, in principle, the indication of residential address. In cases where there is no indication of residential address, it is the location (if several, one of the locations) in the real estate registry. Furthermore, that in the case of the annex in the entry under "<Overview of the Property after Completion of Construction of the Building (Reference)>" is the location (if several, one of the locations) in the real estate registry for the Land, because the Building is yet to be completed and thus not registered.
- "Transportation" is in accordance with the real estate appraisal report for the Land and the Existing Asset obtained from Japan Valuers Co., Ltd.

- “Lot Number” of Land is the location (if several, one of the locations) in the real estate registry.
  - “Building Coverage Ratio” of Land is, in principle, the ratio of building area of the building to site area as stipulated in Article 53 of the Building Standards Act (Act No. 201 of 1950, as amended) (hereinafter the “Building Standards Act”) and indicates the upper limit of the building coverage ratio stipulated by city planning according to type of use district, etc. (designated building coverage ratio) (if several, all of them). Designated building coverage ratio may be relaxed, raised or reduced due to reasons such as the existence of fireproof structures in a fire prevention district, and thus may differ from a building coverage ratio that actually applies.
  - “Floor-area Ratio” of Land is the ratio of total floor area of the building to site area as stipulated in Article 52 of the Building Standards Act and indicates the upper limit of the floor-area ratio stipulated by city planning according to type of use district, etc. (designated floor-area ratio) (if several, all of them). Designated floor-area ratio may be relaxed, raised or reduced due to reasons such as widening of roads connected to the site, and thus may differ from a floor-area ratio that actually applies.
  - “Use District” of Land is the type of use district classified in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, as amended).
  - “Site Area” of Land is based on the description in the real estate registry (including the leased area; the leased area is based on the description in the lease agreement) and may differ from the present state.
  - “Type of Ownership” of Land and Building is the type of rights held by HRR.
  - “Completion Date” of Building is the inspection date of construction completion stated in the certificate proving completion of the inspection under the Building Standards Act for the main building.
  - “Structure / Floors” of Building is based on the description in the real estate registry for the main building.
  - “Total Floor Area” of Building is based on the description in the real estate registry, including floor area of annex buildings.
  - “Building Engineer” and “Constructor” of Building indicate the company names at the time of building engineering or construction of the main building.
  - “Leasable Floor Area” is the area equivalent to the area owned by HRR out of the sum total of leasable area for the Existing Asset and the Building combined and indicates the figure stated in the lease agreement to be concluded or concluded between HRR and the tenant or in the building drawing of the property.
  - “Occupancy Rate” is the occupancy rate for the Existing Asset and the Building combined expected as of the planned date of acquisition of the Building by HRR (the ratio of the total leased floor area to the total leasable floor area).
  - “Main Tenant” is the tenant with the largest leased area out of those leasing the Existing Asset and the Building from HRR in accordance with the lease agreement effective as of the planned date of acquisition of the Building by HRR.
  - “No. of Tenants” is the number of those leasing the Existing Asset and the Building from HRR in accordance with the lease agreement effective as of the planned date of acquisition of the Building by HRR.
  - “No. of Guest Rooms” is the number of guest rooms available for accommodation for the Existing Asset and the Building.
  - “No. of Sublease Tenants” is the number of those planning to sublease the Existing Asset and the Building from those leasing the Existing Asset and the Building from HRR in accordance with the lease agreement effective as of the planned date of acquisition of the Building by HRR. However, this excludes those planning to sublease part of the site or the building for the purpose of using parking or installing antennas.
- b. Explanation on “Overview of Leasing”
- “Overview of Leasing” is the detail of the lease agreement concerning HOSHINOYA Kyoto in its entirety after completion of construction of the Building with the tenant who leases the hotel or ryokan. Furthermore, on the planned date of acquisition of the Building, HRR is scheduled to add the Building to the scope of the lease agreement for the Property concluded on April 4, 2014 between HRR and K.K. Arashiyama Onsen Rankyokan and lease the Building to K.K. Arashiyama Onsen Rankyokan.
  - “Lessee,” “Type of Contract,” “Contract Period,” “Leased Floor Area,” “Rent,” “Security Deposit and Guarantee Deposit,” “Renewal at the End of Contract Period,” “Rent Revision,” “Midterm Cancellation,” “Penalty” and “Method for Re-contract” are based on the statements in the lease agreement effective as of the planned date of acquisition of the Building by HRR and on other agreements concluded pertaining to such.

# Hoshino Resorts REIT, Inc.

HOSHINOYA Kyoto Annex Land		Category	HOSHINOYA	
		Use	Ryokan	
Overview of Specified Asset				
Acquisition Date	July 14, 2017 (planned)	Type of Specified Asset	Real Estate	
Acquisition Price	93,000,000 yen (planned)	Appraisal Value (Appraisal Date)	103,000,000 yen (June 1, 2017)	
Location (Indication of Residential Address)	60 Arashiyama-Nakaoshitacho, Nishikyo-ku, Kyoto-shi, Kyoto, and other			
Transportation	Approximately 7-minute walk from Arashiyama Station on the Hankyu Arashiyama Line			
Land	Lot Number	60 Arashiyama-Nakaoshitacho, Nishikyo-ku, Kyoto-shi, Kyoto, and other	Completion Date	—
	Building Coverage Ratio	80%/50%	Structure / Floors	—
	Floor-area Ratio	200%/80%	Total Floor Area	—
	Use District	Neighborhood commercial district / Category 1 low-rise exclusive residential district	Building Engineer	—
	Site Area	774.40m <sup>2</sup>	Constructor	—
	Type of Ownership	Ownership	Type of Ownership	—

## <Overview of the Property after Completion of Construction of the Building (Reference)>

HOSHINOYA Kyoto		Category	HOSHINOYA	
		Use	Ryokan	
Overview of Specified Asset				
Acquisition Date	May 2, 2014 (main wing) July 14, 2017 (annex) (planned)	Type of Specified Asset	Real Estate	
Acquisition Price	2,878,000,000 yen (planned)	Appraisal Value (Note) (Appraisal Date)	4,260,000,000 yen (June 1, 2017)	
Location (Indication of Residential Address)	11-2 Arashiyama-Genrokuzancho, Nishikyo-ku, Kyoto-shi, Kyoto (main wing) 60 Arashiyama-Nakaoshitacho, Nishikyo-ku, Kyoto-shi, Kyoto, and other (annex)			
Transportation	Approximately 1.6km from Arashiyama Station on the Hankyu Arashiyama Line (main wing) Approximately 7-minute walk from Arashiyama Station on the Hankyu Arashiyama Line (annex)			
Land	Lot Number	11-2 Arashiyama-Genrokuzancho, Nishikyo-ku, Kyoto-shi, Kyoto, and other (main wing) 60 Arashiyama-Nakaoshitacho, Nishikyo-ku, Kyoto-shi, Kyoto, and other (annex)	Completion Date	Unknown (main wing; new construction) / October 2009 (main wing; renovation) / June 2017 (annex)
	Building Coverage Ratio	60% (main wing) 80%/50% (annex)	Structure / Floors	Wooden structure with tile roof / 1F (main wing) Wooden structure with tile roof / 2F (main wing) Reinforced concrete structure / B1F; Wooden structure / 2F (annex)
	Floor-area Ratio	100% (main wing) 200%/80% (annex)	Total Floor Area	3,097.69m <sup>2</sup>
	Use District	Not designated (main wing) Neighborhood commercial district / Category 1 low-rise exclusive residential district (annex)	Building Engineer	Unknown (main wing; new construction) / Azuma Architect & Associates Co., Ltd. (main wing; renovation / annex)
	Site Area	10,456.38m <sup>2</sup>	Constructor	Unknown (main wing; new construction) / Maeda Corporation (main wing; renovation) / Kumakura Komuten Co., Ltd. (annex)
	Type of Ownership	Ownership	Type of Ownership	Ownership
Leasable Floor Area	3,097.69m <sup>2</sup>	Occupancy Rate	100%	
Main Tenant	K.K. Arashiyama Onsen Rankyokan	No. of Tenants	1	
No. of Guest Rooms	25	No. of Sublease Tenants	0	

(Note) The concerned amount is the indicated value by income approach for the Property after completion of construction of the Building stated in the real estate appraisal report for the Land obtained from Japan Valuers Co., Ltd., and is not the appraisal value in accordance with the Real Estate Appraisal Standards.

Overview of Leasing after the Additional Acquisition (Note)	
Lessee	K.K. Arashiyama Onsen Rankyokan
Type of Contract	Fixed term building lease agreement
Contract Period	20 years from May 2, 2014 (however, in the case of the Building, the date on which the Building was acquired by HRR)
Leased Floor Area	3,097.69m <sup>2</sup>
Rent	Annual fixed rent 1: 187,800,000 yen Annual fixed rent 2: 15,996,000 yen Furthermore, when the total amount of fixed asset tax, city planning tax and other tax and public dues imposed in fiscal 2018 on the Building and its site exceeds 2,120,000 yen by a large margin, then the monthly amount of fixed rent 2 for the period from January 1, 2018 will be revised to the amount of (a) 1,333,000 yen plus (b) the amount arrived at when the concerned exceeding amount is divided by 12. Floating rent: Monthly amount calculated as the amount equivalent to one-twelfth of the amount (lower limit shall be 0 yen) of (a) the amount arrived at when base sales is multiplied by the floating rate (25%) minus (b) annual fixed rent 1. This will be calculated based on (i) for May to October every year, deem sales of the 12 months from April of the previous year to March of the relevant year as base sales and (ii) for November to the following April every year, deem sales for the 12 months from October of the previous year to September of the relevant year as base sales.
Security Deposit and Guarantee Deposit	Security deposit: 101,898,000 yen (6 months' fixed rent 1 and fixed rent 2) However, HRR has agreed with the companies of the Hoshino Resorts Group (collectively refers to Hoshino Resorts Inc., and its parent company and subsidiaries) that are lessees of the assets held by HRR (Hoshino Resorts Inc., Hoshino Resort Management Co., Ltd., K.K. Arashiyama Onsen Rankyokan, K.K. Horizon Hotels, Asahikawa Grand Hotel Co., Ltd. and HRO Inc.; hereinafter collectively the "Hoshino Resorts Group Lessees") to consider security deposit, guarantee deposit, etc. paid by Hoshino Resorts Group Lessees in accordance with the lease agreements concluded with HRR as being paid to guarantee all the debts by all Hoshino Resorts Group Lessees to HRR based on the lease agreements.
Renewal at the End of Contract Period	The contract will end at the end of the contract period with no renewal.
Rent Revision	Rent may not be revised for a full 10 years from May 2, 2014. Rent revision will be discussed every 5 years thereafter, and rent may be revised, under mutual agreement, when economic situations have changed, taxes and dues on the land or the building or other burdens have increased, or other unavoidable incidents have occurred.
Midterm Cancellation	The lessee may not, in principle, cancel the lease agreement during the lease period. However, the lessee may cancel the agreement on the day following the day on which 10 years have elapsed from May 2, 2014 by notifying the intention to cancel to the lessor in writing at least 12 months prior to that date.
Penalty	When the lease agreement is dissolved, or is cancelled due to the intention of the lessee as agreed by the lessor, pursuant to the provisions of the lease agreement, the lessee will pay penalty in the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years from May 2, 2014) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent; however, if the lease period is less than 12 months, the average monthly rent during that lease period will be applied) to HRR, the lessor.
Method for Re-contract	The contract will end at the end of the lease period without renewal. However, re-contract is possible through discussion between the concerned parties.

(Note) After construction of the Building is completed, HRR is scheduled to lease the Building to K.K. Arashiyama Onsen Rankyokan. In line with this, HRR is scheduled to add the Building to the scope of the lease under the lease agreement for the Existing Asset concluded on April 4, 2014 between HRR and K.K. Arashiyama Onsen Rankyokan, and set fixed rent 2 as the rent for the Building and make corresponding increase in the amount of security deposit and other changes as a condition precedent to the acquisition of the Building.

## 4. Details of Seller

Company Name	K.K. Arashiyama Onsen Rankyokan	
Head Office Location	11-2 Arashiyama-Genrokuzancho, Nishikyo-ku, Kyoto-shi, Kyoto	
Name and Title of Representative	Yoshiharu Hoshino Representative Director	
Amount of Capital	3 million yen	
Date of Incorporation	January 25, 2006	
Net Assets	Not disclosed as consent from the Seller has not been obtained.	
Total Assets	Not disclosed as consent from the Seller has not been obtained.	
Major Shareholder and Shareholding Ratio	Not disclosed as consent from the Seller has not been obtained.	
Main Business	Resort operations business, etc.	
Relationship with HRR / the Asset Management Company	Capital Relationship	The Seller is a subsidiary of the parent company of the Asset Management Company.
	Personnel Relationship	There is no personnel relationship required to be stated between HRR / the Asset Management Company and the Seller.
	Business Relationship	Pursuant to the real estate sales and purchase agreement concluded with HRR, the Seller transferred HOSHINOYA Kyoto at 2,785 million yen (acquisition price) to HRR on May 2, 2014 and started to lease HOSHINOYA Kyoto from HRR on the same date. In addition, the Seller started to lease KAI Kaga from HRR on May 2, 2016.
	Status of Classification as Related Party	The Seller is a company with the same parent company as the Asset Management Company, and thus falls under Related Party.

## 5. Transaction with Interested Party, etc.

The Seller of the Asset to be Additionally Acquired is a subsidiary of the parent company of the Asset Management Company. Said party falls under the interested party, etc. defined in Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended) and falls under the interested party, etc. set forth in the “interested party transaction rules” that are internal provisions of the Asset Management Company. Accordingly, the Asset Management Company has gone through the approval procedures set forth in the internal provisions for conducting transactions for the acquisition of the Asset to be Additionally Acquired with the parties. The Asset Management Company has also obtained HRR’s agreement based on the approval of HRR’s Board of Directors at its meeting held on July 13, 2017 pursuant to the “interested party transaction rules.”

## 6. Status of Owners, etc. of Property.

The following table states ① Name of company, ② Relationship with party having special vested interest, and ③ Acquisition background/reason, etc.

Property name	Previous owner	Previous, previous owner	Previous, previous, previous owner
	①, ②, ③ Acquisition (Transfer) price Acquisition (Transfer) time	①, ②, ③ Acquisition (Transfer) price Acquisition (Transfer) time	①, ②, ③ Acquisition (Transfer) price Acquisition (Transfer) time
HOSHINOYA Kyoto Annex Land (59-1 Arashiyama- Nakaoshitacho, Nishikyo-ku, Kyoto-shi, Kyoto, and other)	① K.K. Arashiyama Onsen Rankyokan (Note) ② Subsidiary of the parent company of the Asset Management Company ③ Acquired through absorption-type merger of the previous, previous owner	① K.K. Arashiyama Onsen Rankyokan (Note) ② Subsidiary of the parent company of the Asset Management Company ③ Acquired for operational purposes	Not a party having special vested interest
	Not applicable, because acquired through absorption-type merger	Omitted, because owned for over 1 year	—
	March 2014	July 2007	—

(Note) The previous owner K.K. Arashiyama Onsen Rankyokan (head office location at that time: 2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano) merged by absorption of the previous, previous owner K.K. Arashiyama Onsen Rankyokan (head office location at that time: 11-2 Arashiyama-Genrokuzancho, Nishikyo-ku, Kyoto-shi, Kyoto) on March 1, 2014.

## 7. Status of Brokerage

HRR has not used an intermediary.

## 8. Impact on Financial Status of HRR in the Event of Failure to Fulfill Forward Commitment, etc.

Not applicable.

## 9. Future Outlook

The impact for the fiscal period ending October 2017 (from May 1, 2017 to October 31, 2017) and the fiscal period ending April 2018 (from November 1, 2017 to April 30, 2018) is minimal and the management status forecast for each fiscal period remains unchanged.

## 10. Appraisal Summary

### The Land

Appraisal Summary		
Appraiser	Japan Valuers Co., Ltd.	
Appraisal Value	103,000,000 yen	
Appraisal Date	June 1, 2017	
	Appraisal Value	Remarks, etc.
Income Approach - Discounted Cash Flow Method (development and lease phase)		
(1) Operating Revenue ((1)-(2)-(3))	0 yen	—
① Gross potential revenue (rent income, common area fees income, other income, etc.)	0 yen	—
② Vacancy loss, etc.	0 yen	—
③ Bad debts expenses	0 yen	—
(2) Operating Expenses ((4)+(5)+(6)+(7)+(8)+(9))	0 yen	—
④ Maintenance	0 yen	—
⑤ Utilities	0 yen	—
⑥ Repair costs	0 yen	—
⑦ Tax and public dues	0 yen	—
⑧ Insurance	0 yen	—
⑨ Other expenses	0 yen	—
(3) Net Operating Income ((1)-(2))	0 yen	—
(4) Interest Income	0 yen	—
(5) Capital Expenditures	0 yen	—
(6) Net Cash Flow ((3)+(4)-(5))	0 yen	No net cash flow based on leasing business, because prior to construction completion.
(7) Development Expenses ((1)+(2)+(3))	305,587,069 yen	—
① Construction costs, etc.	297,000,000 yen	The quoted estimate amount and comparable cases were taken into consideration.
② Tax and public dues, etc. from development to after construction completion	3,587,069 yen	Assessed by multiplying the tax rate, etc. to the assumed standard taxable amount.
③ Other sundry expenses	5,000,000 yen	Comparable cases were taken into consideration.
(8) Net Cash Flow after Factoring in Development Expenses ((6)-(7))	— 305,587,069 yen	—
(9) Compound Present Worth Factor Applicable to Development Period	0.92593	—
Discount rate in development phase	8.00%	—
(10) Present Value of Net Cash Flow ((7)×(9))	— 282,952,235 yen	—
(11) Reversionary Value of Building after Construction Completion	417,100,000 yen	Assessed as the indicated value by income approach for HOSHINOYA Kyoto in its entirety including the Building, less the indicated value by income approach for HOSHINOYA Kyoto not including the Building.
(12) Present Value of Reversionary Value of Building after Construction Completion ((11)×(9))	386,205,403 yen	—
(13) Indicated Value by Income Approach of Subject Real Estate (Land) ((10)+(12)) (Note)	103,253,168 yen	—
Other things appraiser noted upon valuation	This is a valuation of an asset as vacant land (land for development), determining the appraisal value by first seeking (a) the value indicated by the sales comparison approach and (b) the value indicated by the income approach, and then by a reconciliation of those indicated values. Furthermore, the cost approach is not applied in the real estate appraisal report for the Land above, because the Property is part of an established urban area, making it difficult to figure out the replacement cost.	

(Note) In the calculation of the appraisal value for the Land, the indicated value by income approach of the Land ((13) in the table above) is calculated by first seeking the reversionary value of building after construction completion (the value after construction completion of the Asset to be Additionally Acquired (obtained by the indicated value by income approach for HOSHINOYA Kyoto in its entirety including the Building, less the indicated value by income approach for HOSHINOYA Kyoto not including the Building), less the costs to sell building after construction completion) ((11) in the table above) in the present value (the present value of reversionary value of building after construction completion) ((12) in the table above), and then by adding the present value of development expenses ((10) in the table above).



# Hoshino Resorts REIT, Inc.

(Reference) H-2. HOSHINOYA Kyoto (after acquisition of the Asset to be Additionally Acquired)

Appraisal Summary		
Appraiser	Japan Valuers Co., Ltd.	
Appraisal Value (Note 1)	4,260,000,000 yen	
Appraisal Date	June 1, 2017	
	Appraisal Value	Remarks, etc.
<b>Direct Capitalization Method</b>		
(1) Operating Revenue (①-②-③)	257,717,372 yen	—
① Gross potential revenue (rent income, common area fees income, other income, etc.)	257,717,372 yen	Assessed based on actual agreement (portion where floating rent applies is assessed based on materials related to tenant's income and expenditure).
② Vacancy loss, etc.	0 yen	—
③ Bad debts expenses	0 yen	Not recorded as secured by security deposit, etc.
(2) Operating Expenses (④+⑤+⑥+⑦+⑧+⑨+⑩)	11,654,461 yen	—
④ Maintenance	530,000 yen	Recorded the scheduled amount.
⑤ Utilities	0 yen	—
⑥ Repair costs	3,928,917 yen	The 12-year average of "repair expenses" stated in ER (annex portion is based on rough estimate).
⑦ Property management fees	0 yen	—
⑧ Advertisement for leasing, etc.	0 yen	—
⑨ Tax and public dues	6,749,764 yen	For the land, building (excluding annex) and depreciable assets, assessed based on the actual amount. For the annex portion of the building, assessed based on assumptions.
⑩ Insurance	445,780 yen	Recorded the actual amount and the scheduled amount.
(3) Net Operating Income ((1)-(2))	246,062,911 yen	—
(4) Interest Income	1,018,980 yen	Investment return at 1.0%.
(5) Capital Expenditures	3,154,583 yen	The 12-year average of "renewal expenses" stated in ER (annex portion is based on rough estimate).
(6) Net Cash Flow ((3)+(4)-(5))	243,927,308 yen	—
(7) Cap Rate	5.8%	—
Direct Capitalization Value	4,210,000,000 yen	—
Discounted Cash Flow Value	4,300,000,000 yen	—
Discount Rate	5.4%	—
Terminal Cap Rate	6.2%	—
Other things appraiser noted upon valuation	None	

(Note) This is an overview of the indicated value by income approach for the Property after completion of construction of the Building stated in the real estate appraisal report for the Land obtained from Japan Valuers Co., Ltd. and the grounds for such assessment, etc.

\* Hoshino Resorts REIT, Inc. website address: <http://www.hoshinoresorts-reit.net/>

<Appendix>

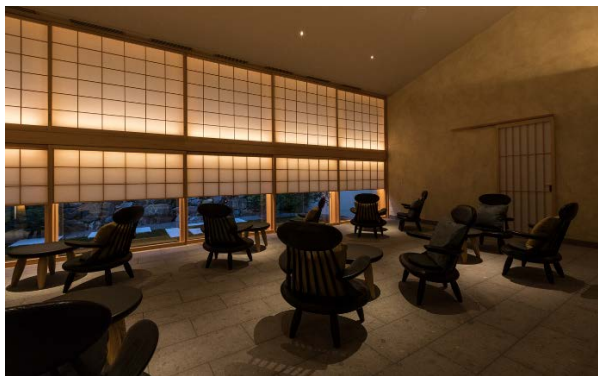
Reference Material 1: Map and Photos

Reference Material 2: Portfolio Overview after Acquisition of the Asset to be Additionally Acquired

<Appendix>

Reference Material 1: Map and Photos

HOSHINOYA Kyoto Annex



(Note) The photos of the Building are photos taken of the state of the Building prior to construction completion at a certain period in time and may differ from the present state of the Building after construction completion.

## Reference Material 2: Portfolio Overview after Acquisition of the Asset to be Additionally Acquired

Classification	Property No.	Property Name	(Planned) Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	Appraisal Value (million yen) (Note 3)	Appraiser (Note 4)
Assets owned by HRR						
HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	6.7	11,300	NV
	H-2	HOSHINOYA Kyoto	2,878	2.6	3,933	NV
	H-3	HOSHINOYA Fuji	4,160	3.7	4,310	NV
	Subtotal		14,545	12.8	19,440	—
RISONARE	R-1	RISONARE Yatsugatake	4,500	4.0	6,480	NV
	R-2	RISONARE Atami	3,750	3.3	4,150	NV
	Subtotal		8,250	7.3	10,603	—
KAI	K-1	KAI Matsumoto	600	0.5	784	MSK
	K-2	KAI Izumo	680	0.6	848	MSK
	K-3	KAI Ito	670	0.6	953	MSK
	K-4	KAI Hakone	950	0.8	1,240	MSK
	K-5	KAI Aso	575	0.5	676	MSK
	K-6	KAI Kawaji	1,000	0.9	1,140	MSK
	K-7	KAI Kinugawa	3,080	2.7	3,280	MSK
	K-8	KAI Kaga	3,160	2.8	3,330	MSK
	Subtotal		10,715	9.4	12,251	—
Others	O-1	Chisun Inn Shiojiri Kita IC	672	0.6	809	NV
	O-2	Chisun Inn Sano Fujioka IC	742	0.7	895	MSK
	O-3	Chisun Inn Suwa IC	658	0.6	802	NV
	O-4	Chisun Inn Toyokawa IC	602	0.5	726	NV
	O-5	Chisun Inn Tosu	504	0.4	630	NV
	O-6	Chisun Inn Chiba Hamano R16	798	0.7	1,020	MSK
	O-7	Chisun Inn Kumamoto Miyukifueda	616	0.5	736	NV
	O-8	Chisun Inn Utsunomiya Kanuma	714	0.6	833	MSK
	O-9	Chisun Inn Fukui	644	0.6	768	NV
	O-10	Chisun Inn Fukushima Nishi IC	672	0.6	774	MSK
	O-11	Chisun Inn Niigata Chuo IC	630	0.6	771	NV
	O-12	Chisun Inn Nagasaki Airport	630	0.6	752	NV
	O-13	Chisun Inn Hitachinaka	742	0.7	904	MSK
	O-14	Chisun Inn Tsuchiura Ami	770	0.7	921	MSK
	O-15	Chisun Inn Kofu Isawa	658	0.6	787	NV
	O-16	Chisun Inn Marugame Zentsuji	588	0.5	714	NV
	O-17	Chisun Inn Munakata	504	0.4	619	NV
	O-18	Chisun Inn Iwate Ichinoseki IC	700	0.6	773	MSK
	O-19	Chisun Inn Karuizawa	812	0.7	1,080	NV
	O-20	Chisun Inn Himeji Yumesakibashi	616	0.5	731	NV
	O-21	Chisun Inn Kurashiki Mizushima	728	0.6	860	NV
	O-22	Candeo Hotels Handa	620	0.5	693	RC
	O-23	Candeo Hotels Chino	793	0.7	914	RC
	O-24	Candeo Hotels Fukuyama	1,075	0.9	1,240	RC
	O-25	Candeo Hotels Sano	1,260	1.1	1,460	RC
	O-26	Candeo Hotels Kameyama	470	0.4	532	RC
	O-27	Comfort Hotel Hakodate	937	0.8	1,040	NV
	O-28	Comfort Hotel Tomakomai	963	0.8	1,070	NV

# Hoshino Resorts REIT, Inc.

Classification	Property No.	Property Name	(Planned) Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	Appraisal Value (million yen) (Note 3)	Appraiser (Note 4)
	O-29	Comfort Hotel Kure	1,100	1.0	1,230	NV
	O-30	Chisun Inn Kagoshima Taniyama	1,995	1.8	2,290	RC
	O-31	ANA Crowne Plaza Hotel Hiroshima	17,784	15.7	19,900	RC
	O-32	ANA Crowne Plaza Hotel Fukuoka	7,599	6.7	8,700	RC
	O-33	ANA Crowne Plaza Hotel Kanazawa	6,609	5.8	7,170	RC
	O-34	ANA Crowne Plaza Hotel Toyama	4,008	3.5	4,440	RC
	O-35	Asahikawa Grand Hotel	4,619	4.1	4,770	RC
	O-36	Hyatt Regency Osaka	16,000	14.1	16,600	NV
		Subtotal	79,832	70.4	88,954	—
		Grand total	113,435	100.0	131,378	—

(Note 1) The (planned) acquisition price for HOSHINOYA Kyoto is the sum total amount of the Existing Asset's and the Land's respective sales/purchase price stated in the respective sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).

(Note 2) "Investment Ratio" is the ratio of (planned) acquisition price of each property to the sum total amount of (planned) acquisition price, rounded to the first decimal place.

(Note 3) Real estate appraisal of the property is entrusted to Japan Valuers Co., Ltd., Morii Appraisal & Investment Consulting Inc. or Rich Appraisal Institute Co., Ltd. The real estate appraisal value or investigation value (hereinafter "Real Estate Appraisal Value, etc.") stated in the real estate appraisal report or investigation report (hereinafter "Real Estate Appraisal Report, etc.") with April 30, 2017 as the effective date of the appraisal (date of value) is indicated for owned assets (excluding HOSHINOYA Kyoto and HOSHINOYA Fuji). For HOSHINOYA Kyoto, it is the sum total amount of the Existing Asset's real estate appraisal value stated in the real estate appraisal report with April 30, 2017 as the date of value and the Land's real estate appraisal value stated in the real estate appraisal report with June 1, 2017 as the date of value. For HOSHINOYA Fuji, it is the real estate appraisal value stated in the real estate appraisal report with February 1, 2017 as the date of value.

(Note 4) "Appraiser" is stated in an abbreviated name in the above table. The abbreviated names of appraisers refer to:

NV: Japan Valuers Co., Ltd.

MSK: Morii Appraisal & Investment Consulting Inc.

RC: Rich Appraisal Institute Co., Ltd.

(Note 5) Real Estate Appraisal Report, etc. presents judgement and opinion of the appraiser at a certain period in time, and does not guarantee the validity and accuracy of the contents or possibility of transactions and such with the Real Estate Appraisal Value, etc. In addition, Japan Valuers Co., Ltd., Morii Appraisal & Investment Consulting Inc. and Rich Appraisal Institute Co., Ltd. share no special vested interest / special relationship with HRR and the Asset Management Company.