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For Immediate Release

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## Notice Concerning Change to the Internal Rules (Asset Management Guidelines) of Asset Management Company

Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which Hoshino Resorts REIT Inc. (hereinafter “HRR”) entrusts the management of its assets, announces it resolved to make changes to the internal rules (asset management guidelines). Details are as follows.

### 1. Background and Reason for the Change to the Asset Management Guidelines

With an aim to create a system that enables the unitholders of HRR to benefit from the outcome of the growth of Japan’s tourism industry through holding of HRR’s investment units, HRR has, pursuant to its basic policies (Note 1), invested in hotels, ryokans (Japanese-style accommodation facilities) and ancillary facilities and conducted steady asset management.

Considering the attentions on practices conducted to utilize touristic resources provided by diversity found in each region in Japan, HRR and Hoshino Resorts Group (Note 2) believe that needs for urban tourism exist in cities with abundant regional features. According to Japan Travel and Tourism Association’s “Status and Aims of Tourism, 2016,” tourism needs such as “enjoying food,” “enjoying shrines and temples” and “enjoying buildings, cultural facilities and various exhibitions in cities” that are considered to belong in the category of “urban tourism” rank high among the types of tourism preferred by Japanese tourists in Japan, and HRR believes that needs for urban tourism are backed by the abovementioned fact.

Securing a long-term and stable cash flow against the backdrop of urban tourism demand in accommodation facilities is possible as these facilities will become the base of urban tourism. HRR believes that demand on facilities arising from urban tourism exists and that investment in these facilities will lead to a continuous increase of unitholder value. In line with this, the Asset Management Company decided to revise the management guidelines as a result of the clarification and review of the investment policy.

(Note 1) HRR has set a basic policy to invest in hotels, ryokans (Japanese-style accommodation facilities) and ancillary facilities that serve as the core of the tourism industry and for which stable use is expected for the medium to long term, especially those which are expected to secure a long-term and stable cash flow.

(Note 2) Hoshino Resorts Group refers to Hoshino Resorts Inc., its parent company and subsidiaries.

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## 2. Date of Change

October 11, 2017

## 3. Contents of Major Changes in Asset Management Guidelines

### (1) Partial change to the basic policy concerning properties operated by Hoshino Resorts Group (Note)

HRR changed the basic policy concerning properties operated by Hoshino Resorts Group and has stipulated that it will continuously invest mainly in properties under brands (hereinafter the “main brands”) which are considered to be competitive by the Asset Management Company (hereinafter the “main brand properties”) among the sub-brands operated by Hoshino Resorts Group in line with the basic policy of HRR. There are essentially no changes to the basic policy as the Asset Management Company considers “HOSHINOYA,” “Hoshino Resorts KAI” and “Hoshino Resorts RISONARE” as the main brands as of today.

(Note) Properties operated by Hoshino Resorts Group refer to hotels, ryokans (Japanese-style accommodation facilities) and ancillary facilities operated by Hoshino Resorts Group. The same shall apply hereinafter.

### (2) Partial change to the basic policy concerning properties operated by outside operators (Note)

HRR has set a policy to discuss the acquisition of hotels, ryokans and ancillary facilities that serve as urban tourism bases in which tourism needs that complement urban tourism are believed to exist when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior equipment and facilities” against the backdrop of urban tourism demand in cities where properties are located as a specific policy in the basic policy concerning properties operated by outside operators. In addition, HRR will also discuss the acquisition of hotels, ryokans and ancillary facilities other than urban tourism properties (hereinafter “other properties operated by outside operators”) in which non-urban tourism needs are believed to exist when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities.”

(Note) Properties operated by outside operators refer to hotels, ryokans (Japanese-style accommodation facilities) and ancillary facilities operated by entities other than Hoshino Resorts Group. The same shall apply hereinafter.

### (3) Partial change to portfolio formation policy

#### a. Target assets

HRR has set a policy to aim for the securement of stable earnings by investing in main brand properties based on the idea that conducting investment in main brand properties is desirable from the viewpoint of “superior know-how and experience” and “superior location and facilities” after classifying properties operated by Hoshino Resorts Group into main brand properties and other properties operated by Hoshino Resorts Group (hereinafter “other properties of Hoshino Resorts Group”), in addition to investing in other properties of Hoshino Resorts Group when stable use and securement of long-term and stable cash flow are expected.

#### b. Expansion of asset size and diversification of portfolio

HRR has stipulated that it will partially change the existing policy of enhancing profitability and reducing the ratio of management-related costs to earnings through the expansion of asset size and will strengthen stability in earnings as well as progress the diversification of the portfolio and reduce the risk of a significant drop in HRR’s cash flow due to changes in tourist needs, trends, disasters, domestic and overseas economic trends, etc. HRR has also set a policy to obtain portfolio diversification efficacy and stabilize earnings through investments not only in the singular brands of the Hoshino Resorts Group but also in main brand properties and other properties of Hoshino Resorts Group whose size, price setting and target customer base differ as well as urban tourism

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properties which are operated by outside operators, other properties operated by outside operators and overseas properties in which the Hoshino Resorts Group is engaged.

c. External growth strategy

HRR partially changed the existing policy of focusing on the speed of stable growth and external growth to emphasizing stable growth and partially changed the external growth strategy as follows.

① HRR has a policy to continuously acquire assets under management from Hoshino Resorts Group and acquire properties which are owned, developed and operated by Hoshino Resorts Group, centering on main brand properties and overseas properties in which the Hoshino Resorts Group is engaged by utilizing the sponsor support agreement concluded with Hoshino Resorts and HRR, agreement on joint investment, etc. with an aim to realize stable growth.

② HRR will not only acquire properties which are owned, developed and operated by Hoshino Resorts Group centering on main brand properties but also proactively acquire urban tourism properties operated by outside operators which are expected to be used stably and secure stable and long-term cash flow and other properties operated by outside operators.

d. Investment criteria for target properties (locational criteria)

HRR partially changed the classification of the existing locational criteria by brand and set the following locational criteria by classifying properties into properties operated by Hoshino Resorts Group, properties operated by outside operators and overseas properties in which the Hoshino Resorts Group is engaged, in line with the change of the classification of properties operated by Hoshino Resorts Group to main brand properties and other properties of Hoshino Resorts Group. (There are no changes to the locational criteria for overseas properties in which the Hoshino Resorts Group is engaged).

Category	Locational criteria
Properties operated by Hoshino Resorts Group	Locational criteria for properties operated by Hoshino Resorts Group calls for, in principle, a property located in an area which has been deemed capable of facilitating stable operation, in light of the number of guest rooms, recognition and other factors, by considering the target customer base, characteristics, etc. of hotels, ryokans and ancillary facilities.
Properties operated by outside operator	Locational criteria for properties operated by outside operators calls for, in principle, a property located in an area which has been deemed capable of facilitating operation, in light of the number of guest rooms, recognition and other factors, by considering the target customer base, characteristics, etc. of hotels, ryokans and ancillary facilities.
Overseas properties in which the Hoshino Resorts Group is engaged	Locational criteria for overseas properties in which the Hoshino Resorts Group is engaged calls for, in principle, a property located in an area which has been deemed capable of facilitating operation as in Japan, centering on areas well recognized as global tourist destinations. For the time being, these locations should consist areas with a stable medium- to long-term economic base as well as prospects for economic growth through population increase, mainly in the U.S., Europe and such areas.

(Note) The upper limit of the investment ratio to overseas properties in which the Hoshino Resorts Group is engaged is 15.0%

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#### 4. Other

There is no impact from the change to the asset management guidelines on the operating results of HRR. HRR submitted an extraordinary report on October 11, 2017 to the Director-General of the Kanto Local Finance Bureau in accordance with the provisions of the Financial Instruments and Exchange Act.

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

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