

Hoshino Resorts REIT, Inc.

October 11, 2017

For Immediate Release

REIT Securities Issuer
Hoshino Resorts REIT, Inc.
Representative: Kenji Akimoto, Executive Director
(Code: 3287)

Asset Management Company
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Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2018 and Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2018

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces today that it has revised the management status forecast and distribution forecast for the fiscal period ending April 2018 (from November 1, 2017 to April 30, 2018) announced in Financial Report for the Fiscal Period Ended April 2017, dated June 14, 2017 as follows.

In addition, HRR newly announces the management status forecast and distribution forecast for the fiscal period ending October 2018 (from May 1, 2018 to October 31, 2018).

There is no revision to the management status forecast and distribution forecast for the fiscal period ending October 2017 (from May 1, 2017 to October 31, 2017) announced in Financial Report for the Fiscal Period Ended April 2017 dated June 14, 2017.

1. Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2018

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution in Excess of Earnings per Unit
Previous Forecast (A)	4,682 million yen	2,364 million yen	2,070 million yen	2,069 million yen	11,984 yen	—
Revised Forecast (B)	5,515 million yen	3,023 million yen	2,601 million yen	2,600 million yen	12,224 yen	—
Variance (C) (B)-(A)	832 million yen	658 million yen	531 million yen	531 million yen	240 yen	—
Ratio Variance (C)/(A)	17.8%	27.9%	25.7%	25.7%	2.0%	—
(Reference) Results for fiscal period ended Apr. 2017	4,462 million yen	2,266 million yen	1,901 million yen	1,900 million yen	11,621 yen	—

Disclaimer: This press release is a document for public announcement concerning revisions to management status forecast and distribution forecast for the fiscal period ending April 2018 and management status forecast and distribution forecast for the fiscal period ending October 2018 of HRR, and has not been prepared for the purpose of solicitation for investment. Investors are advised to ensure that they read the prospectus for the issuance of new investment units and secondary offering of investment units, as well as the amendments thereto (if any), prepared by HRR before they invest and that they make decisions on investment at their own responsibility and discretion.

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[Reference]

Forecasted number of investment units issued and outstanding at the end of the fiscal period announced in the previous forecast: 172,670 units

Forecasted number of investment units issued and outstanding at the end of the fiscal period announced in the revised forecast: 212,738 units

(For details, please refer to the “Investment Units” column in “Assumptions for the Management Status Forecast for the Fiscal Period Ending April 2018 and the Fiscal Period Ending October 2018” in the attachment.)

[Notes]

1. The above forecasts are current forecasts based on the attachment “Assumptions for the Management Status Forecast for the Fiscal Period Ending April 2018 and the Fiscal Period Ending October 2018.” The actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings may differ from the above forecasts due to acquisition or disposition of real estate, change in the real estate market, actual number of new investment units decided to be issued and the issue price, trends of interest rates and changes in other circumstances surrounding HRR, in the future, etc. In addition, HRR does not guarantee any distribution amount by announcing the forecast figures.
2. HRR may revise the forecast in the event that it expects discrepancies over a certain level from the forecast above.
3. Amounts are rounded down and ratios are rounded to the nearest specified unit. The same applies hereinafter.

2. Reason for Revision

HRR revised the forecast as there were changes in assumptions for the management status forecast for the fiscal period ending April 2018 announced in Financial Report for Fiscal Period Ended April 2017 dated June 14, 2017 in line with the issuance of new investment units described in “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” and the acquisition of an asset, etc. described in “Notice Concerning Acquisition and Leasing of Domestic Real Estate,” separately announced today.

Furthermore, HRR announced together with the revision, a new management status forecast and distribution forecast for the fiscal period ending October 2018 based on the same assumptions.

3. Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2018

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution in Excess of Earnings per Unit
Forecast for fiscal period ending Oct. 2018	5,619 million yen	3,026 million yen	2,692 million yen	2,691 million yen	12,650 yen	—

[Reference]

Forecasted number of investment units issued and outstanding at the end of the fiscal period: 212,738 units

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[Notes]

1. The above forecasts are current forecasts based on the attachment “Assumptions for the Management Status Forecast for the Fiscal Period Ending April 2018 and the Fiscal Period Ending October 2018.” The actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings may differ from the above forecasts due to acquisition or disposition of real estate, change in the real estate market, actual number of new investment units decided to be issued and the issue price, trends of interest rates and changes in other circumstances surrounding HRR in the future, etc. In addition, HRR does not guarantee any distribution amount by announcing the forecast figures.
2. HRR may revise the forecast in the event that it expects discrepancies over a certain level from the forecast above.

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

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[Attachment]

Assumptions for the Management Status Forecast for the Fiscal Period Ending April 2018 and the Fiscal Period Ending October 2018

Item	Assumptions																																																																		
Calculation Period	<ul style="list-style-type: none"> • Fiscal period ending April 2018 (10th fiscal period): November 1, 2017 – April 30, 2018 (181 days) • Fiscal period ending October 2018 (11th fiscal period): May 1, 2018 – October 31, 2018 (184 days) 																																																																		
Assets under Management	<ul style="list-style-type: none"> • The assumption is that HRR owns the 49 properties held as of today plus 6 real estate properties to be acquired on November 1, 2017 (hereinafter the “Assets to be Acquired”) with funds procured through issuance of new investment units and debt financing resolved at its Board of Directors’ Meeting held today, which adds up to total of 55 properties held (Note). For details of the Assets to be Acquired, please refer to “Notice Concerning Acquisition and Leasing of Domestic Real Estate” separately announced today. • The assumption is that the Assets to be Acquired will be acquired on the date mentioned above and that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) to the assets under management through October 31, 2018. • In practice, assumptions may vary due to acquisition of new properties other than the properties mentioned above, disposition of properties owned, etc. <p>(Note) Among the properties owned by HRR as of today and the Assets to be Acquired, the 22 hotels operated by SHR Roadside Inn Co., Ltd. are referred to as “22 Solare properties,” the 5 hotel properties operated by Candeo Hospitality Management, Inc. as “5 Candeo properties,” the 3 hotel properties operated by Greens Co., Ltd. as “3 Greens properties,” the 4 properties operated by IHG ANA Hotels Group Japan LLC as “4 ANA Crowne Plaza properties” and the 4 properties operated by Ishin Hotels Group Co., Ltd. as “4 the b properties.” The same applies hereinafter.</p>																																																																		
Operating Revenue	<ul style="list-style-type: none"> • Lease business revenue is assumed to be 5,515 million yen for the fiscal period ending April 2018 and 5,619 million yen for the fiscal period ending October 2018, which are calculated by taking into account lease agreements of the Assets to be Acquired that take effect on the planned acquisition date, the market environment, and property competitiveness along with lease agreement terms of the current portfolio properties. • RISONARE Yatsugatake and KAI Hakone were temporarily closed for approximately four months and for approximately three months, respectively due to capital expenditures that were invested from January 2017 to April 2017 and from December 2016 to February 2017, respectively; therefore, floating rents for RISONARE Yatsugatake for the fiscal periods ending April 2018 and October 2018 and for Kai Hakone for the fiscal period ending April 2018 are calculated with closing incorporated in base sales. • Of lease business revenue, the rent by rent type is assumed to be as follows. <p>The Fiscal Period Ending April 2018 (million yen)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 15%;">Rent type</th> <th style="width: 25%;">Name of property, etc.</th> <th style="width: 10%;">Fixed rent</th> <th style="width: 10%;">Floating rent (Note 1)</th> <th style="width: 10%;">Other rent</th> <th style="width: 10%;">Total</th> </tr> </thead> <tbody> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Fixed rent+ Floating rent (sales-linked) (Note 2)</td> <td>HOSHINOYA Karuizawa HOSHINOYA Kyoto</td> <td style="text-align: center;">416</td> <td style="text-align: center;">154</td> <td style="text-align: center;">—</td> <td style="text-align: center;">571</td> </tr> <tr> <td>RISONARE Yatsugatake</td> <td style="text-align: center;">262</td> <td style="text-align: center;">35</td> <td style="text-align: center;">—</td> <td style="text-align: center;">297</td> </tr> <tr> <td>KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji</td> <td style="text-align: center;">233</td> <td style="text-align: center;">66</td> <td style="text-align: center;">—</td> <td style="text-align: center;">299</td> </tr> <tr> <td>22 Solare properties</td> <td style="text-align: center;">547</td> <td style="text-align: center;">174</td> <td style="text-align: center;">10</td> <td style="text-align: center;">732</td> </tr> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">Fixed rent</td> <td>5 Candeo properties 3 Greens properties</td> <td style="text-align: center;">269</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">269</td> </tr> <tr> <td>Quintessa Hotel Osaka Shinsaibashi</td> <td style="text-align: center;">82 (Note 3)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">82</td> </tr> <tr> <td rowspan="3" style="text-align: center; vertical-align: middle;">Fixed rent + Floating rent (profit-linked) (Note 2)</td> <td>HOSHINOYA Fuji HOSHINOYA Taketomi Island RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel</td> <td style="text-align: center;">854 (Note 4)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">854</td> </tr> <tr> <td>4 ANA Crowne Plaza properties</td> <td style="text-align: center;">840</td> <td style="text-align: center;">668</td> <td style="text-align: center;">—</td> <td style="text-align: center;">1,508</td> </tr> <tr> <td>4 the b properties</td> <td style="text-align: center;">520 (Note 4)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">520</td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Floating rent (profit-linked) (Note 2)</td> <td>Hyatt Regency Osaka</td> <td style="text-align: center;">—</td> <td style="text-align: center;">377</td> <td style="text-align: center;">—</td> <td style="text-align: center;">377</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total</td> <td style="text-align: center;">4,027</td> <td style="text-align: center;">1,477</td> <td style="text-align: center;">10</td> <td style="text-align: center;">5,515</td> </tr> </tbody> </table> <p>(Note 1) Floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal</p>	Rent type	Name of property, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total	Fixed rent+ Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	416	154	—	571	RISONARE Yatsugatake	262	35	—	297	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	66	—	299	22 Solare properties	547	174	10	732	Fixed rent	5 Candeo properties 3 Greens properties	269	—	—	269	Quintessa Hotel Osaka Shinsaibashi	82 (Note 3)	—	—	82	Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji HOSHINOYA Taketomi Island RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	854 (Note 4)	—	—	854	4 ANA Crowne Plaza properties	840	668	—	1,508	4 the b properties	520 (Note 4)	—	—	520	Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	—	377	—	377	Total		4,027	1,477	10	5,515
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and other fluctuating factors, using calculation methods prescribed in the lease agreement of each property. For 5 Candeo properties and 3 Greens properties, as well as HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga, Asahikawa Grand Hotel and 4 the b properties, which will have premium fixed rent from the fiscal period ending April 2018, floating rent will not apply.

(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from October 2016 to September 2017 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from June 2016 to May 2017 as the base profits.

(Note 3) Regarding fixed rent for "Quintessa Hotel Osaka Shinsaibashi," 6 months' worth of monthly fixed rent for the fiscal period ending April 2018 is calculated based on the fixed term building lease agreement concluded with Core Global Management that applies to the fiscal period.

(Note 4) Since HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga, Asahikawa Grand Hotel and 4 the b properties have premium fixed rents during the fiscal period ending April 2018, the premium fixed rents are indicated.

The Fiscal Period Ending October 2018

(million yen)

Rent type	Name of property, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
Fixed rent+ Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	416	153	—	570
	RISONARE Yatsugatake	262	81	—	343
	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	76	—	310
	22 Solare properties	547	174	10	732
Fixed rent	5 Candeo properties 3 Greens properties	269	—	—	269
	Quintessa Hotel Osaka Shinsaibashi	85 (Note 3)	—	—	85
Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji HOSHINOYA Taketomi Island RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	854 (Note 4)	—	—	854
	4 ANA Crowne Plaza properties	840	691	—	1,531
	4 the b properties	265	274	—	540
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	—	381	—	381
Total		3,774	1,833	10	5,619

(Note 1) Floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal and other fluctuating factors, using calculation methods prescribed in the lease agreement of each property. For 5 Candeo properties, 3 Greens properties and Quintessa Hotel Osaka Shinsaibashi, as well as HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel, which will have premium fixed rent from the fiscal period ending October 2018, floating rent will not apply.

(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from April 2017 to March 2018 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from December 2016 to November 2017 as the base profits.

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• For lease business revenue, the assumption is that there will be no cancellation of lease agreements and no delinquent or unpaid rent by lessees.

Operating Expenses

• Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 416 million yen for the fiscal period ending April 2018 and 463 million yen for the fiscal period ending October 2018. In general, fixed asset tax, city planning tax (applicable assets only; the same shall apply hereinafter) and depreciable asset tax (applicable assets only; the same shall apply hereinafter) of acquired assets are calculated on a pro rata basis with the previous owner and reimbursed at the time of acquisition. The amount equivalent to the reimbursement, however, is included in the cost of

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	<p>acquisition and thus not recognized as expenses in the acquisition period at HRR. Accordingly, in the case of the Assets to be Acquired, the assumption is that fixed asset tax, city planning tax and depreciable asset tax of fiscal year 2018 are recognized as expenses starting from the fiscal period ending April 2018. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of the Assets to be Acquired is expected to be 13 million yen.</p> <ul style="list-style-type: none"> • Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property. However, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount. • Expenses related to rent business other than depreciation which are calculated by taking into account the factors causing fluctuation in expenses are assumed to be 798 million yen for the fiscal period ending April 2018 and 821 million yen for the fiscal period ending October 2018. • Depreciation, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,151 million yen for the fiscal period ending April 2018 and 1,169 million yen for the fiscal period ending October 2018.
Non-operating Expenses	<ul style="list-style-type: none"> • In non-operating expenses, expenses related to public offering are assumed to be 52 million yen as temporary expenses for the fiscal period ending April 2018. • Interest expenses, other related expenses are assumed to be 369 million yen for the fiscal period ending April 2018 and 334 million yen for the fiscal period ending October 2018, respectively.
Interest-Bearing Debt	<ul style="list-style-type: none"> • As of today, HRR has balance of loans outstanding of 43,034 million yen. • For the fiscal period ending October 2017, the assumption is that 1,625 million yen of the loans will be repaid through contractual repayment. • The assumption is that there will be refinancing of loans due for repayment in October 2017 in the amount of 1,500 million yen. • The assumption is that HRR conduct debt financing of 10,000 million yen in total from qualified institutional investors defined under Article 2 Paragraph 3 item 1 of the Financial Instruments and Exchange Act, including The Bank of Tokyo – Mitsubishi UFJ, Ltd., in November 2017. For details of the debt financing, please refer to “Notice Concerning Debt Financing” separately announced today. • For the fiscal period ending April 2018, the assumption is that 3,525 million yen of loans will be repaid through contractual repayment. • The assumption is that there will be refinancing of loans due for repayment in April 2018 in the amount of 3,400 million yen. • For the fiscal period ending October 2018, the assumption is that 3,881 million yen of the loans will be repaid through contractual repayment. • The assumption is that there will be refinancing of loans due for repayment in the fiscal period ending October 2018 in the amount of 3,788 million yen. • The forecast is that LTV at the end of the fiscal period ending April 2018 is 33.3 %, and at the end of the fiscal period ending October 2018 is 33.0 %. The following formula is used in the calculation of LTV for this press release: $\text{LTV} = \text{Balance of interest-bearing loans outstanding} \div \text{Total assets (expected)} \times 100$ • LTV may vary in accordance with the paid-in amount of the new investment units to be offered through public offering and the number of and paid-in amount of new investment units to be offered through the third-party allotment this time around.
Investment Units	<ul style="list-style-type: none"> • It is assumed that, in addition to 172,670 units issued and outstanding as of today, all of 40,068 units, or the maximum total of new investment units to be newly issued by issuance of new investment units (38,160 units) through public offering and issuance of new investment units through third-party allotment (maximum of 1,908 units) determined at the Board of Directors’ Meeting held today, are issued. • It is assumed that, other than the above, there will be no change in the number of investment units due to issuance of new investment units, etc. through the end of the fiscal period ending October 2018. • Distribution per unit (excluding distribution in excess of earnings) is calculated based on the expected number of investment units issued and outstanding at the end of the fiscal periods ending April 2018 and October 2018 (212,738 units) including 40,068 units, the maximum total of new investment units to be newly issued mentioned above.
Distribution per Unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated assuming the cash distribution policy provided in the Articles of Incorporation of HRR. • Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.
Distribution per Unit in Excess of Earnings	<ul style="list-style-type: none"> • No distribution in excess of earnings (distribution in excess of earnings per unit) is scheduled at this point in time.
Others	<ul style="list-style-type: none"> • It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • It is assumed that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.

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