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For Immediate Release

REIT Securities Issuer
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 (Code: 3287)

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Notice Concerning Acquisition of Assets (Class B Preferred Shares of Yomitan Hotel Management Co., Ltd.)

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 the following assets (hereinafter the “Investment”).

1. Outline of the Investment (the assets described here in 1. may be referred to as the “Assets to Be Acquired” below)

(1) Acquisition of Preferred Shares Already Issued

HRR has decided to acquire Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares already issued (hereinafter may be referred to as the “No. 1 Class B Preferred Shares”) as outlined below.

Name of securities	No. of shares to be acquired (shares)	Transferor	Planned acquisition price (thousand yen) (Note 1)	Preferred dividend rate (Note 2)	Planned date of acquisition
Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares	332	Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment LPS	166,000	Per annum 6.5%	March 30, 2018

(Note 1) “Planned acquisition price” indicates the sales/purchase price of shares indicated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes or expenses such as transactional commissions). The same applies hereinafter.

(Note 2) For the No. 1 Class B Preferred Shares, the amount of the No. 1 Class B preferred dividend per share of the No. 1 Class B Preferred Shares is the amount calculated according to the formula below; and it is deemed that dividends of surplus that exceed the amount of the No. 1 Class B preferred dividend will not be paid for the No. 1 Class B Preferred Shares (non-participating). Note that when the amount of the dividend per share paid to shareholders of No. 1 Class B Preferred Shares in a certain business year is less than the amount of the No. 1 Class B preferred dividend, the shortfall is deemed to accumulate to the following and subsequent business years. The same applies hereinafter.

The amount of the No. 1 Class B preferred dividend per share of the No. 1 Class B Preferred Shares
 = the paid-in amount per share of the No. 1 Class B Preferred Shares x the preferred dividend rate

(2) Decision to Acquire (Underwrite) Newly Issued Preferred Shares

HRR made a decision to underwrite the Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (hereinafter may be referred to as the “No. 2 Class B Preferred Shares”) and the Yomitan Hotel

Management Co., Ltd. No. 3 Class B preferred shares (hereinafter may be referred to as the “No. 3 Class B Preferred Shares”), which Yomitan Hotel Management Co., Ltd. plans to newly issue in the future as described below.

Name of securities	No. of shares to be underwritten (shares)	Planned paid-in amount (Note 1)	Total planned paid-in amount (thousand yen)	Preferred dividend rate (Note 2) (Note 3)	Planned payment date (Note 4)
Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares	333	500,000 yen per share	166,500	Per annum 6.5%	October 30, 2018
Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares	334	500,000 yen per share	167,000	Per annum 6.5%	May 30, 2019

(Note 1) “Planned paid-in amount” indicates the paid-in amount indicated in the underwriting agreement (excluding expenses such as commissions). The said paid-in amount is the planned amount as of today and may be changed in accordance with the provision of the underwriting agreement or based on agreement between HRR and Yomitan Hotel Management Co., Ltd. The same applies hereinafter.

(Note 2) For the No. 2 Class B Preferred Shares, the amount of the No. 2 Class B preferred dividend per share of the No. 2 Class B Preferred Shares is the amount calculated according to the formula below; and it is deemed that dividends of surplus that exceed the amount of the No. 2 Class B preferred dividend will not be paid for the No. 2 Class B Preferred Shares (non-participating). Note that when the amount of the dividend per share paid to shareholders of No. 2 Class B Preferred Shares in a certain business year is less than the amount of the No. 2 Class B preferred dividend, the shortfall is deemed to accumulate to the following and subsequent business years. The same applies hereinafter.

The amount of the No. 2 Class B preferred dividend per share of the No. 2 Class B Preferred Shares
= the paid-in amount per share of the No. 2 Class B Preferred Shares x the preferred dividend rate

(Note 3) For the No. 3 Class B Preferred Shares, the amount of the No. 3 Class B preferred dividend per share of the No. 3 Class B Preferred Shares is the amount calculated according to the formula below; and it is deemed that dividends of surplus that exceed the amount of the No. 3 Class B preferred dividend will not be paid for the No. 3 Class B Preferred Shares (non-participating). Note that when the amount of the dividend per share paid to shareholders of No. 3 Class B Preferred Shares in a certain business year is less than the amount of the No. 3 Class B preferred dividend, the shortfall is deemed to accumulate to the following and subsequent business years. The same applies hereinafter.

The amount of the No. 3 Class B preferred dividend per share of the No. 3 Class B Preferred Shares
= the paid-in amount per share of the No. 3 Class B Preferred Shares x the preferred dividend rate

(Note 4) “Planned payment date” indicates the payment date indicated in the underwriting agreement. The said payment date is the planned date as of this day and may be changed in accordance with the provision of the underwriting agreement or based on agreement between HRR and Yomitan Hotel Management Co., Ltd. HRR treats this underwriting agreement as an agreement that falls under a forward commitment, etc. (*) specified in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.,” which has been established by the Financial Services Agency. For details including termination clause and others, please refer to “3. Details of Assets to Be Acquired, (8) Impact on HRR’s Finance in the Case Where a Forward Commitment, etc. Cannot Be Implemented” below.

(*) This commitment is defined as a postdated sales and purchase agreement under which the settlement and delivery of the property shall be made one month or more from the conclusion of the agreement, or any other agreement similar thereto. The same applies hereinafter.

2. Reason for the Investment

Hitherto, HRR has utilized a method of collaboration (collaborative investment structure) with the Hoshino Resorts Group (collectively referring to Hoshino Resorts Inc. and its parent company and subsidiaries; the same applies hereinafter) to acquire assets that include the “4 ANA Crowne Plaza properties” (Note 1) and the “4 the b properties” (Note 2) and promoted external growth.

With an aim to create opportunities for the future acquisition of property developed by the Hoshino Resorts Group in Yomitan-son, Nakagami-gun, Okinawa Prefecture under the Yomitan Resort North District Development Plan (provisional name) (hereinafter the “Development Plan”) (this property, hereinafter the “Property to Be Developed”), HRR has held discussions with the Hoshino Resorts Group to introduce this collaborative investment structure into the Development Plan. In the Development Plan, however, although procedures required for the construction of the Property to Be Developed such as permits and approvals have been completed, the Property to Be Developed still remains in the work commencement stage. Therefore, the development may be delayed, changed or suspended due to a delay in the procedures such as permits and approvals or other factors. In addition, because income from the Property to Be Developed is expected to be gained from 2019 (planned) or later, that is, after the Property to Be Developed opens, HRR has considered that if HRR directly invests in the Development Plan and directly owns the Property to Be Developed at this time, risk borne by HRR may be significant. Therefore, HRR sought a way to invest in the Development Plan while mitigating the risk borne by HRR. After consultation with the Hoshino Resorts Group, HRR decided to indirectly invest in the Development Plan by acquiring preferred shares issued by Yomitan Hotel Management Co., Ltd., which is a special purpose company formed by the Hoshino Resorts Group to develop the Property to Be Developed, and determined the Investment.

In the Investment, HRR purchases the No. 1 Class B Preferred Shares, which were bought before the construction of the building began, and commits to make additional investments in the No. 2 Class B Preferred Shares and the No. 3 Class B Preferred Shares (additional investments in the No. 2 Class B Preferred Shares and the No. 3 Class B Preferred Shares are hereinafter collectively referred to as the “Additional Investment”) according to the progress of the Development Plan. In order to reduce the risk borne by HRR for the Development Plan, with regard to the execution of the Additional Investment, HRR has decided to set preconditions for each investment, in the underwriting agreement, for the Additional Investment to make it a condition that the Development Plan progresses as expected (Note 3).

Furthermore, in the Investment, HRR agrees, with Yomitan Hotel Management Co., Ltd., that prior approval of HRR is required for any important act performed by Yomitan Hotel Management Co., Ltd. including sale of the Property to Be Developed, as well as on others. HRR considers that this agreement can increase the probability of ensuring opportunities for the future acquisition of the Property to Be Developed.

Moreover, the investment has the possibility to create the opportunity to obtain income through the receipt of dividends on the Investment (Note 4). For these reasons, it is considered that it will contribute to the growth of HRR.

(Note 1) “4 ANA Crowne Plaza properties” refers to ANA Crowne Plaza Hiroshima, ANA Crowne Plaza Fukuoka, ANA Crowne Plaza Kanazawa, and ANA Crowne Plaza Toyama.

(Note 2) “4 the b properties” refers to the b akasaka, the b sangenjaya, the b nagoya, and the b kobe.

(Note 3) Since Yomitan Hotel Management Co., Ltd. has obtained permits and approvals necessary for the Development Plan, including building certification under the Building Standards Act, as of this day and original contractors for the Development Plan were selected from among contractors with low credit risk, HRR considers that the risk of suspension of the Development Plan and others is not significant. However, there is no guarantee that the Development Plan will certainly succeed.

(Note 4) HRR expects that the dividends will be paid at the time when income is generated in the Development Plan, or later. Hence, HRR expects that the dividends will be paid after the opening of the Property to Be Developed, except in special cases where income is generated from sale of the Property to Be Developed before the completion of construction.

3. Details of Assets to Be Acquired

(1) Details of the Class B Preferred Shares

Name of securities	(i) Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (ii) Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (iii) Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares
Planned acquisition price or planned paid-in amount	(i) 166,000 thousand yen (ii) 166,500 thousand yen (iii) 167,000 thousand yen
Preferred dividend rate	(i), (ii) and (iii) Per annum 6.5%
Voting rights	(i), (ii) and (iii) Shareholders have no voting rights at general meeting of shareholders for any matters.
Priority	(i), (ii) and (iii) These shares have priority over ordinary shares and are subordinate to Class A preferred shares with respect to dividends of surplus and the distribution of residual assets. Note that there is no priority and subordination among Class B preferred shares, which are ranked pari passu.
Transfer restrictions	(i), (ii) and (iii) The acquisition by transfer of the shares requires the approval of the general meeting of shareholders.
Put option with cash consideration	(i), (ii) and (iii) Shareholders may request the issuer to acquire all or part of the shares in exchange for delivery of a predetermined acquisition amount (Note) any time on and after a predetermined date within the range specified by law.
Acquisition clause with cash consideration	(i), (ii) and (iii) Not applicable.

(Note) The predetermined acquisition amount stated above shall be calculated by the following formula:

Acquisition amount = Basic redemption value (*1) – Value deducted (*2)

(*1) Basic redemption value = Paid-in amount per share $\times (1.065)^{m+(n/365)}$

Meanwhile, “m” and “n” refer to “m” and “n” in the case where the number of days between January 30, 2018 and the day when the Class B Preferred Shares are acquired under the put option (including the day) is shown as “m years and n days.”

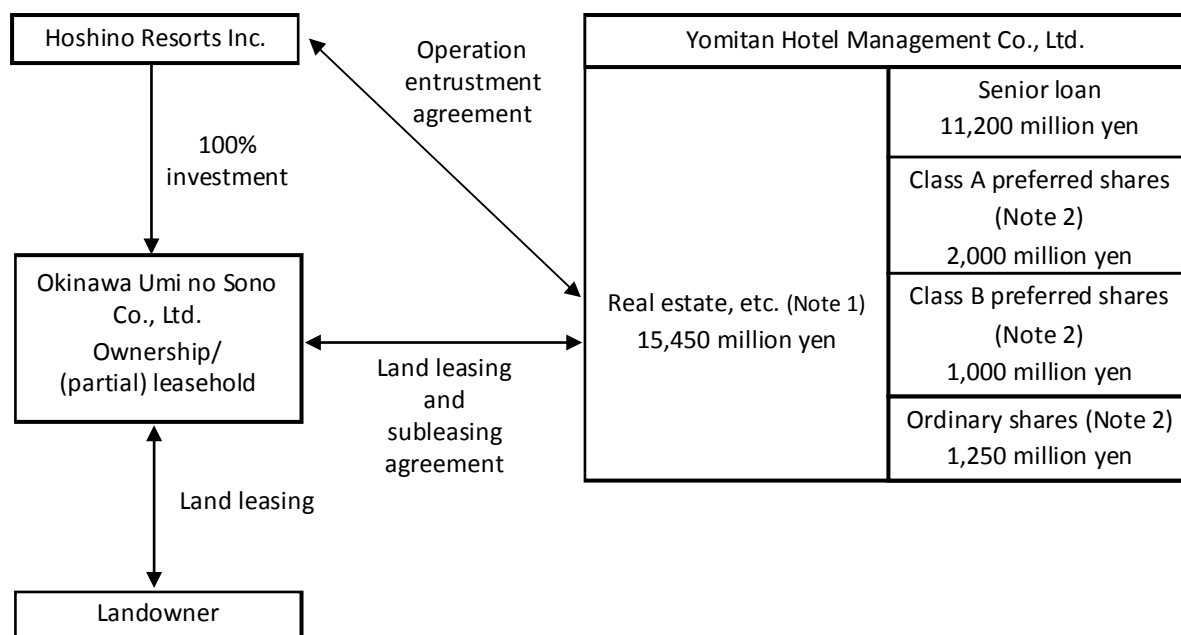
(*2) Value deducted = Resolved preferred dividends on the Class B Preferred Shares $\times (1.065)^{x+(y/365)}$

In the above formula, “x” and “y” refer to “x” and “y” in the case where the number of days between the payment date of resolved preferred dividends on the Class B Preferred Shares (including the date) and the day when the Class B Preferred Shares are acquired under the put option (including the day) is shown as “x years and y days.”

Additionally, “resolved preferred dividends on the Class B Preferred Shares” refer to preferred dividends for which it has been resolved that the dividends shall be paid to the Class B Preferred Shareholders and others with days up to the day when the Class B Preferred Shares are acquired under the put option (including the day) as the days during which the dividends should be paid. If this is resolved in multiple steps, the sum of values calculated by the above formula for preferred dividends related to each resolution shall be the value deducted.

(2) Outline of Structure

The structure of the investment is shown below.



- (i) Yomitan Hotel Management Co., Ltd. will carry out the development, including construction of the Property to Be Developed, with payments relating to the senior loan, the No. 1 Class A preferred shares, the No. 2 Class A preferred shares, and the No. 3 Class A preferred shares (hereinafter may be collectively referred to as the "Class A Preferred Shares"), the No. 1 Class B Preferred Shares, the No. 2 Class B Preferred Shares, and the No. 3 Class B Preferred Shares (hereinafter may be collectively referred to as the "Class B Preferred Shares") and the ordinary shares of Yomitan Hotel Management Co., Ltd. (hereinafter may be referred to as the "Ordinary Shares") as a source of funds.
- (ii) Okinawa Umi no Sono Co., Ltd., a subsidiary of Hoshino Resorts Inc., possesses the ownership or leasehold interests in land of the site for the Property to Be Developed. Yomitan Hotel Management Co., Ltd. will lease (sublease) (however, land use lease (sublease) during the development period in the Development Plan) the relevant site from Okinawa Umi no Sono Co., Ltd. to carry out the development as well as operate the Property to Be Developed as a hotel after completion of the Property to Be Developed. Note that Yomitan Hotel Management Co., Ltd. will entrust the operational services for the hotel to Hoshino Resorts Inc.
- (iii) HRR will invest in Yomitan Hotel Management Co., Ltd. through the acquisition of the No. 1 Class B Preferred Shares and the underwriting of the No. 2 Class B Preferred Shares and the No. 3 Class B Preferred Shares to be newly issued in the future.
- (iv) A shareholders' agreement will be concluded among Yomitan Hotel Management Co., Ltd., all the shareholders of the Ordinary Shares (hereinafter may be collectively referred to as the "Ordinary Shareholders"), and all the shareholders of the No. 1 Class B Preferred Shares, including HRR (hereinafter may be collectively referred to as the "Class B Preferred Shareholders"). A summary of the relevant shareholders' agreement is as follows.

Tag Along

If the Ordinary Shareholders intend to transfer the Ordinary Shares to a third party, HRR may request that all or some of the Class B Preferred Shares that HRR owns to be transferred at the prescribed price by notifying the Ordinary Shareholders in writing of the desire to tag along within 20 days.

Put Option

Pursuant to Article 67-15, paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended. The same applies hereinafter), when it is reasonably deemed essential to prevent a failure to satisfy the requirements for inclusion of the amount of an investment corporation's dividends (with the meaning in Article 67-15 of the Act on Special Measures Concerning Taxation. The same applies hereinafter) in the deductible amount for the calculation of the amount of income, HRR may request the Ordinary Shareholders or other Class B Preferred Shareholder Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment LPS to buy all or some of the Class B Preferred Shares owned by HRR at the prescribed price to the extent necessary for the purpose of satisfying the relevant requirement.

(Note 1) Buildings, leasehold and subleasehold interests in land, etc. are included in real estate, etc.

(Note 2) Out of 1,334 No. 1 Class A Preferred Shares, 666 No. 1 Class B Preferred Shares, and 8,320 No. 1 Ordinary Shares, HRR plans to acquire 332 No. 1 Class B Preferred Shares (approximately 49.85% as a proportion of the No. 1 Class B Preferred Shares). Moreover, Yomitan Hotel Management Co., Ltd. has decided to newly issue 1,334 No. 2 Class A Preferred Shares, 666 No. 2 Class B Preferred Shares, 8,340 No. 2 Ordinary Shares, 1,332 No. 3 Class A Preferred Shares, 668 No. 3 Class B Preferred Shares and 8,320 No. 3 Ordinary Shares in the future. Of these, HRR plans to underwrite 333 No. 2 Class B Preferred Shares (50% as a proportion of the No. 2 Class B Preferred Shares) and 334 No. 3 Class B Preferred Shares (50% as a proportion of the No. 3 Class B Preferred Shares).

(Note 3) The main contractual relationships are described in the structure above and thus, all the contractual relationships are not exhaustively depicted.

(3) Overview of Company to be Invested In

Company name		Yomitan Hotel Management Co., Ltd.
Head office location		310-1 Aza Gima, Yomitan-son, Nakagami-gun, Okinawa
Name and title of representative		Mitsunori Seo, Representative Director
Amount of capital		10 million yen
Date of incorporation		August 25, 2017
Main business		Resort development and operation business, etc.
Relationship with HRR / Asset Management Company	Capital relationship	HRR will acquire the equivalent of 49.85% of the No. 1 Class B Preferred Shares. HRR also plans to underwrite the equivalent of 50% of the No. 2 Class B Preferred Shares and the equivalent of 50% of the No. 3 Class B Preferred Shares. Excluding the aforementioned, there is no capital relationship required to be stated between HRR/the Asset Management Company and the investee.
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the investee.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the investee.
	Related party	The investee is not a related party of HRR/the Asset Management Company.

(4) Overview of Property to Be Developed

Yomitan Resort North District Development Plan (provisional name)		Category		Property operated by Hoshino Resorts Group (planned)	
		Use		Hotel and attached commercial facility	
Location	406-1 Kataebara, Aza Gima, Yomitan-son, Nakagami-gun, Okinawa and 211 other lots				
Transportation	Approximately 36 km from Naha Airport				
Land	Lot number	406-1 Kataebara, Aza Gima, Yomitan-son, Nakagami-gun, Okinawa, etc.	Building	Scheduled completion	2019 (planned)
	Building coverage ratio	60%		Structure/floors	Reinforced concrete construction/wood construction/reinforced concrete and steel construction, etc. (planned)/two floors above and one floor underground
	Floor-area ratio	200%		Total floor area	14,810.73 m ² (planned)
				Number of rooms	100
	Site area	109,276.87 m ²		Number of buildings	53
	Type of ownership	Leasehold and subleasehold interests in land (subleasehold right of land during the development period)		Building engineer	Azuma Architect & Associates Co., Ltd.
Constructor			Sato Kogyo Co., Ltd.		
		Type of ownership	Ownership		

(5) Overview of Transferor

Name of partnership	Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment LPS	
Principal office of partnership	1-9-6 Otemachi, Chiyoda-ku, Tokyo	
Overview of unlimited liability partners	Name	H&D Partners Co., Ltd.
	Location	1-9-6 Otemachi, Chiyoda-ku, Tokyo
	Name and title of representative	Takashi Sogawa, Representative Director Naoko Oku, Representative Director
	Business	Investment in investment limited partnership under Limited Partnership Act for Investment and business related to the establishment and management of investment limited partnership
	Amount of capital	10 million yen
Limited liability partners	Hoshino Resorts Group, Development Bank of Japan Inc., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and other financial institutions	
Size	Total 14.14 billion yen	
Date of fund establishment	July 31, 2017	
Duration	10 years	

(6) Status of Acquirers, etc.

The following table states (i) Name, (ii) Relationship with the party with special interest, and (iii) Background and reason for acquisition

Property name	Previous owner
	(i), (ii), (iii) Acquisition (transfer) price Acquisition (transfer) timing
Yomitan Hotel Management Co., Ltd. No. 1 Class B Preferred Shares	(i) Hoshino Resorts Ryokan and Hotel Management Support No. 2 Investment LPS (ii) Investment limited partnership in which H & D Partners Co., Ltd., an affiliated company of the parent company of the Asset Management Company, acts as an unlimited liability partner (iii) Underwriting for development purposes
	500,000 yen per share
	January 2018

(7) Overview of Brokerage

Not applicable.

(8) Impact on HRR's Finance in the Case Where a Forward Commitment, etc. Cannot Be Implemented

HRR treats the underwriting agreement for the Additional Investment as an agreement that falls under a forward commitment, etc. For this underwriting agreement, each party shall compensate the counterparty for any damage, etc. thereto caused by or related to breach of duty under the underwriting agreement, but no provision for penalties has been stipulated. HRR is planning to appropriate funds in hand to the Additional Investment and has secured cash in the amount of at least the Additional Investment (333,500 thousand yen in total) as deposits as of this day. Therefore, HRR considers the possibility is exceptionally low that the case occurs where it cannot complete the financing and fails to implement the forward commitment, etc.

(9) Transactions with Interested Persons, etc. and Sponsors

The transferor of the No. 1 Class B Preferred Shares is an investment limited partnership in which H & D Partners Co., Ltd., an affiliate of the parent company of the Asset Management Company, acts as an unlimited liability partner. Although the transferor does not fall under the interested person, etc. stipulated in Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) and Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended), it does fall under the definition of interested party, etc., as set forth in the "interested party transaction rules," internal rules of the Asset Management Company. Accordingly, the Asset Management Company has gone through approval procedures set forth in the internal rules for conducting acquisition transactions of the Assets to Be Acquired with the party and has also obtained HRR's agreement based on the approval of HRR's Board of Directors' Meeting held on March 16, 2018 pursuant to the "interested party transaction rules."

4. Method of Payment and Schedule for Acquisition

(1) Method of Payment

HRR plans to use its own capital to acquire the assets.

(2) Schedule for Acquisition

The schedule for the acquisition and underwriting of the Assets to Be Acquired is as follows.

March 16, 2018	Date of acquisition decision and underwriting agreement
March 30, 2018	Date for acquisition of No. 1 Class B Preferred Shares and payment (planned)
October 30, 2018	Date for underwriting of No. 2 Class B Preferred Shares and payment (planned)
May 30, 2019	Date for underwriting of No. 3 Class B Preferred Shares and payment (planned)

5. Future Outlook for Management Status

The impact from the acquisition and underwriting of the Assets to Be Acquired will be immaterial, and the forecasts for the management status of HRR for the fiscal period ending April 2018 (10th fiscal period) and the fiscal period ending October 2018 (11th fiscal period) will not be revised.

6. Overview of Third Party Appraisal of Class B Preferred Shares

HRR obtained a share valuation report prepared by a third party for the Investment. The overview of the report is as follows:

(No. 1 Class B preferred shares)

Appraisal company: Plutus Consulting Co., Ltd.

Appraisal value (Note): 588,780 yen per share (issue price: 500,000 yen per share)

(No. 2 Class B preferred shares)

Appraisal company: Plutus Consulting Co., Ltd.

Appraisal value (Note): 571,699 yen per share (predetermined issue price: 500,000 yen per share)

(No. 3 Class B preferred shares)

Appraisal company: Plutus Consulting Co., Ltd.

Appraisal value (Note): 558,805 yen per share (predetermined issue price: 500,000 yen per share)

(Note) "Appraisal value" indicates the intermediate value calculated by HRR from the appraisal values described in the share valuation report.

7. Summary of Appraisal Report, etc. on the Property to Be Developed

The Property to Be Developed is scheduled for completion in 2019, and HRR plans to obtain an appraisal report, etc. at the stage when the Asset Management Company begins to consider its acquisition after the commencement of hotel operations in the Property to Be Developed.

<Appendix>

Reference material: Map

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

<Appendix>

Reference material: Map

