

April 6, 2018

For Immediate Release

REIT Securities Issuer

Hoshino Resorts REIT, Inc.

Representative: Kenji Akimoto, Executive Director  
(Code: 3287)

Asset Management Company

Hoshino Resort Asset Management Co., Ltd.

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## Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

Hoshino Resorts REIT, Inc. (hereinafter "HRR") announces that it has resolved at the Board of Directors' meeting held on April 6, 2018 concerning the issuance of new investment units and secondary offering of investment units, as follows.

### 1. Issuance of New Investment Units through Public Offering (Primary Offering)

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|---|--|
| (1) Total number of investment units to be offered: | 8,690 units  |
| (2) Paid-in amount (issue value):                   | To be determined<br>The amount will be determined at the Board of Directors' meeting to be held on a date between April 17, 2018 (Tuesday) and April 20, 2018 (Friday) (hereinafter the "Pricing Date") in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, Etc. of Securities adopted by the Japan Securities Dealers Association.   |
| (3) Total paid-in amount (total issue value):       | To be determined   |
| (4) Issue price (offer price):                      | To be determined<br>The issue price (offer price) will be provisionally calculated by subtracting planned distribution per unit of ¥12,238 from the closing price of the investment units of HRR (the "Investment Units") in a regular trading session at the Tokyo Stock Exchange, Inc. on the Pricing Date (if the closing price is not available on such date, the closing price on the immediately preceding date), and multiplying the amount by a factor of 0.90 to 1.00 (amounts less than ¥1 to be rounded down), in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, Etc. of Securities adopted by the Japan Securities Dealers Association, and then will be determined on the Pricing Date by taking into consideration demand conditions and other factors. |

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# Hoshino Resorts REIT, Inc.

- (5) Total issue price (total offer price): To be determined
- (6) Offering method: The offering of the Investment Units will be through primary offering, and will be purchased and underwritten in full by a syndication with Nomura Securities Co., Ltd. and SMBC Nikko Securities Inc. as co-lead managers (hereinafter, collectively referred to as the "Underwriters").
- (7) Underwriting agreement: The Underwriters will pay the amount equivalent to the total paid-in amount (total issue value) in the primary offering to HRR on the payment date identified in (10) below. The difference between the total issue price (total offer price) and the total paid-in amount (total issue value) will be the proceeds of the Underwriters. HRR shall pay no underwriting fee to the Underwriters.
- (8) Subscription unit: One unit or more in multiples of one unit
- (9) Subscription period: From the business day immediately following the Pricing Date to the second business day following the Pricing Date
- (10) Payment date: May 1, 2018 (Tuesday)
- (11) Transfer date: May 2, 2018 (Wednesday)
- (12) The paid-in amount (issue value), issue price (offer price) and other matters necessary for the issuance of the new investment units shall be determined at a future Board of Directors' meeting of HRR.
- (13) Each of the aforementioned items shall be subject to the effectiveness of the filing of the securities registration statement in accordance with the Financial Instruments and Exchange Act of Japan.

## 2. Secondary Offering of Investment Units (Over-Allotment) (Please refer to <Reference> 1. Below.)

- (1) Number of investment units to be offered: 434 units  
The number indicates the maximum number of investment units to be offered. There may be cases where this number is reduced or the secondary offering (over-allotment) itself does not take place at all, depending on demand conditions of the primary offering and other factors. The number of investment units to be offered through secondary offering will be determined at the Board of Directors' meeting of HRR to be held on the Pricing Date taking into consideration the demand conditions of the primary offering and other factors.
- (2) Seller: Nomura Securities Co., Ltd.
- (3) Offer price: To be determined  
The offer price is determined on the Pricing Date and shall be same as the issue price (offer price) for the primary offering.
- (4) Total offer price: To be determined
- (5) Offering method: In consideration of the demand conditions of the primary offering and other factors, Nomura Securities Co., Ltd., which is the administrative lead manager for the primary offering, will offer the Investment Units (up to 434 units) borrowed from a unitholder of HRR.

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- (6) Subscription unit: One unit or more in multiples of one unit
- (7) Subscription period: Same as the subscription period for the primary offering
- (8) Transfer date: May 2, 2018 (Wednesday)
- (9) The offer price and other items necessary for the secondary offering of investment units are determined at a future Board of Directors' meeting of HRR.
- (10) Each of the aforementioned items shall be subject to the effectiveness of the filing of the securities registration statement in accordance with the Financial Instruments and Exchange Act of Japan.

### 3. Issuance of New Investment Units to be Offered by Way of Third-Party Allotment

(Please refer to <Reference> 1. below.)

- (1) Number of investment units to be offered: 434 units
- (2) Paid-in amount (issue value): To be determined  
The paid-in amount (issue value) will be determined at the Board of Directors' meeting of HRR to be held on the Pricing Date and will be the same as the paid-in amount (issue value) for the primary offering.
- (3) Total paid-in amount (total issue value): To be determined
- (4) Third party allottee: Nomura Securities Co., Ltd.
- (5) Subscription unit: One unit or more in multiples of one unit
- (6) Subscription period (Subscription date): May 21, 2018 (Monday)
- (7) Payment date: May 22, 2018 (Tuesday)
- (8) If there are no subscription for all or a part of the investment units on or before the subscription period (subscription date) described in (6) above, the issuance of such investment units will be canceled.
- (9) The paid-in amount (issue value) and other items necessary for the Third-Party Allotment will be determined at a future Board of Directors' meeting of HRR.
- (10) Each of the aforementioned items shall be subject to the effectiveness of the filing of the securities registration statement in accordance with the Financial Instruments and Exchange Act of Japan.

#### <Reference>

##### 1. Details of the Secondary Offering (Over-Allotment)

In the secondary offering, Nomura Securities Co., Ltd., which is the administrative lead manager for the primary offering, offers the Investment Units (up to 434 units) borrowed from a unitholder of HRR, taking into consideration the demand conditions and other factors upon the primary offering. 434 units are scheduled to be offered in the secondary offering through over-allotment. However, the number may decrease or the secondary offering through over-allotment itself may not take place at all, depending on demand conditions and other factors.

Related to the secondary offering through over-allotment, in order to allow Nomura Securities Co., Ltd. to acquire the Investment Units needed to return the Investment Units borrowed from the above unitholder of HRR (the "Borrowed Investment Units"), HRR has resolved at its Board of Directors' meeting held on April 6, 2018 (Friday) to implement the issuance of new investment units by way of third-party allotment (434 units) (hereinafter the "Third Party Allotment") to Nomura Securities Co., Ltd. as the allottee with the

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payment date being May 22, 2018 (Tuesday).

For the purpose of returning the Borrowed Investment Units, Nomura Securities Co., Ltd. may also purchase the Investment Units up to the number of units for the secondary offering (over-allotment) at the TSE (hereinafter the “syndicated cover transaction”) during the period from the day following the close of the subscription period for the primary offering and the secondary offering (over-allotment) to May 15, 2018 (Tuesday) (the “syndicated cover transaction period.”) All of the Investment Units purchased by Nomura Securities Co., Ltd. through the syndicated cover transaction shall be used to return the Borrowed Investment Units. There may be cases in which Nomura Securities Co., Ltd. does not conduct the syndicated cover transaction at all or ends the syndicated cover transaction with the number of Investment Units that are smaller than the number of the Investment Units offered through the secondary offering (over-allotment), at its sole discretion during the syndicated cover transaction period.

Moreover, Nomura Securities Co., Ltd. may conduct stabilizing transactions in correlation with the primary offering and the secondary offering (over-allotment). The Investment Units purchased through such stabilizing transactions may be used, in whole or in part, to return the Borrowed Investment Units.

Nomura Securities Co., Ltd. intends to agree to the Third-Party Allotment to acquire the Investment Units for the number of the Investment Units obtained by subtracting the number of Investment Units that are purchased through the stabilizing transactions and the syndicated cover transaction and used to return the Borrowed Investment Units from the number of the Investment Units for the secondary offering (over-allotment). As a result, there may be cases in which there will be no subscription to the Investment Units offered by way of the Third-Party Allotment in whole or in part, and accordingly the final number of the Investment Units issued by way of the Third-Party Allotment will decrease to that extent due to forfeiture of rights, or such issuance itself will not take place at all.

Nomura Securities Co., Ltd. shall conduct the transactions described in the above upon consultation with SMBC Nikko Securities Inc.

## 2. Changes in Number of Investment Units Outstanding after this Issuance of New Investment Units

Total number of Investment Units outstanding at present:	212,738 units
Number of new Investment Units to be issued through public offering:	8,690 units
Total number of Investment Units outstanding after new issuance through public offering:	221,428 units

Number of new Investment Units to be issued by way of the Third-Party Allotment:	434 units	(Note)
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Total number of Investment Units outstanding after the Third-Party Allotment:	221,862 units	(Note)
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(Note) The number is on the assumption that Nomura Securities Co., Ltd. subscribes to all the Investment Units to be issued by the Third-Party Allotment and all such units are issued.

## 3. Reason for and Purpose of New Issuance

As a result of examining ways to improve stability of earnings through the repayment of borrowings pertaining to the acquisition of hotel androoms Osaka Hommachi on April 2, 2018, while paying attention to market trends, the level of distribution per unit and other factors, HRR has decided to implement the issuance of new investment units.

## 4. Amount of Funds to be Procured, Use of Proceeds and Scheduled Expenditure Date

(1) Amount of funds to be procured (approximate net balance HRR will obtain)

¥4,608,441,160 (maximum)

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(Note) The amount represents the sum of ¥4,389,232,100 of net proceeds HRR will receive from the primary offering and the maximum amount of ¥219,209,060 HRR will receive from the Third-Party Allotment. Moreover, the amount is an estimate calculated on the basis of the closing price of the Investment Units in a regular trading session at the TSE as of March 26, 2018 (Monday).

(2) Specific use of the funds to be procured and scheduled expenditure date

The net proceeds of ¥4,389,232,100 that HRR will receive from the primary offering will be used in part for the repayment of borrowings pertaining to the acquisition of the specified asset (as defined in Paragraph 1 of Article 2 of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) described in “Notice Concerning Acquisition of Domestic Real Estate” announced on March 16, 2018, which was partially amended in “(Amendment) Notice Concerning a Partial Amendment to ‘Notice Concerning Acquisition of Domestic Real Estate’” announced on March 20, 2018 and “Notice Concerning Completion of Acquisition of Domestic Real Estate” announced on April 2, 2018 (the aforementioned specified asset hereinafter referred to in this document as the “newly acquired asset”). The information on the relevant borrowings was provided in “Notice Concerning Debt Financing” announced on March 16, 2018. The remaining funds, if any, will be kept as funds in hand along with the maximum amount of proceeds (¥219,209,060) that HRR will receive from the Third-Party Allotment which was resolved on the same day as the primary offering. These funds will be deposited in financial institutions to be used as part of funds for future acquisition of specified assets or as a portion of repayment of borrowings.

In addition, up until present, of the ¥980 million in proceeds from the issuance of new investment units by third-party allotment that was resolved on October 11, 2017, ¥166 million was allocated to fund the acquisition of the No. 1 Class B Preferred Shares of Yomitan Hotel Management Co., Ltd. acquired on March 30, 2018 as stated in “Notice Concerning Acquisition of Assets (Class B Preferred Shares of Yomitan Hotel Management Co., Ltd.)” dated March 16, 2018, and ¥59 million was allocated to part of the funds for and expenses related to the acquisition of the newly acquired asset. Of the ¥755 million that is remaining, HRR plans to allocate ¥63 million to part of the funds for and expenses related to the acquisition of “Villa Taketomi Annex” as stated in “Notice Concerning Additional Acquisition of Domestic Real Estate (Attractiveness-Enhancing Capital Expenditure for HOSHINOYA Taketomi Island)” announced today, allocate ¥125 million to fund the repayment of borrowings due on April 27, 2018, respectively, and allocate the remaining amount to partially fund the repayment of borrowings pertaining to the acquisition of the newly acquired asset.

(Note) The figures stated above for the proceeds from the issuance of new investment units by third-party allotment that was resolved on October 11, 2017, the allocated amount for all or part of the funds for and expenses related to the acquisition of the specified assets and for partial repayment of borrowings, and the remaining amount after such allocation have all been rounded down to the nearest million yen.

## 5. Designated Destination of Distribution

None

## 6. Future Outlook

Please refer to “Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2018 and Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2019” separately announced today.

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## 7. Operating Results of the Past Three Fiscal Periods and Status of Equity Financing, etc.

### (1) Operating results of the past three fiscal periods

	Fiscal period ended October 2016 (7th FP)	Fiscal period ended April 2017 (8th FP)	Fiscal period ended October 2017 (9th FP)
Net income per unit (Note 1) (Note 2)	¥11,110	¥11,620	¥11,959
Distribution per unit (Note 3)	¥22,209	¥11,621	¥11,956
Of which, distributions of earnings per unit	¥22,209	¥11,621	¥11,956
Of which, distributions in excess of earnings	—	—	—
Actual payout ratio (Note 4)	100.0%	100.0%	100.0%
Net assets per unit (Note 1)	¥455,052	¥455,568	¥460,974

(Note 1) A 2-for-1 split of investment units was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016. Net income per unit and net assets per unit are calculated based on the assumption that the split of investment unit was implemented at the beginning of the 7th FP.

(Note 2) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units.

(Note 3) Distribution per unit is calculated by dividing the amount of distribution by the number of investment units issued and outstanding at the end of the fiscal period.

(Note 4) The actual payout ratios of the fiscal periods have changed due to the implementation of issuance of new investment units during the fiscal period, causing a change in the number of investment units outstanding during the fiscal period and thus are calculated using the following formula, and are rounded down to one decimal place.  
Actual payout ratio=Total distributions (excluding distributions in excess of earnings) / Net income x 100

### (2) Recent status of investment unit price

#### 1) Status in the last three fiscal periods

	Fiscal period ended October 2016 (7th FP) (Note)	Fiscal period ended April 2017 (8th FP)	Fiscal period ended October 2017 (9th FP)
Opening price	¥1,291,000 □¥623,000	¥616,000	¥567,000
Highest price	¥1,331,000 □¥628,000	¥626,000	¥598,000
Lowest price	¥1,111,000 □¥610,000	¥557,000	¥547,000
Closing price	¥1,277,000 □¥615,000	¥566,000	¥547,000

(Note) A 2-for-1 split of investment units was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016. In line with the split, investment units have been traded with the investment unit price after the ex-rights since October 27, 2016. The table indicates status of investment units before the ex-rights, but status of investment units after the ex-rights is also shown with “□.”

#### 2) Status in the last six months

	November 2017	December	January 2018	February	March	April
Opening price	¥548,000	¥562,000	¥550,000	¥575,000	¥576,000	¥557,000
Highest price	¥570,000	¥564,000	¥587,000	¥584,000	¥577,000	¥570,000
Lowest price	¥535,000	¥540,000	¥548,000	¥546,000	¥549,000	¥555,000
Closing price	¥564,000	¥547,000	¥573,000	¥575,000	¥556,000	¥564,000

(Note) The investment unit prices for April 2018 show the figures as of April 5, 2018.

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### 3) Investment unit price on the business day preceding day of resolution on issuance

	April 5, 2018
Opening price	¥564,000
Highest price	¥570,000
Lowest price	¥562,000
Closing price	¥564,000

### (3) Status of equity financing conducted in the past three fiscal periods

#### • Public Offering

Issue date	May 2, 2016
Total procured amount	¥4,461,050,580
Paid-in amount (issue value)	¥1,249,594
Number of investment units outstanding before the public offering	78,008 units
Number of investment units issued through the public offering	3,570 units
Number of investment units outstanding after the public offering	81,578 units
Initial use of funds at the time of issuance	Part of acquisition funds of new specified assets and a portion of repayment of borrowings, and part of funds for future acquisition of specified assets or a portion of future repayment of borrowings
Schedule of expenditure at the time of issuance	On and after May 2, 2016
Status of expenditure to date	Entire amount has been used as part of acquisition funds of specified assets and a portion of repayment of borrowings on the above scheduled time of expenditure.

#### • Third-party Allotment

Issue date	May 24, 2016
Total procured amount	¥223,677,326
Paid-in amount (issue value)	¥1,249,594
Number of investment units outstanding before the public offering	81,578 units
Number of investment units issued through the public offering	179 units
Number of investment units outstanding after the public offering	81,757 units
Third party allottee	Nomura Securities Co., Ltd.
Initial use of funds at the time of issuance	Part of acquisition funds of new specified assets and a portion of repayment of borrowings, and part of funds for future acquisition of specified assets or a portion of future repayment of borrowings

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## Hoshino Resorts REIT, Inc.

Schedule of expenditure at the time of issuance	On and after May 24, 2016
Status of expenditure to date	Entire amount has been used as part of acquisition funds of specified assets on November 1, 2016.

• Public Offering

Issue date	May 1, 2017
Total procured amount	¥4,705,163,760
Paid-in amount (issue value)	¥539,583
Number of investment units outstanding before the public offering	163,514 units
Number of investment units issued through the public offering	8,720 units
Number of investment units outstanding after the public offering	172,234 units
Initial use of funds at the time of issuance	Acquisition fund of new specified assets and part of funds for future acquisition of specified assets or a portion of future repayment of borrowings
Schedule of expenditure at the time of issuance	On and after May 1, 2017
Status of expenditure to date	Entire amount has been used as part of acquisition funds of specified assets and a portion of repayment of borrowings on the above scheduled time of expenditure.

• Third-party Allotment

Issue date	May 23, 2017
Total procured amount	¥235,258,188
Paid-in amount (issue value)	¥539,583
Number of investment units outstanding before the public offering	172,234 units
Number of investment units issued through the public offering	436 units
Number of investment units outstanding after the public offering	172,670 units
Third party allottee	Nomura Securities Co., Ltd.
Initial use of funds at the time of issuance	Part of funds for future acquisition of specified assets or a portion of future repayment of borrowings
Schedule of expenditure at the time of issuance	On and after May 23, 2017
Status of expenditure to date	Entire amount has been used as part of acquisition funds of specified assets and a portion of repayment of borrowings on the above scheduled time of expenditure.

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• Public Offering

Issue date	November 1, 2017
Total procured amount	¥19,616,644,080
Paid-in amount (issue value)	¥514,063
Number of investment units outstanding before the public offering	172,670 units
Number of investment units issued through the public offering	38,160 units
Number of investment units outstanding after the public offering	210,830 units
Initial use of funds at the time of issuance	Part of funds for acquisition of new specified assets
Schedule of expenditure at the time of issuance	On and after November 1, 2017
Status of expenditure to date	Entire amount has been used as part of acquisition funds of specified assets.

• Third-party Allotment

Issue date	November 28, 2017
Total procured amount	¥980,832,204
Paid-in amount (issue value)	¥514,063
Number of investment units outstanding before the public offering	210,830 units
Number of investment units issued through the public offering	1,908 units
Number of investment units outstanding after the public offering	212,738 units
Third party allottee	Nomura Securities Co., Ltd.
Initial use of funds at the time of issuance	Part of funds for future acquisition of specified assets or a portion of future repayment of borrowings
Schedule of expenditure at the time of issuance	On and after November 28, 2017
Status of expenditure to date	To date, ¥225 million has been used as part of acquisition funds of specified assets and related expenses.

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## 8. About Lock-up

(1) Concerning the primary offering, Hoshino Resorts Inc. has agreed with the Co-lead Managers that it will not sell the Investment Units (except for lending of the Investment Units in line with the secondary offering through over-allotment, etc.) and such for a period from the Pricing Date to three months after the transfer date of the Investment Units through the primary offering without prior written consent of the Co-lead Managers.

The Co-lead Managers have the authority to cancel all or part of the agreement at its sole discretion even during the period specified above.

(2) Concerning the primary offering, HRR has agreed with the Co-lead Managers that it will not issue Investment Units (except for an issuance in the case of the primary offering, the Third-Party Allotment and a split of investment units, etc.) and such for a period from the Pricing Date to three months after the delivery date of the Investment Units through the primary offering without prior written consent of the Co-lead Managers.

The Co-lead Managers have the authority to cancel all or part of the agreement at its sole discretion even during the period specified above.

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

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