

(REIT) Financial Report for Fiscal Period Ended October 2016

December 15, 2016

REIT Securities Issuer: Hoshino Resorts REIT, Inc. Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 3287 URL: <http://www.hoshinoresorts-reit.net/>
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Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended October 2016 (from May 1, 2016 to October 31, 2016)

(1) Management Status

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Oct. 2016	3,981	11.8	2,097	9.6	1,816	13.4	1,815	13.4
Ended Apr. 2016	3,559	84.8	1,914	85.0	1,601	76.1	1,600	76.1

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Oct. 2016	11,110	2.5	1.7	45.6
Ended Apr. 2016	10,303	3.0	2.1	45.0

(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. Net income per unit is calculated based on the assumption that the split of investment unit was implemented at the beginning of the fiscal period ended April 2016.

(2) Distributions Status

Fiscal period	Distributions per unit	Total distributions	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	(excluding distributions in excess of earnings) yen	(excluding distributions in excess of earnings) million yen	yen	million yen	%	%
Ended Oct. 2016	22,209	1,815	0	0	100.0	2.5
Ended Apr. 2016	20,520	1,600	0	0	100.0	2.5

(Note1) The main factors for the difference between distribution per unit for the fiscal period ended October 2016 in the above table (2) and net income per unit for the fiscal period ended October 2016 in the above table (1) are that the net income per unit for the fiscal period ended October 2016 is calculated assuming the aforementioned 2-for-1 investment unit split was implemented at the beginning of the fiscal period ended April 2016 and is based on the average number of investment units during the fiscal period.

(Note 2) The main factors for the difference between distribution per unit for the fiscal period ended April 2016 in the above table (2) and net income per unit for the fiscal period ended April 2016 in the above table (1) are that the net income per unit for the fiscal period ended April 2016 is calculated assuming the aforementioned 2-for-1 investment unit split was implemented at the beginning of the fiscal period ended April 2016 and is based on the average number of investment units during the fiscal period.

(Note 3) Since new investment units have been issued, distribution payout ratio is calculated using the following formula.
 Distribution payout ratio = Total distributions (excluding distributions in excess of earnings) / Net income × 100

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Oct. 2016	105,709	74,407	70.4	455,052
Ended Apr. 2016	101,941	69,507	68.2	445,516

(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. Net assets per unit is calculated based on the assumption that the split of investment unit was implemented at the beginning of the fiscal period ended April 2016.

(4) Status of Cash Flows

Fiscal period	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Oct. 2016	3,911	(4,467)	1,826	9,514
Ended Apr. 2016	1,858	(48,139)	50,202	8,243

2. Management Status Forecast for Fiscal Period Ending April 2017 (from November 1, 2016 to April 30, 2017) and
Management Status Forecast for Fiscal Period Ending October 2017 (from May 1, 2017 to October 31, 2017)

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Apr. 2017	4,462	12.1	2,261	7.8	1,895	4.3	1,894	4.3	11,584	0
Ending Oct. 2017	4,417	(1.0)	2,181	(3.5)	1,897	0.2	1,897	0.2	11,602	0

(Reference) Forecast net income per unit (fiscal period ending April 2017) 11,584 yen,

Forecast net income per unit (fiscal period ending October 2017) 11,602 yen

Forecast net income per unit is calculated by the following formula:

Forecast net income per unit = Forecast net income / Forecast total number of investment units issued and outstanding at end of period

* Others

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including own investment units) at end of period
 - Fiscal period ended October 2016 81,757 units Fiscal period ended April 2016 78,008 units
- ② Total number of own investment units at end of period
 - Fiscal period ended October 2016 — units Fiscal period ended April 2016 — units

(Note) For the number of investment units serving as the basis for calculation of net income per unit, please refer to "Notes on Per Unit Information" on page 28.

* Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of Appropriate Use of Management Status Forecast, and Other Matters of Special Note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of distributions. For the assumptions underlying the management status forecast, please refer to "Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2017 and Fiscal Period Ending October 2017" on page 11.

HRR implemented a 2-for-1 split of investment units by setting October 31, 2016 as the record date and November 1, 2016 as the effective date. Therefore, the management status forecast is made based on the total number of investment units issued and outstanding after the investment unit split (163,514 units).

1. Related Parties of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the most recent securities report (submitted on July 28, 2016).

2. Management Policy and Management Status

(1) Management Policy

The following changes to the asset management guidelines, which stipulate policies concerning the asset management and such of HRR, have been decided at the Board of Directors’ Meeting of Hoshino Resort Asset Management Co., Ltd., the asset management company (firm) of HRR, held on September 15, 2016 and December 14, 2016 and at the Board of Directors’ Meeting of HRR held on September 16, 2016 and December 15, 2016. Furthermore, HRR submitted an extraordinary report on September 20, 2016 concerning the abolition of the unitholder benefit program on February 1, 2017. In addition, HRR plans to submit an extraordinary report concerning establishment of investment policies for overseas real estate, etc. on December 15, 2016. For other items, disclosure is omitted since there is no significant change from “Investment Policy,” “Investment Targets” and Distribution Policy” in the securities report (submitted on July 28, 2016).

(a) Changes as of December 15, 2016 (Establishment of investment policies for overseas real estate, etc.)

a. Basic policies for investment in overseas assets

Among overseas hotels, ryokans and ancillary facilities for which stable use is expected and which are expected to secure a long-term and stable cash flow, HRR has set a basic policy to also invest in those in which the Hoshino Resorts Group is engaged (Note). Investments in overseas properties in which the Hoshino Resorts Group is engaged will be made in a careful manner after comprehensively analyzing the market where the subject real estate is located, including real estate market trends/systems as well as rules and such of the respective country, and comprehensively taking into account factors such as risks in legal, accounting and tax systems, etc. and foreign exchange risks pertaining to investments and profit returns, after adequately obtaining information on the country/region of the investment target from macro perspectives such as political trends, demographics and economic growth.

(Note) “Overseas properties in which the Hoshino Resorts Group is engaged” are those that meet either criteria below.

- Properties which the Hoshino Resorts Group or entities, etc. in which the Hoshino Resorts Group invests (including those for which the Group takes a stake upon HRR’s investment), owns and engages in the development or operation.
- Properties that HRR judges to meet the above condition after a certain period of time following acquisition by HRR.

b. Investment criteria for overseas assets

With regard to overseas properties in which the Hoshino Resorts Group is engaged, investment criteria stipulates that investments be made in a careful manner after comprehensively analyzing the market where the subject real estate is located, including real estate market trends/system as well as rules and such of the respective country, and comprehensively taking into account factors such as risks in legal, accounting and tax systems, etc. and foreign exchange risks pertaining to investments and profit returns, after adequately obtaining information on the country/region of the investment target from macro perspectives such as political trends, demographics and economic growth. Furthermore, HRR will apply, in principle, the same criteria used for domestic assets in making decisions. However, judgments concerning overseas properties in which the Hoshino Resorts Group is engaged, such criteria may be modified as needed taking into account the actual business practice in the country/region of location.

(a) Location

Concerning location, investment target areas will be selected, in addition to by placing emphasis on being suitable for the brand of the investment target asset, after comprehensively considering factors such as real estate legal system, the development status of legal system as a whole, foreign exchange rates and the implemented system, situations of fund settlement and overseas remittance of the country or region where the overseas real estate, etc. are located, in light of the “Regulations concerning Real Estate Investment Trusts and Real Estate Investment Corporations” established by the Investment Trusts Association, Japan.

Furthermore, locational criteria for overseas properties in which the Hoshino Resorts Group is engaged calls for, in principle, a property located in an area which we judge to allow stable operation as in Japan, centering on areas well-recognized as global tourist destinations. For the time being, such locations should be among areas with medium- to long-term stable economic infrastructures as well as expectations of economic growth through a population increase,

mainly in the U.S., Europe and such areas.

(b) Investment amount

As is the case with domestic assets, the investment amount per property shall be 500 million yen or more, in principle. For overseas properties in which the Hoshino Resorts Group is engaged and other overseas assets, the investment amount at the time of acquisition converted to Japanese yen will be used for making the judgement.

(c) Acquisition price

As is the case with domestic assets, acquisition prices will be judged based on the value uniquely appraised by the Asset Management Company with reference to real estate appraisal value. As to overseas properties in which the Hoshino Resorts Group is engaged, the real estate appraisal value will be the real estate appraisal value obtained pursuant to the "Guidelines Regarding Real Estate Appraisal Value for Overseas Investment" (established on January 25, 2008; including subsequent amendments) stipulated by the Ministry of Land, Infrastructure, Transport and Tourism.

(d) Building structure

As is the case with domestic assets, HRR will judge whether the building has sufficient strength by reference to PML (Probable Maximum Loss) (hereinafter "PML") (Note) of the respective property. In case the PML of the property exceeds 20%, HRR will consider obtaining earthquake insurance. However, for overseas properties in which the Hoshino Resorts Group is engaged, HRR will use their compliance to legal quake-resistance standards in the country/region of location as criteria to judge whether they have sufficient strength; and PML will be referred to only when it is a general practice to refer to PML for actual investments in hotels, ryokans and ancillary facilities in the country/region.

(Note) "PML" is, when the subject property is damaged by one of the biggest earthquakes (a major earthquake which occurs once every 475 years, with a 10% chance of happening once every 50 years) anticipated in the region, the expected construction cost for restoring the damaged building to its original state indicated as a percentage of the total replacement cost.

(e) Relationship of rights

As is the case with domestic assets, the relationship of rights, in principle, should be such which is judged not to interfere with HRR's asset management, in light of the features of the respective property. Specifically, after confirming types of rights such as ownership, leasehold and surface rights, if it is co-ownership, sectional ownership or leased land, HRR will seek, in principle, fewer restrictions in operation/management while comprehensively taking into account the features of the property as well as considering attributes, etc. of the right holders. Furthermore, overseas properties in which the Hoshino Resorts Group is engaged will be comprehensively judged after investigating relationship of rights, etc. in the country/region of location and also taking into account actual business practice in the country/region.

(f) Utilization of indirect investment for investing in overseas properties in which the Hoshino Resorts Group is engaged

Upon investing in overseas properties in which the Hoshino Resorts Group is engaged, if such investment is judged to be appropriate for reasons such as the limited scope of restrictions from the legal or tax system and of investment risks in the country/region of location, investments in overseas properties in which the Hoshino Resorts Group is engaged will be allowed through acquisition of real estate-backed securities, shares, corporate bonds and other securities issued by overseas corporations that own overseas properties in which the Hoshino Resorts Group is engaged.

c. Due diligence criteria concerning investments in overseas assets

Upon selecting investment destination among overseas properties in which the Hoshino Resorts Group is engaged, investigation and discussion will be, in principle, follow the same criteria as for domestic assets. HRR will investigate relationship of rights in the country/region of location and also take into account the actual business practice in the country/region.

d. Operational/management policies concerning investment in overseas assets

In order to properly conduct business concerning investment in overseas properties in which the Hoshino Resorts Group is engaged, the person in charge of investment in overseas properties in which the Hoshino Resorts Group is engaged at each relevant department of the Asset Management Company will be a person with a certain level of knowledge on investment in overseas real estate, etc. In addition, regarding information gathering, investigation, etc. of legal/tax systems, etc. for overseas real estate, etc. and of investment candidates upon making investments in overseas properties in which the Hoshino Resorts Group is engaged, HRR will obtain, prior to making investment decisions, necessary information concerning investments in overseas properties, etc. by requesting advice, reports, etc.

from law offices and other experts with specialized knowledge in the country/region where the respective real estate, etc. are located.

Concerning management of the invested overseas properties in which the Hoshino Resorts Group is engaged, HRR will establish a close liaison system with the tenants and operators of the overseas real estate in order to implement appropriate responses, measures and other management by acquiring necessary information properly at the right timing regardless of the time difference, language, etc. of the country/region of location.

As to business contacts with the tenants and operators in the country/region, HRR will appropriately decide, with the tenants and operators, the storage system for recording such contacts to properly store the records, etc.

Business records concerning overseas properties in which the Hoshino Resorts Group is engaged that are owned by HRR will be properly stored by the Investment Management Department of the Asset Management Company.

e. Policy for obtaining non-life insurance for investments in overseas assets

As is the case with domestic assets, in order to secure compensation for damages to buildings, etc. due to disasters, accidents, etc. or damages to third parties, HRR will obtain fire insurance, liability insurance, etc. judged to be necessary for buildings and other ancillary facilities/equipment of the assets under management. The same will be applied for overseas properties in which the Hoshino Resorts Group is engaged, in principle. However, HRR will judge comprehensively after investigating risks specific to the country/regions of location of the respective property as well as taking into account the actual business practice in the country/region.

f. Debt financing policy

When investing in overseas real estate, HRR may execute local currency debt financing. In addition, HRR may procure funds in Japanese yen and convert it to local currency, taking into account the market environment, etc. at the time of fund procurement.

(b) Change as of February 1, 2017 (Abolition of the unitholder benefit program)

HRR has incorporated the unitholder benefit program in order to help provide an opportunity for unitholders to experience the hotels, ryokans and ancillary facilities HRR invests in and to deepen understanding of their features. However, after repeated careful discussions from the perspective of fair return of profits taking into account the number of users and utilization rate of the unitholder benefit program as well as effect on distributions in case the program is abolished among other factors, the abolition of the program as of February 1, 2017 was decided as it was judged that returning profits to unitholders through distribution is more appropriate. The unitholders' complimentary discount tickets issued based on the unitholder benefit program will be invalid as of the expiration date set by each ticket.

(2) Management Status

① Overview of the Fiscal Period under Review

(a) Brief History of the Investment Corporation

Hoshino Resorts REIT, Inc. (HRR) invests in hotels, ryokans (Japanese-style inns) and ancillary facilities that serve at the core of the tourism industry and for which stable use is expected for the medium to long term.

HRR was established under the Act on Investment Trusts and Investment Corporations with Hoshino Resort Asset Management Co., Ltd. (hereinafter, the "Asset Management Company") as the organizer and investments in capital of 150 million yen (300 investment units) on March 6, 2013. An issuance of new investment units through public offering (19,000 units) was implemented with July 11, 2013 as the payment due date, and the investment securities were listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (securities code: 3287) on July 12, 2013. HRR has steadily expanded its asset size since, bringing the assets held by HRR as of the end of the fiscal period under review to 47 properties (sum total of acquisition price: 93,182 million yen).

(b) Investment Environment and Management Performance

The Japanese economy in the fiscal period under review continued on a moderate recovery trend due to improvements in income and employment situations and other factors, although corporate earnings saw a temporary standstill caused by mounting uncertainties in overseas economies such as the slowdown of emerging economies of China and other Asian nations, as well as the U.K.'s withdrawal from EU, etc. In the tourism market, while the Japanese government has

positioned tourism as one of the pillars for growth strategy by setting a goal of having 40 million inbound tourists by 2020 and 8 trillion yen of inbound tourist spending by 2020, the rate of increase in the number of inbound tourists tended to decline, affected by the progressing appreciation of the yen among other reasons. However, in the environment described above, the hotels/ryokans held by HRR were managed with a view to securing stable earnings in the fiscal period under review, too, resulting in stable operational results in the fiscal period ended October 2016.

(c) Overview of Fund Procurement

In the fiscal period under review, in addition to the procurement of 4,461 million yen from the issuance of new investment units through primary offering on May 2, 2016, and 223 million yen from the issuance of new investment units through third-party allotment on May 24, 2016, 2,500 million yen was procured from debt financing on May 2, 2016, and these were allocated to part of the funds for acquisition of KAI Kaga as well as repayment of existing loans. In August 2016, an agreement for release of collateral for the entire amount of existing loans was concluded with the group of banks and HRR was able to change all loans to unsecured status on August 31, 2016.

Furthermore, a contractual loan repayment was made, resulting in balance of loans outstanding of 27,160 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 25.7% as of October 31, 2016.

In addition, as of the end of the fiscal period under review, HRR has been assigned a long-term issuer rating of “A- (rating outlook: stable)” from Japan Credit Rating Agency, Ltd. (JCR).

(d) Overview of Business Performance and Distributions

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 3,981 million yen, operating income of 2,097 million yen, ordinary income of 1,816 million yen and net income of 1,815 million yen. Concerning distributions, to ensure application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter, the “Act on Special Measures Concerning Taxation”)), the decision was made to distribute almost the entire amount of unappropriated retained earnings and distribution per investment unit was thus declared to be 22,209 yen.

② Outlook for the Next Fiscal Period

(a) Management Environment for the Next Fiscal Period

The Japanese economy going forward is expected to see slowdown in economic recovery with lingering sluggishness in exports and production affected by economic slowdown in emerging nations. In addition, domestic economic risk pushed down by the mounting uncertainties in overseas economies, such as weakening economies of China and other emerging nations in Asia as well as resource-rich nations, etc. and the issues of U.K.’s withdrawal from the EU, is likely to require continued attention. In addition, the Japanese government has announced tourism policies aimed at enhancing the international competitiveness of the tourism business through relaxation of regulations and enhancement of the productivity of the lodging business. Such policies include relaxation of visa requirements for entry from the five countries of China, the Philippines, Vietnam, India and Russia, opening of the State Guest Houses and other public facilities for public viewing/access, and maintenance of tourist spots centering on cultural properties. In this manner, with large economic ripple effects, the tourism industry is growing in importance as one of the drivers of Japan’s economic growth.

(b) Future Management Policy and Challenges to Address

Under such circumstances, HRR’s basic policy is to form a portfolio with a stable revenue base centering on hotels, ryokans and ancillary facilities that can respond to the travel needs of tourists.

In the hotel/ryokan industry which has been commoditized in general, HRR believes facilities that are differentiated from others due to a superior business model, operating skills, location and such are the ones that will be able to generate stable earnings and secure steady cash flow over a long-term period.

From this perspective, HRR selects investment properties from the stance of “superior know-how and experience” (whether the business model, brand power, etc. can be differentiated from competitors, and whether it is operated by an operator with extensive expertise) and “superior equipment and facilities” (whether the facility itself is superior as to its location, rarity of the building, etc.).

HRR seeks to flexibly form an optimum portfolio in order to secure long-term and stable cash flow. After proactively obtaining information on for-sale properties operated by the Hoshino Resorts Group and outside operators, including overseas properties in which the Hoshino Resorts Group is engaged, HRR will examine individual properties upon their selection for investment.

a. Properties operated by the Hoshino Resorts Group

HRR believes the securement of stable earnings will be possible by investing mainly in the three brands “HOSHINOYA,” “Hoshino Resorts KAI” and “Hoshino Resorts RISONARE” operated by the Hoshino Resorts Group. HRR intends to obtain information on facilities under the three brands as well as other brands developed and/or managed by the Hoshino Resorts Group, actively utilizing the sponsor support agreement with Hoshino Resorts. As a result, if HRR decides that a facility is able to generate long-term and stable cash flow, proactive investments will be made.

b. Properties operated by outside operators

Similar to when investing in properties operated by the Hoshino Resorts Group, HRR believes it will be able to secure long-term and stable cash flow by making appropriate investments while taking “superior know-how and experience” and “superior equipment and facilities” in to consideration, based on sufficient information collection by the Asset Management Company.

Taking this view, HRR will make proactive investments in hotels, ryokans and ancillary facilities operated by outside operators if it decides secure, long-term and stable cash flow is possible after obtaining the necessary information by taking advantage of the sponsor support agreement with Hoshino Resorts and the Asset Management Company’s unique networks.

c. Overseas properties in which the Hoshino Resorts Group is engaged

With regard to overseas properties in which the Hoshino Resorts Group is engaged, HRR intends to invest in a careful manner after comprehensively analyzing the market where the subject real estate is located, including real estate market trends/system as well as rules and such of the respective country, taking into account factors such as risks in legal, accounting and tax systems, etc. and foreign exchange risks pertaining to investments and profit returns after adequately obtaining information on the country/region of the investment target from macro perspectives such as political trends, demographics and economic growth. HRR will make investments after carefully selecting overseas properties in which the Hoshino Resorts Group is engaged, for which stable use is expected and which are expected to secure a long-term and stable cash flow.

Moreover, HRR aims to enhance profitability through expansion of asset size, and also aims to promote portfolio diversification in order to reduce the risk of a significant drop in HRR’s cash flow due to changes in tourism trends, disasters, etc.

The Hoshino Resorts Group operates each facility after categorizing investment target hotels, ryokans and ancillary facilities into the brands from various perspectives. HRR works to stabilize revenue by promoting portfolio diversification through investments not only in the singular brands of the Hoshino Resorts Group but in the three brands and any other brands developed and/or managed by the Hoshino Resorts Group, as well as in properties operated by outside operators and properties in which the Hoshino Resorts Group is engaged. The facilities held by HRR vary by size, price setting and target customer base, leading to portfolio diversification effects. In addition, these facilities are diversified in terms of not only diversification by brand but also by geographic area of facility location and thereby reducing the risk of a significant drop in HRR’s cash flow.

(c) Management Status Outlook

The following management status is expected for the fiscal period ending April 2017 (from November 1, 2016 to April 30, 2017) and the fiscal period ending October 2017 (from May 1, 2017 to October 31, 2017). For the assumptions underlying this outlook, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2017 and Fiscal Period Ending October 2017” on page 11.

Fiscal period ending April 2017 (8th fiscal period)	
Operating revenue	4,462 million yen
Operating income	2,261 million yen
Ordinary income	1,895 million yen
Net income	1,894 million yen
Distribution per unit	11,584 yen
Distribution in excess of earnings per unit	0 yen

Fiscal period ending October 2017 (9th fiscal period)

Operating revenue	4,417 million yen
Operating income	2,181 million yen
Ordinary income	1,897 million yen
Net income	1,897 million yen
Distribution per unit	11,602 yen
Distribution in excess of earnings per unit	0 yen

(Note) The forecast figures above are the current forecast calculated under certain assumptions. Accordingly, the actual operating revenue, operating income, ordinary income, net income and distribution per unit may vary due to changes in the circumstances. In addition, the forecast is not a guarantee of the amount of distribution per unit.

③ Significant Subsequent Events

(a) Acquisition of Asset

HRR acquired the following real estate (acquisition price: 16,000 million yen) on November 1, 2016. Acquisition price is the sale and purchase price of the real estate stated on the sale and purchase contract (excluding acquisition expenses, fixed asset tax, city planning tax, consumption tax, etc.).

Name of property	Location	Seller (Note)	Acquisition price (millions of yen) (Note)	Acquisition date
Hyatt Regency Osaka	Osaka-shi, Osaka	GCREF Japan I TMK	16,000	November 1, 2016

(Note) The acquisition price includes purchase price (79 million yen) of facilities/equipment acquired from GCP Hospitality Japan K.K., which is the lessee of the property. GCP Hospitality Japan K.K. changed its business name to HRO Inc. on November 1, 2016.

(b) Borrowing of Funds

HRR borrowed the following funds on November 1, 2016 to be allocated to a part of the funds for and expenses related to the acquisition of the property stated in “(a)Acquisition of Asset” above.

Floating/ Fixed	Lender	Loan amount	Interest rate	Drawdown date	payment due date (Note 4)	Repayment method
Floating	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	1.5 billion yen	Base rate (JBA 1- month Japanese Yen TIBOR) (Note 1) +0.400%	November 1, 2016	October 31, 2017	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited. The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd.	2.5 billion yen	Base rate (JBA 1-month Japanese Yen TIBOR) +0.2375% (Note 2)	November 1, 2016	April 30, 2019	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited. The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd.	2.5 billion yen	Base rate (JBA 1- month Japanese Yen TIBOR)+0.300% (Note 3)	November 1, 2016	October 30, 2020	Lump-sum payment at maturity
Fixed	Resona Bank, Limited. The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Fukuoka, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd.	2.0 billion yen	0.54888%	November 1, 2016	April 30, 2021	Lump-sum payment at maturity

Fixed	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.76832%	November 1, 2016	October 31, 2022	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.85244%	November 1, 2016	April 28, 2023	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.93702%	November 1, 2016	October 31, 2023	Lump-sum payment at maturity

(Note 1) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the Japanese Yen TIBOR (Tokyo InterBank Offered Rate) published by JBA TIBOR Administration as of two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date in the case of the first interest calculation period), the interest rate for the number of months corresponding to the interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract. For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/>).

(Note 2) An interest rate swap agreement has been concluded in order to fix interest rate payable and hedge the risk of rising interest rates, and thus the interest rate is substantively fixed at 0.2785%.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rate payable and hedge the risk of rising interest rates, and thus the interest rate is substantively fixed at 0.356%.

(Note 4) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

(c) Split of investment units

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.

(a) Purpose of split

The Split will be conducted to establish an environment where investors can invest with ease as well as to further widen the spectrum of investors and increase the liquidity of the investment units by reducing the per unit price of investment units in light of the spreading of the Nippon Individual Savings Account (NISA) and such.

(b) Method of split

With October 31, 2016 as the record date, HRR will implement a 2-for-1 split of its investment units held by Unitholders stated or recorded on that date's final unitholder registry.

(c) Increase in Investment Units through Split, etc.

Number of HRR investment units issued and outstanding before the Split:	81,757 units
Increase in number of investment units through the Split:	81,757 units
Total number of HRR investment units issued and outstanding after the Split:	163,514 units

For figures of per unit information when assumed that the split of investment units was implemented at the beginning of the previous fiscal period, please refer to "3. Financial Statements, (9) Notes to the Financial Statements, [Notes on Per Unit Information]" below.

Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2017 and Fiscal Period Ending October 2017

Item	Assumptions																																																								
Calculation period	<ul style="list-style-type: none"> Fiscal period ending April 2017 (8th fiscal period): from November 1, 2016 to April 30, 2017 (181 days) Fiscal period ending October 2017 (9th fiscal period): from May 1, 2017 to October 31, 2017 (184 days) 																																																								
Assets under management	<ul style="list-style-type: none"> The assumption is the 47 properties held as of October 31, 2016, plus Hyatt Regency Osaka that was acquired on November 1, 2016, to total 48 properties held. The actual number of properties may vary due to acquisition of new property other than the above, disposition of portfolio property, etc. 																																																								
Operating Revenue	<ul style="list-style-type: none"> Rental revenue, which is calculated by taking into account the portfolio properties' lease agreement terms and conditions and also such factors as the market environment and property competitiveness, is assumed to be 4,462 million yen for the fiscal period ending April 2017 and 4,417 million yen for the fiscal period ending October 2017. For HOSHINOYA Kyoto, there were capital expenditures that involved the facility's suspension of operations for an approximately three-month period from December 2015. Therefore, floating rent for HOSHINOYA Kyoto for the fiscal period ending April 2017, for which the period used for base sales serving as the basis of floating rent include the period of suspension of operations, is calculated by taking into consideration the impact of the facility's suspension of operations. For RISONARE Yatsugatake and KAI Hakone, there are capital expenditures that involved the facility's suspension of operations for an approximately three-month period from January 2017 and December 2016, respectively. Therefore, floating rent for RISONARE Yatsugatake and KAI Hakone for the fiscal period ending October 2017, for which the period used for base sales serving as the basis of floating rent include the period of suspension of operations, is calculated by taking into consideration the impact of the facility's suspension of operations. Of rental revenue, the rent by rent type is assumed to be as follows: <p style="text-align: center;">Fiscal period ending April 2017 (8th fiscal period)</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th>Rent type</th> <th>Name of Property, etc.</th> <th>Fixed rent</th> <th>Floating rent (Note 1)</th> <th>Other rent</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Fixed rent + Floating rent (sales-linked) (Note 2)</td> <td>HOSHINOYA Karuizawa HOSHINOYA Kyoto</td> <td>408</td> <td>96</td> <td>-</td> <td>504</td> </tr> <tr> <td>RISONARE Yatsugatake</td> <td>262</td> <td>58</td> <td>-</td> <td>321</td> </tr> <tr> <td>KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji</td> <td>233</td> <td>54</td> <td>-</td> <td>287</td> </tr> <tr> <td>22 Solare properties (Note 3)</td> <td>547</td> <td>154</td> <td>10</td> <td>712</td> </tr> <tr> <td>Fixed rent</td> <td>5 Candeo properties (Note 3) 3 Greens properties (Note 3)</td> <td>269</td> <td>-</td> <td>-</td> <td>269</td> </tr> <tr> <td rowspan="2">Fixed rent + Floating rent (profit-linked) (Note 2)</td> <td>RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel</td> <td>544 (Note 4)</td> <td>-</td> <td>-</td> <td>544</td> </tr> <tr> <td>4 ANA Crowne Plaza properties (Note 3)</td> <td>840</td> <td>596</td> <td>-</td> <td>1,436</td> </tr> <tr> <td>Floating rent (profit-linked) (Note 2)</td> <td>Hyatt Regency Osaka</td> <td>-</td> <td>387</td> <td>-</td> <td>387</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total</td> <td>3,105</td> <td>1,346</td> <td>10</td> <td>4,462</td> </tr> </tbody> </table>	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	408	96	-	504	RISONARE Yatsugatake	262	58	-	321	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	54	-	287	22 Solare properties (Note 3)	547	154	10	712	Fixed rent	5 Candeo properties (Note 3) 3 Greens properties (Note 3)	269	-	-	269	Fixed rent + Floating rent (profit-linked) (Note 2)	RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	544 (Note 4)	-	-	544	4 ANA Crowne Plaza properties (Note 3)	840	596	-	1,436	Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	-	387	-	387	Total		3,105	1,346	10	4,462
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(Note 1) Floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal factors and other fluctuating factors, using calculation methods prescribed in the lease agreement of each facility. For 5 Candeo properties and 3 Greens properties, as well as RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel which will have premium fixed rent from the fiscal period ending April 2017, floating rent will not apply.

(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from October 2015 to September 2016 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from June 2015 to May 2016 as the base profits.

(Note 3) Among the properties owned by HRR, the 22 hotels operated by SHR Roadside Inn Co., Ltd. are referred to as 22 Solare properties, the 5 properties operated by Candeo Hospitality Management, Inc. as 5 Candeo properties, the 3 properties operated by Greens Co., Ltd. as 3 Greens properties and the 4 properties operated by IHG ANA Hotels Group Japan LLC as 4 ANA Crowne Plaza properties. The same shall apply hereinafter.

(Note 4) Since RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel have premium fixed rents during the fiscal period ending April 2017, the premium fixed rents are indicated.

Fiscal period ending October 2017 (9th fiscal period)

Rent type	Name of facility, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
Fixed rent + Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	408	125	-	533
	RISONARE Yatsugatake	262	16	-	279
	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	46	-	279
	22 Solare properties	547	157	10	715
Fixed rent	5 Candeo properties 3 Greens properties	269	-	-	269
Fixed rent + Floating rent (profit-linked) (Note 2)	RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	544 (Note 3)	-	-	544
	4 ANA Crowne Plaza properties	840	615	-	1,455
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	-	341	-	341
Total		3,105	1,301	10	4,417

(Note 1) Floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal factors and other fluctuating factors, using calculation methods prescribed in the lease agreement of each facility. For 5 Candeo properties and 3 Greens properties, as well as RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel which will have premium fixed rent during the fiscal period ending October 2017, floating rent will not apply.

(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from April 2016 to March 2017 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from December 2015 to November 2016 as the base profits.

(Note 3) Since RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel have premium fixed rents during the fiscal period ending October 2017, the premium fixed rents are indicated.

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

Operating Revenue

Operating expenses	<ul style="list-style-type: none"> • Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 365 million yen for the fiscal period ending April 2017 and 410 million yen for the fiscal period ending October 2017. 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 and reimbursed at the time of acquisition with the previous owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses in the acquisition period at HRR. Accordingly, in the case of Hyatt Regency Osaka, the assumption is that fiscal 2017 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses in part, starting from the fiscal period ending April 2017. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of Hyatt Regency Osaka is expected to be 30 million yen. • 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 728 million yen for the fiscal period ending April 2017 and 736 million yen for the fiscal period ending October 2017. • Depreciation, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 956million yen for the fiscal period ending April 2017 and 977 million yen for the fiscal period ending October 2017.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing related expenses are assumed to be 366 million yen for the fiscal period ending April 2017 and 283 million yen for the fiscal period ending October 2017.
Loans	<ul style="list-style-type: none"> • As of the date of this document, HRR has balance of loans outstanding of 43,160 million yen. • For the fiscal period ending April 2017, the assumption is that 125 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 2017 in the amount of 2,200 million yen. • For the fiscal period ending October 2017, the assumption is that 125 million yen of the loans will be repaid through contractual repayment. • The forecast is that LTV at the end of the fiscal period ending April 2017 is 34.9% and LTV at the end of the fiscal period ending October 2017 is 35.0%. The following formula is used in the calculation of LTV: $\text{LTV} = \text{Balance of interest-bearing liabilities outstanding} / \text{Total assets} \times 100$
Investment units	<ul style="list-style-type: none"> • The assumption is the total number of investment units issued and outstanding as of the date of this document, which is 163,514 units. • The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending October 2017.
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 with the assumption being 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 in excess of earnings per unit	<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.
Other	<ul style="list-style-type: none"> • The assumption is 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. • The assumption is that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.

(3) Investment Risks

In line with the change of management policies described in above “(1) Management Policy, (a) Changes as of December 15, 2016 (Establishment of investment policies for overseas real estate, etc.),” the following “Risks Pertaining to Acquisition of Overseas Real Estate, etc. and their Maintenance, Management, etc.” have newly arisen as significant investment risks in addition to “Investment Risks” in the securities report (submitted on July 28, 2016, as amended). For other items, disclosure is omitted since there is no significant change from statements provided in the securities report (submitted on July 28, 2016, as amended).

< Risks Pertaining to Acquisition of Overseas Real Estate, etc. and their Property Management, Asset Management, etc. >

Since HRR has set forth a policy in the asset management guidelines to invest in overseas properties in which the Hoshino Resorts Group is engaged, HRR may acquire overseas real estate, etc. in the future.

In order to properly conduct business concerning investment in overseas properties in which the Hoshino Resorts Group is engaged, the person in charge of investment in overseas properties in which the Hoshino Resorts Groups is engaged at each relevant department of the Asset Management Company will be a person with a certain level of knowledge in investment in overseas real estate, etc. In addition, regarding information gathering, investigation, etc. of legal/tax systems, etc. for overseas real estate, etc. and of investment candidates upon making investments in overseas properties in which the Hoshino Resorts Group is engaged, HRR will obtain, prior to making investment decisions, necessary information concerning investments in overseas properties, etc. by requesting advice, reports, etc. from law offices and other experts with specialized knowledge in the country/region where the respective real estate, etc. are located. However, as of the date of this document, the Asset Management Company does not have a track record of acquiring real estate, etc. or of conducting property management/asset management. Therefore HRR may face unexpected problems upon owning, acquiring overseas real estate, etc. for future investments or conducting property management/asset management, due to differences in general handling of such matters from those of Japan, possibly failing to acquire assets or even if successfully acquired, experiencing issues in management of the acquired overseas real estate, etc.

Furthermore, asset management/property management of acquired overseas real estate, etc. may be largely impacted by political, legal, tax, accounting systems, economic growth and other economic circumstances as well as factors related to these in the country or the region where the respective real estate, etc. are located. For instance, the government authorities or administrative agencies in the country or the region where the respective real estate, etc. are located may require new procedures for meeting regulations, policies or granting permits/licenses or may change interpretation of existing regulations, forcing HRR to make further expenditure or take measures to ensure compliance with such regulations and policies. In addition, there is the possibility that acquisition or renewal of permits/licenses necessary for asset management/property management of acquired real estate, etc. and other administrative actions be delayed, negatively affecting HRR's profits. On top of these, future policies implemented by government authorities or administrative agencies in Japan or the country or region where the respective real estate, etc. are located may significantly impact on the economic conditions of the country or the region where the respective real estate, etc. are located. Furthermore, a conflict, political upheaval, civil war, etc. may occur in the country where the respective real estate, etc. are located, resulting in unexpected disadvantages such as decline in value of the overseas real estate, etc. or difficulty in disposing them.

In addition to the above, investments in overseas real estate, etc. may not be possible due to regulations such as a control over investments in real estate, etc. outside Japan imposed by government authorities or administrative agencies in Japan or in the country or the region where the respective real estate, etc. are located and regulations on foreign exchange and remittance (particularly restrictions on remittance of profits gained from investments in real estate, etc. outside Japan to Japan); or in case of making investments, transfer of profits from such investment to Japan may be impossible or very difficult; and these are likely to present risks of negative impact on HRR. Furthermore, while profits gained from the respective overseas real estate, etc. and expenses required for the real estate, etc. generally accrue in the local currency (foreign currency), exchange rates are subject to change from time to time or second to second according to the foreign exchange market; thus the fluctuation of exchange rates may bring unexpected loss presenting risks of negative impact on HRR. Furthermore, in case the relationship between Japan and the country where the real estate, etc. are located deteriorates, not only may HRR's business in the country be restricted or prohibited but HRR may also suffer unexpected disadvantages such as decline in value of the real estate, etc. located in the country or difficulty in disposing them. All of these are general risks from international factors, and in case HRR fails to properly manage these risks, such may impose negative impacts on HRR.

In addition, since tax and accounting treatments for investments in overseas real estate, etc. differ from those for investments solely in domestic real estate, etc., a negative impact on HRR's operation, etc. may be imposed, including a decrease in HRR's revenue or an increase in its expenses.

3. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	6th fiscal period (As of Apr. 30, 2016)	7th fiscal period (As of Oct. 31, 2016)
Assets		
Current assets		
Cash and deposits	8,243,199	9,514,280
Operating accounts receivable	40,416	39,832
Prepaid expenses	129,450	182,643
Consumption taxes receivable	1,205,689	67,952
Deferred tax assets	13	14
Total current assets	9,618,770	9,804,723
Non-current assets		
Property, plant and equipment		
Buildings	51,692,917	55,399,273
Accumulated depreciation	(1,984,232)	(2,729,273)
Buildings, net	*1 49,708,684	52,670,000
Structures	1,311,237	1,569,735
Accumulated depreciation	(58,106)	(80,642)
Structures, net	*1 1,253,131	1,489,093
Machinery and equipment	83,801	83,801
Accumulated depreciation	(20,498)	(24,115)
Machinery and equipment, net	*1 63,303	59,685
Tools, furniture and fixtures	458,598	475,715
Accumulated depreciation	(50,718)	(109,170)
Tools, furniture and fixtures, net	407,879	366,545
Land	*1 39,116,980	39,351,315
Construction in progress	70,114	201,094
Total property, plant and equipment	90,620,094	94,137,734
Intangible assets		
Leasehold right	1,002,287	1,028,324
Software	11,786	13,504
Total intangible assets	1,014,073	1,041,829
Investments and other assets		
Long-term prepaid expenses	375,334	412,650
Guarantee deposits	10,000	10,000
Other	302,890	302,890
Total investments and other assets	688,224	725,540
Total non-current assets	92,322,392	95,905,104
Total assets	101,941,162	105,709,827

(Unit: thousands of yen)

	6th fiscal period (As of Apr. 30, 2016)	7th fiscal period (As of Oct. 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	104,560	94,787
Short-term loans payable	*1 1,100,000	-
Current portion of long-term loans payable	*1 4,565,213	950,724
Accounts payable - other	563,476	561,547
Income taxes payable	789	889
Accrued expenses	2,715	-
Advances received	658,034	695,672
Total current liabilities	6,994,789	2,303,620
Non-current liabilities		
Long-term loans payable	*1 22,720,410	26,209,332
Tenant leasehold and security deposits	2,718,309	2,789,454
Total non-current liabilities	25,438,719	28,998,786
Total liabilities	32,433,509	31,302,406
Net assets		
Unitholders' equity		
Unitholders' capital	67,906,895	72,591,623
Surplus		
Unappropriated retained earnings (undisposed loss)	1,600,757	1,815,796
Total surplus	1,600,757	1,815,796
Total unitholders' equity	69,507,653	74,407,420
Total net assets	*2 69,507,653	*2 74,407,420
Total liabilities and net assets	101,941,162	105,709,827

(2) Statement of Income

(Unit: thousands of yen)

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Operating revenue		
Lease business revenue	*1 3,559,947	*1 3,981,640
Total operating revenue	3,559,947	3,981,640
Operating expenses		
Expenses related to rent business	*1 1,303,096	*1 1,428,747
Asset management fee	249,568	342,999
Asset custody fee	2,139	3,786
Administrative service fees	10,407	15,741
Directors' compensation	2,640	2,640
Audit fee	6,500	6,751
Other operating expenses	71,426	83,750
Total operating expenses	1,645,777	1,884,418
Operating income	1,914,169	2,097,222
Non-operating income		
Interest income	702	47
Insurance income	-	1,559
Interest on refund	602	-
Miscellaneous income	17	18
Total non-operating income	1,322	1,625
Non-operating expenses		
Interest expenses	144,948	156,288
Borrowing related expenses	100,279	90,394
Investment unit issuance expenses	68,634	35,506
Total non-operating expenses	313,863	282,188
Ordinary income	1,601,628	1,816,659
Income before income taxes	1,601,628	1,816,659
Income taxes - current	897	896
Income taxes - deferred	0	0
Total income taxes	897	896
Net income	1,600,731	1,815,763
Retained earnings brought forward	26	33
Unappropriated retained earnings (undisposed loss)	1,600,757	1,815,796

(3) Statement of Unitholders' Equity

6th fiscal period (from November 1, 2015 to April 30, 2016)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	36,113,352	908,788	908,788	37,022,141	37,022,141
Changes of items during period					
Issuance of new investment units	31,793,543	—	—	31,793,543	31,793,543
Dividends of surplus	—	(908,762)	(908,762)	(908,762)	(908,762)
Net income	—	1,600,731	1,600,731	1,600,731	1,600,731
Total changes of items during period	31,793,543	691,969	691,969	32,485,512	32,485,512
Balance at end of period	67,906,895	1,600,757	1,600,757	69,507,653	69,507,653

7th fiscal period (from May 1, 2016 to October 31, 2016)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	67,906,895	1,600,757	1,600,757	69,507,653	69,507,653
Changes of items during period					
Issuance of new investment units	4,684,727	—	—	4,684,727	4,684,727
Dividends of surplus	—	(1,600,724)	(1,600,724)	(1,600,724)	(1,600,724)
Net income	—	1,815,763	1,815,763	1,815,763	1,815,763
Total changes of items during period	4,684,727	215,039	215,039	4,899,766	4,899,766
Balance at end of period	*1 72,591,623	1,815,796	1,815,796	74,407,420	74,407,420

(4) Statement of Cash Distributions

(Unit: yen)

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
I. Unappropriated retained earnings	1,600,757,757	1,815,796,809
II. Amount of distributions	1,600,724,160	1,815,741,213
[Amount of distribution per investment unit]	[20,520]	[22,209]
III. Retained earnings brought forward	33,597	55,596
Method of calculation of amount of distributions	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that "distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation," the decision was made to distribute 1,600,724,160 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that "distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation," the decision was made to distribute 1,815,741,213 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.

(5) Statement of Cash Flows

(Unit: thousands of yen)

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Cash flows from operating activities		
Income before income taxes	1,601,628	1,816,659
Depreciation and amortization	736,281	831,907
Interest income	(702)	(47)
Interest expenses	144,948	156,288
Borrowing related expenses	100,279	90,394
Investment unit issuance expenses	68,634	35,506
Decrease (increase) in operating accounts receivable	(9,069)	584
Decrease (increase) in prepaid expenses	(59,837)	(53,192)
Decrease (increase) in consumption taxes refund receivable	(641,941)	1,137,736
Increase (decrease) in accrued consumption taxes	-	-
Increase (decrease) in operating accounts payable	17,040	(8,801)
Increase (decrease) in accounts payable - other	56,992	154,070
Increase (decrease) in advances received	326,698	37,638
Decrease (increase) in long-term prepaid expenses	(239,206)	(37,316)
Other, net	(100,104)	(90,394)
Subtotal	2,001,643	4,071,032
Interest income received	702	47
Interest expenses paid	(142,646)	(159,003)
Income taxes paid	(894)	(797)
Net cash provided by (used in) operating activities	1,858,804	3,911,278
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,054,566)	(4,508,815)
Purchase of intangible assets	(798,587)	(29,509)
Proceeds from tenant leasehold and security deposits	1,013,808	71,145
Payments for lease and guarantee deposits	(300,000)	-
Net cash provided by (used in) investing activities	(48,139,346)	(4,467,179)
Cash flows from financing activities		
Proceeds from short-term loans payable	1,100,000	-
Repayments of short-term loans payable	(1,400,000)	(1,100,000)
Proceeds from long-term loans payable	19,800,000	4,360,000
Repayments of long-term loans payable	(115,645)	(4,485,567)
Proceeds from issuance of investment units	31,793,543	4,684,727
Payments for investment unit issuance expenses	(68,634)	(35,506)
Dividends paid	(906,265)	(1,596,672)
Net cash provided by (used in) financing activities	50,202,997	1,826,982
Net increase (decrease) in cash and cash equivalents	3,922,455	1,271,080
Cash and cash equivalents at beginning of period	4,320,744	8,243,199
Cash and cash equivalents at end of period	*1 8,243,199	*1 9,514,280

(6) Notes on the Going Concern Assumption
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation and amortization of non-current assets</p>	<p>① Property, plant and equipment The straight-line method is adopted. The useful lives of principal property, plant and equipment are as follows: Buildings 3-57 years Structures 3-60 years Machinery and equipment 6-15 years Tools, furniture and fixtures 2-20 years</p> <p>② Intangible assets The straight-line method is adopted. The useful lives are as follows: Intangible assets 2-5 years</p> <p>③ Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2. Standards for revenue and expense recognition</p>	<p>Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business. Furthermore, the amount equivalent to fixed asset tax, etc. in the fiscal year in which the acquisition date falls that is paid to the seller as reimbursement upon acquisition of real estate, etc. is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc.</p>
<p>3. Scope of funds in the statement of cash flows</p>	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>
<p>4. Other significant matters serving as the basis for preparation of financial statements</p>	<p>Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.</p>

(8) Additional Information

Effective from the current fiscal period, HRR has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

(9) Notes to the Financial Statements

[Notes to the Balance Sheet]

*1 Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

	(Unit: thousands of yen)	
	6th fiscal period (As of Apr. 30, 2016)	7th fiscal period (As of Oct. 31, 2016)
Buildings	28,853,728	-
Structures	635,959	-
Machinery and equipment	63,303	-
Land	28,566,414	-
Total	58,119,405	-

Secured liabilities are as follows:

	(Unit: thousands of yen)	
	6th fiscal period (As of Apr. 30, 2016)	7th fiscal period (As of Oct. 31, 2016)
Short-term loans payable	1,100,000	-
Current portion of long-term loans payable	4,565,213	-
Long-term loans payable	22,720,410	-
Total	28,385,623	-

*2 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	(Unit: thousands of yen)	
	6th fiscal period (As of Apr. 30, 2016)	7th fiscal period (As of Oct. 31, 2016)
	50,000	50,000

[Notes to the Statement of Income]

*1 Breakdown of operating income (expenses) from real estate leasing

	(Unit: thousands of yen)	
	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
A. Operating revenue from real estate leasing		
Revenue related to rent business		
Lease business revenue	3,559,947	3,981,640
Total operating revenue from real estate leasing	3,559,947	3,981,640
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Insurance expenses	13,194	14,266
Repair expenses	96,943	55,088
Land rent	33,824	33,994
Depreciation	735,681	831,174
Taxes and dues	216,260	287,204
Other expenses	207,191	207,019
Total operating expenses from real estate leasing	1,303,096	1,428,747
C. Operating income (expenses) from real estate leasing [A - B]	2,256,851	2,552,892

[Notes to the Statement of Unitholders' Equity]

*1 Total number of investment units authorized and total number of investment units issued and outstanding

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	78,008 units	81,757 units

[Notes to the Statement of Cash Flows]

*1 Reconciliation of cash and cash equivalents at the end of period to the amount of balance sheet items

(Unit: thousands of yen)

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Cash and deposits	8,243,199	9,514,280
Cash and cash equivalents	8,243,199	9,514,280

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	6th fiscal period As of Apr. 30, 2016	7th fiscal period As of Oct. 31, 2016
Not later than 1 year	5,510,230	5,236,181
Later than 1 year	39,041,491	37,935,717
Total	44,551,725	43,171,898

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

HRR shall procure funds through issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. upon acquisition of new assets under management, etc.

Derivative transactions shall be limited to those invested for the purpose of hedging the risk of fluctuations in interest rates on loans, etc. and other risks.

(2) Description of financial instruments and associated risks, and risk management system

The funds procured through loans are mainly used as funds for acquisition of assets under management and repayment of existing loans, etc. Concerning the liquidity risk and interest rate fluctuation risk associated with such fund procurement, HRR manages and limits the concerned risks by diversifying fund procurement sources, and also by considering and implementing diversified fund procurement, including effective use of surplus funds and procurement of funds from the capital market through issuance of investment units, etc.

In addition, loans with floating interest rates are exposed to the risk of the interest rate payable rising, but HRR limits the impact of interest rate rises on its operations by keeping LTV (ratio of interest-bearing liabilities to total assets) at a low level and keeping the ratio of long-term and fixed-rate loans at a high level. Moreover, derivative transactions (interest rate swap transactions, etc.) are made available as hedging instruments in order to mitigate the risk of floating interest rates rising and increasingly convert interest expenses to fixed rates.

Deposits, which are for investing HRR's surplus funds, are exposed to credit risk from failure of the financial institutions that are holding the deposits, etc., but HRR exercises prudence by limiting the deposit period to short term, taking into consideration security and liquidity and fully taking into account the market environment and status of cash flows.

(3) Supplementary explanation to matters concerning fair values, etc. of financial instruments

The fair value of financial instruments, aside from values based on the quoted market price, includes values based on reasonable calculation when no market price is available. Certain assumptions are adopted in the calculation of the concerned values. Accordingly, there may be cases where the concerned values will vary when different assumptions are adopted.

2. Matters concerning fair value, etc. of financial instruments

The book value and fair value as of April 30, 2016, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	8,243,199	8,243,199	-
(2) Short-term loans payable	(1,100,000)	(1,100,000)	-
(3) Current portion of long-term loans payable	(4,565,213)	(4,567,924)	2,711
(4) Long-term loans payable	(22,720,410)	(22,973,913)	253,503

The book value and fair value as of October 31, 2016, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	9,514,280	9,514,280	-
(2) Short-term loans payable	-	-	-
(3) Current portion of long-term loans payable	(950,724)	(952,478)	1,754
(4) Long-term loans payable	(26,209,332)	(26,544,657)	335,325

(Note 1) Items that are liabilities are shown in parentheses ().

(Note 2) Method of calculation of the fair value of financial instruments

(1) Cash and deposits; (2) Short-term loans payable

Because these are settled in a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Current portion of long-term loans payable; (4) Long-term loans payable

Of long-term loans payable, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is thought to resemble the book value and thus stated at that book value. In the case of those with fixed interest rates, the fair value is based on the method of calculation that discounts the sum total amount of principal and interest by the rate reasonably estimated to apply in the event of a similar new drawdown.

(Note 3) Financial instruments for which estimation of fair value is recognized to be difficult

Tenant leasehold and security deposits are not subject to valuation at fair value, because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and the difficulty of calculating the actual deposit period from when lessees move in to when they move out. The book value of tenant leasehold and security deposits is as follows:

(Unit: thousands of yen)

	6th fiscal period (As of Apr. 30, 2016)	6th fiscal period (As of Oct. 31, 2016)
Tenant leasehold and security deposits	2,718,309	2,789,454

(Note 4) Amount of redemption of monetary claims scheduled to be due after the account closing date (April 30, 2016)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	8,243,199

Amount of redemption of monetary claims scheduled to be due after the account closing date (October 31, 2016)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	9,514,280

(Note 5) Amount of repayment of loans scheduled to be due after the account closing date (April 30, 2016)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 3 years to 4 years	Due after 5 years
Short-term loans payable	1,100,000	-	-	-	-	-
Long-term loans payable	4,565,213	4,305,008	2,428,274	5,340,008	2,028,137	8,618,983

Amount of repayment of loans scheduled to be due after the account closing date (October 31, 2016)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 3 years to 4 years	Due after 5 years
Short-term loans payable	-	-	-	-	-	-
Long-term loans payable	950,724	5,906,490	3,885,724	3,693,872	5,291,417	7,431,829

[Notes on Securities]

6th fiscal period (as of Apr. 30, 2016)

Not applicable.

7th fiscal period (as of October 31, 2016)

Not applicable.

[Notes on Derivative Transactions]

6th fiscal period (as of Apr. 30, 2016)

Not applicable.

7th fiscal period (as of October 31, 2016)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

6th fiscal period (from November 1, 2015 to April 30, 2016)

Not applicable.

7th fiscal period (from May 1, 2016 to October 31, 2016)

Not applicable.

2. Affiliated company, etc.

6th fiscal period (from November 1, 2015 to April 30, 2016)

Not applicable.

7th fiscal period (from May 1, 2016 to October 31, 2016)

Not applicable.

3. Fellow subsidiary, etc.

6th fiscal period (from November 1, 2015 to April 30, 2016)

Not applicable.

7th fiscal period (from May 1, 2016 to October 31, 2016)

Not applicable.

4. Director, major individual unitholder, etc.

6th fiscal period (from November 1, 2015 to April 30, 2016)

Not applicable.

7th fiscal period (from May 1, 2016 to October 31, 2016)

Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousands of yen)

	6th fiscal period As of Apr. 30, 2016	7th fiscal period As of Oct. 31, 2016
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	13	14
Total deferred tax assets	13	14
Net deferred tax assets	13	14

2. Breakdown of major items that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	6th fiscal period As of Apr. 30, 2016	7th fiscal period As of Oct. 31, 2016
Statutory tax rate	32.31	31.74
[Adjustments]		
Distributions deductible for tax purpose	(32.29)	(31.72)
Other	0.04	0.03
Effective income tax rate after application of tax-effect accounting	0.06	0.05

[Notes on Investment and Rental Properties]

HRR owns investment and rental properties that are of hotel/ryokan use in Nagano Prefecture and other areas. The book value of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Book value (Note 2)		
Balance at beginning of period	43,274,331	91,214,502
Amount of increase (decrease) during period	(Note 3) 47,940,170	(Note 4) 3,585,011
Balance at end of period	91,214,502	94,799,513
Fair value at end of period (Note 5)	104,483,000	109,299,000

(Note 1) For an overview of the concerned investment and rental properties, please see "5. Reference Information; (2) Investment Assets; ② Investment Real Estate Properties" on page 37 later in this document.

(Note 2) "Carrying amount" is the amount of the cost of acquisition, less accumulated depreciation.

(Note 3) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of ANA Crowne Plaza Hiroshima and other properties totaling seven properties (48,210,932 thousand yen), while the amount of decrease is mainly attributable to depreciation (684,396 thousand yen in total).

(Note 4) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of KAI Kaga (3,209,143 thousand yen), while the amount of decrease is mainly attributable to depreciation (771,194 thousand yen in total).

(Note 5) "Fair value at end of period" is the appraisal value or investigation value by an outside real estate appraiser.

The income (loss) concerning investment and rental properties is as stated in "Notes to the Statement of Income" earlier in this document.

[Notes on Segment Information]

1. Segment information

Segment information is omitted because HRR operates a single segment, which is the real estate leasing business.

2. Related information

6th fiscal period (from November 1, 2015 to April 30, 2016)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	484,562	Real estate leasing business
K.K. Horizon Hotels	1,680,396	Real estate leasing business
SHR Roadside Inn Co., Ltd.	683,964	Real estate leasing business

(Note) Hoshino Resort Yatsugatake K.K. (hereinafter referred to as "former Hoshino Resort Yatsugatake K.K." in this note) underwent an incorporation-type split in which the company incorporated in the incorporation-type split Hoshino Resort Yatsugatake K.K. succeeds to the rights and obligations of the employees of former Hoshino Resort Yatsugatake K.K. on December 1, 2015. In addition, former Hoshino Resort Yatsugatake K.K., which holds the rights and obligations as lessee of RISONARE Yatsugatake, changed its trade name to Hoshino Resort Yatsugatake Holdings K.K. on December 1, 2015, and underwent an absorption-type merger with K.K. Horizon Hotels of the Hoshino Resorts Group in which K.K. Horizon Hotels is the company surviving the absorption-type merger and Hoshino Resort Yatsugatake Holdings K.K. is the company disappearing in the absorption-type merger on said date.

7th fiscal period (from May 1, 2016 to October 31, 2016)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	498,509	Real estate leasing business
K.K. Horizon Hotels	1,838,547	Real estate leasing business
SHR Roadside Inn Co., Ltd.	697,742	Real estate leasing business

[Notes on Per Unit Information]

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Net assets per unit	445,516 yen	455,052 yen
Net income per unit	10,303 yen	11,110 yen

(Note 1) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units. In addition, diluted net income per unit is not stated because there are no diluted investment units.

(Note 2) A 2-for-1 split of investment units has been implemented by setting October 31, 2016 as the record date and November 1, 2016 as the effective date. Net assets per unit and net income per unit have been calculated assuming the split was implemented at the beginning of the previous fiscal period.

(Note 3) The following is the basis for calculation of net income per unit.

	6th fiscal period From: Nov. 1, 2015 To: Apr. 30, 2016	7th fiscal period From: May 1, 2016 To: Oct. 31, 2016
Net income (thousands of yen)	1,600,731	1,815,763
Amount not attributable to common unitholders (thousands of yen)	-	-
Net income attributable to common investment units (thousands of yen)	1,600,731	1,815,763
Average number of investment units during period (units)	155,363	163,430

[Notes on Significant Subsequent Events]

(a) Acquisition of Asset

HRR acquired the following real estate (acquisition price: 16,000 million yen) on November 1, 2016. Acquisition price is the sale and purchase price of the real estate stated on the sale and purchase contract (excluding acquisition expenses, fixed asset tax, city planning tax, consumption tax, etc.).

Name of property	Location	Seller (Note)	Acquisition price (millions of yen) (Note)	Acquisition date
Hyatt Regency Osaka	Osaka-shi, Osaka	GCREF Japan I TMK	16,000	November 1, 2016

(Note) The acquisition price includes purchase price (79 million yen) of facilities/equipment acquired from GCP Hospitality Japan K.K., which is the lessee of the property. GCP Hospitality Japan K.K. changed its business name to HRO Inc. on November 1, 2016.

(b) Borrowing of Funds

HRR borrowed the following funds on November 1, 2016 to be allocated to part of the funds for and expenses related to the acquisition of the property stated in "(a)Acquisition of Asset" above.

Floating/ Fixed	Lender	Loan amount (Note 1)	Interest rate	Drawdown date	Payment due date (Note 2)	Repayment method
Floating	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	1.5 billion yen	Base rate (JBA 1-month Japanese Yen TIBOR) (Note 1) +0.400%	November 1, 2016	October 31, 2017	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd.	2.5 billion yen	Base rate (JBA 1-month Japanese Yen TIBOR) +0.2375% (Note 2)	November 1, 2016	April 30, 2019	Lump-sum payment at maturity

	The Senshu Ikeda Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd.	2.5 billion yen	Base rate (JBA 1-month Japanese Yen TIBOR)+0.300% (Note 3)	November 1, 2016	October 30, 2020	Lump-sum payment at maturity
Fixed	Resona Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Fukuoka, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd.	2.0 billion yen	0.54888%	November 1, 2016	April 30, 2021	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.76832%	November 1, 2016	October 31, 2022	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.85244%	November 1, 2016	April 28, 2023	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.93702%	November 1, 2016	October 31, 2023	Lump-sum payment at maturity

(Note 1) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the Japanese Yen TIBOR (Tokyo InterBank Offered Rate) published by JBA TIBOR Administration as of two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date in the case of the first interest calculation period), the interest rate for the number of months corresponding to the interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract. For the JBA Japanese Yen TIBOR, please check the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/>).

(Note 2) An interest rate swap agreement has been concluded in order to fix interest rate payable and hedge risk of interest rate rise, and thus the interest rate is substantively fixed at 0.2785%.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rate payable and hedge risk of interest rate rise, and thus the interest rate is substantively fixed at 0.356%.

(Note 4) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

(c) Split of investment units

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.

(a) Purpose of split

The Split will be conducted to establish an environment where investors can invest with ease as well as to further widen the spectrum of investors and increase the liquidity of the investment units by reducing the per unit price of investment units in light of the spreading of the Nippon Individual Savings Account (NISA) and such.

(b) Method of split

With October 31, 2016 as the record date, HRR will implement a 2-for-1 split of its investment units held by Unitholders stated or recorded on that date's final unitholder registry.

(c) Increase in Investment Units through Split, etc.

Number of HRR investment units issued and outstanding before the Split:	81,757 units
Increase in number of investment units through the Split:	81,757 units
Total number of HRR investment units issued and outstanding after the Split:	163,514 units

For figures of per unit information when assumed that the split of investment units was implemented at the beginning of the previous fiscal period, please refer to the abovementioned "Note on per Unit Information."

[Omission of Disclosure]

Disclosure of notes on retirement benefits, share of profit (loss) of entities accounted for using the equity method, etc. and asset retirement obligations is omitted because there is thought to be no large necessity for disclosure in the financial report.

(10) Changes in Total Number of Investment Units Issued and Outstanding

HRR conducted a capital increase through public offering (3,570 units) and a capital increase through third-party allotment (179 units) in May 2016, procuring funds totaling 4,684,727 thousand yen. The following are the changes in unitholders' capital and total number of investment units issued and outstanding since the establishment of HRR through October 31, 2016.

Date	Description	Unitholders' capital (thousands of yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
March 6, 2013	Establishment through private placement	150,000	150,000	300	300	(Note 1)
July 11, 2013	Capital increase through public offering	9,302,400	9,452,400	19,000	19,300	(Note 2)
August 12, 2013	Capital increase through third-party allotment	465,120	9,917,520	950	20,250	(Note 3)
May 1, 2014	Capital increase through public offering	16,547,762	26,465,282	22,000	42,250	(Note 4)
May 27, 2014	Capital increase through third-party allotment	540,810	27,006,092	719	42,969	(Note 5)
May 1, 2015	Capital increase through public offering	8,673,580	35,679,673	6,400	49,369	(Note 6)
May 26, 2015	Capital increase through third-party allotment	433,679	36,113,352	320	49,689	(Note 7)
November 2, 2015	Capital increase through public offering	30,279,030	66,392,382	26,970	76,659	(Note 8)
November 25, 2015	Capital increase through third-party allotment	1,514,512	67,906,895	1,349	78,008	(Note 9)
May 2, 2016	Capital increase through public offering	4,461,050	72,367,946	3,570	81,578	(Note 10)
May 24, 2016	Capital increase through third-party allotment	223,677	72,591,623	179	81,757	(Note 11)

(Note 1) Upon establishment of HRR, new investment units were issued at an offer price of 500,000 yen per unit.

(Note 2) For allotment to the acquisition of specified assets and repayment of borrowed money, new investment units were issued through public offering at an offer price of 510,000 yen (paid-in amount of 489,600 yen) per unit.

(Note 3) For allotment to the acquisition of specified assets and repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 489,600 yen per unit.

(Note 4) For partial allotment to the acquisition fee of specified assets, new investment units were issued through public offering at an offer price of 780,178 yen (paid-in amount of 752,171 yen) per unit.

(Note 5) For allotment to the repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 752,171 yen per unit.

(Note 6) For partial allotment to the acquisition fee of specified assets, new investment units were issued through public offering at an offer price of 1,404,215 yen (paid-in amount of 1,355,247 yen) per unit.

(Note 7) For partial allotment to the acquisition fee of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,355,247 yen per unit.

(Note 8) For partial allotment to the acquisition fee of specified assets, new investment units were issued through public offering at an offer price of 1,162,024 yen (paid-in amount of 1,122,693 yen) per unit.

(Note 9) For partial allotment to the acquisition fee of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,122,693 yen per unit.

(Note 10) For partial allotment to the acquisition fee of specified assets, new investment units were issued through public offering at an offer price of 1,294,745 yen (paid-in amount of 1,249,594 yen) per unit.

(Note 11) For partial allotment to the acquisition fee of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,249,594 yen per unit.

(Note 12) A 2-for-1 split of investment units has been implemented by setting October 31, 2016 as the record date and November 1, 2016 as the effective date. The total number of investment units issued and outstanding after the split is 163,514 units.

4. Changes in Directors

(1) Changes in Directors of HRR

Timely disclosure of changes in directors is made at the point in time that the details are finalized. The following is the status of directors of HRR as of the date of this document.

(As of the date of this document)

Title	Name	Career summary		Number of investment units held (units)
Executive Director	Kenji Akimoto	April 1987	K.K. World Tokyo Head Office Accounting Division	0
		April 1991	Tokyo Head Office Finance Division	
		November 1992	K.K. NHV Hotels International Head of Finance Section, Accounting Division	
		May 1996	The Windsor Hotels International Co., Ltd. Audit & Supervisory Board Member	
		April 1997	The Windsor Hotels International Co., Ltd. Toya General Manager of Accounting Division	
		May 1998	Ichibanya Co., Ltd. Accounting Division	
		December 1998	Hoshino Resorts Inc. Director of Finance & Accounting Unit	
		June 2009	Head of Corporate Planning Office	
		September 2010	Head of Financial Strategy Office	
		December 2012	Hoshino Resort Asset Management Co., Ltd. President & CEO (current position)	
		March 2013	Hoshino Resorts REIT, Inc. Executive Director (current position)	
Supervisory Director	Hiroshi Shinagawa	October 2002	Registered as attorney	0
		October 2002	Hamada & Matsumoto	
		September 2008	Intern at Alston & Bird LLP	
		September 2009	Seconded to Morgan Stanley Japan Securities Co., Ltd. Investment Banking Department	
		October 2010	Mori Hamada & Matsumoto	
		January 2012	Kinkadori Law Office (current position)	
		March 2013	Hoshino Resorts REIT, Inc. Supervisory Director (current position)	
		June 2015	Mirai Works Inc. Audit & Supervisory Board Member (current position)	
		March 2016	Advanced Cell Technology and Engineering Ltd. Audit & Supervisory Board Member (current position)	
Supervisory Director	Yukiko Fujikawa	October 1988	Chuo Shinko Audit Corporation	0
		March 1992	Registered as Certified Public Accountant	
		June 1998	Financial Supervisory Agency Financial Securities Inspector, Inspection Department	
		July 2000	Opened Yukiko Fujikawa CPA Office (current position)	
		December 2004	Registered as Certified Public Tax Accountant	
		December 2004	Opened Yukiko Fujikawa Certified Public Tax Accountant Office	
		July 2008	New City Residence Investment Corporation Supervisory Director	
		January 2012	Established Kaikei Jissen Kenkyujyo (tax accountancy corporation) Representative Member (current position)	
		March 2013	Hoshino Resorts REIT, Inc. Supervisory Director (current position)	
		April 2014	Japan Organization of Occupational Health and Safety (independent administrative agency) Auditor (current position)	
		June 2014	Toyo Securities Co., Ltd. Outside Director (current position)	
		October 2015	Japan Arts Council (independent administrative agency) Auditor (current position)	
		March 2016	Kaetsu Gakuen (incorporated educational institution) Auditor (current position)	

(Note 1) The career summary entries are unified to stating the name, etc. at the time in office.

(Note 2) At the Second General Meeting of Unitholders, resolution was passed to appoint Tetsuro Takashi as substitute executive director to prepare for cases where there is a vacancy in the position of executive director or cases where there is a shortfall in the number of executive directors provided by laws and regulations. As of the date of this document, Tetsuro Takashi is Director, and CFO, General Manager of Corporate Planning Department of the Asset Management Company.

(2) Changes in Directors of the Asset Management Company

Timely disclosure of changes in directors is made at the point in time that the details are finalized. The following is the status of directors of the asset management company as of the date of this document.

(As of the date of this document)

Title	Name	Career summary		Number of shares held (shares)
President & CEO	Kenji Akimoto (Note 1)	Please refer to “(1) Changes in Directors of HRR” earlier in this document.		0
Director, and General Manager of Investment Management Department	Takayuki Kanaya	April 2004	Mitsui Real Estate Sales Co., Ltd. Residential Marketing Department	0
		January 2005	ZECS Co., Ltd. Real Estate Business Development Division	
		July 2008	K.K. daVinci Advisors Acquisition Team	
		November 2008	K.K. daVinci Support Investment Management Division	
		November 2009	K.K. daVinci Advisors Asset Management Team	
		January 2011	Acquisition Team	
		March 2012	Hoshino Resorts Inc. Planning & Development Division	
		December 2012	Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Investment Management Department (current position)	
Director & CFO, General Manager of Corporate Planning Department	Tetsuro Takashi	April 1997	Dai-ichi Hoki Shuppan K.K.	0
		November 2004	Hoshino Resorts Inc. Finance & Accounting Unit	
		December 2005	Director of Purchasing Unit	
		June 2009	Internal Governance Development Project Team	
		September 2009	Internal Governance Development Project Team, and Director of Group General Affairs Unit	
		February 2010	Hoshino Resorts Inc. Audit & Supervisory Board Member	
		May 2010	K.K. Commenda Audit & Supervisory Board Member	
		December 2012	Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Finance & Administration Department	
		December 2016	Hoshino Resort Asset Management Co., Ltd. Director & CFO, General Manager of Corporate Planning Department (current position)	

Title	Name	Career summary		Number of shares held (shares)
Director, and Compliance Officer	Eiichi Takeda	April 1986	Nichimen Corporation Osaka Finance Division	0
		July 1991	Yamaichi Securities Co., Ltd. Head of Administrative Guidance Division, Finance Department	
		February 1992	Seconded to Yamaichi Information Systems Co., Ltd. Head of Corporate Planning Division	
		October 1995	Seconded to Yamaichi Securities Investment Trust Management Co., Ltd. Deputy Manager of Accounting Division	
		March 1998	AIU Insurance Company Seconded to AIG, Inc. Assistant Treasurer of Treasury Division	
		January 2001	Nikko Asset Management Co., Ltd. Manager of Overseas Operations Planning Office	
		February 2002	Senior Manager of Corporate Planning Division	
		July 2005	Pacific Management Corporation General Manager of Internal Audit Office	
		February 2006	Seconded to Pacific Commercial Investment Corporation Compliance Officer	
		June 2007	Released from secondment Pacific Management Corporation General Manager of Internal Audit Office	
		July 2009	Sawakami Asset Management Inc. Head of Compliance Office	
		August 2013	Hoshino Resorts Inc. Seconded to Hoshino Resort Asset Management Co., Ltd. Compliance Department Compliance Officer	
		February 2015	Director, and Compliance Officer (current position)	
Auditor (part-time)	Yosuke Inoue	December 2007	KPMG AZSA LLC	0
		September 2011	Registered as Certified Public Accountant	
		August 2012	Opened Yosuke Inoue Certified Public Accountant Office (current position)	
		August 2012	Azpec Co., Ltd. Chief Executive Officer (current position)	
		October 2016	Hoshino Resort Asset Management Co., Ltd. Auditor (current position)	

(Note 1) Kenji Akimoto serves concurrently as Executive Director of HRR. In accordance with Article 31-4, Paragraph 1 of the Financial Instruments and Exchange Act, the Commissioner of the Financial Services Agency was notified of the concurrent holding of positions on March 29, 2013.

(Note 2) The career summary entries are unified to stating the name, etc. at the time in office.

5. Reference Information

(1) Investment Status

The following is HRR's investment status as of October 31, 2016 (end of the 7th fiscal period).

Asset type	Asset use	Prefectural location	Name of property	7th fiscal period (as of Oct. 31, 2016)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	7,640	7.2
	Ryokan	Kyoto	HOSHINOYA Kyoto	2,943	2.8
	Hotel	Yamanashi	RISONARE Yatsugatake	4,566	4.3
	Hotel	Shizuoka	RISONARE Atami	4,219	4.0
	Ryokan	Nagano	KAI Matsumoto	617	0.6
	Ryokan	Shimane	KAI Izumo	706	0.7
	Ryokan	Shizuoka	KAI Ito	704	0.7
	Ryokan	Kanagawa	KAI Hakone	952	0.9
	Ryokan	Oita	KAI Aso	628	0.6
	Ryokan	Tochigi	KAI Kawaji	1,000	0.9
	Ryokan	Tochigi	KAI Kinugawa	3,092	2.9
	Ryokan	Ishikawa	KAI Kaga	3,182	3.0
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	688	0.7
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	757	0.7
	Hotel	Nagano	Chisun Inn Suwa IC	675	0.6
	Hotel	Aichi	Chisun Inn Toyokawa IC	612	0.6
	Hotel	Saga	Chisun Inn Tosu	498	0.5
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	791	0.7
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	616	0.6
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	712	0.7
	Hotel	Fukui	Chisun Inn Fukui	641	0.6
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	668	0.6
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	627	0.6
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	623	0.6
	Hotel	Ibaraki	Chisun Inn Hitachinaka	727	0.7
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	756	0.7
Hotel	Yamanashi	Chisun Inn Kofu Isawa	651	0.6	
Hotel	Kagawa	Chisun Inn Marugame Zentsuji	584	0.6	

Asset type	Asset use	Prefectural location	Name of property	7th fiscal period (as of Oct. 31, 2016)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
	Hotel	Fukuoka	Chisun Inn Munakata	500	0.5
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	697	0.7
	Hotel	Nagano	Chisun Inn Karuizawa	802	0.8
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	616	0.6
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	720	0.7
	Hotel	Aichi	Candeo Hotels Handa	621	0.6
	Hotel	Nagano	Candeo Hotels Chino	795	0.8
	Hotel	Hiroshima	Candeo Hotels Fukuyama	1,072	1.0
	Hotel	Tochigi	Candeo Hotels Sano	1,256	1.2
	Hotel	Mie	Candeo Hotels Kameyama	481	0.5
	Hotel	Hokkaido	Comfort Hotel Hakodate	955	0.9
	Hotel	Hokkaido	Comfort Hotel Tomakomai	980	0.9
	Hotel	Hiroshima	Comfort Hotel Kure	1,132	1.1
	Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	2,036	1.9
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,855	16.9
	Hotel	Fukuoka	ANA Crowne Plaza Fukuoka	7,674	7.3
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,712	6.4
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,987	3.8
	Hotel	Hokkaido	Asahikawa Grand Hotel	4,811	4.6
Real estate subtotal				94,598	89.5
Deposits and other assets				11,111	10.5
Total assets (Note 3)				105,709	100.0
Total liabilities (Note 3)				31,302	29.6
Total net assets (Note 3)				74,407	70.4

(Note 1) "Total amount held" is the book value (in the case of real estate, the depreciated book value).

The book value of real estate is including machinery and equipment, structures, and leasehold right, but excluding tools, furniture and fixtures, software, and construction in progress.

(Note 2) "As a percentage of total assets" is rounded to one decimal place.

(Note 3) "Total assets," "Total liabilities" and "Total net assets" amounts are the book value.

(2) Investment Assets

① Major Issues of Investment Securities

Not applicable.

② Investment Real Estate Properties

The following is a summary of real estate, etc. held by HRR as of October 31, 2016 (end of the 7th fiscal period).

(a) Acquisition Price, Carrying Amount, Opinion of Value at End of Period, Share of Investment, Etc.

Brand	Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)	Collateral (Note 6)
HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	7,640	11,100	8.2	NV	No
	H-2	HOSHINOYA Kyoto	2,785	2,943	3,760	3.0	NV	No
	Subtotal		10,385	10,583	14,860	11.1	—	—
RISONARE	R-1	RISONARE Yatsugatake	4,500	4,566	6,000	4.8	NV	No
	R-2	RISONARE Atami	3,750	4,219	4,080	4.0	NV	No
	Subtotal		8,250	8,785	10,080	8.9	—	—
KAI	K-1	KAI Matsumoto	600	617	783	0.6	MSK	No
	K-2	KAI Izumo	680	706	847	0.7	MSK	No
	K-3	KAI Ito	670	704	923	0.7	MSK	No
	K-4	KAI Hakone	950	952	1,240	1.0	MSK	No
	K-5	KAI Aso	575	628	676	0.6	MSK	No
	K-6	KAI Kawaji	1,000	1,000	1,140	1.1	MSK	No
	K-7	KAI Kinugawa	3,080	3,092	3,280	3.3	MSK	No
	K-8	KAI Kaga	3,160	3,182	3,330	3.4	MSK	No
Subtotal		10,715	10,883	12,219	11.5	—	—	
Other	O-1	Chisun Inn Shiojiri Kita IC	672	688	809	0.7	NV	No
	O-2	Chisun Inn Sano Fujioka IC	742	757	895	0.8	MSK	No
	O-3	Chisun Inn Suwa IC	658	675	802	0.7	NV	No
	O-4	Chisun Inn Toyokawa IC	602	612	726	0.6	NV	No
	O-5	Chisun Inn Tosu	504	498	630	0.5	NV	No
	O-6	Chisun Inn Chiba Hamano R16	798	791	1,020	0.9	MSK	No
	O-7	Chisun Inn Kumamoto Miyukifueda	616	616	736	0.7	NV	No
	O-8	Chisun Inn Utsunomiya Kanuma	714	712	833	0.8	MSK	No
	O-9	Chisun Inn Fukui	644	641	767	0.7	NV	No
	O-10	Chisun Inn Fukushima Nishi IC	672	668	773	0.7	MSK	No
	O-11	Chisun Inn Niigata Chuo IC	630	627	747	0.7	NV	No
	O-12	Chisun Inn Nagasaki Airport	630	623	752	0.7	NV	No
	O-13	Chisun Inn Hitachinaka	742	727	903	0.8	MSK	No
	O-14	Chisun Inn Tsuchiura Ami	770	756	921	0.8	MSK	No
	O-15	Chisun Inn Kofu Isawa	658	651	786	0.7	NV	No
	O-16	Chisun Inn Marugame Zentsuji	588	584	692	0.6	NV	No
	O-17	Chisun Inn Munakata	504	500	618	0.5	NV	No
	O-18	Chisun Inn Iwate Ichinoseki IC	700	697	773	0.8	MSK	No

Brand	Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)	Collateral (Note 6)
Other	O-19	Chisun Inn Karuizawa	812	802	1,050	0.9	NV	No
	O-20	Chisun Inn Himeji Yumesakibashi	616	616	731	0.7	NV	No
	O-21	Chisun Inn Kurashiki Mizushima	728	720	857	0.8	NV	No
	O-22	Candeo Hotels Handa	620	621	693	0.7	RC	No
	O-23	Candeo Hotels Chino	793	795	914	0.9	RC	No
	O-24	Candeo Hotels Fukuyama	1,075	1,072	1,240	1.2	RC	No
	O-25	Candeo Hotels Sano	1,260	1,256	1,460	1.4	RC	No
	O-26	Candeo Hotels Kameyama	470	481	532	0.5	RC	No
	O-27	Comfort Hotel Hakodate	937	955	1,040	1.0	NV	No
	O-28	Comfort Hotel Tomakomai	963	980	1,070	1.0	NV	No
	O-29	Comfort Hotel Kure	1,100	1,132	1,230	1.2	NV	No
	O-30	Chisun Inn Kagoshima Taniyama	1,995	2,036	2,230	2.1	RC	No
	O-31	ANA Crowne Plaza Hiroshima	17,784	17,855	19,900	19.1	RC	No
	O-32	ANA Crowne Plaza Fukuoka	7,599	7,674	8,630	8.2	RC	No
	O-33	ANA Crowne Plaza Kanazawa	6,609	6,712	7,170	7.1	RC	No
	O-34	ANA Crowne Plaza Toyama	4,008	3,987	4,440	4.3	RC	No
	O-35	Asahikawa Grand Hotel	4,619	4,811	4,770	5.0	RC	No
			Subtotal	63,832	64,346	72,140	68.5	—
		Total	93,182	94,598	109,299	100.0	—	—

(Note 1) "Property no." is that assigned by classifying according to the brands of assets invested by HRR (four brand groups: "HOSHINOYA," "RISONARE," "KAI" and "Other") and numbering brand group by brand group. The same shall apply hereinafter.

(Note 2) "Book value" is including machinery and equipment, structures, and leasehold right, but excluding tools, furniture and fixtures, software, and construction in progress.

(Note 3) Appraisal of the property is entrusted to Japan Valuers Co., Ltd., Morii Appraisal & Investment Consulting Inc. or Rich Appraisal Institute Co., Ltd. "Estimated value at end of the period" is the appraisal value stated in the real estate appraisal report with October 31, 2016 as the date of value.

(Note 4) "Share of investment" is acquisition price of the property expressed as a percentage of the sum total of acquisition price, rounded to one decimal place.

(Note 5) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:

NV: Nihon Valuers K.K. (Japan Valuers Co., Ltd.)

MSK: Morii Sougou Kantei K.K. (Morii Appraisal & Investment Consulting Inc.)

RC: K.K. Richi Hyouka Kenkyujyo (Rich Appraisal Institute Co., Ltd.)

(Note 6) All collateral is released with August 31, 2016 as the effective date.

(b) Location, Area, Size, Etc.

Brand	Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual fixed rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	78,888.26 (Note 4)	12,022.74	February 2002 (Tombo-no-yu; Sonmin Shokudo) / April 2005 (HOSHINOYA) / June 2009 (Harunire Terrace) July 2016 (Skate Café)	600	11,723.61	11,723.61	1(14)	77
	H-2	HOSHINOYA Kyoto	Kyoto-shi, Kyoto (Kinki region)	9,681.98	2,626.15	Unknown / (renovated in October 2009) (Note 5)	187	2,626.15	2,626.15	1(0)	25
	Subtotal				88,570.24	14,648.89	—	787	14,349.76	14,349.76	2(14)
RISONARE	R-1	RISONARE Yatsugatake	Hokuto-shi, Yamanashi (Chubu region)	75,831.81 (Note 6)	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(16)	172
	R-2	RISONARE Atami	Atami-shi, Shizuoka (Chubu region)	65,161.44	23,385.18	October 1992	313	23,385.18	23,385.18	1(0)	76
	Subtotal				140,993.25	57,238.63	—	838	57,238.63	57,238.63	2(16)
KAI	K-1	KAI Matsumoto	Matsumoto-shi, Nagano (Chubu region)	3,340.67	4,056.12	November 1999	75	4,056.12	4,056.12	1(0)	26
	K-2	KAI Izumo	Matsue-shi, Shimane (Chugoku-Shikoku region)	11,321.56 (Note 7)	3,909.02	Unknown (old wing) (Note 5) / July 1997 (new wing)	75	3,909.02	3,909.02	1(0)	24
	K-3	KAI Ito	Ito-shi, Shizuoka (Chubu region)	4,899.97	7,473.91	Unknown (Note 5) / November 1995 (extension)	80	7,473.91	7,473.91	1(0)	34
	K-4	KAI Hakone	Hakone-machi, Ashigarashimo-gun, Kanagawa (Kanto region)	9,723.04	4,649.67	July 1987	95	4,649.67	4,649.67	1(0)	31
	K-5	KAI Aso	Kokonoe-machi, Kusu-gun, Oita (Kyushu-Okinawa region)	26,673.00	1,543.53	April 2006	42	1,543.53	1,543.53	1(0)	12
	K-6	KAI Kawaji	Nikko-shi, Tochigi (Kanto region)	8,671.47 (Note 8)	8,190.38	September 1994	99	8,190.38	8,190.38	1(0)	54
	K-7	KAI Kinugawa	Nikko-shi, Tochigi (Kanto region)	35,187.55	4,066.60	August 2015	204	4,066.60	4,066.60	1(0)	48
	K-8	KAI Kaga	Kaga-shi, Ishikawa (Hokuriku region)	1,796.81	5,159.46	September 2015 (Lodging building, restaurants, Public large bath)/March 1967 Partly unknown (Lodging building) (Note 9)	206	5,159.46	5,159.46	1(0)	48
Subtotal				101,614.07	39,048.69	—	876	39,048.69	39,048.69	8(0)	277

Brand	Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual fixed rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Other	O-1	Chisun Inn Shiojiri Kita IC	Shiojiri-shi, Nagano (Chubu region)	4,292.64	2,100.47	March 2007 (Chisun Inn Shiojiri Kita IC) / January 2008 (restaurant)	48	2,100.47	2,100.47	1(1)	92
	O-2	Chisun Inn Sano Fujioka IC	Sano-shi, Tochigi (Kanto region)	2,894.40	1,968.91	October 2006	52	1,968.91	1,968.91	1(0)	92
	O-3	Chisun Inn Suwa IC	Suwa-shi, Nagano (Chubu region)	2,858.11	1,944.94	October 2006	46	1,944.94	1,944.94	1(0)	92
	O-4	Chisun Inn Toyokawa IC	Toyokawa-shi, Aichi (Chubu region)	2,607.19	2,040.09	July 2007	42	2,040.09	2,040.09	1(0)	94
	O-5	Chisun Inn Tosu	Tosu-shi, Saga (Kyushu-Okinawa region)	2,374.09	1,968.02	July 2007	36	1,968.02	1,968.02	1(0)	92
	O-6	Chisun Inn Chiba Hamano R16	Chiba-shi, Chiba (Kanto region)	2,470.00	2,023.29	July 2007	57	2,023.29	2,023.29	1(0)	94
	O-7	Chisun Inn Kumamoto Miyukifueda	Kumamoto-shi, Kumamoto (Kyushu-Okinawa region)	2,877.99	2,094.77	October 2007	43	2,094.77	2,094.77	1(0)	98
	O-8	Chisun Inn Utsunomiya Kanuma	Utsunomiya-shi, Tochigi (Kanto region)	2,658.08	2,094.16	December 2007	51	2,094.16	2,094.16	1(0)	98
	O-9	Chisun Inn Fukui	Fukui-shi, Fukui (Hokuriku region)	2,680.57	2,094.01	December 2007	45	2,094.01	2,094.01	1(0)	98
	O-10	Chisun Inn Fukushima Nishi IC	Fukushima-shi, Fukushima (Hokkaido-Tohoku region)	4,728.00	2,094.01	February 2008	48	2,094.01	2,094.01	1(0)	98
	O-11	Chisun Inn Niigata Chuo IC	Niigata-shi, Niigata (Chubu region)	3,177.86	2,094.16	April 2008	45	2,094.16	2,094.16	1(0)	98
	O-12	Chisun Inn Nagasaki Airport	Omura-shi, Nagasaki (Kyushu-Okinawa region)	2,781.68	1,968.02	May 2008	45	1,968.02	1,968.02	1(0)	92
	O-13	Chisun Inn Hitachinaka	Hitachinaka-shi, Ibaraki (Kanto region)	2,284.84	1,968.30	December 2008	52	1,968.30	1,968.30	1(0)	92
	O-14	Chisun Inn Tsuchiura Ami	Ami-machi, Inashiki-gun, Ibaraki (Kanto region)	2,963.49	1,968.03	September 2008	54	1,968.03	1,968.03	1(0)	92

Brand	Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual fixed rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Other	O-15	Chisun Inn Kofu Isawa	Fuefuki-shi, Yamanashi (Chubu region)	3,357.07	1,968.47	October 2009	46	1,968.47	1,968.47	1(0)	92
	O-16	Chisun Inn Marugame Zentsuji	Marugame-shi, Kagawa (Chugoku-Shikoku region)	2,447.29	2,094.16	October 2009	42	2,094.16	2,094.16	1(0)	98
	O-17	Chisun Inn Munakata	Munakata-shi, Fukuoka (Kyushu-Okinawa region)	3,015.37	2,094.16	December 2008	36	2,094.16	2,094.16	1(0)	98
	O-18	Chisun Inn Iwate Ichinoseki IC (Note 10)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 11)	1,968.02 (Note 11)	1(1)	92
	O-19	Chisun Inn Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	4,226.44	1,917.10	July 2009	57	1,917.10	1,917.10	1(0)	90
	O-20	Chisun Inn Himeji Yumesakibashi	Himeji-shi, Hyogo (Kinki region)	2,413.68	2,406.95	February 2009	43	2,406.95	2,406.95	1(0)	98
	O-21	Chisun Inn Kurashiki Mizushima	Kurashiki-shi, Okayama (Chugoku-Shikoku region)	2,876.06	2,094.16	October 2009	51	2,094.16	2,094.16	1(0)	98
	O-22	Candeo Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72 (Note 12)	2,814.05	February 2008	52	2,814.05	2,814.05	1(0)	126
	O-23	Candeo Hotels Chino	Chino-shi, Nagano (Chubu region)	2,399.15 (Note 13)	2,868.18	January 2008	65	2,868.18	2,868.18	1(0)	119
	O-24	Candeo Hotels Fukuyama	Fukuyama-shi, Hiroshima (Chugoku-Shikoku region)	1,079.92	3,985.73	March 2008	78	3,985.73	3,985.73	1(0)	164
	O-25	Candeo Hotels Sano	Sano-shi, Tochigi (Kanto region)	3,222.09 (Note 14)	2,828.71	March 2008	91	2,828.71	2,828.71	1(0)	124
	O-26	Candeo Hotels Kameyama	Kameyama-shi, Mie (Chubu region)	6,599.00	3,912.03	April 2008	41	3,912.03	3,912.03	1(0)	170
	O-27	Comfort Hotel Hakodate	Hakodate-shi, Hokkaido (Hokkaido-Tohoku region)	491.80	2,927.44	September 2007	65	2,927.44	2,927.44	1(0)	139
	O-28	Comfort Hotel Tomakomai	Tomakomai-shi, Hokkaido (Hokkaido-Tohoku region)	1,344.24	2,721.08	September 2007	66	2,721.08	2,721.08	1(0)	123
O-29	Comfort Hotel Kure	Kure-shi, Hiroshima (Chugoku-Shikoku region)	793.11	3,121.02	March 2009	75	3,121.02	3,121.02	1(0)	149	

Brand	Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual fixed rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Other	O-30	Chisun Inn Kagoshima Taniyama	Kagoshima-shi, Kagoshima (Kyushu-Okinawa region)	3,521.52	8,066.36	May 2009	117	8,066.36	8,066.36	1(1)	217
	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 15)	42,727.85 (Note 16)	August 1983	606	32,332.00	32,332.00	1(7)	409
	O-32	ANA Crowne Plaza Fukuoka	Fukuoka-shi, Fukuoka (Kyushu-Okinawa region)	3,411.67	27,372.74	November 1976 (hotel building) / February 1999 (chapel)	288	27,372.74	27,372.74	1(6)	320
	O-33	ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 17)	61,448.41 (Note 18)	April 1990	546	23,835.00	23,835.00	1(5)	249
	O-34	ANA Crowne Plaza Toyama	Toyama-shi, Toyama (Hokuriku region)	3,723.50 (Note 19)	26,209.92 (Note 20)	July 1999	240	21,600.11	21,600.11	1(6)	251
	O-35	Asahikawa Grand Hotel	Asahikawa-shi, Hokkaido (Hokkaido-Tohoku region)	4,278.02	25,715.20	March 1994	364	25,715.20	25,715.20	1(5)	237
	Subtotal				109,513.01	259,682.92	-	3,699	207,063.85	207,063.85	35(32)
Total				440,690.57	370,619.13	-	6,202	317,700.93	317,700.93	47(62)	5,412

(Note 1) Based on lease agreements valid as of October 31, 2016. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above (however, in the case of the 5 Candeo properties and the 3 Greens properties, each property's rent comprises fixed rent only), but the entry under "Annual fixed rent" is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. However, with an agreement reached for each of Chisun Inn Kagoshima Taniyama to have a premium for a limited period from November 1, 2015 to October 31, 2016, RISONARE Atami and KAI Kinugawa to have a premium for a limited period from November 2, 2015 to October 31, 2018, Asahikawa Grand Hotel to have a premium for a limited period from March 31, 2016 to October 31, 2019 and KAI Kaga to have a premium for a limited period from May 2, 2016 to April 30, 2019, the amount arrived at when fixed rent (monthly amount) is annualized by multiplying by 12 is calculated based on the amount of rent with the premium as of October 31, 2016. Accordingly, the concerned amount of rent may not necessarily reflect the actual annual fixed rent amount of each property. Fixed rent after the lapse of the premium period will be less than the amount stated in the table above. Furthermore, in the event that sales or profit of hotels, ryokans and ancillary facilities is below a certain amount, floating rent will not apply. In addition, the lease agreement with each lessee above provides that the initial date of reckoning floating rent for Chisun Inn Kagoshima Taniyama is November 1, 2016 (8th fiscal period), RISONARE Atami and KAI Kinugawa is November 1, 2018 (12th fiscal period), Asahikawa Grand Hotel is November 1, 2019 (14th fiscal period) and KAI Kaga is May 1, 2019 (13th fiscal period). Accordingly, floating rent will not apply to the period before the concerned date, regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities. The same shall apply hereinafter.

(Note 2) Based on lease agreements valid as of October 31, 2016. All the properties have occupancy rate of 100.0%.

(Note 3) "Number of tenants (subleasing)" subtotals and total are the total number of tenants as of October 31, 2016, with the number of parties subleasing from the parties leasing the property from HRR shown in parentheses. For Chisun Inn Iwate Ichinoseki IC's number of tenants (excluding the number in parentheses), there is a tenant based on a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements, but the number of tenants is 1 because the tenant leasing under the lease agreement on the building is the same as the tenant leasing under the lease agreement on the land.

(Note 4) HRR owns the building only and does not own the land. The land is leased from the owner.

(Note 5) Unknown because HRR has not received materials from the previous owner.

(Note 6) HRR owns a portion (20,557.00m²) of the land only and leases the other portion (55,274.81m²) from the owner.

(Note 7) HRR leases a portion (2,966.21m²) of the land from the owner.

(Note 8) HRR leases a portion (696.95m²) of the land from the owner.

(Note 9) Used as storage space for bedding and not for lodging as of the date of this document.

(Note 10) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2016. The rent of the lease agreement on the building (hereinafter referred to as the "building rent" in this note) comprises fixed rent and floating rent, while the rent of the lease agreement on the land (hereinafter referred to as the "land rent" in this note) comprises fixed rent. However, an agreement has been reached in these lease agreements to the effect that, in the event of payment of the land rent, the same amount shall be deducted from the building rent, meaning that in no circumstances would the amount of the property's fixed rent exceed the amount of the fixed rent provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC's annual fixed rent amount is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12.

(Note 11) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's

land to total two lease agreements as of October 31, 2016, but the entries under "Leased area" and "Leasable area" are the leased area and leasable area of the building.

(Note 12) HRR leases a portion (991.72m²) of the land from the owner.

(Note 13) HRR owns the building only and does not own the land. The land is leased from the owner.

(Note 14) HRR leases a portion (740.62m²) of the land from the owner.

(Note 15) The land under HRR's ownership is co-ownership interest (81/100 of the co-ownership) of the land, but the entry under "Land area" is the area of the entire land.

(Note 16) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (81/100 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.

(Note 17) The land under HRR's ownership is co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the right of site (proprietary ownership) of the land, but the entry under "Land area" is the area of the entire land.

(Note 18) The building is a building under sectional ownership, of which the building under HRR's ownership is co-ownership interest (1/2 of the co-ownership) of the sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.

(Note 19) HRR owns the building only and does not own the land. The land is leased from the owner.

(Note 20) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (870,472/1,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.

(c) Summary of Real Estate Appraisal Report, Etc.

The following is a summary of the real estate appraisal report, etc. with October 31, 2016 as the date of value.

Brand	Property no.	Asset under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)		
HOSHINOYA	H-1	HOSHINOYA Karuizawa	NV	11,100	11,200	5.2	11,000	5.2	5.7	596	7.8
	H-2	HOSHINOYA Kyoto	NV	3,760	3,740	5.9	3,770	5.5	6.3	223	8.0
	Subtotal				14,860	14,940	-	14,770	-	-	819
RISONARE	R-1	RISONARE Yatsugatake	NV	6,000	6,010	5.5	5,980	5.5	6.0	446	9.9
	R-2	RISONARE Atami	NV	4,080	4,070	5.3	4,080	5.0	5.5	273	7.3
	Subtotal				10,080	10,080	-	10,060	-	-	720
KAI	K-1	KAI Matsumoto	MSK	783	792	5.9	774	5.7	6.1	63	10.5
	K-2	KAI Izumo	MSK	847	853	6.1	840	5.9	6.3	62	9.1
	K-3	KAI Ito	MSK	923	930	5.9	915	5.7	6.1	72	10.7
	K-4	KAI Hakone	MSK	1,240	1,250	5.8	1,220	5.6	6.0	87	9.1
	K-5	KAI Aso	MSK	676	683	6.2	668	6.0	6.4	46	8.0
	K-6	KAI Kawaji	MSK	1,140	1,150	5.9	1,120	5.7	6.1	85	8.5
	K-7	KAI Kinugawa	MSK	3,280	3,320	5.6	3,240	5.4	5.8	187	6.1
	K-8	KAI Kaga	MSK	3,330	3,370	5.6	3,290	5.4	5.8	192	6.1
Subtotal				12,219	12,348	-	12,067	-	-	792	7.4
Other	O-1	Chisun Inn Shiojiri Kita IC	NV	809	812	5.9	805	5.7	6.1	50	7.4
	O-2	Chisun Inn Sano Fujioka IC	MSK	895	905	5.9	885	5.7	6.1	56	7.5
	O-3	Chisun Inn Suwa IC	NV	802	795	6.0	808	5.8	6.2	50	7.5
	O-4	Chisun Inn Toyokawa IC	NV	726	725	5.9	727	5.7	6.1	45	7.4
	O-5	Chisun Inn Tosu	NV	630	626	6.0	633	5.8	6.3	39	7.8
	O-6	Chisun Inn Chiba Hamano R16	MSK	1,020	1,030	5.5	1,010	5.3	5.7	59	7.4
	O-7	Chisun Inn Kumamoto Miyukifueda	NV	736	729	6.2	743	6.0	6.5	47	7.7
	O-8	Chisun Inn Utsunomiya Kanuma	MSK	833	841	6.0	824	5.8	6.2	53	7.4
	O-9	Chisun Inn Fukui	NV	767	760	6.2	773	6.0	6.4	49	7.7
	O-10	Chisun Inn Fukushima Nishi IC	MSK	773	779	6.1	767	5.9	6.3	50	7.4
	O-11	Chisun Inn Niigata Chuo IC	NV	747	745	6.0	748	5.8	6.2	47	7.4
	O-12	Chisun Inn Nagasaki Airport	NV	752	748	6.0	755	5.8	6.2	47	7.4
	O-13	Chisun Inn Hitachinaka	MSK	903	913	5.8	892	5.6	6.0	55	7.5

Brand	Property no.	Asset under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)		
Other	O-14	Chisun Inn Tsuchiura Ami	MSK	921	931	5.8	910	5.6	6.0	56	7.3
	O-15	Chisun Inn Kofu Isawa	NV	786	787	6.1	785	5.9	6.3	50	7.6
	O-16	Chisun Inn Marugame Zentsuji	NV	692	685	6.2	698	6.0	6.4	44	7.6
	O-17	Chisun Inn Munakata	NV	618	619	6.1	617	5.9	6.4	40	7.9
	O-18	Chisun Inn Iwate Ichinoseki IC	MSK	773	781	6.1	764	5.9	6.3	50	7.1
	O-19	Chisun Inn Karuizawa	NV	1,050	1,040	6.0	1,060	5.8	6.2	64	7.9
	O-20	Chisun Inn Himeji Yumesakibashi	NV	731	729	6.2	732	6.0	6.4	47	7.7
	O-21	Chisun Inn Kurashiki Mizushima	NV	857	857	6.0	856	5.8	6.2	54	7.4
	O-22	Candeo Hotels Handa	RC	693	690	5.4	694	5.2	5.6	40	6.5
	O-23	Candeo Hotels Chino	RC	914	915	5.5	913	5.3	5.7	53	6.7
	O-24	Candeo Hotels Fukuyama	RC	1,240	1,240	5.3	1,240	5.1	5.5	70	6.5
	O-25	Candeo Hotels Sano	RC	1,460	1,470	5.4	1,450	5.2	5.6	82	6.5
	O-26	Candeo Hotels Kameyama	RC	532	528	5.5	533	5.3	5.7	33	7.1
	O-27	Comfort Hotel Hakodate	NV	1,040	1,040	5.2	1,040	5.0	5.4	58	6.2
	O-28	Comfort Hotel Tomakomai	NV	1,070	1,070	5.3	1,060	5.1	5.5	60	6.3
	O-29	Comfort Hotel Kure	NV	1,230	1,230	5.1	1,220	4.9	5.3	67	6.1
	O-30	Chisun Inn Kagoshima Taniyama	RC	2,230	2,240	5.5	2,230	5.3	5.7	131	6.6
	O-31	ANA Crowne Plaza Hiroshima	RC	19,900	20,100	4.4	19,800	4.2	4.6	1,036	5.8
	O-32	ANA Crowne Plaza Fukuoka	RC	8,630	8,650	4.3	8,620	4.1	4.5	478	6.3
	O-33	ANA Crowne Plaza Kanazawa	RC	7,170	7,230	4.6	7,140	4.4	4.8	425	6.4
O-34	ANA Crowne Plaza Toyama	RC	4,440	4,370	4.7	4,470	4.5	4.9	301	7.5	
O-35	Asahikawa Grand Hotel	RC	4,770	4,700	4.8	4,800	4.6	5.0	338	7.3	
		Subtotal		72,140	72,310	-	72,002	-	-	4,226	6.6
		Total		109,299	109,678	-	108,899	-	-	6,557	7.0

- (Note 1) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:
NV: Nihon Valuers K.K. (Japan Valuers Co., Ltd.)
MSK: Morii Sougou Kantei K.K. (Morii Appraisal & Investment Consulting Inc.)
RC: K.K. Richi Hyouka Kenkyujyo (Rich Appraisal Institute Co., Ltd.)
- (Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2016 as the date of value. Furthermore, "Appraisal value" is rounded to the nearest million yen. Accordingly, the appraisal value of each property may not add up to the portfolio total.
- (Note 3) "Appraisal NOI" refers to net operating income (NOI) calculated as effective gross income less operating expenses stated in the real estate appraisal report, etc., and is income before depreciation. This is different from net cash flow (NCF) calculated as NOI less financial interests on deposits, etc. and less capital expenditures. The appraisal NOI above is appraisal NOI by the direct capitalization method. Furthermore, "Appraisal NOI" is rounded to the nearest million yen. Accordingly, the appraisal NOI of each property may not add up to the portfolio total.
- (Note 4) "Appraisal NOI yield" is the figure calculated by the Asset Management Company by dividing appraisal NOI by acquisition price, rounded to one decimal place. However, the figure under "Subtotal" or "Total" is the figure calculated by the Asset Management Company by dividing the appraisal NOI subtotal or total by the acquisition price subtotal or total, rounded to one decimal place. The figures are each those calculated by the Asset Management Company and not the figures stated in the real estate appraisal report, etc.
- (Note 5) The real estate appraisal report, etc. is the appraising appraisal company's judgment and opinion at a certain point in time, and is not a guarantee of the validity or accuracy of the content thereof, possibility of transaction at the concerned appraisal value, etc. There is no special vested interest between Japan Valuers Co., Ltd., Morii Appraisal & Investment Consulting Inc. or Rich Appraisal Institute Co., Ltd. and HRR or the Asset Management Company.

(d) Status of Leasing to Major Tenants

Tenant name	Business type	Name of property	Contract expiration date	Annual fixed rent		Leased area	
				(millions of yen) (Note 1)	Share (%) (Note 2)	(m ²) (Note 3)	Share (%) (Note 4)
K.K. Horizon Hotels	Hotel	RISONARE Yatsugatake	July 15, 2033	525	8.5	33,853.45	10.7
		RISONARE Atami	November 1, 2035	313	5.0	23,385.18	7.4
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	9.8	32,332.00	10.2
		ANA Crowne Plaza Fukuoka	November 1, 2035	288	4.6	27,372.74	8.6
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	8.8	23,835.00	7.5
		ANA Crowne Plaza Toyama	November 1, 2035	240	3.9	21,600.11	6.8
		Total		2,518	40.6	162,378.48	51.1
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.8	2,100.47	0.7
		Chisun Inn Sano Fujjoka IC	May 1, 2024	52	0.9	1,968.91	0.6
		Chisun Inn Suwa IC	May 1, 2024	46	0.8	1,944.94	0.6
		Chisun Inn Toyokawa IC	May 1, 2024	42	0.7	2,040.09	0.6
		Chisun Inn Tosu	May 1, 2024	36	0.6	1,968.02	0.6
		Chisun Inn Chiba Hamano R16	May 1, 2024	57	0.9	2,023.29	0.6
		Chisun Inn Kumamoto Miyukifueda	May 1, 2024	43	0.7	2,094.77	0.7
		Chisun Inn Utsunomiya Kanuma	May 1, 2024	51	0.8	2,094.16	0.7
		Chisun Inn Fukui	May 1, 2024	45	0.7	2,094.01	0.7
		Chisun Inn Fukushima Nishi IC	May 1, 2024	48	0.8	2,094.01	0.7
		Chisun Inn Niigata Chuo IC	May 1, 2024	45	0.7	2,094.16	0.7
		Chisun Inn Nagasaki Airport	May 1, 2024	45	0.7	1,968.02	0.6
		Chisun Inn Hitachinaka	May 1, 2024	52	0.9	1,968.30	0.6
		Chisun Inn Tsuchiura Ami	May 1, 2024	54	0.9	1,968.03	0.6
		Chisun Inn Kofu Isawa	May 1, 2024	46	0.8	1,968.47	0.6
		Chisun Inn Marugame Zentsuji	May 1, 2024	42	0.7	2,094.16	0.7
		Chisun Inn Munakata	May 1, 2024	36	0.6	2,094.16	0.7
		Chisun Inn Iwate Ichinoseki IC	May 1, 2024 (Note 5)	49	0.8	1,968.02	0.6
		Chisun Inn Karuizawa	May 1, 2024	57	0.9	1,917.10	0.6
		Chisun Inn Himeji Yumesakibashi	May 1, 2024	43	0.7	2,406.95	0.8
		Chisun Inn Kurashiki Mizushima	May 1, 2024	51	0.8	2,094.16	0.7
Chisun Inn Kagoshima Taniyama	May 2, 2024	117	1.9	8,066.36	2.5		
Total		1,116	18.0	51,030.56	16.1		

(Note 1) Based on lease agreements valid as of October 31, 2016. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above, but the entry under "Annual fixed rent" is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. However, with an agreement reached for each of Chisun Inn Kagoshima Taniyama to have a premium for a limited period from November 1, 2015 to October 31, 2016 and RISONARE Atami to have a premium for a limited period from November 2, 2015 to October 31, 2018, the amount arrived at when fixed rent (monthly amount) is annualized by multiplying by 12 is calculated based on the amount of rent with the premium as of October 31, 2016. Accordingly, the concerned amount of rent may not necessarily reflect the actual annual fixed rent amount of each property. Fixed rent after the lapse of the premium period will be less than the amount stated in the table above. Furthermore, in the event that sales or profit of hotels, ryokans and ancillary facilities is below a certain amount, floating rent will not apply. In addition, the lease agreement with each lessee above provides that the initial date of reckoning floating rent for RISONARE Atami is November 1, 2018 (12th fiscal period) and Chisun Inn Kagoshima Taniyama is November 1, 2016 (8th fiscal period). Accordingly, floating rent will not apply to the period before the concerned date, regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities. The same shall apply hereinafter.

- (Note 2) Annual fixed rent of the property expressed as a percentage of the sum total of annual fixed rent of the entire portfolio.
 (Note 3) Based on lease agreements valid as of October 31, 2016.
 (Note 4) Leased area of the property expressed as a percentage of the sum total of leased area of the entire portfolio.
 (Note 5) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2016. The contract expiration date of the lease agreement on the building is May 1, 2024, while the contract expiration date of the lease agreement on the land is June 30, 2025. However, an agreement has been reached in the lease agreement on the land to the effect that, in the event of termination of the lease agreement on the building, the lease agreement on the land shall also terminate at the same time, meaning that in no circumstances would the property's contract expiration date go beyond the contract expiration date provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC's contract expiration date is the contract expiration date provided in the lease agreement on the building. The same shall apply hereinafter.

(e) Portfolio Overview

a. By brand

Brand	Number of properties	Acquisition price (millions of yen)	Share (%)
HOSHINOYA	2	10,385	11.1
RISONARE	2	8,250	8.9
KAI	8	10,715	11.5
Other	35	63,832	68.5
Total	47	93,182	100.0

b. By regional location

Prefectural location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	8.5
Kanto region	9	10,056	10.8
Hokuriku region	4	14,421	15.5
Chubu region	14	23,035	24.7
Kinki region	2	3,401	3.6
Chugoku-Shikoku region	6	21,955	23.6
Kyushu-Okinawa region	7	12,423	13.3
Total	47	93,182	100.0

c. By lease period

Lease period	Contract duration		Remaining duration	
	Annual fixed rent (millions of yen) (Note)	Share (%)	Annual fixed rent (millions of yen) (Note)	Share (%)
Entire portfolio	6,202	100.0	6,202	100.0
More than 10 years	5,085	82.0	5,085	82.0
10 years or less	1,116	18.0	1,116	18.0

(Note) Based on lease agreements valid as of October 31, 2016. However, for Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2016, and an agreement has been reached in the lease agreement on the land to the effect that, in the event of termination of the lease agreement on the building, the lease agreement on the land shall also terminate at the same time. Accordingly, Chisun Inn Iwate Ichinoseki IC's is based on the lease period provided in the lease agreement on the building.

d. By contract type

Contract type	Annual fixed rent (millions of yen) (Note)	Share (%)
Entire portfolio	6,202	100.0
Fixed-term lease contract	6,202	100.0
Periodic lease contract	0	0.0

(Note) Rent comprises fixed rent and floating rent in lease agreements valid as of October 31, 2016 for each property, but the entry under "Annual fixed rent" is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12.

(f) Individual Investment Real Estate, Etc. Property Income Statements

The following are the individual income statements for the fiscal period under review for investment real estate, etc. properties.

(Unit: thousands of yen)

Property no.	Portfolio total	H-1	H-2	R-1	R-2	K-1	K-2
Name of property		HOSHINOYA Karuizawa	HOSHINOYA Kyoto	RISONARE Yatsugatake	RISONARE Atami	KAI Matsumoto	KAI Izumo
① Total real estate operating revenue	3,981,640	396,509	105,180	321,735	156,600	43,419	50,046
Fixed rent	3,100,767	300,000	93,900	262,500	156,600	37,500	37,500
Floating rent	870,024	96,509	11,280	59,235	-	5,919	12,542
Other rent	10,800	-	-	-	-	-	-
Other revenue	47	-	-	-	-	-	4
② Total real estate operating expenses	597,572	39,539	5,598	41,559	36,175	8,688	10,629
Maintenance expenses	52,407	2,702	1,217	6,281	2,835	858	482
Taxes and dues	287,204	13,110	2,479	24,529	27,137	4,312	4,157
Insurance expenses	14,266	759	187	2,084	900	305	157
Land rent	33,994	6,331	-	3,937	-	-	2,280
Repair expenses	55,088	16,635	1,713	4,725	5,303	3,211	3,551
Other expenses	154,611	0	-	-	-	-	-
③ NOI [① - ②]	3,384,067	356,969	99,582	280,176	120,424	34,731	39,417
④ Depreciation and Amortization	831,174	99,738	23,956	56,370	40,128	6,004	4,640
⑤ Operating income (loss) from real estate leasing [③ - ④]	2,552,892	257,230	75,625	223,805	80,295	28,727	34,777

(Unit: thousands of yen)

Property no.	K-3	K-4	K-5	K-6	K-7	K-8	O-1
Name of property	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji	KAI Kinugawa	KAI Kaga	Chisun Inn Shiojiri Kita IC
① Total real estate operating revenue	58,472	52,006	29,278	54,350	102,000	102,630	28,378
Fixed rent	40,000	47,500	21,000	49,800	102,000	102,630	24,000
Floating rent	18,467	4,506	8,278	4,550	-	-	4,378
Other rent	-	-	-	-	-	-	-
Other revenue	4	-	-	-	-	-	-
② Total real estate operating expenses	16,454	10,623	4,921	15,366	10,881	1,512	3,079
Maintenance expenses	1,110	1,540	180	3,409	1,309	1,221	349
Taxes and dues	5,360	5,373	1,126	8,118	9,134	-	2,657
Insurance expenses	407	247	72	433	175	291	72
Land rent	-	-	-	300	-	-	-
Repair expenses	9,576	3,462	3,542	3,104	262	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [①－②]	42,017	41,382	24,356	38,983	91,118	101,117	25,299
④ Depreciation and Amortization	6,316	9,662	6,824	13,942	16,886	26,773	4,897
⑤ Operating income (loss) from real estate leasing [③－④]	35,701	31,720	17,532	25,041	74,231	74,343	20,401

(Unit: thousands of yen)

Property no.	O-2	O-3	O-4	O-5	O-6	O-7	O-8
Name of property	Chisun Inn Sano Fujioka IC	Chisun Inn Suwa IC	Chisun Inn Toyokawa IC	Chisun Inn Tosu	Chisun Inn Chiba Hamano R16	Chisun Inn Kumamoto Miyukifueda	Chisun Inn Utsunomiya Kanuma
① Total real estate operating revenue	31,901	30,539	27,946	24,258	34,044	26,022	31,297
Fixed rent	26,460	23,460	21,480	18,000	28,500	21,960	25,500
Floating rent	5,441	7,079	6,466	6,258	5,544	4,062	5,797
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,622	2,621	2,880	2,065	2,788	2,924	2,766
Maintenance expenses	422	454	431	328	305	499	259
Taxes and dues	2,124	2,098	2,375	1,669	2,404	2,352	2,425
Insurance expenses	75	68	73	67	77	73	81
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	0	-
③ NOI [①－②]	29,279	27,918	25,065	22,192	31,256	23,097	28,530
④ Depreciation and Amortization	6,781	6,282	5,093	4,607	6,973	4,868	5,696
⑤ Operating income (loss) from real estate leasing [③－④]	22,498	21,636	19,972	17,585	24,283	18,229	22,834

(Unit: thousands of yen)

Property no.	O-9	O-10	O-11	O-12	O-13	O-14	O-15
Name of property	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami	Chisun Inn Kofu Isawa
① Total real estate operating revenue	30,258	32,582	28,408	30,723	29,933	30,605	29,563
Fixed rent	22,980	24,000	22,500	22,500	26,460	27,480	23,460
Floating rent	7,278	8,582	5,908	8,223	3,473	3,125	6,103
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,756	2,456	2,945	2,705	2,275	2,468	2,461
Maintenance expenses	488	407	399	279	285	287	498
Taxes and dues	2,192	1,965	2,472	2,357	1,915	2,105	1,894
Insurance expenses	75	80	74	69	75	74	69
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	2	-	-	-	-	-
③ NOI [①－②]	27,501	30,125	25,462	28,017	27,657	28,137	27,101
④ Depreciation and Amortization	5,026	5,574	5,272	5,793	7,308	7,615	5,869
⑤ Operating income (loss) from real estate leasing [③－④]	22,475	24,551	20,190	22,223	20,349	20,522	21,231

(Unit: thousands of yen)

Property no.	O-16	O-17	O-18	O-19	O-20	O-21	O-22
Name of property	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima	Candeo Hotels Handa
① Total real estate operating revenue	27,808	24,892	27,601	41,028	29,297	31,048	26,460
Fixed rent	21,000	18,000	24,960	28,980	21,960	25,980	26,460
Floating rent	6,808	6,892	2,641	12,048	7,337	5,068	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,512	2,661	2,579	2,933	3,417	2,954	6,047
Maintenance expenses	451	423	473	421	322	295	-
Taxes and dues	1,986	2,164	2,028	2,425	3,010	2,578	3,047
Insurance expenses	74	73	77	87	84	75	120
Land rent	-	-	-	-	-	-	2,880
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	5	-
③ NOI [①－②]	25,295	22,231	25,021	38,094	25,879	28,093	20,412
④ Depreciation and Amortization	5,341	4,770	5,342	7,521	5,428	6,636	6,315
⑤ Operating income (loss) from real estate leasing [③－④]	19,954	17,460	19,678	30,572	20,451	21,457	14,096

(Unit: thousands of yen)

Property no.	O-23	O-24	O-25	O-26	O-27	O-28	O-29
Name of property	Candeo Hotels Chino	Candeo Hotels Fukuyama	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate	Comfort Hotel Tomakomai	Comfort Hotel Kure
① Total real estate operating revenue	32,844	39,370	45,794	20,910	32,922	33,231	37,524
Fixed rent	32,844	39,370	45,756	20,910	32,922	33,231	37,524
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	38	-	-	-	-
② Total real estate operating expenses	6,095	4,132	4,537	4,107	3,750	3,029	3,974
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	3,175	3,970	3,167	3,943	3,628	2,919	3,850
Insurance expenses	115	162	117	164	121	110	123
Land rent	2,804	-	1,252	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [① - ②]	26,748	35,237	41,257	16,802	29,171	30,201	33,549
④ Depreciation and Amortization	7,781	10,672	10,742	3,984	9,905	9,307	8,191
⑤ Operating income (loss) from real estate leasing [③ - ④]	18,967	24,564	30,514	12,817	19,266	20,893	25,358

(Unit: thousands of yen)

Property no.	O-30	O-31	O-32	O-33	O-34	O-35
Name of property	Chisun Inn Kagoshima Taniyama	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Fukuoka	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Asahikawa Grand Hotel
① Total real estate operating revenue	69,600	567,231	235,450	374,826	182,703	182,400
Fixed rent	58,800	303,000	144,000	273,000	120,000	182,400
Floating rent	-	264,231	91,450	101,826	62,703	-
Other rent	10,800	-	-	-	-	-
Other revenue	-	-	-	-	-	-
② Total real estate operating expenses	7,470	47,760	31,813	181,003	34,035	983
Maintenance expenses	300	10,486	-	10,392	-	-
Taxes and dues	6,890	35,892	30,871	14,979	18,820	-
Insurance expenses	279	1,381	941	1,029	1,005	983
Land rent	-	-	-	-	14,209	-
Repair expenses	-	-	-	-	-	-
Other expenses	-	-	-	154,602	-	-
③ NOI [① - ②]	62,129	519,471	203,637	193,822	148,668	181,416
④ Depreciation and Amortization	18,367	97,190	43,797	46,627	57,491	66,851
⑤ Operating income (loss) from real estate leasing [③ - ④]	43,761	422,280	159,840	147,195	91,176	114,565

(g) Individual Investment Real Estate, Etc. Operational Results

H-1 HOSHINOYA Karuizawa

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.3%	77.0%	71.8%	72.2%	68.4%	72.0%	80.4%	79.0%	91.6%	98.2%	90.0%	83.2%	80.8%
ADR (yen)	68,508	70,605	64,821	61,362	61,884	69,800	76,349	71,893	81,219	98,684	86,955	84,333	76,093
RevPAR (yen)	57,095	54,337	46,520	44,325	42,336	50,250	61,348	56,798	74,414	96,907	78,297	70,166	61,502
Sales (millions of yen)	255	237	164	187	195	221	282	248	335	432	333	316	3,204

(Note 1) Monthly key indicators are based on figures provided by the lessee Hoshino Resorts Inc.

(Note 2) Guest room occupancy rate is rounded to one decimal place, and ADR and RevPAR are rounded to the nearest specified unit. Sales are rounded to the nearest million yen. The same shall apply hereinafter.

(Note 3) "Guest room occupancy rate" is the figure sought by the following formula. The same shall apply hereinafter.

Guest room occupancy rate = Number of guest rooms sold / Number of guest rooms available

(Note 4) "ADR" (Average Daily Rate) is the total guest room revenue (excluding food and beverage revenue, other revenue, service charge, etc.) during a certain period of time divided by the total number of guest rooms sold (total number of guest rooms occupied) during that period of time. The same shall apply hereinafter.

(Note 5) "RevPAR" (Revenue Per Available Room) is the total guest room revenue (excluding food and beverage revenue, other revenue, service charge, etc.) during a certain period of time divided by the total number of guest rooms available during that period of time, and is the same figure as the figure calculated by multiplying ADR by the guest room occupancy rate. The same shall apply hereinafter.

(Note 6) "Sales" is the revenue that the lessee generates from the travel lodging facility operations business and businesses incidental to such at the property. Even if revenue is generated from facilities operated as one with the property, the revenue is not included in sales if the concerned facilities do not fall under assets held by HRR. The same shall apply hereinafter.

H-2 HOSHINOYA Kyoto

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	97.7%	96.7%	—	—	79.2%	78.7%	76.8%	87.2%	76.0%	82.8%	87.9%	91.1%	84.7%
ADR (yen)	101,884	108,554	—	—	108,005	106,155	94,656	82,927	88,688	96,753	86,987	97,844	95,656
RevPAR (yen)	99,575	104,936	—	—	85,540	83,508	72,671	72,312	67,403	80,149	76,429	89,133	80,989
Sales (millions of yen)	116	25	—	—	50	96	90	90	87	100	90	110	854

(Note 1) Monthly key indicators are based on figures provided by the lessee K.K. Arashiyama Onsen Rankyokan.

(Note 2) Operational results for January and February 2016 do not exist as operations were suspended from December 7, 2015 to March 16, 2016 to conduct renovation work.

R-1 RISONARE Yatsugatake

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.4%	70.3%	70.1%	63.9%	63.8%	54.3%	69.0%	65.7%	91.8%	97.1%	86.6%	85.7%	75.4%
ADR (yen)	24,091	34,811	35,861	28,100	32,510	29,743	32,201	23,695	38,059	57,682	36,039	32,412	34,727
RevPAR (yen)	20,082	24,489	25,123	17,954	20,749	16,157	22,212	15,562	34,954	56,027	31,220	27,786	26,176
Sales (millions of yen)	336	308	200	217	275	226	372	301	526	674	430	435	4,299

(Note) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

R-2 RISONARE Atami

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.8%	84.7%	86.0%	83.1%	90.0%	75.0%	92.6%	88.2%	77.9%	88.7%	80.4%	76.9%	81.3%
ADR (yen)	39,400	47,914	45,300	37,036	42,599	45,732	74,249	38,077	64,674	86,914	46,112	46,591	50,871
RevPAR (yen)	32,626	40,566	38,976	30,780	38,332	34,279	68,754	33,598	50,349	77,101	37,051	35,833	41,354
Sales (millions of yen)	122	135	97	97	142	118	58	40	126	239	125	126	1,425

(Note) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

K-1 KAI Matsumoto

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	73.8%	69.1%	66.5%	63.0%	67.2%	63.8%	74.8%	68.8%	83.5%	92.8%	87.1%	85.2%	75.0%
ADR (yen)	38,116	40,631	36,587	28,159	31,447	39,114	42,578	34,540	41,973	61,359	43,938	45,645	41,469
RevPAR (yen)	28,147	28,077	24,324	17,740	21,147	24,973	31,854	23,765	35,047	56,943	38,248	38,906	31,111
Sales (millions of yen)	44	41	27	31	37	38	48	34	53	76	56	58	541

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-2 KAI Izumo

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	98.8%	92.6%	79.7%	86.3%	93.3%	80.8%	89.0%	80.1%	81.8%	95.6%	85.6%	95.3%	88.3%
ADR (yen)	41,399	38,157	37,572	35,878	40,925	49,487	49,451	42,499	47,273	56,645	48,274	50,232	44,969
RevPAR (yen)	40,882	35,336	29,946	30,950	38,175	40,002	44,001	34,058	38,691	54,133	41,301	47,869	39,722
Sales (millions of yen)	59	56	48	44	57	53	59	47	47	70	54	64	659

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-3 KAI Ito

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	75.0%	75.6%	72.4%	84.1%	80.8%	64.9%	56.4%	57.0%	75.0%	87.1%	77.3%	69.2%	72.9%
ADR (yen)	30,556	39,767	35,923	31,497	38,752	33,802	36,772	26,887	32,876	52,232	30,037	31,117	35,485
RevPAR (yen)	22,917	30,047	26,005	26,482	31,326	21,943	20,724	15,315	24,673	45,492	23,205	21,523	25,877
Sales (millions of yen)	59	63	61	61	73	49	49	40	59	91	57	52	713

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-4 KAI Hakone

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	73.3%	78.6%	77.1%	78.4%	81.0%	80.1%	67.8%	71.1%	71.8%	89.5%	86.2%	86.0%	78.4%
ADR (yen)	45,385	47,187	42,173	37,599	37,938	43,270	45,360	36,842	43,096	56,124	42,636	43,523	43,655
RevPAR (yen)	33,282	37,109	32,509	29,486	30,714	34,654	30,775	26,188	30,943	50,226	36,755	37,409	34,242
Sales (millions of yen)	58	62	59	56	62	59	56	48	58	85	66	71	739

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-5 KAI Aso

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	92.8%	85.8%	74.1%	79.8%	88.2%	70.6%	23.1%	29.3%	46.5%	54.0%	60.8%	56.2%	63.8%
ADR (yen)	61,777	61,254	61,831	56,507	58,759	61,797	68,823	58,991	59,232	78,252	65,316	71,843	63,095
RevPAR (yen)	57,315	52,527	45,821	45,071	51,809	43,622	15,882	17,297	27,546	42,281	39,734	40,364	40,259
Sales (millions of yen)	34	32	25	26	33	15	8	9	16	24	23	24	269

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-6 KAI Kawaji

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	59.1%	56.5%	46.1%	61.6%	63.6%	61.6%	62.7%	51.7%	60.0%	82.3%	70.9%	63.7%	61.8%
ADR (yen)	33,173	30,754	31,845	22,429	23,495	27,509	28,347	23,195	26,907	39,471	25,775	35,372	29,375
RevPAR (yen)	19,617	17,380	14,680	13,811	14,933	16,954	17,763	11,997	16,138	32,468	18,265	22,546	18,157
Sales (millions of yen)	60	57	43	48	56	46	60	42	56	97	63	70	698

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

K-7 KAI Kinugawa

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	—	56.4%	53.4%	51.7%	54.8%	52.8%	55.3%	53.0%	60.1%	76.1%	70.6%	75.1%	60.0%
ADR (yen)	—	32,883	32,081	28,908	30,719	36,319	40,490	32,315	33,505	44,324	32,421	37,203	35,094
RevPAR (yen)	—	18,541	17,119	14,949	16,832	19,168	22,394	17,119	20,152	33,749	22,875	27,954	21,068
Sales (millions of yen)	—	57	54	45	53	55	64	48	62	93	70	79	681

(Note) Monthly key indicators are based on figures provided by the lessee Hoshino Resorts Inc.
Operational results shown start from December 2015 because the date of opening was November 10, 2015.

K-8 KAI Kaga

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	—	58.5%	48.9%	61.0%	52.9%	46.9%	64.2%	49.7%	50.2%	76.1%	74.6%	69.7%	59.3%
ADR (yen)	—	38,558	38,456	35,529	37,002	40,554	40,352	33,256	36,019	43,198	34,242	38,003	37,858
RevPAR (yen)	—	22,565	18,789	21,670	19,570	19,024	25,898	16,512	18,082	32,863	25,539	26,482	22,461
Sales (millions of yen)	—	53	58	65	59	50	76	50	55	93	74	74	707

(Note) Monthly key indicators are based on figures provided by the lessee K.K. Arashiyama Onsen Rankyokan.
Operational results shown start from December 2015 because the date of reopening was December 10, 2015.

O-1 Chisun Inn Shiojiri Kita IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.6%	68.7%	61.1%	71.2%	75.0%	79.4%	77.5%	81.7%	83.0%	87.6%	79.8%	81.3%	76.8%
ADR (yen)	5,457	5,030	5,014	5,014	5,208	5,558	6,014	5,383	5,747	7,251	5,722	5,684	5,637
RevPAR (yen)	4,178	3,455	3,062	3,570	3,908	4,412	4,658	4,399	4,770	6,354	4,567	4,620	4,329
Sales (millions of yen)	13	11	10	11	12	13	14	11	14	20	14	14	156

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-2 Chisun Inn Sano Fujioka IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.8%	87.7%	79.0%	81.6%	85.9%	85.9%	80.5%	84.0%	78.6%	90.5%	81.3%	87.5%	84.1%
ADR (yen)	5,692	5,885	5,767	5,512	5,855	5,721	6,098	5,406	5,677	6,220	5,561	5,594	5,754
RevPAR (yen)	4,943	5,160	4,558	4,498	5,030	4,917	4,911	4,540	4,461	5,629	4,523	4,894	4,840
Sales (millions of yen)	15	16	14	13	15	14	15	13	13	16	11	15	169

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-3 Chisun Inn Suwa IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.5%	79.6%	79.5%	85.0%	80.8%	79.5%	80.3%	86.1%	86.3%	91.8%	87.2%	87.7%	83.7%
ADR (yen)	5,550	5,227	5,333	5,263	5,638	6,693	6,654	5,354	6,044	7,444	5,979	5,859	5,943
RevPAR (yen)	4,522	4,158	4,239	4,474	4,553	5,323	5,345	4,609	5,218	6,830	5,217	5,136	4,975
Sales (millions of yen)	13	13	13	13	14	15	16	11	14	20	15	15	172

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-4 Chisun Inn Toyokawa IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	77.5%	81.8%	78.3%	76.2%	80.1%	80.3%	74.5%	79.2%	83.9%	82.0%	76.6%	82.4%	79.4%
ADR (yen)	5,022	4,886	5,052	4,875	5,237	5,130	5,554	4,931	5,149	5,802	5,103	4,611	5,115
RevPAR (yen)	3,893	3,999	3,954	3,714	4,194	4,119	4,138	3,906	4,321	4,756	3,909	3,798	4,061
Sales (millions of yen)	12	13	12	11	13	13	13	11	12	15	12	12	148

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-5 Chisun Inn Tosu

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	77.2%	76.3%	69.9%	67.2%	73.8%	83.2%	78.9%	63.8%	76.6%	80.2%	62.5%	69.9%	73.4%
ADR (yen)	5,049	5,181	5,073	4,985	5,298	5,267	5,765	5,067	5,389	6,011	5,273	5,336	5,324
RevPAR (yen)	3,899	3,953	3,547	3,350	3,912	4,384	4,550	3,231	4,129	4,820	3,297	3,733	3,907
Sales (millions of yen)	12	12	11	10	12	13	14	9	13	15	10	10	138

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-6 Chisun Inn Chiba Hamano R16

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.9%	86.2%	80.5%	84.9%	85.2%	87.3%	87.8%	84.0%	80.5%	86.0%	79.3%	91.0%	85.1%
ADR (yen)	5,794	6,146	5,807	5,899	6,251	6,035	5,833	5,947	6,061	6,810	5,675	6,002	6,027
RevPAR (yen)	5,095	5,298	4,675	5,008	5,326	5,267	5,121	4,994	4,880	5,854	4,501	5,464	5,126
Sales (millions of yen)	15	16	14	14	16	16	16	15	15	18	13	17	186

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-7 Chisun Inn Kumamoto Miyukifueda

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	80.6%	78.2%	70.4%	75.4%	77.4%	76.1%	88.8%	90.2%	88.8%	86.8%	83.5%	84.6%	81.8%
ADR (yen)	4,815	4,636	4,868	4,948	5,404	5,700	7,093	7,371	7,025	6,955	6,700	6,415	6,063
RevPAR (yen)	3,881	3,626	3,429	3,733	4,180	4,339	6,297	6,651	6,237	6,034	5,597	5,427	4,957
Sales (millions of yen)	12	12	11	11	13	14	21	21	20	20	18	18	191

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-8 Chisun Inn Utsunomiya Kanuma

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	79.6%	79.1%	73.7%	84.4%	84.1%	79.5%	76.0%	76.6%	75.4%	83.6%	81.9%	85.1%	79.9%
ADR (yen)	5,617	5,794	5,454	5,534	5,775	5,757	5,965	5,531	5,723	6,249	5,588	5,881	5,745
RevPAR (yen)	4,469	4,583	4,022	4,670	4,857	4,576	4,534	4,238	4,316	5,227	4,575	5,006	4,590
Sales (millions of yen)	14	15	13	14	16	14	14	13	14	17	14	16	173

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-9 Chisun Inn Fukui

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.0%	76.0%	70.4%	77.6%	81.6%	79.2%	75.4%	81.8%	83.1%	89.4%	78.6%	80.7%	79.8%
ADR (yen)	5,519	5,340	5,323	5,474	5,670	5,869	5,715	5,354	5,756	6,814	5,754	5,811	5,717
RevPAR (yen)	4,635	4,060	3,748	4,247	4,629	4,649	4,311	4,378	4,784	6,090	4,521	4,688	4,564
Sales (millions of yen)	14	13	12	13	15	14	14	14	15	20	14	15	172

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-10 Chisun Inn Fukushima Nishi IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.4%	76.8%	71.6%	85.7%	85.5%	85.9%	82.2%	80.3%	86.1%	88.1%	84.5%	90.1%	83.6%
ADR (yen)	5,456	5,465	5,355	5,403	5,631	5,770	5,987	5,597	5,715	6,105	5,623	5,563	5,646
RevPAR (yen)	4,713	4,199	3,832	4,633	4,812	4,954	4,921	4,497	4,919	5,375	4,751	5,012	4,718
Sales (millions of yen)	15	14	12	14	15	15	16	14	16	17	15	16	179

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-11 Chisun Inn Niigata Chuo IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	79.3%	61.8%	56.8%	63.7%	86.1%	74.6%	78.4%	79.5%	80.6%	91.1%	84.9%	84.3%	76.8%
ADR (yen)	4,918	4,895	4,896	4,890	5,185	5,572	5,578	5,315	5,530	7,276	5,869	5,281	5,492
RevPAR (yen)	3,899	3,027	2,783	3,114	4,463	4,154	4,373	4,225	4,458	6,627	4,985	4,451	4,218
Sales (millions of yen)	12	10	9	9	14	13	14	13	14	22	16	14	162

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-12 Chisun Inn Nagasaki Airport

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	89.2%	83.5%	79.6%	89.5%	85.1%	75.1%	71.7%	78.9%	80.5%	81.1%	70.7%	81.6%	80.5%
ADR (yen)	5,626	5,470	5,558	5,797	5,791	5,482	5,632	5,426	5,449	6,105	5,290	5,547	5,605
RevPAR (yen)	5,021	4,565	4,426	5,191	4,930	4,120	4,040	4,282	4,386	4,949	3,741	4,528	4,514
Sales (millions of yen)	14	14	13	14	15	12	12	13	13	15	11	14	160

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-13 Chisun Inn Hitachinaka

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.2%	76.0%	79.9%	83.8%	90.5%	82.0%	78.5%	73.2%	87.0%	92.4%	84.4%	90.8%	83.3%
ADR (yen)	5,428	5,550	5,283	5,188	5,462	5,631	5,749	5,089	5,690	6,365	5,213	5,572	5,534
RevPAR (yen)	4,407	4,219	4,220	4,346	4,945	4,617	4,513	3,723	4,948	5,881	4,401	5,058	4,611
Sales (millions of yen)	13	13	13	12	16	13	14	11	15	19	13	15	167

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-14 Chisun Inn Tsuchiura Ami

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.4%	84.9%	77.6%	81.9%	87.0%	88.8%	83.0%	81.5%	79.1%	85.7%	77.7%	85.8%	83.3%
ADR (yen)	5,471	5,737	5,542	5,389	5,642	5,736	5,736	5,408	5,578	6,002	5,345	5,658	5,610
RevPAR (yen)	4,729	4,868	4,298	4,414	4,910	5,096	4,758	4,407	4,414	5,145	4,152	4,852	4,672
Sales (millions of yen)	14	15	13	12	15	15	14	13	13	15	12	14	166

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-15 Chisun Inn Kofu Isawa

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	79.9%	79.2%	69.2%	79.7%	80.5%	74.5%	83.6%	81.7%	83.2%	88.5%	79.4%	79.7%	80.0%
ADR (yen)	5,318	5,338	5,107	5,052	5,670	5,588	5,855	5,277	5,836	6,947	5,723	5,666	5,639
RevPAR (yen)	4,247	4,228	3,534	4,028	4,565	4,163	4,894	4,313	4,858	6,151	4,545	4,518	4,508
Sales (millions of yen)	12	13	11	11	14	12	15	12	15	18	13	14	160

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-16 Chisun Inn Marugame Zentsuji

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	74.3%	76.7%	68.8%	77.7%	75.1%	68.6%	64.3%	60.3%	74.4%	87.1%	68.4%	78.7%	72.9%
ADR (yen)	4,990	4,947	5,240	5,322	5,909	5,952	6,063	5,478	5,882	7,327	5,837	6,193	5,791
RevPAR (yen)	3,708	3,796	3,605	4,133	4,437	4,083	3,896	3,306	4,374	6,381	3,991	4,874	4,221
Sales (millions of yen)	11	12	11	12	14	13	12	10	14	20	12	15	159

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-17 Chisun Inn Munakata

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	74.3%	66.9%	60.6%	66.0%	72.0%	71.6%	70.5%	62.9%	73.3%	75.0%	69.0%	65.5%	69.0%
ADR (yen)	4,687	5,116	5,011	4,901	5,169	5,101	5,373	4,945	4,818	5,521	4,877	5,229	5,067
RevPAR (yen)	3,482	3,422	3,038	3,234	3,720	3,650	3,788	3,110	3,530	4,140	3,367	3,425	3,495
Sales (millions of yen)	11	11	10	10	12	11	12	10	11	13	11	11	133

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-18 Chisun Inn Iwate Ichinoseki IC

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	80.6%	73.9%	73.0%	77.4%	77.5%	73.3%	73.7%	79.9%	81.2%	87.9%	77.9%	89.8%	78.9%
ADR (yen)	5,226	5,099	4,977	4,899	5,257	5,483	5,950	5,102	5,546	6,434	5,540	6,343	5,515
RevPAR (yen)	4,211	3,771	3,633	3,794	4,076	4,021	4,385	4,076	4,501	5,656	4,314	5,698	4,350
Sales (millions of yen)	13	12	11	11	13	12	13	12	14	17	13	17	157

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-19 Chisun Inn Karuizawa

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.1%	73.3%	58.6%	69.9%	57.6%	72.4%	78.6%	87.9%	86.6%	92.7%	86.6%	87.1%	77.9%
ADR (yen)	6,702	6,905	6,951	6,372	7,254	7,107	8,552	6,575	10,183	15,203	9,794	8,368	8,546
RevPAR (yen)	5,635	5,061	4,076	4,453	4,176	5,143	6,725	5,778	8,818	14,096	8,481	7,289	6,661
Sales (millions of yen)	16	15	12	13	12	15	20	17	26	41	24	21	231

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-20 Chisun Inn Himeji Yumesakibashi

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.3%	79.7%	68.4%	72.1%	76.8%	84.9%	78.1%	79.1%	72.1%	80.9%	75.6%	78.7%	77.3%
ADR (yen)	5,557	5,406	5,435	5,086	5,619	5,395	5,447	5,026	5,600	6,526	5,291	5,442	5,495
RevPAR (yen)	4,519	4,310	3,717	3,669	4,317	4,578	4,257	3,976	4,037	5,283	4,001	4,285	4,249
Sales (millions of yen)	14	14	12	11	14	14	14	12	13	17	12	14	160

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-21 Chisun Inn Kurashiki Mizushima

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.4%	77.6%	72.2%	81.1%	89.6%	85.9%	83.1%	77.2%	83.7%	84.4%	83.2%	89.4%	82.5%
ADR (yen)	5,430	5,251	5,011	5,298	5,836	5,653	5,580	5,300	5,589	6,306	5,611	5,794	5,572
RevPAR (yen)	4,473	4,078	3,619	4,297	5,227	4,855	4,640	4,090	4,680	5,322	4,668	5,182	4,597
Sales (millions of yen)	14	13	12	13	17	15	15	13	15	17	14	16	174

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-30 Chisun Inn Kagoshima Taniyama

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	71.0%	71.0%	70.5%	79.5%	73.5%	61.0%	68.6%	70.2%	76.0%	77.5%	69.1%	75.4%	71.9%
ADR (yen)	5,470	5,187	5,354	5,386	5,466	5,010	5,266	4,937	5,231	5,618	5,283	5,214	5,292
RevPAR (yen)	3,880	3,680	3,775	4,284	4,016	3,056	3,613	3,468	3,975	4,354	3,651	3,932	3,808
Sales (millions of yen)	28	28	28	30	29	23	27	25	30	32	27	29	335

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn Co., Ltd.

O-31 ANA Crowne Plaza Hiroshima

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	89.1%	71.4%	60.5%	77.6%	86.5%	83.7%	80.3%	78.3%	83.8%	90.5%	87.5%	85.9%	81.2%
ADR (yen)	12,934	11,646	10,608	10,517	11,955	14,240	13,601	11,303	13,219	16,585	12,755	15,890	13,076
RevPAR (yen)	11,528	8,316	6,422	8,163	10,336	11,913	10,924	8,855	11,076	15,014	11,162	13,654	10,624
Sales (millions of yen)	483	464	328	360	426	434	461	414	432	392	438	495	5,127

(Note 1) Results for the past year are shown, but November 2, 2015 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

O-32 ANA Crowne Plaza Fukuoka

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	92.9%	90.4%	81.1%	89.6%	90.5%	86.8%	84.6%	82.2%	86.4%	83.3%	85.5%	85.3%	86.5%
ADR (yen)	13,304	13,260	13,528	13,972	13,495	13,906	14,052	14,397	14,008	14,298	13,493	13,981	13,799
RevPAR (yen)	12,363	11,988	10,977	12,514	12,211	12,072	11,887	11,840	12,109	11,915	11,531	11,921	11,941
Sales (millions of yen)	292	276	255	283	279	242	291	263	274	228	233	288	3,205

(Note 1) Results for the past year are shown, but November 2, 2015 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

O-33 ANA Crowne Plaza Kanazawa

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	92.0%	77.6%	61.1%	82.7%	81.5%	86.4%	84.4%	87.8%	74.9%	89.3%	89.9%	88.6%	83.0%
ADR (yen)	16,993	13,731	13,213	13,709	14,559	17,399	17,929	14,095	14,848	17,895	16,524	17,806	15,851
RevPAR (yen)	15,639	10,650	8,075	11,336	11,865	15,039	15,140	12,369	11,127	15,978	14,852	15,769	13,149
Sales (millions of yen)	341	306	218	236	285	276	314	319	271	303	278	315	3,461

(Note 1) Results for the past year are shown, but November 2, 2015 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

O-34 ANA Crowne Plaza Toyama

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	80.4%	61.5%	60.4%	75.6%	69.7%	83.4%	80.4%	80.2%	76.4%	84.2%	80.6%	85.9%	76.5%
ADR (yen)	10,133	9,106	8,497	8,774	8,718	11,321	12,846	9,749	10,038	11,798	11,504	11,828	10,480
RevPAR (yen)	8,143	5,597	5,136	6,632	6,080	9,443	10,327	7,817	7,665	9,939	9,275	10,165	8,019
Sales (millions of yen)	258	209	179	150	209	218	233	264	215	215	196	244	2,590

(Note 1) Results for the past year are shown, but November 2, 2015 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

O-35 Asahikawa Grand Hotel

Operational results													
	2015		2016										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Guest room occupancy rate	64.6%	58.6%	67.4%	83.7%	61.0%	54.4%	78.9%	95.0%	98.4%	95.5%	94.8%	83.6%	78.0%
ADR (yen)	6,299	6,801	6,944	7,829	6,405	6,224	8,592	10,389	16,258	15,645	11,202	7,957	9,790
RevPAR (yen)	4,068	3,985	4,679	6,555	3,906	3,385	6,778	9,873	15,997	14,945	10,624	6,651	7,633
Sales (millions of yen)	180	240	200	193	198	150	201	249	304	277	238	210	2,641

(Note 1) Results for the past year are shown, but March 31, 2016 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee Asahikawa Grand Hotel Co., Ltd.

(h) Status of Capital Expenditures

a. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending April 2017 currently planned for assets held by HRR as of October 31, 2016, the following are the major estimated amounts. The estimated construction costs below include the portion separately charged to expenses in accounting.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of guest rooms and common-use areas	From: June 2016 To: April 2017	1,326	40	53
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of elevators	From: January 2017 To: April 2017	47	-	-
KAI Hakone	Hakone-machi, Ashigarashi mo-gun, Kanagawa	Renovation of the large public bath and guest rooms; facility maintenance investment including renovation of elevators	From: December 2016 To: January 2017	228	-	-
RISONARE Atami	Atami-shi, Shizuoka	Renovation of all guest rooms and hallways in Building B; construction of additional guest rooms in Building B	From: January 2017 To: May 2017	75	-	-
ANA Crowne Plaza Hotel Hiroshima	Hiroshima-shi, Hiroshima	Converting single rooms to double rooms; renovation of twin rooms	From: January 2017 To: March 2017	48	-	-
ANA Crowne Plaza Hotel Hiroshima	Hiroshima-shi, Hiroshima	Renovation of elevators	From: June 2016 To: January 2017	110	-	-

b. Capital Expenditures during the Period

Of construction work falling under the category of capital expenditures conducted in the fiscal period under review for assets held by HRR as of October 31, 2016, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 1,037 million yen and repair expenses separately charged to expenses amounted to 55 million yen for a combined total of 1,092 million yen of construction work implemented.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
RISONARE Atami	Atami-shi, Shizuoka	Renovation of exterior walls, and 9F and 11F interior finishing	From: May 2016 To: July 2016	246	240	246
ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa	Upgrading of banquet hall lighting control unit panel and lighting equipment	From: August 2016 To: September 2016	58	58	58
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Setting up of "Ice Skating Rink in the Forest"	From: October 2015 To: July 2016	338	338	338
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of guest rooms and common-use areas	From: June 2016 To: April 2017	1,326	40	53