

## (REIT) Financial Report for Fiscal Period Ended October 2017

December 15, 2017

REIT Securities Issuer: Hoshino Resorts REIT, Inc. Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 3287 URL: <http://www.hoshinoresorts-reit.net/>  
 Representative: Kenji Akimoto, Executive Director  
 Asset Management Company: Hoshino Resort Asset Management Co., Ltd.  
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Scheduled date of submission of securities report: January 29, 2018

Scheduled date of commencement of distributions payment: January 26, 2018

Preparation of supplementary financial results briefing materials: Yes

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 2017 (from May 1, 2017 to October 31, 2017)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Oct. 2017	4,644	4.1	2,376	4.8	2,065	8.6	2,064	8.6
Ended Apr. 2017	4,462	12.1	2,266	8.1	1,901	4.6	1,900	4.6

Fiscal period	Profit per unit	Ratio of profit to net assets	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Ended Oct. 2017	11,959	2.7	1.7	44.5
Ended Apr. 2017	11,620	2.6	1.7	42.6

## (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. 2017	11,956	2,064	0	0	100.0	2.6
Ended Apr. 2017	11,621	1,900	0	0	100.0	2.6

(Note) Since new investment units have been issued, distributions payout ratio for the fiscal period ended October 2017 is calculated using the following formula:

$$\text{Distributions payout ratio} = \text{Total distributions (excluding distributions in excess of earnings)} / \text{Profit} \times 100$$

## (3) Financial Position

Fiscal period	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Oct. 2017	126,998	79,596	62.7	460,974
Ended Apr. 2017	123,204	74,491	60.5	455,568

(4) Status of Cash Flows

Fiscal period	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Oct. 2017	3,685	(6,456)	2,882	8,569
Ended Apr. 2017	2,295	(17,409)	14,059	8,458

2. Management Status Forecast for Fiscal Period Ending April 2018 (from November 1, 2017 to April 30, 2018) and Management Status Forecast for Fiscal Period Ending October 2018 (from May 1, 2018 to October 31, 2018)  
(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Apr. 2018	5,521	18.9	3,025	27.3	2,604	26.1	2,603	26.1	12,238	0
Ending Oct. 2018	5,632	2.0	3,031	0.2	2,700	3.7	2,699	3.7	12,688	0

(Reference) Forecast profit per unit (fiscal period ending April 2018) 12,237 yen

Forecast profit per unit (fiscal period ending October 2018) 12,688 yen

Forecast profit per unit is calculated by the following formula:

Forecast profit per unit = Forecast profit / 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 2017 172,670 units Fiscal period ended April 2017 163,514 units  
 ② Number of own investment units at end of period  
 Fiscal period ended October 2017 – units Fiscal period ended April 2017 – units

(Note) For the number of investment units serving as the basis for calculation of profit per unit, please refer to “Notes on Per Unit Information” on page 40.

\* 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 (Act No. 25 of 1948, as amended; hereinafter, 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 2018 and Fiscal Period Ending October 2018” on page 22.

## 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 27, 2017).

## 2. Management Policy and Management Status

### (1) Management Policy

Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which Hoshino Resorts REIT Inc. (hereinafter “HRR”) entrusts the management of its assets, made partial changes to the asset management guidelines, which stipulate policies concerning the asset management and such of HRR, on October 11, 2017. HRR’s basic philosophy, basic policies, policy for creating portfolio, growth strategy and investment criteria subsequent to the changes are as follows. HRR submitted an extraordinary report with respect to the changes on October 11, 2017. For items other than said items, disclosure is omitted because there is no significant change from “Investment Policy,” “Investment Targets” and “Distribution Policy” in the securities report (submitted on July 27, 2017).

#### ① HRR’s Basic Philosophy

HRR aims to achieve ongoing expansion of unitholder value by investing in hotels, ryokans (Japanese-style inns) and ancillary facilities (Note 1) that serve at the core of the tourism industry and for which stable use is expected, and by working to consistently secure steady growth and earnings with respect to its assets under management from a medium- to long-term perspective.

Ever since 2003 when the government’s Japan Tourism Advisory Council (Note 2) devised its “tourism-oriented nation” strategy based on its “nation-building that provides a good living habitat and a good place to visit” plans, various measures have been implemented in Japan geared to causing tourist destinations and the tourism industry to become internationally competitive, and toward realizing the aim of making Japan a tourism-oriented nation that boasts plenty of worldwide appeal. Under such conditions, values of Japan’s tourism resources particularly in terms of its natural beauty, cultural heritage and regional diversity have been frequently identified, and the aim has been to effectively draw on such tourism resources in order to help energize regional economies and generate more employment opportunities.

While considering outcomes of such measures, the size of the Japanese tourism industry market can be readily inferred given that the nation’s internal tourism consumption (Note 3) amounted to 25.5 trillion yen (Note 4) in 2015. Moreover, it is estimated that economic impacts generated by such tourism consumption amounted to 52.1 trillion yen on output and 25.8 trillion yen on nominal GDP, which in turn generated 4.4 million jobs and 4.6 trillion yen in tax revenues (Note 4).

With respect to the tourism industry, which has such economic impacts, job-generating effects and tax revenue effects, we deem that HRR will be able to contribute to local economies in respective locations and that we will be able to position the tourism industry in key industrial fields which will be beneficial in terms of helping to energize Japan’s economy in this era where the nation’s birthrate is declining and its population is aging.

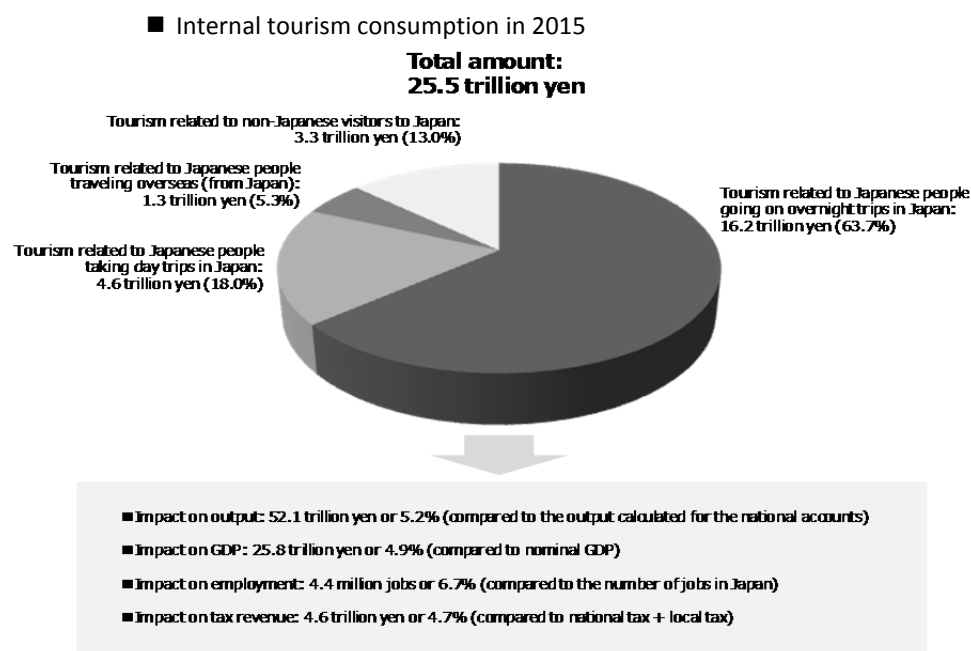
HRR aims to create a framework that will enable its unitholders to benefit from growth in Japan’s tourism industry through their holdings of investment units, and through such efforts, HRR will work to achieve ongoing gains in unitholder value.

(Note 1) “Hotel” refers to accommodation facilities mainly with western-style structures and facilities; “ryokan” to accommodation facilities mainly with Japanese-style structures and facilities, and; “ancillary facilities” to large facilities such as ski resorts, golf courses, pools and retail stores attached to hotels and ryokans. The same shall apply hereinafter.

(Note 2) The “Japan Tourism Advisory Council” refers to a conference that was held by the Japanese prime minister in January 2003 for the purpose of considering a basic vision with respect making Japan a tourism-oriented nation, on the basis of wide-ranging perspectives.

(Note 3) The amount shown for “tourism consumption” is the estimated sum total of expenditures made by tourists while traveling and for the purpose of travel (incl. expenditures made by other parties and souvenirs). The same shall apply hereinafter.

(Note 4) Source: Japan Tourism Agency “Research study on economic impacts of tourism in Japan” (2015)



(Source) Japan Tourism Agency “Research study on economic impacts of tourism in Japan” (2015)

## ② Basic Policies

### (a) Investments in Hotels, Ryokans and Ancillary Facilities

HRR invests in hotels, ryokans 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 particularly focuses investments on facilities which are expected to secure long-term and stable cash flow.

Hoshino Resorts Inc. (hereinafter “Hoshino Resorts”) and its parent company and subsidiaries (hereinafter collectively referred to as the “Hoshino Resorts Group”) operate hotels, ryokans and ancillary facilities (hereinafter may be referred to as the “properties operated by the Hoshino Resorts Group”). With respect to those properties operated by the Hoshino Resorts Group, HRR continuously invests mainly in properties under brands which HRR deems competitive (hereinafter the “main brands” and the “main brand properties,” respectively), among the sub-brands operated by the Hoshino Resorts Group in line with the aforementioned policies. The three brands that HRR considers as its main brands as of the date of this document are “HOSHINOYA,” a flagship brand of the Hoshino Resorts Group that seeks to provide overwhelmingly extraordinary services that meet global standards; “Hoshino Resorts KAI,” high-end hot spring ryokans located in renowned hot spring destinations, and, “Hoshino Resorts RISONARE,” operated under the concept of resort hotels (Note 1) enjoyed by both adults and children (hereinafter may be referred to as “HOSHINOYA,” “KAI” and “RISONARE,” respectively). HRR aims to form a portfolio conducive to securing stability of earnings by continuously investing primarily in the main brand properties as well as in other properties operated by the Hoshino Resorts Group.

In addition, also when it comes to facilities operated by operators other than the Hoshino Resorts Group, HRR aims to achieve external growth while ensuring consistent earnings through proactive investments in hotels, ryokans and ancillary facilities for which stable use is expected and which are expected to secure a long-term and stable cash flow.

Furthermore, among hotels, ryokans and ancillary facilities located abroad for which stable use is expected and which are expected to secure a long-term and stable cash flow, HRR invests in overseas properties in which the Hoshino Resorts Group is engaged (Note 2). 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 investment properties are 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.

Please refer to “③ Policy for Creating Portfolio, (a) Investment Properties” later in this document with respect to our policies for selecting specific targets of investment.

(Note 1) In this document, “resorts” are locations or holiday destinations where many people go to spend vacation and leisure time, and; “resort hotels” are hotels located in resort settings.

(Note 2) “Overseas properties in which the Hoshino Resorts Group is engaged” are those that meet either criteria below. The same shall apply hereinafter.

- 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), own and engage 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) Utilizing the operating skills of the Hoshino Resorts Group

HRR aims for stable asset management while seeking to maintain the competitiveness of assets under management by fully utilizing the Hoshino Resorts Group’s extensive expertise on facility operations, as the Group has raised its presence in the industry by expanding business and differentiating itself from other companies with its unique operating system.

As of the date of this document, the Hoshino Resorts Group has facilities in 34 locations in Japan and in two locations overseas, and the whole Group functions as a value chain. In other words, the Hoshino Resorts Group provides solutions relating to various hotels, ryokans and ancillary facilities such as in terms of their acquisitions, development, ownership/operation, revitalization, leasing, property management and various types of consulting. Accordingly, HRR fully leverages the solutions as set forth in a. through c., below.

a. Utilization of information

HRR receives information from Hoshino Resorts on the tourism industry including information concerning purchases/sales/operations of facilities owned by the Hoshino Resorts Group. HRR believes that the Hoshino Resorts Group possesses unique know-how concerning candidate property assessment, creating operation plan and property risk analysis with its wealth of experience in facility operation. HRR seeks to achieve both external and internal growth by utilizing such information as provided by the Hoshino Resorts Group.

b. External growth

Going forward, HRR intends to acquire properties with stable earning capabilities operated by the Hoshino Resorts Group by utilizing preferentially-provided property information and preferential negotiation rights based on the sponsor support agreement with Hoshino Resorts on a continuing basis.

c. Internal growth

HRR intends to select an appropriate lessee or entrusted operator for each property. If applicable, HRR will choose the Hoshino Resorts Group as the managing assets’ lessee or entrusted operator, given its accumulated know-how and “facility operation” defined as its main business field. HRR will thus take full advantage of operating skills as possessed by the Hoshino Resorts Group.

(c) Investments in properties operated by operators other than the Hoshino Resorts Group

HRR also makes proactive investments in hotels, ryokans and ancillary facilities operated by operators other than the Hoshino Resorts Group (hereinafter “properties operated by outside operators”) where stable use is expected and which are expected to secure a long-term and stable cash flow.

Specifically among the properties operated by outside operators, HRR discusses acquisition of hotels, ryokans and ancillary facilities that serve as urban tourism bases in which tourism needs that complement urban tourism are believed to exist (“urban tourism properties”) when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities” against the backdrop of urban tourism demand in cities where properties are located. (Please refer to “③ Policy for Creating Portfolio, (a) Investment Properties, b. Properties operated by outside operators” later in this document with respect to details on urban tourism, tourism needs that complement urban tourism and “superior know-how and experience” and “superior location and facilities.”) In addition, HRR will also discuss the acquisition of hotels, ryokans and ancillary facilities other than urban tourism properties (hereinafter “other properties operated by outside operators”) in

which non-urban tourism needs are believed to exist when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities.”

By utilizing i) unique networks of the Asset Management Company in the hotel/ryokan industry, ii) knowledge and experience regarding operating skills of operators, location and value of candidate properties nurtured by the Asset Management Company’s officers and employees through HRR’s asset management and in engagement in hotel/ryokan business (“ability to assess operating skills of operators, location and value of properties”), iii) and information provided by the Hoshino Resorts Group, HRR intends to acquire properties with strong earning capabilities operated by outside operators that can secure long-term and stable cash flow.

Subsequent to acquisition of any properties operated by outside operators, HRR may continue having the outside operator operate such property, or select a new outside operator other than the Hoshino Resorts Group, if it has been deemed that such facility could potentially maintain stable cash flows, particularly when a party has a deep understanding of HRR’s property features and possesses business models and know-how that are deemed to be optimum based on characteristics of the relevant properties. In such cases, HRR will aim to ensure that the outside operator operates the facility in a consistent and effective manner by drawing on know-how regarding facilities operation possessed by the Asset Management Company’s officers and employees. At the same time, HRR will take steps to reduce risks relating to outside operators by concluding backup operator agreements with the Hoshino Resorts Group as necessary, thereby accordingly providing for eventualities that include the possibility of withdrawal by the operator.

### ③ Policy for Creating Portfolio

#### (a) Investment Properties

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. HRR selects investment properties from the stance of “superior know-how and experience” and “superior location and facilities.”

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 investment properties upon their selection as follows.

##### a. Properties operated by the Hoshino Resorts Group

HRR believes that it should preferably undertake investment in main brand properties, which are operated by the Hoshino Resorts Group, taking above into consideration.

HOSHINOYA, the flagship brand of the Hoshino Resorts Group, aims to provide overwhelmingly extraordinary services that meet global standards, and accordingly HRR believes it is the brand which has caused the concept of small luxury (Note) to take hold in Japan’s domestic resort market.

Hoshino Resorts KAI, high-end hot spring ryokans, are located in renowned hot spring destinations. Small yet premium quality, they aim to provide special and comfortable overnight stays that enable guests to experience the appeal of local surroundings. HRR believes that facilities under this brand, operating under a hot spring ryokan resort business format unique to Japan, are likely to generate increased use among tourists from overseas visiting Japan as is the case with the HOSHINOYA brand. In addition, the Hoshino Resorts Group maintains a business model for this brand that entails taking over management and operations from existing ryokan facilities that have found it difficult to stay in business, particularly due to financial difficulties and a lack of successors. As such, HRR anticipates further expansion of its pipeline going forward.

Operating under the concept of a resort hotel that offers enjoyment for adults and children, Hoshino Resorts RISONARE strives to act as a brand that is preferred by families, to which end it aims to offer a wealth of activities suitable for each season, along with the appeal of gaining a sense of healing that is distinctive to the resort experience.

HRR believes the securement of stable earnings will be possible by investing in the properties of main brands. HRR intends to obtain information on the main brand properties, actively utilizing the sponsor support agreement with Hoshino Resorts. As a result, if HRR decides that facility is able to generate long-term and stable cash flow, proactive investments will be made.

In addition, HRR may invest in other properties operated by the Hoshino Resorts Group (hereinafter, “other properties of the Hoshino Resorts Group”) in cases where stable use of such properties is expected, and which are expected to secure a long-term and stable cash flow.

(Note) The “small luxury” concept with respect to facilities refers to those facilities that feature appealing options particularly in terms of cuisine, culture, scenery, natural surroundings, activities available during stays and hot springs. Such facilities focus on providing a high degree of service with a personal touch, along with a small but upscale product mix.

b. Properties operated by outside operators

As stated under “① HRR’s Basic Philosophy” earlier in this document, HRR aims to create a framework that will enable its unitholders to benefit from growth in Japan’s tourism industry through their holdings of investment units. HRR also believes that the notion of “tourism” can largely be grouped into three categories of “resort tourism,” “hot spring tourism” and “urban tourism.”

Tourism type	Summary
Resort tourism	Tourism primarily focused on staying in a resort area.
Hot spring tourism	Tourism primarily focused on recuperating in hot springs.
Urban tourism	Tourism primarily focused on enjoying historic townscapes, urban culture (including concerts, art museums and modern architecture), night views, industrial and cultural heritage sites, urban lifestyle culture (eating, shopping) and more.

(Note) These three categories of tourism are defined to pinpoint tourism needs as they uniquely apply to HRR and the Hoshino Resorts Group. Accordingly, HRR makes no representation or warranty whatsoever as to tourism needs with respect to the categories as stated.

The diverse features of respective regions throughout Japan have come to be seen as tourism resources, which is a notion included in the “tourism-oriented nation” strategy as stated under “① HRR’s Basic Philosophy” earlier in this document. Accordingly, HRR and the Hoshino Resorts Group believe that needs for urban tourism exist in cities with abundant regional features, particularly in light of initiatives taken thus far in order to leverage such tourism resources.

Securing a long-term and stable cash flow against the backdrop of urban tourism demand in accommodation facilities is possible as these facilities will become the base of urban tourism. HRR believes that demand on facilities arising from urban tourism exists and that investment in these facilities will lead to a continuous increase of unitholder value.

In addition, 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:

i. Superior know-how and experience

Whether it has a business model, brand power, etc. that can differentiate itself from competitors, and whether it is operated by an operator with extensive expertise

ii. Superior locations and facilities

Whether the facility itself possesses superiority as to its location, rarity of the building, etc.

Similar to 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 above into consideration, based on sufficient information collection by the Asset Management Company.

As stated above, HRR will gain access to information on hotels, ryokans and ancillary facilities (urban tourism properties) that act as bases for urban tourism identified as having tourism needs with respect to urban tourism operated by operators other than the Hoshino Resorts Group, with HRR actively using the

sponsor support agreement with Hoshino Resorts and proprietary networks of the Asset Management Company. As a result, HRR will actively invest in such properties when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities” against a backdrop of urban tourism demand in cities where the properties are located.

In addition, HRR will gain access to information on hotels, ryokans and ancillary facilities (other properties operated by outside operators) other than those that are urban tourism properties for which tourism needs have been identified above and beyond urban tourism. As a result, HRR will actively invest in such properties when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities.”

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 investment properties are 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.

(b) Investment period

HRR, in principle, acquires hotels, ryokans and ancillary facilities for ownership over the medium to long term.

(c) Expansion of asset size and promotion of portfolio diversification

HRR aims to reduce the risk of a significant drop in its cash flow resulting from changes in tourist needs or trends, natural disasters, domestic and overseas economic trends, etc. by diversifying its portfolio while also aiming to simultaneously strengthen stability in earnings through the expansion of asset size.

The Hoshino Resorts Group operates each facility after categorizing investment target hotels, ryokans and ancillary facilities into the brands from various perspectives. HRR aims to obtain portfolio diversification efficacy and stabilize earnings through investments not only in the singular brands of the Hoshino Resorts Group but also in properties of major brands and other properties of the Hoshino Resorts Group whose size, price settings and target customer base vary, in addition to urban tourism properties which are properties operated by outside operators, other properties operated by outside operators and overseas properties in which the Hoshino Resorts Group is engaged.

As of the date of this document, the portfolio is consisted of the following: main brand properties, other properties of the Hoshino Resorts Group, urban tourism properties constituting properties operated by outside operators, and other properties operated by outside operators. HRR believes that such facilities are expected to lead to portfolio diversification effects and stabilization of revenues.

In addition, HRR will continue consideration of active investment in properties operated by the Hoshino Resorts Group which includes the main brand properties, urban tourism properties constituting properties operated by outside operators and other properties operated by outside operators going forward.

Furthermore, HRR’s policy of ensuring diversification applies not only to diversification of investment categories, lessees and operators, but also to geographic area of facility location.

(d) Growth along with expansion of business domain of the Hoshino Resorts Group

a. Three types of tourism underpinning the tourism industry and HRR’s investment targets

As stated under “① HRR’s Basic Philosophy” earlier in this document, HRR aims to create a framework that will enable its unitholders to benefit from growth in Japan’s tourism industry through their holdings of investment units. As stated under “(a) Investment Properties, b. Properties operated by outside



operators” earlier in this document, HRR believes that the notion of “tourism” can largely be grouped into three categories of “resort tourism,” “hot spring tourism” and “urban tourism.”

b. HRR and the Hoshino Resorts Group’s entry into the “urban tourism” business

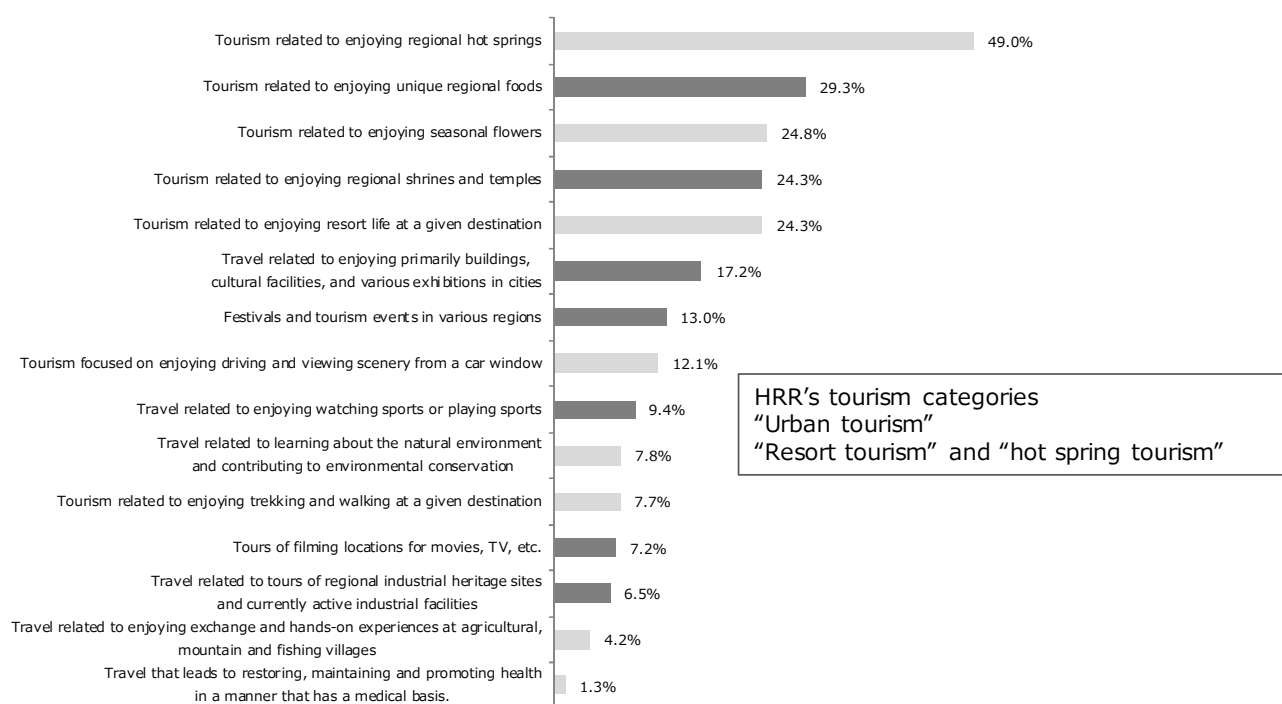
Of the three types of tourism previously noted, the Hoshino Resorts Group has been providing services under its HOSHINOYA and RISONARE brands to address needs with respect to resort tourism, and under its KAI brand to address needs with respect to hot spring tourism. Since going public, HRR has been investing in each of the three brands previously mentioned. In order to tap needs of the new type of tourism by furthermore entering the remaining business of “urban tourism,” HRR invested in 4 ANA Crowne Plaza properties (Note) in November 2015, Asahikawa Grand Hotel in March 2016, and Hyatt Regency Osaka in November 2016. On March 31, 2017, Asahikawa Grand Hotel Co., Ltd., the lessee of Asahikawa Grand Hotel, terminated the operation entrustment agreement for Asahikawa Grand Hotel that had been concluded with operator Abilitas Hospitality Co., Ltd. As a result, the lessee and management corporation Asahikawa Grand Hotel Co., Ltd., which belongs to the Hoshino Resorts Group, began to directly conduct operations from April 1, 2017. The Hoshino Resorts Group had previously been involved in just the management of Asahikawa Grand Hotel; however, this hotel is now the first hotel that Hoshino Resorts Group operates on its own in the urban tourism category. As such, the Hoshino Resorts Group could make an initial entry into the business of providing services in the field of “urban tourism” and expand its business domain. HRR believes that this was a result of growth that have been attained mutually by both HRR and the Hoshino Resorts Group, through collaborative efforts of the two in terms of the Hoshino Resorts Group providing its services in the domain of urban tourism and HRR acquiring and holding facilities geared to the urban tourism domain. The diverse features of respective regions throughout Japan have come to be seen as tourism resources, which is a notion included in the “tourism-oriented nation” strategy as stated under “① HRR’s Basic Philosophy” earlier in this document. Accordingly, HRR and the Hoshino Resorts Group believe that untapped needs for urban tourism exist in cities with abundant regional features, particularly in light of initiatives taken thus far in order to leverage such tourism resources.

According to Japan Travel and Tourism Association’s “Status and Aims of Tourism, 2016,” tourism needs such as “enjoying food,” “enjoying shrines and temples” and “enjoying buildings, cultural facilities and various exhibitions in cities,” which HRR considers to belong in the category of “urban tourism,” rank high among the types of tourism preferred by Japanese tourists in Japan. Accordingly, HRR believes that this underpins the needs prevalent in “urban tourism,” in combination with tourism needs in the categories of “resort tourism” and “hot spring tourism,” which up to this point have been the target markets of the Hoshino Resorts Group. As such, HRR believes that untapped needs of Japanese tourists traveling domestically are expanding not only to resort tourism and hot spring tourism but also to the realm of urban tourism.

(Note) The 4 ANA Crowne Plaza properties consist of ANA Crowne Plaza Hiroshima, ANA Crowne Plaza Fukuoka, ANA Crowne Plaza Kanazawa and ANA Crowne Plaza Toyama. The same applies hereinafter.

<Needs in “urban tourism” serving Japanese tourists in Japan>

· Travel preferences (multiple response format)



(Source) "Status and Aims of Tourism, 2016" Japan Travel and Tourism Association

HRR believes that such tourism needs exist with respect to urban tourism in regional cities, and consequently thinks it will be possible to secure steady cash flow over a long-term period with respect to accommodation facilities that act as bases of urban tourism located in regional cities, against a backdrop of demand involving such tourism. As such, HRR believes that investment in such business opportunities will lead to ongoing gains in unitholder value.

c. Synergies between HRR and the Hoshino Resorts Group

HRR believes that HRR and the Hoshino Resorts Group will be able to leverage synergies in the course of carrying out their respective roles as described below. As stated under "b. HRR and the Hoshino Resorts Group's entry into the 'urban tourism' business" earlier in this document, the collaborative efforts of HRR and the Hoshino Resorts Group to enter the domain of "urban tourism," which holds opportunities for growth of both entities, is one example of how the two entities have been leveraging synergies. As such, HRR believes that going forward the mutually beneficial relationship with the Hoshino Resorts Group will contribute to ongoing increases in unitholder value, gained through expansion of the asset size and earnings of HRR.

i. Role of HRR

Through its ownership of facilities, HRR provides opportunities for business expansion to the Hoshino Resorts Group overall, by promoting increases in the number facilities operated by the Hoshino Resorts Group and expansion of its business.

ii. Role of the Hoshino Resorts Group

The Hoshino Resorts Group forges new opportunities for HRR's growth by leveraging its ability to assess the tourism market and accommodation facilities, developed through many years of experience. At the same time, it provides operating skills with respect to managing facilities owned by HRR and those to be acquired by HRR going forward.

<Synergies between HRR and the Hoshino Resorts Group>



- (e) Realizing opportunities for external growth using various means in cooperation with the Hoshino Resorts Group

Since going public, HRR has been pursuing external growth using various approaches to making acquisitions, which include acquiring properties from the sponsor pipeline (utilization of sponsor support agreement), acquiring properties that have been revitalized by the Hoshino Resorts Group (utilization of revitalization know-how of the Hoshino Resorts Group), and acquiring properties leased by parties other than the Hoshino Resorts Group (unique channels of the Asset Management Company).

When it comes to operating under a challenging environment in terms of acquiring hotels, ryokans and other properties, HRR uses various approaches to pursuing acquisitions in the form of collaborative efforts taken with the Hoshino Resorts Group (collaborative investment structure), in addition to the efforts previously stated, with the aims of increasing the probability of acquiring properties and making acquisitions more efficient. In so doing, HRR strives to facilitate external growth on a continuing basis.

④ Growth Strategy

In the course of entrusting management of its assets to the Asset Management Company and focusing attention on measures to guard against business transactions that could give rise to conflicts of interest, HRR intends to take steps geared to achieving stable operations of assets under management held by HRR and steadily attaining external growth, by making the most of information, know-how, business resources related to development, operations, leasing, property management and other aspects of the hotels, ryokans and ancillary facilities held by the Hoshino Resorts Group. The Hoshino Resorts Group is a group of companies that operates resort facilities mainly of the HRR's sponsor Hoshino Resorts, and accordingly functions as a developer in terms of matters that include developing new resort facilities and handling revitalization projects in addition to operating resort facilities.

It also acquires properties operated by outside operators on the basis of information on for-sale properties that has been obtained as a result of the human network unique to the Asset Management Company along with proactive sourcing initiatives (such initiatives are geared to acquiring target investment properties, and involve efforts such as collecting information on potential investment properties and engaging in negotiations for acquiring properties). By making the most of know-how possessed by the Hoshino Resorts Group, as noted above, it aims to adequately assess such properties operated by outside operators, and aims to operate such properties in a stable and effective manner upon their acquisition.

- (a) External Growth

HRR acquires assets under management following the policy with measures below.

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

The Hoshino Resorts Group has also devised a growth strategy that involves further pursuing economies of scale going forward by increasing its number of managed facilities, primarily main brand properties, leveraging market growth potential and strengths of the operational framework unique to the Hoshino Resorts Group.

Furthermore, partially with the aim of accelerating its pace of external growth, HRR will not limit itself to acquiring properties that are owned, developed and operated by the Hoshino Resorts Group which is primarily involved with main brand properties. Instead, HRR intends to proactively acquire urban tourism properties operated by outside operators and other properties operated by outside operators for which stable use is expected and which are expected to secure a long-term and stable cash flow.

The measures for realization of external growth are as follows:

a. Utilization of Sponsor Support Agreement

HRR utilizes the comprehensive sponsor support, such as exchange of information on properties owned by the Hoshino Resorts Group, the provision of human/material resources, knowledge, experience and know-how in the tourism industry and the resort sector, etc.

On May 27, 2013, HRR and the Asset Management Company concluded a sponsor support agreement with the Hoshino Resorts Group, based on the fundamental recognition that the hotels, ryokans and ancillary facilities owned by the Hoshino Resorts Group are expected to act as a key pipeline in contributing to HRR's future external growth. The agreement was concluded for acquisition of hotels, ryokans and ancillary facilities owned by the Hoshino Resorts Group on a consistent and continuing basis, and also for HRR's efficient asset acquisition using human/material resources owned by the Hoshino Resorts Group and its knowledge, experience, know-how and networks in Japan and abroad in the tourism industry and resort domain. With the aim of ensuring that HRR achieves external growth, HRR and the Asset Management Company will preferentially acquire information related to the sales of properties in Japan owned by the Hoshino Resorts Group and information related to sales of qualified real estate owned, developed and operated by parties such as business partners of Hoshino Resorts, on the basis of the sponsor support agreement.

HRR receives other forms of support that include: (i) grant of preferential negotiation rights, (ii) assistance with asset acquisition and other such tasks, and (iii) provision of the warehousing function.

b. Utilization of revitalization know-how of the Hoshino Resorts Group

Based on the sponsor support agreement, HRR and the Asset Management Company will be provided with information on properties from Hoshino Resorts Group, and will also be provided with information on properties that have regained attractiveness through revitalization know-how of the Hoshino Resorts Group. Moreover, HRR may request the Hoshino Resorts Group to temporarily hold hotels, ryokans, and ancillary facilities that HRR wants to acquire in order to utilize the warehousing function. Over such period of warehousing, the Hoshino Resorts Group can be expected to further heighten the appeal of such facilities by making use of the Group's revitalization know-how. With respect to acquisition of facilities slated for revitalization, we believe it is possible to reduce investment risk under arrangements that involve Hoshino Resorts Group initially acquiring such facilities, with HRR subsequently acquiring such facilities at the stage where cash flow of such facilities has improved and become stable, and where they are in a state of securing stable earnings from a medium- to long-term perspective. HRR believes that these initiatives will contribute to HRR's external growth and stable earnings.

HRR expects that facilities which have been revitalized by the Hoshino Resorts Group will continue acting as a pipeline for bringing about external growth.

c. Utilization of the Asset Management Company's unique information on properties operated by outside operators

The Asset Management Company is collecting information on property acquisitions by establishing networks not only with the Hoshino Resorts Group but also with the owners and operators of hotels, ryokans and ancillary facilities across the nation. HRR will endeavor to acquire highly competitive properties by leveraging the Asset Management Company's unique ability to collect information, in addition to using information obtained from the Hoshino Resorts Group, which has been provided based on the sponsor support agreement.

i. Acquisition of properties operated by outside operators

HRR will be willing to acquire properties with no change made to the property's operator when the information on the property that HRR has obtained validates that the operator is efficiently operating the property by drawing on attributes that can be differentiated from competitors, such as business model, brand power and extensive expertise, and that the operator is capable of securing long-term and stable cash flow into the future for HRR. Specifically, (i) HRR will discuss the acquisition of urban tourism properties with respect to which tourism needs that complement urban tourism are believed to exist when it is judged that long-term and stable cash flow can be secured from the viewpoint of "superior know-how and experience" or "superior location and facilities" against the backdrop of urban tourism demand in cities where such properties are located. In addition, (ii) with respect to properties other than urban tourism properties as well, HRR will also discuss the acquisition of other properties operated by outside operators with respect to which non-urban tourism needs are believed to exist when it is judged that long-term and stable cash flow can be secured from the viewpoint of "superior know-how and experience" or "superior location and facilities."

In such cases, such property may be operated continuously by an existing operator other than the Hoshino Resorts Group, or a new operator other than the Hoshino Resorts Group may be selected. Furthermore, HRR will leverage business know-how of the Hoshino Resorts Group regarding operation of such properties, and intends to select the Group as a backup operator as necessary. Hoshino Resorts has been selected to act as backup operator with respect to the 22 Solare properties, 5 Candeo properties and 3 Greens properties (Note), which are among the assets held by HRR, and backup operator agreements have been concluded in that regard.

(Note) The "22 Solare properties" comprise the 22 budget hotel properties (hotels specifically for use as economy hotels and lodgings) which are among the assets held by HRR as of the date of this document, and operated by the Solare Group (Solare Hotels and Resorts Co., Ltd. and its subsidiaries); the "5 Candeo properties" comprise "Candeo Hotels Handa," "Candeo Hotels Chino," "Candeo Hotels Fukuyama," "Candeo Hotels Sano" and "Candeo Hotels Kameyama," and; the "3 Greens properties" comprise "Comfort Hotel Hakodate," "Comfort Hotel Tomakomai" and "Comfort Hotel Kure." The same applies hereinafter.

#### ii. Acquisition of properties operated by outside operators leveraging sponsor strengths of the Hoshino Resorts Group

When information on properties has been obtained by drawing on the Asset Management Company's unique ability to collect information, the Asset Management Company will propose various means of acquisition and operation making use of the Hoshino Resorts Group's know-how with respect to current owners and current operators, thereby making it possible for HRR not to lose the investment opportunities of acquiring properties operated by outside operators. As a result, HRR believes that this will enable it to accelerate its pace of external growth.

#### (b) Internal growth

HRR aims to realize both stable distribution and growth of distribution by maintaining and enhancing the competitiveness of facilities through expansion of either sales or profits which act as a benchmark of floating rent, and through stable and efficient operations of properties, drawing on strategies of operators and the Asset Management Company.

The measures for realization of internal growth are as follows:

##### a. Internal growth by operators and the Asset Management Company

HRR will rigorously manage its operating cash flow and rent revenue obtained from the portfolio it holds, and will take steps to maintain and improve such cash flow and rent revenue, from a shareholder's perspective.

##### i. Internal growth by operators

In the hotel and ryokan business, HRR is able to greatly separate the role of facility ownership and the role of facility operation. HRR intends to maintain/enhance the competitiveness of facilities by selecting property management operators who have a deep understanding of HRR's property features and possess business models and know-how that are deemed to be optimum based on characteristics of the relevant properties.

##### ii. Internal growth by the Asset Management Company

The Asset Management Company aims to reinforce the profitability of the portfolio by conducting operation, management and renewals for maintaining/enhancing the competitiveness of facilities.

HRR believes that the Hoshino Resorts Group possesses unique know-how with respect to properties operated by the Hoshino Resorts Group and adequately understands the features of the respective assets under management. Accordingly, HRR intends to fully draw out operating skills possessed by the Hoshino Resorts Group by entrusting the task of property management to the Hoshino Resorts Group when deemed appropriate.

Also with respect to properties operated by outside operators, HRR will select property managers as necessary who have a deep understanding of HRR's property features and possess property management know-how deemed to be optimum based on features of the relevant assets under management.

b. Introduction of floating rent linked to sales or profits

HRR will discuss introduction of floating rent linked to sales or profits in accordance with calculation method for floating rents set with consideration given to the facility's brand and operating features, in addition to the fixed rent system, in the lease agreement. HRR believes this is a system that will enable HRR to benefit from the enhanced business results of hotels, ryokans and ancillary facilities operated with the know-how of operators and lessees.

With respect to its asset holdings, HRR is striving to ensure both cash flow stability and growth potential by adequately striking a balance between fixed rents and floating rents.

In order to increase either sales or profits which act as a benchmark of floating rent, HRR will have the Asset Management Company monitor business performance, and will also execute capital expenditures in a manner that brings about improvements in the appeal and competitiveness of facilities that can generate synergies leveraging substantial facility operating skills.

<Floating rent framework>

■ Sales-linked type

- Period used for base sales for monthly floating rent (Note)
  - (i) For May to October every year, deem sales for the 12 months from April of the previous year to March of the relevant year as base sales; (ii) for November to the following April every year, deem sales for the 12 months from October of the previous year to September of the relevant year as base sales.

■ Profit-linked type

- Period used for base profits for monthly floating rent (Note)
  - (i) For May to October every year, deem profits for the 12 months from December two years prior to November of the previous year as base profits; (ii) for November to the following April every year, deem profits for the 12 months from June of the previous year to May of the relevant year as base profits.

(Note) The timing of floating rents arising and the specific calculation methods vary depending on the acquisition timing and such of each property. The lease agreement with each lessee above provides that the initial date of reckoning floating rent for RISONARE Atami and KAI Kinugawa is November 1, 2018 (12th fiscal period), KAI Kaga is May 1, 2019 (13th fiscal period), Asahikawa Grand Hotel is November 1, 2019 (14th fiscal period) and HOSHINOYA Fuji is May 1, 2020 (15th 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.

c. Maintenance/enhancement of asset value and competitiveness of the assets under management through establishment/execution of capital expenditures and repair plans from a medium- to long-term perspective

HRR will aim for stable earnings from operations by reducing the future excessive risks of major repairs, and of decreased sales resulting from deterioration of facility attractiveness through careful and sufficient capital expenditures, while at the same time making efforts to maintain/enhance the asset value and competitiveness of the assets under management from a medium- to long-term perspective. The Asset Management Company aims to further increase sales or profits by adequately carrying out work to heighten the value of properties. This involves performing detailed cost-benefit analyses taking views of

operators into account, and drawing up plans for large-scale repairs and other policies pertaining to capital expenditure.

(c) Mutually beneficial relationship with the Hoshino Resorts Group (commitment of the Hoshino Resorts Group)

a. Advantages to HRR

HRR intends to acquire facilities held by the Hoshino Resorts Group when it has been deemed that HRR is able to gain priority access to information on such facilities by taking advantage of the sponsor support agreement concluded with Hoshino Resorts, and such acquisition is likely to deliver substantial competitive strengths and stable earnings.

b. Advantages to Hoshino Resorts Group

HRR's strategy aims to achieve external growth by acquiring hotels, ryokans and ancillary facilities owned by the Hoshino Resorts Group, which is a core element of HRR's growth strategy of leveraging the value chain of the Hoshino Resorts Group. HRR believes that the strategy contributes to profits of the Hoshino Resorts Group, which defines "facility operation" as its main business domain and aims to increase the number of business locations, and that HRR's strategy is also consistent with the strategy of the Hoshino Resorts Group.

c. Realizing a mutually beneficial business model through a cycle of increasingly robust competitiveness  
HRR believes that a separation of ownership and operation in the worldwide hotel industry generally means that entities take an approach that involves leveraging synergies, taking advantage of the respective strengths of facility owners and operators. By the separation of ownership and operation, operating companies are expected to be able to improve their operating skills upon having accumulated know-how specifically involving facilities operation. By improving operating skills, operating companies are likely to achieve stable earnings with respect to facilities and growth. HRR believes this results in stable earnings for facility owners, which can furthermore increase earnings if floating rents are also introduced. Facility owners are able to acquire new facilities when earnings stability and growth is achieved. That in turn makes it possible for operating companies to become more competitive because they are then able to furthermore accumulate know-how and streamline operations upon having been entrusted with operation of a greater number of such facilities.

HRR believes that this cycle of increasingly robust competitiveness will give rise to a tight-knit mutually beneficial relationship between HRR which owns facilities and the Hoshino Resorts Group which operates such facilities. HRR aims to have the Hoshino Resorts Group operate properties for a considerable period of time, and aims to achieve stable cash flow, with respect to properties operated by the Hoshino Resorts Group (14 properties belonging to main brand properties HOSHINOYA, Hoshino Resorts KAI and Hoshino Resorts RISONARE, and also Asahikawa Grand Hotel classified under other properties of the Hoshino Resorts Group), which are among the assets held by HRR as of the date of this document. To that end, the lease agreements between HRR and the Hoshino Resorts Group pertaining to such assets stipulate a 20-year term, and prohibits early cancellation in the first ten years from the acquisition without consent of the lessor. By achieving earnings stability and growth, HRR will embark on a cycle of increasingly robust competitiveness and will seek to maximize earnings in conjunction with the Hoshino Resorts Group. Furthermore, HRR will continue striving to acquire suitable facilities upon gaining priority access to information on hotels, ryokans and ancillary facilities based on the sponsor support agreement. Meanwhile, HRR aims to heighten positive effects of the cycle of increasingly robust competitiveness by acquiring hotels, ryokans and ancillary facilities currently owned by the Hoshino Resorts Group that are not part of HRR's asset holdings, and lending such properties to the Hoshino Resorts Group.

⑤ Investment criteria

When considering investment in hotels, ryokans and ancillary facilities, HRR will comprehensively judge the pros and cons of such investment through a process that involves consideration of the competitive strengths and future prospects of such properties upon analyzing the market environment of hotels, ryokans and other such properties in Japan and abroad, and at the same time taking into account growth and earnings

potential with respect to the overall portfolio, as well as risks in that regard. 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 investment properties are located, including real estate market trends/systems 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. Furthermore, HRR will apply, in principle, the criteria described below in making decisions. However, judgments concerning overseas properties in which the Hoshino Resorts Group is engaged, the criteria described below 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 suitability for the brand of the investment properties, 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. Such locations will be selected specifically in accordance with the criteria described below.

Category	Locational criteria
Properties operated by the Hoshino Resorts Group	Locational criteria for properties operated by the Hoshino Resorts Group calls for, in principle, a property located in a resort area for which HRR has deemed has sufficient potential to attract guests or an area for which HRR has deemed could act as a resort area with sufficient potential to attract guests on the basis of growth going forward.
Properties operated by outside operators	Locational criteria for properties operated by outside operators calls for, in principle, a property located in an area which has been deemed capable of stable operation, in light of the number of guest rooms, recognition and other factors, by considering the target customer base, characteristics, etc. of hotels, ryokans and ancillary facilities.
Overseas properties in which the Hoshino Resorts Group is engaged (Note)	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.

(Note) Maximum investment ratio for overseas properties in which the Hoshino Resorts Group is engaged will be 15.0%.

(b) Investment amount

The investment amount per property will be 500 million yen or more, in principle (the investment amount at the time of acquisition converted to Japanese yen will be used for overseas properties in which the Hoshino Resorts Group is engaged and other overseas assets). Investment may also be made in properties whose investment amount per property is less than 500 million yen when such investment is deemed appropriate upon comprehensive review encompassing other factors.



(c) Acquisition price

Acquisition prices of real estate and other such assets will be judged based on the value uniquely appraised by the Asset Management Company with reference to real estate appraisal value (real estate appraisal values with respect to overseas properties in which the Hoshino Resorts Group is engaged, 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). HRR has established self-imposed rules that act as measures to prevent conflict of interest, effectively stating that when carrying out a business transaction with an interested party of the Asset Management Company, an acquisition price must not exceed the appraisal value as assessed by a real estate appraiser that is not a related party (including corporate entities).

(d) Building structure

With respect to building structure, HRR will invest in property for which it can be determined that such property poses no safety concerns as accommodation facility in terms of having sufficient strength for the purpose of use as a hotel, ryokan or ancillary facility. With respect to real estate or other such assets that will be used as a ryokan or other such facility, HRR believes that a building’s attributes such as it being in harmony with its natural surroundings or its historic architectural design lends it greater rarity in its use as a ryokan or other such facility, and contributes to its ability to attract guests and its competitiveness. Accordingly, HRR may invest in a variety of building structures of all types, including those featuring wood construction, and as such has no particular restrictions with respect to building structure.

HRR will judge whether a building has sufficient strength with reference to the Probable Maximum Loss (hereinafter “PML”) (Note) of the respective property. In case the PML of such 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. The same shall apply hereinafter.

(e) Tenants and operators

With respect to selection of tenants and operators, HRR will confirm the social credibility of such parties and will accordingly select tenants and operators who are judged as being capable of maintaining and heightening competitiveness of a respective property particularly in terms of the party possessing economic creditworthiness upon assessing and analyzing factors such as the party’s operational results and competitiveness. When HRR leases assets under management to a tenant, upon having investigated creditworthiness of the tenant, HRR will endeavor to obtain collateral appropriate to property features and the creditworthiness of the tenant (collateral including tenant leasehold and security deposits, and guarantees from parent companies and other entities).

(f) Relationship of rights

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.

(g) Operational results

HRR, in principle, will not invest in any hotels, ryokans or ancillary facilities that are not yet in operation and have accordingly not generated past operational results (includes hotels, ryokans and ancillary

facilities slated for construction or under construction; the same applies throughout this section (g)). However, HRR may invest in a hotel, ryokan or ancillary facility that is not yet in operation if HRR has deemed that such property is sufficiently likely to operate in a stable manner upon going into operation, and is likely to generate stable earnings after having been acquired by HRR.

- (h) 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 (includes shares issued and outstanding of a corporate entity (hereinafter referred to as, a “Foreign Real Property Holding Corporation”) as prescribed under Article 221-2, paragraph (1) of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Order of the Prime Minister’s Office No. 129 of 2000, as amended)).

## (2) Management Status

### ① Overview of the Fiscal Period under Review

#### (a) Brief History of the Investment Corporation

HRR invests in hotels, ryokans 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 (Act No. 198 of 1951, as amended; hereinafter, the “Investment Trusts Act”) with 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. (hereinafter “Tokyo Stock Exchange”) (securities code: 3287) on July 12, 2013. HRR has steadily expanded its asset size since that time, having additionally acquired one hotel operated by the Hoshino Resorts Group in May 2017, and having additionally acquired a ryokan annex operated by the Hoshino Resorts Group as an asset under management of HRR in July 2017, in the fiscal period under review. These brought the assets held by HRR as of the end of the fiscal period under review to 49 properties (sum total of acquisition price: 113,435 million yen).

#### (b) Investment Environment and Management Performance

The Japanese economy in the fiscal period under review continued to be on a moderate recovery trend due in part to corporate earnings improving with progress in depreciation of the yen and a pickup in the manufacturing industry on a global basis amid continued improvement in the employment and income situation. In the tourism market, the Japanese government has set the goal for the number of non-Japanese visitors to Japan (inbound tourists) at 40 million by 2020 and the goal for inbound tourist spending at 8 trillion yen by 2020, coupled also with positioning tourism as a pillar of the growth strategy. As such, the number of inbound tourists remains on the rise. 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 2017.

#### (c) Overview of Fund Procurement

In the fiscal period under review, 4,705 million yen was procured from the issuance of new investment units through primary offering on May 1, 2017; 235 million yen was procured from the issuance of new investment units through third-party allotment on May 23, 2017, and; a part of the funds procured from the primary offering were allocated to the funds for acquisition of HOSHINOYA Fuji. Remaining funds, along with the funds procured through the third-party allotment, were retained as cash on hand, of which

354 million yen has been allocated to the funds for acquisition of HOSHINOYA Kyoto Annex and to the contract price in the agreement on contracting of construction work thereof.

In addition, in order to procure funds for repayment of the principal of an existing loan due for repayment, 700 million yen was procured from debt financing on May 2, 2017, and 1,500 million yen was procured from debt financing on October 31, 2017.

Furthermore, contractual loan repayments, etc. were made, resulting in balance of loans outstanding of 42,909 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 33.8% as of October 31, 2017.

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 4,644 million yen, operating profit of 2,376 million yen, ordinary profit of 2,065 million yen and profit of 2,064 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 distributions per investment unit was thus declared to be 11,956 yen.

## ② Outlook for the Next Fiscal Period

### (a) Management Environment for the Next Fiscal Period

The Japanese economy going forward is expected to continue to trend toward moderate economic recovery due in part to the Japanese economy's recovery trend and Bank of Japan's monetary easing policies continuing, but is in a state in which there continue to be concerns of uncertainty in overseas economies, the effects of fluctuations in the financial and capital markets, etc. posing as downside risks to the economy. In addition, the Japanese government has announced tourism policies that set new goals to promote becoming a tourism nation. As such, Japanese government initiatives for addressing *minpaku* services (the provision of lodging services for a fee utilizing private homes, in whole or in part), strategic relaxation of visa requirements, etc. are expected going forward. In this manner, with large economic 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.

As stated under "(1) Management Policy, ③ Policy for Creating Portfolio, (a) Investment Properties, b. Properties operated by outside operators" earlier in this document, 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" and "superior equipment and facilities."

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 investment properties upon their selection. Details on our policies for selecting specific investment properties are stated under "(1) Management Policy, ③ Policy for Creating Portfolio, (a) Investment Properties" earlier in this document.

Furthermore, HRR aims to reduce the risk of a significant drop in its cash flow resulting from changes in tourist needs or trends, natural disasters, domestic and overseas economic trends, etc. by diversifying its portfolio while also aiming to simultaneously strengthen stability in earnings through the expansion of asset size. Details on expansion of asset size and promotion of portfolio diversification are stated under "(1) Management Policy, ③ Policy for Creating Portfolio, (c) Expansion of asset size and promotion of portfolio diversification" earlier in this document.

### (c) Management Status Outlook

The following management status is expected for the fiscal period ending April 2018 (from November 1, 2017 to April 30, 2018) and the fiscal period ending October 2018 (from May 1, 2018 to October 31, 2018). For the assumptions underlying this outlook, please refer to "Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2018 and Fiscal Period Ending October 2018" on page 22.

#### Fiscal period ending April 2018 (10th fiscal period)

Operating revenue	5,521 million yen
Operating profit	3,025 million yen
Ordinary profit	2,604 million yen
Profit	2,603 million yen
Distribution per unit	12,238 yen
Distributions in excess of earnings per unit	0 yen

Fiscal period ending October 2018 (11th fiscal period)

Operating revenue	5,632 million yen
Operating profit	3,031 million yen
Ordinary profit	2,700 million yen
Profit	2,699 million yen
Distribution per unit	12,688 yen
Distributions 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 profit, ordinary profit, profit and distributions per unit may vary due to changes in the circumstances. In addition, the forecast is not a guarantee of the amount of distributions per unit.

③ Significant Subsequent Events

(a) Issuance of New Investment Units

HRR resolved at meetings of the Board of Directors held on October 11, 2017 and October 24, 2017 on the following issuance of new investment units, and payment was completed on November 1, 2017 for the investment units through primary offering and on November 28, 2017 for the new investment units through third-party allotment.

(Issuance of new investment units through primary offering)

Number of new investment units issued:	38,160 units
Offer price:	531,508 yen per unit
Total offer price:	20,282,345,280 yen
Paid-in amount:	514,063 yen per unit
Total paid-in amount:	19,616,644,080 yen
Payment due date:	November 1, 2017

(Issuance of new investment units through third-party allotment)

Number of new investment units issued:	1,908 units
Paid-in amount:	514,063 yen per unit
Total paid-in amount:	980,832,204 yen
Payment due date:	November 28, 2017
Allottee:	Nomura Securities Co., Ltd.

(Use of funds)

The funds procured from the primary offering were allocated to part of the funds for acquisition of the real estate stated in (b) below. The funds procured through the third-party allotment are retained as cash on hand by depositing with financial institutions until expenditure, and are scheduled to be allocated to part of the funds for acquisition of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) or part of the funds for repayment of loans in the future.

(b) Acquisition of Asset

HRR acquired the following real estate (acquisition price: 29,039 million yen) on November 1, 2017.

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
HOSHINOYA Taketomi Island	Taketomi-cho, Yaeyama- gun, Okinawa	Hoshino Resort Management Co., Ltd.	4,900	November 1, 2017
the b akasaka	Minato-ku, Tokyo	Hoshino Resorts Inc.	4,860	November 1, 2017
the b sangenjaya	Setagaya-ku, Tokyo	Hoshino Resorts Inc.	4,420	November 1, 2017
the b nagoya	Nagoya-shi, Aichi	Hoshino Resorts Inc.	4,500	November 1, 2017
the b kobe	Kobe-shi, Hyogo	Hoshino Resorts Inc.	7,020	November 1, 2017
Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka	Sanei Architecture Planning Co., Ltd.	3,339	November 1, 2017
Total			29,039	—

(Note) "Acquisition price" indicates the sum of (a) sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions) and (b) 1,391 million yen of key money concerning establishment of land subleasehold for Hoshino Resort Management Co., Ltd., which is the seller-cum-land subleasehold establisher for "HOSHINOYA Taketomi Island." The acquisition price of "the b akasaka" includes the sales/purchase price (12 million yen) of equipment, etc. acquired from Hoshino Resorts Inc.,

which is the seller of the property; the acquisition price of “the b sangenjaya” includes the sales/purchase price (6 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; the acquisition price of “the b nagoya” includes the sales/purchase price (24 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; the acquisition price of “the b kobe” includes the sales/purchase price (16 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; and the acquisitions price of “Quintessa Hotel Osaka Shinsaibashi” includes the sales/purchase price (19 million yen) of equipment, etc. acquired from Core Global Management Inc., the lessee of the property.

(c) Borrowing of Funds

HRR borrowed the following funds on November 1, 2017 to be allocated to part of the funds for and expenses related to the acquisition of the real estate stated in “(b) Acquisition of Asset” above.

Floating / Fixed	Lender	Loan amount	Interest rate (Note 1)	Drawdown date	Maturity date (Note 6)	Repayment method
Floating	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 Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. Mizuho Bank, Ltd. The Senshu Ikeda Bank, Ltd.	2.5 billion yen	Base rate 1-month Japanese Yen TIBOR +0.225% (Note 2)	November 1, 2017	April 30, 2020	Lump-sum repayment 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 Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. Mizuho Bank, Ltd.	2.0 billion yen	Base rate 1-month Japanese Yen TIBOR +0.325% (Note 3)	November 1, 2017	April 28, 2022	Lump-sum repayment 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. Mizuho Bank, Ltd.	2.5 billion yen	Base rate 1-month Japanese Yen TIBOR +0.475% (Note 4)	November 1, 2017	October 31, 2023	Lump-sum repayment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited.	3.0 billion yen	Base rate 1-month Japanese Yen TIBOR +0.625% (Note 5)	November 1, 2017	April 30, 2025	Lump-sum repayment 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 at the prescribed point in time 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 payment due date), the interest rate for the number of months corresponding to the concerned 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.

- (Note 2) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.2950%.
- (Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.4295%
- (Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.6250%.
- (Note 5) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.8300%.
- (Note 6) 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.



Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2018 and Fiscal Period Ending October 2018

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>• Fiscal period ending April 2018 (10th fiscal period): from November 1, 2017 to April 30, 2018 (181 days)</li> <li>• Fiscal period ending October 2018 (11th fiscal period): from May 1, 2018 to October 31, 2018 (184 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>• The assumption is the 49 properties held as of October 31, 2017, plus HOSHINOYA Taketomi Island, the b akasaka, the b sangenjaya, the b nagoya, the b kobe and Quintessa Hotel Osaka Shinsaibashi that were acquired on November 1, 2017 (hereinafter, “6 properties acquired”), to total 55 properties held.</li> <li>• The assumption is that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) to the assets under management through October 31, 2018.</li> <li>• The actual number of properties may vary due to acquisition of new property other than the above, disposition of portfolio property, etc.</li> </ul> <p>(Note) Among the properties owned by HRR, the 22 hotel properties operated by SHR Roadside Inn Co., Ltd. are referred to as 22 Solare properties, the 5 hotel properties operated by Candeo Hospitality Management, Inc. as 5 Candeo properties, the 3 hotel properties operated by Greens Co., Ltd. as 3 Greens properties, the 4 properties operated by IHG ANA Hotels Group Japan LLC as 4 ANA Crowne Plaza properties, and the 4 properties operated by Ishin Hotels Group Co., Ltd. as 4 the b properties. The same shall apply hereinafter.</p>

- 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 5,521 million yen for the fiscal period ending April 2018 and 5,632 million yen for the fiscal period ending October 2018.
- For an approximately four-month period from January 2017 to April 2017 for RISONARE Yatsugatake and for an approximately three-month period from December 2016 to February 2017 for KAI Hakone, there were capital expenditures that involved the facilities' suspension of operations. Therefore, floating rent for RISONARE Yatsugatake for the fiscal period ending April 2018 and for the fiscal period ending October 2018, and for KAI Hakone for the fiscal period ending April 2018, 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 facilities' suspension of operations.
- Of rental revenue, the rent by rent type is assumed to be as follows:

Fiscal period ending April 2018 (10th fiscal period)

(Unit: millions of yen)

Rent type	Name of property, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
Fixed rent + Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	416	154	-	571
	RISONARE Yatsugatake	262	38	-	300
	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	67	-	300
	22 Solare properties	547	176	10	734
Fixed rent	5 Candeo properties 3 Greens properties	269	-	-	269
	Quintessa Hotel Osaka Shinsaibashi	82 (Note 3)	-	-	82
Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji HOSHINOYA Taketomi Island RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	854 (Note 4)	-	-	854
	4 ANA Crowne Plaza properties	840	668	-	1,508
	4 the b properties	520 (Note 4)	-	-	520
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	-	377	-	377
Total		4,027	1,483	10	5,521

Operating revenue

- |  |  |
|--|--|
|  | <p>(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, 3 Greens properties and Quintessa Hotel Osaka Shinsaibashi, as well as HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga, Asahikawa Grand Hotel and 4 the b properties, which will have premium fixed rent during the fiscal period ending April 2018, floating rent will not apply.</p> <p>(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from October 2016 to September 2017 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from June 2016 to May 2017 as the base profits.</p> <p>(Note 3) Regarding fixed rent for Quintessa Hotel Osaka Shinsaibashi, 6 months' worth of monthly fixed rent for the fiscal period ending April 2018 is calculated based on the fixed-term building lease agreement concluded with Core Global Management, Inc.</p> <p>(Note 4) Since HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga, Asahikawa Grand Hotel and 4 the b properties have premium fixed rents during the fiscal period ending April 2018, the premium fixed rents are indicated.</p> |
|--|--|

		Fiscal period ending October 2018 (11th fiscal period)				
		(Unit: millions of yen)				
Operating revenue	Rent type	Name of property, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
	Fixed rent + Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	416	153	-	570
		RISONARE Yatsugatake	262	84	-	346
		KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	77	-	310
		22 Solare properties	547	177	10	735
	Fixed rent	5 Candeo properties 3 Greens properties	269	-	-	269
		Quintessa Hotel Osaka Shinsaibashi	85 (Note 3)	-	-	85
	Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji HOSHINOYA Taketomi Island RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	854 (Note 4)	-	-	854
		4 ANA Crowne Plaza properties	840	697	-	1,537
		4 the b properties	265	272	-	538
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	-	384	-	384	
<b>Total</b>			<b>3,774</b>	<b>1,847</b>	<b>10</b>	<b>5,632</b>
<p>(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, 3 Greens properties and Quintessa Hotel Osaka Shinsaibashi, as well as HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel, which will have premium fixed rent during the fiscal period ending October 2018, floating rent will not apply.</p> <p>(Note 2) Sales-linked floating rent is calculated deeming sales of the 12 months from April 2017 to March 2018 as the base sales. Profit-linked floating rent is calculated deeming profits of the 12 months from December 2016 to November 2017 as the base profits.</p> <p>(Note 3) Regarding fixed rent for Quintessa Hotel Osaka Shinsaibashi, 6 months' worth of monthly fixed rent for the fiscal period ending October 2018 is calculated based on the fixed-term building lease agreement concluded with Core Global Management, Inc.</p> <p>(Note 4) Since HOSHINOYA Fuji, HOSHINOYA Taketomi Island, RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel have premium fixed rents during the fiscal period ending October 2018, the premium fixed rents are indicated.</p> <p>• For rental revenue, the assumption is that there will be no cancellation of lease agreements and no delinquent or unpaid rent by lessees.</p>						

Operating expenses	<ul style="list-style-type: none"> <li>• Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 416 million yen for the fiscal period ending April 2018 and 464 million yen for the fiscal period ending October 2018. In general, fixed asset tax, city planning tax (applicable assets only; the same shall apply hereinafter) and depreciable asset tax (applicable assets only; the same shall apply hereinafter) of acquired assets are calculated on a pro rata basis 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 HOSHINOYA Fuji, HOSHINOYA Kyoto Annex and 6 properties acquired, the assumption is that fiscal 2018 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses in part, starting from the fiscal period ending April 2018. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of 6 properties acquired is expected to be 13 million yen.</li> <li>• 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.</li> <li>• Expenses related to rent business other than depreciation and amortization, which are calculated by taking into account the factors causing fluctuation in expenses, are assumed to be 798 million yen for the fiscal period ending April 2018 and 821 million yen for the fiscal period ending October 2018.</li> <li>• Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,153 million yen for the fiscal period ending April 2018 and 1,174 million yen for the fiscal period ending October 2018.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• As non-operating expenses, public offering related expenses in the amount of 52 million yen is expected as one-off expenses for the fiscal period ending April 2018.</li> <li>• Interest expenses and other borrowing related expenses are assumed to be 369 million yen for the fiscal period ending April 2018 and 331 million yen for the fiscal period ending October 2018.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• As of the date of this document, HRR has balance of loans outstanding of 52,909 million yen.</li> <li>• For the fiscal period ending April 2018, the assumption is that 3,525 million yen of the loans will be repaid through contractual repayment.</li> <li>• The assumption is that there will be refinancing of 3,400 million yen in loans due for repayment in the fiscal period ending April 2018.</li> <li>• For the fiscal period ending October 2018, the assumption is that 3,881 million yen of the loans will be repaid through contractual repayment.</li> <li>• The assumption is that there will be refinancing of 3,788 million yen in loans due for repayment in the fiscal period ending October 2018.</li> <li>• The forecast is that LTV at the end of the fiscal period ending April 2018 is 33.4% and LTV at the end of the fiscal period ending October 2018 is 33.2%. The following formula is used in the calculation of LTV: <math display="block">\text{LTV} = \text{Balance of interest-bearing liabilities outstanding} / \text{Total assets} \times 100</math></li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• The assumption is the total number of investment units issued and outstanding as of the date of this document, which is 212,738 units.</li> <li>• 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 2018.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>• Distributions per unit (excluding distributions in excess of earnings) is calculated with the assumption being the cash distributions policy provided in the Articles of Incorporation of HRR.</li> <li>• Distributions per unit (excluding distributions 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 incurrance of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• No distribution in excess of earnings (distributions in excess of earnings per unit) is scheduled at this point in time.</li> </ul>

Other	<ul style="list-style-type: none"><li>• 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.</li><li>• The assumption is that there will be no unforeseen significant change in general economic trends, real estate market conditions, etc.</li></ul>
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(3) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities registration statement (submitted on October 11, 2017, as amended).

### 3. Financial Statements

#### (1) Balance Sheet

(Unit: thousands of yen)

	8th fiscal period (As of Apr. 30, 2017)	9th fiscal period (As of Oct. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	8,458,921	8,569,474
Operating accounts receivable	37,562	39,831
Prepaid expenses	208,782	216,258
Consumption taxes receivable	494,795	39,257
Deferred tax assets	13	13
Other	174,641	173,148
Total current assets	9,374,717	9,037,984
Non-current assets		
Property, plant and equipment		
Buildings	64,875,892	68,864,102
Accumulated depreciation	(3,586,688)	(4,497,514)
Buildings, net	61,289,204	64,366,588
Structures	1,699,933	1,882,833
Accumulated depreciation	(105,829)	(133,207)
Structures, net	1,594,104	1,749,625
Machinery and equipment	83,801	83,801
Accumulated depreciation	(27,733)	(31,351)
Machinery and equipment, net	56,067	52,450
Tools, furniture and fixtures	565,367	622,898
Accumulated depreciation	(176,673)	(245,343)
Tools, furniture and fixtures, net	388,694	377,555
Land	48,290,817	48,390,183
Construction in progress	9,968	119,217
Total property, plant and equipment	111,628,856	115,055,619
Intangible assets		
Leasehold right	1,330,286	2,062,399
Software	19,669	18,024
Total intangible assets	1,349,956	2,080,423
Investments and other assets		
Long-term prepaid expenses	513,944	449,227
Guarantee deposits	10,000	10,000
Other	326,890	364,906
Total investments and other assets	850,834	824,133
Total non-current assets	113,829,647	117,960,177
<b>Total assets</b>	<b>123,204,364</b>	<b>126,998,161</b>

(Unit: thousands of yen)

	8th fiscal period (As of Apr. 30, 2017)	9th fiscal period (As of Oct. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	1,504,584	136,989
Short-term loans payable	1,500,000	1,500,000
Current portion of long-term loans payable	4,350,724	5,906,490
Accounts payable - other	611,309	656,812
Income taxes payable	876	884
Accrued expenses	2,170	—
Advances received	769,404	807,713
<b>Total current liabilities</b>	<b>8,739,069</b>	<b>9,008,890</b>
<b>Non-current liabilities</b>		
Long-term loans payable	37,183,970	35,502,842
Tenant leasehold and security deposits	2,789,454	2,889,882
<b>Total non-current liabilities</b>	<b>39,973,424</b>	<b>38,392,724</b>
<b>Total liabilities</b>	<b>48,712,494</b>	<b>47,401,614</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	72,591,623	77,532,045
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	1,900,247	2,064,501
<b>Total surplus</b>	<b>1,900,247</b>	<b>2,064,501</b>
<b>Total unitholders' equity</b>	<b>74,491,870</b>	<b>79,596,547</b>
<b>Total net assets</b>	<b>*1 74,491,870</b>	<b>*1 79,596,547</b>
<b>Total liabilities and net assets</b>	<b>123,204,364</b>	<b>126,998,161</b>



## (2) Statement of Income

(Unit: thousands of yen)

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Operating revenue		
Lease business revenue	*1 4,462,551	*1 4,644,855
Total operating revenue	4,462,551	4,644,855
Operating expenses		
Expenses related to rent business	*1 1,682,281	*1 1,753,378
Asset management fee	372,006	396,537
Asset custody fee	3,823	4,349
Administrative service fees	18,317	17,927
Directors' compensation	2,640	3,000
Audit fee	8,200	8,233
Other operating expenses	108,298	84,663
Total operating expenses	2,195,567	2,268,090
Operating profit	2,266,983	2,376,765
Non-operating income		
Interest income	43	39
Insurance income	-	3,032
Interest on refund	47	138
Miscellaneous income	426	358
Total non-operating income	517	3,569
Non-operating expenses		
Interest expenses	196,467	196,492
Borrowing related expenses	169,958	84,750
Investment unit issuance expenses	-	33,724
Other	-	26
Total non-operating expenses	366,426	314,993
Ordinary profit	1,901,075	2,065,340
Profit before income taxes	1,901,075	2,065,340
Income taxes - current	882	890
Income taxes - deferred	0	(0)
Total income taxes	883	889
Profit	1,900,191	2,064,450
Retained earnings brought forward	55	50
Unappropriated retained earnings (undisposed loss)	1,900,247	2,064,501

## (3) Statement of Unitholders' Equity

8th fiscal period (from November 1, 2016 to April 30, 2017)

(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	72,591,623	1,815,796	1,815,796	74,407,420	74,407,420
Changes of items during period					
Dividends of surplus	-	(1,815,741)	(1,815,741)	(1,815,741)	(1,815,741)
Profit	-	1,900,191	1,900,191	1,900,191	1,900,191
Total changes of items during period	-	84,450	84,450	84,450	84,450
Balance at end of period	*1 72,591,623	1,900,247	1,900,247	74,491,870	74,491,870

9th fiscal period (from May 1, 2017 to October 31, 2017)

(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	72,591,623	1,900,247	1,900,247	74,491,870	74,491,870
Changes of items during period					
Issuance of new investment units	4,940,421	-	-	4,940,421	4,940,421
Dividends of surplus	-	(1,900,196)	(1,900,196)	(1,900,196)	(1,900,196)
Profit	-	2,064,450	2,064,450	2,064,450	2,064,450
Total changes of items during period	4,940,421	164,254	164,254	5,104,676	5,104,676
Balance at end of period	*1 77,532,045	2,064,501	2,064,501	79,596,547	79,596,547

## (4) Statement of Cash Distributions

(Unit: yen)

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
I. Unappropriated retained earnings	1,900,247,149	2,064,501,692
II. Amount of distributions [Amount of distributions per investment unit]	1,900,196,194 [11,621]	2,064,442,520 [11,956]
III. Retained earnings brought forward	50,955	59,172
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 1,900,196,194 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 2,064,442,520 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)

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,901,075	2,065,340
Depreciation	956,848	1,014,153
Loss on retirement of non-current assets	-	173
Interest income	(43)	(39)
Interest expenses	196,467	196,492
Borrowing related expenses	169,958	84,750
Investment unit issuance expenses	-	33,724
Decrease (increase) in operating accounts receivable	2,269	(2,268)
Decrease (increase) in prepaid expenses	(26,139)	(7,475)
Decrease (increase) in consumption taxes refund receivable	(426,842)	455,537
Increase (decrease) in operating accounts payable	26,797	(14,551)
Increase (decrease) in accounts payable - other	61,982	39,190
Increase (decrease) in advances received	73,731	38,309
Decrease (increase) in long-term prepaid expenses	(101,293)	64,717
Other, net	(344,600)	(83,258)
Subtotal	2,490,212	3,884,796
Interest income received	43	39
Interest expenses paid	(194,296)	(198,663)
Income taxes paid	(895)	(882)
Net cash provided by (used in) operating activities	2,295,063	3,685,290
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(17,077,804)	(5,782,274)
Purchase of intangible assets	(308,158)	(737,027)
Proceeds from tenant leasehold and security deposits	-	100,428
Payments for lease and guarantee deposits	(24,000)	(38,016)
Net cash provided by (used in) investing activities	(17,409,962)	(6,456,891)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	1,500,000	1,500,000
Decrease in short-term loans payable	-	(1,500,000)
Proceeds from long-term loans payable	14,500,000	700,000
Repayments of long-term loans payable	(125,362)	(825,362)
Proceeds from issuance of investment units	-	4,940,421
Payments for investment unit issuance expenses	-	(33,724)
Dividends paid	(1,815,097)	(1,899,182)
Net cash provided by (used in) financing activities	14,059,540	2,882,152
Net increase (decrease) in cash and cash equivalents	(1,055,358)	110,552
Cash and cash equivalents at beginning of period	9,514,280	8,458,921
Cash and cash equivalents at end of period	*1 8,458,921	*1 8,569,474

(6) Notes on the Going Concern Assumption

Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	<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 of intangible assets are as follows: Intangible assets 2-5 years</p> <p>③ Long-term prepaid expenses The straight-line method is adopted.</p>
2. Standards for revenue and expense recognition	<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>
3. Method of hedge accounting	<p>① Method of hedge accounting For interest rate swaps, special accounting is adopted.</p> <p>② Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>③ Hedging policy HRR conducts interest rate swap transactions for the purpose of hedging the risks provided in its Articles of Incorporation based on its financial policy.</p> <p>④ Method of assessment of the effectiveness of hedging Assessment of the effectiveness is omitted, because interest rate swaps meet the requirements for special accounting.</p>
4. Scope of funds in the statement of cash flows	<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>
5. Other significant matters serving as the basis for preparation of financial statements	<p>Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.</p>

## (8) Notes to the Financial Statements

## [Notes to the Balance Sheet]

- \*1 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	(Unit: thousands of yen)	
	8th fiscal period (As of Apr. 30, 2017)	9th fiscal period (As of Oct. 31, 2017)
	50,000	50,000

## [Notes to the Statement of Income]

- \*1 Breakdown of operating profit (loss) from real estate leasing

	(Unit: thousands of yen)	
	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
A. Operating revenue from real estate leasing		
Lease business revenue		
Lease business revenue	4,462,551	4,644,855
Total operating revenue from real estate leasing	4,462,551	4,644,855
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Insurance expenses	18,384	18,446
Repair expenses	83,968	54,331
Land rent	46,022	52,932
Depreciation and amortization	956,115	1,013,285
Loss on retirement of non-current assets	-	173
Taxes and dues	363,459	407,097
Other expenses	214,330	207,111
Total operating expenses from real estate leasing	1,682,281	1,753,378
C. Operating profit (loss) from real estate leasing [A – B]	2,780,269	2,891,476

## [Notes to the Statement of Unitholders' Equity]

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

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	163,514 units	172,670 units

## [Notes to the Statement of Cash Flows]

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

	(Unit: thousands of yen)	
	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Cash and deposits	8,458,921	8,569,474
Cash and cash equivalents	8,458,921	8,569,474

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	8th fiscal period (As of Apr. 30, 2017)	9th fiscal period (As of Oct. 31, 2017)
Due within 1 year	5,233,405	5,534,101
Due after 1 year	35,318,045	34,510,741
Total	40,551,450	40,044,842

[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.; however 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, 2017, 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	8,458,921	8,458,921	-
(2) Operating accounts payable	(1,504,584)	(1,504,584)	-
(3) Short-term loans payable	(1,500,000)	(1,500,000)	-
(4) Current portion of long-term loans payable	(4,350,724)	(4,351,352)	628
(5) Long-term loans payable	(37,183,970)	(37,373,649)	189,679
(6) Derivative transactions	-	-	-

The book value and fair value as of October 31, 2017, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 3)	Amount of difference
(1) Cash and deposits	8,569,474	8,569,474	-
(2) Short-term loans payable	(1,500,000)	(1,500,000)	-
(3) Current portion of long-term loans payable	(5,906,490)	(5,914,401)	7,911
(4) Long-term loans payable	(35,502,842)	(35,499,349)	(3,492)
(5) Derivative transactions	-	-	-

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

(Note 2) Method of calculation of the fair value of financial instruments and matters concerning derivative transactions

(1) Cash and deposits; (2) Operating accounts payable; (3) 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.

(4) Current portion of long-term loans payable; (5) 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 is 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. The fair value of those subject to special accounting for interest rate swaps is included in the fair value of the long-term loans payable that are the hedged items.

(6) Derivative transactions

Please refer to "Notes on Derivative Transactions" later in this document.

(Note 3) Method of calculation of the fair value of financial instruments and matters concerning derivative transactions

(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 is 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. The fair value of those subject to special accounting for interest rate swaps is included in the fair value of the long-term loans payable that are the hedged items.

(5) Derivative transactions

Please refer to "Notes on Derivative Transactions" later in this document.

(Note 4) 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)

	8th fiscal period (As of Apr. 30, 2017)	9th fiscal period (As of Oct. 31, 2017)
Tenant leasehold and security deposits	2,789,454	2,889,882



(Note 5) Amount of redemption of monetary claims scheduled to be due after the account closing date (April 30, 2017)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	8,458,921

Amount of redemption of monetary claims scheduled to be due after the account closing date (October 31, 2017)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	8,569,474

(Note 6) Amount of repayment of loans scheduled to be due after the account closing date (April 30, 2017)

(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 4 years to 5 years	Due after 5 years
Short-term loans payable	1,500,000	-	-	-	-	-
Long-term loans payable	4,350,724	4,973,990	6,285,724	7,433,853	6,617,148	11,873,255

Amount of repayment of loans scheduled to be due after the account closing date (October 31, 2017)

(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 4 years to 5 years	Due after 5 years
Short-term loans payable	1,500,000	-	-	-	-	-
Long-term loans payable	5,906,490	6,385,724	6,193,872	7,291,417	7,517,128	8,114,701

#### [Notes on Securities]

8th fiscal period (as of April 30, 2017)

Not applicable.

9th fiscal period (as of October 31, 2017)

Not applicable.

#### [Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

8th fiscal period (as of April 30, 2017)

Not applicable.

9th fiscal period (as of October 31, 2017)

Not applicable.

2. Derivative transactions to which hedge accounting is applied

8th fiscal period (as of April 30, 2017)

The following is the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting.

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	5,000,000	5,000,000	(Note)	-

(Note) Those subject to special accounting for interest rate swaps are accounted for together with the long-term loans payable that are the hedged items and the fair value is included in the fair value of "(Note 2) (5) Long-term loans payable" in "Notes on Financial Instruments; 2. Matters concerning fair value, etc. of financial instruments" earlier in this document.

9th fiscal period (as of October 31, 2017)

The following is the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting.

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	15,700,000	15,700,000	(Note)	-

(Note) Those subject to special accounting for interest rate swaps are accounted for together with the long-term loans payable that are the hedged items and the fair value is included in the fair value of “(Note 3) (4) Long-term loans payable” in “Notes on Financial Instruments; 2. Matters concerning fair value, etc. of financial instruments” earlier in this document.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.  
8th fiscal period (from November 1, 2016 to April 30, 2017)  
Not applicable.

9th fiscal period (from May 1, 2017 to October 31, 2017)  
Not applicable.

2. Affiliated company, etc.  
8th fiscal period (from November 1, 2016 to April 30, 2017)  
Not applicable.

9th fiscal period (from May 1, 2017 to October 31, 2017)  
Not applicable.

3. Fellow subsidiary, etc.  
8th fiscal period (from November 1, 2016 to April 30, 2017)  
Not applicable.

9th fiscal period (from May 1, 2017 to October 31, 2017)  
Not applicable.

4. Director, major individual unitholder, etc.  
8th fiscal period (from November 1, 2016 to April 30, 2017)  
Not applicable.

9th fiscal period (from May 1, 2017 to October 31, 2017)  
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)	
	8th fiscal period As of Apr. 30, 2017	9th fiscal period As of Oct. 31, 2017
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	13	13
Total deferred tax assets	13	13
Net deferred tax assets	13	13

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: %)	
	8th fiscal period As of Apr. 30, 2017	9th fiscal period As of Oct. 31, 2017
Statutory tax rate	31.74	31.74
[Adjustments]		
Distributions deductible for tax purpose	(31.73)	(31.73)
Other	0.03	0.03
Effective income tax rate after application of tax-effect accounting	0.05	0.04

[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, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Book value (Note 2)		
Balance at beginning of period	94,799,513	112,560,480
Amount of increase (decrease) during period	(Note 3) 17,760,966	(Note 4) 4,060,766
Balance at end of period	112,560,480	116,621,246
Fair value at end of period (Note 5)	126,965,000	132,989,000

(Note 1) For an overview of the concerned investment and rental properties, please refer to “5. Reference Information; (2) Investment Assets; ② Investment Real Estate Properties” later in this document.

(Note 2) “Book value” 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 Hyatt Regency Osaka (16,658,182 thousand yen), while the amount of decrease is mainly attributable to depreciation (886,220 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 two properties including HOSHINOYA Fuji (4,597,608 thousand yen), while the amount of decrease is mainly attributable to depreciation (941,821 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

8th fiscal period (from November 1, 2016 to April 30, 2017)

(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.	499,840	Real estate leasing business
K.K. Horizon Hotels	1,913,728	Real estate leasing business
SHR Roadside Inn Co., Ltd.	712,752	Real estate leasing business

9th fiscal period (from May 1, 2017 to October 31, 2017)

(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.	654,367	Real estate leasing business
K.K. Horizon Hotels	1,919,106	Real estate leasing business
SHR Roadside Inn Co., Ltd.	722,522	Real estate leasing business

[Notes on Per Unit Information]

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Net assets per unit	455,568 yen	460,974 yen
Profit per unit	11,620 yen	11,959 yen

(Note 1) Profit per unit is calculated by dividing profit by the daily weighted average number of investment units.

In addition, diluted profit per unit is not stated because there are no diluted investment units.

(Note 2) The following is the basis for calculation of profit per unit.

	8th fiscal period From: Nov. 1, 2016 To: Apr. 30, 2017	9th fiscal period From: May 1, 2017 To: Oct. 31, 2017
Profit (thousands of yen)	1,900,191	2,064,450
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	1,900,191	2,064,450
Average number of investment units during period (units)	163,514	172,617

[Notes on Significant Subsequent Events]

(1) Issuance of New Investment Units

HRR resolved at meetings of the Board of Directors held on October 11, 2017 and October 24, 2017 on the following issuance of new investment units, and payment was completed on November 1, 2017 for the investment units through primary offering and on November 28, 2017 for the new investment units through third-party allotment.

(Issuance of new investment units through primary offering)

Number of new investment units issued:	38,160 units
Offer price:	531,508 yen per unit
Total offer price:	20,282,345,280 yen
Paid-in amount:	514,063 yen per unit
Total paid-in amount:	19,616,644,080 yen
Payment due date:	November 1, 2017

(Issuance of new investment units through third-party allotment)

Number of new investment units issued:	1,908 units
Paid-in amount:	514,063 yen per unit
Total paid-in amount:	980,832,204 yen
Payment due date:	November 28, 2017
Allottee:	Nomura Securities Co., Ltd.

(Use of funds)

The funds procured from the primary offering were allocated to part of the funds for acquisition of the real estate stated in (2) below. The funds procured through the third-party allotment are retained as cash on hand by depositing with financial institutions until expenditure, and are scheduled to be allocated to part of the funds for acquisition of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) or part of the funds for repayment of loans in the future.

(2) Acquisition of Asset

HRR acquired the following real estate (acquisition price: 29,039 million yen) on November 1, 2017.

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
HOSHINOYA Taketomi Island	Taketomi-cho, Yaeyama- gun, Okinawa	Hoshino Resort Management Co., Ltd.	4,900	November 1, 2017
the b akasaka	Minato-ku, Tokyo	Hoshino Resorts Inc.	4,860	November 1, 2017
the b sangenjaya	Setagaya-ku, Tokyo	Hoshino Resorts Inc.	4,420	November 1, 2017
the b nagoya	Nagoya-shi, Aichi	Hoshino Resorts Inc.	4,500	November 1, 2017
the b kobe	Kobe-shi, Hyogo	Hoshino Resorts Inc.	7,020	November 1, 2017
Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka	Sanei Architecture Planning Co., Ltd.	3,339	November 1, 2017
Total			29,039	—

(Note) "Acquisition price" indicates the sum of (a) sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions) and (b) 1,391 million yen of key money concerning establishment of land subleasehold for Hoshino Resort Management Co., Ltd., which is the seller-cum-land subleasehold establisher for HOSHINOYA Taketomi Island.

The acquisition price of “the b akasaka” includes the sales/purchase price (12 million yen) of equipment, etc. acquired from Hoshino Resorts Inc., which is the seller of the property; the acquisition price of “the b sangenjaya” includes the sales/purchase price (6 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; the acquisition price of “the b nagoya” includes the sales/purchase price (24 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; the acquisition price of “the b kobe” includes the sales/purchase price (16 million yen) of equipment, etc. acquired from Hoshino Resorts Inc. which is the seller of the property; and the acquisitions price of “Quintessa Hotel Osaka Shinsaibashi” includes the sales/purchase price (19 million yen) of equipment, etc. acquired from Core Global Management Inc., the lessee of the property.



(3) Borrowing of Funds

HRR borrowed the following funds on November 1, 2017 to be allocated to part of the funds for and expenses related to the acquisition of the real estate stated in “(2) Acquisition of Asset” above.

Floating / Fixed	Lender	Loan amount	Interest rate (Note 1)	Drawdown date	Maturity date (Note 6)	Repayment method
Floating	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 Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. Mizuho Bank, Ltd. The Senshu Ikeda Bank, Ltd.	2.5 billion yen	Base rate 1-month Japanese Yen TIBOR +0.225% (Note 2)	November 1, 2017	April 30, 2020	Lump-sum repayment 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 Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. Mizuho Bank, Ltd.	2.0 billion yen	Base rate 1-month Japanese Yen TIBOR +0.325% (Note 3)	November 1, 2017	April 28, 2022	Lump-sum repayment 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. Mizuho Bank, Ltd.	2.5 billion yen	Base rate 1-month Japanese Yen TIBOR +0.475% (Note 4)	November 1, 2017	October 31, 2023	Lump-sum repayment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited.	3.0 billion yen	Base rate 1-month Japanese Yen TIBOR +0.625% (Note 5)	November 1, 2017	April 30, 2025	Lump-sum repayment 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 at the prescribed point in time 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 payment due date), the interest rate for the number of months corresponding to the concerned 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.

(Note 2) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.2950%.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.4295%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.6250%.

(Note 5) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.8300%.

(Note 6) 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.

[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.

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

HRR conducted a capital increase through public offering (8,720 units) and a capital increase through third-party allotment (436 units) in May 2017, procuring funds totaling 4,940,421 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, 2017.

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)
November 1, 2016	Split of investment units	-	72,591,623	81,757	163,514	(Note 12)
May 1, 2017	Capital increase through public offering	4,705,163	77,296,787	8,720	172,234	(Note 13)
May 23, 2017	Capital increase through third-party allotment	235,258	77,532,045	436	172,670	(Note 14)

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

(Note 2) For allocation to 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 allocation to 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 allocation to part of the funds for acquisition 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 allocation to 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 allocation to the funds for acquisition 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 allocation to part of the funds for acquisition 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 allocation to the funds for acquisition 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 allocation to part of the funds for acquisition 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 allocation to part of the funds for acquisition 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 allocation to part of the funds for acquisition 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 was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016.
- (Note 13) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 559,080 yen (paid-in amount of 539,583 yen) per unit.
- (Note 14) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 539,583 yen per unit.

#### 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	<p>April 1987 K.K. World Tokyo Head Office Accounting Division</p> <p>April 1991 Tokyo Head Office Finance Division</p> <p>November 1992 K.K. NHV Hotels International Head of Finance Section, Accounting Division</p> <p>May 1996 The Windsor Hotels International Co., Ltd. Audit &amp; Supervisory Board Member</p> <p>April 1997 The Windsor Hotels International Co., Ltd. Toya General Manager of Accounting Division</p> <p>May 1998 Ichibanya Co., Ltd. Accounting Division</p> <p>December 1998 Hoshino Resorts Inc. Director of Finance &amp; Accounting Unit</p> <p>June 2009 Head of Corporate Planning Office</p> <p>September 2010 Head of Financial Strategy Office</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. President &amp; CEO (current position)</p> <p>March 2013 Hoshino Resorts REIT, Inc. Executive Director (current position)</p>	0
Supervisory Director	Hiroshi Shinagawa	<p>October 2002 Registered as attorney</p> <p>October 2002 Hamada &amp; Matsumoto</p> <p>September 2008 Intern at Alston &amp; Bird LLP</p> <p>September 2009 Seconded to Morgan Stanley Japan Securities Co., Ltd. Investment Banking Department</p> <p>October 2010 Mori Hamada &amp; Matsumoto</p> <p>January 2012 Kinkadori Law Office (current position)</p> <p>March 2013 Hoshino Resorts REIT, Inc. Supervisory Director (current position)</p> <p>June 2015 Mirai Works Inc. Audit &amp; Supervisory Board Member (current position)</p> <p>March 2016 Advanced Cell Technology and Engineering Ltd. Audit &amp; Supervisory Board Member (current position)</p> <p>July 2017 incurion group, Inc. Outside Audit &amp; Supervisory Board Member (current position)</p>	0

Title	Name	Career summary	Number of investment units held (units)
Supervisory Director	Yukiko Fujikawa	October 1988 Chuo Shinko Audit Corporation 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) January 2017 Organization for Technical Intern Training Auditor (current position)	0

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

(Note 2) At the Third 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 & CFO, and General Manager of Finance & Administration 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 & CIO, and General Manager of Asset Management Department	Takayuki Kanaya	<p>April 2004 Mitsui Real Estate Sales Co., Ltd. Residential Marketing Department</p> <p>January 2005 ZECS Co., Ltd. Real Estate Business Development Division</p> <p>July 2008 K.K. daVinci Advisors Acquisition Team</p> <p>November 2008 K.K. daVinci Support Investment Management Division</p> <p>November 2009 K.K. daVinci Advisors Asset Management Team</p> <p>January 2011 Acquisition Team</p> <p>March 2012 Hoshino Resorts Inc. Planning &amp; Development Division</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Investment Management Department</p> <p>February 2017 Hoshino Resort Asset Management Co., Ltd. Director &amp; CIO, and General Manager of Asset Management Department I (current position)</p>	0
Director & CFO, and General Manager of Finance & Administration Department	Tetsuro Takashi	<p>April 1997 Dai-ichi Hoki Shuppan K.K.</p> <p>November 2004 Hoshino Resorts Inc. Finance &amp; Accounting Unit</p> <p>December 2005 Director of Purchasing Unit</p> <p>June 2009 Internal Governance Development Project Team</p> <p>September 2009 Internal Governance Development Project Team, and Director of Group General Affairs Unit</p> <p>February 2010 Hoshino Resorts Inc. Audit &amp; Supervisory Board Member</p> <p>May 2010 K.K. Commenda Audit &amp; Supervisory Board Member</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Finance &amp; Administration Department</p> <p>December 2016 Hoshino Resort Asset Management Co., Ltd. Director &amp; CFO, and General Manager of Corporate Planning Department</p> <p>February 2017 Hoshino Resort Asset Management Co., Ltd. Director &amp; CFO, and General Manager of Finance &amp; Administration Department (current position)</p>	0

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 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, 2017 (end of the 9th fiscal period).

Asset type	Asset use	Prefectural location	Name of property	9th fiscal period (as of Oct. 31, 2017)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	7,489	5.9
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,319	2.6
	Hotel	Yamanashi	HOSHINOYA Fuji	4,164	3.3
	Hotel	Yamanashi	RISONARE Yatsugatake	5,837	4.6
	Hotel	Shizuoka	RISONARE Atami	4,203	3.3
	Ryokan	Nagano	KAI Matsumoto	623	0.5
	Ryokan	Shimane	KAI Izumo	725	0.6
	Ryokan	Shizuoka	KAI Ito	704	0.6
	Ryokan	Kanagawa	KAI Hakone	1,166	0.9
	Ryokan	Oita	KAI Aso	620	0.5
	Ryokan	Tochigi	KAI Kawaji	987	0.8
	Ryokan	Tochigi	KAI Kinugawa	3,066	2.4
	Ryokan	Ishikawa	KAI Kaga	3,163	2.5
	Hotel	Hokkaido	Asahikawa Grand Hotel	4,740	3.7
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,903	14.1
	Hotel	Fukuoka	ANA Crowne Plaza Fukuoka	7,683	6.1
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,734	5.3
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,978	3.1
	Hotel	Osaka	Hyatt Regency Osaka	16,504	13.0
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	680	0.5
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	744	0.6
	Hotel	Nagano	Chisun Inn Suwa IC	665	0.5
	Hotel	Aichi	Chisun Inn Toyokawa IC	607	0.5
	Hotel	Saga	Chisun Inn Tosu	503	0.4
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	795	0.6
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	607	0.5
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	715	0.6
	Hotel	Fukui	Chisun Inn Fukui	643	0.5
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	658	0.5
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	617	0.5
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	612	0.5
	Hotel	Ibaraki	Chisun Inn Hitachinaka	713	0.6
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	756	0.6
Hotel	Yamanashi	Chisun Inn Kofu Isawa	639	0.5	
Hotel	Kagawa	Chisun Inn Marugame Zentsuji	575	0.5	
Hotel	Fukuoka	Chisun Inn Munakata	491	0.4	

Asset type	Asset use	Prefectural location	Name of property	9th fiscal period (as of Oct. 31, 2017)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	686	0.5
	Hotel	Nagano	Chisun Inn Karuizawa	787	0.6
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	605	0.5
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	708	0.6
	Hotel	Aichi	Candeo Hotels Handa	612	0.5
	Hotel	Nagano	Candeo Hotels Chino	782	0.6
	Hotel	Hiroshima	Candeo Hotels Fukuyama	1,052	0.8
	Hotel	Tochigi	Candeo Hotels Sano	1,239	1.0
	Hotel	Mie	Candeo Hotels Kameyama	477	0.4
	Hotel	Hokkaido	Comfort Hotel Hakodate	938	0.7
	Hotel	Hokkaido	Comfort Hotel Tomakomai	963	0.8
	Hotel	Hiroshima	Comfort Hotel Kure	1,121	0.9
	Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	2,001	1.6
Real estate subtotal				116,621	91.8
Deposits and other assets				10,376	8.2
Total assets (Note 3)				126,998	100.0
Total liabilities (Note 3)				47,401	37.3
Total net assets (Note 3)				79,596	62.7

(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, 2017 (end of the 9th fiscal period).

(a) Acquisition Price, Book Value, Estimated Value at End of Period, Share of Investment, Etc.

Investment category	Property no.	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)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	7,489	11,600	6.7	NV
		H-2	HOSHINOYA Kyoto	2,878	3,319	4,260	2.5	NV
		H-3	HOSHINOYA Fuji	4,160	4,164	4,320	3.7	NV
		Subtotal		14,638	14,973	20,180	12.9	–
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,837	6,690	4.0	NV
		R-2	RISONARE Atami	3,750	4,203	4,230	3.3	NV
		Subtotal		8,250	10,040	10,920	7.3	–
	KAI	K-1	KAI Matsumoto	600	623	799	0.5	MSK
		K-2	KAI Izumo	680	725	862	0.6	MSK
		K-3	KAI Ito	670	704	971	0.6	MSK
		K-4	KAI Hakone	950	1,166	1,270	0.8	MSK
		K-5	KAI Aso	575	620	689	0.5	MSK
		K-6	KAI Kawaji	1,000	987	1,160	0.9	MSK
		K-7	KAI Kinugawa	3,080	3,066	3,280	2.7	MSK
		K-8	KAI Kaga	3,160	3,163	3,380	2.8	MSK
	Subtotal		10,715	11,057	12,411	9.4	–	
	Other	O-35	Asahikawa Grand Hotel	4,619	4,740	4,780	4.1	RC
		Subtotal		4,619	4,740	4,780	4.1	–
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,903	20,000	15.7
O-32			ANA Crowne Plaza Fukuoka	7,599	7,683	8,780	6.7	RC
O-33			ANA Crowne Plaza Kanazawa	6,609	6,734	7,180	5.8	RC
O-34			ANA Crowne Plaza Toyama	4,008	3,978	4,450	3.5	RC
O-36			Hyatt Regency Osaka	16,000	16,504	16,700	14.1	NV
Subtotal			52,000	52,805	57,110	45.8	–	

Investment category	Property no.	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)	
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	672	680	815	0.6	NV
		O-2	Chisun Inn Sano Fujioka IC	742	744	911	0.7	MSK
		O-3	Chisun Inn Suwa IC	658	665	828	0.6	NV
		O-4	Chisun Inn Toyokawa IC	602	607	730	0.5	NV
		O-5	Chisun Inn Tosu	504	503	648	0.4	NV
		O-6	Chisun Inn Chiba Hamano R16	798	795	1,020	0.7	MSK
		O-7	Chisun Inn Kumamoto Miyukifueda	616	607	738	0.5	NV
		O-8	Chisun Inn Utsunomiya Kanuma	714	715	847	0.6	MSK
		O-9	Chisun Inn Fukui	644	643	769	0.6	NV
		O-10	Chisun Inn Fukushima Nishi IC	672	658	786	0.6	MSK
		O-11	Chisun Inn Niigata Chuo IC	630	617	775	0.6	NV
		O-12	Chisun Inn Nagasaki Airport	630	612	755	0.6	NV
		O-13	Chisun Inn Hitachinaka	742	713	920	0.7	MSK
		O-14	Chisun Inn Tsuchiura Ami	770	756	921	0.7	MSK
		O-15	Chisun Inn Kofu Isawa	658	639	788	0.6	NV
		O-16	Chisun Inn Marugame Zentsuji	588	575	730	0.5	NV
		O-17	Chisun Inn Munakata	504	491	621	0.4	NV
		O-18	Chisun Inn Iwate Ichinoseki IC	700	686	776	0.6	MSK
		O-19	Chisun Inn Karuizawa	812	787	1,090	0.7	NV
		O-20	Chisun Inn Himeji Yumesakibashi	616	605	734	0.5	NV
		O-21	Chisun Inn Kurashiki Mizushima	728	708	866	0.6	NV
		O-22	Candeo Hotels Handa	620	612	693	0.5	RC
		O-23	Candeo Hotels Chino	793	782	914	0.7	RC
		O-24	Candeo Hotels Fukuyama	1,075	1,052	1,240	0.9	RC
		O-25	Candeo Hotels Sano	1,260	1,239	1,460	1.1	RC
		O-26	Candeo Hotels Kameyama	470	477	533	0.4	RC
		O-27	Comfort Hotel Hakodate	937	938	1,050	0.8	NV
		O-28	Comfort Hotel Tomakomai	963	963	1,080	0.8	NV
		O-29	Comfort Hotel Kure	1,100	1,121	1,230	1.0	NV
		O-30	Chisun Inn Kagoshima Taniyama	1,995	2,001	2,320	1.8	RC
		Subtotal	23,213	23,004	27,588	20.5	–	
		Total	113,435	116,621	132,989	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 period" is the appraisal value stated in the real estate appraisal report with October 31, 2017 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 Sogo Kantei K.K. (Morii Appraisal & Investment Consulting Inc.)

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

## (b) Location, Area, Size, Etc.

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasakugun, Nagano (Chubu region)	78,888.26 (Note 4)	11,723.61	February 2002 (Tombo-no-yu; Sonmin Shokudo) / April 2005 (HOSHINOYA) / June 2009 (Harunire Terrace) / July 2016 (Ice Skating Rink in the Forest)	630	11,723.61	11,723.61	1(14)	77
		H-2	HOSHINOYA Kyoto	Kyoto-shi, Kyoto (Kinki region)	10,456.38	3,075.70	Unknown (main wing; new construction) (Note 5) / October 2009 (main wing; renovation) / June 2017 (annex)	203	3,097.69	3,097.69	1(0)	25
		H-3	HOSHINOYA Fuji	Fujikawaguchikomachi, Minamitsurugun, Yamanashi (Chubu region)	74,772.03 (Note 6)	2,103.55	August 2015	284	2,103.55	2,103.55	1(0)	40
		Subtotal			164,116.67	16,902.86	–	1,118	16,924.85	16,924.85	3(14)	142
	RISONARE	R-1	RISONARE Yatsugatake	Hokuto-shi, Yamanashi (Chubu region)	75,831.81 (Note 7)	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(18)	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)	77
		Subtotal			140,993.25	57,238.63	–	838	57,238.63	57,238.63	2(18)	249
	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 8)	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, Ashigarashimogun, Kanagawa (Kanto region)	9,723.04	4,649.67	July 1987	95	4,649.67	4,649.67	1(0)	32
		K-5	KAI Aso	Kokonoemachi, 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 9)	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

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by the Hoshino Resorts Group	KAI	K-8	KAI Kaga	Kaga-shi, Ishikawa (Hokuriku region)	1,796.81	5,159.46	September 2015 (new wing) / March 1967; partly unknown (old wing) (Note 10)	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)	278
	Other	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			4,278.02	25,715.20	–	364	25,715.20	25,715.20	1(5)	237
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 11)	42,727.85 (Note 12)	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(5)	320
		O-33	ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 13)	61,448.41 (Note 14)	March 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 15)	26,209.92 (Note 16)	June 1999	240	21,600.11	21,600.11	1(7)	251
		O-36	Hyatt Regency Osaka	Osaka-shi, Osaka (Kinki region)	30,483.14	80,197.60	April 1994 (hotel building) / July 2012 (chapel building (Le Salon Blanc))	720	80,197.60	80,197.60	1(7)	480
		Subtotal			51,056.73	237,956.52	–	2,400	185,337.45	185,337.45	5(31)	1,709
	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	Oct. 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	

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by outside operators	Other	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
		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 17)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 18)	1,968.02 (Note 18)	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 19)	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 20)	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 21)	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)	491.82	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

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by outside operators	Other	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
		O-30	Chisun Inn Kagoshima Taniyama	Kagoshima-shi, Kagoshima (Kyushu-Okinawa region)	3,521.52	8,066.36	May 2009	96	8,066.36	8,066.36	1(1)	217
		Subtotal			84,661.42	76,208.80	–	1,633	76,208.80	76,208.80	30(3)	3,319
Total				546,720.16	453,070.70	–	7,231	400,473.62	400,473.62	49(71)	5,934	

(Note 1) Based on lease agreements valid as of October 31, 2017. 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, and in the case of Hyatt Regency Osaka, rent comprises floating rent only), but the entry under "Annual rent" for the properties other than Hyatt Regency Osaka 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 RISONARE Atami and KAI Kinugawa to have a premium for a limited period from November 2, 2015 to October 31, 2018, KAI Kaga to have a premium for a limited period from May 2, 2016 to April 30, 2019, Asahikawa Grand Hotel to have a premium for a limited period from March 31, 2016 to October 31, 2019, and HOSHINOYA Fuji to have a premium for a limited period from May 1, 2017 to April 30, 2020, 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, 2017. 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 and KAI Kinugawa is November 1, 2018 (12th fiscal period), KAI Kaga is May 1, 2019 (13th fiscal period), Asahikawa Grand Hotel is November 1, 2019 (14th fiscal period) and HOSHINOYA Fuji is May 1, 2020 (15th 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. For Hyatt Regency Osaka, it is the amount arrived at when the floating rent as of October 31, 2017 calculated in accordance with the lease agreement on the building is annualized by multiplying by 12. The same shall apply hereinafter.

(Note 2) Based on lease agreements valid as of October 31, 2017. 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, 2017, 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 relative documentation from the previous owner.

(Note 6) HRR owns the building only and does not own the land. The land is subleased from the lessee.

(Note 7) HRR owns a portion (20,557.00m<sup>2</sup>) of the land only and leases the other portion (55,274.81m<sup>2</sup>) from the owner.

(Note 8) HRR leases a portion (2,966.21m<sup>2</sup>) of the land from the owner.

(Note 9) HRR leases a portion (696.95m<sup>2</sup>) of the land from the owner.

(Note 10) Used as storage space for bedding and not for lodging as of October 31, 2017.

(Note 11) 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 12) 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 13) 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 14) 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 15) HRR owns the building only and does not own the land. The land is leased from the owner.

(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 (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.

(Note 17) 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, 2017. 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 18) 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, 2017, but the entries under "Leased area" and "Leasable area" are the leased area and leasable area of the building.

(Note 19) HRR leases a portion (991.72m<sup>2</sup>) of the land from the owner.

(Note 20) HRR owns the building only and does not own the land. The land is leased from the owner.

(Note 21) HRR leases a portion (740.62m<sup>2</sup>) of the land from the owner.

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

The following is a summary of the real estate appraisal report, etc. with October 31, 2017 as the date of value.

Investment category	Property no.	Assets 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 (%)				
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	NV	11,600	11,600	5.2	11,500	5.2	5.7	620	8.2	
		H-2	HOSHINOYA Kyoto	NV	4,260	4,210	5.8	4,310	5.4	6.2	246	8.6	
		H-3	HOSHINOYA Fuji	NV	4,320	4,350	6.1	4,280	5.8	6.3	268	6.4	
		Subtotal				20,180	20,160	-	20,090	-	-	1,134	7.7
	RISONARE	R-1	RISONARE Yatsugatake	NV	6,690	6,500	5.5	6,870	5.5	6.0	473	10.5	
		R-2	RISONARE Atami	NV	4,230	4,210	5.3	4,240	5.0	5.5	281	7.5	
		Subtotal				10,920	10,710	-	11,110	-	-	754	9.1
	KAI	K-1	KAI Matsumoto	MSK	799	806	5.8	791	5.6	6.0	63	10.5	
		K-2	KAI Izumo	MSK	862	867	6.0	856	5.8	6.2	62	9.1	
		K-3	KAI Ito	MSK	971	978	5.8	964	5.6	6.0	73	11.0	
		K-4	KAI Hakone	MSK	1,270	1,280	5.7	1,250	5.5	5.9	87	9.2	
		K-5	KAI Aso	MSK	689	696	6.1	682	5.9	6.3	46	8.0	
		K-6	KAI Kawaji	MSK	1,160	1,170	5.8	1,140	5.6	6.0	85	8.5	
		K-7	KAI Kinugawa	MSK	3,280	3,320	5.5	3,240	5.3	5.7	183	5.9	
		K-8	KAI Kaga	MSK	3,380	3,420	5.5	3,340	5.3	5.7	191	6.0	
		Subtotal				12,411	12,537	-	12,263	-	-	791	7.4
	Other	O-35	Asahikawa Grand Hotel	RC	4,780	4,680	4.8	4,820	4.6	5.0	338	7.3	
		Subtotal				4,780	4,680	-	4,820	-	-	338	7.3
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	RC	20,000	20,200	4.4	19,900	4.2	4.6	1,041	5.9
			O-32	ANA Crowne Plaza Fukuoka	RC	8,780	8,780	4.3	8,780	4.1	4.5	485	6.4
O-33			ANA Crowne Plaza Kanazawa	RC	7,180	7,240	4.6	7,160	4.4	4.8	426	6.4	
O-34			ANA Crowne Plaza Toyama	RC	4,450	4,380	4.7	4,480	4.5	4.9	303	7.6	
O-36			Hyatt Regency Osaka	NV	16,700	16,700	4.5	16,700	4.2	4.7	992	6.2	
Subtotal				57,110	57,300	-	57,020	-	-	3,248	6.2		
Other		O-1	Chisun Inn Shiojiri Kita IC	NV	815	816	5.9	813	5.7	6.1	50	7.5	
		O-2	Chisun Inn Sano Fujioka IC	MSK	911	920	5.8	901	5.6	6.0	56	7.5	
		O-3	Chisun Inn Suwa IC	NV	828	811	6.0	828	5.8	6.2	51	7.7	
		O-4	Chisun Inn Toyokawa IC	NV	730	729	5.9	730	5.7	6.1	45	7.5	
		O-5	Chisun Inn Tosu	NV	648	645	6.0	650	5.8	6.3	41	8.1	
		O-6	Chisun Inn Chiba Hamano R16	MSK	1,020	1,030	5.5	1,010	5.3	5.7	59	7.4	

Investment category	Property no.	Assets 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 (%)				
Properties operated by outside operators	Other	O-7	Chisun Inn Kumamoto Miyukifueda	NV	738	732	6.2	744	6.0	6.5	47	7.7	
		O-8	Chisun Inn Utsunomiya Kanuma	MSK	847	855	5.9	838	5.7	6.1	53	7.4	
		O-9	Chisun Inn Fukui	NV	769	763	6.2	774	6.0	6.4	50	7.7	
		O-10	Chisun Inn Fukushima Nishi IC	MSK	786	792	6.0	780	5.8	6.2	50	7.4	
		O-11	Chisun Inn Niigata Chuo IC	NV	775	773	6.0	776	5.8	6.2	49	7.7	
		O-12	Chisun Inn Nagasaki Airport	NV	755	752	6.0	757	5.8	6.2	47	7.5	
		O-13	Chisun Inn Hitachinaka	MSK	920	930	5.7	910	5.5	5.9	55	7.5	
		O-14	Chisun Inn Tsuchiura Ami	MSK	921	932	5.7	910	5.5	5.9	55	7.2	
		O-15	Chisun Inn Kofu Isawa	NV	788	790	6.1	785	5.9	6.3	50	7.6	
		O-16	Chisun Inn Marugame Zentsuji	NV	730	723	6.2	737	6.0	6.4	47	8.0	
		O-17	Chisun Inn Munakata	NV	621	623	6.1	619	5.9	6.4	40	8.0	
		O-18	Chisun Inn Iwate Ichinoseki IC	MSK	776	785	6.0	767	5.8	6.2	50	7.1	
		O-19	Chisun Inn Karuizawa	NV	1,090	1,080	6.0	1,100	5.8	6.2	67	8.2	
		O-20	Chisun Inn Himeji Yumesakibashi	NV	734	734	6.2	734	6.0	6.4	48	7.7	
		O-21	Chisun Inn Kurashiki Mizushima	NV	866	862	6.0	869	5.8	6.2	54	7.4	
		O-22	Candeo Hotels Handa	RC	693	689	5.4	694	5.2	5.6	41	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	533	529	5.5	534	5.3	5.7	33	7.1	
		O-27	Comfort Hotel Hakodate	NV	1,050	1,050	5.2	1,040	5.0	5.4	59	6.3	
		O-28	Comfort Hotel Tomakomai	NV	1,080	1,080	5.3	1,070	5.1	5.5	61	6.3	
		O-29	Comfort Hotel Kure	NV	1,230	1,240	5.1	1,220	4.9	5.3	68	6.1	
		O-30	Chisun Inn Kagoshima Taniyama	RC	2,320	2,330	5.5	2,310	5.3	5.7	136	6.8	
		Subtotal				27,588	27,620	-	27,503	-	-	1,664	7.2
		Total				132,989	133,007	-	132,806	-	-	7,927	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 Sogo Kantei K.K. (Morii Appraisal & Investment Consulting Inc.)

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

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2017 as the date of value. Furthermore, "Appraisal value" is rounded down 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 and amortization. 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 rent		Leased area	
				(millions of yen)	Share (%) (Note 1)	(m <sup>2</sup> ) (Note 2)	Share (%) (Note 3)
K.K. Horizon Hotels	Hotel	RISONARE Yatsugatake	July 15, 2033	525	7.3	33,853.45	8.5
		RISONARE Atami	November 1, 2035	313	4.3	23,385.18	5.8
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	8.4	32,332.00	8.1
		ANA Crowne Plaza Fukuoka	November 1, 2035	288	4.0	27,372.74	6.8
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	7.6	23,835.00	6.0
		ANA Crowne Plaza Toyama	November 1, 2035	240	3.3	21,600.11	5.4
		Total		2,518	34.8	162,378.48	40.5
HRO Inc.	Hotel	Hyatt Regency Osaka	October 31, 2036	720	10.0	80,197.60	20.0
		Total		720	10.0	80,197.60	20.0
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.7	2,100.47	0.5
		Chisun Inn Sano Fujioka IC	May 1, 2024	52	0.7	1,968.91	0.5
		Chisun Inn Suwa IC	May 1, 2024	46	0.6	1,944.94	0.5
		Chisun Inn Toyokawa IC	May 1, 2024	42	0.6	2,040.09	0.5
		Chisun Inn Tosu	May 1, 2024	36	0.5	1,968.02	0.5
		Chisun Inn Chiba Hamano R16	May 1, 2024	57	0.8	2,023.29	0.5
		Chisun Inn Kumamoto Miyukifueda	May 1, 2024	43	0.6	2,094.77	0.5
		Chisun Inn Utsunomiya Kanuma	May 1, 2024	51	0.7	2,094.16	0.5
		Chisun Inn Fukui	May 1, 2024	45	0.6	2,094.01	0.5
		Chisun Inn Fukushima Nishi IC	May 1, 2024	48	0.7	2,094.01	0.5
		Chisun Inn Niigata Chuo IC	May 1, 2024	45	0.6	2,094.16	0.5
		Chisun Inn Nagasaki Airport	May 1, 2024	45	0.6	1,968.02	0.5
		Chisun Inn Hitachinaka	May 1, 2024	52	0.7	1,968.30	0.5
		Chisun Inn Tsuchiura Ami	May 1, 2024	54	0.8	1,968.03	0.5
		Chisun Inn Kofu Isawa	May 1, 2024	46	0.6	1,968.47	0.5
		Chisun Inn Marugame Zentsuji	May 1, 2024	42	0.6	2,094.16	0.5
		Chisun Inn Munakata	May 1, 2024	36	0.5	2,094.16	0.5
		Chisun Inn Iwate Ichinoseki IC	May 1, 2024 (Note 4)	49	0.7	1,968.02	0.5
		Chisun Inn Karuizawa	May 1, 2024	57	0.8	1,917.10	0.5
		Chisun Inn Himeji Yumesakibashi	May 1, 2024	43	0.6	2,406.95	0.6
		Chisun Inn Kurashiki Mizushima	May 1, 2024	51	0.7	2,094.16	0.5
		Chisun Inn Kagoshima Taniyama	May 2, 2024	96	1.3	8,066.36	2.0
Total		1,095	15.1	51,030.56	12.7		

(Note 1) Annual rent share of the property is the percentage of each property's annual rent against the total annual rent of the entire portfolio.

(Note 2) Based on lease agreements valid as of October 31, 2017.

(Note 3) Leased area share of the property is the percentage of each property's leased area against the total leased area of the entire portfolio.

(Note 4) 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, 2017. 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 investment category

Investment category		Number of properties	Acquisition price (millions of yen)	Share (%)
Properties operated by the Hoshino Resorts Group	HOSHINOYA	3	14,638	12.9
	RISONARE	2	8,250	7.3
	KAI	8	10,715	9.4
	Other	1	4,619	4.1
	Subtotal	14	38,222	33.7
Properties operated by outside operators	Urban tourism	5	52,000	45.8
	Other	30	23,213	20.5
	Subtotal	35	75,213	66.3
Total		49	113,435	100.0

## b. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	7.0
Kanto region	9	10,056	8.9
Hokuriku region	4	14,421	12.7
Chubu region	15	27,195	24.0
Kinki region	3	19,494	17.2
Chugoku-Shikoku region	6	21,955	19.4
Kyushu-Okinawa region	7	12,423	11.0
Total	49	113,435	100.0

## c. By lease period

Lease period	Contract duration		Remaining duration (Note)	
	Acquisition price (millions of yen)	Share (%)	Acquisition price (millions of yen)	Share (%)
Entire portfolio	113,435	100.0	113,435	100.0
More than 10 years	97,440	85.9	95,540	84.2
10 years or less	15,995	14.1	17,895	15.8

(Note) "Remaining duration" as stated is based on the remaining number of years of the lease agreements pertaining to the assets held by HRR as of October 31, 2017.

d. By contract type

Contract type	Acquisition price (millions of yen)	Share (%)
Entire portfolio	113,435	100.0
Fixed-term lease contract	113,435	100.0
Normal lease contract	-	-

## (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.		H-1	H-2	H-3	R-1	R-2	K-1
Name of property	Portfolio total	HOSHINOYA Karuizawa	HOSHINOYA Kyoto	HOSHINOYA Fuji	RISONARE Yatsugatake	RISONARE Atami	KAI Matsumoto
① Total real estate operating revenue	4,644,855	410,017	146,116	142,350	286,538	156,606	44,883
Fixed rent	3,252,645	315,000	98,673	142,350	262,500	156,600	37,500
Floating rent	1,381,356	95,017	47,443	-	24,038	-	7,383
Other rent	10,800	-	-	-	-	-	-
Other revenue	53	-	-	-	-	6	-
② Total real estate operating expenses	739,919	38,335	9,318	8,700	43,820	33,848	8,420
Maintenance expenses	52,242	2,941	1,252	369	5,735	2,835	1,078
Taxes and dues	407,097	14,562	2,415	-	24,368	27,104	4,301
Insurance expenses	18,446	767	205	296	2,066	885	301
Land rent	52,932	6,360	-	6,911	3,937	-	-
Repair expenses	54,331	13,703	5,444	1,123	7,712	3,023	2,738
Other expenses	154,868	0	-	-	-	-	-
③ NOI [① - ②]	3,904,935	371,681	136,797	133,649	242,717	122,758	36,463
④ Depreciation and amortization	1,013,285	102,331	26,596	34,552	70,392	41,649	6,179
⑤ Loss on retirement of non-current assets	173	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③ - ④ - ⑤]	2,891,476	269,349	110,201	99,096	172,324	81,108	30,284

(Unit: thousands of yen)

Property no.	K-2	K-3	K-4	K-5	K-6	K-7	K-8
Name of property	KAI Izumo	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji	KAI Kinugawa	KAI Kaga
① Total real estate operating revenue	54,532	57,573	50,441	21,000	59,660	102,000	103,205
Fixed rent	37,500	40,000	47,500	21,000	49,800	102,000	103,185
Floating rent	17,027	17,573	2,941	-	9,860	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	4	-	-	-	-	-	20
② Total real estate operating expenses	9,184	14,191	10,603	4,579	15,955	11,325	7,794
Maintenance expenses	482	1,110	1,956	180	3,409	1,541	1,187
Taxes and dues	4,165	5,343	5,370	1,074	8,120	8,732	6,043
Insurance expenses	157	397	240	72	427	169	286
Land rent	2,280	-	-	-	300	-	-
Repair expenses	2,099	7,339	3,036	3,252	3,698	882	277
Other expenses	-	-	-	-	-	-	-
③ NOI [① - ②]	45,347	43,382	39,837	16,420	43,704	90,674	95,411
④ Depreciation and amortization	4,945	6,461	12,045	6,904	14,074	17,024	27,062
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③ - ④ - ⑤]	40,402	36,920	27,792	9,515	29,629	73,649	68,348



(Unit: thousands of yen)

Property no.	O-35	O-31	O-32	O-33	O-34	O-36
Name of property	Asahikawa Grand Hotel	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Fukuoka	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka
① Total real estate operating revenue	182,400	604,421	293,198	391,604	186,765	360,001
Fixed rent	182,400	303,000	144,000	273,000	120,000	-
Floating rent	-	301,399	149,198	118,604	66,765	360,001
Other rent	-	-	-	-	-	-
Other revenue	-	22	-	-	-	-
② Total real estate operating expenses	25,208	47,746	31,704	179,919	33,667	106,490
Maintenance expenses	-	10,761	-	9,567	-	-
Taxes and dues	24,052	35,631	30,784	14,748	18,486	90,292
Insurance expenses	948	1,353	919	1,000	973	4,147
Land rent	-	-	-	-	14,206	12,000
Repair expenses	-	-	-	-	-	-
Other expenses	207	-	-	154,602	-	50
③ NOI [① - ②]	157,191	556,675	261,493	211,685	153,098	253,511
④ Depreciation and amortization	68,215	99,607	44,939	48,349	58,972	113,639
⑤ Loss on retirement of non-current assets	173	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③ - ④ - ⑤]	88,802	457,067	216,554	163,336	94,125	139,871

(Unit: thousands of yen)

Property no.	O-1	O-2	O-3	O-4	O-5	O-6	O-7
Name of property	Chisun Inn Shiojiri Kita IC	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
① Total real estate operating revenue	28,831	31,312	31,172	26,526	24,781	33,681	40,184
Fixed rent	24,000	26,460	23,460	21,480	18,000	28,500	21,960
Floating rent	4,831	4,852	7,712	5,046	6,781	5,181	18,224
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	3,092	2,519	2,494	2,747	2,220	2,776	2,918
Maintenance expenses	349	318	332	311	491	305	499
Taxes and dues	2,672	2,128	2,096	2,364	1,663	2,395	2,347
Insurance expenses	70	73	66	71	65	76	71
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	0
③ NOI [① - ②]	25,738	28,792	28,677	23,779	22,560	30,904	37,265
④ Depreciation and amortization	4,969	6,891	6,436	5,174	4,735	7,145	4,889
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③ - ④ - ⑤]	20,769	21,901	22,241	18,604	17,825	23,759	32,375

(Unit: thousands of yen)

Property no.	O-8	O-9	O-10	O-11	O-12	O-13	O-14
Name of property	Chisun Inn Utsunomiya Kanuma	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami
① Total real estate operating revenue	31,083	31,457	32,749	29,915	28,557	30,905	30,092
Fixed rent	25,500	22,980	24,000	22,500	22,500	26,460	27,480
Floating rent	5,583	8,477	8,749	7,415	6,057	4,445	2,612
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,883	2,754	2,343	2,935	2,695	2,260	2,449
Maintenance expenses	379	488	294	399	279	285	287
Taxes and dues	2,424	2,192	1,967	2,463	2,349	1,902	2,089
Insurance expenses	79	73	78	72	67	73	72
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	2	-	-	-	-
③ NOI [①－②]	28,200	28,702	30,405	26,979	25,861	28,645	27,643
④ Depreciation and amortization	5,854	5,124	5,594	5,277	5,795	7,319	7,651
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	22,346	23,578	24,810	21,701	20,066	21,325	19,991

(Unit: thousands of yen)

Property no.	O-15	O-16	O-17	O-18	O-19	O-20	O-21
Name of property	Chisun Inn Kofu Isawa	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima
① Total real estate operating revenue	29,094	29,426	24,485	26,830	42,794	28,993	32,460
Fixed rent	23,460	21,000	18,000	24,960	28,980	21,960	25,980
Floating rent	5,634	8,426	6,485	1,870	13,814	7,033	6,480
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,387	2,495	2,646	2,362	2,777	3,410	2,934
Maintenance expenses	448	451	423	280	294	322	295
Taxes and dues	1,871	1,971	2,151	2,005	2,398	3,005	2,559
Insurance expenses	67	72	71	75	85	82	73
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	5
③ NOI [①－②]	26,706	26,930	21,839	24,468	40,016	25,582	29,526
④ Depreciation and amortization	5,872	5,357	4,770	5,342	7,528	5,430	6,642
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	20,834	21,573	17,068	19,125	32,488	20,152	22,883

(Unit: thousands of yen)

Property no.	O-22	O-23	O-24	O-25	O-26	O-27	O-28
Name of property	Candeo Hotels Handa	Candeo Hotels Chino	Candeo Hotels Fukuyama	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate	Comfort Hotel Tomakomai
① Total real estate operating revenue	26,460	32,844	39,370	45,756	20,910	32,922	33,231
Fixed rent	26,460	32,844	39,370	45,756	20,910	32,922	33,231
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	6,030	6,089	4,118	4,517	4,069	3,748	3,025
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	3,031	3,171	3,960	3,149	3,908	3,628	2,919
Insurance expenses	118	113	158	115	160	119	106
Land rent	2,880	2,804	-	1,252	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [①－②]	20,429	26,754	35,251	41,238	16,840	29,174	30,205
④ Depreciation and amortization	6,352	7,831	10,692	10,789	4,013	9,929	9,318
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	14,077	18,923	24,559	30,449	12,827	19,244	20,886

(Unit: thousands of yen)

Property no.	O-29	O-30
Name of property	Comfort Hotel Kure	Chisun Inn Kagoshima Taniyama
① Total real estate operating revenue	37,524	77,185
Fixed rent	37,524	48,000
Floating rent	-	18,385
Other rent	-	10,800
Other revenue	-	-
② Total real estate operating expenses	3,970	7,426
Maintenance expenses	-	300
Taxes and dues	3,850	6,853
Insurance expenses	119	272
Land rent	-	-
Repair expenses	-	-
Other expenses	-	-
③ NOI [①－②]	33,553	69,759
④ Depreciation and amortization	8,230	18,379
⑤ Loss on retirement of non-current assets	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	25,323	51,379

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

## H-1 HOSHINOYA Karuizawa

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.3%	70.6%	81.8%	74.4%	72.6%	77.2%	81.3%	83.6%	94.8%	98.7%	91.7%	90.4%	83.5%
ADR (yen)	70,472	71,740	70,085	61,729	66,008	69,472	78,659	72,195	86,430	101,271	88,929	84,249	78,109
RevPAR (yen)	58,700	50,672	57,343	45,925	47,950	53,653	63,929	60,350	81,940	99,998	81,576	76,131	65,207
Sales (millions of yen)	273	231	196	195	219	228	298	261	362	453	344	335	3,395

(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 applies 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 applies 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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	98.1%	93.0%	84.0%	86.0%	85.2%	90.9%	89.3%	81.7%	83.1%	79.7%	90.9%	94.9%	88.1%
ADR (yen)	112,159	94,828	76,743	73,064	96,749	107,398	91,587	78,757	87,368	100,040	85,829	99,088	92,958
RevPAR (yen)	110,066	88,220	64,464	62,835	82,392	97,661	81,778	64,371	72,612	79,774	78,047	94,031	81,941
Sales (millions of yen)	127	109	80	53	99	110	101	80	78	95	93	104	1,129

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

## H-3 HOSHINOYA Fuji

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.7%	77.3%	79.7%	75.5%	80.5%	89.2%	81.4%	72.4%	85.2%	95.1%	96.5%	93.9%	84.2%
ADR (yen)	61,392	59,487	59,292	47,288	54,493	60,815	65,114	51,747	70,765	87,910	66,319	63,062	63,171
RevPAR (yen)	50,137	45,958	47,240	35,719	43,858	54,227	52,984	37,473	60,264	83,586	63,998	59,197	53,174
Sales (millions of yen)	97	91	70	67	87	101	103	73	114	152	119	114	1,187

(Note 1) Results for the past year are shown, but May 1, 2017 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee Hoshino Resorts Inc.

### R-1 RISONARE Yatsugatake

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.8%	73.9%	90.3%	0.0%	0.0%	61.1%	71.5%	72.0%	90.8%	98.6%	86.6%	83.6%	82.1%
ADR (yen)	24,513	37,245	51,438	0	0	33,011	31,815	23,204	43,729	62,213	39,682	34,411	38,612
RevPAR (yen)	20,552	27,522	46,453	0	0	20,173	22,745	16,697	39,686	61,315	34,368	28,764	31,712
Sales (millions of yen)	330	377	149	1	1	109	450	344	554	737	483	474	4,007

(Note 1) Monthly key indicators are based on figures provided by the lessee K.K. Horizon Hotels.

(Note 2) Guest room occupancy rate, ADR and RevPAR results for February and March 2017 do not exist, because operations were suspended to conduct renovation work from January 11, 2017 to April 21, 2017.

### R-2 RISONARE Atami

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.8%	89.2%	94.8%	84.9%	94.4%	78.0%	82.0%	87.2%	91.2%	95.6%	86.7%	81.5%	87.2%
ADR (yen)	43,344	59,495	56,053	42,411	50,123	44,191	48,758	37,826	57,955	87,515	49,986	47,678	52,843
RevPAR (yen)	35,892	53,070	53,139	36,018	47,331	34,454	39,975	32,970	52,856	83,665	43,321	38,849	46,100
Sales (millions of yen)	127	163	135	121	168	126	144	108	183	267	148	140	1,829

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

### K-1 KAI Matsumoto

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.9%	68.7%	70.5%	65.8%	77.8%	68.3%	72.8%	66.5%	81.6%	89.5%	83.1%	81.6%	76.3%
ADR (yen)	37,597	42,675	41,645	29,062	34,999	43,155	48,245	36,444	44,366	62,597	47,118	46,404	43,587
RevPAR (yen)	31,909	29,318	29,365	19,122	27,227	29,489	35,137	24,244	36,219	55,996	39,144	37,883	33,256
Sales (millions of yen)	50	41	31	31	46	44	51	35	54	76	55	56	569

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

### K-2 KAI Izumo

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	98.3%	90.7%	81.5%	88.3%	92.2%	87.8%	84.3%	82.3%	80.4%	89.7%	91.0%	93.1%	88.4%
ADR (yen)	52,039	44,895	43,476	38,646	42,072	46,270	50,291	42,712	46,971	59,332	50,043	50,474	47,532
RevPAR (yen)	51,172	40,717	35,418	34,125	38,793	40,624	42,383	35,164	37,745	53,192	45,525	47,014	42,016
Sales (millions of yen)	69	61	51	49	58	51	57	48	47	68	59	63	680

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

## K-3 KAI Ito

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.1%	84.6%	89.6%	92.5%	87.0%	81.2%	75.5%	66.1%	84.7%	97.8%	86.8%	78.5%	84.0%
ADR (yen)	28,803	38,151	32,689	29,329	37,213	27,296	35,094	28,185	31,021	45,641	28,879	28,655	32,949
RevPAR (yen)	23,643	32,272	29,295	27,136	32,374	22,162	26,490	18,633	26,284	44,660	25,061	22,496	27,671
Sales (millions of yen)	59	66	68	58	72	48	57	43	59	85	58	51	725

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

## K-4 KAI Hakone

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.9%	0.0%	0.0%	94.2%	90.3%	89.0%	86.0%	89.2%	89.6%	96.9%	96.0%	92.8%	91.2%
ADR (yen)	46,580	0	0	36,965	40,241	44,255	44,947	38,050	45,145	53,291	42,279	44,257	44,010
RevPAR (yen)	41,421	0	0	34,815	36,347	39,391	38,649	33,931	40,458	51,625	40,605	41,076	40,130
Sales (millions of yen)	75	0	0	39	74	69	74	63	76	92	76	77	716

(Note 1) Monthly key indicators are based on figures provided by the lessee Hoshino Resort Management Co., Ltd.

(Note 2) Guest room occupancy rate, ADR and RevPAR results for December 2016 and January 2017 do not exist, because operations were suspended to conduct renovation work from December 1, 2016 to February 7, 2017.

## K-5 KAI Aso

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	57.2%	68.2%	67.7%	77.3%	75.6%	61.4%	83.1%	64.6%	68.7%	84.2%	73.1%	93.0%	72.9%
ADR (yen)	69,039	72,282	75,366	59,172	61,496	67,764	70,542	57,423	65,851	77,373	61,289	66,337	67,146
RevPAR (yen)	39,506	49,263	51,029	45,724	46,475	41,600	58,595	37,086	45,225	65,144	44,775	61,700	48,981
Sales (millions of yen)	22	25	23	20	26	24	34	21	25	34	26	37	318

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

## K-6 KAI Kawaji

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	72.4%	64.9%	66.8%	63.5%	72.4%	66.7%	66.4%	64.6%	73.5%	84.6%	72.3%	69.2%	69.9%
ADR (yen)	30,975	31,135	29,217	24,102	26,074	23,715	28,632	21,353	25,513	38,943	25,898	34,330	28,739
RevPAR (yen)	22,428	20,217	19,515	15,303	18,880	15,827	19,020	13,799	18,741	32,964	18,736	23,769	20,081
Sales (millions of yen)	71	66	61	50	64	48	64	51	58	100	64	74	771

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

K-7 KAI Kinugawa

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	72.4%	69.2%	65.9%	59.5%	66.1%	60.1%	59.5%	54.0%	60.4%	77.4%	72.6%	78.2%	66.4%
ADR (yen)	36,758	40,084	38,532	32,347	35,801	38,364	43,628	35,032	36,739	45,348	35,667	39,731	38,404
RevPAR (yen)	26,624	27,752	25,377	19,254	23,668	23,068	25,948	18,900	22,196	35,108	25,884	31,053	25,497
Sales (millions of yen)	79	75	74	55	68	62	69	53	66	95	76	88	860

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

K-8 KAI Kaga

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	78.1%	71.9%	67.4%	87.2%	80.7%	62.3%	67.9%	44.5%	62.3%	81.9%	74.7%	75.4%	71.1%
ADR (yen)	36,836	41,864	41,851	34,905	37,179	35,915	39,513	27,852	36,246	44,276	37,015	36,247	37,874
RevPAR (yen)	28,753	30,104	28,210	30,438	30,001	22,370	26,846	12,398	22,581	36,242	27,659	27,341	26,930
Sales (millions of yen)	92	93	86	96	91	64	78	42	68	100	79	77	966

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

O-35 Asahikawa Grand Hotel

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	57.1%	60.1%	67.1%	85.5%	63.8%	54.9%	80.4%	93.8%	97.3%	94.1%	92.2%	82.3%	77.3%
ADR (yen)	6,053	7,020	6,779	7,865	6,157	6,572	9,413	11,237	17,501	16,924	11,452	8,541	10,274
RevPAR (yen)	3,457	4,222	4,550	6,722	3,925	3,607	7,569	10,536	17,020	15,919	10,560	7,034	7,946
Sales (millions of yen)	163	234	194	186	191	170	195	231	288	285	217	191	2,545

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

O-31 ANA Crowne Plaza Hiroshima

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.9%	72.8%	65.8%	76.3%	86.1%	86.1%	75.0%	76.9%	75.7%	84.7%	88.1%	89.5%	80.4%
ADR (yen)	14,663	11,125	9,853	10,189	12,657	14,201	14,773	12,562	11,953	15,046	12,134	14,281	12,905
RevPAR (yen)	12,895	8,102	6,486	7,777	10,892	12,229	11,073	9,658	9,052	12,751	10,696	12,783	10,376
Sales (millions of yen)	457	485	336	321	470	434	445	417	383	418	390	438	4,996

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

O-32 ANA Crowne Plaza Fukuoka

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	91.1%	86.5%	77.3%	89.8%	90.2%	87.2%	87.2%	88.6%	85.5%	89.5%	87.7%	90.6%	87.6%
ADR (yen)	14,074	14,687	14,834	14,419	14,128	14,198	14,257	12,692	14,308	14,477	14,471	15,767	14,361
RevPAR (yen)	12,823	12,705	11,467	12,950	12,741	12,380	12,439	11,242	12,237	12,953	12,697	14,291	12,577
Sales (millions of yen)	306	293	274	245	296	271	293	264	261	243	265	319	3,331

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

O-33 ANA Crowne Plaza Kanazawa

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	92.9%	75.9%	61.7%	76.8%	83.1%	89.6%	84.5%	75.1%	66.1%	90.4%	92.6%	91.5%	81.7%
ADR (yen)	17,386	13,898	12,452	12,828	14,699	17,813	19,013	14,881	16,015	17,820	15,723	18,992	16,170
RevPAR (yen)	16,157	10,552	7,680	9,847	12,212	15,960	16,070	11,173	10,589	16,114	14,553	17,383	13,204
Sales (millions of yen)	332	327	217	220	316	316	322	289	301	298	322	346	3,606

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

O-34 ANA Crowne Plaza Toyama

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.4%	66.9%	59.2%	69.3%	80.5%	84.9%	79.0%	87.5%	76.2%	87.6%	84.0%	85.3%	78.7%
ADR (yen)	10,392	8,907	8,396	8,450	8,804	12,193	14,171	9,902	9,773	11,329	11,912	12,669	10,706
RevPAR (yen)	8,776	5,959	4,973	5,854	7,083	10,349	11,199	8,665	7,448	9,924	10,001	10,811	8,430
Sales (millions of yen)	244	222	185	157	222	236	256	266	219	217	230	288	2,742

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

O-36 Hyatt Regency Osaka

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.9%	74.8%	64.1%	77.7%	75.9%	79.0%	77.0%	72.5%	78.3%	86.8%	76.5%	84.5%	77.0%
ADR (yen)	16,509	16,935	15,161	14,704	17,473	16,700	15,544	14,059	15,146	17,423	14,629	15,681	15,874
RevPAR (yen)	12,696	12,668	9,719	11,427	13,267	13,186	11,972	10,196	11,857	15,126	11,192	13,258	12,225
Sales (millions of yen)	400	456	332	321	404	375	375	339	375	414	402	428	4,621

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



### O-1 Chisun Inn Shiojiri Kita IC

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	73.4%	70.1%	66.3%	71.7%	82.4%	83.2%	82.5%	83.4%	86.9%	90.7%	87.9%	85.3%	80.4%
ADR (yen)	5,402	5,030	4,928	5,039	5,285	5,354	5,959	5,617	5,950	7,577	6,341	6,024	5,768
RevPAR (yen)	3,968	3,528	3,269	3,611	4,356	4,452	4,916	4,683	5,170	6,870	5,574	5,139	4,636
Sales (millions of yen)	12	11	10	10	14	13	15	14	16	21	17	16	170

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	89.7%	88.3%	85.6%	89.1%	84.3%	82.6%	83.4%	87.2%	75.1%	83.8%	78.2%	85.3%	84.3%
ADR (yen)	5,626	6,161	5,724	5,625	6,123	6,197	6,457	5,587	6,132	6,559	5,978	5,979	6,011
RevPAR (yen)	5,047	5,439	4,901	5,009	5,164	5,122	5,384	4,872	4,608	5,499	4,672	5,098	5,070
Sales (millions of yen)	15	16	15	13	15	15	16	14	14	16	14	15	178

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.9%	80.5%	73.2%	80.1%	86.6%	82.9%	85.2%	88.9%	86.5%	94.0%	85.9%	82.3%	84.1%
ADR (yen)	5,445	5,274	5,311	5,147	5,500	5,503	6,037	5,657	5,953	7,715	6,568	5,953	5,875
RevPAR (yen)	4,516	4,246	3,888	4,122	4,761	4,564	5,144	5,027	5,148	7,250	5,640	4,899	4,940
Sales (millions of yen)	13	13	12	11	14	13	15	15	15	22	16	15	175

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	80.1%	76.5%	75.4%	83.5%	83.7%	77.5%	80.9%	77.6%	87.1%	90.1%	81.7%	84.5%	81.6%
ADR (yen)	4,625	4,718	4,856	4,747	5,146	4,932	5,340	4,707	5,074	5,824	4,953	4,948	5,005
RevPAR (yen)	3,707	3,611	3,662	3,964	4,309	3,823	4,320	3,654	4,417	5,247	4,045	4,179	4,082
Sales (millions of yen)	11	11	11	11	14	12	14	11	14	16	12	13	150

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

O-5 Chisun Inn Tosu

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.1%	64.0%	61.6%	74.9%	71.8%	80.0%	72.8%	65.0%	78.0%	81.8%	66.1%	72.8%	72.0%
ADR (yen)	5,203	5,601	5,489	4,952	5,411	5,316	5,892	5,011	5,486	6,469	5,366	5,293	5,477
RevPAR (yen)	3,961	3,586	3,382	3,710	3,884	4,253	4,291	3,256	4,280	5,290	3,544	3,851	3,944
Sales (millions of yen)	10	11	10	10	12	12	13	10	13	16	11	12	140

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	85.3%	81.2%	77.5%	96.1%	95.1%	84.9%	88.2%	80.1%	84.0%	85.5%	82.0%	91.3%	85.9%
ADR (yen)	6,068	6,434	5,815	5,735	6,228	6,409	6,213	6,097	5,807	6,664	5,916	5,738	6,100
RevPAR (yen)	5,175	5,226	4,505	5,513	5,922	5,444	5,481	4,884	4,880	5,699	4,853	5,238	5,242
Sales (millions of yen)	15	16	12	14	18	16	17	14	15	18	14	16	185

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.3%	85.7%	81.9%	89.1%	92.2%	91.3%	80.4%	86.8%	87.9%	85.2%	83.3%	85.9%	86.4%
ADR (yen)	6,383	6,711	6,494	6,371	6,438	6,283	6,640	6,499	6,457	6,830	6,413	6,486	6,500
RevPAR (yen)	5,575	5,755	5,318	5,676	5,936	5,738	5,342	5,639	5,672	5,821	5,339	5,574	5,615
Sales (millions of yen)	18	19	17	17	19	18	17	18	18	19	17	18	215

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.2%	79.7%	74.4%	83.5%	84.7%	74.5%	82.5%	77.7%	83.7%	88.4%	85.4%	84.9%	82.2%
ADR (yen)	5,647	5,700	5,694	5,421	5,775	5,769	6,024	5,396	5,563	6,215	5,587	6,015	5,745
RevPAR (yen)	4,865	4,542	4,236	4,527	4,891	4,297	4,971	4,190	4,659	5,493	4,770	5,108	4,723
Sales (millions of yen)	15	14	12	12	16	13	16	13	15	18	15	16	174

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

O-9 Chisun Inn Fukui

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.5%	75.0%	65.9%	75.0%	85.9%	76.0%	79.6%	73.9%	85.3%	93.4%	86.6%	84.8%	80.4%
ADR (yen)	5,704	5,494	5,534	5,452	5,743	5,514	6,306	5,437	5,762	6,874	5,997	5,943	5,845
RevPAR (yen)	4,651	4,120	3,649	4,091	4,935	4,192	5,019	4,016	4,916	6,417	5,193	5,041	4,698
Sales (millions of yen)	14	13	12	12	16	13	14	11	16	20	16	16	174

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	90.4%	84.1%	77.9%	82.6%	88.9%	86.7%	89.4%	91.4%	82.9%	82.1%	79.4%	84.7%	85.1%
ADR (yen)	5,495	5,326	5,293	5,403	5,247	5,318	5,735	5,307	6,232	6,568	5,474	5,446	5,570
RevPAR (yen)	4,968	4,481	4,124	4,464	4,665	4,613	5,127	4,850	5,169	5,394	4,348	4,615	4,737
Sales (millions of yen)	15	14	13	13	15	14	16	15	17	17	14	15	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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.2%	57.9%	55.6%	70.1%	74.6%	74.6%	86.7%	76.7%	78.5%	92.7%	84.8%	85.0%	76.6%
ADR (yen)	4,962	5,398	4,928	5,181	5,931	5,342	5,829	5,432	5,877	7,150	5,578	5,391	5,637
RevPAR (yen)	4,080	3,126	2,738	3,631	4,426	3,986	5,056	4,166	4,614	6,630	4,730	4,580	4,320
Sales (millions of yen)	13	10	9	11	14	13	16	13	15	22	15	15	165

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	85.3%	82.1%	73.8%	83.8%	90.7%	78.4%	74.1%	74.3%	77.5%	83.9%	76.3%	82.1%	80.2%
ADR (yen)	5,483	5,412	5,483	5,544	5,674	5,433	5,959	5,302	5,796	6,971	5,591	5,766	5,711
RevPAR (yen)	4,676	4,445	4,049	4,645	5,145	4,261	4,417	3,940	4,492	5,851	4,264	4,735	4,579
Sales (millions of yen)	14	13	12	13	15	12	13	12	14	18	13	14	163

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

O-13 Chisun Inn Hitachinaka

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.0%	87.9%	84.2%	91.7%	89.7%	81.6%	84.3%	86.4%	86.9%	92.4%	86.4%	88.0%	87.2%
ADR (yen)	5,300	5,397	5,245	5,216	5,615	5,640	6,041	5,440	5,676	6,263	5,395	5,662	5,580
RevPAR (yen)	4,609	4,742	4,417	4,785	5,038	4,604	5,090	4,703	4,930	5,788	4,660	4,981	4,865
Sales (millions of yen)	14	14	13	13	16	13	15	14	15	17	14	15	173

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.9%	76.6%	78.1%	90.2%	88.4%	83.8%	77.4%	81.7%	84.6%	81.8%	77.7%	80.5%	82.0%
ADR (yen)	5,592	5,669	5,490	5,519	5,608	5,658	5,522	5,136	5,624	6,111	5,467	5,489	5,578
RevPAR (yen)	4,636	4,341	4,289	4,979	4,957	4,744	4,273	4,195	4,756	4,996	4,250	4,419	4,574
Sales (millions of yen)	13	13	13	13	15	14	13	12	14	15	9	13	158

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.5%	79.9%	68.7%	75.0%	75.6%	73.5%	76.8%	81.4%	82.3%	94.4%	77.5%	83.7%	78.8%
ADR (yen)	5,548	5,483	5,315	5,112	5,762	5,659	5,937	5,354	5,787	6,722	5,768	5,461	5,685
RevPAR (yen)	4,244	4,381	3,652	3,836	4,358	4,158	4,561	4,357	4,762	6,343	4,472	4,571	4,482
Sales (millions of yen)	12	13	11	11	13	12	14	13	14	19	13	14	159

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	71.7%	65.7%	59.9%	72.2%	80.5%	77.3%	73.8%	69.0%	69.1%	80.4%	70.2%	77.1%	72.3%
ADR (yen)	5,908	5,914	5,766	5,741	6,015	5,797	6,258	5,640	5,918	7,260	5,768	6,443	6,061
RevPAR (yen)	4,236	3,884	3,454	4,147	4,843	4,484	4,620	3,894	4,087	5,838	4,047	4,969	4,379
Sales (millions of yen)	13	12	11	12	16	14	15	12	13	19	12	16	164

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

O-17 Chisun Inn Munakata

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	67.6%	64.6%	60.6%	75.1%	68.1%	76.5%	67.9%	64.3%	72.9%	75.0%	71.2%	79.9%	70.3%
ADR (yen)	4,985	5,273	5,329	4,905	5,339	4,859	5,446	4,970	5,141	5,672	5,390	5,069	5,198
RevPAR (yen)	3,367	3,405	3,229	3,684	3,638	3,717	3,696	3,197	3,748	4,251	3,836	4,048	3,652
Sales (millions of yen)	10	11	10	11	12	12	12	10	12	14	12	13	138

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	71.7%	55.7%	57.0%	60.9%	60.0%	57.9%	69.2%	66.4%	70.2%	88.4%	82.0%	83.0%	68.6%
ADR (yen)	5,396	5,360	5,119	5,252	5,761	5,666	6,331	5,335	5,818	6,598	5,758	5,769	5,727
RevPAR (yen)	3,871	2,985	2,920	3,199	3,456	3,280	4,382	3,545	4,082	5,830	4,719	4,786	3,928
Sales (millions of yen)	11	9	9	9	11	10	13	11	12	18	14	15	141

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

O-19 Chisun Inn Karuizawa

Operational results													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.1%	67.6%	64.3%	60.3%	69.7%	72.9%	85.9%	89.8%	89.0%	87.1%	88.1%	92.6%	79.2%
ADR (yen)	6,774	8,145	7,059	7,143	7,063	6,880	8,775	6,619	9,925	15,241	8,890	7,475	8,468
RevPAR (yen)	5,560	5,503	4,537	4,305	4,921	5,015	7,535	5,942	8,833	13,275	7,833	6,923	6,708
Sales (millions of yen)	16	16	13	12	15	14	22	17	26	38	22	20	232

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	78.3%	77.6%	71.0%	78.0%	79.8%	83.6%	71.7%	76.2%	75.7%	81.6%	78.1%	76.6%	77.3%
ADR (yen)	5,372	5,520	5,036	4,981	5,464	5,325	5,720	5,083	5,245	6,085	5,015	5,320	5,355
RevPAR (yen)	4,205	4,284	3,577	3,885	4,361	4,454	4,101	3,873	3,971	4,965	3,915	4,075	4,141
Sales (millions of yen)	13	13	11	11	14	14	13	12	13	16	12	13	156

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.9%	79.2%	78.6%	85.8%	88.7%	86.7%	88.5%	90.7%	83.4%	87.6%	85.5%	86.9%	85.8%
ADR (yen)	5,624	5,425	5,332	5,551	5,996	5,755	5,940	5,454	5,627	6,272	5,720	5,931	5,727
RevPAR (yen)	4,943	4,295	4,192	4,760	5,317	4,988	5,256	4,946	4,692	5,494	4,889	5,154	4,911
Sales (millions of yen)	15	14	13	14	17	15	17	15	15	18	15	16	184

(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													
	2016		2017										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	79.3%	75.0%	78.6%	93.1%	86.8%	76.5%	78.2%	78.5%	85.3%	80.9%	83.1%	90.0%	82.0%
ADR (yen)	5,321	5,020	5,256	5,305	5,425	5,371	5,403	5,107	5,291	5,522	5,259	5,522	5,322
RevPAR (yen)	4,218	3,766	4,131	4,937	4,706	4,111	4,226	4,007	4,512	4,467	4,371	4,967	4,366
Sales (millions of yen)	30	28	31	33	34	30	31	29	33	33	31	36	381

(Note) Monthly key indicators are based on figures provided by the lessee SHR Roadside Inn 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 2018 currently planned for assets held by HRR as of October 31, 2017, the following are the major estimated amounts. Amounts categorized as expenses within accounting standards are included in capital expenditure amounts stated below.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
Asahikawa Grand Hotel	Asahikawa-shi, Hokkaido	Renovation of guest rooms and common-use areas	From: September 2017 To: March 2018	400	18	19
RISONARE Atami	Atami-shi, Shizuoka	Renovation of restaurant and guest rooms	From: January 2018 To: April 2018	260	5	5
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Renovation of guest rooms	From: February 2018 To: March 2018	36	-	-
ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa	Renovation of guest rooms	From: January 2018 To: February 2018	34	-	-
KAI Kawaji	Nikko-shi, Tochigi	Renovation of cool and hot water system for central air conditioning	From: January 2018 To: February 2018	30	-	-

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, 2017, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 762 million yen and repair expenses separately charged to expenses amounted to 54 million yen for a combined total of 817 million yen of construction work implemented.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)
HOSHINOYA Kyoto	Kyoto-shi, Kyoto	Construction of new annex building	From: July 2017 To: July 2017	299
ANA Crowne Plaza Toyama	Toyama-shi, Toyama	Upgrading of boiler	From: April 2017 To: May 2017	68