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For Immediate Release

REIT Securities Issuer  
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## Notice Concerning Change to the Internal Rules (Asset Management Guidelines) of Asset Management Company

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, announces it resolved to make changes to the internal rules (asset management guidelines) with no objection to such changes as a precedent condition at the Board of Directors’ Meeting of HRR to be held on December 15, 2016. Details are as follows.

### 1. Background and Reason for the Change to the Asset Management Guidelines

With an aim to create a system that enables the unitholders of HRR to enjoy the fruits of the growth of Japan’s tourism industry through holding of HRR’s investment units, HRR has, pursuant to its basic policies, invested in hotels, ryokans (Japanese-style inns) and ancillary facilities and conducted steady asset management. As a result of considering rapid progress in overseas expansion of the Japanese tourism industry, Japan’s economic conditions and trends of the real estate market as well as the travel industry at home and abroad, HRR has decided to revise the management policies to set forth new investment criteria and such for overseas real estate, etc. in order to secure stable earnings over the medium- to long-term and ensure steady growth of assets under management, by investing in overseas hotels, ryokans and ancillary facilities that are developed and/or managed by the Japanese tourist industry.

### 2. Date of Change

December 15, 2016 (scheduled)

### 3. Details of Main Changes to Operational Guidelines

#### (1) Basic policies for investment in overseas assets

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

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

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

## (2) Investment criteria for overseas assets

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

### a. Location

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

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

### b. Investment amount

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

### c. Acquisition price

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

### d. Building structure

As is with domestic assets, HRR will judge whether the building has sufficient strength by reference to PML (Probable Maximum Loss) (hereinafter "PML") (Note) of the respective property. In case the PML of the property exceeds 20%, HRR will consider obtaining earthquake insurance. However, for overseas properties in which the

Hoshino Resorts Group is engaged, HRR will use their compliance to legal quake-resistance standards in the country/region of location as criteria to judge whether they have sufficient strength; and PML will be referred to only when it is a general practice to refer to PML for actual investments in hotels, ryokans and ancillary facilities in the country/region.

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

#### e. Relationship of rights

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

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

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

#### (3) Due diligence criteria concerning investments in overseas assets

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

#### (4) Operational/management policies concerning investment in overseas assets

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

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

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

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

(5) Policy for obtaining non-life insurance for investments in overseas assets

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

(6) Debt financing policy

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

4. Other

There is no impact from the change to the asset management guidelines on the operating results of HRR.

HRR will submit an extraordinary report on December 15, 2016 to the Director-General of the Kanto Finance Bureau in accordance with the provisions of the Financial Instruments and Exchange Act.

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