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For Immediate Release

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Notice Concerning Revisions to Management Status Forecast and Distribution Forecast for the 9th Fiscal Period Ending October 2017 and 10th Fiscal Period Ending April 2018

Hoshino Resorts REIT, Inc. (hereinafter "HRR") announces today that it has revised the management status forecast and distribution forecast for the fiscal period ending October 2017 (from May 1, 2017 to October 31, 2017) announced in Financial Report for Fiscal Period Ended October 2016, dated December 15, 2016 (corrected in the partial correction of Financial Report for Fiscal Period Ended October 2016, dated December 20, 2016) as follows.

In addition, HRR newly announces the management status forecast and distribution forecast for the fiscal period ending April 2018 (from November 1, 2017 to April 30, 2018).

There is no revision to the management status forecast and distribution forecast for the fiscal period ending April 2017 (from November 1, 2016 to April 30, 2017) announced in Financial Report for Fiscal Period Ended October 2016 dated December 15, 2016.

1. Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending October 2017

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution in Excess of Earnings per Unit
Previous Forecast (A)	4,417 million yen	2,181 million yen	1,897 million yen	1,897 million yen	11,602 yen	—
Revised Forecast (B)	4,632 million yen	2,362 million yen	2,044 million yen	2,043 million yen	11,835 yen	—
Variance(C) (B)-(A)	214 million yen	180 million yen	146 million yen	146 million yen	233 yen	—
Ratio Variance (C)/(A)	4.9%	8.3%	7.7%	7.7%	2.0%	—
(Reference) Results for fiscal period ended Oct. 2016	3,981 million yen	2,097 million yen	1,816 million yen	1,815 million yen	11,104 yen (Note)	—

(Note) A 2-for-1 split of investment units was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016. Distribution per unit (excluding distribution in excess of earnings) for the fiscal period ended October 2016 indicates a figure after the adjustment for the investment unit split.

[Reference]
Forecasted number of investment units issued and outstanding at the end of the fiscal period announced in the previous forecast: 163,514 units
Forecasted number of investment units issued and outstanding at the end of the fiscal period announced in the revised forecast: 172,670 units

(For details, please refer to the "Investment Units" column in "Assumptions for the Management Status Forecast for the Fiscal Period Ending October 2017 and the Fiscal Period Ending April 2018" in the attachment.)

[Notes]
1. The above forecasts are current forecasts based on the attachment "Assumptions for the Management Status Forecast for the Fiscal Period Ending October 2017 and the Fiscal Period Ending April 2018" and the actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings may differ from them due to acquisition or sale of real estate, etc., change in the real estate market, etc., actual number of new investment units decided to be issued and the issue price, trends of interest rates, changes in other circumstances surrounding HRR, etc. in the future. In addition, HRR does not guarantee any distribution amount by announcing the forecast figures.
2. HRR may revise the forecast in the event that it expects discrepancies over a certain level from the forecast above.
3. Amounts are rounded down to and ratios are rounded to the nearest specified unit. The same applies hereinafter.

2. Reason for Revision
HRR revised the forecast as there were changes in the assumptions for the management status forecast for the fiscal period ending October 2017 announced in Financial Report for Fiscal Period Ended October 2016 dated December 15, 2016 in line with the issuance of new investment units described in "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" and the acquisition of an asset, etc. described in "Notice Concerning Acquisition of Domestic Real Estate," separately announced today.
Furthermore, HRR announced together with the revision, a new management status forecast and distribution forecast for the fiscal period ending April 2018, based on the same assumptions.

3. Revisions to Management Status Forecast and Distribution Forecast for the Fiscal Period Ending April 2018

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit (excluding distribution in excess of earnings)	Distribution in Excess of Earnings per Unit
Forecast for fiscal period ending Apr. 2018	4,661 million yen	2,339 million yen	2,065 million yen	2,064 million yen	11,954 yen	—

[Reference]

Forecasted number of investment units issued and outstanding at the end of the fiscal period: 172,670 units

[Notes]

1. The above forecasts are current forecasts based on the attachment "Assumptions for the Management Status Forecast for the Fiscal Period Ending October 2017 and the Fiscal Period Ending April 2018" and the actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings may differ from them due to acquisition or sale of real estate, etc., change in the real estate market, etc., actual number of new investment units decided to be issued and the issue price, trends of interest rates, changes in other circumstances surrounding HRR, etc. in the future. In addition, HRR does not guarantee any distribution amount by announcing the forecast figures.
2. HRR may revise the forecast in the event that it expects discrepancies over a certain level from the forecast above.

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

[Attachment]

Assumptions for the Management Status Forecast for the Fiscal Period Ending October 2017 and the Fiscal Period Ending April 2018

Item	Assumptions
Calculation Period	・Fiscal period ending October 2017 (9th fiscal period): May 1, 2017 – October 31, 2017 (184 days) ・Fiscal period ending April 2018 (10th fiscal period): November 1, 2017 – April 30, 2018 (181 days)
Assets under Management	・The assumption is the 48 properties held as of today plus the 1 real estate property to be acquired on May 1, 2017 (hereinafter the "Asset to be Acquired") with funds procured through issuance of new investment units resolved at its Board of Directors' Meeting held today to total 49 properties held. For details of the Asset to be Acquired, please refer to "Notice Concerning Acquisition of Domestic Real Estate" separately announced today. ・The assumption is that the Asset to be Acquired will be acquired on the date mentioned above and that there will be no change (acquisition of new properties, disposition of portfolio properties, etc.) through April 30, 2018 to the asset under management. ・In practice, they may vary due to acquisition of new properties other than the above, sale of owned properties, etc.
Operating Revenue	・Lease business revenue, which is calculated by taking into account the portfolio properties lease agreement terms and conditions and also such factors as the lease agreement which is to take effect on the planned acquisition date of the Asset to be Acquired, the market environment and property competitiveness, is assumed to be 4,632 million yen for the fiscal period ending October 2017 and 4,661 million yen for the fiscal period ending April 2018. ・For RISONARE Yatsugatake and KAI Hakone, there were capital expenditures that involved the facilities' suspension of operations for approximately four months from January 2017 to April 2017 and for approximately three months from December 2016 to February 2017, respectively. Therefore, floating rents for RISONARE Yatsugatake and KAI Hakone for the fiscal periods ending October 2017 and April 2018, which include the period subject to base sales serving as the basis of floating rents, are calculated by taking into consideration the impact of the facilities' suspension of operations. ・Of lease business revenue, the rent by rent type is assumed to be as follows.

The Fiscal Period Ending October 2017

(million yen)

Rent type	Name of facility, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
Fixed rent+ Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	408	139	―	548
	RISONARE Yatsugatake	262	23	―	286
	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	52	―	285
	22 Solare properties (Note 3)	547	162	10	720
Fixed rent	5 Candeo properties (Note 3) 3 Greens properties (Note 3)	269	―	―	269
Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	686 (Note 4)	―	―	686
	4 ANA Crowne Plaza properties	840	635	―	1,475
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	―	360	―	360
Total		3,247	1,374	10	4,632

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

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

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

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

The Fiscal Period Ending April 2018

(million yen)

Rent type	Name of facility, etc.	Fixed rent	Floating rent (Note 1)	Other rent	Total
Fixed rent+ Floating rent (sales-linked) (Note 2)	HOSHINOYA Karuizawa HOSHINOYA Kyoto	408	147	―	556
	RISONARE Yatsugatake	262	18	―	281
	KAI Matsumoto KAI Izumo KAI Ito KAI Hakone KAI Aso KAI Kawaji	233	55	―	288
	22 Solare properties	547	166	10	724
Fixed rent	5 Candeo properties 3 Greens properties	269	―	―	269
Fixed rent + Floating rent (profit-linked) (Note 2)	HOSHINOYA Fuji RISONARE Atami KAI Kinugawa KAI Kaga Asahikawa Grand Hotel	686 (Note 3)	―	―	686
	4 ANA Crowne Plaza properties	840	644	―	1,484
Floating rent (profit-linked) (Note 2)	Hyatt Regency Osaka	―	370	―	370
Total		3,247	1,402	10	4,661

(Note 1) Floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal factors and other fluctuating factors, using calculation methods prescribed in the lease agreement of each facility. For 5 Candeo properties and 3 Greens properties, as well as HOSHINOYA Fuji, RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel, which will have premium fixed rent from the fiscal period ending April 2018, floating rent will not apply.

(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.

(Note 3) Since HOSHINOYA Fuji, RISONARE Atami, KAI Kinugawa, KAI Kaga and Asahikawa Grand Hotel have premium fixed rents during the fiscal period ending April 2018, the premium fixed rents are indicated.

・For lease business revenue, the assumption is that there will be no cancellation of lease agreements and no delinquent or unpaid rent by lessees.

Operating Expenses

・Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 407 million yen for the fiscal period ending October 2017 and 397 million yen for the fiscal period ending April 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 the Asset to be Acquired, the assumption is that fiscal 2018 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, 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 the Asset to be Acquired is expected to be 2 million yen.

・Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property. However, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount.

・Expenses related to rent business other than depreciation which are calculated by taking into account the factors causing fluctuation in expenses are assumed to be 745 million yen for the fiscal period ending October 2017 and 764 million yen for the fiscal period ending April 2018.

	・Depreciation, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,012 million yen for the fiscal period ending October 2017 and 1,022 million yen for the fiscal period ending April 2018.
Non-operating Expenses	・In non-operating expenses, expenses related to public offering are assumed to be 34 million yen as temporary expenses for the fiscal period ending October 2017. ・Interest expenses, other related expenses are assumed to be 283 million yen for the fiscal period ending October 2017 and 274 million yen for the fiscal period ending April 2018, respectively.
Interest-Bearing Debt	・As of today, HRR has balance of loans outstanding of 43,160 million yen. ・For the fiscal period ending April 2017, the assumption is that 125 million yen of the loans will be repaid through contractual repayment. ・For the fiscal period ending October 2017, the assumption is that 2,325 million yen of the loans will be repaid through contractual repayment. ・The assumption is that there will be refinancing of loans due for repayment in May 2017 in the amount of 700 million yen. ・The assumption is that there will be refinancing of loans due for repayment in October 2017 in the amount of 1,500 million yen. ・For the fiscal period ending April 2018, the assumption is that 3,525 million yen of the loans will be repaid through contractual repayment. ・The assumption is that there will be refinancing of loans due for repayment in the fiscal period ending April 2018 in the amount of 3,400 million yen. ・The forecast is that LTV at the end of the fiscal period ending October 2017 is 33.8%, and at the end of the fiscal period ending April 2018 is 33.6%. The following formula is used in the calculation of LTV for this press release: LTV = Balance of interest-bearing loans outstanding ÷ Total assets (expected) × 100 ・LTV may vary in accordance with the paid-in amount of the new investment units to be offered through public offering and the number of and paid-in amount of new investment units to be offered through the third-party allotment this time around.
Investment Units	・It is assumed that, in addition to 163,514 units issued and outstanding as of today, all of 9,156 units, or the maximum total of new investment units to be newly issued by issuance of new investment units (8,720 units) through public offering and issuance of new investment units through third-party allotment (maximum of 436 units) determined at the Board of Directors' Meeting held today, are issued. ・It is assumed that, other than the above, there will be no change in the number of investment units due to issuance of new investment units, etc. through the end of the fiscal period ending April 2018. ・Distribution per unit (excluding distribution in excess of earnings) is calculated based on the expected number of investment units issued and outstanding at the end of the fiscal periods ending October 2017 and April 2018 (172,670 units) including 9,156 units, the maximum total of new investment units to be newly issued mentioned above.
Distribution per Unit (excluding distribution in excess of earnings)	・Distribution per unit (excluding distribution in excess of earnings) is calculated assuming the cash distribution policy provided in the Articles of Incorporation of HRR. ・Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.
Distribution per Unit in Excess of Earnings	・No distribution in excess of earnings (distribution in excess of earnings per unit) is scheduled at this point in time.
Others	・It is assumed 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. ・It is assumed that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.