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For Immediate Release

REIT Securities Issuer
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Notice Concerning Acquisition of Domestic Real Estate

Hoshino Resorts REIT, Inc. (hereinafter “HRR”) announces that Hoshino Resort Asset Management Co., Ltd. (hereinafter the “Asset Management Company”), to which HRR entrusts asset management, made a decision today regarding the acquisition of the following properties (hereinafter the “Asset to be Acquired”) as follows.

1. Overview of Acquisition

Category (Note 1)		Property No. (Note 2)	Property name	Location	Planned acquisition price (million yen) (Note 3)	Seller
Property operated by Hoshino Resorts Group	KAI	K-9	KAI Alps	Omachi-shi, Nagano	3,060	Asama onsen Hotel Management Co., Ltd.

(Note 1) “Category” indicates either Property operated by Hoshino Resorts Group (“HOSHINOYA,” “RISONARE,” “KAI” and “Other”) or Property operated by outside operator (“Urban tourism” and “Other”) in accordance with the brands of assets invested by HRR.

(Note 2) “Property No.” indicates the number of properties for investment target assets of HRR classified under the four categories of “HOSHINOYA,” “RISONARE,” “KAI” and “Other” within the management guidelines of the Asset Management Company before revision as of October 11, 2017. The same shall apply hereinafter.

(Note 3) “Planned acquisition price” indicates the 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), each rounded down to the nearest million yen.

- (1) Date of execution of purchase agreement: December 14, 2018
- (2) Planned acquisition date: March 29, 2019 (delivery and settlement date)
- (3) Seller: Please refer to “4. Details of Seller” later in this document.
- (4) Funds for acquisition: Borrowing and cash on hand (plan)

The purchase agreement for the acquisition of the Asset to be Acquired falls under a forward commitment, etc. (Note) specified in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.,” which has been established by the Financial Services Agency. For details including termination clause and others, please refer to “8. Matters that fall under a forward commitment, etc.” later in this document.

(Note) This commitment is defined as a postdated sales and purchase agreement under which the settlement and delivery of the property shall be made one month or more from the conclusion of the agreement, or any other agreement similar thereto. The same shall apply hereinafter.

- (5) Method of payment: Lump-sum payment upon delivery
- (6) Collateral: None

2. Reason for Acquisition

HRR makes focused investments in facilities that are likely to secure steady cash flow over a long-term period. HRR considers that the three core brands of “HOSHINOYA,” “Hoshino Resorts KAI” and “Hoshino Resorts RISONARE” operated by the Hoshino Resorts Group (collectively referring to Hoshino Resorts Inc. and its parent company and subsidiaries; the same applies hereinafter) as facilities capable of securing steady cash flow over a long-term period, and discussed the acquisition of the Asset to be Acquired, which is one of the Hoshino Resorts KAI brand facilities. HRR decided on the acquisition of the Asset to be Acquired for the following reason: the acquisition is judged to strengthen the stability of HRR’s earnings, as the risk of deterioration in operating cash flow caused by the changes in the travel needs of travelers or the trends, disasters, economic situations in Japan and abroad will be reduced with progressed diversification of locations and cash flow characteristics of the portfolio.

In addition, the Hoshino Resorts Group plans to acquire the shares of Asama onsen Hotel Management Co., Ltd., which is the management company of “KAI Alps,” to make it its wholly owned subsidiary promptly after the acquisition of the Asset to be Acquired by HRR. Accordingly, the Hoshino Resorts Group enters into a share transfer agreement with the shareholders of Asama onsen Hotel Management Co., Ltd. on December 14, 2018.

3. Contents of Asset to be Acquired

The tables below present an overview of the Asset to be Acquired.

The following is an explanation of the matters stated in each column of the tables below.

a. Explanation on “Overview of specified asset”

- For “Use,” accommodation facilities mainly with western-style structures and facilities are indicated as “hotel”; and those mainly with Japanese-style structures and facilities are indicated as “ryokan” based on the current conditions of the property. Since the description in “Use” is a classification to grasp the overall characteristics of the facility in accordance with the investment policy of HRR, such may differ from use of individual buildings comprising the facility stated in the real estate registry.
- “Planned acquisition date” is the planned acquisition date for the Asset to be Acquired but may be changed under a mutual agreement between HRR and the current owner.
- “Type of specified asset” is the type of real estate and other assets as specified assets.
- “Planned acquisition price” indicates the sales/purchase price of the Asset to be Acquired stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions).
- “Appraisal value (Appraisal date)” is the real estate appraisal value and appraisal date stated in the real estate appraisal report for the Asset to be Acquired obtained from Japan Valuers Co., Ltd.
- “Location (Indication of residential address),” in principle, is the indication of residential address. In cases where there is no indication of residential address, it is the building location (if several, one of the locations) in the real estate registry.
- “Transportation” is in accordance with the real estate appraisal report for the Asset to be Acquired obtained from Japan Valuers Co., Ltd.
- “Lot number” of Land is the building location (if several, one of the locations) in the registry.
- “Building coverage ratio” of Land is, in principle, the ratio of building area to area of the building site as stipulated in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (hereinafter the “Building Standards Act”) and indicates the upper limit of the building coverage ratio stipulated by city planning according to type of use district, etc. (designated building coverage ratio) (if several, all of them). Designated building coverage ratio may be relaxed, raised or reduced due to reasons such as the existence of fireproof structures in a fire prevention district, and thus may differ from a building coverage ratio that actually applies.

- “Floor-area ratio” of Land is the ratio of total floor area of the building to site area as stipulated in Article 52 of the Building Standards Act and indicates the upper limit of the floor-area ratio stipulated by city planning according to type of use district, etc. (designated floor-area ratio) (if several, all of them). Designated floor-area ratio may be relaxed, raised or reduced due to reasons such as width of roads connected to the site, and thus may differ from a floor-area ratio that actually applies.
 - “Use district” of Land is the type of use district classified (if several, all of them) in accordance with Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto).
 - “Site area” of land is based on the description in the registry (It includes the leased area, if there is any leased land. The leased area is based on the description in the lease agreement.) and may differ from the present state.
 - “Type of ownership” of Land and Building is the type of rights held by HRR.
 - “Completion date” of Building is the inspection date of construction completion stated in the certificate of inspection under the Building Standards Act for the main building.
 - “Structure / floors” of Building is based on the description in the registry for the main building.
 - “Total floor area” of Building is based on the description in the registry, including floor area of annex buildings.
 - “Building engineer” and “Constructors” of building indicate the company names at the time of building engineering and construction of the main building.
 - “Leasable floor area” is the area equivalent to the area owned by HRR out of leasable area and indicates the figure stated in the lease agreement to be concluded/concluded between HRR and the tenant or in the building drawing of the property.
 - “Occupancy rate” is the occupancy rate expected as of the planned acquisition date (the ratio of the total leased floor area to the total leasable floor area). In case a lease agreement with suspensive conditions of becoming effective under the condition of HRR’s acquisition has been concluded between HRR and the tenant, the occupancy rate is indicated assuming that leasing has started on the planned acquisition date.
 - “Main tenant” is the tenant with the largest leased area out of those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR.
 - “No. of tenants” is the number of those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR.
 - “No. of guest rooms” is the number of guest rooms available for accommodation.
 - “No. of sublease tenants” is the number of those planning to sublease the property from those leasing the property from HRR in accordance with the lease agreement effective as of acquisition by HRR. However, this excludes those planning to sublease part of the site or the building for the purpose of parking or installing antennas.
- b. Explanation on “Overview of leasing”
- “Overview of leasing” is the detail of the lease agreement concerning the Asset to be Acquired with the tenant who leases the hotel or ryokan.
 - “Lessee,” “Type of contract,” “Contract period,” “Leased floor area,” “Rent,” “Security deposit and guarantee deposit,” “Renewal at the end of contract period,” “Rent revision,” “Midterm cancellation,” “Penalty” and “Method for re-contract” are based on the statements in the lease agreement that is to be effective on the planned acquisition date of the Asset to be Acquired and on other agreements concluded pertaining to such.

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KAI Alps		Category	Property operated by the Hoshino Resorts Group (KAI)		
		Use	Ryokan		
Overview of specified asset					
Planned acquisition date	March 29, 2019	Type of specified asset	Real Estate		
Planned acquisition price	3,060,000,000 yen	Appraisal value (Appraisal date)	3,150,000,000 yen (September 1, 2018)		
Location (Indication of residential address)	2884-26, Taira, Omachi-shi, Nagano				
Transportation	Approximately 7 km from Shinano-Omachi Station on the JR Oito Line				
Land	Lot number	2884-26, Taira, Omachi-shi, Nagano and other	Building	Completion date	August 2017
	Building coverage ratio	70%		Structure / floors	Wooden construction with galvanized alloy steel sheet roof/2 F
	Floor-area ratio	300%		Total floor area	4,241.12 m ²
	Use district	Not designated		Building engineer	Maeda Corporation
	Site area	7,796.90 m ²		Constructors	Maeda Corporation
	Type of ownership	Ownership		Type of ownership	Ownership
	Leasable floor area	4,241.12 m ²		Occupancy rate	100%
Main tenant	Asama onsen Hotel Management Co., Ltd.	No. of tenants	1		
No. of guest rooms	48	No. of sublease tenants	0		
(Note) With regard to the Asset to be Acquired, the seller has entered into a hot spring supply agreement with a hot spring supplier and owns the right to receive hot spring water under this agreement. Because the hot spring supplier's consent is required for the transfer of the right to receive hot spring water, HRR plans to acquire this right to receive hot spring water after obtaining consent from the hot spring supplier, in the acquisition of the Asset to be Acquired.					

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Overview of leasing	
Lessee	Asama onsen Hotel Management Co., Ltd.
Type of contract	Fixed term building lease agreement
Contract period	20 years from March 29, 2019
Leased floor area	4,241.12 m ²
Rent	<p>Annual fixed rent: 123,261,000 yen (However, annual fixed rent for the period from March 29, 2019 to April 30, 2022 is 186,462,000 yen.)</p> <p>Floating rent: Floating rent arises under the following conditions, starting from May 1, 2022. Calculation method for floating rent for each month uses, for May to October every year, rent calculation GOP of the period of 12 months from December in the second preceding year to November in the preceding year as the floating rent calculation period GOP; for November to next April every year, rent calculation GOP of the period of 12 months from June in the preceding year to May in the current year as the floating rent calculation period GOP. Amount equivalent to one-twelfth of the amount calculated based the following formula using these GOPs (with lower limit of 0 yen) will be the floating rent (However, rent for the period from March 29, 2019 to April 30, 2022 will be the amount of premium annual fixed rent (186,462,000 yen) without floating rent).</p> <p>Calculation Floating rent for the period will be:</p> <p>(1) An amount equivalent to 80% of the portion of floating rent calculation period GOP that exceeds 150,800,000 yen (excluding, however, the portion exceeding 229,786,000 yen). plus (2) An amount equivalent to 50% of the portion of floating rent calculation period GOP that exceeds 229,786,000 yen. (Note) "Floating rent calculation period GOP" refers to the amount obtained by subtracting sales cost, selling expenses, general and administrative expenses and chain service fees (out of expenses paid by the lessee as headquarters function, expenses directly related to the sales activities of the Assets to be Acquired) from the total sale proceeds of the facility during a certain period of time.</p>
Security deposit and guarantee deposit	Security deposit: 6 months' fixed rent However, if the lessor and the lessee agree on provision of collateral in place of security deposit, the security deposit may be decreased.
Renewal at the end of contract period	The contract will end at the end of the contract period with no renewal.
Rent revision	Rent may not be revised for full 10 years from the start date of the lease. Rent may be revised under specific conditions every 5 years thereafter.
Midterm cancellation	The lessee may not, in principle, cancel the lease agreement during the contract period. However, the lessee may cancel the agreement after 10 years from the start date of the lease by notifying the intent of cancellation to the lessor in writing at least 12 months prior to the cancellation date.
Penalty	When the lease agreement is dissolved or is cancelled due to intention of the lessee that is agreed by the lessor, the lessee will pay penalty in either the amount equivalent to the rent from the date of dissolution or cancellation to the last day of the cancellation-prohibited period (10 years after the start of the lease) or the amount equivalent to 12 months' rent, whichever is higher (the average monthly rent for the past 12 months with the first month being the month preceding the month which includes the end date of the lease agreement is used for the calculation of such rent. However, if the lease period is less than 12 months, the average monthly rent during that period will be applied.) to HRR, the lessor.
Method for re-contract	The contract will end at the end of the contract period without renewal; however, re-contract is possible through discussion between the concerned parties.

4. Details of Seller

K-9 KAI Alps

Company name	Asama onsen Hotel Management Co., Ltd.	
Head office location	2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano	
Name and title of representative	Mitsunori Seo Director	
Amount of capital	10 million yen	
Date of incorporation	March 8, 2006	
Net assets	Not disclosed as consent from the seller has not been obtained.	
Total assets	Not disclosed as consent from the seller has not been obtained.	
Major shareholder and shareholding ratio	Not disclosed as consent from the seller has not been obtained.	
Main business	<ol style="list-style-type: none"> 1. Ryokans business 2. Factoring business 3. Real estate sale and purchase and lease, and brokerage for these activities 4. All other operations that are incidental or related to the items above 	
Relationship with HRR/Asset Management Company	Capital relationship	There is no capital relationship required to be stated between HRR/the Asset Management Company and the seller. (Note)
	Personnel relationship	There is no personnel relationship required to be stated between HRR/the Asset Management Company and the seller.
	Business relationship	There is no business relationship required to be stated between HRR/the Asset Management Company and the seller.
	Status of classification as related party	The seller does not fall under the related party of HRR/the Asset Management Company.

(Note) The seller does not fall under the definition of interested party, etc. as set forth in HRR's "interested party transaction rules" at the time of entering into the real estate purchase agreement. However, the seller is scheduled to become a wholly-owned subsidiary of Hoshino Resorts Inc., and fall under the definition of interested party, etc. as set forth in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended. Hereinafter, the "Investment Trusts Act") as well as the definition of interested party, etc. as set forth in the "interested party transaction rules," internal rules of the Asset Management Company, promptly after the purchase agreement becomes effective.

5. Transaction with Interested Party, etc.

A lessor of the Asset to be Acquired is scheduled to become a subsidiary of the parent company of the Asset Management Company promptly after the acquisition of the Asset to be Acquired. The lessor involved is therefore scheduled to fall under the definition of interested party, etc. as set forth in the Investment Trusts Act as well as the definition of interested party, etc. as set forth in the "interested party transaction rules," internal rules of the Asset Management Company. Accordingly, the Asset Management Company has gone through the approval procedures set forth in the internal rules for conducting lease transactions of the Asset to be Acquired with the lessee involved, and has also obtained HRR's agreement based on the approval of HRR's Board of Directors' meeting held on December 14, 2018 pursuant to the Investment Trusts Act and the "interested party transaction rules" of the Asset Management Company.

6. Status of Owners, etc. of Property.

The acquisition is not an acquisition from any entity having a special interest in HRR or the Asset Management Company.

7. Status of Brokerage

HRR has not used an intermediary.

8. Matters that fall under a forward commitment, etc.

The termination clause and others that are planned to be set forth in the purchase agreement for the acquisition of the Asset to be Acquired are as follows. However, it is specified, in the purchase agreement, that HRR's obligation to pay the purchase price shall take effect subject to HRR's completion of financing of the amount needed to acquire the Asset to be Acquired. Accordingly, even if HRR cannot complete the financing and fails to implement the forward commitment, etc., HRR does not assume the obligation to pay penalties described below. HRR therefore considers there is no possibility that this matter will have significant impact on HRR's finance and others.

- (1) In the case where one of the parties breaches the purchase agreement and the purpose of the purchase agreement cannot be achieved due to this breach, the other party may terminate the purchase agreement by notifying the breaching party, unless stated otherwise in the purchase agreement.
- (2) Penalties to be paid by the breaching party to the other party as damages in conjunction with the termination of the agreement under the provision in (1) above shall be the amount equivalent to 20% of the purchase price excluding the amount equivalent to consumption taxes and local consumption taxes.

9. Future Outlook

For the future outlook of the management status of HRR for the fiscal period ending April 2019 (November 1, 2018 to April 30, 2019), please refer to "(REIT) Financial Report for Fiscal Period Ended October 2018" separately announced today.

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10. Appraisal Summary

K-9 KAI Alps

Appraisal summary		
Appraiser	Japan Valuers Co., Ltd.	
Appraisal value	3,150,000,000 yen	
Appraisal date	September 1, 2018	
	Appraisal value	Remarks, etc.
Direct capitalization method		
(1) Operating revenue ((1)-(2)-(3))	189,121,900 yen	—
① Potential gross income	189,121,900 yen	Assessed based on actual agreement (floating rent portion assessed based on materials related to tenant's income and expenditure).
② Vacancy loss, etc.	0 yen	—
③ Bad debts expenses	0 yen	Not recorded as secured by security deposit.
(2) Operating expenses ((4)+(5)+(6)+(7)+(8))	12,565,703 yen	—
④ Management commission fees	2,365,000 yen	Assessed based on past record and scheduled amount.
⑤ Repair costs	2,391,425 yen	30% of the 12-year average of "repair and renewal expenses" stated in ER.
⑥ Tax and public dues	7,376,109 yen	Assessed based on actual amount with respect to land and buildings. With respect to depreciable assets, the recorded amount to be borne was based on standard taxable value.
⑦ Insurance	415,980 yen	Recorded scheduled amount.
⑧ Other expenses	17,189 yen	Used actual amount.
(3) Net operating income ((1)-(2))	176,556,197 yen	—
(4) Interest income	0 yen	Interest income is not recorded in consideration of the terms and conditions of the agreement.
(5) Capital expenditures	5,579,992 yen	70% of the 12-year average of "repair and renewal expenses" stated in ER.
(6) Net cash flow ((3)+(4)-(5))	170,976,205 yen	—
(7) Cap rate	5.4%	—
Direct capitalization value	3,170,000,000 yen	—
Discounted cash flow value	3,120,000,000 yen	—
Discount rate	5.1%	—
Terminal cap rate	5.6%	—
Integrated value by using cost method	1,910,000,000 yen	—
Ratio of land	24.2%	—
Ratio of building	75.8%	—
Other matters appraiser noted upon valuation	None	

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

<Appendix>

Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report

Reference Material 2: Map and Exterior Appearance

Reference Material 3: Portfolio Overview after Acquisition of the Asset to be Acquired

<Appendix>

Reference Material 1: Summary of Engineering Report and Earthquake Risk Assessment Report

Property No.	Property name	Investigator	Investigation date	Short-term repair expenses (thousand yen) (Note 1) (Note 2)	Long-term repair expenses (annual average) (thousand yen) (Note 1) (Note 3)
K-9	KAI Alps	Tokio Marine & Nichido Risk Consulting Co., Ltd.	August 6, 2018	—	7,971

(Note 1) "Short-term repair expenses" and "Long-term repair expenses (annual average)" are those based on the engineering report.

(Note 2) "Short-term repair expenses" are repair and renewal expenses required when implementing repair and renewal within about one year due to progressed deterioration, excluding expenses for normal repair or interior/facility renewal, based on the engineering report prepared by the investigator after their investigation.

(Note 3) "Long-term repair expenses (annual average)" are repair and renewal expenses required in the 12 years from the investigation date, based on the engineering report prepared by the investigator after their investigation. The figure is converted to annual average and rounded to the nearest thousand yen by HRR.

Property No.	Property name	Investigator	Investigation date	PML value (Probable maximum loss) (%)
K-9	KAI Alps	Tokio Marine & Nichido Risk Consulting Co., Ltd.	August 6, 2018	11.3

Reference Material 2: Map and Exterior Appearance

K-9 KAI Alps



(Note) The photo of the Asset to be Acquired shows the Asset to be Acquired at a certain point in time and may differ from the current situation due to changes after the photo shooting, etc.

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Reference Material 3: Portfolio Overview after Acquisition of the Asset to be Acquired

Category	Property No.	Property name	(Planned) Acquisition price (million yen)	Investment ratio (%) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser (Note 3)	
Assets owned by HRR							
Properties operated by Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	5.1	11,800	NV
		H-2	HOSHINOYA Kyoto	2,878	1.9	4,270	NV
		H-3	HOSHINOYA Fuji	4,160	2.8	4,320	NV
		H-4	HOSHINOYA Taketomi Island	4,955	3.3	5,260	NV
		Subtotal		19,593	13.1	25,650	—
	RISONARE	R-1	RISONARE Yatsugatake	4,500	3.0	7,000	NV
		R-2	RISONARE Atami	3,750	2.5	4,290	NV
		Subtotal		8,250	5.5	11,290	—
	KAI	K-1	KAI Matsumoto	600	0.4	812	JMK
		K-2	KAI Izumo	680	0.5	862	JMK
		K-3	KAI Ito	670	0.4	980	JMK
		K-4	KAI Hakone	950	0.6	1,320	JMK
		K-5	KAI Aso	575	0.4	691	JMK
		K-6	KAI Kawaji	1,000	0.7	1,160	JMK
		K-7	KAI Kinugawa	3,080	2.1	3,330	JMK
		K-8	KAI Kaga	3,160	2.1	3,380	JMK
	Subtotal		10,715	7.2	12,535	—	
	Other	O-35	OMO7 Asahikawa	4,619	3.1	4,780	RC
		Subtotal		4,619	3.1	4,780	—
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	11.9	20,000
O-32			ANA Crowne Plaza Fukuoka	7,599	5.1	8,800	RC
O-33			ANA Crowne Plaza Kanazawa	6,609	4.4	7,190	RC
O-34			ANA Crowne Plaza Toyama	4,008	2.7	4,460	RC
O-36			Hyatt Regency Osaka	16,000	10.7	16,600	NV
O-37			the b akasaka	4,860	3.2	5,130	RC
O-38			the b sangenjaya	4,420	3.0	4,670	RC
O-39			the b nagoya	4,500	3.0	4,680	RC
O-40			the b kobe	7,020	4.7	7,320	RC
O-41			Quintessa Hotel Osaka Shinsaibashi	3,339	2.2	3,730	NV
O-42			hotel androoms Osaka Hommachi	4,238	2.8	4,450	RC
Subtotal			80,377	53.6	87,030	—	
Others		O-1	Chisun Inn Shiojiri Kita IC	672	0.4	821	NV
		O-2	Chisun Inn Sano Fujioka IC	742	0.5	911	JMK
		O-3	Chisun Inn Suwa IC	658	0.4	829	NV
		O-4	Chisun Inn Toyokawa IC	602	0.4	733	NV
		O-5	Chisun Inn Tosu	504	0.3	655	NV
		O-6	Chisun Inn Chiba Hamano R16	798	0.5	1,020	JMK
O-7	Chisun Inn Kumamoto Miyukifueda	616	0.4	747	NV		
O-8	Chisun Inn Utsunomiya Kanuma	714	0.5	847	JMK		

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Category		Property No.	Property name	(Planned) Acquisition price (million yen)	Investment ratio (%) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser (Note 3)
Properties operated by outside operators	Others	O-9	Chisun Inn Fukui	644	0.4	801	NV
		O-10	Chisun Inn Fukushima Nishi IC	672	0.4	768	JMK
		O-11	Chisun Inn Niigata Chuo IC	630	0.4	776	NV
		O-12	Chisun Inn Nagasaki Airport	630	0.4	757	NV
		O-13	Chisun Inn Hitachinaka	742	0.5	920	JMK
		O-14	Chisun Inn Tsuchiura Ami	770	0.5	921	JMK
		O-15	Chisun Inn Kofu Isawa	658	0.4	788	NV
		O-16	Chisun Inn Marugame Zentsuji	588	0.4	736	NV
		O-17	Chisun Inn Munakata	504	0.3	633	NV
		O-18	Chisun Inn Iwate Ichinoseki IC	700	0.5	777	JMK
		O-19	Chisun Inn Karuizawa	812	0.5	1,090	NV
		O-20	Chisun Inn Himeji Yumesakibashi	616	0.4	735	NV
		O-21	Chisun Inn Kurashiki Mizushima	728	0.5	866	NV
		O-22	Candeo Hotels Handa	620	0.4	702	RC
		O-23	Candeo Hotels Chino	793	0.5	925	RC
		O-24	Candeo Hotels Fukuyama	1,075	0.7	1,250	RC
		O-25	Candeo Hotels Sano	1,260	0.8	1,480	RC
		O-26	Candeo Hotels Kameyama	470	0.3	537	RC
		O-27	Comfort Hotel Hakodate	937	0.6	1,040	NV
		O-28	Comfort Hotel Tomakomai	963	0.6	1,070	NV
O-29	Comfort Hotel Kure	1,100	0.7	1,230	NV		
O-30	Chisun Inn Kagoshima Taniyama	1,995	1.3	2,410	RC		
		Subtotal		23,213	15.5	27,775	—
Asset to be Acquired							
Property operated by Hoshino Resorts Group	KAI	K-9	KAI Alps	3,060	2.0	3,150	NV
	Subtotal			3,060	2.0	3,150	—
Grand total				149,827	100.0	172,210	—

(Note 1) "Investment ratio" refers to the ratio of (planned) acquisition price of each property to the sum total amount of (planned) acquisition price, rounded to the first decimal place.

(Note 2) Real estate appraisal value of each property is entrusted to Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K. or Rich Appraisal Institute Co., Ltd. The real estate appraisal values or investigation values (hereinafter referred to as "Real Estate Appraisal Value") indicated are the Real Estate Appraisal Value stated in the real estate appraisal report or investigation report (hereinafter "Real Estate Appraisal Report, etc.") with October 31, 2018 as effective date of the appraisal for owned assets; the Real Estate Appraisal Value stated in the Real Estate Appraisal Report, etc. with September 1, 2018 as effective date of the appraisal for KAI Alps, which is the Asset to be Acquired.

(Note 3) "Appraiser" is stated in an abbreviated name in the above table. The abbreviated names of appraisers refer to:

NV: Japan Valuers Co., Ltd.

JMK: JLL Morii Valuation & Advisory K.K.

RC: Rich Appraisal Institute Co., Ltd.

(Note 4) Real Estate Appraisal Report, etc. presents judgement and opinion of the appraiser at a certain point in time, and does not guarantee the validity and accuracy of the contents or possibility of transactions and such with the appraisal value of real estate. In addition, Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K. and Rich Appraisal Institute Co., Ltd. share no special vested interest/special relationship with HRR and the Asset Management Company.

Investment securities held by HRR as of today are as follows.

Name of securities	No. of shares (shares)	Acquisition price (thousands of yen) (Note 1)		Appraisal value (thousands of yen) (Note 2)		Loss (gain) on valuation of investment securities (thousands of yen)	Remarks	Share of investment (%) (Note 3)
		Unit Price	Amount	Unit Price	Amount			
Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares	332	507	168,530	507	168,530	—		0.1
Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares	333	505	168,165	505	168,165	—		0.1

(Note 1) "Acquisition price" states the sales/purchase price of shares indicated in the sales and purchase agreement (including consumption taxes, local consumption taxes and expenses such as transactional commissions).

(Note 2) "Appraisal value" states the acquisition price because the securities are unlisted securities. HRR and the Asset Management Company acquired the "Yomitan Hotel Management Co., Ltd. No. 1 through No. 3 Class B Preferred Shares Appraisal Report" dated May 9, 2018 (appraisal reference date of April 30, 2018), which had been prepared by Plutus Consulting Co., Ltd. HRR and the Asset Management Company then commissioned Grant Thornton Taiyo LLC to investigate the price concerning the appraisal value stated in the said report. The interim unit price of the appraisal values of Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares, which was calculated by HRR, based on the appraisal values stated in the said report, was 592 thousand yen per share and the total amount of the appraisal values based on the unit price was 196,704 thousand yen, whereas the interim unit price of the appraisal values of Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares was 571 thousand yen per share and the total amount of the appraisal values based on the unit price was 190,462 thousand yen.

(Note 3) "Share of investment" states the acquisition price's percentage share of total assets. The percentage value is rounded to the nearest tenth of a percent.

(Note 4) Although HRR has agreed with Yomitan Hotel Management Co., Ltd. on the underwriting of 334 Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares, as of today, these preferred shares are not included in "Portfolio Overview after Acquisition of the Asset to be Acquired."

(Note 5) For details of the above-mentioned preferred shares and No. 3 Class B preferred shares, please refer to "Notice Concerning Acquisition of Assets (Class B Preferred Shares of Yomitan Hotel Management Co., Ltd.)" announced on March 16, 2018.