

Semi-Annual Report
8th Fiscal Period

Hoshino Resorts REIT, Inc.

3-6-18 Kyobashi, Chuo-ku, Tokyo

(from November 1, 2016 to April 30, 2017)

I. Asset Management Report

1. Overview of asset management

(1) Trend in key indicators

Fiscal period		4th fiscal period (From November 1, 2014 to April 30, 2015)	5th fiscal period (From May 1, 2015 to October 31, 2015)	6th fiscal period (From November 1, 2015 to April 30, 2016)	7th fiscal period (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Operating revenue	(millions of yen)	1,599	1,926	3,559	3,981	4,462
Of the above, operating revenue from real estate leasing	(millions of yen)	1,599	1,926	3,559	3,981	4,462
Operating expenses	(millions of yen)	780	892	1,645	1,884	2,195
Of the above, operating expenses from real estate leasing	(millions of yen)	531	628	1,303	1,428	1,682
Operating profit	(millions of yen)	818	1,034	1,914	2,097	2,266
Ordinary profit	(millions of yen)	734	909	1,601	1,816	1,901
Profit	(millions of yen)	733	908	1,600	1,815	1,900
Total assets	(millions of yen)	37,421	48,412	101,941	105,709	123,204
(Change from previous period)	(%)	(2.9)	29.4	110.6	3.7	16.5
Net assets	(millions of yen)	27,739	37,022	69,507	74,407	74,491
(Change from previous period)	(%)	0.1	33.5	87.7	7.0	0.1
Interest-bearing liabilities	(millions of yen)	7,693	9,001	28,385	27,160	43,034
Unitholders' capital	(millions of yen)	27,006	36,113	67,906	72,591	72,591
Total number of investment units issued and outstanding	(units)	42,969	49,689	78,008	81,757	163,514
Net assets per unit (net asset value)	(Note 3) (yen)	645,577	745,077	445,516	455,052	455,568
Total distributions	(millions of yen)	733	908	1,600	1,815	1,900
Distributions per unit	(yen)	17,075	18,289	20,520	22,209	11,621
Of the above, distributions of earnings per unit	(yen)	17,075	18,289	20,520	22,209	11,621
Of the above, distributions in excess of earnings per unit	(yen)	–	–	–	–	–
Ratio of ordinary profit to total assets	(Note 4) (%)	1.9	2.1	2.1	1.7	1.7
(Annualized)	(Note 5) (%)	3.9	4.2	4.3	3.5	3.3
Return on equity	(Note 4) (%)	2.6	2.8	3.0	2.5	2.6
(Annualized)	(Note 5) (%)	5.3	5.6	6.0	5.0	5.1

Fiscal period	4th fiscal period (From November 1, 2014 to April 30, 2015)	5th fiscal period (From May 1, 2015 to October 31, 2015)	6th fiscal period (From November 1, 2015 to April 30, 2016)	7th fiscal period (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Unitholders' equity to total assets (Note 4) (%)	74.1	76.5	68.2	70.4	60.5
(Change from previous period) (%)	2.2	2.3	(8.3)	2.2	(9.9)
Payout ratio (Note 4) (%)	100.0	100.0	100.0	100.0	100.0
[Other Information]					
Number of operating days (days)	181	184	182	184	181
Number of properties at end of period (properties)	30	39	46	47	48
Depreciation during period (millions of yen)	339	410	735	831	956
Capital expenditures during period (millions of yen)	135	170	635	1,037	2,230
Rental NOI (Net Operating Income) (Note 4) (millions of yen)	1,407	1,708	2,992	3,384	3,736
FFO (Funds from Operation) (Note 4) (millions of yen)	1,074	1,319	2,337	2,647	2,857
FFO per unit (Note 4) (yen)	24,996	26,564	29,958	32,384	17,472
Total distributions / FFO ratio (Note 4) (%)	68.3	68.8	68.5	68.6	66.5
Ratio of interest-bearing liabilities to total assets at end of period (LTV) (%)	20.6	18.6	27.8	25.7	34.9

(Note 1) The amounts of operating revenue, etc. do not include consumption taxes.

(Note 2) Unless otherwise stated, monetary amounts are rounded down to the nearest indicated unit and percentage figures are rounded to one decimal place in this report.

(Note 3) A 2-for-1 split of investment units was implemented with the record date of October 31, 2016 and the effective date of November 1, 2016. Net assets per unit is calculated based on the assumption that the split of investment units was implemented at the beginning of the 6th fiscal period.

(Note 4) The following formulas are used for the calculation:

Ratio of ordinary profit to total assets	$\text{Ordinary profit} / ((\text{Total assets at beginning of period} + \text{Total assets at end of period}) / 2) \times 100$
Return on equity	$\text{Profit} / ((\text{Net assets at beginning of period} + \text{Net assets at end of period}) / 2) \times 100$
Unitholders' equity to total assets	$\text{Net assets at end of period} / \text{Total assets at end of period} \times 100$
Payout ratio	$\text{Distributions per unit (excluding distributions in excess of earnings)} / \text{Basic earnings per unit} \times 100$ Payout ratio for the 5th fiscal period, 6th fiscal period, and 7th fiscal period is calculated by the following formula due to the issuance of new investment units: $\text{Total distributions (excluding distributions in excess of earnings)} / \text{Profit} \times 100$
Rental NOI (Net Operating Income)	$\text{Operating revenue from real estate leasing} - \text{Operating expenses from real estate leasing} + \text{Depreciation}$
FFO (Funds from Operation)	$\text{Profit} + \text{Depreciation} + \text{Loss on disposal of property and equipment} - \text{Gains (losses) from sales of properties}$
FFO per unit	$\text{FFO} / \text{Total number of investment units issued and outstanding}$
Total distributions / FFO ratio	$\text{Total distributions (including distribution in excess of earnings)} / \text{FFO} \times 100$

(Note 5) Annualized portion of the calculation assumes a fiscal period of 181 days for the 4th fiscal period, 184 days for the 5th fiscal period, 182 days for the 6th fiscal period, 184 days for the 7th fiscal period, and 181 days for the 8th fiscal period.

(2) Performance review of HRR for the fiscal period under review

i) Brief history of HRR

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

HRR was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (hereinafter the “Investment Trusts Act”) with Hoshino Resort Asset Management Co., Ltd. (hereinafter, the “Asset Management Company”) as the organizer and with 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 on July 11, 2013 as the payment due date, and the investment securities were listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (securities code: 3287) on July 12, 2013. HRR has been steadily expanding asset size since then; and during the fiscal period under review, HRR additionally acquired a hotel operated by an external operator in November 2016. As a result, the assets held by HRR at the end of the fiscal period under review were 48 properties (sum total of acquisition price: 109,182 million yen).

ii) Investment environment and business performance

The Japanese economy continued along a gradual recovery trend in the fiscal period under review, reflecting continued improvement in the employment and income environments as well as improved corporate earnings in response to the yen’s depreciation and a global recovery in the manufacturing industry. In the tourism market, the Japanese government has positioned tourism as a pillar of its growth strategies and is aiming to achieve 40 million inbound tourists with inbound tourists’ spending amount of 8 trillion yen by 2020. While the rate of growth in inbound tourists appeared to decrease year on year, the actual number of tourists continues to increase. In the environment described above, the hotels/ryokans held by HRR were managed with a goal of securing stable earnings in the fiscal period under review, resulting in stable operational results in the fiscal period ended April 2017.

iii) Overview of fund procurement

In the fiscal period under review, HRR procured 16,000 million yen through debt financing on November 1, 2016, and this was allocated to part of the funds for the acquisition of Hyatt Regency Osaka.

Furthermore, scheduled payment was made, resulting in balance of loans outstanding of 43,034 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 34.9% as of April 30, 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).

iv) Overview of business performance and distributions

As a result of the management described above, business performance in the fiscal period under review resulted in operating revenue of 4,462 million yen, operating profit of 2,266 million yen, ordinary profit of 1,901 million yen and profit of 1,900 million yen. Concerning distributions, to ensure application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter, the “Act on Special Measures Concerning Taxation”)), the decision was made to distribute almost the entire amount of unappropriated retained earnings and distribution per investment unit was 11,621 yen.

(3) Status of capital increase, etc.

The following are the changes in unitholders' capital and total number of investment units issued and outstanding since the establishment of HRR through April 30, 2017.

Date	Event	Unitholders' capital (thousands of yen)		Total number of investment units issued and outstanding (units)		Note
		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)

- (Note 1) Upon establishment of HRR, new investment units were issued at an offer price of 500,000 yen per unit.
- (Note 2) For the purpose of allocating funds for acquisition of specified assets and repayment of loans, 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 the purpose of allocating funds for acquisition of specified assets and repayment of loans, new investment units were issued through third-party allotment with paid-in amount of 489,600 yen per unit.
- (Note 4) For the purpose of allocating funds for 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 the purpose of allocating funds for repayment of loans, new investment units were issued through third-party allotment with paid-in amount of 752,171 yen per unit.
- (Note 6) For the purpose of allocating 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 the purpose of allocating funds for 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 the purpose of allocating 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 the purpose of allocating funds for 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 the purpose of allocating funds for 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 the purpose of allocating funds for 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 the record date of October 31, 2016 and the effective date of November 1, 2016.

[Changes in market price of investment unit]

The highest and lowest unit prices (closing price) of the investment units of HRR listed on J-REIT section of the Tokyo Stock Exchange for each period are as follows:

Fiscal period	4th fiscal period (From November 1, 2014 to April 30, 2015)	5th fiscal period (From May 1, 2015 to October 31, 2015)	6th fiscal period (From November 1, 2015 to April 30, 2016)	7th fiscal period (Note) (Before ex rights) (From May 1, 2016 to October 31, 2016)	7th fiscal period (Note) (After ex rights) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Highest (Yen)	1,534,000	1,448,000	1,399,000	1,330,000	626,000	623,000
Lowest (Yen)	1,103,000	1,035,000	1,104,000	1,203,000	615,000	562,000

(Note) A 2-for-1 split of investment units was implemented with the record date of October 31, 2016 and the effective date of November 1, 2016. Accordingly, transactions have been made at ex rights price on and after October 27, 2016.

(4) Distributions, etc.

With the aim of having the maximum amount of distributable profit deducted as expense pursuant to Article 67-15 of the Act on Special Measures Concerning Taxation, HRR resolved to distribute the entire amount of unappropriated retained earnings for the period, excluding fractions of distributions per unit that were less than 1 yen. Consequently, distributions per unit came to 11,621 yen.

Fiscal period	4th fiscal period (From November 1, 2014 to April 30, 2015)	5th fiscal period (From May 1, 2015 to October 31, 2015)	6th fiscal period (From November 1, 2015 to April 30, 2016)	7th fiscal period (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Total profit (thousands of yen)	733,714	908,751	1,600,731	1,815,763	1,900,191
Total unappropriated retained earnings (undisposed loss) (thousands of yen)	733,732	908,788	1,600,757	1,815,796	1,900,247
Retained earnings brought forward (thousands of yen)	37	26	33	55	50
Total cash distributions (thousands of yen)	733,695	908,762	1,600,724	1,815,741	1,900,196
(Distributions per unit) (yen)	17,075	18,289	20,520	22,209	11,621
Of the above, total distributions (thousands of yen)	733,695	908,762	1,600,724	1,815,741	1,900,196
(Distributions of earnings per unit) (yen)	17,075	18,289	20,520	22,209	11,621
Of the above, total refund of investments (thousands of yen)	—	—	—	—	—
(Refund of investments per unit) (yen)	—	—	—	—	—
Of total refund of investments, total distributions from reserve for temporary difference adjustments (Of refund of investments per unit, distributions from reserve for temporary difference adjustments per unit) (yen)	—	—	—	—	—
Of total refund of investments, total distributions from the unitholders' capital for tax purposes (Of refund of investments per unit, distributions from the unitholders' capital for tax purposes per unit) (yen)	—	—	—	—	—

(5) Future management policy

i) Future trends outlook

In the Japanese economy going forward, the domestic economy is expected to continue its gradual recovery, propelled by the recovery trend in the Japanese economy, the continuation of monetary easing policies by the Bank of Japan, and other factors. On the other hand, concerns remain over the downside risk to the economy mainly due to the impact of uncertainties in overseas economies and fluctuations in the financial and capital markets. As its policy on tourism the Japanese government has established new targets for promoting Japan as a tourism-oriented country, and it is expected to take steps to respond to demand of the so-called “vacation rentals,” whereby visitors stay in private residences, and strategic relaxation of visa requirements. In this manner, with large economic ripple effects, the tourism industry is becoming increasingly important as one of the drivers of Japan’s economic growth.

ii) Future management policy and challenges to be addressed

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 meet the travel needs of tourists.

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

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

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

a. Properties operated by the Hoshino Resorts Group

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

b. Properties operated by outside operators

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

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

c. Overseas properties related to the Hoshino Resorts Group

With regard to HRR’s investment policy on the overseas properties related to the Hoshino Resorts Group, HRR makes it a policy to carry out prudent investment after (1) obtaining accurate information on the countries and regions in which the investment properties with potential are located; (2) performing a comprehensive analysis of the market to which the potential investment properties belong, including real-estate market trends, systems, and regulations in each country, which considers macro factors such as political trends, population trends, and economic growth; and (3) performing a comprehensive risk analysis of each country’s legal, accounting, and tax systems, as well as foreign exchange risks, etc., related to investment and revenue returns. In addition to the above policy, HRR also follows a policy of investment

based on prudent selection of only overseas properties related to the Hoshino Resorts Group that can be expected to be used on a stable basis and to have the potential to secure long-term and stable cash flows.

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

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

(6) Significant subsequent events

i) Issuance of new investment units

HRR resolved at meetings of the Board of Directors held on April 7, 2017 and April 18, 2017 on the following issuance of new investment units, and payment was completed on May 1, 2017 for the new investment units through primary offering and on May 23, 2017 for the new investment units through third-party allotment.

Issuance of new investment units through primary offering

Number of investment units issued:	8,720 units
Issue price:	559,080 yen per unit
Total issue price:	4,875,177,600 yen
Paid-in amount:	539,583 yen per unit
Total paid-in amount:	4,705,163,760 yen
Payment due date:	May 1, 2017

Issuance of new investment units through third-party allotment

Number of investment units issued:	436 units
Paid-in amount:	539,583 yen per unit
Total paid-in amount:	235,258,188 yen
Payment due date:	May 23, 2017
Allottee:	Nomura Securities Co., Ltd.

Use of funds

The funds procured from the primary offering were allocated to the funds for acquisition of the real estate stated in subsection "a" under "ii) Acquisition of assets" below. Moreover, the remaining funds were kept as cash on hand along with the funds procured from the third-party allotment, and 354 million yen of which have been allocated to the funds for acquisition and contract amount stated in construction contract of the real estate stated in subsection "b" under "ii) Acquisition of assets" below.

ii) Acquisition of assets

a HRR acquired the real estate described below on May 1, 2017 (the acquisition price: 4,160 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
HOSHINOYA Fuji	Fujikawaguchiko-machi, Minamitsuru-gun, Yamanashi	K.K. Horizon Hotels	4,160	May 1, 2017

(Note) "Acquisition price" indicates the sum of (a) the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as real estate sales

commissions) and (b) 726 million yen of concession money paid to the seller-cum-land subleaseholder to establish land subleasehold, rounded down to the nearest million yen.

- b HRR acquired the real estate described below on July 14, 2017 (the acquisition price: 354 million yen) (Note 1).

Name of property	Location	Seller (Note 2)	Acquisition price (millions of yen) (Note 1)	Acquisition date
HOSHINOYA Kyoto Annex	Kyoto-shi, Kyoto	K.K. Arashiyama Onsen Rankyokan	354	July 14, 2017

(Note 1) “Acquisition price” indicates the sum of (a) 93 million yen of the sales/purchase price of the land stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as real estate sales commissions) and (b) 261 million yen of contract amount (excluding consumption taxes, local consumption taxes and other expenses) stated in construction contract of the new building (HOSHINOYA Kyoto Annex) as orderer of which was taken over by HRR.

(Note 2) “Seller” indicates the counterparty with respect to the aforementioned acquisition and the succession of status.

iii) Additional borrowings

HRR obtained the following bank loan on May 2, 2017 to procure funds for repayment of the principal of existing borrowings that became due for repayment.

Floating /Fixed	Lender	Loan amount	Interest rate	Drawdown date	Repayment due date (Note 3)	Repayment method
Floating	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Ashikaga Bank, Ltd. The Bank of Fukuoka, Ltd.	0.7 billion yen	Base rate 1-month Japanese Yen TIBOR (Note 1) + 0.425% (Note 2)	May 2, 2017	May 2, 2022	Lump-sum payment at maturity

(Note 1) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by JBA TIBOR Administration at a certain time of the date two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date for the first due date), the interest rate for the number of months corresponding to the interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract.

(Note 2) The interest rate is substantially fixed at 0.519% with the effect of the interest rate swap agreements to hedge the risk of rising interest rates.

(Note 3) 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.

2. Profile of HRR

(1) Status of unitholders' capital

	4th fiscal period (As of April 30, 2015)	5th fiscal period (As of October 31, 2015)	6th fiscal period (As of April 30, 2016)	7th fiscal period (As of October 31, 2016)	8th fiscal period (As of April 30, 2017)
Total number of investment units authorized (units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of investment units issued and outstanding (units)	42,969	49,689	78,008	81,757	163,514
Unitholders' capital (millions of yen)	27,006	36,113	67,906	72,591	72,591
Number of unitholders (persons)	6,841	8,639	10,001	10,278	12,489

(2) Matters concerning investment units

The top 10 unitholders based on the ratio of units owned to total number of units issued and outstanding as of April 30, 2017 are as follows:

Name	Address	Number of units owned (units)	Ratio to total number of units issued and outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	27,038	16.53
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Harumi Island Triton Square Office Tower Z 1-8-12 Harumi, Chuo-ku, Tokyo	19,894	12.16
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	15,474	9.46
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	7,568	4.62
Hoshino Resorts Inc.	2148 Oaza Nagakura, Karuizawa-machi, Kitasaku-gun, Nagano	6,140	3.75
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	Shinagawa Intercity Tower A 2-15-1 Konan, Minato-ku, Tokyo	5,672	3.46
STATE STREET BANK AND TRUST COMPANY 505012 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	3-11-1 Nihonbashi, Chuo-ku, Tokyo	2,712	1.65
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	2,171	1.32
The Hokkoku Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	Harumi Island Triton Square Office Tower Z 1-8-12 Harumi, Chuo-ku, Tokyo	1,815	1.10
NOMURA BANK (LUXEMBOURG) S.A. (Standing proxy: Sumitomo Mitsui Banking Corporation)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	1,725	1.05
Total		90,209	55.16

(Note) The ratio to total number of units issued and outstanding is rounded down to two decimal places.

(3) Matters relating to officers

The Executive Director, Supervisory Directors and Independent Auditor for the fiscal period under review are as follows:

Title	Name	Major concurrent post, etc.	Total amount of compensation for each position during the fiscal period under review (thousands of yen)
Executive Director (Note 1)	Kenji Akimoto	President & CEO of Hoshino Resort Asset Management Co., Ltd.	– (Note 2)
Supervisory Director (Note 1)	Hiroshi Shinagawa	Attorney at law, Kinkadori Law Office	1,320
	Yukiko Fujikawa	Certified Public Accountant, Yukiko Fujikawa CPA Office	1,320
Independent Auditor (Note 3)	Grant Thornton Taiyo LLC	–	8,200

(Note 1) The Executive Director and Supervisory Directors do not hold investment units of HRR under their own or another person's name. Although the Supervisory Directors may be officers in corporations other than the ones indicated above, there is no conflict of interest between HRR and such corporations, including those indicated above. In preparation for a situation where the Executive Director is absent or the number of officers is below the number of officers required by laws and regulations, a resolution was passed at the 3rd General Meeting of Unitholders to appoint Tetsuro Takashi as the Substitute Executive Director. As of the release of this report, Tetsuro Takashi is serving concurrently as Director & CFO, General Manager of Finance & Administrative Department of the Asset Management Company.

(Note 2) The Executive Director does not receive compensations from HRR.

(Note 3) Dismissal or non-reappointment of the Independent Auditor is subject to consideration at the HRR's Board of Directors, pursuant to the provisions of the Investment Trusts Act in the case of dismissal, or in light of a comprehensive consideration of various circumstances in the case of non-reappointment.

(4) Asset Management Company, Asset Custodian and General Administrators

The Asset Management Company, Asset Custodian, and General Administrators as of April 30, 2017 are as follows:

Category of entrusted operation	Name
Asset Management Company	Hoshino Resort Asset Management Co., Ltd.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (General Administrator of unit register)	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (General Administrator for accounting and administrative function)	Mitsubishi UFJ Trust and Banking Corporation

3. Status on Investment Properties

(1) Investment status

Asset type	Use of asset	7th fiscal period As of October 31, 2016		8th fiscal period As of April 30, 2017	
		Total amount held (millions of yen) (Note 1)	Ratio to total assets (%) (Note 2)	Total amount held (millions of yen) (Note 1)	Ratio to total assets (%) (Note 2)
Real estate	Hotel	73,132	69.2	90,986	73.8
	Ryokan	21,466	20.3	21,574	17.5
Subtotal		94,598	89.5	112,560	91.4
Deposits and other assets		11,111	10.5	10,643	8.6
Total assets (Note 3)		105,709	100.0	123,204	100.0
Total liabilities (Note 3)		31,302	29.6	48,712	39.5
Total net assets (Note 3)		74,407	70.4	74,491	60.5

(Note 1) “Total amount held” is the carrying amount (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) “Ratio to total assets” is rounded to one decimal place.

(Note 3) “Total assets,” “Total liabilities” and “Total net assets” are stated at the book value.

(2) Major properties owned

The major components of assets (the 10 largest properties by book value) as of April 30, 2017 are as follows:

Name of property	Book value (millions of yen) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%)	Ratio to total operating revenue from real estate leasing (%) (Note 4)	Primary use
ANA Crowne Plaza Hiroshima	17,970	32,332.00	32,332.00	100.0	13.0	Hotel
Hyatt Regency Osaka	16,590	80,197.60	80,197.60	100.0	8.7	Hotel
ANA Crowne Plaza Fukuoka	7,679	27,372.74	27,372.74	100.0	6.2	Hotel
HOSHINOYA Karuizawa	7,569	11,723.61	11,723.61	100.0	8.9	Ryokan
ANA Crowne Plaza Kanazawa	6,727	23,835.00	23,835.00	100.0	8.7	Hotel
RISONARE Yatsugatake	5,881	33,853.45	33,853.45	100.0	7.2	Hotel
Asahikawa Grand Hotel	4,787	25,715.20	25,715.20	100.0	4.1	Hotel
RISONARE Atami	4,224	23,385.18	23,385.18	100.0	3.5	Hotel
ANA Crowne Plaza Toyama	3,955	21,600.11	21,600.11	100.0	4.2	Hotel
KAI Kaga	3,158	5,159.46	5,159.46	100.0	2.3	Ryokan
Total	78,544	285,174.35	285,174.35	100.0	66.9	—

(Note 1) “Book value” is the carrying amount (in the case of real estate, etc., 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) “Leasable area” is the leasable area to tenants.

(Note 3) In principle, “Leased area” is the leased area under the lease agreement with tenants.

(Note 4) “Ratio to total operating revenue from real estate leasing” represents the ratio to total real estate operating revenue, rounded to one decimal place.

(3) Summary of portfolio properties

An overview of assets held by HRR as of April 30, 2017 is as follows:

Name of property	Location	Type of ownership	Leasable area (m ²)	Book value at end of period (millions of yen) (Note 1)	Estimated value at end of period (millions of yen) (Note 2)
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Ownership of real estate, etc.	11,723.61	7,569	11,300
HOSHINOYA Kyoto	Kyoto-shi, Kyoto	Ownership of real estate, etc.	2,626.15	2,937	3,830
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Ownership of real estate, etc.	33,853.45	5,881	6,480
RISONARE Atami	Atami-shi, Shizuoka	Ownership of real estate, etc.	23,385.18	4,224	4,150
KAI Matsumoto	Matsumoto-shi, Nagano	Ownership of real estate, etc.	4,056.12	616	784
KAI Izumo	Matsue-shi, Shimane	Ownership of real estate, etc.	3,909.02	720	848
KAI Ito	Ito-shi, Shizuoka	Ownership of real estate, etc.	7,473.91	704	953
KAI Hakone	Hakone-machi, Ashigarashimo-gun, Kanagawa	Ownership of real estate, etc.	4,649.67	1,176	1,240
KAI Aso	Kokonoe-machi, Kusu-gun, Oita	Ownership of real estate, etc.	1,543.53	622	676
KAI Kawaji	Nikko-shi, Tochigi	Ownership of real estate, etc.	8,190.38	988	1,140
KAI Kinugawa	Nikko-shi, Tochigi	Ownership of real estate, etc.	4,066.60	3,080	3,280
KAI Kaga	Kaga-shi, Ishikawa	Ownership of real estate, etc.	5,159.46	3,158	3,330
Chisun Inn Shiojiri Kita IC	Shiojiri-shi, Nagano	Ownership of real estate, etc.	2,100.47	685	809
Chisun Inn Sano Fujioka IC	Sano-shi, Tochigi	Ownership of real estate, etc.	1,968.91	751	895
Chisun Inn Suwa IC	Suwa-shi, Nagano	Ownership of real estate, etc.	1,944.94	669	802
Chisun Inn Toyokawa IC	Toyokawa-shi, Aichi	Ownership of real estate, etc.	2,040.09	608	726
Chisun Inn Tosu	Tosu-shi, Saga	Ownership of real estate, etc.	1,968.02	505	630
Chisun Inn Chiba Hamano R16	Chiba-shi, Chiba	Ownership of real estate, etc.	2,023.29	800	1,020
Chisun Inn Kumamoto Miyukifueda	Kumamoto-shi, Kumamoto	Ownership of real estate, etc.	2,094.77	612	736
Chisun Inn Utsunomiya Kanuma	Utsunomiya-shi, Tochigi	Ownership of real estate, etc.	2,094.16	721	833
Chisun Inn Fukui	Fukui-shi, Fukui	Ownership of real estate, etc.	2,094.01	636	768
Chisun Inn Fukushima Nishi IC	Fukushima-shi, Fukushima	Ownership of real estate, etc.	2,094.01	664	774
Chisun Inn Niigata Chuo IC	Niigata-shi, Niigata	Ownership of real estate, etc.	2,094.16	622	771
Chisun Inn Nagasaki Airport	Omura-shi, Nagasaki	Ownership of real estate, etc.	1,968.02	618	752
Chisun Inn Hitachinaka	Hitachinaka-shi, Ibaraki	Ownership of real estate, etc.	1,968.30	720	904

Name of property	Location	Type of ownership	Leasable area (m ²)	Book value at end of period (millions of yen) (Note 1)	Estimated value at end of period (millions of yen) (Note 2)
Chisun Inn Tsuchiura Ami	Ami-machi, Inashiki-gun, Ibaraki	Ownership of real estate, etc.	1,968.03	750	921
Chisun Inn Kofu Isawa	Fuefuki-shi, Yamanashi	Ownership of real estate, etc.	1,968.47	645	787
Chisun Inn Marugame Zentsuji	Marugame-shi, Kagawa	Ownership of real estate, etc.	2,094.16	580	714
Chisun Inn Munakata	Munakata-shi, Fukuoka	Ownership of real estate, etc.	2,094.16	495	619
Chisun Inn Iwate Ichinoseki IC	Ichinoseki-shi, Iwate	Ownership of real estate, etc.	1,968.02	691	773
Chisun Inn Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Ownership of real estate, etc.	1,917.10	795	1,080
Chisun Inn Himeji Yumesakibashi	Himeji-shi, Hyogo	Ownership of real estate, etc.	2,406.95	611	731
Chisun Inn Kurashiki Mizushima	Kurashiki-shi, Okayama	Ownership of real estate, etc.	2,094.16	714	860
Candeo Hotels Handa	Handa-shi, Aichi	Ownership of real estate, etc.	2,814.05	618	693
Candeo Hotels Chino	Chino-shi, Nagano	Ownership of real estate, etc.	2,868.18	789	914
Candeo Hotels Fukuyama	Fukuyama-shi, Hiroshima	Ownership of real estate, etc.	3,985.73	1,062	1,240
Candeo Hotels Sano	Sano-shi, Tochigi	Ownership of real estate, etc.	2,828.71	1,250	1,460
Candeo Hotels Kameyama	Kameyama-shi, Mie	Ownership of real estate, etc.	3,912.03	479	532
Comfort Hotel Hakodate	Hakodate-shi, Hokkaido	Ownership of real estate, etc.	2,927.44	947	1,040
Comfort Hotel Tomakomai	Tomakomai-shi, Hokkaido	Ownership of real estate, etc.	2,721.08	972	1,070
Comfort Hotel Kure	Kure-shi, Hiroshima	Ownership of real estate, etc.	3,121.02	1,127	1,230
Chisun Inn Kagoshima Taniyama	Kagoshima-shi, Kagoshima	Ownership of real estate, etc.	8,066.36	2,019	2,290
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Ownership of real estate, etc.	32,332.00	17,970	19,900
ANA Crowne Plaza Fukuoka	Fukuoka-shi, Fukuoka	Ownership of real estate, etc.	27,372.74	7,679	8,700
ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa	Ownership of real estate, etc.	23,835.00	6,727	7,170
ANA Crowne Plaza Toyama	Toyama-shi, Toyama	Ownership of real estate, etc.	21,600.11	3,955	4,440
Asahikawa Grand Hotel	Asahikawa-shi, Hokkaido	Ownership of real estate, etc.	25,715.20	4,787	4,770
Hyatt Regency Osaka	Osaka-shi, Osaka	Ownership of real estate, etc.	80,197.60	16,590	16,600
Total	—	—	397,898.53	112,560	126,965

(Note 1) “Book value at end of period” is the carrying amount (in the case of real estate, etc., 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) 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 or investigation report with April 30, 2017 as the effective date of the valuation.

Lease status of real estate, etc. held by HRR is as follows:

Name of property	7th fiscal period (From May 1, 2016 to October 31, 2016)				8th fiscal period (From November 1, 2016 to April 30, 2017)			
	Number of tenants at end of period (subleasing)	Occupancy rate [At end of period] (%)	Operating revenue from real estate leasing [During the period] (millions of yen)	Ratio to total operating revenue from real estate leasing (%)	Number of tenants at end of period (subleasing)	Occupancy rate [At end of period] (%)	Operating revenue from real estate leasing [During the period] (millions of yen)	Ratio to total operating revenue from real estate leasing (%)
HOSHINOYA Karuizawa	1 (14)	100.0	396	10.0	1 (14)	100.0	397	8.9
HOSHINOYA Kyoto	1 (0)	100.0	105	2.6	1 (0)	100.0	107	2.4
RISONARE Yatsugatake	1 (16)	100.0	321	8.1	1 (18)	100.0	321	7.2
RISONARE Atami	1 (0)	100.0	156	3.9	1 (0)	100.0	156	3.5
KAI Matsumoto	1 (0)	100.0	43	1.1	1 (0)	100.0	42	1.0
KAI Izumo	1 (0)	100.0	50	1.3	1 (0)	100.0	52	1.2
KAI Ito	1 (0)	100.0	58	1.5	1 (0)	100.0	57	1.3
KAI Hakone	1 (0)	100.0	52	1.3	1 (0)	100.0	57	1.3
KAI Aso	1 (0)	100.0	29	0.7	1 (0)	100.0	22	0.5
KAI Kawaji	1 (0)	100.0	54	1.4	1 (0)	100.0	55	1.2
KAI Kinugawa	1 (0)	100.0	102	2.6	1 (0)	100.0	102	2.3
KAI Kaga	1 (0)	100.0	102	2.6	1 (0)	100.0	103	2.3
Chisun Inn Shiojiri Kita IC	1 (1)	100.0	28	0.7	1 (1)	100.0	28	0.6
Chisun Inn Sano Fujioka IC	1 (0)	100.0	31	0.8	1 (0)	100.0	30	0.7
Chisun Inn Suwa IC	1 (0)	100.0	30	0.8	1 (0)	100.0	31	0.7
Chisun Inn Toyokawa IC	1 (0)	100.0	27	0.7	1 (0)	100.0	27	0.6
Chisun Inn Tosu	1 (0)	100.0	24	0.6	1 (0)	100.0	25	0.6
Chisun Inn Chiba Hamano R16	1 (0)	100.0	34	0.9	1 (0)	100.0	33	0.8
Chisun Inn Kumamoto Miyukifueda	1 (0)	100.0	26	0.7	1 (0)	100.0	33	0.8
Chisun Inn Utsunomiya Kanuma	1 (0)	100.0	31	0.8	1 (0)	100.0	31	0.7
Chisun Inn Fukui	1 (0)	100.0	30	0.8	1 (0)	100.0	31	0.7
Chisun Inn Fukushima Nishi IC	1 (0)	100.0	32	0.8	1 (0)	100.0	32	0.7
Chisun Inn Niigata Chuo IC	1 (0)	100.0	28	0.7	1 (0)	100.0	29	0.7
Chisun Inn Nagasaki Airport	1 (0)	100.0	30	0.8	1 (0)	100.0	29	0.7
Chisun Inn Hitachinaka	1 (0)	100.0	29	0.8	1 (0)	100.0	30	0.7
Chisun Inn Tsuchiura Ami	1 (0)	100.0	30	0.8	1 (0)	100.0	30	0.7
Chisun Inn Kofu Isawa	1 (0)	100.0	29	0.7	1 (0)	100.0	29	0.7
Chisun Inn Marugame Zentsuji	1 (0)	100.0	27	0.7	1 (0)	100.0	28	0.6
Chisun Inn Munakata	1 (0)	100.0	24	0.6	1 (0)	100.0	24	0.5
Chisun Inn Iwate Ichinoseki IC	1 (1)	100.0	27	0.7	1 (1)	100.0	28	0.6
Chisun Inn Karuizawa	1 (0)	100.0	41	1.0	1 (0)	100.0	42	0.9
Chisun Inn Himeji Yumesakibashi	1 (0)	100.0	29	0.7	1 (0)	100.0	29	0.7
Chisun Inn Kurashiki Mizushima	1 (0)	100.0	31	0.8	1 (0)	100.0	31	0.7
Candeo Hotels Handa	1 (0)	100.0	26	0.7	1 (0)	100.0	26	0.6
Candeo Hotels Chino	1 (0)	100.0	32	0.8	1 (0)	100.0	32	0.7
Candeo Hotels Fukuyama	1 (0)	100.0	39	1.0	1 (0)	100.0	39	0.9
Candeo Hotels Sano	1 (0)	100.0	45	1.2	1 (0)	100.0	45	1.0
Candeo Hotels Kameyama	1 (0)	100.0	20	0.5	1 (0)	100.0	20	0.5
Comfort Hotel Hakodate	1 (0)	100.0	32	0.8	1 (0)	100.0	32	0.7

Name of property	7th fiscal period (From May 1, 2016 to October 31, 2016)				8th fiscal period (From November 1, 2016 to April 30, 2017)			
	Number of tenants at end of period (subleasing)	Occupancy rate [At end of period] (%)	Operating revenue from real estate leasing [During the period] (millions of yen)	Ratio to total operating revenue from real estate leasing (%)	Number of tenants at end of period (subleasing)	Occupancy rate [At end of period] (%)	Operating revenue from real estate leasing [During the period] (millions of yen)	Ratio to total operating revenue from real estate leasing (%)
Comfort Hotel Tomakomai	1 (0)	100.0	33	0.8	1 (0)	100.0	33	0.7
Comfort Hotel Kure	1 (0)	100.0	37	0.9	1 (0)	100.0	37	0.8
Chisun Inn Kagoshima Taniyama	1 (1)	100.0	69	1.7	1 (1)	100.0	73	1.7
ANA Crowne Plaza Hiroshima	1 (7)	100.0	567	14.2	1 (6)	100.0	581	13.0
ANA Crowne Plaza Fukuoka	1 (6)	100.0	235	5.9	1 (5)	100.0	276	6.2
ANA Crowne Plaza Kanazawa	1 (5)	100.0	374	9.4	1 (5)	100.0	389	8.7
ANA Crowne Plaza Toyama	1 (6)	100.0	182	4.6	1 (7)	100.0	188	4.2
Asahikawa Grand Hotel	1 (5)	100.0	182	4.6	1 (5)	100.0	182	4.1
Hyatt Regency Osaka	–	–	–	–	1 (8)	100.0	387	8.7
Total	47 (62) (Note)	100.0	3,981	100.0	48 (71) (Note)	100.0	4,462	100.0

(Note) “Number of tenants (subleasing)” refers to total of the number of tenants, with the number of parties subleasing from the parties leasing the property from HRR shown in parentheses.

(4) Status of specified transaction contract amount and fair value

Category	Type of derivative transaction	Contract amount (thousands of yen) (Note 1)		Fair value (Note 2)
			Of which, due after one year	
OTC (over-the-counter)	Interest rate swap transaction Receipt: floating interest rate Payment: fixed interest rate	5,000,000	5,000,000	–
Total		5,000,000	5,000,000	

(Note 1) The contract amount for the interest rate swap transaction is based on the notional principal amount.

(Note 2) The fair value is omitted as the transaction satisfies the requirements for special accounting treatment based on the Accounting Standard for Financial Instruments.

(5) Status of other assets

There are no assets incorporated into the portfolio other than those listed in the aforementioned “(3) Summary of portfolio properties,” as of April 30, 2017.

(6) Status of asset holding by country and region

There is no portfolio overseas real estate outside Japan, as of April 30, 2017.

4. Capital expenditures for properties held

(1) Future plan for capital expenditures

The following table summarizes the major estimated amounts of capital expenditure in the fiscal period ending October 2017 for renovation etc. scheduled for properties held as of April 30, 2017. The estimated construction costs below include the amounts to be expensed for accounting purpose.

Name of property	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Amount paid during the period	Total amount paid
RISONARE Atami	Atami-shi, Shizuoka	Renovation of all guest rooms and corridor of building B and construction to increase guest rooms in building B.	From January 2017 to May 2017	75	40	40
ANA Crowne Plaza Toyama	Toyama-shi, Toyama	Boiler renewal work	From February 2017 to May 2017	68	–	–
Hyatt Regency Osaka	Osaka-shi, Osaka	Renovation of guest rooms	From October 2017 to October 2017	40	–	–
ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa	Renovation of elevators	From February 2017 to July 2017	29	–	–

(2) Capital expenditures for the period

Of construction works falling under the category of capital expenditures conducted in the fiscal period under review for properties held as of April 30, 2017, the following are the major works conducted. The fiscal period under review's capital expenditures amounted to 2,230 million yen and repair expenses separately charged to expenses amounted to 83 million yen for a combined total of 2,314 million yen of construction work implemented.

Name of property	Location	Purpose	Period	Construction costs (millions of yen)
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of guest rooms and common-use areas	From June 2016 to April 2017	1,307
KAI Hakone	Hakone-machi, Ashigarashimo-gun, Kanagawa	Construction as an investment for facility maintenance such as renovation of large common bath and guest rooms, and elevators.	From December 2016 to February 2017	230
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Renovation of elevators	From May 2016 to January 2017	110
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Construction to convert single rooms into double rooms and renovate twin rooms.	From November 2016 to February 2017	48
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of elevators	From February 2017 to March 2017	47

(3) Funds reserved for long-term repair plans

Not applicable.

5. Expenses and liabilities

(1) Details of expenses relating to asset management, etc.

(thousands of yen)

Item	Previous fiscal period (From May 1, 2016 to October 31, 2016)	Current fiscal period (From November 1, 2016 to April 30, 2017)
Asset management fee	342,999	372,006
Asset custody fee	3,786	3,823
Administrative service fees	15,741	18,317
Directors' compensation	2,640	2,640
Audit fee	6,751	8,200
Other expenses	83,750	108,298
Total	455,670	513,286

(2) Status of borrowings

The status of borrowings of HRR as of April 30, 2017 is as follows:

Category	Lender	Drawdown date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (Note 1)	Repayment due date	Repayment method	Use	Remarks
Short-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	November 1, 2016	–	1,500	0.42985%	October 31, 2017	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	Subtotal		–	1,500					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	July 16, 2013	2,385	2,353	1.92875%	July 16, 2018	(Note 4)	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	July 16, 2013	1,268	1,248	2.45886%	July 16, 2020	(Note 5)	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Ashikaga Bank, Ltd. The Shizuoka Bank, Ltd.	May 2, 2014	700	700	1.12207%	May 2, 2017	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	May 2, 2014	300	300	1.52063%	May 2, 2019	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	May 2, 2014	928	914	1.99816%	April 30, 2021	(Note 6)	(Note 3)	Unsecured/ Unguaranteed
	Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Shizuoka Bank, Ltd. The Bank of Fukuoka, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. The Hokuriku Bank, Ltd.	November 2, 2015	2,515	2,515	0.35727%	April 27, 2018	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 2, 2015	885	885	0.40000%	April 27, 2018	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Shizuoka Bank, Ltd. The Bank of Fukuoka, Ltd. The Yamaguchi Bank, Ltd. The Bank of Kyoto, Ltd. The Hokuriku Bank, Ltd.	November 2, 2015	2,550	2,550	0.45727%	October 31, 2019	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 2, 2015	850	850	0.50000%	October 31, 2019	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 2, 2015	1,500	1,500	0.82080%	April 30, 2020	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed

Category	Lender	Drawdown date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (Note 1)	Repayment due date	Repayment method	Use	Remarks
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 2, 2015	3,500	3,500	1.12193%	October 29, 2021	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 2, 2015	3,000	3,000	1.22788%	April 28, 2022	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 2, 2015	1,457	1,435	1.33575%	October 31, 2022	(Note 7)	(Note 3)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	March 31, 2016	983	969	1.51809%	March 31, 2025	(Note 8)	(Note 3)	Unsecured/ Unguaranteed
	Development Bank of Japan Inc. The Hokuriku Bank, Ltd. The Bank of Fukuoka, Ltd. The Bank of Kyoto, Ltd.	May 2, 2016	900	900	0.50313%	April 30, 2020	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 2, 2016	492	485	1.09313%	April 28, 2023	(Note 9)	(Note 3)	Unsecured/ Unguaranteed
	Development Bank of Japan Inc.	May 2, 2016	492	485	1.47689%	April 30, 2025	(Note 10)	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 2, 2016	591	582	1.66686%	April 30, 2026	(Note 11)	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation The Hokuriku Bank, Ltd. The Bank of Fukuoka, Ltd.	July 19, 2016	860	860	0.49695%	April 30, 2021	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 19, 2016	1,000	1,000	0.82289%	April 28, 2023	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd.	November 1, 2016	-	2,500	0.27850% (Note 2)	April 30, 2019	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd. The Senshu Ikeda Bank, Ltd.	November 1, 2016	-	2,500	0.35600% (Note 2)	October 30, 2020	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Fukuoka, Ltd. The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd.	November 1, 2016	-	2,000	0.54888%	April 30, 2021	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 1, 2016	-	2,500	0.76832%	October 31, 2022	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed

Category	Lender	Drawdown date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (Note 1)	Repayment due date	Repayment method	Use	Remarks
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 1, 2016	–	2,500	0.85244%	April 28, 2023	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	November 1, 2016	–	2,500	0.93702%	October 31, 2023	Lump-sum repayment	(Note 3)	Unsecured/ Unguaranteed
	Subtotal		27,160	41,534					
	Total		27,160	43,034					

(Note 1) Average interest rates on floating rate borrowings are the weighted average rate during the period.

(Note 2) HRR concludes interest rate swap agreements to hedge against the risk of interest rate increase. The interest rates presented for loans subject to interest rate swap transactions take into account the effect of the interest rate swap.

(Note 3) All borrowings were used as funds for acquiring real estate, paying its related costs, and repayment of loans.

(Note 4) Repayment of 32,500 thousand yen shall be due firstly on October 31, 2013 (total payment on first payment was 19,234 thousand yen) and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 2,288,266 thousand yen shall be due in lump sum on the final repayment due date.

(Note 5) Repayment of 20,001 thousand yen shall be due firstly on October 31, 2013 (total payment on first payment was 11,838 thousand yen) and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 1,128,149 thousand yen shall be due in lump sum on the final repayment due date.

(Note 6) Repayment of 14,287 thousand yen shall be due firstly on October 31, 2014 and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 814,269 thousand yen shall be due in lump sum on the final repayment due date.

(Note 7) Repayment of 21,430 thousand yen shall be due firstly on April 28, 2016 and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 1,221,410 thousand yen shall be due in lump sum on the final repayment due date.

(Note 8) Repayment of 14,286 thousand yen shall be due firstly on April 28, 2016 (total payment on first payment was 2,427 thousand yen) and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 754,711 thousand yen shall be due in lump sum on the final repayment due date.

(Note 9) Repayment of 7,143 thousand yen shall be due firstly on October 31, 2016 and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 407,141 thousand yen shall be due in lump sum on the final repayment due date.

(Note 10) Repayment of 7,143 thousand yen shall be due firstly on October 31, 2016 and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 378,569 thousand yen shall be due in lump sum on the final repayment due date.

(Note 11) Repayment of 8,572 thousand yen shall be due firstly on October 31, 2016 and subsequently on the last day of April and October of every year thereafter (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.), and repayment of the remaining principal amount of 437,132 thousand yen shall be due in lump sum on the final repayment due date.

(3) Investment corporation bonds

Not applicable.

(4) Short-term investment corporation bonds

Not applicable.

(5) Subscription rights to new investment units

Not applicable.

6. Acquisitions and sales

(1) Status of acquisitions and sales of real estate, asset-backed securities, infrastructure assets and infrastructure-related assets

Name of property	Acquisition		Sale			
	Acquisition date	Acquisition price (millions of yen) (Note)	Sale date	Sale price (millions of yen)	Book value (millions of yen)	Gain (loss) on sale (millions of yen)
Hyatt Regency Osaka	November 1, 2016	16,000	–	–	–	–
Total	–	16,000	–	–	–	–

(Note) “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 real estate sales commissions), rounded down to the nearest million yen. The acquisition price includes the trading value (79 million yen) of equipment, etc. acquired from HRO Inc., which is the lessee of the property.

(2) Status of acquisitions and sales of other assets

Not applicable. Main other assets except the abovementioned properties mostly consist of bank deposits.

(3) Appraisal values of specified assets

i) Real estate

Acquisition / Sale	Name of property	Transaction date	Type of assets	Acquisition price / Sale price (millions of yen)	Appraisal value (millions of yen)	Appraiser (Note 1)	Appraisal date
Acquisition	Hyatt Regency Osaka	November 1, 2016	Real estate, etc.	16,000	16,500	JV	September 1, 2016
Total		–	–	16,000	16,500	–	–

(Note 1) “Appraiser” is described as the initials in the table above. The initial used for the appraiser is as follows:

JV: Japan Valuers Co., Ltd.

(Note 2) With regard to transactions that require the appraisal value for real estate related to specified assets as prescribed by Article 201, paragraph 1 of the Investment Trusts Act, Japan Valuers Co., Ltd. conducts the appraisal pursuant to the “Real Estate Appraisal Standard, Chapter 3, Appraisal on Value of Real Estate Subject to Securitization” and HRR received the report on the appraisal.

(Note 3) Real Estate Appraisal Report presents judgment and opinion of the appraiser at a certain time of period, and does not guarantee the validity and accuracy of the contents or possibility of transactions and such with the appraisal value. In addition, there is no special vested interest between Japan Valuers Co., Ltd. and HRR or the Asset Management Company.

(Note 4) Acquisition price and sale price do not include other acquisition and sale related costs such as direct expenses for acquisition and sale, property-related taxes and consumption taxes.

(Note 5) The acquisition price includes the trading value (79 million yen) of equipment, etc. acquired from HRO Inc., which is the lessee of the property.

ii) Other

For the transactions performed by HRR that require a price survey, etc. pursuant to Article 201 of the Investment Trusts Act., other than transactions stated in “i) Real estate” above, the surveys have been contracted out to Grant Thornton Taiyo LLC.

HRR has received survey reports from Grant Thornton Taiyo LLC for two interest rate swap transactions that were subject to surveys during the subject period from November 1, 2016 to April 30, 2017.

Furthermore, with regard to the surveys for the interest rate swap transactions, HRR has contracted surveys of the counterparty’s names, agreed figures, transaction periods, and other details of the interest rate swap transactions.

(4) Transactions with interested parties

i) Purchase and sale transactions with interested parties

Category	Purchase or sale price (millions of yen)	
	Purchase price	Sale price
Total	79	–
Breakdown of transactions with interested parties		
HRO Inc.	79 (100.0%)	–
Total	79 (100.0%)	–

(Note) The term “interested parties” refers to interested parties as prescribed under Article 26, Paragraph 1, Item 27 of the Regulations for Asset Investment Reports of Investment Trusts and Investment Corporations issued by the Investment Trusts Association, Japan. The same shall apply hereinafter.

ii) Leasing to interested parties

Name of lessee	Name of property	Annual rent (millions of yen) (Note)
Hoshino Resorts Inc.	HOSHINOYA Karuizawa	630
	KAI Kinugawa	204
K.K. Horizon Hotels	RISONARE Yatsugatake	525
	RISONARE Atami	313
	ANA Crowne Plaza Hiroshima	606
	ANA Crowne Plaza Fukuoka	288
	ANA Crowne Plaza Kanazawa	546
	ANA Crowne Plaza Toyama	240
K.K. Arashiyama Onsen Rankyokan	HOSHINOYA Kyoto	187
	KAI Kaga	206
Hoshino Resort Management Co., Ltd.	KAI Matsumoto	75
	KAI Izumo	75
	KAI Ito	80
	KAI Hakone	95
	KAI Aso	42
	KAI Kawaji	99
Asahikawa Grand Hotel Co., Ltd.	Asahikawa Grand Hotel	364
HRO Inc.	Hyatt Regency Osaka	774

(Note) In the lease agreements with each lessee above for the properties above, in principle the rent comprises fixed rent and floating rent (however, for Hyatt Regency Osaka it comprises only floating rent). Except for Hyatt Regency Osaka, the entry under “Annual rent” is the amount obtained when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. However, with the 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 and Asahikawa Grand Hotel to have a premium for a limited period from March 31, 2016 to October 31, 2019, the annualized fixed rent is calculated based on the rent with the premium mentioned above, as of April 30, 2017. Fixed rent after the lapse of the premium period shall 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 shall 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) and Asahikawa Grand Hotel is November 1, 2019 (14th fiscal period). Accordingly, floating rent shall 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, the annual rent presented is the amount of floating rent calculated for April 2017 in accordance with the lease agreement annualized by multiplying by 12. Accordingly, the above calculated amounts may not be equivalent to the actual annual rent for each property. The same shall apply hereinafter.

iii) Leasing from interested parties

Name of lessor	Name of property	Monthly rent (yen)
Hoshino Resorts Inc.	HOSHINOYA Karuizawa (Note 1)	1,068,171 (Note 2)

(Note 1) HRR borrows the above-mentioned property from the above-mentioned lessor.

(Note 2) The monthly rent shown above is applied from the period July 26, 2016 to April 30, 2017.

iv) Amount of other fees paid

Not applicable.

(5) Transactions with Asset Management Company pertaining to its business other than asset management

Not applicable.

7. Financial information

(1) Status of assets, liabilities, principal, and profit and loss

Please refer to the “Balance Sheets,” “Statements of Income,” “Statements of Changes in Net Assets,” “Notes to Financial Statements” and “Statements of Cash Distributions” presented later in this report.

(2) Change in the calculation method of depreciation

Not applicable.

(3) Change in the valuation method of real estate and infrastructure assets

Not applicable.

8. Beneficiary certificates of investment trusts established by HRR

Not applicable.

9. Disclosure regarding investments in real estate holding companies in foreign countries

Not applicable.

10. Disclosure regarding properties held by above mentioned real estate holding companies in foreign countries

Not applicable.

11. Other

(1) Notice

Not applicable.

(2) Treatment of fractions in amounts and ratios

Unless otherwise stated, monetary amounts have been rounded down and ratios have been rounded to the nearest specified unit in this report.

II. Balance Sheets

(Unit: thousands of yen)

	7th fiscal period (Reference) (As of October 31, 2016)	8th fiscal period (As of April 30, 2017)
Assets		
Current assets		
Cash and deposits	9,514,280	8,458,921
Operating accounts receivable	39,832	37,562
Prepaid expenses	182,643	208,782
Consumption taxes receivable	67,952	494,795
Deferred tax assets	14	13
Other	–	174,641
Total current assets	9,804,723	9,374,717
Non-current assets		
Property, plant and equipment		
Buildings	55,399,273	64,875,892
Accumulated depreciation	(2,729,273)	(3,586,688)
Buildings, net	52,670,000	61,289,204
Structures	1,569,735	1,699,933
Accumulated depreciation	(80,642)	(105,829)
Structures, net	1,489,093	1,594,104
Machinery and equipment	83,801	83,801
Accumulated depreciation	(24,115)	(27,733)
Machinery and equipment, net	59,685	56,067
Tools, furniture and fixtures	475,715	565,367
Accumulated depreciation	(109,170)	(176,673)
Tools, furniture and fixtures, net	366,545	388,694
Land	39,351,315	48,290,817
Construction in progress	201,094	9,968
Total property, plant and equipment	94,137,734	111,628,856
Intangible assets		
Leasehold right	1,028,324	1,330,286
Software	13,504	19,669
Total intangible assets	1,041,829	1,349,956
Investments and other assets		
Long-term prepaid expenses	412,650	513,944
Guarantee deposits	10,000	10,000
Other	302,890	326,890
Total investments and other assets	725,540	850,834
Total non-current assets	95,905,104	113,829,647
Total assets	105,709,827	123,204,364

Balance Sheets

(Unit: thousands of yen)

	7th fiscal period (Reference) (As of October 31, 2016)	8th fiscal period (As of April 30, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	94,787	1,504,584
Short-term loans payable	–	1,500,000
Current portion of long-term loans payable	950,724	4,350,724
Accounts payable - other	561,547	611,309
Income taxes payable	889	876
Accrued expenses	–	2,170
Advances received	695,672	769,404
Total current liabilities	2,303,620	8,739,069
Non-current liabilities		
Long-term loans payable	26,209,332	37,183,970
Tenant leasehold and security deposits	2,789,454	2,789,454
Total non-current liabilities	28,998,786	39,973,424
Total liabilities	31,302,406	48,712,494
Net assets		
Unitholders' equity		
Unitholders' capital	72,591,623	72,591,623
Surplus		
Unappropriated retained earnings	1,815,796	1,900,247
Total surplus	1,815,796	1,900,247
Total unitholders' equity	74,407,420	74,491,870
Total net assets	*1 74,407,420	*1 74,491,870
Total liabilities and net assets	105,709,827	123,204,364

III. Statements of Income

(Unit: thousands of yen)

	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)		8th fiscal period (From November 1, 2016 to April 30, 2017)	
Operating revenue				
Lease business revenue	*1	3,981,640	*1	4,462,551
Total operating revenue		3,981,640		4,462,551
Operating expenses				
Expenses related to rent business	*1	1,428,747	*1	1,682,281
Asset management fee		342,999		372,006
Asset custody fee		3,786		3,823
Administrative service fees		15,741		18,317
Directors' compensations		2,640		2,640
Audit fee		6,751		8,200
Other operating expenses		83,750		108,298
Total operating expenses		1,884,418		2,195,567
Operating profit		2,097,222		2,266,983
Non-operating income				
Interest income		47		43
Insurance income		1,559		–
Interest on refund		–		47
Miscellaneous income		18		426
Total non-operating income		1,625		517
Non-operating expenses				
Interest expenses		156,288		196,467
Borrowing related expenses		90,394		169,958
Investment unit issuance expenses		35,506		–
Total non-operating expenses		282,188		366,426
Ordinary profit		1,816,659		1,901,075
Profit before income taxes		1,816,659		1,901,075
Income taxes - current		896		882
Income taxes - deferred		0		0
Total income taxes		896		883
Profit		1,815,763		1,900,191
Retained earnings brought forward		33		55
Unappropriated retained earnings		1,815,796		1,900,247

IV. Statements of Changes in Net Assets

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

(Unit: thousands of yen)

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

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	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

V. Notes to Financial Statements
Summary of significant accounting policies

Item	7th fiscal period (Reference) (from May 1, 2016 to October 31, 2016)	8th fiscal period (from November 1, 2016 to April 30, 2017)																				
1. Method of depreciation and amortization of non-current assets	<p>i) Property, plant and equipment</p> <p>Depreciation is calculated using the straight-line method.</p> <p>The useful lives of principal property, plant and equipment are as follows:</p> <table data-bbox="448 510 911 638"> <tr> <td>Buildings</td> <td>3–57 years</td> </tr> <tr> <td>Structures</td> <td>3–60 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>6–15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2–20 years</td> </tr> </table> <p>ii) Intangible assets</p> <p>Amortization is calculated using the straight-line method.</p> <p>The useful lives are as follows:</p> <table data-bbox="448 808 911 840"> <tr> <td>Intangible assets</td> <td>2–5 years</td> </tr> </table> <p>iii) Long-term prepaid expenses</p> <p>Amortization is calculated using the straight-line method.</p>	Buildings	3–57 years	Structures	3–60 years	Machinery and equipment	6–15 years	Tools, furniture and fixtures	2–20 years	Intangible assets	2–5 years	<p>i) Property, plant and equipment</p> <p>Depreciation is calculated using the straight-line method.</p> <p>The useful lives of principal property, plant and equipment are as follows:</p> <table data-bbox="979 510 1442 638"> <tr> <td>Buildings</td> <td>3–57 years</td> </tr> <tr> <td>Structures</td> <td>3–60 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>6–15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2–20 years</td> </tr> </table> <p>ii) Intangible assets</p> <p>Amortization is calculated using the straight-line method.</p> <p>The useful lives are as follows:</p> <table data-bbox="979 808 1442 840"> <tr> <td>Intangible assets</td> <td>2–5 years</td> </tr> </table> <p>iii) Long-term prepaid expenses</p> <p>Amortization is calculated using the straight-line method.</p>	Buildings	3–57 years	Structures	3–60 years	Machinery and equipment	6–15 years	Tools, furniture and fixtures	2–20 years	Intangible assets	2–5 years
Buildings	3–57 years																					
Structures	3–60 years																					
Machinery and equipment	6–15 years																					
Tools, furniture and fixtures	2–20 years																					
Intangible assets	2–5 years																					
Buildings	3–57 years																					
Structures	3–60 years																					
Machinery and equipment	6–15 years																					
Tools, furniture and fixtures	2–20 years																					
Intangible assets	2–5 years																					
2. Standards for revenue and expense recognition	<p>Accounting for property-related taxes</p> <p>With respect to property tax, city planning tax, depreciable asset tax, etc. on real estate etc. held, of the tax amount assessed and determined, the amount corresponding to the relevant accounting period is accounted as expenses related to rent business.</p> <p>Of the amounts paid for the acquisition of real estate, the amounts equivalent to property-related taxes are capitalized as part of the acquisition cost of the relevant real estate instead of being charged as expenses.</p>	<p>Accounting for property-related taxes</p> <p>With respect to property tax, city planning tax, depreciable asset tax, etc. on real estate etc. held, of the tax amount assessed and determined, the amount corresponding to the relevant accounting period is accounted as expenses related to rent business.</p> <p>Of the amounts paid for the acquisition of real estate, the amounts equivalent to property-related taxes are capitalized as part of the acquisition cost of the relevant real estate instead of being charged as expenses.</p>																				
3. Hedge accounting method	–	<p>i) Hedge accounting method</p> <p>The special accounting treatment is applied for interest rate swaps.</p> <p>ii) Hedging instruments and hedged items</p> <table data-bbox="979 1541 1382 1641"> <tr> <td>Hedging instrument</td> <td>Interest rate swap transaction</td> </tr> <tr> <td>Hedged item</td> <td>Interest on loans</td> </tr> </table> <p>iii) Hedging policies</p> <p>HRR conducts interest rate swap transactions to hedge risks stipulated in the Articles of Incorporation of HRR pursuant to the financing policy.</p> <p>iv) Evaluation method for hedge effectiveness</p> <p>Evaluation of the effectiveness of hedges is omitted as interest rate swaps meet the requirements for special accounting treatment.</p>	Hedging instrument	Interest rate swap transaction	Hedged item	Interest on loans																
Hedging instrument	Interest rate swap transaction																					
Hedged item	Interest on loans																					

<p>4. Other significant matters serving as the basis for preparation of financial statements</p>	<p>Accounting for consumption taxes Consumption tax and local consumption tax are excluded from the corresponding transaction amounts.</p>	<p>Accounting for consumption taxes Consumption tax and local consumption tax are excluded from the corresponding transaction amounts.</p>
--	--	--

Notes to Balance Sheets

(Unit: thousands of yen)

7th fiscal period (Reference) (As of October 31, 2016)	8th fiscal period (As of April 30, 2017)
*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Investment Trusts Act 50,000	*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Investment Trusts Act 50,000

Notes to Statements of Income

7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
*1. Components of operating profit (loss) from real estate leasing (Unit: thousands of yen)	*1. Components of operating profit (loss) from real estate leasing (Unit: thousands of yen)
A. Operating revenue from real estate leasing	A. Operating revenue from real estate leasing
Lease business revenue	Lease business revenue
Rental revenue 3,981,640	Rental revenue 4,462,551
Total operating revenue from real estate leasing 3,981,640	Total operating revenue from real estate leasing 4,462,551
B. Operating expenses from real estate leasing	B. Operating expenses from real estate leasing
Expenses related to rent business	Expenses related to rent business
Insurance expenses 14,266	Insurance expenses 18,384
Repair expenses 55,088	Repair expenses 83,968
Land rent 33,994	Land rent 46,022
Depreciation 831,174	Depreciation 956,115
Taxes and dues 287,204	Taxes and dues 363,459
Other expenses 207,019	Other expenses 214,330
Total operating expenses from real estate leasing 1,428,747	Total operating expenses from real estate leasing 1,682,281
C. Operating profit from real estate leasing [A – B] 2,552,892	C. Operating profit from real estate leasing [A – B] 2,780,269

Notes to Statements of Changes in Net Assets

7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)		8th fiscal period (From November 1, 2016 to April 30, 2017)	
*1. Total number of investment units authorized and total number of investment units issued and outstanding		*1. Total number of investment units authorized and total number of investment units issued and outstanding	
Total number of investment units authorized	2,000,000 units	Total number of investment units authorized	2,000,000 units
Total number of investment units issued and outstanding	81,757 units	Total number of investment units issued and outstanding	163,514 units

Income taxes

7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)		8th fiscal period (From November 1, 2016 to April 30, 2017)	
1. Breakdown of deferred tax assets and deferred tax liabilities by major causes (Unit: thousands of yen)		1. Breakdown of deferred tax assets and deferred tax liabilities by major causes (Unit: thousands of yen)	
Deferred tax assets		Deferred tax assets	
Enterprise tax payable excluded from deductible expenses	14	Enterprise tax payable excluded from deductible expenses	13
Total deferred tax assets	14	Total deferred tax assets	13
Net deferred tax assets	14	Net deferred tax assets	13
2. Breakdown by major items that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting (Unit: %)		2. Breakdown by major items that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting (Unit: %)	
Statutory tax rate	31.74	Statutory tax rate	31.74
[Adjustments]		[Adjustments]	
Distributions deductible for tax purposes	(31.72)	Distributions deductible for tax purposes	(31.73)
Other	0.03	Other	0.03
Effective income tax rate after application of tax-effect accounting	0.05	Effective income tax rate after application of tax-effect accounting	0.05

Financial instruments

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

(1) Status of financial instruments

i) Policy for financial instruments

HRR procures funds for acquisition of new assets mainly through issuance of new investment units, loans from financial institutions and issuance of investment corporation bonds.

HRR enters into derivative transactions solely for the purpose of hedging the risk of fluctuations in interest rates on loans and other risks.

ii) Description of financial instruments and associated risks and of risk management system

The funds procured through loans are mainly used for acquisition of assets and repayment of loans. Concerning the liquidity risk and the risk of fluctuations in interest rates 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.

In addition, loans with floating interest rates are exposed to the risk of rising interest rates, but HRR mitigates such risk by maintaining the LTV (ratio of interest-bearing liabilities to total assets) at a low level and maintaining the ratio of long-term and fixed-rate loans at a high level. Moreover, derivative transactions (interest rate swap transactions, etc.) are executed as hedging instruments in order to mitigate the risk of rising interest rates and stabilize its financial costs.

Deposits, which are used for investment of HRR's surplus funds, are exposed to credit risk, such as bankruptcy of the depository financial institution; but HRR exercises prudence by limiting the deposit period to short term, taking into consideration security and liquidity and fully taking into account the market environment and status of cash flows.

iii) Supplementary explanation concerning fair values of financial instruments

The fair value of financial instruments is based on the quoted market price if available. When there is no available quoted market price, the fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are adopted.

(2) Fair values of financial instruments

Carrying amounts, fair values and the difference between the values as of October 31, 2016 are as follows:

(Unit: thousands of yen)

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

(Note 1) Liabilities are shown in parentheses.

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

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

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

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

With respect to long-term loans payable as of October 31, 2016, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is deemed 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 measured by discounting the total principal and interest amount at the current rates that are reasonably estimated to be applicable if HRR enters into new similar loans.

(Note 3) Financial instruments for which the fair value is difficult to estimate

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.

(Unit: thousands of yen)

	Carrying amount
Tenant leasehold and security deposits	2,789,454

(Note 4) Redemption schedule for monetary claims after the closing date (October 31, 2016)

(Unit: thousands of yen)

	Due within one year
Cash and deposits	9,514,280

(Note 5) Redemption schedule for loans payable after the closing date (October 31, 2016)

(Unit: thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans payable	-	-	-	-	-	-
Long-term loans payable	950,724	5,906,490	3,885,724	3,693,872	5,291,417	7,431,829

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

(1) Status of financial instruments

i) Policy for financial instruments

HRR procures funds for acquisition of new assets mainly through issuance of new investment units, loans from financial institutions and issuance of investment corporation bonds.

HRR enters into derivative transactions solely for the purpose of hedging the risk of fluctuations in interest rates on loans and other risks.

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

The funds procured through loans are mainly used for acquisition of assets and repayment of loans. Concerning the liquidity risk and the risk of fluctuations in interest rates 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.

In addition, loans with floating interest rates are exposed to the risk of rising interest rates, but HRR mitigates such risk by maintaining the LTV (ratio of interest-bearing liabilities to total assets) at a low level and maintaining the ratio of long-term and fixed-rate loans at a high level. Moreover, derivative transactions (interest rate swap transactions, etc.) are executed as hedging instruments in order to mitigate the risk of rising interest rates and stabilize its financial costs.

Deposits, which are used for investment of HRR's surplus funds, are exposed to credit risk, such as bankruptcy of the depository financial institution, but HRR exercises prudence by limiting the deposit period to short term, taking into consideration security and liquidity and fully taking into account the market environment and status of cash flows.

iii) Supplementary explanation concerning fair values of financial instruments

The fair value of financial instruments is based on the quoted market price, if available. When there is no available quoted market price, the fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are adopted.

(2) Fair values of financial instruments

Carrying amounts, fair values and the difference between the values as of April 30, 2017 are as follows:

(Unit: thousands of yen)

	Carrying amount (Note 1)	Fair value (Note 1) (Note 2)	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	–	–	–

(Note 1) Liabilities are shown in parentheses.

(Note 2) Method of calculation of the fair value of financial instruments and matters related to 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

With respect to long-term loans payable, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is deemed 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 measured by discounting the total principal and interest amount at the current rates that are reasonably estimated to be applicable if HRR enters into new similar loans. The fair value of the interest rate swap to which special accounting treatment has been applied is included in the fair value of long-term loans payable, which is the hedged item.

(6) Derivative transactions

(i) Derivative transactions to which hedge accounting has not been applied

Not applicable.

(ii) Derivative transactions to which hedge accounting has been applied

Contract amount or nominal principal amount defined in the contract as of the closing date for each hedge accounting method is as follows:

(Unit: thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contract amount		Fair value	Calculation method of fair value
				Of which, due after one year		
Special accounting treatment for interest rate swaps	Interest rate swap transaction Receipt: floating interest rate Payment: fixed interest rate	Long-term loans payable	5,000,000	5,000,000	(Note)	–

(Note) Interest rate swaps to which special accounting treatment is applied are accounted for as an integral part of long-term loans payable, which is the hedged item. Therefore, their fair value is included in the fair value of “(5) Long-term loans payable.”

(Note 3) Financial instruments for which the fair value is difficult to estimate

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 carrying amount of tenant leasehold and security deposits is as follows:

(Unit: thousands of yen)

	Carrying amount
Tenant leasehold and security deposits	2,789,454

(Note 4) Redemption schedule for monetary claims after the closing date (April 30, 2017)

(Unit: thousands of yen)

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

(Note 5) Redemption schedule for loans payable after the closing date (April 30, 2017)

(Unit: thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five 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

Investment and rental properties

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

HRR owns rental properties for hotels and ryokans in Nagano Prefecture and other areas. The following table summarized the carrying amount, including the change during the period, and the fair value of these rental properties.

(Unit: thousands of yen)

Carrying amount			Fair value at end of period
Balance at beginning of period	Change during period	Balance at end of period	
91,214,502	3,585,011	94,799,513	109,299,000

(Note 1) “Carrying amount” is the book value at acquisition cost less accumulated depreciation.

(Note 2) The change during the period primarily consisted of the increase due to acquisition of KAI Kaga (3,209,143 thousand yen) and the decrease due to depreciation (771,194 thousand yen).

(Note 3) “Fair value at end of period” is the appraisal or survey values provided by an independent real estate appraiser.

The operating profit and expenses from investment and rental properties for the fiscal period ended October 31, 2016, are presented in “Notes to Statements of Income.”

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

HRR owns rental properties for hotels and ryokans in Nagano Prefecture and other areas. The following table summarized the carrying amount, including the change during the period, and the fair value of these rental properties.

(Unit: thousands of yen)

Carrying amount			Fair value at end of period
Balance at beginning of period	Change during period	Balance at end of period	
94,799,513	17,760,966	112,560,480	126,965,000

(Note 1) “Carrying amount” is the book value at acquisition cost less accumulated depreciation.

(Note 2) The change during the period primarily consisted of the increase due to acquisition of Hyatt Regency Osaka (16,658,182 thousand yen) and the decrease due to depreciation (886,220 thousand yen).

(Note 3) “Fair value at end of period” is the appraisal or survey values provided by an independent real estate appraiser.

The operating profit and expenses from investment and rental properties for the fiscal period ended April 30, 2017 are presented in “Notes to Statements of Income.”

Transactions with related parties

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

Type	Name	Description of business or occupation	Voting rights holding ratio (%)	Relationship		Description of transaction	Amount of transaction (Thousands of yen) (Note 2)	Account item	Balance at end of period (Thousands of yen) (Note 2)
				Interlocking officers etc.	Business relationship				
Parent etc. of Asset Management Company	Hoshino Resorts Inc.	Hotels and ryokans business	3.8	-	Real estate leasing	Real estate leasing	498,509	Operating accounts receivable	17,371
								Advances received	75,060
								Tenant leasehold and security deposits	379,800
Parent etc. of Asset Management Company	K.K. Horizon Hotels	Hotels and ryokans business	-	-	Real estate leasing	Purchase of real estate	3,160,000	-	-
						Real estate leasing	1,838,547	Operating accounts receivable	10,662
								Advances received	333,939
								Tenant leasehold and security deposits	1,074,100

(Note 1) The terms and conditions of these transactions are determined based on the same terms and conditions as those applied to general business transactions in view of the prevailing market price.

(Note 2) Consumption taxes are not included in the transaction amounts but included in the related balances at the end of the period.

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

Type	Name	Description of business or occupation	Voting rights holding ratio (%)	Relationship		Description of transaction	Amount of transaction (Thousands of yen) (Note 2)	Account item	Balance at end of period (Thousands of yen) (Note 2)
				Inter-locking officers etc.	Business relationship				
Parent etc. of Asset Management Company	Hoshino Resorts Inc.	Hotels and ryokans business	3.8	-	Real estate leasing	Real estate leasing	499,840	Operating accounts receivable	14,911
								Advances received	75,060
								Tenant leasehold and security deposits	379,800
Parent etc. of Asset Management Company	K. K. Horizon Hotels	Hotels and ryokans business	-	-	Real estate leasing	Real estate leasing	1,913,728	Operating accounts receivable	10,531
								Advances received	341,112
								Tenant leasehold and security deposits	1,074,100

(Note 1) The terms and conditions of these transactions are determined based on the same terms and conditions as those applied to general business transactions in view of the prevailing market price.

(Note 2) Consumption taxes are not included in the transaction amounts but included in the related balances at the end of the period.

Per unit information

(Unit: yen)

	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Net assets per unit	455,052	455,568
Basic earnings per unit	11,110	11,620

(Note 1) Basic earnings per unit are calculated by dividing profit by the daily weighted average number of investment units.

In addition, diluted earnings per unit are not stated because there are no dilutive investment units.

(Note 2) A 2-for-1 split of investment units was implemented with the record date of October 31, 2016 and the effective date of November 1, 2016. Net assets per unit and basic earnings per unit for the 7th fiscal period in the above table are calculated under the assumption that the split was conducted at the beginning of the 7th fiscal period.

(Note 3) The following is the basis for calculation of basic earnings per unit.

(Unit: thousands of yen)

	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Profit	1,815,763	1,900,191
Amount not attributable to common unitholders	-	-
Profit attributable to common investment units	1,815,763	1,900,191
Average number of investment units during period(units)	163,430	163,514

Significant subsequent events

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

(1) Acquisition of assets

HRR acquired the real estate described below on November 1, 2016 (the acquisition price: 16,000 million yen). The acquisition price is the price stated in the sales and purchase agreement of the real estate which does not include acquisition expenses, property-related taxes and consumption taxes.

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

(Note) The acquisition price includes the trading value (79 million yen) of equipment, etc. acquired from GCP Hospitality Japan K.K., which was a lessee of the property. Note that GCP Hospitality Japan K.K. changed its trade name to HRO Inc. on November 1, 2016.

(2) Additional borrowings

HRR obtained bank loans on November 1, 2016 for acquisition of specified assets and related costs as stated in “(1) Acquisition of assets” above and for repayment of loans before maturity.

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

Floating/ Fixed	Lender	Loan amount	Interest rate	Drawdown date	Repayment due date (Note 4)	Repayment method
Fixed	Resona Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Fukuoka, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Hokuriku Bank, Ltd. The Yamaguchi Bank, Ltd.	2.0 billion yen	0.54888%	November 1, 2016	April 30, 2021	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.76832%	November 1, 2016	October 31, 2022	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.85244%	November 1, 2016	April 28, 2023	Lump-sum payment at maturity
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	2.5 billion yen	0.93702%	November 1, 2016	October 31, 2023	Lump-sum payment at maturity

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

(Note 2) The interest rate is substantially fixed at 0.2785% with the effect of the interest rate swap agreements to hedge the risk of rising interest rates.

(Note 3) The interest rate is substantially fixed at 0.356% with the effect of the interest rate swap agreements to hedge the risk of rising interest rates.

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

(3) Split of investment units

A 2-for-1 split of investment units was implemented with the record date of October 31, 2016 and the effective date of November 1, 2016.

i) Purpose of the split

The purpose is to expand the investor base and enhance the liquidity of its investment units by reducing the per unit price with the aim of providing a more investor-friendly environment after the launch of Nippon Individual Savings Accounts (NISA).

ii) Method of the split

HRR executed a 2-for-1 split of investment units owned by unitholders indicated or recorded in final unitholder registry as of October 31, 2016.

iii) Increase in investment units resulting from the split, etc.

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

See “Per unit information” for the per unit information assuming that the split of investment units had been made at the beginning of the 7th fiscal period.

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

(1) Issuance of new investment units

HRR resolved at meetings of the Board of Directors held on April 7, 2017 and April 18, 2017 on the following issuance of new investment units, and payment was completed on May 1, 2017 for the new investment units through primary offering and on May 23, 2017 for the new investment units through third-party allotment.

Issuance of new investment units through primary offering

Number of investment units issued:	8,720 units
Issue price:	559,080 yen per unit
Total issue price:	4,875,177,600 yen
Paid-in amount:	539,583 yen per unit
Total paid-in amount:	4,705,163,760 yen
Payment due date:	May 1, 2017

Issuance of new investment units through third-party allotment

Number of investment units issued:	436 units
Paid-in amount:	539,583 yen per unit
Total paid-in amount:	235,258,188 yen
Payment due date:	May 23, 2017
Allottee:	Nomura Securities Co., Ltd.

Use of funds

The funds procured from the primary offering were allocated to the funds for acquisition of the real estate stated in subsection “a” under “(2) Acquisition of assets” below. Moreover, the remaining funds were kept as cash on hand along with the funds procured from the third-party allotment, and 354 million yen of which have been allocated to the funds for acquisition and contract amount stated in construction contract of the real estate stated in subsection “b” under “(2) Acquisition of assets” below.

(2) Acquisition of assets

a HRR acquired the real estate described below on May 1, 2017 (the acquisition price: 4,160 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
HOSHINOYA Fuji	Fujikawaguchiko-machi, Minamitsuru-gun, Yamanashi	K.K. Horizon Hotels	4,160	May 1, 2017

(Note) “Acquisition price” indicates the sum of (a) the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as real estate sales commissions) and (b) 726 million yen of concession money paid to the seller-cum-land subleaseholder to establish land subleasehold, rounded down to the nearest million yen.

b HRR acquired the real estate described below on July 14, 2017 (the acquisition price: 354 million yen) (Note 1).

Name of property	Location	Seller (Note 2)	Acquisition price (millions of yen) (Note 1)	Acquisition date
HOSHINOYA Kyoto Annex	Kyoto-shi, Kyoto	K.K. Arashiyama Onsen Rankyokan	354	July 14, 2017

(Note 1) “Acquisition price” indicates the sum of (a) 93 million yen of the sales/purchase price of the land stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as real estate sales commissions) and (b) 261 million yen of contract amount (excluding consumption taxes, local consumption taxes and other expenses) stated in construction contract of the new building (HOSHINOYA Kyoto Annex) as orderer of which was taken over by HRR.

(Note 2) “Seller” indicates the counterparty with respect to the aforementioned acquisition and the succession of status.

(3) Additional borrowings

HRR obtained the following bank loan on May 2, 2017 to procure funds for repayment of the principal of existing borrowings that became due for repayment.

Floating/ Fixed	Lender	Loan amount	Interest rate	Drawdown date	Repayment due date (Note 3)	Repayment method
Floating	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Ashikaga Bank, Ltd. The Bank of Fukuoka, Ltd.	0.7 billion yen	Base rate 1-month Japanese Yen TIBOR (Note 1) + 0.425% (Note 2)	May 2, 2017	May 2, 2022	Lump-sum payment at maturity

(Note 1) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by JBA TIBOR Administration at a certain time of the date two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date for the first due date), the interest rate for the number of months corresponding to the interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract.

(Note 2) The interest rate is substantially fixed at 0.519% with the effect of the interest rate swap agreements to hedge the risk of rising interest rates.

(Note 3) 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.

Other note

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

Since the 7th fiscal period, the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) has been adopted.

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

Not applicable.

VI. Statements of Cash Distributions

(Unit: yen)

	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
I. Unappropriated retained earnings	1,815,796,809	1,900,247,149
II. Amount of distributions [Amount of distribution per investment unit]	1,815,741,213 [22,209]	1,900,196,194 [11,621]
III. Retained earnings brought forward	55,596	50,955
Method of calculating distribution amount	In accordance with the policy described in Article 37, Paragraph 1 of the Articles of Incorporation of Hoshino Resorts REIT, Inc. (HRR) that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 1,815,741,213 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.	In accordance with the policy described in Article 37, Paragraph 1 of the Articles of Incorporation of Hoshino Resorts REIT, Inc. (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.

VII. Statements of Cash Flows (Reference Information)

(Unit: thousands of yen)

	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Cash flows from operating activities		
Profit before income taxes	1,816,659	1,901,075
Depreciation and amortization	831,907	956,848
Interest income	(47)	(43)
Interest expenses	156,288	196,467
Borrowing related expenses	90,394	169,958
Investment unit issuance expenses	35,506	–
(Increase) decrease in operating accounts receivable	584	2,269
(Increase) decrease in prepaid expenses	(53,192)	(26,139)
(Increase) decrease in consumption taxes refund receivable	1,137,736	(426,842)
Increase (decrease) in operating accounts payable	(8,801)	26,797
Increase (decrease) in accounts payable - other	154,070	61,982
Increase (decrease) in advances received	37,638	73,731
(Increase) decrease in long-term prepaid expenses	(37,316)	(101,293)
Other, net	(90,394)	(344,600)
Subtotal	4,071,032	2,490,212
Interest income received	47	43
Interest expenses paid	(159,003)	(194,296)
Income taxes paid	(797)	(895)
Net cash provided by operating activities	3,911,278	2,295,063
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,508,815)	(17,077,804)
Purchase of intangible assets	(29,509)	(308,158)
Proceeds from tenant leasehold and security deposits	71,145	–
Payments for lease and guarantee deposits	–	(24,000)
Net cash used in investing activities	(4,467,179)	(17,409,962)
Cash flows from financing activities		
Proceeds from short-term loans payable	–	1,500,000
Repayments of short-term loans payable	(1,100,000)	–
Proceeds from long-term loans payable	4,360,000	14,500,000
Repayments of long-term loans payable	(4,485,567)	(125,362)
Proceeds from issuance of investment units	4,684,727	–
Payments for investment unit issuance expenses	(35,506)	–
Dividends paid	(1,596,672)	(1,815,097)
Net cash provided by financing activities	1,826,982	14,059,540
Net increase (decrease) in cash and cash equivalents	1,271,080	(1,055,358)
Cash and cash equivalents at beginning of period	8,243,199	9,514,280
Cash and cash equivalents at end of period	*1 9,514,280	*1 8,458,921

Summary of significant accounting policies (Reference information)

Item	7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)	8th fiscal period (From November 1, 2016 to April 30, 2017)
Scope of funds in the statements of cash flows	The funds (cash and cash equivalents) in the statements 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 are subject to an insignificant risk of changes in value.	The funds (cash and cash equivalents) in the statements 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 are subject to an insignificant risk of changes in value.

Notes to Statements of Cash Flows (Reference information)

7th fiscal period (Reference) (From May 1, 2016 to October 31, 2016)		8th fiscal period (From November 1, 2016 to April 30, 2017)	
*1. Reconciliation of cash and cash equivalents at end of the period to the corresponding Balance sheet item (As of October 31, 2016) (Unit: thousands of yen)		*1. Reconciliation of cash and cash equivalents at end of the period to the corresponding Balance sheet item (As of April 30, 2017) (Unit: thousands of yen)	
Cash and deposits	9,514,280	Cash and deposits	8,458,921
Cash and cash equivalents	9,514,280	Cash and cash equivalents	8,458,921

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Hoshino Resorts REIT, Inc.**

We have audited the accompanying financial statements of Hoshino Resorts REIT, Inc., which comprise the balance sheet as at April 30, 2017, and the statement of income, the statement of changes in net assets and notes to financial statements, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Ordinance on Accountings of Investment Corporations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hoshino Resorts REIT, Inc. as at April 30, 2017, and its financial performance for the six months then ended in accordance with the Ordinance on Accountings of Investment Corporations and accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to "Significant subsequent events" that describes that Hoshino Resorts REIT, Inc. issued new investment units, acquired assets and obtained additional borrowings.



August 3, 2017
Tokyo, Japan