

## (REIT) Financial Report for Fiscal Period Ended October 2018

December 14, 2018

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Scheduled date of submission of securities report: January 30, 2019

Scheduled date of commencement of distributions payment: January 25, 2019

Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

## 1. Status of Management and Assets for Fiscal Period Ended October 2018 (from May 1, 2018 to October 31, 2018)

## (1) Management Status

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Oct. 2018	5,802	4.7	3,209	4.4	2,839	8.2	2,839	8.2
Ended Apr. 2018	5,540	19.3	3,074	29.4	2,625	27.1	2,624	27.1

Fiscal period	Profit per unit	Ratio of profit to net assets	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Ended Oct. 2018	12,799	2.8	1.7	48.9
Ended Apr. 2018	12,354	2.9	1.8	47.4

## (2) Distributions Status

Fiscal period	Distributions per unit (excluding distributions in excess of earnings)	Total distributions (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
Ended Oct. 2018	12,796	2,838	0	0	100.0	2.7
Ended Apr. 2018	12,338	2,624	0	0	100.0	2.6

(Note) Since new investment units have been issued, distributions payout ratio for the fiscal period ended April 2018 and the fiscal period ended October 2018 is calculated using the following formula:

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

## (3) Financial Position

Fiscal period	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Oct. 2018	163,704	105,577	64.5	475,868
Ended Apr. 2018	163,194	100,754	61.7	473,607

(4) Status of Cash Flows

Fiscal period	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Oct. 2018	4,840	(1,166)	(2,543)	11,186
Ended Apr. 2018	3,633	(34,892)	32,745	10,055

2. Management Status Forecast for Fiscal Period Ending April 2019 (from November 1, 2018 to April 30, 2019) and Management Status Forecast for Fiscal Period Ending October 2019 (from May 1, 2019 to October 31, 2019)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Apr. 2019	5,893	1.6	3,222	0.4	2,866	0.9	2,866	1.0	12,918	0
Ending Oct. 2019	5,855	(0.6)	3,229	0.2	2,867	0.0	2,866	0.0	12,921	0

(Reference) Forecast profit per unit (fiscal period ending April 2019) 12,918 yen

Forecast profit per unit (fiscal period ending October 2019) 12,920 yen

Forecast profit per unit is calculated by the following formula:

Forecast profit per unit = Forecast profit / Forecast total number of investment units issued and outstanding at end of period

\* Others

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including own investment units) at end of period
- |                                  |               |                                |               |
|----------------------------------|---------------|--------------------------------|---------------|
| Fiscal period ended October 2018 | 221,862 units | Fiscal period ended April 2018 | 212,738 units |
|----------------------------------|---------------|--------------------------------|---------------|
- ② Number of own investment units at end of period
- |                                  |         |                                |         |
|----------------------------------|---------|--------------------------------|---------|
| Fiscal period ended October 2018 | – units | Fiscal period ended April 2018 | – units |
|----------------------------------|---------|--------------------------------|---------|

(Note) For the number of investment units serving as the basis for calculation of profit per unit, please refer to “Notes on Per Unit Information” on page 26.

\* Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; hereinafter, the “Financial Instruments and Exchange Act”) have not been completed.

\* Explanation of Appropriate Use of Management Status Forecast, and Other Matters of Special Note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of distributions. For the assumptions underlying the management status forecast, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2019 and Fiscal Period Ending October 2019” on page 7.

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1. Related Parties of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the most recent securities report (submitted on July 27, 2018).

2. Management Policy and Management Status

(1) Management Policy

Disclosure is omitted because there is no significant change from “Investment Policy,” “Investment Targets” and “Distribution Policy” in the securities report (submitted on July 27, 2018).

(2) Management Status

① Overview of the Fiscal Period under Review

(a) Brief History of the Investment Corporation

Hoshino Resorts REIT, Inc. (hereinafter, “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, as amended; hereinafter, the “Investment Trusts Act”) with Hoshino Resort Asset Management Co., Ltd. (hereinafter, the “Asset Management Company”) as the organizer and investments in capital of 150 million yen (300 units) on March 6, 2013. An issuance of new investment units through public offering (19,000 units) was implemented with July 11, 2013 as the payment due date, and the investment securities were listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) (securities code: 3287) on July 12, 2013. HRR has steadily expanded its asset size since, bringing the assets held by HRR as of the end of the fiscal period under review to 56 properties (sum total of acquisition price: 146,767 million yen).

(b) Investment Environment and Management Performance

The Japanese economy in the fiscal period under review continued to be on a moderate recovery trend due in part to corporate earnings improving with progress in depreciation of the yen and a pickup in the manufacturing industry on a global basis amid continued improvement in the employment and income situation. In the tourism market, the Japanese government has set a goal for the number of non-Japanese visitors to Japan (inbound tourists) of 40 million by 2020 and a goal for inbound tourist spending of 8 trillion yen by 2020, coupled also with positioning tourism as a pillar of the growth strategy. As such, the number of inbound tourists continues to increase, having reached 28.69 million in fiscal 2017, up from 24.04 million in fiscal 2016. In the environment described above, the hotels/ryokans held by HRR were managed with a view to securing stable earnings in the fiscal period under review, resulting in stable operational results in the fiscal period ended October 2018.

(c) Overview of Fund Procurement

In the fiscal period under review, 4,389 million yen was procured from the issuance of new investment units through primary offering on May 1, 2018; 219 million yen was procured from the issuance of new investment units through third-party allotment on May 22, 2018, and; these were allocated to part of the funds for repayment of short-term loans payable pertaining to the acquisition of hotel androoms Osaka Hommachi. The remaining funds were retained as cash on hand, and allocated to the funds for acquisition of Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares, acquired on October 30, 2018.

In addition, in order to procure funds for repayment of the principal of an existing loan due for repayment, 2,288 million yen was procured from debt financing on July 17, 2018.

Furthermore, contractual loan repayments, etc. were made, resulting in balance of interest-bearing liabilities of 52,690 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 32.2% as of October 31, 2018.

(Status of credit rating)

The credit rating HRR has obtained as of the end of the fiscal period under review is as follows.

Credit rating agency	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: A-	Positive
	Bond credit rating (Note): A-	—

(Note) The bond rating applies to the First Series Unsecured Investment Corporation Bond (with special pari passu conditions among specified investment corporate bonds).

(d) Overview of Business Performance and Distributions

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 5,802 million yen, operating profit of 3,209 million yen, ordinary profit of 2,839 million yen and profit of 2,839 million yen. Concerning distributions, to ensure application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter, the “Act on Special Measures Concerning Taxation”)), the decision was made to distribute almost the entire amount of unappropriated retained earnings and distributions per investment unit was thus declared to be 12,796 yen.

② Outlook for the Next Fiscal Period

(a) Management Environment for the Next Fiscal Period

The Japanese economy going forward is, amid continued improvement in the employment and income situation, expected to continue to trend toward moderate economic recovery due in part to Bank of Japan’s monetary easing policies continuing; however, there continue to be concerns of downside risks to the economy mainly stemming from the impact of uncertainty in overseas economies and of fluctuations in the financial and capital markets, and concerns regarding the economic impact, etc. of consecutive natural disasters. In addition, the Japanese government has set new goals with respect to promoting Japan as a tourism nation under its tourism policy which consists of the basic policies of achieving growth in tourism toward turning it into a core industry of Japan, thereby acting as a driver of the Japanese economy and helping bring vitality to communities. In the course of promoting the tourism policy, steps are expected to be taken that include creating tour packages which draw on the distinctive appeal of local areas, addressing needs with respect to *minpaku* services (the provision of lodging services for a fee utilizing private homes, in whole or in part), and strategically relaxing visa requirements. In this manner, with large economic effects, the tourism industry is growing in importance as one of the drivers of Japan’s economic growth.

(b) Future Management Policy and Challenges to Address

Under such circumstances, HRR’s basic policy is to form a portfolio with a stable revenue base centering on hotels, ryokans and ancillary facilities that can respond to the travel needs of tourists.

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

From this perspective, HRR selects investment properties from the stance of “superior know-how and experience” (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 in order to secure long-term and stable cash flow. After proactively obtaining information on hotels, ryokans and ancillary facilities operated by the Hoshino Resorts Group (collectively refers to Hoshino Resorts Inc. (hereinafter “Hoshino Resorts”) and its parent company and subsidiaries; the same shall apply hereinafter) (hereinafter the “properties operated by the Hoshino Resorts Group”) and outside operators (hereinafter the “properties operated by outside operators”), including overseas properties in which the Hoshino Resorts Group is engaged (Note), HRR will examine individual investment properties upon their selection.

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

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

a. Properties operated by the Hoshino Resorts Group

Taking above into consideration, HRR believes that it should preferably undertake investment in HOSHINOYA, Hoshino Resorts KAI and Hoshino Resorts RISONARE, which are operated by the Hoshino Resorts Group.

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

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

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

HRR believes the securement of stable earnings will be possible by investing mainly in the three brands (hereinafter the "main brands") of HOSHINOYA, Hoshino Resorts KAI and Hoshino Resorts RISONARE (hereinafter may be referred to as "HOSHINOYA," "KAI" and "RISONARE," respectively), which HRR deems competitive. HRR intends to obtain information on the main brand properties (properties under main brands), actively utilizing the sponsor support agreement with Hoshino Resorts. As a result, if HRR decides that facility is able to generate long-term and stable cash flow, proactive investments will be made. In addition, HRR may invest in other properties operated by the Hoshino Resorts Group (hereinafter, "other properties of the Hoshino Resorts Group") in cases where stable use of such properties is expected, and which are expected to secure a long-term and stable cash flow.

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

b. Properties operated by outside operators

Similar to when investing in properties operated by the Hoshino Resorts Group, HRR believes it will be able to secure long-term and stable cash flow by making appropriate investments while taking "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 if it decides long-term and stable cash flow can be secured after obtaining the necessary information taking advantage of the sponsor support agreement with Hoshino Resorts and the Asset Management Company's unique networks.

Specifically among the properties operated by outside operators, HRR discusses acquisition of hotels, ryokans and ancillary facilities that serve as urban tourism bases in which tourism needs that complement urban tourism (Note) are believed to exist (hereinafter, "urban tourism properties") when it is judged that long-term and stable cash flow can be secured from the viewpoint of "superior know-how and experience" or "superior location and facilities" against the backdrop of urban tourism demand in cities where properties are located. In addition, HRR will actively invest in hotels, ryokans

and ancillary facilities other than urban tourism properties (hereinafter, “other properties operated by outside operators”) for which tourism needs are believed to exist above and beyond urban tourism when it is judged that long-term and stable cash flow can be secured from the viewpoint of “superior know-how and experience” or “superior location and facilities.”

(Note) “Urban tourism” refers to tourism mainly seeking to enjoy historical townscapes and urban culture (concerts, museums, modern architecture, etc.), night views, industrial/culture heritage, urban lifestyle (dining, shopping) and such. The same shall apply hereinafter.

c. Overseas properties in which the Hoshino Resorts Group is engaged

With regard to overseas properties in which the Hoshino Resorts Group is engaged, HRR intends to invest in a careful manner after comprehensively analyzing the market where the investment properties are located, including real estate market trends/system as well as rules and such of the respective country, taking into account factors such as risks in legal, accounting and tax systems, etc. and foreign exchange risks pertaining to investments and profit returns after adequately obtaining information on the country/region of the investment target from macro perspectives such as political trends, demographics and economic growth. HRR will make investments after carefully selecting overseas properties in which the Hoshino Resorts Group is engaged, for which stable use is expected and which are expected to secure a long-term and stable cash flow.

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

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

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

In addition, HRR will continue consideration of active investment in properties operated by the Hoshino Resorts Group which includes the main brand properties, urban tourism properties constituting properties operated by outside operators and other properties operated by outside operators going forward. Furthermore, HRR’s policy of ensuring diversification applies not only to diversification of investment categories, lessees and operators, but also to geographic area of facility location.

(c) Management Status Outlook

The following management status is expected for the fiscal period ending April 2019 (from November 1, 2018 to April 30, 2019) and the fiscal period ending October 2019 (from May 1, 2019 to October 31, 2019). For the assumptions underlying this outlook, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2019 and Fiscal Period Ending October 2019” on page 7.

Fiscal period ending April 2019 (12th fiscal period)

Operating revenue	5,893 million yen
Operating profit	3,222 million yen
Ordinary profit	2,866 million yen
Profit	2,866 million yen
Distributions per unit	12,918 yen
Distributions in excess of earnings per unit	0 yen

Fiscal period ending October 2019 (13th fiscal period)

Operating revenue	5,855 million yen
Operating profit	3,229 million yen
Ordinary profit	2,867 million yen
Profit	2,866 million yen
Distributions per unit	12,921 yen
Distributions in excess of earnings per unit	0 yen

(Note) The forecast figures above are the current forecast calculated under certain assumptions. Accordingly, the actual operating revenue, operating profit, ordinary profit, profit and distributions per unit may vary due to changes in the circumstances. In addition, the forecast is not a guarantee of the amount of distributions per unit.

③ Significant Subsequent Events

(a) Acquisition of assets

With respect to acquisitions of assets carried out after the closing of accounts, as of December 14, 2018, HRR has concluded the sales and purchase agreement as shown below in accordance with the basic asset management policy set forth in the Articles of Incorporation.

Name of property	Location	Seller	Planned acquisition price (millions of yen) (Note 1)	Planned acquisition date
KAI Alps	Omachi-shi, Nagano	Asama onsen Hotel Management Co., Ltd.	3,060	March 29, 2019

(Note 1) "Planned acquisition price" indicates the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest million yen.

(Note 2) The sales and purchase agreement pertaining to KAI Alps falls under a forward commitment, etc. specified in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.," which has been established by the Financial Services Agency. (This commitment is defined as a postdated sales and purchase agreement under which the settlement and delivery of the property shall be made one month or more from the conclusion of the agreement, or any other agreement similar thereto. The same applies hereinafter.)



Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2019 and Fiscal Period Ending October 2019

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>• Fiscal period ending April 2019 (12th fiscal period): from November 1, 2018 to April 30, 2019 (181 days)</li> <li>• Fiscal period ending October 2019 (13th fiscal period): from May 1, 2019 to October 31, 2019 (184 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>• The assumptions are that HRR will continue to own the 56 properties (Note) and the Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares and Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares owned by HRR as of October 31, 2018; and that on March 29, 2019, HRR will acquire KAI Alps as stated in “Notice Concerning Acquisition of Domestic Real Estate,” announced on December 14, 2018, and that on May 30, 2019, HRR will acquire Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares as stated in “Notice Concerning Acquisition of Assets (Class B Preferred Shares of Yomitan Hotel Management Co., Ltd.),” announced on March 16, 2018.</li> <li>• With respect to the management status forecast, the assumptions are that HRR will acquire KAI Alps and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares on the above date, and that there will be no changes (acquisitions of new assets, or dispositions of portfolio assets, etc.) to the assets under management other than the above through October 31, 2019.</li> <li>• The actual number of assets may vary due to acquisitions of new assets, or dispositions of portfolio assets, etc. other than the above.</li> </ul> <p>(Note) Among the properties owned by HRR, the 4 properties operated by IHG ANA Hotels Group Japan LLC are referred to as 4 ANA Crowne Plaza properties, and the 4 properties operated by Ishin Hotels Group Co., Ltd. are referred to as 4 the b properties. The same shall apply hereinafter.</p>

- Lease business revenue, which is calculated by taking into account the portfolio properties' lease agreement terms and conditions and also such factors as the market environment and property competitiveness, is assumed to be 5,893 million yen for the fiscal period ending April 2019 and 5,855 million yen for the fiscal period ending October 2019.
- Of lease business revenue, the rent by investment category is assumed to be as follows:

Fiscal period ending April 2019 (12th fiscal period)

(Unit: millions of yen)

Operational category	Investment category		Fixed rent	Floating rent	Other rent	Total
Properties operated by the Hoshino Resorts Group	HOSHINOYA		727	181	-	909
	RISONARE		374	184	-	559
	KAI		436	119	-	556
	Other		182	-	-	182
Properties operated by outside operators	Urban tourism	4 ANA Crowne Plaza properties	840	730	-	1,570
		Hyatt Regency Osaka	-	338	-	338
		4 the b properties	265	282	-	548
		Quintessa Hotel Osaka Shinsaibashi	87	-	-	87
		hotel androoms Osaka Hommachi	72	37	-	109
	Other		816	204	10	1,032
Total			3,801	2,080	10	5,893

(Note) Fixed rent, floating rent and other rent are calculated based on the prescribed rent amount or calculation method that is applied over the relevant fiscal period pursuant to the lease agreement of the respective facilities that HRR has concluded with the tenant. Note that in some cases, HRR agrees in the lease agreement of the respective facilities to increase the amount of the fixed rent in lieu of the application of floating rent for a fixed period (hereinafter a "premium fixed rent"). In such cases, if there is a premium fixed rent applying to a rent amount or calculation method that is applied over a relevant fiscal period, the rent calculation will use said premium fixed rent. In addition, floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal and other fluctuating factors.

Operating revenue

Operating revenue	Fiscal period ending October 2019 (13th fiscal period)					
	(Unit: millions of yen)					
	Operational category	Investment category	Fixed rent	Floating rent	Other rent	Total
Properties operated by the Hoshino Resorts Group	HOSHINOYA		727	176	-	904
	RISONARE		374	181	-	555
	KAI		474	161	-	635
	Other		182	-	-	182
Properties operated by outside operators	Urban tourism	4 ANA Crowne Plaza properties	840	697	-	1,537
		Hyatt Regency Osaka	-	279	-	279
		4 the b properties	265	274	-	540
		Quintessa Hotel Osaka Shinsaibashi	87	-	-	87
		hotel androoms Osaka Hommachi	72	28	-	100
	Other		816	206	10	1,033
Total			3,839	2,004	10	5,855
<p>(Note) Fixed rent, floating rent and other rent are calculated based on the prescribed rent amount or calculation method that is applied over the relevant fiscal period pursuant to the lease agreement of the respective facilities that HRR has concluded with the tenant. Note that in some cases, HRR agrees on a premium fixed rent in the lease agreement of the respective facilities. In such cases, if there is a premium fixed rent applying to a rent amount or calculation method that is applied over a relevant fiscal period, the rent calculation will use said premium fixed rent. In addition, floating rent is calculated based on actual figures of past sales and profits of each facility, reflecting seasonal and other fluctuating factors.</p> <p>• For lease business revenue, the assumption is that there will be no cancellation of lease agreements and no delinquent or unpaid rent by lessees.</p>						

Operating expenses	<ul style="list-style-type: none"> <li>• Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 442 million yen for the fiscal period ending April 2019 and 444 million yen for the fiscal period ending October 2019. In general, fixed asset tax, city planning tax (applicable assets only; the same shall apply hereinafter) and depreciable asset tax (applicable assets only; the same shall apply hereinafter) of acquired assets are calculated on a pro rata basis and reimbursed at the time of acquisition with the previous owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses in the acquisition period at HRR. Accordingly, in the case of KAI Alps to be acquired on March 29, 2019, the assumption is that fiscal 2020 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, starting from the fiscal period ending October 2020. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of the property is assumed to be 5 million yen.</li> <li>• Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property; however, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount.</li> <li>• Expenses related to rent business other than depreciation and amortization, which are calculated by taking into account the factors causing fluctuation in expenses, are assumed to be 852 million yen for the fiscal period ending April 2019 and 791 million yen for the fiscal period ending October 2019.</li> <li>• Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,187 million yen for the fiscal period ending April 2019 and 1,225 million yen for the fiscal period ending October 2019.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Interest expenses and other borrowing related expenses are assumed to be 356 million yen for the fiscal period ending April 2019 and 362 million yen for the fiscal period ending October 2019.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• As of the date of this document, HRR has a balance of interest-bearing liabilities (total of loans and investment corporation bonds) of 52,690 million yen.</li> <li>• For the fiscal period ending April 2019, the assumption is that there will be refinancing of 2,500 million yen in loans due for repayment in April 2019 and 92 million yen of the loans will be repaid through contractual repayment.</li> <li>• For the fiscal period ending October 2019, the assumption is that there will be refinancing of 300 million yen in loans due for repayment in May 2019 and 3,400 million yen in loans due for repayment in October 2019 and 92 million yen of the loans will be repaid through contractual repayment.</li> <li>• The forecast is that LTV at the end of the fiscal period ending April 2019 is 33.4% and LTV at the end of the fiscal period ending October 2019 is 33.3%. The following formula is used in the calculation of LTV: <math display="block">\text{LTV} = \frac{\text{Balance of interest-bearing liabilities outstanding}}{\text{Total assets (forecast)}} \times 100</math></li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• The assumption is the total number of investment units issued and outstanding as of the date of this document, which is 221,862 units.</li> <li>• The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending October 2019.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>• Distributions per unit (excluding distributions in excess of earnings) is calculated with the assumption being the cash distributions policy provided in the Articles of Incorporation of HRR.</li> <li>• Distributions per unit (excluding distributions in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.</li> </ul>

Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Distribution in excess of earnings (distributions in excess of earnings per unit) is not scheduled at this point in time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• The assumption is that there will be no unforeseen significant change in general economic trends, real estate market conditions, etc.</li> </ul>

(3) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities report (submitted on July 27, 2018).

### 3. Financial Statements

#### (1) Balance Sheet

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	10,055,273	11,186,021
Operating accounts receivable	46,889	62,047
Prepaid expenses	248,394	257,253
Consumption taxes receivable	387,420	—
Other	125,678	80,163
Total current assets	10,863,656	11,585,485
Non-current assets		
Property, plant and equipment		
Buildings	76,574,949	77,218,420
Accumulated depreciation	(5,520,383)	(6,566,156)
Buildings, net	71,054,566	70,652,263
Structures	3,113,034	3,138,398
Accumulated depreciation	(173,430)	(214,539)
Structures, net	2,939,603	2,923,858
Machinery and equipment	83,801	83,801
Accumulated depreciation	(34,968)	(38,586)
Machinery and equipment, net	48,832	45,214
Tools, furniture and fixtures	764,845	879,227
Accumulated depreciation	(314,929)	(387,806)
Tools, furniture and fixtures, net	449,916	491,420
Land	73,134,835	73,134,835
Construction in progress	72,766	128,407
Total property, plant and equipment	147,700,519	147,376,000
Intangible assets		
Leasehold right	3,478,907	3,478,907
Software	34,086	27,777
Total intangible assets	3,512,994	3,506,685
Investments and other assets		
Investment securities	168,530	336,695
Long-term prepaid expenses	563,675	515,382
Deferred tax assets	13	15
Guarantee deposits	10,000	10,000
Other	364,906	365,006
Total investments and other assets	1,107,125	1,227,099
Total non-current assets	152,320,639	152,109,786
Deferred assets		
Investment corporation bond issuance costs	10,218	9,470
Total deferred assets	10,218	9,470
<b>Total assets</b>	<b>163,194,514</b>	<b>163,704,742</b>

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	366,635	248,852
Short-term loans payable	4,400,000	–
Current portion of long-term loans payable	4,973,990	6,385,724
Accounts payable - other	768,104	764,336
Income taxes payable	868	918
Accrued consumption taxes	–	317,384
Accrued expenses	6,659	5,424
Advances received	982,055	969,726
Total current liabilities	11,498,312	8,692,367
Non-current liabilities		
Long-term loans payable	46,309,980	44,805,118
Investment corporation bonds	1,500,000	1,500,000
Tenant leasehold and security deposits	3,131,900	3,130,204
Total non-current liabilities	50,941,880	49,435,322
<b>Total liabilities</b>	<b>62,440,193</b>	<b>58,127,689</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	98,129,521	102,737,981
Surplus		
Unappropriated retained earnings (undisposed loss)	2,624,798	2,839,071
Total surplus	2,624,798	2,839,071
Total unitholders' equity	100,754,320	105,577,052
<b>Total net assets</b>	<b>*2 100,754,320</b>	<b>*2 105,577,052</b>
<b>Total liabilities and net assets</b>	<b>163,194,514</b>	<b>163,704,742</b>

## (2) Statement of Income

(Unit: thousands of yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Operating revenue		
Lease business revenue	*1 5,540,061	*1 5,802,597
Total operating revenue	5,540,061	5,802,597
Operating expenses		
Expenses related to rent business	*1 1,924,110	*1 1,999,269
Asset management fee	428,283	471,085
Asset custody fee	4,377	5,407
Administrative service fees	18,493	22,437
Directors' compensation	3,000	3,000
Audit fee	8,400	8,800
Other operating expenses	78,665	82,712
Total operating expenses	2,465,330	2,592,713
Operating profit	3,074,730	3,209,884
Non-operating income		
Interest income	43	51
Insurance income	302	8,309
Interest on refund	24	—
Miscellaneous income	996	936
Total non-operating income	1,367	9,297
Non-operating expenses		
Interest expenses	220,917	218,291
Interest expenses on investment corporation bonds	1,609	4,758
Amortization of investment corporation bond issuance costs	249	747
Borrowing related expenses	176,896	119,057
Investment unit issuance expenses	50,796	36,357
Other	13	11
Total non-operating expenses	450,482	379,224
Ordinary profit	2,625,615	2,839,957
Profit before income taxes	2,625,615	2,839,957
Income taxes - current	874	926
Income taxes - deferred	0	(2)
Total income taxes	875	923
Profit	2,624,739	2,839,034
Retained earnings brought forward	59	37
Unappropriated retained earnings (undisposed loss)	2,624,798	2,839,071



## (3) Statement of Unitholders' Equity

10th fiscal period (from November 1, 2017 to April 30, 2018)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	77,532,045	2,064,501	2,064,501	79,596,547	79,596,547
Changes of items during period					
Issuance of new investment units	20,597,476	-	-	20,597,476	20,597,476
Dividends of surplus	-	(2,064,442)	(2,064,442)	(2,064,442)	(2,064,442)
Profit	-	2,624,739	2,624,739	2,624,739	2,624,739
Total changes of items during period	20,597,476	560,297	560,297	21,157,773	21,157,773
Balance at end of period	*1 98,129,521	2,624,798	2,624,798	100,754,320	100,754,320

11th fiscal period (from May 1, 2018 to October 31, 2018)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	98,129,521	2,624,798	2,624,798	100,754,320	100,754,320
Changes of items during period					
Issuance of new investment units	4,608,459	-	-	4,608,459	4,608,459
Dividends of surplus	-	(2,624,761)	(2,624,761)	(2,624,761)	(2,624,761)
Profit	-	2,839,034	2,839,034	2,839,034	2,839,034
Total changes of items during period	4,608,459	214,272	214,272	4,822,731	4,822,731
Balance at end of period	*1 102,737,981	2,839,071	2,839,071	105,577,052	105,577,052

## (4) Statement of Cash Distributions

(Unit: yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
I. Unappropriated retained earnings	2,624,798,793	2,839,071,354
II. Amount of distributions [Amount of distributions per investment unit]	2,624,761,444 [12,338]	2,838,946,152 [12,796]
III. Retained earnings brought forward	37,349	125,202
Method of calculation of amount of distributions	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,624,761,444 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,838,946,152 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.

## (5) Statement of Cash Flows

(Unit: thousands of yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,625,615	2,839,957
Depreciation	1,142,529	1,169,712
Loss on retirement of non-current assets	203	314
Amortization of investment corporation bond issuance costs	249	747
Interest income	(43)	(51)
Interest expenses	222,526	223,050
Borrowing related expenses	176,896	119,057
Investment unit issuance expenses	50,796	36,357
Decrease (increase) in operating accounts receivable	(7,058)	(15,158)
Decrease (increase) in prepaid expenses	(32,135)	(8,859)
Decrease (increase) in consumption taxes refund receivable	(348,163)	387,420
Increase (decrease) in accrued consumption taxes	–	317,384
Increase (decrease) in operating accounts payable	(1,783)	25,718
Increase (decrease) in accounts payable - other	89,870	7,893
Increase (decrease) in advances received	174,341	(12,328)
Decrease (increase) in long-term prepaid expenses	(114,448)	48,293
Other, net	(129,262)	(69,925)
Subtotal	3,850,133	5,069,585
Interest income received	43	51
Interest expenses paid	(216,032)	(227,901)
Income taxes paid	(890)	(876)
Net cash provided by (used in) operating activities	3,633,254	4,840,858
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(33,538,089)	(988,319)
Purchase of intangible assets	(1,428,361)	(10,260)
Purchase of investment securities	(168,530)	(166,366)
Repayments of tenant leasehold and security deposits	–	(1,696)
Proceeds from tenant leasehold and security deposits	242,018	–
Payments for lease and guarantee deposits	–	(100)
Net cash provided by (used in) investing activities	(34,892,962)	(1,166,742)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	4,400,000	–
Decrease in short-term loans payable	(1,500,000)	(4,400,000)
Proceeds from long-term loans payable	13,400,000	2,288,000
Repayments of long-term loans payable	(3,525,362)	(2,381,128)
Proceeds from issuance of investment units	20,597,476	4,608,459
Payments for investment unit issuance expenses	(50,796)	(36,357)
Proceeds from issuance of investment corporation bonds	1,500,000	–
Payments for investment corporation bond issuance costs	(10,467)	–
Dividends paid	(2,065,343)	(2,622,341)
Net cash provided by (used in) financing activities	32,745,506	(2,543,368)
Net increase (decrease) in cash and cash equivalents	1,485,799	1,130,747
Cash and cash equivalents at beginning of period	8,569,474	10,055,273
Cash and cash equivalents at end of period	*1 10,055,273	*1 11,186,021

(6) Notes on the Going Concern Assumption  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Valuation bases and methods of securities	Securities Other securities (available-for-sale securities) Securities without fair value Stated at cost based on the moving-average method.										
2. Method of depreciation and amortization of non-current assets	<p>① Property, plant and equipment The straight-line method is adopted. The useful lives of principal property, plant and equipment are as follows:</p> <table data-bbox="683 568 1158 703"> <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>② Intangible assets The straight-line method is adopted. The useful lives of intangible assets are as follows:</p> <table data-bbox="683 819 1142 846"> <tr> <td>Intangible assets</td> <td>2-5 years</td> </tr> </table> <p>③ Long-term prepaid expenses The straight-line method is adopted.</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										
3. Accounting for deferred assets	Investment corporation bond issuance costs Amortized by the straight-line method over the period until redemption.										
4. Standards for revenue and expense recognition	Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business. Furthermore, the amount equivalent to fixed asset tax, etc. in the fiscal year in which the acquisition date falls that is paid to the seller as reimbursement upon acquisition of real estate, etc. is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc.										
5. Method of hedge accounting	<p>① Method of hedge accounting For interest rate swaps, special accounting is adopted.</p> <p>② Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>③ Hedging policy HRR conducts interest rate swap transactions for the purpose of hedging the risks provided in its Articles of Incorporation based on its financial policy.</p> <p>④ Method of assessment of the effectiveness of hedging Assessment of the effectiveness is omitted, because interest rate swaps meet the requirements for special accounting.</p>										
6. Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.										
7. Other significant matters serving as the basis for preparation of financial statements	Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.										

(8) Notes on Change in Presentation Method

HRR has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal period ended October 31, 2018. Accordingly, as a result of changes in the presentation method, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.” Consequently, deferred tax assets of 13 thousand yen that had been presented under “Current assets” in the consolidated balance sheet of the previous fiscal period were presented as being included in deferred tax assets of 13 thousand yen under “Investments and other assets.”

(9) Notes to the Financial Statements

[Notes to the Balance Sheet]

1. Commitment line contract

HRR has concluded commitment line contracts with four counterparty financial institutions.

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
Total amount of commitment line contracts	5,000,000	5,000,000
Balance of loans outstanding	-	-
Balance of unexecuted loans	5,000,000	5,000,000

\*2 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
	50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousands of yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
A. Operating revenue from real estate leasing		
Lease business revenue		
Lease business revenue	5,540,061	5,802,597
Total operating revenue from real estate leasing	5,540,061	5,802,597
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Insurance expenses	19,707	19,824
Repair expenses	79,177	86,837
Land rent	59,387	60,197
Depreciation and amortization	1,141,661	1,169,038
Loss on retirement of non-current assets	203	314
Taxes and dues	406,864	452,087
Other expenses	217,108	210,969
Total operating expenses from real estate leasing	1,924,110	1,999,269
C. Operating profit (loss) from real estate leasing [A – B]	3,615,951	3,803,328

[Notes to the Statement of Unitholders' Equity]

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

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	212,738 units	221,862 units

[Notes to the Statement of Cash Flows]

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

(Unit: thousands of yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Cash and deposits	10,055,273	11,186,021
Cash and cash equivalents	10,055,273	11,186,021

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
Due within 1 year	6,643,166	6,426,392
Due after 1 year	43,128,095	40,049,129
Total	49,771,262	46,475,522

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

HRR shall procure funds through issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. upon acquisition of new assets under management, etc. Derivative transactions shall be limited to those invested for the purpose of hedging the risk of fluctuations in interest rates on loans, etc. and other risks.

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

The funds procured through loans and investment corporation bonds are mainly used as funds for acquisition of assets under management, and repayment, redemption, etc. of existing interest-bearing liabilities. Concerning the liquidity risk and interest rate fluctuation risk at times of repayment and reimbursement associated with such fund procurement, HRR manages and limits the concerned risks by diversifying fund procurement sources, and also by effective use of surplus funds and procurement of funds from the capital market through issuance of investment units, etc., entering into commitment line contracts with major financing institutions and creating a timetable of planned funds operations.

In addition, loans with floating interest rates are exposed to the risk of the interest rate payable rising, but HRR limits the impact of interest rate rises on its operations by keeping LTV (ratio of interest-bearing liabilities to total assets) at a low level and keeping the ratio of long-term and fixed-rate loans at a high level. Moreover, derivative transactions (interest rate swap transactions, etc.) are made available as hedging instruments in order to mitigate the risk of floating interest rates rising and increasingly convert interest expenses to fixed rates.

Deposits, which are for investing HRR's surplus funds, are exposed to credit risk from failure of the financial institutions that are holding the deposits, etc.; however, HRR exercises prudence by limiting the deposit

period to short term, taking into consideration security and liquidity and fully taking into account the market environment and status of cash flows.

(3) Supplementary explanation to matters concerning fair values, etc. of financial instruments

The fair value of financial instruments, aside from values based on the quoted market price, includes values based on reasonable calculation when no market price is available. Certain assumptions are adopted in the calculation of the concerned values. Accordingly, there may be cases where the concerned values will vary when different assumptions are adopted.

2. Matters concerning fair value, etc. of financial instruments

The book value and fair value as of April 30, 2018, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	10,055,273	10,055,273	-
(2) Short-term loans payable	(4,400,000)	(4,400,000)	-
(3) Current portion of long-term loans payable	(4,973,990)	(4,975,984)	1,994
(4) Long-term loans payable	(46,309,980)	(46,352,718)	42,738
(5) Investment corporation bonds	(1,500,000)	(1,497,900)	(2,100)
(6) Derivative transactions	-	-	-

The book value and fair value as of October 31, 2018, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	11,186,021	11,186,021	-
(2) Short-term loans payable	-	-	-
(3) Current portion of long-term loans payable	(6,385,724)	(6,384,182)	(1,541)
(4) Long-term loans payable	(44,805,118)	(44,836,530)	31,412
(5) Investment corporation bonds	(1,500,000)	(1,497,300)	(2,700)
(6) Derivative transactions	-	-	-

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

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

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

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

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

Of long-term loans payable, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is thought to resemble the book value and is thus stated at that book value. In the case of those with fixed interest rates, the fair value is based on the method of calculation that discounts the sum total amount of principal and interest by the rate reasonably estimated to apply in the event of a similar new drawdown. The fair value of those subject to special accounting for interest rate swaps is included in the fair value of the long-term loans payable that are the hedged items.

(5) Investment corporation bonds

The fair values of investment corporation bonds are based on reference prices published by the Japan Securities Dealers Association.

(6) Derivative transactions

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

(Note 3) Financial instruments for which estimation of fair value is recognized to be difficult

Tenant leasehold and security deposits are not subject to valuation at fair value, because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and the difficulty of calculating the actual deposit period from when lessees move in to when they move out.

In addition, Investment securities are not subject to valuation at fair value, given that they do not have a market price, nor is it possible to reasonably estimate their cash flows. The book values of tenant leasehold and security deposits and investment securities are as follows:

(Unit: thousands of yen)

	10th fiscal period (As of Apr. 30, 2018)	11th fiscal period (As of Oct. 31, 2018)
Tenant leasehold and security deposits	3,131,900	3,130,204
Investment securities	168,530	336,695

(Note 4) Amount of redemption of monetary claims scheduled to be due after the account closing date (April 30, 2018)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	10,055,273

Amount of redemption of monetary claims scheduled to be due after the account closing date (October 31, 2018)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	11,186,021

(Note 5) Amount of repayment of loans and investment corporation bonds scheduled to be due after the account closing date (April 30, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Short-term loans payable	4,400,000	-	-	-	-	-
Long-term loans payable	4,973,990	8,785,724	7,433,853	9,217,148	8,395,696	12,477,559
Investment corporation bonds	-	-	-	-	-	1,500,000

Amount of repayment of loans and investment corporation bonds scheduled to be due after the account closing date (October 31, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Short-term loans payable	-	-	-	-	-	-
Long-term loans payable	6,385,724	8,693,872	7,891,417	9,517,128	8,967,143	9,735,558
Investment corporation bonds	-	-	-	-	-	1,500,000

#### [Notes on Securities]

10th fiscal period (as of April 30, 2018)

##### Securities

###### Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen) do not have a market price, nor is it possible to estimate their future cash flows. Accordingly, they are not subject to fair value disclosure because discerning the fair value has been recognized to be extremely difficult.

11th fiscal period (as of October 31, 2018)

##### Securities

###### Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) do not have a market price, nor is it possible to estimate their future cash flows. Accordingly, they are not subject to fair value disclosure because discerning the fair value has been recognized to be extremely difficult.



[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied  
10th fiscal period (as of April 30, 2018)  
Not applicable.

11th fiscal period (as of October 31, 2018)  
Not applicable.

2. Derivative transactions to which hedge accounting is applied  
10th fiscal period (as of April 30, 2018)

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

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	19,100,000	16,600,000	(Note)	—

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

11th fiscal period (as of October 31, 2018)

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

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	21,388,000	18,888,000	(Note)	—

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

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.  
10th fiscal period (from November 1, 2017 to April 30, 2018)  
Not applicable.

11th fiscal period (from May 1, 2018 to October 31, 2018)  
Not applicable.

2. Affiliated company, etc.  
10th fiscal period (from November 1, 2017 to April 30, 2018)  
Not applicable.

11th fiscal period (from May 1, 2018 to October 31, 2018)  
Not applicable.

3. Fellow subsidiary, etc.  
10th fiscal period (from November 1, 2017 to April 30, 2018)  
Not applicable.
- 11th fiscal period (from May 1, 2018 to October 31, 2018)  
Not applicable.
4. Director, major individual unitholder, etc.  
10th fiscal period (from November 1, 2017 to April 30, 2018)  
Not applicable.
- 11th fiscal period (from May 1, 2018 to October 31, 2018)  
Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousands of yen)

	10th fiscal period As of Apr. 30, 2018	11th fiscal period As of Oct. 31, 2018
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	13	15
Total deferred tax assets	13	15
Net deferred tax assets	13	15

2. Breakdown of major items that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	10th fiscal period As of Apr. 30, 2018	11th fiscal period As of Oct. 31, 2018
Statutory tax rate	31.74	31.51
[Adjustments]		
Distributions deductible for tax purpose	(31.73)	(31.50)
Other	0.02	0.02
Effective income tax rate after application of tax-effect accounting	0.03	0.03

[Notes on Investment and Rental Properties]

HRR owns investment and rental properties that are of hotel/ryokan use in Nagano Prefecture and other areas. The book value, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Book value (Note 2)		
Balance at beginning of period	116,621,246	150,656,745
Amount of increase (decrease) during period	(Note 3) 34,035,498	(Note 4) (421,665)
Balance at end of period	150,656,745	150,235,080
Fair value at end of period (Note 5)	168,297,000	169,060,000

- (Note 1) For an overview of the concerned investment and rental properties, please refer to “5. Reference Information; (2) Investment Assets; ② Investment Real Estate Properties” later in this document.
- (Note 2) “Book value” is the amount of the cost of acquisition, less accumulated depreciation.
- (Note 3) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of seven properties including HOSHINOYA Taketomi Island (33,783,877 thousand yen in total), while the amount of decrease is mainly attributable to depreciation (1,066,709 thousand yen in total).
- (Note 4) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to capital expenditures (667,696 thousand yen in total), while the amount of decrease is mainly attributable to depreciation (1,090,526 thousand yen in total).
- (Note 5) “Fair value at end of period” is the appraisal value or investigation value by an outside real estate appraiser.

The income (loss) concerning investment and rental properties is as stated in “Notes to the Statement of Income” earlier in this document.

[Notes on Segment Information, etc.]

1. Segment information

Segment information is omitted because HRR operates a single segment, which is the real estate leasing business.

2. Related information

10th fiscal period (from November 1, 2017 to April 30, 2018)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	666,302	Real estate leasing business
K.K. Horizon Hotels	1,966,326	Real estate leasing business
SHR Roadside Inn Co., Ltd.	734,795	Real estate leasing business

11th fiscal period (from May 1, 2018 to October 31, 2018)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

## (3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	674,224	Real estate leasing business
K.K. Horizon Hotels	2,055,534	Real estate leasing business
SHR Roadside Inn Co., Ltd.	749,802	Real estate leasing business

## [Notes on Per Unit Information]

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Net assets per unit	473,607 yen	475,868 yen
Profit per unit	12,354 yen	12,799 yen

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

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

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

	10th fiscal period From: Nov. 1, 2017 To: Apr. 30, 2018	11th fiscal period From: May 1, 2018 To: Oct. 31, 2018
Profit (thousands of yen)	2,624,739	2,839,034
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	2,624,739	2,839,034
Average number of investment units during period (units)	212,453	221,812

[Notes on Significant Subsequent Events]

1. Acquisition of assets

With respect to the acquisition of assets, as of December 14, 2018, HRR has concluded the sales and purchase agreement as shown below after the closing of accounts in accordance with the basic asset management policy set forth in the Articles of Incorporation.

Name of property	Location	Seller	Planned acquisition price (millions of yen) (Note 1)	Planned acquisition date
KAI Alps	Omachi-shi, Nagano	Asama onsen Hotel Management Co., Ltd.	3,060	March 29, 2019

(Note 1) "Planned acquisition price" indicates the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest million yen.

(Note 2) The sales and purchase agreement pertaining to KAI Alps falls under a forward commitment, etc. specified in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.," which has been established by the Financial Services Agency.

[Omission of Disclosure]

Disclosure of notes on retirement benefits, share of profit (loss) of entities accounted for using the equity method, etc. and asset retirement obligations is omitted because there is thought to be no large necessity for disclosure in the financial report.

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

HRR conducted a capital increase through public offering (8,690 units) and a capital increase through third-party allotment (434 units) in May 2018, procuring funds totaling 4,608,459 thousand yen. The following are the changes in unitholders' capital and total number of investment units issued and outstanding for the most recent five years.

Date	Description	Unitholders' capital (thousands of yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
May 1, 2014	Capital increase through public offering	16,547,762	26,465,282	22,000	42,250	(Note 1)
May 27, 2014	Capital increase through third-party allotment	540,810	27,006,092	719	42,969	(Note 2)
May 1, 2015	Capital increase through public offering	8,673,580	35,679,673	6,400	49,369	(Note 3)
May 26, 2015	Capital increase through third-party allotment	433,679	36,113,352	320	49,689	(Note 4)
November 2, 2015	Capital increase through public offering	30,279,030	66,392,382	26,970	76,659	(Note 5)
November 25, 2015	Capital increase through third-party allotment	1,514,512	67,906,895	1,349	78,008	(Note 6)
May 2, 2016	Capital increase through public offering	4,461,050	72,367,946	3,570	81,578	(Note 7)
May 24, 2016	Capital increase through third-party allotment	223,677	72,591,623	179	81,757	(Note 8)
November 1, 2016	Split of investment units	-	72,591,623	81,757	163,514	(Note 9)
May 1, 2017	Capital increase through public offering	4,705,163	77,296,787	8,720	172,234	(Note 10)
May 23, 2017	Capital increase through third-party allotment	235,258	77,532,045	436	172,670	(Note 11)
November 1, 2017	Capital increase through public offering	19,616,644	97,148,689	38,160	210,830	(Note 12)
November 28, 2017	Capital increase through third-party allotment	980,832	98,129,521	1,908	212,738	(Note 13)
May 1, 2018	Capital increase through public offering	4,389,249	102,518,771	8,690	221,428	(Note 14)
May 22, 2018	Capital increase through third-party allotment	219,209	102,737,981	434	221,862	(Note 15)

(Note 1) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 780,178 yen (paid-in amount of 752,171 yen) per unit.

(Note 2) For allocation to repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 752,171 yen per unit.

(Note 3) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 1,404,215 yen (paid-in amount of 1,355,247 yen) per unit.

(Note 4) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,355,247 yen per unit.

(Note 5) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 1,162,024 yen (paid-in amount of 1,122,693 yen) per unit.

(Note 6) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,122,693 yen per unit.

(Note 7) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 1,294,745 yen (paid-in amount of 1,249,594 yen) per unit.

- (Note 8) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,249,594 yen per unit.
- (Note 9) A 2-for-1 split of investment units was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016.
- (Note 10) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 559,080 yen (paid-in amount of 539,583 yen) per unit.
- (Note 11) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 539,583 yen per unit.
- (Note 12) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 531,508 yen (paid-in amount of 514,063 yen) per unit.
- (Note 13) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 514,063 yen per unit.
- (Note 14) For allocation to part of the funds for repayment of borrowed money, new investment units were issued through public offering at an offer price of 523,342 yen (paid-in amount of 505,092 yen) per unit.
- (Note 15) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money in the future, new investment units were issued through third-party allotment with paid-in amount of 505,092 yen per unit.

4. Changes in Directors

(1) Changes in Directors of HRR

Timely disclosure of changes in directors is made at the point in time that the details are finalized. The following is the status of directors of HRR as of the date of this document.

(As of the date of this document)

Title	Name	Career summary	Number of investment units held (units)
Executive Director	Kenji Akimoto	<p>April 1987 K.K. World Tokyo Head Office Accounting Division</p> <p>April 1991 Tokyo Head Office Finance Division</p> <p>November 1992 K.K. NHV Hotels International Head of Finance Section, Accounting Division</p> <p>May 1996 The Windsor Hotels International Co., Ltd. Audit &amp; Supervisory Board Member</p> <p>April 1997 The Windsor Hotels International Co., Ltd. Toya General Manager of Accounting Division</p> <p>May 1998 Ichibanya Co., Ltd. Accounting Division</p> <p>December 1998 Hoshino Resorts Inc. Director of Finance &amp; Accounting Unit</p> <p>June 2009 Head of Corporate Planning Office</p> <p>September 2010 Head of Financial Strategy Office</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. President &amp; CEO (current position)</p> <p>March 2013 Hoshino Resorts REIT, Inc. Executive Director (current position)</p>	0
Supervisory Director	Hiroshi Shinagawa	<p>October 2002 Registered as attorney</p> <p>October 2002 Hamada &amp; Matsumoto</p> <p>September 2008 Intern at Alston &amp; Bird LLP</p> <p>September 2009 Seconded to Morgan Stanley Japan Securities Co., Ltd. Investment Banking Department</p> <p>October 2010 Mori Hamada &amp; Matsumoto</p> <p>January 2012 Kinkadori Law Office (current position)</p> <p>March 2013 Hoshino Resorts REIT, Inc. Supervisory Director (current position)</p> <p>June 2015 Mirai Works Inc. Outside Audit &amp; Supervisory Board Member (current position)</p> <p>March 2016 Advanced Cell Technology and Engineering Ltd. Outside Audit &amp; Supervisory Board Member (current position)</p> <p>July 2017 infcurion group, Inc. Outside Audit &amp; Supervisory Board Member (current position)</p> <p>December 2017 ESR Japan REIT Inc. Supervisory Director (current position)</p> <p>September 2018 Metcela Inc. Outside Audit &amp; Supervisory Board Member (current position)</p>	0



Title	Name	Career summary	Number of investment units held (units)
Supervisory Director	Yukiko Fujikawa	<p>October 1988 Chuo Shinko Audit Corporation</p> <p>March 1992 Registered as Certified Public Accountant</p> <p>June 1998 Financial Supervisory Agency Financial Securities Inspector, Inspection Department</p> <p>July 2000 Opened Yukiko Fujikawa CPA Office (current position)</p> <p>December 2004 Registered as Certified Public Tax Accountant</p> <p>December 2004 Opened Yukiko Fujikawa Certified Public Tax Accountant Office</p> <p>July 2008 New City Residence Investment Corporation Supervisory Director</p> <p>January 2012 Established Kaikei Jissen Kenkyujyo (tax accountancy corporation) Representative Member (current position)</p> <p>March 2013 Hoshino Resorts REIT, Inc. Supervisory Director (current position)</p> <p>April 2014 Japan Organization of Occupational Health and Safety (independent administrative agency) Auditor (current position)</p> <p>June 2014 Toyo Securities Co., Ltd. Outside Director (current position)</p> <p>October 2015 Japan Arts Council (independent administrative agency) Auditor (current position)</p> <p>March 2016 Kaetsu Gakuen (incorporated educational institution) Auditor (current position)</p> <p>January 2017 Organization for Technical Intern Training Auditor (current position)</p>	0

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

(Note 2) At the Third General Meeting of Unitholders, resolution was passed to appoint Tetsuro Takashi as substitute executive director to prepare for cases where there is a vacancy in the position of executive director or cases where there is a shortfall in the number of executive directors provided by laws and regulations. As of the date of this document, Tetsuro Takashi is Director & CFO of the Asset Management Company.

(2) Changes in Directors of the Asset Management Company

Timely disclosure of changes in directors is made at the point in time that the details are finalized. The following is the status of directors of the asset management company as of the date of this document.

(As of the date of this document)

Title	Name	Career summary	Number of shares held (shares)
President & CEO	Kenji Akimoto (Note 1)	Please refer to “(1) Changes in Directors of HRR” earlier in this document.	0
Director, and General Manager of Investment Management Division	Takayuki Kanaya	<p>April 2004 Mitsui Real Estate Sales Co., Ltd. Residential Marketing Department</p> <p>January 2005 ZECS Co., Ltd. Real Estate Business Development Division</p> <p>July 2008 K.K. daVinci Advisors Acquisition Team</p> <p>November 2008 K.K. daVinci Support Investment Management Division</p> <p>November 2009 K.K. daVinci Advisors Asset Management Team</p> <p>January 2011 Acquisition Team</p> <p>March 2012 Hoshino Resorts Inc. Planning &amp; Development Division</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Investment Management Department</p> <p>February 2017 Director, and General Manager of Investment Management Division and Asset Management Department I</p> <p>December 2018 Director, and General Manager of Investment Management Division (current position)</p>	0
Director & CFO	Tetsuro Takashi	<p>April 1997 Dai-ichi Hoki Shuppan K.K.</p> <p>November 2004 Hoshino Resorts Inc. Finance &amp; Accounting Unit</p> <p>December 2005 Director of Purchasing Unit</p> <p>June 2009 Internal Governance Development Project Team</p> <p>September 2009 Internal Governance Development Project Team, and Director of Group General Affairs Unit</p> <p>February 2010 Audit &amp; Supervisory Board Member</p> <p>May 2010 K.K. Commenda Audit &amp; Supervisory Board Member</p> <p>December 2012 Hoshino Resort Asset Management Co., Ltd. Director, and General Manager of Finance &amp; Administration Department</p> <p>December 2016 Director &amp; CFO, and General Manager of Corporate Planning Department</p> <p>February 2017 Director &amp; CFO, and General Manager of Finance &amp; Administration Department</p> <p>December 2018 Director &amp; CFO (current position)</p>	0

Title	Name	Career summary	Number of shares held (shares)
Director, and Compliance Officer	Eiichi Takeda	<p>April 1986 Nichimen Corporation Osaka Finance Division</p> <p>July 1991 Yamaichi Securities Co., Ltd. Head of Administrative Guidance Division, Finance Department</p> <p>February 1992 Seconded to Yamaichi Information Systems Co., Ltd. Head of Corporate Planning Division</p> <p>October 1995 Seconded to Yamaichi Securities Investment Trust Management Co., Ltd. Deputy Manager of Accounting Division</p> <p>March 1998 AIU Insurance Company Seconded to AIG, Inc. Assistant Treasurer of Treasury Division</p> <p>January 2001 Nikko Asset Management Co., Ltd. Manager of Overseas Operations Planning Office</p> <p>February 2002 Senior Manager of Corporate Planning Division</p> <p>July 2005 Pacific Management Corporation General Manager of Internal Audit Office</p> <p>February 2006 Seconded to Pacific Commercial Investment Corporation Compliance Officer</p> <p>June 2007 Released from secondment Pacific Management Corporation General Manager of Internal Audit Office</p> <p>July 2009 Sawakami Asset Management Inc. Head of Compliance Office</p> <p>August 2013 Hoshino Resorts Inc. Seconded to Hoshino Resort Asset Management Co., Ltd. Compliance Officer</p> <p>February 2015 Director, and Compliance Officer (current position)</p>	0
Auditor (part-time)	Yosuke Inoue	<p>December 2007 KPMG AZSA LLC</p> <p>September 2011 Registered as Certified Public Accountant</p> <p>August 2012 Opened Yosuke Inoue Certified Public Accountant Office (current position)</p> <p>August 2012 Azpec Co., Ltd. Chief Executive Officer (current position)</p> <p>October 2016 Hoshino Resort Asset Management Co., Ltd. Auditor (current position)</p>	0

(Note 1) Kenji Akimoto serves concurrently as Executive Director of HRR. In accordance with Article 31-4, Paragraph 1 of the Financial Instruments and Exchange Act, the Commissioner of the Financial Services Agency was notified of the concurrent holding of positions on March 29, 2013.

(Note 2) The career summary entries are unified to stating the name, etc. at the time in office.

## 5. Reference Information

### (1) Investment Status

The following is HRR's investment status as of October 31, 2018 (end of the 11th fiscal period).

Asset type	Asset use	Prefectural location	Name of property	11th fiscal period (as of Oct. 31, 2018)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	7,342	4.5
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,286	2.0
	Hotel	Yamanashi	HOSHINOYA Fuji	4,113	2.5
	Hotel	Okinawa	HOSHINOYA Taketomi Island	4,925	3.0
	Hotel	Yamanashi	RISONARE Yatsugatake	5,909	3.6
	Hotel	Shizuoka	RISONARE Atami	4,407	2.7
	Ryokan	Nagano	KAI Matsumoto	633	0.4
	Ryokan	Shimane	KAI Izumo	725	0.4
	Ryokan	Shizuoka	KAI Ito	696	0.4
	Ryokan	Kanagawa	KAI Hakone	1,153	0.7
	Ryokan	Oita	KAI Aso	618	0.4
	Ryokan	Tochigi	KAI Kawaji	1,020	0.6
	Ryokan	Tochigi	KAI Kinugawa	3,032	1.9
	Ryokan	Ishikawa	KAI Kaga	3,112	1.9
	Hotel	Hokkaido	OMO7 Asahikawa	5,040	3.1
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,858	10.9
	Hotel	Fukuoka	ANA Crowne Plaza Fukuoka	7,631	4.7
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,787	4.1
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,934	2.4
	Hotel	Osaka	Hyatt Regency Osaka	16,484	10.1
	Hotel	Tokyo	the b akasaka	4,894	3.0
	Hotel	Tokyo	the b sangenjaya	4,465	2.7
	Hotel	Aichi	the b nagoya	4,531	2.8
	Hotel	Hyogo	the b kobe	7,071	4.3
	Hotel	Osaka	Quintessa Hotel Osaka Shinsaibashi	3,408	2.1
	Hotel	Osaka	hotel androoms Osaka Hommachi	4,372	2.7
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	682	0.4
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	731	0.4
	Hotel	Nagano	Chisun Inn Suwa IC	663	0.4
	Hotel	Aichi	Chisun Inn Toyokawa IC	599	0.4
	Hotel	Saga	Chisun Inn Tosu	496	0.3
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	781	0.5
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	618	0.4
Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	707	0.4	
Hotel	Fukui	Chisun Inn Fukui	638	0.4	
Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	678	0.4	
Hotel	Niigata	Chisun Inn Niigata Chuo IC	622	0.4	

Asset type	Asset use	Prefectural location	Name of property	11th fiscal period (as of Oct. 31, 2018)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	616	0.4
	Hotel	Ibaraki	Chisun Inn Hitachinaka	714	0.4
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	740	0.5
	Hotel	Yamanashi	Chisun Inn Kofu Isawa	640	0.4
	Hotel	Kagawa	Chisun Inn Marugame Zentsuji	578	0.4
	Hotel	Fukuoka	Chisun Inn Munakata	481	0.3
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	676	0.4
	Hotel	Nagano	Chisun Inn Karuizawa	772	0.5
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	594	0.4
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	696	0.4
	Hotel	Aichi	Candeo Hotels Handa	605	0.4
	Hotel	Nagano	Candeo Hotels Chino	767	0.5
	Hotel	Hiroshima	Candeo Hotels Fukuyama	1,032	0.6
	Hotel	Tochigi	Candeo Hotels Sano	1,222	0.7
	Hotel	Mie	Candeo Hotels Kameyama	474	0.3
	Hotel	Hokkaido	Comfort Hotel Hakodate	920	0.6
	Hotel	Hokkaido	Comfort Hotel Tomakomai	945	0.6
	Hotel	Hiroshima	Comfort Hotel Kure	1,108	0.7
	Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	1,964	1.2
Real estate subtotal				150,235	91.8
Investment securities				336	0.2
Deposits and other assets				13,132	8.0
Total assets (Note 3)				163,704	100.0
Total liabilities (Note 3)				58,127	35.5
Total net assets (Note 3)				105,577	64.5

(Note 1) "Total amount held" is the book value (in the case of real estate, the depreciated book value). The book value of real estate is including machinery and equipment, structures, and leasehold right, but excluding tools, furniture and fixtures, software, and construction in progress.

(Note 2) "As a percentage of total assets" is rounded to one decimal place.

(Note 3) "Total assets," "Total liabilities" and "Total net assets" amounts are the book value.

(2) Investment Assets

① Major Issues of Investment Securities

The following is a summary of investment securities held by HRR as of October 31, 2018 (end of the 11th fiscal period).

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

(Note 1) The "Appraisal value" states the acquisition price because the securities are unlisted securities. HRR and the Asset Management Company acquired the "Yomitan Hotel Management Co., Ltd. No. 1 through No. 3 Class B Preferred Shares Appraisal Report" dated November 6, 2018 (appraisal reference date of October 31, 2018), which had been prepared by Plutus Consulting Co., Ltd. HRR and the Asset Management Company then commissioned Grant Thornton Taiyo LLC to investigate the price concerning the appraisal value stated in the said report. The interim unit prices of the appraisal values of the aforementioned shares, which were calculated by HRR, based on the appraisal values stated in the said report, were 604 thousand yen per share of No. 1 Class B preferred shares, 576 thousand yen per share of No. 2 Class B preferred shares, and the total amounts of the appraisal values based on the respective unit prices were 200,619 thousand yen for the No. 1 Class B preferred shares and 191,965 thousand yen for the No. 2 Class B preferred shares.

(Note 2) The "Share of investment" states the acquisition price's percentage share of total assets. The percentage value is rounded to one decimal place.

(Note 3) The business activity of Yomitan Hotel Management Co., Ltd., as of the date of this document, is the development and operation of resorts. The same shall apply hereinafter.

With respect to the No. 3 Class B preferred shares (hereinafter, the "shares to be underwritten"), as of March 16, 2018, HRR has concluded an underwriting agreement pertaining to the shares to be underwritten (hereinafter, the "underwriting agreement"), with Yomitan Hotel Management Co., Ltd., the issuer of the shares to be underwritten. HRR treats the underwriting agreement as an agreement that falls under a forward commitment, etc. specified in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.," which has been established by the Financial Services Agency. For the underwriting agreement, each party shall compensate the counterparty for any damage, etc. thereto caused by or related to breach of duty under the underwriting agreement, but no provision for penalties has been stipulated. HRR is planning to allocate cash on hand upon underwriting the shares to be underwritten in accordance with the underwriting agreement.

Furthermore, the type, name of securities, number of shares to be underwritten, planned paid-in amount, total planned paid-in amount and planned payment date of the shares to be underwritten are as follows.

[Shares to be underwritten]

Asset type	Name of securities	No. of shares to be underwritten (shares)	Planned paid-in amount (Note 1)	Total planned paid-in amount (thousand yen)	Planned payment date (Note 2)
Preferred shares	Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares	334	500,000 yen per share	167,000	May 30, 2019

(Note 1) "Planned paid-in amount" indicates the paid-in amount indicated in the underwriting agreement (excluding expenses such as commissions). The said paid-in amount is the planned amount as of the date of this document and may be changed in accordance with the provision of the underwriting agreement or based on agreement between HRR and Yomitan Hotel Management Co., Ltd.

(Note 2) "Planned payment date" indicates the payment date indicated in the underwriting agreement. The said payment date is the planned date as of the date of this document and may be changed in accordance with the provision of the underwriting agreement or based on agreement between HRR and Yomitan Hotel Management Co., Ltd.

② Investment Real Estate Properties

The following is a summary of real estate, etc. held by HRR as of October 31, 2018 (end of the 11th fiscal period).

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

Investment category	Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	7,342	11,800	5.2	NV
		H-2	HOSHINOYA Kyoto	2,878	3,286	4,270	2.0	NV
		H-3	HOSHINOYA Fuji	4,160	4,113	4,320	2.8	NV
		H-4	HOSHINOYA Taketomi Island	4,955	4,925	5,260	3.4	NV
		Subtotal		19,593	19,668	25,650	13.3	–
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,909	7,000	3.1	NV
		R-2	RISONARE Atami	3,750	4,407	4,290	2.6	NV
		Subtotal		8,250	10,316	11,290	5.6	–
	KAI	K-1	KAI Matsumoto	600	633	812	0.4	JMK
		K-2	KAI Izumo	680	725	862	0.5	JMK
		K-3	KAI Ito	670	696	980	0.5	JMK
		K-4	KAI Hakone	950	1,153	1,320	0.6	JMK
		K-5	KAI Aso	575	618	691	0.4	JMK
		K-6	KAI Kawaji	1,000	1,020	1,160	0.7	JMK
		K-7	KAI Kinugawa	3,080	3,032	3,330	2.1	JMK
		K-8	KAI Kaga	3,160	3,112	3,380	2.2	JMK
		Subtotal		10,715	10,995	12,535	7.3	–
	Other	O-35	OMO7 Asahikawa	4,619	5,040	4,780	3.1	RC
		Subtotal		4,619	5,040	4,780	3.1	–
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,858	20,000	12.1
O-32			ANA Crowne Plaza Fukuoka	7,599	7,631	8,800	5.2	RC
O-33			ANA Crowne Plaza Kanazawa	6,609	6,787	7,190	4.5	RC
O-34			ANA Crowne Plaza Toyama	4,008	3,934	4,460	2.7	RC
O-36			Hyatt Regency Osaka	16,000	16,484	16,600	10.9	NV
O-37			the b akasaka	4,860	4,894	5,130	3.3	RC
O-38			the b sangenjaya	4,420	4,465	4,670	3.0	RC
O-39			the b nagoya	4,500	4,531	4,680	3.1	RC
O-40			the b kobe	7,020	7,071	7,320	4.8	RC
O-41			Quintessa Hotel Osaka Shinsaibashi	3,339	3,408	3,730	2.3	NV
O-42			hotel androoms Osaka Hommachi	4,238	4,372	4,450	2.9	RC
			Subtotal		80,377	81,439	87,030	54.8

Investment category	Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)	
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	672	682	821	0.5	NV
		O-2	Chisun Inn Sano Fujioka IC	742	731	911	0.5	JMK
		O-3	Chisun Inn Suwa IC	658	663	829	0.4	NV
		O-4	Chisun Inn Toyokawa IC	602	599	733	0.4	NV
		O-5	Chisun Inn Tosu	504	496	655	0.3	NV
		O-6	Chisun Inn Chiba Hamano R16	798	781	1,020	0.5	JMK
		O-7	Chisun Inn Kumamoto Miyukifueda	616	618	747	0.4	NV
		O-8	Chisun Inn Utsunomiya Kanuma	714	707	847	0.5	JMK
		O-9	Chisun Inn Fukui	644	638	801	0.4	NV
		O-10	Chisun Inn Fukushima Nishi IC	672	678	768	0.5	JMK
		O-11	Chisun Inn Niigata Chuo IC	630	622	776	0.4	NV
		O-12	Chisun Inn Nagasaki Airport	630	616	757	0.4	NV
		O-13	Chisun Inn Hitachinaka	742	714	920	0.5	JMK
		O-14	Chisun Inn Tsuchiura Ami	770	740	921	0.5	JMK
		O-15	Chisun Inn Kofu Isawa	658	640	788	0.4	NV
		O-16	Chisun Inn Marugame Zentsuji	588	578	736	0.4	NV
		O-17	Chisun Inn Munakata	504	481	633	0.3	NV
		O-18	Chisun Inn Iwate Ichinoseki IC	700	676	777	0.5	JMK
		O-19	Chisun Inn Karuizawa	812	772	1,090	0.6	NV
		O-20	Chisun Inn Himeji Yumesakibashi	616	594	735	0.4	NV
		O-21	Chisun Inn Kurashiki Mizushima	728	696	866	0.5	NV
		O-22	Candeo Hotels Handa	620	605	702	0.4	RC
		O-23	Candeo Hotels Chino	793	767	925	0.5	RC
		O-24	Candeo Hotels Fukuyama	1,075	1,032	1,250	0.7	RC
		O-25	Candeo Hotels Sano	1,260	1,222	1,480	0.9	RC
		O-26	Candeo Hotels Kameyama	470	474	537	0.3	RC
		O-27	Comfort Hotel Hakodate	937	920	1,040	0.6	NV
		O-28	Comfort Hotel Tomakomai	963	945	1,070	0.7	NV
		O-29	Comfort Hotel Kure	1,100	1,108	1,230	0.7	NV
		O-30	Chisun Inn Kagoshima Taniyama	1,995	1,964	2,410	1.4	RC
				Subtotal	23,213	22,774	27,775	15.8
		Total	146,767	150,235	169,060	100.0	–	



- (Note 1) "Property no." is that assigned by classifying according to the brands of assets invested by HRR (four brand groups: "HOSHINOYA," "RISONARE," "KAI" and "Other") and numbering brand group by brand group. The same shall apply hereinafter.
- (Note 2) "Book value" is including machinery and equipment, structures, and leasehold right but excluding tools, furniture and fixtures, software, and construction in progress.
- (Note 3) Appraisal of the property is entrusted to Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K. or Rich Appraisal Institute Co., Ltd. "Estimated value at end of period" is the appraisal value stated in the real estate appraisal report with October 31, 2018 as the date of value.
- (Note 4) "Share of investment" is acquisition price of the property expressed as a percentage of the sum total of acquisition price, rounded to one decimal place.
- (Note 5) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:  
NV: Nihon Valuers K.K. (Japan Valuers Co., Ltd.)  
JMK: JLL Morii Valuation & Advisory K.K.  
RC: K.K. Richi Hyouka Kenkyujo (Rich Appraisal Institute Co., Ltd.)

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

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasakugun, Nagano (Chubu region)	78,888.26 (Note 4)	11,723.61	February 2002 (Tombo-no-yu; Sonmin Shokudo) / April 2005 (HOSHINOYA) / June 2009 (Harunire Terrace) / July 2016 (Ice Skating Rink in the Forest)	630	11,723.61	11,723.61	1(15)	77
		H-2	HOSHINOYA Kyoto	Kyoto-shi, Kyoto (Kinki region)	10,456.38	3,075.70	Unknown (main wing; new construction) (Note 5) / October 2009 (main wing; renovation) / June 2017 (annex)	203	3,097.69	3,097.69	1(0)	25
		H-3	HOSHINOYA Fuji	Fujikawaguchikomachi, Minamitsurugun, Yamanashi (Chubu region)	74,772.03 (Note 6)	2,103.55	August 2015	284	2,103.55	2,103.55	1(0)	40
		H-4	HOSHINOYA Taketomi Island (Note 7)	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	115,982.04	4,249.87	March 2012 (main wing) / March 2009 (annex)	336	4,249.87	4,249.87	1(0)	48
	Subtotal				280,098.71	21,152.73	–	1,455	21,174.72	21,174.72	4(15)	190
	RISONARE	R-1	RISONARE Yatsugatake	Hokuto-shi, Yamanashi (Chubu region)	75,831.81 (Note 8)	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(18)	172
		R-2	RISONARE Atami	Atami-shi, Shizuoka (Chubu region)	65,161.44	23,385.18	October 1992	313	23,385.18	23,385.18	1(0)	77
		Subtotal				140,993.25	57,238.63	–	838	57,238.63	57,238.63	2(18)
	KAI	K-1	KAI Matsumoto	Matsumoto-shi, Nagano (Chubu region)	3,340.67	4,056.12	November 1999	75	4,056.12	4,056.12	1(0)	26
		K-2	KAI Izumo	Matsue-shi, Shimane (Chugoku-Shikoku region)	11,321.56 (Note 9)	3,909.02	Unknown (old wing) (Note 5) / July 1997 (new wing)	75	3,909.02	3,909.02	1(0)	24
		K-3	KAI Ito	Ito-shi, Shizuoka (Chubu region)	4,899.97	6,918.92	Unknown (Note 5) / November 1995 (extension)	80	6,918.92	6,918.92	1(0)	34
		K-4	KAI Hakone	Hakone-machi, Ashigarashimogun, Kanagawa (Kanto region)	9,723.04	4,649.67	July 1987	95	4,649.67	4,649.67	1(0)	32
		K-5	KAI Aso	Kokonoe-machi, Kusu-gun, Oita (Kyushu-Okinawa region)	26,673.00	1,543.53	April 2006	42	1,543.53	1,543.53	1(0)	12
		K-6	KAI Kawaji	Nikko-shi, Tochigi (Kanto region)	8,671.47 (Note 10)	8,190.38	September 1994	99	8,190.38	8,190.38	1(0)	54
		K-7	KAI Kinugawa	Nikko-shi, Tochigi (Kanto region)	35,187.55	4,066.60	August 2015	204	4,066.60	4,066.60	1(0)	48
		K-8	KAI Kaga	Kaga-shi, Ishikawa (Hokuriku region)	1,796.81	5,159.46	September 2015 (new wing) / March 1967; partly unknown (old wing) (Note 11)	206	5,159.46	5,159.46	1(0)	48
	Subtotal				101,614.07	38,493.70	–	876	38,493.70	38,493.70	8(0)	278

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)		
Properties operated by the Hoshino Resorts Group	Other	O-35	OMO7 Asahikawa	Asahikawa-shi, Hokkaido (Hokkaido-Tohoku region)	4,278.02	25,715.20	March 1994	364	25,715.20	25,715.20	1(6)	237	
		Subtotal			4,278.02	25,715.20	–	364	25,715.20	25,715.20	1(6)	237	
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 12)	42,727.85 (Note 13)	August 1983	606	32,332.00	32,332.00	1(7)	409	
		O-32	ANA Crowne Plaza Fukuoka	Fukuoka-shi, Fukuoka (Kyushu-Okinawa region)	3,411.67	27,372.74	November 1976 (hotel building) / February 1999 (chapel)	288	27,372.74	27,372.74	1(5)	320	
		O-33	ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 14)	61,448.41 (Note 15)	March 1990	546	23,835.00	23,835.00	1(5)	249	
		O-34	ANA Crowne Plaza Toyama	Toyama-shi, Toyama (Hokuriku region)	3,723.50 (Note 16)	26,209.92 (Note 17)	June 1999	240	21,600.11	21,600.11	1(7)	251	
		O-36	Hyatt Regency Osaka	Osaka-shi, Osaka (Kinki region)	30,483.14	80,197.60	April 1994 (hotel building) / July 2012 (chapel building (Le Salon Blanc))	776	80,197.60	80,197.60	1(8)	480	
		O-37	the b akasaka	Minato-ku, Tokyo (Kanto region)	1,311.55	4,027.00	March 1973	135	4,027.00	4,027.00	1(1)	162	
		O-38	the b sangenjaya	Setagaya-ku, Tokyo (Kanto region)	545.58	2,672.20	February 1984	117	2,672.20	2,672.20	1(2)	118	
		O-39	the b nagoya	Nagoya-shi, Aichi (Chubu region)	2,079.87 (Note 18)	8,058.64	April 1981 (Note 19)	99	8,058.64	8,058.64	1(5)	219	
		O-40	the b kobe	Kobe-shi, Hyogo (Kinki region)	1,616.89	9,647.11	October 1981	180	9,647.11	9,647.11	1(13)	168	
		O-41	Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka (Kinki region)	791.15	2,964.69	August 2017	170	2,997.46	2,997.46	1(0)	132	
		O-42	hotel androoms Osaka Hommachi	Osaka-shi, Osaka (Kinki region)	594.88	3,191.32	August 1998	220	3,191.32	3,191.32	1(0)	103	
		Subtotal				57,996.65	268,517.48	–	3,378	215,931.18	215,931.18	11(53)	2,611
		Other	O-1	Chisun Inn Shiojiri Kita IC	Shiojiri-shi, Nagano (Chubu region)	4,292.64	2,100.47	March 2007 (Chisun Inn Shiojiri Kita IC) / January 2008 (restaurant)	48	2,100.47	2,100.47	1(1)	92
			O-2	Chisun Inn Sano Fujioka IC	Sano-shi, Tochigi (Kanto region)	2,894.40	1,968.91	October 2006	52	1,968.91	1,968.91	1(0)	92
O-3	Chisun Inn Suwa IC		Suwa-shi, Nagano (Chubu region)	2,858.11	1,944.94	October 2006	46	1,944.94	1,944.94	1(0)	92		
O-4	Chisun Inn Toyokawa IC		Toyokawa-shi, Aichi (Chubu region)	2,607.19	2,040.09	July 2007	42	2,040.09	2,040.09	1(0)	94		

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by outside operators	Other	O-5	Chisun Inn Tosu	Tosu-shi, Saga (Kyushu-Okinawa region)	2,374.09	1,968.02	July 2007	36	1,968.02	1,968.02	1(0)	92
		O-6	Chisun Inn Chiba Hamano R16	Chiba-shi, Chiba (Kanto region)	2,470.00	2,023.29	July 2007	57	2,023.29	2,023.29	1(0)	94
		O-7	Chisun Inn Kumamoto Miyukifueda	Kumamoto-shi, Kumamoto (Kyushu-Okinawa region)	2,877.99	2,094.77	October 2007	43	2,094.77	2,094.77	1(0)	98
		O-8	Chisun Inn Utsunomiya Kanuma	Utsunomiya-shi, Tochigi (Kanto region)	2,658.08	2,094.16	December 2007	51	2,094.16	2,094.16	1(0)	98
		O-9	Chisun Inn Fukui	Fukui-shi, Fukui (Hokuriku region)	2,680.57	2,094.01	December 2007	45	2,094.01	2,094.01	1(0)	98
		O-10	Chisun Inn Fukushima Nishi IC	Fukushima-shi, Fukushima (Hokkaido-Tohoku region)	4,728.00	2,094.01	February 2008	48	2,094.01	2,094.01	1(0)	98
		O-11	Chisun Inn Niigata Chuo IC	Niigata-shi, Niigata (Chubu region)	3,177.86	2,094.16	April 2008	45	2,094.16	2,094.16	1(0)	98
		O-12	Chisun Inn Nagasaki Airport	Omura-shi, Nagasaki (Kyushu-Okinawa region)	2,781.68	1,968.02	May 2008	45	1,968.02	1,968.02	1(0)	92
		O-13	Chisun Inn Hitachinaka	Hitachinaka-shi, Ibaraki (Kanto region)	2,284.84	1,968.30	December 2008	52	1,968.30	1,968.30	1(0)	92
		O-14	Chisun Inn Tsuchiura Ami	Ami-machi, Inashiki-gun, Ibaraki (Kanto region)	2,963.49	1,968.03	September 2008	54	1,968.03	1,968.03	1(0)	92
		O-15	Chisun Inn Kofu Isawa	Fuefuki-shi, Yamanashi (Chubu region)	3,357.07	1,968.47	October 2009	46	1,968.47	1,968.47	1(0)	92
		O-16	Chisun Inn Marugame Zentsuji	Marugame-shi, Kagawa (Chugoku-Shikoku region)	2,447.29	2,094.16	October 2009	42	2,094.16	2,094.16	1(0)	98
		O-17	Chisun Inn Munakata	Munakata-shi, Fukuoka (Kyushu-Okinawa region)	3,015.37	2,094.16	December 2008	36	2,094.16	2,094.16	1(0)	98
		O-18	Chisun Inn Iwate Ichinoseki IC (Note 20)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 21)	1,968.02 (Note 21)	1(1)	92
		O-19	Chisun Inn Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	4,226.44	1,917.10	July 2009	57	1,917.10	1,917.10	1(0)	90
		O-20	Chisun Inn Himeji Yumesakibashi	Himeji-shi, Hyogo (Kinki region)	2,413.68	2,406.95	February 2009	43	2,406.95	2,406.95	1(0)	98
		O-21	Chisun Inn Kurashiki Mizushima	Kurashiki-shi, Okayama (Chugoku-Shikoku region)	2,876.06	2,094.16	October 2009	51	2,094.16	2,094.16	1(0)	98
		O-22	Candeo Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72 (Note 22)	2,814.05	February 2008	52	2,814.05	2,814.05	1(0)	126

Investment category	Property no.	Name of property	Location	Land area (m <sup>2</sup> )	Building area (m <sup>2</sup> )	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Leasable area (m <sup>2</sup> ) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)	
Properties operated by outside operators	Other	O-23	Candeo Hotels Chino	Chino-shi, Nagano (Chubu region)	2,399.15 (Note 23)	2,868.18	January 2008	65	2,868.18	2,868.18	1(0)	119
		O-24	Candeo Hotels Fukuyama	Fukuyama-shi, Hiroshima (Chugoku-Shikoku region)	1,079.92	3,985.73	March 2008	78	3,985.73	3,985.73	1(0)	164
		O-25	Candeo Hotels Sano	Sano-shi, Tochigi (Kanto region)	3,222.09 (Note 24)	2,828.71	March 2008	91	2,828.71	2,828.71	1(0)	124
		O-26	Candeo Hotels Kameyama	Kameyama-shi, Mie (Chubu region)	6,599.00	3,912.03	April 2008	41	3,912.03	3,912.03	1(0)	170
		O-27	Comfort Hotel Hakodate	Hakodate-shi, Hokkaido (Hokkaido-Tohoku region)	491.82	2,927.44	September 2007	65	2,927.44	2,927.44	1(0)	139
		O-28	Comfort Hotel Tomakomai	Tomakomai-shi, Hokkaido (Hokkaido-Tohoku region)	1,344.24	2,721.08	September 2007	66	2,721.08	2,721.08	1(0)	123
		O-29	Comfort Hotel Kure	Kure-shi, Hiroshima (Chugoku-Shikoku region)	793.11	3,121.02	March 2009	75	3,121.02	3,121.02	1(0)	149
		O-30	Chisun Inn Kagoshima Taniyama	Kagoshima-shi, Kagoshima (Kyushu-Okinawa region)	3,521.52	8,066.36	May 2009	96	8,066.36	8,066.36	1(1)	217
		Subtotal				84,661.42	76,208.80	–	1,633	76,208.80	76,208.80	30(3)
Total				669,642.12	487,326.54	–	8,546	434,762.23	434,762.23	56(95)	6,884	

(Note 1) Based on lease agreements valid as of October 31, 2018. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above (however, in the case of the 5 Candeo properties, the 3 Greens properties and Quintessa Hotel Osaka Shinsaibashi, each property's rent comprises fixed rent only; and in the case of Hyatt Regency Osaka, rent comprises floating rent only), but the entry under "Annual rent" for the properties other than Hyatt Regency Osaka is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. However, with an agreement reached for each of RISONARE Atami and KAI Kinugawa to have a premium for a limited period from November 2, 2015 to October 31, 2018, KAI Kaga to have a premium for a limited period from May 2, 2016 to April 30, 2019, OMO7 Asahikawa to have a premium for a limited period from March 31, 2016 to October 31, 2019, HOSHINOYA Fuji to have a premium for a limited period from May 1, 2017 to April 30, 2020, HOSHINOYA Taketomi Island to have a premium for a limited period from November 1, 2017 to October 31, 2020, and hotel androoms Osaka Hommachi to have a premium for a limited period from April 2, 2018 to October 31, 2018, the amount arrived at when fixed rent (monthly amount) is annualized by multiplying by 12 is calculated based on the amount of rent with the premium as of October 31, 2018. Fixed rent after the lapse of the premium period will be less than the amount stated in the table above. As of October 31, 2018, KAI Ito was in the process of undergoing large-scale renovation work. In order to avoid the impact of reduced net sales from the renovation work, it was agreed that a premium be added to the fixed rent portion when the said renovation work period was included in the calculation period for the floating rent. Because the fixed rent as of October 31, 2018 is not subject to such premium, the calculation is made based on the rent amount before the premium. Furthermore, in the event that sales or profit of hotels, ryokans and ancillary facilities is below a certain amount, floating rent will not apply. In addition, the lease agreement with each lessee above provides that the initial date of reckoning floating rent for RISONARE Atami, KAI Kinugawa and hotel androoms Osaka Hommachi is November 1, 2018 (12th fiscal period), KAI Kaga is May 1, 2019 (13th fiscal period), OMO7 Asahikawa is November 1, 2019 (14th fiscal period), HOSHINOYA Fuji is May 1, 2020 (15th fiscal period), and HOSHINOYA Taketomi Island is November 1, 2020 (16th fiscal period). Accordingly, floating rent will not apply to the period before the concerned date, regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities. For Hyatt Regency Osaka, it is the amount arrived at when the floating rent as of October 31, 2018 calculated in accordance with the lease agreement on the building is annualized by multiplying by 12. The same shall apply hereinafter.

(Note 2) Based on lease agreements valid as of October 31, 2018. All the properties have occupancy rate of 100.0%.

(Note 3) "Number of tenants (subleasing)" subtotals and total are the total number of tenants as of October 31, 2018 with the number of parties subleasing from the parties leasing the property from HRR shown in parentheses. For Chisun Inn Iwate Ichinoseki IC's number of tenants (excluding the number in parentheses), there is a tenant based on a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements; but the number of tenants is 1 because the tenant leasing under the lease agreement on the building is the same as the tenant leasing under the lease agreement on the land.

(Note 4) HRR owns the building only and does not own the land. The land is leased from the owner.

(Note 5) Unknown because HRR has not received relative documentation from the previous owner.

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

(Note 7) HRR owns the building only and does not own the land. The land is subleased from the lessee.

The respective figures stated for "Land area," "Building area," "Annual rent," "Leased area," "Leasable area," "Number of tenants (subleasing)" and "Total number of guest rooms" are calculated on the basis of totals encompassing both the main wing and the annex; the dates indicated for "Construction completion" are separately stated for the main wing and the annex.

(Note 8) HRR owns a portion (20,557.00m<sup>2</sup>) of the land only and leases the other portion (55,274.81m<sup>2</sup>) from the owner.

(Note 9) HRR leases a portion (2,966.21m<sup>2</sup>) of the land from the owner.

- (Note 10) HRR leases a portion (696.95m<sup>2</sup>) of the land from the owner.
- (Note 11) Used as storage space for bedding and not for lodging as of October 31, 2018.
- (Note 12) The land under HRR's ownership is co-ownership interest (81/100 of the co-ownership) of the land, but the entry under "Land area" is the area of the entire land.
- (Note 13) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (81/100 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.
- (Note 14) The land under HRR's ownership is co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the right of site (proprietary ownership) of the land, but the entry under "Land area" is the area of the entire land.
- (Note 15) The building is a building under sectional ownership, of which the building under HRR's ownership is co-ownership interest (1/2 of the co-ownership) of the sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.
- (Note 16) HRR owns the building only and does not own the land. The land is leased from the owner.
- (Note 17) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (870,472/1,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Building area" is the area of the entire building.
- (Note 18) The land under HRR's ownership is co-ownership interest (4,840/10,000 of the co-ownership) of the land, but the entry under "Land area" is the area of the entire land.
- (Note 19) The date stated for "Construction completion" is the date of issuance of the certificate proving completion of the inspection provided in the written opinion of Assets Research and Development Inc., as obtained from the previous owner because HRR has not received the original certificate of inspection from the previous owner.
- (Note 20) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2018. The rent of the lease agreement on the building (hereinafter referred to as the "building rent" in this note) comprises fixed rent and floating rent, while the rent of the lease agreement on the land (hereinafter referred to as the "land rent" in this note) comprises fixed rent. However, an agreement has been reached in these lease agreements to the effect that, in the event of payment of the land rent, the same amount shall be deducted from the building rent, meaning that in no circumstances would the amount of the property's fixed rent exceed the amount of the fixed rent provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC's annual fixed rent amount is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. The same shall apply hereinafter.
- (Note 21) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2018, but the entries under "Leased area" and "Leasable area" are the leased area and leasable area of the building.
- (Note 22) HRR leases a portion (991.72m<sup>2</sup>) of the land from the owner.
- (Note 23) HRR owns the building only and does not own the land. The land is leased from the owner.
- (Note 24) HRR leases a portion (740.62m<sup>2</sup>) of the land from the owner.

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

The following is a summary of the real estate appraisal report, etc. with October 31, 2018 as the date of value.

Investment category	Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)		
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)				
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	NV	11,800	11,800	5.2	11,800	5.2	5.7	633	8.3	
		H-2	HOSHINOYA Kyoto	NV	4,270	4,230	5.8	4,300	5.4	6.2	248	8.6	
		H-3	HOSHINOYA Fuji	NV	4,320	4,340	6.1	4,290	5.8	6.3	267	6.4	
		H-4	HOSHINOYA Taketomi Island	NV	5,260	5,290	5.9	5,230	5.6	6.1	324	6.5	
		Subtotal				25,650	25,660	-	25,620	-	-	1,472	7.5
	RISONARE	R-1	RISONARE Yatsugatake	NV	7,000	6,720	5.5	7,280	5.5	6.0	504	11.2	
		R-2	RISONARE Atami	NV	4,290	4,250	5.2	4,320	5.0	5.5	279	7.4	
		Subtotal				11,290	10,970	-	11,600	-	-	783	9.5
	KAI	K-1	KAI Matsumoto	JMK	812	819	5.8	804	5.6	6.0	64	10.6	
		K-2	KAI Izumo	JMK	862	867	6.0	857	5.8	6.2	62	9.2	
		K-3	KAI Ito (Note 5)	JMK	980	1,600	5.7	1,550	5.5	5.9	106	15.8	
		K-4	KAI Hakone	JMK	1,320	1,320	5.7	1,310	5.5	5.9	90	9.4	
		K-5	KAI Aso	JMK	691	694	6.1	688	5.9	6.3	46	8.0	
		K-6	KAI Kawaji	JMK	1,160	1,170	5.8	1,140	5.6	6.0	85	8.5	
		K-7	KAI Kinugawa	JMK	3,330	3,370	5.5	3,290	5.3	5.7	186	6.0	
		K-8	KAI Kaga	JMK	3,380	3,420	5.5	3,330	5.3	5.7	191	6.0	
		Subtotal				12,535	13,260	-	12,969	-	-	829	7.7
	Other	O-35	OMO7 Asahikawa	RC	4,780	4,740	4.8	4,790	4.6	5.0	343	7.4	
		Subtotal				4,780	4,740	-	4,790	-	-	343	7.4
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	RC	20,000	20,200	4.4	19,900	4.2	4.6	1,044	5.9
			O-32	ANA Crowne Plaza Fukuoka	RC	8,800	8,820	4.3	8,790	4.1	4.5	489	6.4
			O-33	ANA Crowne Plaza Kanazawa	RC	7,190	7,240	4.6	7,170	4.4	4.8	428	6.5
			O-34	ANA Crowne Plaza Toyama	RC	4,460	4,400	4.7	4,480	4.5	4.9	305	7.6
			O-36	Hyatt Regency Osaka	NV	16,600	16,800	4.4	16,400	4.1	4.6	984	6.2
O-37			the b akasaka	RC	5,130	5,250	4.0	5,080	3.8	4.2	237	4.9	
O-38			the b sangenjaya	RC	4,670	4,770	4.2	4,630	4.0	4.4	220	5.0	
O-39			the b nagoya	RC	4,680	4,760	4.2	4,650	4.0	4.4	233	5.2	
O-40			the b kobe	RC	7,320	7,450	4.3	7,260	4.1	4.5	370	5.3	
O-41			Quintessa Hotel Osaka Shinsaibashi	NV	3,730	3,730	4.6	3,730	4.3	4.7	173	5.2	
O-42			hotel androoms Osaka Hommachi	RC	4,450	4,510	4.4	4,420	4.2	4.6	211	5.0	
Subtotal				87,030	87,930	-	86,510	-	-	4,695	5.8		

Investment category	Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	NV	821	815	5.9	827	5.7	6.1	50	7.5
		O-2	Chisun Inn Sano Fujioka IC	JMK	911	920	5.8	901	5.6	6.0	56	7.5
		O-3	Chisun Inn Suwa IC	NV	829	821	6.0	836	5.8	6.2	51	7.8
		O-4	Chisun Inn Toyokawa IC	NV	733	726	5.9	739	5.7	6.1	45	7.4
		O-5	Chisun Inn Tosu	NV	655	649	6.0	661	5.8	6.3	41	8.1
		O-6	Chisun Inn Chiba Hamano R16	JMK	1,020	1,030	5.5	1,010	5.3	5.7	59	7.4
		O-7	Chisun Inn Kumamoto Miyukifueda	NV	747	738	6.2	756	6.0	6.5	48	7.8
		O-8	Chisun Inn Utsunomiya Kanuma	JMK	847	854	6.0	839	5.8	6.2	54	7.5
		O-9	Chisun Inn Fukui	NV	801	793	6.2	808	6.0	6.4	51	8.0
		O-10	Chisun Inn Fukushima Nishi IC	JMK	768	775	6.1	760	5.9	6.3	50	7.4
		O-11	Chisun Inn Niigata Chuo IC	NV	776	770	6.0	781	5.8	6.2	48	7.7
		O-12	Chisun Inn Nagasaki Airport	NV	757	749	6.0	764	5.8	6.2	47	7.4
		O-13	Chisun Inn Hitachinaka	JMK	920	930	5.7	909	5.5	5.9	55	7.5
		O-14	Chisun Inn Tsuchiura Ami	JMK	921	932	5.7	909	5.5	5.9	55	7.2
		O-15	Chisun Inn Kofu Isawa	NV	788	788	6.1	787	5.9	6.3	50	7.6
		O-16	Chisun Inn Marugame Zentsuji	NV	736	729	6.2	743	6.0	6.4	47	8.0
		O-17	Chisun Inn Munakata	NV	633	628	6.1	637	5.9	6.4	40	8.0
		O-18	Chisun Inn Iwate Ichinoseki IC	JMK	777	785	6.0	769	5.8	6.2	50	7.1
		O-19	Chisun Inn Karuizawa	NV	1,090	1,080	6.0	1,100	5.8	6.2	67	8.2
		O-20	Chisun Inn Himeji Yumesakibashi	NV	735	735	6.2	734	6.0	6.4	48	7.7



Investment category	Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by outside operators	Other	O-21	Chisun Inn Kurashiki Mizushima	NV	866	864	6.0	868	5.8	6.2	54	7.4
		O-22	Candeo Hotels Handa	RC	702	703	5.3	701	5.1	5.5	41	6.6
		O-23	Candeo Hotels Chino	RC	925	931	5.4	923	5.2	5.6	53	6.7
		O-24	Candeo Hotels Fukuyama	RC	1,250	1,260	5.2	1,250	5.0	5.4	70	6.5
		O-25	Candeo Hotels Sano	RC	1,480	1,500	5.3	1,470	5.1	5.5	82	6.5
		O-26	Candeo Hotels Kameyama	RC	537	538	5.4	537	5.2	5.6	33	7.1
		O-27	Comfort Hotel Hakodate	NV	1,040	1,040	5.2	1,040	5.0	5.4	58	6.2
		O-28	Comfort Hotel Tomakomai	NV	1,070	1,070	5.3	1,060	5.1	5.5	60	6.3
		O-29	Comfort Hotel Kure	NV	1,230	1,230	5.1	1,220	4.9	5.3	67	6.1
		O-30	Chisun Inn Kagoshima Taniyama	RC	2,410	2,420	5.5	2,400	5.3	5.7	142	7.1
		Subtotal				27,775	27,803	-	27,739	-	-	1,673
Total				169,060	170,363	-	169,228	-	-	9,794	6.7	

(Note 1) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:

NV: Nihon Valuers K.K. (Japan Valuers Co., Ltd.)

JMK: JLL Morii Valuation & Advisory K.K.

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

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2018 as the date of value. Furthermore, "Appraisal value" is rounded down to the nearest million yen. Accordingly, the appraisal value of each property may not add up to the portfolio total.

(Note 3) "Appraisal NOI" refers to net operating income (NOI) calculated as effective gross income less operating expenses stated in the real estate appraisal report, etc., and is income before depreciation and amortization. This is different from net cash flow (NCF) calculated as NOI less financial interests on deposits, etc. and less capital expenditures. The appraisal NOI above is appraisal NOI by the direct capitalization method. Furthermore, "Appraisal NOI" is rounded to the nearest million yen. Accordingly, the appraisal NOI of each property may not add up to the portfolio total.

(Note 4) "Appraisal NOI yield" is the figure calculated by the Asset Management Company by dividing appraisal NOI by acquisition price, rounded to one decimal place. However, the figure under "Subtotal" or "Total" is the figure calculated by the Asset Management Company by dividing the appraisal NOI subtotal or total by the acquisition price subtotal or total, rounded to one decimal place. The figures are each those calculated by the Asset Management Company and not the figures stated in the real estate appraisal report, etc.

(Note 5) KAI Ito had the status of undergoing large-scale renovation on October 31, 2018. The appraisal value is the amount obtained by subtracting the renovation costs from the appraisal value that will apply after the completion of large-scale renovation, and the respective figures stated for the income approach, appraisal NOI, and appraisal NOI yield are the values calculated after the completion of the large-scale renovation.

(Note 6) The real estate appraisal report, etc. is the appraising appraisal company's judgment and opinion at a certain point in time, and is not a guarantee of the validity or accuracy of the content thereof, possibility of transaction at the concerned real estate appraisal value, etc., and other matters. There is no special vested interest between Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K. or Rich Appraisal Institute Co., Ltd. and HRR or the Asset Management Company.

(d) Status of Leasing to Major Tenants

Tenant name	Business type	Name of property	Contract expiration date	Annual rent		Leased area	
				(millions of yen)	Share (%) (Note 1)	(m <sup>2</sup> ) (Note 2)	Share (%) (Note 3)
K.K. Horizon Hotels	Hotel	RISONARE Yatsugatake	July 15, 2033	525	6.1	33,853.45	7.8
		RISONARE Atami	November 1, 2035	313	3.7	23,385.18	5.4
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	7.1	32,332.00	7.4
		ANA Crowne Plaza Fukuoka	November 1, 2035	288	3.4	27,372.74	6.3
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	6.4	23,835.00	5.5
		ANA Crowne Plaza Toyama	November 1, 2035	240	2.8	21,600.11	5.0
		Total		2,518	29.5	162,378.48	37.3
HRO Inc.	Hotel	Hyatt Regency Osaka	October 31, 2036	776	9.1	80,197.60	18.4
		Total		776	9.1	80,197.60	18.4
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.6	2,100.47	0.5
		Chisun Inn Sano Fujioka IC	May 1, 2024	52	0.6	1,968.91	0.5
		Chisun Inn Suwa IC	May 1, 2024	46	0.5	1,944.94	0.4
		Chisun Inn Toyokawa IC	May 1, 2024	42	0.5	2,040.09	0.5
		Chisun Inn Tosu	May 1, 2024	36	0.4	1,968.02	0.5
		Chisun Inn Chiba Hamano R16	May 1, 2024	57	0.7	2,023.29	0.5
		Chisun Inn Kumamoto Miyukifueda	May 1, 2024	43	0.5	2,094.77	0.5
		Chisun Inn Utsunomiya Kanuma	May 1, 2024	51	0.6	2,094.16	0.5
		Chisun Inn Fukui	May 1, 2024	45	0.5	2,094.01	0.5
		Chisun Inn Fukushima Nishi IC	May 1, 2024	48	0.6	2,094.01	0.5
		Chisun Inn Niigata Chuo IC	May 1, 2024	45	0.5	2,094.16	0.5
		Chisun Inn Nagasaki Airport	May 1, 2024	45	0.5	1,968.02	0.5
		Chisun Inn Hitachinaka	May 1, 2024	52	0.6	1,968.30	0.5
		Chisun Inn Tsuchiura Ami	May 1, 2024	54	0.6	1,968.03	0.5
		Chisun Inn Kofu Isawa	May 1, 2024	46	0.5	1,968.47	0.5
		Chisun Inn Marugame Zentsuji	May 1, 2024	42	0.5	2,094.16	0.5
		Chisun Inn Munakata	May 1, 2024	36	0.4	2,094.16	0.5
		Chisun Inn Iwate Ichinoseki IC	May 1, 2024 (Note 4)	49	0.6	1,968.02	0.5
		Chisun Inn Karuizawa	May 1, 2024	57	0.7	1,917.10	0.4
		Chisun Inn Himeji Yumesakibashi	May 1, 2024	43	0.5	2,406.95	0.6
		Chisun Inn Kurashiki Mizushima	May 1, 2024	51	0.6	2,094.16	0.5
Chisun Inn Kagoshima Taniyama	May 2, 2024	96	1.1	8,066.36	1.9		
Total		1,095	12.8	51,030.56	11.7		

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

(Note 2) Based on lease agreements valid as of October 31, 2018.

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

(Note 4) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2018. The contract expiration date of the lease agreement on the building is May 1, 2024, while the contract expiration date of the lease agreement on the land is June 30, 2025. However, an agreement has been reached in the lease agreement on the land to the effect that, in the event of termination of the lease agreement on the building, the lease agreement on the land shall also terminate at the same time, meaning that in no circumstances would the property's contract expiration date go beyond the contract expiration date provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC's contract expiration date is the contract expiration date provided in the lease agreement on the building.

(e) Portfolio Overview

a. By investment category

Investment category		Number of properties	Acquisition price (millions of yen)	Share (%)
Properties operated by the Hoshino Resorts Group	HOSHINOYA	4	19,593	13.3
	RISONARE	2	8,250	5.6
	KAI	8	10,715	7.3
	Other	1	4,619	3.1
	Subtotal	15	43,177	29.4
Properties operated by outside operators	Urban tourism	11	80,377	54.8
	Other	30	23,213	15.8
	Subtotal	41	103,590	70.6
Total		56	146,767	100.0

b. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	5.4
Kanto region	11	19,336	13.2
Hokuriku region	4	14,421	9.8
Chubu region	16	31,695	21.6
Kinki region	6	34,091	23.2
Chugoku-Shikoku region	6	21,955	15.0
Kyushu-Okinawa region	8	17,378	11.8
Total	56	146,767	100.0

c. By lease period

Lease period	Contract duration		Remaining duration (Note)	
	Acquisition price (millions of yen)	Share (%)	Acquisition price (millions of yen)	Share (%)
Entire portfolio	146,767	100.0	146,767	100.0
More than 10 years	130,772	89.1	128,872	87.8
10 years or less	15,995	10.9	17,895	12.2

(Note) "Remaining duration" as stated is based on the remaining number of years of the lease agreements pertaining to the assets held by HRR as of October 31, 2018.

d. By contract type

Contract type	Acquisition price (millions of yen)	Share (%)
Entire portfolio	146,767	100.0
Fixed-term lease contract	146,767	100.0
Normal lease contract	-	-

## (f) Individual Investment Real Estate, Etc. Property Income Statements

The following are the individual income statements for the fiscal period under review for investment real estate, etc. properties.

(Unit: thousands of yen)

Property no.		H-1	H-2	H-3	H-4	R-1	R-2
Name of property	Portfolio total	HOSHINOYA Karuizawa	HOSHINOYA Kyoto	HOSHINOYA Fuji	HOSHINOYA Taketomi Island	RISONARE Yatsugatake	RISONARE Atami
① Total real estate operating revenue	5,802,597	429,874	152,609	142,350	168,360	354,835	156,600
Fixed rent	3,885,060	315,000	101,898	142,350	168,360	262,500	156,600
Floating rent	1,906,638	114,874	50,711	-	-	92,335	-
Other rent	10,800	-	-	-	-	-	-
Other revenue	98	-	-	-	-	-	-
② Total real estate operating expenses	829,916	56,502	8,437	14,116	20,532	44,473	37,558
Maintenance expenses	55,270	2,798	1,477	407	2,851	5,905	2,835
Taxes and dues	452,087	23,312	2,656	4,278	3,699	23,526	26,195
Insurance expenses	19,824	766	216	296	229	2,055	878
Land rent	60,197	6,360	-	6,911	6,317	3,937	-
Repair expenses	86,837	23,264	4,087	2,223	7,434	9,048	7,649
Other expenses	155,698	0	-	-	-	-	-
③ NOI [①-②]	4,972,681	373,372	144,172	128,233	147,827	310,361	119,041
④ Depreciation and amortization	1,169,038	103,212	28,104	35,044	45,727	72,280	44,570
⑤ Loss on retirement of non-current assets	314	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	3,803,328	270,159	116,067	93,189	102,100	238,080	74,471

(Unit: thousands of yen)

Property no.	K-1	K-2	K-3	K-4	K-5	K-6	K-7
Name of property	KAI Matsumoto	KAI Izumo	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji	KAI Kinugawa
① Total real estate operating revenue	45,862	55,028	56,768	73,416	28,770	60,317	102,000
Fixed rent	37,500	37,500	40,000	47,500	21,000	49,800	102,000
Floating rent	8,362	17,524	16,768	25,844	7,770	10,517	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	4	-	72	-	-	-
② Total real estate operating expenses	9,253	8,902	11,196	11,507	4,520	22,647	11,971
Maintenance expenses	1,078	482	919	1,956	300	2,619	1,541
Taxes and dues	4,199	4,035	5,057	5,107	978	7,879	8,406
Insurance expenses	298	156	392	236	72	423	166
Land rent	-	2,280	-	-	-	300	-
Repair expenses	3,677	1,947	4,827	4,208	3,169	11,424	1,858
Other expenses	-	-	-	-	-	-	-
③ NOI [①-②]	36,608	46,126	45,572	61,908	24,249	37,670	90,028
④ Depreciation and amortization	6,473	5,131	6,633	12,284	7,060	14,702	17,065
⑤ Loss on retirement of non-current assets	-	-	314	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	30,135	40,995	38,623	49,624	17,189	22,967	72,963

(Unit: thousands of yen)

Property no.	K-8	O-35	O-31	O-32	O-33	O-34	O-36
Name of property	KAI Kaga	OMO7 Asahikawa	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Fukuoka	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka
① Total real estate operating revenue	103,185	182,400	582,631	326,686	426,630	208,172	388,173
Fixed rent	103,185	182,400	303,000	144,000	273,000	120,000	-
Floating rent	-	-	279,609	182,686	153,630	88,172	388,173
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	22	-	-	-	-
② Total real estate operating expenses	9,453	23,271	46,992	32,079	180,117	33,525	100,730
Maintenance expenses	1,167	-	10,762	-	9,685	-	-
Taxes and dues	5,985	22,326	34,890	31,170	14,843	17,414	84,571
Insurance expenses	283	944	1,340	908	985	956	4,108
Land rent	-	-	-	-	-	15,154	12,000
Repair expenses	2,017	-	-	-	-	-	-
Other expenses	-	-	-	-	154,602	-	50
③ NOI [①-②]	93,731	159,128	535,638	294,607	246,513	174,646	287,443
④ Depreciation and amortization	27,171	73,293	96,461	43,950	48,804	58,439	117,444
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	66,559	85,835	439,177	250,656	197,708	116,207	169,998

(Unit: thousands of yen)

Property no.	O-37	O-38	O-39	O-40	O-41	O-42	O-1
Name of property	the b akasaka	the b sangenjaya	the b nagoya	the b kobe	Quintessa Hotel Osaka Shinsaibashi	hotel androoms Osaka Hommachi	Chisun Inn Shiojiri Kita IC
① Total real estate operating revenue	117,263	113,361	124,215	188,932	85,050	110,280	32,735
Fixed rent	67,500	58,500	49,500	90,000	85,050	110,280	24,000
Floating rent	49,763	54,861	74,715	98,932	-	-	8,735
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	9,561	4,103	8,171	11,097	6,393	555	3,075
Maintenance expenses	-	-	-	-	-	-	349
Taxes and dues	9,379	3,357	7,826	10,692	6,263	-	2,656
Insurance expenses	181	125	345	404	129	135	69
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	620	-	-	-	420	-
③ NOI [①-②]	107,702	109,257	116,044	177,835	78,656	109,724	29,659
④ Depreciation and amortization	16,289	12,742	17,917	24,540	10,281	11,939	5,079
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	91,412	96,515	98,126	153,295	68,375	97,784	24,579

(Unit: thousands of yen)

Property no.	O-2	O-3	O-4	O-5	O-6	O-7	O-8
Name of property	Chisun Inn Sano Fujioka IC	Chisun Inn Suwa IC	Chisun Inn Toyokawa IC	Chisun Inn Tosu	Chisun Inn Chiba Hamano R16	Chisun Inn Kumamoto Miyukifueda	Chisun Inn Utsunomiya Kanuma
① Total real estate operating revenue	32,436	32,104	28,538	26,667	34,498	38,574	32,559
Fixed rent	26,460	23,460	21,480	18,000	28,500	21,960	25,500
Floating rent	5,976	8,644	7,058	8,667	5,998	16,614	7,059
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,606	2,617	2,744	3,243	2,769	2,954	2,741
Maintenance expenses	422	454	311	328	305	549	259
Taxes and dues	2,112	2,098	2,362	2,850	2,389	2,334	2,403
Insurance expenses	72	65	70	64	74	70	78
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	0	-
③ NOI [①-②]	29,830	29,487	25,794	23,424	31,728	35,619	29,818
④ Depreciation and amortization	6,899	6,528	5,205	4,775	7,161	4,959	5,882
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	22,931	22,959	20,589	18,648	24,567	30,659	23,935

(Unit: thousands of yen)

Property no.	O-9	O-10	O-11	O-12	O-13	O-14	O-15
Name of property	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami	Chisun Inn Kofu Isawa
① Total real estate operating revenue	32,339	30,920	30,850	29,961	30,281	28,404	28,792
Fixed rent	22,980	24,000	22,500	22,500	26,460	27,480	23,460
Floating rent	9,359	6,920	8,350	7,461	3,821	924	5,332
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,744	2,909	2,919	2,678	2,243	2,529	2,421
Maintenance expenses	488	294	399	279	285	390	498
Taxes and dues	2,183	2,537	2,449	2,333	1,886	2,067	1,856
Insurance expenses	72	77	71	66	72	71	66
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [①-②]	29,595	28,010	27,930	27,282	28,038	25,874	26,371
④ Depreciation and amortization	5,188	5,824	5,377	5,959	7,461	7,764	6,000
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	24,406	22,186	22,552	21,323	20,577	18,110	20,370

(Unit: thousands of yen)

Property no.	O-16	O-17	O-18	O-19	O-20	O-21	O-22
Name of property	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima	Candeo Hotels Handa
① Total real estate operating revenue	29,908	26,925	26,976	42,753	29,103	33,582	26,460
Fixed rent	21,000	18,000	24,960	28,980	21,960	25,980	26,460
Floating rent	8,908	8,925	2,016	13,773	7,143	7,602	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,451	2,712	2,343	4,453	3,519	3,077	5,963
Maintenance expenses	451	506	280	421	452	457	-
Taxes and dues	1,928	2,136	1,987	3,947	2,985	2,542	2,966
Insurance expenses	71	70	74	84	80	72	117
Land rent	-	-	-	-	-	-	2,880
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	5	-
③ NOI [①-②]	27,456	24,212	24,633	38,300	25,584	30,505	20,496
④ Depreciation and amortization	5,499	4,770	5,344	7,528	5,430	6,657	6,408
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	21,957	19,442	19,288	30,772	20,154	23,847	14,088

(Unit: thousands of yen)

Property no.	O-23	O-24	O-25	O-26	O-27	O-28	O-29
Name of property	Candeo Hotels Chino	Candeo Hotels Fukuyama	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate	Comfort Hotel Tomakomai	Comfort Hotel Kure
① Total real estate operating revenue	32,844	39,370	45,756	20,910	32,922	33,231	37,524
Fixed rent	32,844	39,370	45,756	20,910	32,922	33,231	37,524
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	6,069	4,016	4,488	4,019	3,726	2,981	3,957
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	3,153	3,860	3,121	3,861	3,608	2,877	3,840
Insurance expenses	112	156	114	158	118	104	117
Land rent	2,804	-	1,252	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [①-②]	26,774	35,353	41,267	16,890	29,195	30,249	33,566
④ Depreciation and amortization	7,859	10,726	10,845	4,047	9,968	9,552	8,380
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	18,915	24,626	30,422	12,842	19,227	20,697	25,186

(Unit: thousands of yen)

Property no.	O-30
Name of property	Chisun Inn Kagoshima Taniyama
① Total real estate operating revenue	90,884
Fixed rent	48,000
Floating rent	32,084
Other rent	10,800
Other revenue	-
② Total real estate operating expenses	7,261
Maintenance expenses	300
Taxes and dues	6,692
Insurance expenses	268
Land rent	-
Repair expenses	-
Other expenses	-
③ NOI [①－②]	83,623
④ Depreciation and amortization	18,384
⑤ Loss on retirement of non-current assets	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	65,238



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

H-1 HOSHINOYA Karuizawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	89.3%	79.8%	84.0%	75.5%	71.7%	83.4%	85.4%	87.0%	97.4%	97.2%	93.7%	91.2%	86.5%
ADR (yen)	70,996	70,573	67,294	64,478	66,975	71,959	83,224	78,017	87,708	104,125	92,190	84,195	79,854
RevPAR (yen)	63,374	56,305	56,544	48,688	48,008	59,997	71,091	67,885	85,393	101,202	86,403	76,823	69,040
Sales (millions of yen)	299	250	178	205	224	259	323	298	371	461	370	338	3,582

(Note 1) Monthly key indicators are based on figures provided by the lessee Hoshino Resorts Inc.

(Note 2) Guest room occupancy rate is rounded to one decimal place. ADR and RevPAR are rounded down to the nearest specified unit, and sales are rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 3) "Guest room occupancy rate" is the figure sought by the following formula. The same applies hereinafter.

Guest room occupancy rate = Number of guest rooms sold / Number of guest rooms available

(Note 4) "ADR" (Average Daily Rate) is the total guest room revenue (excluding food and beverage revenue, other revenue, service charge, etc.) during a certain period of time divided by the total number of guest rooms sold (total number of guest rooms occupied) during that period of time. The same shall apply hereinafter.

(Note 5) "RevPAR" (Revenue Per Available Room) is the total guest room revenue (excluding food and beverage revenue, other revenue, service charge, etc.) during a certain period of time divided by the total number of guest rooms available during that period of time and is the same figure as the figure calculated by multiplying ADR by the guest room occupancy rate. The same applies hereinafter.

(Note 6) "Sales" is the revenue that the lessee generates from the travel lodging facility operations business and businesses incidental to such at the property. Even if revenue is generated from facilities operated as one with the property, the revenue is not included in sales if the concerned facilities do not fall under assets held by HRR. The same shall apply hereinafter.

H-2 HOSHINOYA Kyoto

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	97.2%	95.9%	85.5%	88.7%	90.1%	95.1%	95.7%	88.8%	88.5%	92.3%	91.9%	92.5%	92.0%
ADR (yen)	119,646	98,086	70,743	75,013	94,142	108,598	89,573	80,526	80,774	87,623	85,109	96,106	91,522
RevPAR (yen)	116,296	94,036	60,497	66,511	84,788	103,240	85,759	71,507	71,503	80,840	78,174	88,913	84,200
Sales (millions of yen)	145	113	71	65	101	114	101	88	65	95	82	105	1,150

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

H-3 HOSHINOYA Fuji

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	93.0%	82.9%	73.9%	78.8%	77.0%	95.9%	85.5%	96.4%	92.8%	95.2%	94.4%	94.4%	88.7%
ADR (yen)	63,197	63,180	65,322	63,820	64,207	70,126	67,797	53,336	69,852	90,408	70,465	69,484	67,917
RevPAR (yen)	58,773	52,378	48,281	50,258	49,449	67,262	57,956	51,425	64,838	86,106	66,531	65,617	60,236
Sales (millions of yen)	116	101	68	84	97	124	111	102	124	160	124	127	1,342

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

H-4 HOSHINOYA Taketomi Island

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	68.3%	66.8%	56.1%	65.8%	70.7%	64.7%	67.0%	69.9%	86.1%	94.2%	80.3%	82.3%	73.0%
ADR (yen)	63,518	59,185	60,519	55,432	58,070	63,876	59,087	55,544	71,205	82,917	70,796	63,806	64,667
RevPAR (yen)	43,404	39,536	33,941	36,501	41,054	41,297	39,590	38,842	61,299	78,069	56,833	52,486	47,228
Sales (millions of yen)	116	98	65	83	99	95	98	94	135	171	122	123	1,306

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

R-1 RISONARE Yatsugatake

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.5%	69.9%	67.7%	57.7%	77.2%	58.4%	78.5%	82.3%	97.3%	98.9%	97.2%	98.0%	81.2%
ADR (yen)	28,671	38,648	42,600	26,247	31,519	32,805	31,743	24,922	42,284	64,607	43,728	34,726	37,830
RevPAR (yen)	23,940	27,022	28,854	15,145	24,337	19,174	24,915	20,522	41,150	63,880	42,499	34,042	30,700
Sales (millions of yen)	397	347	215	191	316	281	421	375	528	694	524	508	4,801

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

R-2 RISONARE Atami

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.7%	86.8%	96.8%	96.8%	97.5%	86.5%	84.2%	90.1%	94.3%	97.5%	89.7%	84.4%	90.1%
ADR (yen)	44,996	56,031	56,543	44,034	51,855	43,540	45,904	41,670	59,920	87,488	51,897	48,078	53,674
RevPAR (yen)	38,120	48,629	54,736	42,627	50,544	37,647	38,673	37,549	56,506	85,325	46,572	40,565	48,343
Sales (millions of yen)	140	157	126	81	88	123	141	119	192	271	156	146	1,747

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

K-1 KAI Matsumoto

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	79.5%	68.6%	69.2%	71.2%	70.7%	65.1%	73.3%	82.2%	87.7%	93.2%	89.9%	91.7%	78.9%
ADR (yen)	43,806	42,444	44,437	30,914	36,261	42,652	46,526	37,840	41,806	61,583	44,707	44,948	43,760
RevPAR (yen)	34,820	29,103	30,764	21,996	25,644	27,778	34,115	31,122	36,671	57,381	40,179	41,212	34,510
Sales (millions of yen)	52	40	31	35	42	40	50	43	56	78	59	61	592

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

K-2 KAI Izumo

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	98.3%	88.6%	80.7%	90.1%	96.1%	92.0%	83.9%	83.2%	80.1%	92.3%	91.4%	92.7%	89.2%
ADR (yen)	51,976	48,481	44,916	36,138	41,207	43,799	47,310	39,137	42,247	56,183	49,751	51,236	46,371
RevPAR (yen)	51,109	42,942	36,269	32,547	39,600	40,284	39,679	32,560	33,837	51,879	45,467	47,517	41,366
Sales (millions of yen)	71	65	52	46	60	50	54	47	42	67	58	63	679

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

K-3 KAI Ito

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.4%	82.1%	85.8%	93.0%	91.1%	78.7%	74.3%	82.3%	88.5%	99.3%	0.0%	0.0%	85.6%
ADR (yen)	27,891	38,991	32,243	31,534	36,263	29,630	33,138	28,507	33,051	46,704	0	0	34,179
RevPAR (yen)	22,716	32,000	27,666	29,319	33,026	23,316	24,622	23,463	29,238	46,390	0	0	29,272
Sales (millions of yen)	57	59	61	59	70	49	53	47	56	83	0	0	599

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

(Note 2) Guest room occupancy rate, ADR and RevPAR results for September and October 2018 do not exist, because operations have been suspended to conduct renovation work from September 1, 2018 to the date of this document.

K-4 KAI Hakone

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	97.9%	96.0%	91.0%	96.4%	96.5%	92.1%	92.0%	87.7%	94.3%	99.3%	98.8%	95.9%	94.9%
ADR (yen)	47,880	48,207	41,719	41,076	39,372	43,634	44,560	38,560	43,473	54,241	44,804	44,240	44,446
RevPAR (yen)	46,883	46,285	37,976	39,609	37,983	40,202	41,011	33,826	40,975	53,858	44,273	42,412	42,160
Sales (millions of yen)	87	80	73	69	77	71	77	63	78	95	78	82	936

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

K-5 KAI Aso

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	94.2%	87.4%	80.8%	91.4%	93.5%	79.0%	82.3%	84.0%	78.2%	90.6%	89.7%	93.0%	87.1%
ADR (yen)	67,023	66,169	62,899	58,068	56,690	71,804	67,497	54,746	63,326	79,343	71,959	69,485	65,895
RevPAR (yen)	63,113	57,809	50,803	53,056	53,032	56,734	55,522	45,959	49,537	71,878	64,515	64,629	57,417
Sales (millions of yen)	36	33	25	29	32	28	32	25	29	40	34	37	386

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

K-6 KAI Kawaji

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	78.9%	73.0%	89.4%	78.4%	80.6%	64.6%	73.4%	72.8%	78.1%	90.3%	82.6%	71.0%	77.0%
ADR (yen)	31,067	29,210	43,014	24,821	23,181	22,577	25,691	21,782	23,821	37,578	26,505	35,309	28,068
RevPAR (yen)	24,508	21,323	38,434	19,466	18,688	14,591	18,861	15,866	18,598	33,918	21,891	25,065	21,622
Sales (millions of yen)	80	72	29	45	68	54	67	60	69	104	73	67	790

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

K-7 KAI Kinugawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.3%	72.2%	69.9%	70.8%	72.5%	66.2%	63.9%	61.4%	64.8%	88.4%	85.3%	82.9%	72.9%
ADR (yen)	39,389	38,663	34,219	30,948	31,607	33,615	38,860	33,107	35,310	47,113	35,879	39,645	36,920
RevPAR (yen)	30,034	27,923	23,917	21,898	22,915	22,265	24,836	20,335	22,875	41,635	30,620	32,851	26,923
Sales (millions of yen)	85	77	71	62	69	63	72	59	69	111	84	93	920

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

K-8 KAI Kaga

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.5%	71.7%	62.9%	63.8%	81.0%	60.9%	65.2%	62.7%	64.9%	83.2%	79.7%	78.7%	71.7%
ADR (yen)	39,730	44,816	45,582	40,504	33,546	37,035	39,418	30,763	34,725	47,408	40,748	37,709	39,479
RevPAR (yen)	33,577	32,118	28,672	25,827	27,166	22,561	25,696	19,291	22,543	39,443	32,485	29,691	28,287
Sales (millions of yen)	104	92	84	74	90	62	74	62	69	107	90	84	997

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

O-35 Hoshino Resorts OMO7 Asahikawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	60.6%	62.5%	62.0%	79.1%	71.2%	34.6%	78.9%	90.9%	93.0%	92.3%	70.6%	67.5%	72.2%
ADR (yen)	6,761	7,599	7,442	9,361	6,746	7,581	9,446	11,851	20,533	19,781	14,266	10,075	11,947
RevPAR (yen)	4,099	4,747	4,614	7,400	4,803	2,624	7,454	10,774	19,102	18,265	10,066	6,804	8,624
Sales (millions of yen)	144	200	171	160	129	113	161	193	261	225	196	161	2,119

(Note 1) Monthly key indicators are based on figures provided by the lessee Asahikawa Grand Hotel Co., Ltd.

(Note 2) Effective April 28, 2018 onward, the service fee that had been applied up until that time has been abolished. Because an amount that is equivalent to the previously applied service fee will be included in the accommodation fee, etc., the total accommodation net sales that forms the basis for the ADR calculation has in effect been increased by the amount equivalent to the service fee when compared against the same figure prior to April 28, 2018.

O-31 ANA Crowne Plaza Hiroshima

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	93.7%	77.8%	63.2%	81.8%	85.9%	89.4%	87.4%	80.7%	82.8%	83.5%	83.7%	85.3%	82.9%
ADR (yen)	14,130	10,726	9,853	10,204	11,215	14,672	13,540	11,259	11,123	14,296	12,406	14,524	12,444
RevPAR (yen)	13,237	8,341	6,227	8,345	9,633	13,116	11,839	9,092	9,210	11,932	10,385	12,389	10,316
Sales (millions of yen)	501	536	339	358	460	435	439	405	346	369	409	470	5,072

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

O-32 ANA Crowne Plaza Fukuoka

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	91.4%	87.8%	74.8%	90.1%	90.4%	88.4%	85.7%	86.3%	86.5%	85.5%	86.8%	89.2%	86.9%
ADR (yen)	16,084	15,580	13,834	16,359	15,646	15,169	15,464	14,902	14,883	14,566	15,363	14,901	15,244
RevPAR (yen)	14,696	13,684	10,348	14,747	14,137	13,412	13,253	12,867	12,870	12,456	13,327	13,291	13,242
Sales (millions of yen)	337	320	269	285	313	279	287	284	285	239	254	304	3,464

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

O-33 ANA Crowne Plaza Kanazawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	93.1%	80.9%	63.8%	71.8%	82.5%	92.0%	88.2%	80.5%	73.3%	83.0%	89.5%	90.2%	82.4%
ADR (yen)	18,936	14,990	13,027	13,506	15,786	18,404	18,136	14,352	14,807	18,817	18,178	18,667	16,684
RevPAR (yen)	17,628	12,123	8,310	9,703	13,019	16,936	15,995	11,551	10,857	15,626	16,272	16,841	13,751
Sales (millions of yen)	362	324	234	208	296	295	316	288	276	296	311	305	3,517

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

O-34 ANA Crowne Plaza Toyama

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.6%	62.7%	56.2%	72.1%	81.5%	92.0%	84.8%	74.4%	74.6%	92.0%	84.7%	85.9%	79.0%
ADR (yen)	10,324	9,404	8,555	8,757	7,698	12,802	14,080	10,149	10,065	11,780	12,681	12,519	10,915
RevPAR (yen)	9,048	5,895	4,807	6,312	6,276	11,773	11,944	7,552	7,505	10,834	10,736	10,749	8,626
Sales (millions of yen)	261	225	177	163	206	260	243	243	205	239	230	271	2,727

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

O-36 Hyatt Regency Osaka

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	82.7%	71.9%	55.9%	78.5%	77.0%	87.9%	80.9%	71.8%	69.9%	80.8%	57.6%	74.5%	74.1%
ADR (yen)	16,401	15,837	14,507	15,698	15,726	15,786	14,558	13,484	14,994	17,861	14,488	15,933	15,513
RevPAR (yen)	13,559	11,387	8,113	12,325	12,104	13,875	11,778	9,684	10,481	14,429	8,350	11,870	11,491
Sales (millions of yen)	429	412	265	335	376	379	353	304	320	378	318	383	4,257

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

O-37 the b akasaka

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	95.7%	81.0%	73.4%	91.7%	91.2%	94.8%	86.8%	88.6%	88.2%	78.6%	85.9%	91.8%	87.2%
ADR (yen)	10,312	10,240	9,206	10,289	10,511	11,023	10,139	9,723	10,503	10,492	10,181	10,800	10,306
RevPAR (yen)	9,872	8,294	6,755	9,436	9,582	10,445	8,802	8,618	9,267	8,250	8,746	9,914	8,990
Sales (millions of yen)	52	44	37	46	52	55	48	45	51	46	46	54	582

(Note) Monthly key indicators are based on figures provided by the lessee KK Ishin MinatoAkasaka Operations.

O-38 the b sangenjaya

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	91.3%	86.4%	82.3%	91.3%	93.3%	97.9%	87.8%	86.9%	82.3%	79.9%	87.5%	90.1%	88.0%
ADR (yen)	11,570	11,174	10,924	12,155	11,604	11,086	11,018	10,661	11,620	12,054	11,694	11,896	11,451
RevPAR (yen)	10,563	9,653	8,989	11,103	10,827	10,848	9,677	9,261	9,565	9,632	10,231	10,722	10,079
Sales (millions of yen)	39	37	34	38	41	40	37	34	37	36	38	42	458

(Note) Monthly key indicators are based on figures provided by the lessee KK Ishin Sangenjaya Operations.

O-39 the b nagoya

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	89.6%	84.2%	86.0%	96.1%	95.9%	95.7%	89.9%	93.9%	86.6%	90.4%	85.6%	82.8%	89.7%
ADR (yen)	7,468	7,496	6,176	6,829	6,991	6,992	7,293	7,118	7,435	7,970	7,832	7,604	7,262
RevPAR (yen)	6,695	6,310	5,311	6,562	6,707	6,689	6,554	6,683	6,437	7,203	6,708	6,299	6,511
Sales (millions of yen)	50	48	42	46	52	50	50	50	50	55	49	48	596

(Note) Monthly key indicators are based on figures provided by the lessee KK Ishin NagoyaSakae Operations.

O-40 the b kobe

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	92.9%	94.7%	84.1%	92.5%	95.5%	92.9%	91.1%	91.4%	92.1%	93.2%	81.0%	86.8%	90.7%
ADR (yen)	10,831	10,984	8,739	9,371	10,548	9,963	10,869	10,902	9,977	11,422	9,940	10,588	10,369
RevPAR (yen)	10,057	10,404	7,353	8,666	10,074	9,251	9,898	9,963	9,189	10,643	8,053	9,185	9,401
Sales (millions of yen)	62	66	50	52	65	59	63	62	60	68	52	59	724

(Note) Monthly key indicators are based on figures provided by the lessee KK Ishin KobeSannomiya Operations.

O-42 hotel androoms Osaka Hommachi

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	91.1%	95.4%	91.5%	94.3%	92.6%	87.5%	89.4%	85.0%	92.1%	90.4%	62.4%	83.5%	88.0%
ADR (yen)	14,226	13,263	11,431	13,517	13,910	15,332	12,365	11,309	12,383	14,094	12,073	12,576	13,068
RevPAR (yen)	12,956	12,648	10,457	12,753	12,886	13,411	11,060	9,607	11,410	12,743	7,536	10,500	11,494
Sales (millions of yen)	42	42	35	39	43	44	37	32	38	43	25	36	461

(Note 1) Results for the past year are shown, but April 2, 2018 is when HRR acquired the concerned property.

(Note 2) Monthly key indicators are based on figures provided by the lessee Osaka Hotel Management LLC.

O-1 Chisun Inn Shiojiri Kita IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.0%	79.0%	80.6%	79.2%	80.2%	80.5%	81.1%	78.4%	82.6%	87.9%	86.5%	81.8%	82.0%
ADR (yen)	5,736	5,354	5,143	5,371	5,411	5,808	6,239	5,833	6,240	7,730	6,432	6,395	5,998
RevPAR (yen)	4,932	4,227	4,147	4,253	4,339	4,673	5,060	4,573	5,154	6,795	5,563	5,229	4,917
Sales (millions of yen)	14	13	12	12	13	14	15	13	15	20	16	16	180

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

O-2 Chisun Inn Sano Fujioka IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.9%	86.2%	82.3%	85.9%	82.8%	86.2%	79.7%	81.1%	78.3%	82.3%	77.5%	82.9%	82.5%
ADR (yen)	6,097	6,284	6,039	5,718	5,882	6,085	6,412	5,767	5,898	6,800	6,085	6,117	6,103
RevPAR (yen)	5,173	5,414	4,967	4,912	4,869	5,245	5,108	4,674	4,620	5,596	4,718	5,070	5,032
Sales (millions of yen)	14	16	14	13	14	15	15	13	13	16	13	15	177

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

O-3 Chisun Inn Suwa IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.8%	83.3%	75.8%	80.4%	80.4%	83.6%	79.9%	77.2%	84.8%	93.3%	88.3%	89.3%	83.4%
ADR (yen)	5,834	5,414	5,218	5,296	5,333	5,697	6,106	5,586	6,094	8,114	6,863	6,389	6,041
RevPAR (yen)	4,887	4,508	3,953	4,259	4,289	4,762	4,879	4,311	5,169	7,571	6,057	5,708	5,036
Sales (millions of yen)	14	13	11	11	12	13	14	12	15	22	17	17	178

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

O-4 Chisun Inn Toyokawa IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.0%	84.0%	79.6%	83.2%	83.1%	77.0%	75.7%	81.0%	83.1%	92.2%	86.0%	92.4%	83.7%
ADR (yen)	4,936	5,031	5,081	4,872	5,447	5,436	5,575	5,131	5,169	6,091	5,200	4,855	5,239
RevPAR (yen)	4,292	4,225	4,043	4,052	4,526	4,187	4,221	4,154	4,295	5,619	4,471	4,485	4,385
Sales (millions of yen)	12	13	12	11	14	12	13	12	13	17	13	13	161

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

O-5 Chisun Inn Tosu

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	75.7%	69.7%	68.5%	77.3%	74.8%	88.6%	81.5%	78.6%	70.3%	80.1%	76.1%	81.8%	76.9%
ADR (yen)	5,471	5,797	5,341	5,290	5,691	5,552	5,764	5,639	5,624	6,503	5,731	5,388	5,655
RevPAR (yen)	4,139	4,043	3,659	4,091	4,256	4,920	4,698	4,432	3,953	5,208	4,358	4,407	4,348
Sales (millions of yen)	12	12	11	11	12	14	14	13	12	15	12	13	155

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

O-6 Chisun Inn Chiba Hamano R16

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.1%	89.4%	75.9%	86.9%	92.8%	90.7%	95.3%	87.3%	79.5%	84.9%	80.9%	84.8%	86.4%
ADR (yen)	5,769	6,427	5,813	6,064	6,225	6,268	6,499	6,400	6,158	6,848	6,569	6,337	6,288
RevPAR (yen)	5,082	5,748	4,415	5,269	5,777	5,683	6,194	5,590	4,898	5,816	5,316	5,371	5,431
Sales (millions of yen)	15	17	13	14	17	17	19	16	14	17	15	16	195

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

O-7 Chisun Inn Kumamoto Miyukifueda

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	87.3%	81.7%	78.6%	80.5%	86.1%	85.9%	79.6%	80.1%	77.9%	80.5%	77.0%	85.7%	81.8%
ADR (yen)	6,589	6,488	6,507	6,644	6,638	6,856	7,101	6,826	6,902	7,249	6,962	6,794	6,792
RevPAR (yen)	5,755	5,301	5,117	5,348	5,716	5,886	5,650	5,470	5,380	5,838	5,361	5,825	5,557
Sales (millions of yen)	17	17	16	15	18	18	18	17	17	19	13	17	208

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

O-8 Chisun Inn Utsunomiya Kanuma

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.9%	81.3%	74.1%	81.5%	84.0%	79.7%	81.3%	85.3%	78.0%	84.4%	80.7%	87.3%	82.2%
ADR (yen)	6,116	5,516	5,485	5,684	5,791	5,771	5,983	5,669	5,864	6,598	6,217	6,264	5,922
RevPAR (yen)	5,437	4,483	4,064	4,632	4,865	4,597	4,862	4,834	4,572	5,568	5,018	5,466	4,867
Sales (millions of yen)	16	14	13	13	15	14	15	15	14	17	15	17	183

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

O-9 Chisun Inn Fukui

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	86.6%	79.9%	70.2%	80.0%	87.3%	86.5%	87.6%	88.5%	85.7%	95.2%	83.4%	89.6%	85.1%
ADR (yen)	5,910	5,378	5,202	5,443	5,804	5,657	5,993	5,719	5,979	7,175	8,035	7,392	6,175
RevPAR (yen)	5,118	4,294	3,652	4,354	5,065	4,893	5,247	5,060	5,123	6,828	6,704	6,623	5,252
Sales (millions of yen)	15	13	11	12	16	15	16	15	16	21	20	21	198

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

O-10 Chisun Inn Fukushima Nishi IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	84.4%	65.9%	62.8%	82.6%	75.7%	77.2%	78.6%	82.4%	80.8%	83.6%	78.1%	91.8%	78.5%
ADR (yen)	5,364	5,108	4,924	5,247	5,359	5,681	5,833	5,594	6,019	6,558	5,746	5,702	5,620
RevPAR (yen)	4,525	3,366	3,090	4,335	4,056	4,388	4,585	4,609	4,862	5,483	4,487	5,235	4,414
Sales (millions of yen)	14	11	10	12	13	13	14	11	15	17	14	16	165

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

O-11 Chisun Inn Niigata Chuo IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	78.2%	66.4%	63.2%	72.7%	78.9%	72.9%	72.7%	78.5%	76.7%	90.0%	79.6%	80.9%	75.9%
ADR (yen)	5,399	5,250	4,918	5,323	5,581	5,554	6,029	5,576	6,000	7,923	6,300	6,025	5,883
RevPAR (yen)	4,221	3,483	3,110	3,872	4,401	4,046	4,386	4,379	4,602	7,127	5,016	4,872	4,465
Sales (millions of yen)	13	11	10	11	14	12	14	13	15	23	15	15	171

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

O-12 Chisun Inn Nagasaki Airport

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	85.4%	87.6%	75.8%	84.4%	84.2%	76.7%	77.3%	76.3%	81.1%	80.4%	80.7%	79.9%	80.7%
ADR (yen)	5,937	6,191	5,697	5,765	5,945	5,894	6,179	5,913	6,118	6,935	6,001	6,148	6,063
RevPAR (yen)	5,072	5,426	4,318	4,868	5,005	4,523	4,779	4,514	4,959	5,578	4,842	4,913	4,892
Sales (millions of yen)	14	13	13	13	15	13	14	13	14	16	14	14	170

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

O-13 Chisun Inn Hitachinaka

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	83.0%	80.9%	77.7%	79.7%	83.8%	84.7%	80.9%	73.4%	76.4%	88.0%	83.4%	85.4%	81.5%
ADR (yen)	5,596	5,462	5,612	5,517	5,625	5,852	6,114	5,460	5,838	6,700	5,750	5,916	5,807
RevPAR (yen)	4,647	4,418	4,358	4,399	4,714	4,959	4,946	4,010	4,460	5,897	4,798	5,051	4,731
Sales (millions of yen)	13	10	13	11	14	14	14	11	13	17	13	15	164

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

O-14 Chisun Inn Tsuchiura Ami

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.1%	71.7%	75.6%	83.3%	84.4%	78.7%	76.9%	81.2%	76.0%	81.2%	81.1%	87.9%	80.5%
ADR (yen)	5,561	5,285	5,462	5,447	5,601	5,809	5,904	5,547	5,884	6,439	5,539	5,984	5,712
RevPAR (yen)	4,900	3,788	4,131	4,540	4,729	4,569	4,542	4,504	4,473	5,231	4,491	5,262	4,597
Sales (millions of yen)	14	11	12	12	14	13	13	13	13	15	13	15	162

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



O-15 Chisun Inn Kofu Isawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	85.1%	77.6%	67.9%	74.7%	79.6%	77.9%	74.3%	78.9%	76.6%	90.5%	83.4%	82.1%	79.3%
ADR (yen)	5,538	5,501	5,464	5,182	5,457	5,761	6,095	5,541	5,818	7,436	6,212	5,815	5,857
RevPAR (yen)	4,714	4,268	3,710	3,872	4,341	4,488	4,526	4,372	4,457	6,727	5,181	4,775	4,642
Sales (millions of yen)	13	12	9	10	13	13	13	12	13	20	15	14	161

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

O-16 Chisun Inn Marugame Zentsuji

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	76.8%	60.3%	58.1%	81.3%	80.7%	75.3%	74.6%	76.5%	72.0%	87.1%	77.5%	82.1%	75.0%
ADR (yen)	6,266	6,076	5,673	5,833	6,426	5,911	6,084	5,757	5,948	7,189	5,951	5,819	6,105
RevPAR (yen)	4,814	3,666	3,294	4,744	5,186	4,451	4,537	4,406	4,284	6,264	4,611	4,775	4,579
Sales (millions of yen)	14	11	10	11	15	13	14	13	13	19	14	15	168

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

O-17 Chisun Inn Munakata

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	78.3%	71.7%	77.9%	81.8%	80.8%	79.4%	72.6%	75.9%	77.4%	79.6%	67.1%	75.0%	76.4%
ADR (yen)	5,159	5,592	5,094	5,083	5,099	4,994	5,292	4,802	4,911	5,716	5,450	4,981	5,178
RevPAR (yen)	4,038	4,007	3,969	4,157	4,122	3,966	3,841	3,644	3,799	4,549	3,655	3,736	3,957
Sales (millions of yen)	12	12	12	12	13	12	12	11	12	14	11	11	149

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

O-18 Chisun Inn Iwate Ichinoseki IC

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	80.9%	69.1%	66.7%	59.2%	65.7%	66.9%	75.1%	75.2%	77.0%	87.1%	78.7%	84.8%	74.0%
ADR (yen)	5,699	5,484	5,231	5,394	5,285	5,820	6,058	5,982	5,958	7,019	5,800	5,881	5,841
RevPAR (yen)	4,612	3,790	3,490	3,193	3,474	3,895	4,547	4,497	4,589	6,116	4,562	4,986	4,321
Sales (millions of yen)	13	11	10	8	10	11	13	13	13	18	13	15	155

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

O-19 Chisun Inn Karuizawa

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.3%	68.0%	53.4%	75.7%	76.9%	78.3%	74.4%	87.4%	81.4%	83.5%	76.6%	79.5%	76.9%
ADR (yen)	7,193	7,864	7,452	6,764	6,308	7,200	8,985	7,218	9,921	16,429	10,169	8,286	8,738
RevPAR (yen)	6,354	5,349	3,977	5,121	4,850	5,634	6,689	6,306	8,079	13,720	7,793	6,587	6,720
Sales (millions of yen)	18	15	11	13	14	16	19	18	23	39	21	19	232

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

O-20 Chisun Inn Himeji Yumesakibashi

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	81.4%	75.8%	74.2%	78.1%	79.7%	82.6%	67.4%	60.3%	71.7%	75.6%	69.4%	73.1%	74.1%
ADR (yen)	5,624	5,543	5,345	5,171	5,503	5,445	5,579	5,043	5,091	6,328	5,460	5,238	5,459
RevPAR (yen)	4,577	4,202	3,968	4,038	4,386	4,498	3,761	3,042	3,648	4,786	3,790	3,831	4,045
Sales (millions of yen)	14	13	12	11	14	14	12	9	11	15	11	12	153

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

O-21 Chisun Inn Kurashiki Mizushima

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	88.5%	81.6%	73.3%	80.6%	83.4%	79.3%	68.9%	71.2%	86.9%	87.3%	82.6%	88.7%	81.0%
ADR (yen)	5,786	5,543	5,333	5,546	6,267	6,099	6,281	5,661	5,976	6,913	6,298	6,518	6,037
RevPAR (yen)	5,119	4,521	3,911	4,473	5,230	4,834	4,325	4,032	5,191	6,037	5,201	5,780	4,892
Sales (millions of yen)	15	14	12	12	16	14	13	12	16	19	16	18	183

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

O-30 Chisun Inn Kagoshima Taniyama

	2017		2018										Accumulated total
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
Guest room occupancy rate	93.0%	81.0%	82.3%	94.5%	87.6%	81.1%	83.5%	82.8%	78.0%	82.8%	77.2%	82.1%	83.7%
ADR (yen)	5,714	5,637	5,621	5,811	5,878	5,679	6,094	5,602	5,859	5,796	5,828	5,763	5,774
RevPAR (yen)	5,314	4,566	4,627	5,493	5,148	4,607	5,085	4,639	4,571	4,802	4,497	4,733	4,836
Sales (millions of yen)	37	33	34	36	37	32	37	33	33	35	32	34	417

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

(h) Status of Capital Expenditures

a. Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending April 2019 currently planned for assets held by HRR as of October 31, 2018, the following are the major estimated amounts. Amounts categorized as expenses within accounting standards are included in capital expenditure amounts stated below.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
KAI Ito	Ito-shi, Shizuoka	Large-scale renovation	From: September 2018 To: January 2019	600	81	101
RISONARE Atami	Atami-shi, Shizuoka	Construction of additional guest rooms and renovation of guest rooms	From: January 2019 To: March 2019	220	3	3
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of guest rooms	From: January 2019 To: March 2019	95	5	5
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Renovation of guest rooms	From: January 2019 To: March 2019	50	-	-
ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa	Renovation of guest rooms	From: February 2019 To: March 2019	36	-	-

b. Capital Expenditures during the Period

Of construction work falling under the category of capital expenditures conducted in the fiscal period under review for assets held by HRR as of October 31, 2018, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 782 million yen and repair expenses separately charged to expenses amounted to 86 million yen for a combined total of 868 million yen of construction work implemented.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)
RISONARE Yatsugatake	Hokuto-shi, Yamanashi	Renovation of pool	From: January 2018 To: July 2018	128
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Upgrading of private branch exchange (PBX)	From: May 2018 To: September 2018	49
Hyatt Regency Osaka	Osaka-shi, Osaka	Renovation of club lounge	From: May 2018 To: July 2018	47