

(REIT) Financial Report for Fiscal Period Ended October 2021

December 15, 2021

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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 2021 (from May 1, 2021 to October 31, 2021)

(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. 2021	4,840	5.4	1,845	1.6	1,412	(0.7)	1,410	(3.8)
Ended Apr. 2021	4,591	(23.8)	1,816	(43.9)	1,422	(50.2)	1,466	(48.6)

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. 2021	6,284	1.3	0.8	29.2
Ended Apr. 2021	6,608	1.4	0.8	31.0

(2) Distributions Status

Fiscal period	Distributions per unit	Total distributions	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	(excluding distributions in excess of earnings) yen	(excluding distributions in excess of earnings) million yen	yen	million yen	%	%
Ended Oct. 2021	6,344	1,427	–	–	101.2	1.3
Ended Apr. 2021	6,406	1,421	–	–	96.9	1.4

(Note 1) Total distributions in the fiscal period ended October 2021 is an amount after adding reversal of reserve for tax purpose reduction entry of 16 million yen to unappropriated retained earnings.

(Note 2) Total distributions in the fiscal period ended April 2021 is an amount after deducting reserve for tax purpose reduction entry of 44 million yen from unappropriated retained earnings.

(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. 2021	179,715	106,157	59.1	471,885
Ended Apr. 2021	176,787	104,204	58.9	469,679

(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. 2021	2,587	(3,603)	1,304	8,907
Ended Apr. 2021	2,384	(1,927)	(3,009)	8,619

2. Management Status Forecast for Fiscal Period Ending April 2022 (from November 1, 2021 to April 30, 2022) and Management Status Forecast for Fiscal Period Ending October 2022 (from May 1, 2022 to October 31, 2022)

(% 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. 2022	5,431	12.2	2,203	19.4	1,755	24.3	1,754	24.4	7,153	–
Ending Oct. 2022	5,521	1.7	2,246	2.0	1,850	5.4	1,849	5.4	7,542	–

(Reference) Forecast profit per unit (fiscal period ending April 2022) 7,152 yen

Forecast profit per unit (fiscal period ending October 2022) 7,540 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

(Note) The forecasts for the distributions per unit for the fiscal period ending April 2022 and the fiscal period ending October 2022 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings.

* Others

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

① Changes in accounting policies accompanying amendments to accounting standards, etc.: Yes

② Changes in accounting policies other than ①: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

(Note) For details, please refer to “Notes to Changes in Accounting Policies” on page 24.

(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 2021 224,965 units Fiscal period ended April 2021 221,862 units

② Number of own investment units at end of period
Fiscal period ended October 2021 – units Fiscal period ended April 2021 – 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 34.

* Financial reports are exempt from audit conducted by certified public accountants or an audit corporation.

* 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 2022 and Fiscal Period Ending October 2022” on page 10.

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1. Management Status

(1) 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 63 properties (sum total of acquisition price: 165,608 million yen).

(b) Investment Environment and Management Performance

The Japanese economy continued to see challenging circumstances due to the impact of the spread of COVID-19 in Japan and overseas. Although there were signs of the recovery trend continuing, repeated states of emergency were declared from January 2021, and actions to restrict socioeconomic activity continued.

Meanwhile, in the tourism market, tourism-related industries have seen a serious decline due to the impact of COVID-19 despite a variety of measures, such as the campaign to encourage consumption for the service industry (hereinafter the "Go To Travel campaign") that was carried out in order to encourage travel demand while taking thorough measures to prevent the spread of COVID-19. According to the "Statistical Survey of Lodging and Travel" from the Ministry of Land, Infrastructure, Transport and Tourism, tourism demand regressed significantly due to the COVID-19 pandemic, with the total number of guest nights of an average of 40.8 million guest nights per month prior to the spread of COVID-19 (May 2019 to January 2020) decreasing significantly to an average of 11.6 million guest nights per month during the first state of emergency (April to June 2020), and despite the temporary rise because of the Go To Travel campaign, averaging 20.5 million guest nights per month during the period from January to June 2021. However, HRR believes that recent demand is a trend of recovery as the number of guest nights is approaching levels during the term of the Go To Travel campaign in 2020 (average of 30.1 million guest nights per month), with the number of guest nights from July to September 2021 increasing from an average of 20.5 million guest nights per month from January to June 2021 to 27.2 million guest nights per month due to the rise in the vaccination rate (the percentage of people who have completed COVID-19 vaccinations vs. the total population) as a result of COVID-19 vaccinations beginning in Japan as a measure against COVID-19 after entering 2021.

In the environment described above, the hotels/ryokans held by HRR were managed with a view to securing stable earnings. While properties held by HRR were impacted by the disease to a certain extent, 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") have been capturing a higher level of demand relative to its industry peers even under the state of emergency, largely due to microtourism and proposals for stays that enable guests to avoid the "Three Cs" (Crowded places, Close-contact setting, Confined and enclosed spaces).

(c) Overview of Fund Procurement

In the fiscal period under review, HRR procured 1,964 million yen from the issuance of new investment units by a third party on May 31, 2021, and 1,000 million yen of long-term borrowings on June 1, 2021. This was allocated to 2,750 million yen, which is the amount of funds for the acquisition of KAI Nagato, and a portion of related expenses as well as a total remaining principal amount of 149 million yen for funds for early repayment of short-term borrowings that was procured on June 30, 2020 (however, the amount procured due to the issuance of new investment units by a third party has not been appropriated for these funds for early repayment).

HRR issued the Second Series Unsecured Investment Corporation Bond (with special pari passu conditions among specified investment corporation bonds) (The aforementioned Investment Corporation Bonds are green bonds named Hoshino Resorts REIT Initiative Green “Owl Bonds.”) at an amount of 1,300 million yen on August 26, 2021 for allocation to a portion of funds for early repayment of existing long-term borrowings pertaining to the acquisition of BEB5 Karuizawa.

In addition, HRR procured 5,200 million yen of long-term borrowings on October 29, 2021 to repay a total of 5,200 million yen of principal of existing borrowings due for repayment, including the remaining principal amount of 3,500 million yen of long-term borrowings procured on November 2, 2015, the remaining principal amount of 600 million yen of long-term borrowings procured on April 27, 2018, and the remaining principal amount of 1,100 million yen of short-term borrowings procured on October 30, 2020.

Furthermore, contractual repayments of borrowings, etc. were made, resulting in balance of interest-bearing liabilities of 68,482 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 38.1% as of October 31, 2021.

(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	Stable
	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) and the Second Series Unsecured Investment Corporation Bond (with special pari passu conditions among specified investment corporate bonds) (green 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 4,840 million yen, operating profit of 1,845 million yen, ordinary profit of 1,412 million yen and profit of 1,410 million yen. Concerning distributions, after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained earnings pursuant with Article 42 of the Corporation Tax Act, the decision was made to distribute the entire aggregate amount 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”)), and distributions per investment unit was thus declared to be 6,344 yen.

② Outlook for the Next Fiscal Period

(a) Management Environment for the Next Fiscal Period

Despite the Japanese economy being expected to pick up due to the effects of various policy measures and improvement in overseas economies amid measures to prevent the spread of COVID-19 and the continuous promotion of vaccinations, it will be necessary to keep a close eye on the ramifications of pandemic developments in Japan and abroad, further increase in downside risks due to negative effects through the supply chains and fluctuations in financial and capital markets.

In the tourism market, opportunities to lift restrictions on activities have increased due to the rise of the vaccination rate. HRR believes that expectations regarding the recovery of tourism demand in the future is increasing as, according to “Trends of Japanese Travelers During COVID-19 (#12) (released on August 31, 2021)” from the Japan Travel Bureau Foundation, over 70% of respondents indicated their desire to travel in a survey of the desire to travel after the COVID-19 pandemic subsides. For overseas visitors to Japan, it will be necessary to continue to keep a close eye on various countries’ regulations concerning entering and leaving and market trends in addition to trends concerning the global status of infection as there are signs of various countries easing regulations despite continued restrictions on international travel for the purpose of tourism.

Under these circumstances, HRR will properly manage its assets underpinned by its aims of securing consistent rent revenue, achieving steady growth in asset size, and appropriately building its financial base, from a medium- to long-term perspective on the basis of the management policy set forth below.

(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 (commoditization referred to here describes the state where similar products and services are produced in large quantity with an emphasis on optimizing productivity and maximizing the efficiency of their delivery, and under this state, no company can maintain a competitive advantage), 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 properties operated by the Hoshino Resorts Group and hotels, ryokans and ancillary facilities operated by 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, 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.

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, KAI and Hoshino Resorts RISONARE (hereinafter may be referred to as "RISONARE"), 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 properties 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 and other properties of the Hoshino Resorts Group, and 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) Sustainability Initiatives

HRR and the Asset Management Company believe it is important to maximize unitholder value through heightening HRR's sustainability while engaging in investment and asset management in a manner that is mindful of ESG (environment, social and governance) considerations. In conjunction with its sponsor Hoshino Resorts, HRR explores the benefits of travel that enhances human creativity and motivation, and accordingly strives to maintain natural environments that enable coexistence of living creatures and humans. Since the planet began encountering major problems with respect to changes in the environment and human communities nearly a century ago, Hoshino Resorts has been maintaining and developing hydroelectric power plants and the Karuizawa Wild Bird Sanctuary, and has also been creating communities such as its Liberal Education Art Seminars. Having also inherited this DNA through its ESG initiatives, HRR has been striving to minimize the burden it poses on its natural surroundings as initiatives for the "Environment." To such ends, in recent years, HRR has been striving to become more resilient when it comes to addressing future risks by managing its properties in a manner that enlists a green building approach. One example of this is HOSHINOYA Karuizawa, which is equipped with unique technologies that it generates electricity derived from hydropower and geothermal sources, harnesses hot spring runoff for heating, and hosts building structures featuring energy-efficient design.

HRR also aims to achieve an investment approach that takes into account the notion of creating shared value (CSV) under its ESG strategy, and accordingly strives to achieve a mutually beneficial co-existence with community members from the standpoint of preserving natural environments and contributing to society in its tourism business which is robustly tied to local communities. HRR furthermore provides backup support in terms of real estate in relation to improving customer satisfaction, which will lead to maximizing revenues from its tenant-operated lodging business.

The Asset Management Company furthermore intends to devote an increasingly high level of attention to employee health and comfort in part by furnishing support for degree programs and certifications, engaging in programs to increase workforce diversity, and administering employee satisfaction surveys as initiatives for "Society." Furthermore, the Asset Management Company introduced the cumulative investment unit investment program with the intention to further increase awareness of officers and employees of the Asset Management Company toward the improvement of HRR's results, as well as to contribute to the increase of HRR's unitholder value over the medium to long term.

Moreover, the Asset Management Company has conducted compliance training for all officers and employees on 24 occasions under five different themes over the year extending from November 2019 to October 2020, and will endeavor to strengthen governance through efforts that entail ongoing training going forward as initiatives for "Governance."

Having drawn up the Sustainability Policy that provides guidance for such ESG initiatives, HRR and the Asset Management Company, after meetings of the ESG Committee held by officers and employees, visually portray various sustainability initiatives as one element of their disclosure to unitholders, clients of portfolio properties, operators, tenants, employees and other stakeholders.

Based on its Sustainability Policy, HRR has obtained a rating of three stars in the GRESB Real Estate Assessment in 2021. HRR has also obtained a Green Star for the second consecutive year, designation indicating that its entry was distinguished on two fronts, one of which being the Management Component entailing evaluation of policies and organizational structures for ESG promotion, and the other of which being the Performance Component that entails assessment of environmental performance and tenant engagement with respect to properties owned. Moreover, HRR received the highest "A Level" for the GRESB Public Disclosure, which assesses the width of ESG disclosure.

Moreover, HRR obtained an S ranking for "HOSHINOYA Karuizawa (Harunire Terrace)" under the Certification for CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate, which serves as a green building certification program. HRR also obtained ratings for 7 out of 65 of the properties that it owns (5 stars: 2 properties; 4 stars: 2 properties; 3 stars: 1 property; 2 stars: 2 properties), as of the date of this document, under the BELS (Building-Housing Energy-efficiency Labeling System) objective assessment of

energy-saving performance.

In addition to the above, as the Asset Management Company has expressed its support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD),” established by the Financial Stability Board (FSB), it has joined the TCFD Consortium and commenced a variety of activities.

HRR and the Asset Management Company endeavor to support Japan’s tourism industry through investments and asset management that take ESG into consideration, while remaining aware of its social responsibilities with respect to the environment and its local communities, serving as a hotel J-REIT.

(d) Management Status Outlook

The following management status is expected for the fiscal period ending April 2022 (from November 1, 2021 to April 30, 2022) and the fiscal period ending October 2022 (from May 1, 2022 to October 31, 2022). For the assumptions underlying this outlook, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2022 and Fiscal Period Ending October 2022” on page 10.

Fiscal period ending April 2022 (18th fiscal period)

Operating revenue	5,431 million yen
Operating profit	2,203 million yen
Ordinary profit	1,755 million yen
Profit	1,754 million yen
Distributions per unit	7,153 yen
Distributions in excess of earnings per unit	– yen

Fiscal period ending October 2022 (19th fiscal period)

Operating revenue	5,521 million yen
Operating profit	2,246 million yen
Ordinary profit	1,850 million yen
Profit	1,849 million yen
Distributions per unit	7,542 yen
Distributions in excess of earnings per unit	– yen

(Note 1) 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.

(Note 2) The forecasts for the distributions per unit for the fiscal period ending April 2022 and the fiscal period ending October 2022 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings.

③ Significant Subsequent Events

(a) Issuance of New Investment Units

HRR resolved at meetings of the Board of Directors held on November 10, 2021 and November 17, 2021 on the following issuance of new investment units, and payment was completed on November 24, 2021 for the investment units through primary offering. The payment of the new investment units through third-party allotment will be made on December 21, 2021 (only for investment units subscribed to within the subscription period, up to the subscription date of December 20, 2021).

(Issuance of new investment units through primary offering)

Number of new investment units issued:	19,390 units
Issue price (offer price):	669,825 yen per unit
Total issue price (total offer price):	12,987,906,750 yen
Issue value (paid-in amount):	646,467 yen per unit
Total issue value (total paid-in amount):	12,534,995,130 yen
Payment date:	November 24, 2021

(Issuance of new investment units through third-party allotment)

Number of new investment units to be issued:	969 units (maximum)
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Issue value (paid-in amount):	646,467 yen per unit
Total issue value (total paid-in amount):	626,426,523 yen (maximum)
Payment date:	December 21, 2021
Allottee:	Nomura Securities Co., Ltd.

(Note) If there are no subscription for all or a part of the investment units on or before December 20, 2021, which is the subscription period (subscription date), the issuance of such investment units will be canceled.

(Use of funds)

The proceeds from the primary offering were allocated to the funds for acquisition of the specified assets acquired by HRR, which is mentioned in “(b) Acquisition of Assets, a. Real Estate” and “(b) Acquisition of Assets, b. Mezzanine Loan Receivables” below. The funds to be procured through the third-party allotment will be retained as cash on hand by depositing with financial institutions until expenditure, and are scheduled to be allocated to part of the funds for acquisition of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) or part of the funds for repayment of loans in the future.

(b) Acquisition of Assets

a. Real Estate

On December 1, 2021, HRR acquired the following real estate (total acquisition price: 11,248 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
KAI Kirishima	Kirishima-shi, Kagoshima	Kirishima Hotel Management INC.	3,913	December 1, 2021
KAI Beppu	Beppu-shi, Oita	Hanabishi Holdings INC.	7,335	December 1, 2021

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

b. Mezzanine Loan Receivables

On December 1, 2021, HRR acquired the following monetary claims (acquisition price: 750 million yen).

Type of assets	Name of security	Face value (millions of yen)	Interest rate (%)	Maturity date (Note 1)	Interest payment date	Acquisition price (millions of yen) (Note 2)	Appraisal value (millions of yen) (Note 3)	Acquisition date
Monetary claim (subordinated claim)	TLS5 Specified Purpose Company Class D Loan Receivables	750	1) Applicable interest rate Period until the scheduled repayment date: 10.50% per annum Period from the day after the scheduled repayment date to the final repayment date: 11.50% per annum 2) PIK interest (Note 4)	July 31, 2024	Last day of each month, and scheduled repayment date and final repayment date	750	955	December 1, 2021

(Note 1) The final principal repayment date of the loan receivables is the scheduled repayment date (July 31, 2024). However, if the TLS5 Specified Purpose Company requests and all lenders agree, the loan will be extended until the final repayment date (January 31, 2026). In addition, there is a possibility that the loan will be repaid before the final repayment date due to certain reasons such as the sale of “(Tentative name) Hotel WBF Grande Kansai Airport,” which is an underlying asset.

(Note 2) “Acquisition price” indicates the sales/purchase price of the loan receivables 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 3) “Appraisal value” indicates the appraisal value of the loan receivables stated in the “TLS5 Specified Purpose Company Loan Appraisal Report” received from Plutus Consulting Co., Ltd., who was entrusted to carry out the evaluation of the price, rounded down to the nearest million yen.

(Note 4) In regard to the loan receivables, “PIK interest” (the amount calculated by the following formula) shall be incurred, and on each interest payment date, the payment will be automatically deferred until the scheduled repayment date (or the final repayment date if the scheduled repayment date is extended). The PIK interest shall not be incorporated into the principal amount and will not bear interest.

Amount of PIK interest on loan receivables =

[Principal balance of the loan receivables on the first day of the interest calculation period] x [2.00%] x [actual number of days in the referenced interest calculation period] / 365

c. Equity Interest in a Silent Partnership

On December 1, 2021, HRR acquired the following equity interest in a silent partnership (acquisition price: 49 million yen).

Type of assets	Name of security	Acquisition price (millions of yen) (Note 1)	Appraisal value (millions of yen) (Note 2)	Acquisition date
Equity interest in a silent partnership	Equity interest in a silent partnership with OkuhidaonsenryokanGK	49	49	December 1, 2021

(Note 1) "Acquisition price" indicates the equity interest stipulated by the silent partnership agreement (excluding various expenses), rounded down to the nearest million yen. Other than HRR, investors into the silent partnership include the Hoshino Resorts Tourism Revitalization Limited Investment Partnership (hereinafter the "Hoshino Resorts Tourism Revitalization Fund"), and Hoshino Resorts. With regard to the investment ratio for the entire amount invested into the silent partnership by each investor as of the date of this document, the Hoshino Resorts Tourism Revitalization Fund invested approximately 81%, Hoshino Resorts invested approximately 13% and HRR invested approximately 6%.

(Note 2) "Appraisal value" indicates the intermediate value for the appraisal value of the equity interest in the silent partnership stated in the "Equity Interest Price Calculation Report" prepared by Tokyo Kyodo Accounting Office, who was entrusted by HRR to carry out the evaluation of the price of the equity interest in the silent partnership above, with a calculation reference date of October 31, 2021, rounded down to the nearest million yen.

(Note 3) The effective investment target asset due to the acquisition of equity interest in the silent partnership above is land in Takayama-shi, Gifu (land for planned hot spring ryokan business to be developed by OkuhidaonsenryokanGK in the future), but the details of this development as of the date of this document are undecided. This development is being considered by OkuhidaonsenryokanGK as of the date of this document, and it is subject to change, postponement or cancellation without prior notice in the future. There are no specific plans for HRR to acquire related real estate, and there is no guarantee that it will be acquired in the future.

Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2022 and Fiscal Period Ending October 2022

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending April 2022 (18th fiscal period): from November 1, 2021 to April 30, 2022 (181 days) • Fiscal period ending October 2022 (19th fiscal period): from May 1, 2022 to October 31, 2022 (184 days)
Assets under management	<ul style="list-style-type: none"> • The assumptions are that HRR will continue to own, as of the date of this document, 65 properties with the addition of KAI Kirishima and KAI Beppu acquired on December 1, 2021 to the 63 properties held as of the end of the fiscal period under review as well as three types of the Yomitan Hotel Management Co., Ltd. preferred shares, in addition to the TLS5 Specified Purpose Company Class D Loan Receivables and equity interest in the silent partnership with OkuhidaonsenryokanGK acquired on December 1, 2021. • With respect to the management status forecast, the assumptions are that there will be no changes (acquisitions of new assets, or dispositions of portfolio assets, etc.) to the assets under management on and after the date of this document through October 31, 2022. • The actual number of assets may vary due to acquisitions of new assets, or dispositions of portfolio assets, etc. other than the above.

- Leasing 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 5,398 million yen for the fiscal period ending April 2022 and 5,482 million yen for the fiscal period ending October 2022.
- In the floating rent calculations for properties with sales-linked floating rent, which account for 20% of HRR's portfolio (based on acquisition prices) as of the date of this document, calculations of floating rent for the fiscal period ending April 2022 will be based on each property's sales in the period from October 2020 to September 2021, while calculations of floating rent for the fiscal period ending October 2022 will be based on each property's sales in the period from April 2021 to March 2022. In the floating rent calculations for properties with profit-linked floating rent, which account for 75% of HRR's portfolio (based on acquisition prices) as of the date of this document, calculations of floating rent for the fiscal period ending April 2022 will be based on each property's profit from June 2020 to May 2021, while calculations of floating rent for the fiscal period ending October 2022 will be based on each property's profit from December 2020 to November 2021 (however, excluding Quintessa Hotel Osaka Shinsaibashi). Accordingly, HRR expects to be affected by decreases in floating rent due to the COVID-19 pandemic in the fiscal periods ending April 2022 and October 2022.
- For other revenue, interest revenue from the TLS5 Specified Purpose Company Class D Loan Receivables acquired on December 1, 2021, was calculated based on the details of the agreement pertaining to these loan receivables, and is assumed to be 32 million yen for the fiscal period ending April 2022 and 39 million yen for the fiscal period ending October 2022.
- For leasing business revenue, the assumptions are that there will be no cancellation of lease agreements and no delinquent or unpaid rent by the lessees. Furthermore, for other revenue, the assumption is that there will be no unpaid interest on TLS5 Specified Purpose Company Class D Loan Receivables.
- Of leasing business revenue, the rent by investment category, including the unpaid rent portion mentioned above, is assumed to be as follows:

Fiscal period ending April 2022 (18th fiscal period)

(Unit: millions of yen)

Operating revenue

Operational category	Investment category	Fixed rent	Floating rent	Other rent	Total	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	618	194	-	813	
	RISONARE	374	249	-	623	
	KAI	781	282	-	1,064	
	Other	386	-	-	386	
Properties operated by outside operators	Urban tourism	3 ANA Crowne Plaza properties (Note 1)	696	-	-	696
		2 Hyatt properties (Note 1)	406	-	-	406
		4 the b properties (Note 1)	265	-	-	265
		Quintessa Hotel Osaka Shinsaibashi/ hotel androoms Osaka Hommachi/ HOTEL NIKKO KOCHI ASAHI ROYAL/ Sol Vita Hotel Naha	244	-	-	244
	Other	816	70	10	897	
Total		4,590	797	10	5,398	

(Note 1) Among the 65 properties owned by HRR as of the date of this document, the three properties operated by IHG ANA Hotels Group Japan LLC are referred to as 3 ANA Crowne Plaza properties, the two properties operated by Hyatt International-Asia Pacific, Limited are referred to as 2 Hyatt properties, and the four properties operated by Ishin Hotels Group Co., Ltd. are referred to as 4 the b properties. The same shall apply hereinafter.

(Note 2) 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 properties that HRR has concluded with the tenant. Note that in some cases, under the lease agreements for each property, HRR agrees to fixed rent of a specified amount applied only for a specific period after the commencement of leasing or an amount that gradually fluctuates depending on the period. In the case of such agreement, the rent calculation will use the agreed upon 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. The same shall apply hereinafter.

Fiscal period ending October 2022 (19th 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		618	170	-	789
	RISONARE		374	232	-	606
	KAI		841	240	-	1,082
	Other		386	-	-	386
Properties operated by outside operators	Urban tourism	3 ANA Crowne Plaza properties	696	-	-	696
		2 Hyatt properties	502	-	-	502
		4 the b properties	265	-	-	265
		Quintessa Hotel Osaka Shinsaibashi/ hotel androoms Osaka Hommachi/ HOTEL NIKKO KOCHI ASAHI ROYAL/ Sol Vita Hotel Naha	253	7	-	260
	Other		816	65	10	892
Total			4,755	715	10	5,481

Operating expenses	<ul style="list-style-type: none"> • Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 480 million yen for the fiscal period ending April 2022 and 506 million yen for the fiscal period ending October 2022. 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. In the case of KAI Kirishima and KAI Beppu which were acquired on December 1, 2021, the assumption is that fiscal 2022 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, starting from the fiscal period ending April 2022. • Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property; however, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount. • Expenses related to leasing business other than depreciation and amortization, which are calculated by taking into account the factors causing fluctuation in expenses, are assumed to be 1,071 million yen for the fiscal period ending April 2022 and 1,080 million yen for the fiscal period ending October 2022. • Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,527 million yen for the fiscal period ending April 2022 and 1,550 million yen for the fiscal period ending October 2022.
Non-operating expenses	<ul style="list-style-type: none"> • Expenses related to public offering are assumed to be 43 million yen as temporary expenses for the fiscal period ending April 2022. • Interest expenses and other borrowing related expenses are assumed to be 405 million yen for the fiscal period ending April 2022 and 396 million yen for the fiscal period ending October 2022.
Interest-bearing liabilities	<ul style="list-style-type: none"> • As of the date of this document, HRR has a balance of interest-bearing liabilities (total of borrowings and investment corporation bonds) of 68,482 million yen. • For the fiscal period ending April 2022, the assumptions include the refinancing of 5,450 million yen in borrowings due for repayment in April 2022, and the repayment of 58 million yen of the borrowings through contractual repayment. • For the fiscal period ending October 2022, the assumption is that there will be refinancing of 700 million yen in borrowings due for repayment in May 2022, and refinancing of 4,100 million yen in borrowings due for repayment in October 2022, and 58 million yen of the borrowings will be repaid through contractual repayment. • The forecast is that LTV at the end of the fiscal period ending April 2022 is 35.4% and LTV at the end of the fiscal period ending October 2022 is 35.2%. The following formula is used in the calculation of LTV: $\text{LTV} = \frac{\text{Balance of interest-bearing liabilities outstanding}}{\text{Total assets (forecast)}} \times 100$
Investment units	<ul style="list-style-type: none"> • The assumption is that, with regard to the issuance of new investment units (maximum of 969 units) through third-party allotment as resolved at the Board of Directors meeting held on November 17, 2021, the maximum of 969 units will all be issued, and the total number of investment units issued and outstanding will be 245,324 units with the addition of 244,355 units, the total number of investment units issued and outstanding as of the date of this document. • 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 2022.

Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> • 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. • The forecasts for the distributions per unit for the fiscal period ending April 2022 and the fiscal period ending October 2022 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings. Also, the reversal of the tax purpose reduction entry may change, depending on operating conditions • 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.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution in excess of earnings (distributions in excess of earnings per unit) is not scheduled at this point in time.
Other	<ul style="list-style-type: none"> • 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. • The assumption is that there will be no unforeseen significant change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities registration statement (submitted on November 10, 2021, as amended).

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,619,696	8,826,530
Cash and deposits in trust	–	81,175
Operating accounts receivable	56,074	84,800
Prepaid expenses	282,429	294,850
Consumption taxes receivable	108,251	506,973
Other	–	1,093
Total current assets	9,066,451	9,795,424
Non-current assets		
Property and equipment		
Buildings	91,080,063	92,632,070
Accumulated depreciation	(12,417,191)	(13,269,501)
Buildings, net	78,662,872	79,362,568
Structures	3,830,721	3,991,879
Accumulated depreciation	(451,978)	(505,212)
Structures, net	3,378,743	3,486,667
Machinery and equipment	83,801	83,801
Accumulated depreciation	(56,545)	(59,876)
Machinery and equipment, net	27,256	23,925
Tools, furniture and fixtures	1,228,286	1,085,827
Accumulated depreciation	(601,272)	(556,983)
Tools, furniture and fixtures, net	627,013	528,844
Land	79,890,678	73,132,411
Buildings in trust	–	5,257,881
Accumulated depreciation	–	(91,998)
Buildings in trust, net	–	5,165,882
Structures in trust	–	37,383
Accumulated depreciation	–	(467)
Structures in trust, net	–	36,916
Land in trust	–	2,567,140
Construction in progress	18,092	19,532
Total property and equipment	162,604,656	164,323,888
Intangible assets		
Leasehold interests in land	3,547,500	4,024,597
Software	70,952	55,939
Total intangible assets	3,618,452	4,080,537
Investments and other assets		
Investment securities	505,365	505,365
Long-term prepaid expenses	612,011	608,030
Deferred tax assets	14	5,034
Guarantee deposits	10,000	10,000
Other	365,006	372,060
Total investments and other assets	1,492,398	1,500,490
Total non-current assets	167,715,507	169,904,916
Deferred assets		
Investment corporation bond issuance costs	5,732	15,220
Total deferred assets	5,732	15,220
Total assets	176,787,691	179,715,561

(Unit: thousands of yen)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	295,120	247,968
Short-term borrowings	1,699,000	450,000
Current portion of long-term borrowings	10,517,148	9,917,128
Accounts payable - other	606,777	752,031
Income taxes payable	909	6,472
Accrued consumption taxes	62,432	33,989
Accrued expenses	5,293	11,315
Advances received	748,518	817,188
Total current liabilities	13,935,199	12,236,094
Non-current liabilities		
Long-term borrowings	53,974,255	55,315,701
Investment corporation bonds	1,500,000	2,800,000
Leasehold and guarantee deposits received	3,174,111	3,086,058
Leasehold and guarantee deposits received in trust	—	120,000
Total non-current liabilities	58,648,366	61,321,759
Total liabilities	72,583,565	73,557,853
Net assets		
Unitholders' equity		
Unitholders' capital	102,737,981	104,702,180
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	—	44,746
Total voluntary retained earnings	—	44,746
Unappropriated retained earnings (undisposed loss)	1,466,144	1,410,781
Total surplus	1,466,144	1,455,528
Total unitholders' equity	104,204,125	106,157,708
Total net assets	*2 104,204,125	*2 106,157,708
Total liabilities and net assets	176,787,691	179,715,561

(2) Statement of Income

(Unit: thousands of yen)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021		17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	
Operating revenue				
Leasing business revenue	*1	4,591,422	*1	4,801,785
Gain on sale of real estate properties		–	*2	38,695
Total operating revenue		4,591,422		4,840,480
Operating expenses				
Expenses related to leasing business	*1	2,193,590	*1	2,381,931
Asset management fee		439,446		447,603
Asset custody fee		5,726		5,767
Administrative service fees		27,437		24,118
Remuneration for directors (and other officers)		3,000		3,000
Audit fee		9,250		9,265
Other operating expenses		96,109		123,137
Total operating expenses		2,774,559		2,994,824
Operating profit		1,816,862		1,845,655
Non-operating income				
Interest income		49		40
Insurance claim income		4,928		1,819
Interest on tax refund		–		237
Miscellaneous income		2,851		1,171
Total non-operating income		7,829		3,268
Non-operating expenses				
Interest expenses		241,913		244,124
Interest expenses on investment corporation bonds		4,768		7,135
Amortization of investment corporation bond issuance costs		747		921
Borrowing related expenses		155,227		165,341
Investment unit issuance expenses		–		18,949
Other		25		361
Total non-operating expenses		402,682		436,834
Ordinary profit		1,422,010		1,412,090
Extraordinary income				
Subsidy income	*3	44,971		–
Total extraordinary income		44,971		–
Profit before income taxes		1,466,981		1,412,090
Income taxes - current		916		6,478
Income taxes - deferred		(1)		(5,019)
Total income taxes		915		1,458
Profit		1,466,066		1,410,631
Retained earnings brought forward		78		150
Unappropriated retained earnings (undisposed loss)		1,466,144		1,410,781

(3) Statement of Unitholders' Equity

16th fiscal period (from November 1, 2020 to April 30, 2021)

(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	102,737,981	2,853,223	2,853,223	105,591,205	105,591,205
Changes during period					
Dividends of surplus	–	(2,853,145)	(2,853,145)	(2,853,145)	(2,853,145)
Profit	–	1,466,066	1,466,066	1,466,066	1,466,066
Total changes during period	–	(1,387,079)	(1,387,079)	(1,387,079)	(1,387,079)
Balance at end of period	*1 102,737,981	1,466,144	1,466,144	104,204,125	104,204,125

17th fiscal period (from May 1, 2021 to October 31, 2021)

(Unit: thousands of yen)

	Unitholders' equity					Total unitholders' equity	Total net assets
	Unitholders' capital	Surplus			Total surplus		
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)			
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of period	102,737,981	–	–	1,466,144	1,466,144	104,204,125	104,204,125
Changes during period							
Issuance of new investment units	1,964,199	–	–	–	–	1,964,199	1,964,199
Provision of reserve for tax purpose reduction entry	–	44,746	44,746	(44,746)	–	–	–
Dividends of surplus	–	–	–	(1,421,247)	(1,421,247)	(1,421,247)	(1,421,247)
Profit	–	–	–	1,410,631	1,410,631	1,410,631	1,410,631
Total changes during period	1,964,199	44,746	44,746	(55,362)	(10,616)	1,953,582	1,953,582
Balance at end of period	*1 104,702,180	44,746	44,746	1,410,781	1,455,528	106,157,708	106,157,708

(4) Statement of Cash Distributions

(Unit: yen)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
I. Unappropriated retained earnings	1,466,144,426	1,410,781,864
II. Reversal of voluntary retained earnings Reversal of reserve for tax purpose reduction entry	-	16,396,096
III. Amount of distributions [Amount of distributions per investment unit]	1,421,247,972 [6,406]	1,427,177,960 [6,344]
IV. Voluntary retained earnings Reserve for tax purpose reduction entry	44,746,145	-
V. Retained earnings brought forward	150,309	-
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 1,421,247,972 yen as distributions of earnings, which is almost the entire amount of the balance remaining after deducting the amount of reserve for tax purpose reduction entry, as set forth in Article 42 of the Corporation Tax Act, from unappropriated retained 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 1,427,177,960 yen as distributions of earnings, which is the entire aggregate amount of the balance after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained 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)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,466,981	1,412,090
Depreciation	1,343,531	1,431,690
Loss (gain) on sale of non-current assets	–	(38,695)
Loss on retirement of non-current assets	3,411	3,212
Amortization of investment corporation bond issuance costs	747	921
Interest income	(49)	(40)
Interest expenses	246,681	251,260
Borrowing related expenses	155,227	165,341
Investment unit issuance expenses	–	18,949
Decrease (increase) in operating accounts receivable	53,925	(28,726)
Decrease (increase) in prepaid expenses	14,814	(12,421)
Decrease (increase) in consumption taxes refund receivable	(108,251)	(398,722)
Increase (decrease) in accrued consumption taxes	(208,125)	(28,443)
Increase (decrease) in operating accounts payable	(7,130)	22,868
Increase (decrease) in accounts payable - other	(202,903)	150,709
Increase (decrease) in advances received	(74,937)	68,670
Decrease (increase) in long-term prepaid expenses	103,022	3,981
Other, net	(154,114)	(189,387)
Subtotal	2,632,831	2,833,260
Interest received	49	40
Interest paid	(247,974)	(245,362)
Income taxes paid	(882)	(915)
Net cash provided by (used in) operating activities	2,384,023	2,587,023
Cash flows from investing activities		
Purchase of property and equipment	(1,920,246)	(2,982,265)
Purchase of property, plant and equipment in trust	–	(7,862,405)
Purchase of intangible assets	(16,123)	(483,331)
Proceeds from sale of property, plant and equipment and intangible assets	–	7,700,000
Refund of leasehold and guarantee deposits received	–	(130,678)
Proceeds from leasehold and guarantee deposits received	8,525	42,625
Proceeds from leasehold and guarantee deposits received in trust	–	120,000
Payments of leasehold and guarantee deposits	–	(7,054)
Net cash provided by (used in) investing activities	(1,927,844)	(3,603,109)
Cash flows from financing activities		
Proceeds from short-term borrowings	450,000	–
Repayments of short-term borrowings	(1,400,000)	(1,249,000)
Proceeds from long-term borrowings	3,710,000	6,200,000
Repayments of long-term borrowings	(2,918,574)	(5,458,574)
Proceeds from issuance of investment units	–	1,964,199
Payments of investment unit issuance	–	(18,949)

(Unit: thousands of yen)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
expenses		
Proceeds from issuance of investment corporation bonds	–	1,300,000
Payments of investment corporation bond issuance costs	–	(10,409)
Distributions paid	(2,850,966)	(1,423,169)
Net cash provided by (used in) financing activities	(3,009,540)	1,304,095
Net increase (decrease) in cash and cash equivalents	(2,553,361)	288,008
Cash and cash equivalents at beginning of period	11,173,058	8,619,696
Cash and cash equivalents at end of period	*1 8,619,696	*1 8,907,705

(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 market price, etc. Stated at cost based on the moving-average method.
2. Method of depreciation and amortization of non-current assets	① Property and equipment (including trust assets) The straight-line method is adopted. The useful lives of principal property and equipment are as follows: Buildings 3-57 years Structures 3-60 years Machinery and equipment 8-15 years Tools, furniture and fixtures 3-20 years ② Intangible assets The straight-line method is adopted. The useful lives of intangible assets are as follows: Intangible assets 4-5 years ③ Long-term prepaid expenses The straight-line method is adopted.
3. Accounting for deferred assets	① Investment unit issuance costs The full amount is recorded as expenses when incurred. ② Investment corporation bond issuance costs Amortized by the straight-line method over the period until redemption.
4. Standards for revenue and expense recognition	① Recognition of revenue The following is the content of principal performance obligations related to revenue from contracts with HRR's customers and the normal timing for the satisfaction of such obligations (normal timing for revenue recognition). Sale of real estate, etc. For the sale of real estate, etc., revenue will be recognized at the time the control of such real estate, etc. is obtained by the purchaser, who is the customer, as the transfer obligation will be fulfilled pursuant to the contract pertaining to the sale of real estate. ② 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 leasing 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	① Method of hedge accounting For interest rate swaps, special accounting is adopted. ② Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on borrowings 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>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	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand, cash in trust, demand deposits, deposits in trust, 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.</p>
7. Other matters serving as the basis for preparation of financial statements	<p>① Accounting method for trust beneficiary rights in real estate With regard to trust beneficiary rights in real estate, all assets and liabilities within assets in trust as well as all revenue and expense items associated with assets in trust are accounted for under the respective account items of the balance sheet and statement of income. Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet:</p> <ul style="list-style-type: none"> i) Cash and deposits in trust ii) Buildings in trust; structures in trust; and land in trust iii) Leasehold and guarantee deposits received in trust <p>② Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.</p>

(8) Notes to Changes in Accounting Policies

1. Application of Accounting Standard for Revenue Recognition, etc.

HRR has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal period under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. This change has no impact on the financial statements of the fiscal period under review.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, Notes on Revenue Recognition for the previous fiscal period have not been presented.

2. Application of Accounting Standard for Fair Value Measurement, etc.

HRR has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal period under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the financial statements of the fiscal period under review.

Matters stated in Article 8-6-2, paragraph 1, item 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements after revision have been omitted in accordance with the provisions of Article 2, paragraph 5 of the supplementary provisions of the “Cabinet Office Order Partially Amending the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Cabinet Office Order No. 61, September 24, 2021).

(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)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
Total amount of commitment line contracts	5,000,000	5,000,000
Balance of borrowings outstanding	-	-
Balance of unexecuted borrowings	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)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
	50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousands of yen)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
A. Operating revenue from real estate leasing		
Leasing business revenue		
Leasing business revenue	4,591,422	4,801,785
Total operating revenue from real estate leasing	4,591,422	4,801,785
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Insurance expenses	16,704	18,333
Repair expenses	76,061	79,956
Land rent	60,494	60,495
Depreciation and amortization	1,341,975	1,430,257
Loss on retirement of non-current assets	3,411	3,212
Taxes and dues	464,472	435,979
Operation and management commission expenses	23,443	126,718
Other expenses	207,027	226,978
Total operating expenses from real estate leasing	2,193,590	2,381,931
C. Operating profit (loss) from real estate leasing [A-B]	2,397,832	2,419,853

*2 Breakdown of gain on sale of real estate properties

ANA Crowne Plaza Fukuoka

(Unit: thousands of yen)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Proceeds from sale of real estate properties	-	7,700,000

Cost of real estate properties sold	-	7,622,744
Other sales expenses	-	38,560
Gain on sale of real estate properties	-	38,695

*3 Breakdown of extraordinary income

16th fiscal period (from November 1, 2020 to April 30, 2021)

Subsidy income is income due to subsidies in relation to the installation of a seawater desalination system at "HOSHINOYA Taketomi Island."

17th fiscal period (from May 1, 2021 to October 31, 2021)

Not applicable.

[Notes to the Statement of Unitholders' Equity]

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

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	221,862 units	224,965 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)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Cash and deposits	8,619,696	8,826,530
Cash and deposits in trust	-	81,175
Cash and cash equivalents	8,619,696	8,907,705

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
Due within 1 year	6,884,285	7,651,816
Due after 1 year	27,464,335	28,929,979
Total	34,348,621	36,581,795

[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 borrowings, etc. and other risks.

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

The funds procured through borrowings 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, borrowings 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 borrowings 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, 2021, and the amount of difference between these, are as follows. "Notes to "Cash and deposits" and "Short-term loans payable" have been omitted because their fair values are close to their book values since they are settled in cash and in a short period of time."

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Current portion of long-term borrowings	(10,517,148)	(10,532,204)	15,056
(2) Long-term borrowings	(53,974,255)	(54,075,658)	101,403
(3) Investment corporation bonds	(1,500,000)	(1,485,750)	(14,250)
(4) Derivative transactions	-	-	-

The book value and fair value as of October 31, 2021, and the amount of difference between these, are as follows. "Notes to "Cash and deposits," "Cash and deposits in trust," and "Short-term loans payable" have been omitted because their fair values are close to their book values since they are settled in cash and in a short period of time. "Leasehold and guarantee deposits received" and "leasehold and guarantee deposits received in trust" have been omitted as they are not material.

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Current portion of long-term borrowings	(9,917,128)	(9,925,528)	8,400
(2) Long-term borrowings	(55,315,701)	(55,411,537)	95,836
(3) Investment corporation bonds	(2,800,000)	(2,774,950)	(25,050)
(4) 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) Current portion of long-term borrowings; (2) Long-term borrowings

Of long-term borrowings, 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 borrowings that are the hedged items.

(3) Investment corporation bonds

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

(4) Derivative transactions

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

(Note 3) The book values of securities without market price, etc. are as follows:

(Unit: thousands of yen)

	16th fiscal period (As of Apr. 30, 2021)	17th fiscal period (As of Oct. 31, 2021)
Unlisted stocks	505,365	505,365

(Note 4) Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (April 30, 2021)

(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
Long-term borrowings	10,517,148	10,495,696	13,120,002	9,721,853	8,948,704	11,688,000
Investment corporation bonds	-	-	-	1,500,000	-	-

Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (October 31, 2021)

(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
Long-term borrowings	9,917,128	12,467,143	12,970,002	9,553,424	11,087,132	9,238,000
Investment corporation bonds	-	-	-	1,500,000	-	1,300,000

[Notes on Securities]

16th fiscal period (as of April 30, 2021)

Securities

Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 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.

17th fiscal period (as of October 31, 2021)

Securities

Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 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
16th fiscal period (as of April 30, 2021)
Not applicable.

17th fiscal period (as of October 31, 2021)
Not applicable.

2. Derivative transactions to which hedge accounting is applied
16th fiscal period (as of April 30, 2021)

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 borrowings	40,601,000	38,001,000	(Note)	—

(Note) Those subject to special accounting for interest rate swaps are accounted for together with the long-term borrowings that are the hedged items and the fair value is included in the fair value of “(Note 2) (1) Current portion of long-term borrowings, (2) Long-term borrowings” in “Notes on Financial Instruments; 2. Matters concerning fair value, etc. of financial instruments” earlier in this document.

17th fiscal period (as of October 31, 2021)

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 borrowings	45,801,000	43,101,000	(Note)	—

(Note) Those subject to special accounting for interest rate swaps are accounted for together with the long-term borrowings that are the hedged items and the fair value is included in the fair value of “(Note 2) (1) Current portion of long-term borrowings, (2) Long-term borrowings” 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.
16th fiscal period (from November 1, 2020 to April 30, 2021)
Not applicable.

17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.

2. Affiliated company, etc.
16th fiscal period (from November 1, 2020 to April 30, 2021)
Not applicable.

17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.

3. Fellow subsidiary, etc.
16th fiscal period (from November 1, 2020 to April 30, 2021)
Not applicable.

17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.

4. Director, major individual unitholder, etc.
16th fiscal period (from November 1, 2020 to April 30, 2021)
Not applicable.

17th fiscal period (from May 1, 2021 to October 31, 2021)
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)	
	16th fiscal period As of Apr. 30, 2021	17th fiscal period As of Oct. 31, 2021
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	14	454
Excess amount of depreciation	–	4,580
Total deferred tax assets	14	5,034
Net deferred tax assets	14	5,034

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: %)	
	16th fiscal period As of Apr. 30, 2021	17th fiscal period As of Oct. 31, 2021
Statutory tax rate	31.46	31.46
[Adjustments]		
Distributions deductible for tax purpose	(30.48)	(31.80)
Reserve for tax purpose reduction	(0.96)	–
Reversal of reserve for tax purpose reduction entry	–	0.37
Other	0.04	0.07
Effective income tax rate after application of tax-effect accounting	0.06	0.10

[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)

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Book value (Note 2)		
Balance at beginning of period	164,844,424	165,507,050
Amount of increase (decrease) during period	(Note 3) 662,626	(Note 4) 2,293,059
Balance at end of period	165,507,050	167,800,109
Fair value at end of period (Note 5)	177,097,000	180,644,000

(Note 1) For an overview of the concerned investment and rental properties, please refer to “3. Reference Information; (1) Information on Values of Assets Under Management, Etc.; ② Investment Assets; (b) 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 KAI Enshu (1,083,825 thousand yen), while the amount of decrease is mainly attributable to depreciation (1,280,322 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 acquisition of Grand Hyatt Fukuoka (7,861,243 thousand yen) and KAI Nagato (2,796,490 thousand yen), while the amount of decrease is mainly attributable to transfer (7,536,635 thousand yen) and depreciation (1,377,250 thousand yen in total) of ANA Crowne Plaza Fukuoka.

(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 Revenue Recognition]

Breakdown of revenue from contracts with customers

17th fiscal period (from May 1, 2021 to October 31, 2021)

(Unit: thousands of yen)

	Revenue from contracts with customers (Note 1)	Net sales to external customers
Sale of real estate, etc. (Note 2)	7,700,000	38,695
Other	-	4,801,785
Total	7,700,000	4,840,480

(Note 1) Revenue from the leasing business that is subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is not included in “Revenue from contracts with customers” as it is not covered by the Accounting Standard for Revenue Recognition. Major revenue from contracts with customers is proceeds from sale of real estate properties.

(Note 2) The sale of real estate, etc. is the amount of proceeds from sale of real estate properties, less cost of real estate properties sold and other sales expenses, due to its recording as gain (loss) on sale of real estate properties in the statement of income pursuant to Article 48, paragraph (2) of the Regulation on Accounting for Investment Corporations (Cabinet Office Order No. 47 of 2006).

[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

16th fiscal period (from November 1, 2020 to April 30, 2021)

(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 and equipment

Information about property and equipment is omitted because the amount of property and equipment located in Japan is in excess of 90% of the amount of property 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.	551,747	Real estate leasing business
K.K. Horizon Hotels	1,369,134	Real estate leasing business
SHR Roadside Inn Co., Ltd.	608,729	Real estate leasing business

17th fiscal period (from May 1, 2021 to October 31, 2021)

(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 and equipment

Information about property and equipment is omitted because the amount of property and equipment located in Japan is in excess of 90% of the amount of property 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.	621,650	Real estate leasing business
K.K. Horizon Hotels	1,236,366	Real estate leasing business
SHR Roadside Inn Co., Ltd.	600,012	Real estate leasing business

[Notes on Per Unit Information]

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Net assets per unit	469,679 yen	471,885 yen
Profit per unit	6,608 yen	6,284 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.

	16th fiscal period From: Nov. 1, 2020 To: Apr. 30, 2021	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021
Profit (thousands of yen)	1,466,066	1,410,631
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	1,466,066	1,410,631
Average number of investment units during period (units)	221,862	224,459

[Notes on Significant Subsequent Events]

1. Issuance of New Investment Units

HRR resolved at meetings of the Board of Directors held on November 10, 2021 and November 17, 2021 on the following issuance of new investment units, and payment was completed on November 24, 2021 for the investment units through primary offering. The payment of the new investment units through third-party allotment will be made on December 21, 2021 (only for investment units subscribed to within the subscription period, up to the subscription date of December 20, 2021).

(Issuance of new investment units through primary offering)

Number of new investment units issued:	19,390 units
Issue price (offer price):	669,825 yen per unit
Total issue price (total offer price):	12,987,906,750 yen
Issue value (paid-in amount):	646,467 yen per unit
Total issue value (total paid-in amount):	12,534,995,130 yen
Payment date:	November 24, 2021

(Issuance of new investment units through third-party allotment)

Number of new investment units to be issued:	969 units (maximum)
Issue value (paid-in amount):	646,467 yen per unit
Total issue value (total paid-in amount):	626,426,523 yen (maximum)
Payment date:	December 21, 2021
Allottee:	Nomura Securities Co., Ltd.

(Note) If there are no subscription for all or a part of the investment units on or before December 20, 2021, which is the subscription period (subscription date), the issuance of such investment units will be canceled.

(Use of funds)

The proceeds from the primary offering were allocated to the funds for acquisition of the specified assets acquired by HRR, which is mentioned in “2. Acquisition of Assets, a. Real Estate” and “2. Acquisition of Assets, b. Mezzanine Loan Receivables” below. The funds to be procured through the third-party allotment will be retained as cash on hand by depositing with financial institutions until expenditure, and are scheduled to be allocated to part of the funds for acquisition of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) or part of the funds for repayment of loans in the future.

2. Acquisition of Assets

a. Real estate

On December 1, 2021, HRR acquired the following real estate (total acquisition price: 11,248 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
KAI Kirishima	Kirishima-shi, Kagoshima	Kirishima Hotel Management INC.	3,913	December 1, 2021
KAI Beppu	Beppu-shi, Oita	Hanabishi Holdings INC.	7,335	December 1, 2021

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

b. Mezzanine Loan Receivables

On December 1, 2021, HRR acquired the following monetary claims (acquisition price: 750 million yen).

Type of assets	Name of security	Face value (millions of yen)	Interest rate (%)	Maturity date (Note 1)	Interest payment date	Acquisition price (millions of yen) (Note 2)	Appraisal value (millions of yen) (Note 3)	Acquisition date
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Monetary claim (subordinated claim)	TLS5 Specified Purpose Company Class D Loan Receivables	750	1) Applicable interest rate Period until the scheduled repayment date: 10.50% per annum Period from the day after the scheduled repayment date to the final repayment date: 11.50% per annum 2) PIK interest (Note 4)	July 31, 2024	Last day of each month, and scheduled repayment date and final repayment date	750	955	December 1, 2021
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(Note 1) The final principal repayment date of the loan receivables is the scheduled repayment date (July 31, 2024). However, if the TLS5 Specified Purpose Company requests and all lenders agree, the loan will be extended until the final repayment date (January 31, 2026). In addition, there is a possibility that the loan will be repaid before the final repayment date due to certain reasons such as the sale of "(Tentative name) Hotel WBF Grande Kansai Airport," which is an underlying asset.

(Note 2) "Acquisition price" indicates the sales/purchase price of the loan receivables 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 3) "Appraisal value" indicates the appraisal value of the loan receivables stated in the "TLS5 Specified Purpose Company Loan Appraisal Report" received from Plutus Consulting Co., Ltd., who was entrusted to carry out the evaluation of the price, rounded down to the nearest million yen.

(Note 4) In regard to the loan receivables, "PIK interest" (the amount calculated by the following formula) shall be incurred, and on each interest payment date, the payment will be automatically deferred until the scheduled repayment date (or the final repayment date if the scheduled repayment date is extended). The PIK interest shall not be incorporated into the principal amount and will not bear interest.

Amount of PIK interest on loan receivables =

[Principal balance of the loan receivables on the first day of the interest calculation period] x [2.00%] x [actual number of days in the referenced interest calculation period] / 365

c. Equity Interest in a Silent Partnership (acquisition price: 49 million yen).

On December 1, 2021, HRR acquired the following equity interest in a silent partnership.

Type of assets	Name of security	Acquisition price (millions of yen) (Note 1)	Appraisal value (millions of yen) (Note 2)	Acquisition date
Equity interest in a silent partnership	Equity interest in a silent partnership with OkuhidaonsenryokanGK	49	49	December 1, 2021

(Note 1) "Acquisition price" indicates the equity interest stipulated by the silent partnership agreement (excluding various expenses), rounded down to the nearest million yen. Other than HRR, investors into the silent partnership include the Hoshino Resorts Tourism Revitalization Fund and Hoshino Resorts. With regard to the investment ratio for the entire amount invested into the silent partnership by each investor, the Hoshino Resorts Tourism Revitalization Fund invested approximately 81%, Hoshino Resorts invested approximately 13% and HRR invested approximately 6% as of the date of this document.

(Note 2) "Appraisal value" indicates the intermediate value for the appraisal value of the equity interest in the silent partnership stated in the "Equity Interest Price Calculation Report" prepared by Tokyo Kyodo Accounting Office, who was entrusted by HRR to carry out the evaluation of the price of the equity interest in the silent partnership above, with a calculation reference date of October 31, 2021, rounded down to the nearest million yen.

(Note 3) The effective investment target asset due to the acquisition of equity interest in the silent partnership above is land in Takayama-shi, Gifu (land for planned hot spring ryokan business to be developed by OkuhidaonsenryokanGK in the future), but the details of this development as of the date of this document are undecided. This development is being considered by OkuhidaonsenryokanGK as of the date of this document, and it is subject to change, postponement or cancellation without prior notice in the future. There are no specific plans for HRR to acquire related real estate, and there is no guarantee that it will be acquired in the future.

[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 carried out capital increase through third-party allotment (3,103 units) in May 2021, and procured funds of 1,964,199 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 from the end of the fiscal period under review.

Date	Description	Unitholders' capital (thousands of yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
November 1, 2016	Split of investment units	-	72,591,623	81,757	163,514	(Note 1)
May 1, 2017	Capital increase through public offering	4,705,163	77,296,787	8,720	172,234	(Note 2)
May 23, 2017	Capital increase through third-party allotment	235,258	77,532,045	436	172,670	(Note 3)
November 1, 2017	Capital increase through public offering	19,616,644	97,148,689	38,160	210,830	(Note 4)
November 28, 2017	Capital increase through third-party allotment	980,832	98,129,521	1,908	212,738	(Note 5)
May 1, 2018	Capital increase through public offering	4,389,249	102,518,771	8,690	221,428	(Note 6)
May 22, 2018	Capital increase through third-party allotment	219,209	102,737,981	434	221,862	(Note 7)
May 31, 2021	Capital increase through third-party allotment	1,964,199	104,702,180	3,103	224,965	(Note 8)

(Note 1) 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 2) 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 3) 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 4) 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 5) 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 6) 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 7) 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.

(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 633,000 yen per unit.

3. Reference Information

For the detailed information on properties and operational results of hotels, in addition to the following Reference Information, please refer to “Presentation Materials” released on December 15, 2021 and HRR’s website (<https://www.hoshinoresorts-reit.com/en/ir/library.html>).

(1) Information on Values of Assets Under Management, Etc.

① Investment Status

The following is HRR’s investment status as of the end of the fiscal period under review.

Asset type	Asset use	Prefectural location	Name of property	As of the end of the fiscal period under review	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	7,083	3.9
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,180	1.8
	Hotel	Yamanashi	HOSHINOYA Fuji	3,927	2.2
	Hotel	Okinawa	HOSHINOYA Taketomi Island	4,799	2.7
	Hotel	Yamanashi	RISONARE Yatsugatake	5,842	3.3
	Hotel	Shizuoka	RISONARE Atami	4,520	2.5
	Ryokan	Nagano	KAI Matsumoto	675	0.4
	Ryokan	Shimane	KAI Izumo	957	0.5
	Ryokan	Shizuoka	KAI Ito	1,252	0.7
	Ryokan	Kanagawa	KAI Hakone	1,142	0.6
	Ryokan	Oita	KAI Aso	612	0.3
	Ryokan	Tochigi	KAI Kawaji	1,049	0.6
	Ryokan	Tochigi	KAI Kinugawa	2,941	1.6
	Ryokan	Ishikawa	KAI Kaga	2,975	1.7
	Ryokan	Nagano	KAI Alps	2,979	1.7
	Ryokan	Shizuoka	KAI Enshu	1,075	0.6
	Ryokan	Yamaguchi	KAI Nagato	2,775	1.5
	Hotel	Hokkaido	OMO7 Asahikawa	5,094	2.8
	Hotel	Okinawa	Iriomote Hotel	3,748	2.1
	Hotel	Nagano	BEB5 Karuizawa	2,124	1.2
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,573	9.8
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,652	3.7
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,902	2.2
	Hotel	Osaka	Hyatt Regency Osaka	16,265	9.1
	Hotel	Tokyo	the b akasaka	4,830	2.7
	Hotel	Tokyo	the b sangenjaya	4,450	2.5
	Hotel	Aichi	the b nagoya	4,488	2.5
	Hotel	Hyogo	the b kobe	7,042	3.9
	Hotel	Osaka	Quintessa Hotel Osaka Shinsaibashi	3,349	1.9
	Hotel	Osaka	hotel androoms Osaka Hommachi	4,302	2.4
Hotel	Kochi	HOTEL NIKKO KOCHI ASAHI ROYAL	2,247	1.3	
Hotel	Okinawa	Sol Vita Hotel Naha	3,875	2.2	
Hotel	Nagano	Chisun Inn Shiojiri Kita IC	672	0.4	

Asset type	Asset use	Prefectural location	Name of property	As of the end of the fiscal year under review	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	715	0.4
	Hotel	Nagano	Chisun Inn Suwa IC	643	0.4
	Hotel	Aichi	Chisun Inn Toyokawa IC	591	0.3
	Hotel	Saga	Chisun Inn Tosu	495	0.3
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	758	0.4
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	609	0.3
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	695	0.4
	Hotel	Fukui	Chisun Inn Fukui	638	0.4
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	655	0.4
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	626	0.3
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	605	0.3
	Hotel	Ibaraki	Chisun Inn Hitachinaka	702	0.4
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	726	0.4
	Hotel	Yamanashi	Chisun Inn Kofu Isawa	634	0.4
	Hotel	Kagawa	Chisun Inn Marugame Zentsuji	568	0.3
	Hotel	Fukuoka	Chisun Inn Munakata	489	0.3
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	674	0.4
	Hotel	Nagano	Chisun Inn Karuizawa	764	0.4
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	609	0.3
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	704	0.4
	Hotel	Aichi	Candeo Hotels Handa	578	0.3
	Hotel	Nagano	Candeo Hotels Chino	728	0.4
	Hotel	Hiroshima	Candeo Hotels Fukuyama	986	0.5
	Hotel	Tochigi	Candeo Hotels Sano	1,206	0.7
	Hotel	Mie	Candeo Hotels Kameyama	468	0.3
Hotel	Hokkaido	Comfort Hotel Hakodate	879	0.5	
Hotel	Hokkaido	Comfort Hotel Tomakomai	896	0.5	
Hotel	Hiroshima	Comfort Hotel Kure	1,073	0.6	
Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	1,888	1.1	
Real estate subtotal				160,030	89.0
Real estate in trust	Hotel	Fukuoka	Grand Hyatt Fukuoka	7,769	4.3
Real estate in trust subtotal				7,769	4.3
Investment securities				505	0.3
Deposits and other assets				11,410	6.3
Total assets (Note 3)				179,715	100.0
Total liabilities (Note 3)				73,557	40.9
Total net assets (Note 3)				106,157	59.1

(Note 1) "Total amount held" is the book value (in the case of real estate and real estate in trust, the depreciated book value). The book value of real estate and real estate in trust is including machinery and equipment, structures, and leasehold interests in land, 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

(a) Major Issues of Investment Securities

The following is a summary of investment securities held by HRR as of the end of the fiscal period under review.

Name of securities	No. of shares (shares)	Acquisition price (thousands of yen)		Appraisal value (thousands of yen) (Note 1)		Gain (loss) on valuation of investment securities (thousands of yen)	Remarks	Ratio to total assets (%) (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
Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares	334	505	168,670	505	168,670	–	–	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” (appraisal reference date of October 31, 2021), 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 639 thousand yen per share of No. 1 Class B preferred shares, 610 thousand yen per share of No. 2 Class B preferred shares, and 588 thousand yen per share of No. 3 Class B preferred shares, and the total amounts of the appraisal values based on the respective unit prices were 212,406 thousand yen for the No. 1 Class B preferred shares, 203,244 thousand yen for the No. 2 Class B preferred shares and 196,533 thousand yen for the No. 3 Class B preferred shares.

(Note 2) The “Ratio to total assets” 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.

(b) Investment Real Estate Properties

The following is a summary of real estate, etc. held by HRR as of the end of the fiscal period under review.

a. Acquisition Price, Book Value, Appraisal Value, 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)	Appraisal value (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	7,083	12,000	4.6	NV	
		H-2	HOSHINOYA Kyoto	2,878	3,180	4,240	1.7	NV	
		H-3	HOSHINOYA Fuji	4,160	3,927	4,390	2.5	NV	
		H-4	HOSHINOYA Taketomi Island	4,955	4,799	4,980	3.0	NV	
		Subtotal		19,593	18,991	25,610	11.8	–	
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,842	7,430	2.7	NV	
		R-2	RISONARE Atami	3,750	4,520	4,870	2.3	NV	
		Subtotal		8,250	10,363	12,300	5.0	–	
	KAI	K-1	KAI Matsumoto	600	675	806	0.4	JMK	
		K-2	KAI Izumo	680	957	880	0.4	JMK	
		K-3	KAI Ito	670	1,252	1,600	0.4	JMK	
		K-4	KAI Hakone	950	1,142	1,330	0.6	JMK	
		K-5	KAI Aso	575	612	711	0.3	JMK	
		K-6	KAI Kawaji	1,000	1,049	1,170	0.6	JMK	
		K-7	KAI Kinugawa	3,080	2,941	3,300	1.9	JMK	
		K-8	KAI Kaga	3,160	2,975	3,330	1.9	JMK	
		K-9	KAI Alps	3,060	2,979	3,170	1.8	NV	
		K-10	KAI Enshu	1,050	1,075	1,080	0.6	JMK	
		K-11	KAI Nagato	2,750	2,775	2,910	1.7	JREI	
		Subtotal		17,575	18,437	20,287	10.6	–	
	Other	O-35	OMO7 Asahikawa	4,619	5,094	4,620	2.8	RC	
		O-43	Iriomote Hotel	3,650	3,748	3,800	2.2	NV	
		O-45	BEB5 Karuizawa	2,170	2,124	2,250	1.3	NV	
		Subtotal		10,439	10,968	10,670	6.3	–	
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,573	18,700	10.7	RC
			O-33	ANA Crowne Plaza Kanazawa	6,609	6,652	6,270	4.0	RC
O-34			ANA Crowne Plaza Toyama	4,008	3,902	4,060	2.4	RC	
O-36			Hyatt Regency Osaka	16,000	16,265	14,800	9.7	NV	
O-37			the b akasaka	4,860	4,830	4,620	2.9	RC	
O-38			the b sangenjaya	4,420	4,450	4,240	2.7	RC	
O-39			the b nagoya	4,500	4,488	4,150	2.7	RC	
O-40			the b kobe	7,020	7,042	6,250	4.2	RC	
O-41			Quintessa Hotel Osaka Shinsaibashi	3,339	3,349	3,430	2.0	NV	
O-42			hotel androoms Osaka Hommachi	4,238	4,302	3,340	2.6	RC	
O-44			HOTEL NIKKO KOCHI ASAHI ROYAL	2,200	2,247	2,260	1.3	NV	
O-46			Sol Vita Hotel Naha	3,860	3,875	3,810	2.3	NV	
O-47			Grand Hyatt Fukuoka	7,700	7,769	8,850	4.6	RC	
Subtotal			86,538	86,751	84,780	52.3	–		

Investment category	Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Appraisal value (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	672	819	0.4	NV
		O-2	Chisun Inn Sano Fujioka IC	742	715	908	0.4	JMK
		O-3	Chisun Inn Suwa IC	658	643	825	0.4	NV
		O-4	Chisun Inn Toyokawa IC	602	591	727	0.4	NV
		O-5	Chisun Inn Tosu	504	495	641	0.3	NV
		O-6	Chisun Inn Chiba Hamano R16	798	758	996	0.5	JMK
		O-7	Chisun Inn Kumamoto Miyukifueda	616	609	727	0.4	NV
		O-8	Chisun Inn Utsunomiya Kanuma	714	695	829	0.4	JMK
		O-9	Chisun Inn Fukui	644	638	796	0.4	NV
		O-10	Chisun Inn Fukushima Nishi IC	672	655	751	0.4	JMK
		O-11	Chisun Inn Niigata Chuo IC	630	626	765	0.4	NV
		O-12	Chisun Inn Nagasaki Airport	630	605	753	0.4	NV
		O-13	Chisun Inn Hitachinaka	742	702	900	0.4	JMK
		O-14	Chisun Inn Tsuchiura Ami	770	726	901	0.5	JMK
		O-15	Chisun Inn Kofu Isawa	658	634	777	0.4	NV
		O-16	Chisun Inn Marugame Zentsuji	588	568	724	0.4	NV
		O-17	Chisun Inn Munakata	504	489	622	0.3	NV
		O-18	Chisun Inn Iwate Ichinoseki IC	700	674	765	0.4	JMK
		O-19	Chisun Inn Karuizawa	812	764	1,080	0.5	NV
		O-20	Chisun Inn Himeji Yumesakibashi	616	609	734	0.4	NV
		O-21	Chisun Inn Kurashiki Mizushima	728	704	861	0.4	NV
		O-22	Candeo Hotels Handa	620	578	649	0.4	RC
		O-23	Candeo Hotels Chino	793	728	867	0.5	RC
		O-24	Candeo Hotels Fukuyama	1,075	986	1,160	0.6	RC
		O-25	Candeo Hotels Sano	1,260	1,206	1,440	0.8	RC
		O-26	Candeo Hotels Kameyama	470	468	467	0.3	RC
		O-27	Comfort Hotel Hakodate	937	879	961	0.6	NV
		O-28	Comfort Hotel Tomakomai	963	896	972	0.6	NV
		O-29	Comfort Hotel Kure	1,100	1,073	1,160	0.7	NV
		O-30	Chisun Inn Kagoshima Taniyama	1,995	1,888	2,420	1.2	RC
		Subtotal	23,213	22,288	26,997	14.0	–	
		Total	165,608	167,800	180,644	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 interests in land 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., Rich Appraisal Institute Co., Ltd., or Japan Real Estate Institute. "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2021 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 Kenkyujyo (Rich Appraisal Institute Co., Ltd.)

JREI: Japan Real Estate Institute

(Note 6) No collateral has been established on real estate and others owned by HRR as of the end of the fiscal period under review.

b. Location, Area, Size, Etc.

Investment category	Property no.	Name of property	Location	Site area (m ²)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (Number of sublease tenants) (Note 3)	Number of guest rooms (rooms)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasakugun, Nagano (Chubu region)	79,784.52 (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	3,075.70	3,075.70	1(0)	25
		H-3	HOSHINOYA Fuji	Fujikawaguchikomachi, Minamitsurugun, Yamanashi (Chubu region)	74,772.03 (Note 6)	2,103.55	August 2015	184	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	4,259.59	March 2012 (main wing) / March 2009 (annex)	219	4,259.59	4,259.59	1(0)	48
		Subtotal				280,994.97	21,162.45	–	1,237	21,162.45	21,162.45	4(15)
	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(17)	172
		R-2	RISONARE Atami	Atami-shi, Shizuoka (Chubu region)	65,161.44	23,385.18	October 1992	223	23,385.18	23,385.18	1(0)	81
		Subtotal				140,993.25	57,238.63	–	748	57,238.63	57,238.63	2(17)
	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)	94	6,918.92	6,918.92	1(0)	30
		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)	8,206.58	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	129	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)	130	5,159.46	5,159.46	1(0)	48
		K-9	KAI Alps	Omachi-shi, Nagano (Chubu region)	7,796.90	4,241.12	August 2017	186	4,241.12	4,241.12	1(0)	48

Investment category	Property no.	Name of property	Location	Site area (m ²)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (Number of sublease tenants) (Note 3)	Number of guest rooms (rooms)
	K-10	KAI Enshu	Hamamatsu-shi, Shizuoka (Chubu region)	22,595.41	7,829.48	April 1997	47	7,829.48	7,829.48	1(0)	33
	K-11	KAI Nagato	Nagato-shi, Yamaguchi (Chugoku-Shikoku region)	7,077.24 (Note 12)	4,767.66	November 2019	165	4,767.66	4,767.66	1(0)	40
	Subtotal			139,083.62	55,348.16	—	1,140	55,331.96	55,331.96	11(0)	395

Investment category	Property no.	Name of property	Location	Site area (m ²)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (Number of sublease tenants) (Note 3)	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(2)	237
		O-43	Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	68,928.47 (Note 13)	11,460.41	June 2004 (hotel building) / August 2004 (restaurant building) / November 2004 (company dormitory) / Unknown / (Note 5)(garbage incinerator)	271	11,460.41	11,460.41	1(0)	139
		O-45	BEB5 Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	5,307.36	2,807.36	November 2018	136	2,807.36	2,807.36	1(0)	73
		Subtotal				78,513.85	39,982.97	-	773	39,982.97	39,982.97	3(2)
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 14)	42,727.85 (Note 15)	August 1983	606	32,332.00	32,332.00	1(6)	409
		O-33	ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 16)	61,448.41 (Note 17)	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 4)	26,209.92 (Note 18)	June 1999	240	21,600.11	21,600.11	1(5)	252
		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))	-	80,197.60	80,197.60	1(6)	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 sangerjaya	Setagaya-ku, Tokyo (Kanto region)	545.58	2,672.20	February 1984	117	2,672.20	2,672.20	1(1)	118
		O-39	the b nagoya	Nagoya-shi, Aichi (Chubu region)	2,079.87 (Note 19)	8,058.64	April 1981 (Note 20)	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(11)	168
		O-41	Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka (Kinki region)	791.15	2,964.69	August 2017	36	2,964.69	2,964.69	1(0)	132
		O-42	hotel androoms Osaka Hommachi	Osaka-shi, Osaka (Kinki region)	594.88	3,191.32	August 1998	144	3,191.32	3,191.32	1(0)	103
		O-44	HOTEL NIKKO KOCHI ASAHI ROYAL	Kochi-shi, Kochi (Chugoku-Shikoku region)	3,127.39	16,222.49	March 1997 (hotel building) / October 2007 (chapel building)	180	16,222.49	16,222.49	1(1)	191
		O-46	Sol Vita Hotel Naha	Naha-shi, Okinawa (Kyushu-Okinawa region)	2,129.30	5,288.04	November 2005	115	5,288.04	5,288.04	2(0)	200
		O-47	Grand Hyatt Fukuoka	Fukuoka-shi, Fukuoka (Kyushu-Okinawa region)	34,363.91 (Note 21)	39,701.27 (Note 22)	March 1996	728	35,048.87 (Note 23)	35,048.87 (Note 24)	1(6)	372
		Subtotal				94,205.58	302,356.54	-	3,127	245,085.07	245,085.07	14(47)

Investment category	Property no.	Name of property	Location	Site area (m ²)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (Number of sublease tenants) (Note 3)	Number of guest rooms (rooms)	
Properties operated by outside operators	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
		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 25)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 26)	1,968.02 (Note 26)	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

Investment category	Property no.	Name of property	Location	Site area (m ²)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (Number of sublease tenants) (Note 3)	Number of guest rooms (rooms)	
Properties operated by outside operators	Other	O-22	Candeo Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72 (Note 27)	2,814.05	February 2008	52	2,814.05	2,814.05	1(0)	126
		O-23	Candeo Hotels Chino	Chino-shi, Nagano (Chubu region)	2,399.15 (Note 4)	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 28)	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		818,452.69	552,297.55	–	8,660	495,009.88	495,009.88	64(84)	7,661	

(Note 1) Based on lease agreements valid as of the end of the fiscal period under review. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above (however, in the case of the five Candeo properties, the three Comfort properties, and HOTEL NIKKO KOCHI ASahi ROYAL, 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, for some of the properties, as HRR agrees to fixed rent of a specified amount applied only for a specific period after the commencement of leasing or an amount that gradually fluctuates depending on the period, the entry under "Annual rent" for the properties is the amount arrived at when such fixed rent (monthly) as of the end of the fiscal period under review is annualized by multiplying 12. As a general rule, the fixed rent after the expiration of the initial fixed rent period will decrease from the amount shown in the above table, but variable rents will be charged when the sales or profit of hotels, ryokans and ancillary facilities exceed a certain amount. Furthermore, with the exception of "Grand Hyatt Fukuoka," no variable rents will accrue regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities until the end of the initial fixed rent period. However, for OMO7 Asahikawa, HRR has the right to terminate the initial fixed rent period in case that variable rents are expected to exceed the initial fixed rent. For Hyatt Regency Osaka, annual rent is stated "-" as no rent was applied during the period from May 1, 2021 till October 31, 2021, due to the impact, etc. of the spread of COVID-19. The same shall apply hereinafter.

(Note 2) Based on lease agreements valid as of the end of the fiscal period under review (However, if the leased area and leasable area described in an individual lease agreement exceed the total floor area, the figure of its total floor area is given in both entries). All the properties have occupancy rate of 100.0%.

(Note 3) "Number of tenants (number of sublease tenants)" is the number of tenants as of the end of the fiscal period under review with the number of parties leasing (subleasing) from the parties leasing the property from HRR shown in parentheses. However, this excludes those leasing (subleasing) or planning to lease (sublease) part of the site or the building for the purpose of parking or installing antennas, etc. 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 one 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 "Site area," "Total floor area," "Annual rent," "Leased area," "Leasable area," "Number of tenants (Number of sublease tenants)" and "Number of guest rooms" are calculated on the basis of totals encompassing both the main wing and the annex; the completion dates indicated for "Completion date" are separately stated for the main wing and the annex.

(Note 8) HRR leases a portion (55,274.81 m²) of the land from the owner.

(Note 9) HRR leases a portion (2,966.21 m²) of the land from the owner.

(Note 10) HRR leases a portion (696.95 m²) of the land from the owner.

(Note 11) Not used for lodging as of the end of the fiscal period under review.

(Note 12) HRR leases a portion (5,796.24 m²) of the land from the owner.

(Note 13) HRR leases a portion (9,113.00 m²) of the land from the owner.

- (Note 14) The land under HRR's ownership is co-ownership interest (81/100 of the co-ownership) of the land, but the entry under "Site 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 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 "Total floor area" is the area of the entire building.
- (Note 16) 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 "Site area" is the area of the entire land.
- (Note 17) 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 "Total floor area" is the area of the entire building.
- (Note 18) 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 "Total floor area" is the area of the entire building.
- (Note 19) 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 "Site area" is the area of the entire land.
- (Note 20) 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 21) The asset held by HRR is the trust beneficiary right whose trust assets is the shared property (a shared ownership portion of Canal City Hakata · B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%)), but the entry under "Site area" is the area of the entire land that is included in the trust assets.
- (Note 22) The building is a building under sectional ownership, and the asset held by HRR is the trust beneficiary right whose trust assets is the shared property (a shared ownership portion of Canal City · B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%)), but the entry under "Total floor area" is the area of all of the exclusive elements of Canal City Hakata · B Grand Building that is included in the trust assets.
- (Note 23) For "Grand Hyatt Fukuoka", the area included in the leasable area is the area of the leased space described in the relevant lease agreement. In addition, as of the date of this document, the first basement floor of the building leased by Fukuoka REIT Corporation (hereinafter "Fukuoka REIT") from the co-owner based on the agreement among co-owners is leased to Hakata Sumiyoshi Hotel Management Co. The area related to the said lease is not included in the above leased area.
- (Note 24) For "Grand Hyatt Fukuoka," the first basement floor is master leased by Fukuoka REIT and the portions other than the first basement floor are master leased by HRR, and the master leased portions are leased (subleased) to end tenants. Therefore, the one indicated in either the lease agreement concluded between HRR and the tenant, or the drawing of the property is indicated as the area corresponding to the portion that can be leased (subleased) by HRR.
- (Note 25) 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 the end of the fiscal period under review. 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 26) 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 the end of the fiscal period under review, but the entries under "Leased area" and "Leasable area" are the leased area and leasable area of the building.
- (Note 27) HRR leases a portion (991.72 m²) of the land from the owner.
- (Note 28) HRR leases a portion (740.62 m²) 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, 2021 as the date of value.

Investment category	Property no.	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	12,000	12,000	5.2	11,900	5.2	5.7	642	8.4
		H-2	HOSHINOYA Kyoto	NV	4,240	4,240	5.8	4,230	5.4	6.2	248	8.6
		H-3	HOSHINOYA Fuji	NV	4,390	4,380	6.1	4,390	5.8	6.3	269	6.5
		H-4	HOSHINOYA Taketomi Island	NV	4,980	5,070	6.0	4,880	5.6	6.1	314	6.3
		Subtotal				25,610	25,690	-	25,400	-	-	1,473
	RISONARE	R-1	RISONARE Yatsugatake	NV	7,430	7,250	5.5	7,610	5.5	6.0	533	11.8
		R-2	RISONARE Atami	NV	4,870	4,760	5.2	4,970	5.0	5.5	293	7.8
		Subtotal				12,300	12,010	-	12,580	-	-	826
	KAI	K-1	KAI Matsumoto	JMK	806	812	5.9	800	5.7	6.1	64	10.7
		K-2	KAI Izumo	JMK	880	883	6.0	876	5.8	6.2	63	9.3
		K-3	KAI Ito	JMK	1,600	1,620	5.7	1,580	5.5	5.9	107	16.0
		K-4	KAI Hakone	JMK	1,330	1,340	5.7	1,310	5.5	5.9	90	9.5
		K-5	KAI Aso	JMK	711	715	6.1	707	5.9	6.3	47	8.3
		K-6	KAI Kawaji	JMK	1,170	1,180	5.8	1,160	5.6	6.0	86	8.6
		K-7	KAI Kinugawa	JMK	3,300	3,320	5.5	3,270	5.3	5.7	186	6.0
		K-8	KAI Kaga	JMK	3,330	3,350	5.5	3,300	5.3	5.7	190	6.0
		K-9	KAI Alps	NV	3,170	3,200	5.4	3,140	5.1	5.6	178	5.8
		K-10	KAI Enshu	JMK	1,080	1,080	5.6	1,080	5.4	5.8	83	7.9
		K-11	KAI Nagato	JREI	2,910	2,930	5.4	2,880	5.0	5.5	166	6.0
		Subtotal				20,287	20,430	-	20,103	-	-	1,261
	Other	O-35	OMO7 Asahikawa	RC	4,620	4,570	4.9	4,640	4.7	5.1	338	7.3
		O-43	Iriomote Hotel	NV	3,800	3,810	5.3	3,780	4.9	5.4	242	6.6
		O-45	BEB5 Karuizawa	NV	2,250	2,250	5.5	2,250	5.2	5.6	128	5.9
		Subtotal				10,670	10,630	-	10,670	-	-	708

Investment category	Property no.	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	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	RC	18,700	19,600	4.5	18,300	4.3	4.7	1,008	5.7	
		O-33	ANA Crowne Plaza Kanazawa	RC	6,270	6,630	4.7	6,120	4.5	4.9	401	6.1	
		O-34	ANA Crowne Plaza Toyama	RC	4,060	4,190	4.8	4,000	4.6	5.0	307	7.7	
		O-36	Hyatt Regency Osaka	NV	14,800	15,100	4.8	14,500	4.1	4.6	956	6.0	
		O-37	the b akasaka	RC	4,620	4,850	4.1	4,520	3.9	4.3	227	4.7	
		O-38	the b sangenjaya	RC	4,240	4,430	4.3	4,160	4.1	4.5	211	4.8	
		O-39	the b nagoya	RC	4,150	4,370	4.3	4,060	4.1	4.5	223	4.9	
		O-40	the b kobe	RC	6,250	6,540	4.4	6,120	4.2	4.6	338	4.8	
		O-41	Quintessa Hotel Osaka Shinsaibashi	NV	3,430	3,520	4.6	3,340	4.3	4.7	163	4.9	
		O-42	hotel androoms Osaka Hommachi	RC	3,340	3,420	4.5	3,310	4.3	4.7	165	3.9	
		O-44	HOTEL NIKKO KOCHI ASAHI ROYAL	NV	2,260	2,230	4.8	2,280	4.6	5.1	144	6.6	
		O-46	Sol Vita Hotel Naha	NV	3,810	3,820	4.6	3,790	4.2	4.6	198	5.1	
		O-47	Grand Hyatt Fukuoka	RC	8,850	8,910	4.6	8,820	4.3	4.7	639	8.3	
		Subtotal				84,780	87,610	-	83,320	-	-	4,979	5.8

Investment category	Property no.	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	819	829	5.9	808	5.7	6.1	52	7.8
		O-2	Chisun Inn Sano Fujioka IC	JMK	908	907	5.9	909	5.7	6.1	56	7.5
		O-3	Chisun Inn Suwa IC	NV	825	831	6.0	818	5.8	6.2	54	8.3
		O-4	Chisun Inn Toyokawa IC	NV	727	734	5.9	720	5.7	6.1	45	7.5
		O-5	Chisun Inn Tosu	NV	641	654	6.0	628	5.8	6.3	41	8.2
		O-6	Chisun Inn Chiba Hamano R16	JMK	996	1,010	5.6	981	5.4	5.8	59	7.4
		O-7	Chisun Inn Kumamoto Miyukifueda	NV	727	739	6.2	715	6.0	6.5	48	7.8
		O-8	Chisun Inn Utsunomiya Kanuma	JMK	829	841	6.1	816	5.9	6.3	54	7.5
		O-9	Chisun Inn Fukui	NV	796	797	6.2	795	6.0	6.4	52	8.1
		O-10	Chisun Inn Fukushima Nishi IC	JMK	751	762	6.2	739	6.0	6.4	50	7.4
		O-11	Chisun Inn Niigata Chuo IC	NV	765	774	6.0	755	5.8	6.2	49	7.8
		O-12	Chisun Inn Nagasaki Airport	NV	753	761	6.0	745	5.8	6.2	48	7.6
		O-13	Chisun Inn Hitachinaka	JMK	900	913	5.9	886	5.7	6.1	56	7.6
		O-14	Chisun Inn Tsuchiura Ami	JMK	901	914	5.8	888	5.6	6.0	55	7.2
		O-15	Chisun Inn Kofu Isawa	NV	777	788	6.1	765	5.9	6.3	52	7.9
		O-16	Chisun Inn Marugame Zentsuji	NV	724	735	6.2	713	6.0	6.4	48	8.1
		O-17	Chisun Inn Munakata	NV	622	634	6.1	610	5.9	6.4	41	8.1
		O-18	Chisun Inn Iwate Ichinoseki IC	JMK	765	776	6.2	754	6.0	6.4	51	7.2
		O-19	Chisun Inn Karuizawa	NV	1,080	1,080	6.0	1,070	5.8	6.2	67	8.2
		O-20	Chisun Inn Himeji Yumesakibashi	NV	734	745	6.2	723	6.0	6.4	49	7.9

Investment category	Property no.	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	861	871	6.0	851	5.8	6.2	55	7.5
		O-22	Candeo Hotels Handa	RC	649	649	5.4	649	5.2	5.6	41	6.6
		O-23	Candeo Hotels Chino	RC	867	871	5.6	865	5.4	5.8	53	6.7
		O-24	Candeo Hotels Fukuyama	RC	1,160	1,170	5.3	1,160	5.1	5.5	71	6.6
		O-25	Candeo Hotels Sano	RC	1,440	1,450	5.4	1,430	5.2	5.6	82	6.5
		O-26	Candeo Hotels Kameyama	RC	467	467	5.9	467	5.7	6.1	34	7.2
		O-27	Comfort Hotel Hakodate	NV	961	962	5.2	959	5.0	5.4	59	6.3
		O-28	Comfort Hotel Tomakomai	NV	972	976	5.3	968	5.1	5.5	61	6.3
		O-29	Comfort Hotel Kure	NV	1,160	1,160	5.1	1,150	4.9	5.3	67	6.1
		O-30	Chisun Inn Kagoshima Taniyama	RC	2,420	2,460	5.6	2,400	5.4	5.8	150	7.5
		Subtotal				26,997	27,260	-	26,737	-	-	1,700
Total				180,644	183,630	-	178,810	-	-	10,948	6.6	

(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 Kenkyujo (Rich Appraisal Institute Co., Ltd.)

JRE: Japan Real Estate Institute

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2021 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) 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., Rich Appraisal Institute Co., Ltd. or Japan Real Estate Institute 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 ²) (Note 2)	Share (%) (Note 3)
K.K. Horizon Hotels	Hotel	RISONARE Yatsugatake	July 15, 2033	525	6.1	33,853.45	6.8
		RISONARE Atami	November 1, 2035	223	2.6	23,385.18	4.7
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	7.0	32,332.00	6.5
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	6.3	23,835.00	4.8
		ANA Crowne Plaza Toyama	November 1, 2035	240	2.8	21,600.11	4.4
		Total		2,140	24.7	135,005.74	27.3
HRO Inc.	Hotel	Hyatt Regency Osaka	October 31, 2036	-	-	80,197.60	16.2
		Total		-	-	80,197.60	16.2
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.6	2,100.47	0.4
		Chisun Inn Sano Fujioka IC	May 1, 2024	52	0.6	1,968.91	0.4
		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	0.4
		Chisun Inn Tosu	May 1, 2024	36	0.4	1,968.02	0.4
		Chisun Inn Chiba Hamano R16	May 1, 2024	57	0.7	2,023.29	0.4
		Chisun Inn Kumamoto Miyukifueda	May 1, 2024	43	0.5	2,094.77	0.4
		Chisun Inn Utsunomiya Kanuma	May 1, 2024	51	0.6	2,094.16	0.4
		Chisun Inn Fukui	May 1, 2024	45	0.5	2,094.01	0.4
		Chisun Inn Fukushima Nishi IC	May 1, 2024	48	0.6	2,094.01	0.4
		Chisun Inn Niigata Chuo IC	May 1, 2024	45	0.5	2,094.16	0.4
		Chisun Inn Nagasaki Airport	May 1, 2024	45	0.5	1,968.02	0.4
		Chisun Inn Hitachinaka	May 1, 2024	52	0.6	1,968.30	0.4
		Chisun Inn Tsuchiura Ami	May 1, 2024	54	0.6	1,968.03	0.4
		Chisun Inn Kofu Isawa	May 1, 2024	46	0.5	1,968.47	0.4
		Chisun Inn Marugame Zentsuji	May 1, 2024	42	0.5	2,094.16	0.4
		Chisun Inn Munakata	May 1, 2024	36	0.4	2,094.16	0.4
		Chisun Inn Iwate Ichinoseki IC	May 1, 2024 (Note 4)	49	0.6	1,968.02	0.4
		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	0.5
Chisun Inn Kurashiki Mizushima	May 1, 2024	51	0.6	2,094.16	0.4		
Chisun Inn Kagoshima Taniyama	May 2, 2024	96	1.1	8,066.36	1.6		
Total		1,095	12.6	51,030.56	10.3		

(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 the end of the fiscal period under review.

(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 the end of the fiscal period under review. 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

i. 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	11.8
	RISONARE	2	8,250	5.0
	KAI	11	17,575	10.6
	Other	3	10,439	6.3
	Subtotal	20	55,857	33.7
Properties operated by outside operators	Urban tourism	13	86,538	52.3
	Other	30	23,213	14.0
	Subtotal	43	109,751	66.3
Total		63	165,608	100.0

ii. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	4.8
Kanto region	11	19,336	11.7
Hokuriku region	4	14,421	8.7
Chubu region	19	37,975	22.9
Kinki region	6	34,091	20.6
Chugoku-Shikoku region	8	26,905	16.2
Kyushu-Okinawa region	10	24,989	15.1
Total	63	165,608	100.0

iii. By lease period

Lease period	Contract duration		Remaining duration (Note)	
	Acquisition price (millions of yen)	Share (%)	Acquisition price (millions of yen)	Share (%)
Entire portfolio	165,608	100.0	165,608	100.0
More than 10 years	147,413	89.0	144,413	87.2
10 years or less	18,195	11.0	21,195	12.8

(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 the end of the fiscal period under review.

iv. By contract type

Contract type	Acquisition price (millions of yen)	Share (%)
Entire portfolio	165,608	100.0
Fixed-term lease contract	165,608	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 operating revenue from real estate leasing	4,801,785	352,606	112,747	153,088	109,560	298,106	218,260
Fixed rent	4,286,107	315,000	101,898	92,430	109,560	262,500	111,600
Floating rent	504,142	37,606	10,849	60,658	-	35,606	106,660
Other rent	10,800	-	-	-	-	-	-
Other revenue	734	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	948,461	37,393	10,013	13,356	15,941	41,730	33,941
Maintenance expenses	169,862	2,803	1,477	369	2,894	5,778	2,835
Taxes and dues	435,979	12,904	2,152	3,431	1,846	22,539	25,503
Insurance expenses	18,333	580	152	215	168	1,562	674
Land rent	60,495	6,458	-	6,911	6,316	3,937	-
Repair expenses	79,956	14,151	6,230	2,428	4,715	7,912	4,929
Other expenses	183,833	495	-	-	-	-	-
③ Leasing NOI [①－②]	3,853,323	315,212	102,734	139,732	93,618	256,376	184,318
④ Depreciation and amortization	1,430,257	109,192	29,707	35,833	47,602	78,724	50,949
⑤ Loss on retirement of non-current assets	3,212	532	-	-	-	-	1,619
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	2,419,853	205,488	73,026	103,898	46,015	177,651	131,749

(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 operating revenue from real estate leasing	45,223	49,274	57,928	63,060	28,535	65,954	115,955
Fixed rent	37,500	37,500	47,250	47,500	21,000	49,800	64,800
Floating rent	7,723	11,769	10,678	15,488	7,515	16,154	51,155
Other rent	-	-	-	-	-	-	-
Other revenue	-	4	-	72	20	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	9,455	12,161	9,438	11,297	2,592	15,080	10,699
Maintenance expenses	1,238	482	819	2,165	876	2,556	1,501
Taxes and dues	4,098	3,878	4,673	4,817	869	7,635	7,655
Insurance expenses	210	113	258	166	52	301	125
Land rent	-	2,280	-	-	-	300	-
Repair expenses	3,908	5,374	3,686	4,148	794	4,287	1,417
Other expenses	-	31	-	-	-	-	-
③ Leasing NOI [①－②]	35,767	37,112	48,490	51,763	25,943	50,874	105,255
④ Depreciation and amortization	7,543	8,222	13,369	13,624	9,245	16,409	17,474
⑤ Loss on retirement of non-current assets	-	-	-	-	1,060	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	28,224	28,890	35,121	38,138	15,637	34,464	87,780

(Unit: thousands of yen)

Property no.	K-8	K-9	K-10	K-11	O-35	O-43	O-45
Name of property	KAI Kaga	KAI Alps	KAI Enshu	KAI Nagato	OMO7 Asahikawa	Iriomote Hotel	BEB5 Karuizawa
① Total operating revenue from real estate leasing	119,038	93,231	60,669	68,987	182,707	135,960	68,220
Fixed rent	65,265	93,231	23,760	68,987	182,400	135,960	68,220
Floating rent	53,773	-	36,909	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	307	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	9,561	6,886	15,918	1,825	21,022	11,654	3,420
Maintenance expenses	1,171	1,100	2,051	1,485	-	6,239	1,156
Taxes and dues	5,827	2,913	6,041	-	20,296	2,431	1,585
Insurance expenses	211	155	316	182	725	457	94
Land rent	-	-	-	-	-	200	-
Repair expenses	2,351	2,717	7,509	158	-	2,325	103
Other expenses	-	-	-	-	-	-	480
③ Leasing NOI [①－②]	109,477	86,344	44,750	67,161	161,685	124,305	64,799
④ Depreciation and amortization	28,040	25,935	11,053	20,882	73,367	41,504	18,961
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	81,437	60,409	33,697	46,278	88,317	82,801	45,838

(Unit: thousands of yen)

Property no.	O-31	O-32	O-33	O-34	O-36	O-37	O-38
Name of property	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Fukuoka (Note)	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka	the b akasaka	the b sangenjaya
① Total operating revenue from real estate leasing	303,015	24,000	273,000	120,000	-	67,500	58,500
Fixed rent	303,000	24,000	273,000	120,000	-	67,500	58,500
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	15	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	44,170	5,677	180,439	32,276	92,965	9,459	3,490
Maintenance expenses	9,805	-	9,685	-	-	-	-
Taxes and dues	33,339	5,562	15,408	16,364	77,738	9,328	3,400
Insurance expenses	1,024	114	743	715	3,176	130	89
Land rent	-	-	-	15,154	12,000	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	154,602	41	50	-	-
③ Leasing NOI [①－②]	258,845	18,322	92,560	87,723	(92,965)	58,040	55,009
④ Depreciation and amortization	93,888	7,629	45,645	56,283	121,847	16,235	12,538
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	164,956	10,693	46,915	31,440	(214,812)	41,805	42,470

(Note) "ANA Crowne Plaza Fukuoka" was transferred on June 1, 2021.

(Unit: thousands of yen)

Property no.	O-39	O-40	O-41	O-42	O-44	O-46	O-47
Name of property	the b nagoya	the b kobe	Quintessa Hotel Osaka Shinsaibashi	hotel androoms Osaka Hommachi	HOTEL NIKKO KOCHI ASAHI ROYAL	Sol Vita Hotel Naha	Grand Hyatt Fukuoka
① Total operating revenue from real estate leasing	49,500	90,000	18,000	72,000	90,000	64,239	303,570
Fixed rent	49,500	90,000	18,000	72,000	90,000	64,239	303,570
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	8,050	10,365	6,348	5,985	18,172	5,500	133,530
Maintenance expenses	-	-	-	-	-	-	103,266
Taxes and dues	7,790	10,073	6,255	5,466	17,197	5,344	-
Insurance expenses	260	292	92	99	704	155	2,018
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	270	-	535
Other expenses	-	-	-	420	-	-	27,710
③ Leasing NOI [①-②]	41,449	79,634	11,651	66,014	71,827	58,738	170,039
④ Depreciation and amortization	14,452	24,021	10,332	12,147	25,930	12,630	92,465
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	26,996	55,613	1,318	53,867	45,897	46,108	77,574

(Unit: thousands of yen)

Property no.	O-1	O-2	O-3	O-4	O-5	O-6	O-7
Name of property	Chisun Inn Shiojiri Kita IC	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
① Total operating revenue from real estate leasing	24,000	32,671	25,092	21,480	18,000	28,500	22,239
Fixed rent	24,000	26,460	23,460	21,480	18,000	28,500	21,960
Floating rent	-	6,211	1,632	-	-	-	279
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	3,042	2,467	2,439	2,698	3,176	2,724	3,082
Maintenance expenses	349	318	332	311	328	305	549
Taxes and dues	2,643	2,098	2,061	2,337	2,802	2,366	2,483
Insurance expenses	49	51	46	50	45	53	50
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ Leasing NOI [①-②]	20,957	30,204	22,652	18,781	14,823	25,775	19,156
④ Depreciation and amortization	5,285	7,155	6,671	5,436	5,215	7,427	6,130
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	15,671	23,048	15,980	13,344	9,607	18,348	13,026

(Unit: thousands of yen)

Property no.	O-8	O-9	O-10	O-11	O-12	O-13	O-14
Name of property	Chisun Inn Utsunomiya Kanuma	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami
① Total operating revenue from real estate leasing	25,500	29,589	25,983	22,500	22,500	26,460	27,480
Fixed rent	25,500	22,980	24,000	22,500	22,500	26,460	27,480
Floating rent	-	6,609	1,983	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,819	2,623	2,861	2,883	2,644	2,201	2,482
Maintenance expenses	379	393	294	399	279	285	390
Taxes and dues	2,384	2,178	2,512	2,434	2,318	1,865	2,040
Insurance expenses	55	51	55	50	46	51	50
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ Leasing NOI [①－②]	22,680	26,965	23,121	19,616	19,855	24,258	24,997
④ Depreciation and amortization	6,135	5,562	6,029	5,922	6,944	8,014	8,368
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	16,544	21,403	17,092	13,693	12,911	16,244	16,629

(Unit: thousands of yen)

Property no.	O-15	O-16	O-17	O-18	O-19	O-20	O-21
Name of property	Chisun Inn Kofu Isawa	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuzawa	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima
① Total operating revenue from real estate leasing	23,460	21,000	18,000	24,960	28,980	22,350	25,980
Fixed rent	23,460	21,000	18,000	24,960	28,980	21,960	25,980
Floating rent	-	-	-	-	-	390	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,319	2,416	2,671	2,247	2,668	3,492	3,028
Maintenance expenses	448	451	506	280	294	452	457
Taxes and dues	1,824	1,914	2,114	1,914	2,315	2,981	2,518
Insurance expenses	47	51	50	52	59	58	51
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	1
③ Leasing NOI [①－②]	21,140	18,583	15,328	22,712	26,311	18,858	22,951
④ Depreciation and amortization	6,311	6,488	6,300	6,447	8,582	5,880	7,151
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	14,829	12,094	9,028	16,264	17,728	12,977	15,800

(Unit: thousands of yen)

Property no.	O-22	O-23	O-24	O-25	O-26	O-27	O-28
Name of property	Candeo Hotels Handa	Candeo Hotels Chino	Candeo Hotels Fukuyama	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate	Comfort Hotel Tomakomai
① Total operating revenue from real estate leasing	26,460	32,844	39,370	45,756	20,910	33,237	33,231
Fixed rent	26,460	32,844	39,370	45,756	20,910	32,922	33,231
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	315	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	5,824	6,036	3,873	4,420	3,895	3,689	2,930
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	2,861	3,152	3,763	3,087	3,783	3,604	2,857
Insurance expenses	83	80	110	81	112	84	73
Land rent	2,880	2,804	-	1,252	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ Leasing NOI [①－②]	20,635	26,807	35,496	41,335	17,014	29,547	30,300
④ Depreciation and amortization	6,534	8,671	10,776	11,277	4,360	10,273	9,543
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	14,100	18,135	24,720	30,058	12,654	19,274	20,756

(Unit: thousands of yen)

Property no.	O-29	O-30
Name of property	Comfort Hotel Kure	Chisun Inn Kagoshima Taniyama
① Total operating revenue from real estate leasing	37,524	83,285
Fixed rent	37,524	48,000
Floating rent	-	24,485
Other rent	-	10,800
Other revenue	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	3,922	7,047
Maintenance expenses	-	300
Taxes and dues	3,840	6,546
Insurance expenses	82	201
Land rent	-	-
Repair expenses	-	-
Other expenses	-	-
③ Leasing NOI [①－②]	33,601	76,237
④ Depreciation and amortization	8,936	18,730
⑤ Loss on retirement of non-current assets	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	24,665	57,506

(2) Status of Capital Expenditures

① Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending April 2022 currently planned for assets held by HRR as of the end of the fiscal period under review, 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
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Renovation of guest rooms (fourth period)	From: November 2021 To: December 2021	42	1	11
KAI Enshu	Hamamatsu-shi, Shizuoka	Renovation of guest rooms and public spaces	From: January 2022 To: February 2022	80	-	-
ANA Crowne Plaza Toyama	Toyama-shi, Toyama	Upgrading of disaster prevention monitoring equipment and analog sensors	From: September 2021 To: February 2022	38	-	-

② 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 the end of the fiscal period under review, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 596 million yen and repair expenses separately charged to expenses amounted to 79 million yen for a combined total of 676 million yen of construction work implemented.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Renovation of guest rooms (third period)	From: May 2021 To: October 2021	35
RISONARE Atami	Atami-shi, Shizuoka	Slope restoration work	From: February 2021 To: June 2021	45
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Upgrading of central monitoring equipment	From: May 2021 To: July 2021	33