

(REIT) Financial Report for Fiscal Period Ended April 2022

June 15, 2022

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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 April 2022 (from November 1, 2021 to April 30, 2022)

(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 Apr. 2022	5,438	12.4	2,200	19.2	1,764	24.9	1,761	24.9
Ended Oct. 2021	4,840	5.4	1,845	1.6	1,412	(0.7)	1,410	(3.8)

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 Apr. 2022	7,282	1.6	0.9	32.4
Ended Oct. 2021	6,284	1.3	0.8	29.2

(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 Apr. 2022	7,195	1,758	–	–	99.8	1.5
Ended Oct. 2021	6,344	1,427	–	–	101.2	1.3

(Note 1) Total distributions in the fiscal period ended April 2022 is an amount after adding reversal of reserve for tax purpose reduction entry of 0 million yen to unappropriated retained earnings.

(Note 2) 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.

(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 Apr. 2022	192,603	119,027	61.8	487,107
Ended Oct. 2021	179,715	106,157	59.1	471,885

(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 Apr. 2022	3,497	(12,994)	11,006	10,416
Ended Oct. 2021	2,587	(3,603)	1,304	8,907

2. Management Status Forecast for Fiscal Period Ending October 2022 (from May 1, 2022 to October 31, 2022) and Management Status Forecast for Fiscal Period Ending April 2023 (from November 1, 2022 to April 30, 2023)

(% 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 Oct. 2022	5,868	7.9	2,457	11.7	1,947	10.4	1,945	10.4	7,607	-
Ending Apr. 2023	6,171	5.2	2,589	5.4	2,132	9.5	2,130	9.5	8,331	-

(Reference) Forecast profit per unit (fiscal period ending October 2022) 7,613 yen

Forecast profit per unit (fiscal period ending April 2023) 8,336 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 October 2022 and the fiscal period ending April 2023 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.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including own investment units) at end of period
Fiscal period ended April 2022 244,355 units Fiscal period ended October 2021 224,965 units
- ② Number of own investment units at end of period
Fiscal period ended April 2022 – units Fiscal period ended October 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 37.

* 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 October 2022 and Fiscal Period Ending April 2023” on pages 11 to 16.

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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 65 properties (sum total of acquisition price: 176,856 million yen).

(b) Investment Environment and Management Performance

COVID-19 dealt a severe blow to the tourism-related industries, but HRR believes that its impact is diminishing and that the negative effect of rising case numbers on tourism-related industry demand is gradually weakening. In December 2021, demand for travel, which is considered an important form of entertainment for many in the modern world, recovered to levels seen prior to the COVID-19 pandemic (meaning that COVID-19 had a severe impact on all industries. Same below.).

On the other hand, as there is also the dimension of concerns over negative effects on the Japanese economy, such as inflation, progressing yen depreciation, the situation in Ukraine, and rising U.S. interest rates, HRR will continue to follow these trends.

In the environment described above, the hotels and ryokans held by HRR were managed with a focus on securing stable earnings. With regard to the properties held by HRR, in the severe situation under COVID-19 pandemic, 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 their industry peers largely due to the establishment of microtourism demand and the development of unique policies such as local collaboration projects.

(c) Overview of Fund Procurement

In the fiscal period under review, HRR procured 12,534 million yen from the issuance of new investment units through primary offering on November 24, 2021, and it was allocated to KAI Kirishima and KAI Beppu, and the funds for acquisition of mezzanine loan receivables related to "(Tentative name) Hotel WBF Grande Kansai Airport" (TLS5 Specified Purpose Company Class D Loan Receivables) and its related expenses.

In addition, HRR procured 5,450 million yen of long-term borrowings on April 28, 2022 as funds for repayment of a total remaining principal amount of 5,450 million yen of existing borrowings due for repayment. Of the procured amount, 3,300 million yen is a green loan, HRR's first initiative executed based on the Green Finance Framework developed by HRR (hereinafter, said Green Finance Framework is referred to as the "Framework," and said green loan is referred to as the "Green Loan"). HRR allocated the full amount of the Green Loan to repayment of borrowings in connection with the initial acquisition of HOSHINOYA Karuizawa, KAI Kinugawa and Quintessa Hotel Osaka Shinsaibashi, which are properties that satisfy the criteria for eligible green properties under the Framework.

Furthermore, contractual repayments of borrowings, etc. were made, resulting in balance of interest-bearing liabilities of 68,424 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 35.5% as of April 30, 2022.

(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 5,438 million yen, operating profit of 2,200 million yen, ordinary profit of 1,764 million yen and profit of 1,761 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 almost 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 7,195 yen.

② Outlook for the Next Fiscal Period

(a) Management Environment for the Next Fiscal Period

In the Japanese economy, as Japan enacts thorough measures to prevent the spread of COVID-19 and economic and social activities head toward normalization, the economy is expected to recover due to these policies and improvement in the overseas economy. However, with a sense of uncertainty over the spread of COVID-19 and the situation in Ukraine, supply-side restrictions including surging materials costs, labor shortages, and stagnant distribution, as well as fluctuations in the financial and capital markets, HRR believes that it will be necessary to keep a close eye on downside risks.

In the tourism market, if restrictions on entry into Japan for the purpose of tourism as a border measure to prevent the spread of COVID-19 are relaxed, we expect inbound demand to recover, even though it may take considerable time. Furthermore, as the Japanese government is also expected to enact demand stimulus measures including the Go To Travel Campaign, the resulting increase in the desire to travel among consumers is expected to promote a gradual recovery in Japan’s tourism market.

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 described in “(b) Future Management Policy and Challenges to Address” 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 such as the utilization of hydroelectric power and the harnessing of geothermal heat or hot spring runoff for heating, and the incorporation of energy-efficient design in its building structures.

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 operation 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 officers and employees on 19 occasions under four different themes over the year extending from November 2020 to October 2021, 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. In addition, HRR obtained an MSCI ESG rating of "BBB," which is two ranks higher than the previous rating of "B," in April 2022.

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 9 out of 65 of the properties that it owns (5 stars: 2 properties; 4 stars: 2 properties; 3 stars: 1 property; 2 stars: 3 properties; 1 star: 1 property), 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. For the activity, HRR conducted scenario

analysis to examine how changes in the business environment due to the long-term policy trend related to climate change affect HRR. Its policy is to implement various approaches, including GHG emissions reduction, based on the verification results going forward.

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 October 2022 (from May 1, 2022 to October 31, 2022) and the fiscal period ending April 2023 (from November 1, 2022 to April 30, 2023). For the assumptions underlying this outlook, please refer to "Assumptions Underlying Management Status Outlook for Fiscal Period Ending October 2022 and Fiscal Period Ending April 2023" on pages 11 to 16.

Fiscal period ending October 2022 (19th fiscal period)

Operating revenue	5,868 million yen
Operating profit	2,457 million yen
Ordinary profit	1,947 million yen
Profit	1,945 million yen
Distributions per unit	7,607 yen
Distributions in excess of earnings per unit	– yen

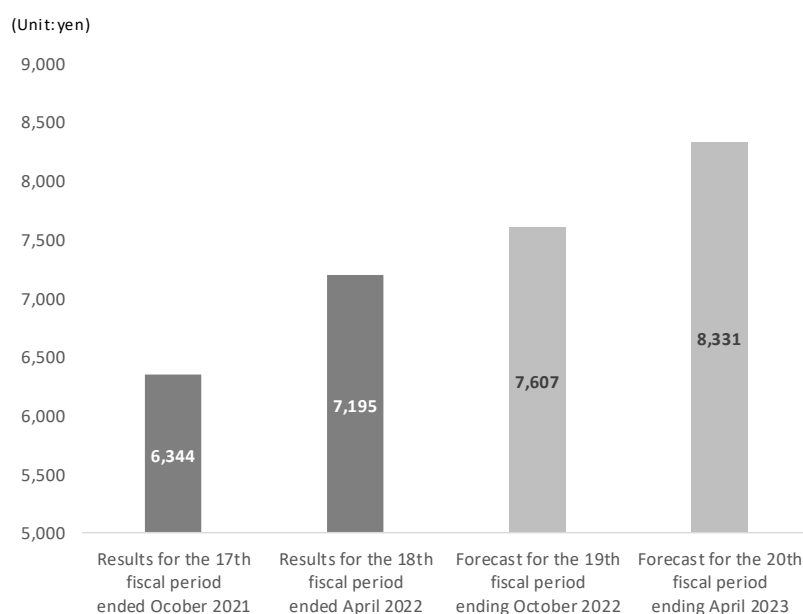
Fiscal period ending April 2023 (20th fiscal period)

Operating revenue	6,171 million yen
Operating profit	2,589 million yen
Ordinary profit	2,132 million yen
Profit	2,130 million yen
Distributions per unit	8,331 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 October 2022 and the fiscal period ending April 2023 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.

(Reference) Trend of distributions per unit



③ Significant Subsequent Events

(a) Borrowing of Funds (Refinancing of Existing Loans)

As funds to be used for the repayment of existing loans, HRR borrowed the following funds as of May 2, 2022.

Floating /Fixed	Lender	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 6)	Repayment method
Floating	The Bank of Fukuoka, Ltd.	300	Base rate: 3-month Japanese Yen TIBOR +0.300% (Note 3)	May 2, 2022	April 30, 2025	Lump-sum repayment at maturity
Floating	The Ashikaga Bank, Ltd.	300	Base rate: 3-month Japanese Yen TIBOR +0.405% (Note 4)	May 2, 2022	October 30, 2026	Lump-sum repayment at maturity
Floating	MUFG Bank, Ltd.	100	Base rate: 3-month Japanese Yen TIBOR +0.579% (Note 5)	May 2, 2022	April 28, 2028	Lump-sum repayment at maturity

(Note 1) Financial fees, etc. payable to lenders are not included in "Interest rate."

(Note 2) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the 3-month Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by JBA TIBOR Administration at the prescribed point in time two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date in the case of the first interest payment due date), the interest rate for the number of months corresponding to the concerned interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.5060%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.6680%.

(Note 5) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.91150%.

(Note 6) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

(b) Issuance of New Investment Units

HRR resolved at the meeting of the Board of Directors held on June 15, 2022 on the following issuance of new investment units. Issue price per investment unit and other matters will be determined at meetings of the Board of Directors to be held in the future.

(Issuance of new investment units through primary offering)

Number of new investment units issued:	10,670 units
Payment date:	A date between June 27, 2022 and June 29, 2022

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

Number of new investment units to be issued:	533 units (maximum)
Payment date:	July 26, 2022
Allottee:	Nomura Securities Co., Ltd.

(Note) If there are no subscription for all or a part of the investment units on or before July 25, 2022, 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 will be allocated to the funds for acquisition of the specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) to be acquired by HRR and its related expenses, which is mentioned in "(c) Acquisition of Assets (Planned)." 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 or part of the funds for repayment of loans in the future.

(c) Acquisition of Assets (Planned)

HRR decided at the meeting of the Board of Directors held on June 15, 2022 to acquire the following asset to be acquired using proceeds in "(b) Issuance of New Investment Units" above, funds acquired through a new borrowing (details for the new borrowing will be determined in the future; the same shall apply hereinafter)

in connection with the primary offering (meaning the primary offering of investment units resolved by the meeting of HRR's Board of Directors held on June 15, 2022; the same shall apply hereinafter) and funds in hand as sources, and plans to acquire the property effective July 1, 2022.

Name of property	Location	Seller	Planned acquisition price (millions of yen) (Note 1)	Planned acquisition date
HOSHINOYA Okinawa	Yomitan-son, Nakagami-gun, Okinawa	Yomitan Hotel Management Co., Ltd.	12,210	July 1, 2022

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

(Note 2) HRR plans to acquire the co-ownership interest of the building, its right of site, etc. (77.47% of the co-ownership) of HOSHINOYA Okinawa. The other co-ownership interest of the building, its right of site, etc. (22.53% of the co-ownership) will continue to be held by Yomitan Hotel Management Co., Ltd., the seller.

(d) Borrowing of Funds (Planned)

HRR resolved at the meeting of the Board of Directors held on June 15, 2022 on a new borrowing as follows to allocate it to part of the funds for acquisition of the real estate stated in "(c) Acquisition of Assets (Planned)" above and its related expenses.

Floating /Fixed	Lender (Note 2)	Planned loan amount (millions of yen) (Note 3)	Interest rate (Note 2) (Note 4)	Planned drawdown date (Note 2)	Maturity date (Note 2)	Repayment method (Note 2)
Floating	MUFG Bank, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	1,900	Base rate: + 0.635% (Note 5)	July 1, 2022	December 29, 2028 (Note 6)	Lump-sum repayment at maturity
	Resona Bank, Limited Mizuho Bank, Ltd.	4,300	Base rate: + 0.740% (Note 5)		December 28, 2029 (Note 6)	

(Note 1) The information has been stated based on the description of a notification of consideration results for loans issued by the financial institutions in relation to this borrowing (hereinafter the "letter of intent on loans"). The actual drawdown of the borrowing has not been guaranteed.

(Note 2) "Lender," "Interest rate," "Planned drawdown date," "Maturity date" and "Repayment method" represent the content of the term sheet to which the letter of intent on loans refers. Actual "Lender," "Interest rate," "Planned drawdown date," "Maturity date" and "Repayment method" may differ from the above information. The same shall apply hereinafter.

(Note 3) "Planned loan amount" represents an estimate calculated by the Asset Management Company based on the estimated amount of total issue value in the primary offering and the estimated amount of total issue value in the third-party allotment (meaning the third-party allotment of investment units resolved by the meeting of HRR's Board of Directors held on June 15, 2022; the same shall apply hereinafter), which were calculated based on the closing price in a regular trading session on Tokyo Stock Exchange as of May 25, 2022, on the basis of the loan amount stated in the letter of intent on loans and the term sheet to which the letter of intent on loans refers. The actual loan amount will be determined under an individual loan agreement that will be concluded after determination of the issue values of the primary offering and the third-party allotment, and may fluctuate due to the total issue value in the primary offering and the total issue value in the third-party allotment, etc. The same shall apply hereinafter.

(Note 4) For the borrowing, as the policy, HRR will conclude an interest rate swap agreement to fix interest rates.

(Note 5) Although an interest rate (floating interest rate) determined based on JBA 3-month Japanese Yen TIBOR will be used as "Base rate," this is the plan as of today, and may be changed.

(Note 6) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date. Although the planned drawdown date is July 1, 2022 as of today, the date may be changed by mutual agreement between HRR and the lender.

(Note 7) In addition to each of the above-mentioned loans, HRR plans to conduct a loan with the maximum of the planned loan amount below in the event that the total amount of proceeds from public offering and each of the above-mentioned loans does not satisfy the funds for the acquisition for the assets to be acquired and related expenses. However, as this loan is only planned to be carried out if the total amount of proceeds from public offering and each of the above-mentioned loans does not satisfy the funds for the acquisition for the assets to be acquired and related expenses, it is not guaranteed that this loan will actually be conducted.

Lender	Planned loan amount (maximum) (millions of yen)	Interest rate	Planned drawdown date	Maturity date	Repayment method
MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	1,300	Base rate: + 0.300% (*)	July 1, 2022	June 30, 2023	Lump-sum repayment at maturity

*Although an interest rate (floating interest rate) determined based on JBA 1-month Japanese Yen TIBOR will be used as "Base rate," this is the plan as of the date of this document, and may be changed.

(e) Change in the Content of Shares (Planned)

Upon the transfer of “HOSHINOYA Okinawa” to HRR as described in “(c) Acquisition of Assets (Planned)” above, Yomitan Hotel Management Co., Ltd. has agreed to redeem all of the Class A preferred shares by acquiring all of them, and to change the provisions regarding dividends of surplus on No. 1 Class B preferred shares, No. 2 Class B preferred shares and No. 3 Class B preferred shares held by HRR as follows, and to make other content changes, subject to the completion of the transfer of “HOSHINOYA Okinawa” and the redemption of all of the Class A preferred shares as conditions precedent. As a result of such changes, with respect to No. 1 Class B preferred shares, No. 2 Class B preferred shares and No. 3 Class B preferred shares held by HRR, only the portion of dividends accrued by July 1, 2022, the planned acquisition date of “HOSHINOYA Okinawa,” will be subject to preferred dividend, and other profit dividends and residual property distributions will have the same rights as those of common shares.

Before the change	After the change
<p>Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> • Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares = paid-in amount per share of No. 1 Class B preferred shares × preferred dividend rate • Dividends of surplus in excess of the amount of No. 1 Class B preferred dividends will not be paid (non-participating type). • If the amount of dividends per share paid to No. 1 Class B preferred shareholders in a certain business year does not reach the amount of No. 1 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares:</p> <ul style="list-style-type: none"> • Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares = accumulated amount of 160,554 yen • In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 1 Class B preferred share in the same amount as the dividend amount per common share.
<p>Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> • Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares = paid-in amount per share of No. 2 Class B preferred shares × preferred dividend rate • Dividends of surplus in excess of the amount of No. 2 Class B preferred dividends will not be paid (non-participating type). • If the amount of dividends per share paid to No. 2 Class B preferred shareholders in a certain business year does not reach the amount of No. 2 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares:</p> <ul style="list-style-type: none"> • Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares = accumulated amount of 130,162 yen • In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 2 Class B preferred share in the same amount as the dividend amount per common share.
<p>Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> • Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares = paid-in amount per share of No. 3 Class B preferred shares × preferred dividend rate • Dividends of surplus in excess of the amount of No. 3 Class B preferred dividends will not be paid (non-participating type). • If the amount of dividends per share paid to No. 3 Class B preferred shareholders in a certain business year does not reach the amount of No. 3 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 3 Class B preferred dividend per share of No. 3 Class B Preferred Shares:</p> <ul style="list-style-type: none"> • Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares = accumulated amount of 107,529 yen • In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 3 Class B preferred share in the same amount as the dividend amount per common share.

Assumptions Underlying Management Status Outlook for Fiscal Period Ending October 2022 and Fiscal Period Ending April 2023

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending October 2022 (19th fiscal period): from May 1, 2022 to October 31, 2022 (184 days) • Fiscal period ending April 2023 (20th fiscal period): from November 1, 2022 to April 30, 2023 (181 days)
Assets under management	<ul style="list-style-type: none"> • The assumptions are that HRR will continue to own, 66 properties with the addition of HOSHINOYA Okinawa to be acquired on July 1, 2022 to the 65 properties held as of the end of the fiscal period under review, three types of the Yomitan Hotel Management Co., Ltd. preferred shares, the TLS5 Specified Purpose Company Class D Loan Receivables and equity interest in the silent partnership with OkuhidaonsenryokanGK. With regard to the three classes of the Yomitan Hotel Management Co., Ltd. preferred shares, only the portion of dividends accrued by the planned acquisition date of “HOSHINOYA Okinawa” without redemption due to the transfer of “HOSHINOYA Okinawa” will be subject to preferred dividend, and other profit dividends and residual property distributions are based on the assumption that rights will change in the same manner as common shares. • 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 April 30, 2023. • The actual number of assets may vary due to acquisitions of new assets, or dispositions of portfolio assets, etc. other than the above.

<p>Operating revenue</p>	<ul style="list-style-type: none"> • 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 5,821 million yen for the fiscal period ending October 2022 and 6,125 million yen for the fiscal period ending April 2023. • In the floating rent calculations for properties with sales-linked floating rent, which account for approximately 19% of HRR's portfolio (based on acquisition prices) of 66 properties with the addition of HOSHINOYA Okinawa to be acquired on July 1, 2022 to the 65 properties owned by HRR as of the date of this document, 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, while calculations of floating rent for the fiscal period ending April 2023 will be based on each property's sales in the period from October 2021 to September 2022. In the floating rent calculations for properties with profit-linked floating rent, which account for approximately 76% (based on acquisition prices) of the portfolio that has 65 properties held by HRR in addition to "HOSHINOYA Okinawa," which is planned to be acquired on July 1, 2022, for a total of 66 properties as of the date of this document, 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, while calculations of floating rent for the fiscal period ending April 2023 will be based on each property's profit from June 2021 to May 2022 (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 October 2022 and April 2023. • For other revenue, interest revenue from the TLS5 Specified Purpose Company Class D Loan Receivables was calculated based on the details of the agreement pertaining to these loan receivables, and is assumed to be 47 million yen for the fiscal period ending October 2022 and 46 million yen for the fiscal period ending April 2023. • 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.
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• 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 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	887	175	-	1,063	
	RISONARE	374	261	-	635	
	KAI	841	258	-	1,100	
	Other	386	-	-	386	
Properties operated by outside operators	Urban tourism	3 ANA Crowne Plaza properties (Note 1)	696	-	-	696
		2 Hyatt properties (Note 1)	502	-	-	502
		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	253	7	-	261
	Other	816	81	10	908	
Total		5,024	784	10	5,819	

(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 April 2023 (20th 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		978	200	-	1,179
		RISONARE		374	309	-	683
		KAI		853	304	-	1,158
		Other		338	-	-	338
	Properties operated by outside operators	Urban tourism	3 ANA Crowne Plaza properties	696	-	-	696
			2 Hyatt properties	521	-	-	521
			4 the b properties	265	-	-	265
			Quintessa Hotel Osaka Shinsaibashi/ hotel androoms Osaka Hommachi/ HOTEL NIKKO KOCHI ASAHI ROYAL/ Sol Vita Hotel Naha	253	65	-	318
		Other		816	134	10	961
Total			5,098	1,014	10	6,123	

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 500 million yen for the fiscal period ending October 2022 and 518 million yen for the fiscal period ending April 2023. 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 HOSHINOYA Okinawa to be acquired on July 1, 2022, the assumption is that fiscal 2023 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, starting from the fiscal period ending April 2023. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of the property is 11 million yen. • Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property; however, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount. • Expenses related to leasing business other than depreciation and amortization, which are calculated by taking into account the factors causing fluctuation in expenses, are assumed to be 1,148 million yen for the fiscal period ending October 2022 and 1,225 million yen for the fiscal period ending April 2023. • Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,593 million yen for the fiscal period ending October 2022 and 1,639 million yen for the fiscal period ending April 2023.
Non-operating expenses	<ul style="list-style-type: none"> • Expenses related to public offering are assumed to be 32 million yen as temporary expenses for the fiscal period ending October 2022. • Interest expenses and other borrowing related expenses are assumed to be 478 million yen for the fiscal period ending October 2022 and 458 million yen for the fiscal period ending April 2023.
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 68,424 million yen. • For the fiscal period ending October 2022, the assumptions include the refinancing of 4,100 million yen in borrowings due for repayment in October 2022, and the repayment of 58 million yen of the borrowings through contractual repayment. • It is assumed that HRR will conduct a total of 6,200 million yen of new borrowings in July 2022 from qualified institutional investors, such as MUFG Bank, Ltd., as provided for by Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act. • For the fiscal period ending April 2023, the assumption is that there will be refinancing of 6,000 million yen in borrowings due for repayment in April 2023, and 37 million yen of the borrowings will be repaid through contractual repayment. • The forecast is that LTV at the end of the fiscal period ending October 2022 is 36.0% and LTV at the end of the fiscal period ending April 2023 is 36.0%. The following formula is used in the calculation of LTV: $\text{LTV} = \text{Balance of interest-bearing liabilities outstanding} / \text{Total assets (forecast)} \times 100$
Investment units	<ul style="list-style-type: none"> • The assumption is that, with regard to the issuance of new investment units through primary offering and issuance of new investment units (maximum of 533 units) through third-party allotment as resolved at the Board of Directors meeting held on June 15, 2022, the maximum of 533 units will all be issued, and the total number of investment units issued and outstanding will be 255,558 units with the addition of 244,355 units, which is 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 April 2023.

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 October 2022 and the fiscal period ending April 2023 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 inurrence 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 June 15, 2022, as amended).

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Assets		
Current assets		
Cash and deposits	8,826,530	10,281,818
Cash and deposits in trust	81,175	134,716
Operating accounts receivable	84,800	146,645
Prepaid expenses	294,850	282,624
Consumption taxes refund receivable	506,973	431,600
Other	1,093	–
Total current assets	9,795,424	11,277,405
Non-current assets		
Property, plant and equipment		
Buildings	92,632,070	100,401,370
Accumulated depreciation	(13,269,501)	(14,567,977)
Buildings, net	79,362,568	85,833,392
Structures	3,991,879	4,529,029
Accumulated depreciation	(505,212)	(564,629)
Structures, net	3,486,667	3,964,400
Machinery and equipment	83,801	83,801
Accumulated depreciation	(59,876)	(63,141)
Machinery and equipment, net	23,925	20,659
Tools, furniture and fixtures	1,085,827	1,116,791
Accumulated depreciation	(556,983)	(593,729)
Tools, furniture and fixtures, net	528,844	523,062
Land	73,132,411	76,837,167
Buildings in trust	5,257,881	5,288,240
Accumulated depreciation	(91,998)	(202,548)
Buildings in trust, net	5,165,882	5,085,692
Structures in trust	37,383	37,383
Accumulated depreciation	(467)	(1,028)
Structures in trust, net	36,916	36,355
Tools, furniture and fixtures in trust	–	224
Accumulated depreciation	–	(6)
Tools, furniture and fixtures in trust, net	–	218
Land in trust	2,567,140	2,567,140
Construction in progress	19,532	49,215
Total property, plant and equipment	164,323,888	174,917,303
Intangible assets		
Leasehold interests in land	4,024,597	4,024,597
Software	55,939	63,902
Total intangible assets	4,080,537	4,088,500
Investments and other assets		
Investment securities	505,365	556,905
Long-term loans receivable	–	750,000
Long-term prepaid expenses	608,030	614,163
Deferred tax assets	5,034	3,075
Guarantee deposits	10,000	10,000
Other	372,060	372,060
Total investments and other assets	1,500,490	2,306,204
Total non-current assets	169,904,916	181,312,009

	(Unit: thousands of yen)	
	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Deferred assets		
Investment corporation bond issuance costs	15,220	13,952
Total deferred assets	15,220	13,952
Total assets	179,715,561	192,603,367

(Unit: thousands of yen)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	247,968	217,363
Short-term borrowings	450,000	–
Current portion of long-term borrowings	9,917,128	10,895,696
Accounts payable - other	752,031	828,891
Income taxes payable	6,472	673
Accrued consumption taxes	33,989	–
Accrued expenses	11,315	10,811
Advances received	817,188	888,113
Total current liabilities	12,236,094	12,841,549
Non-current liabilities		
Long-term borrowings	55,315,701	54,728,559
Investment corporation bonds	2,800,000	2,800,000
Leasehold and guarantee deposits received	3,086,058	3,086,058
Leasehold and guarantee deposits received in trust	120,000	120,000
Total non-current liabilities	61,321,759	60,734,617
Total liabilities	73,557,853	73,576,166
Net assets		
Unitholders' equity		
Unitholders' capital	104,702,180	117,237,175
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	44,746	28,350
Total voluntary retained earnings	44,746	28,350
Unappropriated retained earnings (undisposed loss)	1,410,781	1,761,674
Total surplus	1,455,528	1,790,024
Total unitholders' equity	106,157,708	119,027,200
Total net assets	*2 106,157,708	*2 119,027,200
Total liabilities and net assets	179,715,561	192,603,367

(2) Statement of Income

(Unit: thousands of yen)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021		18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	
Operating revenue				
Leasing business revenue	*1	4,801,785	*1	5,399,628
Gain on sale of real estate properties	*2	38,695		-
Other revenue		-		38,784
Total operating revenue		4,840,480		5,438,413
Operating expenses				
Expenses related to leasing business	*1	2,381,931	*1	2,625,996
Asset management fees		447,603		465,434
Asset custody fees		5,767		5,749
Administrative service fees		24,118		23,436
Remuneration for directors (and other officers)		3,000		3,000
Audit fees		9,265		9,450
Other operating expenses		123,137		104,806
Total operating expenses		2,994,824		3,237,873
Operating profit		1,845,655		2,200,539
Non-operating income				
Interest income		40		44
Insurance claim income		1,819		753
Interest on tax refund		237		539
Miscellaneous income		1,171		8,913
Total non-operating income		3,268		10,249
Non-operating expenses				
Interest expenses		244,124		229,441
Interest expenses on investment corporation bonds		7,135		11,074
Amortization of investment corporation bond issuance costs		921		1,268
Financing fees		165,341		161,919
Investment unit issuance expenses		18,949		42,717
Other		361		53
Total non-operating expenses		436,834		446,475
Ordinary profit		1,412,090		1,764,313
Profit before income taxes		1,412,090		1,764,313
Income taxes - current		6,478		679
Income taxes - deferred		(5,019)		1,959
Total income taxes		1,458		2,639
Profit		1,410,631		1,761,674
Retained earnings brought forward		150		-
Unappropriated retained earnings (undisposed loss)		1,410,781		1,761,674

(3) Statement of Unitholders' Equity

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

(Unit: thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		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

18th fiscal period (from November 1, 2021 to April 30, 2022)

(Unit: thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of period	104,702,180	44,746	44,746	1,410,781	1,455,528	106,157,708	106,157,708
Changes during period							
Issuance of new investment units	12,534,995	-	-	-	-	12,534,995	12,534,995
Reversal of reserve for tax purpose reduction entry	-	(16,396)	(16,396)	16,396	-	-	-
Dividends of surplus	-	-	-	(1,427,177)	(1,427,177)	(1,427,177)	(1,427,177)
Profit	-	-	-	1,761,674	1,761,674	1,761,674	1,761,674
Total changes during period	12,534,995	(16,396)	(16,396)	350,892	334,496	12,869,491	12,869,491
Balance at end of period	*1 117,237,175	28,350	28,350	1,761,674	1,790,024	119,027,200	119,027,200

(4) Statement of Cash Distributions

(Unit: yen)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
I. Unappropriated retained earnings	1,410,781,864	1,761,674,822
II. Reversal of voluntary retained earnings Reversal of reserve for tax purpose reduction entry	16,396,096	287,818
III. Amount of distributions [Amount of distributions per investment unit]	1,427,177,960 [6,344]	1,758,134,225 [7,195]
IV. Retained earnings brought forward	-	3,828,415
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 1,427,177,960 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.	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 1,758,134,225 yen as distributions of earnings, which is almost 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)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,412,090	1,764,313
Depreciation	1,431,690	1,524,875
Loss (gain) on sale of non-current assets	(38,695)	–
Loss on retirement of non-current assets	3,212	898
Amortization of investment corporation bond issuance costs	921	1,268
Interest income	(40)	(44)
Interest expenses	251,260	240,515
Financing fees	165,341	161,919
Investment unit issuance expenses	18,949	42,717
Decrease (increase) in operating accounts receivable	(28,726)	(61,844)
Decrease (increase) in prepaid expenses	(12,421)	12,226
Decrease (increase) in consumption taxes refund receivable	(398,722)	75,372
Increase (decrease) in accrued consumption taxes	(28,443)	(33,989)
Increase (decrease) in operating accounts payable	22,868	36,451
Increase (decrease) in accounts payable - other	150,709	77,059
Increase (decrease) in advances received	68,670	70,924
Decrease (increase) in long-term prepaid expenses	3,981	(6,133)
Other, net	(189,387)	(161,953)
Subtotal	2,833,260	3,744,577
Interest received	40	44
Interest paid	(245,362)	(240,896)
Income taxes paid	(915)	(6,479)
Net cash provided by (used in) operating activities	2,587,023	3,497,246
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,982,265)	(12,165,259)
Purchase of property, plant and equipment in trust	(7,862,405)	(18,986)
Purchase of intangible assets	(483,331)	(9,029)
Proceeds from sale of property, plant and equipment and intangible assets	7,700,000	–
Purchase of investment securities	–	(51,540)
Long-term loan advances	–	(750,000)
Refund of leasehold and guarantee deposits received	(130,678)	–
Proceeds from leasehold and guarantee deposits received	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	(3,603,109)	(12,994,815)

(Unit: thousands of yen)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Cash flows from financing activities		
Repayments of short-term borrowings	(1,249,000)	(450,000)
Proceeds from long-term borrowings	6,200,000	5,450,000
Repayments of long-term borrowings	(5,458,574)	(5,058,574)
Proceeds from issuance of investment units	1,964,199	12,534,995
Payments of investment unit issuance expenses	(18,949)	(42,717)
Proceeds from issuance of investment corporation bonds	1,300,000	—
Payments of investment corporation bond issuance costs	(10,409)	—
Distributions paid	(1,423,169)	(1,427,307)
Net cash provided by (used in) financing activities	1,304,095	11,006,396
Net increase (decrease) in cash and cash equivalents	288,008	1,508,828
Cash and cash equivalents at beginning of period	8,619,696	8,907,705
Cash and cash equivalents at end of period	*1 8,907,705	*1 10,416,534

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Valuation bases and methods of securities	<p>Securities</p> <p>Other securities (available-for-sale securities)</p> <p>Securities without market price, etc.</p> <p>Stated at cost based on the moving-average method.</p> <p>Equity interest in a silent partnership uses a method that incorporates an amount of equivalent equity for the net amount of profit or loss of the silent partnership.</p>										
2. Method of depreciation and amortization of non-current assets	<p>① Property, plant and equipment (including trust assets)</p> <p>The straight-line method is adopted.</p> <p>The useful lives of principal property, plant and equipment are as follows:</p> <table data-bbox="683 674 1169 813"> <tr> <td>Buildings</td> <td>3-57 years</td> </tr> <tr> <td>Structures</td> <td>3-60 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>12-15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>3-20 years</td> </tr> </table> <p>② Intangible assets</p> <p>The straight-line method is adopted.</p> <p>The useful lives of intangible assets are as follows:</p> <table data-bbox="683 925 1145 958"> <tr> <td>Intangible assets</td> <td>4-5 years</td> </tr> </table> <p>③ Long-term prepaid expenses</p> <p>The straight-line method is adopted.</p>	Buildings	3-57 years	Structures	3-60 years	Machinery and equipment	12-15 years	Tools, furniture and fixtures	3-20 years	Intangible assets	4-5 years
Buildings	3-57 years										
Structures	3-60 years										
Machinery and equipment	12-15 years										
Tools, furniture and fixtures	3-20 years										
Intangible assets	4-5 years										
3. Accounting for deferred assets	<p>① Investment unit issuance costs</p> <p>The full amount is recorded as expenses when incurred.</p> <p>② Investment corporation bond issuance costs</p> <p>Amortized by the straight-line method over the period until redemption.</p>										
4. Standards for revenue and expense recognition	<p>① Recognition of revenue</p> <p>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).</p> <p>Sale of real estate, etc.</p> <p>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.</p> <p>② Accounting for fixed asset tax, etc.</p> <p>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.</p> <p>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.</p>										
5. Method of hedge accounting	<p>① Method of hedge accounting</p> <p>For interest rate swaps, special accounting is adopted.</p> <p>② Hedging instruments and hedged items</p> <p>Hedging instruments: Interest rate swap transactions</p> <p>Hedged items: Interest on borrowings</p>										

	<p>③ Hedging policy HRR conducts interest rate swap transactions for the purpose of hedging the risks provided in its Articles of Incorporation based on its financial policy.</p> <p>④ Method of assessment of the effectiveness of hedging Assessment of the effectiveness is omitted, because interest rate swaps meet the requirements for special accounting.</p>
6. Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand, 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.
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; tools, furniture and fixtures 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 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)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
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)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
	50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousands of yen)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
A. Operating revenue from real estate leasing		
Leasing business revenue		
Leasing business revenue	4,801,785	5,399,628
Total operating revenue from real estate leasing	4,801,785	5,399,628
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Insurance expenses	18,333	19,217
Repair expenses	79,956	148,314
Land rent	60,495	60,568
Depreciation and amortization	1,430,257	1,523,363
Loss on retirement of non-current assets	3,212	898
Taxes and dues	435,979	480,153
Operation and management commission expenses	126,718	146,782
Other expenses	226,978	246,697
Total operating expenses from real estate leasing	2,381,931	2,625,996
C. Operating profit (loss) from real estate leasing [A-B]	2,419,853	2,773,631

*2 Breakdown of gain on sale of real estate properties

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

ANA Crowne Plaza Fukuoka

(Unit: thousands of yen)

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

18th fiscal period (from November 1, 2021 to April 30, 2022)
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

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	224,965 units	244,355 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)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Cash and deposits	8,826,530	10,281,818
Cash and deposits in trust	81,175	134,716
Cash and cash equivalents	8,907,705	10,416,534

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Due within 1 year	7,651,816	8,295,712
Due after 1 year	28,929,979	27,823,981
Total	36,581,795	36,119,693

[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

In calculating the fair values of financial instruments, certain premises and assumptions are adopted. Accordingly, there may be cases where the fair values will vary when different premises and assumptions are adopted.

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

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 borrowings” 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	-	-	-

The book value and fair value as of April 30, 2022, and the amount of difference between these, are as follows. Notes to “Cash and deposits” and “Cash and deposits in trust” 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. “Long-term loans receivable,” “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	(10,895,696)	(10,885,766)	(9,929)
(2) Long-term borrowings	(54,728,559)	(54,827,965)	99,406
(3) Investment corporation bonds	(2,800,000)	(2,759,820)	(40,180)
(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)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Unlisted stocks	505,365	505,365

(Note 4) Equity interest in a silent partnership

Concerning equity interest in a silent partnership, HRR applied Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019), and notes on matters stipulated under Paragraph 4 (1) of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) are not provided.

The book value of equity interest in a silent partnership is as follows:

(Unit: thousands of yen)

	17th fiscal period (As of Oct. 31, 2021)	18th fiscal period (As of Apr. 30, 2022)
Equity interest in a silent partnership	-	51,540

(Note 5) 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

Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (April 30, 2022)

(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	10,895,696	13,120,002	11,321,853	11,198,704	11,388,000	7,700,000
Investment corporation bonds	-	-	1,500,000	-	-	1,300,000

[Notes on Securities]

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) are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

18th fiscal period (as of April 30, 2022)

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) are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

In addition, concerning equity interest in a silent partnership (book value of 51,540 thousand yen) a statement of matters stated in Article 8-6-2, Paragraph 3 Item 2 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements has been omitted pursuant to provisions of the same paragraph.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied
17th fiscal period (as of October 31, 2021)
Not applicable.

18th fiscal period (as of April 30, 2022)
Not applicable.

2. Derivative transactions to which hedge accounting is applied
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.

18th fiscal period (as of April 30, 2022)

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	49,251,000	46,451,000	(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.
17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.

18th fiscal period (from November 1, 2021 to April 30, 2022)
Not applicable.

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

18th fiscal period (from November 1, 2021 to April 30, 2022)
Not applicable.

3. Fellow subsidiary, etc.
17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.
- 18th fiscal period (from November 1, 2021 to April 30, 2022)
Not applicable.
4. Director, major individual unitholder, etc.
17th fiscal period (from May 1, 2021 to October 31, 2021)
Not applicable.
- 18th fiscal period (from November 1, 2021 to April 30, 2022)
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)	
	17th fiscal period As of Oct. 31, 2021	18th fiscal period As of Apr. 30, 2022
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	454	3
Excess amount of depreciation	4,580	3,071
Total deferred tax assets	5,034	3,075
Net deferred tax assets	5,034	3,075

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: %)	
	17th fiscal period As of Oct. 31, 2021	18th fiscal period As of Apr. 30, 2022
Statutory tax rate	31.46	31.46
[Adjustments]		
Distributions deductible for tax purpose	(31.80)	(31.35)
Reversal of reserve for tax purpose reduction entry	0.37	0.01
Other	0.07	0.03
Effective income tax rate after application of tax-effect accounting	0.10	0.15

[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)

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Book value (Note 2)		
Balance at beginning of period	165,507,050	167,800,109
Amount of increase (decrease) during period	(Note 3) 2,293,059	(Note 4) 10,569,296
Balance at end of period	167,800,109	178,369,405
Fair value at end of period (Note 5)	180,644,000	192,341,000

(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 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 4) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of KAI Kirishima (3,980,224 thousand yen) and KAI Beppu (7,415,520 thousand yen), while the amount of decrease is mainly attributable to depreciation (1,472,553 thousand yen in total).

(Note 5) “Fair value at end of period” is the appraisal value or investigation value by an outside real estate appraiser.

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

[Notes on 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).

18th fiscal period (from November 1, 2021 to April 30, 2022)

(Unit: thousands of yen)

	Revenue from contracts with customers (Note)	Net sales to external customers
Sale of real estate, etc.	-	-
Other	-	5,438,413
Total	-	5,438,413

(Note) Revenue from the leasing business that is subject to the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and "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.

[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

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, plant and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	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

18th fiscal period (from November 1, 2021 to April 30, 2022)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	720,437	Real estate leasing business
K.K. Horizon Hotels	1,319,669	Real estate leasing business
SHR Roadside Inn Co., Ltd.	628,921	Real estate leasing business

[Notes on Per Unit Information]

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Net assets per unit	471,885 yen	487,107 yen
Profit per unit	6,284 yen	7,282 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.

	17th fiscal period From: May 1, 2021 To: Oct. 31, 2021	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022
Profit (thousands of yen)	1,410,631	1,761,674
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	1,410,631	1,761,674
Average number of investment units during period (units)	224,459	241,891

[Notes on Significant Subsequent Events]

1. Borrowing of Funds (Refinancing of Existing Loans)

As funds to be used for the repayment of existing loans, HRR borrowed the following funds as of May 2, 2022.

Floating /Fixed	Lender	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 6)	Repayment method
Floating	The Bank of Fukuoka, Ltd.	300	Base rate: 3-month Japanese Yen TIBOR +0.300% (Note 3)	May 2, 2022	April 30, 2025	Lump-sum repayment at maturity
Floating	The Ashikaga Bank, Ltd.	300	Base rate: 3-month Japanese Yen TIBOR +0.405% (Note 4)	May 2, 2022	October 30, 2026	Lump-sum repayment at maturity
Floating	MUFG Bank, Ltd.	100	Base rate: 3-month Japanese Yen TIBOR +0.579% (Note 5)	May 2, 2022	April 28, 2028	Lump-sum repayment at maturity

(Note 1) Financial fees, etc. payable to lenders are not included in "Interest rate."

(Note 2) The base rate applicable to the interest calculation period for the interest payable on an interest payment due date shall be, of the 3-month Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by JBA TIBOR Administration at the prescribed point in time two business days prior to the interest payment due date immediately preceding that interest payment due date (the drawdown date in the case of the first interest payment due date), the interest rate for the number of months corresponding to the concerned interest calculation period. However, if there is no rate corresponding to the concerned period, then it shall be the base rate calculated based on the method provided in the contract.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.5060%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.6680%.

(Note 5) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.91150%.

(Note 6) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

2. Issuance of New Investment Units

HRR resolved at the meeting of the Board of Directors held on June 15, 2022 on the following issuance of new investment units. Issue price per investment unit and other matters will be determined at meetings of the Board of Directors to be held in the future.

(Issuance of new investment units through primary offering)

Number of new investment units issued: 10,670 units
 Payment date: A date between June 27, 2022 and June 29, 2022

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

Number of new investment units to be issued: 533 units (maximum)
 Payment date: July 26, 2022
 Allottee: Nomura Securities Co., Ltd.

(Note) If there are no subscription for all or a part of the investment units on or before July 25, 2022 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 will be allocated to the funds for acquisition of the specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act) to be acquired by HRR and its related expenses, which is mentioned in "3. Acquisition of Assets (Planned)." 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 or part of the funds for repayment of loans in the future.

3. Acquisition of Assets (Planned)

HRR decided at the meeting of the Board of Directors held on June 15, 2022 to acquire the following asset to be acquired using proceeds in “2. Issuance of New Investment Units” above, funds acquired through a new borrowing (details for the new borrowing will be determined in the future; the same shall apply hereinafter) in connection with the primary offering (meaning the primary offering of investment units resolved by the meeting of HRR’s Board of Directors held on June 15, 2022; the same shall apply hereinafter) and funds in hand as sources, and plans to acquire the property effective July 1, 2022.

Name of property	Location	Seller	Planned acquisition price (millions of yen) (Note 1)	Planned acquisition date
HOSHINOYA Okinawa	Yomitan-son, Nakagami-gun, Okinawa	Yomitan Hotel Management Co., Ltd.	12,210	July 1, 2022

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

(Note 2) HRR plans to acquire the co-ownership interest of the building, its right of site, etc. (77.47% of the co-ownership) of HOSHINOYA Okinawa. The other co-ownership interest of the building, its right of site, etc. (22.53% of the co-ownership) will continue to be held by Yomitan Hotel Management Co., Ltd., the seller.

4. Borrowing of Funds (Planned)

HRR resolved at the meeting of the Board of Directors held on June 15, 2022 on a new borrowing as follows to allocate it to part of the funds for acquisition of the real estate stated in “3. Acquisition of Assets (Planned)” above and its related expenses.

Floating /Fixed	Lender (Note 2)	Planned loan amount (millions of yen) (Note 3)	Interest rate (Note 2) (Note 4)	Planned drawdown date (Note 2)	Maturity date (Note 2)	Repayment method (Note 2)
Floating	MUFG Bank, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation	1,900	Base rate: + 0.635% (Note 5)	July 1, 2022	December 29, 2028 (Note 6)	Lump-sum repayment at maturity
	Resona Bank, Limited Mizuho Bank, Ltd.	4,300	Base rate: + 0.740% (Note 5)		December 28, 2029 (Note 6)	

(Note 1) The information has been stated based on the description of a notification of consideration results for loans issued by the financial institutions in relation to this borrowing (hereinafter the “letter of intent on loans”). The actual drawdown of the borrowing has not been guaranteed.

(Note 2) “Lender,” “Interest rate,” “Planned drawdown date,” “Maturity date” and “Repayment method” represent the content of the term sheet to which the letter of intent on loans refers. Actual “Lender,” “Interest rate,” “Planned drawdown date,” “Maturity date” and “Repayment method” may differ from the above information. The same shall apply hereinafter.

(Note 3) “Planned loan amount” represents an estimate calculated by the Asset Management Company based on the estimated amount of total issue value in the primary offering and the estimated amount of total issue value in the third-party allotment (meaning the third-party allotment of investment units resolved by the meeting of HRR’s Board of Directors held on June 15, 2022; the same shall apply hereinafter), which were calculated based on the closing price in a regular trading session on Tokyo Stock Exchange as of May 25, 2022, on the basis of the loan amount stated in the letter of intent on loans and the term sheet to which the letter of intent on loans refers. The actual loan amount will be determined under an individual loan agreement that will be concluded after determination of the issue values of the primary offering and the third-party allotment, and may fluctuate due to the total issue value in the primary offering and the total issue value in the third-party allotment, etc. The same shall apply hereinafter.

(Note 4) For the borrowing, as the policy, HRR will conclude an interest rate swap agreement to fix interest rates.

(Note 5) Although an interest rate (floating interest rate) determined based on JBA 3-month Japanese Yen TIBOR will be used as “Base rate,” this is the plan as of today, and may be changed.

(Note 6) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date. Although the planned drawdown date is July 1, 2022 as of today, the date may be changed by mutual agreement between HRR and the lender.

(Note 7) In addition to each of the above-mentioned loans, HRR plans to conduct a loan with the maximum of the planned loan amount below in the event that the total amount of proceeds from public offering and each of the above-mentioned loans does not satisfy the funds for the acquisition for the assets to be acquired and related expenses. However, as this loan is only planned to be carried out if the total amount of proceeds from public offering and each of the above-mentioned loans does not satisfy the funds for the acquisition for the assets to be acquired and related expenses, it is not guaranteed that this loan will actually be conducted.

Lender	Planned loan amount (maximum) (millions of yen)	Interest rate	Planned drawdown date	Maturity date	Repayment method
MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	1,300	Base rate: + 0.300% (*)	July 1, 2022	June 30, 2023	Lump-sum repayment at maturity

*Although an interest rate (floating interest rate) determined based on JBA 1-month Japanese Yen TIBOR will be used as “Base rate,” this is the plan as of the date of this document, and may be changed.

5. Change in the Content of Shares (Planned)

Upon the transfer of “HOSHINOYA Okinawa” to HRR as described in “3. Acquisition of Assets (Planned)” above, Yomitan Hotel Management Co., Ltd. has agreed to redeem all of the Class A preferred shares by acquiring all of them, and to change the provisions regarding dividends of surplus on No. 1 Class B preferred shares, No. 2 Class B preferred shares and No. 3 Class B preferred shares held by HRR as follows, and to make other content changes, subject to the completion of the transfer of “HOSHINOYA Okinawa” and the redemption of all of the Class A preferred shares as conditions precedent. As a result of such changes, with respect to No. 1 Class B preferred shares, No. 2 Class B preferred shares and No. 3 Class B preferred shares held by HRR, only the portion of dividends accrued by July 1, 2022, the planned acquisition date of “HOSHINOYA Okinawa,” will be subject to preferred dividend, and other profit dividends and residual property distributions will have the same rights as those of common shares.

Before the change	After the change
<p>Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares = paid-in amount per share of No. 1 Class B preferred shares × preferred dividend rate Dividends of surplus in excess of the amount of No. 1 Class B preferred dividends will not be paid (non-participating type). If the amount of dividends per share paid to No. 1 Class B preferred shareholders in a certain business year does not reach the amount of No. 1 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares:</p> <ul style="list-style-type: none"> Amount of No. 1 Class B preferred dividend per share of No. 1 Class B preferred shares = accumulated amount of 160,554 yen In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 1 Class B preferred share in the same amount as the dividend amount per common share.
<p>Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares = paid-in amount per share of No. 2 Class B preferred shares × preferred dividend rate Dividends of surplus in excess of the amount of No. 2 Class B preferred dividends will not be paid (non-participating type). If the amount of dividends per share paid to No. 2 Class B preferred shareholders in a certain business year does not reach the amount of No. 2 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares:</p> <ul style="list-style-type: none"> Amount of No. 2 Class B preferred dividend per share of No. 2 Class B preferred shares = accumulated amount of 130,162 yen In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 2 Class B preferred share in the same amount as the dividend amount per common share.

Before the change	After the change
<p>Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares: amount calculated by the following formula</p> <ul style="list-style-type: none"> • Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares = paid-in amount per share of No. 3 Class B preferred shares × preferred dividend rate • Dividends of surplus in excess of the amount of No. 3 Class B preferred dividends will not be paid (non-participating type). • If the amount of dividends per share paid to No. 3 Class B preferred shareholders in a certain business year does not reach the amount of No. 3 Class B preferred dividends, the shortfall will be accumulated in the following and subsequent business years. 	<p>Amount of No. 3 Class B preferred dividend per share of No. 3 Class B Preferred Shares:</p> <ul style="list-style-type: none"> • Amount of No. 3 Class B preferred dividend per share of No. 3 Class B preferred shares = accumulated amount of 107,529 yen • In the event of a dividend of surplus in excess of the above preferred dividend amount, the Company shall, in the same order as common shareholders or common registered share pledgees, pay a dividend of surplus per No. 3 Class B preferred share in the same amount as the dividend amount per common share.

[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.

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

HRR carried out capital increase through public offering (19,390 units) in November 2021, and procured funds of 12,534,995 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	
May 1, 2017	Capital increase through public offering	4,705,163	77,296,787	8,720	172,234	(Note 1)
May 23, 2017	Capital increase through third-party allotment	235,258	77,532,045	436	172,670	(Note 2)
November 1, 2017	Capital increase through public offering	19,616,644	97,148,689	38,160	210,830	(Note 3)
November 28, 2017	Capital increase through third-party allotment	980,832	98,129,521	1,908	212,738	(Note 4)
May 1, 2018	Capital increase through public offering	4,389,249	102,518,771	8,690	221,428	(Note 5)
May 22, 2018	Capital increase through third-party allotment	219,209	102,737,981	434	221,862	(Note 6)
May 31, 2021	Capital increase through third-party allotment	1,964,199	104,702,180	3,103	224,965	(Note 7)
November 24, 2021	Capital increase through public offering	12,534,995	117,237,175	19,390	244,355	(Note 8)

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

(Note 8) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 669,825 yen (paid-in amount of 646,467 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 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	7,070	3.7
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,167	1.6
	Hotel	Yamanashi	HOSHINOYA Fuji	3,893	2.0
	Hotel	Okinawa	HOSHINOYA Taketomi Island	4,764	2.5
	Hotel	Yamanashi	RISONARE Yatsugatake	5,807	3.0
	Hotel	Shizuoka	RISONARE Atami	4,481	2.3
	Ryokan	Nagano	KAI Matsumoto	683	0.4
	Ryokan	Shimane	KAI Tamatsukuri (Note 4)	959	0.5
	Ryokan	Shizuoka	KAI Ito	1,252	0.7
	Ryokan	Kanagawa	KAI Hakone	1,143	0.6
	Ryokan	Oita	KAI Aso	615	0.3
	Ryokan	Tochigi	KAI Kawaji	1,062	0.6
	Ryokan	Tochigi	KAI Kinugawa	2,926	1.5
	Ryokan	Ishikawa	KAI Kaga	2,953	1.5
	Ryokan	Nagano	KAI Alps	2,959	1.5
	Ryokan	Shizuoka	KAI Enshu	1,149	0.6
	Ryokan	Yamaguchi	KAI Nagato	2,753	1.4
	Ryokan	Kagoshima	KAI Kirishima	3,963	2.1
	Ryokan	Oita	KAI Beppu	7,371	3.8
	Hotel	Hokkaido	OMO7 Asahikawa	5,042	2.6
	Hotel	Okinawa	Iriomote Hotel	3,735	1.9
	Hotel	Nagano	BEB5 Karuizawa	2,107	1.1
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,533	9.1
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,656	3.5
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,899	2.0
	Hotel	Osaka	Hyatt Regency Osaka	16,154	8.4
	Hotel	Tokyo	the b akasaka	4,815	2.5
	Hotel	Tokyo	the b sangenjaya	4,445	2.3
	Hotel	Aichi	the b nagoya	4,480	2.3
	Hotel	Hyogo	the b kobe	7,027	3.6
	Hotel	Osaka	Quintessa Hotel Osaka Shinsaibashi	3,339	1.7
	Hotel	Osaka	hotel androoms Osaka Hommachi	4,290	2.2
Hotel	Kochi	HOTEL NIKKO KOCHI ASAHI ROYAL	2,229	1.2	

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	Okinawa	Sol Vita Hotel Naha	3,863	2.0
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	668	0.3
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	709	0.4
	Hotel	Nagano	Chisun Inn Suwa IC	636	0.3
	Hotel	Aichi	Chisun Inn Toyokawa IC	585	0.3
	Hotel	Saga	Chisun Inn Tosu	490	0.3
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	751	0.4
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	603	0.3
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	689	0.4
	Hotel	Fukui	Chisun Inn Fukui	633	0.3
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	649	0.3
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	620	0.3
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	598	0.3
	Hotel	Ibaraki	Chisun Inn Hitachinaka	694	0.4
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	718	0.4
	Hotel	Yamanashi	Chisun Inn Kofu Isawa	627	0.3
	Hotel	Kagawa	Chisun Inn Marugame Zentsuji	563	0.3
	Hotel	Fukuoka	Chisun Inn Munakata	484	0.3
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	668	0.3
	Hotel	Nagano	Chisun Inn Karuizawa	756	0.4
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	603	0.3
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	696	0.4
	Hotel	Aichi	Candeo Hotels Handa	573	0.3
	Hotel	Nagano	Candeo Hotels Chino	721	0.4
	Hotel	Hiroshima	Candeo Hotels Fukuyama	976	0.5
	Hotel	Tochigi	Candeo Hotels Sano	1,195	0.6
Hotel	Mie	Candeo Hotels Kameyama	465	0.2	
Hotel	Hokkaido	Comfort Hotel Hakodate	869	0.5	
Hotel	Hokkaido	Comfort Hotel Tomakomai	887	0.5	
Hotel	Hiroshima	Comfort Hotel Kure	1,066	0.6	
Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	1,871	1.0	
Real estate subtotal				170,680	88.6
Real estate in trust	Hotel	Fukuoka	Grand Hyatt Fukuoka	7,689	4.0
Real estate in trust subtotal				7,689	4.0

Investment securities	556	0.3
Long-term loans receivable	750	0.4
Deposits and other assets	12,927	6.7
Total assets (Note 3)	192,603	100.0
Total liabilities (Note 3)	73,576	38.2
Total net assets (Note 3)	119,027	61.8

(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.

(Note 4) HRR changed the name of "KAI Izumo" to "KAI Tamatsukuri" on April 1, 2022. The same shall apply hereinafter.

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.

a. Shares

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 April 30, 2022), which had been prepared by Plutus Consulting Co., Ltd. The unit prices of the appraisal values of the aforementioned shares stated in the said report, were 660 thousand yen per share of No. 1 Class B preferred shares, 630 thousand yen per share of No. 2 Class B preferred shares, and 607 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 219,303 thousand yen for the No. 1 Class B preferred shares, 209,843 thousand yen for the No. 2 Class B preferred shares and 202,914 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. Securities other than shares

Type	Name of securities	Amount	Book values (thousands of yen)		Appraisal value (thousands of yen) (Note 1)		Gain (loss) on valuation of investment securities (thousands of yen) (Note 2)	Ratio to total assets (%) (Note 3)
			Unit Price	Amount	Unit Price	Amount		
Equity interest in a silent partnership	Equity interest in a silent partnership with Okuhidaonsenryokan GK	–	–	51,540	–	51,540	–	0.0

(Note 1) “Appraisal value” amounts are the book value.

(Note 2) “Gain (loss) on valuation of investment securities” is the difference between book value and appraisal value as of the end of the fiscal period under review, 2022 and is stated as “–” if they are the same amount.

(Note 3) The “Ratio to total assets” is rounded to one decimal place.

(Note 4) 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.

(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	7,070	12,000	4.3	NV	
		H-2	HOSHINOYA Kyoto	2,878	3,167	4,240	1.6	NV	
		H-3	HOSHINOYA Fuji	4,160	3,893	4,360	2.4	NV	
		H-4	HOSHINOYA Taketomi Island	4,955	4,764	4,980	2.8	NV	
		Subtotal		19,593	18,895	25,580	11.1	–	
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,807	7,560	2.5	NV	
		R-2	RISONARE Atami	3,750	4,481	4,890	2.1	NV	
		Subtotal		8,250	10,289	12,450	4.7	–	
	KAI	K-1	KAI Matsumoto	600	683	810	0.3	JMK	
		K-2	KAI Tamatsukuri	680	959	887	0.4	JMK	
		K-3	KAI Ito	670	1,252	1,610	0.4	JMK	
		K-4	KAI Hakone	950	1,143	1,330	0.5	JMK	
		K-5	KAI Aso	575	615	712	0.3	JMK	
		K-6	KAI Kawaji	1,000	1,062	1,180	0.6	JMK	
		K-7	KAI Kinugawa	3,080	2,926	3,290	1.7	JMK	
		K-8	KAI Kaga	3,160	2,953	3,330	1.8	JMK	
		K-9	KAI Alps	3,060	2,959	3,150	1.7	NV	
		K-10	KAI Enshu	1,050	1,149	1,090	0.6	JMK	
		K-11	KAI Nagato	2,750	2,753	2,910	1.6	JREI	
		K-12	KAI Kirishima	3,913	3,963	4,040	2.2	JREI	
		K-13	KAI Beppu	7,335	7,371	7,660	4.1	JREI	
		Subtotal		28,823	29,793	31,999	16.3	–	
	Other	O-35	OMO7 Asahikawa	4,619	5,042	4,620	2.6	RC	
		O-43	Iriomote Hotel	3,650	3,735	3,750	2.1	NV	
		O-45	BEB5 Karuizawa	2,170	2,107	2,250	1.2	NV	
		Subtotal		10,439	10,885	10,620	5.9	–	
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,533	18,700	10.1	RC
			O-33	ANA Crowne Plaza Kanazawa	6,609	6,656	6,240	3.7	RC
			O-34	ANA Crowne Plaza Toyama	4,008	3,899	3,980	2.3	RC
			O-36	Hyatt Regency Osaka	16,000	16,154	14,800	9.0	NV
			O-37	the b akasaka	4,860	4,815	4,620	2.7	RC
			O-38	the b sangenjaya	4,420	4,445	4,240	2.5	RC
			O-39	the b nagoya	4,500	4,480	4,140	2.5	RC
O-40			the b kobe	7,020	7,027	6,250	4.0	RC	
O-41			Quintessa Hotel Osaka Shinsaibashi	3,339	3,339	3,440	1.9	NV	
O-42			hotel androoms Osaka Hommachi	4,238	4,290	3,340	2.4	RC	
O-44			HOTEL NIKKO KOCHI ASAHI ROYAL	2,200	2,229	2,260	1.2	NV	
O-46			Sol Vita Hotel Naha	3,860	3,863	3,850	2.2	NV	
O-47			Grand Hyatt Fukuoka	7,700	7,689	8,770	4.4	RC	
Subtotal			86,538	86,426	84,630	48.9	–		

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	668	819	0.4	NV
		O-2	Chisun Inn Sano Fujioka IC	742	709	915	0.4	JMK
		O-3	Chisun Inn Suwa IC	658	636	827	0.4	NV
		O-4	Chisun Inn Toyokawa IC	602	585	726	0.3	NV
		O-5	Chisun Inn Tosu	504	490	643	0.3	NV
		O-6	Chisun Inn Chiba Hamano R16	798	751	1,000	0.5	JMK
		O-7	Chisun Inn Kumamoto Miyukifueda	616	603	729	0.3	NV
		O-8	Chisun Inn Utsunomiya Kanuma	714	689	831	0.4	JMK
		O-9	Chisun Inn Fukui	644	633	798	0.4	NV
		O-10	Chisun Inn Fukushima Nishi IC	672	649	753	0.4	JMK
		O-11	Chisun Inn Niigata Chuo IC	630	620	766	0.4	NV
		O-12	Chisun Inn Nagasaki Airport	630	598	758	0.4	NV
		O-13	Chisun Inn Hitachinaka	742	694	902	0.4	JMK
		O-14	Chisun Inn Tsuchiura Ami	770	718	903	0.4	JMK
		O-15	Chisun Inn Kofu Isawa	658	627	782	0.4	NV
		O-16	Chisun Inn Marugame Zentsuji	588	563	726	0.3	NV
		O-17	Chisun Inn Munakata	504	484	624	0.3	NV
		O-18	Chisun Inn Iwate Ichinoseki IC	700	668	767	0.4	JMK
		O-19	Chisun Inn Karuizawa	812	756	1,080	0.5	NV
		O-20	Chisun Inn Himeji Yumesakibashi	616	603	735	0.3	NV
		O-21	Chisun Inn Kurashiki Mizushima	728	696	860	0.4	NV
		O-22	Candeo Hotels Handa	620	573	646	0.4	RC
		O-23	Candeo Hotels Chino	793	721	865	0.4	RC
		O-24	Candeo Hotels Fukuyama	1,075	976	1,160	0.6	RC
		O-25	Candeo Hotels Sano	1,260	1,195	1,440	0.7	RC
		O-26	Candeo Hotels Kameyama	470	465	464	0.3	RC
		O-27	Comfort Hotel Hakodate	937	869	961	0.5	NV
		O-28	Comfort Hotel Tomakomai	963	887	972	0.5	NV
		O-29	Comfort Hotel Kure	1,100	1,066	1,160	0.6	NV
		O-30	Chisun Inn Kagoshima Taniyama	1,995	1,871	2,450	1.1	RC
		Subtotal	23,213	22,079	27,062	13.1	–	
		Total	176,856	178,369	192,341	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 April 30, 2022 as the date of value.

(Note 4) "Share of investment" is acquisition price of the property expressed as a percentage of the sum total of acquisition price, rounded to one decimal place.

(Note 5) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:

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

JMK: JLL Morii Valuation & Advisory K.K.

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

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) (Note 1)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m ²) (Note 3)	Leasable area (m ²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	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	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	2,103.55	August 2015	184	2,103.55	2,103.55	1(0)	40
		H-4	HOSHINOYA Taketomi Island (Note 6)	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	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(19)	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(19)
	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 Tamatsukuri	Matsue-shi, Shimane (Chugoku-Shikoku region)	11,321.56	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	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 7)	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) (Note 1)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m ²) (Note 3)	Leasable area (m ²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	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	4,767.66	November 2019	165	4,767.66	4,767.66	1(0)	40
	K-12	KAI Kirishima	Kirishima-shi, Kagoshima (Kyushu-Okinawa region)	105,194.73	5,360.73	October 2020	182	5,360.73	5,360.73	1(0)	49
	K-13	KAI Beppu	Beppu-shi, Oita (Kyushu-Okinawa region)	2,807.60	7,822.41	February 2021	324	7,822.41	7,822.41	1(0)	70
	Subtotal			247,085.95	68,531.30	—	1,648	68,515.10	68,515.10	13(0)	514

Investment category	Property no.	Name of property	Location	Site area (m ²) (Note 1)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m ²) (Note 3)	Leasable area (m ²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	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(3)	237
		O-43	Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	68,928.47	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(3)
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 8)	42,727.85 (Note 9)	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 10)	61,448.41 (Note 11)	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	26,209.92 (Note 12)	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(1)	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 13)	8,058.64	April 1981 (Note 14)	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(10)	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 15)	39,701.27 (Note 16)	March 1996	813	35,048.87 (Note 17)	35,048.87 (Note 18)	1(5)	372
		Subtotal				94,205.58	302,356.54	—	3,212	245,085.07	245,085.07	14(40)

Investment category	Property no.	Name of property	Location	Site area (m ²) (Note 1)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m ²) (Note 3)	Leasable area (m ²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	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 19)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 20)	1,968.02 (Note 20)	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) (Note 1)	Total floor area (m ²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m ²) (Note 3)	Leasable area (m ²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)	
Properties operated by outside operators	Other	O-22	Candeo Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72	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	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	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				926,455.02	565,480.69	–	9,252	508,193.02	508,193.02	66(80)	7,780	

(Note 1) Ownership and leasing relationships of the buildings and land of the following owned properties are as follows:

HOSHINOYA Karuizawa	HRR owns the building only and does not own the land. The land is leased from the owner.
ANA Crowne Plaza Toyama	
Candeo Hotels Chino	
HOSHINOYA Fuji	HRR owns the building only and does not own the land. The land is subleased from the lessee.
HOSHINOYA Taketomi Island	
RISONARE Yatsugatake	HRR leases a portion (55,274.81 m ²) of the land from the owner.
KAI Tamatsukuri	HRR leases a portion (2,966.21 m ²) of the land from the owner.
KAI Kawaji	HRR leases a portion (696.95 m ²) of the land from the owner.
KAI Nagato	HRR leases a portion (5,796.24 m ²) of the land from the owner.
Iriomote Hotel	HRR leases a portion (9,113.00 m ²) of the land from the owner.
Candeo Hotels Handa	HRR leases a portion (991.72 m ²) of the land from the owner.
Candeo Hotels Sano	HRR leases a portion (740.62 m ²) of the land from the owner.

(Note 2) 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 Greens 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 floating 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 floating 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 floating 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 November 1, 2021 till April 30, 2022, due to the impact, etc. of the spread of COVID-19. The same shall apply hereinafter.

(Note 3) 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 4) "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 5) Unknown because HRR has not received relative documentation from the previous owner.
- (Note 6) 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 7) Not used for lodging as of the end of the fiscal period under review.
- (Note 8) 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 9) 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 10) 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 11) 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 12) 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 13) 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 14) 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 15) 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 16) 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 Hakata · 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 17) 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 18) 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 19) 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 20) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of 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.

c. Summary of Real Estate Appraisal Report, Etc.

The following is a summary of the real estate appraisal report, etc. with April 30, 2022 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	4,250	5.8	4,230	5.4	6.2	249	8.6
		H-3	HOSHINOYA Fuji	NV	4,360	4,360	6.1	4,350	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				25,580	25,680	-	25,360	-	-	1,474
	RISONARE	R-1	RISONARE Yatsugatake	NV	7,560	7,250	5.5	7,870	5.5	6.0	533	11.8
		R-2	RISONARE Atami	NV	4,890	4,770	5.2	5,010	5.0	5.5	293	7.8
		Subtotal				12,450	12,020	-	12,880	-	-	826
	KAI	K-1	KAI Matsumoto	JMK	810	818	5.9	802	5.7	6.1	65	10.8
		K-2	KAI Tamatsukuri	JMK	887	892	6.0	882	5.8	6.2	64	9.4
		K-3	KAI Ito	JMK	1,610	1,630	5.7	1,580	5.5	5.9	108	16.0
		K-4	KAI Hakone	JMK	1,330	1,340	5.7	1,320	5.5	5.9	91	9.6
		K-5	KAI Aso	JMK	712	716	6.1	708	5.9	6.3	48	8.3
		K-6	KAI Kawaji	JMK	1,180	1,190	5.8	1,160	5.6	6.0	87	8.7
		K-7	KAI Kinugawa	JMK	3,290	3,320	5.5	3,260	5.3	5.7	187	6.1
		K-8	KAI Kaga	JMK	3,330	3,360	5.5	3,290	5.3	5.7	190	6.0
		K-9	KAI Alps	NV	3,150	3,200	5.4	3,100	5.1	5.6	178	5.8
		K-10	KAI Enshu	JMK	1,090	1,090	5.6	1,090	5.4	5.8	84	8.0
		K-11	KAI Nagato	JREI	2,910	2,930	5.4	2,880	5.0	5.5	166	6.0
		K-12	KAI Kirishima	JREI	4,040	4,090	5.3	3,980	5.0	5.4	228	5.8
		K-13	KAI Beppu	JREI	7,660	7,750	5.0	7,570	4.8	5.2	392	5.3
		Subtotal				31,999	32,326	-	31,622	-	-	1,886
	Other	O-35	OMO7 Asahikawa	RC	4,620	4,580	4.9	4,640	4.7	5.1	339	7.3
		O-43	Iriomote Hotel	NV	3,750	3,810	5.3	3,690	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				10,620	10,640	-	10,580	-	-	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	1,012	5.7		
		O-33	ANA Crowne Plaza Kanazawa	RC	6,240	6,600	4.7	6,080	4.5	4.9	402	6.1		
		O-34	ANA Crowne Plaza Toyama	RC	3,980	4,110	4.8	3,930	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	957	6.0		
		O-37	the b akasaka	RC	4,620	4,830	4.1	4,530	3.9	4.3	226	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	4,140	4,360	4.3	4,050	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	339	4.8		
		O-41	Quintessa Hotel Osaka Shinsaibashi	NV	3,440	3,520	4.6	3,350	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	3,850	3,830	4.6	3,870	4.2	4.6	198	5.1		
		O-47	Grand Hyatt Fukuoka	RC	8,770	8,910	4.6	8,710	4.3	4.7	639	8.3		
		Subtotal					84,630	87,480	-	83,190	-	-	4,986	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	809	5.7	6.1	52	7.8
		O-2	Chisun Inn Sano Fujioka IC	JMK	915	909	5.9	920	5.7	6.1	56	7.5
		O-3	Chisun Inn Suwa IC	NV	827	831	6.0	822	5.8	6.2	54	8.3
		O-4	Chisun Inn Toyokawa IC	NV	726	734	5.9	718	5.7	6.1	45	7.5
		O-5	Chisun Inn Tosu	NV	643	654	6.0	632	5.8	6.3	41	8.2
		O-6	Chisun Inn Chiba Hamano R16	JMK	1,000	1,020	5.6	983	5.4	5.8	59	7.4
		O-7	Chisun Inn Kumamoto Miyukifueda	NV	729	739	6.2	718	6.0	6.5	48	7.8
		O-8	Chisun Inn Utsunomiya Kanuma	JMK	831	844	6.1	818	5.9	6.3	54	7.6
		O-9	Chisun Inn Fukui	NV	798	797	6.2	799	6.0	6.4	52	8.1
		O-10	Chisun Inn Fukushima Nishi IC	JMK	753	765	6.2	741	6.0	6.4	50	7.4
		O-11	Chisun Inn Niigata Chuo IC	NV	766	774	6.0	758	5.8	6.2	49	7.8
		O-12	Chisun Inn Nagasaki Airport	NV	758	761	6.0	754	5.8	6.2	48	7.6
		O-13	Chisun Inn Hitachinaka	JMK	902	916	5.9	887	5.7	6.1	57	7.6
		O-14	Chisun Inn Tsuchiura Ami	JMK	903	916	5.8	890	5.6	6.0	55	7.2
		O-15	Chisun Inn Kofu Isawa	NV	782	788	6.1	775	5.9	6.3	52	7.9
		O-16	Chisun Inn Marugame Zentsuji	NV	726	735	6.2	716	6.0	6.4	48	8.1
		O-17	Chisun Inn Munakata	NV	624	634	6.1	614	5.9	6.4	41	8.1
		O-18	Chisun Inn Iwate Ichinoseki IC	JMK	767	778	6.2	756	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	735	745	6.2	725	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	860	871	6.0	848	5.8	6.2	55	7.5
		O-22	Candeo Hotels Handa	RC	646	646	5.4	646	5.2	5.6	41	6.6
		O-23	Candeo Hotels Chino	RC	865	868	5.6	864	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	464	464	5.9	464	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	2,450	2,480	5.6	2,430	5.4	5.8	152	7.6
		Subtotal				27,062	27,296	-	26,824	-	-	1,702
Total				192,341	195,442	-	190,456	-	-	11,583	6.5	

(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.)

JREI: Japan Real Estate Institute

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with April 30, 2022 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	5.7	33,853.45	6.7
		RISONARE Atami	November 1, 2035	223	2.4	23,385.18	4.6
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	6.5	32,332.00	6.4
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	5.9	23,835.00	4.7
		ANA Crowne Plaza Toyama	November 1, 2035	240	2.6	21,600.11	4.3
		Total		2,140	23.1	135,005.74	26.6
HRO Inc.	Hotel	Hyatt Regency Osaka	October 31, 2036	-	-	80,197.60	15.8
		Total		-	-	80,197.60	15.8
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.5	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	0.6	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	0.5	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	0.5	1,968.02	0.4
		Chisun Inn Karuizawa	May 1, 2024	57	0.6	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	1.0	8,066.36	1.6		
Total		1,095	11.8	51,030.56	10.0		

(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	11.1
	RISONARE	2	8,250	4.7
	KAI	13	28,823	16.3
	Other	3	10,439	5.9
	Subtotal	22	67,105	37.9
Properties operated by outside operators	Urban tourism	13	86,538	48.9
	Other	30	23,213	13.1
	Subtotal	43	109,751	62.1
Total		65	176,856	100.0

ii. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	4.5
Kanto region	11	19,336	10.9
Hokuriku region	4	14,421	8.2
Chubu region	19	37,975	21.5
Kinki region	6	34,091	19.3
Chugoku-Shikoku region	8	26,905	15.2
Kyushu-Okinawa region	12	36,237	20.5
Total	65	176,856	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	176,856	100.0	176,856	100.0
More than 10 years	158,661	89.7	155,661	88.0
10 years or less	18,195	10.3	21,195	12.0

(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	176,856	100.0
Fixed-term lease contract	176,856	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	5,399,628	406,385	114,975	182,448	109,560	369,012	254,683
Fixed rent	4,590,325	315,000	101,898	92,430	109,560	262,500	111,600
Floating rent	797,200	91,385	13,067	90,018	-	106,512	143,056
Other rent	10,800	-	-	-	-	-	-
Other revenue	1,303	-	10	-	-	-	27
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	1,101,734	43,849	9,563	16,050	16,218	70,431	43,401
Maintenance expenses	208,192	2,649	1,569	369	3,474	13,911	3,285
Taxes and dues	480,153	12,763	2,076	3,287	1,747	22,532	25,483
Insurance expenses	19,217	580	152	215	194	1,562	674
Land rent	60,568	6,458	-	6,911	6,316	3,937	-
Repair expenses	148,314	21,397	5,764	5,267	4,485	28,488	13,958
Other expenses	185,287	-	-	-	-	-	-
③ Leasing NOI [①-②]	4,297,894	362,535	105,411	166,397	93,341	298,580	211,282
④ Depreciation and amortization	1,523,363	110,578	29,950	35,840	47,756	79,539	51,524
⑤ Loss on retirement of non-current assets	898	-	445	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	2,773,631	251,957	75,016	130,556	45,584	219,041	159,758

(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 Tamatsukuri	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji	KAI Kinugawa
① Total operating revenue from real estate leasing	48,724	56,498	60,906	64,916	32,476	67,392	131,603
Fixed rent	37,500	37,500	47,250	47,500	21,000	49,800	64,800
Floating rent	11,220	18,998	13,656	17,416	11,456	17,592	66,803
Other rent	-	-	-	-	-	-	-
Other revenue	4	-	-	-	20	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	10,119	9,518	12,597	17,961	3,788	16,003	11,090
Maintenance expenses	1,711	582	879	2,427	838	2,621	1,334
Taxes and dues	4,090	3,837	4,655	4,817	869	7,635	7,655
Insurance expenses	210	113	258	166	52	301	125
Land rent	-	2,280	-	-	-	300	-
Repair expenses	4,107	2,666	6,804	10,543	2,028	5,145	1,975
Other expenses	-	38	-	7	-	-	-
③ Leasing NOI [①-②]	38,604	46,980	48,308	46,954	28,687	51,389	120,513
④ Depreciation and amortization	7,706	8,197	13,428	13,755	9,173	16,620	17,677
⑤ Loss on retirement of non-current assets	-	-	-	-	-	453	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	30,898	38,783	34,880	33,199	19,513	34,316	102,835

(Unit: thousands of yen)

Property no.	K-8	K-9	K-10	K-11	K-12	K-13	O-35
Name of property	KAI Kaga	KAI Alps	KAI Enshu	KAI Nagato	KAI Kirishima	KAI Beppu	OMO7 Asahikawa
① Total operating revenue from real estate leasing	135,975	93,231	78,563	82,784	76,170	135,266	182,400
Fixed rent	65,265	93,231	23,760	82,784	76,170	135,266	182,400
Floating rent	70,710	-	54,803	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	11,456	7,931	13,568	2,708	6,911	5,945	20,959
Maintenance expenses	1,648	1,176	2,346	1,782	4,395	2,849	-
Taxes and dues	5,827	2,913	5,993	-	582	1,647	20,233
Insurance expenses	211	155	316	218	209	323	725
Land rent	-	-	-	-	-	-	-
Repair expenses	3,757	3,669	4,840	708	1,724	1,124	-
Other expenses	11	17	73	-	-	-	-
③ Leasing NOI [(①)-(②)]	124,519	85,299	64,994	80,075	69,258	129,320	161,440
④ Depreciation and amortization	28,040	26,074	11,532	25,078	24,983	45,300	73,860
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	96,478	59,224	53,461	54,997	44,274	84,019	87,579

(Unit: thousands of yen)

Property no.	O-43	O-45	O-31	O-33	O-34	O-36	O-37
Name of property	Iriomote Hotel	BEB5 Karuizawa	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka	the b akasaka
① Total operating revenue from real estate leasing	135,960	68,220	303,000	273,000	120,000	-	67,500
Fixed rent	135,960	68,220	303,000	273,000	120,000	-	67,500
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	12,448	4,595	44,603	180,605	32,287	92,909	9,459
Maintenance expenses	6,553	1,095	9,818	9,685	-	-	-
Taxes and dues	2,410	1,589	33,759	15,575	16,314	77,624	9,328
Insurance expenses	457	94	1,024	743	715	3,176	130
Land rent	212	-	-	-	15,215	12,000	-
Repair expenses	2,814	1,335	-	-	-	-	-
Other expenses	-	480	-	154,602	41	108	-
③ Leasing NOI [(①)-(②)]	123,511	63,624	258,396	92,394	87,712	(92,909)	58,040
④ Depreciation and amortization	42,785	18,992	94,999	46,162	55,888	121,435	15,217
⑤ Loss on retirement of non-current assets	-	-	-	-	0	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	80,726	44,632	163,397	46,231	31,824	(214,345)	42,822

(Unit: thousands of yen)

Property no.	O-38	O-39	O-40	O-41	O-42	O-44	O-46
Name of property	the b sangenjaya	the b nagoya	the b kobe	Quintessa Hotel Osaka Shinsaibashi	hotel androoms Osaka Hommachi	HOTEL NIKKO KOCHI ASAHI ROYAL	Sol Vita Hotel Naha
① Total operating revenue from real estate leasing	58,500	49,500	90,000	18,000	72,000	90,000	64,239
Fixed rent	58,500	49,500	90,000	18,000	72,000	90,000	64,239
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	3,490	8,225	10,497	6,420	6,029	31,627	5,591
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	3,400	7,965	10,204	6,327	5,510	17,160	5,435
Insurance expenses	89	260	292	92	99	704	155
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	13,762	-
Other expenses	-	-	-	-	420	-	-
③ Leasing NOI [(①)-(②)]	55,009	41,274	79,502	11,579	65,970	58,372	58,647
④ Depreciation and amortization	12,615	14,281	23,998	10,306	12,148	26,323	12,804
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	42,393	26,992	55,504	1,272	53,821	32,049	45,842

(Unit: thousands of yen)

Property no.	O-47	O-1	O-2	O-3	O-4	O-5	O-6
Name of property	Grand Hyatt Fukuoka	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
① Total operating revenue from real estate leasing	407,477	24,000	54,779	26,862	21,480	18,000	28,500
Fixed rent	406,554	24,000	26,460	23,460	21,480	18,000	28,500
Floating rent	-	-	28,319	3,402	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	923	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	201,976	3,179	2,476	2,438	2,698	2,064	2,771
Maintenance expenses	123,318	486	318	332	311	328	355
Taxes and dues	44,809	2,643	2,107	2,059	2,337	1,689	2,362
Insurance expenses	2,421	49	51	46	50	45	53
Land rent	-	-	-	-	-	-	-
Repair expenses	1,947	-	-	-	-	-	-
Other expenses	29,478	-	-	-	-	-	-
③ Leasing NOI [(①)-(②)]	205,501	20,820	52,302	24,424	18,781	15,935	25,728
④ Depreciation and amortization	111,117	5,306	7,174	6,697	5,452	5,230	7,427
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	94,384	15,513	45,128	17,726	13,328	10,705	18,301

(Unit: thousands of yen)

Property no.	O-7	O-8	O-9	O-10	O-11	O-12	O-13
Name of property	Chisun Inn Kumamoto Miyukifueda	Chisun Inn Utsunomiya Kanuma	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka
① Total operating revenue from real estate leasing	23,579	25,500	30,857	25,179	22,879	23,262	26,460
Fixed rent	21,960	25,500	22,980	24,000	22,500	22,500	26,460
Floating rent	1,619	-	7,877	1,179	379	762	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	4,467	2,696	2,528	2,860	2,782	2,832	2,330
Maintenance expenses	279	259	298	294	289	469	417
Taxes and dues	4,138	2,382	2,178	2,508	2,442	2,316	1,862
Insurance expenses	50	55	51	55	50	46	51
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	0	-	-	2	-	-	-
③ Leasing NOI [(①)-(②)]	19,111	22,803	28,329	22,318	20,097	20,430	24,129
④ Depreciation and amortization	6,168	6,135	5,579	6,033	5,970	6,959	8,058
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	12,943	16,667	22,749	16,284	14,126	13,470	16,070

(Unit: thousands of yen)

Property no.	O-14	O-15	O-16	O-17	O-18	O-19	O-20
Name of property	Chisun Inn Tsuchiura Ami	Chisun Inn Kofu Isawa	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa	Chisun Inn Himeji Yumesakibashi
① Total operating revenue from real estate leasing	27,480	23,460	21,000	18,000	24,960	28,980	23,056
Fixed rent	27,480	23,460	21,000	18,000	24,960	28,980	21,960
Floating rent	-	-	-	-	-	-	1,096
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,376	2,174	2,279	2,441	2,436	2,669	5,352
Maintenance expenses	287	303	320	279	473	294	322
Taxes and dues	2,037	1,824	1,908	2,111	1,907	2,315	4,968
Insurance expenses	50	47	51	50	52	59	58
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	2	-	2
③ Leasing NOI [(①)-(②)]	25,103	21,285	18,720	15,558	22,523	26,310	17,704
④ Depreciation and amortization	8,466	6,358	6,529	6,303	6,511	8,631	5,935
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	16,637	14,927	12,190	9,255	16,012	17,679	11,768

(Unit: thousands of yen)

Property no.	O-21	O-22	O-23	O-24	O-25	O-26	O-27
Name of property	Chisun Inn Kurashiki Mizushima	Candeo Hotels Handa	Candeo Hotels Chino	Candeo Hotels Fukuyama	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate
① Total operating revenue from real estate leasing	25,980	26,460	32,844	39,370	45,756	20,910	33,240
Fixed rent	25,980	26,460	32,844	39,370	45,756	20,910	32,922
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	318
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,861	5,819	6,035	3,872	4,414	3,881	3,689
Maintenance expenses	295	-	-	-	-	-	-
Taxes and dues	2,514	2,855	3,151	3,761	3,080	3,769	3,605
Insurance expenses	51	83	80	110	81	112	84
Land rent	-	2,880	2,804	-	1,252	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	0	-	-	-	-
③ Leasing NOI [(①)-(②)]	23,118	20,640	26,808	35,498	41,341	17,028	29,550
④ Depreciation and amortization	7,151	6,544	8,716	10,910	11,367	4,383	10,241
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	15,966	14,096	18,091	24,587	29,973	12,645	19,309

(Unit: thousands of yen)

Property no.	O-28	O-29	O-30
Name of property	Comfort Hotel Tomakomai	Comfort Hotel Kure	Chisun Inn Kagoshima Taniyama
① Total operating revenue from real estate leasing	33,231	37,524	84,665
Fixed rent	33,231	37,524	48,000
Floating rent	-	-	25,865
Other rent	-	-	10,800
Other revenue	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,930	3,922	7,603
Maintenance expenses	-	-	855
Taxes and dues	2,857	3,840	6,546
Insurance expenses	73	82	201
Land rent	-	-	-
Repair expenses	-	-	-
Other expenses	-	-	-
③ Leasing NOI [(①)-(②)]	30,300	33,601	77,062
④ Depreciation and amortization	9,546	9,043	18,828
⑤ Loss on retirement of non-current assets	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	20,754	24,557	58,234

(2) Status of Capital Expenditures

① Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending October 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
RISONARE Atami	Atami-shi, Shizuoka	Replacement of automatic fire alarms	From: March 2022 To: July 2022	32	0	0
KAI Tamatsukuri	Matsue-shi, Shimane	Renovation of guest rooms	From: September 2022 To: October 2022	180	0	0
OMO7 Asahikawa	Asahikawa-shi, Hokkaido	Renovation of banquet hall	From: May 2022 To: July 2022	44	-	0

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 700 million yen and repair expenses separately charged to expenses amounted to 148 million yen for a combined total of 849 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 (fourth period)	From: November 2021 To: December 2021	39
KAI Enshu	Hamamatsu-shi, Shizuoka	Renovation of guest rooms and public spaces	From: January 2022 To: April 2022	44
ANA Crowne Plaza Toyama	Toyama-shi, Toyama	Upgrading of disaster prevention monitoring equipment and analog sensors	From: September 2021 To: March 2022	38

(3) Other Investment Assets

Type of assets	Name of security	Face value (thousands of yen)	Interest rate (%)	Maturity date (Note 1)	Interest payment date	Acquisition price (thousands of yen) (Note 2)	Appraisal value (thousands of yen) (Note 3)	Gain (loss) on valuation of investment securities (thousands of yen) (Note 5)	Ratio to total assets (%) (Note 6)
Monetary claim (subordinated loan claim)	TLS5 Specified Purpose Company Class D Loan Receivables	750,000	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	750,000	750,000	-	0.4

(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 claim stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest thousand yen.

(Note 3) “Appraisal value” indicates the acquisition price less an allowance for doubtful accounts.

(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

(Note 5) “Gain (loss) on valuation of investment securities” is the difference between book value and appraisal value as of the end of the fiscal period under review and is stated as “-” if they are the same amount.

(Note 6) The “Ratio to total assets” is rounded to one decimal place.

(Note 7) The underlying asset is “(Tentative name) Hotel WBF Grande Kansai Airport.”