

(REIT) Financial Report for Fiscal Period Ended October 2020

December 15, 2020

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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 October 2020 (from May 1, 2020 to October 31, 2020)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Oct. 2020	6,021	(2.2)	3,238	(4.7)	2,854	(3.3)	2,853	(3.3)
Ended Apr. 2020	6,158	1.2	3,399	2.1	2,952	1.0	2,951	1.0

Fiscal period	Profit per unit	Ratio of profit to net assets	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Ended Oct. 2020	12,860	2.7	1.6	47.4
Ended Apr. 2020	13,301	2.8	1.7	47.9

(2) Distributions Status

Fiscal period	Distributions per unit (excluding distributions in excess of earnings)	Total distributions (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
Ended Oct. 2020	12,860	2,853	—	—	100.0	2.7
Ended Apr. 2020	13,302	2,951	—	—	100.0	2.8

(3) Financial Position

Fiscal period	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Oct. 2020	178,813	105,591	59.1	475,931
Ended Apr. 2020	178,572	105,689	59.2	476,373

(4) Status of Cash Flows

Fiscal period	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Oct. 2020	4,382	(1,075)	(2,858)	11,173
Ended Apr. 2020	3,587	(7,011)	3,080	10,725

2. Management Status Forecast for Fiscal Period Ending April 2021 (from November 1, 2020 to April 30, 2021) and Management Status Forecast for Fiscal Period Ending October 2021 (from May 1, 2021 to October 31, 2021)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Apr. 2021	4,591	(23.8)	1,813	(44.0)	1,418	(50.3)	1,417	(50.3)	6,390	—
Ending Oct. 2021	4,519	(1.6)	1,738	(4.2)	1,329	(6.3)	1,328	(6.3)	5,987	—

(Reference) Forecast profit per unit (fiscal period ending April 2021) 6,390 yen

Forecast profit per unit (fiscal period ending October 2021) 5,986 yen

Forecast profit per unit is calculated by the following formula:

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

* Others

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

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

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including own investment units) at end of period

Fiscal period ended October 2020	221,862 units	Fiscal period ended April 2020	221,862 units
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- ② Number of own investment units at end of period

Fiscal period ended October 2020	— units	Fiscal period ended April 2020	— units
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(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 27.

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

* Special Note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of distributions. For the assumptions underlying the management status forecast, please refer to "Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2021 and Fiscal Period Ending October 2021" on page 8.

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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 61 properties (sum total of acquisition price: 161,707 million yen).

(b) Investment Environment and Management Performance

The Japanese economy has recently been showing signs of recovery, yet challenging circumstances have persisted since February 2020 due to the COVID-19 pandemic. Meanwhile, the tourism market has also been subject to severe conditions. For one, the total number of inbound tourists from January to October 2020 has decreased significantly, by 85.1% year on year (estimate of the Japan National Tourism Organization (JNTO)), largely as a result of the strengthening of quarantine measures in Japan and overseas travel restrictions in many nations. Also, the total number of guest nights from January to October 2020 has decreased by 51.3% year on year, according to the Statistical Survey of Lodging and Travel (preliminary estimates of the Japan Tourism Agency), amid a scenario of lower domestic demand largely as a result of people opting to forgo events and non-essential outings.

In the environment described above, the hotels/ryokans held by HRR were managed with a view to securing stable earnings, but HRR encountered an unprecedented situation where 21 of its 61 property holdings as of the end of the fiscal period under review were subject to closure for a certain number of days per request from prefectural and municipal governments calling for closure of businesses and urging residents to stay home, subsequent to the state of emergency declaration issued on April 7, 2020. However, amid a scenario where demand has been showing signs of steady recovery since August 2020, HRR has been swiftly rebounding relative to its industry peers, particularly when it comes to 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”), largely due to microtourism and proposals for stays that enable guests to avoid the “Three Cs” (Crowded places, Close-contact setting, Confined and enclosed spaces).

(c) Overview of Fund Procurement

In the fiscal period under review, 149 million yen was procured from debt financing on June 30, 2020, and this was allocated to a part of the funds to the renovation of Iriomote Hotel.

In addition, HRR procured 1,100 million yen of short-term borrowings and 1,400 million yen of long-term borrowings from debt financing on October 30, 2020 to repay principal of an existing borrowing due for repayment at a total remaining principal amount of 2,500 million yen of long-term borrowings procured from debt financing on November 1, 2016.

Furthermore, contractual repayments of borrowings, etc. were made, resulting in balance of interest-bearing liabilities of 67,848 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 37.9% as of October 31, 2020.

(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).

(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 6,021 million yen, operating profit of 3,238 million yen, ordinary profit of 2,854 million yen and profit of 2,853 million yen. Concerning distributions, to ensure application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter, the “Act on Special Measures Concerning Taxation”)), the decision was made to distribute almost the entire amount of unappropriated retained earnings and distributions per investment unit was thus declared to be 12,860 yen.

② Outlook for the Next Fiscal Period

(a) Management Environment for the Next Fiscal Period

The Japanese economy is expected to continue picking up due to the effects of various policy measures and improvement in overseas economies amid the rising level in social and economic activity while measures are being taken to prevent the spread of COVID-19. If effects of COVID-19 then subside internationally, the economy is apt to improve even further given that overseas economies are accordingly bound to resume a trajectory of steady growth. Nevertheless, it will be necessary to keep a close eye on ramifications of pandemic developments in Japan and abroad as well as fluctuations in financial and capital markets.

In the tourism market, the challenging business environment is likely to persist in part because of a continued substantial decrease in the number of inbound tourists due to the COVID-19 pandemic and also as a result of people opting to forgo events and non-essential outings. However, amid a likely scenario of resuming socio-economic activity, a certain level of domestic demand is apt to persist as a result of factors such as Japan’s Go To Travel campaign and various other such government measures along with an ongoing trend of people shifting back to domestic travel from overseas trips previously. On the other hand, it is hoped that many nations will ease overseas travel restrictions and that Japan will likewise relax entry restrictions imposed on overseas visitors to Japan in order to spur a recovery in inbound travel demand.

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

(b) Future Management Policy and Challenges to Address

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

In the hotel/ryokan industry which has been commoditized in general (commoditization referred to here describes the state where similar products and services are produced in large quantity with an emphasis on optimizing productivity and maximizing the efficiency of their delivery, and under this state, no company can maintain a competitive advantage), HRR believes facilities that are differentiated from others due to a superior business model, operating skills, location and such are the ones that will be able to generate stable earnings and secure steady cash flow over a long-term period.

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

HRR seeks to flexibly form an optimum portfolio in order to secure long-term and stable cash flow. After proactively obtaining information on properties operated by the Hoshino Resorts Group and hotels, ryokans

and ancillary facilities operated by outside operators (hereinafter the “properties operated by outside operators”), including overseas properties in which the Hoshino Resorts Group is engaged (Note), HRR will examine individual investment properties upon their selection.

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

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

a. Properties operated by the Hoshino Resorts Group

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

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

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

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

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

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

b. Properties operated by outside operators

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

Taking this view, HRR will make proactive investments in 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, other properties of the Hoshino Resorts Group, urban tourism properties constituting properties operated by outside operators, and other properties operated by outside operators. HRR believes that such facilities are expected to lead to portfolio diversification effects and stabilization of revenues.

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

(c) Sustainability Initiatives

HRR believes it is important to engage in investment and asset management in a manner that is mindful of ESG (environmental, social and governance) considerations, while also maximizing unitholder value and heightening HRR's appeal. 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, HRR has been maintaining and developing hydroelectric power plants and the Karuizawa Wild Bird Sanctuary, and has also been creating communities such as its Liberal Education Art Seminars. Having also inherited this DNA through its ESG initiatives, HRR has been striving to minimize the burden it poses on its natural surroundings as initiatives for the "Environment." To such ends, in recent years, HRR has been striving to become more resilient when it comes to addressing future risks by managing its properties in a manner that enlists a green building approach. One example of this is HOSHINOYA Karuizawa, which is equipped with unique technologies that enable nearly 70% energy self-sufficiency given that it generates electricity derived from hydropower and geothermal sources, harnesses hot spring runoff for heating, and hosts building structures featuring energy-efficient design.

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

The Asset Management Company furthermore intends to devote an increasingly high level of attention to employee health and comfort in part by furnishing support for degree programs and certifications, engaging in programs to increase workforce diversity, and administering employee satisfaction surveys as initiatives for "Society." Moreover, the Asset Management Company has conducted compliance training for all officers and employees on 24 occasions under five different themes over the year extending from November 2019 to October 2020, and will endeavor to strengthen governance through efforts that entail ongoing training going forward as initiatives for "Governance."

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

HRR has obtained a rating of two stars under the 2020 GRESB (Note) Real Estate Assessment in relation to its portfolio properties based on its Sustainability Policy. HRR has also acquired the Green Star 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. HRR also obtained five star, four star, three star, and two star ratings for KAI Kinugawa, KAI Alps (Reception Area), Quintessa Hotel Osaka Shinsaibashi, and BEB5 Karuizawa, respectively, under the BELS (Building-Housing Energy-Efficiency Labeling System) objective assessment of energy-saving performance, which serves as a green building certification program.

HRR endeavors 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.

(Note) GRESB (<http://gresb.com/>) was founded under the guidance of a European group of large pension funds that is the driving force behind Principles for Responsible Investment (PRI), for the purpose of providing annual benchmark assessment that measures the level of environmental, social and governance (ESG) considerations in real estate companies and funds.

(d) Management Status Outlook

The following management status is expected for the fiscal period ending April 2021 (from November 1, 2020 to April 30, 2021) and the fiscal period ending October 2021 (from May 1, 2021 to October 31, 2021). For the assumptions underlying this outlook, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2021 and Fiscal Period Ending October 2021” on page 8.

Fiscal period ending April 2021 (16th fiscal period)

Operating revenue	4,591 million yen
Operating profit	1,813 million yen
Ordinary profit	1,418 million yen
Profit	1,417 million yen
Distributions per unit	6,390 yen
Distributions in excess of earnings per unit	– yen

Fiscal period ending October 2021 (17th fiscal period)

Operating revenue	4,519 million yen
Operating profit	1,738 million yen
Ordinary profit	1,329 million yen
Profit	1,328 million yen
Distributions per unit	5,987 yen
Distributions in excess of earnings per unit	– yen

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

③ Significant Subsequent Events

(a) Acquisition of Assets

On November 2, 2020, HRR acquired the following real estate (acquisition price: 1,050 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
KAI Enshu	Hamamatsu-shi, Shizuoka	Kanzanji Hotel Management Co., Ltd.	1,050	November 2, 2020

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

Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2021 and Fiscal Period Ending October 2021

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending April 2021 (16th fiscal period): from November 1, 2020 to April 30, 2021 (181 days) • Fiscal period ending October 2021 (17th fiscal period): from May 1, 2021 to October 31, 2021 (184 days)
Assets under management	<ul style="list-style-type: none"> • The assumptions are that HRR will continue to own 62 properties, adding KAI Enshu acquired on November 2, 2020 to 61 properties owned by HRR as of October 31, 2020, as well as three types of the Yomitan Hotel Management Co., Ltd. preferred 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 other than the acquisition of KAI Enshu on the above-mentioned date through October 31, 2021. • The actual number of assets may vary due to acquisitions of new assets, or dispositions of portfolio assets, etc. other than the above.

Operating revenue	<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 4,591 million yen for the fiscal period ending April 2021 and 4,519 million yen for the fiscal period ending October 2021. In the floating rent calculations for properties with sales-linked floating rent, which account for 22% of HRR's portfolio (based on acquisition prices), calculations of floating rent for the fiscal period ending April 2021 will be based on each property's sales in the period from October 2019 to September 2020, while calculations of floating rent for the fiscal period ending October 2021 will be based on each property's sales in the period from April 2020 to March 2021. In the floating rent calculations for properties with profit-linked floating rent, which account for 70% of HRR's portfolio (based on acquisition prices), calculations of floating rent for the fiscal period ending April 2021 will be based on each property's profit from June 2019 to May 2020, while calculations of floating rent for the fiscal period ending October 2021 will be based on each property's profit from December 2019 to November 2020. Accordingly, the impact of the COVID-19 crisis on HRR's rent revenue is expected to occur mainly for the fiscal period ending April 2021 and later. For leasing business revenue, the assumptions are that unpaid rent of lessees who have not paid a portion of their rent will be resolved according to the terms agreed upon by the lessees and that there will be no cancellation of lease agreements and no delinquent or unpaid rent by other lessees. Of leasing business revenue, the rent by investment category is assumed to be as follows: 					
	Fiscal period ending April 2021 (16th fiscal period)					
	(Unit: millions of yen)					
	Operational category	Investment category	Fixed rent	Floating rent	Other rent	Total
	Properties operated by the Hoshino Resorts Group	HOSHINOYA	618	84	-	702
		RISONARE	374	119	-	493
		KAI	487	102	-	589
		Other	386	-	-	386
	Properties operated by outside operators	4 ANA Crowne Plaza properties (Note 1)	840	35	-	875
		Hyatt Regency Osaka	-	-	-	-
		4 the b properties (Note 1)	265	69	-	335
		Quintessa Hotel Osaka Shinsaibashi/ hotel androoms Osaka Hommachi/ HOTEL NIKKO KOCHI ASAHI ROYAL/ Sol Vita Hotel Naha	319	10	-	329
		Other	816	50	10	877
	Total		4,108	471	10	4,591

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 466 million yen for the fiscal period ending April 2021 and 501 million yen for the fiscal period ending October 2021. In general, fixed asset tax, city planning tax (applicable assets only; the same shall apply hereinafter) and depreciable asset tax (applicable assets only; the same shall apply hereinafter) of acquired assets are calculated on a pro rata basis and reimbursed at the time of acquisition with the previous owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses in the acquisition period at HRR. Accordingly, in the case of BEB5 Karuizawa and Sol Vita Hotel Naha acquired on January 31, 2020, the assumption is that, fiscal 2021 fixed asset tax, city planning tax and depreciable asset tax of Sol Vita Hotel Naha are recognized as expenses, starting from the fiscal period ending April 2021, and fiscal 2021 fixed asset tax, city planning tax and depreciable asset tax of BEB5 Karuizawa are recognized as expenses, starting from the fiscal period ending October 2021. In the case of KAI Enshu acquired on November 2, 2020, the assumption is that fiscal 2021 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, starting from the fiscal period ending April 2021. Furthermore, the total amount of fixed asset tax, city planning tax and depreciable asset tax included in the cost of acquisition of those properties is 2 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 851 million yen for the fiscal period ending April 2021 and 853 million yen for the fiscal period ending October 2021. Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,338 million yen for the fiscal period ending April 2021 and 1,352 million yen for the fiscal period ending October 2021.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses and other borrowing related expenses are assumed to be 397 million yen for the fiscal period ending April 2021 and 410 million yen for the fiscal period ending October 2021.
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 67,848 million yen. For the fiscal period ending April 2021, the assumption is that there will be refinancing of 1,400 million yen in borrowings due for repayment in January 2021, and refinancing of 2,860 million yen in borrowings due for repayment in April 2021, and 58 million yen of the borrowings will be repaid through contractual repayment. For the fiscal period ending October 2021, the assumption is that there will be refinancing of 149 million yen in borrowings due for repayment in June 2021, and refinancing of 5,200 million yen in borrowings due for repayment in October 2021, and 58 million yen of the borrowings will be repaid through contractual repayment. The forecast is that LTV at the end of the fiscal period ending April 2021 is 38.2% and LTV at the end of the fiscal period ending October 2021 is 38.2%. 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 the total number of investment units issued and outstanding as of the date of this document, which is 221,862 units. The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending October 2021.

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. • Distributions per unit (excluding distributions in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution in excess of earnings (distributions in excess of earnings per unit) is not scheduled at this point in time.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen significant change in general economic trends, real estate market conditions, etc.

(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities report (submitted on July 27, 2020).

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Assets		
Current assets		
Cash and deposits	10,725,065	11,173,058
Operating accounts receivable	104,251	109,999
Prepaid expenses	269,431	297,244
Consumption taxes receivable	76,693	—
Other	968	2,230
Total current assets	11,176,410	11,582,533
Non-current assets		
Property and equipment		
Buildings	88,644,294	89,682,056
Accumulated depreciation	(9,985,894)	(11,191,617)
Buildings, net	78,658,400	78,490,439
Structures	3,759,556	3,767,238
Accumulated depreciation	(351,573)	(401,260)
Structures, net	3,407,982	3,365,978
Machinery and equipment	83,801	83,801
Accumulated depreciation	(49,379)	(52,962)
Machinery and equipment, net	34,421	30,838
Tools, furniture and fixtures	1,116,371	1,228,112
Accumulated depreciation	(569,140)	(597,715)
Tools, furniture and fixtures, net	547,231	630,396
Land	79,409,668	79,409,668
Construction in progress	166,745	76,558
Total property and equipment	162,224,448	162,003,879
Intangible assets		
Leasehold interests in land	3,547,720	3,547,500
Software	49,799	77,856
Total intangible assets	3,597,520	3,625,356
Investments and other assets		
Investment securities	505,365	505,365
Long-term prepaid expenses	686,321	715,034
Deferred tax assets	13	13
Guarantee deposits	10,000	10,000
Other	365,006	365,006
Total investments and other assets	1,566,706	1,595,419
Total non-current assets	167,388,675	167,224,655
Deferred assets		
Investment corporation bond issuance costs	7,227	6,479
Total deferred assets	7,227	6,479
Total assets	178,572,313	178,813,668

(Unit: thousands of yen)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Liabilities		
Current liabilities		
Operating accounts payable	236,787	309,915
Short-term borrowings	1,400,000	2,649,000
Current portion of long-term borrowings	5,477,148	7,077,148
Accounts payable - other	719,446	796,385
Income taxes payable	871	875
Accrued consumption taxes	—	270,558
Accrued expenses	5,282	6,708
Advances received	993,372	780,830
Total current liabilities	8,832,907	11,891,423
Non-current liabilities		
Long-term borrowings	59,381,403	56,622,829
Investment corporation bonds	1,500,000	1,500,000
Leasehold and guarantee deposits received	3,168,736	3,208,211
Total non-current liabilities	64,050,139	61,331,040
Total liabilities	72,883,047	73,222,463
Net assets		
Unitholders' equity		
Unitholders' capital	102,737,981	102,737,981
Surplus		
Unappropriated retained earnings (undisposed loss)	2,951,284	2,853,223
Total surplus	2,951,284	2,853,223
Total unitholders' equity	105,689,265	105,591,205
Total net assets	*2 105,689,265	*2 105,591,205
Total liabilities and net assets	178,572,313	178,813,668

(2) Statement of Income

(Unit: thousands of yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Operating revenue		
Leasing business revenue	*1 6,158,161	*1 6,021,600
Total operating revenue	6,158,161	6,021,600
Operating expenses		
Expenses related to leasing business	*1 2,138,733	*1 2,167,943
Asset management fee	499,340	497,395
Asset custody fee	5,604	5,814
Administrative service fees	23,109	25,844
Remuneration for directors (and other officers)	3,000	3,000
Audit fee	9,000	9,160
Other operating expenses	79,703	73,638
Total operating expenses	2,758,491	2,782,797
Operating profit	3,399,669	3,238,802
Non-operating income		
Interest income	52	51
Insurance claim income	15,743	4,366
Interest on tax refund	—	468
Miscellaneous income	1,284	3,171
Total non-operating income	17,080	8,058
Non-operating expenses		
Interest expenses	262,133	246,184
Interest expenses on investment corporation bonds	4,665	4,733
Amortization of investment corporation bond issuance costs	747	747
Borrowing related expenses	196,560	141,143
Other	566	21
Total non-operating expenses	464,673	392,830
Ordinary profit	2,952,076	2,854,030
Profit before income taxes	2,952,076	2,854,030
Income taxes - current	879	883
Income taxes - deferred	(1)	(0)
Total income taxes	877	882
Profit	2,951,199	2,853,147
Retained earnings brought forward	85	75
Unappropriated retained earnings (undisposed loss)	2,951,284	2,853,223

(3) Statement of Unitholders' Equity

14th fiscal period (from November 1, 2019 to April 30, 2020)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	102,737,981	2,922,894	2,922,894	105,660,876	105,660,876
Changes during period					
Dividends of surplus	—	(2,922,809)	(2,922,809)	(2,922,809)	(2,922,809)
Profit	—	2,951,199	2,951,199	2,951,199	2,951,199
Total changes during period	—	28,389	28,389	28,389	28,389
Balance at end of period	*1 102,737,981	2,951,284	2,951,284	105,689,265	105,689,265

15th fiscal period (from May 1, 2020 to October 31, 2020)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	102,737,981	2,951,284	2,951,284	105,689,265	105,689,265
Changes during period					
Dividends of surplus	—	(2,951,208)	(2,951,208)	(2,951,208)	(2,951,208)
Profit	—	2,853,147	2,853,147	2,853,147	2,853,147
Total changes during period	—	(98,060)	(98,060)	(98,060)	(98,060)
Balance at end of period	*1 102,737,981	2,853,223	2,853,223	105,591,205	105,591,205

(4) Statement of Cash Distributions

(Unit: yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
I. Unappropriated retained earnings	2,951,284,298	2,853,223,732
II. Amount of distributions [Amount of distributions per investment unit]	2,951,208,324 [13,302]	2,853,145,320 [12,860]
III. Retained earnings brought forward	75,974	78,412
Method of calculation of amount of distributions	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,951,208,324 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,853,145,320 yen, which is almost the entire amount of unappropriated retained earnings, as distributions of earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.

(5) Statement of Cash Flows

(Unit: thousands of yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,952,076	2,854,030
Depreciation	1,293,258	1,322,429
Loss on retirement of non-current assets	1,841	5,430
Amortization of investment corporation bond issuance costs	747	747
Interest income	(52)	(51)
Interest expenses	266,798	250,918
Borrowing related expenses	196,560	141,143
Decrease (increase) in operating accounts receivable	(721)	(5,748)
Decrease (increase) in prepaid expenses	6,975	(27,812)
Decrease (increase) in consumption taxes refund receivable	(76,693)	76,693
Increase (decrease) in accrued consumption taxes	(346,666)	270,558
Increase (decrease) in operating accounts payable	(22,207)	4,874
Increase (decrease) in accounts payable - other	(121,486)	133,003
Increase (decrease) in advances received	(13,438)	(221,066)
Decrease (increase) in long-term prepaid expenses	(84,517)	(28,713)
Other, net	(197,565)	(143,703)
Subtotal	3,854,910	4,632,735
Interest received	52	51
Interest paid	(266,858)	(249,573)
Income taxes paid	(845)	(879)
Net cash provided by (used in) operating activities	3,587,257	4,382,333
Cash flows from investing activities		
Purchase of property and equipment	(7,013,152)	(1,075,914)
Purchase of intangible assets	(1,459)	(47,553)
Refund of leasehold and guarantee deposits received	—	(10,000)
Proceeds from leasehold and guarantee deposits received	3,132	58,000
Net cash provided by (used in) investing activities	(7,011,479)	(1,075,468)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,400,000	1,249,000
Proceeds from long-term borrowings	11,553,000	1,400,000
Repayments of long-term borrowings	(6,949,567)	(2,558,574)
Distributions paid	(2,922,861)	(2,949,298)
Net cash provided by (used in) financing activities	3,080,571	(2,858,872)
Net increase (decrease) in cash and cash equivalents	(343,649)	447,992
Cash and cash equivalents at beginning of period	11,068,715	10,725,065
Cash and cash equivalents at end of period	*1 10,725,065	*1 11,173,058

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Valuation bases and methods of securities	Securities Other securities (available-for-sale securities) Securities without fair value Stated at cost based on the moving-average method.										
2. Method of depreciation and amortization of non-current assets	<p>① Property and equipment The straight-line method is adopted. The useful lives of principal property and equipment are as follows:</p> <table> <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>8-15 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>2-20 years</td></tr> </table> <p>② Intangible assets The straight-line method is adopted. The useful lives of intangible assets are as follows:</p> <table> <tr> <td>Intangible assets</td><td>3-5 years</td></tr> </table> <p>③ Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3-57 years	Structures	3-60 years	Machinery and equipment	8-15 years	Tools, furniture and fixtures	2-20 years	Intangible assets	3-5 years
Buildings	3-57 years										
Structures	3-60 years										
Machinery and equipment	8-15 years										
Tools, furniture and fixtures	2-20 years										
Intangible assets	3-5 years										
3. Accounting for deferred assets	Investment corporation bond issuance costs Amortized by the straight-line method over the period until redemption.										
4. Standards for revenue and expense recognition	Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to leasing business. Furthermore, the amount equivalent to fixed asset tax, etc. in the fiscal year in which the acquisition date falls that is paid to the seller as reimbursement upon acquisition of real estate, etc. is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc.										
5. Method of hedge accounting	<p>① Method of hedge accounting For interest rate swaps, special accounting is adopted.</p> <p>② Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on 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, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.										
7. Other significant matters serving as the basis for preparation of financial statements	Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.										

(8) Notes 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)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
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)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
	50,000	50,000

[Notes to the Statement of Income]

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

(Unit: thousands of yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
A. Operating revenue from real estate leasing		
Leasing business revenue		
Leasing business revenue	6,158,161	6,021,600
Total operating revenue from real estate leasing	6,158,161	6,021,600
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Insurance expenses	21,770	18,733
Repair expenses	76,633	73,077
Land rent	60,402	60,495
Depreciation and amortization	1,291,818	1,320,856
Loss on retirement of non-current assets	1,841	5,430
Taxes and dues	459,733	468,933
Other expenses	226,534	220,415
Total operating expenses from real estate leasing	2,138,733	2,167,943
C. Operating profit (loss) from real estate leasing [A — B]	4,019,428	3,853,657

[Notes to the Statement of Unitholders' Equity]

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

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	221,862 units	221,862 units

[Notes to the Statement of Cash Flows]

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

(Unit: thousands of yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Cash and deposits	10,725,065	11,173,058
Cash and cash equivalents	10,725,065	11,173,058

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Due within 1 year	7,045,565	6,911,765
Due after 1 year	36,025,429	30,435,346
Total	43,070,994	37,347,112

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

HRR shall procure funds through issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. upon acquisition of new assets under management, etc.

Derivative transactions shall be limited to those invested for the purpose of hedging the risk of fluctuations in interest rates on borrowings, etc. and other risks.

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

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

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

Deposits, which are for investing HRR's surplus funds, are exposed to credit risk from failure of the financial institutions that are holding the deposits, etc.; however, HRR exercises prudence by limiting the deposit period to short term, taking into consideration security and liquidity and fully taking into account the market environment and status of cash flows.

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

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

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

The book value and fair value as of April 30, 2020, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	10,725,065	10,725,065	-
(2) Short-term borrowings	(1,400,000)	(1,400,000)	-
(3) Current portion of long-term borrowings	(5,477,148)	(5,476,256)	(891)
(4) Long-term borrowings	(59,381,403)	(59,519,775)	138,372
(5) Investment corporation bonds	(1,500,000)	(1,487,550)	(12,450)
(6) Derivative transactions	-	-	-

The book value and fair value as of October 31, 2020, and the amount of difference between these, are as follows:

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Cash and deposits	11,173,058	11,173,058	-
(2) Short-term borrowings	(2,649,000)	(2,649,000)	-
(3) Current portion of long-term borrowings	(7,077,148)	(7,087,277)	10,129
(4) Long-term borrowings	(56,622,829)	(56,762,714)	139,885
(5) Investment corporation bonds	(1,500,000)	(1,484,400)	(15,600)
(6) Derivative transactions	-	-	-

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

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

(1) Cash and deposits; (2) Short-term borrowings

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

(3) Current portion of long-term borrowings; (4) 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.

(5) Investment corporation bonds

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

(6) Derivative transactions

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

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

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

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

(Unit: thousands of yen)

	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Leasehold and guarantee deposits received	3,168,736	3,208,211
Investment securities	505,365	505,365

(Note 4) Amount of redemption of monetary claims scheduled to be due after the account closing date (April 30, 2020)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	10,725,065

Amount of redemption of monetary claims scheduled to be due after the account closing date (October 31, 2020)

(Unit: thousands of yen)

	Due within 1 year
Cash and deposits	11,173,058

(Note 5) Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (April 30, 2020)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Short-term borrowings	1,400,000	-	-	-	-	-
Long-term borrowings	5,477,148	9,217,148	9,495,696	10,310,002	9,721,853	20,636,704
Investment corporation bonds	-	-	-	-	1,500,000	-

Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (October 31, 2020)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Short-term borrowings	2,649,000	-	-	-	-	-
Long-term borrowings	7,077,148	9,517,128	11,467,143	10,860,002	9,553,424	15,225,132
Investment corporation bonds	-	-	-	-	1,500,000	-

[Notes on Securities]

14th fiscal period (as of April 30, 2020)

Securities

Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 thousand yen) do not have a market price, nor is it possible to estimate their future cash flows. Accordingly, they are not subject to fair value disclosure because discerning the fair value has been recognized to be extremely difficult.

15th fiscal period (as of October 31, 2020)

Securities

Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 thousand yen) do not have a market price, nor is it possible to estimate their future cash flows. Accordingly, they are not subject to fair value disclosure because discerning the fair value has been recognized to be extremely difficult.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied
14th fiscal period (as of April 30, 2020)
Not applicable.

15th fiscal period (as of October 31, 2020)
Not applicable.

2. Derivative transactions to which hedge accounting is applied
14th fiscal period (as of April 30, 2020)

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	39,291,000	36,791,000	(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) (3) Current portion of long-term borrowings, (4) Long-term borrowings” in “Notes on Financial Instruments; 2. Matters concerning fair value, etc. of financial instruments” earlier in this document.

15th fiscal period (as of October 31, 2020)

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	38,191,000	37,591,000	(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) (3) Current portion of long-term borrowings, (4) 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.
14th fiscal period (from November 1, 2019 to April 30, 2020)
Not applicable.

15th fiscal period (from May 1, 2020 to October 31, 2020)
Not applicable.

2. Affiliated company, etc.
14th fiscal period (from November 1, 2019 to April 30, 2020)
Not applicable.

15th fiscal period (from May 1, 2020 to October 31, 2020)
Not applicable.

3. Fellow subsidiary, etc.
14th fiscal period (from November 1, 2019 to April 30, 2020)
Not applicable.

15th fiscal period (from May 1, 2020 to October 31, 2020)
Not applicable.

4. Director, major individual unitholder, etc.
14th fiscal period (from November 1, 2019 to April 30, 2020)
Not applicable.

15th fiscal period (from May 1, 2020 to October 31, 2020)
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)	
	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	13	13
Total deferred tax assets	13	13
Net deferred tax assets	13	13

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: %)	
	14th fiscal period (As of Apr. 30, 2020)	15th fiscal period (As of Oct. 31, 2020)
Statutory tax rate	31.46	31.46
[Adjustments]		
Distributions deductible for tax purpose	(31.45)	(31.45)
Other	0.02	0.02
Effective income tax rate after application of tax-effect accounting	0.03	0.03

[Notes on Investment and Rental Properties]

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

(Unit: thousands of yen)

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Book value (Note 2)		
Balance at beginning of period	159,255,106	165,058,192
Amount of increase (decrease) during period	(Note 3) 5,803,085	(Note 4) (213,767)
Balance at end of period	165,058,192	164,844,424
Fair value at end of period (Note 5)	178,954,000	176,472,000

(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 two properties including BEB5 Karuizawa (6,108,453 thousand yen in total), while the amount of decrease is mainly attributable to depreciation (1,235,346 thousand yen in total).

(Note 4) Of the amount of increase (decrease) in investment and rental properties, the amount of decrease is mainly attributable to depreciation (1,259,296 thousand yen in total).

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

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

[Notes on Segment Information, etc.]

1. Segment information

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

2. Related information

14th fiscal period (from November 1, 2019 to April 30, 2020)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	700,324	Real estate leasing business
K.K. Horizon Hotels	2,104,793	Real estate leasing business
SHR Roadside Inn Co., Ltd.	793,901	Real estate leasing business

15th fiscal period (from May 1, 2020 to October 31, 2020)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	699,315	Real estate leasing business
K.K. Horizon Hotels	2,035,717	Real estate leasing business
SHR Roadside Inn Co., Ltd.	764,297	Real estate leasing business

[Notes on Per Unit Information]

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Net assets per unit	476,373 yen	475,931 yen
Profit per unit	13,301 yen	12,860 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.

	14th fiscal period From: Nov. 1, 2019 To: Apr. 30, 2020	15th fiscal period From: May 1, 2020 To: Oct. 31, 2020
Profit (thousands of yen)	2,951,199	2,853,147
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	2,951,199	2,853,147
Average number of investment units during period (units)	221,862	221,862

[Notes on Significant Subsequent Events]

1. Acquisition of assets

On November 2, 2020, HRR acquired the following real estate (acquisition price: 1,050 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
KAI Enshu	Hamamatsu-shi, Shizuoka	Kanzanji Hotel Management Co., Ltd.	1,050	November 2, 2020

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

[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 did not make any capital increase, etc. in the fiscal period under review, and there was no change in unitholders' capital and total number of investment units issued and outstanding in the fiscal period under review. The following are the changes in unitholders' capital and total number of investment units issued and outstanding for the most recent five years.

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

(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 1,162,024 yen (paid-in amount of 1,122,693 yen) per unit.

(Note 2) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,122,693 yen per unit.

(Note 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 1,294,745 yen (paid-in amount of 1,249,594 yen) per unit.

(Note 4) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 1,249,594 yen per unit.

(Note 5) A 2-for-1 split of investment units was implemented with a record date of October 31, 2016 and an effective date of November 1, 2016.

(Note 6) 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 7) 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 8) 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 9) 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 10) 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 11) 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.

3. Reference Information

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

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

① Investment Status

The following is HRR’s investment status as of October 31, 2020 (end of the 15th fiscal period).

Asset type	Asset use	Prefectural location	Name of property	15th fiscal period (as of Oct. 31, 2020)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	7,119	4.0
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,216	1.8
	Hotel	Yamanashi	HOSHINOYA Fuji	3,985	2.2
	Hotel	Okinawa	HOSHINOYA Taketomi Island	4,783	2.7
	Hotel	Yamanashi	RISONARE Yatsugatake	5,913	3.3
	Hotel	Shizuoka	RISONARE Atami	4,520	2.5
	Ryokan	Nagano	KAI Matsumoto	634	0.4
	Ryokan	Shimane	KAI Izumo	964	0.5
	Ryokan	Shizuoka	KAI Ito	1,262	0.7
	Ryokan	Kanagawa	KAI Hakone	1,144	0.6
	Ryokan	Oita	KAI Aso	617	0.3
	Ryokan	Tochigi	KAI Kawaji	1,028	0.6
	Ryokan	Tochigi	KAI Kinugawa	2,972	1.7
	Ryokan	Ishikawa	KAI Kaga	3,013	1.7
	Ryokan	Nagano	KAI Alps	3,026	1.7
	Hotel	Hokkaido	OMO7 Asahikawa	5,034	2.8
	Hotel	Okinawa	Iriomote Hotel	3,809	2.1
	Hotel	Nagano	BEB5 Karuizawa	2,161	1.2
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,677	9.9
	Hotel	Fukuoka	ANA Crowne Plaza Fukuoka	7,571	4.2
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,716	3.8
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,973	2.2
	Hotel	Osaka	Hyatt Regency Osaka	16,479	9.2
	Hotel	Tokyo	the b akasaka	4,848	2.7
	Hotel	Tokyo	the b sangenjaya	4,458	2.5
	Hotel	Aichi	the b nagoya	4,511	2.5
	Hotel	Hyogo	the b kobe	7,056	3.9
	Hotel	Osaka	Quintessa Hotel Osaka Shinsaibashi	3,370	1.9
	Hotel	Osaka	hotel androoms Osaka Hommachi	4,326	2.4
	Hotel	Kochi	HOTEL NIKKO KOCHI ASAHI ROYAL	2,268	1.3
	Hotel	Okinawa	Sol Vita Hotel Naha	3,896	2.2
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	677	0.4
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	726	0.4

Asset type	Asset use	Prefectural location	Name of property	15th fiscal period (as of Oct. 31, 2020)	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Hotel	Nagano	Chisun Inn Suwa IC	651	0.4
	Hotel	Aichi	Chisun Inn Toyokawa IC	596	0.3
	Hotel	Saga	Chisun Inn Tosu	500	0.3
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	770	0.4
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	610	0.3
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	704	0.4
	Hotel	Fukui	Chisun Inn Fukui	637	0.4
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	665	0.4
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	620	0.3
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	607	0.3
	Hotel	Ibaraki	Chisun Inn Hitachinaka	701	0.4
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	728	0.4
	Hotel	Yamanashi	Chisun Inn Kofu Isawa	636	0.4
	Hotel	Kagawa	Chisun Inn Marugame Zentsuji	566	0.3
	Hotel	Fukuoka	Chisun Inn Munakata	495	0.3
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	669	0.4
	Hotel	Nagano	Chisun Inn Karuizawa	766	0.4
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	614	0.3
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	711	0.4
	Hotel	Aichi	Candeo Hotels Handa	590	0.3
	Hotel	Nagano	Candeo Hotels Chino	744	0.4
	Hotel	Hiroshima	Candeo Hotels Fukuyama	993	0.6
	Hotel	Tochigi	Candeo Hotels Sano	1,212	0.7
	Hotel	Mie	Candeo Hotels Kameyama	474	0.3
	Hotel	Hokkaido	Comfort Hotel Hakodate	899	0.5
	Hotel	Hokkaido	Comfort Hotel Tomakomai	913	0.5
	Hotel	Hiroshima	Comfort Hotel Kure	1,085	0.6
	Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	1,907	1.1
Real estate subtotal				164,844	92.2
Investment securities				505	0.3
Deposits and other assets				13,463	7.5
Total assets (Note 3)				178,813	100.0
Total liabilities (Note 3)				73,222	40.9
Total net assets (Note 3)				105,591	59.1

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

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

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

② Investment Assets

(a) Major Issues of Investment Securities

The following is a summary of investment securities held by HRR as of October 31, 2020 (end of the 15th fiscal period).

Name of securities	No. of shares (shares)	Acquisition price (thousands of yen)		Appraisal value (thousands of yen) (Note 1)		Gain (loss) on valuation of investment securities (thousands of yen)	Remarks	Ratio to total assets (%) (Note 2)
		Unit Price	Amount	Unit Price	Amount			
Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares	332	507	168,530	507	168,530	—	—	0.1
Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares	333	505	168,165	505	168,165	—	—	0.1
Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares	334	505	168,670	505	168,670	—	—	0.1

(Note 1) The “Appraisal value” states the acquisition price because the securities are unlisted securities. HRR and the Asset Management Company acquired the “Yomitan Hotel Management Co., Ltd. No. 1 through No. 3 Class B Preferred Shares Appraisal Report” (appraisal reference date of October 31, 2020), which had been prepared by Plutus Consulting Co., Ltd. HRR and the Asset Management Company then commissioned Grant Thornton Taiyo LLC to investigate the price concerning the appraisal value stated in the said report. The interim unit prices of the appraisal values of the aforementioned shares, which were calculated by HRR, based on the appraisal values stated in the said report, were 620 thousand yen per share of No. 1 Class B preferred shares, 591 thousand yen per share of No. 2 Class B preferred shares, and 570 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 206,006 thousand yen for the No. 1 Class B preferred shares, 197,120 thousand yen for the No. 2 Class B preferred shares and 190,610 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. The same shall apply hereinafter.

(b) Investment Real Estate Properties

The following is a summary of real estate, etc. held by HRR as of October 31, 2020 (end of the 15th fiscal period).

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

Investment category		Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	7,119	11,800	4.7	NV
		H-2	HOSHINOYA Kyoto	2,878	3,216	4,220	1.8	NV
		H-3	HOSHINOYA Fuji	4,160	3,985	4,330	2.6	NV
		H-4	HOSHINOYA Taketomi Island	4,955	4,783	4,970	3.1	NV
		Subtotal		19,593	19,106	25,320	12.1	—
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,913	7,330	2.8	NV
		R-2	RISONARE Atami	3,750	4,520	4,820	2.3	NV
		Subtotal		8,250	10,433	12,150	5.1	—
	KAI	K-1	KAI Matsumoto	600	634	804	0.4	JMK
		K-2	KAI Izumo	680	964	878	0.4	JMK
		K-3	KAI Ito	670	1,262	1,600	0.4	JMK
		K-4	KAI Hakone	950	1,144	1,320	0.6	JMK
		K-5	KAI Aso	575	617	708	0.4	JMK
		K-6	KAI Kawaji	1,000	1,028	1,170	0.6	JMK
		K-7	KAI Kinugawa	3,080	2,972	3,270	1.9	JMK
		K-8	KAI Kaga	3,160	3,013	3,380	2.0	JMK
		K-9	KAI Alps	3,060	3,026	3,150	1.9	NV
		Subtotal		13,775	14,662	16,280	8.5	—
	Other	O-35	OMO7 Asahikawa	4,619	5,034	4,620	2.9	RC
		O-43	Iriomote Hotel	3,650	3,809	3,810	2.3	NV
		O-45	BEB5 Karuizawa	2,170	2,161	2,260	1.3	NV
		Subtotal		10,439	11,005	10,690	6.5	—
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,677	18,600	11.0	RC
		O-32	ANA Crowne Plaza Fukuoka	7,599	7,571	8,360	4.7	RC
		O-33	ANA Crowne Plaza Kanazawa	6,609	6,716	6,270	4.1	RC
		O-34	ANA Crowne Plaza Toyama	4,008	3,973	4,080	2.5	RC
		O-36	Hyatt Regency Osaka	16,000	16,479	15,100	9.9	NV
		O-37	the b akasaka	4,860	4,848	4,710	3.0	RC
		O-38	the b sangenjaya	4,420	4,458	4,310	2.7	RC
		O-39	the b nagoya	4,500	4,511	4,190	2.8	RC
		O-40	the b kobe	7,020	7,056	6,370	4.3	RC
		O-41	Quintessa Hotel Osaka Shinsaibashi	3,339	3,370	3,450	2.1	NV
		O-42	hotel androoms Osaka Hommachi	4,238	4,326	3,520	2.6	RC
		O-44	HOTEL NIKKO KOCHI ASAHI ROYAL	2,200	2,268	2,250	1.4	NV
		O-46	Sol Vita Hotel Naha	3,860	3,896	3,820	2.4	NV
		Subtotal		86,437	87,154	85,030	53.5	—

Investment category		Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Estimated value at end of period (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)		
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	672	677	819	0.4	NV		
		O-2	Chisun Inn Sano Fujioka IC	742	726	894	0.5	JMK		
		O-3	Chisun Inn Suwa IC	658	651	822	0.4	NV		
		O-4	Chisun Inn Toyokawa IC	602	596	727	0.4	NV		
		O-5	Chisun Inn Tosu	504	500	644	0.3	NV		
		O-6	Chisun Inn Chiba Hamano R16	798	770	997	0.5	JMK		
		O-7	Chisun Inn Kumamoto Miyukifueda	616	610	734	0.4	NV		
		O-8	Chisun Inn Utsunomiya Kanuma	714	704	831	0.4	JMK		
		O-9	Chisun Inn Fukui	644	637	797	0.4	NV		
		O-10	Chisun Inn Fukushima Nishi IC	672	665	753	0.4	JMK		
		O-11	Chisun Inn Niigata Chuo IC	630	620	767	0.4	NV		
		O-12	Chisun Inn Nagasaki Airport	630	607	754	0.4	NV		
		O-13	Chisun Inn Hitachinaka	742	701	901	0.5	JMK		
		O-14	Chisun Inn Tsuchiura Ami	770	728	903	0.5	JMK		
		O-15	Chisun Inn Kofu Isawa	658	636	776	0.4	NV		
		O-16	Chisun Inn Marugame Zentsuji	588	566	728	0.4	NV		
		O-17	Chisun Inn Munakata	504	495	624	0.3	NV		
		O-18	Chisun Inn Iwate Ichinoseki IC	700	669	766	0.4	JMK		
		O-19	Chisun Inn Karuizawa	812	766	1,080	0.5	NV		
		O-20	Chisun Inn Himeji Yumesakibashi	616	614	736	0.4	NV		
		O-21	Chisun Inn Kurashiki Mizushima	728	711	861	0.5	NV		
		O-22	Candeo Hotels Handa	620	590	651	0.4	RC		
		O-23	Candeo Hotels Chino	793	744	886	0.5	RC		
		O-24	Candeo Hotels Fukuyama	1,075	993	1,170	0.7	RC		
		O-25	Candeo Hotels Sano	1,260	1,212	1,440	0.8	RC		
		O-26	Candeo Hotels Kameyama	470	474	487	0.3	RC		
		O-27	Comfort Hotel Hakodate	937	899	961	0.6	NV		
		O-28	Comfort Hotel Tomakomai	963	913	973	0.6	NV		
		O-29	Comfort Hotel Kure	1,100	1,085	1,160	0.7	NV		
		O-30	Chisun Inn Kagoshima Taniyama	1,995	1,907	2,360	1.2	RC		
				Subtotal		23,213	22,482	27,002	14.4	—
		Total				161,707	164,844	176,472	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. or Rich Appraisal Institute Co., Ltd. "Estimated value at end of period" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2020 as the date of value.
- (Note 4) "Share of investment" is acquisition price of the property expressed as a percentage of the sum total of acquisition price, rounded to one decimal place.
- (Note 5) "Appraisal company" is shown in initials in the table above. The initials used for each appraisal company are as follows:
NV: Nihon Valuers K.K. (Japan Valuers Co., Ltd.)
JMK: JLL Morii Valuation & Advisory K.K.
RC: K.K. Richi Hyouka Kenkyujyo (Rich Appraisal Institute Co., Ltd.)
- (Note 6) No collateral has been established on real estate and others owned by HRR as of October 31, 2020 (end of the 15th fiscal period).

b. Location, Area, Size, Etc.

Investment category		Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	79,784.52 (Note 4)	11,723.61	February 2002 (Tombo-no-yu; Sonmin Shokudo) / April 2005 (HOSHINOYA) / June 2009 (Harunire Terrace) / July 2016 (Ice Skating Rink in the Forest)	630	11,723.61	11,723.61	1(15)	77
		H-2	HOSHINOYA Kyoto	Kyoto-shi, Kyoto (Kinki region)	10,456.38	3,075.70	Unknown (main wing; new construction) (Note 5) / October 2009 (main wing; renovation) / June 2017 (annex)	203	3,097.69	3,097.69	1(0)	25
		H-3	HOSHINOYA Fuji	Fujikawaguchiko-machi, Minamitsuru-gun, Yamanashi (Chubu region)	74,772.03 (Note 6)	2,103.55	August 2015	184	2,103.55	2,103.55	1(0)	40
		H-4	HOSHINOYA Taketomi Island (Note 7)	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	115,982.04	4,259.59	March 2012 (main wing) / March 2009 (annex)	336	4,259.59	4,259.59	1(0)	48
		Subtotal			280,994.97	21,162.45	—	1,355	21,184.44	21,184.44	4(15)	190
		RISONARE	R-1	RISONARE Yatsugatake	Hokuto-shi, Yamanashi (Chubu region)	75,831.81 (Note 8)	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(18)
	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(18)	253	
	KAI	K-1	KAI Matsumoto	Matsumoto-shi, Nagano (Chubu region)	3,340.67	4,056.12	November 1999	75	4,056.12	4,056.12	1(0)	26
		K-2	KAI Izumo	Matsue-shi, Shimane (Chugoku-Shikoku region)	11,321.56 (Note 9)	3,909.02	Unknown (old wing) (Note 5) / July 1997 (new wing)	75	3,909.02	3,909.02	1(0)	24
		K-3	KAI Ito	Ito-shi, Shizuoka (Chubu region)	4,899.97	6,918.92	Unknown (Note 5) / November 1995 (extension)	94	6,918.92	6,918.92	1(0)	30
		K-4	KAI Hakone	Hakone-machi, Ashigarashimo-gun, Kanagawa (Kanto region)	9,723.04	4,649.67	July 1987	95	4,649.67	4,649.67	1(0)	32
		K-5	KAI Aso	Kokonoe-machi, Kusu-gun, Oita (Kyushu-Okinawa region)	26,673.00	1,543.53	April 2006	42	1,543.53	1,543.53	1(0)	12
		K-6	KAI Kawaji	Nikko-shi, Tochigi (Kanto region)	8,671.47 (Note 10)	8,206.58	September 1994	99	8,206.58	8,206.58	1(0)	54
		K-7	KAI Kinugawa	Nikko-shi, Tochigi (Kanto region)	35,187.55	4,066.60	August 2015	129	4,066.60	4,066.60	1(0)	48
		K-8	KAI Kaga	Kaga-shi, Ishikawa (Hokuriku region)	1,796.81	5,159.46	September 2015 (new wing) / March 1967; partly unknown (old wing) (Note 11)	130	5,159.46	5,159.46	1(0)	48
		K-9	KAI Alps	Omachi-shi, Nagano (Chubu region)	7,796.90	4,241.12	August 2017	186	4,241.12	4,241.12	1(0)	48
		Subtotal			109,410.97	42,751.02	—	927	42,751.02	42,751.02	9(0)	322

Investment category		Property no.	Name of property	Location	Land area (m²)	Building area (m²)	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m²) (Note 2)	Leasable area (m²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Properties operated by the Hoshino Resorts Group	Other	O-35	OMO7 Asahikawa	Asahikawa-shi, Hokkaido (Hokkaido-Tohoku region)	4,278.02	25,715.20	March 1994	364	25,715.20	25,715.20	1(4)	237
		O-43	Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	68,928.47 (Note 12)	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(4)	449
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 13)	42,727.85 (Note 14)	August 1983	606	32,332.00	32,332.00	1(7)	409
		O-32	ANA Crowne Plaza Fukuoka	Fukuoka-shi, Fukuoka (Kyushu-Okinawa region)	3,411.67	27,372.74	November 1976 (hotel building) / February 1999 (chapel)	288	27,372.74	27,372.74	1(5)	320
		O-33	ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 15)	61,448.41 (Note 16)	March 1990	546	23,835.00	23,835.00	1(5)	249
		O-34	ANA Crowne Plaza Toyama	Toyama-shi, Toyama (Hokuriku region)	3,723.50 (Note 4)	26,209.92 (Note 17)	June 1999	240	21,600.11	21,600.11	1(6)	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))	491	80,197.60	80,197.60	1(6)	480
		O-37	the b akasaka	Minato-ku, Tokyo (Kanto region)	1,311.55	4,027.00	March 1973	135	4,027.00	4,027.00	1(1)	162
		O-38	the b sangenjaya	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 18)	8,058.64	April 1981 (Note 19)	99	8,058.64	8,058.64	1(4)	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(12)	168
		O-41	Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka (Kinki region)	791.15	2,964.69	August 2017	12	2,997.46	2,997.46	1(0)	132
		O-42	hotel androoms Osaka Hommachi	Osaka-shi, Osaka (Kinki region)	594.88	3,191.32	August 1998	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(2)	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
		Subtotal			63,253.34	290,028.01	—	3,154	237,441.71	237,441.71	14(49)	3,003

Investment category		Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total 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 20)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 21)	1,968.02 (Note 21)	1(1)	92
		O-19	Chisun Inn Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	4,226.44	1,917.10	July 2009	57	1,917.10	1,917.10	1(0)	90
		O-20	Chisun Inn Himeji Yumesakibashi	Himeji-shi, Hyogo (Kinki region)	2,413.68	2,406.95	February 2009	43	2,406.95	2,406.95	1(0)	98
		O-21	Chisun Inn Kurashiki Mizushima	Kurashiki-shi, Okayama (Chugoku-Shikoku region)	2,876.06	2,094.16	October 2009	51	2,094.16	2,094.16	1(0)	98

Investment category		Property no.	Name of property	Location	Land area (m ²)	Building area (m ²)	Construction completion	Annual rent (millions of yen) (Note 1)	Leased area (m ²) (Note 2)	Leasable area (m ²) (Note 2)	Number of tenants (subleasing) (Note 3)	Total number of guest rooms (rooms)
Properties operated by outside operators	Other	O-22	Candeo Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72 (Note 22)	2,814.05	February 2008	52	2,814.05	2,814.05	1(0)	126
		O-23	Candeo Hotels Chino	Chino-shi, Nagano (Chubu region)	2,399.15 (Note 4)	2,868.18	January 2008	65	2,868.18	2,868.18	1(0)	119
		O-24	Candeo Hotels Fukuyama	Fukuyama-shi, Hiroshima (Chugoku-Shikoku region)	1,079.92	3,985.73	March 2008	78	3,985.73	3,985.73	1(0)	164
		O-25	Candeo Hotels Sano	Sano-shi, Tochigi (Kanto region)	3,222.09 (Note 23)	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					757,827.80	527,371.88	—	8,591	474,807.57	474,807.57	62(89)	7,536

(Note 1) Based on lease agreements valid as of October 31, 2020. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above (however, in the case of the five Candeo properties, the three Comfort properties, Quintessa Hotel Osaka Shinsaibashi 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, with an agreement reached for each of OMO7 Asahikawa to have a premium for a limited period from March 31, 2016 to October 31, 2024, HOSHINOYA Taketomi Island to have a premium for a limited period from November 1, 2017 to October 31, 2020, KAI Alps to have a premium for a limited period from March 29, 2019 to April 30, 2022, Iriomote Hotel to have a premium for a limited period from November 1, 2019 to October 31, 2022, and BEB5 Karuizawa to have a premium for a limited period from January 31, 2020 to April 30, 2023, the amount arrived at when fixed rent (monthly amount) is annualized by multiplying by 12 is calculated based on the amount of rent with the premium as of October 31, 2020. Fixed rent after the lapse of the premium period will be less than the amount stated in the table above. In addition, with regard to Quintessa Hotel Osaka Shinsaibashi, a temporary rent reduction has been agreed upon for a limited period from May 1, 2020 to October 31, 2020. Therefore, the amount arrived at when fixed rent (monthly amount) is annualized by multiplying by 12 is calculated based on the amount of rent with such rent reduction. Furthermore, in the event that sales or profit of hotels, ryokans and ancillary facilities is below a certain amount, floating rent will not apply. In addition, the lease agreement with each lessee above provides that the initial date of reckoning floating rent for HOSHINOYA Taketomi Island is November 1, 2020 (16th fiscal period), KAI Alps is May 1, 2022 (19th fiscal period), Iriomote Hotel is November 1, 2022 (20th fiscal period), BEB5 Karuizawa is May 1, 2023 (21st fiscal period), and OMO7 Asahikawa is November 1, 2024 (24th fiscal period). Accordingly, floating rent will not apply to the period before the concerned date, regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities. However, for OMO7 Asahikawa, if floating rent is expected to exceed the premium fixed rent, HRR has the right to end the premium period. For Hyatt Regency Osaka, it is the amount arrived at when the October 2020 floating rent (monthly amount) calculated in accordance with the lease agreement on the building is annualized by multiplying by 12. The same shall apply hereinafter. In addition, it has been agreed that for the lease agreements concluded for Quintessa Hotel Osaka Shinsaibashi, rent from May 1, 2021 onward will be amended to comprise fixed rent and floating rent.

(Note 2) Based on lease agreements valid as of October 31, 2020. All the properties have occupancy rate of 100.0%.

(Note 3) "Number of tenants (subleasing)" subtotals and total are the total number of tenants as of October 31, 2020 with the number of parties leasing (subleasing) from the parties leasing the property from HRR shown in parentheses. However, this excludes those leasing (subleasing) or planning to lease (sublease) part of the site or the building for the purpose of parking or installing antennas, etc. For Chisun Inn Iwate Ichinoseki IC's number of tenants (excluding the number in parentheses), there is a tenant based on a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements; but the number of tenants is one because the tenant leasing under the lease agreement on the building is the same as the tenant leasing under the lease agreement on the land.

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

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

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

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

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

- (Note 8) HRR leases a portion (55,274.81 m²) of the land from the owner.
- (Note 9) HRR leases a portion (2,966.21 m²) of the land from the owner.
- (Note 10) HRR leases a portion (696.95 m²) of the land from the owner.
- (Note 11) Not used for lodging as of October 31, 2020.
- (Note 12) HRR leases a portion (9,113.00 m²) of the land from the owner.
- (Note 13) The land under HRR’s ownership is co-ownership interest (81/100 of the co-ownership) of the land, but the entry under “Land area” is the area of the entire land.
- (Note 14) The building is a building under sectional ownership, of which the building under HRR’s ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (81/100 of the co-ownership) of the corresponding common elements, but the entry under “Building area” is the area of the entire building.
- (Note 15) The land under HRR’s ownership is co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the right of site (proprietary ownership) of the land, but the entry under “Land area” is the area of the entire land.
- (Note 16) The building is a building under sectional ownership, of which the building under HRR’s ownership is co-ownership interest (1/2 of the co-ownership) of the sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the corresponding common elements, but the entry under “Building area” is the area of the entire building.
- (Note 17) The building is a building under sectional ownership, of which the building under HRR’s ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (870,472/1,000,000 of the co-ownership) of the corresponding common elements, but the entry under “Building area” is the area of the entire building.
- (Note 18) The land under HRR’s ownership is co-ownership interest (4,840/10,000 of the co-ownership) of the land, but the entry under “Land area” is the area of the entire land.
- (Note 19) The date stated for “Construction completion” is the date of issuance of the certificate proving completion of the inspection provided in the written opinion of Assets Research and Development Inc., as obtained from the previous owner because HRR has not received the original certificate of inspection from the previous owner.
- (Note 20) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property’s building and a lease agreement on a portion of the property’s land to total two lease agreements as of October 31, 2020. The rent of the lease agreement on the building (hereinafter referred to as the “building rent” in this note) comprises fixed rent and floating rent, while the rent of the lease agreement on the land (hereinafter referred to as the “land rent” in this note) comprises fixed rent. However, an agreement has been reached in these lease agreements to the effect that, in the event of payment of the land rent, the same amount shall be deducted from the building rent, meaning that in no circumstances would the amount of the property’s fixed rent exceed the amount of the fixed rent provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC’s annual fixed rent amount is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. The same shall apply hereinafter.
- (Note 21) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property’s building and a lease agreement on a portion of the property’s land to total two lease agreements as of October 31, 2020, but the entries under “Leased area” and “Leasable area” are the leased area and leasable area of the building.
- (Note 22) HRR leases a portion (991.72 m²) of the land from the owner.
- (Note 23) HRR leases a portion (740.62 m²) of the land from the owner.

c. Summary of Real Estate Appraisal Report, Etc.

The following is a summary of the real estate appraisal report, etc. with October 31, 2020 as the date of value.

Investment category		Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)		
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	NV	11,800	11,900	5.2	11,600	5.2	5.7	638	8.4
		H-2	HOSHINOYA Kyoto	NV	4,220	4,240	5.8	4,190	5.4	6.2	248	8.6
		H-3	HOSHINOYA Fuji	NV	4,330	4,370	6.1	4,290	5.8	6.3	269	6.5
		H-4	HOSHINOYA Taketomi Island	NV	4,970	5,070	6.0	4,870	5.6	6.1	314	6.3
		Subtotal			25,320	25,580	-	24,950	-	-	1,469	7.5
	RISONARE	R-1	RISONARE Yatsugatake	NV	7,330	7,190	5.5	7,460	5.5	6.0	529	11.8
		R-2	RISONARE Atami	NV	4,820	4,780	5.2	4,850	5.0	5.5	294	7.8
		Subtotal			12,150	11,970	-	12,310	-	-	824	10.0
	KAI	K-1	KAI Matsumoto	JMK	804	814	5.9	793	5.7	6.1	64	10.7
		K-2	KAI Izumo	JMK	878	886	6.0	870	5.8	6.2	63	9.3
		K-3	KAI Ito	JMK	1,600	1,620	5.7	1,570	5.5	5.9	107	16.0
		K-4	KAI Hakone	JMK	1,320	1,330	5.7	1,310	5.5	5.9	90	9.5
		K-5	KAI Aso	JMK	708	713	6.1	702	5.9	6.3	47	8.2
		K-6	KAI Kawaji	JMK	1,170	1,180	5.8	1,150	5.6	6.0	86	8.6
		K-7	KAI Kinugawa	JMK	3,270	3,320	5.5	3,220	5.3	5.7	186	6.0
		K-8	KAI Kaga	JMK	3,380	3,430	5.5	3,320	5.3	5.7	191	6.1
		K-9	KAI Alps	NV	3,150	3,190	5.4	3,100	5.1	5.6	178	5.8
		Subtotal			16,280	16,483	-	16,035	-	-	1,014	7.4
	Other	O-35	OMO7 Asahikawa	RC	4,620	4,580	4.9	4,640	4.7	5.1	346	7.5
		O-43	Iriomote Hotel	NV	3,810	3,810	5.3	3,810	4.9	5.4	242	6.6
		O-45	BEB5 Karuizawa	NV	2,260	2,260	5.5	2,260	5.2	5.6	128	5.9
		Subtotal			10,690	10,650	-	10,710	-	-	716	6.9
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	RC	18,600	19,500	4.5	18,200	4.3	4.7	1,004	5.6
		O-32	ANA Crowne Plaza Fukuoka	RC	8,360	8,770	4.4	8,190	4.2	4.6	476	6.3
		O-33	ANA Crowne Plaza Kanazawa	RC	6,270	6,670	4.7	6,100	4.5	4.9	404	6.1
		O-34	ANA Crowne Plaza Toyama	RC	4,080	4,220	4.8	4,020	4.6	5.0	309	7.7
		O-36	Hyatt Regency Osaka	NV	15,100	15,400	4.8	14,700	4.1	4.6	982	6.1
		O-37	the b akasaka	RC	4,710	4,950	4.1	4,610	3.9	4.3	230	4.7
		O-38	the b sangenjaya	RC	4,310	4,510	4.3	4,220	4.1	4.5	214	4.8
		O-39	the b nagoya	RC	4,190	4,410	4.3	4,100	4.1	4.5	224	5.0
		O-40	the b kobe	RC	6,370	6,660	4.4	6,240	4.2	4.6	343	4.9
		O-41	Quintessa Hotel Osaka Shinsaibashi	NV	3,450	3,510	4.6	3,390	4.3	4.7	163	4.9
		O-42	hotel androoms Osaka Hommachi	RC	3,520	3,630	4.5	3,470	4.3	4.7	175	4.1

Investment category		Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)		
Properties operated by outside operators	Urban tourism	O-44	HOTEL NIKKO KOCHI ASAHI ROYAL	NV	2,250	2,230	4.8	2,270	4.6	5.1	144	6.6
		O-46	Sol Vita Hotel Naha	NV	3,820	3,870	4.6	3,760	4.2	4.6	200	5.2
		Subtotal				85,030	88,330	-	83,270	-	-	4,865
	Other	O-1	Chisun Inn Shiojiri Kita IC	NV	819	829	5.9	808	5.7	6.1	52	7.8
		O-2	Chisun Inn Sano Fujioka IC	JMK	894	908	5.9	880	5.7	6.1	56	7.5
		O-3	Chisun Inn Suwa IC	NV	822	831	6.0	813	5.8	6.2	54	8.3
		O-4	Chisun Inn Toyokawa IC	NV	727	734	5.9	720	5.7	6.1	45	7.5
		O-5	Chisun Inn Tosu	NV	644	655	6.0	633	5.8	6.3	41	8.2
		O-6	Chisun Inn Chiba Hamano R16	JMK	997	1,010	5.6	983	5.4	5.8	59	7.4
		O-7	Chisun Inn Kumamoto Miyukifueda	NV	734	744	6.2	723	6.0	6.5	48	7.9
		O-8	Chisun Inn Utsunomiya Kanuma	JMK	831	843	6.1	818	5.9	6.3	54	7.6
		O-9	Chisun Inn Fukui	NV	797	798	6.2	796	6.0	6.4	52	8.1
		O-10	Chisun Inn Fukushima Nishi IC	JMK	753	764	6.2	741	6.0	6.4	50	7.4
		O-11	Chisun Inn Niigata Chuo IC	NV	767	775	6.0	758	5.8	6.2	49	7.8
		O-12	Chisun Inn Nagasaki Airport	NV	754	761	6.0	746	5.8	6.2	48	7.6
		O-13	Chisun Inn Hitachinaka	JMK	901	915	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	776	787	6.1	764	5.9	6.3	52	7.8
		O-16	Chisun Inn Marugame Zentsuji	NV	728	735	6.2	720	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	766	777	6.2	755	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	8.3
		O-20	Chisun Inn Himeji Yumesakibashi	NV	736	745	6.2	726	6.0	6.4	49	7.9

Investment category		Property no.	Assets under management (Name of property)	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by outside operators	Other	O-21	Chisun Inn Kurashiki Mizushima	NV	861	871	6.0	851	5.8	6.2	55	7.5	
		O-22	Candeo Hotels Handa	RC	651	650	5.4	651	5.2	5.6	41	6.6	
		O-23	Candeo Hotels Chino	RC	886	890	5.5	884	5.3	5.7	53	6.7	
		O-24	Candeo Hotels Fukuyama	RC	1,170	1,180	5.3	1,160	5.1	5.5	70	6.6	
		O-25	Candeo Hotels Sano	RC	1,440	1,460	5.4	1,430	5.2	5.6	82	6.5	
		O-26	Candeo Hotels Kameyama	RC	487	487	5.7	487	5.5	5.9	34	7.2	
		O-27	Comfort Hotel Hakodate	NV	961	963	5.2	958	5.0	5.4	59	6.3	
		O-28	Comfort Hotel Tomakomai	NV	973	977	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	2,360	2,400	5.6	2,340	5.4	5.8	146	7.3	
		Subtotal				27,002	27,279	-	26,724	-	-	1,697	7.3
		Total					176,472	180,292	-	173,999	-	-	10,585

(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.)

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2020 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. or Rich Appraisal Institute Co., Ltd. and HRR or the Asset Management Company.

d. Status of Leasing to Major Tenants

Tenant name	Business type	Name of property	Contract expiration date	Annual rent		Leased area	
				(millions of yen)	Share (%) (Note 1)	(m ²) (Note 2)	Share (%) (Note 3)
K.K. Horizon Hotels	Hotel	RISONARE Yatsugatake	July 15, 2033	525	6.1	33,853.45	7.1
		RISONARE Atami	November 1, 2035	223	2.6	23,385.18	4.9
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	7.1	32,332.00	6.8
		ANA Crowne Plaza Fukuoka	November 1, 2035	288	3.4	27,372.74	5.8
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	6.4	23,835.00	5.0
		ANA Crowne Plaza Toyama	November 1, 2035	240	2.8	21,600.11	4.5
		Total		2,428	28.3	162,378.48	34.2
HRO Inc.	Hotel	Hyatt Regency Osaka	October 31, 2036	491	5.7	80,197.60	16.9
		Total		491	5.7	80,197.60	16.9
SHR Roadside Inn Co., Ltd.	Hotel	Chisun Inn Shiojiri Kita IC	May 1, 2024	48	0.6	2,100.47	0.4
		Chisun Inn Sano Fujioka IC	May 1, 2024	52	0.6	1,968.91	0.4
		Chisun Inn Suwa IC	May 1, 2024	46	0.5	1,944.94	0.4
		Chisun Inn Toyokawa IC	May 1, 2024	42	0.5	2,040.09	0.4
		Chisun Inn Tosu	May 1, 2024	36	0.4	1,968.02	0.4
		Chisun Inn Chiba Hamano R16	May 1, 2024	57	0.7	2,023.29	0.4
		Chisun Inn Kumamoto Miyukifueda	May 1, 2024	43	0.5	2,094.77	0.4
		Chisun Inn Utsunomiya Kanuma	May 1, 2024	51	0.6	2,094.16	0.4
		Chisun Inn Fukui	May 1, 2024	45	0.5	2,094.01	0.4
		Chisun Inn Fukushima Nishi IC	May 1, 2024	48	0.6	2,094.01	0.4
		Chisun Inn Niigata Chuo IC	May 1, 2024	45	0.5	2,094.16	0.4
		Chisun Inn Nagasaki Airport	May 1, 2024	45	0.5	1,968.02	0.4
		Chisun Inn Hitachinaka	May 1, 2024	52	0.6	1,968.30	0.4
		Chisun Inn Tsuchiura Ami	May 1, 2024	54	0.6	1,968.03	0.4
		Chisun Inn Kofu Isawa	May 1, 2024	46	0.5	1,968.47	0.4
		Chisun Inn Marugame Zentsuji	May 1, 2024	42	0.5	2,094.16	0.4
		Chisun Inn Munakata	May 1, 2024	36	0.4	2,094.16	0.4
		Chisun Inn Iwate Ichinoseki IC	May 1, 2024 (Note 4)	49	0.6	1,968.02	0.4
		Chisun Inn Karuizawa	May 1, 2024	57	0.7	1,917.10	0.4
		Chisun Inn Himeji Yumesakibashi	May 1, 2024	43	0.5	2,406.95	0.5
		Chisun Inn Kurashiki Mizushima	May 1, 2024	51	0.6	2,094.16	0.4
		Chisun Inn Kagoshima Taniyama	May 2, 2024	96	1.1	8,066.36	1.7
		Total		1,095	12.7	51,030.56	10.7

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

(Note 2) Based on lease agreements valid as of October 31, 2020.

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

(Note 4) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of October 31, 2020. 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	12.1
	RISONARE	2	8,250	5.1
	KAI	9	13,775	8.5
	Other	3	10,439	6.5
	Subtotal	18	52,057	32.2
Properties operated by outside operators	Urban tourism	13	86,437	53.5
	Other	30	23,213	14.4
	Subtotal	43	109,650	67.8
Total		61	161,707	100.0

ii. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	4.9
Kanto region	11	19,336	12.0
Hokuriku region	4	14,421	8.9
Chubu region	18	36,925	22.8
Kinki region	6	34,091	21.1
Chugoku-Shikoku region	7	24,155	14.9
Kyushu-Okinawa region	10	24,888	15.4
Total	61	161,707	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	161,707	100.0	161,707	100.0
More than 10 years	143,512	88.7	140,512	86.9
10 years or less	18,195	11.3	21,195	13.1

(Note) "Remaining duration" as stated is based on the remaining number of years of the lease agreements pertaining to the assets held by HRR as of October 31, 2020.

iv. By contract type

Contract type	Acquisition price (millions of yen)	Share (%)
Entire portfolio	161,707	100.0
Fixed-term lease contract	161,707	100.0
Normal lease contract	-	-

f. Individual Investment Real Estate, Etc. Property Income Statements

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

(Unit: thousands of yen)

Property no.		H-1	H-2	H-3	H-4	R-1	R-2
Name of property	Portfolio total	HOSHINOYA Karuizawa	HOSHINOYA Kyoto	HOSHINOYA Fuji	HOSHINOYA Taketomi Island	RISONARE Yatsugatake	RISONARE Atami
① Total real estate operating revenue	6,021,600	444,769	147,773	160,297	168,360	375,780	199,568
Fixed rent	4,056,590	315,000	101,898	92,430	168,360	262,500	111,600
Floating rent	1,953,819	129,769	45,874	67,867	-	113,280	87,963
Other rent	10,800	-	-	-	-	-	-
Other revenue	390	-	1	-	-	-	4
② Total real estate operating expenses	841,655	36,051	10,413	11,530	23,118	38,420	32,088
Maintenance expenses	63,243	2,817	1,477	369	2,851	5,924	2,835
Taxes and dues	468,933	13,417	2,350	3,696	2,033	23,430	26,239
Insurance expenses	18,733	658	179	249	194	1,769	761
Land rent	60,495	6,458	-	6,911	6,316	3,937	-
Repair expenses	73,077	12,198	6,405	303	11,723	3,359	2,253
Other expenses	157,172	500	-	-	-	-	-
③ NOI [①－②]	5,179,945	408,718	137,360	148,766	145,241	337,359	167,480
④ Depreciation and amortization	1,320,856	106,306	29,347	35,486	46,477	77,466	48,664
⑤ Loss on retirement of non-current assets	5,430	5,220	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	3,853,657	297,190	108,012	113,279	98,763	259,893	118,815

(Unit: thousands of yen)

Property no.	K-1	K-2	K-3	K-4	K-5	K-6	K-7
Name of property	KAI Matsumoto	KAI Izumo	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji	KAI Kinugawa
① Total real estate operating revenue	44,772	55,865	64,710	73,476	30,742	62,192	94,248
Fixed rent	37,500	37,500	47,250	47,500	21,000	49,800	64,800
Floating rent	7,272	18,360	17,460	25,976	9,722	12,369	29,448
Other rent	-	-	-	-	-	-	-
Other revenue	-	4	-	-	20	22	-
② Total real estate operating expenses	8,430	9,528	8,230	14,594	13,709	14,141	10,757
Maintenance expenses	1,228	482	819	2,163	798	2,849	1,541
Taxes and dues	4,186	3,965	4,975	5,108	971	7,869	7,869
Insurance expenses	247	131	314	195	60	352	142
Land rent	-	2,280	-	-	-	300	-
Repair expenses	2,769	2,669	2,120	7,126	11,878	2,769	1,204
Other expenses	-	-	-	-	-	-	-
③ NOI [①－②]	36,341	46,336	56,479	58,882	17,033	48,050	83,490
④ Depreciation and amortization	6,726	7,113	13,009	13,001	8,720	15,571	17,376
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	210
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	29,614	39,223	43,470	45,881	8,313	32,479	65,903

(Unit: thousands of yen)

Property no.	K-8	K-9	O-35	O-43	O-45	O-31	O-32
Name of property	KAI Kaga	KAI Alps	OMO7 Asahikawa	Iriomote Hotel	BEB5 Karuizawa	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Fukuoka
① Total real estate operating revenue	99,897	93,231	182,400	135,960	68,220	528,087	375,642
Fixed rent	65,265	93,231	182,400	135,960	68,220	303,000	144,000
Floating rent	34,632	-	-	-	-	225,071	231,642
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	15	-
② Total real estate operating expenses	8,450	4,728	23,052	14,048	1,798	46,828	36,274
Maintenance expenses	1,171	1,100	-	6,179	1,029	9,802	-
Taxes and dues	5,874	3,228	22,233	2,415	-	35,063	35,337
Insurance expenses	242	177	818	526	104	1,159	781
Land rent	-	-	-	200	-	-	-
Repair expenses	1,162	222	-	4,726	185	-	-
Other expenses	-	-	-	-	480	803	155
③ NOI [①－②]	91,446	88,502	159,347	121,911	66,421	481,259	339,367
④ Depreciation and amortization	27,700	25,662	71,699	38,819	18,893	93,678	42,454
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	0
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	63,746	62,840	87,648	83,091	47,527	387,580	296,913

(Unit: thousands of yen)

Property no.	O-33	O-34	O-36	O-37	O-38	O-39	O-40
Name of property	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka	the b akasaka	the b sangenjaya	the b nagoya	the b kobe
① Total real estate operating revenue	345,956	210,702	245,599	110,300	111,321	120,080	163,630
Fixed rent	273,000	120,000	-	67,500	58,500	49,500	90,000
Floating rent	72,956	90,702	245,599	42,800	52,821	70,580	73,630
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	180,942	33,516	99,554	9,498	3,588	8,433	10,874
Maintenance expenses	9,685	-	-	-	-	-	-
Taxes and dues	15,808	17,389	83,930	9,346	3,482	8,137	10,533
Insurance expenses	846	818	3,574	152	105	296	340
Land rent	-	15,154	12,000	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	154,602	155	50	-	-	-	-
③ NOI [①－②]	165,013	177,185	146,045	100,802	107,733	111,646	152,756
④ Depreciation and amortization	44,197	57,646	122,264	16,431	12,374	15,592	24,064
⑤ Loss on retirement of non-current assets	-	0	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	120,816	119,539	23,781	84,370	95,359	96,054	128,691

(Unit: thousands of yen)

Property no.	O-41	O-42	O-44	O-46	O-1	O-2	O-3
Name of property	Quintessa Hotel Osaka Shinsaibashi	hotel androoms Osaka Hommachi	HOTEL NIKKO KOCHI ASAHI ROYAL	Sol Vita Hotel Naha	Chisun Inn Shiojiri Kita IC	Chisun Inn Sano Fujioka IC	Chisun Inn Suwa IC
① Total real estate operating revenue	6,000	72,926	90,000	105,449	31,091	34,066	33,067
Fixed rent	6,000	72,000	90,000	64,239	24,000	26,460	23,460
Floating rent	-	926	-	41,210	7,091	7,606	9,607
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	6,385	6,012	18,402	171	3,053	2,590	2,585
Maintenance expenses	-	-	-	-	349	422	454
Taxes and dues	6,277	5,477	17,587	-	2,646	2,108	2,077
Insurance expenses	108	114	814	171	57	60	54
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	420	-	-	-	-	-
③ NOI [①－②]	(385)	66,914	71,597	105,278	28,038	31,476	30,481
④ Depreciation and amortization	10,332	12,172	25,846	12,411	5,157	7,069	6,604
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	(10,718)	54,742	45,751	92,866	22,880	24,406	23,876

(Unit: thousands of yen)

Property no.	O-4	O-5	O-6	O-7	O-8	O-9	O-10
Name of property	Chisun Inn Toyokawa IC	Chisun Inn Tosu	Chisun Inn Chiba Hamano R16	Chisun Inn Kumamoto Miyukifueda	Chisun Inn Utsunomiya Kanuma	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC
① Total real estate operating revenue	28,281	27,500	34,069	37,397	32,066	35,342	31,110
Fixed rent	21,480	18,000	28,500	21,960	25,500	22,980	24,000
Floating rent	6,801	9,500	5,569	15,437	6,566	12,362	7,110
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,577	2,233	2,739	2,901	2,713	2,730	2,878
Maintenance expenses	311	491	305	499	259	488	294
Taxes and dues	2,207	1,687	2,371	2,343	2,389	2,182	2,519
Insurance expenses	58	53	62	58	65	60	64
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	0	-	-	-
③ NOI [①－②]	25,703	25,267	31,330	34,495	29,352	32,612	28,232
④ Depreciation and amortization	5,355	4,945	7,396	6,053	6,037	5,436	5,964
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	20,348	20,321	23,934	28,442	23,314	27,175	22,267

(Unit: thousands of yen)

Property no.	O-11	O-12	O-13	O-14	O-15	O-16	O-17
Name of property	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami	Chisun Inn Kofu Isawa	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata
① Total real estate operating revenue	30,003	32,260	31,663	30,148	30,080	31,445	25,479
Fixed rent	22,500	22,500	26,460	27,480	23,460	21,000	18,000
Floating rent	7,503	9,760	5,203	2,668	6,620	10,445	7,479
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,896	2,656	2,215	2,397	2,383	2,434	2,602
Maintenance expenses	399	279	285	287	498	451	423
Taxes and dues	2,438	2,322	1,870	2,050	1,829	1,923	2,120
Insurance expenses	59	54	59	59	55	59	58
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ NOI [①－②]	27,106	29,604	29,448	27,751	27,697	29,010	22,876
④ Depreciation and amortization	5,666	6,817	7,642	8,308	6,258	6,374	6,218
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	21,440	22,786	21,805	19,442	21,439	22,636	16,658

(Unit: thousands of yen)

Property no.	O-18	O-19	O-20	O-21	O-22	O-23	O-24
Name of property	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima	Candeo Hotels Handa	Candeo Hotels Chino	Candeo Hotels Fukuyama
① Total real estate operating revenue	29,556	44,449	28,887	31,840	26,460	32,844	39,370
Fixed rent	24,960	28,980	21,960	25,980	26,460	32,844	39,370
Floating rent	4,596	15,469	6,927	5,860	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total real estate operating expenses	2,268	2,820	3,375	2,886	5,914	6,055	3,980
Maintenance expenses	280	421	322	295	-	-	-
Taxes and dues	1,925	2,329	2,985	2,525	2,937	3,157	3,850
Insurance expenses	61	70	67	60	97	93	129
Land rent	-	-	-	-	2,880	2,804	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	5	-	-	-
③ NOI [①－②]	27,288	41,629	25,511	28,953	20,545	26,788	35,389
④ Depreciation and amortization	6,189	8,349	5,864	6,982	6,470	8,668	10,776
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	21,099	33,279	19,647	21,971	14,074	18,120	24,613

(Unit: thousands of yen)

Property no.	O-25	O-26	O-27	O-28	O-29	O-30
Name of property	Candeo Hotels Sano	Candeo Hotels Kameyama	Comfort Hotel Hakodate	Comfort Hotel Tomakomai	Comfort Hotel Kure	Chisun Inn Kagoshima Taniyama
① Total real estate operating revenue	45,778	20,910	33,222	33,231	37,524	94,485
Fixed rent	45,756	20,910	32,922	33,231	37,524	48,000
Floating rent	-	-	-	-	-	35,685
Other rent	-	-	-	-	-	10,800
Other revenue	22	-	300	-	-	-
② Total real estate operating expenses	4,455	3,936	3,706	2,963	3,937	7,185
Maintenance expenses	-	-	-	-	-	300
Taxes and dues	3,108	3,805	3,608	2,877	3,840	6,655
Insurance expenses	95	131	98	86	97	229
Land rent	1,252	-	-	-	-	-
Repair expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
③ NOI [①－②]	41,323	16,973	29,515	30,267	33,586	87,300
④ Depreciation and amortization	11,170	4,276	10,227	9,681	8,848	18,534
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③－④－⑤]	30,152	12,697	19,287	20,586	24,737	68,765

(2) Status of Capital Expenditures

① Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending April 2021 currently planned for assets held by HRR as of October 31, 2020, the following are the major estimated amounts. Amounts categorized as expenses within accounting standards are included in capital expenditure amounts stated below.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Renovation of guest rooms (second to fourth period)	From: May 2020 To: December 2021	157	44	53
HOSHINOYA Taketomi Island	Taketomi-cho, Yaeyama-gun, Okinawa	Seawater desalination work	From: September 2020 To: January 2021	93	0	0
RISONARE Atami	Atami-shi, Shizuoka	Slope restoration work	From: April 2021 To: May 2021	45	-	-
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Replacement of cogeneration electrical equipment	From: February 2021 To: February 2021	33	-	-
OMO7 Asahikawa	Asahikawa-shi, Hokkaido	Renovation (second period)	From: January 2020 To: December 2020	133	-	9

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 October 31, 2020, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 1,225 million yen and repair expenses separately charged to expenses amounted to 73 million yen for a combined total of 1,298 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 (first period)	From: May 2020 To: October 2020	42
KAI Izumo	Matsue-shi, Shimane	Renovation	From: May 2020 To: July 2020	245
OMO7 Asahikawa	Asahikawa-shi, Hokkaido	Renovation (first period)	From: January 2020 To: June 2020	143
Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa	Renovation	From: April 2020 To: July 2020	131