

## (REIT) Financial Report for Fiscal Period Ended October 2022

December 15, 2022

REIT Securities Issuer: Hoshino Resorts REIT, Inc. Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 3287 URL: <https://www.hoshinoresorts-reit.com/en/>  
 Representative: Kenji Akimoto, Executive Director  
 Asset Management Company: Hoshino Resort Asset Management Co., Ltd.  
 Representative: Kenji Akimoto, President & CEO  
 Contact: Kengo Kubota, General Manager of Corporate Planning & Administration Department, Corporate Planning Division  
 TEL: +81-3-5159-6338

Scheduled date of submission of securities report: January 24, 2023

Scheduled date of commencement of distributions payment: January 23, 2023

Preparation of supplementary financial results briefing materials: Yes

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

(Amounts are rounded down to the nearest million yen)

## 1. Status of Management and Assets for Fiscal Period Ended October 2022 (from May 1, 2022 to October 31, 2022)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Oct. 2022	5,882	8.2	2,463	11.9	1,966	11.5	1,964	11.5
Ended Apr. 2022	5,438	12.4	2,200	19.2	1,764	24.9	1,761	24.9

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. 2022	7,796	1.6	1.0	33.4
Ended Apr. 2022	7,282	1.6	0.9	32.4

## (2) Distributions Status

Fiscal period	Distributions per unit (excluding distributions in excess of earnings)	Total distributions (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
Ended Oct. 2022	7,681	1,962	—	—	99.9	1.6
Ended Apr. 2022	7,195	1,758	—	—	99.8	1.5

(Note 1) Total distributions in the fiscal period ended October 2022 is an amount after adding reversal of reserve for tax purpose reduction entry of 287 thousand yen to unappropriated retained earnings.

(Note 2) Total distributions in the fiscal period ended April 2022 is an amount after adding reversal of reserve for tax purpose reduction entry of 287 thousand yen to unappropriated retained earnings.

## (3) Financial Position

Fiscal period	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Oct. 2022	205,962	125,840	61.1	492,413
Ended Apr. 2022	192,603	119,027	61.8	487,107

#### (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. 2022	3,483	(13,590)	10,978	11,288
Ended Apr. 2022	3,497	(12,994)	11,006	10,416

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

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Apr. 2023	6,248	6.2	2,617	6.3	2,137	8.7	2,135	8.7	8,350	—
Ending Oct. 2023	6,217	(0.5)	2,648	1.2	2,141	0.2	2,139	0.2	8,370	—

(Reference) Forecast profit per unit (fiscal period ending April 2023) 8,355 yen

Forecast profit per unit (fiscal period ending October 2023) 8,371 yen

Forecast profit per unit is calculated by the following formula:

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

(Note) The forecasts for the distributions per unit for the fiscal period ending April 2023 and the fiscal period ending October 2023 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings.

#### \* Others

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

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

##### (2) Total Number of Investment Units Issued and Outstanding

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

Fiscal period ended October 2022	255,558 units	Fiscal period ended April 2022	244,355 units
----------------------------------	---------------	--------------------------------	---------------
- ② Number of own investment units at end of period
 

Fiscal period ended October 2022	— units	Fiscal period ended April 2022	— units
----------------------------------	---------	--------------------------------	---------

(Note) For the number of investment units serving as the basis for calculation of profit per unit, please refer to “Notes on Per Unit Information” on page 33.

\* 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 2023 and Fiscal Period Ending October 2023” on pages 9 to 14.

## Index

1. Management Status .....	2
(1) Management Status.....	2
① Overview of the Fiscal Period under Review .....	2
(a) Brief History of the Investment Corporation.....	2
(b) Investment Environment and Management Performance.....	2
(c) Overview of Fund Procurement .....	2
(d) Overview of Business Performance and Distributions .....	3
② Outlook for the Next Fiscal Period.....	3
(a) Management Environment for the Next Fiscal Period .....	3
(b) Future Management Policy and Challenges to Address .....	3
(c) Sustainability Initiatives.....	6
(d) Management Status Outlook.....	7
③ Significant Subsequent Events.....	8
(a) Acquisition of Assets.....	8
(b) Borrowing of Funds .....	8
(2) Investment Risks .....	14
2. Financial Statements .....	15
(1) Balance Sheet .....	15
(2) Statement of Income .....	18
(3) Statement of Unitholders' Equity .....	19
(4) Statement of Cash Distributions.....	20
(5) Statement of Cash Flows .....	21
(6) Notes on the Going Concern Assumption.....	22
(7) Notes on Matters Concerning Significant Accounting Policies .....	22
(8) Notes to the Financial Statements.....	24
(9) Changes in Total Number of Investment Units Issued and Outstanding .....	35
3. Reference Information .....	36
(1) Information on Values of Assets Under Management, Etc. ....	36
① Investment Status.....	36
② Investment Assets.....	39
(a) Major Issues of Investment Securities.....	39
(b) Investment Real Estate Properties .....	40
a. Acquisition Price, Book Value, Appraisal Value, Share of Investment, Etc.....	40
b. Location, Area, Size, Etc.....	42
c. Summary of Real Estate Appraisal Report, Etc.....	48
d. Status of Leasing to Major Tenants .....	52
e. Portfolio Overview.....	53
f. Individual Investment Real Estate, Etc. Property Income Statements .....	54
(2) Status of Capital Expenditures.....	59
① Schedule of Capital Expenditures .....	59
② Capital Expenditures during the Period .....	59
(3) Other Investment Assets.....	60

## 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 66 properties (sum total of acquisition price: 189,066 million yen).

##### (b) Investment Environment and Management Performance

In Japan, strict infection control measures, which had been put in place in response to COVID-19, were lifted in all prefectures by March 2022, and after that, easing of restrictions on activities was promoted and a national travel subsidy program by the Japan Tourism Agency, a measure to stimulate tourism demand, was started in October. As for Japan’s tourism market, according to the Statistical Survey of Lodging and Travel (preliminary estimates of the Japan Tourism Agency), the total number of guest nights from January to October 2022 decreased by 27.7% compared to the same period of 2019, but increased by 49.4% compared to the same period of 2021. Thus, Japan’s tourism demand is on a recovery trajectory.

As for inbound tourism demand, entry into Japan by non-resident foreign nationals for purposes other than sightseeing was resumed under certain conditions from March 2022, and acceptance of escorted package tours for foreign tourists was started in June. In addition, the upper limit on the total number of entrants was also removed in October with the border measure being eased significantly while certain restrictions, such as submission of a vaccination certification, were imposed. Consequently, the number of tourists from overseas visiting Japan has recently been on a recovery trend, but still remains at a low level with China’s zero-COVID policy also having an impact.

In the environment described above, the hotels and ryokans held by HRR were managed with a focus on securing stable earnings. With regard to the properties held by HRR, in the severe situation due to the spread of infections of COVID-19, hotels, ryokans, and ancillary facilities operated by the Hoshino Resorts Group (collectively refers to Hoshino Resorts Inc. [hereinafter “Hoshino Resorts”] and its parent company and subsidiaries; the same shall apply hereinafter) (hereinafter the “properties operated by the Hoshino Resorts Group”) have been capturing a higher level of demand relative to their industry peers largely due to the establishment of microtourism demand and the development of unique policies such as local collaboration projects.

##### (c) Overview of Fund Procurement

In the fiscal period under review, HRR procured 700 million yen of long-term borrowings on May 2, 2022 as funds for repayment of a total remaining principal amount of 700 million yen of existing borrowings due for repayment. Of the procured amount, 600 million yen is a green loan executed based on the Green Finance Framework developed by HRR (hereinafter may be referred to as the “Green Framework”). HRR allocated the full amount of the green loan to repayment of borrowings in connection with the initial acquisition of HOSHINOYA Karuizawa, KAI Kinugawa and Quintessa Hotel Osaka Shinsaibashi, which are properties that satisfy the criteria for eligible green properties under the Green Framework.

In addition, HRR procured 6,292 million yen from the issuance of new investment units through primary offering on June 27, 2022 and 314 million yen from the issuance of new investment units through third-party allotment on July 26, 2022, and besides, HRR procured 6,200 million yen of long-term borrowings on July 1, 2022. These amounts were allocated to the funds for acquisition of HOSHINOYA Okinawa and its related expenses.

Moreover, HRR procured 4,120 million yen of long-term borrowings on October 31, 2022 as funds for repayment of a total remaining principal amount of 4,121 million yen of existing borrowings due for repayment. Of the procured amount, 1,220 million yen is a green loan executed based on the Green Framework. HRR allocated the full amount of the green loan to repayment of borrowings in connection with the initial acquisition of ANA Crowne Plaza Hiroshima, which is a property that satisfies the criteria for eligible green properties under the Green Framework.

Furthermore, contractual repayments of borrowings, etc. were made, resulting in balance of interest-bearing liabilities of 74,585 million yen and ratio of interest-bearing liabilities to total assets (LTV) of 36.2% as of October 31, 2022.

(Status of credit rating)

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

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

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

#### (d) Overview of Business Performance and Distributions

As a result of the management described above, business performance in the fiscal period under review was operating revenue of 5,882 million yen, operating profit of 2,463 million yen, ordinary profit of 1,966 million yen and profit of 1,964 million yen. Concerning distributions, after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained earnings pursuant with Article 42 of the Corporation Tax Act, the decision was made to distribute almost the entire aggregate amount to ensure application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; hereinafter, the “Act on Special Measures Concerning Taxation”)), and distributions per investment unit was thus declared to be 7,681 yen.

### ② Outlook for the Next Fiscal Period

#### (a) Management Environment for the Next Fiscal Period

In the Japanese economy, amid the progressing transition to the new phase of living with COVID-19, the economy is expected to recover due partly to various policies. However, while global monetary tightening, etc. continues, there is a risk that a downturn in overseas economies could exert downward pressure on Japan’s economy. In addition, uncertainty over the Japanese economy is extremely high due to the trend of infections in Japan and overseas and its impact, future development of the situation in Ukraine, resource prices, overseas economic and price trends, and other factors. It is necessary to keep a close eye on trends of finance and exchange markets and impact on the Japanese economy and commodity prices.

In the tourism market, partly due to government support, including a national travel subsidy program implemented by the Japan Tourism Agency from October 11, 2022, a recovery in domestic demand is anticipated to further progress. Since entry restrictions were largely eased on the same date, including the removal of the upper limit on the total number of entrants and the lifting of entry restrictions for individual tourists from overseas, a further recovery in travelers to Japan is also expected in the future. However, it will be necessary to keep a close eye on each country and region’s status of infection of COVID-19, changes in regulations concerning entering and leaving, impact of the situation in Ukraine on flights, and others.

Under these circumstances, HRR will properly manage its assets underpinned by its aims of securing consistent rent revenue, achieving steady growth in asset size, and appropriately building its financial base, from a medium- to long-term perspective on the basis of the management policy described in “(b) Future Management Policy and Challenges to Address” below.

#### (b) Future Management Policy and Challenges to Address

Under such circumstances, HRR’s basic policy is to form a portfolio with a stable revenue base centering on

hotels, ryokans and ancillary facilities that can respond to the travel needs of tourists.

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

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

HRR seeks to flexibly form an optimum portfolio in order to secure long-term and stable cash flow. After proactively obtaining information on properties operated by the Hoshino Resorts Group and hotels, ryokans and ancillary facilities operated by outside operators (hereinafter the “properties operated by outside operators”), including overseas properties in which the Hoshino Resorts Group is engaged (Note), HRR will examine individual investment properties upon their selection.

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

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

a. Properties operated by the Hoshino Resorts Group

Taking above into consideration, HRR believes that it should preferably undertake investment in HOSHINOYA, KAI and Hoshino Resorts RISONARE (hereinafter may be referred to as “RISONARE”), which are operated by the Hoshino Resorts Group.

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

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

Under the concept of a “memorable resort hotel beyond your imagination,” Hoshino Resorts RISONARE strives to act as a brand that is preferred by families by offering a wealth of activities suitable for each season, along with the appeal of gaining a sense of healing that is distinctive to the resort experience.

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

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

b. Properties operated by outside operators

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

Taking this view, HRR will make proactive investments in properties operated by outside operators if it decides long-term and stable cash flow can be secured after obtaining the necessary information taking advantage of the sponsor support agreement with Hoshino Resorts and the Asset Management Company’s unique networks.

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

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

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

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

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

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

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

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

categories, lessees and operators, but also to geographic area of facility location.

(c) Sustainability Initiatives

HRR and the Asset Management Company believe it is important to maximize unitholder value through heightening HRR's sustainability while engaging in investment and asset management in a manner that is mindful of ESG (Environment, Social and Governance) considerations. In conjunction with its sponsor Hoshino Resorts, HRR explores the benefits of travel that enhances human creativity and motivation, and accordingly strives to maintain natural environments that enable coexistence of living creatures and humans. Since the planet began encountering major problems with respect to changes in the environment and human communities nearly a century ago, Hoshino Resorts has been maintaining and developing hydroelectric power plants and the Karuizawa Wild Bird Sanctuary, and has also been creating communities such as its Liberal Education Art Seminars.

Having also inherited this DNA through its ESG initiatives, HRR has been striving to minimize the burden it poses on its natural surroundings as initiatives for the "Environment." To such ends, in recent years, HRR has been striving to become more resilient when it comes to addressing future risks by managing its properties in a manner that enlists a green building approach. One example of this is HOSHINOYA Karuizawa, which is equipped with unique technologies such as the utilization of hydroelectric power and the harnessing of geothermal heat or hot spring runoff for heating, and the incorporation of energy-efficient design in its building structures.

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

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

Moreover, the Asset Management Company has conducted compliance training for officers and employees on 17 occasions under six different themes over the year extending from November 2021 to October 2022, and will endeavor to strengthen governance through efforts that entail ongoing training going forward as initiatives for "Governance."

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

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

■ External sustainability evaluation and acquisition of certifications

・ GRESB Real Estate Assessment

HRR has obtained a rating of three stars in the GRESB Real Estate Assessment in 2022 for the second consecutive year.

HRR has also obtained a Green Star for the third consecutive year, designation indicating that its entry was distinguished on two fronts, one of which being the Management Component entailing evaluation of policies and organizational structures for ESG promotion, and the other of which being the Performance Component that entails assessment of environmental performance and tenant engagement with respect to properties owned.

Moreover, HRR received the highest "A Level" for the GRESB Public Disclosure, which assesses the width of



ESG disclosure, for the second consecutive year.

- MSCI ESG rating

HRR obtained an MSCI ESG rating of “BBB,” which is two ranks higher than the previous rating of “B,” in April 2022.

- Environmental certification

HRR obtained an S ranking for “HOSHINOYA Karuizawa (Harunire Terrace)” under the Certification for CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate, which serves as a green building certification program.

HRR also obtained ratings for 15 out of 67 of the properties that it owns (5 stars: 6 properties; 4 stars: 2 properties; 3 stars: 3 properties; 2 stars: 3 properties; 1 star: 1 property), as of the date of this document, under the BELS (Building-Housing Energy-efficiency Labeling System) objective assessment of energy-saving performance.

#### ■ Initiatives to tackle climate change

As the Asset Management Company has expressed its support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD),” established by the Financial Stability Board (FSB), it has joined the TCFD Consortium.

For the activity, HRR conducted scenario analysis to examine how changes in the business environment due to the long-term policy trend related to climate change affect HRR, and has disclosed details of the analysis on its website. Its policy is to implement various approaches, including GHG emissions reduction, based on the verification results going forward.

#### ■ Sustainability finance

HRR has developed the Sustainability Finance Framework and the Green Finance Framework, and both of these two frameworks received the highest rating in a third-party evaluation by Japan Credit Rating Agency, Ltd. (JCR). As of the date of this document, HRR’s actual amount of funds procured based on the Green Framework is 8,510 million yen in total. While continuing to further promote its sustainability initiatives, HRR aims to strengthen the funding base through expansion of the investor base who are interested in ESG investment and lending.

#### (d) Management Status Outlook

The following management status is expected for the fiscal period ending April 2023 (from November 1, 2022 to April 30, 2023) and the fiscal period ending October 2023 (from May 1, 2023 to October 31, 2023). For the assumptions underlying this outlook, please refer to “Assumptions Underlying Management Status Outlook for Fiscal Period Ending April 2023 and Fiscal Period Ending October 2023” on pages 9 to 14.

##### Fiscal period ending April 2023 (20th fiscal period)

Operating revenue	6,248 million yen
Operating profit	2,617 million yen
Ordinary profit	2,137 million yen
Profit	2,135 million yen
Distributions per unit	8,350 yen
Distributions in excess of earnings per unit	– yen

##### Fiscal period ending October 2023 (21st fiscal period)

Operating revenue	6,217 million yen
Operating profit	2,648 million yen
Ordinary profit	2,141 million yen
Profit	2,139 million yen
Distributions per unit	8,370 yen
Distributions in excess of earnings per unit	– yen

(Note 1) The forecast figures above are the current forecast calculated under certain assumptions. Accordingly, the actual operating revenue, operating profit, ordinary profit, profit and distributions per unit may vary due to changes in the circumstances. In

addition, the forecast is not a guarantee of the amount of distributions per unit.

(Note 2) The forecasts for the distributions per unit for the fiscal period ending April 2023 and the fiscal period ending October 2023 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings.

### ③ Significant Subsequent Events

#### (a) Acquisition of Assets

On November 30, 2022, HRR acquired the following real estate (acquisition price: 2,050 million yen).

Name of property	Location	Seller (Note 1)	Acquisition price (millions of yen) (Note 2)	Acquisition date
Comfort Hotel Takamatsu	Takamatsu-shi, Kagawa	Not disclosed	2,050	November 30, 2022

(Note 1) The sellers are multiple domestic corporations. However, since consent for disclosure of their names has not been obtained from the sellers, "Not disclosed" is shown.

(Note 2) "Acquisition price" indicates the sales/purchase price of the property stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest million yen.

#### (b) Borrowing of Funds

In order to procure the funds for acquisition and part of the related expenses for "Comfort Hotel Takamatsu" stated in the aforementioned "(a) Acquisition of Assets," HRR borrowed the following funds as of November 30, 2022.

Floating /Fixed	Lender	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 5)	Repayment method
Floating	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	670	Base rate: 3-month Japanese Yen TIBOR +0.534% (Note 3)	November 30, 2022	October 31, 2029	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	330	1.10856%	November 30, 2022	October 31, 2029	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	720	Base rate: 3-month Japanese Yen TIBOR +0.660% (Note 4)	November 30, 2022	April 30, 2031	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	370	1.32203%	November 30, 2022	April 30, 2031	Lump-sum repayment at maturity

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

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

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 1.1190%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 1.3380%.

(Note 5) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

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

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>• Fiscal period ending April 2023 (20th fiscal period): from November 1, 2022 to April 30, 2023 (181 days)</li> <li>• Fiscal period ending October 2023 (21st fiscal period): from May 1, 2023 to October 31, 2023 (184 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>• The assumptions are that HRR will continue to own, 67 properties with the addition of Comfort Hotel Takamatsu acquired on November 30, 2022 to the 66 properties held as of the end of the fiscal period under review, three types of the Yomitan Hotel Management Co., Ltd. preferred shares, mezzanine loan receivables related to OMO Kansai Airport by Hoshino Resorts (TLS5 Specified Purpose Company Class D Loan Receivables) and equity interest in the silent partnership with OkuhidaonsenryokanGK.</li> <li>• With respect to the management status forecast, the assumptions are that there will be no changes (acquisitions of new assets, or dispositions of portfolio assets, etc.) to the assets under management on and after the date of this document through October 31, 2023.</li> <li>• The actual number of assets may vary due to acquisitions of new assets, or dispositions of portfolio assets, etc. other than the above.</li> </ul>

Operating revenue	<ul style="list-style-type: none"> <li>• 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 6,202 million yen for the fiscal period ending April 2023 and 6,170 million yen for the fiscal period ending October 2023.</li> <li>• In the floating rent calculations for properties with sales-linked floating rent, which account for approximately 18% of HRR's portfolio (based on acquisition prices) of 67 properties with the addition of Comfort Hotel Takamatsu acquired on November 30, 2022 to the 66 properties owned by HRR as of the end of the fiscal period under review, calculations of floating rent for the fiscal period ending April 2023 will be based on each property's sales in the period from October 2021 to September 2022, while calculations of floating rent for the fiscal period ending October 2023 will be based on each property's sales in the period from April 2022 to March 2023. In the floating rent calculations for properties with profit-linked floating rent, which account for approximately 77% (based on acquisition prices) of the portfolio that has 66 properties held by HRR in addition to Comfort Hotel Takamatsu, which was acquired on November 30, 2022, for a total of 67 properties as of the end of the fiscal period under review, calculations of floating rent for the fiscal period ending April 2023 will be based on each property's profit from June 2021 to May 2022, while calculations of floating rent for the fiscal period ending October 2023 will be based on each property's profit from December 2021 to November 2022 (however, excluding Quintessa Hotel Osaka Shinsaibashi and Comfort Hotel Takamatsu). Accordingly, HRR expects to be affected by decreases in floating rent due to the impact of the COVID-19 pandemic (COVID-19 pandemic refers to the serious impact that COVID-19 has had on industry as a whole; same hereafter) in the fiscal periods ending April 2023 and October 2023.</li> <li>• For other revenue, interest revenue from the TLS5 Specified Purpose Company Class D Loan Receivables was calculated based on the details of the agreement pertaining to these loan receivables, and is assumed to be 46 million yen for the fiscal period ending April 2023 and 47 million yen for the fiscal period ending October 2023.</li> <li>• For leasing business revenue, the assumptions are that there will be no cancellation of lease agreements and no delinquent or unpaid rent by the lessees. Furthermore, for other revenue, the assumption is that there will be no unpaid interest on TLS5 Specified Purpose Company Class D Loan Receivables.</li> </ul>
-------------------	--



Operating revenue	Fiscal period ending October 2023 (21st 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		978	253	-	1,232
		RISONARE		374	365	-	739
		KAI		870	308	-	1,179
		Other		308	72	-	380
	Properties operated by outside operators	Urban tourism	3 ANA Crowne Plaza properties	696	-	-	696
			2 Hyatt properties	270	-	-	270
			4 the b properties	265	83	-	348
Quintessa Hotel Osaka Shinsaibashi/ hotel androoms Osaka Hommachi/ HOTEL NIKKO KOCHI ASAHI ROYAL/ Sol Vita Hotel Naha			205	68	-	273	
Other		875	161	10	1,047		
Total			4,844	1,313	10	6,168	

Operating expenses	<ul style="list-style-type: none"> <li>Of operating expenses, fixed asset tax, city planning tax and depreciable asset tax are assumed to be 521 million yen for the fiscal period ending April 2023 and 533 million yen for the fiscal period ending October 2023. In general, fixed asset tax, city planning tax (applicable assets only; the same shall apply hereinafter) and depreciable asset tax (applicable assets only; the same shall apply hereinafter) of acquired assets are calculated on a pro rata basis and reimbursed at the time of acquisition with the previous owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses in the acquisition period at HRR. In the case of Comfort Hotel Takamatsu acquired on November 30, 2022, the assumption is that fiscal 2023 fixed asset tax, city planning tax and depreciable asset tax are recognized as expenses, starting from the fiscal period ending April 2023.</li> <li>Repair expenses for buildings are recognized in the amount assumed to be necessary based on the repair plan formulated by the Asset Management Company for each property; however, such factors as emergency repair expenses possibly arising from unforeseeable causes, the variation in the amount depending on the fiscal year generally being large and not being an amount that arises periodically may result in repair expenses differing materially from the forecast amount.</li> <li>Expenses related to leasing business other than depreciation and amortization, which are calculated by taking into account the factors causing fluctuation in expenses, are assumed to be 1,284 million yen for the fiscal period ending April 2023 and 1,191 million yen for the fiscal period ending October 2023.</li> <li>Depreciation and amortization, which is calculated using the straight-line method by including incidental expenses, etc. in acquisition price, is assumed to be 1,657 million yen for the fiscal period ending April 2023 and 1,678 million yen for the fiscal period ending October 2023.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses and other borrowing related expenses are assumed to be 489 million yen for the fiscal period ending April 2023 and 511 million yen for the fiscal period ending October 2023.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>As of the date of this document, HRR has a balance of interest-bearing liabilities (total of borrowings and investment corporation bonds) of 76,675 million yen.</li> <li>For the fiscal period ending April 2023, the assumptions include the refinancing of 6,000 million yen in borrowings due for repayment in April 2023, and the repayment of 37 million yen of the borrowings through contractual repayment.</li> <li>For the fiscal period ending October 2023, the assumption is that there will be refinancing of 6,400 million yen in borrowings due for repayment in October 2023, and 30 million yen of the borrowings will be repaid through contractual repayment.</li> <li>The forecast is that LTV at the end of the fiscal period ending April 2023 is 36.8% and LTV at the end of the fiscal period ending October 2023 is 36.8%. The following formula is used in the calculation of LTV:  <math display="block">\text{LTV} = \text{Balance of interest-bearing liabilities outstanding} / \text{Total assets (forecast)} \times 100</math> </li> </ul>
Investment units	<ul style="list-style-type: none"> <li>The assumption is the total number of investment units issued and outstanding as of the date of this document, which is 255,558 units.</li> <li>The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending October 2023.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>Distributions per unit (excluding distributions in excess of earnings) is calculated with the assumption being the cash distributions policy provided in the Articles of Incorporation of HRR.</li> <li>The forecasts for the distributions per unit for the fiscal period ending April 2023 and the fiscal period ending October 2023 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings. Also, the reversal of the tax purpose reduction entry may change, depending on operating conditions.</li> <li>Distributions per unit (excluding distributions in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>Distribution in excess of earnings (distributions in excess of earnings per unit) is not scheduled at this point in time.</li> </ul>

Other	<ul style="list-style-type: none"> <li>• The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• The assumption is that there will be no unforeseen significant change in general economic trends, real estate market conditions, etc.</li> </ul>
-------	--

(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities report (submitted on July 27, 2022).



## 2. Financial Statements

### (1) Balance Sheet

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	10,281,818	11,206,704
Cash and deposits in trust	134,716	81,443
Operating accounts receivable	146,645	153,588
Prepaid expenses	282,624	338,427
Consumption taxes refund receivable	431,600	444,029
Total current assets	11,277,405	12,224,192
Non-current assets		
Property, plant and equipment		
Buildings	100,401,370	107,425,912
Accumulated depreciation	(14,567,977)	(15,924,573)
Buildings, net	85,833,392	91,501,339
Structures	4,529,029	6,238,921
Accumulated depreciation	(564,629)	(636,341)
Structures, net	3,964,400	5,602,580
Machinery and equipment	83,801	83,801
Accumulated depreciation	(63,141)	(66,407)
Machinery and equipment, net	20,659	17,394
Tools, furniture and fixtures	1,116,791	1,196,706
Accumulated depreciation	(593,729)	(635,737)
Tools, furniture and fixtures, net	523,062	560,969
Land	76,837,167	76,837,167
Buildings in trust	5,288,240	5,301,136
Accumulated depreciation	(202,548)	(313,333)
Buildings in trust, net	5,085,692	4,987,803
Structures in trust	37,383	37,383
Accumulated depreciation	(1,028)	(1,588)
Structures in trust, net	36,355	35,794
Tools, furniture and fixtures in trust	224	224
Accumulated depreciation	(6)	(14)
Tools, furniture and fixtures in trust, net	218	210
Land in trust	2,567,140	2,567,140
Construction in progress	49,215	98,614
Total property, plant and equipment	174,917,303	182,209,014
Intangible assets		
Leasehold interests in land	4,024,597	8,392,025
Software	63,902	61,691
Total intangible assets	4,088,500	8,453,717
Investments and other assets		
Investment securities	556,905	556,905
Long-term loans receivable	750,000	750,000
Long-term prepaid expenses	614,163	763,259
Deferred tax assets	3,075	1,860
Guarantee deposits	10,000	10,000
Other	372,060	981,060
Total investments and other assets	2,306,204	3,063,085
Total non-current assets	181,312,009	193,725,817

	(Unit: thousands of yen)	
	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
Deferred assets		
Investment corporation bond issuance costs	13,952	12,684
Total deferred assets	13,952	12,684
Total assets	192,603,367	205,962,695

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	217,363	478,558
Current portion of long-term borrowings	10,895,696	12,467,143
Accounts payable - other	828,891	881,923
Income taxes payable	673	669
Accrued expenses	10,811	14,679
Advances received	888,113	954,865
Total current liabilities	12,841,549	14,797,839
Non-current liabilities		
Long-term borrowings	54,728,559	59,318,558
Investment corporation bonds	2,800,000	2,800,000
Leasehold and guarantee deposits received	3,086,058	3,086,058
Leasehold and guarantee deposits received in trust	120,000	120,000
Total non-current liabilities	60,734,617	65,324,616
Total liabilities	73,576,166	80,122,455
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	117,237,175	123,843,495
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	28,350	28,062
Total voluntary retained earnings	28,350	28,062
Unappropriated retained earnings (undisposed loss)	1,761,674	1,968,681
Total surplus	1,790,024	1,996,744
Total unitholders' equity	119,027,200	125,840,239
Total net assets	*2 119,027,200	*2 125,840,239
Total liabilities and net assets	192,603,367	205,962,695

## (2) Statement of Income

(Unit: thousands of yen)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Operating revenue		
Leasing business revenue	*1 5,399,628	*1 5,835,293
Other revenue	38,784	47,260
Total operating revenue	5,438,413	5,882,554
Operating expenses		
Expenses related to leasing business	*1 2,625,996	*1 2,770,534
Asset management fees	465,434	508,779
Asset custody fees	5,749	6,186
Administrative service fees	23,436	25,045
Remuneration for directors (and other officers)	3,000	3,000
Audit fees	9,450	9,650
Other operating expenses	104,806	96,128
Total operating expenses	3,237,873	3,419,324
Operating profit	2,200,539	2,463,229
Non-operating income		
Interest income	44	48
Insurance claim income	753	2,544
Refund of fixed asset tax, etc.	—	9,880
Interest on tax refund	539	966
Miscellaneous income	8,913	1,245
Total non-operating income	10,249	14,684
Non-operating expenses		
Interest expenses	229,441	258,424
Interest expenses on investment corporation bonds	11,074	11,362
Amortization of investment corporation bond issuance costs	1,268	1,268
Financing fees	161,919	209,061
Investment unit issuance expenses	42,717	30,987
Other	53	63
Total non-operating expenses	446,475	511,168
Ordinary profit	1,764,313	1,966,745
Profit before income taxes	1,764,313	1,966,745
Income taxes - current	679	676
Income taxes - deferred	1,959	1,215
Total income taxes	2,639	1,892
Profit	1,761,674	1,964,853
Retained earnings brought forward	—	3,828
Unappropriated retained earnings (undisposed loss)	1,761,674	1,968,681

## (3) Statement of Unitholders' Equity

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

(Unit: thousands of yen)

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

19th fiscal period (from May 1, 2022 to October 31, 2022)

(Unit: thousands of yen)

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for tax purpose reduction entry	Total voluntary retained earnings				
Balance at beginning of period	117,237,175	28,350	28,350	1,761,674	1,790,024	119,027,200	119,027,200
Changes during period							
Issuance of new investment units	6,606,319	—	—	—	—	6,606,319	6,606,319
Reversal of reserve for tax purpose reduction entry	—	(287)	(287)	287	—	—	—
Dividends of surplus	—	—	—	(1,758,134)	(1,758,134)	(1,758,134)	(1,758,134)
Profit	—	—	—	1,964,853	1,964,853	1,964,853	1,964,853
Total changes during period	6,606,319	(287)	(287)	207,006	206,719	6,813,038	6,813,038
Balance at end of period	*1 123,843,495	28,062	28,062	1,968,681	1,996,744	125,840,239	125,840,239

## (4) Statement of Cash Distributions

(Unit: yen)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
I. Unappropriated retained earnings	1,761,674,822	1,968,681,805
II. Reversal of voluntary retained earnings Reversal of reserve for tax purpose reduction entry	287,818	287,818
III. Amount of distributions [Amount of distributions per investment unit]	1,758,134,225 [7,195]	1,962,940,998 [7,681]
IV. Retained earnings brought forward	3,828,415	6,028,625
Method of calculation of amount of distributions	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that "distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation," the decision was made to distribute 1,758,134,225 yen as distributions of earnings, which is almost the entire aggregate amount of the balance after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that "distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation," the decision was made to distribute 1,962,940,998 yen as distributions of earnings, which is almost the entire aggregate amount of the balance after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained earnings. Furthermore, the distribution of cash in excess of earnings provided in Article 37, Paragraph 2 of the Articles of Incorporation will not be conducted.

## (5) Statement of Cash Flows

(Unit: thousands of yen)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,764,313	1,966,745
Depreciation	1,524,875	1,598,849
Loss on retirement of non-current assets	898	14,393
Amortization of investment corporation bond issuance costs	1,268	1,268
Interest income	(44)	(48)
Interest expenses	240,515	269,787
Financing fees	161,919	209,061
Investment unit issuance expenses	42,717	30,987
Decrease (increase) in operating accounts receivable	(61,844)	(6,942)
Decrease (increase) in prepaid expenses	12,226	(55,802)
Decrease (increase) in consumption taxes refund receivable	75,372	(12,428)
Increase (decrease) in accrued consumption taxes	(33,989)	—
Increase (decrease) in operating accounts payable	36,451	(1,330)
Increase (decrease) in accounts payable - other	77,059	27,881
Increase (decrease) in advances received	70,924	66,751
Decrease (increase) in long-term prepaid expenses	(6,133)	(149,096)
Other, net	(161,953)	(210,183)
Subtotal	3,744,577	3,749,894
Interest received	44	48
Interest paid	(240,896)	(266,042)
Income taxes paid	(6,479)	(680)
Net cash provided by (used in) operating activities	3,497,246	3,483,219
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,165,259)	(8,577,730)
Purchase of property, plant and equipment in trust	(18,986)	(16,772)
Purchase of intangible assets	(9,029)	(4,386,513)
Purchase of investment securities	(51,540)	—
Long-term loan advances	(750,000)	—
Payments of leasehold and guarantee deposits	—	(609,000)
Net cash provided by (used in) investing activities	(12,994,815)	(13,590,016)
Cash flows from financing activities		
Repayments of short-term borrowings	(450,000)	—
Proceeds from long-term borrowings	5,450,000	11,020,000
Repayments of long-term borrowings	(5,058,574)	(4,858,554)
Proceeds from issuance of investment units	12,534,995	6,606,319
Payments of investment unit issuance expenses	(42,717)	(30,987)
Distributions paid	(1,427,307)	(1,758,367)
Net cash provided by (used in) financing activities	11,006,396	10,978,410
Net increase (decrease) in cash and cash equivalents	1,508,828	871,613
Cash and cash equivalents at beginning of period	8,907,705	10,416,534
Cash and cash equivalents at end of period	*1 10,416,534	*1 11,288,147

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Valuation bases and methods of securities	<p>Securities</p> <p>Other securities (available-for-sale securities)</p> <p>Securities without market price, etc.</p> <p>Stated at cost based on the moving-average method.</p> <p>Equity interest in a silent partnership uses a method that incorporates an amount of equivalent equity for the net amount of profit or loss of the silent partnership.</p>										
2. Method of depreciation and amortization of non-current assets	<p>① Property, plant and equipment (including trust assets)</p> <p>The straight-line method is adopted.</p> <p>The useful lives of principal property, plant and equipment are as follows:</p> <table> <tr> <td>Buildings</td><td>3-57 years</td></tr> <tr> <td>Structures</td><td>3-60 years</td></tr> <tr> <td>Machinery and equipment</td><td>12-15 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>3-20 years</td></tr> </table> <p>② Intangible assets</p> <p>The straight-line method is adopted.</p> <p>The useful lives of intangible assets are as follows:</p> <table> <tr> <td>Intangible assets</td><td>5 years</td></tr> </table> <p>③ Long-term prepaid expenses</p> <p>The straight-line method is adopted.</p>	Buildings	3-57 years	Structures	3-60 years	Machinery and equipment	12-15 years	Tools, furniture and fixtures	3-20 years	Intangible assets	5 years
Buildings	3-57 years										
Structures	3-60 years										
Machinery and equipment	12-15 years										
Tools, furniture and fixtures	3-20 years										
Intangible assets	5 years										
3. Accounting for deferred assets	<p>① Investment unit issuance costs</p> <p>The full amount is recorded as expenses when incurred.</p> <p>② Investment corporation bond issuance costs</p> <p>Amortized by the straight-line method over the period until redemption.</p>										
4. Standards for revenue and expense recognition	<p>① Recognition of revenue</p> <p>The following is the content of principal performance obligations related to revenue from contracts with HRR's customers and the normal timing for the satisfaction of such obligations (normal timing for revenue recognition).</p> <p>Sale of real estate, etc.</p> <p>For the sale of real estate, etc., revenue will be recognized at the time the control of such real estate, etc. is obtained by the purchaser, who is the customer, as the transfer obligation will be fulfilled pursuant to the contract pertaining to the sale of real estate.</p> <p>② Accounting for fixed asset tax, etc.</p> <p>For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to leasing business.</p> <p>Furthermore, the amount equivalent to fixed asset tax, etc. in the fiscal year in which the acquisition date falls that is paid to the seller as reimbursement upon acquisition of real estate, etc. is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc.</p>										
5. Method of hedge accounting	<p>① Method of hedge accounting</p> <p>For interest rate swaps, special accounting is adopted.</p> <p>② Hedging instruments and hedged items</p> <table> <tr> <td>Hedging instruments:</td><td>Interest rate swap transactions</td></tr> <tr> <td>Hedged items:</td><td>Interest on borrowings</td></tr> </table>	Hedging instruments:	Interest rate swap transactions	Hedged items:	Interest on borrowings						
Hedging instruments:	Interest rate swap transactions										
Hedged items:	Interest on borrowings										



	<p>③ Hedging policy HRR conducts interest rate swap transactions for the purpose of hedging the risks provided in its Articles of Incorporation based on its financial policy.</p> <p>④ Method of assessment of the effectiveness of hedging Assessment of the effectiveness is omitted, because interest rate swaps meet the requirements for special accounting.</p>
6. Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand, cash in trust, demand deposits, deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.
7. Other matters serving as the basis for preparation of financial statements	<p>① Accounting method for trust beneficiary rights in real estate With regard to trust beneficiary rights in real estate, all assets and liabilities within assets in trust as well as all revenue and expense items associated with assets in trust are accounted for under the respective account items of the balance sheet and statement of income. Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet:</p> <ul style="list-style-type: none"> <li>i) Cash and deposits in trust</li> <li>ii) Buildings in trust; structures in trust; tools, furniture and fixtures in trust; and land in trust</li> <li>iii) Leasehold and guarantee deposits received in trust</li> </ul> <p>② Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from the transaction amounts.</p>

## (8) Notes to the Financial Statements

## [Notes to the Balance Sheet]

## 1. Commitment line contract

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

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
Total amount of commitment line contracts	5,000,000	5,000,000
Balance of borrowings outstanding	-	-
Balance of unexecuted borrowings	5,000,000	5,000,000

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

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
	50,000	50,000

## [Notes to the Statement of Income]

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

(Unit: thousands of yen)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
A. Operating revenue from real estate leasing		
Leasing business revenue		
Leasing business revenue	5,399,628	5,835,293
Total operating revenue from real estate leasing	5,399,628	5,835,293
B. Operating expenses from real estate leasing		
Expenses related to leasing business		
Insurance expenses	19,217	20,084
Repair expenses	148,314	144,782
Land rent	60,568	93,663
Depreciation and amortization	1,523,363	1,597,405
Loss on retirement of non-current assets	898	14,393
Taxes and dues	480,153	500,180
Operation and management commission expenses	146,782	146,533
Other expenses	246,697	253,490
Total operating expenses from real estate leasing	2,625,996	2,770,534
C. Operating profit (loss) from real estate leasing [A-B]	2,773,631	3,064,759

[Notes to the Statement of Unitholders' Equity]

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

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	244,355 units	255,558 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)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Cash and deposits	10,281,818	11,206,704
Cash and deposits in trust	134,716	81,443
Cash and cash equivalents	10,416,534	11,288,147

[Notes on Lease Transactions]

Operating leases (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
Due within 1 year	8,295,712	8,193,269
Due after 1 year	27,823,981	28,081,542
Total	36,119,693	36,274,812

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

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

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

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

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

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

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

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

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

The book value and fair value as of April 30, 2022, and the amount of difference between these, are as follows. Notes to “Cash and deposits,” and “Cash and deposits in trust,” have been omitted because their fair values are close to their book values since they are settled in cash and in a short period of time. “Long-term loans receivable,” “Leasehold and guarantee deposits received” and “leasehold and guarantee deposits received in trust” have been omitted as they are not material.

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Current portion of long-term borrowings	(10,895,696)	(10,885,766)	(9,929)
(2) Long-term borrowings	(54,728,559)	(54,827,965)	99,406
(3) Investment corporation bonds	(2,800,000)	(2,759,820)	(40,180)
(4) Derivative transactions	-	-	-

The book value and fair value as of October 31, 2022, and the amount of difference between these, are as follows. Notes to “Cash and deposits” and “Cash and deposits in trust” have been omitted because their fair values are close to their book values since they are settled in cash and in a short period of time. “Long-term loans receivable,” “leasehold and guarantee deposits received” and “leasehold and guarantee deposits received in trust” have been omitted as they are not material.

(Unit: thousands of yen)

	Book value (Note 1)	Fair value (Note 1) (Note 2)	Amount of difference
(1) Current portion of long-term borrowings	(12,467,143)	(12,454,970)	(12,172)
(2) Long-term borrowings	(59,318,558)	(59,680,642)	362,084
(3) Investment corporation bonds	(2,800,000)	(2,745,070)	(54,930)
(4) Derivative transactions	-	-	-

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

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

(1) Current portion of long-term borrowings; (2) Long-term borrowings

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

(3) Investment corporation bonds

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

(4) Derivative transactions

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

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

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
Unlisted stocks	505,365	505,365

(Note 4) Equity interest in a silent partnership

Concerning equity interest in a silent partnership, HRR applied Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021), and notes on matters stipulated under Paragraph 4 (1) of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) are not provided.

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

(Unit: thousands of yen)

	18th fiscal period (As of Apr. 30, 2022)	19th fiscal period (As of Oct. 31, 2022)
Equity interest in a silent partnership	51,540	51,540

(Note 5) Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (April 30, 2022)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Long-term borrowings	10,895,696	13,120,002	11,321,853	11,198,704	11,388,000	7,700,000
Investment corporation bonds	-	-	1,500,000	-	-	1,300,000

Amount of repayment of borrowings and investment corporation bonds scheduled to be due after the account closing date (October 31, 2022)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year to 2 years	Due after 2 years to 3 years	Due after 3 years to 4 years	Due after 4 years to 5 years	Due after 5 years
Long-term borrowings	12,467,143	12,970,002	10,753,424	11,937,132	9,238,000	14,420,000
Investment corporation bonds	-	-	1,500,000	-	-	1,300,000

#### [Notes on Securities]

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

##### Securities

##### Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 thousand yen) are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

In addition, concerning equity interest in a silent partnership (book value of 51,540 thousand yen) a statement of matters stated in Article 8-6-2, Paragraph 1, Item 2 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements has been omitted pursuant to provisions of Paragraph 3 of the same article.

19th fiscal period (as of October 31, 2022)

##### Securities

##### Other securities

Yomitan Hotel Management Co., Ltd. No. 1 Class B preferred shares (book value of 168,530 thousand yen), Yomitan Hotel Management Co., Ltd. No. 2 Class B preferred shares (book value of 168,165 thousand yen) and Yomitan Hotel Management Co., Ltd. No. 3 Class B preferred shares (book value of 168,670 thousand yen) are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

In addition, concerning equity interest in a silent partnership (book value of 51,540 thousand yen) a statement of matters stated in Article 8-6-2, Paragraph 1, Item 2 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements has been omitted pursuant to provisions of Paragraph 3 of the same article.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied  
18th fiscal period (as of April 30, 2022)  
Not applicable.

19th fiscal period (as of October 31, 2022)  
Not applicable.

2. Derivative transactions to which hedge accounting is applied  
18th fiscal period (as of April 30, 2022)

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

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term borrowings	49,251,000	46,451,000	(Note)	—

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

19th fiscal period (as of October 31, 2022)

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

(Unit: thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of calculation of the fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term borrowings	59,571,000	53,571,000	(Note)	—

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

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.  
18th fiscal period (from November 1, 2021 to April 30, 2022)  
Not applicable.

19th fiscal period (from May 1, 2022 to October 31, 2022)  
Not applicable.

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

19th fiscal period (from May 1, 2022 to October 31, 2022)  
Not applicable.

3. Fellow subsidiary, etc.  
18th fiscal period (from November 1, 2021 to April 30, 2022)  
Not applicable.  
  
19th fiscal period (from May 1, 2022 to October 31, 2022)  
Not applicable.
4. Director, major individual unitholder, etc.  
18th fiscal period (from November 1, 2021 to April 30, 2022)  
Not applicable.  
  
19th fiscal period (from May 1, 2022 to October 31, 2022)  
Not applicable.

[Notes on Tax-Effect Accounting]

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

	(Unit: thousands of yen)	
	18th fiscal period As of Apr. 30, 2022	19th fiscal period As of Oct. 31, 2022
Deferred tax assets		
Enterprise tax payable excluded from deductible expenses	3	3
Excess amount of depreciation	3,071	1,856
Total deferred tax assets	3,075	1,860
Net deferred tax assets	3,075	1,860

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: %)	
	18th fiscal period As of Apr. 30, 2022	19th fiscal period As of Oct. 31, 2022
Statutory tax rate	31.46	31.46
[Adjustments]		
Distributions deductible for tax purpose	(31.35)	(31.40)
Reversal of reserve for tax purpose reduction entry	0.01	0.00
Other	0.03	0.03
Effective income tax rate after application of tax-effect accounting	0.15	0.10



[Notes on Investment and Rental Properties]

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

(Unit: thousands of yen)

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Book value (Note 2)		
Balance at beginning of period	167,800,109	178,369,405
Amount of increase (decrease) during period	(Note 3) 10,569,296	(Note 4) 11,571,839
Balance at end of period	178,369,405	189,941,245
Fair value at end of period (Note 5)	192,341,000	205,989,000

(Note 1) For an overview of the concerned investment and rental properties, please refer to “3. Reference Information; (1) Information on Values of Assets Under Management, Etc.; ② Investment Assets; (b) Investment Real Estate Properties” later in this document.

(Note 2) “Book value” is the amount of the cost of acquisition, less accumulated depreciation.

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

(Note 4) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of HOSHINOYA Okinawa (12,438,761 thousand yen), while the amount of decrease is mainly attributable to depreciation (1,544,243 thousand yen in total).

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

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

[Notes on Revenue Recognition]

Breakdown of revenue from contracts with customers

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

(Unit: thousands of yen)

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

(Note) Revenue from the leasing business that is subject to the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is not included in “Revenue from contracts with customers” as it is not covered by the Accounting Standard for Revenue Recognition.

19th fiscal period (from May 1, 2022 to October 31, 2022)

(Unit: thousands of yen)

	Revenue from contracts with customers (Note)	Net sales to external customers
Sale of real estate, etc.	-	-
Other	-	5,882,554
Total	-	5,882,554

(Note) Revenue from the leasing business that is subject to the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is not included in “Revenue from contracts with customers” as it is not covered by the Accounting Standard for Revenue Recognition.

[Notes on Segment Information, etc.]

1. Segment information

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

2. Related information

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

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

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

19th fiscal period (from May 1, 2022 to October 31, 2022)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hoshino Resorts Inc.	699,309	Real estate leasing business
K.K. Horizon Hotels	1,375,936	Real estate leasing business
SHR Roadside Inn Co., Ltd.	639,490	Real estate leasing business

[Notes on Per Unit Information]

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Net assets per unit	487,107 yen	492,413 yen
Profit per unit	7,282 yen	7,796 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.

	18th fiscal period From: Nov. 1, 2021 To: Apr. 30, 2022	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022
Profit (thousands of yen)	1,761,674	1,964,853
Amount not attributable to common unitholders (thousands of yen)	-	-
Profit attributable to common investment units (thousands of yen)	1,761,674	1,964,853
Average number of investment units during period (units)	241,891	252,003

[Notes on Significant Subsequent Events]

1. Acquisition of Assets

On November 30, 2022, HRR acquired the following real estate (acquisition price: 2,050 million yen).

Name of property	Location	Seller (Note 1)	Acquisition price (millions of yen) (Note 2)	Acquisition date
Comfort Hotel Takamatsu	Takamatsu-shi, Kagawa	Not disclosed	2,050	November 30, 2022

(Note 1) The sellers are multiple domestic corporations. However, since consent for disclosure of their names has not been obtained from the sellers, "Not disclosed" is shown.

(Note 2) "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.

## 2. Borrowing of Funds

In order to procure the funds for acquisition and part of the related expenses for “Comfort Hotel Takamatsu” stated in the aforementioned “1. Acquisition of Assets,” HRR borrowed the following funds as of November 30, 2022.

Floating /Fixed	Lender	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 5)	Repayment method
Floating	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	670	Base rate: 3-month Japanese Yen TIBOR +0.534% (Note 3)	November 30, 2022	October 31, 2029	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	330	1.10856%	November 30, 2022	October 31, 2029	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	720	Base rate: 3-month Japanese Yen TIBOR +0.660% (Note 4)	November 30, 2022	April 30, 2031	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	370	1.32203%	November 30, 2022	April 30, 2031	Lump-sum repayment at maturity

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

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

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 1.1190%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 1.3380%.

(Note 5) If the concerned date is not a business day, then it shall be the next business day. If that business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.

### [Omission of Disclosure]

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

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

HRR carried out capital increase through public offering (10,670 units) in June 2022 and through third-party allotment (533 units) in July 2022, and procured funds of 6,606,319 thousand yen. The following are the changes in unitholders' capital and total number of investment units issued and outstanding for the most recent five years from the end of the fiscal period under review.

Date	Description	Unitholders' capital (thousands of yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
November 1, 2017	Capital increase through public offering	19,616,644	97,148,689	38,160	210,830	(Note 1)
November 28, 2017	Capital increase through third-party allotment	980,832	98,129,521	1,908	212,738	(Note 2)
May 1, 2018	Capital increase through public offering	4,389,249	102,518,771	8,690	221,428	(Note 3)
May 22, 2018	Capital increase through third-party allotment	219,209	102,737,981	434	221,862	(Note 4)
May 31, 2021	Capital increase through third-party allotment	1,964,199	104,702,180	3,103	224,965	(Note 5)
November 24, 2021	Capital increase through public offering	12,534,995	117,237,175	19,390	244,355	(Note 6)
June 27, 2022	Capital increase through public offering	6,292,013	123,529,189	10,670	255,025	(Note 7)
July 26, 2022	Capital increase through third-party allotment	314,305	123,843,495	533	255,558	(Note 8)

(Note 1) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 531,508 yen (paid-in amount of 514,063 yen) per unit.

(Note 2) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money, new investment units were issued through third-party allotment with paid-in amount of 514,063 yen per unit.

(Note 3) 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 4) For allocation to part of the funds for acquisition of specified assets or part of the funds for repayment of borrowed money in the future, new investment units were issued through third-party allotment with paid-in amount of 505,092 yen per unit.

(Note 5) For allocation to part of the funds for acquisition of specified assets, new investment units were issued through third-party allotment with paid-in amount of 633,000 yen per unit.

(Note 6) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 669,825 yen (paid-in amount of 646,467 yen) per unit.

(Note 7) For allocation to the funds for acquisition of specified assets, new investment units were issued through public offering at an offer price of 610,350 yen (paid-in amount of 589,692 yen) per unit.

(Note 8) 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 589,692 yen per unit.

### 3. Reference Information

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

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

##### ① Investment Status

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

Asset type	Asset use	Prefectural location	Name of property	As of the end of the fiscal period under review	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Ryokan	Nagano	HOSHINOYA Karuizawa	6,978	3.4
	Ryokan	Kyoto	HOSHINOYA Kyoto	3,138	1.5
	Hotel	Yamanashi	HOSHINOYA Fuji	3,857	1.9
	Hotel	Okinawa	HOSHINOYA Taketomi Island	4,731	2.3
	Hotel	Okinawa	HOSHINOYA Okinawa	12,381	6.0
	Hotel	Yamanashi	RISONARE Yatsugatake	5,763	2.8
	Hotel	Shizuoka	RISONARE Atami	4,485	2.2
	Ryokan	Nagano	KAI Matsumoto	677	0.3
	Ryokan	Shimane	KAI Tamatsukuri	1,213	0.6
	Ryokan	Shizuoka	KAI Ito	1,245	0.6
	Ryokan	Kanagawa	KAI Hakone	1,135	0.6
	Ryokan	Oita	KAI Aso	613	0.3
	Ryokan	Tochigi	KAI Kawaji	1,073	0.5
	Ryokan	Tochigi	KAI Kinugawa	2,924	1.4
	Ryokan	Ishikawa	KAI Kaga	2,929	1.4
	Ryokan	Nagano	KAI Alps	2,940	1.4
	Ryokan	Shizuoka	KAI Enshu	1,139	0.6
	Ryokan	Yamaguchi	KAI Nagato	2,728	1.3
	Ryokan	Kagoshima	KAI Kirishima	3,935	1.9
	Ryokan	Oita	KAI Beppu	7,317	3.6
	Hotel	Hokkaido	OMO7 Asahikawa	5,017	2.4
	Hotel	Okinawa	Iriomote Hotel	3,708	1.8
	Hotel	Nagano	BEB5 Karuizawa	2,088	1.0
	Hotel	Hiroshima	ANA Crowne Plaza Hiroshima	17,499	8.5
	Hotel	Ishikawa	ANA Crowne Plaza Kanazawa	6,619	3.2
	Hotel	Toyama	ANA Crowne Plaza Toyama	3,859	1.9
	Hotel	Osaka	Hyatt Regency Osaka	16,051	7.8
	Hotel	Tokyo	the b akasaka	4,801	2.3
	Hotel	Tokyo	the b sangenjaya	4,437	2.2
	Hotel	Aichi	the b nagoya	4,468	2.2
	Hotel	Hyogo	the b kobe	7,020	3.4
	Hotel	Osaka	Quintessa Hotel Osaka Shinsaibashi	3,329	1.6
	Hotel	Osaka	hotel androoms Osaka Hommachi	4,284	2.1

Asset type	Asset use	Prefectural location	Name of property	As of the end of the fiscal period under review	
				Total amount held (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Hotel	Kochi	HOTEL NIKKO KOCHI ASAHI ROYAL	2,212	1.1
	Hotel	Okinawa	Sol Vita Hotel Naha	3,856	1.9
	Hotel	Nagano	Chisun Inn Shiojiri Kita IC	664	0.3
	Hotel	Tochigi	Chisun Inn Sano Fujioka IC	702	0.3
	Hotel	Nagano	Chisun Inn Suwa IC	630	0.3
	Hotel	Aichi	Chisun Inn Toyokawa IC	580	0.3
	Hotel	Saga	Chisun Inn Tosu	485	0.2
	Hotel	Chiba	Chisun Inn Chiba Hamano R16	745	0.4
	Hotel	Kumamoto	Chisun Inn Kumamoto Miyukifueda	598	0.3
	Hotel	Tochigi	Chisun Inn Utsunomiya Kanuma	685	0.3
	Hotel	Fukui	Chisun Inn Fukui	628	0.3
	Hotel	Fukushima	Chisun Inn Fukushima Nishi IC	646	0.3
	Hotel	Niigata	Chisun Inn Niigata Chuo IC	616	0.3
	Hotel	Nagasaki	Chisun Inn Nagasaki Airport	591	0.3
	Hotel	Ibaraki	Chisun Inn Hitachinaka	688	0.3
	Hotel	Ibaraki	Chisun Inn Tsuchiura Ami	709	0.3
	Hotel	Yamanashi	Chisun Inn Kofu Isawa	621	0.3
	Hotel	Kagawa	Chisun Inn Marugame Zentsuji	557	0.3
	Hotel	Fukuoka	Chisun Inn Munakata	479	0.2
	Hotel	Iwate	Chisun Inn Iwate Ichinoseki IC	663	0.3
	Hotel	Nagano	Chisun Inn Karuizawa	748	0.4
	Hotel	Hyogo	Chisun Inn Himeji Yumesakibashi	597	0.3
	Hotel	Okayama	Chisun Inn Kurashiki Mizushima	696	0.3
	Hotel	Aichi	Candeo Hotels Handa	567	0.3
	Hotel	Nagano	Candeo Hotels Chino	714	0.3
	Hotel	Hiroshima	Candeo Hotels Fukuyama	967	0.5
	Hotel	Tochigi	Candeo Hotels Sano	1,185	0.6
	Hotel	Mie	Candeo Hotels Kameyama	463	0.2
	Hotel	Hokkaido	Comfort Hotel Hakodate	859	0.4
	Hotel	Hokkaido	Comfort Hotel Tomakomai	877	0.4
	Hotel	Hiroshima	Comfort Hotel Kure	1,058	0.5
	Hotel	Kagoshima	Chisun Inn Kagoshima Taniyama	1,852	0.9
Real estate subtotal				182,350	88.5
Real estate in trust	Hotel	Fukuoka	Grand Hyatt Fukuoka	7,590	3.7
Real estate in trust subtotal				7,590	3.7

Investment securities	556	0.3
Long-term loans receivable	750	0.4
Deposits and other assets	14,714	7.1
Total assets (Note 3)	205,962	100.0
Total liabilities (Note 3)	80,122	38.9
Total net assets (Note 3)	125,840	61.1

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

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

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



## ② Investment Assets

### (a) Major Issues of Investment Securities

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

#### a. Shares

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

(Note 1) The “Appraisal value” states the acquisition price because the securities are unlisted securities. HRR and the Asset Management Company acquired the “Yomitan Hotel Management Co., Ltd. No. 1 through No. 3 Class B Preferred Shares Appraisal Report” (appraisal reference date of October 31, 2022), which had been prepared by Plutus Consulting Co., Ltd. The unit prices of the appraisal values of the aforementioned shares stated in the said report, were 660 thousand yen per share of No. 1 Class B preferred shares, 630 thousand yen per share of No. 2 Class B preferred shares, and 607 thousand yen per share of No. 3 Class B preferred shares, and the total amounts of the appraisal values based on the respective unit prices were 219,303 thousand yen for the No. 1 Class B preferred shares, 209,843 thousand yen for the No. 2 Class B preferred shares and 202,914 thousand yen for the No. 3 Class B preferred shares.

(Note 2) The “Ratio to total assets” is rounded to one decimal place.

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

(Note 4) With respect to No. 1 Class B preferred shares, No. 2 Class B preferred shares and No. 3 Class B preferred shares held by HRR, only the portion of dividends accrued by July 1, 2022, the acquisition date of “HOSHINOYA Okinawa,” is subject to preferred dividend, and other profit dividends and residual property distributions have the same rights as those of common shares.

#### b. Securities other than shares

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

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

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

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

(Note 4) The effective investment target asset due to the acquisition of equity interest in the silent partnership above is land in Takayama-shi, Gifu (land for planned hot spring ryokan business to be developed by OkuhidaonsenryokanGK in the future), but the details of this development as of the date of this document are undecided. This development is being considered by OkuhidaonsenryokanGK as of the date of this document, and it is subject to change, postponement or cancellation without prior notice in the future. There are no specific plans for HRR to acquire related real estate, and there is no guarantee that it will be acquired in the future.

(b) Investment Real Estate Properties

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

a. Acquisition Price, Book Value, Appraisal Value, Share of Investment, Etc.

Investment category		Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Appraisal value (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)	
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	7,600	6,978	12,100	4.0	NV	
		H-2	HOSHINOYA Kyoto	2,878	3,138	4,250	1.5	NV	
		H-3	HOSHINOYA Fuji	4,160	3,857	4,350	2.2	NV	
		H-4	HOSHINOYA Taketomi Island	4,955	4,731	4,870	2.6	NV	
		H-5	HOSHINOYA Okinawa	12,210	12,381	13,300	6.5	NV	
		Subtotal		31,803	31,088	38,870	16.8	—	
	RISONARE	R-1	RISONARE Yatsugatake	4,500	5,763	7,760	2.4	NV	
		R-2	RISONARE Atami	3,750	4,485	5,010	2.0	NV	
		Subtotal		8,250	10,249	12,770	4.4	—	
	KAI	K-1	KAI Matsumoto	600	677	829	0.3	JMK	
		K-2	KAI Tamatsukuri	680	1,213	1,380	0.4	JMK	
		K-3	KAI Ito	670	1,245	1,610	0.4	JMK	
		K-4	KAI Hakone	950	1,135	1,330	0.5	JMK	
		K-5	KAI Aso	575	613	713	0.3	JMK	
		K-6	KAI Kawaji	1,000	1,073	1,240	0.5	JMK	
		K-7	KAI Kinugawa	3,080	2,924	3,300	1.6	JMK	
		K-8	KAI Kaga	3,160	2,929	3,340	1.7	JMK	
		K-9	KAI Alps	3,060	2,940	3,150	1.6	NV	
		K-10	KAI Enshu	1,050	1,139	1,090	0.6	JMK	
		K-11	KAI Nagato	2,750	2,728	2,930	1.5	JREI	
		K-12	KAI Kirishima	3,913	3,935	4,050	2.1	JREI	
		K-13	KAI Beppu	7,335	7,317	7,550	3.9	JREI	
		Subtotal		28,823	29,875	32,512	15.2	—	
		Other	O-35	OMO7 Asahikawa	4,619	5,017	4,620	2.4	RC
	O-43		Iriomote Hotel	3,650	3,708	3,780	1.9	NV	
	O-45		BEB5 Karuizawa	2,170	2,088	2,260	1.1	NV	
	Subtotal		10,439	10,814	10,660	5.5	—		
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	17,784	17,499	18,700	9.4	RC
			O-33	ANA Crowne Plaza Kanazawa	6,609	6,619	6,240	3.5	RC
			O-34	ANA Crowne Plaza Toyama	4,008	3,859	3,980	2.1	RC
O-36			Hyatt Regency Osaka	16,000	16,051	14,800	8.5	NV	
O-37			the b akasaka	4,860	4,801	4,400	2.6	RC	
O-38			the b sangenjaya	4,420	4,437	4,080	2.3	RC	
O-39			the b nagoya	4,500	4,468	4,100	2.4	RC	
O-40			the b kobe	7,020	7,020	6,130	3.7	RC	
O-41			Quintessa Hotel Osaka Shinsaibashi	3,339	3,329	3,360	1.8	NV	
O-42			hotel androoms Osaka Hommachi	4,238	4,284	3,340	2.2	RC	
O-44			HOTEL NIKKO KOCHI ASAHI ROYAL	2,200	2,212	2,260	1.2	NV	
O-46			Sol Vita Hotel Naha	3,860	3,856	3,900	2.0	NV	
O-47			Grand Hyatt Fukuoka	7,700	7,590	8,740	4.1	RC	
Subtotal			86,538	86,031	84,030	45.8	—		

Investment category		Property no. (Note 1)	Name of property	Acquisition price (millions of yen)	Book value (millions of yen) (Note 2)	Appraisal value (millions of yen) (Note 3)	Share of investment (%) (Note 4)	Appraisal company (Note 5)		
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	672	664	824	0.4	NV		
		O-2	Chisun Inn Sano Fujioka IC	742	702	915	0.4	JMK		
		O-3	Chisun Inn Suwa IC	658	630	831	0.3	NV		
		O-4	Chisun Inn Toyokawa IC	602	580	725	0.3	NV		
		O-5	Chisun Inn Tosu	504	485	647	0.3	NV		
		O-6	Chisun Inn Chiba Hamano R16	798	745	1,000	0.4	JMK		
		O-7	Chisun Inn Kumamoto Miyukifueda	616	598	734	0.3	NV		
		O-8	Chisun Inn Utsunomiya Kanuma	714	685	831	0.4	JMK		
		O-9	Chisun Inn Fukui	644	628	800	0.3	NV		
		O-10	Chisun Inn Fukushima Nishi IC	672	646	753	0.4	JMK		
		O-11	Chisun Inn Niigata Chuo IC	630	616	770	0.3	NV		
		O-12	Chisun Inn Nagasaki Airport	630	591	765	0.3	NV		
		O-13	Chisun Inn Hitachinaka	742	688	902	0.4	JMK		
		O-14	Chisun Inn Tsuchiura Ami	770	709	903	0.4	JMK		
		O-15	Chisun Inn Kofu Isawa	658	621	787	0.3	NV		
		O-16	Chisun Inn Marugame Zentsuji	588	557	731	0.3	NV		
		O-17	Chisun Inn Munakata	504	479	625	0.3	NV		
		O-18	Chisun Inn Iwate Ichinoseki IC	700	663	767	0.4	JMK		
		O-19	Chisun Inn Karuizawa	812	748	1,090	0.4	NV		
		O-20	Chisun Inn Himeji Yumesakibashi	616	597	740	0.3	NV		
		O-21	Chisun Inn Kurashiki Mizushima	728	696	862	0.4	NV		
		O-22	Candeo Hotels Handa	620	567	644	0.3	RC		
		O-23	Candeo Hotels Chino	793	714	864	0.4	RC		
		O-24	Candeo Hotels Fukuyama	1,075	967	1,160	0.6	RC		
		O-25	Candeo Hotels Sano	1,260	1,185	1,440	0.7	RC		
		O-26	Candeo Hotels Kameyama	470	463	463	0.2	RC		
		O-27	Comfort Hotel Hakodate	937	859	961	0.5	NV		
		O-28	Comfort Hotel Tomakomai	963	877	973	0.5	NV		
		O-29	Comfort Hotel Kure	1,100	1,058	1,160	0.6	NV		
		O-30	Chisun Inn Kagoshima Taniyama	1,995	1,852	2,480	1.1	RC		
				Subtotal		23,213	21,882	27,147	12.3	—
		Total				189,066	189,941	205,989	100.0	—

(Note 1) "Property no." is that assigned by classifying according to the brands of assets invested by HRR (four brand groups: "HOSHINOYA," "RISONARE," "KAI" and "Other") and numbering brand group by brand group. The same shall apply hereinafter.

(Note 2) "Book value" is including machinery and equipment, structures, and leasehold interests in land but excluding tools, furniture and fixtures, software, and construction in progress.

(Note 3) Appraisal of the property is entrusted to Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K., Rich Appraisal Institute Co., Ltd., or Japan Real Estate Institute. "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2022 as the date of value.

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

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

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

JMK: JLL Morii Valuation & Advisory K.K.

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

JREI: Japan Real Estate Institute

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

b. Location, Area, Size, Etc.

Investment category		Property no.	Name of property	Location	Site area (m <sup>2</sup> ) (Note 1)	Total floor area (m <sup>2</sup> )	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Leasable area (m <sup>2</sup> ) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)	
Properties operated by the Hoshino Resorts Group		HOSHINOYA	H-1	HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	79,784.52	11,723.61	February 2002 (Tombo-no-yu; Sonmin Shokudo) / April 2005 (HOSHINOYA) / June 2009 (Harunire Terrace) / July 2016 (Ice Skating Rink in the Forest)	630	11,723.61	11,723.61	1(15)	77
			H-2	HOSHINOYA Kyoto	Kyoto-shi, Kyoto (Kinki region)	10,456.38	3,075.70	Unknown (main wing; new construction) (Note 5) / October 2009 (main wing; renovation) / June 2017 (annex)	203	3,075.70	3,075.70	1(0)	25
			H-3	HOSHINOYA Fuji	Fujikawaguchiko-machi, Minamitsuru-gun, Yamanashi (Chubu region)	74,772.03	2,103.55	August 2015	184	2,103.55	2,103.55	1(0)	40
			H-4	HOSHINOYA Taketomi Island (Note 6)	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	115,982.04	4,259.59	March 2012 (main wing) / March 2009 (annex)	219	4,259.59	4,259.59	1(0)	48
			H-5	HOSHINOYA Okinawa	Yomitan-son, Nakagami-gun, Okinawa (Kyushu-Okinawa region)	122,067.15 (Note 7)	10,657.52 (Note 7)	November 2019	806	10,657.52 (Note 8)	10,657.52 (Note 9)	1(0)	100
			Subtotal			403,062.12	31,819.97	—	2,044	31,819.97	31,819.97	5(15)	290
		RISONARE	R-1	RISONARE Yatsugatake	Hokuto-shi, Yamanashi (Chubu region)	75,831.81	33,853.45	June 1992 (hotel; pool) / April 2004 (chapel; machine room)	525	33,853.45	33,853.45	1(18)	172
			R-2	RISONARE Atami	Atami-shi, Shizuoka (Chubu region)	65,161.44	23,385.18	October 1992	223	23,385.18	23,385.18	1(0)	81
			Subtotal			140,993.25	57,238.63	—	748	57,238.63	57,238.63	2(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 Tamatsukuri	Matsue-shi, Shimane (Chugoku-Shikoku region)	11,321.56	3,909.02	Unknown (old wing) (Note 5) / July 1997 (new wing)	75	3,909.02	3,909.02	1(0)	24
			K-3	KAI Ito	Ito-shi, Shizuoka (Chubu region)	4,899.97	6,918.92	Unknown (Note 5) / November 1995 (extension)	94	6,918.92	6,918.92	1(0)	30
			K-4	KAI Hakone	Hakone-machi, 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	1,554.50	April 2006	42	1,545.26	1,545.26	1(0)	12
			K-6	KAI Kawaji	Nikko-shi, Tochigi (Kanto region)	8,671.47	8,206.58	September 1994	99	8,190.38	8,190.38	1(0)	54
			K-7	KAI Kinugawa	Nikko-shi, Tochigi (Kanto region)	35,187.55	4,117.87	August 2015	129	4,117.87	4,117.87	1(0)	48

Investment category	Property no.	Name of property	Location	Site area (m <sup>2</sup> ) (Note 1)	Total floor area (m <sup>2</sup> )	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Leasable area (m <sup>2</sup> ) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)
	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 10)	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	123	4,241.12	4,241.12	1(0)	48
	K-10	KAI Enshu	Hamamatsu-shi, Shizuoka (Chubu region)	22,595.41	7,829.48	April 1997	47	7,829.48	7,829.48	1(0)	33
	K-11	KAI Nagato	Nagato-shi, Yamaguchi (Chugoku-Shikoku region)	7,077.24	4,767.66	November 2019	172	4,767.66	4,767.66	1(0)	40
	K-12	KAI Kirishima	Kirishima-shi, Kagoshima (Kyushu-Okinawa region)	105,194.73	5,360.73	October 2020	202	5,360.73	5,360.73	1(0)	49
	K-13	KAI Beppu	Beppu-shi, Oita (Kyushu-Okinawa region)	2,807.60	7,822.41	February 2021	396	7,822.41	7,822.41	1(0)	70
	Subtotal			247,085.95	68,593.54	—	1,683	68,568.10	68,568.10	13(0)	514

Investment category		Property no.	Name of property	Location	Site area (m <sup>2</sup> ) (Note 1)	Total floor area (m <sup>2</sup> )	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Leasable area (m <sup>2</sup> ) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)
Properties operated by the Hoshino Resorts Group	Other	O-35	OMO7 Asahikawa	Asahikawa-shi, Hokkaido (Hokkaido-Tohoku region)	4,278.02	25,715.20	March 1994	364	25,715.20	25,715.20	1(3)	237
		O-43	Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa (Kyushu-Okinawa region)	68,928.47	11,460.41	June 2004 (hotel building) / August 2004 (restaurant building) / November 2004 (company dormitory) / Unknown / (Note 5)(garbage incinerator)	271	11,460.41	11,460.41	1(0)	139
		O-45	BEB5 Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	5,307.36	2,807.36	November 2018	136	2,807.36	2,807.36	1(0)	73
		Subtotal			78,513.85	39,982.97	—	773	39,982.97	39,982.97	3(3)	449
	Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima (Chugoku-Shikoku region)	5,126.00 (Note 11)	42,727.85 (Note 12)	August 1983	606	32,332.00	32,332.00	1(6)
O-33			ANA Crowne Plaza Kanazawa	Kanazawa-shi, Ishikawa (Hokuriku region)	8,312.42 (Note 13)	61,448.41 (Note 14)	March 1990	546	23,835.00	23,835.00	1(5)	249
O-34			ANA Crowne Plaza Toyama	Toyama-shi, Toyama (Hokuriku region)	3,723.50	26,209.92 (Note 15)	June 1999	240	21,600.11	21,600.11	1(5)	252
O-36			Hyatt Regency Osaka	Osaka-shi, Osaka (Kinki region)	30,483.14	80,197.60	April 1994 (hotel building) / July 2012 (chapel building (Le Salon Blanc))	-	80,197.60	80,197.60	1(1)	480
O-37			the b akasaka	Minato-ku, Tokyo (Kanto region)	1,311.55	4,027.00	March 1973	135	4,027.00	4,027.00	1(1)	162
O-38			the b 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 16)	8,058.64	April 1981 (Note 17)	99	8,058.64	8,058.64	1(5)	219
O-40			the b kobe	Kobe-shi, Hyogo (Kinki region)	1,616.89	9,647.11	October 1981	180	9,647.11	9,647.11	1(10)	168
O-41			Quintessa Hotel Osaka Shinsaibashi	Osaka-shi, Osaka (Kinki region)	791.15	2,964.69	August 2017	54	2,964.69	2,964.69	1(0)	132
O-42			hotel androoms Osaka Hommachi	Osaka-shi, Osaka (Kinki region)	594.88	3,191.32	August 1998	144	3,191.32	3,191.32	1(0)	103
O-44			HOTEL NIKKO KOCHI ASAHI ROYAL (Note 18)	Kochi-shi, Kochi (Chugoku-Shikoku region)	3,127.39	16,222.49	March 1997 (hotel building) / October 2007 (chapel building)	180	16,222.49	16,222.49	1(1)	191
O-46			Sol Vita Hotel Naha	Naha-shi, Okinawa (Kyushu-Okinawa region)	2,129.30	5,288.04	November 2005	115	5,288.04	5,288.04	2(0)	200
O-47			Grand Hyatt Fukuoka	Fukuoka-shi, Fukuoka (Kyushu-Okinawa region)	34,363.91 (Note 19)	39,701.27 (Note 20)	March 1996	1,004	35,048.87 (Note 21)	35,048.87 (Note 22)	1(5)	372
Subtotal			94,205.58	302,356.54	—	3,421	245,085.07	245,085.07	14(40)	3,055		

Investment category		Property no.	Name of property	Location	Site area (m²) (Note 1)	Total floor area (m²)	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m²) (Note 3)	Leasable area (m²) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	Shiojiri-shi, Nagano (Chubu region)	4,292.64	2,100.47	March 2007 (Chisun Inn Shiojiri Kita IC) / January 2008 (restaurant)	48	2,100.47	2,100.47	1(1)	92
		O-2	Chisun Inn Sano Fujioka IC	Sano-shi, Tochigi (Kanto region)	2,894.40	1,968.91	October 2006	52	1,968.91	1,968.91	1(0)	92
		O-3	Chisun Inn Suwa IC	Suwa-shi, Nagano (Chubu region)	2,858.11	1,944.94	October 2006	46	1,944.94	1,944.94	1(0)	92
		O-4	Chisun Inn Toyokawa IC	Toyokawa-shi, Aichi (Chubu region)	2,607.19	2,040.09	July 2007	42	2,040.09	2,040.09	1(0)	94
		O-5	Chisun Inn Tosu	Tosu-shi, Saga (Kyushu-Okinawa region)	2,374.09	1,968.02	July 2007	36	1,968.02	1,968.02	1(0)	92
		O-6	Chisun Inn Chiba Hamano R16	Chiba-shi, Chiba (Kanto region)	2,470.00	2,023.29	July 2007	57	2,023.29	2,023.29	1(0)	94
		O-7	Chisun Inn Kumamoto Miyukifueda	Kumamoto-shi, Kumamoto (Kyushu-Okinawa region)	2,877.99	2,094.77	October 2007	43	2,094.77	2,094.77	1(0)	98
		O-8	Chisun Inn Utsunomiya Kanuma	Utsunomiya-shi, Tochigi (Kanto region)	2,658.08	2,094.16	December 2007	51	2,094.16	2,094.16	1(0)	98
		O-9	Chisun Inn Fukui	Fukui-shi, Fukui (Hokuriku region)	2,680.57	2,094.01	December 2007	45	2,094.01	2,094.01	1(0)	98
		O-10	Chisun Inn Fukushima Nishi IC	Fukushima-shi, Fukushima (Hokkaido-Tohoku region)	4,728.00	2,094.01	February 2008	48	2,094.01	2,094.01	1(0)	98
		O-11	Chisun Inn Niigata Chuo IC	Niigata-shi, Niigata (Chubu region)	3,177.86	2,094.16	April 2008	45	2,094.16	2,094.16	1(0)	98
		O-12	Chisun Inn Nagasaki Airport	Omura-shi, Nagasaki (Kyushu-Okinawa region)	2,781.68	1,968.02	May 2008	45	1,968.02	1,968.02	1(0)	92
		O-13	Chisun Inn Hitachinaka	Hitachinaka-shi, Ibaraki (Kanto region)	2,284.84	1,968.30	December 2008	52	1,968.30	1,968.30	1(0)	92
		O-14	Chisun Inn Tsuchiura Ami	Ami-machi, Inashiki-gun, Ibaraki (Kanto region)	2,963.49	1,968.03	September 2008	54	1,968.03	1,968.03	1(0)	92
		O-15	Chisun Inn Kofu Isawa	Fuefuki-shi, Yamanashi (Chubu region)	3,357.07	1,968.47	October 2009	46	1,968.47	1,968.47	1(0)	92
		O-16	Chisun Inn Marugame Zentsuji	Marugame-shi, Kagawa (Chugoku-Shikoku region)	2,447.29	2,094.16	October 2009	42	2,094.16	2,094.16	1(0)	98
		O-17	Chisun Inn Munakata	Munakata-shi, Fukuoka (Kyushu-Okinawa region)	3,015.37	2,094.16	December 2008	36	2,094.16	2,094.16	1(0)	98
		O-18	Chisun Inn Iwate Ichinoseki IC (Note 23)	Ichinoseki-shi, Iwate (Hokkaido-Tohoku region)	3,633.00	1,968.02	January 2009	49	1,968.02 (Note 24)	1,968.02 (Note 24)	1(1)	92
		O-19	Chisun Inn Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano (Chubu region)	4,226.44	1,917.10	July 2009	57	1,917.10	1,917.10	1(0)	90
		O-20	Chisun Inn Himeji Yumesakibashi	Himeji-shi, Hyogo (Kinki region)	2,413.68	2,406.95	February 2009	43	2,406.95	2,406.95	1(0)	98
		O-21	Chisun Inn Kurashiki Mizushima	Kurashiki-shi, Okayama (Chugoku-Shikoku region)	2,876.06	2,094.16	October 2009	51	2,094.16	2,094.16	1(0)	98

Investment category	Property no.	Name of property	Location	Site area (m <sup>2</sup> ) (Note 1)	Total floor area (m <sup>2</sup> )	Completion date	Annual rent (millions of yen) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Leasable area (m <sup>2</sup> ) (Note 3)	Number of tenants (Number of sublease tenants) (Note 4)	Number of guest rooms (rooms)	
Properties operated by outside operators	Other	O-22	Candeco Hotels Handa	Handa-shi, Aichi (Chubu region)	1,592.72	2,814.05	February 2008	52	2,814.05	2,814.05	1(0)	126
		O-23	Candeco Hotels Chino	Chino-shi, Nagano (Chubu region)	2,399.15	2,868.18	January 2008	65	2,868.18	2,868.18	1(0)	119
		O-24	Candeco 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	Candeco Hotels Sano	Sano-shi, Tochigi (Kanto region)	3,222.09	2,828.71	March 2008	91	2,828.71	2,828.71	1(0)	124
		O-26	Candeco 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)	3,319
	Total				1,048,522.17	576,200.45	—	10,304	518,903.54	518,903.54	67(79)	7,880

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

HOSHINOYA Karuizawa	HRR owns the building only and does not own the land. The land is leased from the owner.
ANA Crowne Plaza Toyama	
Candeco Hotels Chino	
HOSHINOYA Fuji	HRR owns the building only and does not own the land. The land is subleased from the lessee.
HOSHINOYA Taketomi Island	
HOSHINOYA Okinawa	HRR owns the co-ownership interest of the building (77.47% of the co-ownership) only and does not own the land. The land is leased and subleased from the owner.
RISONARE Yatsugatake	
KAI Tamatsukuri	HRR leases a portion (55,274.81 m <sup>2</sup> ) of the land from the owner.
KAI Kawaji	HRR leases a portion (2,966.21 m <sup>2</sup> ) of the land from the owner.
KAI Nagato	HRR leases a portion (696.95 m <sup>2</sup> ) of the land from the owner.
Iriomote Hotel	HRR leases a portion (5,796.24 m <sup>2</sup> ) of the land from the owner.
Candeco Hotels Handa	HRR leases a portion (9,113.00 m <sup>2</sup> ) of the land from the owner.
Candeco Hotels Sano	HRR leases a portion (991.72 m <sup>2</sup> ) of the land from the owner.
Candeco Hotels Sano	HRR leases a portion (740.62 m <sup>2</sup> ) of the land from the owner.

(Note 2) Based on lease agreements valid as of the end of the fiscal period under review. In principle, rent comprises fixed rent and floating rent in the lease agreements concluded for each property above (however, in the case of the five Candeco properties, the three Greens properties, and HOTEL NIKKO KOCHI ASAHI ROYAL, each property's rent comprises fixed rent only; and in the case of Hyatt Regency Osaka, rent comprises floating rent only), but the entry under "Annual rent" for the properties other than Hyatt Regency Osaka is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized by multiplying by 12. However, for some of the properties, as HRR agrees to fixed rent of a specified amount applied only for a specific period after the commencement of leasing or an amount that gradually fluctuates depending on the period, the entry under "Annual rent" for the properties is the amount arrived at when such fixed rent (monthly) as of the end of the fiscal period under review is annualized by multiplying 12. As a general rule, the fixed rent after the expiration of the initial fixed rent period will decrease from the amount shown in the above table, but floating rents will be charged when the sales or profit of hotels, ryokans and ancillary facilities exceed a certain amount. Furthermore, with the exception of "Grand Hyatt Fukuoka," no floating rents will accrue regardless of the amount of sales or profit of hotels, ryokans and ancillary facilities until the end of the initial fixed rent period. However, for OMO7 Asahikawa, HRR has the right to terminate the initial fixed rent period in case that floating rents are expected to exceed the initial fixed rent. For Hyatt Regency Osaka, annual rent is stated "-" as no rent was applied during the period from May 1, 2022 till October 31, 2022, due to the impact, etc. of the COVID-19 pandemic. The same shall apply hereinafter.

(Note 3) Based on lease agreements valid as of the end of the fiscal period under review (However, if the leased area and leasable area described in an individual lease agreement exceed the total floor area, the figure of its total floor area is given in both entries). All the properties have occupancy rate of 100.0%.

(Note 4) "Number of tenants (number of sublease tenants)" is the number of tenants as of the end of the fiscal period under review with the number of parties leasing (subleasing) from the parties leasing the property from HRR shown in parentheses. However, this excludes those leasing (subleasing) part of the site or the building for the purpose of parking or installing antennas, etc. For Chisun Inn Iwate



- Ichinoseki IC's number of tenants (excluding the number in parentheses), there is a tenant based on a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements; but the number of tenants is one because the tenant leasing under the lease agreement on the building is the same as the tenant leasing under the lease agreement on the land.
- (Note 5) Unknown because HRR has not received relative documentation from the previous owner.
- (Note 6) The respective figures stated for "Site area," "Total floor area," "Annual rent," "Leased area," "Leasable area," "Number of tenants (Number of sublease tenants)" and "Number of guest rooms" are calculated on the basis of totals encompassing both the main wing and the annex; the completion dates indicated for "Completion date" are separately stated for the main wing and the annex.
- (Note 7) For "HOSHINOYA Okinawa," HRR holds co-ownership interest of the building, its right of site, etc. (77.47% of the co-ownership), but the site area and total floor area are the area of the entire building and land pertaining to the property. Of the site area, 105,589.12 m<sup>2</sup> of the land area is subject to the leasehold and sublease interests in land of HRR, and the remaining land is not subject to the leasehold and sublease interests in land, but HRR agrees with the company that leases and subleases the land that it may use the said remaining land.
- (Note 8) For "HOSHINOYA Okinawa," HRR leases from Yomitan Hotel Management Co., Ltd. the co-ownership interest in the building it owns (22.53% of the co-ownership), and together with the co-ownership interest held by HRR (77.47% of the co-ownership), HRR leases the entire building to Yomitan Operations Co., Ltd. under a lease agreement. Therefore, "Leased area" is based on the lease agreement between HRR and Yomitan Operations Co., Ltd. (However, this excludes the area of two buildings and the buildings attached thereto owned by Okinawa Umi no Sono Co., Ltd. and leased by HRR and subleased to Yomitan Operations Co., Ltd. (hereinafter, the "Leased Buildings").
- (Note 9) For "HOSHINOYA Okinawa," HRR leases from Yomitan Hotel Management Co., Ltd. the co-ownership interest in the building it owns (22.53% of the co-ownership), and together with the co-ownership interest held by HRR (77.47% of the co-ownership), HRR leases the entire building to Yomitan Operations Co., Ltd. under a lease agreement. Therefore, "Leasable area" is the area corresponding to the portion that can be leased by HRR (excluding, however, the area of the Leased Buildings) and is either the area indicated in the lease agreement between HRR and Yomitan Operations Co., Ltd., or the area indicated in the drawing of the property.
- (Note 10) Not used for lodging as of the end of the fiscal period under review.
- (Note 11) The land under HRR's ownership is co-ownership interest (81/100 of the co-ownership) of the land, but the entry under "Site area" is the area of the entire land.
- (Note 12) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (81/100 of the co-ownership) of the corresponding common elements, but the entry under "Total floor area" is the area of the entire building.
- (Note 13) The land under HRR's ownership is co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the right of site (proprietary ownership) of the land, but the entry under "Site area" is the area of the entire land.
- (Note 14) The building is a building under sectional ownership, of which the building under HRR's ownership is co-ownership interest (1/2 of the co-ownership) of the sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (245,437,622/1,000,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Total floor area" is the area of the entire building.
- (Note 15) The building is a building under sectional ownership, of which the building under HRR's ownership is sectional ownership of all of the exclusive elements for hotel use and co-ownership interest (870,472/1,000,000 of the co-ownership) of the corresponding common elements, but the entry under "Total floor area" is the area of the entire building.
- (Note 16) The land under HRR's ownership is co-ownership interest (4,840/10,000 of the co-ownership) of the land, but the entry under "Site area" is the area of the entire land.
- (Note 17) 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 18) Regarding "HOTEL NIKKO KOCHI ASAHI ROYAL," HRR received on September 30, 2022 a notice of termination of the fixed-term building lease agreement (hereinafter the "Lease Agreement") dated March 4, 2019, from the tenant, ASAHI SHOKUJIN CO., LTD. The Lease Agreement is scheduled to be terminated on March 31, 2023. Although the plans on or after April 1, 2023 have yet to be determined at this time, HRR received a written move-in application from Hoshino Resorts, which states that the Hoshino Resorts Group will lease the property and operate it as "OMO7 Kochi by Hoshino Resorts," and on this occasion, HRR has granted Hoshino Resorts the preferential negotiation right for the lease of the property. Furthermore, HRR will not receive any consideration for granting the preferential negotiation right, and neither HRR nor Hoshino Resorts will be obligated to enter into a lease for the property.
- (Note 19) The asset held by HRR is the trust beneficiary right whose trust assets is the shared property (a shared ownership portion of Canal City Hakata • B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%)), but the entry under "Site area" is the area of the entire land that is included in the trust assets.
- (Note 20) The building is a building under sectional ownership, and the asset held by HRR is the trust beneficiary right whose trust assets is the shared property (a shared ownership portion of Canal City Hakata • B Grand Building (Building 217 Lot 30-1) and its building site right, etc. (ownership ratio 88.28%)), but the entry under "Total floor area" is the area of all of the exclusive elements of Canal City Hakata • B Grand Building that is included in the trust assets.
- (Note 21) For "Grand Hyatt Fukuoka," the area included in the leasable area is the area of the leased space described in the relevant lease agreement. In addition, as of the date of this document, the first basement floor of the building leased by Fukuoka REIT Corporation (hereinafter "Fukuoka REIT") from the co-owner based on the agreement among co-owners is leased to Hakata Sumiyoshi Hotel Management Co. The area related to the said lease is not included in the above leased area.
- (Note 22) For "Grand Hyatt Fukuoka," the first basement floor is master leased by Fukuoka REIT and the portions other than the first basement floor are master leased by HRR, and the master leased portions are leased (subleased) to end tenants. Therefore, the one indicated in either the lease agreement concluded between HRR and the tenant, or the drawing of the property is indicated as the area corresponding to the portion that can be leased (subleased) by HRR.
- (Note 23) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of the end of the fiscal period under review. The rent of the lease agreement on the building (hereinafter referred to as the "building rent" in this note) comprises fixed rent and floating rent, while the rent of the lease agreement on the land (hereinafter referred to as the "land rent" in this note) comprises fixed rent. However, an agreement has been reached in these lease agreements to the effect that, in the event of payment of the land rent, the same amount shall be deducted from the building rent, meaning that in no circumstances would the amount of the property's fixed rent exceed the amount of the fixed rent provided in the lease agreement on the building. Accordingly, Chisun Inn Iwate Ichinoseki IC's annual fixed rent amount is the amount arrived at when the fixed rent (monthly amount) provided in the lease agreement on the building is annualized

by multiplying by 12. The same shall apply hereinafter.  
 (Note 24) For Chisun Inn Iwate Ichinoseki IC, there is a lease agreement on the property's building and a lease agreement on a portion of the property's land to total two lease agreements as of the end of the fiscal period under review, but the entries under "Leased area" and "Leasable area" are the leased area and leasable area of the building.

c. Summary of Real Estate Appraisal Report, Etc.

The following is a summary of the real estate appraisal report, etc. with October 31, 2022 as the date of value.

The following is a summary of the real estate appraisal report, etc. with October 31, 2022 as the date of value.												
Investment category	Property no.	Name of property	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
					Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by the Hoshino Resorts Group	HOSHINOYA	H-1	HOSHINOYA Karuizawa	NV	12,100	12,000	5.2	12,100	5.2	5.7	642	8.4
		H-2	HOSHINOYA Kyoto	NV	4,250	4,230	5.8	4,260	5.4	6.2	248	8.6
		H-3	HOSHINOYA Fuji	NV	4,350	4,360	6.1	4,330	5.8	6.3	269	6.5
		H-4	HOSHINOYA Taketomi Island	NV	4,870	4,940	6.0	4,790	5.6	6.1	312	6.3
		H-5	HOSHINOYA Okinawa	NV	13,300	13,400	5.2	13,100	4.8	5.3	709	5.8
		Subtotal			38,870	38,930	-	38,580	-	-	2,180	6.9
	RISONARE	R-1	RISONARE Yatsugatake	NV	7,760	7,410	5.5	8,100	5.5	6.0	542	12.0
		R-2	RISONARE Atami	NV	5,010	4,870	5.2	5,140	5.0	5.6	299	8.0
		Subtotal			12,770	12,280	-	13,240	-	-	841	10.2
	KAI	K-1	KAI Matsumoto	JMK	829	835	5.9	823	5.7	6.1	66	10.9
		K-2	KAI Tamatsukuri	JMK	1,380	1,400	6.3	1,350	6.1	6.5	99	14.5
		K-3	KAI Ito	JMK	1,610	1,630	5.7	1,590	5.5	5.9	108	16.0
		K-4	KAI Hakone	JMK	1,330	1,340	5.7	1,320	5.5	5.9	91	9.6
		K-5	KAI Aso	JMK	713	717	6.1	709	5.9	6.3	48	8.3
		K-6	KAI Kawaji	JMK	1,240	1,250	5.8	1,230	5.6	6.0	90	9.0
		K-7	KAI Kinugawa	JMK	3,300	3,330	5.5	3,270	5.3	5.7	187	6.1
		K-8	KAI Kaga	JMK	3,340	3,360	5.5	3,310	5.3	5.7	190	6.0
		K-9	KAI Alps	NV	3,150	3,200	5.4	3,090	5.1	5.6	179	5.8
		K-10	KAI Enshu	JMK	1,090	1,090	5.6	1,090	5.4	5.8	84	8.0
		K-11	KAI Nagato	JREI	2,930	2,950	5.4	2,900	5.0	5.5	167	6.1
		K-12	KAI Kirishima	JREI	4,050	4,100	5.3	4,000	5.0	5.4	228	5.8
		K-13	KAI Beppu	JREI	7,550	7,630	5.0	7,460	4.8	5.2	386	5.3
		Subtotal			32,512	32,832	-	32,142	-	-	1,921	6.7
	Other	O-35	OMO7 Asahikawa	RC	4,620	4,620	4.9	4,620	4.7	5.1	344	7.5
		O-43	Iriomote Hotel	NV	3,780	3,810	5.3	3,740	4.9	5.4	242	6.6
		O-45	BEB5 Karuizawa	NV	2,260	2,250	5.5	2,270	5.2	5.6	128	5.9
		Subtotal			10,660	10,680	-	10,630	-	-	714	6.8

Investment category		Property no.	Name of property	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by outside operators	Urban tourism	O-31	ANA Crowne Plaza Hiroshima	RC	18,700	19,600	4.5	18,300	4.3	4.7	1,013	5.7	
		O-33	ANA Crowne Plaza Kanazawa	RC	6,240	6,580	4.7	6,090	4.5	4.9	402	6.1	
		O-34	ANA Crowne Plaza Toyama	RC	3,980	4,110	4.8	3,920	4.6	5.0	308	7.7	
		O-36	Hyatt Regency Osaka	NV	14,800	15,100	4.8	14,500	4.1	4.6	957	6.0	
		O-37	the b akasaka	RC	4,400	4,550	4.1	4,330	3.9	4.3	226	4.7	
		O-38	the b sangenjaya	RC	4,080	4,260	4.3	4,000	4.1	4.5	211	4.8	
		O-39	the b nagoya	RC	4,100	4,300	4.3	4,010	4.1	4.5	222	4.9	
		O-40	the b kobe	RC	6,130	6,400	4.4	6,020	4.2	4.6	335	4.8	
		O-41	Quintessa Hotel Osaka Shinsaibashi	NV	3,360	3,440	4.6	3,270	4.3	4.7	163	4.9	
		O-42	hotel androoms Osaka Hommachi	RC	3,340	3,420	4.5	3,300	4.3	4.7	165	3.9	
		O-44	HOTEL NIKKO KOCHI ASAHI ROYAL	NV	2,260	2,230	4.8	2,290	4.6	5.1	144	6.6	
		O-46	Sol Vita Hotel Naha	NV	3,900	3,830	4.6	3,960	4.2	4.6	198	5.1	
		O-47	Grand Hyatt Fukuoka	RC	8,740	8,910	4.6	8,660	4.3	4.7	639	8.3	
		Subtotal				84,030	86,730	-	82,650	-	-	4,983	5.8

Investment category		Property no.	Name of property	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach				Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)			Terminal capitalization rate (%)
Properties operated by outside operators	Other	O-1	Chisun Inn Shiojiri Kita IC	NV	824	829	5.9	819	5.7	6.1	52	7.8
		O-2	Chisun Inn Sano Fujioka IC	JMK	915	909	5.9	920	5.7	6.1	56	7.5
		O-3	Chisun Inn Suwa IC	NV	831	831	6.0	830	5.8	6.2	54	8.3
		O-4	Chisun Inn Toyokawa IC	NV	725	734	5.9	716	5.7	6.1	45	7.5
		O-5	Chisun Inn Tosu	NV	647	654	6.0	640	5.8	6.3	41	8.2
		O-6	Chisun Inn Chiba Hamano R16	JMK	1,000	1,020	5.6	983	5.4	5.8	59	7.4
		O-7	Chisun Inn Kumamoto Miyukifueda	NV	734	739	6.2	728	6.0	6.5	48	7.8
		O-8	Chisun Inn Utsunomiya Kanuma	JMK	831	844	6.1	818	5.9	6.3	54	7.6
		O-9	Chisun Inn Fukui	NV	800	797	6.2	803	6.0	6.4	52	8.1
		O-10	Chisun Inn Fukushima Nishi IC	JMK	753	765	6.2	741	6.0	6.4	50	7.4
		O-11	Chisun Inn Niigata Chuo IC	NV	770	774	6.0	765	5.8	6.2	49	7.8
		O-12	Chisun Inn Nagasaki Airport	NV	765	761	6.0	769	5.8	6.2	48	7.6
		O-13	Chisun Inn Hitachinaka	JMK	902	916	5.9	887	5.7	6.1	57	7.6
		O-14	Chisun Inn Tsuchiura Ami	JMK	903	916	5.8	890	5.6	6.0	55	7.2
		O-15	Chisun Inn Kofu Isawa	NV	787	788	6.1	786	5.9	6.3	52	7.9
		O-16	Chisun Inn Marugame Zentsuji	NV	731	735	6.2	726	6.0	6.4	48	8.1
		O-17	Chisun Inn Munakata	NV	625	634	6.1	615	5.9	6.4	41	8.1
		O-18	Chisun Inn Iwate Ichinoseki IC	JMK	767	778	6.2	756	6.0	6.4	51	7.2
		O-19	Chisun Inn Karuizawa	NV	1,090	1,080	6.0	1,090	5.8	6.2	67	8.3
		O-20	Chisun Inn Himeji Yumesakibashi	NV	740	745	6.2	735	6.0	6.4	49	7.9

Investment category		Property no.	Name of property	Appraisal company (Note 1)	Appraisal value (millions of yen) (Note 2)	Income approach					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)	
						Indicated value by direct capitalization method (millions of yen)	Capitalization rate (%)	Indicated value by DCF method (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)			
Properties operated by outside operators	Other	O-21	Chisun Inn Kurashiki Mizushima	NV	862	871	6.0	853	5.8	6.2	55	7.5	
		O-22	Candeo Hotels Handa	RC	644	644	5.4	644	5.2	5.6	41	6.6	
		O-23	Candeo Hotels Chino	RC	864	867	5.6	863	5.4	5.8	53	6.7	
		O-24	Candeo Hotels Fukuyama	RC	1,160	1,170	5.3	1,150	5.1	5.5	71	6.6	
		O-25	Candeo Hotels Sano	RC	1,440	1,450	5.4	1,430	5.2	5.6	82	6.5	
		O-26	Candeo Hotels Kameyama	RC	463	463	5.9	463	5.7	6.1	34	7.2	
		O-27	Comfort Hotel Hakodate	NV	961	962	5.2	960	5.0	5.4	59	6.3	
		O-28	Comfort Hotel Tomakomai	NV	973	976	5.3	969	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	2,480	2,510	5.6	2,460	5.4	5.8	154	7.7	
		Subtotal				27,147	27,322	-	26,959	-	-	1,704	7.3
		Total					205,989	208,774	-	204,201	-	-	12,344

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

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

JMK: JLL Morii Valuation & Advisory K.K.

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

JREI: Japan Real Estate Institute

(Note 2) "Appraisal value" is the appraisal value stated in the real estate appraisal report, etc. with October 31, 2022 as the date of value. Furthermore, "Appraisal value" is rounded down to the nearest million yen. Accordingly, the appraisal value of each property may not add up to the portfolio total.

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

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

(Note 5) The real estate appraisal report, etc. is the appraising appraisal company's judgment and opinion at a certain point in time, and is not a guarantee of the validity or accuracy of the content thereof, possibility of transaction at the concerned real estate appraisal value, etc., and other matters. There is no special vested interest between Japan Valuers Co., Ltd., JLL Morii Valuation & Advisory K.K., Rich Appraisal Institute Co., Ltd. or Japan Real Estate Institute and HRR or the Asset Management Company.

d. Status of Leasing to Major Tenants

Tenant name	Business type	Name of property	Contract expiration date	Annual rent		Leased area	
				(millions of yen)	Share (%) (Note 1)	(m <sup>2</sup> ) (Note 2)	Share (%) (Note 3)
K.K. Horizon Hotels (Note 4)	Hotel	RISONARE Yatsugatake	July 15, 2033	525	5.1	33,853.45	6.5
		RISONARE Atami	November 1, 2035	223	2.2	23,385.18	4.5
		ANA Crowne Plaza Hiroshima	November 1, 2035	606	5.9	32,332.00	6.2
		ANA Crowne Plaza Kanazawa	November 1, 2035	546	5.3	23,835.00	4.6
		ANA Crowne Plaza Toyama	November 1, 2035	240	2.3	21,600.11	4.2
		Hyatt Regency Osaka	October 31, 2036	-	-	80,197.60	15.5
		the b akasaka	October 31, 2037	135	1.3	4,027.00	0.8
		the b sangenjaya	October 31, 2037	117	1.1	2,672.20	0.5
		the b nagoya	October 31, 2037	99	1.0	8,058.64	1.6
		the b kobe	October 31, 2037	180	1.7	9,647.11	1.9
		Total		2,671	25.9	239,608.29	46.2

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

(Note 2) Based on lease agreements valid as of the end of the fiscal period under review.

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

(Note 4) On October 1, 2022, an absorption-type merger was conducted whereby K.K. Horizon Hotels became the surviving company, and HRO Inc. and KK IHB became the dissolved companies.

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	5	31,803	16.8
	RISONARE	2	8,250	4.4
	KAI	13	28,823	15.2
	Other	3	10,439	5.5
	Subtotal	23	79,315	42.0
Properties operated by outside operators	Urban tourism	13	86,538	45.8
	Other	30	23,213	12.3
	Subtotal	43	109,751	58.0
Total		66	189,066	100.0

ii. By regional location

Regional location	Number of properties	Acquisition price (millions of yen)	Share (%)
Hokkaido-Tohoku region	5	7,891	4.2
Kanto region	11	19,336	10.2
Hokuriku region	4	14,421	7.6
Chubu region	19	37,975	20.1
Kinki region	6	34,091	18.0
Chugoku-Shikoku region	8	26,905	14.2
Kyushu-Okinawa region	13	48,447	25.6
Total	66	189,066	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	189,066	100.0	189,066	100.0
More than 10 years	170,871	90.4	167,871	88.8
10 years or less	18,195	9.6	21,195	11.2

(Note) "Remaining duration" as stated is based on the remaining number of years of the lease agreements pertaining to the assets held by HRR as of the end of the fiscal period under review.

iv. By contract type

Contract type	Acquisition price (millions of yen)	Share (%)
Entire portfolio	189,066	100.0
Fixed-term lease contract	189,066	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	H-5	R-1
Name of property	Portfolio total	HOSHINOYA Karuizawa	HOSHINOYA Kyoto	HOSHINOYA Fuji	HOSHINOYA Taketomi Island	HOSHINOYA Okinawa	RISONARE Yatsugatake
① Total operating revenue from real estate leasing	5,835,293	404,232	109,203	171,630	109,560	268,923	393,278
Fixed rent	5,024,107	315,000	101,898	92,430	109,560	268,923	262,500
Floating rent	797,255	89,232	7,305	79,200	-	-	130,778
Other rent	10,800	-	-	-	-	-	-
Other revenue	3,130	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	1,158,735	47,785	11,514	13,631	19,659	46,711	55,751
Maintenance expenses	202,691	2,983	1,795	369	3,480	1,876	5,675
Taxes and dues	500,180	12,692	2,037	3,215	1,698	294	22,528
Insurance expenses	20,084	580	152	215	178	602	1,562
Land rent	93,663	6,458	-	6,911	6,316	32,719	3,937
Repair expenses	144,782	25,069	7,528	2,919	7,984	3,470	22,046
Other expenses	197,332	0	-	-	-	7,747	-
③ Leasing NOI [①-②]	4,676,558	356,447	97,689	157,998	89,900	222,211	337,527
④ Depreciation and amortization	1,597,405	110,974	29,919	35,866	47,850	56,924	79,790
⑤ Loss on retirement of non-current assets	14,393	-	226	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	3,064,759	245,473	67,543	122,132	42,050	165,287	257,737

(Unit: thousands of yen)

Property no.	R-2	K-1	K-2	K-3	K-4	K-5	K-6
Name of property	RISONARE Atami	KAI Matsumoto	KAI Tamatsukuri	KAI Ito	KAI Hakone	KAI Aso	KAI Kawaji
① Total operating revenue from real estate leasing	242,407	47,053	55,024	60,856	63,079	31,950	66,027
Fixed rent	111,600	37,500	37,500	47,250	47,500	21,000	49,800
Floating rent	130,807	9,553	17,520	13,602	15,579	10,930	16,227
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	4	4	-	20	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	37,726	11,110	10,383	11,010	8,242	6,373	16,680
Maintenance expenses	3,267	1,417	482	819	2,165	838	2,960
Taxes and dues	25,473	4,086	3,817	4,646	4,805	846	7,035
Insurance expenses	674	210	113	258	166	52	301
Land rent	-	-	2,280	-	-	-	300
Repair expenses	8,312	5,396	3,648	5,285	1,082	4,416	6,083
Other expenses	-	-	41	-	22	219	-
③ Leasing NOI [①-②]	204,680	35,942	44,641	49,846	54,837	25,576	49,346
④ Depreciation and amortization	52,751	7,775	8,238	13,563	13,831	9,081	17,073
⑤ Loss on retirement of non-current assets	-	793	-	-	-	-	2,129
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	151,929	27,374	36,403	36,282	41,005	16,495	30,143



(Unit: thousands of yen)

Property no.	K-7	K-8	K-9	K-10	K-11	K-12	K-13
Name of property	KAI Kinugawa	KAI Kaga	KAI Alps	KAI Enshu	KAI Nagato	KAI Kirishima	KAI Beppu
① Total operating revenue from real estate leasing	123,445	124,176	73,938	81,529	86,497	101,026	198,390
Fixed rent	64,800	65,265	61,630	23,760	86,497	101,026	198,390
Floating rent	58,645	58,911	12,308	57,769	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	10,958	9,344	7,521	11,864	2,829	15,063	7,454
Maintenance expenses	1,501	1,336	1,100	2,051	1,782	5,080	3,373
Taxes and dues	7,479	5,805	2,777	5,968	199	873	2,471
Insurance expenses	126	211	155	316	218	251	388
Land rent	-	-	-	-	-	-	-
Repair expenses	1,851	1,956	3,489	3,522	629	8,857	1,220
Other expenses	-	34	-	5	-	-	-
③ Leasing NOI [(①)-(②)]	112,487	114,831	66,416	69,665	83,668	85,962	190,935
④ Depreciation and amortization	17,739	27,936	26,206	12,400	25,091	30,216	54,361
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	94,747	86,894	40,210	57,264	58,577	55,746	136,574

(Unit: thousands of yen)

Property no.	O-35	O-43	O-45	O-31	O-33	O-34	O-36
Name of property	OMO7 Asahikawa	Iriomote Hotel	BEB5 Karuizawa	ANA Crowne Plaza Hiroshima	ANA Crowne Plaza Kanazawa	ANA Crowne Plaza Toyama	Hyatt Regency Osaka
① Total operating revenue from real estate leasing	182,400	135,960	68,220	303,015	273,000	120,000	-
Fixed rent	182,400	135,960	68,220	303,000	273,000	120,000	-
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	15	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	20,927	15,074	4,018	44,838	180,688	32,577	92,793
Maintenance expenses	-	6,309	1,359	9,843	9,685	-	-
Taxes and dues	20,202	2,400	1,591	33,969	15,658	16,289	77,567
Insurance expenses	725	457	94	1,024	743	715	3,176
Land rent	-	272	-	-	-	15,530	12,000
Repair expenses	-	5,633	492	-	-	-	-
Other expenses	-	-	480	-	154,602	41	50
③ Leasing NOI [(①)-(②)]	161,472	120,885	64,201	258,177	92,311	87,422	(92,793)
④ Depreciation and amortization	75,981	43,621	18,997	95,044	46,692	56,712	121,372
⑤ Loss on retirement of non-current assets	10,823	-	-	421	-	-	0
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	74,667	77,264	45,203	162,711	45,618	30,710	(214,166)

(Unit: thousands of yen)

Property no.	O-37	O-38	O-39	O-40	O-41	O-42	O-44
Name of property	the b akasaka	the b sangenjaya	the b nagoya	the b kobe	Quintessa Hotel Osaka Shinsaibashi	hotel androoms Osaka Hommachi	HOTEL NIKKO KOCHI ASAH ROYAL
① Total operating revenue from real estate leasing	67,500	58,500	49,500	90,000	27,000	72,000	90,000
Fixed rent	67,500	58,500	49,500	90,000	27,000	72,000	90,000
Floating rent	-	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	9,865	3,628	8,313	10,563	6,456	6,052	24,428
Maintenance expenses	-	-	-	-	-	-	-
Taxes and dues	9,735	3,538	8,053	10,270	6,364	5,532	17,141
Insurance expenses	130	89	260	292	92	99	704
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	6,582
Other expenses	-	-	-	-	-	420	-
③ Leasing NOI [①-②]	57,634	54,871	41,186	79,436	20,543	65,947	65,571
④ Depreciation and amortization	14,964	12,862	14,429	25,092	10,329	12,046	24,676
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	42,669	42,008	26,756	54,344	10,213	53,901	40,894

(Unit: thousands of yen)

Property no.	O-46	O-47	O-1	O-2	O-3	O-4	O-5
Name of property	Sol Vita Hotel Naha	Grand Hyatt Fukuoka	Chisun Inn Shiojiri Kita IC	Chisun Inn Sano Fujioka IC	Chisun Inn Suwa IC	Chisun Inn Toyokawa IC	Chisun Inn Tosu
① Total operating revenue from real estate leasing	72,051	505,087	24,000	64,373	28,500	21,480	18,000
Fixed rent	64,239	502,320	24,000	26,460	23,460	21,480	18,000
Floating rent	7,812	-	-	37,913	5,040	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	2,767	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	5,637	233,818	3,042	2,584	2,559	2,816	2,068
Maintenance expenses	-	123,043	349	422	454	431	328
Taxes and dues	5,481	67,214	2,643	2,111	2,058	2,334	1,694
Insurance expenses	155	2,593	49	51	46	50	45
Land rent	-	-	-	-	-	-	-
Repair expenses	-	7,301	-	-	-	-	-
Other expenses	-	33,664	-	-	-	-	-
③ Leasing NOI [①-②]	66,414	271,268	20,957	61,788	25,941	18,663	15,931
④ Depreciation and amortization	13,560	111,353	5,315	7,176	6,697	5,452	5,235
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	52,853	159,915	15,642	54,611	19,243	13,211	10,695

(Unit: thousands of yen)

Property no.	O-6	O-7	O-8	O-9	O-10	O-11	O-12
Name of property	Chisun Inn Chiba Hamano R16	Chisun Inn Kumamoto Miyukifueda	Chisun Inn Utsunomiya Kanuma	Chisun Inn Fukui	Chisun Inn Fukushima Nishi IC	Chisun Inn Niigata Chuo IC	Chisun Inn Nagasaki Airport
① Total operating revenue from real estate leasing	28,500	21,960	25,500	32,018	24,836	22,500	24,180
Fixed rent	28,500	21,960	25,500	22,980	24,000	22,500	22,500
Floating rent	-	-	-	9,038	836	-	1,680
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,719	3,030	2,695	2,623	2,969	2,896	2,641
Maintenance expenses	305	499	259	393	407	399	279
Taxes and dues	2,361	2,481	2,380	2,178	2,506	2,446	2,315
Insurance expenses	53	50	55	51	55	50	46
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ Leasing NOI [(①)-(②)]	25,780	18,929	22,804	29,394	21,866	19,603	21,539
④ Depreciation and amortization	7,387	5,370	6,143	5,529	6,061	6,112	6,209
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	18,393	13,558	16,661	23,864	15,805	13,491	15,329

(Unit: thousands of yen)

Property no.	O-13	O-14	O-15	O-16	O-17	O-18	O-19
Name of property	Chisun Inn Hitachinaka	Chisun Inn Tsuchiura Ami	Chisun Inn Kofu Isawa	Chisun Inn Marugame Zentsuji	Chisun Inn Munakata	Chisun Inn Iwate Ichinoseki IC	Chisun Inn Karuizawa
① Total operating revenue from real estate leasing	26,460	27,480	25,349	21,000	18,000	24,960	29,289
Fixed rent	26,460	27,480	23,460	21,000	18,000	24,960	28,980
Floating rent	-	-	1,889	-	-	-	309
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	2,197	2,374	2,360	2,407	2,583	2,237	2,796
Maintenance expenses	285	287	498	451	423	280	421
Taxes and dues	1,861	2,036	1,815	1,905	2,110	1,903	2,315
Insurance expenses	51	50	47	51	50	52	59
Land rent	-	-	-	-	-	-	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
③ Leasing NOI [(①)-(②)]	24,262	25,105	22,988	18,592	15,416	22,722	26,493
④ Depreciation and amortization	8,408	8,091	6,308	5,741	5,151	5,766	7,898
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [(③)-(④)-(⑤)]	15,853	17,013	16,679	12,851	10,264	16,955	18,594

(Unit: thousands of yen)

Property no.	O-20	O-21	O-22	O-23	O-24	O-25	O-26
Name of property	Chisun Inn Himeji Yumesakibashi	Chisun Inn Kurashiki Mizushima	Candeco Hotels Handa	Candeco Hotels Chino	Candeco Hotels Fukuyama	Candeco Hotels Sano	Candeco Hotels Kameyama
① Total operating revenue from real estate leasing	22,073	25,980	26,460	32,844	39,370	45,756	20,910
Fixed rent	21,960	25,980	26,460	32,844	39,370	45,756	20,910
Floating rent	113	-	-	-	-	-	-
Other rent	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	3,362	2,861	5,816	6,035	3,871	4,411	3,874
Maintenance expenses	322	295	-	-	-	-	-
Taxes and dues	2,981	2,513	2,852	3,150	3,760	3,077	3,762
Insurance expenses	58	51	83	80	110	81	112
Land rent	-	-	2,880	2,804	-	1,252	-
Repair expenses	-	-	-	-	-	-	-
Other expenses	-	1	-	-	-	-	-
③ Leasing NOI [①-②]	18,711	23,118	20,643	26,808	35,499	41,344	17,035
④ Depreciation and amortization	5,935	7,180	6,573	7,989	10,922	11,376	4,471
⑤ Loss on retirement of non-current assets	-	-	-	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	12,775	15,937	14,069	18,819	24,576	29,968	12,564

(Unit: thousands of yen)

Property no.	O-27	O-28	O-29	O-30
Name of property	Comfort Hotel Hakodate	Comfort Hotel Tomakomai	Comfort Hotel Kure	Chisun Inn Kagoshima Taniyama
① Total operating revenue from real estate leasing	33,240	33,231	37,524	83,049
Fixed rent	32,922	33,231	37,524	48,000
Floating rent	-	-	-	24,249
Other rent	-	-	-	10,800
Other revenue	318	-	-	-
② Total operating expenses from real estate leasing (excl. ④ and ⑤)	3,689	2,930	3,938	7,038
Maintenance expenses	-	-	-	300
Taxes and dues	3,604	2,857	3,856	6,536
Insurance expenses	84	73	82	201
Land rent	-	-	-	-
Repair expenses	-	-	-	-
Other expenses	-	-	-	-
③ Leasing NOI [①-②]	29,550	30,300	33,585	76,011
④ Depreciation and amortization	10,242	9,474	9,011	18,835
⑤ Loss on retirement of non-current assets	-	-	-	-
⑥ Operating profit (loss) from real estate leasing [③-④-⑤]	19,308	20,825	24,573	57,175

## (2) Status of Capital Expenditures

### ① Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the fiscal period ending April 2023 currently planned for assets held by HRR as of the end of the fiscal period under review, the following are the major estimated amounts. Amounts categorized as expenses within accounting standards are included in capital expenditure amounts stated below.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (millions of yen)		
				Total amount	Payment during period	Total amount already paid
HOSHINOYA Karuizawa	Karuizawa-machi, Kitasaku-gun, Nagano	Large-scale renovation of Tombo-no-yu and Sonmin Shokudo	From: January 2023 To: March 2023	270	0	30
HOSHINOYA Kyoto	Kyoto-shi, Kyoto	Renovation of A/C of guest rooms, etc.	From: January 2023 To: February 2023	41	0	0
HOSHINOYA Taketomi Island	Taketomi-cho, Yaeyama-gun, Okinawa	Installation of pool heating equipment	From: November 2022 To: January 2023	44	0	0
KAI Enshu	Hamamatsu-shi, Shizuoka	Renovation of guest rooms	From: January 2023 To: January 2023	152	—	—
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Renovation of 7F and 19F to 22F	From: November 2022 To: April 2023	461	28	28
Hyatt Regency Osaka	Osaka-shi, Osaka	Renovation of guest rooms and common-use areas	From: August 2022 To: November 2022	301	19	19
Iriomote Hotel	Taketomi-cho, Yaeyama-gun, Okinawa	Renovation of Nakano Dormitory	From: November 2022 To: January 2023	63	0	0

### ② Capital Expenditures during the Period

Of construction work falling under the category of capital expenditures conducted in the fiscal period under review for assets held by HRR as of the end of the fiscal period under review, the following are the major amounts. The fiscal period under review's capital expenditures amounted to 781 million yen and repair expenses separately charged to expenses amounted to 144 million yen for a combined total of 926 million yen of construction work implemented.

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)
RISONARE Atami	Atami-shi, Shizuoka	Replacement of automatic fire alarms	From: March 2022 To: July 2022	32
KAI Tamatsukuri	Matsue-shi, Shimane	Renovation of guest rooms	From: September 2022 To: October 2022	236

Name of real estate, etc.	Location	Purpose	Period	Construction costs (millions of yen)
ANA Crowne Plaza Hiroshima	Hiroshima-shi, Hiroshima	Central monitoring equipment	From: April 2022 To: July 2022	47
OMO7 Asahikawa	Asahikawa-shi, Hokkaido	Renovation of banquet hall	From: September 2022 To: October 2022	37

### (3) Other Investment Assets

Type of assets	Name of security	Face value (thousands of yen)	Interest rate (%)	Maturity date (Note 1)	Interest payment date	Acquisition price (thousands of yen) (Note 2)	Appraisal value (thousands of yen) (Note 3)	Gain (loss) on valuation of investment securities (thousands of yen) (Note 5)	Ratio to total assets (%) (Note 6)
Monetary claim (subordinated loan claim)	TLSS Specified Purpose Company Class D Loan Receivables	750,000	1) Applicable interest rate Period until the scheduled repayment date: 10.50% per annum Period from the day after the scheduled repayment date to the final repayment date: 11.50% per annum 2) PIK interest (Note 4)	July 31, 2024	Last day of each month, and scheduled repayment date and final repayment date	750,000	750,000	—	0.4

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

(Note 2) "Acquisition price" indicates the sales/purchase price of the loan claim stated in the sales and purchase agreement (excluding consumption taxes, local consumption taxes and expenses such as transaction commissions), rounded down to the nearest thousand yen.

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

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

Amount of PIK interest on loan receivables

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

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

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