

## (REIT) Financial Report for Fiscal Period Ended April 2023

June 15, 2023

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: Takahiro Kabuki, Director & General Manager of Corporate Planning Division

Scheduled date of submission of securities report: July 27, 2023

Scheduled date of commencement of distributions payment: July 24, 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 April 2023 (from November 1, 2022 to April 30, 2023)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Apr. 2023	6,266	6.5	2,627	6.7	2,142	8.9	2,338	19.0
Ended Oct. 2022	5,882	8.2	2,463	11.9	1,966	11.5	1,964	11.5

Fiscal period	Profit per unit	Ratio of profit to net assets	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Ended Apr. 2023	9,149	1.9	1.0	34.2
Ended Oct. 2022	7,796	1.6	1.0	33.4

## (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 Apr. 2023	8,385	2,142	—	—	91.6	1.7
Ended Oct. 2022	7,681	1,962	—	—	99.9	1.6

(Note 1) Total distributions in the fiscal period ended April 2023 is an amount after adding reversal of reserve for tax purpose reduction entry of 287 thousand yen to unappropriated retained earnings and deducting reserve for tax purpose reduction entry of 193,738 thousand yen.

(Note 2) 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.

## (3) Financial Position

Fiscal period	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended Apr. 2023	208,555	126,215	60.5	493,882
Ended Oct. 2022	205,962	125,840	61.1	492,413

#### (4) Status of Cash Flows

Fiscal period	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Apr. 2023	4,428	(4,109)	91	11,698
Ended Oct. 2022	3,483	(13,590)	10,978	11,288

#### 2. Management Status Forecast for Fiscal Period Ending October 2023 (from May 1, 2023 to October 31, 2023) and Management Status Forecast for Fiscal Period Ending April 2024 (from November 1, 2023 to April 30, 2024)

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

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Ending Oct. 2023	6,408	2.3	2,705	3.0	2,146	0.2	2,144	(8.3)	8,400	–
Ending Apr. 2024	6,522	1.8	2,724	0.7	2,195	2.3	2,194	2.4	8,600	–

(Reference) Forecast profit per unit (fiscal period ending October 2023) 8,391 yen

Forecast profit per unit (fiscal period ending April 2024) 8,588 yen

Forecast profit per unit is calculated by the following formula:

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

(Note) The forecasts for the distributions per unit for the fiscal period ending October 2023 and the fiscal period ending April 2024 are assuming that these distributions will be made after performing a reversal of part of the reserve for tax purpose reduction entry included in retained earnings.

#### \* Others

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

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

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

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

Fiscal period ended April 2023	255,558 units	Fiscal period ended October 2022	255,558 units
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- ② Number of own investment units at end of period
 

Fiscal period ended April 2023	– units	Fiscal period ended October 2022	– units
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\* 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.

Moreover, Hoshino Resorts REIT, Inc. does not guarantee the completeness or accuracy of the English translation of this report. If discrepancies arise between the English translation and the original Japanese text, the latter will prevail. For property information, hotel operational results or other information, please see the website of Hoshino Resorts REIT, Inc. using the address provided below.

URL: <https://www.hoshinoresorts-reit.com/en/ir/library.html>

## 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 67 properties (sum total of acquisition price: 191,116 million yen).

##### (b) Overview of Fund Procurement, Etc.

#### ■ Overview of fund procurement

The following is the overview of fund procurement conducted by HRR during the fiscal period under review. There was no fund procurement conducted through issuance of investment units, issuance of investment corporation bonds, etc. during the fiscal period under review.

Drawdown date	Long/Short	Total borrowing amount (millions of yen)	(Main) use of funds	Remarks
November 30, 2022	Long term	2,090	Funds for acquisition of Comfort Hotel Takamatsu	(Note 1) (Note 3)
April 28, 2023	Long term	6,000	Funds for refinancing upon reaching repayment deadline of existing borrowings	(Note 2) (Note 3)

(Note 1) The full amount of the borrowing was a green loan executed based on the Green Finance Framework developed by HRR. The full amount of this green loan was used as funds to acquire Comfort Hotel Takamatsu, a property meeting the criteria for eligible green properties.

(Note 2) Part of the borrowing (510 million yen) was a sustainability loan executed based on the Sustainability Finance Framework developed by HRR, and another part (2,850 million yen) was a green loan executed based on the Green Finance Framework developed by HRR. The full amount of the sustainability loan was used for repayment of the borrowings for the initial acquisition of KAI Kaga and HOSHINOYA Taketomi Island, properties meeting the criteria for eligible sustainability properties, and the full amount of the green loan was used for repayment of borrowings for the initial acquisition of HOSHINOYA Karuizawa, Chisun Inn Chiba Hamano R16, KAI Kinugawa, ANA Crowne Plaza Hiroshima and Quintessa Hotel Osaka Shinsaibashi, which are properties meeting the criteria for eligible green properties.

(Note 3) A portion of such borrowings (lending) is funds that the financial institution, the lender of the portion of the borrowings (lending), has determined to be eligible for the “Funds-Supplying Operations to Support Financing for Climate Change Responses” carried out by the Bank of Japan to private financial institutions.

#### ■ Status of borrowings

The status of HRR’s borrowings as of the end of the fiscal period under review is as follows.

Balance of interest-bearing liabilities (millions of yen)	76,638
Ratio of interest-bearing liabilities to total assets (LTV) (%)	36.7

■ 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+	—
Rating and Investment Information, Inc. (R&I)	Issuer rating: A	Stable

(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).

(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 has also been furnishing support for degree programs and certifications, engaging in programs to increase workforce diversity, and administering tenant satisfaction surveys as initiatives for "Society." Going forward, the Asset Management Company plans to devote an increasingly high level of attention to social issues, with the intention of strengthening commitment for "Diversity," "Equity," and "Inclusion," and placing emphasis on improving labor productivity and well-being, in addition to a real estate perspective. Furthermore, the Asset Management Company introduced the cumulative investment unit investment program with the intention to further enhance awareness of officers and employees of the Asset Management Company toward the improvement of HRR's results, as well as to contribute to the improvement 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

In February 2023, HRR obtained an MSCI ESG rating of "BBB," which is the same rating that was received in 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 18 out of 69 of the properties that it owns (5 stars: 7 properties; 4 stars: 2 properties; 3 stars: 4 properties; 2 stars: 4 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 toward a net-zero target, including GHG emissions reduction, based on the verification results going forward.

■ Sustainability finance

As of the date of this document, HRR has developed four frameworks. The Sustainability Finance Framework and the Green Finance Framework are referred to when procuring funds through borrowings (referred to collectively as the "Finance Frameworks") and the "Sustainability Equity Framework" and the "Green Equity Framework" are referred to when executing equity financing (referred to collectively as the "Equity Frameworks").

The Finance Frameworks received the highest rating in a third-party evaluation by Japan Credit Rating Agency, Ltd. (JCR). Furthermore, the Equity Frameworks received a second opinion from Rating and Investment Information, Inc. (R&I) that its details are in line with the intention of various principles, such as the Social Bond Principles and the Green Bond Principles, or their guidelines.

As of the date of this document, HRR's actual amount of funds procured based on the Finance Frameworks is 17,610 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 October 2023 (from May 1, 2023 to October 31, 2023) and the fiscal period ending April 2024 (from November 1, 2023 to April 30, 2024).

Fiscal period ending October 2023 (21st fiscal period)

Operating revenue	6,408 million yen
Operating profit	2,705 million yen
Ordinary profit	2,146 million yen
Profit	2,144 million yen
Distributions per unit	8,400 yen
Distributions in excess of earnings per unit	– yen

Fiscal period ending April 2024 (22nd fiscal period)

Operating revenue	6,522 million yen
Operating profit	2,724 million yen
Ordinary profit	2,195 million yen
Profit	2,194 million yen
Distributions per unit	8,600 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 periods ending October 2023 and April 2024 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.

② Significant Subsequent Events

(a) Acquisition of Assets

On June 1, 2023, HRR acquired the following real estate, etc. (acquisition price in total: 7,534 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
the b asakusa	Taito-ku, Tokyo	MITSUBISHI ESTATE CO., LTD.	5,630	June 1, 2023
HOTEL VISTA MATSUYAMA	Matsuyama-shi, Ehime	Fuyo General Lease Co., Ltd.	1,904	June 1, 2023

(Note) “Acquisition price” indicates the sales/purchase price of the real estate, etc. 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 the assets stated in the aforementioned “(a) Acquisition of Assets,” HRR borrowed the following funds as of June 1, 2023.

Floating /Fixed	Lender(s)	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 11)	Repayment method
Floating	MUFG Bank, Ltd.	1,950	Base rate: 1-month Japanese Yen TIBOR +0.300%	June 1, 2023	May 31, 2024	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation Resona Bank, Limited	950	Base rate: 3-month Japanese Yen TIBOR +0.390% (Note 3)	June 1, 2023	November 30, 2027	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd.	750	Base rate: 3-month Japanese Yen TIBOR +0.340% (Note 4)	June 1, 2023	November 30, 2027	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	300	0.79000%	June 1, 2023	May 31, 2028	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation Resona Bank, Limited Development Bank of Japan Inc.	1,550	Base rate: 3-month Japanese Yen TIBOR +0.430% (Note 5)	June 1, 2023	May 31, 2028	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd.	150	Base rate: 3-month Japanese Yen TIBOR +0.380% (Note 6)	June 1, 2023	May 31, 2028	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	1,340	1.10775%	June 1, 2023	May 31, 2030	Lump-sum repayment at maturity
Floating	Development Bank of Japan Inc.	100	Base rate: 3-month Japanese Yen TIBOR +0.594% (Note 7)	June 1, 2023	May 31, 2030	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd.	100	Base rate: 3-month Japanese Yen TIBOR +0.544% (Note 8)	June 1, 2023	May 31, 2030	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd.	100	1.33563%	June 1, 2023	November 28, 2031	Lump-sum repayment at maturity
Floating	Development Bank of Japan Inc. Sumitomo Mitsui Banking Corporation Resona Bank, Limited	300	Base rate: 3-month Japanese Yen TIBOR +0.720% (Note 9)	June 1, 2023	November 28, 2031	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd.	100	Base rate: 3-month Japanese Yen TIBOR +0.670% (Note 10)	June 1, 2023	November 28, 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 1-month or 3-month Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by JBA TIBOR Administration at a predetermined point in time two business days prior to the immediately preceding interest payment 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 corresponding rate for the period, the base interest rate shall be calculated based on the method specified in the agreement.

(Note 3) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.7795%.

(Note 4) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.7295%.

(Note 5) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.8520%.

- (Note 6) An interest rate swap agreement has been concluded in order to fix interest rates payable and thereby hedge the risk of rises in interest rates, and the interest rate is thus substantively fixed at 0.8020%.
- (Note 7) 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 1.1750%.
- (Note 8) 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 1.1250%.
- (Note 9) 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 1.4010%.
- (Note 10) 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 1.3510%.
- (Note 11) If the concerned date is not a business day, then it shall be the next business day. If such day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date.



(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities report (submitted on January 24, 2023).

## 2. Financial Statements

### (1) Balance Sheet

(Unit: thousands of yen)

	19th fiscal period (As of Oct. 31, 2022)	20th fiscal period (As of Apr. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	11,206,704	11,555,206
Cash and deposits in trust	81,443	143,054
Operating accounts receivable	153,588	207,984
Prepaid expenses	338,427	355,671
Consumption taxes refund receivable	444,029	—
Other	—	7,435
Total current assets	12,224,192	12,269,353
Non-current assets		
Property, plant and equipment		
Buildings	107,425,912	110,856,884
Accumulated depreciation	(15,924,573)	(17,330,691)
Buildings, net	91,501,339	93,526,192
Structures	6,238,921	6,308,624
Accumulated depreciation	(636,341)	(714,240)
Structures, net	5,602,580	5,594,384
Machinery and equipment	83,801	83,801
Accumulated depreciation	(66,407)	(69,672)
Machinery and equipment, net	17,394	14,128
Tools, furniture and fixtures	1,196,706	1,285,923
Accumulated depreciation	(635,737)	(674,636)
Tools, furniture and fixtures, net	560,969	611,287
Land	76,837,167	77,310,767
Buildings in trust	5,301,136	5,397,099
Accumulated depreciation	(313,333)	(424,652)
Buildings in trust, net	4,987,803	4,972,447
Structures in trust	37,383	37,383
Accumulated depreciation	(1,588)	(2,149)
Structures in trust, net	35,794	35,233
Tools, furniture and fixtures in trust	224	224
Accumulated depreciation	(14)	(21)
Tools, furniture and fixtures in trust, net	210	203
Land in trust	2,567,140	2,567,140
Construction in progress	98,614	20,797
Total property, plant and equipment	182,209,014	184,652,583
Intangible assets		
Leasehold interests in land	8,392,025	8,392,025
Software	61,691	54,674
Total intangible assets	8,453,717	8,446,700
Investments and other assets		
Investment securities	556,905	556,905
Long-term loans receivable	750,000	750,000
Long-term prepaid expenses	763,259	876,823
Deferred tax assets	1,860	742
Guarantee deposits	10,000	10,000
Other	981,060	981,060
Total investments and other assets	3,063,085	3,175,531
Total non-current assets	193,725,817	196,274,815

	(Unit: thousands of yen)	
	19th fiscal period (As of Oct. 31, 2022)	20th fiscal period (As of Apr. 30, 2023)
Deferred assets		
Investment corporation bond issuance costs	12,684	11,416
Total deferred assets	12,684	11,416
Total assets	205,962,695	208,555,585

(Unit: thousands of yen)

	19th fiscal period (As of Oct. 31, 2022)	20th fiscal period (As of Apr. 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	478,558	448,546
Current portion of long-term borrowings	12,467,143	13,120,002
Accounts payable - other	881,923	932,659
Income taxes payable	669	629
Accrued consumption taxes	—	99,234
Accrued expenses	14,679	17,088
Advances received	954,865	940,894
Total current liabilities	14,797,839	15,559,054
Non-current liabilities		
Long-term borrowings	59,318,558	60,718,557
Investment corporation bonds	2,800,000	2,800,000
Leasehold and guarantee deposits received	3,086,058	3,142,468
Leasehold and guarantee deposits received in trust	120,000	120,000
Total non-current liabilities	65,324,616	66,781,025
<b>Total liabilities</b>	<b>80,122,455</b>	<b>82,340,079</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	123,843,495	123,843,495
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	28,062	27,774
Total voluntary retained earnings	28,062	27,774
Unappropriated retained earnings (undisposed loss)	1,968,681	2,344,236
Total surplus	1,996,744	2,372,010
<b>Total unitholders' equity</b>	<b>125,840,239</b>	<b>126,215,505</b>
<b>Total net assets</b>	<b>*2 125,840,239</b>	<b>*2 126,215,505</b>
<b>Total liabilities and net assets</b>	<b>205,962,695</b>	<b>208,555,585</b>

## (2) Statement of Income

(Unit: thousands of yen)

	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022	20th fiscal period From: Nov. 1, 2022 To: Apr. 30, 2023
Operating revenue		
Leasing business revenue	*1 5,835,293	*1 6,219,810
Other revenue	47,260	46,489
Total operating revenue	5,882,554	6,266,300
Operating expenses		
Expenses related to leasing business	*1 2,770,534	*1 2,958,606
Asset management fees	508,779	529,318
Asset custody fees	6,186	6,411
Administrative service fees	25,045	27,034
Remuneration for directors (and other officers)	3,000	3,000
Audit fees	9,650	9,722
Other operating expenses	96,128	104,462
Total operating expenses	3,419,324	3,638,555
Operating profit	2,463,229	2,627,744
Non-operating income		
Interest income	48	52
Insurance claim income	2,544	1,583
Refund of fixed asset tax, etc.	9,880	458
Interest on tax refund	966	136
Miscellaneous income	1,245	1,581
Total non-operating income	14,684	3,811
Non-operating expenses		
Interest expenses	258,424	278,032
Interest expenses on investment corporation bonds	11,362	11,105
Amortization of investment corporation bond issuance costs	1,268	1,268
Financing fees	209,061	199,062
Investment unit issuance expenses	30,987	—
Other	63	72
Total non-operating expenses	511,168	489,541
Ordinary profit	1,966,745	2,142,014
Extraordinary income		
Subsidy income	—	*2 197,948
Total extraordinary income	—	197,948
Profit before income taxes	1,966,745	2,339,963
Income taxes - current	676	637
Income taxes - deferred	1,215	1,118
Total income taxes	1,892	1,755
Profit	1,964,853	2,338,207
Retained earnings brought forward	3,828	6,028
Unappropriated retained earnings (undisposed loss)	1,968,681	2,344,236

## (3) Statement of Unitholders' Equity

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

20th fiscal period (from November 1, 2022 to April 30, 2023)

(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	123,843,495	28,062	28,062	1,968,681	1,996,744	125,840,239	125,840,239
Changes during period							
Reversal of reserve for tax purpose reduction entry	—	(287)	(287)	287	—	—	—
Dividends of surplus	—	—	—	(1,962,940)	(1,962,940)	(1,962,940)	(1,962,940)
Profit	—	—	—	2,338,207	2,338,207	2,338,207	2,338,207
Total changes during period	—	(287)	(287)	375,554	375,266	375,266	375,266
Balance at end of period	*1 123,843,495	27,774	27,774	2,344,236	2,372,010	126,215,505	126,215,505

## (4) Statement of Cash Distributions

(Unit: yen)

	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022	20th fiscal period From: Nov. 1, 2022 To: Apr. 30, 2023
I. Unappropriated retained earnings	1,968,681,805	2,344,236,473
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]	1,962,940,998 [7,681]	2,142,853,830 [8,385]
IV. Voluntary retained earnings Reserve for tax purpose reduction entry	—	193,738,953
V. Retained earnings brought forward	6,028,625	7,931,508
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 1,962,940,998 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.	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,142,853,830 yen as distributions of earnings, which is almost the entire aggregate amount of the balance remaining after adding the amount of reversal of reserve for tax purpose reduction entry to unappropriated retained earnings and deducting the amount of reserve for tax purpose reduction entry as set forth in Article 42 of the Corporation Tax Act. 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)

	19th fiscal period From: May 1, 2022 To: Oct. 31, 2022	20th fiscal period From: Nov. 1, 2022 To: Apr. 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,966,745	2,339,963
Depreciation	1,598,849	1,664,438
Loss on retirement of non-current assets	14,393	29,462
Amortization of investment corporation bond issuance costs	1,268	1,268
Interest income	(48)	(52)
Interest expenses	269,787	289,137
Financing fees	209,061	199,062
Investment unit issuance expenses	30,987	—
Decrease (increase) in operating accounts receivable	(6,942)	(54,396)
Decrease (increase) in prepaid expenses	(55,802)	(17,244)
Decrease (increase) in consumption taxes refund receivable	(12,428)	444,029
Increase (decrease) in accrued consumption taxes	—	99,234
Increase (decrease) in operating accounts payable	(1,330)	(25,095)
Increase (decrease) in accounts payable - other	27,881	77,981
Increase (decrease) in advances received	66,751	(13,971)
Decrease (increase) in long-term prepaid expenses	(149,096)	(110,513)
Other, net	(210,183)	(207,739)
<b>Subtotal</b>	<b>3,749,894</b>	<b>4,715,566</b>
Interest received	48	52
Interest paid	(266,042)	(286,605)
Income taxes paid	(680)	(677)
<b>Net cash provided by (used in) operating activities</b>	<b>3,483,219</b>	<b>4,428,335</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,577,730)	(4,115,788)
Purchase of property, plant and equipment in trust	(16,772)	(49,580)
Purchase of intangible assets	(4,386,513)	(439)
Proceeds from leasehold and guarantee deposits received	—	56,410
Payments of leasehold and guarantee deposits	(609,000)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(13,590,016)</b>	<b>(4,109,398)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	11,020,000	8,090,000
Repayments of long-term borrowings	(4,858,554)	(6,037,142)
Proceeds from issuance of investment units	6,606,319	—
Payments of investment unit issuance expenses	(30,987)	—
Distributions paid	(1,758,367)	(1,961,681)
<b>Net cash provided by (used in) financing activities</b>	<b>10,978,410</b>	<b>91,176</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>871,613</b>	<b>410,114</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10,416,534</b>	<b>11,288,147</b>
<b>Cash and cash equivalents at end of period</b>	<b>*1 11,288,147</b>	<b>*1 11,698,261</b>