

(REIT) Financial Report for Fiscal Period Ended April 2024

June 17, 2024

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 & CSO

Scheduled date of submission of securities report: July 26, 2024
 Scheduled date of commencement of distributions payment: July 26, 2024

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 2024 (from November 1, 2023 to April 30, 2024)

(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. 2024	6,670	3.7	2,847	3.9	2,305	5.5	2,338	7.1
Ended Oct. 2023	6,435	2.7	2,740	4.3	2,185	2.0	2,184	(6.6)

Fiscal period	Profit per unit	Ratio of profit to net assets	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	yen	%	%	%
Ended Apr. 2024	9,151	1.9	1.1	34.6
Ended Oct. 2023	8,548	1.7	1.0	34.0

(2) Distributions Status

Fiscal period	Distributions per unit	Total distributions	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Distributions payout ratio	Ratio of distributions to net assets
	(excluding distributions in excess of earnings) yen	(excluding distributions in excess of earnings) million yen	yen	million yen	%	%
Ended Apr. 2024	9,048	2,312	–	–	98.9	1.8
Ended Oct. 2023	8,557	2,186	–	–	100.1	1.7

(Note 1) Total distributions in the fiscal period ended April 2024 is an amount after adding reversal of reserve for tax purpose reduction entry of 3,253 thousand yen to unappropriated retained earnings and deducting reserve for tax purpose reduction entry of 30,259 thousand yen.

(Note 2) Total distributions in the fiscal period ended October 2023 is an amount after adding reversal of reserve for tax purpose reduction entry of 3,112 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. 2024	217,264	126,409	58.2	494,640
Ended Oct. 2023	216,046	126,257	58.4	494,045

(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. 2024	4,164	(670)	(2,215)	13,288
Ended Oct. 2023	3,578	(8,775)	5,508	12,009

2. Management Status Forecast for Fiscal Period Ending October 2024 (from May 1, 2024 to October 31, 2024) and Management Status Forecast for Fiscal Period Ending April 2025 (from November 1, 2024 to April 30, 2025)

(% 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. 2024	7,466	11.9	3,482	22.3	2,663	15.5	2,662	13.8	9,100	–
Ending Apr. 2025	7,540	1.0	3,407	(2.2)	2,669	0.2	2,668	0.2	9,120	–

(Reference) Forecast profit per unit (fiscal period ending October 2024) 9,089 yen

Forecast profit per unit (fiscal period ending April 2025) 9,109 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 2024 and the fiscal period ending April 2025 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 2024 255,558 units Fiscal period ended October 2023 255,558 units
- ② Number of own investment units at end of period
Fiscal period ended April 2024 – units Fiscal period ended October 2023 – units

* 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 69 properties (sum total of acquisition price: 198,650 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 during the fiscal period under review.

Drawdown date	Category	Total fund procurement amount (millions of yen)	(Main) use of funds	Remarks
April 30, 2024	Long-term borrowings	6,660	Refinancing funds	(Note 1) (Note 2) (Note 3)

(Note 1) A portion of such borrowings is funds that the financial institution, the lender of the portion of the borrowings, has determined to be eligible for the “Funds-Supplying Operations to Support Financing for Climate Change Responses (Climate Response Financing Operations)” carried out by the Bank of Japan to private financial institutions.

(Note 2) Part of the borrowing was a sustainability loan or a green loan executed based on the Sustainability Finance Framework or the Green Finance Framework developed by HRR. This sustainability loan was used for repayment of the borrowings for the initial acquisition of eligible sustainability properties, and this green loan was used for repayment of the borrowings for the initial acquisition of eligible green properties.

(Note 3) Part of the borrowing was a blue loan, executed in accordance with a blue loan requirement statement developed by HRR. The blue loan was used to replace the reduced cash reserves resulting from the acquisition of the seawater desalination equipment for “HOSHINOYA Taketomi Island.”

■ 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)	84,268
Ratio of interest-bearing liabilities to total assets (LTV) (%)	38.8

■ 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), the Second Series Unsecured Investment Corporation Bond (with special pari passu conditions among specified investment corporate bonds) (green bonds) and the Third 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.

■ Environmental considerations

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.

■ Contributing to regional coexistence and prosperity and sustainable value creation

HRR 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.

■ Respect and wellbeing in the work environment

The Asset Management Company has 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.

■ Strengthening governance

The Asset Management Company has conducted compliance training for officers and employees on 25 occasions under seven different themes over the year extending from May 2023 to April 2024, 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 2023 for the third consecutive year.

HRR has also obtained a Green Star for the fourth 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 third consecutive year.

• MSCI ESG rating

As of 2024, HRR is maintaining an MSCI ESG rating of "BBB."

• 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 34 out of 69 of the properties that it owns as of June 17, 2024, under the BELS (Building-Housing Energy-efficiency Labeling System) objective assessment of energy-saving performance. As of the end of March 2024, 27 out of 34 of these properties have received ratings (5 stars: 8 properties; 4 stars: 3 properties; 3 stars: 6 properties; 2 stars: 9 properties; 1 star: 1 property), and after the revised notification and enforcement of the Building Energy-efficiency Labeling System in April 2024, 7 properties have received ratings (3 stars: 3 properties; 2 stars: 3 properties; 1 star: 1 property).

■ Commitment

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. HRR conducted scenario analysis on transitional and physical risks to examine how changes in the business environment in the long term related to climate change affect HRR, and has disclosed details of the analysis on its website. The policy is to implement various approaches going forward based on the verification results in order to promote the plan to reduce GHG emissions by at least 40% (compared with the 2020 level) by 2030 over the medium term and target net zero in 2050 as the goal. In addition, regarding the disclosure of financial impacts and environmental performance, we are preparing to disclose information through the Carbon Disclosure Project (CDP), which has the world's largest environmental database based on TCFD-compliance questionnaires, so as to utilize the CDP's evaluation process and promote efforts against climate change and increase the transparency of information disclosure.

(d) Management Status Outlook

The following management status is expected for the fiscal period ending October 2024 (from May 1, 2024 to October 31, 2024) and the fiscal period ending April 2025 (from November 1, 2024 to April 30, 2025).

Fiscal period ending October 2024 (23rd fiscal period)	
Operating revenue	7,466 million yen
Operating profit	3,482 million yen
Ordinary profit	2,663 million yen
Profit	2,662 million yen
Distributions per unit	9,100 yen
Distributions in excess of earnings per unit	– yen

Fiscal period ending April 2025 (24th fiscal period)	
Operating revenue	7,540 million yen
Operating profit	3,407 million yen
Ordinary profit	2,669 million yen
Profit	2,668 million yen
Distributions per unit	9,120 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 2024 and April 2025 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) Issuance of New Investment Units

HRR resolved at meetings of the Board of Directors held on May 24, 2024 and May 30, 2024 on the following issuance of new investment units, and payment was completed on June 5, 2024 for the investment units through primary offering and overseas sales. The payment of the new investment units through third-party allotment will be made on July 2, 2024 (only for investment units subscribed to within the subscription period, up to the subscription date of July 1, 2024).

(Issuance of new investment units through primary offering)

Number of new investment units issued:	35,580 units
Issue price (offer price):	501,150 yen per unit
Total issue price (total offer price):	17,830,917,000 yen
Issue value (paid-in amount):	484,702 yen per unit
Total issue value (total paid-in amount):	17,245,697,160 yen
Payment date:	June 5, 2024

(Note) 9,106 units out of 35,580 units of the number of new investment units issued were sold to overseas investors in overseas markets mainly in Europe and Asia (excluding the United States and Canada).

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

Number of new investment units to be issued:	1,779 units
Issue value (paid-in amount):	484,702 yen per unit
Total issue value (total paid-in amount) (maximum):	862,284,858 yen
Payment date:	July 2, 2024
Allottee:	Nomura Securities Co., Ltd.

(Note) If there are no subscription for all or a part of the investment units on or before July 1, 2024, which is the subscription period (subscription date), the issuance of such investment units will be canceled.

(Use of funds)

The net proceeds from domestic sales of 12,832,000,748 yen, together with the net proceeds from overseas sales of 4,413,696,412 yen, were used to acquire the trust beneficiary right in real estate stated in “(b) Acquisition of Assets” below and related expenses. This asset is a project that meets the eligibility criteria of the Green Equity Framework established by HRR. The remaining funds after such appropriation will be kept on hand and will be deposited with financial institutions until disbursed, and will be used without delay to partially fund the acquisition of projects that meet the eligibility criteria or to partially fund the repayment of loans related to these funds. The funds to be procured through the third-party allotment will be retained as cash on hand by depositing with financial institutions until expenditure, and are scheduled to be allocated to part of the funds for acquisition of specified assets or part of the funds for repayment of loans in the future.

(b) Acquisition of Assets

On June 6, 2024, HRR acquired the following trust beneficiary right in real estate (acquisition price: 29,000 million yen).

Name of property	Location	Seller	Acquisition price (millions of yen) (Note)	Acquisition date
OMO7 Osaka	Osaka-shi, Osaka	Shin-imamiya Development Specified Purpose Company	29,000	June 6, 2024

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

(c) Transfer of Assets

On May 31, 2024, HRR transferred the following real estate (transfer price: 1,260 million yen).

Name of property	Location	Buyer	Transfer price (millions of yen) (Note 1)	Transfer date
KAI Kawaji	Nikko-shi, Tochigi	Not disclosed (Note 2)	1,260	May 31, 2024

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

(Note 2) The buyer is a domestic corporation. However, since consent for disclosure of its name has not been obtained from the buyer, “Not disclosed” is shown.

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

As funds to be used for the repayment of existing loans, HRR borrowed the following funds as of May 31, 2024.

Floating /Fixed	Lender(s)	Loan amount (millions of yen)	Interest rate (Note 1)	Drawdown date	Maturity date (Note 2)	Repayment method
Fixed	MUFG Bank, Ltd.	500	1.62482%	May 31, 2024	October 31, 2031	Lump-sum repayment at maturity
Fixed	Mizuho Bank, Ltd. (Note 3)	450	1.57782%	May 31, 2024	October 31, 2031	Lump-sum repayment at maturity

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

(Note 2) 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.

(Note 3) The borrowing was a green loan executed based on the Green Finance Framework developed by HRR.

(e) Borrowing of Funds (New Loans)

In order to procure the funds for acquisition and part of the related expenses for the trust beneficiary right in real estate stated in “(b) Acquisition of Assets,” HRR borrowed the following funds as of June 6, 2024.

Floating /Fixed	Lender(s)	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 13)	Repayment method
Floating	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	1,900	Base rate: 3-month Japanese Yen TIBOR +0.26986% (Note 3)	June 6, 2024	October 29, 2027	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd. (Note 14)	100	Base rate: 3-month Japanese Yen TIBOR +0.21986% (Note 4)	June 6, 2024	October 29, 2027	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	200	1.21745%	June 6, 2024	April 27, 2029	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd. (Note 14)	300	Base rate: 3-month Japanese Yen TIBOR +0.37145% (Note 5)	June 6, 2024	April 27, 2029	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation The Ashikaga Bank, Ltd. The Yamaguchi Bank, Ltd. Resona Bank, Limited The Senshu Ikeda Bank, Ltd.	950	Base rate: 3-month Japanese Yen TIBOR +0.42145% (Note 6)	June 6, 2024	April 27, 2029	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	900	1.28880%	June 6, 2024	October 31, 2029	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd. (Note 14)	300	Base rate: 3-month Japanese Yen TIBOR +0.40514% (Note 7)	June 6, 2024	October 31, 2029	Lump-sum repayment at maturity
Fixed	Development Bank of Japan Inc.	300	1.10514%	June 6, 2024	October 31, 2029	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	700	1.35692%	June 6, 2024	April 30, 2030	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation	800	Base rate: 3-month Japanese Yen TIBOR +0.48669% (Note 8)	June 6, 2024	April 30, 2030	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	800	1.46406%	June 6, 2024	October 31, 2030	Lump-sum repayment at maturity
Fixed	Development Bank of Japan Inc.	600	1.28463%	June 6, 2024	October 31, 2030	Lump-sum repayment at maturity
Floating	Mizuho Bank, Ltd. (Note 14)	650	Base rate: 3-month Japanese Yen TIBOR +0.50463% (Note 9)	June 6, 2024	October 31, 2030	Lump-sum repayment at maturity

Floating /Fixed	Lender(s)	Loan amount (millions of yen)	Interest rate (Note 1) (Note 2)	Drawdown date	Maturity date (Note 13)	Repayment method
Floating	Sumitomo Mitsui Banking Corporation Resona Bank, Limited	1,000	Base rate: 3-month Japanese Yen TIBOR +0.55463% (Note 10)	June 6, 2024	October 31, 2030	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	500	1.59597%	June 6, 2024	October 31, 2031	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation	1,200	Base rate: 3-month Japanese Yen TIBOR +0.60830% (Note 11)	June 6, 2024	October 31, 2031	Lump-sum repayment at maturity
Fixed	MUFG Bank, Ltd. (Note 14)	100	1.84350%	June 6, 2024	June 6, 2033	Lump-sum repayment at maturity
Fixed	Development Bank of Japan Inc. (Note 14)	100	1.65600%	June 6, 2024	June 6, 2033	Lump-sum repayment at maturity
Fixed	Mizuho Bank, Ltd. (Note 14)	100	1.77500%	June 6, 2024	June 6, 2033	Lump-sum repayment at maturity
Floating	Sumitomo Mitsui Banking Corporation Resona Bank, Limited (Note 14)	200	Base rate: 3-month Japanese Yen TIBOR +0.73600% (Note 12)	June 6, 2024	June 6, 2033	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 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 1.05586%.

(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 1.00586%.

(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 1.26495%.

(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 1.31495%.

(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 1.33914%.

(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 1.45969%.

(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 1.51263%.

(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 1.56263%.

(Note 11) 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 1.68130%.

(Note 12) 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 1.93500%.

(Note 13) 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.

(Note 14) The borrowing was a green loan executed based on the Green Finance Framework developed by HRR.

(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities registration statement (submitted on May 24, 2024, as amended).

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	21st fiscal period (As of Oct. 31, 2023)	22nd fiscal period (As of Apr. 30, 2024)
Assets		
Current assets		
Cash and deposits	11,756,209	12,780,894
Cash and deposits in trust	253,357	507,448
Operating accounts receivable	259,225	312,459
Prepaid expenses	400,372	395,194
Consumption taxes refund receivable	105,065	–
Other	2,501	4,175
Total current assets	12,776,731	14,000,171
Non-current assets		
Property, plant and equipment		
Buildings	111,397,564	112,780,771
Accumulated depreciation	(18,755,043)	(20,186,086)
Buildings, net	92,642,520	92,594,684
Structures	6,348,924	6,391,620
Accumulated depreciation	(794,110)	(875,567)
Structures, net	5,554,813	5,516,052
Machinery and equipment	83,801	83,801
Accumulated depreciation	(72,937)	(76,203)
Machinery and equipment, net	10,863	7,597
Tools, furniture and fixtures	1,328,266	1,546,191
Accumulated depreciation	(716,865)	(779,124)
Tools, furniture and fixtures, net	611,400	767,067
Land	77,310,767	77,310,767
Buildings in trust	9,557,789	9,712,805
Accumulated depreciation	(565,590)	(718,421)
Buildings in trust, net	8,992,198	8,994,384
Structures in trust	67,488	67,488
Accumulated depreciation	(2,912)	(3,766)
Structures in trust, net	64,576	63,721
Tools, furniture and fixtures in trust	165,200	349
Accumulated depreciation	(7,200)	(60)
Tools, furniture and fixtures in trust, net	157,999	289
Land in trust	2,567,140	2,567,140
Construction in progress	64,682	126,843
Total property, plant and equipment	187,976,963	187,948,548
Intangible assets		
Leasehold interests in land	8,392,025	8,392,025
Land leasehold interests in trust	3,433,418	3,433,418
Software	88,573	86,898
Other intangible assets in trust	3,556	–
Total intangible assets	11,917,574	11,912,343

(Unit: thousands of yen)

	21st fiscal period (As of Oct. 31, 2023)	22nd fiscal period (As of Apr. 30, 2024)
Investments and other assets		
Investment securities	564,742	564,742
Long-term loans receivable	750,000	750,000
Long-term prepaid expenses	1,023,143	1,053,365
Deferred tax assets	71	12
Leasehold and guarantee deposits	984,006	984,006
Leasehold and guarantee deposits in trust	34,054	34,054
Total investments and other assets	3,356,017	3,386,181
Total non-current assets	203,250,554	203,247,073
Deferred assets		
Investment corporation bond issuance costs	19,319	17,588
Total deferred assets	19,319	17,588
Total assets	216,046,605	217,264,832

(Unit: thousands of yen)

	21st fiscal period (As of Oct. 31, 2023)	22nd fiscal period (As of Apr. 30, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	267,964	642,863
Short-term borrowings	950,000	950,000
Current portion of long-term borrowings	12,970,002	11,621,853
Current portion of investment corporation bonds	–	1,500,000
Accounts payable - other	942,078	762,184
Income taxes payable	619	609
Accrued consumption taxes	16,546	336,861
Accrued expenses	26,198	25,975
Advances received	958,214	865,503
Total current liabilities	16,131,623	16,705,850
Non-current liabilities		
Long-term borrowings	66,578,556	67,896,704
Investment corporation bonds	3,800,000	2,300,000
Leasehold and guarantee deposits received	3,097,468	3,771,283
Leasehold and guarantee deposits received in trust	181,700	181,700
Total non-current liabilities	73,657,724	74,149,687
Total liabilities	89,789,348	90,855,537
Net assets		
Unitholders' equity		
Unitholders' capital	123,843,495	123,843,495
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	221,225	218,113
Total voluntary retained earnings	221,225	218,113
Unappropriated retained earnings (undisposed loss)	2,192,536	2,347,687
Total surplus	2,413,762	2,565,800
Total unitholders' equity	126,257,257	126,409,295
Total net assets	126,257,257	126,409,295
Total liabilities and net assets	216,046,605	217,264,832

(2) Statement of Income

(Unit: thousands of yen)

	21st fiscal period From: May 1, 2023 To: Oct. 31, 2023	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024
Operating revenue		
Leasing business revenue	6,388,648	6,623,923
Other revenue	47,260	46,897
Total operating revenue	6,435,908	6,670,820
Operating expenses		
Expenses related to leasing business	2,994,046	3,115,130
Asset management fees	547,719	555,840
Asset custody fees	6,576	6,672
Administrative service fees	26,126	26,997
Remuneration for directors (and other officers)	3,000	3,000
Audit fees	9,650	9,900
Other operating expenses	107,991	105,686
Total operating expenses	3,695,110	3,823,227
Operating profit	2,740,798	2,847,593
Non-operating income		
Interest income	52	57
Insurance claim income	14,454	42,472
Interest on tax refund	–	238
Miscellaneous income	4,811	1,830
Total non-operating income	19,318	44,599
Non-operating expenses		
Interest expenses	325,744	348,365
Interest expenses on investment corporation bonds	12,936	18,175
Amortization of investment corporation bond issuance costs	1,345	1,730
Financing fees	233,919	218,145
Other	266	99
Total non-operating expenses	574,212	586,516
Ordinary profit	2,185,904	2,305,676
Extraordinary income		
Subsidy income	–	33,848
Total extraordinary income	–	33,848
Profit before income taxes	2,185,904	2,339,524
Income taxes - current	627	618
Income taxes - deferred	671	58
Total income taxes	1,299	676
Profit	2,184,605	2,338,847
Retained earnings brought forward	7,931	8,839
Unappropriated retained earnings (undisposed loss)	2,192,536	2,347,687

(3) Statement of Unitholders' Equity

21st fiscal period (from May 1, 2023 to October 31, 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	27,774	27,774	2,344,236	2,372,010	126,215,505	126,215,505
Changes during period							
Provision of reserve for tax purpose reduction entry	–	193,738	193,738	(193,738)	–	–	–
Reversal of reserve for tax purpose reduction entry	–	(287)	(287)	287	–	–	–
Dividends of surplus	–	–	–	(2,142,853)	(2,142,853)	(2,142,853)	(2,142,853)
Profit	–	–	–	2,184,605	2,184,605	2,184,605	2,184,605
Total changes during period	–	193,451	193,451	(151,699)	41,751	41,751	41,751
Balance at end of period	123,843,495	221,225	221,225	2,192,536	2,413,762	126,257,257	126,257,257

22nd fiscal period (from November 1, 2023 to April 30, 2024)

(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	221,225	221,225	2,192,536	2,413,762	126,257,257	126,257,257
Changes during period							
Reversal of reserve for tax purpose reduction entry	–	(3,112)	(3,112)	3,112	–	–	–
Dividends of surplus	–	–	–	(2,186,809)	(2,186,809)	(2,186,809)	(2,186,809)
Profit	–	–	–	2,338,847	2,338,847	2,338,847	2,338,847
Total changes during period	–	(3,112)	(3,112)	155,150	152,037	152,037	152,037
Balance at end of period	123,843,495	218,113	218,113	2,347,687	2,565,800	126,409,295	126,409,295

(4) Statement of Cash Distributions

(Unit: yen)

	21st fiscal period From: May 1, 2023 To: Oct. 31, 2023	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024
I. Unappropriated retained earnings	2,192,536,963	2,347,687,124
II. Reversal of voluntary retained earnings Reversal of reserve for tax purpose reduction entry	3,112,401	3,253,094
III. Amount of distributions [Amount of distributions per investment unit]	2,186,809,806 [8,557]	2,312,288,784 [9,048]
IV. Voluntary retained earnings Reserve for tax purpose reduction entry	–	30,259,250
V. Retained earnings brought forward	8,839,558	8,392,184
Method of calculation of amount of distributions	In accordance with the policy provided in Article 37, Paragraph 1 of the Articles of Incorporation of HRR that “distributions shall be in excess of the amount equivalent to 90% of the amount of earnings available for distribution of HRR provided in Article 67-15 of the Act on Special Measures Concerning Taxation,” the decision was made to distribute 2,186,809,806 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 2,312,288,784 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 Articles 42 and 47 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)

	21st fiscal period From: May 1, 2023 To: Oct. 31, 2023	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,185,904	2,339,524
Depreciation	1,727,357	1,756,092
Loss on retirement of non-current assets	10,049	28,112
Amortization of investment corporation bond issuance costs	1,345	1,730
Interest income	(52)	(57)
Interest expenses	338,681	366,541
Financing fees	233,919	218,145
Decrease (increase) in operating accounts receivable	(51,240)	(53,233)
Decrease (increase) in prepaid expenses	(44,700)	5,177
Decrease (increase) in consumption taxes refund receivable	(105,065)	105,065
Increase (decrease) in accrued consumption taxes	(82,688)	320,314
Increase (decrease) in operating accounts payable	33,166	(31,745)
Increase (decrease) in accounts payable - other	21,712	(179,029)
Increase (decrease) in advances received	17,320	(92,711)
Decrease (increase) in long-term prepaid expenses	(146,320)	(30,221)
Other, net	(230,191)	(221,748)
Subtotal	3,909,199	4,531,956
Interest received	52	57
Interest paid	(330,451)	(366,665)
Income taxes paid	(637)	(628)
Net cash provided by (used in) operating activities	3,578,163	4,164,718
Cash flows from investing activities		
Purchase of property, plant and equipment	(877,815)	(1,289,108)
Purchase of property, plant and equipment in trust	(4,410,902)	(23,072)
Purchase of intangible assets	(31,653)	(31,733)
Purchase of intangible assets in trust	(3,437,228)	—
Purchase of investment securities	(7,837)	—
Refund of leasehold and guarantee deposits received	(45,000)	—
Proceeds from leasehold and guarantee deposits received	—	673,815
Payments of leasehold and guarantee deposits in trust	(27,000)	—
Proceeds from leasehold and guarantee deposits received in trust	61,700	—
Net cash provided by (used in) investing activities	(8,775,738)	(670,099)

(Unit: thousands of yen)

	21st fiscal period From: May 1, 2023 To: Oct. 31, 2023	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	1,950,000	–
Repayments of short-term borrowings	(1,000,000)	–
Proceeds from long-term borrowings	12,140,000	6,660,000
Repayments of long-term borrowings	(6,430,001)	(6,690,001)
Proceeds from issuance of investment corporation bonds	1,000,000	–
Payments of investment corporation bond issuance costs	(9,248)	–
Distributions paid	(2,141,869)	(2,185,843)
Net cash provided by (used in) financing activities	5,508,880	(2,215,844)
Net increase (decrease) in cash and cash equivalents	311,305	1,278,774
Cash and cash equivalents at beginning of period	11,698,261	12,009,567
Cash and cash equivalents at end of period	12,009,567	13,288,342