

(REIT) Financial Report for Fiscal Period Ended October 2024

December 16, 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, Chief Strategy Officer, Chief Financial Officer

Scheduled date of submission of securities report: January 24, 2025

Scheduled date of commencement of distributions payment: January 24, 2025

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 2024 (from May 1, 2024 to October 31, 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 Oct. 2024	7,496	12.4	3,485	22.4	2,735	18.6	2,734	16.9
Ended Apr. 2024	6,670	3.7	2,847	3.9	2,305	5.5	2,338	7.1

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. 2024	4,788	2.0	1.2	36.5
Ended Apr. 2024	4,575	1.9	1.1	34.6

(Note) A 2-for-1 split of investment units was implemented with a reference date of October 31, 2024 and an effective date of November 1, 2024. Profit per unit is calculated based on the assumption that the split of investment units was implemented at the beginning of the fiscal period ended April 2024.

(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. 2024	9,218	2,700	—	—	98.7	1.9
Ended Apr. 2024	9,048	2,312	—	—	98.9	1.8

(Note 1) The main factors for the difference between distributions per unit for the fiscal period ended October 2024 in the above table (2) and profit per unit for the fiscal period ended October 2024 in the above table (1) are that profit per unit for the fiscal period ended October 2024 is calculated based on the assumption that the aforementioned 2-for-1 split of investment units was implemented at the beginning of the fiscal period ended April 2024 and is based on the average number of investment units during the fiscal period. Total distributions in the fiscal period ended October 2024 is an amount after adding reversal of reserve for tax purpose reduction entry of 3,583 thousand yen to unappropriated retained earnings and deducting reserve for tax purpose reduction entry of 39,434 thousand yen.

(Note 2) The main factors for the difference between distributions per unit for the fiscal period ended April 2024 in the above table (2) and profit per unit for the fiscal period ended April 2024 in the above table (1) are that profit per unit for the fiscal period ended April 2024 is calculated based on the assumption that the aforementioned 2-for-1 split of investment units was implemented at the beginning of the fiscal period ended April 2024. 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 3) Since new investment units have been issued during the fiscal period, distributions payout ratio for the fiscal period ended October 2024 is calculated using the following formula:

Distributions payout ratio = Total distributions (excluding distributions in excess of earnings) / Profit × 100

(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. 2024	248,855	144,939	58.2	247,407
Ended Apr. 2024	217,264	126,409	58.2	247,320

(Note) A 2-for-1 split of investment units was implemented with a reference date of October 31, 2024 and an effective date of November 1, 2024. Net assets per unit is calculated based on the assumption that the split of investment units was implemented at the beginning of the fiscal period ended April 2024.

(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. 2024	4,083	(32,053)	27,418	12,736
Ended Apr. 2024	4,164	(670)	(2,215)	13,288

2. Management Status Forecast for Fiscal Period Ending April 2025 (from November 1, 2024 to April 30, 2025) and Management Status Forecast for Fiscal Period Ending October 2025 (from May 1, 2025 to October 31, 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 Apr. 2025	7,645	2.0	3,459	(0.8)	2,698	(1.3)	2,697	(1.4)	4,610	—
Ending Oct. 2025	8,041	5.2	3,728	7.8	2,926	8.5	2,925	8.5	5,000	—

(Reference) Forecast profit per unit (fiscal period ending April 2025) 4,604 yen

Forecast profit per unit (fiscal period ending October 2025) 4,993 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 2025 and the fiscal period ending October 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 October 2024	292,917 units	Fiscal period ended April 2024	255,558 units
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- ② Number of own investment units at end of period

Fiscal period ended October 2024	— units	Fiscal period ended April 2024	— 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.

Hoshino Resorts REIT, Inc. implemented a 2-for-1 split of investment units with a reference date of October 31, 2024 and an effective date of November 1, 2024. Accordingly, the operating results forecast is based on the total number of investment units issued after the aforementioned split of 585,834 units.

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: 226,650 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.

Fund procurement date	Category	Total fund procurement amount (millions of yen)	(Main) use of funds	Remarks
May 31, 2024	Long-term borrowings	950	Refinancing funds	(Note 1) (Note 2)
June 5, 2024	Capital increase through public offering	17,245	Funds for acquisition of OMO7 Osaka	(Note 3)
June 6, 2024	Long-term borrowings	11,700	Funds for acquisition of OMO7 Osaka	(Note 1) (Note 4)
July 2, 2024	Capital increase through third-party allotment	862	Funds for acquisition of specified assets and refinancing funds in the future	(Note 5)
October 31, 2024	Short-term borrowings	480	Refinancing funds	(Note 6)
October 31, 2024	Long-term borrowings	5,770	Refinancing funds	(Note 1) (Note 2) (Note 6)

(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 green loan executed based on the Green Finance Framework developed by HRR. This green loan was used for repayment of the borrowings for the initial acquisition of eligible green properties.

(Note 3) HRR procured 17,245 million yen from the issuance of new investment units through primary offering on June 5, 2024. This offering for the issuance of new investment units was a green equity offering conducted in accordance with the Green Equity Framework developed by HRR. The funds procured through the issuance of investment units were used mainly as funds to acquire OMO7 Osaka, which is an eligible green property.

(Note 4) Part of the borrowing was a green loan executed based on the Green Finance Framework developed by HRR. This green loan was used mainly as funds to acquire OMO7 Osaka, which is an eligible green property.

(Note 5) HRR procured 862 million yen from the issuance of new investment units through third-party allotment on July 2, 2024.

(Note 6) Part of the borrowing was conducted by HRR using the Mizuho Positive Impact Finance scheme of Mizuho Bank, Ltd.

■ 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)	95,938
Ratio of interest-bearing liabilities to total assets (LTV) (%)	38.6

■ 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 has been exploring the benefits of travel that enhances human creativity and motivation, and accordingly has been striving 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 risks assessed on the basis of the Sustainability Policy and the Climate Change Resilience Policy 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 17 occasions under eight different themes over the year extending from November 2023 to October 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 2024 for the fourth consecutive year.

HRR has also obtained a Green Star for the fifth 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.

• First-time participation in CDP climate change program evaluation

The CDP climate change program evaluation involves evaluating the extent of a company's initiatives for managing risks of climate change and reducing greenhouse gas emissions, and how it is managing the financial impact. Under this evaluation scheme, a company reports on its emissions disclosure, implementation of measures, strategies and target settings, and CDP awards a score ranging from A to D. By participating in this scheme, HRR plans to demonstrate its corporate transparency and disclose the impact of its climate change response on its financial health.

■ Supported initiatives

• Task Force on Climate-related Financial Disclosures (TCFD)

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 will promote efforts against climate change and increase the transparency of information disclosure by utilizing the evaluation process of the Carbon Disclosure Project (CDP), which has the world's largest environmental database based on TCFD-compliance questionnaires.

- Task Force on Nature-related Financial Disclosures (TNFD) Forum

The Asset Management Company participates in the Task Force on Nature-related Financial Disclosures (TNFD) Forum. This forum is an international community that develops frameworks for the purpose of financially evaluating nature-related risks and opportunities and disclosing them. With participants made up of various stakeholders, including companies, government agencies and NGOs, this forum aims to enhance visibility of the dependencies and effects on natural capital and ecosystem services while promoting sustainable economic activities. Through participation in this forum, the Asset Management Company is able to share in discussions and insights, which contributes to initiatives to enhance the transparency of data related to the symbiotic interaction between nature and economy.

- Japan Climate Leaders' Partnership (JCLP)

The Asset Management Company has joined the Japan Climate Leaders' Partnership (JCLP), a coalition of companies led by Japan-based companies committed to promoting climate change measures, as a supporting member. Aiming to expand the use of renewable energy and realize decarbonization in society, the Asset Management Company proposes policies and discloses information, and also seeks to gain skills to address climate change as part of its business acumen through participating in JCLP's efforts to provide leadership in climate change measures mainly through engaging in specific actions such as promoting further adoption of decarbonization technologies and reducing CO₂ in the overall supply chain.

(d) Management Status Outlook

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

Fiscal period ending April 2025 (24th fiscal period)

Operating revenue	7,645 million yen
Operating profit	3,459 million yen
Ordinary profit	2,698 million yen
Profit	2,697 million yen
Distributions per unit	4,610 yen
Distributions in excess of earnings per unit	– yen

Fiscal period ending October 2025 (25th fiscal period)

Operating revenue	8,041 million yen
Operating profit	3,728 million yen
Ordinary profit	2,926 million yen
Profit	2,925 million yen
Distributions per unit	5,000 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 April 2025 and October 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) Concerning the Investment Unit Split

HRR implemented a 2-for-1 split of investment units with a reference date of October 31, 2024 and an effective date of November 1, 2024 (hereinafter, the “Unit Split”).

a. Purpose of the Unit Split

The new Nippon Individual Savings Account (NISA) commenced in January 2024, and there has been a reduction in investment units in line with the desired investment level, which forms part of the development of an environment that is conducive to individual investors investing, as clearly stated by the Tokyo Stock Exchange. In light of these matters, the Unit Split aims to expand the investor base and enhance the liquidity of investment units.

b. Method of the Unit Split

The investment units of HRR held by unitholders listed or recorded in the final unitholders list on October 31, 2024, the reference date, was split at a ratio of two to one.

c. Number of Additional Investment Units due to the Unit Split, Etc.

Total number of investment units issued by HRR before the Unit Split: 292,917 units

Number of additional investment units due to the Unit Split: 292,917 units

Total number of investment units issued by HRR after the Unit Split: 585,834 units

Total number of investment units authorized to be issued by HRR after the Unit Split: 4,000,000 units

(b) Issuance of Investment Corporation Bonds

HRR issued the investment corporation bonds as follows. The funds procured through the issuance of the investment corporation bonds are scheduled to be allocated to the funds for redemption of the First Series Unsecured Investment Corporation Bond, which has a repayment date of February 28, 2025. As part of HRR’s financial management initiatives, HRR has issued the investment corporation bonds ahead of the repayment

date of the First Series Unsecured Investment Corporation Bond, taking into consideration the future demand environment and other conditions in the primary market for investment corporation bonds, the interest rate market environment and other factors.

Name of investment corporation bonds	Issuance date	Total issue amount (millions of yen)	Applicable interest rate (per annum)	Repayment date	Description
Hoshino Resorts REIT, Inc. Fourth Series Unsecured Investment Corporation Bond (with special pari passu conditions among specified investment corporate bonds)	December 11, 2024	1,500	1.853%	December 11, 2034	Unsecured/ Unguaranteed Bond credit rating: A+ (JCR)

(c) Acquisition of Assets

HRR decided at the meeting of the Board of Directors held on December 16, 2024 to conclude a sales and purchase agreement for the following real estate (planned acquisition price: 3,060 million yen) and plans to acquire the real estate on January 8, 2025.

Name of property	Location	Seller	Planned acquisition price (millions of yen) (Note)	Planned acquisition date
KAI Poroto	Shiraoi-gun, Hokkaido	Shiraoi Hotel Management Co., Ltd.	3,060	January 8, 2025

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

(d) Borrowing of Funds (New Loan)

HRR decided at the meeting of the Board of Directors held on December 16, 2024 on a new borrowing (hereinafter, the “Loan” in (d)) as follows to allocate it to part of the funds for acquisition of the real estate stated in “(c) Acquisition of Assets” above and its related expenses.

Lender	Planned loan amount (millions of yen)	Interest rate	Maturity date	Repayment method
Syndicate of lenders arranged by MUFG Bank, Ltd.	3,150	To be determined	To be determined	Lump-sum repayment at maturity

(Note 1) The information in the above table is based on the notification of consideration results for loans issued by MUFG Bank, Ltd. with respect to the Loan; however, actual details may differ from the above. In addition, the actual drawdown of the borrowing has not been guaranteed.

(Note 2) Although the planned drawdown date is January 8, 2025 as of the date of this document, the date may be changed by mutual agreement between HRR and the lender.

(Note 3) As of the date of this document, the syndicate of lenders arranged by MUFG Bank, Ltd. is examining the terms and conditions of the Loan, and it is possible that the Loan may not be executed depending on the result of the examination by the said syndicate of lenders. Taking such circumstances into account, in the event the amount of the Loan is less than the planned loan amount, HRR plans to borrow the entire planned loan amount from MUFG Bank, Ltd. (hereinafter, the “Backup Loan” in this note). However, since the Backup Loan will be made only if the amount of the Loan is less than the planned loan amount, the execution of the Backup Loan is not confirmed.

<Details of the Backup Loan>

Lender	Planned loan amount (millions of yen)	Interest rate	Maturity date	Repayment method
MUFG Bank, Ltd.	3,150	Base rate (*): +0.30%	January 8, 2026	Lump-sum repayment at maturity

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

(Reference Information)

(a) Partial Amendment to the Articles of Incorporation

To increase the total number of investment units authorized to be issued according to the investment unit split ratio presented in “(a) Concerning the investment unit split” earlier in this document, Article 6, Paragraph 1 of the Articles of Incorporation of HRR was amended on November 1, 2024 as follows in accordance with Article 184, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Article 81-3, Paragraph 2 of the Investment Trusts Act.

(The underlined parts indicate the changes.)

Before Change	After Change
(Total Number of Investment Units Authorized to Be Issued) Article 6 HRR is authorized to issue a total of <u>2,000,000</u> investment units.	(Total Number of Investment Units Authorized to Be Issued) Article 6 HRR is authorized to issue a total of <u>4,000,000</u> investment units.

(2) Investment Risks

Disclosure is omitted because there is no significant change from “Investment Risks” in the securities report (submitted on July 26, 2024).

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	22nd fiscal period (As of Apr. 30, 2024)	23rd fiscal period (As of Oct. 31, 2024)
Assets		
Current assets		
Cash and deposits	12,780,894	12,120,176
Cash and deposits in trust	507,448	496,121
Operating accounts receivable	312,459	315,933
Deposits paid	—	120,000
Prepaid expenses	395,194	440,547
Income taxes refund receivable	—	94
Consumption taxes refund receivable	—	1,708,474
Other	4,175	—
Total current assets	14,000,171	15,201,348
Non-current assets		
Property, plant and equipment		
Buildings	112,780,771	115,531,980
Accumulated depreciation	(20,186,086)	(21,334,401)
Buildings, net	92,594,684	94,197,579
Structures	6,391,620	6,590,635
Accumulated depreciation	(875,567)	(960,700)
Structures, net	5,516,052	5,629,934
Machinery and equipment	83,801	86,658
Accumulated depreciation	(76,203)	(79,508)
Machinery and equipment, net	7,597	7,149
Tools, furniture and fixtures	1,546,191	1,909,497
Accumulated depreciation	(779,124)	(877,640)
Tools, furniture and fixtures, net	767,067	1,031,856
Land	77,310,767	77,217,039
Buildings in trust	9,712,805	25,302,971
Accumulated depreciation	(718,421)	(998,551)
Buildings in trust, net	8,994,384	24,304,420
Structures in trust	67,488	796,735
Accumulated depreciation	(3,766)	(10,090)
Structures in trust, net	63,721	786,644
Tools, furniture and fixtures in trust	349	855
Accumulated depreciation	(60)	(104)
Tools, furniture and fixtures in trust, net	289	750
Land in trust	2,567,140	15,409,582
Construction in progress	126,843	334,104
Total property, plant and equipment	187,948,548	218,919,062
Intangible assets		
Leasehold interests in land	8,392,025	8,387,425
Land leasehold interests in trust	3,433,418	3,433,418
Software	86,898	78,896
Total intangible assets	11,912,343	11,899,741

	(Unit: thousands of yen)	
	22nd fiscal period (As of Apr. 30, 2024)	23rd fiscal period (As of Oct. 31, 2024)
Investments and other assets		
Investment securities	564,742	565,995
Long-term loans receivable	750,000	—
Long-term prepaid expenses	1,053,365	1,235,072
Deferred tax assets	12	382
Leasehold and guarantee deposits	984,006	984,006
Leasehold and guarantee deposits in trust	34,054	34,054
Total investments and other assets	3,386,181	2,819,511
Total non-current assets	203,247,073	233,638,315
Deferred assets		
Investment corporation bond issuance costs	17,588	15,858
Total deferred assets	17,588	15,858
Total assets	217,264,832	248,855,521

	(Unit: thousands of yen)	
	22nd fiscal period (As of Apr. 30, 2024)	23rd fiscal period (As of Oct. 31, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	642,863	728,097
Short-term borrowings	950,000	480,000
Current portion of long-term borrowings	11,621,853	10,753,424
Current portion of investment corporation bonds	1,500,000	1,500,000
Accounts payable - other	762,184	1,068,263
Income taxes payable	609	632
Accrued consumption taxes	336,861	56,153
Accrued expenses	25,975	26,111
Advances received	865,503	997,375
Total current liabilities	16,705,850	15,610,057
Non-current liabilities		
Long-term borrowings	67,896,704	80,905,132
Investment corporation bonds	2,300,000	2,300,000
Leasehold and guarantee deposits received	3,771,283	4,918,890
Leasehold and guarantee deposits received in trust	181,700	181,700
Total non-current liabilities	74,149,687	88,305,722
Total liabilities	90,855,537	103,915,780
Net assets		
Unitholders' equity		
Unitholders' capital	123,843,495	141,951,477
Surplus		
Voluntary retained earnings		
Reserve for tax purpose reduction entry	218,113	245,119
Total voluntary retained earnings	218,113	245,119
Unappropriated retained earnings (undisposed loss)	2,347,687	2,743,145
Total surplus	2,565,800	2,988,264
Total unitholders' equity	126,409,295	144,939,741
Total net assets	126,409,295	144,939,741
Total liabilities and net assets	217,264,832	248,855,521

(2) Statement of Income

(Unit: thousands of yen)

	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024	23rd fiscal period From: May 1, 2024 To: Oct. 31, 2024
Operating revenue		
Leasing business revenue	6,623,923	7,311,695
Gain on sale of real estate properties	—	160,959
Other revenue	46,897	23,630
Total operating revenue	6,670,820	7,496,285
Operating expenses		
Expenses related to leasing business	3,115,130	3,256,581
Asset management fees	555,840	608,309
Asset custody fees	6,672	6,773
Administrative service fees	26,997	27,725
Remuneration for directors (and other officers)	3,000	3,000
Audit fees	9,900	9,900
Other operating expenses	105,686	98,424
Total operating expenses	3,823,227	4,010,715
Operating profit	2,847,593	3,485,570
Non-operating income		
Interest income	57	1,046
Insurance claim income	42,472	60,876
Interest on tax refund	238	—
Miscellaneous income	1,830	619
Total non-operating income	44,599	62,543
Non-operating expenses		
Interest expenses	348,365	451,880
Interest expenses on investment corporation bonds	18,175	18,376
Amortization of investment corporation bond issuance costs	1,730	1,730
Financing fees	218,145	292,794
Investment unit issuance expenses	—	48,142
Other	99	108
Total non-operating expenses	586,516	813,032
Ordinary profit	2,305,676	2,735,081
Extraordinary income		
Subsidy income	33,848	—
Total extraordinary income	33,848	—
Profit before income taxes	2,339,524	2,735,081
Income taxes - current	618	698
Income taxes - deferred	58	(370)
Total income taxes	676	328
Profit	2,338,847	2,734,752
Retained earnings brought forward	8,839	8,392
Unappropriated retained earnings (undisposed loss)	2,347,687	2,743,145

(3) Statement of Unitholders' Equity

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

23rd fiscal period (from May 1, 2024 to October 31, 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	218,113	218,113	2,347,687	2,565,800	126,409,295	126,409,295
Changes during period							
Issuance of new investment units	18,107,982	—	—	—	—	18,107,982	18,107,982
Provision of reserve for tax purpose reduction entry	—	30,259	30,259	(30,259)	—	—	—
Reversal of reserve for tax purpose reduction entry	—	(3,253)	(3,253)	3,253	—	—	—
Dividends of surplus	—	—	—	(2,312,288)	(2,312,288)	(2,312,288)	(2,312,288)
Profit	—	—	—	2,734,752	2,734,752	2,734,752	2,734,752
Total changes during period	18,107,982	27,006	27,006	395,458	422,464	18,530,446	18,530,446
Balance at end of period	141,951,477	245,119	245,119	2,743,145	2,988,264	144,939,741	144,939,741

(4) Statement of Cash Distributions

(Unit: yen)

	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024	23rd fiscal period From: May 1, 2024 To: Oct. 31, 2024
I. Unappropriated retained earnings	2,347,687,124	2,743,145,179
II. Reversal of voluntary retained earnings Reversal of reserve for tax purpose reduction entry	3,253,094	3,583,188
III. Amount of distributions [Amount of distributions per investment unit]	2,312,288,784 [9,048]	2,700,108,906 [9,218]
IV. Voluntary retained earnings Reserve for tax purpose reduction entry	30,259,250	39,434,000
V. Retained earnings brought forward	8,392,184	7,185,461
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 2,312,288,784 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.	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 2,700,108,906 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 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)

	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024	23rd fiscal period From: May 1, 2024 To: Oct. 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,339,524	2,735,081
Depreciation	1,756,092	1,958,762
Loss on retirement of non-current assets	28,112	42,116
Amortization of investment corporation bond issuance costs	1,730	1,730
Interest income	(57)	(1,046)
Interest expenses	366,541	470,256
Financing fees	218,145	292,794
Investment unit issuance expenses	—	48,142
Decrease (increase) in operating accounts receivable	(53,233)	(3,474)
Decrease (increase) in prepaid expenses	5,177	(45,353)
Decrease (increase) in consumption taxes refund receivable	105,065	(1,708,474)
Increase (decrease) in accrued consumption taxes	320,314	(280,707)
Increase (decrease) in operating accounts payable	(31,745)	6,323
Increase (decrease) in accounts payable - other	(179,029)	305,597
Increase (decrease) in advances received	(92,711)	131,872
Decrease (increase) in long-term prepaid expenses	(30,221)	(181,707)
Decrease in property, plant and equipment due to sale	—	1,065,830
Other, net	(221,748)	(284,540)
Subtotal	4,531,956	4,553,203
Interest received	57	1,046
Interest paid	(366,665)	(470,219)
Income taxes paid	(628)	(770)
Net cash provided by (used in) operating activities	4,164,718	4,083,261
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,289,108)	(4,471,898)
Purchase of property, plant and equipment in trust	(23,072)	(29,470,676)
Purchase of intangible assets	(31,733)	(7,735)
Purchase of investment securities	—	(1,247)
Proceeds from collection of long-term loans receivable	—	750,000
Refund of leasehold and guarantee deposits received	—	(1,127,374)
Proceeds from leasehold and guarantee deposits received	673,815	2,274,981
Net cash provided by (used in) investing activities	(670,099)	(32,053,950)

	(Unit: thousands of yen)	
	22nd fiscal period From: Nov. 1, 2023 To: Apr. 30, 2024	23rd fiscal period From: May 1, 2024 To: Oct. 31, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	—	480,000
Repayments of short-term borrowings	—	(950,000)
Proceeds from long-term borrowings	6,660,000	18,420,000
Repayments of long-term borrowings	(6,690,001)	(6,280,001)
Proceeds from issuance of investment units	—	18,107,982
Payments of investment unit issuance expenses	—	(48,142)
Distributions paid	(2,185,843)	(2,311,194)
Net cash provided by (used in) financing activities	(2,215,844)	27,418,644
Net increase (decrease) in cash and cash equivalents	1,278,774	(552,044)
Cash and cash equivalents at beginning of period	12,009,567	13,288,342
Cash and cash equivalents at end of period	13,288,342	12,736,297

** We do not provide any guarantees regarding the completeness or accuracy of the English translation of this document. If there is any discrepancy between the English translation and the original Japanese text, the latter shall prevail.*