

Summary of REIT Financial Report for the 18th Fiscal Period

July 23, 2025

REIT Issuer: Nippon Hotel & Residential Investment Corporation Stock Exchange Listing: TSE
Securities Code: 3472 URL: <https://nhr-reit.com/>
Representative: Takeshi Kiriha, Executive Director

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Chief Planning & Coordination Officer

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 26, 2025
Scheduled date of start of distribution payments: August 15, 2025

Preparing supplementary explanatory materials on financial results: Yes
Holding of brief session on financial results: None (Scheduled to distribute financial results explanation video)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 18th Fiscal Period

18th Fiscal Period: Fiscal period ended May 2025 (from December 1, 2024 to May 31, 2025)

17th Fiscal Period: Fiscal period ended November 2024 (from June 1, 2024 to November 30, 2024)

(1) Management Status

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
18th	1,714	33.2	865	54.3	623	45.0	623	45.1
17th	1,287	(1.0)	560	(1.3)	430	16.7	429	16.8

Fiscal period	Profit per unit		Ratio of profit to unitholders' equity		Ratio of ordinary profit to total assets		Ratio of ordinary profit to operating revenue	
	Yen	%		%		%		%
18th	2,009	2.7		1.5		36.4		
17th	1,823	2.0		1.2		33.4		

(2) Distribution Status

Fiscal period	Distribution per unit (excluding excess cash distribution)	Total distribution (excluding excess cash distribution)	Excess cash distribution per unit	Total excess cash distribution	Distribution per unit (including excess cash distribution)	Total distribution (including excess cash distribution)	Distribution Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
18th	2,003	622	10	3	2,013	626	100.0	2.3
17th	1,824	429	13	3	1,837	432	100.0	2.0

(Note 1) The entire amount of total excess cash distribution is equivalent to the amount of allowance for temporary difference adjustments.

(Note 2) Since fund procurement through public offering was conducted during the 18th Fiscal Period and the number of investment units has changed accordingly, Dividend Payout Ratio for the 18th Fiscal Period is calculated as below
Dividend Payout Ratio = Total Amount of Dividends (excluding dividend in excess of earnings) / Net Income × 100

(3) Financial Position

Fiscal period	Total assets		Net assets		Unitholders' equity to total assets		Net assets per unit	
	million yen		million yen		%		yen	
18th	49,085		25,950		52.9		83,436	
17th	35,344		21,049		59.6		89,439	

(4) Cash Flow Status

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
18th	million yen 1,128	million yen (13,704)	million yen 12,878	million yen 1,340
17th	931	(121)	(517)	1,037

2. Management Status Forecasts for the 19th Fiscal Period and the 20th Fiscal Period

19th Fiscal Period: Fiscal period ending November 2025 (from June 1, 2025 to November 30, 2025)

20th Fiscal Period: Fiscal period ending May 2026 (from December 1, 2025 to May 31, 2026)

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding excess cash distribution)	Excess cash distribution per unit	Distribution per unit (including excess cash distribution)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
19th	1,841	7.4	964	11.5	730	17.1	729	17.1	2,346	10	2,356
20th	1,703	(7.5)	845	(12.3)	609	(16.6)	608	(16.6)	1,958	10	1,968

(Reference) Estimated Profit per unit for the 19th Fiscal Period: 2,346 yen; 20th Fiscal Period: 1,957 yen

* Other

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

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

- (i) Total number of investment units issued and outstanding (including own investment units) at end of period:
- (ii) Number of own investment units at end of period:

18th	311,023 units	17th	235,347 units
18th	0 units	17th	0 units

*** This financial report is not included in the scope of the external audit by a certified public accountant or auditing firm.**

* Matters of 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 by the Investment Corporation. 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 cash distribution. For the assumptions for the management status forecasts, please refer to “ Assumptions Underlying Forecasts of the Financial Results for the Fiscal Period Ending November 2025 and May 2026 ” on page 8.

1. Management Status

(1) Overview of the Fiscal Period under Review

a. Brief History of the Investment Corporation

Nippon Hotel & Residential Investment Corporation (the “Investment Corporation”) was established on March 29, 2016 (capital: 200 million yen, issued investment units: 2,000 units) under the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”). Registration with the Kanto Local Finance Bureau was completed on May 13, 2016 (registration number 119, filed with the Director of the Kanto Local Finance Bureau).

Subsequently, the Investment Corporation issued new investment units via a public offering (174,200 units) with August 30, 2016 as the payment date and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) (Securities Code: 3472) on August 31, 2016. At the end of the 14th fiscal period (ending May 31, 2023), the Investment Corporation owned 11 facilities for utilizing leisure time (Note 1). In the 15th fiscal period (ending November 30, 2023), the Investment Corporation acquired four accommodation facilities (Note 2) (total acquisition price was 4,898 million yen). In the 18th fiscal period (ending May 31, 2025), the Investment Corporation acquired two facilities for utilizing leisure time (total acquisition price was 5,741 million yen) and six accommodation facilities (total acquisition price was 7,367 million yen). In the 18th fiscal period, the Investment Corporation issued 75,676 new investment units to acquire facilities via public offering with December 2, 2024 as the payment date and via private placement with December 30, 2024 as the payment date. As a result, the total number of facilities owned by the Investment Corporation at the end of the fiscal period under review was 23 (total acquisition price was 49,091 million yen). The total number of investment units issued and outstanding of the Investment Corporation at the end of the fiscal period under review was 311,023 units.

(Note 1) Facilities for utilizing leisure time are Ryokan (referring to accommodation facilities that mainly have Japanese-style structures and facilities, the same applies hereinafter), hotels (lodging whose main structure and facilities are Western style, the same applies hereinafter), other facilities that are or can be used for accommodation purposes, hot spring facilities (hot springs (hot water, mineral water, steam, and other gases (excluding natural gas whose main component is hydrocarbons) that spring from the ground, the same applies hereinafter), resort facilities (facilities providing opportunities for sports or recreational activities, the same applies hereinafter), and amusement parks.

(Note 2) Accommodation facilities are rental housing, student apartments, company dormitories, serviced apartments, shared houses, elderly facilities and houses, and other facilities that are or can be used for residential purposes. The same applies hereinafter.

b. Investment Environment and Management Performance

The Investment Corporation has achieved external growth by acquiring eight facilities: two APA Hotels and six accommodation facilities. To finance these acquisitions, the Investment Corporation conducted a public offering, secured new borrowings, and leveraged the support of the sponsor as well as the Asset Manager's network (Note 1). Following these acquisitions, the total number of facilities owned by the Investment Corporation increased to 23, with the total acquisition price expanding to 49,091 million yen. The percentage of facilities operated by the Ooedo Onsen Monogatari Group decreased to 63.3%. The Investment Corporation will continue to aim for a stable portfolio by increasing its asset size.

As for internal growth, RevPAR (Note 2) for the facilities for utilizing leisure time increased, reflecting the solid inbound and domestic tourism demand. RevPAR for APA HOTEL <ASAKUSABASHI EKIMAE>, APA HOTEL <NAMBA MINAMI DAIKOKUCHO EKIMAE>, and Ooedo Onsen facilities stood at 12,688 yen (up 20.0% year on year), 9,458 yen (up 27.7% year on year), and 26,938 yen (up 7.7% year on year), respectively. As a result, variable rents increased significantly from 38 million yen in the previous fiscal period to 99 million yen. The Investment Corporation expects consistently positive variable rents in and after the upcoming fiscal period. The cumulative occupancy rate of the accommodation facilities during the fiscal period under review (Note 3) was 97.8%. Stable occupancy rates were maintained, mainly due to effective tenant solicitation.

The appraisal value of properties acquired totaled 53,421 million yen at the end of the fiscal period under review. The total appraisal value of 15 properties at the end of the fiscal period under review, excluding eight properties acquired during the period, increased 50 million yen compared to the appraisal value at the end of the previous fiscal period. Although the capitalization rate remained unchanged, the appraisal value increased primarily due to a review of the operating income from some properties.

Looking at unrealized gain/loss (Note 7) for the entire portfolio at the end of the fiscal period under review, the unrealized gain increased to 7,457 million yen as a result of the depreciation of the 23 properties that comprise the portfolio.

In line with activities in the previous fiscal period, the Investment Corporation has been implementing ESG initiatives, and in May 2025, INSURANCE BLDG VIII (Toyoshiki), which it owns, achieved CASBEE real estate certification (Note 5). Currently, two properties have achieved CASBEE real estate certification, and one property has obtained BELS certification. The Investment Corporation plans to apply for CASBEE real estate certification for multiple properties in the next fiscal period.

- (Note 1) Please refer to the press release “ Notice Concerning Acquisition of Domestic Trust Beneficiary Right in Real Estate and Leasing Thereof”, “ Notice Concerning Issuance of New Investment Units and the Public Offering of Investment Units” and “Notice Concerning Borrowing of Funds” issued on November 18, 2024 and “Notice Concerning Borrowing of Funds (Determination of Borrowing Amount, etc.)” issued on November 29, 2024.
- (Note 2) Revenue per available room (RevPAR) is calculated for a given time period by dividing total room revenue by total rooms available, and is rounded down to the nearest specified unit.
- (Note 3) The occupancy rate of accommodation facilities during the fiscal period is calculated using the formula below. Period cumulative occupancy rate = period cumulative of leased area as of the end of each month ÷ period cumulative of total leasable area as of the end of each month × 100 (%).
- (Note 4) Unrealized gain/loss is calculated using the following formula. Please note that there is no guarantee that this unrealized gain/loss will be realized.
- Unrealized gain/loss = Total appraisal value of owned assets as of the end of the fiscal period under review – Total balance sheet amount (including equipment attached to buildings, structures, machinery and equipment, tools, furniture and fixtures, buildings in trust , structures in trust , tools, furniture and fixtures in trust , construction in progress as well as leasehold right)(Note 5)
- (Note 5) Please refer to the press release, “ Notice Concerning Acquisition of CASBEE for Real Estate Certification ” issued on May 15, 2025.

c. Overview of Capital Procurement

In the fiscal period under review , the Investment Corporation made scheduled repayments of 73 million yen each on January 31, 2025 and April 30, 2025, using cash on hand. As a result, the total amount of interest-bearing debt and the ratio of such debt to total assets (LTV) came to 21,290 million yen and 43.4%, respectively, at the end of the fiscal period under review.

The Investment Corporation will maximize its utilization of sponsor support, optimize funding conditions for new borrowings and refinancing, and implement flexible financial strategies aligned with external growth.

In February 2025, the Investment Corporation received a long-term issuer rating of A- (outlook : stable) from The Japan Credit Rating Agency (JCR).

d. Overview of Financial Performance and Distributions

As a result of the operations described above, business performance in the fiscal period under review generated operating revenue of 1,714 million yen, operating profit of 865 million yen, ordinary profit of 623 million yen and profit of 623 million yen.

Concerning cash distribution for the fiscal period under review, pursuant to the cash distribution policies provided in the Investment Corporation’s articles of incorporation, the amount of distribution was to be in excess of an amount equivalent to 90% of the Investment Corporation’s earnings available for distribution as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the “Special Measures Concerning Taxation Act”). Accordingly, the Investment Corporation decided to distribute 2,003 yen per unit (excluding excess cash distribution).

Furthermore, in accordance with the policy for “distribution of cash in excess of profit” as stated in the Investment Corporation’s articles of incorporation, the Investment Corporation makes a distribution for the 3,110,230 yen in allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, item 30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended; the “Investment Corporations Accountings Ordinance”) for the purpose of reflecting the effect on distributions of the difference between accounting and tax treatment of earnings in association with the recording of interest expenses of asset retirement obligation and recording of depreciation of building book value corresponding to asset retirement obligation and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This results in excess distribution per unit of 10 yen.

As a result, distribution per unit for the fiscal period under review was determined as 2,013 yen (of which, excess distribution per unit was 10 yen).

(2) Outlook for the Next Fiscal Period

a. External Growth Strategy

(a) Priority investment assets

The basic business strategy of the Investment Corporation is to secure stable earnings over the medium-to long-term and achieve steady growth of assets under management by focusing on facilities for utilizing leisure time and accommodation facilities, whose return-to-risk properties are different, as priority investment assets. By setting their investment ratio targets at 40-60% for facilities for utilizing leisure time and 40-60% for accommodation facilities (acquisition value base), increasing the ratio of accommodation facilities and acquiring business and city hotels, among accommodation facilities, that are considered to generate more

stable revenues compared to the facilities related to Ooedo Onsen Monogatari held by the Investment Corporation, the Investment Corporation aims for progress in portfolio diversification and risk mitigation.

(b) Utilization of Network Unique to the Asset Manager

Using the Asset Manager's own network, the Investment Corporation will implement selective investment by emphasizing geographical characteristics, trends in social situations, changes in demand, convenience, etc. and by taking note of tenants' reliability, management capabilities, track record, etc. Regarding leisure facilities, it will make investment decisions in accordance with portfolio building policies, by focusing on securing investment yield that is indispensable for unitholder value enhancement. In this regard, it will comprehensively evaluate appropriateness of tenants' rent burden rates over the medium to long term, actual results and future prospects of capacity utilization and other management indicators, primarily in major centers of tourism around the nation and highly recognized business areas, as well as stability of major customer segments of facilities, competitive climate, etc. Regarding accommodation facilities, it will make investment decisions in accordance with portfolio building policies, by focusing on securing investment yield that is indispensable for unitholder value enhancement. In this regard, it has determined three major metropolitan areas of Japan, namely Tokyo metropolitan area, the Kansai area and the Chukyo area, and government ordinance-designated cities, etc. as its investment areas and will comprehensively evaluate special characteristics of properties (location, convenience, conditions of peripheral areas, etc.), tenants' trustworthiness, management capacities, actual results, etc.

(c) Utilization of Sponsor Support by APA Group

Based on the sponsor support agreement with the sponsor as of December 19, 2023, the Investment Corporation was granted preferential negotiating rights for the acquisition of hotels held or developed by the APA Group that match the investment criteria of the Investment Corporation and preferential rights to utilize third parties' information obtained by the APA Group about the sales of properties. Moreover, the Investment Corporation can request the APA Group to acquire and temporarily hold properties of a third party that satisfy the investment criteria of the Investment Corporation. The Investment Corporation will make maximum use of such sponsor support in order to flexibly and continuously promote external growth by taking advantage of investment opportunities.

(Note) APA Group" consists of APA Holdings Co., Ltd. and its subsidiaries. (including the Asset Manager). The same applies hereinafter.

b. Internal Growth Strategy

(a) Facilities for utilizing leisure time

Mainly regarding leisure facilities, the Investment Corporation will have the Asset Manager monitor tenants' management performance that has significant impact on rent revenues. Moreover, in long-term lease agreements with tenants (Note 1), the Investment Corporation will adopt rents that secure certain fixed rents regardless of the status of tenants' facility management, in principle.

Furthermore, in lease agreements, etc. with tenants, the Investment Corporation aims to ensure stable profits from assets under management and maintain and improve asset value, by requiring tenants to report management status for each facility and having the Asset Manager monitor tenants' management performance in reference to revenues of each facility, GOP (Note 2) and other management indicators.

(b) Accommodation facilities

If the Investment Corporation signs a fixed-rent, pass-through master lease agreement regarding the accommodation facilities that it owns, it aims to maintain the building in good condition for the continuation of the agreement. Regarding pass-through-type facilities, the Investment Corporation will seek to maximize rent revenues by effectively attracting tenants and implementing initiatives such as raising rents at the time of concluding new agreements and renewing existing agreements and reducing management and operation costs.

(c) Repair and capital expenditures

For the purpose of maintaining and improving profits from assets under management over the medium to long term, the Investment Corporation will discuss with property management companies plans for repair and capital expenditures for individual properties that take into consideration the status and characteristics of assets under management, tenants' needs, etc. These plans will be implemented by taking into account

depreciation costs for the entire portfolio. Moreover, existing assets with potential for improvement in asset value are subject to CAPEX (Note 3), including refurbishing, that will contribute to raising asset value for the purpose of increasing variable rents through tenants' profitability enhancement.

(Note 1) A "long-term lease contract" is a lease contract with a contract period of 10 years or more, and which prohibits mid-term termination for 5 years or more. The same applies hereinafter.

(Note 2) "GOP" refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility's sales. The same applies hereinafter.

(Note 3) CAPEX (Capital Expenditure) does not refer to repair expenses for maintenance of real estate but refers to expenditure for enhancing value and extending lifetime of real estate and its facilities.

c. Financial Strategy

The Investment Corporation will implement a flexible financial strategy while placing emphasis on maintaining its conservative financial position.

As to debt financing, the Investment Corporation strives to realize stable financing associated with the expansion of asset scale while maintaining its favorable relationship with existing lenders.

Moreover, based on the sponsor support agreement between the Investment Corporation and the APA Group, the Investment Corporation receives from the APA Group support necessary for increasing the number of correspondent financial institutions and improving financing conditions such as guarantees of borrowings of the Investment Corporation. Going forward, the Investment Corporation will seek the optimization of funding conditions at the time of new borrowing and refinancing by maximizing full utilization of sponsor support.

With regard to equity financing, the Investment Corporation will consider implementing it flexibly, taking into account the enhancement of the value of investment units in the medium to long term.

(3) Significant Subsequent Events

a. Transfer of property

On July 4, 2025, the Investment Corporation entered into the purchase and sales agreement below for two domestic real estate properties with a total planned transfer price of 1,897 million yen (hereinafter referred to collectively as the "Purchase and Sales Agreement" in this section a.).

The Purchase and Sales Agreement is classified as a forward commitment, etc. (a postdated purchase and sales agreement where the settlement and delivery of the property occur one month or more after the conclusion of the agreement; the same applies hereinafter) in the Comprehensive Guideline for Supervision of Financial Instruments Business Operators, etc.

Under the Purchase and Sales Agreement, if either party intentionally or negligently breaches any significant obligations set out in the agreement, the other party may terminate the agreement after a period that it has specified and may seek damages from the breaching party amounting to 20% of the transfer price as a penalty.

Since the Investment Corporation is the seller under the Purchase and Sale Agreement, there are no particular concerns regarding the fulfillment of the Purchase and Sales Agreement. It is therefore unlikely that the aforementioned penalty will be incurred. The Investment Corporation believes that the forward commitments, etc. relating to the transfer are unlikely to have a material impact on its finances or distribution payments, etc.

Category	Property name	Planned transfer price (million yen) (Note 1)	Planned date of transfer	Transferee
Facilities for utilizing leisure time	Ooedo-Onsen Monogatari Kimitsu-no-mori	847	August 29, 2025	Not disclosed (Note2)
	Ooedo-Onsen Monogatari Kounkaku	1,050		
Total (2 properties)		1,897		

(Note 1) "Planned transfer price" is the sale price of real estate stated in the sale and purchase agreement regarding the asset to be transferred, not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees, and rounded down to the nearest million yen. The same applies hereinafter.

(Note 2) Not disclosed because consent has not been obtained from the transferee. The transferee is not an interested person, etc. as defined in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000; including amendments), or an interested person, etc. as defined in the Rules for Transactions with Interested Persons, etc. of the Asset Manager.

b. Acquisition of property

On July 4, 2025, the Investment Corporation entered into the purchase and sales agreement below for a beneficiary interest in a domestic real estate trust with a total planned acquisition price of 920 million yen (hereinafter referred to as the "Purchase and Sales Agreement" in this section b.).

The Purchase and Sales Agreement is classified as a forward commitment, etc.

Under the Purchase and Sales Agreement, if either party fails to meet the contractual obligations or if a material breach of the representations and warranties by either party is discovered, making it impossible to achieve the purpose of the agreement, the other party may notify the breaching party of the failure or breach. If the breaching party does not remedy the issue within a period specified by the notifying party, the notifying party may terminate the agreement. If the agreement is terminated for this reason, the breaching party shall pay a penalty equal to 20% of the planned acquisition price.

If the Investment Corporation is unable to receive all or part of the transfer price for the two domestic real estate properties described above in "a. Transfer of assets" by August 29, 2025, the Investment Corporation may immediately terminate the Purchase and Sales Agreement without any notice. If the Purchase and Sales Agreement is terminated for this reason, the Investment Corporation will not be liable for any damages or other liabilities to the other party to the Purchase and Sales Agreement.

The Investment Corporation therefore believes that the forward commitments, etc. relating to the acquisition are unlikely to have a material impact on its finances or distribution payments, etc.

Category	Property name	Planned acquisition price (million yen) (Note)	Planned acquisition date	Seller
Facilities for utilizing leisure time	APA HOTEL <GIFUHASHIMA EKIMAE>	920	September 4, 2025	APA Home K.K.

(Note) "Acquisition price" indicates the purchase price of each property in the sale and purchase agreement (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees), rounded down to the nearest million yen.

Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Period Ending November 2025 and May 2026

Item	Assumption
Calculation period	- Fiscal period ending November 2025 (19th fiscal period: from June 1, 2025, to November 30, 2025) (183 days) - Fiscal period ending May 2026 (20th fiscal period: from December 1, 2025 to May 31, 2026) (182 days)
Managed Assets	- The Investment Corporation will continue to own the 23 properties that it owns as of the date of this document (the "Acquired Assets"). Two properties—Oedo-Onsen Monogatari Kimitsu-no Mori and Oedo-Onsen Monogatari Kounkaku—will be transferred on August 29, 2025 as scheduled. APA HOTEL <GIFU HASHIMA EKIMAE> will be acquired on September 4. Additionally, a certain property (the "Property to Be Acquired") will be acquired during the period ending November 30, 2025, although the acquisition has not been determined as of July 23, 2025. Consequently, the Investment Corporation will own 23 properties at the end of the fiscal period ending May 31, 2026. - The managed assets may change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.
Operating revenue	- The projected operating revenue for each property, excluding the Property to Be Acquired, is stated below. - The Investment Corporation expects a gain of 149 million yen from the sale of assets scheduled for transfer in the fiscal period ending November 2025 (the 19th fiscal period). - Operating revenue from the Property to Be Acquired is anticipated to be 18 million yen in the fiscal period ending November 2025 (19th period) and 38 million yen in the fiscal period ending May 2026 (20th period).
Operating expenses	- The expenses related to leasing activities for the Acquired Assets, which are a major component of operating expenses, are calculated based on the budgets created by the Asset Manager for the Investment Corporation. - The expenses related to leasing activities for the Property to Be Acquired are calculated based on planned figures developed after conducting due diligence, primarily using performance information provided by the current owner and other relevant sources.
Non-operating expenses	The total amount of interest expenses and other borrowing-related expenses is expected to be 234 million yen for the fiscal period ending November 2025 and 236 million yen for the fiscal period ending May 2026.
Borrowings	- The balance of loans outstanding as of May 31, 2025 is 21,290 million yen. - It is assumed that a total of 146 million yen will be repaid in the fiscal period ending November 2025 (July 31: 73 million yen, October 31: 73 million yen) as stipulated in loan agreements. - It is assumed that a total of 142 million yen will be repaid in the fiscal period ending May 2026 (January 30: 71 million yen, April 30: 71 million yen) as stipulated in loan agreements.
Outstanding Investment Units	It is assumed that the number of investment units of 311,023 units issued and outstanding as of today will not change until May 31, 2026.
Distribution per unit (Excluding excess cash distribution)	- Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation's articles of incorporation. - Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.

Excess cash distribution per unit	- Recording of allowance for temporary difference adjustments of 3 million yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation, etc. - Regarding conducting excess cash distribution, the Investment Corporation will have a basic policy of conducting excess cash distribution of which amount will be equivalent to the increased amount of allowance for temporary difference adjustments. Pursuant to the policy, it is assumed that 10 yen of excess distribution per unit will be conducted in the fiscal period ending November 2025 and 10 yen in the fiscal period ending May 2026.
Other	- It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. - It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

Assumptions Underlying Operating Revenue Forecasts for the Fiscal Period Ending November 2025

< Facilities for utilizing leisure time >

(Millions of yen)

Property name	Fixed rent (Note1)	Variable rent (Note 2)	Other Revenue (Note 4)	Total (Note 6)
APA HOTEL <ASAKUSABASHI EKIMAE>	95	4	-	99
APA HOTEL <NAMBAMINAMI DAIKOKUCHO KIMAE>	43	3	-	46
APA HOTEL <GIFUHASHIMA EKIMAE>	15	-	-	15
Ooedo-Onsen Monogatari Reoma Resort	314	-	31	345
Ooedo-Onsen Monogatari Premium Ise-shima	108	8	3	120
Ito Hotel New Okabe	73	9	8	91
Ooedo-Onsen Monogatari Premium Atami	93	9	3	107
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	56
Ooedo-Onsen Monogatari Awara	49	28	8	86
Ooedo-Onsen Monogatari Ikaho	36	4	3	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	11	-	(Note 5) 31	43
Ooedo-Onsen Monogatari Kounkaku	20	-	(Note 5) 122	142
Ooedo-Onsen Monogatari Premium Kinugawa Kanko Hotel	174	8	7	190
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	61
Total (Note 6)	1,143	77	232	1,453

<Accommodation facilities>

(Millions of yen)

Property name	Total (Note 6)
L-Place Miyazakidai	26
JMR Residence Shin-Osaka	39
K. Ryokuchi	29
Fiel Hakusankoen Niigata Hakusankoen building	57
INSURANCE BLDG VIII (Toyoshiki)	52
Urban Flats Shin-Kawasaki	32
Oshiage Park Square	59
U residence Kitami	15
U residence Musashikoganei	18
T's eco Kawasaki	37
Total (Note 6)	369

Assumptions Underlying Operating Revenue Forecasts for the Fiscal Period Ending May 2026

< Facilities for utilizing leisure time >

(Millions of yen)

Property name	Fixed Rent (Note 1)	Variable rent (Note 2)	Other Revenue (Note 4)	Total (Note 6)
APA HOTEL <ASAKUSABASHI EKIMAE>	95	4	-	99
APA HOTEL <NAMBAMINAMI DAIKOKUCHO KIMAE>	43	3	-	47
APA HOTEL <GIFUHASHIMA EKIMAE>	31	-	-	31
Ooedo-Onsen Monogatari Reoma Resort	314	-	31	345
Ooedo-Onsen Monogatari Premium Ise-shima	108	9	3	121
Ito Hotel New Okabe	73	12	8	95
Ooedo-Onsen Monogatari Premium Atami	93	9	3	107
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	56
Ooedo-Onsen Monogatari Awara	49	32	8	90
Ooedo-Onsen Monogatari Ikaho	36	5	3	45
Ooedo-Onsen Monogatari Premium Kinugawa Kanko Hotel	174	9	7	190
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	61
Total (Note 6)	1,127	87	78	1,293

<Accommodation facilities>

(Millions of yen)

Property name	Total (Note 6)
L-Place Miyazakidai	26
JMR Residence Shin-Osaka	39
K. Ryokuchi	29
Fiel Hakusankoen Niigata Hakusankoen building	57
INSURANCE BLDG VIII (Toyoshiki)	52
Urban Flats Shin-Kawasaki	32
Oshiage Park Square	60
U residence Kitami	15
U residence Musashikoganei	18
T's eco Kawasaki	37
Total (Note 6)	370

(Note 1) "Fixed rent" refers to the monthly amount provided for in each facility's lease agreement. The same applies hereinafter.

(Note 2) "Variable rent" regarding Ooedo Onsen Monogatari facilities (meaning facilities whose lessee is either Ooedo Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd. The same shall apply hereinafter.) refers to the amount obtained by multiplying each facility's modified GOP (Note 3) for the most recent 1-year period (for the 6 months starting from December of each year, this means the 1-year period from March of that year to February of the following year; for the 6 months starting from June of each year, this means the 1-year period from September of the previous year to August of that year) (these 1-year periods shall be referred to hereunder as "modified GOP Calculation Periods") regarding each facility by the specific rate provided for in each lease agreement (yearly amount; the monthly amount is 1/12th thereof).

(Note 3) "GOP" provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility's sales. "Modified GOP" refers to the amount remaining after deducting real estate-related expenses for the property to be borne by the tenant (including, but not limited to, taxes and dues, non-life insurance premiums and land and house rent, but excluding the amount equivalent to secondary rent (defined below in Note 4) provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities) from each facility's GOP regarding the calculation period for modified GOP. The same applies hereinafter.

(Note 4) "Other revenue" shall include rents that have previously been indicated separately as "secondary rent" provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities. "Secondary rent" refers to an amount equivalent to the total amount of taxes, public charges, nonlife insurance premiums, and other expenses (real estate management expenses) to be borne by the Investment Corporation for each facility owned by the Investment Corporation. The same applies hereinafter.

(Note 5) Gains from real estate sales anticipated at this point are included.

(Note 6) The figures stated for each property are rounded down to the nearest million yen. Accordingly, the total of the figures stated for each property may differ from the figure stated in the total row.

2. Financial Statements

2.1. Balance Sheets

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	2,073,841	2,168,515
Cash and deposits in trust	142,742	580,071
Prepaid expenses	156,220	172,493
Operating accounts receivable	548	633
Consumption tax refundable	-	79,507
Other	3,190	3,059
Total current assets	2,376,543	3,004,281
Non-current assets		
Property, plant and equipment		
Buildings	24,463,600	24,578,240
Accumulated depreciation	(6,103,006)	(6,523,343)
Buildings, net	18,360,594	18,054,896
Structures	35,989	35,989
Accumulated depreciation	(8,589)	(9,754)
Structures, net	27,399	26,234
Machinery and equipment	600	600
Accumulated depreciation	(238)	(256)
Machinery and equipment, net	361	343
Tools, furniture and fixtures	25,066	30,695
Accumulated depreciation	(11,027)	(12,694)
Tools, furniture and fixtures, net	14,038	18,000
Land	9,097,457	9,097,457
Buildings in trust	1,052,462	2,973,877
Accumulated depreciation	(30,260)	(66,245)
Buildings in trust, net	1,022,202	2,907,632
Structures in trust	351	351
Accumulated depreciation	(2)	(20)
Structures in trust, net	348	330
Machinery and equipment in trust	-	18,043
Accumulated depreciation	-	(820)
Machinery and equipment in trust, net	-	17,222
Tools, furniture and fixtures in trust	1,154	4,713
Accumulated depreciation	(85)	(285)
Tools, furniture and fixtures in trust, net	1,068	4,428
Land in trust	4,007,528	15,520,277
Total property, plant and equipment	32,530,999	45,646,823
Intangible assets		
Leasehold interests in land	318,069	316,332
Software	978	847
Total intangible assets	319,047	317,180
Investments and other assets		
Deferred tax assets	17	18
Long-term prepaid expenses	107,392	107,317
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	117,500	117,425
Total non-current assets	32,967,547	46,081,429
Total assets	35,344,091	49,085,710

(Thousands of yen)

	As of November 30, 2024	As of May 31, 2025
Liabilities		
Current liabilities		
Operating accounts payable	194,878	84,808
Short-term borrowings	934,475	295,000
Current portion of long-term borrowings	272,401	4,240,869
Accounts payable - other	75,584	90,609
Accrued expenses	791	1,627
Income taxes payable	949	819
Accrued consumption taxes	33,418	-
Advances received	229,953	302,006
Other	3,352	4,705
Total current liabilities	1,745,804	5,020,445
Non-current liabilities		
Long-term loans payable	11,382,835	16,755,119
Leasehold and guarantee deposits received	1,040,802	1,040,802
Lease and guarantee deposits in trust	45,865	238,913
Asset retirement obligations	79,480	79,667
Total non-current liabilities	12,548,984	18,114,502
Total liabilities	14,294,789	23,134,947
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	25,363,778
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(33,119)	(36,179)
Total deduction from unitholders' capital	(33,119)	(36,179)
Unitholders' capital, net	20,619,903	25,327,599
Surplus		
Unappropriated retained earnings (undisposed loss)	429,398	623,164
Total surplus	429,398	623,164
Total unitholders' equity	21,049,301	25,950,763
Total net assets	21,049,301	25,950,763
Total liabilities and net assets	35,344,091	49,085,710

2.2. Statements of Income

	(Thousands of yen)	
	17th Fiscal Period from June 1, 2024 to November 30, 2024	18th Fiscal Period from December 1, 2024 to May 31, 2025
Operating revenue		
Leasing business revenue	1,287,843	1,714,813
Total operating revenue	1,287,843	1,714,813
Operating expenses		
Expenses related to leasing business	567,806	656,613
Asset management fee	113,568	136,059
Asset custody fee	1,584	2,104
Administrative service fees	12,957	19,024
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	27,607	32,271
Total operating expenses	727,125	849,673
Operating profit	560,718	865,140
Non-operating income		
Interest income	199	1,090
Reversal of distributions payable	461	482
Other non-operating income	1,376	38
Total non-operating income	2,037	1,611
Non-operating expenses		
Interest expenses	67,066	140,762
Investment unit issuance expenses	-	13,032
Borrowing related expenses	65,436	84,749
Other	-	4,333
Total non-operating expenses	132,503	242,877
Ordinary profit	430,252	623,874
Extraordinary income		
Subsidy income	-	34,650
Total extraordinary income	-	34,650
Extraordinary losses		
Loss on reduction entry of non-current assets	-	34,499
Total extraordinary losses	-	34,499
Profit before income taxes	430,252	624,024
Income taxes - current	980	986
Income taxes - deferred	0	(0)
Total income taxes	980	986
Profit	429,271	623,038
Retained earnings brought forward	127	125
Unappropriated retained earnings (undisposed loss)	429,398	623,164

2.3. Statements of Unitholders' Equity

17th Fiscal Period (from June 1, 2024 to November 30, 2024)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at beginning of current period	20,653,023	(30,060)	(30,060)	20,622,962	367,739	367,739	20,990,702	20,990,702
Changes of items during period								
Dividends of surplus					(367,612)	(367,612)	(367,612)	(367,612)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					429,271	429,271	429,271	429,271
Total changes of items during period	-	(3,059)	(3,059)	(3,059)	61,659	61,659	58,599	58,599
Balance at end of current period	20,653,023	(33,119)	(33,119)	20,619,903	429,398	429,398	21,049,301	21,049,301

18th Fiscal Period (from December 1, 2024 to May 31, 2025)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at beginning of current period	20,653,023	(33,119)	(33,119)	20,619,903	429,398	429,398	21,049,301	21,049,301
Changes of items during period								
Issuance of new investment units	4,710,755			4,710,755			4,710,755	4,710,755
Dividends of surplus					(429,272)	(429,272)	(429,272)	(429,272)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					623,038	623,038	623,038	623,038
Total changes of items during period	4,710,755	(3,059)	(3,059)	4,707,695	193,765	193,765	4,901,461	4,901,461
Balance at end of current period	25,363,778	(36,179)	(36,179)	25,327,599	623,164	623,164	25,950,763	25,950,763

2.4. Statements of Cash Distributions

(Yen)

Item	17th Fiscal Period from June 1, 2024 to November 30, 2024	18th Fiscal Period from December 1, 2024 to May 31, 2025
I. Unappropriated retained earnings	429,398,426	623,164,093
II. Addition of excess distribution	3,059,511	3,110,230
Of which, allowance for temporary difference adjustments	3,059,511	3,110,230
III. Distribution amount	432,332,439	626,089,299
[Distribution amount per unit]	(1,837)	(2,013)
Of which, distribution amount from earnings	429,272,928	622,979,069
[Of which, excess cash distribution per unit]	(1,824)	(2,003)
Of which, Allowance for temporary difference adjustments	3,059,511	3,110,230
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	(13)	(10)
IV. Retained earnings carried forward	125,498	185,024
Method of calculating distribution amount	As described above, distribution per unit for the fiscal period under review is 1,837 yen. Concerning cash distribution (excluding excess cash distribution), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15, Paragraph 1 of the Special Measures Concerning Taxation Act), the Investment Corporation decided to distribute almost the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, the Investment Corporation declared a cash distribution per investment unit (excluding excess cash distribution) of 1,824 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 3,059,511 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 13 yen per investment unit.	As described above, distribution per unit for the fiscal period under review is 2,013 yen. Concerning cash distribution (excluding excess cash distribution), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15, Paragraph 1 of the Special Measures Concerning Taxation Act), the Investment Corporation decided to distribute almost the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, the Investment Corporation declared a cash distribution per investment unit (excluding excess cash distribution) of 2,003 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 3,110,230 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 10 yen per investment unit.

2.5. Statements of Cash Flows

	(Thousands of yen)	
	17th Fiscal Period from June 1, 2024 to November 30, 2024	18th Fiscal Period from December 1, 2024 to May 31, 2025
Cash flows from operating activities		
Profit before income taxes	430,252	624,024
Depreciation	432,043	462,077
Investment unit issuance expenses	-	13,032
Borrowing related expenses	65,436	84,749
Interest income	(199)	(1,090)
Interest expenses	67,066	140,762
Subsidy income	-	(34,650)
Loss on tax purpose reduction entry of non-current assets	-	34,499
Loss on retirement of non-current assets	498	-
Decrease (increase) in operating accounts receivable	6,036	(84)
Increase (decrease) in operating accounts payable	30,529	(17,557)
Decrease (increase) in consumption tax refundable	-	(79,507)
Increase (decrease) in accrued consumption taxes	(12,665)	(33,418)
Decrease (increase) in prepaid expenses	(25,965)	(23,605)
Decrease (increase) in long-term prepaid expenses	1,125	10,137
Increase (decrease) in accounts payable - other	(6,005)	15,024
Increase (decrease) in advances received	10,826	72,052
Other, net	(53)	2,165
Subtotal	998,926	1,268,613
Interest received	199	1,090
Interest paid	(66,612)	(139,926)
Income taxes paid	(1,023)	(1,116)
Net cash provided by (used in) operating activities	931,490	1,128,661
Cash flows from investing activities		
Purchase of property, plant and equipment	(111,994)	(248,122)
Purchase of property, plant and equipment in trust	(9,666)	(13,455,073)
Refund of leasehold and guarantee deposits received	(0)	-
Proceeds from lease and guarantee deposits in trust	-	195,144
Refund of leasehold and guarantee deposits received in trust	(183)	(2,097)
Proceeds for restricted deposits held	-	263
Proceeds for restricted deposits held in trust	183	-
Payments for restricted deposits held in trust	-	(229,330)
Subsidies received	-	34,650
Net cash provided by (used in) investing activities	(121,660)	(13,704,565)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	295,000
Proceeds from long-term borrowings	-	9,389,471
Repayments of short-term borrowings	(10,524)	(934,475)
Repayments of long-term borrowings	(136,200)	(136,200)
Proceeds from issuance of investment units	-	4,697,722
Distributions paid	(370,524)	(432,677)
Net cash provided by (used in) financing activities	(517,249)	12,878,841
Net increase (decrease) in cash and cash equivalents	292,580	302,937
Cash and cash equivalents at beginning of period	744,800	1,037,381
Cash and cash equivalents at end of period	1,037,381	1,340,318