

Summary of REIT Financial Report for the 16th Fiscal Period

July 22, 2024

REIT Issuer: Nippon Hotel & Residential Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3472 URL: <https://nhr-reit.com/>
 Representative: Takeshi Kirihara, Executive Director
 Asset Manager: APA Investment Management Co., Ltd.
 Representative: Takeshi Kirihara, Chief Executive Officer
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 Chief Planning & Coordination Officer

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 28, 2024

Scheduled date of start of distribution payments: August 15, 2024

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 16th Fiscal Period

16th Fiscal Period: Fiscal period ended May 2024 (from December 1, 2023 to May 31, 2024)

15th Fiscal Period: Fiscal period ended November 2023 (from June 1, 2023 to November 30, 2023)

(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	%
16th	1,301	8.2	568	10.0	368	7.7	367	7.6
15th	1,202	(1.5)	516	(1.4)	342	(2.1)	341	(2.2)

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	%	%	%
16th	1,562	1.8	1.0	28.3
15th	1,451	1.6	1.0	28.5

(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	%	%
16th	1,562	367	13	3	1,575	370	100.0	1.8
15th	1,451	341	13	3	1,464	344	100.0	1.6

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

(Note 2) Distribution payout ratio is rounded down to the first decimal place.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
16th	35,341	20,990	59.4	89,190
15th	35,426	20,967	59.2	89,092

(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
	million yen	million yen	million yen	million yen
16th	947	(102)	(588)	744
15th	815	(5,264)	2,787	488

2. Management Status Forecasts for the 17th Fiscal Period and the 18th Fiscal Period

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

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

[% 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
17th	1,291	(0.8)	559	(1.5)	432	17.4	431	17.5	1,835	13	1,848
18th	1,330	3.0	592	5.8	465	7.6	464	7.6	1,975	13	1,988

(Reference) Estimated Profit per unit for the 17th Fiscal Period: 1,834 yen; 18th Fiscal Period: 1,974 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:

16th	235,347 units	15th	235,347 units
16th	0 units	15th	0 units

(ii) Number of own investment units at end of period:

*** 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 is 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 2024 and May 2025” 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 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 14th fiscal period (ending May 31, 2023), the Investment Corporation owned 11 facilities for utilizing leisure time (Note 1). In the 15th fiscal period, the Investment Corporation acquired four accommodation facilities (Note 2) (total acquisition price was 4,898 million yen). As a result, the total number of facilities owned by the Investment Corporation at the end of the fiscal period under review was 15 (total acquisition price was 35,983 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 235,347 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

During the period under review, the Japanese economy as a whole showed a gradual recovery, with corporate earnings recovering due to price pass-through and other factors, capital investment expanding, and personal consumption on a recovery track due to higher wages, amid awareness of a shift from deflation to inflation. On the other hand, negative factors for economic recovery must continue to be closely watched including the continuing rise in prices due to the weakening of the yen, changes in the Bank of Japan's monetary policy, and the prolonged situation in the Middle East and Ukraine.

In this environment, the sponsor was changed in December 2023 from Ooedo Onsen Monogatari Group to APA Group (Note 1). APA Holdings, Inc. became the new shareholder of the Asset Manager and the name of the Asset Manager was changed to “APA Investment Management Co. (Note 2).

In addition, in order to clarify the investment target, the name of the Investment Corporation was changed to “Nippon Hotel & Residential Investment Corporation” with the approval of the general meeting of unitholders held on February 27, 2024.

Though the biggest management concern was to strengthen the financial base, in the refinancing in May 2024, the Investment Corporation entrusted the APA Group, which has established good relationships with major financial institutions, to guarantee the debt and received additional credit in financial institution transactions (Note 3), thereby improved the economic conditions for new borrowings and released all mortgages on the assets (Note 4). Furthermore, it is expected to be able to increase its fund-raising volume through expanding the number of financial institutions.

Regarding the status of operations of the facilities for utilizing leisure time held by the Investment Corporation during the fiscal period under review, the occupancy rate of guest rooms (Note 5) was 72.3%, down 4.7% compared year on year due to revenue management through room rate increasing, ADR (Note 6) rose 9.2% year on year and RevPAR (Note 7) rose 4.0% year on year. Concerning the cumulative occupancy rate of accommodation facilities during the fiscal period under review at the end of the period (Note 8) was 95.9%.

The Asset Manager recognizes that efforts to improve sustainability in its asset management operations, including environmental considerations, contributions to society, and strengthening of organizational governance, are essential for improving the unitholder value of the Investment Corporation over the medium to long term, and is promoting ESG initiatives. In May 2024, the Ooedo-Onsen Monogatari Toi Marin Hotel acquired a rating of BELS (Building-Housing Energy-efficiency Labeling System) (Note 9).

The appraisal value of properties acquired totaled 38,679 million yen at the end of the fiscal period under review. In comparison to the appraisal at the end of the previous fiscal period, though the capitalization rate remained unchanged, mainly due to review of operating income from some properties, the appraisal value decreased 140 million yen in total.

Regarding unrealized gain/loss (Note 10) for the portfolio at the end of the fiscal period under review, the unrealized gain increased to 5,587 million yen as a result of the depreciation of the 15 properties.

- (Note 1) A collective term for APA Holdings Co., Ltd., which holds all of APA Investment Management Co., Ltd.'s issued shares, and its consolidated subsidiaries. The same applies hereinafter.
- (Note 2) Please refer to the press release, "Notice Concerning Changes in the Principal Shareholders, Parent Company and Specified Associated Companies of the Asset Manager" dated December 12, 2023 and "Notice Concerning Completion of Changes in the Principal Shareholders, etc., Changes in the trade names and Changes in Director of the Assets Manager" issued on December 19, 2023, for details.
- (Note 3) Please refer to the press release, "Notice of a Guarantee of Borrowings of Nippon Hotel & Residential Investment Corporation by APA Holdings" dated May 27, 2024.
- (Note 4) Please refer to the press release, "Notice of the Removal of Security Interests" dated May 27, 2024, for details.
- (Note 5) Occupancy rate of Facilities for utilizing leisure time is calculated by the following formula.

$$\text{Occupancy rate of Facilities for utilizing leisure time} = \text{number of guestrooms sold during relevant period} / \text{number of rooms available for sale during relevant period} \times 100 (\%)$$
Please note that the number of rooms available for sale during the applicable period does not include rooms that are unavailable due to renovation work, etc.
- (Note 6) "ADR" stands for Average Daily Rate, which is calculated by dividing the total room sales for a certain period by the total number of rooms sold (total number of occupied rooms) for the same period, rounded down to the nearest specified unit.
- (Note 7) 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 8) The occupancy rate of accommodation facilities during the fiscal period is calculated using the formula below.

$$\text{Period cumulative occupancy rate} = \text{period cumulative of leased area as of the end of each month} \div \text{period cumulative of total leasable area as of the end of each month} \times 100 (\%)$$
- (Note 9) Please refer to the press release, "Notice of Achievement of a Building-Housing Energy-efficiency Labeling System (BELS) Rating" dated May 31, 2024, for details.
- (Note 10) Unrealized gain/loss is calculated using the following formula. Please note that there is no guarantee that this unrealized gain/loss will be realized.

$$\text{Unrealized gain/loss} = \text{Total appraisal value of owned assets as of the end of the fiscal period under review} - \text{Total balance sheet amount (including equipment attached to buildings, structures, machinery and equipment, tools, furniture and fixtures, construction in progress as well as leasehold right)}$$

c. Overview of Capital Procurement

In the fiscal period under review, the Investment Corporation raised 739 million yen through short-term borrowing and 4,204 million yen through long-term borrowing from a syndicate with Sumitomo Mitsui Banking Corporation (SMBC) as the arranger and 195 million yen through short-term borrowing from SMBC (Note 1), to allocate the funds to the repayment of a portion of 5,144 million yen debt due February 29, 2024. Moreover, the Investment Corporation procured 750 million yen through short-term borrowing from Sumitomo Mitsui Trust Bank, Limited and 4,221 million yen through long-term borrowing from a syndicate with SMBC as the arranger (Note 2), to allocate the funds to the repayment of 4,971 million yen debt due May 31, 2024.

In addition, the Investment Corporation made scheduled repayments of 73 million yen each on January 31, 2024 and April 30, 2024, using cash on hand. As a result, the total amount of interest-bearing debt was 12,736 million yen and the ratio of interest-bearing debt to total assets (LTV) was 36.0% at the end of the fiscal period under review.

Meanwhile, the Investment Corporation received debt guarantee for all of its borrowings as of May 31, 2024 from APA Holdings Co., Ltd., its sponsor, to terminate security interest attached to its assets (Note 3).

(Note 1) Refer to the press release, "Notice Concerning Borrowing of Funds" dated February 26, 2024, for details.

(Note 2) Refer to the press release, "Notice Concerning Borrowing of Funds" dated May 27, 2024, for details.

(Note 3) Refer to the press release, "Notice of a Guarantee of Borrowings of Nippon Hotel & Residential Investment Corporation by APA Holdings" and "Notice of the Removal of Security Interests" dated May 27, 2024, for details.

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 1,301 million yen, operating profit of 568 million yen, ordinary profit of 368 million yen and profit of 367 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 1,562 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 3,059,511 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 13 yen.

As a result, distribution per unit for the fiscal period under review was determined as 1,575 yen (of which, excess distribution per unit was 13 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 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), the Investment Corporation aims for continuous and stable improvement of unitholder value.

(b) Utilization of the Asset Manager’s own network

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 facilities for utilizing leisure time, 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

The Investment Corporation has concluded a sponsor support agreement (Note) with the APA Group as of December 19, 2023 for the purpose of receiving support on the Investment Corporation’s activities from the sponsor and expanding and developing both parties’ businesses. Under the agreement, the Investment Corporation is granted preferential negotiating rights for the acquisition of properties owned or developed by the APA Group that satisfy the Investment Corporation’s investment criteria, and will be provided on a preferential basis with information obtained by the APA Group on properties for sale by third parties. 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) Refer to the press release, “Notice Concerning the Conclusion of a Sponsor Support Agreement with the APA Group” dated December 12, 2023, for details.

b. Internal Growth Strategy

(a) Facilities for utilizing leisure time

Mainly regarding facilities for utilizing leisure time, 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. If the Investment Corporation signs a pass-through master lease agreement, it will collaborate with the property management company to effectively attract tenants and it will seek the maximization of rents when concluding new agreements and renewing existing ones.

(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. Furthermore, the Investment Corporation can receive support that is necessary for additions of relationship financial institutions and improvement in funding conditions from the APA Group with whom it concluded a sponsor support agreement. Through maximum use of this sponsor support, the Investment Corporation aims to reduce financial costs, acquire ratings and achieve longer average maturity for debts, among other things. Regarding 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 and the dilution of distribution per unit.

(3) Significant Subsequent Events

Not applicable

Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Period Ending November 2024 and May 2025

Item	Assumption																																																																																
Calculation period	<ul style="list-style-type: none">Fiscal period ending November 2024 (17th fiscal period: from June 1, 2024, to November 30, 2024) (183 days)Fiscal period ending May 2025 (18th fiscal period: from December 1, 2024 to May 31, 2025) (182 days)																																																																																
Managed Assets	<ul style="list-style-type: none">The Invesetment Corporation has owned 15 properties as of the date of this document.It is assumed that there will be no change (acquisition or disposition of assets) through to the end of the fiscal period ending May 2025.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	<p>< Hot spring / hot bath related facilities ></p> <ul style="list-style-type: none">Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document. It is calculated in light of rent revisions to be made in the future, taking into consideration market trends and other factors. <p>Fiscal Period Ending November 2024 (17th fiscal period)</p> <p style="text-align: right;">(Millions of yen)</p> <table><tr><th rowspan="2">Property name</th><th colspan="2">Primary rent (Note 2)</th><th rowspan="2">Secondary rent (Note 5)</th><th rowspan="2">Other revenue</th><th rowspan="2">Total (Note 8)</th></tr><tr><th>Fixed rent (Note 3)</th><th>Variable rent (Note 4)</th></tr><tr><td>Ooedo-Onsen Monogatari Reoma Resort</td><td>314</td><td>-</td><td>32</td><td>0 (Note 6)</td><td>347</td></tr><tr><td>Ooedo-Onsen Monogatari Ise-shima</td><td>97</td><td>8</td><td>3</td><td>-</td><td>108</td></tr><tr><td>Ito Hotel New Okabe</td><td>73</td><td>9</td><td>8</td><td>-</td><td>91</td></tr><tr><td>Ooedo-Onsen Monogatari Atami</td><td>93</td><td>6</td><td>3</td><td>-</td><td>104</td></tr><tr><td>Ooedo-Onsen Monogatari Toi Marine Hotel</td><td>54</td><td>5</td><td>1</td><td>-</td><td>62</td></tr><tr><td>Ooedo-Onsen Monogatari Awara</td><td>65</td><td>4</td><td>8</td><td>-</td><td>79</td></tr><tr><td>Ooedo-Onsen Monogatari Ikaho</td><td>36</td><td>4</td><td>4</td><td>-</td><td>45</td></tr><tr><td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td><td>24</td><td>-</td><td>5</td><td>-</td><td>29</td></tr><tr><td>Ooedo-Onsen Monogatari Kounkaku</td><td>42</td><td>-</td><td>4</td><td>-</td><td>46</td></tr><tr><td>Kinugawa Kanko Hotel</td><td>151</td><td>-</td><td>8</td><td>0 (Note 7)</td><td>159</td></tr><tr><td>Ooedo-Onsen Monogatari Higashiyama Grand Hotel</td><td>51</td><td>5</td><td>10</td><td>0 (Note 6)</td><td>68</td></tr><tr><td>Total (Note 8)</td><td>1,006</td><td>44</td><td>91</td><td>0</td><td>1,143</td></tr></table>	Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Other revenue	Total (Note 8)	Fixed rent (Note 3)	Variable rent (Note 4)	Ooedo-Onsen Monogatari Reoma Resort	314	-	32	0 (Note 6)	347	Ooedo-Onsen Monogatari Ise-shima	97	8	3	-	108	Ito Hotel New Okabe	73	9	8	-	91	Ooedo-Onsen Monogatari Atami	93	6	3	-	104	Ooedo-Onsen Monogatari Toi Marine Hotel	54	5	1	-	62	Ooedo-Onsen Monogatari Awara	65	4	8	-	79	Ooedo-Onsen Monogatari Ikaho	36	4	4	-	45	Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29	Ooedo-Onsen Monogatari Kounkaku	42	-	4	-	46	Kinugawa Kanko Hotel	151	-	8	0 (Note 7)	159	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	5	10	0 (Note 6)	68	Total (Note 8)	1,006	44	91	0	1,143
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Item	Assumption					
	Fiscal Period Ending May 2025 (18th fiscal period)					
	(Millions of yen)					
	Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Other revenue	Total (Note 8)
		Fixed rent (Note 3)	Variable rent (Note 4)			
	Ooedo-Onsen Monogatari Reoma Resort	314	-	30	0 (Note 6)	345
	Ooedo-Onsen Monogatari Ise-shima	108	8	3	-	120
	Ito Hotel New Okabe	73	7	8	-	89
	Ooedo-Onsen Monogatari Atami	93	7	3	-	105
	Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	-	62
	Ooedo-Onsen Monogatari Awara	65	4	8	-	78
	Ooedo-Onsen Monogatari Ikaho	36	3	3	-	44
	Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29
	Ooedo-Onsen Monogatari Kounkaku	42	-	4	0 (Note 7)	46
	Kinugawa Kanko Hotel	174	8	7	0 (Note 7)	190
	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	6	9	0 (Note 6)	68
	Total (Note 8)	1,040	53	87	0	1,182
	(Note 1) “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. “Modified GOP” is 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 public charges, non-life insurance premiums and land and house rent, but excluding an amount equivalent to Secondary rent (defined below in Note 5)) from the GOP of each facility for the Modified GOP Calculation Period (defined below in Note 4). The same applies hereinafter.					
	(Note 2) “Primary rent” refers to the sum of the fixed rent and the variable rent. The same applies hereinafter.					
	(Note 3) “Fixed rent” refers to the monthly amount provided for in each facility’s lease agreement. The same applies hereinafter.					
	(Note 4) “Variable rent” refers to the amount obtained by multiplying each facility’s modified GOP 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 are referred to as “modified GOP Calculation Periods”) regarding each facility by the specific rate provided for in each lease agreement (yearly; the monthly amount is 1/12th thereof). The same applies hereinafter.					
	(Note 5) “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 6) The amount is land rent based on the fixed-term land lease agreement.					
	(Note 7) Utility pole usage fees.					
	(Note 8) Rents of properties are rounded down to the nearest million yen. Therefore, the total of each property’s rent, the total of fixed rents, the total of variable rents and the total of secondary rents may not add up to the figure indicated in the Total column.					

Item	Assumption															
	<p><Accommodation facilities (Beneficiary interest of real estate in trust)> The following operating revenues are projected.</p> <p style="text-align: right;">(Millions of yen)</p> <table><tr><th>Property name</th><th>Fiscal Period Ending November 2024 (17th fiscal period)</th><th>Fiscal Period Ending May 2025 (18th fiscal period)</th></tr><tr><td>L-Place Miyazakidai</td><td>26</td><td>26</td></tr><tr><td>JMR Residence Shin-Osaka</td><td>39</td><td>39</td></tr><tr><td>K.Ryokuchi</td><td>26</td><td>26</td></tr><tr><td>Fiel Hakusankoen Niigata Hakusankoen building</td><td>55</td><td>55</td></tr></table> <p>(Note) The actual amount may vary from the projected amount.</p>	Property name	Fiscal Period Ending November 2024 (17th fiscal period)	Fiscal Period Ending May 2025 (18th fiscal period)	L-Place Miyazakidai	26	26	JMR Residence Shin-Osaka	39	39	K.Ryokuchi	26	26	Fiel Hakusankoen Niigata Hakusankoen building	55	55
Property name	Fiscal Period Ending November 2024 (17th fiscal period)	Fiscal Period Ending May 2025 (18th fiscal period)														
L-Place Miyazakidai	26	26														
JMR Residence Shin-Osaka	39	39														
K.Ryokuchi	26	26														
Fiel Hakusankoen Niigata Hakusankoen building	55	55														
Operating expenses	<ul style="list-style-type: none">Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate.Taxes and public charges is assumed to be 81 million yen for the fiscal period ending November 2024 and 81 million yen for the fiscal period ending May 2025.Building repair expenses are not expected to arise, as these expenses will, in principle, be borne by the tenant based on the lease agreement effective as of the date of this document.Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 433 million yen for the fiscal period ending November 2024 and 438 million yen for the fiscal period ending May 2025.															
Non-operating expenses	<ul style="list-style-type: none">The total amount of interest expenses and other borrowing-related expenses is expected to be 127 million yen for the fiscal period ending November 2024 and 127 million yen for the fiscal period ending May 2025.															
Borrowings	<ul style="list-style-type: none">The balance of loans outstanding as of May 31, 2024 is 12,736 million yen.In the fiscal period ending May 2025, short-term loans 195 million yen will be due for repayment on February 28, 2025, also short-term loans 728 million yen will be due for repayment on May 30, 2025. And it is assumed that around the same amounts will be refinanced.In the fiscal period ending November 2024, it is assumed that the scheduled repayment (July 31: 73 million yen, October 31: 73 million yen) will be made separately.In the fiscal period May 2025, it is assumed that the scheduled repayment (January 31: 73 million yen, April 30: 73 million yen) will be made separately.															
Outstanding Investment Units	<ul style="list-style-type: none">The assumed number of investment units issued and outstanding as of the date of this document is 235,347, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before May 31, 2025.Distribution per unit is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal period ending May 2025 (235,347 units).															
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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 13 yen of excess distribution per unit will be conducted in the fiscal period ending November 2024 and 13 yen in the fiscal period ending May 2025.															

Item	Assumption
Other	<ul style="list-style-type: none"> • 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.

2. Financial Statements

2.1. Balance Sheets

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	1,570,386	1,783,405
Cash and deposits in trust	97,181	140,780
Prepaid expenses	180,172	136,776
Operating accounts receivable	11,110	6,585
Consumption tax refundable	42,073	-
Other	3,598	3,042
Total current assets	1,904,523	2,070,591
Non-current assets		
Property, plant and equipment		
Buildings	24,155,919	24,277,603
Accumulated depreciation	(5,276,598)	(5,687,775)
Buildings, net	18,879,320	18,589,827
Structures	35,989	35,989
Accumulated depreciation	(6,259)	(7,424)
Structures, net	29,729	28,564
Machinery and equipment	600	600
Accumulated depreciation	(203)	(221)
Machinery and equipment, net	396	378
Tools, furniture and fixtures	19,397	24,746
Accumulated depreciation	(7,833)	(9,461)
Tools, furniture and fixtures, net	11,564	15,284
Land	9,097,457	9,097,457
Buildings in trust	1,042,242	1,050,835
Accumulated depreciation	(6,059)	(18,230)
Buildings in trust, net	1,036,183	1,032,605
Tools, furniture and fixtures in trust	-	545
Accumulated depreciation	-	(17)
Tools, furniture and fixtures in trust, net	-	527
Land in trust	4,007,528	4,007,528
Total property, plant and equipment	33,062,180	32,772,175
Intangible assets		
Leasehold interests in land	321,541	319,805
Software	1,240	1,109
Total intangible assets	322,781	320,914
Investments and other assets		
Deferred tax assets	14	18
Long-term prepaid expenses	127,159	167,432
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	137,264	177,540
Total non-current assets	33,522,226	33,270,630
Total assets	35,426,749	35,341,222

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Operating accounts payable	96,806	96,509
Short-term borrowings	-	945,000
Current portion of long-term borrowings	9,488,162	272,401
Accounts payable - other	75,122	81,590
Accrued expenses	291	336
Income taxes payable	914	993
Accrued consumption taxes	-	46,083
Advances received	223,623	219,126
Other	8,712	3,297
Total current liabilities	9,893,633	1,665,338
Non-current liabilities		
Long-term loans payable	3,400,000	11,519,036
Leasehold and guarantee deposits received	1,040,803	1,040,803
Lease and guarantee deposits in trust	45,589	46,048
Asset retirement obligations	79,107	79,293
Total non-current liabilities	4,565,499	12,685,182
Total liabilities	14,459,133	14,350,520
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(27,000)	(30,060)
Total deduction from unitholders' capital	(27,000)	(30,060)
Unitholders' capital, net	20,626,022	20,622,962
Surplus		
Unappropriated retained earnings (undisposed loss)	341,594	367,739
Total surplus	341,594	367,739
Total unitholders' equity	20,967,616	20,990,702
Total net assets	20,967,616	20,990,702
Total liabilities and net assets	35,426,749	35,341,222

2.2. Statements of Income

	(Thousands of yen)	
	15th Fiscal Period from June 1, 2023 to November 30, 2023	16th Fiscal Period from December 1, 2023 to May 31, 2024
Operating revenue		
Leasing business revenue	1,202,665	1,301,403
Total operating revenue	1,202,665	1,301,403
Operating expenses		
Expenses related to leasing business	531,744	563,695
Asset management fee	107,863	113,050
Asset custody fee	1,491	1,588
Administrative service fees	13,470	13,810
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	28,030	37,473
Total operating expenses	686,200	733,218
Operating profit	516,465	568,184
Non-operating income		
Interest income	15	9
Interest on tax refund	-	120
Reversal of distributions payable	1,802	801
Total non-operating income	1,818	931
Non-operating expenses		
Interest expenses	43,851	57,474
Borrowing related expenses	131,989	139,009
Collateral release expenses	-	4,008
Total non-operating expenses	175,841	200,491
Ordinary profit	342,442	368,624
Extraordinary income		
Subsidy income	-	16,400
Total extraordinary income	-	16,400
Extraordinary losses		
Loss on reduction entry of non-current assets	-	16,400
Total extraordinary losses	-	16,400
Profit before income taxes	342,442	368,624
Income taxes - current	916	994
Income taxes - deferred	(4)	(3)
Total income taxes	911	990
Profit	341,530	367,633
Retained earnings brought forward	63	105
Unappropriated retained earnings (undisposed loss)	341,594	367,739

2.3. Statements of Unitholders' Equity

15th Fiscal Period (from June 1, 2023 to November 30, 2023)

(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	(36,179)	(36,179)	20,616,843	349,082	349,082	20,965,926	20,965,926
Changes of items during period								
Dividends of surplus					(339,841)	(339,841)	(339,841)	(339,841)
Excess cash distribution from allowance for temporary difference adjustments		9,178	9,178	9,178	(9,178)	(9,178)	-	-
Profit					341,530	341,530	341,530	341,530
Total changes of items during period	-	9,178	9,178	9,178	(7,488)	(7,488)	1,689	1,689
Balance at end of current period	20,653,023	(27,000)	(27,000)	20,626,022	341,594	341,594	20,967,616	20,967,616

16th Fiscal Period (from December 1, 2023 to May 31, 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	(27,000)	(27,000)	20,626,022	341,594	341,594	20,967,616	20,967,616
Changes of items during period								
Dividends of surplus					(341,488)	(341,488)	(341,488)	(341,488)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					367,633	367,633	367,633	367,633
Total changes of items during period	-	(3,059)	(3,059)	(3,059)	26,144	26,144	23,085	23,085
Balance at end of current period	20,653,023	(30,060)	(30,060)	20,622,962	367,739	367,739	20,990,702	20,990,702

2.4. Statements of Cash Distributions

(Yen)

Item	15th Fiscal Period from June 1, 2023 to November 30, 2023	16th Fiscal Period from December 1, 2023 to May 31, 2024
I. Unappropriated retained earnings	341,594,309	367,739,163
II. Addition of excess distribution	3,059,511	3,059,511
Of which, allowance for temporary difference adjustments	3,059,511	3,059,511
III. Distribution amount	344,548,008	370,671,525
[Distribution amount per unit]	[1,464]	[1,575]
Of which, distribution amount from earnings	341,488,497	367,612,014
[Of which, excess cash distribution per unit]	[1,451]	[1,562]
Of which, Allowance for temporary difference adjustments	3,059,511	3,059,511
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[13]	[13]
IV. Retained earnings carried forward	105,812	127,149
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 1,464 yen.</p> <p>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 1,451 yen.</p> <p>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.</p>	<p>As described above, distribution per unit for the fiscal period under review is 1,575 yen.</p> <p>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 1,562 yen.</p> <p>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.</p>

2.5. Statements of Cash Flows

(Thousands of yen)

	15th Fiscal Period from June 1, 2023 to November 30, 2023	16th Fiscal Period from December 1, 2023 to May 31, 2024
Cash flows from operating activities		
Profit before income taxes	342,442	368,624
Depreciation	418,545	429,146
Borrowing related expenses	131,989	139,009
Interest income	(15)	(9)
Interest expenses	43,851	57,474
Subsidy income	-	(16,400)
Loss on tax purpose reduction entry of non-current assets	-	16,400
Loss on retirement of non-current assets	841	4,041
Decrease (increase) in operating accounts receivable	(11,110)	4,525
Increase (decrease) in operating accounts payable	45,428	(38,665)
Decrease (increase) in consumption tax refundable	(29,289)	42,073
Increase (decrease) in accrued consumption taxes	-	46,083
Decrease (increase) in prepaid expenses	(90,656)	(44,289)
Decrease (increase) in long-term prepaid expenses	(9,425)	104
Increase (decrease) in accounts payable - other	(5,644)	6,467
Increase (decrease) in advances received	16,167	(4,496)
Other, net	6,599	(4,117)
Subtotal	859,725	1,005,971
Interest received	15	9
Interest paid	(43,770)	(57,428)
Income taxes paid	(814)	(915)
Net cash provided by (used in) operating activities	815,156	947,636
Cash flows from investing activities		
Purchase of property, plant and equipment	(204,244)	(118,056)
Purchase of property, plant and equipment in trust	(5,049,771)	(1,291)
Purchase of intangible assets	(1,308)	-
Refund of leasehold and guarantee deposits received	(44)	-
Proceeds from lease and guarantee deposits in trust	45,589	459
Payments for restricted deposits held	(8,878)	-
Payments for restricted deposits held in trust	(45,589)	(459)
Subsidies received	-	16,400
Net cash provided by (used in) investing activities	(5,264,247)	(102,947)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	1,677,379
Proceeds from long-term borrowings	3,275,000	8,341,070
Repayments of short-term borrowings	-	(739,829)
Repayments of long-term borrowings	(146,724)	(9,522,048)
Distributions paid	(341,246)	(345,103)
Net cash provided by (used in) financing activities	2,787,028	(588,530)
Net increase (decrease) in cash and cash equivalents	(1,662,062)	256,158
Cash and cash equivalents at beginning of period	2,150,704	488,642
Cash and cash equivalents at end of period	488,642	744,800