

To all concerned parties:

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(Securities Code: 3472)

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Notice Concerning Revisions to Forecasts of Financial Results and Distributions  
for the Fiscal Period Ended November 2016

Oedo Onsen Reit Investment Corporation (the “**Investment Corporation**”) announced on September 5, 2016 its forecasts of financial results for the fiscal period ended November 2016 (1st fiscal period: from March 29, 2016, to November 30, 2016). The forecasts have been revised as follows:

1. Revised Forecasts and Distributions for the Fiscal Period Ended November 2016

	Operating revenues (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)	Distributions per unit (yen) (excluding optimal payable distribution)	Optimal payable distribution per unit (yen)	Distributions per unit (yen) (including optimal payable distribution)
Previous forecast (A)	511	296	62	62	353	—	353
Revised forecast (B)	507	266	67	65	373	3	376
Increase or decrease (B-A)	-3	-29	+4	+3	+20	+3	+23
Rate of increase or decrease	-0.7%	-10.0%	+7.9%	+5.8%	+5.7%	—	+6.5%

Reference:

Fiscal period ended November 2016: Number of investment units outstanding at the end of the period: 176,200

Notes:

- The fiscal periods of the Investment Corporation are from June 1 to November 30 of each year (6 months) and from December 1 to May 31 of the following year (6 months). However, the 1st fiscal period commenced from the date the Investment Corporation was established (March 29, 2016) and continues until November 30, 2016. Moreover, the 1st fiscal period actually commenced from the asset acquisition date (September 1, 2016) and continues until November 30, 2016.
- The forecasts for the financial results for the fiscal periods ended November 2016 are the current forecasts calculated based on the assumptions written in the Attachment “Assumptions Underlying Forecasts of the Financial Results for the Fiscal Periods Ended November 2016.” Therefore, actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding optimal payable distribution) and optimal payable distribution per unit may change as a result of a difference from an assumption. Thus, the forecast information does not guarantee the amount of distributions.
- This forecast information may be revised if it is anticipated it will differ by a particular degree from current forecast information.
- The values are rounded down to the nearest specified unit and percentage is rounded to one decimal place.
- Optimal payable distribution per unit is divided into distribution of allowance for adjustment of temporary difference and

distribution other than allowance for adjustment of temporary difference (“**Return of Capital**”). Optimal payable distributions in this forecast are all distributions of allowance for adjustment of temporary difference. Moreover, optimal payable distribution related to allowance for adjustment of temporary difference will be included in deductible expenses together with the distribution of profits. Furthermore, for tax purposes, it will be recorded not as the Return of Capital but as distributions and will be subject to tax withholding even by unitholders.

## 2. Reasons for the Revisions

The Investment Corporation decided to revise its forecasts of financial results as the financial status for the fiscal period ended November 2016 generally became clear through the process of settlement of accounting and a difference of 5% or more was expected to occur in the estimated value of distribution per unit for the fiscal period ended November 2016 with the anticipation of the increase in depreciation of buildings, etc. and decrease in part of expenses as the main factor against the forecasts announced in “Notice Concerning Revised Forecasts of the Financial Results for the Fiscal Periods Ending November 2016, May 2017 and November 2017” dated September 5, 2016. Although increase/decrease occurred due to the revision of part of the account items of operating expenses and non-operating expenses, etc., there were no large changes as a whole.

Optimal payable distribution which newly occurred in the revised forecast is due to the anticipation of recording of allowance for adjustment of temporary difference as differences in accounts for tax and accounting purposes is expected to occur in the recording of interest expenses related to asset retirement obligations and depreciation related to buildings, etc. for Ooedo-Onsen Monogatari Ise-shima, Ooedo-Onsen Monogatari Atami, Ooedo-Onsen Monogatari Toi Marine Hotel, Ooedo-Onsen Monogatari Awara and Ooedo-Onsen Monogatari Ikaho. The Investment Corporation assumes optimal pay distribution equivalent to the amount of the allowance for adjustment of temporary difference in the fiscal period ended November 2016. In addition, it also assumes optimal pay distribution equivalent to the increase amount of the allowance for adjustment of temporary difference against the differences in accounts for tax and accounting purposes in the fiscal periods ending May 2017 and November 2017, for which the forecasts of financial status have already been announced, but there will be no revisions to the forecast of the financial status and distribution forecast as the impact including other financial results is minimal.

Moreover, the financial results for the fiscal period ended November 2016 is scheduled to be announced on January 24, 2017.

\* Ooedo Onsen Reit Investment Corporation website: <http://oom-reit.com/en/>

**Assumptions Underlying Forecasts of the Financial Results**  
**for the Fiscal Period Ended November 2016**

Item	Assumption												
Calculation Period	Fiscal period ended November 2016 (1st fiscal period: from March 29, 2016, to November 30, 2016) (247 days) The 1st fiscal period actually commenced from the asset acquisition date (September 1, 2016) and continues until November 30, 2016 (91 days).												
Managed Assets	<ul style="list-style-type: none"> <li>It is assumed that the Investment Corporation will continue to own the real estate (nine properties in total) in its portfolio as of January 11, 2017 (these nine properties, the “Acquired Assets”), and will not acquire new assets or dispose of the managed assets.</li> </ul>												
Operating Revenue	<ul style="list-style-type: none"> <li>Lease operations revenue from the Acquired Assets is calculated based on information on performance provided by the current owner of each asset and other information as well as the lease conditions provided for in building lease agreements and building management service agreements that are effective as of the acquisition date and by taking into consideration market trends and other factors.</li> <li>Rent is calculated based on the following assumptions:  [Ooedo-Onsen Monogatari Reoma Resort] Fixed rent: 62,456,896 yen monthly (however, 67,479,294 yen monthly until November 2016) Variable rent: This is 0 yen until November 2016</li> </ul> <p style="text-align: center;">(Yen in millions)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">\</th> <th style="text-align: center;">Fiscal period ended Nov. 2016 (1st fiscal period)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Primary rent (Note 1)</td> <td style="text-align: center;">202</td> </tr> <tr> <td style="text-align: center;">Fixed rent (Note 2)</td> <td style="text-align: center;">202</td> </tr> <tr> <td style="text-align: center;">Variable rent (Note 3)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">Secondary rent (Note 4)</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">219</td> </tr> </tbody> </table> <p>Note 1: “Primary rent” means the sum of the fixed rent and the variable rent. The same applies hereinafter.</p> <p>Note 2: “Fixed rent” means the monthly amount provided for in each facility’s lease agreement and received during the fiscal period. The same applies hereinafter.</p> <p>Note 3: Variable rent will not accrue for the 1st fiscal period, and the variable rent for the 2nd fiscal period will be the fixed amount provided for in each facility’s lease agreement. Further, the variable rent from the 3rd fiscal period onward will be the amount obtained by multiplying each facility’s adjusted GOP (Note 5) for the most recent one-year period (for the six months starting from December of each year, this means the one-year period from March of that year to February of the following year; for the six months starting from June of each year, this means the one-year period from September of the previous year to August of that year) (these one-year periods are referred to as “<b>Adjusted GOP Calculation Periods</b>”) 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.</p> <p>Note 4: “Secondary rent” means an amount equivalent to the total amount of taxes, public charges, nonlife insurance premiums, and other expenses (real estate operational expenses) to be borne by the Investment Corporation for each facility owned by the Investment Corporation. The same applies hereinafter.</p> <p>Note 5: “Adjusted GOP” is the amount remaining after deducting expenses related to real estate 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) from gross operating profit (GOP), 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.</p> <p>Note 6: The values are rounded down to the nearest specified unit.</p>	\	Fiscal period ended Nov. 2016 (1st fiscal period)	Primary rent (Note 1)	202	Fixed rent (Note 2)	202	Variable rent (Note 3)	-	Secondary rent (Note 4)	20	Total	219
\	Fiscal period ended Nov. 2016 (1st fiscal period)												
Primary rent (Note 1)	202												
Fixed rent (Note 2)	202												
Variable rent (Note 3)	-												
Secondary rent (Note 4)	20												
Total	219												

With regard to Ooedo-Onsen Monogatari Reoma Resort, a fixed-term land lease agreement has been executed with the tenant, and it is assumed that the Investment Corporation will receive a separate rent based on that fixed-term land lease agreement.

[Ooedo-Onsen Monogatari Ise-shima]

Fixed rent: 18,009,399 yen monthly (however, 18,948,490 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	56
Fixed rent	56
Variable rent	–
Secondary rent	1
Total	58

[Ito Hotel New Okabe]

Fixed rent: 12,296,799 yen monthly (however, 13,644,591 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	40
Fixed rent	40
Variable rent	–
Secondary rent	4
Total	45

[Ooedo-Onsen Monogatari Atami]

Fixed rent: 15,619,380 yen monthly (however, 16,432,681 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	49
Fixed rent	49
Variable rent	–
Secondary rent	2
Total	51

[Ooedo-Onsen Monogatari Toi Marine Hotel]

Fixed rent: 9,098,235 yen monthly (however, 10,090,632 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	30
Fixed rent	30
Variable rent	–
Secondary rent	0
Total	31

[Ooedo-Onsen Monogatari Awara]

Fixed rent: 10,963,033 yen monthly (however, 11,531,263 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	34
Fixed rent	34
Variable rent	–
Secondary rent	4
Total	39

[Ooedo-Onsen Monogatari Kamoshika-so]

Fixed rent: 5,953,916 yen monthly (however, 6,596,944 yen monthly until November 2016)

Variable rent: This is 0 yen until November

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	19
Fixed rent	19
Variable rent	–
Secondary rent	2
Total	22

[Ooedo-Onsen Monogatari Ikaho]

Fixed rent: 6,126,558 yen monthly (however, 6,788,768 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	20
Fixed rent	20
Variable rent	–
Secondary rent	2
Total	22

[Ooedo-Onsen Monogatari Kimitsu-no-mori]

Fixed rent: 4,098,412 yen monthly (however, 4,535,272 yen monthly until November 2016)

Variable rent: This is 0 yen until November 2016

(Yen in millions)

	Fiscal period ended Nov. 2016 (1st fiscal period)
Primary rent	13
Fixed rent	13
Variable rent	–
Secondary rent	2
Total	16

- Operating revenue is based on the assumption that no tenant will delay its payment of rent or not pay its rent.

#### Operating Expenses

- Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses other than the depreciation of portfolio assets are calculated based on past actual figures by reflecting factors that cause expenses to fluctuate.
- Generally, fixed asset taxes, city planning taxes, and other taxes for the sale and purchase of real estate and the like are calculated on a pro rata basis and settled at the acquisition date. However, at the Investment Corporation, for the fiscal period ended November 2016, an amount equivalent to the settlement money for portfolio assets will not be expensed, as it is included in the acquisition cost to the Investment Corporation, and for the fiscal period ending May 2017, the amount for only a certain period will be expensed. Given the above, fixed asset taxes, city planning taxes, and other taxes for fiscal 2017 will be expensed from the fiscal period ending May 2017. The total amount of fixed asset taxes, city planning taxes, and other taxes included in the acquisition cost of portfolio assets is expected to be 46 million yen (an amount equivalent to taxes for 122 days). If the fixed assets taxes, city planning taxes, and other taxes are expensed, the amount that would have been affected due for those is expected to be 34 million yen (an amount equivalent to taxes for 91 days) for the fiscal period ended November 2016.
- 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 portfolio assets were acquired.
- Depreciation, which is calculated using the straight-line method inclusive of incidental expenses, is expected to be 131 million yen for the fiscal period ended November 2016.

#### Non-operating Expenses

- As one-time expenses in the fiscal period ended November 2016, it is expected that the Investment Corporation's initial expenses will be 73 million yen and its expenses for the issuance, listing, and offering of new investment units, which was resolved at the Investment Corporation's board of directors meetings held on July 29, 2016 and August 22, 2016, will be 73 million yen; and both of these expenses will be fully amortized in the fiscal period ended November 2016.
- The total amount of interest expenses and other borrowing-related expenses is expected to be 52 million yen for the fiscal period ended November 2016.

#### Borrowings

- In order to increase revenue by reducing LTV and interest payments, the Investment Corporation will apply part of the amount recorded as depreciation for each fiscal period to amortization (dispersed repayment of loans). Therefore, it is assumed that scheduled repayment of 55 million yen was conducted in the fiscal period ended November 2016.
- It is assumed that the total amount of interest-bearing debt at the end of the fiscal periods ended November 2016 will be 13,524 million yen.
- The LTV at the end of the fiscal periods ended November 2016 is expected to be around 44.7%.
- The following formula is used to calculate LTV:  

$$\text{LTV} = \text{total interest-bearing debt} \div \text{total assets} \times 100$$

Outstanding Investment Units	<ul style="list-style-type: none"> <li>The assumed number of investment units issued and outstanding as of January 11, 2017 is 176,200.</li> </ul>
Distribution per Unit (Excluding Optimal Payable Distribution)	<ul style="list-style-type: none"> <li>Distribution per unit (excluding optimal payable distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation's articles of incorporation.</li> <li>Distribution per unit (excluding optimal payable distribution) may change due to various factors, occurring in the course of settlement accounts in the future.</li> </ul>
Optimal Payable Distribution per Unit	<ul style="list-style-type: none"> <li>Interest expenses related to asset retirement obligations and allowance for adjustment of temporary difference against the difference in accounts for tax and accounting purposes in the depreciation related to buildings, etc. are expected to be recorded for Oedo-Onsen Monogatari Ise-shima, Oedo-Onsen Monogatari Atami, Oedo-Onsen Monogatari Toi Marine Hotel, Oedo-Onsen Monogatari Awara and Oedo-Onsen Monogatari Ikaho.</li> <li>The allowance for adjustment of temporary difference is expected to be 0.5 million yen in the fiscal period ended November 2016. The Investment Corporation will conduct optimal payable distribution equivalent to the increase amount of allowance for adjustment of temporary difference as its basic policy and assumes optimal payable distribution in the fiscal period ended November 2016 in accordance with the policy.</li> </ul>
Other	<ul style="list-style-type: none"> <li>It is assumed that a revision that affects the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, Securities Listing Regulations or the like set by the Tokyo Stock Exchange, or rules or the like set by The Investment Trusts Association, Japan.</li> <li>It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.</li> </ul>