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## REIT Financial Report for the 3rd Fiscal Period

January 22, 2018

REIT Issuer: Ooedo Onsen Reit Investment Corporation      Stock Exchange Listing: TSE  
 Securities Code: 3472      URL: <https://oom-reit.com>  
 Representative: Fuminori Imanishi, Executive Director  
 Asset Manager: Ooedo Onsen Asset Management Co. Ltd.  
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 Department

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 27, 2018  
 Scheduled date of start of distribution payments: February 15, 2018

Preparing supplementary explanatory materials on financial results: Yes  
 Holding of brief session on financial results: Yes (for institutional investors and analysts)

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

### 1. Status of Management and Assets for the 3rd Fiscal Period

#### 3rd Fiscal Period: Fiscal period ended November 2017 (from June 1, 2017 to November 30, 2017)

##### (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	%
3rd	1,032	1.1	519	(5.3)	421	(5.6)	420	(5.6)
2nd	1,021	101.2	547	105.6	446	564.5	445	576.1

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	%	%	%
3rd	2,384	2.6	1.4	40.8
2nd	2,526	2.8	1.5	43.7

(Note) The calculation period for the 2nd fiscal period is a period of 182 days from December 1, 2016 to May 31, 2017, and the 3rd period is a period of 183 days from June 1 2017 to November 30, 2017.

##### (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	%	%
3rd	2,385	420	7	1	2,392	421	100.0	2.6
2nd	2,526	445	7	1	2,533	446	100.0	2.8

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

(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
3rd	29,208	16,171	55.4	91,777
2nd	29,440	16,197	55.0	91,925

##### (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
3rd	689	(153)	(557)	1,018
2nd	2,273	(47)	(1,854)	1,039

## 2. Management Status Forecasts for the 4th Fiscal Period and the 5th Fiscal Period

**4th Fiscal Period: Fiscal period ending May 2018 (from December 1, 2017 to May 31, 2018)**

**5th Fiscal Period: Fiscal period ending November 2018 (from June 1, 2018 to November 30, 2018)**

[% 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
4th	1,444	39.9	725	39.7	556	32.1	555	32.1	2,358	12	2,370
5th	1,451	0.5	703	(3.0)	564	1.5	563	1.5	2,395	12	2,407

(Reference) Estimated Profit per unit for the 4th Fiscal Period: 2,358 yen; 5th Fiscal Period: 2,394 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:

3rd	176,200 units	2nd	176,200 units
3rd	0 units	2nd	0 units

### \* Presentation of the status of implementation of audit procedures

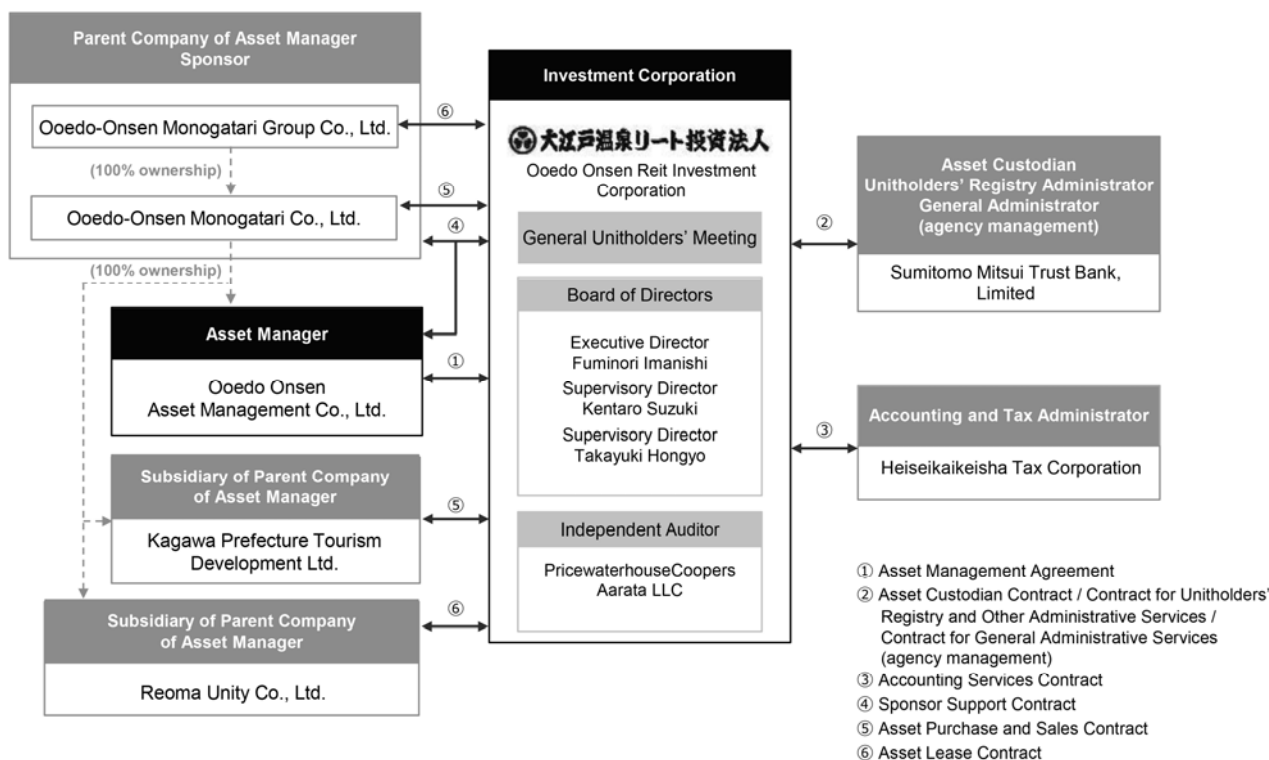
At the time of disclosure of this financial report (*kessan tanshin*), the audit procedures pursuant to the Financial Instruments and Exchange Act have not been completed.

### \* Explanation of the appropriate use of the management status forecasts, and other 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 Periods Ending May 2018 and November 2018” on page 11.

## 1. Affiliated Juridical Persons of the Investment Corporation

“Structure of the Investment Corporation” in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on August 24, 2017) has been changed as follows.



(Note) Ooedo-Onsen Monogatari Co., Ltd., Ooedo-Onsen Monogatari Group Co., Ltd., Kagawa Prefecture Tourism Development Ltd. and Reoma Unity Co., Ltd. are each considered a “Specified affiliated corporation” of the Asset Manager as set forth in Article 12-3 of the Cabinet Office Ordinance on Disclosure of Information, etc. on Regulated Securities (Ministry of Finance No. 22 of 1993; including subsequent revisions).

## 2. Management Policy and Management Status

### 2.1. Management Policy

Disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on August 24, 2017).

### 2.2. Management Status

#### (1) Overview of the Fiscal Period under Review

##### a. Brief History of the Investment Corporation

Ooedo Onsen Reit Investment Corporation (the “Investment Corporation”) was established on March 29, 2016 (capital: 200 million yen, issued investment units: 2,000 units) by Ooedo Onsen Asset Management Co., Ltd. (the “Asset Manager”) as the founder under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the “Investment Trust Act”) and with Ooedo-Onsen Monogatari Co., Ltd. (“Ooedo-Onsen Monogatari”) as the sponsor. 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, pursuant to the basic policy calling for “key investments in onsen and spa-related facilities under the Ooedo business model (Note 1) that can achieve stable revenues and sustained growth” and “growth strategy taking maximum advantage of support from the Ooedo-Onsen Monogatari Group (Note 2),” 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. Furthermore, the Investment Corporation acquired 9 onsen and spa-related facilities (Note 3) (total acquisition price (Note 4): 26,844 million yen) during the first fiscal period (the fiscal period ended November 2016). The total number of investment units issued and outstanding of the Investment Corporation as of the end of the fiscal period under review (November 30, 2017) stands at 176,200 units.

(Note 1) “Ooedo onsen model” is business expertise introduced in facilities operated by the Ooedo-Onsen Monogatari Group capable of maintaining high profitability and stable occupancy, which are possessed by the Ooedo-Onsen Monogatari Group and believed to be highly competitive.

- (Note 2) “Oedo-Onsen Monogatari Group” is comprised of the Investment Corporation’s sponsors, Oedo-Onsen Monogatari Group Co., Ltd. (the “Sponsor Group Parent Company”) and Oedo-Onsen Monogatari Co., Ltd. (may be referred to as “Sponsors” collectively with the Sponsor Group Parent Company); and its consolidated subsidiaries (meaning subsidiaries provided for in Article 8, Paragraph 3 of the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963, as amended), including the Asset Manager). The same applies hereinafter.
- (Note 3) “Onsen and spa-related facilities” refers to facilities which provide as a primary function onsen or hot baths, and include baths (public bathing facilities which employ onsen or other similar facilities; the same hereinafter), ryokan (lodging of which main structure and facilities are Japanese style), hotels (lodging of which main structure and facilities are Western style), resort facilities (facilities to provide opportunities for sports or recreational activities during leisure time), amusement parks, or other leisure facilities (including multi-use facilities that contain the foregoing) that include hot baths as part of their core facilities. Onsen and spa-related facilities also refers to facilities as a whole, including not only buildings with onsen or hot baths, but also the buildings and sites that are adjacent to such buildings or operated as one facility. The same applies hereinafter.
- (Note 4) “Acquisition price” indicates the purchase prices of properties stated in the sale and purchase agreements (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees), rounded down to the nearest million yen.

## b. Investment Environment and Management Performance

The Japanese economy during the fiscal period under review showed continuous improvement in corporate earnings centering on major companies with real GDP growth rate (the second preliminary estimates) for July 2017 to September 2017 up 2.5% from the previous fiscal period. However, consumer sentiment remained weak due to stagnating real wages index. Under such circumstances, according to the Onsen Use Survey by the Nature Conservation Bureau of the Ministry of the Environment, the total number of annual guests of accommodation facilities throughout a fiscal year has continued to increase from fiscal year 2013 to 2015, albeit a continuing mild decline in the number of accommodation facilities, assuring stable demand for onsen.

Under such environment, the occupancy rate (Note 1) of the 9 onsen and spa-related facilities the Investment Corporation acquired (total acquisition price: 26,844 million yen) in the first fiscal period was 100% as of the end of the fiscal period under review. In addition, the guestroom occupancy rate for the 9 properties owned remained high at 89.6% on average for the fiscal period under review, resulting in cumulative totals of ADR (Note 3), RevPAR (Note 4) and sales mostly maintaining the actual results of the same period of the previous year. As to unrealized gain/loss (Note 5) of the entire portfolio as of the end of the fiscal period under review, unrealized gain of 1,198 million yen, which was increase by 174million yen from the end of the previous fiscal period (May 31, 2017) was recorded as a result of decline of book value due to depreciation and other factors, while total appraisal value remained the same as that on the end of the previous fiscal period.

Furthermore, during the fiscal period under review, the Investment Corporation did not acquire any new facilities. However, the Investment Corporation drew up plans for repairs and capital expenditures that take into account the status, features, etc. of the owned properties and implemented necessary repairs and capital expenditures, under trust-based collaboration with the Oedo-Onsen Monogatari Group (Note 6), the operator-cum-tenant. (Repair expenses are basically borne by tenants based on the lease agreements.)

(Note 1) Occupancy rate refers to the ratio of leased area to leasable area.

(Note 2) Guestroom occupancy rate is calculated using the following formula.

Guestroom occupancy rate = number of guestrooms sold during relevant period / number of rooms available for sale during relevant period × 100 (%)

(Note 3) Average daily rate (ADR) is calculated for a given time period by dividing total room revenue by the number of total rooms sold

(Note 4) Revenue per available room (RevPAR) is calculated for a given time period by dividing total room revenue by the number of total rooms available for sale.

(Note 5) Unrealized gain/loss is calculated using the following formula.

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, tools, furniture and fixtures as well as leasehold right)

(Note 6) The Investment Corporation has leased properties it owns since September 1, 2016 pursuant to the lease agreement concluded with Oedo-Onsen Monogatari Co., Ltd. on July 29, 2016. However, the Sponsor Group Parent Company has succeeded the contractual status following the absorption-type split between Oedo-Onsen Monogatari Co., Ltd. and the Sponsor Group Parent Company taking effect on November 1, 2017. Furthermore, the Investment Corporation and the Asset Manager concluded a sponsor support agreement with the Sponsors on November 1, 2017. The former sponsor support agreement (as amended, the “former sponsor support agreement”) concluded on July 29, 2017 between Oedo-Onsen Monogatari Co., Ltd., the Investment Corporation and the Asset Manager was invalidated upon conclusion of the sponsor support agreement from that time on. In the sponsor support agreement, Oedo-Onsen Monogatari Co., Ltd. and the Sponsor Group Parent Company undertake the same obligations as those of sponsors specified in the former sponsor support agreement as sponsors, and thus there is no substantive changes to the terms of the former sponsor support agreement due to the renewal of the agreement.

### **c. Overview of Capital Procurement**

During the fiscal period under review, the Investment Corporation conducted scheduled repayment of 55 million yen each on July 31 and October 31, 2017 using cash on hand. As a result, the total amount of interest-bearing debt stood at 11,624 million yen and the ratio of interest bearing liabilities to total assets (LTV) at 39.8% as of the end of the fiscal period under review.

Since there was no issuance of new investment units during the fiscal period under review, unitholders' capital stands at 15,752 million yen and the total number of investment units issued and outstanding at 176,200 units.

### **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 1,032 million yen, operating profit of 519 million yen, ordinary profit of 421 million yen and profit of 420 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 2,385 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 made a distribution for the 1,233,400 yen allowance for adjustment of temporary difference (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 (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in excess distribution per unit of 7 yen.

As a result, distribution per unit for the fiscal period under review was 2,392 yen (of which, excess distribution per unit was 7 yen).

## **(2) Outlook for the Next Fiscal Period**

### **a. Management Environment in the Next Fiscal Period**

The Japanese economy in the next fiscal period onward needs a pickup in personal consumption in addition to the ongoing growth trend outperforming the previous fiscal period's real GDP backed by maintenance of current strong foreign demand. As to the world economy, uncertainties are expected to remain with issues that require close attention, such as movements in the administration of U.S. interest-rate policy, the Chinese economy as well as North Korean issue, on top of interest rate trends in Japan.

In the hotel sector, eyeing the enforcement of the private lodging law in June 2018, the number of companies seeking various business opportunities is on the rise, requiring attention to their impact on the existing lodging facility industry. However, supply of guestrooms continues to increase against the backdrop of rising demand for accommodation from increasing foreign visitors to Japan and strong demand from Japanese customers.

Under such circumstances, demand for onsen, which is deeply rooted in Japanese culture, has not only continued to be stable but also been expected to expand backed by an increase in inbound tourists in line with the progress in the tourism-oriented country policy promoted by the government as well as by the presence of a large senior-age group arising from the aging of society, as well as their families. For these reasons, business results of the facilities owned by the Investment Corporation are expected to remain stable.

### **b. Future Management Policy and Challenges to Address**

#### **(a) External Growth Strategy**

##### **i. Utilization of Sponsor Pipeline**

Looking at the supply aspect of onsen and spa-related facilities, the number of inquiries for potential deal information to the Oedo-Onsen Monogatari Group is expected to increase as more ryokans decide to cease operation and more hotels are put in the market for sale for various reasons such as a lack of successors and declining competitiveness due to aging properties.

In the period of one year from January 2017 to December 2017, the Oedo-Onsen Monogatari Group acquired a total of 2 onsen and spa-related facilities (1 facility in Gero onsen in Gifu Prefecture in April 2017 and 1 facility in Kushimoto onsen in Wakayama Prefecture (Note 1) in June 2017). The Investment Corporation believes active acquisition will take place going forward as there are a number of inquiries for potential deal information (Note 2).

Furthermore, in accordance with the sponsor support agreement concluded with the Ooedo-Onsen Monogatari Group on November 1, 2017, the Investment Corporation is granted with preferential negotiating rights for acquisition of facilities owned by the Ooedo-Onsen Monogatari Group and will also be preferentially provided with third party property sales information acquired by the Ooedo-Onsen Monogatari Group. The Investment Corporation intends to continuously acquire mainly onsen and spa-related facilities with the Ooedo business model owned and operated by the Ooedo-Onsen Monogatari Group by utilizing abovementioned support.

(Note 1) The Ooedo-Onsen Monogatari Group acquired shares of Kushimoto Onsen Hotel Co., Ltd., which owns the facility.

(Note 2) It is not guaranteed the Investment Corporation will be able to acquire these properties in the future.

## **ii. Synchronization with Revitalization Process of the Ooedo-Onsen Monogatari Group**

The Ooedo-Onsen Monogatari Group has expanded revitalization businesses since 2007 in which the Ooedo-Onsen Monogatari Group acquires onsen and spa-related facilities in various locations across the nation and then introduces the Ooedo onsen model. The Investment Corporation intends to expand asset size by continuously acquiring properties that have achieved high profitability and stable operations through the revitalization process (Note 3).

On the other hand, the Investment Corporation believes that the Ooedo-Onsen Monogatari Group will be able to acquire new properties subject to revitalization by utilizing sales proceeds gained through sales of properties that have achieved high profitability and stable operations to the Investment Corporation, and thus be able to expand its business platform as an operator of onsen and spa-related facilities.

In order to realize such a win-win relationship between the Investment Corporation and the Ooedo-Onsen Monogatari Group, the Investment Corporation is provided with information on properties subject to revitalization as early as when the Ooedo-Onsen Monogatari Group starts discussions, and exchanges views with the Investment Corporation's own investment criteria while taking into account conflict of interest. At the same time, the Ooedo-Onsen Monogatari Group also works to select properties with an eye to selling them to the Investment Corporation. Furthermore, in renewal plans and such to take place after acquisition of properties subject to revitalization, the Ooedo-Onsen Monogatari Group also implements, reflecting opinions of the Investment Corporation, various measures to enable long-term operations such as seismic retrofitting and securement of legal compliance, assuming sales to the Investment Corporation.

(Note) Revitalization processes are roughly divided into three phases; a phase to discuss acquisition of properties subject to revitalization, a renewal phase after acquisition of properties subject to revitalization and a phase to aim for stable operation after opening renewed facilities.

## **iii. Utilization of Network Unique to the Asset Manager**

In addition to the above, the Investment Corporation plans to consider selective investment in facilities operated by those other than the Ooedo-Onsen Monogatari Group and facilities owned by third parties that cover a market with a large number of potential users approachable from the perspective of "onsen/spa" and expect stable operation, by utilizing a network unique to the Asset Manager in the future while maintaining facilities owned or developed by the Ooedo-Onsen Monogatari Group as its main investment targets. The Investment Corporation believes such can improve liquidity in terms of asset class through acquisition of a wide range of onsen and spa-related facilities and other properties.

## **(b) Internal Growth Strategy**

### **i. Rent Structure Emphasizing Stability**

The Investment Corporation adopts a rent system which is comprised of primary rent (fixed rent combined with GOP-linked variable rent) with an addition of secondary rent (amount equivalent to real estate management costs of respective facility) in the long-term lease agreements concluded with the Ooedo-Onsen Monogatari Group companies which are the tenants of the owned assets (Note). This along with having tenants bear repair expenses in principle allow the Investment Corporation to pursue benefits from the upside of a GOP-linked rent income when facilities are generating favorable operating results while securing stability of cash flow over the long term.

(Note) The rent system has been adopted in the lease agreements for the currently owned assets. However, this does not guarantee the same rent system will be adopted in the lease agreements for the facilities that the Investment Corporation acquires in the future.

### **ii. Strategic CAPEX (Note 1) Utilizing Value-Increasing Potential (Note 2)**

The Investment Corporation implements proactive strategic CAPEX for properties with value-increasing potential and aims to enhance the profitability of its portfolio.

Specifically, the Investment Corporation seeks value-increasing measures, such as increasing the number of rooms and expanding open-air baths as well as increasing potential earnings that owned assets are supposed to generate, by collaborating with the Ooedo-Onsen Monogatari Group which possesses know-how on adding value to onsen and spa-related facilities. Seeking benefits from the upside of value-increasing investments, the

Investment Corporation aims to gain additional rent income and to increase variable rent from expanded tenant earnings.

(Note 1) “Value-increasing potential” refers to the capability for potential enhancement of asset value that investments, etc. can bring.

(Note 2) CAPEX (Capital Expenditure) does not refer to repair expenses for maintenance of real estate but refers to expenditure for enhancing value and competitiveness of real estate and its facilities.

### **(c) Financial Strategy**

The Investment Corporation implements flexible financial strategies while emphasizing establishment of a conservative financial base. Although the Investment Corporation has set the upper limit of LTV at 60% in principle, it plans to maintain a conservative level at around 40% amid normal operation for the time being. As to debt financing, the Investment Corporation aims to reduce financing costs while at the same time diversifying financing sources. In addition, the Investment Corporation works to diversify/level repayment dates of interest-bearing debt to reduce refinancing risks.

## **(3) Significant Subsequent Events**

### **a. Issuance of New Investment Units**

Issuance of new investment units was resolved at the board of directors meetings held on November 9 and November 20, 2017 as follows. Payments for the issuance of new investment units via primary offering and via third-party allotment were completed on December 1, 2017 and on December 26, 2017, respectively. The proceeds from the primary offering was allocated to part of funds for the acquisition of the 5 properties (please refer to “c. Acquisition of Assets” later in this document) acquired on December 4, 2017 and the payment of their related expenses. The proceeds from the third-party allotment will be allocated to part of funds for repayment of loans, acquisition of specified assets (as defined in Article 2 Paragraph 1 of the Act on Investment Trusts and Investment Corporations) in the future and payment of expenses related to the acquisition. As a result, unitholders’ capital stands at 20,653 million yen and the total number of investment units issued and outstanding at 235,347 units as of December 26, 2017.

#### **(a) Issuance of new investment units via primary offering (public offering)**

Number of new investment units offered	: 56,330 units
Issue price	: 85,937 yen
Total issue price	: 4,840,831,210 yen
Issue amount	: 82,852 yen
Total issue amount	: 4,667,053,160 yen
Payment deadline	: December 1, 2017
Initial date of reckoning dividend	: December 1, 2017

#### **(b) Issuance of new investment units via third-party allotment**

Number of new investment units offered	: 2,817 units
Issue amount	: 82,852 yen
Total issue amount	: 233,394,084 yen
Allottee	: Nomura Securities Co., Ltd.
Payment deadline	: December 26, 2017
Initial date of reckoning dividend	: December 1, 2017

### **b. Borrowing of Funds**

The Investment Corporation made borrowings as follows on December 4, 2017 to partially fund acquisition of the 5 properties acquired on December 4, 2017 (please refer to “c. Acquisition of Assets”) and their related expenses.

#### Short-term loan (Note 1) (Tranche 2-A)

Lender	: Syndicate with Sumitomo Mitsui Banking Corporation as the arranger (Note 7)
Loan amount	: 580 million yen
Interest rate (Note 2)	: Base interest rate (JBA 1-month JPY TIBOR) (Note 3) (Note 6) plus 0.35%
Drawdown date	: December 4, 2017

Interest payment date : The first interest payment date shall be the last day of December 2017, and subsequent interest payment dates shall be the last day of every month (Note 5) and the principal repayment date.

Principal repayment date : November 30, 2018 (Note 5)

Principal repayment method : Lump-sum repayment at maturity. If the borrower receives a refund of consumption tax, the borrower shall make an early repayment of the refunded amount to the lender on the interest payment date following the day on which the borrower receives the refund (“Refund Receipt Date”) (or, if the interest payment date that comes immediately after the Refund Receipt Date is within 10 business days of the Refund Receipt Date, on the next interest payment date after such interest payment date).

Security : Unsecured and unguaranteed

#### Long-term loan (Note 1) (Tranche 2-B)

Lender : Syndicate with Sumitomo Mitsui Banking Corporation as the arranger (Note 8)

Loan amount : 2,340 million yen

Interest rate : Base interest rate (JBA 3-month JPY TIBOR) (Note 4) (Note 6) plus 0.65%

Drawdown date : December 4, 2017

Interest payment date : The first interest payment date shall be the last day of January 2018, and subsequent interest payment dates shall be the last day of January, April, July and October every year (Note 5) and the principal repayment date.

Principal repayment date : November 30, 2020 (Note 5)

Principal repayment method : Starting with the first repayment on the last day of January 2018, principal shall be repaid on the last day of January, April, July and October every year (Note 5) in installments of 18,135,000 yen to be prorated in proportion to the amount of unpaid principal of each individual lender’s individual loan pertaining to Tranche 2-B, and the loan outstanding shall be repaid on the principal repayment date.

Security : Unsecured and unguaranteed

#### Long-term loan (Tranche 2-C)

Lender : Syndicate with Sumitomo Mitsui Banking Corporation as the arranger (Note 9)

Loan amount : 2,500 million yen

Interest rate : Base interest rate (JBA 3-month JPY TIBOR) (Note 4) (Note 6) plus 0.80%

Drawdown date : December 4, 2017

Interest payment date : The first interest payment date shall be the last day of January 2018, and subsequent interest payment dates shall be the last day of January, April, July and October every year (Note 5) and the principal repayment date.

Principal repayment date : November 30, 2021 (Note 5)

Principal repayment method : Starting with the first repayment on the last day of January 2018, principal shall be repaid on the last day of January, April, July and October every year (Note 5) in installments of 19,365,000 yen to be prorated in proportion to the amount of unpaid principal of each individual lender’s individual loan pertaining to Tranche 2-C, and the loan outstanding shall be repaid on the principal repayment date.

Security : Unsecured and unguaranteed

#### Short-term loan (Tranche 2-D)

Lender : Syndicate with Sumitomo Mitsui Banking Corporation as the arranger (Note 10)



Loan amount : 230 million yen  
 Interest rate : Base interest rate (JBA 1-month JPY TIBOR) (Note 3) (Note 6) plus 0.35%  
 Drawdown date : December 4, 2017  
 Interest payment date : The first interest payment date shall be the last day of December 2017, and subsequent interest payment dates shall be the last day of every month (Note 5) and the principal repayment date.  
 Principal repayment date : November 30, 2018 (Note 5)  
 Principal repayment method : Lump-sum repayment at maturity (Note 11)  
 Security : Unsecured and unguaranteed

(Note 1) Short-term loan refers to a loan due within one year from the drawdown date, and long-term loan refers to a loan due within a period longer than one year from the drawdown date. The same applies hereinafter.

(Note 2) Borrowing expenses, etc. payable to the lenders are not included. The same applies hereinafter.

(Note 3) The base interest rate applicable to the calculation period for the interest payable on each interest payment date shall be the JBA one-month Japanese yen TIBOR (Tokyo Interbank Offered Rate) (Note 6) two business days prior to the interest payment date for the immediately preceding interest calculation period (in case of the first interest calculation period, two business days prior to the borrowing date). However, in cases where there is no rate corresponding to the interest calculation period, the base interest rate for such interest calculation period shall be calculated based on the method provided for in the loan agreements. The base interest rate corresponding to the first interest calculation period is 0.04545%.

(Note 4) The base interest rate applicable to the calculation period for the interest payable on each interest payment date shall be the JBA three-month Japanese yen TIBOR (Tokyo Interbank Offered Rate) (Note 6) two business days prior to the interest payment date for the immediately preceding interest calculation period (in case of the first interest calculation period, two business days prior to the borrowing date). However, in cases where there is no rate corresponding to the interest calculation period, the base interest rate for such interest calculation period shall be calculated based on the method provided for in the loan agreements. Furthermore, each interest rate will be 0% when it is below 0%. The base interest rate corresponding to the first interest calculation period is 0.04625%.

(Note 5) If this date falls on a day that is not a business day, the repayment date shall be the immediately following business day or, if that immediately following business day falls in the next calendar month, the immediately preceding business day.

(Note 6) Please refer to the Japanese Bankers Association (JBA) TIBOR Administration's website (<http://www.jbatibor.or.jp/english/>) regarding Japanese yen TIBOR.

(Note 7) The syndicate consists of Sumitomo Mitsui Banking Corporation

(Note 8) The syndicate consists of Sumitomo Mitsui Banking Corporation, The Toho Bank, Ltd., The Nomura Trust and Banking Co., Ltd., The Bank of Fukuoka, Ltd. and The Shinwa Bank, Ltd.

(Note 9) The syndicate consists of The Mie Bank, Ltd., The Tochigi Bank, Ltd., The First Bank of Toyama, Ltd., Fuku Mutual Life Insurance Company, The Bank of Kochi, Ltd., The Bank of Fukuoka, Ltd. and The Shinwa Bank, Ltd.

(Note 10) The syndicate consists of Sumitomo Mitsui Banking Corporation.

(Note 11) Early repayment of the entire amount on January 31, 2018 using part of proceeds from the issuance of new investment units via third-party allotment (233,394,084 yen) has been decided.

### c. Acquisition of Assets

The Investment Corporation acquired 5 onsen and spa-related facilities with a total acquisition price of 9,861 million yen on December 4, 2017 as described below, using the proceeds from the issuance of new investment units (please refer to "a. Issuance of New Investment Units" above) and borrowings (please refer to "b. Borrowing of Funds" above).

Property name	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
Specified asset type	Real estate
Location (residence indication)	523, Otorimachi, Nagasaki-shi, Nagasaki
Seller	Kagawa Prefecture Sightseeing LLC.
Acquisition price (Note)	1,637 million yen

Property name	Ooedo-Onsen Monogatari Kounkaku
Specified asset type	Real estate
Location (residence indication)	1-10, Aza-Kurumayu, Narukoonsen, Osaki-shi, Miyagi

Seller	Kagawa Prefecture Sightseeing LLC.
Acquisition price (Note)	1,040 million yen

Property name	Kinugawa Kanko Hotel
Specified asset type	Real estate
Location (residence indication)	359-2, Aza-Nakashima, Kinugawaonsentaki, Nikko-shi, Tochigi
Seller	Ooedo-Onsen Monogatari Co., Ltd.
Acquisition price (Note)	3,870 million yen

Property name	Ooedo-Onsen Monogatari Kinosaki
Specified asset type	Real estate
Location (residence indication)	1232-1, Aza-Kikuyashima, Momoshia, Kinosakicho, Toyooka-shi, Hyogo
Seller	Ooedo-Onsen Monogatari Co., Ltd.
Acquisition price (Note)	2,084 million yen

Property name	Ooedo-Onsen Monogatari Higashiyama Grand Hotel
Specified asset type	Real estate
Location (residence indication)	5-1, Aza-Kamiyumoto, Oaza-Yumoto, Higashiyamamachi, Aizuwakamatsu-shi, Fukushima Prefecture
Seller	Ooedo-Onsen Monogatari Co., Ltd.
Acquisition price (Note)	1,230 million yen

(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 Periods Ending May 2018 and November 2018**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> <li>• Fiscal period ending May 2018 (4th fiscal period: from December 1, 2017, to May 31, 2018) (182 days)</li> <li>• Fiscal period ending November 2018 (5th fiscal period: from June 1, 2018, to November 30, 2018) (183 days)</li> </ul>
Managed Assets	<ul style="list-style-type: none"> <li>• 14 properties, which are 9 properties the Investment Corporation owns as of November 30, 2017 and 5 properties acquired on December 4, 2017 (Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Ooedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Ooedo-Onsen Monogatari Kinosaki and Ooedo-Onsen Monogatari Higashiyama Grand Hotel (the “Assets Newly Acquired”)), are assumed as managed assets.</li> <li>• It is assumed there will be no change (acquisition or disposition of assets), except for the acquisition of the Newly Acquired Assets, through to the end of the fiscal period ending November 2018.</li> <li>• The managed assets may actually change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document, taking into consideration market trends and other factors. It is assumed that no rent payments will be behind or declined by tenants.</li> <li>• Rent is calculated based on the following assumptions:   <p>[Ooedo-Onsen Monogatari Reoma Resort]  Fixed rent: 62,456,896 yen monthly  Variable rent: 5,181,730 yen monthly; and will be calculated using the following calculation method after June 2019</p> <ol style="list-style-type: none"> <li>(1) Modified GOP (Note 1) for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 64.0% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.</li> </ol> <p>With regard to Ooedo-Onsen Monogatari Reoma Resort, a fixed-term land lease agreement has been executed with the tenant, and the Investment Corporation receives a separate monthly land rent of 89,100 yen based on the fixed-term land lease agreement.</p> <p>[Ooedo-Onsen Monogatari Ise-shima]  Fixed rent: 18,009,399 yen monthly  Variable rent: 962,993 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period × 4.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 77.0% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.</li> </ol> <p>[Ito Hotel New Okabe]  Fixed rent: 12,296,799 yen monthly  Variable rent: 1,471,251 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 52.0% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.</li> </ol> </li> </ul>

<p>Operating revenue</p>	<p>[Oedo-Onsen Monogatari Atami]  Fixed rent: 15,619,380 yen monthly  Variable rent: 939,716 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 4.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 74.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Toi Marine Hotel]  Fixed rent: 9,098,235 yen monthly  Variable rent: 1,016,579 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 7.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 72.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Awara]  Fixed rent: 10,963,033 yen monthly  Variable rent: 608,360 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 3.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 62.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Kamoshika-so]  Fixed rent: 5,953,916 yen monthly  Variable rent: 655,836 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 6.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 62.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Ikaho]  Fixed rent: 6,126,558 yen monthly  Variable rent: 708,097 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 7.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 67.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Kimitsu-no-mori]  Fixed rent: 4,098,412 yen monthly  Variable rent: 436,860 yen monthly from December 2016; and will be revised every six months and calculated as follows:  (1) Modified GOP for the most recent one-year period <math>\times</math> 5.0% (yearly; the monthly amount is 1/12th thereof)  (2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Oedo-Onsen Monogatari Nagasaki Hotel Seifu]  Fixed rent: 9,788,199 yen monthly (however, 10,286,583 yen monthly until May 2018)  Variable rent: 0 yen until May 2018. 498,384 yen monthly from June 2018; and will be revised every six months and calculated as follows:</p>
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- (1) Modified GOP for the most recent one-year period  $\times$  2.2% (yearly; the monthly amount is 1/12th thereof)
- (2) Only if 44.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

[Ooedo-Onsen Monogatari Kounkaku]

Fixed rent: 7,017,209 yen monthly (however, 7,772,214 yen monthly until May 2018)

Variable rent: 0 yen until May 2018. 755,005 yen monthly from June 2018; and will be revised every six months and calculated as follows:

- (1) Modified GOP for the most recent one-year period  $\times$  4.5% (yearly; the monthly amount is 1/12th thereof)
- (2) Only if 45.3% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

[Kinugawa Kanko Hotel]

Fixed rent: 22,478,074 yen monthly (however, 23,666,168 yen monthly until May 2018)

Variable rent: 0 yen until May 2018. 1,188,094 yen monthly from June 2018; and will be revised every six months and calculated as follows:

- (1) Modified GOP for the most recent one-year period  $\times$  2.4% (yearly; the monthly amount is 1/12th thereof)
- (2) Only if 47.5% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

[Ooedo-Onsen Monogatari Kinosaki]

Fixed rent: 12,447,999 yen monthly (however, 13,098,944 yen monthly until May 2018)

Variable rent: 0 yen until May 2018. 650,945 yen monthly from June 2018; and will be revised every six months and calculated as follows:

- (1) Modified GOP for the most recent one-year period  $\times$  2.4% (yearly; the monthly amount is 1/12th thereof)
- (2) Only if 47.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

[Ooedo-Onsen Monogatari Higashiyama Grand Hotel]

Fixed rent: 8,631,767 yen monthly (however, 9,572,334 yen monthly until May 2018)

Variable rent: 0 yen until May 2018. 940,567 yen monthly from June 2018; and will be revised every six months and calculated as follows:

- (1) Modified GOP for the most recent one-year period  $\times$  4.5% (yearly; the monthly amount is 1/12th thereof)
- (2) Only if 45.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

Fiscal Period Ending May 2018 (4th fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	375 (Note 6)	31	34	440
Ooedo-Onsen Monogatari Ise-shima	108	7	3	119
Ito Hotel New Okabe	73	10	9	92
Ooedo-Onsen Monogatari Atami	93	7	4	105

Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	63
Ooedo-Onsen Monogatari Awara	65	4	9	79
Ooedo-Onsen Monogatari Kamoshika-so	35	4	6	46
Ooedo-Onsen Monogatari Ikaho	36	5	4	46
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	3	5	33
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	60	-	6	67
Ooedo-Onsen Monogatari Kounkaku	45	-	5	50
Kinugawa Kanko Hotel	139	-	8	148
Ooedo-Onsen Monogatari Kinosaki	77	-	6	83
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	56 (Note 6)	-	10	67
Total (Note 7)	1,248	80	115	1,444

Fiscal Period Ending November 2018 (5th fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	375 (Note 6)	31	34	440
Ooedo-Onsen Monogatari Ise-shima	108	7	3	119
Ito Hotel New Okabe	73	10	9	92
Ooedo-Onsen Monogatari Atami	93	7	4	105
Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	63
Ooedo-Onsen Monogatari Awara	65	4	9	79
Ooedo-Onsen Monogatari Kamoshika-so	35	4	6	46
Ooedo-Onsen Monogatari Ikaho	36	5	4	46
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	3	5	33
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	58	2	6	68
Ooedo-Onsen Monogatari Kounkaku	42	4	5	51
Kinugawa Kanko Hotel	134	7	8	150
Ooedo-Onsen Monogatari Kinosaki	74	3	6	84
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	52 (Note 6)	5	10	68
Total (Note 7)	1,230	104	116	1,451

	<p>(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.</p> <p>(Note 2) “Primary rent” refers to the sum of the fixed rent and the variable rent. The same applies hereinafter</p> <p>(Note 3) “Fixed rent” refers to the monthly amount provided for in each facility’s lease agreement. The same applies hereinafter.</p> <p>(Note 4) “Variable rent” refers to the amount obtained by multiplying each facility’s modified GOP 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 “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. For Oedo-Onsen Monogatari Reoma Resort, it will be 31 million yen until May 2019 and the amount obtained by the above calculation method for June 2019 onward.</p> <p>(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.</p> <p>(Note 6) Land rent based on the fixed-term land lease agreement is included in the fixed rent.</p> <p>(Note 7) 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.</p>
Operating expenses	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 ending May 2018, the amount for only a certain period will be expensed, as the amount equivalent to the settlement money for portfolio assets is included in the acquisition cost. The total amount of fixed asset taxes, city planning taxes, and other taxes included in the acquisition cost of the Newly Acquired Assets is expected to be 5 million yen (an amount equivalent to taxes for 28 days). The amount to be expensed is expected to be 86 million yen for the fiscal period ending May 2018 and 102 million yen for the fiscal period ending November 2018.</li> <li>• 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.</li> <li>• Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 417 million yen for the fiscal period ending May 2018, and 424 million yen for the fiscal period ending November 2018.</li> <li>• Expenses related to General Meeting of Unitholders are assumed to be 6 million yen for the fiscal period ending May 2018.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• The total amount of interest expenses and other borrowing-related expenses is expected to be 137 million yen for the fiscal period ending May 2018, and 138 million yen for the fiscal period ending November 2018.</li> <li>• As one-time expenses in the fiscal period ending May 2018, it is planned that expenses for the issuance of new investment units, which was resolved at the Investment Corporation’s board of directors meeting held on November 9, 2017, will be 28 million yen; and these expenses will be fully amortized in the fiscal period ending May 2018.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• The balance of loans outstanding as of November 30, 2017 is 11,624 million yen.</li> </ul>

	<ul style="list-style-type: none"> <li>• It is assumed that borrowings of 5,650 yen in total will be made in December 2017 as part of funds for acquiring the Newly Acquired Assets and the balance of loans outstanding will be 16,857 million yen at the end of the fiscal period ending May 2018 and 16,091 million yen at the end of the fiscal period ending November 2018.</li> <li>• In the fiscal period ending November 2018, current portion of short-term loans (230 million yen) will be due for repayment on November 30, 2018, but it is assumed that early repayment of the entire amount will be conducted on January 31, 2018.</li> <li>• In the fiscal period ending May 2018 and the fiscal period ending November 2018, it is assumed that scheduled repayment of 186 million yen will be conducted separately.</li> <li>• In the fiscal period ending May 2018, current portion of long-term loans (500 million yen) will be due for repayment on May 31, 2018, but it is assumed that they will be refinanced for the same amount.</li> <li>• It is assumed that 580 million yen will be repaid using the expected refund of consumption tax for property acquisition on November 30, 2018 as refund of consumption tax is expected to be conducted in the fiscal period ending November 2018.</li> </ul>
Outstanding Investment Units	<ul style="list-style-type: none"> <li>• A total of 235,347 units, which is the sum of 176,200 units that have been issued as of the end of the fiscal period ended November 2017, 56,330 units issued via primary offering and 2,817 units issued via third-party allotment in line with secondary distribution via over-allotment that were resolved at the Investment Corporation's board of directors meetings held on November 9 and November 20, 2017, is assumed.</li> <li>• Distribution per unit is calculated by using the above 235,347 units as the total number of investment units issued and outstanding at the end of each fiscal period.</li> </ul>
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
Excess cash distribution per unit	<ul style="list-style-type: none"> <li>• Recording of allowance for adjustment of temporary difference of 2,824,164 yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation.</li> <li>• 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 adjustment of temporary difference. Pursuant to the policy, it is assumed that 12 yen of excess distribution per unit will be conducted in each of the fiscal periods ending May 2018 and ending November 2018.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</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>

### 2.3. Investment Risks

Disclosure is omitted because there are no significant changes from "Investment Risks" set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on August 24, 2017).



**3. Financial Statements**  
**3.1. Balance Sheets**

(Thousands of yen)

	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)	3rd Fiscal Period (from June 1, 2017 to November 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	1,970,733	1,949,727
Prepaid expenses	106,728	116,674
Deferred tax assets	15	13
Other	1,105	3,625
Total current assets	2,078,582	2,070,040
Non-current assets		
Property, plant and equipment		
Buildings	18,169,276	18,263,856
Accumulated depreciation	(394,939)	(662,458)
Buildings, net	17,774,336	17,601,397
Structures	1,259	1,259
Accumulated depreciation	(7)	(51)
Structures, net	1,251	1,207
Tools, furniture and fixtures	-	255
Accumulated depreciation	-	(17)
Tools, furniture and fixtures, net	-	237
Land	9,264,041	9,263,321
Total property, plant and equipment	27,039,629	26,866,164
Intangible assets		
Leasehold right	157,802	157,802
Software	6,963	6,161
Total intangible assets	164,765	163,963
Investments and other assets		
Long-term prepaid expenses	147,310	98,491
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	157,310	108,491
Total non-current assets	27,361,706	27,138,619
Total assets	29,440,289	29,208,659

(Thousands of yen)

	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)	3rd Fiscal Period (from June 1, 2017 to November 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	90,263	63,196
Current portion of long-term loans payable	723,000	723,000
Accounts payable - other	226,007	197,098
Accrued expenses	8,212	7,508
Income taxes payable	915	870
Accrued consumption taxes	61,072	20,086
Advances received	184,050	185,105
Other	1,211	3,731
Total current liabilities	1,294,733	1,200,597
Non-current liabilities		
Long-term loans payable	11,012,750	10,901,250
Tenant leasehold and security deposits	868,270	868,270
Asset retirement obligations	67,248	67,397
Total non-current liabilities	11,948,269	11,836,917
<b>Total liabilities</b>	<b>13,243,002</b>	<b>13,037,515</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	15,752,576	15,752,576
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	(528)	(1,762)
Total deduction from unitholders' capital	(528)	(1,762)
Unitholders' capital, net	15,752,047	15,750,814
Surplus		
Unappropriated retained earnings (undisposed loss)	445,238	420,330
Total surplus	445,238	420,330
Total unitholders' equity	16,197,286	16,171,144
<b>Total net assets</b>	<b>16,197,286</b>	<b>16,171,144</b>
<b>Total liabilities and net assets</b>	<b>29,440,289</b>	<b>29,208,659</b>

### 3.2. Statements of Income

(Thousands of yen)

	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)	3rd Fiscal Period (from June 1, 2017 to November 30, 2017)
Operating revenue		
Lease business revenue	1,021,730	1,032,755
Total operating revenue	1,021,730	1,032,755
Operating expenses		
Expenses related to rent business	318,123	355,550
Asset management fee	114,178	110,490
Asset custody fee	1,367	1,315
Administrative service fees	12,892	12,397
Directors' compensations	3,600	3,600
Other operating expenses	23,598	30,309
Total operating expenses	473,760	513,663
Operating profit	547,969	519,092
Non-operating income		
Interest income	8	10
Interest on refund	2,267	—
Total non-operating income	2,275	10
Non-operating expenses		
Interest expenses	47,403	45,044
Borrowing related expenses	56,788	53,011
Total non-operating expenses	104,191	98,056
Ordinary profit	446,053	421,047
Profit before income taxes	446,053	421,047
Income taxes - current	916	872
Income taxes - deferred	9	2
Total income taxes	926	874
Profit	445,127	420,172
Retained earnings brought forward	111	157
Unappropriated retained earnings (undisposed loss)	445,238	420,330

### 3.3. Statements of Unitholders' Equity

2nd Fiscal Period (from December 1, 2016 to May 31, 2017)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Allowance for adjustment of temporary difference		Total deduction from unitholders' capital						
Balance at beginning of current period	15,752,576	-	-	15,752,576	65,834	65,834	15,818,410	15,818,410
Changes of items during period								
Distribution of surplus					(65,722)	(65,722)	(65,722)	(65,722)
Excess cash distribution from allowance for temporary difference adjustment		(528)	(528)	(528)			(528)	(528)
Profit					445,127	445,127	445,127	445,127
Total changes of items during period	-	(528)	(528)	(528)	379,404	379,404	378,876	378,876
Balance at end of current period	15,752,576	(528)	(528)	15,752,047	445,238	445,238	16,197,286	16,197,286

3rd Fiscal Period (from June 1, 2017 to November 30, 2017)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Allowance for adjustment of temporary difference		Total deduction from unitholders' capital						
Balance at beginning of current period	15,752,576	(528)	(528)	15,752,047	445,238	445,238	16,197,286	16,197,286
Changes of items during period								
Distribution of surplus					(445,081)	(445,081)	(445,081)	(445,081)
Excess cash distribution from allowance for temporary difference adjustment		(1,233)	(1,233)	(1,233)			(1,233)	(1,233)
Profit					420,172	420,172	420,172	420,172
Total changes of items during period	-	(1,233)	(1,233)	(1,233)	(24,908)	(24,908)	(26,142)	(26,142)
Balance at end of current period	15,752,576	(1,762)	(1,762)	15,750,814	420,330	420,330	16,171,144	16,171,144

### 3.4. Statements of Cash Distributions

(Yen)

Item	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)	3rd Fiscal Period (from June 1, 2017 to November 30, 2017)
I. Unappropriated retained earnings	445,238,882	420,330,089
II. Addition of excess distribution	1,233,400	1,233,400
Of which, allowance for adjustment of temporary difference	1,233,400	1,233,400
III. Distribution amount	446,314,600	421,470,400
[Distribution amount per unit]	[2,533]	[2,392]
Of which, Distribution amount from earnings	445,081,200	420,237,000
[Of which, excess cash distribution per unit]	[2,526]	[2,385]
Of which, Allowance for adjustment of temporary difference	1,233,400	1,233,400
[Of which, excess cash distribution per unit (pertaining to allowance for adjustment of temporary difference)]	[7]	[7]
IV. Retained earnings carried forward	157,682	93,089
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 2,533 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 2,526 yen.</p> <p>In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in its articles of incorporation, the Investment Corporation decided to make a distribution for the 1,233,400 yen allowance for adjustment of temporary difference 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 (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for adjustment of temporary difference of 7 yen per investment unit.</p>	<p>As described above, distribution per unit for the fiscal period under review is 2,392 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 2,385 yen.</p> <p>In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in its articles of incorporation, the Investment Corporation decided to make a distribution for the 1,233,400 yen allowance for adjustment of temporary difference 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 (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for adjustment of temporary difference of 7 yen per investment unit.</p>

### 3.5. Statements of Cash Flows

(Thousands of yen)

	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)	3rd Fiscal Period (from June 1, 2017 to November 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	446,053	421,047
Depreciation	264,329	268,383
Borrowing related expenses	56,788	53,011
Interest income	(8)	(10)
Interest expenses	47,403	45,044
Decrease (increase) in operating accounts receivable	326	—
Increase (decrease) in operating accounts payable	(15)	1,946
Decrease (increase) in consumption taxes refund receivable	1,431,892	—
Increase (decrease) in accrued consumption taxes	61,072	(40,986)
Decrease (increase) in prepaid expenses	3,902	(14,137)
Increase (decrease) in accounts payable - other	8,760	986
Increase (decrease) in advances received	793	1,055
Other, net	148	148
<b>Subtotal</b>	<b>2,321,448</b>	<b>736,489</b>
Interest income received	8	10
Interest expenses paid	(46,770)	(45,748)
Income taxes paid	(1,322)	(917)
<b>Net cash provided by (used in) operating activities</b>	<b>2,273,362</b>	<b>689,833</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(45,760)	(153,024)
Purchase of intangible assets	(1,523)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(47,284)</b>	<b>(153,024)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	500,000	—
Decrease in short-term loans payable	(2,177,000)	—
Repayments of long-term loans payable	(111,500)	(111,500)
Dividends paid	(66,251)	(446,314)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,854,751)</b>	<b>(557,814)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>371,327</b>	<b>(21,005)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>668,635</b>	<b>1,039,962</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,039,962</b>	<b>1,018,957</b>