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Summary of REIT Financial Report for the 9th Fiscal Period

January 20, 2021

REIT Issuer: Ooedo Onsen Reit Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3472 URL: <https://oom-reit.com/en/>
 Representative: Fuminori Imanishi, Executive Director
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 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 25, 2021
 Scheduled date of start of distribution payments: February 15, 2021
 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 9th Fiscal Period

8th Fiscal Period: Fiscal period ended May 2020 (from December 1, 2019 to May 31, 2020)

9th Fiscal Period: Fiscal period ended November 2020 (from June 1, 2020 to November 30, 2020)

(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	%
8th	1,433	(0.5)	678	(2.6)	546	(3.6)	545	(3.6)
9th	1,358	(5.2)	594	(12.4)	467	(14.4)	466	(14.4)

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	%	%	%
8th	2,316	2.6	1.4	38.1
9th	1,983	2.2	1.2	34.4

(2) Distribution Status

Fiscal period	Distribution per unit (excluding excess cash distribution)	Total distribution (excluding excess cash distribution)	Excess cash distribution per unit	Total excess cash distribution	Distribution per unit (including excess cash distribution)	Total distribution (including excess cash distribution)	Distribution Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
8th	2,316	545	12	2	2,328	547	100.0	2.6
9th	1,983	466	13	3	1,996	469	100.0	2.2

(Note 1) The entire amount of total excess cash distribution is equivalent to the increase 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
8th	38,327	21,183	55.3	90,011
9th	37,428	21,102	56.4	89,666

(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
8th	960	(170)	(807)	885
9th	1,759	(300)	(1,424)	920

2. Management Status Forecasts for the 10th Fiscal Period and the 11th Fiscal Period

10th Fiscal Period: Fiscal period ending May 2021 (from December 1, 2020 to May 31, 2021)

11th Fiscal Period: Fiscal period ending November 2021 (from June 1, 2021 to November 30, 2021)

[% 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
10th	1,344	(1.0)	583	(1.8)	449	(4.0)	448	(4.0)	1,904	18	1,922
11th	1,343	(0.1)	580	(0.5)	437	(2.5)	436	(2.5)	1,857	18	1,875

(Reference) Estimated Profit per unit for the 10th Fiscal Period: 1,903 yen; 11th Fiscal Period: 1,856 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:

9th	235,347 units	8th	235,347 units
9th	0 units	8th	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 2021 and November 2021" on page 8.

1. Management Status

2.1. 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) 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, 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 sponsor, 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) on September 1, 2016. At the beginning of the 4th fiscal period, the Investment Corporation issued new investment units via public offering (56,330 units) and additionally acquired 5 onsen and spa-related facilities (total acquisition price: 9,861 million yen) on December 4, 2017. During the fiscal period under review, the Investment Corporation transferred part of the land of Ooedo-Onsen Monogatari Reoma Resort on November 2, 2020 and at the same time leased the transferred part from the transferee, as a result of which, the total number of facilities owned by the Investment Corporation as of the end of the fiscal period under review stood at 14 facilities (total acquisition price: 36,082 million yen). The total number of investment units issued and outstanding of the Investment Corporation as of the end of the fiscal period under review stands at 235,347 units.

(Note 1) “Ooedo business 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) “Ooedo-Onsen Monogatari Group” is comprised of the Investment Corporation’s sponsors, namely Ooedo-Onsen Monogatari Hotels & Resorts Co, Ltd. and Ooedo-Onsen Monogatari Co., Ltd. (hereinafter “Ooedo-Onsen Monogatari”) and may be referred to as “Sponsors” collectively with Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd.) and their 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” is the purchase price (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees) of each property in the sale and purchase agreement, rounded down to the nearest million yen. However, in the case of Ooedo-Onsen Monogatari Reoma Resort, since the Investment Corporation transferred part of the land on November 2, 2020 and at the same time leased the transferred part from the transferee, the “acquisition price” is the purchase price (not including expenses, such as consumption tax, local consumption tax or sale and purchase fees) of each real estate in the sale and purchase agreement pertaining to the property as of the time of acquisition minus the amount equivalent to the book value pertaining to such transferred part as of the time of transfer plus the amount equivalent to the premium paid as consideration for the establishment of the leasehold in the lease agreement pertaining to establishment of the leasehold interest in the transferred part.

b. Investment Environment and Management Performance

During the fiscal period under review, the Japanese economy experienced a sharp downturn due to the stagnation of economic activity caused by the declaration of a state of emergency in early April 2020 and other effects of COVID-19, and real gross domestic product (GDP) excluding the effects of price fluctuations (based on seasonally adjusted data) fell 8.3% quarter on quarter in the April to June quarter and shrank 29.2% on an annualized basis, the largest contraction on record. The state of emergency was then entirely lifted in late May through a gradual easing of restrictions and, due to a short-lived rebound in pent-up demand and the boost to economic activity from economic stimulus such as the Go To Travel campaign in the tourism sector, real GDP for the July to September quarter (based on seasonally adjusted data) rose 5.3% from the previous quarter and increased 22.9% in annualized terms.

In this environment, the 14 onsen and spa-related facilities owned by the Investment Corporation all closed temporarily in mid to late April in response to requests to voluntarily close due to the COVID-19 pandemic. While some facilities reopened from May, it took until July for all facilities to be back in operation. The guestroom occupancy rate of individual facilities (Note 1) then appeared to improve gradually, reaching 84.9% in November at the end of the fiscal period under review, reflecting the launch of the Go To Travel campaign and the thorough implementation of infection control measures by tenants based on advices from an outside infectious disease expert as well as the fact that the facilities mainly attract customers from neighboring regions in Japan. The overall guestroom occupancy rate for the fiscal period under review was 51.9%, far below the year-ago level. ADR (Note 2) rose 1.5% from the same period last year, while RevPAR (Note 3) and sales declined 41.0% and 45.5% from the same period last year respectively.

Meanwhile, leasing business revenue for the fiscal period under review remained stable, supported by fixed rents which account for a large share. Variable rents, which are calculated based on the annual results of the tenant, the Ooedo-Onsen Monogatari Group, until August 2020, came to zero for all facilities, reflecting the decline in occupancy rates due to COVID-19.

The appraisal value as of the end of the fiscal period under review totaled 40,239 million yen. Compared with the appraisal value as of the end of the previous period (the end of May 2020), the total appraisal value of the 14 owned properties was reduced by 10 million yen, reflecting the transfer of some of the land of Ooedo-Onsen Monogatari Reoma Resort (see below) which resulted in a decrease of 10 million yen and no change in the appraisal value of the other properties, while cap rate stayed unchanged. With regard to the unrealized gain/loss (Note 4) of the entire portfolio at the end of the fiscal period under review, the unrealized gain increased to 5,283 million yen, due to a decrease in the book value, reflecting the depreciation of the 14 properties and the transfer of some of the land of Ooedo-Onsen Monogatari Reoma Resort.

As for changes in the property portfolio, the Investment Corporation transferred part of an unused former zoo site and parking lot land at Ooedo-Onsen Monogatari Reoma Resort in November 2020 for 805 million yen (the name of transferee is not disclosed as the transferee's permission for disclosure was not obtained) as land for a third-party solar power energy generation project to contribute to the renewable energy business and to improve net asset value and at the same time acquired the land lease right from the transferee for 145 million yen to continue operating the parking lot part (Note 5). The Investment Corporation applied the proceeds (the difference between the two amounts) to fund the partial repayment of loans and to improve its financial position.

It also developed plans for capital expenditure that took into account the status and features of the owned properties to manage the implementation of necessary repairs by tenants and implement the necessary capital expenditure for maintaining functions. (Repair expenses are basically borne by the tenants based on the lease agreements.)

In addition, the Investment Corporation continued to conduct activities to acquire new properties widely from the market once the COVID-19 pandemic is brought under control, without confining itself to the properties managed by the Ooedo-Onsen Monogatari Group.

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

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

(Note 3) 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 4) 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, machinery and equipment, tools, furniture and fixtures as well as leasehold right)

(Note 5) Refer to the press release, "Notice Concerning Transfer, Etc. of Real Estate in Japan (Ooedo-Onsen Monogatari Reoma Resort: Part of Land)," dated October 9, 2020 and "Notice Concerning Completion of Transfer, Etc. of Real Estate in Japan (Ooedo-Onsen Monogatari Reoma Resort: Part of Land)," dated November 2, 2020, for details.

c. Overview of Capital Procurement

In the fiscal period under review, the Investment Corporation procured 1,487 million yen through short-term borrowing from a syndicate with Sumitomo Mitsui Banking Corporation (SMBC) as the arranger in order to allocate the funds to repayment of a part of 2,340 million yen (Note), a long-term borrowing, which matured on November 30, 2020. In addition, the Investment Corporation made scheduled repayments of 93 million yen on both July 31 and October 31, 2020 and 40 million yen on November 30, 2020, using cash on hand. As a

result, the total amount of interest-bearing debt stood at 14,457 million yen and the ratio of interest-bearing liabilities to total assets (LTV) at 38.6% as of the end of the fiscal period under review.

(Note) Refer to the press release, "Notice Concerning Borrowing of Funds," dated November 24, 2020, 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 1,358 million yen, operating profit of 594 million yen, ordinary profit of 467 million yen and profit of 466 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 1,983 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 1,996 yen (of which, excess distribution per unit was 13 yen).

(2) Outlook for the Next Fiscal Period

a. Management Environment in the Next Fiscal Period

Over the coming fiscal periods, the Japanese economy will suffer the effects of COVID-19. For service consumption that involves the risk of infection, inbound demand cannot be expected to fully recover until the global pandemic is brought under control or an effective vaccine or effective treatments for the virus become widely available. With the Go To Travel campaign also temporarily suspended in December 2020 due to signs of a resurgence in infections and with a state of emergency declared for a second time in Tokyo and other areas in January 2021, the ebb and flow of the virus is expected to continue for some time. However, the Third Supplementary Budget for FY2020, approved by Cabinet in December 2020, included spending of around 19.2 trillion yen to fund new stimulus and support for economic activity in the meantime, including extension of the Go To Travel campaign, can be expected.

In this environment, the trend of "intangible goods consumption" (Note 2), or more precisely, "experience-based consumption" (Note 3), on which the Investment Corporation's investment target of leisure facilities (Note 1) are based, will be greatly affected by the course of the coronavirus pandemic. Developments need to be carefully monitored, including the situation with regard to government support such as the Go To Travel campaign which is expected to be extended until June this year (developments such as suspension due to further waves) and the effect of such support, as well as hygiene and safety countermeasures introduced by businesses.

While weak consumer confidence and the tendency to stay at home because of the pandemic give little room for optimism about the performance of tenants in the facilities owned by the Investment Corporation, signs that customers are starting to come back can also be seen because the thorough implementation of infection control measures gives customers peace of mind and because the Oedo model mainly targets regular customers in neighboring regions.

Because of these factors, the leisure facilities in which the Investment Corporation invests may be able to regain customers faster than other types of facilities which are dependent on demand from foreign and long-distance visitors. The Investment Corporation believes that if the pandemic shows signs of coming to an end, with the prospect of effective vaccines and treatments becoming widely available, its business performance may also improve significantly.

(Note 1) "Leisure facilities" refers to facilities that provide consumers with leisure activities and fulfilling time which people nowadays require, such as "enjoyment," "communication," "comfort and relaxation" and "health and intellectual satisfaction."

(Note 2) "Intangible goods consumption" refers to consumption activities for providing a "series of experiences" which is a combination of individual events.

(Note 3) “Experience-based consumption” refers to consumption activities for the purpose of having experiences.

b. Future Management Policy and Challenges to Address

The Investment Corporation aims to build a portfolio focused on leisure facilities but for the time being it will place the highest priority on taking all possible measures to protect itself against income and financial risks posed by COVID-19 and prepare to create flexible growth strategies when the external environment improves.

(a) External Growth Strategy

i. Utilization of Sponsor Pipeline

Looking at the supply aspect of onsen and spa-related facilities, many ryokans and hotels are expected to decide to discontinue their business due to persistent issues, such as a lack of successors and declining competitiveness caused by aging facilities. In addition, a large number of facilities are expected to be put on sale in response to the rapid aggravation of business performance as a result of COVID-19 and for the purpose of procuring funds for capital expenditure for business survival. Information on properties brought to the Investment Corporation and the Ooedo-Onsen Monogatari Group is likely to continue increasing.

The three onsen and spa-related facilities which the Ooedo-Onsen Monogatari Group opened or reopened after renewal in the period from January 2020 to December 2020 were Saikaibashi Corazon Hotel (Sasebo City, Nagasaki Prefecture) and Ooedo-Onsen Monogatari Shiomiso (Murakami City, Niigata Prefecture) in July 2020, and Sendai Akiu Onsen Hotel Iwanumaya (Sendai City, Miyagi Prefecture) in November 2020, and ongoing acquisitions are expected in the future (Note). In accordance with the sponsor support agreement concluded with the Sponsors on November 1, 2017, the Investment Corporation is granted preferential negotiating rights for the acquisition of onsen and spa-related facilities owned or developed by the Ooedo-Onsen Monogatari Group, including these three facilities, 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 making maximum use of the abovementioned support.

(Note) There is no guarantee that the Investment Corporation will be able to acquire these properties.

ii. Utilization of Network Unique to the Asset Manager and Acquisition of Properties Other than Properties Contributed by Sponsor

The Investment Corporation believes that the supply of leisure facilities defined in its Articles of Incorporation (Note 1) is still insufficient to accommodate new infectious disease control measures and increasingly diverse lifestyles and predicts that, in the medium and long term, the structural shift towards increased use of leisure and the global movement of people will continue, picking up pace.

In this environment, an increasing amount of sales information on leisure facilities has been acquired using the asset manager’s own network. The Investment Corporation will implement activities to acquire onsen and spa-related facilities in famous hot spring areas as well as a variety of facilities which will help improve the balance of its existing portfolio and diversify risk, including properties in urban settings such as ordinance-designated cities and core cities, new development projects and recently built properties, and facilities to meet demand for inbound tourism post-COVID-19, based on an assessment of new trends and changes in the lodging and leisure industries in light of the lessons learned from COVID-19. Meanwhile, the Investment Corporation will continue to secure preferential negotiating rights through the use of bridge structure and other means (Note 2).

(Note 1) The investment targets set forth in the Articles of Incorporation of the Investment Corporation are ryokans, hotels, bathing facilities, resort facilities, amusement parks and other leisure facilities, as well as their complex facilities.

(Note 2) There is no guarantee that the Investment Corporation will be able to acquire these properties.

(b) Internal Growth Strategy

i. Rent Structure Emphasizing Stability

The Investment Corporation adopts a rent system that comprises primary rent (fixed rent combined with GOP (Note 1)-linked variable rent) with the addition of secondary rent (amount equivalent to real estate-related costs of each facility) in the long-term lease agreements concluded with the Ooedo-Onsen Monogatari Group companies that are the tenants of the owned assets (Note 2). This along with having tenants pay repair expenses in principle allows the Investment Corporation to secure stability of cash flow over the long term while pursuing benefits from the upside of a GOP-linked rent income when facilities are generating favorable operating results. It will continue to make every effort to secure rent income and ensure stability through monitoring of tenants’ business performance.

(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. The same applies hereinafter.

(Note 2) 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) Contributing to the Increase in Income and Enhancement of Competitiveness through the Expansion of Capacity

The Investment Corporation will strategically implement CAPEX such as for the extension and reconstruction of owned properties with high occupancy and value-increasing potential (Note 2) in order to increase the number of guestrooms. Through this measure, it aims to secure the potential income of the operator of the owned properties, as well as to increase the rental income through the effective use of non-operating buildings and unused land on the premises in the medium to long term.

In addition, the Investment Corporation will strive to raise variable rents by increasing tenant income through collaboration with the Oedo-Onsen Monogatari Group, which has the expertise to improve added value in onsen and spa-related facilities, by actively engaging, from the position of the facility owner, in various measures to help enhance the competitiveness of facilities, as well as events and other measures to attract guests.

(Note 1) 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.

(Note 2) “Value-increasing potential” refers to the capability for potential enhancement of asset value that investments, etc. can bring.

(c) Financial Strategy

The Investment Corporation will place emphasis on maintaining its conservative financial position whilst prioritizing action to address risks due to the effects of the coronavirus pandemic for the time being.

As to debt financing, the Investment Corporation strives to realize stable financing when acquiring new properties and when existing loans reach their repayment date while maintaining its favorable relationship with existing lenders. The Investment Corporation will consider implementing equity financing 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.

Although the Investment Corporation has set the upper limit of LTV at 60% in principle, it plans to keep LTV at a conservative level of around 40% for the time being, while paying attention to capital reserves. The Investment Corporation also aims to reduce financing costs by lowering the risk premium through the expansion of the scale of the portfolio and the diversification of risks in terms of tenants and locations. In addition, the Investment Corporation seeks to acquire a high rating, diversify financing sources, prolong the average repayment date of debt and introduce fixed interest rates.

(3) Significant Subsequent Events

Not applicable

**Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Periods Ending May 2021 and November 2021**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending May 2021 (10th fiscal period: from December 1, 2020, to May 31, 2021) (182 days) • Fiscal period ending November 2021 (11th fiscal period: from June 1, 2021, to November 30, 2021) (183 days)
Managed Assets	<ul style="list-style-type: none"> • It is assumed that there will be no change (acquisition or disposition of assets) to the 14 properties, which the Investment Corporation owns as of the date of this document, through to the end of the fiscal period ending November 2021. • 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	<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. It assumes that there is no delinquency or non-payment of rent by the tenant. • The periods constituting the basis for calculating variable rents are determined by multiplying the modified GOP for the period between March 2020 and February 2021 in the fiscal period ending May 2021 (10th period) and the modified GOP for the period between September 2020 and August 2021 in the fiscal period ending November 2021 (11th period) by the premium rate that is specified in each lease agreement. This assumes that the effects of the COVID-19 pandemic since March last year will cause a decrease in the modified GOP that becomes the basis of calculating variable rents, resulting in no variable rents for all properties in both the fiscal period ending May 2021 (10th period) and the fiscal period ending November 2021 (11th period). Fixed rents are assumed to be paid in full based on the provisions of lease agreements that are effective as of the date of this document. Rent is calculated based on the following assumptions: [Ooedo-Onsen Monogatari Reoma Resort] Fixed rent: 52,456,896 yen monthly Variable rent: 5,181,730 yen monthly; and will be calculated using the following calculation method from June 2019 <ul style="list-style-type: none"> (1) Modified GOP (Note 1) for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 58.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply. Ooedo-Onsen Monogatari Reoma Resort, a fixed-term land lease agreement has been concluded with the tenant and land rent based on this fixed-term land lease agreement of 83,700 yen per month is received separately, however, this land rent will be revised every year and will be calculated as follows. Amount of rent after revision = $((A \times 12 - B) + B') \div 12$ A: Amount of rent at that particular point in time B: Sum total of fixed asset tax and other taxes and public dues levied on the land, calculated based on the tax notice as of October 30 immediately preceding the start date of the immediately preceding base fiscal year (refers to one-year period commencing on December 1 each year; the same applies hereinafter), and the land rent (annual rent payable at that particular point in time) B': Sum total of fixed asset tax and other taxes and public dues levied on the land, calculated based on the tax notice as of October 30 immediately preceding the start date of that particular base fiscal year, and the land rent (annual rent payable at that particular point in time) <ul style="list-style-type: none"> • [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>(1) Modified GOP for the most recent one-year period \times 4.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 77.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <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> <p>(1) Modified GOP for the most recent one-year period \times 5.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p>
	<p>[Ooedo-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:</p> <p>(1) Modified GOP for the most recent one-year period \times 4.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 74.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Ooedo-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:</p> <p>(1) Modified GOP for the most recent one-year period \times 7.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 72.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Ooedo-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:</p> <p>(1) Modified GOP for the most recent one-year period \times 3.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 62.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Ooedo-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:</p> <p>(1) Modified GOP for the most recent one-year period \times 6.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 62.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Ooedo-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:</p> <p>(1) Modified GOP for the most recent one-year period \times 7.0% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 67.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p>

[Ooedo-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 \times 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.

[Ooedo-Onsen Monogatari Nagasaki Hotel Seifu]

Fixed rent: 12,496,532 yen monthly

Variable rent: 498,384 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 2.2% (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

Variable rent: 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: 29,069,741 yen monthly

Variable rent: 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 56.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

[Ooedo-Onsen Monogatari Kinosaki]

Fixed rent: 13,147,999 yen monthly

Variable rent: 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

Variable rent: 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 2021 (10th 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	315 (Note 6)	-	33	1 (Note 7)	350
Ooedo-Onsen Monogatari Ise-shima	108	-	3	-	111
Ito Hotel New Okabe	73	-	8	-	82
Ooedo-Onsen Monogatari Atami	93	-	4	-	97
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	-	56
Ooedo-Onsen Monogatari Awara	65	-	8	-	74
Ooedo-Onsen Monogatari Kamoshika-so	35	-	6	-	41
Ooedo-Onsen Monogatari Ikaho	36	-	4	-	40
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	74	-	6	-	81
Ooedo-Onsen Monogatari Kounkaku	42	-	4	-	46
Kinugawa Kanko Hotel	174	-	8	-	182
Ooedo-Onsen Monogatari Kinosaki	78	-	6	-	85
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	0 (Note 8)	62
Total (Note 9)	1,230	-	112	1	1,344

Fiscal Period Ending November 2021 (11th 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	315 (Note 6)	-	33	-	348
Ooedo-Onsen Monogatari Ise-shima	108	-	3	-	111
Ito Hotel New Okabe	73	-	8	-	82
Ooedo-Onsen Monogatari Atami	93	-	4	-	97
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	-	56
Ooedo-Onsen Monogatari Awara	65	-	8	-	74
Ooedo-Onsen Monogatari Kamoshika-so	35	-	6	-	41
Ooedo-Onsen Monogatari Ikaho	36	-	4	-	40
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29

	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	74	-	6	-	81
	Ooedo-Onsen Monogatari Kounkaku	42	-	4	-	46
	Kinugawa Kanko Hotel	174	-	8	-	182
	Ooedo-Onsen Monogatari Kinosaki	78	-	6	-	85
	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	0 (Note 8)	62
	Total (Note 9)	1,230	-	112	0	1,343
	<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 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.</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) Insurance proceeds received are presented.</p> <p>(Note 8) Land rent based on the fixed-term land lease agreement is presented.</p> <p>(Note 9) 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"> • 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 98 million yen for the fiscal period ending May 2021, and 98 million yen for the fiscal period ending November 2021. • 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 448 million yen for the fiscal period ending May 2021, and 451 million yen for the fiscal period ending November 2021. 					
Non-operating expenses	<ul style="list-style-type: none"> • The total amount of interest expenses and other borrowing-related expenses is expected to be 134 million yen for the fiscal period ending May 2021, and 142 million yen for the fiscal period ending November 2021. 					
Borrowings	<ul style="list-style-type: none"> • The balance of loans outstanding as of November 30, 2020 is 14,457 million yen. • In the fiscal period ending May 2021 and the fiscal period ending November 2021, it is assumed that the scheduled repayment of 175 million yen will be made separately. • In the fiscal period ending May 2021, the current portions of long-term loans (250 million yen and 3,491 million yen) will be due for repayment on May 31, 2021 and it is assumed that the same amounts will be refinanced. • In the fiscal period ending November 2021, short-term loans of 1,449 million yen will be due for repayment on August 31, 2021 and the current portion of long-term loans of 2,190 million 					

	<p>yen will be due for repayment on November 30, 2021 and it is assumed that the same amounts will be refinanced.</p>
<p>Outstanding Investment Units</p>	<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 November 30, 2021. • Distribution per unit is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal periods ending May 2021 and November 2021 (235,347 units).
<p>Distribution per unit (Excluding excess cash distribution)</p>	<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.
<p>Excess cash distribution per unit</p>	<ul style="list-style-type: none"> • Recording of allowance for temporary difference adjustments of 4,236,246 yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation. • 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 18 yen of excess distribution per unit will be conducted in each of the fiscal periods ending May 2021 and ending November 2021.
<p>Other</p>	<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 May 31, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	2,210,622	2,245,992
Prepaid expenses	138,154	140,140
Other	6,251	6,546
Total current assets	2,355,028	2,392,678
Non-current assets		
Property, plant and equipment		
Buildings	26,493,480	26,667,147
Accumulated depreciation	(2,796,416)	(3,239,601)
Buildings, net	23,697,064	23,427,545
Structures	10,979	10,979
Accumulated depreciation	(1,247)	(1,616)
Structures, net	9,731	9,362
Machinery and equipment	600	600
Accumulated depreciation	(79)	(97)
Machinery and equipment, net	520	502
Tools, furniture and fixtures	3,498	5,772
Accumulated depreciation	(1,050)	(1,402)
Tools, furniture and fixtures, net	2,448	4,370
Land	11,988,187	11,208,770
Total property, plant and equipment	35,697,951	34,650,550
Intangible assets		
Leasehold interests in land	157,802	305,228
Software	2,149	1,347
Total intangible assets	159,951	306,575
Investments and other assets		
Deferred tax assets	15	16
Long-term prepaid expenses	104,578	68,483
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	114,684	78,589
Total non-current assets	35,972,587	35,035,715
Total assets	38,327,616	37,428,394

(Thousands of yen)

	As of May 31, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Operating accounts payable	50,556	118,701
Short-term borrowings	-	1,487,480
Current portion of long-term borrowings	6,240,110	6,194,120
Accounts payable - other	89,251	82,190
Accrued expenses	8,329	8,190
Income taxes payable	936	940
Accrued consumption taxes	39,513	34,980
Advances received	261,314	246,412
Other	5,795	7,260
Total current liabilities	6,695,808	8,180,276
Non-current liabilities		
Long-term borrowings	9,078,890	6,776,000
Leasehold and guarantee deposits received	1,230,706	1,230,692
Asset retirement obligations	138,288	138,691
Total non-current liabilities	10,447,884	8,145,384
Total liabilities	17,143,692	16,325,661
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(14,292)	(17,116)
Total deduction from unitholders' capital	(14,292)	(17,116)
Unitholders' capital, net	20,638,731	20,635,907
Surplus		
Unappropriated retained earnings (undisposed loss)	545,192	466,826
Total surplus	545,192	466,826
Total unitholders' equity	21,183,923	21,102,733
Total net assets	21,183,923	21,102,733
Total liabilities and net assets	38,327,616	37,428,394

2.2. Statements of Income

(Thousands of yen)

	Fiscal period ended May 31, 2020	Fiscal period ended November 30, 2020
Operating revenue		
Leasing business revenue	1,433,658	1,342,970
Gain on sales of real estate properties	-	15,785
Total operating revenue	1,433,658	1,358,755
Operating expenses		
Expenses related to leasing business	566,328	574,661
Asset management fee	125,121	122,870
Asset custody fee	1,731	1,720
Administrative service fees	17,161	17,258
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	41,276	44,313
Total operating expenses	755,219	764,424
Operating profit	678,438	594,331
Non-operating income		
Interest income	10	10
Reversal of distributions payable	563	1,212
Total non-operating income	573	1,222
Non-operating expenses		
Interest expenses	63,464	54,683
Borrowing related expenses	69,268	73,230
Total non-operating expenses	132,732	127,914
Ordinary profit	546,279	467,639
Extraordinary losses		
Loss on retirement of non-current assets	233	-
Total extraordinary losses	233	-
Profit before income taxes	546,045	467,639
Income taxes - current	937	942
Income taxes - deferred	0	△0
Total income taxes	938	942
Profit	545,107	466,697
Retained earnings brought forward	85	128
Unappropriated retained earnings (undisposed loss)	545,192	466,826

2.3. Statements of Unitholders' Equity

8th Fiscal Period (from December 1, 2019 to May 31, 2020)

(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	(11,467)	(11,467)	20,641,555	565,624	565,624	21,207,179	21,207,179
Changes of items during period								
Dividends of surplus					(565,538)	(565,538)	(565,538)	(565,538)
Excess cash distribution from allowance for temporary difference adjustments		(2,824)	(2,824)	(2,824)			(2,824)	(2,824)
Profit					545,107	545,107	545,107	545,107
Total changes of items during period	—	(2,824)	(2,824)	(2,824)	(20,431)	(20,431)	(23,255)	(23,255)
Balance at end of current period	20,653,023	(14,292)	(14,292)	20,638,731	545,192	545,192	21,183,923	21,183,923

9th Fiscal Period (from June 1, 2020 to November 30, 2020)

(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	(14,292)	(14,292)	20,638,731	545,192	545,192	21,183,923	21,183,923
Changes of items during period								
Dividends of surplus					(545,063)	(545,063)	(545,063)	(545,063)
Excess cash distribution from allowance for temporary difference adjustments		(2,824)	(2,824)	(2,824)			(2,824)	(2,824)
Profit					466,697	466,697	466,697	466,697
Total changes of items during period	—	(2,824)	(2,824)	(2,824)	(78,366)	(78,366)	(81,190)	(81,190)
Balance at end of current period	20,653,023	(17,116)	(17,116)	20,635,907	466,826	466,826	21,102,733	21,102,733

2.4. Statements of Cash Distributions

(Yen)

Item	8th Fiscal Period (from December 1, 2019 to May 31, 2020)	9th Fiscal Period (from June 1, 2020 to November 30, 2020)
I. Unappropriated retained earnings	545,192,520	466,826,453
II. Addition of excess distribution	2,824,164	3,059,511
Of which, allowance for temporary difference adjustments	2,824,164	3,059,511
III. Distribution amount	547,887,816	4,59,752,612
[Distribution amount per unit]	[2,328]	[1,996]
Of which,	545,063,652	466,693,101
Distribution amount from earnings		
[Of which, excess cash distribution per unit]	[2,316]	[1,983]
Of which,	2,824,164	3,059,511
Allowance for temporary difference adjustments		
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[12]	[13]
IV. Retained earnings carried forward	128,868	133,352
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 2,328 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 2,316 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 2,824,164 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 (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 12 yen per investment unit.</p>	<p>As described above, distribution per unit for the fiscal period under review is 2,328 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 2,316 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)

	Fiscal period ended May 31, 2020	Fiscal period ended November 30, 2020
Cash flows from operating activities		
Profit before income taxes	546,045	467,639
Depreciation	439,012	444,973
Borrowing related expenses	69,268	73,230
Interest income	(10)	(10)
Interest expenses	63,464	54,683
Loss on retirement of non-current assets	233	—
Increase (decrease) in operating accounts payable	(41,203)	44,552
Increase (decrease) in accrued consumption taxes	(3,419)	(4,533)
Decrease (increase) in prepaid expenses	(45,468)	(25,371)
Decrease (increase) in long-term prepaid expenses	36,785	1,125
Increase (decrease) in accounts payable - other	(759)	(7,061)
Increase (decrease) in advances received	(534)	(14,902)
Decrease in property, plant and equipment due to sale	—	779,417
Other, net	(429)	1,573
Subtotal	1,062,985	1,815,315
Interest received	10	10
Interest paid	(65,829)	(54,822)
Income taxes paid	(952)	(937)
Net cash provided by (used in) operating activities	996,214	1,759,566
Cash flows from investing activities		
Purchase of property, plant and equipment	(170,933)	(152,348)
Purchase of intangible assets	—	(147,672)
Refund of leasehold and guarantee deposits received	—	(13)
Net cash provided by (used in) investing activities	(170,933)	(300,034)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,472,605
Proceeds from long-term borrowings	3,820,340	—
Repayments of short-term borrowings	(340,000)	—
Repayments of long-term borrowings	(3,755,250)	(2,348,880)
Distributions paid	(568,363)	(547,887)
Net cash provided by (used in) financing activities	(843,273)	(1,424,162)
Net increase (decrease) in cash and cash equivalents	(17,992)	35,369
Cash and cash equivalents at beginning of period	903,390	885,397
Cash and cash equivalents at end of period	885,397	920,767