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REIT Financial Report for the 2nd Fiscal Period

July 20, 2017

REIT Issuer: Ooedo Onsen Reit Investment Corporation
 Securities Code: 3472
 Representative: Fuminori Imanishi, Executive Director

Stock Exchange Listing: TSE
 URL: <http://oom-reit.com>

Asset Manager: Ooedo Onsen Asset Management Co. Ltd.
 Representative: Fuminori Imanishi, Chief Executive Officer
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 24, 2017
 Scheduled date of start of distribution payments: August 15, 2017

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 2nd Fiscal Period

2nd Fiscal Period: Fiscal period ended May 2017 (from December 1, 2016 to May 31, 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	%
2nd	1,021	101.2	547	105.6	446	564.5	445	576.1
1st	507	-	266	-	67	-	65	-

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	%	%	%
2nd	2,526	2.8	1.5	43.7
1st	974	0.4	0.2	13.2

(Note 1) The calculation period for the fiscal period ended November 30, 2016 of the Investment Corporation is a period of 247 days from March 29, 2016 to November 30, 2016, but the actual asset management period is a period of 91 days from September 1, 2016 to November 30, 2016.

(Note 2) Profit per unit for the fiscal period ended November 30, 2016 is calculated by dividing profit by the daily weighted average number of investment units (67,589 units). Furthermore, with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period, profit per unit calculated by dividing by the daily weighted average number of investment units (176,200 units) is 373 yen.

(Note 3) Ratio of profit to unitholders' equity and ratio of ordinary profit to total assets for the fiscal period ended November 30, 2016 are calculated based on the weighted average unitholders' equity and total assets, respectively, with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period.

(Note 4) ""%" in operating revenue, operating profit, ordinary profit and profit indicates the percentage in comparison with the previous fiscal period. However, no figures are available as the fiscal period ended November 2016 is the first fiscal period.

(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)	Dividend Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
2nd	2,526	445	7	1	2,533	446	100.0	2.8
1st	373	65	3	0	376	66	99.8	0.4

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

(Note 2) Dividend payout ratio is rounded down to the first decimal place. Dividend payout ratio for the fiscal period ended November 2016 is calculated using the following formula since issuance of new investment units was conducted during the period.
 Dividend payout ratio = Total distribution amount (excluding excess cash distribution) / Profit × 100

(Note 3) Ratio of distribution to net assets for the fiscal period ended November 30, 2016 is calculated based on the weighted average net assets per unit with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period, using the following formula.

Ratio of distribution to net assets = Distribution per unit (excluding excess cash distribution) / {(net assets per unit at period commencement date + net assets per unit at period end) / 2} × 100.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
2nd	million yen 29,440	million yen 16,197	% 55.0	yen 91,925
1st	30,732	15,818	51.5	89,775

(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
2nd	million yen 2,273	million yen (47)	million yen (1,854)	million yen 1,039
1st	(1,030)	(27,306)	29,004	668

2. Management Status Forecasts for the 3rd Fiscal Period and the 4th Fiscal Period

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

4th Fiscal Period: Fiscal period ending May 2018 (from December 1, 2017 to May 31, 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
3rd	1,027	0.6	513	(6.3)	415	(6.9)	414	(6.9)	2,352	7	2,359
4th	1,027	0.0	506	(1.3)	409	(1.5)	408	(1.5)	2,316	7	2,323

(Reference) Estimated profit per unit for the 3rd Fiscal Period: 2,351 yen; 4th Fiscal Period: 2,316 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:

1st	176,200 units	2nd	176,200 units
1st	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 November 2017 and May 2018" on page 7.

1. Affiliated Juridical Persons of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on February 24, 2017).

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 February 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, the Investment Corporation issued new investment units through 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 1) (total acquisition price (Note 2): 26,844 million yen) during the previous 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 (May 31, 2017) stands at 176,200 units.

(Note 1) “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 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 2) “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 an aspect of recovery trends with a 1.0% increase (the second preliminary estimates) in real GDP growth rate (after seasonal adjustment, comparison with the previous fiscal period) for January 2017 to March 2017, an improving trend in jobs-to-applicants ratio and such. On the other hand, however, personal consumption remained weak partly due to stagnating actual wages. Concerning the world economy, we should also continue to carefully watch the changes in the environment, including the U.S. with the new administration, trends of political measures in major European nations, uncertainty of the future of the Chinese economy and mounting geopolitical risks around the world.

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 since fiscal year 2013, 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 previous 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 88.8% on average for the fiscal period under review, resulting in cumulative totals of ADR (Note 3), RevPAR (Note 4) and sales surpassing the actual results of the same period of the previous year before acquisition by the Investment Corporation. As to unrealized gain/loss (Note 5) of the entire portfolio as of the end of the fiscal period under review, unrealized gain of 1,024 million yen was recorded as a result of a decline of the appraisal cap rate in comparison with the previous appraisal obtained at the end of the previous fiscal period (November 30, 2016), decline of book value due to depreciation and other factors.

Furthermore, concerning management of properties owned, 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 Ooedo-Onsen Monogatari Group (Note 6), the operator-cum-tenant.

(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 total rooms sold

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

(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 and leasehold right)

(Note 6) Ooedo-Onsen Monogatari Group is comprised of Ooedo-Onsen Monogatari Co., Ltd., the sponsor of the Investment Corporation, and its consolidated subsidiaries.

c. Overview of Capital Procurement

During the fiscal period under review, the Investment Corporation conducted an early repayment of the entire amount of short-term borrowings (1,400 million yen) on March 31, 2017 upon receiving the refund of consumption tax for the assets acquired, etc. In addition, the Investment Corporation made borrowings of 500 million yen as part of fund to repay short-term borrowings of 777 million yen due on May 31, 2017. As a result of the above efforts, the total amount of interest-bearing debt stood at 11,735 million yen and the ratio of interest-bearing liabilities to total assets (LTV) at 39.9% 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 1,021 million yen, operating profit of 547 million yen, ordinary profit of 446 million yen and profit of 445 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 2,526 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 temporary difference adjustment (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 3 yen.

As a result, distribution per unit for the fiscal period under review was 2,533 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 management environment in the next fiscal period and onward is expected to continue having a sense of uncertainty in the world economy, particularly the political movements of the U.S. and the raising of interest rates, trends in the Chinese economy among other factors. As to the environment in Japan, although trends of actual wages, employment situation, etc. and their impact on personal consumption continue to require attention, 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 and 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

Overlooking the supply aspect of onsen and spa-related facilities, the number of inquiries for potential deal information to the Ooedo-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, declining competitiveness due to aging properties and announcement of results of quake-resistance inspections based on the revised Act on Promotion of Seismic Retrofitting of Buildings taking place in some municipalities.

In the fiscal year 2016 and the period up to June 31, 2017, the Ooedo-Onsen Monogatari Group acquired a total of 7 onsen and spa-related facilities (2 facilities in Naruko onsen in Miyagi Prefecture in May 2016, 1 facility each in a tourist area in Nagasaki City, Nagasaki Prefecture and Beppu onsen in Oita Prefecture in August 2016, 1 facility in Atami onsen in Shizuoka Prefecture in September 2016, 1 facility in Gero onsen in Gifu Prefecture in April 2017 and 1 facility in Kushimotocho in Wakayama Prefecture (Note 1) in June 2017). These onsen and spa-related facilities are expected to fulfill acquisition criteria of the Investment Corporation through revitalization such as renovation (Note 2).

Furthermore, in accordance with the sponsor support agreement concluded with Ooedo-Onsen Monogatari Co., Ltd. on July 29, 2016, the Investment Corporation will be granted with preferential negotiating rights for acquisition of facilities owned by the Ooedo-Onsen Monogatari Group and 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 (Note 3) owned and operated by Onsen Monogatari Group, on a negotiation basis avoiding excessive competition by utilizing the above support. Also, the Investment Corporation plans to consider acquisition of facilities owned by third parties other than the Ooedo-Onsen Monogatari Group that can expect high earnings and stable operation, through the acquisition channels unique to the Asset Manager. The Investment Corporation believes this will facilitate improvement of liquidity of the asset class with the acquisition of diversified onsen and spa-related facilities, etc.

(Note 1) The Investment Corporation 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.

(Note 3) "Ooedo onsen model" is business expertise introduced in facilities operated by Ooedo-Onsen Monogatari Group capable of maintaining high profitability and stable occupancy, which is possessed by Ooedo-Onsen Monogatari Group and is believed to be highly competitive.

(b) Internal Growth Strategy

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 operation costs of respective facility) in the long-term lease contracts concluded with the Ooedo-Onsen Monogatari Group companies which are the tenants of the owned assets (Note). This allows the Investment Corporation to pursue benefits from upside of GOP-linked rent income when facilities are generating favorable operating results while securing stability of cash flow over the long-term. Variable rent will arise in the fiscal period ending May 2017 and the amount of variable rent will be the fixed amount set forth in each lease contract for each facility for the fiscal period ending May 2017. However, in the fiscal period ending November 2017 onward, variable rent that the Investment Corporation receives may decrease depending on the operating results of the owned facilities or may not arise at all (excluding Ooedo-Onsen Monogatari Reoma Resort). (Note: For details of GOP and variable rent, please refer to "Assumptions Underlying Forecasts of the Financial Results for the Fiscal Periods Ending November 2017 and May 2018" on page 7.)

The Investment Corporation agreed on June 29, 2017 with Reoma Unity Co., Ltd., the lessee, on applying fixed amount for the variable rent portion of Ooedo-Onsen Monogatari Reoma Resort it owns for a certain period. Specifically, the Investment Corporation concluded a rent system revision agreement to apply fixed amount for the variable rent portion until May 31, 2019. This is expected to further strengthen stability of the short-term distribution level by taking the Investment Corporation's current portfolio scale into account, while basically maintaining a rent system that includes variable rent to receive the benefit from upsides in rent of Reoma Resort over the medium to long term.

Particularly with implementation of strategic capital expenditure, the Investment Corporation will aim for stabilization and improvement of rent revenue over the medium to long term by collaborating with the Ooedo-Onsen Monogatari Group, which possesses know-how on creating added value for onsen and spa-related facilities, to enhance the value of owned facilities. For instance, the Ooedo-Onsen Monogatari Group has changed the use of buildings, increased the number of guestrooms by constructing additional buildings in vacant sites, updated facilities at outdoor baths, onsen and spa-related facilities through renewal, expansion, etc. in order to enhance capability to attract more guests.

(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.

(c) Financial Strategy

The Investment Corporation will consider flexible equity finance giving consideration to the enhancement of investment units value over the medium to long term as well as the dilution of distribution per unit with the aims of steadily growing the Investment Corporation's assets under management. In addition, the Investment Corporation will implement LTV control that is conservative but also emphasizes agility, while considering stable debt financing comprehensively taking into account conditions including the borrowing period and diversification of lenders.

(3) Significant Subsequent Events

Not applicable.

**Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Periods Ending November 2017 and May 2018**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending November 2017 (3rd fiscal period: from June 1, 2017, to November 30, 2017) (183 days) • Fiscal period ending May 2018 (4th fiscal period: from December 1, 2017, to May 31, 2018) (182 days)
Managed Assets	<ul style="list-style-type: none"> • It is assumed there will be no change (acquisition or disposition of assets) to the 9 properties owned by the Investment Corporation as of the date of this document through to the end of the fiscal period ending May 2018. • The managed assets may actually 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, taking into consideration market trends and other factors. It is assumed that no rent payments will be behind or declined by tenants. • Rent is calculated based on the following assumptions: <div style="margin-left: 20px;"> <p>[Oedo-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"> (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 64.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>With regard to Oedo-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>[Oedo-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"> (1) Modified GOP for the most recent one-year period × 4.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 77.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <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"> (1) Modified GOP for the most recent one-year period × 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. </div>

<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 \times 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 \times 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 \times 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 \times 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 \times 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 \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.</p>
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Fiscal Period Ending November 2017 (3rd 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	5	48
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	3	4	31
Total (Note 7)	868	80	78	1,027

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	5	48
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	3	4	31
Total (Note 7)	868	80	78	1,027

(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

	<p>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 Ooedo-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 operational 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"> • 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. • As to taxes and public charges, 69 million yen is recorded as expenses in the fiscal period ending November 2017 and 69 million yen in the fiscal period ending May 2018. • Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 270 million yen for the fiscal period ending November 2017, and 272 million yen for the fiscal period ending May 2018.
Non-operating expenses	<ul style="list-style-type: none"> • The total amount of interest expenses and other borrowing-related expenses is expected to be 98 million yen for the fiscal period ending November 2017, and 97 million yen for the fiscal period ending May 2018.
Borrowings	<ul style="list-style-type: none"> • The balance of loans outstanding as of May 31, 2017 is 11,735 million yen. • In the fiscal period ending November 2017 and the fiscal period ending May 2018, it is assumed that scheduled repayment of 111 million yen will be conducted separately. • In the fiscal period ending May 2018, current portion of long-terms 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.
Outstanding Investment Units	<ul style="list-style-type: none"> • The assumed number of investment units issued and outstanding as of the date of this document is 176,200, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before May 31, 2018. • 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 November 2017 and ending May 2018 (176,200 units).
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none"> • Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation’s articles of incorporation. • Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.
Excess cash distribution per unit	<ul style="list-style-type: none"> • Recording of allowance for adjustment of temporary difference of 1,233,400 yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation.

	<ul style="list-style-type: none"> 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 7 yen of excess distribution per unit will be conducted in each of the fiscal periods ending November 2017 and ending May 2018.
Other	<ul style="list-style-type: none"> It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2.3. 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 February 24, 2017).

3. Financial Statements

3.1. Balance Sheets

(Thousands of yen)

	As of November 30, 2016	As of May 31, 2017
Assets		
Current assets		
Cash and deposits	1,599,405	1,970,733
Operating accounts receivable	326	—
Prepaid expenses	118,600	106,728
Consumption taxes receivable	1,431,892	—
Deferred tax assets	24	15
Other	—	1,105
Total current assets	3,150,250	2,078,582
Non-current assets		
Property, plant and equipment		
Buildings	18,079,683	18,169,276
Accumulated depreciation	(131,368)	(394,939)
Buildings, net	17,948,314	17,774,336
Structures	—	1,259
Accumulated depreciation	—	(7)
Structures, net	—	1,251
Land	9,264,018	9,264,041
Total property, plant and equipment	27,212,332	27,039,629
Intangible assets		
Leasehold right	157,802	157,802
Software	6,191	6,963
Total intangible assets	163,993	164,765
Investments and other assets		
Long-term prepaid expenses	196,129	147,310
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	206,129	157,310
Total non-current assets	27,582,456	27,361,706
Total assets	30,732,706	29,440,289

	(Thousands of yen)	
	1st Fiscal Period (from March 29, 2016 to November 30, 2016)	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	1,159	90,263
Short-term loans payable	2,177,000	—
Current portion of long-term loans payable	223,000	723,000
Accounts payable - other	261,251	226,007
Accrued expenses	7,580	8,212
Income taxes payable	1,321	915
Accrued consumption taxes	—	61,072
Advances received	183,256	184,050
Other	105	1,211
Total current liabilities	2,854,675	1,294,733
Non-current liabilities		
Long-term loans payable	11,124,250	11,012,750
Tenant leasehold and security deposits	868,270	868,270
Asset retirement obligations	67,100	67,248
Total non-current liabilities	12,059,620	11,948,269
Total liabilities	14,914,295	13,243,002
Net assets		
Unitholders' equity		
Unitholders' capital	15,752,576	15,752,576
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	—	(528)
Total deduction from unitholders' capital	—	(528)
Unitholders' capital, net	15,752,576	15,752,047
Surplus		
Unappropriated retained earnings (undisposed loss)	65,834	445,238
Total surplus	65,834	445,238
Total unitholders' equity	15,818,410	16,197,286
Total net assets	15,818,410	16,197,286
Total liabilities and net assets	30,732,706	29,440,289

3.2. Statements of Income

(Thousands of yen)

	1st Fiscal Period (from March 29, 2016 to November 30, 2016)	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)
Operating revenue		
Lease business revenue	507,696	1,021,730
Total operating revenue	507,696	1,021,730
Operating expenses		
Expenses related to rent business	140,191	318,123
Asset management fee	47,979	114,178
Asset custody fee	1,662	1,367
Administrative service fees	8,323	12,892
Directors' compensations	5,400	3,600
Other operating expenses	37,600	23,598
Total operating expenses	241,157	473,760
Operating profit	266,538	547,969
Non-operating income		
Interest income	0	8
Interest on refund	—	2,267
Total non-operating income	0	2,275
Non-operating expenses		
Interest expenses	24,222	47,403
Organization expenses	73,020	—
Investment unit issuance expenses	73,828	—
Borrowing related expenses	28,336	56,788
Total non-operating expenses	199,408	104,191
Ordinary profit	67,131	446,053
Profit before income taxes	67,131	446,053
Income taxes - current	1,321	916
Income taxes - deferred	(24)	9
Total income taxes	1,296	926
Profit	65,834	445,127
Retained earnings brought forward	—	111
Unappropriated retained earnings (undisposed loss)	65,834	445,238

3.3. Statements of Unitholders' Equity

1st Fiscal Period (from March 29, 2016 to November 30, 2016)

(Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	-	-	-	-	-
Changes of items during period					
Issuance of new investment units	15,752,576			15,752,576	15,752,576
Profit		65,834	65,834	65,834	65,834
Total changes of items during period	15,752,576	65,834	65,834	15,818,410	15,818,410
Balance at end of current period	*1 15,752,576	65,834	65,834	15,818,410	15,818,410

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		Unappropriated retained earnings (undisposed loss)	Total surplus			
Allowance for temporary difference adjustment		Total deduction from unitholders' capital	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	*1 15,752,576	(528)	(528)	15,752,047	445,238	445,238	16,197,286	16,197,286

3.4. Statements of Cash Distributions

(Yen)

Item	1st Fiscal Period (from March 29, 2016 to November 30, 2016)	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)
I. Unappropriated retained earnings	65,834,175	445,238,882
II. Addition of excess distribution	528,600	1,233,400
Of which, allowance for temporary difference adjustment	528,600	1,233,400
III. Distribution amount	66,251,200	446,314,600
[Distribution amount per unit]	[376]	[2,533]
Of which,		
Distribution amount from earnings	65,722,600	445,081,200
[Of which, excess cash distribution per unit]	[373]	[2,526]
Allowance for temporary difference adjustment	528,600	1,233,400
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustment)]	[3]	[7]
IV. Retained earnings carried forward	111,575	157,682
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 376 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 373 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 528,600 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 temporary difference adjustment of 3 yen per investment unit.</p>	<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 temporary difference adjustment of 7 yen per investment unit.</p>

3.5. Statements of Cash Flows

(Thousands of yen)

	1st Fiscal Period (from March 29, 2016 to November 30, 2016)	2nd Fiscal Period (from December 1, 2016 to May 31, 2017)
Cash flows from operating activities		
Profit before income taxes	67,131	446,053
Depreciation	131,677	264,329
Investment unit issuance expenses	73,828	—
Borrowing related expenses	28,336	56,788
Interest income	(0)	(8)
Interest expenses	24,222	47,403
Decrease (increase) in operating accounts receivable	(326)	326
Increase (decrease) in operating accounts payable	15	(15)
Decrease (increase) in consumption taxes refund receivable	(1,431,892)	1,431,892
Increase (decrease) in accrued consumption taxes	—	61,072
Decrease (increase) in prepaid expenses	(18,358)	3,902
Decrease (increase) in long-term prepaid expenses	(126,708)	—
Increase (decrease) in accounts payable - other	65,268	8,760
Increase (decrease) in advances received	183,256	793
Other, net	(9,820)	148
Subtotal	(1,013,370)	2,321,448
Interest income received	0	8
Interest expenses paid	(16,641)	(46,770)
Income taxes paid	(0)	(1,322)
Net cash provided by (used in) operating activities	(1,030,011)	2,273,362
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,080,087)	(45,760)
Purchase of intangible assets	(163,762)	(1,523)
Proceeds from tenant leasehold and security deposits	868,270	—
Payments for restricted bank deposits	(930,770)	—
Net cash provided by (used in) investing activities	(27,306,349)	(47,284)
Cash flows from financing activities		
Increase in short-term loans payable	2,177,000	—
Proceeds from long-term loans payable	11,205,000	500,000
Decrease in short-term loans payable	—	(2,177,000)
Repayments of long-term loans payable	(55,750)	(111,500)
Proceeds from issuance of investment units	15,678,747	—
Dividends paid	—	(66,251)
Net cash provided by (used in) financing activities	29,004,997	(1,854,751)
Net increase (decrease) in cash and cash equivalents	668,635	371,327
Cash and cash equivalents at beginning of period	—	668,635
Cash and cash equivalents at end of period	668,635	1,039,962