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Summary of REIT Financial Report for the 10th Fiscal Period

July 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
 Asset Manager: Ooedo Onsen Asset Management Co. Ltd.
 Representative: Fuminori Imanishi, Chief Executive Officer
 Inquiries to: Shinya Ito, General Manager, Planning and Coordination Department +81-3-6262-5456
 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 24, 2021
 Scheduled date of start of distribution payments: August 13, 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 10th Fiscal Period

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

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

(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	%
9th	1,358	(5.2)	594	(12.4)	467	(14.4)	466	(14.4)
10th	1,348	(0.8)	593	(0.1)	460	(1.6)	459	(1.6)

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	%	%	%
9th	1,983	2.2	1.2	34.4
10th	1,951	2.2	1.2	34.1

(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	%	%
9th	1,983	466	13	3	1,996	469	100.0	2.2
10th	1,952	459	18	4	1,970	463	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
9th	37,428	21,102	56.4	89,666
10th	37,122	21,092	56.8	89,622

(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
9th	1,759	(300)	(1,424)	920
10th	948	(165)	(672)	1,031

2. Management Status Forecasts for the 11th Fiscal Period and the 12th Fiscal Period

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

12th Fiscal Period: Fiscal period ending May 2022 (from December 1, 2021 to May 31, 2022)

[% 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
11th	1,343	(0.4)	577	(2.7)	422	(8.1)	421	(8.2)	1,792	18	1,810
12th	1,337	(0.4)	567	(1.8)	420	(0.6)	419	(0.6)	1,781	18	1,799

(Reference) Estimated Profit per unit for the 11th Fiscal Period: 1,792 yen; 12th Fiscal Period: 1,781 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:

10th	235,347 units	9th	235,347 units
10th	0 units	9th	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 2021 and May 2022" 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 9th fiscal period, the Investment Corporation transferred a portion of the land of Ooedo-Onsen Monogatari Reoma Resort on November 2, 2020 and simultaneously leased the transferred portion of the land 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

Economic activities in Japan remained stagnant during the fiscal period under review due to the extension of the state of emergency declared in some metropolitan areas in April 2021 and the semi-emergency measures for the prevention of COVID-19 infections, and the expansion of areas that are subject to them as the COVID-19 pandemic continues. Seasonally adjusted real gross domestic product (GDP) based on the second preliminary estimates for the January-March quarter excluding the effects of price fluctuations fell 1.0% from the previous quarter and 3.9% from the previous fiscal period, partially reflecting the downward revision of private consumption expenditures from the first preliminary estimate (a 1.5% decrease quarter on quarter).

In this environment, all of the 14 onsen and spa-related facilities owned by the Investment Corporation closed their doors temporarily from late January or early February 2021, to early March or mid-March to address the number of COVID-19 infections which began increasing around the end of December 2020.

However, all of these facilities excluding Ooedo-Onsen Monogatari Kounkaku resumed operations by the end of May 2021, the point where the fiscal period under review closed. Operations on weekdays remained sluggish due to the tendency of elderly people to stay home. Meanwhile, operations during the Golden Week holiday and weekends turned out to be relatively high, due to the success of sufficient and thorough tenant measures to control infection based on advice from outside infectious disease experts. The Investment Corporation believes the improved results reflect increased visits by young people and family groups.

The overall guestroom occupancy rate (Note 1) for the fiscal period under review was 28.1%, far below the results of the previous fiscal period. ADR (Note 2) rose 9.8% from the previous fiscal period. RevPAR (Note 3) and sales fell 44.8% and 49.4% period on period, respectively.

Looking at the Investment Corporation's leasing business revenue for the fiscal period under review, variable rents based on the annual results of the Ooedo-Onsen Monogatari Group, the tenant, for the period through February 2021 were zero for all facilities for the second consecutive fiscal period, reflecting lower occupancy rates due to COVID-19. However, the Investment Corporation received the full amount of fixed rents, whose ratio to total rents was high.

The appraisal value of properties acquired totaled 40,209 million yen at the end of the fiscal period under review. Compared with the appraisal value of properties acquired at the end of the previous fiscal period (November 30, 2020), the capitalization rate, called the cap rate, was unchanged. However, the appraisal value of properties acquired declined 30 million yen due to a future cash flow decrease that resulted from the review of capital expenditures and the like by some of the facilities.

As a result, unrealized gain on total portfolio properties at the end of the fiscal period under review increased to 5,603 million yen due to depreciations appropriated in the fiscal period under review.

In addition, the Investment Corporation implemented essential repairs by tenants during the COVID-19 pandemic while taking steps to control expenditures including the postponement of a portion of capital expenditures whose implementation could be delayed from the perspective of cash management. At the same time, the Investment Corporation made the capital expenditures necessary for maintaining functions based on a capital expenditure plan that duly considered the conditions, characteristics and other factors of the owned properties. (In principle, tenants bore repair expenses based on lease agreements.)

Further, the Investment Corporation continued its activities for acquiring new properties and gathering information extensively from the marketplace instead of limiting its operations to the properties operated by the Ooedo-Onsen Monogatari Group, anticipating the state of things after the end of the pandemic.

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

Guestroom occupancy rate is calculated using the following formula.

$$\text{Guestroom occupancy rate} = \frac{\text{number of guestrooms sold during relevant period}}{\text{number of rooms available for sale during relevant period}} \times 100 (\%)$$

(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.

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

(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 3,491 million yen through short-term borrowing from a syndicate with Sumitomo Mitsui Banking Corporation (SMBC) as the arranger and 240 million yen through short-term borrowing from SMBC (Note) to allocate the funds to the repayment of a portion of 3,491 million yen and 250 million yen in long-term loans that became due on May 31, 2021. In addition, the Investment Corporation made scheduled repayments of 87 million yen each on January 31, 2021 and April 30, 2021, using cash on hand. As a result, the total amount of interest-bearing debt and the ratio of such debt to total assets (LTV) came to 14,271 million yen and 38.4%, respectively, at the end of the fiscal period under review.

(Note) Refer to the press release, "Notice Concerning Borrowing of Funds," dated May 25, 2021, 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 1,348 million yen, operating profit of 593 million yen, ordinary profit of 460 million yen and profit of 459 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 1,952 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 4,236,246 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 18 yen.

As a result, distribution per unit for the fiscal period under review was determined as 1,970 yen (of which, excess distribution per unit was 18 yen).

(2) Outlook for the Next Fiscal Period

a. Management Environment in the Next Fiscal Period

In late June, the state of emergency that had been declared in prefectures excluding Okinawa was lifted and replaced with semi-emergency measures to prevent COVID-19 infections. However, a state of emergency was again declared in the Tokyo metropolitan area in July. For four other prefectures, the semi-emergency measures to prevent COVID-19 infections were also extended. Under the circumstances, there was a growing expectation that the state of vaccination would rapidly progress in Japan and that latent consumption demand would be actualized after the completion of a vaccination cycle. At the same time, there were also concerns over the domestic spread of globally increasing COVID-19 variants, and the increase in the inflow of people from other parts of Japan and overseas due to the Tokyo Olympics and Paralympics, for which preparation was in progress. Future COVID-19 countermeasure trends involving the curbing of economic activity will decide the state of Japan's economy in the coming fiscal periods. Ups and downs are anticipated for some time.

In this environment, the Investment Corporation believes that consumer confidence affected by COVID-19 and infection prevention measure trends will greatly influence trends in intangible goods consumption (Note 1), or more precisely, experience-based consumption (Note 2), on which leisure facilities (Note 3), its investment targets, are based. Matters that require careful monitoring include the state of operations during the period of the Tokyo Olympics and Paralympics, the state of infection in the subsequent period, the state of the progress of vaccination, which is rapidly advancing, and the effects of vaccination.

There is still little room for optimism regarding the performance of tenants of the facilities owned by the Investment Corporation because the tenants operated some facilities only on weekends (from check-in on Fridays to check-out on Mondays) in June based on their own judgment in response to weak demand due to various requests from governments for voluntary restraint and the like and a sense of caution among consumers under the sustained COVID-19 pandemic. However, some of the facilities are showing signs of customers returning, reflecting an enhanced sense of security because of efforts to publicize facilities' infection prevention measures, a recovery in facility use by elderly persons which comprising a main weekday customer segment as a result of their having received a second dose of vaccine, and the Ooedo model whose main targets are repeat customers in neighboring areas. The Investment Corporation thinks that future demand recovery is possible.

Based on these factors, the Investment Corporation believes that leisure facilities, its investment targets, have a chance to regain customers faster than facilities that depend heavily on demand from visitors such as inbound tourists and domestic tourists from distant places.

(Note 1) "Intangible goods consumption" refers to consumption activities for providing a "series of experiences" which is a combination of individual events.

(Note 2) "Experience-based consumption" refers to consumption activities for the purpose of having experiences.

(Note 3) “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.”

b. Future Management Policy and Challenges to Address

The Investment Corporation aims to build a portfolio focused on leisure facilities. For the time being, however, the Investment Corporation's top priority is flawless measures to addressing the income and financial risks created by the COVID-19 pandemic. Finding its way out of this crisis in such way, the Investment Corporation strives to work out flexible growth strategies as external conditions improve in the future.

(a) External Growth Strategy

i. Utilization of Sponsor Pipeline

Looking at the supply side of onsen and spa-related facilities, many Japanese-style inns and hotels are expected to close their businesses for persistent reasons, such as a lack of successors and a decline in competitiveness due to the deterioration of facilities. Facility closures and sales in response to the results aggravation due to the prolonged COVID-19 pandemic, and facility sales to raise funding for the survival of businesses are anticipated as well. Properties introduced to the Investment Corporation and the Ooedo-Onsen Monogatari Group are likely to remain relatively large in number.

The Ooedo-Onsen Monogatari Group opened or reopened after renewal three onsen and spa-related facilities in the 12-month period from June 2020 to May 2021. They are Saikaibashi Corazon Hotel (Sasebo City, Nagasaki Prefecture) and Ooedo-Onsen Monogatari Shiomiso (Murakami City, Niigata Prefecture) that began to operate in July 2020, and Sendai Akiu Onsen Hotel Iwanumaya (Sendai City, Miyagi Prefecture) which reopened in November 2020. The Group is expected to continue to acquire onsen and spa-related facilities 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. Looking at variable rents, results for the fiscal period under review, and forecasts for the fiscal period ending November 2021 and the fiscal period ending May 2022 are all zero due to occupancy rate declines during the

COVID-19 pandemic. For the time being, the Investment Corporation is focused on overcoming the current crisis and securing fixed rents to the maximum degree possible. At the same time, the Investment Corporation works to redouble the surety of its rent income by continuously monitoring tenants' business performance and ability to pay rents to restore the stability of rents in the future.

(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's top priority is understanding the continuing effect of COVID-19 on tenants' performance and associated rent income risks, and addressing risks for its financial management. More specifically, it is focused on the refinancing of existing loans. The Investment Corporation believes that maintaining its financial base through conservative LTV control and cash management is very important.

The goal of the Investment Corporation's medium- and long-term debt financing policy is to achieve stable financing at points when it acquires new properties and when existing loans become due while maintaining favorable relationships with existing lenders through sufficient communication based on the provision of timely and appropriate information. The Investment Corporation flexibly considers the implementation of equity financing, considering the enhancement of the value of investment units over the medium to long term and the dilution of distributions per unit.

The Investment Corporation's policy is to maintain LTV at a conservative level with a rate below 40% as a benchmark for the time being under the principle of 60% as maximum, while paying attention to the maintenance of its capital reserves during the COVID-19 pandemic. The Investment Corporation also aims to lower the risk premium and reduce financial costs by expanding its portfolio and diversifying risks including those related to tenants and facility locations from medium- and long-term perspectives. At the same time, the Investment Corporation seeks to gain high ratings, diversify its procurement methods, lengthen the average debt repayment period and introduce fixed interest rates.

(3) Significant Subsequent Events

Not applicable

**Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Periods Ending November 2021 and May 2022**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending November 2021 (11th fiscal period: from June 1, 2021, to November 30, 2021) (183 days) • Fiscal period ending May 2022 (12th fiscal period: from December 1, 2021, to May 31, 2022) (182 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 May 2022. • 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 September 2020 and August 2021 in the fiscal period ending November 2021 (11th period) and the modified GOP for the period between March 2021 and February 2022 in the fiscal period ending May 2022 (12th 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 November 2021 (11th period) and the fiscal period ending May 2022 (12th 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 <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 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) <p>[Ooedo-Onsen Monogatari Ise-shima] Fixed rent: 18,009,399 yen monthly Variable rent: 962,993 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p>

- (1) Modified GOP for the most recent one-year period \times 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.

[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:

- (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 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.

[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:

- (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.

[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:

- (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.

[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:

- (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.

[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:

- (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.

[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 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 7)	62
Total (Note 8)	1,230	-	112	0	1,343

Fiscal Period Ending May 2022 (12th fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Other revenue	Total (Note 8)
	Fixed rent (Note 3)	Variable rent (Note 4)			
Ooedo-Onsen Monogatari Reoma Resort	314 (Note 6)	-	30	-	345
Ooedo-Onsen Monogatari Ise-shima	108	-	3	-	111
Ito Hotel New Okabe	73	-	8	-	82
Ooedo-Onsen Monogatari Atami	93	-	3	-	97
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	-	56
Ooedo-Onsen Monogatari Awara	65	-	8	-	74
Ooedo-Onsen Monogatari Kamoshika-so	35	-	5	-	41
Ooedo-Onsen Monogatari Ikaho	36	-	3	-	40
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29

	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	74	-	6	-	80
	Ooedo-Onsen Monogatari Kounkaku	42	-	4	-	46
	Kinugawa Kanko Hotel	174	-	7	-	182
	Ooedo-Onsen Monogatari Kinosaki	78	-	6	-	85
	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	0 (Note 7)	62
	Total (Note 8)	1,230	-	106	0	1,337
	<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) Land rent based on the fixed-term land lease agreement is presented.</p> <p>(Note 8) Rents of properties are rounded down to the nearest million yen. Therefore, the total of each property’s rent, the total of fixed rents, the total of variable rents and the total of secondary rents may not add up to the figure indicated in the Total column.</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 93 million yen for the fiscal period ending November 2021, and 93 million yen for the fiscal period ending May 2022. • 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 451 million yen for the fiscal period ending November 2021, and 454 million yen for the fiscal period ending May 2022. 					
Non-operating expenses	<ul style="list-style-type: none"> • The total amount of interest expenses and other borrowing-related expenses is expected to be 154 million yen for the fiscal period ending November 2021, and 147 million yen for the fiscal period ending May 2022. 					
Borrowings	<ul style="list-style-type: none"> • The balance of loans outstanding as of May 31, 2021 is 14,271 million yen. • In the fiscal period ending November 2021 and the fiscal period ending May 2022, it is assumed that the scheduled repayment of 175 million yen will be made separately. • The repayment of 10 million yen, a portion of 240 million yen in short-term borrowings, on August 31, 2021 is assumed in the fiscal period ending November 2021. In addition, it is assumed that, of that amount, 1,449 million yen and 3,472 million yen in short-term borrowings due for repayment on August 31, 2021 and for the current portion of 2,190 million yen in long-term loans due for repayment on November 30, 2021 will be refinanced. 					

	<ul style="list-style-type: none"> The repayment of 30 million yen, a portion of 230 million yen in short-term borrowings, on February 28 2022 is assumed in the fiscal period ending May 2022. In addition, it is assumed that, of that amount, 2,170 million yen, 1,423 million yen and 3,434 million yen in short-term borrowings due for repayment on February 28, 2022 and for 3,132 million yen in long-term loans due for repayment on May 31, 2022 will be refinanced.
Outstanding Investment Units	<ul style="list-style-type: none"> The assumed number of investment units issued and outstanding as of the date of this document is 235,347, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before May 31, 2022. 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 2021 and May 2022 (235,347 units).
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none"> Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation's articles of incorporation. Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.
Excess cash distribution per unit	<ul style="list-style-type: none"> Recording of allowance for temporary difference adjustments of 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 November 2021 and ending May 2022.
Other	<ul style="list-style-type: none"> It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2. Financial Statements

2.1. Balance Sheets

(Thousands of yen)

	As of November 30, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	2,245,992	2,356,485
Prepaid expenses	140,140	101,517
Other	6,546	6,866
Total current assets	2,392,678	2,464,869
Non-current assets		
Property, plant and equipment		
Buildings	26,667,147	26,761,904
Accumulated depreciation	(3,239,601)	(3,686,238)
Buildings, net	23,427,545	23,075,666
Structures	10,979	10,979
Accumulated depreciation	(1,616)	(1,986)
Structures, net	9,362	8,992
Machinery and equipment	600	600
Accumulated depreciation	(97)	(115)
Machinery and equipment, net	502	484
Tools, furniture and fixtures	5,772	9,972
Accumulated depreciation	(1,402)	(2,042)
Tools, furniture and fixtures, net	4,370	7,930
Land	11,208,770	11,208,770
Total property, plant and equipment	34,650,550	34,301,844
Intangible assets		
Leasehold interests in land	305,228	303,751
Software	1,347	544
Total intangible assets	306,575	304,296
Investments and other assets		
Deferred tax assets	16	15
Long-term prepaid expenses	68,483	41,499
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	78,589	51,605
Total non-current assets	35,035,715	34,657,746
Total assets	37,428,394	37,122,615

(Thousands of yen)

	As of November 30, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Operating accounts payable	118,701	8,045
Short-term borrowings	1,487,480	5,193,060
Current portion of long-term borrowings	6,194,120	5,509,515
Accounts payable - other	82,190	83,234
Accrued expenses	8,190	7,482
Income taxes payable	940	932
Accrued consumption taxes	34,980	34,830
Advances received	246,412	247,064
Other	7,260	6,973
Total current liabilities	8,180,276	11,091,139
Non-current liabilities		
Long-term borrowings	6,776,000	3,569,375
Leasehold and guarantee deposits received	1,230,692	1,230,692
Asset retirement obligations	138,691	139,096
Total non-current liabilities	8,145,384	4,939,164
Total liabilities	16,325,661	16,030,303
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(17,116)	(20,175)
Total deduction from unitholders' capital	(17,116)	(20,175)
Unitholders' capital, net	20,635,907	20,632,847
Surplus		
Unappropriated retained earnings (undisposed loss)	466,826	459,464
Total surplus	466,826	459,464
Total unitholders' equity	21,102,733	21,092,312
Total net assets	21,102,733	21,092,312
Total liabilities and net assets	37,428,394	37,122,615

2.2. Statements of Income

(Thousands of yen)

	Fiscal period ended November 30, 2020	Fiscal period ended May 31, 2021
Operating revenue		
Leasing business revenue	1,342,970	1,348,319
Gain on sale of real estate properties	15,785	—
Total operating revenue	1,358,755	1,348,319
Operating expenses		
Expenses related to leasing business	574,661	577,073
Asset management fees	122,870	119,720
Asset custody fees	1,720	1,676
Administrative service fees	17,258	17,032
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	44,313	35,716
Total operating expenses	764,424	754,817
Operating profit	594,331	593,501
Non-operating income		
Interest income	10	11
Reversal of distributions payable	1,212	637
Total non-operating income	1,222	648
Non-operating expenses		
Interest expenses	54,683	50,927
Financing fees	73,230	82,956
Total non-operating expenses	127,914	133,884
Ordinary profit	467,639	460,266
Profit before income taxes	467,639	460,266
Income taxes - current	942	934
Income taxes - deferred	(0)	0
Total income taxes	942	935
Profit	466,697	459,331
Retained earnings brought forward	128	133
Unappropriated retained earnings (undisposed loss)	466,826	459,464

2.3. Statements of Unitholders' Equity

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

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

(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	(17,116)	(17,116)	20,635,907	466,826	466,826	21,102,733	21,102,733
Changes of items during period								
Dividends of surplus					(466,693)	(466,693)	(466,693)	(466,693)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					459,331	459,331	459,331	459,331
Total changes of items during period	—	(3,059)	(3,059)	(3,059)	(7,361)	(7,361)	(10,421)	(10,421)
Balance at end of current period	20,653,023	(20,175)	(20,175)	20,632,847	459,464	459,464	21,092,312	21,092,312

2.4. Statements of Cash Distributions

(Yen)

Item	9th Fiscal Period (from June 1, 2020 to November 30, 2020)	10th Fiscal Period (from December 1, 2020 to May 31, 2021)
I. Unappropriated retained earnings	466,826,453	459,464,688
II. Addition of excess distribution	3,059,511	4,236,246
Of which, allowance for temporary difference adjustments	3,059,511	4,236,246
III. Distribution amount	4,59,752,612	4,63,633,590
[Distribution amount per unit]	[1,996]	[1,970]
Of which,	466,693,101	459,397,344
Distribution amount from earnings		
[Of which, excess cash distribution per unit]	[1,983]	[1,952]
Of which,	3,059,511	4,236,234
Allowance for temporary difference adjustments		
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[13]	[18]
IV. Retained earnings carried forward	133,352	67,324
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 Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 3,059,511 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 13 yen per investment unit.</p>	<p>As described above, distribution per unit for the fiscal period under review is 1,970 yen.</p> <p>Concerning cash distribution (excluding excess cash distribution), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15, Paragraph 1 of the Special Measures Concerning Taxation Act), the Investment Corporation decided to distribute almost the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, the Investment Corporation declared a cash distribution per investment unit (excluding excess cash distribution) of 1,952 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 4,236,246 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 18 yen per investment unit.</p>

2.5. Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended November 30, 2020	Fiscal period ended May 31, 2021
Cash flows from operating activities		
Profit before income taxes	467,639	460,266
Depreciation	444,973	450,030
Financing fees	73,230	82,956
Interest income	(10)	(11)
Interest expenses	54,683	50,927
Increase (decrease) in operating accounts payable	44,552	(44,552)
Increase (decrease) in accrued consumption taxes	(4,533)	(150)
Decrease (increase) in prepaid expenses	(25,371)	(1,020)
Decrease (increase) in long-term prepaid expenses	1,125	1,125
Increase (decrease) in accounts payable - other	(7,061)	1,044
Increase (decrease) in advances received	(14,902)	652
Decrease in property, plant and equipment due to sale	779,417	—
Other, net	1,573	35
Subtotal	1,815,315	1,001,303
Interest received	10	11
Interest paid	(54,822)	(51,635)
Income taxes paid	(937)	(942)
Net cash provided by (used in) operating activities	1,759,566	948,736
Cash flows from investing activities		
Purchase of property, plant and equipment	(152,348)	(165,385)
Purchase of intangible assets	(147,672)	—
Refund of leasehold and guarantee deposits received	(13)	—
Net cash provided by (used in) investing activities	(300,034)	(165,385)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,472,605	3,713,545
Repayments of short-term borrowings	—	(25,420)
Repayments of long-term borrowings	(2,348,880)	(3,891,230)
Distributions paid	(547,887)	(469,752)
Net cash provided by (used in) financing activities	(1,424,162)	(672,857)
Net increase (decrease) in cash and cash equivalents	35,369	110,493
Cash and cash equivalents at beginning of period	885,397	920,767
Cash and cash equivalents at end of period	920,767	1,031,260