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## Summary of REIT Financial Report for the 14th Fiscal Period

July 20, 2023

REIT Issuer: Oedo Onsen Reit Investment Corporation      Stock Exchange Listing: TSE  
 Securities Code: 3472      URL: <https://oom-reit.com/en/>  
 Representative: Takeshi Kiriwara, Executive Director  
 Asset Manager: Oedo Onsen Asset Management Co. Ltd.  
 Representative: Takeshi Kiriwara, Chief Executive Officer  
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 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 24, 2023  
 Scheduled date of start of distribution payments: August 15, 2023  
 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 14th Fiscal Period

**14th Fiscal Period: Fiscal period ended May 2023 (from December 1, 2022 to May 31, 2023)**

**13th Fiscal Period: Fiscal period ended November 2022 (from June 1, 2022 to November 30, 2022)**

#### (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	%
14th	1,221	(1.3)	523	3.7	349	6.7	349	6.7
13th	1,237	(4.2)	505	(8.9)	327	(7.6)	327	(7.6)

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	%	%	%
14th	1,483	1.7	1.1	28.6
13th	1,389	1.6	1.0	26.5

#### (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	%	%
14th	1,444	339	-	-	1,444	339	97.4	1.6
13th	1,390	327	14	3	1,404	330	100.0	1.6

(Note 1) The entire amount of total excess cash distribution is equivalent to the 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
14th	32,126	20,965	65.3	89,085
13th	33,166	20,947	63.2	89,006

#### (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
14th	1,956	(94)	(1,194)	2,150
13th	2,799	(294)	(1,855)	1,483

## 2. Management Status Forecasts for the 15th Fiscal Period and the 16th Fiscal Period

**15th Fiscal Period: Fiscal period ending November 2023 (from June 1, 2023 to November 30, 2023)**

**16th Fiscal Period: Fiscal period ending May 2024 (from December 1, 2023 to May 31, 2024)**

[% 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
15th	1,147	(6.0)	481	(8.1)	326	(6.7)	325	(6.7)	1,383	13	1,396
16th	1,147	(0.0)	471	(2.0)	309	(5.3)	308	(5.3)	1,310	13	1,323

(Reference) Estimated Profit per unit for the 15th Fiscal Period: 1,383 yen; 16th Fiscal Period: 1,309 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:

14th	235,347 units	13th	235,347 units
14th	0 units	13th	0 units

\* **This financial report is not included in the scope of the external audit by a certified public accountant or auditing firm.**

### \* 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 Period Ending November 2023 and May 2024” on page 7.

## 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, 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. At the end of 13th fiscal period, the Investment Corporation owned 12 onsen and spa-related facilities. During the fiscal period under review, the Investment Corporation transferred Ooedo-Onsen Monogatari Kinosaki (70% co-ownership interest) (Note 2). 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 11 facilities (total acquisition price (Note 3) : 31,085 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) “Onsen and spa-related facilities” refers to hot bath facilities (public bathing facilities which employ hot springs (onsen) (meaning hot water, mineral water, steam and other gases (not including natural gas mainly composed of hydrocarbons) that flow out from the ground; the same hereinafter) or other similar facilities; the same hereinafter) or other similar facilities; the same hereinafter) or 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 onsen or 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. From the perspective of diversifying risks while ensuring portfolio returns, the Investment Corporation invests in rental housing and other accommodation facilities for residential purposes, in addition to the investments in hot spring, bathing and other related facilities, and other leisure facilities. The Investment Corporation has not owned accommodation facilities or made a resolution to acquire accommodation facilities for residential purposes (meaning rental housing, student apartments, company dormitories, serviced apartments, shared houses, elderly facilities and houses, and other facilities that are or can be used for residential purposes, the same applies hereinafter), as of the date of this document.

(Note 2) The Investment Corporation transferred 30% co-ownership interest of Ooedo-Onsen Monogatari Kinosaki on November 30, 2022, and then transferred 70% co-ownership interest of the real estate on February 28, 2023.

(Note 3) “Acquisition price” is the purchase price (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees) of each property in the sale and purchase agreement, rounded down to the nearest million yen. However, in the case of Ooedo-Onsen Monogatari Reoma Resort, since the Investment Corporation transferred part of the land on November 2, 2020 and at the same time leased the transferred part from the transferee, the “acquisition price” is the purchase price (not including expenses, such as consumption tax, local consumption tax or sale and purchase fees) of each real estate in the sale and purchase agreement pertaining to the property as of the time of acquisition, minus the amount equivalent to the book value pertaining to such transferred part as of the time of transfer, plus the amount equivalent to the premium paid as consideration for the establishment of the leasehold in the lease agreement pertaining to establishment of the leasehold interest in the transferred part.

#### b. Investment Environment and Management Performance

During the fiscal period under review, the Japanese economy showed signs of a mild recovery as economic activity gradually returned to normal with the easing of restrictions on movement associated with the COVID-19 pandemic. On the other hand, the protracted conflict in Ukraine, the continued increase of prices due to the depreciation of the yen and other negative factors impacted the economic recovery, and these trends need to be continuously monitored.

The occupancy rate of guest rooms (Note 1) at all facilities owned by the Investment Corporation in the fiscal period under review was 74.1%, up 29.3% year on year. RevPAR (Note 2) entered a recovery phase and rose 37.4% year on year.

In these circumstances, to reduce refinancing risk which had been a management issue during the prolonged COVID-19 pandemic, the Investment Corporation transferred Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki (30% co-ownership interest) at the end of the 13th fiscal period (fiscal period ended November 30, 2022) and completed the transfer of the remaining 70% co-ownership interest in Ooedo-Onsen Monogatari Kinosaki as of the end of February 2023 during the fiscal period under review (Note 3). The Investment Corporation believes that refinancing risk was reduced because part of the proceeds from selling the above co-ownership interest were allocated to the repayment of existing borrowings. It also plans to allocate the remaining sales proceeds to partially fund property acquisitions to expand asset size in the future.

On the other hand, there was an agreement with the Oedo-Onsen Monogatari Group to reduce fixed rents by 50% for the six-month period between September 2022 and February 2023 for the 11 properties held by the Investment Corporation, excluding the two described above (Oedo-Onsen Monogatari Kamoshika-so and Oedo-Onsen Monogatari Kinosaki), to cooperate with the Oedo-Onsen Monogatari Group in maintaining the Group's ability to raise the funds needed to achieve regular income. After the end of the rent reduction period, fixed rents have been collected since March 2023 at the same amounts as before the rent reduction measure was taken.

The appraisal value of properties acquired totaled 33,629 million yen at the end of the fiscal period under review. In comparison to the appraisal value of properties acquired at the end of the previous fiscal period, the capitalization rate remained unchanged. However, the appraisal value decreased 120 million yen in total thanks largely to an end of reduction of fixed rent in the previous fiscal period, a temporary reduction of fixed rent of properties to be renewed, and a revision of capital expenditure plans at some of the facilities. Looking at unrealized gain/loss (Note 4) for the entire portfolio at the end of the fiscal period under review, the unrealized gain increased to 5,019 million yen as a result of the depreciation of the 11 properties that comprise the portfolio.

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

Guestroom occupancy rate is calculated using the following formula.

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

(Note 2) Revenue per available room (RevPAR) is calculated for a given time period by dividing total room revenue by total rooms available, and is rounded down to the nearest specified unit.

(Note 3) Refer to the press release, "Notice Concerning Transfer of Real Estate in Japan (Oedo-Onsen Monogatari Kamoshika-so and Oedo-Onsen Monogatari Kinosaki)" dated November 15, 2022, for details.

(Note 4) Unrealized gain/loss is calculated using the following formula. Please note that there is no guarantee that this unrealized gain/loss will be realized.

Unrealized gain/loss = Total appraisal value of owned assets as of the end of the fiscal period under review – Total balance sheet amount (including equipment attached to buildings, structures, machinery and equipment, tools, furniture and fixtures, construction in progress as well as leasehold right)

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

In the fiscal period under review, the Investment Corporation procured 971 million yen through short-term borrowing and 5,162 million yen through long-term borrowing from a syndicate with Sumitomo Mitsui Banking Corporation, and 200 million yen through long-term borrowing from Sumitomo Mitsui Banking Corporation (Note 1) to allocate the funds to the repayment of a portion of 3,117 million yen and 210 million yen in short-term borrowings and 3,016 million yen in long-term borrowing became due on February 28, 2023. Also the Investment Corporation procured 4,362 million yen through long-term borrowing from a syndicate with Sumitomo Mitsui Banking Corporation (Note 2) to allocate the funds to the repayment of a portion of 1,129 million yen and 965 million yen in short-term borrowing, and 2,268 million yen in long-term borrowing became due on May 31, 2023. In addition, the Investment Corporation made scheduled repayments of 75 million yen on January 31, 2023 and 72 million yen on April 28, 2023 using cash on hand, and made early repayments of 597 million yen on February 28, 2023 in the wake of the transfer of asset using a portion of net proceeds from payment for the transfer (Note 3). As a result, the total amount of interest-bearing debt and the ratio of such debt to total assets (LTV) came to 9,634 million yen and 30.0%, respectively, at the end of the fiscal period under review.

(Note 1) Refer to the press release, "Notice Concerning Borrowing of Funds" dated February 24, 2023, for details.

(Note 2) Refer to the press release, "Notice Concerning Borrowing of Funds and Future Acquisitions of Properties" dated May 29, 2023, for details.

(Note 3) Refer to the press release, "Notice Concerning Early Repayment of Borrowings in Part" dated February 24, 2023, 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 1,221 million yen, operating profit of 523 million yen, ordinary profit of 349 million yen and profit of 349 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").

And 9,178,533 yen or the amount of the reversals of 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)) has been excluded from the unappropriated retained earnings in the fiscal period under review.

As a result, distribution per unit for the fiscal period under review was determined as 1,444 yen.

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

### **a. Management Environment in the Next Fiscal Period and Future Acquisitions of New Properties**

Looking to the future, the Investment Corporation expects that the Japanese economy and the tourist industry will continue to improve with the easing of restrictions on movement and progress in the normalization of socio-economic activity. On the other hand, the Investment Corporation believes that it should continue to monitor the risk of an economic downturn due to the protracted Ukraine conflict, prices which are rising globally, rising interest rates, etc. In these circumstances, the Investment Corporation expects that the performance of the businesses of the tenants of its facilities will continue to recover.

In preparation for the refinancing risk in the fiscal period under review, the Investment Corporation retained a part of the proceeds from the sale of Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki, which were transferred in the 13th fiscal period (fiscal period ended November 30, 2022) and the fiscal period under review. However, with the completion of refinancing at the end of February 2023 and May 2023 during the current fiscal period under review, the Investment Corporation believes that the refinancing risk has been reduced. Going forward, it aims to put itself onto a growth trajectory and expand assets under management and unitholder value mainly through the acquisition of accommodation facilities other than the properties held by the sponsor using a part of the 2.0 billion yen surplus which includes the remaining amount from the sales proceeds, new borrowings, etc. (Note).

(Note) The Investment Corporation has not made a resolution to undertake a new borrowing of funds, and the Investment Corporation has not owned accommodation facilities or made a resolution to acquire accommodation facilities, as of the date of this document.

### **b. External Growth Strategy**

#### **(a) Priority investment assets**

While priority investment assets will include onsen and spa-related facilities managed by the Ooedo-Onsen Monogatari Group (Note 1) based on the Ooedo business model (Note 2), the Investment Corporation will also invest in accommodation facilities in urban areas, sports and amusement facilities, entertainment facilities, complex facilities that contain the foregoing and other leisure facilities. In addition, accommodation facilities whose risk-return characteristics are different from those of leisure facilities will be positioned as priority investment assets with the goal of continuously and stably enhancing unitholder value through the diversification of the portfolio (Note 3).

(Note1) "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. (may be referred to as "Sponsors") 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.

(Note2) "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. The same applies hereinafter.

(Note3) The Investment Corporation has not owned accommodation facilities or made a resolution to acquire accommodation facilities, as of the date of this document.

#### **(b) Utilization of Network Unique to the Asset Manager**

Using the Asset Manager's own network, the Investment Corporation will invest in leisure facilities by determining whether or not the operators have a track record of stably managing their performance even during the COVID-19 pandemic and they are able to handle changes in the market based on their experiences during the pandemic. The Investment Corporation will selectively invest in accommodation facilities by emphasizing regional characteristics, trends in social conditions, changes in demand for rental accommodations and convenience and by taking note of tenants' reliability, management capabilities, track record, etc.

#### **(c) Utilization of Sponsor Pipeline**

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, 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 facilities that meet investment criteria of the Investment Corporation by making maximum use of the abovementioned support.

### **c. Internal Growth Strategy**

#### **(a) Rent systems combining the promotion of stability and the pursuit of upsides**

Under the long-term lease agreements with the companies in the Oedo-Onsen Monogatari Group, the Investment Corporation adopted rent systems that contain primary rent which consists mainly of fixed rents with the addition of GOP (Note 1)-linked variable rents and secondary rents which are equivalent to the real estate-related costs of each facility, and ensured that repair costs are paid by tenants, in principle. In this manner, the Investment Corporation can ensure stable cashflows and enjoy and pursue upsides in rent revenue. In the basic agreements concluded with Oedo-Onsen Monogatari Hotels & Resorts Co, Ltd. and Reoma Unity Co., Ltd. as of November 15, 2022, it set forth a shift to a new rent system in which the composition ratio and rate of variable rents are higher than the existing ratios and rents if a target GOP set for each facility is achieved (Note 2).

(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) Refer to the press release, “Notice Concerning Conclusion of Basic Agreement on New Rent System” dated November 15, 2022, for details.

#### **(b) Strategic CAPEX (Note) Contributing to the Increase in Income and Enhancement of Competitiveness through the Expansion of Capacity**

The Investment Corporation will implement CAPEX, which will contribute to an increase in value, such as the extension and reconstruction of owned properties that have scope for an increase in asset value to increase the number of guestrooms. Through this measure, it aims to increase potential income for the operator of the owned properties, as well as to increase 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) 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.

#### **d. Financial Strategy**

The Investment Corporation's priority is maintaining its financial base through conservative LTV control and cash management. 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. The Investment Corporation flexibly considers the implementation of equity financing considering the enhancement of the value of investment units over the medium to long terms and the achievement of growth in distributions per unit.

The Investment Corporation's policy is to maintain LTV at a conservative level with a rate around 40% as a benchmark for the time being under the principle of 60% as maximum. 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 Period Ending November 2023 and May 2024**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> <li>• Fiscal period ending November 2023 (15th fiscal period: from June 1, 2023, to November 30, 2023) (183 days)</li> <li>• Fiscal period ending May 2024 (16th fiscal period: from December 1, 2023 to May 31, 2024) (183 days)</li> </ul>
Managed Assets	<ul style="list-style-type: none"> <li>• The Investment Corporation has owned 11 properties as of the date of this document.</li> <li>• It is assumed that there will be no change (acquisition or disposition of assets) through to the end of the fiscal period ending May 2024.</li> <li>• The managed assets may change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document. 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.</li> <li>• Agreements to modify the lease contracts to shift to the new rent system were concluded on December 1, 2022 for Ooedo-Onsen Monogatari Ise-shima and Kinugawa Kanko Hotel for the assets owned by the Investment Corporation. However, it is assumed that the rent system will not change to the new rent system in the fiscal period ending November 30, 2023 (15th period) or the fiscal period ending May 31, 2024 (16th period). The same applies for the other assets owned by the Investment Corporation.</li> <li>• Rent is calculated based on the following assumptions: [Ooedo-Onsen Monogatari Reoma Resort] Fixed rent: 52,456,896 yen monthly Variable rent: calculated using the following calculation method               <ol style="list-style-type: none"> <li>(1) Modified GOP (Note 1) for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 58.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>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 = <math>((A \times 12 - B) + B') \div 12</math> 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 31 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 31 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> </li> </ul> <p>[Ooedo-Onsen Monogatari Ise-shima] Fixed rent: 18,009,399 yen monthly (However it will be scheduled to a temporary reduction of fixed rent in March 2024 due to the full closure of the facility accompanied by the implementation of Value-up construction.) Variable rent: calculated as follows  <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period × 4.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 77.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ito Hotel New Okabe]</p> </p>

Item	Assumption
	<p>Fixed rent: 12,296,799 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 5.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Atami]  Fixed rent: 15,619,380 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 4.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 74.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Toi Marine Hotel]  Fixed rent: 9,098,235 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 7.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 72.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Awara]  Fixed rent: 10,963,033 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 3.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 62.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Ikaho]  Fixed rent: 6,126,558 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 7.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 67.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Kimitsu-no-mori]  Fixed rent: 4,098,412 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 5.0% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Ooedo-Onsen Monogatari Kounkaku]  Fixed rent: 7,017,209 yen monthly  Variable rent: calculated as follows</p> <ol style="list-style-type: none"> <li>(1) Modified GOP for the most recent one-year period <math>\times</math> 4.5% (yearly; the monthly amount is 1/12th thereof)</li> <li>(2) Only if 45.3% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</li> </ol> <p>[Kinugawa Kanko Hotel]</p>



Item	Assumption																																																																																														
	<p>Fixed rent: 29,069,741 yen monthly (However it will be scheduled to a temporary reduction of fixed rent in March 2024 due to the full closure of the facility accompanied by the implementation of Value-up construction.)</p> <p>Variable rent: calculated as follows</p> <p>(1) Modified GOP for the most recent one-year period × 2.4% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 56.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>[Ooedo-Onsen Monogatari Higashiyama Grand Hotel]</p> <p>Fixed rent: 8,631,767 yen monthly</p> <p>Variable rent: calculated as follows</p> <p>(1) Modified GOP for the most recent one-year period × 4.5% (yearly; the monthly amount is 1/12th thereof)</p> <p>(2) Only if 45.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.</p> <p>Fiscal Period Ending November 2023 (15th fiscal period)</p> <p style="text-align: right;">(Millions of yen)</p> <table border="1"> <thead> <tr> <th 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Item	Assumption					
	Ooedo-Onsen Monogatari Ise-shima	95	6	3	-	106
	Ito Hotel New Okabe	73	7	8	-	89
	Ooedo-Onsen Monogatari Atami	93	6	3	-	104
	Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	-	63
	Ooedo-Onsen Monogatari Awara	65	3	8	-	78
	Ooedo-Onsen Monogatari Ikaho	36	-	4	-	40
	Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29
	Ooedo-Onsen Monogatari Kouunkaku	42	4	4	-	51
	Kinugawa Kanko Hotel	148	-	7	-	156
	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	5	10	0 (Note 6)	67
	Total (Note 7)	1,001	54	91	0	1,147
	<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) The amount is land rent based on the fixed-term land lease agreement.</p> <p>(Note 7) Rents of properties are rounded down to the nearest million yen. Therefore, the total of each property’s rent, the total of fixed rents, the total of variable rents and the total of secondary rents may not add up to the figure indicated in the Total column.</p>					
Operating expenses	<ul style="list-style-type: none"> <li>• Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate.</li> <li>• Taxes and public charges is assumed to be 77 million yen for the fiscal period ending November 2023 and 77 million yen for the fiscal period ending May 2024.</li> <li>• Building repair expenses are not expected to arise, as these expenses will, in principle, be borne by the tenant based on the lease agreement effective as of the date of this document.</li> <li>• Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 414 million yen for the fiscal period ending November 2023 and 418 million yen for the fiscal period ending May 2024.</li> </ul>					
Non-operating expenses	<ul style="list-style-type: none"> <li>• The total amount of interest expenses and other borrowing-related expenses is expected to be 155 million yen for the fiscal period ending November 2023 and 162 million yen for the fiscal period ending May 2024.</li> </ul>					

Item	Assumption
Borrowings	<ul style="list-style-type: none"> <li>• The balance of loans outstanding as of May 31, 2023 is 9,634 million yen.</li> <li>• In the fiscal period ending November 2023, it is assumed that the scheduled repayment (July 31: 73 million yen, October 31: 73 million yen) will be made separately.</li> <li>• In the fiscal period ending May 2024, short-term loans 5,144 million yen will be due for repayment on February 29, 2024, also long-term loans 4,240 million yen will be due for repayment on May 31, 2024. And it is assumed that around the same amounts will be refinanced.</li> <li>• In the fiscal period ending May 2024, it is assumed that the scheduled repayment (January 31: 73 million yen, April 30: 73 million yen) will be made separately.</li> </ul>
Outstanding Investment Units	<ul style="list-style-type: none"> <li>• 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, 2024.</li> <li>• Distribution per unit is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal period ending May 2024 (235,347 units).</li> </ul>
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none"> <li>• Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation's articles of incorporation.</li> <li>• Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.</li> </ul>
Excess cash distribution per unit	<ul style="list-style-type: none"> <li>• Recording of allowance for temporary difference adjustments of 3,059,511 yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation, etc.</li> <li>• Regarding conducting excess cash distribution, the Investment Corporation will have a basic policy of conducting excess cash distribution of which amount will be equivalent to the increased amount of allowance for temporary difference adjustments. Pursuant to the policy, it is assumed that 13 yen of excess distribution per unit will be conducted in the fiscal period ending November 2023 and 13 yen in the fiscal period ending May 2024.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan.</li> <li>• It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.</li> </ul>

## 2. Financial Statements

### 2.1. Balance Sheets

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,667,035	3,275,162
Prepaid expenses	101,550	205,239
Consumption tax refundable	-	12,783
Other	4,829	5,003
<b>Total current assets</b>	<b>2,773,414</b>	<b>3,498,189</b>
Non-current assets		
Property, plant and equipment		
Buildings	24,648,005	24,020,462
Accumulated depreciation	(4,611,639)	(4,868,682)
Buildings, net	20,036,366	19,151,779
Structures	50,849	29,989
Accumulated depreciation	(4,337)	(5,127)
Structures, net	46,511	24,861
Machinery and equipment	600	600
Accumulated depreciation	(168)	(185)
Machinery and equipment, net	431	414
Tools, furniture and fixtures	16,702	17,692
Accumulated depreciation	(5,173)	(6,464)
Tools, furniture and fixtures, net	11,528	11,227
Land	9,946,436	9,097,457
Construction in progress	6,790	-
<b>Total property, plant and equipment</b>	<b>30,048,064</b>	<b>28,285,739</b>
Intangible assets		
Leasehold interests in land	325,013	323,277
<b>Total intangible assets</b>	<b>325,013</b>	<b>323,277</b>
Investments and other assets		
Deferred tax assets	13	10
Long-term prepaid expenses	10,125	9,000
Leasehold and guarantee deposits	10,089	10,089
<b>Total investments and other assets</b>	<b>20,228</b>	<b>19,099</b>
<b>Total non-current assets</b>	<b>30,393,307</b>	<b>28,628,117</b>
<b>Total assets</b>	<b>33,166,721</b>	<b>32,126,307</b>

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	117,571	110,491
Short-term borrowings	4,489,185	-
Current portion of long-term borrowings	5,900,601	9,634,887
Accounts payable - other	91,180	80,766
Accrued expenses	4,275	209
Income taxes payable	886	812
Accrued consumption taxes	77,895	-
Advances received	313,919	207,455
Other	5,716	5,111
<b>Total current liabilities</b>	<b>11,001,233</b>	<b>10,039,734</b>
<b>Non-current liabilities</b>		
Leasehold and guarantee deposits received	1,096,069	1,040,847
Asset retirement obligations	122,106	79,798
<b>Total non-current liabilities</b>	<b>1,218,175</b>	<b>1,120,645</b>
<b>Total liabilities</b>	<b>12,219,408</b>	<b>11,160,380</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	20,653,023	20,653,023
<b>Deduction from unitholders' capital</b>		
Allowance for temporary difference adjustments	(32,884)	(36,179)
<b>Total deduction from unitholders' capital</b>	<b>(32,884)</b>	<b>(36,179)</b>
Unitholders' capital, net	20,620,138	20,616,843
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	327,173	349,082
<b>Total surplus</b>	<b>327,173</b>	<b>349,082</b>
<b>Total unitholders' equity</b>	<b>20,947,312</b>	<b>20,965,926</b>
<b>Total net assets</b>	<b>20,947,312</b>	<b>20,965,926</b>
<b>Total liabilities and net assets</b>	<b>33,166,721</b>	<b>32,126,307</b>

## 2.2. Statements of Income

(Thousands of yen)

	13th Fiscal Period from June 1, 2022 to November 30, 2022	14th Fiscal Period from December 1, 2022 to May 31, 2023
Operating revenue		
Leasing business revenue	995,389	910,074
Gain on sale of real estate properties	242,124	311,456
Total operating revenue	1,237,514	1,221,530
Operating expenses		
Expenses related to leasing business	561,383	528,722
Asset management fee	110,320	102,895
Asset custody fee	1,544	1,463
Administrative service fees	15,038	15,630
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	40,429	45,362
Total operating expenses	732,317	697,673
Operating profit	505,197	523,856
Non-operating income		
Interest income	13	9
Reversal of distributions payable	596	794
Total non-operating income	609	804
Non-operating expenses		
Interest expenses	49,339	41,193
Borrowing related expenses	126,206	129,473
collateralization-related expenses	2,335	4,136
Total non-operating expenses	177,881	174,802
Ordinary profit	327,925	349,858
Extraordinary income		
Subsidy income	-	14,396
Total extraordinary income	-	14,396
Extraordinary losses		
Loss on reduction entry of non-current assets	-	14,396
Total extraordinary losses	-	14,396
Profit before income taxes	327,925	349,858
Income taxes - current	889	813
Income taxes - deferred	6	3
Total income taxes	895	817
Profit	327,030	349,041
Retained earnings brought forward	143	41
Unappropriated retained earnings (undisposed loss)	327,173	349,082

## 2.3. Statements of Unitholders' Equity

13th Fiscal Period (from June 1, 2022 to November 30, 2022)

(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	(28,648)	(28,648)	20,624,375	353,869	353,869	20,978,244	20,978,244
Changes of items during period								
Dividends of surplus					(353,726)	(353,726)	(353,726)	(353,726)
Excess cash distribution from allowance for temporary difference adjustments		(4,236)	(4,236)	(4,236)			(4,236)	(4,236)
Profit					327,030	327,030	327,030	327,030
Total changes of items during period	-	(4,236)	(4,236)	(4,236)	(26,695)	(26,695)	(30,931)	(30,931)
Balance at end of current period	20,653,023	(32,884)	(32,884)	20,620,138	327,173	327,173	20,947,312	20,947,312

14th Fiscal Period (from December 1, 2022 to May 31, 2023)

(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	(32,884)	(32,884)	20,620,138	327,173	327,173	20,947,312	20,947,312
Changes of items during period								
Dividends of surplus					(327,132)	(327,132)	(327,132)	(327,132)
Excess cash distribution from allowance for temporary difference adjustments		(3,294)	(3,294)	(3,294)			(3,294)	(3,294)
Profit					349,041	349,041	349,041	349,041
Total changes of items during period	-	(3,294)	(3,294)	(3,294)	21,909	21,909	18,614	18,614
Balance at end of current period	20,653,023	(36,179)	(36,179)	20,616,843	349,082	349,082	20,965,926	20,965,926

## 2.4. Statements of Cash Distributions

(Yen)

Item	13th Fiscal Period from June 1, 2022 to November 30, 2022	14th Fiscal Period from December 1, 2022 to May 31, 2023
I. Unappropriated retained earnings	327,173,959	349,082,964
II. Addition of excess distribution	3,294,858	-
Of which, allowance for temporary difference adjustments	3,294,858	-
III. Amounts included in unitholders' capital Capitalization	-	9,178,533
Of which, reversal of allowance for temporary difference adjustments	-	9,178,533
IV. Distribution amount	330,427,188	339,841,068
[Distribution amount per unit]	[1,404]	[1,444]
Of which, distribution amount from earnings	327,132,330	339,841,068
[Of which, excess cash distribution per unit]	[1,390]	[1,444]
Of which, Allowance for temporary difference adjustments	3,294,858	-
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[14]	-
V. Retained earnings carried forward	41,629	63,363
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 1,404 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 1,390 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 3,294,858 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 14 yen per investment unit.</p>	<p>As described above, distribution per unit for the fiscal period under review is 1,444 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 make a distribution the entire distribution amount which has been excluded the amount of the reversals of allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, item 30 of the Ordinance on Accountings of Investment Corporations) from the 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.</p> <p>This resulted in distribution amount from earnings of 1,444 yen per investment unit.</p>



## 2.5. Statements of Cash Flows

(Thousands of yen)

	13th Fiscal Period from June 1, 2022 to November 30, 2022	14th Fiscal Period from December 1, 2022 to May 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	327,925	349,858
Depreciation	441,246	416,019
Borrowing related expenses	126,206	129,473
Interest income	(13)	(9)
Interest expenses	49,339	41,193
Subsidy income	-	(14,396)
Loss on tax purpose reduction entry of non-current assets	-	14,396
Loss on retirement of non-current assets	1,302	1,595
Increase (decrease) in operating accounts payable	48,560	(47,328)
Decrease (increase) in consumption tax refundable	-	(12,783)
Increase (decrease) in accrued consumption taxes	(39,675)	(77,895)
Decrease (increase) in prepaid expenses	(34,920)	(123,883)
Decrease (increase) in long-term prepaid expenses	1,125	1,125
Increase (decrease) in accounts payable - other	5,858	(10,413)
Increase (decrease) in advances received	83,527	(106,463)
Decrease in property, plant and equipment due to sale	1,843,192	1,435,903
Other, net	(5,198)	6,274
Subtotal	2,848,475	2,002,665
Interest received	13	9
Interest paid	(48,314)	(45,259)
Income taxes paid	(1,014)	(888)
Net cash provided by (used in) operating activities	2,799,160	1,956,527
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(270,113)	(112,968)
Purchase of intangible assets	(25,952)	-
Refund of leasehold and guarantee deposits received	(59,392)	(55,221)
Proceeds from restricted bank deposits	61,118	59,505
Subsidies received	-	14,396
Net cash provided by (used in) investing activities	(294,340)	(94,288)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,387,043	968,079
Proceeds from long-term borrowings	-	9,619,061
Repayments of short-term borrowings	(2,030,196)	(5,460,222)
Repayments of long-term borrowings	(853,980)	(5,991,097)
Distributions paid	(357,962)	(330,427)
Net cash provided by (used in) financing activities	(1,855,095)	(1,194,606)
Net increase (decrease) in cash and cash equivalents	649,724	667,632
Cash and cash equivalents at beginning of period	833,347	1,483,071
Cash and cash equivalents at end of period	1,483,071	2,150,704