This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

Summary of REIT Financial Report for the 5th Fiscal Period

January 22, 2019

REIT Issuer: Ooedo Onsen Reit Investment Corporation — Stock Exchange Listing: TSE
Securities Code: 3472 — URL: https://oom-reit.com
Representative: Fuminori Imanishi, Executive Director

Asset Manager: Ooedo Onsen Asset Management Co. Ltd.
Representative: Fuminori Imanishi, Chief Executive Officer
Inquiries to: Shinya Ito, General Manager, Planning and Coordination Department — +81-3-6262-5200

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 26, 2019
Scheduled date of start of distribution payments: February 15, 2019

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 5th Fiscal Period

4th Fiscal Period: Fiscal period ended May 2018 (from December 1, 2017 to May 31, 2018)
5th Fiscal Period: Fiscal period ended November 2018 (from June 1, 2018 to November 30, 2018)

(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	%
5th	1,450	0.5	714	(2.7)	578	1.3	577	1.3
4th	1,442	39.7	734	41.5	571	35.7	570	35.7

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	%	%	%
5th	2,454	2.7	1.5	39.9
4th	2,427	3.1	1.7	39.6

(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	%	%
5th	2,454	577	12	2	2,466	580	100.0	2.7
4th	2,423	570	12	2	2,435	573	99.9	2.7

(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. Distribution payout ratio for the fiscal period ended May 2018 is calculated using the following formula since issuance of new investment units was conducted during the period.
Distribution payout ratio = Total distribution amount (excluding excess cash distribution) / Profit × 100

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
5th	39,106	21,224	54.3	90,185
4th	39,875	21,220	53.2	90,166

(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
5th	1,728	(287)	(1,389)	895
4th	531	(10,273)	9,567	843

2. Management Status Forecasts for the 6th Fiscal Period and the 7th Fiscal Period

6th Fiscal Period: Fiscal period ending May 2019 (from December 1, 2018 to May 31, 2019)
7th Fiscal Period: Fiscal period ending November 2019 (from June 1, 2019 to November 30, 2019)

[% 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
6th	1,434	(1.1)	695	(2.7)	558	(3.5)	557	(3.5)	2,368	12	2,380
7th	1,434	0.0	694	(0.1)	558	0.0	557	(0.0)	2,368	12	2,380

(Reference) Estimated Profit per unit for the 6th Fiscal Period: 2,367 yen; 7th Fiscal Period: 2,367 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:

(i)	5th	235,347 units	4th	235,347 units
(ii)	5th	0 units	4th	0 units

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

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

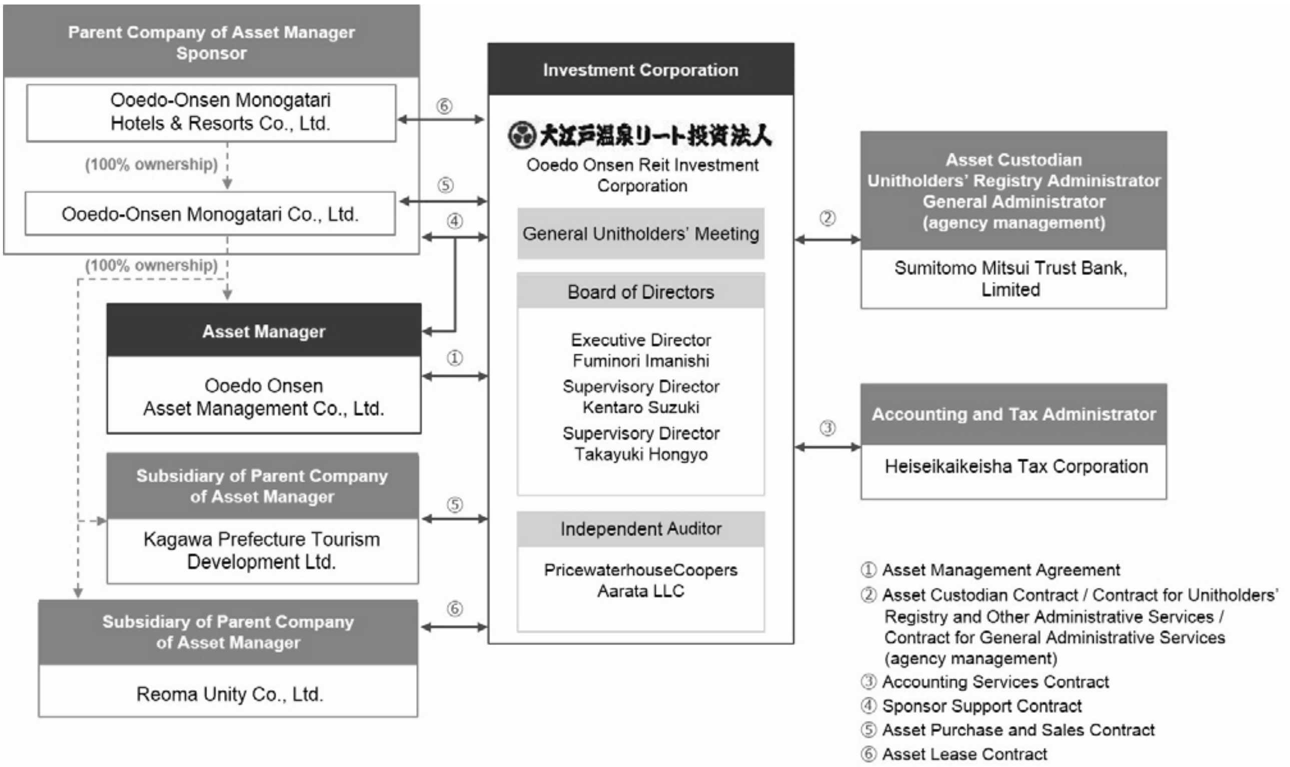
*** Explanation of the appropriate use of the management status forecasts, and other matters of special note**

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable by the Investment Corporation. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of cash distribution. For the assumptions for the management status forecasts, please refer to “Assumptions Underlying Forecasts of the Financial Results for the Fiscal Periods Ending May 2019 and November 2019” on page 10.

1. Affiliated Juridical Persons of the Investment Corporation

Affiliated juridical persons of Ooedo Onsen Reit Investment Corporation (the "Investment Corporation") that have changed from those described in the "Structure of the Investment Corporation" in the most recent periodic securities report (yuka shoken hokokusho) (submitted on August 24, 2018) are as follows.

Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd., Ooedo Onsen Holdings Japan Co., Ltd. and Ooedo-Onsen Monogatari Group Co., Ltd. conducted an absorption-type merger in which Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. became the surviving company while Ooedo Onsen Holdings Japan Co., Ltd. became the disappearing company, and an absorption-type merger in which Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. became the surviving company while Ooedo-Onsen Monogatari Group Co., Ltd. became the disappearing company, with September 1, 2018 as the effective date (both absorption-type mergers are hereinafter collectively referred to as the "Absorption-Type Merger"). Associated with this, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. has succeeded the position as the sponsor of Ooedo-Onsen Monogatari Group Co., Ltd. under the sponsor support agreement concluded on November 1, 2017 among the Investment Corporation, the Asset Manager, Ooedo-Onsen Monogatari Co., Ltd. and Ooedo-Onsen Monogatari Group Co., Ltd. As a result, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Ooedo-Onsen Monogatari Co., Ltd. have become the sponsors of the Investment Corporation after the Absorption-Type Merger. In addition, associated with the Absorption-Type Merger, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. has succeeded the position as the lessee of some of assets owned by Ooedo-Onsen Monogatari Group Co., Ltd.



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

2. Management Policy and Management Status

2.1. Management Policy

Disclosure is omitted because there are no significant changes from the "Investment Policy," "Investment Targets" and "Distribution Policy" in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on August 24, 2018).

2.2. Management Status

(1) Overview of the Fiscal Period under Review

a. Brief History of the Investment Corporation

Ooedo Onsen Reit Investment Corporation (the "Investment Corporation") was established on March 29, 2016 (capital: 200 million yen, issued investment units: 2,000 units) 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 previous 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. As a result, the total number of facilities owned by the Investment Corporation as of the end of the fiscal period under review increased to 14 facilities (total acquisition price: 36,705 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 onsen model” is business expertise introduced in facilities operated by the Ooedo-Onsen Monogatari Group capable of maintaining high profitability and stable occupancy, which are possessed by the Ooedo-Onsen Monogatari Group and believed to be highly competitive.

(Note2) “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” indicates the purchase prices of properties stated in the sale and purchase agreements (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees), rounded down to the nearest million yen.

b. Investment Environment and Management Performance

The Japanese economy during the fiscal period under review remained severe, with negative growth of 2.5% on an annualized quarterly real GDP growth basis (the second preliminary estimates) for the July-September period of 2018. This reflected a number of temporary factors, such as declining consumer confidence and restraints on production and transportation associated with a string of natural disasters, in addition to downward revisions to private-sector corporate capital investment mainly attributable to weak overseas demand. While service consumption declined slightly for the first time in two quarters under such circumstances, mainly because consumers remained indoors to avoid the heat, the Investment Corporation believes that the underlying trend in service consumption remains firm.

As to the status of onsen use, the Onsen Use Survey by the Nature Conservation Bureau of the Ministry of the Environment shows that the number of accommodation facilities and the total number of annual guests of accommodation facilities throughout a fiscal year remained stable from fiscal 2013 to fiscal 2016, suggesting that demand for onsen is stable over the medium to long terms.

In this environment, the occupancy rate (Note 1) of the 14 onsen and spa-related facilities the Investment Corporation owns as of the end of fiscal period under review (total acquisition price: 36,705 million yen) remained at 100.0% as of the end of the fiscal period under review under a master lease agreement. In addition, the tenant performance at the owned facilities during the fiscal period under review shows that while the guestroom occupancy rate (Note 2) for the 14 onsen and spa-related facilities owned decreased slightly from the previous fiscal period, it remained consistently high at 89.6% on average for the fiscal period under review. As a result, cumulative totals of ADR (Note 3), RevPAR (Note 4) and sales for the 14 properties owned exceeded the actual results of the same period of the previous year.

The Investment Corporation believes that, in addition to the operational capability of the Ooedo-Onsen Monogatari Group, the tenant, the fact that demand for onsen is secured in a relatively stable manner while short-term consumption trends are changing is the backdrop of the above trends, as estimated from the aforementioned Onsen Use Survey by the Nature Conservation Bureau of the Ministry of the Environment.

Looking at tenant performance by facility, there were differences in profit that have taken the cost of sales and expenses into consideration, in addition to occupancy rate and sales, depending on the property. The Investment Corporation believes that it needs to continue communicating with tenants while paying attention to the competitive environment and the market trends surrounding each facility, as well as the sales and operation polices of the tenants, monitoring the situation of each facility by observing their performance. Mainly for the purpose of stabilizing future rent income at owned facilities in light of the situation of each facility, the Investment Corporation has decided, on January 22, 2019 after the end of the fiscal period under review, with Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Reoma Unity Co., Ltd., the tenants, to revise rents at some properties (for details, please refer to (2) Outlook for the Next Fiscal Period, b. Future Management Policy and Challenges to Address, (b) Internal Group Strategy, i. Rent Structure Emphasizing Stability).

The total appraisal value as of the end of the fiscal period under review increased by 120 million yen from that for the 14 facilities acquired and owned as of the end of the previous period (May 31, 2018). As to unrealized gain/loss (Note 5) of the entire portfolio as of the end of the fiscal period under review, an unrealized gain of 3,448 million yen was recorded as a result of a decline in book value for the 14 properties due to depreciation.

In addition, the Investment Corporation did not make any new acquisitions of facilities during the fiscal year under review, but drew up plans for repairs and capital expenditures that take into account the status, features, etc. of the owned properties and implemented necessary repairs and capital expenditures under collaboration based on the sponsor support agreement with the Ooedo-Onsen Monogatari Group, the operator-cum-tenant. (Repair expenses are basically borne by tenants based on the lease agreements.)

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

(Note 2) Guestroom occupancy rate is calculated using the following formula.
Guestroom occupancy rate = number of guestrooms sold during relevant period / number of rooms available for sale during relevant period ×100 (%)

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

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

(Note 5) Unrealized gain/loss is calculated using the following formula.
Unrealized gain/loss = Total appraisal value of owned assets as of the end of the fiscal period under review – Total balance sheet amount (including equipment attached to buildings, structures, machinery and equipment, tools, furniture and fixtures as well as leasehold right)

c. Overview of Capital Procurement

In the fiscal period under review, the Investment Corporation prepaid all short-term borrowings of 580 million yen on September 28, 2018 associated with the reception of refund of consumption taxes on acquired assets, etc. The Investment Corporation also made a scheduled repayment of 93 million yen and 50 million yen on July 31 and October 31, 2018, respectively, using cash on hand. As a result, the total amount of interest-bearing debt stood at 15,991 million yen and the ratio of interest-bearing liabilities to total assets (LTV) at 40.9% as of the end of the fiscal period under review.

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 1,450 million yen, operating profit of 714 million yen, ordinary profit of 578 million yen and profit of 577 million yen.

Concerning cash distribution for the fiscal period under review, pursuant to the cash distribution policies provided in the Investment Corporation's articles of incorporation, the amount of distribution was to be in excess of an amount equivalent to 90% of the Investment Corporation's earnings available for distribution as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the "Special Measures Concerning Taxation Act"). Accordingly, the Investment Corporation decided to distribute 2,454 yen per unit (excluding excess cash distribution).

Furthermore, in accordance with the policy for "distribution of cash in excess of profit" as stated in the Investment Corporation's articles of incorporation, the Investment Corporation made a distribution for the 2,824,164 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 (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in excess distribution per unit of 12 yen.

As a result, distribution per unit for the fiscal period under review was 2,466 yen (of which, excess distribution per unit was 12 yen).

(2) Outlook for the Next Fiscal Period

a. Management Environment in the Next Fiscal Period

Looking at the Japanese economy in the next fiscal period onward, attention should continue to be paid to overseas events that could have an impact on the global economy, such as the still unpredictable future of trade talks between the United States and China, interest rate hikes in the United States, developments in the Brexit scenario, economic trends in China and the situation in the Middle East that could affect crude oil prices. Concerning domestic demand, if an increase in employment compensation can be anticipated in association with the tightening supply of labor, in addition to the expected fostering of the celebratory mood due to the change of the name of the era and events stimulating consumption such as 10 consecutive holidays during the Golden Week, a positive effect on personal consumption could be expected. However, it is necessary to continue to pay attention to determine the negative effects of the consumption tax hike scheduled for October 2019 on personal consumption and the content of measures planned to be implemented to coincide with the consumption tax hike.

In this environment, sectors related to onsen and spa-related facilities, which are the key investment targets of the Investment Corporation, are the representative examples of “intangible goods consumption (experience-based consumption)” (Note 1). These sectors have been enjoying stable demand for a long time, and demand for onsen is anticipated from the senior segment—a large and continuously growing segment that is the main customer base for these facilities—and families, which are the offspring generation of the seniors, as well as foreign tourists associated with progress in the government policies for the tourism nation. The Investment Corporation believes that this demand will continue to remain stable overall in the years ahead.

Also with respect to sectors related to leisure facilities (Note 2), another investment target of the Investment Corporation, given that interest in better QOL (Note 3) continues to grow against the backdrop of increasing leisure time due to the expansion of active seniors and work style reforms, in addition to the fact that Japan is a mature consumption society, the Investment Corporation believes that intangible goods consumption (experience-based consumption) in leisure, entertainment and amusement is likely to increase as a consequence. In addition, in the hotel sector, the supply of guestrooms continues to increase backed by the still increasing number of foreign tourists visiting Japan associated with progress in government policies for the tourism nation and stable demand from Japanese guests, and the Investment Corporation believes that the market will expand.

Under these circumstances, the Investment Corporation believes that the performance of the owned facilities will remain relatively stable overall, although there will be differences in performance, depending on facilities.

(Note 1) “Intangible goods consumption (experience-based consumption)” refers to consumption activities for providing a “series of experiences” which is a combination of individual events.

(Note 2) “Leisure facilities” refer to facilities that provide consumers with leisure activities and fulfilling time which people nowadays require, such as “enjoyment,” “communication,” “comfort and relaxation” and “health and intellectual satisfaction.”

(Note 3) “QOL” stands for “Quality Of Life” and refers to the quality of life of people. In a mature consumption society, an improvement in QOL attracts greater attention as a purpose of consumption activities.

b. Future Management Policy and Challenges to Address

(a) External Growth Strategy

i. Utilization of Sponsor Pipeline

Looking at the supply aspect of onsen and spa-related facilities, the number of inquiries for potential deal information to the Investment Corporation and the Ooedo-Onsen Monogatari Group remains large, as there are many cases in which ryokans and hotels decide to cease operation and sell hotels for various reasons such as a lack of successors and declining competitiveness due to aging of the properties.

In the period of one year from January 2018 to December 2018, the Ooedo-Onsen Monogatari Group acquired “Ooedo-Onsen Monogatari Hotel Kisoji” (Kisogun, Nagano Prefecture) in April 2018 and “Tarasa Shima Hotel & Resorts (Note 1)” (Toba City, Mie Prefecture) in October 2018. The Investment Corporation believes that active acquisition will continue to take place in the future (Note 2).

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 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 1) The former name before acquisition by the Ooedo-Onsen Monogatari Group. As of the date of this document, it is preparing for renovation, and the facility name has not yet been determined.

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

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

With regard to onsen and spa-related facilities, the key investment targets, the Investment Corporation will acquire a variety of onsen and spa-related facilities operated by entities outside the Ooedo-Onsen Monogatari Group by utilizing a network unique to the Asset Manager, while it has policy of continuing to acquire mainly facilities operated by the Ooedo-Onsen Monogatari Group as its primary targets. The Investment Corporation also regards a wide range of leisure facilities that provide consumers with affluent leisure time, as represented by onsen and spa-related facilities, as investment targets within the scope set forth in its articles of incorporation and investment guidelines. Within this scope, the Investment Corporation will actively seek to acquire properties other than onsen and spa-related facilities in considering the diversification and balance of its portfolio. Selective investment with preferential negotiation rights, etc, will be conducted by obtaining information on urban locations in major cities, locations with a large market scale and many potential users, and commercial real estate undergoing operation in which stable operation in the future is expected, from the perspective of “intangible goods consumption (experience-based consumption), which has gained attention in recent years, including “onsen/spa.” Moreover, this information on investment targets is brought to the Asset Manager in significant volume, the number of projects under consideration is increasing partially due to approaching potential sellers by means of the company’s unique network, and cases in which preferential negotiating rights are secured are also increasing in number (Note).

The investment targets of the Investment Corporation stipulated in the articles of incorporation are ryokans, hotels, bathing facilities, resort facilities, amusement parks and other leisure facilities as well as mixed-use facilities, all of which can be called leisure facilities. The Investment Corporation believes that it can expand the scale of the portfolio and diversify risks by conducting acquisition activities across a large area while focusing on investments in onsen and spa-related facilities, a facility including onsen and spa sections, as one of the main uses of the facility.

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

(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-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 1). 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.

The Investment Corporation decided with Ooedo-Onsen Monogatari Hotels & Resorts or Reoma Unity Co., Ltd. (hereinafter individually or collectively referred to as the “Lessee”) on January 22, 2019 to revise the fixed rent (Note 2) set forth in the fixed-term building lease agreement with precedent condition and building management service outsourcing agreement (including subsequent changes and hereinafter individually or collectively referred to as the “Original Agreement”) entered into with the Lessee (hereinafter the “Revision”) with respect to Ooedo-Onsen Monogatari Reoma Resort, Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Kinugawa Kanko Hotel and Ooedo-Onsen Monogatari Kinosaki (the “Four Properties”) and to partially change the method of calculating the variable rent (Note 3) set forth in the Original Agreement with respect to two properties of Ooedo-Onsen Monogatari Reoma Resort and Kinugawa Kanko Hotel among the Four Properties (hereinafter the “Change”), with June 1, 2019 as the effective date.

On the occasion of the Revision, the Investment Corporation discusses with the Lessee the adequacy of the fixed rent level set at the time of acquiring each property in light of the operating results of the property to date achieved by the Lessee.

As a result, with respect to Ooedo-Onsen Monogatari Reoma Resort, the Investment Corporation decided to reduce the fixed rent after June 1, 2019 when the fixation period (from June 1, 2017 to May 31, 2019) of the current variable rent portion will end for the purpose of reducing the rent burden of the Lessee, given that the burden of renewal expenses is heavy for the Lessee because the Lessee has set up an amusement park and a theme park on the site and has many game machines and equipment. The Investment Corporation decided that this revision would stabilize the future rent income of Ooedo-Onsen Monogatari Reoma Resort and help the Lessee take steps to increase the value, which would contribute to an increase in the competitiveness of the facility.

With respect to three properties of Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Kinugawa Kanko Hotel and Ooedo-Onsen Monogatari Kinosaki, the Investment Corporation decided to increase the fixed rent, given that the rent burden ratio to GOP (Note 4) was relatively low and that a rent solvency margin of the Lessee was recognized based on the total amount of current rents. As a result, the total amount of fixed rents of the overall portfolio will be maintained as is, even if the decline in the fixed rent of Ooedo-Onsen Monogatari Reoma Resort is taken into account. For these three properties, the Investment Corporation believes that the rent burden ratio will remain within an appropriate range even if the fixed rents are increased, because their rent burden ratios to GOP are low in comparison with the portfolio average.

While it is stipulated that a variable rent will occur if the amount obtained by multiplying the modified GOP (Note 5) for the most recent one year by a certain coefficient exceeds the annual amount of fixed rent, the Change will revise the coefficient in conjunction with the Revision for Ooedo-Onsen Monogatari Reoma Resort and Kinugawa Kanko Hotel.

The Investment Corporation believes that the Revision and the Change will have the effect of increasing the stability of future cash flows by encouraging diversification through the reduced percentage of total rent income represented by Ooedo-Onsen Monogatari Reoma Resort, the largest property in the portfolio, and the leveling of the rent burden ratio of each facility owned, in addition to stabilizing rent income of Ooedo-Onsen Monogatari Reoma Resort while maintaining the overall amount of rent income received by the Investment Corporation.

The Investment Corporation will continue to make efforts to increase the long-term unitholder value, as well as stabilizing cash distribution by actively working to strengthen competitiveness from a medium- to long-term perspective.

(Note 1) 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.

(Note 2) "Fixed rent" refers to the monthly amount provided for in each facility's lease agreement. The same applies hereinafter.

(Note 3) "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. For Ooedo-Onsen Monogatari Reoma Resort, it will be 31 million yen until May 2019 and the amount obtained by the above calculation method for June 2019 onward.

(Note 4) "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.

(Note 5) "Modified GOP" is the amount remaining after deducting real estate-related expenses for each facility to be paid by the tenant (including, but not limited to, taxes and public charges, non-life insurance premiums and land and house rent, but excluding the total sum of taxes and public charges, non-life insurance premiums and other expenses which the Investment Corporation should incur for each facility based on each lease contract and the Investment Corporation's assets existing in each facility) from the GOP of each facility for the Modified GOP calculation period.

ii. Strategic CAPEX (Note 1) Contributing to the Increase in Income and Enhancement of Competitiveness through the Expansion of Capacity

The Investment Corporation proactively implements strategic CAPEX such as increasing the number of guestrooms through extension and reconstruction for existing properties with value-increasing potential (Note 2) and aims to increase rent income by increasing potential earnings that the operator of owned assets are supposed to receive as well as through the effective use of non-operating buildings and unused land within the facility.

In addition, the Investment Corporation will also strive to increase variable rents through the expansion of tenant income through forms of cooperation available to an investment corporation, such as holding various events to attract guests, taking steps to improve operations such as renovating and expanding open-air baths contributing to the enhancement of competitiveness and improving customer flow lines at buffet halls through collaboration based on close communication with the Ooedo-Onsen Monogatari Group, which possesses expertise in adding value to onsen and spa-related facilities, and by becoming actively involved in tenant initiatives from the position of the facility owner.

(Note 1) CAPEX (Capital Expenditure) does not refer to repair expenses for maintenance of real estate but refers to expenditure for enhancing value and competitiveness of real estate and its facilities.

(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 pursues flexible financial strategies while emphasizing the establishment of a conservative financial base.

Although the Investment Corporation has set the upper limit of LTV at 60% in principle, it plans to maintain a conservative level of around 40% with normal operations for the time being, while paying attention to capital reserves. As to debt financing, the Investment Corporation aims to maintain and strengthen its favorable relationship with existing lenders as well as diversify financing sources to secure the necessary funds associated with the expansion of asset scale. The Investment Corporation also aims to reduce financing costs by lowering the risk premium in step with progress in the expansion of the scale of the portfolio and the diversification of risk. In addition, the Investment Corporation is taking steps to diversify/level repayment dates of interest-bearing debt to reduce refinancing risk.

(3) Significant Subsequent Events

Not applicable

Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Periods Ending May 2019 and November 2019

<table>
<tr><th>Item</th><th>Assumption</th></tr>
<tr><td>Calculation period</td><td>・ Fiscal period ending May 2019
(6th fiscal period: from December 1, 2018, to May 31, 2019) (182 days)
・ Fiscal period ending November 2019
(7th fiscal period: from June 1, 2019, to November 30, 2019) (183 days)</td></tr>
<tr><td>Managed Assets</td><td>・ It is assumed that there will be no change (acquisition or disposition of assets) to the 14 properties, which the Investment Corporation owns as of the date of this document, through to the end of the fiscal period ending November 2019.
・ The managed assets may actually change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.</td></tr>
<tr><td>Operating revenue</td><td>・ Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document. Lease operations revenue of certain properties is calculated for the fiscal period ending November 30, 2019 based on rent revisions to be made in the future, taking into consideration market trends and other factors.
・ Rent is calculated based on the following assumptions:

[Ooedo-Onsen Monogatari Reoma Resort]
Fixed rent: 62,456,896 yen monthly; and will be 52,456,896 yen monthly from June 2019
Variable rent: 5,181,730 yen monthly; and will be calculated using the following calculation method from June 2019
(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.
With regard to Ooedo-Onsen Monogatari Reoma Resort, a fixed-term land lease agreement has been executed with the tenant, and the Investment Corporation receives a separate monthly land rent of 89,100 yen based on the fixed-term land lease agreement.

[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:
(1) Modified GOP for the most recent one-year period × 4.0% (yearly; the monthly amount is 1/12th thereof)
(2) Only if 77.0% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.

[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 × 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.</td></tr>
</table>

Operating revenue	[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 × 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 × 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 × 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 × 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 × 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 × 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: 9,788,199 yen monthly; and will be 12,496,532 yen monthly from June 2019 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 × 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 × 4.5% (yearly; the monthly amount is 1/12th thereof)
(2) Only if 45.3% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.

[Kinugawa Kanko Hotel]
Fixed rent: 22,478,074 yen monthly; and will be 29,069,741 yen monthly from June 2019
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 × 2.4% (yearly; the monthly amount is 1/12th thereof)
(2) Only if 47.5% of the modified GOP (after June 2019, 56.0% of the modified GOP) exceeds one year’s fixed rent, will variable rent apply.

[Ooedo-Onsen Monogatari Kinosaki]
Fixed rent: 12,447,999 yen monthly; and will be 13,147,999 yen monthly from June 2019
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 × 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 × 4.5% (yearly; the monthly amount is 1/12th thereof)
(2) Only if 45.0% of the modified GOP exceeds one year’s fixed rent, variable rent will apply.

Fiscal Period Ending May 2019 (6th fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	375 (Note 6)	31	32	439
Ooedo-Onsen Monogatari Ise-shima	108	7	3	119
Ito Hotel New Okabe	73	8	8	90
Ooedo-Onsen Monogatari Atami	93	7	3	105
Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	62

Property name	Fixed rent	Variable rent	Secondary rent	Total
Ooedo-Onsen Monogatari Awara	65	3	8	78
Ooedo-Onsen Monogatari Kamoshika-so	35	4	6	46
Ooedo-Onsen Monogatari Ikaho	36	4	4	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	2	5	32
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	58	4	4	67
Ooedo-Onsen Monogatari Kounkaku	42	-	2	44
Kinugawa Kanko Hotel	134	8	5	148
Ooedo-Onsen Monogatari Kinosaki	74	4	6	85
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	5	10	67
Total (Note 7)	1,230	98	104	1,433

Fiscal Period Ending November 2019 (7th fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	315 (Note 6)	28	32	376
Ooedo-Onsen Monogatari Ise-shima	108	7	3	119
Ito Hotel New Okabe	73	8	8	90
Ooedo-Onsen Monogatari Atami	93	7	3	105
Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	62
Ooedo-Onsen Monogatari Awara	65	3	8	78
Ooedo-Onsen Monogatari Kamoshika-so	35	4	6	46
Ooedo-Onsen Monogatari Ikaho	36	4	4	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	2	5	32
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	74	4	4	83
Ooedo-Onsen Monogatari Kounkaku	42	4	2	49
Kinugawa Kanko Hotel	174	8	5	187
Ooedo-Onsen Monogatari Kinosaki	78	4	6	89
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	5	10	67
Total (Note 7)	1,230	99	104	1,433

	(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. (Note 2) "Primary rent" refers to the sum of the fixed rent and the variable rent. The same applies hereinafter. (Note 3) "Fixed rent" refers to the monthly amount provided for in each facility's lease agreement. The same applies hereinafter. (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. For Ooedo-Onsen Monogatari Reoma Resort, it will be 31 million yen until May 2019 and the amount obtained by the above calculation method for June 2019 onward. (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. (Note 6) Land rent based on the fixed-term land lease agreement is included in the fixed rent. (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.
Operating expenses	・ Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate. ・ As to taxes and public charges, 91 million yen is recorded as expenses for each fiscal period of the fiscal periods ending May 2019 and November 2019. ・ 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 428 million yen for the fiscal period ending May 2019, and 434 million yen for the fiscal period ending November 2019.
Non-operating expenses	・ The total amount of interest expenses and other borrowing-related expenses is expected to be 136 million yen for the fiscal period ending May 2019, and 136 million yen for the fiscal period ending November 2019.
Borrowings	・ The balance of loans outstanding as of November 30, 2018 is 15,991 million yen. ・ In the fiscal period ending May 2019 and the fiscal period ending November 2019, it is assumed that the scheduled repayment of 186 million yen will be made separately. ・ In the fiscal period ending May 2019, the current portion of long-term loans (400 million yen and 6,676 million yen) will be due for repayment on May 31, 2019 but refinancing of the same amount is assumed.
Outstanding Investment Units	・ The assumed number of investment units issued and outstanding as of the date of this document is 235,347, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before November 30, 2019. ・ Distribution per unit is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal periods ending May 2019 and November 2019 (235,347 units).
Distribution per unit	・ 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

(Excluding excess cash distribution)	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	・ Recording of allowance for temporary difference adjustments of 2,824,164 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 12 yen of excess distribution per unit will be conducted in each of the fiscal periods ending May 2019 and ending November 2019.
Other	・ It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. ・ It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2.3. Investment Risks

Disclosure is omitted because there are no significant changes from “Investment Risks” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on August 24, 2018).

3. Financial Statements
3.1. Balance Sheets

(Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	2,169,076	2,220,373
Prepaid expenses	148,184	127,758
Consumption taxes receivable	547,941	—
Other	4,777	6,332
Total current assets	2,869,980	2,354,464
Non-current assets		
Property, plant and equipment		
Buildings	25,777,902	25,982,750
Accumulated depreciation	(1,077,075)	(1,498,792)
Buildings, net	24,700,827	24,483,958
Structures	1,259	1,259
Accumulated depreciation	(95)	(138)
Structures, net	1,163	1,120
Machinery and equipment	600	600
Accumulated depreciation	(8)	(26)
Machinery and equipment, net	591	573
Tools, furniture and fixtures	1,005	2,620
Accumulated depreciation	(49)	(268)
Tools, furniture and fixtures, net	956	2,352
Land	11,988,130	11,988,130
Total property, plant and equipment	36,691,669	36,476,134
Intangible assets		
Leasehold right	157,802	157,802
Software	5,359	4,556
Total intangible assets	163,161	162,358
Investments and other assets		
Deferred tax assets	16	17
Long-term prepaid expenses	141,063	103,787
Lease and guarantee deposits	10,089	10,089
Total investments and other assets	151,170	113,895
Total non-current assets	37,006,001	36,752,388
Total assets	39,875,981	39,106,853

(Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Operating accounts payable	55,254	73,130
Short-term loans payable	580,000	—
Current portion of long-term loans payable	7,499,250	7,380,750
Accounts payable - other	145,330	90,481
Accrued expenses	12,056	10,546
Income taxes payable	954	972
Accrued consumption taxes	—	82,313
Advances received	261,678	258,696
Other	4,882	6,438
Total current liabilities	8,559,406	7,903,329
Non-current liabilities		
Long-term loans payable	8,728,500	8,610,500
Tenant leasehold and security deposits	1,230,724	1,230,724
Asset retirement obligations	136,955	137,354
Total non-current liabilities	10,096,180	9,978,579
Total liabilities	18,655,586	17,881,908
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(2,995)	(5,819)
Total deduction from unitholders' capital	(2,995)	(5,819)
Unitholders' capital, net	20,650,027	20,647,203
Surplus		
Unappropriated retained earnings (undisposed loss)	570,366	577,741
Total surplus	570,366	577,741
Total unitholders' equity	21,220,394	21,224,944
Total net assets	21,220,394	21,224,944
Total liabilities and net assets	39,875,981	39,106,853

3.2. Statements of Income

(Thousands of yen)

	Fiscal period ended May 31, 2018	Fiscal period ended November 30, 2018
Operating revenue		
Lease business revenue	1,442,676	1,450,211
Total operating revenue	1,442,676	1,450,211
Operating expenses		
Expenses related to rent business	522,992	541,878
Asset management fee	125,606	129,310
Asset custody fee	1,715	1,778
Administrative service fees	14,933	16,917
Directors' compensations	3,600	3,600
Other operating expenses	39,522	42,209
Total operating expenses	708,370	735,695
Operating profit	734,305	714,516
Non-operating income		
Interest income	9	10
Interest on refund	-	871
Total non-operating income	9	882
Non-operating expenses		
Interest expenses	64,818	64,353
Investment unit issuance expenses	22,456	—
Borrowing related expenses	73,314	72,451
Other	2,500	—
Total non-operating expenses	163,090	136,805
Ordinary profit	571,225	578,593
Profit before income taxes	571,225	578,593
Income taxes - current	955	973
Income taxes - deferred	(3)	(0)
Total income taxes	951	972
Profit	570,273	577,620
Retained earnings brought forward	93	120
Unappropriated retained earnings (undisposed loss)	570,366	577,741

3.3. Statements of Unitholders' Equity

4th Fiscal Period (from December 1, 2017 to May 31, 2018)

(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	15,752,576	(1,762)	(1,762)	15,750,814	420,330	420,330	16,171,144	16,171,144
Changes of items during period								
Issuance of new investment units	4,900,447			4,900,447			4,900,447	4,900,447
Dividends of surplus					(420,237)	(420,237)	(420,237)	(420,237)
Excess cash distribution from allowance for temporary difference adjustments		(1,233)	(1,233)	(1,233)			(1,233)	(1,233)
Profit					570,273	570,273	570,273	570,273
Total changes of items during period	4,900,447	(1,233)	(1,233)	4,899,213	150,036	150,036	5,049,250	5,049,250
Balance at end of current period	20,653,023	(2,995)	(2,995)	20,650,027	570,366	570,366	21,220,394	21,220,394

5th Fiscal Period (from June 1, 2018 to November 30, 2018)

(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	(2,995)	(2,995)	20,650,027	570,366	570,366	21,220,394	21,220,394
Changes of items during period								
Dividends of surplus					(570,245)	(570,245)	(570,245)	(570,245)
Excess cash distribution from allowance for temporary difference adjustments		(2,824)	(2,824)	(2,824)			(2,824)	(2,824)
Profit					577,620	577,620	577,620	577,620
Total changes of items during period	-	(2,824)	(2,824)	(2,824)	7,374	7,374	4,550	4,550
Balance at end of current period	20,653,023	(5,819)	(5,819)	20,647,203	577,741	577,741	21,224,944	21,224,944

3.4. Statements of Cash Distributions

(Yen)

Item	4th Fiscal Period (from December 1, 2017 to May 31, 2018)	5th Fiscal Period (from June 1, 2018 to November 30, 2018)
I. Unappropriated retained earnings	570,366,299	577,741,085
II. Addition of excess distribution	2,824,164	2,824,164
Of which, allowance for temporary difference adjustments	2,824,164	2,824,164
III. Distribution amount	573,069,945	580,365,702
[Distribution amount per unit]	[2,435]	[2,466]
Of which, Distribution amount from earnings	570,245,781	577,541,538
[Of which, excess cash distribution per unit]	[2,423]	[2,454]
Of which, Allowance for temporary difference adjustments	2,824,164	2,824,164
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[12]	[12]
IV. Retained earnings carried forward	120,518	199,547
Method of calculating distribution amount	As described above, distribution per unit for the fiscal period under review is 2,435 yen. 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 2,423 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in its articles of incorporation, the Investment Corporation decided to make a distribution for the 2,824,164 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 12 yen per investment unit.	As described above, distribution per unit for the fiscal period under review is 2,466 yen. 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 2,454 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in its articles of incorporation, the Investment Corporation decided to make a distribution for the 2,824,164 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 12 yen per investment unit.

3.5. Statements of Cash Flows

(Thousands of yen)

	Fiscal period ended May 31, 2018	Fiscal period ended November 30, 2018
Cash flows from operating activities		
Profit before income taxes	571,225	578,593
Depreciation	415,504	422,799
Investment unit issuance expenses	22,456	—
Borrowing related expenses	73,314	72,451
Interest income	(9)	(10)
Interest expenses	64,818	64,353
Increase (decrease) in operating accounts payable	(1,103)	41,005
Decrease (increase) in consumption taxes refund receivable	(547,941)	547,941
Increase (decrease) in accrued consumption taxes	(20,086)	82,313
Decrease (increase) in prepaid expenses	512	(15,873)
Decrease (increase) in long-term prepaid expenses	(74,910)	1,125
Increase (decrease) in accounts payable - other	11,537	3,388
Increase (decrease) in advances received	76,573	(2,981)
Other, net	307	399
Subtotal	592,197	1,795,505
Interest income received	9	10
Interest expenses paid	(60,271)	(65,863)
Income taxes paid	(872)	(955)
Net cash provided by (used in) operating activities	531,064	1,728,695
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,241,190)	(287,828)
Proceeds from tenant leasehold and security deposits	362,454	—
Payments for restricted bank deposits	(394,454)	—
Net cash provided by (used in) investing activities	(10,273,190)	(287,828)
Cash flows from financing activities		
Increase in short-term loans payable	810,000	—
Proceeds from long-term loans payable	5,217,000	—
Decrease in short-term loans payable	(230,000)	(580,000)
Repayments of long-term loans payable	(686,500)	(236,500)
Proceeds from issuance of investment units	4,877,990	—
Dividends paid	(421,470)	(573,069)
Net cash provided by (used in) financing activities	9,567,020	(1,389,569)
Net increase (decrease) in cash and cash equivalents	(175,105)	51,297
Cash and cash equivalents at beginning of period	1,018,957	843,851
Cash and cash equivalents at end of period	843,851	895,148