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Summary of REIT Financial Report for the 13th Fiscal Period

January 20, 2023

REIT Issuer: Oedo Onsen Reit Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3472 URL: <https://oom-reit.com/en/>
 Representative: Fuminori Imanishi, Executive Director
 Asset Manager: Oedo Onsen Asset Management Co. Ltd.
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 Inquiries to: Yoshimi Nishibeppu, Chief Planning & Coordination Officer +81-3-6262-5456
 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 24, 2023
 Scheduled date of start of distribution payments: February 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 13th Fiscal Period

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

12th Fiscal Period: Fiscal period ended May 2022 (from December 1, 2021 to May 31, 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	%
13th	1,237	(4.2)	505	(8.9)	327	(7.6)	327	(7.6)
12th	1,291	(3.9)	554	(5.9)	354	(9.8)	353	(9.9)

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	%	%	%
13th	1,389	1.6	1.0	26.5
12th	1,503	1.7	1.0	27.5

(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	%	%
13th	1,390	327	14	3	1,404	330	100.0	1.6
12th	1,503	353	18	4	1,521	357	100.0	1.7

(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.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
13th	33,166	20,947	63.2	89,006
12th	34,760	20,978	60.4	89,137

(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
13th	2,799	(294)	(1,855)	1,483
12th	2,473	(89)	(2,700)	833

2. Management Status Forecasts for the 14th Fiscal Period and the 15th Fiscal Period

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

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

[% 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
14th	1,207	(2.5)	512	1.5	345	5.2	344	5.2	1,462	(20)	1,442
15th	1,130	(6.3)	462	(9.8)	313	(9.2)	312	(9.2)	1,327	(3)	1,324

(Reference) Estimated Profit per unit for the 14th Fiscal Period: 1,461 yen; 15th Fiscal Period: 1,327 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:

13th	235,347 units	12th	235,347 units
13th	0 units	12th	0 units

(ii) Number of own investment units at end of period:

* **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 May 2023 and November 2023” on page 9.

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. 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 4th fiscal period, the Investment Corporation issued new investment units via public offering (56,330 units) and additionally acquired 5 onsen and spa-related facilities (total acquisition price: 9,861 million yen). During the 9th fiscal period, the Investment Corporation transferred part of the land of Ooedo-Onsen Monogatari Reoma Resort on November 2, 2020 and at the same time leased the transferred part from the transferee. And during the 12th fiscal period, the Investment Corporation transferred Ooedo-Onsen Monogatari Nagasaki Hotel Seifu. And during the fiscal period under review, the Investment Corporation transferred Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki (30% co-ownership interest). 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 12 facilities (total acquisition price: 32,543 million yen). The total number of investment units issued and outstanding of the Investment Corporation as of the end of the fiscal period under review stands at 235,347 units.

(Note 1) “Ooedo business model” is business expertise introduced in facilities operated by the Ooedo-Onsen Monogatari Group capable of maintaining high profitability and stable occupancy, which are possessed by the Ooedo-Onsen Monogatari Group and believed to be highly competitive.

(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. (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.

(Note 3) “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.

(Note 4) “Acquisition price” is the purchase price (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees) of each property in the sale and purchase agreement, rounded down to the nearest million yen. However, in the case of Ooedo-Onsen Monogatari Reoma Resort, since the Investment Corporation transferred part of the land on November 2, 2020 and at the same time leased the transferred part from the transferee, the “acquisition price” is the purchase price (not including expenses, such as consumption tax, local consumption tax or sale and purchase fees) of each real estate in the sale and purchase agreement pertaining to the property as of the time of acquisition, minus the amount equivalent to the book value pertaining to such transferred part as of the time of transfer, plus the amount equivalent to the premium paid as consideration for the establishment of the leasehold in the lease agreement pertaining to establishment of the leasehold interest in the transferred part. Besides, the “acquisition price” of Ooedo-Onsen Monogatari Kinosaki is the amount 70% co-ownership interest of the real estate owned by the Investment Corporation at the end of the fiscal period under review because of the transfer of the 30% co-ownership interest on November 30, 2022.

b. Investment Environment and Management Performance

During the fiscal period under review, tourism-related industries in Japan were affected by another wave of infection caused by new variants of COVID-19, such as the Omicron strain in 2022. However, activity restrictions were eased as vaccines were administered and therapeutic agents were approved, and people’s movements which had been restricted began showing signs of recovery with the support of the government’s promotion of tourism, for example, prefectural discounts for local residents. Meanwhile, commodity prices have been rising due to an increasingly weak yen since the beginning of 2022, and they have adversely affected consumer spending. The Investment Corporation believes that this requires continuous monitoring.

The occupancy rate of guest rooms (Note 1) at all facilities owned by the Investment Corporation in the fiscal period under review was 73.2%, up 44.4% year on year. ADR (Note 2) entered a recovery phase and rose 16.7% year on year.

In this environment, the Investment Corporation decided to sell Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki for 1,260 million yen (100% of the appraisal value) and 2,517 million yen (95% of the appraisal value), respectively, to increase cash on hand and thereby reduce the risk of refinancing for borrowings which the Investment Corporation considers an immediate issue, restore flexibility in loan-to-value ratio (LTV), achieve improvements in the terms and conditions for funding, and promote the diversification of the portfolio and distribution of risk through the acquisition of new properties from sellers other than the Sponsor in tandem with the reduction of risk. The Investment Corporation approached the Ooedo-Onsen Monogatari Group and other potential buyer candidates and has chosen Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. as the buyer (Note 3). The transfer of Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki (30% of co-ownership interest) was completed on November 30, 2022. Ooedo-Onsen Monogatari Kinosaki (70% of co-ownership interest) will be transferred on February 28, 2023. Although the transfer price for Ooedo-Onsen Monogatari Kinosaki is lower than the appraisal value, the Investment Corporation decided on the transfer price because it is in compliance with the Asset Manager's Interested-Party Transaction Regulations, is higher than the price indicated by a third party who is not an interested party, and is considered a fair price based on an appraisal by the Asset Manager. The Investment Corporation will appropriate part of the proceeds from the sale of the properties to the repayment of existing borrowings (Note 4) and retain the remaining proceeds as cash on hand for some time to come to stabilize and enhance the portfolio and maintain and increase asset value.

The Ooedo-Onsen Monogatari Group, the tenant of the Investment Corporation, is still affected by COVID-19, and the operation of each of its lodgings remains difficult. In this situation, the Ooedo Onsen Monogatari Group requested the Investment Corporation reduce fixed rents by certain amounts temporarily to enable the earning of the periodic income necessary for facilitating financing investment in its facilities, including the facilities owned by the Investment Corporation, to enhance their value and invest in the opening of new facilities. In response to this request, the Asset Manager asked questions, evaluated and examined the details of the expected results against the Ooedo-Onsen Monogatari Group's earnings plans and management plans. The Asset Manager concluded that to stabilize rental income for the medium to long term, the Investment Corporation, which is the owner of the Ooedo Onsen Monogatari Group's facilities, needed to help the Ooedo Onsen Monogatari Group, its tenant, achieve financial soundness, stabilize operations, and ride out the COVID-19 pandemic. The Asset Manager also decided that to maintain or increase unitholder value, it would be reasonable for the Investment Corporation to help the Ooedo Onsen Monogatari Group achieve their periodic income targets, which would be necessary to maintaining the Group's fund raising capabilities, as the tenant, to invest in its facilities, including the ones owned by the Investment Corporation, to enhance their value and make replacement investments primarily for the safety of facilities at its own expense. Based on these conclusions, the Investment Corporation has agreed with the Ooedo-Onsen Monogatari Group to reduce the fixed rents set out in the fixed-term building lease contracts 50% for the 11 properties owned by the Investment Corporation for six months from September 2022 to February 2023, not including the two properties above that the Investment Corporation decided on November 15, 2022 to sell in the fiscal period under review.

In addition, in anticipation of the recovery of the tenant's performance and the tenant's growth, the Investment Corporation concluded with the Ooedo-Onsen Monogatari Group a basic agreement that sets forth a shift to a new rent system (the "Basic Agreement") on November 15, 2022. In the new rent system, if a modified GOP (Note 6) target set for each facility in the Ooedo-Onsen Monogatari Group's business plan ("Target GOP") is achieved at a facility, the ratio of fixed rent to total rent at the facility will be reduced to a certain degree and a variable rent (Variable Rent I) whose ratio to total rent and premium rate are higher will be introduced, which will make it more likely that the Investment Corporation will enjoy the upside and earn more rent income. In addition, if a facility posts results that exceed the tenant's business plans and reach a certain level, the Investment Corporation can receive a part of the increase in income as an additional variable income (Variable Income II). In the future, the Investment Corporation and its tenants, Ooedo-Onsen Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd., plan to revise the rent by concluding an agreement to modify the fixed-term building lease contract (the contract period is scheduled to be 20 years from the execution of the modification agreement) one by one based on the Basic Agreement and shift to the new rent system (Note 7). The Investment Corporation believes that the new rent system will enable it to stabilize its leasing in the medium to long term and enable the Ooedo-Onsen Monogatari Group to grow by increasing the rent income of the Group.

The appraisal value of properties acquired totaled 35,459 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 2,340 million yen in total thanks largely to a revision of capital expenditure plans at some of the facilities and transfer of Ooedo-Onsen Monogatari Kamoshika-so and Ooedo-Onsen Monogatari Kinosaki (30% co-ownership interest). Looking at unrealized gain/loss (Note 8) for the entire portfolio at the end of the fiscal period under review, the unrealized

gain increased to 5,085 million yen as a result of the depreciation of the 12 properties that comprise the portfolio.

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

Further, the Investment Corporation continued its activities for acquiring new properties and gathering information extensively from the marketplace instead of limiting its operations to the properties operated by the Ooedo-Onsen Monogatari Group, anticipating the future and improvement in the financing environment.

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

Guestroom occupancy rate is calculated using the following formula.

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

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

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

(Note 4) Refer to the press release, "Notice Concerning Early Repayment of Borrowings in Part" dated November 15, 2022, for details.

(Note 5) Refer to the press release, "Notice Concerning Revisions to Fixed-term Building Lease Contracts" dated November 15, 2022, for details.

(Note 6) "GOP" is gross operating profit, which is remaining after deducting the expenses arising directly from the management of 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) from the GOP of each facility. The same hereinafter.

(Note 7) Even after the conclusion of the modification agreement to the fixed-term building lease contract, the actual shift to the new rent system will take place only after the abating of the COVID-19 pandemic, the implementation of the business plan in the Ooedo-Onsen Monogatari Group and confirmation that the Target GOP will be achieved in the future. And among the assets owned by the Investment Corporation, the above mentioned modification agreements to the fixed-term building lease contract of "Ooedo-Onsen Monogatari Iseshima" and "Ooedo-Onsen Monogatari Kinugawa Kanko Hotel" have been concluded on November 15, 2022.

(Note 8) 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 250 million yen and 1,149 million yen through short-term borrowing from Sumitomo Mitsui Banking Corporation (Note 1) to allocate the funds to the repayment of a portion of 1,724 million yen in short-term borrowings that became due on August 31, 2022. In addition, the Investment Corporation made scheduled repayments of 79 million yen on July 31, 2022 and 77 million yen October 31, 2022 using cash on hand and made early repayments of 28 million yen on June 10, 2022 and 726 million yen on November 30, 2022 with the transfer of asset (Note 2). As a result, the total amount of interest-bearing debt and the ratio of such debt to total assets (LTV) came to 10,389 million yen and 31.3%, respectively, at the end of the fiscal period under review.

(Note 1) Refer to the press release, "Notice Concerning Borrowing of Funds" dated August 26, 2022, for details.

(Note 2) Refer to the press release, "Notice Concerning Early Repayment of Borrowings in Part" dated June 3, 2022 and November 15, 2022, 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 1,237 million yen, operating profit of 505 million yen, ordinary profit of 327 million yen and profit of 327 million yen.

Concerning cash distribution for the fiscal period under review, pursuant to the cash distribution policies provided in the Investment Corporation's articles of incorporation, the amount of distribution was to be in excess of an amount equivalent to 90% of the Investment Corporation's earnings available for distribution as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the "Special Measures Concerning Taxation Act"). Accordingly, the Investment Corporation decided to distribute 1,390 yen per unit (excluding excess cash distribution).

Furthermore, in accordance with the policy for “distribution of cash in excess of profit” as stated in the Investment Corporation’s articles of incorporation, the Investment Corporation makes a distribution for the 3,294,858 yen in allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, item 30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended; the “Investment Corporations Accountings Ordinance”) for the purpose of reflecting the effect on distributions of the difference between accounting and tax treatment of earnings in association with the recording of interest expenses of asset retirement obligation and recording of depreciation of building book value corresponding to asset retirement obligation and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This results in excess distribution per unit of 14 yen.

As a result, distribution per unit for the fiscal period under review was determined as 1,404 yen (of which, excess distribution per unit was 14 yen).

(2) Outlook for the Next Fiscal Period

a. Management Environment in the Next Fiscal Period

Tourism-related industries in Japan are continuing to seek a path forward in the endemic COVID-19 era and are expected to recover moderately on the back of policy measures to support tourism, such as the easing of restrictions on entry into Japan and the nationwide travel subsidy program. These supports are likely to continue as more vaccines are administered and new therapeutic agents are approved.

Meanwhile, the Investment Corporation considers that developments of the war in Ukraine, and the effect of interest rate hikes in the U.S. on the Japanese economy must continuously be monitored as risk factors.

In this environment, the Investment Corporation expects that the performance of the tenants of the facilities it owns will continue to recover.

b. Future Management Policy and Challenges to Address

The Investment Corporation has been emphasizing the stability of cash flows against the backdrop of stable and high occupancy backed by the Ooedo business model, by maintaining a relatively high percentage of fixed rents in the rent structure before the spread of COVID-19 prior to February 2020. However, in the midst of the COVID-19 pandemic, even the Ooedo business model experienced a decline in occupancy during states of emergency, and it was unable to escape the characteristics of the lodging facility business that is susceptible to temporary changes in user preferences and mindsets, and the conventional high fixed rent burden had a significant impact on the cash management operations, etc. of the tenant, the Ooedo-Onsen Monogatari Group.

Based on this experience, the Investment Corporation has resolved to refer a proposed revision to the Investment Corporation’s articles of incorporation to the investors’ meeting to be held on February 27, 2023. The revision would add accommodation facilities (such as rental housing, apartments for students, company dormitories, serviced apartments, share houses and facilities and housing for the elderly) with risk-return characteristics different from those of leisure facilities, the existing investment targets, to the investment targets to enhance the risk tolerance of the Investment Corporation (Note 1).

In addition, the Investment Corporation has concluded the Basic Agreement setting out a shift to a new rent system with tenants Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Reoma Unity Co., Ltd. on November 15, 2022 (Note 2) to continue medium to long term tenant operation, stabilize leasing, ride out the COVID-19 pandemic, and take advantage of more of the upside when demand for accommodations and hot spring facilities expands again.

(Note 1) Refer to the press release, “Notice Concerning Partial Changes to Articles of Incorporation and Appointment of Directors” dated January 20, 2023, for details.

(Note 2) Refer to the press release, “Notice Concerning Conclusion of Basic Agreement on New Rent System” dated November 15, 2022, for details.

(a) External Growth Strategy

i. Utilization of Sponsor Pipeline

An overview of the supply of onsen and spa-related facilities suggests that facility closures in response to the results aggravation due to the prolonged COVID-19 pandemic and facility sales to raise funding for the survival of businesses are anticipated. Properties introduced to the Investment Corporation and the Ooedo-Onsen Monogatari Group are likely to remain relatively large in number.

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.

ii. Utilization of Network Unique to the Asset Manager

Using the asset manager's own network, the Investment Corporation will implement activities to acquire a variety of facilities which will help improve the balance of its existing portfolio and diversify risk, including properties in urban settings such as ordinance-designated cities and core cities, new development projects and recently built properties, and facilities to meet demand for inbound tourism post-COVID-19, based on an assessment of new trends and changes in the lodging and leisure industries in light of the lessons learned from COVID-19. In addition, the Investment Corporation will mostly secure preferential negotiating rights through the use of the bridge structure and other means for the time being while waiting for the financing environment to improve and opportunities for fundraising to be available. Such properties outside sponsorship will be acquired mainly through the future expansion of the portfolio. However, they may be targets for acquisition in property replacement, etc. as part of portfolio management.

(b) Internal Growth Strategy

i. Conclusion of Basic Agreement on New Rent System

In the Basic Agreement concluded on November 15, 2022, the Investment Corporation and Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Reoma Unity Co., Ltd. agree that (i) the ratio of fixed rent to total rent will be reduced, (ii) a variable rent whose ratio to total rent and premium rate are higher than in the present system (Variable Rent I) will be introduced, (iii) an additional variable income, connected to an increase in a tenant's income (modified GOP), can be received by the Investment Corporation if the tenant posts results (Target GOP) exceeding the target in their business plan and (iv) facilities that achieve the Target GOP, which is set for each facility, based on the expected modified GOP in the business plan of the Ooedo-Onsen Monogatari Group, the tenant, will shift to the new rent system. In the future, the Investment Corporation and its tenants, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd., plan to revise the rent by concluding an agreement to modify the fixed-term building lease contract (the contract period is scheduled to be 20 years from the execution of the modification agreement) one by one based on the Basic Agreement and shift to the new rent system (Note).

In the fiscal period ending May 31, 2023 and the fiscal period ending November 30, 2023, variable rents are expected to be zero because GOP in the calculation periods for variable rent is expected to decline due to the COVID-19 pandemic. The Investment Corporation will continue to monitor the tenants' results and ability to pay rent and communicate with them to ensure rent income in the medium to long term and achieve the growth of rent income.

(Note) Even after the conclusion of the modification agreement to the fixed-term building lease contract, the actual shift to the new rent system will take place only after the abating of the COVID-19 pandemic, the implementation of the business plan in the Ooedo-Onsen Monogatari Group and confirmation that the Target GOP will be achieved in the future. And among the assets owned by the Investment Corporation, the above mentioned modification agreements to the fixed-term building lease contract of "Ooedo-Onsen Monogatari Iseshima" and "Ooedo-Onsen Monogatari Kinugawa Kanko Hotel" have been concluded on November 15, 2022.

ii. 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 Ooedo-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.

(c) Financial Strategy

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

The goal of the Investment Corporation's medium- and long-term debt financing policy is to achieve stable financing at points when it acquires new properties and when existing loans become due while maintaining favorable relationships with existing lenders through sufficient communication based on the provision of timely

and appropriate information. The Investment Corporation flexibly considers the implementation of equity financing considering the enhancement of the value of investment units over the medium to long 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 below 40% as a benchmark for the time being under the principle of 60% as maximum, while paying attention to the maintenance of its capital reserves during the COVID-19 pandemic. The Investment Corporation also aims to lower the risk premium and reduce financial costs by expanding its portfolio and diversifying risks including those related to tenants and facility locations from medium- and long-term perspectives. At the same time, the Investment Corporation seeks to gain high ratings, diversify its procurement methods, lengthen the average debt repayment period and introduce fixed interest rates.

(3) Significant Subsequent Events

Not applicable

**Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Period Ending May 2023 and November 2023**

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending May 2023 (14th fiscal period: from December 1, 2022, to May 31, 2023) (182 days) • Fiscal period ending November 2023 (15th fiscal period: from June 1, 2023 to November 30, 2023) (183 days)
Managed Assets	<ul style="list-style-type: none"> • The Investment Corporation has owned 12 properties as of the date of this document. • The number of properties owned by the Investment Corporation will be assumed 11 after the transfer of Ooedo-Onsen Monogatari Kinosaki (70% co-ownership interest) as of February 28, 2023, as announced on November 15, 2022. • It is assumed that there will be no change (acquisition or disposition of assets) except for above mentioned change. • The managed assets may change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.
Operating revenue	<ul style="list-style-type: none"> • Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document. It is calculated in light of rent revisions to be made in the future, taking into consideration market trends and other factors. It assumes that there is no delinquency or non-payment of rent by the tenant. • Agreements to modify the lease contracts to shift to the new rent system were concluded on November 15, 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 May 31, 2023 (14th period) or the fiscal period ending November 30, 2023 (15th period). The same applies for the other assets owned by the Investment Corporation. • The periods constituting the basis for calculating variable rents are determined by multiplying the modified GOP for the period between March 2022 and February 2023 in the fiscal period ending May 2023 (14th period) and the modified GOP for the period between September 2022 and August 2023 in the fiscal period ending November 2023 (15th period) by the premium rate that is specified in each lease agreement. This assumes that the effects of the COVID-19 pandemic will cause a decrease in the modified GOP that becomes the basis of calculating variable rents, resulting in no variable rents for all properties in both the fiscal period ending May 2023 (14th period) and the fiscal period ending November 2023 (15th period). Fixed rents are assumed to be paid in full based on the provisions of lease agreements that are effective as of the date of this document. Rent is calculated based on the following assumptions: [Ooedo-Onsen Monogatari Reoma Resort] Fixed rent: 52,456,896 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) Variable rent: 5,181,730 yen monthly; and will be calculated using the following calculation method from June 2019 <ol style="list-style-type: none"> (1) Modified GOP (Note 1) for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 58.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply. Ooedo-Onsen Monogatari Reoma Resort, a fixed-term land lease agreement has been concluded with the tenant and land rent based on this fixed-term land lease agreement of 83,700 yen per month is received separately, however, this land rent will be revised every year and will be calculated as follows. Amount of rent after revision = $((A \times 12 - B) + B') \div 12$ A: Amount of rent at that particular point in time B: Sum total of fixed asset tax and other taxes and public dues levied on the land, calculated based on the tax notice as of October 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)

Item	Assumption
	<p>B⁷: 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> <p>[Ooedo-Onsen Monogatari Ise-shima] Fixed rent: 18,009,399 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) 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.</p> <p>[Ito Hotel New Okabe] Fixed rent: 12,296,799 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) 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.</p> <p>[Ooedo-Onsen Monogatari Atami] Fixed rent: 15,619,380 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) 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.</p> <p>[Ooedo-Onsen Monogatari Toi Marine Hotel] Fixed rent: 9,098,235 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) 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.</p> <p>[Ooedo-Onsen Monogatari Awara] Fixed rent: 10,963,033 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) 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.</p> <p>[Ooedo-Onsen Monogatari Ikaho] Fixed rent: 6,126,558 yen monthly (Except from December 2022 to February 2023; 50% of the amount.)</p>

Item	Assumption
	<p>Variable rent: 708,097 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 7.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 67.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Ooedo-Onsen Monogatari Kimitsu-no-mori] Fixed rent: 4,098,412 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) Variable rent: 436,860 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 5.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Ooedo-Onsen Monogatari Kounkaku] Fixed rent: 7,017,209 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) Variable rent: 755,005 yen monthly from June 2018; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 4.5% (yearly; the monthly amount is 1/12th thereof) (2) Only if 45.3% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Kinugawa Kanko Hotel] Fixed rent: 29,069,741 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) Variable rent: 1,188,094 yen monthly from June 2018; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 2.4% (yearly; the monthly amount is 1/12th thereof) (2) Only if 56.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Ooedo-Onsen Monogatari Kinosaki] Fixed rent: 9,203,599 yen monthly Variable rent: 650,945 yen monthly from June 2018; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 2.4% (yearly; the monthly amount is 1/12th thereof) (2) Only if 47.7% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Ooedo-Onsen Monogatari Higashiyama Grand Hotel] Fixed rent: 8,631,767 yen monthly (Except from December 2022 to February 2023; 50% of the amount.) Variable rent: 940,567 yen monthly from June 2018; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period \times 4.5% (yearly; the monthly amount is 1/12th thereof)

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1288 1098 1355" style="text-align: center;">91</td> <td data-bbox="1098 1288 1230 1355" style="text-align: center;">307</td> <td data-bbox="1230 1288 1362 1355" style="text-align: center;">1,207</td> </tr> </tbody> </table>					Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Other revenue	Total (Note 7)	Fixed rent (Note 3)	Variable rent (Note 4)	Ooedo-Onsen Monogatari Reoma Resort	236	-	31	0 (Note 6)	267	Ooedo-Onsen Monogatari Ise-shima	81	-	3	-	84	Ito Hotel New Okabe	55	-	8	-	64	Ooedo-Onsen Monogatari Atami	70	-	3	-	74	Ooedo-Onsen Monogatari Toi Marine Hotel	40	-	1	-	42	Ooedo-Onsen Monogatari Awara	49	-	8	-	58	Ooedo-Onsen Monogatari Ikaho	27	-	3	-	31	Ooedo-Onsen Monogatari Kimitsu-no-mori	18	-	5	-	23	Ooedo-Onsen Monogatari Kounkaku	31	-	4	-	36	Kinugawa Kanko Hotel	130	-	7	-	138	Ooedo-Onsen Monogatari Kinosaki	27	-	2	306 (Note 8)	336	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	38	-	10	0 (Note 6)	49	Total (Note 7)	808	-	91	307	1,207
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Ooedo-Onsen Monogatari Atami	93	-	3	-	97																																																																																						
Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	-	56																																																																																						
Ooedo-Onsen Monogatari Awara	65	-	8	-	74																																																																																						
Ooedo-Onsen Monogatari Ikaho	36	-	3	-	40																																																																																						
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	-	29																																																																																						

Item	Assumption					
	Ooedo-Onsen Monogatari Kounkaku	42	-	4	-	46
	Kinugawa Kanko Hotel	174	-	7	-	182
	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	-	10	0 (Note 6)	62
	Total (Note 7)	1,040	-	89	0	1,130
	<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> <p>(Note 8) Gain on sale of the 70% co-ownership interest of the real estate property is assumed.</p>					
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate. • Taxes and public charges is assumed to be 81 million yen for the fiscal period ending May 2023 and 77 million yen for the fiscal period ending November 2023. • 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 415 million yen for the fiscal period ending May 2023 and 413 million yen for the fiscal period ending November 2023. 					
Non-operating expenses	<ul style="list-style-type: none"> • The total amount of interest expenses and other borrowing-related expenses is expected to be 168 million yen for the fiscal period ending May 2023 and 149 million yen for the fiscal period ending November 2023. 					
Borrowings	<ul style="list-style-type: none"> • The balance of loans outstanding as of November 30, 2022 is 10,389 million yen. • In the fiscal period ending May 2023, it is assumed that 597 million yen before maturity will be repaid on February 28, 2023. • In the fiscal period ending May 2023, it is assumed that the scheduled repayment (January 31: 75 million yen, April 28: 72 million yen) will be made separately. • In the fiscal period ending May 2023, short-term loans 3,117 million yen and long-term loans 3,016 million yen will be due for repayment on February 28, 2023, also short-term loans 1,129 million yen and long-term loans 2,268 million yen will be due for repayment on May 31, 2023. And it is assumed that the same amounts will be refinanced. • In the fiscal period ending November 2023, it is assumed that the scheduled repayment (July 31: 72 million yen, October 31: 72 million yen) will be made separately. 					

Item	Assumption
Outstanding Investment Units	<ul style="list-style-type: none"> • The assumed number of investment units issued and outstanding as of the date of this document is 235,347, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before November 30, 2023. • 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 November 2023 (235,347 units).
Distribution per unit (Excluding excess cash distribution)	<ul style="list-style-type: none"> • Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation's articles of incorporation. • Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.
Excess cash distribution per unit	<ul style="list-style-type: none"> • Recording of allowance for temporary difference adjustments of 3,294,858 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 (20) yen of excess distribution per unit will be conducted in the fiscal period ending May 2023 and (3) yen in the fiscal period ending November 2023.
Other	<ul style="list-style-type: none"> • It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. • It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2. Financial Statements

2.1. Balance Sheets

(Thousands of yen)

	As of May 31, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	2,078,429	2,667,035
Prepaid expenses	180,239	101,550
Other	6,433	4,829
Total current assets	2,265,102	2,773,414
Non-current assets		
Property, plant and equipment		
Buildings	25,880,675	24,648,005
Accumulated depreciation	(4,403,860)	(4,611,639)
Buildings, net	21,476,814	20,036,366
Structures	29,989	50,849
Accumulated depreciation	(3,199)	(4,337)
Structures, net	26,789	46,511
Machinery and equipment	600	600
Accumulated depreciation	(150)	(168)
Machinery and equipment, net	449	431
Tools, furniture and fixtures	16,314	16,702
Accumulated depreciation	(4,310)	(5,173)
Tools, furniture and fixtures, net	12,004	11,528
Land	10,657,384	9,946,436
Construction in progress	-	6,790
Total property, plant and equipment	32,173,441	30,048,064
Intangible assets		
Leasehold interests in land	300,798	325,013
Total intangible assets	300,798	325,013
Investments and other assets		
Deferred tax assets	19	13
Long-term prepaid expenses	11,250	10,125
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	21,359	20,228
Total non-current assets	32,495,599	30,393,307
Total assets	34,760,701	33,166,721

(Thousands of yen)

	As of May 31, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Operating accounts payable	169,075	117,571
Short-term borrowings	5,119,741	4,489,185
Current portion of long-term borrowings	6,754,582	5,900,601
Accounts payable - other	85,321	91,180
Accrued expenses	3,251	4,275
Income taxes payable	1,012	886
Accrued consumption taxes	117,571	77,895
Advances received	230,392	313,919
Other	6,138	5,716
Total current liabilities	12,487,085	11,001,233
Non-current liabilities		
Leasehold and guarantee deposits received	1,155,461	1,096,069
Asset retirement obligations	139,909	122,106
Total non-current liabilities	1,295,371	1,218,175
Total liabilities	13,782,457	12,219,408
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(28,648)	(32,884)
Total deduction from unitholders' capital	(28,648)	(32,884)
Unitholders' capital, net	20,624,375	20,620,138
Surplus		
Unappropriated retained earnings (undisposed loss)	353,869	327,173
Total surplus	353,869	327,173
Total unitholders' equity	20,978,244	20,947,312
Total net assets	20,978,244	20,947,312
Total liabilities and net assets	34,760,701	33,166,721

2.2. Statements of Income

(Thousands of yen)

	12th Fiscal Period (from December 1, 2021 to May 31, 2022)	13th Fiscal Period (from June 1, 2022 to November 30, 2022)
Operating revenue		
Leasing business revenue	1,271,798	995,389
Gain on sale of real estate properties	16,601	242,124
Total operating revenue	1,291,399	1,237,514
Operating expenses		
Expenses related to leasing business	559,373	561,383
Asset management fee	113,160	110,320
Asset custody fee	1,637	1,544
Administrative service fees	16,612	15,038
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	42,369	40,429
Total operating expenses	736,753	732,317
Operating profit	554,645	505,197
Non-operating income		
Interest income	13	13
Reversal of distributions payable	554	596
Total non-operating income	567	609
Non-operating expenses		
Interest expenses	54,234	49,339
Borrowing related expenses	134,905	126,206
collateralization-related expenses	11,238	2,335
Total non-operating expenses	200,377	177,881
Ordinary profit	354,835	327,925
Profit before income taxes	354,835	327,925
Income taxes - current	1,014	889
Income taxes - deferred	(2)	6
Total income taxes	1,011	895
Profit	353,824	327,030
Retained earnings brought forward	45	143
Unappropriated retained earnings (undisposed loss)	353,869	327,173

2.3. Statements of Unitholders' Equity

12th Fiscal Period (from December 1, 2021 to May 31, 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	(24,411)	(24,411)	20,628,611	392,604	392,604	21,021,215	21,021,215
Changes of items during period								
Dividends of surplus					(392,558)	(392,558)	(392,558)	(392,558)
Excess cash distribution from allowance for temporary difference adjustments		(4,236)	(4,236)	(4,236)			(4,236)	(4,236)
Profit					353,824	353,824	353,824	353,824
Total changes of items during period	-	(4,236)	(4,236)	(4,236)	(38,734)	(38,734)	(42,970)	(42,970)
Balance at end of current period	20,653,023	(28,648)	(28,648)	20,624,375	353,869	353,869	20,978,244	20,978,244

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

2.4. Statements of Cash Distributions

(Yen)

Item	12th Fiscal Period (from December 1, 2021 to May 31, 2022)	13th Fiscal Period (from June 1, 2022 to November 30, 2022)
I. Unappropriated retained earnings	353,869,580	327,173,959
II. Addition of excess distribution	4,236,246	3,294,858
Of which, allowance for temporary difference adjustments	4,236,246	3,294,858
III. Distribution amount	357,962,787	330,427,188
[Distribution amount per unit]	[1,521]	[1,404]
Of which, Distribution amount from earnings	353,726,541	327,132,330
[Of which, excess cash distribution per unit]	[1,503]	[1,390]
Of which, Allowance for temporary difference adjustments	4,236,246	3,294,858
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	[18]	[14]
IV. Retained earnings carried forward	143,039	41,629
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 1,521 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 1,503 yen.</p> <p>In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 4,236,246 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 18 yen per investment unit.</p>	<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>

2.5. Statements of Cash Flows

(Thousands of yen)

	12th Fiscal Period (from December 1, 2021 to May 31, 2022)	13th Fiscal Period (from June 1, 2022 to November 30, 2022)
Cash flows from operating activities		
Profit before income taxes	354,835	327,925
Depreciation	441,040	441,246
Borrowing related expenses	134,905	126,206
Interest income	(13)	(13)
Interest expenses	54,234	49,339
Loss on retirement of non-current assets	1,136	1,302
Increase (decrease) in operating accounts payable	(41,272)	48,560
Increase (decrease) in accrued consumption taxes	96,799	(39,675)
Decrease (increase) in prepaid expenses	(84,297)	(34,920)
Decrease (increase) in long-term prepaid expenses	1,125	1,125
Increase (decrease) in accounts payable - other	(3,041)	5,858
Increase (decrease) in advances received	(14,938)	83,527
Decrease in property, plant and equipment due to sale	1,596,838	1,843,192
Other, net	(3,049)	(5,198)
Subtotal	2,534,302	2,848,475
Interest received	13	13
Interest paid	(59,372)	(48,314)
Income taxes paid	(957)	(1,014)
Net cash provided by (used in) operating activities	2,473,986	2,799,160
Cash flows from investing activities		
Purchase of property, plant and equipment	(95,099)	(270,113)
Purchase of intangible assets	-	(25,952)
Refund of leasehold and guarantee deposits received	(74,979)	(59,392)
Proceeds from restricted bank deposits	80,143	61,118
Net cash provided by (used in) investing activities	(89,935)	(294,340)
Cash flows from financing activities		
Proceeds from short-term borrowings	8,467,044	1,387,043
Proceeds from long-term borrowings	3,215,322	-
Repayments of short-term borrowings	(10,749,830)	(2,030,196)
Repayments of long-term borrowings	(3,236,740)	(853,980)
Distributions paid	(396,795)	(357,962)
Net cash provided by (used in) financing activities	(2,700,998)	(1,855,095)
Net increase (decrease) in cash and cash equivalents	(316,947)	649,724
Cash and cash equivalents at beginning of period	1,150,295	833,347
Cash and cash equivalents at end of period	833,347	1,483,071