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REIT Financial Report for the 1st Fiscal Period

January 24, 2017

REIT Issuer: Oedo Onsen Reit Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3472 URL: <http://oom-reit.com>
 Representative: Fuminori Imanishi, Executive Director
 Asset Manager: Oedo Onsen Asset Management Co. Ltd.
 Representative: Fuminori Imanishi, Chief Executive Officer
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 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 24, 2017
 Scheduled date of start of distribution payments: February 15, 2017
 Preparing supplementary explanatory materials on financial results: Yes
 Holding of brief session on financial results: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 1st Fiscal Period

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

(1) Management Status

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenues		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
1st	507	-	266	-	67	-	65	-

Fiscal period	Net income per unit	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
1st	yen 974	% 0.4	% 0.2	% 13.2

- (Note 1) The calculation period for the fiscal period ended November 30, 2016 of the Investment Corporation is a period of 247 days from March 29, 2016 to November 30, 2016, but the actual asset management period is a period of 91 days from September 1, 2016 to November 30, 2016.
- (Note 2) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (67,589 units). Furthermore, with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period, net income per unit calculated by dividing by the daily weighted average number of investment units (176,200 units) is 373 yen.
- (Note 3) Ratio of net income to unitholders' equity and ratio of ordinary income to total assets are calculated based on the weighted average unitholders' equity and total assets, respectively, with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period.
- (Note 4) "%" in operating revenues, operating income, ordinary income and net income indicates the percentage in comparison with the previous fiscal period. However, no figures are available as the fiscal period ended November 2016 is the first fiscal period.

(2) Distribution Status

Fiscal period	Distribution per unit (excluding Excess distribution excess distribution)	Total distribution (excluding Excess distribution excess distribution)	Excess distribution per unit	Total Excess distribution	Distribution per unit (including Excess distribution excess distribution)	Total distribution (including Excess distribution excess distribution)	Dividend Payout ratio	Ratio of distribution to net assets
1st	yen 373	million yen 65	yen 3	million yen 0	yen 376	million yen 66	% 99.8	% 0.4

- (Note 1) The entire amount of total Excess distribution excess distribution is the allowance for temporary difference adjustment.
- (Note 2) Dividend payout ratio is rounded down to the first decimal place. Dividend payout ratio for the fiscal period ended November 2016 is calculated using the following formula since issuance of new investment units was conducted during the period.
 Dividend payout ratio = Total distribution amount (excluding Excess distribution excess distribution) / Net income × 100
- (Note 3) Ratio of distribution to net assets is calculated based on the weighted average net assets per unit with the actual asset management period commencement date September 1, 2016 deemed as the beginning of the period, using the following formula.
 Ratio of distribution to net assets = Distribution per unit (excluding Excess distribution excess distribution) / {(net assets per unit at period commencement date + net assets per unit at period end) / 2} × 100.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
1st	million yen 30,732	million yen 15,818	% 51.5	yen 89,775

(4) Cash Flow Status

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
1st	million yen (1,030)	million yen (27,306)	million yen 29,004	million yen 668

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

2nd Fiscal Period: Fiscal period ending May 2017 (from December 1, 2016 to May 31, 2017)

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

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenues		Operating income		Ordinary income		Net income		Distribution per unit (excluding Excess distribution excess distribution)	Excess distribution excess distribution per unit	Distribution per unit (including Excess distribution excess distribution)
	million yen	%	million yen	%	million yen	%	million yen	%			
2nd	1,018	100.5	546	105.1	442	559.0	441	571.1	2,508	6	2,514
3rd	1,021	0.4	513	(6.1)	414	(6.4)	413	(6.4)	2,347	6	2,353

(Reference) Estimated net income per unit for the 2nd Fiscal Period: 2,507 yen; 3rd Fiscal Period: 2,348 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

- (i) Total number of investment units issued and outstanding (including own investment units) at end of period:
- (ii) Number of own investment units at end of period:

1st Fiscal Period	176,200 units
1st Fiscal Period	0 units

* Presentation of the status of implementation of audit procedures

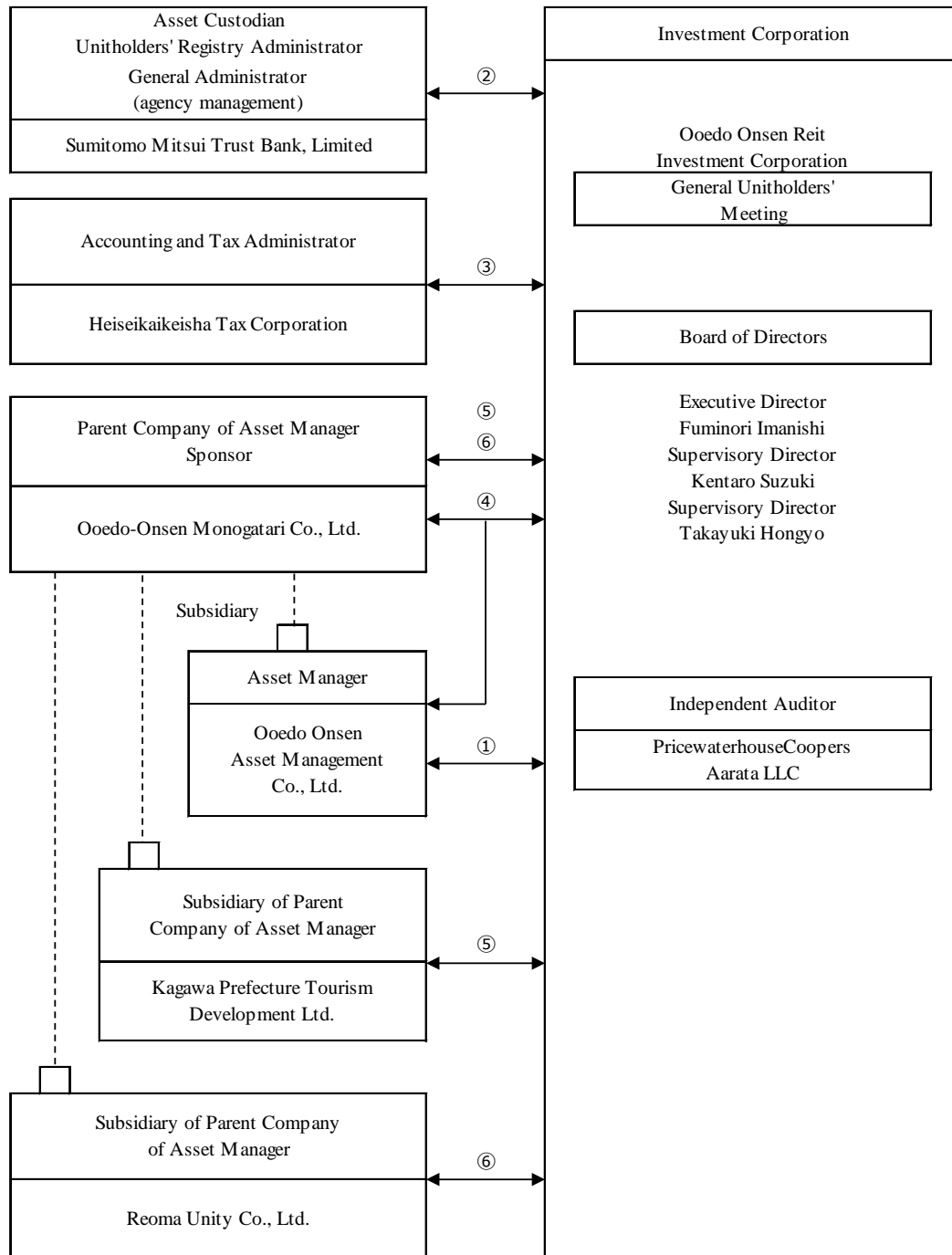
At the time of disclosure of this financial report (*kessan tanshin*), the audit procedures pursuant to the Financial Instruments and Exchange Act have not been completed.

* 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 2017 and November 2017" on page 7.

1. Affiliated Juridical Persons of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the securities registration statement (submitted on July 29, 2016, as amended). As administrative work for offering pertaining to issuance of new investment units has ended, the following are the affiliated juridical persons of the Investment Corporation as of the date of this document.



- (1) Asset management agreement
- (2) Asset custodian agreement / General administrator of unitholders' registry agreement / General administration (administrative work for organizational operation) agreement
- (3) General administrator of accounting agreement
- (4) Sponsor support agreement
- (5) Asset sale and purchase agreement
- (6) Asset lease agreement

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 securities report (submitted on July 29, 2016, as amended).

2.2. Management Status

(1) Overview of the Fiscal Period under Review

a. Brief History of the Investment Corporation

Ooedo Onsen Reit Investment Corporation (the “Investment Corporation”) was established on March 29, 2016 (capital: 200 million yen, issued investment units: 2,000 units) by Ooedo Onsen Asset Management Co., Ltd. (the “Asset Manager”) as the founder under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the “Investment Trust Act”) and with Ooedo-Onsen Monogatari Co., Ltd. (“Ooedo-Onsen Monogatari”) as the sponsor. Registration with the Kanto Local Finance Bureau was completed on May 13, 2016 (registration number 119, filed with the Director of the Kanto Local Finance Bureau).

Subsequently, the Investment Corporation issued new investment units through public offering (174,200 units) with August 30, 2016 as the payment date and listed on the Real Estate Investment Trust Securities Market (may be referred to as the “J-REIT market”) of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) (Securities Code: 3472) on August 31, 2016.

As a result of these, the total number of investment units issued and outstanding of the Investment Corporation as of the end of the fiscal period under review (November 30, 2016) stands at 176,200 units.

Furthermore, the Investment Corporation acquired 9 Onsen and spa-related facilities (Note 1) (total acquisition price (Note 2): 26,844 million yen) during the fiscal period under review (the fiscal period ended November 2016).

(Note 1) “Onsen and spa-related facilities” mean facilities that provide onsen or hot baths as one of their primary functions such as baths (public bathing facilities which employ onsen or other similar facilities; the same hereinafter) and ryokan (meaning lodgings whose main structure and facilities are Japanese style; the same hereinafter), hotels (meaning lodgings whose main structure and facilities are Western style; the same hereinafter), resort facilities (facilities to provide opportunities for sports or recreation activities during leisure time; the same hereinafter), amusement parks, or other leisure facilities (including multi-use facilities that contain the foregoing) that include baths as part of their core facilities. Onsen and Spa-related Facilities also mean facilities as a whole, including not only the buildings with onsen or hot baths, but also the buildings and sites that are adjacent to such buildings or operated as one facility.

(Note 2) The “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 saw the Tokyo Stock Exchange REIT Index slightly weaken due to the continued uncertainties of emerging economies including concern over economic slowdown in China as well as the unstable environment following the U.K.’s decision to leave the EU. However, after the victory of Donald Trump in the U.S. presidential election in November, the Nikkei average turned around for a stronger upward trend with the rise of the U.S. long-term interest rates and depreciation of yen against the dollar while the J-REIT market has also shown relatively strong movements recently.

According to the Onsen Use Survey by the Nature Conservation Bureau of the Ministry of the Environment, the total number of annual guests of accommodation facilities has been stable since fiscal year 2010, albeit a slight decrease in the number of accommodation facilities, assuring stable demand for onsen.

Under such environment, the Investment Corporation acquired 9 onsen and spa-related facilities (total acquisition price: 26,844 million yen) on September 1, 2016 with proceeds from the issuance of new investment units through public offering and borrowings, and started their asset management. The occupancy rate (Note 1) of the facilities as of the end of the fiscal period under review is 100%, and their operating results during the fiscal period under review after the commencement of asset management has shown high guestroom occupancy rates (Note 2). Furthermore, all of the assets held have maintained RevPAR (Note 3) and sales of which cumulative totals are surpassing the actual results of the same period the previous year before acquisition by the Investment Corporation. As to unrealized gain/loss (Note 4) of the entire portfolio as of the end of the fiscal period under review, unrealized gain of 780 million yen was recorded as a result of a decline of the appraisal cap rate in comparison with the previous appraisal obtained upon listing, decline of book value due to depreciation and other factors.

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

(Note 4) Unrealized gain/loss is calculated using the following formula.

Unrealized gain/loss = Total appraisal value of owned assets as of the end of the fiscal period under review – Total balance sheet amount (including equipment attached to buildings and leasehold right)

c. Overview of Capital Procurement

The Investment Corporation issued new investment units through public offering (174,200 units) with August 30, 2016 as the payment date and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange on August 31, 2016. As a result, unitholders' capital as of November 30, 2016 stands at 15,752 million yen and the total number of investment units issued and outstanding of the Investment Corporation at 176,200 units.

In addition, in order to allocate funds for acquisition of specified assets and related expenses, the Investment Corporation made borrowings of 13,580 million yen on September 1, 2016 and made a partial scheduled repayment (55 million yen). As a result, as of November 30, 2016, the balance of loans outstanding was 13,524 million yen and the ratio of interest-bearing liabilities to total assets (LTV) was 44.0%.

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 revenues of 507 million yen, operating income of 266 million yen, ordinary income of 67 million yen and net income of 65 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 373 yen per unit (excluding Excess distribution excess 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 528,600 yen allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, item 30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended; the "Investment Corporations Accountings Ordinance") for the purpose of reflecting the effect on distributions of the difference between accounting and tax treatment of earnings in association with the recording of interest expenses of asset retirement obligation and recording of depreciation of building book value corresponding to asset retirement obligation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in excess distribution per unit of 3 yen.

As a result, distribution per unit for the fiscal period under review was 376 yen (of which, excess distribution per unit was 3 yen).

(2) Outlook for the Next Fiscal Period

a. Management Environment in the Next Fiscal Period

The Japanese economy in the next fiscal period own is expected to continue to see a moderate recovery trend in Japan for the time being due to correction of strong yen and stable crude oil prices since last fall as well as the ongoing monetary easing policy by Bank of Japan. On the other hand, overseas economies are expected to continue to have a sense of uncertainty due to highly unpredictable policies by the new U.S. President Trump and the possible slowdown of the Chinese economy among other reasons, thus future economic policies are closely watched to read the trend of personal consumption.

b. Future Management Policy and Challenges to Address

(a) External Growth Strategy

Under such an environment, demand for onsen, which is deeply rooted in Japanese culture, has not only continued to be stable but also been expected to expand backed by an increase in inbound tourists in line with the progress in the tourism-oriented country policy promoted by the government as well as by the advancement of the aging of society. For these reasons, business results of the facilities owned by the Investment Corporation are expected to remain stable.

On the other hand, the number of inquiries for potential deal information to the Ooedo-Onsen Monogatari Group is expected to increase as more ryokans decide to cease operation and more hotels are put in the market for sale for various reasons such as a lack of successors, declining competitiveness due to aging

properties and the announced results of quake-resistance inspections based on the revised Act on Promotion of Seismic Retrofitting of Buildings.

During the fiscal year 2016, the Oedo-Onsen Monogatari Group acquired a total of 5 onsen and spa-related facilities (2 facilities in Naruko onsen in Miyagi Prefecture in May 2016, 1 facility each in a tourist area in Nagasaki City, Nagasaki Prefecture and Beppu onsen in Oita Prefecture in August 2016, and 1 facility in Atami onsen in Shizuoka Prefecture in September 2016). These onsen and spa-related facilities are expected to fulfill acquisition criteria of the Investment Corporation through revitalization such as renovation (Note).

Furthermore, the Investment Corporation intends to continuously make new acquisitions centering on properties such as aforementioned facilities in addition to onsen and spa-related facilities that have been owned and operated by the Oedo-Onsen Monogatari Group, by utilizing the sponsor support agreement concluded with Oedo-Onsen Monogatari Co., Ltd. on July 29, 2016. Also, the Investment Corporation plans to consider acquisition of facilities owned by third parties other than the Oedo-Onsen Monogatari Group that can expect high earnings and stable operation, through the acquisition channels unique to the Asset Manager. The Investment Corporation believes this will facilitate improvement of liquidity of the asset class with the acquisition of diversified onsen and spa-related facilities, etc.

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

(b) Internal Growth Strategy

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

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

(Note) The rent system has been adopted in the lease agreements for the currently owned assets. However, this does not guarantee the same rent system will be adopted in the lease agreements for the facilities that the Investment Corporation acquires in the future.

(c) Financial Strategy

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

(3) Significant Subsequent Events

Not applicable.

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

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • Fiscal period ending May 2017 (2nd fiscal period: from December 1, 2016, to May 31, 2017) (182 days) • Fiscal period ending November 2017 (3rd fiscal period: from June 1, 2017, to November 30, 2017) (183 days)
Managed Assets	<ul style="list-style-type: none"> • It is assumed there will be no change (acquisition of new properties or sale of owned properties) to the 9 properties owned by the Investment Corporation as of the date of this document through to the end of the fiscal period ending November 2017. • The managed assets may actually change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.
Operating revenue	<ul style="list-style-type: none"> • Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document, taking into consideration market trends and other factors. It is assumed that no rent payments will be behind or declined by tenants. • Rent is calculated based on the following assumptions: <p>[Ooedo-Onsen Monogatari Reoma Resort] Fixed rent: 62,456,896 yen monthly (however, 67,479,294 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 5,181,730 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 (Note 1) for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 64.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>With regard to 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.</p> <p>[Ooedo-Onsen Monogatari Ise-shima] Fixed rent: 18,009,399 yen monthly (however, 18,948,490 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 962,993 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period × 4.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 77.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply. <p>[Ito Hotel New Okabe] Fixed rent: 12,296,799 yen monthly (however, 13,644,591 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 1,471,251 yen monthly from December 2016; and will be revised every six months and calculated as follows:</p> <ol style="list-style-type: none"> (1) Modified GOP for the most recent one-year period × 5.0% (yearly; the monthly amount is 1/12th thereof) (2) Only if 52.0% of the modified GOP exceeds one year's fixed rent, variable rent will apply.

<p>Operating revenue</p>	<p>[Ooedo-Onsen Monogatari Atami] Fixed rent: 15,619,380 yen monthly (however, 16,432,681 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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 (however, 10,090,632 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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 (however, 11,531,263 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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 Kamoshika-so] Fixed rent: 5,953,916 yen monthly (however, 6,596,944 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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.</p> <p>[Ooedo-Onsen Monogatari Ikaho] Fixed rent: 6,126,558 yen monthly (however, 6,788,768 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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.</p> <p>[Ooedo-Onsen Monogatari Kimitsu-no-mori] Fixed rent: 4,098,412 yen monthly (however, 4,535,272 yen monthly until November 2016) Variable rent: 0 yen until November 2016 and 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.</p>
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Fiscal Period Ending May 2017 (2nd fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	375 (Note 6)	31	34	440
Ooedo-Onsen Monogatari Ise-shima	108	5	3	117
Ito Hotel New Okabe	73	8	9	91
Ooedo-Onsen Monogatari Atami	93	5	4	103
Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	62
Ooedo-Onsen Monogatari Awara	65	3	9	78
Ooedo-Onsen Monogatari Kamoshika-so	35	3	5	45
Ooedo-Onsen Monogatari Ikaho	36	4	4	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	2	5	32
Total (Note 7)	868	71	77	1,018

Fiscal Period Ending November 2017 (3rd fiscal period)

(Millions of yen)

Property name	Primary rent (Note 2)		Secondary rent (Note 5)	Total (Note 7)
	Fixed rent (Note 3)	Variable rent (Note 4)		
Ooedo-Onsen Monogatari Reoma Resort	375 (Note 6)	29	34	439
Ooedo-Onsen Monogatari Ise-shima	108	6	3	118
Ito Hotel New Okabe	73	9	9	92
Ooedo-Onsen Monogatari Atami	93	7	4	105
Ooedo-Onsen Monogatari Toi Marine Hotel	54	5	1	62
Ooedo-Onsen Monogatari Awara	65	4	9	79
Ooedo-Onsen Monogatari Kamoshika-so	35	4	5	45
Ooedo-Onsen Monogatari Ikaho	36	5	4	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	2	5	32
Total (Note 7)	868	75	77	1,021

(Note 1) "GOP" means 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 expenses related to real estate 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>(Note 2) “Primary rent” means the sum of the fixed rent and the variable rent. The same applies hereinafter</p> <p>(Note 3) “Fixed rent” means the monthly amount provided for in each facility’s lease agreement. The same applies hereinafter.</p> <p>(Note 4) Variable rent will not accrue for the 1st fiscal period, and the variable rent for the 2nd fiscal period will be the fixed amount provided for in each facility’s lease agreement. Further, the variable rent from the 3rd fiscal period onward will be the amount obtained by multiplying each facility’s modified GOP for the most recent one-year period (for the six months starting from December of each year, this means the one-year period from March of that year to February of the following year; for the six months starting from June of each year, this means the one-year period from September of the previous year to August of that year) (these one-year periods are referred to as “modified GOP Calculation Periods”) regarding each facility by the specific rate provided for in each lease agreement (yearly; the monthly amount is 1/12th thereof). The same applies hereinafter.</p> <p>(Note 5) “Secondary rent” means an amount equivalent to the total amount of taxes, public charges, nonlife insurance premiums, and other expenses (real estate operational expenses) to be borne by the Investment Corporation for each facility owned by the Investment Corporation. The same applies hereinafter.</p> <p>(Note 6) Land rent based on the fixed-term land lease agreement is included in the fixed rent.</p> <p>(Note 7) Rents of properties are rounded down to the nearest million yen. Therefore, the total of each property’s rent, the total of fixed rents, the total of variable rents and the total of secondary rents may not add up to the figure indicated in the Total column.</p>
Operating expenses	<ul style="list-style-type: none"> • Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate. • As to taxes and public charges, 34 million yen is recorded as expenses in the fiscal period ending May 2017 and 69 million yen in the fiscal period ending November 2017. • Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 265 million yen for the fiscal period ending May 2017, and 269 million yen for the fiscal period ending November 2017.
Non-operating expenses	<ul style="list-style-type: none"> • The total amount of interest expenses and other borrowing-related expenses is expected to be 104 million yen for the fiscal period ending May 2017, and 98 million yen for the fiscal period ending November 2017.
Borrowings	<ul style="list-style-type: none"> • The balance of loans outstanding as of November 30, 2016 is 13,524 million yen. • In the fiscal period ending May 2017, it is assumed that the 777 million yen out of 2,177 million yen of loans due for repayment will be refinanced for the same amount and the 1,400 million yen will be repaid using the expected refund of consumption tax for property acquisition. In addition, it is assumed that scheduled repayment of 111 million yen will be conducted separately. • It is assumed that scheduled repayment of 111 million yen will be conducted in the fiscal period ending November 2017.
Outstanding Investment Units	<ul style="list-style-type: none"> • The assumed number of investment units issued and outstanding as of the date of this document is 176,200, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before November 30, 2017. • 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 2017 and ending November 2017 (176,200 units).
Distribution per Unit (Excluding excess distribution)	<ul style="list-style-type: none"> • Distribution per unit (excluding excess 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 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 distribution per Unit	<ul style="list-style-type: none"> • Recording of allowance for adjustment of temporary difference is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation.

	<ul style="list-style-type: none"> Regarding conducting excess distribution, the Investment Corporation will have a basic policy of conducting excess distribution of which amount will be equivalent to the increased amount of allowance for adjustment of temporary difference. Pursuant to the policy, it is assumed that 6 yen of excess distribution per unit will be conducted in each of the fiscal periods ending May 2017 and ending November 2017.
Other	<ul style="list-style-type: none"> It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2.3. Investment Risks

Disclosure is omitted because there are no significant changes from “Investment Risks” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 29, 2016, as amended).

3. Financial Statements

3.1. Balance Sheets

(Thousands of yen)

As of November 30, 2016

Assets	
Current assets	
Cash and deposits	1,599,405
Operating accounts receivable	326
Prepaid expenses	118,600
Consumption taxes receivable	1,431,892
Deferred tax assets	24
Total current assets	3,150,250
Non-current assets	
Property, plant and equipment	
Buildings	18,079,683
Accumulated depreciation	(131,368)
Buildings, net	17,948,314
Land	9,264,018
Total property, plant and equipment	27,212,332
Intangible assets	
Leasehold right	157,802
Software	6,191
Total intangible assets	163,993
Investments and other assets	
Long-term prepaid expenses	196,129
Lease and guarantee deposits	10,000
Total investments and other assets	206,129
Total non-current assets	27,582,456
Total assets	30,732,706

(Thousands of yen)

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

Liabilities	
Current liabilities	
Operating accounts payable	1,159
Short-term loans payable	2,177,000
Current portion of long-term loans payable	223,000
Accounts payable - other	261,251
Accrued expenses	7,580
Income taxes payable	1,321
Advances received	183,256
Other	105
Total current liabilities	2,854,675
Non-current liabilities	
Long-term loans payable	11,124,250
Tenant leasehold and security deposits	868,270
Asset retirement obligations	67,100
Total non-current liabilities	12,059,620
Total liabilities	14,914,295
Net assets	
Unitholders' equity	
Unitholders' capital	15,752,576
Surplus	
Unappropriated retained earnings (undisposed loss)	65,834
Total surplus	65,834
Total unitholders' equity	15,818,410
Total net assets	※ ₁ 15,818,410
Total liabilities and net assets	30,732,706

3.2. Statements of Income

(Thousands of yen)

	1st Fiscal Period (from March 29, 2016 to November 30, 2016)
Operating revenue	
Lease business revenue	※ ¹ 507,696
Total operating revenue	507,696
Operating expenses	
Expenses related to rent business	※ ¹ .※ ² 140,191
Asset management fee	47,979
Asset custody fee	1,662
Administrative service fees	8,323
Directors' compensations	5,400
Other operating expenses	※ ² 37,600
Total operating expenses	241,157
Operating income	266,538
Non-operating income	
Interest income	0
Total non-operating income	0
Non-operating expenses	
Interest expenses	24,222
Organization expenses	73,020
Investment unit issuance expenses	73,828
Borrowing related expenses	28,336
Total non-operating expenses	199,408
Ordinary income	67,131
Income before income taxes	67,131
Income taxes - current	1,321
Income taxes - deferred	(24)
Total income taxes	1,296
Net income	65,834
Unappropriated retained earnings (undisposed loss)	65,834

3.3. Statements of Unitholders' Equity

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

(Thousands of yen)

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

3.4. Statements of Cash Distributions

(Thousands of yen)

Item	1st Fiscal Period (From: Mar. 29, 2016 To: Nov. 30, 2016)
I. Unappropriated retained earnings	65,834,175
II. Addition of excess distribution	528,600
Of which, allowance for temporary difference adjustment	528,600
III. Distribution amount	66,251,200
[Distribution amount per unit]	[376]
Of which,	
Distribution amount from earnings	65,722,600
[Of which, excess distribution per unit]	[373]
Allowance for temporary difference adjustment	528,600
[Of which, excess distribution per unit (pertaining to allowance for temporary difference adjustment)]	[3]
IV. Retained earnings carried forward	111,575
Method of calculating distribution amount	<p>As described above, distribution per unit for the fiscal period under review is 376 yen.</p> <p>Concerning cash distribution (excluding excess 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 distribution) of 373 yen.</p> <p>In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in its articles of incorporation, the Investment Corporation decided to make a distribution for the 528,600 yen allowance for adjustment of temporary difference for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustment of 3 yen per investment unit.</p>

3.5. Statements of Cash Flows

(Thousands of yen)

	1st Fiscal Period (from March 29, 2016 to November 30, 2016)
Cash flows from operating activities	
Income before income taxes	67,131
Depreciation	131,677
Investment unit issuance expenses	73,828
Borrowing related expenses	28,336
Interest income	(0)
Interest expenses	24,222
Decrease (increase) in operating accounts receivable	(326)
Increase (decrease) in operating accounts payable	15
Decrease (increase) in consumption taxes refund receivable	(1,431,892)
Decrease (increase) in prepaid expenses	(18,358)
Decrease (increase) in long-term prepaid expenses	(126,708)
Increase (decrease) in accounts payable - other	65,268
Increase (decrease) in advances received	183,256
Other, net	(9,820)
Subtotal	(1,013,370)
Interest income received	0
Interest expenses paid	(16,641)
Income taxes paid	(0)
Net cash provided by (used in) operating activities	(1,030,011)
Cash flows from investing activities	
Purchase of property, plant and equipment	(27,080,087)
Purchase of intangible assets	(163,762)
Proceeds from tenant leasehold and security deposits	868,270
Payments for restricted bank deposits	(930,770)
Net cash provided by (used in) investing activities	(27,306,349)
Cash flows from financing activities	
Increase in short-term loans payable	2,177,000
Proceeds from long-term loans payable	11,205,000
Repayments of long-term loans payable	(55,750)
Proceeds from issuance of investment units	15,678,747
Net cash provided by (used in) financing activities	29,004,997
Net increase (decrease) in cash and cash equivalents	668,635
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	※1 668,635