



**大江戸温泉リート投資法人**

Ooedo Onsen Reit Investment Corporation

Results of 6<sup>th</sup> Fiscal Period ended May 31, 2019

# Presentation Material

July 22, 2019

(Asset Manager) Ooedo Onsen Asset Management Co., Ltd.

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\* The photo on the front cover is an outside bath at Kinugawa Kanko Hotel.



# I . Investment Highlights

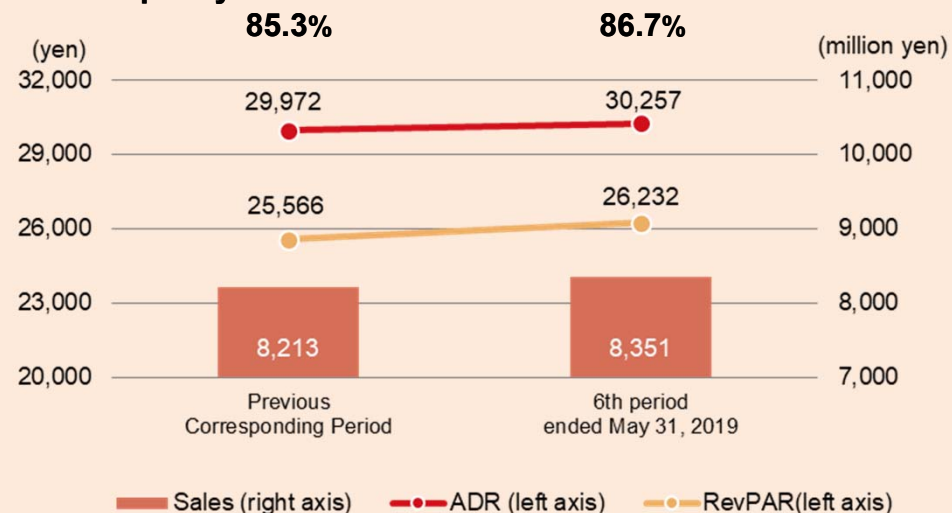
# Operating Results for the Entire Portfolio

Room occupancy and ADR improved, reflecting highly efficient operation and stable onsen demand.  
RevPAR increased 2.6%



<Cumulative comparison of 6<sup>th</sup> period and the same period of the previous year>

Room occupancy rate :



## Portfolio operating results

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	81.7%	82.5%	97.6%	86.2%	91.9%	97.4%	90.5%	78.9%	85.8%	93.0%	86.9%	84.8%	88.1%	85.3%	86.7%	+1.4%
ADR (yen)	26,760	29,397	40,542	27,755	28,539	28,980	31,832	30,332	27,824	31,018	29,891	30,262	30,423	29,972	30,257	+285
RevPAR (yen)	21,862	24,252	39,568	23,924	26,227	28,226	28,807	23,931	23,872	28,846	25,975	25,662	26,802	25,566	26,232	+666
Sales (million yen)	1,190	1,305	2,084	1,259	1,455	1,547	1,575	1,306	1,186	1,548	1,354	1,379	17,194	8,213	8,351	+137

(Note) Unless otherwise specified, figures are rounded down to the nearest specified unit and percentage rates are rounded to the first decimal place in this material. The same applies hereinafter.

## Increase/Decrease in Variable Rent

Operation, while remaining solid as a whole, differed from one facility to another on the GOP level.

~ Measures for improvement such as initiatives for attracting more customers are being discussed continuously with the sponsor, thereby improving the performance of facilities whose variable rents declined.

(thousand yen)

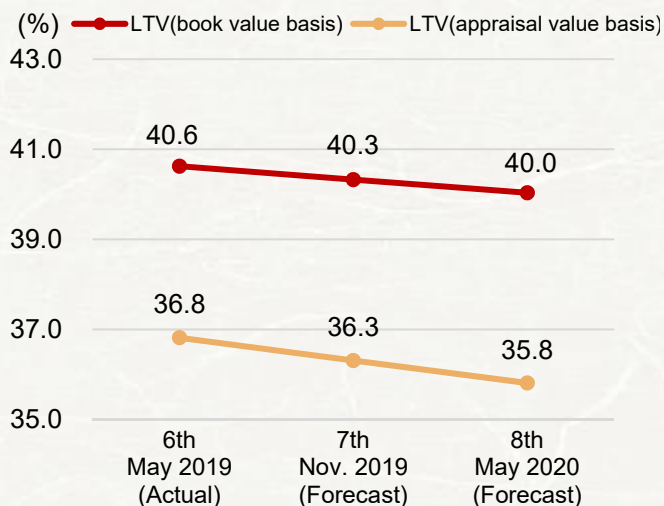
Property No.	Property name	5th period			6th period			Increase /decrease of variable rent
		Fixed	Variable	Total rent	Fixed	Variable	Total rent	
S-1	Ooedo-Onsen Monogatari Reoma Resort	375,275	31,090	406,366	375,257	31,090	406,347	-
S-2	Ooedo-Onsen Monogatari Ise-shima	108,056	7,507	115,563	108,056	7,499	115,555	-7
S-3	Ito Hotel New Okabe	73,780	8,056	81,837	73,780	8,681	82,462	624
S-4	Ooedo-Onsen Monogatari Atami	93,716	7,899	101,615	93,716	8,138	101,855	239
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	54,589	6,202	60,791	54,589	6,543	61,133	341
S-6	Ooedo-Onsen Monogatari Awara	65,778	3,645	69,423	65,778	3,621	69,399	-23
S-7	Ooedo-Onsen Monogatari Kamoshika-so	35,723	4,849	40,572	35,723	4,676	40,399	-172
S-8	Ooedo-Onsen Monogatari Ikaho	36,759	4,732	41,491	36,759	4,825	41,585	93
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	24,590	2,667	27,257	24,590	2,768	27,358	101
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	58,729	2,990	61,719	58,729	4,155	62,885	1,165
S-11	Ooedo-Onsen Monogatari Kounkaku	42,103	4,530	46,633	42,103	-	42,103	-4,530
S-12	Kinugawa Kanko Hotel	134,868	7,128	141,997	134,868	7,797	142,665	668
S-13	Ooedo-Onsen Monogatari Kinosaki	74,687	3,905	78,593	74,687	4,733	79,421	828
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51,790	5,643	57,434	51,790	5,309	57,099	-334
Total		1,230,449	100,847	1,331,297	1,230,431	99,841	1,330,273	-1,005

(Note) The variable rent of Ooedo-Onsen Monogatari Reoma Resort is temporarily fixed until the fiscal period ended May 31, 2019. Amounts initially fixed are presented as variable rents for the 5th fiscal period with respect to properties acquired in December 2017 (Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Ooedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Ooedo-Onsen Monogatari Kinosaki and Ooedo-Onsen Monogatari Higashiyama Grand Hotel).

# Financial Status – Implementation of Refinancing

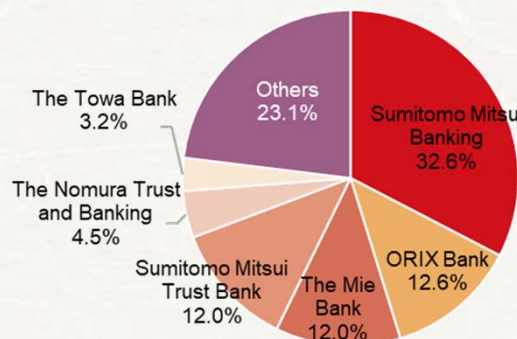
LTV, which is at high 30% range on an appraisal value basis, will decrease further due to scheduled repayments. The due dates have been diversified and the remaining duration has been extended through a range of financing initiatives including participation by a new bank as syndicate lender.

## LTV



## Breakdown of lenders

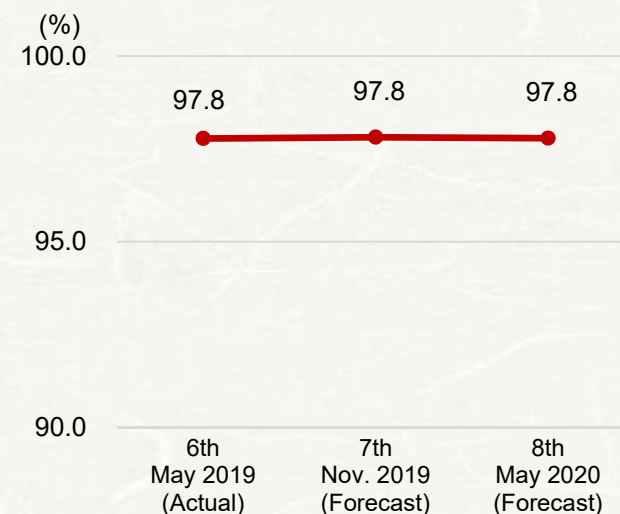
Number of syndicate lenders: 14



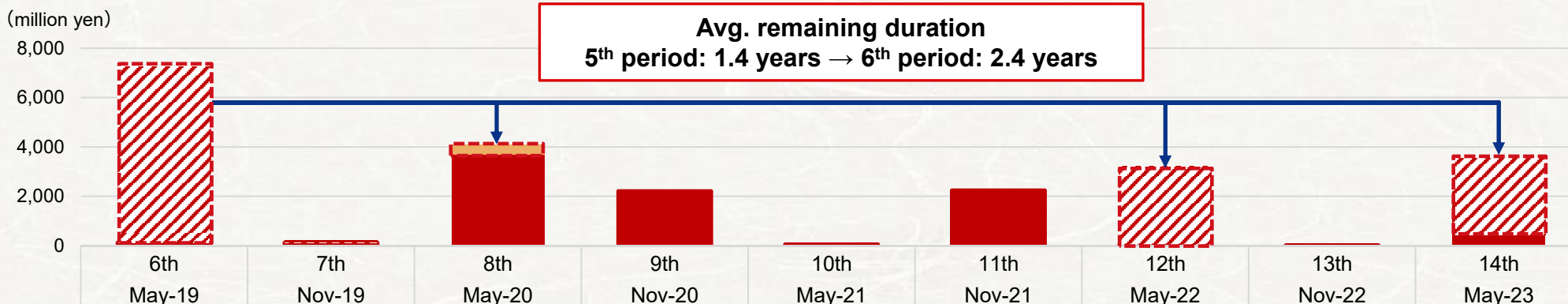
<Breakdown of others, which stand at 23.1%>

The Bank of Fukuoka 3.1%	The Toho Bank 3.0%
The Tochigi Bank 3.0%	The Shinwa Bank 3.0%
The First Bank of Toyama 3.0%	The Iyo Bank 3.0%
Fukoku Mutual Life Insurance 3.0%	The Bank of Kochi 1.8%

## Ratio of long-term borrowings



## Overview of maturity

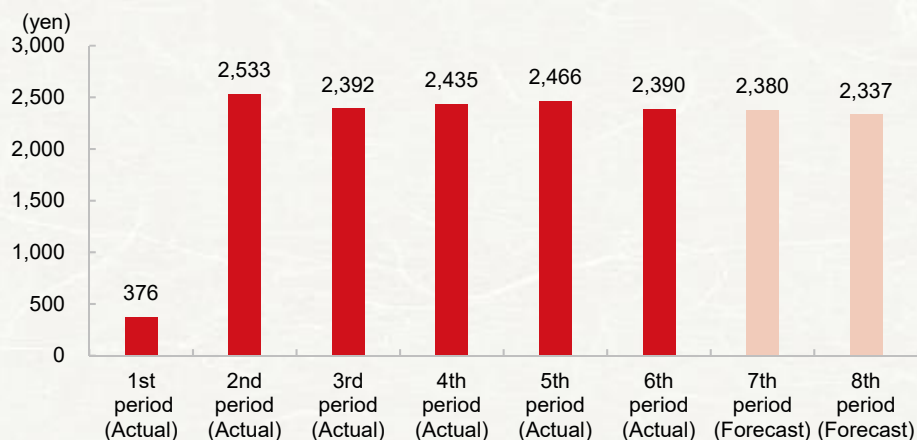


**Avg. remaining duration**  
5<sup>th</sup> period: 1.4 years → 6<sup>th</sup> period: 2.4 years

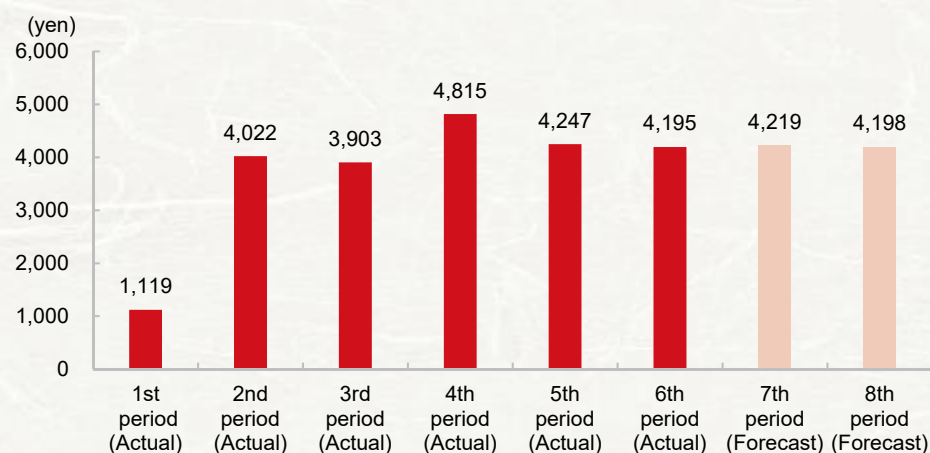
# Changes in Key Indices (1)

Distributions per unit and FFO have been stable since listing. Under these conditions, LTV has been declining due to scheduled payments and NAV per unit has been rising thanks to unrealized gains.

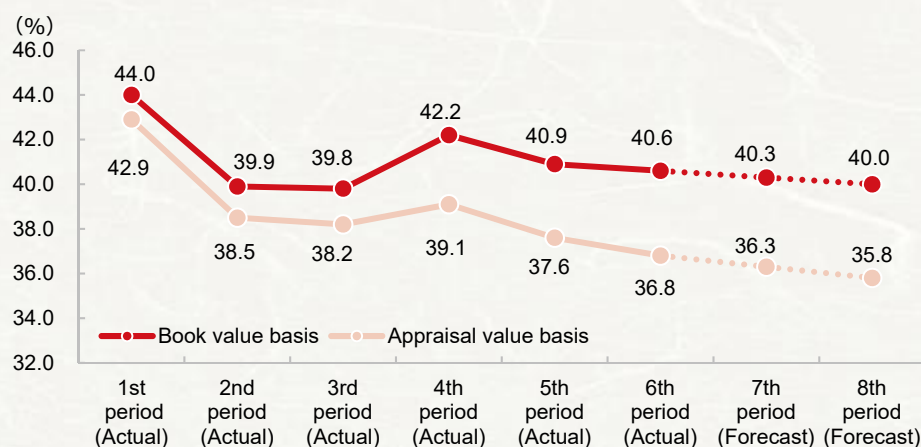
DPU per unit



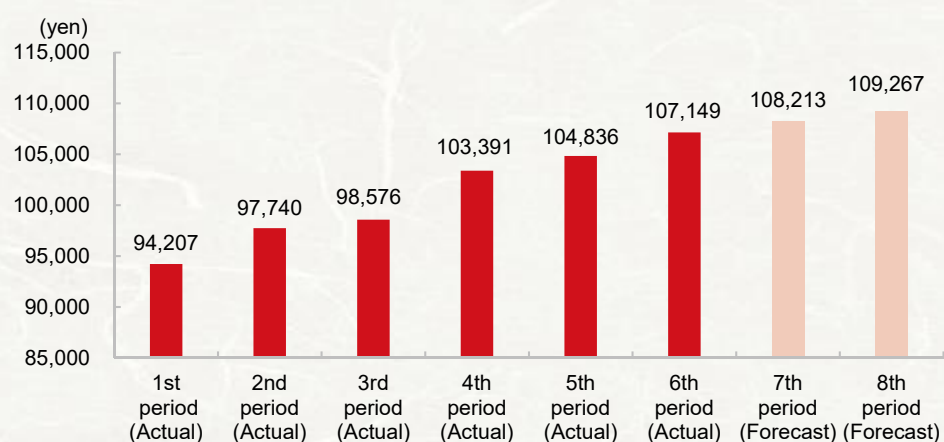
FFO per unit



LTV (Note 2)



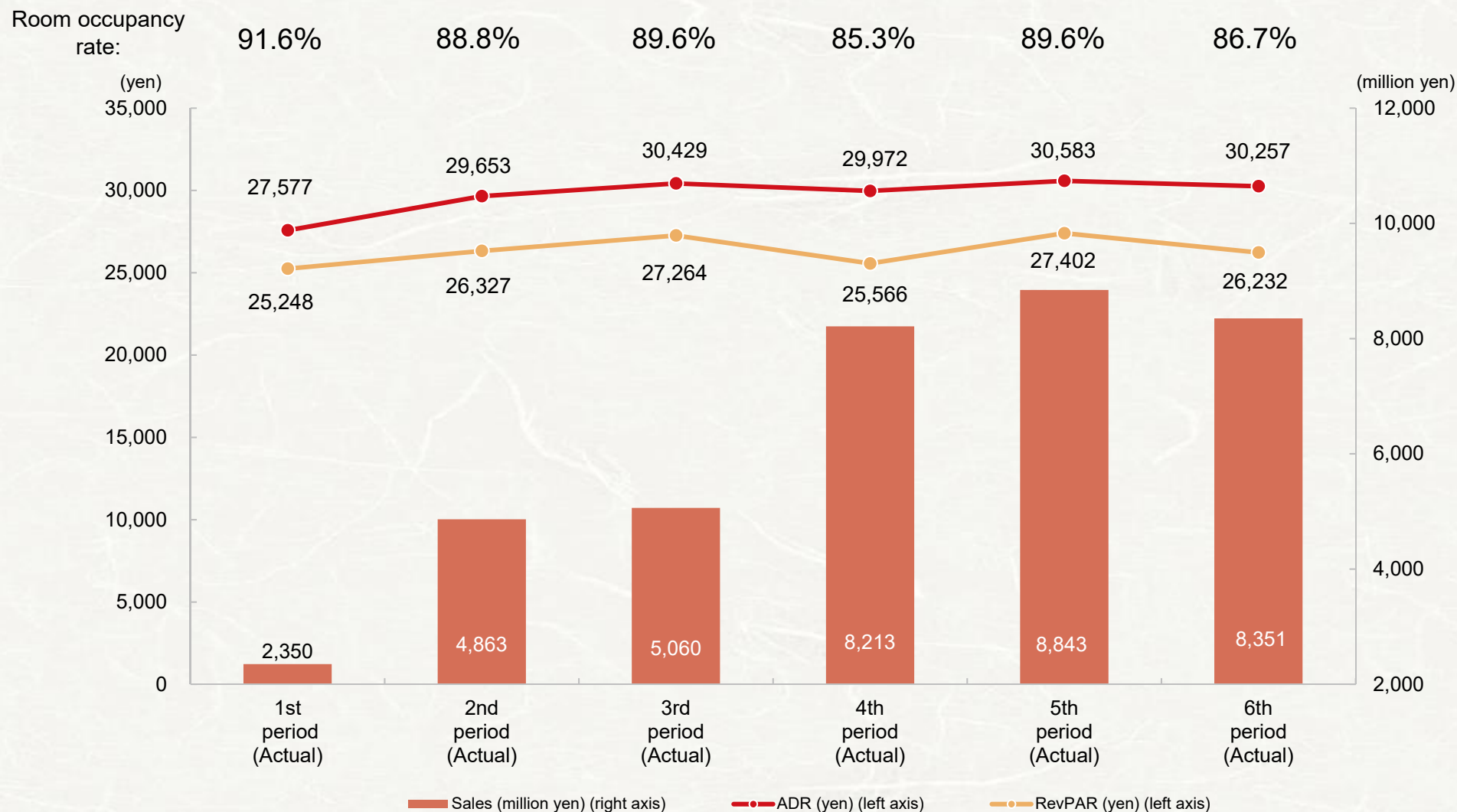
NAV per unit (Note 2)



(Note 1) The actual operation period was from September 1 until November 30, 2016 in the first period. In the 4th period, five properties were newly acquired with capital increased through public offering.  
 (Note 2) LTV (on an appraisal value basis) and NAV per unit for the 7<sup>th</sup> and 8<sup>th</sup> fiscal periods are based on the assumption that appraisal value will remain unchanged.

## Changes in Key Indices (2) – Tenants’ Operation Results

Major KPIs maintained by the Oedo business model have been stable, helped by comparatively small seasonal changes







## Ⅱ . Financial Highlights

# Financial Results for the 6<sup>th</sup> Fiscal Period ended May 2019

Operating revenue was in line with the previous forecast, and DPU increased 10 yen per unit. Profits were lower than the previous period due to factors such as lower secondary rents, which reflected a decrease in the valuation amount of fixed asset taxes and city planning taxes.

Item	5th period (Actual)		6th period (Actual)		Difference	6th period (Forecast as of Jan. 22, 2019)		Difference
	Component ratio		Component ratio					
Operating revenue		1,450,211		1,434,986	-15,225		1,434,151	+834
Primary rent		1,331,297		1,330,273	-1,024		1,329,413	+859
Fixed rent	92.4%	1,230,449	92.5%	1,230,431	-18		1,230,449	-
Variable rent	7.6%	100,847	7.5%	99,841	-1,005		98,963	+877
Secondary rent		116,282		104,437	-11,844		104,462	-24
Others		2,631		275	-2,356		275	-
Lease operations revenue gain/loss		908,332		886,911	-21,421		885,642	+1,269
Operating income		714,516		699,005	-15,510		695,150	+3,855
Ordinary income		578,593		560,389	-18,203		558,184	+2,205
Net income		577,620		559,516	-18,103		557,184	+2,332
Excess cash distribution		2,824		2,824	-		2,824	-
Total distribution		580,365		562,479	-17,886		560,125	+2,353
Total units outstanding		235,347		235,347	-		235,347	-
DPU (yen)		2,466		2,390	-76		2,380	+10
(Excess cash distribution per unit)		12		12	-		12	-
FFO per unit (yen)		4,247		4,195	-52		4,189	+6
NOI		1,330,330		1,314,891	-15,438		1,314,390	+501
Depreciation		421,997		427,980	+5,982		428,748	-768
CAPEX		206,381		184,163	-22,217		180,001	+4,162

(thousand yen)

Main factors for increase/decrease from forecast		(thousand yen)
· Increase in variable rent		+877
<b>Lease operations revenue gain/loss</b>		<b>+1,269</b>
· Decrease in selling, general and administration (IR-related expenses)		+2,585
<b>Operating income</b>		<b>+3,855</b>
· Increase in finance-related expenses		-1,661
<b>Ordinary income</b>		<b>+2,205</b>

Main factors for increase/decrease from previous fiscal period		(thousand yen)
· Decrease in secondary rent (due to reflecting the review of the valuation amount of fixed asset taxes and city planning taxes)		-11,844
· Increase in depreciation (due to capital expenditure)		-5,982
<b>Lease operations revenue gain/loss</b>		<b>-21,421</b>
· Decrease in AM fee		+3,235
· Decrease in expenses for introducing the disclosure system, etc.		+2,555
· Decrease in IR-related expenses		+1,945
<b>Operating income</b>		<b>-15,510</b>
· Increase in finance-related expenses		-1,821
<b>Ordinary income</b>		<b>-18,203</b>

Main financial indicators		(million yen)
Total assets		38,782
Interest-bearing debt		15,754
Total liabilities		17,578
Total net assets		21,204
LTV (book value basis)		40.6%
NAV per unit		107,149 yen

# Forecast for the 7<sup>th</sup> Fiscal Period ending November 2019

Changes from the previous forecasts reflect a decrease in finance-related expenses, which is expected to offset increases in depreciation and others. As a result, DPU will remain unchanged from the former forecast. Changes from the previous period reflect a decrease in finance-related expenses, which is expected to partially offset a decrease in variable rents and an increase in depreciation. Despite this, DPU will decline 10 yen per unit.

(thousand yen)

Item	6th period (Actual)	7th period (Forecast)	Difference	7th period (Forecast as of Jan. 22, 2019)	Difference
Operating revenue	Component ratio 1,434,986	Component ratio 1,433,949	-1,037	1,434,133	-184
Primary rent	1,330,273	1,329,160	-1,112	1,329,492	-331
Fixed rent	92.5% 1,230,431	92.6% 1,230,431	-0	1,230,449	-18
Variable rent	7.5% 99,841	7.4% 98,729	-1,112	99,042	-312
Secondary rent	104,437	104,513	+75	104,366	+146
Others	275	275	-	275	-
Lease operations revenue gain/loss	886,911	879,619	-7,291	881,496	-1,876
Operating income	699,005	691,185	-7,820	694,775	-3,590
Ordinary income	560,389	558,355	-2,034	558,229	+126
Net income	559,516	557,355	-2,161	557,229	+126
Excess cash distribution	2,824	2,824	-	2,824	-
Total distribution	562,479	560,125	-2,353	560,125	-
Total units outstanding	235,347	235,347	-	235,347	-
DPU (yen)	2,390	2,380	-10	2,380	-
(Excess cash distribution per unit)	12	12	-	12	-
FFO per unit (yen)	4,195	4,219	+24	4,213	+6
NOI	1,314,891	1,315,204	+312	1,315,951	-747
Depreciation	427,980	435,584	+7,604	434,454	+1,129
CAPEX	184,163	180,000	-4,163	180,000	-

## Main factors for increase/decrease from forecast

(thousand yen)

- Increase in depreciation (due to capital expenditure) -1,129

## Lease operations revenue gain/loss -1,876

- Increase in selling, general and administration (IR-related expenses) -1,713

## Operating income -3,590

- Decrease in finance-related expenses +3,716

## Ordinary income +126

## Main factors for increase/decrease from previous fiscal period

(thousand yen)

- Decrease in variable rent (Kounkaku, etc.) -1,112
- Decrease in other expenses (survey on asbestos, etc.) +1,688
- Increase in depreciation (due to capital expenditure) -7,604

## Lease operations revenue gain/loss -7,291

- Increase in selling, general and administration (transfer fees, etc.) -528

## Operating income -7,820

- Decrease in finance-related expenses +5,797

## Ordinary income -2,034

## Main financial indicators

(million yen)

Total assets	38,582
Interest-bearing debt	15,558
Total liabilities	17,383
Total net assets	21,198
LTV (book value basis)	40.3%

## Forecast for the 8<sup>th</sup> Fiscal Period ending May 2020

Changes from the previous period reflect a slight increase in variable rents. However, DPU will be 43 yen lower per unit, mainly due to an increase in depreciation and the posting of an increase in expenses for the General Unitholders' Meeting

(thousand yen)

Item	7th period (Forecast)	8th period (Forecast)	Difference
Operating revenue	Component ratio 1,433,949	Component ratio 1,436,321	+2,372
Primary rent	1,329,160	1,330,027	+866
Fixed rent	92.6% 1,230,431	92.5% 1,230,431	-
Variable rent	7.4% 98,729	7.5% 99,596	+866
Secondary rent	104,513	106,018	+1,505
Others	275	275	-
Lease operations revenue gain/loss	879,619	875,262	-4,357
Operating income	691,185	682,267	-8,917
Ordinary income	558,355	548,293	-10,061
Net income	557,355	547,293	-10,061
Excess cash distribution	2,824	2,824	-
Total distribution	560,125	550,005	-10,119
Total units outstanding	235,347	235,347	-
DPU (yen)	2,380	2,337	-43
(Excess cash distribution per unit)	12	12	-
FFO per unit (yen)	4,219	4,198	-21
NOI	1,315,204	1,316,108	+903
Depreciation	435,584	440,845	+5,260
CAPEX	180,000	180,000	-

### Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Increase in variable rent	+866
• Increase in depreciation (due to capital expenditure)	-5,260
<b>Lease operations revenue gain/loss</b>	<b>-4,357</b>
• Temporary increase in expenses for General Unitholders' Meeting	-6,000
<b>Operating income</b>	<b>-8,917</b>
• Increase in finance-related expenses	-1,143
<b>Ordinary income</b>	<b>-10,061</b>

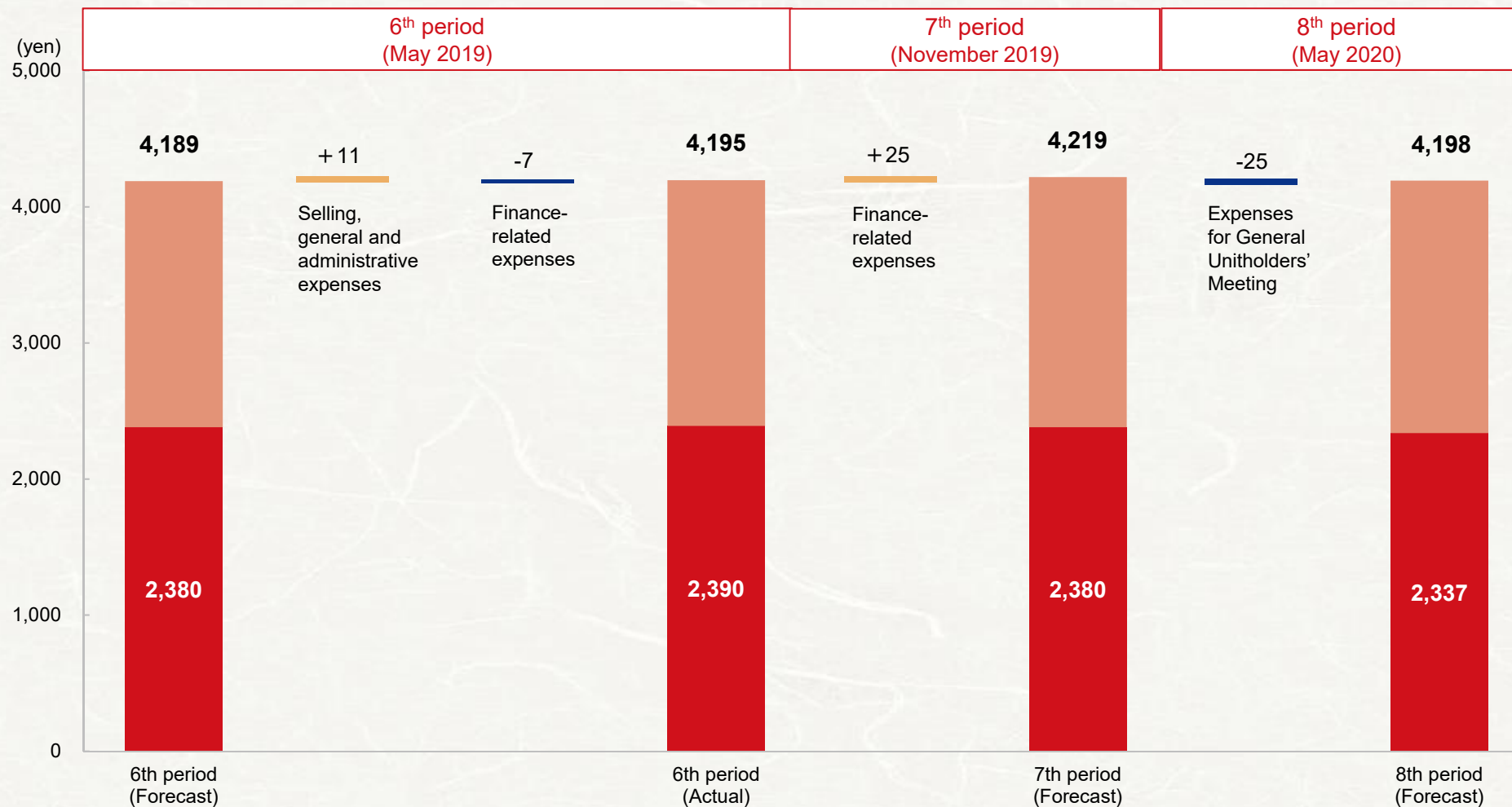
### Main financial indicators

	(million yen)
Total assets	38,397
Interest-bearing debt	15,371
Total liabilities	17,211
Total net assets	21,186
LTV (book value basis)	40.0%

# Major Factors for Increase/Decrease in DPU

## – Operation Focused on Stable Generation of Cash

FFO per unit remained and is expected to remain stable. Extra cash was and will be used for measures such as scheduled repayments to improve the financial conditions



(Note 1) The figures on the upper side and lower side of the bars show FFO per unit and distributions per unit, respectively.

(Note 2) As for the signs for each item, “+” indicates those that lead to the increase in distribution per unit and “-” indicates those that lead to the decrease in distribution per unit.



## Ⅲ. Investment Results

## Portfolio Data (1)

Appraisal values rose overall despite increases or decreases that occurred depending on properties due to changes in fixed rates. The unrealized gain (appraisal value – book value) increased to 4.01 billion yen (up 0.56 billion yen period on period) at the end of the 6<sup>th</sup> period.

Property No.	Property name	Location	Building age (years)	Number of rooms	Room occupancy rate (Note 1)	Acquisition price (million yen)	Appraisal value (million yen)	NOI (million yen)	NOI yield (Note 2)	After depreciation NOI yield (Note 2)	PML
S-1	Ooedo-Onsen Monogatari Reoma Resort	Kagawa Prefecture	27.9/28.2 (Note 3)	241	90.4%	10,379	8,910	404	7.8%	6.2%	1.9/1.6%
S-2	Ooedo-Onsen Monogatari Ise-shima	Mie Prefecture	39.2	83	94.6%	3,656	3,840	114	6.3%	3.4%	14.2%
S-3	Ito Hotel New Okabe	Shizuoka Prefecture	28.6	73	95.9% (Note 4)	2,657	2,820	81	6.1%	4.1%	12.0%
S-4	Ooedo-Onsen Monogatari Atami	Shizuoka Prefecture	45.4	76	98.9%	2,997	3,220	100	6.7%	4.5%	12.6%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Shizuoka Prefecture	44.7	64	91.6%	1,910	2,030	60	6.3%	3.3%	14.9%
S-6	Ooedo-Onsen Monogatari Awara	Fukui Prefecture	37.8	95	77.8%	1,901	2,000	68	7.2%	5.0%	14.9%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Tochigi Prefecture	23.3	60	76.8%	1,222	1,270	39	6.5%	4.3%	3.0%
S-8	Ooedo-Onsen Monogatari Ikaho	Gunma Prefecture	35.6	40	96.1%	1,299	1,380	40	6.2%	4.1%	1.0%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Chiba Prefecture	23.2	41	96.1%	819	862	26	6.4%	4.6%	4.8%
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Nagasaki Prefecture	36.9	100	91.4%	1,637	2,570	61	7.6%	5.2%	6.4%
S-11	Ooedo-Onsen Monogatari Kounkaku	Miyagi Prefecture	53.5	98	77.1% (Note 5)	1,040	1,220	40	7.9%	3.9%	3.9%
S-12	Kinugawa Kanko Hotel	Tochigi Prefecture	37.8	172	76.3%	3,870	6,140	140	7.3%	4.1%	2.1%
S-13	Ooedo-Onsen Monogatari Kinosaki	Hyogo Prefecture	50.6	103	92.9%	2,084	2,650	79	7.6%	5.7%	11.8%
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Fukushima Prefecture	54.7	123	75.2%	1,230	1,480	56	9.2%	4.8%	4.6%
Total/Average			37.5	1,369	86.7%	36,705	40,392	1,314	7.2%	4.8%	2.7%

(Note 1) Room occupancy rate is for the 6<sup>th</sup> period ended May 31, 2019 of the investment corporation.

(Note 2) (Average) NOI yield and (average) after depreciation NOI yield indicate annualized figures.

(Note 3) As for Building age and PML of Ooedo-Onsen Monogatari Reoma Resort, figures on the left indicate those of Hotel Reoma no Mori while figures on the right indicate those of New Reoma World.

(Note 4) The room occupancy rate of Ito Hotel New Okabe is a comprehensive figure including the rate of Surugatei, a property not owned by the investment corporation.

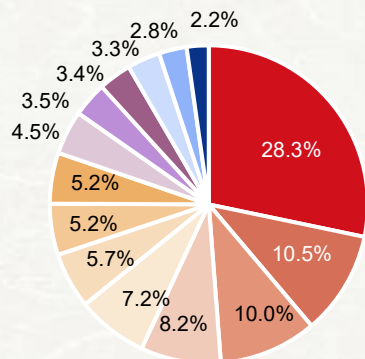
(Note 5) The room occupancy rate of Ooedo-Onsen Monogatari Kounkaku is a comprehensive figure including the rate of the Annex, a property not owned by the investment corporation.

# Portfolio Data (2)

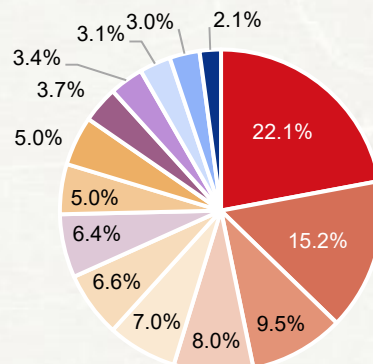
## The declining ratio of Reoma Resort in the overall portfolio and diversifying areas for investment

### Investment ratio by facility

Acquisition price basis

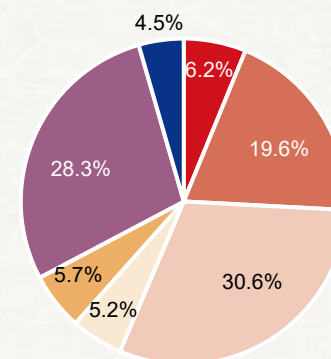


Appraisal value basis



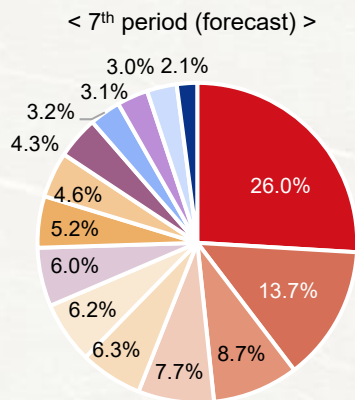
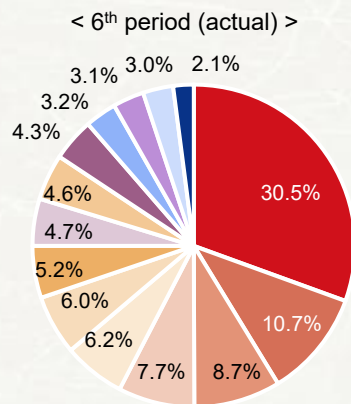
### Investment ratio by region

Acquisition price basis



- Tohoku
- Kanto
- Tokai
- Hokuriku
- Kinki
- Shikoku
- Kyushu

### Rent income basis (Note)



(Note) Calculations were made based on the primary rent.

- Ooedo-Onsen Monogatari Reoma Resort
- Ooedo-Onsen Monogatari Ise-shima
- Ito Hotel New Okabe
- Ooedo-Onsen Monogatari Atami
- Ooedo-Onsen Monogatari Toi Marine Hotel
- Ooedo-Onsen Monogatari Awara
- Ooedo-Onsen Monogatari Kamosika-so
- Ooedo-Onsen Monogatari Ikaho
- Ooedo-Onsen Monogatari Kimitsu-no-mori
- Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
- Ooedo-Onsen Monogatari Kounkaku
- Kinugawa Kanko Hotel
- Ooedo-Onsen Monogatari Kinosaki
- Ooedo-Onsen Monogatari Higashiyama Grand Hotel



# Operating Results of Individual Properties (1)

RevPAR improved notably at Reoma Resort and Ito Hotel New Okabe, but it declined at Kinugawa Kanko and Kounkaku because the former struggled to attract a group of tourists and the latter was affected by the comparatively declined efforts of customer attraction area-wide. Measures for improvement are being discussed with the sponsor

## 1. Operating results of the accommodation sector

Property No.	Property name	Room occupancy rate (%)			ADR (yen)			RevPAR (yen)			Sales (million yen)		
		Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change
S-1	Ooedo-Onsen Monogatari Reoma Resort <Hotel Reoma-no-mori>	88.4	90.4	+2.3%	29,587	31,427	+6.2%	26,154	28,410	+8.6%	1,573	1,639	+4.1%
S-2	Ooedo-Onsen Monogatari Ise-shima	95.3	94.6	-0.7%	33,683	33,509	-0.5%	32,099	31,699	-1.2%	582	570	-2.1%
S-3	Ito Hotel New Okabe	81.2	95.9	+18.1%	30,406	29,783	-2.0%	24,689	28,561	+15.7%	586	667	+13.8%
S-4	Ooedo-Onsen Monogatari Atami	96.8	98.9	+2.2%	32,249	33,141	+2.8%	31,217	32,776	+5.0%	509	529	+3.7%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	84.8	91.6	+8.0%	27,632	26,661	-3.5%	23,431	24,421	+4.2%	310	321	+3.5%
S-6	Ooedo-Onsen Monogatari Awara	75.6	77.8	+2.9%	29,407	30,055	+2.2%	22,231	23,382	+5.2%	499	512	+2.6%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	76.2	76.8	+0.8%	27,740	26,509	-4.4%	21,137	20,358	-3.7%	274	263	-4.0%
S-8	Ooedo-Onsen Monogatari Ikaho	92.5	96.1	+3.9%	29,248	29,880	+2.2%	27,054	28,714	+6.1%	225	240	+6.7%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	94.9	96.1	+1.3%	26,570	26,646	+0.3%	25,214	25,606	+1.6%	279	282	+0.7%

## Operating Results of Individual Properties (2)

Property No.	Property name	Room occupancy rate (%)			ADR (yen)			RevPAR (yen)			Sales (million yen)		
		Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	93.9	91.4	-2.7%	32,711	33,181	+1.4%	30,715	30,327	-1.3%	634	624	-1.6%
S-11	Ooedo-Onsen Monogatari Kounkaku	76.3	77.1	+1.0%	26,893	25,017	-7.0%	20,519	19,288	-6.0%	452	483	+6.6%
S-12	Kinugawa Kanko Hotel	88.8	76.3	-14.1%	29,425	30,695	+4.3%	26,129	23,420	-10.4%	1,084	952	-12.2%
S-13	Ooedo-Onsen Monogatari Kinosaki	86.5	92.9	+7.4%	32,102	32,218	+0.4%	27,768	29,930	+7.8%	635	679	+6.8%
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	70.3	75.2	+7.0%	28,628	28,468	-0.6%	20,125	21,407	+6.4%	566	585	+3.4%
	Total	85.3	86.7	+1.6%	29,972	30,257	+1.0%	25,566	26,232	+2.6%	8,213	8,351	+1.7%

### 2. Operating results excluding the accommodation sector

Property No.	Property name	Number of guests			Sales (million yen)		
		Previous corresponding period cumulative total	6th period cumulative Total	Change	Previous corresponding period cumulative total	6th period cumulative Total	Change
S-1	Ooedo-Onsen Monogatari Reoma Resort <New Reoma World>	284,304	295,839	+4.1%	1,121	1,135	+1.2%

(Note) Number of guests is the total number of people using New Reoma World during the period.



## **IV. Oedo Onsen Reit's Investment Areas and Future Investment Strategies**

## Uniqueness of Ooedo Onsen Reit's Investing Targets

Investments are made in a range of facilities for utilizing leisure time, particularly those related to onsen/spa, to provide consumers with an enjoyable and rich experience during their leisure time

### Ooedo Onsen Reit's Investing Targets

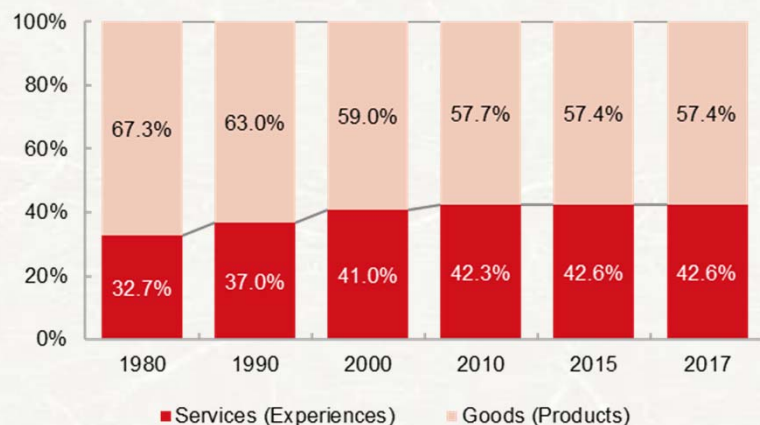


- Investment targets are facilities for utilizing leisure time to provide people with a fulfilling experience of time consumption based on the trend of embracing services rather than goods.
- One of the core services are onsen/spa facilities that not only respond to stable tradition-based demand but also the needs of new and diverse customers including inbound customers.
- Investments are made in consumer-business-use properties represented by the facilities of the Ooedo-Onsen Monogatari Group, whose markets have been stable due to efforts to capture contemporary consumer needs and the trend of consumption for services (experience-oriented).

# Market Environment (1)

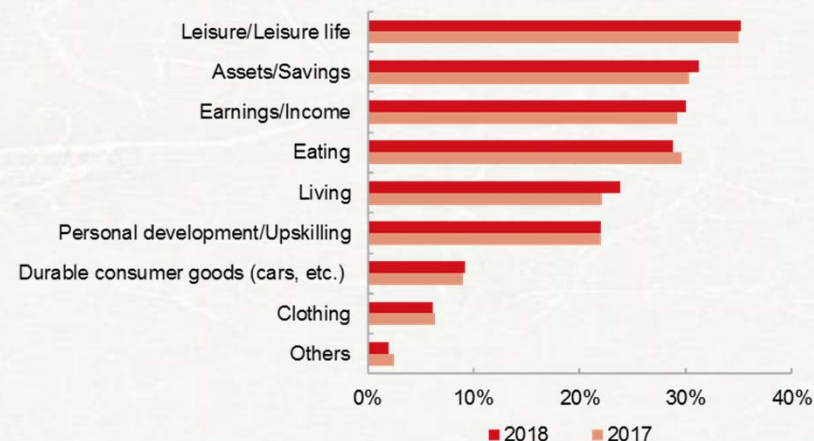
Consumption for services is expected to increase going forward due to a rise in the number of active elderly people and workstyle reforms, among other factors, and the leisure market is forecast to expand

## 🌸 Trends in the consumption of services



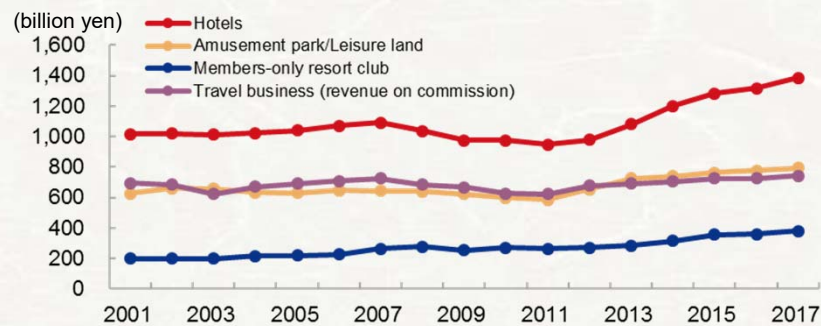
Source: A graph prepared by the Asset Manager based on Implementation of Consumer Policies in 2017 by the Consumer Affairs Agency

## 🎯 Priority matters in life



Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2018)

## 🦋 Trends in the leisure market



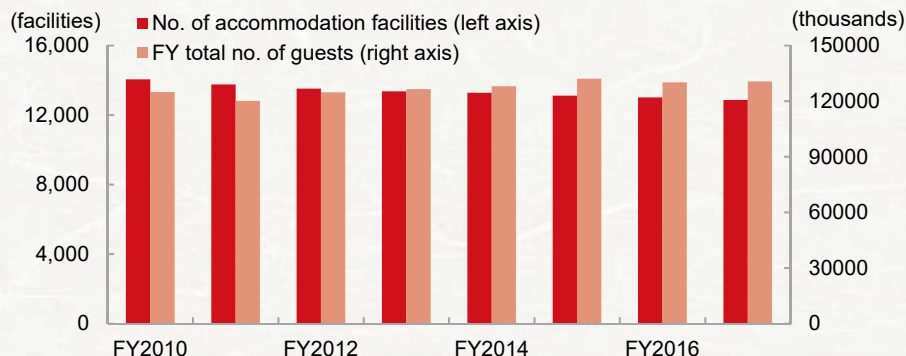
Source: "Annual Report on the Tourism Trends Survey 2018"

- Services (Experiences) has been in increasing trend since 1980 according to "Implementation of consumer policies" implemented by the Consumer Affairs Agency in 2017.
- According to the Public Opinion Survey Concerning People's Lifestyles, people put the greatest emphasis on leisure/leisure lives.
- Hotel revenues have been increasing consistently over recent years and other indexes have been stable in the leisure market.

# Market Environment (2)

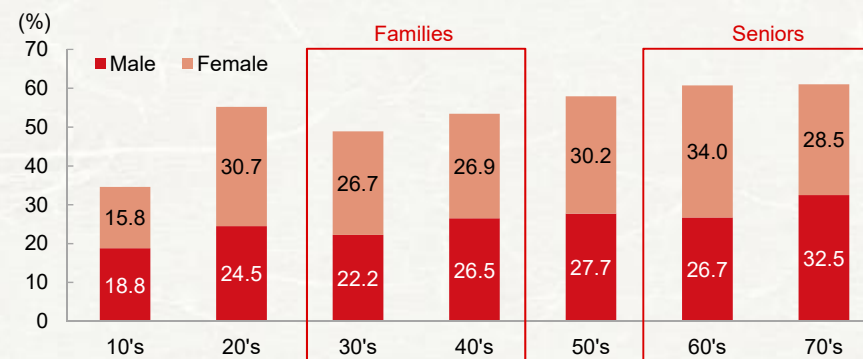
Onsen demand is expected to be stable in the medium to long term, aided by the stable use of onsen and the popularity of onsen tours

## 🌸 Trends in number of accommodation facilities and FY total number of guests



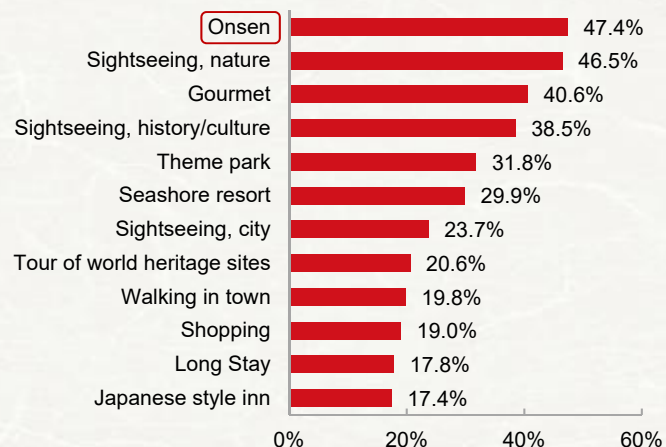
Source: Onsen Use (2010 – 2017), Nature Conservation Bureau, Ministry of the Environment

## 👤 Ratio of visits to onsen and spa facilities by age



Source: "White Paper of Leisure 2018" by Japan Productivity Center  
 (Note) The figures show the total ratios of visits by gender and age. The ratios do not add up to 100%. The figures are presented for each age group by gender by the asset manager after the respective ratios are accumulated, based on sourced data.

## 🦋 Type of trip desired in the next 1-2 years (multiple responses)



Source: "Annual Report on the Tourism Trends Survey 2018" (October 2018)

- The number of accommodation facilities' guests has been stable since FY2010 according to the Onsen Use Survey by the Ministry of the Environment
- Families and the elderly have been creating a firm customer segment and demand is also strong among people in their 20s and 50s.
- "Onsen" collected the largest percentage among types of trip desired according to the Annual Report on the Tourism Trends Survey

# External Growth Strategy (1)

The number of properties in the pipeline increased constantly as the sponsor continued to acquire and renovate hotels

## Facilities acquired by the Ooedo Onsen Monogatari Group after the establishment of the Investment Corporation (March 2016)

August 2016 - **Acquired**



Ooedo-Onsen Monogatari  
Nagasaki Hotel Seifu  
(Nagasaki City, Nagasaki Prefecture)

October 2016 - **Acquired**



Ooedo-Onsen Monogatari  
Kounkaku  
(Osaki City, Miyagi Prefecture)

October 2016 -



Ooedo-Onsen Monogatari  
Masuya  
(Osaki City, Miyagi Prefecture)

April 2017 -



Ooedo-Onsen Monogatari  
Hotel Suiyotei  
(Atami City, Shizuoka Prefecture)

July 2017 -



Ooedo-Onsen Monogatari  
Beppu Seifu  
(Beppu City, Ooita Prefecture)

July 2017 -



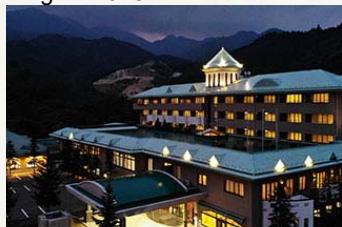
Ooedo-Onsen Monogatari  
Gero Shin-kan  
(Gero City, Gifu Prefecture)

April 2018 -



Ooedo-Onsen Monogatari  
Nanki Kushimoto  
(Higashi Muro County,  
Wakayama Prefecture)

August 2018 -



Ooedo-Onsen Monogatari  
Hotel Kisoji  
(Kiso County, Nagano Prefecture)

April 2019 -



TAOYA Shima  
(Toba City, Mie Prefecture)

Scheduled to open  
in August 2019



Ooedo-Onsen Monogatari  
Amakusa Hotel Kameya  
(Kamiamakusa City,  
Kumamoto Prefecture)

## Some of the other facilities of the Ooedo Onsen Monogatari Group



Tokyo Odaiba  
Ooedo-Onsen Monogatari  
(Fixed term land lease right for  
business purpose)  
(Koto-ku, Tokyo)



Ooedo-Onsen Monogatari  
Urayasu Mangekyo  
(Fixed term land lease right for  
business purpose)  
(Urayasu City, Chiba Prefecture)



Ooedo-Onsen-Monogatari  
Minoh Kanko Hotel  
(Minoh City, Osaka Prefecture)



Minoh Onsen Spa Garden  
(Minoh City, Osaka Prefecture)



Hotel New Shiobara  
(Nasushiobara City,  
Tochigi Prefecture)



Ooedo-Onsen Monogatari  
Nikko Kirifuri  
(Nikko City, Tochigi Prefecture)



Yamashiro Onsen  
Yamashitaya  
(Kaga City,  
Ishikawa Prefecture)

## External Growth Strategy (2)

**Work on obtaining information on the availability of many types of properties including hotels in urban areas and accommodation facilities targeting inbound customers**

### Basic policies for the acquisition of properties other than those in the sponsor pipeline

1. With a focus on facilities for utilizing leisure time, target investment assets that realize the diversification of the portfolio and the expansion of the business size.
2. For the time being, focus efforts on acquiring facilities that make the current portfolios, which are mainly comprised of sponsor properties, more balanced and diversified.
3. Establish cooperative relationships with a range of operators that have unique operation expertise and markets, and work on the possibility of increasing value through the Oedo model for categories that are familiar to the sponsor.

<Property information (excluding sponsor properties) in the 6<sup>th</sup> period (from December 1, 2018 until May 31, 2019)>

		Ordinance -designated cities	Core cities	Other	Total
Onsen/Spa	Lodging	4	11	16	31
	Other (day trips, etc.)	2	0	9	11
Other lodgings		93	16	44	153
Entertainment, Amusement		4	3	4	11
Sports, beauty, health promotion facilities		0	0	5	5
Total		103	30	78	211

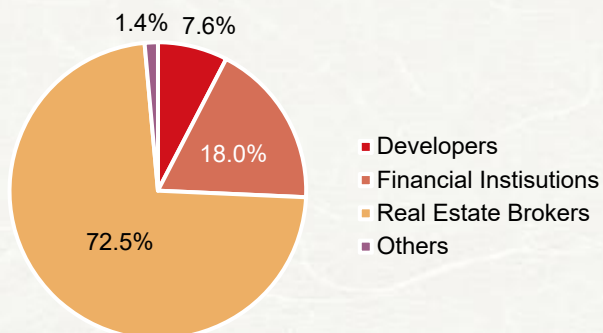


## External Growth Strategy (3)

Considering utilization of a variety of bridge funding.

Expecting an increase in the number of deals for which preferential negotiation rights were secured

<By source>



<Methods for acquiring properties>

Bridge funding by a third party	<ul style="list-style-type: none"> <li>■ Bridge funds (GK-TK scheme, etc.) - Joint small-scale investments will also be considered.</li> <li>■ Lease companies, real estate companies, etc.</li> </ul>
Preferential negotiation rights for direct negotiations with the seller	<ul style="list-style-type: none"> <li>■ Collaboration with operators</li> <li>■ Acquisition in sync with the financing period of the Investment Corporation</li> </ul>

<Progress of new acquisitions>

		Submission of LOI completed	Due diligence/ negotiations underway	Preferential negotiation rights secured	Total
Onsen/Spa	Lodging	1	4	2	7
	Other (day trips, etc.)	0	0	0	0
Other lodgings		0	4	3	7
Entertainment, Amusement		1	1	0	2
Sports, beauty, health promotion facilities		0	1	0	1
Total		2	10	5	17

(Note) The number of properties as of July 16, 2019 is presented. The Investment Corporation has preferential negotiation rights to some of these properties. However, the Corporation may not be able to or is not obligated to acquire such properties.

# External Growth Strategy (4) - Future Leisure Market

There are still not many facilities aimed at utilizing leisure time that not only satisfy the needs of domestic consumers for services but also respond to growing and structurally changing inbound tourism demand

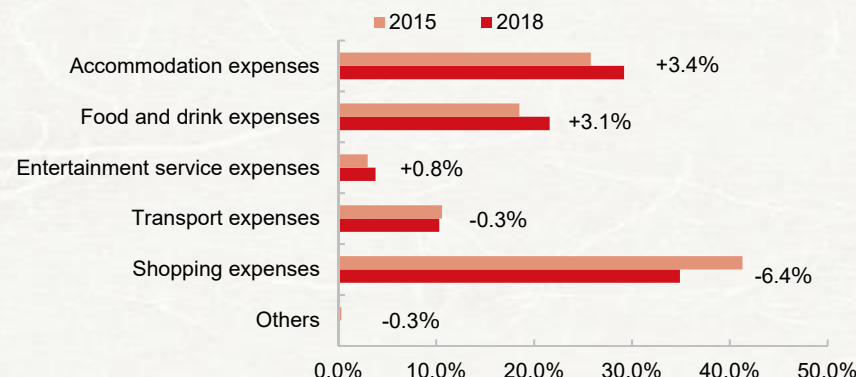
## 1. Inbound tourism

<Trends in the number of foreign tourists visiting Japan>



Source: A graph prepared by the Asset Manager based on compiled data and announcements on statistics for foreign tourists visiting Japan by the Japan National Tourism Organization

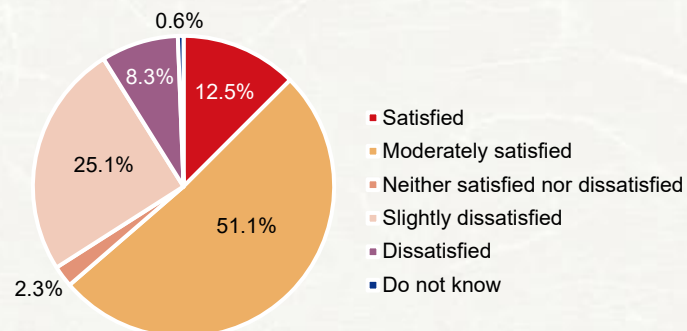
<Composition of spending by foreigners travelling in Japan>



Source: A graph prepared by the Asset Manager based on surveys on the trend of consumption by foreigners visiting Japan by the Japan National Tourism Organization (2015 and 2018)

## 2. Demand for facilities aimed at utilizing leisure time still unmet in terms of quantity and quality

<Level of satisfaction in a variety of fields in current lives –Leisure/ leisure life>



Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2018)

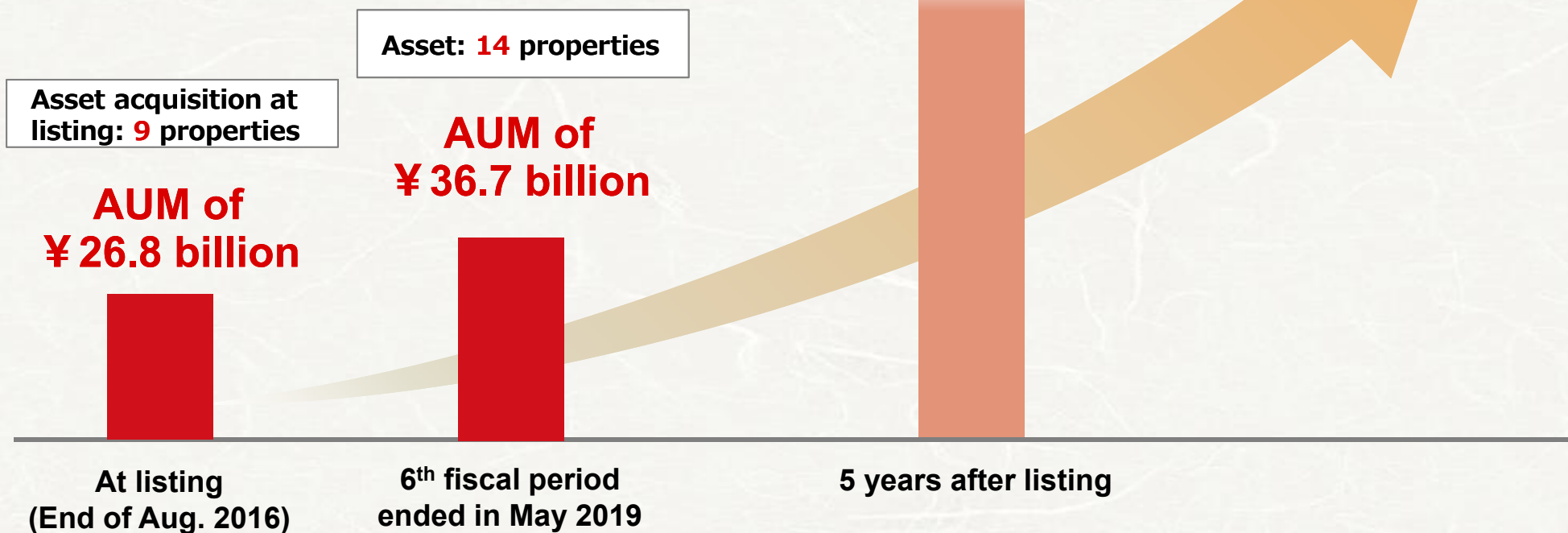
- The number of inbound customers increased five times in 2018 from the level in 2011
- The consumption structure of inbound tourism is changing, with tourists spending more on services instead of products
- The number of facilities aimed at utilizing leisure time is still too small to satisfy consumer needs for services

## External Growth Strategy (5)

Pursue external growth as a REIT focused on facilities aimed at utilizing leisure time by leveraging the core services of onsen/spa -Transformation from a small-scale REIT

**Pursue external growth by making the most of business opportunities**

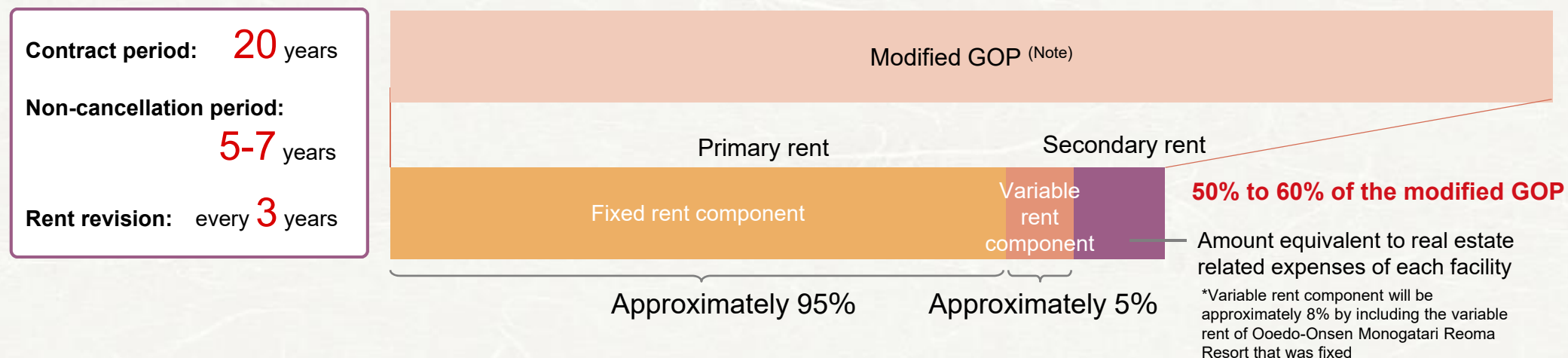
Achieving AUM of ¥70 to ¥100 billion for the time being



# Internal Growth Strategy (1)

## A rent structure mainly based on fixed elements and facility ownership for securing stable cash flow

Lease conditions for properties master-leased to the Ooedo-Onsen Monogatari Group as of May 31, 2019



- Primary rent = Fixed rent component (monthly amount stipulated by each lease agreement of each facility) + variable rent component  
 (Variable rent = Modified GOP for each facility × the fixed rate stipulated by each lease agreement)
- Secondary rent = The total of taxes and public dues that is liable for the Investment Corporation + nonlife insurance premiums + other expenses
- Repair costs are, in principle, borne by the tenant
- The Investment Corporation holds only the land and building itself and main equipment; and responds to deterioration over time through planned partial rebuilding and such

(Note) Modified GOP is a sum calculated by deducting from the individual facility's GOP arising during the modified GOP calculation period the property-related costs borne by the tenant (including, but not limited to, taxes and public charges, non-life insurance premiums, and land rent; however, the sum corresponding to the secondary rent is not included).

# Internal Growth Strategy (2)

## Implementation of a strategic CAPEX scheme to increase revenues and strengthen competitiveness

### 1. Enhance revenue raising capabilities through additional investments

- Increase in capacity based on high room occupancy rates in existing facilities owned (increase in the number of rooms, etc.)
- Increase in revenues through the effective use of buildings and land that have not been operated or used in facilities (Ooedo-Onsen Monogatari Reoma Resort, etc.)

### 2. Increase variable rents by enhancing competitiveness

- The addition of service menus and functions, etc. that will attract customers, in cooperation with tenants
- Response to new customers, including properties other than those of the sponsor that are to be acquired in the future (inbound tourists that will trend higher, etc.)

**➡ Particularly for facilities operated by the Ooedo-Onsen Monogatari Group (tenant), which is the sponsor, an opportunity for value-increasing investment based on information sharing and collaboration will be considered and provided**

#### <Value-increasing efforts>

Ooedo-Onsen Monogatari Reoma Resort  
<Hotel Reoma-no-mori>



The number of seats was increased by approximately 400 in the buffet area with a view to increasing the number of customers for one-day trips

Ooedo-Onsen Monogatari Kounkaku



The passage to the open-air bath was improved to raise customer satisfaction

Ito Hotel New Okabe



Implementation of large-scale renewal by utilizing subsidies: Energy costs were reduced as a result of making the boiler operate on gas instead of heavy oil

# Financial Strategy

Implementation of flexible financial strategies while attaching importance to the establishment of a conservative financial base

## ✿ Basic policy

### LTV control

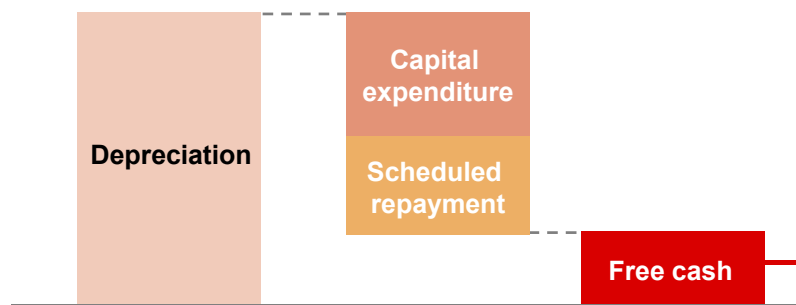
Will target around 40% for the time being and maintain a conservative level on a normal basis.

### Debt finance

Will seek to reduce financial costs through the further diversification of risks in the portfolio and financing sources. In addition, it will make repayment periods more diversified and even to reduce refinancing risk.

## Proper cash management

### ● Concept of free cash



- Unexpected expenditure
- Flexible acquisition of assets/LTV control
- Excess cash distribution

### Excess cash distribution policy

Assumes conducting, as necessary, excess cash distribution equivalent to the increase amount of the allowance for adjustment of temporary difference considering income taxes arising in line with the differences in accounts for tax and accounting purposes.



# V. Appendix

# Appraisal Value

Property No.	Property name	Acquisition Price (million yen)	Book value (million yen)	Appraisal value (million yen)			Unrealized profits and losses (million yen)	Direct capitalization method			Discounted cash flow method					
				5th period Nov. 30, 2018	6th period May 31, 2019	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
								5th period Nov. 30, 2018	6th period May 31, 2019	valuation	5th period Nov. 30, 2018	6th period May 31, 2019	valuation	5th period Nov. 30, 2018	6th period May 31, 2019	valuation
S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,387	10,900	8,910	-1,990	-1,477	6.0%	6.0%	-	5.8%	5.8%	-	6.2%	6.2%	-
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,492	3,840	3,840	-	+347	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
S-3	Ito Hotel New Okabe	2,657	2,661	2,820	2,820	-	+158	5.1%	5.1%	-	4.9%	4.9%	-	5.3%	5.3%	-
S-4	Ooedo-Onsen Monogatari Atami	2,997	2,889	3,220	3,220	-	+330	5.1%	5.1%	-	4.9%	4.9%	-	5.3%	5.3%	-
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,856	2,020	2,030	+10	+173	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
S-6	Ooedo-Onsen Monogatari Awara	1,901	1,898	2,000	2,000	-	+101	5.9%	5.9%	-	5.7%	5.7%	-	6.1%	6.1%	-
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,203	1,270	1,270	-	+66	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-8	Ooedo-Onsen Monogatari Ikaho	1,299	1,298	1,380	1,380	-	+81	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	841	862	862	-	+20	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	1,637	1,633	1,930	2,570	+640	+936	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-11	Ooedo-Onsen Monogatari Kounkaku	1,040	1,033	1,250	1,220	-30	+186	5.5%	5.5%	-	5.3%	5.3%	-	5.7%	5.7%	-
S-12	Kinugawa Kanko Hotel	3,870	3,782	4,620	6,140	+1,520	+2,357	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-13	Ooedo-Onsen Monogatari Kinosaki	2,084	2,147	2,490	2,650	+160	+502	5.4%	5.4%	-	5.2%	5.2%	-	5.6%	5.6%	-
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	1,230	1,252	1,480	1,480	-	+227	5.9%	5.9%	-	5.7%	5.7%	-	6.1%	6.1%	-
Total		36,705	36,378	40,082	40,392	+310	+4,013	-	-	-	-	-	-	-	-	-



# Introduction of Properties (1)

## S-1 Ooedo-Onsen Monogatari Reoma Resort



Location: Marugame City, Kagawa Prefecture  
 Site area: 665,403㎡  
 Total floor area: 63,896㎡

### Area characteristics (Note)

- Marugame City, where this facility is located, is in the Seisan area (West Sanuki). Many tourist spots are within easy access, including Marugame Castle, Kotohira-gu Shrine and the Seto-ohashi Bridge, etc., meaning local sightseeing and leisure can be enjoyed together with the facility.



## S-2 Ooedo-Onsen Monogatari Ise-shima



Location: Shima City, Mie Prefecture  
 Site area: 9,637㎡  
 Total floor area: 9,782㎡

### Area characteristics

- Shima City is a large sightseeing spot in the Ise-Shima area. It includes Ise-jingu Shrine and a rias-style coastline.
- Ago-wan bay, where this facility is located, features many resort hotels and onsen ryokans that back onto the mountains and face the coast where the waves lap gently.



## S-3 Ito Hotel New Okabe



Location: Ito City, Shizuoka Prefecture  
 Site area: 2,945㎡  
 Total floor area: 10,211㎡

### Area characteristics

- Ito City, which is designated a City of International Tourism and Hot Springs Culture, bustles with the Izu Kogen Sakura Festival and the Anjinsai Festival. The Umi no Hanabi Taikai fireworks display on the last day of the Anjinsai Festival attracts crowds of around 170,000 people.
- Ito-Onsen, where this facility located is one of Japan's leading hot springs from the Heian Period.



# Introduction of Properties (1)

## S-1 : Ooedo-Onsen Monogatari Reoma Resort (Hotel Reoma-no-mori)

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	72.0%	76.6%	99.2%	77.2%	88.8%	98.4%	97.2%	85.5%	92.2%	98.3%	84.2%	85.3%	87.9%	88.4%	90.4%	+2.0%
ADR (yen)	24,320	31,356	47,648	27,319	25,937	26,739	33,032	30,453	27,224	32,670	32,986	31,760	31,300	29,587	31,427	+1,840
RevPAR (yen)	17,510	24,018	47,266	21,090	23,032	26,311	32,107	26,037	25,100	32,114	27,774	27,091	27,512	26,154	28,410	+2,256
Sales (million yen)	185	232	461	204	236	271	311	257	230	309	258	272	3,230	1,573	1,639	+65

## S-2 : Ooedo-Onsen Monogatari Ise-shima

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	88.3%	93.2%	95.5%	92.0%	95.1%	98.5%	98.7%	94.5%	98.3%	93.8%	91.2%	91.3%	94.2%	95.3%	94.6%	-0.7%
ADR (yen)	29,714	32,622	48,005	32,200	31,240	32,494	34,474	32,269	30,984	38,095	32,564	32,407	34,003	33,683	33,509	-174
RevPAR (yen)	26,237	30,403	45,844	29,624	29,709	32,006	34,025	30,494	30,457	35,733	29,698	29,587	32,030	32,099	31,699	-400
Sales (million yen)	79	92	136	92	94	98	104	92	84	108	89	90	1,164	582	570	-12

## S-3 : Ito Hotel New Okabe

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	75.1%	84.0%	97.3%	85.1%	89.4%	98.2%	96.0%	92.4%	99.1%	99.5%	95.1%	93.7%	92.1%	81.2%	95.9%	+14.7%
ADR (yen)	26,052	29,320	42,014	26,850	27,068	27,684	31,458	30,573	27,275	31,504	28,762	28,860	29,964	30,406	29,783	-623
RevPAR (yen)	19,565	24,628	40,879	22,849	24,198	27,185	30,199	28,249	27,029	31,346	27,352	27,041	27,596	24,689	28,561	+3,872
Sales (million yen)	79	97	155	89	98	110	122	114	98	121	104	105	1,299	586	667	+81

# Introduction of Properties (2)

## S-4 Ooedo-Onsen Monogatari Atami



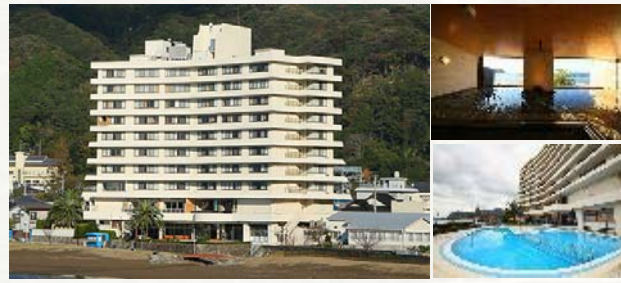
Location: Atami City, Shizuoka Prefecture  
 Site area: 2,053㎡  
 Total floor area: 8,469㎡

### Area characteristics

- Atami City, at the base of the Izu Peninsula, has been designated a City of International Tourism and Hot Springs Culture with its many tourist attractions, including Sun Beach (famous for the Atami Kaijo fireworks display) and “Omiya no Matsu” pine tree, etc. In recent years, it has been in the limelight again as an onsen resort that is “low-cost, near, for short stay” destination from the Tokyo metropolitan area.
- Atami-onsen, where this facility is located is one of Japan’s leading hot spring sightseeing areas.



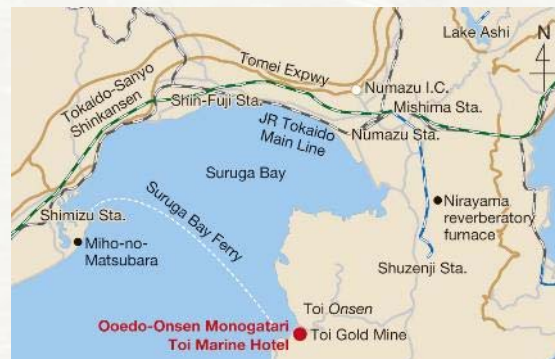
## S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



Location: Izu City, Shizuoka Prefecture  
 Site area: 2,800㎡  
 Total floor area: 6,125㎡

### Area characteristics

- Izu City is the Izu Peninsula’s largest city located in the west of the central part of the peninsula. Facing Suruga Bay to the west and surrounded by the Mount Amagi range to the south, it is rich in natural, historical, and onsen tourist attractions.
- Toi-onsen, where this facility is located is the oldest hot spring in west Izu area. It is famous for “Toi gold mine” from Edo period collecting many sight seeing visitors.



## S-6 Ooedo-Onsen Monogatari Awara



Location: Awara City, Fukui Prefecture  
 Site area: 13,263㎡  
 Total floor area: 14,132㎡

### Area characteristics

- Awara City is a scenic area facing the Japan Sea, surrounded by abundant nature. The Mikuni fishing port, which is well-known for Echizen crab ,Tojinbo, a tourist attraction that is famous nationwide, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.
- Awara onsen, where this facility is located is called an inner parlor of Kansai region together with Kaga onsen resort area composed of adjacent Yamashiro, Yamanaka, Katayamazu onsen, etc. .



## Introduction of Properties (2)

### S-4 : Ooedo-Onsen Monogatari Atami

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	97.0%	96.1%	97.9%	97.2%	96.3%	99.2%	98.0%	99.4%	99.8%	99.5%	99.3%	97.6%	98.1%	96.8%	98.9%	+2.1%
ADR (yen)	28,551	31,410	47,694	30,541	29,881	30,833	34,971	31,250	31,425	35,712	32,571	32,752	33,182	32,249	33,141	+892
RevPAR (yen)	27,694	30,185	46,692	29,685	28,775	30,586	34,271	31,062	31,362	35,533	32,343	31,965	32,551	31,217	32,776	+1,559
Sales (million yen)	75	84	126	80	79	82	93	85	78	98	85	87	1,057	509	529	+19

### S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	67.9%	87.3%	97.4%	79.9%	78.0%	93.2%	93.5%	86.8%	96.6%	99.2%	87.2%	86.7%	87.8%	84.8%	91.6%	+6.8%
ADR (yen)	24,160	31,305	47,718	25,686	25,013	24,657	27,704	27,214	24,678	27,140	26,251	26,826	28,506	27,632	26,661	-971
RevPAR (yen)	16,404	27,329	46,477	20,523	19,510	22,980	25,903	23,621	23,838	26,922	22,890	23,258	25,028	23,431	24,421	+990
Sales (million yen)	36	60	100	44	44	51	57	52	49	59	49	52	659	310	321	+11

### S-6 : Ooedo-Onsen Monogatari Awara

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	82.7%	86.2%	99.5%	82.4%	87.9%	98.5%	83.9%	57.2%	74.6%	93.5%	86.2%	71.2%	83.7%	75.6%	77.8%	+2.2%
ADR (yen)	25,876	30,369	40,382	27,276	27,831	27,813	31,766	33,394	28,786	28,995	28,513	29,758	30,146	29,407	30,055	+648
RevPAR (yen)	21,399	26,178	40,180	22,475	24,463	27,395	26,651	19,101	21,474	27,110	24,578	21,187	25,232	22,231	23,382	+1,151
Sales (million yen)	80	96	145	82	91	101	98	71	72	100	89	79	1,111	499	512	+13

# Introduction of Properties (3)

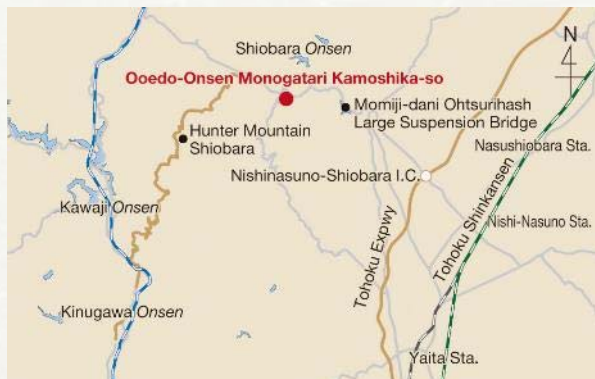
## S-7 Ooedo-Onsen Monogatari Kamoshika-so



**Location:** Nasushiobara City, Tochigi Prefecture  
**Site area:** 7,734㎡  
**Total floor area:** 5,947㎡

### Area characteristics

- Since ancient times, many onsen villages have taken shape in the mountains and valleys around Nasushiobara City, including the Shiobara Hot Springs Area, Itamuro Onsen, etc. Hunter Mountain Shiobara, where meadows, skiing and autumnal leaves can be enjoyed, is nearby.
- Shiobara onsen resort area, where this facility is located is popular with its six different hot springs dating back 1,200 years ago.



## S-8 Ooedo-Onsen Monogatari Ikaho



**Location:** Shibukawa City, Gunma Prefecture  
**Site area:** 6,805㎡  
**Total floor area:** 5,177㎡

### Area characteristics

- Shibukawa City is a regional city located in the center of Gunma Prefecture and it has long prospered as a transportation hub. Nature and onsen tourism is also a major industry.
- Ikaho onsen, where this facility is located is one of the representing hot springs of Kita-Kanto region as an inner parlor of Tokyo and is famous for “muddy gold spring” and transparent “white silver spring”.



## S-9 Ooedo-Onsen Monogatari Kimitsu-no-mori



**Location:** Kimitsu City, Chiba Prefecture  
**Site area:** 57,069㎡  
**Total floor area:** 8,660㎡

### Area characteristics

- Kimitsu City is located in the middle of Chiba Prefecture, and with significantly improvements in access by car from Chiba, Tokyo and Yokohama in the past few years due to the completion of the Tateyama Expressway and the Tokyo Bay Aqualine, an influx of visitors is expected.
- Inland Boso peninsula, where this facility is located is expected good demand of tourism with popular sight seeing spots in surrounding areas.



## Introduction of Properties (3)

### S-7 : Ooedo-Onsen Monogatari Kamoshika-so

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	85.8%	93.8%	99.2%	81.8%	94.0%	97.9%	78.9%	68.9%	68.5%	89.4%	77.6%	76.9%	84.5%	76.2%	76.8%	+0.6%
ADR (yen)	24,118	25,478	36,262	24,846	27,815	27,785	26,535	25,792	25,007	25,941	27,152	28,365	27,297	27,740	26,509	-1,231
RevPAR (yen)	20,693	23,898	35,971	20,324	26,146	27,201	20,936	17,770	17,129	23,191	21,069	21,812	23,065	21,137	20,358	-779
Sales (million yen)	44	53	77	42	57	59	45	39	35	50	44	47	598	274	263	-11

### S-8 : Ooedo-Onsen Monogatari Ikaho

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	97.8%	91.1%	99.6%	97.9%	98.1%	99.8%	97.3%	87.0%	95.4%	99.3%	98.8%	98.7%	96.7%	92.5%	96.1%	+3.6%
ADR (yen)	26,858	28,742	40,678	27,868	29,958	31,470	32,385	28,405	25,857	29,298	31,672	31,072	30,457	29,248	29,880	+632
RevPAR (yen)	26,267	26,183	40,515	27,282	29,388	31,407	31,510	24,712	24,667	29,092	31,291	30,668	29,451	27,054	28,714	+1,660
Sales (million yen)	36	37	57	37	42	45	44	35	31	41	43	43	497	225	240	+15

### S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	90.9%	88.4%	98.9%	92.8%	97.1%	98.2%	97.4%	93.4%	96.3%	97.9%	97.2%	94.5%	95.2%	94.9%	96.1%	+1.2%
ADR (yen)	23,621	26,083	34,923	26,504	23,486	25,261	27,680	27,412	25,153	27,187	26,050	26,227	26,692	26,570	26,646	+76
RevPAR (yen)	21,471	23,057	34,538	24,595	22,804	24,806	26,960	25,602	24,222	26,616	25,320	24,784	25,410	25,214	25,606	+392
Sales (million yen)	38	43	63	44	43	45	49	48	39	49	46	47	561	279	282	+2

# Introduction of Properties (4)

## S-10 Ooedo-Onsen Monogatari Nagasaki Hotel Seifu



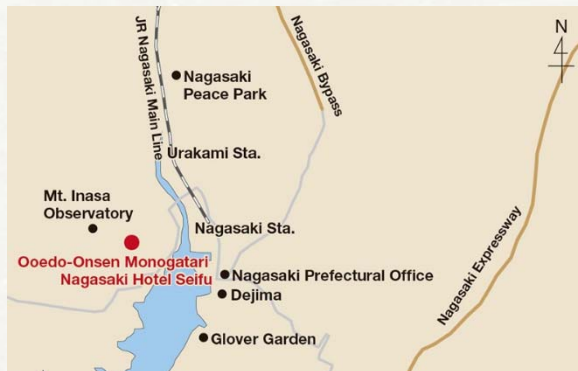
Location: Nagasaki City,  
Nagasaki Prefecture

Site area: 5,092㎡

Total floor area: 11,114㎡

### Area characteristics

- Nagasaki City is a tourist city with abundant tourism resources such as having been registered in the World Heritage List as “Sites of Japan’s Meiji Industrial Revolution: Iron and Steel, Shipbuilding and Coal Mining” in 2015.
- The Inasayama where the facility stands is famous for night views and has been certified by General incorporated association YAKEI Convention & Visitors Bureau as one of the three new greatest night view spots along with Monaco and Hong Kong.



## S-11 Ooedo-Onsen Monogatari Kounkaku



Location: Osaki City,  
Miyagi Prefecture

Site area: 11,829㎡

Total floor area: 10,843㎡

### Area characteristics

- Narukoonsenkyo where the facility is located has nearly 400 spring sources, with 9 types of spring water out of only 11 found in Japan. It is a hot spring site boasting ample volume of water.
- Temporary bus services (“Momiji-go”) are operated during every autumn color season from Naruko Onsen Station to Nakayamadaira-Onsen Station via Naruko Valley.



## S-12 Kinugawa Kanko Hotel



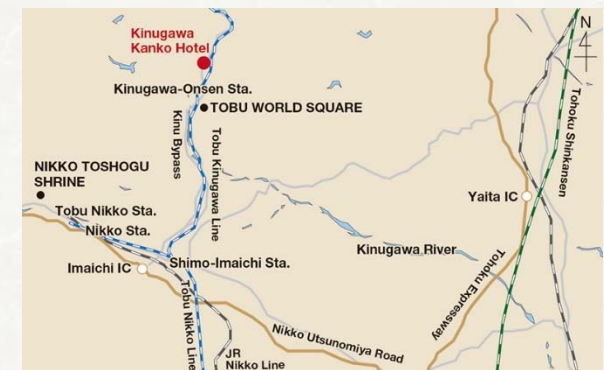
Location: Nikko City,  
Tochigi Prefecture

Site area: 6,701㎡

Total floor area: 22,402㎡

### Area characteristics

- Nikko City is located northwest of Tochigi Prefecture and is a hot spring tourist destination with tourism resources including domestically and internationally well-known Nikko Toshogu Shrine and Lake Chuzenji.
- Kinugawa Onsen where the facility is located is a hot spring resort around Tokyo which was rapidly developed during and after the period of high economic growth.



## Introduction of Properties (4)

### S-10 : Oedo-Onsen Monogatari Nagasaki Hotel Seifu

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.0%	81.0%	100.0%	91.8%	96.5%	98.9%	91.0%	73.6%	92.5%	100.0%	93.2%	98.5%	92.0%	93.9%	91.4%	-2.5%
ADR (yen)	32,330	31,524	37,649	31,499	36,057	33,821	34,305	32,090	31,262	33,216	32,276	35,378	33,578	32,711	33,181	+470
RevPAR (yen)	28,127	25,534	37,649	28,916	34,795	33,448	31,217	23,618	28,917	33,216	30,081	34,847	30,891	30,715	30,327	-388
Sales (million yen)	97	91	131	98	119	115	109	83	92	116	102	119	1,279	634	624	-10

### S-11 : Oedo-Onsen Monogatari Kounkaku

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	78.2%	74.5%	89.9%	83.8%	92.3%	91.9%	89.5%	74.6%	78.6%	81.2%	66.8%	71.9%	81.2%	76.3%	77.1%	+0.8%
ADR (yen)	23,952	22,863	26,253	21,544	24,566	26,263	27,106	25,403	24,934	24,191	23,905	24,028	24,696	26,893	25,017	-1,876
RevPAR (yen)	18,730	17,032	23,601	18,053	22,674	24,135	24,259	18,950	19,598	19,643	15,968	17,276	20,053	20,519	19,288	-1,231
Sales (million yen)	72	68	95	68	100	105	106	81	76	84	63	71	995	452	483	+30

### S-12 : Kinugawa Kanko Hotel

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	83.2%	77.5%	97.7%	88.6%	95.0%	95.7%	77.9%	66.2%	66.9%	87.1%	83.4%	75.9%	83.0%	88.8%	76.3%	-12.5%
ADR (yen)	28,681	30,232	38,522	29,026	32,401	32,771	33,727	33,639	26,901	28,732	29,861	31,173	31,491	29,425	30,695	+1,270
RevPAR (yen)	23,862	23,429	37,635	25,717	30,780	31,361	26,273	22,269	17,996	25,025	24,904	23,660	26,137	26,129	23,420	-2,709
Sales (million yen)	174	163	240	171	222	221	189	154	118	167	165	156	2,144	1,084	952	-132



# Introduction of Properties (5)

## S-13 Ooedo-Onsen Monogatari Kinosaki



Location: Toyooka City,  
Hyogo Prefecture

Site area: 11,350㎡

Total floor area: 10,602㎡

### Area characteristics

- Kinosaki Onsen represented by stone bridges over a small river and streets lined with willow trees is one of Japan's most famous onsen resorts, where guests can enjoy seven public hot springs.
- The facility is located a little more than 10 minutes on foot from JR Kinosaki Onsen Station and bus services (public hot spring tour bus) to the hot spring quarter are available after 5 p.m.



## S-14 Ooedo-Onsen Monogatari Higashiyama Grand Hotel



Location: Aizuwakamatsu City,  
Fukushima Prefecture

Site area: 12,451㎡ (Note)

Total floor area: 16,665㎡ (Note)

### Area characteristics

- Aizuwakamatsu City is located in the west of Fukushima Prefecture with scenic natural landscape surrounded by Mt. Bandai, Lake Inawashiro and such.
- Tour bus services going around major tourist spots such as Higashiyama Onsen and Tsurugajo Castle are operated from the JR Aizuwakamatsu Station.

(Note) The areas include leasing sections.



## Introduction of Properties (5)

### S-13 : Ooedo-Onsen Monogatari Kinosaki

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	83.0%	81.6%	99.7%	91.2%	92.7%	98.7%	94.4%	80.9%	88.0%	99.8%	98.3%	95.9%	92.0%	86.5%	92.9%	+6.4%
ADR (yen)	25,995	28,842	41,479	27,553	27,199	30,217	32,913	32,658	30,687	37,685	30,590	28,358	31,369	32,102	32,218	+116
RevPAR (yen)	21,575	23,535	41,354	25,128	25,213	29,824	31,069	26,420	27,004	37,609	30,069	27,195	28,859	27,768	29,930	+2,162
Sales (million yen)	82	90	156	94	100	113	120	103	93	142	112	105	1,317	635	679	+43

### S-14 : Ooedo-Onsen Higashiyama Grand Hotel

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	84.4%	77.1%	95.6%	86.0%	91.8%	98.3%	81.5%	64.9%	75.6%	75.5%	80.6%	73.2%	82.0%	70.3%	75.2%	+4.9%
ADR (yen)	27,696	26,389	32,479	27,549	28,604	27,256	30,458	28,205	26,497	27,250	27,719	30,378	28,448	28,628	28,468	-160
RevPAR (yen)	23,375	20,345	31,049	23,692	26,258	26,792	24,823	18,305	20,031	20,573	22,341	22,236	23,327	20,125	21,407	+1,282
Sales (million yen)	105	93	135	106	124	126	121	85	85	96	98	99	1,277	566	585	+19

### S-1 : Ooedo-Onsen Monogatari Reoma Resort (New Reoma Resort)

	2018							2019					Cumulative total	Previous corresponding period cumulative total	6th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Number of guests	34,625	52,169	130,391	35,305	41,190	51,160	59,667	37,924	26,261	46,610	49,626	75,751	640,679	284,304	295,839	+11,535
Sales (million yen)	120	208	577	140	144	173	210	144	90	190	201	298	2,500	1,121	1,135	+14

# Financial Indices

Indices	5th period (Nov. 30, 2018)	6th period (May 31, 2019)	Calculation formula
Ordinary income	578 mn yen	560 mn yen	
Net income	577 mn yen	559 mn yen	
Depreciation	421 mn yen	427 mn yen	
CAPEX	206 mn yen	184 mn yen	
Total assets	39,106 mn yen	38,782 mn yen	
Total net assets	21,224 mn yen	21,204 mn yen	
BPS (Total net assets/unit)	90,185 yen	90,097 yen	
Unit price (End of each period)	84,200 yen	85,600 yen	
Total units outstanding	235,347 units	235,347 units	
Total distribution	580 mn yen	562 mn yen	
DPU	2,466 yen	2,390 yen	
Distribution yield	5.8%	5.6%	DPU (annualized)/Unit price as of end of period
FFO	999 mn yen	987 mn yen	Net income + Depreciation – profit or loss on sale of real estate
FFO per unit	4,247 yen	4,195 yen	
FFO multiple	9.9x	10.2x	Unit price as of end of period/FFO per unit (annualized)
PER	17.2x	18.0x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	0.9x	1.0x	Unit price as of end of period/Net assets per unit
ROA	1.5%	1.4%	Ordinary income/Average of total assets during the period
Annualized	2.9%	2.9%	
ROE	2.7%	2.6%	Net income/Average of total net assets during the period
Annualized	5.4%	5.3%	
NAV	24,673 mn yen	25,217 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV per unit	104,836 yen	107,149 yen	
NAV multiple	0.8x	0.8x	Unit price as of end of period/NAV per unit
Interest-bearing debt	15,991 mn yen	15,754 mn yen	
LTV (book value basis)	40.9%	40.6%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	37.6%	36.8%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	183 days	182 days	

# Balance Sheet

	(thousand yen)	
	5th period (period ended Nov. 30, 2018)	6th period (period ended May 31, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,220,373	2,001,208
Prepaid expenses	127,758	136,232
Other	6,332	66,727
<b>Total current assets</b>	<b>2,354,464</b>	<b>2,204,168</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	25,982,750	26,145,944
Accumulated depreciation	-1,498,792	-1,926,166
Buildings, net	24,483,958	24,219,777
Structures	1,259	10,979
Accumulated depreciation	-138	-508
Structures, net	1,120	10,470
Machinery and equipment	600	600
Accumulated depreciation	-26	-44
Machinery and equipment, net	573	555
Tools, furniture and fixtures	2,620	2,620
Accumulated depreciation	-268	-487
Tools, furniture and fixtures, net	2,352	2,133
Land	11,988,130	11,988,130
<b>Total property, plant and equipment</b>	<b>36,476,134</b>	<b>36,221,067</b>
<b>Intangible assets</b>		
Leasehold right	157,802	157,802
Software	4,556	3,754
<b>Total intangible assets</b>	<b>162,358</b>	<b>161,556</b>
<b>Investments and other assets</b>		
Deferred tax assets	17	12
Long-term prepaid expenses	103,787	185,296
Lease and guarantee deposits	10,089	10,089
<b>Total investments and other assets</b>	<b>113,895</b>	<b>195,399</b>
<b>Total non-current assets</b>	<b>36,752,388</b>	<b>36,578,023</b>
<b>Total assets</b>	<b>39,106,853</b>	<b>38,782,191</b>

	(thousand yen)	
	5th period (period ended Nov. 30, 2018)	6th period (period ended May 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	73,130	17,426
Short-term loans payable	-	350,000
Current portion of long-term loans payable	7,380,750	3,941,750
Accounts payable - other	90,481	87,838
Accrued expenses	10,546	7,508
Income taxes payable	972	866
Accrued consumption taxes	82,313	15,234
Advances received	258,696	259,137
Other	6,438	66,854
<b>Total current liabilities</b>	<b>7,903,329</b>	<b>4,746,616</b>
<b>Non-current liabilities</b>		
Long-term loans payable	8,610,500	11,463,000
Tenant leasehold and security deposits	1,230,724	1,230,724
Asset retirement obligations	137,354	137,754
<b>Total non-current liabilities</b>	<b>9,978,579</b>	<b>12,831,479</b>
<b>Total liabilities</b>	<b>17,881,908</b>	<b>17,578,095</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference	-5,819	-8,643
<b>Total deduction from unitholders' capital</b>	<b>-5,819</b>	<b>-8,643</b>
<b>Unitholders' capital, net</b>	<b>20,647,203</b>	<b>20,644,379</b>
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	577,741	559,716
<b>Total surplus</b>	<b>577,741</b>	<b>559,716</b>
<b>Total unitholders' equity</b>	<b>21,224,944</b>	<b>21,204,095</b>
<b>Total net assets</b>	<b>21,224,944</b>	<b>21,204,095</b>
<b>Total liabilities and net assets</b>	<b>39,106,853</b>	<b>38,782,191</b>

# Statement of Income

(thousand yen)

	5th period (from June 1, 2018 to November 30, 2018)	6th period (from December 1, 2018 to May 31, 2019)
Operating revenue		
Lease business revenue	1,450,211	1,434,986
Total operating revenue	1,450,211	1,434,986
Operating expenses		
Expenses related to rent business	541,878	548,074
Asset management fee	129,310	126,075
Asset custody fee	1,778	1,751
Administrative service fees	16,917	17,233
Directors' compensations	3,600	3,600
Other operating expenses	42,209	39,245
Total operating expenses	735,695	735,980
Operating income	714,516	699,005
Non-operating income		
Interest income	10	10
Interest on refund	871	-
Total non-operating income	882	10
Non-operating expenses		
Interest expenses	64,353	62,352
Borrowing related expenses	72,451	75,774
Other	-	500
Total non-operating expenses	136,805	138,626
Ordinary income	578,593	560,389
Extraordinary income		
Subsidy income	-	11,250
Total extraordinary income	-	11,250
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	-	11,250
Total extraordinary losses	-	11,250
Income before income taxes	578,593	560,389
Income taxes - current	973	867
Income taxes - deferred	-0	5
Total income taxes	972	873
Net income	577,620	559,516
Retained earnings brought forward	120	199
Unappropriated retained earnings (undisposed loss)	577,741	559,716

# Debt Status

## List of lenders

(as of May 31, 2019)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security
Short term	Sumitomo Mitsui Banking Corporation	350	Base rate (JBA 1-month yen TIBOR)+0.35%	May 31, 2019	May 29, 2020	Unsecured and unguaranteed
Long term	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd.	3,643	Base rate (JBA 3 months Yen TIBOR) + 0.80%	September 1, 2016	May 29, 2020	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	469	Base rate (JBA 3 months Yen TIBOR) + 1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation The Toho Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,231	Base rate (JBA 3-month yen TIBOR)+0.65%	December 4, 2017	November 30, 2020	Unsecured and unguaranteed
	The Mie Bank, Ltd. The Tochigi Bank, Ltd. The First Bank of Toyama, Ltd. Fukoku Mutual Life Insurance Company The Bank of Kochi, Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,383	Base rate (JBA 3-month yen TIBOR)+0.80%	December 4, 2017	November 30, 2021	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Mie Bank, Ltd. The Towa Bank, Ltd. The Iyo Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	3,338	Base rate (JBA 3-month yen TIBOR)+0.65%	May 31, 2019	May 31, 2022	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Mie Bank, Ltd. The Towa Bank, Ltd. The Iyo Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	3,338	Base rate (JBA 3-month yen TIBOR)+0.80%	May 31, 2019	May 31, 2023	Unsecured and unguaranteed
<b>Total</b>		<b>15,754</b>				

# Ooedo-Onsen Monogatari Group (1)

“At any time, lightheartedly, repeatedly, onsen with a festive atmosphere and filled with smiles,” is the catchphrase Ooedo-Onsen Monogatari Group uses in its business operations. The group aims to revitalize the onsen ryokan industry by continuously acquiring onsen and spa-related facilities throughout the country and rolling out the Ooedo business model to provide customers with high-quality services at an affordable price, and to help them enjoy the sense of openness and festivity of onsen.

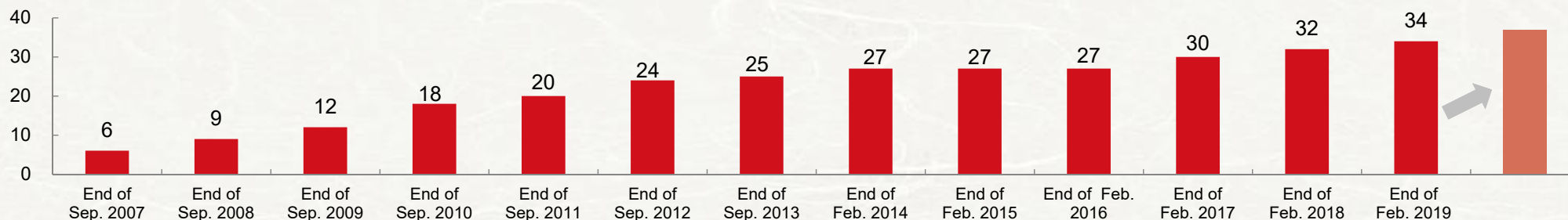
## Overview

Company Name	Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd.
Capital	100 million yen (as of September 1, 2018)
Address	1-9-4 Nihonbashi-honcho, Chuo-ku, Tokyo
Establishment	December 5, 2017 (founded in November 2001)
No. of Employees	1,315 (as of February 28, 2019, excluding fixed-term employees) *The total number of employees on a group-wide basis
Representative	Representative Director Mitsumasa Morita

Financial Results (Feb. 2019)	Consolidated Net Sales: 48,761 million yen Consolidated Total Assets: 77,663 million yen Net Assets: 21,615 million yen
Businesses	<ul style="list-style-type: none"> <li>Reinvigorating onsen ryokan, hotels, spa-related facilities, theme parks around the country</li> <li>We started with the onsen theme park, “Ooedo-Onsen Monogatari,” which has an Edo culture theme. As of Feb. 28, 2019, we operate 34 onsen and spa-related facilities</li> </ul>

## Trends in number of facilities

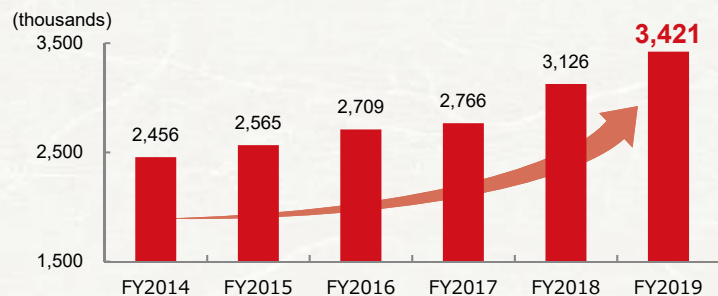
2003	2007 - 2009	2010 - 2013	2016	2017	2018	2019
Opened Ooedo-Onsen Monogatari in Odaiba, Tokyo	Opened Aizu, Ikaho, Yamashitaya and Urayasu Mangekyo, etc.	Opened Hotel New Shiobara, Kinugawa Kanko Hotel, Reoma Resort and Minoh Kanko Hotel, etc.	Opened Kounkaku, Masuya and Nagasaki Hotel Seifu	Opened Hotel Suiyotei, Beppu and Gero Shin-kan	Opened Nanki-kushimoto and Hotel Kisoji	Opened TAOYA Shima, Amakusa Hotel Kameya scheduled to open
		 				 
Odaiba Ooedo-Onsen Monogatari	Ooedo-Onsen Monogatari Aizu	Hotel New Shiobara Ooedo-Onsen Monogatari Minoh Kanko Hotel	Ooedo-Onsen Monogatari Masuya	Ooedo-Onsen Monogatari Gero Shin-kan	Ooedo-Onsen Monogatari Hotel Kisoji	TAOYA Shima Ooedo-Onsen Monogatari Amakusa Hotel Kameya



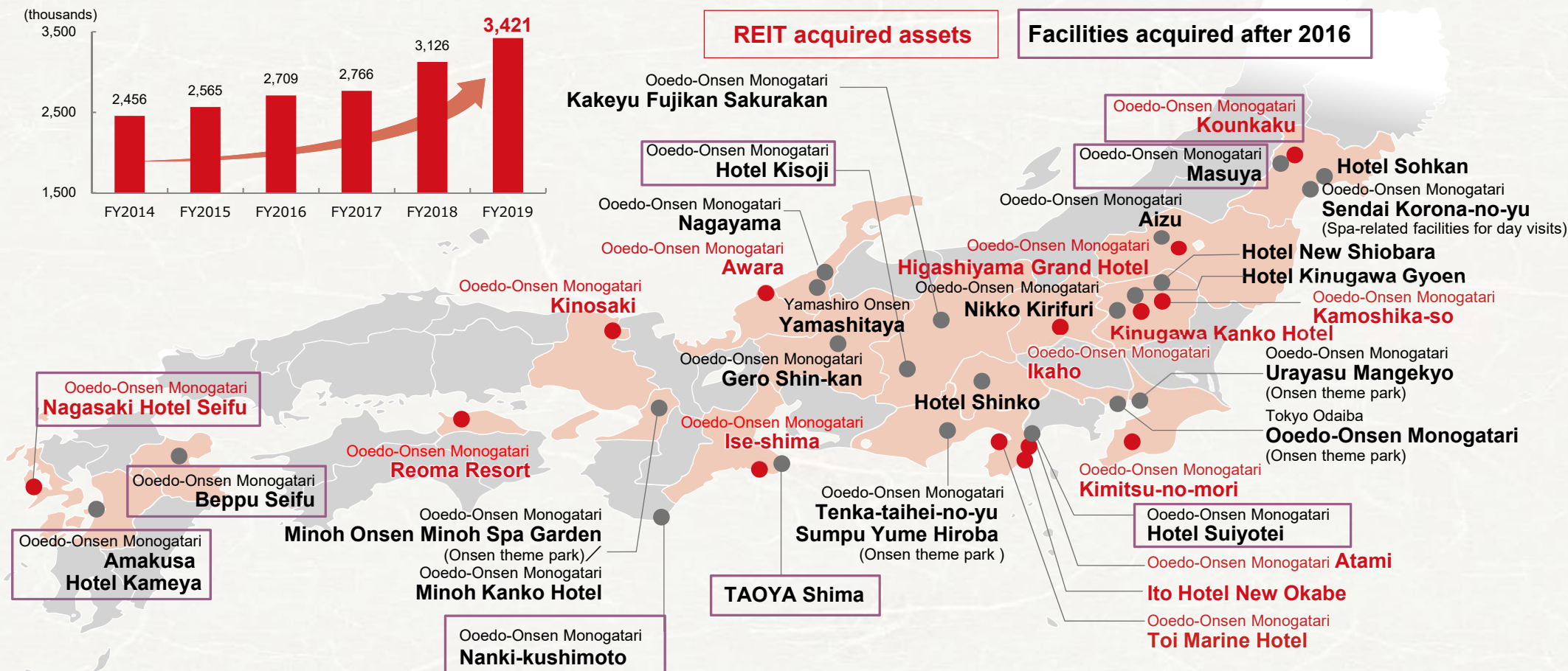
# Ooedo-Onsen Monogatari Group (2)

The total number of guests staying at onsen/spa facilities operated by the Ooedo-Onsen Monogatari Group is steadily increasing year by year. In addition, the Investment corporation is expanding its business scale actively through a range of initiatives such as the acquisition of 10 facilities (Note) since 2016 when the investment corporation was established.

## Trend in total number of hotel guests at Ooedo-Onsen Monogatari Group facilities



## Onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group



(Note) Includes facilities that are expected to be operated.



# “Ooedo Business Model” with Stable Operations and Sustainable Growth (1)

Ooedo business model achieving both high quality and reasonable price

## Provision of services that lead to the creation of repeat customers

### Services created from a customer perspective

- Well-thought-out **onsen facilities** and merchandising facilities
- **Buffet-style restaurants** that offer more than 100 different dishes in total every morning and evening
- Continuous efforts to attract more guests with **in-facility entertainment** (including popular theater shows, etc.)

## Application of a unique corporate-owned chain operation (Ooedo business model)

### Efficient operation

- Adoption of a **centralized purchasing system** for foodstuffs, fixings and amenities
- Detailed programs for cost management
- Efficient placement of staff members

### Marketing programs to maximize customer reach

- Measures to attract more customers led by the headquarters of the Ooedo-Onsen Monogatari Group
- Efforts to attract more customers by utilizing **in-house facilities** such as reservation centers

High-quality service

+

Affordable price



Ongoing support from a wide-ranging customer base centered on the senior age group



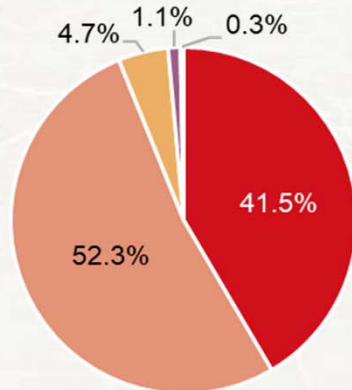
# “Ooedo Business Model” with Stable Operations and Sustainable Growth (2)

High customer satisfaction and high room occupancy rates surpassing all other business categories

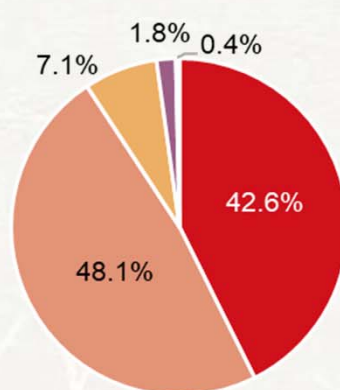
Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from December 1, 2018 to May 31, 2019)

Trends in average monthly occupancy rates for each type of accommodation facility

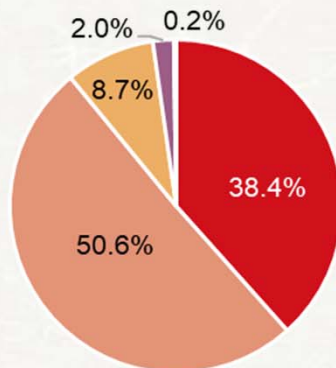
<Overall satisfaction >



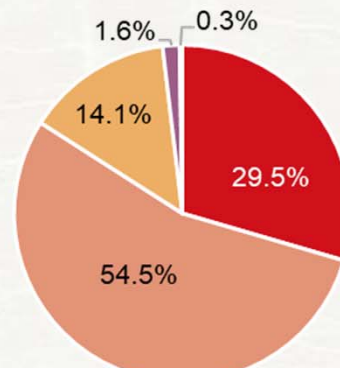
<Meal (breakfast and dinner)>



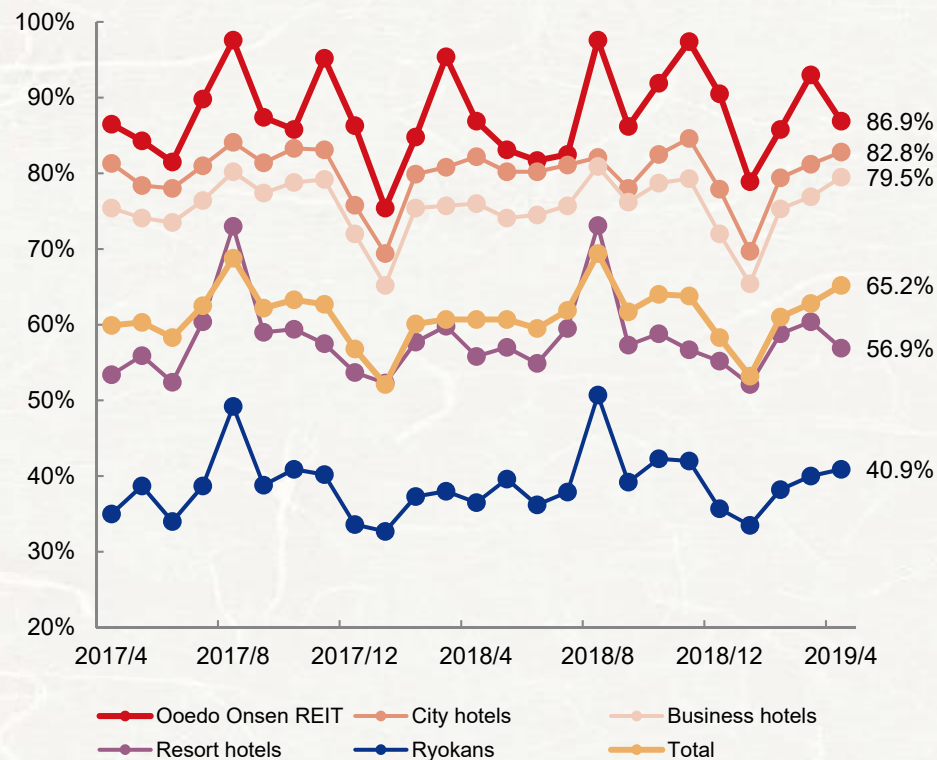
<Onsen>



<Type of services inside the facility>



Very satisfied (Red), Satisfied (Light Red), Fair (Yellow), Unsatisfied (Purple), Very unsatisfied (Light Purple)



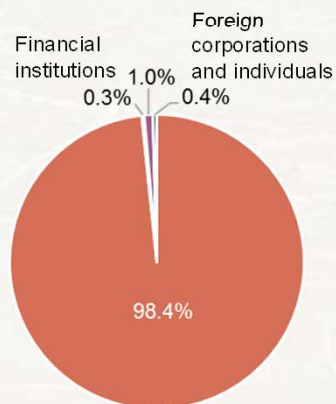
Source: Data on city hotels, business hotels, resort hotels, ryokan and all types of accommodation are compiled by the asset manager based on a statistical survey on trips with accommodation conducted by the Ministry of Land, Infrastructure, Transport and Tourism.

# Unitholders Breakdown

## Ratio by number of unitholders

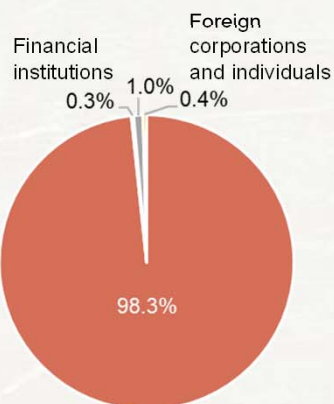
<End of 5<sup>th</sup> fiscal period>

19,341 unitholders

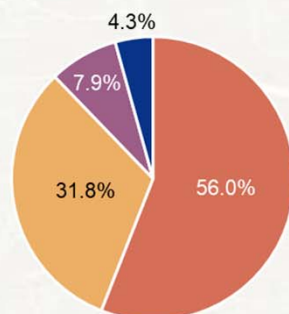
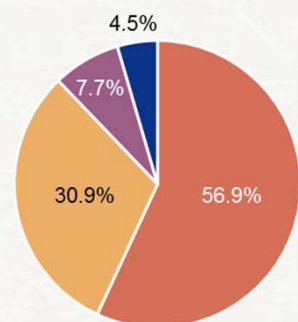


<End of 6<sup>th</sup> fiscal period>

19,447 unitholders



## Ratio by number of investment units








■ Individuals  
■ Financial institutions (Incl. securities companies)  
■ Other domestic corporations  
■ Foreign corporations and individuals

## Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	23,683	10.1%
2	Japan Trustee Services Bank, Ltd. (Trust Account)	22,298	9.5%
3	Ooedo-Onsen Mongatari Co., Ltd.	9,246	3.9%
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	8,257	3.5%
5	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,065	2.2%
6	Morgan Stanley MUFG Securities Co., Ltd.	2,462	1.0%
7	DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	1,841	0.8%
8	JPMorgan Securities Japan Co., Ltd.	1,766	0.8%
9	DEUTSCHE BANK AG LONDON 610	1,303	0.6%
10	BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	1,200	0.5%
Total		77,121	32.8%

# Unitholder Benefit Program

Provide unitholders opportunity to experience facilities held by the Investment Corporation and to deepen unitholders' understanding of those facilities.

<p>Commencement period and target unitholders</p>	<p>Targets unitholders listed or recorded on Unitholders' Registry as of May 31, 2019 (record date), end of 6th fiscal period.</p>	
<p>Eligible persons</p>	<p>The program is also available for those other than unitholders with coupons transferred from unit holders (not registered)</p>	
<p>Benefits</p>	<p>Coupons offering discounts of 1,000 yen per coupon from the accommodation fee for applicable facilities on weekdays (excluding specified dates) will be sent</p> <p>① Unitholders holding 5 units or more and less than 10 units     <u>1 coupon    Equivalent to 1,000 yen</u>                  ② Unitholders holding 10 units or more                                 <u>2 coupons    Equivalent to 2,000 yen</u></p> <p>Coupons can be used together with other discount coupons, etc. provided by Oedo-Onsen Monogatari Group</p>	
<p>Applicable facilities</p>	<p>Onsen and spa-related facilities that are owned by the Investment Corporation in each fiscal period and leased by Oedo-Onsen Monogatari Group</p> <p><b>&lt;Facilities applicable&gt;</b>                  Oedo-Onsen Monogatari Reoma Resort, Oedo-Onsen Monogatari Ise-shima, Ito Hotel New Okabe, Oedo-Onsen Monogatari Atami, Oedo-Onsen Monogatari Toi Marine Hotel, Oedo-Onsen Monogatari Awara, Oedo-Onsen Monogatari Kamoshika-so, Oedo-Onsen Monogatari Ikaho, Oedo-Onsen Monogatari Kimitsu-no-mori, Oedo-Onsen Monogatari Nagasaki Hotel Seifu, Oedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Oedo-Onsen Monogatari Kinosaki and Oedo-Onsen Monogatari Higashiyama Grand Hotel &lt;14 facilities in total&gt;</p>	
<p>Schedule of sending and period of validity</p>	<p>Coupons will be sent each year in mid-February for fiscal periods ended in November and in mid-August for fiscal periods ended in May</p> <p>① When coupons are sent in mid-February: Valid for 1 year from March 1st to the last day of the following February                  ② When coupons are sent in mid-August: Valid for 1 year from September 1st to the last day of the following August</p>	

# Track Record of Investment Unit Price

## Change in investment unit price and trading volume



## Relative comparison of investment unit price and TSE REIT index



(Note) TSE REIT Index is indexed based on the listed date (August 31, 2016) and indicates relative performance with investment unit price.

# Governance Structure

## Introduction of performance-linked element in asset management fee structure

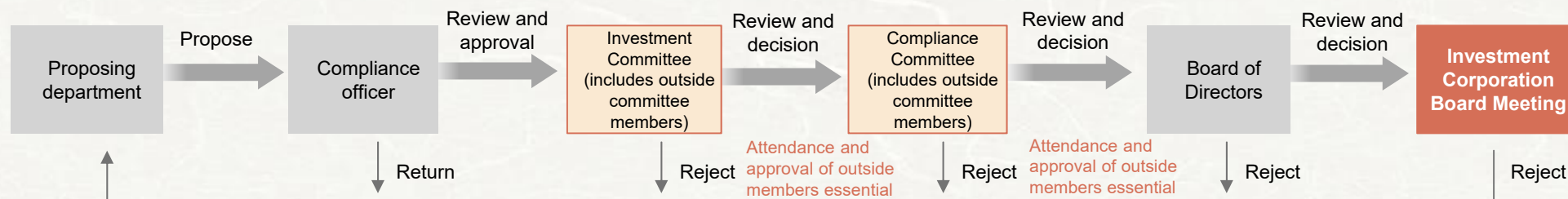
Remuneration paid by the Investment Corporation to the asset manager consists of management fee I, management fee II, acquisition fee, and disposition fee.

<b>Management fee I</b>	Total assets at end of previous accounting period <sup>(Note1)</sup> × 1.0% per annum (ceiling)
<b>Management fee II</b>	Management fee II for previous accounting period × (DPU before deduction of current period management fee II/DPU before deduction of previous period management fee II) × management fee II revised ratio
<b>Acquisition fee<sup>(Note 2)</sup></b>	Acquisition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))
<b>Disposition fee</b>	Disposition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))

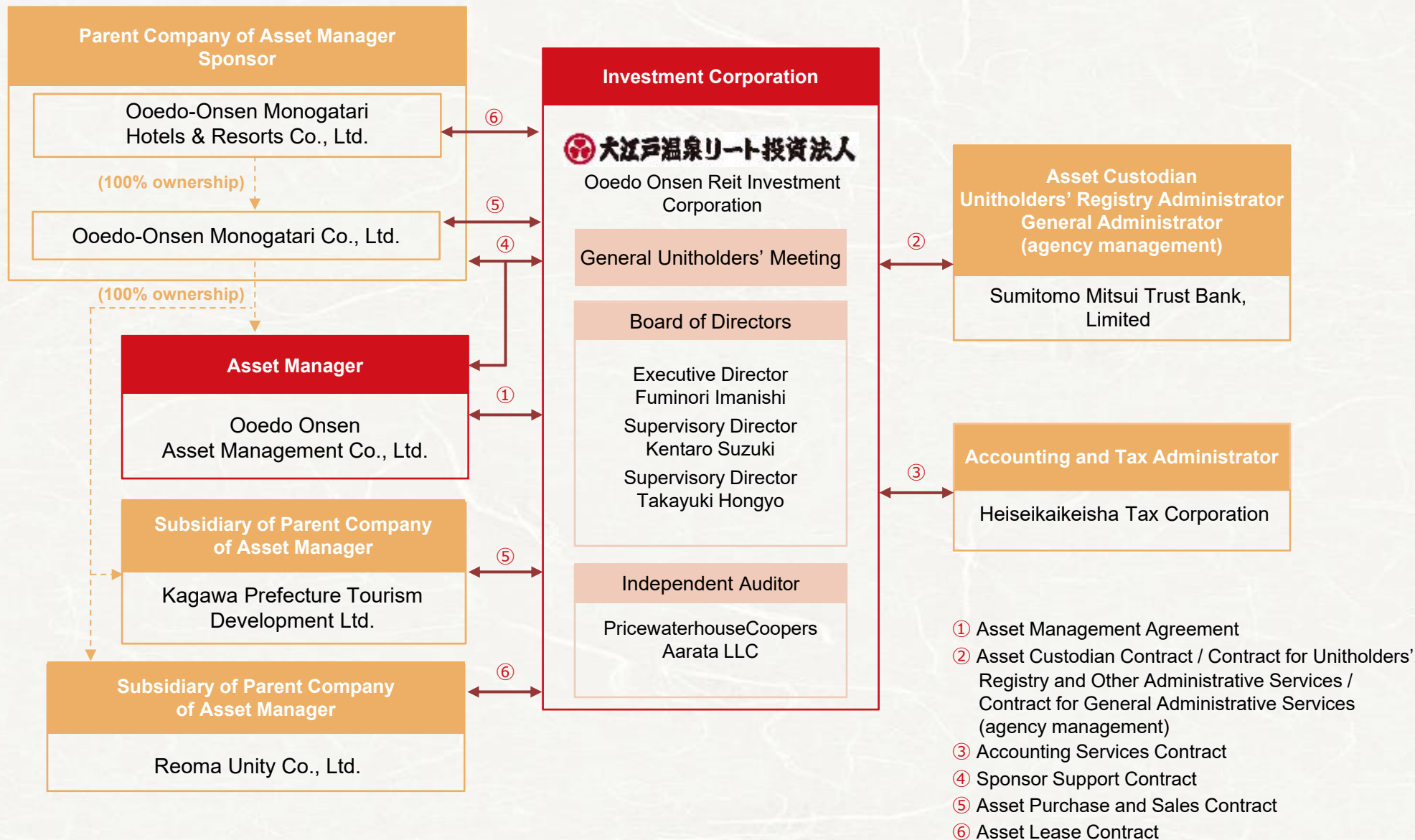
(Note 1) Subject to adjustment for asset acquisitions and asset dispositions during the relevant calculation period.

(Note 2) Where the sum calculated for an acquired asset is less than 5 million yen, the acquisition fee is set at 5 million yen.

## Flow of decision making for transactions with related parties in acquisition and disposition of assets



# Overview of Investment Corporation



# Overview of Asset Manager

**Name** : Ooedo Onsen Asset Management Co., Ltd.

**Address** : 3-3-4, Nihonbashi-Honcho, Chuo-Ku, Tokyo

**Established** : April 24, 2015

**Capitalization** : 50 million yen

**Representative** : Fuminori Imanishi

**Shareholder** : Ooedo-Onsen Monogatari Co., Ltd. 100%

**Registrations and Licenses** : Real estate brokerage, Governor of Tokyo (1) No. 98032

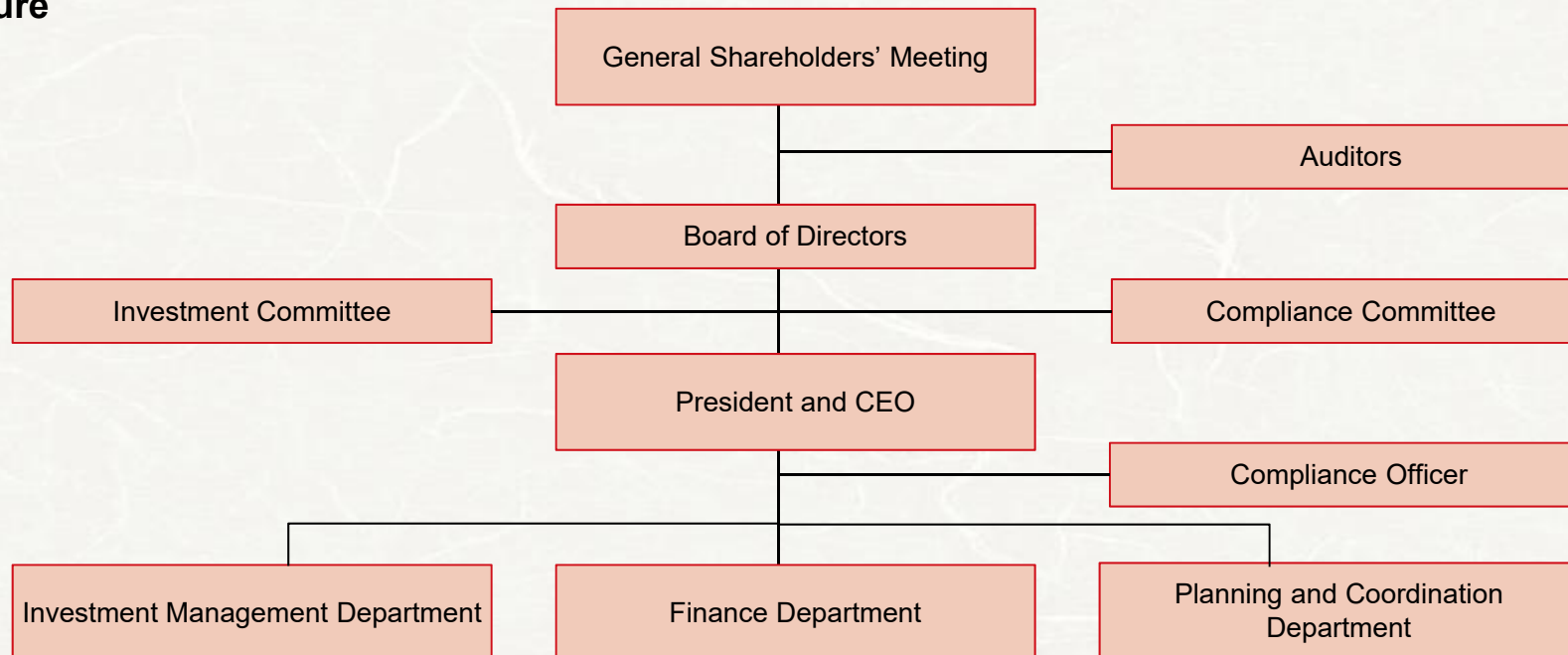
Discretionary transaction agent, Minister of Land, Transport and Tourism License No. 102

Financial instruments business, Director of Kanto Local Finance Bureau (Kinsho) No. 2906

Member of the Investment Trusts Association, Japan

**Employees** : 12 (as of May 31, 2019)

## Structure





# Disclaimer

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