



大江戸温泉リート投資法人

Ooedo Onsen Reit Investment Corporation

Results of 2nd Fiscal Period ended May 31, 2017

Presentation Material

July 21, 2017

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

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I . Operating Highlights for the 2nd Fiscal Period ended May 2017

Financial Results for the 2nd Fiscal Period ended May 2017

Increase in revenue and profit attributed to insurance revenue, etc., increase in distribution per unit from initial forecast

Item	1st period (Actual)		2nd period (Actual)		Difference	2nd period (Forecast)		Difference
	Component ratio		Component ratio					
Operating revenue		507,696		1,021,730	+514,033	1,018,130	+3,600	
Primary rent		468,411		940,158	+471,747	940,158	-	
Fixed rent	100.0%	468,411	92.4%	868,270	+399,859	868,270	-	
Variable rent	0.0%	-	7.6%	71,888	+71,888	71,888	-	
Secondary rent		38,985		78,118	+39,132	77,971	+147	
Others		300		3,452	+3,152	-	+3,452	
Lease operations revenue gain/loss		367,504		703,606	+336,101	700,499	+3,107	
Operating income		266,538		547,969	+281,430	546,664	+1,305	
Ordinary income		67,131		446,053	+378,922	442,412	+3,641	
Net income		65,834		445,127	+379,293	441,807	+3,320	
Excess cash distribution		528		1,233	+704	1,057	+176	
Total distribution		66,251		446,314	+380,063	442,966	+3,347	
Total units outstanding		176,200		176,200	-	176,200	-	
DPU (yen)		376		2,533	+2,157	2,514	+19	
(Excess cash distribution per unit)		3		7	+4	6	+1	
FFO per unit (yen)		1,119		4,022	+2,903	4,013	+9	
Depreciation		131,368		263,577	+132,208	265,351	-1,773	
NOI		498,873		967,184	+468,310	965,850	+1,333	
CAPEX		12,665		90,705	+78,040	108,000	-17,294	

(Note 1) Unless otherwise specified in this document, amounts below the specified unit are rounded down and percentage figures are rounded to the first decimal place. The same applies hereinafter.

(Note 2) Actual management period for the 1st Fiscal Period is from September 1, 2016 to November 30, 2016

Main factors for increase/decrease from forecast

	(thousand yen)
• Insurance revenue of Awara	+3,452
• Leveling of payment period of fixed asset taxes and city planning taxes (Ise-shima)	-1,786
• Decrease in depreciation	+1,773

Lease operations revenue/loss

• Increase in commission on securities transactions (increase in number of unitholders)	-2,335
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Operating income

• Interest on refund of consumption tax	+2,267
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Ordinary income

Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Expensing of fixed asset taxes and city planning	-36,532
• Recorded depreciation for full year	-132,208

Lease operations revenue gain/loss

• Recorded AM fee for full year calendar year	-66,198
• Decrease in other operating expenses	+18,529

Operating income

• Interest on refund of consumption tax	+2,267
• Recorded finance-related expenses for full year	-51,633
• Absence of founding expenses	+73,020
• Absence of investment unit issuance expenses	+73,828

Ordinary income

Main financial indicators

	(million yen)
Total assets	29,440
Interest-bearing debt	11,735
Total liabilities	13,243
Total net assets	16,197
LTV (book value basis)	39.9%
NAV per unit (yen)	97,740

Forecast for the 3rd Fiscal Period ending November 2017

Increase in revenue and profit from initial forecast attributed to increase in variable rent and application of fixed rent to Reoma Resort, increase in distribution per unit from initial forecast

Item	2nd period (Actual)		3rd period (Forecast)		Difference		(thousand yen)	
	Component ratio		Component ratio		3rd period (Forecast)	Difference		
Operating revenue		1,021,730		1,027,460	+5,730	1,021,972	+5,488	
Primary rent		940,158		948,904	+8,745	944,001	+4,903	
Fixed rent	92.4%	868,270	91.5%	868,270	-	868,270	-	
Variable rent	7.6%	71,888	8.5%	80,634	+8,745	75,730	+4,903	
Secondary rent		78,118		78,555	+437	77,970	+584	
Others		3,452		-	-3,452	-	-	
Lease operations revenue gain/loss		703,606		669,199	-34,407	665,557	+3,642	
Operating income		547,969		513,473	-34,495	513,228	+245	
Ordinary income		446,053		415,307	-30,746	414,313	+994	
Net income		445,127		414,307	-30,820	413,708	+599	
Excess cash distribution		1,233		1,233	-	1,057	+176	
Total distribution		446,314		415,655	-30,658	414,598	+1,057	
Total units outstanding		176,200		176,200	-	176,200	-	
DPU (yen)		2,533		2,359	-174	2,353	+6	
(Excess cash distribution per unit)		7		7	-	6	+1	
FFO per unit (yen)		4,022		3,888	-134	3,877	+11	
Depreciation		263,577		270,831	+7,253	269,569	+1,261	
NOI		967,184		940,030	-27,153	935,126	+4,903	
CAPEX		90,705		94,638	+3,932	118,000	-23,361	

Main factors for increase/decrease from forecast

	(thousand yen)
• Increase in variable rent by applying fixed amount (Reoma)	+1,232
• Increase in variable rent of owned facilities (excluding Reoma)	+3,671
• Increase in depreciation	-1,261

Lease operations revenue gain/loss +3,642

• Increase in commission on securities transactions (increase in number of unitholders)	-1,800
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Operating income +245

• Decrease in finance-related expenses	+748
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Ordinary income +994

Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Recorded burden of fixed asset taxes and city planning taxes for full year	-32,992

Lease operations revenue gain/loss -34,407

• Decrease in AM fee	+3,786
• Increase in other operating expenses	-4,306

Operating income -34,495

• Decrease in finance-related expenses	+6,024
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Ordinary income -30,746

Main financial indicators

	(million yen)
Total assets	29,156
Interest-bearing debt	11,624
Total liabilities	12,989
Total net assets	13,166
LTV (book value basis)	39.9%

Forecast for the 4th Fiscal Period ending May 2018

Decrease in profit attributed to assumption of expenses for General Unitholders' Meeting although revenue remained flat, decrease in distribution per unit from previous fiscal period

(thousand yen)

Item	3rd period (Forecast)	4th period (Forecast)	Difference
Operating revenue	Component ratio 1,027,460	Component ratio 1,027,460	-
Primary rent	948,904	948,904	-
Fixed rent	91.5% 868,270	91.5% 868,270	-
Variable rent	8.5% 80,634	8.5% 80,634	-
Secondary rent	78,555	78,555	-
Lease operations revenue gain/loss	669,199	667,841	-1,358
Operating income	513,473	506,626	-6,847
Ordinary income	415,307	409,145	-6,162
Net income	414,307	408,145	-6,162
Excess cash distribution	1,233	1,233	-
Total distribution	415,655	409,312	-6,343
Total units outstanding	176,200	176,200	-
DPU (yen)	2,359	2,323	-36
(Excess cash distribution per unit)	7	7	-
FFO per unit (yen)	3,888	3,861	-27
Depreciation	270,831	272,189	+1,358
NOI	940,030	940,030	+0
CAPEX	94,638	100,000	+5,361

Main factors for increase/decrease from forecast

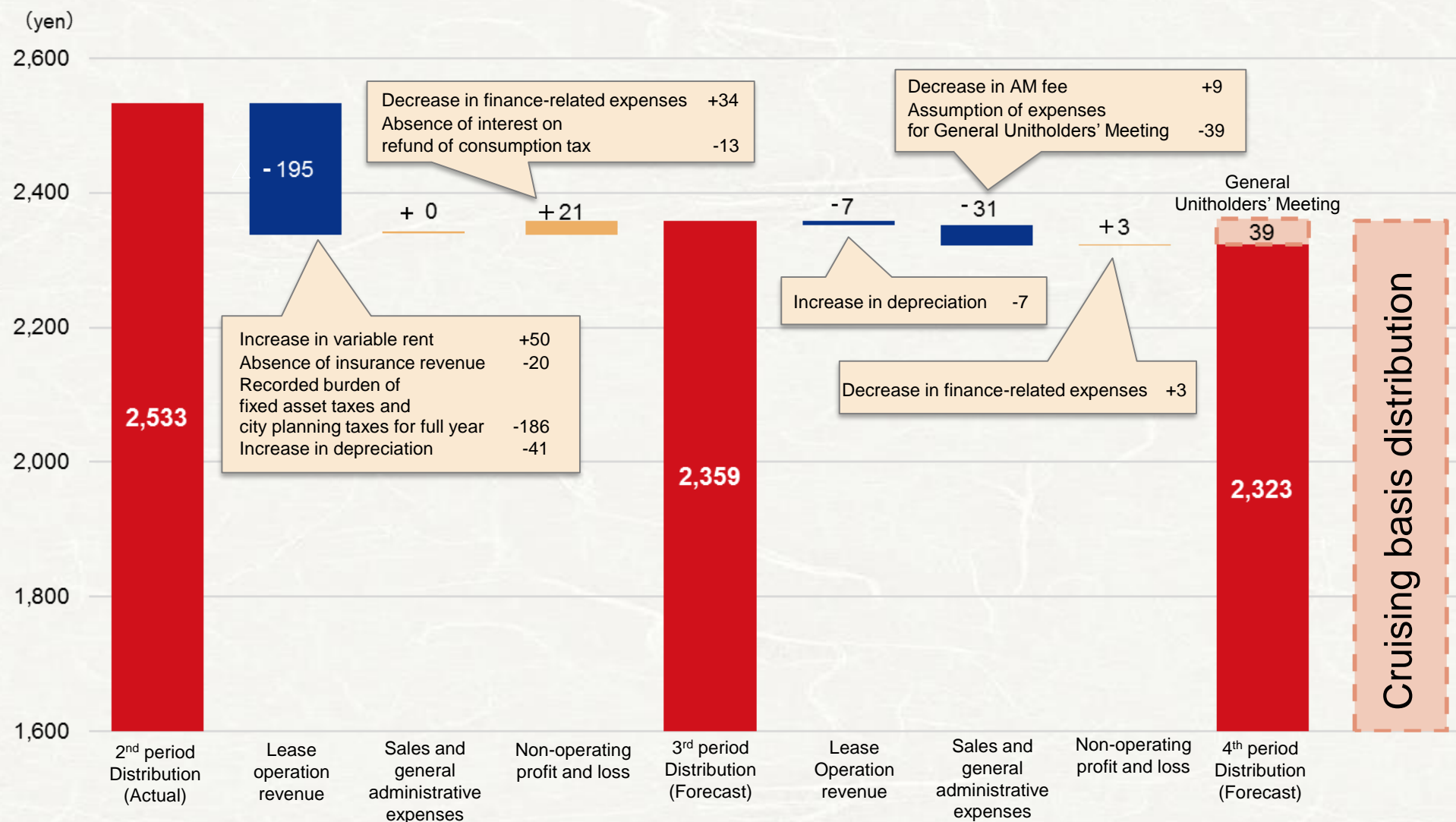
	(thousand yen)
• Increase in depreciation	-1,358
Lease operations revenue gain/loss	-1,358
• Decrease in AM fee	+1,660
• Assumption of expenses for General Unitholders' Meeting	-6,900
Operating income	-6,847
• Decrease in finance-related expenses	+685
Ordinary income	-6,162

Main financial indicators

	(million yen)
Total assets	29,038
Interest-bearing debt	11,512
Total liabilities	12,878
Total net assets	16,160
LTV (book value basis)	39.6%

Factors for Increase/Decrease in Distribution per Unit

Distribution level will be normalized from the 3rd Fiscal Period, excluding expenses for General Unitholders' Meeting



(Note) 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.

Topics for the 2nd Fiscal Period ended May 2017 (1)

Measures for further stabilization of distribution

🦋 Applying fixed amount for the variable rent of Ooedo-Onsen Monogatari Reoma Resort

<Short-term perspective>

Subject to short-term fluctuations in revenue and expenditure derived by climate and other factors due to the characteristics of its business type



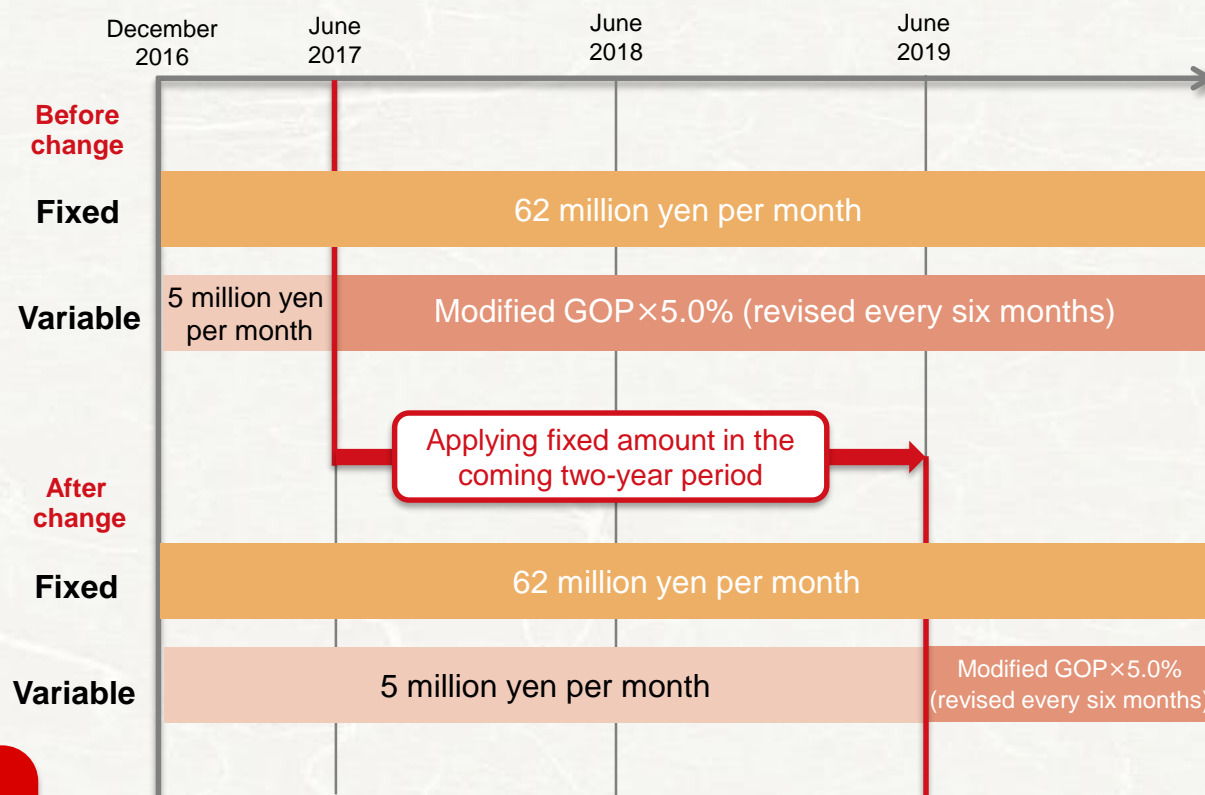
<Medium-term perspective>

Aim to maintain a rent system that includes variable rent to capture benefits from upsides

Applying fixed amount for variable rent in the coming two-year period

Stabilizing short-term distribution level and capturing medium term upsides

<Mechanism of primary rent of Ooedo-Onsen Monogatari Reoma Resort>



*There will be no changes to the rent system for the secondary rent

Topics for the 2nd Fiscal Period ended May 2017 (2)

Introduction of unitholder benefit program

The Investment Corporation agreed with the sponsor to introduce a unitholder benefit program with an aim to provide an opportunity to unitholders to experience the characteristics of onsen and spa-related facilities in which it invests and to deepen unitholders' understanding of those facilities.

Commencement period and target unitholders	Targets unitholders listed or recorded on Unitholders' Registry as of November 30, 2017 (record date), end of 3rd fiscal period.
Eligible persons	The program is also available for those other than unitholders with coupons transferred from unit holders (not registered)
Benefits	<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</u> <u>Equivalent to 1,000 yen</u> ② Unitholders holding 10 units or more <u>2 coupons</u> <u>Equivalent to 2,000 yen</u></p> <p>Coupons can be used together with other discount coupons, etc. provided by Ooedo-Onsen Monogatari Group</p>
Applicable facilities	<p>Onsen and spa-related facilities that are owned by the Investment Corporation in each fiscal period and leased by Ooedo-Onsen Monogatari Group</p> <p><3rd Fiscal Period ending November 2017 (Scheduled)> 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 Kamoshika-so, Ooedo-Onsen Monogatari Ikaho, Ooedo-Onsen Monogatari Kimitsu-no-mori <9 facilities in total></p>
Schedule of sending and period of validity	<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>

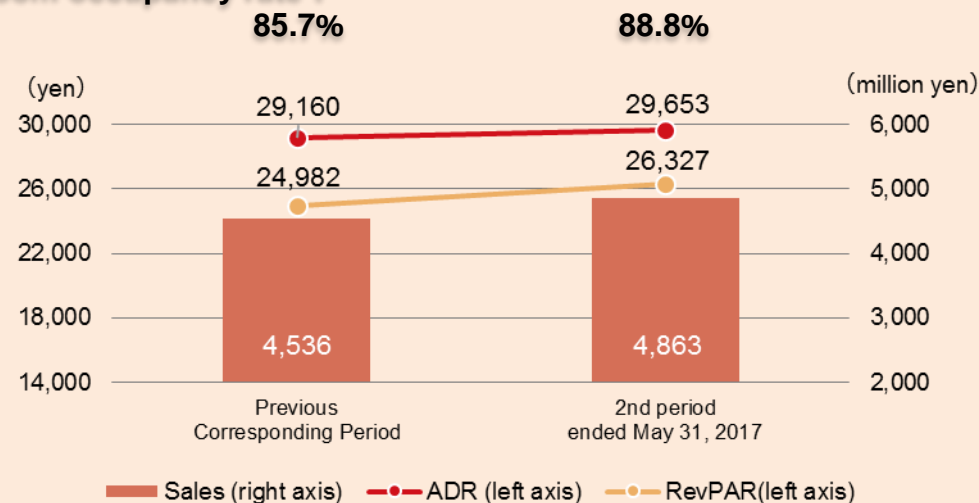
Operating Results for the Entire Portfolio

RevPAR and sales surpassing actual results of the previous year for all properties due to high room occupancy rates



<Cumulative comparison of 2nd Period and the same period of the previous year>

Room occupancy rate :



Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	78.8%	89.2%	97.4%	88.7%	90.5%	95.6%	92.5%	82.4%	90.5%	96.5%	86.5%	84.3%	89.4%	85.7%	88.8%	+ 3.1%
ADR (yen)	25,273	30,679	42,421	26,914	27,874	27,902	30,678	30,418	27,083	31,185	28,057	30,103	30,074	29,160	29,653	+ 493
RevPAR (yen)	19,909	27,356	41,317	23,866	25,215	26,665	28,381	25,076	24,514	30,107	24,256	25,385	26,891	24,982	26,327	+ 1,345
Sales (million yen)	608	845	1,252	724	800	826	883	783	707	945	743	802	9,918	4,536	4,863	+ 327

(Note 1) The above indicates actual results over the past one year. However, the investment corporation acquired the properties on September 1, 2016.

(Note 2) The sales figures are rounded to the nearest million yen. The ADR and RevPAR figures are rounded to the nearest whole number and the guest room occupancy rate figures are rounded to the first decimal place. The same applies to operating results of individual properties.

The Overall Picture of Ooedo Onsen Reit Investment Corporation

Stable generation of distributions with stable revenue structure

Asset

Onsen and spa-related facilities:	9 (properties)
Total acquisition price:	26.8 bn yen
Unrealized capital gain:	1.0 bn yen
Average room occupancy rate:	88.8%
Average NOI yield:	7.0%
Period of master lease:	20 years
Portfolio PML:	3.9%

Creation of stable rental revenue

Debt

Unsecured borrowings:	11.7 bn yen
LTV:	39.9%
Long term debt ratio:	100%

Use of stable debt

Equity

DPU	2 nd fiscal period:	2,533 yen
	3 rd fiscal period:	2,359 yen
	4 th fiscal period:	2,323 yen

Provision of stable distributions

Portfolio Data (1)

Unrealized capital gain (appraisal value – acquisition price) increased by 240 million yen year-on-year due to increase in appraisal value

Portfolio summary

(as of May 31, 2017)

Total acquisition price	Total appraised value	Unrealized profits and losses	Average NOI yield	Average after depreciation NOI yield	Portfolio PML
26.8 _{bn yen}	28.2 _{bn yen}	1.0 _{bn yen}	7.0%	5.0%	3.9%

List of assets

Property No.	Property name	Location	Building age (years)	Number of rooms	Room occupancy rate (%)	Acquisition price (million yen)	Appraisal value (million yen)	2nd period actual NOI (million yen)	NOI yield (%)	After depreciation NOI yield (%)	PML (%)
Onsen and spa-related facilities											
S-1	Ooedo-Onsen Monogatari Reoma Resort	Marugame City, Kagawa Prefecture	25.9 26.2	241	87.9	10,379	10,900	420	7.8	6.3	1.9 1.6
S-2	Ooedo-Onsen Monogatari Ise-shima	Shima City, Mie Prefecture	37.3	83	93.2	3,656	3,840	112	6.2	3.4	14.2
S-3	Ito Hotel New Okabe	Ito City, Shizuoka Prefecture	26.6	73	90.4	2,657	2,820	85	6.2	4.3	12.0
S-4	Ooedo-Onsen Monogatari Atami	Atami City, Shizuoka Prefecture	43.4	76	97.8	2,997	3,180	100	6.6	4.4	12.6
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Izu City, Shizuoka Prefecture	42.7	64	90.2	1,910	1,990	60	6.3	3.4	14.9
S-6	Ooedo-Onsen Monogatari Awara	Awara City, Fukui Prefecture	35.8	95	77.8	1,901	1,980	75	7.6	5.5	14.9
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Nasushiobara City, Tochigi Prefecture	21.3	60	78.2	1,222	1,270	41	6.3	4.3	3.0
S-8	Ooedo-Onsen Monogatari Ikaho	Shibukawa City, Gunma Prefecture	33.6	40	94.3	1,299	1,380	42	6.2	4.2	1.0
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Kimitsu City, Chiba Prefecture	21.2	41	96.9	819	862	28	6.4	4.7	4.8
Total/Average			31.5	773	88.8	26,844	28,222	967	7.0	5.0	3.9

(Note 1) 2nd period actual NOI indicates figures after adjustment for fixed asset taxes and city planning taxes, NOI yield and After depreciation NOI yield indicate annualized figures.

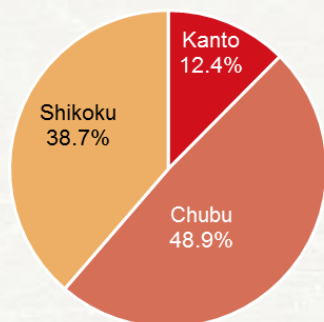
(Note 2) The upper Building age of Ooedo-Onsen Monogatari Reoma Resort indicates that of Hotel Reoma no Mori and the lower indicates that of New Reoma World.

(Note 3) The Number of guest rooms for Ito Hotel New Okabe indicates that for Sagamitei owned by the investment corporation. The same applies hereinafter.

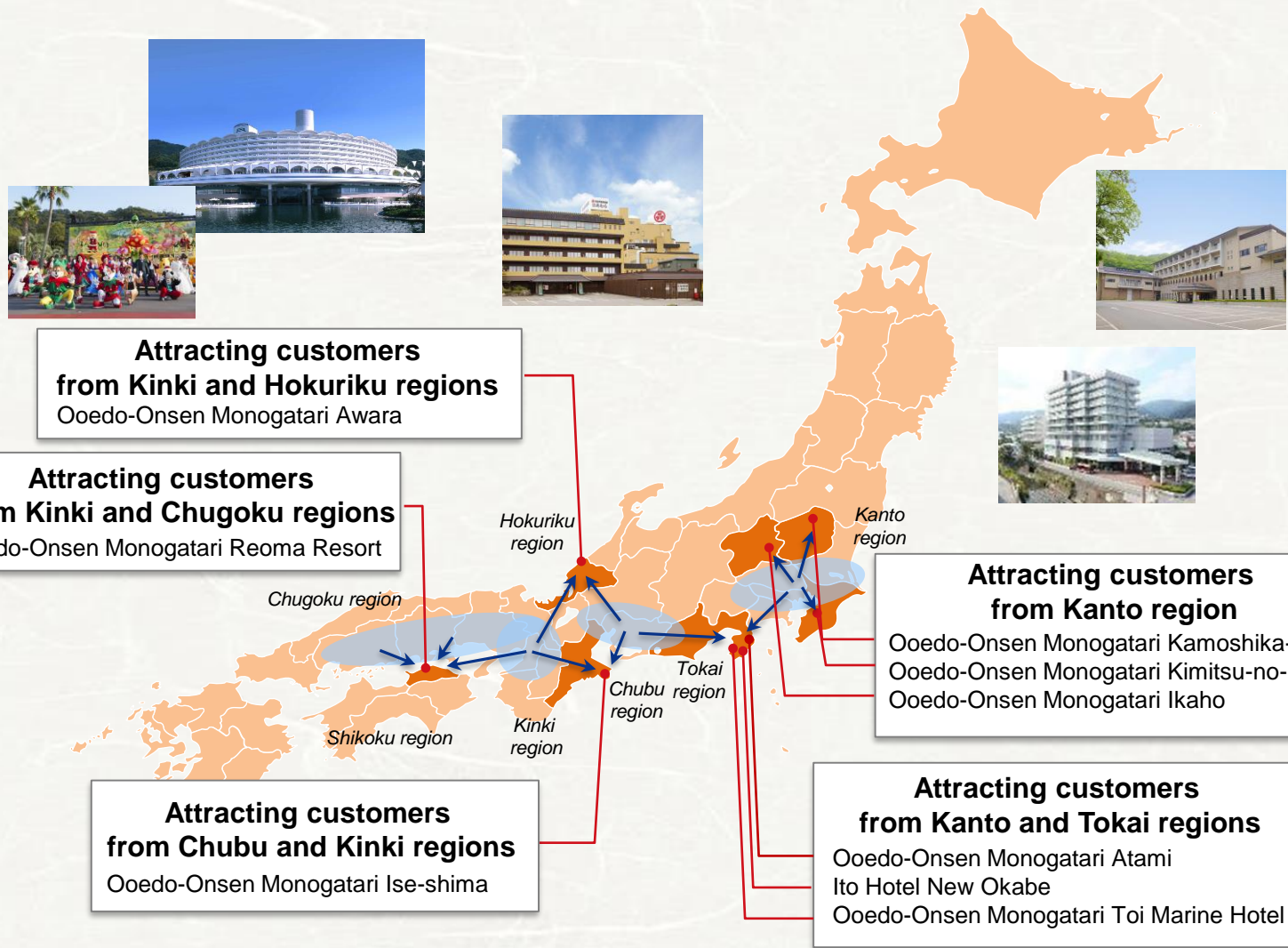
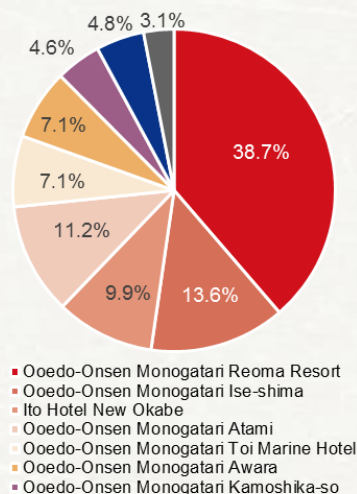
Portfolio Data (2)

Achieving both diversification of investment areas and customer attraction from metropolitan areas

Investment ratio by region (acquisition price basis)



Investment ratio by facility (acquisition price basis)



➡ Main flow of guests

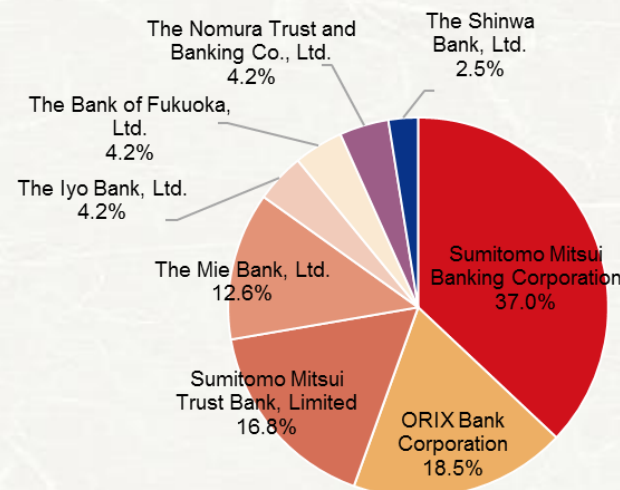
Financial Status

Many lenders, diversified repayment due dates, and conservative LTV control

LTV



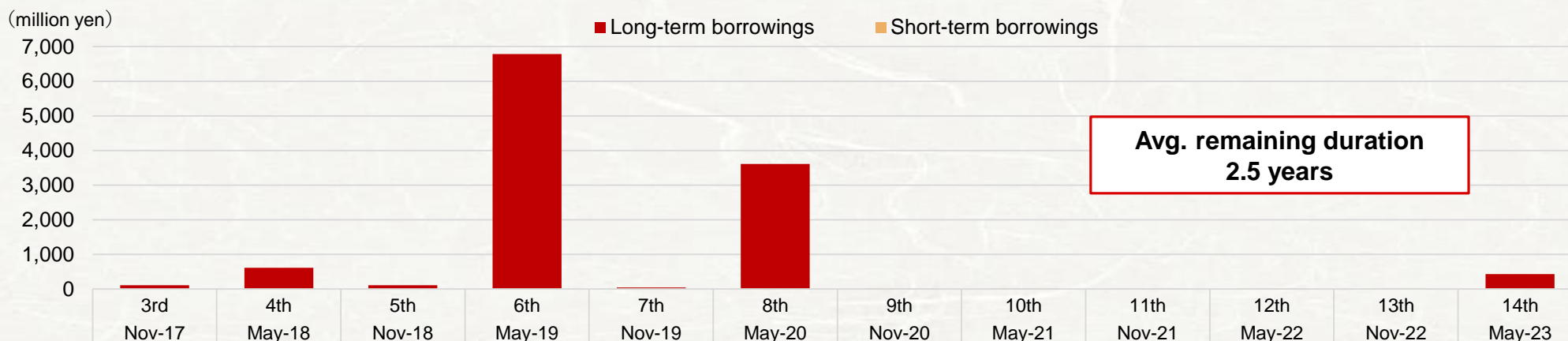
Breakdown of lenders



Ratio of long-term borrowings



Overview of maturity





Ⅱ . Operating Results of Individual Properties

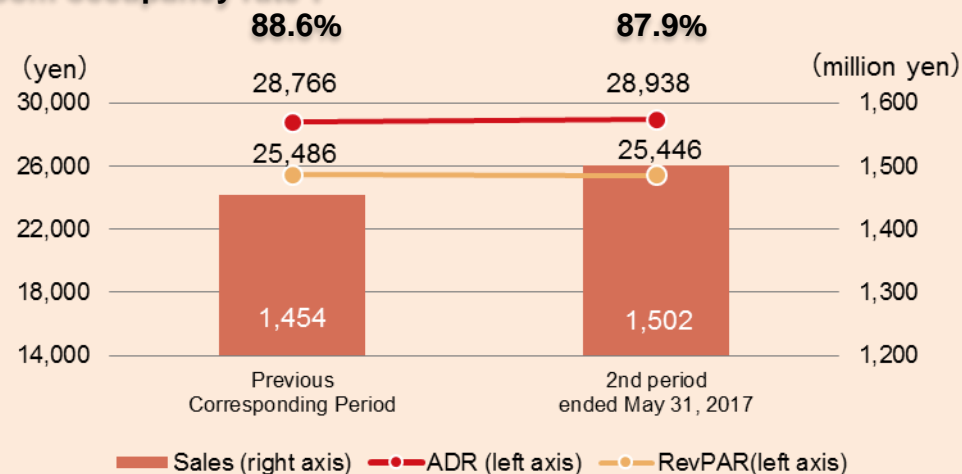
S-1 : Ooedo-Onsen Monogatari Reoma Resort 〈Hotel Reoma-no-mori〉

An onsen and spa-related facility set in a lush natural environment with a half of the customers coming from the Kinki and Chugoku regions



<Cumulative comparison of 2nd Period and the same period of the previous year>

Room occupancy rate :



Location Marugame City, Kagawa Prefecture

No. of rooms 241

Portfolio operating results

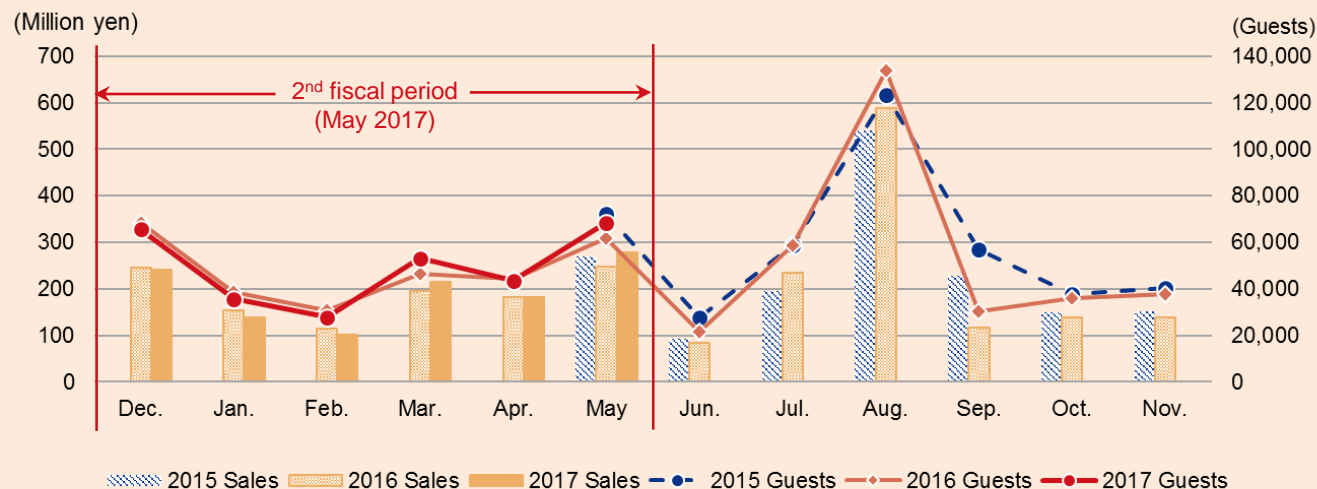
	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	75.0%	83.6%	99.1%	88.0%	90.0%	94.9%	95.5%	79.7%	89.3%	98.4%	82.6%	82.1%	88.2%	88.6%	87.9%	-0.7%
ADR (yen)	22,663	32,604	45,904	24,772	26,118	26,834	31,051	29,715	25,639	30,624	27,386	28,454	29,642	28,766	28,938	172
RevPAR (yen)	17,002	27,266	45,499	21,794	23,500	25,468	29,667	23,677	22,907	30,120	22,610	23,357	26,146	25,486	25,446	-40
Sales (million yen)	164	268	437	205	235	253	290	235	216	302	222	238	3,064	1,454	1,502	48

S-1 : Ooedo-Onsen Monogatari Reoma Resort <New Reoma World>

The biggest theme park in the Chugoku and Shikoku regions and one of the biggest in western Japan under unified operation with Hotel Reoma no Mori



<Year-on-Year comparison of number of guests and sales>



Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Number of guests	21,780	58,895	133,904	30,164	36,081	37,696	65,603	35,693	27,821	53,054	43,522	68,501	612,714	289,846	294,194	+ 4,348
Sales (million yen)	84	235	588	118	139	138	242	139	102	214	182	278	2,459	1,137	1,157	+ 19

(Note 1) Number of guests is the total number of people using New Reoma World during the period.

(Note 2) "Current year" in the above graph refers to the period from December 2016 to May 2017, "Previous year" to the period from December 2015 to November 2016 and "The year before the previous year" to the period from May to November 2015.

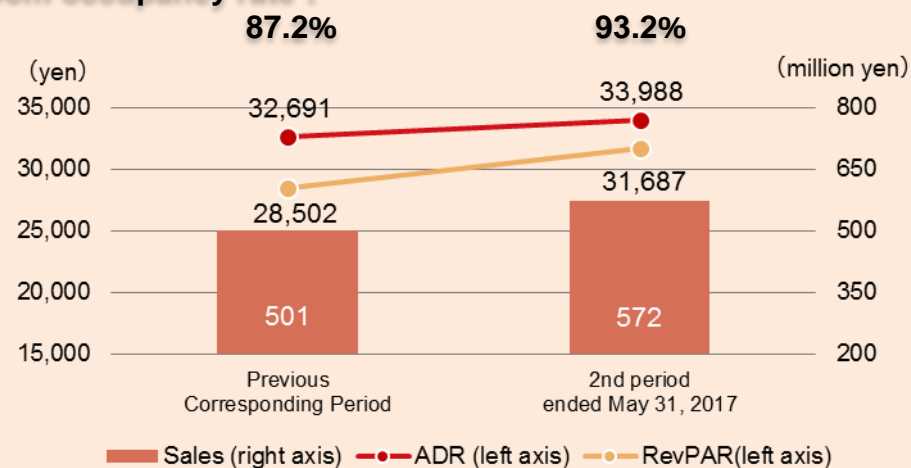
S-2 : Ooedo-Onsen Monogatari Ise-shima

An onsen and spa-related facility located in the Ise-shima area that enjoys tourism resources and is capable of attracting customers from two major consumer markets of the Chubu and Kinki regions



<Cumulative comparison of 2nd Period and the same period of the previous year>

Room occupancy rate :



Location Shima City, Mie Prefecture

No. of rooms 83

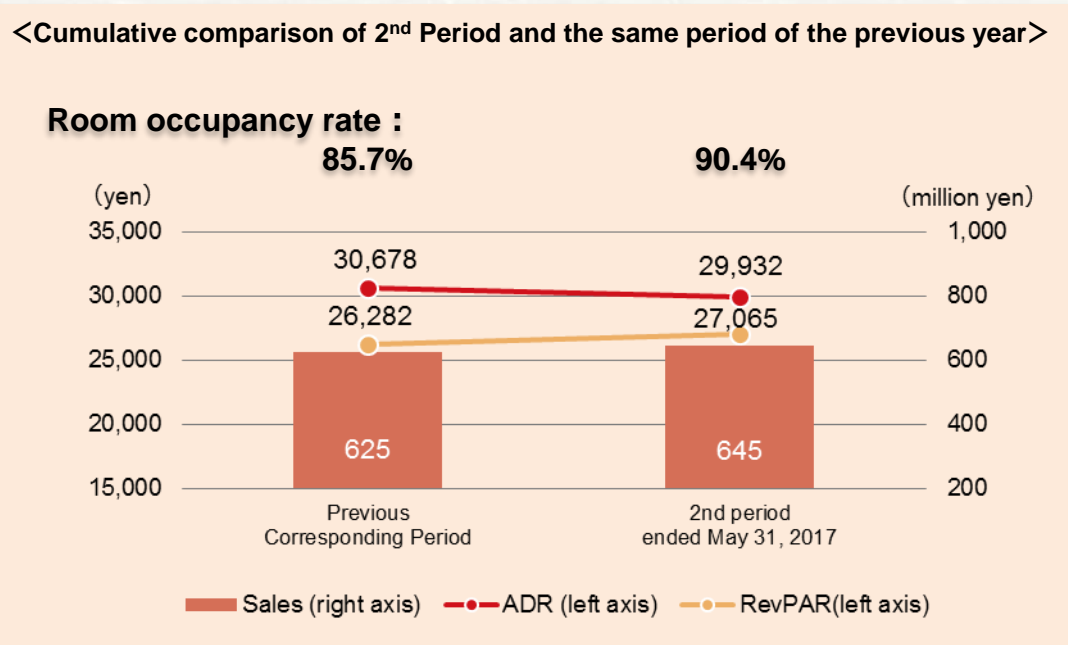
Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	84.6%	92.3%	93.0%	96.6%	97.6%	98.6%	94.6%	91.2%	97.9%	95.6%	92.6%	87.9%	93.5%	87.2%	93.2%	+ 6.0%
ADR (yen)	27,810	33,786	47,177	33,253	31,793	31,701	33,936	33,259	31,662	38,755	31,837	34,148	34,170	32,691	33,988	+ 1,297
RevPAR (yen)	23,533	31,186	43,877	32,132	31,039	31,255	32,102	30,332	31,008	37,053	29,482	30,007	31,955	28,502	31,687	+ 3,184
Sales (million yen)	71	94	129	100	98	95	99	93	88	111	88	93	1,159	501	572	+ 70

(Note) Due to the holding of the Ise-Shima Summit last year, normal sales activities of Ooedo-Onsen Monogatari Ise-shima were temporarily suspended.

S-3 : Ito Hotel New Okabe

An onsen and spa-related facility with good views. Located at Ito Onsen, the area bustles with swimming activities in the sea and fireworks in the summer



Location: Ito City, Shizuoka Prefecture
 No. of rooms: 73

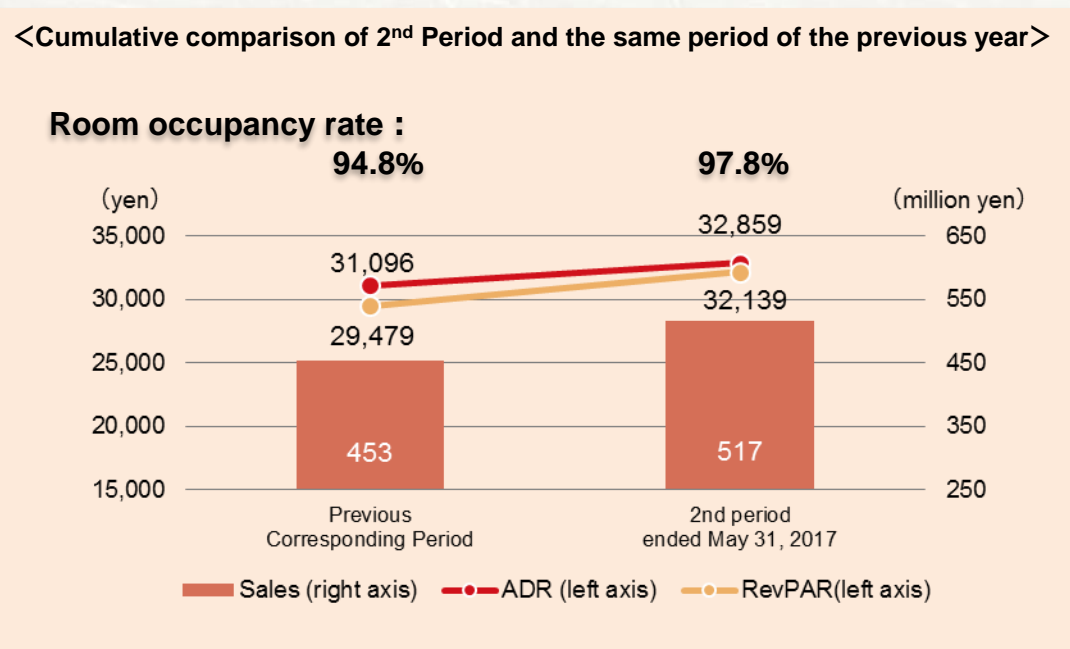
Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	74.5%	90.9%	95.2%	86.4%	88.0%	96.7%	95.4%	90.1%	98.6%	99.3%	84.8%	75.0%	89.5%	85.7%	90.4%	+ 4.8%
ADR (yen)	26,013	28,924	42,331	26,672	28,074	27,694	30,210	30,481	27,439	31,475	27,978	31,972	30,084	30,678	29,932	-746
RevPAR (yen)	19,386	26,279	40,289	23,034	24,693	26,771	28,806	27,459	27,044	31,261	23,735	23,977	26,933	26,282	27,065	+ 783
Sales (million yen)	79	104	153	90	102	107	118	110	100	126	94	97	1,279	625	645	+ 20

(Note) The Ito Hotel New Okabe consists of two buildings, the Sagamitei facility and the Surugatei facility. The part belonging to the Investment Corporation is the Sagamitei facility, but as they are operated as one unit, the Surugatei facility is included in operating performance data. The number of rooms indicated is for the Sagamitei facility, which is owned by the Investment Corporation. In addition, sales for a total of 923 rooms were suspended due to renovation work for some guestrooms in both buildings between January and April 2016.

S-4 : Ooedo-Onsen Monogatari Atami

An onsen and spa-related facility within walking distance from Atami Station.
It is very accessible from central Tokyo.



Location Atami City, Shizuoka Prefecture
No. of rooms 76

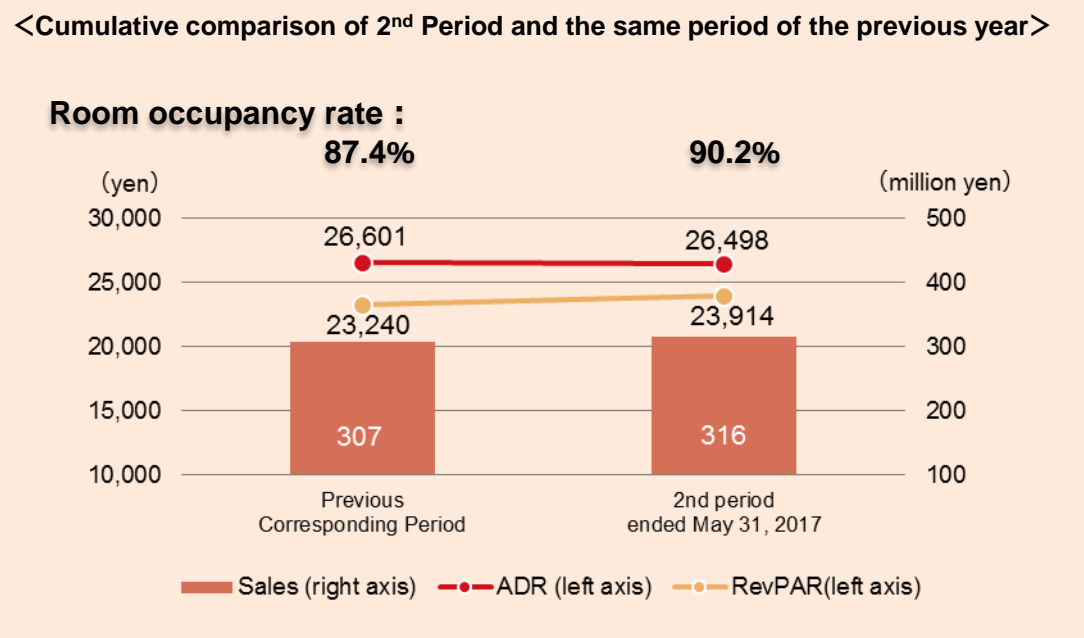
Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	93.2%	95.3%	97.9%	98.1%	96.0%	95.2%	96.0%	96.6%	98.9%	99.2%	98.6%	97.7%	96.9%	94.8%	97.8%	+ 3.0%
ADR (yen)	29,163	32,930	46,070	30,031	31,395	31,055	34,205	33,331	31,250	34,681	31,028	32,482	33,203	31,096	32,859	+ 1,763
RevPAR (yen)	27,193	31,392	45,112	29,452	30,129	29,570	32,826	32,185	30,897	34,416	30,593	31,749	32,168	29,479	32,139	+ 2,661
Sales (million yen)	72	85	121	78	83	79	88	87	77	95	82	87	1,036	453	517	+ 64

(Note) Ooedo-Onsen Monogatari Atami suspended sales for a total of 451 rooms due to extension work and renovation work for some guestrooms.

S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel

An onsen and spa-related facility facing the beach where the Suruga Bay sunset can be enjoyed. It is located in the Toi Onsen area, the oldest onsen district in the western Izu region.



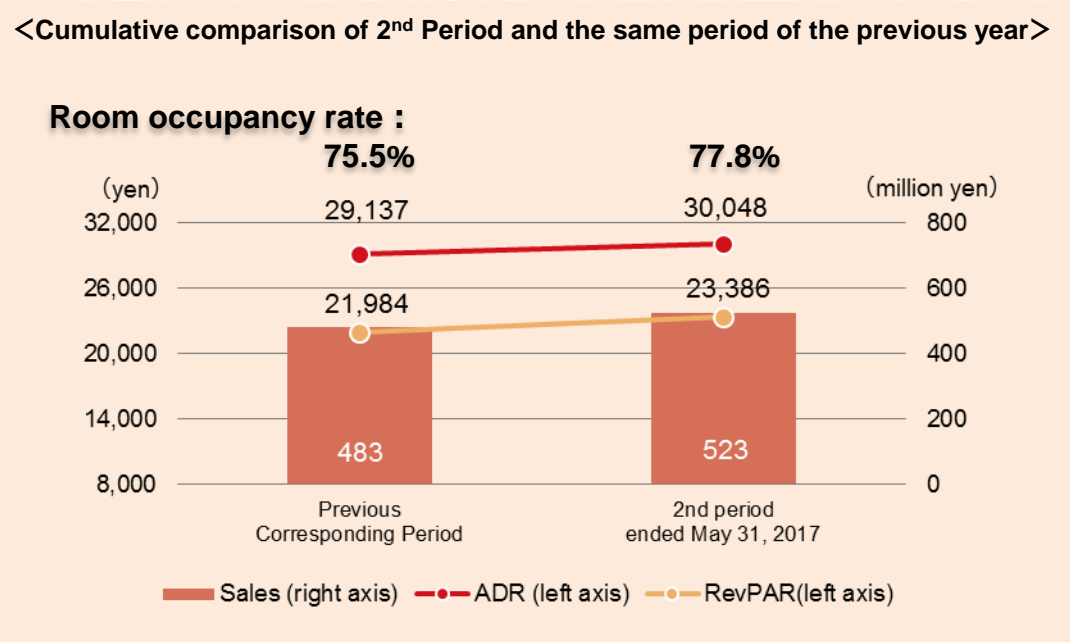
Location: Izu City, Shizuoka Prefecture
 No. of rooms: 64

Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	69.1%	84.8%	95.2%	75.8%	76.1%	92.9%	91.1%	89.7%	98.1%	99.1%	85.4%	78.6%	86.3%	87.4%	90.2%	+ 2.9%
ADR (yen)	24,871	31,401	42,467	24,977	25,175	23,815	26,285	26,953	24,426	28,296	25,025	27,844	27,850	26,601	26,498	-103
RevPAR (yen)	17,190	26,621	40,433	18,928	19,160	22,116	23,953	24,182	23,963	28,039	21,376	21,893	24,033	23,240	23,914	+ 674
Sales (million yen)	38	59	90	41	44	49	54	54	48	64	47	49	637	307	316	+ 9

S-6 : Ooedo-Onsen Monogatari Awara

An onsen and spa-related facility with complete entertainment facilities. It is located at Awara Onsen, which is known as the “Okuzashiki” (“back parlor”) of the Kansai region.



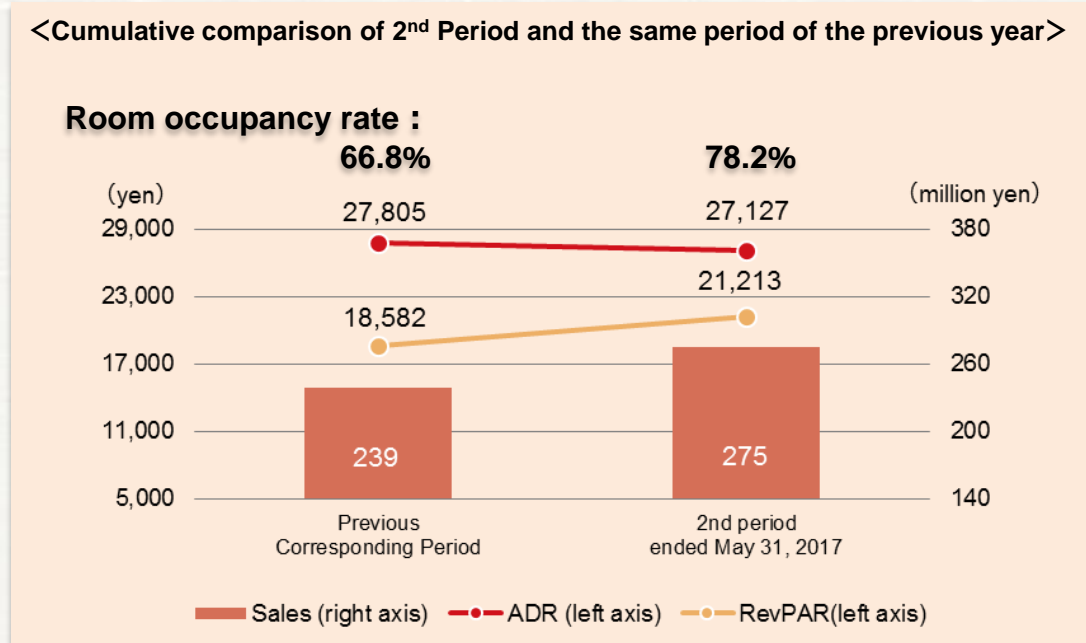
Location: Awara City, Fukui Prefecture
 No. of rooms: 95

Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	76.8%	89.8%	99.0%	83.9%	84.6%	93.2%	84.5%	61.8%	74.1%	88.9%	78.0%	79.4%	82.9%	75.5%	77.8%	+ 2.4%
ADR (yen)	25,859	29,260	38,287	26,325	28,039	28,600	31,121	32,901	28,808	30,382	27,618	29,665	29,875	29,137	30,048	+ 911
RevPAR (yen)	19,871	26,290	37,923	22,085	23,716	26,651	26,302	20,333	21,357	26,998	21,532	23,541	24,768	21,984	23,386	+ 1,403
Sales (million yen)	74	98	138	82	91	100	99	78	76	103	79	89	1,107	483	523	+ 41

S-7 : Ooedo-Onsen Monogatari Kamoshika-so

An onsen and spa-related facility in a rich natural environment. It is located in the Shiobara Hot Springs Area, which has over 1,200 years of history.



Location Nasushiobara City, Tochigi Prefecture
 No. of rooms 60

Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	75.6%	89.4%	98.7%	81.8%	94.5%	96.3%	76.3%	63.4%	75.3%	89.0%	81.0%	83.9%	83.8%	66.8%	78.2%	+ 11.4%
ADR (yen)	24,230	25,952	34,708	26,083	27,149	27,044	27,576	29,076	23,250	27,194	26,316	29,077	27,474	27,805	27,127	-678
RevPAR (yen)	18,307	23,203	34,241	21,330	25,661	26,052	21,053	18,430	17,506	24,212	21,316	24,403	23,035	18,582	21,213	+ 2,630
Sales (million yen)	39	50	74	44	57	56	46	41	35	53	46	54	595	239	275	+ 36

S-8 : Ooedo-Onsen Monogatari Ikaho

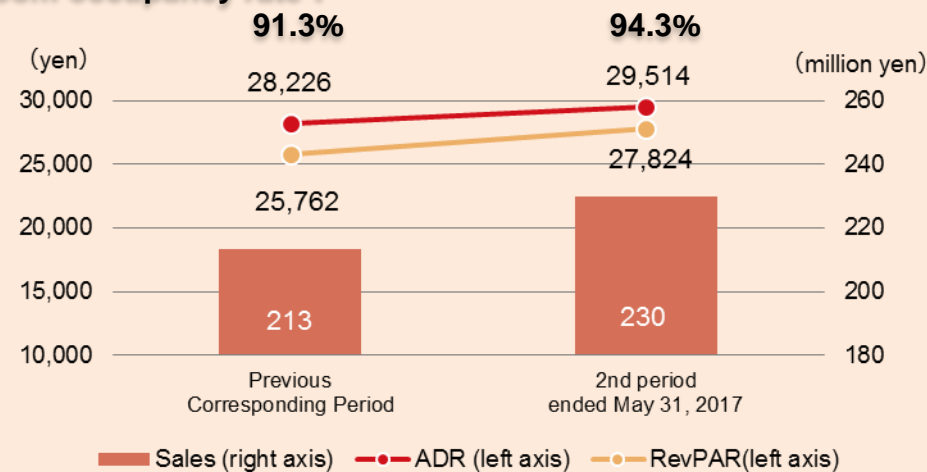
An onsen and spa-related facility where two kinds of hot spring water can be enjoyed. It is located in Ikaho, which is even mentioned in the Manyoshu, Japan's oldest collection of poetry.



Location Shibukawa City, Gunma Prefecture
 No. of rooms 40

<Cumulative comparison of 2nd Period and the same period of the previous year>

Room occupancy rate :



Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	95.3%	98.7%	98.5%	98.3%	99.5%	98.4%	95.3%	87.5%	87.1%	97.7%	98.1%	99.3%	96.2%	91.3%	94.3%	+ 3.0%
ADR (yen)	26,729	29,324	37,459	28,034	30,016	30,251	30,568	29,667	25,060	29,928	29,770	31,247	29,943	28,226	29,514	+ 1,288
RevPAR (yen)	25,482	28,945	36,885	27,566	29,870	29,762	29,138	25,958	21,838	29,252	29,199	31,020	28,808	25,762	27,824	+ 2,062
Sales (million yen)	35	41	52	39	44	42	41	36	28	42	40	44	482	213	230	+ 16

(Note) Ooedo-Onsen Monogatari Ikaho was closed from February 1 to February 5, 2016 due to renovation work.

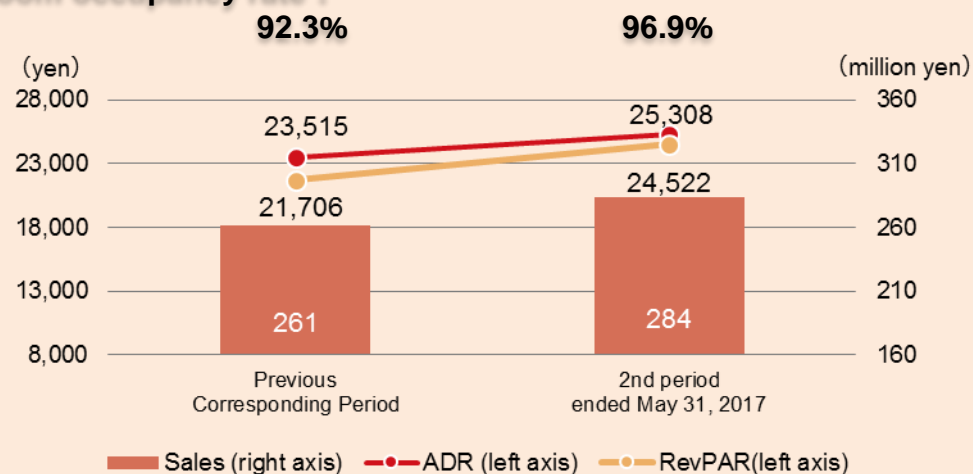
S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

An onsen and spa-related facility located in the interior of the Boso Peninsula. It is accessible from the Tokyo metropolitan area via the Tokyo Bay Aqualine Expressway, etc.



<Cumulative comparison of 2nd Period and the same period of the previous year>

Room occupancy rate :



Location Kimitsu City, Chiba Prefecture

No. of rooms 41

Portfolio operating results

	2016							2017					Cumulative total	Previous corresponding period cumulative total	2nd period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	81.6%	95.0%	97.8%	97.2%	96.5%	96.9%	98.1%	93.8%	97.1%	99.1%	96.6%	96.7%	95.6%	92.3%	96.9%	+ 4.6%
ADR (yen)	23,025	24,879	31,867	23,753	24,361	24,508	26,122	26,008	23,979	25,046	24,106	26,442	25,404	23,515	25,308	+ 1,794
RevPAR (yen)	18,794	23,645	31,165	23,096	23,518	23,751	25,629	24,391	23,289	24,810	23,283	25,568	24,275	21,706	24,522	+ 2,815
Sales (million yen)	36	45	58	44	46	45	49	49	39	50	45	52	559	261	284	+ 23

(Note) Ooedo-Onsen Monogatari Kimitsu-no-mori suspended sales for a total of 101 rooms due to renovation work for some guestrooms in February 2016 and was closed on June 21, 2016.



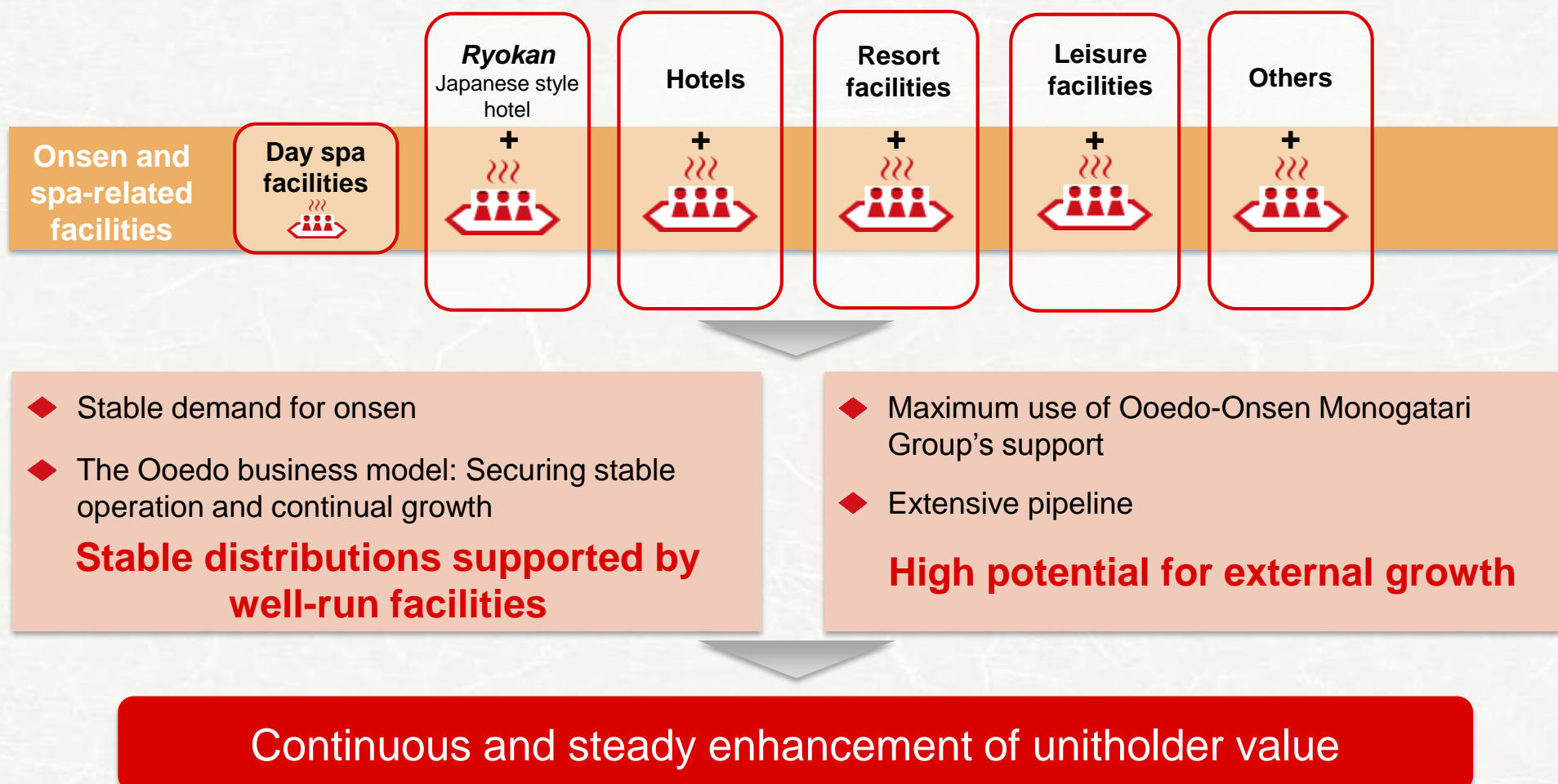
Ⅲ. Characteristics of Ooedo Onsen Reit and Future Management Strategy

Features of Ooedo Onsen Reit Investment Corporation

Enhancement of unitholder value through key investments in onsen and spa-related facilities

Key investments: onsen and spa-related facilities

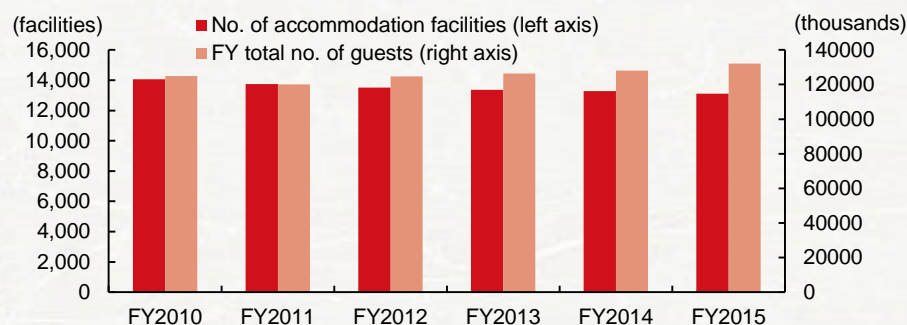
**"Onsen and spa-related facilities" mean facilities that provide onsen (hot springs), or onyoku (hot baths) as one of their primary functions.



Market Environment (1)

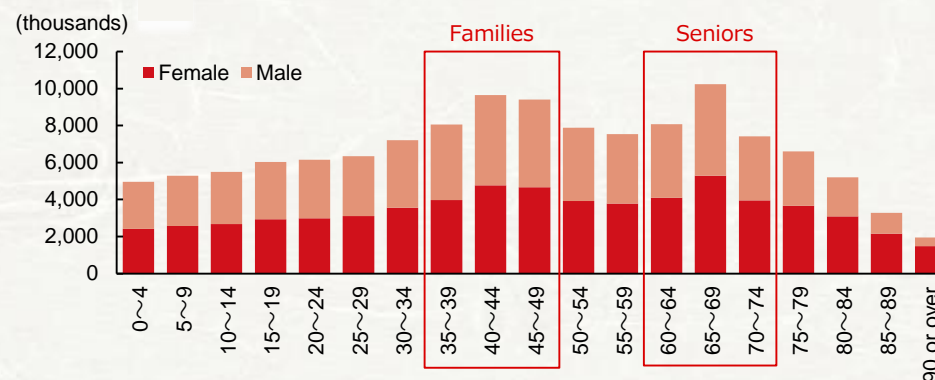
Consumers' needs for onsen is at the top and onsen trips accompanying overnight stays is stable

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



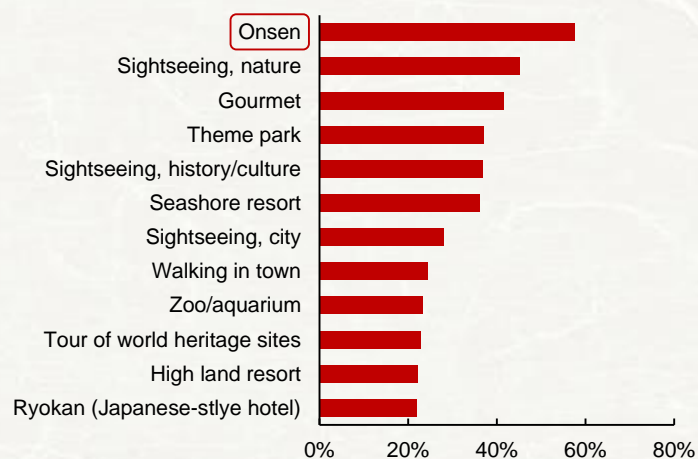
Source: Onsen Use (2010 – 2015), Nature Conservation Bureau, Ministry of the Environment

👤 Demographics



Source: "Population Estimates" (June 2017) Statistic Bureau, Ministry of Internal Affairs and Communications

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



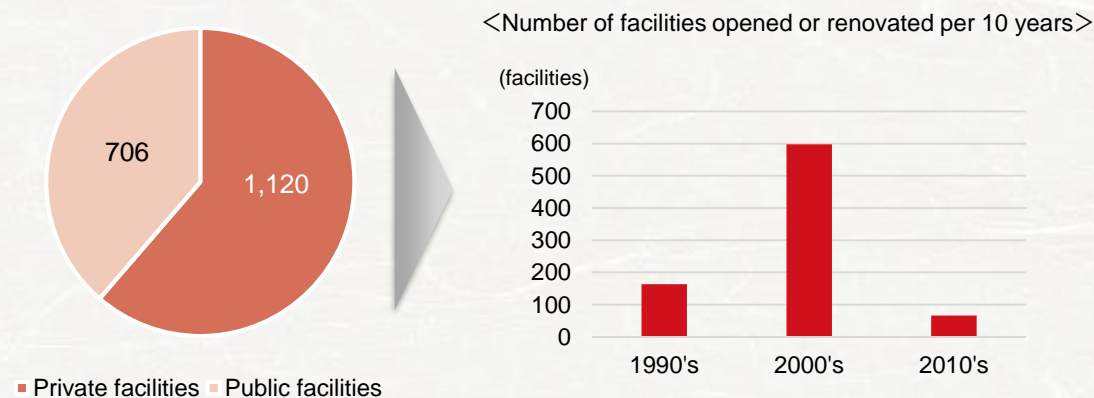
Source: "Annual Report on the Tourism Trends Survey 2016" Public Interest Incorporated Foundations, Japan Travel Bureau Foundation (July 2015-June 2016)

- The number of accommodation facilities' guests has been stable since FY2010 according to the Onsen Use Survey by the Ministry of the Environment
- Taking in families and senior age groups as guests, which represent the two largest demographic groups
- "Onsen" collected the largest percentage among types of trip desired according to the Annual Report on the Tourism Trends Survey

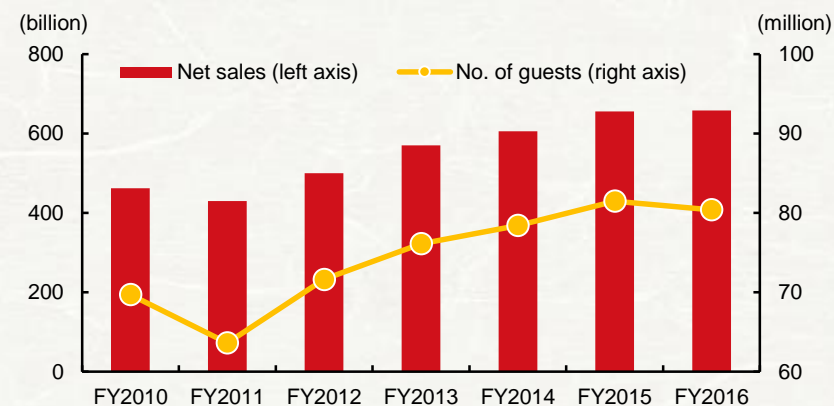
Market Environment (2)

Many day spa facilities are relatively new and are an attractive segment

❖ National spa facilities data



❖ Trends in amusement park and theme park net sales and visitor numbers



Source: (Supplement) National facilities directory (Spa Business White Paper 2015)
 (Note) Number of facilities opened or renovated per 10 years tallied only private facilities of which opening/renovated dates can be identified. Tally for 2010's includes the numbers from 2010 to 2014.

Source: Minister of Economy, Trade and Industry
 (A survey on specific service industries kinetic statistics)

- There are more than 1,000 private day spa facilities nationwide, and most of them were opened or renovated in 2000's or after.
- Amusement park and theme park net sales and visitor numbers have been solid since 2011.

Differentiation Strategy of Ooedo Onsen Reit Investment Corporation (1)

Ooedo business model achieving both high quality and reasonable price

Services from a customer perspective

- Well-thought-out **onsen facilities** and merchandising facilities
- Buffet-style meal service** that earns high customer satisfaction
- Comprehensive in-facility entertainment** (including popular theater shows)



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

**High-quality service
+
Affordable price**

Efficient operation

- Centralized purchasing system** for foodstuffs, fixings and amenities
- Finely tuned cost control (cost management)
- Efficient staff placement



Introducing a unique chain operation (Ooedo business model) in onsen and spa-related facilities

Marketing to maximize customer reach

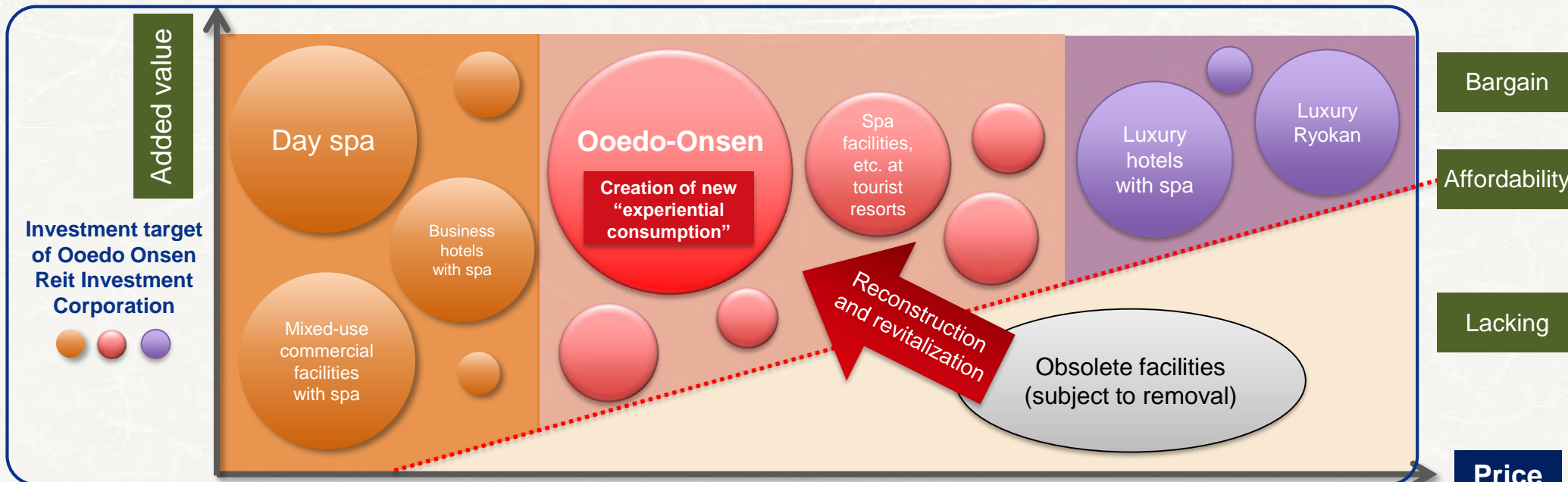
- Marketing **through in-house channels** including reservation centers
- Marketing strategy led by Ooedo-Onsen Monogatari Group headquarters



Differentiation Strategy of Ooedo Onsen Reit Investment Corporation (2)

Investing in highly stable categories with large market volume starting from onsen and spa

Life scene	Facilities used in daily life	Extension of daily life	Special occasions
Distance	Living area	Same region	Outside the area
Purpose	Emphasizing convenience Game arcade, cinema, spa and restaurant	Emphasizing business category Experience-type entertainment, relaxation, natural onsen, banquet and party	Purpose type Tourism, culture, privacy, luxury spa and gourmet



Domestic market volume	Large Mostly in urban area	Large Attracting customers from metropolitan cities in the same region	Small Selected wealthy individuals
Demand and supply environment	Slightly severe Supply is also large	Advantageous Large number of facilities with room for reconstruction and revitalization	Good Many new constructions by developers

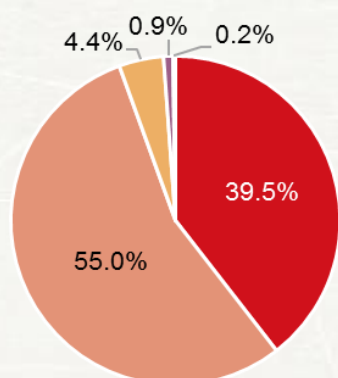
Differentiation Strategy of Ooedo Onsen Reit Investment Corporation (3)

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

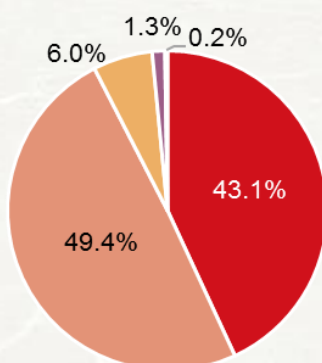
Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from October 1, 2016 to May 31, 2017)

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

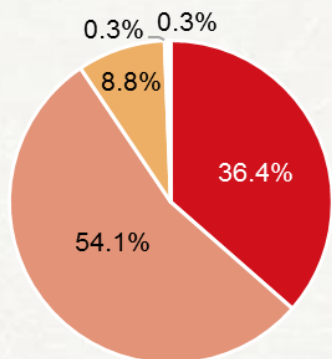
<Overall satisfaction >



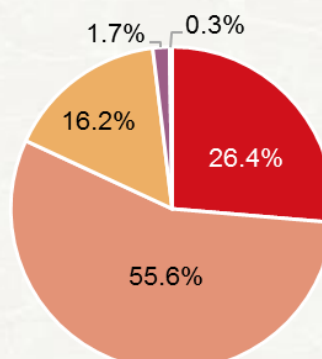
<Meal (breakfast and dinner)>



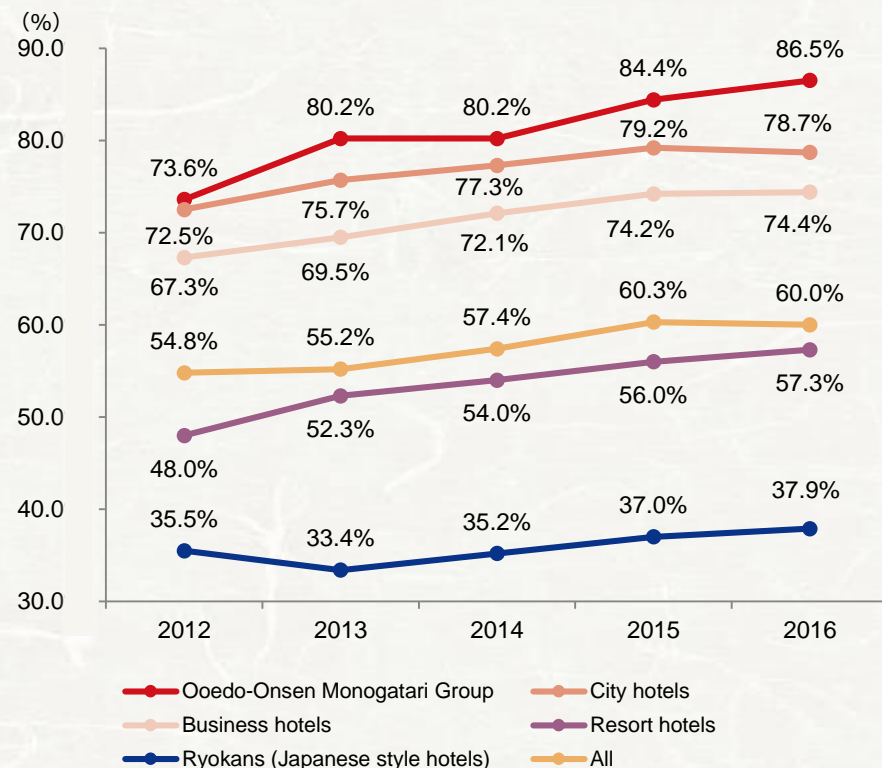
<Onsen>



<Type of services inside the facility>



Very satisfied (Red), Satisfied (Light Red), Fair (Yellow), Unhappy (Purple), Very unhappy (Light Purple)



Source: Data on city hotels, business hotels, resort hotels, ryokans and all based on White Paper on Tourism FY2015, Ministry of Land, Infrastructure, Transport and Tourism, data on Ooedo-Onsen Monogatari Group from Ooedo-Onsen Monogatari Co., Ltd.

Note: Figures for 2016 are preliminary figures

External Growth Strategy (1)

Growth utilizing the sponsor support agreement and unique channels

1. External growth through sponsor pipeline

Priority negotiating rights on **all properties held and to be acquired** by Ooedo-Onsen Monogatari Group

(Main properties listed below)



Hotel New Shiobara
(Nasushiobara City,
Tochigi Prefecture)



Ooedo-Onsen
Monogatari Kinohashi
(Toyooka City,
Hyogo Prefecture)



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



Kinugawa Kanko Hotel
(Nikko City, Tochigi Prefecture)



Ooedo-Onsen
Monogatari Nagayama
(Kaga City,
Ishikawa Prefecture)



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



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



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



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



Higashiyama Grand
Hotel
(Nikko City,
Tochigi Prefecture)



Yamashiro Onsen
Yamashitaya
(Kaga City,
Ishikawa Prefecture)



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

2. Acquisition from the market through channels unique to the asset management company

Targeting **diverse onsen and spa-related facilities**

[Use] Lodging type, day-trip type, specific-purpose type, etc.

[Location] Urban, suburban, regional (onsen sites), etc.

- Use of Ooedo-Onsen Monogatari Group's operational know-how and knowledge

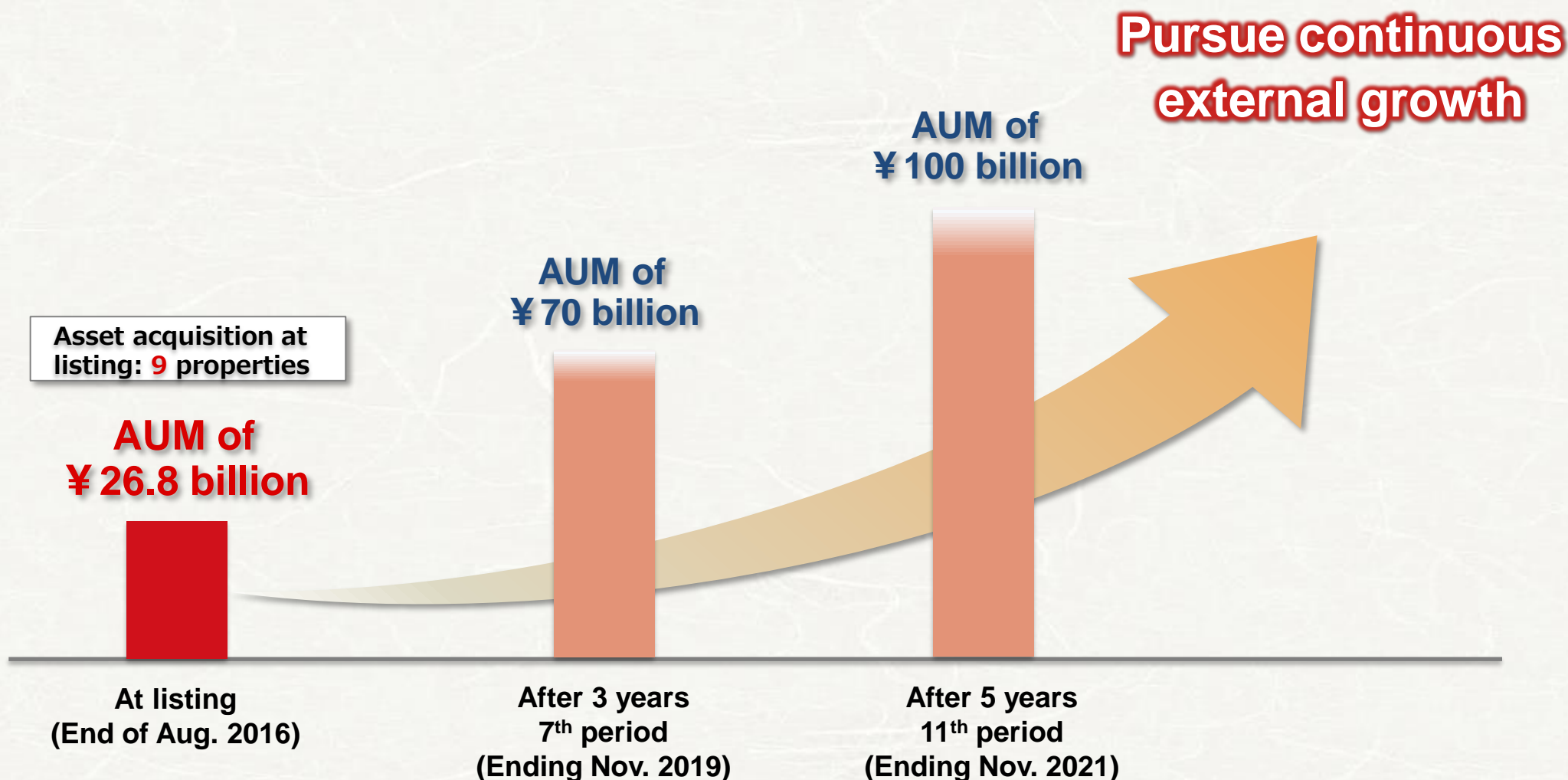
Number of inquiries for potential deal information in 2nd fiscal period (ended May 2017)

70

(Reference: 29 in 1st fiscal period)

External Growth Strategy (2)

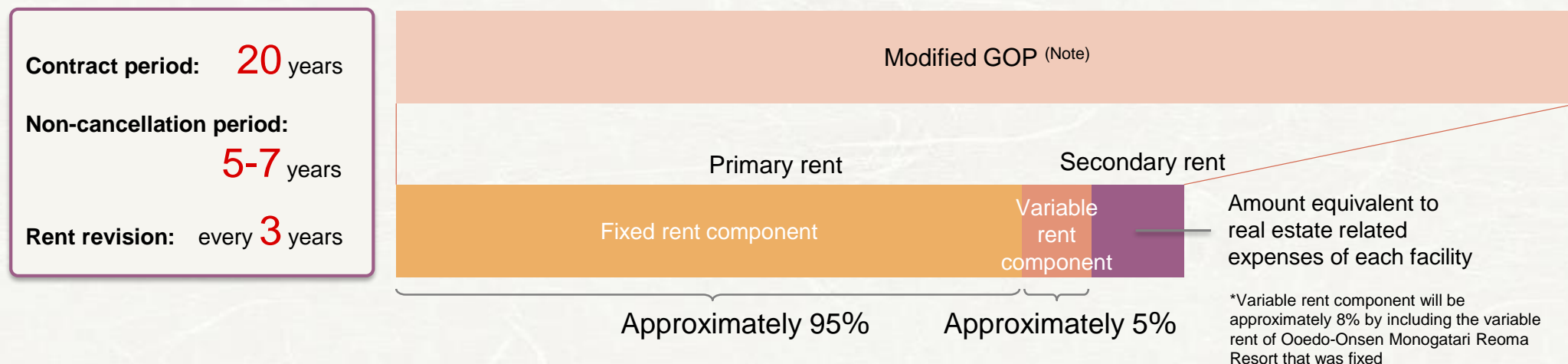
Continuous expansion of portfolio centering on sponsor pipeline, combined with acquisition through unique channels



Internal Growth Strategy (1)

Rental system that captures upside of rental income while securing stable cash flow

- Improved cash flow stability due to substantive triple net leases



Structure of primary rent, which is mainly composed of the fixed rent component

Mechanism for variable rent generation based on concept of win-win with tenant

Secondary rent underpins stable cash flow

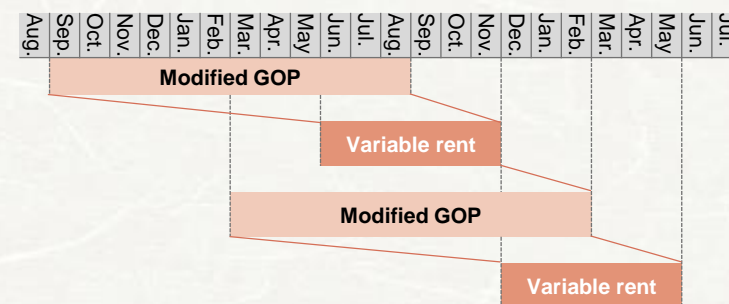
Calculation formulas for variable rent

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 it is liable for the Investment Corporation + nonlife insurance premiums + other expenses (real estate expenses)

(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).

Calculation periods for variable rent



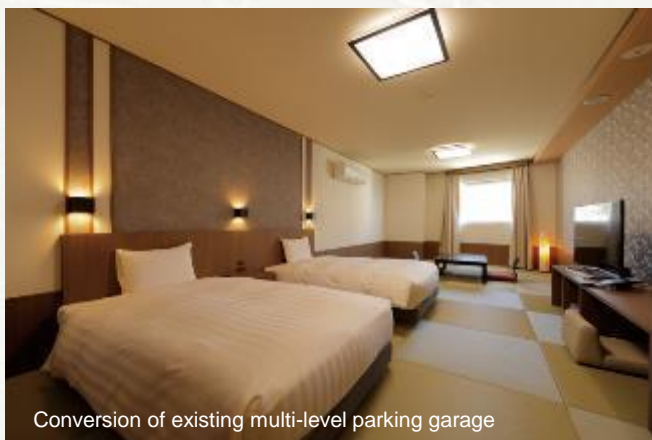
Internal Growth Strategy (2)

Planned repairs and capital expenditures to maintain and enhance medium-to long-term earnings

- Repair costs are, in principle, borne by the tenant
The investment corporation holds only the land and building itself and main equipment, all other equipment is owned by the tenant
- Respond to deterioration over time through planned capital expenditures such as for partial rebuilding
- Carry out strategic value-increasing investments through cooperation with sponsor groups

<Example of increased value at Ooedo-Onsen Monogatari Atami>

Increase
in sale



Increase
competitiveness



Financial Strategy

Conservative LTV control and proper cash management

🌸 Basic policy

LTV control

- Will conduct conservative management although the LTV ceiling is set at 60% as a rule taking account of ensuring available funds

Debt finance

- Compare and determine borrowing conditions based on negotiations with qualified institutional investors that are potential lenders while reducing the impact of fluctuations in the fund procurement environment.

Cash management

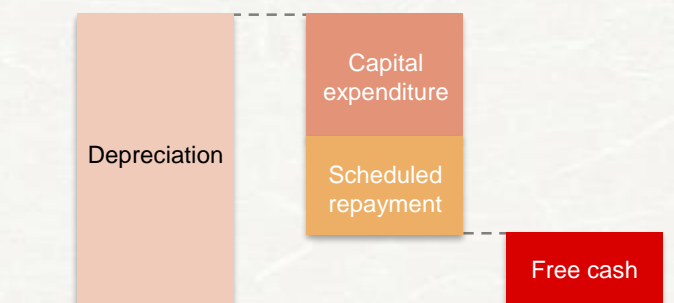
- Will retain the required amount for unexpected expenditure and flexible acquisition of assets and prioritize repayment of debt without reserving funds in excess of requirements.

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.

Proper cash management

● Concept of free cash



- ✓ Unexpected expenditure
- ✓ Flexible acquisition of assets
- ✓ Excess cash distribution



IV. 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					
				1st period Nov. 30, 2016	2nd period May 31, 2017	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
								1st period Nov. 30, 2016	2nd period May 31, 2017	valuation	1st period Nov. 30, 2016	2nd period May 31, 2017	valuation	1st period Nov. 30, 2016	2nd period May 31, 2017	valuation
S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,578	10,900	10,900	+0	+321	6.2%	6.1%	-0.1%	6.0%	5.9%	-0.1%	6.4%	6.3%	-0.1%
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,627	3,820	3,840	+20	+212	5.6%	5.6%	0.0%	5.4%	5.4%	0.0%	5.8%	5.8%	0.0%
S-3	Ito Hotel New Okabe	2,657	2,702	2,810	2,820	+10	+117	5.2%	5.2%	0.0%	5.0%	5.0%	0.0%	5.4%	5.4%	0.0%
S-4	Ooedo-Onsen Monogatari Atami	2,997	2,997	3,160	3,180	+20	+182	5.2%	5.2%	0.0%	5.0%	5.0%	0.0%	5.4%	5.4%	0.0%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,921	1,980	1,990	+10	+68	5.7%	5.7%	0.0%	5.5%	5.5%	0.0%	5.9%	5.9%	0.0%
S-6	Ooedo-Onsen Monogatari Awara	1,901	1,961	1,980	1,980	+0	+18	6.0%	6.0%	0.0%	5.8%	5.8%	0.0%	6.2%	6.2%	0.0%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,242	1,270	1,270	+0	+27	5.1%	5.3%	0.2%	4.9%	5.1%	0.2%	5.3%	5.5%	0.2%
S-8	Ooedo-Onsen Monogatari Ikaho	1,299	1,317	1,370	1,380	+10	+62	5.4%	5.4%	0.0%	5.2%	5.2%	0.0%	5.6%	5.6%	0.0%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	848	861	862	+1	+13	5.2%	5.3%	0.1%	5.0%	5.1%	0.1%	5.4%	5.5%	0.1%
Total		26,844	27,197	28,151	28,222	+71	+1,024	-	-	-	-	-	-	-	-	-

Introduction of Properties (1)

S-1 Ooedo-Onsen Monogatari Reoma Resort



Location: Marugame City,
Kagawa Prefecture

Date of construction: July, 1991 (Hotel Reoma no mori)
March, 1991 (New Reoma World)

Area characteristics

- 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

Date of construction: February, 1973

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

Date of construction: November, 1990

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 is located, was founded in the Heian Era and is regarded as one of Japan's premier onsen sightseeing spots.



Introduction of Properties (2)

S-4 Ooedo-Onsen Monogatari Atami



Location: Atami City, Shizuoka Prefecture
Date of construction: February, 1959

Area characteristics

- Atami City is located at the base of the Izu Peninsula and 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 Hanabi Taikai fireworks display) and the Omiya no Matsu pine tree statue, etc. In recent years, it has been in the limelight again as an onsen resort that is low-cost, close and quick to get to from the Tokyo metropolitan area.
- Atami Onsen, where this facility is located, is said to have been founded in the Nara Era and is full of history and onsen atmosphere. It is counted as one of Japan's premier onsen sightseeing spots.



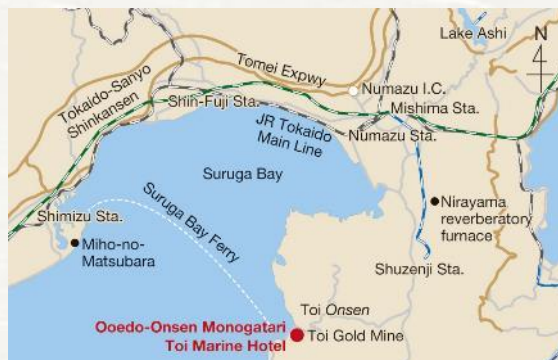
S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



Location: Izu City, Shizuoka Prefecture
Date of construction: October, 1974

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 situated on the west coast of the Izu Peninsula and is the oldest onsen district in the western Izu district, where hotels and ryokans line the coast. During the Edo era, the region flourished because of the Toi Gold Mine, and the tunnels are now a tourist attraction.



S-6 Ooedo-Onsen Monogatari Awara



Location: Awara City, Fukui Prefecture
Date of construction: October, 1972

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 throughout Japan, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.
- Awara Onsen, where this facility is located, was founded in 1884, and together with Kaga Onsen Village, which includes Yamashiro Onsen, Yamanaka Onsen and Katayamazu Onsen, located in nearby Kaga City, it is known as the "back parlor" of the Kansai region.



Introduction of Properties (3)

S-7 Ooedo-Onsen Monogatari Kamoshika-so



Location: Nasushiobara City, Tochigi Prefecture
Date of construction: February, 1996

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.
- The Shiobara Hot Springs Area, where this facility is located, has over 1,200 years of history and gained popularity due to the six different types of hot spring water.



S-8 Ooedo-Onsen Monogatari Ikaho



Location: Shibukawa City, Gunma Prefecture
Date of construction: November, 1983

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, where this facility is located, is a well-known onsen with a long history. It is an iconic onsen area of northern Kanto, the “back parlor” of Tokyo metropolitan area, and has Kogane no yu (golden hot water), famed for being muddy, and Shirogane no yu (silver hot water), which is colorless and transparent.



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



Location: Kimitsu City, Chiba Prefecture
Date of construction: March, 1996

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.
- The interior of the Boso Peninsula, where this facility is located, has popular nearby sightseeing spots (Country Farm Tokyo German Village, Mother Farm, Nokogiri Yama Ropeway, and swimming beaches), so it is an area where tourist demand can be expected.



Financial Indices

Indices	1st period (Nov. 30, 2016)	2nd period (May 31, 2017)	Calculation formula
Ordinary income	67 mn yen	446 mn yen	
Net income	65 mn yen	445 mn yen	
Depreciation	131 mn yen	264 mn yen	
CAPEX	12 mn yen	90 mn yen	
Total assets	30,732 mn yen	29,440 mn yen	
Total net assets	15,818 mn yen	16,197 mn yen	
BPS (Total net assets/unit)	89,775 yen	91,925 yen	
Unit price (End of each period)	79,400 yen	88,600 yen	
Total units outstanding	176,200 units	176,200 units	
Total distribution	66 mn yen	446 mn yen	
DPU	376 yen	2,533 yen	
Distribution yield	1.9%	5.7%	DPU (annualized)/Unit price as of end of period
FFO	197 mn yen	708 mn yen	Net income + Depreciation – profit or loss on sale of real estate
FFO per unit	1,119 yen	4,022 yen	
FFO multiple	17.7x	11.0x	Unit price as of end of period/FFO per unit (annualized)
PER	53.0x	17.5x	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	0.2%	1.5%	Ordinary income/Average of total assets during the period
Annualized	0.9%	3.0%	
ROE	0.4%	2.8%	Net income/Average of total net assets during the period
Annualized	1.7%	5.6%	
NAV	16,599 mn yen	17,221 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV per unit	94,207 yen	97,740 yen	
NAV multiple	0.8x	0.9x	Unit price as of end of period/NAV per unit
Interest-bearing debt	13,524 mn yen	11,735 mn yen	
LTV (book value basis)	44.0%	39.9%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	42.9%	38.5%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	91days	182days	

Balance Sheet

	(thousand yen)	
	1st period (period ended Nov. 30, 2016)	2nd period (period ended May 31, 2017)
Assets		
Current assets		
Cash and deposits	1,599,405	1,970,733
Operating accounts receivable	326	—
Prepaid expenses	118,600	106,728
Consumption taxes receivable	1,431,892	—
Deferred tax assets	24	15
Other	—	1,105
Total current assets	3,150,250	2,078,582
Non-current assets		
Property, plant and equipment		
Buildings	18,079,683	18,169,276
Accumulated depreciation	-131,368	-394,939
Buildings, net	17,948,314	17,774,336
Structures	—	1,259
Accumulated depreciation	—	-7
Structures, net	—	1,251
Land	9,264,018	9,264,041
Total property, plant and equipment	27,212,332	27,039,629
Intangible assets		
Leasehold right	157,802	157,802
Software	6,191	6,963
Total intangible assets	163,993	164,765
Investments and other assets		
Long-term prepaid expenses	196,129	147,310
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	206,129	157,310
Total non-current assets	27,582,456	27,361,706
Total assets	30,732,706	29,440,289
Liabilities		
Current liabilities		
Operating accounts payable	1,159	90,263
Short-term loans payable	2,177,000	—
Current portion of long-term loans payable	223,000	723,000
Accounts payable - other	261,251	226,007
Accrued expenses	7,580	8,212
Income taxes payable	1,321	915
Accrued consumption taxes	—	61,072
Advances received	183,256	184,050
Other	105	1,211
Total current liabilities	2,854,675	1,294,733
Non-current liabilities		
Long-term loans payable	11,124,250	11,012,750
Tenant leasehold and security deposits	868,270	868,270
Asset retirement obligations	67,100	67,248
Total non-current liabilities	12,059,620	11,948,269
Total liabilities	14,914,295	13,243,002
Net assets		
Unitholders' equity		
Unitholders' capital	15,752,576	15,752,576
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	—	-528
Total deduction from unitholders' capital	—	-528
Unitholders' capital, net	15,752,576	15,752,047
Surplus		
Unappropriated retained earnings (undisposed loss)	65,834	445,238
Total surplus	65,834	445,238
Total unitholders' equity	15,818,410	16,197,286
Total net assets	15,818,410	16,197,286
Total liabilities and net assets	30,732,706	29,440,289

Statement of Income

(thousand yen)

	1st period (from March 29, 2016 to November 30, 2016)	2nd period (from December 1, 2016 to May 31, 2017)
Operating revenue		
Lease business revenue	507,696	1,021,730
Total operating revenue	507,696	1,021,730
Operating expenses		
Expenses related to rent business	140,191	318,123
Asset management fee	47,979	114,178
Asset custody fee	1,662	1,367
Administrative service fees	8,323	12,892
Directors' compensations	5,400	3,600
Other operating expenses	37,600	23,598
Total operating expenses	241,157	473,760
Operating income	266,538	547,969
Non-operating income		
Interest income	0	8
Interest on refund	-	2,267
Total non-operating income	0	2,275
Non-operating expenses		
Interest expenses	24,222	47,403
Organization expenses	73,020	-
Investment unit issuance expenses	73,828	-
Borrowing related expenses	28,336	56,788
Total non-operating expenses	199,408	104,191
Ordinary income	67,131	446,053
Income before income taxes	67,131	446,053
Income taxes - current	1,321	916
Income taxes - deferred	-24	-24
Total income taxes	1,296	926
Net income	65,834	445,127
Retained earnings brought forward	-	111
Unappropriated retained earnings (undisposed loss)	65,834	445,238

Debt Status

List of lenders

(as of May 31, 2017)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security	Notes
Long term	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd. The Iyo Bank, Ltd. The Bank of Fukuoka, Ltd. The Nomura Trust and Banking Co., Ltd. The Shinwa Bank, Ltd.	6,950	Base rate (JBA 3 months Yen TIBOR) + 0.65%	September 1, 2016	May 31, 2019	Unsecured and unguaranteed	(Note 1)
	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd.	3,793	Base rate (JBA 3 months Yen TIBOR) + 0.80%	September 1, 2016	May 29, 2020	Unsecured and unguaranteed	(Note 2)
	Sumitomo Mitsui Banking Corporation	491	Base rate (JBA 3 months Yen TIBOR) + 1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed	(Note 3)
	Sumitomo Mitsui Banking Corporation	500	Base rate (JBA 1 month Yen TIBOR) + 0.35%	May 31, 2017	May 31, 2018	Unsecured and unguaranteed	
Total		11,735					

(Note 1) With the first payment on the last day of October 2016, and subsequent payments on the last day of each subsequent quarter, 34,250,000 yen will be divided proportionally according to the amount of unpaid principal of each lender and the amount repaid, with the remainder being paid on the principal return date.

(Note 2) With the first payment on the last day of October 2016, and subsequent payments on the last day of each subsequent quarter, 18,750,000 yen will be divided proportionally according to the amount of unpaid principal of each lender and the amount repaid, with the remainder being paid on the principal return date.

(Note 3) With the first payment on the last day of October 2016, and subsequent payments on the last day of each subsequent quarter, 2,750,000 yen will be divided proportionally according to the amount of unpaid principal of each lender and the amount repaid, with the remainder being paid on the principal return date.

(Note 4) Please refer to the website of the General Incorporated Association JBA TIBOR Administration for information about the Japanese Bankers Association Japanese yen TIBOR.

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.

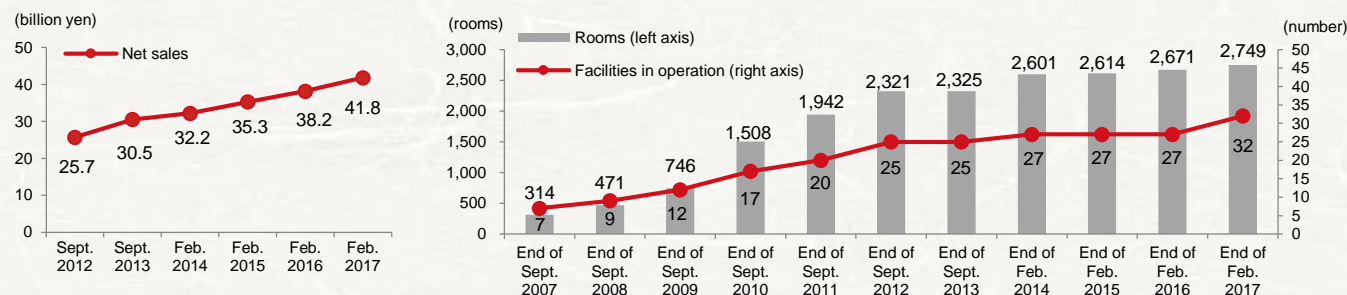
Overview

Company Name	Ooedo-Onsen Monogatari Co., Ltd.
Address	1-9-4 Nihonbashi-honcho, Chuo-ku, Tokyo
Representative	Representative Director Mitsumasa Morita
Establishment	September 26, 2014 (founded in November 2001)

Capital	112 million yen (as of end of February 2017)
No. of Employees	1,104 (consolidated, as of end of February 2017)
Financial Results (Feb. 2017)	Consolidated Net Sales: 41,834 million yen Consolidated Total Assets: 62,570 million yen Net Assets: 10,879 million yen

Businesses	<ul style="list-style-type: none"> Reinvigorating onsen ryokan, hotels, spa-related facilities, theme parks around the country We started with the onsen theme park, “Ooedo-Onsen Monogatari,” which has an Edo culture theme. As of May 31, 2017, we operate 34 onsen and spa-related facilities
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Trends in net sales, number of rooms and number of facilities operated by the Ooedo-Onsen Monogatari Group

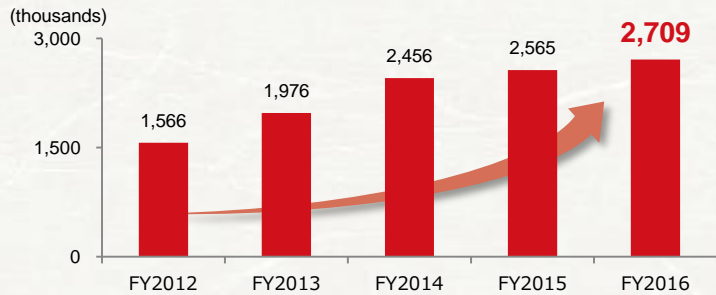


2003	2007	2009	2010	2013	2016	2017
Opened Ooedo-Onsen Monogatari in Odaiba, Tokyo	Acquired facilities, including Aizu, Ikaho, Nikko Kirifuri, and Kamoshika-so, etc.	Acquired Urayasu Mangekyo	Acquired Hotel New Okabe, Hotel New Shiobara, Kinugawa Kanko Hotel, and Reoma Resort	Opened Minoh Kanko Hotel and Minoh Onsen Minoh Spa Garden	Opened Kouunkaku, Masuya and Nagasaki Hotel Seifu	Opened Hotel Suiyotei, Gero Shin-kan and Beppu Seifu
						
Odaiba Ooedo-Onsen Monogatari	Ooedo-Onsen Monogatari Aizu	Ooedo-Onsen Monogatari Nikko Kirifuri	Ooedo-Onsen Monogatari Urayasu Mangekyo	Kinugawa Kanko Hotel	Hotel New Shiobara	Ooedo-Onsen Monogatari Minoh Kanko Hotel
						
Ooedo-Onsen Monogatari Ikaho	Ooedo-Onsen Monogatari Kamoshika-so	Ooedo-Onsen Monogatari Reoma Resort (Reoma no Mori)	Ooedo-Onsen Monogatari Reoma Resort (New Reoma World)	Minoh Onsen Minoh Spa Garden	Ooedo-Onsen Monogatari Masuya	Ooedo-Onsen Monogatari Gero Shin-kan
						
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Ooedo-Onsen Monogatari Beppu Seifu					

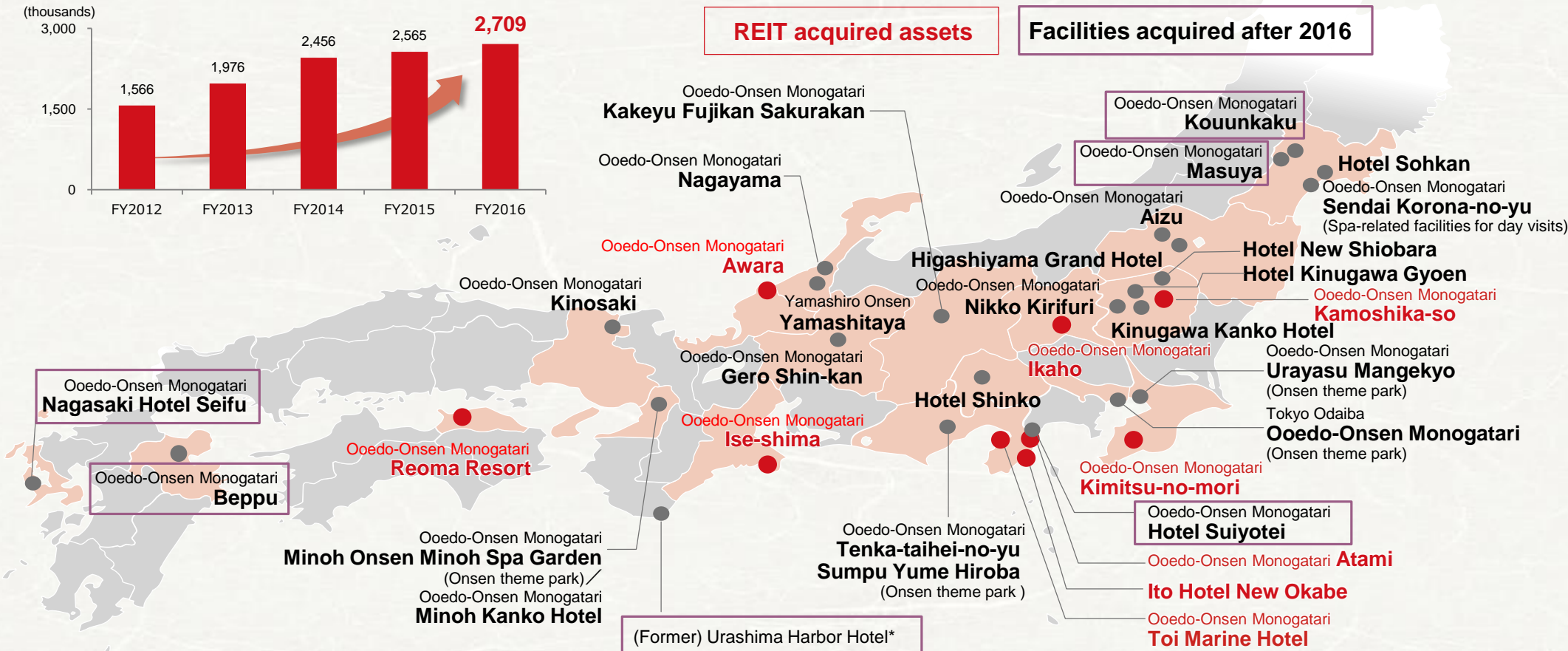
Ooedo-Onsen Monogatari Group (2)

The total number of hotel guests at onsen and spa-related facilities operated by Ooedo-Onsen Monogatari Group has increased steadily since FY 2012. In addition, the Group is proactively expanding the portfolio by acquiring 7 facilities in and after 2016.

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



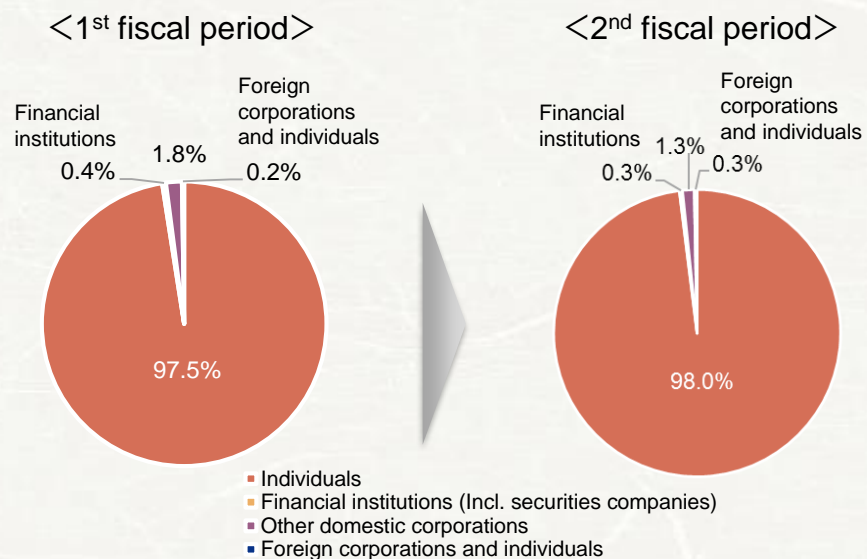
Onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group



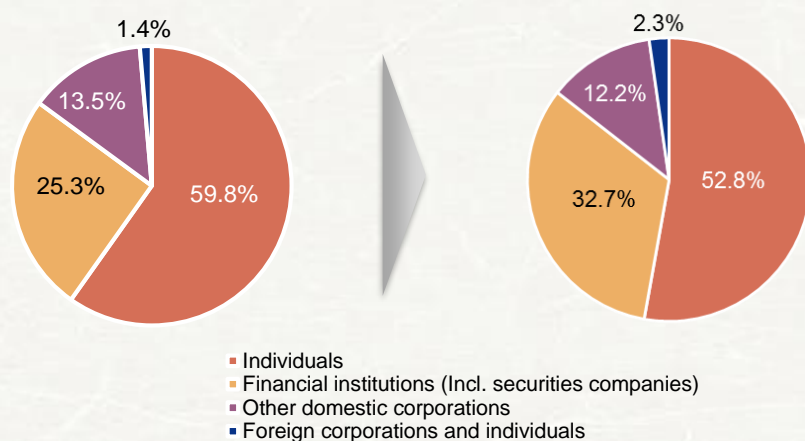
*Acquired stake in company owning the facility

Unitholders Breakdown

Ratio by number of unitholders



Ratio by number of investment units



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust Account)	24,378	13.8%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	10,491	6.0%
3	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	9,523	5.4%
4	Ooedo-Onsen Mongatari Co., Ltd.	9,246	5.2%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,466	2.5%
6	Individual	2,200	1.2%
7	JF Kyosai Sui ren	1,939	1.1%
8	Individual	1,300	0.7%
9	Hida Shinkin Bank	1,000	0.6%
9	General Incorporated Association Seiikai	1,000	0.6%
Total		65,543	37.2%

Efforts for IR Activities

IR activities

<Main IR activities>

IR activities for domestic institutional investors

- Conducting IR activities for central/regional investors
- Holding individual meetings, etc.

IR activities for overseas institutional investors

- Participating in global conferences in Japan
- Holding individual meeting in Japan, etc.

IR activities for private investors

- Holding seminars for private investors
- Participating in fairs for private investors, etc.

Seminars for private investors sponsored by securities companies

- Branch office seminars (Numazu, Nagoya, Osaka, Hiroshima)
- Online IR seminars



Fairs for private investors

- TSE IR Festa J-REIT corner (held on January 28, 2017)

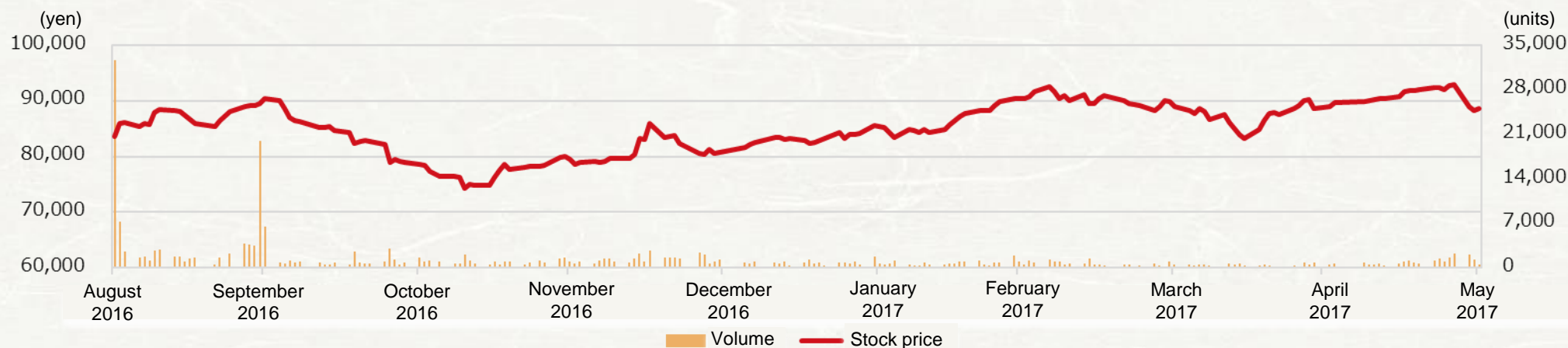


Launch of website for individual investors



Change in 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.

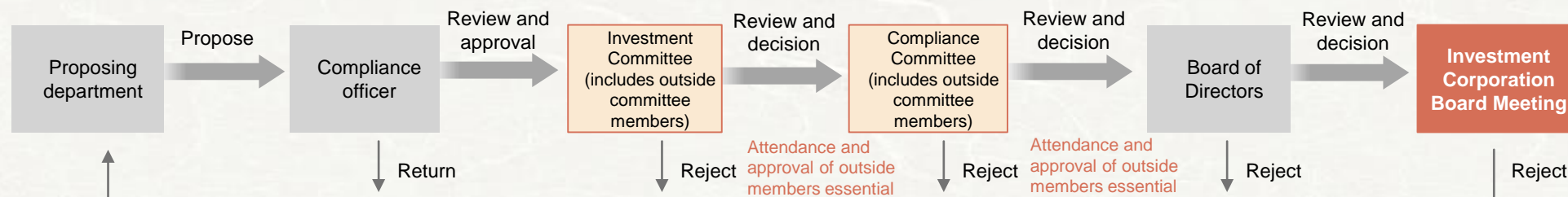
Management fee I	Total assets at end of previous accounting period ^(Note1) × 1.0% per annum (ceiling)
Management fee II	Management fee II for previous accounting period × (DPU before deduction of current period management fee II/DPU before deduction of previous period management fee II) × management fee II revised ratio
Acquisition fee^(Note 2)	Acquisition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))
Disposition fee	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. As for the 1st fiscal period, the amount will be the acquisition price of the acquired assets revised in accordance with the actual number of days of management.

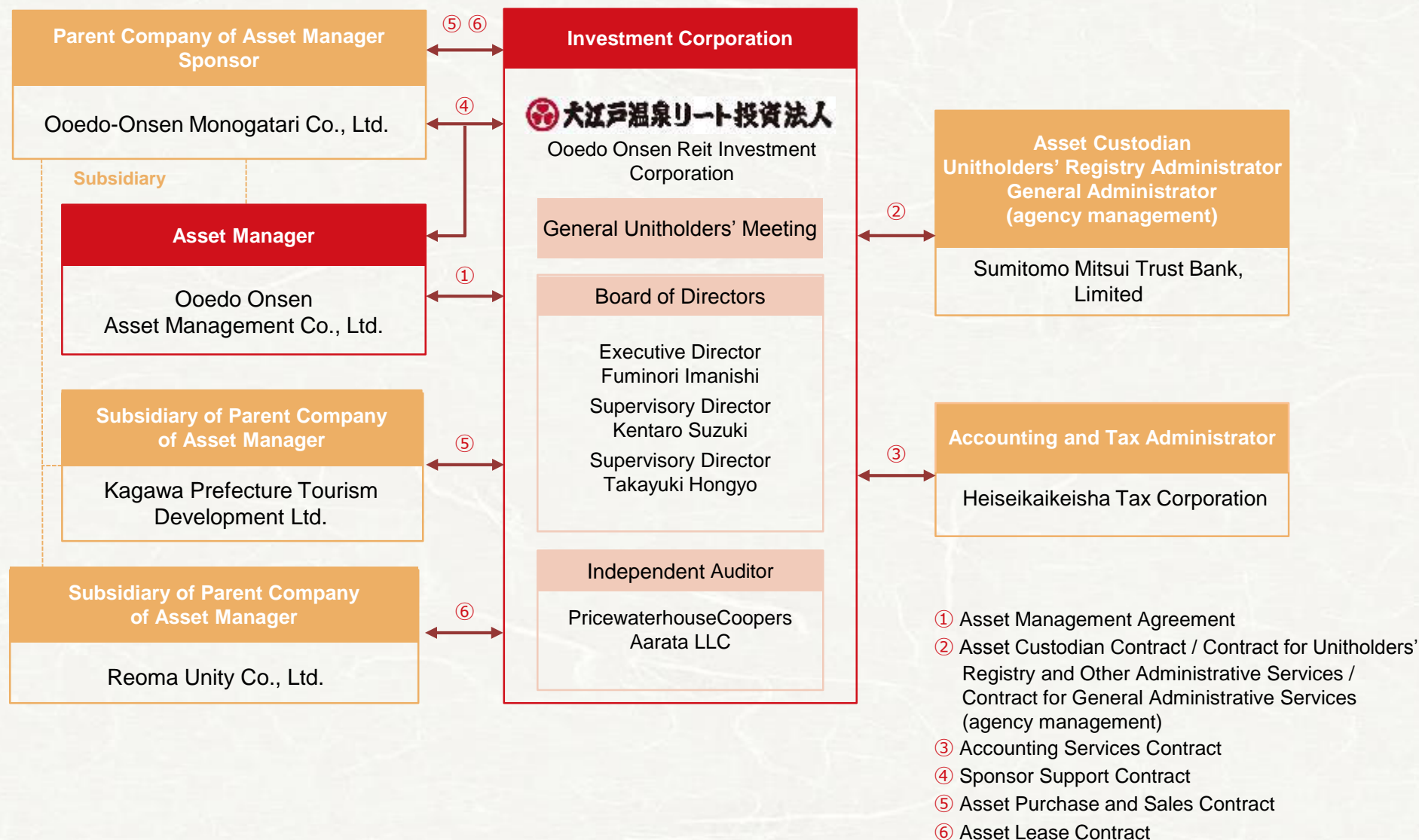
(Note 2) Where the sum calculated for an acquired asset is less than 5 million yen, the acquisition fee is set at 5 million yen.

(Note 3) The sum of management fee I and the first fiscal period's management fee II is set to be within the limit of roughly 1% of total assets at the end of the relevant business period.

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

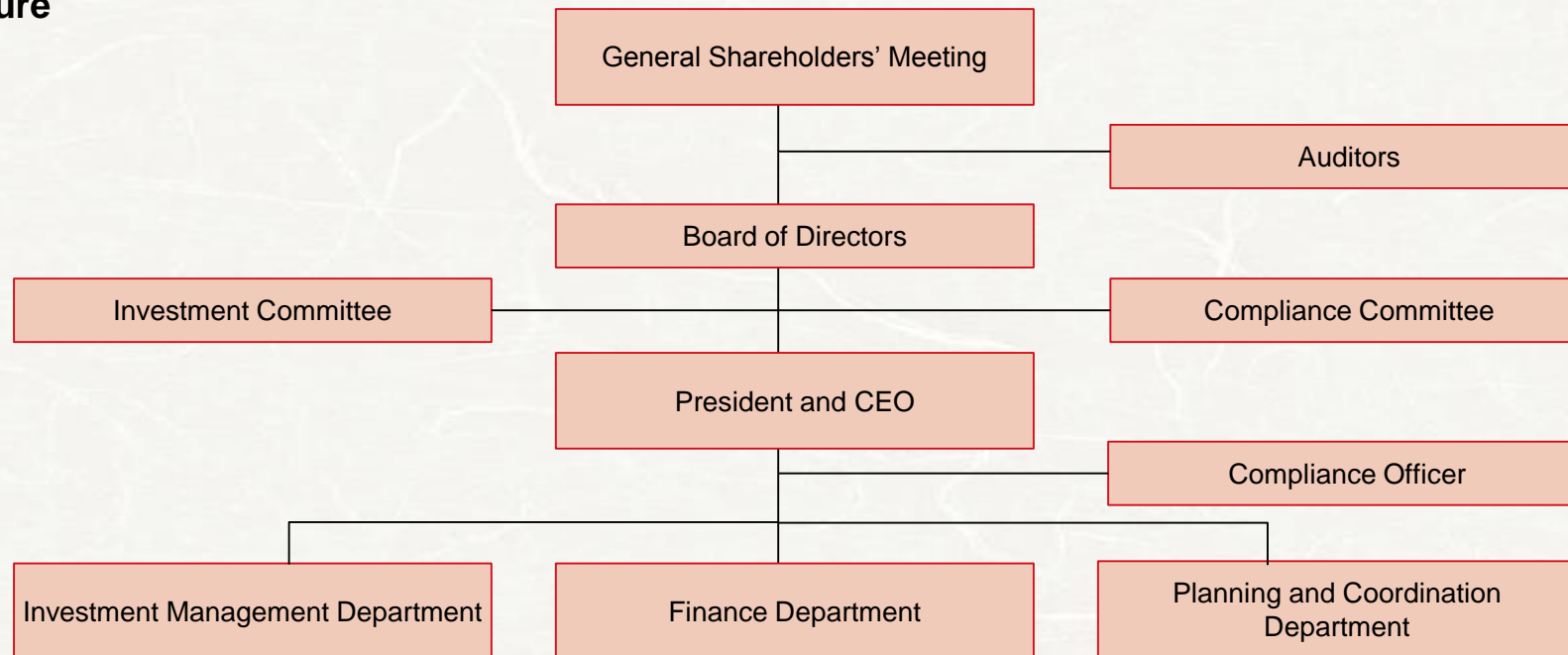
Discretionary transaction agent, Minister of Land, Transport and Tourism License No. 102

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

Member of the Investment Trusts Association, Japan

Employees : 10 (as of May 31, 2017)

Structure



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