



**大江戸温泉リート投資法人**

Ooedo Onsen Reit Investment Corporation

Results of 3rd Fiscal Period ended November 30, 2017

# Presentation Material

January 23, 2018

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

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# I . Operating Highlights

# Public Offering and Property Acquisition (1)

Steady improvement of main indicators due to new property acquisition using proceeds from public offering paid in at the beginning of the 4<sup>th</sup> fiscal period

	2 <sup>nd</sup> period (May 2017) Actual	3 <sup>rd</sup> period (November 2017) Actual		4 <sup>th</sup> period (May 2018) Forecast	5 <sup>th</sup> period (November 2018) Forecast	Change (3 <sup>rd</sup> vs. 5 <sup>th</sup> )
NAV per unit	97,740 yen	98,576 yen	Public offering · Property acquisition	103,049 yen	103,073 yen	+4.6%
FFO per unit	4,022 yen	3,903 yen		4,133 yen	4,199 yen	+7.6%
DPU per unit [Cruising basis] ※	2,533 yen	2,392 yen [2,359 yen]		2,370 yen	2,407 yen	+0.6% [+2.0%]
LTV (book value basis)	39.9%	39.8%		42.3%	41.2%	+1.4%

(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) Figures for the 4<sup>th</sup> and 5<sup>th</sup> periods of NAV per unit are calculated based on figures obtained by adding the acquisition price or appraisal value of newly acquired properties to the actual results of the 3<sup>rd</sup> period.

※ On a normal basis after deducting temporary insurance revenue

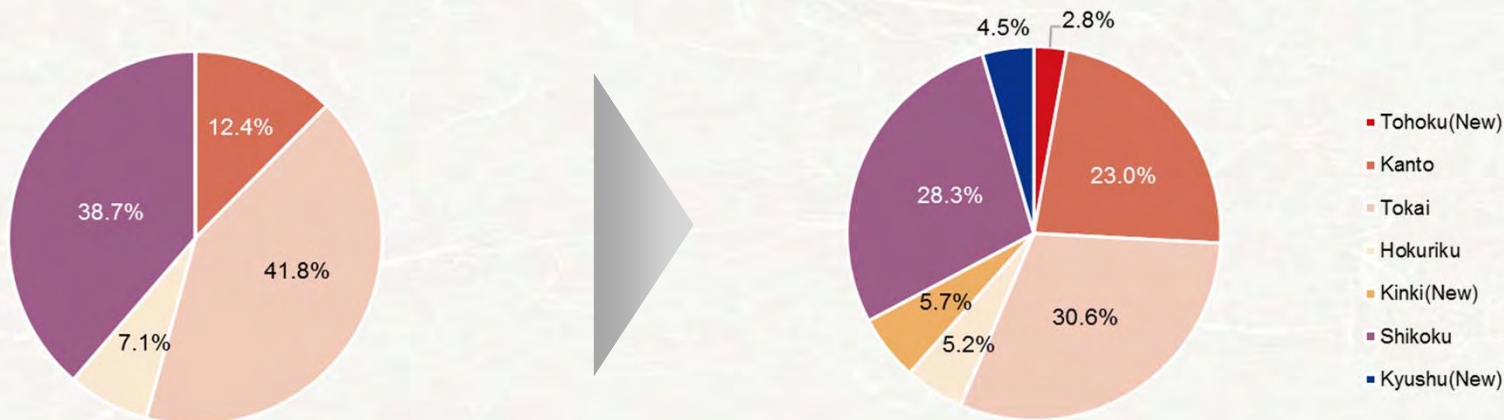
## Overview of public offering

Offering method	Domestic offering	Number of investment units newly offered	59,147 units
Launching date	November 9, 2017	Number of investment units after public offering	235,347 units
Pricing date	November 20, 2017	Offering price	85,937 yen per unit
Payment date	December 1, 2017	Issuing price	82,852 yen per unit
Number of investment units before public offering	176,200 units	Total issue amount	4,900,447,244 yen (including third-party allotment)

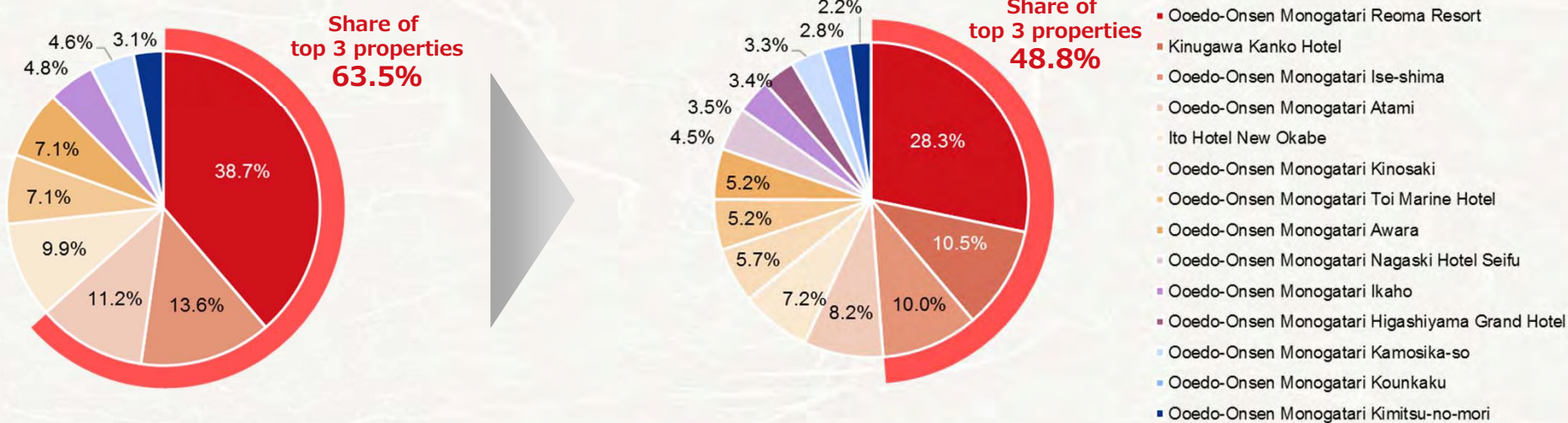
# Public Offering and Property Acquisition (2)

Strengthening portfolio foundation through progress of diversification by region and by facility

Investment ratio by region (acquisition price basis)



Investment ratio by facility (acquisition price basis)



# Public Offering and Property Acquisition (3)

Achieving diversification of investment area assuming customer attraction from urban areas

- Properties held at the end of 3rd fiscal period
- Newly acquired properties



# Overview of Newly Acquired Properties (1)

Realized acquisitions of facilities with high occupancy rates at a discount of 16.2% against appraisal value

Number of properties:  
5 properties

Total acquisition price:  
9,861 mn yen

Total appraisal value:  
11,770 mn yen

Ratio against appraisal value:  
83.8%

Average appraisal NOI yield:  
7.8%

After depreciation appraisal NOI yield:  
4.7%

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



Room occupancy rate:  
99.7%

ADR :  
31,677 yen

RevPAR :  
31,581 yen

Sales :  
663 mn yen

	2017						Cumulative total
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Room occupancy rate	100%	100%	100%	100%	98.3%	100%	99.7%
ADR (yen)	30,686	28,660	33,835	27,485	35,573	33,789	31,677
RevPAR (yen)	30,686	28,660	33,835	27,485	34,968	33,789	31,581
Sales (million yen)	109	103	116	95	122	116	663

## S-11 Ooedo-Onsen Monogatari Kounkaku



Room occupancy rate:  
91.3%

ADR :  
26,065 yen

RevPAR :  
23,797 yen

Sales :  
516 mn yen

	2017						Cumulative total
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Room occupancy rate	91.9%	89.1%	91.2%	91.1%	92.3%	92.0%	91.3%
ADR (yen)	22,876	23,869	30,070	23,588	27,827	27,972	26,065
RevPAR (yen)	21,023	21,267	27,423	21,488	25,684	25,734	23,797
Sales (million yen)	77	78	95	75	94	95	516

(Note) Sales, ADR, and RevPAR are rounded down to the nearest specified units and percentage rates is rounded to the second decimal place. The same applies hereinafter.

## Overview of Newly Acquired Properties (2)

### S-12 Kinugawa Kanko Hotel



Room occupancy rate:  
**94.0%**

ADR :  
**31,050 yen**

RevPAR :  
**29,187 yen**

Sales :  
**1,212mn yen**

	2017						Cumulative total
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Room occupancy rate	87.3%	89.2%	98.7%	94.7%	96.9%	97.3%	94.0%
ADR (yen)	25,904	29,279	39,395	27,197	31,466	31,919	31,050
RevPAR (yen)	22,614	26,116	38,882	25,755	30,490	31,057	29,187
Sales (million yen)	160	179	250	173	225	222	1,212

### S-13 Ooedo-Onsen Monogatari Kinosaki



Room occupancy rate:  
**90.3%**

ADR :  
**29,901 yen**

RevPAR :  
**27,000 yen**

Sales :  
**622mn yen**

	2017						Cumulative total
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Room occupancy rate	79.6%	91.0%	96.3%	93.3%	85.2%	96.5%	90.3%
ADR (yen)	24,720	29,321	40,030	26,019	27,421	30,311	29,901
RevPAR (yen)	19,677	26,682	38,548	24,275	23,362	29,250	27,000
Sales (million yen)	76	102	147	90	93	112	622

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



Room occupancy rate:  
**87.8%**

ADR :  
**27,248 yen**

RevPAR :  
**23,923 yen**

Sales :  
**659mn yen**

	2017						Cumulative total
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	
Room occupancy rate	87.5%	80.1%	95.5%	83.9%	93.6%	86.3%	87.8%
ADR (yen)	25,704	26,094	30,468	25,473	27,659	27,501	27,248
RevPAR (yen)	22,491	20,901	29,096	21,371	25,888	23,733	23,923
Sales (million yen)	102	97	128	96	122	111	659





## Ⅱ . Financial Highlights

# Financial Results for the 3<sup>rd</sup> Fiscal Period ended November 2017

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

(thousand yen)

Item	2nd period (Actual)		3rd period (Actual)		Difference	3rd period (Forecast)		Difference
Operating revenue	Component ratio	1,021,730	Component ratio	1,032,755	+11,025		1,027,460	+5,295
Primary rent		940,158		948,497	+8,338		948,904	-407
Fixed rent	92.4%	868,270	91.5%	868,270	-		868,270	-
Variable rent	7.6%	71,888	8.5%	80,227	+8,338		80,634	-407
Secondary rent		78,118		78,431	+313		78,555	-124
Others		3,452		5,826	+2,374		-	+5,826
Lease operations revenue gain/loss		703,606		677,205	-26,401		669,199	+8,006
Operating income		547,969		519,092	-28,877		513,473	+5,618
Ordinary income		446,053		421,047	-25,006		415,307	+5,739
Net income		445,127		420,172	-24,954		414,307	+5,865
Excess cash distribution		1,233		1,233	-		1,233	-
Total distribution		446,314		421,470	-24,844		415,655	+5,814
Total units outstanding		176,200		176,200	-		176,200	-
DPU (yen)		2,533		2,392	-141		2,359	+33
(Excess cash distribution per unit)		7		7	-		7	-
FFO per unit (yen)		4,022		3,903	-119		3,888	+15
Depreciation		263,577		267,580	+4,003		270,831	-3,250
NOI		967,184		944,786	-22,397		940,030	+4,755
CAPEX		90,705		95,012	+4,307		94,638	+374

## Main factors for increase/decrease from forecast

	(thousand yen)
• Insurance revenue (Ito, Ikaho)	+5,826
<b>Lease operations revenue gain/loss</b>	<b>+8,006</b>
• Increase in other operating expenses	-1,777
<b>Operating income</b>	<b>+5,618</b>
• Decrease in finance-related expenses	+110
<b>Ordinary income</b>	<b>+5,739</b>

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

	(thousand yen)
• Increase in variable rent of owned facilities (excluding Reoma)	+8,338
• Increase in insurance revenue	+2,374
• Recorded burden of fixed asset taxes and city planning taxes for full year	-31,177
• Increase in depreciation (capital expenditure)	-4,003
<b>Lease operations revenue gain/loss</b>	<b>-26,401</b>
• Decrease in AM fee	+3,687
• Increase in other operating expenses	-6,084
<b>Operating income</b>	<b>-28,877</b>
• Decrease in finance-related expenses	+6,135
<b>Ordinary income</b>	<b>-25,006</b>

## Main financial indicators

	(million yen)
Total assets	29,208
Interest-bearing debt	11,624
Total liabilities	13,037
Total net assets	16,171
LTV (book value basis)	39.8%
NAV per unit (yen)	98,567 yen

(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.

# Forecast for the 4<sup>th</sup> Fiscal Period ending May 2018

Upward revision to distribution per unit from forecast at the time of launch of public offering due to finalized public offering costs

Item	3rd period (Actual)		4th period (Forecast)		(thousand yen)	
	Component ratio		Component ratio		4th period (Forecast as of Nov. 9, 2017)	Difference
Operating revenue		1,032,755		1,444,521	+411,765	
Primary rent		948,497		1,328,913	+380,415	
Fixed rent	91.5%	868,270	93.9%	1,248,278	+380,008	
Variable rent	8.5%	80,227	6.1%	80,634	+407	
Secondary rent		78,431		115,337	+36,906	
Others		5,826		270	-5,556	
Lease operations revenue gain/loss		677,205		914,053	+236,847	
Operating income		519,092		725,247	+206,154	
Ordinary income		421,047		556,011	+134,964	
Net income		420,172		555,011	+134,839	
Excess cash distribution		1,233		2,824	+1,590	
Total distribution		421,470		557,772	+136,301	
Total units outstanding		176,200		235,347	+59,147	
DPU (yen)		2,392		2,370	-22	
(Excess cash distribution per unit)		7		12	+5	
FFO per unit (yen)		3,903		4,133	+230	
Depreciation		267,580		417,691	+150,111	
NOI		944,786		1,331,744	+386,958	
CAPEX		95,012		178,512	+83,499	

## Main factors for increase/decrease from forecast

	(thousand yen)
<b>Lease operations revenue gain/loss</b>	<b>-143</b>
Increase in other operating expenses	-800
<b>Operating income</b>	<b>-1,229</b>
Increase due to finalized investment unit issuance expenses	+5,170
Increase in other non-operating expenses	-2,500
<b>Ordinary income</b>	<b>+2,496</b>

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

	(thousand yen)
Increase in fixed rent (from new acquisition of 5 properties)	+380,008
Increase in secondary rent (from new acquisition of 5 properties)	+36,906
Absence of insurance revenue (Ito, Ikaho)	-5,826
Increase in depreciation (5 newly acquired properties, etc.)	-150,111
<b>Lease operations revenue gain/loss</b>	<b>+236,847</b>
Increase in AM fee (from new acquisition of 5 properties)	-15,030
Temporary increase in expenses for General Unitholders' Meeting	-6,900
Increase in other operating expenses (public offering/property acquisition)	-6,768
<b>Operating income</b>	<b>+206,154</b>
Increase in finance-related expenses (new borrowings)	-39,904
Investment unit issuance expenses (public offering)	-28,774
<b>Ordinary income</b>	<b>+134,964</b>

## Main financial indicators

	(million yen)
Total assets	39,864
Interest-bearing debt	16,857
Total liabilities	18,659
Total net assets	21,205
LTV (book value basis)	42.3%

# Forecast for the 5<sup>th</sup> Fiscal Period ending November 2018

Increase in rental income from the previous fiscal period due to full-year contribution of newly acquired properties; increase in net income due to absence of investment unit issuance expenses despite decrease in operating income from recording burden of fixed asset taxes and city planning taxes for full year, etc.

(thousand yen)

Item	4th period (Forecast)	5th period (Forecast)	Difference	5th period (Forecast as of Nov. 9, 2017)	Difference
Operating revenue	Component ratio 1,444,521	Component ratio 1,451,513	+6,992	1,451,513	-
Primary rent	1,328,913	1,335,282	+6,368	1,335,282	-
Fixed rent	93.9% 1,248,278	92.1% 1,230,449	-17,829	1,230,449	-
Variable rent	6.1% 80,634	7.9% 104,832	+24,197	104,832	-
Secondary rent	115,337	115,956	+618	115,956	-
Others	270	275	+4	275	-
Lease operations revenue gain/loss	914,053	897,127	-16,925	897,127	-
Operating income	725,247	703,213	-22,034	705,100	-1,887
Ordinary income	556,011	564,591	+8,579	564,514	+76
Net income	555,011	563,591	+8,579	563,514	+76
Excess cash distribution	2,824	2,824	-	2,904	-80
Total distribution	557,772	566,480	+8,707	566,480	-
Total units outstanding	235,347	235,347	-	235,347	-
DPU (yen) (Excess cash distribution per unit)	2,370 12	2,407 12	+37 -	2,407 12	- -
FFO per unit (yen)	4,133	4,199	+66	4,198	-
Depreciation	417,691	424,636	+6,944	424,636	-
NOI	1,331,744	1,321,764	-9,980	1,321,764	-
CAPEX	178,512	178,512	-	178,512	-

## Main factors for increase/decrease from forecast

	(thousand yen)
• Increase in other operating expenses	-2,700
<b>Operating income</b>	<b>-1,887</b>
• Decrease in finance-related expenses (partial repayment of short-term borrowings)	+1,963
<b>Ordinary income</b>	<b>+76</b>

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

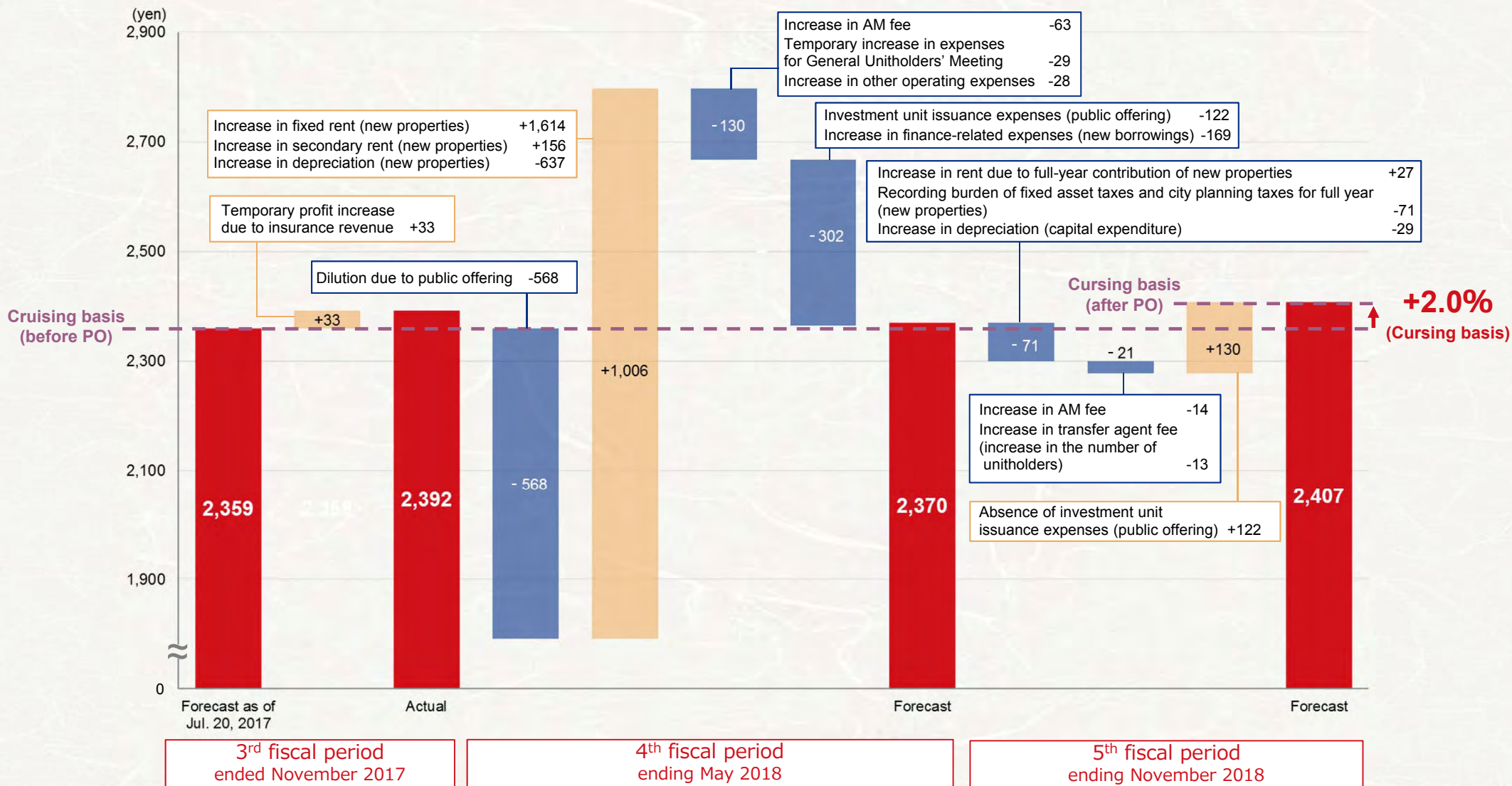
	(thousand yen)
• Increase in primary rent due to full-year contribution of new properties	+6,368
*Transfer from fixed rent in line with the start of variable rent for new properties: 23,799 thousand yen (fixed → variable)	
• Recorded burden of fixed asset taxes and city planning taxes for full year (5 new properties)	-16,834
• Increase in depreciation (capital expenditure)	-6,944
<b>Lease operations revenue gain/loss</b>	<b>-16,925</b>
• Increase in AM fee	-3,515
• Increase in transfer agent fee (increase in the number of unitholders)	-3,240
• Decrease in other operating expenses	+1,700
<b>Operating income</b>	<b>-22,034</b>
• Absence of investment unit issuance expenses	+28,774
<b>Ordinary income</b>	<b>+8,579</b>

## Main financial indicators

	(million yen)
Total assets	39,100
Interest-bearing debt	16,091
Total liabilities	17,890
Total net assets	21,210
LTV (book value basis)	41.2%

# Major Factors for Increase/Decrease in Distribution per Unit

Achieved external growth with capital increase through a public offering, realizing an increase in distribution per unit on normal operations



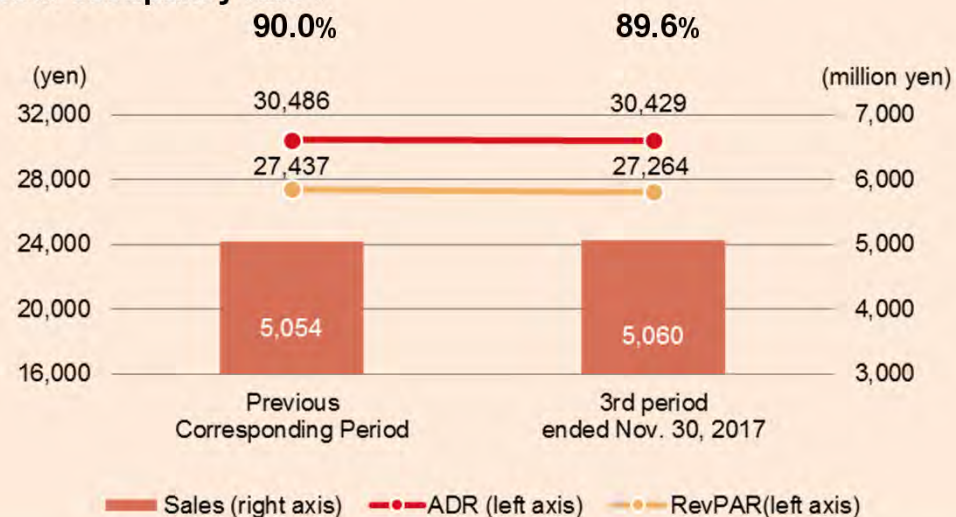
# Operating Results for the Entire Portfolio

Major KPI maintained at a high level, remaining almost unchanged year-on-year



<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



## Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	92.5%	82.4%	90.5%	96.5%	86.5%	84.3%	81.5%	89.8%	97.6%	87.4%	85.8%	95.2%	89.2%	90.0%	89.6%	-0.4%
ADR (yen)	30,678	30,417	27,083	31,185	28,057	30,103	25,477	30,526	42,495	26,662	27,395	28,075	30,044	30,486	30,429	-57
RevPAR (yen)	28,377	25,063	24,510	30,093	24,269	25,376	20,763	27,412	41,475	23,302	23,504	26,727	26,799	27,437	27,264	-173
Sales (million yen)	882	783	707	944	742	801	643	840	1,275	709	752	839	9,924	5,054	5,060	+6

## Portfolio Data (After Acquisition of New Properties)

Unrealized capital gain (appraisal value – book value) increased by 174mn yen to 1,198mn yen from the end of the previous fiscal period; portfolio PML also lowered

Property No.	Property name	Location	Building age (years)	Number of rooms (Note 3)	Room occupancy rate	Acquisition price (million yen)	Appraisal value (million yen)	NOI (Note 4) (million yen)	NOI yield (Note 4)	After depreciation NOI yield (Note 4)	PML	
Properties held at the end of 3rd fiscal period	S-1	Ooedo-Onsen Monogatari Reoma Resort <sup>(Note 1)</sup>	Kagawa Prefecture	26.4/26.7	241	86.6%	10,379	10,900	402	7.7%	6.2%	1.9/1.6%
	S-2	Ooedo-Onsen Monogatari Ise-shima	Mie Prefecture	37.8	83	94.8%	3,656	3,840	116	6.4%	3.6%	14.2%
	S-3	Ito Hotel New Okabe	Shizuoka Prefecture	27.1	73	84.5%	2,657	2,820	83	6.3%	4.4%	12.0%
	S-4	Ooedo-Onsen Monogatari Atami	Shizuoka Prefecture	43.9	76	96.3%	2,997	3,180	100	6.7%	4.5%	12.6%
	S-5	Ooedo-Onsen Monogatari Toi Marine Hotel <sup>(Note 2)</sup>	Shizuoka Prefecture	43.2	64	83.4%	1,910	1,990	60	6.3%	3.4%	14.9%
	S-6	Ooedo-Onsen Monogatari Awara	Fukui Prefecture	36.3	95	88.4%	1,901	1,980	69	7.2%	5.1%	14.9%
	S-7	Ooedo-Onsen Monogatari Kamoshika-so	Tochigi Prefecture	21.8	60	93.4%	1,222	1,270	39	6.4%	4.3%	3.0%
	S-8	Ooedo-Onsen Monogatari Ikaho	Gunma Prefecture	34.1	40	98.3%	1,299	1,380	45	7.0%	5.0%	1.0%
	S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Chiba Prefecture	21.7	41	96.3%	819	862	26	6.5%	4.8%	4.8%
	Subtotal			32.0	773	89.6%	26,844	28,222	944	7.0%	5.0%	3.9%
Newly acquired properties	S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Mie Prefecture	35.4	100	99.7%	1,637	1,930	60	7.4%	5.0%	6.4%
	S-11	Ooedo-Onsen Monogatari Kounkaku	Shizuoka Prefecture	52.0	98	91.3%	1,040	1,250	45	8.8%	4.7%	3.9%
	S-12	Kinugawa Kanko Hotel	Shizuoka Prefecture	36.3	172	94.0%	3,870	4,620	139	7.2%	4.1%	2.1%
	S-13	Ooedo-Onsen Monogatari Kinosaki	Shizuoka Prefecture	49.1	103	90.3%	2,084	2,490	79	7.6%	5.7%	11.8%
	S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Fukui Prefecture	53.2	123	87.8%	1,230	1,480	56	9.3%	5.0%	4.6%
	Subtotal			42.6	596	92.6%	9,861	11,770	382	7.8%	4.8%	-
	Total/Average			36.0	1,369	90.9%	36,705	39,992	-	-	-	2.7%

(Note 1) 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 2) Number of rooms for Ito Hotel New Okabe indicates the number for the Sagamitei facility, which is owned by the Investment Corporation. The room occupancy rate indicates that of the entire building which includes the area owned by third party.

(Note 3) Room occupancy rate is for the 3<sup>rd</sup> period of the Investment Corporation (June 2017 to November 2017).

(Note 4) 3<sup>rd</sup> period actual NOI is indicated for properties held at the end of 3<sup>rd</sup> fiscal period and appraisal NOI for six months is indicated for newly acquired properties.

In addition, (average) NOI yield and (average) after depreciation NOI yield indicate annualized figures.

# Financial Status (After Acquisition of New Properties)

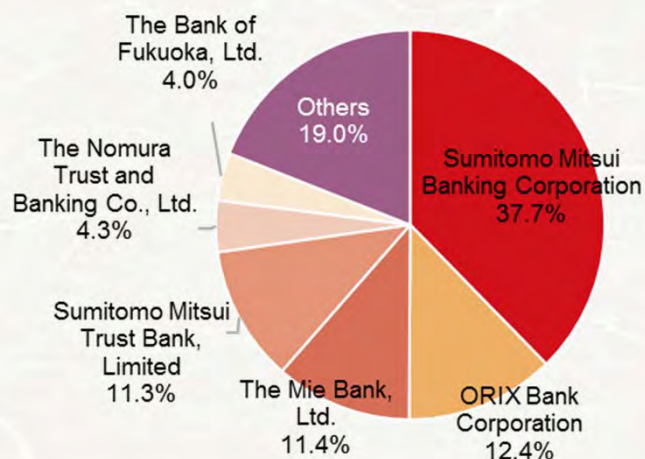
Maintained conservative LTV level and diversified lenders and repayment due dates

## LTV



## Breakdown of lenders

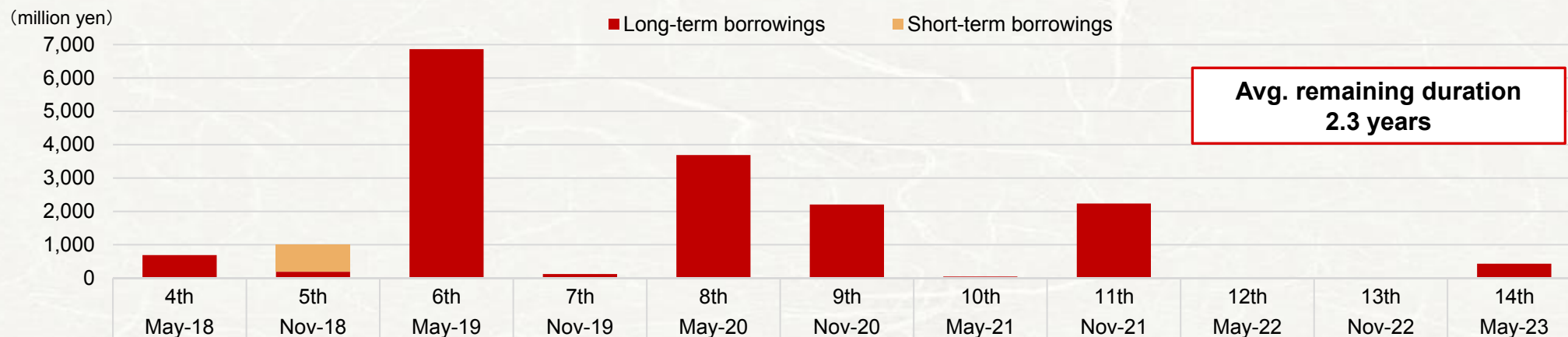
Number of syndicate lenders: 13



## Ratio of long-term borrowings



## Overview of maturity







## **Ⅲ. Operating Results of Individual Properties**

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

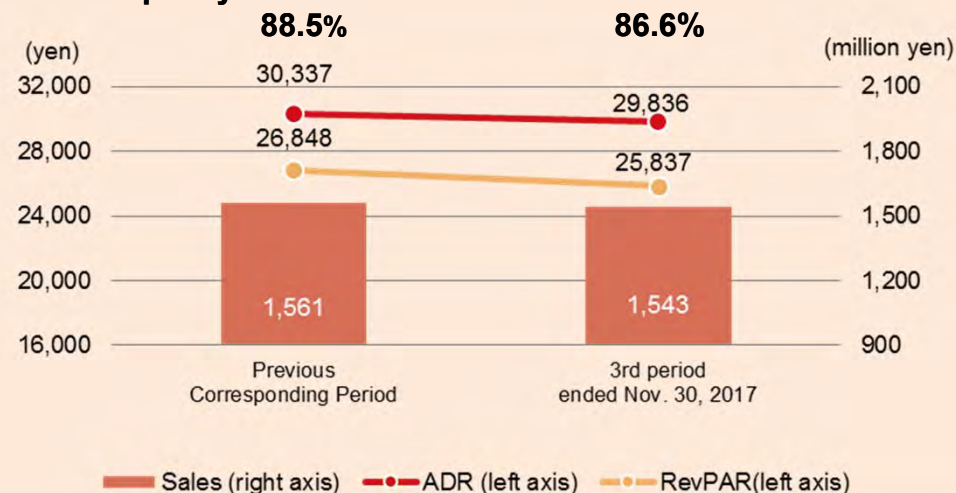
An onsen and spa-related facility set in a lush natural environment with a number of the customers coming from the Kinki and Chugoku regions



Location Marugame City, Kagawa Prefecture  
No. of rooms 241

<Cumulative comparison of 3rd period and the same period of the previous year>

### Room occupancy rate :



## Portfolio operating results

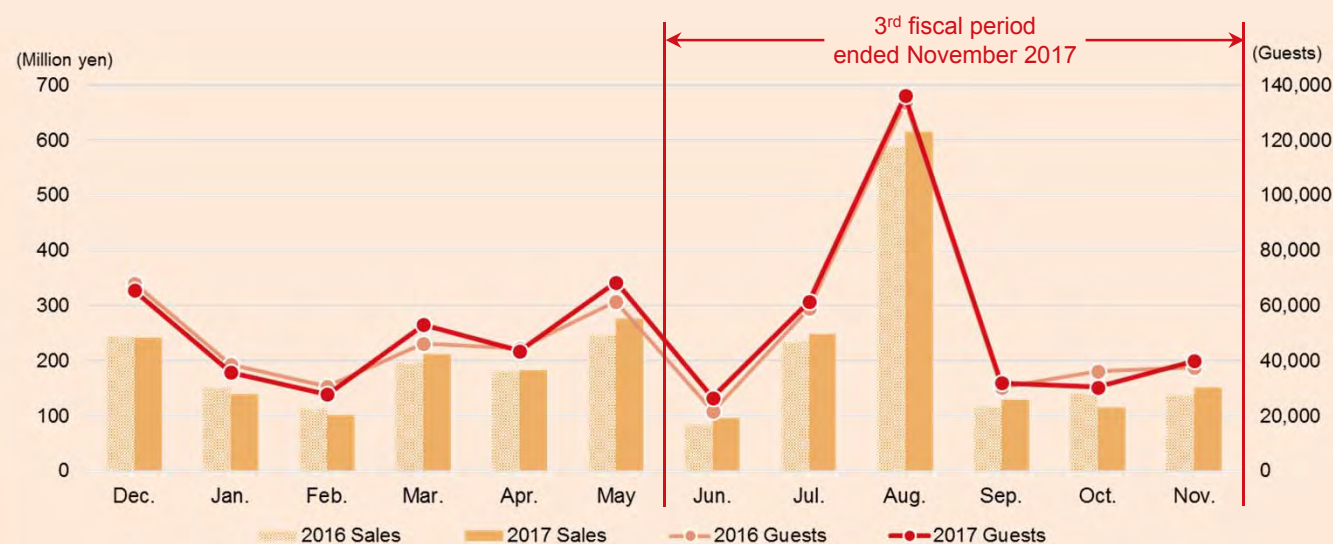
	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	95.5%	79.7%	89.3%	98.4%	82.6%	82.1%	75.2%	85.1%	98.7%	82.2%	83.0%	94.8%	87.2%	88.5%	86.6%	-1.9%
ADR (yen)	31,051	29,714	25,639	30,624	27,385	28,454	23,058	31,783	43,358	25,209	25,557	26,747	29,384	30,337	29,836	-501
RevPAR (yen)	29,653	23,682	22,895	30,134	22,620	23,360	17,339	27,047	42,794	20,721	21,212	25,356	25,622	26,848	25,837	-1,011
Sales (million yen)	289	235	215	301	222	237	176	257	430	198	219	260	3,045	1,561	1,543	-18

# 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	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Number of guests	65,603	35,693	27,821	53,054	43,522	68,501	26,679	61,424	136,147	31,897	30,354	40,007	620,702	318,520	326,508	+7,988
Sales (million yen)	241	139	101	213	182	277	97	248	615	130	116	151	2,516	1,302	1,359	+57

(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 November 2017 and "Previous year" to the period from December 2015 to November 2016.

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

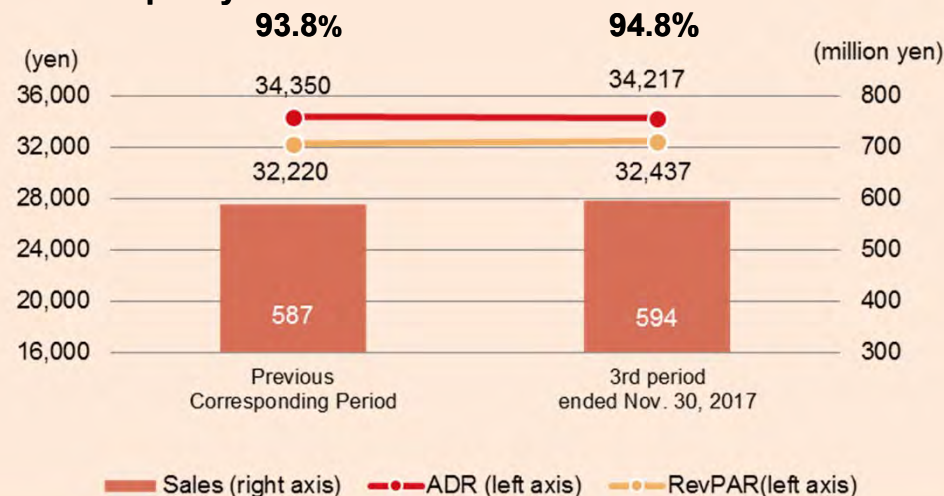
An onsen and spa-related facility located in the Ise-shima area that enjoys tourism resources and is capable of attracting customers from two major consumer markets of the Chubu and Kinki regions



Location Shima City, Mie Prefecture  
No. of rooms 83

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	94.6%	91.2%	97.9%	95.6%	92.6%	87.9%	87.8%	93.0%	95.3%	99.5%	93.5%	99.6%	94.0%	93.8%	94.8%	+1.0%
ADR (yen)	33,935	33,259	31,661	38,754	31,836	34,147	30,201	34,118	46,137	31,523	30,889	31,984	34,103	34,350	34,217	-133
RevPAR (yen)	32,102	30,332	30,996	37,048	29,480	30,015	26,516	31,729	43,968	31,365	28,881	31,856	32,056	32,220	32,437	+217
Sales (million yen)	98	92	87	111	88	93	81	96	129	97	92	98	1,165	587	594	+6

## S-3 : Ito Hotel New Okabe

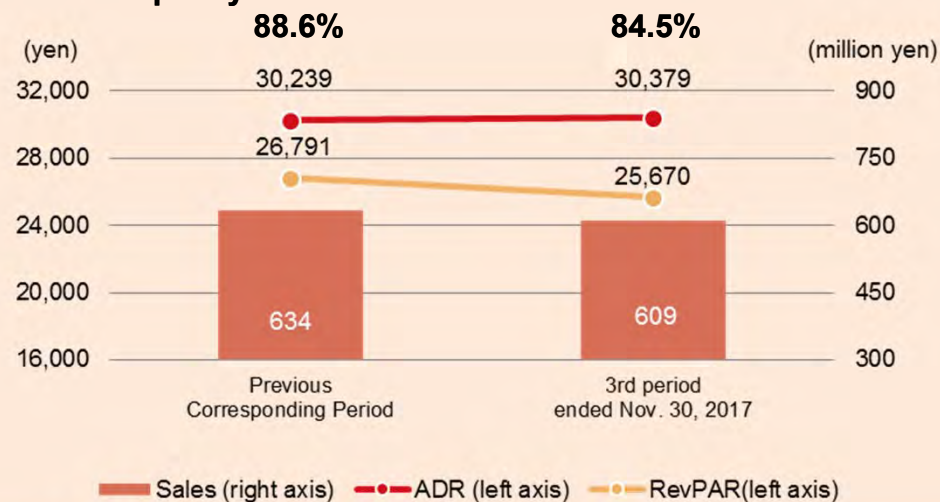
An onsen and spa-related facility with good views. Located at Ito Onsen, the area bustles with swimming activities in the sea and fireworks in the summer



Location Ito City, Shizuoka Prefecture  
No. of rooms 73

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	95.4%	90.1%	98.6%	99.3%	84.8%	75.0%	76.3%	89.9%	96.2%	78.5%	77.4%	88.5%	87.5%	88.6%	84.5%	-4.1%
ADR (yen)	30,210	30,481	27,439	31,474	27,978	31,972	25,460	27,694	42,439	26,716	28,480	28,858	30,148	30,239	30,379	+140
RevPAR (yen)	28,820	27,463	27,054	31,253	23,725	23,979	19,425	24,896	40,826	20,972	22,043	25,539	26,379	26,791	25,670	-1,121
Sales (million yen)	117	110	100	125	94	96	77	100	156	82	89	102	1,254	634	609	-25

(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.

## S-4 : Ooedo-Onsen Monogatari Atami

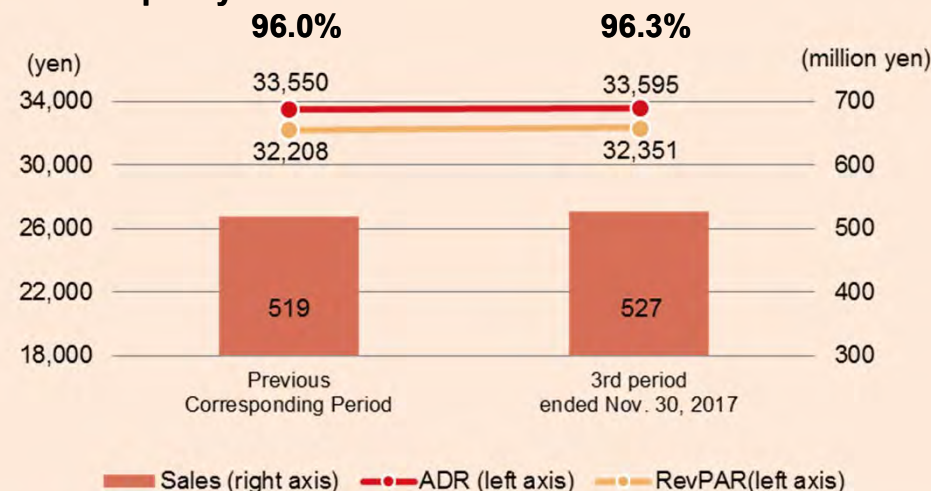
An onsen and spa-related facility within walking distance from Atami Station.  
It is very accessible from central Tokyo.



Location Atami City, Shizuoka Prefecture  
No. of rooms 76

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	96.0%	96.6%	98.9%	99.2%	98.6%	97.7%	95.1%	93.9%	98.4%	97.9%	94.9%	97.8%	97.1%	96.0%	96.3%	+0.3%
ADR (yen)	34,205	33,330	31,249	34,680	31,028	32,481	29,098	33,536	47,894	29,753	29,911	30,693	33,225	33,550	33,595	+45
RevPAR (yen)	32,836	32,196	30,905	34,402	30,593	31,733	27,672	31,490	47,127	29,128	28,385	30,017	32,261	32,208	32,351	+143
Sales (million yen)	88	87	77	95	81	87	74	86	126	78	79	81	1,044	519	527	+8

(Note) Ooedo-Onsen Monogatari Atami suspended sales for a total of 20 rooms from September 20 to 29, 2016 due to renovation work for some guestrooms.

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

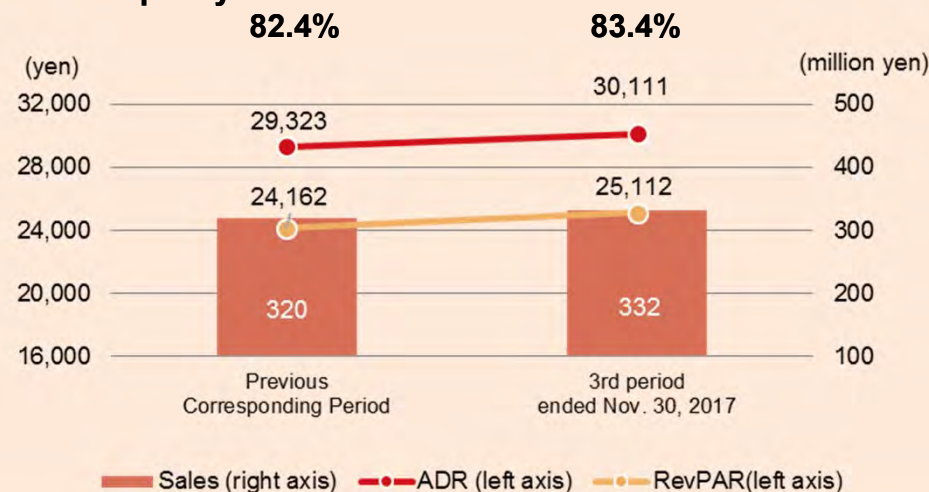
An onsen and spa-related facility facing the beach where the Suruga Bay sunset can be enjoyed. It is located in the Toi Onsen area, the oldest onsen district in the western Izu region.



Location Izu City, Shizuoka Prefecture  
No. of rooms 64

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	91.1%	89.7%	98.1%	99.1%	85.4%	78.6%	78.1%	85.8%	96.2%	78.3%	70.3%	91.5%	86.8%	82.4%	83.4%	+1.0%
ADR (yen)	26,284	26,953	24,426	28,296	25,025	27,843	23,617	32,386	45,425	24,854	25,561	24,930	28,238	29,323	30,111	+788
RevPAR (yen)	23,944	24,176	23,961	28,041	21,371	21,884	18,444	27,787	43,698	19,460	17,969	22,810	24,510	24,162	25,112	+950
Sales (million yen)	53	54	48	63	47	48	41	61	96	41	40	50	648	320	332	+11

## S-6 : Ooedo-Onsen Monogatari Awara

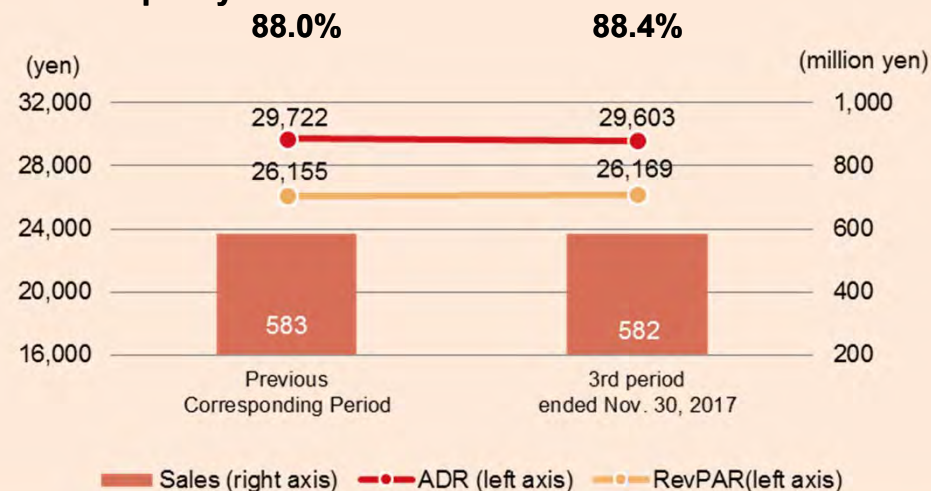
An onsen and spa-related facility with complete entertainment facilities. It is located at Awara Onsen, which is known as the “Okuzashiki” (“back parlor”) of the Kansai region.



Location Awara City, Fukui Prefecture  
 No. of rooms 95

<Cumulative comparison of 3rd period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	84.5%	61.8%	74.1%	88.9%	78.0%	79.4%	79.4%	88.5%	96.6%	83.2%	85.0%	97.8%	83.1%	88.0%	88.4%	+0.4%
ADR (yen)	31,120	32,901	28,807	30,381	27,617	29,665	25,429	30,427	39,307	26,641	27,104	27,076	29,810	29,722	29,603	-119
RevPAR (yen)	26,296	20,332	21,345	27,008	21,541	23,554	20,190	26,927	37,970	22,165	23,038	26,480	24,772	26,155	26,169	+14
Sales (million yen)	98	77	75	102	79	88	75	98	138	80	88	100	1,106	583	582	-0



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

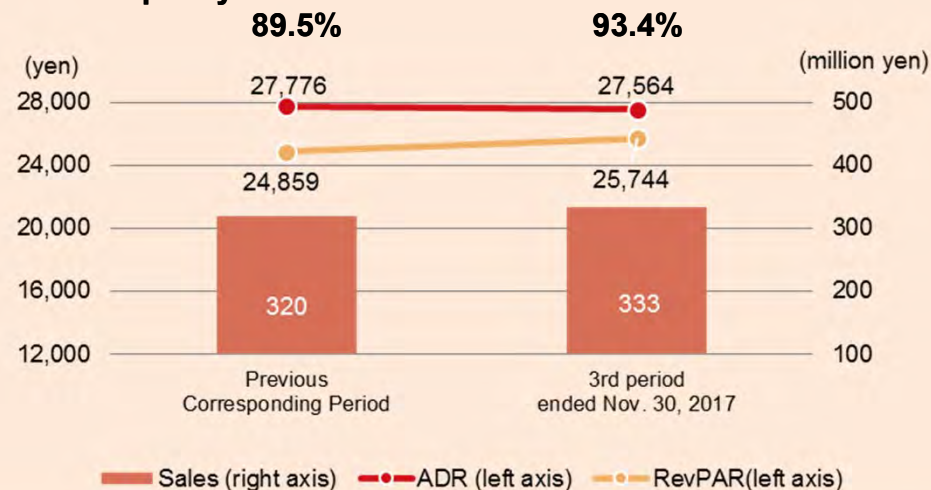
An onsen and spa-related facility in a rich natural environment. It is located in the Shiobara Hot Springs Area, which has over 1,200 years of history.



Location Nasushiobara City, Tochigi Prefecture  
 No. of rooms 60

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



## Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	76.3%	63.4%	75.3%	89.0%	81.0%	83.9%	81.4%	96.8%	99.2%	95.1%	92.1%	95.3%	85.8%	89.5%	93.4%	+3.9%
ADR (yen)	27,576	29,075	23,249	27,194	26,315	29,076	25,200	24,951	36,440	22,744	27,146	28,007	27,365	27,776	27,564	-212
RevPAR (yen)	21,040	18,433	17,506	24,202	21,315	24,394	20,512	24,152	36,148	21,629	25,001	26,690	23,479	24,859	25,744	+885
Sales (million yen)	45	40	35	53	45	53	43	52	77	46	55	57	608	320	333	+13

## S-8 : Ooedo-Onsen Monogatari Ikaho

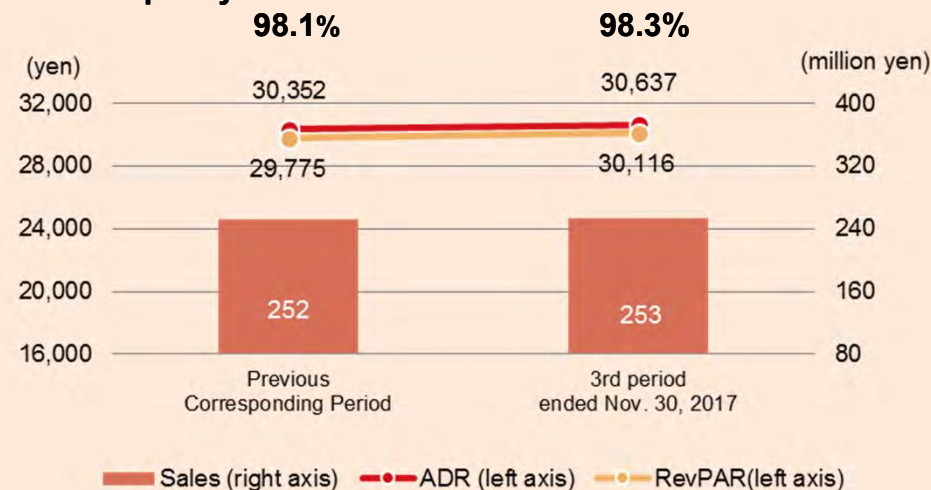
An onsen and spa-related facility where two kinds of hot spring water can be enjoyed. It is located in Ikaho, which is even mentioned in the Manyoshu, Japan's oldest collection of poetry.



Location Shibukawa City, Gunma Prefecture  
 No. of rooms 40

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>

Room occupancy rate :



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	95.3%	87.5%	87.1%	97.7%	98.1%	99.3%	96.7%	96.9%	99.0%	99.7%	98.5%	98.8%	96.3%	98.1%	98.3%	+0.2%
ADR (yen)	30,568	29,666	25,059	29,928	29,769	31,247	26,216	28,891	40,569	28,018	29,198	30,576	30,088	30,352	30,637	+285
RevPAR (yen)	29,131	25,957	21,826	29,239	29,203	31,028	25,350	27,995	40,163	27,933	28,760	30,209	28,974	29,775	30,116	+341
Sales (million yen)	40	36	27	41	39	43	34	39	56	38	41	42	483	252	253	+1

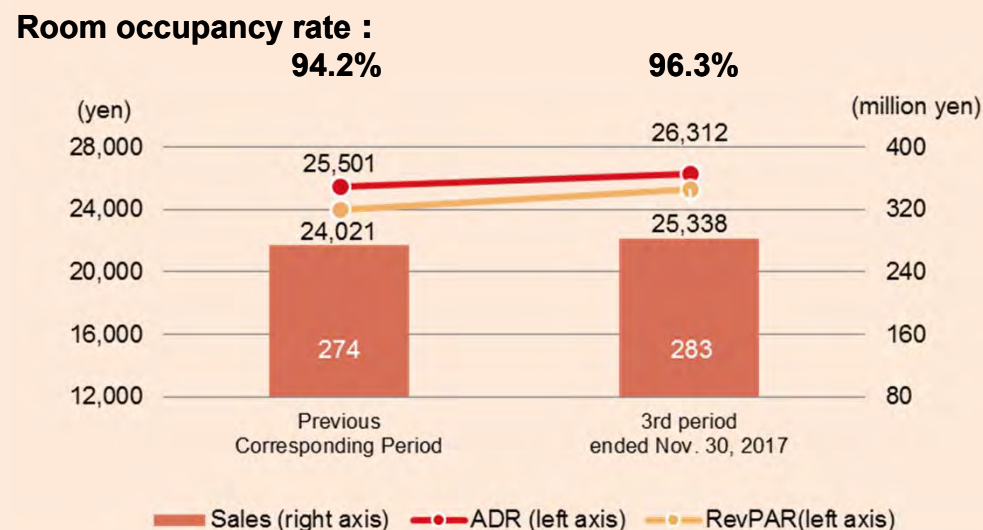
## S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

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.



Location Kimitsu City, Chiba Prefecture  
No. of rooms 41

<Cumulative comparison of 3<sup>rd</sup> period and the same period of the previous year>



### Portfolio operating results

	2016	2017											Cumulative total	Previous corresponding period cumulative total	3rd period cumulative Total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	98.1%	93.8%	97.1%	99.1%	96.6%	96.7%	89.9%	96.1%	99.2%	97.6%	97.2%	97.6%	96.6%	94.2%	96.3%	+2.1%
ADR (yen)	26,122	26,007	23,978	25,046	24,106	26,441	23,178	25,984	34,076	24,494	24,194	25,373	25,810	25,501	26,312	+811
RevPAR (yen)	25,625	24,394	23,282	24,820	23,286	25,568	20,837	24,970	33,803	23,906	23,516	24,764	24,932	24,021	25,338	+1,317
Sales (million yen)	49	48	39	49	44	52	37	47	64	43	44	45	567	274	283	+8

(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.



## **IV. Characteristics of Ooedo Onsen Reit and Future Management Strategy**

# Uniqueness of Ooedo Onsen Reit's Major Investing Targets

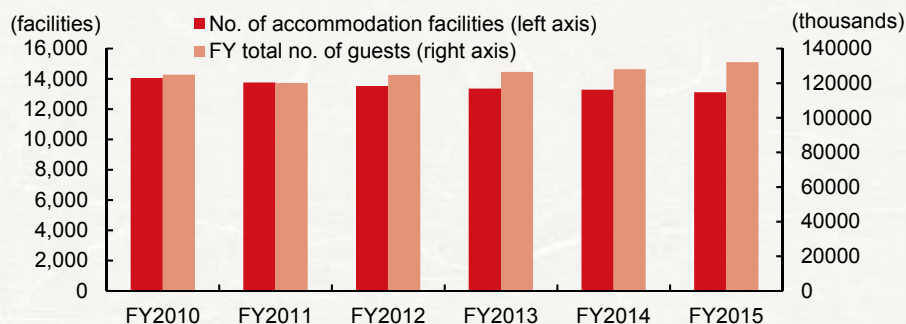
Key investment targets include multi-use facilities with various services for consumers while centering on onsen and spa



# Market Environment ~ Stable Demand for Onsen

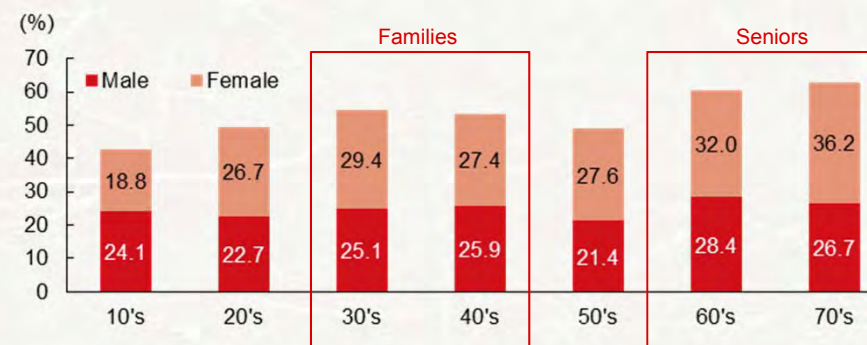
Consumers' needs for onsen is at the top and onsen trips accompanying overnight stays is stable

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



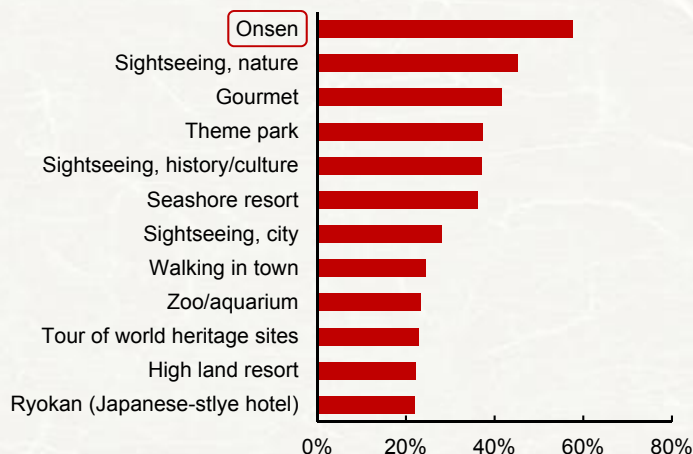
Source: Onsen Use (2010 – 2015), Nature Conservation Bureau, Ministry of the Environment

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



Source: "White Paper of Leisure 2017" by Japan Productivity Center

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



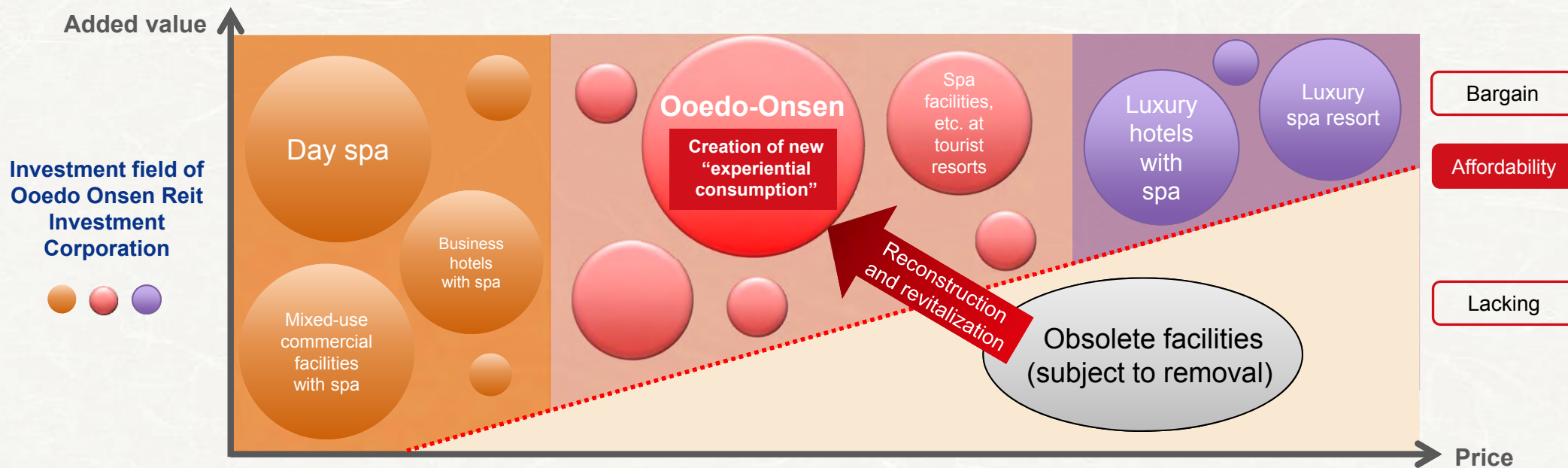
Source: "Annual Report on the Tourism Trends Survey 2016" Public Interest Incorporated Foundations, Japan Travel Bureau Foundation (July 2015-June 2016)

- 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

# Investment Opportunity of Ooedo Onsen Reit

Investing in categories with strong stability and growth potential having large market volume, starting from onsen and spa

Operation	Life scene	Facilities used in “daily life”	Facilities used in “extension of daily life”	Facilities used on special occasions
	Trade zone	<b>Living area</b>	<b>Same region as living area</b>	<b>Global</b>
	Purpose of use	<b>Emphasizing convenience/functionality</b> Spa, restaurant, cinema and game arcade	<b>Emphasizing business category</b> Natural onsen, relaxation, experience-type entertainment and party	<b>Purpose-driven type</b> Tourism, culture, privacy, luxury spa and high-end gourmet
	Competition environment	Highly competitive with large supply	Relatively mild competition with many obsolete facilities	Performing well by differentiating themselves with clear concept



Investment	Target	<b>Many</b>	<b>Potentially many</b>	<b>Limited</b>
	Acquisition environment	<b>Slightly severe</b> Selective investment necessary with attention to competition environment	<b>Favorable and advantageous</b> Unique approach on the premise of renewal	<b>Favorable</b> Securement of acquisition opportunities by engaging in development projects

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



## Marketing to maximize customer reach

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



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

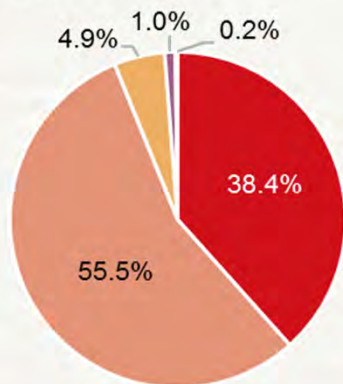


# “Ooedo Business Model” with Stable Operations and Sustainable Growth (2)

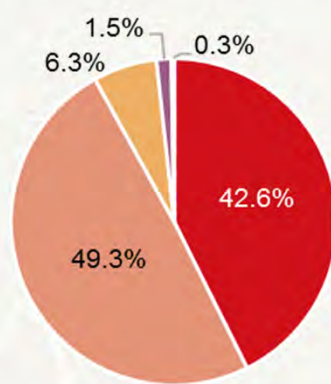
High customer satisfaction and high room occupancy rates surpassing all other business categories

**Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from June 1, 2017 to November 30, 2017)**

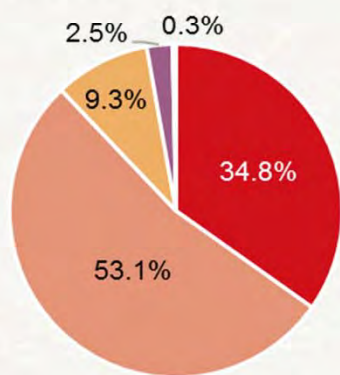
<Overall satisfaction >



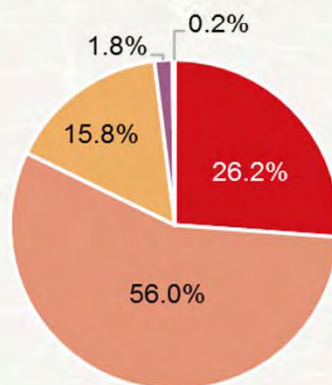
<Meal (breakfast and dinner)>



<Onsen>

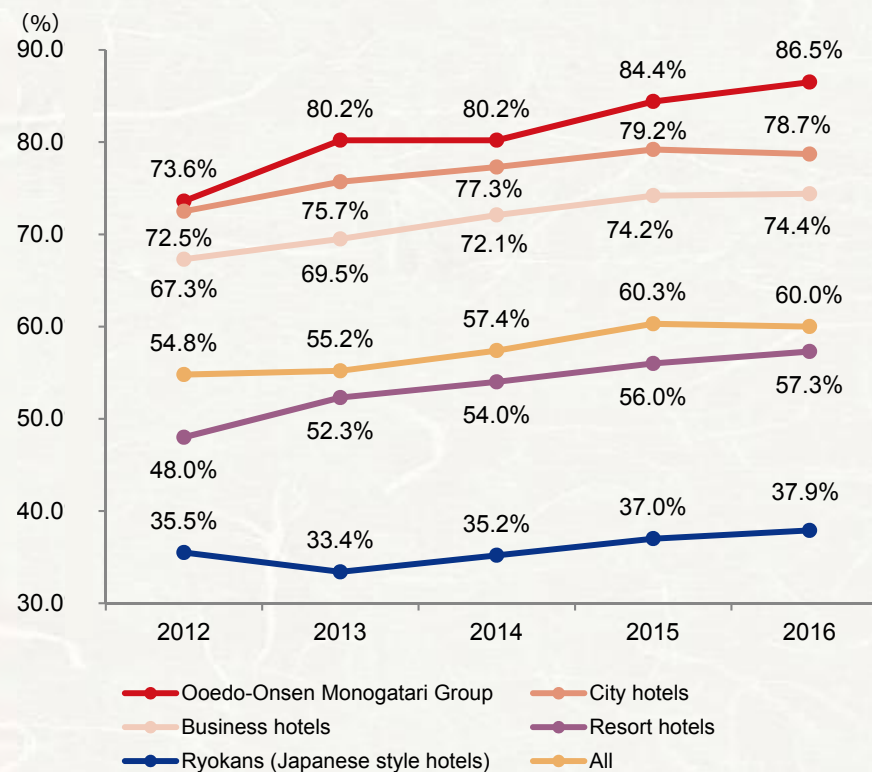


<Type of services inside the facility>



Very satisfied    Satisfied    Fair  
Unsatisfied    Very unsatisfied

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



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

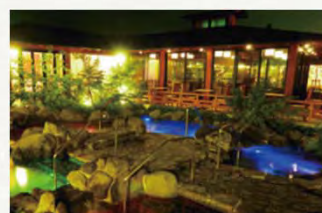
Priority negotiating rights on **all properties held** by Ooedo-Onsen Monogatari Group (Main properties listed below)



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



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



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



Hotel New Shiobara  
(Nasushiobara City,  
Tochigi Prefecture)



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



Hotel Kinugawa Gyoen  
(Nikko City, Tochigi Prefecture)



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



Yamashiro Onsen  
Yamashitaya  
(Kaga City,  
Ishikawa Prefecture)



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



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



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



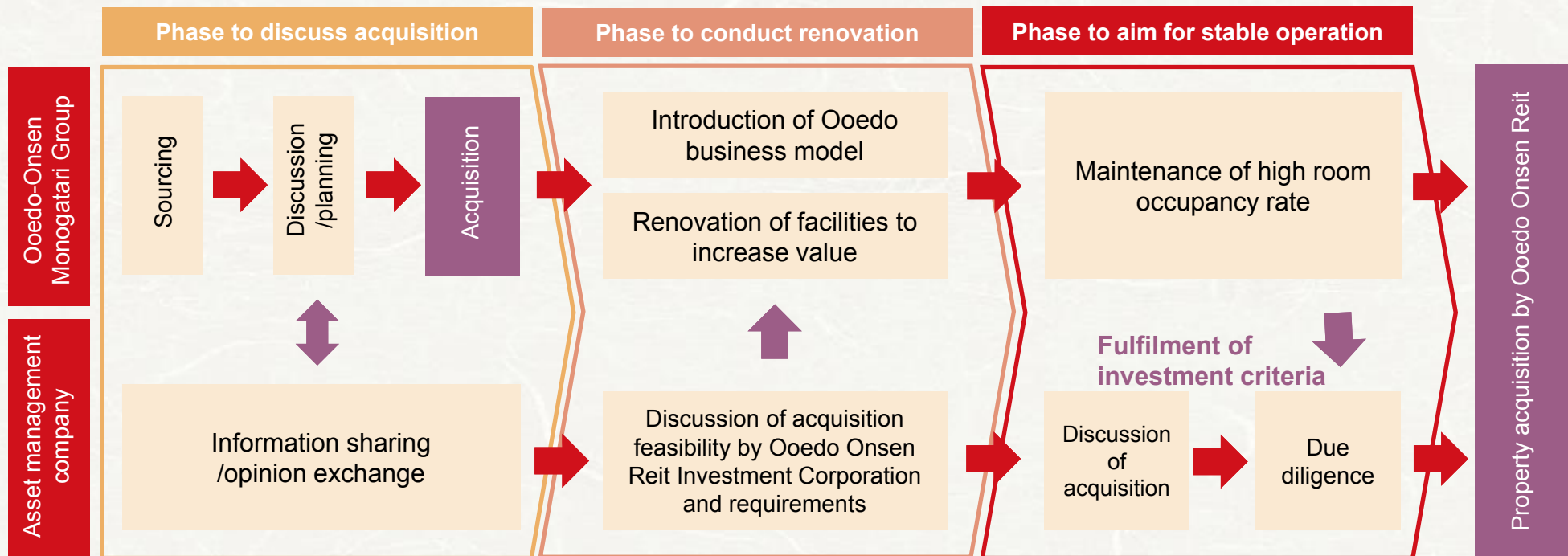
Ooedo-Onsen Monogatari  
Gero Shin-kan  
(Gero City, Gifu Prefecture)

⇒ In addition to the above, properties newly acquired by the sponsor are subject to preferential negotiation to form a new pipeline

# External Growth Strategy (2)

## Considered acquisition in synch with the revitalization process of the Ooedo-Onsen Monogatari Group

Revitalization process of the Ooedo-Onsen Monogatari Group and collaboration with the asset management company



## 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.

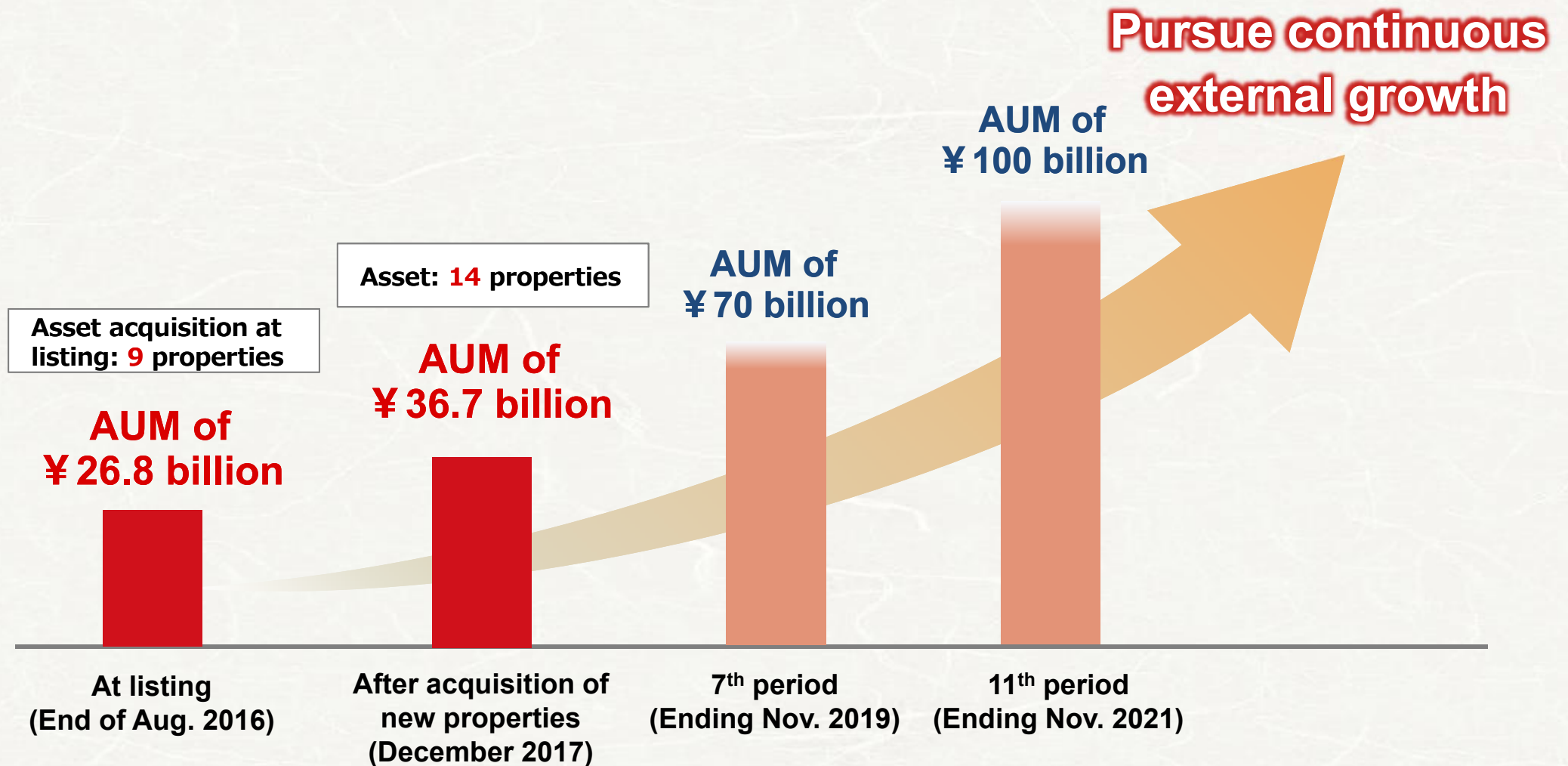
- Use of Ooedo-Onsen Monogatari Group's operational know-how and knowledge

Number of inquiries for potential deal information in 3<sup>rd</sup> fiscal period

48

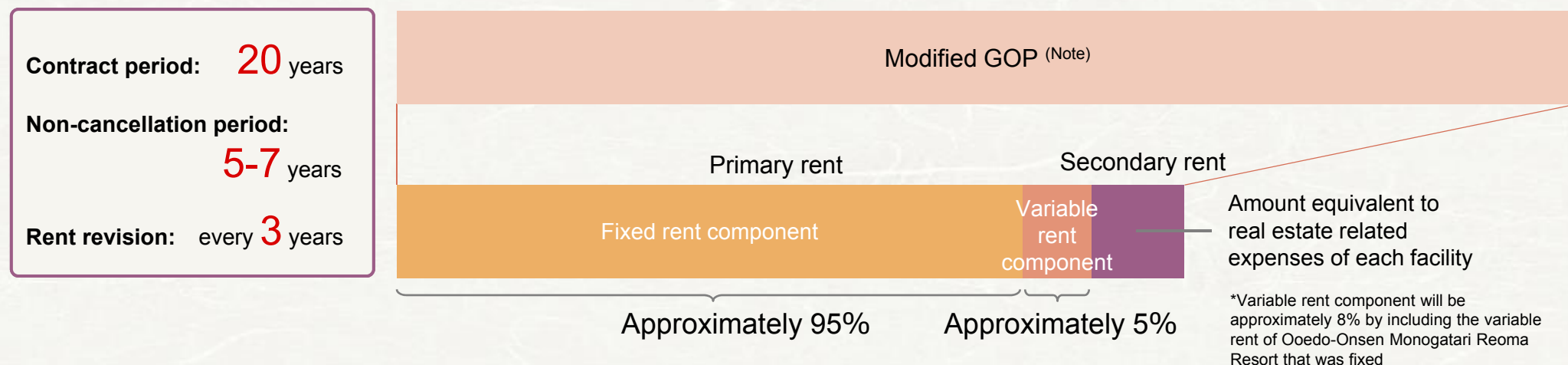
## External Growth Strategy (3)

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



# Internal Growth Strategy (1)

Rental system that captures upsides of rental income while placing top priority on stable cash flow  
 - Improved cash flow stability due to substantive triple net leases



- 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 it 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)

### Seeking increase in rental income over the medium to long term through strategic capital expenditure

- Pursuit of upsides through value-increasing investment, such as increasing the number of rooms and open-air onsen, against the background of high occupancy
  1. Gaining additional rent revenue from the investment
  2. Increasing variable rent through expansion of tenants' revenue
- Increase in revenue through full utilization of non-operated buildings or unused land within facilities (Ooedo-Onsen Monogatari Reoma Resort, etc.)

**➡ Discussion and implementation of value-increasing investment in collaboration with the sponsor, Ooedo-Onsen Monogatari Group (=tenant)**

**Example aiming to discuss medium- to long-term value-increasing measures while securing current stability of rent.**

~Ooedo-Onsen Monogatari Reoma Resort~

Applied fixed amount for variable rent until May 2019



Eliminated impact from short-term fluctuations in revenue and expenditure of the theme-park portion derived by climate and other factors



Discussed value-increasing measures from a medium- and long-term perspective assuming securement of stable revenue and expenditure for the time being

# Financial Strategy

## Implementation of flexible financial strategies while emphasizing establishment of a conservative financial base

### ✿ Basic policy

#### LTV control

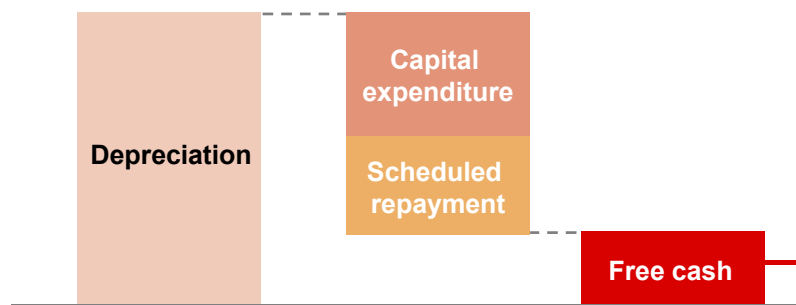
Will target around 40% for the time being and maintain a conservative level on a normal basis.

#### Debt finance

Will aim to reduce financing cost while at the same time diversifying financing sources. Will also diversify/level repayment dates in order to reduce refinancing risks.

### 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.



## 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					
					2nd period May 31, 2017	3rd period Nov. 30, 2017	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
									2nd period May 31, 2017	3rd period Nov. 30, 2017	valuation	2nd period May 31, 2017	3rd period Nov. 30, 2017	valuation	2nd period May 31, 2017	3rd period Nov. 30, 2017	valuation
Properties held at the end of 3rd fiscal period	S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,558	10,900	10,900	-	+341	6.1%	6.1%	-	5.9%	5.9%	-	6.3%	6.3%	-
	S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,576	3,840	3,840	-	+263	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
	S-3	Ito Hotel New Okabe	2,657	2,675	2,820	2,820	-	+144	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
	S-4	Ooedo-Onsen Monogatari Atami	2,997	2,978	3,180	3,180	-	+201	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
	S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,894	1,990	1,990	-	+95	5.7%	5.7%	-	5.5%	5.5%	-	5.9%	5.9%	-
	S-6	Ooedo-Onsen Monogatari Awara	1,901	1,940	1,980	1,980	-	+39	6.0%	6.0%	-	5.8%	5.8%	-	6.2%	6.2%	-
	S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,239	1,270	1,270	-	+30	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
	S-8	Ooedo-Onsen Monogatari Ikaho	1,299	1,316	1,380	1,380	-	+63	5.4%	5.4%	-	5.2%	5.2%	-	5.6%	5.6%	-
	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%	-
	Subtotal		26,844	27,023	28,222	28,222	-	+1,198	-	-	-	-	-	-	-	-	-
Newly acquired properties	S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	1,637	-	-	1,930	-	-	-	5.2%	-	-	5.0%	-	-	5.4%	-
	S-11	Ooedo-Onsen Monogatari Kounkaku	1,040	-	-	1,250	-	-	-	5.5%	-	-	5.3%	-	-	5.7%	-
	S-12	Kinugawa Kanko Hotel	3,870	-	-	4,620	-	-	-	5.2%	-	-	5.0%	-	-	5.4%	-
	S-13	Ooedo-Onsen Monogatari Kinosaki	2,084	-	-	2,490	-	-	-	5.4%	-	-	5.2%	-	-	5.6%	-
	S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	1,230	-	-	1,480	-	-	-	5.9%	-	-	5.7%	-	-	6.1%	-
		Subtotal		9,861	-	-	11,770	-	-	-	-	-	-	-	-	-	-
	Total		36,705	-	-	39,992	-	-	-	-	-	-	-	-	-	-	-

(Note) Appraisal date for the newly acquired properties is October 1, 2017.

# Introduction of Properties (1)

## S-1 Ooedo-Onsen Monogatari Reoma Resort



Location: Marugame City,  
Kagawa Prefecture

Site area: 665,403m<sup>2</sup>

Total floor area: 63,896m<sup>2</sup>

### 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

Site area: 9,637m<sup>2</sup>

Total floor area: 9,782m<sup>2</sup>

### 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: 2,945m<sup>2</sup>

Total floor area: 10,211m<sup>2</sup>

### 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.



# 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 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.



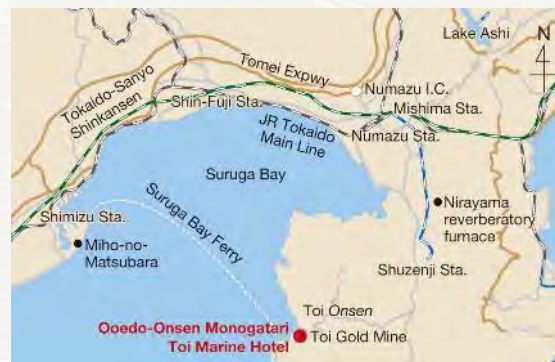
## S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



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.



## 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 throughout Japan, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.



# 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.



## 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.



## 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.



# Introduction of Properties (4)

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



Location: Nagasaki City,  
Nagasaki Prefecture

Site area: 4,970㎡

Total floor area: 11,035㎡

### 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: 10,836㎡

### Area characteristics

- Narukoonsenkyo where the facility is located has 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 (5)

## S-13 Ooedo-Onsen Monogatari Kinosaki



Location: Toyooka City,  
Hyogo Prefecture

Site area: 11,350m<sup>2</sup>

Total floor area: 10,602m<sup>2</sup>

### 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: 12,451m<sup>2</sup> (Note)

Total floor area: 16,665m<sup>2</sup> (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.



# Financial Indices

Indices	2nd period (May 31, 2017)	3rd period (Nov. 30, 2017)	Calculation formula
Ordinary income	446 mn yen	421 mn yen	
Net income	445 mn yen	420 mn yen	
Depreciation	264 mn yen	268 mn yen	
CAPEX	90 mn yen	90 mn yen	
Total assets	29,440 mn yen	29,208 mn yen	
Total net assets	16,197 mn yen	16,171 mn yen	
BPS (Total net assets/unit)	91,925 yen	91,777 yen	
Unit price (End of each period)	88,600 yen	86,500 yen	
Total units outstanding	176,200 units	176,200 units	
Total distribution	446 mn yen	421 mn yen	
DPU	2,533 yen	2,392 yen	
Distribution yield	5.7%	5.5%	DPU (annualized)/Unit price as of end of period
FFO	708 mn yen	687 mn yen	Net income + Depreciation – profit or loss on sale of real estate
FFO per unit	4,022 yen	3,903 yen	
FFO multiple	11.0x	11.1x	Unit price as of end of period/FFO per unit (annualized)
PER	17.5x	18.1x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.0x	0.9x	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	3.0%	2.9%	
ROE	2.8%	2.6%	Net income/Average of total net assets during the period
Annualized	5.6%	5.2%	
NAV	17,221 mn yen	17,369 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV per unit	97,740 yen	98,576 yen	
NAV multiple	0.9x	0.9x	Unit price as of end of period/NAV per unit
Interest-bearing debt	11,735 mn yen	11,624 mn yen	
LTV (book value basis)	39.9%	39.8%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	38.5%	38.2%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	182 days	183 days	

# Balance Sheet

	(thousand yen)			(thousand yen)	
	2nd period (period ended May 31, 2017)	3rd period (period ended Nov. 30, 2017)		2nd period (period ended May 31, 2017)	3rd period (period ended Nov. 30, 2017)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	1,970,733	1,949,727	Operating accounts payable	90,263	63,196
Prepaid expenses	106,728	116,674	Current portion of long-term loans payable	723,000	723,000
Deferred tax assets	15	13	Accounts payable - other	226,007	197,098
Other	1,105	3,625	Accrued expenses	8,212	7,508
Total current assets	2,078,582	2,070,040	Income taxes payable	915	870
Non-current assets			Accrued consumption taxes	61,072	20,086
Property, plant and equipment			Advances received	184,050	185,105
Buildings	18,169,276	18,263,856	Other	1,211	3,731
Accumulated depreciation	-394,939	-662,458	Total current liabilities	1,294,733	1,200,597
Buildings, net	17,774,336	17,601,397	Non-current liabilities		
Structures	1,259	1,259	Long-term loans payable	11,012,750	10,901,250
Accumulated depreciation	-7	-51	Tenant leasehold and security deposits	868,270	868,270
Structures, net	1,251	1,207	Asset retirement obligations	67,248	67,397
Tools, furniture and fixtures	—	255	Total non-current liabilities	11,948,269	11,836,917
Accumulated depreciation	—	-17	Total liabilities	13,243,002	13,037,515
Tools, furniture and fixtures, net	—	237	Net assets		
Land	9,264,041	9,263,321	Unitholders' equity		
Total property, plant and equipment	27,039,629	26,866,164	Unitholders' capital	15,752,576	15,752,576
Intangible assets			Deduction from unitholders' capital		
Leasehold right	157,802	157,802	Allowance for temporary difference adjustment	-528	-1,762
Software	6,963	6,161	Total deduction from unitholders' capital	-528	-1,762
Total intangible assets	164,765	163,963	Unitholders' capital, net	15,752,047	15,750,814
Investments and other assets			Surplus		
Long-term prepaid expenses	147,310	98,491	Unappropriated retained earnings (undisposed loss)	445,238	420,330
Lease and guarantee deposits	10,000	10,000	Total surplus	445,238	420,330
Total investments and other assets	157,310	108,491	Total unitholders' equity	16,197,286	16,171,144
Total non-current assets	27,361,706	27,138,619	Total net assets	16,197,286	16,171,144
Total assets	29,440,289	29,208,659	Total liabilities and net assets	29,440,289	29,208,659



# Statement of Income

(thousand yen)

	2nd period (from December 1, 2016 to May 31, 2017)	3rd period (from June 1, 2017 to November 30, 2017)
<b>Operating revenue</b>		
Lease business revenue	1,021,730	1,032,755
Total operating revenue	1,021,730	1,032,755
<b>Operating expenses</b>		
Expenses related to rent business	318,123	355,550
Asset management fee	114,178	110,490
Asset custody fee	1,367	1,315
Administrative service fees	12,892	12,397
Directors' compensations	3,600	3,600
Other operating expenses	23,598	30,309
Total operating expenses	473,760	513,663
Operating income	547,969	519,092
<b>Non-operating income</b>		
Interest income	8	10
Interest on refund	2,267	-
Total non-operating income	2,275	10
<b>Non-operating expenses</b>		
Interest expenses	47,403	45,044
Borrowing related expenses	56,788	53,011
Total non-operating expenses	104,191	98,056
Ordinary income	446,053	421,047
Income before income taxes	446,053	421,047
Income taxes - current	916	872
Income taxes - deferred	9	2
Total income taxes	926	874
Net income	445,127	420,172
Retained earnings brought forward	111	157
Unappropriated retained earnings (undisposed loss)	445,238	420,330

# Debt Status (After Acquisition of New Properties)

## List of lenders

(as of December 4, 2017)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security
Short term	Sumitomo Mitsui Banking Corporation	580	Base rate (JBA 1-month yen TIBOR)+0.35%	December 4, 2017	November 30, 2018	Unsecured Unguaranteed
	Sumitomo Mitsui Banking Corporation	230 (Note)	Base rate (JBA 1-month yen TIBOR)+0.35%	December 4, 2017	November 30, 2018	Unsecured Unguaranteed
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.	6,881	Base rate (JBA 3 months Yen TIBOR) +0.65%	September 1, 2016	May 31, 2019	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd.	3,756	Base rate (JBA 3 months Yen TIBOR) +0.80%	September 1, 2016	May 29, 2020	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	486	Base rate (JBA 3 months Yen TIBOR) +1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	500	Base rate (JBA 1 month Yen TIBOR) +0.35%	May 31, 2017	May 31, 2018	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.	2,340	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.	2,500	Base rate (JBA 3-month yen TIBOR)+0.80%	December 4, 2017	November 30, 2021	Unsecured and unguaranteed
<b>Total</b>		<b>17,274</b>				

(Note) It is planned to be made an early repayment on January 31, 2018.

# 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 Group Co., Ltd.
Capital	18 million yen (as of Sep. 21, 2017)
Address	1-9-4 Nihonbashi-honcho, Chuo-ku, Tokyo
Establishment	June 29, 2017 (founded in Nov. 2001)
No. of Employees	1,104 (consolidated, as of end of Feb. 2017)
Representative	Representative Director Mitsumasa Morita

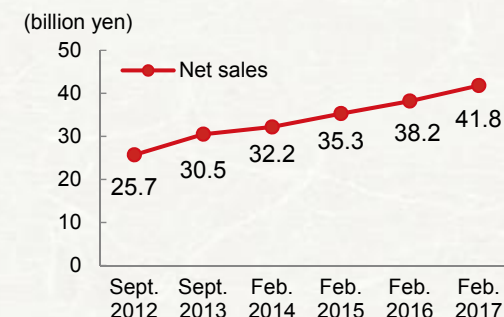
### Financial Results (Feb. 2017)

Consolidated Net Sales: 41,834 million yen  
Consolidated Total Assets: 62,570 million yen  
Net Assets: 10,879 million yen

### Businesses

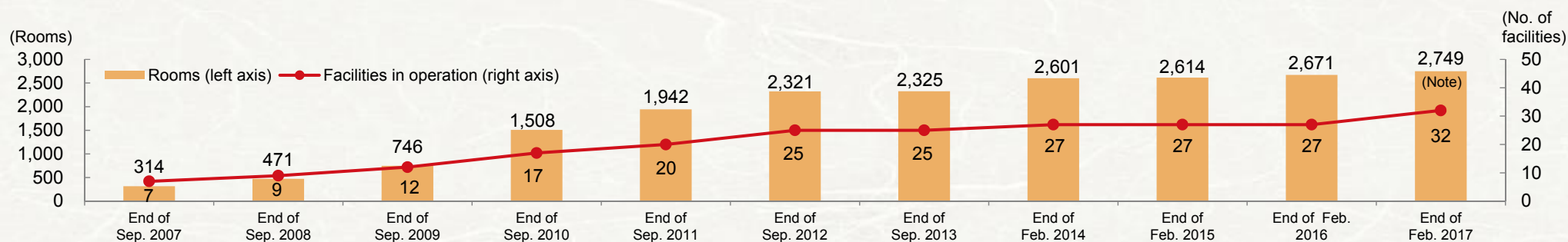
- Reinvigorating onsen ryokan, hotels, spa-related facilities, theme parks around the country
- We started with the onsen theme park, “Ooedo-Onsen Monogatari,” which has an Edo culture theme. As of Nov. 30, 2017, we operate 34 onsen and spa-related facilities

## Trends in net sales



## Trends in number of rooms and number of facilities

Year	2003	2007	2009	2010	2013	2016	2017
Opened	Ooedo-Onsen Monogatari in Odaiba, Tokyo	Aizu, Ikaho, Nikko Kirifuri, and Kamoshika-so, etc.	Urayasu Mangekyo	Hotel New Okabe, Hotel New Shiobara, Kinugawa Kanko Hotel, and Reoma Resort	Minoh Kanko Hotel and Minoh Onsen Minoh Spa Garden	Kouunkaku, Masuya And Nagasaki Hotel Seifu	Hotel Suiyotei, Beppu Seifu and Gero Shin-kan
Facilities				 	 		 

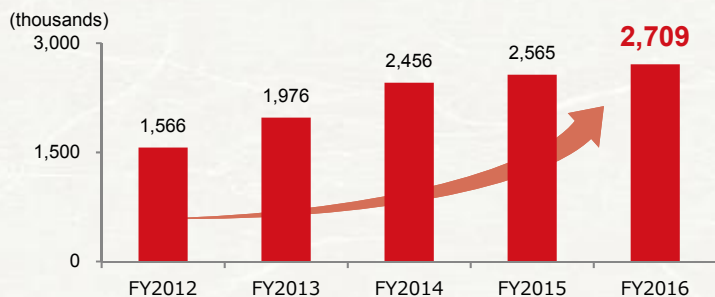


(Note) This does not include number of rooms of facilities where renovations have not been completed.

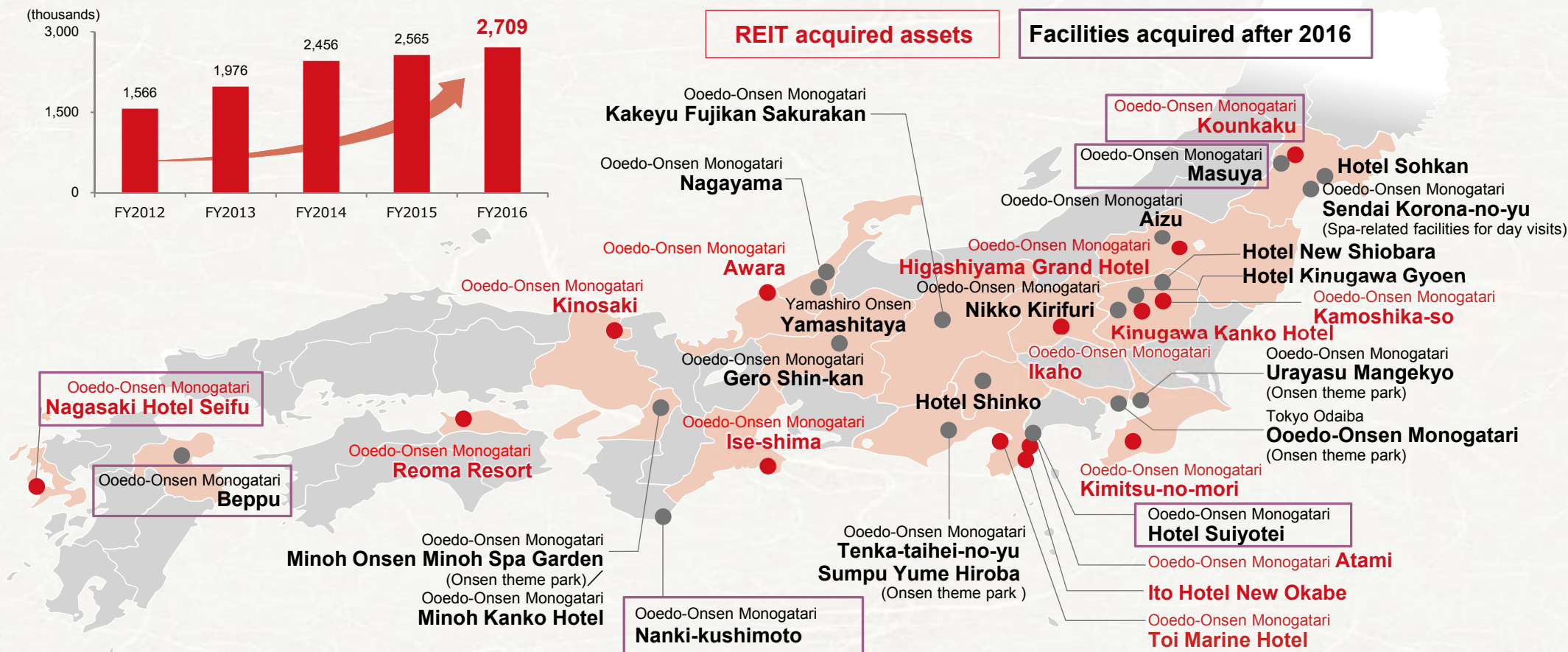
# Ooedo-Onsen Monogatari Group (2)

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

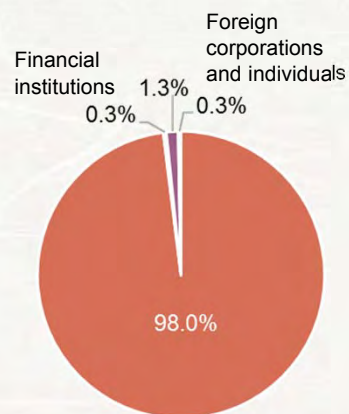


# Unitholders Breakdown

## Ratio by number of unitholders

<End of 2<sup>nd</sup> fiscal period>

12,912 unitholders

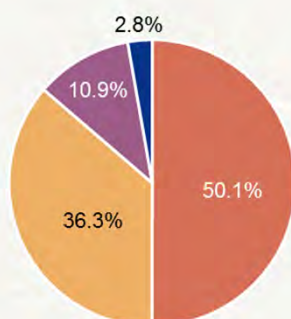
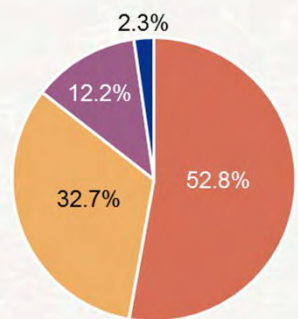


<End of 3<sup>rd</sup> fiscal period>

13,336 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	Japan Trustee Services Bank, Ltd. (Trust Account)	25,090	14.2%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	20,168	11.4%
3	Ooedo-Onsen Mongatari Co., Ltd.	9,246	5.2%
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,040	2.3%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	3,928	2.2%
6	Sekai Shidokyo	1,552	0.9%
7	BNYM SANV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS MLSCB RD	1,500	0.9%
8	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,034	0.6%
9	Hida Shinkin Bank	1,000	0.6%
9	General Incorporated Association Seiikai	1,000	0.6%
Total		68,558	38.9%

# 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 November 30, 2017 (record date), end of 3rd 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 at time of commencement&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                  &lt;9 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>		

# Profile 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, Yamagata)
- Online IR seminars



### Fairs for private investors

- Nikkei IR/Investment Fair 2017 (held on August 25, 2017)
- J-REIT Caravan (held on September 14, 2017)
- Joint IR information session for private investors: Nagoya (held on September 30, 2017)
- J-REIT Fair 2017 for private investors (held on October 28, 2017)



### Event co-hosted with “Kinyu Joshi” to learn about “hot spring x investment”

Held two events for private investors collaborating with “Kinyu Joshi” on August 24 and September 23, 2017.

The first event was held in a workshop style and the second one took participants on a backyard tour of “Odaiba Tokyo Oedo-Onsen Monogatari” operated by the sponsor.



(Note) “Kinyu Joshi” is a community for women in their 20’s and 30’s for sharing financial information at all-female get-togethers.

# 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

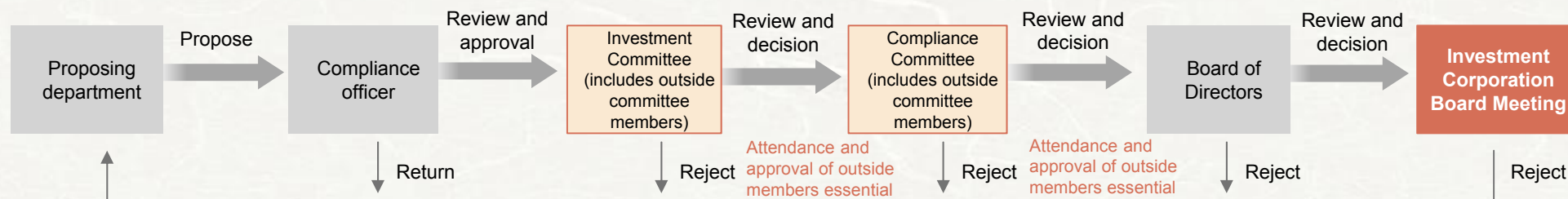
Remuneration paid by the Investment Corporation to the asset manager consists of management fee I, management fee II, acquisition fee, and disposition fee.

<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))

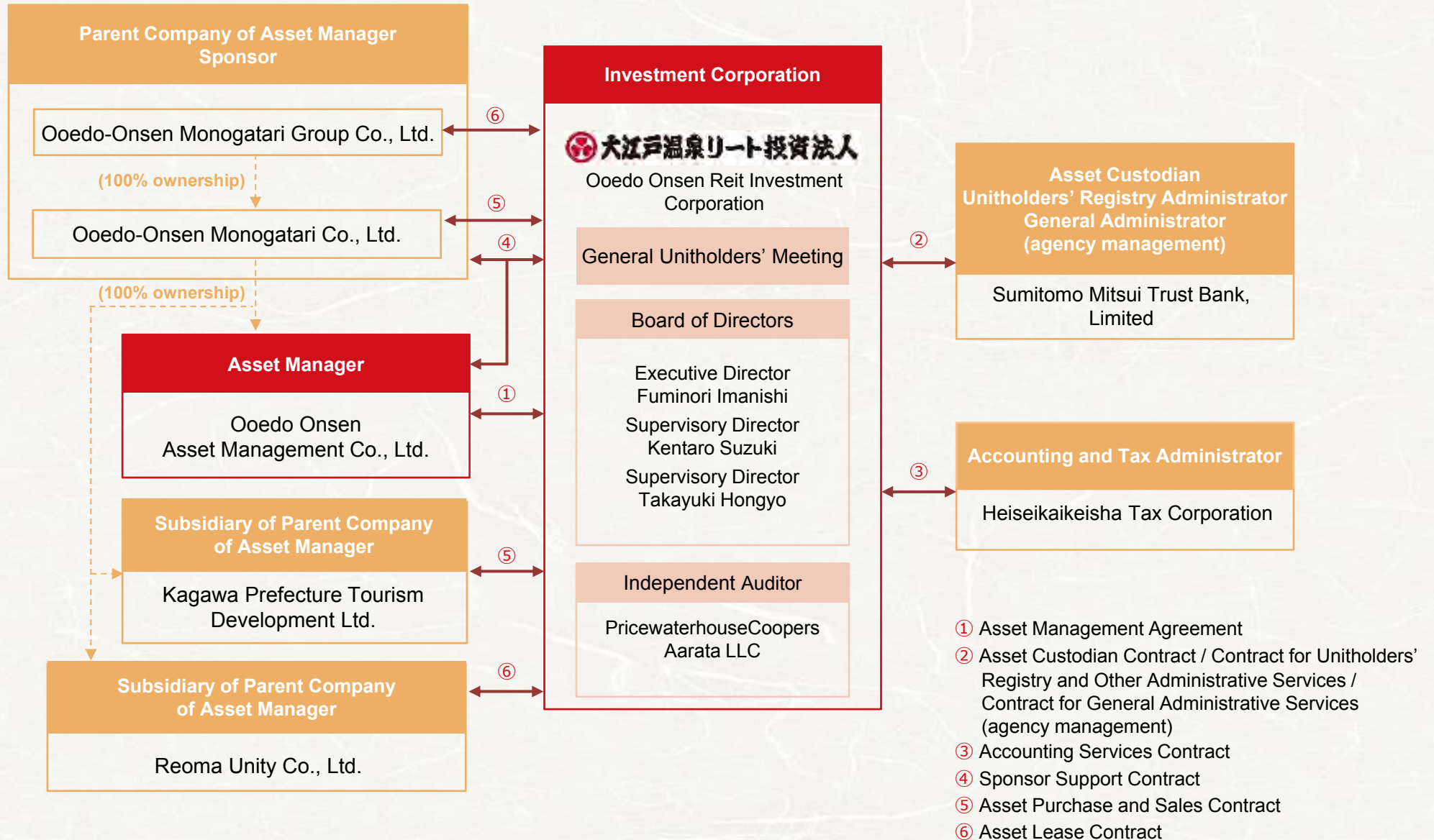
(Note 1) Subject to adjustment for asset acquisitions and asset dispositions during the relevant calculation period.

(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

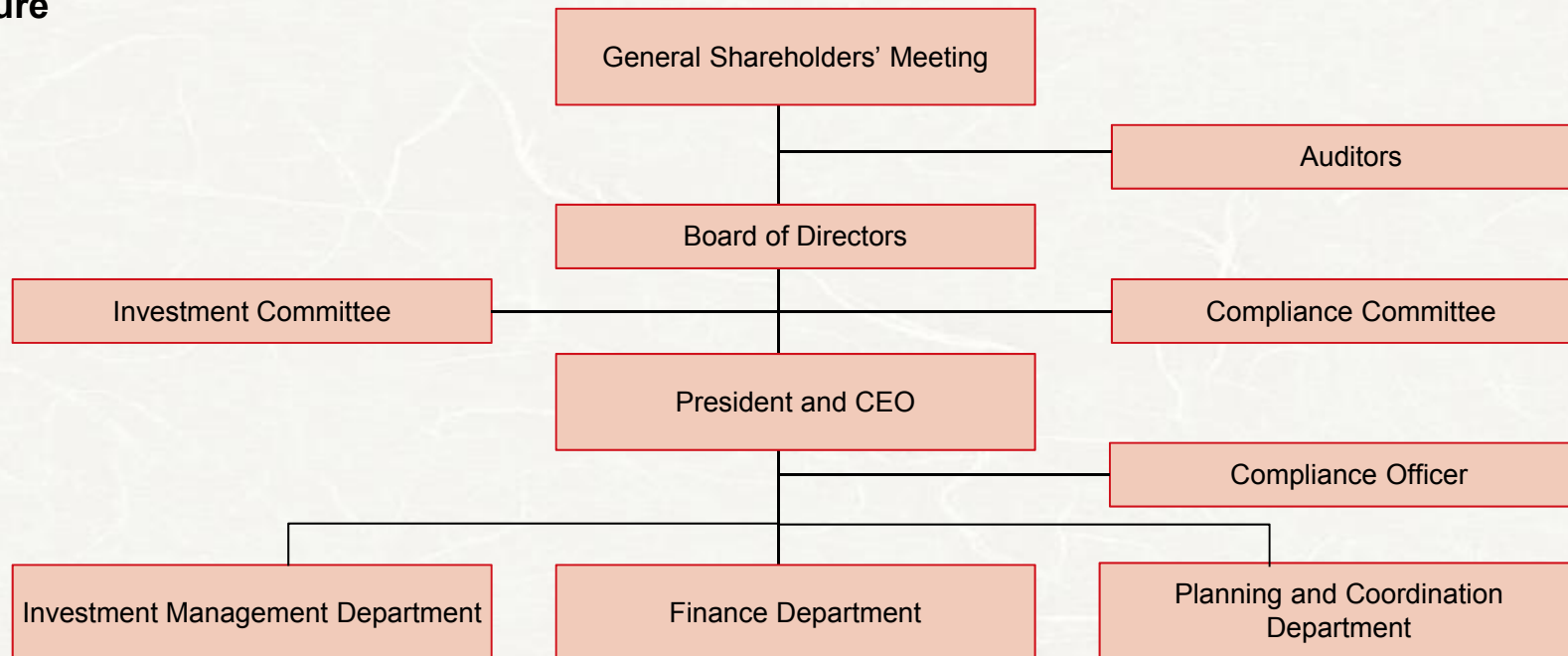


# Overview of Asset Manager

**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** : 10 (as of November 30, 2017)

## Structure



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