



**大江戸温泉リート投資法人**

Ooedo Onsen Reit Investment Corporation

Results of 1st Fiscal Period ended November 30, 2016

# Presentation Material

January 25, 2017

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

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# **I . Operating Highlights for the 1<sup>st</sup> Fiscal Period ended November 2016**

# Financial Results for the 1<sup>st</sup> Fiscal Period ended November 2016

## Distribution per unit: 376 yen, +23 yen from the initial forecast (+6.5%)

(thousand yen)					
Item	1st period (Forecast as of September 5, 2016)		1st period (Actual)		Difference
Operating revenue	Component ratio	511,026	Component ratio	507,696	-3,329
Primary rent		468,143		468,411	+267
Fixed rent	100.0%	468,143	100.0%	468,411	+267
Variable rent	0.0%	-	0.0%	-	-
Secondary rent		42,882		38,985	-3,897
Others		-		300	+300
Lease operations revenue/losses		372,590		367,504	-5,085
Operating income		296,107		266,538	-29,568
Ordinary income		62,196		67,131	+4,934
Net income		62,196		65,834	+3,637
Excess cash distribution		-		528	+528
Total distribution		62,196		66,251	+4,054
Total units outstanding		176,200 units		176,200 units	-
DPU (yen)		353		376	+23
(Excess cash distribution per unit)		-		3	+3
FFO per unit (yen)		1,089		1,119	+30
Depreciation		129,731		131,368	+1,637
NOI		502,322		498,873	-3,448
CAPEX		2,700		12,665	+9,965

(Note) 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.

### Main factors for increase/decrease (thousand yen)

- Decrease in secondary rent due to decrease in fixed asset taxes and city planning taxes, etc. -3,897
- Increase in depreciation due to finalized acquisition costs -1,637

### Lease operations revenue/loss -5,085

- Increase in administrative service fees -2,293
- Increase in other operating expenses (item transfer of investment unit issuance expenses, etc.) -22,227

### Operating income -29,568

- Decrease in interest expenses +1,673
- Decrease in borrowing related fees +1,025
- Increase in deferred organization expenses (item transfer, etc.) -18,021
- Decrease in investment unit issuance expenses (item transfer, etc.) +49,825

### Ordinary income +4,934

### Main financial indicators (million yen)

Total assets	30,732
Interest-bearing debt	13,524
Total liabilities	14,914
Total net assets	15,818
LTV (book value basis) (%)	44.0
NAV per unit (yen)	94,207

# Forecast for the 2<sup>nd</sup> Fiscal Period ending May 2017

## Distribution per unit: 2,514 yen, +1 yen from the initial forecast

(thousand yen)

Item	2nd period (Forecast as of September 5, 2016)	2nd period (Revised forecast)	Difference
Operating revenue	Component ratio 1,025,853	Component ratio 1,018,130	-7,723
Primary rent	939,624	940,158	+534
Fixed rent	92.3% 867,735	92.4% 868,270	+534
Variable rent	7.7% 71,888	7.6% 71,888	-0
Secondary rent	86,229	77,971	-8,258
Lease operations revenue/losses	709,973	700,499	-9,473
Operating income	551,867	546,664	-5,202
Ordinary income	442,774	442,412	-362
Net income	442,774	441,807	-967
Excess cash distribution	-	1,057	+1,057
Total distribution	442,774	442,966	+192
Total units outstanding	176,200	176,200	-
DPU (yen)	2,513	2,514	+1
(Excess cash distribution per unit)	-	6	+6
FFO per unit (yen)	3,985	4,013	+28
Depreciation	259,481	265,351	+5,870
NOI	969,454	965,850	-3,603
CAPEX	70,975	108,000	+37,025

### Main factors for increase/decrease (thousand yen)

- Decrease in secondary rent due to decrease in fixed asset taxes and city planning taxes, etc. -8,258
- Decrease in fixed asset taxes and city planning taxes, etc. +4,118
- Increase in depreciation due to finalized acquisition costs -5,870

### Lease operations revenue/loss -9,473

- Decrease in other operating expenses +4,940

### Operating income -5,202

- Decrease in interest expenses +3,421
- Decrease in borrowing related fees +1,419

### Ordinary income -362

### Main financial indicators (million yen)

Total assets	29,380
Interest-bearing debt	12,012
Total liabilities	13,187
Total net assets	16,193
LTV (book value basis) (%)	40.9

# Forecast for the 3<sup>rd</sup> Fiscal Period ending November 2017

## Distribution per unit: 2,353 yen, unchanged from the initial forecast

(thousand yen)

Item	3rd period (Forecast as of September 5, 2016)	3rd period (Revised forecast)	Difference
Operating revenue	Component ratio 1,027,452	Component ratio 1,021,972	-5,479
Primary rent	941,260	944,001	+2,741
Fixed rent	92.2% 867,735	92.0% 868,270	+534
Variable rent	7.8% 73,524	8.0% 75,730	+2,206
Secondary rent	86,192	77,970	-8,221
Lease operations revenue/losses	672,220	665,557	-6,663
Operating income	518,002	513,228	-4,773
Ordinary income	414,669	414,313	-356
Net income	414,669	413,708	-961
Excess cash distribution	-	1,057	+1,057
Total distribution	414,598	414,598	-
Total units outstanding	176,200	176,200	-
DPU (yen) (Excess cash distribution per unit)	2,353 -	2,353 6	- +6
FFO per unit (yen)	3,830	3,877	+47
Depreciation	260,185	269,569	+9,383
NOI	932,406	935,126	+2,720
CAPEX	70,975	118,000	+47,025

### Main factors for increase/decrease

(thousand yen)

- Increase in variable rent due to improvement of forecast GOP +2,206
- Decrease in secondary rent due to decrease in fixed asset taxes and city planning taxes, etc. -8,221
- Decrease in fixed asset taxes and city planning taxes, etc. +8,236
- Increase in depreciation due to finalized acquisition costs -9,383

### Lease operations revenue/loss

**-6,663**

- Decrease in other operating expenses +2,425

### Operating income

**-4,773**

- Decrease in interest expenses +2,109
- Decrease in borrowing related fees +2,307

### Ordinary income

**-356**

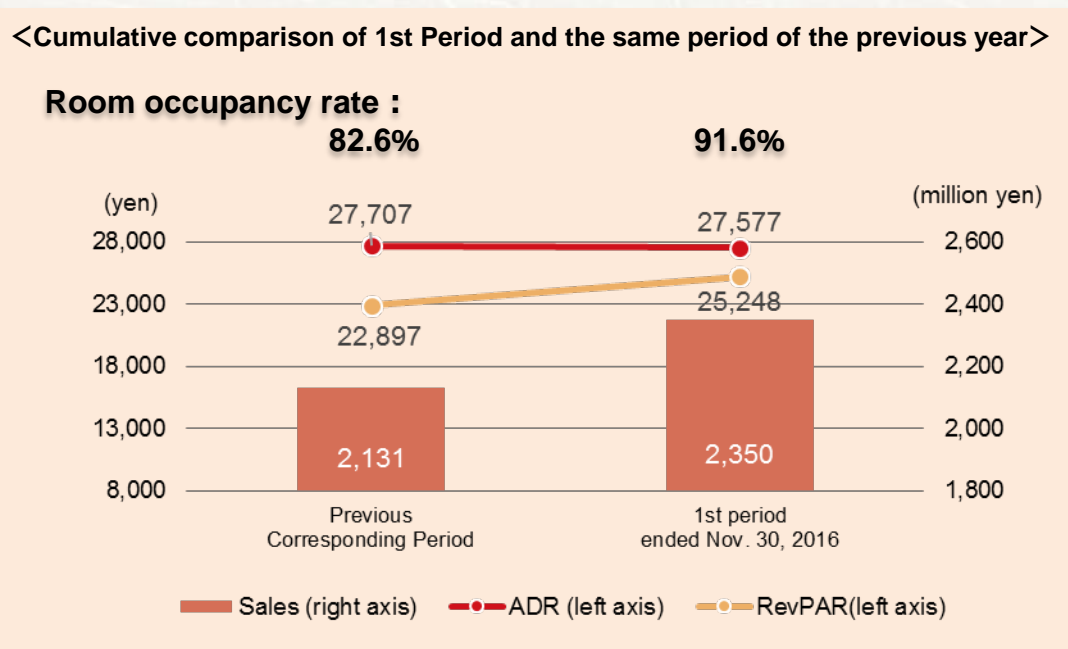
### Main financial indicators

(million yen)

Total assets	29,194
Interest-bearing debt	11,901
Total liabilities	13,029
Total net assets	16,165
LTV (book value basis) (%)	40.8

# 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



## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	88.4%	79.6%	85.0%	92.6%	86.2%	82.2%	78.8%	89.2%	97.4%	88.7%	90.5%	95.6%	87.9%	91.6%	82.6%	+8.9%
ADR (yen)	30,422	30,045	26,697	30,081	28,374	29,089	25,273	30,679	42,421	26,914	27,874	27,902	29,841	27,577	27,707	-130
RevPAR (yen)	26,895	23,913	22,682	27,852	24,460	23,918	19,909	27,356	41,317	23,866	25,215	26,665	26,219	25,248	22,897	+2,351
Sales (million yen)	823	730	655	856	728	744	608	845	1,252	724	800	826	9,590	2,350	2,131	+219

(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.

(Note 3) Ooedo-Onsen Monogatari Toi Marine Hotel was closed from October 1, 2016 through October 23, 2016 for earthquake resistance improvements.

(Note 4) 16 rooms were not available at Ooedo-Onsen Monogatari Awara from September 1, 2015 to November 20, 2015 due to earthquake resistance improvements.

# The Overall Picture of Ooedo Onsen Reit Investment Corporation

System to stably generate distributions with stable earning structure

## Asset

Onsen and spa-related facilities:	9 (properties)
Total acquisition price:	26.8bn yen
Unrealized capital gain:	780mn yen
Average room occupancy rate:	91.6%
Average NOI yield:	6.9%
<small>(Based on actual results/after normalization for fixed asset taxes and city planning taxes)</small>	
Period of master lease:	20 years
Portfolio PML:	3.9%

Creation of stable rental revenue

## Debt

Unsecured borrowings:	13.5bn yen
LTV:	44.0%
Long term debt ratio:	83.9%

Use of stable debt

## Equity

DPU	1 <sup>st</sup> fiscal period:	376 yen
	2 <sup>nd</sup> fiscal period:	2,514 yen
	3 <sup>rd</sup> fiscal period:	2,353 yen

Provision of stable distributions



# Portfolio Data (1)

## Portfolio summary

(as of November 30, 2016)

Total acquisition price	Total appraised value	Average NOI yield	Average after depreciation NOI yield	Average room occupancy rate	Portfolio PML
26.8 bn yen	28.1 bn yen	6.9%	5.0%	91.6%	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)	1st period actual NOI (million yen)	NOI yield (%)	After depreciation NOI yield (%)	PML (%)
<b>Onsen and spa-related facilities</b>											
S-1	Ooedo-Onsen Monogatari Reoma Resort	Marugame City, Kagawa Prefecture	25.4 25.7	241	90.9	10,379	10,900	217	7.8	6.3	1.9 1.6
S-2	Ooedo-Onsen Monogatari Ise-shima	Shima City, Mie Prefecture	36.8	83	97.6	3,656	3,820	58	6.2	3.4	14.2
S-3	Ito Hotel New Okabe	Ito City, Shizuoka Prefecture	26.1	73	90.3	2,657	2,810	44	6.1	4.2	12.0
S-4	Ooedo-Onsen Monogatari Atami	Atami City, Shizuoka Prefecture	42.9	76	96.4	2,997	3,160	50	6.5	4.4	12.6
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Izu City, Shizuoka Prefecture	42.2	64	81.5	1,910	1,980	30	6.2	3.4	14.9
S-6	Ooedo-Onsen Monogatari Awara	Awara City, Fukui Prefecture	35.3	95	87.2	1,901	1,980	37	7.2	5.1	14.9
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Nasushiobara City, Tochigi Prefecture	20.8	60	90.9	1,222	1,270	22	6.3	4.3	3.0
S-8	Ooedo-Onsen Monogatari Ikaho	Shibukawa City, Gunma Prefecture	33.1	40	98.8	1,299	1,370	21	6.1	4.2	1.0
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Kimitsu City, Chiba Prefecture	20.7	41	96.9	819	861	15	6.4	4.7	4.8
Total/Average			31.0	773	91.6	26,844	28,151	498	6.9	5.0	3.9

(Note 1) 1st 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.

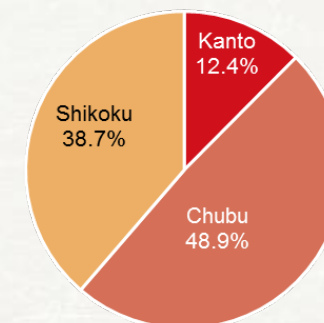
(Note 3) The Number of guest rooms for Ito Hotel New Okabe indicates that for Sagamitei owned by the investment corporation. The same applies hereinafter.

# Portfolio Data (2)

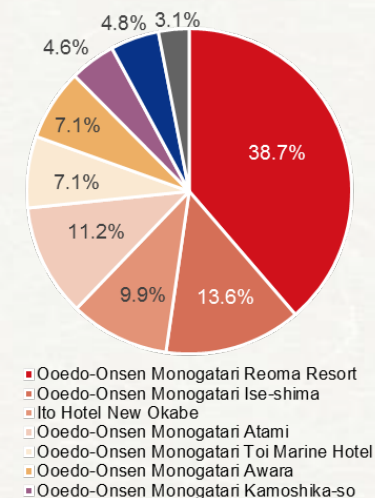
## Diversified portfolio attracting guests from metropolitan areas



Investment ratio by region (acquisition price basis)



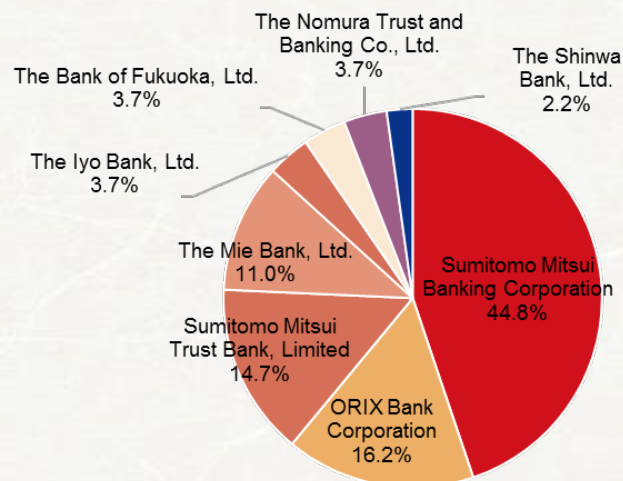
Investment ratio by facility (acquisition price basis)



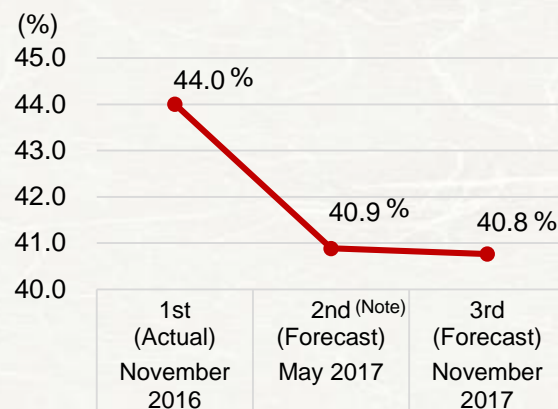
# Financial Status

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

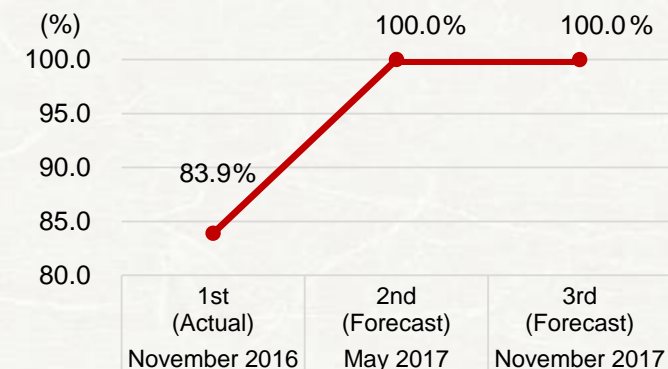
## Breakdown of lenders



## LTV

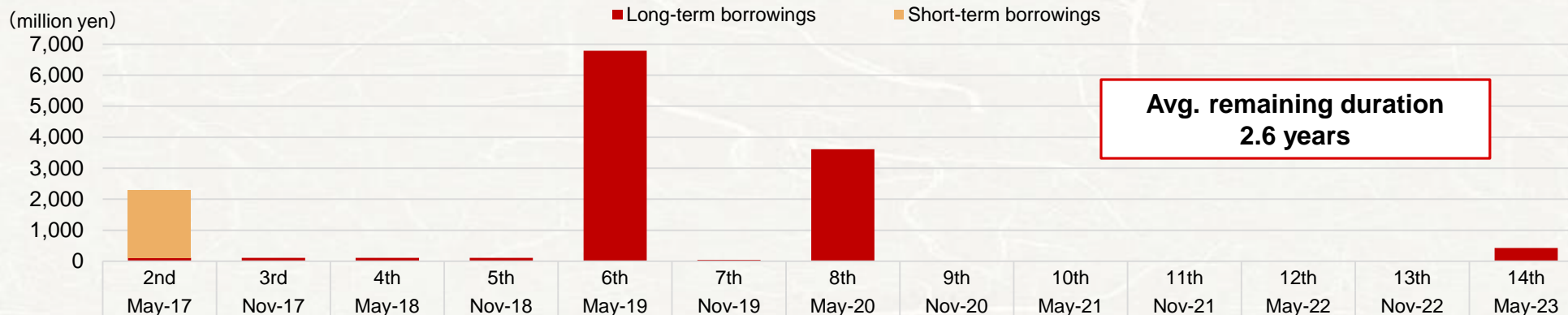


## Ratio of long-term borrowings



(Note) If the borrower receives a refund of consumption tax, the borrower shall make an early repayment of the refunded amount to the lender on the interest payment date immediately after the day on which the borrower receives the refund

## Overview of maturity

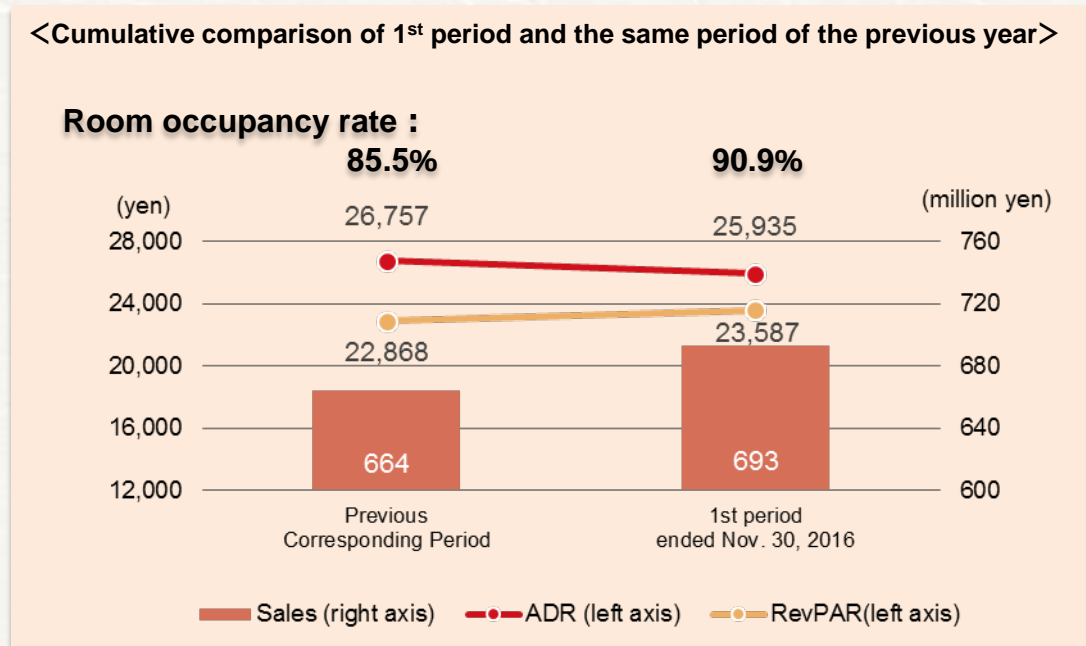




## **Ⅱ . Operating Results of Individual Properties**

# 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



Location Marugame City, Kagawa Prefecture  
 No. of rooms 241

## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	92.9%	79.5%	87.5%	96.2%	90.5%	84.9%	75.0%	83.6%	99.1%	88.0%	90.0%	94.9%	88.5%	90.9%	85.5%	+5.5%
ADR (yen)	30,187	29,618	25,985	30,388	27,750	28,302	22,663	32,604	45,904	24,772	26,118	26,834	29,551	25,935	26,757	-822
RevPAR (yen)	28,046	23,545	22,739	29,237	25,117	24,042	17,002	27,266	45,499	21,794	23,500	25,468	26,164	23,587	22,868	+719
Sales (million yen)	275	227	209	276	232	236	164	268	437	205	235	253	3,016	693	664	+29

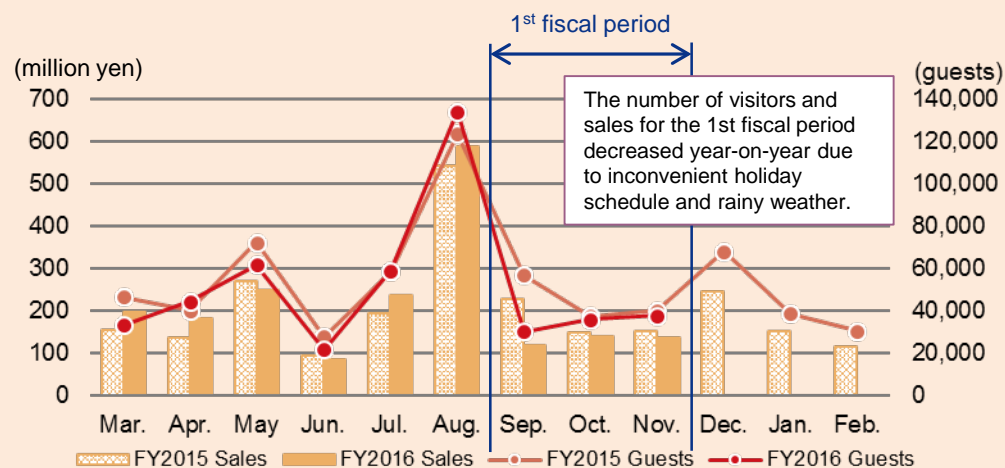
# S-1 : Ooedo-Onsen Monogatari Reoma Resort <New Reoma World>

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



<Reference>	From Mar. to Nov. 2016 Cumulative total	Previous corresponding period cumulative total	Change
Sales (million yen)	1,928	1,922	+6

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



## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Number of guests	68,114	38,716	30,653	46,368	44,363	61,632	21,780	58,895	133,904	30,164	36,081	37,696	608,366	103,941	134,715	-30,774
Sales (million yen)	245	153	114	196	182	247	84	235	588	118	139	138	2,440	395	529	-134

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

(Note 2) "Current fiscal year" in the above graph refers to FY2016 (March 2016 to February 2017) and "Previous fiscal year" to FY2015 (March 2015 to February 2016). The graph is prepared to correspond with the fiscal year of the lessee, Ooedo-Onsen Monogatari Co., Ltd.

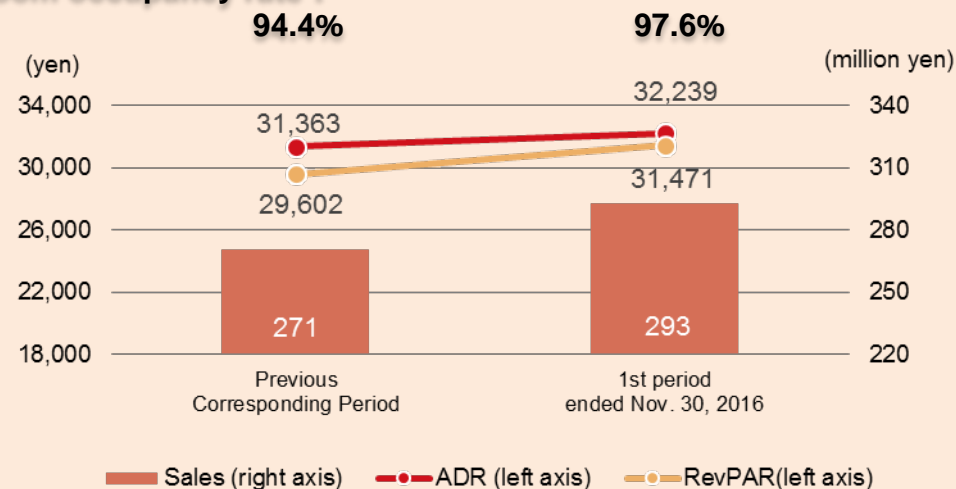
## S-2 : Ooedo-Onsen Monogatari Ise-shima

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 1st period and the same period of the previous year>

Room occupancy rate :



Location Shima City, Mie Prefecture

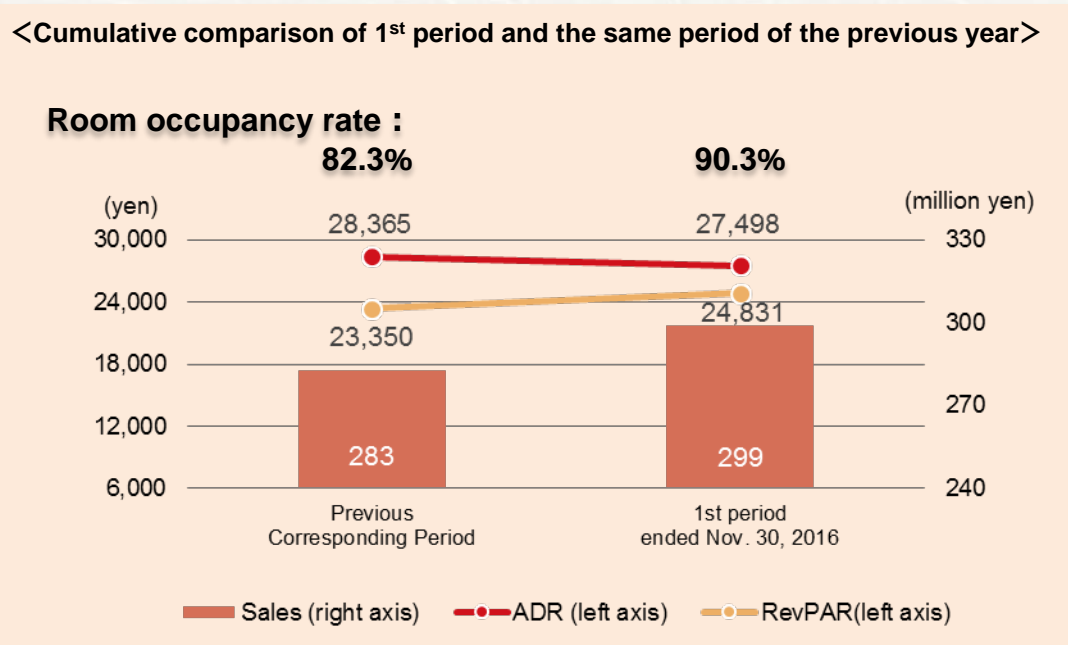
No. of rooms 83

### Portfolio operating results

	2015	2016												Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.					
Room occupancy rate	89.8%	89.5%	95.2%	95.4%	82.4%	71.2%	84.6%	92.3%	93.0%	96.6%	97.6%	98.6%	90.5%	97.6%	94.4%	+3.2%	
ADR (yen)	34,438	34,143	30,047	34,374	30,622	32,029	27,810	33,786	47,177	33,253	31,793	31,701	33,551	32,239	31,363	+876	
RevPAR (yen)	30,932	30,560	28,611	32,784	25,223	22,805	23,533	31,186	43,877	32,132	31,039	31,255	30,362	31,471	29,602	+1,868	
Sales (million yen)	91	90	80	97	74	68	71	94	129	100	98	95	1,089	293	271	+22	

# 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

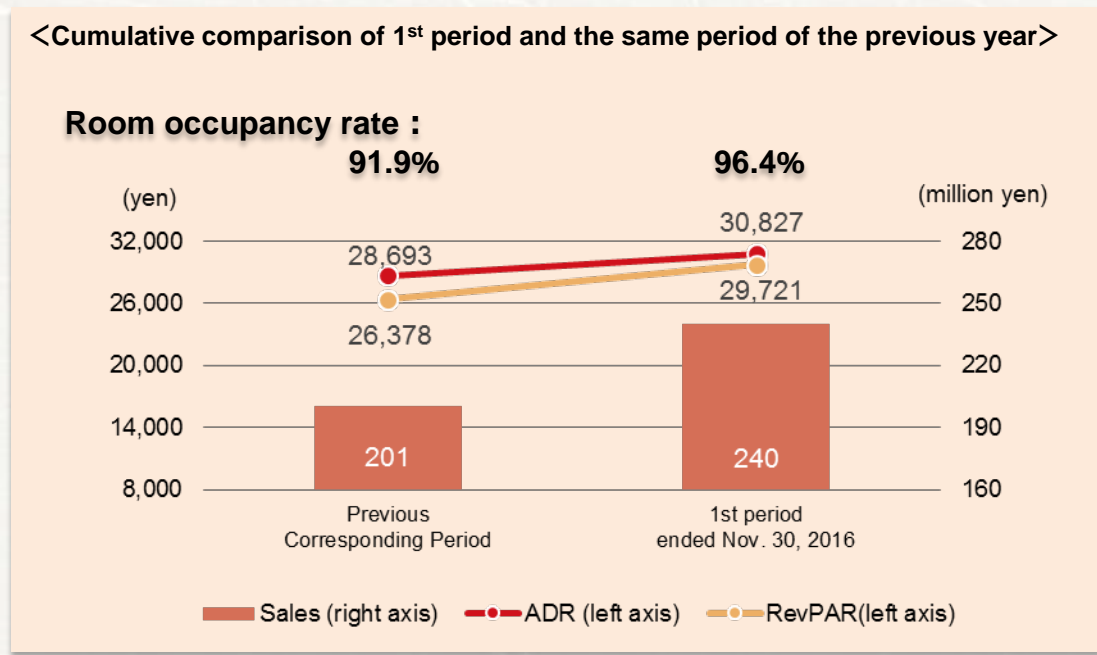
	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	90.5%	86.7%	81.5%	93.0%	85.4%	76.7%	74.5%	90.9%	95.2%	86.4%	88.0%	96.7%	87.2%	90.3%	82.3%	+8.0%
ADR (yen)	32,196	30,567	27,953	31,544	30,119	31,275	26,013	28,924	42,331	26,672	28,074	27,694	30,455	27,498	28,365	-867
RevPAR (yen)	29,128	26,487	22,788	29,350	25,716	23,981	19,386	26,279	40,289	23,034	24,693	26,771	26,542	24,831	23,350	+1,482
Sales (million yen)	116	106	86	119	100	98	79	104	153	90	102	107	1,259	299	283	+16

(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

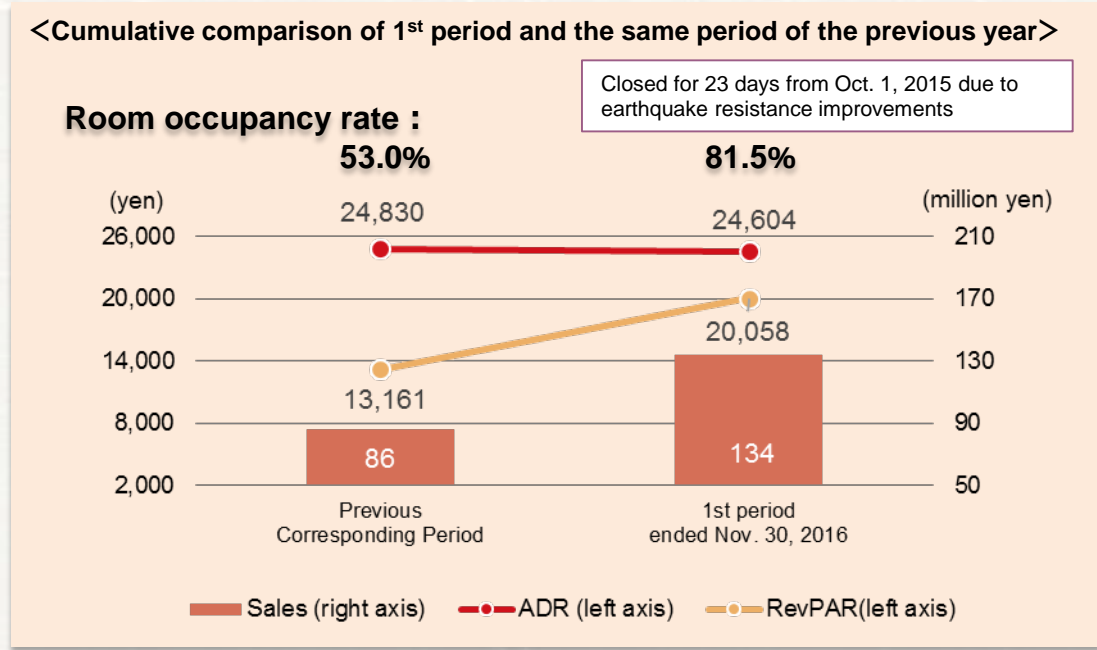
## Portfolio operating results

	2015	2016												Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.					
Room occupancy rate	97.7%	90.0%	94.5%	92.5%	97.9%	96.1%	93.2%	95.3%	97.9%	98.1%	96.0%	95.2%	95.4%	96.4%	91.9%	+4.5%	
ADR (yen)	31,190	30,195	27,904	32,949	31,548	32,260	29,163	32,930	46,070	30,031	31,395	31,055	32,355	30,827	28,693	+2,134	
RevPAR (yen)	30,485	27,162	26,364	30,488	30,897	30,986	27,193	31,392	45,112	29,452	30,129	29,570	30,865	29,721	26,378	+3,344	
Sales (million yen)	76	68	61	83	81	84	72	85	121	78	83	79	972	240	201	+39	

(Note) Ooedo-Onsen Monogatari Atami increased the number of guest rooms by 6 in March 2016.

# 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

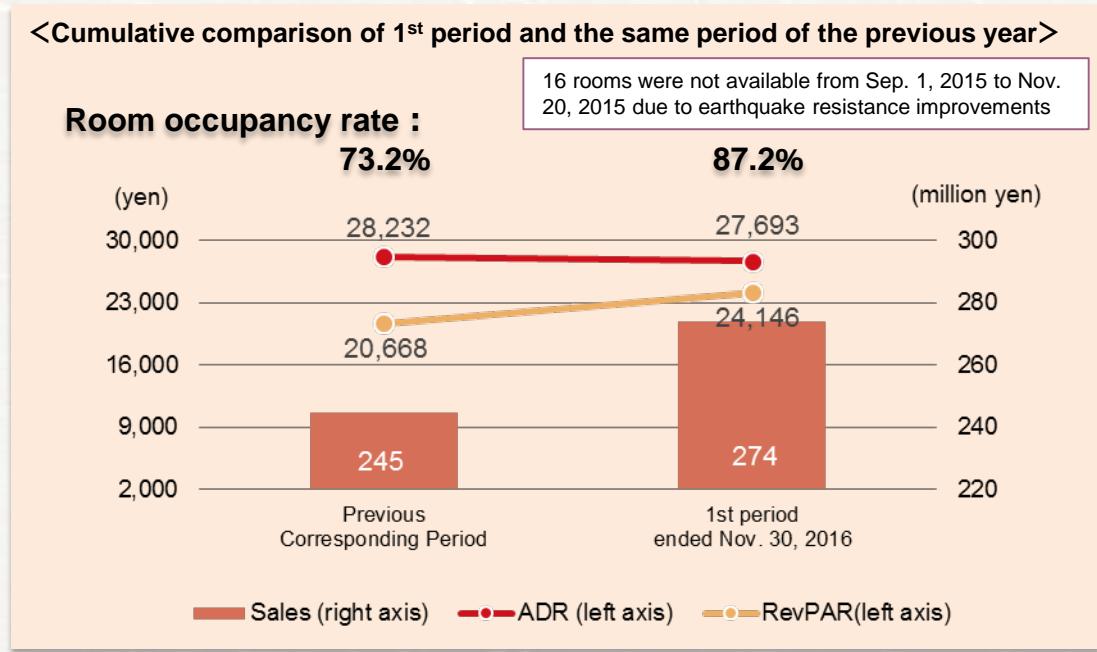
## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	88.2%	88.1%	93.5%	98.3%	80.2%	76.1%	69.1%	84.8%	95.2%	75.8%	76.1%	92.9%	84.9%	81.5%	53.0%	+28.5%
ADR (yen)	27,338	27,640	25,096	26,211	26,040	27,353	24,871	31,401	42,467	24,977	25,175	23,815	27,923	24,604	24,830	-227
RevPAR (yen)	24,114	24,352	23,460	25,775	20,872	20,804	17,190	26,621	40,433	18,928	19,160	22,116	23,696	20,058	13,161	+6,897
Sales (million yen)	54	54	49	58	45	46	38	59	90	41	44	49	628	134	86	+48

(Note) Ooedo-Onsen Monogatari Toi Marine Hotel was closed from October 1, 2016 through October 23, 2016 for earthquake resistance improvements.

# 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

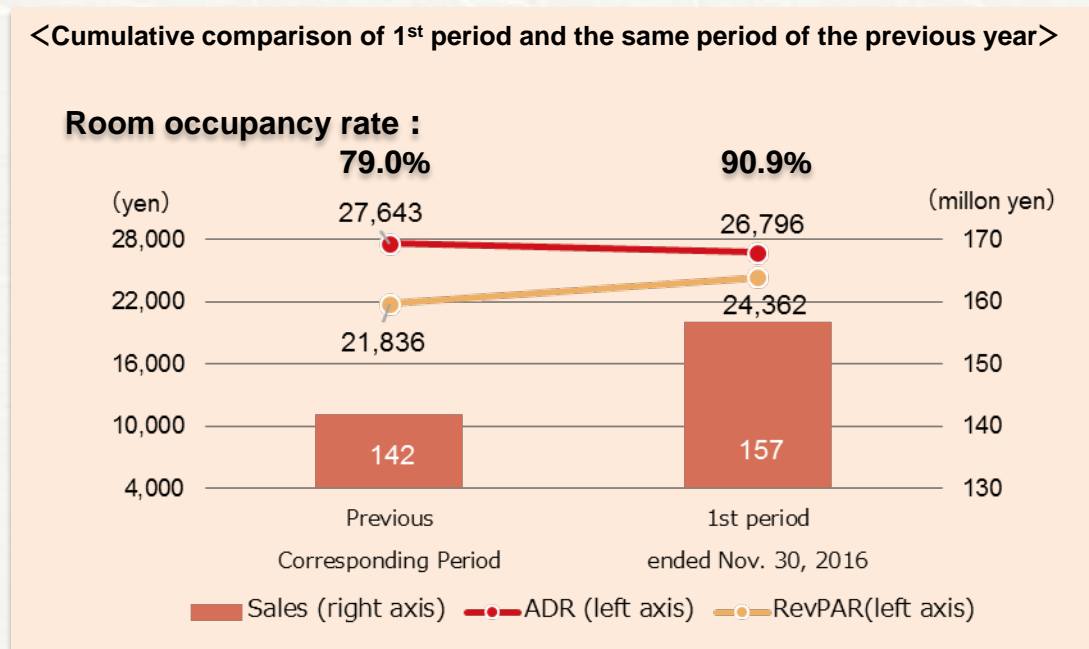
## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	74.1%	59.7%	74.6%	86.7%	79.2%	78.5%	76.8%	89.8%	99.0%	83.9%	84.6%	93.2%	81.7%	87.2%	73.2%	+14.0%
ADR (yen)	30,518	31,955	27,562	29,458	28,039	27,808	25,859	29,260	38,287	26,325	28,039	28,600	29,452	27,693	28,232	-539
RevPAR (yen)	22,621	19,075	20,549	25,547	22,205	21,821	19,871	26,290	37,923	22,085	23,716	26,651	24,063	24,146	20,668	+3,478
Sales (million yen)	84	71	73	95	78	80	74	98	138	82	91	100	1,066	274	245	+29

(Note) 16 rooms were not available at Ooedo-Onsen Monogatari Awara from September 1, 2015 to November 20, 2015 due to earthquake resistance improvements.

# 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.



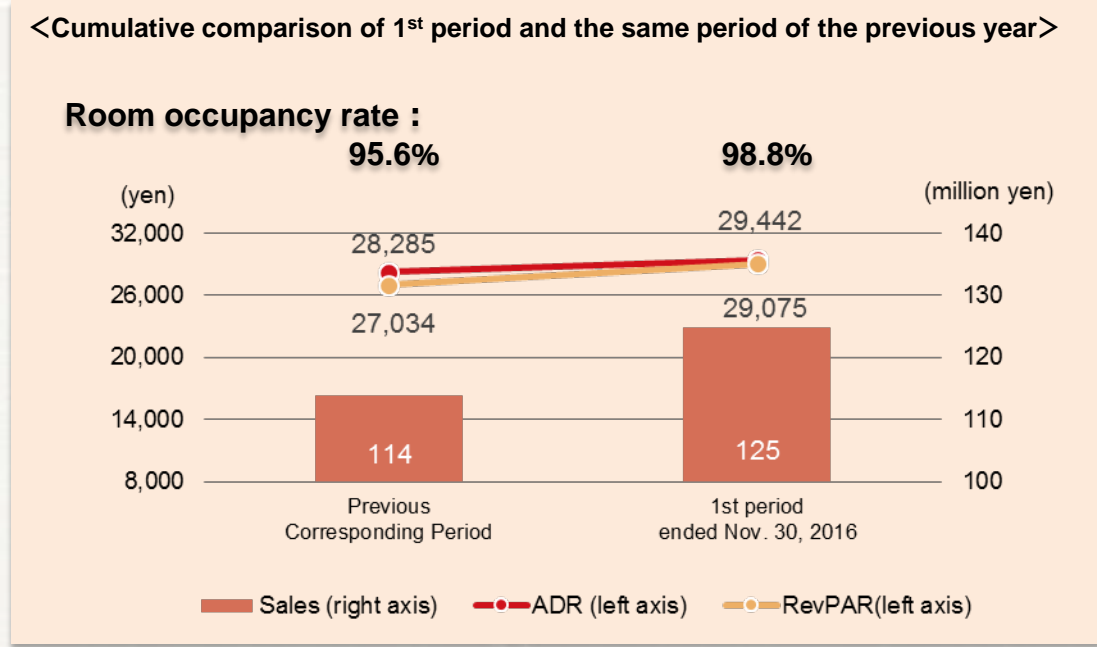
Location Nasushiobara City, Tochigi Prefecture  
 No. of rooms 60

## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	68.8%	59.9%	62.6%	70.2%	64.2%	74.9%	75.6%	89.4%	98.7%	81.8%	94.5%	96.3%	78.1%	90.9%	79.0%	+11.9%
ADR (yen)	29,683	29,653	24,986	27,455	27,297	27,554	24,230	25,952	34,708	26,083	27,149	27,044	27,789	26,796	27,643	-847
RevPAR (yen)	20,427	17,776	15,638	19,278	17,515	20,636	18,307	23,203	34,241	21,330	25,661	26,052	21,715	24,362	21,836	+2,526
Sales (million yen)	44	38	32	43	37	45	39	50	74	44	57	56	559	157	142	+15

# 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

## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	94.3%	79.2%	81.4%	95.6%	98.8%	97.9%	95.3%	98.7%	98.5%	98.3%	99.5%	98.4%	94.7%	98.8%	95.6%	+3.2%
ADR (yen)	28,980	29,570	25,314	28,075	28,108	28,940	26,729	29,324	37,459	28,034	30,016	30,251	29,328	29,442	28,285	+1,157
RevPAR (yen)	27,321	23,417	20,600	26,852	27,780	28,333	25,482	28,945	36,885	27,566	29,870	29,762	27,774	29,075	27,034	+2,041
Sales (million yen)	38	33	27	38	38	40	35	41	52	39	44	42	466	125	114	+11

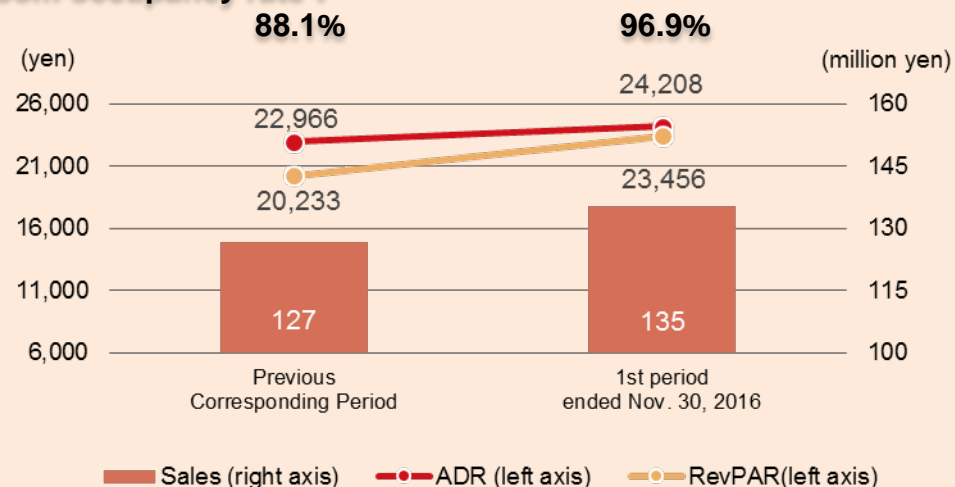
# S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

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 1st period and the same period of the previous year>

Room occupancy rate :



Location Kimitsu City, Chiba Prefecture

No. of rooms 41

## Portfolio operating results

	2015	2016											Cumulative total	1st period cumulative Total	Previous corresponding period cumulative total	Change
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.				
Room occupancy rate	94.0%	85.5%	89.2%	99.0%	94.7%	91.3%	81.6%	95.0%	97.8%	97.2%	96.5%	96.9%	93.3%	96.9%	88.1%	+8.8%
ADR (yen)	24,662	23,635	22,256	23,208	22,724	24,497	23,025	24,879	31,867	23,753	24,361	24,508	24,518	24,208	22,966	+1,242
RevPAR (yen)	23,187	20,213	19,841	22,970	21,523	22,377	18,794	23,645	31,165	23,096	23,518	23,751	22,868	23,456	20,233	+3,222
Sales (million yen)	45	43	38	46	42	47	36	45	58	44	46	45	536	135	127	+9



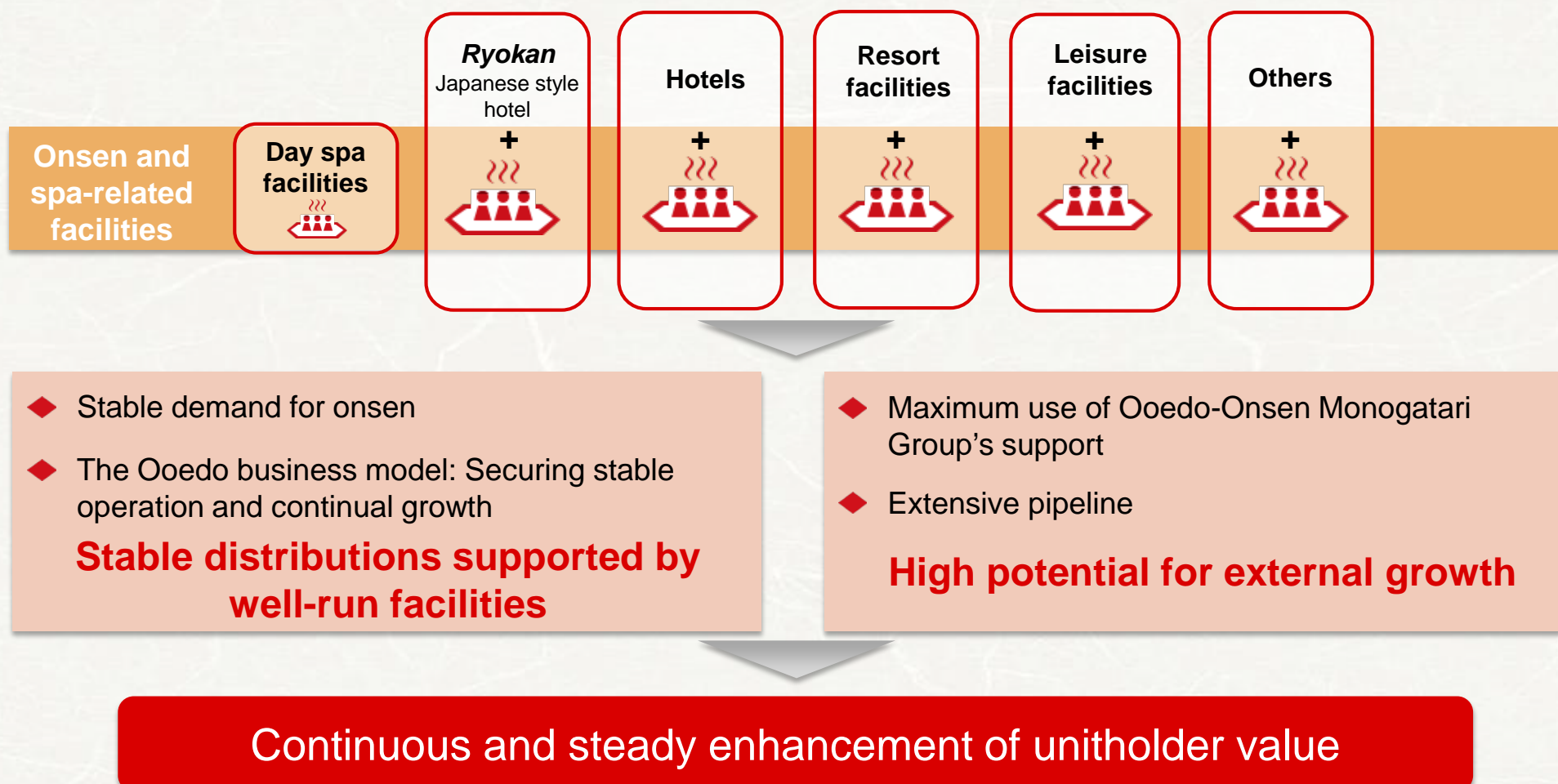
## **Ⅲ. Characteristics of Ooedo Onsen Reit and Future Management Strategy**

# 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.

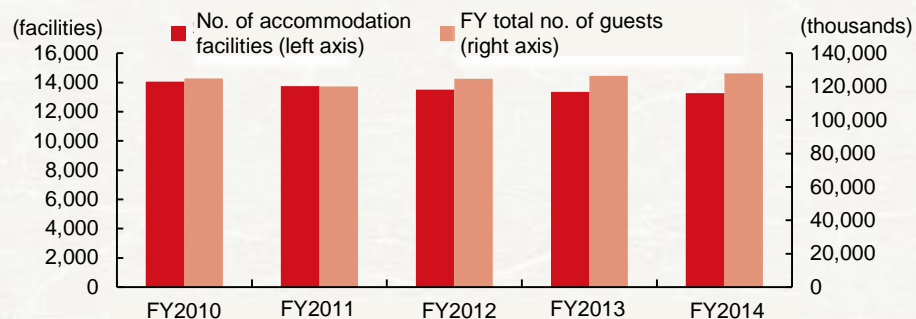




# Market Environment (1)

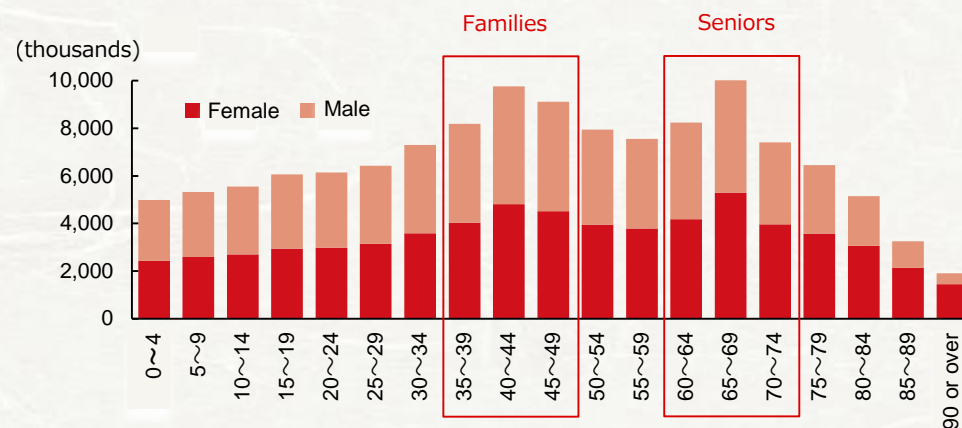
## Consumers' needs for onsen is at the top and onsen trips accompanying overnight stays is stable

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



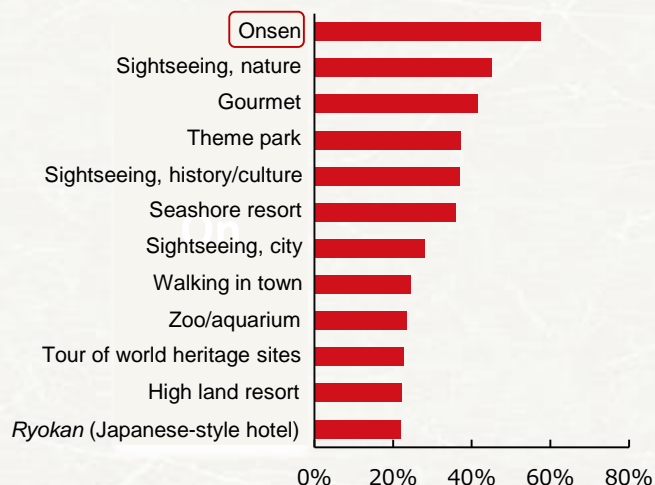
Source: Onsen Use (2010 – 2014), Nature Conservation Bureau, Ministry of the Environment

### 👤 Demographics (2016)



Source: "Annual Report on the Population Estimates" (2016) Statistic Bureau, Ministry of Internal Affairs and Communications

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



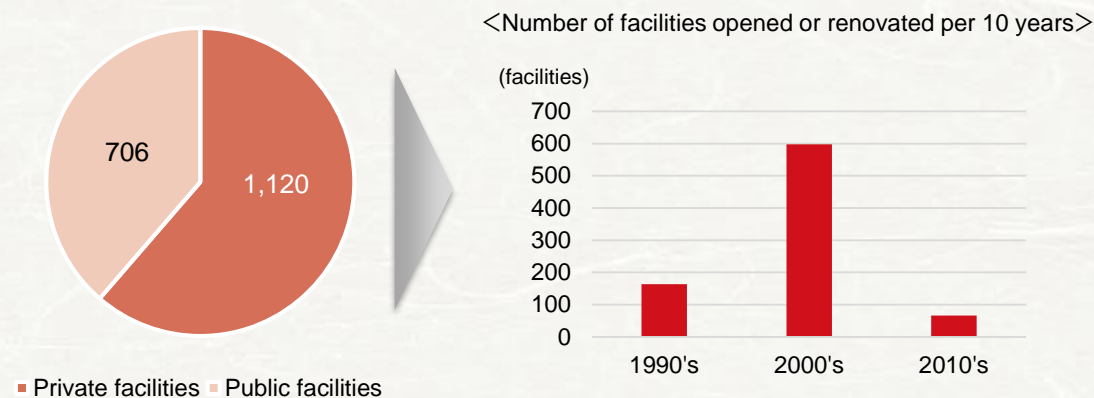
Source: "Annual Report on the Tourism Trends Survey 2016" Public Interest Incorporated Foundations, Japan Travel Bureau Foundation (July 2015-June 2016)

- 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)

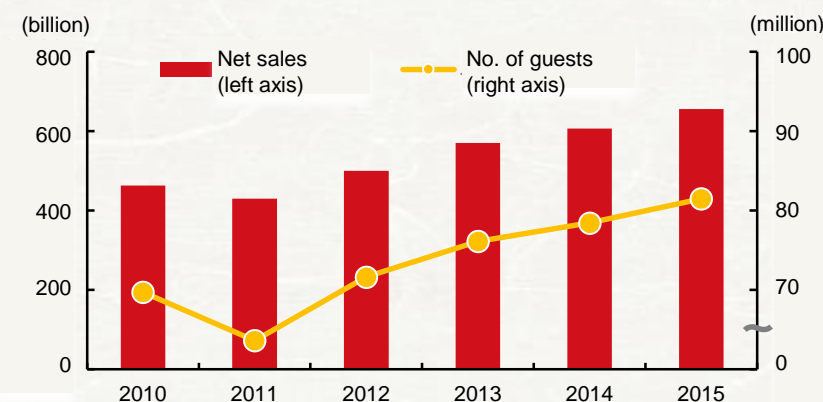
## Many day spa facilities are relatively new and are an attractive segment

### ❖ National spa facilities data



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.

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



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 (Ooedo Business Model)

Taking in stable demand from senior age group/families with Ooedo-Onsen Monogatari Group's business expertise

## 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**

# 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 Kinosaki  
(Toyooka City,  
Hyogo 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)



Kinugawa Kanko Hotel  
(Nikko City, Tochigi 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.

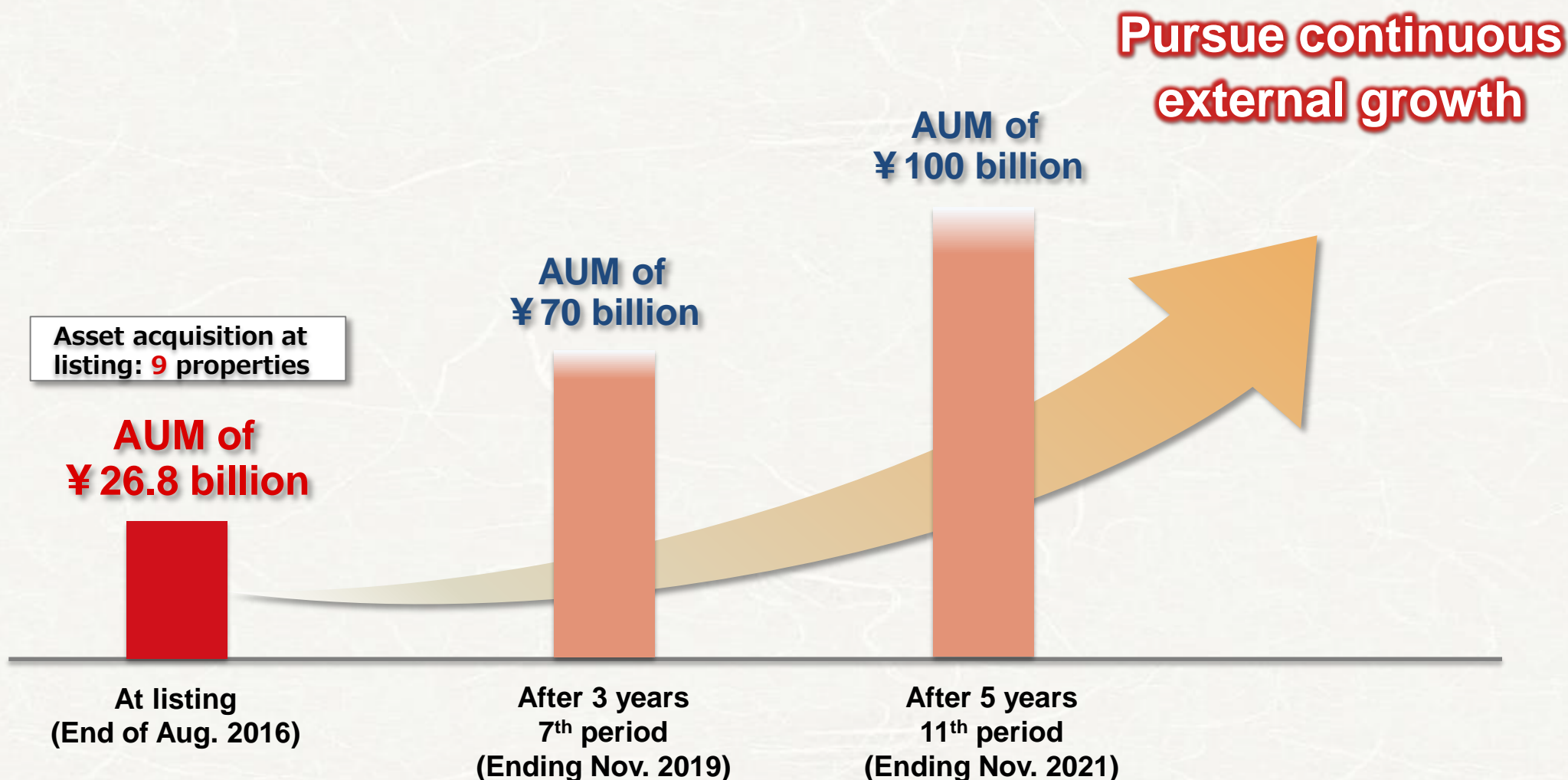
- Use of Ooedo-Onsen Monogatari Group's operational know-how and knowledge

**Number of inquiries for potential deal information in 1<sup>st</sup> period**

**29**

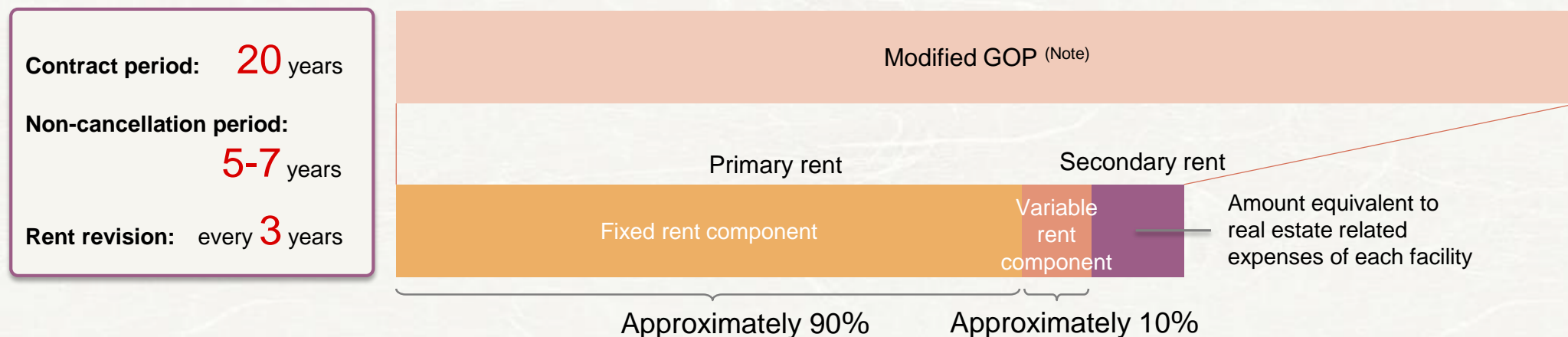
## External Growth Strategy (2)

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

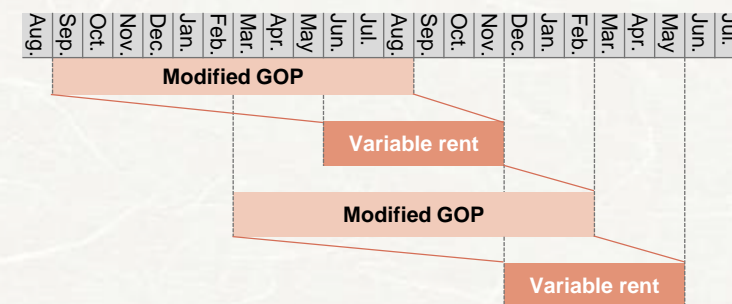
Secondary rent underpins stable cash flow

## 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)

## Calculation periods for variable rent



(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).

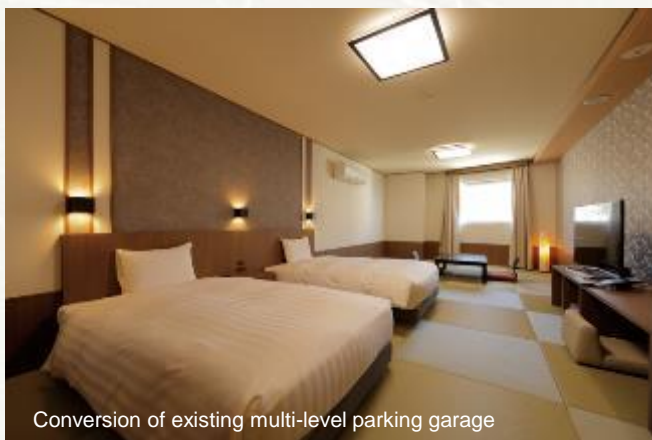
## Internal Growth Strategy (2)

### 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

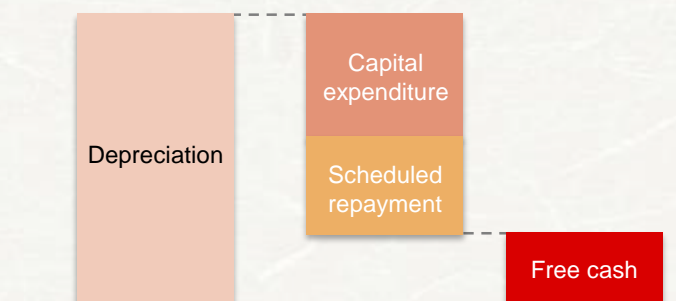
- Will retain the required amount for unexpected expenditure and flexible acquisition of assets and prioritize repayment of debt without reserving funds in excess of requirements.

#### 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





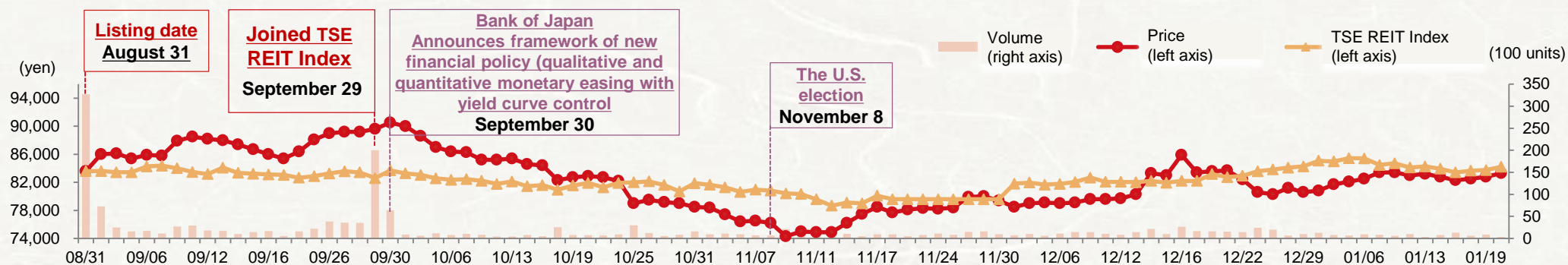
## IV. Appendix

# Overview of Offering and Variation of Unit Price since Listing

## Overview of Offering

Issuing investment corporation	Ooedo Onsen Reit Investment Corporation (code: 3472)		
Offering form	Domestic offering		
Number of investment units issued (before offering)	2,000 units		
Number of new units to be offered/amounts	174,200 units	16,200 million yen	
(No. specified for sale to Ooedo-Onsen Monogatari Co., Ltd.)	7,246 units	673 million yen	(4.16% of units of public offering)
Paid-in amount (issue amount)	89,280 yen		
Lock-up	Investment Company: 90 days, Ooedo-Onsen Monogatari Co., Ltd.: 180 days		
Date of resolution of the issuance	July 29, 2016 (Friday)		
Date of determination of tentative terms and conditions	August 15, 2016 (Monday)		
Date of determination of public offering price	August 22, 2016 (Monday)		
Payment date	August 30, 2016 (Tuesday)		
Listing date	August 31, 2016 (Wednesday)		
Lead manager	Nomura Securities/SMBC Nikko Securities		

## Investment Unit Price since Listing



Source: Graph prepared by the Asset Management Company based on the data from Tokyo Stock Exchange, Inc.

Note: The TSE REIT Index numbers are shown assuming that the final TSE REIT Index and this REIT's value were the same on August 31, 2016

# 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					
				IPO	1st period	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
								Apr. 1, 2016	Nov. 30, 2016	valuation	IPO	1st period	valuation	IPO	1st period	valuation
S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,627	10,700	10,900	+200	+272	6.3%	6.2%	-0.1%	6.1%	6.0%	-0.1%	6.5%	6.4%	-0.1%
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,675	3,770	3,820	+50	+144	5.7%	5.6%	-0.1%	5.5%	5.4%	-0.1%	5.9%	5.8%	-0.1%
S-3	Ito Hotel New Okabe	2,657	2,702	2,740	2,810	+70	+107	5.3%	5.2%	-0.1%	5.1%	5.0%	-0.1%	5.5%	5.4%	-0.1%
S-4	Ooedo-Onsen Monogatari Atami	2,997	3,026	3,090	3,160	+70	+133	5.3%	5.2%	-0.1%	5.1%	5.0%	-0.1%	5.5%	5.4%	-0.1%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,941	1,970	1,980	+10	+38	5.8%	5.7%	-0.1%	5.6%	5.5%	-0.1%	6.0%	5.9%	-0.1%
S-6	Ooedo-Onsen Monogatari Awara	1,901	1,970	1,960	1,980	+20	+9	6.1%	6.0%	-0.1%	5.9%	5.8%	-0.1%	6.3%	6.2%	-0.1%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,250	1,260	1,270	+10	+19	5.2%	5.1%	-0.1%	5.0%	4.9%	-0.1%	5.4%	5.3%	-0.1%
S-8	Ooedo-Onsen Monogatari Ikaho	1,299	1,324	1,340	1,370	+30	+45	5.5%	5.4%	-0.1%	5.3%	5.2%	-0.1%	5.7%	5.6%	-0.1%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	851	845	861	+16	+9	5.3%	5.2%	-0.1%	5.1%	5.0%	-0.1%	5.5%	5.4%	-0.1%
Total		26,844	27,370	27,675	28,151	+476	+780	-	-	-	-	-	-	-	-	-

# 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.



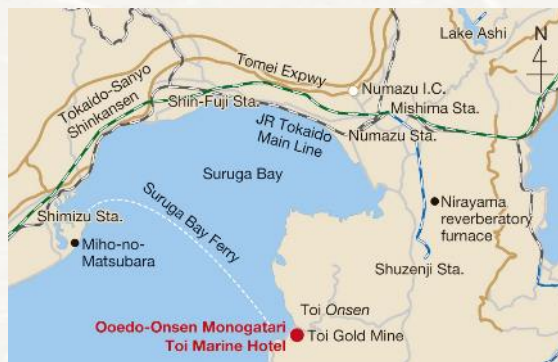
## S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



**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)

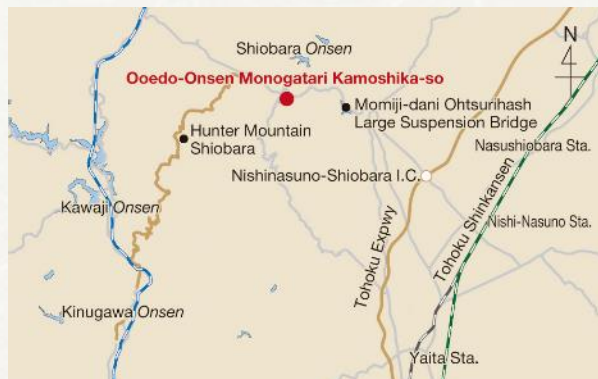
## S-7 Ooedo-Onsen Monogatari Kamoshika-so



**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 Aquiline, 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)	Calculation formula	Indices	1st period (Nov. 30, 2016)	Calculation formula
Ordinary income	67 mn yen		PER	53.0x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
Net income	65 mn yen		PBR	0.9x	Unit price as of end of period/Net assets per unit
Depreciation	131 mn yen		ROA	0.2%	Ordinary income/Average of total assets during the period
CAPEX	12 mn yen		Annualized	0.9%	
Total assets	30,732 mn yen		ROE	0.4%	Net income/Average of total net assets during the period
Total net assets	15,818 mn yen		Annualized	1.7%	
BPS (Total net assets/unit)	89,775 yen		NAV	16,599 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
Unit price (as of Nov. 30, 2016)	79,400 yen		NAV per unit	94,207 yen	
Total units outstanding	176,200 units		NAV multiple	0.8x	Unit price as of end of period/NAV per unit
Total distribution	66 mn yen		Interest-bearing debt	13,524 mn yen	
DPU	376 yen		LTV (book value basis)	44.0%	Interest-bearing debt/Total assets
Distribution yield	1.9%	DPU (annualized)/Unit price as of end of period	LTV (appraisal value basis)	42.9%	Interest-bearing debt/ (Total assets + Total appraisal value - Total book value)
FFO	197 mn yen	Net income + Depreciation - profit or loss on sale of real estate	Operating days	91days	
FFO per unit	1,121 yen				
FFO multiple	17.7x	Unit price as of end of period/FFO per unit (annualized)			

# Balance Sheet

	1st period (period ended Nov. 30, 2016)
<b>Assets</b>	
Current assets	
Cash and deposits	1,599,405
Operating accounts receivable	326
Prepaid expenses	118,600
Consumption taxes receivable	1,431,892
Deferred tax assets	24
Total current assets	3,150,250
Non-current assets	
Property, plant and equipment	
Buildings	18,079,683
Accumulated depreciation	-131,368
Buildings, net	17,948,314
Land	9,264,018
Total property, plant and equipment	27,212,332
Intangible assets	
Leasehold right	157,802
Software	6,191
Total intangible assets	163,993
Investments and other assets	
Long-term prepaid expenses	196,129
Lease and guarantee deposits	10,000
Total investments and other assets	206,129
Total non-current assets	27,582,456
Total assets	30,732,706

	1st period (period ended Nov. 30, 2016)
<b>Liabilities</b>	
Current liabilities	
Operating accounts payable	1,159
Short-term loans payable	2,177,000
Current portion of long-term loans payable	223,000
Accounts payable - other	261,251
Accrued expenses	7,580
Income taxes payable	1,321
Advances received	183,256
Other	105
Total current liabilities	2,854,675
Non-current liabilities	
Long-term loans payable	11,124,250
Tenant leasehold and security deposits	868,270
Asset retirement obligations	67,100
Total non-current liabilities	12,059,620
Total liabilities	14,914,295
<b>Net assets</b>	
Unitholders' equity	
Unitholders' capital	15,752,576
Surplus	
Unappropriated retained earnings (undisposed loss)	65,834
Total surplus	65,834
Total unitholders' equity	15,818,410
Total net assets	15,818,410
Total liabilities and net assets	30,732,706



# Statement of Income

(thousand yen)

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

# Debt Status

## List of lenders

(as of November 30, 2016)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security	Notes
Short term	Sumitomo Mitsui Banking Corporation	1,400	Base rate (JBA 1 month Yen TIBOR) + 0.35%	September 1, 2016	May 31, 2017	Unsecured and unguaranteed	(Note 1)
	Sumitomo Mitsui Banking Corporation	777	Base rate (JBA 1 month Yen TIBOR) + 0.35%	September 1, 2016	May 31, 2017	Unsecured and 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.	7,018	Base rate (JBA 3 months Yen TIBOR) + 0.65%	September 1, 2016	May 31, 2019	Unsecured and unguaranteed	(Note 2)
	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd.	3,831	Base rate (JBA 3 months Yen TIBOR) + 0.80%	September 1, 2016	May 29, 2020	Unsecured and unguaranteed	(Note 3)
	Sumitomo Mitsui Banking Corporation	497	Base rate (JBA 3 months Yen TIBOR) + 1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed	(Note 4)
<b>Total</b>		<b>13,524</b>					

(Note 1) If the borrower receives a consumption tax refund, the amount of the relevant refund will be returned before the interest-payment date, immediately after the refund is received (hereinafter referred to as "Refund Acceptance Date"). (However, if the refund is received within 10 days of the repayment date, then the repayment will be made at the following interest payment 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, 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 3) 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 4) 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 5) 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.

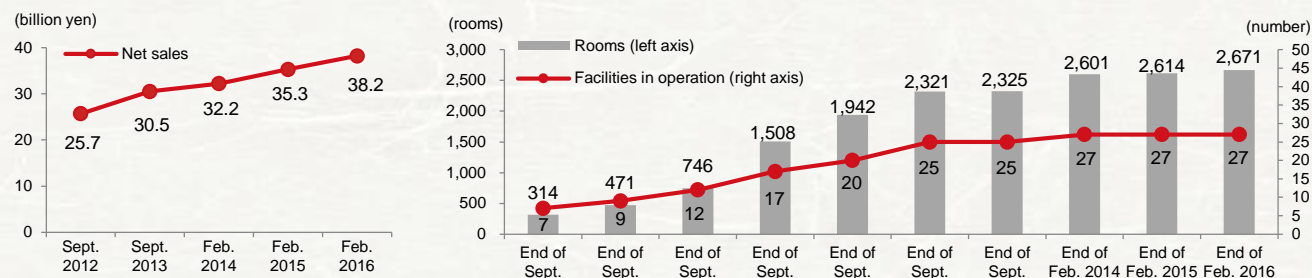
## Overview

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

<b>Capital</b>	100 million yen (as of end of February 2016)
<b>No. of Employees</b>	910 (consolidated, as of end of February 2016)
<b>Financial Results (Feb./2016)</b>	Consolidated Net Sales: 38,221 million yen Consolidated Total Assets: 64,478 million yen Net Assets: 15,532 million yen

<b>Businesses</b>	<ul style="list-style-type: none"> <li>Reinvigorating onsen ryokan, hotels, spa-related facilities, theme parks around the country</li> <li>We started with the onsen theme park, “Ooedo-Onsen Monogatari,” which has an Edo culture theme. As of November 30, 2016, we operate 32 onsen and spa-related facilities</li> </ul>
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## Trends in net sales, number of rooms and number of facilities operated by the Ooedo-Onsen Monogatari Group

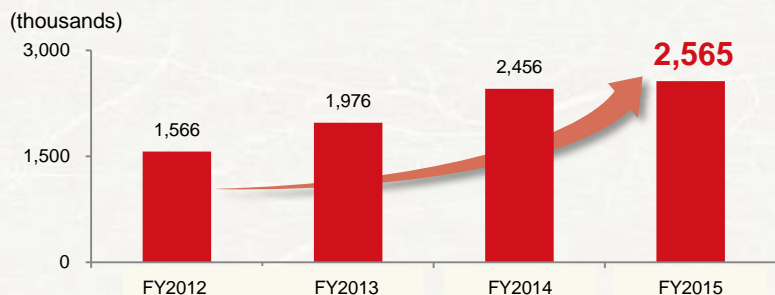


2003	2007	2009	2010	2013
Opened Ooedo-Onsen Monogatari in Odaiba, Tokyo	Acquired facilities, including Aizu, Ikaho, Nikko Kirifuri, and Kamoshika-so, etc.	Acquired Urayasu Mangekyo	Acquired Hotel New Okabe, Hotel New Shiobara, Kinugawa Kanko Hotel, and Reoma Resort	Opened Minoh Kanko Hotel and Minoh Onsen Minoh Spa Garden
Odaiba Onsen Monogatari (Tokyo)	Ooedo-Onsen Monogatari Aizu	Ooedo-Onsen Monogatari Nikko Kirifuri	Kinugawa Kanko Hotel	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

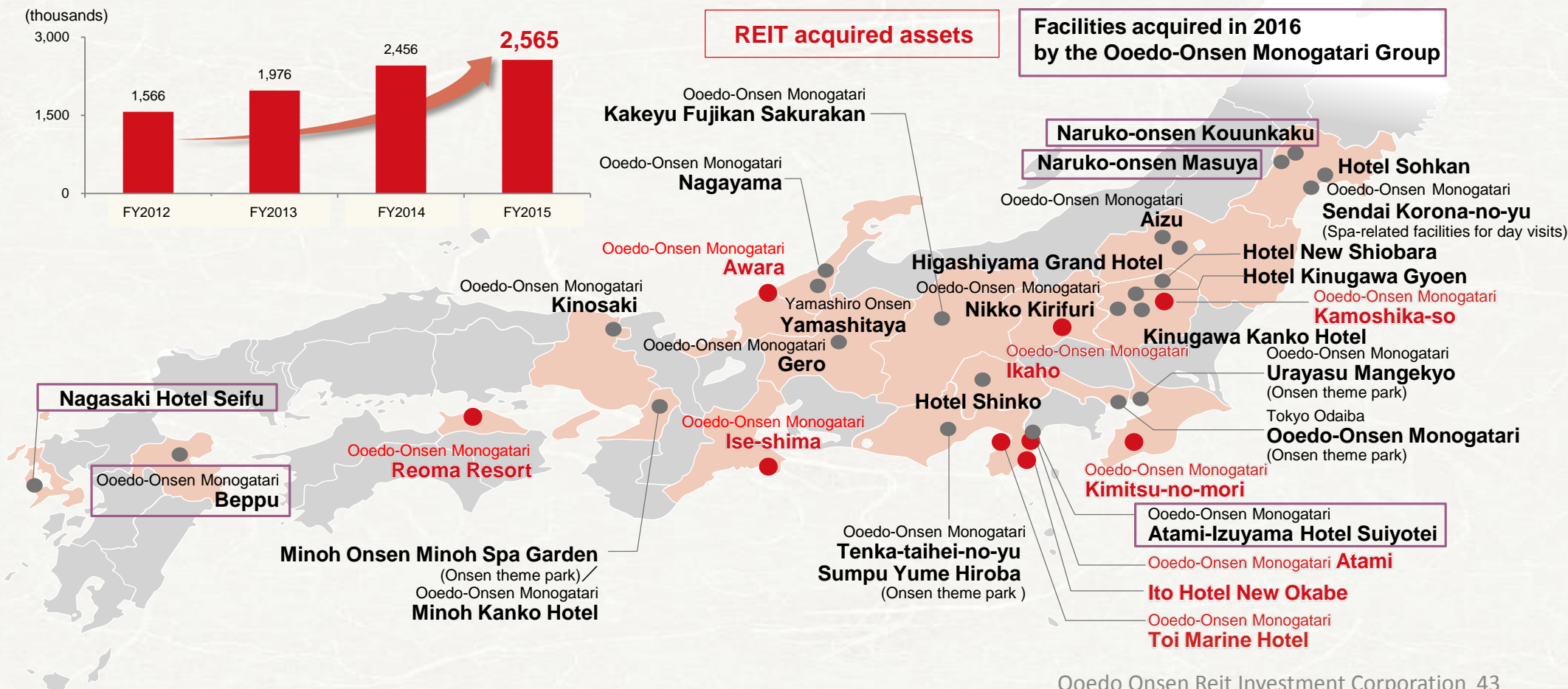
# Ooedo-Onsen Monogatari Group (2)

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 5 facilities in 2016.

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



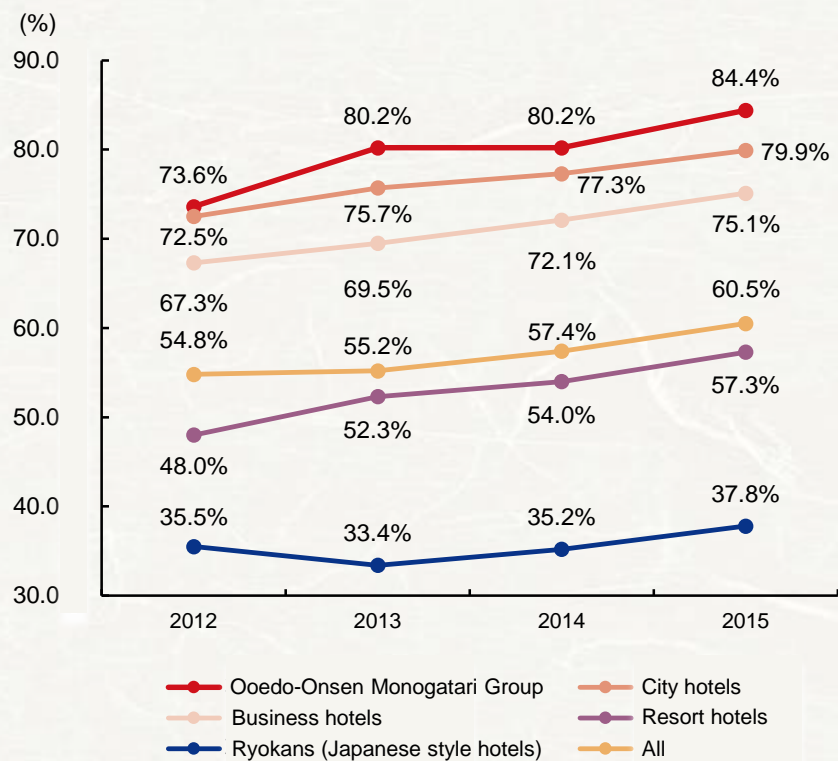
**Onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group**



# Ooedo-Onsen Monogatari Group (3)

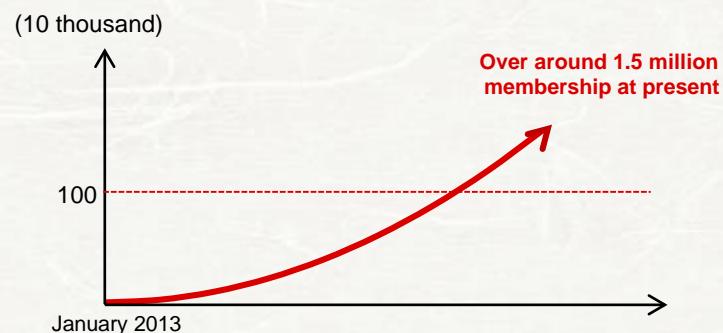
The average annual occupancy rates of the onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group remain at higher levels compared to other accommodation facility types through introduction of the Ooedo business model.

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



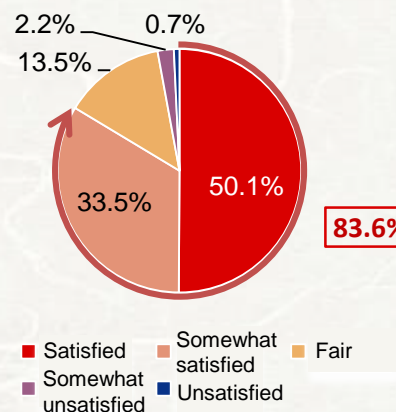
Source: Data on city hotels, business hotels, resort hotels, ryokans and all based on White Paper on Tourism FY2015, Ministry of Land, Infrastructure, Transport and Tourism, data on Ooedo-Onsen Monogatari Group from Ooedo-Onsen Monogatari Co., Ltd.

## 🚶 Change in the “lifuro membership”

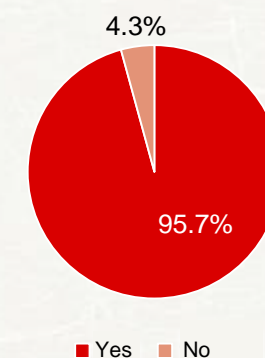


## 🦋 Hotel guest questionnaire – Satisfaction survey/intention for repeated use (FY2015)

### ● Satisfaction survey

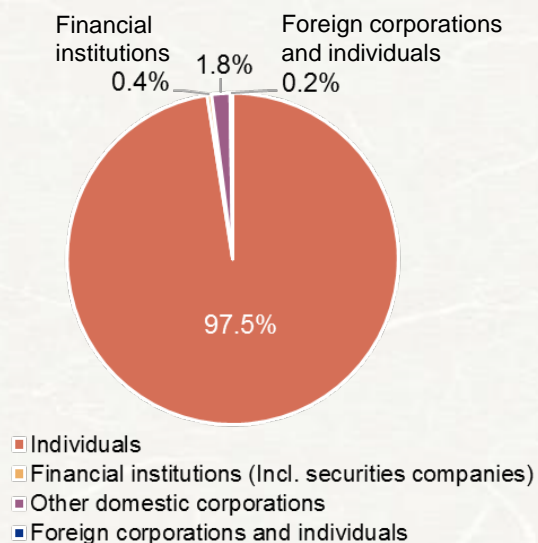


### ● Intention for repeated use

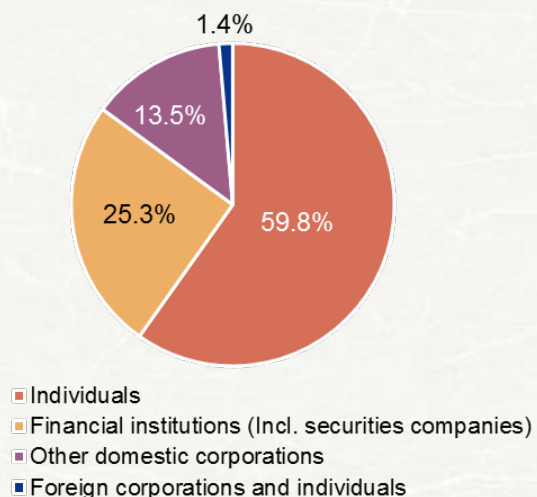


# Unitholders Breakdown

## 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)	11,668	6.6%
2	Ooedo-Onsen Mongatari Co., Ltd.	9,246	5.2%
3	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	8,398	4.8%
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	6,852	3.9%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	5,065	2.9%
6	Individual	2,200	1.2%
7	SBI SECURITIES Co., Ltd.	1,450	0.8%
8	JF Kyosai Suiren	1,333	0.8%
9	Sekai Shidokyo	1,080	0.6%
10	Hida Shinkin Bank	1,000	0.6%
10	Aoki Shinkin Bank	1,000	0.6%
10	General Incorporated Association Seiikai	1,000	0.6%
Total		50,292	28.5%

# 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 (Toyonaka branch office, Ueno branch office)
- Online IR seminars



### Fairs for private investors

- Fair for private investors sponsored by a securities company (held on October 30, 2016)
- Fair for private investors co-sponsored by ARES and TSE (held on November 26, 2016)



### PR activities

#### Receiving interviews from trade publications, etc.

- Real Estate Fund Review (September 25, 2016 issue)
- Monthly Leisure Industry Data (November 2016 issue)
- Monthly Property Management (November 2016 issue)



# 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.

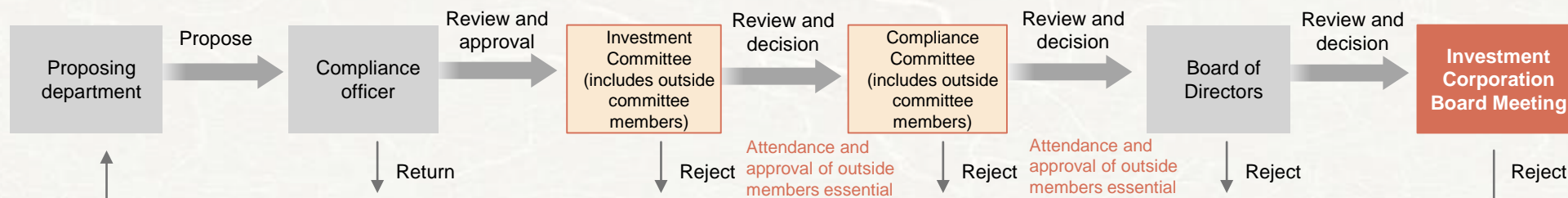
<b>Management fee I</b>	Total assets at end of previous accounting period <sup>(Note1)</sup> × 1.0% per annum (ceiling)
<b>Management fee II</b>	Management fee II for previous accounting period × (DPU before deduction of current period management fee II/DPU before deduction of previous period management 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. 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.

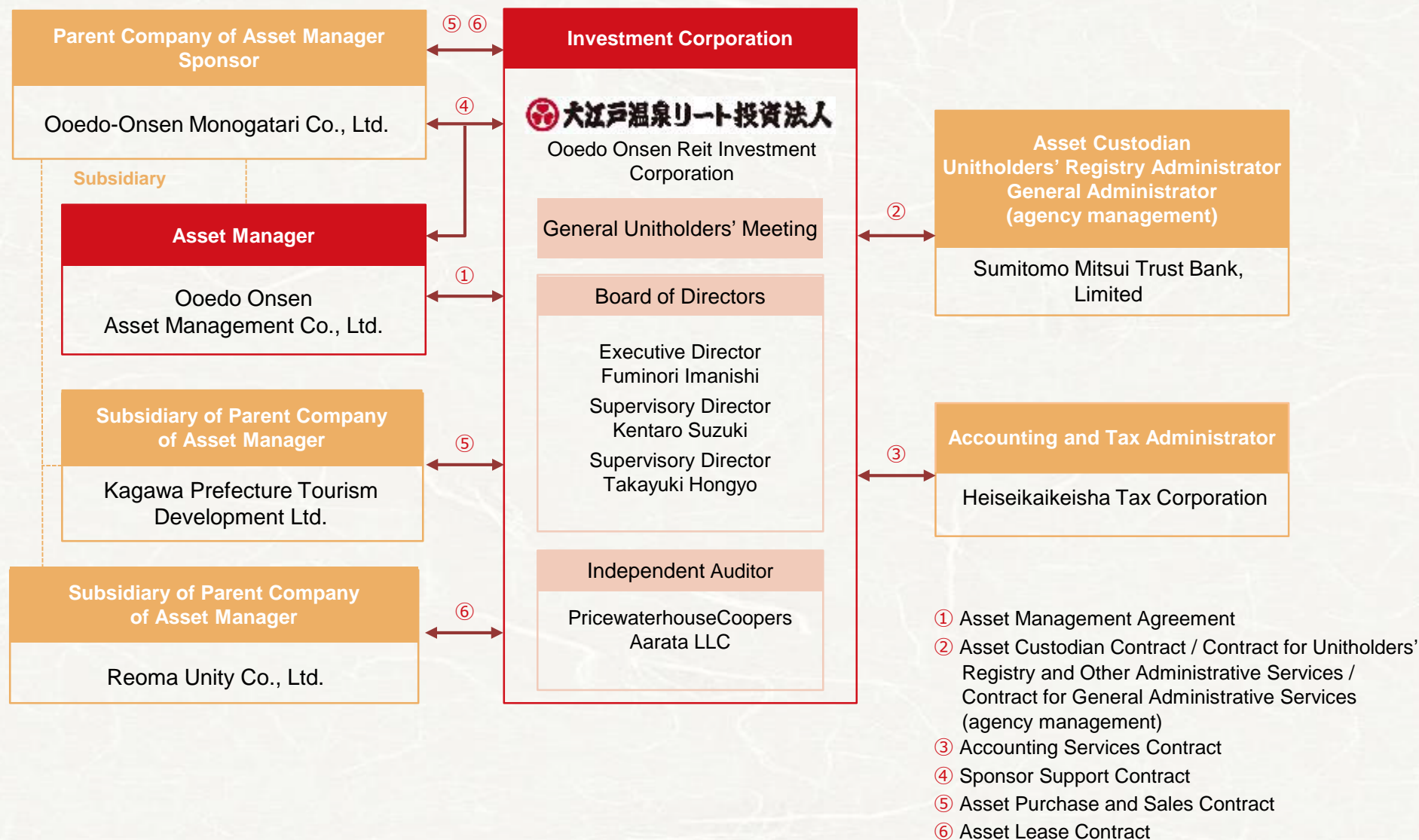
(Note 3) The sum of management fee I and the first fiscal period's management fee II is set to be within the limit of roughly 1% of total assets at the end of the relevant business period.

## 🔄 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

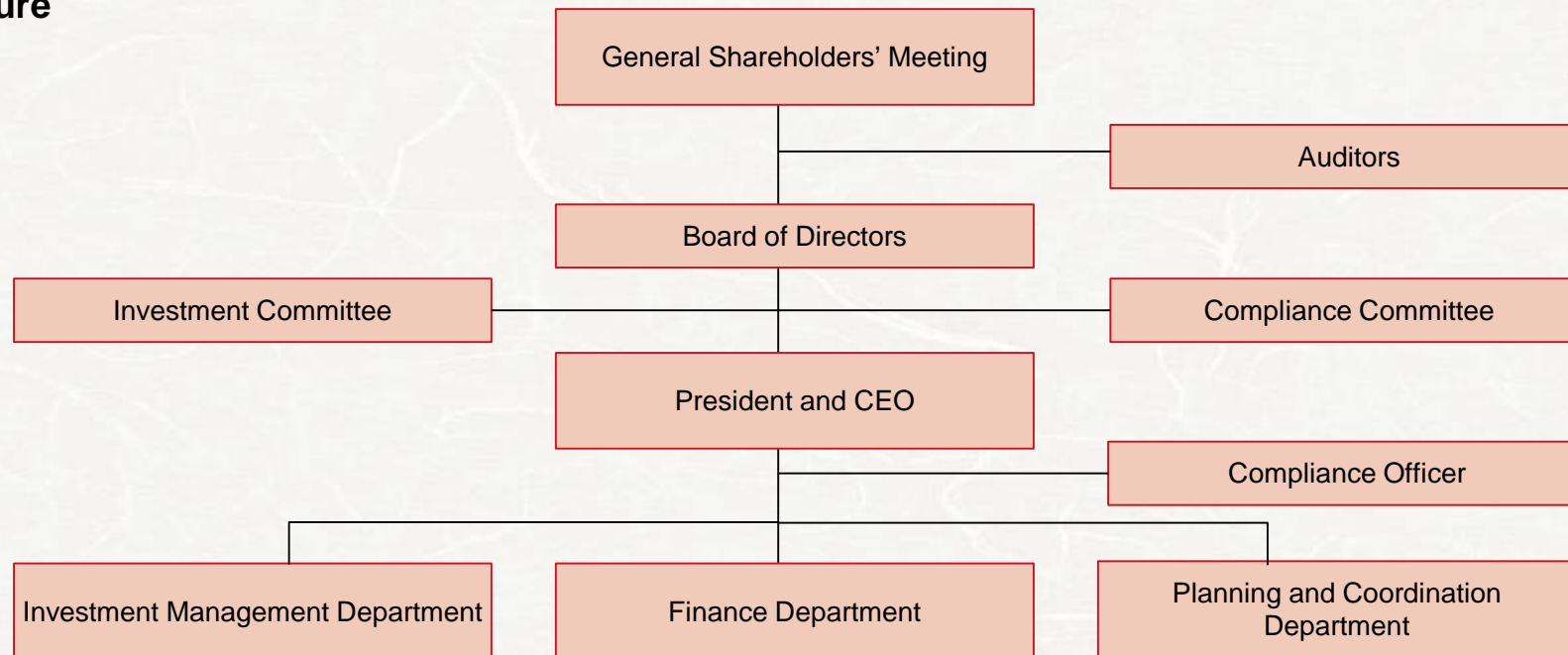
Discretionary transaction agent, Minister of Land, Transport and Tourism License No. 102

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

Member of the Investment Trusts Association, Japan

**Employees** : 10 (as of November 30, 2016)

## Structure



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