Results of 7th Fiscal Period ended November 30, 2019

Presentation Material

January 22, 2020

(Asset Manager) Ooedo Onsen Asset Management Co., Ltd.
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* The photo on the front cover is an outside bath at Ooedo Onsen Monogatari Ikaho.
Ⅰ. Investment Highlights
Operating Results for the Entire Portfolio

RevPAR declined slightly due mainly to the impact of typhoons, but the room occupancy rate remained stable overall.

Portfolio operating results

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Cumulative total</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room occupancy rate</td>
<td>90.5%</td>
<td>78.9%</td>
<td>85.8%</td>
<td>93.0%</td>
<td>86.9%</td>
<td>84.8%</td>
</tr>
<tr>
<td>ADR (yen)</td>
<td>31,832</td>
<td>30,332</td>
<td>27,824</td>
<td>31,018</td>
<td>29,891</td>
<td>30,262</td>
</tr>
<tr>
<td>Sales (million yen)</td>
<td>1,575</td>
<td>1,306</td>
<td>1,186</td>
<td>1,548</td>
<td>1,354</td>
<td>1,379</td>
</tr>
</tbody>
</table>

(Note) Unless otherwise specified, figures are rounded down to the nearest specified unit and percentage rates are rounded to the first decimal place in this material. The same applies hereinafter.
Measures for improvement such as initiatives for attracting more customers are being discussed continuously with the sponsor, thereby improving the performance of facilities whose variable rents declined.

- Ooedo-Onsen Monogatari Kounkaku: Took in inbound customers on weekdays when operation was weak and strengthened measures to attract groups of tourists.
- Kinugawa Kanko Hotel: Newly established non-stop buses (Saitama and Chiba route and Ueno and Shinjuku route), strengthened measures to attract groups of tourists and enhanced advertising measures to attract individual tourists.

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>6th period</th>
<th>7th period</th>
<th>Increase/decrease of variable rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
<td>Variable</td>
<td>Total rent</td>
</tr>
<tr>
<td>S-1</td>
<td>Ooedo-Onsen Monogatari Reoma Resort</td>
<td>375,257</td>
<td>31,090</td>
<td>406,347</td>
</tr>
<tr>
<td>S-2</td>
<td>Ooedo-Onsen Monogatari Ise-shima</td>
<td>108,056</td>
<td>7,499</td>
<td>115,555</td>
</tr>
<tr>
<td>S-3</td>
<td>Ito Hotel New Okabe</td>
<td>73,780</td>
<td>8,681</td>
<td>82,461</td>
</tr>
<tr>
<td>S-4</td>
<td>Ooedo-Onsen Monogatari Atami</td>
<td>93,716</td>
<td>8,138</td>
<td>101,855</td>
</tr>
<tr>
<td>S-5</td>
<td>Ooedo-Onsen Monogatari Toi Marine Hotel</td>
<td>54,589</td>
<td>6,543</td>
<td>61,132</td>
</tr>
<tr>
<td>S-6</td>
<td>Ooedo-Onsen Monogatari Awara</td>
<td>65,778</td>
<td>3,621</td>
<td>69,399</td>
</tr>
<tr>
<td>S-7</td>
<td>Ooedo-Onsen Monogatari Kamoshika-so</td>
<td>35,723</td>
<td>4,676</td>
<td>40,399</td>
</tr>
<tr>
<td>S-8</td>
<td>Ooedo-Onsen Monogatari Ikaho</td>
<td>36,759</td>
<td>4,825</td>
<td>41,584</td>
</tr>
<tr>
<td>S-9</td>
<td>Ooedo-Onsen Monogatari Kimitu-no-mori</td>
<td>24,590</td>
<td>2,768</td>
<td>27,358</td>
</tr>
<tr>
<td>S-10</td>
<td>Ooedo-Onsen Monogatari Nagasaki Hotel Seifu</td>
<td>58,729</td>
<td>4,155</td>
<td>62,885</td>
</tr>
<tr>
<td>S-11</td>
<td>Ooedo-Onsen Monogatari Kounkaku</td>
<td>42,103</td>
<td>-</td>
<td>42,103</td>
</tr>
<tr>
<td>S-12</td>
<td>Kinugawa Kanko Hotel</td>
<td>134,868</td>
<td>7,797</td>
<td>142,665</td>
</tr>
<tr>
<td>S-13</td>
<td>Ooedo-Onsen Monogatari Kinosaki</td>
<td>74,687</td>
<td>4,733</td>
<td>79,421</td>
</tr>
<tr>
<td>S-14</td>
<td>Ooedo-Onsen Monogatari Higashiyma Grand Hotel</td>
<td>51,790</td>
<td>5,309</td>
<td>57,099</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,230,431</td>
<td>99,841</td>
<td>1,330,273</td>
</tr>
</tbody>
</table>
## Impact of Typhoons

Of the typhoons that landed in Japan during the 7th period, Typhoons No. 10, No. 15 and No. 19 caused a fall in variable rents due to the suspension of business and declining operation in some facilities, but did not impact building frames.

### 1. Impact on variable rents

<table>
<thead>
<tr>
<th>Property name</th>
<th>Impact on operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ooedo-Onsen Monogatari Reoma Resort, Ito Hotel New Okabe, Kinugawa Kanko Hotel and others (all facilities excluding Ooedo-Onsen Monogatari Nagasaki Hotel Seifu)</td>
<td>- Accommodation cancellations, etc.</td>
</tr>
<tr>
<td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td>
<td>- Suspension of business from September 9 to October 9, and from October 12 to October 17, 2019</td>
</tr>
</tbody>
</table>

### Impact on variable rent

- Having an impact (181 million yen opportunity loss is assumed on a sales basis) (Note 1)
- Variable rent is not expected to be generated in the 8th period (ending May 2020) and the 9th period (ending November 2020) (In the 8th period, variable rent of 2 million yen was initially assumed to be generated) (Note 2)

### 2. Impact on building frames

<table>
<thead>
<tr>
<th>Property name</th>
<th>Impact on buildings and equipment</th>
</tr>
</thead>
</table>
| Ito Hotel New Okabe | - Breakage of partition boards with next room and outside eave top cover in Sagamitei 
- Breakage of lightning arrester and falling of partition door of substation equipment |
| Ooedo-Onsen Monogatari Alami | - Failure of ceiling suspension AC circuit breaker in the live kitchen on the 7th floor 
- Breakage of eaves in the upper part of the emergency stairs and guest rooms 
- Water leakage on the ceilings of the restaurant on the 7th floor and guest rooms on the 4th floor 
- Breakage of parapet coping on the rooftop of the new building |
| Ooedo-Onsen Monogatari Toi Marine Hotel | - Breakage of balcony plate on the 2nd floor |
| Ooedo-Onsen Monogatari Kimitsu-no-mori | - Water leakage from the ceiling of the ping-pong corner on the 2nd floor 
- Breakage of komayose (small fence), room guide lamps and intrusion prevention fence for detached rooms 
- Breakage of top board and drain in the arena building |

(Note 1) The impact on sales is calculated based on the actual number of accommodation cancellations. The impact on sales at Ooedo-Onsen Monogatari Reoma Resort (New Reoma World) is calculated in comparison with sales on the same days of the week a year ago.

(Note 2) A certain portion could be covered by insurance, given the coverage of loss of profits insurance.
## Changes in Key Indices

Distributions per unit ended with 2,415 yen in the 7th period and are expected to be 2,300 yen in the 8th period, making a downward revision by 37 yen from the previous forecast.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DPU per unit</td>
<td>2,390 yen</td>
<td>2,415 yen</td>
<td>2,300 yen</td>
<td>2,340 yen</td>
</tr>
<tr>
<td>FFO per unit</td>
<td>4,195 yen</td>
<td>4,244 yen</td>
<td>4,150 yen</td>
<td>4,220 yen</td>
</tr>
<tr>
<td>LTV (book value basis)</td>
<td>40.6%</td>
<td>40.3%</td>
<td>40.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td>LTV (appraisal value basis)</td>
<td>36.8%</td>
<td>36.3%</td>
<td>35.8%</td>
<td>35.3%</td>
</tr>
<tr>
<td>NAV per unit</td>
<td>107,149 yen</td>
<td>108,243 yen</td>
<td>109,213 yen</td>
<td>110,369 yen</td>
</tr>
</tbody>
</table>

(Note) Unrealized gain (Appraisal value – book value) were 4.2 billion yen at the end of the 7th fiscal period (up 0.2 billion yen from the end of the previous fiscal period). LTV (on an appraisal value basis) for the 8th and 9th fiscal periods is based on the assumption that appraisal value will remain unchanged.
Ⅱ . Financial Highlights
Financial Results for the 7th Fiscal Period ended November 2019

Revenue and profits increased from the previous forecast due to insurance income from typhoons and a fall in finance-related expenses, despite a decline in variable rents. Distributions per unit increased 35 yen from the previous forecast and rose 25 yen from the previous period.

<table>
<thead>
<tr>
<th>Item</th>
<th>6th period (Actual)</th>
<th>7th period (Actual)</th>
<th>Difference</th>
<th>7th period (Forecast as of Jul. 19, 2019)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>Component ratio 1,434,986</td>
<td>Component ratio 1,440,167</td>
<td>+5,181</td>
<td>1,433,949</td>
<td>+6,218</td>
</tr>
<tr>
<td>Primary rent</td>
<td>1,330,273</td>
<td>1,321,948</td>
<td>-8,324</td>
<td>1,329,160</td>
<td>-7,211</td>
</tr>
<tr>
<td>Fixed rent</td>
<td>92.5%</td>
<td>93.1%</td>
<td>-1,230,431</td>
<td>-</td>
<td>-7,211</td>
</tr>
<tr>
<td>Variable rent</td>
<td>99,841</td>
<td>91,517</td>
<td>-8,324</td>
<td>98,729</td>
<td>-7,211</td>
</tr>
<tr>
<td>Secondary rent</td>
<td>104,437</td>
<td>104,545</td>
<td>+107</td>
<td>104,513</td>
<td>+32</td>
</tr>
<tr>
<td>Others</td>
<td>275</td>
<td>13,673</td>
<td>+13,398</td>
<td>275</td>
<td>+13,398</td>
</tr>
<tr>
<td>Lease operations revenue gain/loss</td>
<td>886,911</td>
<td>884,506</td>
<td>-2,405</td>
<td>879,619</td>
<td>+4,886</td>
</tr>
<tr>
<td>Operating income</td>
<td>699,005</td>
<td>696,901</td>
<td>-2,103</td>
<td>691,185</td>
<td>+5,716</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>560,389</td>
<td>566,511</td>
<td>+6,121</td>
<td>558,355</td>
<td>+8,155</td>
</tr>
<tr>
<td>Net income</td>
<td>559,516</td>
<td>565,562</td>
<td>+6,046</td>
<td>557,355</td>
<td>+8,207</td>
</tr>
<tr>
<td>Excess cash distribution</td>
<td>2,824</td>
<td>2,824</td>
<td>-</td>
<td>2,824</td>
<td>-</td>
</tr>
<tr>
<td>Total distribution</td>
<td>562,479</td>
<td>568,363</td>
<td>+5,883</td>
<td>560,125</td>
<td>+8,237</td>
</tr>
<tr>
<td>Total units outstanding</td>
<td>235,347</td>
<td>235,347</td>
<td>-</td>
<td>235,347</td>
<td>-</td>
</tr>
<tr>
<td>DPU (yen) (Excess cash distribution per unit)</td>
<td>2,390</td>
<td>2,415</td>
<td>+25</td>
<td>2,380</td>
<td>+35</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>12</td>
<td>-</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>FFO per unit (yen)</td>
<td>4,195</td>
<td>4,244</td>
<td>+49</td>
<td>4,219</td>
<td>+25</td>
</tr>
<tr>
<td>NOI</td>
<td>1,314,891</td>
<td>1,317,915</td>
<td>+3,023</td>
<td>1,315,204</td>
<td>+2,710</td>
</tr>
<tr>
<td>Depreciation</td>
<td>427,980</td>
<td>433,409</td>
<td>+5,428</td>
<td>435,584</td>
<td>-2,175</td>
</tr>
<tr>
<td>CAPEX</td>
<td>184,163</td>
<td>178,936</td>
<td>-5,226</td>
<td>180,000</td>
<td>-1,063</td>
</tr>
</tbody>
</table>

(Note) As for the signs for each item of main factors for increase/decrease, "+" indicates those that lead to the increase in distribution per unit and "-" indicates those that lead to the decrease in distribution per unit. The same applies hereinafter.

Main factors for increase/decrease from forecast (Note) (thousand yen)
- Decrease in variable rent (Kinugawa Kanko, etc.) -7,211
- Increase in insurance revenue +13,398
- Increase in other operating expenses (Repairs covered by insurance) -3,211
- Decrease in depreciation +2,175

Lease operations revenue gain/loss
- +4,886

Operating income
- +5,716

Ordinary income
- +8,155

Main factors for increase/decrease from previous fiscal period (thousand yen)
- Decrease in variable rent (Kinugawa Kanko, etc.) -8,324
- Increase in insurance revenue +13,398
- Increase in other operating expenses (Repairs covered by insurance) -3,211
- Decrease in depreciation due to capital expenditure -5,428

Lease operations revenue gain/loss
- -2,405

Operating income
- -2,103

Ordinary income
- +8,226

Ordinary income
- +6,121

Main financial indicators (million yen)
- Total assets 38,640
- Interest-bearing debt 15,556
- Total liabilities 17,433
- Total net assets 21,207
- LTV (book value basis) 40.3%
- NAV per unit 108,243 yen

Oedo Onsen Reit Investment Corporation
**Forecast for the 8th Fiscal Period ending May 2020**

Revenue and profits have been revised slightly downward from the previous forecasts due to a fall in variable rents reflecting the impact of typhoons. As a result, DPU will decline 37 yen. Profits are expected to decline from the previous period due to the absence of insurance income and the posting of expenses for the General Unitholders’ Meeting.

### Main Financial Indicators (million yen)

<table>
<thead>
<tr>
<th>Component</th>
<th>7th period (Actual)</th>
<th>8th period (Forecast)</th>
<th>Difference</th>
<th>8th period (Forecast as of Jul. 19, 2019)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td>1,440,167</td>
<td>1,427,268</td>
<td>-12,899</td>
<td>1,436,321</td>
<td>-9,052</td>
</tr>
<tr>
<td><strong>Primary rent</strong></td>
<td>1,321,948</td>
<td>1,317,622</td>
<td>-4,326</td>
<td>1,330,027</td>
<td>-12,404</td>
</tr>
<tr>
<td><strong>Fixed rent</strong></td>
<td>93.1%</td>
<td>93.4%</td>
<td>1,230,431</td>
<td>-</td>
<td>1,230,431</td>
</tr>
<tr>
<td><strong>Variable rent</strong></td>
<td>6.9%</td>
<td>6.6%</td>
<td>87,191</td>
<td>-4,326</td>
<td>99,596</td>
</tr>
<tr>
<td><strong>Secondary rent</strong></td>
<td>104,545</td>
<td>105,370</td>
<td>825</td>
<td>+825</td>
<td>106,018</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>13,673</td>
<td>4,275</td>
<td>-9,398</td>
<td>275</td>
<td>+4,000</td>
</tr>
<tr>
<td><strong>Lease operations revenue gain/loss</strong></td>
<td>884,506</td>
<td>867,731</td>
<td>-16,774</td>
<td>875,262</td>
<td>-7,531</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>696,901</td>
<td>673,470</td>
<td>-23,431</td>
<td>682,267</td>
<td>-8,797</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>566,511</td>
<td>539,496</td>
<td>-27,014</td>
<td>548,293</td>
<td>-8,797</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>565,562</td>
<td>538,496</td>
<td>-27,066</td>
<td>547,293</td>
<td>-8,797</td>
</tr>
<tr>
<td><strong>Excess cash distribution</strong></td>
<td>2,824</td>
<td>2,824</td>
<td>-</td>
<td>2,824</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total distribution</strong></td>
<td>568,363</td>
<td>541,298</td>
<td>-27,064</td>
<td>550,005</td>
<td>-8,707</td>
</tr>
<tr>
<td><strong>Total units outstanding</strong></td>
<td>235,347</td>
<td>235,347</td>
<td>-</td>
<td>235,347</td>
<td>-</td>
</tr>
<tr>
<td><strong>DPU (yen)</strong></td>
<td>2,415</td>
<td>2,300</td>
<td>-115</td>
<td>2,337</td>
<td>-37</td>
</tr>
<tr>
<td><strong>FFO per unit (yen)</strong></td>
<td>4,244</td>
<td>4,150</td>
<td>-94</td>
<td>4,198</td>
<td>-48</td>
</tr>
</tbody>
</table>

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

- Decrease in variable rent (Kimitsu-no-mori, etc.) -12,404
- Increase in other operating revenue (Reoma solar power generation) +2,000
- Decrease in depreciation +2,536
- Lease operations revenue gain/loss -7,531
- Decrease in selling, general and administration (Review of legal fees) -1,200
- Operating income -8,797
- Ordinary income -8,797

### Main factors for increase/decrease from previous fiscal period (thousand yen)

- Decrease in variable rent (Kimitsu-no-mori, etc.) -4,326
- Increase in other operating revenue (Reoma solar power generation) +2,000
- Decrease in other operating revenue (Insurance revenue) -11,398
- Increase in depreciation (due to capital expenditure) -4,899
- Lease operations revenue gain/loss -16,774
- Temporary increase in expenses for General Unitholders’ Meeting -6,000
- Operating income -23,431
- Ordinary income -27,014

### Main financial indicators (million yen)

- Total assets 38,391
- Interest-bearing debt 15,371
- Total liabilities 17,214
- Total net assets 21,177
- LTV (book value basis) 40.0%
## Forecast for the 9th Fiscal Period ending November 2020

Profits are expected to rise from the previous period due to revenue from a land lease in Reoma Resort, the absence of expenses for the General Unitholders’ Meeting and a fall in finance-related expenses. As a result, DPU is expected to increase 40 yen from the previous period.

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

<table>
<thead>
<tr>
<th>Item</th>
<th>8th period (Forecast)</th>
<th>9th period (Forecast)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>Component ratio</td>
<td>1,427,268</td>
<td>Component ratio</td>
</tr>
<tr>
<td>Primary rent</td>
<td>1,317,622</td>
<td>1,317,327</td>
<td>-295</td>
</tr>
<tr>
<td>Fixed rent</td>
<td>93.4%</td>
<td>1,230,431</td>
<td>93.4%</td>
</tr>
<tr>
<td>Variable rent</td>
<td>6.6%</td>
<td>87,191</td>
<td>6.6%</td>
</tr>
<tr>
<td>Secondary rent</td>
<td>105,370</td>
<td>105,047</td>
<td>-323</td>
</tr>
<tr>
<td>Others</td>
<td>4,275</td>
<td>6,275</td>
<td>+2,000</td>
</tr>
<tr>
<td>Lease operations revenue gain/loss</td>
<td>867,731</td>
<td>863,965</td>
<td>-3,766</td>
</tr>
<tr>
<td>Operating income</td>
<td>673,470</td>
<td>676,846</td>
<td>+3,376</td>
</tr>
<tr>
<td>Ordinarily income</td>
<td>539,496</td>
<td>548,868</td>
<td>+9,371</td>
</tr>
<tr>
<td>Net income</td>
<td>538,496</td>
<td>547,868</td>
<td>+9,371</td>
</tr>
<tr>
<td>Excess cash distribution</td>
<td>2,824</td>
<td>2,824</td>
<td>-</td>
</tr>
<tr>
<td>Total distribution</td>
<td>541,298</td>
<td>550,711</td>
<td>+9,413</td>
</tr>
<tr>
<td>Total units outstanding</td>
<td>235,347</td>
<td>235,347</td>
<td>-</td>
</tr>
<tr>
<td>DPU (yen) (Excess cash distribution per unit)</td>
<td>2,300</td>
<td>2,340</td>
<td>+40</td>
</tr>
<tr>
<td>FFO per unit (yen)</td>
<td>4,150</td>
<td>4,220</td>
<td>+70</td>
</tr>
<tr>
<td>NOI</td>
<td>1,306,040</td>
<td>1,309,425</td>
<td>+3,385</td>
</tr>
<tr>
<td>Depreciation</td>
<td>438,308</td>
<td>445,459</td>
<td>+7,151</td>
</tr>
<tr>
<td>CAPEX</td>
<td>180,000</td>
<td>180,000</td>
<td>-</td>
</tr>
</tbody>
</table>

### Main financial indicators

<table>
<thead>
<tr>
<th>Item</th>
<th>8th period (Forecast)</th>
<th>9th period (Forecast)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>38,197</td>
<td>38,197</td>
<td>-</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>15,185</td>
<td>15,185</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>17,013</td>
<td>17,013</td>
<td>-</td>
</tr>
<tr>
<td>Total net assets</td>
<td>21,183</td>
<td>21,183</td>
<td>-</td>
</tr>
<tr>
<td>LTV (book value basis)</td>
<td>39.8%</td>
<td>39.8%</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: All values are in thousand yen.*
FFO per unit remained and is expected to remain stable, and the payout ratio is around 56%. The financial conditions will continue to improve due to extra cash.

(Note 1) The figures on the upper side and lower side of the bars show FFO per unit and distributions per unit, respectively.
(Note 2) As for the signs for each item, “+” indicates those that lead to the increase in distribution per unit and “-” indicates those that lead to the decrease in distribution per unit.
Ⅲ. Investment Results
### Portfolio Data (1)

Appraisal values remained flat from the previous period for both the total and each property. The unrealized gain (appraisal value – book value) increased to 4.2 billion yen (up 0.2 billion yen period on period) at the end of the 7th period.

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>Location</th>
<th>Building age (years)</th>
<th>Number of rooms</th>
<th>Room occupancy rate (Note 1)</th>
<th>Acquisition price (million yen)</th>
<th>Appraisal value (million yen)</th>
<th>NOI (million yen)</th>
<th>NOI yield (Note 2)</th>
<th>After depreciation NOI yield (Note 2)</th>
<th>PML</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-1</td>
<td>Ooedo-Onsen Monogatari Reoma Resort</td>
<td>Kagawa Prefecture</td>
<td>28.4 / 28.7 (Note 3)</td>
<td>241</td>
<td>88.8%</td>
<td>10,379</td>
<td>8,910</td>
<td>347</td>
<td>6.7%</td>
<td>5.1%</td>
<td>1.9 / 1.6%</td>
</tr>
<tr>
<td>S-2</td>
<td>Ooedo-Onsen Monogatari Ise-shima</td>
<td>Mie Prefecture</td>
<td>39.7</td>
<td>83</td>
<td>93.2%</td>
<td>3,656</td>
<td>3,840</td>
<td>117</td>
<td>6.4%</td>
<td>3.6%</td>
<td>14.2%</td>
</tr>
<tr>
<td>S-3</td>
<td>Ito Hotel New Okabe</td>
<td>Shizuoka Prefecture</td>
<td>29.1</td>
<td>73</td>
<td>92.2% (Note 4)</td>
<td>2,657</td>
<td>2,820</td>
<td>82</td>
<td>6.2%</td>
<td>4.1%</td>
<td>12.0%</td>
</tr>
<tr>
<td>S-4</td>
<td>Ooedo-Onsen Monogatari Atami</td>
<td>Shizuoka Prefecture</td>
<td>45.9</td>
<td>76</td>
<td>94.0%</td>
<td>2,997</td>
<td>3,220</td>
<td>101</td>
<td>6.7%</td>
<td>4.5%</td>
<td>12.6%</td>
</tr>
<tr>
<td>S-5</td>
<td>Ooedo-Onsen Monogatari Toi Marine Hotel</td>
<td>Shizuoka Prefecture</td>
<td>45.2</td>
<td>64</td>
<td>88.6%</td>
<td>1,910</td>
<td>2,030</td>
<td>61</td>
<td>6.4%</td>
<td>3.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>S-6</td>
<td>Ooedo-Onsen Monogatari Awara</td>
<td>Fukui Prefecture</td>
<td>38.3</td>
<td>95</td>
<td>86.6%</td>
<td>1,901</td>
<td>2,000</td>
<td>69</td>
<td>7.3%</td>
<td>5.0%</td>
<td>14.9%</td>
</tr>
<tr>
<td>S-7</td>
<td>Ooedo-Onsen Monogatari Kamoshika-so</td>
<td>Tochigi Prefecture</td>
<td>23.8</td>
<td>60</td>
<td>85.9%</td>
<td>1,222</td>
<td>1,270</td>
<td>38</td>
<td>6.4%</td>
<td>4.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td>S-8</td>
<td>Ooedo-Onsen Monogatari Ikaho</td>
<td>Gunma Prefecture</td>
<td>36.1</td>
<td>40</td>
<td>99.0%</td>
<td>1,299</td>
<td>1,380</td>
<td>40</td>
<td>6.3%</td>
<td>4.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>S-9</td>
<td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td>
<td>Chiba Prefecture</td>
<td>23.7</td>
<td>41</td>
<td>69.6%</td>
<td>819</td>
<td>862</td>
<td>26</td>
<td>6.5%</td>
<td>4.4%</td>
<td>4.8%</td>
</tr>
<tr>
<td>S-10</td>
<td>Ooedo-Onsen Monogatari Nagasaki Hotel Seifu</td>
<td>Nagasaki Prefecture</td>
<td>37.4</td>
<td>100</td>
<td>93.9%</td>
<td>1,637</td>
<td>2,570</td>
<td>78</td>
<td>9.5%</td>
<td>7.1%</td>
<td>6.4%</td>
</tr>
<tr>
<td>S-11</td>
<td>Ooedo-Onsen Monogatari Kounkaku</td>
<td>Miyagi Prefecture</td>
<td>54.0</td>
<td>98</td>
<td>82.2% (Note 5)</td>
<td>1,040</td>
<td>1,220</td>
<td>41</td>
<td>7.9%</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>S-12</td>
<td>Kinugawa Kanko Hotel</td>
<td>Tochigi Prefecture</td>
<td>38.3</td>
<td>172</td>
<td>88.5%</td>
<td>3,870</td>
<td>6,140</td>
<td>172</td>
<td>8.9%</td>
<td>5.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>S-13</td>
<td>Ooedo-Onsen Monogatari Kinosaki</td>
<td>Hyogo Prefecture</td>
<td>51.1</td>
<td>103</td>
<td>97.8%</td>
<td>2,084</td>
<td>2,650</td>
<td>84</td>
<td>8.1%</td>
<td>6.1%</td>
<td>11.8%</td>
</tr>
<tr>
<td>S-14</td>
<td>Ooedo-Onsen Monogatari Higashiyama Grand Hotel</td>
<td>Fukushima Prefecture</td>
<td>55.2</td>
<td>123</td>
<td>87.1%</td>
<td>1,230</td>
<td>1,480</td>
<td>56</td>
<td>9.2%</td>
<td>4.7%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

(Note 1) Room occupancy rate is for the 7th period ended November 30, 2019 of the investment corporation.

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

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

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

(Note 5) The room occupancy rate of Ooedo-Onsen Monogatari Kounkaku is a comprehensive figure including the rate of the Annex, a property not owned by the investment corporation.
The reduction of the investment ratio in certain types of properties through external growth is a challenge, and the investment ratio by region is distributed across the country, excluding Hokkaido and Okinawa.

**Investment ratio by facility**

**Acquisition price basis**

**Appraisal value basis**

**Rent income basis**

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

**Investment ratio by region**

**Acquisition price basis**

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

- **Ooedo-Onsen Monogatari Reoma Resort**
- **Ooedo-Onsen Monogatari Ise-shima**
- **Ito Hotel New Okabe**
- **Ooedo-Onsen Monogatari Atami**
- **Ooedo-Onsen Monogatari Toi Marine Hotel**
- **Ooedo-Onsen Monogatari Awa**
- **Ooedo-Onsen Monogatari Kamosika-so**
- **Ooedo-Onsen Monogatari Ikaho**

- **Ooedo-Onsen Monogatari Kimitsu-no-mori**
- **Ooedo-Onsen Monogatari Nagasaki Hotel Seifu**
- **Ooedo-Onsen Monogatari Kounkaku**
- **Kinugawa Kanko Hotel**
- **Ooedo-Onsen Monogatari Kinosaki**
- **Ooedo-Onsen Monogatari Higashiyama Grand Hotel**
RevPAR rose mainly in Reoma Resort and Kinosaki, but declined in many properties including Kimitsu-no-mori, which was strongly affected by typhoons.

1. Operating results of the accommodation sector

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>Room occupancy rate (%)</th>
<th>ADR (yen)</th>
<th>RevPAR (yen)</th>
<th>Sales (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-1</td>
<td>Ooedo-Onsen Monogatari Reoma Resort &lt;Hotel Reoma-no-mori&gt;</td>
<td>85.4</td>
<td>88.8</td>
<td>+4.0%</td>
<td>31,166</td>
</tr>
<tr>
<td>S-2</td>
<td>Ooedo-Onsen Monogatari Ise-shima</td>
<td>93.8</td>
<td>93.2</td>
<td>-0.6%</td>
<td>34,500</td>
</tr>
<tr>
<td>S-3</td>
<td>Ito Hotel New Okabe</td>
<td>88.2</td>
<td>92.2</td>
<td>+4.5%</td>
<td>30,160</td>
</tr>
<tr>
<td>S-4</td>
<td>Ooedo-Onsen Monogatari Atami</td>
<td>97.3</td>
<td>94.0</td>
<td>-3.4%</td>
<td>33,224</td>
</tr>
<tr>
<td>S-5</td>
<td>Ooedo-Onsen Monogatari Toi Marine Hotel</td>
<td>84.0</td>
<td>88.6</td>
<td>+5.5%</td>
<td>30,506</td>
</tr>
<tr>
<td>S-6</td>
<td>Ooedo-Onsen Monogatari Awara</td>
<td>89.6</td>
<td>86.6</td>
<td>-3.3%</td>
<td>30,224</td>
</tr>
<tr>
<td>S-7</td>
<td>Ooedo-Onsen Monogatari Kamoshika-so</td>
<td>92.2</td>
<td>85.9</td>
<td>-6.8%</td>
<td>27,951</td>
</tr>
<tr>
<td>S-8</td>
<td>Ooedo-Onsen Monogatari Ikaho</td>
<td>97.4</td>
<td>99.0</td>
<td>+1.6%</td>
<td>31,022</td>
</tr>
<tr>
<td>S-9</td>
<td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td>
<td>94.4</td>
<td>69.6</td>
<td>-26.3%</td>
<td>26,738</td>
</tr>
</tbody>
</table>
## Operating Results of Individual Properties (2)

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>Room occupancy rate (%)</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
<th>ADR (yen)</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
<th>RevPAR (yen)</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
<th>Sales (million yen)</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-10</td>
<td>Ooedo-Onsen Monogatari Nagasaki Hotel Seifu</td>
<td>92.5</td>
<td>93.9</td>
<td>+1.5%</td>
<td></td>
<td>33,969</td>
<td>31,919</td>
<td>-6.0%</td>
<td></td>
<td>31,421</td>
<td>29,971</td>
<td>-4.6%</td>
<td></td>
<td>654</td>
<td>622</td>
<td>-4.8%</td>
<td></td>
</tr>
<tr>
<td>S-11</td>
<td>Ooedo-Onsen Monogatari Kounkaku</td>
<td>85.4</td>
<td>82.2</td>
<td>-3.7%</td>
<td></td>
<td>24,393</td>
<td>24,478</td>
<td>+0.3%</td>
<td></td>
<td>20,831</td>
<td>20,120</td>
<td>-3.4%</td>
<td></td>
<td>511</td>
<td>498</td>
<td>-2.7%</td>
<td></td>
</tr>
<tr>
<td>S-12</td>
<td>Kirugawa Kanko Hotel</td>
<td>89.6</td>
<td>88.5</td>
<td>-1.2%</td>
<td></td>
<td>32,166</td>
<td>30,013</td>
<td>-6.7%</td>
<td></td>
<td>28,820</td>
<td>26,561</td>
<td>-7.8%</td>
<td></td>
<td>1,192</td>
<td>1,075</td>
<td>-9.8%</td>
<td></td>
</tr>
<tr>
<td>S-13</td>
<td>Ooedo-Onsen Monogatari Kinosaki</td>
<td>91.2</td>
<td>97.8</td>
<td>+7.2%</td>
<td></td>
<td>30,509</td>
<td>30,092</td>
<td>-1.4%</td>
<td></td>
<td>27,824</td>
<td>29,429</td>
<td>+5.8%</td>
<td></td>
<td>638</td>
<td>674</td>
<td>+5.7%</td>
<td></td>
</tr>
<tr>
<td>S-14</td>
<td>Ooedo-Onsen Monogatari Higashiyama Grand Hotel</td>
<td>88.9</td>
<td>87.1</td>
<td>-2.0%</td>
<td></td>
<td>28,432</td>
<td>27,719</td>
<td>-2.5%</td>
<td></td>
<td>25,276</td>
<td>24,143</td>
<td>-4.5%</td>
<td></td>
<td>691</td>
<td>662</td>
<td>-4.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>89.6</td>
<td>89.3</td>
<td>-0.3%</td>
<td></td>
<td>30,583</td>
<td>30,062</td>
<td>-1.7%</td>
<td></td>
<td>27,402</td>
<td>26,845</td>
<td>-2.0%</td>
<td></td>
<td>8,843</td>
<td>8,593</td>
<td>-2.8%</td>
<td></td>
</tr>
</tbody>
</table>

### 2. Operating results excluding the accommodation sector

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>Number of guests</th>
<th>Sales (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-1</td>
<td>Ooedo-Onsen Monogatari Reoma Resort &lt;New Reoma World&gt;</td>
<td>344,840</td>
<td>1,364</td>
</tr>
</tbody>
</table>

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

LTV will steadily decrease due to scheduled repayments and is expected to decline gradually to a level less than 40% in the 9th period.
LTV on appraisal value basis has already fallen to the mid-30% range

**LTV**

- LTV (book value basis)
- LTV (appraisal value basis)

**Breakdown of lenders**

Number of syndicate lenders: 14

- Sumitomo Mitsui Banking 32.6%
- The Towa Bank 3.2%
- The Nomura Trust and Banking 4.5%
- Sumitomo Mitsui Trust Bank 12.0%
- The Mie Bank 12.0%
- ORIX Bank 12.6%
- Others 23.0%

**Ratio of long-term borrowings**

- 7th Nov. 2019 (Actual): 97.8%
- 8th May 2020 (Forecast): 97.8%
- 9th Nov. 2020 (Forecast): 97.8%

**Overview of maturity**

- Avg. remaining duration
  - 6th period: 2.4 years
  - 7th period: 1.9 years

**Number of syndicate lenders**: 14

- The Bank of Fukuoka 3.1%
- The Toho Bank 3.0%
- The Tochigi Bank 3.0%
- The First Bank of Toyama 3.0%
- Fukoku Mutual Life Insurance 3.0%
- The Toho Bank 3.0%
- The Shinwa Bank 3.0%
- The Iyo Bank 3.0%
- The Bank of Kochi 1.8%
IV. Future Investment Strategies
Recognition of Issues after 3 Years from Listing and Future Policies

Recognizing current issues and taking their solutions as growth potential with room for future improvement, thereby developing them into a new phase

Current issues

- Sponsor properties supported by the stable Ooedo business model
  - Lopsided portfolio
  - Stable, but room for upside is limited in the short term.

- Distributed across the country, and the location of properties rooted in the local community
  - Requires properties in urban areas with higher liquidity
  - Heavy depreciation burden due to the low ratio of land (low FFO payout ratio)

- High profitability of renovated properties by sponsor
  - Portfolio with aged buildings

Development into a new phase

- Scale expansion of portfolio and growth in market capitalization through external growth

- Diversification of investment targets and promotion of the diversification of risks as a REIT focused on facilities aiming at utilizing leisure time

- Pursuit of upside in addition to stability with properties of the Ooedo-Onsen Monogatari Group at the core

- Reduction of finance costs and strengthening of financial flexibility through the diversification of portfolio risks
External Growth Strategy (1): The Number of Properties in the Sponsor Pipeline Is Increasing Steadily

Forms the basis for stable revenue of the Investment Corporation in the medium to long term

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

- August 2016 - Acquired: Ooedo-Onsen Monogatari Nagasaki Hotel Seifu (Nagasaki City, Nagasaki Prefecture)
- October 2016 - Acquired: Ooedo-Onsen Monogatari Kounkaku (Osaki City, Miyagi Prefecture)
- October 2016 - Acquired: Ooedo-Onsen Monogatari Masuya (Osaki City, Miyagi Prefecture)
- April 2017 - Acquired: Ooedo-Onsen Monogatari Hotel Suiyotei (Atami City, Shizuoka Prefecture)
- July 2017 - Acquired: Ooedo-Onsen Monogatari Beppu Seifu (Beppu City, Oita Prefecture)
- July 2017 - Acquired: Ooedo-Onsen Monogatari Gero Shin-kan (Gero City, Gifu Prefecture)
- April 2018 - Acquired: Ooedo-Onsen Monogatari Nanki Kushimoto (Higashi Muro County, Wakayama Prefecture)
- August 2018 - Acquired: Ooedo-Onsen Monogatari Hotel Kisoji (Kiso County, Nagano Prefecture)
- April 2019 - Acquired: Ooedo-Onsen Monogatari TAOYA Shima (Toba City, Mie Prefecture)
- August 2019 - Acquired: Ooedo-Onsen Monogatari Amakusa Hotel Kameya (Kamiamakusa City, Kumamoto Prefecture)
- Scheduled to open in April 2020: Saikaibashi Corazon Hotel (Sasebo City, Nagasaki Prefecture)
- Scheduled to open in June 2020: Yubae-no-yado Shiomi-so (Murakami City, Niigata Prefecture)

Some of the other facilities of the Ooedo Onsen Monogatari Group

- Tokyo Odaiba Ooedo-Onsen Monogatari (Fixed term land lease right for business purpose) (Koto-ku, Tokyo)
- Ooedo-Onsen Monogatari Urayasu Mangekyo (Fixed term land lease right for business purpose) (Urayasu City, Chiba Prefecture)
- Ooedo-Onsen Monogatari Minoh Kanko Hotel (Minoh City, Osaka Prefecture)
- Minoh Onsen Spa Garden (Minoh City, Osaka Prefecture)
- Hotel New Shiobara (Nasu-shiobara City, Tochigi Prefecture)
- Ooedo-Onsen Monogatari Nikko Kinfuri (Nikko City, Tochigi Prefecture)
- Yamashiro Onsen Yamashitaya (Kaga City, Ishikawa Prefecture)
External Growth Strategy (2) : Pipeline of Properties Other Than Those from the Sponsor

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

Categories of focus for the time being

- Properties located in urban areas (ordinance-designated cities and core cities)
- Various types of accommodation facilities including small and medium ones
- Properties such as entertainment, amusement and spa facilities located in urban and suburban areas
- Various accommodation and resort facilities able to take in inbound tourism demand

(Property information (excluding sponsor properties) in the 7th period (from June 1, 2019 until November 30, 2019))

<table>
<thead>
<tr>
<th>Onsen/Spa</th>
<th>Ordinance-designated cities</th>
<th>Core cities</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>3</td>
<td>3</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Other (day trips, etc.)</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Other lodgings</td>
<td>105</td>
<td>17</td>
<td>18</td>
<td>140</td>
</tr>
<tr>
<td>Entertainment, Amusement</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Sports, beauty, health promotion facilities</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td>21</td>
<td>40</td>
<td>173</td>
</tr>
</tbody>
</table>
External Growth Strategy (3)

Considering utilization of a variety of bridge funding. Expecting an increase in the number of deals for which preferential negotiation rights are secured.

<By source>

Bridge funding by a third party

- Bridge funds (GK-TK scheme, etc.)
- Joint small-scale investments will also be considered.
- Lease companies, real estate companies, etc.

Preferential negotiation rights for direct negotiations with the seller

- Collaboration with operators
- Acquisition in sync with the financing period of the Investment Corporation

<Methods for acquiring properties>

<Progress of new acquisitions>

<table>
<thead>
<tr>
<th>Onsen/Spa</th>
<th>Submission of LOI completed</th>
<th>Due diligence/ negotiations underway</th>
<th>Final phase of acquisitions (including bridge funding)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other (day trips, etc.)</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Other lodgings</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Entertainment, Amusement</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Sports, beauty, health promotion facilities</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>18</td>
</tr>
</tbody>
</table>

(Note) The number of properties as of January 22, 2020 is presented. The Investment Corporation has preferential negotiation rights to some of these properties. However, the Corporation may not be able to or is not obligated to acquire such properties.
Internal Growth Strategy (1)

A rent structure mainly based on fixed elements for securing stable cash flow

1. Leasing and rent structure

- In addition to the leasing structure focusing on stability in the sponsor properties, variable rent is introduced in some properties with future upside potential. The basic strategy is “based on stability + partial variable.”
- Utilize variable rent structure more in the future according to the scale expansion of portfolio and an improvement in the degree of diversification of risks.

Lease conditions for properties master-leased to the Ooedo-Onsen Monogatari Group as of November 30, 2019

- **Contract period:** 20 years
- **Non-cancellation period:** 5-7 years
- **Rent revision:** every 3 years

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary rent</td>
<td>Approximately 93%</td>
</tr>
<tr>
<td>Fixed rent component</td>
<td></td>
</tr>
<tr>
<td>Variable rent component</td>
<td>Approximately 7%</td>
</tr>
<tr>
<td>Secondary rent</td>
<td></td>
</tr>
<tr>
<td>Amount equivalent to real estate related expenses of each facility</td>
<td>50% to 60% of the modified GOP</td>
</tr>
</tbody>
</table>

- **Modified GOP (Note)**

Primary rent = Fixed rent component (monthly amount stipulated by each lease agreement of each facility) + variable rent component
(Variable rent = Modified GOP for each facility × the fixed rate stipulated by each lease agreement)

Secondary rent = The total of taxes and public dues that is liable for the Investment Corporation + nonlife insurance premiums + other expenses

(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)

Consideration of measures to increase profits in the short and medium to long term

2. Improvement in the performance of facilities and the use of variable rent in the medium to long term
   - Improvement in the performance of facilities in cooperation with tenants
     - Continue cooperation in and proposals for various measures to increase the attraction of customers at sponsor properties
   - Incorporation of new growth elements such as new markets and new customers by acquiring properties other than those of the sponsor
     - Inbound tourism market and facilities for utilizing leisure time in urban areas

3. Raising the level of rent revenue in the medium to long term through value-increasing investment
   - Enhancement of internal cash flows generated from the difference between depreciation and CAPEX brought by the scale expansion of the portfolio
     - Measures to increase competitiveness that share the perspective with tenants and additional investments in new functions
     - Effective utilization of unused land and buildings
     - Pursuit of significant value increasing through investment in extension and an increase in the number of rooms in the medium to long term

<Measures to increase profits>

<table>
<thead>
<tr>
<th>Short term</th>
<th>Medium to long term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upside of rent revenue through an improvement in the performance of tenants</strong></td>
<td><strong>Limited</strong></td>
</tr>
<tr>
<td>Currently, stability is the basis for the portfolio</td>
<td>Use of variable rents by acquiring various types of properties</td>
</tr>
<tr>
<td><strong>Raising the level of rent revenue through value-increasing investment</strong></td>
<td><strong>Limited</strong></td>
</tr>
<tr>
<td>There is room for a potential increase in value, but the use of internal funds is limited</td>
<td>Large-scale, value-increasing investment associated with scale expansion</td>
</tr>
</tbody>
</table>
Financial Strategy

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

Basic policy
- Conservative LTV control: Maintain a conservative level while targeting around 40% for the time being
- Flexible equity financing: Consider conducting equity financing, taking into account the medium- to long-term enhancement of the value of investment units and the dilution of distribution
- Promotion of the prolongation of average maturity of debt and the diversification of repayment periods: Reduction of refinancing risk
- Reduction and stability of debt costs: Reduction of costs and interest volatility risk through the diversification of financing methods and financing sources

Future challenges
- Promotion of scale expansion and the diversification of risks in portfolio
  - Acquisition of a high credit rating and new financing methods, such as investment corporation bonds through the high credit rating
  - Agility and improved flexibility in short term LTV control
  - Improvement in the FFO payout ratio and expansion of free cash flows through an improvement of debt financing conditions (creation of free cash power for value-increasing investment)

Use of internal cash
- Depreciation
- Capital expenditure
- Scheduled repayment
- Free cash

Excess cash distribution policy
Assumes conducting, as necessary, excess cash distribution equivalent to the increase amount of the allowance for adjustment of temporary difference considering income taxes arising in line with the differences in accounts for tax and accounting purposes.
V. Investment Areas and Target Strategies
Investing Targets and Building of the Portfolio

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

Ooedo Onsen Reit’s Investing Targets

Building of a portfolio as a REIT focused on facilities aiming at utilizing leisure time
- With onsen/spa-related facilities as the focused targets,
- Taking note of consumption for services (experience-based consumption) for which demand is expected to increase both in Japan and among inbound tourists,
- Aim to build a portfolio focused on facilities aiming at utilizing leisure time, or facilities that provide consumers with a rich experience during their leisure time, that are supported by consumers.

Building of a hybrid portfolio that satisfies both stability and growth
- Maintenance of stable operation exemplified by the Ooedo business model and the stable core portfolio centered on fixed rent and net lease
- Acquisition of new growth factors by incorporating ever-increasing inbound tourism demand, new types of accommodation, various leisure facilities, etc.
Market Environment (1) : Stable Onsen/Spa-Related Market

Market for onsen and spa-related facilities that forms the basis for the stability of the portfolio centered on properties operated by the sponsor

カメラのアイコン

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

Ratio of visits to onsen and spa facilities by age

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

・The number of accommodation facilities’ guests has been stable since FY2010 according to the Onsen Use Survey by the Ministry of the Environment.

・Families and the elderly have been creating a firm customer segment and demand is also strong among people in their 50s.

・“Onsen” collected the largest percentage among types of trip desired according to the Annual Report on the Tourism Trends Survey.


(Note) The figures show the total ratios of visits by gender and age. The ratios do not add up to 100%. The figures are presented for each age group by gender by the asset manager after the respective ratios are accumulated, based on sourced data.
Market Environment (2) : Future Leisure Market (a)

Domestic demand: Expansion of consumption for services or experience-oriented activities means future potential of the leisure market both qualitatively and quantitatively

Trends in the consumption of services

<table>
<thead>
<tr>
<th>Year</th>
<th>Services (Experiences)</th>
<th>Goods (Products)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>67.3%</td>
<td>32.7%</td>
</tr>
<tr>
<td>1990</td>
<td>63.0%</td>
<td>37.0%</td>
</tr>
<tr>
<td>2000</td>
<td>59.0%</td>
<td>41.0%</td>
</tr>
<tr>
<td>2010</td>
<td>57.7%</td>
<td>42.3%</td>
</tr>
<tr>
<td>2017</td>
<td>57.4%</td>
<td>42.6%</td>
</tr>
</tbody>
</table>

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

Trends in the leisure market


Level of satisfaction in a variety of fields in current lives

- Leisure/leisure life

Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2019)

- Data of the Consumer Affairs Agency also show a stable, increasing consumption trend for services.

- The leisure market centered on hotels has been expanding markedly in recent years.

- While “leisure” is ranked high in the public survey on “points of emphasis in one’s future lifestyle,” facilities that satisfy the needs remain insufficient.

Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2019)
Market Environment (3) : Future Leisure Market (b)

Inbound tourism demand and needs for experience-based consumption are expected to increase further in the medium to long term

**Trends in the number of foreign tourists visiting Japan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6,218</td>
</tr>
<tr>
<td>2012</td>
<td>8,367</td>
</tr>
<tr>
<td>2013</td>
<td>10,363</td>
</tr>
<tr>
<td>2014</td>
<td>13,413</td>
</tr>
<tr>
<td>2015</td>
<td>19,737</td>
</tr>
<tr>
<td>2016</td>
<td>24,039</td>
</tr>
<tr>
<td>2017</td>
<td>28,691</td>
</tr>
<tr>
<td>2018</td>
<td>31,191</td>
</tr>
<tr>
<td>2020</td>
<td>40,000</td>
</tr>
<tr>
<td>2030</td>
<td>60,000</td>
</tr>
</tbody>
</table>

Source: Prepared by the Asset Manager based on data in the “Statistics on the number of foreign visitors to Japan” by the Japan National Tourist Organization (JNTO) and the “Objectives and related measures in the current basic plan and the tourism vision” (October 27, 2016) by the Japan Tourism Agency.

**Locally designed experience tours desired during the stay in Japan**

- Experience and observation of Japanese culture: 32%
- Nature guided tour: 20%
- Cooking experience: 14%
- Cityscape guided tour: 13%
- Onsen experience tour: 11%
- Other: 10%

Source: Prepared by the Asset Manager based on data in the “DBJ and JTBF survey on intention of foreign tourists visiting Japan from Asia, Europe, the United State and Australia (Fiscal 2019)” by the Development Bank of Japan Inc. and the Japan Travel Bureau Foundation.

**Composition of spending by foreigners travelling in Japan**

- Accommodation expenses: 2015: 32%, 2018: 34%, +3.4%
- Food and drink expenses: 2015: 20%, 2018: 23.1%, +3.1%
- Entertainment service expenses: 2015: 5%, 2018: 5.8%, +0.8%
- Transport expenses: 2015: 20%, 2018: 19.7%, -0.3%
- Shopping expenses: 2015: 20%, 2018: 13.6%, -6.4%
- Others: 2015: 23%, 2018: 23.8%, +0.8%

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

- The number of inbound customers increased five times in 2018 from the level in 2011, and 60 million people is the target for 2030.
- The consumption structure of inbound tourism is changing, with tourists spending more on services instead of products.
- Experience and observation tours of Japanese culture are the most popular.
Market Environment (4) : Future Leisure Market (c)

Attempt to provide tourism in Japan and experience-based consumption, and their high potential

🌟 Development of new destinations as seen in the Project for Promoting Formation of Wide-Area Round-Trip Routes

### Certified on June 12, 2015 ( )

1. "Hokkaido - Route to Asian Natural Treasures" (*Explore The Wonderland, Eastern Hokkaido Promotional Organization*)
2. "Exploration to the Deep North of Japan" (*Tohoku Tourism Promotion Organization*)
3. "Shoryudo" (*Central Japan Tourism Association*)
4. "The Flower of Japan, Kansai" *(Union of Kansai Governments, Kaisai Economic Federation, Kansai Tourism Bureau)*
5. "The Inland Sea, Setouchi" (*Setouchi Tourism Promotion Organization*)
6. "Spiritual Island: Shikoku Henro" (*Organization for Promotion of Tourism in Shikoku*)
7. "Extensive sightseeing route on ‘Onsen Island,’ Kyushu" (*Kyushu Tourism Promotion Organization*)

### Certified on June 14, 2016 (addition)

10. "Route Romantique San'in" (*San'in Tourism Organization*)
11. "Visit Our Exciting Ryukyu Islands in The Pacific Ocean" (*Visit Our Exciting Ryukyu Islands in The Pacific Ocean* Formation Promotion Organization)

Number of passengers at airports (2013 - 2018)

- **Takamatsu Airport**: +250.2%
- **Tokyo International Airport (Haneda)**: +126.0%
- **Kansai International Airport**: +91.6%
- **Chubu Centrair International Airport**: +41.2%
- **Narita International Airport**: +21.4%

Source: Prepared by the Asset Manager based on data in the "Ranking of the Number of Flights by Airport in Fiscal 2013" and "Ranking of the Number of Flights by Airport in Fiscal 2018" by the Ministry of Land, Infrastructure, Transport and Tourism.

- Discovery of tourism resources through the provision of experience-based consumption
- Inbound tourists who use local airports show an upward trend
Future Growth Targets

Enhancement of profitability and financial strength through the expansion of AUM

- **Third stage** (leap forward toward a medium-sized REIT)
  - 22.5 billion yen
  - 7th period (ended Nov. 30, 2019)

- **Second stage** (period to build a full-fledged portfolio)
  - Around 2,415 yen
  - Market capitalization: 22.5 billion yen
  - LTV (acquisition price basis): 40.3%

- **Target AUM** five years later: 175 – 220 billion yen

- **External properties:** 100 – 120 billion yen
- **Sponsor properties:** 75 – 100 billion yen

- **AUM:** More than 100 billion yen
- Rating: “A” rating acquired

(Note 1) The figures above are targets as of January 22, 2020, and are not guaranteed.
(Note 2) The market capitalization in the 7th period is calculated based on the closing price as of November 29, 2019.
VI. Appendix
### Appraisal Value

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Property name</th>
<th>Acquisition Price (million yen)</th>
<th>Book value (million yen)</th>
<th>Appraisal value (million yen)</th>
<th>Unrealized profits and losses (million yen)</th>
<th>Direct capitalization method</th>
<th>Discounted cash flow method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Direct Cap Rate</td>
<td>Discount Rate</td>
</tr>
<tr>
<td>S-1</td>
<td>Ooedo-Onsen Monogatari Reoma Resort</td>
<td>10,379</td>
<td>10,343</td>
<td>8,910 8,910</td>
<td>-1,433</td>
<td>6.0% 6.0%</td>
<td>5.8% 5.8%</td>
</tr>
<tr>
<td>S-2</td>
<td>Ooedo-Onsen Monogatari Ise-shima</td>
<td>3,656</td>
<td>3,441</td>
<td>3,840 3,840</td>
<td>+398</td>
<td>5.6% 5.6%</td>
<td>5.4% 5.4%</td>
</tr>
<tr>
<td>S-3</td>
<td>Ito Hotel New Okabe</td>
<td>2,657</td>
<td>2,638</td>
<td>2,820 2,820</td>
<td>+181</td>
<td>5.1% 5.1%</td>
<td>4.9% 4.9%</td>
</tr>
<tr>
<td>S-4</td>
<td>Ooedo-Onsen Monogatari Atami</td>
<td>2,997</td>
<td>2,857</td>
<td>3,220 3,220</td>
<td>+362</td>
<td>5.1% 5.1%</td>
<td>4.9% 4.9%</td>
</tr>
<tr>
<td>S-5</td>
<td>Ooedo-Onsen Monogatari Toi Marine Hotel</td>
<td>1,910</td>
<td>1,840</td>
<td>2,030 2,030</td>
<td>+189</td>
<td>5.6% 5.6%</td>
<td>5.4% 5.4%</td>
</tr>
<tr>
<td>S-6</td>
<td>Ooedo-Onsen Monogatari Awara</td>
<td>1,901</td>
<td>1,895</td>
<td>2,000 2,000</td>
<td>+104</td>
<td>5.9% 5.9%</td>
<td>5.7% 5.7%</td>
</tr>
<tr>
<td>S-7</td>
<td>Ooedo-Onsen Monogatari Kamoshika-so</td>
<td>1,222</td>
<td>1,197</td>
<td>1,270 1,270</td>
<td>+72</td>
<td>5.3% 5.3%</td>
<td>5.1% 5.1%</td>
</tr>
<tr>
<td>S-8</td>
<td>Ooedo-Onsen Monogatari Ikaho</td>
<td>1,299</td>
<td>1,293</td>
<td>1,380 1,380</td>
<td>+86</td>
<td>5.3% 5.3%</td>
<td>5.1% 5.1%</td>
</tr>
<tr>
<td>S-9</td>
<td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td>
<td>819</td>
<td>845</td>
<td>862 862</td>
<td>+16</td>
<td>5.3% 5.3%</td>
<td>5.1% 5.1%</td>
</tr>
<tr>
<td>S-10</td>
<td>Ooedo-Onsen Monogatari Nagasaki Hotel Seifu</td>
<td>1,637</td>
<td>1,634</td>
<td>2,570 2,570</td>
<td>+935</td>
<td>5.2% 5.2%</td>
<td>5.0% 5.0%</td>
</tr>
<tr>
<td>S-11</td>
<td>Ooedo-Onsen Monogatari Kounkaku</td>
<td>1,040</td>
<td>1,036</td>
<td>1,220 1,220</td>
<td>+183</td>
<td>5.5% 5.5%</td>
<td>5.3% 5.3%</td>
</tr>
<tr>
<td>S-12</td>
<td>Kinugawa Kanko Hotel</td>
<td>3,870</td>
<td>3,723</td>
<td>6,140 6,140</td>
<td>+2,416</td>
<td>5.2% 5.2%</td>
<td>5.0% 5.0%</td>
</tr>
<tr>
<td>S-13</td>
<td>Ooedo-Onsen Monogatari Kinosaki</td>
<td>2,084</td>
<td>2,128</td>
<td>2,650 2,650</td>
<td>+521</td>
<td>5.4% 5.4%</td>
<td>5.2% 5.2%</td>
</tr>
<tr>
<td>S-14</td>
<td>Ooedo-Onsen Monogatari Higashiya Grand Hotel</td>
<td>1,230</td>
<td>1,249</td>
<td>1,480 1,480</td>
<td>+230</td>
<td>5.9% 5.9%</td>
<td>5.7% 5.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>36,705</strong></td>
<td><strong>36,124</strong></td>
<td><strong>40,392</strong></td>
<td><strong>4,267</strong></td>
<td><strong>5.8% 5.8%</strong></td>
<td><strong>5.5% 5.5%</strong></td>
</tr>
</tbody>
</table>
Introduction of Properties (1)

**S-1 Ooedo-Onsen Monogatari Reoma Resort**

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

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

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

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

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

**S-3 Ito Hotel New Okabe**

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

**Area characteristics**
- Ito City, which is designated a City of International Tourism and Hot Springs Culture, bustles with the Izu Kogen Sakura Festival and the Anjinsai Festival. The Umi no Hanabi Taikai fireworks display on the last day of the Anjinsai Festival attracts crowds of around 170,000 people.
- Ito-Onsen, where this facility is located, is one of Japan’s leading hot springs from the Heian Period.
## Introduction of Properties (1)

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Cumulative total</th>
<th>Previous corresponding period cumulative total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room occupancy rate</td>
<td>97.2%</td>
<td>85.5%</td>
<td>92.2%</td>
<td>98.3%</td>
<td>84.2%</td>
<td>85.3%</td>
</tr>
<tr>
<td>ADR (yen)</td>
<td>33,032</td>
<td>30,453</td>
<td>27,224</td>
<td>32,670</td>
<td>32,986</td>
<td>31,760</td>
</tr>
<tr>
<td>RevPAR (yen)</td>
<td>32,107</td>
<td>26,037</td>
<td>25,100</td>
<td>32,114</td>
<td>27,774</td>
<td>27,091</td>
</tr>
<tr>
<td>Sales (million yen)</td>
<td>311</td>
<td>257</td>
<td>230</td>
<td>309</td>
<td>258</td>
<td>272</td>
</tr>
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### S-2 : Ooedo-Onsen Monogatari Ise-shima

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<th>Change</th>
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<tbody>
<tr>
<td>Room occupancy rate</td>
<td>98.7%</td>
<td>94.5%</td>
<td>98.3%</td>
<td>93.8%</td>
<td>91.2%</td>
<td>91.3%</td>
</tr>
<tr>
<td>ADR (yen)</td>
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<td>30,984</td>
<td>38,095</td>
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<td>104</td>
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<td>84</td>
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<td>90</td>
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### S-3 : Ito Hotel New Okabe

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<th>2019</th>
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<tbody>
<tr>
<td>Room occupancy rate</td>
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<td>27,275</td>
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<td>121</td>
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</table>
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.

Awara City is a scenic area facing the Japan Sea, surrounded by abundant nature. The Mikuni fishing port, which is well-known for Echizen crab, Tojinbo, a tourist attraction that is famous nationwide, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.
### Introduction of Properties (2)

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

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<th>Change</th>
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#### S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel

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<tr>
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<td>86.8%</td>
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#### S-6 : Ooedo-Onsen Monogatari Awara

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<td>72</td>
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<td>79</td>
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</table>

Ooedo Onsen Reit Investment Corporation
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.

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.

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.

Shiobara onsen resort area, where this facility is located is popular with its six different hot springs dating back 1,200 years ago.

Ikaho onsen, where this facility is located is one of the representing hot springs of Kita-Kanto region as an inner parlor of Tokyo and is famous for “muddy gold spring” and transparent “white silver spring”.

Inland Boso peninsula, where this facility is located is expected good demand of tourism with popular sight seeing spots in surrounding areas.
## Introduction of Properties (3)

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

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<td>76.9%</td>
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<td>17,129</td>
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### S-8 : Ooedo-Onsen Monogatari Ikaho

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<tr>
<td>Room occupancy rate</td>
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<td>99.3%</td>
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### S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

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<td>25,320</td>
<td>24,784</td>
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**Introduction of Properties (4)**

<table>
<thead>
<tr>
<th>Property</th>
<th>Location</th>
<th>Site area</th>
<th>Total floor area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S-10 Ooedo-Onsen Monogatari Nagasaki Hotel Seifu</strong></td>
<td>Nagasaki City, Nagasaki Prefecture</td>
<td>5,092㎡</td>
<td>11,114㎡</td>
</tr>
<tr>
<td><strong>S-11 Ooedo-Onsen Monogatari Kounkaku</strong></td>
<td>Osaki City, Miyagi Prefecture</td>
<td>11,829㎡</td>
<td>10,843㎡</td>
</tr>
<tr>
<td><strong>S-12 Kinugawa Kanko Hotel</strong></td>
<td>Nikko City, Tochigi Prefecture</td>
<td>6,719㎡</td>
<td>22,402㎡</td>
</tr>
</tbody>
</table>

**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.

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

- **Nikko City** is located northwest of Tochigi Prefecture and is a hot spring tourist destination with tourism resources including domestically and internationally well-known Nikko Toshogu Shrine and Lake Chuzenji.
- Kinugawa Onsen where the facility is located is a hot spring resort around Tokyo which was rapidly developed during and after the period of high economic growth.
# Introduction of Properties (4)

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

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</thead>
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<td>73.6%</td>
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<td></td>
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<td>79.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room occupancy rate</td>
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<td>73.6%</td>
<td>92.5%</td>
<td>100.0%</td>
<td>93.2%</td>
<td>98.5%</td>
<td>86.7%</td>
<td>96.4%</td>
<td>99.1%</td>
<td>93.1%</td>
<td>90.8%</td>
<td>97.0%</td>
<td>92.6%</td>
<td>92.5%</td>
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<td>33,969</td>
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## S-11 : Ooedo-Onsen Monogatari Kounkaku

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<td>84.4%</td>
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</tr>
<tr>
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<td>511</td>
<td>498</td>
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## S-12 : Kinugawa Kanko Hotel

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<td>84.0%</td>
<td>99.6%</td>
<td>89.4%</td>
<td>80.8%</td>
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<td>82.4%</td>
<td>89.6%</td>
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<td>-1.1%</td>
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<td>243</td>
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<td>164</td>
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<td>1,075</td>
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</table>
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.

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.

Area characteristics

- Kinosaki Onsen 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.

---

**S-13 Ooedo-Onsen Monogatari Kinosaki**

*Location: Toyooka City, Hyogo Prefecture*

*Site area:* 11,350㎡

*Total floor area:* 10,602㎡

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

*Location: Aizuwakamatsu City, Fukushima Prefecture*

*Site area:* 12,451㎡ (Note)

*Total floor area:* 16,665㎡ (Note)

---

**Area characteristics**

- Aizuwakamatsu City is located in the west of Fukushima Prefecture with scenic natural landscape surrounded by Mt. Bandai, Lake Inawashiro and such.
- Tour bus services going around major tourist spots such as Higashiyama Onsen and Tsurugajo Castle are operated from the JR Aizuwakamatsu Station.
## Introduction of Properties (5)

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Cumulative total</th>
<th>Previous corresponding period total</th>
<th>7th period cumulative Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec.</td>
<td>Jan.</td>
<td>Feb.</td>
<td>Mar.</td>
<td>Apr.</td>
<td>May</td>
<td>Jun.</td>
<td>Jul.</td>
<td>Aug.</td>
<td>Sep.</td>
<td>Oct.</td>
<td>Nov.</td>
<td>Room occupancy rate</td>
<td>94.4%</td>
<td>80.9%</td>
<td>88.0%</td>
<td>99.8%</td>
<td>98.3%</td>
<td>95.9%</td>
<td>95.6%</td>
<td>95.3%</td>
<td>99.9%</td>
<td>99.5%</td>
</tr>
<tr>
<td>ADR (yen)</td>
<td>32,913</td>
<td>32,658</td>
<td>30,687</td>
<td>37,685</td>
<td>30,590</td>
<td>28,358</td>
<td>24,460</td>
<td>28,223</td>
<td>43,034</td>
<td>26,573</td>
<td>26,410</td>
<td>31,162</td>
<td>31,125</td>
<td>30,509</td>
<td>30,092</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RevPAR (yen)</td>
<td>31,069</td>
<td>26,420</td>
<td>27,004</td>
<td>37,609</td>
<td>30,069</td>
<td>27,195</td>
<td>23,383</td>
<td>26,896</td>
<td>42,990</td>
<td>26,440</td>
<td>25,644</td>
<td>30,975</td>
<td>29,693</td>
<td>27,824</td>
<td>29,429</td>
<td>+1,605</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Sales (million yen)</td>
<td>120</td>
<td>103</td>
<td>93</td>
<td>142</td>
<td>112</td>
<td>105</td>
<td>89</td>
<td>104</td>
<td>161</td>
<td>99</td>
<td>101</td>
<td>119</td>
<td>1,353</td>
<td>638</td>
<td>674</td>
<td>+36</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

|                     | 2018 |          |          |          |          |          |          |          |          | 2019 |          |          |          |          |          |          |          |          |          | Cumulative total | Previous corresponding period total | 7th period cumulative Total | Change |
|---------------------|------|----------|----------|----------|----------|----------|----------|----------|----------|------|----------|----------| Room occupancy rate | 81.5%   | 64.9%   | 75.6%   | 75.5%   | 80.6%   | 73.2%   | 87.6%   | 80.5%   | 91.7%   | 86.1%   | 85.8%   | 91.3% | 81.2%   | 88.9% | 87.1% | -1.8% |
| ADR (yen)           | 30,458 | 28,205  | 26,497  | 27,250  | 30,378  | 26,035  | 25,293  | 31,953  | 28,086  | 28,211 | 28,065 | 28,078 | 28,055 | 28,432 | 27,719 | -713   |        |        |        |                |                               |                    |        |
| RevPAR (yen)        | 32,913 | 32,658  | 30,687  | 37,685  | 30,590  | 28,358  | 24,460  | 28,223  | 43,034  | 26,573 | 26,410  | 31,162  | 31,125 | 30,509 | 30,092 | -417   |        |        |        |                |                               |                    |        |
| Sales (million yen) | 120 | 103      | 93      | 142      | 112      | 105     | 89      | 104      | 161      | 99     | 101     | 119     | 1,353 | 638     | 674     | +36    |        |        |        |                |                               |                    |        |

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

|                     | 2018 |          |          |          |          |          |          |          |          | 2019 |          |          |          |          |          |          |          |          |          | Cumulative total | Previous corresponding period total | 7th period cumulative Total | Change |
|---------------------|------|----------|----------|----------|----------|----------|----------|----------|----------|------|----------|----------| Number of guests | 59,667 | 37,924 | 26,261 | 46,610 | 49,626 | 75,751 | 36,983 | 53,105 | 118,893 | 36,502 | 40,721  | 45,221  | 627,264 | 344,840 | -13,415 | -13,415 |        |        |        |                |                               |                    |        |
| Sales (million yen) | 210 | 144      | 90       | 190      | 201      | 298      | 130      | 218      | 496      | 145   | 147      | 160      | 2,434 | 1,364  | 1,298  | -65    |        |        |        |                |                               |                    |        |
## Financial Indices

<table>
<thead>
<tr>
<th>Indices</th>
<th>Calculation formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary income</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td>CAPEX</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td></td>
</tr>
<tr>
<td>BPS (Total net assets/unit)</td>
<td></td>
</tr>
<tr>
<td>Unit price (End of each period)</td>
<td></td>
</tr>
<tr>
<td>Total units outstanding</td>
<td></td>
</tr>
<tr>
<td>Total distribution</td>
<td></td>
</tr>
<tr>
<td>DPU</td>
<td></td>
</tr>
<tr>
<td>Distribution yield</td>
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<tr>
<td>FFO</td>
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</tr>
<tr>
<td>FFO per unit</td>
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</tr>
<tr>
<td>FFO multiple</td>
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<tr>
<td>PER</td>
<td></td>
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<tr>
<td>PBR</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td></td>
</tr>
<tr>
<td>NAV per unit</td>
<td></td>
</tr>
<tr>
<td>NAV multiple</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td></td>
</tr>
<tr>
<td>LTV (book value basis)</td>
<td></td>
</tr>
<tr>
<td>LTV (appraisal value basis)</td>
<td></td>
</tr>
<tr>
<td>Operating days</td>
<td></td>
</tr>
</tbody>
</table>

### Calculation Formulas

- **BPS (Total net assets/unit)**: Ordinary income + Depreciation - profit or loss on sale of real estate
- **Unit price (End of each period)**: Unit price as of end of period
- **DPU (annualized)/Unit price as of end of period**
- **FFO per unit**: Unit price as of end of period/FFO per unit (annualized)
- **PER**: Unit price as of end of period/Net income per unit (average during the periods, annualized)
- **PBR**: Unit price as of end of period/Net assets per unit
- **ROA**: Ordinary income/Average of total assets during the period
- **ROE**: Net income/Average of total net assets during the period
- **NAV**: Total net assets + Total appraisal value - Total book value - Total liabilities
- **NAV per unit**: Unit price as of end of period/NAV per unit
- **NAV multiple**: Unit price as of end of period/NAV per unit
- **Interest-bearing debt/Total assets**
- **Interest-bearing debt/(Total assets + Total appraisal value - Total book value)**
- **Operating days**:
## Balance Sheet

### 6th period (period ended May 31, 2019)

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th>7th period (period ended Nov. 30, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>2,001,208</td>
<td>2,228,615</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>136,232</td>
<td>126,984</td>
</tr>
<tr>
<td>Other</td>
<td>66,727</td>
<td>6,942</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,204,168</td>
<td>2,362,543</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>26,145,944</td>
<td>26,324,003</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-1,926,166</td>
<td>-1,926,166</td>
</tr>
<tr>
<td>Buildings, net</td>
<td>24,219,777</td>
<td>23,965,085</td>
</tr>
<tr>
<td>Structures</td>
<td>10,979</td>
<td>10,979</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-508</td>
<td>-508</td>
</tr>
<tr>
<td>Structures, net</td>
<td>11,470</td>
<td>11,470</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-44</td>
<td>-44</td>
</tr>
<tr>
<td>Machinery and equipment, net</td>
<td>555</td>
<td>538</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>2,620</td>
<td>3,498</td>
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<tr>
<td>Accumulated depreciation</td>
<td>-487</td>
<td>-758</td>
</tr>
<tr>
<td>Tools, furniture and fixtures, net</td>
<td>2,133</td>
<td>2,740</td>
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<tr>
<td>Land</td>
<td>11,988,130</td>
<td>11,988,187</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>36,221,067</td>
<td>35,966,652</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold right</td>
<td>157,802</td>
<td>157,802</td>
</tr>
<tr>
<td>Software</td>
<td>3,754</td>
<td>2,951</td>
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<tr>
<td><strong>Total intangible assets</strong></td>
<td>161,556</td>
<td>160,754</td>
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<tr>
<td>Investments and other assets</td>
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<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>12</td>
<td>16</td>
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<tr>
<td>Long-term prepaid expenses</td>
<td>185,296</td>
<td>140,673</td>
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<tr>
<td>Lease and guarantee deposits</td>
<td>10,089</td>
<td>10,089</td>
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<tr>
<td><strong>Total investments and other assets</strong></td>
<td>195,399</td>
<td>150,780</td>
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<td><strong>Total non-current assets</strong></td>
<td>36,578,023</td>
<td>36,278,186</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>38,782,191</td>
<td>38,640,729</td>
</tr>
</tbody>
</table>

### 7th period (period ended Nov. 30, 2019)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating accounts payable</td>
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<td>17,426</td>
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<tr>
<td>Short-term loans payable</td>
<td></td>
<td>350,000</td>
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<tr>
<td>Current portion of long-term loans payable</td>
<td></td>
<td>3,941,750</td>
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<tr>
<td>Accounts payable - other</td>
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<td>87,838</td>
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<tr>
<td>Accrued expenses</td>
<td></td>
<td>7,508</td>
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<tr>
<td>Income taxes payable</td>
<td></td>
<td>866</td>
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<tr>
<td>Accrued consumption taxes</td>
<td></td>
<td>15,234</td>
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<tr>
<td>Advances received</td>
<td></td>
<td>259,137</td>
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<tr>
<td>Other</td>
<td></td>
<td>66,954</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
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<td>4,746,616</td>
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<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
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<tr>
<td>Long-term loans payable</td>
<td></td>
<td>11,463,000</td>
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<tr>
<td>Tenant leasehold and security deposits</td>
<td></td>
<td>1,230,724</td>
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<tr>
<td>Asset retirement obligations</td>
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<td>137,754</td>
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<td><strong>Total non-current liabilities</strong></td>
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<td>12,831,479</td>
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<td><strong>Total liabilities</strong></td>
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<td>17,578,095</td>
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<tr>
<td><strong>Net assets</strong></td>
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<td></td>
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<tr>
<td>Unitholders’ equity</td>
<td>20,653,023</td>
<td>20,653,023</td>
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<tr>
<td>Deduction from unitholders’ capital</td>
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<td>-8,643</td>
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<tr>
<td>Allowance for temporary difference</td>
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<td>-11,467</td>
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<tr>
<td><strong>Total deduction from unitholders’ capital</strong></td>
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<td>-8,643</td>
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<tr>
<td>Unitholders’ capital, net</td>
<td>20,644,379</td>
<td>20,641,555</td>
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<tr>
<td>Surplus</td>
<td>559,716</td>
<td>565,624</td>
</tr>
<tr>
<td><strong>Unappropriated retained earnings (undisposed loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total surplus</strong></td>
<td>559,716</td>
<td>565,624</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>21,204,095</td>
<td>21,207,179</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>38,782,191</td>
<td>38,640,729</td>
</tr>
</tbody>
</table>
# Statement of Income

<table>
<thead>
<tr>
<th></th>
<th>6th period (from December 1, 2018 to May 31, 2019)</th>
<th>7th period (from June 1, 2019 to November 30, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease business revenue</td>
<td>1,434,986</td>
<td>1,440,167</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>1,434,986</td>
<td>1,440,167</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses related to rent business</td>
<td>548,074</td>
<td>555,661</td>
</tr>
<tr>
<td>Asset management fee</td>
<td>126,075</td>
<td>125,812</td>
</tr>
<tr>
<td>Asset custody fee</td>
<td>1,751</td>
<td>1,738</td>
</tr>
<tr>
<td>Administrative service fees</td>
<td>17,233</td>
<td>17,060</td>
</tr>
<tr>
<td>Directors’ compensations</td>
<td>3,600</td>
<td>3,600</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>39,245</td>
<td>39,393</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>735,980</td>
<td>743,266</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>699,005</td>
<td>696,901</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
<td></td>
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<tr>
<td>Interest income</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total non-operating income</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>62,352</td>
<td>64,257</td>
</tr>
<tr>
<td>Borrowing related expenses</td>
<td>75,774</td>
<td>65,642</td>
</tr>
<tr>
<td>Other</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Total non-operating expenses</td>
<td>138,626</td>
<td>130,400</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>560,389</td>
<td>566,511</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidy income</td>
<td>11,250</td>
<td>-</td>
</tr>
<tr>
<td>Total extraordinary income</td>
<td>11,250</td>
<td>-</td>
</tr>
<tr>
<td><strong>Extraordinary losses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on tax purpose reduction entry of non-current assets</td>
<td>11,250</td>
<td>-</td>
</tr>
<tr>
<td>Total extraordinary losses</td>
<td>11,250</td>
<td>-</td>
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<tr>
<td>Income before income taxes</td>
<td>560,389</td>
<td>566,511</td>
</tr>
<tr>
<td>Income taxes - current</td>
<td>867</td>
<td>952</td>
</tr>
<tr>
<td>Income taxes - deferred</td>
<td>5</td>
<td>-4</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>873</td>
<td>948</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>559,516</td>
<td>565,562</td>
</tr>
<tr>
<td>Retained earnings brought forward</td>
<td>199</td>
<td>61</td>
</tr>
<tr>
<td>Unappropriated retained earnings (undisposed loss)</td>
<td>559,716</td>
<td>565,624</td>
</tr>
</tbody>
</table>
## Debt Status

### List of lenders

<table>
<thead>
<tr>
<th>Lender</th>
<th>Balance (mn yen)</th>
<th>Interest rate (%)</th>
<th>Drawdown date</th>
<th>Repayment date</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>340</td>
<td>Base rate (JBA 1-month Yen TIBOR) + 0.35%</td>
<td>May 31, 2019</td>
<td>May 29, 2020</td>
<td>Unsecured and unguaranteed</td>
</tr>
<tr>
<td>ORIX Bank Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
<td></td>
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</tr>
<tr>
<td>The Me Bank, Ltd.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>3,606</td>
<td>Base rate (JBA 3-month Yen TIBOR) + 0.80%</td>
<td>September 1, 2016</td>
<td>May 29, 2020</td>
<td>Unsecured and unguaranteed</td>
</tr>
<tr>
<td>ORIX Bank Corporation</td>
<td></td>
<td></td>
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<tr>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
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<tr>
<td>The Me Bank, Ltd.</td>
<td></td>
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</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>464</td>
<td>Base rate (JBA 3-month Yen TIBOR) + 1.25%</td>
<td>September 1, 2016</td>
<td>May 31, 2023</td>
<td>Unsecured and unguaranteed</td>
</tr>
<tr>
<td>The Toho Bank, Ltd.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>The Nomura Trust and Banking Co., Ltd.</td>
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<tr>
<td>The Bank of Fukuoka, Ltd.</td>
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<tr>
<td>The Shinwa Bank, Ltd.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2,194</td>
<td>Base rate (JBA 3-month Yen TIBOR) + 0.65%</td>
<td>December 4, 2017</td>
<td>November 30, 2020</td>
<td>Unsecured and unguaranteed</td>
</tr>
<tr>
<td>The Me Bank, Ltd.</td>
<td></td>
<td></td>
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<tr>
<td>The Tochigi Bank, Ltd.</td>
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<tr>
<td>The First Bank of Toyama, Ltd.</td>
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<tr>
<td>Fukoku Mutual Life Insurance Company</td>
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<tr>
<td>The Bank of Kochi, Ltd.</td>
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<tr>
<td>The Bank of Fukuoka, Ltd.</td>
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<tr>
<td>The Shinwa Bank, Ltd.</td>
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</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2,345</td>
<td>Base rate (JBA 3-month Yen TIBOR) + 0.80%</td>
<td>December 4, 2017</td>
<td>November 30, 2021</td>
<td>Unsecured and unguaranteed</td>
</tr>
<tr>
<td>The Towa Bank, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Iyo Bank, Ltd.</td>
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<td></td>
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<tr>
<td>The Nomura Trust and Banking Co., Ltd.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>The Bank of Fukuoka, Ltd.</td>
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<td></td>
</tr>
<tr>
<td>The Shinwa Bank, Ltd.</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,558</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
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

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

Financial Results (Feb. 2019)

- Consolidated Net Sales: 48,761 million yen
- Consolidated Total Assets: 77,663 million yen
- Net Assets: 21,615 million yen

Businesses

- 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 Feb. 28, 2019, we operate 34 onsen and spa-related facilities

Trends in number of facilities

- 2003: Opened Ooedo-Onsen Monogatari in Odaiba, Tokyo
- 2007 - 2009: Opened Aizu, Ikaho, Yamashitaya and Urayasu Mangekyo, etc.
- 2010 - 2013: Opened Hotel New Shiobara, Kinugawa Kanko Hotel, Reoma Resort and Minoh Kanko Hotel, etc.
- 2016: Opened Kounkaku, Masuya and Nagasaki Hotel S elfu
- 2017: Opened Hotel Suiyotei, Beppu and Gero Shin-kan
- 2018: Opened Nanki-kushimoto and Hotel Kisoji
- 2019: Opened TAOYA Shima, Amakusa Hotel Kameya
- 2020: Scheduled to open Saikaibashi Corazon Hotel, Yubae-no-yado Shiami-so

The chart shows the number of facilities from 2003 to 2019, with an increase from 6 to 34 facilities.
The total number of guests staying at onsen/spa facilities operated by the Ooedo-Onsen Monogatari Group is steadily increasing year by year. In addition, the Investment corporation is expanding its business scale actively through a range of initiatives such as the acquisition of 12 facilities (Note) since 2016 when the investment corporation was established.

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

- FY2014: 2,456
- FY2015: 2,565
- FY2016: 2,709
- FY2017: 2,766
- FY2018: 3,126
- FY2019: 3,421

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

- **REIT acquired assets**
  - Hotel Sohkan
  - Ooedo-Onsen Monogatari Sendai Korona-no-yu (Spa-related facilities for day visits)
  - Hotel New Shiobara
  - Hotel Kinugawa Gyoen
  - Hotel Kounkaku
  - Hotel Suiyotei

- **Facilities acquired after 2016**
  - Hotel Kameya
  - Hotel Kisoji
  - Hotel New Okabe
  - Hotel Toi Marine
  - Hotel Yubae-no-yado Shiomi-so
  - Hotel Kounkaku

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

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- FY2015: 2,565
- FY2016: 2,709
- FY2017: 2,766
- FY2018: 3,126
- FY2019: 3,421

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  - Hotel Kinugawa Gyoen
  - Hotel Kounkaku
  - Hotel Suiyotei

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  - Hotel Kameya
  - Hotel Kisoji
  - Hotel New Okabe
  - Hotel Toi Marine
  - Hotel Yubae-no-yado Shiomi-so
  - Hotel Kounkaku

(Note) Includes facilities that are expected to be operated.
“Ooedo Business Model” with Stable Operations and Sustainable Growth (1)

Ooedo business model achieving both high quality and reasonable price

Provision of services that lead to the creation of repeat customers

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

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

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

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

High-quality service
+ Affordable price

Ongoing support from a wide-ranging customer base centered on the senior age group
“Ooedo Business Model” with Stable Operations and Sustainable Growth (2)

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

Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from June 1, 2019 to November 30, 2019)

- Overall satisfaction
  - Very satisfied: 4.2%
  - Satisfied: 44.5%
  - Fair: 50.0%
  - Unsatisfied: 1.0%
  - Very unsatisfied: 0.3%

- Meal (breakfast and dinner)
  - Very satisfied: 6.3%
  - Satisfied: 45.4%
  - Fair: 46.5%
  - Unsatisfied: 1.5%
  - Very unsatisfied: 0.3%

- Onsen
  - Very satisfied: 7.6%
  - Satisfied: 49.1%
  - Fair: 41.2%
  - Unsatisfied: 1.8%
  - Very unsatisfied: 0.3%

- Type of services inside the facility
  - Very satisfied: 1.4%
  - Satisfied: 52.3%
  - Fair: 33.2%
  - Unsatisfied: 0.2%
  - Very unsatisfied: 12.9%

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

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

#### Ratio by number of unitholders

**<End of 6th fiscal period>**
- 19,447 unitholders

**<End of 7th fiscal period>**
- 18,066 unitholders

#### Raito by number of investment units

**<End of 6th fiscal period>**
- Financial institutions: 0.3%
- Foreign corporations and individuals: 1.0%
- Individuals: 56.0%

**<End of 7th fiscal period>**
- Financial institutions: 0.3%
- Foreign corporations and individuals: 0.5%
- Individuals: 48.9%

### Top 10 unitholders

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Number of units held</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>22,692</td>
<td>9.6%</td>
</tr>
<tr>
<td>2</td>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>21,663</td>
<td>9.2%</td>
</tr>
<tr>
<td>3</td>
<td>The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)</td>
<td>10,713</td>
<td>4.6%</td>
</tr>
<tr>
<td>4</td>
<td>Ooedo-Onsen Mongatari Co., Ltd.</td>
<td>9,246</td>
<td>3.9%</td>
</tr>
<tr>
<td>5</td>
<td>Trust &amp; Custody Services Bank, Ltd. (Securities Investment Trust Account)</td>
<td>6,607</td>
<td>2.8%</td>
</tr>
<tr>
<td>6</td>
<td>Ueda Yagi Tanshi Co., Ltd.</td>
<td>4,100</td>
<td>1.7%</td>
</tr>
<tr>
<td>7</td>
<td>MLI STOCK LOAN</td>
<td>3,047</td>
<td>1.3%</td>
</tr>
<tr>
<td>8</td>
<td>JPMorgan Securities Japan Co., Ltd.</td>
<td>3,010</td>
<td>1.3%</td>
</tr>
<tr>
<td>9</td>
<td>Morgan Stanley MUFG Securities Co., Ltd.</td>
<td>2,592</td>
<td>1.1%</td>
</tr>
<tr>
<td>10</td>
<td>DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO</td>
<td>2,521</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>86,191</strong></td>
<td><strong>36.6%</strong></td>
</tr>
</tbody>
</table>

Ooedo Onsen Reit Investment Corporation
Unitholder Benefit Program

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

<table>
<thead>
<tr>
<th>Commencement period and target unitholders</th>
<th>Targets unitholders listed or recorded on Unitholders’ Registry as of November 30, 2019 (record date), end of 7th fiscal period.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible persons</td>
<td>The program is also available for those other than unitholders with coupons transferred from unit holders (not registered)</td>
</tr>
<tr>
<td>Benefits</td>
<td>Coupons offering discounts of 1,000 yen per coupon from the accommodation fee for applicable facilities on weekdays (excluding specified dates) will be sent</td>
</tr>
<tr>
<td></td>
<td>① Unitholders holding 5 units or more and less than 10 units 1 coupon Equivalent to 1,000 yen ② Unitholders holding 10 units or more 2 coupons Equivalent to 2,000 yen</td>
</tr>
<tr>
<td></td>
<td>Coupons can be used together with other discount coupons, etc. provided by Ooedo-Onsen Monogatari Group</td>
</tr>
<tr>
<td>Applicable facilities</td>
<td>Onsen and spa-related facilities that are owned by the Investment Corporation in each fiscal period and leased by Ooedo-Onsen Monogatari Group</td>
</tr>
<tr>
<td>&lt;Facilities applicable&gt;</td>
<td>Ooedo-Onsen Monogatari Reoma Resort, Ooedo-Onsen Monogatari Ise-shima, Ito Hotel New Okabe, Ooedo-Onsen Monogatari Atami, Ooedo-Onsen Monogatari Toi Marine Hotel, Ooedo-Onsen Monogatari Awara, Ooedo-Onsen Monogatari Kamoshika-so, Ooedo-Onsen Monogatari Ikaho, Ooedo-Onsen Monogatari Kimitsu-no-mori, Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Ooedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Ooedo-Onsen Monogatari Kinosaki and Ooedo-Onsen Monogatari Higashiyama Grand Hotel &lt;14 facilities in total&gt;</td>
</tr>
<tr>
<td>Schedule of sending and period of validity</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
</tbody>
</table>
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.
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.

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fee I</td>
<td>Total assets at end of previous accounting period (\times 1.0% \text{ per annum (ceiling)})</td>
</tr>
<tr>
<td>Management fee II</td>
<td>Management fee II for previous accounting period (\times (DPU \text{ before deduction of current period management fee II}) / DPU \text{ before deduction of previous period management fee II}) \times \text{management fee II revised ratio})</td>
</tr>
<tr>
<td>Acquisition fee (^{\text{Note 2}})</td>
<td>Acquisition price (\times 1.0% \text{ (ceiling)}) (transaction with related party: 0.5% (ceiling))</td>
</tr>
<tr>
<td>Disposition fee</td>
<td>Disposition price (\times 1.0% \text{ (ceiling)}) (transaction with related party: 0.5% (ceiling))</td>
</tr>
</tbody>
</table>

(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

1. Proposing department Propose
2. Compliance officer Review and approval
3. Investment Committee (includes outside committee members) Review and decision
4. Compliance Committee (includes outside committee members) Review and decision
5. Board of Directors Review and decision
6. Investment Corporation Board Meeting Review and decision

Attendance and approval of outside members essential.
Overview of Investment Corporation

Parent Company of Asset Manager

Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd.
(100% ownership)

Ooedo-Onsen Monogatari Co., Ltd.

Asset Manager

Ooedo Onsen Asset Management Co., Ltd.

Subsidiary of Parent Company of Asset Manager

Kagawa Prefecture Tourism Development Ltd.

Subsidiary of Parent Company of Asset Manager

Reoma Unity Co., Ltd.

Investment Corporation

Ooedo Onsen Reit Investment Corporation

General Unitholders’ Meeting

Board of Directors

Executive Director
Fuminori Imanishi
Supervisory Director
Kentaro Suzuki
Supervisory Director
Takayuki Hongyo

Independent Auditor
PricewaterhouseCoopers Aarata LLC

Asset Custodian

Unitholders’ Registry Administrator
General Administrator (agency management)

Sumitomo Mitsui Trust Bank, Limited

Accounting and Tax Administrator

Reiwakeikeisha Tax Corporation

① Asset Management Agreement
② Asset Custodian Contract / Contract for Unitholders’ Registry and Other Administrative Services / Contract for General Administrative Services (agency management)
③ Accounting Services Contract
④ Sponsor Support Contract
⑤ Asset Purchase and Sales Contract
⑥ Asset Lease Contract

Ooedo Onsen Reit Investment Corporation 57
Overview of Asset Manager

Name: Ooedo Onsen Asset Management Co., Ltd.
Address: 3-3-4, Nihonbashi-Honcho, Chuo-Ku, Tokyo
Established: April 24, 2015
Capitalization: 50 million yen
Representative: Fuminori Imanishi
Shareholder: Ooedo-Onsen Monogatari Co., Ltd. 100%

Registrations and Licenses:
- Real estate brokerage, Governor of Tokyo (1) No. 98032
- Discretionary transaction agent, Minister of Land, Transport and Tourism License No. 102
- Financial instruments business, Director of Kanto Local Finance Bureau (Kinsho) No. 2906
- Member of the Investment Trusts Association, Japan

Employees: 12 (as of November 30, 2019)

Structure:

- General Shareholders’ Meeting
- Board of Directors
- Investment Committee
- President and CEO
- Compliance Committee
- Compliance Officer
- Planning and Coordination Department
- Finance Department
- Investment Management Department
- Auditors
Disclaimer

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