

To all concerned parties:

Real Estate Investment Trust Securities Issuer:

Ooedo Onsen Reit Investment Corporation

 Representative: Fuminori Imanishi,
Executive Director
(Securities Code: 3472)

Asset Manager:

Ooedo Onsen Asset Management Co., Ltd.

 Representative: Fuminori Imanishi,
Chief Executive Officer
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Notice Concerning Transfer of Real Estate in Japan
(Ooedo-Onsen Monogatari Nagasaki Hotel Seifu)

Ooedo Onsen Reit Investment Corporation (the “Investment Corporation”) announces today that Ooedo Onsen Asset Management Co., Ltd. (the “Asset Manager”), to which the Investment Corporation entrusts the management of its assets, has resolved to transfer real estate in Japan (the “Transfer”) as follows.

1. Overview of transfer, etc.

Overview of transfer of real estate

Name of the asset to be transferred	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
Planned transfer price (Note 1)	1,640 million yen
Estimated book value (Note 2)	1,600million yen
Difference between the planned transfer price and the estimated book value (Note 3)	39 million yen
Transferee	Not disclosed because consent has not been obtained from the transferee.
Existence or non-existence of intermediary	None
Planned date of sale and purchase agreement	January 7, 2022
Planned date of transfer	January 13, 2022
Settlement method	Lump-sum settlement at time of delivery

(Note 1) “Planned transfer price” is the sale price of real estate stated in the sale and purchase agreement regarding the asset to be transferred, not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees, and rounded down to the nearest million yen. The same applies hereinafter.

(Note 2) The estimated book value is the estimated value as of December 31, 2021.

(Note 3) The difference between the planned transfer price and the estimated book value is an amount obtained by deducting the estimated book value from the planned transfer price. Expenses for the transfer arise separately.

2. Reason for transfer

The Investment Corporation has stably received fixed rents from all owned facilities during the prolonged COVID-19 pandemic. The Investment Corporation, however, began examining the sale of owned properties at the beginning of this year to increase the stability of its financial base and prepare for the risk of the deterioration of debt financing conditions by increasing funds on hand. Ahead of large-scale refinancing scheduled in February 2022, the Investment Corporation received a proposal from the buyer that the presentation of a price lower than the appraisal value but higher than the book value and speedy transaction execution were possible for Ooedo-Onsen Monogatari Nagasaki Hotel Seifu. In response to the proposal, the Investment Corporation decided to prioritize financial stabilization and transfer the facility, taking into consideration factors such as the facility's relatively small size among assets in its portfolio. The Investment Corporation will allocate 600 million yen from the net proceeds from the sale of the property to the repayment of existing borrowings (see the Notice Concerning Early Repayment of Existing Borrowings in Part dated today for details) to help stabilize its financial base by lowering the loan-to-value (LTV) ratio, and the remainder of the proceeds to the expansion of funds on hand and capital expenditures and the like for acquiring properties and enhancing value. Taking these steps, the Investment Corporation hopes to maintain and increase asset value through a more stable, stronger portfolio.

(Note) Ooedo-Onsen Monogatari Nagasaki Hotel Seifu will remain in operation as an Ooedo Onsen Monogatari facility following the Transfer.

The Investment Corporation will continue to work on increasing and stabilizing future distributions and enhancing unitholder value by taking positive steps from a medium- to long-term perspective and addressing financial risks at hand related to the Transfer.

3. Details of the asset to be transferred

(1) Details of the asset to be transferred (see the Securities Report dated August 24, 2021 for details.)

Name of the asset to be transferred		Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
Type of specified asset		Real estate
Location (registered address) (Note)		523 Otorimachi, Nagasaki City, Nagasaki Prefecture
L a n d	Form of ownership	Land
	A r e a	6,766.87m ²
	Z o n i n g	Urbanization Control Area and Category 2 residential district
	Building coverage ratio/floor-area ratio	60%/200
B u i l d i n g	Form of ownership	Building
	U s a g e	Hotel
	Structure and levels	Reinforced concrete, steel-framed reinforced concrete, flat roof, 12 floors
	Total floor area	11,114.69m ²
	Construction completion	June 30.1982
Appraisal value		2,570 million yen (point of appraisal: November 30, 2021)
Appraisal firm		Japan Real Estate Institute
Other matters to be specially mentioned		Not applicable

(Note) The address registration of this property has not been implemented. The same applies hereinafter.

4. Overview of the transferee

The transferee of the asset to be transfer (and the seller of the asset to be acquired) is a corporation in Japan, but it will not be disclosed due to unavoidable circumstances because consent for the disclosure of its name, etc. has not been obtained from the transferee.

As of today, there are no capital, personal and business relationships to be mentioned between the transferee and the Investment Corporation as well as the Asset Manager. In addition, the transferee does not qualify as a related party of the Investment Corporation or the Asset Manager.

5. Future outlook

See the Notice Concerning Revisions to Forecasts of Financial Results and Distributions for the Fiscal Period Ended November 2021 released today for the outlook on the status of management in the fiscal period ending May 31, 2022 (the 12th fiscal period: December 1, 2021 to May 31, 2022).

6. Overview of appraisal reports

Information stated in the overview of the real estate appraisal report table is based on the real estate appraisal report for the asset to be transferred and the asset to be acquired received from Japan Real Estate Institute.

(1) Asset to be transferred

Overview of real estate appraisal report		
Property name	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	
Appraisal value	2,570 million yen	
Appraisal firm	Japan Real Estate Institute	
Valuation date	November 30, 2021	
Item	Details	Overview, etc.
Income approach value	2,570,000,000 yen	The appraisal value indicated by the direct capitalization approach and the appraisal value indicated by the discounted cash flow (DCF) approach were determined by correlating the two values based on the assessment that they have a normativeness of roughly the same level.
Appraisal value indicated by the direct capitalization approach	2,600,000,000 yen	The appraisal value was determined by calculating revenues from operations by deducting loss on vacant rooms, etc. and loss on bad debts from total available revenues, deducting operating expenses from revenues from operations, adding gains on lump-sum payment management and capital expenditures to the revenues or subtracting them from the revenues, and capitalizing the result by the cap rate.
	(1) Revenues from operations	169,305,000 yen ①－②
	① Total available revenues	169,305,000 yen Total available revenues were determined by reckoning the primary rent (fixed rent) and the secondary rent based on the content of the lease contract, assessing gross operating profit (revised gross operating profit) from the target facility in a stable operation period in consideration of income from and expenditures on facility operations and the target facility's degree of competitiveness in the previous fiscal period, calculating the primary rent (variable rent) based on the gross operating profit, and considering the rent

		payment capacity. There is no income from fees for common services.
② Loss on vacant rooms, etc.	0 yen	Loss on vacant rooms, etc. was not posted, judging it is reasonable to consider the risk of vacancy or the like at the point of tenant evacuation through the cap rate based on the comprehensive assessment of factors, including the content of the lease contract, geographical, building and other individual conditions of the target real estate, and the attributes, creditworthiness and the like of tenants occupying the real estate.
(2) Operating expenses	13,914,000 yen	Sum of expenses a. to h. listed below
a. Maintenance and management expenses	0 yen	Maintenance and management expenses were not posted because tenants cover them under the lease contract.
b. Utility expenses	0 yen	Maintenance and management expenses were not posted because tenants cover them under the lease contract.
c. Repair expenses	0 yen	Maintenance and management expenses were not posted because tenants cover them under the lease contract.
d. Property management fees	2,000,000 yen	Property management fees were posted with the amount of compensation based on contract terms as a reference, taking into consideration factors, such as the amounts of compensation for similar real estate and the individuality of the target real estate.
e. Tenant solicitation expenses, etc.	0 yen	There were no expenses that should be posted as tenant recruitment solicitation expenses, etc.
f. Taxes and public charges	11,206,000 yen	Taxes and public charges were posted on the basis of materials related to them.
g. Nonlife insurance premiums	708,000 yen	Nonlife insurance premiums were posted by taking factors, such as premiums for the target real estate and premium rates for buildings similar to the target building, into consideration.
h. Other expenses	0 yen	No other expense existed.
(3) Net proceeds from operations	155,391,000 yen	(1)－(2)
(4) Gains on lump-sum payment management	750,000 yen	Gains on lump-sum payment management were determined by calculating the number of lease deposit-covered months that are stable on a medium- to long-term basis using lease conditions and the number of lease deposit-covered months at the point of new contract conclusion as a base, multiplying the number by the occupancy rate and multiplying the result by an investment return. The investment return assumed to be appropriate for fund management during the deposit period is determined as 1.0%, taking factors, such as interest levels for management and financing, into consideration.
(5) Capital expenditures	20,700,000 yen	Capital expenditures were determined by

			assuming the accumulation of anticipated average future expenditures in respective fiscal periods, and considering factors such as the levels of capital expenditures for similar real estate, the age of such real estate, and the average annual repair and renewal expenses stated in engineering reports.
	Net proceeds	135,441,000 yen	(3)+(4)-(5)
	Capitalization rate	5.2%	The capitalization rate was determined by adding spreads attributable to conditions, including those related to the competitiveness of the target facility, such as its usage, business feasibility conditions, geographical conditions and building conditions, to a yield that serves as a standard in each district, or subtracting the spreads from the yield, and taking into consideration factors such as uncertainties in the future and yields on transactions in connection with similar real estate.
	Appraisal value indicated by the DCF approach	2,530,000,000 yen	
	Discount rate	5.0%	The discount rate was determined using data such as the investment return on similar real estate for reference and comprehensively taking factors, such as the individuality of the target real estate, into consideration.
	Terminal capitalization rate	5.4%	The terminal capitalization rate was determined using data such as the investment return on similar real estate for reference, comprehensively taking factors, such as future investment return trends, risks inherent in the target real estate as an investment target, the general economic growth rate forecast, real estate prices and rent trends, into consideration.
	Estimated price	1,040,000,000 円	
	Land ratio	37.6%	
	Building ratio	62.4%	
	Other matters the appraisal firm considered in the appraisal process	No other matters were considered.	

7. Other

As a result of the Transfer, assets the Investment Corporation puts up as security will change as follows from the assets disclosed in the Notice Concerning the Conclusion of Agreement on Creation of Security Interest dated November 25, 2021.

Before the Transfer

Assets to be pledged as collateral

The following real properties and associated assets (rights to claim fire insurance money) are the assets in which security interests will be created.

(million yen)

Property No.	Property name	Form of Asset	Appraisal value (Note)
S-1	Ooedo-Onsen Monogatari Reoma Resort	Real estate	8,850
S-2	Ooedo-Onsen Monogatari Ise-shima	Real estate	3,830
S-3	Ito Hotel New Okabe	Real estate	2,810
S-4	Ooedo-Onsen Monogatari Atami	Real estate	3,190
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Real estate	2,020
S-6	Ooedo-Onsen Monogatari Awara	Real estate	1,980
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Real estate	1,260
S-8	Ooedo-Onsen Monogatari Ikaho	Real estate	1,370
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Real estate	859
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Real estate	2,570
S-11	Ooedo-Onsen Monogatari Kounkaku	Real estate	1,220
S-12	Kinugawa Kanko Hotel	Real estate	6,130
S-13	Ooedo-Onsen Monogatari Kinosaki	Real estate	2,650
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Real estate	1,470
Total			40,209

Note: The above values were current as of the end of the 10th period (May 31, 2021).

After the Transfer

Assets to be pledged as collateral

The following real properties and associated assets (rights to claim fire insurance money) are the assets in which security interests will be created.

(million yen)

Property No.	Property name	Form of Asset	Appraisal value (Note)
S-1	Ooedo-Onsen Monogatari Reoma Resort	Real estate	8,850
S-2	Ooedo-Onsen Monogatari Ise-shima	Real estate	3,830
S-3	Ito Hotel New Okabe	Real estate	2,810
S-4	Ooedo-Onsen Monogatari Atami	Real estate	3,190
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Real estate	2,020
S-6	Ooedo-Onsen Monogatari Awara	Real estate	1,980
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Real estate	1,260
S-8	Ooedo-Onsen Monogatari Ikaho	Real estate	1,370
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Real estate	859
S-11	Ooedo-Onsen Monogatari Kounkaku	Real estate	1,220
S-12	Kinugawa Kanko Hotel	Real estate	6,130
S-13	Ooedo-Onsen Monogatari Kinosaki	Real estate	2,650
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Real estate	1,470
Total			37,639

Note: The above values were current as of the end of the 10th period (May 31, 2021).

[Attachment] Portfolio list after this transaction

Property No.	Property name	Acquisition Price (million en) (Note 1)	Investment ratio (%) (Note 2)	Acquisition date
S-1	Ooedo-Onsen Monogatari Reoma Resort	9,756	28.3	September 1,2016 October 23,2020
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	10.6	September 1,2016
S-3	Ito Hotel New Okabe	2,657	7.7	September 1,2016
S-4	Ooedo-Onsen Monogatari Atami	2,997	8.7	September 1,2016
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	5.5	September 1,2016
S-6	Ooedo-Onsen Monogatari Awara	1,901	5.5	September 1,2016
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	3.5	September 1,2016
S-8	Ooedo-Onsen Monogatari Ikaho	1,299	3.8	September 1,2016
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	2.4	September 1,2016
S-11	Ooedo-Onsen Monogatari Kounkaku	1,040	3.0	December 4, 2017
S-12	Kinugawa Kanko Hotel	3,870	11.2	December 4, 2017
S-13	Ooedo-Onsen Monogatari Kinosaki	2,084	6.1	December 4, 2017
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	1,230	3.6	December 4, 2017
合計		34,445	100	—

(Note 1) "Acquisition price" is the purchase price of real estate in the sale and purchase agreement regarding each property, not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees, and rounded down to the nearest million yen. Accordingly, the total of the acquisition prices stated for each property may differ from the figure stated in the total row.

(Note 2) (Note 2) "Investment ratio" is the ratio of each property's acquisition price out of the total acquisition price, rounded to one decimal place. Accordingly, the total of the share of portfolio figures stated for each property may differ from the figure stated in the total row.

* Ooedo Onsen Reit Investment Corporation website: <https://oom-reit.com/en/>