

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: Takeshi Kirihara,
Chief Executive Officer

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Notice Concerning Partial Changes to Management Guidelines of Ooedo Onsen Reit Investment Corporation and Management Practical Guidelines of Ooedo Onsen Asset Management

Ooedo Onsen Reit Investment Corporation (the “Investment Corporation”) hereby announces that it decided on February 24, 2023 to revise part of its Management Guidelines, subject to the approval and adoption of the proposal for partial change as drafted of its Articles of Incorporation (the “Proposal”) at the Investment Corporation’s General Unitholders’ Meeting (the “General Unitholders’ Meeting”) scheduled to be held on February 27, 2023.

In addition, Ooedo Onsen Asset Management Co., Ltd. (the “Asset Manager”), the asset management company with which the Investment Corporation entrusts asset management, decided on February 24, 2023 to change part of its Management Practical Guidelines for the management of the assets of the Investment Corporation, subject to the approval and adoption of the Proposal as drafted at the General Unitholders’ Meeting.

For details of the Proposal, please refer to “Notice Concerning Partial Changes to Articles of Incorporation and Appointment of Directors” announced on January 20, 2023.

1. Summary of the changes

(1) Details of partial changes to Management Guidelines of the Investment Corporation

As accommodation facilities will be included in investment targets of the Investment Corporation upon approval and adoption of the Proposal, the Investment Corporation’s Management Guidelines will be partially changed mainly for the purpose of positioning accommodation facilities as targets for intensive investment along with Onsen and Spa-related Facilities (the core portfolio) and establishing criteria for investment in accommodation facilities as shown in Attachment 1, subject to approval and adoption of the Proposal as drafted.

(2) Details of partial changes to Management Practical Guidelines of the Asset Manager

As accommodation facilities will be included in the investment targets of the Investment Corporation upon the approval and adoption of the Proposal, the Asset Manager’s Management Practical Guidelines will, subject to the approval and adoption of the Proposal as drafted, be partially changed mainly for the purpose of positioning accommodation facilities as part of the core portfolio, reviewing the investment ratio in the core portfolio as shown in Attachment 2, and establishing criteria for investment in accommodation facilities and survey items in due diligence.

2. Date of the changes on each change above

February 27, 2023 (Planned)

3. Outlook for operating status

There are no changes in the operating status on each change above.

4. Others

The Investment Corporation plans to submit an extraordinary report related to each change above to the Director of the Kanto Local Finance Bureau on February 27, 2023.

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

[Attachment 1]

Decisions for investment in accommodation facilities shall be made based on a comprehensive evaluation of the following criteria, ensuring that the intended investment is in line with the portfolio structuring policy and focusing on future growth potential, cost of capital and investment return.

- (1) Investment areas for rental housing, among accommodation facilities, shall be the three major metropolitan areas, namely the Kanto, Kansai and Chukyo regions, and government ordinance-designated cities, etc. Investment targets shall be properties for a wide range of tenants, from singles to families, according to geographic characteristics, social trends, changes in demand for rental housing, etc.
- (2) Among accommodation facilities, investment in student apartments, company dormitories, serviced apartments, share houses, and facilities and residences for the elderly, etc. shall be based on a comprehensive judgment, focusing on the following items.
 - a. Investment areas shall be the same as those for rental housing, while investment targets shall be properties that are judged to create stable income over the medium to long term, considering the characteristics of the properties (site location, convenience, surrounding features, etc.) and tenants' reliability, management capabilities, past record, etc.
 - b. If selection of an operator is planned, it shall be confirmed that the operator who is the tenant has obtained the approval, license, etc. needed to conduct the operator's business. In addition to the above, the following points shall be considered for facilities, residences, etc. for elderly and other healthcare facilities.
 - c. In the case of facilities, residences, etc. for elderly and other healthcare facilities, due diligence in terms of an evaluation of the market / business feasibility, compliance status, etc. shall be carried out, and monitoring of the management status shall also be conducted. In doing so, external experts shall be used as necessary.
 - d. The operator who is the tenant shall be recognized as having reasonable rent payment capability based on the management status of relevant properties, status of tenants, etc.

< Investment Ratio of Core Portfolio >

Before Change:

The Investment Corporation's fundamental strategy is to focus its investment on Onsen and Spa-related Facilities (the core portfolio) in order to secure stable revenue and steadily grow the managed assets over the medium to long term. The target ratio of investment in the core portfolio to the remainder of the portfolio (calculated on the basis of acquisition price) shall be 80% or greater.

After Change:

The Investment Corporation's fundamental strategy is to focus its investment on Onsen and Spa-related Facilities and accommodation facilities (the core portfolio) in order to secure stable revenue and steadily grow the managed assets over the medium to long term. The target investment ratios to the remainder of the portfolio shall be 40-60% for Onsen and Spa-related Facilities and 40-60% for accommodation facilities (calculated on the basis of acquisition price); provided, however, that during the time when incorporation of accommodation facilities in the core portfolio is in progress or in a case where there is any other unavoidable reason, ratios outside the above target ratios shall also be allowed.

< Criteria for Investment in and Characteristics of accommodation Facilities >

Before Change:

(new)

After Change:

Decisions for investment in accommodation facilities shall be made based on a comprehensive evaluation of the following criteria, ensuring that the intended investment is in line with the portfolio structuring policy and focusing on future growth potential, cost of capital and investment return.

- (1) Investment areas for rental housing, among accommodation facilities, shall be the three major metropolitan areas, namely the Kanto, Kansai and Chukyo regions, and government ordinance-designated cities, etc. Investment targets shall be properties for a wide range of tenants, from singles to families, according to geographic characteristics, social trends, changes in demand for rental housing, etc.
- (2) Among accommodation facilities, investment in student apartments, company dormitories, serviced apartments, share houses, and facilities and residences for the elderly, etc. shall be based on a comprehensive judgment, focusing on the following items.
 - a. Investment areas shall be the same as those for rental housing, while investment targets shall be properties that are judged to create stable income over the medium to long term, considering the characteristics of the properties (site location, convenience, surrounding features, etc.) and tenants' reliability, management capabilities, past record, etc.
 - b. If selection of an operator is planned, it shall be confirmed that the operator who is the tenant has obtained the approval, license, etc. needed to conduct the operator's business. In addition to the above, the following points shall be considered for facilities, residences, etc. for elderly and other healthcare facilities.
 - c. In the case of facilities, residences, etc. for elderly and other healthcare facilities, due diligence in terms of an evaluation of the market / business feasibility, compliance status, etc. shall be carried out, and monitoring of the management status shall also be conducted. In doing so, external experts shall be used as necessary.
 - d. The operator who is the tenant shall be recognized as having reasonable rent payment capability based on the management status of relevant properties, status of tenants, etc.

< Matters for Investigation on Due Diligence >

Before Change:

Investigation	Item	Details
Business investigation	Facilities and equipment	<ul style="list-style-type: none"> · Guest rooms Number/type/area, <u>etc.</u> · Restaurants, large public baths (Note 1), other facilities and functions Number, structure, etc.
	Market	<ul style="list-style-type: none"> · Local economy and market in general · Location Surrounding environment/location and access/surrounding facilities/traffic infrastructure/onsen water volume, etc.,
	Operating results	<ul style="list-style-type: none"> · Investigation of key operating indicators · Investigation of ability to bear rent based on operating results Guest room occupancy rate, ADR (Note 2), RevPAR (Note 3), etc.
	Tenants	<ul style="list-style-type: none"> · Investigation of tenants Creditworthiness/operating performance/actual results, etc. of each tenant
Physical investigation	Legal compliance of buildings	<ul style="list-style-type: none"> · Conformation to the compliance conditions of building-related laws and regulations including the Building Standards Act (Act No. 201 of 1950; as amended) (“Building Standards Act”) and the City Planning Act (Act No. 100 of 1968; as amended) · Existence and degree of existing nonconformance · Existence of building restrictions due to building-related laws, regulations, ordinances, arrangements, and the like
	Condition of buildings	<ul style="list-style-type: none"> · Existence of devices and waste that contain harmful pollutants such as asbestos or polychlorinated biphenyls (PCB) · Compliance with reporting requirements of building management-related laws and regulations such as the Building Standards Act, the Fire Service Act, and the Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970; as amended) · Building management status
	Repairs and capital expenditure required by buildings	<ul style="list-style-type: none"> · Existence of parts that need urgent repair · Long term repair plan · Past repairs condition
	Seismic risk and earthquake-proofing investigation, soil and environmental pollution investigation	<ul style="list-style-type: none"> · Calculation of PML · Soil testing
Legal inquiries	Boundary investigation	<ul style="list-style-type: none"> · Existence of boundary confirmation (Existence of lawsuits or disputes regarding the boundary) · Existence of objects penetrating the boundary · Existence of unregistered buildings
	Rights confirmation	<ul style="list-style-type: none"> · Confirmation of rights regarding the land and buildings (full ownership, surface rights, land lease rights, common ownership, partial ownership, unit ownership, etc.)

Investigation	Item	Details
		<ul style="list-style-type: none"> Content of agreements, etc. that accompany rights (including hot-spring rights or water rights)
	Tenant affiliations	<ul style="list-style-type: none"> Investigation of tenant-related agreements (lease agreements, sublease agreements, loan for use agreements, etc.) Investigation of management service-related agreements (if any) Investigation of anti-social forces (Note 4)

After Change:

Investigation	Item	Details
Business investigation	Facilities and equipment	<p><u>[Onsen and Spa-related Facilities]</u></p> <ul style="list-style-type: none"> Guest rooms Number/type/area Restaurants, large public baths (Note 1), <u>common areas, and other facilities and functions</u> <u>Breakdown by type, number, structure, etc. of facilities</u> <p><u>[accommodation facilities]</u></p> <ul style="list-style-type: none"> <u>Design, major structure, property age, design / construction company, etc.</u> <u>Room arrangement, ceiling height, air conditioning equipment, security system, broadcasting receiver facilities, status of Internet connection, water supply and drainage equipment, elevator equipment, parking space, cycle parking space, entrance and other common facilities</u>
	Market	<p><u>[Onsen and Spa-related Facilities]</u></p> <ul style="list-style-type: none"> Local economy and market in general Location Surrounding environment/location and access/surrounding facilities/traffic infrastructure/onsen water volume, etc., <p><u>[accommodation facilities]</u></p> <ul style="list-style-type: none"> <u>Market rent, occupancy rate</u> <u>Trends in demand for competing properties / tenants</u> <u>Trends in development plans for peripheral areas</u> <u>Trade area analysis: Trade area population, number of households</u>
	Operating results	<p><u>[Onsen and Spa-related Facilities]</u></p> <ul style="list-style-type: none"> Investigation of key operating indicators Investigation of ability to bear rent based on <u>tenants' operating results</u> Guest room occupancy rate, ADR (Note 2), RevPAR (Note 3), etc. <p><u>[accommodation facilities]</u></p> <ul style="list-style-type: none"> <u>Research on competitiveness in terms of tenant solicitation, possibility of disposal of property, etc.</u> <u>Level and structure of lease agreements and potential for contract renewal</u> <u>Level of cost, structure of agreement regarding cost, and potential for contract renewal</u> <u>Research on appropriate rent and cost levels, possibility of future cost burden</u>

Investigation	Item	Details
		<ul style="list-style-type: none"> · <u>Actual status of repair reserve fund based on a comparison between the repair history and plan</u> · <u>Research on rent payment capability based on the tenants' operating results</u>
	Tenants	<p>[Onsen and Spa-related Facilities]</p> <ul style="list-style-type: none"> · Investigation of tenants Creditworthiness/operating performance/actual results, etc. of each tenant <p>[accommodation facilities]</p> <ul style="list-style-type: none"> · <u>Tenants' credit information</u> · <u>Status of rent payment by tenant</u> · <u>Type of business of the tenant, number of tenants, purpose of lease, content of agreement, use, etc.</u> · <u>Present and previous occupancy rates, average tenancy period, changes in rents and future prospect</u>
Physical investigation	Legal compliance of buildings	<p>[Onsen and Spa-related Facilities] / [accommodation facilities]</p> <ul style="list-style-type: none"> · Conformation to the compliance conditions of building-related laws and regulations including the Building Standards Act (Act No. 201 of 1950; as amended) ("Building Standards Act") and the City Planning Act (Act No. 100 of 1968; as amended) · Existence and degree of existing nonconformance · Existence of building restrictions due to building-related laws, regulations, ordinances, arrangements, and the like
	Condition of buildings	<p>[Onsen and Spa-related Facilities]</p> <ul style="list-style-type: none"> · Existence of devices and waste that contain harmful pollutants such as asbestos or polychlorinated biphenyls (PCB) · Compliance with reporting requirements of building management-related laws and regulations such as the Building Standards Act, the Fire Service Act, and the Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970; as amended) · Building management status <p>[accommodation facilities]</p> <ul style="list-style-type: none"> · <u>Presence or absence of equipment or waste that contains asbestos, polychlorinated biphenyl (PCB), or other hazardous contaminants</u> · <u>Status of reporting on various periodic surveys according to the Building Standards Act, the Fire Service Act, the Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970, as subsequently amended), and other laws and regulations concerning building management</u> · <u>Whether the status of building management is good or bad, presence or absence / content of management rules, interviews with management company</u> · <u>Guarantee by construction agency and content of after-sales service</u> · <u>Presence or absence of agreements with neighborhood residents</u>
	Repairs and capital expenditure required by buildings	<p>[Onsen and Spa-related Facilities] / [accommodation facilities]</p> <ul style="list-style-type: none"> · Existence of parts that need urgent repair · Long term repair plan · Past repairs condition

Investigation	Item	Details
	Seismic risk and earthquake-proofing investigation, soil and environmental pollution investigation	<u>[Onsen and Spa-related Facilities] / [accommodation facilities]</u> <ul style="list-style-type: none"> · Calculation of PML for individual property · Calculation of PML for portfolio as a whole · Soil testing
Legal inquiries	Boundary investigation	<u>[Onsen and Spa-related Facilities] / [accommodation facilities]</u> <ul style="list-style-type: none"> · Existence of boundary confirmation (Existence of lawsuits or disputes regarding the boundary) · Existence of objects penetrating the boundary · Existence of unregistered buildings
	Rights confirmation	<u>[Onsen and Spa-related Facilities] / [accommodation facilities]</u> <ul style="list-style-type: none"> · Confirmation of rights regarding the land and buildings (full ownership, surface rights, land lease rights, common ownership, partial ownership, unit ownership, etc.) · Content of agreements, etc. that accompany rights (including hot-spring rights or water rights)
	Tenant affiliations	<u>[Onsen and Spa-related Facilities] / [accommodation facilities]</u> <ul style="list-style-type: none"> · Investigation of tenant-related agreements (lease agreements, sublease agreements, loan for use agreements, etc.) · Investigation of management service-related agreements (if any) · Investigation of anti-social forces (Note 4)