

January 22, 2019

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 OfficerInquiries: Shinya Ito,
Chief Planning &
Coordination Officer
(TEL:03-6262-5200)Notice Concerning Transactions with Interested Parties, Etc.(Revision of Rents, etc. regarding Ooedo-Onsen Monogatari Reoma Resort,
Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Kinugawa Kanko Hotel
and Ooedo-Onsen Monogatari Kinosaki)

Ooedo Onsen Reit Investment Corporation (the “Investment Corporation”) announces that it has decided today to make revisions in an existing business transaction with Interested Parties, Etc. stipulated under the Act on Investment Trusts and Investment Corporations (the “Investment Act”).

1. Overview of Business Transaction with Interested Parties, Etc.

The Investment Corporation plans to conclude, as of January 31, 2019, an agreement (individually and collectively the “Revision Agreement”) to revise each fixed-term building lease agreement with conditions precedent and building management service agreement (individually and collectively the “Original Agreement,” including subsequent modifications) concerning Ooedo-Onsen Monogatari Reoma Resort, Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Kinugawa Kanko Hotel and Ooedo-Onsen Monogatari Kinosaki (the “Four Properties”), among the assets held by the Investment Corporation, that it has entered into with either Ooedo Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd. (individually and collectively the “Lessee”).

2. Overview and Background of the Revisions

(1) Reason for revisions

The Investment Corporation today decided to implement with the Lessee, effective June 1, 2019, (i) the revision (the “Revision”) of the fixed rent (Note 1) prescribed in the Original Agreement with respect to the Four Properties and (ii) partial change (the “Change”) in the methodology for calculating the variable rent (Note 2) prescribed in the Original Agreement with respect to two of the Four Properties, namely Ooedo-Onsen Monogatari Reoma Resort and Kinugawa Kanko Hotel.

Prior to the Revision, discussions were held with the Lessee on the appropriateness of the fixed rent level determined at the time of acquisition of each property based on results of the management thereof by the Lessee.

With respect to Ooedo-Onsen Monogatari Reoma Resort, the Lessee requested to decrease the fixed rent due to the heavy cost burden for updating the rides and various other equipment owned by the Lessee in the amusement park and theme park in the premises, and a high need for investments with the aim of increasing the property value. As a result of this discussion, it was agreed that the Lessee’s rent burden will be reduced by decreasing the fixed rent from June 1, 2019 when the period of applying fixed rent for the variable rent portion (from June 1, 2017 until May 31, 2019) that is currently being implemented will be terminated. The Investment Corporation believes that this revision will enable the stabilization of future rent revenues from Ooedo-Onsen Monogatari Reoma Resort and will help the Lessee take steps to increase the property value with an eye on strengthening the competitiveness of the facilities.

Despite the reduction of the fixed rent described above, fixed rents for the other three properties, namely

Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, Kinugawa Kanko Hotel and Ooedo-Onsen Monogatari Kinosaki, are scheduled to be revised upward, given that their rent burden ratios in relation to GOP (Note 3) are comparatively low in light of current total rents and that the Lessee is recognized to have excess capacity for paying rents. As a result, the total amount of fixed rents for the entire portfolio will be maintained at the present level even after the decrease in the fixed rent for Ooedo-Onsen Monogatari Reoma Resort. With respect to these three properties, the Investment Corporation believes that their rent burden ratios will remain in an appropriate range after an increase in their fixed rents because their rent burden ratios in relation to GOP are lower compared to the average ratio of the portfolio.

In addition, it has been determined that the variable rent will occur when the amount obtained by multiplying modified GOP (Note 4) for the immediately preceding one-year period by a constant coefficient exceeds the annual amount of fixed rents. With the Change, the constant coefficient for Ooedo-Onsen Monogatari Reoma Resort and Kinugawa Kanko Hotel will be adjusted in tandem with the Revision.

The Investment Corporation believes that the Revision and the Change will have the effect of improving the stability of future cashflow through efforts to maintain the total fixed rents that it receives, to stabilize rent revenues of Ooedo-Onsen Monogatari Reoma Resort, to promote diversification by reducing the ratio of Ooedo-Onsen Monogatari Reoma Resort, which is the largest property in the portfolio, to total rent revenue, and to level the rent burden ratio of each individual facility owned by the Investment Corporation.

The Investment Corporation will continuously work to enhance unitholder value over the long term, in addition to stabilization of its distributions, by taking measures to strengthen competitiveness aggressively based on a medium- to long-term perspective.

(Note 1) "Fixed rent" refers to the monthly amount provided for in each facility's lease agreement. The same applies hereinafter.

(Note 2) "Variable rent" refers to the amount obtained by multiplying each facility's modified GOP for the most recent 1-year period (for the 6 months starting from December of each year, this means the 1-year period from March of that year to February of the following year; for the 6 months starting from June of each year, this means the 1-year period from September of the previous year to August of that year) (these 1-year periods are referred to as "modified GOP Calculation Periods") regarding each facility by the specific rate provided for in each lease agreement (yearly; the monthly amount is 1/12th thereof). The same applies hereinafter. For Ooedo-Onsen Monogatari Reoma Resort, it will be 31 million yen until May 2019 and the amount obtained by the above calculation method for June 2019 onward.

(Note 3) "GOP" refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility's sales.

(Note 4) Modified GOP" is the amount remaining after deducting real estate-related expenses for each facility to be paid by the tenant (including, but not limited to, taxes and public charges, non-life insurance premiums and land and house rent, but excluding the total sum of taxes and public charges, non-life insurance premiums and other expenses which the Investment Corporation should incur for each facility based on each lease contract and the Investment Corporation's assets existing in each facility) from the GOP of each facility for the modified GOP calculation period.

(2) Overview of the Revision of Rents

a. Overview of the Revision

Property Number	Property name	Before revision of fixed monthly rents	After revision of fixed monthly rents	Difference
S-1	Ooedo-Onsen Monogatari Reoma Resort	62,456,896 yen	52,456,896 yen	(10,000,000 yen)
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	9,788,199 yen	12,496,532 yen	+2,708,333 yen
S-12	Kinugawa Kanko Hotel	22,478,074 yen	29,069,741 yen	+6,591,667 yen
S-13	Ooedo-Onsen Monogatari Kinosaki	12,447,999 yen	13,147,999 yen	+700,000 yen
Total		107,171,168 yen	107,171,168 yen	0 yen

b. Overview of the Change

Property Number	Property name	Before modifications of application coefficients for variable rents	After modifications of application coefficients for variable rents
S-1	Ooedo-Onsen Monogatari Reoma Resort	64.0%	58.7%
S-12	Kinugawa Kanko Hotel	47.5%	56.0%

(2) Effective Date

June 1, 2019

(3) Execution date of agreement

January 31, 2019

3. Overview of Interested Parties, Etc.

(1) S-1 Ooedo-Onsen Monogatari Reoma Resort

Trade name	Reoma Unity Co., Ltd.
Head office address	40-1 Kurikumanishi, Ayauta-cho, Marugame-shi, Kagawa Prefecture
Representative	Isamu Fujioka, CEO
Date of incorporation	October 1, 2003
Capital	50 million yen (as of the last day of February 2018)
Business details	Management of amusement parks, hotels, inns and other tourist facility, etc.
Major shareholder; shareholding ratio	Ooedo-Onsen Monogatari Co., Ltd.: 100% (as of the last day of February 2018)
Relationships between the investment corporation or the asset manager and the company (as of January 22, 2019)	
Capital relationship	As of today, the company is a subsidiary (shareholding ratio 100%) of the parent company of the asset manager, and it constitutes an Interested Party, Etc., stipulated in the Investment Act.
Personnel relationship	There is no personnel relationship to report between the Investment Corporation or the Asset Manager and the company as of today.
Transactional relationship	There is no transaction relationship to report between the Investment Corporation or the Asset Manager and the company as of today.
Related-party status	The concerned company is one of the asset manager's group companies and constitutes a related party. Further, as stated above, the concerned company constitutes an Interested Party, Etc., stipulated in the Investment Act. In addition, the concerned company constitutes an Interested Party, Etc., under the Rules on Transactions with Interested Parties, Etc., which are internal rules of the asset manager, so, in executing the asset acquisition transactions, the asset manager has performed the decision making procedures stipulated in the Rules on Transactions with Interested Parties, Etc.

(2) S-10 Ooedo-Onsen Monogatari Nagasaki Hotel Seifu, S-12 Kinugawa Kanko Hotel and S-13 Ooedo-Onsen Monogatari Kinasaki

Trade name	Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd.
Head office address	1-9-4, Nihonbashi-honmachi, Chuo-ku, Tokyo
Representative	Mitsumasa Morita, Representative Director
Date of incorporation	December 5, 2017 (founded in November 2001)
Capital	100 million yen (as of September 1, 2018)
Business details	Management of inns and hotels, etc.
Major shareholder; shareholding ratio	K.K.BCJ-29: 100% (as of the last day of February 2018)
Relationships between the investment corporation or the asset manager and the company (as of January 22, 2019)	
Capital relationship	There is no capital relationship to report between the Investment Corporation or the Asset Manager and the company as of today. In addition, the concerned company is the parent company of the asset manager as of today, and it constitutes an Interested Party, Etc., stipulated in the Investment Act.

Personnel relationship	There is no personnel relationship to report between the Investment Corporation or the Asset Manager and the company as of today.
Transactional relationship	There is no transaction relationship to report between the Investment Corporation or the Asset Manager and the company as of today.
Related-party status	The concerned company is one of the asset manager's group companies and constitutes a related party. Further, as stated above, the concerned company constitutes an Interested Party, Etc., stipulated in the Investment Act. In addition, the concerned company constitutes an Interested Party, Etc., under the Rules on Transactions with Interested Parties, Etc., which are internal rules of the asset manager, so, in executing the asset acquisition transactions, the asset manager has performed the decision making procedures stipulated in the Rules on Transactions with Interested Parties, Etc.

4. Procedures Concerning Transactions

The lessee constitutes an Interested Party, Etc., stipulated in the Investment Act and an Interested Party, Etc., stipulated in the Rules on Transactions with Interested Parties, Etc., which are the self-imposed rules of the asset manager, so matters are conducted through the deliberations and resolutions required under the Investment Act, the Rules on Transactions with Interested Parties, Etc., and other internal rules.

5. Future Outlook

The Investment Corporation believes that the impact of the revisions of rents, etc. on its management status is minimal as there is no change in the aggregate amount of fixed rents in its portfolio. Regarding the management status forecasts for the future, please refer to the "Summary of REIT Financial Report for the 5th Fiscal Period" announced elsewhere as of today.

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