

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:
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Notice Concerning Conclusion of Basic Agreement on New Rent System

Ooedo Onsen Reit Investment Corporation (the "Investment Corporation") announces that Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. and Reoma Unity Co., Ltd. (the "Ooedo-Onsen Monogatari Group"), which are owned by the Investment Corporation and its major tenants, have signed a basic agreement (the "Basic Agreement") on the new rent system, which stipulates the revisions described below to the fixed-term building lease contracts for the 11 properties listed in "2. Outline of the revisions" below.

In addition, each lessee who concludes the agreement constitutes an Interested Party, etc., under Article 201 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the "Investment Trust Act"), and thus regarding the transactions related to the agreement has obtained the consent of the Investment Corporation based on the approval of its board of directors meeting, in accordance with the Investment Trust Act and the rules on Transactions with Interested Parties, etc. which are the internal rules of the Asset Manager.

1. Reason for conclusion of basic agreement

Since February 2020 when the COVID-19 pandemic started, restrictions on domestic and international economic activities and constraints on movement mainly based on the state of emergency declared by the government several times have caused serious damage to the accommodation facilities operated by the Ooedo-Onsen Monogatari Group, a tenant of the Investment Corporation. In 2020 and 2021, in particular, the Group was forced to temporarily close the facilities due to a series of state of emergency declarations. In October 2021, the state of emergency was lifted in major urban areas. However, business conditions remain difficult with the spread of Omicron and other coronavirus variants.

The Investment Corporation has been emphasizing the stability of cash flows against the backdrop of stable and high occupancy backed by the Ooedo business model, by maintaining a relatively high percentage of fixed rents in the rent structure before the spread of COVID-19 prior to February 2020.

However, in the midst of the COVID-19 pandemic, even the Ooedo business model experienced a decline in occupancy during states of emergency, and it was unable to escape the characteristics of the lodging facility business that is susceptible to temporary changes in user preferences and mindsets, and the conventional high fixed rent burden had a significant impact on the cash management operations, etc. of the tenant, the Ooedo-Onsen Monogatari Group. (For the Investment Corporation's measures against this, see the "Notice Concerning Revisions to Fixed-term Building Lease Contracts" released November 15, 2022.)

Given these factors, the Investment Corporation has determined that lowering the level of fixed rents (as a percentage of total rents) from the current level will contribute to the continuation of tenant operations and

stabilization of leases over the medium to long term.

Meanwhile, with an eye on the recovery of the tenants' business performance and further growth in the future, the new rent system will further increase the upside potential of rent income increases by introducing variable rent (Variable Rent I), which has a higher weighting in the new rent system than in the current rent system. Moreover, by additionally introducing Variable Rent II, which allows the Investment Corporation as the lessor to enjoy a portion of the increase in profit (modified GOP) (specifically, one-fourth is stipulated in the Basic Agreement) if the tenants' business performance exceeds a certain level beyond what is assumed in the business plan, we planned to strengthen the upside when the COVID-19 pandemic ends and demand for lodging and onsen expands again.

Based on the above thinking, the Investment Corporation has held discussions with the tenants and agreed to shift to the new rent system if certain conditions are met in the future (specifically, the Basic Agreement stipulates cases in which the target figure [the targeted modified GOP, hereinafter the "Target GOP"] to be determined for each facility based on the assumed modified GOP in the tenant's business plan is achieved), as described in "2. Outline of the Basic Agreement" below. In the future, the Investment Corporation and its tenants, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd., plan to revise the rent by concluding an agreement to modify the fixed-term building lease contract (the contract period is scheduled to be 20 years from the execution of the modification agreement) based on the Basic Agreement and shift to the new rent system.

Even after the conclusion of the above modification agreement to the fixed-term building lease contract, the actual shift to the new rent system will take place only after the abating of the COVID-19 pandemic, the implementation of the business plan in the Ooedo-Onsen Monogatari Group and confirmation that the Target GOP will be achieved in the future.

2. Overview of basic agreement

(1) Lessee: Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd and Reoma Unity Co., Ltd.

(2) Lessor: Ooedo Onsen Reit Investment Corporation

(3) Date of contract: November 15, 2022

(4) Conditions for shift to the new rent system

When the Target GOP is achieved in the modified GOP calculation period for the calculation of variable rents under the current contract for each facility (12 months from March of the previous year to February of the current year for the fiscal period ending May 31, and from September of the previous year to August of the current year for the fiscal period ending November 30), the shift to the new rent system agreed upon will be made from the Investment Corporation's next calculation period, while the current rent system will continue until then.

(5) Facility renovation plan by the lessee and rent during the renovation work period

Of the tenants, Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd. plans as of today to conduct renovation work at "Ooedo-Onsen Monogatari Ise-shima" and "Kinugawa Kanko Hotel" within the next few years to increase the value of the facilities among those leased from the Investment Corporation, and the Target GOP of these two properties is assumed to be that after such renovation work is conducted.

In the event that renovation work for such value enhancement is implemented in the future and if a period of total facility closure occurs, the fixed rent for such period of total facility closure shall be the amount equivalent to the fixed rent set as the new rent (the amount equivalent to 60% of fixed rent based on the current contract) even during the period when the current rent continues, as long as the conditions required by the Investment Corporation (consent by the lenders, etc.) are met.

(6) Overview of fixed-term building lease agreement after shift to the new rent system

| Property number | Property name | | When contract related to shift to new rent system becomes effective | Contract period | Monthly fixed rent | | GOP ratio of variable rent | |
|-----------------|--|---------------------|---|-----------------|--------------------|----------------|----------------------------|----------------------------------|
| | | | | | Before shift | After shift | Before shift | After shift |
| S-1 | Ooedo-Onsen Monogatari Reoma Resort | Hotel Reoma no Mori | June 2023 | 20 years | 52,456,896 yen | 31,441,765 yen | 5.0% | 16.2% Excess GOP ratio: 25.0% |
| | | New Reoma World | | | | 9,144,925 yen | | 14.4% Excess GOP ratio: 25.0% |
| S-2 | Ooedo-Onsen Monogatari Ise-shima | | December 2022 | 20 years | 18,009,399 yen | 11,792,721 yen | 4.0% | 19.1% Excess GOP ratio: 25.0% |
| S-3 | Ito Hotel New Okabe | | June 2023 | 20 years | 12,296,799 yen | 9,743,608 yen | 5.0% | 12.9% Excess GOP ratio: 25.0% |
| S-4 | Ooedo-Onsen Monogatari Atami | | June 2023 | 20 years | 15,619,380 yen | 11,856,581 yen | 4.0% | 15.4% Excess GOP ratio: 25.0% |
| S-5 | Ooedo-Onsen Monogatari Toi Marine Hotel | | June 2023 | 20 years | 9,098,235 yen | 7,224,875 yen | 7.0% | 17.7% Excess GOP ratio: 25.0% |
| S-6 | Ooedo-Onsen Monogatari Awara | | June 2023 | 20 years | 10,963,033 yen | 8,177,993 yen | 3.0% | 14.6% Excess GOP ratio: 25.0% |
| S-8 | Ooedo-Onsen Monogatari Ikaho | | June 2023 | 20 years | 6,126,558 yen | 4,810,885 yen | 7.0% | 19.3% Excess GOP ratio: 25.0% |
| S-9 | Ooedo-Onsen Monogatari Kimitsu-no-mori | | June 2023 | 20 years | 4,098,412 yen | 3,185,321 yen | 5.0% | 15.1% Excess GOP ratio: 25.0% |
| S-11 | Ooedo-Onsen Monogatari Kounkaku | | June 2023 | 20 years | 7,017,209 yen | 5,590,201 yen | 4.5% | 11.1% Excess GOP ratio: 25.0% |
| S-12 | Kinugawa Kanko Hotel | | December 2022 | 20 years | 29,069,741 yen | 18,599,114 yen | 2.4% | 15.4% Excess GOP ratio: 25.0% |
| S-14 | Ooedo-Onsen Monogatari Higashiyama Grand Hotel | | June 2023 | 20 years | 8,631,767 yen | 6,806,461 yen | 4.5% | 12.0% Excess GOP ratio: 25.0% |

(Note 1) Variable Rent I and Variable Rent II will not arise if the modified GOP is zero or less.

(Note 2) For "Ooedo-Onsen Monogatari Ise-shima" and "Kinugawa Kanko Hotel," if the modified GOP exceeds the Target GOP, Variable Rent II will be calculated by multiplying the excess by the rate. For other properties, if the modified GOP exceeds 110% of the Target GOP, Variable Rent II will be calculated by multiplying the excess by the rate.

(Note 3) The lessee, leased area, second rent, lease and security deposits, etc. for each property are the same before and after the shift.

(7) How to set the total rent when introducing the new rent system

- ① The total rent (fixed rent + variable rent) for each property when shifting to the new rent system shall be the same amount as the total rent calculated based on the current rent system based on the Target GOP.
- ② The weighting of the new rent in the total rent when the Target GOP is reached shall be as follows.

| | Fixed rent | Variable rent |
|---|------------|---------------|
| Ooedo-Onsen Monogatari Ise-shim, Kinugawa Kanko Hotel | 60% | 40% |
| Nine properties other than the above | 70% | 30% |

3. Future outlook

There is no impact on the forecasts of financial results and Distributions for the fiscal period ending November 30, 2022, and the fiscal period ending May 31, 2023 related to the conclusion of the basic agreement.

4. Interested-party transaction

The Oedo-Onsen Monogatari Group, the lessee in this memorandum of understanding, falls under the interested persons, etc. as defined in Article 201 of the Act on Investment Trusts and Investment Corporations and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations. Therefore, in concluding this memorandum of understanding with the Oedo-Onsen Monogatari Group in accordance with the Regulations on Trade with Interested Persons, Etc., which are internal regulations of the Asset Manager, the Asset Manager carefully verified whether the assumed rent when the new rent system is introduced could be considered appropriate in light of the GOP and its ratio to sales of the tenant, Oedo-Onsen Monogatari Group, and other circumstances, by obtaining five-year business plan which were prepared by the Oedo-Onsen Monogatari Group.

Based on the verification results above, appropriate procedures stipulated in the Act on Investment Trusts and Investment Corporations, the Regulations on Trade with Interested Persons, Etc., and other internal regulations were taken when concluding this memorandum of understanding, including approval by the Compliance Committee attended by outside experts and by the Investment Corporation's Board of Directors.

* The Investment Corporation's website: <https://oom-reit.com/en/>