



大江戸温泉リート投資法人

Ooedo Onsen Reit Investment Corporation

Results of 4th Fiscal Period ended May 31, 2018

Presentation Material

July 20, 2018

(Asset Manager) Ooedo Onsen Asset Management Co., Ltd.

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I . Investment Highlights of 4th Period

Operating Results of 5 Newly Acquired Properties (1)

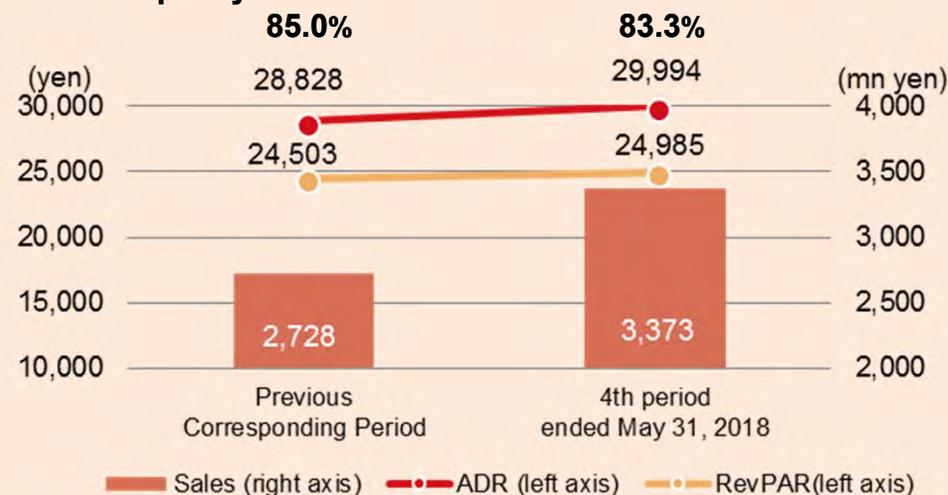
The overall KPIs remained generally steady, and sales increased from the same period of the previous year, although indicators varied with individual properties due to the effect of new opening or the impact of the repair work period

Total of 5 newly acquired properties



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



Portfolio operating results

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	88.9%	89.4%	96.6%	92.5%	93.7%	94.5%	82.0%	73.6%	82.4%	93.9%	86.1%	81.9%	88.0%	85.0%	83.3%	-1.7%
ADR (yen)	26,068	27,695	35,271	26,137	30,178	30,502	31,666	30,627	28,025	30,102	28,601	30,841	29,691	28,828	29,994	+1,166
RevPAR (yen)	23,174	24,759	34,071	24,176	28,276	28,824	25,966	22,541	23,092	28,265	24,625	25,258	26,128	24,503	24,985	+482
Sales (million yen)	526	561	738	531	658	658	615	527	484	636	544	565	7,048	2,728	3,373	+645

(Note 1) Sales, ADR, and RevPAR are rounded down to the nearest specified units and percentage rates is rounded to the second decimal place. The same applies hereinafter.

(Note 2) The comparison with the same period of the previous year is calculated by excluding from the number of available rooms those rooms that were closed or for which sales were suspended due to seismic retrofitting or large-scale renovation work. The same applies hereinafter.

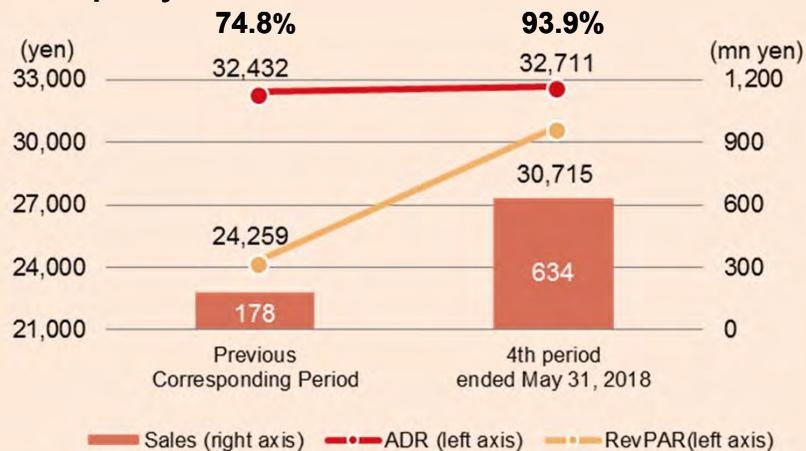
Operating Results of 5 Newly Acquired Properties (2)

S-10 : Ooedo-Onsen Monogatari Nagasaki Hotel Seifu



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :

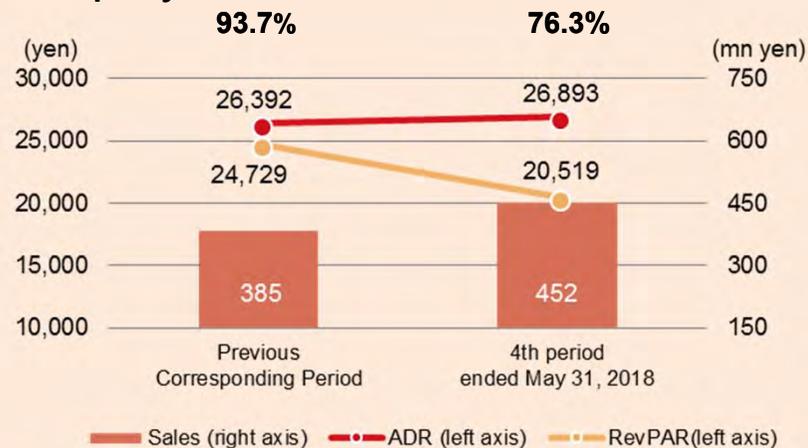


S-11 : Ooedo-Onsen Monogatari Kounkaku



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



(Note 1) Sales were suspended for total 11,700 rooms at Ooedo-Onsen Monogatari Nagasaki Hotel Seifu due to renovations carried out from December 15, 2016 through April 29, 2017.

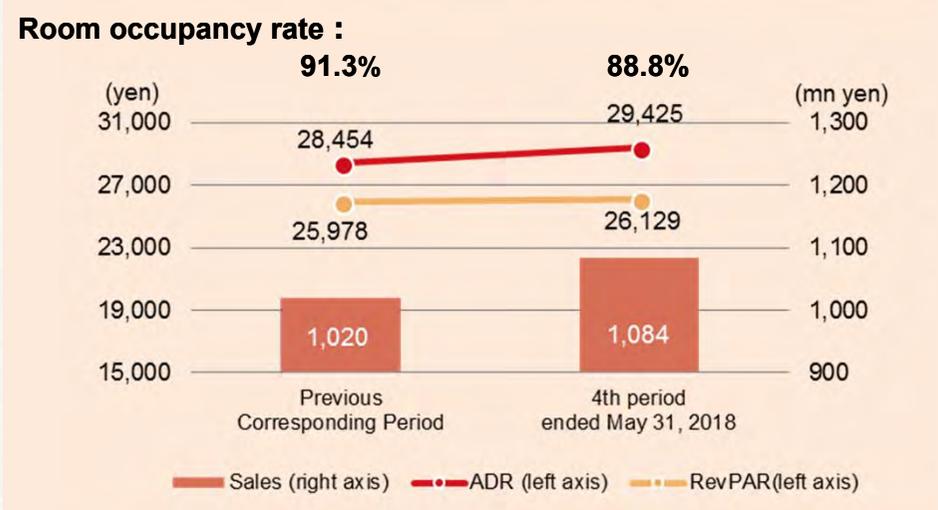
(Note 2) Sales were suspended for total 4,900 rooms at Ooedo-Onsen Monogatari Kounkaku due to earthquake-resistant construction work carried out from January 10, 2017 through February 28, 2017. Also, operating results for Ooedo-Onsen Monogatari Kounkaku include the annex that started business from March 17, 2018, which the investment corporation does not own.

Operating Results of 5 Newly Acquired Properties (3)

S-12 : Kinugawa Kanko Hotel



<Cumulative comparison of 4th period and the same period of the previous year>



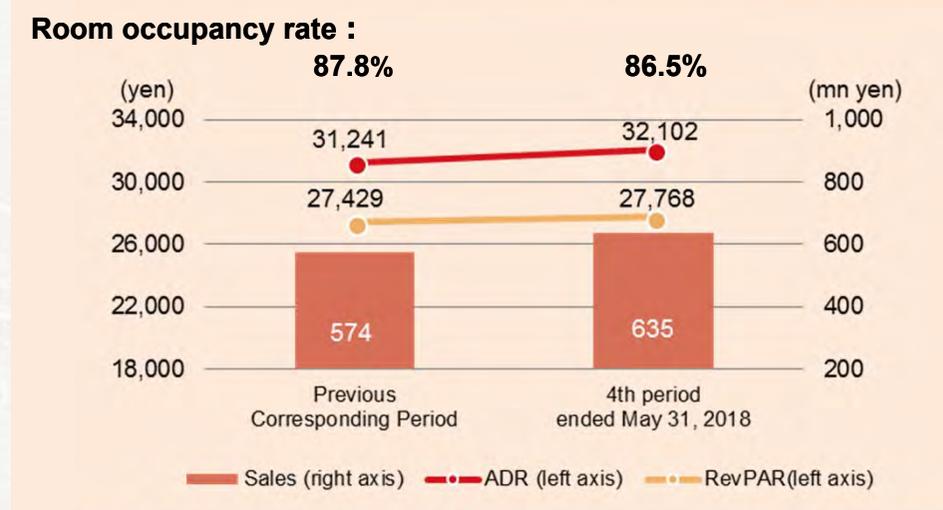
(Note 1) Sales were suspended for total 1,835 rooms at Kinugawa Kanko Hotel due to earthquake-resistant construction work carried out from January 9, 2017 through February 19, 2017.

(Note 2) Sales were suspended for total 1,654 rooms at Ooedo-Onsen Monogatari Kinosaki due to earthquake-resistant construction work carried out until December 17, 2016.

S-13 : Ooedo-Onsen Monogatari Kinosaki



<Cumulative comparison of 4th period and the same period of the previous year>



Operating Results of 5 Newly Acquired Properties (4)

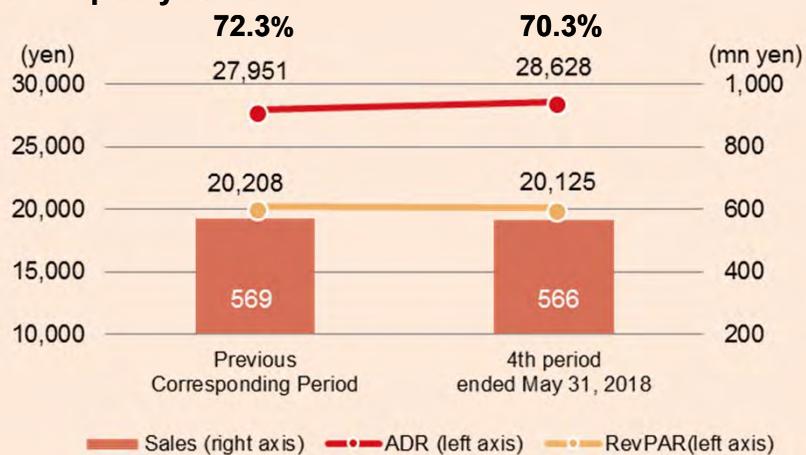
S-14 : Ooedo-Onsen Monogatari Higashiyama Grand Hotel



Memo

<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



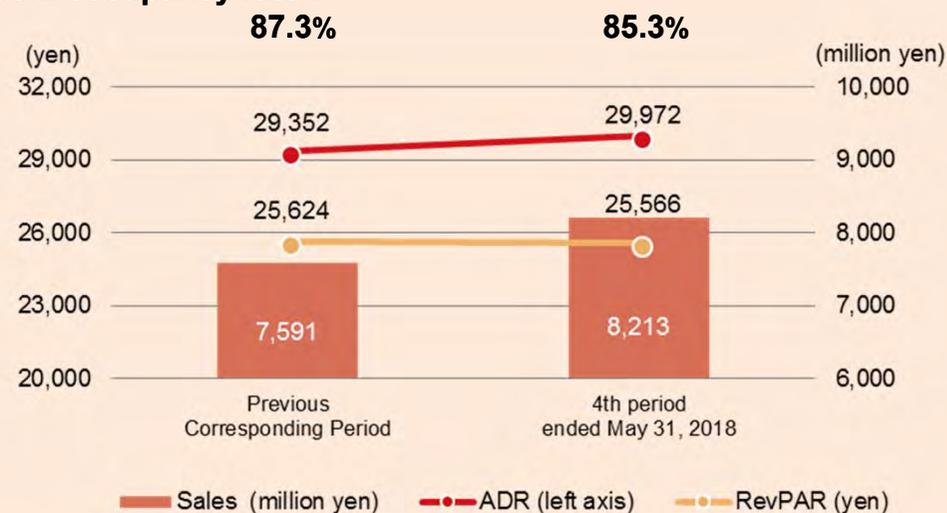
Operating Results for the Entire Portfolio

RevPAR decreased slightly but remained almost unchanged from the previous fiscal period, and ADR improved with partial price increases and sales initiatives



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



Portfolio operating results

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	84.6%	89.7%	97.2%	89.6%	89.2%	94.9%	86.3%	75.4%	84.8%	95.4%	86.9%	83.1%	88.1%	87.3%	85.3%	-2.0%
ADR (yen)	25,740	29,328	39,449	26,432	28,636	29,100	31,478	30,873	27,806	30,763	28,726	29,942	29,982	29,352	29,972	+620
RevPAR (yen)	21,776	26,307	38,344	23,683	25,543	27,615	27,165	23,278	23,579	29,347	24,962	24,881	26,414	25,624	25,566	-58
Sales (million yen)	1,169	1,402	2,014	1,240	1,411	1,498	1,496	1,280	1,171	1,583	1,325	1,355	16,949	7,591	8,213	+622

Changes in Key Indices

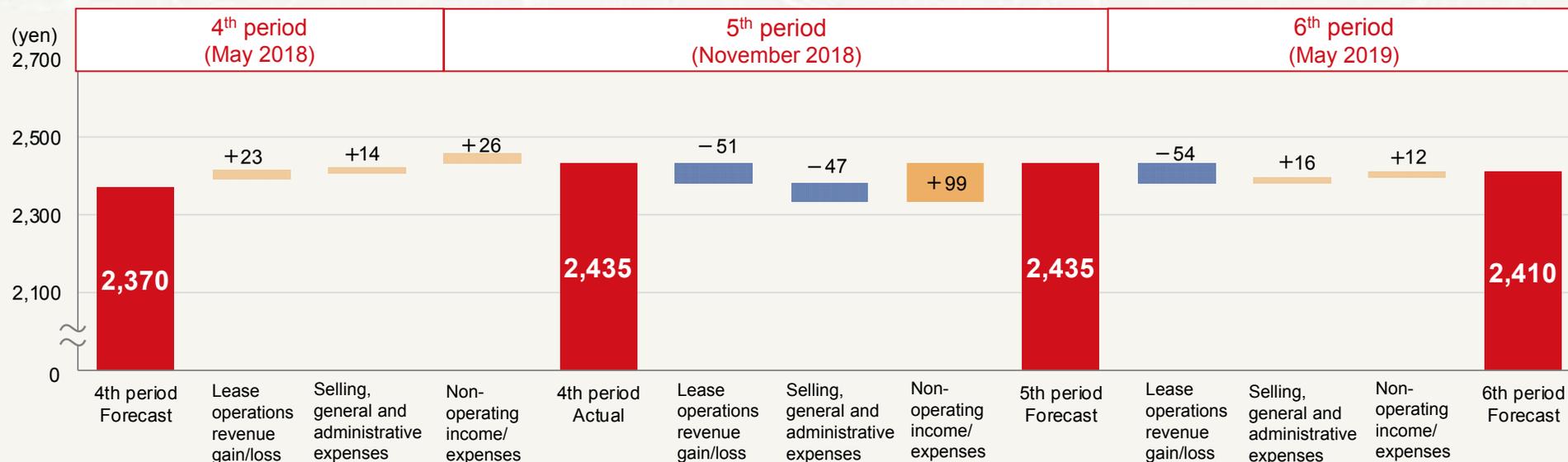
Distributions are expected to remain stable, with DPU staying at the 2,400 yen level after PO last year, and FFO per unit at the 4,200 yen level. The unrealized capital gain on newly acquired properties will contribute to NAV, and LTV will fall moderately

	3 rd period (November 2017) Actual	4 th period (May 2018) Forecast	5 th period (November 2018) Forecast	6 th period (May 2019) Forecast
DPU per unit	2,392 yen	2,435 yen	2,435 yen	2,410 yen
FFO per unit	3,903 yen	4,185 yen	4,218 yen	4,216 yen
LTV (book value basis)	39.8%	42.2%	40.9%	40.6%
LTV (appraisal value basis)	38.2%	39.1%	37.7%	37.2%
NAV per unit	98,576 yen	103,391 yen	104,284 yen	105,313 yen

Public offering · Property acquisition

Major Factors for Increase/Decrease in Distribution per Unit

Distribution per unit will be at the level of normal operations targeted after public offering last year



4th period (forecast) – 4th period (actual)	4th period (actual) – 5th period (forecast)	5th period (forecast) – 6th period (forecast)
Lease operations revenue gain/loss +23 <ul style="list-style-type: none"> • Decrease in primary rent -13 • Increase in other revenue (insurance revenue, etc.) +4 • Reduced burden due to the review of valuation amount of fixed asset taxes and city planning taxes (Difference with secondary rent) +24 • Decrease in depreciation +12 	Lease operations revenue gain/loss -51 <ul style="list-style-type: none"> • Increase in primary rent due to the full period contribution of new properties +26 • Recorded burden of fixed asset taxes and city planning taxes for the full period (5 newly acquired properties), etc. -46 • Increase in depreciation (due to capital expenditure) -33 	Lease operations revenue gain/loss -54 <ul style="list-style-type: none"> • Increase in variable rent (5 newly acquired properties and others) +18 • Decrease in secondary rent reflecting the review of the valuation amount of fixed asset taxes and city planning taxes -49 • Increase in depreciation -23
Selling, general and administrative expenses +14 <ul style="list-style-type: none"> • Increase in other operating expenses +13 	Selling, general and administrative expenses -47 <ul style="list-style-type: none"> • Increase in AM fee -15 • Increase in transfer agent fee (increase in the number of unitholders) -18 • Increase in the shipping cost, etc. (increase in the number of unitholders) -17 	Selling, general and administrative expenses +16 <ul style="list-style-type: none"> • Decrease in AM fee +12
Non-operating income/expenses +26 <ul style="list-style-type: none"> • Decrease due to finalized investment unit issuance expenses +26 	Non-operating income/expenses +99 <ul style="list-style-type: none"> • Absence of investment unit issuance expenses +95 • Increase in finance-related expenses -6 	Non-operating income/expenses +12 <ul style="list-style-type: none"> • Decrease in finance-related expenses +14

(Note) 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.



Ⅱ . Financial Highlights

Financial Results for the 4th Fiscal Period ended May 2018

Revenue and income increased from the previous fiscal period due to the acquisition of new properties following a capital increase via a public offering

Item	3rd period (Actual)		4th period (Actual)		Difference	(thousand yen)	
	Component ratio		Component ratio			4th period (Forecast as of Jan. 22, 2018)	Difference
Operating revenue		1,032,755		1,442,676	+409,920	1,444,521	-1,845
Primary rent		948,497		1,325,793	+377,295	1,328,913	-3,120
Fixed rent	91.5%	868,270	94.2%	1,248,415	+380,145	1,248,278	+136
Variable rent	8.5%	80,227	5.8%	77,377	-2,849	80,634	-3,256
Secondary rent		78,431		115,540	+37,109	115,337	+203
Others		5,826		1,342	-4,484	270	+1,071
Lease operations revenue gain/loss		677,205		919,683	+242,477	914,053	+5,630
Operating income		519,092		734,305	+215,213	725,247	+9,058
Ordinary income		421,047		571,225	+150,178	556,011	+15,213
Net income		420,172		570,273	+150,100	555,011	+15,261
Excess cash distribution		1,233		2,824	+1,590	2,824	-
Total distribution		421,470		573,069	+151,599	557,772	+15,297
Total units outstanding		176,200		235,347	+59,147	235,347	-
DPU (yen) (Excess cash distribution per unit)		2,392 7		2,435 12	+43 +5	2,370 12	+65 -
FFO per unit (yen)		3,903		4,185	+282	4,133	+52
NOI		944,786		1,334,384	+389,598	1,331,744	+2,639
Depreciation		267,580		414,701	+147,121	417,691	-2,990
CAPEX		95,012		141,112	+46,100	178,512	-37,399

Main factors for increase/decrease from forecast

	(thousand yen)
• Decrease in fixed asset taxes and city planning taxes due to the review of valuation amount	+5,830
• Decrease in variable rent (Ito and others)	-3,256
Lease operations revenue gain/loss	+5,630
• Decrease in other operating expenses	+3,231
Operating income	+9,058
• Decrease due to finalized investment unit issuance expenses	+6,317
Ordinary income	+15,213

Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Increase in primary rent (5 newly acquired properties)	+377,295
• Increase in secondary rent (5 newly acquired properties)	+37,109
• Increase in fixed asset taxes and city planning taxes (5 newly acquired properties)	-12,770
• Increase in depreciation (5 newly acquired properties, etc.)	-147,121
Lease operations revenue gain/loss	+242,477
• Decrease in IR-related expenses	+1,533
• Increase in AM fee (5 newly acquired properties)	-15,115
• Increase in administrative service fees	-1,312
• Temporary increase in expenses for General Unitholders' Meeting	-5,547
Operating income	+215,213
• Increase in finance-related expenses (new borrowings)	-40,077
• Investment unit issuance expenses (public offering)	-22,456
Ordinary income	+150,178

Main financial indicators

	(million yen)
Total assets	39,875
Interest-bearing debt	16,807
Total liabilities	18,655
Total net assets	21,220
LTV (book value basis)	42.2%
NAV per unit (yen)	103,391 yen

Forecast for the 5th Fiscal Period ending November 2018

**While revenue will increase due to the full contribution of new properties, operating income will reduce from the previous period due to the full period burden of fixed asset taxes of new properties
Net income will remain flat due to the absence of investment unit issuance expenses**

Item	4th period (Actual)		5th period (Forecast)		5th period (Forecast as of Jan. 22, 2018)		
	Component ratio		Component ratio		Difference	Difference	
Operating revenue		1,442,676		1,448,367	+5,691	1,451,513	-3,146
Primary rent		1,325,793		1,331,964	+6,170	1,335,282	-3,318
Fixed rent	94.2%	1,248,415	92.4%	1,230,449	-17,966	1,230,449	-
Variable rent	5.8%	77,377	7.6%	101,514	+24,136	104,832	-3,318
Secondary rent		115,540		116,128	+587	115,956	+171
Others		1,342		275	-1,066	275	+0
Lease operations revenue gain/loss		919,683		907,670	-12,012	897,127	+10,542
Operating income		734,305		711,033	-23,271	703,213	+7,820
Ordinary income		571,225		571,260	+35	564,591	+6,669
Net income		570,273		570,260	-12	563,591	+6,669
Excess cash distribution		2,824		2,824	-	2,824	-
Total distribution		573,069		573,069	-	566,480	+6,589
Total units outstanding		235,347		235,347	-	235,347	-
DPU (yen)		2,435		2,435	-	2,407	+28
(Excess cash distribution per unit)		12		12	-	12	-
FFO per unit (yen)		4,185		4,218	+33	4,199	+19
NOI		1,334,384		1,330,157	-4,227	1,321,764	+8,393
Depreciation		414,701		422,487	+7,785	424,636	-2,149
CAPEX		141,112		212,408	+71,295	178,512	+33,896

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

- Decrease in fixed asset taxes and city planning taxes due to the review of valuation amount +11,667
- Decrease in variable rent (Ito and others) -3,318

Lease operations revenue gain/loss +10,542

- Increase in the shipping cost, etc. (increase in the number of unitholders) -2,540

Operating income +7,820

- Increase in finance-related expenses -1,151

Ordinary income +6,669

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

- Increase in primary rent due to the full period contribution of 5 newly acquired properties +6,170
- *Transfer from fixed rent in line with the start of variable rent for new properties: 24,197 thousand yen (fixed → variable)
- Recorded burden of fixed asset taxes and city planning taxes for the full period (5 newly acquired properties) -10,997
- Increase in depreciation (capital expenditure) -7,785

Lease operations revenue gain/loss -12,012

- Increase in AM fee -3,613
- Increase in transfer agent fee (increase in the number of unitholders) -4,312
- Increase in the shipping cost, etc. (increase in the number of unitholders) -4,071

Operating income -23,271

- Absence of investment unit issuance expenses +22,456
- Increase in finance-related expenses -1,639

Ordinary income +35

Main financial indicators (million yen)

- Total assets 39,135
- Interest-bearing debt 15,991
- Total liabilities 17,915
- Total net assets 21,220
- LTV (book value basis) 40.9%

Forecast for the 6th Fiscal Period ending May 2019

Revenue will decline from the previous fiscal period mainly due to a decline in secondary rent (reflecting the decrease in fixed asset taxes due to the review of valuation amount), and DPU will remain at the level of normal operations due to the reduction in financial costs, etc., albeit slightly declining from the previous fiscal period

(thousand yen)

Item	5th period (Forecast)	6th period (Forecast)	Difference
Operating revenue	Component ratio 1,448,367	Component ratio 1,441,160	-7,207
Primary rent	1,331,964	1,336,329	+4,365
Fixed rent	92.4% 1,230,449	92.1% 1,230,449	-
Variable rent	7.6% 101,514	7.9% 105,879	+4,365
Secondary rent	116,128	104,556	-11,572
Others	275	275	-
Lease operations revenue gain/loss	907,670	894,839	-12,831
Operating income	711,033	702,198	-8,835
Ordinary income	571,260	565,252	-6,008
Net income	570,260	564,252	-6,008
Excess cash distribution	2,824	2,824	-
Total distribution	573,069	567,186	-5,883
Total units outstanding	235,347	235,347	-
DPU (yen) (Excess cash distribution per unit)	2,435 12	2,410 12	-25 -
FFO per unit (yen)	4,218	4,216	-2
NOI	1,330,157	1,322,972	-7,184
Depreciation	422,487	428,133	+5,646
CAPEX	212,408	180,000	-32,408

Main factors for increase/decrease from previous fiscal period

(thousand yen)

- Increase in variable rent (5 newly acquired properties and others) +4,365
- Decrease in secondary rent reflecting the review of the valuation amount of fixed asset taxes and city planning taxes -11,572
- Increase in depreciation (capital expenditure) -5,646

Lease operations revenue gain/loss -12,831

- Decrease in AM fee +2,993

Operating income -8,835

- Decrease in finance-related expenses +3,327

Ordinary income -6,008

Main financial indicators

(million yen)

Total assets	38,882
Interest-bearing debt	15,804
Total liabilities	17,667
Total net assets	21,214
LTV (book value basis)	40.6%

Portfolio Data (1)

Appraisal value remained almost flat, and unrealized capital gain (appraisal value – book value) increased to 3.1 bn yen due to the acquisition of properties in the 4th fiscal period

Property No.	Property name	Location	Building age (years)	Number of rooms	Room occupancy rate (Note 1)	Acquisition price (million yen)	Appraisal value (million yen)	NOI (million yen)	NOI yield (Note 2)	After depreciation NOI yield (Note 2)	PML
S-1	Ooedo-Onsen Monogatari Reoma Resort	Kagawa Prefecture	26.9 / 27.2 (Note 3)	241	88.4%	10,379	10,900	405	7.8%	6.3%	1.9 / 1.6%
S-2	Ooedo-Onsen Monogatari Ise-shima	Mie Prefecture	38.2	83	95.3%	3,656	3,840	114	6.3%	3.5%	14.2%
S-3	Ito Hotel New Okabe	Shizuoka Prefecture	27.6	73	81.2% (Note 4)	2,657	2,790	81	6.1%	4.2%	12.0%
S-4	Ooedo-Onsen Monogatari Atami	Shizuoka Prefecture	44.4	76	96.8%	2,997	3,180	100	6.7%	4.5%	12.6%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Shizuoka Prefecture	43.7	64	84.8%	1,910	1,990	60	6.3%	3.4%	14.9%
S-6	Ooedo-Onsen Monogatari Awara	Fukui Prefecture	36.8	95	75.6%	1,901	1,980	68	7.3%	5.1%	14.9%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Tochigi Prefecture	22.3	60	76.2%	1,222	1,270	39	6.5%	4.3%	3.0%
S-8	Ooedo-Onsen Monogatari Ikaho	Gunma Prefecture	34.6	40	92.5%	1,299	1,380	40	6.3%	4.2%	1.0%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Chiba Prefecture	22.2	41	94.9%	819	862	26	6.5%	4.7%	4.8%
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Nagasaki Prefecture	35.9	100	93.9%	1,637	1,930	64	8.0%	5.6%	6.4%
S-11	Ooedo-Onsen Monogatari Kounkaku	Miyagi Prefecture	52.5	98	76.3% (Note 5)	1,040	1,250	48	9.5%	5.6%	3.9%
S-12	Kinugawa Kanko Hotel	Tochigi Prefecture	36.8	172	88.8%	3,870	4,620	144	7.6%	4.4%	2.1%
S-13	Ooedo-Onsen Monogatari Kinosaki	Hyogo Prefecture	49.6	103	86.5%	2,084	2,490	79	7.8%	5.8%	11.8%
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Fukushima Prefecture	53.7	123	70.3%	1,230	1,480	60	10.1%	5.9%	4.6%
Total/Average			36.5	1,369	85.3%	36,705	39,962	1,334	7.3%	5.0%	2.7%

(Note 1) Room occupancy rate is for the 4th period of the investment corporation (from December 2017 to May 2018).

(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.

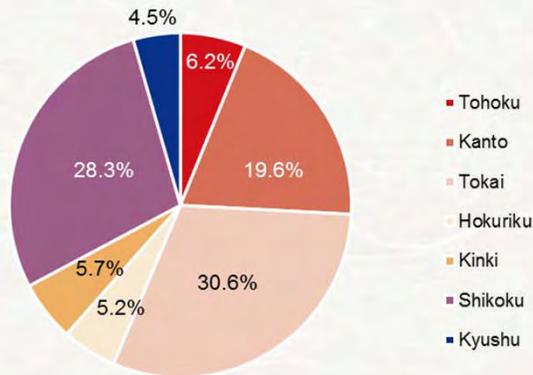
(Note 4) The room occupancy rate of Ito Hotel New Okabe is a comprehensive figure including the rate of Surugatei, a property not owned by the investment corporation.

(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.

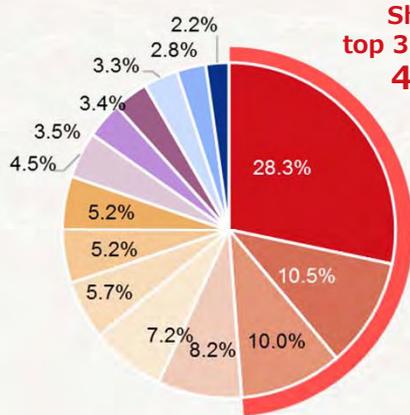
Portfolio Data (2)

Diversification of the investment area was achieved keeping the location policy attracting customers from urban areas

Investment ratio by region (acquisition price basis)



Investment ratio by facility (acquisition price basis)



Share of top 3 properties 48.8%

- Ooedo-Onsen Monogatari Reoma Resort
- Kinugawa Kanko Hotel
- Ooedo-Onsen Monogatari Ise-shima
- Ooedo-Onsen Monogatari Atami
- Ito Hotel New Okabe
- Ooedo-Onsen Monogatari Kinosaki
- Ooedo-Onsen Monogatari Toi Marine Hotel
- Ooedo-Onsen Monogatari Awara
- Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
- Ooedo-Onsen Monogatari Ikaho
- Ooedo-Onsen Monogatari Higashiyama Grand Hotel
- Ooedo-Onsen Monogatari Kamoshika-so
- Ooedo-Onsen Monogatari Kounkaku
- Ooedo-Onsen Monogatari Kimitsu-no-mori



Financial Status

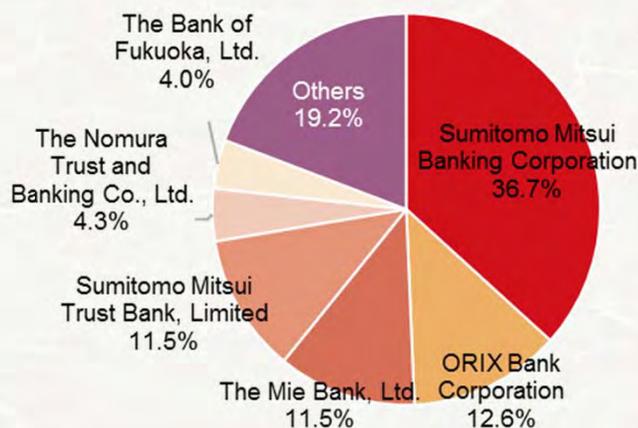
Maintained conservative LTV level and diversified lenders and repayment due dates

🦋 LTV



🌸 Breakdown of lenders

Number of syndicate lenders: 13



🏠 Ratio of long-term borrowings



🌸 Overview of maturity





Ⅲ. Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period

Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period (1)

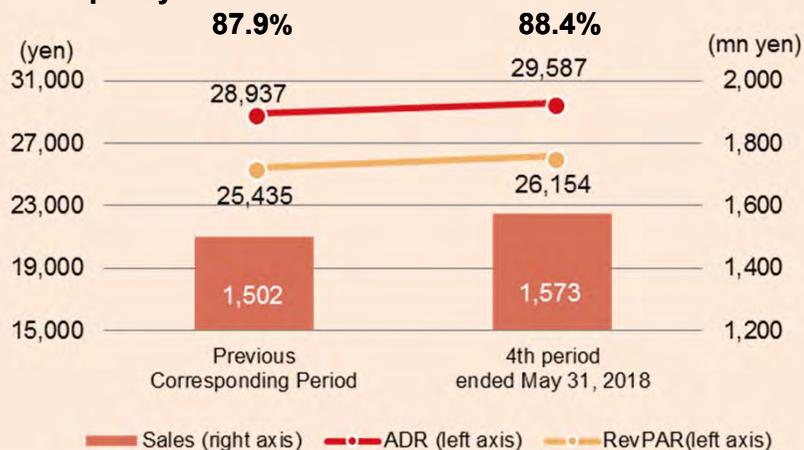
S-1 : Oedo-Onsen Monogatari Reoma Resort (Hotel Reoma-no-mori・New Reoma World)



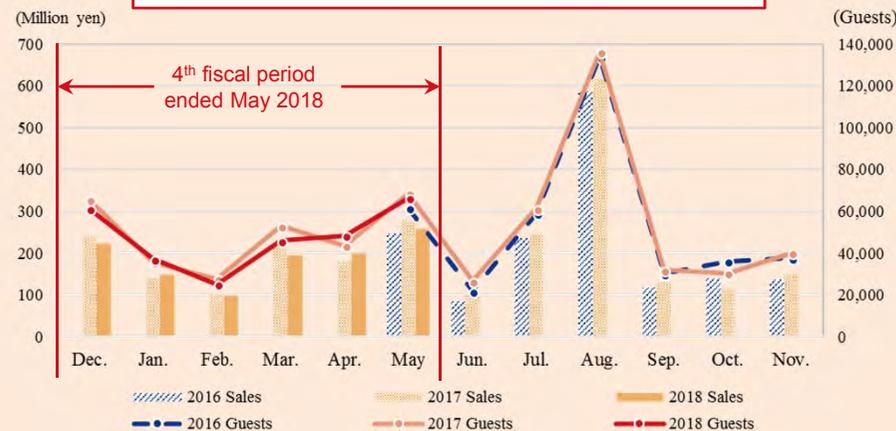
<Cumulative comparison of 4th period and the same period of the previous year>

<Year-on-Year comparison of number of guests (Note 1) and sales>

Room occupancy rate :



4th period ended May 2018
 Guests : 284,304 Sales : 1,121mn yen



(Note 1) The number of guests is the total number of people using New Reoma World during the period.

(Note 2) "2018" in the above graph refers to the period from December 2017 to May 2018, "2017" to the period from December 2016 to November 2017 and "2016" to the period from May 2016 to November 2016.

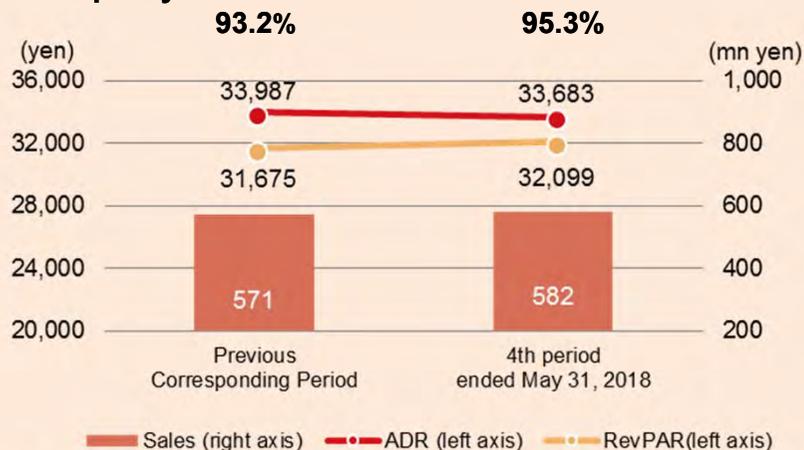
Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period (2)

S-2 : Ooedo-Onsen Monogatari Ise-shima



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :

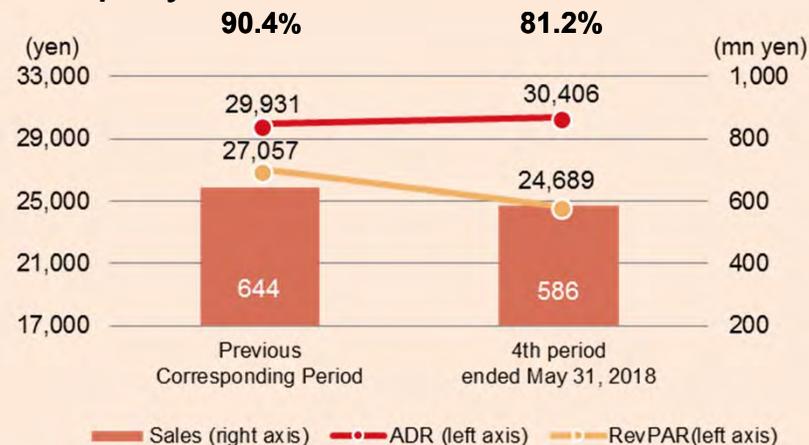


S-3 : Ito Hotel New Okabe



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



(Note) Ito Hotel New Okabe consists of two buildings, the Sagamitei facility and the Surugatei facility. The part belonging to the investment corporation is the Sagamitei facility, but as they are operated as one unit, the Surugatei facility is included in operating performance data.

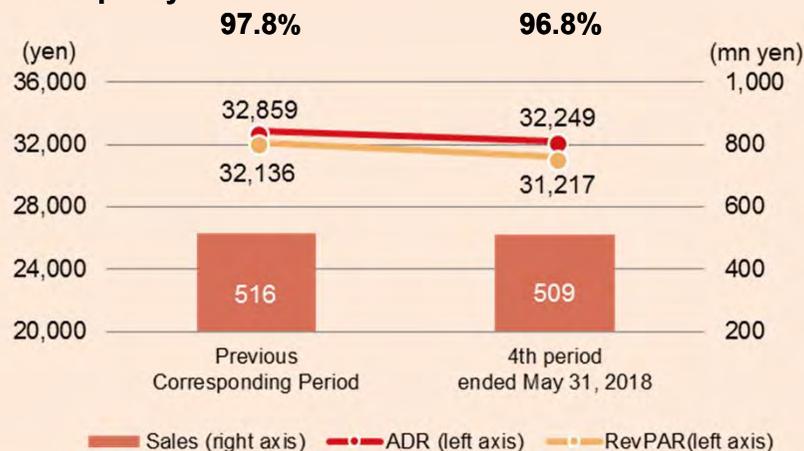
Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period (3)

S-4 : Ooedo-Onsen Monogatari Atami

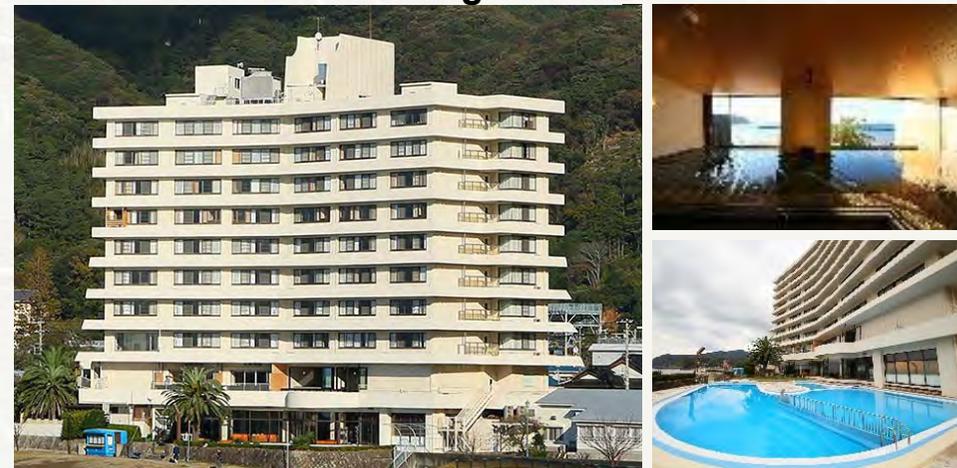


<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :

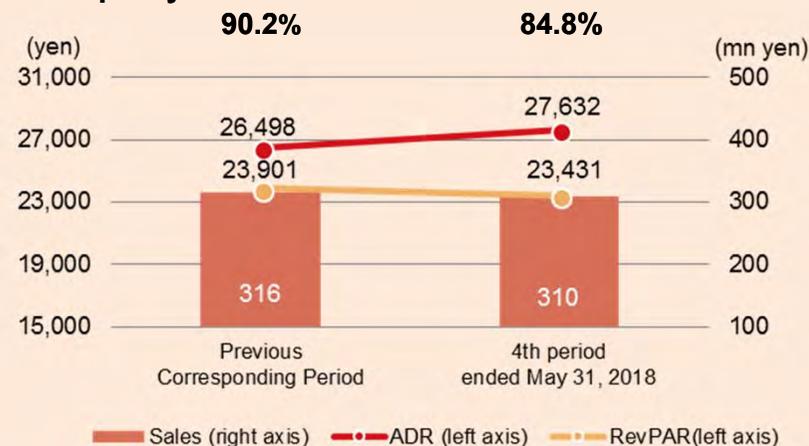


S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



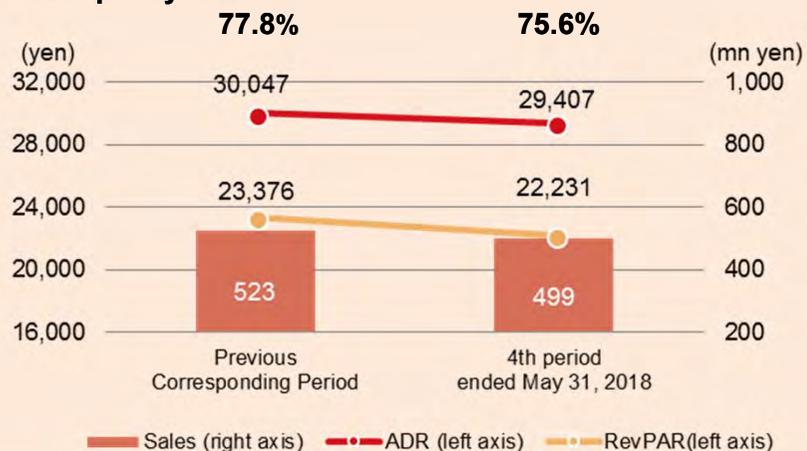
Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period (4)

S-6 : Ooedo-Onsen Awara



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :

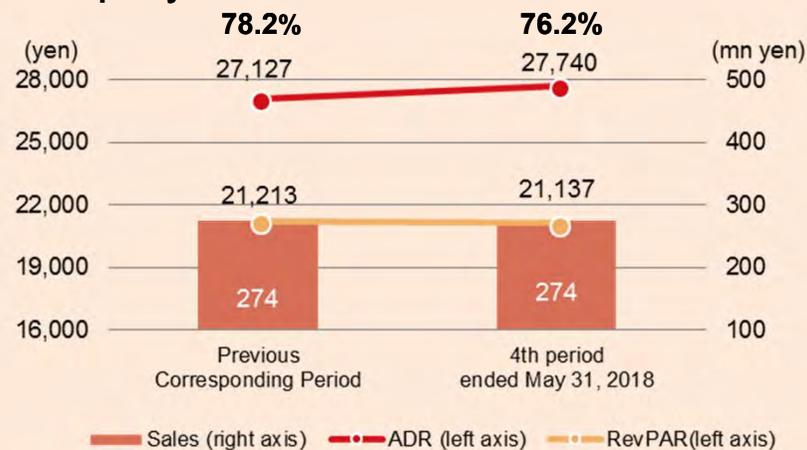


S-7 : Ooedo-Onsen Monogatari Kamoshika-so



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :



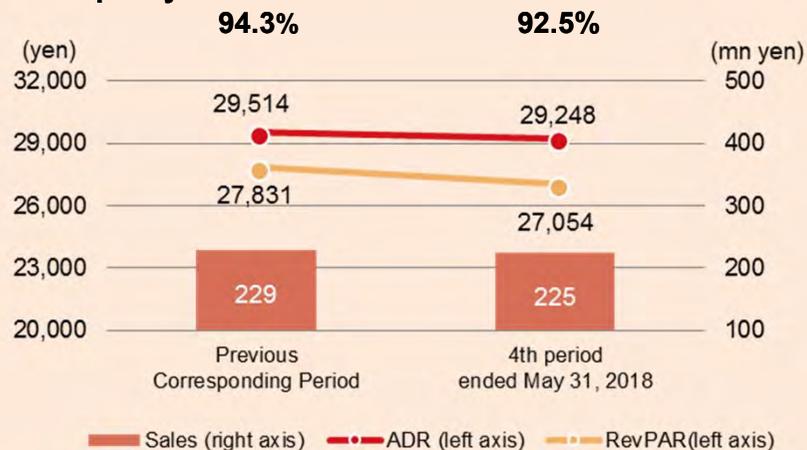
Operating Results of 9 Properties Held Since Before the 3rd Fiscal Period (5)

S-8 : Ooedo-Onsen Ikaho



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :

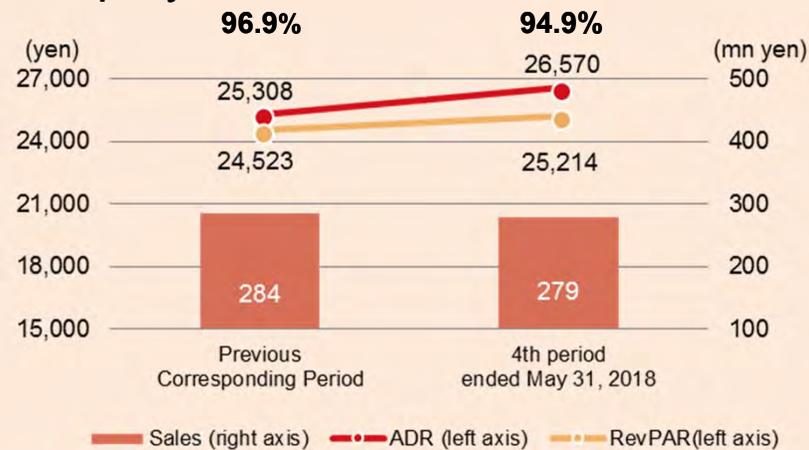


S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori



<Cumulative comparison of 4th period and the same period of the previous year>

Room occupancy rate :





IV. Ooedo Onsen Reit's Investment Areas and Future Investment Strategies

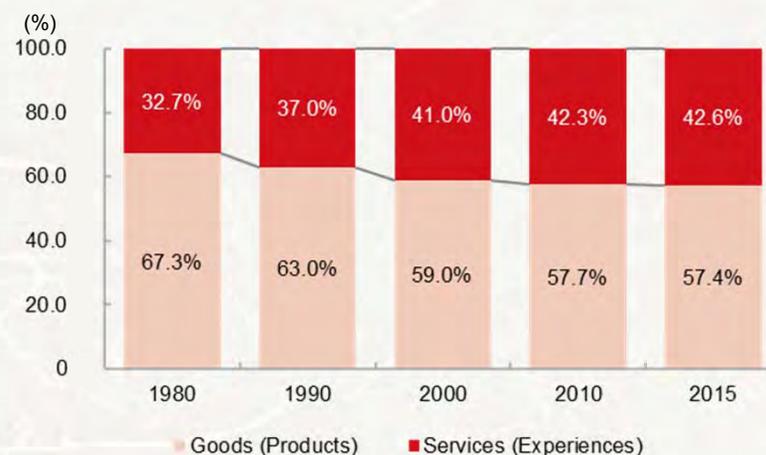
Uniqueness of Ooedo Onsen Reit's Investing Targets

Investment targets are facilities used for enjoying leisure time in a variety of ways with priority investments targeting multi-use facilities (related to onsen and spa) that provide services for different types of guests, centered on onsen and spa



- Investment targets are facilities for utilizing leisure time to provide people with a fulfilling experience of time consumption based on the trend of embracing services rather than goods.
- The core facility is an onsen/spa that not only responds to stable tradition-based demand but also attracts diverse new customers.
- Investments are made in business-use properties represented by the facilities of the Ooedo-Onsen Monogatari Group, whose markets have been stable due to efforts to capture contemporary consumer needs and the trend of consumption for services (experience-type).

Trends in the consumption of services

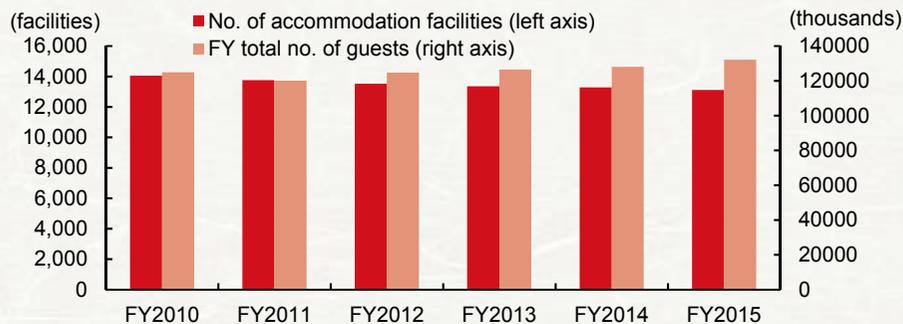


Source: Implementation of Consumer Policies in 2016 by the Consumer Affairs Agency

Market Environment ~ Stable Demand for Onsen

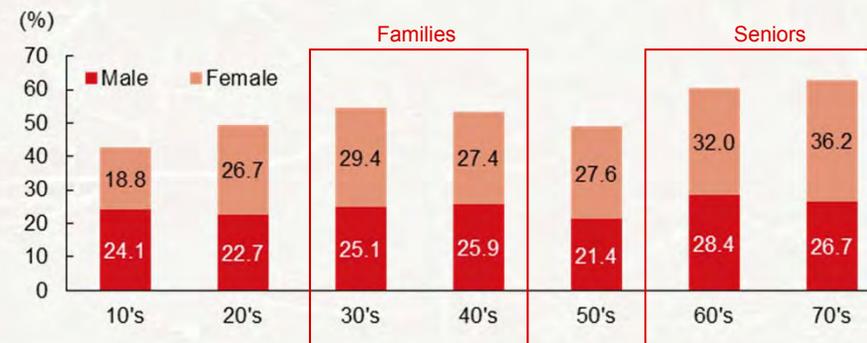
Consumers' needs for onsen is at the top and onsen trips accompanying overnight stays is stable

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



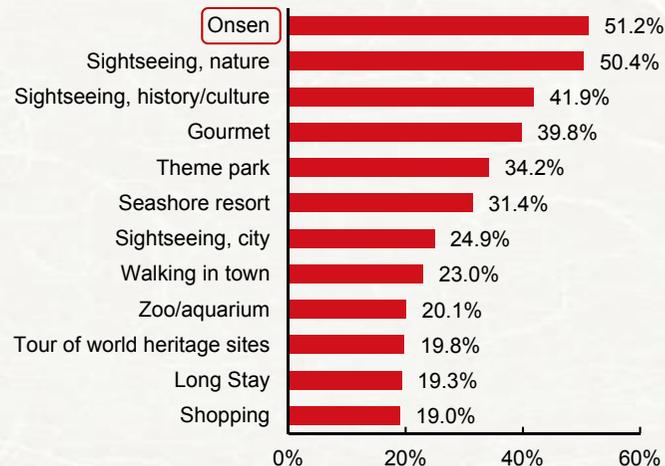
Source: Onsen Use (2010 – 2015), Nature Conservation Bureau, Ministry of the Environment

👤 Ratio of visits to onsen and spa facilities by age



Source: "White Paper of Leisure 2017" by Japan Productivity Center

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



Source: "Annual Report on the Tourism Trends Survey 2017"

- 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, which represent the two largest demographic groups, create customers consistently
- "Onsen" collected the largest percentage among types of trip desired according to the Annual Report on the Tourism Trends Survey

“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

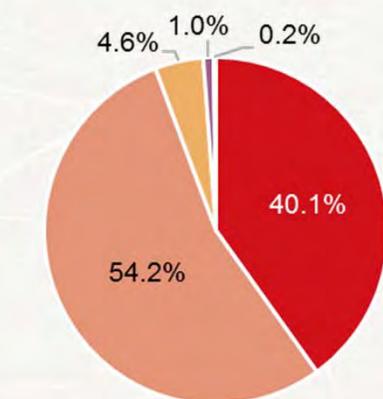


“Ooedo Business Model” with Stable Operations and Sustainable Growth (2)

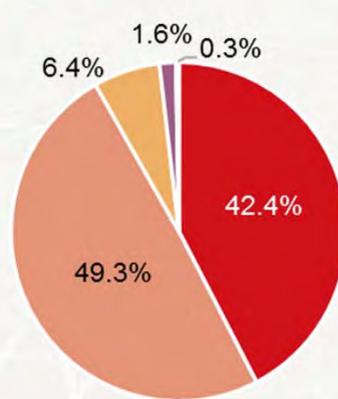
High customer satisfaction and high room occupancy rates surpassing all other business categories

Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from December 1, 2017 to May 31, 2018)

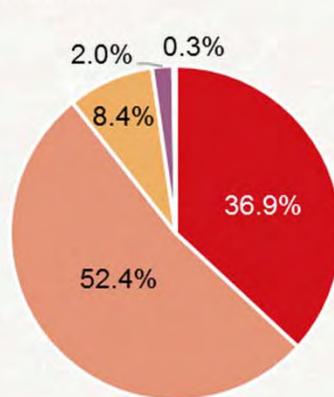
<Overall satisfaction >



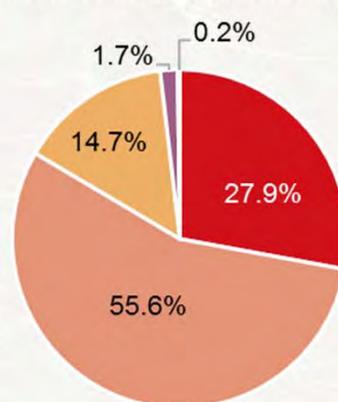
<Meal (breakfast and dinner)>



<Onsen>

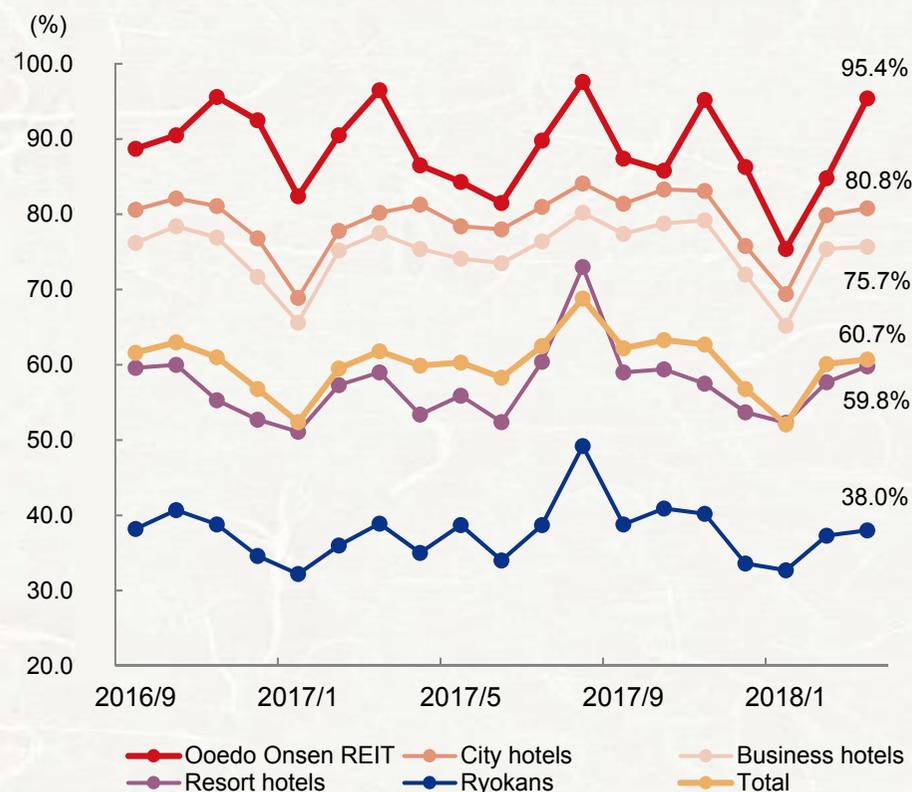


<Type of services inside the facility>



Very satisfied (Red), Satisfied (Light Red), Fair (Orange), Unsatisfied (Purple), Very unsatisfied (Light Purple)

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.

External Growth Strategy (1)

Constant supply of properties on a long-term basis by leveraging the sponsor pipeline

Priority negotiating rights on **all properties held** by Ooedo-Onsen Monogatari Group (Main properties listed below)



Tokyo Odaiba
Ooedo-Onsen Monogatari
(Fixed term land lease right for business purpose)
(Koto-ku, Tokyo)



Ooedo-Onsen Monogatari
Nikko Kirifuri
(Nikko City, Tochigi Prefecture)



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 Kinugawa Gyoen
(Nikko City, Tochigi Prefecture)



Ooedo-Onsen
Monogatari Nagayama
(Kaga City,
Ishikawa Prefecture)



Yamashiro Onsen
Yamashitaya
(Kaga City,
Ishikawa Prefecture)



Hotel New Shiobara
(Nasushiobara City,
Tochigi Prefecture)



Ooedo-Onsen Monogatari
Kakeyu
(Ueda City, Nagano Prefecture)



Ooedo-Onsen Monogatari
Aizu
(Aizu Wakamatsu City,
Fukushima Prefecture)



Ooedo-Onsen Monogatari
Taiheinyu Sumpu Yumehiroba
(Shizuoka City, Shizuoka Prefecture)

Properties acquired by the Ooedo Onsen Monogatari Group after the establishment of the investment corporation

October 2016 -



Ooedo-Onsen Monogatari
Naruko-onsen Masuya
(Osaki City, Miyagi Prefecture)

April 2017 -



Ooedo-Onsen Monogatari
Hotel Suiyotei
(Atami City, Shizuoka Prefecture)

July 2017 -



Ooedo-Onsen Monogatari
Beppu Seifu
(Beppu City, Ooita Prefecture)

July 2017 -



Ooedo-Onsen Monogatari
Gero Shin-kan
(Gero City, Gifu Prefecture)

April 2018 -



Ooedo-Onsen Monogatari
Nanki Kushimoto
(Higashi Muro County,
Wakayama Prefecture)

August 2018 (plan) -



Ooedo-Onsen Monogatari
Hotel Kisoji
(Kiso County, Nagano Prefecture)

⇒ In addition to the above, properties that will be newly acquired by sponsors going forward are covered by the preferential negotiating rights, forming a new pipeline

External Growth Strategy (2)

Acquisition from the market based on information obtained by the asset manager's own sources as well as from sponsors

Investment targets (quoted from the articles of incorporation)

Ryokans, Hotels, Spa facilities, Resort facilities, Amusements and Other leisure facilities

Investment in facilities aimed at utilizing leisure time

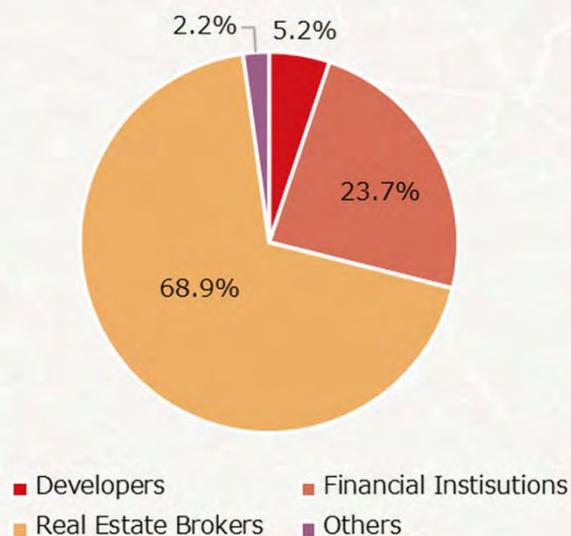
Number of inquiries raised for potential deals in the 4th fiscal period ended May 2018

135

Property information other than in the sponsor pipeline

<by source>

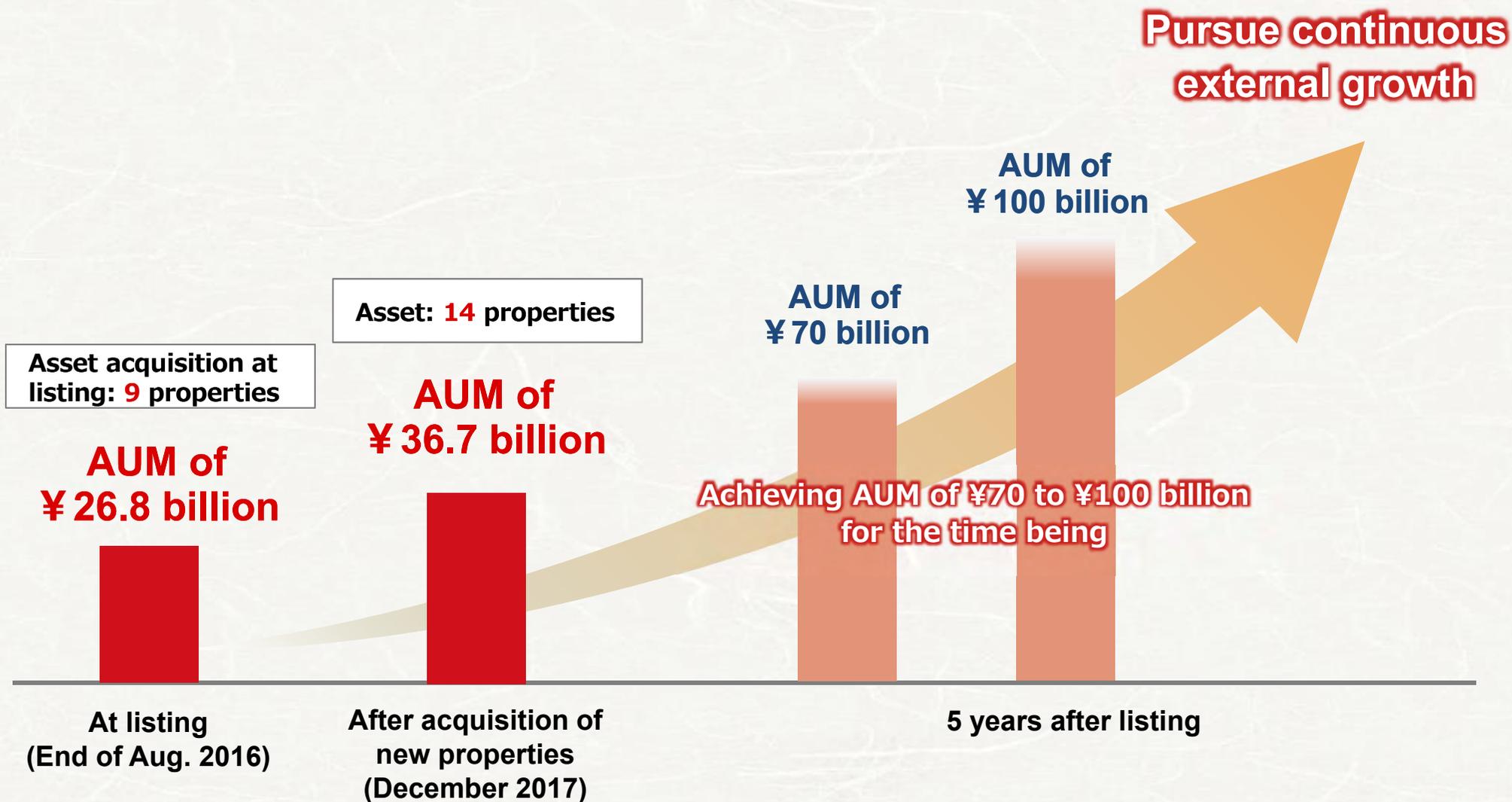
<by type>



		Ordinance-designated cities		Core cities		Other		Total	
			of which examined		of which examined		of which examined		of which examined
Onsen/Spa	Lodging	0	0	2	1	31	7	33	8
	Other (day trips, etc.)	0	0	1	1	2	0	3	1
Other lodgings		29	12	8	1	50	10	87	23
Entertainment, Amusement		1	0	4	3	3	2	8	5
Sports, beauty, health promotion facilities		1	1	1	1	2	2	4	4
Total		31	13	16	7	88	21	135	41

External Growth Strategy (3)

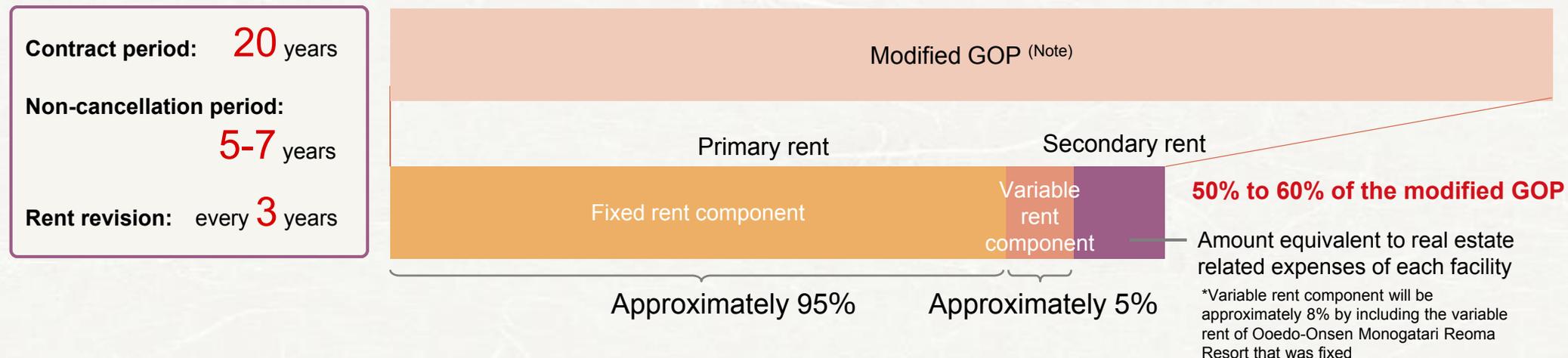
Exploiting opportunities for external growth as leisure facility focused REIT with the core of onsen/spa
 ~Transformation from a small-scale REIT into a med-to-large REIT~



Internal Growth Strategy (1)

The basic policy is to introduce variable rents for some properties for which an upside can be expected, while leasing with priority to securing a stable distribution level is the first choice

Lease conditions for properties master-leased to the Ooedo-Onsen Monogatari Group as of May 31, 2018



- 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
- Repair costs are, in principle, borne by the tenant
- The Investment Corporation holds only the land and building itself and main equipment; and responds to deterioration over time through planned partial rebuilding and such

(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)

Investment opportunities for increased value on a medium- to long-term basis

1. Enhance revenue raising capabilities through additional investments

- Increase in capacity based on high room occupancy rates in existing facilities owned (increase in the number of rooms, etc.)
- Increase in revenues through the effective use of buildings and land that have not been operated or used in facilities (Oedo-Onsen Monogatari Reoma Resort, etc.)

2. Increase variable rents by enhancing competitiveness

- The addition of service menus and functions, etc. that will attract customers, in cooperation with tenants
- Response to new customers, including properties other than those of the sponsor that are to be acquired in the future (inbound tourists that will trend higher, etc.)

➡ Particularly for facilities operated by the Oedo-Onsen Monogatari Group (tenant), which is the sponsor, an opportunity for value-increasing investment based on information sharing and collaboration will be considered and provided

<Value-increasing efforts in collaboration with the sponsor group>



Installation of a counter for alcoholic drinks
(Ito Hotel New Okabe)



Improvement of customer flows on the floor
used for a buffet-style restaurant
(Oedo-Onsen Monogatari Kimitsu-no-mori)



Expansion of the garden with approximately 100,000 roses
(May 12 – July 11)
(Oedo-Onsen Monogatari Reoma Resort
<New Reoma World>)

Financial Strategy

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

✿ Basic policy

LTV control

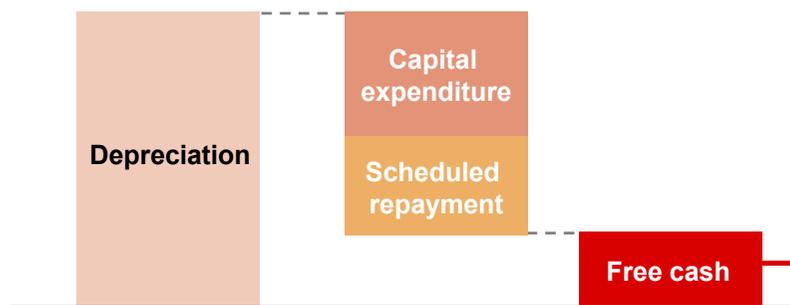
Will target around 40% for the time being and maintain a conservative level on a normal basis.

Debt finance

Will seek to reduce financial costs through the further diversification of risks in the portfolio and financing sources. In addition, it will make repayment periods more diversified and even to reduce refinancing risk.

Proper cash management

● Concept of free cash



- Unexpected expenditure
- Flexible acquisition of assets/LTV control
- Excess cash distribution

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. Appendix

Appraisal Value

Property No.	Property name	Acquisition Price (million yen)	Book value (million yen)	Appraisal value (million yen)			Unrealized profits and losses (million yen)	Direct capitalization method			Discounted cash flow method					
				3rd period Nov. 30, 2017	4th period May 31, 2018	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
								3rd period Nov. 30, 2017	4th period May 31, 2018	valuation	3rd period Nov. 30, 2017	4th period May 31, 2018	valuation	3rd period Nov. 30, 2017	4th period May 31, 2018	valuation
S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,466	10,900	10,900	-	+433	6.1%	6.1%	-	5.9%	5.9%	-	6.3%	6.3%	-
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,526	3,840	3,840	-	+313	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
S-3	Ito Hotel New Okabe	2,657	2,686	2,820	2,790	-30	+103	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-4	Ooedo-Onsen Monogatari Atami	2,997	2,946	3,180	3,180	-	+233	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,872	1,990	1,990	-	+117	5.7%	5.7%	-	5.5%	5.5%	-	5.9%	5.9%	-
S-6	Ooedo-Onsen Monogatari Awara	1,901	1,925	1,980	1,980	-	+54	6.0%	6.0%	-	5.8%	5.8%	-	6.2%	6.2%	-
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,230	1,270	1,270	-	+39	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-8	Ooedo-Onsen Monogatari Ikaho	1,299	1,308	1,380	1,380	-	+71	5.4%	5.4%	-	5.2%	5.2%	-	5.6%	5.6%	-
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	843	862	862	-	+18	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	1,637	1,670	1,930	1,930	-	+259	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-11	Ooedo-Onsen Monogatari Kounkaku	1,040	1,056	1,250	1,250	-	+193	5.5%	5.5%	-	5.3%	5.3%	-	5.7%	5.7%	-
S-12	Kinugawa Kanko Hotel	3,870	3,869	4,620	4,620	-	+750	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-13	Ooedo-Onsen Monogatari Kinosaki	2,084	2,171	2,490	2,490	-	+318	5.4%	5.4%	-	5.2%	5.2%	-	5.6%	5.6%	-
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	1,230	1,275	1,480	1,480	-	+204	5.9%	5.9%	-	5.7%	5.7%	-	6.1%	6.1%	-
Total		36,705	36,849	39,992	39,962	-30	3,112	-	-	-	-	-	-	-	-	-

Introduction of Properties (1)

S-1 Ooedo-Onsen Monogatari Reoma Resort



Location: Marugame City,
Kagawa Prefecture

Site area: 665,403m²

Total floor area: 63,896m²

Area characteristics (Note)

- 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: 9,637m²

Total floor area: 9,782m²

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: 2,945m²

Total floor area: 10,211m²

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.



(Note) The description of the area characteristics is the excerpt from the Japanese version. The same applies hereinafter.

Introduction of Properties (2)

S-1 : Ooedo-Onsen Monogatari Reoma Resort (Hotel Reoma-no-mori)

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	75.2%	85.1%	98.7%	82.2%	83.0%	94.8%	95.3%	77.2%	91.8%	97.6%	84.9%	84.0%	87.5%	87.9%	88.4%	+0.5%
ADR (yen)	23,058	31,783	43,358	25,209	25,557	26,747	31,569	30,758	25,900	31,178	28,928	28,695	29,710	28,937	29,587	+650
RevPAR (yen)	17,339	27,047	42,794	20,721	21,212	25,356	30,085	23,745	23,776	30,429	24,559	24,103	25,996	25,435	26,154	+719
Sales (million yen)	176	257	430	198	219	260	299	244	223	307	244	254	3,117	1,502	1,573	+71

S-2 : Ooedo-Onsen Monogatari Ise-shima

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.8%	93.0%	95.3%	99.5%	93.5%	99.6%	97.3%	93.4%	97.1%	99.0%	94.7%	90.6%	95.1%	93.2%	95.3%	+2.1%
ADR (yen)	30,201	34,118	46,137	31,523	30,889	31,984	34,376	33,139	31,040	38,543	32,045	32,406	33,950	33,987	33,683	-304
RevPAR (yen)	26,516	31,729	43,968	31,365	28,881	31,856	33,447	30,951	30,139	38,157	30,346	29,359	32,286	31,675	32,099	+424
Sales (million yen)	81	96	129	97	92	98	103	94	84	114	93	91	1,176	571	582	+11

S-3 : Ito Hotel New Okabe

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	76.3%	89.9%	96.2%	78.5%	77.4%	88.5%	84.6%	67.8%	86.0%	99.2%	83.1%	67.1%	82.9%	90.4%	81.2%	-9.2%
ADR (yen)	25,460	27,694	42,439	26,716	28,480	28,858	31,533	32,369	29,200	30,941	28,096	30,374	30,392	29,931	30,406	+475
RevPAR (yen)	19,425	24,896	40,826	20,972	22,043	25,539	26,676	21,946	25,112	30,693	23,347	20,380	25,194	27,057	24,689	-2,368
Sales (million yen)	77	100	156	82	89	102	109	88	89	123	92	81	1,195	644	586	-58

Introduction of Properties (3)

S-4 Ooedo-Onsen Monogatari Atami



Location: Atami City,
Shizuoka Prefecture

Site area: 2,053㎡

Total floor area: 8,469㎡

Area characteristics

- Atami City is located at the base of the Izu Peninsula and has been designated a City of International Tourism and Hot Springs Culture with its many tourist attractions, including Sun Beach (famous for the Atami Kaijo Hanabi Taikai fireworks display) and the Omiya no Matsu pine tree statue, etc. In recent years, it has been in the limelight again as an onsen resort that is low-cost, close and quick to get to from the Tokyo metropolitan area.



S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



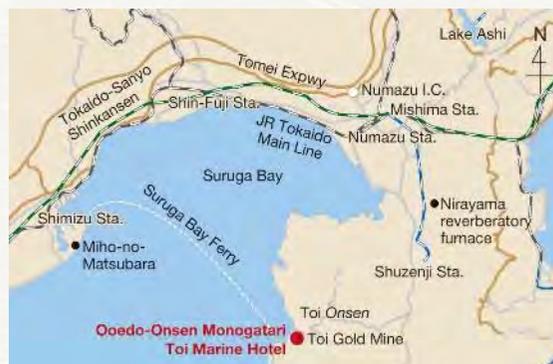
Location: Izu City,
Shizuoka Prefecture

Site area: 2,800㎡

Total floor area: 6,125㎡

Area characteristics

- 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.



S-6 Ooedo-Onsen Monogatari Awara



Location: Awara City,
Fukui Prefecture

Site area: 13,263㎡

Total floor area: 14,132㎡

Area characteristics

- 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 throughout Japan, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.



Introduction of Properties (4)

S-4 : Ooedo-Onsen Monogatari Atami

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	95.1%	93.9%	98.4%	97.9%	94.9%	97.8%	91.4%	95.4%	99.0%	99.8%	98.1%	97.4%	96.6%	97.8%	96.8%	-1.0%
ADR (yen)	29,098	33,536	47,894	29,753	29,911	30,693	34,052	31,126	31,061	34,134	31,820	31,235	32,922	32,859	32,249	-610
RevPAR (yen)	27,672	31,490	47,127	29,128	28,385	30,017	31,123	29,694	30,750	34,065	31,215	30,422	31,802	32,136	31,217	-919
Sales (million yen)	74	86	126	78	79	81	84	82	76	95	84	85	1,036	516	509	-7

S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	78.1%	85.8%	96.2%	78.3%	70.3%	91.5%	78.6%	80.2%	92.9%	99.0%	84.3%	74.5%	84.1%	90.2%	84.8%	-5.4%
ADR (yen)	23,617	32,386	45,425	24,854	25,561	24,930	28,792	27,777	26,162	28,771	26,212	27,947	28,864	26,498	27,632	+1,134
RevPAR (yen)	18,444	27,787	43,698	19,460	17,969	22,810	22,630	22,277	24,304	28,483	22,096	20,820	24,274	23,901	23,431	-470
Sales (million yen)	41	61	96	41	40	50	50	49	49	64	48	46	642	316	310	-6

S-6 : Ooedo-Onsen Monogatari Awara

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	79.4%	88.5%	96.6%	83.2%	85.0%	97.8%	83.9%	55.9%	60.0%	89.0%	82.7%	80.9%	82.0%	77.8%	75.6%	-2.2%
ADR (yen)	25,429	30,427	39,307	26,641	27,104	27,076	30,653	33,536	26,451	29,504	28,091	28,440	29,513	30,047	29,407	-640
RevPAR (yen)	20,190	26,927	37,970	22,165	23,038	26,480	25,717	18,746	15,870	26,258	23,231	23,007	24,200	23,376	22,231	-1,145
Sales (million yen)	75	98	138	80	88	100	96	71	55	100	86	87	1,081	523	499	-24

Introduction of Properties (5)

S-7 Ooedo-Onsen Monogatari Kamoshika-so



Location: Nasushiobara City,
Tochigi Prefecture

Site area: 7,734㎡

Total floor area: 5,947㎡

Area characteristics

- 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.



S-8 Ooedo-Onsen Monogatari Ikaho



Location: Shibukawa City,
Gunma Prefecture

Site area: 6,805㎡

Total floor area: 5,177㎡

Area characteristics

- 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.



S-9 Ooedo-Onsen Monogatari Kimitsu-no-mori



Location: Kimitsu City,
Chiba Prefecture

Site area: 57,069㎡

Total floor area: 8,660㎡

Area characteristics

- 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.



Introduction of Properties (6)

S-7 : Ooedo-Onsen Monogatari Kamoshika-so

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	81.4%	96.8%	99.2%	95.1%	92.1%	95.3%	74.2%	61.1%	65.7%	86.3%	80.8%	88.0%	84.8%	78.2%	76.2%	-2.0%
ADR (yen)	25,200	24,951	36,440	22,744	27,146	28,007	28,170	31,607	28,058	27,219	25,151	27,287	27,643	27,127	27,740	+613
RevPAR (yen)	20,512	24,152	36,148	21,629	25,001	26,690	20,902	19,311	18,434	23,489	20,322	24,012	23,441	21,213	21,137	-76
Sales (million yen)	43	52	77	46	55	57	46	42	38	51	43	52	608	274	274	+0

S-8 : Ooedo-Onsen Monogatari Ikaho

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	96.7%	96.9%	99.0%	99.7%	98.5%	98.8%	94.5%	81.7%	86.7%	97.7%	98.4%	95.6%	95.4%	94.3%	92.5%	-1.8%
ADR (yen)	26,216	28,891	40,569	28,018	29,198	30,576	31,102	29,548	25,738	29,524	29,423	29,575	29,965	29,514	29,248	-266
RevPAR (yen)	25,350	27,995	40,163	27,933	28,760	30,209	29,391	24,140	22,314	28,844	28,952	28,273	28,586	27,831	27,054	-777
Sales (million yen)	34	39	56	38	41	42	41	33	28	40	39	40	479	229	225	-4

S-9 : Ooedo-Onsen Monogatari Kimitsu-no-mori

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	89.9%	96.1%	99.2%	97.6%	97.2%	97.6%	96.1%	88.4%	94.6%	98.9%	95.5%	95.7%	95.6%	96.9%	94.9%	-2.0%
ADR (yen)	23,178	25,984	34,076	24,494	24,194	25,373	27,222	26,981	25,609	26,444	26,692	26,404	26,440	25,308	26,570	+1,262
RevPAR (yen)	20,837	24,970	33,803	23,906	23,516	24,764	26,160	23,851	24,226	26,153	25,490	25,268	25,276	24,523	25,214	+691
Sales (million yen)	37	47	64	43	44	45	48	46	40	48	46	48	563	284	279	-5

Introduction of Properties (7)

S-10 Ooedo-Onsen Monogatari Nagasaki Hotel Seifu



Location: Nagasaki City,
Nagasaki Prefecture

Site area: 4,970㎡

Total floor area: 11,114㎡

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.



S-11 Ooedo-Onsen Monogatari Kounkaku



Location: Osaki City,
Miyagi Prefecture

Site area: 11,829㎡

Total floor area: 10,836㎡

Area characteristics

- 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.



S-12 Kinugawa Kanko Hotel



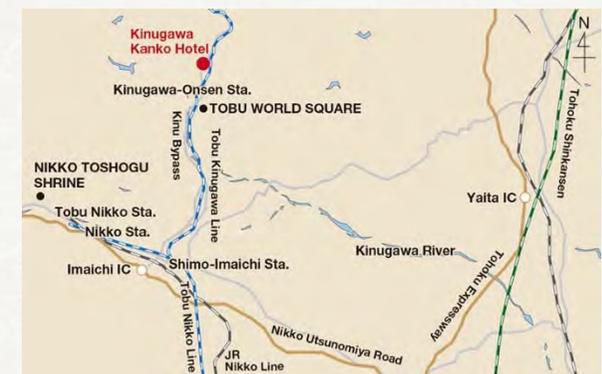
Location: Nikko City,
Tochigi Prefecture

Site area: 6,701㎡

Total floor area: 22,402㎡

Area characteristics

- 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 (8)

S-10 : Oedo-Onsen Monogatari Nagasaki Hotel Seifu

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	100%	100%	100%	100%	98.3%	100%	93.6%	83.5%	95.3%	99.3%	91.8%	99.8%	96.8%	74.8%	93.9%	+19.1%
ADR (yen)	30,686	28,660	33,835	27,485	35,573	33,789	32,172	29,743	29,939	33,625	32,976	36,947	32,177	32,432	32,711	+279
RevPAR (yen)	30,686	28,660	33,835	27,485	34,968	33,789	30,112	24,835	28,531	33,389	30,271	36,873	31,147	24,259	30,715	+6,456
Sales (million yen)	109	103	116	95	122	116	105	88	90	117	104	127	1,298	178	634	+456

S-11 : Oedo-Onsen Monogatari Kounkaku

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	91.9%	89.1%	91.2%	91.1%	92.3%	92.0%	82.8%	64.9%	71.2%	89.5%	76.6%	72.2%	83.7%	93.7%	76.3%	-17.4%
ADR (yen)	22,876	23,869	30,070	23,588	27,827	27,972	29,946	28,358	27,498	26,304	24,037	25,482	26,446	26,392	26,893	+501
RevPAR (yen)	21,023	21,267	27,423	21,488	25,684	25,734	24,795	18,404	19,578	23,542	18,412	18,398	22,135	24,729	20,519	-4,210
Sales (million yen)	77	78	95	75	94	95	93	66	65	88	68	70	969	385	452	+67

S-12 : Kinugawa Kanko Hotel

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.3%	89.2%	98.7%	94.7%	96.9%	97.3%	81.2%	83.9%	92.3%	99.4%	91.6%	84.5%	91.4%	91.3%	88.8%	-2.5%
ADR (yen)	25,904	29,279	39,395	27,197	31,466	31,919	31,953	30,921	25,715	28,639	28,387	31,183	30,263	28,454	29,425	+971
RevPAR (yen)	22,614	26,116	38,882	25,755	30,490	31,057	25,945	25,942	23,734	28,467	26,002	26,349	27,660	25,978	26,129	+151
Sales (million yen)	160	179	250	173	225	222	191	188	159	195	171	178	2,297	1,020	1,084	+64

Introduction of Properties (9)

S-13 Ooedo-Onsen Monogatari Kinosaki



Location: Toyooka City,
Hyogo Prefecture

Site area: 11,350㎡

Total floor area: 10,602㎡

Area characteristics

- 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.



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.

(Note) The areas include leasing sections.



Introduction of Properties (10)

S-13 : Kinugawa Kanko Hotel

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	79.6%	91.0%	96.3%	93.3%	85.2%	96.5%	88.4%	73.0%	86.5%	99.7%	87.7%	83.4%	88.4%	87.8%	86.5%	-1.3%
ADR (yen)	24,720	29,321	40,030	26,019	27,421	30,311	32,886	33,872	30,748	34,932	30,423	29,315	30,974	31,241	32,102	+861
RevPAR (yen)	19,677	26,682	38,548	24,275	23,362	29,250	29,071	24,726	26,597	34,827	26,680	24,448	27,381	27,429	27,768	+339
Sales (million yen)	76	102	147	90	93	112	113	97	93	133	101	96	1,257	574	635	+61

S-14 : Oedo-Onsen Monogatari Kinosaki

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.5%	80.1%	95.5%	83.9%	93.6%	86.3%	67.8%	58.6%	63.5%	80.5%	80.2%	70.6%	79.1%	72.3%	70.3%	-2.0%
ADR (yen)	25,704	26,094	30,468	25,473	27,659	27,501	30,955	29,679	27,746	27,547	26,888	29,385	27,859	27,951	28,628	+677
RevPAR (yen)	22,491	20,901	29,096	21,371	25,888	23,733	20,987	17,391	17,618	22,175	21,564	20,745	22,036	20,208	20,125	-83
Sales (million yen)	102	97	128	96	122	111	110	85	75	101	99	93	1,225	569	566	-3

S-1 : Oedo-Onsen Monogatari Reoma Resort (New Reoma Resort)

	2017							2018					Cumulative total	Previous corresponding period cumulative total	4th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Number of guests	26,679	61,424	136,147	31,897	30,354	40,007	61,197	37,096	25,141	45,983	48,411	66,476	610,812	294,194	284,304	-9,890
Sales (million yen)	97	248	615	130	116	151	223	149	97	195	198	257	2,481	1,156	1,121	-35

Financial Indices

Indices	3rd period (Nov. 30, 2017)	4th period (May 31, 2018)	Calculation formula
Ordinary income	421 mn yen	571 mn yen	
Net income	420 mn yen	570 mn yen	
Depreciation	268 mn yen	415 mn yen	
CAPEX	90 mn yen	141 mn yen	
Total assets	29,208 mn yen	39,875 mn yen	
Total net assets	16,171 mn yen	21,220 mn yen	
BPS (Total net assets/unit)	91,777 yen	90,166 yen	
Unit price (End of each period)	86,500 yen	86,300 yen	
Total units outstanding	176,200 units	235,347 units	
Total distribution	421 mn yen	573 mn yen	
DPU	2,392 yen	2,435 yen	
Distribution yield	5.5%	5.7%	DPU (annualized)/Unit price as of end of period
FFO	687 mn yen	984 mn yen	Net income + Depreciation – profit or loss on sale of real estate
FFO per unit	3,903 yen	4,185 yen	
FFO multiple	11.1x	10.3x	Unit price as of end of period/FFO per unit (annualized)
PER	18.1x	17.8x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	0.9x	1.0x	Unit price as of end of period/Net assets per unit
ROA	1.4%	1.7%	Ordinary income/Average of total assets during the period
Annualized	2.9%	3.3%	
ROE	2.6%	3.1%	Net income/Average of total net assets during the period
Annualized	5.2%	6.1%	
NAV	17,369 mn yen	24,332 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV per unit	98,576 yen	103,391 yen	
NAV multiple	0.9x	0.8x	Unit price as of end of period/NAV per unit
Interest-bearing debt	11,624 mn yen	16,807 mn yen	
LTV (book value basis)	39.8%	42.2%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	38.2%	39.1%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	183 days	182 days	

Balance Sheet

	(thousand yen)	
	3rd period (period ended Nov. 30, 2017)	4th period (period ended May 31, 2018)
Assets		
Current assets		
Cash and deposits	1,949,727	2,169,076
Prepaid expenses	116,674	148,184
Consumption taxes receivable	—	547,941
Deferred tax assets	13	16
Other	3,625	4,777
Total current assets	2,070,040	2,869,997
Non-current assets		
Property, plant and equipment		
Buildings	18,263,856	25,777,902
Accumulated depreciation	-662,458	-1,077,075
Buildings, net	17,601,397	24,700,827
Structures	1,259	1,259
Accumulated depreciation	-51	-95
Structures, net	1,207	1,163
Machinery and equipment	—	600
Accumulated depreciation	—	-8
Machinery and equipment, net	—	591
Tools, furniture and fixtures	255	1,005
Accumulated depreciation	-17	-49
Tools, furniture and fixtures, net	237	956
Land	9,263,321	11,988,130
Total property, plant and equipment	26,866,164	36,691,669
Intangible assets		
Leasehold right	157,802	157,802
Software	6,161	5,359
Total intangible assets	163,963	163,161
Investments and other assets		
Long-term prepaid expenses	98,491	141,063
Lease and guarantee deposits	10,000	10,089
Total investments and other assets	108,491	151,153
Total non-current assets	27,138,619	37,005,984
Total assets	29,208,659	39,875,981

	(thousand yen)	
	3rd period (period ended Nov. 30, 2017)	4th period (period ended May 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	63,196	55,254
Short-term loans payable	—	580,000
Current portion of long-term loans payable	723,000	7,499,250
Accounts payable - other	197,098	145,330
Accrued expenses	7,508	12,056
Income taxes payable	870	954
Accrued consumption taxes	20,086	—
Advances received	185,105	261,678
Other	3,731	4,882
Total current liabilities	1,200,597	8,559,406
Non-current liabilities		
Long-term loans payable	10,901,250	8,728,500
Tenant leasehold and security deposits	868,270	1,230,724
Asset retirement obligations	67,397	136,955
Total non-current liabilities	11,836,917	10,096,180
Total liabilities	13,037,515	18,655,586
Net assets		
Unitholders' equity		
Unitholders' capital	15,752,576	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference	-1,762	-2,995
Total deduction from unitholders' capital	-1,762	-2,995
Unitholders' capital, net	15,750,814	20,650,027
Surplus		
Unappropriated retained earnings (undisposed loss)	420,330	570,366
Total surplus	420,330	570,366
Total unitholders' equity	16,171,144	21,220,394
Total net assets	16,171,144	21,220,394
Total liabilities and net assets	29,208,659	39,875,981

Statement of Income

	(thousand yen)	
	3rd period (from June 1, 2017 to November 30, 2017)	4th period (from December 1, 2017 to May 31, 2018)
Operating revenue		
Lease business revenue	1,032,755	1,442,676
Total operating revenue	1,032,755	1,442,676
Operating expenses		
Expenses related to rent business	355,550	522,992
Asset management fee	110,490	125,606
Asset custody fee	1,315	1,715
Administrative service fees	12,397	14,933
Directors' compensations	3,600	3,600
Other operating expenses	30,309	39,522
Total operating expenses	513,663	708,370
Operating income	519,092	734,305
Non-operating income		
Interest income	10	9
Total non-operating income	10	9
Non-operating expenses		
Interest expenses	45,044	64,818
Investment unit issuance expenses	-	22,456
Borrowing related expenses	53,011	73,314
Other	-	2,500
Total non-operating expenses	98,056	163,090
Ordinary income	421,047	571,225
Income before income taxes	421,047	571,225
Income taxes - current	872	955
Income taxes - deferred	2	-3
Total income taxes	874	951
Net income	420,172	570,273
Retained earnings brought forward	157	93
Unappropriated retained earnings (undisposed loss)	420,330	570,366

Debt Status

List of lenders

(as of May 31, 2018)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security
Short term	Sumitomo Mitsui Banking Corporation	580	Base rate (JBA 1-month yen TIBOR)+0.35%	December 4, 2017	November 30, 2018	Unsecured Unguaranteed
Long term	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd. The Iyo Bank, Ltd. The Bank of Fukuoka, Ltd. The Nomura Trust and Banking Co., Ltd. The Shinwa Bank, Ltd.	6,813	Base rate (JBA 3 months Yen TIBOR) + 0.65%	September 1, 2016	May 31, 2019	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation Sumitomo Mitsui Trust Bank, Limited The Mie Bank, Ltd.	3,718	Base rate (JBA 3 months Yen TIBOR) + 0.80%	September 1, 2016	May 29, 2020	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	480	Base rate (JBA 3 months Yen TIBOR) + 1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation The Toho Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,303	Base rate (JBA 3-month yen TIBOR)+0.65%	December 4, 2017	November 30, 2020	Unsecured and unguaranteed
	The Mie Bank, Ltd. The Tochigi Bank, Ltd. The First Bank of Toyama, Ltd. Fukoku Mutual Life Insurance Company The Bank of Kochi, Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,461	Base rate (JBA 3-month yen TIBOR)+0.80%	December 4, 2017	November 30, 2021	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	450	Base rate (JBA 1-month yen TIBOR)+0.35%	May 31, 2018	May 31, 2019	Unsecured and unguaranteed
Total		16,807				

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

Company Name	Ooedo-Onsen Monogatari Group Co., Ltd.
Capital	18 million yen (as of Sep. 21, 2017)
Address	1-9-4 Nihonbashi-honcho, Chuo-ku, Tokyo
Establishment	June 29, 2017 (founded in Nov. 2001)
No. of Employees	1,213 (consolidated, as of end of Feb. 2018)
Representative	Representative Director Mitsumasa Morita

Financial Results (Feb. 2018)
 Consolidated Net Sales: 18,884 million yen
 Consolidated Total Assets: 54,283 million yen
 Net Assets: 10,319 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, 2018, we operate 32 onsen and spa-related facilities

(Note) In consideration of the restructuring that the Ooedo-Onsen Group undertook in 2017, the figures for the fiscal year ended February 28, 2018 are presented based on those in the consolidated financial statements covering the period from June 29, 2017, when the Ooedo-Onsen Monogatari Group was established, until February 28, 2018, the closing date.

Trends in number of facilities

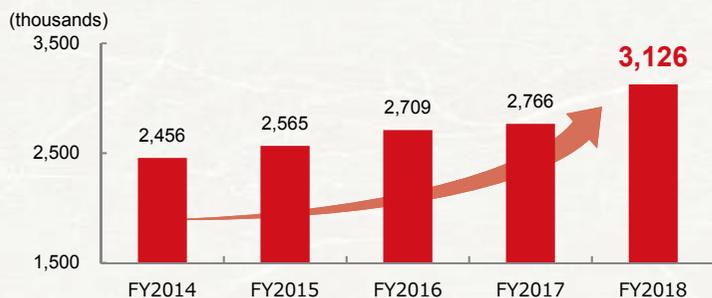
2003	2007	2009	2010	2013	2016	2017	2018			
Opened Ooedo-Onsen Monogatari in Odaiba, Tokyo	Opened Aizu, Ikaho and Nikko Kirifuri, etc.	Opened Urayasu Mangekyo and Yamashitaya	Opened Hotel New Shiobara, Kinugawa Kanko Hotel and Reoma Resort, etc.	Opened Minoh Kanko Hotel, Minoh Onsen Minoh Spa Garden and Toi Marine Hotel	Opened Kounkaku, Masuya and Nagasaki Hotel Seifu	Opened Hotel Suiyotei, Beppu and Gero Shin-kan	Opened Nanki-kushimoto and planned to be opened Kisoji			
										
Odaiba Ooedo-Onsen Monogatari	Ooedo-Onsen Monogatari Aizu	Ooedo-Onsen Monogatari Urayasu Mangekyo	Hotel New Shiobara	Ooedo-Onsen Monogatari Minoh Kanko Hotel	Minoh Onsen Minoh Spa Garden	Ooedo-Onsen Monogatari Masuya	Ooedo-Onsen Monogatari Gero Shin-kan	Ooedo-Onsen Monogatari Hotel Suiyotei	Ooedo-Onsen Monogatari Nanki-kushimoto	Ooedo-Onsen Monogatari Kushimoto



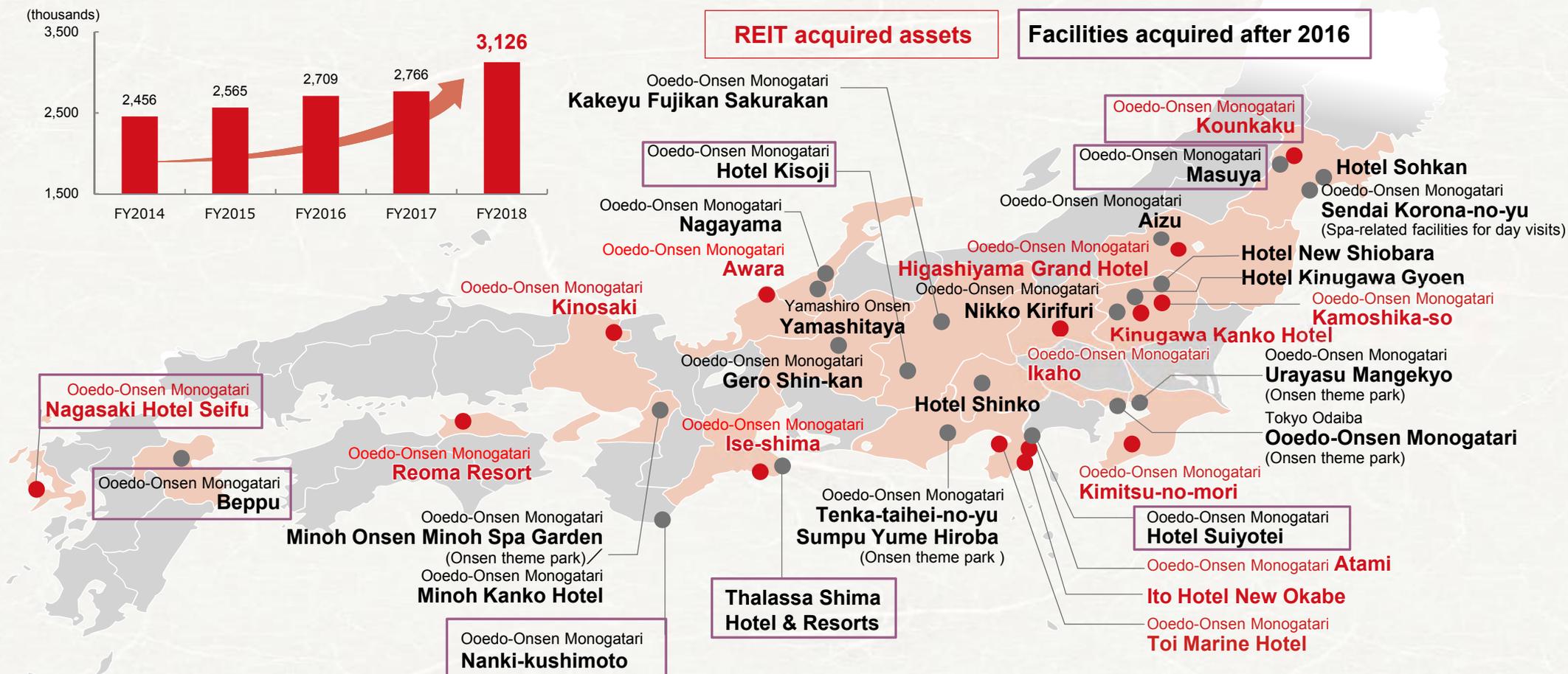
Ooedo-Onsen Monogatari Group (2)

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 nine facilities (Note) since 2016 when the investment corporation was established.

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



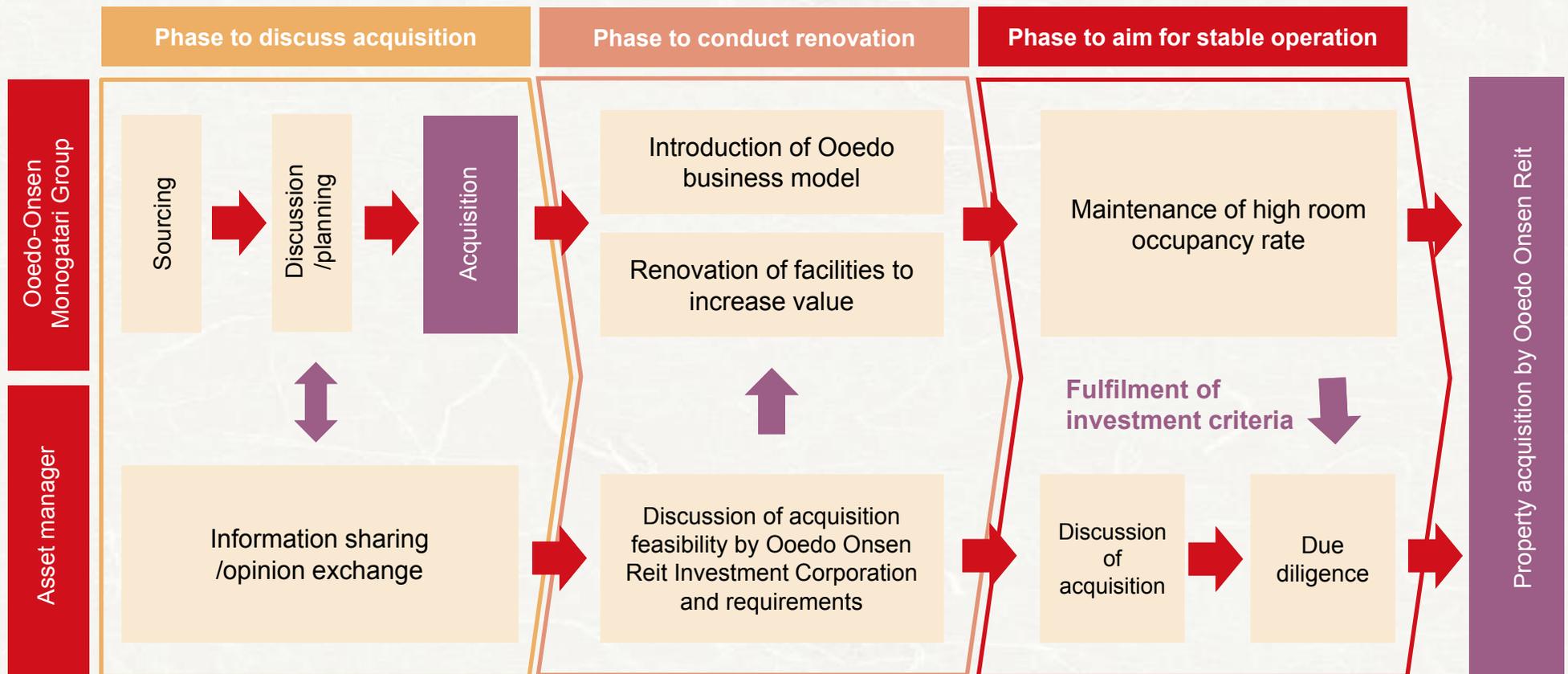
Onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group



(Note) Includes facilities that will be acquired.

Revitalization Process of the Ooedo-Onsen Monogatari Group and Collaboration with the Asset Manager

Considered acquisition in synch with the revitalization process of the Ooedo-Onsen Monogatari Group

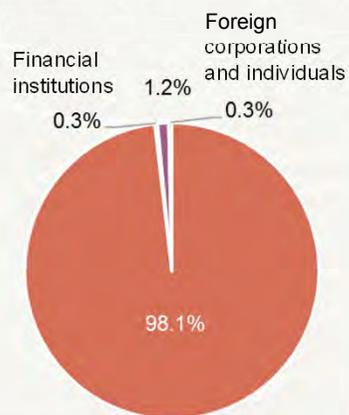


Unitholders Breakdown

Ratio by number of unitholders

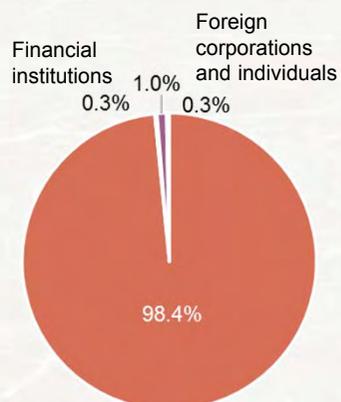
<End of 3rd fiscal period>

13,336 unitholders

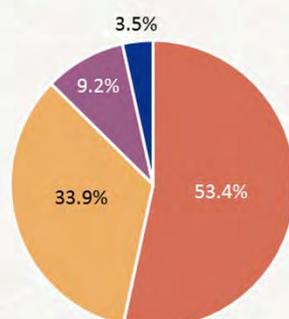
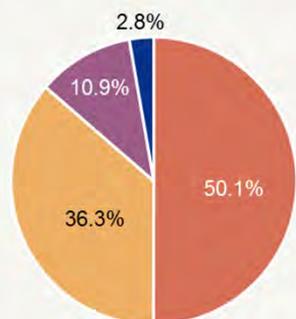


<End of 4th fiscal period>

18,263 unitholders



Ratio by number of investment units



■ Individuals
■ Financial institutions (Incl. securities companies)
■ Other domestic corporations
■ Foreign corporations and individuals

Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust Account)	28,397	12.1%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	25,648	10.9%
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	9,266	3.9%
4	Ooedo-Onsen Mongatari Co., Ltd.	9,246	3.9%
5	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,073	2.2%
6	Sekai Shidokyo	2,090	0.9%
7	BNY FOR GCM CLIENT ACCOUNTS (E) BD	1,295	0.6%
8	BBH FOR VANGUARD GLOBAL EX-U.S. REAL ESTATE INDEX FUND	1,250	0.5%
9	General Incorporated Association UYPartners	1,114	0.5%
10	Individual Investor	1,086	0.5%
Total		84,465	35.9%

Unitholder Benefit Program

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

<p>Commencement period and target unitholders</p>	<p>Targets unitholders listed or recorded on Unitholders' Registry as of May 31, 2018 (record date), end of 4th fiscal period.</p>		
<p>Eligible persons</p>	<p>The program is also available for those other than unitholders with coupons transferred from unit holders (not registered)</p>		
<p>Benefits</p>	<p>Coupons offering discounts of 1,000 yen per coupon from the accommodation fee for applicable facilities on weekdays (excluding specified dates) will be sent</p> <p>① Unitholders holding 5 units or more and less than 10 units <u>1 coupon</u> <u>Equivalent to 1,000 yen</u> ② Unitholders holding 10 units or more <u>2 coupons</u> <u>Equivalent to 2,000 yen</u></p> <p>Coupons can be used together with other discount coupons, etc. provided by Oedo-Onsen Monogatari Group</p>		
<p>Applicable facilities</p>	<p>Onsen and spa-related facilities that are owned by the Investment Corporation in each fiscal period and leased by Oedo-Onsen Monogatari Group</p> <p><Facilities applicable> Oedo-Onsen Monogatari Reoma Resort, Oedo-Onsen Monogatari Ise-shima, Ito Hotel New Okabe, Oedo-Onsen Monogatari Atami, Oedo-Onsen Monogatari Toi Marine Hotel, Oedo-Onsen Monogatari Awara, Oedo-Onsen Monogatari Kamoshika-so, Oedo-Onsen Monogatari Ikaho, Oedo-Onsen Monogatari Kimitsu-no-mori, Oedo-Onsen Monogatari Nagasaki Hotel Seifu, Oedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Oedo-Onsen Monogatari Kinosaki and Oedo-Onsen Monogatari Higashiyama Grand Hotel <14 facilities in total></p> <p>(Note) Red text is additional facilities in the 4th fiscal period ended May 31, 2018</p>		
<p>Schedule of sending and period of validity</p>	<p>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</p> <p>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</p>		

Profile for IR Activities

🦋 IR activities

<Main IR activities>

IR activities for domestic institutional investors

- Conducting IR activities for central/regional investors
- Holding individual meetings, etc.

IR activities for overseas institutional investors

- Participating in global conferences in Japan
- Holding individual meeting in Japan, etc.

IR activities for retail investors

- Holding seminars for private investors
- Participating in fairs for retail investors, etc.

Seminars for retail investors sponsored by securities companies

- Branch office seminars (Matsuyama, Gifu, Tennoji)
- Nationwide caravan to popularize J-REIT (Tottori)
- Other locally-held seminars (Niigata, Ogaki, Sendai and Fukuoka)

Fairs for retail investors

- New Year's SMBC Nikko J-REIT Fair (January 2018)
- TSE IR Festival 2018 J-REIT Corner (March 2018)

Event co-hosted with “Kinyu Joshi .” to learn about “hot spring x investment”

Held two events for retail investors collaborating with “Kinyu Joshi .” on May 24 and June 10, 2018.

The first event was held in a workshop style and the second one took participants on a facility tour of Ito Hotel New Okabe for two days and one night, which is owned by Oedo Onsen Reit.

<1st event: Café Salvador Business Salon (Chuo-ku, Tokyo)>



<2nd event: Ito Hotel New Okabe (Ito City, Shizuoka)>



(Note) “Kinyu Joshi .” is a community for women in their 20's and 30's for sharing financial information at all-female get-togethers.

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.

Governance Structure

Introduction of performance-linked element in asset management fee structure

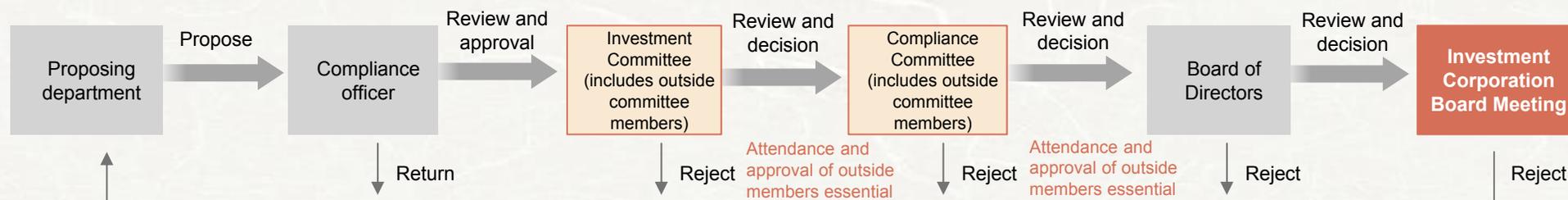
Remuneration paid by the Investment Corporation to the asset manager consists of management fee I, management fee II, acquisition fee, and disposition fee.

Management fee I	Total assets at end of previous accounting period ^(Note1) × 1.0% per annum (ceiling)
Management fee II	Management fee II for previous accounting period × (DPU before deduction of current period management fee II/DPU before deduction of previous period management fee II) × management fee II revised ratio
Acquisition fee^(Note 2)	Acquisition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))
Disposition fee	Disposition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))

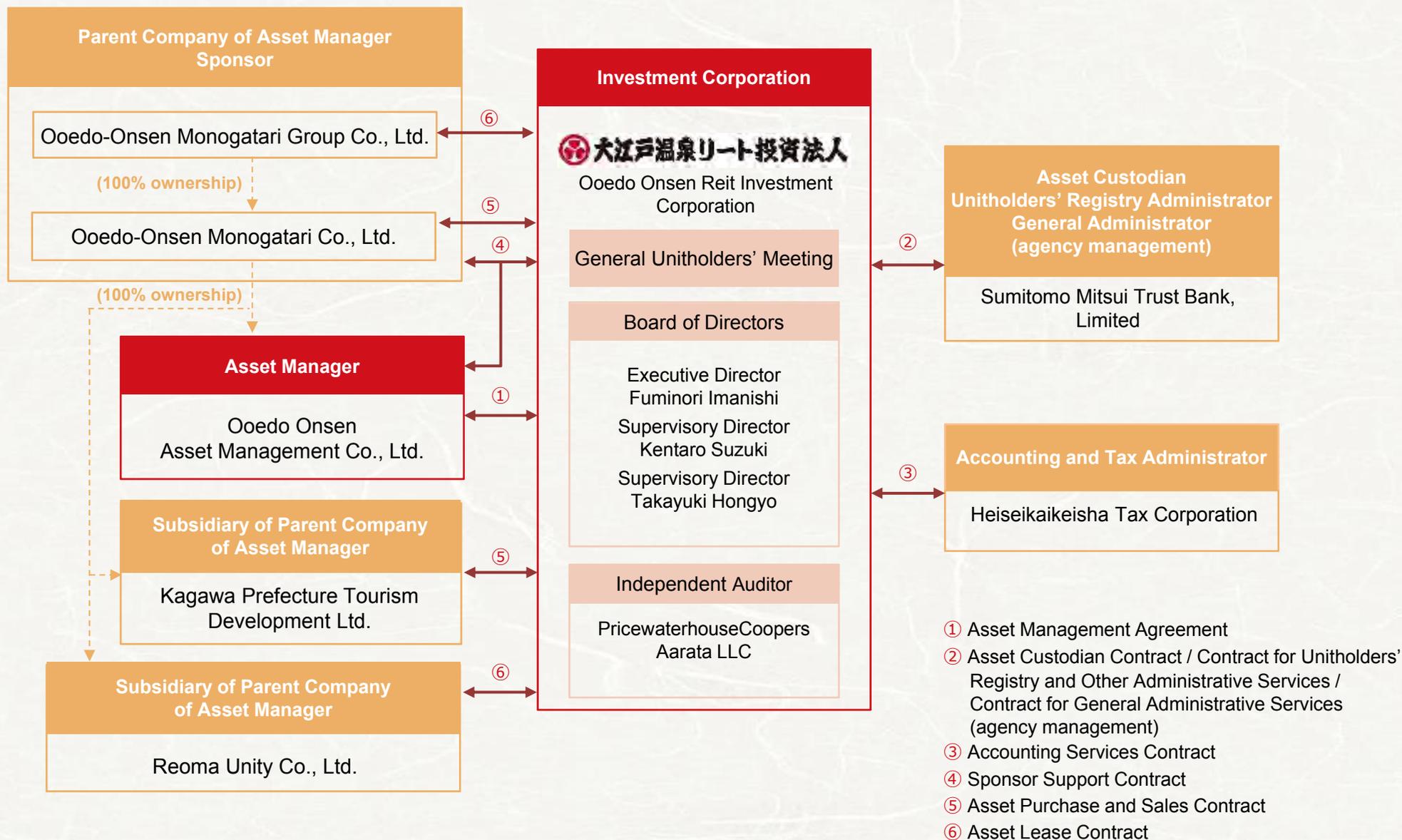
(Note 1) Subject to adjustment for asset acquisitions and asset dispositions during the relevant calculation period.

(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



Overview of Investment Corporation

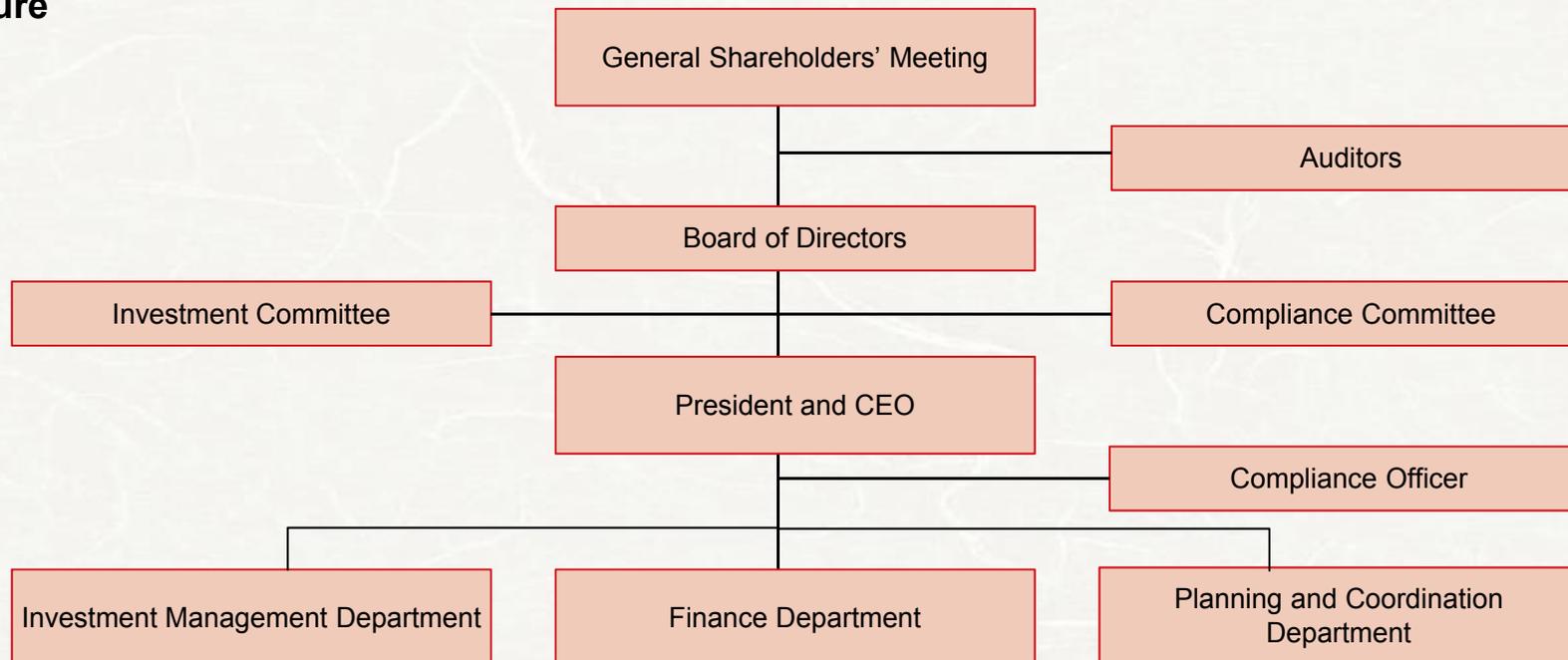


Overview of Asset Manager

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 : 11 (as of May 31, 2018)

Structure



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