

Financial Summary
for the June 2017 Fiscal Period
(from January 1, 2017 to June 30, 2017)

August 22, 2017

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Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
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Start date for dividend distribution	: September 26, 2017

This English language notice is a translation of the Japanese-language notice released on August 22, 2017 and was prepared solely for the convenience of, and reference by, non-Japanese investors. It is not intended as an inducement or solicitation for investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. Readers are advised to read the original Japanese-language notice. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail in all respects.

(values are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended June 30, 2017 (from January 1, 2017 to June 30, 2017)

(1) Operating Results

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Fiscal period ended June 30, 2017	9,260	(2.6)	5,344	(9.9)	4,702	(13.4)	4,702	(13.4)
Fiscal period ended December 31, 2016	9,511	16.6	5,934	17.0	5,431	24.5	5,431	24.5

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2017	1,241	3.5	1.6	50.8
Fiscal period ended December 31, 2016	1,477	4.2	1.9	57.1

(Note) "Net Income per Unit" is calculated based on the average number of investment units during the period and is rounded to the nearest yen. Net income per unit calculated based on the number of investment units issued and outstanding at the end of the each fiscal period ended June 30, 2017 (3,860,824 units) and rounded down to the nearest yen is JPY 1,217.

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Distribution (Including excess profit distribution)		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total	Per Unit	Total		
Fiscal period ended June 30, 2017	JPY 1,243	JPY million 4,799	JPY 21	JPY million 81	JPY 1,264	JPY million 4,880	% 102.1	% 3.5
Fiscal period ended December 31, 2016	1,477	5,429	0	0	1,477	5,429	100.0	4.2

(Note 1) Distribution (excluding excess profit) differs from net income for the fiscal period ended June 2017, since INV distributes almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act, which includes deferred gain on hedge of the interest rate swap.

(Note 2) The distribution in excess of profit for the fiscal period ended June 30, 2017 is JPY 81 million, of which JPY 46 million (JPY 12 per unit) is the allowance for temporary differences adjustment arising from different rules and practices in tax and accounting and JPY 34 million (JPY 9 per unit) is the refund of investment for the purpose of stabilizing distributions.

(Note 3) The "Dividend Payout Ratio" is calculated in accordance with the following formula:

$$\text{Dividend Payout Ratio} = \frac{\text{Distribution Amount (Excluding excess profit distribution)}}{\text{Net Income}} \times 100$$
"Dividend Payout Ratio" is rounded to the nearest one decimal place.

(Note 4) "Distribution/ Net Assets" is calculated based on the figures excluding excess profit distribution.

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended June 30, 2017	306,421	139,062	45.4	36,019
Fiscal period ended December 31, 2016	277,361	131,455	47.4	35,762

(Note) "Net Assets per Unit" is calculated based on the number of investment units issued and outstanding at the end of each period, and is rounded to the nearest yen.

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	JPY million	JPY million	JPY million	JPY million
Fiscal period ended June 30, 2017	6,830	(35,704)	24,257	9,598
Fiscal period ended December 31, 2016	9,818	(8,457)	(3,910)	14,214

2. Forecast for the Fiscal Period ending December 31, 2017 (from July 1, 2017 to December 31, 2017)

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution)	Excess Profit Distribution per Unit	Distribution per Unit (including excess profit distribution)
Fiscal Period ending December 31, 2017	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY	JPY
	10,781	(16.4)	6,512	(21.8)	5,885	(25.1)	5,884	(25.1)	1,524	21	1,545

(Reference) Estimated net income per unit for the fiscal period ending December 31, 2017 is JPY 1,524.

※ Others

(1) Changes in Accounting Policies, Accounting Estimates or Restatements

- (a) Changes in Accounting Policies due to Revisions to Accounting Standards and Other Regulations None
- (b) Changes in Accounting Policies due to Other Reasons None
- (c) Changes in Accounting Estimates None
- (d) Restatements None

(2) Number of Investment Units Issued and Outstanding

- (a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)
- | | | | |
|---------------|-----------|-------------------|-----------|
| June 30, 2017 | 3,860,824 | December 31, 2016 | 3,675,824 |
|---------------|-----------|-------------------|-----------|
- (b) Number of Treasury Units as of the End of the Fiscal Period
- | | | | |
|---------------|---|-------------------|---|
| June 30, 2017 | 0 | December 31, 2016 | 0 |
|---------------|---|-------------------|---|

(Note) Please refer to "Notes Related to Per Unit Information" regarding the number of investment units which is the basis for the calculation of net income per unit.

The Implementation Status of Statutory Audit

At the time of this financial report, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act are yet to be completed.

Explanation on the Appropriate Use of the Forecast of Results and Other Matters of Special Consideration

(Explanation on the Appropriate Use of the Forecast of Results)

The forward-looking statements in this financial report are based on the information currently available to us and certain assumptions which we believe are reasonable. Actual operating performance may differ significantly due to factors we cannot predict as of this date, including gains or losses from the disposition of properties, repayment of borrowings, decreases in rents and changes in operating conditions. Further, there is no guarantee of the payment of the forecast distribution amount.

Please refer to “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2017 (from July 1, 2017 to December 31, 2017),” on page 18 for assumptions used in the forecasts and precautions regarding the use of such forecasts.

Unless otherwise specified herein, amounts less than JPY 1 are rounded down, and ratios are rounded to the nearest one decimal place.

1. Related Companies of the Investment Corporation

Disclosure is omitted because there have been no material changes in the “Structure of the Investment Corporation” section of the latest securities report (filed on March 27, 2017).

2. Management Policy and Operating Conditions

(1) Management Policy

Disclosure of “Investment Policies,” “Investment Targets,” “Distribution Policies” and the “Investment Restriction” is omitted because there have been no material changes from the relevant sections of the latest securities report (filed on March 27, 2017)

(2) Operating Conditions

a Overview of the Fiscal Period Ended June 2017 (“Reporting Period”)

(a) Main Trends of INV

INV was established in January 2002 in accordance with the Investment Trust and Investment Corporation Act (Act No. 198 of 1951, as amended; the “Investment Trust Act”). In May 2004, INV was listed on the Osaka Securities Exchange (application for delisting was made in August 2007), and in August 2006 was listed on the Real Estate Investment and Trust Securities Section of the Tokyo Stock Exchange (Ticker Code: 8963).

After the absorption-type merger with LCP Investment Corporation (“LCP”) was implemented on February 1, 2010, as specified in Article 147 of the Investment Trust Act, with LCP as the absorbed corporation, INV issued new investment units through a third-party allotment on July 29, 2011 and refinanced its debt. Calliope Godo Kaisha (“Calliope”), an affiliate of the Fortress Investment Group LLC (“FIG” and together with Calliope and other affiliates of FIG, collectively the “Fortress Group”) was the main allottee, and the sponsor changed to the Fortress Group.

Ever since the commencement of sponsorship from the Fortress Group, INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (the “Asset Manager”) revised the Investment Guidelines for INV, and positioned hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecasted to rise going forward. As a result of the external growth efforts, INV’s portfolio at the end of the previous period ended December 2016 comprised of 124 properties (48 hotels, 68 residential properties and eight others) with a total acquisition price of JPY 266,619 million. The acquisition price of the portfolio has increased a significant 3.7x, compared to the period as of May 22, 2014, which is the period immediately prior to INV’s initial investment in hotels.

In the Reporting Period, INV determined an issuance of new investment units (the “Public Offering”) and secondary offering on February 22, 2017 in order to acquire two residential properties on March 14, 2017 with funds raised through the Public Offering and new borrowings. One of the two residential properties, Royal Parks Tower Minami-Senju, is now the largest residential asset and second largest asset in the portfolio. INV believes that Royal Parks Tower Minami-Senju has upside in NOI growth through INV’s rent increase program, which has the steady recent track record, and that the transaction added both stability and upside to the portfolio.

In addition, INV acquired Hotel MyStays Premier Hamamatsucho utilizing cash on hand and a new loan on May 29, 2017. The hotel is one of MyStays’ five Premier hotels (Note 1) and has 120 large rooms with a room size of 28.5 m² to comfortably accommodate three to five guests, as well as 14 serviced apartment units. As a result, INV’s portfolio comprised of 127 properties (49 hotels, 70 residential properties and eight others) with a total acquisition price of JPY 299,181 million at the end of the Reporting Period.

Moreover, after the Reporting Period, INV announced a portfolio rebalance, including the future acquisition

of additional 49 rooms at Hotel MyStays Gotanda Station at an estimated 7.3% NOI cap rate and the sale of two non-core assets at a 3.8% NOI cap rate, which improves the overall NOI yield of the portfolio (see “2 (2) b Outlook for the Fiscal Period Ending December 31, 2017” and “c. Significant Subsequent Events” below for the detail of the portfolio rebalance.)

The sale of the two non-core assets closed on July 31, 2017 and the acquisition of the additional rooms is expected to be completed on October 31, 2017 after the satisfactory completion of office space to hotel room conversion.

INV has signed a Memorandum of Understanding (the “MOU”) with affiliates of Fortress Group with respect to preferential negotiating rights regarding the acquisition of hotels and residential properties, which will continue to provide INV with considerable opportunities for external growth. As of the end of the Reporting Period, there are 21 hotels (6,007 rooms) and nine residential properties (743 units) in the MOU.

(Note 1) Five Premier hotels are Hotel MyStays Premier Akasaka, Hotel MyStays Premier Omori, Hotel MyStays Premier Sapporo Park, Hotel MyStays Premier Kanazawa and Hotel MyStays Premier Hamamatsucho, of which INV owns Hotel MyStays Premier Kanazawa and Hotel MyStays Premier Hamamatsucho.

(b) Operational Environment and Performance

For the June 2017 period, the portfolio NOI increased by 12.4% or JPY 886 million to JPY 8,023 million compared to the same period in the previous year (the June 2016 period), with a 5.4% increase from the hotel portfolio and a 6.8% increase from the residential portfolio.

In addition, the portfolio maintained a high average occupancy rate (Note 1) of 97.9%. Commentary on hotel and residential performance in the first half of 2017 is described below.

The NOI at the 40 hotels owned by INV (Note 2) increased by 1.8% for the period compared to the same period in the previous year, with a strong showing for the second quarter (from April 2017 to June 2017). The NOI for the second quarter rebounded, gaining 5.0% compared to the same period in the previous year, after declining 1.8% in the first quarter (from January 2017 to March 2017). The 40 hotels recorded an occupancy rate (Note 3) of 89.0% (-0.8 points YoY), ADR (Note 4) of JPY 9,345 (+0.7% YoY), and RevPAR (Note 5) of JPY 8,320 (-0.2% YoY). The overseas sales ratio (Note 6) at the 38 hotels (Note 7) increased to 33.1% (+4.9 points YoY). Of the total hotel revenue, fixed rents accounted for 47.1% (JPY 2,613 million) and variable rents accounted for 52.9% JPY 2,932 million at the 49 hotels.

Inbound visitors reached a record high of 24.0 million (+21.8% YoY) in 2016 and the increasing trend continues in 2017 (+17.4% YoY as of June, 2017) while government targets are 40 million in 2020 and 60 million in 2030. Japan’s GDP has achieved continuous growth with positive signs in consumer confidence, improvement of domestic employment, as well as wage increase. The hotel segment has been impacted by an increase in supply, however the continued growth in inbound visitors to Japan is much higher than the supply in new hotel rooms. Cancellations of hotel rooms are also a concern, but MyStays Hotel Management Co., Ltd. (“MHM”), a hotel operator in the sponsor group, has increased the level of overbookings to help mitigate this issue. Under these circumstances, INV is working closely with the operators of the hotels, primarily MHM, to proactively address the issues at hand. Specifically, MHM is taking various actions based on extensive operational analysis and customer feedback through TrustYou (Note 8) Analytics to improve the customer experience. MHM expects to increase direct bookings and maximize revenue at time of high demand through promotional campaigns, an improved website and enhanced revenue management analytics. MHM is also focused on the following initiatives such as increasing overbooking ratios strategically in order to offset cancellations, converting a select number of smoking rooms to non-smoking to generate higher ADRs for non-smoking rooms, saving cost for linen and cleaning, increasing services for Chinese speaking guests, and strengthening relations with travel agents, airlines and OTAs (online travel agents) based in China, Hong Kong, Taiwan and Korea to diversify and improve distribution channel. INV believes that these initiatives, along with the continued growth in inbound visitors to Japan will help increase portfolio NOI.

In addition, INV decided to change the hotel operator for one hotel (Note 9) on June 26, 2017.

The NOI (Note 10) of the 70 residential properties (Note 11) increased 2.4% compared to the same period in the previous year, and the average occupancy rate achieved a stable 95.2%, a decrease of 0.9 points compared to the same period in the previous year.

As a continued focus on proactive asset management INV changed the master lessee (“ML”) and property manager (“PM”) for one residential property on April 27, 2017 (Note 12) in order to further improve its operational efficiency and property performance. In addition, INV decided on June 26, 2017 to change ML/PM for four residential properties (Note 13) aiming to increase NOI by JPY 39 million per year on an estimated basis. The change of ML/PM at the four residential properties was determined after the acquisition of Royal Parks Tower Minami-Senju, a flagship residential asset where the role of the property manager is highly sought after. INV was therefore able to negotiate this assignment to reduce the rate of property management fees at the property from 2.7% to 1.5% for Royal Parks Tower Minami-Senju, as well as improve the economics at Royal Parks Seasir Minami-Senju and Royal Parks Momozaka. As a result, the number of ML/PM was consolidated from 10 to nine for 70 residential portfolio.

Trends for rent at city-center residential properties with small-type rooms maintain a moderate increase. Under the positive circumstances in the macro environment, INV continues to focus on its rent increase program for new leases and renewals as well as initiatives to reduce residential leasing costs based on a market analysis of each unit and property. In the Reporting Period, INV realized a rent increase for 61.6% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 3.2% compared to the previous rent across all new leases (Note 14). Specifically, at Royal Parks Tower Minami-Senju, which was acquired during the Reporting Period, INV achieved strong results with a rent increase for 97.6% (based on the number of contracts) of the new lease contracts with an average rent increase of 12.7% compared to the previous rent across all new leases (Note 14).

INV achieved a rent increase for 51.2% (based on the number of contracts) of contract renewals for an average rent increase of 2.1% compared to the previous rent across all renewal leases (Note 14), while maintaining a high contract renewal rate of 81.0% (Note 15). There was a notable increase in rent in the Sendai, Saitama, Kyoto, Osaka and Hyogo areas, which achieved a rent increase for 47.6% (based on the number of contracts) of renewal contracts for an average rent increase of 1.9% compared to the previous rent (Note 14) across all renewal leases in these areas, even though these areas did not achieve rent increases for contract renewals in the previous year. These areas particularly benefited from the change of ML/PM for 16 residential properties in December 2016 and one residential property in January 2017.

The total appraisal value of 127 properties at the end of the Reporting Period was JPY 363,502 million. The portfolio has an unrealized gain of JPY 70,964 million (Note 16) and an unrealized gain ratio of 24.3% (Note 16). Due to the internal growth and trends in the real estate investment and rental market, the total appraisal value of 124 properties, which were owned as of the end of December 2016 period, increased by 0.6% from JPY 328,192 million at the end of December 2016 period to JPY 330,102 million at the end of the Reporting Period.

Key Performance Indicators of 40 Hotel Properties (Note 2)

	June 2017 fiscal period	Year-on-year change
Occupancy Rate	89.0%	-0.8pt
ADR (JPY)	9,345	+0.7%
RevPAR (JPY)	8,320	-0.2%
GOP (JPY million) (Note 17)	5,365	+1.6%

Key Performance Indicators of 70 Residential Properties (Note 11)

	June 2017 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	95.2%	-0.9pt
Average Rent per Tsubo per Month (JPY) (Note 18)	9,595	+1.6%
NOI (JPY million) (Note 10)	2,597	+2.4%

(Note 1) “Occupancy Rate” for the entire portfolio and for the residential properties is calculated by dividing

the sum of total leased area by the sum of total leasable area at the end of each month during the relevant period.

- (Note 2) Of the 49 acquired hotels, the following nine hotels with fixed-rent lease agreements are excluded: Super Hotel Shinbashi/ Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo-JR Tachikawa Kitaguchi, Super Hotel JR Ueno-iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel. The figures assume that all properties acquired in and after 2016 by INV had been owned since January 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers.
- (Note 3) "Occupancy rate" for the hotel properties is calculated in accordance with the following formula:
Occupancy rate = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)
Hereinafter the same shall apply.
- (Note 4) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply.
- (Note 5) "RevPAR" means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.
- (Note 6) "Overseas sales ratio" is the ratio of sales amount through overseas web agents to revenues.
- (Note 7) Of the 49 acquired hotels, 11 hotels, APA Hotel Yokohama-Kannai, Super Hotel Shinbashi/ Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo-JR Tachikawa Kitaguchi, Super Hotel JR Ueno-iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel, the tenants of which do not disclose the overseas sales ratio; and Hotel MyStays Kanda, which was not fully operating from May 20, 2016 through August 22, 2016 due to renovation in 2016, are excluded. The figures assume that all hotels acquired in and after 2016 by INV had been owned since January 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers.
- (Note 8) "TrustYou" analyzes hundreds of millions of travel reviews and is one of the world's largest guest feedback platforms.
- (Note 9) The operator of Hotel Vista Premio Dojima was changed to MHM on August 1, 2017. In connection with the change, the property name was changed from Hotel Vista Premio Dojima to Hotel MyStays Dojima.
- (Note 10) For the comparison of NOI of the 70 properties, insurance income and related repair expenses, which are temporary items, are excluded.
- (Note 11) The figures assume that all residential properties acquired in and after 2016 by INV had been owned since January 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers.
- (Note 12) ML and PM for Belle Face Ueno-Okachimachi were changed on May 1, 2017.
- (Note 13) ML and PM for Royal Parks Shinden and Royal Parks Momozaka were changed on July 1, 2017 and August 1, 2017 respectively, and will be changed for both Royal Parks Tower Minami-Senju and Royal Parks Seasir Minami-Senju on December 1, 2017.
- (Note 14) Increase or decrease in the sum of monthly rents on new or renewal contracts, or the total of both, compared with the sum of previous rents.
- (Note 15) Renewal rate is calculated by the number of renewed contracts during the relevant period divided by the number of contracts due up for renewal during the relevant period
- (Note 16) The unrealized gain is calculated using the following formula: the appraisal value as of the end of

the Reporting Period - book value as of the end of the Reporting Period.

The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period.

(Note 17) "GOP," means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues. Hereinafter the same shall apply.

(Note 18) "Average Rent per Tsubo per Month" is calculated by dividing the total rental revenue including common area charges for each month by the sum of total leased area at the end of each month during the relevant period.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 163,990 million and the Interest-Bearing Debt ratio (Note 1) and LTV (Note 2) were 53.5% and 45.1% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.50%.

(i) Equity Finance

INV executed a Public Offering which closed on March 13, 2017 (number of new investment units issued: 185,000; total issue value: JPY 8,393 million) in order to procure part of the funds for the acquisition of two residential properties.

(ii) Debt Finance

In tandem with the equity finance as described in (i) above, INV borrowed a new loan, New Syndicate Loan (G) (amount borrowed: JPY 11,250 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.4%, 0.5% and 0.6% for durations of three, four and five years), which was arranged by Mizuho Bank, Ltd., and Term Loan (F) (amount borrowed: JPY 3,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.45% for duration of three and a half years) on March 14, 2017 in order to pay a portion of the acquisition price and related expenses for the acquisition of two residential properties.

As a result of New Syndicate Loan (G), the number of INV's lenders increased to 22, with The Towa Bank, Ltd., The Dai-ichi Life Insurance Company, Limited and The Gunma Bank, Ltd. added to the bank formation.

INV also borrowed a new loan, Term Loan (G) (amount borrowed: JPY 7,321 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.55% for duration of four and a half years) from Mizuho Bank, Ltd. on May 29, 2017 in order to pay a portion of the acquisition price and related expenses for the acquisition of one hotel.

(Note 1) Interest-Bearing Debt ratio uses the calculation formula below:

$$\text{Interest-Bearing Debt ratio} = \text{total outstanding interest-bearing debt} / \text{total assets} \times 100$$

(Note 2) LTV uses the calculation formula below:

$$\text{LTV} = \text{total outstanding interest-bearing debt} / \text{total appraisal value} \times 100$$

(Note 3) The average interest rate (annual rate) is calculated by the weighted average based on the outstanding balance of borrowings and rounded to two decimal places.

(d) Overview of Acquisition of Assets

The overview of two residential properties acquired on March 14, 2017 is as follows:

Use	Property number	Property name	Location	Acquisition price (JPY million) (Note 1)	Appraisal value (JPY million) (Note 2)	Seller	Category of specified asset
Residential	A105	Royal Parks Tower Minami-Senju	Arakawa-ku, Tokyo	21,879	22,100	Sakura Tokutei Mokuteki Kaisha	Trust beneficiary interest
	A106	Royal Parks Seasir Minami-Senju	Arakawa-ku, Tokyo	2,683	2,710	Momo Tokutei Mokuteki Kaisha	
Total				24,562	24,810		

(Note 1) Acquisition price does not include property taxes, city planning taxes, national or local consumption taxes; hereinafter the same.

(Note 2) The appraisal value is as of December 1, 2016 based on the appraisal reports by Japan Real Estate Institute.

The overview of one hotel acquired on May 29, 2017 is as follows:

Use	Property number	Property name	Location	Acquisition price (JPY million)	Appraisal value (JPY million) (Note 1)	Seller	Category of specified asset
Hotel	D49	Hotel MyStays Premier Hamamatsucho	Minato-ku, Tokyo	8,000	8,090	Septentrio 2 Tokutei Mokuteki Kaisha	Trust Beneficiary Interest

(Note 1) The appraisal value is as of April 30, 2017 based on the appraisal report by Japan Real Estate Institute.

(e) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period decreased by JPY 250 million from the previous period (-2.6%) to JPY 9,260 million, and net income decreased by JPY 728 million from the previous period (-13.4%) to JPY 4,702 million. The distribution per unit ("DPU") for the Reporting Period was JPY 1,264, an decrease of JPY 213 (-14.4%) compared to the previous period.

The majority of INV's owned hotels use a variable rent scheme linked to performance of the relevant hotel. Hotel demand is affected by seasonal factors and the December ending fiscal periods (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the June ending fiscal periods (from January to June). Accordingly, INV's rental revenues tend to be higher in the December ending fiscal periods than in the June ending fiscal periods.

INV aims to include maximum profit distributions (excluding excess profit distribution) in deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Taxation Measures Law (Act No. 26 of 1957; as amended), and decided to distribute almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, except for fractional distribution per unit less than JPY 1.

INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in

distribution, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period. INV may also consider making distributions in excess of profits for the purpose of mitigating the impact of corporate tax increase arising from different rules and practices in tax and accounting, such as treatment on depreciation of fixed term land lease or asset retirement obligation.

With respect to the June 2017 period, INV intends to make distributions in excess of profits for JPY 46 million (JPY 12 per unit) in order to cope with the discrepancy between tax and accounting treatment for the June 2017 period. INV also intends to make distributions in excess of profits for JPY 34 million (JPY 9 per unit) in order to stabilize distributions since net income per unit decreases temporarily due to one-off expenses in connection with the Public Offering and borrowings in March 2017. As a result, the DPU (including excess profit distribution) for the June 2017 period is JPY 1,264.

b Outlook for the Fiscal Period Ending December 31, 2017

The DPU (including excess profit distribution) for the December 2017 period is forecast to be JPY 1,545 (+4.6% YoY); the full year DPU (including excess profit distribution) for calendar year 2017 is forecast to provide steady growth of JPY 2,809 (+5.5% YoY).

Future operational policy and issues to be addressed

Since July 2011, INV has enhanced unitholder value by significantly increasing DPU and financial stability with the Fortress Group as its sponsor. Going forward, INV will continue to implement various strategies to maintain further growth and financial stability, including the following measures.

- Continuous acquisition of properties from large pipeline provided by the sponsor and third parties
- Further internal growth at hotel and residential properties
- Diversification of financing measures including the issuance of investment corporation bonds and extension and diversification of loan maturities

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated, and residential properties especially where rental growth can be achieved. Rent revenue from residential assets and other assets as well as the fixed rent portion from hotels will also contribute to more stable revenue, which was 69.7% of total revenue (Note 1). This acquisition strategy will enable INV to build a portfolio with a good balance between growth and stability.

In regards to hotels, INV will take into consideration the trends in foreign travelers visiting Japan, demands of business and leisure customers in nearby areas, and leasing contract types when making investment decisions, with the aim of acquiring properties where growth and stability of GOP and rental revenue are forecasted to increase. On July 25, 2017, INV decided to acquire a portion ((i) a portion of the first floor and (ii) the entire of the second and third floor) of the annex building of Hotel MyStays Gotanda Station, after considering its attractive yield which is expected to improve the profitability of overall portfolio as well as the Hotel MyStays Gotanda Station. The acquisition of the 49 additional rooms at Hotel MyStays Gotanda Station is to be made on condition precedent that the conversion work from office space to new hotel rooms is completed, with the anticipated closing date of October 31, 2017

In regards to residential properties, INV will analyze occupancy rates, rental market trends, the presence of competing properties among other factors, and consider acquiring properties that have mainly small-type rooms with strong competitiveness in large cities, in which it believes it can achieve increases in rent.

INV has achieved steady external growth via the sponsor pipeline from the Fortress Group, as follows.

Properties Acquired from affiliates of the Fortress Group (as of the date of this document)

Date	Properties acquired	Total acquisition price
September 2012	24 residential properties	JPY 14,043 million
May 2014	Two hotels	JPY 5,435 million
July 2014	18 hotels	JPY 39,938 million
February 2015	Two hotels	JPY 4,911 million
July 2015	11 hotels and three residential properties	JPY 35,258 million
August 2015	One hotel	JPY 5,069 million
January 2016	Five hotels and one residential property	JPY 10,207 million
March 2016	Four hotels and one residential property	JPY 66,697 million
June 2016	Two hotels	JPY 15,900 million
March 2017	Two residential properties	JPY 24,562 million
May 2017	One hotel	JPY 8,000 million
Total	77 properties (of which 46 are hotels and 31 are residential properties)	JPY 230,020 million (of which hotels: JPY 178,382 million; residential: JPY 51,638 million)

The Fortress Group manages four dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, and III. The Fortress Group's committed equity is over JPY 300 billion and the number of properties that the Fortress Group is invested in exceeds 1,400. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 21 hotels and nine residential properties (see the table below) (Note 2). In addition, by utilizing the property transaction information available through the Fortress Group and INV's own network, INV will continuously consider and implement the acquisitions of properties from third parties that will contribute to stability and growth in revenue and cash flow and an increase in DPU.

No.	Asset name	Asset type (Note 3)	Location	No. of rooms
1	Hotel MyStays Premier Akasaka	Limited Service Hotel	Minato-ku, Tokyo	327
2	Hotel MyStays Yokohama Kannai	Limited Service Hotel	Yokohama-shi, Kanagawa	165
3	RIHGA Royal Hotel Kyoto	Full Service Hotel	Kyoto-shi, Kyoto	489
4	Narita Excel Hotel Tokyu	Full Service Hotel	Narita-shi, Chiba	706
5	Hotel MyStays Premier Sapporo Park	Full Service Hotel	Sapporo-shi, Hokkaido	418
6	Hotel MyStays Sapporo Station	Limited Service Hotel	Sapporo-shi, Hokkaido	242
7	Hotel MyStays Oita	Limited Service Hotel	Oita-shi, Oita	145
8	Art Hotel Hirosaki City	Full Service Hotel	Hirosaki-shi, Aomori	134
9	Beppu Kamenoi Hotel	Resort Hotel	Beppu-shi, Oita	322
10	Fusaki Resort Village	Resort Hotel	Ishigaki-shi, Okinawa	195
11	Sheraton Grande Tokyo Bay Hotel	Full Service Hotel	Urayasu-shi, Chiba	1,016
12	Hotel MyStays Shin Osaka Conference Center	Limited Service Hotel	Osaka-shi, Osaka	397
13	Art Hotel Asahikawa	Full Service Hotel	Asahikawa-shi, Hokkaido	265
14	Hotel MyStays Kanazawa Castle	Limited Service Hotel	Kanazawa-shi, Ishikawa	206
15	Hotel MyStays Matsuyama	Full Service Hotel	Matsuyama-shi, Ehime	161
16	Hotel MyStays Ueno East	Limited Service Hotel	Taito-ku, Tokyo	150

No.	Asset name	Asset type (Note 3)	Location	No. of rooms
17	(Tentative) Hotel MyStays Honmachi 3-chome (Note 4)	Limited Service Hotel	Osaka-shi, Osaka	120
18	Hotel MyStays Sapporo Nakajima Park	Limited Service Hotel	Sapporo-shi, Hokkaido	86
19	Flexstay Inn Sakuragicho	Limited Service Hotel	Yokohama-shi, Kanagawa	70
20	MyCUBE by MYSTAYS Asakusa Kuramae	Limited Service Hotel	Taito-ku, Tokyo	161
21	Hotel MyStays Premier Omori	Limited Service Hotel	Shinagawa-ku, Tokyo	232
Hotel subtotal				6,007
22	Gran Charm Hiroo	Residential/Small Type	Shibuya-ku, Tokyo	121
23	Plestay Win Kinshicho	Residential/Small Type	Sumida-ku, Tokyo	92
24	Gran Charm Kichijoji	Residential/Small Type	Musashino-shi, Tokyo	28
25	Green Patio Noda	Residential/Small Type	Noda-shi, Chiba	240
26	Dainichi F-45	Residential/Small Type	Urayasu-shi, Chiba	54
27	Gran Charm Urayasu	Residential/Small Type	Urayasu-shi, Chiba	54
28	Gran Charm Urayasu 5	Residential/Small Type	Urayasu-shi, Chiba	54
29	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa-shi, Chiba	52
30	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa-shi, Chiba	48
Residential property subtotal				743

(Note 1) The percentage indicates composition of annual rent revenue based on the 2016 actual results of annual rent revenue for all of the properties owned by INV and on the assumption that all properties acquired in and after 2016 by INV had been owned since January 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers. With regard to Hotel MyStays Premier Hamamatsucho, the 2017 revenue forecast (January-April: Actual / May-December: Forecast) estimated by INV is used, as the revenue in 2016 temporarily declined due to the renovation work from August 2016 to November 2016.

(Note 2) The term of validity of the MOU is from December 22, 2016, the date of execution of the updated MOU, to December 21, 2017. Regarding the 30 properties listed above, there is no guarantee that INV will be granted an opportunity for considering acquisition of the properties or be able to acquire the properties.

(Note 3) Each "Asset Type" above is as follows:

"Limited Service Hotel" refers to a hotel focusing on revenues from room stay and offer limited service regarding foods and beverages, banquet, spa or gymnasium facilities.

"Full Service Hotel" refers to a hotel having segments of stay, foods and beverages, and banquet.

"Resort Hotel" refers to a hotel located at tourist destinations or recreational lots, having segments of stay, foods and beverages, and incidental facilities.

"Small Type" refers to a residential property in which the majority of dwelling units are less than 30 m².

(Note 4) (Tentative) Hotel MyStays Honmachi 3-chome is scheduled to be completed in November 2017 and open in December 2017.

Property Sales

While INV places priority on increasing unitholders' value through external growth by taking into account the increased level of activity in the real estate trading market, it also considers the possibility of portfolio optimization upon consideration of the portfolio sector composition, geographic distribution and competitiveness of each property, as appropriate.

On July 25, 2017, INV decided to sell one office building (Kindai Kagaku Sha Building) and one parking

lot (Times Kanda-Sudacho 4th). The portfolio rebalance, whereby acquiring the an additional portion of Hotel MyStays Gotanda Station at an estimated NOI cap rate of 7.3% (Note 1) and selling two non-core assets at a 3.8% NOI cap rate, is expected to improve the overall NOI yield for the portfolio. The sale of the two non-core assets, which were sold at prices exceeding both the book and appraisal values, was completed on July 31, 2017, and the acquisition of an additional portion of Hotel MyStays Gotanda Station as described above, is expected to be closed on October 31, 2017.

(Note 1) Calculated by dividing the NOI of Hotel MyStays Gotanda Station to be increased after the additional acquisition as estimated by INV as of the time of acquisition decision by the anticipated acquisition price, which is rounded to one decimal place. As the anticipated acquisition price may change as described below in “c. Significant Subsequent Events”, the estimated NOI cap may vary.

(ii) Strategy for internal growth

(Hotels)

Of the 49 hotels owned by INV as of the end of the Reporting Period, 40 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting management fees for the hotel operator as rents, and as a result INV can directly enjoy the hotel revenue upside. In the case where GOP enters into a downward trend, INV could take advantage from the fixed rent portion or downside floor to protect itself from further loss. For 35 hotels (Note 1), MHM has implemented sophisticated revenue management seeking to maximize revenue. INV will continue to accurately ascertain and analyze operating conditions of its hotels, the conditions of nearby hotels, market trends and other factors through operation meetings and other contact with hotel operators and will focus on operations that maximize rent income.

(Residential properties and others)

INV will continue to strengthen its collaborative ties with PM and brokers to further boost occupancy rates and earning capabilities of its properties. With respect to INV's residential properties, while keeping in mind the off-season in the residential rental market that occurs during the December 2017 period, INV will focus on increasing the occupancy rate and rent for both new lease contracts and lease renewals for each of its properties as well as formulating net leasing cost reduction policies in order to continue maximizing profits.

Further, the implementation of appropriate maintenance and repair plans is of the utmost importance in maintaining and enhancing the competitiveness and market value of the properties as well as ensuring stable operations and high tenant satisfaction. Therefore, INV will continue to monitor current strategic plans with flexible implementation as it sees fit. Especially for hotels, INV will carefully execute the plans for renovations and replacement of fixtures and fittings in order to maintain and increase revenues.

(Note 1) Hotel MyStays Dojima (former Hotel Vista Premio Dojima), whose operator was changed effective on August 1, 2017, is included.

(iii) Financial strategy

In the Reporting Period, INV has added new lenders and strengthened its relationship with existing lenders through the Public Offering and new borrowings in March 2017, in order to further stabilize its financial base. Going forward, INV will work on diversifying financing measures including issuing investment corporation bonds. Also, INV seeks to maximize unitholders' value by way of extension of loan tenor, diversification of loan maturity dates, further reduction of borrowing costs and improvement of its credit rating.

(iv) Compliance risk management

While the executive officer of INV concurrently serves as the representative director at the Asset Manager, two supervisory directors (an attorney and a certified public account) oversee the execution of the executive officer's duties via the Board of Directors of INV. In addition, the compliance officer of the Asset Manager

attends each meeting of the Board of Directors in the capacity of an observer.

The Asset Manager has a compliance officer who is responsible for compliance with laws, regulations and other relevant matters as well as overall management of transactions with sponsor related parties. Moreover, it has in place a compliance committee which, chaired by such compliance officer, is in charge of deliberating on compliance with laws, regulations and other relevant matters as well as transactions with sponsor related parties. Compliance committee meetings are attended by an outside expert (an attorney) who, sitting in as a compliance committee member, conducts rigorous deliberations on the existence of conflicts of interest in transactions with sponsor related parties as well as strict examinations with respect to INV's compliance with laws and regulations.

INV intends to continually take steps to strengthen its compliance structure.

c Significant Subsequent Events

On July 25, 2017, INV decided to sell one office building and one parking lot (the "Sale of Assets") and to acquire a portion ((i) a portion of the first floor and (ii) the entire of the second and third floor) of the annex building of Hotel MyStays Gotanda Station (the "Additional Acquisition") with cash on hand including the sale proceeds from the Sale of Assets. The Additional Acquisition will add 49 hotel rooms to Hotel MyStays Gotanda after the completion of the conversion work from office space to new hotel rooms. The Sale of Assets closed on July 31, 2017. As a result, INV's portfolio comprises of 125 properties (49 hotels, 70 residential properties and six others) with a total acquisition price of JPY 297,781 million as of the date of this document. The total acquisition price is expected to increase to JPY 299,661 million after the Additional Acquisition which is expected to close on October 31, 2017.

(a) Property Sales

The Asset Manager decided to sell one office building and one parking lot, and Sales of Assets has been closed on July 31, 2017 as follows:

Use	Property number	Property name	Acquisition price (JPY million)	Book value (JPY million) (Note 1)	Sales price (JPY million) (Note 2)	Difference b/w sales price and book value (Note 1)	Transferee	Category of specified asset
Office Building	B08	Kindai Kagaku Sha Building	1,301	1,201	1,361	159	Undisclosed (Note 3)	Trust Beneficiary Interest (Note 4)
Parking Lot	C01	Times Kanda-Sudacho 4th	97	100	130	29	Wastec HOLDINGS Co., Ltd.	Real Property
Total			1,398	1,301	1,491	188		

(Note 1) The book values are anticipated amount as of July 31, 2017. The difference between sales price and book value is provided for reference purpose. INV estimates to recognize a gain on sales of JPY 120 million (of which, JPY 96 million for Kindai Kagaku Sha Building, and JPY 23 million for Times Kanda-Sudacho 4th) in the December 2017 period, after deducting sales-related expenses.

(Note 2) Sales prices do not include adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes.

(Note 3) The name of the transferee is not disclosed, as the transferee's consent has not been obtained for disclosure.

(Note 4) The trust beneficiary interest of Kindai Kagaku Sha Building was integrated in a single trust account with other trust accounts when INV procured funds through debt financing backed by trust assets in July 2011. In transferring the sole trust beneficiary interest of Kindai Kagaku Sha Building by itself, INV incurred some expenses to detach the asset from the integrated trust account.

(b) Property Acquisition

The Asset Manager decided to acquire an additional portion of a hotel (Note 1) with the anticipated closing date of October 31, 2017 as follows:

Use	Property number	Property name	Location	Anticipated acquisition price (JPY million) (Note 3)	Appraisal value (JPY million) (Note 4)	Seller	Category of specified asset
Hotel	D43	Hotel MyStays Gotanda Station (Additional Acquisition Portion) (Note 2)	Shinagawa-ku, Tokyo	1,880	2,600	Undisclosed (Note 5)	Trust beneficiary interest

(Note 1) INV will conduct Additional Acquisition by assuming the buyer's position in the "Purchase and Sale Agreement of Trust Beneficiary Interest" dated May 12, 2017 (the "PSA"), between the seller above and Gotanda Godo Kaisha, the original buyer.

(Note 2) Hotel MyStays Gotanda Station, INV's portfolio property, comprises two buildings adjacent to each other, the Main Building and the Annex Building, and INV currently owns the entire portion of the Main Building and a portion of the Annex Building. The hotel (the "Existing Hotel Portion") has been operated as a portion of each of the Main Building and the Annex Building that are owned by INV. The portion INV will acquire this time is (i) a portion of the first floor of the Annex Building and (ii) the entire second and third floor of the Annex Building (collectively, the "Floor Expansion Portion"), totaling 1,385.46 m². Conversion work to convert office space to hotel rooms (the "Conversion") has been implemented by the seller in an aim to add 49 hotel rooms. Upon the completion of the Conversion, INV will complete the Additional Acquisition and thus aims to operate the Existing Hotel Portion and the Floor Expansion Portion together in an efficient manner.

(Note 3) Anticipated acquisition price is the total of (i) purchase price set forth in the PSA, (ii) expenses with regard to the Conversion, (iii) transfer price of the furniture, fixture and equipment (FF&E), and other expenses. Expenses with regard to the Conversion and transfer price of the furniture, fixture and equipment (FF&E) are estimated amount as of the date of the acquisition decision, and are subject to change. Moreover, the anticipated acquisition price does not include adjustments for fixed asset taxes or city planning taxes, as well as national or local consumption taxes.

(Note 4) As the Floor Expansion Portion is under construction, the appraisal value shows the research value set forth in the research report on the valuation date of June 30, 2017, issued by Morii Appraisal & Investment Consulting, Inc. The research value shows the difference between (i) the research value of Existing Hotel Portion and Floor Expansion Portion combined, assuming the completion of the Conversion (JPY 27,400 million) and (ii) the research value for the Existing Hotel Portion before the Additional Acquisition (JPY24,800 million).

(Note 5) The name of the seller is not disclosed, as the seller's consent has not been obtained for disclosure.

d Operational Outlook

The forecast of financial results for the fiscal period ending December 31, 2017 is as follows.

Fiscal period ending December 31, 2017 (from July 1, 2017 to December 31, 2017)

Operating Revenues	JPY 10,781 million
Operating Income	JPY 6,512 million
Ordinary Income	JPY 5,885 million
Net Income	JPY 5,884 million
Total Distribution Amount (Including excess profit distribution)	JPY 5,964 million
Net Income per Unit	JPY 1,524
Distribution per Unit (Excluding excess profit distribution)	JPY 1,524
Excess Profit Distribution per Unit	JPY 21
Distribution per Unit (Including excess profit distribution)	JPY 1,545

For the assumptions underlying the operational outlook for the fiscal period ending December 31, 2017, please see "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2017 (from July 1, 2017 to December 31, 2017) ."

(Cautionary Note regarding Forward Looking Statements)

Forward looking statements such as the forecasts set forth herein are based on information currently available and certain assumptions that are deemed reasonable. Actual operating performance may vary significantly due to factors not foreseen at the time of this present notice, such as the occurrence of gains and losses associated with the sale of properties, repayment of borrowings and a decrease in rent received. Also, this forecast is not a guarantee of distribution amounts.

<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2017 (from July 1, 2017 to December 31, 2017) >

Item	Assumptions										
Fiscal period	The 29 th fiscal period: from July 1, 2017 to December 31, 2017 (184 days)										
Assets under management	<p>Properties held as of the end of the 29th fiscal period: 125 properties</p> <p>The assets under management are based on the 125 properties held by INV as of today and INV assumes that there will be no change such as acquisition of new properties or disposition of properties held by INV through the end of the fiscal period ending December 2017, except for the acquisition of an additional portion of Hotel MyStays Gotanda Station expected to be closed on October 31, 2017.</p>										
Units outstanding	<p>As of the end of the 29th fiscal period: 3,860,824 units</p> <p>INV assumes that there will be no additional issuance of units through the end of the fiscal period ending December 2017.</p>										
Interest-bearing liabilities	<p>Balance as of the end of the 29th fiscal period: JPY 163,990 mn</p> <p>INV assumes that there will be no other borrowings or prepayments through the end of the fiscal period ending December 2017.</p>										
Operating revenues	<p>INV expects to record rental revenues as follows:</p> <table data-bbox="571 1081 1230 1238" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;">December 2017 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Rental revenues</td> <td style="text-align: right;">JPY 10,781 mn</td> </tr> <tr> <td> (of these, hotel rents)</td> <td style="text-align: right;">(JPY 6,604 mn)</td> </tr> <tr> <td> (fixed hotel rents)</td> <td style="text-align: right;">(JPY 3,340 mn)</td> </tr> <tr> <td> (variable hotel rents)</td> <td style="text-align: right;">(JPY 3,264 mn)</td> </tr> </tbody> </table> <p>Rental revenues for the fiscal period ending December 2017 are calculated based on estimates as of today from July 2017 to December 2017. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.</p> <p>The majority of INV's owned hotels use a variable rent scheme linked to performance of the relevant hotel. Hotel demand is affected by seasonal factors and the December ending fiscal periods (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the June ending fiscal periods (from January to June). Accordingly, INV's rental revenues tend to be higher in the December ending fiscal periods than in the June ending fiscal periods.</p>		December 2017 Fiscal Period	• Rental revenues	JPY 10,781 mn	(of these, hotel rents)	(JPY 6,604 mn)	(fixed hotel rents)	(JPY 3,340 mn)	(variable hotel rents)	(JPY 3,264 mn)
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(variable hotel rents)	(JPY 3,264 mn)										

Item	Assumptions																				
Operating expenses	<p>INV expects to incur property related expenses as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">December 2017 fiscal period</td> </tr> <tr> <td>• Facility management fees (of these, repair costs)</td> <td style="text-align: right;">JPY 506 mn (JPY 31 mn)</td> </tr> <tr> <td>• Taxes and other public charges (Note 1)</td> <td style="text-align: right;">JPY 465 mn</td> </tr> <tr> <td>• Insurance expenses</td> <td style="text-align: right;">JPY 10 mn</td> </tr> <tr> <td>• Depreciation expenses</td> <td style="text-align: right;">JPY 2,436 mn</td> </tr> <tr> <td>• Other expenses</td> <td style="text-align: right;">JPY 395 mn</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total property related expenses</td> <td style="text-align: right;">JPY 3,815 mn</td> </tr> </table> <p>(Note 1) Property taxes and city planning taxes, etc. are prorated by the number of days and settled between seller and buyer and capitalized as acquisition costs for the properties which were, or expected to be, acquired in 2017, and thus not recorded as expenses in December 2017 fiscal period. These expenses will be recorded from June 2018 fiscal period onward.</p> <p>INV expects to incur operating expenses other than the property related expenses as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">December 2017 fiscal period</td> </tr> <tr> <td>• Other operating expenses (of these, asset management fees)</td> <td style="text-align: right;">JPY 454 mn (JPY 250 mn)</td> </tr> </table>		December 2017 fiscal period	• Facility management fees (of these, repair costs)	JPY 506 mn (JPY 31 mn)	• Taxes and other public charges (Note 1)	JPY 465 mn	• Insurance expenses	JPY 10 mn	• Depreciation expenses	JPY 2,436 mn	• Other expenses	JPY 395 mn	<hr/>		Total property related expenses	JPY 3,815 mn		December 2017 fiscal period	• Other operating expenses (of these, asset management fees)	JPY 454 mn (JPY 250 mn)
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NOI	<p>INV expects to record net operating income as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">December 2017 fiscal period</td> </tr> <tr> <td>• NOI</td> <td style="text-align: right;">JPY 9,283 mn</td> </tr> <tr> <td>(of these, hotel NOI)</td> <td style="text-align: right;">(JPY 6,270 mn)</td> </tr> <tr> <td>(of these, residential NOI)</td> <td style="text-align: right;">(JPY 2,648 mn)</td> </tr> </table> <p>NOI calculation method in the above table is as follows</p> <p>• NOI= Rental Revenues - Property Related Expenses + Depreciation Expenses</p>		December 2017 fiscal period	• NOI	JPY 9,283 mn	(of these, hotel NOI)	(JPY 6,270 mn)	(of these, residential NOI)	(JPY 2,648 mn)												
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Non-operating expenses	<p>INV expects to incur non-operating expenses as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">December 2017 fiscal period</td> </tr> <tr> <td>• Interest expense</td> <td style="text-align: right;">JPY 422 mn</td> </tr> <tr> <td>• Finance related costs</td> <td style="text-align: right;">JPY 204 mn</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total non-operating expenses</td> <td style="text-align: right;">JPY 627 mn</td> </tr> </table>		December 2017 fiscal period	• Interest expense	JPY 422 mn	• Finance related costs	JPY 204 mn	<hr/>		Total non-operating expenses	JPY 627 mn										
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• Finance related costs	JPY 204 mn																				
<hr/>																					
Total non-operating expenses	JPY 627 mn																				

Item	Assumptions				
Distribution per unit	<p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation.</p> <p>With respect to the distribution for the fiscal period ending December 2017, INV expects to distribute an aggregate amount of JPY5,964 million (distribution per unit: JPY 1,545) based on the assumption that excess profit distribution will be paid (JPY 81 million), in addition to net income for the fiscal period ending December 2017 (JPY 5,884 million) which will be used as funds.</p> <p>For the fiscal period ending December 2017, INV expects to record deferred gain on hedge of the interest rate swap as the valuation and conversion adjustments, etc. of JPY 92 million, which is equal to the amount for the fiscal period ended June 2017. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap does not affect the distribution per unit.</p> <p>Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.</p>				
Excess profit distribution per unit	<p>INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.</p> <p>INV may also consider making distributions in excess of profits for the purpose of decreasing the impact from corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.</p> <p>INV intends to make distributions in excess of profits (JPY 21 per unit for the fiscal period ending December 2017) in order to cope with the discrepancy between tax and accounting treatment for the fiscal period ending December 2017.</p> <table border="1" data-bbox="526 1424 1286 1518"> <tr> <td data-bbox="526 1424 943 1473"></td> <td data-bbox="943 1424 1286 1473">December 2017 fiscal period</td> </tr> <tr> <td data-bbox="526 1473 943 1518">Excess profit distribution per unit</td> <td data-bbox="943 1473 1286 1518">JPY 21</td> </tr> </table>		December 2017 fiscal period	Excess profit distribution per unit	JPY 21
	December 2017 fiscal period				
Excess profit distribution per unit	JPY 21				
Other	<p>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.</p> <p>In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</p>				