

Financial Summary
for the December 2017 Fiscal Period
(from July 1, 2017 to December 31, 2017)

February 20, 2018

Name	: Invincible Investment Corporation
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: http://www.invincible-inv.co.jp/eng/
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Start date for dividend distribution	: March 26, 2018

This English language notice is a translation of the Japanese-language notice released on February 20, 2018 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 December 31, 2017 (from July 1, 2017 to December 31, 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 December 31, 2017	12,647	36.6	8,223	53.9	7,303	55.3	7,303	55.3
Fiscal period ended June 30, 2017	9,260	(2.6)	5,344	(9.9)	4,702	(13.4)	4,702	(13.4)

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2017	1,712	3.5	2.2	57.7
Fiscal period ended June 30, 2017	1,241	3.5	1.6	50.8

(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 fiscal period ended December 31, 2017 (4,793,181 units) and rounded down to the nearest yen is JPY 1,523.

(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 December 31, 2017	JPY 1,528	JPY million 7,323	JPY 36	JPY million 172	JPY 1,564	JPY million 7,496	% 100.3	% 4.1
Fiscal period ended June 30, 2017	1,243	4,799	21	81	1,264	4,880	102.1	3.5

(Note 1) Distribution (excluding excess profit) differs from net income for the fiscal period ended December 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 December 31, 2017 is JPY 172 million (JPY 36 per unit), all of which 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:

$$\text{Dividend Payout Ratio} = \text{Distribution Amount (Excluding excess profit distribution)} \div \text{Net Income} \times 100$$
"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 December 31, 2017	371,758	181,320	48.8	37,829
Fiscal period ended June 30, 2017	306,421	139,062	45.4	36,019

(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 December 31, 2017	13,676	(60,034)	57,453	20,693
Fiscal period ended June 30, 2017	6,830	(35,704)	24,257	9,598

2. Forecasts for the Fiscal Periods ending June 30, 2018 (from January 1, 2017 to June 30, 2017) and December 31, 2018 (from July 1, 2018 to December 31, 2018)

(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)
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY	JPY
Fiscal Period ending June 30, 2018	12,784	1.1	8,081	(1.7)	7,370	0.9	7,369	0.9	1,383	0	1,383
Fiscal Period ending December 31, 2018	12,884	0.8	8,129	0.6	7,410	0.5	7,409	0.5	1,562	0	1,562

(Reference) Estimated net income per unit for the fiscal periods ending June 30, 2018 and December 31, 2018 are JPY 1,537 and JPY 1,545 respectively.

※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) December 31, 2017 4,793,181 June 30, 2017 3,860,824
- (b) Number of Treasury Units as of the End of the Fiscal Period December 31, 2017 0 June 30, 2017 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 Periods ending June 2018 and December 2018” on page 22 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 September 21, 2017 and the extraordinary report filed on January 5, 2018).

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 September 21, 2017)

(2) Operating Conditions

a Overview of the Fiscal Period Ended December 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. FIG became a subsidiary of Softbank Group, effective December 27, 2017. SoftBank Group acquired FIG, helping to improve INV’s relationships with Japanese banks and companies, and is working with MyStays Hotel Management Co., Ltd. (“MHM”) on several technology, online, and distribution initiatives which MHM believes will provide benefits to the hotels.

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 and portfolio rebalance to be described below, INV’s portfolio at the end of the previous period ended December 2017 comprised of 126 properties (54 hotels, 67 residential properties and five others) (Note 1) with a total acquisition price of JPY 353,695 million. The acquisition price of the portfolio has increased a significant 4.5x, compared to May 22, 2014, which is the date immediately prior to INV’s initial investment in hotels.

In the Reporting Period, INV conducted an issuance of new investment units (the “Public Offering”) and secondary offering on September 21, 2017 in order to acquire four hotels and a preferred equity interest in a special purpose company (the “TMK”) on October 13, 2017 with funds raised through the Public Offering and new borrowings. The TMK holds Sheraton Grande Tokyo Bay Hotel (the “Sheraton”), a full service hotel with 1,016 rooms, the highest room count among the Disney hotels and the Tokyo Disney Resort official hotels (Note 2). By investing in a flagship hotel such as the Sheraton via the preferred equity interest, INV aimed to improve the portfolio profitability through the high 8.8% simulated dividend yield (Note 3) and the stability through portfolio diversification. The acquisition of the five hotels located both in the Tokyo metropolitan area and in regional areas well situated to capture the increase in demand from foreign visitors is expected to contribute to the growth, improvement in stability of income, and overall

quality of the portfolio.

INV commenced an Asset Recycling Program in July 2017 to sell assets that INV believed generate low yield, and using those proceeds in an accretive manner to acquire assets that INV believes generate higher yield, aiming to improve the overall NOI yield of the portfolio. INV sold two non-core assets (an office building and a parking lot) on July 31, 2017, and announced the sale of three office properties and six residential properties on December 21, 2017 and December 26, 2017 in order to further pursue the portfolio rebalance. Of the December dispositions, the sale of one office building and three residential properties were closed by the end of the Reporting Period, and the remainder closed in January 2018. In the December 2017 period, INV sold six properties for JPY 5,772 million at an actual NOI cap rate (Note 4) of 3.6%. The sales price is JPY 1,378 million or 31.4% above book value (Note 5) and JPY 930 million or 19.2% above appraisal value (Note 5). The proceeds of the sale were used to acquire four hotels for JPY 12,425 million at an appraisal NOI cap rate (Note 7) of 6.2% in February 2018, which is detailed on page 11. As a result of the asset sales, INV will retain earnings of JPY 740 million or JPY 154 per unit at the end of fiscal period June 2018. Japanese REIT's are required to pay out at least 90% of income to maintain tax deductibility status. The retained earnings will serve as a reserve that could be used as a cushion to help insure that projected DPU targets are met.

As a continued focus on proactive asset management, INV changed the master lessee ("ML") and property manager ("PM") for four residential properties to reduce property management fees, and improve the economics of two properties by changing the lease agreement structure. In addition, INV changed the operator of one hotel property to MHM in an aim to increase the hotels profitability, particularly by focusing on increasing the number of inbound tourists to the hotel.

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 date of this document, there are 17 hotels (3,995 rooms) and nine residential properties (743 units) in the MOU.

- (Note 1) Portfolio includes the preferred equity interest in the special purpose company (the TMK); the preferred equity interest is counted as a hotel property, based on the use of Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest. Moreover, INV's investment amount to the preferred equity interest is counted as the acquisition price of the preferred equity interest. Hereinafter the same, unless otherwise noted.
- (Note 2) The "Disney hotels" are hotels under direct management of Oriental Land Co., Ltd. operating TDR using the Disney brand (four hotels). The "Tokyo Disney Resort official hotels" consist of the designated hotels within the Tokyo Disney Resort Area (six hotels). Such specified names are based on the TDR's hotel alliance program. "Tokyo Disney Resort" means Tokyo Disneyland, Tokyo DisneySea and related facilities, while the "Tokyo Disney Resort Area" means the bayside area to the south of "Maihama Station" on JR Keiyo Line where Tokyo Disneyland, Tokyo DisneySea and the related facilities are located.
- (Note 3) The simulated dividend yield is calculated by dividing (A) the product of (a) the simulated dividend, which is calculated by deducting (i) simulated expenses such as operating expense of the TMK and the interest of debt from (ii) the NOI of the Sheraton Grande Tokyo Bay Hotel stated in the appraisal report of the Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of July 1, 2017, and multiplied by (b) ownership ratio of the preferred equity interest (49.0%), by (B) the acquisition price (INV's investment amount to the preferred equity interest). As the simulated dividend is the reference data calculated based on the appraisal NOI and simulated expenses calculated by the Asset Manager, there are possibilities that the actual dividend yield is far differed from such reference data or the dividend is not distributed at all.
- (Note 4) Calculated by dividing actual NOI for July 1, 2016 – June 30, 2016 for the properties sold in July 2017 and January 1, 2017 – December 31, 2017 for other properties by the sale price.
- (Note 5) Based on the book value as of the date of sale.
- (Note 6) Appraisal Value is based on appraisal value stated in the appraisal reports by Assets Research and Development Inc. on the valuation date of June 30, 2017 or December 1, 2017, appraisal reports by Japan Real Estate Institute on the valuation date of December 1, 2017 or December 31, 2017,

appraisal reports by Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of December 1, 2017 , or appraisal report by Morii Appraisal & Investment Consulting, Inc. on the valuation date of December 1, 2017.

(Note 7) Calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports by The Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of January 1, 2018 by the total acquisition price, and rounded to one decimal place.

(b) Operational Environment and Performance

For the December 2017 period, the portfolio NOI increased by 18.9% or JPY 1,593 million to JPY 10,008 million compared to the same period in the previous year (the December 2016 period), with an 11.2% increase from the hotel portfolio and a 7.8% 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 3.6% for the period compared to the same period in the previous year. The 40 hotels recorded an occupancy rate (Note 3) of 90.6% (+0.1 points YoY), ADR (Note 4) of JPY 10,083 (+0.8% YoY), and RevPAR (Note 5) of JPY 9,131 (+0.9% YoY). Of the total hotel revenue from the 53 hotels INV owns (Note 6), fixed rents accounted for 49.1% (JPY 3,623 million) and variable rents accounted for 50.8% (JPY 3,741 million) at the 53 hotels.

Inbound visitors reached a record high of 28.6 million (+19.3% YoY) in 2017 while government targets are 40 million in 2020 and 60 million in 2030. Under such circumstances, MHM, a hotel operator in the sponsor group which operates 84 hotels nationwide, including 45 hotels in INV's portfolio, is continually enhancing its operations and recently launched its new website which has initially resulted in higher conversion rates. MHM is also in the process of launching a new online reservation system in order to increase direct bookings to save commissions and have more direct customers. MHM has also recently launched a new revenue management system based on machine learning to improve the overbooking algorithms to help offset cancellation and improve revenue at the hotels overall. MHM is continuing to court the increasing foreign tourism business which accounted for 42% (Note 7) of INV owned MyStays Hotel (Note 8) revenue in 2017. In addition to having multi-lingual chat and staff, MHM has sought to increase its Chinese guest count by being the first Japanese hotel company to list its rooms on Fliggy, Alibaba's online marketplace in China selling hotels, tours and other travel-related services from online travel agencies and direct travel service providers, commencing from September 2017. MHM was the top international chain by revenue on Fliggy and won an award for Single's Day in China.

The NOI (Note 9) of the 70 residential properties (Note 10) increased 0.9% compared to the same period in the previous year, and the average occupancy rate achieved a stable 94.8%, a decrease of 0.5 points compared to the same period in the previous year.

As a continued focus on proactive asset management INV changed ML/PM for four residential properties (Note 11) including Royal Parks Tower Minami-Senju, a flagship residential asset aiming to increase NOI by JPY 39 million per year on an estimated basis (Note 12).

Trends for rent at city-center residential properties with small-type rooms maintained 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 47.5% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 2.4% compared to the previous rent across all new leases (Note 13). Specifically, at Royal Parks Tower Minami-Senju, the flagship residential property which was acquired during the previous period, INV achieved strong results with a rent increase for 87.3% (based on the number of contracts) of the new lease contracts with an average rent increase of 10.3% compared to the previous rent across all new leases (Note 13). INV achieved a rent increase for 59.2% (based on the number of contracts) of contract renewals for an average rent increase of 2.0% compared to the previous rent across all renewal leases (Note 14), while maintaining a high contract renewal rate of 85.3% (Note 13). Combined, new leases and renewal leases were signed at 2.2% higher than the previous leases.

The total appraisal value of 125 properties (Note 6) at the end of the Reporting Period was JPY 400,007 million. The portfolio has an unrealized gain of JPY 72,297 million (Note 15) and an unrealized gain ratio of 22.1% (Note 15). The total appraisal value of 121 properties which were owned throughout the Reporting Period (including an additional portion of Hotel Mystays Gotanda Station), increased by 0.4% from JPY 358,719 million at the end of June 2017 period to JPY 360,007 million at the end of the Reporting Period .

Key Performance Indicators of 40 Hotel Properties (Note 2)

	December 2017 fiscal period	Year-on-year change
Occupancy Rate	90.6%	+0.1pt
ADR (JPY)	10,083	+0.8%
RevPAR (JPY)	9,131	+0.9%
GOP (JPY million) (Note 16)	6,232	+3.3%

Key Performance Indicators of 70 Residential Properties (Note 11)

	December 2017 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	94.8%	-0.5pt
Average Rent per Tsubo per Month (JPY) (Note 17)	9,709	+1.8%
NOI (JPY million) (Note 9)	2,574	+0.9%

(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 held as of the beginning of the December 2017 Fiscal Period, 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 July, 2016 by INV had been owned since July 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) Excluding Sheraton Grande Tokyo Bay Hotel (preferred equity interest) which does not have appraisal value.

(Note 7) The ratio of sales amount through overseas web agents to revenues.

(Note 8) The ratio of the amount of revenues from bookings through the overseas travel agencies to total revenues for 29 hotels of the 41 hotels in INV's portfolio that MHM operates as of the date of this document, excluding the following 12 hotels without comparable data against 2016 due to rebranding etc.; Hotel MyStays Nagoya-Sakae, Hotel MyStays Haneda, Hotel MyStays Utsunomiya, Hotel MyStays Gotanda Station, Hotel Epinard Nasu, Hotel MyStays Premier Kanazawa, Hotel

MyStays Premier Hamamatsucho, Hotel MyStays Dojima, Hotel MyStays Shin Osaka Conference Center, Hotel MyStays Premier Omori, Beppu Kamenoi Hotel and Hotel MyStays Sapporo Station. The figures assume that all hotels acquired in and after July 2016 by INV had been owned since July 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers.

- (Note 9) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, are excluded.
- (Note 10) Based on the 70 residential properties owned as of the beginning of December 2017 Fiscal Period. Of the 70 properties, three properties (Casa Eremitaggio, Lexel Mansion Ueno-Matsugaya and Sun Terrace Minami-Ikebukuro) were sold on December 28, 2017. Therefore, for the three properties, July 1, 2017 through December 28, 2017, or the disposition date, is deemed the operating period for the fiscal period ended December 2017, and the leased area and the leasable area as of December 28, 2017 is deemed as the leased area and the leasable area for such properties as of the end of December 2017 to calculate each number. Hereinafter the same shall apply. In addition, the figures for the properties acquired after July 2016 are calculated on the assumption INV had acquired those properties on January 1, 2016, using the actual figures provided by the sellers of such properties for the period before the acquisition, for the purpose of comparison with previous year.
- (Note 11) ML and PM for Royal Parks Shinden and Royal Parks Momozaka were changed on July 1, 2017 and August 1, 2017 respectively, and ML and PM for both Royal Parks Tower Minami-Senju and Royal Parks Seasir Minami-Senju were changed on December 1, 2017.
- (Note 12) This is a figure estimated by the Asset Manager as of the date of this document, and there is no guarantee that INV can realize such increase in NOI.
- (Note 13) 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 14) 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 15) 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 16) "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 17) "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 186,983 million and the Interest-Bearing Debt ratio (Note 1) and LTV (Note 2) were 50.0% and 44.5% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.51%.

(i) Equity Finance

INV executed a global public offering (the "Public Offering") which closed on October 12, 2017 (number of new investment units issued: 887,959; total issue value: JPY 37,917 million) and a third party allotment which closed on November 1, 2017 (number of new investment units issued: 44,398; total issue value: JPY 1,895 million) in connection with the Public Offering in order to procure part of the funds for the acquisition of five hotels (including an additional portion of Hotel MyStays Gotanda Station, an existing hotel) and preferred equity interest in a special purpose company.

(ii) Debt Finance

In tandem with the Public Offering as described in (i) above, INV borrowed a new loan, New Syndicate Loan (H) (amount borrowed: JPY 22,993 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.8%, 0.7%, 0.6%, 0.4%, 0.3%, 0.25% and 0.2% for durations of seven, six, five, four, three, two and one years), which was arranged by Mizuho Bank, Ltd. as arranger and Sumitomo Mitsui Banking Corporation as co-arranger in order to pay a portion of the acquisition price and related expenses for the acquisition of the specified assets.

In the Reporting Period, INV also filed a shelf registration statement of investment corporation bonds to the Kanto Local Finance Bureau (planned amount of issue: JPY 100 billion, planned issue period: from August 2, 2017 to August 1, 2019) on July 25, 2017.

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

$$\text{Interest-Bearing Debt ratio} = \frac{\text{total outstanding interest-bearing debt (excluding consumption tax loan of JPY 1,068 million)}}{\text{total assets}} \times 100$$

(Note 2) LTV uses the calculation formula below:

$$\text{LTV} = \frac{\text{total outstanding interest-bearing debt}}{\text{total appraisal value (*)}} \times 100$$

(*) Since appraisal value for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is not available, the acquisition price of the preferred equity interest (JPY 17,845 million) has been added as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest).

(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

(i) Acquisition of preferred equity interest

The overview of preferred equity interest in Kingdom special purpose company (the "Kingdom TMK") acquired on October 13, 2017 is as follows:

(1) Asset acquired	Preferred equity interest (the "Preferred Equity Interest") provided in Article 2(9) of the Act on Securitization of Assets (Act No. 105 of 1998, as amended) (Note1)
(2) Number of units of preferred equity interest to be issued	Preferred Equity Interest: 364,200 units
(3) Number of units of preferred equity interest acquired (ratio of interest holding)	Preferred Equity Interest: 178,458 units (49.0%)
(4) Acquisition price	JPY 17,845 million for 49.0% of the Preferred Equity Interest (Note 2)
(5) Name of underlying asset	The Sheraton Grande Tokyo Bay Hotel (the "Underlying Asset")

(Note 1) Along with acquisition of the Preferred Equity Interest, INV have acquired a 24.0% stake in the specified equity interests in the TMK, as well as 49.0% of equity interest in a limited liability company (LLC), a holding company, (the "Holding Company") that owns 100% of equity interest in Keiyo Resort Development, G.K., a master lease company of the Underlying Asset (the "ML").

(Note 2) The acquisition price is the investment amount. The amount does not include any taxation including consumption tax and is rounded down to the nearest million yen. In addition, the acquisition price of the specified equity interest and the equity interest in the Holding Company described in (Note 1) is JPY 24,000 and JPY 9.8 million, respectively. Since these amounts are very small, they are not included in the acquisition price.

(ii) Acquisition of four hotels

The overview of four hotels acquired on October 13, 2017 is as follows:

Use	Property Number	Property Name	Location	Acquisition Price (million yen) (Note 1)	Appraisal Value (million yen) (Note 2)	Seller	Category of Specified Assets
Hotel	D50	Hotel MyStays Shin Osaka Conference Center	Osaka, Osaka	13,068	13,200	HL Investments Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D51	Hotel MyStays Premier Omori	Shinagawa-ku, Tokyo	9,781	9,880	Septentrio3 Tokutei Mokuteki Kaisha	
	D52	Beppu Kamenoi Hotel	Beppu, Oita	8,870	8,960	Monza Tokutei Mokuteki Kaisha	
Hotel	D53	Hotel MyStays Sapporo Station	Sapporo, Hokkaido	7,880	7,960	Suisei Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Total				39,599	40,000		

(Note 1) Acquisition Prices show purchase prices set forth in the purchase and sale agreements for the trust beneficiary interests and do not include adjustments for property taxes, city planning taxes, or national or local consumption taxes.

(Note 2) Appraisal Value is based on appraisal value stated in the appraisal report by the Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of July 1, 2017.

(iii) Additional acquisition of one hotel property

The overview of additional portion of a hotel (Note 1) acquired on October 31, 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	D43	Hotel MyStays Gotanda Station (Additional Acquisition Portion)	Shinagawa-ku, Tokyo	1,849	2,600	Undisclosed (Note 2)	Trust beneficiary interest

(Note 1) This is the acquisition of hotel floor expanded by conversion in addition to the portion of hotel already owned by INV.

(Note 2) As the floor expansion portion was under construction at the time of acquisition, 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 (JPY 24,800 million).

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

(e) Overview of Sale of Assets

The Asset Manager decided sales of assets as follows for the purpose of improving the profitability of INV's portfolio by rebalancing of assets and stabilizing the distribution by recognizing a gain on sales.

(i) Sale of one office building and one parking lot

The Asset Manager decided to sell following assets on July 25, 2017, and sales of the assets has been closed on July 31, 2017. The proceeds from the sale was appropriated to the funds for the acquisition described in "(d) Overview of Acquisition of Assets (iii) Additional acquisition of one hotel property."

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	1,197	1,361	163	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	1,298	1,491	192		

(Note 1) The book values are as of July 31, 2017. The difference between sales price and book value is provided for reference purpose. INV recognized a gain on sales of JPY 141 million (of which, JPY 115 million for Kindai Kagaku Sha Building, and JPY 25 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. Hereafter the same.

(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.

(ii) Sale of six residential properties

The Asset Manager decided to sell following assets on December 21, 2017, the sale of the three assets (A56, A62 and A81) has been completed on December 28, 2017, and the sale of the three assets (A31, A36 and A42) has been completed on January 31, 2017. The proceeds from the sale is appropriated to the funds for the acquisition described in "c Significant Subsequent Events (a) Acquisition of assets."

Use	Property number	Property name	Acquisition Price (million yen)	Book value (million yen) (Note 1)	Sales price (million yen)	The difference between sales price and book value (Note 1)	Transferee	Category of specified assets
Residential	A31	Harmonie Ochanomizu	1,428	1,346	1,603	256	Undisclosed (Note 2)	Trust Beneficiary Interest (Note 3)
	A36	Growth Maison Ikebukuro	825	743	1,057	314		
	A42	Capital Heights Kagurazaka	604	623	732	108		
	A56	Casa Eremitaggio	1,070	948	1,312	363		
	A62	Lexel Mansion Ueno Matsugaya	970	853	1,329	475		
	A81	Sun Terrace Minami-Ikebukuro	625	591	934	343		
Total			5,523	5,106	6,970	1,863		

(Note 1) The difference between sales price and book value indicates estimate for reference purpose calculated using the book values as of December 28, 2017, the date of sale, for the properties sold during the fiscal period ended December 2017, and as of December 31, 2017 for the remainder; INV recognize a gain on sales of JPY 1,109 million in the fiscal period ended December 2017, and estimate to recognize JPY 594 million for the fiscal period ending June 2018.

(Note 2) The name of the transferee (a Japanese TMK (*Tokutei Mokuteki Kaisha*)) is not disclosed, as the transferee's consent has not been obtained for disclosure.

(Note 3) Each of the trust beneficiary interest of Harmoni Ochanomizu, Growth Maison Ikebukuro and Capital Heights Kagurazaka was integrated in a single trust account with other trust accounts when INV procured funds through debt financing backed by trust assets (the "Trust Asset-Backed Borrowing") in July 2011. In transferring the sole trust beneficiary interest of the abovementioned three properties by itself, INV incurred some expenses to detach from the integrated trust account, effective as of December 22, 2017.

(iii) Sale of three office buildings

The Asset Manager decided to sell following assets on December 26, 2017, the sale of one asset (B09) has been completed on the date and the sale of two assets (B15 and B16) has been completed on January 31, 2017. The proceeds from the sale is appropriated to the funds for the acquisition described in "c Significant Subsequent Events (a) Acquisition of assets."

Use	Property number	Property name	Acquisition Price (million yen)	Book value (million yen) (Note 1)	Sales price (million yen)	The difference between sales price and book value (million yen) (Note 1)	Transferee	Category of specified assets
Office Building	B09	Shinjuku Island	715	701	705	3	Undisclosed (Note 2)	Real Property
	B15	Cross Square NAKANO	1,060	1,125	1,350	224	Taisei-Yuraku Real Estate Co.,Ltd	Trust Beneficiary Interest
	B16	Ohki Aoba Building	816	725	721	(4)	Kubota Honten	Trust Beneficiary Interest
Total			2,591	2,552	2,776	223		

(Note 1) The difference between sales price and book value indicates estimate for reference purpose calculated using the book values as of December 26, 2017, the date of sale, for the property sold during the fiscal period ended December 2017, and as of December 31, 2017 for the remainder; INV recognized a loss on sales of JPY 7 million (Shinjuku Island) and an impairment loss of JPY 15 million (Ohki Aoba Building) for the fiscal period ended December 2017, and estimates to record a gain on sale of JPY 202 million (Cross Square NAKANO) for the fiscal period ending June 2018.

(Note 2) The name of the transferee (a Japanese business corporation) is not disclosed, as the transferee's consent has not been obtained for disclosure.

(f) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 3,387 million from the previous period (+36.6%) to JPY 12,647 million, and net income increased by JPY 2,601 million (+55.3%) to JPY 7,303 million. The distribution per unit ("DPU") for the Reporting Period was JPY 1,564, an increase of JPY 300 (+23.7%) 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 fiscal period ending December (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the fiscal period ending June (from January to June). Accordingly, INV's rental revenues tend to be higher in the fiscal period ending December than in the fiscal period ending June.

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 that 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. 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 distribution for the fiscal period ended December 2017, INV will distribute an aggregate amount of JPY 7,496 million (distribution per unit: JPY 1,564); of which, INV pay JPY 7,323 million as profit distribution, out of distributable profit of JPY 7,326 million which is a total of Net Income for the fiscal period ended December 2017 (JPY 7,303 million) adjusted by loss brought forward from the previous fiscal period and deferred tax gain or loss. In addition, INV pays excess profit distribution of JPY 172million (JPY 36 per unit)

b Outlook for the Fiscal Period Ending June 30, 2018 and December 31, 2018

The DPU (including excess profit distribution) for the June 2018 and December 2018 periods are forecast to be JPY 1,383 (+9.4% YoY) and JPY 1,562 (-0.1% YoY), respectively. The full year DPU (including excess profit distribution) for calendar year 2018 is forecast to be JPY 2,945 (+4.1% YoY), providing steady growth.

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. Since Fortress Group joined under the umbrella of Softbank Group in December 2017, in addition to continued access to Fortress's global real estate expertise, INV will seek to leverage the resources that are expected to become available through SoftBank Group. SoftBank Group has market-leading expertise in technology fields such as digital marketing for both mobile and desktop, online payment systems, search engine optimization, AI and robotics. INV believes that deployment of technology into INV's real estate assets, especially its hotels, will enhance the ongoing initiatives to improve its digital marketing, minimize labor costs and increase customer engagement. For example, INV plans to pursue opportunities to better manage the increased number of foreign visitors and their related online research, bookings and payments, improve the process in setting hotel rates and manage overbooking through the use of sophisticated AI algorithms, and reduce labor costs while enhancing customer service through the use of robotics.

In addition to pursuing synergy with Softbank Group, 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 67.2% 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 February 7, 2018, INV acquired four hotels as mentioned in below “c Significant Subsequent Events (a) Acquisition of assets.”

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
October 2017	Five hotels (Note 2)	JPY 57,444 million (Note 2)
February 2018	Four hotels	JPY 12,425 million
Total	87 properties (of which 56 are hotels and 31 are residential properties)	JPY 307,889 million (of which hotels: JPY 256,251 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 17 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	Rihga Royal Hotel Kyoto	Full Service Hotel	Kyoto-shi, Kyoto	489
3	Hotel MyStays Premier Narita	Full Service Hotel	Narita, Chiba	711
4	Hotel MyStays Premier Sapporo Park	Full Service Hotel	Sapporo, Hokkaido	418
5	Fusaki Resort Village	Resort Service Hotel	Ishigaki, Okinawa	188
6	Art Hotel Asahikawa	Full Service Hotel	Asahikawa, Hokkaido	265
7	Hotel MyStays Kanazawa Castle	Limited Service Hotel	Kanazawa, Ishikawa	206
8	Hotel MyStays Matsuyama	Full Service Hotel	Matsuyama, Ehime	161
9	Hotel MyStays Ueno East	Limited Hotel	Taito-ku, Tokyo	150

No.	Asset name	Asset type (Note 3)	Location	No. of rooms
10	Hotel MyStays Midosuji Honmachi	Limited Hotel	Osaka, Osaka	108
11	S Hotel Mystays Sapporo Nakajima Park	Limited Service Hotel	Sapporo, Hokkaido	86
12	Flexstay Inn Sakuragicho	Limited Service Hotel	Yokohama, Kanagawa	70
13	MyCUBE by MYSTAYS Asakusa Kuramae	Limited Service Hotel	Taito-ku, Tokyo	161
14	Hotel MyStays Fuji Onsen Resort	Resort Hotel	Fujiyoshida, Yamanashi	159
15	Hotel Nord Otaru	Limited Service Hotel	Otaru, Hokkaido	98
16	Hotel Sonia Otaru	Limited Service Hotel	Otaru, Hokkaido	94
17	Art Hotel Niigata Station	Full Service Hotel	Niigata, Niigata	304
Hotel subtotal				3,995
18	Gran Charm Hiroo	Residential/Small Type	Shibuya-ku, Tokyo	121
19	Plestay Win Kinshicho	Residential/Small Type	Sumida-ku, Tokyo	92
20	Gran Charm Kichijoji	Residential/Small Type	Musashino, Tokyo	28
21	Green Patio Noda	Residential/Small Type	Noda, Chiba	240
22	Dainichi F-45	Residential/Small Type	Urayasu, Chiba	54
23	Gran Charm Urayasu	Residential/Small Type	Urayasu, Chiba	54
24	Gran Charm Urayasu 5	Residential/Small Type	Urayasu, Chiba	54
25	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa, Chiba	52
26	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa, Chiba	48
Residential property subtotal				743
Total				4,738

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended December 2017.

(Note 2) Sheraton Grande Tokyo Bay Hotel acquired by the TMK, of which INV owned the preferred equity interest, is counted as one property and the INV's investment amount to the preferred equity interest is counted as the acquisition price of the preferred equity interest.

(Note 3) The term of validity of the MOU is from September 21, 2017, the date of execution of the updated MOU, to September 20, 2018. Regarding the 26 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 4) 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.

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 and previously detailed in the Asset Recycling Program.

(ii) Strategy for internal growth

(Hotels)

Of the 54 hotels owned by INV as of the end of the Reporting Period, 45 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 41 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.

For hotels, renovation of rooms and replacement of fixtures and fittings is indispensable to maintain and increase revenues. In the fiscal period ending June 2018, INV plans to renovate the following five hotels; Hotel MyStays Kyoto-Shijo, MyStays Shinurayasu Conference Center, Hotel MyStays Maihama and Hotel MyStays Dojima and Hotel Nets Hakodate.

(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 high-season in the residential rental market that occurs during the June 2018 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.

(Note 1) Hotel MyStays Dojima (former Hotel Vista Premio Dojima), whose operator was changed effective on August 1, 2017, is included. As of the date of this document, MHM manages 45 hotels in INV's portfolio, including the four hotels acquired on February 7, 2018. In addition, MHM will commence to management one hotel as of May 1, 2018.

(iii) Financial strategy

In the Reporting Period, INV further stabilized its financial base executing a public offering in October 2017, by borrowing new loans in connection with the public offering, and strengthening and maintaining relationships with existing lenders. 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

INV used the proceeds from the above sales and previous asset sales to acquire four hotels on February 7, 2018 from affiliates of the Sponsor, FIG, for a price of JPY 12,425 million and at an average appraisal NOI cap rate of 6.2%. The four hotels are well located and positioned in their respective sub-markets and are all operated by MHM. This acquisition was accretive to the portfolio on an NOI basis and occurred without issuing any new debt or equity.

As a result, INV's portfolio comprises of 125 properties (58 hotels, 64 residential properties and three others) with a total acquisition price of JPY 361,386 million as of the date of this document.

INV announced the sale of Lexington Plaza Nishi-Gotanda ("Nishi-Gotanda"), a non-core office building, for JPY 5,160 million at an NOI cap rate of 4.2%, or 3.2% after depreciation. The sale is at a JPY 498 million or 10.7% premium to book value and a JPY 910 million or 21.4% premium to appraisal value. Furthermore, INV will have JPY 4,700 million of cash on hand from the sale of Nishi-Gotanda on March 9, 2018, and is currently working on several acquisitions to further invest the cash by utilizing the Sponsor pipeline.

(a) Acquisition of assets

The Asset Manager decided to acquire four hotels on February 5, 2018, and acquisition of assets has been closed on February 7, 2018 as follows:

Use	Property Number	Property Name	Location	Acquisition Price (million yen)	Appraisal Value (million yen)	Seller	Category of Specified Assets
Hotel	D54	Hotel MyStays Yokohama-Kannai	Yokohama, Kanagawa	5,326	5,380	Ginga Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D55	Art Hotel Joetsu	Joetsu, Niigata	2,772	2,800	HL Investments Tokutei Mokuteki Kaisha	
	D56	Art Hotel Hirosaki City	Hirosaki, Aomori	2,723	2,750	Monza Tokutei Mokuteki Kaisha	
	D57	Hotel MyStays Oita	Oita, Oita	1,604	1,620	Suisei Tokutei Mokuteki Kaisha	
Total				12,425	12,550		

(Note 1) Appraisal Value is based on appraisal value stated in the appraisal report by the Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of January 1, 2018.

(b) Sale of asset

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	B14	Lexington Plaza Nishi-Gotanda	4,880	4,662	5,160	498	Undisclosed (Note 3)	Trust Beneficiary Interest (Note 4)

(Note 1) The book values are as of December 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 395 million in the June 2018 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.

d Operational Outlook

The forecasts of financial results for the fiscal periods ending June 30, 2018 and December 31, 2018 are as follows.

Fiscal period ending June 30, 2018 (from January 1, 2018 to June 30, 2018)

Operating Revenues	JPY 12,784 million
Operating Income	JPY 8,081 million
Ordinary Income	JPY 7,370 million
Net Income	JPY 7,369 million
Total Distribution Amount (Including excess profit distribution)	JPY 6,628 million
Net Income per Unit	JPY 1,537
Distribution per Unit (Excluding excess profit distribution)	JPY 1,383
Excess Profit Distribution per Unit	-
Distribution per Unit (Including excess profit distribution)	JPY 1,383

Fiscal period ending December 31, 2018 (from July 1, 2018 to December 31, 2018)

Operating Revenues	JPY 12,884 million
Operating Income	JPY 8,129 million
Ordinary Income	JPY 7,410 million
Net Income	JPY 7,409 million
Total Distribution Amount (Including excess profit distribution)	JPY 7,486 million
Net Income per Unit	JPY 1,545
Distribution per Unit (Excluding excess profit distribution)	JPY 1,562
Excess Profit Distribution per Unit	-
Distribution per Unit (Including excess profit distribution)	JPY 1,562

For reference purposes, full-year forecasts are provided below, since hotel revenues are influenced by seasonal effects.

(Reference) Full-year 2018 (Aggregate of the fiscal periods ending June 2018 and December 2018)

Operating Revenues	JPY 25,668 million
Operating Income	JPY 16,210 million
Ordinary Income	JPY 14,780 million
Net Income	JPY 14,778 million
Total Distribution Amount (Including excess profit distribution)	JPY 14,114 million
Net Income per Unit	JPY 3,082
Distribution per Unit (Excluding excess profit distribution)	JPY 2,945
Excess Profit Distribution per Unit	-
Distribution per Unit (Including excess profit distribution)	JPY 2,945

For the assumptions underlying the operational outlook for the fiscal periods ending June 30, 2018 and December 31, 2018, please see “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 30, 2018 and December 31, 2018”

(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 Periods ending June 2018 and December 2018 >

Item	Assumptions																		
Fiscal period	The June 2018 fiscal period: from January 1, 2018 to June 30, 2018 (181 days) The December 2018 fiscal period: from July 1, 2018 to December 31, 2018 (184 days)																		
Assets under management	Assets held as of the end of the June 2018 fiscal period: 123 properties and preferred equity interests in one special purpose company Assets held as of the end of the December 2018 fiscal period: 123 properties and preferred equity interests in one special purpose company INV assumes the transfer of two office buildings and three residential properties on January 31, 2018, the acquisition of four hotel properties on February 7, 2018 and the transfer of one office building on March 9, 2018 and that there will be no other changes through the end of the fiscal period ending December 2018. However, INV is considering acquisition of properties during the fiscal period ending June 2018 by utilizing the proceeds to be obtained from the sale of one office building on March 9, 2018																		
Units outstanding	As of the end of the June 2018 fiscal period: 4,793,181 units As of the end of the December 2018 fiscal period: 4,793,181 units INV assumes there will be no change to the current 4,793,181 units issued and outstanding through the end of the fiscal periods.																		
Interest-bearing liabilities	Balance as of the end of the June 2018 fiscal period: JPY 186,983 million Balance as of the end of the December 2018 fiscal period: JPY 185,915 million INV assumes that of the current balance of JPY 186,983 million, INV intends to repay consumption tax loan of JPY 1,068 million and refinance short term loan of JPY 2,000 million in December 2018 fiscal period at a similar condition. INV assumes no other new loan or prepayment of loan through the end of the December 2018 fiscal period.																		
Operating revenues	INV expects to record rental revenues as follows: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>June 2018 Fiscal Period</th> <th>December 2018 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Rental revenues</td> <td>JPY 11,592 mn</td> <td>JPY 12,884 mn</td> </tr> <tr> <td> (of these, hotel rents)</td> <td>(JPY 7,020 mn)</td> <td>(JPY 8,316 mn)</td> </tr> <tr> <td> (fixed hotel rents)</td> <td>(JPY 3,553 mn)</td> <td>(JPY 4,320 mn)</td> </tr> <tr> <td> (variable hotel rents)</td> <td>(JPY 3,467 mn)</td> <td>(JPY 3,995 mn)</td> </tr> <tr> <td>• TMK dividend amount</td> <td>JPY 763 mn</td> <td>JPY 876 mn</td> </tr> </tbody> </table> <p>INV estimates gain on sales of JPY 796 million from sale of Harmony Ochanomizu, Growth Maison Ikebukuro and Capital Heights Kagurazaka completed on January 31, 2018, and JPY 395 million from sale of Lexington Plaza Nishi-Gotanda to be completed on March 9, 2018 for the fiscal period ending June 2018. Rental revenues in the fiscal period ending June 2018, and the fiscal period ending December 2018 are calculated based on estimates as of today. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants</p>		June 2018 Fiscal Period	December 2018 Fiscal Period	• Rental revenues	JPY 11,592 mn	JPY 12,884 mn	(of these, hotel rents)	(JPY 7,020 mn)	(JPY 8,316 mn)	(fixed hotel rents)	(JPY 3,553 mn)	(JPY 4,320 mn)	(variable hotel rents)	(JPY 3,467 mn)	(JPY 3,995 mn)	• TMK dividend amount	JPY 763 mn	JPY 876 mn
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Item	Assumptions																											
Operating revenues	<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 period (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the June ending fiscal period (from January to June). Accordingly, rental revenue of INV tends to be higher in the December ending fiscal period than in the June ending fiscal period.</p>																											
Operating expenses	<p>INV expects to incur property related expenses as follows:</p> <table border="1" data-bbox="534 555 1348 846"> <thead> <tr> <th></th> <th>June 2018 Fiscal Period</th> <th>December 2018 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Facility management fees (of these, repair costs)</td> <td>JPY 503 mn (JPY 36 mn)</td> <td>JPY 463 mn (JPY 28 mn)</td> </tr> <tr> <td>• Taxes and other public charges</td> <td>JPY 459 mn</td> <td>JPY 538 mn</td> </tr> <tr> <td>• Insurance expenses</td> <td>JPY 11 mn</td> <td>JPY 14 mn</td> </tr> <tr> <td>• Depreciation expenses</td> <td>JPY 2,842 mn</td> <td>JPY 2,871 mn</td> </tr> <tr> <td>• Other expenses</td> <td>JPY 403 mn</td> <td>JPY 387 mn</td> </tr> <tr> <td>Total property related expenses</td> <td>JPY 4,221 mn</td> <td>JPY 4,274 mn</td> </tr> </tbody> </table> <p>(Note) Property taxes and city planning taxes on the assets acquired in 2017 are calculated on a pro-rata basis with the previous owners and settled at the time of acquisition, and are not recorded for the fiscal period ended December 2017 and recorded from the fiscal period ending June 2018 as the amount equivalent to such settlement is included in the acquisition cost.</p> <p>INV expects to incur operating expenses other than the property related expenses as follows:</p> <table border="1" data-bbox="534 1160 1348 1317"> <thead> <tr> <th></th> <th>June 2018 Fiscal Period</th> <th>December 2018 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Other operating expenses (of these, asset management fees)</td> <td>JPY 481 mn (JPY 275 mn)</td> <td>JPY 479 mn (JPY 275 mn)</td> </tr> </tbody> </table> <p>Although the sale of Ohki Aoba Building was implemented on January 31, 2018 which falls into the fiscal period ending June 2018, the decision of such sale resulting in a loss on sale was determined on December 26, 2017, or during the fiscal period ended December 2017. Therefore, INV recognizes such loss of JPY 15 million as an impairment loss for the fiscal period ended December 2017. (Note)</p>		June 2018 Fiscal Period	December 2018 Fiscal Period	• Facility management fees (of these, repair costs)	JPY 503 mn (JPY 36 mn)	JPY 463 mn (JPY 28 mn)	• Taxes and other public charges	JPY 459 mn	JPY 538 mn	• Insurance expenses	JPY 11 mn	JPY 14 mn	• Depreciation expenses	JPY 2,842 mn	JPY 2,871 mn	• Other expenses	JPY 403 mn	JPY 387 mn	Total property related expenses	JPY 4,221 mn	JPY 4,274 mn		June 2018 Fiscal Period	December 2018 Fiscal Period	• Other operating expenses (of these, asset management fees)	JPY 481 mn (JPY 275 mn)	JPY 479 mn (JPY 275 mn)
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NOI	<p>INV expects to record net operating income as follows:</p> <table border="1" data-bbox="534 1534 1348 1758"> <thead> <tr> <th></th> <th>June 2018 Fiscal Period</th> <th>December 2018 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• NOI</td> <td>JPY 10,213 mn</td> <td>JPY 11,480 mn</td> </tr> <tr> <td>(of these, hotel NOI)</td> <td>(JPY 6,668 mn)</td> <td>(JPY 7,898 mn)</td> </tr> <tr> <td>(of these, residential NOI)</td> <td>(JPY 2,549 mn)</td> <td>(JPY 2,522 mn)</td> </tr> <tr> <td>(of these, TMK dividend)</td> <td>(JPY 763 mn)</td> <td>(JPY 876 mn)</td> </tr> </tbody> </table> <p>NOI calculation method in the above table is as follows • NOI = Rental Revenues (including TMK dividend, or the amount of dividends on the preferred equity interests) - Property Related Expenses + Depreciation Expenses</p>		June 2018 Fiscal Period	December 2018 Fiscal Period	• NOI	JPY 10,213 mn	JPY 11,480 mn	(of these, hotel NOI)	(JPY 6,668 mn)	(JPY 7,898 mn)	(of these, residential NOI)	(JPY 2,549 mn)	(JPY 2,522 mn)	(of these, TMK dividend)	(JPY 763 mn)	(JPY 876 mn)												
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Item	Assumptions																					
Non-operating expenses	<p>INV expects to incur non-operating expenses as follows:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">June 2018</th> <th style="text-align: center; width: 20%;">December 2018</th> </tr> <tr> <th></th> <th style="text-align: center;">Fiscal Period</th> <th style="text-align: center;">Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Interest expense</td> <td style="text-align: center;">JPY 478 mn</td> <td style="text-align: center;">JPY 484 mn</td> </tr> <tr> <td>• Finance related costs</td> <td style="text-align: center;">JPY 233 mn</td> <td style="text-align: center;">JPY 234 mn</td> </tr> <tr> <td>• Other non-operating expenses (of these, expenses relating to public offering)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td></td> <td style="text-align: center;">(-)</td> <td style="text-align: center;">(-)</td> </tr> <tr> <td style="border-top: 1px solid black;">Total Non-operating expenses</td> <td style="text-align: center; border-top: 1px solid black;">JPY 711 mn</td> <td style="text-align: center; border-top: 1px solid black;">JPY 719 mn</td> </tr> </tbody> </table>		June 2018	December 2018		Fiscal Period	Fiscal Period	• Interest expense	JPY 478 mn	JPY 484 mn	• Finance related costs	JPY 233 mn	JPY 234 mn	• Other non-operating expenses (of these, expenses relating to public offering)	-	-		(-)	(-)	Total Non-operating expenses	JPY 711 mn	JPY 719 mn
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Total Non-operating expenses	JPY 711 mn	JPY 719 mn																				
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 June 2018, INV expects to distribute an aggregate amount of JPY 6,628 million (distribution per unit: JPY 1,383) which is the remaining amount after retaining JPY 740 million as internal reserve from Net Income for the fiscal period ending June 2018 (JPY 7,369 million).</p> <p>With respect to the distribution for the fiscal period ending December 2018, INV expects to distribute an aggregate amount of JPY 7,486 million (distribution per unit: JPY 1,562) based on JPY 7,405 million from Net Income for the fiscal period ending December 2018 (JPY 7,409 million) and JPY 81 million from internal reserve.</p> <p>For the fiscal periods ending June 2018 and December 2018. 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>																					

Item	Assumptions						
Excess profit distribution per unit	<p>INV does not assume distributions in excess of profits from allowance for temporary differences adjustment, based on the assumption that the market value of the interest rate swap will remain unchanged for fiscal periods ending June 2018 and December 2018.</p> <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 will not make distributions in excess of profits for the fiscal period ending June 2018, as INV intends to retain a certain amount of the net income.</p> <p>Further, while INV will not make distributions in excess of profits as INV will have a certain amount of internal reserve, INV intends to distribute a certain amount from internal reserve in order to cope with the discrepancy between tax and accounting treatment.</p> <table data-bbox="542 1048 1308 1176"> <thead> <tr> <th></th> <th style="text-align: center;">June 2018 Fiscal Period</th> <th style="text-align: center;">December 2018 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Excess profit distribution per unit</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>		June 2018 Fiscal Period	December 2018 Fiscal Period	• Excess profit distribution per unit	-	-
	June 2018 Fiscal Period	December 2018 Fiscal Period					
• Excess profit distribution per unit	-	-					
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>						