Invincible Investment Corporation

Financial Summary for the June 2019 Fiscal Period

(from January 1, 2019 to June 30, 2019)

August 22, 2019

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	:	September 20, 2019

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended June 30, 2019 (from January 1, 2019 to June 30, 2019)

(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, 2019	27,339	89.2	22,185	133.2	21,240	153.3	21,239	153.3
Fiscal period ended December 31, 2018	14,451	10.3	9,514	12.8	8,384	8.6	8,384	8.6

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2019	3,748	9.3	4.6	77.7
Fiscal period ended December 31, 2018	1,504	4.2	2.0	58.0

(Note) "Net Income per Unit" in the table above is calculated based on the average number of investment units during the relevant period and is rounded to the nearest yen. Net income per unit for the fiscal period ended December 31, 2018 is JPY 1,479, if calculated based on the number of investment units issued and outstanding at the end of fiscal period ended December 31, 2018 (5,666,840 units) and rounded down to the nearest yen.

(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		
	JPY	JPY million	JPY	JPY million	JPY	JPY million	%	%
Fiscal period ended June 30, 2019	1,656	9,384	0	0	1,656	9,384	44.2	4.1
Fiscal period ended December 31, 2018	1,632	9,248	51	289	1,683	9,537	110.3	4.2

(Note 1) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended June 30, 2019, since INV reserved JPY 11,855 million of net income as internal reserve for the purpose of stabilizing the distribution level for the next and subsequent periods.

(Note 2) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended December 31, 2018, 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.

(Note 3) The distribution in excess of profit for the fiscal period ended December 31, 2018 is JPY 289 million (JPY 51 per unit), of which JPY 85 million (JPY 15 per unit) is the allowance for temporary differences adjustment arising from different rules and practices in tax and accounting and JPY 204 million (JPY 36 per unit) is the refund of investment for the purpose of stabilizing distributions.

(Note 4) Dividend Payout Ratio is calculated in accordance with the following formula:

Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Net Income × 100

Dividend Payout Ratio is rounded to the nearest one decimal place.

Dividend payout ratio for the fiscal period ended June 30, 2019 is 44.2% since INV reserved a portion of net income as internal reserve, and distribution (excluding excess profit distribution) differs from net income for the fiscal period as mentioned in (Note 1) above,.

(Note 5) 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, 2019	467,931	233,046	49.8	41,125
Fiscal period ended December 31, 2018	455,362	221,364	48.6	39,063

(Note) Net Assets per Unit is calculated based on the number of investment units issued and outstanding at the end of each fiscal 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, 2019	55,810	(726)	(10,548)	55,599
Fiscal period ended December 31, 2018	10,654	(85,738)	71,075	11,064

2. Forecasts for the Fiscal Period ending December 31, 2019 (from July 1, 2019 to December 31, 2019)

(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 December 31, 2019	18,043	(34.0)	12,107	(45.4)	10,701	(49.6)	10,700	(49.6)	1,725	0	1,725

(Reference) Estimated net income per unit for the fiscal periods ending December 31, 2019 is JPY 1,755.
Distribution per unit (excluding excess profit distribution) for the fiscal period ending December 31, 2019 will differ from estimated net income per unit for the fiscal period ending December 31, 2019, since INV plans to reserve JPY 183 million of net income as internal reserve.

※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, 2019	5,666,840	December 31, 2018	5,666,840
(b) Number of Treasury Units as of the End of the Fiscal Period	June 30, 2019	0	December 31, 2018	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.

- Financial Summary report is not subject to audit procedure by certified public accountants or audit corporations.
- Special Consideration

(Other Matters of Special Consideration)

The forward-looking statements contained in this financial summary 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 2019" on page 21 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. Operating Conditions

(1) Operating Conditions

a Overview of the Fiscal Period Ended June 30, 2019

(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 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 Corp. ("SoftBank Group"), after SoftBank Group acquired FIG effective on December 27, 2017 (Note 1). Calliope, an affiliate of FIG, who owned 100% of the issued shares of Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (the "Asset Manager"), transferred 80.0% of issued shares of the Asset Manager to Fortress CIM Holdings L.P., a subsidiary of SoftBank Group, and 20.0% to SoftBank Group on March 29, 2018, pursuant to the basic agreement which was entered into as of September 7, 2017. Although FIG is no longer an indirect parent company of the Asset Manager, FIG continues to support INV as the sponsor.

Ever since the commencement of sponsorship from the Fortress Group (Note 2), 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, 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 such external growth efforts, INV's portfolio as at the end of the previous fiscal period ended December 2018 comprised of 132 properties (66 hotels (Note 3) (Note 4), 64 residential properties and two others) with a total acquisition price of JPY 448,362 million (Note 5). The total acquisition price of the portfolio has significantly grown by 6.2 times, compared to May 22, 2014, which is the date immediately prior to INV's initial investment in hotels.

Moreover, the Asset Manager revised the Investment Guidelines as of July 17, 2018. Such revision was intended to establish an investment policy and asset management structure regarding investments in overseas assets, and also to change the investment policy regarding domestic hotels to focus on (i) Limited service hotels, which feature relatively higher profit margins and potential for revenue growth backed by increasing demand for accommodations, and (ii) Full-service and Resort hotels, which have a variety of revenue sources, including lodging and dining and goods sale, that are expected to achieve stable growth in overall hotel revenues. Based on such change in investment policy, in July 2018, INV decided on acquisition of TK (Japanese anonymous association (*tokumei kumiai*)) interest in two overseas hotels, "Westin Grand Cayman Seven Mile Beach Resort & SPA" and "Sunshine Suites Resort" (collectively, the "Cayman Hotels") as underlying assets for the first time ever in J-REIT history. In September 2018, INV implemented the investment in the Cayman Hotels via a global offering of new investment units and borrowing of funds. INV intends to improve both the profitability and stability of the portfolio through such investments, including investment in the Cayman Hotels, which is expected to even out the effects of seasonality in INV's portfolio.

In the Fiscal Period ended June 30, 2019 ("Reporting Period"), INV implemented an investment structure change regarding the overseas hotels on May 9, 2019 (the "Structure Change"), in response to the amendment of the Act on Special Measures Concerning Taxation of Japan enacted on April 1, 2019. Please refer to "Overview of Investment Structure Change regarding Overseas Assets" for details of the investment structure change. In addition, INV sold two residential properties on June 7 and June 19, 2019. As a result, INV's portfolio at the end of Reporting Period comprised of 130 properties (66 hotels (Note 3) (Note 4), 62 residential properties and two others) with a total acquisition price of JPY 418,593 million (Note 6).

(Note 1) US Eastern Standard Time

(Note 2) As of July 2011, Calliope owned 97.35% of issued shares of the Asset Manager and the investment ratio reached 100% in October 2013. Calliope transferred 80.0% of issued shares to Fortress CIM Holdings L.P., a subsidiary of SoftBank Group and 20.0% to SoftBank Group on March 29, 2018. As of the date of this document, SoftBank Group owns 100% of issued shares of the Asset Manager directly and indirectly.

(Note 3) 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. Such preferred equity interest issued by a special purpose company (*tokutei mokuteki kaisha*) refers to 178,458 units of preferred equity interest issued by Kingdom Special Purpose Company (the "TMK") (equivalent to 49.0% of the total issued and outstanding preferred equity interest), which owns the trust beneficiary interest of the Sheraton Grande Tokyo Bay Hotel as an underlying asset. Moreover, INV's investment amount of the preferred equity interest is used as the acquisition price of the preferred equity interest, unless otherwise stated. The "underlying asset" refers to the real estate or the real estate related assets owned by a TK operator of TK interest or a TMK relating to the preferred equity interest which INV owns, thus the real estate or the real estate related assets which will be the revenue source of INV. Hereinafter the same shall apply.

(Note 4) From September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time), INV owned 100% of the TK interest in Seven Mile Resort Holdings Ltd. (the "Cayman SPC"), a Cayman Islands special purpose company that holds leasehold interests in the Cayman Hotels as underlying assets. However, as described in "(d) Overview of Investment Structure Change regarding Overseas Assets" below, since May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time), INV has directly held the leasehold interests of the Cayman Hotels. Both of the TK interest and the Cayman Hotels are counted as two properties before and after the Structure Change. Hereinafter the same shall apply.

(Note 5) In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV's investment amount to the TK interest is calculated based on the amount reflecting such partial refund (i.e., USD 333,036 thousand). USD is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract executed on July 26, 2018 and implemented on September 26, 2018. Figures are rounded down to the nearest yen. Hereinafter the same shall apply to the investment amount in the TK interest and the acquisition price of the Cayman Hotels (Note 6) upon the distribution in kind in connection with the termination of TK agreement.

(Note 6) Due to the Structure Change, the book value of the leasehold interests of the Cayman Hotels recorded by the Cayman SPC as of May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time), when INV succeeded the leasehold interests of the Cayman Hotels from the Cayman SPC via distribution in kind in connection with the termination of TK agreement, is deemed as the acquisition price of the Cayman Hotels. The book value is converted into JPY amount.

(b) Operational Environment and Performance

For the June 2019 period, the portfolio NOI (Note 1) increased by 40.5% or JPY 4,243 million to JPY 14,734 million compared to the same period in the previous year (the June 2018 period). The hotel portfolio NOI increased by JPY 4,358 million, which is equivalent to the increase by 41.5% of the portfolio NOI, due to a combination of internal and external growth. While the residential portfolio is also benefitting from strong rental growth, NOI for the residential portfolio declined by JPY 75 million, which is equivalent to the decrease by 0.7% of the portfolio NOI, due to asset sales as part of INV's asset recycling program. Other portfolio assets also experienced a decline in NOI of JPY 38 million, which is equivalent to the decrease by 0.4% of the portfolio NOI, due to the sale of assets during the June 2018 period. The portfolio continued to maintain a high average occupancy rate (Note 2) of 98.8% for the period.

Commentary on hotel and residential performance in the Reporting Period is described below.

The NOI (Note 1) for the Reporting Period of the 55 domestic hotels (Note 3) owned by INV increased by 1.0% compared to the same period in the previous year (figures exclude nine domestic hotels with fixed-rent lease agreements of the 64 domestic hotels owned by INV at the beginning of the June 2019 Fiscal Period, including Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV). The 55 domestic hotels recorded an occupancy rate (Note 4) of 88.5% (+0.4 points YoY), ADR (Note 5) of JPY 10,388 (+2.0% YoY), and RevPAR (Note 6) of JPY 9,190 (+2.5% YoY). Fixed rent revenues accounted for 49.2% (JPY 4,168 million) of total hotel revenue and variable rent revenues accounted for 50.8% (JPY 4,304 million) of total hotel revenue (figures based on the 63 domestic owned hotels as of the end of the June 2019 Fiscal Period, and excludes Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV).

Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort, recorded an average occupancy rate of 89.3% (-0.1 points YoY), ADR of USD 416 (+16.9% YoY), and RevPAR of USD 371 (+16.7% YoY). As a result of the Structure Change, INV recognized the following revenues in the Reporting Period; (i) the originally scheduled TK distribution of the Cayman Hotels for the period, from September 28, 2018 (acquisition date in Cayman local time) through March 31, 2019, (ii) TK distribution of the Cayman Hotels for the period from April 1, 2019 through May 9, 2019 (the effective date of TK agreement termination) and (iii) the Cayman Hotels' earnings and expenses from May 10, 2019 (the following day of the effective date of TK agreement termination) through June 30, 2019 as under direct ownership income.

In Japan, inbound visitors reached a record high of 16.63 million (+4.6% YoY) for January through June 2019, while government targets continued growth of 40 million inbound visitors in 2020 and 60 million inbound visitors in 2030. Japan will host the Rugby World Cup in September through October 2019 and Tokyo Olympics Games in 2020, and these world-class events are anticipated to further increase attention to Japan and more inbound tourists to Japan. In Cayman Islands, the expansion of the Owen Roberts International Airport was completed on March 29, 2019. The airport expansion has massively expanded its capacity and can now accommodate 2.7 million passengers annually, up from the old and overstretched capacity of 0.5 million passengers and is anticipated to bring more guests to the Cayman Hotels.

The average occupancy rate of 64 residential properties (Note 7) achieved 96.1%, an increase of 0.6 points compared to the same period in the previous year. The NOI (Note 8) of the 64 residential properties for the Reporting Period decreased by 1.3% compared to the same period in the previous year, due to the sale of Royal Parks Tower Minami-Senju and Spacia Ebisu. However, the NOI increased by 1.0% for the 62 residential properties excluding such two sold properties. Trends for rent at city-center residential properties with small-type rooms maintained a moderate increase. Due to 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 detailed market analysis of each property and unit.

In the Reporting Period, INV realized a rent increase for 50.1% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 2.0% compared to the previous rent across all new leases (Note 9).

INV achieved a rent increase for 39.7% (based on the number of contracts) of contract renewals for an average rent increase of 1.8% compared to the previous rent across all renewal leases (Note 9), while maintaining a high contract renewal rate (Note 10) of 76.2%. Combined, new leases and renewal leases were signed at 1.9% higher than the previous leases (Note 9).

The total appraisal value of 129 properties was JPY 472,263 million (1 out of the 130 properties owned by INV at the end of the Reporting Period is excluded from the appraisal calculation: Sheraton Grande Tokyo Bay Hotel (preferred equity) for which appraisal values of such securities is not applicable). The portfolio has an unrealized gain of JPY 83,960 million (Note 11) and an unrealized gain ratio of 21.6% (Note 11). The total appraisal value of 127 properties which were owned throughout the Reporting Period (the Cayman Hotels are excluded due to the Structure Change) increased by 1.0% from JPY 431,200 million at the end of December 2018 period to JPY 435,593 million at the end of the Reporting Period.

Key Performance Indicators of 55 Domestic Hotel Properties (Note 3)

	June 2019 fiscal period	Year-on-year change
Occupancy Rate (Note 4)	88.5%	+0.4pt
ADR (JPY) (Note 5)	10,388	+2.0%
RevPAR (JPY) (Note 6)	9,190	+2.5%
GOP (JPY million) (Note 12)	9,091	+0.9%

Key Performance Indicators of Cayman Hotels

	June 2019 fiscal period	Year-on-year change
Occupancy Rate (Note 4)	89,3%	-0.1pt
ADR (USD) (Note 5)	416	+16.9%
RevPAR (USD) (Note 6)	371	+16.7%
GOP (USD) (Note 12)	26,681,479	+8.9%

Key Performance Indicators of 64 Residential Properties (Note 7)

	June 2019 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	96.1%	+0.6pt
Average Rent per Tsubo per Month (JPY) (Note 13)	9,890	+1.6%
NOI (JPY million) (Note 8)	2,498	-1.3%

(Note 1) "NOI" for the hotel properties is calculated in accordance with the following formula:
NOI= Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividend on the preferred equity interest (TMK dividend) + TK distribution of the Cayman Hotels + (Management Contract Revenue of the Cayman Hotels - Management Contract Expense)

(Note 2) "Average Occupancy Rate" for the entire portfolio and "Occupancy Rate" 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 3) Of the 64 hotels held as of the beginning of the June 2019 Fiscal Period (including the Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV), 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 after January 2018 by INV had been owned since January 1, 2018. The actual results before acquisition by INV are based on the data provided by the sellers.

(Note 4) "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 5) "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 6) "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 7) Based on the 64 residential properties owned as of the beginning of June 2019 Fiscal Period. In addition, the figures for the properties acquired after January 2018 are calculated on the assumption INV had acquired those properties on January 1, 2018, 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 8) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, as well as expenses required to detach trust beneficiary interest from an integrated trust account are excluded.

(Note 9) 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 10) 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 11) 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 12) "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. Moreover, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV's ownership ratio of the preferred equity interest. Hereinafter the same shall apply.

(Note 13) "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 (tsubo) 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 228,774 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 48.9% and 46.6% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.53%.

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

Interest-Bearing Debt ratio = total outstanding interest (excluding short-term consumption tax loan) -bearing debt/total assets x 100

(Note 2) LTV (appraisal value basis) uses the calculation formula below:
LTV = total outstanding interest (excluding short-term consumption tax loan) -bearing debt/total appraisal value (*) x 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) is deemed 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.

(i) Borrowing of Funds

INV borrowed Term Loan (I) on January 22, 2019 (total amount borrowed: JPY 4,250 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.30000% (by the interest swap agreement, it is fixed, in effect, at 0.37250%) for durations of three years), which was arranged by MUFG Bank, Ltd. and Sumitomo Mitsui

Trust Bank, Limited in order to repay Term Loan (B) in the amount of JPY 4,250 million due on January 22, 2019.

On March 29, 2019, INV borrowed New Syndicate Loan (K) (total amount borrowed: JPY 11,434 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.80000%, 1-month JPY TIBOR plus 0.50000% (by the interest swap agreement, it is fixed, in effect, at 0.59400%), and 1-month JPY TIBOR plus 0.30000% (by the interest swap agreement, it is fixed, in effect, at 0.36100%) for durations of ten, five and three years), which was arranged by Mizuho Bank, Ltd. in order to repay New Syndicate Loan (F) in the amount of JPY 11,434 million due on March 30, 2019.

In New Syndicate Loan (K), INV further strengthened its lender formation by introducing five new banks, Aozora Bank, Ltd, The Senshu Ikeda Bank, Ltd, Kiraboshi Bank, Ltd., The Tochigi Bank, Ltd. and The Nishi-Nippon City Bank, Ltd. In addition, INV raised its first 10-year loan, lengthening the average maturity of its debt and diversifying the repayment dates.

Furthermore, INV borrowed Term Loan (J) on June 17, 2019 (total amount borrowed: JPY 1,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.30000% (by the interest swap agreement, it is fixed, in effect, at 0.34000%) for duration of three years), which was arranged by Citibank, N.A. Tokyo Branch in order to repay Term Loan (C) in the amount of JPY 1,000 million due on June 15, 2019.

Additionally, INV borrowed Term Loan (K) on June 28, 2019 (total amount borrowed: JPY 1,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.30000% (by the interest swap agreement, it is fixed, in effect, at 0.33433%) for duration of three years), which was arranged by Development Bank of Japan, Inc. in order to repay Term Loan (D) in the amount of JPY 1,000 million due on June 30, 2019.

(ii) Prepayment of Loan

INV's short-term consumption tax loan (Note 1) in the New Syndicate Loan (J) (in the amount of JPY 1,099 million) was prepaid on May 31, 2019 from the consumption tax refund concerning asset acquisitions on August 2, 2018 and cash on hand.

(Note 1) Short-term consumption tax loan is a loan which is to be repaid before the maturity date from a refund of consumption taxes and regional consumption taxes on an acquisition of a property.

(d) Overview of Investment Structure Change regarding Overseas Assets

Since September 2018, INV owned a TK interest (100% interest) in a Cayman Islands special purpose company that held Leasehold Interests (Note 1) in Cayman Hotels as underlying assets (the "Cayman Hotel TK Interest"). However, on April 1, 2019, an amended Act on Special Measures Concerning Taxation was enacted in Japan that amends the requirement that "a J-REIT must not hold 50% or more of the shares or investment in another corporation" (Note 2) by expanding the regulation to include investments in TK. As INV owned 100% of TK Interests with Leasehold in the Cayman Hotels as underlying assets, there was a possibility that INV would fail to satisfy this new requirement if INV continued to hold the TK interest, applicable from the fiscal period ending December 2019, which is the first fiscal period of INV immediately after the effective date (April 1, 2019) of tax law amendment.

In response to such tax law amendment, INV implemented an investment structure change regarding the Cayman Hotels on May 9, 2019 (Cayman Island local time), and acquired the Leasehold of the Cayman Hotels by way of a distribution in kind after the termination of the TK agreement, and INV currently has direct ownership of Leasehold of the Cayman Hotels and continues to operate the Cayman Hotels. INV assumed the agreements concluded between the Cayman SPC and the hotel management SPC.

(Note 1) Rights equivalent to long-term real estate leasehold rights in Japan (the "Leasehold"). INV also acquired some movables including FF&E pertaining to hotel operations. "FF&E" is an abbreviation for furniture, fixtures and equipment, which are the assets necessary for hotel operation, such as furniture, fixtures, equipment and kitchen equipment (hereinafter the same).

(Note 2) Investment corporations under the J-REIT system can deduct the amount of cash distributions in calculating its taxable income as long as they satisfy certain conditions (conduit requirements), in order to prevent double taxation between J-REIT and unitholders.

(e) Overview of Sale of Assets

The Asset Manager decided to sell two residential properties, Spacia Ebisu on May 17, 2019 and Royal

Parks Tower Minami-Senju on May 28, 2019 for the purpose of improving the profitability of the portfolio by replacing the assets and stabilizing future distributions by reserving profits from sales as internal reserve, and the sales were completed on June 19, 2019 and June 7, 2019 respectively. The sold assets are as follows. The proceeds from the sales were used to fund the acquisition and a portion of the related expenses described in "c Significant Subsequent Events (c) Acquisition of assets".

Property Number	Property Name	Acquisition Price (million yen)	Book Value (million yen) (Note 1)	Sale Price (million yen) (Note 2)	Gain on Sale (million yen) (Note 3)	Transferee	Category of Specified Assets
A75	Spacia Ebisu	7,010	6,422	12,200	5,633	Undisclosed (Note 4)	Trust Beneficial Interest
A105	Royal Parks Tower Minami-Senju	21,879	21,923	27,700	5,484	Undisclosed (Note 5)	
Total		28,889	28,345	39,900	11,117	-	-

(Note 1) As of the date of sale.
(Note 2) Sale price does not include adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes; hereinafter the same.
(Note 3) Gain on sale is calculated by deducting the transfer related cost.
(Note 4) The name of the transferee (an affiliate of a foreign real estate fund) is not disclosed, as the transferee's consent has not been obtained for disclosure.
(Note 5) 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 6) Amounts are rounded down to the nearest million yen.

(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 12,888 million from the previous period (+89.2%) to JPY 27,339 million, net income increased by JPY 12,855 million (+153.3%) to JPY 21,239 million and unappropriated retained earnings including the retained deficit carried forward from the preceding fiscal period (JPY 107 million) reached JPY 21,131 million.

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. With respect to the Reporting Period, INV reserved a portion of net income increased due to the Structure Change and the sales of Spacia Ebisu and Royal Parks Tower Minami-Senju, and aims to maintain stable distributions in the future. INV reserved JPY 11,825 million of net income as internal reserve and decided that distribution per unit (excluding excess profit distribution) is JPY 1,656 and does not make distributions in excess of profits. Moreover, due to the internal reserve, the distribution payout ratio will not be large enough to fulfill one of the tax conduit requirement (Note 1) of paying out at least 90% of net distributable income as dividends. However, INV has tax-loss carry forwards in the amount of JPY 22.6 billion (mainly arising out of disposition of the assets in December 2010 fiscal period) which is more than enough to fully offset the taxable income. As a result, INV does not expect to be required to pay any income taxes for the Reporting Period.

(Note 1) Investment corporations under the J-REIT system can deduct the amount of cash distributions in calculating its taxable income as long as they satisfy certain conditions (conduit requirements), in order to prevent double taxation between J-REIT and unitholders.

b Outlook for the Fiscal Periods Ending December 31, 2019

The DPU for the December 2019 fiscal period is forecast to be JPY 1,725 (+2.5% YoY). The full year DPU for calendar year 2019 is forecast to be JPY 3,381 (+8.6% 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 and SoftBank Group owns 100% of issued shares of the Asset Manager directly and indirectly as of March 29, 2018, 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 synergies with SoftBank Group, going forward, INV will continue to implement various strategies to maintain further growth and financial stability, including the following measures.

- Further external growth utilizing sponsor support
- Property acquisition from third parties with the aim of expanding the AUM
- Asset recycling and property acquisitions using the proceeds from sales
- Further internal growth at hotel and residential properties
- Diversification of funding sources and lengthening the average maturity period of its debt through borrowings and the issuance of investment corporation bonds

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 60.4% 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.

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 (Note 2)	JPY 14,043 million (Note 2)
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 3)	JPY 57,444 million (Note 3)
February 2018	Four hotels	JPY 12,425 million
June 2018	Two hotels	JPY 7,325 million
August 2018	Four hotels	JPY 47,747 million
September 2018	Two hotels (Note 4)	JPY 36,783 million (Note 4)
July 2019	18 hotels	JPY 82,646 million
Total	112 properties (of which 81 are hotels and 31 are residential properties)	JPY 474,391 million (of which hotels: JPY 422,753 million; residential: JPY 51,638 million)

The Fortress Group manages five dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, III and IV. The Fortress Group's committed equity is over JPY 450 billion and the number of properties that the Fortress Group is invested in exceeds 3,500. 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 three hotels and eight residential properties (see the table below) (Note 5). 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	Location	Asset type (Note 6)	No. of rooms
1	Rihga Royal Hotel Kyoto	Kyoto, Kyoto	Full Service Hotel	489
2	Hotel MyStays Premier Narita	Narita, Chiba	Full Service Hotel	711
3	Fusaki Beach Resort Hotel & Villas	Ishigaki, Okinawa	Resort Hotel	188
4	Gran Charm Hiroo	Shibuya-ku, Tokyo	Residential/Small Type	121
5	Gran Charm Kichijoji	Musashino, Tokyo	Residential/Small Type	28
6	Green Patio Noda	Noda, Chiba	Residential/Small Type	240
7	Dainichi F-45	Urayasu, Chiba	Residential/Small Type	54
8	Gran Charm Urayasu	Urayasu, Chiba	Residential/Small Type	54
9	Gran Charm Urayasu 5	Urayasu, Chiba	Residential/Small Type	54
10	Gran Charm Minami Gyotoku I	Ichikawa, Chiba	Residential/Small Type	52
11	Gran Charm Minami Gyotoku II	Ichikawa, Chiba	Residential/Small Type	48

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended June 2019. Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is excluded.

(Note 2) Of the properties acquired from affiliates of the Fortress Group, two residential properties (Sun Terrace Minami-Ikebukuro and Royal Parks Tower Minami-Senju) have been sold.

(Note 3) Sheraton Grande Tokyo Bay Hotel acquired by a special purpose company, of which INV owns 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 4) The Cayman Hotels acquired by the Cayman SPC, of which INV owned the TK interest, are counted as two properties and the INV's investment amount to the TK interest is used as the acquisition price of the TK interest. After the Structure Change, INV currently has direct ownership of the Leasehold of the Cayman Hotels.

(Note 5) The term of validity of the MOU is from July 1, 2019, the date of execution of the updated MOU, to June 30, 2020. However, regarding the 11 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. INV has no preferential negotiation rights with respect to overseas assets.

(Note 6) Each "Asset Type" above is as follows:

"Full Service Hotel" refers to a hotel generally having both restaurant facilities providing breakfast, lunch and dinner (including meals provided by reservation) and meeting facilities that can be used for banquet services. .

"Limited Service Hotel" refers to a hotel that does not qualify as Full-Service Hotel.

"Resort Hotel" refers to a hotel located in areas where a substantial number of guests stay for sightseeing or recreational purposes and includes both full service hotels and limited service hotels. With respect to a hotel that falls within the definition of both a full service hotel and a resort hotel, we categorize the hotel as a full service hotel if it has substantial demand for meeting room, banquet service, wedding service or food and beverage service (including demand from non-staying guests) and as a resort hotel in all other cases. With respect to a hotel that falls within the definition of both a limited service hotel and a resort hotel, we categorize the hotel as a resort hotel.

"Small Type" refers to a residential property in which the majority of dwelling units are less than 30 m^2.

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 64 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 55 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting payment of management fees for the hotel operator as rents. For 53 hotels of the 55 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives seeking to maximize revenue through effectively taking in the accommodation demand. As a result, INV can directly enjoy the hotel revenue upside through this variable rent scheme.
For hotels, renovation of rooms and replacement of fixtures and fittings are indispensable to maintain and increase revenues and operate stably in a planned manner.

(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 low-season in the residential rental market that occurs during the December 2019 period, INV will focus on increasing the occupancy rates and rents for both new lease contracts and lease renewals for all 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 high tenant satisfaction. Therefore, INV will continue to monitor current strategic plans with flexible implementation as it sees fit.

(Note 1) Including Sheraton Grande Tokyo Bay Hotel (the preferred equity interest).

(iii) Financial strategy

In the Reporting Period, INV has started new transactions with 5 banks and further strengthened the bank formation of INV, as well as conducting borrowings for a duration of 10 years in order to diversify fund procurement sources, lengthen the maturity of its debt and diversify the repayment dates, as described in "a Overview of the Fiscal Period Ended June 2019 (c) Overview of Fund Raising (i) Borrowing of Funds". Going forward, INV seeks to maximize unitholders' value by way of further reduction of borrowing costs, diversification of loan maturity dates and financing measures, 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

(a) Issuance of New Investment Units

On July 1, 2019, INV launched its sixth Global Share Offering, and seventh share offering in total since Fortress became its Sponsor. The offering size and funds raised are described below. The funds from the issuance of new units were used to procure a portion of acquisition price for 18 domestic hotels stated in "(c) Acquisition of Assets". Payment for the issuance of new investment units and for the third-party allotment in connection with overallotment were completed on July 18, 2019 and August 15, 2019 respectively. As a result, total equity for INV is JPY 235,576 million, and total number of issued investment units is 6,096,840 units.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered	:	409,524 investment units Domestic public offering: 194,524 investment units Overseas offering: 215,000 investment units
Amount to be paid (issue value)	:	JPY 56,939 per unit
Total amount to be paid (total issue value)	:	JPY 23,317,887,036
Issue price (offer price)	:	JPY 58,898 per unit
Total issue price (total offer price)		JPY 24,120,144,552
Payment date	:	July 18, 2019

(ii) Secondary offering of investment units (overallotment secondary offering)

Number of Investment Units to be offered in the secondary offering	:	20,476 investment units
Offer price	:	JPY 58,898 per unit
Total offer price	:	JPY 1,205,995,448
Delivery date	:	July 19, 2019

(iii) Issuance of new investment units through third-party allotment

Number of investment units to be offered	:	20,476 investment units
Amount to be paid (issue value)	:	JPY 56,939 per unit
Total amount to be paid (total issue value)	:	JPY 1,165,882,964
Payment date	:	August 15, 2019
Allottee	:	Mizuho Securities Co., Ltd.

(b) Debt Financing

Along with equity finance described in "(a) Issuance of New Investment Units", INV has decided to execute new borrowings (New Syndicate Loan (L)) on July 1, 2019 in order to fund a portion of the acquisition price of 18 domestic hotel properties later described in "(c) Acquisition of Assets".

New Syndicate Loan (L)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., The Nomura Trust and Banking Co., Ltd.	July 19, 2019	4,943	0.41326% (Note 1)	January 16, 2023	Unsecured/ non guarantee
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,943	0.52473% (Note 1)	January 16, 2024	
		4,943	0.57984% (Note 1)	July 16, 2024	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan		4,943	Variable interest rate (Note 2)	January 16, 2025	

Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.					
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,942	Variable interest rate (Note 3)	July 16, 2025	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited		2,686	Variable interest rate (Note 4)	July 18, 2020	
Total Debt		27,400			

(Note 1) These are borrowings with floating interest rates, but the interest rates are fixed through interest rate swap agreements.

(Note 2) 1-month JPY TIBOR (Base Rate) + spread (0.55000%)

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.70000%)

(Note 4) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)

(c) Acquisition of Assets

The Asset Manager decided to acquire 18 hotels as follows on July 1, 2019, and acquisition of assets has been completed on July 19, 2019.

Property Number	Property Name	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	Seller
D64	Hotel MyStays Sapporo Aspen	15,543	15,700	Touyako Godo Kaisha
D65	Art Hotel Ishigakijima	9,731	9,830	Yaeyama Resort Hotel Tokutei Mokuteki Kaisha
D66	Hotel MyStays Fuji Onsen Resort	9,405	9,500	Saturnia Tokutei Mokuteki Kaisha
D67	Hotel Sonia Otaru	5,930	5,990	Shirahama Tokutei Mokuteki Kaisha
D68	Hotel MyStays Kanazawa Castle	5,682	5,740	Calvis Tokutei Mokuteki Kaisha
D69	Art Hotel Niigata Station	5,524	5,580	HL Investments 2 Tokutei Mokuteki Kaisha

Property Number	Property Name	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	Seller
D70	Hotel MyStays Nagoya Nishiki	5,197	5,250	Shirahama Tokutei Mokuteki Kaisha
D71	Hotel Nord Otaru	4,296	4,340	Shirahama Tokutei Mokuteki Kaisha
D72	Hotel MyStays Kagoshima Tenmonkan	3,445	3,480	Kawaguchiko Tokutei Mokuteki Kaisha
D73	Art Hotel Asahikawa	3,197	3,230	Shirahama Tokutei Mokuteki Kaisha
D74	Hotel MyStays Matsuyama	3,098	3,130	Calvis Tokutei Mokuteki Kaisha
D75	Hotel MyStays Sapporo Susukino	3,059	3,090	Kawaguchiko Tokutei Mokuteki Kaisha
D76	Hotel MyStays Sapporo Nakajima Park	2,118	2,140	Shirahama Tokutei Mokuteki Kaisha
D77	Hotel MyStays Sapporo Nakajima Park Annex	1,584	1,600	Shirahama Tokutei Mokuteki Kaisha
D78	Flexstay Inn Sakuragicho	1,425	1,440	Calvis Tokutei Mokuteki Kaisha
D79	MyCUBE by MYSTAYS Asakusa Kuramae	1,287	1,300	Calvis Tokutei Mokuteki Kaisha
D80	Hotel MyStays Kagoshima Tenmonkan Annex	1,168	1,180	Kawaguchiko Tokutei Mokuteki Kaisha
D81	Hotel MyStays Nayoro	957	967	Kawaguchiko Tokutei Mokuteki Kaisha
Total		82,646	83,487	

(Note 1) Appraisal Value is based on appraisal value stated in the appraisal report by the Japan Real Estate Institute., JLL Morii Valuation & Advisory K.K., The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. on the valuation date of April 1, 2019.

(Reference Information)

(a) Debt Financing

INV has decided to implement new borrowings (New Syndicate Loan (M)) on July 11, 2019, in order to repay a portion of New Syndicate Loan (E) in the amount of JPY 28,979 million which was due on July 16, 2019.

INV has also decided to implement new borrowings (Term Loan (L)) on July 18, 2019, in order to repay a portion of Term Loan (E) in the amount of JPY 700 million which was due on July 20, 2019.

(i) New Syndicate Loan (M)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	July 16, 2019	5,796	0.40000% (Note 1)	January 16, 2023	Unsecured/ non guarantee

Shinsei Bank, Limited Citibank, N.A., Tokyo Branch Resona Bank, Limited.					
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch Resona Bank, Limited.		5,796	0.49859% (Note 1)	January 16, 2024	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch		5,796	0.56310% (Note 1)	July 16, 2024	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited		5,796	Variable interest rate (Note 2)	January 16, 2025	
Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd. Shinsei Bank, Limited Citibank, N.A.,Tokyo Branch Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited.		5,795	Variable interest rate (Note 3)	July 16, 2025	
Total Debt		28,979			

(Note 1) These are borrowings with floating interest rates, but the interest rates are fixed through interest rate swap agreements.

(Note 2) 1-month JPY TIBOR (Base Rate) + spread (0.55000%)

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.70000%)

(ii) Term Loan (L)

Lender	Borrowing Date	Outstanding Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Tokyo Star Bank, Limited	July 22, 2019	700	Variable interest rate (Note 1)	July 16, 2025	Unsecured/ non guarantee

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.70000%)

d Operational Outlook

The forecasts of financial results for the fiscal period ending December 31, 2019 (from July 1, 2019 to December 31, 2019) are as follows. For reference purposes, full-year forecasts (aggregate of the fiscal periods ending June 30, 2019 and December 31, 2019) are provided as well, since hotel revenues are influenced by seasonal effects.

	December 2019 Fiscal Period (Anticipated)	(Reference) June 2019 Fiscal Period	(Reference) Full-year 2019
Operating Revenues	JPY 18,043 million	JPY 27,339 million	JPY 45,382 million
Operating Income	JPY 12,107 million	JPY 22,185 million	JPY 34,292 million
Ordinary Income	JPY 10,701 million	JPY 21,240 million	JPY 31,941 million
Net Income	JPY 10,700 million	JPY 21.239 million	JPY 31,940 million
Total Distribution Amount (Including excess profit distribution)	JPY 10,517 million	JPY 9,384 million	JPY 19,901 million
Net Income per Unit	JPY 1,755	JPY 3,748	JPY 5,503
Distribution per Unit (Excluding excess profit distribution)	JPY 1,725	JPY 1,656	JPY 3,381
Excess Profit Distribution per Unit	-	-	-
Distribution per Unit (Including excess profit distribution)	JPY 1,725	JPY 1,656	JPY 3,381

For the assumptions underlying the operational outlook for the fiscal period ending December 31, 2019, please see "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 2019."

(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 2019 >

Item	Assumptions
Fiscal period	The December 2019 fiscal period: from July 1, 2019 to December 31, 2019 (184 days)
Assets under management	Based on the properties held as of the date of this document (147 properties and a preferred equity interest in one TMK), and INV assumes that there will be no changes through the end of the fiscal period ending December 31, 2019.
Units outstanding	As of the end of the December 2019 fiscal period: 6,096,840 units INV assumes that there will be no change to the current 6,096,840 units issued and outstanding through the end of the fiscal period ending December 31, 2019.
Interest-bearing liabilities	Balance as of the end of the fiscal period ending December 31, 2019: JPY 256,174 million (borrowing: JPY 252,174 million, investment corporation bonds: JPY 4,000 million) Regarding other loans maturing during the December 2019 fiscal period, INV intends to refinance at a similar condition. INV assumes no other new loan or prepayment of loan through the end of the December 2019 fiscal period.
Operating revenues	INV expects to record rental revenues as follows: December 2019 Fiscal Period ・Rental revenues: JPY 15,944 million (of these, hotel rents): (JPY 13,201 million) (fixed hotel rents): (JPY 6,466 million) (variable hotel rents): (JPY 6,734 million) ・Management contract revenue: JPY 1,393 million ・TMK Dividend amount: JPY 705 million We estimate the amount of dividends on the preferred equity interests (TMK dividend) based on the performance of the underlying asset and the assumed amount of expenses incurred by the TMK. The forecasts of management contract revenue are based on estimated performance of the underlying assets and the assumed amount of expenses incurred by the hotel management company. Management contract revenue have been calculated based on the exchange rate of USD 1 = JPY 110.00, as the exchange rate is fixed based on the currency put/call options covering approximately 85% of expected cash flow. Rental revenues are calculated based on estimates as of the date of this document. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating expenses</td><td>INV expects to incur property related expenses and management contract expenses out of operating expenses as follows:

December 2019 Fiscal Period
・Facility management fees: JPY 519 million
(of these, repair costs): (JPY 21 million)
・Taxes and other public charges (Note): JPY 621 million
・Insurance expenses: JPY 145 million
・Depreciation expenses: JPY 3,882 million
・Other expenses: JPY 147 million
Total property related expenses and management contract expenses: JPY 5,317 million

(Note) Property taxes and city planning taxes on the assets acquired in 2019 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 ending December 31, 2019 and will be recorded from the fiscal period ending June 30, 2020 as the amount equivalent to such settlement is included in the acquisition cost.

INV expects to incur other operating expenses than the property related expenses and management contract expenses as follows:

December 2019 Fiscal Period
・Other operating expenses: JPY 618 million
(of these, asset management fees): (JPY 300 million)</td></tr>
<tr><td>NOI</td><td>INV expects to record net operating income as follows:

December 2019 Fiscal Period
・NOI: JPY 16,609 million
(of these, domestic hotel): (JPY 13,350 million)
(of these, overseas hotel): (JPY 1,263 million)
(of these, residential): (JPY 1,810 million)

NOI calculation method in the above table is as follows
・NOI＝ Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividend on the preferred equity interest (TMK dividend) + (Management Contract Revenue of the Cayman Hotels - Management Contract Expense)</td></tr>
<tr><td>Non-operating expenses</td><td>INV expects to incur non-operating expenses as follows:

December 2019 Fiscal Period
・Interest expense: JPY 692 million
・Finance related costs: JPY 498 million
・Interest for investment corporation bonds: JPY 11 million
・Depreciation of investment corporation bonds issuance expense: JPY 3 million
・Other non-operating expenses (expenses relating to the issuance of new units for the public offering): JPY 200 million
Total Non-operating expenses: JPY 1,406 million</td></tr>
</table>

Item	Assumptions
Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation. With respect to the distribution for the fiscal period ending December 31, 2019, INV expects to distribute an aggregate amount of JPY 10,517 million (distribution per unit: JPY 1,725) which is the remaining amount after reserving JPY 183 million for internal reserve from the net income for the fiscal period ending December 31, 2019 (JPY 10,700 million). For the fiscal period ending December 31, 2019, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 87 million, which is equal to the amount for the fiscal period ended June 30, 2019. 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. 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.
Excess profit distribution per unit	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 per unit, 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 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. With respect to the fiscal period ending December 2019, INV will not make distributions in excess of profits as the impact to distribution per unit due to one off expenses in connection with the public offering, acquisition of assets and the borrowing of funds is limited with the increase in revenue from the acquisition of assets. In addition, INV will not make distributions in excess of profits in order to cope with the discrepancy between tax and accounting treatment. | | December 2019 Fiscal Period | |---|---| | Excess profit distribution per unit | - |
Other	INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations, including the proposed amendments to the Income Tax Act stated below, that would affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.

(3) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities registration statement (filed on July 1, 2019). The acquisition of anticipated properties described in such securities registration statement has been completed as scheduled.