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# **Invincible Investment Corporation**

## **Asset Management Report**

Fiscal Period ended December 31, 2017 (July 1, 2017 to December 31, 2017)

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**Greetings from Naoki Fukuda, Executive Director of Invincible Investment Corporation and President & CEO of Consonant Investment Management Co., Ltd.**

I would like to take this opportunity to express my sincere gratitude to all unitholders of Invincible Investment Corporation (“INV”) for your continued support.

We hereby provide you with a report on INV’s asset management and financial results for the 29th fiscal period (covering the period from July 1, 2017 to December 31, 2017; the “Reporting Period”).

INV positions hotels and residential properties as its core assets and conducts management activities to maximize growth potential and stability of the portfolio.

During the Reporting Period, INV conducted a global public offering of new investment units to acquire four hotels located in Tokyo, Osaka, Sapporo and Oita and the additional floors of an existing hotel, along with a preferred equity interest in a special purpose company (the “TMK”) in October 2017 with funds raised in the global offering. The TMK holds Sheraton Grande Tokyo Bay Hotel (the “Sheraton”), a full service and Tokyo Disney Resort official hotel with 1,016 rooms. The Sheraton was acquired through a joint venture investment with an affiliate of Government of Singapore Investment Corporation (“GIC”). The acquisition of a flagship hotel such as the Sheraton as well as hotels that are well situated to capture an 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 believes generate low yield, 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 disposed six residential properties, five office buildings and one parking lot between July 2017 and March 2018, and used the proceeds to acquire four hotels in February 2018. The four newly acquired hotels are highly competitive in terms of location and specifications and are expected to deliver higher yields than the disposed assets. Through these measures, INV intends to further strengthen the portfolio, while providing an increase in property operating revenues and distribution per unit.

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 March 9, 2018, there are 17 hotels with 3,995 rooms and nine residential properties with 743 units that are covered by the MOU. Going forward, INV aims to improve revenue and distribution per unit through further property acquisitions utilizing the remaining proceeds from past property dispositions as well as proceeds from property dispositions currently under consideration.

As a continued focus on proactive asset management, INV changed the master lessee and property manager for four residential properties to reduce property management fees, and improved the economics of two properties by changing the lease agreement structure. In addition, INV changed the operator of one hotel to MyStays Hotel Management Co., Ltd. with the goal of improving hotel revenue through enhanced web marketing and sales to inbound tourists.

As a result of the operations mentioned above, operating revenues reached JPY12,647 million, operating income of JPY 8,223 million and net income of JPY 7,303 million, with a distribution per unit of JPY 1,564, an increase of 5.9% year-on-year(1). Annual distribution per unit for 2017, which combines distributions for the 28th and 29th fiscal periods, came to JPY 2,828, an increase of 6.2% over the previous year.

INV will continue to implement its basic policy to “increase distribution per unit,” and will ensure the implementation of measures to maximize unitholder value.

Your continued support is highly appreciated.

Naoki Fukuda

Executive Director, Invincible Investment Corporation

President & CEO, Consonant Investment Management Co., Ltd.

- (1) Comparison with the fiscal period ended December 2016. In order to eliminate seasonal factors of hotel variable rents, which is one of the major revenues of INV, in the comparison, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended June 2017).

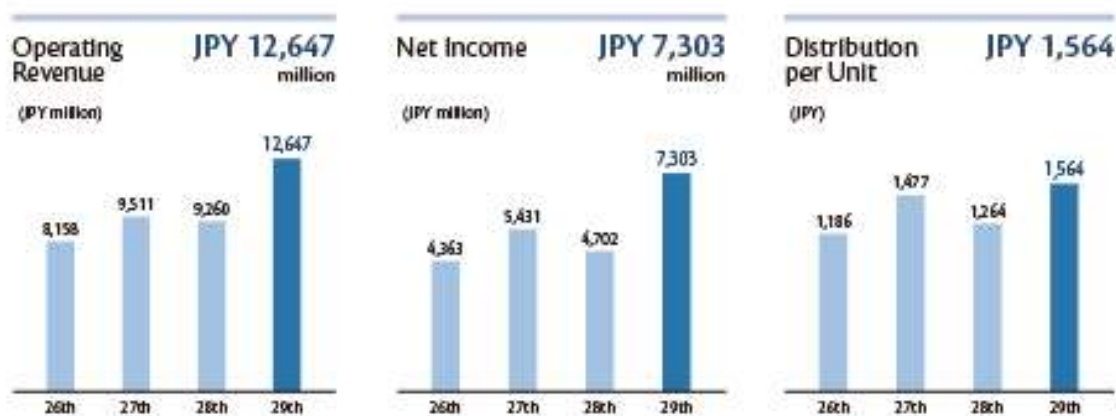
Distribution per unit for the 29th fiscal period  
(the fiscal period ended December 2017)

JPY 1,564

- (Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of December 31, 2017. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV's control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

## Summary of Financial Results

	Period from January 1, 2016 to June 30, 2016	Period from July 1, 2016 to December 31, 2016	Period from January 1, 2017 to June 30, 2017	Period from July 1, 2017 to December 31, 2017
Operating Revenues (JPY million)	8,158	9,511	9,260	12,647
Ordinary Income (JPY million)	4,364	5,431	4,702	7,303
Net Income (JPY million)	4,363	5,431	4,702	7,303
Net Assets (JPY million)	130,005	131,455	139,062	181,320
Total Assets (JPY million)	284,106	277,361	306,421	371,758
Net Assets per Unit (JPY)	35,368	35,762	36,019	37,829
Net Assets/Total Assets (%)	45.8	47.4	45.4	48.8
Distribution per Unit (JPY)	1,186	1,477	1,264	1,564
Number of Units Issued (Unit)	3,675,824	3,675,824	3,860,824	4,793,181



(Note) Figures are rounded down to the indicated unit and percentages are rounded off to one decimal place.  
However, “Net Assets per Unit” have been rounded off to the nearest specified unit.

**Sheraton Grande Tokyo Bay Hotel (preferred equity interest)**

INV acquired 49% preferred equity interest in a special purpose company that owns the Sheraton Grande Tokyo Bay Hotel for approximately JPY 17.8 billion in October 2017.



Ocean Dream Room



Conference Room



Crystal Chapel



Garden Pool



Grand Café (Restaurant)



Location	1-9 Maihama, Urayasu-shi, Chiba
Access	1-minute walk from Bayside Station on the Disney Resort Line 2,600 m from Maihama Station on the JR Keiyo Line
Completion	March 1988 / May 1996 / February 2002 October 2016 (Annex)
Renovation Period	September 2014 - July 2015
Number of Guest Rooms	1,016 rooms
Leasable Area	118,186.86 m <sup>2</sup>



Properties Newly Acquired in October 2017

**D50**

**Hotel MyStays Shin Osaka Conference Center**

Perfect location and specifications to capture MICE <sup>(2)</sup> demand. A 7-minute walk from the Shinkansen stop at Shin-Osaka Station



Location	Osaka-shi, Osaka
Access	7-minute walk from Shin Osaka Station on the JR Tokaido Shinkansen/Sanyo Shinkansen/Tokaido Main Line 4-minute walk from Shin Osaka Station on the Osaka Municipal Subway Midosuji Line
Hotel Type	Limited
Completion	June 1974
Renovation Period	November 2015 – March 2016
No. of Guest Rooms	397 rooms

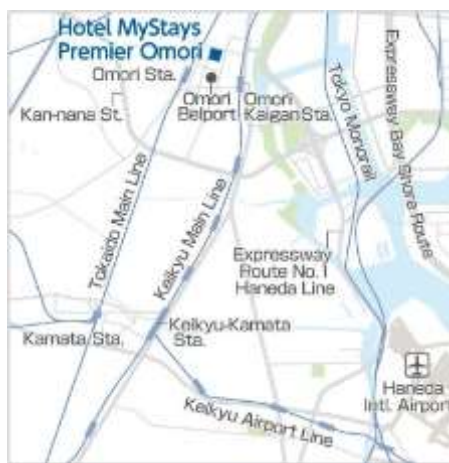
(Note 1) As to “Hotel Type,” “Limited” refers to “Limited Service Hotel, which means a hotel focusing on revenues from room stay and offer limited service regarding foods and beverages, banquet, spa or gymnasium facilities,” “Full” refers to “Full Service Hotel, which means a hotel having segments of stay, foods and beverages, and banquet,” and “Resort” refers to “Resort Hotel, which means a hotel located at tourist destinations or recreational spots, having segments of stay, foods and beverages, and incidental facilities.”

(Note 2) The capital letters of MICE stand for Meeting (held by business companies), Incentive (travel organized for company employees for incentive and training purposes), Convention (held by international

**D51**

**Hotel MyStays Premier Omori**

Large room sizes of over 22.5 m<sup>2</sup> for all rooms. A 7-minute walk from Omori Station and offering excellent access to Shinagawa Station, Haneda Airport and Yokohama Station



Location	Shinagawa-ku, Tokyo
Access	7-minute walk from Omori Station on the JR Keihin Tohoku Line 8-minute walk from Omori Kaigan Station on the Keihin Kyuko Line
Hotel Type	Limited
Completion	February 1995
Renovation Period	August 2016 - November 2016
No. of Guest Rooms	Hotel: 232 rooms Serviced Apartments: 24 units

organizations/associations or academic societies) and Exhibition/Event. It is also a collective term for business events that are expected to attract many guests and interactions.

### D52 Beppu Kamenoi Hotel

Located in Beppu, one of Japan's most famous hot spring resort areas. The hotel has a conference room and spacious rooms that can accommodate up to six guests



Location	Beppu-shi, Oita
Access	4-minute walk from Beppu Station on the JR Nippo Main Line 12 minutes by car from Beppu I.C. on the Oita Expressway
Hotel Type	Resort
Completion	May 1997
Renovation Period	May 2015 - July 2015
No. of Guest Rooms	322 rooms

### D53 Hotel MyStays Sapporo Station

Located in the heart of Sapporo, and walking distance to Odori Park, home of the famous Snow Festival



Location	Sapporo-shi, Hokkaido
Access	4-minute walk from JR Sapporo Station
Hotel Type	Limited
Completion	October 2007
Renovation Period	-
No. of Guest Rooms	242 rooms



Properties Newly Acquired in February 2018

**D54** Hotel MyStays Yokohama Kannai

Newly opened in October 2016, the stylish hotel is located 1 minute by foot from Kannai Station and 5 minutes by train to Yokohama Station



Location	Yokohama-shi, Kanagawa
Access	1-minute walk from Kannai Station on the Yokohama Municipal Subway Blue Line 4-minute walk from Kannai Station on the JR Negishi Line
Hotel Type	Limited
Completion	August 2016
Renovation Period	-
No. of Guest Rooms	165 rooms

**D55** Art Hotel Joetsu

This hotel with 198 rooms offers a variety of services to fit the needs of business or leisure travelers alike, with conference and banquet space, a wedding chapel, beer garden, and two restaurants in addition to concierge and massage services.



Location	Joetsu-shi, Niigata
Access	4-minute walk from Takada Station on the Myoko-Haneuma-Line of the Echigo Tokimaki Railway 15 minutes by car from Joetsu Takada I.C. (Joshinetsu Expressway)
Hotel Type	Full
Completion	November 1993
Renovation Period	-
No. of Guest Rooms	198 rooms

(Note 1) As to “Hotel Type,” “Limited” refers to “Limited Service Hotel, which means a hotel focusing on revenues from room stay and offer limited service regarding foods and beverages, banquet, spa or gymnasium facilities,” “Full” refers to “Full Service Hotel, which means a hotel having segments of stay, foods and beverages, and banquet,”

and “Resort” refers to “Resort Hotel, which means a hotel located at tourist destinations or recreational spots, having segments of stay, foods and beverages, and incidental facilities.”

### D56 Art Hotel Hirosaki City

Located in Hirosaki City, a well-known tourist destination in northern Japan, the hotel offers a wide variety of room types, with ample space for travelling families and is easily accessible as it sits in front of JR Hirosaki Station



Location	Hirosaki-shi, Aomori
Access	1-minute walk from JR Hirosaki Station on the JR Ou Main Line and Konan Railway Konan Line 15 minutes by car from Owani/Hirosaki I.C. along the Tohoku Expressway
Hotel Type	Full
Completion	August 1989
Renovation Period	March 2008
No. of Guest Rooms	134 rooms

### D57 Hotel MyStays Oita

Conveniently located a 10-minute walk from Oita Station. The hotel features high ceilings and large windows providing spatial comfort



Location	Oita-shi, Oita
Access	10-minute walk from Oita Station on the JR Nippo Main Line, Kyudai Main Line and Hohi Main Line 15 minutes by car from Oita I.C. along the Oita Expressway
Hotel Type	Limited
Completion	July 2007
Renovation Period	-
No. of Guest Rooms	145 rooms

## Portfolio Rebalance (Property Disposition)

As portfolio rebalance, INV sold part of its properties (12 properties in total) between July 2017 and March 9, 2018.

**Total sales price**      Against book value<sup>(1)</sup>: +JPY 2,799 million (+20.6%)  
**JPY 16,397 million**    Against appraisal value<sup>(2)</sup>: +JPY 2,503 million (+18.0%)

**Actual NOI yield<sup>(3)</sup> of  
 properties sold  
 4.1%**

## List of Properties Sold (July 2017 to March 2018)

6 residential properties



Harmonie  
Ochanomizu  
(Bunkyo Ward)



Casa  
Eremitaggio  
(Meguro Ward)



Lexel Mansion  
Ueno Matsugaya  
(Taito Ward)



Growth Maison  
Ikebukuro  
(Toshima Ward)



Sun Terrace  
Minami-Ikebukuro  
(Toshima Ward)



Capital Heights  
Kagurazaka  
(Shinjuku Ward)

5 office buildings



Kindai  
Kagaku Sha Building  
(Shinjuku Ward)



Shinjuku  
Island  
(Shinjuku Ward)



Ohki Aoba  
Building  
(Sendai City)



Cross Square  
NAKANO  
(Nakano Ward)



Lexington  
Plaza Nishi-Gotanda  
(Shinagawa Ward)

Parking lot



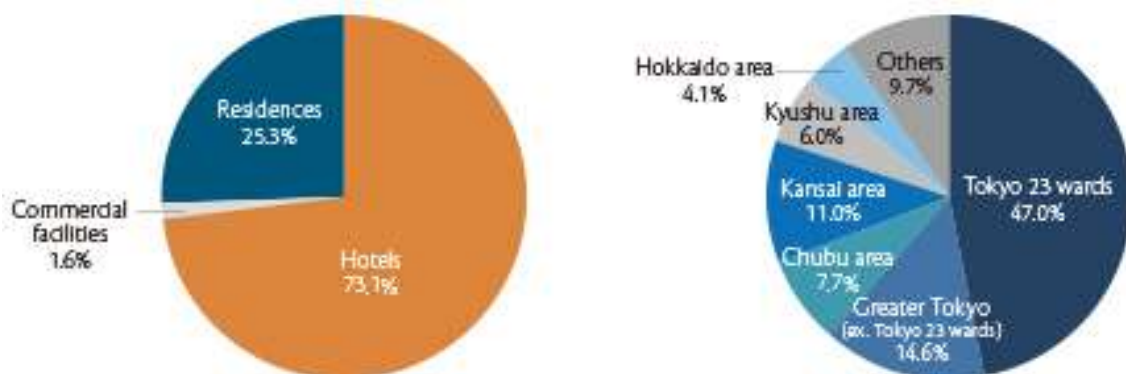
Times Kanda-  
Sudacho 4th  
(Chiyoda Ward)

(Note 1) Based on book value as of the sales date for the six properties sold in 2017, or as of December 31, 2017 for the other six properties. "Against book value" indicates estimate for reference purpose and are not actual gain on sale.

(Note 2) Based on the appraisal reports as of the most recent state prior to sale

(Note 3) Calculated by dividing actual NOI from July 2016 to June 2017 for the two properties sold in July 2017, or total actual NOI for 2017 full year for the other 10 properties (actual NOI from January 1, 2017 up to the sales date for the four properties sold in December 2017) by total sales price.

**INV's Portfolio Composition<sup>(4)</sup> (As of March 9, 2018)**



(Note 4) Indicated based on acquisition price. The preferred equity interest held by INV is counted as one property in the portfolio. The preferred equity interest is categorized as hotel based on the use of its underlying asset, Sheraton Grande Tokyo Bay Hotel; and the amount INV has invested in the preferred equity interest is used as acquisition price.



## Sponsor Pipeline

INV continues to hold sponsor pipeline of 26 properties (17 hotels and nine residential properties) even after the portfolio rebalance.

## Properties Covered by the MOU (Hotels)<sup>(1)(2)</sup>

No.	Property name	Location	Type <sup>(3)</sup>	# of Rooms
1	Hotel MyStays Premier Akasaka	Minato-ku, Tokyo	Limited	327
2	RIHGA Royal Hotel Kyoto	Kyoto, Kyoto	Full	489
3	Hotel MyStays Premier Narita	Narita, Chiba	Full	711
4	Hotel MyStays Premier Sapporo Park	Sapporo, Hokkaido	Full	418
5	Fusaki Resort Village	Ishigaki, Okinawa	Resort	188
6	Art Hotel Asahikawa	Asahikawa, Hokkaido	Full	265
7	Hotel MyStays Kanazawa Castle	Kanazawa, Ishikawa	Limited	206
8	Hotel MyStays Matsuyama	Matsuyama, Ehime	Full	161
9	Hotel MyStays Ueno East	Taito-ku, Tokyo	Limited	150
10	Hotel MyStays Midosuji Honmachi	Osaka, Osaka	Limited	108
11	Hotel MyStays Sapporo Nakajima Park	Sapporo, Hokkaido	Limited	86
12	Flexstay Inn Sakuragicho	Yokohama, Kanagawa	Limited	70
13	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	Limited	161
14	Hotel MyStays Fuji Onsen Resort	Fujiyoshida, Yamanashi	Resort	159
15	Hotel Nord Otaru	Otaru, Hokkaido	Limited	98
16	Hotel Sonia Otaru	Otaru, Hokkaido	Limited	94
17	Art Hotel Niigata Station	Niigata, Niigata	Full	304
Total				3,995

(Note 1) The MOU refers to the MOU providing preferential negotiation rights. INV is granted an opportunity to consider the acquisition in priority to a third party when any property covered by the MOU is to be sold.

(Note 2) There are no properties INV has decided to acquire as of March 9, 2018 and there is no guarantee that we will be able to acquire any of these properties in the future.

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

“Limited” refers to a limited service hotel focusing on revenues from room stay and offer limited services regarding food and beverage, banquet, spa or gymnasium facilities.

“Full” refers to a full-service hotel having sections of stay, food and beverage, and banquet.

“Resort” refers to a resort hotel located at tourist destinations or recreational lots, having sections of stay, food and beverage, and incidental facilities.



## **Synergy with SoftBank Group**

Fortress Group, INV's sponsor, became a 100% subsidiary of SoftBank Group Corp. (SoftBank Group) on December 27, 2017.<sup>(4)</sup>

INV is expected to benefit from collaboration of MyStays Hotel Management Co., Ltd. (MHM), the hotel operator under the sponsor, and SoftBank Group.

### **Remote concierge by Pepper**

- Pepper introduced at some MHM hotels from July 2017.



### **Alliance with Alibaba Group (Fliggy)**

- 40 MHM hotels made available on the Fliggy<sup>(5)</sup> platform, of which 26 hotels are owned by INV.
- Won “Most Popular Store of W11 2017” during the 11.11 Global Online Shopping Festival held on November 11, known as Single’s Day in China.

(Note 4) For details, please refer to “Overview of Asset Management 2. Operating Conditions (2) Operational Environment and Performance.”

(Note 5) Fliggy is an equity method affiliate of SoftBank Group, and is a travel service platform provided by the world’s largest e-commerce firm, Alibaba Group. It offers various travel-related products and services including domestic/international flight tickets, train/bus tickets, hotel reservation, package tours and entrance tickets to sightseeing spots, and has over 200 million users (as of the end of 2016).

## **Unitholder Benefit Program**

INV newly introduced the unitholder benefit program to improve the satisfaction of its unitholders and expand the unitholder base. Eligible unitholders can stay at Sheraton Grande Tokyo Bay Hotel and all MyStays hotels<sup>(2)</sup> at special discount rates.

### **Overview of the Unitholder Benefit Program<sup>(1)</sup>**

Applicable Hotels	<ul style="list-style-type: none"> <li>■ Sheraton Grande Tokyo Bay Hotel</li> <li>■ All MyStays hotels<sup>(2)</sup></li> </ul>
Eligible Unitholders	Unitholders who hold 10 or more Invincible units and whose names are on Invincible's Unitholders' Registry as of these record dates:
Record Date	The last day of every fiscal period (June 30 and December 31 of each year)
Program Details	Stay with unitholder special discount rates at the above applicable hotels
Hotel Reservation	Reservation via designated website posting accommodation plans for the unitholder benefit program
Available Period <sup>(3)</sup>	From April 1 to September 30 (eligible unitholders as of December 31) From October 1 to March 31 (eligible unitholders as of June 30)

Sheraton Grande Tokyo Bay Hotel



Hotel Epinard Nasu



Fusaki Resort Village



Hotel MyStays Premier Kanazawa



Beppu Kamenoi Hotel



- (Note 1) The details of the unitholder benefit program described above are as planned by Invincible as of March 9, 2018, and the program may be changed or abolished even after it is has been introduced.
- (Note 2) Refers to all hotels under MyStays brand managed by MHM, and hotels shown on the MyStays Hotel Group's official website (<https://www.mystays.com/en-us/>) will be applicable. (84 hotels as of February 28, 2018)
- (Note 3) Available Period represents a period during which you can lodge by using the unitholder benefit program. To enjoy the unitholder benefit program, you actually need to lodge during the availability period.

## I. Asset Management Report

### Overview of Asset Management

#### 1 Trends in Investment Corporation's Operating Results

By Period			25th	26th	27th	28th	29th
Reporting period			fiscal period	fiscal period	fiscal period	fiscal period	fiscal period
			Jul. 1, 2015 to Dec 31, 2015	Jan. 1, 2016 to Jun. 30, 2016	Jul. 1, 2016 to Dec 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec 31, 2017
Operating Results	Operating revenue	(Note 1) (JPY thousand)	6,863,775	8,158,220	9,511,466	9,260,917	12,647,270
	(Rental revenue – real estate)	(JPY thousand)	6,863,775	8,158,220	9,511,466	9,260,917	11,403,236
	Operating expenses	(JPY thousand)	2,494,667	3,084,315	3,577,255	3,916,456	4,423,618
	(Property related expenses)	(JPY thousand)	2,178,165	2,697,986	3,162,067	3,518,684	3,962,183
	Operating income	(JPY thousand)	4,369,108	5,073,905	5,934,211	5,344,461	8,223,652
	Ordinary income	(JPY thousand)	2,953,293	4,364,025	5,431,608	4,702,678	7,303,702
	Net income	(JPY thousand)	2,952,688	4,363,420	5,431,003	4,702,073	7,303,097
Assets	Total assets (change from last period)	(a) (JPY thousand) (%)	185,918,871 36.4	284,106,133 52.8	277,361,874 (2.4)	306,421,050 10.5	371,758,254 21.3
	Interest-bearing debt	(JPY thousand)	91,699,000	141,917,000	142,419,000	163,990,000	186,983,000
	Net assets (change from last period)	(b) (JPY thousand) (%)	91,758,194 48.6	130,005,009 41.7	131,455,278 1.1	139,062,593 5.8	181,320,466 30.4
	Unitholders' capital	(JPY thousand)	82,465,438	120,367,271	120,367,271	128,984,946	168,798,455
Dividend Status	Total distributions	(c) (JPY thousand)	3,790,905	4,359,527	5,429,192	4,880,081	7,496,535
	Dividend payout ratio	(Note 2) (%)	102.5	94.8	100.0	102.1	100.3
Information per Unit	Number of investment units issued and outstanding	(d) (Units)	3,193,686	3,675,824	3,675,824	3,860,824	4,793,181
	Net assets per unit	(b) / (d) (JPY) (Note 3)	28,731	35,368	35,762	36,019	37,829
	Distributions per unit (Distributions of earnings per unit)	(c) / (d) (JPY) (JPY)	1,187 948	1,186 1,125	1,477 1,477	1,264 1,243	1,564 1,528
	(Distributions in excess of retained earnings per unit)	(JPY)	239	61	-	21	36
Financial Measures	Return on assets (change over year)	(Note 4) (%)	1.8 3.6	1.9 3.7	1.9 3.8	1.6 3.2	2.2 (4.3)
	Return on equity (change over year)	(Note 4) (%)	3.8 7.6	3.9 7.9	4.2 8.2	3.5 7.0	4.6 (9.0)
	Capital ratio (change from last period)	(b) / (a) (Note 4) (%) (%)	49.4 4.1	45.8 (3.6)	47.4 1.6	45.4 (2.0)	48.8 (3.4)
	NOI (Net Operating Income)	(Note 4) (JPY thousand)	5,961,324	7,136,971	8,414,465	8,023,607	10,008,268

(Note 1) Consumption taxes etc. are not included in the items including operating revenues.

(Note 2) The "Dividend payout ratio" is calculated in accordance with the following formula:

$$\text{Dividend payout ratio} = \text{Distribution amount (Excluding distributions in excess of retained earnings)} \div \text{Net income} \times 100$$

"Dividend payout ratio" is rounded to one decimal place.

(Note 3) Distributions per unit are rounded to the nearest unit.

(Note 4) Financial measures above are calculated as below, and ratios are rounded to one decimal place.

Return on assets = Ordinary income / (Total assets at start of reporting period + Total assets at end of reporting period) / 2) x 100.

Return on equity = Net income for period ended December 31, 2017 / (Net assets at start of reporting period + Net assets at end of reporting period) / 2) x 100.

Capital ratio = Net assets at end of reporting period / Total assets at end of reporting period x 100.

Rental NOI = Rental revenue – Leasing costs + Depreciation for period ended December 31, 2017.



## 2 Operating Conditions

### (1) 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 Corp. (“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.

## (2) 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 (Note 3)	90.6%	+0.1pt
ADR (JPY) (Note 4)	10,083	+0.8%
RevPAR (JPY) (Note 5)	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 10)	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.

### (3) 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:

Interest-Bearing Debt ratio = total outstanding interest-bearing debt (excluding consumption tax loan of JPY 1,068 million)/total assets x 100

(Note 2) LTV uses the calculation formula below:

LTV = total outstanding interest-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) 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.

#### (4) 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 (JPY million) (Note 1)	Appraisal value (JPY million) (Note 2)	Seller	Category of specified asset
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 2)	Seller	Category of specified asset
Hotel	D43	Hotel MyStays Gotanda Station (Additional Acquisition Portion)	Shinagawa-ku, Tokyo	1,849	2,600	Undisclosed (Note 3)	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.

(5) 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 sales were 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 sales were appropriated to the funds for the acquisition described in “6 Significant Subsequent Events (a) Acquisition of assets.”

Use	Property number	Property name	Acquisition price (JPY million)	Book value (JPY million) (Note 1)	Sales price (JPY million)	Difference b/w sales price and book value (Note 1)	Transferee	Category of specified asset
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 sales were appropriated to the funds for the acquisition described in "6 Significant Subsequent Events (a) Acquisition of assets."

Use	Property number	Property name	Acquisition price (JPY million)	Book value (JPY million) (Note 1)	Sales price (JPY million)	Difference b/w sales price and book value (Note 1)	Transferee	Category of specified asset
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.

#### (6) 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).

### 3 Changes in Total Number of Investment Units Issued and Outstanding

Changes in the number of investment units issued and outstanding and unitholders' capital from the date of establishment to the end of the Reporting Period are as follows.

Date	Type of issue	Total number of investment units issued and outstanding (units)		Unitholders' capital (JPY)		Reference
		Increase	Total	Increase	Total	
January 18, 2002	Private placement for incorporation	400	400	200,000,000	200,000,000	(Note 1)
December 26, 2003	Private placement	2,700	3,100	1,012,500,000	1,212,500,000	(Note 2)
January 9, 2004	Private placement	1,350	4,450	506,250,000	1,718,750,000	(Note 2)
January 21, 2004	Private placement	1,333	5,783	499,875,000	2,218,625,000	(Note 2)
January 27, 2004	Private placement	267	6,050	100,125,000	2,318,750,000	(Note 2)
January 28, 2004	Private placement	800	6,850	300,000,000	2,618,750,000	(Note 2)
January 31, 2004	Private placement	266	7,116	99,750,000	2,718,500,000	(Note 2)
February 5, 2004	Private placement	800	7,916	300,000,000	3,018,500,000	(Note 2)
February 7, 2004	Private placement	1,333	9,249	499,875,000	3,518,375,000	(Note 2)
May 17, 2004	Public offering	9,000	18,249	3,377,250,000	6,895,625,000	(Note 3)
February 7, 2005	Public offering	10,650	28,899	3,937,667,100	10,833,292,100	(Note 4)
July 31, 2006	Public offering	25,000	53,899	8,301,125,000	19,134,417,100	(Note 5)
February 1, 2010	Unit split	215,596	269,495	-	19,134,417,100	(Note 6)
February 1, 2010	Merger	367,200	636,695	-	19,134,417,100	(Note 7)
July 29, 2011	Third-party allotment	711,597	1,348,292	6,999,979,689	26,134,396,789	(Note 8)
December 20, 2013	Third-party allotment	224,887	1,573,179	2,999,992,580	29,134,389,369	(Note 9)
July 16, 2014	Public offering	1,040,000	2,613,179	22,747,920,000	51,882,309,369	(Note 10)
August 13, 2014	Third-party allotment	55,507	2,668,686	1,214,104,611	53,096,413,980	(Note 11)
July 15, 2015	Public offering	500,000	3,168,686	27,970,500,000	81,066,913,980	(Note 12)
August 12, 2015	Third-party allotment	25,000	3,193,686	1,398,525,000	82,465,438,980	(Note 13)
March 30, 2016	Public offering	459,512	3,653,198	36,123,157,344	118,588,596,324	(Note 14)
April 27, 2016	Third-party allotment	22,626	3,675,824	1,778,675,112	120,367,271,436	(Note 15)
February 22, 2017	Reversal of allowance for temporary differences adjustment	-	3,675,824	224,225,264	120,591,496,700	(Note 16)

March 13, 2017	Public offering	185,000	3,860,824	8,393,450,000	128,984,946,700	(Note 17)
October 12, 2017	Public offering	887,959	4,748,783	37,917,625,218	166,902,571,918	(Note 18)
November 1, 2017	Third-party allotment	44,398	4,793,181	1,895,883,396	168,798,455,314	(Note 19)

(Note 1) INV was incorporated through a private placement at a price of JPY 500,000 per unit.

(Note 2) New investment units were issued in a private placement at a price of JPY 375,000 per unit to raise funds for the acquisition of new properties.

(Note 3) New investment units were issued in a public offering at a price of JPY 395,000 per unit (JPY 375,250 after deducting the underwriters' discount) to raise funds for the acquisition of new properties.

(Note 4) New investment units were issued in a public offering at a price of JPY 385,140 per unit (JPY 369,734 after deducting the underwriters' discount) to raise funds for the acquisition of new properties.

(Note 5) New investment units were issued in a public offering at a price of JPY 348,740 per unit (JPY 332,045 after deducting the underwriters' discount) to raise funds for the acquisition of new properties.

(Note 6) An investment unit split of five units per one unit was conducted.

(Note 7) A merger by absorption pursuant to Article 147 of the Act on Investment Trusts and Investment Corporations was conducted with LCP, with INV as the surviving entity. As a result of the merger by absorption, four investment units of INV (after the investment unit split) were allotted for each LCP investment unit. The number of LCP investment units issued as of the time of the merger by absorption was 91,800 units.

(Note 8) New investment units were issued in a third-party allotment at a price of JPY 9,837 per unit to make repayment of existing loan, etc.

(Note 9) New investment units were issued in a third-party allotment at a price of JPY 13,340 per unit to make repayment of existing loan, etc.

(Note 10) New investment units were issued in a public offering at a price of JPY 22,688 per unit (JPY 21,873 after deducting the underwriters' discount) to raise funds for the acquisition of new properties.

(Note 11) New investment units were issued in a third-party allotment at a price of JPY 21,873 per unit for the purpose of cash reserve to appropriate to repayment in future borrowings.

(Note 12) New investment units were issued in a public offering at a price of JPY 57,817 per unit (JPY 55,941 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.

(Note 13) New investment units were issued in a third-party allotment at a price of JPY 55,941 per unit for the purpose of allocation to cash reserves to be used as part of the funds for future acquisition of properties.

(Note 14) New investment units were issued in a public offering at a price of JPY 81,217 per unit (JPY 78,612 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.

(Note 15) New investment units were issued in a third-party allotment at a price of JPY 78,612 per unit for the purpose of allocation to cash reserves to be used as a part of the funds for future acquisition of properties.

(Note 16) INV has decided on Board of Directors' Meeting held on February 22, 2017, the reversal of allowance for temporary difference adjustments for incorporation into unitholders' capital.

(Note 17) New investment units were issued in a public offering at a price of JPY 46,897 per unit (JPY 45,370 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.

(Note 18) New investment units were issued in a public offering at a price of JPY 44,118 per unit (JPY 42,702 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.

(Note 19) New investment units were issued in a third party allotment at a price of JPY 42,702 per unit for the purpose of allocation to cash reserves to be used as part of the funds for future acquisition of specified assets.

## Trends in Trading Prices of Investment Securities

The highest and lowest prices (trading prices) in the Real Estate Investment and Trust Securities Section of

the Tokyo Securities Exchange on which the investment securities of INV are listed are as follow.

Real Estate Investment and Trust Securities Section, Tokyo Securities Exchange

(Unit: JPY)

Period	25th fiscal period	26th fiscal period	27th fiscal period	28th fiscal period	29th fiscal period
Closing month	December 2015	June 2016	December 2016	June 2017	December 2017
Highest	76,400	88,400	70,300	54,800	50,200
Lowest	57,900	61,100	49,600	41,500	44,450

#### 4 Distribution Performance

With respect to profit distributions for the Reporting Period, INV decided to distribute almost all of its profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957).

In addition, in accordance with the cash distribution policy as set forth in Article 17, Item 4 of the Articles of Incorporation, INV makes distributions of cash in excess of earnings of the amount that it determines (the “Excess Profit Distribution”). For the Reporting Period, INV decided to distribute JPY 172 million (JPY 36 per unit) as refund of investment in order to level total distributions because the amount of profit distributions decreases temporarily due to the incurrence expenses from the issuance of new investment units and of one-off expenses associated with borrowings. As a result, distribution (including Excess Profit Distribution) is JPY 1,564 per unit.

Period	25th fiscal period	26th fiscal period	27th fiscal period	28th fiscal period	29th fiscal period
Calculated Period	Jul. 1, 2015 to Dec. 31, 2015	Jan. 1, 2016 to Jun. 30, 2016	Jul. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017
Unappropriated retained earnings (JPY thousand)	3,028,323	4,363,420	5,659,831	4,708,487	7,212,580
Reserved profit (JPY thousand)	-	228,827	6,414	(90,516)	(111,399)
Total cash distribution (JPY thousand)	3,790,905	4,359,527	5,429,192	4,880,081	7,496,535
(Distribution per unit) (JPY)	1,187	1,186	1,477	1,264	1,564
Total profit distribution (JPY thousand)	3,027,614	4,135,302	5,429,192	4,799,004	7,323,980
(Profit distribution per unit) (JPY)	948	1,125	1,477	1,243	1,528
Total refund of investment (JPY thousand)	763,290	224,225	-	81,077	172,554

Period	25th fiscal period	26th fiscal period	27th fiscal period	28th fiscal period	29th fiscal period
Calculated Period	Jul. 1, 2015 to Dec. 31, 2015	Jan. 1, 2016 to Jun. 30, 2016	Jul. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017
(Refund of investment per unit) (JPY)	239	61	-	21	36
Total distribution from the allowance for temporary differences adjustment out of total refund of investment (JPY thousand)	-	224,225	-	46,329	-
(Distribution from the allowance for temporary differences adjustment per unit out of refund of investment per unit) (JPY)	-	61	-	12	-
Total distribution from unitholders' equity under the tax laws out of the total refund of investment (JPY thousand)	763,290	-	-	34,747	172,554
Distribution from unitholders' equity under the tax laws out of refund of investment per unit (JPY)	239	-	-	9	36

## 5 Future Operational Policy and Issues to be Addressed

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 “6 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
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

No.	Asset name	Asset type (Note 3)	Location	No. of rooms
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 m<sup>2</sup>.

#### 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.

## 6 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.

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 gained 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 (JPY million)	Appraisal value (JPY million) (Note 1)	Seller	Category of specified asset
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	4,639	5,160	520	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.

## Overview of the Investment Corporation

### 1 Overview of Investment

By Period	25th fiscal period	26th fiscal period	27th fiscal period	28th fiscal period	29th fiscal period
Results Dates	As of Dec. 31, 2015	As of Jun. 30, 2016	As of Dec. 31, 2016	As of Jun. 30, 2017	As of Dec. 31, 2017
Number of issuable investment units (Unit)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Number of investment units issued and outstanding (Unit)	3,193,686	3,675,824	3,675,824	3,860,824	4,793,181
Unitholders' capital (JPY million)	82,465	120,367	120,367	128,984	168,798
Number of total unitholders	10,587	12,135	15,634	17,493	26,761

### 2 Notes regarding Unitholders

Major unitholders at the end of the reporting period are as below.

Name	Number of units held	% of total number of investment units issued and outstanding
Calliope Godo Kaisha	609,942	12.72
The Master Trust Bank of Japan, Ltd. (trust account)	599,567	12.50
Japan Trustee Services Bank, Ltd. (trust account)	464,824	9.69
Trust & Custody Services Bank, Ltd. (securities investment trust account)	194,917	4.06
Rayo Godo Kaisha	149,925	3.12
The Nomura Trust and Banking Co., Ltd. (investment trust account)	146,937	3.06
THE BANK OF NEW YORK MELLON SA/NV 10	130,716	2.72
JP MORGAN CHASE BANK 385628	74,626	1.55
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	61,082	1.27
STATE STREET BANK AND TRUST COMPANY 505223	57,916	1.20
Total	2,490,452	51.95

(Note) Percentages are rounded down to two decimal places.



### 3 Notes regarding Directors

Directors at the end of the reporting period are as below.

Position	Name	Primary responsibilities	Directors' remuneration for operating period (JPY thousand)
Executive Director	Naoki Fukuda	President and CEO, Consonant Investment Management Co., Ltd.	-
Supervisory Director	Takashi Takahashi	Attorney, Ocean General Law Office	2,400
	Hiroyuki Fujimoto	Tax accountant, CPA Fujimoto Office Outside Auditor, BRYCEN Co., Ltd. (current position) Outside Director, Audit & Supervisory Committee Member of NEO MARKETING INC. (current position)	2,400
Auditor	Ernst & Young ShinNihon LLC	-	39,800

(Note) Executive and supervisory directors do not hold INV's units either in their names or in the names of third parties. In addition, while they may be directors of organizations not listed above, those organizations as well as those listed above have no conflicts of interest with INV.

#### Determination policy for dismissal or non-reappointment of Auditor

The auditing agreement with the auditor is renewed every accounting period. Dismissals are made in accordance with the Investment Trust Act, and in addition, non-reappointments are considered by the board of directors of INV by comprehensively taking into account the auditing quality, auditor remuneration, and other various circumstances.

#### 4 Asset Management Company, Asset Custody Companies, and General Administrative Agents

The asset management company, asset custody companies, and general administrative agents at the end of the Reporting Period are as below.

Delegation category	Name
Asset management company	Consonant Investment Management Co., Ltd.
Asset custody company	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (institutional operations (Note 1) administration of unitholders' registry, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (institutional operations (Note 2))	Consonant Investment Management Co., Ltd.
General administrative agent (accounting operations, etc.)	EP Consulting Services Corporation
Special account management company	Mitsubishi UFJ Trust and Banking Corporation Limited (Note 3) / Sumitomo Mitsui Trust Bank, Limited (Note 4)

(Note 1) Of the administrative tasks for the INV's institutional operations, tasks related to the mailing of general unitholders' meetings and the receipt and counting of voting forms are delegated.

(Note 2) (i) Tasks related to the running of general unitholders' meetings for INV (excluding tasks related to the mailing of general unitholders' meetings and the receipt and counting of voting forms), (ii) Tasks related to the running of the meetings of the Board of Directors of INV, and (iii) the aforementioned in (i) or tasks incidental or related to (ii) are delegated.

(Note 3) Conducts administrative tasks related to the creation, maintenance, and disposition of transfer savings account registers for special accounts of unitholders of the INV before the merger (former Tokyo Growth REIT Investment Inc.) as well as tasks related to other transfer savings account registers.

(Note 4) Conducts administrative tasks related to the creation, maintenance, and disposition of transfer savings account registers for special accounts of unitholders of the former LCP as well as tasks related to other transfer savings account registers.

## Status of Investment Corporation's Assets under Management

### 1 Composition of INV's Assets

Type of asset	Purpose	Geographic area (Note 1)	Fiscal period ended June 30, 2017 (as of June 30, 2017)		Fiscal period ended December 31, 2017 (as of December 31, 2017)	
			Amount held (JPY million) (Note 2)	Percentage of total assets (%)	Amount held (JPY million) (Note 2)	Percentage of total assets (%)
Real estate	Residences	Greater Tokyo area	-	-	-	-
		Major regional cities	-	-	-	-
		Subtotal	-	-	-	-
	Offices/Commercial Facilities	Greater Tokyo area	703	0.2	-	-
		Major regional cities	-	-	-	-
		Subtotal	703	0.2	-	-
	Parking lots, etc.	Greater Tokyo area	100	0.0	-	-
		Major regional cities	-	-	-	-
		Subtotal	100	0.0	-	-
	Hotels	Greater Tokyo area	2	0.0	2	0.0
		Major regional cities	-	-	-	-
		Subtotal	2	0.0	2	0.0
	Total real estate			806	0.3	2
Real estate in trust	Residences	Greater Tokyo area	77,073	25.2	74,091	19.9
		Major regional cities	16,039	5.2	15,858	4.3
		Subtotal	93,113	30.4	89,949	24.2
	Offices/Commercial Facilities	Greater Tokyo area	6,990	2.3	5,765	1.6
		Major regional cities	5,732	1.9	5,666	1.5
		Subtotal	12,722	4.2	11,432	3.1
	Parking lots, etc.	Greater Tokyo area	-	-	-	-
		Major regional cities	-	-	-	-
		Subtotal	-	-	-	-
	Hotels	Greater Tokyo area	109,907	35.9	121,225	32.6
		Major regional cities	75,988	24.8	105,099	28.3
		Subtotal	185,895	60.7	226,325	60.9
	Total real estate in trust (Note 3)			291,731	95.2	327,706
Deposits and other assets			-	-	17,854	4.8
Total assets (Note 4)			13,883 306,421 (292,537)	4.5 100.0 (95.5)	26,193 371,758 (327,709)	7.0 100.0 (88.2)

- (Note 1) “Greater Tokyo area” refers to Tokyo, Kanagawa, Chiba and Saitama.
- (Note 2) “Amount held” is from the balance sheet as of the end of the reporting period and is calculated by deducting accumulated depreciation from the acquisition price (including acquisition related costs).
- (Note 3) Preferred equity securities issued by Kingdom Special Purpose Company, with the Sheraton Grande Tokyo Bay Hotel as an underlying asset (asset in trust of trust beneficiary interest acquired by Kingdom Special Purpose Company, which is the real estate that serves as the main source of revenue for Kingdom Special Purpose Company). The same shall apply hereinafter in this document.
- (Note 4) The figures indicated in parenthesis under “Total assets” show the amounts related to owned real estate (excluding the amount of preferred equity securities owned).

## 2 Major Properties

The overview of the Investment Corporation’s major properties (top 10 properties by book value) at the end of the Reporting Period is as below.

Name of property		Book value (JPY million)	Leasable area (m <sup>2</sup> )	Leased area (m <sup>2</sup> )	Occupancy rate (%) (Note 1) (Note 2)	Ratio of rental revenue (%) (Note 2)	Main use
D43	Hotel MyStays Gotanda Station (Note 3)	26,493	10,137.88	10,137.88	100.0	3.7	Hotel
A105	Royal Parks Tower Minami-Senju	22,645	39,113.46	36,814.84	94.1	6.5	Residence
D44	Hotel Epinard Nasu	20,476	37,702.33	37,702.33	100.0	9.7	Hotel
D47	Hotel MyStays Premier Kanazawa	13,450	13,250.03	13,250.03	100.0	3.2	Hotel
D50	Hotel MyStays Shin Osaka Conference Center	13,066	13,026.99	13,026.99	100.0	2.3	Hotel
D51	Hotel MyStays Premier Omori	9,777	11,849.61	11,849.61	100.0	1.4	Hotel
D52	Beppu Kamenoi Hotel	8,818	19,422.08	19,422.08	100.0	1.9	Hotel
D49	Hotel MyStays Premier Hamamatsucho	8,000	6,151.93	6,151.93	100.0	2.0	Hotel
D21	APA Hotel Yokohama-Kannai	7,971	6,568.51	6,568.51	100.0	2.0	Hotel
D45	Hotel MyStays Fukuoka Tenjin	7,953	5,083.06	5,083.06	100.0	2.1	Hotel
Total		138,656	162,305.88	160,007.26	98.6	35.0	-

(Note 1) “Occupancy rate” is computed by dividing the leased area by leasable area.

(Note 2) “Occupancy rate” and “Ratio of rental revenue” are rounded to one decimal place.

(Note 3) On October 31, 2017, INV acquired the exclusive area for which guest room expansion work was implemented (the “Floor Expansion Portion”) as an addition to the exclusive area of the property INV had owned (the “Owned Portion”). INV operates the Owned Portion and the Floor Expansion Portion as one, and thus book value, leasable area, leased area and other figures indicate the total of the Owned Portion and the Floor Expansion Portion unless otherwise specified. The same shall apply hereinafter in this document.

(Note 4) In addition to the above, INV owns preferred equity securities in Kingdom Special Purpose Company (book value of JPY 17,854 million as of the end of the 29th fiscal period).

### 3 Asset Portfolio of Real Estate, etc.

The portfolio of the properties (real estate and trust beneficiary interest in real estate) held by the Investment Corporation at the end of the Reporting Period is as below.

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
A26	Nisshin Palacestage Daitabashi	1-31-2 Izumi, Suginami-ku, Tokyo	Trust beneficiary interest (Note 3)	1,771.13	1,180	1,115
A27	Nisshin Palacestage Higashi- Nagasaki	5-4-1 Nagasaki, Toshima-ku, Tokyo	Trust beneficiary interest (Note 3)	2,681.94	1,300	1,083
A28	Growth Maison Gotanda	2-26-6 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest (Note 3)	1,051.50	1,030	821
A29	Growth Maison Kameido	6-58-16 Kameido, Koto-ku, Tokyo	Trust beneficiary interest (Note 3)	1,367.96	1,130	974
A30	Emerald House	3-27-18 Itabashi, Itabashi-ku, Tokyo	Trust beneficiary interest (Note 3)	2,152.31	1,410	1,357
A31	Harmonie Ochanomizu	2-5-5 Yushima, Bunkyo-ku, Tokyo	Trust beneficiary interest	1,748.24	1,420	1,346
A32	Suncrest Shakujii-Koen	3-15-35 Takanodai, Nerima-ku, Tokyo	Trust beneficiary interest (Note 3)	3,029.16	1,090	1,081
A33	Growth Maison Shin-Yokohama	3-16-2 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest (Note 3)	1,858.44	1,180	956
A34	Belle Face Ueno-Okachimachi	1-27-5 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest (Note 3)	1,351.11	1,070	946
A35	Grand Rire Kameido	3-39-12 Kameido, Koto-ku, Tokyo	Trust beneficiary interest (Note 3)	1,562.26	999	819
A36	Growth Maison Ikebukuro	3-31-14 Nishi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary interest	952.89	915	743

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
A37	Growth Maison Yōga	1-15-15 Okamoto, Setagaya-ku, Tokyo	Trust beneficiary interest (Note 3)	1,015.34	730	744
A38	Route Tachikawa	3-7-6 Nishikicho, Tachikawa-shi, Tokyo	Trust beneficiary interest (Note 3)	1,368.57	660	639
A39	Shibuya-Honmachi Mansion	2-35-2 Honmachi, Shibuya-ku, Tokyo	Trust beneficiary interest (Note 3)	1,167.50	638	661
A40	City Heights Kinuta	4-13-15 Kinuta, Setagaya-ku, Tokyo	Trust beneficiary interest (Note 3)	1,235.93	499	655
A41	Acseeds Tower Kawaguchi- Namiki	2-5-13 Namiki, Kawaguchi-shi, Saitama	Trust beneficiary interest (Note 3)	1,210.74	726	536
A42	Capital Heights Kagurazaka	71-1 Enokicho, Shinjuku-ku, Tokyo	Trust beneficiary interest	1,126.65	587	623
A43	College Square Machida	3-4-4 Nakamachi, Machida-shi, Tokyo	Trust beneficiary interest (Note 3)	1,047.75	535	558
A44	Belair Meguro	1-2-15 Meguro, Meguro-ku, Tokyo	Trust beneficiary interest (Note 3)	557.05	607	557
A45	Wacore Tsunashima I	2-7-47 Tarumachi, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest (Note 3)	907.46	515	525
A46	Foros Nakamurabashi	1-6-6 Kouyama, Nerima-ku, Tokyo	Trust beneficiary interest (Note 3)	815.77	570	518
A47	Growth Maison Kaijin	5-29-51 Kaijin, Funabashi-shi, Chiba	Trust beneficiary interest (Note 3)	2,040.27	476	515
A48	College Square Machiya	7-3-1 Arakawa, Arakawa-ku, Tokyo	Trust beneficiary interest (Note 3)	871.35	548	453



Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
A51	City House Tokyo Shinbashi	6-19-1 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	3,364.00	3,260	2,316
A52	Winbell Kagurazaka	6-15 Shin-Ogawacho, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,032.70	4,030	3,040
A53	Nishiwaseda Crescent Mansion	3-18-9 Nishi-Waseda, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,310.77	2,540	1,880
A54	Lexington Square Akebonobashi	3-8 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	1,987.88	1,860	1,322
A59	Towa City Coop Shinotsuka II	5-49-7 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary interest	1,627.13	1,080	821
A61	Bichsel Musashiseki	1-22-7 Sekimachi-Kita, Nerima-ku, Tokyo	Trust beneficiary interest	1,220.24	719	554
A63	Towa City Coop Sengencho	4-338-2 Sengencho, Nishi-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	3,426.36	1,350	1,013
A64	Royal Park Omachi	2-11-10 Omachi, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,929.59	560	390
A65	Lexington Square Haginomachi	1-15-16 Haginomachi, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,528.58	446	282
A66	Visconti Kakuozan	2-44 Otanacho, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interest	705.75	273	230
A71	Lexington Square Daitabashi	1-33-18 Izumi, Suginami-ku, Tokyo	Trust beneficiary interest	1,430.64	1,200	852
A72	Lexington Square Honjo Azumabashi	4-20-6 Higashi-Komagata, Sumida-ku, Tokyo	Trust beneficiary interest	784.74	624	436
A73	AMS TOWER Minami 6-Jo	2-5-15 Minami 6-Jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	4,460.56	1,270	960
A75	Spacia Ebisu	3-6-22 Higashi, Shibuya-ku, Tokyo	Trust beneficiary interest	7,794.91	8,060	6,487
A76	Neo Prominence	3-21-5 Shimo, Kita-ku, Tokyo	Trust beneficiary interest	3,574.70	1,980	1,613
A77	Invoice Shin-Kobe Residence	3-3-8 Ikutacho, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	2,773.71	1,430	1,172

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
A78	Cosmo Court Motomachi	3-12-20 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	2,310.49	1,090	898
A79	Revest Honjin	2-13 Toriidori, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,933.80	813	620
A80	Revest Matsubara	3-13-12 Matsubara, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,955.40	797	609
A82	Alba Noritake Shinmachi	3-6-8 Noritake Shinmachi, Nishi-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,731.68	733	560
A83	Revest Meieki Minami	2-13-33 Meieki-Minami, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,634.60	715	550
A84	Revest Heian	2-13-17 Heian, Kita-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,554.03	694	549
A85	Vendir Hamaotsu Ekimae	1-2-15 Hamaotsu, Otsu-shi, Shiga	Trust beneficiary interest	2,670.66	738	529
A86	Salvo Sala	2-6-21 Shimanouchi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,428.12	648	504
A87	Excellente Kagurazaka	128-1 Yamabukicho, Shinjuku-ku, Tokyo, and other one parcel	Trust beneficiary interest	701.92	635	513
A88	Luna Court Edobori	3-4-11 Edobori, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,185.50	570	487
A89	Winntage Kobe Motomachi	7-2-2 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	1,433.35	609	470
A90	Queen's Court Fukuzumi	1-3-10 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interest	765.18	604	433
A91	Corp Higashinotoin	380-1 Kawaranomachi, Higashinotoindori Nijo Kudaru, Nakagyo-ku, Kyoto-shi, Kyoto, and other two parcels	Trust beneficiary interest	1,029.05	516	418
A92	Belair Oimachi	5-14-17 Higashi-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest	530.60	511	392
A93	Siete Minami-Tsukaguchi	3-18 Minami-Tsukaguchimachi, Amagasaki-shi, Hyogo	Trust beneficiary interest	1,020.86	449	351
A94	Prime Life Sannomiya Isogami Koen	4-3-23 Isogamidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	789.12	438	348

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
A95	HERMITAGE NANBA WEST	4-10-3 Sakuragawa, Naniwa-ku, Osaka-shi, Osaka	Trust beneficiary interest	992.76	433	332
A96	Century Park Shinkawa 1-bankan	4-1-2 Shinkawacho, Minato-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,477.62	425	321
A97	West Avenue	1-5-17 Nishi, Kunitachi-shi, Tokyo	Trust beneficiary interest	794.80	313	313
A98	Little River Honmachibashi	1-34 Honmachibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	974.81	398	292
A99	Prime Life Mikage	2-25-11 Mikage Tsukamachi, Higashinada-ku, Kobe-shi, Hyogo	Trust beneficiary interest	761.18	337	276
A100	City Court Kitaichijo	1-6-3 Kita 1-jo Higashi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	5,230.18	1,950	1,791
A101	Lieto Court Mukojima	5-45-10 Mukojima, Sumida-ku, Tokyo	Trust beneficiary interest	2,940.20	1,730	1,705
A102	Lieto Court Nishi-Ojima	2-41-14 Ojima, Koto-ku, Tokyo	Trust beneficiary interest	2,048.28	1,720	1,649
A103	Royal Parks Momozaka	5-38 Fudegasakicho, Tennouji-ku, Osaka-shi, Osaka	Trust beneficiary interest	8,776.26	3,080	2,908
A104	Royal Parks Shinden	3-35-20 Shinden, Adachi-ku, Tokyo	Trust beneficiary interest	15,797.29	5,490	5,072
A105	Royal Parks Tower Minami-Senju	4-7-3 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interest	39,113.46	22,700	22,645
A106	Royal Parks Seasir Minami-Senju	3-41-7 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interest	6,496.86	2,720	2,787
Subtotal				185,921.64	102,353	89,949
B14	Lexington Plaza Nishigotanda	5-2-4 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	6,033.58	4,250	4,639
B15	Cross Square NAKANO	5-24-18 Nakano, Nakano-ku, Tokyo	Trust beneficiary interest	2,145.00	1,170	1,125
B16	Ohki Aoba Building	9-7 Futsukamachi, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	2,178.37	710	709

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
B17	Lexington Plaza Hachiman	3-1-50 Hachiman, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	8,419.15	3,690	3,072
B18	AEON TOWN Sukagawa	105 Furukawa, Sukagawa-shi, Fukushima	Trust beneficiary interest	18,440.58	2,410	1,885
Subtotal				37,216.68	12,230	11,432
D01	Hotel MyStays Kanda	1-2-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary interest	2,585.72	5,020	3,022
D02	Hotel MyStays Asakusa	1-21-11 Honjo, Sumida-ku, Tokyo	Trust beneficiary interest	3,327.38	4,970	2,569
D03	Hotel MyStays Kyoto-Shijo	52 Kasabokocho, Higashiiru, Aburanokoji, Shijyodori, Shimogyo-ku, Kyoto-shi, Kyoto	Trust beneficiary interest	7,241.51	15,100	5,757
D04	MyStays Shin-Urayasu Conference Center	2-1-4 Akemi, Urayasu-shi, Chiba	Trust beneficiary interest	6,232.30	7,140	4,701
D05	Hotel MyStays Maihama	3-5-1 Tekkadori, Urayasu-shi, Chiba	Trust beneficiary interest	2,456.36	6,580	4,666
D06	Hotel MyStays Premier Dojima (Note 4)	2-4-1 Sonezakishinchi, Kita-ku, Osaka	Trust beneficiary interest	9,445.32	7,340	3,663
D07	Hotel MyStays Nagoya-Sakae	2-23-22 Higashi-Sakura, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	9,064.71	5,950	2,751
D08	Hotel MyStays Sakaisuji-Honmachi	1-4-8 Awaji-machi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	4,188.83	7,750	2,431
D09	Hotel MyStays Yokohama	4-81 Sueyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	7,379.43	3,500	2,017
D10	Hotel MyStays Nippori	5-43-7 Higashi-Nippori, Arakawa-ku, Tokyo	Trust beneficiary interest	1,719.29	3,100	1,830
D11	Hotel MyStays Fukuoka-Tenjin-Minami	3-14-20 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	3,412.71	5,060	1,518
D12	Flexstay Inn Iidabashi	3-26 Shin-Ogawamachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	2,953.38	2,020	1,371
D13	Hotel MyStays Ueno Inaricho	1-5-7 Matsugaya, Taito-ku, Tokyo	Trust beneficiary interest	1,150.76	2,350	1,270

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
D14	Flexstay Inn Shinagawa	1-22-19 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interest	1,134.52	2,040	1,215
D15	Flexstay Inn Tokiwadai	1-52-5 Tokiwadai, Itabashi-ku, Tokyo	Trust beneficiary interest	2,539.75	2,210	1,220
D16	Flexstay Inn Sugamo	3-6-16 Sugamo, Toshima-ku, Tokyo	Trust beneficiary interest	2,089.86	2,140	1,143
D17	Hotel MyStays Otemae	1-3-2 Tokuicho, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	4,956.66	4,700	1,158
D18	Flexstay Inn Kiyosumi Shirakawa	1-12-16 Tokiwa, Koto-ku, Tokyo	Trust beneficiary interest	2,673.64	1,300	732
D19	Flexstay Inn Nakanobu P1	4-27-12 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	770.56	810	574
D20	Flexstay Inn Nakanobu P2	4-27-8 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	391.49	390	288
D21	APA Hotel Yokohama-Kannai	3-37-2 Sumiyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	6,568.51	9,650	7,971
D22	Hotel Nets Hakodate (Note 5)	26-17 Honcho, Hakodate-shi, Hokkaido	Trust beneficiary interest	7,961.26	3,790	2,655
D23	Flexstay Inn Shirogane	5-10-15 Shirokane, Minato-ku, Tokyo	Trust beneficiary interest	1,754.06	2,310	2,104
D24	Hotel MyStays Haneda	5-1-13 Haneda, Ota-ku, Tokyo	Trust beneficiary interest	5,400.16	8,320	7,527
D25	Hotel MyStays Kameido P1	6-32-1 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	4,349.67	7,020	5,486
D26	Hotel MyStays Ueno Iriyaguchi	5-5-13 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest	2,247.92	4,130	3,744
D27	Hotel MyStays Kameido P2	6-7-8 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	2,793.99	4,750	3,671
D28	Hotel Vista Shimizu	1-23 Masagocho, Shimizu-ku, Shizuoka-shi, Shizuoka	Trust beneficiary interest	3,559.81	2,450	2,103
D29	Super Hotel Shinbashi/ Karasumoriguchi	5-16-4 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	1,403.89	1,790	1,608

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
D30	Flexstay Inn Higashi-Jujo	2-10-2 Nakajujo, Kita-ku, Tokyo	Trust beneficiary interest	1,714.53	1,390	1,269
D31	Hotel MyStays Utsunomiya	2-4-1 Higashi-Shukugo, Utsunomiya-shi, Tochigi	Trust beneficiary interest	11,733.23	1,430	1,232
D32	Flexstay Inn Kawasaki-Kaizuka	1-13-2 Kaizuka, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	1,190.57	1,180	945
D33	Comfort Hotel Toyama	1-3-2 Takara-machi, Toyama-shi, Toyama	Trust beneficiary interest	3,305.64	1,090	948
D34	Flexstay Inn Kawasaki-Ogawacho	15-9 Ogawacho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	725.60	1,050	889
D35	Flexstay Inn Ekoda	8-6 Sakaecho, Nerima-ku, Tokyo	Trust beneficiary interest	3,932.93	4,880	4,969
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	2-21-9 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interest	1,832.97	1,230	1,139
D37	Super Hotel JR Ueno-iriyaguchi	7-9-14 Ueno, Taito-ku, Tokyo	Trust beneficiary interest	1,279.16	1,220	1,108
D38	Hotel MyStays Shinsaibashi	1-9-30 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,942.01	3,410	3,109
D39	Comfort Hotel Kurosaki	3-13-13 Kurosaki, Yahatanishi-ku, Kitakyusyu-shi, Fukuoka	Trust beneficiary interest	3,207.60	1,220	1,110
D40	Comfort Hotel Maebashi	2-18-14 Omotecho, Maebashi-shi, Gunma	Trust beneficiary interest	3,660.96	1,170	1,101
D41	Comfort Hotel Tsubame-Sanjo	2-115 Sugoro, Sanjo-shi, Niigata	Trust beneficiary interest	3,099.90	1,070	985
D42	Comfort Hotel Kitami	3-4 Ohdori-Nishi, Kitami-shi, Hokkaido	Trust beneficiary interest	3,009.50	904	822
D43	Hotel MyStays Gotanda Station	2-6-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	10,137.88	27,400	26,493
D44	Hotel Epinard Nasu	1-10 Kaidoue (and 59 other land parcels), Oaza-Takakuhei, Nasu-machi, Nasu-gun, Tochigi	Trust beneficiary interest	37,702.33	22,400	20,476
D45	Hotel MyStays Fukuoka Tenjin	3-5-7 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	5,083.06	8,450	7,953

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2017 (JPY million) (Note 2)	Book value (JPY million)
D46	Hotel MyStays Hamamatsucho	1-18-14 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	1,951.90	7,760	7,892
D47	Hotel MyStays Premier Kanazawa	2-13-1 Hirooka, Kanazawa-shi, Ishikawa	Trust beneficiary interest	13,250.03	14,200	13,450
D48	Takamatsu Tokyu REI Hotel	9-9 Hyogomachi, Takamatsu-shi, Kagawa	Trust beneficiary interest	7,148.17	2,210	2,116
D49	Hotel MyStays Premier Hamamatsucho	1-8-5 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	6,151.93	8,080	8,000
D50	Hotel MyStays Shin Osaka Conference Center	6-2-4 Nishinakashima, Yodogawa-ku, Osaka-shi, Osaka and two other lots	Trust beneficiary interest	13,026.99	13,200	13,066
D51	Hotel MyStays Premier Omori	6-11-2 Minami Oi, Shinagawa-ku, Tokyo and 13 other lots	Trust beneficiary interest	11,849.61	9,880	9,777
D52	Beppu Kamenoi Hotel	2160-1 Chuocho, Beppu-shi, Oita and 12 other lots	Trust beneficiary interest	19,422.08	8,960	8,818
D53	Hotel MyStays Sapporo Station	4-15 Kita Hachijyo Nishi, Sapporo-shi, Hokkaido	Trust beneficiary interest	7,267.88	7,960	7,867
Subtotal				285,379.91	285,424	226,328
Total				508,518.23	400,007	327,709

(Note 1) “Location” is, in principle, based on the indicated address (*kyukyohyoji*), except that if the *kyukyohyoji* system has not been implemented for such property, the location is based on the land number (*chiban*).

(Note 2) “Appraisal value” is the value appraised or researched as of the end of the fiscal period in accordance with the Articles of Incorporation of INV and the regulations of The Investment Trusts Association, Japan by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal & Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd.

(Note 3) Individual trust beneficiary interests were integrated into three groups with other trust beneficiary interests when INV procured funds through debt financing backed by trust assets in July 2011. The grouping of trust beneficiary interests at the end of the fiscal period ended December 31, 2017 is as follows:

Group 1

Nisshin Palacestage Daitabashi, Nisshin Palacestage Higashi-Nagasaki, Growth Maison Shin-Yokohama, Belle Face Ueno-Okachimachi, Growth Maison Yoga, Shibuya-Honmachi Mansion, City Heights Kinuta, and Foros Nakamurabashi.

Group 2

Growth Maison Gotanda, Growth Maison Kameido, Emerald House, Route Tachikawa, College Square Machida, Belair Meguro, and Wacore Tsunashima I.

Group 3

Suncrest Shakuji-Koen, Grand Rire Kameido, Acseeds Tower Kawaguchi-Namiki, Growth Maison Kaijin, and College Square Machiya.

- (Note 4) With the change of operator, the property name was changed from Hotel Vista Premio Dojima on August 1, 2017. The name was changed again on March 10, 2018 to Hotel MyStays Premier Dojima. The same shall apply hereinafter in this document.
- (Note 5) With the change of operator, the property name is scheduled to be changed to Hotel MyStays Hakodate-Goryokaku on May 1, 2018.
- (Note 6) Appraisal value at the end of the period indicates appraisal value calculated deeming the Owned Portion and the Floor Expansion Portion as one.



Trends for the leasing operations of the properties owned by INV are as below.

Name of property		28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)			
		Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)
A26	Nisshin Palacestage Daitabashi	1	89.8	39,187	0.4	1	92.9	37,935	0.3
A27	Nisshin Palacestage Higashi- Nagasaki	1	93.6	46,598	0.5	1	97.2	44,936	0.4
A28	Growth Maison Gotanda	1	100.0	27,339	0.3	1	100.0	27,429	0.2
A29	Growth Maison Kameido	1	92.4	33,024	0.4	1	94.0	34,006	0.3
A30	Emerald House	1	98.9	49,146	0.5	1	96.8	42,569	0.4
A31	Harmonie Ochanomizu	1	97.5	41,938	0.5	1	97.4	40,327	0.4
A32	Suncrest Shakujii-Koen	1	94.7	39,074	0.4	1	100.0	36,146	0.3
A33	Growth Maison Shin-Yokohama	1	97.1	35,752	0.4	1	95.5	33,518	0.3
A34	Belle Face Ueno-Okachimachi	1	90.6	33,733	0.4	1	87.5	29,347	0.3
A35	Grand Rire Kameido	1	100.0	26,619	0.3	1	100.0	26,619	0.2
A36	Growth Maison Ikebukuro	1	95.2	26,872	0.3	1	97.6	25,913	0.2
A37	Growth Maison Yōga	1	92.4	22,080	0.2	1	97.4	22,004	0.2
A38	Route Tachikawa	1	89.8	21,618	0.2	1	100.0	20,357	0.2
A39	Shibuya-Honmachi Mansion	1	100.0	20,042	0.2	1	91.3	19,610	0.2
A40	City Heights Kinuta	1	89.2	17,146	0.2	1	94.6	16,499	0.1
A41	Acseeds Tower Kawaguchi-Namiki	1	98.3	25,110	0.3	1	96.5	24,680	0.2
A42	Capital Heights Kagurazaka	1	83.4	19,885	0.2	1	97.2	19,656	0.2
A43	College Square Machida	1	100.0	17,484	0.2	1	100.0	17,484	0.2
A44	Belair Meguro	1	92.0	16,065	0.2	1	92.1	15,462	0.1
A45	Wacore Tsunashima I	1	92.1	17,917	0.2	1	94.1	17,879	0.2
A46	Foros Nakamurabashi	1	97.5	18,425	0.2	1	97.5	18,730	0.2
A47	Growth Maison Kaijin	1	100.0	22,699	0.2	1	96.7	23,510	0.2
A48	College Square Machiya	1	100.0	14,706	0.2	1	100.0	14,706	0.1
A51	City House Tokyo Shinbashi	1	92.8	90,996	1.0	1	96.5	91,869	0.8

Name of property	28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)				
	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	
A52	Winbell Kagurazaka	1	98.4	105,442	1.1	1	97.9	106,463	0.9
A53	Nishiwaseda Crescent Mansion	1	100.0	74,338	0.8	1	98.8	73,034	0.6
A54	Lexington Square Akebonobashi	1	96.6	52,492	0.6	1	96.5	50,044	0.4
A56	Casa Eremitaggio (Note 5)	1	94.0	32,586	0.4	-	-	32,725	0.3
A59	Towa City Coop Shinotsuka II	1	91.4	33,865	0.4	1	98.8	35,011	0.3
A61	Bichsel Musashiseki	1	95.7	23,233	0.3	1	94.4	23,557	0.2
A62	Lexel Mansion Ueno Matsugaya (Note 5)	1	92.7	35,106	0.4	-	-	33,795	0.3
A63	Towa City Coop Sengencho	1	83.8	55,627	0.6	1	84.2	54,095	0.5
A64	Royal Park Omachi	1	98.3	26,332	0.3	1	94.5	26,790	0.2
A65	Lexington Square Haginomachi	1	89.5	17,161	0.2	1	94.8	16,671	0.1
A66	Visconti Kakuozan	1	88.6	10,730	0.1	1	83.8	10,327	0.1
A71	Lexington Square Daitabashi	1	92.2	31,574	0.3	1	100.0	31,873	0.3
A72	Lexington Square Honjo Azumabashi	1	94.0	17,807	0.2	1	97.0	18,108	0.2
A73	AMS TOWER Minami 6-Jo	1	79.7	44,905	0.5	1	81.2	42,888	0.4
A75	Spacia Ebisu	1	95.2	214,592	2.3	1	91.2	208,979	1.8
A76	Neo Prominence	1	91.2	62,852	0.7	1	100.0	64,935	0.6
A77	Invoice Shin-Kobe Residence	1	91.7	45,538	0.5	1	100.0	49,889	0.4
A78	Cosmo Court Motomachi	1	95.3	35,227	0.4	1	98.7	37,732	0.3
A79	Revest Honjin	1	92.5	32,201	0.3	1	91.2	29,712	0.3
A80	Revest Matsubara	1	93.1	29,230	0.3	1	94.4	28,388	0.2
A81	Sun Terrace Minami Ikebukuro (Note 5)	1	86.8	22,564	0.2	-	-	22,533	0.2
A82	Alba Noritake Shinmachi	1	87.5	25,262	0.3	1	93.7	25,132	0.2
A83	Revest Meieki Minami	1	95.4	26,289	0.3	1	90.9	24,979	0.2
A84	Revest Heian	1	100.0	23,712	0.3	1	95.2	23,656	0.2
A85	Vendir Hamaotsu Ekimae	1	98.5	33,178	0.4	1	97.7	33,279	0.3
A86	Salvo Sala	1	95.9	25,113	0.3	1	100.0	25,620	0.2

Name of property		28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)			
		Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)
A87	Excellente Kagurazaka	1	94.1	18,775	0.2	1	94.1	17,974	0.2
A88	Luna Court Edobori	1	94.0	20,548	0.2	1	94.0	20,768	0.2
A89	Winntage Kobe Motomachi	1	85.9	20,080	0.2	1	94.8	20,880	0.2
A90	Queen's Court Fukuzumi	1	95.9	17,350	0.2	1	89.7	17,200	0.2
A91	Corp Higashinotoin	1	97.6	18,292	0.2	1	97.7	19,847	0.2
A92	Belair Oimachi	1	96.1	15,291	0.2	1	92.9	14,697	0.1
A93	Siete Minami-Tsukaguchi	1	95.0	17,206	0.2	1	90.1	16,625	0.1
A94	Prime Life Sannomiya Isogami Koen	1	96.9	14,025	0.2	1	100.0	15,321	0.1
A95	HERMITAGE NANBA WEST	1	100.0	15,549	0.2	1	100.0	15,767	0.1
A96	Century Park Shinkawa 1-bankan	1	88.7	17,688	0.2	1	95.4	17,018	0.1
A97	West Avenue	1	85.0	12,175	0.1	1	87.5	10,715	0.1
A98	Little River Honmachibashi	1	87.7	13,459	0.1	1	90.7	12,838	0.1
A99	Prime Life Mikage	1	96.6	12,663	0.1	1	96.7	12,209	0.1
A100	City Court Kitaichijo	1	93.8	65,411	0.7	1	96.1	66,200	0.6
A101	Lieto Court Mukojima	1	97.0	54,123	0.6	1	99.0	54,091	0.5
A102	Lieto Court Nishi-Ojima	1	99.0	48,437	0.5	1	99.0	48,298	0.4
A103	Royal Parks Momozaka	4	100.0	140,320	1.5	4	93.6	148,512	1.3
A104	Royal Parks Shinden	4	100.0	214,749	2.3	4	100.0	215,752	1.9
A105	Royal Parks Tower Minami-Senju	1	92.7	426,286	4.6	1	94.1	744,215	6.5
A106	Royal Parks Seasir Minami-Senju	1	100.0	55,958	0.6	1	95.7	96,186	0.8
Subtotal		76	94.6	3,078,836	33.2	73	95.3	3,416,550	30.0
B08	Kindai Kagaku Sha Building (Note 5)	1	100.0	36,913	0.4	-	-	6,827	0.1
B09	Shinjuku Island (Note 5)	1	100.0	(Note 4)	(Note 4)	-	-	(Note 4)	(Note 4)
B14	Lexington Plaza Nishigotanda	8	100.0	144,100	1.6	7	100.0	152,362	1.3
B15	Cross Square NAKANO	1	87.3	43,431	0.5	1	95.2	46,566	0.4

Name of property		28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)			
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B16	Ohki Aoba Building	1	88.7	34,844	0.4	1	88.7	35,318	0.3
B17	Lexington Plaza Hachiman	1	100.0	161,712	1.7	1	100.0	165,805	1.5
B18	AEON TOWN Sukagawa	1	100.0	141,715	1.5	1	100.0	141,886	1.2
Subtotal		14	98.7	580,870	6.3	11	99.1	567,259	5.0
C01	Times Kanda-Sudacho 4 <sup>th</sup> (Note 5)	1	100.0	2,700	0.0	-	-	435	0.0
Subtotal		1	100.0	2,700	0.0	-	-	435	0.0
D01	Hotel MyStays Kanda	1	100.0	105,509	1.1	1	100.0	111,117	1.0
D02	Hotel MyStays Asakusa	1	100.0	116,739	1.3	1	100.0	106,946	0.9
D03	Hotel MyStays Kyoto-Shijo	1	100.0	321,887	3.5	1	100.0	315,937	2.8
D04	MyStays Shin-Urayasu Conference Center	1	100.0	175,921	1.9	1	100.0	187,712	1.6
D05	Hotel MyStays Maihama	1	100.0	134,694	1.5	1	100.0	160,018	1.4
D06	Hotel Vista Premio Dojima	1	100.0	202,987	2.2	1	100.0	231,470	2.0
D07	Hotel MyStays Nagoya-Sakae	1	100.0	188,852	2.0	1	100.0	220,601	1.9
D08	Hotel MyStays Sakaisuji-Honmachi	1	100.0	161,661	1.7	1	100.0	176,288	1.5
D09	Hotel MyStays Yokohama	1	100.0	108,321	1.2	1	100.0	127,889	1.1
D10	Hotel MyStays Nippori	1	100.0	59,954	0.6	1	100.0	61,152	0.5
D11	Hotel MyStays Fukuoka-Tenjin-Minami	1	100.0	133,097	1.4	1	100.0	167,915	1.5
D12	Flexstay Inn Iidabashi	1	100.0	50,702	0.5	1	100.0	52,682	0.5
D13	Hotel MyStays Ueno Inaricho	1	100.0	55,096	0.6	1	100.0	50,462	0.4
D14	Flexstay Inn Shinagawa	1	100.0	47,795	0.5	1	100.0	42,955	0.4
D15	Flexstay Inn Tokiwadai	1	100.0	59,297	0.6	1	100.0	53,861	0.5
D16	Flexstay Inn Sugamo	1	100.0	56,654	0.6	1	100.0	49,654	0.4
D17	Hotel MyStays Otemae	1	100.0	124,567	1.3	1	100.0	127,898	1.1
D18	Flexstay Inn Kiyosumi Shirakawa	1	100.0	40,634	0.4	1	100.0	36,933	0.3
D19	Flexstay Inn Nakanobu P1	1	100.0	20,795	0.2	1	100.0	17,374	0.2

Name of property		28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)			
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D20	Flexstay Inn Nakanobu P2	1	100.0	11,168	0.1	1	100.0	10,199	0.1
D21	APA Hotel Yokohama-Kannai	1	100.0	230,016	2.5	1	100.0	229,958	2.0
D22	Hotel Nets Hakodate	1	100.0	112,960	1.2	1	100.0	148,450	1.3
D23	Flexstay Inn Shirogane	1	100.0	59,740	0.6	1	100.0	50,788	0.4
D24	Hotel MyStays Haneda	1	100.0	182,340	2.0	1	100.0	187,483	1.6
D25	Hotel MyStays Kameido P1	1	100.0	174,873	1.9	1	100.0	180,675	1.6
D26	Hotel MyStays Ueno Iriyaguchi	1	100.0	95,315	1.0	1	100.0	92,202	0.8
D27	Hotel MyStays Kameido P2	1	100.0	118,142	1.3	1	100.0	123,808	1.1
D28	Hotel Vista Shimizu	1	100.0	76,066	0.8	1	100.0	82,140	0.7
D29	Super Hotel Shinbashi/Karasumoriguchi	1	100.0	39,426	0.4	1	100.0	39,426	0.3
D30	Flexstay Inn Higashi-Jujo	1	100.0	40,458	0.4	1	100.0	37,747	0.3
D31	Hotel MyStays Utsunomiya	1	100.0	89,478	1.0	1	100.0	95,975	0.8
D32	Flexstay Inn Kawasaki-Kaizuka	1	100.0	32,054	0.3	1	100.0	32,833	0.3
D33	Comfort Hotel Toyama	1	100.0	35,928	0.4	1	100.0	35,928	0.3
D34	Flexstay Inn Kawasaki-Ogawacho	1	100.0	25,877	0.3	1	100.0	29,409	0.3
D35	Flexstay Inn Ekoda	1	100.0	115,682	1.2	1	100.0	104,046	0.9
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	1	100.0	31,787	0.3	1	100.0	31,787	0.3
D37	Super Hotel JR Ueno-iriyaguchi	1	100.0	27,275	0.3	1	100.0	27,275	0.2
D38	Hotel MyStays Shinsaibashi	1	100.0	82,484	0.9	1	100.0	88,880	0.8
D39	Comfort Hotel Kurosaki	1	100.0	37,894	0.4	1	100.0	37,894	0.3
D40	Comfort Hotel Maebashi	2	100.0	43,811	0.5	2	100.0	43,811	0.4
D41	Comfort Hotel Tsubame-Sanjo	2	100.0	34,949	0.4	2	100.0	34,949	0.3
D42	Comfort Hotel Kitami	1	100.0	30,300	0.3	1	100.0	30,300	0.3
D43	Hotel MyStays Gotanda Station	1	100.0	408,173	4.4	1	100.0	427,047	3.7
D44	Hotel Epinard Nasu	1	100.0	549,169	5.9	1	100.0	1,103,226	9.7

Name of property		28th fiscal period (January 1, 2017 to June 30, 2017)				29th fiscal period (July 1, 2017 to December 31, 2017)			
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D45	Hotel MyStays Fukuoka Tenjin	1	100.0	192,325	2.1	1	100.0	237,370	2.1
D46	Hotel MyStays Hamamatsucho	1	100.0	114,650	1.2	1	100.0	114,084	1.0
D47	Hotel MyStays Kanazawa	1	100.0	285,925	3.1	1	100.0	368,625	3.2
D48	Takamatsu Tokyu REI Hotel	3	100.0	104,257	1.1	3	100.0	106,156	0.9
D49	Hotel MyStays Premier Hamamatsucho	1	100.0	50,800	0.5	1	100.0	228,976	2.0
D50	Hotel MyStays Shin Osaka Conference Center	—	—	—	—	1	100.0	267,910	2.3
D51	Hotel MyStays Premier Omori	—	—	—	—	1	100.0	160,256	1.4
D52	Beppu Kamenoi Hotel	—	—	—	—	1	100.0	221,531	1.9
D53	Hotel MyStays Sapporo Station	—	—	—	—	1	100.0	108,954	1.0
Subtotal		53	100.0	5,598,510	60.5	57	100.0	7,418,990	65.1
Total		144	97.7	9,260,917	100.0	141	98.2	11,403,236	100.0

(Note 1) “Occupancy rate” is calculated by dividing the leased area by leasable area.

(Note 2) “Rental revenue (during period)” indicates each property’s leasing operation revenues during the fiscal period and has been rounded down to the nearest thousand yen.

(Note 3) “Occupancy rate” and “Ratio of rental revenue” are rounded off to one decimal place.

(Note 4) Not disclosed because the consent of the tenant was not obtained.

(Note 5) Kindai Kagaku Sha Building and Times Kanda Sudacho 4th were sold on July 31, 2017, Shinjuku Island was sold on December 26, 2017 and Casa Eremitaggio, Lexel Mansion Ueno Matsugaya and Sun Terrace Minami Ikebukuro were sold on December 28, 2017.

#### 4 Asset Portfolio of Facilities Generating Renewable Energy, etc.

Not applicable

#### 5 Asset Portfolio Including Rights to Operate Public Facilities, etc.

Not applicable

#### 6 Asset Portfolio of Securities

The portfolio of the securities held by the Investment Corporation at the end of the Reporting Period is as below.

Name	Type	Quantity (units)	Book value (JPY million)		Fair value (JPY million)		Valuation gain or loss (JPY million)	Notes
			Unit price	Amount	Unit price	Amount		
Preferred equity securities in Kingdom Special Purpose Company	Preferred equity securities	178,458	-	17,854	-	17,854	-	(Note 1) (Note 2)
Total		178,458	-	17,854	-	17,854	-	

(Note 1) Fair value of the preferred equity securities indicates the acquisition cost.

(Note 2) INV owns 178,458 units of preferred equity securities issued by Kingdom Special Purpose Company (equivalent to 49.0% of preferred equity securities issued and outstanding after the issuance of the said preferred equity securities), with the Sheraton Grande Tokyo Bay Hotel as an underlying asset.

#### 7 Status of Contract Amount and Fair Value of Specified Transaction

As of December 31, 2017, the contract amount and fair value of the outstanding transaction under the specified transaction account of INV are as follows.

(Unit: JPY thousand)

Category	Transaction type, etc.	Contract amount (Note 1)		Fair value (Note 2)
			Amounts due after one year	
Non-market transaction	Interest rate swap Receive floating rate/pay fixed rate	99,119,000	70,140,000	113,592

(Note 1) The contract amount is stated based on a notional principal

(Note 2) The fair value is estimated based on the price, etc. presented by the correspondent financial institutions

#### 8 Status of Other Assets

Real estate and trust beneficiary interests in real estate are listed together in “3 Asset Portfolio of Real Estate, etc.” above. As of the end of this Reporting Period, there are no investments in specified assets that are significant investment targets for INV outside of 3 and 6 above.

#### 9 Asset Owned Outside of Japan or the Region

There are no relevant items outside of Japan or the region.

## Capital Expenditures for Properties Held by INV

### 1 Schedule for Capital Expenditures

The schedule for the principal capital expenditures for property maintenance construction, etc., as of the end of the Reporting Period for the real estate assets owned by INV is as follows.

Name of property	Location	Purpose	Scheduled time of implementation	Estimated cost (JPY thousand)			
				Total	Payment for the fiscal period ended December 31, 2017	Advance payments	
D06	Hotel MyStays Premier Dojima	Osaka-shi, Osaka	Renovation work	From January 2018 To June 2018	260,700	-	-
D03	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	Renovation work	From January 2018 To June 2018	258,700	-	-
D05	Hotel MyStays Maihama	Urayasu-shi, Chiba	Renovation work	From January 2018 To June 2018	243,500	-	-
D04	MyStays Shin-Urayasu Conference Center	Urayasu-shi, Chiba	Renovation work	From January 2018 To June 2018	80,300	-	-
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	Renovation work	From January 2018 To June 2018	30,000	-	-

### 2 Capital Expenditures for the Fiscal Period Ended December 31, 2017

The principal construction work constituting capital expenditures for the real estate assets for the fiscal period ended December 31, 2017 is as follows. Capital expenditures for the fiscal period totaled JPY 599,771 thousand, and together with JPY 21,767 thousand in repair costs included in this fiscal period's expenses, construction work totaling JPY 621,539 thousand was implemented.

Name of property	Location	Purpose	Time of implementation	Payment (JPY thousand)	
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	Renovation work	From July 2017 To December 2017	35,854
D02	Hotel MyStays Nagoya-Sakae	Nagoya-shi, Aichi	Boiler equipment replacement	From July 2017 To December 2017	28,900
B15	Flexstay Inn Ekoda	Nerima-ku, Tokyo	Guestroom interior renovation work	From July 2017 To December 2017	25,482
D03	Hotel MyStays Kameido P2	Koto-ku, Tokyo	Conversion of guest rooms to non-smoking	From July 2017 To December 2017	25,078
D08	Hotel MyStays Kameido P1	Koto-ku, Tokyo	Conversion of guest rooms to non-smoking	From July 2017 To December 2017	16,346
Other construction					468,109
Total					599,771



### 3 Reserved Funds for Long-Term Maintenance Plan (repair reserves)

INV has reserved funds from the cash flow of the fiscal period, as shown below, towards large-scale maintenance repairs in the medium- to long-term in accordance with the long-term maintenance plan for each property.

(Unit: JPY thousand)

Fiscal period	25th fiscal period	26th fiscal period	27th fiscal period	28th fiscal period	29th fiscal period
	From July 1, 2015 to December 31, 2015	From January 1, 2016 to June 30, 2016	From July 1, 2016 to December 31, 2016	From January 1, 2017 to June 30, 2017	From July 1, 2017 to December 31, 2017
Reserved funds at beginning of period	852,699	982,750	1,303,685	1,397,286	1,397,243
Amount reserved (Note)	352,490	543,275	446,066	468,145	697,444
Amount reversed (Note)	222,439	222,339	352,464	468,189	528,579
Amount carried over for next fiscal period	982,750	1,303,685	1,397,286	1,397,243	1,566,108

(Note) The amount reserved for the relevant fiscal period includes the reserves for acquired properties, and the amount reversed includes the reserves for disposed properties.

## Overview of Expenses and Liabilities

### 1 Statement of Operating Expenses

(JPY thousand)

Item	28th fiscal period January 1, 2017 to June 30, 2017		29th fiscal period July 1, 2017 to December 31, 2017	
	(a) Asset management fees	250,000		250,000
(b) Asset custody fees	13,594		15,230	
(c) Administrative services fees	29,983		37,347	
(d) Directors' compensation	4,800		4,800	
(e) Other	99,393		154,055	
Total	397,771		461,434	

### 2 Borrowing Conditions

Borrowing conditions by financial institution at the end of the Reporting Period are as below.

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Short-term loans	Mizuho Bank, Ltd.	Oct. 13, 2017	—	1,023,000	0.244	Oct. 13, 2018	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		—	1,022,000					
	Sumitomo Mitsui Banking Corporation		—	1,023,000					
Subtotal			—	3,068,000					
Long-term loans (Note 4)	Sumitomo Mitsui Banking Corporation	Jul. 16, 2015	5,992,000	5,992,000	0.375	Jul. 16, 2018	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		5,992,000	5,992,000					
	Mizuho Bank, Ltd.		5,992,000	5,992,000					
	Shinsei Bank, Limited		3,330,000	3,330,000					
	Citibank, N.A., Tokyo Branch		3,000,000	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited		2,670,000	2,670,000					
	Resona Bank, Limited		1,335,000	1,335,000					
	Mitsubishi UFJ Trust and Banking Corporation	668,000	668,000						
	Sumitomo Mitsui Banking Corporation	Jul. 16, 2015	5,992,000	5,992,000	0.480	Jul. 16, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		5,992,000	5,992,000					
	Mizuho Bank, Ltd.		5,992,000	5,992,000					
	Shinsei Bank, Limited		3,330,000	3,330,000					
	Citibank, N.A., Tokyo Branch		3,000,000	3,000,000					

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes						
	Lender														
Long-term loans (Note 4)	Sumitomo Mitsui Trust Bank, Limited		2,670,000	2,670,000											
	Resona Bank, Limited		1,335,000	1,335,000											
	Mitsubishi UFJ Trust and Banking Corporation		668,000	668,000											
	Sumitomo Mitsui Banking Corporation	Jul. 16, 2015	5,992,000	5,992,000	0.590	Jul. 16, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		5,992,000	5,992,000											
	Mizuho Bank, Ltd.		5,992,000	5,992,000											
	Shinsei Bank, Limited		3,330,000	3,330,000											
	Citibank, N.A., Tokyo Branch		3,000,000	3,000,000											
	Sumitomo Mitsui Trust Bank, Limited		2,670,000	2,670,000											
	Resona Bank, Limited		1,335,000	1,335,000											
	Mitsubishi UFJ Trust and Banking Corporation		668,000	668,000											
	Mizuho Bank, Ltd		Aug. 28, 2015	3,682,000						3,682,000	0.480	Aug. 28, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		Jan. 22, 2016	3,400,000						3,400,000	0.343	Jan. 22, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mitsubishi UFJ Trust and Banking Corporation	850,000		850,000											
	Sumitomo Mitsui Trust Bank, Limited	Jan. 22, 2016	3,400,000	3,400,000	0.600	Jan. 22, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee						
	Mitsubishi UFJ Trust and Banking Corporation		850,000	850,000											
	Mizuho Bank, Ltd	Mar. 31, 2016	465,000	465,000	0.436	Mar. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,125,000	1,125,000											
	Sumitomo Mitsui Trust Bank, Limited		2,181,000	2,181,000											
	Shinsei Bank, Limited		570,000	570,000											
Resona Bank, Limited	570,000		570,000												
Mitsubishi UFJ Trust and Banking Corporation	650,000		650,000												
Japan Post Bank Co., Ltd.	2,000,000		2,000,000												
Development Bank of Japan, Inc.	1,000,000		1,000,000												
The Bank of Fukuoka, Ltd.	333,000	333,000													

	Type	Borrowing date	Balance at beginning of Reporting Period	Balance at end of Reporting Period	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender		(JPY thousand)	(JPY thousand)					
Long-term loans (Note 4)	The Shizuoka Bank, Ltd.		1,270,000	1,270,000					
	The Daishi Bank, Ltd.		1,000,000	1,000,000					
	The Nomura Trust and Banking Co., Limited		270,000	270,000					
	Mizuho Bank, Ltd	Mar. 31, 2016	965,000	965,000	0.536	Mar. 30, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,125,000	1,125,000					
	Sumitomo Mitsui Trust Bank, Limited		2,180,000	2,180,000					
	Shinsei Bank, Limited		570,000	570,000					
	Resona Bank, Limited		570,000	570,000					
	Mitsubishi UFJ Trust and Banking Corporation		650,000	650,000					
	Japan Post Bank Co., Ltd.		2,000,000	2,000,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Shizuoka Bank, Ltd.		270,000	270,000					
	The Kagawa Bank, Ltd.		500,000	500,000					
	The Hyakugo Bank, Ltd.		1,000,000	1,000,000					
	The Nomura Trust and Banking Co., Limited	270,000	270,000						
	Mizuho Bank, Ltd.	Mar. 31, 2016	1,965,000	1,965,000	0.636	Mar. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,125,000	1,125,000					
	Sumitomo Mitsui Trust Bank, Limited		2,180,000	2,180,000					
	Shinsei Bank, Limited.		570,000	570,000					
	Resona Bank, Limited		570,000	570,000					
Mitsubishi UFJ Trust and Banking Corporation	650,000		650,000						
The Bank of Fukuoka, Ltd.	1,333,000		1,333,000						
The Shizuoka Bank, Ltd.	270,000		270,000						
The Kagawa Bank, Ltd.	500,000		500,000						

	Type	Borrowing date	Balance at beginning of Reporting Period	Balance at end of Reporting Period	Average interest rate (%)	Repayment date	Repayment method	Purpose	Notes
	Lender		(JPY thousand)	(JPY thousand)	(Note 1)				
Long-term loans (Note 4)	The Hiroshima Bank, Ltd.		1,000,000	1,000,000					
	The Nomura Trust and Banking Co., Limited		270,000	270,000					
	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	1,000,000	0.436	Jun. 15, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	1,000,000	0.536	Jun. 15, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	1,000,000	0.636	Jun. 15, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Development Bank of Japan, Inc.	Jun. 30, 2016	1,000,000	1,000,000	0.436	Jun. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	AEON Bank, Ltd.	Jun. 30, 2016	3,000,000	3,000,000	0.636	Jun. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	700,000	700,000	0.436	Jul. 20, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,600,000	1,600,000	0.536	Jul. 20, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,700,000	1,700,000	0.636	Jul. 20, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.	Mar. 14, 2017	634,000	634,000	0.436	Mar. 14, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Development Bank of Japan, Inc.		1,000,000	1,000,000					
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	The Towa Bank, Ltd.		252,000	252,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Gunma Bank, Ltd.	165,000	165,000						
	Mizuho Bank, Ltd.	Mar. 14, 2017	1,633,000	1,633,000	0.536	Mar. 14, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
Resona Bank, Limited	333,000		333,000						
The Bank of Fukuoka, Ltd.	333,000		333,000						

Type	Lender	Borrowing date	Balance at beginning of Reporting Period	Balance at end of Reporting Period	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
			(JPY thousand)	(JPY thousand)					
Long-term loans (Note 4)	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	The Towa Bank, Ltd.		253,000	253,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Gunma Bank, Ltd.		165,000	165,000					
	Mizuho Bank, Ltd.	Mar. 14, 2017	1,733,000	1,733,000	0.636	Mar. 14, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	AEON Bank, Ltd.		900,000	900,000					
	The Towa Bank, Ltd.		253,000	253,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Daiichi Life Insurance Co., Ltd.		500,000	500,000					
	The Gunma Bank, Ltd.		165,000	165,000					
	Sumitomo Mitsui Banking Corporation		Mar. 14, 2017	3,000,000					
	Mizuho Bank, Ltd.	May 29, 2017	7,321,000	4,321,000	0.586	Nov. 29, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Daiichi Life Insurance Co., Ltd.		—	3,000,000					
	Shinsei Bank, Limited	Oct. 13, 2017	—	355,000	0.344	Oct. 13 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch		—	355,000					
	Resona Bank, Limited		—	334,000					
The Bank of Fukuoka, Ltd.	—		300,000						
AEON Bank, Ltd.	—		190,000						
The Nomura Trust and Banking Co., Limited	—		167,000						

Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes	
									Lender
Long-term loans (Note 4)			—	167,000					
		Oct. 13, 2017	—	355,000	0.444	Oct. 13 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
			—	355,000					
			—	333,000					
			—	300,000					
			—	190,000					
			—	167,000					
			—	167,000					
			—	167,000					
		Oct. 13, 2017	—	500,000	0.644	Oct. 13 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
			—	500,000					
			—	500,000					
			—	355,000					
			—	355,000					
			—	333,000					
			—	1,500,000					
			—	300,000					
			—	190,000					
			—	166,000					
	—	166,000							
	—	500,000							
	Oct. 13, 2017	—	1,250,000	0.744	Oct. 13 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee	
		—	1,065,000						

Type	Lender	Borrowing date	Balance at beginning of Reporting Period	Balance at end of Reporting Period	Average interest rate (%)	Repayment date	Repayment method	Purpose	Notes
			(JPY thousand)	(JPY thousand)	(Note 1)				
Long-term loans (Note 4)	Sumitomo Mitsui Banking Corporation		—	1,250,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	—	1,250,000	0.844	Oct. 13 2024	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		—	1,060,000					
	Sumitomo Mitsui Banking Corporation	Oct. 13, 2017	—	1,250,000	0.294	Oct. 13 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.		—	1,850,000					
	Sumitomo Mitsui Banking Corporation		—	1,850,000					
Subtotal			163,990,000	183,915,000					
Total			163,990,000	186,983,000					

(Note 1) Average interest rate is the daily weighted average number of the period according to the number of days and is rounded to three decimal places. In regards to borrowings which interest rate swap transactions are entered into for the purpose of avoiding risk from interest rate fluctuation, interest rates reflecting the interest rate swap are shown.

(Note 2) The funds raised through borrowings are mainly used to acquire trust beneficiary interests in real estate and to prepay the borrowings.

(Note 3) The balance at the end of the period will be repaid in full on the repayment date.

(Note 4) Long-term loans includes current portion of long term loans payable.

### 3 Investment Corporation Bonds

Not applicable

### 4 Short-Term Investment Corporation Bonds

Not applicable

### 5 Investment Unit Options

Not applicable



## Acquisitions and Sales for the Fiscal Period Ended December 31, 2017

### 1 Acquisitions and Sales of Real Estate, Asset-Backed Securities, Infrastructure Assets and Infrastructure Related-Assets

Name of property		Acquisition		Sale			
		Acquisition date	Acquisition price (JPY million) (Note 1)	Sales date	Sales price (JPY million) (Note 2)	Book value (JPY million)	Gain/loss on sales (JPY million)
A56	Casa Eremitaggio	—	—	December 28, 2017	1,312	948	335
A62	Lexel Mansion Ueno Matsugaya	—	—	December 28, 2017	1,329	853	449
A81	Sun Terrace Minami Ikebukuro	—	—	December 28, 2017	934	591	325
B08	Kindai Kagaku Sha Building	—	—	July 31, 2017	1,361	1,197	115
B09	Shinjuku Island	—	—	December 26, 2017	705	701	(7)
C01	Times Kanda-Sudacho 4 <sup>th</sup>	—	—	July 31, 2017	130	100	25
D43	Hotel MyStays Gotanda Station (Additional acquisition) (Note 3)	October 31, 2017	1,849	—	—	—	—
D50	Hotel MyStays Shin Osaka Conference Center (Note 3)	October 13, 2017	13,068	—	—	—	—
D51	Hotel MyStays Premier Omori (Note 3)	October 13, 2017	9,781	—	—	—	—
D52	Beppu Kamenoi Hotel (Note 3)	October 13, 2017	8,870	—	—	—	—
D53	Hotel MyStays Sapporo Station (Note 3)	October 13, 2017	7,880	—	—	—	—
—	Preferred equity securities in Kingdom Special Purpose Company (Note 4)	October 13, 2017	17,845	—	—	—	—
Total			59,293	—	5,772	4,393	1,244

(Note 1) Acquisition price does not include various costs (brokerage commissions, taxes and other public dues) required for acquisition of the property and is the purchase price indicated in the trust beneficiary interest purchase agreement.

(Note 2) Sales price does not include various costs (brokerage commissions, taxes and other public dues) required for sale of the property, and is the sales price indicated in the trust beneficiary interest purchase agreement.

(Note 3) Acquired as trust beneficiary interest in real estate with the real estate as trust asset.

(Note 4) The preferred equity securities were issued by Kingdom Special Purpose Company, with the cash flow gained from Sheraton Grande Tokyo Bay Hotel as guarantee. INV owns 178,458 units of preferred equity securities issued by Kingdom Special Purpose Company (equivalent to 49.0% of preferred equity securities issued and outstanding after the issuance of the said preferred equity securities).

### 2 Acquisitions and Sales of Other Assets

Assets other than those described above were mostly bank deposits or bank deposits in trust.

### 3 Transaction Price Verifications of Specified Assets

#### (1) Real Estate Transactions

Acquisition or sale	Name of property		Category of specified asset	Transaction date	Acquisition or sales price (JPY million) (Note 1)	Appraisal value (JPY million)	Appraiser	Appraisal date
Sale	B09	Shinjuku Island	Real estate	December 26, 2017	705	558	Morii Appraisal & Investment Consulting Inc.	December 1, 2017
	C01	Times Kanda-Sudacho 4 <sup>th</sup>		July 31, 2017	130	113	Asset Research and Development Inc.	
	A56	Casa Eremitaggio	Trust beneficiary interest	December 28, 2017	1,312	1,120	Japan Real Estate Institute	June 30, 2017
	A62	Lexel Mansion Ueno Matsugaya		December 28, 2017	1,329	1,230	The Tanizawa Sogo Appraisal Co., Ltd	December 1, 2017
	A81	Sun Terrace Minami Ikebukuro		December 28, 2017	934	761	Japan Real Estate Institute	December 1, 2017
	B08	Kindai Kagaku Sha Building		July 31, 2017	1,361	1,060	Asset Research and Development Inc.	June 30, 2017
Acquisition	D43	Hotel MyStays Gotanda Station (Note 2)	Trust beneficiary interest	July 31, 2017	1,849	2,600	Morii Appraisal & Investment Consulting Inc.	June 30, 2017
	D50	Hotel MyStays Shin Osaka Conference Center		October 13, 2017	13,068	13,200	The Tanizawa Sogo Appraisal Co., Ltd	July 1, 2017
	D51	Hotel MyStays Premier Omori			9,781	9,880	The Tanizawa Sogo Appraisal Co., Ltd	July 1, 2017
	D52	Beppu Kamenoi Hotel			8,870	8,960	The Tanizawa Sogo Appraisal Co., Ltd	July 1, 2017
	D53	Hotel MyStays Sapporo Station			7,880	7,960	The Tanizawa Sogo Appraisal Co., Ltd	July 1, 2017

(Note 1) Acquisition price does not include various costs (brokerage commissions, taxes and other public dues) required for acquisition of the property and is the purchase price indicated in the trust beneficiary interest purchase agreement.

(Note 2) As the Floor Expansion Portion was under construction upon the decision on the 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 represents the difference between (i) the research value of the existing hotel portion and the Floor Expansion Portion combined, valued at JPY 27,400 million assuming the completion of the construction, and (ii) the research value for the existing hotel portion before the additional acquisition valued at JPY 24,800 million.

(Note 3) The real estate appraisal described above is conducted by applying “Section 3: appraisals concerning prices of real estate subject to securitization” of “Real Estate Appraisal Standard.”

#### (2) Preferred equity securities

Acquisition or sale	Property number	Name	Transaction date	Acquisition or sales price (JPY million) (Note 1)	Research value of specified asset (JPY million) (Note 2)
Acquisition	—	Preferred equity securities in Kingdom Special Purpose Company	October 13, 2017	17,845	17,845

(Note 1) Acquisition price does not include various costs (brokerage commissions, taxes and other public dues) required for

acquisition of the preferred equity securities and is the purchase price indicated in the purchase agreement.

(Note 2) Transaction price verifications of specified assets were conducted by Akasaka International Audit LLC in accordance with the Japan Institute of Certified Public Accountants Industrial Audit Report No. 23, "Research for Specified Assets Value Held by Investment Trusts and Investment Corporations."

Upon the verifications, INV has received from the auditor a research report on the name of the preferred equity securities, transaction volume and other matters necessary for identifying preferred equity securities investing in the real estate in addition to research value.

#### **4 Transactions with Interested Parties**

(1) Transactions

Not applicable

(2) Commissions Paid

Not applicable

#### **5 Transactions between the Asset Manager and Its Other Businesses**

As the Asset Manager (Consonant Investment Management Co., Ltd.) does not engage in any other business, such as the type I financial instruments business and the type II financial instruments business, the building lots and buildings transaction business, or the real estate specified joint enterprise, there are no applicable transactions.

## Financial Condition

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### 1 Assets, Liabilities, Principal, and Profit and Loss

Please refer to “II. Balance Sheet,” “III. Statement of Income and Retained Earnings,” “IV. Statement of Changes in Net Assets,” “V. Notes” and “VI. Statement of Cash Distribution.”

### 2 Changes in the Calculation Method of Depreciation

Not applicable

### 3 Changes in the Evaluation Method of Real Estate and Infrastructure Assets, etc.

Not applicable

### 4 Beneficiary Certificates of Investment Trusts, etc. Set Up by the Company

Not applicable

## Other

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### 1 Notice

#### (1) General Meeting of Unitholders

INV’s General Meeting of Unitholders was held on December 21, 2017.

The summary of the matters approved at the General Meeting of Unitholders are as follows.

Agenda		Summary
Proposal No. 1	Partial Amendment to Articles of Incorporation	<ol style="list-style-type: none"><li>1. With the consent of the asset management company, the asset management fees for the period from January 2013 to December 2017 have been reduced. INV has further obtained the consent of the asset management company to reduce the amount of asset management fees for the period from January 2018 to December 2018 to an amount which is lower than the amount that would be applicable if such reduction were not made but higher than the amount that was applied in 2017. Accordingly, INV amended the standards concerning the amount and payment for the asset management fees for the said period effective January 1, 2018.</li><li>2. Pursuant to the provisions of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations, a new provision was added to clarify that INV may acquire all or a majority of the outstanding shares or equity interests of the Corporations Holding Overseas Real Estate. Furthermore, in order for INV to be able to (a) invest in real estate outside of Japan when it is determined as contributing to the enhancement of unitholder’s value and to the extent permissible under its basic policy of asset management, and (b) choose from various schemes in investing in real estate outside of Japan, (i) real estate</li></ol>

		<p>governed by foreign laws and regulations, (ii) assets equivalent to trust beneficiary rights, etc. which are formed under foreign laws and regulations and (iii) shares or contributions issued by the Corporations Holding Overseas Real Estate, etc., were added to the classes of the investment assets of INV and the relevant provisions were amended accordingly.</p> <p>3. In order to provide flexibility upon the timing of payment of remuneration to the independent auditor, the relevant provision was amended so that the payment of remuneration will be made within three months after INV's receipt of a claim for remuneration which claim shall be made after INV's receipt of an audit report from the independent auditor. At the same time, certain amendments were made as necessary to clarify that (a) the acquisition fee and the disposition fee will be accrued even when INV acquires or disposes trust beneficiary interests and other assets backed by the Real Estates, etc. and (b) only a portion of the purchase price and the disposition price which is contributed or received by INV shall be counted in the calculation of the acquisition fee and the disposition fee.</p> <p>In addition, necessary revision and clarification of expressions, other changes in the wording and adjustments in the numbering of the articles and paragraphs of INV's Articles of Incorporation were made.</p>
Proposal No. 2	Appointment of One Executive Director (1)	Naoki Fukuda was appointed.
Proposal No. 3	Appointment of One Substitute Executive Director (1)	Christopher Reed was appointed.
Proposal No. 4	Appointment of Two Supervisory Directors (2)	Takashi Takahashi and Hiroyuki Fujimoto were appointed.

## (2) Board of Directors of Investment Corporation

Of the execution and amendment of the principal agreement approved by INV's Board of Directors in the Reporting Period, principal summary is as follows.

Approval date	Item	Summary
September 21, 2017	Conclusion of the underwriting agreement related to the issuance of new investment units, etc.	The Board of Directors of INV approved that INV would entrust underwriters (Note) with the service related to the issuance of new investment units through public offering and secondary offering of investment units, which were approved at the meeting of the Board of Directors of INV held on September 21, 2017.

(Note) The underwriters for the domestic public offering are Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., Nomura Securities Co., Ltd., Citigroup Global Markets Japan Inc. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. The underwriters for the global offering mainly in the U.S., Europe and Asia are SMBC Nikko Capital Markets Limited, Mizuho International plc, Nomura International plc, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc and Jefferies International Limited.

**2 Disclosure of Companies Owning Real Estate Overseas**

Not applicable

**3 Disclosure of Real Estate Owned by Companies Owning Real Estate Overseas**

Not applicable

## 4 Risk Factors

An investment in our units involves significant risks. The principal risks with respect to investment in Invincible Investment Corporation are as follows.

### Property and Business Risks

- Any adverse conditions in the Japanese economy could adversely affect our properties.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings.
- Our reliance on Fortress Group could have a material adverse effect on our business.
- As a large portion of our hotels are subject to a variable rent structure, our results of operations are inherently more volatile than the results of properties with fixed-lease arrangements, and we may not be able to effectively manage our hotel portfolio due to our relatively limited operating history in owning full service hotels, resort hotels and other non-limited service hotels that we may decide to acquire in greater numbers in the future.
- Increases in prevailing market interest rates, particularly following the Bank of Japan's announcement of a major new policy for monetary easing, would increase our interest expense and may result in a decline in the market price of our units.
- The high geographic concentration of our real estate portfolio in the greater Tokyo area and other major cities could have a material adverse effect on our business.
- Competition for tenants and hotel guests may adversely affect our ability to retain our current tenants and find new tenants, and to maintain occupancy rates and revenue.
- Our hotels are subject to the operating risks common to the hospitality industry, which have a direct effect on the variable rent component of our portfolio's revenue.
- The cyclical and seasonal nature of the hospitality industry may cause fluctuations in our operating performance, which could have a material adverse effect on us and our variable rent revenues.
- We may incur unexpected expenses, expenditure or other losses for repair or maintenance of our properties, and our hotels require periodic capital reinvestment for renovation.
- The majority of our hotels are leased to MyStays Hotel Management, which is owned by Fortress Group-managed funds, and subject to the risk of default under its hotel lease agreements.
- Our focus on residential properties could have a material adverse effect on our business.
- We may lose rental revenues in the event of defaults by end-tenants under their lease agreements for properties other than hotels.
- Master leases may give rise to certain risks.
- We may suffer large losses if any of our properties incur damage from a natural or man-made disaster or acts of violence.
- We may be strictly liable for an unforeseen loss, damage or injury suffered by a third party at our properties.
- Because most of our operating expenses are largely fixed, we may suffer adverse consequences if our rental revenues decline.
- We may not be able to promptly acquire suitable properties or sell those in our portfolio on acceptable terms in response to changing economic, financial or investment conditions.
- Defects relating to our properties may adversely affect our financial condition and results of operations.
- We rely on expert appraisals and engineering, environmental and seismic reports, which are subject to significant uncertainties.
- The environmental assessments of our properties made prior to our ownership may not have uncovered all environmental liabilities, and Japanese laws subject property owners to strict environmental liabilities.
- Decreases in tenant leasehold and/or security deposits would increase our funding costs.

- Any inability to obtain financing for future acquisitions, or any restrictions on our activities under our financing arrangements, could adversely affect us.
- A high LTV ratio may increase our exposure to changes in interest rates and have a material adverse effect on our results of operations.
- We may suffer impairment losses relating to our properties and may also suffer adverse tax effects upon recognizing impairments.
- The performance of Fortress Group is not an indicator or guarantee of our future results.
- Our financial statements are prepared in accordance with Japanese GAAP, which differs in certain material respects from IFRS, U.S. GAAP and generally accepted accounting principles and financial reporting standards in other jurisdictions.
- We rely on industry and market data that are subject to significant uncertainties.
- We may be exposed to risks relating to investments in the operators or master lessees of our properties.

### **Management and Governance Risks**

- Our success depends on the performances of service providers to which we are required to assign various key functions.
- There are potential conflicts of interest between us and certain Fortress Group affiliates or Fortress Group-related companies including the Asset Manager, MyStays Hotel Management.
- We depend on the efforts of our executive director and key personnel of the Asset Manager.
- Unitholders have limited control over our policies.
- The Japanese regulatory authorities have tightened regulatory supervision of J-REITs and their asset managers and their corporate governance.
- If unitholders do not exercise their voting rights, we may count their votes in favor of proposals at a general meeting of unitholders.
- The shareholder benefit plan that we intend to introduce may be cancelled, changed or abolished.

### **Taxation Risks**

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our distributions to our unitholders.
- If the Japanese tax authorities disagree with the interpretations we used for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.
- Unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2018.

### **Legal and Regulatory Risks**

- Our ownership rights in some of our properties may be declared invalid or limited.
- We may lose our rights in a property we own if the purchase of the property is recharacterized as a secured financing.
- Acquisition of properties for which third parties hold leasehold interests in the land and own the buildings may subject us to various risks.
- Our leasehold interests may be terminated or may not be asserted against a third party in some cases, or our leases with our tenants could be modified.
- We may hold interests in some properties through preferred equities of a TMK (*tokutei mokuteki*



*kaisha*), and illiquidity in the market for such equities may limit our ability to sell our interests, and we may be exposed to risks unique to this investments structure.

- We currently hold several properties in the form of compartmentalized ownership interests (*kubun shoyu-ken*) and our rights relating to such properties may be affected by the intentions of other owners
- We may acquire properties in the form of co-ownership (*kyoyu*) and our rights relating to such properties may be affected by the intentions of other owners.
- Tax increases or adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations.
- Compliance with energy conservation regulations in Japan may adversely affect our financial results.
- Our costs of complying with regulations applicable to our properties could adversely affect our results of operations.
- We own a substantial portion of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary.
- The Alternative Investment Fund Managers Directive may negatively affect our ability to market our units in the EEA and increase our compliance costs associated with the marketing of our units in the EEA.
- Our units may be deemed to constitute “plan assets” for ERISA purposes, which may lead to the rescission of certain transactions, tax or fiduciary liability and our being held in violation of ERISA requirements.

## **5 Other**

Unless there are specific statements to the contrary, monetary figures are rounded down to the nearest yen and percentages are rounded off for unspecified values.

## II. Balance Sheet

(Unit: JPY thousand)

	Fiscal period ended June 30, 2017 (Reference) (as of June 30, 2017)	Fiscal period ended December 31, 2017 (as of December 31, 2017)
<b>Assets</b>		
Current assets:		
Cash and bank deposits	3,532,405	14,367,140
Cash and bank deposits in trust	6,065,755	6,326,653
Accounts receivable	8,204	8
Rental receivables	1,420,192	1,984,728
Prepaid expenses	445,116	489,098
Consumption taxes receivable	20,823	613,566
Other	0	0
Allowance for doubtful accounts	(33)	(89)
<b>Total current assets</b>	<b>11,492,465</b>	<b>23,781,107</b>
Non-current assets:		
Property and equipment		
Buildings, at cost	85,914	-
Accumulated depreciation	(11,031)	-
Buildings, net	74,883	-
Buildings' accompanying facilities, at cost	38,862	-
Accumulated depreciation	(22,925)	-
Buildings' accompanying facilities, net	15,937	-
Structures, at cost	2,779	-
Accumulated depreciation	(1,533)	-
Structures, net	1,245	-
Tools, furniture and fixtures, at cost	2,395	3,192
Accumulated depreciation	(67)	(218)
Tools, furniture and fixtures, net	2,327	2,973
Land	711,834	-
Buildings in trust, at cost	118,192,822	128,867,905
Accumulated depreciation	(8,155,443)	(9,412,123)
Buildings in trust, net	110,037,378	119,455,782
Buildings' accompanying facilities in trust, at cost	26,991,646	28,454,395
Accumulated depreciation	(5,092,225)	(5,758,755)
Buildings' accompanying facilities in trust, net	21,899,421	22,695,639
Structures in trust, at cost	345,467	262,372
Accumulated depreciation	(169,049)	(112,316)
Structures in trust, net	176,417	150,055
Tools, furniture and fixtures in trust, at cost	898,892	1,065,760
Accumulated depreciation	(273,748)	(335,109)
Tools, furniture and fixtures in trust, net	625,143	730,651
Land in trust	142,046,411	167,845,958
<b>Total property and equipment, net</b>	<b>275,591,001</b>	<b>310,881,062</b>
Intangible assets		
Leasehold rights in trust	16,946,974	16,828,843
<b>Total intangible assets</b>	<b>16,946,974</b>	<b>16,828,843</b>
Investment and other assets		
Investment securities	-	17,854,460
Guarantee deposits	1,651,565	1,651,565
Long-term prepaid expenses	601,737	587,753
Derivatives assets	92,243	113,592
Others	45,062	59,869
<b>Total investments and other assets</b>	<b>2,390,608</b>	<b>20,267,241</b>
<b>Total non-current assets</b>	<b>294,928,585</b>	<b>347,977,146</b>
<b>Total assets</b>	<b>306,421,050</b>	<b>371,758,254</b>

(Unit: JPY thousand)

	Fiscal period ended June 30, 2017 (Reference) (as of June 30, 2017)	Fiscal period ended December 31, 2017 (as of December 31, 2017)
Liabilities		
Current liabilities:		
Accounts payable	170,911	254,936
Short-term loans payable	-	3,068,000
Current portion of long - term loans payable	-	28,979,000
Accounts payable-other	175,062	51,836
Accrued expenses	164,764	270,486
Income taxes payable	605	605
Advances received	540,675	600,752
Deposits received	15,932	29,190
<b>Total current liabilities</b>	<b>1,067,951</b>	<b>33,254,807</b>
Non-current liabilities:		
Long-term loans payable	163,990,000	154,936,000
Tenant leasehold and security deposits in trust	2,240,373	2,215,299
Tenant leasehold and security deposits	28,663	-
Asset retirement obligations	31,468	31,680
<b>Total non-current liabilities</b>	<b>166,290,505</b>	<b>157,182,980</b>
<b>Total liabilities</b>	<b>167,358,457</b>	<b>190,437,787</b>
Net assets		
Unitholders' equity:		
Unitholders' capital	128,984,946	168,798,455
Surplus:		
Capital surplus	6,264,432	6,264,432
Deduction of unitholders' capital surplus		
Allowance for temporary differences adjustment	*2 -	*2 (46,329)
Other deduction of capital surplus	(987,516)	(1,022,263)
<b>Total deduction of unitholders' capital surplus</b>	<b>(987,516)</b>	<b>(1,068,593)</b>
Capital surplus (net)	5,276,915	5,195,838
Retained earnings	4,708,487	7,212,580
<b>Total surplus</b>	<b>9,985,403</b>	<b>12,408,419</b>
<b>Total unitholders' equity</b>	<b>138,970,350</b>	<b>181,206,874</b>
Valuation and translation adjustments:		
Deferred gains or losses on hedges	92,243	113,592
<b>Total valuation and translation adjustments</b>	<b>92,243</b>	<b>113,592</b>
<b>Total net assets</b>	<b>*1 139,062,593</b>	<b>*1 181,320,466</b>
<b>Total liabilities and net assets</b>	<b>306,421,050</b>	<b>371,758,254</b>

### III. Statement of Income and Retained Earnings

(Unit: JPY thousand)

	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Operating revenue		
Rental revenue – real estate	*1 9,260,917	*1 11,403,236
Gain on sales of properties	-	*2 1,244,033
Total operating revenue	9,260,917	12,647,270
Operating expenses		
Property related expenses	*1 3,518,684	*1 3,962,183
Impairment loss	-	*3 15,677
Asset management fees	250,000	250,000
Directors' compensation	4,800	4,800
Asset custody fees	13,594	15,230
Administrative service fees	29,983	37,347
Provision of allowance for doubtful accounts	33	89
Other	99,360	138,288
Total operating expenses	3,916,456	4,423,618
Operating income	5,344,461	8,223,652
Non-operating income		
Interest income	70	54
Interest on tax refund	150	234
Other	1,077	507
Total non-operating income	1,297	796
Non-operating expenses		
Interest expenses	377,451	445,855
Loan-related costs	223,228	304,073
Investment unit issuance costs	42,401	170,817
Total non-operating expenses	643,080	920,746
Ordinary income	4,702,678	7,303,702
Income before income taxes	4,702,678	7,303,702
Income taxes	605	605
Total income taxes	605	605
Net income	4,702,073	7,303,097
Retained earnings brought forward	6,414	(90,516)
Unappropriated retained earnings	4,708,487	7,212,580

#### IV. Statement of Changes in Net Assets

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)

(Unit: JPY thousand)

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Deduction of capital surplus			Capital surplus (net)
Allowance for temporary differences adjustment	Other deduction of capital surplus		Total deduction of capital surplus			
Balance at the beginning of the period	120,367,271	6,264,432	(224,225)	(763,290)	(987,516)	5,276,915
Changes during the period						
Issuance of new investment units	8,393,450					
Reversal of allowance for temporary differences adjustment	224,225		224,225	(224,225)	—	—
Distributions from surplus						
Net income						
Changes other than unitholders' equity (net)						
Total changes during the period	8,617,675	—	224,225	(224,225)	—	—
Balance at the end of the period	128,984,946	6,264,432	-	(987,516)	(987,516)	5,276,915

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the beginning of the period	5,659,831	10,936,747	131,304,019	151,259	151,259	131,455,278
Changes during the period						
Issuance of new investment units			8,393,450			8,393,450
Reversal of allowance for temporary differences adjustment	(224,225)	(224,225)	—			—
Distributions from surplus	(5,429,192)	(5,429,192)	(5,429,192)			(5,429,192)
Net income	4,702,073	4,702,073	4,702,073			4,702,073
Changes other than unitholders' equity (net)				(59,016)	(59,016)	(59,016)
Total changes during the period	(951,344)	(951,344)	7,666,331	(59,016)	(59,016)	7,607,315
Balance at the end of the period	4,708,487	9,985,403	138,970,350	92,243	92,243	139,062,593

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

(Unit: JPY thousand)

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Deduction of capital surplus			Capital surplus (net)
Allowance for temporary differences adjustment	Other deduction of capital surplus		Total deduction of capital surplus			
Balance at the beginning of the period	128,984,946	6,264,432	—	(987,516)	(987,516)	5,276,915
Changes during the period						
Issuance of new investment units	39,813,508					
Distributions from surplus						
Distributions in excess of retained earnings from allowance for temporary differences adjustment			(46,329)		(46,329)	(46,329)
Other distribution in excess of retained earnings				(34,747)	(34,747)	(34,747)
Net income						
Changes other than unitholders' equity (net)						
Total changes during the period	39,813,508	—	(46,329)	(34,747)	(81,077)	(81,077)
Balance at the end of the period	168,798,455	6,264,432	(46,329)	(1,022,263)	(1,068,593)	5,195,838

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the beginning of the period	4,708,487	9,985,403	138,970,350	92,243	92,243	139,062,593
Changes during the period						
Issuance of new investment units			39,813,508			39,813,508
Distributions from surplus	(4,799,004)	(4,799,004)	(4,799,004)			(4,799,004)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(46,329)	(46,329)			(46,329)
Other distribution in excess of retained earnings		(34,747)	(34,747)			(34,747)
Net income	7,303,097	7,303,097	7,303,097			7,303,097
Changes other than unitholders' equity (net)				21,348	21,348	21,348
Total changes during the period	2,504,093	2,423,015	42,236,524	21,348	21,348	42,257,873

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the end of the period	7,212,580	12,408,419	181,206,874	113,592	113,592	181,320,466

## V. Notes

### [Notes Concerning Significant Accounting Policies]

By Period Item	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)																																
1. Evaluation standards and evaluation method of assets	Not applicable.	Other securities Those with no fair value Cost method through moving-average method is used.																																
2. Method of depreciation of non-current assets	<p>(a) Property and equipment The straight-line method is used. The useful lives of major property, plant and equipment are as follows.</p> <table style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">77 years</td> </tr> <tr> <td>Buildings and accompanying facilities</td> <td style="text-align: right;">8-24 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">7-18 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">8 years</td> </tr> <tr> <td>Buildings in trust</td> <td style="text-align: right;">5-67 years</td> </tr> <tr> <td>Buildings and accompanying facilities in trust</td> <td style="text-align: right;">2-33 years</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">3-55 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td style="text-align: right;">2-19 years</td> </tr> </table> <p>(b) Intangible assets The straight-line method is used. For leasehold interests (fixed-term land lease for business purposes), the straight-line method based on the lease period is used.</p> <p>(c) Long-term prepaid expenses The straight-line method is used.</p>	Buildings	77 years	Buildings and accompanying facilities	8-24 years	Structures	7-18 years	Tools, furniture and fixtures	8 years	Buildings in trust	5-67 years	Buildings and accompanying facilities in trust	2-33 years	Structures in trust	3-55 years	Tools, furniture and fixtures in trust	2-19 years	<p>(a) Property and equipment The straight-line method is used. The useful lives of major property, plant and equipment are as follows.</p> <table style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">77 years</td> </tr> <tr> <td>Buildings and accompanying facilities</td> <td style="text-align: right;">8-24 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">7-18 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">4-8 years</td> </tr> <tr> <td>Buildings in trust</td> <td style="text-align: right;">5-67 years</td> </tr> <tr> <td>Buildings and accompanying facilities in trust</td> <td style="text-align: right;">2-33 years</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">3-55 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td style="text-align: right;">2-19 years</td> </tr> </table> <p>(b) Intangible assets The straight-line method is used. For leasehold interests (fixed-term land lease for business purposes), the straight-line method based on the lease period is used.</p> <p>(c) Long-term prepaid expenses The straight-line method is used.</p>	Buildings	77 years	Buildings and accompanying facilities	8-24 years	Structures	7-18 years	Tools, furniture and fixtures	4-8 years	Buildings in trust	5-67 years	Buildings and accompanying facilities in trust	2-33 years	Structures in trust	3-55 years	Tools, furniture and fixtures in trust	2-19 years
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Structures in trust	3-55 years																																	
Tools, furniture and fixtures in trust	2-19 years																																	
3. Method of calculating allowances	<p>Allowance for doubtful accounts To reserve for losses on doubtful accounts, allowances are provided for normal receivables using a rate determined based on past bad debt experiences, and specific allowances are provided for accounts with a possibility of default based on the estimated amounts considered to be uncollectible by considering the collectability of accounts on an individual basis.</p>	<p>Allowance for doubtful accounts To reserve for losses on doubtful accounts, allowances are provided for normal receivables using a rate determined based on past bad debt experiences, and specific allowances are provided for accounts with a possibility of default based on the estimated amounts considered to be uncollectible by considering the collectability of accounts on an individual basis.</p>																																
4. Revenue and expense recognition	<p>Accounting treatment of property taxes and other taxes With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount</p>	<p>Accounting treatment of property taxes and other taxes With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount</p>																																



By Period Item	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
	<p>corresponding to the relevant fiscal period is accounted for as property related expenses.</p> <p>Of the amounts paid to the seller for acquisitions of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the real estate or trust beneficiary interests in real estate instead of being charged as expense. The amount equivalent to property taxes that was included as part of the acquisition of real estate during the fiscal period ended June 30, 2017 is JPY 78,074 thousand.</p>	<p>corresponding to the relevant fiscal period is accounted for as property related expenses.</p> <p>Of the amounts paid to the seller for acquisitions of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the real estate or trust beneficiary interests in real estate instead of being charged as expense. The amount equivalent to property taxes that was included as part of the acquisition of real estate during the fiscal period ended December 31, 2017 is JPY 24,256 thousand.</p>
<p>5. Method of hedge accounting</p>	<p>(a) Method of hedge accounting Deferred hedge accounting is used.</p> <p>(b) Hedging instrument and hedged item Hedging instrument: interest rate swap Hedged item: interest on borrowings</p> <p>(c) Hedge policy INV enters into derivatives transactions for the purpose of hedging against the risks set forth in INV's Articles of Incorporation in accordance with its risk management policy.</p> <p>(d) Method of evaluating hedge effectiveness Hedge effectiveness is evaluated by comparing the cumulative amount of changes in cash flows of the hedging instrument and the cumulative amount of changes in cash flows of the hedged item and verifying the difference in the amounts of change of both the hedged item and the hedging instrument.</p>	<p>(a) Method of hedge accounting Deferred hedge accounting is used.</p> <p>(b) Hedging instrument and hedged item Hedging instrument: interest rate swap Hedged item: interest on borrowings</p> <p>(c) Hedge policy INV enters into derivatives transactions for the purpose of hedging against the risks set forth in INV's Articles of Incorporation in accordance with its risk management policy.</p> <p>(d) Method of evaluating hedge effectiveness Hedge effectiveness is evaluated by comparing the cumulative amount of changes in cash flows of the hedging instrument and the cumulative amount of changes in cash flows of the hedged item and verifying the difference in the amounts of change of both the hedged item and the hedging instrument.</p>
<p>6. Other significant matters which constitute the basis for preparation of financial statements</p>	<p>(1) Accounting treatment policy of trust beneficiary interests in real estate As to trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of such items, the following significant trust assets and liabilities are shown separately on the balance sheet.</p> <p>(a) Cash and bank deposits in trust</p> <p>(b) Buildings in trust Buildings and accompanying facilities in trust Structures in trust Tools, furniture and fixtures in trust Land in trust</p> <p>(c) Leasehold rights in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p>	<p>(1) Accounting treatment policy of trust beneficiary interests in real estate As to trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of such items, the following significant trust assets and liabilities are shown separately on the balance sheet.</p> <p>(a) Cash and bank deposits in trust</p> <p>(b) Buildings in trust Buildings and accompanying facilities in trust Structures in trust Tools, furniture and fixtures in trust Land in trust</p> <p>(c) Leasehold rights in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p>

By Period Item	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
	<p>(2) Accounting treatment of deferred assets Investment unit issuance costs The full amount is recorded as expense at the time of expenditure.</p> <p>(3) Accounting treatment of consumption taxes Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p>	<p>(2) Accounting treatment of deferred assets Investment unit issuance costs The full amount is recorded as expense at the time of expenditure.</p> <p>(3) Accounting treatment of consumption taxes Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p>

[Notes to the Balance Sheet]

Fiscal period ended June 30, 2017 (Reference) (as of June 30, 2017)	Fiscal period ended December 31, 2017 (as of December 31, 2017)																																										
<p>*1. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations</p> <p style="text-align: right;">JPY 50,000 thousand</p>	<p>*1. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations</p> <p style="text-align: right;">JPY 50,000 thousand</p>																																										
<p>*2. Allowance for temporary differences adjustment</p> <p>Fiscal period ended June 30, 2017 (from January 1, 2017 to December 31, 2017) (Reference)</p> <p>1. Reasons, related assets and amounts</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1"> <thead> <tr> <th>Related assets, etc.</th> <th>Reason</th> <th>Initial amount</th> <th>Balance at the end of previous period</th> <th>Allowance set aside during period</th> <th>Reversal during period</th> <th>Balance at the end of current period</th> </tr> </thead> <tbody> <tr> <td>Deferred gains or losses on hedges</td> <td>Changes in fair value of derivatives</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">224,225</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td style="text-align: right;">(224,225)</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">224,225</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>2. Method of reversal</p> <p>(1) Deferred gains or losses on hedges</p> <p>Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.</p> <p>Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)</p> <p>1. Reasons, related assets and amounts</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1"> <thead> <tr> <th>Related assets, etc.</th> <th>Reason</th> <th>Initial amount</th> <th>Balance at the end of previous period</th> <th>Allowance set aside during period</th> <th>Reversal during period</th> <th>Balance at the end of current period</th> </tr> </thead> <tbody> <tr> <td>Leasehold rights in trust</td> <td>Amortization of leasehold rights</td> <td style="text-align: right;">(46,329)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(46,329)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(46,329)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td style="text-align: right;">(46,329)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(46,329)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(46,329)</td> </tr> </tbody> </table> <p>2. Method of reversal</p> <p>(1) Leasehold rights in trust</p> <p>The corresponding amount is scheduled to be reversed upon sale, etc.</p>		Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Deferred gains or losses on hedges	Changes in fair value of derivatives	(224,225)	(224,225)	-	224,225	-	Total		(224,225)	(224,225)	-	224,225	-	Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Leasehold rights in trust	Amortization of leasehold rights	(46,329)	-	(46,329)	-	(46,329)	Total		(46,329)	-	(46,329)	-	(46,329)
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[Notes to Statement of Income and Retained Earnings]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
*1. Real estate rental revenues and expenses (Unit: JPY thousand)	*1. Real estate rental revenues and expenses (Unit: JPY thousand)
A. Real estate rental revenues	A. Real estate rental revenues
Rental revenue – real estate	Rental revenue – real estate
(Rent/common area charges) 8,927,781	(Rent/common area charges) 11,060,128
(Other revenues) 333,135	(Other revenues) 343,107
Total 9,260,917	Total 11,403,236
B. Real estate rental expenses	B. Real estate rental expenses
Property related expenses	Property related expenses
(Maintenance costs) 646,226	(Maintenance costs) 707,458
(Taxes and public dues) 390,797	(Taxes and public dues) 470,600
(Insurance expenses) 10,195	(Insurance expenses) 11,499
(Depreciation expenses) 2,281,374	(Depreciation expenses) 2,567,215
(Other expenses) 190,090	(Other expenses) 205,408
Total 3,518,684	Total 3,962,183
C. Real estate rental income	C. Real estate rental income
(A-B) 5,742,232	(A-B) 7,441,052
(Note) Of which, revenue from variable hotel rents 2,932,843	(Note) Of which, revenue from variable hotel rents 3,741,186
	*2 Gain on sales of properties (Unit: JPY thousand)
	Kindai Kagaku Sha Building
	Proceeds from sales of properties 1,364,791
	Cost of sales of properties 1,197,764
	Other expenses on sales of properties 51,333
	Gain on sales of properties 115,693
	Times Kanda-Sudacho 4 <sup>th</sup>
	Proceeds from sales of properties 130,217
	Cost of sales of properties 100,818
	Other expenses on sales of properties 3,658
	Gain on sales of properties 25,740
	Shinjuku Island
	Proceeds from sales of properties 705,102
	Cost of sales of properties 701,931
	Other expenses on sales of properties 10,228
	Gain on sales of properties (7,057)
	Casa Eremitaggio

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)																																																
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Proceeds from sales of properties</td> <td style="text-align: right;">1,312,035</td> </tr> <tr> <td>Cost of sales of properties</td> <td style="text-align: right;">948,287</td> </tr> <tr> <td>Other expenses on sales of properties</td> <td style="text-align: right;">28,743</td> </tr> <tr> <td style="border-top: 1px solid black;">Gain on sales of properties</td> <td style="text-align: right; border-top: 1px solid black;">335,004</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2">Lexel Mansion Ueno Matsugaya</td> </tr> <tr> <td>Proceeds from sales of properties</td> <td style="text-align: right;">1,329,240</td> </tr> <tr> <td>Cost of sales of properties</td> <td style="text-align: right;">853,265</td> </tr> <tr> <td>Other expenses on sales of properties</td> <td style="text-align: right;">26,547</td> </tr> <tr> <td style="border-top: 1px solid black;">Gain on sales of properties</td> <td style="text-align: right; border-top: 1px solid black;">449,428</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2">Sun Terrace Minami Ikebukuro</td> </tr> <tr> <td>Proceeds from sales of properties</td> <td style="text-align: right;">934,980</td> </tr> <tr> <td>Cost of sales of properties</td> <td style="text-align: right;">591,335</td> </tr> <tr> <td>Other expenses on sales of properties</td> <td style="text-align: right;">18,419</td> </tr> <tr> <td style="border-top: 1px solid black;">Gain on sales of properties</td> <td style="text-align: right; border-top: 1px solid black;">325,224</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2">*3. Impairment loss</td> </tr> <tr> <td style="padding-left: 20px;">Name of property</td> <td style="padding-left: 20px;">: Ohki Aoba Building</td> </tr> <tr> <td style="padding-left: 20px;">Use</td> <td style="padding-left: 20px;">: Retail facility</td> </tr> <tr> <td style="padding-left: 20px;">Location</td> <td style="padding-left: 20px;">: Sendai-shi, Miyagi</td> </tr> <tr> <td style="padding-left: 20px;">Type</td> <td style="padding-left: 20px;">: Land in trust</td> </tr> <tr> <td style="padding-left: 20px;">Impairment loss</td> <td style="padding-left: 20px;">: JPY 15,677 thousand</td> </tr> <tr> <td colspan="2"> <p>Upon calculating impairment loss, book value of the asset sold was reduced to recoverable value and the amount reduced was posted in operating expenses as impairment loss for the land in trust. The net sales price which is obtained by subtracting expected sales expenses from actual selling price is deemed as recoverable value.</p> </td> </tr> </table>	Proceeds from sales of properties	1,312,035	Cost of sales of properties	948,287	Other expenses on sales of properties	28,743	Gain on sales of properties	335,004	 		Lexel Mansion Ueno Matsugaya		Proceeds from sales of properties	1,329,240	Cost of sales of properties	853,265	Other expenses on sales of properties	26,547	Gain on sales of properties	449,428	 		Sun Terrace Minami Ikebukuro		Proceeds from sales of properties	934,980	Cost of sales of properties	591,335	Other expenses on sales of properties	18,419	Gain on sales of properties	325,224	 		*3. Impairment loss		Name of property	: Ohki Aoba Building	Use	: Retail facility	Location	: Sendai-shi, Miyagi	Type	: Land in trust	Impairment loss	: JPY 15,677 thousand	<p>Upon calculating impairment loss, book value of the asset sold was reduced to recoverable value and the amount reduced was posted in operating expenses as impairment loss for the land in trust. The net sales price which is obtained by subtracting expected sales expenses from actual selling price is deemed as recoverable value.</p>	
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[Notes to Statement of Changes in Net Assets]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Number of issuable investment units and number of investment units issued and outstanding	Number of issuable investment units and number of investment units issued and outstanding
Number of investment units authorized      10,000,000 units	Number of investment units authorized      10,000,000 units
Number of investment units issued and outstanding      3,860,824 units	Number of investment units issued and outstanding      4,793,181 units

[Notes Related to Tax Accounting]

Fiscal period ended June 30, 2017 (Reference) (as of June 30, 2017)	Fiscal period ended December 31, 2017 (as of December 31, 2017)
<b>1. Significant components of deferred tax assets and liabilities</b> (Unit: JPY thousand)	<b>1. Significant components of deferred tax assets and liabilities</b> (Unit: JPY thousand)
(Deferred tax assets - current assets)	(Deferred tax assets - current assets)
Enterprise tax payable 996	Enterprise tax payable 1,331
Allowance for doubtful accounts 10	Impairment loss 2,367
Subtotal 1,006	Allowance for doubtful accounts 28
Valuation allowance 1,006	Subtotal 3,726
Total -	Valuation allowance 3,726
(Deferred tax assets - current) -	Total -
(Deferred tax assets - non-current assets)	(Deferred tax assets - current) -
Buildings and other (merger) 689,159	(Deferred tax assets - non-current assets)
Land (merger) 2,092,087	Buildings and other (merger) 730,990
Loss carried forward 7,200,289	Land (merger) 1,918,655
Asset retirement obligations 9,987	Loss carried forward 7,200,289
Amortization of leasehold right 42,149	Asset retirement obligations 10,055
Subtotal 10,033,674	Amortization of leasehold right 79,644
(Deferred tax liabilities – non-current liabilities)	Subtotal 9,939,635
Removal expenses included in asset retirement obligations 9,797	(Deferred tax liabilities – non-current liabilities)
Deferred gains or losses on hedges 29,278	Removal expenses included in asset retirement obligations 9,797
Subtotal 39,075	Deferred gains or losses on hedges 36,054
Valuation allowance 9,994,598	Subtotal 45,851
Total -	Valuation allowance 9,893,783
(Deferred tax assets - non-current) -	Total -
	(Deferred tax assets - non-current) -
<b>2. Significant difference between statutory tax rate and the effective tax rate</b>	<b>2. Significant difference between statutory tax rate and the effective tax rate</b>
Statutory tax rate 31.74%	Statutory tax rate 31.74%
Deductible cash distributions (32.06)%	Deductible cash distributions (30.49)%
Changes in valuation allowance (0.32)%	Changes in valuation allowance (1.25)%
Others 0.65%	Others 0.01%
Effective tax rate 0.01%	Effective tax rate 0.01%

[Notes Related to Financial Instruments]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)																																																																
<p>1. Status of financial instruments</p> <p>(1)Policy for financial instruments</p> <p>INV principally conducts its operations through investments in real estate and other specified assets to seek to ensure stable income in the medium to long term. The policy for raising funds is principally through issuing new investment units or borrowing loans. Derivative transactions are to be entered into for the purpose of hedging against the risk of future interest rate increases, etc. and not for speculation. Surplus funds are managed after carefully taking into account safety, liquidity, the interest rate environment and financing.</p> <p>(2)Nature and extent of risks arising from financial instruments and risk management.</p> <p>The funds raised through borrowings are mainly used to acquire real estate properties or trust beneficiary interest in real estate (including related acquisition costs) and for the refinancing of existing loan. Liquidity risks relating to loan are managed by the finance department of the Asset Manager by preparing and updating plans for funds, and monitoring the covenants set forth in loan agreements.</p> <p>(3)Supplemental information regarding market value, etc. for financial instruments.</p> <p>The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is determined through a reasonable estimate. Since certain assumptions, etc. are used in estimating the fair value, different assumptions, etc. may result in the variance of such value.</p> <p>2. Estimated fair value of financial instruments. Book value, fair value and the difference between value as of June 30, 2017 are as follows. (Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Book Value</th> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Difference</th> </tr> </thead> <tbody> <tr> <td>(1) Cash and bank deposits</td> <td style="text-align: right;">3,532,405</td> <td style="text-align: right;">3,532,405</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(2) Cash and bank deposits in trust</td> <td style="text-align: right;">6,065,755</td> <td style="text-align: right;">6,065,755</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total assets</td> <td style="text-align: right;">9,598,161</td> <td style="text-align: right;">9,598,161</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(3) Long-term loans</td> <td style="text-align: right;">(163,990,000)</td> <td style="text-align: right;">(163,990,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total liabilities</td> <td style="text-align: right;">(163,990,000)</td> <td style="text-align: right;">(163,990,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(4) Derivatives</td> <td style="text-align: right;">92,243</td> <td style="text-align: right;">92,243</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>		Book Value	Fair Value	Difference	(1) Cash and bank deposits	3,532,405	3,532,405	-	(2) Cash and bank deposits in trust	6,065,755	6,065,755	-	Total assets	9,598,161	9,598,161	-	(3) Long-term loans	(163,990,000)	(163,990,000)	-	Total liabilities	(163,990,000)	(163,990,000)	-	(4) Derivatives	92,243	92,243	-	<p>1. Status of financial instruments</p> <p>(1)Policy for financial instruments</p> <p>INV principally conducts its operations through investments in real estate and other specified assets to seek to ensure stable income in the medium to long term. The policy for raising funds is principally through issuing new investment units or borrowing loans. Derivative transactions are to be entered into for the purpose of hedging against the risk of future interest rate increases, etc. and not for speculation. Surplus funds are managed after carefully taking into account safety, liquidity, the interest rate environment and financing.</p> <p>(2)Nature and extent of risks arising from financial instruments and risk management.</p> <p>The funds raised through borrowings are mainly used to acquire real estate properties or trust beneficiary interest in real estate (including related acquisition costs) and for the refinancing of existing loan. Liquidity risks relating to loan are managed by the finance department of the Asset Manager by preparing and updating plans for funds, and monitoring the covenants set forth in loan agreements.</p> <p>(3)Supplemental information regarding market value, etc. for financial instruments.</p> <p>The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is determined through a reasonable estimate. Since certain assumptions, etc. are used in estimating the fair value, different assumptions, etc. may result in the variance of such value.</p> <p>2. Estimated fair value of financial instruments. Book value, fair value and the difference between value as of December 31, 2017 are as follows. 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Cash and bank deposits in trust	6,065,755	-	-																																																																																																																																
Total	9,598,161	-	-																																																																																																																																
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	Due within one year	Due after one to two years	Due after two to three years																																																																																																																																
Long-term loans	-	46,663,000	48,044,000																																																																																																																																
Total	-	46,663,000	48,044,000																																																																																																																																
	Due after three to four years	Due after four to five years	Due after five years																																																																																																																																
Long-term loans	55,512,000	13,771,000	-																																																																																																																																
Total	55,512,000	13,771,000	-																																																																																																																																
Investment securities	17,854,460																																																																																																																																		
<p>Tenant leasehold and security deposits and tenant leasehold and security deposits in trust have no observable market price, and it is impracticable to estimate reasonably their future cash flows because the repayment dates of those deposits and the timing of the lessee's exit from the property are not certain. Thus, their fair value is not disclosed.</p> <p>Since quoted market prices are not available for investment securities (preferred equity interest), fair value is deemed extremely difficult to value. Thus, prices are not subject to the disclosure of fair value.</p>																																																																																																																																			
<p>(Note 3) Remaining schedule of monetary claims after the closing date of the fiscal period</p> <p>As of December 31, 2017</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1"> <thead> <tr> <th></th> <th>Due within one year</th> <th>Due after one to two years</th> <th>Due after two to three years</th> </tr> </thead> <tbody> <tr> <td>Cash and bank deposits</td> <td style="text-align: right;">14,367,140</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Cash and bank deposits in trust</td> <td style="text-align: right;">6,326,653</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">20,693,794</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Due after three to four years</th> <th>Due after four to five years</th> <th>Due after five years</th> </tr> </thead> <tbody> <tr> <td>Cash and bank deposits</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Cash and bank deposits in trust</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>(Note 4) Repayment schedule of long-term loans and other interest-bearing debts after the closing date of the fiscal period</p> <p>As of December 31, 2017</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1"> <thead> <tr> <th></th> <th>Due within one year</th> <th>Due after one to two years</th> <th>Due after two to three years</th> </tr> </thead> <tbody> <tr> <td>Short-term loans</td> <td style="text-align: right;">3,068,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Current portion of long - term loans payable</td> <td style="text-align: right;">28,979,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Long-term loans</td> <td style="text-align: center;">-</td> <td style="text-align: right;">54,745,000</td> <td style="text-align: right;">50,130,000</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">32,047,000</td> <td style="text-align: right;">54,745,000</td> <td style="text-align: right;">50,130,000</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Due after three to four years</th> <th>Due after four to five years</th> <th>Due after five years</th> </tr> </thead> <tbody> <tr> <td>Short-term loans</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Current portion of long - term loans payable</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Long-term loans</td> <td style="text-align: right;">32,821,000</td> <td style="text-align: right;">10,115,000</td> <td style="text-align: right;">7,125,000</td> </tr> </tbody> </table>			Due within one year	Due after one to two years	Due after two to three years	Cash and bank deposits	14,367,140	-	-	Cash and bank deposits in trust	6,326,653	-	-	Total	20,693,794	-	-		Due after three to four years	Due after four to five years	Due after five years	Cash and bank deposits	-	-	-	Cash and bank deposits in trust	-	-	-	Total	-	-	-		Due within one year	Due after one to two years	Due after two to three years	Short-term loans	3,068,000	-	-	Current portion of long - term loans payable	28,979,000	-	-	Long-term loans	-	54,745,000	50,130,000	Total	32,047,000	54,745,000	50,130,000		Due after three to four years	Due after four to five years	Due after five years	Short-term loans	-	-	-	Current portion of long - term loans payable	-	-	-	Long-term loans	32,821,000	10,115,000	7,125,000																																																														
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Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)			
	Total	32,821,000	10,115,000	7,125,000

[Notes Related to Asset Retirement Obligations]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)																
<p>1. Summary of the asset retirement obligations for the period INV has recorded asset retirement obligations in regard to its obligation to restore the land to its original condition related to the fixed-term land lease agreement of Comfort Hotel Maebashi held by INV.</p> <p>2. Calculation method for asset retirement obligations for the period The amount of the asset retirement obligations has been calculated by fixing the estimated period of use at 43 years, based on the period until the expiration of the fixed-term land lease agreement, and by using a discount rate of 1.342%.</p> <p>3. Increase/decrease in the total amount of asset retirement obligations for the current fiscal period (Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at the beginning of the period</td> <td style="text-align: right;">31,260</td> </tr> <tr> <td>Increase due to the acquisition of properties</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Accretion expense</td> <td style="text-align: right;">208</td> </tr> <tr> <td>Balance at the end of the period</td> <td style="text-align: right;">31,468</td> </tr> </table>	Balance at the beginning of the period	31,260	Increase due to the acquisition of properties	-	Accretion expense	208	Balance at the end of the period	31,468	<p>1. Summary of the asset retirement obligations for the period INV has recorded asset retirement obligations in regard to its obligation to restore the land to its original condition related to the fixed-term land lease agreement of Comfort Hotel Maebashi held by INV.</p> <p>2. Calculation method for asset retirement obligations for the period The amount of the asset retirement obligations has been calculated by fixing the estimated period of use at 43 years, based on the period until the expiration of the fixed-term land lease agreement, and by using a discount rate of 1.342%.</p> <p>3. Increase/decrease in the total amount of asset retirement obligations for the current fiscal period (Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at the beginning of the period</td> <td style="text-align: right;">31,468</td> </tr> <tr> <td>Increase due to the acquisition of properties</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Accretion expense</td> <td style="text-align: right;">212</td> </tr> <tr> <td>Balance at the end of the period</td> <td style="text-align: right;">31,680</td> </tr> </table>	Balance at the beginning of the period	31,468	Increase due to the acquisition of properties	-	Accretion expense	212	Balance at the end of the period	31,680
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[Notes Related to Rental Properties]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)					Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)				
<p>INV owns residential properties and hotels as core assets as well as other various properties including offices and commercial facilities principally in the Tokyo area and major regional cities in order to establish a portfolio which focuses on both stability and growth potential. The book value changed during the period and balance at the end of the period are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p>					<p>INV owns residential properties and hotels as core assets as well as other various properties including offices and commercial facilities principally in the Tokyo area and major regional cities in order to establish a portfolio which focuses on both stability and growth potential. The book value changed during the period and balance at the end of the period are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p>				
Use	Book value			Fair value at the end of the period	Use	Book value			Fair value at the end of the period
	Balance at the beginning of the period	Change during the period	Balance at the end of the period			Balance at the beginning of the period	Change during the period	Balance at the end of the period	
Residences	67,835,839	25,277,356	93,113,195	104,752,000	Residences	93,113,195	(3,163,531)	89,949,664	102,353,000
Offices	8,440,981	(16,247)	8,424,734	7,636,000	Offices	8,424,734	(1,949,803)	6,474,931	6,130,000
Commercial facilities	5,049,226	(47,956)	5,001,269	5,980,000	Commercial facilities	5,001,269	(43,977)	4,957,292	6,100,000
Parking lot	100,819	(1)	100,818	113,000	Parking lot	100,818	(100,818)	-	-
Hotels	178,511,427	7,386,530	185,897,957	245,021,000	Hotels	185,897,957	40,430,059	226,328,017	285,424,000
Total	259,938,294	32,599,681	292,537,976	363,502,000	Total	292,537,976	35,171,929	327,709,905	400,007,000
<p>(Note 1) Book value is the figure calculated by subtracting amount of accumulated depreciation from acquisition price (including acquisition-related costs).</p> <p>(Note 2) The major factors for the increase for the fiscal period ended June 30, 2017 were new acquisition of residential properties and hotel, and capital expenditures related to construction work.</p> <p>(Note 3) The major factor for the decrease was depreciation.</p> <p>(Note 4) The fair value as of the end of the reporting period is determined based on the appraisal value or survey value provided by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal &amp; Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd.</p> <p>For information related to profits and losses from rental properties in the fiscal period ended June 30, 2017, please refer to “Notes to Statement of Income and Retained Earnings.”</p>					<p>(Note 1) Book value is the figure calculated by subtracting amount of accumulated depreciation from acquisition price (including acquisition-related costs).</p> <p>(Note 2) The major factors for the increase for the fiscal period ended December 31, 2017 were new acquisition of hotels and capital expenditure-related construction work.</p> <p>(Note 3) The major factors of the decrease were sale of residential properties, office properties and parking, and depreciation and impairment loss.</p> <p>(Note 4) The fair value as of the end of the reporting period is determined based on the appraisal value or survey value provided by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal &amp; Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd.</p> <p>For information related to profits and losses from rental properties in the fiscal period ended December 31, 2017, please refer to “Notes to Statement of Income and Retained Earnings.”</p>				

[Notes Related to Restriction on Asset Management]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Not applicable.	Not applicable.

[Notes Related to Transactions with Related Parties]

Fiscal period ended June 30, 2017 (from January 1, 2017 to June 30, 2017) (Reference)

## 1 Interested parties of the Asset Manager

Classification	Name	Business or occupation	Percentage of voting rights owned (%)	Type of transaction	Transaction amount (JPY thousand)	Account	Balance at the end of the period (JPY thousand)
Interested party of the Asset Manager	Sakura Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	21,879,000	-	-
	Momo Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	2,683,000	-	-
	Septentrio 2 Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	8,000,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.	Hotel business	-	Rental revenues	549,169	Accounts receivable	198,247
	MyStays Hotel Management Co., Ltd.	Hotel business	-	Rental revenues	3,852,826	Accounts receivable	1,043,190

(Note 1) Consumption taxes, etc., are not included in transaction amounts, but are included in the balance at the end of the period.

(Note 2) The terms and conditions have been determined based on the Asset Manager's internal rules and manual regarding transactions with the sponsor company.

(Note 3) Sakura Tokutei Mokuteki Kaisha, Momo Tokutei Mokuteki Kaisha, Septentrio 2 Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. The tenant and operator have received an anonymous partnership investment or investment through funds that are managed by affiliates of Fortress Investment Group LLC ("FIG"), an affiliate of Calliope. Accordingly, INV treats Sakura Tokutei Mokuteki Kaisha, Momo Tokutei Mokuteki Kaisha, Septentrio 2 Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties.

(Note 4) Calliope holds 609,942 units (holding percentage: 15.8%) of the issued investment units of INV.

(Note 5) The purchase of trust beneficiary interests pertains to the following properties. The transaction amount is the purchase price stated in the trust beneficiary purchase agreement, to which other expenses for acquisition, property taxes, city planning taxes and consumption taxes are not included.

Property number	Name of property	Counterparty	Purchase price (JPY thousand)
A105	Royal Parks Tower Minami-Senju	Sakura Tokutei Mokuteki Kaisha	21,879,000
A106	Royal Parks Seasir Minami-Senju	Momo Tokutei Mokuteki Kaisha	2,683,000
D49	Hotel MyStays Premier Hamamatsucho	Septentrio 2 Tokutei Mokuteki Kaisha	8,000,000
Total			32,562,000

## 2 Asset Custody Company

Classification	Name	Business or occupation	Percentage of voting rights owned (%)	Type of transaction	Transaction amount (JPY thousand)	Account	Balance at the end of the period (JPY thousand)
Asset Custody Company	Sumitomo Mitsui Trust Bank, Limited	Banking and trust business	-	Borrowing for long-term loan	-	Long-term loans payable	21,351,000
				Finance related fees	-	Prepaid expenses	48,328
						Long-term prepaid expenses	68,891
Interest expenses	56,424	Accrued expenses	310				

(Note 1) Consumption taxes, etc., are not included in transaction amounts, but are included in the balance at the end of the period.

(Note 2) The terms and conditions have been determined based on actual market conditions.

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

## 1 Interested parties of the Asset Manager

Classification	Name	Business or occupation	Percentage of voting rights owned (%)	Type of transaction	Transaction amount (JPY thousand)	Account	Balance at the end of the period (JPY thousand)
Interested party of the Asset Manager	HL Investments Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	13,068,000	-	-
	Septentrio3 Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	9,781,000	-	-
	Monza Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	8,870,000	-	-
	Suisei Tokutei Mokuteki Kaisha	Investment management business	-	Purchase of trust beneficiary interests in real estate	7,880,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.	Hotel business	-	Rental revenues	1,103,226	Accounts receivable	130,953
	MyStays Hotel Management Co., Ltd.	Hotel business	-	Rental revenues	4,794,080	Accounts receivable	1,551,920

(Note 1) Consumption taxes, etc., are not included in transaction amounts, but are included in the balance at the end of the period.

(Note 2) The terms and conditions have been determined based on the Asset Manager's internal rules and manual regarding transactions with the sponsor company.

(Note 3) HL Investments Tokutei Mokuteki Kaisha, Septentrio3 Tokutei Mokuteki Kaisha, Monza Tokutei Mokuteki Kaisha, Suisei Tokutei Mokuteki Kaisha and Naqua Hotel & Resorts Management Co., Ltd. and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. However, these Tokutei Mokuteki Kaisha or the tenant and operator have received an anonymous partnership investment or investment through funds that are managed by affiliates of Fortress Investment Group LLC ("FIG"), an affiliate of Calliope. Accordingly, INV treats HL Investments Tokutei Mokuteki Kaisha, Septentrio3 Tokutei Mokuteki Kaisha, Monza Tokutei Mokuteki Kaisha, Suisei Tokutei Mokuteki Kaisha and Naqua Hotel & Resorts Management Co., Ltd. and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties.

(Note 4) Calliope holds 609,942 units (holding percentage: 2.7%) of the issued investment units of INV.

(Note 5) The purchase of trust beneficiary interests pertains to the following properties. The transaction amount is the purchase price stated in the trust beneficiary purchase agreement, to which other expenses for acquisition, property taxes, city planning taxes and consumption taxes are not included.

Property number	Name of property	Counterparty	Purchase price (JPY thousand)
D50	Hotel MyStays Shin Osaka Conference Center	HL Investments Tokutei Mokuteki Kaisha	13,068,000
D51	Hotel MyStays Premier Omori	Septentrio3 Tokutei Mokuteki Kaisha	9,781,000
D52	Beppu Kamenoi Hotel	Monza Tokutei Mokuteki Kaisha	8,870,000
D53	Hotel MyStays Sapporo Station	Suisei Tokutei Mokuteki Kaisha	7,880,000
Total			39,599,000

## 2 Asset Custody Company

Classification	Name	Business or occupation	Percentage of voting rights owned (%)	Type of transaction	Transaction amount (JPY thousand)	Account	Balance at the end of the period (JPY thousand)
Asset Custody Company	Sumitomo Mitsui Trust Bank, Limited	Banking and trust business	-	Borrowing for long-term loan	3,647,000	Long-term loans payable	24,998,000
				Finance related fees	38,303	Prepaid expenses	53,375
						Long-term prepaid expenses	77,317
				Interest expenses	61,771	Accrued expenses	1,139

(Note 1) Consumption taxes, etc., are not included in transaction amounts, but are included in the balance at the end of the period.

(Note 2) The terms and conditions have been determined based on actual market conditions.

[Notes Related to Per Unit Information]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)		Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)	
Net assets per unit	JPY 36,019	Net assets per unit	JPY 37,829
Net income per unit	JPY 1,241	Net income per unit	JPY 1,712
Net income per unit is calculated by dividing net income for the period by the daily weighted average number of investment units issued and outstanding. Diluted net income per unit is not stated, as there are no diluted units.		Net income per unit is calculated by dividing net income for the period by the daily weighted average number of investment units issued and outstanding. Diluted net income per unit is not stated, as there are no diluted units.	

(Note) The basis for calculating net income per unit is as follows.

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)		Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)	
Net income for the fiscal period (JPY thousand)	4,702,073	Net income for the fiscal period (JPY thousand)	7,303,097
Amounts not attributable to common unitholders (JPY thousand)	-	Amounts not attributable to common unitholders (JPY thousand)	-
Net income attributable to common units (JPY thousand)	4,702,073	Net income attributable to common units (JPY thousand)	7,303,097
Average number of investment units during the period (units)	3,788,254	Average number of investment units during the period (units)	4,266,437

[Notes Related to Significant Subsequent Events]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)																																																																						
<p>1. Sale of Assets INV decided on July 25, 2017 to sell the following two properties and completed sale of all two properties on July 31, 2017.</p> <p>Property Number: B08 Property Name: Kindai Kagaku Sha Building</p> <table border="1"> <tr><td>Sale date</td><td>July 31, 2017</td></tr> <tr><td>Location</td><td>Shinjuku-ku, Tokyo</td></tr> <tr><td>Book value (Note 1)</td><td>JPY 1,201 million</td></tr> <tr><td>Sales price (Note 2)</td><td>JPY 1,361 million</td></tr> <tr><td>Expected gain on sales (Note 3)</td><td>JPY 96 million</td></tr> <tr><td>Transferee</td><td>Not disclosed (Note 4)</td></tr> <tr><td>Legal form of asset</td><td>Trust beneficiary interest</td></tr> </table> <p>Property Number: C01 Property Name: Times Kanda-Sudacho 4th</p> <table border="1"> <tr><td>Sale date</td><td>July 31, 2017</td></tr> <tr><td>Location</td><td>Chiyoda-ku, Tokyo</td></tr> <tr><td>Book value (Note 1)</td><td>JPY 100 million</td></tr> <tr><td>Sales price (Note 2)</td><td>JPY 130 million</td></tr> <tr><td>Expected gain on sales (Note 3)</td><td>JPY 23 million</td></tr> <tr><td>Transferee</td><td>Wastec HOLDINGS Co., Ltd.</td></tr> <tr><td>Legal form of asset</td><td>Real estate</td></tr> </table> <p>(Note 1) Book value is the book value as of the sale date July 31, 2017. (Note 2) Sales price does not include sales-related expenses, adjustments for property taxes or city planning taxes, or national or local consumption taxes. (Note 3) The amount of difference between sales price and book value, and after deducting expected sales-related expenses. (Note 4) The name of the transferee is not disclosed, as the transferee's consent has not been obtained for disclosure. (Note 5) For details of the sales assets, please refer to "I. Asset Management Report; Status of Investment Corporations' Assets under Management; 3 Asset Portfolio of Real Estate, etc." earlier in this document.</p>	Sale date	July 31, 2017	Location	Shinjuku-ku, Tokyo	Book value (Note 1)	JPY 1,201 million	Sales price (Note 2)	JPY 1,361 million	Expected gain on sales (Note 3)	JPY 96 million	Transferee	Not disclosed (Note 4)	Legal form of asset	Trust beneficiary interest	Sale date	July 31, 2017	Location	Chiyoda-ku, Tokyo	Book value (Note 1)	JPY 100 million	Sales price (Note 2)	JPY 130 million	Expected gain on sales (Note 3)	JPY 23 million	Transferee	Wastec HOLDINGS Co., Ltd.	Legal form of asset	Real estate	<p>1. Sale of Assets INV completed sale of the following five properties on January 31, 2018.</p> <p>Property Number: A31 Property Name: Harmonie Ochanomizu</p> <table border="1"> <tr><td>Sale date</td><td>July 31, 2018</td></tr> <tr><td>Location</td><td>Bunkyo-ku, Tokyo</td></tr> <tr><td>Book value (Note 1)</td><td>JPY 1,346 million</td></tr> <tr><td>Sales price (Note 2)</td><td>JPY 1,603 million</td></tr> <tr><td>Expected gain on sales (Note 3)</td><td>JPY 220 million</td></tr> <tr><td>Transferee</td><td>Not disclosed (Note 4)</td></tr> <tr><td>Legal form of asset</td><td>Trust beneficiary interest</td></tr> </table> <p>Property Number: A36 Property Name: Growth Maison Ikebukuro</p> <table border="1"> <tr><td>Sale date</td><td>July 31, 2018</td></tr> <tr><td>Location</td><td>Toshima-ku, Tokyo</td></tr> <tr><td>Book value (Note 1)</td><td>JPY 743 million</td></tr> <tr><td>Sales price (Note 2)</td><td>JPY 1,057 million</td></tr> <tr><td>Expected gain on sales (Note 3)</td><td>JPY 288 million</td></tr> <tr><td>Transferee</td><td>Not disclosed (Note 4)</td></tr> <tr><td>Legal form of asset</td><td>Trust beneficiary interest</td></tr> </table> <p>Property Number: A42 Property Name: Capital Heights Kagurazaka</p> <table border="1"> <tr><td>Sale date</td><td>July 31, 2018</td></tr> <tr><td>Location</td><td>Shinjuku-ku, Tokyo</td></tr> <tr><td>Book value (Note 1)</td><td>JPY 623 million</td></tr> <tr><td>Sales price (Note 2)</td><td>JPY 732 million</td></tr> <tr><td>Expected gain on sales (Note 3)</td><td>JPY 87 million</td></tr> <tr><td>Transferee</td><td>Not disclosed (Note 4)</td></tr> <tr><td>Legal form of asset</td><td>Trust beneficiary interest</td></tr> </table>	Sale date	July 31, 2018	Location	Bunkyo-ku, Tokyo	Book value (Note 1)	JPY 1,346 million	Sales price (Note 2)	JPY 1,603 million	Expected gain on sales (Note 3)	JPY 220 million	Transferee	Not disclosed (Note 4)	Legal form of asset	Trust beneficiary interest	Sale date	July 31, 2018	Location	Toshima-ku, Tokyo	Book value (Note 1)	JPY 743 million	Sales price (Note 2)	JPY 1,057 million	Expected gain on sales (Note 3)	JPY 288 million	Transferee	Not disclosed (Note 4)	Legal form of asset	Trust beneficiary interest	Sale date	July 31, 2018	Location	Shinjuku-ku, Tokyo	Book value (Note 1)	JPY 623 million	Sales price (Note 2)	JPY 732 million	Expected gain on sales (Note 3)	JPY 87 million	Transferee	Not disclosed (Note 4)	Legal form of asset	Trust beneficiary interest
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<p>2. Acquisition of Assets</p> <p>On July 25, 2017, INV resolved on additional acquisition of the exclusive elements it has yet to acquire of one hotel property that is already in its portfolio, using the proceeds from the sales outlined in “1. Sale of Assets” to fund part of the acquisition.</p> <p>Property Number: D43 Property Name: Hotel MyStays Gotanda Station</p> <table border="1" data-bbox="240 645 841 1021"> <tr> <td>Anticipated acquisition date</td> <td>October 31, 2017</td> </tr> <tr> <td>Anticipated acquisition price (Note 1)</td> <td>JPY 1,880 million</td> </tr> <tr> <td>Location</td> <td>Shinagawa-ku, Tokyo</td> </tr> <tr> <td>Completion date</td> <td>August 29, 1984 (Note 2)</td> </tr> <tr> <td>Legal form of asset</td> <td>Trust beneficiary interest</td> </tr> <tr> <td>Seller</td> <td>Not disclosed (Note 3)</td> </tr> <tr> <td>Area of additional acquisition portion</td> <td>1,385.46m<sup>2</sup></td> </tr> </table> <p>(Note 1) Anticipated acquisition price is the total of (i) purchase price set forth in the purchase and sale agreement, (ii) expenses with regard to the conversion work to convert to hotel rooms, (iii) transfer price of the furniture, fixture and equipment (FF&amp;E), and other expenses. Anticipated acquisition price does not include adjustments for property taxes or city planning taxes, or national or local consumption taxes.</p> <p>(Note 2) The completion date of the building of the additional acquisition portion.</p> <p>(Note 3) The name of the seller is not disclosed, as the seller’s consent has not been obtained for disclosure.</p>	Anticipated acquisition date	October 31, 2017	Anticipated acquisition price (Note 1)	JPY 1,880 million	Location	Shinagawa-ku, Tokyo	Completion date	August 29, 1984 (Note 2)	Legal form of asset	Trust beneficiary interest	Seller	Not disclosed (Note 3)	Area of additional acquisition portion	1,385.46m <sup>2</sup>	<p>Property Number: B15 Property Name: Cross Square NAKANO</p> <table border="1" data-bbox="863 398 1468 775"> <tr> <td>Sale date</td> <td>January 31, 2018</td> </tr> <tr> <td>Location</td> <td>Nakano-ku, Tokyo</td> </tr> <tr> <td>Book value (Note 1)</td> <td>JPY 1,125 million</td> </tr> <tr> <td>Sales price (Note 2)</td> <td>JPY 1,350 million</td> </tr> <tr> <td>Expected gain on sales (Note 3)</td> <td>JPY 199 million</td> </tr> <tr> <td>Transferee</td> <td>Taisei-Yuraku Real Estate Co., Ltd.</td> </tr> <tr> <td>Legal form of asset</td> <td>Trust beneficiary interest</td> </tr> </table> <p>Property Number: B16 Property Name: Ohki Aoba Building</p> <table border="1" data-bbox="863 869 1468 1232"> <tr> <td>Sale date</td> <td>January 31, 2018</td> </tr> <tr> <td>Location</td> <td>Sendai-shi, Miyagi</td> </tr> <tr> <td>Book value (Note 1)</td> <td>JPY 709 million</td> </tr> <tr> <td>Sales price (Note 2)</td> <td>JPY 721 million</td> </tr> <tr> <td>Expected gain on sales (Note 3)</td> <td>-</td> </tr> <tr> <td>Transferee</td> <td>Kubota Honten</td> </tr> <tr> <td>Legal form of asset</td> <td>Trust beneficiary interest</td> </tr> </table> <p>In addition, INV decided on February 13, 2018 to sell the following one property and completed its sale on March 9, 2018.</p> <p>Property Number: B14 Property Name: Lexington Plaza Nishigotanda</p> <table border="1" data-bbox="863 1451 1468 1814"> <tr> <td>Sale date</td> <td>March 9, 2018</td> </tr> <tr> <td>Location</td> <td>Shinagawa-ku, Tokyo</td> </tr> <tr> <td>Book value (Note 1)</td> <td>JPY 4,639 million</td> </tr> <tr> <td>Sales price (Note 2)</td> <td>JPY 5,160 million</td> </tr> <tr> <td>Expected gain on sales (Note 3)</td> <td>JPY 431 million</td> </tr> <tr> <td>Transferee</td> <td>Not disclosed (Note 4)</td> </tr> <tr> <td>Legal form of asset</td> <td>Trust beneficiary interest</td> </tr> </table> <p>(Note 1) The book value is as of December 31, 2017. (Note 2) Sales price does not include sales-related expenses, adjustments for property taxes or city planning taxes, or national or local consumption taxes.</p>	Sale date	January 31, 2018	Location	Nakano-ku, Tokyo	Book value (Note 1)	JPY 1,125 million	Sales price (Note 2)	JPY 1,350 million	Expected gain on sales (Note 3)	JPY 199 million	Transferee	Taisei-Yuraku Real Estate Co., Ltd.	Legal form of asset	Trust beneficiary interest	Sale date	January 31, 2018	Location	Sendai-shi, Miyagi	Book value (Note 1)	JPY 709 million	Sales price (Note 2)	JPY 721 million	Expected gain on sales (Note 3)	-	Transferee	Kubota Honten	Legal form of asset	Trust beneficiary interest	Sale date	March 9, 2018	Location	Shinagawa-ku, Tokyo	Book value (Note 1)	JPY 4,639 million	Sales price (Note 2)	JPY 5,160 million	Expected gain on sales (Note 3)	JPY 431 million	Transferee	Not disclosed (Note 4)	Legal form of asset	Trust beneficiary interest
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	<p data-bbox="863 387 1102 416">Property Number: D56</p> <p data-bbox="863 418 1278 448">Property Name: Art Hotel Hirosaki City</p> <table border="1" data-bbox="863 450 1473 857"> <tr> <td data-bbox="863 450 1177 495">Acquisition date</td> <td data-bbox="1177 450 1473 495">February 7, 2018</td> </tr> <tr> <td data-bbox="863 495 1177 539">Acquisition price (Note)</td> <td data-bbox="1177 495 1473 539">JPY 2,723 million</td> </tr> <tr> <td data-bbox="863 539 1177 584">Location</td> <td data-bbox="1177 539 1473 584">Hirosaki-shi, Aomori</td> </tr> <tr> <td data-bbox="863 584 1177 629">Completion date</td> <td data-bbox="1177 584 1473 629">August 1989</td> </tr> <tr> <td data-bbox="863 629 1177 674">Legal form of asset</td> <td data-bbox="1177 629 1473 674">Trust beneficiary interest</td> </tr> <tr> <td data-bbox="863 674 1177 741">Seller</td> <td data-bbox="1177 674 1473 741">Monza Tokutei Mokuteki Kaisha</td> </tr> <tr> <td data-bbox="863 741 1177 786">Total floor area</td> <td data-bbox="1177 741 1473 786">18,889.26m<sup>2</sup></td> </tr> <tr> <td data-bbox="863 786 1177 857">Total leasable area</td> <td data-bbox="1177 786 1473 857">18,889.26m<sup>2</sup></td> </tr> </table> <p data-bbox="863 907 1102 936">Property Number: D57</p> <p data-bbox="863 938 1241 967">Property Name: Hotel MyStays Oita</p> <table border="1" data-bbox="863 969 1473 1364"> <tr> <td data-bbox="863 969 1177 1014">Acquisition date</td> <td data-bbox="1177 969 1473 1014">February 7, 2018</td> </tr> <tr> <td data-bbox="863 1014 1177 1059">Acquisition price (Note)</td> <td data-bbox="1177 1014 1473 1059">JPY 1,604 million</td> </tr> <tr> <td data-bbox="863 1059 1177 1104">Location</td> <td data-bbox="1177 1059 1473 1104">Oita-shi, Oita</td> </tr> <tr> <td data-bbox="863 1104 1177 1149">Completion date</td> <td data-bbox="1177 1104 1473 1149">July 2007</td> </tr> <tr> <td data-bbox="863 1149 1177 1193">Legal form of asset</td> <td data-bbox="1177 1149 1473 1193">Trust beneficiary interest</td> </tr> <tr> <td data-bbox="863 1193 1177 1261">Seller</td> <td data-bbox="1177 1193 1473 1261">Susei Tokutei Mokuteki Kaisha</td> </tr> <tr> <td data-bbox="863 1261 1177 1305">Total floor area</td> <td data-bbox="1177 1261 1473 1305">3,766.72m<sup>2</sup></td> </tr> <tr> <td data-bbox="863 1305 1177 1364">Total leasable area</td> <td data-bbox="1177 1305 1473 1364">3,766.72m<sup>2</sup></td> </tr> </table> <p data-bbox="863 1384 1473 1525">(Note) Acquisition price is based on the purchase price indicated in the relevant purchase agreement and does not include acquisition costs, property taxes, city planning taxes and consumption taxes.</p>	Acquisition date	February 7, 2018	Acquisition price (Note)	JPY 2,723 million	Location	Hirosaki-shi, Aomori	Completion date	August 1989	Legal form of asset	Trust beneficiary interest	Seller	Monza Tokutei Mokuteki Kaisha	Total floor area	18,889.26m <sup>2</sup>	Total leasable area	18,889.26m <sup>2</sup>	Acquisition date	February 7, 2018	Acquisition price (Note)	JPY 1,604 million	Location	Oita-shi, Oita	Completion date	July 2007	Legal form of asset	Trust beneficiary interest	Seller	Susei Tokutei Mokuteki Kaisha	Total floor area	3,766.72m <sup>2</sup>	Total leasable area	3,766.72m <sup>2</sup>
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[Notes Related to Provision and Reversal of Allowance for Temporary Differences Adjustment]

Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)			Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)	
The following provision was made in the Statement of Cash Distribution:			Not applicable	
1. Reasons, related assets and amounts (Unit: JPY thousand)				
Related assets, etc.	Reason	Allowance for temporary differences adjustment		
Leasehold rights in trust	Amortization of leasehold rights	46,329		
2. Method of reversal				
Related assets, etc.	Method of reversal			
Leasehold rights in trust	The corresponding amount is scheduled to be reversed upon sale, etc.			

## VI. Statement of Cash Distribution

	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
I. Unappropriated retained earnings	JPY 4,708,487,837	JPY 7,212,580,928
II. Incorporation into unitholders' capital		
Of which, reversal of allowance for temporary differences adjustment	-	-
III. Distribution in excess of retained earnings		
Allowance for temporary differences adjustment	JPY 46,329,888	-
Other deduction of capital surplus	JPY 34,747,416	JPY 172,554,516
IV. Distributions	JPY 4,880,081,536	JPY 7,496,535,084
(Distribution per unit)	(JPY 1,264)	(JPY 1,564)
Of which, distribution of earnings	JPY 4,799,004,232	JPY 7,323,980,568
(Distribution of earnings per unit)	(JPY 1,243)	(JPY 1,528)
Of which, allowance for temporary differences adjustment	JPY 46,329,888	-
(Distribution in excess of retained earnings per unit (Allowance for temporary differences adjustment))	(JPY 12)	(-)
Of which, other distribution in excess of retained earnings	JPY 34,747,416	JPY 172,554,516
(Distribution in excess of retained earnings per unit (Other distribution in excess of retained earnings))	(JPY 9)	(JPY 36)
V. Retained earnings (deficit) carried forward	(JPY 90,516,395)	(JPY 111,399,640)

<p>Calculation method of distribution amount</p>	<p>As shown above, the distribution per unit for the Reporting Period is JPY 1,264.</p> <p>With respect to profit distributions (not including Excess Profit Distribution), INV decided to distribute almost all of its profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including Excess Profit Distribution per unit) is JPY 1,243.</p> <p>In addition, in accordance with the distribution policy as set forth in the Articles of Incorporation, INV makes distributions in excess of earnings of the amount that it determines (the “Excess Profit Distribution”). For the Reporting Period, INV decided to make Excess Profit Distribution of JPY 46 million in order to cope with the discrepancy between tax and accounting treatment, making Excess Profit Distribution from the allowance for temporary differences adjustment of JPY 12 per unit. INV decided to also make Excess Profit Distribution of JPY 34 million as refund of investment in order to level distributions, making other Excess Profit Distribution of JPY 9 per unit.</p> <p>For the Reporting Period, there arose deferred gain on hedges of JPY 92 million, which is regarded as profit as stipulated in Article 136, Paragraph 1 of the Investment Trust Act, and INV decided to distribute almost the entire amount of profit stipulated in Article 136, Paragraph 1 of the Investment Trust Act. As a result, INV recorded deferred loss on hedges of JPY 90 million for the next fiscal period.</p>	<p>As shown above, the distribution per unit for the Reporting Period is JPY 1,564.</p> <p>With respect to profit distributions (not including Excess Profit Distribution), INV decided to distribute almost all of its profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including Excess Profit Distribution per unit) is JPY 1,528.</p> <p>In addition, in accordance with the distribution policy as set forth in the Articles of Incorporation, INV makes distributions in excess of earnings of the amount that it determines (the “Excess Profit Distribution”). For the Reporting Period, INV decided also to make Excess Profit Distribution of JPY 172 million as refund of investment in order to level distributions, making other Excess Profit Distribution of JPY 36 per unit.</p> <p>For the Reporting Period, there arose deferred gain on hedges of JPY 113 million, which is regarded as profit as stipulated in Article 136, Paragraph 1 of the Investment Trust Act, and INV decided to distribute almost the entire amount of profit stipulated in Article 136, Paragraph 1 of the Investment Trust Act. As a result, INV recorded retained deficit carried forward) of JPY 111 million for the next fiscal period.</p>
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## Note

Accompanying English financial information, comprising Balance Sheet, Statement of Income and Retained Earnings, Statement of Changes in Net Assets, Notes to financial statements and Statement of Cash Distribution, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 2017 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. However, English translation of the Japanese language report of independent auditors is not attached herein since the accompanying English translation of Balance Sheet, Statement of Income and Retained Earnings, Statements of Changes in Net Assets, Notes to financial statements and Statement of Cash Distribution is unaudited.

Regarding the English audited financial statements, please refer to the “Audited Financial Statements” on the website of Invincible Investment Corporation: <http://www.invincible-inv.co.jp/eng/cms/doc.html>

## VII. Statement of Cash Flows (Reference Information)

	(Unit: JPY thousand)	
	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Net income before taxes	4,702,678	7,303,702
Depreciation and amortization	2,281,374	2,567,215
Impairment loss	-	15,677
Investment unit issuance costs	42,401	170,817
Loan-related costs	223,228	304,073
Interest income	(70)	(54)
Interest expenses	377,451	445,855
Increase (decrease) in allowance for doubtful accounts	(1,301)	55
Decrease (increase) in rental receivable	(21,759)	(564,535)
Decrease (increase) in consumption taxes receivable	(20,823)	(640,464)
Increase (decrease) in accounts payable	81,748	(7,867)
Increase (decrease) in consumption taxes payable	(460,521)	47,721
Increase (decrease) in accounts payable-other	25,473	(67,922)
Increase (decrease) in accrued expenses	444	98,065
Increase (decrease) in advances received	18,602	60,077
Increase (decrease) in deposits received	(21,461)	(7,567)
Decrease from sales of property, plant and equipment	-	802,750
Decrease from sales of property, plant and equipment in trust	-	3,590,653
Others, net	(17,577)	(1,274)
Subtotal	7,209,888	14,116,980
Interest income received	70	54
Interest expenses paid	(379,198)	(439,861)
Income taxes paid	(605)	(605)
Net cash provided by operating activities	6,830,155	13,676,568
Cash flows from investing activities		
Purchases of property and equipment	(2,395)	(797)
Purchases of property and equipment in trust	(26,684,589)	(42,111,738)
Purchases of leasehold rights in trust	(8,187,950)	-
Purchase of investment securities	-	(17,854,460)
Repayments of tenant leasehold and security deposits	-	(28,663)
Repayments of tenant leasehold and security deposits in trust	(79,334)	(139,629)
Proceeds from tenant leasehold and security deposits in trust	290,004	115,173
Payments of tenant leasehold and security deposits	(1,037,651)	-
Other, net	(2,211)	(14,807)
Net cash used in investing activities	(35,704,126)	(60,034,922)
Cash flows from financing activities		
Proceeds from short-term loans payable	-	3,068,000
Proceeds from long-term loans payable	21,571,000	19,925,000
Payment for loan-related expenses	(257,922)	(325,727)
Payment of distributions of earnings	(5,406,728)	(4,776,561)
Payment of distributions in excess of earnings from allowance for temporary differences adjustment	-	(46,329)
Payment of other distributions in excess of earnings	-	(34,747)
Proceeds from issuance of investment units	8,351,048	39,644,352
Net cash provided by (used in) financing activities	24,257,397	57,453,986
Net increase (decrease) in cash and cash equivalents	(4,616,573)	11,095,633



(Unit: JPY thousand)

	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Cash and cash equivalents at beginning of period	14,214,734	9,598,161
Cash and cash equivalents at end of period *1	9,598,161	20,693,794

[Notes Concerning Significant Accounting Policies (Reference Information)]

Item	By Period	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
Cash and cash equivalents as stated in Statement of Cash Flows		Cash and cash equivalents as stated in the Statement of Cash Flows consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value.	Cash and cash equivalents as stated in the Statement of Cash Flows consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value.

[Notes to Statement of Cash Flows (Reference Information)]

Item	By Period	Fiscal period ended June 30, 2017 (Reference) (from January 1, 2017 to June 30, 2017)	Fiscal period ended December 31, 2017 (from July 1, 2017 to December 31, 2017)
*1. Relationship between cash and cash equivalents in Statement of Cash Flows and amounts in accompanying balance sheet		(As of June 30, 2017) (Unit: JPY thousand)	(As of December 31, 2017) (Unit: JPY thousand)
		Cash and bank deposits 3,532,405	Cash and bank deposits 14,367,140
		Cash and bank deposits in trust 6,065,755	Cash and bank deposits in trust 6,326,653
		Cash and cash equivalents 9,598,161	Cash and cash equivalents 20,693,794

“My Number” informed by municipalities is necessary for taxation procedure on investment units. Thus, it is necessary for unitholders to notify your “My Number” to your brokerage, etc.

#### Usage of “My Number” in investment units related affairs

“My Number” is recorded on the payment record and the payment record is filed with the relevant tax authority pursuant to laws and regulations.

Major payment record	*Payment record regarding cash distribution
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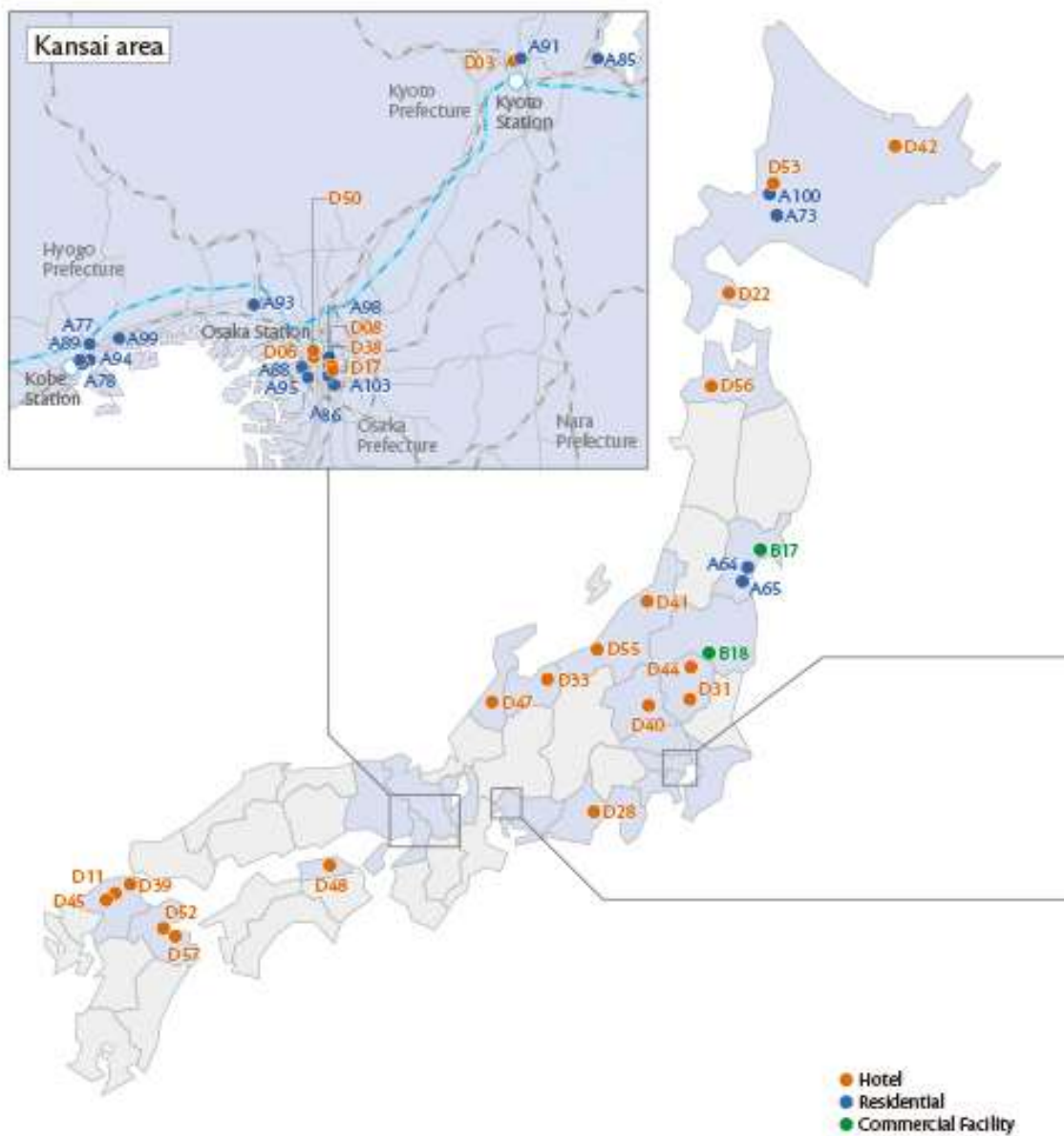
Usage of “My Number” includes taxation related procedures on investment units. It is necessary for unitholders to notify your “My Number” to your brokerage, etc.

#### Inquiries regarding notifying “My Number”

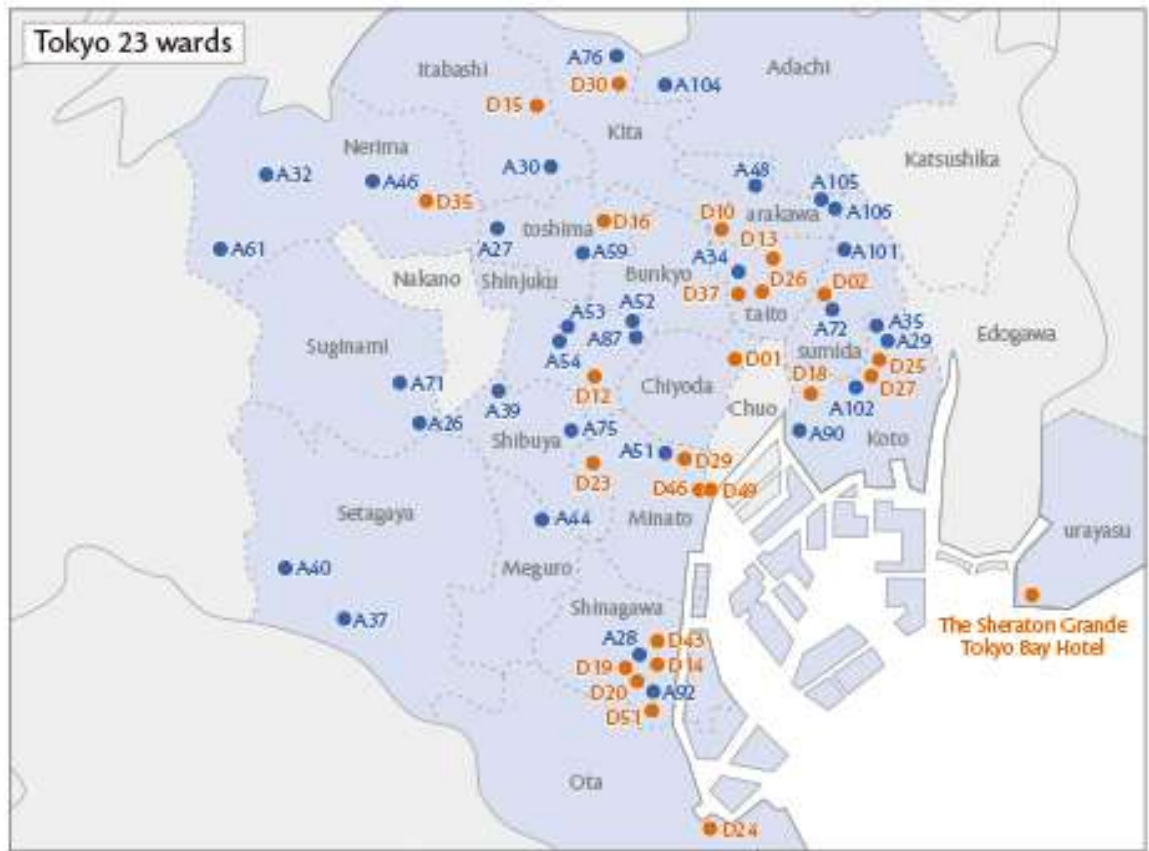
- Unitholders whose investment units are managed in brokerage accounts  
Each brokerage
- Unitholders who have no brokerage account  
Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited  
Toll-free Telephone Number 0120-782-031

**Portfolio Map (As of March 9, 2018)**

No. of Properties	No. of Hotels	No. of Residential Properties	Others
<b>124</b>	<b>58</b>	<b>64</b>	<b>2</b>



(Note) For properties corresponding to the number and overview, please refer to pages 113-116.



## Portfolio Overview

(as of March 9, 2018)

Use	Property Number (Note 1)	Name of Property	Location	Leasable Area (m <sup>2</sup> ) (Note 5)	Rentable Units (Note 4) (Note 5)	Acquisition Price (JPY mm) (Note 2)	Investment Ratio (%) (Note 3)	Occupancy Rate (%) (Note 5)
Residential	A26	Nisshin Palacestage Daitabashi	Suginami-ku, Tokyo	1,771.13	98	1,251	0.4	92.9
	A27	Nisshin Palacestage Higashi- Nagasaki	Toshima-ku, Tokyo	2,681.94	60	1,229	0.3	97.2
	A28	Growth Maison Gotanda	Shinagawa-ku, Tokyo	1,051.50	48	888	0.2	100.0
	A29	Growth Maison Kameido	Koto-ku, Tokyo	1,367.96	66	1,070	0.3	94.0
	A30	Emerald House	Itabashi-ku, Tokyo	2,152.31	96	1,505	0.4	96.8
	A32	Suncrest Shakujii-Koen	Nerima-ku, Tokyo	3,029.16	29	1,088	0.3	100.0
	A33	Growth Maison Shin- Yokohama	Yokohama-shi, Kanagawa	1,858.44	68	1,059	0.3	95.5
	A34	Belle Face Ueno- Okachimachi	Taito-ku, Tokyo	1,351.11	64	1,023	0.3	87.5
	A35	Grand Rire Kameido	Koto-ku, Tokyo	1,562.26	72	906	0.3	100.0
	A37	Growth Maison Yoga	Setagaya-ku, Tokyo	1,015.34	39	795	0.2	97.4
	A38	Route Tachikawa	Tachikawa-shi, Tokyo	1,368.57	24	676	0.2	100.0
	A39	Shibuya-Honmachi Mansion	Shibuya-ku, Tokyo	1,167.50	25	651	0.2	91.3
	A40	City Heights Kinuta	Setagaya-ku, Tokyo	1,235.93	19	646	0.2	94.6
	A41	Acseeds Tower Kawaguchi- Namiki	Kawaguchi-shi, Saitama	1,210.74	57	620	0.2	96.5
	A43	College Square Machida	Machida-shi, Tokyo	1,047.75	62	589	0.2	100.0
	A44	Belair Meguro	Meguro-ku, Tokyo	557.05	25	589	0.2	92.1
	A45	Wacore Tsunashima I	Yokohama-shi, Kanagawa	907.46	50	572	0.2	94.1
	A46	Foros Nakamurabashi	Nerima-ku, Tokyo	815.77	37	566	0.2	97.5
	A47	Growth Maison Kaijin	Funabashi-shi, Chiba	2,040.27	34	557	0.2	96.7
	A48	College Square Machiya	Arakawa-ku, Tokyo	871.35	43	510	0.1	100.0
	A51	City House Tokyo Shinbashi	Minato-ku, Tokyo	3,364.00	86	2,520	0.7	96.5
	A52	Winbell Kagurazaka	Shinjuku-ku, Tokyo	4,032.70	118	3,260	0.9	97.9
	A53	Nishiwaseda Crescent Mansion	Shinjuku-ku, Tokyo	4,310.77	69	1,880	0.5	98.8
	A54	Lexington Square Akebonobashi	Shinjuku-ku, Tokyo	1,987.88	88	1,450	0.4	96.5
	A59	Towa City Coop Shinotsuka II	Toshima-ku, Tokyo	1,627.13	58	866	0.2	98.8
	A61	Bichsel Musashiseki	Nerima-ku, Tokyo	1,220.24	70	577	0.2	94.4
	A63	Towa City Coop Sengencho	Yokohama-shi, Kanagawa	3,426.36	154	1,110	0.3	84.2
	A64	Royal Park Omachi	Sendai-shi, Miyagi	1,929.59	51	415	0.1	94.5
	A65	Lexington Square Haginomachi	Sendai-shi, Miyagi	1,528.58	39	330	0.1	94.8
	A66	Visconti Kakuozan	Nagoya-shi, Aichi	705.75	8	255	0.1	83.8
	A71	Lexington Square Daitabashi	Suginami-ku, Tokyo	1,430.64	43	977	0.3	100.0
	A72	Lexington Square Honjo Azumabashi	Sumida-ku, Tokyo	784.74	33	511	0.1	97.0
	A73	AMS TOWER Minami 6-Jo	Sapporo-shi, Hokkaido	4,460.56	120	1,180	0.3	81.2
	A75	Spacia Ebisu	Shibuya-ku, Tokyo	7,794.91	109	7,010	2.0	91.2
	A76	Neo Prominence	Kita-ku, Tokyo	3,574.70	52	1,660	0.5	100.0
	A77	Invoice Shin-Kobe Residence	Kobe-shi, Hyogo	2,773.71	81	1,260	0.4	100.0
	A78	Cosmo Court Motomachi	Kobe-shi, Hyogo	2,310.49	82	973	0.3	98.7
	A79	Revest Honjin	Nagoya-shi, Aichi	1,933.80	80	674	0.2	91.2
	A80	Revest Matsubara	Nagoya-shi, Aichi	1,955.40	70	657	0.2	94.4
	A82	Alba Noritake Shinmachi	Nagoya-shi, Aichi	1,731.68	64	608	0.2	93.7
A83	Revest Meieki Minami	Nagoya-shi, Aichi	1,634.60	61	597	0.2	90.9	
A84	Revest Heian	Nagoya-shi, Aichi	1,554.03	40	595	0.2	95.2	

Purpose	Property Number (Note 1)	Name of Property	Location	Leasable Area (m <sup>2</sup> ) (Note 5)	Rentable Units (Note 4) (Note 5)	Acquisition Price (JPY mn) (Note 2)	Investment Ratio (%) (Note 3)	Occupancy Rate (%) (Note 5)
Residential	A85	Vendir Hamaotsu Ekimae	Otsu-shi, Shiga	2,670.66	81	581	0.2	97.7
	A86	Salvo Sala	Osaka-shi, Osaka	1,428.12	54	544	0.2	100.0
	A87	Excellente Kagurazaka	Shinjuku-ku, Tokyo	701.92	33	543	0.2	94.1
	A88	Luna Court Edobori	Osaka-shi, Osaka	1,185.50	50	525	0.1	94.0
	A89	Winntage Kobe Motomachi	Kobe-shi, Hyogo	1,433.35	57	512	0.1	94.8
	A90	Queen's Court Fukuzumi	Koto-ku, Tokyo	765.18	25	456	0.1	89.7
	A91	Corp Higashinotoin	Kyoto-shi, Kyoto	1,029.05	42	446	0.1	97.7
	A92	Belair Oimachi	Shinagawa-ku, Tokyo	530.60	26	412	0.1	92.9
	A93	Siete Minami-Tsukaguchi	Amagasaki-shi, Hyogo	1,020.86	40	374	0.1	90.1
	A94	Prime Life Sannomiya Isogami Koen	Kobe-shi, Hyogo	789.12	32	373	0.1	100.0
	A95	HERMITAGE NANBA WEST	Osaka-shi, Osaka	992.76	21	355	0.1	100.0
	A96	Century Park Shinkawa 1-bankan	Nagoya-shi, Aichi	1,477.62	44	335	0.1	95.4
	A97	West Avenue	Kunitachi-shi, Tokyo	794.80	40	331	0.1	87.5
	A98	Little River Honmachibashi	Osaka-shi, Osaka	974.81	31	310	0.1	90.7
	A99	Prime Life Mikage	Kobe-shi, Hyogo	761.18	28	297	0.1	96.7
	A100	City Court Kitaichijo	Sapporo-shi, Hokkaido	5,230.18	127	1,782	0.5	96.1
	A101	Lieto Court Mukojima	Sumida-ku, Tokyo	2,940.20	82	1,683	0.5	99.0
	A102	Lieto Court Nishi-Ojima	Koto-ku, Tokyo	2,048.28	91	1,634	0.5	99.0
	A103	Royal Parks Momozaka	Osaka-shi, Osaka	8,776.26	147	2,910	0.8	93.6
	A104	Royal Parks Shinden	Adachi-ku, Tokyo	15,797.29	248	5,024	1.4	100.0
A105	Royal Park Tower Minami-Senju	Arakawa-ku, Tokyo	39,113.46	557	21,879	6.1	94.1	
A106	Royal Parks Seasir Minami-Senju	Arakawa-ku, Tokyo	6,496.86	113	2,683	0.8	95.7	
	Subtotal			182,093.86	4,561	90,154	25.3	95.3
Commercial Facilities	B17	Lexington Plaza Hachiman	Sendai-shi, Miyagi	8,419.15	18	3,280	0.9	100.0
	B18	AEON TOWN Sukagawa	Sukagawa-shi, Fukushima	18,440.58	1	2,320	0.7	100.0
	Subtotal			26,859.73	19	5,600	1.6	99.1
Hotels	D01	Hotel MyStays Kanda	Chiyoda-ku, Tokyo	2,585.72	126	2,851	0.8	100.0
	D02	Hotel MyStays Asakusa	Sumida-ku, Tokyo	3,327.38	161	2,584	0.7	100.0
	D03	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	7,241.51	225	6,024	1.7	100.0
	D04	MyStays Shin-Urayasu Conference Center	Urayasu-shi, Chiba	6,232.30	175	4,930	1.4	100.0
	D05	Hotel MyStays Maihama	Urayasu-shi, Chiba	2,456.36	90	4,870	1.4	100.0
	D06	Hotel Vista Premio Dojima (Note 6)	Osaka-shi, Osaka	9,445.32	153	3,845	1.1	100.0
	D07	Hotel MyStays Nagoya-Sakae	Nagoya-shi, Aichi	9,064.71	279	2,958	0.8	100.0
	D08	Hotel MyStays Sakaisuji-Honmachi	Osaka-shi, Osaka	4,188.83	191	2,514	0.7	100.0
	D09	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	7,379.43	190	2,119	0.6	100.0
	D10	Hotel MyStays Nippori	Arakawa-ku, Tokyo	1,719.29	93	1,898	0.5	100.0
	D11	Hotel MyStays Fukuoka-Tenjin-Minami	Fukuoka-shi, Fukuoka	3,412.71	177	1,570	0.4	100.0
	D12	Flexstay Inn Idabashi	Shinjuku-ku, Tokyo	2,953.38	62	1,381	0.4	100.0
	D13	Hotel MyStays Ueno Inaricho	Taito-ku, Tokyo	1,150.76	72	1,331	0.4	100.0
	D14	Flexstay Inn Shinagawa	Shinagawa-ku, Tokyo	1,134.52	55	1,242	0.3	100.0
	D15	Flexstay Inn Tokiwadai	Itabashi-ku, Tokyo	2,539.75	130	1,242	0.3	100.0
	D16	Flexstay Inn Sugamo	Toshima-ku, Tokyo	2,089.86	105	1,192	0.3	100.0
	D17	Hotel MyStays Otemae	Osaka-shi, Osaka	4,956.66	111	1,192	0.3	100.0
	D18	Flexstay Inn Kiyosumi Shirakawa	Koto-ku, Tokyo	2,673.64	56	749	0.2	100.0

Purpose	Property Number (Note 1)	Name of Property	Location	Leasable Area (m <sup>2</sup> ) (Note 5)	Rentable Units (Note 4) (Note 5)	Acquisition Price (JPY mn) (Note 2)	Investment Ratio (%) (Note 3)	Occupancy Rate (%) (Note 5)
Hotels	D19	Flexstay Inn Nakanobu P1	Shinagawa-ku, Tokyo	770.56	39	589	0.2	100.0
	D20	Flexstay Inn Nakanobu P2	Shinagawa-ku, Tokyo	391.49	22	283	0.1	100.0
	D21	APA Hotel Yokohama-Kannai	Yokohama-shi, Kanagawa	6,568.51	452	8,350	2.3	100.0
	D22	Hotel Nets Hakodate	Hakodate-shi, Hokkaido	7,961.26	205	2,792	0.8	100.0
	D23	Flexstay Inn Shirogane	Minato-ku, Tokyo	1,754.06	84	2,119	0.6	100.0
	D24	Hotel MyStays Haneda	Ota-ku, Tokyo	5,400.16	174	7,801	2.2	100.0
	D25	Hotel MyStays Kameido P1	Koto-ku, Tokyo	4,349.67	266	5,594	1.6	100.0
	D26	Hotel MyStays Ueno Iriyaguchi	Taito-ku, Tokyo	2,247.92	97	3,821	1.1	100.0
	D27	Hotel MyStays Kameido P2	Koto-ku, Tokyo	2,793.99	177	3,742	1.0	100.0
	D28	Hotel Vista Shimizu	Shizuoka-shi, Shizuoka	3,559.81	152	2,198	0.6	100.0
	D29	Super Hotel Shinbashi/ Karasumoriguchi	Minato-ku, Tokyo	1,403.89	74	1,624	0.5	100.0
	D30	Flexstay Inn Higashi-Jujo	Kita-ku, Tokyo	1,714.53	89	1,277	0.4	100.0
	D31	Hotel MyStays Utsunomiya	Utsunomiya-shi, Tochigi	11,733.23	126	1,237	0.3	100.0
	D32	Flexstay Inn Kawasaki-Kaizuka	Kawasaki-shi, Kanagawa	1,190.57	64	980	0.3	100.0
	D33	Comfort Hotel Toyama	Toyama-shi, Toyama	3,305.64	150	979	0.3	100.0
	D34	Flexstay Inn Kawasaki-Ogawacho	Kawasaki-shi, Kanagawa	725.60	62	906	0.3	100.0
	D35	Flexstay Inn Ekoda	Nerima-ku, Tokyo	3,932.93	210	5,069	1.4	100.0
	D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	Tachikawa-shi, Tokyo	1,832.97	96	1,170	0.3	100.0
	D37	Super Hotel JR Ueno-iriyaguchi	Taito-ku, Tokyo	1,279.16	69	1,130	0.3	100.0
	D38	Hotel MyStays Shinsaibashi	Osaka-shi, Osaka	1,942.01	57	3,160	0.9	100.0
	D39	Comfort Hotel Kurosaki	Kitakyushu-shi, Fukuoka	3,207.60	151	1,148	0.3	100.0
	D40	Comfort Hotel Maebashi	Maebashi-shi, Gunma	3,660.96	154	1,128	0.3	100.0
	D41	Comfort Hotel Tsubame-Sanjo	Sanjo-shi, Niigata	3,099.90	133	1,010	0.3	100.0
	D42	Comfort Hotel Kitami	Kitami-shi, Hokkaido	3,009.50	127	851	0.2	100.0
	D43	Hotel MyStays Gotanda Station	Shinagawa-ku, Tokyo	10,137.88	385	26,523	7.4	100.0
	D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	37,702.33	310	20,981	5.9	100.0
	D45	Hotel MyStays Fukuoka Tenjin	Fukuoka-shi, Fukuoka	5,083.06	217	8,059	2.3	100.0
	D46	Hotel MyStays Hamamatsucho	Minato-ku, Tokyo	1,951.90	105	7,959	2.2	100.0
	D47	Hotel MyStays Premier Kanazawa	Kanazawa-shi, Ishikawa	13,250.03	261	13,761	3.9	100.0
	D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	7,148.17	193	2,139	0.6	100.0
	D49	Hotel MyStays Premier Hamamatsucho	Minato-ku, Tokyo	6,151.93	134	8,000	2.2	100.0
	D50	Hotel MyStays Shin Osaka Conference Center	Osaka-shi, Osaka	13,026.99	397	13,068	3.7	100.0
D51	Hotel MyStays Premier Omori	Shinagawa-ku, Tokyo	11,849.61	232	9,781	2.7	100.0	
D52	Beppu Kamenoi Hotel	Beppu-shi, Oita	19,422.08	322	8,870	2.5	100.0	
D53	Hotel MyStays Sapporo Station	Sapporo-shi, Hokkaido	7,267.88	242	7,880	2.2	100.0	
D54	Hotel MyStays Yokohama Kannai	Yokohama-shi, Kanagawa	4,501.18	165	5,326	1.5	100.0	
D55	Art Hotel Joetsu	Joetsu-shi, Niigata	7,563.60	198	2,772	0.8	100.0	
D56	Art Hotel Hirosaki City	Hirosaki-shi, Aomori	14,826.30	134	2,723	0.8	100.0	
D57	Hotel MyStays Oita	Oita-shi, Oita	3,254.69	145	1,604	0.4	100.0	
	Subtotal			315,525.68	9,121	242,905	68.1	100.0
	Intermediate total			524,479.27	13,701	338,660	95.0	98.4
		Sheraton Grande Tokyo Bay Hotel (preferred equity interest)	Urayasu-shi, Chiba	-	-	17,845	5.0	-
	Subtotal			-	-	17,845	5.0	-

Purpose	Property Number (Note 1)	Name of Property	Location	Leasable Area (m <sup>2</sup> ) (Note 5)	Rentable Units (Note 4) (Note 5)	Acquisition Price (JPY mn) (Note 2)	Investment Ratio (%) (Note 3)	Occupancy Rate (%) (Note 5)
Total				524,479.27	13,701	356,506	100.0	98.4

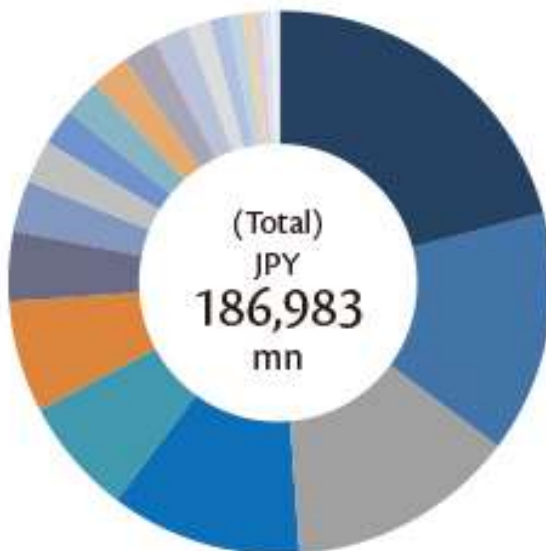
- (Note 1) “Property number” refers to the asset owned by INV, classifying the residential asset as A, the office / commercial facility as B, the parking lot as C, the hotel as D according to the use of each property. The numbers with A, B, C, and D indicate the order of acquisition dates and properties with the same acquisition date are arranged in the order of acquisition price.
- (Note 2) “Acquisition price” is the purchase price indicated in the real estate or trust beneficiary purchase agreement (however, for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) described in Note 7 below, the amount invested by INV in the preferred equity interest). Such price excludes consumption tax and other taxes, and has been rounded down to the nearest million yen.
- (Note 3) “Investment ratio” is the ratio of the acquisition price to the aggregate acquisition price of INV’s portfolio, and has been rounded to the first decimal place.
- (Note 4) “Rentable Units” is including shop, office and nursing home portions, which are counted as one unit each.
- (Note 5) “Rentable Units,” “Leased Area” and “Occupancy Rate” are as of the end of December 2017.
- (Note 6) With change of the operator, the property name was changed from Hotel Vista Premio Dojima on August 1, 2017. The name is scheduled to be changed again to Hotel MyStays Premier Dojima on March 10, 2018.
- (Note 7) Preferred equity interest issued by special purpose company refers to 178,458 units of preferred equity interest issued by Kingdom Special Purpose Company (equivalent to 49.0% of preferred equity interest issued and outstanding after the issuance of the said preferred equity interest), with the Sheraton Grande Tokyo Bay Hotel as an underlying asset, and is recorded as 1 property.



## Financial Conditions

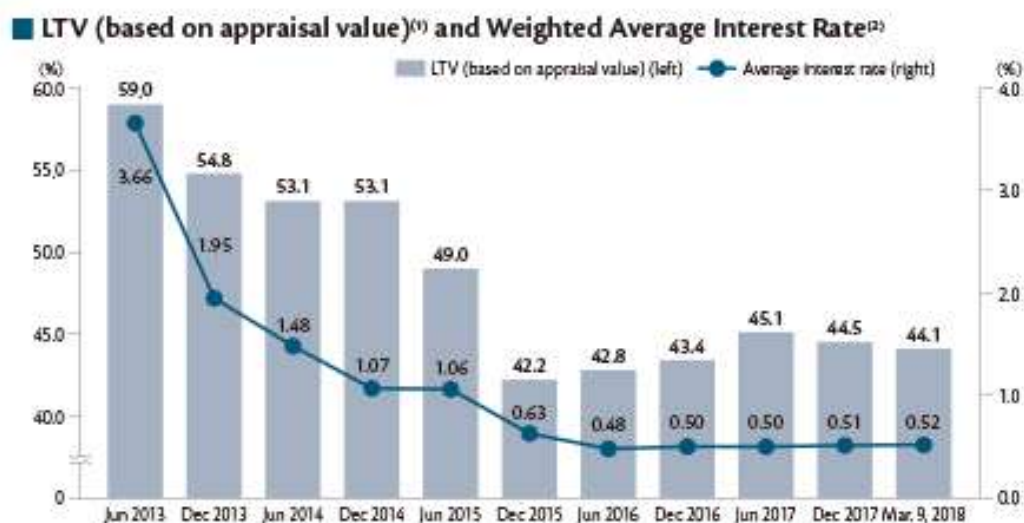
- Continued strong support from main lenders
- Work on diversifying financing measures including issuing investment corporation bonds

## Lender Formation (as of March 9, 2018)



Mizuho Bank	21.0%
SMBC	14.4%
SMTB	13.4%
BTMU	11.4%
Citibank N.A., Tokyo Branch	7.0%
Shinsei Bank	6.8%
Resona Bank	4.1%
MUTB	3.0%
DBJ	2.4%
Aeon Bank	2.4%
Japan Post Bank	2.1%
Tokyo Star Bank	2.1%
Dai-ichi Life Insurance	2.1%
Fukuoka Bank	2.1%
Shizuoka Bank	1.3%
Nomura TB	1.2%
Hiroshima Bank	0.8%
Kagawa Bank	0.5%
Daishi Bank	0.5%
Hyakugo Bank	0.5%
Towa Bank	0.4%
Gunma Bank	0.3%





**Rating**

Rating Agency	Rating Object	Rating	Outlook
Japan Credit Rating Agency, Ltd.	Long-term Issuer Rating	A	Positive

(Note 1) LTV (Appraisal Value Base) is calculated by the following formula: (Interest - bearing debt at the end of the relevant fiscal period, excluding short - term consumption tax loan) / (Total appraisal value as of the end of the same period) (however, for “March 9, 2018,” it is calculated as: (Interest - bearing debt as of March 9, 2018) / (Total appraisal value of assets owned as of the same day)). For the calculation of LTV after the acquisition of the preferred equity interest in the JV TMK which holds Sheraton Grande Tokyo Bay Hotel, “total appraisal value” includes the acquisition amount of preferred equity interest contribution by INV to the JV TMK of ¥17,845 million.

(Note 2) Average interest rate is calculated by the following formula: [Sum total of (Each loan’s loan amount outstanding at the end of the fiscal period multiplied by applicable interest rate at the end of the fiscal period)] / (Total loan amount outstanding at the end of the fiscal period). For “March 9, 2018,” it is calculated by the following formula: [Sum total of (loan amount outstanding as of March 9, 2018 multiplied by applicable interest rate on the same day)] / (Total loan amount outstanding on the same day).

(Note 3) DSCR is calculated by dividing operating income, as adjusted for depreciation expenses from property rental business and any loss (gain) on sales of property by scheduled payments of loans payable and interest expense for the relevant period.

(Note 4) DSCR (excluding hotel variable rent) is in the same manner as DSCR, except for excluding hotel variable rent from operating income.

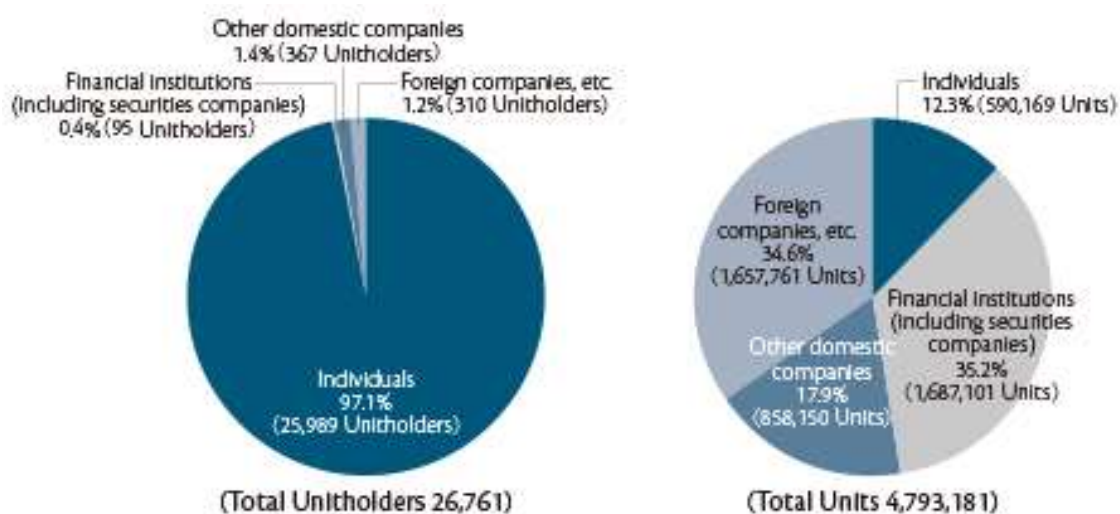
## Overview of Unitholders/Investment Units

### Historical Unit Price



(Note) Unit prices indicate the closing price on the TSE market. TSE REIT Index has been indexed, assuming the closing price of TSE REIT Index as of January 4, 2013 was the same as the closing price of INV unit on the same day.

### Distribution of Unitholders



## Annual Schedule



## **Information for Unitholders**

### **For Unitholders**

Investors' Registry Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Special Account Management Institution	<Unitholders of the former Tokyo Growth REIT Investment Inc.> Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo <Unitholders of the former LCP Investment Corporation> Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Correspondence	Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo, 168-0063
(Telephone Assistance)	Toll-free Telephone Number 0120-782-031 Administrative services are available at the main and branch offices throughout Japan of Sumitomo Mitsui Trust Bank, Limited

### **Notification Process for Address Changes**

Please notify your brokerage (financial instruments business operator) regarding changes to addresses, names, registered seals, and the like. Unitholders who have special accounts instead of brokerage accounts should contact the transfer account management institution (financial instruments business operator) below. Unitholders of the pre-merger Investment Corporation (former Tokyo Growth REIT Investment Inc.)  
Mitsubishi UFJ Trust and Banking Corporation Toll-free Number: 0120-255-100  
Unitholders of the former LCP Investment Corporation  
Sumitomo Mitsui Trust Bank, Limited Toll-free Number: 0120-782-031

### **Dividends**

Unitholders may collect “dividends” by submitting the “Dividends Receipt” at your local Japan Post Bank or at the deposit teller of a post office. In the case that the collection period is past, please specify the collection method on the back of the “Dividends Receipt,” and either mail the receipt to the Transfer Agent Department of the Sumitomo Mitsui Trust Bank, Limited or collect from a branch teller.

(Bank Transfers)

Should you desire to specify bank transfers for future dividends, please notify your brokerage (financial instruments business operator).

(Note) Please collect dividends within 3 years of distribution. Please note that payments cannot be made after 3 years due to the rules and regulations of the Articles of Incorporation of the Investment Corporation.

## **Notification**

(Notice of Dividend Payment)

The 2008 amendment of the Special Taxation Measures Law (Act No. 23 of April 30, 2008) mandated the sending to unitholders a “Notice of Dividend Payment” stating the dividend amount, amount of taxes withheld, and the like for dividends payable in and after January 2009. If you collect dividends via a “Dividends Receipt,” please view the “Notice of Dividend Payment” sent alongside it. If you have specified a wire transfer, the “Dividend Statement” delivered with the dividend payment is the “Notice of Dividend Payment.” Both documents may be used as supporting documents when filing income tax returns.

(Characters for Addresses and Names of Unitholders)

With the digitization of investment securities, if there are Chinese characters in your address or names that the Japan Securities Depository Center (JASDEC) has not included in the transfer system, please list in the Investors’ Registry by converting part or all of the characters to those that JASDEC has included in the transfer system or to katakana. Please be aware that correspondence may be addressed using characters that JASDEC has included in the transfer system. Please inquire with your brokerage regarding characters registered for your address and name.

## **Inquiries**

For inquiries regarding INV: Consonant Investment Management Co., Ltd.

TEL: 03-5411-2731 (Main)

Weekdays 9:30-17:30