

# **Invincible Investment Corporation**

## **Asset Management Report**

Fiscal Period ended December 31, 2018 (July 1, 2018 to December 31, 2018)

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

We would like to take this opportunity to express our 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 31st fiscal period (covering the period from July 1, 2018 to December 31, 2018; 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 for the fifth consecutive year to acquire four hotels in Tokyo, Osaka and Sapporo, including two hotels under the Hotel MyStays “Premier” brand, and acquired the TK interest in two overseas hotels (Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) as underlying assets, becoming the first J-REIT to do so. As a result, the number of portfolio properties as of the end of the Reporting Period reached 132 with a total acquisition price of JPY 448,362 million, of which hotel assets account for approximately 80% (1). With regard to the hotel sector, the number of inbound visitors reached a new high of 31,191,000 (up 8.7% from the previous year) in 2018, steadily increasing towards the government targets of 40 million in 2020 and 60 million in 2030. In the Reporting Period, although hotel demand temporarily dropped due to the natural disasters in Western Japan and Hokkaido, INV was able to reach its hotel revenue target with the expansion of hotel demand mainly from the aforementioned inbound visitors as well as the positive effect of INV’s portfolio diversification and other factors.

With the Rugby World Cup scheduled in 2019 and Tokyo Olympic and Paralympic Games in 2020, Japan expects to see a further increase in the number of inbound visitors from the next fiscal period onward as a result of increasing international recognition of the country. Therefore, continuous growth of the hotel market and a better supply-demand situation can be expected.

Regarding residential properties, the rent increase program that has been implemented by INV resulted in an increase in rent per tsubo for both new and renewal contracts, achieving an increase in revenues compared with the previous year and versus the budget.

As a result of the initiatives and factors mentioned above, operating revenues reached JPY 14,451 million, operating income JPY 9,514 million, and net income JPY 8,384 million. INV decided on a distribution per unit of JPY 1,683, an increase of 7.6% year on year (2).

Ever since the commencement of sponsorship from the Fortress Group in 2011, INV has been focusing its efforts on establishing and strengthening a revenue base in order to improve the profitability of its portfolio and ensure stable distributions. Particularly during the three public offerings conducted in the past two years, INV has worked to enhance portfolio quality and increase distributions under the strong support of the sponsor, by acquiring prime properties including flagship hotels and residential properties from the sponsor pipeline and such. Such efforts have resulted in a steady increase of distribution per unit, and the full year distribution per unit for 2018 increased around eightfold compared to that for 2011.

Furthermore, INV established a medium-term plan “Vision 2022” in the Reporting Period and set the target of raising distribution per unit to JPY 3,700 by 2022 (3). INV will continue to implement its basic policy to “increase distribution per unit” to achieve such target, and will ensure the implementation of measures to maximize unitholder value.

Your continued support is highly appreciated.

Naoto Ichiki

Chairman and Director, Consonant Investment Management Co., Ltd.

Naoki Fukuda

Executive Director, Invincible Investment Corporation

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

- (1) For details, please refer to notes on pages 10 and 11.
- (2) Comparison with the fiscal period ended December 2017. In order to eliminate the seasonal effects of hotel variable rent, 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 2018).
- (3) This is a target based on various assumptions and conditions, and there is no guarantee that INV can achieve this target in 2022 or later.

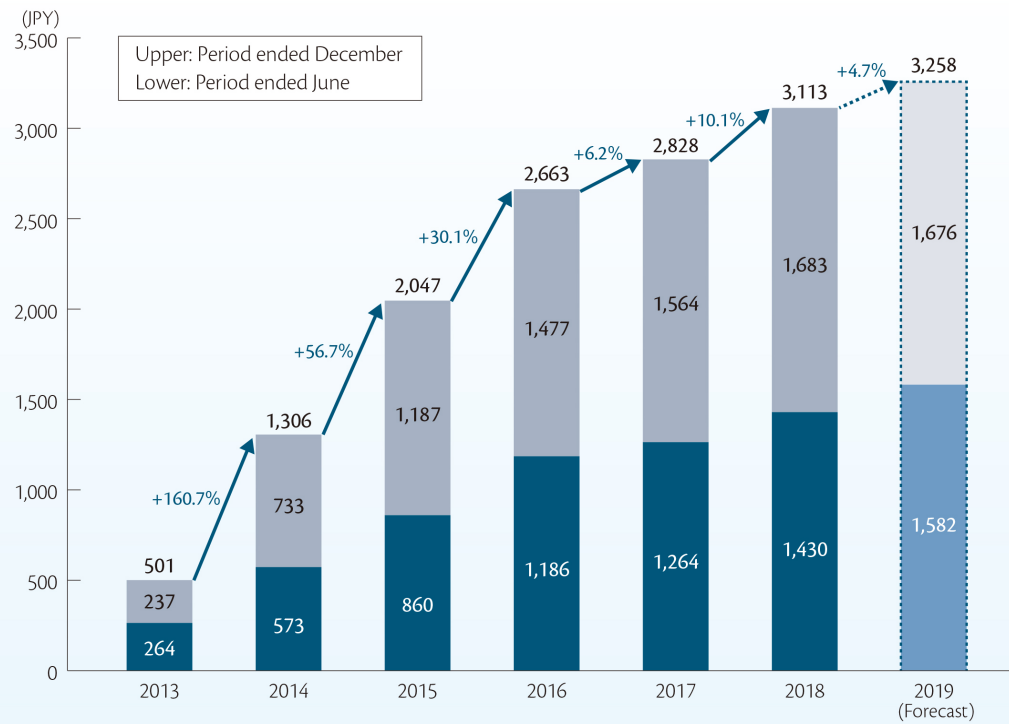
Distribution per unit for the 31st fiscal period (the fiscal period ended December 2018)
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JPY 1,683
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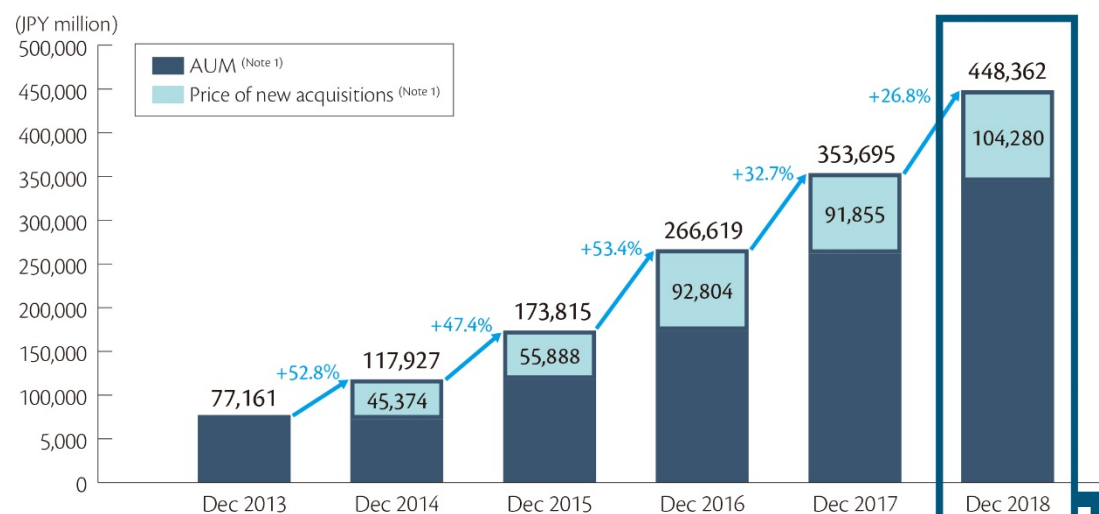
(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of February 28, 2019. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV's control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

## **Increase in Asset Size and Diversification of Portfolio**

### **Change in DPU**

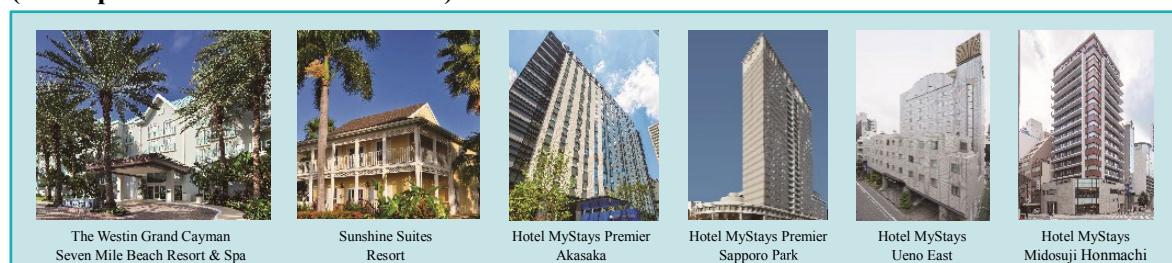


## Change in Asset Size



No. of properties (Note 2)	78	91	111	124	126	132
Hotels	0	20	37	48	54	66
Residential	63	63	66	68	67	64
Others	15	8	8	8	5	2

## Properties acquired in 2018 (10 domestic hotels, 2 overseas hotels) (Fiscal period ended December 2018)



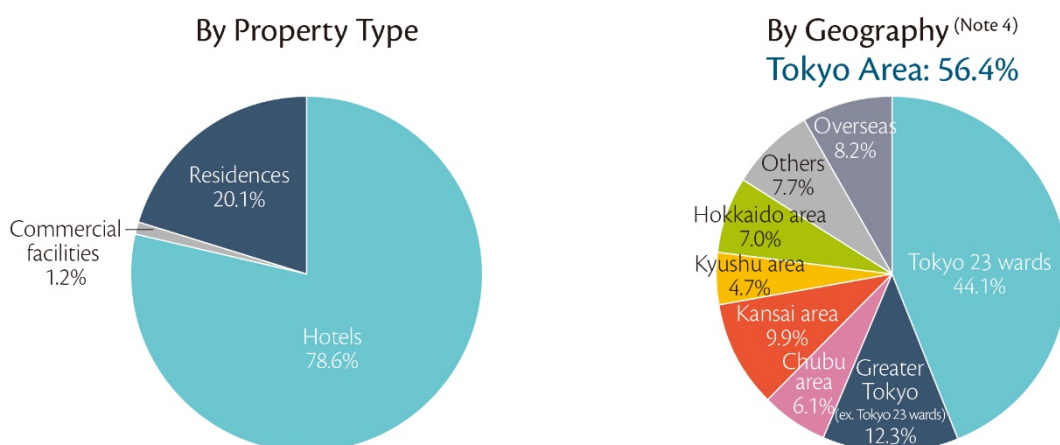
## (Fiscal period ended June 2018)



(Note 1) "AUM" indicates the total acquisition price of assets owned as of the end of each year; and "Price of new acquisitions" indicates the total acquisition price of assets newly acquired out of AUM in the respective year. As to preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel and the TK interests which hold the two overseas real estate properties, investment amounts in the preferred equity securities and TK interests by INV (for TK interests, exchange rate of 1US\$=JPY110.45 based on exchange contract on July 26, 2018 is used for calculation, reflecting partial refund of investment for TK interests on December 10, 2018) are deemed as acquisition prices.

(Note 2) As to preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel and the TK interests which hold the two overseas real estate properties, the hotels, which are the underlying real estate properties, are counted in the number of properties and are categorized based on the use of each underlying real estate property.

## Portfolio Composition (Based on acquisition prices <sup>(Note 3)</sup>)



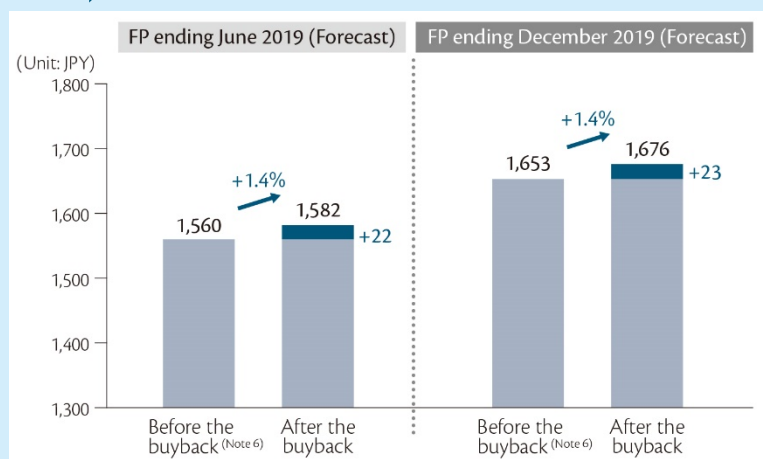
## TOPICS

### Implementation of unit buyback

INV repurchased its own investment units using cash on hand in the fiscal period ended December 2018 in order to improve unitholder value

Total number of investment units repurchased	81,341 units <sup>(Note 5)</sup> (1.4% of the total number of investment units issued and outstanding)
Total amount of investment units repurchased	JPY 3,999,980,400
Repurchase period	From December 13, 2018 to December 18, 2018 (based on execution date)
Repurchase fund	Cash on hand

### Contributing to the increase of DPU (forecast for 2019)



(Note 3) Figures are as of December 31, 2018. As to preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel and the TK interests which hold the two overseas properties, the hotels, which are the underlying real estate properties, are counted in the number of properties; and investment amounts in the preferred equity securities and TK interests by INV (for TK interests, exchange rate of 1US\$=JPY110.45 based on exchange contract on July 26, 2018 is used for calculation, reflecting partial refund of investment for TK interests on December 10, 2018) are deemed as acquisition prices and are categorized based on the use and location of each underlying real estate property.

(Note 4) Each area is defined as follows.

Greater Tokyo: Tokyo, Kanagawa, Chiba and Saitama / Greater Tokyo (excluding Tokyo 23 wards): Tokyo (excluding Tokyo 23 wards), Kanagawa, Chiba and Saitama / Kansai area: Osaka, Hyogo, Kyoto, Shiga, Wakayama and Nara / Chubu area: Aichi, Gifu, Mie, Shizuoka, Nagano, Yamanashi, Niigata, Toyama, Ishikawa and Fukui

(Note 5) All investment units repurchased were retired during the fiscal period ended December 2018.

(Note 6) In the forecast of distribution for the fiscal period ending June 2019 and the fiscal period ending December 2019 announced on February 21, 2019, the forecast figures (excluding other figures) are indicated using the number of investment units assuming that the above unit buyback was not implemented.

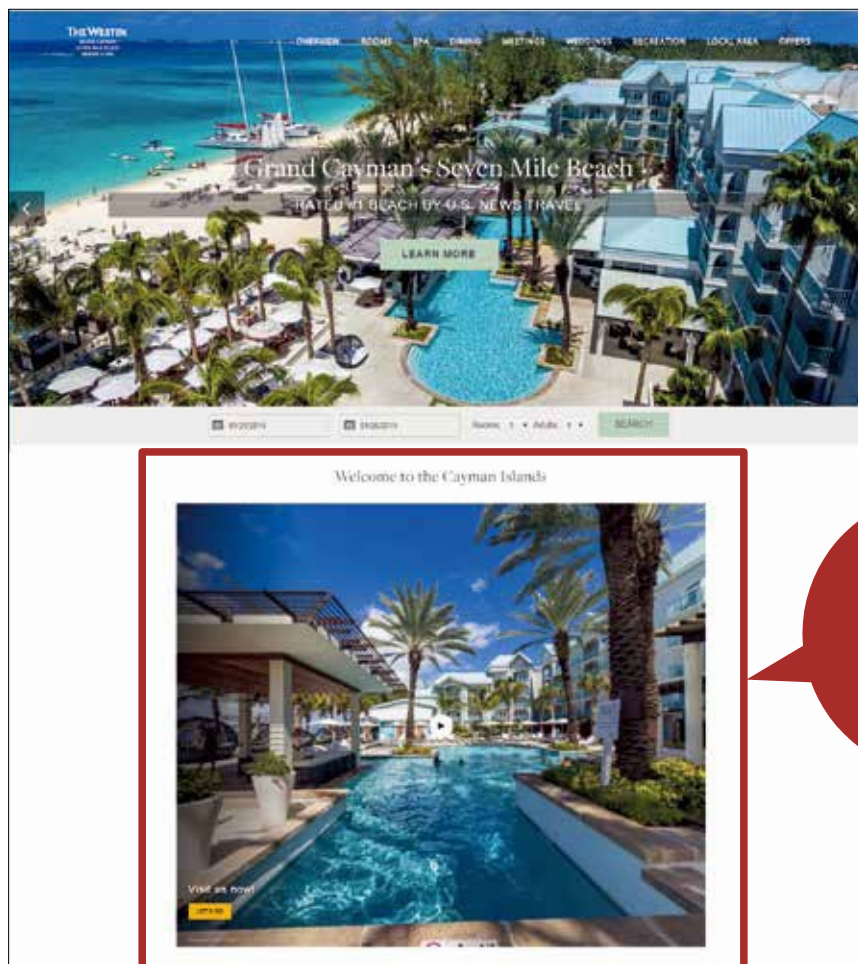


## Would you like to virtually experience Westin Grand Cayman Seven Mile Beach Resort & Spa?

The official website of Westin Grand Cayman Seven Mile Beach Resort & Spa offers an online VR (virtual reality) tour. We introduce part of it here in our report.



Front page of the official website of  
Westin Grand Cayman Seven Mile Beach  
Resort & Spa



<https://www.westingrandcayman.com/>



START!



## Entrance

Welcome! This spacious lobby will welcome you upon your arrival. Enjoy a welcome cocktail watching the beach through the window.



## Pool deck

This is the largest freshwater pool on the Grand Cayman. A hot tub, courtyard café on the poolside and pool bar are all there for you to enjoy. A welcome reception is held here and it is also the best spot to take photos of the beautiful Cayman sunset.

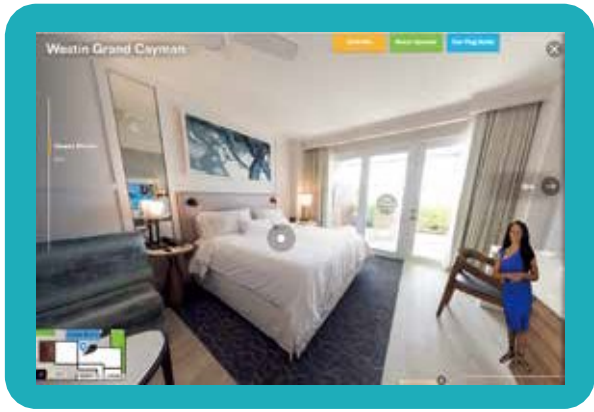


## Private beach

Westin owns a private beach stretching for around 200 m on Seven Mile Beach, which boasts its status as one of the most popular resorts in the world. It provides guests with various services to make their stay at the beach most enjoyable.



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the next page



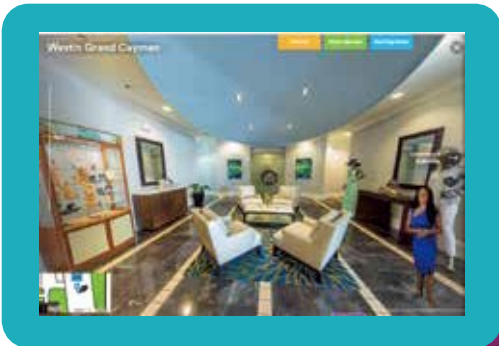
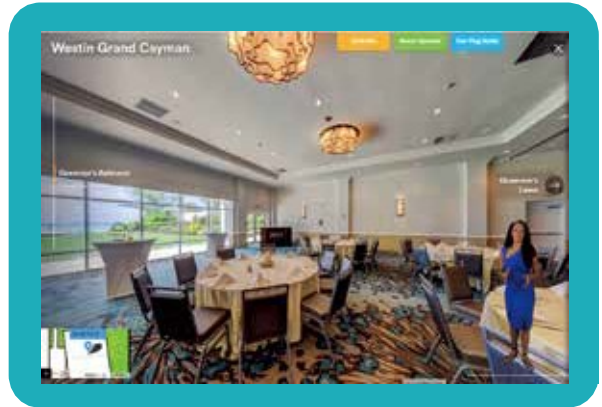
## Guestrooms

They offer various types of luxurious guestrooms. Guests can enjoy the relaxing private space while viewing the scenery of Seven Mile Beach.



## Meeting room

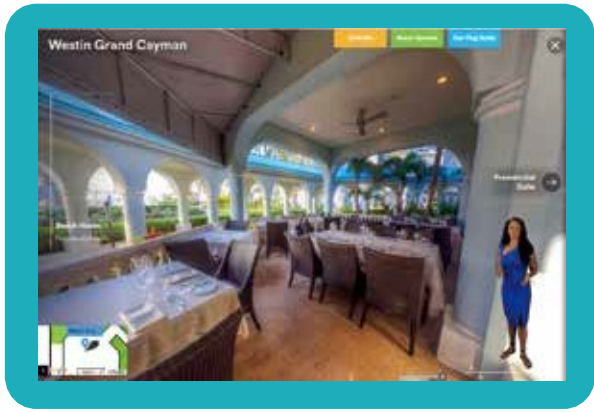
A large meeting room that can accommodate a wide range of functions including weddings, company meetings and events is available.



## Spa

There are 13 treatment rooms and two saunas. With treatment for both the mind and body, they ensure the most satisfying service for the guests.

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the next page



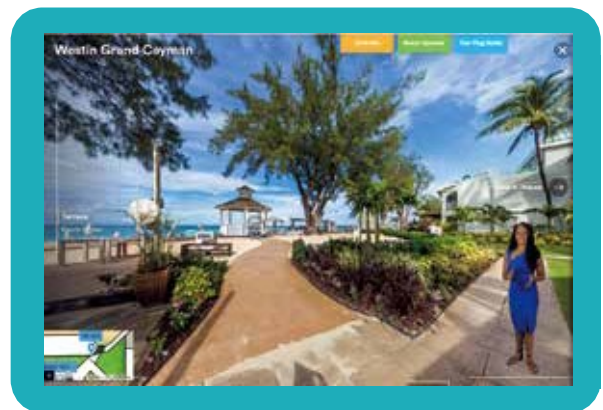
## Restaurant

This upscale yet casual restaurant facing Seven Mile Beach offers dishes from the Caribbean, the Mediterranean and Asia.



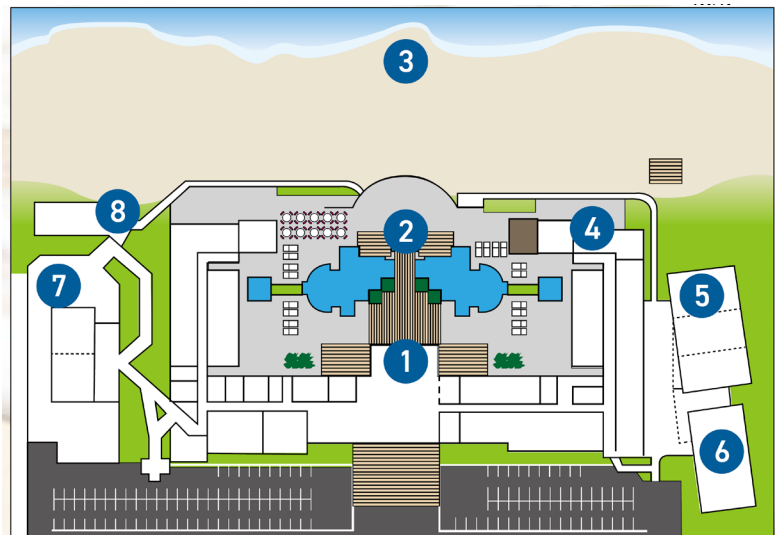
## Terrace

The terrace offering a wonderful view of Seven Mile Beach is located next to the restaurant. Furniture such as comfortable chairs and tables and tropical flora have created a space with an open feeling.



GOAL!

- 1 Entrance
- 2 Pool deck
- 3 Private beach
- 4 Guestrooms
- 5 Meeting room
- 6 Spa
- 7 Restaurant
- 8 Terrace



## **Unitholder Benefit Program**

INV has 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 at special discount rates.

\*Detailed information is sent to eligible unitholders along with this report.

### **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 recorded on Invincible's Unitholders' Registry as of the relevant 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



Hotel MyStays Premier Akasaka



(Note 1) The details of the unitholder benefit program described above are as planned by Invincible as of March 20, 2019, and the program may be changed or abolished even after it 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.

(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.

## Asset Management Report

### Overview of Asset Management

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

By Period			27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Reporting period			Jul. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jul. 1, 2018 to Dec. 31, 2018
Operating Results	Operating revenue	(Note 1) (JPY thousand)	9,511,466	9,260,917	12,647,270	13,104,841	14,451,005
	(Rental revenue – real estate)	(JPY thousand)	9,511,466	9,260,917	11,403,236	11,122,481	13,604,224
	Operating expenses	(JPY thousand)	3,577,255	3,916,456	4,423,618	4,671,320	4,936,248
	(Property related expenses)	(JPY thousand)	3,162,067	3,518,684	3,962,183	4,136,619	4,450,676
	Operating income	(JPY thousand)	5,934,211	5,344,461	8,223,652	8,433,520	9,514,756
	Ordinary income	(JPY thousand)	5,431,608	4,702,678	7,303,702	7,722,553	8,384,676
	Net income	(JPY thousand)	5,431,003	4,702,073	7,303,097	7,721,948	8,384,071
Assets	Total assets (change from last period)	(a) (JPY thousand) (%)	277,361,874 (2.4)	306,421,050 10.5	371,758,254 21.3	374,512,988 0.7	455,362,796 21.6
	Interest-bearing debt	(JPY thousand)	142,419,000	163,990,000	186,983,000	189,415,000	229,873,000
	Net assets (change from last period)	(b) (JPY thousand) (%)	131,455,278 1.1	139,062,593 5.8	181,320,466 30.4	181,523,263 0.1	221,364,900 21.9
	Unitholders' capital	(JPY thousand)	120,367,271	128,984,946	168,798,455	168,798,455	211,092,540
Dividend Status	Total distributions	(c) (JPY thousand)	5,429,192	4,880,081	7,496,535	6,854,248	9,537,291
	Dividend payout ratio	(Note 2) (%)	100.0	102.1	100.3	88.8	110.3
Information per Unit	Number of investment units issued and outstanding	(d) (Units)	3,675,824	3,860,824	4,793,181	4,793,181	5,666,840
	Net assets per unit	(b) / (d) (JPY) (Note 3)	35,762	36,019	37,829	37,871	39,063
	Distributions per unit (Distributions of earnings per unit)	(c) / (d) (JPY) (JPY)	1,477 1,477	1,264 1,243	1,564 1,528	1,430 1,430	1,683 1,632
	(Distributions in excess of retained earnings per unit)	(JPY)	-	21	36	-	51
Financial Measures	Return on assets (change over year)	(Note 4) (%)	1.9 3.8	1.6 3.2	2.2 4.3	2.1 4.2	2.0 4.0
	Return on equity (change over year)	(Note 4) (%)	4.2 8.2	3.5 7.0	4.6 9.0	4.3 8.6	4.2 8.3
	Capital ratio (change from last period)	(b) / (a) (Note 4) (%) (%)	47.4 1.6	45.4 (2.0)	48.8 3.4	48.5 (0.3)	48.6 0.1
	NOI (Net Operating Income)	(Note 4) (JPY thousand)	8,414,465	8,023,607	10,008,268	9,758,373	12,192,581

(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:

Dividend payout ratio = Distribution amount (Excluding distributions in excess of retained earnings) ÷ Net income × 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, 2018 / (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, 2018.

## 2 Overview of Asset Management for the Fiscal Period Ended December 2018

### (a) Main Trends of INV

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

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

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

Ever since the commencement of sponsorship from the Fortress Group (Note 2), INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, the Asset Manager revised the Investment Guidelines for INV, and positioned hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecasted to rise going forward. As a result of such external growth efforts, INV's portfolio as at the end of the previous fiscal period ended June 2018 comprised of 126 properties (60 hotels (Note 3), 64 residential properties and two others) with a total acquisition price of JPY 363,831 million. The total acquisition price of the portfolio has significantly grown by 5.0 times, compared to May 22, 2014, which is the date immediately prior to INV's initial investment in hotels.

In the Fiscal Period ended December 31, 2018 (“Reporting Period”), INV implemented a global offering of new investment units for the fifth consecutive year to acquire four domestic hotels including two hotels operated under the “Hotel MyStays Premier” brand, as well as TK (Japanese anonymous association (*tokumei kumiai*)) interest in two overseas hotels as underlying assets for the first time ever in J-REIT history. As a result, INV's portfolio at the end of Reporting Period comprised of 132 properties (66 hotels (Note 3) (Note 4), 64 residential properties and two others) with a total acquisition price of JPY 448,362 million (Note 5).

The Asset Manager revised the Investment Guidelines as of July 17, 2018 to allow the acquisition of overseas real estate assets as a new investment policy, and changed its investment policy regarding domestic hotels. Please refer to “(e) Amendment to the Investment Guidelines” for more details.

On July 17, 2018, INV amended and renewed the Memorandum of Understanding (the “MOU”) entered into 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 February 28, 2019, there are 19 hotels and eight residential properties subject to the preferential negotiating rights under the MOU.

(Note 1) US Eastern Standard Time

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

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

(Note 4) The TK interest is counted as two properties, based on the number of the underlying assets (two hotels) of the TK interest. The TK interest is an interest in Seven Mile Resort Holdings Ltd. (the “Cayman SPC”), a Cayman Islands special purpose company that holds leasehold interests in “Westin Grand Cayman Seven Mile Beach Resort & SPA” and “Sunshine Suites Resort” as underlying assets. The TK interest is classified as a hotel property, based on the use of the underlying assets of the TK interest, and INV’s investment amount for the TK interest is used as the acquisition price of the TK interest, unless otherwise stated. The acquisition price is rounded down to the nearest JPY million.

(Note 5) In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV’s investment amount to the TK interest is calculated based on the amount reflecting such partial refund (i.e., USD 333,036 thousand).

(b) Operational Environment and Performance

For the December 2018 period, the portfolio NOI increased by 21.8% or JPY 2,184 million to JPY 12,192 million compared to the same period in the previous year (the December 2017 period). The hotel portfolio NOI increased by JPY 2,419 million, which is equivalent to the increase by 24.2% of the portfolio NOI, due to a combination of internal and external growth. While the residential portfolio is also benefitting from strong rental growth, NOI for the residential portfolio declined by JPY 55 million, which is equivalent to the decrease by 0.6% of the portfolio NOI, due to asset sales as part of INV’s asset recycling program. Other portfolio assets also experienced a decline in NOI of JPY 179 million, which is equivalent to the decrease by 1.9% of the portfolio NOI, due to the sale of assets. The portfolio continued to maintain a high average occupancy rate (Note 1) of 98.5% for the period.

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

The NOI (Note 2) for the Reporting Period of the 51 hotels (Note 3) owned by INV increased by 2.6% compared to the same period in the previous year (figures exclude nine hotels with fixed-rent lease agreements of the 60 hotels owned by INV at the beginning of the December 2018 Fiscal Period). The 51 hotels recorded an occupancy rate (Note 4) of 90.7% (+0.1 points YoY), ADR (Note 5) of JPY 11,148 (+2.5% YoY), and RevPAR (Note 6) of JPY 10,106 (+2.6% YoY). Fixed rent revenues accounted for 49.8% (JPY 4,909 million) of total hotel revenue and variable rent revenues accounted for 50.2% (JPY 4,953 million) of total hotel revenue (figures based on the 63 domestic owned hotels as of the end of the December 2018 Fiscal Period, and excludes Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of the TMK owned by INV).

Inbound visitors reached a record high of 31.19 million (+8.7% YoY) in 2018, while government targets continued growth of 40 million visitors in 2020 and 60 million visitors in 2030. Japan will host the Rugby World Cup in 2019 and Tokyo Olympics Games in 2020, and these world-class events are anticipated to further increase attention to Japan and more inbound tourists to Japan.

The NOI (Note 7) of the 64 residential properties (Note 8) for the Reporting Period increased by 5.0% compared to the same period in the previous year, and the average occupancy rate achieved 95.4%, an increase of 0.6 points compared to the same period in the previous year.

Trends for rent at city-center residential properties with small-type rooms maintained a moderate increase. Due to the positive circumstances in the macro environment, INV continues to focus on its rent increase program for new leases and renewals as well as initiatives to reduce residential leasing costs based on a detailed market analysis of each property and unit.

In the Reporting Period, INV realized a rent increase for 53.4% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 2.9% compared to the previous rent across all new leases (Note 9).

INV achieved a rent increase for 52.8% (based on the number of contracts) of contract renewals for an average rent increase of 4.6% compared to the previous rent across all renewal leases (Note 9), while maintaining a high contract renewal rate (Note 10) of 79.1%. Combined, new leases and renewal leases were signed at 3.8% higher than the previous leases (Note 9).

Specifically, at Royal Parks Tower Minami-Senju, INV's flagship residential property, INV achieved strong results with rent increases for 90.4% (based on the number of contracts) of the new lease contracts and 94.9% (based on the number of contracts) of contract renewals, with an average rent increase of 9.8% compared to the previous rent across all new leases and renewal leases (Note 9).

The total appraisal value of 129 properties was JPY 462,580 million (3 out of the 132 properties owned by INV at the end of the Reporting Period are excluded from the appraisal calculation: Sheraton Grande Tokyo Bay Hotel (preferred equity), Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort (TK interest) for which appraisal values of such securities is not applicable). The portfolio has an unrealized gain of JPY 79,930 million (Note 11) and an unrealized gain ratio of 20.9% (Note 11). The total appraisal value of 125 properties which were owned throughout the Reporting Period increased by 0.5% from JPY 411,542 million at the end of June 2018 period to JPY 413,720 million at the end of the Reporting Period.

#### Key Performance Indicators of 51 Hotel Properties (Note 2)

	December 2018 fiscal period	Year-on-year change
Occupancy Rate (Note 4)	90.7%	+0.1pt
ADR (JPY) (Note 5)	11,148	+2.5%
RevPAR (JPY) (Note 6)	10,106	+2.6%

GOP (JPY million) (Note 12)	9,707	+2.1%
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Key Performance Indicators of 64 Residential Properties (Note 7)

	December 2018 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	95.4%	+0.6pt
Average Rent per Tsubo per Month (JPY) (Note 13)	9,832	+2.2%
NOI (JPY million) (Note 8)	2,566	+5.0%

(Note 1) “Average Occupancy Rate” for the entire portfolio and “Occupancy Rate” for the residential properties is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month during the relevant period.

(Note 2) Of the 60 hotels held as of the beginning of the December 2018 Fiscal Period (including the Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV), the following nine hotels with fixed-rent lease agreements are excluded: Super Hotel Shinbashi/Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo-JR Tachikawa Kitaguchi, Super Hotel JR Ueno-iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel. The figures assume that all properties acquired after July 2017 by INV had been owned since July 1, 2017. The actual results before acquisition by INV are based on the data provided by the sellers.

(Note 3) NOI includes a simulated amount of dividend income from Kingdom Special Purpose Company that owns Sheraton Grande Tokyo Bay Hotel as an underlying asset. The fiscal periods of the TMK are semi-annual periods from April 1 to September 30 and from October 1 to March 31 every year, and INV will receive the dividend within three months from the end of each semi-annual fiscal period of the TMK. Since INV does not receive a dividend from the TMK on a monthly basis, the amount of dividend INV receives from the TMK for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the TMK and the interest of debt (calculated by dividing the budget of the TMK for the fiscal period that includes the relevant month by the number of months in such fiscal period) from (ii) NOI based on the performance of Sheraton Grande Tokyo Bay Hotel in the month which is three months before the target month for this performance disclosure and multiplied by INV’s ownership ratio of the preferred equity interest in the TMK (49.0%). However, NOI excludes a simulated amount of dividend income from TK interest the underlying assets of which are Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort, which were acquired by INV in September 2018.

(Note 4) “Occupancy rate” for the hotel properties is calculated in accordance with the following formula:  
Occupancy rate = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)  
Hereinafter the same shall apply.

(Note 5) “ADR” means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply.

(Note 6) “RevPAR” means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.

- (Note 7) Based on the 64 residential properties owned as of the beginning of December 2018 Fiscal Period. In addition, the figures for the properties acquired after July 2017 are calculated on the assumption INV had acquired those properties on July 1, 2017, using the actual figures provided by the sellers of such properties for the period before the acquisition, for the purpose of comparison with previous year.
- (Note 8) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, as well as expenses required to detach trust beneficiary interest from an integrated trust account are excluded.
- (Note 9) Increase or decrease in the sum of monthly rents on new or renewal contracts, or the total of both, compared with the sum of previous rents.
- (Note 10) Renewal rate is calculated by the number of renewed contracts during the relevant period divided by the number of contracts due up for renewal during the relevant period
- (Note 11) The unrealized gain is calculated using the following formula: the appraisal value as of the end of the Reporting Period - book value as of the end of the Reporting Period.  
The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period.
- (Note 12) “GOP,” means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel’s revenues. Hereinafter the same shall apply. Moreover, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV’s ownership ratio of the preferred equity interest. Hereinafter the same shall apply.
- (Note 13) “Average Rent per Tsubo per Month” is calculated by dividing the total rental revenue (including common area charges) for each month by the sum of total leased area (tsubo) at the end of each month during the relevant period.

(c) Overview of Fund Raising

As a result of the measures described below, INV’s interest-bearing debt outstanding balance was JPY 229,873 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 50.2% and 44.2% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.53%.

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

$$\text{Interest-Bearing Debt ratio} = \frac{\text{total outstanding interest (excluding short-term consumption tax loan)}}{\text{-bearing debt/total assets}} \times 100$$

(Note 2) LTV (appraisal value basis) uses the calculation formula below:

$$\text{LTV} = \frac{\text{total outstanding interest (excluding short-term consumption tax loan)}}{\text{-bearing debt/total appraisal value (*)}} \times 100$$

(\*) Since appraisal value for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is not available, the acquisition price of the preferred equity interest (JPY 17,845 million) is deemed as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest). Also, for the TK interest with two overseas real estate as underlying assets, the acquisition price (which is the INV’s TK investment amount after a partial refund: INV originally funded an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets, however, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated, therefore INV received a refund of the TK investment from the Cayman SPC) of such TK interest, USD

333,036 thousand (JPY 36,783 million, converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract executed on July 26, 2018 and implemented on September 26, 2018), is deemed as the appraisal value and included.

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

(i) Equity Financing

INV implemented a global public offering which closed on August 1, 2018 (the number of new investment units issued: 909,524; total issue value: JPY 40,280 million) and a third party allotment which closed on August 21, 2018 (the number of new investment units issued: 45,476; total issue value: JPY 2,013 million) in order to procure part of the funds for the acquisition of four domestic hotels and the TK interest with two overseas hotels as underlying assets described in “(d) Overview of Acquisition of Assets”.

(ii) Debt Financing

a. Borrowing of Funds

INV borrowed New Syndicate Loan (I) on July 17, 2018 (total amount borrowed: JPY 28,979 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.50%, 0.40% and 0.30% for durations of five, four and three years), which was arranged by Mizuho Bank, Ltd. as the arranger in order to repay New Syndicate Loan (E) in the amount of JPY 28,979 million which was due on July 17, 2018.

In tandem with the public offering as described in (i) above, INV borrowed New Syndicate Loan (J) on August 2, 2018 and September 26, 2018 (total amount borrowed: JPY 40,458 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.50%, 0.40%, 0.30%, and 0.20% for durations of five, four and three years and one year), which was arranged by Mizuho Bank, Ltd. as the arranger in order to pay a portion of the acquisition price and related expenses for the acquisition of the four domestic hotels and the TK interest with two overseas hotels as underlying assets described in “(d) Overview of Acquisition of Assets”.

b. Issuance of Investment Corporation Bonds

INV issued its Third Series of investment corporation bonds for the purpose of raising funds for repaying existing borrowings, as these bonds helped to diversify the financing sources for INV, while at the same time lowering its financing costs and lengthening the average maturity period of its debt.

Bond Series	Issue Date	Issue Amount (JPY million)	Interest Rate (annual rate)	Redemption Date	Security/ Guaranty
Third Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds)	October 12, 2018	2,000	0.550%	October 12, 2023	Unsecured / Unguaranteed Rating: A (JCR)

(d) Overview of Acquisition of Assets

(i) Acquisition of four domestic hotel properties

The Asset Manager decided on the acquisition of four domestic hotels as follows on July 17, 2018, and acquisition of the assets has been closed on August 2, 2018.

Use	Property Number	Property Name	Location	Acquisition Price (million yen) (Note 1)	Appraisal Value (million yen) (Note 2)	Seller	Category of Specified Assets
Hotel	D60	Hotel MyStays Premier Akasaka	Minato-ku, Tokyo	20,691	20,900	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D61	Hotel MyStays Premier Sapporo Park	Sapporo, Hokkaido	16,731	16,900	Raetia Tokutei Mokuteki Kaisha	
	D62	Hotel MyStays Ueno East	Taito-ku, Tokyo	5,286	5,340	HL Investments 2 Tokutei Mokuteki Kaisha	
	D63	Hotel MyStays Midosuji Honmachi	Osaka, Osaka	5,039	5,090	Dogo Tokutei Mokuteki Kaisha	
Total				47,747	48,230	-	-

(Note 1) Acquisition Prices do not include adjustments for property taxes, city planning taxes, or national or local consumption taxes; the same shall apply hereinafter.

(Note 2) Appraisal Value is based on appraisal value stated in the appraisal report by the Japan Real Estate Institute or The Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of June 1, 2018.

(ii) Acquisition of TK Interest with two Overseas Real Estate as Underlying Assets

The Asset Manager decided on acquisition of TK interest as follows on July 17, 2018 and acquisition of asset has been closed on September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time).

Asset acquired	TK interest in a Cayman Islands special purpose company that holds 99-year Leasehold Interests (Note 1) (with a lease payment of USD 1 or KYD 1 per year) in overseas real estate as underlying assets (the “Cayman Hotel TK Interest”)
Acquisition price	USD 333,036 thousand (JPY 36,783 million) (Note 2) (Note 3) for 100.0% of the Cayman Hotel TK Interest
Name of underlying asset	Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort (each an “Underlying Asset”, and collectively the “Underlying Assets”, or the “Two Overseas Hotel Assets”)
Acquisition date	September 28, 2018 (Cayman Island local time)
TK operator	Seven Mile Resort Holdings Ltd.

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

(Note 2) The investment amount is fixed by the foreign exchange forward contract executed on July 26, 2018 in Japanese Yen denomination which were calculated using an exchange rate of USD 1 = JPY 110.45. Hereinafter the same.

(Note 3) The acquisition price is INV’s investment amount for the Cayman Hotel TK Interest. In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which is an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV’s investment amount to the TK interest is calculated based

on the amount reflecting such partial refund. The acquisition price is rounded down to the nearest JPY million.

- (Note 4) Seven Mile Resort Management Ltd. (the “Hotel Operating SPC”), a special purpose company established separately from the Cayman SPC under the laws of the Cayman Islands, has been entrusted with all aspects of the hotel operations pursuant to a hotel management agreement with the Cayman SPC for each of the Westin Grand Cayman Seven Mile Beach Resort & Spa and the Sunshine Resort (collectively, the “Hotel Management Agreement”). Each of the common shares issued by the Cayman SPC and the Hotel Operating SPC is 100% owned by a general incorporated association (*ippan shadan hojin*) established according to the Act on General Incorporated Associations and General Incorporated Foundations in Japan. The *ippan shadan hojin* by its nature will not receive any cash distributions from the hotel operations. The outline of the Hotel Management Agreement concluded between the Hotel Operating SPC and the Cayman SPC is as follows:

Hotel Management Assignor	Seven Mile Resort Holdings Ltd.
Hotel Management Trustee	Seven Mile Resort Management Ltd.
Term of Agreement	The agreement term shall last ten years from the Hotel management assignor’s acquisition of the Two Overseas Hotel Assets and renew automatically every five year unless the hotel management assignor and the hotel management trustee mutually agree to terminate the agreement 75 days prior to the end of the term.
Remuneration	Equivalent to actual costs
Other Special Matters	Both the hotel management assignor and the hotel management trustee may cancel the Hotel Management Agreement for any reason by 60-days’ prior written notice.

(e) Amendment to the Investment Guidelines

The Asset Manager revised the Investment Guidelines as of July 17, 2018. Such revision is intended to establish an investment policy and asset management structure regarding investments in overseas assets, and also to change the investment policy regarding domestic hotels to focus on (i) Limited service hotels, which feature relatively higher profit margins and potential for revenue growth backed by increasing demand for accommodations, and (ii) Full-service and Resort hotels, which have a variety of revenue sources, including rooms, food and beverage and banquet facilities, that are expected to achieve stable growth in overall hotel revenues. Please refer to the latest securities report for the fiscal period ended June 2018 (from January 1, 2018 to June 30, 2018) (available in Japanese only) filed on September 25, 2018 for details of the revised investment policy.

(f) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 1,346 million from the previous period (+10.3%) to JPY 14,451 million, net income increased by JPY 662 million (+8.6%) to JPY 8,384 million and unappropriated retained earnings including the retained earnings carried forward (JPY 756 million) reached JPY 9,140 million.

INV believes that maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period. With respect to the Reporting Period, due to i) one-off expenses in connection with the public offering, the asset acquisition and the borrowings, ii) the revenues of the four domestic hotels acquired during the December 2018 fiscal period will contribute for only a part of the period, and iii) distributions from the TK interest will start from the fiscal period ending June 2019, earnings per unit decreased. Therefore, from the perspective of maintaining stable distributions, INV intends to make distributions in excess of profits in the amount of JPY 204 million (JPY 36 per unit) within the scope of the expected shortfall between actual earnings per unit and the simulated earnings per unit after the transactions including i) the asset acquisitions and dispositions in the fiscal period ended June 2018, ii) asset acquisitions completed or to be completed, in the fiscal period ended December 2018, and iii) refinancing, issuance of new investment units by public offering and third-party allotment, and new borrowing. Further, INV intends to make distribution in excess of profits in the amount of JPY 85 million (JPY 15 per unit) in order to cope with the discrepancy between tax and accounting treatment on depreciation. As a result, distribution per unit (including excess profit distribution) is JPY 1,683.

Moreover, in the Reporting Period, deferred gain on hedging of JPY 108 million has arisen. Deferred gain on hedging is included in profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act, and INV has decided to distribute almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act. As a result, retained deficit carried forward of JPY 107 million is recorded.

Furthermore, INV conducted a unit buyback in December in order to increase unitholder value after taking a comprehensive review of performance indicators, including NAV per investment unit and dividend yield, concluding that the investment units were undervalued. INV entered into a discretionary transaction agreement with a securities company to acquire units from the market (Tokyo Stock Exchange) for an acquisition period of December 13, 2018 through February 28, 2019. All the acquired own investment units were acquired by December 18, 2018 and were retired on December 28, 2018. The total number of investment units acquired and retired in the Reporting Period was 81,341 units (representing 1.4% of the total number of issued and outstanding units before such acquisition and retirement of own investment units), and the amount of investment units acquired was JPY 3,999 million.

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

Changes in the number of investment units issued and outstanding and unitholders' capital for the past 10 years up 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	
February 1, 2010	Unit split	215,596	269,495	-	19,134,417,100	(Note 1)
February 1, 2010	Merger	367,200	636,695	-	19,134,417,100	(Note 2)
July 29, 2011	Third-party allotment	711,597	1,348,292	6,999,979,689	26,134,396,789	(Note 3)
December 20, 2013	Third-party allotment	224,887	1,573,179	2,999,992,580	29,134,389,369	(Note 4)
July 16, 2014	Public offering	1,040,000	2,613,179	22,747,920,000	51,882,309,369	(Note 5)
August 13, 2014	Third-party allotment	55,507	2,668,686	1,214,104,611	53,096,413,980	(Note 6)
July 15, 2015	Public offering	500,000	3,168,686	27,970,500,000	81,066,913,980	(Note 7)
August 12, 2015	Third-party allotment	25,000	3,193,686	1,398,525,000	82,465,438,980	(Note 8)
March 30, 2016	Public offering	459,512	3,653,198	36,123,157,344	118,588,596,324	(Note 9)
April 27, 2016	Third-party allotment	22,626	3,675,824	1,778,675,112	120,367,271,436	(Note 10)
February 22, 2017	Reversal of allowance for temporary differences adjustment	-	3,675,824	224,225,264	120,591,496,700	(Note 11)
March 13, 2017	Public offering	185,000	3,860,824	8,393,450,000	128,984,946,700	(Note 12)
October 12, 2017	Public offering	887,959	4,748,783	37,917,625,218	166,902,571,918	(Note 13)
November 1, 2017	Third-party allotment	44,398	4,793,181	1,895,883,396	168,798,455,314	(Note 14)
August 1, 2018	Public offering	909,524	5,702,705	40,280,089,388	209,078,544,702	(Note 15)
August 21, 2018	Third-party allotment	45,476	5,748,181	2,013,995,612	211,092,540,314	(Note 16)
December 28, 2018	Retirement	(81,341)	5,666,840	-	211,092,540,314	(Note 17)

(Note 1) An investment unit split of five units per one unit was conducted.

(Note 2) 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 3) 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 4) 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 5) 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 6) 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 7) 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 8) 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 9) 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 10) 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 specified assets.
- (Note 11) INV decided at the Board of Directors' Meeting held on February 22, 2017, the reversal of allowance for temporary difference adjustments for incorporation into unitholders' capital.
- (Note 12) 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 13) 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 14) 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.
- (Note 15) New investment units were issued in a public offering at a price of JPY 45,776 per unit (JPY 44,287 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 16) New investment units were issued in a third-party allotment at a price of JPY 44,287 per unit for the purpose of raising a part of the funds for the acquisition of new properties.
- (Note 17) INV acquired own investment units from December 13, 2018 to December 18, 2018 (on a trade date basis) through the market purchase at Tokyo Stock Exchange based on a discretionary transaction contract with a securities company.  
INV resolved the retirement of all the acquired own investment units at the Board of Directors' Meeting held on December 25, 2018 and the acquired own investment units were retired on December 28, 2018.  
The acquisition of own investment units was conducted using capital surplus, and thus there is no change to unitholders' capital.

## 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	27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Closing month	December 2016	June 2017	December 2017	June 2018	December 2018
Highest	70,300	54,800	50,200	53,000	51,000
Lowest	49,600	41,500	44,450	46,650	44,800

#### 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 make Excess Profit Distribution of JPY 85 million (JPY 15 per unit) as distribution from the allowance for temporary differences adjustment in order to cope with the discrepancy between tax and accounting treatment, and JPY 204 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 of one-off expenses associated with expenses from the issuance of new investment units and borrowings. As a result, distribution (including Excess Profit Distribution) is JPY 1,683 per unit.

Period	27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Calculated Period	Jul. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jul. 1, 2018 to Dec. 31, 2018
Unappropriated retained earnings (JPY thousand)	5,659,831	4,708,487	7,212,580	7,610,548	9,140,372
Reserved profit (JPY thousand)	6,414	-90,516	-111,399	756,300	-107,910
Total cash distribution (JPY thousand)	5,429,192	4,880,081	7,496,535	6,854,248	9,537,291
(Distribution per unit) (JPY)	(1,477)	(1,264)	(1,564)	(1,430)	(1,683)
Total profit distribution (JPY thousand)	5,429,192	4,799,004	7,323,980	6,854,248	9,248,282
(Profit distribution per unit) (JPY)	(1,477)	(1,243)	(1,528)	(1,430)	(1,632)
Total refund of investment (JPY thousand)	-	81,077	172,554	-	289,008
(Refund of investment per unit) (JPY)	(-)	(21)	(36)	(-)	(51)
Total distribution from the allowance for temporary differences adjustment out of total refund of investment (JPY thousand)	-	46,329	-	-	85,002
(Distribution from the allowance for temporary differences adjustment per unit out of refund of investment per unit) (JPY)	(-)	(12)	(-)	(-)	(15)
Total distribution from unitholders' equity under the tax laws out of the total refund of investment (JPY thousand)	-	34,747	172,554	-	204,006

Period	27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Calculated Period	Jul. 1, 2016 to Dec. 31, 2016	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jul. 1, 2018 to Dec. 31, 2018
Distribution from unitholders' equity under the tax laws out of refund of investment per unit (JPY)	(-)	(9)	(36)	(-)	(36)

## 5 Future operational policy and issues to be addressed

Outlook for the Fiscal Periods Ending June 30, 2019 and December 31, 2019

The DPU for the June 2019 fiscal period and December 2019 fiscal period are forecast to be JPY 1,582 (+10.6% YoY) and JPY 1,676 (-0.4% YoY). The full year DPU for calendar year 2019 is forecast to be JPY 3,258 (+4.7% YoY), providing steady growth.

### a Future operational policy and issues to be addressed

Since July 2011, INV has enhanced unitholder value by significantly increasing DPU and financial stability with the Fortress Group as its sponsor. Since Fortress Group joined under the umbrella of SoftBank Group in December 2017 and SoftBank Group owns 100% of issued shares of the Asset Manager directly and indirectly as of March 29, 2018, in addition to continued access to Fortress's global real estate expertise, INV will seek to leverage the resources that are expected to become available through SoftBank Group. SoftBank Group has market-leading expertise in technology fields such as digital marketing for both mobile and desktop, online payment systems, search engine optimization, AI and robotics. INV believes that deployment of technology into INV's real estate assets, especially its hotels, will enhance the ongoing initiatives to improve its digital marketing, minimize labor costs and increase customer engagement. For example, INV plans to pursue opportunities to better manage the increased number of foreign visitors and their related online research, bookings and payments, improve the process in setting hotel rates and manage overbooking through the use of sophisticated AI algorithms, and reduce labor costs while enhancing customer service through the use of robotics.

In addition to pursuing synergies with SoftBank Group, going forward, INV will continue to implement various strategies to maintain further growth and financial stability, including the following measures.

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

Details of the future growth strategy are as follows.

### (i) External growth strategy

#### New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated, and residential properties especially where rental growth can be achieved. Rent revenue from residential assets and other assets as well as the fixed rent portion from hotels will also contribute to more stable revenue, which was 63.5% of total revenue (Note 1). This acquisition strategy will enable INV to build a portfolio with a good balance between growth and stability.

In regards to hotels, INV will take into consideration the trends in foreign travelers visiting Japan, demands of business and leisure customers in nearby areas, and leasing contract types when making investment decisions, with the aim of acquiring properties where growth and stability of GOP and rental revenue are forecasted to increase.

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

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

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

Date	Properties acquired	Total acquisition price
September 2012	24 residential properties	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
June 2018	Two hotels	JPY 7,325 million
August 2018	Four hotels	JPY 47,747 million
September 2018	Two hotels (Note 3)	JPY 36,783 million (Note 3)
Total	94 properties (of which 63 are hotels and 31 are residential properties)	JPY 391,745 million (of which hotels: JPY 340,107 million; residential: JPY 51,638 million)

The Fortress Group manages five dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, III and IV. The Fortress Group's committed equity is over JPY 300 billion and the number of properties that the Fortress Group has invested in exceeds 3,500. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 19 hotels and eight residential properties (as of February 28, 2019; see the table below) (Note 4). In addition, by utilizing the property transaction information available through the Fortress Group and the Asset Manager'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 5)	Location	No. of rooms
1	Rihga Royal Hotel Kyoto	Full Service Hotel	Kyoto, Kyoto	489
2	Hotel MyStays Premier Narita	Full Service Hotel	Narita, Chiba	711
3	Fusaki Beach Resort Hotel & Villas	Resort Service Hotel	Ishigaki, Okinawa	188
4	Art Hotel Asahikawa	Full Service Hotel	Asahikawa, Hokkaido	265
5	Hotel MyStays Kanazawa Castle	Limited Service Hotel	Kanazawa, Ishikawa	206
6	Hotel MyStays Matsuyama	Full Service Hotel	Matsuyama, Ehime	162
7	Hotel MyStays Sapporo Nakajima Park	Limited Service Hotel	Sapporo, Hokkaido	86
8	Flexstay Inn Sakuragicho	Limited Service Hotel	Yokohama, Kanagawa	70
9	MyCUBE by MYSTAYS Asakusa Kuramae	Limited Service Hotel	Taito-ku, Tokyo	161
10	Hotel MyStays Fuji Onsen Resort	Resort Hotel	Fujiyoshida, Yamanashi	159
11	Hotel Nord Otaru	Limited Service Hotel	Otaru, Hokkaido	98
12	Hotel Sonia Otaru	Limited Service Hotel	Otaru, Hokkaido	149
13	Art Hotel Niigata Station	Full Service Hotel	Niigata, Niigata	304
14	Art Hotel Ishigakijima	Resort Hotel	Ishigaki, Okinawa	245
15	Hotel MyStays Shinsaibashi East	Limited Service Hotel	Osaka, Osaka	85
16	Hotel MyStays Sapporo Aspen	Limited Service Hotel	Sapporo, Hokkaido	305
17	Hotel MyStays Sapporo Nakajima Park Annex	Limited Service Hotel	Sapporo, Hokkaido	80
18	Hotel MyStays Sapporo Susukino	Limited Service Hotel	Sapporo, Hokkaido	104
19	Hotel MyStays Nayoro	Limited Service Hotel	Nayoro, Hokkaido	70
Hotel subtotal				3,937
20	Gran Charm Hiroo	Residential/Small Type	Shibuya-ku, Tokyo	121
21	Gran Charm Kichijoji	Residential/Small Type	Musashino, Tokyo	28
22	Green Patio Noda	Residential/Small Type	Noda, Chiba	240
23	Dainichi F - 45	Residential/Small Type	Urayasu, Chiba	54
24	Gran Charm Urayasu	Residential/Small Type	Urayasu, Chiba	54
25	Gran Charm Urayasu 5	Residential/Small Type	Urayasu, Chiba	54
26	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa, Chiba	52
27	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa, Chiba	48
Residential property subtotal				651
Total				4,588

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended December 2018. Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is excluded.

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

- (Note 3) The Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort acquired by the Cayman SPC, of which INV owns the TK interest, are counted as two properties and the INV's investment amount to the TK interest is used as the acquisition price of the TK interest. In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore INV received a refund of the TK investment in the amount of USD 6.8 million from the Cayman SPC. INV's investment amount to the TK interest is after such partial refund (USD 333,036 thousand). USD is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward executed on July 26, 2018 and implemented on September 26, 2018.
- (Note 4) The term of validity of the MOU is from July 17, 2018, the date of execution of the updated MOU, to July 16, 2019. However, regarding the 28 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. Nineteen hotels and nine residential properties were subject to preferential negotiation rights as of the amendment date of the MOU. However, INV has waived the preferential negotiation right for one residential property on February 26, 2019.
- (Note 5) 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 64 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 55 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting 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 52 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives 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 are indispensable to maintain and increase revenues and operate stably in a planned manner.

(Residential properties and others)

INV will continue to strengthen its collaborative ties with PM and brokers to further boost occupancy rates and earning capabilities of its properties. With respect to INV's residential properties, while keeping in mind the high-season in the residential rental market that occurs during the June 2019 period, INV will focus on increasing the occupancy rates and rents for both new lease contracts and lease renewals for all of its properties as well as formulating net leasing cost reduction policies in order to continue maximizing profits.

Further, the implementation of appropriate maintenance and repair plans is of the utmost importance in maintaining and enhancing the competitiveness and market value of the properties as well as ensuring high tenant satisfaction. Therefore, INV will continue to monitor current strategic plans with flexible implementation as it sees fit.

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

(iii) Financial strategy

In the Reporting Period, INV issued the investment corporation bonds for the purpose of raising funds from repaying existing borrowings, as described in "2 Overview of Asset Management for the Fiscal Period Ended December 2018 (c) Overview of Fund Raising (ii) Debt Financing b. Issuance of Investment Corporation Bonds" and lowered its financing costs while at the same time lengthened the average maturity period of its debt and diversified the maturity date of its debt and funding sources. Going forward, INV seeks to maximize unitholders' value by way of further reduction of borrowing costs, diversification of loan maturity dates and financing measures, and improvement of its credit rating.

(iv) Compliance risk management

While the executive officer of INV concurrently serves as the representative director at the Asset Manager, two supervisory directors (an attorney and a certified public accountant) 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

Not applicable. Reference information is stated below.

(Reference Information)

(a) Overview of Fund Raising

INV has decided to implement new borrowings (Term Loan (I)) on January 18, 2019, in order to repay Term Loan (B) in the amount of JPY 4,250 million which was due on January 22, 2019.

Overview of Term Loan (I)

Lender	Borrowing Date	Outstanding Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	January 22, 2019	4,250	0.37250% (Note 1)	January 22, 2022	Unsecured/ non guarantee

(Note 1) This borrowing has a floating interest rate, but the interest rate is fixed through an interest rate swap agreement as of January 18, 2019. Therefore, the interest rate stated is fixed in consideration of the swap.

## Overview of the Investment Corporation

### 1 Overview of Investment

By Period	27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Results Dates	As of Dec. 31, 2016	As of Jun. 30, 2017	As of Dec. 31, 2017	As of Jun. 30, 2018	As of Dec. 31, 2018
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)	3,675,824	3,860,824	4,793,181	4,793,181	5,666,840
Unitholders' capital (JPY million)	120,367	128,984	168,798	168,798	211,092
Number of total unitholders	15,634	17,493	26,761	27,960	35,228

### 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
The Master Trust Bank of Japan, Ltd. (trust account)	768,650	13.56
Japan Trustee Services Bank, Ltd. (trust account)	565,175	9.97
JP MORGAN CHASE BANK 385628	263,576	4.65
The Nomura Trust and Banking Co., Ltd. (investment trust account)	197,578	3.48
Trust & Custody Services Bank, Ltd. (securities investment trust account)	196,571	3.46
BNYM AS AGT/CLTS 10 PERCENT	146,718	2.58
Mizuho Trust & Banking Co., Ltd.	131,076	2.31
GCAS BANA LONDON US CLIENT	123,245	2.17
SSBTC CLIENT OMNIBUS ACCOUNT	117,003	2.06
STATE STREET BANK AND TRUST COMPANY 505001	90,313	1.59
Total	2,599,905	45.87

(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. (current position)	-
Supervisory Director	Takashi Takahashi	Attorney, Ocean General Law Office (current position)	2,400
	Hiroyuki Fujimoto	Tax accountant, CPA Fujimoto Office Outside Auditor, BRYCEN Co., Ltd. (current position)	2,400
	Yoshihiro Tamura (Note 1)	Attorney, Shiba-Daimon Law Office Statutory Auditor, BEQONE PARTNERS, Inc. (current position)	400
Auditor	Ernst & Young ShinNihon LLC (Note 2) (Note 3)	-	37,200

(Note 1) Takashi Takahashi, the former supervisory director, resigned on December 12, 2018, and Yoshihiro Tamura assumed the office of supervisory director on the same day.

(Note 2) The Japanese name of Ernst & Young ShinNihon LLC was changed on July 1, 2018. (The English name remains unchanged.) Hereinafter the same shall apply.

(Note 3) The remuneration for the auditor includes fees for preparing comfort letters (JPY 20,400 thousand).

(Note 4) 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)
General administrative agent (Fiscal agent pertaining to investment corporation bonds, etc.)	Mizuho Bank, Ltd. / Sumitomo Mitsui Banking Corporation

(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, 2018 (as of June 30, 2018)		Fiscal period ended December 31, 2018 (as of December 31, 2018)		
			Amount held (JPY million) (Note 2)	Percentage of total assets (%)	Amount held (JPY million) (Note 2)	Percentage of total assets (%)	
Real estate	Hotels	Greater Tokyo Area (Note 3)	2	0.0	2	0.0	
		Major regional cities	-	-	-	-	
		Subtotal	2	0.0	2	0.0	
Total real estate			2	0.0	2	0.0	
Real estate in trust	Residences	Greater Tokyo area	70,877	18.9	70,386	15.5	
		Major regional cities	15,691	4.2	15,521	3.4	
		Subtotal	86,569	23.1	85,908	18.9	
	Offices/Commercial Facilities	Greater Tokyo area	-	-	-	-	
		Major regional cities	4,912	1.3	4,866	1.1	
		Subtotal	4,912	1.3	4,866	1.1	
	Hotels	Greater Tokyo area	133,640	35.7	159,136	34.9	
		Major regional cities	111,809	29.9	132,735	29.1	
		Subtotal	245,450	65.5	291,872	64.1	
	Total real estate in trust			336,932	90.0	382,647	84.0
	Preferred equity interest (Note 4)			17,856	4.8	17,856	3.9
TK interest (Note 5)			-	-	36,783	8.1	
Deposits and other assets			19,721	5.3	18,072	4.0	
Total assets (Note 6)			374,512 (336,934)	100.0 (90.0)	455,362 (382,649)	100.0 (84.0)	

(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) Part of Hotel MyStays Haneda falls under this category.

(Note 4) Preferred equity interest 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).

(Note 5) TK interests of INV in the SPC in Cayman Islands which holds The Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort as underlying assets.

(Note 6) The figures indicated in parenthesis under "Total assets" show the amounts related to owned real estate (excluding the amount of preferred equity securities and TK interest owned).

## 2 Major Properties

The overview of INV's major properties (top 10 properties by book value) (Note 1) 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 2) (Note 3)	Ratio of rental revenue (%) (Note 3)	Main use
D43	Hotel MyStays Gotanda Station	26,436	10,137.88	10,137.88	100.0	3.6	Hotel
A105	Royal Parks Tower Minami-Senju	22,130	39,113.46	36,734.68	93.9	5.8	Residence
D60	Hotel MyStays Premier Akasaka	20,668	8,620.69	8,620.69	100.0	3.4	Hotel
D44	Hotel Epinard Nasu	19,911	37,702.33	37,702.33	100.0	8.2	Hotel
D61	Hotel MyStays Premier Sapporo Park	16,682	21,670.64	21,670.64	100.0	3.2	Hotel
D47	Hotel MyStays Premier Kanazawa	13,227	13,250.03	13,250.03	100.0	2.8	Hotel
D50	Hotel MyStays Shin Osaka Conference Center	13,009	13,026.99	13,026.99	100.0	2.9	Hotel
D51	Hotel MyStays Premier Omori	9,746	11,849.61	11,849.61	100.0	2.2	Hotel
D52	Beppu Kamenoi Hotel	8,553	19,422.08	19,422.08	100.0	3.1	Hotel
D49	Hotel MyStays Premier Hamamatsucho	8,017	6,151.93	6,151.93	100.0	1.9	Hotel
Total		158,384	180,945.64	178,566.86	98.7	37.1	

(Note 1) Securities described in “6 Asset Portfolio of Securities” later in this document are excluded.

(Note 2) “Occupancy rate” is computed by dividing the leased area by leasable area.

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

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

The portfolio of the properties (real estate and trust beneficiary interest in real estate) held by INV 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, 2018 (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	1,210	1,104
A27	Nisshin Palacestage Higashi- Nagasaki	5-4-1 Nagasaki, Toshima-ku, Tokyo	Trust beneficiary interest (Note 3)	2,681.94	1,330	1,065
A28	Growth Maison Gotanda	2-26-6 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	1,051.50	1,030	844
A29	Growth Maison Kameido	6-58-16 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	1,367.96	1,140	963
A30	Emerald House	3-27-18 Itabashi, Itabashi-ku, Tokyo	Trust beneficiary interest	2,152.31	1,430	1,344
A32	Suncrest Shakujii-Koen	3-15-35 Takanodai, Nerima-ku, Tokyo	Trust beneficiary interest (Note 3)	3,029.16	1,090	1,064
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	948
A34	Belle Face Ueno-Okachimachi	1-27-5 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest (Note 3)	1,351.11	1,090	935
A35	Grand Rire Kameido	3-39-12 Kameido, Koto-ku, Tokyo	Trust beneficiary interest (Note 3)	1,562.26	1,010	808
A37	Growth Maison Yoga	1-15-15 Okamoto, Setagaya-ku, Tokyo	Trust beneficiary interest (Note 3)	1,015.34	770	736
A38	Route Tachikawa	3-7-6 Nishikicho, Tachikawa-shi, Tokyo	Trust beneficiary interest	1,368.57	669	640
A39	Shibuya-Honmachi Mansion	2-35-2 Honmachi, Shibuya-ku, Tokyo	Trust beneficiary interest (Note 3)	1,167.50	638	698
A40	City Heights Kinuta	4-13-15 Kinuta, Setagaya-ku, Tokyo	Trust beneficiary interest	1,235.93	499	652
A41	Acseeds Tower Kawaguchi- Namiki	2-5-13 Namiki, Kawaguchi-shi, Saitama	Trust beneficiary interest (Note 3)	1,210.74	755	527
A43	College Square Machida	3-4-4 Nakamachi, Machida-shi, Tokyo	Trust beneficiary interest (Note 3)	1,047.75	535	556

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
A44	Belair Meguro	1-2-15 Meguro, Meguro-ku, Tokyo	Trust beneficiary interest (Note 3)	557.05	621	553
A45	Wacore Tsunashima I	2-7-47 Tarumachi, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest (Note 3)	907.46	515	520
A46	Foros Nakamurabashi	1-6-6 Kouyama, Nerima-ku, Tokyo	Trust beneficiary interest (Note 3)	815.77	573	510
A47	Growth Maison Kaijin	5-29-51 Kaijin, Funabashi-shi, Chiba	Trust beneficiary interest (Note 3)	2,040.27	497	515
A48	College Square Machiya	7-3-1 Arakawa, Arakawa-ku, Tokyo	Trust beneficiary interest (Note 3)	871.35	554	446
A51	City House Tokyo Shinbashi	6-19-1 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	3,364.00	3,360	2,293
A52	Winbell Kagurazaka	6-15 Shin-Ogawacho, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,032.70	4,280	3,017
A53	Nishiwaseda Crescent Mansion	3-18-9 Nishi-Waseda, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,310.77	2,650	1,885
A54	Lexington Square Akebonobashi	3-8 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	1,987.88	1,950	1,306
A59	Towa City Coop Shinotsuka II	5-49-7 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary interest	1,627.13	1,130	813
A61	Bichsel Musashiseki	1-22-7 Sekimachi-Kita, Nerima-ku, Tokyo	Trust beneficiary interest	1,220.24	740	550
A63	Towa City Coop Sengencho	4-338-2 Sengencho, Nishi-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	3,426.36	1,390	1,008
A64	Royal Park Omachi	2-11-10 Omachi, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,929.59	588	383
A65	Lexington Square Haginomachi	1-15-16 Haginomachi, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,528.58	453	277
A66	Visconti Kakuozan	2-44 Otanacho, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interest	705.75	281	230
A71	Lexington Square Daitabashi	1-33-18 Izumi, Suginami-ku, Tokyo	Trust beneficiary interest	1,430.64	1,260	838
A72	Lexington Square Honjo Azumabashi	4-20-6 Higashi-Komagata, Sumida-ku, Tokyo	Trust beneficiary interest	784.74	650	432
A73	AMS TOWER Minami 6-Jo	2-5-15 Minami 6-Jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	4,460.56	1,290	937
A75	Spacia Ebisu	3-6-22 Higashi, Shibuya-ku, Tokyo	Trust beneficiary interest	7,794.91	8,280	6,446
A76	Neo Prominence	3-21-5 Shimo, Kita-ku, Tokyo	Trust beneficiary interest	3,574.70	2,100	1,603

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
A77	Invoice Shin-Kobe Residence	3-3-8 Ikutacho, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	2,773.71	1,430	1,152
A78	Cosmo Court Motomachi	3-12-20 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	2,310.49	1,110	881
A79	Revest Honjin	2-13 Toriidori, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,933.80	831	607
A80	Revest Matsubara	3-13-12 Matsubara, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,955.40	815	596
A82	Alba Noritake Shinmachi	3-6-8 Noritake Shinmachi, Nishi-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,731.68	752	547
A83	Revest Meieki Minami	2-13-33 Meieki-Minami, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,634.60	769	537
A84	Revest Heian	2-13-17 Heian, Kita-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,554.03	727	537
A85	Vendir Hamaotsu Ekimae	1-2-15 Hamaotsu, Otsu-shi, Shiga	Trust beneficiary interest	2,670.66	736	516
A86	Salvo Sala	2-6-21 Shimanouchi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,428.12	652	494
A87	Excellente Kagurazaka	128-1 Yamabukicho, Shinjuku-ku, Tokyo, and other one parcel	Trust beneficiary interest	701.92	650	506
A88	Luna Court Edobori	3-4-11 Edobori, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,185.50	584	478
A89	Winntage Kobe Motomachi	7-2-2 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	1,433.35	626	461
A90	Queen's Court Fukuzumi	1-3-10 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interest	765.18	642	426
A91	Corp Higashinotoin	380-1 Kawaranomachi, Higashinotoindori Nijo Kudara, Nakagyo-ku, Kyoto-shi, Kyoto, and other two parcels	Trust beneficiary interest	1,029.05	540	411
A92	Belair Oimachi	5-14-17 Higashi-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest	530.60	541	388
A93	Siete Minami-Tsukaguchi	3-18 Minami-Tsukaguchimachi, Amagasaki-shi, Hyogo	Trust beneficiary interest	1,020.86	446	348
A94	Prime Life Sannomiya Isogami Koen	4-3-23 Isogamidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	789.12	457	341
A95	HERMITAGE NANBA WEST	4-10-3 Sakuragawa, Naniwa-ku, Osaka-shi, Osaka	Trust beneficiary interest	992.76	447	326
A96	Century Park Shinkawa 1-bankan	4-1-2 Shinkawacho, Minato-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,477.62	452	318
A97	West Avenue	1-5-17 Nishi, Kunitachi-shi, Tokyo	Trust beneficiary interest	794.80	328	312
A98	Little River Honmachibashi	1-34 Honmachibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	974.81	389	287
A99	Prime Life Mikage	2-25-11 Mikage Tsukamachi, Higashinada-ku, Kobe-shi, Hyogo	Trust beneficiary interest	761.18	332	271

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
A100	City Court Kitaichijo	1-6-3 Kita 1-jo Higashi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	5,230.18	2,040	1,749
A101	Lieto Court Mukojima	5-45-10 Mukojima, Sumida-ku, Tokyo	Trust beneficiary interest	2,940.20	1,810	1,680
A102	Lieto Court Nishi-Ojima	2-41-14 Ojima, Koto-ku, Tokyo	Trust beneficiary interest	2,048.28	1,820	1,624
A103	Royal Parks Momozaka	5-38 Fudegasakicho, Tennouji-ku, Osaka-shi, Osaka	Trust beneficiary interest	8,776.26	3,130	2,825
A104	Royal Parks Shinden	3-35-20 Shinden, Adachi-ku, Tokyo	Trust beneficiary interest	15,797.29	5,560	4,951
A105	Royal Parks Tower Minami-Senju	4-7-3 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interest	39,113.46	23,100	22,130
A106	Royal Parks Seasir Minami-Senju	3-41-7 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interest	6,496.86	2,790	2,727
Subtotal				182,093.86	102,044	85,908
B17	Lexington Plaza Hachiman	3-1-50 Hachiman, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	8,419.15	3,720	3,040
B18	AEON TOWN Sukagawa	105 Furukawa, Sukagawa-shi, Fukushima	Trust beneficiary interest	18,440.58	2,450	1,826
Subtotal				26,859.73	6,170	4,866
D01	Hotel MyStays Kanda	1-2-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary interest	2,585.72	4,930	2,982
D02	Hotel MyStays Asakusa	1-21-11 Honjo, Sumida-ku, Tokyo	Trust beneficiary interest	3,327.38	4,620	2,543
D03	Hotel MyStays Kyoto-Shijo	52 Kasabokocho, Higashiiru, Aburanokoji, Shijyodori, Shimogyo-ku, Kyoto-shi, Kyoto	Trust beneficiary interest	7,241.51	14,300	5,922
D04	MyStays Shin-Urayasu Conference Center	2-1-4 Akemi, Urayasu-shi, Chiba	Trust beneficiary interest	6,232.30	7,280	4,704
D05	Hotel MyStays Maihama	3-5-1 Tekkadori, Urayasu-shi, Chiba	Trust beneficiary interest	2,456.36	6,710	4,821
D06	Hotel MyStays Premier Dojima	2-4-1 Sonezakishinchi, Kita-ku, Osaka	Trust beneficiary interest	9,445.32	7,490	3,812
D07	Hotel MyStays Nagoya-Sakae	2-23-22 Higashi-Sakura, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	9,064.71	6,410	2,692
D08	Hotel MyStays Sakaisuji-Honmachi	1-4-8 Awaji-machi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	4,188.83	6,940	2,398
D09	Hotel MyStays Yokohama	4-81 Sueyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	7,379.43	3,560	1,983
D10	Hotel MyStays Nippori	5-43-7 Higashi-Nippori, Arakawa-ku, Tokyo	Trust beneficiary interest	1,719.29	2,870	1,816
D11	Hotel MyStays Fukuoka-Tenjin-Minami	3-14-20 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	3,412.71	5,700	1,497

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
D12	Flexstay Inn Iidabashi	3-26 Shin-Ogawamachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	2,953.38	1,980	1,364
D13	Hotel MyStays Ueno Inaricho	1-5-7 Matsugaya, Taito-ku, Tokyo	Trust beneficiary interest	1,150.76	2,190	1,254
D14	Flexstay Inn Shinagawa	1-22-19 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interest	1,134.52	1,960	1,206
D15	Flexstay Inn Tokiwadai	1-52-5 Tokiwadai, Itabashi-ku, Tokyo	Trust beneficiary interest	2,539.75	2,100	1,214
D16	Flexstay Inn Sugamo	3-6-16 Sugamo, Toshima-ku, Tokyo	Trust beneficiary interest	2,089.86	2,050	1,131
D17	Hotel MyStays Otemae	1-3-2 Tokuicho, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	4,956.66	4,300	1,147
D18	Flexstay Inn Kiyosumi Shirakawa	1-12-16 Tokiwa, Koto-ku, Tokyo	Trust beneficiary interest	2,673.64	1,250	723
D19	Flexstay Inn Nakanobu P1	4-27-12 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	770.56	769	571
D20	Flexstay Inn Nakanobu P2	4-27-8 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	391.49	370	289
D21	APA Hotel Yokohama-Kannai	3-37-2 Sumiyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	6,568.51	9,720	7,821
D22	Hotel MyStays Hakodate-Goryokaku	26-17 Honcho, Hakodate-shi, Hokkaido	Trust beneficiary interest	7,961.26	3,700	2,830
D23	Flexstay Inn Shirogane	5-10-15 Shirokane, Minato-ku, Tokyo	Trust beneficiary interest	1,754.06	2,220	2,100
D24	Hotel MyStays Haneda	5-1-13 Haneda, Ota-ku, Tokyo	Trust beneficiary interest	5,400.16	8,160	7,412
D25	Hotel MyStays Kameido P1	6-32-1 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	4,349.67	7,170	5,427
D26	Hotel MyStays Ueno Iriyaguchi	5-5-13 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest	2,247.92	3,850	3,712
D27	Hotel MyStays Kameido P2	6-7-8 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	2,793.99	4,770	3,626
D28	Hotel Vista Shimizu	1-23 Masagocho, Shimizu-ku, Shizuoka-shi, Shizuoka	Trust beneficiary interest	3,559.81	2,340	2,062
D29	Super Hotel Shinbashi/Karasumoriguchi	5-16-4 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	1,403.89	1,840	1,599
D30	Flexstay Inn Higashi-Jujo	2-10-2 Nakajujo, Kita-ku, Tokyo	Trust beneficiary interest	1,714.53	1,340	1,269
D31	Hotel MyStays Utsunomiya	2-4-1 Higashi-Shukugo, Utsunomiya-shi, Tochigi	Trust beneficiary interest	11,733.23	1,610	1,232
D32	Flexstay Inn Kawasaki-Kaizuka	1-13-2 Kaizuka, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	1,190.57	1,150	928
D33	Comfort Hotel Toyama	1-3-2 Takara-machi, Toyama-shi, Toyama	Trust beneficiary interest	3,305.64	1,110	935

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
D34	Flexstay Inn Kawasaki-Ogawacho	15-9 Ogawacho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	725.60	1,030	884
D35	Flexstay Inn Ekoda	8-6 Sakaecho, Nerima-ku, Tokyo	Trust beneficiary interest	3,932.93	4,820	4,914
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	2-21-9 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interest	1,832.97	1,230	1,122
D37	Super Hotel JR Ueno-iriyaguchi	7-9-14 Ueno, Taito-ku, Tokyo	Trust beneficiary interest	1,279.16	1,220	1,096
D38	Hotel MyStays Shinsaibashi	1-9-30 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,942.01	3,050	3,077
D39	Comfort Hotel Kurosaki	3-13-13 Kurosaki, Yahatanishi-ku, Kitakyusyu-shi, Fukuoka	Trust beneficiary interest	3,207.60	1,220	1,085
D40	Comfort Hotel Maebashi	2-18-14 Omotecho, Maebashi-shi, Gunma	Trust beneficiary interest	3,660.96	1,160	1,068
D41	Comfort Hotel Tsubame-Sanjo	2-115 Sugoro, Sanjo-shi, Niigata	Trust beneficiary interest	3,099.90	1,070	965
D42	Comfort Hotel Kitami	3-4 Ohdori-Nishi, Kitami-shi, Hokkaido	Trust beneficiary interest	3,009.50	906	804
D43	Hotel MyStays Gotanda Station (Note 4)	2-6-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	10,137.88	26,600	26,436
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	23,100	19,911
D45	Hotel MyStays Fukuoka Tenjin	3-5-7 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	5,083.06	8,740	7,876
D46	Hotel MyStays Hamamatsucho	1-18-14 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	1,951.90	7,040	7,843
D47	Hotel MyStays Premier Kanazawa	2-13-1 Hirooka, Kanazawa-shi, Ishikawa	Trust beneficiary interest	13,250.03	14,500	13,227
D48	Takamatsu Tokyu REI Hotel	9-9 Hyogomachi, Takamatsu-shi, Kagawa	Trust beneficiary interest	7,148.17	2,220	2,117
D49	Hotel MyStays Premier Hamamatsucho	1-8-5 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	6,151.93	9,800	8,017
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	13,500	13,009
D51	Hotel MyStays Premier Omori	6-11-2 Minami Oi, Shinagawa-ku, Tokyo and 13 other lots	Trust beneficiary interest	11,849.61	10,100	9,746
D52	Beppu Kamenoi Hotel	2160-1 Chuocho, Beppu-shi, Oita and 12 other lots	Trust beneficiary interest	19,422.08	9,010	8,553
D53	Hotel MyStays Sapporo Station	4-15 Kita Hachijyo Nishi, Sapporo-shi, Hokkaido	Trust beneficiary interest	7,267.88	8,300	7,765
D54	Hotel MyStays Yokohama Kannai	5-65, Onoe-cho, Naka-ku, Yokohama-shi, Kanagawa and 3 other lots	Trust beneficiary interest	4,501.18	5,490	5,293
D55	Art Hotel Joetsu	5-1-11, Hon-cho Joetsu-shi, Niigata	Trust beneficiary interest	7,563.60	2,810	2,750

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> )	Appraisal value as of December 31, 2018 (JPY million) (Note 2)	Book value (JPY million)
D56	Art Hotel Hirosaki City	1-1-2, 1-6, 1-7, 2-1, Omachi, Hirosaki-shi, Aomori	Trust beneficiary interest	14,826.30	2,760	2,698
D57	Hotel MyStays Oita	1-32, Niagemachi Oita-shi, Oita	Trust beneficiary interest	3,254.69	1,640	1,581
D58	Hotel MyStays Gotanda	2-5-4, Higashigotanda Shinagawa-ku, Tokyo	Trust beneficiary interest	1,839.77	4,140	4,073
D59	Hotel MyStays Tachikawa	1-8-14, Nishiki-cho Tachikawa-shi, Tokyo	Trust beneficiary interest	3,844.64	3,290	3,256
D60	Hotel MyStays Premier Akasaka	2-17-54, Akasaka Minato-ku, Tokyo	Trust beneficiary interest	8,620.69	21,400	20,668
D61	Hotel MyStays Premier Sapporo Park	2-2-10, Minamikujo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	21,670.64	17,000	16,682
D62	Hotel MyStays Ueno East	5-5-6, Higashi UenoTaito-ku, Tokyo	Trust beneficiary interest	4,396.02	5,370	5,277
D63	Hotel MyStays Midosuji Honmachi	3-2-10, Honmachi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	3,429.43	5,090	5,026
Subtotal				359,326.87	354,366	291,874
Total				568,280.46	462,580	382,649

(Note 1) “Location” is, in principle, based on the indicated address (*jyukyohyoji*), except that if the *jyukyohyoji* 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, JLL Morii Valuation & Advisory K.K., 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. As a result of disposition of assets and detachment of trust beneficiary interest from an integrated trust account thereafter, the grouping of trust beneficiary interests at the end of the Reporting Period 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, and Foros Nakamurabashi.

Group 2

College Square Machida, Belair Meguro, and Wacore Tsunashima I.

Group 3

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

(Note 4) 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		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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	95.1	38,880	0.3	1	93.0	39,267	0.3
A27	Nisshin Palacestage Higashi- Nagasaki	1	100.0	47,087	0.4	1	100.0	47,028	0.3
A28	Growth Maison Gotanda	1	100.0	27,485	0.2	1	100.0	27,510	0.2
A29	Growth Maison Kameido	1	95.4	35,011	0.3	1	92.4	33,923	0.2
A30	Emerald House	1	100.0	49,218	0.4	1	96.9	43,591	0.3
A31	Harmonie Ochanomizu (Note 4)	-	-	6,624	0.1	-	-	-	-
A32	Suncrest Shakujii-Koen	1	97.1	37,634	0.3	1	100.0	37,426	0.3
A33	Growth Maison Shin-Yokohama	1	98.5	36,661	0.3	1	97.1	37,068	0.3
A34	Belle Face Ueno-Okachimachi	1	96.9	33,499	0.3	1	93.7	31,321	0.2
A35	Grand Rire Kameido	1	100.0	26,619	0.2	1	100.0	26,669	0.2
A36	Growth Maison Ikebukuro (Note 4)	-	-	4,168	0.0	-	-	-	-
A37	Growth Maison Yōga	1	97.4	22,616	0.2	1	100.0	22,841	0.2
A38	Route Tachikawa	1	100.0	21,540	0.2	1	96.6	22,005	0.2
A39	Shibuya-Honmachi Mansion	1	92.2	19,472	0.2	1	100.0	19,320	0.1
A40	City Heights Kinuta	1	100.0	18,102	0.2	1	83.8	17,354	0.1
A41	Acseeds Tower Kawaguchi- Namiki	1	98.2	24,754	0.2	1	94.7	25,689	0.2
A42	Capital Heights Kagurazaka (Note 4)	-	-	3,226	0.0	-	-	-	-
A43	College Square Machida	1	100.0	17,484	0.2	1	100.0	17,484	0.1
A44	Belair Meguro	1	96.1	16,143	0.1	1	84.2	16,578	0.1
A45	Wacore Tsunashima I	1	96.0	18,127	0.2	1	91.8	19,214	0.1
A46	Foros Nakamurabashi	1	95.1	18,716	0.2	1	94.3	18,050	0.1
A47	Growth Maison Kaijin	1	93.5	22,200	0.2	1	91.9	22,451	0.2
A48	College Square Machiya	1	100.0	14,706	0.1	1	100.0	14,706	0.1
A51	City House Tokyo Shinbashi	1	98.0	92,985	0.8	1	95.4	95,901	0.7

Name of property		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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	98.2	109,221	1.0	1	97.5	107,082	0.8
A53	Nishiwaseda Crescent Mansion	1	98.4	74,348	0.7	1	98.4	75,120	0.6
A54	Lexington Square Akebonobashi	1	99.0	51,097	0.5	1	95.4	51,094	0.4
A59	Towa City Coop Shinotsuka II	1	96.1	35,917	0.3	1	98.7	36,515	0.3
A61	Bichsel Musashiseki	1	98.5	24,762	0.2	1	95.7	23,412	0.2
A63	Towa City Coop Sengencho	1	93.1	54,977	0.5	1	94.9	60,158	0.4
A64	Royal Park Omachi	1	96.4	27,001	0.2	1	89.8	26,333	0.2
A65	Lexington Square Haginomachi	1	97.4	18,145	0.2	1	86.9	17,473	0.1
A66	Visconti Kakuozan	1	100.0	11,157	0.1	1	87.3	11,499	0.1
A71	Lexington Square Daitabashi	1	97.9	33,079	0.3	1	92.2	32,332	0.2
A72	Lexington Square Honjo Azumabashi	1	100.0	18,426	0.2	1	93.9	18,341	0.1
A73	AMS TOWER Minami 6-Jo	1	82.9	42,761	0.4	1	79.7	42,547	0.3
A75	Spacia Ebisu	1	95.6	208,597	1.9	1	96.9	216,468	1.6
A76	Neo Prominence	1	98.3	67,322	0.6	1	98.4	68,104	0.5
A77	Invoice Shin-Kobe Residence	1	99.1	50,828	0.5	1	96.8	50,284	0.4
A78	Cosmo Court Motomachi	1	98.7	38,268	0.3	1	100.0	36,911	0.3
A79	Revest Honjin	1	93.7	31,286	0.3	1	97.5	31,863	0.2
A80	Revest Matsubara	1	98.1	30,439	0.3	1	89.4	28,231	0.2
A82	Alba Noritake Shinmachi	1	95.1	28,107	0.3	1	95.8	26,537	0.2
A83	Revest Meieki Minami	1	90.5	25,584	0.2	1	92.4	26,083	0.2
A84	Revest Heian	1	96.8	23,865	0.2	1	96.8	23,708	0.2
A85	Vendir Hamaotsu Ekimae	1	91.2	33,886	0.3	1	88.9	32,437	0.2
A86	Salvo Sala	1	92.6	25,210	0.2	1	96.7	24,690	0.2
A87	Excellente Kagurazaka	1	94.1	19,969	0.2	1	94.1	19,304	0.1
A88	Luna Court Edobori	1	96.0	21,320	0.2	1	91.9	20,935	0.2
A89	Winntage Kobe Motomachi	1	98.3	22,778	0.2	1	91.4	21,024	0.2

Name of property		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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)
A90	Queen's Court Fukuzumi	1	100.0	18,525	0.2	1	90.3	17,471	0.1
A91	Corp Higashinotoin	1	100.0	19,154	0.2	1	100.0	19,061	0.1
A92	Belair Oimachi	1	100.0	15,490	0.1	1	100.0	16,256	0.1
A93	Siete Minami-Tsukaguchi	1	100.0	17,437	0.2	1	100.0	17,475	0.1
A94	Prime Life Sannomiya Isogami Koen	1	100.0	15,488	0.1	1	100.0	15,351	0.1
A95	HERMITAGE NANBA WEST	1	100.0	16,083	0.1	1	100.0	15,917	0.1
A96	Century Park Shinkawa 1-bankan	1	88.6	20,955	0.2	1	95.4	18,335	0.1
A97	West Avenue	1	97.5	12,185	0.1	1	82.5	12,191	0.1
A98	Little River Honmachibashi	1	100.0	14,005	0.1	1	90.7	14,276	0.1
A99	Prime Life Mikage	1	100.0	12,672	0.1	1	100.0	12,806	0.1
A100	City Court Kitaichijo	1	98.4	66,770	0.6	1	97.1	67,359	0.5
A101	Lieto Court Mukojima	1	99.0	55,654	0.5	1	99.0	55,585	0.4
A102	Lieto Court Nishi-Ojima	1	99.0	48,968	0.4	1	98.8	49,528	0.4
A103	Royal Parks Momozaka	4	90.0	155,151	1.4	1	92.4	151,765	1.1
A104	Royal Parks Shinden	4	100.0	217,076	2.0	1	100.0	219,286	1.6
A105	Royal Parks Tower Minami-Senju	1	93.1	763,803	6.9	1	93.9	782,653	5.8
A106	Royal Parks Seasir Minami-Senju	1	96.9	113,119	1.0	1	96.2	115,307	0.8
Subtotal		70	95.8	3,363,873	30.2	64	95.2	3,364,532	24.7
B14	Lexington Plaza Nishigotanda (Note 4)	-	-	59,893	0.5	-	-	-	-
B15	Cross Square NAKANO (Note 4)	-	-	7,963	0.1	-	-	-	-
B16	Ohki Aoba Building (Note 4)	-	-	6,862	0.1	-	-	-	-
B17	Lexington Plaza Hachiman	1	100.0	164,195	1.5	1	100.0	167,590	1.2
B18	AEON TOWN Sukagawa	1	100.0	141,593	1.3	1	100.0	141,782	1.0
Subtotal		2	100.0	380,507	3.4	2	100.0	309,373	2.3
D01	Hotel MyStays Kanda	1	100.0	111,338	1.0	1	100.0	123,768	0.9

Name of property		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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)
D02	Hotel MyStays Asakusa	1	100.0	106,530	1.0	1	100.0	121,636	0.9
D03	Hotel MyStays Kyoto-Shijo	1	100.0	190,995	1.7	1	100.0	227,490	1.7
D04	MyStays Shin-Urayasu Conference Center	1	100.0	170,174	1.5	1	100.0	205,900	1.5
D05	Hotel MyStays Maihama	1	100.0	110,898	1.0	1	100.0	189,291	1.4
D06	Hotel MyStays Premier Dojima	1	100.0	180,563	1.6	1	100.0	216,347	1.6
D07	Hotel MyStays Nagoya-Sakae	1	100.0	189,920	1.7	1	100.0	197,973	1.5
D08	Hotel MyStays Sakaitsuji-Honmachi	1	100.0	134,391	1.2	1	100.0	132,868	1.0
D09	Hotel MyStays Yokohama	1	100.0	118,488	1.1	1	100.0	130,202	1.0
D10	Hotel MyStays Nippori	1	100.0	61,962	0.6	1	100.0	65,902	0.5
D11	Hotel MyStays Fukuoka-Tenjin-Minami	1	100.0	145,371	1.3	1	100.0	159,191	1.2
D12	Flexstay Inn Iidabashi	1	100.0	53,416	0.5	1	100.0	56,393	0.4
D13	Hotel MyStays Ueno Inaricho	1	100.0	49,251	0.4	1	100.0	51,469	0.4
D14	Flexstay Inn Shinagawa	1	100.0	43,770	0.4	1	100.0	49,754	0.4
D15	Flexstay Inn Tokiwadai	1	100.0	55,215	0.5	1	100.0	64,484	0.5
D16	Flexstay Inn Sugamo	1	100.0	55,232	0.5	1	100.0	57,828	0.4
D17	Hotel MyStays Otemae	1	100.0	94,122	0.8	1	100.0	78,849	0.6
D18	Flexstay Inn Kiyosumi Shirakawa	1	100.0	36,792	0.3	1	100.0	37,478	0.3
D19	Flexstay Inn Nakanobu P1	1	100.0	22,984	0.2	1	100.0	23,371	0.2
D20	Flexstay Inn Nakanobu P2	1	100.0	11,873	0.1	1	100.0	10,941	0.1
D21	APA Hotel Yokohama-Kannai	1	100.0	229,000	2.1	1	100.0	235,819	1.7
D22	Hotel MyStays Hakodate-Goryokaku	1	100.0	76,850	0.7	1	100.0	152,700	1.1
D23	Flexstay Inn Shirogane	1	100.0	55,163	0.5	1	100.0	58,240	0.4
D24	Hotel MyStays Haneda	1	100.0	183,749	1.7	1	100.0	196,075	1.4
D25	Hotel MyStays Kameido P1	1	100.0	183,133	1.6	1	100.0	196,939	1.4
D26	Hotel MyStays Ueno Iriyaguchi	1	100.0	95,011	0.9	1	100.0	97,482	0.7

Name of property		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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)
D27	Hotel MyStays Kameido P2	1	100.0	120,229	1.1	1	100.0	130,200	1.0
D28	Hotel Vista Shimizu	1	100.0	61,652	0.6	1	100.0	67,072	0.5
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	38,349	0.3	1	100.0	40,795	0.3
D31	Hotel MyStays Utsunomiya	1	100.0	99,599	0.9	1	100.0	93,022	0.7
D32	Flexstay Inn Kawasaki-Kaizuka	1	100.0	32,101	0.3	1	100.0	33,169	0.2
D33	Comfort Hotel Toyama	1	100.0	35,928	0.3	1	100.0	35,928	0.3
D34	Flexstay Inn Kawasaki-Ogawacho	1	100.0	25,463	0.2	1	100.0	24,812	0.2
D35	Flexstay Inn Ekoda	1	100.0	115,864	1.0	1	100.0	117,226	0.9
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	1	100.0	31,787	0.3	1	100.0	31,787	0.2
D37	Super Hotel JR Ueno-iriyaguchi	1	100.0	27,275	0.2	1	100.0	27,275	0.2
D38	Hotel MyStays Shinsaibashi	1	100.0	67,682	0.6	1	100.0	63,148	0.5
D39	Comfort Hotel Kurosaki	1	100.0	37,894	0.3	1	100.0	37,894	0.3
D40	Comfort Hotel Maebashi	2	100.0	43,811	0.4	2	100.0	43,811	0.3
D41	Comfort Hotel Tsubame-Sanjo	2	100.0	34,949	0.3	2	100.0	34,949	0.3
D42	Comfort Hotel Kitami	1	100.0	30,300	0.3	1	100.0	30,300	0.2
D43	Hotel MyStays Gotanda Station	1	100.0	482,750	4.3	1	100.0	490,844	3.6
D44	Hotel Epinard Nasu	1	100.0	576,941	5.2	1	100.0	1,112,683	8.2
D45	Hotel MyStays Fukuoka Tenjin	1	100.0	218,700	2.0	1	100.0	230,688	1.7
D46	Hotel MyStays Hamamatsucho	1	100.0	112,104	1.0	1	100.0	123,902	0.9
D47	Hotel MyStays Kanazawa	1	100.0	306,064	2.8	1	100.0	376,887	2.8
D48	Takamatsu Tokyu REI Hotel	3	100.0	105,549	0.9	3	100.0	111,564	0.8
D49	Hotel MyStays Premier Hamamatsucho	1	100.0	223,983	2.0	1	100.0	257,330	1.9
D50	Hotel MyStays Shin Osaka Conference Center	1	100.0	393,186	3.5	1	100.0	388,013	2.9

Name of property		30th fiscal period (January 1, 2018 to June 30, 2018)				31st fiscal period (July 1, 2018 to December 31, 2018)			
		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)
D51	Hotel MyStays Premier Omori	1	100.0	273,325	2.5	1	100.0	303,088	2.2
D52	Beppu Kamenoi Hotel	1	100.0	347,901	3.1	1	100.0	419,762	3.1
D53	Hotel MyStays Sapporo Station	1	100.0	221,703	2.0	1	100.0	272,140	2.0
D54	Hotel MyStays Yokohama Kannai	1	100.0	133,413	1.2	1	100.0	152,128	1.1
D55	Art Hotel Joetsu	1	100.0	145,193	1.3	1	100.0	117,197	0.9
D56	Art Hotel Hirosaki City	1	100.0	152,005	1.4	1	100.0	139,786	1.0
D57	Hotel MyStays Oita	1	100.0	69,444	0.6	1	100.0	60,723	0.4
D58	Hotel MyStays Gotanda	1	100.0	3,843	0.0	1	100.0	128,296	0.9
D59	Hotel MyStays Tachikawa	1	100.0	3,472	0.0	1	100.0	111,170	0.8
D60	Hotel MyStays Premier Akasaka	-	-	-	-	1	100.0	468,926	3.4
D61	Hotel MyStays Premier Sapporo Park	-	-	-	-	1	100.0	441,019	3.2
D62	Hotel MyStays Ueno East	-	-	-	-	1	100.0	143,237	1.1
D63	Hotel MyStays Midosuji Honmachi	-	-	-	-	1	100.0	91,700	0.7
Subtotal		63	100.0	7,378,100	66.3	67	100.0	9,930,318	73.0
Total		135	98.6	11,122,481	100.0	133	98.5	13,604,224	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) Harmonie Ochanomizu, Growth Maison Ikebukuro, Capital Heights Kagurazaka, Cross Square NAKANO and Ohki Aoba Building were sold on January 31, 2018; and Lexington Plaza Nishi-Gotanda was sold on March 9, 2018.

#### 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 INV 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	-	17,856	-	17,856	-	(Note 1) (Note 2)
TK interest in Seven Mile Resort Holdings Ltd	TK interest	-	-	36,783	-	36,783	-	(Note 1) (Note 3)
Total		-	-	54,640	-	54,640	-	

(Note 1) Fair value of the preferred equity securities and TK interest indicate 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.

(Note 3) INV owns TK interest (100.0%) in a special purpose company (Seven Mile Resort Holdings Ltd.) in the Cayman Islands which holds Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort as underlying assets.

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

As of December 31, 2018, 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	71,640,000	34,729,000	48,781
	Currency option transaction USD/Call (Option fees)	4,444,000 (124,943)	1,903,000 (53,157)	(87,318)
	Currency option transaction USD/Put (Option fees)	4,444,000 (140,288)	1,903,000 (88,792)	(162,566)

(Note 1) The contract amount, etc. for interest rate swap are stated based on a notional principal.

(Note 2) Estimation method for fair value

Interest rate swap Estimated based on the price, etc. presented by the correspondent financial institutions.

Currency option Indicates fair values of option fees, 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 Assets Owned Outside of Japan or the Region

Assets owned outside of Japan or the region held by INV at the end of the Reporting Period is as below.

Country name	Amount held (JPY million) (Note 1)	Appraisal value as of December 31, 2018 (JPY million) (Note 2)		No. of properties (properties)
			Percentage of total assets (%)	
Japan	400,506	480,436	92.9	130
The Cayman Islands	36,783	36,783	7.1	2
Total	437,290	517,220	100.0	132

(Note 1) “Amount held” is from the balance sheet (book value after depreciation for real estate and trust beneficiary interest in real estate; and book value for preferred equity securities with real estate as underlying assets) as of December 31, 2018. The amount for the Cayman Islands includes the amount of investment in the TK interest.

(Note 2) “Appraisal value as of December 31, 2018” indicates the real estate appraisal value as of December 31, 2018 or the research value stated in the real estate research report and the appraisal value of investment securities. “Appraisal value as of December 31, 2018” for preferred equity securities which INV holds in Japan indicates acquisition cost since their fair value is deemed extremely difficult to value. “Appraisal value as of December 31, 2018” for the amount of investment in the TK interest which INV holds in the Cayman Islands indicates acquisition cost (converted to JPY using the exchange rate of 1US\$=JPY 110.45 based on exchange contract, rounded down to two decimal places) since its fair value is deemed extremely difficult to value

## 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 related 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, 2018	Advance payments
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	Introduction of energy-saving equipment	From January 2019 To June 2019	329,652	-	-
D09	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	Renovation work	From January 2019 To June 2019	250,000	-	-
D28	Hotel Vista Shimizu	Shizuoka-shi, Shizuoka	Renovation work	From January 2019 To June 2019	120,000	-	-
D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	Replacement of automatic fire alarm system	From January 2019 To June 2019	20,500	-	-
D56	Art Hotel Hirosaki City	Hirosaki-shi, Aomori	Interior work (hotel 3rd floor, etc.)	From January 2019 To June 2019	18,500	-	-

### 2 Capital Expenditures for the Fiscal Period Ended December 31, 2018

The principal construction work constituting capital expenditures for the real estate assets for the fiscal period ended December 31, 2018 is as follows. Capital expenditures for the fiscal period totaled JPY 910,527 thousand, and together with JPY 26,602 thousand in repair costs included in this fiscal period's expenses, construction work totaling JPY 937,129 thousand was implemented.

Name of property		Location	Purpose	Time of implementation	Payment (JPY thousand)
D03	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	Renovation work	From July 2018 To December 2018	150,396
D49	Hotel MyStays Premier Hamamatsucho	Minato-ku, Tokyo	Hot-and-chilled-water generator replacement	From July 2018 To December 2018	39,000
D06	Hotel MyStays Premier Dojima	Osaka-shi, Osaka	Renovation work	From July 2018 To December 2018	37,429
A39	Shibuya-Honmachi Mansion	Shibuya-ku, Tokyo	Renovation work	From July 2018 To December 2018	30,315
D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	Disaster prevention switchboard replacement	From July 2018 To December 2018	21,800
Other construction					631,585
Total					910,527

### 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	27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
	From July 1, 2016 to December 31, 2016	From January 1, 2017 to June 30, 2017	From July 1, 2017 to December 31, 2017	From January 1, 2018 to June 30, 2018	From July 1, 2018 to December 31, 2018
Reserved funds at beginning of period	1,303,685	1,397,286	1,397,243	1,566,108	1,611,828
Amount reserved (Note)	446,066	468,145	697,444	468,448	618,404
Amount reversed (Note)	352,464	468,189	528,579	422,728	415,718
Amount carried over for next fiscal period	1,397,286	1,397,243	1,566,108	1,611,828	1,814,515

(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	30th fiscal period January 1, 2018 to June 30, 2018	31st fiscal period July 1, 2018 to December 31, 2018
(a) Asset management fees	275,000	275,000
(b) Asset custody fees	18,162	18,645
(c) Administrative services fees	39,697	52,607
(d) Directors' compensation	4,800	5,200
(e) Other	197,041	134,119
Total	534,701	485,572

### 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	667,000	-	0.263	Oct. 13, 2018	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		666,000	-					
	Sumitomo Mitsui Banking Corporation		667,000	-					
	Mizuho Bank, Ltd.	Aug. 2, 2018	-	366,500	0.263	Aug. 2, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		-	366,500					
	MUFG Bank, Ltd.		-	366,000					
Subtotal			2,000,000	1,099,000					
Long-term loans (Note 4)	Sumitomo Mitsui Banking Corporation	Jul. 16, 2015	5,992,000	-	0.375	Jul. 16, 2018	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		5,992,000	-					
	Mizuho Bank, Ltd.		5,992,000	-					
	Shinsei Bank, Limited		3,330,000	-					
	Citibank, N.A., Tokyo Branch		3,000,000	-					
	Sumitomo Mitsui Trust Bank, Limited		2,670,000	-					
	Resona Bank, Limited		1,335,000	-					
	MUFG Bank, Ltd.		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
	MUFG Bank, 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						

	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)	MUFG Bank, Ltd.		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
	MUFG Bank, 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					
	MUFG Bank, Ltd.		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
	MUFG Bank, Ltd.		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
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Bank, Ltd	Mar. 31, 2016	465,000	465,000	0.463	Mar. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, 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					
	MUFG Bank, Ltd.		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					
	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	0.563	Mar. 30, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, 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					
	MUFG Bank, Ltd.		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					

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)	The Nomura Trust and Banking Co., Limited		270,000	270,000					
	Mizuho Bank, Ltd.	Mar. 31, 2016	1,965,000	1,965,000	0.663	Mar. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, 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					
	MUFG Bank, Ltd.		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					
	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	0.463	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	0.563	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	0.663	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	0.463	Jun. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	AEON Bank, Ltd.	Jun. 30, 2016	3,000,000	3,000,000	0.663	Jun. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	700,000	700,000	0.463	Jul. 20, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,600,000	1,600,000	0.563	Jul. 20, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,700,000	1,700,000	0.663	Jul. 20, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.	Mar. 14, 2017	634,000	634,000	0.463	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					

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)	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	0.563	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					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					Unsecured / with no guarantee
	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	0.663	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	3,000,000	0.513	Sept. 14, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.	May 29, 2017	4,321,000	4,321,000	0.613	Nov. 29, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Daiichi Life Insurance Co., Ltd.		3,000,000	3,000,000					
	Shinsei Bank, Limited	Oct. 13, 2017	355,000	355,000	0.363	Oct. 13 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch		355,000	355,000					
	Resona Bank, Limited		334,000	334,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		167,000	167,000					
	The Hiroshima Bank, Ltd.		167,000	167,000					
	Shinsei Bank, Limited	Oct. 13, 2017	355,000	355,000	0.463	Oct. 13 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch		355,000	355,000					
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		167,000	167,000					
	The Hiroshima Bank, Ltd.		167,000	167,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	500,000	500,000	0.663	Oct. 13 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation		500,000	500,000					
	Shinsei Bank, Limited		355,000	355,000					

	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)	Citibank, N.A., Tokyo Branch	Oct. 13, 2017	355,000	355,000	0.663	Oct. 13 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Resona Bank, Limited		333,000	333,000					
	Development Bank of Japan, Inc.		1,500,000	1,500,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		166,000	166,000					
	The Hiroshima Bank, Ltd.		166,000	166,000					
	The Daiichi Life Insurance Co., Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,250,000	1,250,000	0.763	Oct. 13 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		1,065,000	1,065,000					
	Sumitomo Mitsui Banking Corporation		1,250,000	1,250,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,250,000	1,250,000	0.863	Oct. 11 2024	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		1,060,000	1,060,000					
	Sumitomo Mitsui Banking Corporation		1,250,000	1,250,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,850,000	1,850,000	0.313	Oct. 13 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		1,850,000	1,850,000					
	Shinsei Bank, Limited	Jun. 27, 2018	1,000,000	1,000,000	0.750	Jun. 27 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	Jul. 17, 2018	-	2,442,000	0.363	Jul. 17, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		-	2,220,000					
	Sumitomo Mitsui Banking Corporation		-	1,998,000					
	Shinsei Bank, Limited		-	1,110,000					
	Citibank, N.A., Tokyo Branch		-	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		-	890,000					
	Mizuho Bank, Ltd.	Jul. 17, 2018	-	2,443,000	0.463	Jul. 17, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		-	2,220,000					
	Sumitomo Mitsui Banking Corporation		-	1,997,000					
	Shinsei Bank, Limited		-	1,110,000					
	Citibank, N.A., Tokyo Branch		-	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		-	890,000					
	Mizuho Bank, Ltd.	Jul. 14, 2018	-	2,442,000	0.563	Jul. 14, 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		-	2,220,000					
	Sumitomo Mitsui Banking Corporation		-	1,997,000					

	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)	Shinsei Bank, Limited		-	1,110,000					
	Citibank, N.A., Tokyo Branch		-	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		-	890,000					
	Mizuho Bank, Ltd.	Aug. 2, 2018	-	766,000	0.363	Aug 2, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		-	766,000					
	MUFG Bank, Ltd.		-	467,000					
	Shinsei Bank, Limited		-	150,000					
	Citibank, N.A., Tokyo Branch		-	120,000					
	The Nomura Trust and Banking Co., Limited		-	30,000					
	AEON Bank, Ltd.		-	60,000					
	Mizuho Bank, Ltd.	Sep. 26, 2018	-	2,521,500	0.363	Sep. 26, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		-	2,521,500					
	MUFG Bank, Ltd.		-	2,133,000					
	Sumitomo Mitsui Trust Bank, Limited		-	1,000,000					
	Shinsei Bank, Limited		-	684,000					
	Citibank, N.A., Tokyo Branch		-	546,000					
	Development Bank of Japan, Inc.		-	500,000					
	Resona Bank, Limited		-	445,000					
	The Nomura Trust and Banking Co., Limited		-	137,000					
	AEON Bank, Ltd.		-	273,000					
	Mizuho Bank, Ltd.	Sep. 26, 2018	-	3,287,000	0.463	Sep. 26, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		-	3,287,000					
	MUFG Bank, Ltd.		-	2,600,000					
	Sumitomo Mitsui Trust Bank, Limited		-	1,000,000					
	Shinsei Bank, Limited		-	833,000					
	Citibank, N.A., Tokyo Branch		-	667,000					
	Development Bank of Japan, Inc.		-	500,000					
	Resona Bank, Limited		-	445,000					
	The Nomura Trust and Banking Co., Limited		-	167,000					
	AEON Bank, Ltd.		-	334,000					
	Mizuho Bank, Ltd.	Sep. 26, 2018	-	3,287,500	0.563	Sep. 26, 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		-	3,287,500					
	MUFG Bank, Ltd.		-	2,600,000					
	Sumitomo Mitsui Trust Bank, Limited		-	1,000,000					
	Shinsei Bank, Limited		-	833,000					
	Citibank, N.A., Tokyo Branch		-	667,000					
	Development Bank of Japan, Inc.		-	500,000					
	Resona Bank, Limited		-	445,000					

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)				
	The Nomura Trust and Banking Co., Limited		-	166,000					
	AEON Bank, Ltd.		-	333,000					
Subtotal			185,415,000	224,774,000					
Total			187,415,000	225,873,000					

- (Note 1) Average interest rate shows the interest rate for each loan agreement as of the end of the Reporting Period, 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. In regards to borrowings repaid during the Reporting Period, the interest rate for each loan agreement as of the repayment date rounded to three decimal places is 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

Status of investment corporation bonds as of the end of the Reporting Period is as follows.

Bond Series	Issue Date	Balance at the beginning of the period (JPY thousand)	Balance at the end of the period (JPY thousand)	Interest Rate (%)	Redemption Date	Redemption method	Use of funds	Security/ Guaranty
First Series Unsecured Investment Corporation Bonds (Note 1)	May 25, 2018	1,000,000	1,000,000	0.400	May 25, 2023	(Note 2)	(Note 3)	Unsecured / Unguaranteed
Second Series Unsecured Investment Corporation Bonds (Note 1)	May 25, 2018	1,000,000	1,000,000	0.800	May 25, 2028	(Note 2)	(Note 3)	
Third Series Unsecured Investment Corporation Bonds (Note 1)	October 12, 2018	—	2,000,000	0.550	October 12, 2023	(Note 2)	(Note 4)	Unsecured / Unguaranteed
Total		2,000,000	4,000,000	—	—	—	—	—

(Note 1) This is with pari passu conditions among specified corporate bonds.

(Note 2) The Investment Corporation Bonds may be purchased and cancelled at any time after the payment date, except for the case where the laws and regulations or the Depository otherwise stipulates.

(Note 3) The funds will be used to acquire trust beneficiary interest in real estate.

(Note 4) The funds will be used to repay borrowings.

### 4 Short-Term Investment Corporation Bonds

Not applicable

### 5 Investment Unit Options

Not applicable

## Acquisitions and Sales for the Fiscal Period Ended December 31, 2018

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

Type of asset	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)
Trust beneficiary interest	D60	Hotel MyStays Premier Akasaka (Note 3)	August 2, 2018	20,691	-	-	-	-
Trust beneficiary interest	D61	Hotel MyStays Premier Sapporo Park (Note 3)	August 2, 2018	16,731	-	-	-	-
Trust beneficiary interest	D62	Hotel MyStays Ueno East (Note 3)	August 2, 2018	5,286	-	-	-	-
Trust beneficiary interest	D63	Hotel MyStays Midosuji Honmachi (Note 3)	August 2, 2018	5,039	-	-	-	-
TK interest	-	TK Interest with Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort as underlying assets	September 28, 2018 (Note 4)	36,783 (Note 5)	-	-	-	-
	Total			84,530	-	-	-	-

(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 date is in accordance with the Cayman Island local time. It is September 29, 2018 Japan time.

(Note 5) INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV's investment amount to the TK interest is calculated based on the amount reflecting such partial refund (i.e., USD 333,036 thousand).

### 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

#### 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
Acquisition	D60	Hotel MyStays Premier Akasaka	Real estate Trust beneficiary interest	August 2, 2018	20,691	20,900	Japan Real Estate Institute	June 1, 2018
	D61	Hotel MyStays Premier Sapporo Park			16,731	16,900	The Tanizawa Sogo Appraisal Co., Ltd	June 1, 2018
	D62	Hotel MyStays Ueno East			5,286	5,340	The Tanizawa Sogo Appraisal Co., Ltd	June 1, 2018
	D63	Hotel MyStays Midosuji Honmachi			5,039	5,090	Japan Real Estate Institute	June 1, 2018

(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) 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.”

#### Investment Securities

With regard to TK interest transactions from July 1, 2018 to December 31, 2018, INV has entrusted Akasaka Audit LLC with investigation on comparable prices based on the Article 201, Paragraph 2 of the Investment Trust Act, transaction types (acquisition, sale or other), transaction dates, matters concerning corporate assets for TK agreement, issues, transaction prices and other transaction details, and has received the investigation report.

#### Other

Other transactions for which INV entrusted investigation are 12 currency option transactions from July 1, 2018 to December 31, 2018. With regard to these transactions, INV has entrusted Akasaka Audit LLC with investigation on comparable prices based on the Article 201, Paragraph 2 of the Investment Trust Act, transaction dates, names of counterparties in the transactions, issues, agreed numerical values, type of financial instruments or monetary indicators, category of put or call, strike price, exercise periods, transaction periods and details of other over-the-counter derivative transactions, and has received the investigation report.

#### **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

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

Please refer to Audited Financial Statements for the Fiscal Period ended December 31, 2018 (July1, 2018 to December 2018, 2018).

### 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

### 1 Notice

#### (1) General Meeting of Unitholders

INV's General Meeting of Unitholders was held on December 12, 2018.

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. In order to clarify that the definition of “distributable amount” to be generated by the operation of the assets by INV is identical to the “profits” stipulated in the Investment Trust Act, INV added certain words necessary for such clarification to the relevant article.</li><li>2. In view of growing importance of the roles and responsibilities of the independent auditor, and taking into consideration the fact that the volume of audit work is increasing due to expansion of INV's asset size resulting from its internal and external growth and other factors, INV amended the maximum amount of remuneration payable to its independent auditor so that INV may pay a reasonable amount of remuneration to its independent auditor based on the volume of the audit work requested by INV to its independent auditor.</li><li>3. With the consent of the asset management company, the asset management fees for the period from January 2013 to December 2018 had 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 2019 to December 2019 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 2018. Accordingly, INV amended the standards concerning the amount and payment of the asset management fees for the period from January 2019 to December 2019, effective January 1, 2019.</li></ol>

		4. In addition, necessary revision and clarification of expressions, and other changes in the wording and such were made.
Proposal No. 2	Appointment of One (1) Executive Director	Naoki Fukuda was appointed.
Proposal No. 3	Appointment of One (1) Substitute Executive Director	Christopher Reed was appointed.
Proposal No. 4	Appointment of Two (2) Supervisory Directors	Hiroyuki Fujimoto and Yoshihiro Tamura 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
July 17, 2018	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 July 17, 2018.

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

## 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.

## Independent Auditor's Report

The Board of Directors  
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at December 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at December 31, 2018, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*

March 26, 2019  
Tokyo, Japan

# INVINCIBLE INVESTMENT CORPORATION

## BALANCE SHEET As of December 31, 2018

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits (Notes 6 and 17) .....	¥ 8,505,792	¥ 3,985,335	\$ 35,903
Cash and bank deposits in trust (Notes 6 and 17) .....	6,566,761	7,079,268	63,777
Accounts receivable .....	6,483	583,012	5,252
Rental receivables .....	1,826,596	2,591,368	23,345
Prepaid expenses .....	428,536	539,442	4,859
Income taxes receivable .....	149,632	172,912	1,557
Consumption taxes receivable .....	-	434,326	3,912
Other .....	0	0	0
Allowance for doubtful accounts .....	(89)	(86)	0
<b>Total current assets</b> .....	<b>17,483,714</b>	<b>15,385,582</b>	<b>138,608</b>
<b>Non-current assets:</b>			
<b>Property and equipment (Notes 7 and 8):</b>			
Tools, furniture and fixtures, at cost .....	3,192	3,192	28
Buildings in trust, at cost .....	133,579,099	144,380,745	1,300,727
Buildings and accompanying facilities in trust, at cost .....	28,918,145	32,567,092	293,397
Structures in trust, at cost .....	225,353	228,964	2,062
Tools, furniture and fixtures in trust, at cost .....	1,395,339	1,690,363	15,228
Land in trust .....	173,298,062	203,881,464	1,836,769
Subtotal .....	337,419,193	382,751,823	3,448,214
Less: Accumulated depreciation .....	(17,196,907)	(20,117,593)	(181,239)
<b>Total property and equipment, net</b> .....	<b>320,222,285</b>	<b>362,634,229</b>	<b>3,266,975</b>
<b>Intangible assets:</b>			
Leasehold rights in trust .....	16,712,637	20,015,700	180,321
<b>Total intangible assets</b> .....	<b>16,712,637</b>	<b>20,015,700</b>	<b>180,321</b>
<b>Investments and other assets:</b>			
Investment securities (Note 18 and 22) .....	17,856,387	54,640,213	492,254
Guarantee deposits .....	1,681,565	1,700,670	15,321
Long-term prepaid expenses .....	426,222	708,191	6,380
Derivatives assets (Note 19) .....	92,561	216,555	1,950
Other .....	12,667	22,667	204
<b>Total investments and other assets</b> .....	<b>20,069,404</b>	<b>57,288,298</b>	<b>516,110</b>
<b>Total non-current assets</b> .....	<b>357,004,327</b>	<b>439,938,228</b>	<b>3,963,407</b>
<b>Deferred assets:</b>			
Investment corporation bond issuance costs .....	24,295	38,985	351
<b>Total deferred assets</b> .....	<b>24,295</b>	<b>38,985</b>	<b>351</b>
<b>TOTAL ASSETS</b> .....	<b>¥ 374,512,988</b>	<b>¥ 455,362,796</b>	<b>\$ 4,102,367</b>

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable .....	¥ 598,870	¥ 431,891	\$ 3,890
Short-term loans payable (Note 10) .....	2,000,000	1,099,000	9,900
Current portion of long-term loans payable (Note 10) .....	46,663,000	54,745,000	493,198
Accounts payable-other .....	131,783	651,992	5,873
Accrued expenses .....	195,481	200,203	1,803
Income taxes payable .....	605	605	5
Consumption taxes payable .....	14,902	-	-
Advances received .....	551,506	571,668	5,150
Deposits received .....	21,697	134,085	1,207
<b>Total current liabilities</b> .....	<b>50,177,846</b>	<b>57,834,445</b>	<b>521,031</b>
<b>Non-current liabilities:</b>			
Investment corporation bonds (Note 9) .....	2,000,000	4,000,000	36,036
Long-term loans payable (Notes 10 and 17) .....	138,752,000	170,029,000	1,531,792
Tenant leasehold and security deposits in trust (Note 17) .....	2,026,400	2,009,816	18,106
Tenant leasehold and security deposits (Note 17) .....	1,586	92,525	833
Asset retirement obligations (Note 20) .....	31,891	32,107	289
<b>Total non-current liabilities</b> .....	<b>142,811,878</b>	<b>176,163,449</b>	<b>1,587,058</b>
<b>TOTAL LIABILITIES</b> .....	<b>192,989,724</b>	<b>233,997,895</b>	<b>2,108,089</b>
<b>NET ASSETS (Note 11)</b>			
<b>Unitholders' equity:</b>			
Unitholders' capital .....	168,798,455	211,092,540	1,901,734
<b>Surplus:</b>			
Capital surplus .....	6,264,432	6,264,432	56,436
Allowance for temporary differences .....	(46,329)	(46,329)	(417)
Adjustment (Note 4) .....	(1,194,818)	(5,194,798)	(46,799)
Other deduction of capital surplus .....	(1,241,148)	(5,241,128)	(47,217)
Capital surplus (net) .....	5,023,283	1,023,303	9,218
<b>Voluntary reserve</b>			
Retained earnings .....	7,610,548	9,140,372	82,345
<b>Total surplus</b> .....	<b>12,633,832</b>	<b>10,163,675</b>	<b>91,564</b>
<b>Total unitholders' equity</b> .....	<b>181,432,288</b>	<b>221,256,215</b>	<b>1,993,299</b>
<b>Valuation and translation adjustments:</b>			
Deferred gains or losses on hedges .....	90,975	108,684	979
<b>Total valuation and translation adjustments</b> .....	<b>90,975</b>	<b>108,684</b>	<b>979</b>
<b>TOTAL NET ASSETS</b> .....	<b>181,523,263</b>	<b>221,364,900</b>	<b>1,994,278</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<b>¥ 374,512,988</b>	<b>¥ 455,362,796</b>	<b>\$ 4,102,367</b>

The accompanying notes are an integral part of these financial statements.

INVINCIBLE INVESTMENT CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
For the six months ended December 31, 2018

	For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>Operating revenue</b>			
Rental revenue—real estate (Note 13) .....	¥ 11,122,481	¥ 13,604,224	\$ 122,560
Gain on sales of properties (Note 14) .....	1,249,645	-	-
Dividend income .....	732,714	846,780	7,628
<b>Total operating revenue</b> .....	<u>13,104,714</u>	<u>14,451,005</u>	<u>130,189</u>
<b>Operating expenses</b>			
Property related expenses (Note 13) .....	4,136,619	4,450,676	40,096
Asset management fees .....	275,000	275,000	2,477
Directors' compensation .....	4,800	5,200	46
Asset custody fees .....	18,162	18,645	167
Administrative service fees .....	39,697	52,607	473
Provision of allowance for doubtful accounts .....	2	86	0
Other .....	197,039	134,032	1,207
<b>Total operating expenses</b> .....	<u>4,671,320</u>	<u>4,936,248</u>	<u>44,470</u>
<b>Operating income</b> .....	<u>8,433,520</u>	<u>9,514,756</u>	<u>85,718</u>
<b>Non-operating income</b>			
Interest income .....	78	82	0
Foreign exchange gains .....	-	34,468	310
Interest on tax refund .....	3,086	72	0
Other .....	1,181	906	8
<b>Total non-operating income</b> .....	<u>4,347</u>	<u>35,528</u>	<u>320</u>
<b>Non-operating expenses</b>			
Interest expenses .....	479,456	555,811	5,007
Interest expenses on investment corporation bonds	1,216	8,490	76
Amortization of investment corporation bond issuance costs	379	2,625	23
Loan-related costs .....	234,197	407,683	3,672
Investment unit issuance costs .....	-	186,997	1,684
Other-non-operating expenses .....	64	3,999	36
<b>Total non-operating expenses</b> .....	<u>715,314</u>	<u>1,165,608</u>	<u>10,500</u>
<b>Ordinary income</b> .....	<u>7,722,553</u>	<u>8,384,676</u>	<u>75,537</u>
<b>Income before income taxes</b> .....	<u>7,722,553</u>	<u>8,384,676</u>	<u>75,537</u>
Income taxes (Note 15):			
Current .....	605	605	5
<b>Total income taxes</b> .....	<u>605</u>	<u>605</u>	<u>5</u>
<b>Net income</b> .....	<u>7,721,948</u>	<u>8,384,071</u>	<u>75,532</u>
<b>Retained earnings / losses brought forward</b> .....	<u>(111,399)</u>	<u>756,300</u>	<u>6,813</u>
<b>Unappropriated retained earnings / losses (Note 12)</b> .....	<u>¥ 7,610,548</u>	<u>¥ 9,140,372</u>	<u>\$ 82,345</u>

The accompanying notes are an integral part of these financial statements.

# INVINCIBLE INVESTMENT CORPORATION

## STATEMENT OF CHANGES IN NET ASSETS

For the six months ended December 31, 2018

	Unitholders' equity					
	Surplus					
	Capital surplus					
	Unitholders' capital	Deduction of capital surplus				Capital surplus (net)
		Capital surplus	Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus	
	(in thousands of yen)					
Balance as of January 1, 2018 .....	¥ 168,798,455	¥ 6,264,432	¥ (46,329)	¥ (1,022,263)	¥ (1,068,593)	¥ 5,195,838
Changes during the period .....						
Distributions from surplus .....						
Other distributions in excess of retained earnings .....				(172,554)	(172,554)	(172,554)
Net income .....						
Changes other than unitholders' equity(net) .....						
Total changes during the period .....	-	-	-	(172,554)	(172,554)	(172,554)
Balance as of June 30, 2018 .....	¥ 168,798,455	¥ 6,264,432	¥ (46,329)	¥ (1,194,818)	¥ (1,241,148)	¥ 5,023,283
Changes during the period .....						
Issuance of new investment units .....	42,294,085					
Distributions from surplus .....						
Acquisition of own investment units .....						
Cancellation of own investment units .....				(3,999,980)	(3,999,980)	(3,999,980)
Net income .....						
Changes other than unitholders' equity(net) .....						
Total changes during the period .....	42,294,085	-	-	(3,999,980)	(3,999,980)	(3,999,980)
Balance as of December 31, 2018 .....	¥ 211,092,540	¥ 6,264,432	¥ (46,329)	¥ (5,194,798)	¥ (5,241,128)	¥ 1,023,303

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Surplus		Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus					
	(in thousands of yen)						
Balance as of January 1, 2018 .....	¥ 7,212,580	¥ 12,408,419	¥ -	¥ 181,206,874	¥ 113,592	¥ 113,592	¥ 181,320,466
Changes during the period .....							
Distributions from surplus .....	(7,323,980)	(7,323,980)		(7,323,980)			(7,323,980)
Other distributions in excess of retained earnings .....		(172,554)		(172,554)			(172,554)
Net income .....	7,721,948	7,721,948		7,721,948			7,721,948
Changes other than unitholders' equity(net) .....					(22,616)	(22,616)	(22,616)
Total changes during the period .....	397,968	225,413	-	225,413	(22,616)	(22,616)	202,796
Balance as of June 30, 2018 .....	¥ 7,610,548	¥ 12,633,832	¥ -	¥ 181,432,288	¥ 90,975	¥ 90,975	¥ 181,523,263
Changes during the period .....							
Issuance of new investment units .....				42,294,085			42,294,085
Distributions from surplus .....	(6,854,248)	(6,854,248)		(6,854,248)			(6,854,248)
Acquisition of own investment units .....			(3,999,980)	(3,999,980)			(3,999,980)
Cancellation of own investment units .....		(3,999,980)	3,999,980	-			-
Net income .....	8,384,071	8,384,071		8,384,071			8,384,071
Changes other than unitholders' equity(net) .....					17,709	17,709	17,709
Total changes during the period .....	1,529,823	(2,470,157)	-	39,823,927	17,709	17,709	39,841,636
Balance as of December 31, 2018 .....	¥ 9,140,372	¥ 10,163,675	¥ -	¥ 221,256,215	¥ 108,684	¥ 108,684	¥ 221,364,900

	Unitholders' equity					
	Surplus					
		Capital surplus				
Unitholders' capital	Capital surplus	Deduction of capital surplus			Capital surplus (net)	
		Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus		
		(in thousands of U.S dollars)				
Balance as of July 1, 2018 .....	\$ 1,520,706	\$ 56,436	\$ (417)	\$ (10,764)	\$ (11,181)	\$ 45,254
Changes during the period .....						
Issuance of new investment units .....	381,027					
Distributions from surplus .....						
Acquisition of own investment units .....						
Cancellation of own investment units .....				(36,035)	(36,035)	(36,035)
Net income .....						
Changes other than unitholders' equity (net) .....						
Total changes during the period .....	381,027	-	-	(36,035)	(36,035)	(36,035)
Balance as of December 31, 2018 .....	\$ 1,901,734	\$ 56,436	\$ (417)	\$ (46,799)	\$ (47,217)	\$ 9,218

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Surplus		Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus					
	(in thousands of U.S dollars)						
Balance as of July 1, 2018 .....	\$ 68,563	\$ 113,818	\$ -	\$ 1,634,525	\$ 819	\$ 819	\$ 1,635,344
Changes during the period .....							
Issuance of new investment units .....				381,027			381,027
Distributions from surplus .....	(61,749)	(61,749)		(61,749)			(61,749)
Acquisition of own investment units .....			(36,035)	(36,035)			(36,035)
Cancellation of own investment units .....		(36,035)	36,035	-			-
Net income .....	75,532	75,532		75,532			75,532
Changes other than unitholders' equity (net) .....					159	159	159
Total changes during the period .....	13,782	(22,253)	-	358,774	159	159	358,933
Balance as of December 31, 2018 .....	\$ 82,345	\$ 91,564	\$ -	\$ 1,993,299	\$ 979	\$ 979	\$ 1,994,278

The accompanying notes are an integral part of these financial statements.

# INVINCIBLE INVESTMENT CORPORATION

## STATEMENT OF CASH FLOWS

For the six months ended December 31, 2018

	For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 7,722,553	¥ 8,384,676	\$ 75,537
Depreciation and amortization	2,772,510	3,039,033	27,378
Investment unit issuance costs	-	186,997	1,684
Amortization of investment corporation bond issuance costs	379	2,625	23
Loan-related costs	234,197	407,683	3,672
Interest income	(78)	(82)	0
Interest expenses	480,672	564,302	5,083
<b>Changes in assets and liabilities</b>			
Foreign exchange losses (gains)	-	(7,261)	(65)
Increase (decrease) in allowance for doubtful accounts	0	(3)	0
Decrease (increase) in rental receivables	158,132	(764,772)	(6,889)
Decrease (increase) in receivable income taxes	(149,624)	(23,292)	(209)
Decrease (increase) in consumption taxes receivable	661,287	(434,326)	(3,912)
Increase (decrease) in accounts payable	39,752	(32,970)	(297)
Increase (decrease) in consumption taxes payable	(32,819)	(14,902)	(134)
Increase (decrease) in accounts payable-other	49,627	(49,755)	(448)
Increase (decrease) in accrued expenses	(75,177)	(2,611)	(23)
Increase (decrease) in advances received	(49,246)	20,161	181
Increase (decrease) in deposits received	(47,348)	(75,818)	(683)
Decrease in property and equipment, due to sale in trust	9,181,866	-	-
Other, net	20,177	9,283	83
Subtotal	20,966,865	11,208,966	100,981
Interest income received	78	82	0
Interest expenses paid	(483,261)	(553,985)	(4,990)
Income taxes paid	(605)	(605)	(5)
Net cash provided by operating activities	20,483,077	10,654,458	95,986
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment in trust	(20,847,991)	(45,485,560)	(409,779)
Purchases of leasehold rights in trust	-	(3,421,194)	(30,821)
Purchases of investment securities	(1,927)	-	-
Repayments of tenant leasehold and security deposits in trust	(320,542)	(64,862)	(584)
Proceeds from tenant leasehold and security deposits in trust	132,593	49,032	441
Payments of tenant leasehold and security deposits	(30,000)	(19,105)	(172)
Payments of TK investment	-	(37,534,886)	(338,152)
Proceeds from withdrawal of TK investment	-	751,060	6,766
Other, net	47,201	(12,784)	(115)
Net cash used in investing activities	(21,020,665)	(85,738,300)	(772,417)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term loans payable	-	1,099,000	9,900
Repayments of short-term loans payable	(1,068,000)	(2,000,000)	(18,018)
Proceeds from long-term loans payable	1,500,000	68,338,000	615,657
Repayments of long-term loans payable	-	(28,979,000)	(261,072)
Proceeds from issuance of investment corporation bonds	1,977,436	1,980,352	17,841
Payments for loan-related costs	(40,494)	(804,736)	(7,249)
Payments for Acquisition of Own investment units	-	(3,999,980)	(36,035)
Payments of distributions of earnings	(7,280,040)	(6,664,830)	(60,043)
Payments of other distributions in excess of retained earnings	(172,554)	-	-
Proceeds from issuance of investment units	-	42,107,087	379,343
Net cash provided by (used in) financing activities	(5,083,652)	71,075,892	640,323
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,621,240)	(4,007,949)	(36,107)
<b>Cash and cash equivalents at beginning of period</b>	20,693,794	15,072,553	135,788
<b>Cash and cash equivalents at end of period (Note 6)</b>	¥ 15,072,553	¥ 11,064,604	\$ 99,681

The accompanying notes are an integral part of these financial statements.

# INVINCIBLE INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and for the six months ended December 31, 2018

### 1. Organization

Invincible Investment Corporation (the “Company”), a real estate investment corporation, was incorporated on January 18, 2002, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) with initial capital of ¥200 million.

The Company is externally managed by a registered asset management company, Consonant Investment Management Co., Ltd. (the “Asset Manager”). The Asset Manager is currently owned 100% by Calliope Godo Kaisha (Calliope). The Company was formed to invest primarily in properties in Japan.

On May 17, 2004, the Company raised ¥3,377,250 thousand through an initial public offering of 9,000 investment units. As a “comprehensive investment REIT focusing on the Tokyo metropolitan area and on residential properties,” the Company was listed on the Osaka Securities Exchange in May 2004.

On February 7, 2005, the Company completed its second public offering of 10,650 investment units at a price of ¥369,734 per unit in connection with a public offering in Japan.

On July 31, 2006, the Company completed its third public offering of 25,000 investment units at a price of ¥332,045 per unit in connection with a public offering in Japan. The Company was listed on the J-REIT market of the Tokyo Stock Exchange in August 2006 (in order to focus trading on one securities exchange and reduce administrative tasks and costs accompanying a duplicate listing, the Company delisted from the Osaka Securities Exchange on October 6, 2007).

Effective on February 1, 2010, the Company executed a five-to-one unit split and 215,596 investment units were issued in connection with the unit split. Effective on the same day, the Company also merged with LCP Investment Corporation (LCP) and allocated 367,200 investment units at a ratio of 4 units (post-unit split) of the Company per one investment unit of LCP. As a result, investment units issued and outstanding were 636,695 units as of February 1, 2010.

On July 29, 2011, the Company completed a third party allotment of 711,597 investment units at a price of ¥9,837 per unit.

On December 20, 2013, the Company completed a third party allotment of 224,887 investment units at a price of ¥13,340 per unit.

On July 16, 2014, the Company completed its fourth public offering totaling 1,040,000 new investment units at a price of ¥21,873 per unit. 527,322 of such units were issued in connection with a Domestic Public Offering, and the remaining 512,678 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 13, 2014, the Company issued 55,507 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥23.9 billion were used to repay the Company’s outstanding short term borrowings and in connection with the acquisition of 18 properties during this fiscal period.

On July 15, 2015, the Company completed its fifth public offering totaling 500,000 new investment units at a price of ¥57,817 per unit. 211,250 of such units were issued in connection with a Domestic Public Offering, and the remaining 288,750 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 12, 2015, the Company issued 25,000 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥29.3 billion were used to repay the Company’s outstanding long term borrowings and in connection with the acquisition of 14 properties during this fiscal period.

On March 30, 2016, the Company completed its sixth public offering totaling 459,512 new investment units at a price ¥81,217 per unit. 194,144 of such units were issued in connection with a Domestic Public Offering, and the remaining 265,368 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On April 27, 2016, the Company issued 22,626 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥37.9 billion were used to repay the Company’s outstanding long term borrowing and in connection with the acquisition of 6 properties during this fiscal period.

On March 13, 2017, the Company completed its seventh public offering totaling 185,000 new investment units at a price ¥46,897 per unit in connection with Japanese Primary Offering.

On October 12, 2017, the Company completed its eighth public offering totaling 887,959 new investment units at a price ¥44,118 per unit. 515,017 of such units were issued in connection with a Domestic Public Offering, and the remaining 372,942 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On November 1, 2017, the Company issued 44,398 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥39.8 billion were used to repay the Company's outstanding long term borrowing and in connection with the acquisition of 4 properties and 1 preferred security during this fiscal period.

On August 1, 2018, the Company completed its ninth public offering totaling 909,524 new investment units at a price ¥45,776 per unit. 432,024 of such units were issued in connection with a Domestic Public Offering, and the remaining 477,500 units were issued in connection with an International Offering pursuant Rule 144A and Regulation S under the U.S. Securities Act of 1933. On August 21, 2018, the Company issued 45,476 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥42.2 billion were used to repay the Company's outstanding long term borrowing and in connection with the acquisition of 4 properties and 1 TK investment during this fiscal period.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Presentation

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The financial statements are prepared based on the Japanese audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, certain information in the notes has been added and certain reclassifications have been made from the financial statements issued domestically for the convenience of the readers outside Japan. The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company's fiscal period is a six-month period, which ends at the end of June and December of each year.

Amounts less than ¥1 thousand and US\$1 thousand have been rounded down. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

### (b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

### (c) Valuation standard and method for securities

Other securities without fair market value are recorded at cost being determined by the moving average method.

### (d) Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

	For the six months ended
	December 31, 2018
Tools, furniture and fixtures .....	4-8
Buildings in trust .....	5-67
Buildings and accompanying facilities in trust .....	2-33
Structures in trust .....	3-55
Tools, furniture and fixtures in trust .....	2-19

**(e) Intangible Assets**

Intangible assets are amortized on a straight-line basis. Amortization of a term leasehold interest for business use is calculated by the straight-line method over the lease term.

**(f) Long-term Prepaid Expenses**

Long-term prepaid expenses are amortized on a straight-line basis.

**(g) Investment Unit Issuance Costs**

Investment unit issuance costs are recorded as expenses when incurred.

**(h) Investment corporation bond issuance costs**

Investment corporation bond issuance costs are amortized using the straight-line method over the period through the redemption of the bonds.

**(i) Allowance for Doubtful Accounts**

Allowance for doubtful accounts is provided based on past experience for normal receivables and on a valuation of any receivables from companies and individuals with financial difficulties.

**(j) Conversion of assets and liabilities in foreign currency into Japanese yen**

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date, and differences arising from the translation are included in the statements of income.

**(k) Impairment of Fixed Assets**

An assessment for impairment is carried out on an asset or group of assets, such as fixed assets, intangible assets and investments, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset or group of assets is deemed to be impaired, an impairment loss is recognized for the difference between the carrying amount and the recoverable value of the asset or group of assets using the discounted cash flow model.

**(l) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts**

For trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in investment properties in Japan and through which the Company holds all of its real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant accounts of the balance sheet and statement of income and retained earnings of the Company in proportion to the percentage that such trust beneficiary interest represents. Certain material accounts with respect to assets and liabilities in trust are presented separately from other accounts in the balance sheets of the Company.

**(m) Income Taxes**

Deferred tax assets and liabilities are computed based on the temporary differences between the financial statement and income tax basis of assets and liabilities using the applicable statutory tax rate.

**(n) Consumption Taxes**

Consumption taxes withheld and consumption taxes paid are not included in the statement of income and retained earnings.

Consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

**(o) Taxes on Property and Equipment**

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes on an annual basis. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1 of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition

date to the end of the calendar year is capitalized as a cost of the property in accordance with Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

Tax on property and equipment capitalized as part of the acquisition cost of properties amounted to ¥54,754 (US\$493) thousand for the six months ended December 31, 2018.

### 3. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥111 = US\$1, the effective rate of exchange prevailing at December 31, 2018. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended December 31, 2018 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

### 4. Allowance for temporary differences adjustment

*For the six months ended June 30, 2018*

On the Balance Sheet, there are the increase and decrease of allowance for temporary differences adjustment.

#### 1. Reason, related assets and amounts

(in thousands of yen)

Related assets, etc.	Reason for occurrence	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Leasehold rights in trust	Amortization of leasehold rights in trust	¥ (46,329)	¥ (46,329)	-	-	¥ (46,329)	-
Total		¥ (46,329)	¥ (46,329)	-	-	¥ (46,329)	

#### 2. Method of reversal

##### (1) Leasehold rights in trust

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

For the six months ended December 31, 2018

On the Balance Sheet, there are the increase and decrease of allowance for temporary differences adjustment.

# 1. Reason, related assets and amounts

(in thousands of yen)

Related assets, etc.	Reason for occurrence	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Leasehold rights in trust	Amortization of leasehold rights in trust	¥ (46,329)	¥ (46,329)	-	-	¥ (46,329)	-
Total		¥ (46,329)	¥ (46,329)	-	-	¥ (46,329)	

(in thousands of U.S dollars)

Related assets, etc.	Reason for occurrence	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Leasehold rights in trust	Amortization of leasehold rights in trust	\$ (417)	\$ (417)	-	-	\$ (417)	-
Total		\$ (417)	\$ (417)	-	-	\$ (417)	

# 2. Method of reversal

## (1) Leasehold rights in trust

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

# 5. Status of cancellation of own investment units

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Total number of investment units cancelled .....	-	81,341	-
Total amount cancelled .....	¥ -	¥ 3,999,980	\$ 36,035

## 6. Cash and Cash Equivalents

Cash and cash equivalents shown in the statements of cash flows consist of the following balance sheet items.

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits .....	¥ 8,505,792	¥ 3,985,335	\$ 35,903
Cash and bank deposits in trust .....	6,566,761	7,079,268	63,777
Cash and cash equivalents .....	¥ 15,702,553	¥ 11,064,604	\$ 99,681

## 7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended December 31, 2018.

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of yen)						
Tools, furniture and fixtures .....	¥ 3,192	¥ -	¥ -	¥ 3,192	¥ 669	¥ 225	¥ 2,522
Buildings in trust .....	133,579,099	10,801,646	-	144,380,745	12,260,835	1,781,308	132,119,910
Buildings and accompanying facilities in trust .....	28,918,145	3,648,947	-	32,567,092	7,258,920	1,021,068	25,308,172
Structures in trust .....	225,353	3,611	-	228,964	92,586	6,087	136,377
Tools, furniture and fixtures in trust .....	1,395,339	295,023	-	1,690,363	504,581	112,211	1,185,781
Land in trust .....	173,298,062	30,583,402	-	203,881,464	-	-	203,881,464
Leasehold rights in trust .....	17,079,771	3,421,194	-	20,500,965	485,264	118,131	20,015,700
Total .....	¥ 354,489,964	¥ 48,753,824	¥ -	¥ 403,252,788	¥ 20,602,858	¥ 3,039,033	¥ 382,649,930

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of U.S dollars)						
Tools, furniture and fixtures .....	\$ 28	\$ -	\$ -	\$ 28	\$ 6	\$ 2	\$ 22
Buildings in trust .....	1,203,415	97,312	-	1,300,727	110,457	16,047	1,190,269
Buildings and accompanying facilities in trust .....	260,523	32,873	-	293,397	65,395	9,198	228,001
Structures in trust .....	2,030	32	-	2,062	834	54	1,228
Tools, furniture and fixtures in trust .....	12,570	2,657	-	15,228	4,545	1,010	10,682
Land in trust .....	1,561,243	275,526	-	1,836,769	-	-	1,836,769
Leasehold rights in trust .....	153,871	30,821	-	184,693	4,371	1,064	180,321
Total .....	\$ 3,193,684	\$ 439,223	\$ -	\$ 3,632,908	\$ 185,611	\$ 27,378	\$ 3,447,296

Increases in the net book values are mainly due to the acquisition of 4 properties (¥47,747,000 thousand) as shown below and capitalized expenditures.

Property No.	Property name	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of U.S. dollars)
D60	Hotel MyStays Premier Akasaka	20,691,000	186,405
D61	Hotel MyStays Premier Sapporo Park	16,731,000	150,729
D62	Hotel MyStays Ueno East	5,286,000	47,621
D63	Hotel MyStays Midosuji Honmachi	5,039,000	45,396
Total		47,747,000	430,153

## 8.Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended June 30, 2018 and December 31, 2018.

### Residential

	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 89,949,664	¥ 86,569,109	\$ 779,901
Net increase (decrease) during period	(3,380,554)	(660,828)	(5,953)
Balance at the end of period	86,569,109	85,908,280	773,948
Fair value	¥ 100,387,000	¥ 102,440,000	\$ 919,315

### Office

	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 6,474,931	¥ -	\$ -
Net increase (decrease) during period	(6,474,931)	-	-
Balance at the end of period	-	-	-
Fair value	¥ -	¥ -	\$ -

### Retail facilities

	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 4,957,292	¥ 4,912,468	\$ 44,256
Net increase (decrease) during period	(44,824)	(45,728)	(411)
Balance at the end of period	4,912,468	4,866,739	43,844
Fair value	¥ 6,170,000	¥ 6,170,000	\$ 55,585

### Hotel

	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 226,328,017	¥ 245,453,345	\$ 2,211,291
Net increase (decrease) during period	19,125,328	46,421,563	418,212
Balance at the end of period	245,453,345	291,874,909	2,629,503
Fair value	¥ 304,985,000	¥ 354,366,000	\$ 3,192,486

Total

	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period .....	¥ 327,709,905	¥ 336,934,923	\$ 3,035,449
Net increase (decrease) during period .....	9,225,018	45,715,006	411,846
Balance at the end of period .....	336,934,923	382,649,930	3,447,296
Fair value .....	¥ 411,542,000	¥ 462,580,000	\$ 4,167,387

Notes:

1.Fair value has been determined based on the appraisals or research provided by independent real estate appraisers.

2.For rental revenues and expenses for the six months ended June 30, 2018 and December 31, 2018, please refer to “Note 13: Rent Revenues—Real Estate and Expenses Related to Property Rental Business”

## 9.Investment corporation bonds

The following table shows the details of investment corporation bonds for the six months ended December 31, 2018.

For the six months ended December 31, 2018

	<i>Beginning balance</i>	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Ending balance</i>	Interest rate (%)
	<i>(in thousands of yen)</i>		<i>(in thousands of U.S. dollars)</i>		
1st unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2023)(1)(2)	1,000,000	1,000,000	9,009	9,009	0.400
2nd unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2028) (1)(2)	1,000,000	1,000,000	9,009	9,009	0.800
3rd unsecured investment corporation bond (Issued on October 12, 2018 and due on October 12, 2023) (1)(3)	-	2,000,000	-	18,018	0.550
Total investment corporation bonds	2,000,000	4,000,000	18,018	36,036	

Notes:

(1) The bonds were issued with pari passu conditions among specified investment corporation bonds.

(2) The funds are mainly used to acquire properties in trust.

(3) The funds are mainly used to repay existing borrowing.

(4) Repayment schedule of investment corporation bonds for the next five years after each balance sheet date are as follows:

	As of	
	December 31, 2018	December 31, 2018
	(in thousands of yen)	(in thousands of U.S. dollars)
Within 1 year.....	¥ -	\$ -
1-2 years.....	-	-
2-3 years.....	-	-
3-4 years.....	-	-
4-5 years.....	3,000,000	27,027

## 10. Loans Payable

The following table shows the details of loans payable for the six months ended December 31, 2018.

For the six months ended December 31, 2018

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Short-term loans payable	Mizuho Bank, Ltd.	667,000	-	667,000	-	6,009	-	6,009	-	0.263	13-Oct-18	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	666,000	-	666,000	-	6,000	-	6,000	-	0.263	13-Oct-18		
	Sumitomo Mitsui Banking Corporation	667,000	-	667,000	-	6,009	-	6,009	-	0.263	13-Oct-18		
	Mizuho Bank, Ltd.	-	366,500	-	366,500	-	3,301	-	3,301	0.263	02-Aug-19	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	-	366,500	-	366,500	-	3,301	-	3,301	0.263	02-Aug-19		
	MUFG Bank, Ltd.	-	366,000	-	366,000	-	3,297	-	3,297	0.263	02-Aug-19		
	Total Short-term loans payable	2,000,000	1,099,000	2,000,000	1,099,000	18,018	9,900	18,018	9,900				
Long-term loans payable	Mizuho Bank, Ltd.	5,992,000	-	5,992,000	-	53,981	-	53,981	-	0.375	16-Jul-18	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	5,992,000	-	5,992,000	-	53,981	-	53,981	-	0.375	16-Jul-18		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	5,992,000	-	53,981	-	53,981	-	0.375	16-Jul-18		
	Shinsei Bank, Limited.	3,330,000	-	3,330,000	-	30,000	-	30,000	-	0.375	16-Jul-18		
	Citibank, N.A., Japan Branches.	3,000,000	-	3,000,000	-	27,027	-	27,027	-	0.375	16-Jul-18		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	2,670,000	-	24,054	-	24,054	-	0.375	16-Jul-18		
Long-term loans payable	Resona Bank, Limited.	1,335,000	-	1,335,000	-	12,027	-	12,027	-	0.375	16-Jul-18	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	668,000	-	668,000	-	6,018	-	6,018	-	0.375	16-Jul-18		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.480	16-Jul-19		
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.480	16-Jul-19		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.480	16-Jul-19		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,000	-	-	30,000	0.480	16-Jul-19		
	Citibank, N.A., Japan Branches.	3,000,000	-	-	3,000,000	27,027	-	-	27,027	0.480	16-Jul-19		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,054	-	-	24,054	0.480	16-Jul-19		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,027	-	-	12,027	0.480	16-Jul-19		
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,018	-	-	6,018	0.480	16-Jul-19		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.590	16-Jul-20		
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.590	16-Jul-20		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	53,981	-	-	53,981	0.590	16-Jul-20		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,000	-	-	30,000	0.590	16-Jul-20		
	Citibank, N.A., Japan Branches.	3,000,000	-	-	3,000,000	27,027	-	-	27,027	0.590	16-Jul-20		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,054	-	-	24,054	0.590	16-Jul-20		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,027	-	-	12,027	0.590	16-Jul-20		
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,018	-	-	6,018	0.590	16-Jul-20		
	Mizuho Bank, Ltd.	3,682,000	-	-	3,682,000	33,171	-	-	33,171	0.480	28-Aug-19		
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	30,630	-	-	30,630	0.343	22-Jan-19		
Long-term loans payable	MUFG Bank, Ltd.	850,000	-	-	850,000	7,657	-	-	7,657	0.343	22-Jan-19	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	30,630	-	-	30,630	0.600	22-Jan-21		
	MUFG Bank, Ltd.	850,000	-	-	850,000	7,657	-	-	7,657	0.600	22-Jan-21		
	Mizuho Bank, Ltd.	465,000	-	-	465,000	4,189	-	-	4,189	0.463	30-Mar-19		
	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,135	-	-	10,135	0.463	30-Mar-19		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	Sumitomo Mitsui Trust Bank, Limited	2,181,000	-	-	2,181,000	19,648	-	-	19,648	0.463	30-Mar-19		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.463	30-Mar-19		
	Resona Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.463	30-Mar-19		
	MUFG Bank, Ltd.	650,000	-	-	650,000	5,855	-	-	5,855	0.463	30-Mar-19		
	Japan Post Bank Co., Ltd.	2,000,000	-	-	2,000,000	18,018	-	-	18,018	0.463	30-Mar-19		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.463	30-Mar-19		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.463	30-Mar-19		
	The Shizuoka Bank, Ltd.	1,270,000	-	-	1,270,000	11,441	-	-	11,441	0.463	30-Mar-19		
	The Daiichi Bank, Ltd.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.463	30-Mar-19		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,432	-	-	2,432	0.463	30-Mar-19		
	Mizuho Bank, Ltd.	965,000	-	-	965,000	8,693	-	-	8,693	0.563	30-Mar-20		
	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,135	-	-	10,135	0.563	30-Mar-20		
	Sumitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	19,639	-	-	19,639	0.563	30-Mar-20		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.563	30-Mar-20		
	Resona Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.563	30-Mar-20		
Long-term loans payable	MUFG Bank, Ltd. (5)	650,000	-	-	650,000	5,855	-	-	5,855	0.563	30-Mar-20	(2)	Unsecured and unguaranteed
	Japan Post Bank Co., Ltd.	2,000,000	-	-	2,000,000	18,018	-	-	18,018	0.563	30-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.563	30-Mar-20		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,432	-	-	2,432	0.563	30-Mar-20		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,504	-	-	4,504	0.563	30-Mar-20		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	The Hyakugo Bank, Ltd.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.563	30-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,432	-	-	2,432	0.563	30-Mar-20		
	Mizuho Bank, Ltd.	1,965,000	-	-	1,965,000	17,702	-	-	17,702	0.663	30-Mar-21		
	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,135	-	-	10,135	0.663	30-Mar-21		
	Sanitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	19,639	-	-	19,639	0.663	30-Mar-21		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.663	30-Mar-21		
	Resona Bank, Limited.	570,000	-	-	570,000	5,135	-	-	5,135	0.663	30-Mar-21		
	MUFG Bank, Ltd.	650,000	-	-	650,000	5,855	-	-	5,855	0.663	30-Mar-21		
	The Bank of Fukuoka, Ltd.	1,333,000	-	-	1,333,000	12,009	-	-	12,009	0.663	30-Mar-21		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,432	-	-	2,432	0.663	30-Mar-21		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,504	-	-	4,504	0.663	30-Mar-21		
	The Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.663	30-Mar-21		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,432	-	-	2,432	0.663	30-Mar-21		
	Citibank, N.A., Japan Branches.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.463	15-Jun-19		
	Citibank, N.A., Japan Branches.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.563	15-Jun-20		
Long-term loans payable	Citibank, N.A., Japan Branches.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.663	15-Jun-21	(2)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.463	30-Jun-19		
	AEON Bank, Ltd.	3,000,000	-	-	3,000,000	27,027	-	-	27,027	0.663	30-Jun-21		
	The Tokyo Star Bank, Limited	700,000	-	-	700,000	6,306	-	-	6,306	0.463	20-Jul-19		
	The Tokyo Star Bank, Limited	1,600,000	-	-	1,600,000	14,414	-	-	14,414	0.563	20-Jul-20		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	The Tokyo Star Bank, Limited	1,700,000	-	-	1,700,000	15,315	-	-	15,315	0.663	20-Jul-21		
	Mizuho Bank, Ltd.	634,000	-	-	634,000	5,711	-	-	5,711	0.463	14-Mar-20		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.463	14-Mar-20		
	Resona Bank, Limited.	333,000	-	-	333,000	3,000	-	-	3,000	0.463	14-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.463	14-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.463	14-Mar-20		
	The Toyou Bank, Ltd.	252,000	-	-	252,000	2,270	-	-	2,270	0.463	14-Mar-20		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,801	-	-	1,801	0.463	14-Mar-20		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,486	-	-	1,486	0.463	14-Mar-20		
	Mizuho Bank, Ltd.	1,633,000	-	-	1,633,000	14,711	-	-	14,711	0.563	14-Mar-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,000	-	-	3,000	0.563	14-Mar-21		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.563	14-Mar-21		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.563	14-Mar-21		
	The Toyou Bank, Ltd.	253,000	-	-	253,000	2,279	-	-	2,279	0.563	14-Mar-21		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,801	-	-	1,801	0.563	14-Mar-21		
Long-term loans payable	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,486	-	-	1,486	0.563	14-Mar-21	(2)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,733,000	-	-	1,733,000	15,612	-	-	15,612	0.663	14-Mar-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,000	-	-	3,000	0.663	14-Mar-22		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.663	14-Mar-22		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,000	-	-	3,000	0.663	14-Mar-22		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	AEON Bank, Ltd.	900,000	-	-	900,000	8,108	-	-	8,108	0.663	14-Mar-22		
	The Tokai Bank, Ltd.	253,000	-	-	253,000	2,279	-	-	2,279	0.663	14-Mar-22		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,801	-	-	1,801	0.663	14-Mar-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,504	-	-	4,504	0.663	14-Mar-22		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,486	-	-	1,486	0.663	14-Mar-22		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	27,027	-	-	27,027	0.513	14-Sep-20		
	Mizuho Bank, Ltd.	4,321,000	-	-	4,321,000	38,927	-	-	38,927	0.613	29-Nov-21		
	The Dai-ichi Life Insurance company, Limited	3,000,000	-	-	3,000,000	27,027	-	-	27,027	0.613	29-Nov-21		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,198	-	-	3,198	0.363	13-Oct-20		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,198	-	-	3,198	0.363	13-Oct-20		
	Resona Bank, Limited.	334,000	-	-	334,000	3,009	-	-	3,009	0.363	13-Oct-20		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,702	-	-	2,702	0.363	13-Oct-20		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,711	-	-	1,711	0.363	13-Oct-20		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,504	-	-	1,504	0.363	13-Oct-20		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,504	-	-	1,504	0.363	13-Oct-20		
Long-term loans payable	Shinsei Bank, Limited.	355,000	-	-	355,000	3,198	-	-	3,198	0.463	13-Oct-21	(2)	Unsecured and unguaranteed
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,198	-	-	3,198	0.463	13-Oct-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,000	-	-	3,000	0.463	13-Oct-21		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,702	-	-	2,702	0.463	13-Oct-21		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,711	-	-	1,711	0.463	13-Oct-21		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,504	-	-	1,504	0.463	13-Oct-21		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,504	-	-	1,504	0.463	13-Oct-21		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	4,504	-	-	4,504	0.663	13-Oct-22		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	4,504	-	-	4,504	0.663	13-Oct-22		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	4,504	-	-	4,504	0.663	13-Oct-22		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,198	-	-	3,198	0.663	13-Oct-22		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,198	-	-	3,198	0.663	13-Oct-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,000	-	-	3,000	0.663	13-Oct-22		
	Development Bank of Japan Inc.	1,500,000	-	-	1,500,000	13,513	-	-	13,513	0.663	13-Oct-22		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,702	-	-	2,702	0.663	13-Oct-22		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,711	-	-	1,711	0.663	13-Oct-22		
	The Nomura Trust and Banking Co., Ltd.	166,000	-	-	166,000	1,495	-	-	1,495	0.663	13-Oct-22		
	The Hiroshima Bank, Ltd.	166,000	-	-	166,000	1,495	-	-	1,495	0.663	13-Oct-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,504	-	-	4,504	0.663	13-Oct-22		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,261	-	-	11,261	0.763	13-Oct-23		
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	1,065,000	-	-	1,065,000	9,594	-	-	9,594	0.763	13-Oct-23	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,261	-	-	11,261	0.763	13-Oct-23		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,261	-	-	11,261	0.863	11-Oct-24		
	Sumitomo Mitsui Trust Bank, Limited	1,060,000	-	-	1,060,000	9,549	-	-	9,549	0.863	11-Oct-24		
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,261	-	-	11,261	0.863	11-Oct-24		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	Mizuho Bank, Ltd.	1,850,000	-	-	1,850,000	16,666	-	-	16,666	0.313	13-Oct-19		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	16,666	-	-	16,666	0.313	13-Oct-19		
	Shinsei Bank, Limited.	1,000,000	-	-	1,000,000	9,009	-	-	9,009	0.750	27-Oct-23		
	MUFG Bank, Ltd.	500,000	-	-	500,000	4,504	-	-	4,504	0.750	27-Oct-23		
	Mizuho Bank, Ltd.	-	2,442,000	-	2,442,000	-	22,000	-	22,000	0.363	17-Jul-21		
	MUFG Bank, Ltd.	-	2,220,000	-	2,220,000	-	20,000	-	20,000	0.363	17-Jul-21		
	Sumitomo Mitsui Banking Corporation	-	1,998,000	-	1,998,000	-	18,000	-	18,000	0.363	17-Jul-21		
	Shinsei Bank, Limited.	-	1,110,000	-	1,110,000	-	10,000	-	10,000	0.363	17-Jul-21		
	Citibank, N.A., Japan Branches	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.363	17-Jul-21		
	Sumitomo Mitsui Trust Bank, Limited	-	890,000	-	890,000	-	8,018	-	8,018	0.363	17-Jul-21		
	Mizuho Bank, Ltd.	-	2,443,000	-	2,443,000	-	22,009	-	22,009	0.463	17-Jul-22		
	MUFG Bank, Ltd.	-	2,220,000	-	2,220,000	-	20,000	-	20,000	0.463	17-Jul-22		
	Sumitomo Mitsui Banking Corporation	-	1,997,000	-	1,997,000	-	17,990	-	17,990	0.463	17-Jul-22		
	Shinsei Bank, Limited.	-	1,110,000	-	1,110,000	-	10,000	-	10,000	0.463	17-Jul-22		
	Citibank, N.A., Japan Branches	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.463	17-Jul-22		
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	-	890,000	-	890,000	-	8,018	-	8,018	0.463	17-Jul-22	(2)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	-	2,442,000	-	2,442,000	-	22,000	-	22,000	0.563	14-Jul-23		
	MUFG Bank, Ltd.	-	2,220,000	-	2,220,000	-	20,000	-	20,000	0.563	14-Jul-23		
	Sumitomo Mitsui Banking Corporation	-	1,997,000	-	1,997,000	-	17,990	-	17,990	0.563	14-Jul-23		
	Shinsei Bank, Limited.	-	1,110,000	-	1,110,000	-	10,000	-	10,000	0.563	14-Jul-23		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	Citibank, N.A., Japan Branches	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.563	14-Jul-23		
	Sumitomo Mitsui Trust Bank, Limited	-	890,000	-	890,000	-	8,018	-	8,018	0.563	14-Jul-23		
	Mizuho Bank, Ltd.	-	766,000	-	766,000	-	6,900	-	6,900	0.363	02-Aug-21		
	Sumitomo Mitsui Banking Corporation	-	766,000	-	766,000	-	6,900	-	6,900	0.363	02-Aug-21		
	MUFG Bank, Ltd.	-	467,000	-	467,000	-	4,207	-	4,207	0.363	02-Aug-21		
	Shinsei Bank, Limited.	-	150,000	-	150,000	-	1,351	-	1,351	0.363	02-Aug-21		
	Citibank, N.A., Japan Branches	-	120,000	-	120,000	-	1,081	-	1,081	0.363	02-Aug-21		
	The Nomura Trust and Banking Co., Ltd.	-	30,000	-	30,000	-	270	-	270	0.363	02-Aug-21		
	AEON Bank, Ltd.	-	60,000	-	60,000	-	540	-	540	0.363	02-Aug-21		
	Mizuho Bank, Ltd.	-	2,521,500	-	2,521,500	-	22,716	-	22,716	0.363	26-Aug-21		
	Sumitomo Mitsui Banking Corporation	-	2,521,500	-	2,521,500	-	22,716	-	22,716	0.363	26-Aug-21		
	MUFG Bank, Ltd.	-	2,133,000	-	2,133,000	-	19,216	-	19,216	0.363	26-Aug-21		
	Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.363	26-Aug-21		
	Shinsei Bank, Limited.	-	684,000	-	684,000	-	6,162	-	6,162	0.363	26-Aug-21		
	Citibank, N.A., Japan Branches	-	546,000	-	546,000	-	4,918	-	4,918	0.363	26-Aug-21		
Long-term loans payable	Development Bank of Japan Inc.	-	500,000	-	500,000	-	4,504	-	4,504	0.363	26-Sep-21	(2)	Unsecured and unguaranteed
	Resona Bank, Limited.	-	445,000	-	445,000	-	4,009	-	4,009	0.363	26-Sep-21		
	The Nomura Trust and Banking Co., Ltd.	-	137,000	-	137,000	-	1,234	-	1,234	0.363	26-Sep-21		
	AEON Bank, Ltd.	-	273,000	-	273,000	-	2,459	-	2,459	0.363	26-Sep-21		
	Mizuho Bank, Ltd.	-	3,287,000	-	3,287,000	-	29,612	-	29,612	0.463	26-Sep-22		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
	Sumitomo Mitsui Banking Corporation	-	3,287,000	-	3,287,000	-	29,612	-	29,612	0.463	26-Sep-22		
	MUFG Bank, Ltd.	-	2,600,000	-	2,600,000	-	23,423	-	23,423	0.463	26-Sep-22		
	Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.463	26-Sep-22		
	Shinsei Bank, Limited.	-	833,000	-	833,000	-	7,504	-	7,504	0.463	26-Sep-22		
	Citibank, N.A., Japan Branches	-	667,000	-	667,000	-	6,009	-	6,009	0.463	26-Sep-22		
	Development Bank of Japan Inc.	-	500,000	-	500,000	-	4,504	-	4,504	0.463	26-Sep-22		
	Resona Bank, Limited.	-	445,000	-	445,000	-	4,009	-	4,009	0.463	26-Sep-22		
	The Nomura Trust and Banking Co., Ltd.	-	167,000	-	167,000	-	1,504	-	1,504	0.463	26-Sep-22		
	AEON Bank, Ltd.	-	334,000	-	334,000	-	3,009	-	3,009	0.463	26-Sep-22		
	Mizuho Bank, Ltd.	-	3,287,500	-	3,287,500	-	29,617	-	29,617	0.563	26-Sep-23		
	Sumitomo Mitsui Banking Corporation	-	3,287,500	-	3,287,500	-	29,617	-	29,617	0.563	26-Sep-23		
	MUFG Bank, Ltd.	-	2,600,000	-	2,600,000	-	23,423	-	23,423	0.563	26-Sep-23		
	Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	-	9,009	-	9,009	0.563	26-Sep-23		
	Shinsei Bank, Limited.	-	833,000	-	833,000	-	7,504	-	7,504	0.563	26-Sep-23		
	Citibank, N.A., Japan Branches	-	667,000	-	667,000	-	6,009	-	6,009	0.563	26-Sep-23		
Long-term loans payable	Development Bank of Japan Inc.	-	500,000	-	500,000	-	4,504	-	4,504	0.563	26-Sep-23	(2)	Unsecured and unguaranteed
	Resona Bank, Limited.	-	445,000	-	445,000	-	4,009	-	4,009	0.563	26-Sep-23		
	The Nomura Trust and Banking Co., Ltd.	-	166,000	-	166,000	-	1,495	-	1,495	0.563	26-Sep-23		
	AEON Bank, Ltd.	-	333,000	-	333,000	-	3,000	-	3,000	0.563	26-Sep-23		
		Total Long-term loans payable	185,415,000	68,338,000	28,979,000	224,774,000	1,670,405	615,657	261,072	2,024,990	-	-	

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Total loans payable		187,415,000	69,437,000	30,979,000	225,873,000	1,688,423	625,558	279,090	2,034,891	-	-	-	-

Notes:

- (1) The average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to three decimal places.
- (2) The funds are mainly used to acquire properties in trust and for repayment of loans payable.
- (3) Long-term loans payable include current portion.
- (4) Repayment schedule of long-term loans payable (except for the current portion) for the next five years after each balance sheet date are as follows:

		As of	
		December 31, 2018	December 31, 2018
		(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years	¥	50,130,000	\$ 451,621
2-3 years		55,601,000	500,909
3-4 years		32,895,000	296,351
4-5 years		27,843,000	250,837

## 11. Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$450 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized was 10,000,000 units as of June 30, 2018 and December 31, 2018.

The number of investment units issued and outstanding were 4,793,181 as of June 30, 2018 and 5,666,840 as of December 31, 2018 respectively.

## 12. Appropriation of Retained Earnings

In accordance with the distribution policy in Article 17, Paragraph 1, of the Company's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period.

The following table shows the appropriation of retained earnings for the six months ended June 30, 2018 and December 31, 2018.

	For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)	(in thousands of yen)	(in thousands of U.S. dollars)
Unappropriated retained earnings	¥ 7,610,548	¥ 9,140,372	\$ 82,345
Distributions in excess of retained earnings			
Allowance for temporary differences adjustment	-	(85,002)	(765)
Deduction from unitholders capital surplus	-	(204,006)	(1,837)
Distributions	(6,854,248)	(9,537,291)	(85,921)
Of which, distributions of earnings	(6,854,248)	(9,248,282)	(83,317)
Of which, allowance for adjustment of temporary differences	-	(85,002)	(765)
Of which, deduction from unitholders capital surplus	-	(204,006)	(1,837)
Retained earnings / losses carried forward	¥ 756,300	¥ (107,910)	\$ (972)

The distribution in respect of the six months ended December 31, 2018 of ¥1,683 (US\$15.1) per investment unit, amounting to a total distribution of ¥9,537,291 thousand (US\$85,921 thousand) was proposed and approved at the Board of Directors meeting on February 21, 2019. These financial statements do not reflect these distributions payable.

Cash distributions per investment unit were ¥1,430 and ¥1,683 (US\$15.1) for the six months ended June 30, 2018, and December 31, 2018, respectively.

Notes related to provision and reversal of allowance for temporary differences adjustment is below.

For the six months ended June 30, 2018

Not Applicable.

For the six months ended December 31, 2018

In this table, the Company recorded allowance for temporary differences adjustment below.

(a) Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason for occurrence	Allowance for temporary difference adjustments
Leasehold rights in trust	Occurrence of amortization of leasehold rights in trust	85,002

(in thousands of U.S. dollars)

Related assets, etc.	Reason for occurrence	Allowance for temporary difference adjustments
Leasehold rights in trust	Occurrence of amortization of leasehold rights in trust	765

(b) Method of reversal

Related assets, etc.	Method of reversal
Leasehold rights in trust	Upon sale, the corresponding amount is scheduled to be reversed.

### 13. Rent Revenues — Real Estate and Expenses Related to Property Rental Business

Rent revenue – real estate and expenses related to property rental business for the six months ended June 30, 2018 and December 31, 2018 consist of the following:

	For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges (*)	¥ 10,769,777	¥ 13,258,939	\$ 119,449
Other	352,704	345,284	3,110
Total rental revenue – real estate	¥ 11,122,481	¥ 13,604,224	\$ 122,560
Expenses related to property rental business:			
Facility management fees	¥ 665,093	¥ 667,393	\$ 6,012
Property related taxes	470,692	547,232	4,930
Insurance expense	12,845	13,817	124
Depreciation	2,772,510	3,039,033	27,378
Other	215,476	183,199	1,650
Total expenses related to property rental business	¥ 4,136,619	¥ 4,450,676	\$ 40,096
Operating income from property leasing activities	¥ 6,985,862	¥ 9,153,548	\$ 82,464
(*) Variable rental revenue of hotels	¥ 3,789,484	¥ 4,953,767	\$ 44,628

## 14. Breakdown of Gain on sales of Properties

For the six months ended June 30, 2018

	Harmonie Ochanomizu	Growth Maison Ikebukuro	Capital Heights Kagurazaka
	(in thousands of yen)		
Revenue from sales of properties .....	¥ 1,606,646	¥ 1,059,850	¥ 734,817
Cost of properties sold .....	1,346,372	743,659	623,867
Other sale-related costs .....	38,843	26,625	20,817
Gain or loss on sales of properties .....	¥ 221,430	¥ 289,565	¥ 90,132

	Cross Square NAKANO	Ohki Aoba Building	Lexington Plaza Nishi-Gotanda
	(in thousands of yen)		
Revenue from sales of properties .....	¥ 1,357,090	¥ 728,446	¥ 5,180,003
Cost of properties sold .....	1,125,668	709,604	4,632,693
Other sale-related costs .....	23,268	11,439	114,348
Gain or loss on sales of properties .....	¥ 208,153	¥ 7,402	¥ 432,961

For the six months ended December 31, 2018

Not Applicable.

## 15. Income Taxes

The Company is subject to corporate income taxes in Japan. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to qualify for conditions set forth in the Special Taxation Measures Act of Japan to achieve a deduction of distributions for income tax purpose and it distributes approximately 100% of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measures Act of Japan.

(a) Reconciliations of the Company's effective tax rates and statutory tax rates are as follows:

	For the six months ended	
	June 30, 2018	December 31, 2018
	(Rate)	
Statutory tax rates .....	31.74 %	31.51 %
Deductible cash distributions .....	(22.95)	(31.84)
Increase (decrease) in valuation allowance .....	(8.79)	(0.35)
Other .....	0.01	0.69
Effective tax rates .....	0.01 %	0.01 %

(b) Deferred tax assets and liabilities consist of the following:

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	¥ 1,325	¥ 1,294	\$ 11
Allowance for doubtful accounts .....	28	27	0
Buildings and other (merger) .....	561,751	549,474	4,950
Land (merger) .....	1,374,216	1,367,722	12,321

Net loss carried forward(*) .....	7,200,289	7,153,149	64,442
Asset retirement obligations .....	10,122	10,142	91
Fixed-term leasehold .....	116,528	153,295	1,381
Subtotal - deferred tax assets .....	9,264,262	9,235,105	83,199
Valuation allowance for tax loss carried forward .....	-	(7,153,149)	(64,442)
Valuation allowance for the sum of deductible temporary differences .....	-	(2,037,871)	(18,359)
Subtotal - valuation allowance .....	(9,225,589)	(9,191,020)	(82,801)
Total - deferred tax assets .....	38,673	44,084	397
Deferred tax liabilities:			
Asset retirement obligations .....	9,797	9,751	87
Deferred gains or losses on hedges .....	28,875	34,333	309
Total - deferred tax liabilities .....	38,673	44,084	397
Net deferred tax assets .....	¥ -	¥ -	\$ -

(\*)The amounts of tax loss carried forward and the deferred tax assets are indicated by carry-forward period.

For the six month ended December 31, 2018

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(in thousands of yen)						
Tax loss carried forward (a)	5,164,678	1,317,493	-	349,185	321,791	-	7,153,149
Valuation allowance .....	(5,164,678)	(1,317,493)	-	(349,185)	(321,791)	-	(7,153,149)
Deferred tax assets .....	-	-	-	-	-	-	-

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(in thousands of U.S. dollars)						
Tax loss carried forward (a)	46,528	11,869	-	3,145	2,899	-	64,442
Valuation allowance .....	(46,528)	(11,869)	-	(3,145)	(2,899)	-	(64,442)
Deferred tax assets .....	-	-	-	-	-	-	-

(a)Tax loss carried forward shown in the above table is after multiplying the statutory tax rate.

## 16. Leases

### (a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of June 30, 2018 and December 31, 2018 scheduled to be received are summarized as follows:

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year .....	¥ 8,623,053	¥ 9,754,753	\$ 87,880
Due over one year .....	58,058,083	63,134,893	568,782
Total .....	¥ 66,681,137	¥ 72,889,647	\$ 656,663

**(b) Lease rental expenses**

The future minimum rental expenses pursuant to existing rental contracts as of June 30, 2018 and December 31, 2018 scheduled to be paid are summarized as follows:

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year .....	¥ 312,959	¥ 312,959	\$ 2,819
Due over one year .....	10,090,556	9,934,076	89,496
Total .....	¥ 10,403,515	¥ 10,247,035	\$ 92,315

## 17. Financial Instruments

(a) *Qualitative information for financial instruments*

(i) *Policy for financial instrument transactions*

The Company raises funds through loans payable, investment corporation bonds, and the issuance of investment units to acquire real estate properties, pay property maintenance expenses and/or repay existing loans payable. Surplus funds are managed carefully through investments in financial instruments taking into account liquidity and safety in light of the current financial market conditions. Derivative instruments are used only for hedging purposes and not for speculation.

(ii) *Nature and extent of risks arising from financial instruments and risk management*

The funds raised through loans payable and investment corporation bonds are mainly used to acquire real estate properties or properties in trust and for the repayment of existing loans payable. Liquidity risks relating to loans payable are managed by the finance department of the Asset Manager by preparing monthly plans for funds, and monitoring the covenants defined in loan agreements.

(iii) *Supplemental information for financial instruments*

The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is estimated using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated value may differ.

**(b) Quantitative information for financial instruments**

The following table shows the carrying amounts, fair values and valuation differences of financial instruments for which fair value is available as of June 30, 2018 and December 31, 2018.

	As of								
	June 30, 2018			December 31, 2018			December 31, 2018		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in thousands of yen)						(in thousands of U.S. dollars)		
Assets:									
Current:									
(1) Cash and bank deposits .....	¥ 8,505,792	¥ 8,505,792	¥ -	¥ 3,985,335	¥ 3,985,335	¥ -	\$ 35,903	\$ 35,903	\$ -
(2) Cash and bank deposits in trust. ....	6,566,761	6,566,761	-	7,079,268	7,079,268	-	63,777	63,777	-
Total assets .....	¥ 15,072,553	¥ 15,072,553	¥ -	¥ 11,064,604	¥ 11,064,604	¥ -	\$ 99,681	\$ 99,681	\$ -
Liabilities:									
(3) Short-term loans payable .....	2,000,000	2,000,000	-	1,099,000	1,099,000	-	9,900	9,900	-
(4) Current portion of long-term loans payable .....	46,663,000	46,663,000	-	54,745,000	54,745,000	-	493,198	493,198	-
(5) Investment corporation bonds .....	2,000,000	1,998,500	(1,500)	4,000,000	3,996,500	(3,500)	36,036	36,004	(31)
(6) Long-term loans payable .....	138,752,000	138,752,000	-	170,029,000	170,029,000	-	1,531,792	1,531,792	-
Total liabilities .....	¥ 189,415,000	¥ 189,413,500	¥ (1,500)	¥ 229,873,000	¥ 229,869,500	¥ (3,500)	\$ 2,070,927	\$ 2,070,896	\$ (31)
Derivatives:									
(7) Derivatives .....	¥ 90,975	¥ 90,975	¥ -	¥ 124,029	¥ 124,029	¥ -	\$ 1,117	\$ 1,117	\$ -

## Notes

(i) The methods and assumptions used to estimate fair value are as follows:

(1) Cash and bank deposits and (2) Cash and bank deposits in trust (3) Short-term loans payable

Because of their short maturities, the carrying amounts approximate their fair value.

(4) Current portion of long-term loans payable (6) Long-term loans payable

Long-term loans payable with floating interest rates reflecting changes in market rates within a short term period are stated at their carrying amounts as their carrying amounts approximate their fair values.

(5) Investment corporation bonds

The fair values of investment corporate bonds are determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new investment corporate bonds under the same conditions and terms.

(7) Derivatives

Please refer to the "19. Derivatives" below.

(ii) Financial instruments for which fair value is difficult to determine are as follows:

	As of		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits in trust	¥ 2,026,400	¥ 2,009,816	\$ 18,106
Investment securities	¥ 17,856,387	¥ 54,640,213	\$ 492,254

Tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

Fair values of preferred securities and TK interest are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

(iii) Cash flow schedule of financial assets after the balance sheet date

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of June 30, 2018:						
Cash and bank deposits	¥ 8,505,792	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	6,566,761	-	-	-	-	-
Total	¥ 15,072,553	¥ -	¥ -	¥ -	¥ -	¥ -

As of December 31, 2018:

Cash and bank deposits	¥ 3,985,335	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	7,079,268	-	-	-	-	-
Total	¥ 11,064,604	¥ -	¥ -	¥ -	¥ -	¥ -

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of December 31, 2018:						
Cash and bank deposits	\$ 35,903	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	63,777	-	-	-	-	-
Total	\$ 99,681	\$ -	\$ -	\$ -	\$ -	\$ -

(iv) Cash flow schedule of financial liabilities after the balance sheet date

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of June 30, 2018:						
Short-term loans payable	2,000,000	-	-	-	-	-
Current portion of long-term loans payable	46,663,000	-	-	-	-	-
Investment corporation bonds	-	-	-	-	1,000,000	1,000,000
Long-term loans payable	-	51,744,000	57,380,000	15,638,000	6,865,000	7,125,000
Total	¥ 48,663,000	¥ 51,744,000	¥ 57,380,000	¥ 15,638,000	¥ 7,865,000	¥ 8,125,000

As of December 31, 2018:

Short-term loans payable .....	1,099,000	-	-	-	-	-
Current portion of long-term loans payable ...	54,745,000	-	-	-	-	-
Investment corporation bonds .....	-	-	-	-	3,000,000	1,000,000
Long-term loans payable .....	-	50,130,000	55,601,000	32,895,000	27,843,000	3,560,000
Total .....	¥ 55,844,000	¥ 50,130,000	¥ 55,601,000	¥ 32,895,000	¥ 30,843,000	¥ 4,560,000

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of December 31, 2018:						
Short-term loans payable .....	9,900	-	-	-	-	-
Current portion of long-term loans payable ...	493,198	-	-	-	-	-
Investment corporation bonds .....	-	-	-	-	27,027	9,009
Long-term loans payable .....	-	451,621	500,909	296,351	250,837	32,072
Total .....	\$ 503,099	\$ 451,621	\$ 500,909	\$ 296,351	\$ 277,864	\$ 41,081

## 18. Investment securities

As of June 30, 2018

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

As of December 31, 2018

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand (US\$160,868 thousand) and TK interest recorded on the Balance Sheet at ¥36,783,826 thousand (US\$331,385 thousand) are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

## 19. Derivatives

Information on derivative transactions undertaken by the Company as of June 30, 2018 and December 31, 2018 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of June 30, 2018:

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount(*1)					
			Total		Over 1 year		Fair Value (*2)	
			(in thousands of yen)					
Principle accounting method	Interest rate swap transaction floating rate receivable and Fixed rate payable	Long-term borrowings	¥	100,619,000	¥	67,390,000	¥	90,975

(\*1) The contract amount is based on the notional principal amount.

(\*2) The fair value is provided by the financial institution.

As of December 31, 2018:

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount(*1)			Contract amount(*1)		
			Total	Over 1 year	Fair Value (*2)	Total	Over 1 year	Fair Value (*2)
			(in thousands of yen)			(in thousands of U.S. dollars)		
Principle accounting method Principle accounting method	Interest rate swap transaction floating rate receivable and Fixed rate payable	Long-term borrowings	¥ 71,640,000	¥ 34,729,000	¥ 48,781	\$ 645,405	\$ 312,873	\$ 439
	Currency options Sell – USD Call (Option premium)	Future transactions denominated in a foreign currency	¥ 4,444,000	¥ 1,903,000	¥	\$ 40,036	\$ 17,144	\$
			¥ (124,943)	¥ (53,157)	¥ (87,318)	\$ (1,125)	\$ (478)	\$ (786)
	Currency options Buy – USD Put Option premium		¥ 4,444,000	¥ 1,903,000	¥	\$ 40,036	\$ 17,144	\$
			¥ 140,288	¥ 88,792	¥ 162,566	\$ 1,263	\$ 799	\$ 1,464

(\*1) The interest rate swap contract amount is based on the notional principal amount.

(\*2) Calculation of fair value is based on information provided by financial institutions.

## 20. Asset Retirement Obligations

The Company has an obligation under a fixed-term leasehold agreement to restore its leased land, which represents the land where COMFORT HOTEL MAEBASHI, owned by the Company, is located upon the termination of agreement. The estimated period of use of property is estimated at 43 years based on the lease period per the agreement. The assets retirement obligation for the restoration is recognized as a liability using discount rate at 1.342%.

Movements of asset retirement obligations for the six month ended June 30, 2018 and December 31, 2018 are as follows.

	For the six month ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period	¥ 31,680	¥ 31,891	\$ 287
Liabilities incurred due to the acquisition of properties	-	-	-
Accretion expense	210	215	1
Balance at the end of the period	¥ 31,891	¥ 32,107	\$ 289

## 21. Segment Information

Segment information for the six months ended June 30, 2018 and December 31, 2018 is as follows:

### (a) Operating Segment Information

Disclosure is omitted as the Company is comprised of a single reportable segment engaged in the property rental business.

### (b) Enterprise-wide Disclosures

#### (i) Information about Products and Services

Disclosure is not required as revenues from external customers for the single segment are in excess of 90% of total revenues.

#### (ii) Information about Geographic Areas

##### (1) Revenues from Overseas Customers:

Disclosure is not required as revenues from external customers located in Japan are in excess of 90% of total revenues.

(2) *Tangible Fixed Assets:*

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

**(c) Information about Major Customers**

Information about major clients for the six-month periods ended June 30, 2018 and December 31, 2018 were as follows:

*For the six months ended June 30, 2018*

<i>Name of client</i>	<i>Operating Revenues (in thousands of yen)</i>	<i>Related segment</i>
<i>Mystays Hotel Management Co.,Ltd.</i>	<i>¥5,324,738</i>	<i>Real estate investing business</i>

*For the six months ended December 31, 2018*

<i>Name of client</i>	<i>Operating Revenues (in thousands of yen)</i>	<i>Operating Revenues (in thousands of U.S. dollars)</i>	<i>Related segment</i>
<i>Mystays Hotel Management Co.,Ltd.</i>	<i>¥7,297,799</i>	<i>\$65,745</i>	<i>Real estate investing business</i>

**22. Profit or Loss from Equity Method, etc**

*For the six months ended June 30, 2018*

(in thousands of yen)

Investments in affiliates	17,856,387
Investments, if equity method was adopted	17,845,800
Investment gains (losses), if equity method was adopted	722,127

*For the six months ended December 31, 2018*

(in thousands of yen)

(in thousands of US dollars)

Investments in affiliates	54,640,213	492,254
Investments, if equity method was adopted	54,640,213	492,254
Investment gains (losses), if equity method was adopted	846,780	7,628

## 23. Related-Party Transactions

### (a) Parent Company and Major Corporate Unitholders

For the six months ended June 30, 2018

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period		Balance at the end of period	
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts (1) (in thousands of yen)	Balance sheet account	Amounts(1) (in thousands of yen)
Interested party of the Asset Manager	Ginga TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥5,326,000	-	-
	HL Investments TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥2,772,000	-	-
	Monza TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥2,723,000	-	-
	Suisei TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥1,604,000	-	-
	Calvis TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥7,325,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥10	\$90	-	Lease holder and operator of hotel	Rental Revenues	¥576,941	Rental receivables	¥221,582
	Mystays Hotel Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥100	\$900	-	Lease holder and operator of hotel	Rental Revenues	¥5,324,738	Rental receivables	¥1,387,974

Notes:

- Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- The seller, Ginga TMK, HL Investments TMK, Monza TMK, Suisei TMK, Calvis TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, but (i) Ginga TMK, HL Investments TMK, Monza TMK, and Suisei TMK used to receive investment through funds that are managed by FIG, an affiliate of Calliope; a parent company of the asset manager directly owning 100% of issued shares, (ii) Calvis TMK used to receive investment through funds that are managed by FIG, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares, (iii) Naqua Hotel & Management Resorts Management Co. Ltd and Mystays Hotel Management, Co. Ltd receive investment through funds that are managed by FIG, an affiliate of Calliope; a parent company of the asset manager directly owning 100% of issued shares until March 29, 2018, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares after March 29, 2018. Accordingly, we treat Ginga TMK, HL Investments TMK, Monza TMK, Suisei TMK, Calvis TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.
- The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

For the six months ended December 31, 2018

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts(1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Interested party of the Asset Manager	Aki TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥20,691,000	\$ 186,405	-	-	-
	Rachia TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥16,731,000	\$ 150,729	-	-	-
	HL Investments 2 TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥5,286,000	\$ 47,621	-	-	-
	Dogo TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	\$ 0	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥5,039,000	\$ 45,396	-	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥10	\$ 90	-	Lease holder and operator of hotel	Rental Revenues	¥1,112,683	\$ 10,024	Rental receivables	¥141,119	\$ 1,271

	Mystays Hotel Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥100	\$900	-	Lease holder and operator of hotel	Rental Revenues	¥7,297,799	\$65,745	Rental receivables	¥2,264,664	\$20,402
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Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- (2) Terms and conditions are decided pursuant to the Asset Manager's Regulations on Transactions with Sponsor-related Persons and the Management Manual regarding Transactions with Sponsor-related Persons.
- (3) The seller, Aki TMK, Raetia TMK, HL Investments 2 TMK, Dogo TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, they receive investment through funds that are managed by FIG, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares. Accordingly, we treat Aki TMK, Raetia TMK, HL Investments 2 TMK, Dogo TMK, Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.
- (4) The transaction amount exclude adjusted amount of real property tax and city planning tax, as well as consumption tax and local consumption tax.

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of US dollars)
D60	Hotel MyStays Premier Akasaka	Aki TMK	20,691,000	186,405
D61	Hotel MyStays Premier Sapporo Park	Raetia TMK	16,731,000	150,729
D62	Hotel MyStays Ueno East	HL Investments 2 TMK	5,286,000	47,621
D63	Hotel MyStays Midosuji Honmachi	Dogo TMK	5,039,000	45,396
Total			47,747,000	430,153

## (b) Affiliates

For the six months ended June 30, 2018

Not Applicable.

For the six months ended December 31, 2018

Type of related-party	Company name	Location	Business	Share capital		Investment ratio	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts (1)(2)		Balance sheet account	Amounts(1)(2)	
									(in millions of yen)	(in thousands of U.S. dollars)		(in millions of yen)	(in thousands of U.S. dollars)
Affiliates	Seven Mile Resort Holdings Ltd.	Grand Cayman, Cayman Islands	Investment management business	¥36,783	\$ 331,385	100.0%	TK investment	Investment in the TK(2)(3)	¥36,783	\$ 331,385	-	-	-

- (1) Investment amount in USD is converted to yen using the exchange rate fixed by foreign exchange forward (USD 1=JPY 110.45 (rounded down to two decimal places)).
- (2) INV initially funded USD 339,836 thousand (JPY 37,534 million). However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. Thus, the amounts indicated are those after the partial refund.
- (3) Investment was made based on a TK agreement.
- (4) The TK is a TK with Seven Mile Resort Holdings Ltd. as an operator.

## (c) Board of Directors and Major Individual Unitholders

For the six months ended June 30, 2018

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts(3)	Balance sheet account	Amounts(3)
					(in thousands of yen)		(in thousands of yen)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	-	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥308,849	Accrued expenses	¥149,291
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥600	Accrued expenses	¥324

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.
- (3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

For the six months ended December 31, 2018

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts(3)		Balance sheet account	Amounts(3)	
					(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	-	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 279,774	\$ 2,520	Accrued expenses	¥ 148,500	\$ 1,337
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 1,100	\$ 9	Accrued expenses	¥ 864	\$ 7

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.
- (3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

## 24. Parent company and/or significant affiliates

### (a) Information on the parent company

Not Applicable.

### (b) Summary of financial statements of the significant affiliates

The significant affiliates in the year ended December 31, 2018 is Kingdom TMK. Summary of financial statements are as follows:

	Kingdom TMK		
	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(in thousands of yen)		(in thousands of US dollars)
Total specified assets	100,422,370	100,856,568	908,617
Total other assets	5,409,900	3,784,525	34,094
Total current liabilities	1,436,173	212,208	1,911
Total non-current liabilities	66,480,660	66,280,661	597,123
Total net assets	37,915,436	38,148,224	343,677
Operating revenue	1,957,744	2,350,784	21,178
Income before income taxes	1,496,394	1,729,001	15,576
Net income	1,495,336	1,728,124	15,568

## 25. Per Unit Information

The following table shows net asset value per unit as of June 30, 2018 and December 31, 2018 and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding. The Company has no potentially dilutive units.

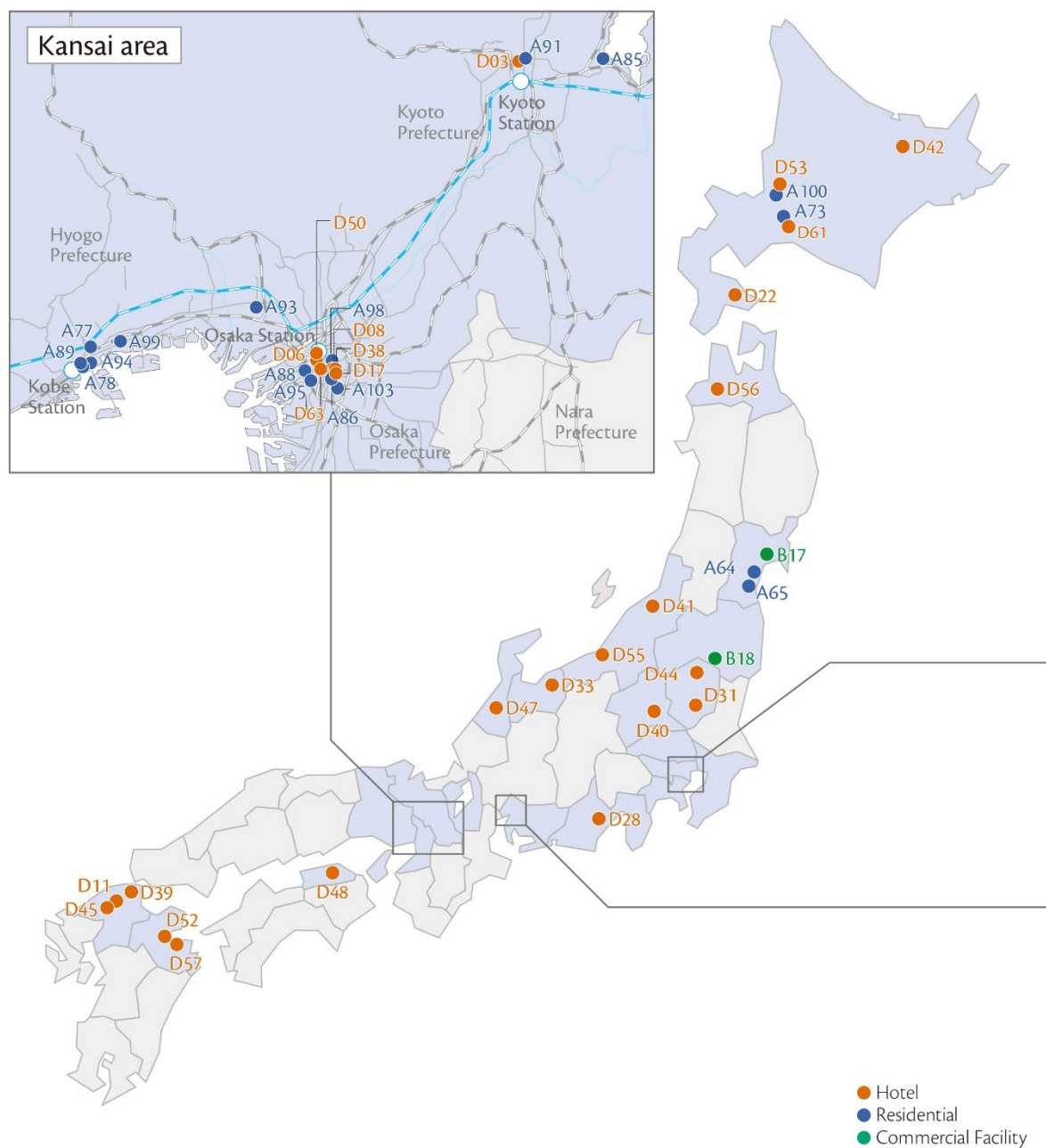
	As of / For the six months ended		
	June 30, 2018	December 31, 2018	December 31, 2018
	(Yen)		(U.S. dollars)
Net asset value per unit .....	¥ 37,871	¥ 39,063	\$ 351
Net income per unit .....	¥ 1,611	¥ 1,504	\$ 13
Weighted average number of units .....	4,793,181	5,575,457	-

## 26. Subsequent Events

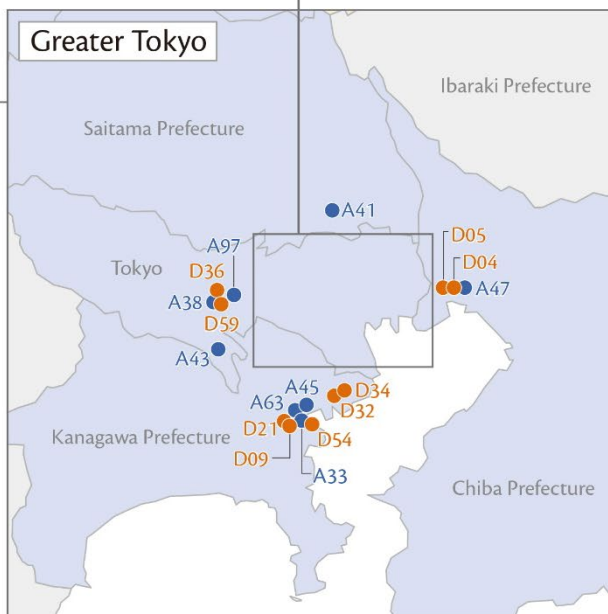
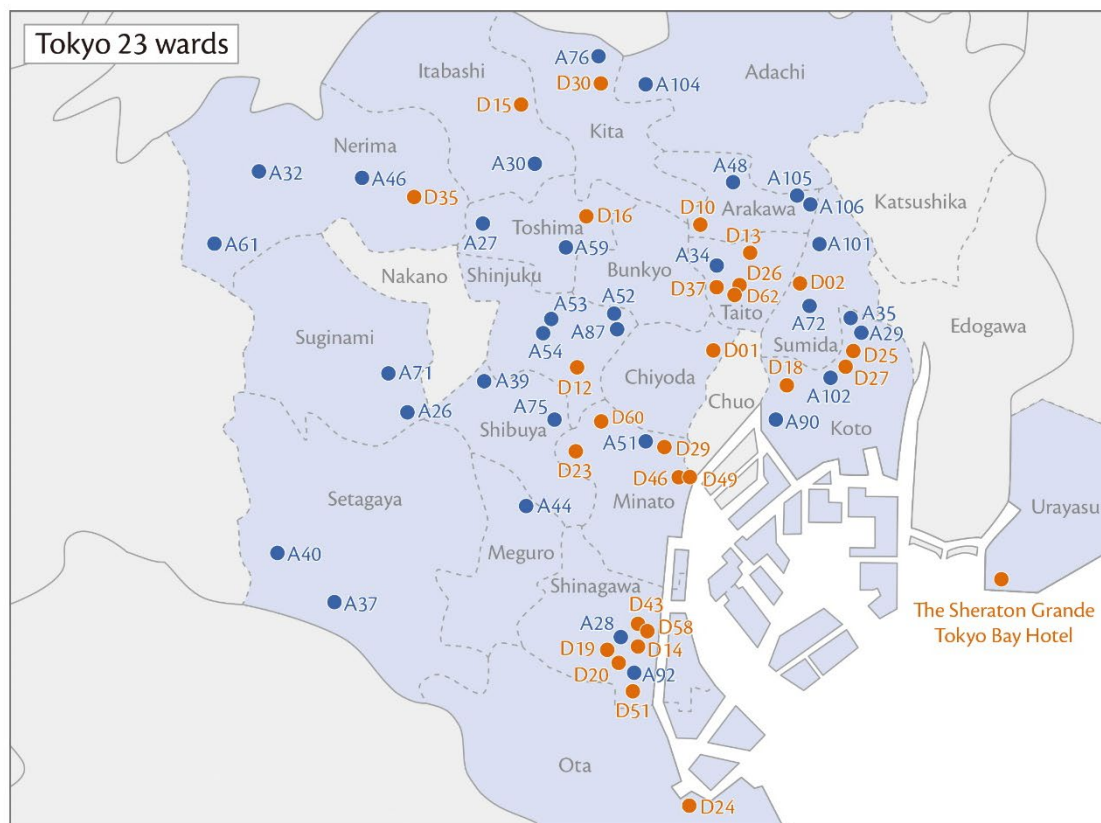
Not Applicable.

**Domestic Portfolio Map (As of December 31, 2018)**

No. of Properties	No. of Hotels	No. of Residential Properties	Others
<b>130</b>	<b>64</b>	<b>64</b>	<b>2</b>



(Note) For properties corresponding to the number and overview, please refer to pages 24-26.



## Sponsor Pipeline (As of February 28, 2019)

Strong pipeline of 27 assets continue to provide stable growth opportunities.

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

#### Hotels

No.	Property name	Location	Type <sup>(2)</sup>	# of Rooms	Status
1	Rihga Royal Hotel Kyoto	Kyoto, Kyoto	Full	489	In operation
2	Hotel MyStays Premier Narita	Narita, Chiba	Full	711	In operation
3	Fusaki Resort Village	Ishigaki, Okinawa	Resort	188	In operation
4	Art Hotel Asahikawa	Asahikawa, Hokkaido	Full	265	In operation
5	Hotel MyStays Kanazawa Castle	Kanazawa, Ishikawa	Limited	206	In operation
6	Hotel MyStays Matsuyama	Matsuyama, Ehime	Full	162	In operation
7	Hotel Mystays Sapporo Nakajima Park	Sapporo, Hokkaido	Limited	86	In operation
8	Flexstay Inn Sakuragicho	Yokohama, Kanagawa	Limited	70	In operation
9	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	Limited	161	In operation
10	Hotel MyStays Fuji Onsen Resort	Fujiyoshida, Yamanashi	Resort	159	In operation
11	Hotel Nord Otaru	Otaru, Hokkaido	Limited	98	In operation
12	Hotel Sonia Otaru	Otaru, Hokkaido	Limited	149	In operation
13	Art Hotel Niigata Station	Niigata, Niigata	Full	304	In operation
14	Art Hotel Ishigakijima	Ishigaki, Okinawa	Resort	245	In operation
15	Hotel MyStays Shinsaibashi East	Osaka, Osaka	Limited	85	In operation
16	Hotel MyStays Sapporo Aspen	Sapporo, Hokkaido	Limited	305	In operation
17	Hotel MyStays Sapporo Nakajima Park Annex	Sapporo, Hokkaido	Limited	80	In operation
18	Hotel MyStays Sapporo Susukino	Sapporo, Hokkaido	Limited	104	In operation
19	Hotel MyStays Nayoro	Nayoro, Hokkaido	Limited	70	In operation

#### Residential properties

No.	Property name	Location	# of Rooms
20	Gran Charm Hiroo	Shibuya-ku, Tokyo	121
21	Gran Charm Kichijoji	Musashino, Tokyo	28
22	Green Patio Noda	Noda, Chiba	240
23	Dainichi F-45	Urayasu, Chiba	54
24	Gran Charm Urayasu	Urayasu, Chiba	54
25	Gran Charm Urayasu 5	Urayasu, Chiba	54
26	Gran Charm Minami Gyotoku I	Ichikawa, Chiba	52
27	Gran Charm Minami Gyotoku II	Ichikawa, Chiba	48

No. of Hotel Rooms	No. of Apartment Units
<b>3,937</b>	<b>651</b>

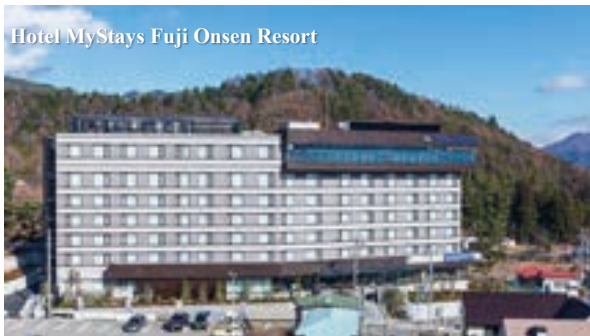
(Note 1) The above is a list of properties for which INV shall be granted an opportunity to consider the acquisition in priority to a third party when affiliates of Fortress Group intend to sell any of the properties. Regarding the properties in the list, the said affiliates do not intend to sell any of the properties and INV does not intend to acquire any of the properties as of February 28, 2019. Therefore, there is no assurance that INV will be granted an opportunity for considering acquisition of the properties or be able to acquire the properties. INV does not hold preferential negotiation rights to acquire any overseas properties.

(Note 2) Each "Type" above is as follows: "Limited Service" 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" refers to a hotel having segments of stay, foods and beverages, and banquet. "Resort" refers to a hotel located at tourist destinations or recreational lots, having segments of stay, foods and beverages, and incidental facilities.

Rihga Royal Hotel Kyoto



Hotel MyStays Fuji Onsen Resort



Fusaki Resort Village



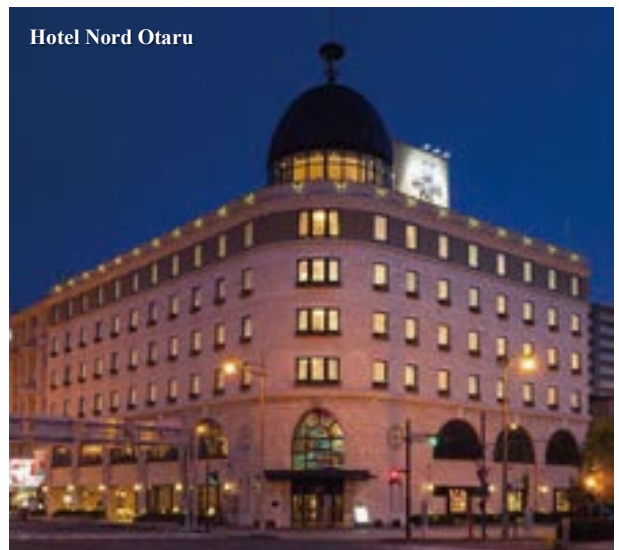
Hotel MyStays Sapporo Aspen



Hotel MyStays Premier Narita



Hotel Nord Otaru



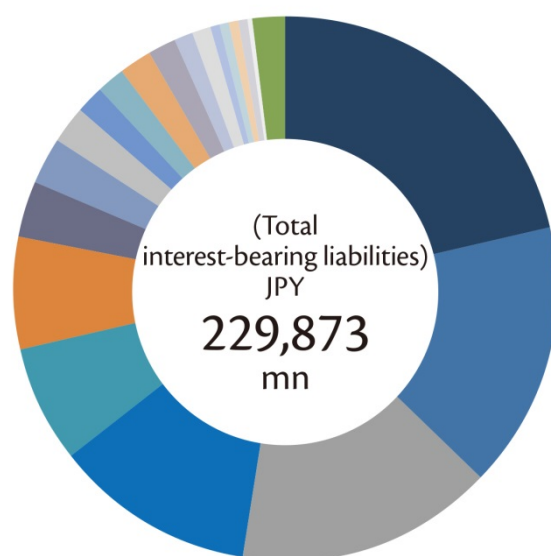
**(Note) Financial Conditions**

Issued INV's third Investment Corporation Bonds to diversify the financing sources of INV, while maintaining its sound financial base and good relationship with its lenders.

■ **Investment Corporation Bonds**

Bond Series	Date of issuance	Term	Total issue amount (JPY million)	Interest rate (per annum)	Rating
First Series Unsecured Investment Corporation Bonds	May 25, 2018	5 years	1,000	0.40%	A (JCR)
Second Series Unsecured Investment Corporation Bonds	May 25, 2018	10 years	1,000	0.80%	A (JCR)
Third Series Unsecured Investment Corporation Bonds	October 12, 2018	5 years	2,000	0.55%	A (JCR)
Total/Average			4,000		

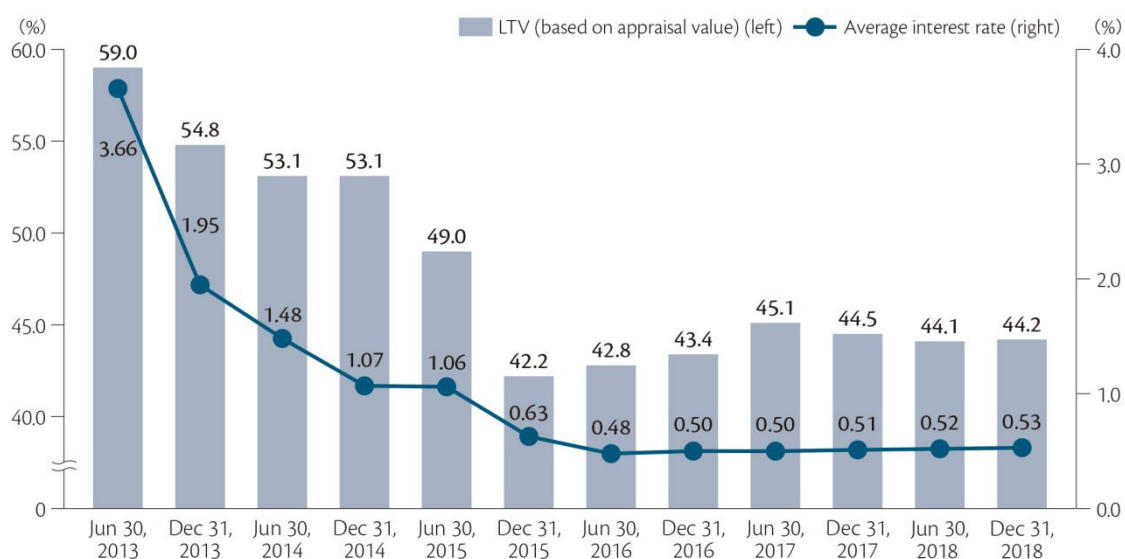
■ **Lender Formation** (as of February 28, 2019)



Mizuho Bank	21.7%
SMBC	15.7%
MUFG Bank	15.5%
SMTB	11.7%
Shinsei Bank	7.1%
Citibank N.A., Tokyo Branch	6.6%
Resona Bank	3.4%
DBJ	2.6%
Aeon Bank	2.4%
Japan Post Bank	1.7%
Tokyo Star Bank	1.7%
Dai-ichi Life Insurance	1.7%
Fukuoka Bank	1.7%
Nomura TB	1.2%
Shizuoka Bank	1.0%
Hiroshima Bank	0.7%
Kagawa Bank	0.4%
Daishi Bank	0.4%
Hyakugo Bank	0.4%
Towa Bank	0.3%
Gunma Bank	0.2%
Investment corporation bonds	1.7%

(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). As to preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel as an underlying asset and the TK interests which hold overseas properties, since no appraisal value is available, LTV after the acquisition is calculated using INV's acquisition prices of the preferred equity securities and TK interests as appraisal values. For the TK interests, the acquisition price (INV's TK investment amount) of such TK interest, which is converted into JPY amount via the forward exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract (implemented as of September 26, 2018) entered into on July 26, 2018, is deemed as the appraisal value and included. The amount of TK investment has changed from the initial amount due to a partial refund of the TK investment on December 10, 2018. (Using exchange rate above, the initial investment amount in Japanese Yen denomination was JPY 37,534 million, while the investment amount after the refund was JPY 36,783 million.)

## ■ LTV (based on appraisal value)<sup>(1)</sup> and Weighted Average Interest Rate<sup>(2)</sup>



## ■ DSCR



## ■ Rating

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

(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).

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

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

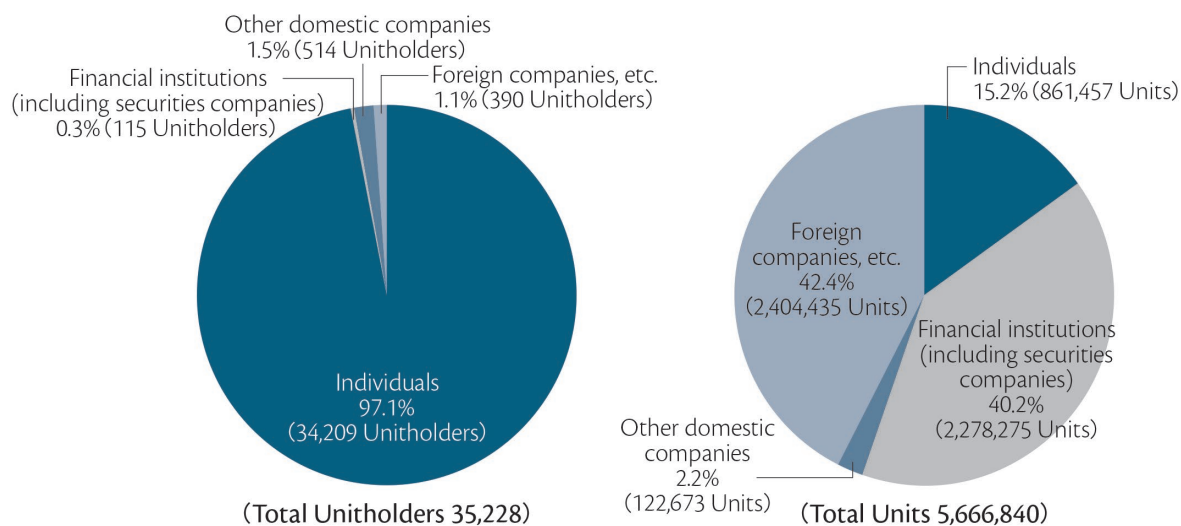
## Overview of Unitholders/Investment Units

### Historical Unit Price



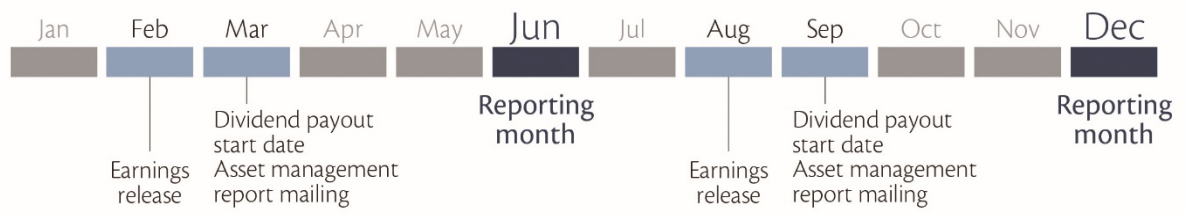
(Note) Unit prices indicate the closing price on the TSE market. TSE REIT Index has been indexed, assuming the closing price of TSE REIT Index as of January 4, 2013 was the same as the closing price of INV unit on the same day.

### Distribution of Unitholders



(Note) Percentage figures are rounded to one decimal place.

## ■ 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, J 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, JASDEC registers them 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