

**Financial Summary**  
**for the December 2018 Fiscal Period**  
**(from July 1, 2018 to December 31, 2018)**

**February 21, 2019**

Name	: Invincible Investment Corporation
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: <a href="http://www.invincible-inv.co.jp/eng/">http://www.invincible-inv.co.jp/eng/</a>
Contact	: Consonant Investment Management Co., Ltd. (Asset Manager of Invincible Investment Corporation) Jun Komo, General Manager of Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	: March 20, 2019

This English language notice is a translation of the Japanese-language notice released on February 21, 2019 and was prepared solely for the convenience of, and reference by, non-Japanese investors. It is not intended as an inducement or solicitation for investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. Readers are advised to read the original Japanese-language notice. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail in all respects.

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)

(1) Operating Results

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Fiscal period ended December 31, 2018	14,451	10.3	9,514	12.8	8,384	8.6	8,384	8.6
Fiscal period ended June 30, 2018	13,104	3.6	8,433	2.6	7,722	5.7	7,721	5.7

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2018	1,504	4.2	2.0	58.0
Fiscal period ended June 30, 2018	1,611	4.3	2.1	58.9

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

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Distribution (Including excess profit distribution)		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total	Per Unit	Total		
	JPY	JPY million	JPY	JPY million	JPY	JPY million	%	%
Fiscal period ended December 31, 2018	1,632	9,248	51	289	1,683	9,537	110.3	4.2
Fiscal period ended June 30, 2018	1,430	6,854	-	-	1,430	6,854	88.8	3.8

(Note 1) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended December 31, 2018, since INV distributes almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act, which includes deferred gain on hedge.

(Note 2) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended June 30, 2018, since INV distributed 90% of Distributable Income (JPY 7,610 million, which is a total of net income and JPY 111 million of retained deficits carried forward from the preceding fiscal period) and reserve the remaining amount as internal reserve.

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

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

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

Moreover, the Dividend Payout Ratio for the fiscal period ended June 30, 2018 calculated in accordance with the following formula is 90.1%:

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

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

(Note 5) Distribution/ Net Assets is calculated based on the figures excluding excess profit distribution.

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total Assets	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended December 31, 2018	455,362	221,364	48.6	39,063
Fiscal period ended June 30, 2018	374,512	181,523	48.5	37,871

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

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	JPY million	JPY million	JPY million	JPY million
Fiscal period ended December 31, 2018	10,654	(85,738)	71,075	11,064
Fiscal period ended June 30, 2018	20,483	(21,020)	(5,083)	15,072

2. Forecasts for the Fiscal Periods ending June 30, 2019 (from January 1, 2019 to June 30, 2019) and December 31, 2019 (from July 1, 2019 to December 31, 2019)

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution)	Excess Profit Distribution per Unit	Distribution per Unit (including excess profit distribution)
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY	JPY
Fiscal Period ending June 30, 2019	14,923	3.3	9,804	3.0	8,890	6.0	8,889	6.0	1,568	14	1,582
Fiscal Period ending December 31, 2019	15,596	4.5	10,365	5.7	9,422	6.0	9,421	6.0	1,662	14	1,676

(Reference) Estimated net income per unit for the fiscal periods ending June 30, 2019 is JPY 1,568.

Estimated net income per unit for the fiscal periods ending December 31, 2019 is JPY 1,662.

\* Others

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

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

(2) Number of Investment Units Issued and Outstanding

- (a) Number of Units Issued and Outstanding December 31, 5,666,840 June 30, 4,793,181  
as of the End of the Fiscal Period (Including Treasury Units) 2018 2018
- (b) Number of Treasury Units as of the End of the Fiscal Period December 31, 0 June 30, 0  
2018 2018

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

#### The Implementation Status of Statutory Audit

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

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

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

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

Please refer to “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019” on page 19 for assumptions used in the forecasts and precautions regarding the use of such forecasts.

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

## 1. Related Companies of the Investment Corporation

Disclosure is omitted because there have been no material changes in the “Structure of the Investment Corporation” section of the latest securities report (filed on September 25, 2018) (available in Japanese only).

## 2. Management Policy and Operating Conditions

### (1) Management Policy

Disclosure of “Investment Policy,” “Investment Targets,” “Distribution Policies” and the “Investment Restriction” is omitted because there have been no material changes from the relevant sections of the latest securities report (filed on September 25, 2018) (available in Japanese only).

### (2) Operating Conditions

#### a Overview of the Fiscal Period Ended December 31, 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 448,360 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) Change in 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 the date of this document, there are 19 hotels and nine 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%

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) 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 3) 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 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:

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

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

LTV = total outstanding interest (excluding short-term consumption tax loan) -bearing debt/total appraisal value (\*) x 100

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

(1) 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”)
(2) Acquisition price	USD 333,036 thousand (JPY 36,783 million) (Note 2) (Note 3) for 100.0% of the Cayman Hotel TK Interest
(3) 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”)
(4) Acquisition date	September 28, 2018 (Cayman Island local time)
(5) 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.

b 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.

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 is invested in exceeds 3,500. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 19 hotels and nine residential properties (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

No.	Asset name	Asset type (Note 5)	Location	No. of rooms
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	Plestay Win Kinshicho	Residential/Small Type	Sumida-ku, Tokyo	92
22	Gran Charm Kichijoji	Residential/Small Type	Musashino, Tokyo	28
23	Green Patio Noda	Residential/Small Type	Noda, Chiba	240
24	Dainichi F□45	Residential/Small Type	Urayasu, Chiba	54
25	Gran Charm Urayasu	Residential/Small Type	Urayasu, Chiba	54
26	Gran Charm Urayasu 5	Residential/Small Type	Urayasu, Chiba	54
27	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa, Chiba	52
28	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa, Chiba	48
Residential property subtotal				743
Total				4,680

(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.

(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 "a Overview of the Fiscal Period Ended December 2018 ("Reporting Period") (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.

c 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.

d Operational Outlook

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

	June 2019 Fiscal Period	December 2019 Fiscal Period	(Reference) Full-year 2019
Operating Revenues	JPY 14,923 million	JPY 15,596 million	JPY 30,519 million
Operating Income	JPY 9,804 million	JPY 10,365 million	JPY 20,170 million
Ordinary Income	JPY 8,890 million	JPY 9,422 million	JPY 18,312 million
Net Income	JPY 8,889 million	JPY 9,421 million	JPY 18,311 million
Total Distribution Amount (Including excess profit distribution)	JPY 8,964 million	JPY 9,497 million	JPY 18,462 million
Net Income per Unit	JPY 1,568	JPY 1,662	JPY 3,230
Distribution per Unit (Excluding excess profit distribution)	JPY 1,568	JPY 1,662	JPY 3,230
Excess Profit Distribution per Unit	JPY 14	JPY 14	JPY 28
Distribution per Unit (Including excess profit distribution)	JPY 1,582	JPY 1,676	JPY 3,258

For the assumptions underlying the operational outlook for the fiscal periods ending June 30, 2019 and December 31, 2019, please see “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019.”

(Cautionary Note regarding Forward Looking Statements)

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

**<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019>**

Item	Assumptions																					
Fiscal period	The June 2019 fiscal period: from January 1, 2019 to June 30, 2019 (181 days) The December 2019 fiscal period: from July 1, 2019 to December 31, 2019 (184 days)																					
Assets under management	Based on the properties held as of the date of this document (129 properties and a preferred equity interest in one TMK and a TK interest), and INV assumes that there will be no changes through the end of the fiscal period ending December 31, 2019.																					
Units outstanding	As of the end of the June 2019 fiscal period: 5,666,840 units As of the end of the December 2019 fiscal period: 5,666,840 units  INV assumes that there will be no change to the current 5,666,840 units issued and outstanding through the end of the fiscal period ending December 31, 2019.																					
Interest-bearing liabilities	Balance as of the end of the fiscal period ending June 30, 2019: JPY 229,873 million (borrowing: JPY 225,873 million, investment corporation bonds: JPY 4,000 million) Balance as of the end of the fiscal period ending December 31, 2019: JPY 228,774 million (borrowing: JPY 224,774 million, investment corporation bonds: JPY 4,000 million)  INV assumes that out of the current balance of JPY 229,873 million, INV intends to repay consumption tax loan of JPY 1,099 million maturing on August 2, 2019 in the fiscal period ending December 31, 2019. Regarding other loans maturing during the June 2019 fiscal period and December 2019 fiscal period, INV intends to refinance at a similar condition. INV assumes no other new loan or prepayment of loan through the end of the December 2019 fiscal period.																					
Operating revenues	INV expects to record rental revenues as follows: <table><thead><tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr></thead><tbody><tr><td>• Rental revenues</td><td>JPY 12,248 million</td><td>JPY 13,688 million</td></tr><tr><td>    (of these, hotel rents)</td><td>(JPY 8,497 million)</td><td>(JPY 9,948 million)</td></tr><tr><td>    (fixed hotel rents)</td><td>(JPY 4,168 million)</td><td>(JPY 5,044million)</td></tr><tr><td>    (variable hotel rents)</td><td>(JPY 4,329 million)</td><td>(JPY 4,904 million)</td></tr><tr><td>• TMK Dividend amount</td><td>JPY 892 million</td><td>JPY 774 million</td></tr><tr><td>• TK Dividend amount</td><td>JPY 1,782 million</td><td>JPY 1,133 million</td></tr></tbody></table> We estimate the amount of dividends on the preferred equity interests (TMK dividend) based on the performance of the underlying asset and the assumed amount of expenses incurred by the TMK.  TK dividend has been calculated based on the exchange rate of 1 USD = 110.00 JPY, as the exchange rate is fixed based on the currency put/call options as announced in “Notice concerning Cancel of Existing Foreign Exchange Forward and Execution of Put/Call Options” dated November 2, 2018.  Rental revenues are calculated based on estimates as of the date of this document. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.		June 2019 Fiscal Period	December 2019 Fiscal Period	• Rental revenues	JPY 12,248 million	JPY 13,688 million	(of these, hotel rents)	(JPY 8,497 million)	(JPY 9,948 million)	(fixed hotel rents)	(JPY 4,168 million)	(JPY 5,044million)	(variable hotel rents)	(JPY 4,329 million)	(JPY 4,904 million)	• TMK Dividend amount	JPY 892 million	JPY 774 million	• TK Dividend amount	JPY 1,782 million	JPY 1,133 million
	June 2019 Fiscal Period	December 2019 Fiscal Period																				
• Rental revenues	JPY 12,248 million	JPY 13,688 million																				
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(variable hotel rents)	(JPY 4,329 million)	(JPY 4,904 million)																				
• TMK Dividend amount	JPY 892 million	JPY 774 million																				
• TK Dividend amount	JPY 1,782 million	JPY 1,133 million																				

Item	Assumptions		
Operating expenses	INV expects to incur property related expenses as follows:		
		June 2019 Fiscal Period	December 2019 Fiscal Period
	• Facility management fees (of these, repair costs)	JPY 652 million (JPY 27 million)	JPY 638 million (JPY 26 million)
	• Taxes and other public charges (Note)	JPY 550 million	JPY 665 million
	• Insurance expenses	JPY 13 million	JPY 13 million
	• Depreciation expenses	JPY 3,181 million	JPY 3,232 million
	• Other expenses	JPY 205 million	JPY 169million
	Total property related expenses	JPY 4,604 million	JPY 4,720 million
	(Note) Property taxes and city planning taxes on the assets acquired in 2018 are calculated on a pro-rata basis with the previous owners and settled at the time of acquisition, and are not recorded for the fiscal period ended December 31, 2018 and will be recorded from the fiscal period ending June 30, 2019 as the amount equivalent to such settlement is included in the acquisition cost.		
	INV expects to incur other operating expenses than the property related expenses as follows:		
		June 2019 Fiscal Period	December 2019 Fiscal Period
	• Other operating expenses (of these, asset management fees)	JPY 514 million (JPY 300 million)	JPY 510 million (JPY 300 million)
NOI	INV expects to record net operating income as follows:		
		June 2019 Fiscal Period	December 2019 Fiscal Period
	• NOI	JPY 13,500 million	JPY 14,108 million
	(of these, hotel NOI)	(JPY 8,057 million)	(JPY 9,404 million)
	(of these, residential NOI)	(JPY 2,584 million)	(JPY 2,611 million)
	(of these, TMK dividend amount)	(JPY 892 million)	(JPY 774 million)
	(of these, TK dividend amount)	(JPY 1,782 million)	(JPY 1,133 million)
	NOI calculation method in the above table is as follows • $\text{NOI} = \text{Rental Revenues} - \text{Property Related Expenses} + \text{Depreciation Expenses} + \text{Dividend on the preferred equity interest (TMK dividend)} + \text{Dividend on TK interest (TK dividend)}$		
Non-operating expenses	INV expects to incur non-operating expenses as follows:		
		June 2019 Fiscal Period	December 2019 Fiscal Period
	• Interest expense	JPY 600 million	JPY 641 million
	• Finance related costs	JPY 298 million	JPY 286 million
	• Interest for investment corporation bond	JPY 11 million	JPY 11 million
	• Depreciation of investment corporation bonds issuance expenses	JPY 3million	JPY 3 million
	Total Non-operating expenses	JPY 914 million	JPY 943 million

Item	Assumptions						
Distribution per unit	<p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV’s Articles of Incorporation.</p> <p>With respect to the distribution for the fiscal period ending June 30, 2019, INV expects to distribute an aggregate amount of JPY 8,964 million (distribution per unit: JPY 1,582) based on the assumption that excess profit distribution will be paid (JPY 79 million) in addition to distribution of profit (JPY 8,885 million) to be distributed from the net income for the fiscal period ending June 30, 2019 (JPY 8,889 million).</p> <p>With respect to the distribution for the fiscal period ending December 31, 2019, INV expects to distribute an aggregate amount of JPY 9,497 million (distribution per unit: JPY 1,676) based on the assumption that excess profit distribution will be paid (JPY 79 million) in addition to distribution of profit (JPY 9,418 million) to be distributed from the net income for the fiscal period ending December 31, 2019 (JPY 9,421 million).</p> <p>For the fiscal period ending June 30, 2019 and December 31, 2019, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 108 million, which is equal to the amount for the fiscal period ended December 31, 2018. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap does not affect the distribution per unit.</p> <p>Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.</p>						
Excess profit distribution per unit	<p>INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.</p> <p>INV may also consider making distributions in excess of profits for the purpose of decreasing the impact from corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.</p> <p>INV intends to make distribution in excess of profits (JPY 14 per unit for each of the fiscal periods ending June 30, 2019 and December 31, 2019) in order to cope with the discrepancy between tax and accounting treatment on depreciation.</p> <table><tr><td></td><td>June 2019 Fiscal Period</td><td>December 2019 Fiscal Period</td></tr><tr><td>Excess profit distribution per unit</td><td>JPY 14</td><td>JPY 14</td></tr></table>		June 2019 Fiscal Period	December 2019 Fiscal Period	Excess profit distribution per unit	JPY 14	JPY 14
	June 2019 Fiscal Period	December 2019 Fiscal Period					
Excess profit distribution per unit	JPY 14	JPY 14					
Other	<p>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations, including the proposed amendments to the Income Tax Act stated below, that would affect the foregoing forecasts.</p> <p>However, as announced in “Notice concerning Tax Reform Outline for FY 2019 proposed by Governing Parties” dated December 16, 2018, the governing political party of Japan adopted and made public on December 14, 2018 their Tax Reform Outline for Fiscal Year 2019, including the proposal (“Proposal”) to amend the requirement that “J-REIT must not hold 50% or more of the share or the investment in another corporation”, one of the requirements for special taxation measures for J-REITs (so-called “tax conduit requirements”) to include investments in TK interest within the meaning of the investment in another corporation. On February 5, 2019, a bill to amend a portion of the Income Tax Act in Japan, including the said Proposal, was submitted to the Diet. INV has acquired the TK Interest with Overseas Real Estate as Underlying Assets (“TK Interest with Overseas Real Estate”) on September 29, 2018 and holds 100% TK interest. Therefore, there is a possibility that <u>we</u> may fail to satisfy tax conduit requirements when the Proposal is formally adopted and enacted. To deal with such circumstances, INV is currently consulting with Japanese and Cayman regulators regarding a change in the investment structure in order to maintain compliance with the tax conduit requirements while enjoying the full economic benefits derived from the underlying assets of the TK interest. Nevertheless, since it is difficult to incorporate the detail and the timing of investment structure change in the assumption, the forecasts of financial results here does not assume such change of investment structure.</p>						

Item	Assumptions
	In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.

(3) Investment Risk

Changes are made as follows to certain items contained in “Part 1 Fund Information, I. Fund Status, 3. Investment Risks” in 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. Underlined parts below indicate major changes or additions, while deletions are not indicated.

6. Taxation Risks

(a) Risks regarding tax conduit requirement

(Snip)

While we intend to maintain tax conduit requirements, our current favorable tax treatment, available to J-REITs that comply with Japanese tax laws, there is a possibility that we would fail to satisfy such requirements due to the factors below or other factors. If we are unable to meet such requirements, we will not be able to take advantage of this favorable tax treatment. In such a case, we would not be able to deduct our distributions from our taxable income as expenses. As a result, we would have to pay distributions after our taxable income has been subject to Japanese corporate income tax at a regular rate, which might have adverse effect on the amount of distributions to be paid to unitholders. However, due to the availability of tax loss carryforwards totaling JPY 22,685 million as of the end of the 31st Fiscal Period (fiscal period ended December 31, 2018), we do not expect to incur any additional corporate tax liability at least up to the 32nd Fiscal Period (fiscal period ending June 30, 2019) even if we are unable to meet such requirements.

(Snip)

(e) Risks regarding requirement to restrict J-REITs holding control over another corporation

We understand that investment in anonymous association (*tokumei kumiai*) under the Commercial Code in Japan is not included within “share or the investment in another corporation” under the requirement to restrict J-REITs holding control over another corporation and that holding the Cayman Hotel TK Interest does not conflict with the requirement of “J-REIT must not hold 50% or more of the share or the investment in another corporation” under the current tax system in Japan as of the date of this document. On February 5, 2019, a bill to amend a portion of the Income Tax Act in Japan was submitted to the Diet, which includes the proposal (“Proposal”) to amend the requirement that “J-REIT must not hold 50% or more of the share or the investment in another corporation” to include investments in anonymous associations within the meaning of the investment in another corporation. Also, since the Proposal does not have particular transitional measure, there is a possibility that we may fail to satisfy requirement to restrict J-REITs holding control over another corporation when the Proposal is formally adopted and enacted, applicable from the 33rd Fiscal Period (fiscal period ending December 2019), which is the first fiscal period of INV immediately after the anticipated effective date (April 1, 2019) of tax law amendment. INV is preparing an investment structure change in order to enjoy the full economic benefits derived from the underlying assets of the TK interest, while maintaining compliance with the tax conduit requirements, complying with Japanese and Cayman laws, and avoiding excessive economic burden in the event the Proposal is adopted and enacted. However, in the event (i) such investment structure change cannot be carried out due to laws and regulations or other factors, (ii) such investment structure change requires a large amount of costs, or (iii) such investment structure change cannot be carried out in a timely manner, it could have a material adverse effect on INV or its unitholders.

### 3. Financial Statements

#### (1) Balance Sheet

	(Unit: JPY thousand)	
	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
<b>Assets</b>		
Current assets:		
Cash and bank deposits	8,505,792	3,985,335
Cash and bank deposits in trust	6,566,761	7,079,268
Accounts receivable	6,483	583,012
Rental receivables	1,826,596	2,591,368
Prepaid expenses	428,536	539,442
Income taxes receivable	149,632	172,912
Consumption taxes receivable	-	434,326
Other	0	0
Allowance for doubtful accounts	(89)	(86)
Total current assets	17,483,714	15,385,582
Non-current assets:		
Property and equipment		
Tools, furniture and fixtures, at cost	3,192	3,192
Accumulated depreciation	(444)	(669)
Tools, furniture and fixtures, net	2,748	2,522
Buildings in trust, at cost	133,579,099	144,380,745
Accumulated depreciation	(10,479,742)	(12,260,835)
Buildings in trust, net	123,099,357	132,119,910
Buildings and accompanying facilities in trust, at cost	28,918,145	32,567,092
Accumulated depreciation	(6,237,852)	(7,258,920)
Buildings and accompanying facilities in trust, net	22,680,292	25,308,172
Structures in trust, at cost	225,353	228,964
Accumulated depreciation	(86,498)	(92,586)
Structures in trust, net	138,854	136,377
Tools, furniture and fixtures in trust, at cost	1,395,339	1,690,363
Accumulated depreciation	(392,369)	(504,581)
Tools, furniture and fixtures in trust, net	1,002,969	1,185,781
Land in trust	173,298,062	203,881,464
Total property and equipment, net	320,222,285	362,634,229
Intangible assets		
Leasehold rights in trust	16,712,637	20,015,700
Total intangible assets	16,712,637	20,015,700
Investments and other assets		
Investment securities	17,856,387	54,640,213
Guarantee deposits	1,681,565	1,700,670
Long-term prepaid expenses	426,222	708,191
Derivatives assets	92,561	216,555
Other	12,667	22,667
Total investments and other assets	20,069,404	57,288,298
Total non-current assets	357,004,327	439,938,228
Deferred assets		
Investment corporation bond issuance costs	24,945	38,985
Total deferred assets	24,945	38,985
Total assets	374,512,988	455,362,796

	(Unit: JPY thousand)	
	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	598,870	431,891
Short-term loans payable	2,000,000	1,099,000
Current portion of long-term loans payable	46,663,000	54,745,000
Accounts payable-other	131,783	651,992
Accrued expenses	195,481	200,203
Income taxes payable	605	605
Consumption taxes payable	14,902	-
Advances received	551,506	571,668
Deposits received	21,697	134,085
Total current liabilities	50,177,846	57,834,445
Non-current liabilities:		
Investment corporation bonds	2,000,000	4,000,000
Long-term loans payable	138,752,000	170,029,000
Tenant leasehold and security deposits in trust	2,026,400	2,009,816
Derivatives liabilities	1,586	92,525
Asset retirement obligations	31,891	32,107
Total non-current liabilities	142,811,878	176,163,449
Total liabilities	192,989,724	233,997,895
<b>Net assets</b>		
Unitholders' equity:		
Unitholders' capital	168,798,455	211,092,540
Surplus:		
Capital surplus	6,264,432	6,264,432
Deduction of capital surplus		
Allowance for temporary differences adjustment	*2 (46,329)	*2 (46,329)
Other deduction of capital surplus	(1,194,818)	*3 (5,194,798)
Total deduction of capital surplus	(1,241,148)	(5,241,128)
Capital surplus (net)	5,023,283	1,023,303
Retained earnings	7,610,548	9,140,372
Total surplus	12,633,832	10,163,675
Total unitholders' equity	181,432,288	221,256,215
Valuation and translation adjustments:		
Deferred gains or losses on hedges	90,975	108,684
Total valuation and translation adjustments	90,975	108,684
Total net assets	*1 181,523,263	*1 221,364,900
Total liabilities and net assets	374,512,988	455,362,796



## (2) Statement of Income and Retained Earnings

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Operating revenue		
Rental revenue—real estate	*1 11,122,481	*1 13,604,224
Gain on sale of real estate properties	*2 1,249,645	-
Dividend income	732,714	846,780
Total operating revenue	13,104,841	14,451,005
Operating expenses		
Property related expenses	*1 4,136,619	*1 4,450,676
Asset management fees	275,000	275,000
Directors' compensation	4,800	5,200
Asset custody fees	18,162	18,645
Administrative service fees	39,697	52,607
Provision of allowance for doubtful accounts	2	86
Other	197,039	134,032
Total operating expenses	4,671,320	4,936,248
Operating income	8,433,520	9,514,756
Non-operating income		
Interest income	78	82
Foreign exchange gains	-	34,468
Interest on tax refund	3,086	72
Other	1,181	906
Total non-operating income	4,347	35,528
Non-operating expenses		
Interest expenses	479,456	555,811
Interest expenses on investment corporation bonds	1,216	8,490
Amortization of investment corporation bond issuance costs	379	2,625
Loan-related costs	234,197	407,683
Investment unit issuance costs	-	186,997
Other	64	3,999
Total non-operating expenses	715,314	1,165,608
Ordinary income	7,722,553	8,384,676
Income before income taxes	7,722,553	8,384,676
Income taxes	605	605
Total income taxes	605	605
Net income	7,721,948	8,384,071
Retained earnings (deficit) brought forward	(111,399)	756,300
Unappropriated retained earnings	7,610,548	9,140,372

## (3) Statement of Changes in Net Assets

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

(Unit: JPY thousand)

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Deduction of capital surplus			Capital surplus (net)
			Allowance for temporary differences adjustment	Other deduction of capital surplus	Total deduction of capital surplus	
Balance at the beginning of the period	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 excess profit distribution				(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 at the end of the period	168,798,455	6,264,432	(46,329)	(1,194,818)	(1,241,148)	5,023,283

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the beginning of the period	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 excess profit distribution		(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 at the end of the period	7,610,548	12,633,832	181,432,288	90,975	90,975	181,523,263

Fiscal period ended December 31, 2018 (from July 1, 2017 to December 31, 2018)

(Unit: JPY thousand)

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Deduction of capital surplus			Capital surplus (net)
			Allowance for temporary differences adjustment	Other deduction of capital surplus	Total deduction of capital surplus	
Balance at the beginning of the period	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						
Retirement 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 at the end of the period	211,092,540	6,264,432	(46,329)	(5,194,798)	(5,241,128)	1,023,303

	Unitholders' equity			
	Surplus		Own investment units	Total unitholders' equity
	Retained earnings	Total surplus		
Balance at the beginning of the period	7,610,548	12,633,832	—	181,432,288
Changes during the period				
Issuance of new investment units				42,294,085
Distributions from surplus	(6,854,248)	(6,854,248)		(6,854,248)
Acquisition of own investment units			(3,999,980)	(3,999,980)
Retirement of own investment units		(3,999,980)	3,999,980	—
Net income	8,384,071	8,384,071		8,384,071
Changes other than unitholders' equity (net)				
Total changes during the period	1,529,823	(2,470,157)	—	39,823,927
Balance at the end of the period	9,140,372	10,163,675	—	221,256,215

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	90,975	90,975	181,523,263
Changes during the period			
Issuance of new investment units			42,294,085
Distributions from surplus			(6,854,248)
Acquisition of own investment units			(3,999,980)
Retirement of own investment units			—
Net income			8,384,071
Changes other than unitholders' equity (net)	17,709	17,709	17,709
Total changes during the period	17,709	17,709	39,841,636
Balance at the end of the period	108,684	108,684	221,364,900

## (4) Statement of Cash Distribution

(Unit: JPY)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
I Unappropriated retained earnings	7,610,548,999	9,140,372,069
II Excess profit distribution		
Allowance for temporary differences adjustment	-	85,002,600
Other deduction of capital surplus	-	204,006,240
III Distributions	6,854,248,830	9,537,291,720
(Distribution per unit)	(1,430)	(1,683)
Of which, distributions of earnings	6,854,248,830	9,248,282,880
(Distributions of earnings per unit)	(1,430)	(1,632)
Of which, allowance for temporary differences adjustment	-	85,002,600
(Excess profit distribution per unit (Allowance for temporary differences adjustment))	-	(15)
Of which, other excess profit distribution	-	204,006,240
(Excess profit distribution per unit (Other excess profit distribution))	-	(36)
IV Retained earnings (deficit) carried forward	756,300,169	(107,910,811)

<p>Calculation method of distribution amount</p>	<p>In accordance with the distribution policy set forth in Article 17, Paragraph 1 of the Articles of Incorporation of INV, the distribution amount shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act. However, in the event that any tax losses arise, or if no profits have been recorded for tax purposes due to tax losses carried forward, the distribution amount may be as reasonably determined by INV. Pursuant to this policy, INV determined the distribution amount to be JPY 6,854,248,830 out of net income of JPY 7,721,948,639. Moreover, INV does not make excess profit distribution set forth in Article 17, Paragraph 4 of the Articles of Incorporation.</p>	<p>As shown above, the distribution per unit for the Reporting Period is JPY 1,683.</p> <p>With respect to profit distributions (not including Excess Profit Distribution), INV decided to distribute almost all of its profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including Excess Profit Distribution per unit) is JPY 1,632.</p> <p>In addition, in accordance with the distribution policy as set forth in the Articles of Incorporation, INV makes distributions in excess of earnings of the amount that it determines (the “Excess Profit Distribution”). For the Reporting Period, INV decided to make Excess Profit Distribution of JPY 85 million in order to cope with the discrepancy between tax and accounting treatment, making Excess Profit Distribution from the allowance for temporary differences adjustment of JPY 15 per unit. INV decided to also make Excess Profit Distribution of JPY 204 million as refund of investment in order to stabilize distributions, making other Excess Profit Distribution of JPY 36 per unit.</p> <p>Under the Reporting Period, deferred gain on hedge of the interest rate swap of JPY 108 million has arisen. Deferred gain on hedge of the interest rate swap 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.</p>
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## (5) Statement of Cash Flows

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Income before income taxes	7,722,553	8,384,676
Depreciation and amortization	2,772,510	3,039,033
Investment unit issuance costs	-	186,997
Amortization of investment corporation bond issuance costs	379	2,625
Loan-related costs	234,197	407,683
Interest income	(78)	(82)
Interest expenses	480,672	564,302
Foreign exchange losses (gains)	-	(7,261)
Increase (decrease) in allowance for doubtful accounts	0	(3)
Decrease (increase) in rental receivable	158,132	(764,772)
Decrease (increase) in refundable income taxes	(149,624)	(23,292)
Decrease (increase) in consumption taxes receivable	661,287	(434,326)
Increase (decrease) in accounts payable	39,752	(32,970)
Increase (decrease) in consumption taxes payable	(32,819)	(14,902)
Increase (decrease) in accounts payable-other	49,627	(49,755)
Increase (decrease) in accrued expenses	(75,177)	(2,611)
Increase (decrease) in advances received	(49,246)	20,161
Increase (decrease) in deposits received	(47,348)	(75,818)
Decrease from sales of property, plant and equipment in trust	9,181,866	-
Others, net	20,177	9,283
Subtotal	20,966,865	11,208,966
Interest income received	78	82
Interest expenses paid	(483,261)	(553,985)
Income taxes paid	(605)	(605)
Net cash provided by operating activities	20,483,077	10,654,458
Cash flows from investing activities		
Purchases of property and equipment in trust	(20,847,991)	(45,485,560)
Purchases of leasehold rights in trust	-	(3,421,194)
Purchase of investment securities	(1,927)	-
Repayments of tenant leasehold and security deposits in trust	(320,542)	(64,862)
Proceeds from tenant leasehold and security deposits in trust	132,593	49,032
Payments of tenant leasehold and security deposits	(30,000)	(19,105)
Payments of TK investment	-	(37,534,886)
Proceeds from withdrawal of TK investment	-	751,060
Other, net	47,201	(12,784)
Net cash used in investing activities	(21,020,665)	(85,738,300)
Cash flows from financing activities		
Increase in short-term loans payable	-	1,099,000
Repayments of short-term loans payable	(1,068,000)	(2,000,000)
Proceeds from long-term loans payable	1,500,000	68,338,000
Repayments of long-term loans payable	-	(28,979,000)
Proceeds from issuance of investment corporation bonds	1,977,436	1,980,352
Borrowing related expenses	(40,494)	(804,736)
Payments for acquisition of own investment units	-	(3,999,980)
Payment of distributions of earnings	(7,280,040)	(6,664,830)
Payment of other distributions in excess of retained earnings	(172,554)	-
Proceeds from issuance of investment units	-	42,107,087
Net cash provided by (used in) financing activities	(5,083,652)	71,075,892
Net increase (decrease) in cash and cash equivalents	(5,621,240)	(4,007,949)
Cash and cash equivalents at beginning of period	20,693,794	15,072,553
Cash and cash equivalents at end of period	*1 15,072,553	*1 11,064,604

(6) Notes to Concerning Going Concerns Assumption

Not applicable

(7) Notes to Concerning Significant Accounting Policies

1. Evaluation standards and evaluation method of assets

Other securities

Those with no fair value

Cost method through moving-average method is used.

2. Method of depreciation of non-current assets

(a) Property and equipment (including assets in trust)

The straight-line method is used.

The useful lives of major property, plant and equipment are as follows.

Tools, furniture and fixtures	4-8 years
Buildings in trust	5-67 years
Buildings and accompanying facilities in trust	2-33 years
Structures in trust	3-55 years
Tools, furniture and fixtures in trust	2-19 years

(b) Intangible assets

The straight-line method is used. For leasehold rights in trust (fixed-term land lease for business purposes), the straight-line method based on the lease period is used.

(c) Long-term prepaid expenses

The straight-line method is used.

3. Accounting treatment of deferred assets

(a) Investment unit issuance costs

The full amount is recorded as expense at the time of expenditure.

(b) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized using the straight-line method over a period up to redemption of the investment corporation bonds.

4. Method of calculating allowances

Allowance for doubtful accounts

To reserve for losses on doubtful accounts, allowances are provided for normal receivables using a rate determined based on past bad debt experiences, and specific allowances are provided for accounts with a possibility of default based on the estimated amounts considered to be uncollectible by considering the collectability of accounts on an individual basis.

5. Conversion of assets and liabilities in foreign currency into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate at the end of the fiscal period date, and differences arising from the translation are treated as a profit or loss.

6. Revenue and expense recognition

Accounting treatment of property taxes and other taxes

With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as property related expenses.

Of the amounts paid to the seller for acquisitions of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the real estate instead of being charged as expense. The amount equivalent to property taxes that was included as part of the acquisition of real estate during the fiscal period ended December 31, 2018 is JPY 54,754 thousand.



## 7. Method of hedge accounting

### (a) Method of hedge accounting

Deferred hedge accounting is used.

### (b) Hedging instrument and hedged item

(Borrowings)

Hedging instrument: interest rate swap

Hedged item: interest on borrowings

(Scheduled foreign currency-denominated transactions)

Hedging instrument: Foreign exchange option

Hedged item: Scheduled foreign currency-denominated transaction

### (c) Hedge policy

INV enters into derivative transactions for the purpose of hedging against the risks set forth in INV's Articles of Incorporation in accordance with its risk management policy.

### (d) Method of evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing the cumulative amount of changes in cash flows of the hedging instrument and the cumulative amount of changes in cash flows of the hedged item and verifying the difference in the amounts of change of both the hedged item and the hedging instrument.

## 8. Cash and cash equivalents as stated in Statement of Cash Flows

Cash and cash equivalents as stated in the Statement of Cash Flows consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are not subject to significant risks of changes in value.

## 9. Other significant matters which constitute the basis for preparation of financial statements

### (i) Accounting treatment of trust beneficiary interests in real estate

As to trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of such items, the following significant trust assets and liabilities are shown separately on the balance sheet.

#### (a) Cash and bank deposits in trust

#### (b) Buildings in trust

Buildings and accompanying facilities in trust

Structures in trust

Tools, furniture and fixtures in trust

Land in trust

#### (c) Leasehold rights in trust

#### (d) Tenant leasehold and security deposits in trust

### (ii) Accounting treatment of consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Additional Information)

(Notes Related to Provision and Reversal of Allowance for Temporary Differences Adjustment)

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

Not applicable

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

The following provision was made in the statement of cash distribution:

1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Allowance for temporary differences adjustment
Leasehold rights in trust	Depreciation of leasehold rights	85,002

2. Method of reversal

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

(8) Notes to the Financial Statements

(Notes to the Balance Sheet)

\*1. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: JPY thousand)

Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
50,000	50,000

\*2. Allowance for temporary differences adjustment

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

1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period
Leasehold rights in trust	Depreciation of leasehold rights	(46,329)	(46,329)	-	-	(46,329)
Total		(46,329)	(46,329)	-	-	(46,329)

2. Method of reversal

(1) Leasehold rights in trust

The corresponding amount is scheduled to be reversed upon sale, etc. of the relevant property.

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

1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period
Leasehold rights in trust	Depreciation of leasehold rights	(46,329)	-	(46,329)	-	(46,329)
Total		(46,329)	-	(46,329)	-	(46,329)

2. Method of reversal

(1) Leasehold rights in trust

The corresponding amount is scheduled to be reversed upon sale, etc. of the relevant property.

\*3. Status of retirement of own investment units

	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
Total number of units retired	-	81,341 units
Total amount of retirement	-	JPY 3,999,980 thousand

(Notes to Statement of Income and Retained Earnings)

\*1. Real estate rental revenues and expenses

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
A. Real estate rental revenues		
Rental revenue-real estate		
Rent/common area charges (Note)	10,769,777	13,258,939
Other revenues	352,704	345,284
Total	11,122,481	13,604,224
B. Real estate rental expenses		
Property related expenses		
Maintenance costs	665,093	667,393
Taxes and public dues	470,692	547,232
Non-life insurance expenses	12,845	13,817
Depreciation expenses	2,772,510	3,039,033
Other expenses	215,476	183,199
Total	4,136,619	4,450,676
C. Real estate rental income (A-B)	6,985,862	9,153,548
(Note) Of which, revenue from variable hotel rents	3,789,484	4,953,767

\*2. Gain on sales of properties

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

(Unit: JPY thousand)

	Harmonie Ochanomizu	Growth Maison Ikebukuro	Capital Heights Kagurazaka	Cross Square NAKANO
Proceeds from sales of properties	1,606,646	1,059,850	734,817	1,357,090
Cost of sales of properties	1,346,372	743,659	623,867	1,125,668
Other expenses on sales of properties	38,843	26,625	20,817	23,268
Gain on sales of properties	221,430	289,565	90,132	208,153

	Ohki Aoba Building	Lexington Plaza Nishi-Gotanda
Proceeds from sales of properties	728,446	5,180,003
Cost of sales of properties	709,604	4,632,693
Other expenses on sales of properties	11,439	114,348
Gain on sales of properties	7,402	432,961

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

Not applicable

(Notes to Statement of Changes in Net Assets)

Number of issuable investment units authorized and number of investment units issued and outstanding

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Number of issuable investment units	10,000,000 units	10,000,000 units
Number of investment units issued and outstanding	4,793,181 units	5,666,840 units

(Notes to Statement of Cash Flows)

\*1. Relationship between cash and cash equivalents in statement of cash flows and amounts in accompanying balance sheet is as follows:

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Cash and bank deposits	8,505,792	3,985,335
Cash and bank deposits in trust	6,566,761	7,079,268
Cash and cash equivalents	15,072,553	11,064,604

(Notes Related to Lease Transactions)

Operating lease transactions (as lessee)  
Unexpired lease fees

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
Due within one year	312,959	312,959
Due after one year	10,090,556	9,934,076
Total	10,403,515	10,247,035

Operating lease transactions (as lessor)  
Unexpired lease fees

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
Due within one year	8,623,053	9,754,753
Due after one year	58,058,083	63,134,893
Total	66,681,137	72,889,647

(Notes Related to Financial Instruments)

1. Status of financial instruments

(1) Policy for financial instruments

INV principally conducts its operations through investments in real estate and other specified assets to seek to ensure stable income in the medium to long term.

The policy for raising funds is principally through issuing new investment units, investment corporation bonds, etc. or borrowing loans.

Derivative transactions are to be entered into for the purpose of hedging against the risks of future interest rate fluctuations, exchange rate fluctuations, etc. and not for speculation.

Surplus funds are managed after carefully taking into account safety, liquidity, the interest rate environment and financing.

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

The funds raised through borrowings and issuing investment corporation bonds are mainly used to acquire real estate properties or trust beneficiary interest in real estate (including related acquisition costs) and for the refinancing of existing loans. Liquidity risks relating to loans are managed by the finance department of the Asset Manager by preparing and updating plans for funds, and monitoring the financial covenants set forth in loan agreements.

(3) Supplemental information regarding market value, etc. 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 determined through a reasonable estimate. Since certain assumptions, etc. are used in estimating the fair value, different assumptions, etc. may result in the variance of such value.

## 2. Estimated fair value of financial instruments

Fiscal period ended June 30, 2018 (as of June 30, 2018)

Book value, fair value and the difference between values as of June 30, 2018 are as follows.

(Unit: JPY thousand)

	Book Value	Fair Value	Difference
(1) Cash and bank deposits	8,505,792	8,505,792	-
(2) Cash and bank deposits in trust	6,566,761	6,566,761	-
Total assets	15,072,553	15,072,553	-
(3) Short-term loans payable	(2,000,000)	(2,000,000)	-
(4) Current portion of long-term loans payable	(46,663,000)	(46,663,000)	-
(5) Investment corporation bonds	(2,000,000)	(1,998,500)	1,500
(6) Long-term loans payable	(138,752,000)	(138,752,000)	-
Total liabilities	(189,415,000)	(189,413,500)	1,500
(7) Derivatives	90,975	90,975	-

Fiscal period ended December 31, 2018 (as of December 31, 2018)

Book value, fair value and the difference between values as of December 31, 2018 are as follows.

(Unit: JPY thousand)

	Book Value	Fair Value	Difference
(1) Cash and bank deposits	3,985,335	3,985,335	-
(2) Cash and bank deposits in trust	7,079,268	7,079,268	-
Total assets	11,064,604	11,064,604	-
(3) Short-term loans payable	(1,099,000)	(1,099,000)	-
(4) Current portion of long-term loans payable	(54,745,000)	(54,745,000)	-
(5) Investment corporation bonds	(4,000,000)	(3,996,500)	3,500
(6) Long-term loans payable	(170,029,000)	(170,029,000)	-
Total liabilities	(229,873,000)	(229,869,500)	3,500
(7) Derivatives	124,029	124,029	-

(Note 1) Items recorded in the Liabilities Section are shown in parenthesis.

(Note 2) Receivables and payables arising from derivative transactions are recorded in net amounts, and if the total net amount is a negative amount, such amount is shown in parenthesis.

(Note 1) Methods to calculate fair values of financial instruments

- (1) Cash and bank deposits      (2) Cash and bank deposits in trust      (3) Short-term loans payable  
Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.
- (4) Current portion of long-term loans payable      (6) Long-term loans payable  
Long-term loan with floating interest rates reflecting changes in market rates within a short-term period are stated at their book value as their book value approximate their fair value.
- (5) Investment corporation bonds  
Fair value is calculated using a method based on market price.
- (7) Derivatives  
Please refer to the “Notes Related to Derivative Transactions” below.

(Note 2) Financial instruments for which fair value is extremely difficult to value

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (as of June 30, 2018)	Fiscal period ended December 31, 2018 (as of December 31, 2018)
Tenant leasehold and security deposits in trust	2,026,400	2,009,816
Investment securities	17,856,387	54,640,213

Tenant leasehold and security deposits in trust have no observable market price, and it is impracticable to reasonably estimate their future cash flows because the repayment dates of those deposits and the timing of the lessee's exit from the property are not certain. Thus, their fair value is not disclosed.

Investment securities (preferred equity interest and TK interest) has no observable market price, and it is impracticable to assess its fair value. Thus, its fair value is not disclosed.

(Note 3) Remaining schedule of monetary claims after the closing date of the fiscal period

Fiscal period ended June 30, 2018 (as of June 30, 2018)

(Unit: JPY thousand)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and bank deposits	8,505,792	-	-	-	-	-
Cash and bank deposits in trust	6,566,761	-	-	-	-	-
Total	15,072,553	-	-	-	-	-

Fiscal period ended December 31, 2018 (as of December 31, 2018)

(Unit: JPY thousand)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and bank deposits	3,985,335	-	-	-	-	-
Cash and bank deposits in trust	7,079,268	-	-	-	-	-
Total	11,064,604	-	-	-	-	-

(Note 4) Repayment schedule of investment corporation bonds, long-term loans payable and other interest-bearing debts after the closing date of the fiscal period

Fiscal period ended June 30, 2018 (as of June 30, 2018)

(Unit: JPY thousand)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
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

Fiscal period ended December 31, 2018 (as of December 31, 2018)

(Unit: JPY thousand)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
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

(Notes Related to Investment Securities)

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

Other securities

Preferred equity interest (JPY 17,856,387 thousand in the balance sheet) has no observable market price, and it is impracticable to assess its fair value. Thus, its fair value is not disclosed.

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

Other securities

Preferred equity interest (JPY 17,856,387 thousand in the balance sheet) and TK interest (JPY 36,783,826 thousand in the balance sheet) have no observable market price, and it is impracticable to assess its fair value. Thus, their fair values are not disclosed.

(Notes Related to Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

Fiscal period ended June 30, 2018 (as of June 30, 2018)

Not applicable

Fiscal period ended December 31, 2018 (as of December 31, 2018)

Not applicable



2. Derivative transactions to which hedge accounting is applied

Fiscal period ended June 30, 2018 (as of June 30, 2018)

The contract amount as of the closing date under each hedge-accounting method and the amount equivalent to the notional principal prescribed in the contracts are as shown below.

(Unit: JPY thousand)

Method of hedge accounting	Derivative transaction type, etc.	Primary hedged item	Contract amount, etc. (*1)		Fair value (*2)
				Amount due after one year	
Principle accounting method	Interest rate swap Receive floating rate/pay fixed rate	Long-term loans payable	100,619,000	67,390,000	90,975

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

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

Fiscal period ended December 31, 2018 (as of December 31, 2018)

The contract amount as of the closing date under each hedge-accounting method and the amount equivalent to the notional principal prescribed in the contracts are as shown below.

(Unit: JPY thousand)

Method of hedge accounting	Derivative transaction type, etc.	Primary hedged item	Contract amount, etc. (*1)		Fair value (*2)
				Amount due after one year	
Principle accounting method	Interest rate swap Receive floating rate/pay fixed rate	Borrowings	71,640,000	34,729,000	48,781
	Currency option transaction USD/Call (Option fees)	Scheduled foreign currency-denominated transactions	4,444,000	1,903,000	
			(124,943)	(53,157)	(87,318)
	Currency option transaction USD/Put (Option fees)		4,444,000	1,903,000	
			(140,288)	(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.

(Notes Related to Retirements Payments)

Not applicable

(Notes Related to Asset Retirement Obligations)

1. Summary of the asset retirement obligations for the period

INV has recorded asset retirement obligations in regard to its obligation to restore the land to its original condition related to the fixed-term land lease agreement of Comfort Hotel Maebashi held by INV.

2. Calculation method for asset retirement obligations for the period

The amount of the asset retirement obligations has been calculated by estimating the period of use at 43 years, based on the remaining period until the expiration of the fixed-term land lease agreement, and by using a discount rate of 1.342%.

3. Increase/decrease in the total amount of asset retirement obligations

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Balance at the beginning of the period	31,680	31,891
Increase due to the acquisition of properties	-	-
Accretion expense	210	215
Balance at the end of the period	31,891	32,107

(Notes Related to Segment and Related Information)

I. Segment Information

Disclosure is omitted because the real estate investment business is INV's sole business and it has no reportable segments.

II. Related Information

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

1. Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category accounted for over 90% of the operating revenue on the statement of income.

2. Information about each geographic area

(1) Net sales

Disclosure is omitted because net sales to external customers in Japan accounted for over 90% of the operating revenue on the statement of income.

(2) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounted for over 90% of the amount of property and equipment on the balance sheet.

3. Information about each major customer

(Unit: JPY thousand)

Name of customer	Operating revenues	Related segment
MyStays Hotel Management Co., Ltd.	5,324,738	Real Estate Investment

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

1. Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category accounted for over 90% of the operating revenue on the statement of income.

2. Information about each geographic area

(1) Net sales

Disclosure is omitted because net sales to external customers in Japan accounted for over 90% of the operating revenue on the statement of income.

(2) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounted for over 90% of the amount of property and equipment on the balance sheet.

3. Information about each major customer

(Unit: JPY thousand)

Name of customer	Operating revenues	Related segment
MyStays Hotel Management Co., Ltd.	7,297,799	Real Estate Investment



## (Notes Related to Rental Properties)

INV owns residential properties and hotels as core assets principally in the Tokyo area and major regional cities with an aim to establish a portfolio focusing on both stability and growth potential. The book value changed during the period and balance at the end of the period are as follows.

(Unit: JPY thousand)

			Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Residences	Book value	Balance at the beginning of the period	89,949,664	86,569,109
		Change during the period	(3,380,554)	(660,828)
		Balance at the end of the period	86,569,109	85,908,280
	Fair value at the end of the period		100,387,000	102,044,000
Offices	Book value	Balance at the beginning of the period	6,474,931	-
		Change during the period	(6,474,931)	-
		Balance at the end of the period	-	-
	Fair value at the end of the period		-	-
Commercial facilities	Book value	Balance at the beginning of the period	4,957,292	4,912,468
		Change during the period	(44,824)	(45,728)
		Balance at the end of the period	4,912,468	4,866,739
	Fair value at the end of the period		6,170,000	6,170,000
Hotels	Book value	Balance at the beginning of the period	226,328,017	245,453,345
		Change during the period	19,125,328	46,421,563
		Balance at the end of the period	245,453,345	291,874,909
	Fair value at the end of the period		304,985,000	354,366,000
Total	Book value	Balance at the beginning of the period	327,709,905	336,934,923
		Change during the period	9,225,018	45,715,006
		Balance at the end of the period	336,934,923	382,649,930
	Fair value at the end of the period		411,542,000	462,580,000

- (Note 1) Book value is the figure calculated by subtracting accumulated depreciation from acquisition price (including acquisition-related costs).
- (Note 2) The major factors for the increase for the fiscal period ended June 30, 2018 were acquisition of hotels and capital expenditures related to construction work, and the major factors for the decrease were sale of residential properties and office properties, and depreciation. The major factors for the increase for the Reporting Period were acquisition of hotels and construction work related to capital expenditures, and the major factor for the decrease was depreciation.
- (Note 3) The fair value as of the end of the reporting period is determined based on the appraisal value or survey value provided by Asset Research and Development Inc., Japan Real Estate Institute, JLL Morii Valuation & Advisory K.K., Tanizawa Sogo Appraisal Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd.

For information related to profits and losses from rental properties, please refer to “Notes to Statement of Income and Retained Earnings.”

(Notes Related to Tax Accounting)

1. Significant components of deferred tax assets and liabilities

(Unit: JPY thousand)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
(Deferred tax assets)		
Enterprise tax payable	1,325	1,294
Allowance for doubtful accounts	28	27
Buildings and other (merger)	561,751	549,474
Land (merger)	1,374,216	1,367,722
Loss carried forward (Note)	7,200,289	7,153,149
Asset retirement obligations	10,122	10,142
Depreciation of fixed-term leasehold rights	116,528	153,295
Subtotal	9,264,262	9,235,105
Valuation allowance for tax loss carried forward	-	(7,153,149)
Valuation allowance for the total of deductible temporary differences, etc.	-	(2,037,871)
Subtotal	(9,225,589)	(9,191,020)
Total	38,673	44,084
(Deferred tax liabilities)		
Removal expenses included in asset retirement obligations	9,797	9,751
Deferred gains or losses on hedges	28,875	34,333
Total	38,673	44,084
(Deferred tax assets, net)	-	-

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

Fiscal period ended December 31, 2018 (as of December 31, 2018)

(Unit: JPY thousand)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years	Total
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	-	-	-	-	-	-	-

(a) Tax loss carried forward is multiplied by statutory tax rate.

2. Significant difference between statutory tax rate and the effective tax rate

(Unit: %)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Statutory tax rate	31.74	31.51
Deductible cash distributions	(22.95)	(31.84)
Changes in valuation allowance	(8.79)	(0.35)
Others	0.01	0.69
Effective tax rate	0.01	0.01

## (Notes Related to Equity-Method Income)

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

Amount of investment in affiliates	JPY 17,856,387,000
Amount of investment when accounted for by the equity method	JPY 17,845,800,000
Amount of investment profit when accounted for by the equity method	JPY 722,127,000

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

Amount of investment in affiliates	JPY 54,640,213,000
Amount of investment when accounted for by the equity method	JPY 54,640,213,000
Amount of investment profit when accounted for by the equity method	JPY 846,780,000

## (Notes Related to Transactions with Related Parties)

## 1. Transactions with Parent Company and Major Unitholders

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

Classification	Name	Address	Stated capital (JPY million)	Business or occupation	Percentage of voting rights owned (%)	Relationship		Type of transaction	Transaction amount (JPY thousand) (Note 1)	Account	Balance at the end of the period (JPY thousand) (Note 1)
						Common board member	Business relationship				
Interested party of the Asset Manager	Ginga Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	5,326,000	-	-
	HL Investments Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	2,772,000	-	-
	Monza Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	2,723,000	-	-
	Suisei Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	1,604,000	-	-
	Calvis Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	7,325,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd. (Note 3)	Minato-ku, Tokyo	10	Hotel business	-	-	Lessee and operator of hotels	Rental revenues	576,941	Accounts receivable	221,582
	MyStays Hotel Management Co., Ltd. (Note 3)	Minato-ku, Tokyo	100	Hotel business	-	-	Lessee and operator of hotels	Rental revenues	5,324,738	Accounts receivable	1,387,974

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

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

- (Note 3) Ginga Tokutei Mokuteki Kaisha, HL Investments Tokutei Mokuteki Kaisha, Monza Tokutei Mokuteki Kaisha, Suisei Tokutei Mokuteki Kaisha, Calvis Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. However, (i) Ginga Tokutei Mokuteki Kaisha, HL Investments Tokutei Mokuteki Kaisha, Monza Tokutei Mokuteki Kaisha, Suisei Tokutei Mokuteki Kaisha have received an anonymous partnership investment or investment through funds that are managed by affiliates of FIG (an affiliate of Calliope, which is a parent company of the Asset Manager directly owning 100% of its issued shares) upon transactions with the Tokutei Mokuteki Kaisha, (ii) Calvis Tokutei Mokuteki Kaisha has received an anonymous partnership investment or investment through funds that are managed by affiliates of FIG (a subsidiary of SoftBank Group Corp., which is a parent company of the Asset Manager directly/indirectly owning 100% of its issued shares) upon transactions with the Tokutei Mokuteki Kaisha, and (iii) Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. have received an anonymous partnership investment or investment through funds that are managed by affiliates of FIG (an affiliate of Calliope, which is a parent company of the Asset Manager directly owning 100% of its issued shares until March 29, 2018; a subsidiary of SoftBank Group Corp., which is a parent company of the Asset Manager directly/indirectly owning 100% of its issued shares on and after March 29, 2018). Accordingly, INV treats Ginga Tokutei Mokuteki Kaisha, HL Investments Tokutei Mokuteki Kaisha, Monza Tokutei Mokuteki Kaisha, Suisei Tokutei Mokuteki Kaisha, Calvis Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties.
- (Note 4) The purchase of trust beneficiary interests pertains to the following properties. The transaction amount is the purchase price stated in the trust beneficiary purchase agreement, to which other expenses for acquisition, property taxes, city planning taxes and consumption taxes are not included.

Property Number	Name of Property	Counterparty	Purchase Price (JPY thousand)
D54	Hotel MyStays Yokohama Kannai	Ginga Tokutei Mokuteki Kaisha	5,326,000
D55	Art Hotel Joetsu	HL Investments Tokutei Mokuteki Kaisha	2,772,000
D56	Art Hotel Hirosaki City	Monza Tokutei Mokuteki Kaisha	2,723,000
D57	Hotel MyStays Oita	Suisei Tokutei Mokuteki Kaisha	1,604,000
D58	Hotel MyStays Gotanda	Calvis Tokutei Mokuteki Kaisha	4,068,000
D59	Hotel MyStays Tachikawa	Calvis Tokutei Mokuteki Kaisha	3,257,000
Total			19,750,000



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

Classification	Name	Address	Stated capital (JPY million)	Business or occupation	Percentage of voting rights owned (%)	Relationship		Type of transaction	Transaction amount (JPY thousand) (Note 1)	Account	Balance at the end of the period (JPY thousand) (Note 1)
						Common board member	Business relationship				
Interested party of the Asset Manager	Aki Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	20,691,000	-	-
	Raetia Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	16,731,000	-	-
	HL Investments 2 Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	5,286,000	-	-
	Dogo Tokutei Mokuteki Kaisha (Note 3)	Minato-ku, Tokyo	0.1	Investment management business	-	-	Seller of trust beneficiary interests in real estate	Purchase of trust beneficiary interests in real estate (Note 2) (Note 4)	5,039,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd. (Note 3)	Minato-ku, Tokyo	10	Hotel business	-	-	Lessee and operator of hotels	Rental revenues	1,112,683	Accounts receivable	141,119
	MyStays Hotel Management Co., Ltd. (Note 3)	Minato-ku, Tokyo	100	Hotel business	-	-	Lessee and operator of hotels	Rental revenues	7,297,799	Accounts receivable	2,264,664

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

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

(Note 3) Aki Tokutei Mokuteki Kaisha, Raetia Tokutei Mokuteki Kaisha, HL Investments 2 Tokutei Mokuteki Kaisha, Dogo Tokutei Mokuteki Kaisha and Naqua Hotel & Resorts Management Co., Ltd. and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. However, these Tokutei Mokuteki Kaisha or the tenant and operator have received an anonymous partnership investment or investment through funds that are managed by affiliates of FIG (a subsidiary of SoftBank Group Corp., which is a parent company of the Asset Manager directly/indirectly owning 100% of its issued shares). Accordingly, INV treats Aki Tokutei Mokuteki Kaisha, Raetia Tokutei Mokuteki Kaisha, HL Investments 2 Tokutei Mokuteki Kaisha, Dogo Tokutei Mokuteki Kaisha and Naqua Hotel & Resorts Management Co., Ltd. and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties.

(Note 4) The purchase of trust beneficiary interests pertains to the following properties. The transaction amount is the purchase price stated in the trust beneficiary purchase agreement, to which other expenses for acquisition, property taxes, city planning taxes and consumption taxes are not included.

Property Number	Name of Property	Counterparty	Purchase Price (JPY thousand)
D60	Hotel MyStays Premier Akasaka	Aki Tokutei Mokuteki Kaisha	20,691,000
D61	Hotel MyStays Premier Sapporo Park	Raetia Tokutei Mokuteki Kaisha	16,731,000
D62	Hotel MyStays Ueno East	HL Investments 2 Tokutei Mokuteki Kaisha	5,286,000
D63	Hotel MyStays Midosuji Honmachi	Dogo Tokutei Mokuteki Kaisha	5,039,000
Total			47,747,000

2. Transactions with Affiliates

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

Not applicable

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

Classification	Name	Address	Investment amount (JPY million) (Note 1) (Note 2)	Business or occupation	Investment ratio (%)	Relationship with related parties	Type of transaction	Transaction amount (JPY million) (Note 1) (Note 2)	Account	Balance at the end of the period (JPY million)
Affiliate	Seven Mile Resort Holdings Ltd.	Grand Cayman, Cayman Islands	36,783	Investment Management business	(Investment ratio) 100.0	TK investment	Investment in TK (Note 2) (Note 3)	36,783	-	-

(Note 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)).

(Note 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.

(Note 3) Investment was made based on a TK agreement.

(Note 4) The TK is a TK with Seven Mile Resort Holdings Ltd. as an operator.

3. Transactions with Companies under Common Control

None for both the fiscal period ended June 30, 2018 and the fiscal period ended December 31, 2018.

4. Transactions with Directors and Major Unitholders

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

Classification	Name	Business or occupation	Ratio of voting rights (%)	Details of transaction	Transaction amount (JPY thousand) (Note 3)	Account	Balance at the end of the period (JPY thousand) (Note 3)
Directors and close relatives	Naoki Fukuda	Executive Director of INV and President & CEO of Consonant Investment Management Co., Ltd.	-	Payment of asset management fees to Consonant Investment Management Co., Ltd. (Note 1)	308,849	Accrued expenses	149,291
Same as above	Same as above	Same as above	-	Payment of administrative agency fees for organizational management to Consonant Investment Management Co., Ltd. (Note 2)	600	Accrued expenses	324

(Note 1) Naoki Fukuda served as a representative of the third party (the Asset Manager), and the fee is as set forth in the Articles of Incorporation of INV.

(Note 2) Naoki Fukuda served as a representative of the third party (the Asset Manager), and the fee is as set forth in "Administrative Agency Agreement for Organizational Management," entered into by and between INV and the Asset Manager.

(Note 3) Consumption taxes, etc. are not included in the transaction amounts, but are included in the balance at the end of the period.

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

Classification	Name	Business or occupation	Ratio of voting rights (%)	Details of transaction	Transaction amount (JPY thousand) (Note 3)	Account	Balance at the end of the period (JPY thousand) (Note 3)
Directors and close relatives	Naoki Fukuda	Executive Director of INV and President & CEO of Consonant Investment Management Co., Ltd.	-	Payment of asset management fees to Consonant Investment Management Co., Ltd. (Note 1)	279,774	Accrued expenses	148,500
Same as above	Same as above	Same as above	-	Payment of administrative agency fees for organizational management to Consonant Investment Management Co., Ltd. (Note 2)	1,100	Accrued expenses	864

(Note 1) Naoki Fukuda served as a representative of the third party (the Asset Manager), and the fee is as set forth in the Articles of Incorporation of INV.

(Note 2) Naoki Fukuda served as a representative of the third party (the Asset Manager), and the fee is as set forth in "Administrative Agency Agreement for Organizational Management," entered into by and between INV and the Asset Manager.

(Note 3) Consumption taxes, etc. are not included in the transaction amounts, but are included in the balance at the end of the period.

(Notes Related to Parent Company or Any Material Affiliated Company)

1. Information of parent company

Not applicable

2. Summarized financial information of material affiliated company

Kingdom Special Purpose Company was the material affiliated company during the Reporting Period, and the summary of financial statements are as below;

(Unit: JPY thousand)

	Kingdom Special Purpose Company	
	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Total specified assets	100,422,370	100,856,568
Total other assets	5,409,900	3,784,525
Total current liabilities	1,436,173	212,208
Total non-current liabilities	66,480,660	66,280,661
Total net assets	37,915,436	38,148,224
Operating revenue	1,957,744	2,350,784
Income before income taxes	1,496,394	1,729,001
Net income	1,495,336	1,728,124

(Notes Related to Per Unit Information)

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Net assets per unit	JPY 37,871	JPY 39,063
Net income per unit	JPY 1,611	JPY 1,504

Net income per unit is calculated by dividing net income for the period by the average number of investment units during the period. Diluted net income per unit is not stated as there are no diluted units.

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

	Fiscal period ended June 30, 2018 (from January 1, 2018 to June 30, 2018)	Fiscal period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)
Net income (JPY thousand)	7,721,948	8,384,071
Amounts not attributable to common unitholders (JPY thousand)	-	-
Net income attributable to common units (JPY thousand)	7,721,948	8,384,071
Average number of investment units during the period (units)	4,793,181	5,575,457

(Notes Related to Significant Subsequent Events)

Not applicable

(9) 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		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 5 units per 1 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, 4 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 properties.

(Note 11) Reversal of allowance for temporary differences adjustment was decided at the meeting of the Board of Directors of INV held on February 22, 2017 and the amount was incorporated 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 security 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.

#### 4. Change in Directors

Changes in directors are disclosed in a timely manner upon the determination of such changes.

#### 5. Reference Information

##### (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
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 5)			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 interest and TK interest owned).

	Fiscal period ended June 30, 2018 (as of June 30, 2018)		Fiscal period ended December 31, 2018 (as of December 31, 2018)	
	Amount (JPY million)	Percentage of total assets (%)	Amount (JPY million)	Percentage of total assets (%)
Total Liabilities	192,989	51.5	233,997	51.4
Total Net Assets	181,523	48.5	221,364	48.6
Total Liabilities and Net Assets	374,512	100.0	455,362	100.0

(2) Real Estate Properties, Etc.

The following summarizes the real estate and real estate held in trust as well as preferred equity interest and TK interest that INV held as of December 31, 2018.

a Price and investment percentage

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
A26	Nisshin Palacestage Daitabashi	1-31-2 Izumi, Suginami-ku, Tokyo	Trust beneficiary interests (Note 7)	1,251	1,104	0.3	1,210	A
A27	Nisshin Palacestage Higashi-Nagasaki	5-4-1 Nagasaki, Toshima-ku, Tokyo	Trust beneficiary interests (Note 7)	1,229	1,065	0.3	1,330	A
A28	Growth Maison Gotanda	2-26-6 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interests	888	844	0.2	1,030	A
A29	Growth Maison Kameido	6-58-16 Kameido, Koto-ku, Tokyo	Trust beneficiary interests	1,070	963	0.2	1,140	A
A30	Emerald House	3-27-18 Itabashi, Itabashi-ku, Tokyo	Trust beneficiary interests	1,505	1,344	0.3	1,430	A
A32	Suncrest Shakujii-Koen	3-15-35 Takanodai, Nerima-ku, Tokyo	Trust beneficiary interests (Note 7)	1,088	1,064	0.2	1,090	A
A33	Growth Maison Shin-Yokohama	3-16-2 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests (Note 7)	1,059	948	0.2	1,180	A
A34	Belle Face Ueno-Okachimachi	1-27-5 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interests (Note 7)	1,023	935	0.2	1,090	A
A35	Grand Rire Kameido	3-39-12 Kameido, Koto-ku, Tokyo	Trust beneficiary interests (Note 7)	906	808	0.2	1,010	A
A37	Growth Maison Yoga	1-15-15 Okamoto, Setagaya-ku, Tokyo	Trust beneficiary interests (Note 7)	795	736	0.2	770	A
A38	Route Tachikawa	3-7-6 Nishikicho, Tachikawa-shi, Tokyo	Trust beneficiary interests	676	640	0.2	669	A
A39	Shibuya-Honmachi Mansion	2-35-2 Honmachi, Shibuya-ku, Tokyo	Trust beneficiary interests (Note 7)	651	698	0.1	638	A
A40	City Heights Kinuta	4-13-15 Kinuta, Setagaya-ku, Tokyo	Trust beneficiary interests	646	652	0.1	499	A
A41	Acseeds Tower Kawaguchi-Namiki	2-5-13 Namiki, Kawaguchi-shi, Saitama	Trust beneficiary interests (Note 7)	620	527	0.1	755	A
A43	College Square Machida	3-4-4 Nakamachi, Machida-shi, Tokyo	Trust beneficiary interests (Note 7)	589	556	0.1	535	A
A44	Belair Meguro	1-2-15 Meguro, Meguro-ku, Tokyo	Trust beneficiary interests (Note 7)	589	553	0.1	621	A
A45	Wacore Tsunashima I	2-7-47 Tarumachi, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests (Note 7)	572	520	0.1	515	A



Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
A46	Foros Nakamurabashi	1-6-6 Kouyama, Nerima-ku, Tokyo	Trust beneficiary interests (Note 7)	566	510	0.1	573	A
A47	Growth Maison Kaijin	5-29-51 Kaijin, Funabashi-shi, Chiba	Trust beneficiary interests (Note 7)	557	515	0.1	497	A
A48	College Square Machiya	7-3-1 Arakawa, Arakawa-ku, Tokyo	Trust beneficiary interests (Note 7)	510	446	0.1	554	A
A51	City House Tokyo Shinbashi	6-19-1 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interests	2,520	2,293	0.6	3,360	B
A52	Winbell Kagurazaka	6-15 Shin-Ogawacho, Shinjuku-ku, Tokyo	Trust beneficiary interests	3,260	3,017	0.7	4,280	C
A53	Nishiwaseda Crescent Mansion	3-18-9 Nishi-Waseda, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,880	1,885	0.4	2,650	C
A54	Lexington Square Akebonobashi	3-8 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,450	1,306	0.3	1,950	D
A59	Towa City Coop Shinotsuka II	5-49-7 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary interests	866	813	0.2	1,130	B
A61	Bichsel Musashiseki	1-22-7 Sekimachi-Kita, Nerima-ku, Tokyo	Trust beneficiary interests	577	550	0.1	740	C
A63	Towa City Coop Sengencho	4-338-2 Sengencho, Nishi-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests	1,110	1,008	0.2	1,390	B
A64	Royal Park Omachi	2-11-10 Omachi, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interests	415	383	0.1	588	B
A65	Lexington Square Haginomachi	1-15-16 Haginomachi, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interests	330	277	0.1	453	B
A66	Visconti Kakuozan	2-44 Otanacho, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interests	255	230	0.1	281	D
A71	Lexington Square Daitabashi	1-33-18 Izumi, Suginami-ku, Tokyo	Trust beneficiary interests	977	838	0.2	1,260	D
A72	Lexington Square Honjo Azumabashi	4-20-6 Higashikomagata, Sumida-ku, Tokyo	Trust beneficiary interests	511	432	0.1	650	D
A73	AMS TOWER Minami 6-Jo	2-5-15 Minami 6-Jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	1,180	937	0.3	1,290	D
A75	Spacia Ebisu	3-6-22 Higashi, Shibuya-ku, Tokyo	Trust beneficiary interests	7,010	6,446	1.6	8,280	B
A76	Neo Prominence	3-21-5 Shimo, Kita-ku, Tokyo	Trust beneficiary interests	1,660	1,603	0.4	2,100	B
A77	Invoice Shin-Kobe Residence	3-3-8 Ikutacho Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interests	1,260	1,152	0.3	1,430	B
A78	Cosmo Court Motomachi	3-12-20 Motomachidori Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interests	973	881	0.2	1,110	B
A79	Revest Honjin	2-13 Toriidoru Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interests	674	607	0.2	831	B
A80	Revest Matsubara	3-13-12 Matsubara Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interests	657	596	0.1	815	B
A82	Alba Noritake Shinmachi	3-6-8 Noritake Shinmachi, Nishi-ku, Nagoya-shi, Aichi	Trust beneficiary interests	608	547	0.1	752	B

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
A83	Revest Meieki Minami	2-13-33 Meieki-Minami, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interests	597	537	0.1	769	B
A84	Revest Heian	2-13-17 Heian, Kita-ku, Nagoya-shi, Aichi	Trust beneficiary interests	595	537	0.1	727	B
A85	Vendir Hamaotsu Ekimae	1-2-15 Hamaotsu, Otsu-shi, Shiga	Trust beneficiary interests	581	516	0.1	736	B
A86	Salvo Sala	2-6-21 Shimanouchi Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	544	494	0.1	652	B
A87	Excellente Kagurazaka	128-1 Yamabukicho Shinjuku-ku, Tokyo, and other one parcel	Trust beneficiary interests	543	506	0.1	650	B
A88	Luna Court Edobori	3-4-11 Edobori, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interests	525	478	0.1	584	B
A89	Winntage Kobe Motomachi	7-2-2 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interests	512	461	0.1	626	B
A90	Queen's Court Fukuzumi	1-3-10 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interests	456	426	0.1	642	B
A91	Corp Higashinotoin	380-1 Kawaranomachi, Higashinotoindori Nijo Kudaru, Nakagyo-ku, Kyoto-shi, Kyoto, and other two parcels	Trust beneficiary interests	446	411	0.1	540	B
A92	Belair Oimachi	5-14-17 Higashi-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interests	412	388	0.1	541	B
A93	Siete Minami-Tsukaguchi	3-18 Minami-Tsukaguchimachi, Amagasaki-shi, Hyogo	Trust beneficiary interests	374	348	0.1	446	B
A94	Prime Life Sannomiya Isogami Koen	4-3-23 Isogamidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interests	373	341	0.1	457	B
A95	HERMITAGE NANBA WEST	4-10-3 Sakuragawa, Naniwa-ku, Osaka-shi, Osaka	Trust beneficiary interests	355	326	0.1	447	B
A96	Century Park Shinkawa 1-bankan	4-1-2 Shinkawacho, Minato-ku, Nagoya-shi, Aichi	Trust beneficiary interests	335	318	0.1	452	B
A97	West Avenue	1-5-17 Nishi, Kunitachi-shi, Tokyo	Trust beneficiary interests	331	312	0.1	328	B
A98	Little River Honmachibashi	1-34 Honmachibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	310	287	0.1	389	B
A99	Prime Life Mikage	2-25-11 Mikage Tsukamachi, Higashinada-ku, Kobe-shi, Hyogo	Trust beneficiary interests	297	271	0.1	332	B
A100	City Court Kitaichijo	1-6-3 Kita 1-jo Higashi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	1,782	1,749	0.4	2,040	B
A101	Lieto Court Mukojima	5-45-10 Mukojima, Sumida-ku, Tokyo	Trust beneficiary interests	1,683	1,680	0.4	1,810	B
A102	Lieto Court Nishi-Ojima	2-41-14 Ojima, Koto-ku, Tokyo	Trust beneficiary interests	1,634	1,624	0.4	1,820	B
A103	Royal Parks Momozaka	5-38 Fudegasakicho, Tennouji-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,910	2,825	0.6	3,130	C
A104	Royal Parks Shinden	3-35-20 Shinden, Adachi-ku, Tokyo	Trust beneficiary interests	5,024	4,951	1.1	5,560	C
A105	Royal Parks Tower Minami-Senju	4-7-3 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interests	21,879	22,130	4.9	23,100	B

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
A106	Royal Parks Seasir Minami-Senju	3-41-7 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interests	2,683	2,727	0.6	2,790	B
Subtotal (64 properties)				90,154	85,908	20.1	102,044	-
B17	Lexington Plaza Hachiman	3-1-50 Hachiman, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interests	3,280	3,040	0.7	3,720	C
B18	AEON TOWN Sukagawa	105 Furukawa, Sukagawa-shi, Fukushima	Trust beneficiary interests	2,320	1,826	0.5	2,450	C
Subtotal (2 properties)				5,600	4,866	1.2	6,170	-
D01	Hotel MyStays Kanda	1-2-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary interests	2,851	2,982	0.6	4,930	B
D02	Hotel MyStays Asakusa	1-21-11 Honjo, Sumida-ku, Tokyo	Trust beneficiary interests	2,584	2,543	0.6	4,620	B
D03	Hotel MyStays Kyoto-Shijo	52, Kasabokochi, Higashiiru, Aburanokoji, Shijyodori, Shimogyo-ku, Kyoto-shi, Kyoto	Trust beneficiary interests	6,024	5,922	1.3	14,300	B
D04	MyStays Shin-Urayasu Conference Center	2-1-4 Akemi, Urayasu-shi, Chiba	Trust beneficiary interests	4,930	4,704	1.1	7,280	B
D05	Hotel MyStays Maihama	3-5-1 Tekkodori, Urayasu-shi, Chiba	Trust beneficiary interests	4,870	4,821	1.1	6,710	B
D06	Hotel MyStays Premier Dojima	2-4-1 Sonezakishinchi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interests	3,845	3,812	0.9	7,490	B
D07	Hotel MyStays Nagoya-Sakae	2-23-22 Higashi-Sakura, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interests	2,958	2,692	0.7	6,410	B
D08	Hotel MyStays Sakaisuji-Honmachi	1-4-8 Awaji-machi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	2,514	2,398	0.6	6,940	B
D09	Hotel MyStays Yokohama	4-81 Sueyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests	2,119	1,983	0.5	3,560	B
D10	Hotel MyStays Nippori	5-43-7 Higashi-Nippori, Arakawa-ku, Tokyo	Trust beneficiary interests	1,898	1,816	0.4	2,870	B
D11	Hotel MyStays Fukuoka-Tenjin-Minami	3-14-20 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	1,570	1,497	0.4	5,700	B
D12	Flexstay Inn Iidabashi	3-26 Shin-Ogawamachi, Shinjuku-ku, Tokyo	Trust beneficiary interests	1,381	1,364	0.3	1,980	B
D13	Hotel MyStays Ueno Inaricho	1-5-7 Matsugaya, Taito-ku, Tokyo	Trust beneficiary interests	1,331	1,254	0.3	2,190	B
D14	Flexstay Inn Shinagawa	1-22-19 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary interests	1,242	1,206	0.3	1,960	B
D15	Flexstay Inn Tokiwadai	1-52-5 Tokiwadai, Itabashi-ku, Tokyo	Trust beneficiary interests	1,242	1,214	0.3	2,100	B
D16	Flexstay Inn Sugamo	3-6-16 Sugamo, Toshima-ku, Tokyo	Trust beneficiary interests	1,192	1,131	0.3	2,050	B
D17	Hotel MyStays Otemae	1-3-2 Tokuicho, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	1,192	1,147	0.3	4,300	B
D18	Flexstay Inn Kiyosumi Shirakawa	1-12-16 Tokiwa, Koto-ku, Tokyo	Trust beneficiary interests	749	723	0.2	1,250	B
D19	Flexstay Inn Nakanobu P1	4-27-12 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interests	589	571	0.1	769	B

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
D20	Flexstay Inn Nakanobu P2	4-27-8 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interests	283	289	0.1	370	B
D21	APA Hotel Yokohama-Kannai	3-37-2 Sumiyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interests	8,350	7,821	1.9	9,720	B
D22	Hotel MyStays Hakodate-Goryokaku	26-17 Honcho, Hakodate-shi, Hokkaido	Trust beneficiary interests	2,792	2,830	0.6	3,700	B
D23	Flexstay Inn Shirogane	5-10-15 Shirokane, Minato-ku, Tokyo	Trust beneficiary interests	2,119	2,100	0.5	2,220	B
D24	Hotel MyStays Haneda	5-1-13 Haneda, Ota-ku, Tokyo	Trust beneficiary interests	7,801	7,412	1.7	8,160	B
D25	Hotel MyStays Kameido P1	6-32-1 Kameido, Koto-ku, Tokyo	Trust beneficiary interests	5,594	5,427	1.2	7,170	B
D26	Hotel MyStays Ueno Iriyaguchi	5-5-13 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interests	3,821	3,712	0.9	3,850	B
D27	Hotel MyStays Kameido P2	6-7-8 Kameido, Koto-ku, Tokyo	Trust beneficiary interests	3,742	3,626	0.8	4,770	B
D28	Hotel Vista Shimizu	1-23 Masagocho, Shimizu-ku, Shizuoka-shi, Shizuoka	Trust beneficiary interests	2,198	2,062	0.5	2,340	B
D29	Super Hotel Shinbashi/Karasumoriguchi	5-16-4 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interests	1,624	1,599	0.4	1,840	B
D30	Flexstay Inn Higashi-Jujo	2-10-2 Nakajujo, Kita-ku, Tokyo	Trust beneficiary interests	1,277	1,269	0.3	1,340	B
D31	Hotel MyStays Utsunomiya	2-4-1 Higashi-Shukugo, Utsunomiya-shi, Tochigi	Trust beneficiary interests	1,237	1,232	0.3	1,610	B
D32	Flexstay Inn Kawasaki-Kaizuka	1-13-2 Kaizuka, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interests	980	928	0.2	1,150	B
D33	Comfort Hotel Toyama	1-3-2 Takara-machi, Toyama-shi, Toyama	Trust beneficiary interests	979	935	0.2	1,110	B
D34	Flexstay Inn Kawasaki-Ogawacho	15-9 Ogawacho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interests	906	884	0.2	1,030	B
D35	Flexstay Inn Ekoda	8-6 Sakaecho, Nerima-ku, Tokyo	Trust beneficiary interests	5,069	4,914	1.1	4,820	B
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	2-21-9 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interests	1,170	1,122	0.3	1,230	E
D37	Super Hotel JR Ueno-iriyaguchi	7-9-14 Ueno, Taito-ku, Tokyo	Trust beneficiary interests	1,130	1,096	0.3	1,220	E
D38	Hotel MyStays Shinsaibashi	1-9-30 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	3,160	3,077	0.7	3,050	B
D39	Comfort Hotel Kurosaki	3-13-13 Kurosaki, Yahatanishi-ku, Kitakyusyu-shi, Fukuoka	Trust beneficiary interests	1,148	1,085	0.3	1,220	E
D40	Comfort Hotel Maebashi	2-18-14 Omotecho, Maebashi-shi, Gunma	Trust beneficiary interests	1,128	1,068	0.3	1,160	E
D41	Comfort Hotel Tsubame-Sanjo	2-115 Sugoro, Sanjo-shi, Niigata	Trust beneficiary interests	1,010	965	0.2	1,070	E
D42	Comfort Hotel Kitami	3-4 Ohdori-Nishi, Kitami-shi, Hokkaido	Trust beneficiary interests	851	804	0.2	906	E
D43	Hotel MyStays Gotanda Station (Note 9)	2-6-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interests	26,523	26,436	5.9	26,600	C

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
D44	Hotel Epinard Nasu	1-10 Kaidoue, Oaza-Takakuhei, Nasu-machi, Nasu-gun, Tochigi (and 59 other land parcels)	Trust beneficiary interests	20,981	19,911	4.7	23,100	C
D45	Hotel MyStays Fukuoka Tenjin	3-5-7 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests	8,059	7,876	1.8	8,740	C
D46	Hotel MyStays Hamamatsucho	1-18-14 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interests	7,959	7,843	1.8	7,040	C
D47	Hotel MyStays Premier Kanazawa	2-13-1 Hirooka, Kanazawa-shi, Ishikawa	Trust beneficiary interests	13,761	13,227	3.1	14,500	C
D48	Takamatsu Tokyu REI Hotel	9-9 Hyogomachi, Takamatsu-shi, Kagawa	Trust beneficiary interests	2,139	2,117	0.5	2,220	E
D49	Hotel MyStays Premier Hamamatsucho	1-8-5 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interests	8,000	8,017	1.8	9,800	B
D50	Hotel MyStays Shin Osaka Conference Center	6-2-19 Nishinakashima, Yodogawa-ku, Osaka-shi, Osaka	Trust beneficiary interests	13,068	13,009	2.9	13,500	D
D51	Hotel MyStays Premier Omori	6-19-3 Minami Oi, Shinagawa-ku, Tokyo	Trust beneficiary interests	9,781	9,746	2.2	10,100	D
D52	Beppu Kamenoi Hotel	5-17 Chuo cho, Beppu-shi, Oita	Trust beneficiary interests	8,870	8,553	2.0	9,010	D
D53	Hotel MyStays Sapporo Station	4-15 Kita Hachijyo Nishi, Nita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	7,880	7,765	1.8	8,300	D
D54	Hotel MyStays Yokohama Kannai	5-65, Onoe-cho, Naka-ku, Yokohama-shi, Kanagawa and 3 other lots	Trust beneficiary interests	5,326	5,293	1.2	5,490	D
D55	Art Hotel Joetsu	5-1-11, Hon-cho Joetsu-shi, Niigata	Trust beneficiary interests	2,772	2,750	0.6	2,810	D
D56	Art Hotel Hirosaki City	1-1-2, 1-6, 1-7, 2-1, Omachi, Hirosaki-shi, Aomori	Trust beneficiary interests	2,723	2,698	0.6	2,760	D
D57	Hotel MyStays Oita	1-32, Niagemachi Oita-shi, Oita	Trust beneficiary interests	1,604	1,581	0.4	1,640	D
D58	Hotel MyStays Gotanda	2-5-4, Higashigotanda Shinagawa-ku, Tokyo	Trust beneficiary interests	4,068	4,073	0.9	4,140	D
D59	Hotel MyStays Tachikawa	1-8-14, Nishiki-cho Tachikawa-shi, Tokyo	Trust beneficiary interests	3,257	3,256	0.7	3,290	E
D60	Hotel MyStays Premier Akasaka	2-17-54, Akasaka Minato-ku, Tokyo	Trust beneficiary interests	20,691	20,668	4.6	21,400	B
D61	Hotel MyStays Premier Sapporo Park	2-2-10, Minamikujo Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interests	16,731	16,682	3.7	17,000	D
D62	Hotel MyStays Ueno East	5-5-6, Higashi UenoTaito-ku, Tokyo	Trust beneficiary interests	5,286	5,277	1.2	5,370	D
D63	Hotel MyStays Midosuji Honmachi	3-2-10, Honmachi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interests	5,039	5,026	1.1	5,090	B
Subtotal (63 properties)				297,977	291,874	66.5	354,366	-
Total (129 properties)				393,732	382,649	87.8	462,580	-
—	Sheraton Grande Tokyo Bay Hotel (preferred equity interest)	—	Preferred equity interest issued by special purpose company (Note 8)	17,845	17,856	4.0	- (Note 5)	

Property number (Note 1)	Name of property	Location (Note 2)	Legal form of asset	Acquisition price (JPY million) (Note 3)	Balance sheet carrying value (JPY million)	Investment percentage (%) (Note 4)	Appraisal value at the end of the period (JPY million) (Note 5)	Appraiser (Note 6)
Subtotal of preferred equity interest issued by special purpose company (1 property)				17,845	17,856	4.0	-	-
—	Westin Grand Cayman Seven Mile Beach Resort & SPA (TK interest)	—	TK interest (Note 10)	36,783	36,783	8.2	- (Note 5)	
—	Sunshine Suites Resort (TK interest)	—					- (Note 5)	
Subtotal of TK interests (2 properties)				36,783	36,783	8.2	-	-
Total (132 properties)				448,362	437,290	100.0	-	-

(Note 1) “Property number” indicates the use categorization of properties owned by INV, with “A” standing for residence, “B” standing for office and commercial facility, “C” standing for parking lots and “D” standing for hotel, and the number assigned for each property. The number following “A”, “B”, “C” and “D” is assigned based on how early the acquisition was made, except for acquisitions made at the same time a lower number is assigned to the property with a greater acquisition price.

(Note 2) “Location” is, in principle, based on the indicated address (*kyukyohyoji*), except that if the *kyukyohyoji* system has not been implemented for such property, the location is based on the land number (*chiban*).

(Note 3) Acquisition price” is the purchase price indicated in the real estate or trust beneficiary purchase agreement. (However, for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) described below (Note 8), “Acquisition price” indicates the amount invested by INV for the preferred equity interest; and for Westin Grand Cayman Seven Mile Beach Resort & SPA (TK interest) and Sunshine Suites Resort (TK interest) described below (Note 10), “Acquisition price” indicates INV’s investment amount for the TK interests (the amount after the partial refund from the Cayman SPC as it received a larger adjustment amount than anticipated from the seller). The same shall apply hereinafter in this document.) Such price excludes consumption tax and other taxes, and has been rounded down to the nearest million yen. The amounts are converted into JPY using 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.

(Note 4) “Investment percentage” is the ratio of the acquisition price to the aggregate acquisition price of INV’s portfolio, and has been rounded to the first decimal place.

(Note 5) “Appraisal value at the end of the period” is the value appraised or determined based on research by the real estate appraiser as of the end of the fiscal period in accordance with the Articles of Incorporation of INV and the regulations of The Investment Trust Association, Japan. For Sheraton Grande Tokyo Bay Hotel (preferred equity interest), there is no Appraisal value at the end of the period due to it being preferred equity interest; and for Westin Grand Cayman Seven Mile Beach Resort & SPA (TK interest) and Sunshine Suites Resort (TK interest), there are no Appraisal values at the end of the period due to they being TK interests. Appraisal values for the underlying assets as of the date of acquisition by each SPC are as follows.

Name of property	Appraisal value	Appraiser (Note 6)
Sheraton Grande Tokyo Bay Hotel	JPY 101,000 million	C
Westin Grand Cayman Seven Mile Beach Resort & SPA	JPY 30,280 million (USD 272,800,000)	F
Sunshine Suites Resort	JPY 5,838 million (USD 52,600,000)	F

The amounts in USD are converted into JPY using the exchange rate of USD 1=JPY 111.00 (Telegraphic Transfer Middle rate (TTM) announced by Mitsubishi UFJ Research and Consulting Co., Ltd.), which is the exchange rate at the end of the Reporting Period (December 28, 2018).

(Note 6) “Appraiser” is shown in code in the table above. The code used to represent the appraisers is as follows:

Appraiser
A: Assets Research and Development Inc.
B: Japan Real Estate Institute
C: JLL Morii Valuation & Advisory K.K.
D: The Tanizawa Sogo Appraisal Co., Ltd.
E: Daiwa Real Estate Appraisal Co., Ltd.
F: CBRE K.K.

As to appraisal of Westin Grand Cayman Seven Mile Beach Resort & SPA and Sunshine Suites Resort, the local appraiser verification method is adopted and CBRE K.K. has entrusted such verification to CBRE, Inc. The appraisal value for Sunshine Suites Resort includes the acquisition price of the unused land adjacent to the hotel.

(Note 7) These 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 8) Preferred equity interest issued by special purpose company refers to 178,458 units of preferred equity interest issued by Kingdom Special Purpose Company (equivalent to 49.0% of preferred equity interest issued and outstanding after the issuance of the said preferred equity interest), with the Sheraton Grande Tokyo Bay Hotel as an underlying asset, and is recorded as one property.

(Note 9) Appraisal value at the end of the period indicates appraisal value calculated deeming the owned portion and the floor expansion portion as one.

(Note 10) 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, and is recorded as two properties based on the number of the underlying assets.

b Capital expenditures for assets under management

(a) Schedule for capital expenditures

The schedule for the principal capital expenditures for property maintenance construction, etc., as of the end of the fiscal period ended December 31, 2018 for the real estate assets 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	-	-

(b) 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



(c) 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.

(3) Tenant Summary

a Summary of lease conditions by property

Disclosure is omitted because the information is described in the presentation material for 31th Fiscal Period Ended December 2018 announced today.

b Occupancy trend

Disclosure is omitted because the information is described in the presentation material for 31th Fiscal Period Ended December 2018 announced today.