Invincible Investment Corporation

Financial Summary for the December 2023 Fiscal Period

(from July 1, 2023 to December 31, 2023)

February 26, 2024

Name	:	Invincible Investment Corporation ("INV")
Representative	:	Naoki Fukuda, Executive Director
Stock Listing	:	Tokyo Stock Exchange
Securities Code	:	8963
URL	:	https://www.invincible-inv.co.jp/en/
Contact	:	Consonant Investment Management Co., Ltd. (Asset Manager of INV) Jun Komo, General Manager of Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	:	March 22, 2024

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

(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, 2023	18,819	18.2	12,588	21.6	11,033	23.8	11,032	23.8
Fiscal period ended June 30, 2023	15,914	33.4	10,356	65.5	8,914	75.6	8,913	75.6

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2023	1,639	4.1	2.1	58.6
Fiscal period ended June 30, 2023	1,462	3.5	1.8	56.0

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total		
	JPY	JPY million	JPY	JPY million	%	%
Fiscal period ended December 31, 2023	1,640	11,048	-	-	100.1	3.9
Fiscal period ended June 30, 2023	1,464	8,925	-	-	100.1	3.5

(Note 1) Dividend Payout Ratio is calculated in accordance with the following formula and is rounded to the nearest one decimal place: Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Net Income × 100

(Note 2) Distribution / Net Assets is calculated based on the figures excluding excess profit distribution.

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended December 31, 2023	563,393	290,305	51.5	43,090
Fiscal period ended June 30, 2023	496,819	254,024	51.1	41,665

(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, 2023	12,773	(58,442)	52,520	34,892
Fiscal period ended June 30, 2023	13,782	924	(7,188)	28,041

2. Forecasts for the Fiscal Period ending June 30, 2024 (from January 1, 2024 to June 30, 2024) and the Fiscal Period ending December 31, 2024 (from July 1, 2024 to December 31, 2024)

(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
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY
Fiscal period ending June 30, 2024	20,199	7.3	13,717	9.0	11,887	7.7	11,886	7.7	1,767	-
Fiscal period ending December 31, 2024	20,255	0.3	13,509	(1.5)	11,699	(1.6)	11,698	(1.6)	1,739	-

(Reference) Estimated net income per unit for the fiscal periods ending June 30, 2024 and the fiscal periods ending December 31, 2024 are JPY 1,764 and JPY 1,736.

※Others

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

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

(2) Number of Investment Units Issued and Outstanding

(a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)	December 31, 2023	6,737,121	June 30, 2023	6,096,840
(b) Number of Treasury Units as of the End of the Fiscal Period	December 31, 2023	0	June 30, 2023	0

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

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

  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 the date of this document, including gains or losses from the disposition of properties, repayment of borrowings, decreases in rents and changes in operating conditions. Unless otherwise specified herein, amounts less than JPY 1 are rounded down, and ratios are rounded to the nearest one decimal place.

1. Operating Conditions

(1) Operating Conditions

a Overview of the Fiscal Period Ended December 31, 2023

(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). 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.

Ever since the commencement of sponsorship from the Fortress Group (Note 1), INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (“CIM”) revised the Investment Guidelines for INV, 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, and has expanded its portfolio.

In the Fiscal Period ended December 31, 2023 (“Reporting Period”), INV implemented a global offering of new investment units for the first time in four years and acquired six domestic hotels including the flagship “Fusaki Beach Resort Hotel & Villas”, or the largest property in INV’s portfolio. INV's portfolio at the end of the Reporting Period comprised of 134 properties (92 hotels (Note 2) (Note 3), 41 residential properties and one retail facility) with a total acquisition price of JPY 548,646 million (Note 4). Furthermore, INV’s hotel portfolio has the largest asset size (Note 5) of JPY 507,861 million (92 properties, 16,624 rooms) among all J-REITs (real estate investment corporations which are listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market, hereinafter the same shall apply) hotel portfolios including Hotel J-REITs (Note 6) .

(Note 1) Calliope transferred 80.0% of issued shares to Fortress CIM Holdings L.P., a subsidiary of SoftBank Group and 20.0% to SoftBank Group Corp. (“SoftBank Group”) on March 29, 2018, but the SoftBank Group transferred its issued shares of CIM to Fortress CIM Holdings L.P. As of the date of this document, SoftBank Group indirectly owns 100% of issued shares of CIM through Fortress CIM Holdings L.P. The SoftBank Group announced that it has entered into a definitive agreement to transfer its interest in the indirect parent company of Fortress CIM Holdings L.P. to Mubadala Capital and others during the first quarter of 2024.

(Note 2) The preferred equity interest held by INV is counted as one property. Such preferred equity interest issued by a special purpose company (*tokutei mokuteki kaisha*) refers to 178,458 units of the preferred equity interest issued by Kingdom Special Purpose Company (equivalent to 49.0% of the outstanding preferred equity interest), which owns the trust beneficiary interest of the Sheraton Grande Tokyo Bay Hotel as an underlying asset. The property is classified as a hotel, based on the use of Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest, and INV’s investment amount of the preferred equity interest is used as the acquisition price of the preferred equity interest, unless otherwise stated. The “underlying asset” refers to the real estate or the real estate related assets owned by a TK operator of TK interest or a TMK relating to the preferred equity interest which INV owns, thus the real estate or the real estate related assets which will be the revenue source of INV. Hereinafter the same shall apply.

(Note 3) From September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time), INV owned 100% of the TK interest in Seven Mile Resort Holdings Ltd. (the “Cayman SPC”), a Cayman Islands special purpose company that holds leasehold interests in Westin Grand Cayman Seven Mile

Beach Resort & Spa and Sunshine Suites Resort (collectively, the "Cayman Hotels") and ancillary assets as underlying assets. However, INV implemented the investment structure change (the "Structure Change" in some cases hereinafter) regarding the Cayman Hotels on May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time) and has directly held the Leasehold Interests, etc. of the Cayman Hotels thereafter. Both of the TK interest and the Cayman Hotels are counted as two properties before and after the Structure Change. In addition, the "Leasehold Interests, etc." means leasehold interests (rights equivalent to long-term real estate leases on land and buildings under the British Cayman laws) and furniture, fixtures, equipment, ornaments, kitchen instrument, and other assets required for hotel operations. Hereinafter the same shall apply.

(Note 4) Due to the Structure Change, the book value of the leasehold interests of the Cayman Hotels recorded by the Cayman SPC as of May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time), when INV succeeded the leasehold interests of the Cayman Hotels from the Cayman SPC via distribution in kind in connection with the termination of TK agreement, is deemed as the acquisition price of the Cayman Hotels. The book value is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contracts executed on July 26, 2018 and implemented on September 26, 2018 in connection with the investment in the TK interest by INV. Hereinafter the same shall apply.

(Note 5) Hotel J-REIT is defined as the J-REIT whose majority part of portfolio consists of hotel assets.

(Note 6) "The largest asset size … among all J-REIT hotel portfolios" refers to the total acquisition price of 92 hotels owned by INV as compared with the total acquisition price of hotels (including inns and other accommodation facilities) owned by listed investment corporations other than INV as of December 31, 2023.

(b) Operational Environment and Performance

The portfolio NOI (Note 1) increased by 63.7% or JPY 6,695 million compared to the same period in the previous year (the December 2022 fiscal period) to JPY 17,205 million. Of which, the hotel portfolio NOI increased by JPY 6,692 million and the residential and retail portfolio NOI increased by JPY 3 million. Compared to the December 2019 fiscal period prior to the COVID-19 pandemic, the portfolio NOI increased by 13.5% or JPY 2,041 million, of which the hotel portfolio NOI increased by JPY 2,830 million and the residential and retail portfolio NOI decreased by JPY 789 million due to asset sales.

Commentary on hotel and residential performance is as described below.

Domestic hotel portfolio continued to recover from the COVID-19 pandemic. Even with the gradual end of the "National Travel Discount Campaign" program, the government's travel subsidy program, there has been no decline in demand due to a reaction from the elimination of the program. Coupled with the strong inbound demand with the help of the weak yen, each performance metric of the domestic hotel portfolio increased significantly over the same period of the previous year's results. While occupancy rates (Note 2) were slightly below the 2019 levels, ADR (Note 3) and RevPAR (Note4) were above the 2019 levels. The GOP (Note 5) for the Reporting Period of the 75 domestic hotels (Note 6) owned by INV increased by 58.6% compared to the same period in the previous year (figures exclude nine domestic hotels with fixed-rent lease agreements among the 84 domestic hotels owned by INV as of the end of the Reporting Period, including Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV). The 75 domestic hotels recorded an occupancy rate of 82.7%, ADR of JPY 12,649, and RevPAR of JPY 10,462. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the GOP increased by 9.0%, the occupancy rate decreased by 5.7pt, ADR increased by 19.2%, and RevPAR increased by 11.5%.

The Cayman Hotels recorded an average occupancy rate of 64.8%, ADR of USD 421, and RevPAR of USD 273 for the Reporting Period and the figures significantly exceeded the same period in the previous year. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the occupancy rate decreased by 7.5pt, ADR increased by 28.6%, and RevPAR increased by 15.3%. Occupancy has not returned to 2019 levels as the number of commercial flights between the Cayman Islands and the U.S. have not recovered to 2019 levels, but ADR has grown significantly due to high demand and RevPAR has remained above 2019 levels.

Regarding the residential portfolio (Note 7), the occupancy rate (Note 8) of 41 residential properties remained unchanged from 95.9% at the end of the previous fiscal period to 95.9% at the end of the Reporting Period.

The average occupancy rate (Note 8) decreased by 0.3 points YoY to 96.0%. The NOI (Note 9) for the Reporting Period increased by 0.2% YoY.

In the Reporting Period, INV realized a rent increase for 55.9% (based on the number of contracts) of the new residential lease contracts, and the new rent increased by 1.3% compared to the previous rent across all new leases (Note 10). INV achieved a rent increase for 46.8% (based on the number of contracts) of contract renewals with an average rent increase of 1.3% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate (Note 11) of 75.1%. Combined, new lease and renewal lease rents were signed at 1.3% higher than the previous leases. The average rent per tsubo per month (Note 12) for the Reporting Period increased by 0.5% YoY to JPY 9,214.

The total appraisal value of 133 properties was JPY 629,041 million (one out of the 134 properties owned by INV at the end of the Reporting Period is excluded from the appraisal calculation: Sheraton Grande Tokyo Bay Hotel (preferred equity interest) for which the appraisal value of such interest is not available). The portfolio has an unrealized gain of JPY 133,259 million (Note 13) and an unrealized gain ratio of 26.9% (Note 13). The total appraisal value of 127 properties which were owned throughout the Reporting Period increased by 1.8% from JPY 560,963 million at the end of the June 2023 fiscal period to JPY 570,791 million at the end of the Reporting Period.

Key Performance Indicators of 75 Domestic Hotel Properties (Note 6)

	December 2023 fiscal period	Year-on-year change	vs 2H 2019
Occupancy Rate (Note 2)	82.7%	+6.8pt	-5.7pt
ADR (JPY) (Note 3)	12,649	+24.0%	+19.2%
RevPAR (JPY) (Note 4)	10,462	+35.1%	+11.5%
GOP (JPY million) (Note 5)	14,041	+58.6%	+9.0%

Key Performance Indicators of Cayman Hotels

	December 2023 fiscal period	Year-on-year change	vs 2H 2019
Occupancy Rate (Note 2)	64.8%	+8.6pt	-7.5pt
ADR (USD) (Note 3)	421	+4.6%	+28.6%
RevPAR (USD) (Note 4)	273	+20.7%	+15.3%
GOP (USD) (Note 5)	14,600,431	+10.8%	+10.0%

Key Performance Indicators of 41 Residential Properties (Note 7)

	December 2023 fiscal period	Year-on-year change
Occupancy Rate (Note 8)	96.0%	-0.3pt
Average Rent per Tsubo per Month (JPY) (Note 12)	9,214	+0.5%
NOI (JPY million) (Note 9)	1,120	+0.2%

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

(Note 2) "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 3) "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 4) "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 5) "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. GOP for each fiscal period ended June 2020 and onwards includes the amount of employment adjustment subsidies received by the hotel operators for the respective fiscal periods. In addition, 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 6) Of the 84 hotels held as of the end of December 2023 (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 etc. 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. In addition, the figures for the properties acquired after July 2019 are calculated on the assumption INV had acquired those properties on July 1, 2019, using the actual figures provided by the sellers of such properties for the period before the acquisition. "D48 Takamatsu Tokyu REI Hotel" changed its contract with its major tenant, Tokyu Hotels Corporation, to fixed-rent with variable rent lease from April 25, 2023. However, in view of the continuity of disclosed data, this hotel will continue to be excluded. Hereinafter the same shall apply.

(Note 7) Based on the 41 residential properties owned as of the end of December 2023. Hereinafter the same shall apply.

(Note 8) "Occupancy Rate" and "Average Occupancy Rate" for the portfolio or the residential properties are 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. Hereinafter the same shall apply.

(Note 9) For the comparison of NOI for the residential properties, one-off insurance-related revenues and expenses are excluded. Hereinafter the same shall apply.

(Note 10) 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. Hereinafter the same shall apply.

(Note 11) 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 12) "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.

(Note 13) 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.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 269,100 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 47.2% and 42.2% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.63%.

(Note 1) Interest-Bearing Debt ratio uses the calculation formula below:
Interest-Bearing Debt ratio = total outstanding interest-bearing debt (excluding short-term consumption tax loan) / total assets x 100

(Note 2) LTV (appraisal value basis) uses the calculation formula below:
LTV = total outstanding interest-bearing debt (excluding short-term consumption tax loan) / 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). For appraisal value of the Cayman Hotels, USD is converted into JPY amount via the forward exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract entered into on July 26, 2018 and executed on September 26, 2018.

(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 July 31, 2023 (the number of new investment units issued: 609,792; total issue value: JPY 32,761 million) and a third party allotment which closed on August 28, 2023 (the number of new investment units issued: 30,489; total issue value: JPY 1,638 million) in order to procure part of the funds for the acquisition of six domestic hotels described in "(d) Overview of Acquisition of Assets".

(ii) Debt Financing

a. Borrowing of Funds

INV borrowed New Syndicate Loan (009) on July 14, 2023 and July 19, 2023 (total amount borrowed: JPY 59,343 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years, variable interest rate of 3-month JPY TIBOR plus 0.30000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.69100%) for a duration of three years, variable interest rate of 1-month JPY TIBOR plus 0.30000% for a duration of three years, variable interest rate of 1-month JPY TIBOR plus 0.20000% for a duration of one year, variable interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years, variable interest rate of 3-month JPY TIBOR plus 0.30000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.69600%) for a duration of three years, variable interest rate of 1-month JPY TIBOR plus 0.30000% for a duration of three years and variable interest rate of 1-month JPY TIBOR plus 0.20000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. in order to repay New Syndicate Loan (I) in the amount of JPY 9,659 million due on July 14, 2023 and New Syndicate Loan (003) in the amount of JPY 49,684 million due on July 19, 2023.

INV borrowed New Syndicate Loan (010) on August 1, 2023 (total amount borrowed: JPY 29,856 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.50000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 1.06900%) for a duration of five years, variable interest rate of 3-month JPY TIBOR plus 0.30000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.69100%) for a duration of three years and variable interest rate of 1-month JPY TIBOR plus 0.20000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. in order to pay a portion of the acquisition price and related expenses for the acquisition of the six domestic hotels described in "(d) Overview of Acquisition of Assets" with the equity financing described in the said (i).

Moreover, INV borrowed Term Loan (016) on September 14, 2023 (total amount borrowed: JPY 3,000 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.40000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.87900%) for a duration of four years), which was arranged by Sumitomo Mitsui Banking Corporation in order to repay Term Loan (006) in the amount of JPY 3,000 million due on September 14, 2023.

Furthermore, INV borrowed New Syndicate Loan (011) on September 26, 2023 and October 13, 2023 (total amount borrowed: JPY 43,165 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years variable interest rate of 3-month JPY TIBOR plus 0.40000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.89400%) for a duration of four years, variable interest rate of 3-month JPY TIBOR plus 0.30000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.69100%) for a duration of three years, variable interest rate of 1-month JPY TIBOR plus 0.20000% for a duration of one year, variable interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years and variable interest rate of 3-month JPY TIBOR plus 0.40000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 0.87900%) for a duration of four years), which was arranged by Mizuho Bank, Ltd. and Term Loan (017) on September 26, 2023 (total amount borrowed: JPY 1,900 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.50000% (by the interest swap agreement on December 22, 2023, it is fixed, in effect, at 1.05400%) for a duration of five years), which was arranged by The Tokyo Star Bank, Limited in order to repay New Syndicate Loan (J) in the amount of JPY 13,119 million, New Syndicate Loan (004) in the amount of JPY 28,571 million and Term Loan (007) in the amount of JPY 1,256 million due on September 26, 2023 and New Syndicate Loan (H) in the amount of JPY 3,565 million due on October 13, 2023.

In addition, INV borrowed Term Loan (018) on November 29, 2023 (total amount borrowed: JPY 4,321 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.60000% for a duration of six years), which was arranged by Mizuho Bank, Ltd. in order to repay Term Loan (009) in the amount of JPY 4,321 million due on November 29, 2023.

Additionally, a portion of INV's existing loans (New Syndicate Loan (007)) from Sumitomo Mitsui Trust Bank, Limited of JPY 1,746 million was transferred to The Chiba Bank, Ltd. in the amount of JPY 981 million on September 29, 2023.

b. Issuance of Investment Corporation Bonds

INV issued investment corporation bonds as follows for the purpose of raising a portion of funds for repayment of existing borrowings while at the same time lengthening the average maturity period of its debt and further diversifying repayment dates for interest-bearing debt.

Bond Series	Issue Date	Issue Amount (JPY million)	Interest Rate (annual rate)	Redemption Date	Abstract
Nineth Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds) (green bonds)	September 21, 2023	1,700	1.200%	September 21, 2028	Unsecured / Unguaranteed Rating: A (JCR)
Tenth Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds) (green bonds)	December 14, 2023	1,800	1.297%	December 14, 2028	Unsecured / Unguaranteed Rating: A (JCR)

(d) Overview of Acquisition of Assets

CIM decided on the acquisition of trust beneficiary interests in six domestic hotels as follows on July 19, 2023, and acquisition of the assets was closed on August 1, 2023.

Property Number	Property Name	Acquisition Price (JPY million) (Note 1)	Appraisal Value (JPY million) (Note 2)	Seller
D84	Fusaki Beach Resort Hotel & Villas	40,293	40,700	Sheffield Asset Tokutei Mokuteki Kaisha
D85	Tateshina Grand Hotel Takinoyu	8,365	8,450	Heijo Tokutei Mokuteki Kaisha
D86	Hotel MyStays Okayama	2,613	2,640	Nippori Tokutei Mokuteki Kaisha
D87	Hotel MyStays Aomori Station	2,445	2,470	Shiretoko Tokutei Mokuteki Kaisha
D88	Hotel MyStays Soga	2,039	2,060	Nippori Tokutei Mokuteki Kaisha

Property Number	Property Name	Acquisition Price (JPY million) (Note 1)	Appraisal Value (JPY million) (Note 2)	Seller
D89	Tazawako Lake Resort & Onsen	1,475	1,490	Heijo Tokutei Mokuteki Kaisha
Total		57,230	57,810	-

(Note 1) Acquisition Price does not include adjustments for property taxes, city planning taxes, or national or local consumption taxes. Hereinafter the same shall apply.

(Note 2) Appraisal Value is based on appraisal value stated in the appraisal report by the Japan Real Estate Institute., The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. on the valuation date of June 1, 2023.

(e) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 2,904 million from the previous period (+18.2%) to JPY 18,819 million, resulting in a net income of JPY 11,032 million, an increase of JPY 2,118 million from the previous period (+23.8%). Unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 8,657 million) is JPY 19,690 million. INV has decided to set the distribution per unit (excluding excess profit distribution) of JPY 1,640, which is the net income per unit (JPY 1,637) plus the reversal of retained earnings (JPY 3 per unit).

b Outlook for the Fiscal Period Ending June 30, 2024

The Japanese economy is expected to continue its gradual recovery led by domestic demand. However, there are notable downside factors to the economy. In particular, high prices may restrain the growth of personal consumption, and the rate of wage increases in the spring labor struggle (*Shunto*) will be a factor that will determine the sustainability of the economic recovery in the future. Other factors, such as the slowdown of overseas economies and supply constraints due to labor shortages, are also expected to affect the tempo of economic recovery.

In the hotel market, demand in both the domestic/inbound and leisure/business segments is expected to remain stable.

In the rental housing market, the population outflow trend from central area caused by the impact of the COVID-19 infection has recently turned into a population inflow trend again, which is expected to lead to higher occupancy rates and higher unit rents in the future.

(a) Future operational policy and issues to be addressed

Since July 2011, INV has focused on improving the profitability of its portfolio and strengthening its financial base in order to enhance unitholder value with the Fortress Group as its sponsor. In addition to access to Fortress' global real estate expertise, INV will actively promote efforts to acquire new demand under the environment of "Post-Corona" and flexibly respond to changes in the external environment while emphasizing customer safety and security. Going forward, INV will continue to implement various strategies for further growth and financial stability, including the following measures.

- Further external growth utilizing sponsor support
- Asset recycling: property acquisitions using the proceeds from sales
- Internal growth at hotels through reducing costs, stimulating existing demand and creating new demand by collaborating with hotel operators
- Further internal growth at residential properties

- Response to the risk or rising interest rate

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV had moved forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues would be anticipated, and residential properties, especially where rental growth could be achieved, to build a portfolio with a good balance between growth and stability.

In regard to hotels, INV will take into consideration 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 regard to residential properties, INV will analyze occupancy rates, rental market trends, the presence of competing properties among other factors, and consider acquiring properties with strong competitiveness, in which it believes it can achieve increases in rent.

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

Year	Properties acquired	Total acquisition price
2012	24 residential properties (Note 1)	JPY 14,043 million (Note 1)
2014	20 hotels	JPY 45,373 million
2015	14 hotels and three residential properties (Note 2)	JPY 45,238 million (Note 2)
2016	11 hotels and two residential properties	JPY 92,804 million
2017	six hotels and two residential properties (Note 3)	JPY 90,006 million (Note 3)
2018	12 hotels	JPY 104,280 million
2019	18 hotels (Note 4)	JPY 82,646 million (Note 4)
2020	Two hotels	JPY 16,236 million
2023	Six hotels	JPY 57,230 million
Total	120 properties (of which 89 are hotels and 31 are residential properties)	JPY 547,858 million (of which hotels: JPY 496,220 million; residential: JPY 51,638 million)

(Note 1) Of the properties acquired from affiliates of the Fortress Group, 15 residential properties have been sold.

(Note 2) Of the properties acquired from affiliates of the Fortress Group, one residential property has been sold.

(Note 3) Of the properties acquired from affiliates of the Fortress Group, one residential property has been sold. Sheraton Grande Tokyo Bay Hotel was acquired through a special purpose company, of which INV owns the preferred equity interest, and is counted as one property and INV's investment amount of the preferred equity interest is counted as the acquisition price of the preferred equity interest.

(Note 4) The Cayman Hotels acquired by the Cayman SPC, of which INV owns the TK interest, are counted as two properties and INV's investment amount of the TK interest is used as the acquisition price of the TK interest. After the Structure Change, INV currently has direct ownership of the Leasehold of the Cayman Hotels.

Property Sales

INV considers the possibility of portfolio optimization upon consideration of the portfolio sector composition, geographic distribution, and competitiveness of each property as appropriate.

(ii) Strategy for internal growth

(Hotels)

Of the 90 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 82 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of the gross operating profit (GOP) after deducting payment of management fees for the hotel operator as rents. For 79 hotels of the 82 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives seeking to maximize revenue through effectively taking in accommodation demand. As a result, INV can directly enjoy the hotel revenue upside through this variable rent scheme.

In response to the reduction in hotel demand, the MHM Group is taking steps to reduce hotel operating expenses and recover revenues by reviewing its operational strategy. During the recovery phase of hotel demand in the future, INV will strive to minimize the impact of rising costs such as utility costs and foodstuffs by means of a thorough review of staffing and work shifts, continuous efforts to reduce fixed costs, and strategies to maximize GOPPAR (GOP per the number of rooms available for sale).

The MHM Group vigorously worked to stimulate demand from domestic customers by providing corporate customers with diverse options including a new lineup of meeting options highlighting strict measures to reduce the spread of COVID-19 and various options including educational tours and employee training while grasping changes in customer demand under the “Post-Corona” environment. In addition, the MHM Group is focusing on creating demand, including continuation of delivery and take-out services and the development of new menus through directly managed restaurants in the hotel.

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.

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

(Residential properties and others)

INV will continue to strengthen its collaborative ties with property managers and brokers to further boost occupancy rates and earning capabilities of its properties. With respect to INV’s residential properties, INV will focus on increasing the occupancy rates and rents for both new lease contracts and lease renewals for all 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.

(iii) Financial strategy

INV will continue to extend the average interest-bearing debt repayment periods, diversify the loan maturity dates and diversify financing measures while paying attention to fund procurement costs, as well as maintaining an appropriate fixed interest rate ratio to mitigate the risk of rising interest rates.

In addition, INV will seek to improve the credit rating (the long-term issuer rating “A” (Outlook: Positive)) obtained from Japan Credit Rating Agency, Ltd. (JCR) by proceeding with these measures.

(iv) Compliance risk management

While the executive director of INV concurrently serves as the representative director at CIM, two supervisory directors (an external attorney and an external certified public account) oversee the execution of the executive director’s duties via the Board of Directors of INV.

CIM 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. No resolution will be adopted unless the outside expert agrees.

When INV conducts certain transactions such as asset acquisition from sponsor related parties, prior approvals by the Board of Directors of INV are required to ensure an objectivity in deliberation regarding conflicts of interests. In such agenda, only two supervisory directors (a lawyer and a certified public accountant) will participate in the vote, and the executive director who concurrently serves as the representative director of CIM will not participate in the vote as he is a special interested party.

INV intends to continually take steps to strengthen its compliance structure.

(v) Initiatives for Sustainability

INV and CIM recognize the importance of environmental, social, and governance (ESG) considerations in real estate investment management from the viewpoint of sustainability such as economic and social development and contributing to global environmental conservation, and regard improvement of sustainability as an important management issue. INV and CIM believe that the incorporation of ESG considerations into the real estate investment management business, which is our primary business, is essential to maximizing unitholder value over the medium to long term and contributes to maximizing INV's investment returns.

Thus, INV and CIM have established a "Sustainability Policy" to set basic policies for sustainability and put them into practice in our daily operations.

Under this policy, CIM has formulated the "Energy Conservation Policy", the "Greenhouse Gas Emissions Reduction Policy", the "Water Saving Policy" and the "Waste Management Policy" which stipulate efforts to reduce environmental impact as initiatives for environment. In addition, CIM has established the "Sustainable Procurement Policy" in order to promote initiatives for ESG throughout the value chain of INV's real estate portfolio and concluded the "Green Lease" contract with tenants to collaborate with tenants on measures related to the environmental consideration of real estate, such as proactive introductions of energy-saving equipment such as LED lighting.

Furthermore, as of the date of this document, INV acquired CASBEE Certification for Buildings (Existing Buildings) for two hotels, and Certification for CASBEE for Real Estate for two residential properties. CASBEE is a method that comprehensively assesses the quality of a building, and evaluates features such as interior comfort and scenic aesthetics, in consideration of environment practices including use of materials and equipment that save energy or achieve smaller environmental loads. Also, as of the date of this document, 19 hotels owned by INV acquired the certification of Building-Housing Energy-efficiency Labeling System ("BELS"). In particular, Hotel MyStays Premier Akasaka, Hotel MyStays Fukuoka Tenjin, Hotel MyStays Yokohama Kannai Hotel MyStays Oita, Hotel MyStays Haneda and Hotel MyStays Matsuyama have been rated five stars "★★★★★" due to high energy conservation performance.

Following the acquisition of environmental certifications for its properties, INV issued green bonds in September 2023 and December 2023 to further promote its sustainability initiatives and to strengthen its fund-raising base by expanding the investor base interested in ESG investment.

As initiatives for society, CIM is working on various measures for tenants and CIM's officers and employees. CIM conducts the "Tenant Satisfaction Survey" for residents of INV's residential properties to collect opinions and requests of residents and utilize them for asset management, and provides sustainability-focused training for all officers and employees at least once a year to help officers and employees acquire knowledge and raise awareness of sustainability considerations in line with business practices. Moreover, as initiatives for CIM's employees, CIM conducts an employee satisfaction survey once every three years with the aim of improving its working environment, and gives full subsidy for a comprehensive medical checkup without age restrictions.

As a result of other sustainability promotion activities, INV received a "3-Star" rating in the 2023 GRESB Real Estate Assessment, an international benchmark assessment that measures ESG integration of real estate companies and funds, on a five-level rating scale, and an "A level" in the GRESB Public Disclosure assessment, the highest rating.

INV will continue to recognize its social responsibility to the environment and local communities as a J-REIT with hotels and residences as our core assets, and will proactively implement ESG-friendly investment management and sustainability initiatives that take advantage of asset characteristics and carry out social contribution activities.

c Significant Subsequent Events

Not applicable. Reference information is stated below.

(Reference Information)

(a) Debt Financing

INV has decided to execute new borrowings (New Syndicate Loan (012) and Term Loan (019)) on January 12, 2024 and borrowed on January 16, 2024 and January 24, 2024 in order to repay one of the tranches of New Syndicate Loan (M) in the amount of JPY 5,796 million, one of the tranches of New Syndicate Loan (L) in the amount of JPY 4,805 million, New Syndicate Loan (N) in the amount of JPY 3,544 million and New Syndicate Loan (006) in the amount of JPY 10,408 million due on January 16, 2024 and Term Loan (010) in the amount of JPY 1,550 million, Term Loan (011) in the amount of JPY 1,700 million and Term Loan (012) in the amount of JPY 6,800 million due on January 24, 2024.

New Syndicate Loan (012)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Resona Bank, Limited	January 16, 2024	1,200	Variable interest rate (Note 1)	March 16, 2025	Unsecured/ non guarantee
SBI Shinsei Bank, Limited	January 16, 2024	369	Variable interest rate (Note 2)	March 14, 2027	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Aozora Bank, Ltd. The Nomura Trust and Banking Co., Ltd.	January 16, 2024	5,308	Variable interest rate (Note 3)	March 14, 2028	
MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	January 24, 2024	5,025	Variable interest rate (Note 3)	March 14, 2028	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. The Nomura Trust and Banking Co., Ltd.	January 16, 2024	5,406	Variable interest rate (Note 4)	March 14, 2029	

MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	January 24, 2024	5,025	Variable interest rate (Note 4)	March 14, 2029	Unsecured/ non guarantee
(green loan) Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. San ju San Bank, Ltd. The Nomura Trust and Banking Co., Ltd.	January 16, 2024	8,970	Variable interest rate (Note 5)	March 14, 2030	
Total Debt		31,303			

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

(Note 2) 3-month JPY TIBOR (Base Rate) + spread (0.30000%)

(Note 3) 3-month JPY TIBOR (Base Rate) + spread (0.40000%)

(Note 4) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(Note 5) 3-month JPY TIBOR (Base Rate) + spread (0.60000%)

Term Loan (019)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
The Tokyo Star Bank, Limited	January 16, 2024	2,440	Variable interest rate (Note 1)	March 14, 2029	Unsecured/ non guarantee

(Note 1) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(b) Issuance of Investment Corporation Bonds

INV issued investment corporation bonds to individual investors as follows for the purpose of raising a portion of funds for repayment of existing borrowings while at the same time lengthening the average maturity period of its debt and further diversifying repayment dates for interest-bearing debt.

Bond Series	Issue Date	Issue Amount (JPY million)	Interest Rate (annual rate)	Redemption Date	Abstract
Eleventh Series Unsecured Investment Corporation Bonds (with pari passu conditions among investment corporate bonds)	February 9, 2024	6,000	1.470%	February 9, 2029	Unsecured / Unguaranteed Rating: A (JCR)

d Operational Outlook

The forecasts of financial results for the fiscal periods ending June 30, 2024 (from January 1, 2024 to June 30, 2024) and December 31, 2024 (from July 1, 2024 to December 31, 2024) are as follows.

	June 2024 Fiscal Period (Anticipated)	December 2024 Fiscal Period (Anticipated)
Operating Revenues	JPY 20,199 million	JPY 20,255 million
Operating Income	JPY 13,717 million	JPY 13,509 million
Ordinary Income	JPY 11,887 million	JPY 11,699 million
Net Income	JPY11,886 million	JPY 11,698 million
Total Distribution Amount (Including excess profit distribution)	JPY 11,904 million	JPY 11,715 million
Net Income per Unit	JPY 1,764	JPY 1,736
Distribution per Unit (Excluding excess profit distribution)	JPY 1,767	JPY 1,739
Excess Profit Distribution per Unit	-	-
Distribution per Unit (Including excess profit distribution)	JPY 1,767	JPY 1,739

For the assumptions underlying the operational outlook for the fiscal periods ending June 30, 2024 and December 31, 2024, please see "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 30, 2024 and December 31, 2024" as follows.

(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 as of the date of this document, 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 December 31, 2023 and June 30, 2024 >

Item	Assumptions
Fiscal period	The June 2024 Fiscal Period: from January 1, 2024 to June 30, 2024 (182 days) The December 2024 Fiscal Period: from July 1, 2024 to December 31, 2024 (184 days)
Assets under management	Properties held as of the end of the December 2024 Fiscal Period: 133 properties and preferred equity interests in one TMK Based on the properties held as of today (133 properties and preferred equity interests in one TMK), and INV assumes that there will be no change in the portfolio through the end of the fiscal period ending December 2024.
Units outstanding	As of the end of the December 2024 Fiscal Period: 6,737,121 units INV assumes that there will be no change to the current 6,737,121 units issued and outstanding through the end of the December 2024 Fiscal Period.
Interest-bearing liabilities	Balance as of the end of the June 2024 Fiscal Period: JPY 271,154 million (borrowing: JPY 250,254 million, investment corporation bonds: JPY 20,900 million) Balance as of the end of the December 2024 Fiscal Period: JPY 265,154 million (borrowing: JPY 245,254 million, investment corporation bonds: JPY 19,900 million) INV assumes that of the current total balance of JPY 274,240 million, INV intends to repay the consumption tax loan of JPY 3,086 million maturing on August 1, 2024 in the fiscal period ending June 2024. INV assumes that the proceeds (JPY 6,000 million) from the 11th series unsecured corporate bonds, issued on February 9, 2024, will be used to repay or redeem loans of JPY 5,000 million and investment corporation bonds of JPY 1,000 million maturing during the December 2024 Fiscal Period. Regarding other loans maturing during the June 2024 Fiscal Period and December 2024 Fiscal Period, INV intends to refinance the same amount during the respective fiscal periods. INV assumes no other new loan or prepayment of loan through the end of the December 2024 Fiscal Period.

<table>
<tr>
<td>Operating revenues</td>
<td>
INV expects to record rental revenues for the fiscal periods as follows:
<table>
<tr><td></td><td>June 2024 Fiscal Period</td><td>December 2024 Fiscal Period</td></tr>
<tr><td>・Rental revenues</td><td>JPY 14,603 million</td><td>JPY 17,617 million</td></tr>
<tr><td>(of these, hotel rents)</td><td>(JPY 12,836 million)</td><td>(JPY 15,865 million)</td></tr>
<tr><td>(Fixed hotel rents)</td><td>(JPY 5,853 million)</td><td>(JPY 7,623 million)</td></tr>
<tr><td>(Variable hotel rents)</td><td>(JPY 6,982 million)</td><td>(JPY 8,241 million)</td></tr>
<tr><td>・Management contract revenue</td><td>JPY 4,363 million
(USD 32,325 thousand)</td><td>JPY 1,958 million
(USD 14,506 thousand)</td></tr>
<tr><td>・TMK dividend amount</td><td>JPY 1,231 million</td><td>JPY 679 million</td></tr>
<tr><td>Total operating revenues</td><td>JPY 20,199 million</td><td>JPY 20,255 million</td></tr>
</table>
In the 2024 forecasts, INV has conservatively factored in a marginal rebound in domestic demand following the end of the "National Travel Discount Campaign" program.
With regard to inbound demand, we assume that the number of Chinese tourists will recover to 2019 levels in the spring of 2024.
In addition to the demand forecasts above, INV has taken into account various factors including scheduled conferences, concerts and other events in the vicinity of each hotel, trends at competing hotels, and price trends, to forecast hotel rents for the period ending June 2024 and thereafter. The reservations already made for January 2024 as of the forecast are also taken into account.
INV estimates the amount of dividends on the preferred equity interests based on the performance of the underlying asset and the assumed amount of expenses incurred by the TMK.
INV recognizes management contract revenue from the overseas hotels as real estate investment income from management contracts of the Cayman Hotels. The forecasts of management contract revenue are based on estimated performance of the overseas hotels and the assumed amount of expenses incurred by the hotel management company. Management contract revenues for January to December 2024 have been conservatively calculated based on exchange rate of USD 1 = JPY 135, and the foreign currency risk on the management contract revenues are partially hedged by foreign exchange forward contracts. INV plans to implement a renovation work at Sunshine Suites Resort beginning in the autumn of 2024, and we expect a decline in revenue in the fiscal period ending December 2024, due to partial sales stoppage during such renovation. While INV is considering the expansion and renovation of Westin Grand Cayman Seven Miles Beach & Resort, details are yet to be determined. Therefore, INV does not anticipate or incorporate any particular impact of the expansion and renovation for the purpose of this forecast through the end of the fiscal period ending December 2024.
In addition, INV assumes there will be no delinquencies or non-payment of rent by other tenants.
</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>
INV expects to incur property related expenses out of operating expenses for the fiscal periods as follows:
<table>
<tr><td></td><td>June 2024 Fiscal Period</td><td>December 2024 Fiscal Period</td></tr>
<tr><td>・Facility management fees</td><td>JPY 458 million</td><td>JPY 468 million</td></tr>
<tr><td>(of these, repair costs)</td><td>(JPY 22 million)</td><td>(JPY 25 million)</td></tr>
<tr><td>・Taxes and other public charges</td><td>JPY 649 million</td><td>JPY 841 million</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 266 million</td><td>JPY 297 million</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 4,316 million</td><td>JPY 4,373 million</td></tr>
<tr><td>・Other expenses</td><td>JPY 123 million</td><td>JPY 100 million</td></tr>
<tr><td>Total property related expenses and management contract expenses</td><td>JPY 5,814 million</td><td>JPY 6,080 million</td></tr>
</table>
INV expects to incur other operating expenses than the property related expenses or management contract expenses for the fiscal periods as follows:
<table>
<tr><td></td><td>June 2024 Fiscal Period</td><td>December 2024 Fiscal Period</td></tr>
<tr><td>・Other operating expenses</td><td>JPY 667 million</td><td>JPY 664 million</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 450 million)</td><td>(JPY 450 million)</td></tr>
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<table>
<tr><td>NOI</td><td>INV expects to record net operating income for the fiscal periods as follows:

	June 2024 Fiscal Period	December 2024 Fiscal Period
・NOI	JPY 18,701 million	JPY 18,547 million
(of these, domestic hotel NOI)	(JPY 13,404 million)	(JPY 15,694 million)
(of these, overseas hotel NOI)	(JPY 4,092 million)	(JPY 1,651 million)
(of these, residential NOI)	(JPY 1,127 million)	(JPY 1,124 million)

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

	June 2024 Fiscal Period	December 2024 Fiscal Period
・Interest expense	JPY 1,053 million	JPY 1,066 million
・Finance related costs	JPY 564 million	JPY 575 million
・Interest for investment corporation bonds	JPY 103 million	JPY 114 million
・Depreciation of investment corporation bonds issuance expenses	JPY 14 million	JPY 15 million
・Foreign exchange loss (Note 1)	JPY 93 million	JPY 39 million
Total non-operating expenses	JPY 1,830 million	JPY 1,810 million

</td></tr>
<tr><td>Distribution per unit</td><td>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation.

With respect to the distribution for the fiscal period ending June 2024, INV expects to distribute an aggregate amount of JPY 11,904 million (distribution per unit: JPY 1,767) from the net income for the fiscal period ending June 2024 (JPY 11,886 million) including the JPY 17 million reversal of retained earnings (internal reserve).

With respect to the distribution for the fiscal period ending December 2024, INV expects to distribute an aggregate amount of JPY 11,715 million (distribution per unit: JPY 1,739) from the net income for the fiscal period ending December 2024 (JPY 11,698 million) including the JPY 17 million reversal of retained earnings (internal reserve).

For the fiscal periods ending June 2024 and December 2024, INV expects to record a deferred gain on hedge of the interest rate swap as the valuation and conversion adjustments, etc. of JPY 4 million, which is equal to the amount for the fiscal period ended June 2023. The distribution per unit is calculated based on the assumption that the fluctuation of the market value of the interest rate swap does not affect the distribution per unit and earnings per unit.

Distribution per unit may vary due to various factors, including changes in the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.</td></tr>
</table>

<table>
<tr>
<td>Excess profit distribution per unit</td>
<td>
INV believes maintaining the stability of cash distributions over the medium term is an important factor 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 or reversal of retained earnings (“distributions in excess of profits, etc.” together with distributions in excess of profits hereinafter) in order to stabilize distributions, in cases where a dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.
INV may also consider making distributions in excess of profits for the purpose of reducing the impact from a corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.
With respect to the fiscal period ending June 2024, INV plans to distribute the reversal of retained earnings (internal reserve) (JPY 3 per unit) as “distributions in excess of profit for the difference arising from the difference between tax and accounting treatment.”
With respect to the fiscal period ending December 2024, INV plans to distribute reversal of retained earnings (internal reserve) (JPY 3 per unit) as “distributions in excess of profit for the difference arising from the difference between tax and accounting treatment.”
<table>
<tr><th></th><th>June 2024 Fiscal Period</th><th>December 2024 Fiscal Period</th></tr>
<tr><td>Excess profit distribution per unit</td><td>-</td><td>-</td></tr>
</table>
</td>
</tr>
<tr>
<td>Other</td>
<td>
INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.
In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.
</td>
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</table>

(2) Investment Risk

Disclosure is omitted because there have been no material changes in the “Investment Risk” section of the latest securities report (filed on September 26, 2023).