

# **Invincible Investment Corporation**

## **Asset Management Report**

Fiscal Period ended June 30, 2019 (January 1, 2019 to June 30, 2019)

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

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

We hereby provide you with a report on INV’s asset management and financial results for the 32nd fiscal period (covering the period from January 1, 2019 to June 30, 2019; the “Reporting Period”).

During the Reporting Period, INV changed the investment structure for two overseas hotels to a direct ownership structure of the underlying assets from investments in anonymous associations on May 9, 2019. The change in ownership structure was made to adapt to an amended Act on Special Measures Concerning Taxation executed on April 1, 2019 and completely resolves the tax issue regarding conduit requirements. In June 2019, INV sold two residential assets for extremely favorable terms as a continuation of its asset recycling program. The total sale price was JPY 39.9 billion, resulting in a gain of JPY 11.1 billion. The gain on sale was retained as internal reserves in order to stabilize future distributions. INV has achieved steady NOI growth for both hotel and residential assets, the core assets in the portfolio.

As a result of the initiatives and factors mentioned above, operating revenues reached JPY 27,339 million, operating income JPY 22,185 million, and net income JPY 21,239 million. INV decided on a distribution per unit (DPU) of JPY 1,656 for June 2019 fiscal period (+15.8% year on year (1)), and expects annual DPU of JPY 3,381 for 2019. INV reserved a portion of the net income, which increased in part due to the structure change of the overseas hotels and the sales of the two residential assets, in order to maintain stable distributions in the future.

With the updated 2019 DPU forecast of JPY 3,381, INV has already achieved 45.7% of its medium-term plan outlined in “Vision 2022”(2) and maintains its target to achieve an annual DPU of JPY 3,700 in 2022.

On July 1, 2019, INV launched its sixth Global Share Offering (after the reporting period), and seventh share offering in total since Fortress became its Sponsor. The funds from the issuance of new units along with new borrowings and cash were used to acquire 18 domestic hotels. As a result, our asset size exceeds JPY 500 billion (based on acquisition price), and we have the largest hotel portfolio among all J-REITs (as of August 31, 2019). INV believes the July 2019 acquisition benefits the portfolio by providing further diversification in terms of area and asset type, and will contribute to stability and growth of revenue.

The 18 high quality hotels(3) above are mainly located in "Prime Tourism Area"(4), where we believe the demand for tourists, especially inbound tourists, is and will be strong such as Hokkaido, Fuji area, and Ishigaki Island. We also believe that the Rugby World Cup held this fall and the Tokyo Olympics and

Paralympics held next year will draw an increase in attention to Japan, helping to promote robust demand of inbound tourists in the future.

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

Your continued support is highly appreciated.

Naoki Fukuda

Executive Director, Invincible Investment Corporation

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

(1) Comparison with the fiscal period ended June 2018. In order to eliminate the seasonal effects of hotel variable rent, which is one of the major revenues of INV, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended December 2018).

(2) This is a target based on various assumptions and conditions, and there is no guarantee that INV can achieve this target in 2022 or later

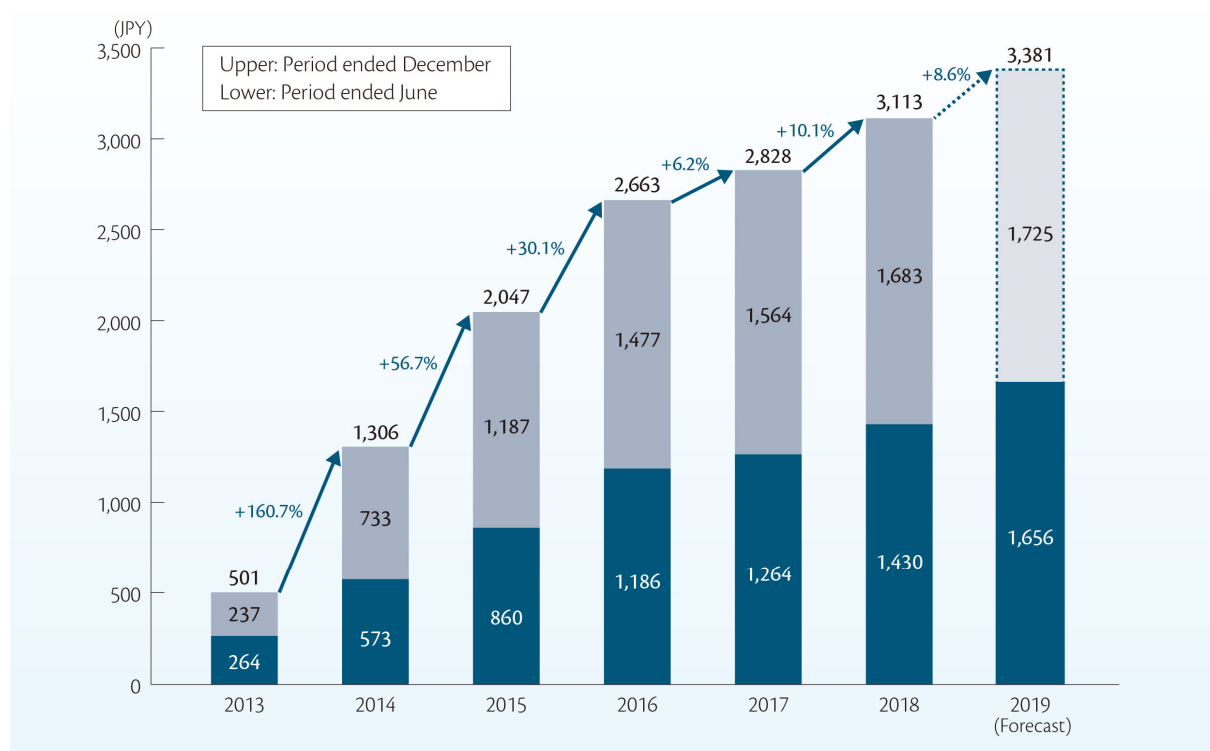
(3) Hotels we consider as highly competitive in terms of location, appearance, interior, specifications, ancillary facilities and facilities.

(4) We define as areas with strong tourism demand particularly from inbound visitors due to attractive tourism resources

Distribution per unit for the 32nd fiscal period (the fiscal period ended June 2019)	JPY 1,656
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(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of August 31, 2019. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV’s control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

## Change in DPU



Distribution per unit for the 32nd fiscal period  
(the fiscal period ended June 2019)

JPY 1,656

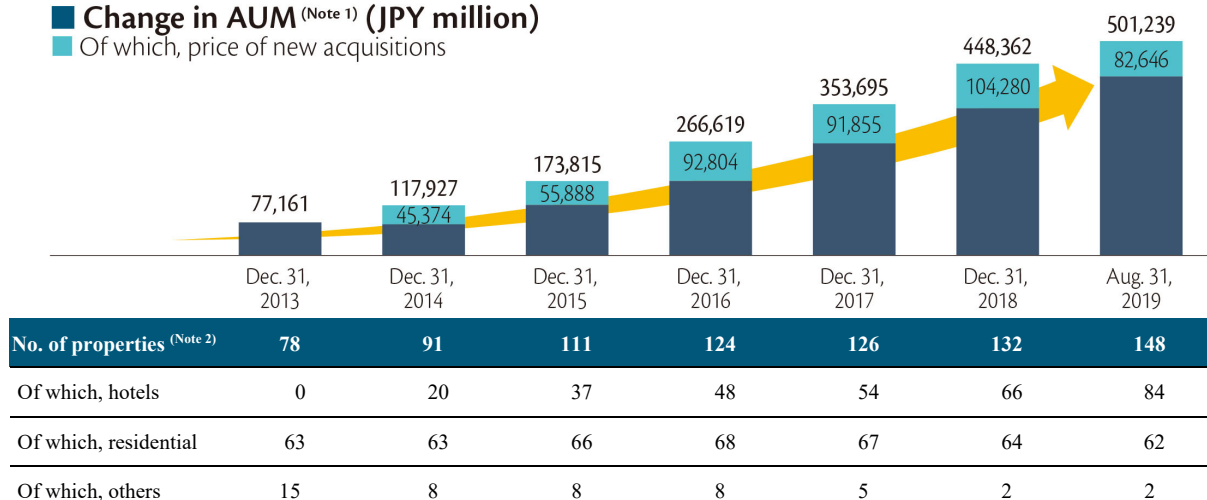
(Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of August 31, 2019. These assumptions and estimates are unavoidably uncertain, and could be affected by various risks and factors beyond INV's control. Thus, no guarantee can be made regarding the realization of such future forecasts and targets, and actual results may vary significantly.

## ■ Increase in Asset Size and Initiatives for Asset Recycling

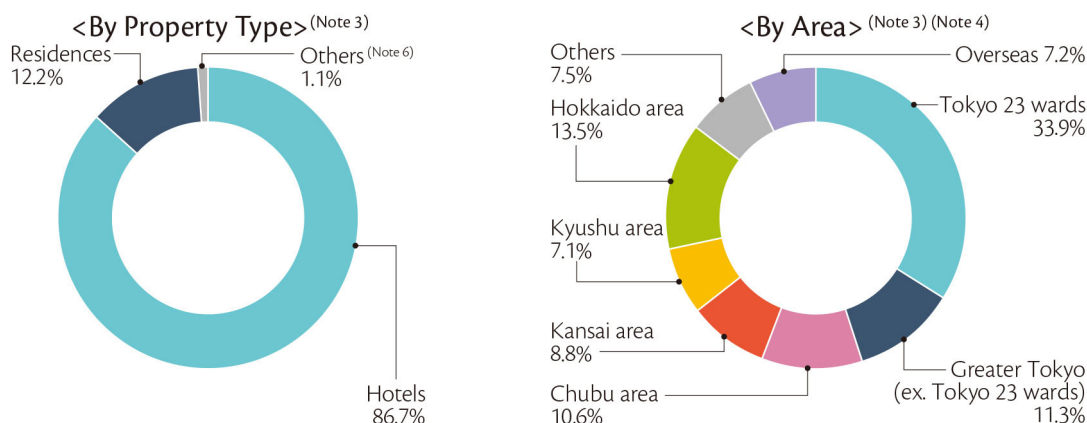
INV strived to improve unitholder value through strategic asset recycling, such as disposition of two residential properties in June 2019 to seize a favorable market opportunity and new acquisition of 18 properties in July 2019 using the proceeds from said disposition, funds raised through public offering, etc. As a result of such efforts, the asset size has expanded to over JPY 500 billion.

### ■ Change in AUM <sup>(Note 1)</sup> (JPY million)

■ Of which, price of new acquisitions



### ■ Portfolio Composition



(Note 1) Based on the acquisition price as of the end of the relevant year. After 2017, includes the amount of contribution by INV to the JV TMK preferred equity securities that holds Sheraton Grande Tokyo Bay Hotel (SGTB). “2019 (Forecast)” indicates the acquisition price as of July 31, 2019. As to the two overseas assets (Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) (the “Two Overseas Hotel Assets”), the amount of TK investment to a Cayman Islands special purpose company (the “Cayman SPC”) that held leasehold interests in the overseas hotels as underlying assets is treated as acquisition price for “Dec. 2018”; and the book value of the leasehold, etc. of the overseas hotels held by the Cayman SPC, which succeeded leasehold, etc. of the overseas hotels from the Cayman SPC, as of May 9, 2019 (Cayman local time (May 10, 2019, Japan time)), is treated as acquisition price for “Aug. 2019.” The amounts are converted into JPY using the forward exchange rate of USD 1 = JPY110.45 based on the foreign exchange forward implemented in connection with the original TK investment in the Cayman SPC (contract thereof was entered into on July 26, 2018, and implemented on September 26, 2018). For 2014, 2017, and 2018, the sum of the “AUM” of the previous year and “Price of new acquisitions” of the current year does not match the “AUM” of the current year since asset disposition was implemented in those years.

(Note 2) The amount of contribution by INV to the JV TMK preferred equity securities and the amount of TK investment by INV to the SPC are classified with the relevant underlying assets and as one property based on the property type of the assets.

(Note 3) Calculated based on acquisition price. As to preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel, it is calculated using the amount of contribution by INV as acquisition price. As to the overseas hotels, it is calculated using the book value of the overseas hotels held by the Cayman SPC holding their leasehold, etc., as of May 9, 2019 (Cayman local time (May 10, 2019, Japan time)), when INV succeeded leasehold, etc. of the overseas hotels from the Cayman SPC as distribution in kind in line with the termination of the TK agreement, as acquisition price. The amounts converted into JPY amount via the forward exchange rate of USD 1 = JPY 110.45 based on the foreign exchange forward implemented in connection with the original TK investment in the Cayman SPC (contract thereof was entered into on July 26, 2018, and implemented on September 26, 2018) are used in the calculation. Preferred equity securities are categorized based on the hotel type and location of each underlying asset.

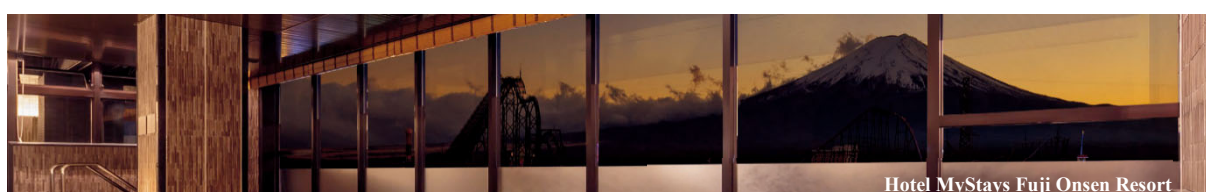
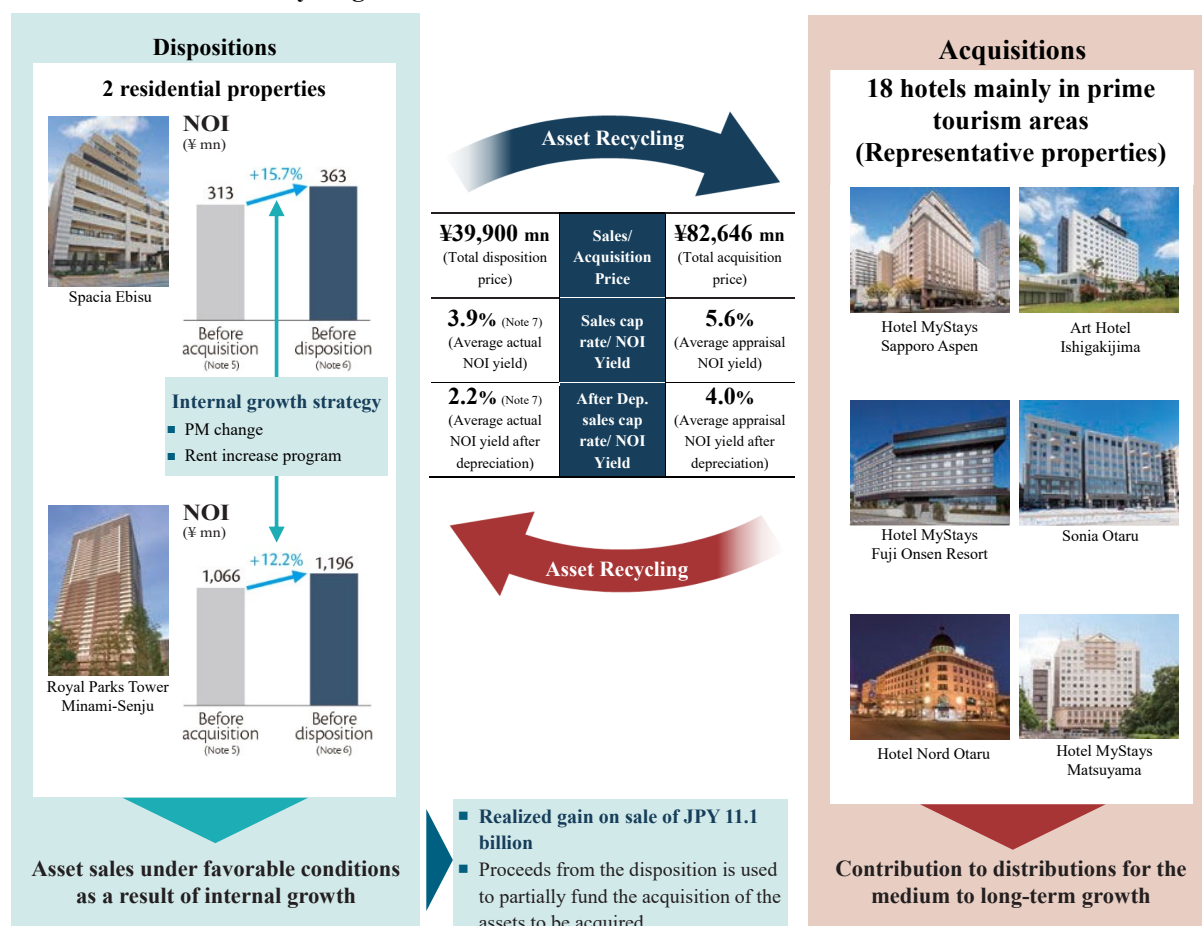
(Note 4) Defined as follows: Greater Tokyo (ex, Tokyo 23 wards) is Tokyo (ex. Tokyo 23 Wards), Kanagawa, Chiba and Saitama. Kansai area is Osaka, Hyogo, Kyoto, Shiga, Wakayama and Nara. Chubu area is Aichi, Gifu, Mie, Shizuoka, Nagano, Yamanashi, Niigata, Toyama, Ishikawa and Fukui. Kyushu area is Fukuoka, Kumamoto, Kagoshima, Nagasaki, Oita, Miyazaki, Saga and Okinawa

(Note 5) Spacia Ebisu: Actual NOI for the 12 months prior to the acquisition from February 2009 to January 2010 / Royal Parks Tower Minami-Senju: Leveled NOI for the 12 months prior to the acquisition from April 2016 to March 2017 based on actual results provided by sellers and adjusted to reflect trust fee and insurance premiums assuming the property had been held by INV

(Note 6) Actual NOI for 2018 full year

(Note 7) Calculated by dividing the total amount of actual NOI (before and after depreciation) from May 2018 to April 2019 by the total amount of sales price for the two disposed properties

## Overview of Asset Recycling



## Properties Acquired in July 2019

### Hotel MyStays Sapporo Aspen

- Located a four-minute walk from the North Exit of Sapporo Station, the biggest transportation hub in Hokkaido, on the JR Hakodate Main Line.
- Convenient location that appeals to both business guests and tourists.
- Symbolizing the famous poplar trees that line the Hokkaido University campus nearby, the interior evokes the warmth of wood.
- A full-service hotel with small to large conference rooms and banquet halls as well as a variety of room types.



#### Property information

Type	Full-Service Hotel
Address	5-1 Nishi 4-chome, Kitahachijo, Kita-ku, Sapporo-shi, Hokkaido, and seven other lots
Transport Access	4-minute walk from Sapporo Station on JR Hakodate Main Line
Completion Date	December 1995
Renovation Date	From March 20017 to June 2017
Number of Guest Rooms	305 rooms
Total Floor Area	15,313.17 m <sup>2</sup> (Note 1)
Lot Area	2,551.69 m <sup>2</sup>



### Hotel MyStays Sapporo Susukino

- Located a seven-minute walk from Susukino Station of Sapporo Subway Namboku Line and a ten-minute walk from Hosui Susukino Station on Sapporo Subway Toho Line.
- Excellent access to Susukino, a well-known downtown area.
- Rebranded and reopened under the MyStays brand in July 2018.
- All of the 104 rooms, consisting mostly of double/twin rooms, have been renovated.



#### Property information

Type	Limited-Service Hotel
Address	1-6 Nishi 5-Chome, Minaminanajo, Chuo-ku, Sapporo-shi, Hokkaido, and one other lot
Transport Access	7-minute walk from Susukino Station on Sapporo Subway Namboku Line
Completion Date	May 1981
Renovation Date	From April 2018 to July 2018
Number of Guest Rooms	104 rooms
Total Floor Area	2,853.26 m <sup>2</sup> (Note 2)
Lot Area	745.14 m <sup>2</sup>

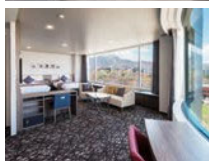
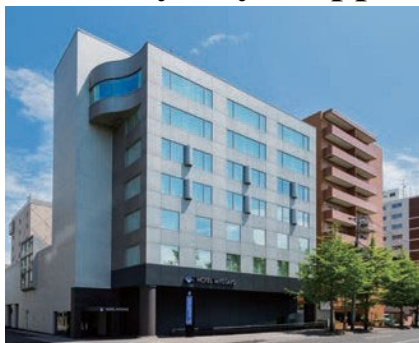


(Note 1) There is a parking lot (43.55 m<sup>2</sup>) as an annex building.

(Note 2) While INV acquired compartmentalized ownership of this property, the total floor area of the entire building is stated as it owns compartmentalized ownership of the entire building.



## Hotel MyStays Sapporo Nakajima Park

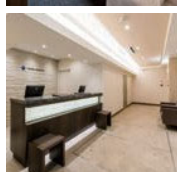
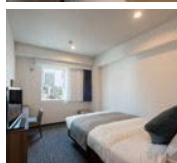
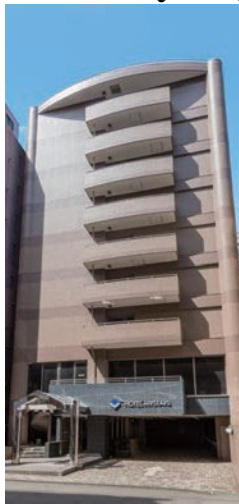


- Conveniently located a four-minute walk from Horohira-bashi Station on Sapporo Subway Namboku Line.
- Fully renovated in May 2016. The hotel now has a balanced design featuring contemporary interior design and solid exposed concrete exteriors.
- Beauty of nature of Nakajima Park, chosen as one of the best hundred urban parks in Japan <sup>(Note 1)</sup>, can be enjoyed from the windows of guest rooms.

### Property information

Type	Full-Service Hotel
Address	1-20 Nishi 1-chome, Minamijuyonjo, Chuo-ku, Sapporo-shi, Hokkaido
Transport Access	4-minute walk from Horohirabashi Station on Sapporo Subway Namboku Line
Completion Date	February 1991
Renovation Date	From January 2016 to May 2016
Number of Guest Rooms	86 rooms
Total Floor Area	5,473.41 m <sup>2</sup>
Lot Area	1,421.30 m <sup>2</sup>

## Hotel MyStays Sapporo Nakajima Park Annex

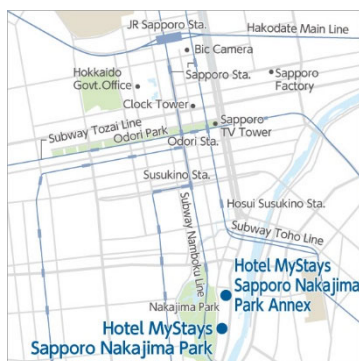


- Located in the center of Sapporo City, a seven-minute walk from Nakajima Park Station on Sapporo Subway Namboku Line; convenient for both business and sightseeing.
- Fully renovated in June 2017.
- Simple guest rooms in a bright and contemporary style with white-themed interior seeking functional beauty.

### Property information

Type	Limited-Service Hotel
Address	4-3 Nishi 1-chome, Minamijuichijo, Chuo-ku, Sapporo-shi, Hokkaido
Transport Access	7-minute walk from Nakajima Koen Station on Sapporo Subway Namboku Line
Completion Date	September 1991
Renovation Date	From March 2017 to June 2017
Number of Guest Rooms	80 rooms
Total Floor Area	1,775.21 m <sup>2</sup>
Lot Area	437.71 m <sup>2</sup>

(Note 1) “Top 100 Urban Parks in Japan” were selected by Parks & Open Space Association of Japan in 1989. “Urban Park” refers to a park located in a city that is operated for the purpose of providing community residents with greenery areas and resting places.



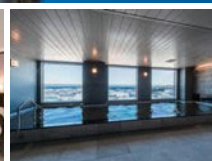
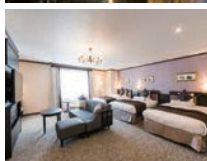
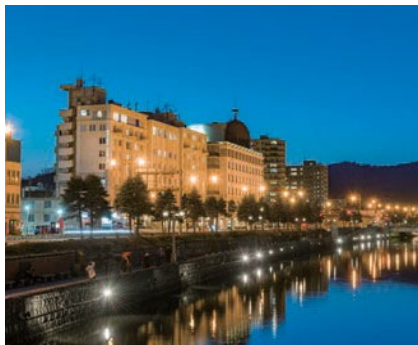
Nakajima Park area has good access to tourist spots that are popular among travelers from within the country and abroad, including a downtown area called Susukino, Sapporo Clock Tower, Oodori Park and Sapporo Beer Garden.

The nearby Nakajima Park with abundant, lush greenery provides guests with a calm environment that is rare for a hotel in an urban area.





## Hotel Sonia Otaru



- Located in the central area of Otaru or a nine-minute walk from Otaru Station on the JR Hakodate Main Line.
- A hotel with impressive exterior blending into the beautiful landscape along the Otaru Canal.
- All rooms are spacious with 20 m<sup>2</sup> or more, and view of Otaru Canal can be enjoyed from many of its guestrooms, mainly from twin rooms.
- An annex with a large, natural hot spring spa facility on the top floor opened in December 2018.

### Property information

Type	Resort Hotel
Address	1-4-20 Ironai, Otaru-shi, Hokkaido
Transport Access	9-minute walk from Otaru Station on JR Hakodate Main Line
Completion Date	April 1992, March 1998, November 2018
Renovation Date	From December 2016 to May 2017
Number of Guest Rooms	149 rooms
Total Floor Area	6,509.41 m <sup>2</sup>
Lot Area	2,604.45 m <sup>2</sup>

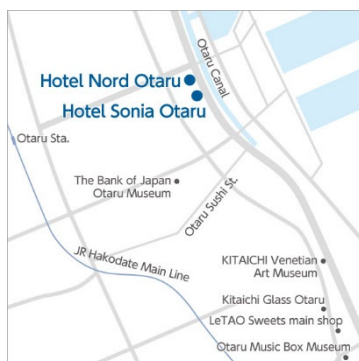
## Hotel Nord Otaru



- Located in the central area of Otaru or a nine-minute walk from Otaru Station on the JR Hakodate Main Line.
- European elegance rendered by the marble exterior blends with the Otaru Canal below.
- Guests may use Hotel Sonia Otaru's large, natural hot spring spa facility by paying additional charges.

### Property information

Type	Resort Hotel
Address	1-4-16 Ironai, Otaru-shi, Hokkaido
Transport Access	9-minute walk from Otaru Station on JR Hakodate Main Line
Completion Date	March 1996
Renovation Date	From November 2016 to April 2017
Number of Guest Rooms	98 rooms
Total Floor Area	6,047.43 m <sup>2</sup>
Lot Area	1,944.77 m <sup>2</sup>



Otaru is one of the most famous tourist sites in Hokkaido, located a 32-minute ride on a rapid train from JR Sapporo Station. Great access to popular tourist spots like Nikka Whisky Yoichi Distillery as well as to the urban area where historical streetscape remains.

Also known for its quaint townscape, seafood, glassworks, music boxes, etc., Otaru can expect tourism demand from within the country and abroad.



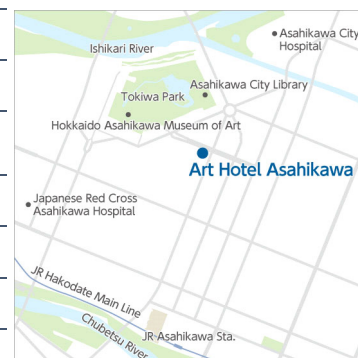
## Art Hotel Asahikawa

- Conveniently located a five-minute drive from Asahikawa Station on the JR Hakodate/Soya Main Lines
- A full-service hotel equipped with wedding halls, banquet halls, sauna, spa, as well as various room layouts including twin, triple, queen, king and traditional Japanese-style rooms.
- In addition to a buffet-style restaurant with panoramic views of Asahikawa on the top floor, the hotel offers a variety of restaurants, including a brasserie serving dishes using ingredients from Hokkaido and a Japanese restaurant.
- Tourism demand can be expected since there are popular tourist attractions nearby, such as Asahiyama Zoo, Sounkyo Gorge and the Asahikawa Winter Festival held in winter.



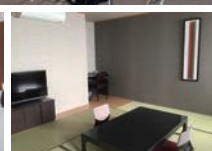
### Property information

Type	Full-Service Hotel
Address	6-29-2 Nanajo-dori, Asahikawa-shi, Hokkaido
Transport Access	15-minute walk from Asahikawa Station on JR Hakodate / Soya Main Line
Completion Date	October 1987
Renovation Date	From December 2017 to January 2018
Number of Guest Rooms	265 rooms
Total Floor Area	25,131.84 m <sup>2</sup>
Lot Area	4,284.18 m <sup>2</sup>



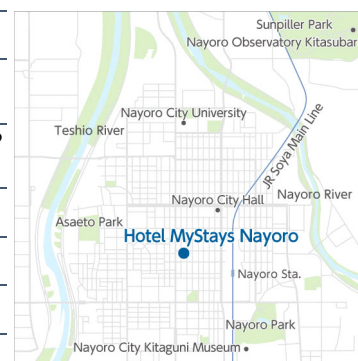
## Hotel MyStays Nayoro

- Rebranded as MyStays and reopened in September 2017
- Located a ten-minute walk from Nayoro Station on the JR Soya Main Line. Excellent location for both business and sightseeing in Northern Hokkaido.
- Situated 80 km north of Asahikawa City, Nayoro City is famous for skiing on fine snow called “silky snow” in winter and sunflower fields surrounding the city in summer.



### Property information

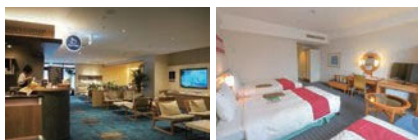
Type	Limited-Service Hotel
Address	11 Minami 5-chome, Nishisanjo, Nayoro-shi, Hokkaido, and one other lot
Transport Access	10-minute walk from Nayoro Station on JR Soya Main Line
Completion Date	November 2014
Renovation Date	—
Number of Guest Rooms	70 rooms
Total Floor Area	1,985.27 m <sup>2</sup> (Note 1)
Lot Area	1,031.40 m <sup>2</sup>



(Note 1) There is a storage room (2.00 m<sup>2</sup>) as an annex building.

## Art Hotel Ishigakijima

- A full-service hotel located a 25-minute drive from New Ishigaki Airport and a five-minute drive from the Ishigaki Port Ferry Terminal. Suitable as a sightseeing hub on Ishigaki Island, Okinawa, a popular resort area.
- Renovation of guest rooms and common area under the concept of "urban resort" was completed in May 2017. Renovation of the outdoor pool was completed in March 2019.
- With a large spa facility and four-bed rooms, the hotel offers rooms that accommodate a wide range of customer needs, including needs of families and couples as well as business persons.
- The hotel has a spa, banquet halls, three restaurants where guests can enjoy Ishigaki beef, and a bar on the top floor with gorgeous night views over the island.



### Property information

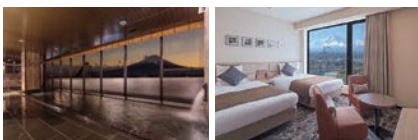
Type	Full-Service Hotel
Address	554-2 Nishimaji Okawa, Ishigaki-shi, Okinawa, and four other lots
Transport Access	25-minute by car from New Ishigaki Airport
Completion Date	January 1984
Renovation Date	From October 2016 to May 2017
Number of Guest Rooms	245 rooms
Total Floor Area	17,247.54 m <sup>2</sup> (Note 1)
Lot Area	16,670.32 m <sup>2</sup>



(Note 1) There is a warehouse, office, and machinery room (245.34 m<sup>2</sup>) as annex buildings.

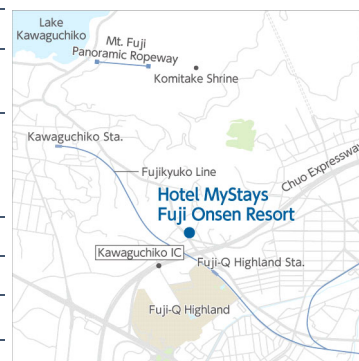
## Hotel MyStays Fuji Onsen Resort

- The first MyStays brand resort hotel opened in December 2016.
- Guests can enjoy views of Mt. Fuji, designated as a World Heritage Site, from more than half of the guestrooms and from the large, natural hot-spring spa on the top floor.
- The property is also a five-minute walk from Fuji-Q Highland, one of the most famous amusement parks in Japan, which is advantage as accommodation demand can be expected from park visitors.
- Mostly comprised of twin rooms (120 rooms), the hotel also offers triple and four-bed rooms to accommodate demand from families.



### Property information

Type	Resort Hotel
Address	2654 Arakura Deguchi, Fujiyoshida-shi, Yamanashi, and 15 other lots
Transport Access	5-minute walk from Fujikyū Highland Station on Fuji Kyūko Line, 10-minute by car from Kawaguchiko I.C. on Chūō Expressway
Completion Date	November 2016
Renovation Date	—
Number of Guest Rooms	159 rooms
Total Floor Area	5,498.49 m <sup>2</sup>
Lot Area	4,281.05 m <sup>2</sup>



## Asset Management Report

### Overview of Asset Management

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

By Period			28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period	32nd fiscal period
Reporting period			Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jul. 1, 2018 to Dec. 31, 2018	Jan. 1, 2019 to Jun. 30, 2019
Operating Results	Operating revenue	(Note 1) (JPY thousand)	9,260,917	12,647,270	13,104,841	14,451,005	27,339,670
	(Rental revenue – real estate)	(JPY thousand)	9,260,917	11,403,236	11,122,481	13,604,224	12,153,399
	Operating expenses	(JPY thousand)	3,916,456	4,423,618	4,671,320	4,936,248	5,154,599
	(Property-related expenses)	(JPY thousand)	3,518,684	3,962,183	4,136,619	4,450,676	4,490,658
	Operating income	(JPY thousand)	5,344,461	8,223,652	8,433,520	9,514,756	22,185,070
	Ordinary income	(JPY thousand)	4,702,678	7,303,702	7,722,553	8,384,676	21,240,482
	Net income	(JPY thousand)	4,702,073	7,303,097	7,721,948	8,384,071	21,239,877
Assets	Total assets (change from last period)	(a) (JPY thousand) (%)	306,421,050 10.5	371,758,254 21.3	374,512,988 0.7	455,362,796 21.6	467,931,975 2.8
	Interest-bearing debt	(JPY thousand)	163,990,000	186,983,000	189,415,000	229,873,000	228,774,000
	Net assets (change from last period)	(b) (JPY thousand) (%)	139,062,593 5.8	181,320,466 30.4	181,523,263 0.1	221,364,900 21.9	233,046,414 5.3
	Unitholders' capital	(JPY thousand)	128,984,946	168,798,455	168,798,455	211,092,540	211,092,540
Dividend Status	Total distributions	(c) (JPY thousand)	4,880,081	7,496,535	6,854,248	9,537,291	9,384,287
	Dividend payout ratio	(Note 2) (%)	102.1	100.3	88.8	110.3	44.2
Information per Unit	Number of investment units issued and outstanding	(d) (Units)	3,860,824	4,793,181	4,793,181	5,666,840	5,666,840
	Net assets per unit	(b) / (d) (JPY) (Note 3)	36,019	37,829	37,871	39,063	41,125
	Distributions per unit (Distributions of earnings per unit)	(c) / (d) (JPY) (JPY)	1,264 1,243	1,564 1,528	1,430 1,430	1,683 1,632	1,656 1,656
	(Distributions in excess of retained earnings per unit)	(JPY)	21	36	—	51	—
Financial Measures	Return on assets (change over year)	(Note 4) (%)	1.6 3.2	2.2 4.3	2.1 4.2	2.0 4.0	4.6 9.3
	Return on equity (change over year)	(Note 4) (%)	3.5 7.0	4.6 9.0	4.3 8.6	4.2 8.3	9.3 18.9
	Capital ratio (change from last period)	(b) / (a) (Note 4) (%) (%)	45.4 (2.0)	48.8 3.4	48.5 (0.3)	48.6 0.1	49.8 1.2
	NOI (Net Operating Income)	(Note 4) (JPY thousand)	8,023,607	10,008,268	9,758,373	12,192,581	11,247,273

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

(Note 2) The “Dividend payout ratio” is calculated in accordance with the following formula and rounded to one decimal place:

Dividend payout ratio = Distribution amount (Excluding distributions in excess of retained earnings) ÷ Net income × 100

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

(Note 4) Figures above are calculated as below, and ratios are rounded to one decimal place. Annualized figures are shown in the parenthesis.

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

Return on equity = Net income for period ended June 30, 2019 / (Net assets at start of reporting period + Net assets at end of reporting period) / 2) x 100.

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

NOI = Rental revenue – Property-related expenses + Management contract revenue - Management contract expenses + Depreciation for period ended June 30, 2019

## 2 Overview of Asset Management for the Fiscal Period Ended June 2019

### (a) Main Trends of INV

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

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

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

Ever since the commencement of sponsorship from the Fortress Group (Note 2), INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, the Asset Manager revised the Investment Guidelines for INV, and positioned hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecasted to rise going forward. As a result of such external growth efforts, INV's portfolio as at the end of the previous fiscal period ended December 2018 comprised of 132 properties (66 hotels (Note 3) (Note 4), 64 residential properties and two others) with a total acquisition price of JPY 448,362 million (Note 5). The total acquisition price of the portfolio has significantly grown by 6.2 times, compared to May 22, 2014, which is the date immediately prior to INV's initial investment in hotels.

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



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

(Note 1) US Eastern Standard Time

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

(Note 3) The preferred equity interest is counted as a hotel property, based on the use of Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest. The preferred equity interest (Sheraton Grande Tokyo Bay Hotel (the “preferred equity interest”)) 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. Moreover, INV's investment amount of the preferred equity interest is used as the acquisition price of the preferred equity interest, unless otherwise stated. The “underlying asset” refers to the real estate or the real estate-related assets owned by a TK operator of TK interest or a TMK relating to the preferred equity interest which INV owns, thus the real estate or the real estate-related assets which will be the revenue source of INV. Hereinafter the same shall apply.

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

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

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

(b) Operational Environment and Performance

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

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

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

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

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

The average occupancy rate of the 64 residential properties (Note 7) achieved 96.1%, an increase of 0.6 points compared with the same period in the previous year. The NOI (Note 8) of the 64 residential properties for the Reporting Period decreased by 1.3% compared with the same period in the previous year due to the sale of Royal Parks Tower Minami-Senju and Spacia Ebisu. However, the NOI increased by 1.0% for the 62 residential properties excluding such two sold properties. Trends for rent at city-center residential properties with small-type rooms maintained a moderate increase. Due to the positive circumstances in the macro environment, INV continues to focus on its rent increase program for new leases and renewals as well as initiatives to reduce residential leasing costs based on a detailed market analysis of each property and unit.

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

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

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

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

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

#### Key Performance Indicators of Cayman Hotels

	June 2019 fiscal period	Year-on-year change
Occupancy Rate (Note 4)	89.3%	-0.1pt
ADR (USD) (Note 5)	416	+16.9%
RevPAR (USD) (Note 6)	371	+16.7%
GOP (USD) (Note 12)	26,681,479	+8.9%

#### Key Performance Indicators of 64 Residential Properties (Note 7)

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

(Note 1) “NOI” for the hotel properties is calculated in accordance with the following formula:

$$\text{NOI} = \text{Rental Revenues} - \text{Property-Related Expenses} + \text{Depreciation Expenses} + \text{Dividend on the preferred equity interest (TMK dividend)} + \text{TK distribution of the Cayman Hotels} + (\text{Management Contract Revenue of the Cayman Hotels} - \text{Management Contract Expense})$$

(Note 2) “Average Occupancy Rate” for the entire portfolio and “Occupancy Rate” for the residential properties is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month during the relevant period.

(Note 3) Of the 64 hotels held as of the beginning of the June 2019 Fiscal Period (including the Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV), the following 9 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. It is assumed that all properties acquired after January 2018 by INV had been owned since January 1, 2018. The actual results before acquisition by INV are based on the data provided by the sellers.

- (Note 4) “Occupancy rate” for the hotel properties is calculated in accordance with the following formula:  
Occupancy rate = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)  
Hereinafter the same shall apply.
- (Note 5) “ADR” means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of rooms sold during the same period. Hereinafter the same shall apply.
- (Note 6) “RevPAR” means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.
- (Note 7) Based on the 64 residential properties owned as of the beginning of June 2019 Fiscal Period. In addition, the figures for the properties acquired after January 2018 are calculated on the assumption INV has owned those properties since January 1, 2018, using the actual figures provided by the sellers of such properties for the period before the acquisition, for the purpose of comparison with previous year.
- (Note 8) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, as well as expenses required to detach trust beneficiary interest from an integrated trust account are excluded.
- (Note 9) Increase or decrease in the sum of monthly rents on new or renewal contracts, or the total of both, compared with the sum of previous rents.
- (Note 10) Renewal rate is calculated by the number of renewed contracts during the relevant period divided by the number of contracts due up for renewal during the relevant period
- (Note 11) 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.  
Unrealized gain ratio is calculated using the following formula: unrealized gain ÷ book value as of the end of the Reporting Period.
- (Note 12) “GOP” means the gross operating profit or rental revenue INV receives as rent, 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. Moreover, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV’s ownership ratio of the preferred equity interest. Hereinafter the same shall apply.
- (Note 13) “Average Rent per Tsubo per Month” is calculated by dividing the total rental revenue (including common area charges) for each month by the sum of total leased area (tsubo) at the end of each month during the relevant period.

(c) Overview of Fund Raising

As a result of the measures described below, INV’s interest-bearing debt outstanding balance was JPY 228,774 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 48.9% and 46.6% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.53%.

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

Interest-Bearing Debt ratio = total outstanding interest-bearing debt (excluding short-term

consumption tax loans)/total assets x 100

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

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

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

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

(i) Borrowing of Funds

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

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

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

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

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

(ii) Prepayment of Loan

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

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

(d) Overview of Investment Structure Change regarding Overseas Assets

Since September 2018, INV has owned the Cayman Hotel TK Interest (100% interest) in Cayman SPC which holds the Leasehold Interests (Note 1) in Cayman Hotels as underlying assets. However, on April 1, 2019, an amended Act on Special Measures Concerning Taxation was enacted in Japan that amends the requirement that "a J-REIT must not hold 50% or more of the shares or investment in other corporations" (Note 2) by expanding the regulation to include investments in TK. If INV continued to own 100% of the TK interests with leasehold in Cayman Hotel TK Interest, there was a possibility that INV would fail to satisfy this new requirement, applicable from the fiscal period ending

December 2019, which is the first fiscal period of INV immediately after the effective date (April 1, 2019) of the tax law amendment.

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

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

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

(e) Overview of Sale of Assets

The Asset Manager decided to sell two residential properties, Spacia Ebisu on May 17, 2019, and Royal Parks Tower Minami-Senju on May 28, 2019, for the purpose of improving the profitability of the portfolio by replacing the assets and stabilizing future distributions by reserving profits from sales as internal reserve, and the sales were completed on June 19, 2019, and June 7, 2019, respectively. The sold assets are as follows. The proceeds from the sales were used to fund the acquisition and a portion of the related expenses described in “6 Significant Subsequent Events (c) Acquisition of assets.”

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

(Note 1) As of the date of sale.

(Note 2) Sale price indicates the sale price for disposed assets on the transaction agreements and does not include adjustments for fixed asset taxes or city planning taxes or national or local consumption taxes; hereinafter the same.

(Note 3) Gain on sale is calculated by deducting the transfer-related cost.

(Note 4) The name of the transferee (an affiliate of a foreign real estate fund) is not disclosed, as the transferee’s consent has not been obtained for disclosure.

(Note 5) The name of the transferee (a Japanese TMK (*Tokutei Mokuteki Kaisha*)) is not disclosed, as the transferee’s consent has not been obtained for disclosure.

(Note 6) Amounts are rounded down to the nearest million yen.

(f) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 12,888 million from the previous period (+89.2%) to JPY 27,339 million, net income increased by JPY 12,855 million



(+153.3%) to JPY 21,239 million and unappropriated retained earnings including the retained deficit carried forward from the preceding fiscal period (JPY 107 million) reached JPY 21,131 million.

INV believes that maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period. With respect to the Reporting Period, INV reserved a portion of net income increased due to the Structure Change and the sales of Spacia Ebisu and Royal Parks Tower Minami-Senju, and aims to maintain stable distributions in the future. INV reserved JPY 11,855 million of net income as internal reserve and decided that distribution per unit (excluding distribution in excess of retained earnings) is JPY 1,656 and does not make distributions in excess of profit. Moreover, due to the internal reserve, the distribution payout ratio will not be large enough to fulfill one of the tax conduit requirements (Note 1) of paying out at least 90% of net distributable income as dividends. However, INV has tax-loss carried forward in the amount of JPY 22.6 billion (mainly arising out of disposition of assets in the December 2010 fiscal period) which is more than enough to fully offset the taxable income. As a result, INV does not expect to be required to pay any income taxes for the Reporting Period.

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

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

Changes in the number of investment units issued and outstanding and unitholders' capital for the past 10 years up to the end of the Reporting Period are as follows.

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

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

(Note 2) A merger by absorption pursuant to Article 147 of the Act on Investment Trusts and Investment Corporations was conducted with LCP, with INV as the surviving entity. As a result of the merger by absorption, four investment units of INV (after the investment unit split) were allotted for each LCP investment unit. The number of LCP investment units issued as of the time of the merger by absorption was 91,800 units.

(Note 3) New investment units were issued in a third-party allotment at a price of JPY 9,837 per unit to make repayment of existing loan, etc.

(Note 4) New investment units were issued in a third-party allotment at a price of JPY 13,340 per unit to make repayment of existing loan, etc.

(Note 5) New investment units were issued in a public offering at a price of JPY 22,688 per unit (JPY 21,873 after deducting the underwriters' discount) to raise funds for the acquisition of new properties.

- (Note 6) New investment units were issued in a third-party allotment at a price of JPY 21,873 per unit for the purpose of cash reserve to appropriate to repayment in future borrowings.
- (Note 7) New investment units were issued in a public offering at a price of JPY 57,817 per unit (JPY 55,941 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 8) New investment units were issued in a third-party allotment at a price of JPY 55,941 per unit for the purpose of allocation to cash reserves to be used as part of the funds for future acquisition of properties.
- (Note 9) New investment units were issued in a public offering at a price of JPY 81,217 per unit (JPY 78,612 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 10) New investment units were issued in a third-party allotment at a price of JPY 78,612 per unit for the purpose of allocation to cash reserves to be used as a part of the funds for future acquisition of specified assets.
- (Note 11) INV decided at the Board of Directors' Meeting held on February 22, 2017, the reversal of allowance for temporary difference adjustments for incorporation into unitholders' capital.
- (Note 12) New investment units were issued in a public offering at a price of JPY 46,897 per unit (JPY 45,370 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 13) New investment units were issued in a public offering at a price of JPY 44,118 per unit (JPY 42,702 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 14) New investment units were issued in a third-party allotment at a price of JPY 42,702 per unit for the purpose of allocation to cash reserves to be used as part of the funds for future acquisition of specified assets.
- (Note 15) New investment units were issued in a public offering at a price of JPY 45,776 per unit (JPY 44,287 after deducting the underwriters' discount) to raise a part of the funds for the acquisition of new properties.
- (Note 16) New investment units were issued in a third-party allotment at a price of JPY 44,287 per unit for the purpose of raising a part of the funds for the acquisition of new properties.
- (Note 17) INV acquired own investment units from December 13, 2018 to December 18, 2018 (on a trade date basis) through the market purchase at Tokyo Stock Exchange based on a discretionary transaction contract with a securities company.  
INV resolved the retirement of all the acquired own investment units at the Board of Directors' Meeting held on December 25, 2018 and the acquired own investment units were retired on December 28, 2018.  
The acquisition of own investment units was conducted using capital surplus, and thus there is no change to unitholders' capital.

#### Trends in Trading Prices of Investment Securities

The highest and lowest prices (trading prices) in the Real Estate Investment and Trust Securities Section of the Tokyo Securities Exchange on which the investment securities of INV are listed are as follows.

#### Real Estate Investment and Trust Securities Section, Tokyo Securities Exchange

(Unit: JPY)

Period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period	32nd fiscal period
Closing month	June 2017	December 2017	June 2018	December 2018	June 2019
Highest	54,800	50,200	53,000	51,000	55,500
Lowest	41,500	44,450	46,650	44,800	44,300

#### 4 Distribution Performance

With respect to distributions of earnings for the Reporting Period, INV reserved a portion of net income increased due to the Structure Change and the disposition of Spacia Ebisu and Royal Parks Tower Minami-Senju to be utilized for maintaining stable distributions in next period onward. Specifically, during the Reporting Period, INV reserved JPY 11,855 million of net income as internal reserve, and decided to make distribution per unit (excluding distributions in excess of retained earnings) of JPY 1,656 while deciding not to make distributions in excess of retained earnings. Moreover, due to the internal reserve, the distribution payout ratio will not be large enough to fulfill one of the tax conduit requirements (Note 1) of paying out at least 90% of net distributable income as dividends. However, INV has tax-loss carried forward in the amount of JPY 22.6 billion (mainly arising out of disposition of the assets in the fiscal period ended December 2010) which is more than enough to fully offset the taxable income. As a result, INV is not required to pay any income taxes for the Reporting Period.

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

Period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period	32nd fiscal period
Calculated Period	Jan. 1, 2017 to Jun. 30, 2017	Jul. 1, 2017 to Dec. 31, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jul. 1, 2018 to Dec. 31, 2018	Jan. 1, 2019 to Jun. 30, 2019
Unappropriated retained earnings (JPY thousand)	4,708,487	7,212,580	7,610,548	9,140,372	21,131,966
Reserved profit (JPY thousand)	-90,516	-111,399	756,300	-107,910	11,622,477
Total cash distribution (JPY thousand)	4,880,081	7,496,535	6,854,248	9,537,291	9,384,287
(Distribution per unit) (JPY)	(1,264)	(1,564)	(1,430)	(1,683)	(1,656)
Total profit distribution (JPY thousand)	4,799,004	7,323,980	6,854,248	9,248,282	9,384,287
(Profit distribution per unit) (JPY)	(1,243)	(1,528)	(1,430)	(1,632)	(1,656)
Total refund of investment (JPY thousand)	81,077	172,554	-	289,008	-
(Refund of investment per unit) (JPY)	(21)	(36)	(-)	(51)	(-)
Total distribution from the allowance for temporary differences adjustment out of total refund of investment (JPY thousand)	46,329	-	-	85,002	-
(Distribution from the allowance for temporary differences adjustment per unit out of refund of investment per unit) (JPY)	(12)	(-)	(-)	(15)	(-)
Total distribution from unitholders' equity under the tax laws out of the total refund of investment (JPY thousand)	34,747	172,554	-	204,006	-
Distribution from unitholders' equity under the tax laws out of refund of investment per unit (JPY)	(9)	(36)	(-)	(36)	(-)

## 5 Future operational policy and issues to be addressed

Outlook for the Fiscal Periods Ending December 31, 2019

The DPU for the December 2019 fiscal period is forecast to be JPY 1,725 (+2.5% YoY). The full year DPU for calendar year 2019 is forecast to be JPY 3,381 (+8.6% YoY), providing steady growth.

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

Since July 2011, INV has enhanced unitholder value by significantly increasing DPU and financial stability with the Fortress Group as its sponsor. Since Fortress Group joined under the umbrella of SoftBank Group in December 2017 and SoftBank Group owns 100% of issued shares of the Asset Manager directly and indirectly as of March 29, 2018, in addition to continued access to Fortress' 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 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, the process in setting hotel rates and 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
- Property acquisitions using the proceeds from asset recycling
- Further internal growth at hotel and residential properties
- Diversification of funding sources through the issuance of investment corporation bonds and by lengthening the average maturity period of its debt

Details of the future growth strategy are as follows.

#### (i) External growth strategy

##### New Property Acquisitions

As its basic strategy, INV will acquire properties focusing on hotels where continued growth in portfolio revenues is anticipated and residential properties where rent increase can be achieved. Rent revenue from residential assets and other assets as well as the fixed rent portion from hotels will contribute to more stable revenue, which was 60.4% of total revenue (Note 1). This acquisition strategy will enable INV to build a portfolio with a good balance between growth and stability.

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

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

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

Properties Acquired from affiliates of the Fortress Group (as of August 31, 2019)

Date	Properties acquired	Total acquisition price
September 2012	24 residential properties (Note 2)	JPY 14,043 million (Note 2)
May 2014	Two hotels	JPY 5,435 million
July 2014	18 hotels	JPY 39,938 million
February 2015	Two hotels	JPY 4,911 million
July 2015	11 hotels and three residential properties	JPY 35,258 million
August 2015	One hotel	JPY 5,069 million
January 2016	Five hotels and one residential property	JPY 10,207 million
March 2016	Four hotels and one residential property	JPY 66,697 million
June 2016	Two hotels	JPY 15,900 million
March 2017	Two residential properties	JPY 24,562 million
May 2017	One hotel	JPY 8,000 million
October 2017	Five hotels (Note 3)	JPY 57,444 million (Note 3)
February 2018	Four hotels	JPY 12,425 million
June 2018	Two hotels	JPY 7,325 million
August 2018	Four hotels	JPY 47,747 million
September 2018	Two hotels (Note 4)	JPY 36,783 million (Note 4)
July 2019	18 hotels	JPY 82,646 million
Total	112 properties (of which 81 are hotels and 31 are residential properties)	JPY 474,391 million (of which hotels: JPY 422,753 million; residential: JPY 51,638 million)

The Fortress Group manages five dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, III and IV. The Fortress Group's committed equity is over JPY 450 billion and the number of properties that the Fortress Group is invested in exceeds 3,500. In order to ensure future growth options for the portfolio, INV entered into an MOU with affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of three hotels and eight residential properties as of August 31, 2019 (see the table below) (Note 5). 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	Location	Asset type (Note 6)	No. of rooms
1	Rihga Royal Hotel Kyoto	Kyoto, Kyoto	Full-Service Hotel	489
2	Hotel MyStays Premier Narita	Narita, Chiba	Full-Service Hotel	711
3	Fusaki Beach Resort Hotel & Villas	Ishigaki, Okinawa	Resort Hotel	188
4	Gran Charm Hiroo	Shibuya-ku, Tokyo	Residential/Small Type	121
5	Gran Charm Kichijoji	Musashino, Tokyo	Residential/Small Type	28
6	Green Patio Noda	Noda, Chiba	Residential/Small Type	240
7	Dainichi F-45	Urayasu, Chiba	Residential/Small Type	54
8	Gran Charm Urayasu	Urayasu, Chiba	Residential/Small Type	54
9	Gran Charm Urayasu 5	Urayasu, Chiba	Residential/Small Type	54
10	Gran Charm Minami Gyotoku I	Ichikawa, Chiba	Residential/Small Type	52
11	Gran Charm Minami Gyotoku II	Ichikawa, Chiba	Residential/Small Type	48

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended



- June 2019. Sheraton Grande Tokyo Bay Hotel (the preferred equity interest) is excluded.
- (Note 2) Of the properties acquired from affiliates of the Fortress Group, two residential properties (Sun Terrace Minami-Ikebukuro and Royal Parks Tower Minami-Senju) have been sold.
- (Note 3) Sheraton Grande Tokyo Bay Hotel acquired by a special purpose company, of which INV owns the preferred equity interest, is counted as one property and the INV's investment amount to the preferred equity interest is deemed to be as the acquisition price of the preferred equity interest.
- (Note 4) The acquisition of the Cayman Hotel TK Interest is counted as acquisition of the two properties in the table above and INV's investment amount to the TK interest is used as the acquisition price to the Cayman SPC for the TK interest. After the Structure Change, INV currently has direct ownership of the Leasehold of the Cayman Hotels.
- (Note 5) The term of validity of the MOU is from July 1, 2019, the date of execution of the updated MOU, to June 30, 2020. However, regarding the 11 properties listed above, there is no guarantee that INV will be granted an opportunity for considering acquisition of the properties or be able to acquire the properties. INV has no preferential negotiation rights with respect to overseas assets.
- (Note 6) Each "Asset Type" above is as follows:
- "Full-Service Hotel" refers to a hotel generally having both restaurant facilities providing breakfast, lunch and dinner (including meals provided by reservation) and meeting facilities that can be used for banquet services.
  - "Limited-Service Hotel" refers to a hotel that does not qualify as Full-Service Hotel.
  - "Resort Hotel" refers to a hotel located in areas where a substantial number of guests stay for sightseeing or recreational purposes and includes both full-service hotels and limited-service hotels.
- With respect to a hotel that falls within the definition of both a full-service hotel and a resort hotel, we categorize the hotel as a full-service hotel if it has substantial demand for meeting room, banquet service, wedding service or food and beverage service (including demand from non-staying guests) and as a resort hotel in all other cases. With respect to a hotel that falls within the definition of both a limited-service hotel and a resort hotel, we categorize the hotel as a resort hotel.
- "Small Type" refers to a residential property in which the majority of dwelling units are less than 30 m<sup>2</sup>.

### Property Sales

While INV places priority on increasing unitholders' value through external growth given 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.

#### (ii) Strategy for internal growth

##### (Hotels)

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

For hotels, renovation of rooms and replacement of fixtures and fittings are indispensable to maintain and increase revenues and operate stably in a planned manner.

##### (Residential properties and others)

INV will continue to strengthen its collaborative ties with PM and brokers to further boost occupancy rates and

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

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

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

(iii) Financial strategy

In the Reporting Period, INV has started new transactions with 5 banks and further strengthened the bank formation of INV, as well as conducting borrowings for a duration of 10 years in order to diversify fund procurement sources, lengthen the maturity of its debt and diversify the repayment dates, as described in "2 Overview of Asset Management for the Fiscal Period Ended June 2019 (c) Overview of Fund Raising (i) Borrowing of Funds". Going forward, INV seeks to maximize unitholders' value by way of further reduction of borrowing costs, diversification of loan maturity dates and financing measures, and improvement of its credit rating.

(iv) Compliance risk management

While the executive officer of INV concurrently serves as the representative director at the Asset Manager, two supervisory directors (an attorney and a certified public account) oversee the execution of the executive officer's duties via the Board of Directors of INV. In addition, the compliance officer of the Asset Manager attends each meeting of the Board of Directors in the capacity of an observer.

The Asset Manager has a compliance officer who is responsible for compliance with laws, regulations and other relevant matters as well as overall management of transactions with sponsor-related parties. Moreover, it has in place a compliance committee which, chaired by such compliance officer, is in charge of deliberating on compliance with laws, regulations and other relevant matters as well as transactions with sponsor-related parties. Compliance committee meetings are attended by an outside expert (an attorney) who, sitting in as a compliance committee member, conducts rigorous deliberations on the existence of conflicts of interest in transactions with sponsor-related parties as well as strict examinations with respect to INV's compliance with laws and regulations.

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

## 6 Significant Subsequent Events

(a) Issuance of New Investment Units

INV decided on the issuance of new investment units and secondary distribution of investment units at the Board of Directors' meetings held on July 1, 2019, and July 10, 2019, and INV launched its sixth Global Share Offering and seventh share offering in total since Fortress became its sponsor. The offering size and funds raised are described below. The funds from the issuance of new units were used to procure a portion of acquisition price for 18 domestic hotels stated in "(c) Acquisition of Assets." Payment for the issuance of new investment units and for the third-party allotment in connection with overallotment were completed on July 18, 2019, and August 15, 2019, respectively. As a result, total equity for INV is JPY 235,576 million, and total number of issued investment units is 6,096,840 units.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered	:	409,524 investment units
		Domestic public offering: 194,524 investment units
		Overseas offering: 215,000 investment units

Amount to be paid (issue value)	:	JPY 56,939 per unit
Total amount to be paid (total issue value)	:	JPY 23,317,887,036
Issue price (offer price)	:	JPY 58,898 per unit
Total issue price (total offer price)	:	JPY 24,120,144,552
Payment date	:	July 18, 2019

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

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

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

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

(b) Debt Financing

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

Lender	Borrowing Date	Borrowing Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.	July 19, 2019	4,942	Variable interest rate (Note 1)	July 16, 2025	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,943	Variable interest rate (Note 2)	January 16, 2025	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,943	Variable interest rate (Note 3)	July 16, 2024	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., Aozora Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,943	Variable interest rate (Note 4)	January 16, 2024	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Citibank, N.A., Tokyo Branch, Development Bank of Japan Inc., AEON Bank, Ltd., The Nomura Trust and Banking Co., Ltd.		4,943	Variable interest rate (Note 5)	January16, 2023	
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited		2,686	Variable interest rate (Note 6)	July 18, 2020	
Total Debt		27,400			

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

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

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.50000%) The interest rate for the tranche has been substantively fixed at 0.57984% by conclusion of an interest swap agreement.

(Note 4) 1-month JPY TIBOR (Base Rate) + spread (0.45000%) The interest rate for the tranche has been substantively fixed at 0.52473% by conclusion of an interest swap agreement.

(Note 5) 1-month JPY TIBOR (Base Rate) + spread (0.35000%) The interest rate for the tranche has been substantively fixed at 0.41326% by conclusion of an interest swap agreement.

(Note 6) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)

(c) Acquisition of Assets

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

Property Number	Property Name	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	Seller
D64	Hotel MyStays Sapporo Aspen	15,543	15,700	Touyako Godo Kaisha
D65	Art Hotel Ishigakijima	9,731	9,830	Yaeyama Resort Hotel Tokutei Mokuteki Kaisha
D66	Hotel MyStays Fuji Onsen Resort	9,405	9,500	Saturnia Tokutei Mokuteki Kaisha
D67	Hotel Sonia Otaru	5,930	5,990	Shirahama Tokutei Mokuteki Kaisha
D68	Hotel MyStays Kanazawa Castle	5,682	5,740	Calvis Tokutei Mokuteki Kaisha
D69	Art Hotel Niigata Station	5,524	5,580	HL Investments 2 Tokutei Mokuteki Kaisha
D70	Hotel MyStays Nagoya Nishiki	5,197	5,250	Shirahama Tokutei Mokuteki Kaisha
D71	Hotel Nord Otaru	4,296	4,340	Shirahama Tokutei Mokuteki Kaisha
D72	Hotel MyStays Kagoshima Tenmonkan	3,445	3,480	Kawaguchiko Tokutei Mokuteki Kaisha
D73	Art Hotel Asahikawa	3,197	3,230	Shirahama Tokutei Mokuteki Kaisha
D74	Hotel MyStays Matsuyama	3,098	3,130	Calvis Tokutei Mokuteki Kaisha
D75	Hotel MyStays Sapporo Susukino	3,059	3,090	Kawaguchiko Tokutei Mokuteki Kaisha
D76	Hotel MyStays Sapporo Nakajima Park	2,118	2,140	Shirahama Tokutei Mokuteki Kaisha
D77	Hotel MyStays Sapporo Nakajima Park Annex	1,584	1,600	Shirahama Tokutei Mokuteki Kaisha
D78	Flexstay Inn Sakuragicho	1,425	1,440	Calvis Tokutei Mokuteki Kaisha
D79	MyCUBE by MYSTAYS Asakusa Kuramae	1,287	1,300	Calvis Tokutei Mokuteki Kaisha
D80	Hotel MyStays Kagoshima Tenmonkan Annex	1,168	1,180	Kawaguchiko Tokutei Mokuteki Kaisha
D81	Hotel MyStays Nayoro	957	967	Kawaguchiko Tokutei Mokuteki Kaisha
Total		82,646	83,487	

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

(Reference Information)

(a) Debt Financing

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

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

(i) New Syndicate Loan (M)

Lender	Borrowing Date	Borrowing Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited	July 16, 2019	5,795	Variable interest rate (Note 1)	July 16, 2025	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch		5,796	Variable interest rate (Note 2)	January 16, 2025	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch		5,796	Variable interest rate (Note 3)	July 16, 2024	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch		5,796	Variable interest rate (Note 4)	January 16, 2024	
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch Resona Bank, Limited.		5,796	Variable interest rate (Note 5)	January 16, 2023	
Total Debt		28,979			

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

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

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.50000%) The interest rate for the tranche has been substantively fixed at 0.56310% by conclusion of an interest swap agreement.

(Note 4) 1-month JPY TIBOR (Base Rate) + spread (0.45000%) The interest rate for the tranche has been substantively fixed at 0.49859% by conclusion of an interest swap agreement.

(Note 5) 1-month JPY TIBOR (Base Rate) + spread (0.35000%) The interest rate for the tranche has been substantively fixed at 0.40000% by conclusion of an interest swap agreement.

(ii) Term Loan (L)

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

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

## Overview of the Investment Corporation

### 1 Overview of Investment

By Period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period	32nd fiscal period
Results Dates	As of Jun. 30, 2017	As of Dec. 31, 2017	As of Jun. 30, 2018	As of Dec. 31, 2018	As of Jun. 30, 2019
Number of issuable investment units (Unit)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Number of investment units issued and outstanding (Unit)	3,860,824	4,793,181	4,793,181	5,666,840	5,666,840
Unitholders' capital (JPY million)	128,984	168,798	168,798	211,092	211,092
Number of total unitholders	17,493	26,761	27,960	35,228	32,645

### 2 Notes regarding Unitholders

Major unitholders at the end of the Reporting Period are as below.

Name	Number of units held	% of total number of investment units issued and outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	879,739	15.52
Japan Trustee Services Bank, Ltd. (trust account)	556,734	9.82
JP MORGAN BANK LUXEMBOURG S.A. 384500	318,898	5.62
The Nomura Trust and Banking Co., Ltd. (investment trust account)	184,782	3.26
Trust & Custody Services Bank, Ltd. (securities investment trust account)	174,912	3.08
STATE STREET BANK AND TRUST COMPANY 505001	119,963	2.11
Mizuho Trust & Banking Co., Ltd.	116,716	2.05
SSBTC CLIENT OMNIBUS ACCOUNT	114,140	2.01
GCAS BANA LONDON US CLIENT	102,769	1.81
BNYM AS AGT/CLTS 10 PERCENT	91,507	1.61
Total	2,660,160	46.94

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



### 3 Notes regarding Directors

Directors at the end of the Reporting Period are as below.

Position	Name	Concurrent responsibilities	Directors' remuneration for operating period (JPY thousand)
Executive Director	Naoki Fukuda	President and CEO, Consonant Investment Management Co., Ltd. (current position)	-
Supervisory Director	Hiroyuki Fujimoto	Tax accountant, CPA Fujimoto Office Outside Auditor, BRYCEN Co., Ltd. (current position)	2,400
	Yoshihiro Tamura	Attorney, Shiba-Daimon Law Office Statutory Auditor, BEQONE PARTNERS, Inc. (current position)	2,400
Auditor	Ernst & Young ShinNihon LLC	-	15,800

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

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

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

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

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

Delegation category	Name
Asset management company	Consonant Investment Management Co., Ltd.
Asset custody company	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (institutional operations (Note 1) administration of unitholders' registry, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrative agent (institutional operations (Note 2))	Consonant Investment Management Co., Ltd.
General administrative agent (accounting operations, etc.)	EP Consulting Services Corporation (Note 3)
Special account management company	Mitsubishi UFJ Trust and Banking Corporation Limited (Note 4) / Sumitomo Mitsui Trust Bank, Limited (Note 5)
General administrative agent (Fiscal agent pertaining to investment corporation bonds, etc.)	Mizuho Bank, Ltd. / Sumitomo Mitsui Banking Corporation

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

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

(Note 3) A decision to change the general administrative agent was made on April 25, 2019, and Sumitomo Mitsui Trust Bank, Limited has served as the general administrative agent (accounting operations, etc.) since August 29, 2019.

(Note 4) Conducts administrative tasks related to the creation, maintenance, and disposition of transfer savings account registers for special accounts of unitholders of the INV before the merger (former Tokyo Growth REIT Investment Inc.) as well as tasks related to other transfer savings account registers.

(Note 5) Conducts administrative tasks related to the creation, maintenance, and disposition of transfer savings account registers for special accounts of unitholders of the former LCP as well as tasks related to other transfer savings account registers.

## Status of Investment Corporation's Assets under Management

### 1 Composition of INV's Assets

Type of asset	Purpose	Geographic area (Note 1)	Fiscal period ended December 31, 2018 (as of December 31, 2018)		Fiscal period ended June 30, 2019 (as of June 30, 2019)	
			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	-	-	-	-
		Overseas (Note 4)	-	-	35,837	7.7
		Subtotal	2	0.0	35,839	7.7
Total real estate			2	0.0	35,839	7.7
Real estate in trust	Residences	Greater Tokyo area	70,386	15.5	41,575	8.9
		Major regional cities	15,521	3.4	15,346	3.3
		Subtotal	85,908	18.9	56,921	12.2
	Offices/Commercial Facilities	Greater Tokyo area	-	-	-	-
		Major regional cities	4,866	1.1	4,825	1.0
		Subtotal	4,866	1.1	4,825	1.0
	Hotels	Greater Tokyo area	159,136	34.9	158,745	33.9
		Major regional cities	132,735	29.1	131,970	28.2
		Subtotal	291,872	64.1	290,715	62.1
	Total real estate in trust			382,647	84.0	352,462
Preferred equity interest (Note 5)			17,856	3.9	17,856	3.8
TK interest (Note 6)			36,783	8.1	-	-
Deposits and other assets			18,072	4.0	61,772	13.2
Total assets (Note 7)			455,362 (382,649)	100.0 (84.0)	467,931 (388,302)	100.0 (83.0)

(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 (book value after depreciation for real estate, leasehold and real estate in trust). The amounts held for hotels are calculated by including book value of accompanying FF&E, in principle.

(Note 3) While Hotel MyStays Haneda is held as trust beneficiary interests, part of accompanying FF&E is held in kind, which falls under this category.

(Note 4) The Leasehold of the Cayman Hotels falls under the category of "Real estate" for "Overseas." The leasehold interests are the rights equivalent to long-term real estate leasehold rights for buildings and land under the laws of the Cayman Islands (Term: 99 years; annual lease payment: USD 1 or KYD 1). INV implemented an investment structure change regarding "Westin Grand Cayman Seven Mile Beach Resort & Spa" and "Sunshine Suites Resort" on May 9, 2019 (Cayman Island local time), a change from making investments based on the TK agreement to directly owning the Leasehold of the Cayman Hotels, which are the undying assets of the TK interest.

(Note 5) 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 6) 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 7) The figures indicated in parenthesis under "Total assets" show the amounts related to owned real estate (excluding the amount of preferred equity securities and TK interest owned).

## 2 Major Properties

The overview of INV's major properties (top 10 properties by book value) (Note 1) at the end of the Reporting Period is as below.

	Name of property	Book value (JPY million)	Leasable area (m <sup>2</sup> )	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue (%) (Note 4)	Main use
D200	Westin Grand Cayman Seven Mile Beach Resort & Spa	30,011	21,528.23	21,528.23	100.0	—	Hotel
D43	Hotel MyStays Gotanda Station	26,410	10,137.88	10,137.88	100.0	3.7	Hotel
D60	Hotel MyStays Premier Akasaka	20,603	8,620.69	8,620.69	100.0	3.6	Hotel
D44	Hotel Epinard Nasu	19,863	37,702.33	37,702.33	100.0	4.9	Hotel
D61	Hotel MyStays Premier Sapporo Park	16,575	21,670.64	21,670.64	100.0	3.2	Hotel
D47	Hotel MyStays Premier Kanazawa	13,130	13,250.03	13,250.03	100.0	2.3	Hotel
D50	Hotel MyStays Shin Osaka Conference Center	12,979	13,026.99	13,026.99	100.0	2.7	Hotel
D51	Hotel MyStays Premier Omori	9,722	11,849.61	11,849.61	100.0	2.3	Hotel
D52	Beppu Kamenoi Hotel	8,415	19,422.08	19,422.08	100.0	3.4	Hotel
D49	Hotel MyStays Premier Hamamatsucho	8,017	6,151.93	6,151.93	100.0	2.0	Hotel
	Total	165,730	163,360.41	163,360.41	100.0	28.1	

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

(Note 2) Leasable area of Westin Grand Cayman Seven Mile Beach Resort & Spa indicates the area subject to management contract.

(Note 3) “Occupancy rate” is computed by dividing the leased area by leasable area, rounded to one decimal place.

(Note 4) “Ratio of rental revenue” are rounded to one decimal place. For Westin Grand Cayman Seven Mile Beach Resort & Spa, management contract revenue of JPY 503,692 thousand is recorded, but not included in the calculation of ratio of rental revenue.

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

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

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
A26	Nisshin Palacestage Daitabashi	1-31-2 Izumi, Suginami-ku, Tokyo	Trust beneficiary interest (Note 4)	1,771.13	1,230	1,097
A27	Nisshin Palacestage Higashi- Nagasaki	5-4-1 Nagasaki, Toshima-ku, Tokyo	Trust beneficiary interest (Note 4)	2,681.94	1,330	1,058
A28	Growth Maison Gotanda	2-26-6 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	1,051.50	1,030	842
A29	Growth Maison Kameido	6-58-16 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	1,367.96	1,150	957
A30	Emerald House	3-27-18 Itabashi, Itabashi-ku, Tokyo	Trust beneficiary interest	2,152.31	1,430	1,337
A32	Suncrest Shakujii-Koen	3-15-35 Takanodai, Nerima-ku, Tokyo	Trust beneficiary interest (Note 4)	3,029.16	1,100	1,057
A33	Growth Maison Shin- Yokohama	3-16-2 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest (Note 4)	1,858.44	1,180	942
A34	Belle Face Ueno- Okachimachi	1-27-5 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest (Note 4)	1,351.11	1,090	931
A35	Grand Rire Kameido	3-39-12 Kameido, Koto-ku, Tokyo	Trust beneficiary interest (Note 4)	1,562.26	1,010	803
A37	Growth Maison Yoga	1-15-15 Okamoto, Setagaya-ku, Tokyo	Trust beneficiary interest (Note 4)	1,015.34	771	732
A38	Route Tachikawa	3-7-6 Nishikicho, Tachikawa-shi, Tokyo	Trust beneficiary interest	1,368.57	669	639
A39	Shibuya-Honmachi Mansion	2-35-2 Honmachi, Shibuya-ku, Tokyo	Trust beneficiary interest (Note 4)	1,167.50	664	701
A40	City Heights Kinuta	4-13-15 Kinuta, Setagaya-ku, Tokyo	Trust beneficiary interest	1,235.93	531	650
A41	Acseeds Tower Kawaguchi- Namiki	2-5-13 Namiki, Kawaguchi-shi, Saitama	Trust beneficiary interest (Note 4)	1,210.74	755	526
A43	College Square Machida	3-4-4 Nakamachi, Machida-shi, Tokyo	Trust beneficiary interest (Note 4)	1,047.75	540	555
A44	Belair Meguro	1-2-15 Meguro, Meguro-ku, Tokyo	Trust beneficiary interest (Note 4)	557.05	624	551

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
A45	Wacore Tsunashima I	2-7-47 Tarumachi, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest (Note 4)	907.46	519	517
A46	Foros Nakamurabashi	1-6-6 Kouyama, Nerima-ku, Tokyo	Trust beneficiary interest (Note 4)	815.77	581	506
A47	Growth Maison Kaijin	5-29-51 Kaijin, Funabashi-shi, Chiba	Trust beneficiary interest (Note 4)	2,040.27	514	512
A48	College Square Machiya	7-3-1 Arakawa, Arakawa-ku, Tokyo	Trust beneficiary interest (Note 4)	871.35	556	443
A51	City House Tokyo Shinbashi	6-19-1 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	3,364.00	3,540	2,281
A52	Winbell Kagurazaka	6-15 Shin-Ogawacho, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,032.70	4,420	3,003
A53	Nishiwaseda Crescent Mansion	3-18-9 Nishi-Waseda, Shinjuku-ku, Tokyo	Trust beneficiary interest	4,310.77	2,720	1,891
A54	Lexington Square Akebonobashi	3-8 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	1,987.88	1,970	1,301
A59	Towa City Coop Shinotsuka II	5-49-7 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary interest	1,627.13	1,210	809
A61	Bichsel Musashiseki	1-22-7 Sekimachi-Kita, Nerima-ku, Tokyo	Trust beneficiary interest	1,220.24	809	548
A63	Towa City Coop Sengencho	4-338-2 Sengencho, Nishi-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	3,426.36	1,410	1,007
A64	Royal Park Omachi	2-11-10 Omachi, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,929.59	657	381
A65	Lexington Square Haginomachi	1-15-16 Haginomachi, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,528.58	420	274
A66	Visconti Kakuozan	2-44 Otanacho, Chikusa-ku, Nagoya-shi, Aichi	Trust beneficiary interest	705.75	283	228
A71	Lexington Square Daitabashi	1-33-18 Izumi, Suginami-ku, Tokyo	Trust beneficiary interest	1,430.64	1,250	831
A72	Lexington Square Honjo Azumabashi	4-20-6 Higashi-Komagata, Sumida-ku, Tokyo	Trust beneficiary interest	784.74	651	428
A73	AMS TOWER Minami 6-Jo	2-5-15 Minami 6-Jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	4,460.56	1,270	923
A76	Neo Prominence	3-21-5 Shimo, Kita-ku, Tokyo	Trust beneficiary interest	3,574.70	2,160	1,601
A77	Invoice Shin-Kobe Residence	3-3-8 Ikutacho, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	2,773.71	1,440	1,144
A78	Cosmo Court Motomachi	3-12-20 Motomachidori, Chuo-ku, Kobe- shi, Hyogo	Trust beneficiary interest	2,310.49	1,120	872
A79	Revest Honjin	2-13 Toriidori, Nakamura-ku, Nagoya- shi, Aichi	Trust beneficiary interest	1,933.80	837	599

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
A80	Revest Matsubara	3-13-12 Matsubara, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,955.40	824	590
A82	Alba Noritake Shinmachi	3-6-8 Noritake Shinmachi, Nishi-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,731.68	768	540
A83	Revest Meieki Minami	2-13-33 Meieki-Minami, Nakamura-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,634.60	786	530
A84	Revest Heian	2-13-17 Heian, Kita-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,554.03	741	531
A85	Vendir Hamaotsu Ekimae	1-2-15 Hamaotsu, Otsu-shi, Shiga	Trust beneficiary interest	2,670.66	759	510
A86	Salvo Sala	2-6-21 Shimanouchi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,428.12	664	490
A87	Excellente Kagurazaka	128-1 Yamabukicho, Shinjuku-ku, Tokyo, and other one parcel	Trust beneficiary interest	701.92	667	502
A88	Luna Court Edobori	3-4-11 Edobori, Nishi-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,185.50	597	473
A89	Winntage Kobe Motomachi	7-2-2 Motomachidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	1,433.35	632	456
A90	Queen's Court Fukuzumi	1-3-10 Fukuzumi, Koto-ku, Tokyo	Trust beneficiary interest	765.18	666	428
A91	Corp Higashinotoin	380-1 Kawaranomachi, Higashinotoindori Nijo Kudara, Nakagyo-ku, Kyoto-shi, Kyoto, and other two parcels	Trust beneficiary interest	1,029.05	551	407
A92	Belair Oimachi	5-14-17 Higashi-Oi, Shinagawa-ku, Tokyo	Trust beneficiary interest	530.60	556	385
A93	Siete Minami-Tsukaguchi	3-18 Minami-Tsukaguchimachi, Amagasaki-shi, Hyogo	Trust beneficiary interest	1,020.86	455	345
A94	Prime Life Sannomiya Isogami Koen	4-3-23 Isogamidori, Chuo-ku, Kobe-shi, Hyogo	Trust beneficiary interest	789.12	466	338
A95	HERMITAGE NANBA WEST	4-10-3 Sakuragawa, Naniwa-ku, Osaka-shi, Osaka	Trust beneficiary interest	992.76	456	322
A96	Century Park Shinkawa 1-bankan	4-1-2 Shinkawacho, Minato-ku, Nagoya-shi, Aichi	Trust beneficiary interest	1,477.62	460	314
A97	West Avenue	1-5-17 Nishi, Kunitachi-shi, Tokyo	Trust beneficiary interest	794.80	331	310
A98	Little River Honmachibashi	1-34 Honmachibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	974.81	400	285
A99	Prime Life Mikage	2-25-11 Mikage Tsukamachi, Higashinada-ku, Kobe-shi, Hyogo	Trust beneficiary interest	761.18	337	268
A100	City Court Kitaichijo	1-6-3 Kita 1-jo Higashi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	5,230.18	2,080	1,729
A101	Lieto Court Mukojima	5-45-10 Mukojima, Sumida-ku, Tokyo	Trust beneficiary interest	2,940.20	1,910	1,668
A102	Lieto Court Nishi-Ojima	2-41-14 Ojima, Koto-ku, Tokyo	Trust beneficiary interest	2,048.28	1,860	1,612

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
A103	Royal Parks Momozaka	5-38 Fudegasakicho, Tennouji-ku, Osaka-shi, Osaka	Trust beneficiary interest	8,776.26	3,160	2,785
A104	Royal Parks Shinden	3-35-20 Shinden, Adachi-ku, Tokyo	Trust beneficiary interest	15,797.29	5,790	4,900
A106	Royal Parks Seasir Minami- Senju	3-41-7 Minami-Senju, Arakawa-ku, Tokyo	Trust beneficiary interest	6,496.86	2,840	2,694
Subtotal				135,185.49	72,197	56,921
B17	Lexington Plaza Hachiman	3-1-50 Hachiman, Aoba-ku, Sendai- shi, Miyagi	Trust beneficiary interest	8,419.15	3,690	3,028
B18	AEON TOWN Sukagawa	105 Furukawa, Sukagawa-shi, Fukushima	Trust beneficiary interest	18,440.58	2,450	1,796
Subtotal				26,859.73	6,140	4,825
D01	Hotel MyStays Kanda	1-2-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary interest	2,585.72	5,140	2,962
D02	Hotel MyStays Asakusa	1-21-11 Honjo, Sumida-ku, Tokyo	Trust beneficiary interest	3,327.38	4,580	2,530
D03	Hotel MyStays Kyoto-Shijo	52 Kasabokochi, Higashiiru, Aburanokoji, Shijyodori, Shimogyo- ku, Kyoto-shi, Kyoto	Trust beneficiary interest	7,241.51	11,500	5,874
D04	MyStays Shin-Urayasu Conference Center	2-1-4 Akemi, Urayasu-shi, Chiba	Trust beneficiary interest	6,232.30	7,490	4,666
D05	Hotel MyStays Maihama	3-5-1 Tekkadori, Urayasu-shi, Chiba	Trust beneficiary interest	2,456.36	7,010	4,781
D06	Hotel MyStays Premier Dojima	2-4-1 Sonezakishinchi, Kita-ku, Osaka-shi, Osaka	Trust beneficiary interest	9,445.32	7,200	3,773
D07	Hotel MyStays Nagoya- Sakae	2-23-22 Higashi-Sakura, Naka-ku, Nagoya-shi, Aichi	Trust beneficiary interest	9,064.71	6,370	2,666
D08	Hotel MyStays Sakaisuji- Honmachi	1-4-8 Awaji-machi, Chuo-ku, Osaka- shi, Osaka	Trust beneficiary interest	4,188.83	5,590	2,377
D09	Hotel MyStays Yokohama	4-81 Sueyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	7,379.43	3,680	2,204
D10	Hotel MyStays Nippori	5-43-7 Higashi-Nippori, Arakawa-ku, Tokyo	Trust beneficiary interest	1,719.29	2,740	1,807
D11	Hotel MyStays Fukuoka- Tenjin-Minami	3-14-20 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	3,412.71	5,930	1,482
D12	Flexstay Inn Iidabashi	3-26 Shin-Ogawamachi, Shinjuku-ku, Tokyo	Trust beneficiary interest	2,953.38	2,160	1,357
D13	Hotel MyStays Ueno Inaricho	1-5-7 Matsugaya, Taito-ku, Tokyo	Trust beneficiary interest	1,150.76	2,110	1,249
D14	Flexstay Inn Shinagawa	1-22-19 Kita-Shinagawa, Shinagawa- ku, Tokyo	Trust beneficiary interest	1,134.52	2,040	1,203
D15	Flexstay Inn Tokiwadai	1-52-5 Tokiwadai, Itabashi-ku, Tokyo	Trust beneficiary interest	2,539.75	2,340	1,210



Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
D16	Flexstay Inn Sugamo	3-6-16 Sugamo, Toshima-ku, Tokyo	Trust beneficiary interest	2,089.86	2,360	1,124
D17	Hotel MyStays Otemae	1-3-2 Tokuicho, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	4,956.66	3,450	1,143
D18	Flexstay Inn Kiyosumi Shirakawa	1-12-16 Tokiwa, Koto-ku, Tokyo	Trust beneficiary interest	2,673.64	1,380	718
D19	Flexstay Inn Nakanobu P1	4-27-12 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	770.56	864	568
D20	Flexstay Inn Nakanobu P2	4-27-8 Futaba, Shinagawa-ku, Tokyo	Trust beneficiary interest	391.49	416	287
D21	APA Hotel Yokohama-Kannai	3-37-2 Sumiyoshicho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficiary interest	6,568.51	9,950	7,752
D22	Hotel MyStays Hakodate-Goryokaku	26-17 Honcho, Hakodate-shi, Hokkaido	Trust beneficiary interest	7,961.26	3,780	2,797
D23	Flexstay Inn Shirogane	5-10-15 Shirokane, Minato-ku, Tokyo	Trust beneficiary interest	1,754.06	2,480	2,095
D24	Hotel MyStays Haneda	5-1-13 Haneda, Ota-ku, Tokyo	Trust beneficiary interest	5,400.16	8,820	7,355
D25	Hotel MyStays Kameido P1	6-32-1 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	4,349.67	7,850	5,397
D26	Hotel MyStays Ueno Iriyaguchi	5-5-13 Higashi-Ueno, Taito-ku, Tokyo	Trust beneficiary interest	2,247.92	3,860	3,702
D27	Hotel MyStays Kameido P2	6-7-8 Kameido, Koto-ku, Tokyo	Trust beneficiary interest	2,793.99	5,120	3,603
D28	Hotel MyStays Shimizu	1-23 Masagocho, Shimizu-ku, Shizuoka-shi, Shizuoka	Trust beneficiary interest	3,559.81	2,420	2,161
D29	Super Hotel Shinbashi/ Karasumoriguchi	5-16-4 Shinbashi, Minato-ku, Tokyo	Trust beneficiary interest	1,403.89	1,890	1,594
D30	Flexstay Inn Higashi-Jujo	2-10-2 Nakajujo, Kita-ku, Tokyo	Trust beneficiary interest	1,714.53	1,340	1,269
D31	Hotel MyStays Utsunomiya	2-4-1 Higashi-Shukugo, Utsunomiya- shi, Tochigi	Trust beneficiary interest	11,733.23	1,910	1,230
D32	Flexstay Inn Kawasaki- Kaizuka	1-13-2 Kaizuka, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	1,190.57	1,190	919
D33	Comfort Hotel Toyama	1-3-2 Takara-machi, Toyama-shi, Toyama	Trust beneficiary interest	3,305.64	1,140	927
D34	Flexstay Inn Kawasaki- Ogawacho	15-9 Ogawacho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest	725.60	930	885
D35	Flexstay Inn Ekoda	8-6 Sakaecho, Nerima-ku, Tokyo	Trust beneficiary interest	3,932.93	4,640	4,886
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	2-21-9 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interest	1,832.97	1,230	1,114
D37	Super Hotel JR Ueno- iriyaguchi	7-9-14 Ueno, Taito-ku, Tokyo	Trust beneficiary interest	1,279.16	1,220	1,089

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
D38	Hotel MyStays Shinsaibashi	1-9-30 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	1,942.01	3,060	3,059
D39	Comfort Hotel Kurosaki	3-13-13 Kurosaki, Yahatanishi-ku, Kitakyusyu-shi, Fukuoka	Trust beneficiary interest	3,207.60	1,220	1,074
D40	Comfort Hotel Maebashi	2-18-14 Omotecho, Maebashi-shi, Gunma	Trust beneficiary interest	3,660.96	1,150	1,051
D41	Comfort Hotel Tsubame- Sanjo	2-115 Sugoro, Sanjo-shi, Niigata	Trust beneficiary interest	3,099.90	1,070	955
D42	Comfort Hotel Kitami	3-4 Ohdori-Nishi, Kitami-shi, Hokkaido	Trust beneficiary interest	3,009.50	906	795
D43	Hotel MyStays Gotanda Station (Note 4)	2-6-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary interest	10,137.88	26,600	26,410
D44	Hotel Epinard Nasu	1-10 Kaidoue (and 59 other land parcels), Oaza-Takakuhei, Nasu- machi, Nasu-gun, Tochigi	Trust beneficiary interest	37,702.33	23,100	19,863
D45	Hotel MyStays Fukuoka Tenjin	3-5-7 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interest	5,083.06	8,750	7,833
D46	Hotel MyStays Hamamatsucho	1-18-14 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	1,951.90	7,050	7,819
D47	Hotel MyStays Premier Kanazawa	2-13-1 Hirooka, Kanazawa-shi, Ishikawa	Trust beneficiary interest	13,250.03	14,500	13,130
D48	Takamatsu Tokyu REI Hotel	9-9 Hyogomachi, Takamatsu-shi, Kagawa	Trust beneficiary interest	7,148.17	2,220	2,130
D49	Hotel MyStays Premier Hamamatsucho	1-8-5 Hamamatsucho, Minato-ku, Tokyo	Trust beneficiary interest	6,151.93	10,700	8,017
D50	Hotel MyStays Shin Osaka Conference Center	6-2-4 Nishinakashima, Yodogawa-ku, Osaka-shi, Osaka and two other lots	Trust beneficiary interest	13,026.99	13,500	12,979
D51	Hotel MyStays Premier Omori	6-11-2 Minami Oi, Shinagawa-ku, Tokyo and 13 other lots	Trust beneficiary interest	11,849.61	10,200	9,722
D52	Beppu Kamenoi Hotel	2160-1 Chuocho, Beppu-shi, Oita and 12 other lots	Trust beneficiary interest	19,422.08	9,170	8,415
D53	Hotel MyStays Sapporo Station	4-15 Kita Hachijyo Nishi, Kita-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	7,267.88	8,320	7,713
D54	Hotel MyStays Yokohama Kannai	5-65, Onoe-cho, Naka-ku, Yokohama- shi, Kanagawa and 3 other lots	Trust beneficiary interest	4,501.18	5,500	5,262
D55	Art Hotel Joetsu	5-1-11, Hon-cho Joetsu-shi, Niigata	Trust beneficiary interest	7,563.60	2,810	2,737
D56	Art Hotel Hirosaki City	1-1-2, 1-6, 1-7, 2-1, Omachi, Hirosaki- shi, Aomori	Trust beneficiary interest	14,826.30	2,760	2,658
D57	Hotel MyStays Oita	1-32, Niagemachi Oita-shi, Oita	Trust beneficiary interest	3,254.69	1,640	1,563
D58	Hotel MyStays Gotanda	2-5-4, Higashigotanda Shinagawa-ku, Tokyo	Trust beneficiary interest	1,839.77	4,140	4,067
D59	Hotel MyStays Tachikawa	1-8-14, Nishiki-cho Tachikawa-shi, Tokyo	Trust beneficiary interest	3,844.64	3,290	3,246

Name of property		Location (Note 1)	Legal form of asset	Leasable area (m <sup>2</sup> ) (Note 2)	Appraisal value as of June 30, 2019 (JPY million) (Note 3)	Book value (JPY million)
D60	Hotel MyStays Premier Akasaka	2-17-54, Akasaka Minato-ku, Tokyo	Trust beneficiary interest	8,620.69	23,900	20,603
D61	Hotel MyStays Premier Sapporo Park	2-2-10, Minamikujo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficiary interest	21,670.64	17,100	16,575
D62	Hotel MyStays Ueno East	5-5-6, Higashi Ueno, Taito-ku, Tokyo	Trust beneficiary interest	4,396.02	5,390	5,255
D63	Hotel MyStays Midosuji Honmachi	3-2-10, Honmachi, Chuo-ku, Osaka-shi, Osaka	Trust beneficiary interest	3,429.43	5,090	4,994
D200	Westin Grand Cayman Seven Mile Beach Resort & Spa	30620 Seven Mile Beach Road, Grand Cayman, Cayman Islands	The Leasehold	21,528.23	30,720 (USD 285,000,000) (Note 5)	30,011
D201	Sunshine Suites Resort	1465 Esterley Tibbetts Highway, Grand Cayman, Cayman Islands	The Leasehold	6,723.11	5,950 (USD 55,200,000) (Note 5)	5,826
Subtotal				387,578.21	393,926	326,555
Total				549,623.43	472,263	388,302

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

(Note 2) Leasable areas of Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort indicate the areas subject to management contract.

(Note 3) “Appraisal value as of June 30, 2019” is the value appraised or researched by Asset Research and Development Inc., Japan Real Estate Institute, JLL Morii Valuation & Advisory K.K., The Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. or CBRE, Inc., in accordance with the Articles of Incorporation of INV and the regulations of The Investment Trusts Association, Japan.

(Note 4) Individual trust beneficiary interests were integrated into three groups with other trust beneficiary interests when INV procured funds through debt financing backed by trust assets in July 2011. As a result of disposition of assets and detachment of trust beneficiary interest from an integrated trust account thereafter, the grouping of trust beneficiary interests at the end of the Reporting Period is as follows:

Group 1

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

Group 2

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

Group 3

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

(Note 4) “Appraisal value as of June 30, 2019” indicates appraisal value calculated deeming the owned portion and the floor expansion portion as one.

(Note 5) “Appraisal value as of June 30, 2019” is converted into JPY using the exchange rate of USD 1 = JPY 107.79, which is the exchange rate on the closing date of the fiscal period (June 30, 2019).

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

Name of property		31st fiscal period (July 1, 2018 to December 31, 2018)				32nd fiscal period (January 1, 2019 to June 30, 2019)			
		Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)
A26	Nisshin Palacestage Daitabashi	1	93.0	39,267	0.3	1	91.0	38,973	0.3
A27	Nisshin Palacestage Higashi- Nagasaki	1	100.0	47,028	0.3	1	91.0	47,365	0.4
A28	Growth Maison Gotanda	1	100.0	27,510	0.2	1	100.0	27,670	0.2
A29	Growth Maison Kameido	1	92.4	33,923	0.2	1	100.0	35,461	0.3
A30	Emerald House	1	96.9	43,591	0.3	1	99.0	49,784	0.4
A32	Suncrest Shakujii-Koen	1	100.0	37,426	0.3	1	97.1	38,919	0.3
A33	Growth Maison Shin-Yokohama	1	97.1	37,068	0.3	1	94.3	37,434	0.3
A34	Belle Face Ueno-Okachimachi	1	93.7	31,321	0.2	1	100.0	35,557	0.3
A35	Grand Rire Kameido	1	100.0	26,669	0.2	1	100.0	26,619	0.2
A37	Growth Maison Yoga	1	100.0	22,841	0.2	1	100.0	23,337	0.2
A38	Route Tachikawa	1	96.6	22,005	0.2	1	96.6	21,368	0.2
A39	Shibuya-Honmachi Mansion	1	100.0	19,320	0.1	1	100.0	20,825	0.2
A40	City Heights Kinuta	1	83.8	17,354	0.1	1	94.6	18,121	0.1
A41	Acseeds Tower Kawaguchi-Namiki	1	94.7	25,689	0.2	1	94.7	26,060	0.2
A43	College Square Machida	1	100.0	17,484	0.1	1	100.0	17,484	0.1
A44	Belair Meguro	1	84.2	16,578	0.1	1	100.0	16,939	0.1
A45	Wacore Tsunashima I	1	91.8	19,214	0.1	1	94.1	19,009	0.2
A46	Foros Nakamurabashi	1	94.3	18,050	0.1	1	92.6	18,923	0.2
A47	Growth Maison Kaijin	1	91.9	22,451	0.2	1	95.1	22,511	0.2
A48	College Square Machiya	1	100.0	14,706	0.1	1	100.0	14,851	0.1
A51	City House Tokyo Shinbashi	1	95.4	95,901	0.7	1	95.1	96,881	0.8
A52	Winbell Kagurazaka	1	97.5	107,082	0.8	1	99.0	110,474	0.9
A53	Nishiwaseda Crescent Mansion	1	98.4	75,120	0.6	1	95.7	75,040	0.6
A54	Lexington Square Akebonobashi	1	95.4	51,094	0.4	1	95.6	52,195	0.4

Name of property		31st fiscal period (July 1, 2018 to December 31, 2018)				32nd fiscal period (January 1, 2019 to June 30, 2019)			
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A59	Towa City Coop Shinotsuka II	1	98.7	36,515	0.3	1	98.7	36,784	0.3
A61	Bichsel Musashiseki	1	95.7	23,412	0.2	1	97.1	25,491	0.2
A63	Towa City Coop Sengencho	1	94.9	60,158	0.4	1	91.8	58,868	0.5
A64	Royal Park Omachi	1	89.8	26,333	0.2	1	91.4	24,462	0.2
A65	Lexington Square Haginomachi	1	86.9	17,473	0.1	1	81.9	16,005	0.1
A66	Visconti Kakuozan	1	87.3	11,499	0.1	1	63.3	11,096	0.1
A71	Lexington Square Daitabashi	1	92.2	32,332	0.2	1	95.8	32,823	0.3
A72	Lexington Square Honjo Azumabashi	1	93.9	18,341	0.1	1	100.0	18,813	0.2
A73	AMS TOWER Minami 6-Jo	1	79.7	42,547	0.3	1	84.3	42,868	0.4
A75	Spacia Ebisu	1	96.9	216,468	1.6	-	-	199,141	1.6
A76	Neo Prominence	1	98.4	68,104	0.5	1	100.0	67,409	0.6
A77	Invoice Shin-Kobe Residence	1	96.8	50,284	0.4	1	97.7	48,726	0.4
A78	Cosmo Court Motomachi	1	100.0	36,911	0.3	1	98.7	38,756	0.3
A79	Revest Honjin	1	97.5	31,863	0.2	1	92.5	31,055	0.3
A80	Revest Matsubara	1	89.4	28,231	0.2	1	93.1	28,945	0.2
A82	Alba Noritake Shinmachi	1	95.8	26,537	0.2	1	96.5	26,789	0.2
A83	Revest Meieki Minami	1	92.4	26,083	0.2	1	88.4	26,391	0.2
A84	Revest Heian	1	96.8	23,708	0.2	1	92.0	23,830	0.2
A85	Vendir Hamaotsu Ekimae	1	88.9	32,437	0.2	1	98.8	33,716	0.3
A86	Salvo Sala	1	96.7	24,690	0.2	1	93.7	25,045	0.2
A87	Excellente Kagurazaka	1	94.1	19,304	0.1	1	100.0	19,634	0.2
A88	Luna Court Edobori	1	91.9	20,935	0.2	1	100.0	21,425	0.2
A89	Winntage Kobe Motomachi	1	91.4	21,024	0.2	1	93.0	21,653	0.2
A90	Queen's Court Fukuzumi	1	90.3	17,471	0.1	1	95.9	18,464	0.2
A91	Corp Higashinotoin	1	100.0	19,061	0.1	1	97.6	19,084	0.2
A92	Belair Oimachi	1	100.0	16,256	0.1	1	96.1	16,659	0.1
A93	Siete Minami-Tsukaguchi	1	100.0	17,475	0.1	1	100.0	17,693	0.1

Name of property		31st fiscal period (July 1, 2018 to December 31, 2018)				32nd fiscal period (January 1, 2019 to June 30, 2019)			
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A94	Prime Life Sannomiya Isogami Koen	1	100.0	15,351	0.1	1	100.0	15,001	0.1
A95	HERMITAGE NANBA WEST	1	100.0	15,917	0.1	1	100.0	16,404	0.1
A96	Century Park Shinkawa 1- bankan	1	95.4	18,335	0.1	1	93.2	19,213	0.2
A97	West Avenue	1	82.5	12,191	0.1	1	90.0	11,893	0.1
A98	Little River Honmachibashi	1	90.7	14,276	0.1	1	100.0	15,315	0.1
A99	Prime Life Mikage	1	100.0	12,806	0.1	1	96.7	12,456	0.1
A100	City Court Kitaichijo	1	97.1	67,359	0.5	1	94.9	67,495	0.6
A101	Lieto Court Mukojima	1	99.0	55,585	0.4	1	100.0	57,084	0.5
A102	Lieto Court Nishi-Ojima	1	98.8	49,528	0.4	1	99.0	49,890	0.4
A103	Royal Parks Momozaka	1	92.4	151,765	1.1	1	97.6	158,673	1.3
A104	Royal Parks Shinden	1	100.0	219,286	1.6	1	100.0	216,544	1.8
A105	Royal Parks Tower Minami-Senju	1	93.9	782,653	5.8	-	-	716,057	5.9
A106	Royal Parks Seasir Minami- Senju	1	96.2	115,307	0.8	1	97.1	116,981	1.0
Subtotal		64	95.2	3,364,532	24.7	62	96.1	3,316,459	27.3
B17	Lexington Plaza Hachiman	1	100.0	167,590	1.2	1	100.0	164,897	1.4
B18	AEON TOWN Sukagawa	1	100.0	141,782	1.0	1	100.0	141,782	1.2
Subtotal		2	100.0	309,373	2.3	2	100.0	306,680	2.5
D01	Hotel MyStays Kanda	1	100.0	123,768	0.9	1	100.0	106,282	0.9
D02	Hotel MyStays Asakusa	1	100.0	121,636	0.9	1	100.0	109,788	0.9
D03	Hotel MyStays Kyoto-Shijo	1	100.0	227,490	1.7	1	100.0	217,841	1.8
D04	MyStays Shin-Urayasu Conference Center	1	100.0	205,900	1.5	1	100.0	176,876	1.5
D05	Hotel MyStays Maihama	1	100.0	189,291	1.4	1	100.0	146,613	1.2
D06	Hotel MyStays Premier Dojima	1	100.0	216,347	1.6	1	100.0	196,173	1.6
D07	Hotel MyStays Nagoya- Sakae	1	100.0	197,973	1.5	1	100.0	164,778	1.4
D08	Hotel MyStays Sakaisuji- Honmachi	1	100.0	132,868	1.0	1	100.0	97,109	0.8

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D09	Hotel MyStays Yokohama	1	100.0	130,202	1.0	1	100.0	103,692	0.9
D10	Hotel MyStays Nippori	1	100.0	65,902	0.5	1	100.0	60,970	0.5
D11	Hotel MyStays Fukuoka- Tenjin-Minami	1	100.0	159,191	1.2	1	100.0	139,661	1.1
D12	Flexstay Inn Iidabashi	1	100.0	56,393	0.4	1	100.0	53,625	0.4
D13	Hotel MyStays Ueno Inaricho	1	100.0	51,469	0.4	1	100.0	48,108	0.4
D14	Flexstay Inn Shinagawa	1	100.0	49,754	0.4	1	100.0	44,996	0.4
D15	Flexstay Inn Tokiwadai	1	100.0	64,484	0.5	1	100.0	57,894	0.5
D16	Flexstay Inn Sugamo	1	100.0	57,828	0.4	1	100.0	59,044	0.5
D17	Hotel MyStays Otemae	1	100.0	78,849	0.6	1	100.0	76,527	0.6
D18	Flexstay Inn Kiyosumi Shirakawa	1	100.0	37,478	0.3	1	100.0	34,914	0.3
D19	Flexstay Inn Nakanobu P1	1	100.0	23,371	0.2	1	100.0	21,654	0.2
D20	Flexstay Inn Nakanobu P2	1	100.0	10,941	0.1	1	100.0	10,592	0.1
D21	APA Hotel Yokohama-Kannai	1	100.0	235,819	1.7	1	100.0	223,810	1.8
D22	Hotel MyStays Hakodate- Goryokaku	1	100.0	152,700	1.1	1	100.0	119,306	1.0
D23	Flexstay Inn Shirogane	1	100.0	58,240	0.4	1	100.0	56,870	0.5
D24	Hotel MyStays Haneda	1	100.0	196,075	1.4	1	100.0	188,750	1.6
D25	Hotel MyStays Kameido P1	1	100.0	196,939	1.4	1	100.0	176,106	1.4
D26	Hotel MyStays Ueno Iriyaguchi	1	100.0	97,482	0.7	1	100.0	92,250	0.8
D27	Hotel MyStays Kameido P2	1	100.0	130,200	1.0	1	100.0	118,396	1.0
D28	Hotel MyStays Shimizu	1	100.0	67,072	0.5	1	100.0	64,662	0.5
D29	Super Hotel Shinbashi/Karasumoriguchi	1	100.0	39,426	0.3	1	100.0	39,426	0.3
D30	Flexstay Inn Higashi-Jujo	1	100.0	40,795	0.3	1	100.0	39,104	0.3
D31	Hotel MyStays Utsunomiya	1	100.0	93,022	0.7	1	100.0	89,549	0.7
D32	Flexstay Inn Kawasaki- Kaizuka	1	100.0	33,169	0.2	1	100.0	30,876	0.3
D33	Comfort Hotel Toyama	1	100.0	35,928	0.3	1	100.0	35,928	0.3

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D34	Flexstay Inn Kawasaki-Ogawacho	1	100.0	24,812	0.2	1	100.0	24,671	0.2
D35	Flexstay Inn Ekoda	1	100.0	117,226	0.9	1	100.0	116,844	1.0
D36	Super Hotel Tokyo-JR Tachikawa Kitaguchi	1	100.0	31,787	0.2	1	100.0	31,787	0.3
D37	Super Hotel JR Ueno-iriyaguchi	1	100.0	27,275	0.2	1	100.0	27,275	0.2
D38	Hotel MyStays Shinsaibashi	1	100.0	63,148	0.5	1	100.0	61,202	0.5
D39	Comfort Hotel Kurosaki	1	100.0	37,894	0.3	1	100.0	37,894	0.3
D40	Comfort Hotel Maebashi	2	100.0	43,811	0.3	2	100.0	43,811	0.4
D41	Comfort Hotel Tsubame-Sanjo	2	100.0	34,949	0.3	2	100.0	34,949	0.3
D42	Comfort Hotel Kitami	1	100.0	30,300	0.2	1	100.0	30,300	0.2
D43	Hotel MyStays Gotanda Station	1	100.0	490,844	3.6	1	100.0	454,852	3.7
D44	Hotel Epinard Nasu	1	100.0	1,112,683	8.2	1	100.0	590,306	4.9
D45	Hotel MyStays Fukuoka Tenjin	1	100.0	230,688	1.7	1	100.0	204,822	1.7
D46	Hotel MyStays Hamamatsucho	1	100.0	123,902	0.9	1	100.0	109,531	0.9
D47	Hotel MyStays Premier Kanazawa	1	100.0	376,887	2.8	1	100.0	280,864	2.3
D48	Takamatsu Tokyu REI Hotel	3	100.0	111,564	0.8	3	100.0	107,068	0.9
D49	Hotel MyStays Premier Hamamatsucho	1	100.0	257,330	1.9	1	100.0	242,091	2.0
D50	Hotel MyStays Shin Osaka Conference Center	1	100.0	388,013	2.9	1	100.0	325,410	2.7
D51	Hotel MyStays Premier Omori	1	100.0	303,088	2.2	1	100.0	279,326	2.3
D52	Beppu Kamenoi Hotel	1	100.0	419,762	3.1	1	100.0	416,816	3.4
D53	Hotel MyStays Sapporo Station	1	100.0	272,140	2.0	1	100.0	237,429	2.0
D54	Hotel MyStays Yokohama Kannai	1	100.0	152,128	1.1	1	100.0	136,295	1.1
D55	Art Hotel Joetsu	1	100.0	117,197	0.9	1	100.0	102,515	0.8
D56	Art Hotel Hirosaki City	1	100.0	139,786	1.0	1	100.0	141,110	1.2
D57	Hotel MyStays Oita	1	100.0	60,723	0.4	1	100.0	56,576	0.5
D58	Hotel MyStays Gotanda	1	100.0	128,296	0.9	1	100.0	97,585	0.8



Name of property		31st fiscal period (July 1, 2018 to December 31, 2018)				32nd fiscal period (January 1, 2019 to June 30, 2019)			
		Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Rental revenue (during period) (JPY thousand) (Note 2)	Ratio of rental revenue (%) (Note 3)
D59	Hotel MyStays Tachikawa	1	100.0	111,170	0.8	1	100.0	89,605	0.7
D60	Hotel MyStays Premier Akasaka	1	100.0	468,926	3.4	1	100.0	438,817	3.6
D61	Hotel MyStays Premier Sapporo Park	1	100.0	441,019	3.2	1	100.0	384,416	3.2
D62	Hotel MyStays Ueno East	1	100.0	143,237	1.1	1	100.0	143,779	1.2
D63	Hotel MyStays Midosuji Honmachi	1	100.0	91,700	0.7	1	100.0	80,116	0.7
Subtotal		67	100.0	9,930,318	73.0	67	100.0	8,530,259	70.2
Total		133	98.5	13,604,224	100.0	131	99.0	12,153,399	100.0

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

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

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

Name of property		31st fiscal period (July 1, 2018 to December 31, 2018)				32nd fiscal period (January 1, 2019 to June 30, 2019)			
		Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Management contract revenue (during period) (JPY thousand) (Note 2)	Ratio of management contract revenue (%) (Note 3)	Number of tenants (at end of period) (unit)	Occupancy rate (at end of period) (%) (Note 1) (Note 3)	Management contract revenue (during period) (JPY thousand) (Note 2)	Ratio of management contract revenue (%) (Note 3)
D200	Westin Grand Cayman Seven Mile Beach Resort & Spa	-	-	-	-	1	100.0	503,692	86.8
D201	Sunshine Suites Resort	-	-	-	-	1	100.0	76,895	13.2
Total		-	-	-	-	2	100.0	580,588	100.0

(Note 1) “Occupancy rate” is calculated using the area subject to management contract.

(Note 2) “Management contract revenue” is converted to JPY using the exchange rate at the time of the transaction.

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

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

Not applicable

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

Not applicable

#### 6 Asset Portfolio of Securities

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

Name	Type	Quantity (units)	Book value (JPY million)		Fair value (JPY million)		Valuation gain or loss (JPY million)	Notes
			Unit price	Amount	Unit price	Amount		
Preferred equity securities in Kingdom Special Purpose Company	Preferred equity securities	178,458	-	17,856	-	17,856	-	(Note 1) (Note 2)
Total		-	-	17,856	-	17,856	-	

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

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

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

As of June 30, 2019, the contract amount and fair value of the outstanding transaction under the specified transaction account of INV are as follows.

(Unit: JPY thousand)

Category	Transaction type, etc.	Contract amount (Note 1)		Fair value (Note 2)
			Amounts due after one year	
Non-market transaction	Interest rate swap			
	Receive floating rate/pay fixed rate	84,074,000	51,413,000	(19,845)
	Currency option transaction			
	USD/Call (Option fees)	5,134,140 (133,171)	1,933,140 (42,806)	(33,916)
	Currency option transaction			
	USD/Put (Option fees)	5,134,140 (225,420)	1,933,140 (102,873)	(233,622)

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

(Note 2) Estimation method for fair value

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

Currency option Indicates fair values of option fees, etc. presented by the correspondent financial institutions.

#### 8 Status of Other Assets

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

## 9 Assets Owned Outside of Japan or the Region

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

Country name	Amount held (JPY million) (Note 1)	Appraisal value as of June 30, 2019 (JPY million) (Note 2)		No. of properties (properties)
			Percentage of total assets (%)	
Japan	370,321	453,438	92.5	128
The Cayman Islands	35,837	36,670	7.5	2
Total	406,159	490,108	100.0	130

(Note 1) “Amount held” is from the balance sheet (book value after depreciation for real estate and trust beneficiary interest in real estate; and book value for preferred equity securities with real estate as underlying assets) as of June 30, 2019.

(Note 2) “Appraisal value as of June 30, 2019” indicates the real estate appraisal value as of June 30, 2019, or the research value stated in the real estate research report and the appraisal value of investment securities. “Appraisal value as of June 30, 2019” for preferred equity securities which INV holds in Japan indicates acquisition cost since their fair value is deemed extremely difficult to value. “Appraisal value as of June 30, 2019” for assets which INV holds in the Cayman Islands indicates the amount converted to JPY using the exchange rate of USD 1 = JPY 107.79, which is the exchange rate on the closing date of the fiscal period (June 30, 2019).

## Capital Expenditures for Properties Held by INV

### 1 Schedule for Capital Expenditures

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

Name of property		Location	Purpose	Scheduled time of implementation	Estimated cost (JPY thousand)		
					Total	Payment for the fiscal period ended June 30, 2019	Advance payments
D18	Flexstay Inn Kiyosumi Shirakawa	Koto-ku, Tokyo	Conversion of guestrooms	From July 2019 To December 2019	201,400	-	-
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	Work related to subsidized projects	From July 2019 To December 2019	190,000	-	-
D09	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	Renovation work	From July 2019 To December 2019	170,000	-	-
D53	Hotel MyStays Sapporo Station	Sapporo-shi, Hokkaido	Conversion of guestrooms	From July 2019 To December 2019	150,000	-	-
D51	Hotel MyStays Premier Omori	Shinagawa-ku, Tokyo	Hot-and-chilled-water generator replacement	From July 2019 To December 2019	108,000	-	-

### 2 Capital Expenditures for the Fiscal Period Ended June 30, 2019

The principal construction work constituting capital expenditures for the real estate assets for the fiscal period ended June 30, 2019 is as follows. Capital expenditures for the fiscal period totaled JPY 1,186,225 thousand, and together with JPY 23,655 thousand in repair costs included in this fiscal period's expenses, construction work totaling JPY 1,209,880 thousand was implemented.

Name of property		Location	Purpose	Time of implementation	Payment (JPY thousand)
D09	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	Renovation work	From January 2019 To June 2019	239,400
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	Introduction of energy-saving equipment	From January 2019 To June 2019	214,332
D28	Hotel MyStays Shimizu	Shizuoka-shi, Shizuoka	Renovation work	From January 2019 To June 2019	119,422
D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	Disaster prevention switchboard replacement	From January 2019 To June 2019	20,276
D55	Art Hotel Joetsu	Joetsu-shi, Niigata	Upgrading of air conditioning system	From January 2019 To June 2019	13,300
Other construction					579,493
Total					1,186,225

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

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

(Unit: JPY thousand)

Fiscal period	28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period	32nd fiscal period
	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	From January 1, 2019 to June 30, 2019
Reserved funds at beginning of period	1,397,286	1,397,243	1,566,108	1,611,828	1,814,515
Amount reserved (Note)	468,145	697,444	468,448	618,404	1,215,476
Amount reversed (Note)	468,189	528,579	422,728	415,718	990,368
Amount carried over for next fiscal period	1,397,243	1,566,108	1,611,828	1,814,515	2,039,622

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

## Overview of Expenses and Liabilities

### 1 Statement of Operating Expenses

(JPY thousand)

Item	31st fiscal period July 1, 2018 to December 31, 2018	32nd fiscal period January 1, 2019 to June 30, 2019
(a) Asset management fees	275,000	300,000
(b) Asset custody fees	18,645	22,233
(c) Administrative services fees	52,607	47,312
(d) Directors' compensation	5,200	4,800
(e) Other	134,119	125,217
Total	485,572	499,564

### 2 Borrowing Conditions

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

Type		Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Short-term loans	Mizuho Bank, Ltd.	Aug. 2, 2018	366,500	-	0.269	Aug. 2, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		366,500	-					
	MUFG Bank, Ltd.		366,000	-					
Subtotal			1,099,000	-					
Long-term loans (Note 4)	Mizuho Bank, Ltd.	Jul. 16, 2015	5,992,000	5,992,000	0.480	Jul. 16, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		5,992,000	5,992,000					
	Sumitomo Mitsui Banking Corporation		5,992,000	5,992,000					
	Shinsei Bank, Limited		3,330,000	3,330,000					
	Citibank, N.A., Tokyo Branch		3,000,000	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited		2,670,000	2,670,000					
	Resona Bank, Limited		1,335,000	1,335,000					
	MUFG Bank, Ltd.		668,000	668,000					
	Mizuho Bank, Ltd	Jul. 16, 2015	5,992,000	5,992,000	0.590	Jul. 16, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		5,992,000	5,992,000					
	Sumitomo Mitsui Banking Corporation		5,992,000	5,992,000					
	Shinsei Bank, Limited		3,330,000	3,330,000					
	Citibank, N.A., Tokyo Branch		3,000,000	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited		2,670,000	2,670,000					
	Resona Bank, Limited		1,335,000	1,335,000					
	MUFG Bank, Ltd.		668,000	668,000					
	Mizuho Bank, Ltd	Aug. 28, 2015	3,682,000	3,682,000	0.480	Aug. 28, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited	Jan. 22, 2016	3,400,000	-	0.343	Jan. 22, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		850,000	-					

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Long-term loans (Note 4)	Sumitomo Mitsui Trust Bank, Limited	Jan. 22, 2016	3,400,000	3,400,000	0.600	Jan. 22, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		850,000	850,000					
	Mizuho Bank, Ltd.	Mar. 31, 2016	465,000	-	0.461	Mar. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		1,125,000	-					
	Sumitomo Mitsui Trust Bank, Limited		2,181,000	-					
	Shinsei Bank, Limited		570,000	-					
	Resona Bank, Limited		570,000	-					
	MUFG Bank, Ltd.		650,000	-					
	Japan Post Bank Co., Ltd.		2,000,000	-					
	Development Bank of Japan, Inc.		1,000,000	-					
	The Bank of Fukuoka, Ltd.		333,000	-					
	The Shizuoka Bank, Ltd.		1,270,000	-					
	The Daishi Bank, Ltd.		1,000,000	-					
	The Nomura Trust and Banking Co., Limited		270,000	-					
	Mizuho Bank, Ltd.	Mar. 31, 2016	965,000	965,000	0.569	Mar. 30, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		1,125,000	1,125,000					
	Sumitomo Mitsui Trust Bank, Limited		2,180,000	2,180,000					
	Shinsei Bank, Limited		570,000	570,000					
	Resona Bank, Limited		570,000	570,000					
	MUFG Bank, Ltd.		650,000	650,000					
	Japan Post Bank Co., Ltd.		2,000,000	2,000,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Shizuoka Bank, Ltd.		270,000	270,000					
	The Kagawa Bank, Ltd.		500,000	500,000					
	The Hyakugo Bank, Ltd.		1,000,000	1,000,000					
	The Nomura Trust and Banking Co., Limited		270,000	270,000					
	Mizuho Bank, Ltd.	Mar. 31, 2016	1,965,000	1,965,000	0.669	Mar. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		1,125,000	1,125,000					
	Sumitomo Mitsui Trust Bank, Limited		2,180,000	2,180,000					
	Shinsei Bank, Limited		570,000	570,000					
	Resona Bank, Limited		570,000	570,000					
	MUFG Bank, Ltd.		650,000	650,000					
	The Bank of Fukuoka, Ltd.		1,333,000	1,333,000					
	The Shizuoka Bank, Ltd.		270,000	270,000					
	The Kagawa Bank, Ltd.		500,000	500,000					
	The Hiroshima Bank, Ltd.		1,000,000	1,000,000					
	The Nomura Trust and Banking Co., Limited		270,000	270,000					
	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	-	0.469	Jun. 15, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Long-term loans (Note 4)	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	1,000,000	0.569	Jun. 15, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch	Jun. 15, 2016	1,000,000	1,000,000	0.669	Jun. 15, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Development Bank of Japan, Inc.	Jun. 30, 2016	1,000,000	-	0.469	Jun. 30, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	AEON Bank, Ltd.	Jun. 30, 2016	3,000,000	3,000,000	0.669	Jun. 30, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	700,000	700,000	0.469	Jul. 20, 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,600,000	1,600,000	0.569	Jul. 20, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Tokyo Star Bank, Limited	Jul. 20, 2016	1,700,000	1,700,000	0.669	Jul. 20, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.	Mar. 14, 2017	634,000	634,000	0.469	Mar. 14, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Development Bank of Japan, Inc.		1,000,000	1,000,000					
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	The Towa Bank, Ltd.		252,000	252,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Gunma Bank, Ltd.		165,000	165,000					
	Mizuho Bank, Ltd.	Mar. 14, 2017	1,633,000	1,633,000	0.569	Mar. 14, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	The Towa Bank, Ltd.		253,000	253,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Gunma Bank, Ltd.		165,000	165,000					
	Mizuho Bank, Ltd.	Mar. 14, 2017	1,733,000	1,733,000	0.669	Mar. 14, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		333,000	333,000					
	The Nomura Trust and Banking Co., Limited		333,000	333,000					
	AEON Bank, Ltd.		900,000	900,000					
	The Towa Bank, Ltd.		253,000	253,000					
	The Shizuoka Bank, Ltd.		200,000	200,000					
	The Daiichi Life Insurance Co., Ltd.		500,000	500,000					
	The Gunma Bank, Ltd.		165,000	165,000					



	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Long-term loans (Note 4)	Sumitomo Mitsui Banking Corporation	Mar. 14, 2017	3,000,000	3,000,000	0.519	Sept. 14, 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Mizuho Bank, Ltd.	May 29, 2017	4,321,000	4,321,000	0.619	Nov. 29, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Daiichi Life Insurance Co., Ltd.		3,000,000	3,000,000					
	Shinsei Bank, Limited	Oct. 13, 2017	355,000	355,000	0.369	Oct. 13 2020	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch		355,000	355,000					
	Resona Bank, Limited		334,000	334,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		167,000	167,000					
	The Hiroshima Bank, Ltd.		167,000	167,000					
	Shinsei Bank, Limited	Oct. 13, 2017	355,000	355,000	0.469	Oct. 13 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch		355,000	355,000					
	Resona Bank, Limited		333,000	333,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		167,000	167,000					
	The Hiroshima Bank, Ltd.		167,000	167,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	500,000	500,000	0.669	Oct. 13 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation		500,000	500,000					
	Shinsei Bank, Limited		355,000	355,000					
	Citibank, N.A., Tokyo Branch		355,000	355,000					
	Resona Bank, Limited		333,000	333,000					
	Development Bank of Japan, Inc.		1,500,000	1,500,000					
	The Bank of Fukuoka, Ltd.		300,000	300,000					
	AEON Bank, Ltd.		190,000	190,000					
	The Nomura Trust and Banking Co., Limited		166,000	166,000					
	The Hiroshima Bank, Ltd.		166,000	166,000					
	The Daiichi Life Insurance Co., Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,250,000	1,250,000	0.769	Oct. 13 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		1,065,000	1,065,000					
	Sumitomo Mitsui Banking Corporation		1,250,000	1,250,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,250,000	1,250,000	0.869	Oct. 11 2024	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		1,060,000	1,060,000					
	Sumitomo Mitsui Banking Corporation		1,250,000	1,250,000					
	Mizuho Bank, Ltd.	Oct. 13, 2017	1,850,000	1,850,000	0.319	Oct. 13 2019	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		1,850,000	1,850,000					

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Long-term loans (Note 4)	Shinsei Bank, Limited	Jun. 27, 2018	1,000,000	1,000,000	0.750	Jun. 27 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.	Jul. 17, 2018	2,442,000	2,442,000	0.369	Jul. 17, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		2,220,000	2,220,000					
	Sumitomo Mitsui Banking Corporation		1,998,000	1,998,000					
	Shinsei Bank, Limited		1,110,000	1,110,000					
	Citibank, N.A., Tokyo Branch		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		890,000	890,000					
	Mizuho Bank, Ltd.	Jul. 17, 2018	2,443,000	2,443,000	0.469	Jul. 17, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		2,220,000	2,220,000					
	Sumitomo Mitsui Banking Corporation		1,997,000	1,997,000					
	Shinsei Bank, Limited		1,110,000	1,110,000					
	Citibank, N.A., Tokyo Branch		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		890,000	890,000					
	Mizuho Bank, Ltd.	Jul. 17, 2018	2,442,000	2,442,000	0.569	Jul. 14, 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		2,220,000	2,220,000					
	Sumitomo Mitsui Banking Corporation		1,997,000	1,997,000					
	Shinsei Bank, Limited		1,110,000	1,110,000					
	Citibank, N.A., Tokyo Branch		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		890,000	890,000					
	Mizuho Bank, Ltd.	Aug. 2, 2018	766,000	766,000	0.369	Aug 2, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		766,000	766,000					
	MUFG Bank, Ltd.		467,000	467,000					
	Shinsei Bank, Limited		150,000	150,000					
	Citibank, N.A., Tokyo Branch		120,000	120,000					
	The Nomura Trust and Banking Co., Limited		30,000	30,000					
	AEON Bank, Ltd.		60,000	60,000					
	Mizuho Bank, Ltd.	Sep. 26, 2018	2,521,500	2,521,500	0.369	Sep. 26, 2021	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		2,521,500	2,521,500					
	MUFG Bank, Ltd.		2,133,000	2,133,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Shinsei Bank, Limited		684,000	684,000					
	Citibank, N.A., Tokyo Branch		546,000	546,000					
	Development Bank of Japan, Inc.		500,000	500,000					
	Resona Bank, Limited		445,000	445,000					
	The Nomura Trust and Banking Co., Limited		137,000	137,000					
	AEON Bank, Ltd.		273,000	273,000					

	Type	Borrowing date	Balance at beginning of Reporting Period (JPY thousand)	Balance at end of Reporting Period (JPY thousand)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Purpose	Notes
	Lender								
Long-term loans (Note 4)	Mizuho Bank, Ltd.		3,287,000	3,287,000	0.469	Sep. 26, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		3,287,000	3,287,000					
	MUFG Bank, Ltd.		2,600,000	2,600,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Shinsei Bank, Limited		833,000	833,000					
	Citibank, N.A., Tokyo Branch		667,000	667,000					
	Development Bank of Japan, Inc.		500,000	500,000					
	Resona Bank, Limited		445,000	445,000					
	The Nomura Trust and Banking Co., Limited		167,000	167,000					
	AEON Bank, Ltd.		334,000	334,000					
	Mizuho Bank, Ltd.	Sep. 26, 2018	3,287,500	3,287,500	0.569	Sep. 26, 2023	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Banking Corporation		3,287,500	3,287,500					
	MUFG Bank, Ltd.		2,600,000	2,600,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Shinsei Bank, Limited		833,000	833,000					
	Citibank, N.A., Tokyo Branch		667,000	667,000					
	Development Bank of Japan, Inc.		500,000	500,000					
	Resona Bank, Limited		445,000	445,000					
	The Nomura Trust and Banking Co., Limited		166,000	166,000					
	AEON Bank, Ltd.		333,000	333,000					
	MUFG Bank, Ltd.	Jan. 22, 2019	-	850,000	0.373	Jan. 22, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Sumitomo Mitsui Trust Bank, Limited		-	3,400,000					
	Mizuho Bank, Ltd.	Mar. 29, 2019	-	386,000	0.361	Mar. 29, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	MUFG Bank, Ltd.		-	1,275,000					
	Sumitomo Mitsui Trust Bank, Limited		-	2,100,000					
	Shinsei Bank, Limited		-	500,000					
	Resona Bank, Limited		-	500,000					
	Development Bank of Japan, Inc.		-	1,000,000					
	The Bank of Fukuoka, Ltd.		-	333,000					
	The Shizuoka Bank, Ltd.		-	1,270,000					
	The Nomura Trust and Banking Co., Limited		-	270,000					
	The Senshu Ikeda Bank, Ltd.		-	300,000					
	Aozora Bank, Ltd.	Mar. 29, 2019	-	1,000,000	0.594	Mar. 29, 2024	(Note 3)	(Note 2)	Unsecured / with no guarantee
	The Nishi-Nippon City Bank, Ltd.		-	1,000,000					
	The Tochigi Bank, Ltd. a		-	500,000					
	Kiraboshi Bank, Ltd.,	Mar. 29, 2019	-	1,000,000	0.869	Mar. 29, 2029	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Citibank, N.A., Tokyo Branch	Jun. 17, 2019	-	1,000,000	0.340	Jun. 17, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
	Development Bank of Japan, Inc.	Jun. 28, 2019	-	1,000,000	0.334	Jun. 17, 2022	(Note 3)	(Note 2)	Unsecured / with no guarantee
Subtotal			224,774,000	224,774,000					
Total			225,873,000	224,774,000					

- (Note 1) Average interest rate shows the interest rate for each loan agreement as of the end of the fiscal period, rounded to three decimal places. In regards to borrowings which interest rate swap transactions are entered into for the purpose of avoiding risk from interest rate fluctuation, interest rates reflecting the interest rate swap are shown. In regards to borrowings repaid during the Reporting Period, the interest rate for each loan agreement as of the repayment date rounded to three decimal places is shown.
- (Note 2) The funds raised through borrowings are mainly used to acquire trust beneficiary interests in real estate and to prepay the borrowings.
- (Note 3) The balance at the end of the period will be repaid in full on the repayment date.
- (Note 4) Long-term loans includes current portion of long-term loans payable.

### 3 Investment Corporation Bonds

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

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

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

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

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

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

### 4 Short-Term Investment Corporation Bonds

Not applicable

### 5 Investment Unit Options

Not applicable

## Acquisitions and Sales for the Fiscal Period Ended June 30, 2019

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

Type of asset	Name of property		Acquisition		Sale			
			Acquisition date	Acquisition price (JPY million)	Sales date	Sales price (JPY million) (Note 1)	Book value (JPY million)	Gain/loss on sales (JPY million)
Trust beneficiary interest	A75	Spacia Ebisu	-	-	June 19, 2019	12,200	6,422	5,633
Trust beneficiary interest	A105	Royal Parks Tower Minami-Senju	-	-	June 7, 2019	27,700	21,923	5,484
	Total			-	-	39,900	28,345	11,117

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

As described in “2 Overview of Asset Management for the Fiscal Period Ended June 2019 (d) Overview of Investment Structure Change regarding Overseas Assets” above, INV held TK interest (JPY 36,783 million after conversion to JPY using the exchange rate of USD 1 = JPY 110.45 based on the foreign exchange forward contract executed upon TK investment on July 26, 2018, and implemented on September 26, 2018), backed by leaseholds, etc. of the Cayman Hotels. However, INV terminated the TK agreement with the Cayman SPC, the operator of TK, on May 9, 2019 (Cayman Island local time), and INV received distribution in kind such as the Leasehold of the Cayman Hotels from the Cayman SPC in line with the termination of the TK agreement. Since the acquisition price of the Leasehold of the Cayman Hotels and others as distribution in kind carries the book value of the Cayman Hotels as of the date of the aforementioned termination, no gain or loss arises in accounting due to the aforementioned distribution in kind.

### 2 Acquisitions and Sales of Other Assets

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

### 3 Transaction Price Verifications of Specified Assets

#### Real Estate Transactions

Acquisition or sale	Name of property		Category of specified asset	Transaction date	Sales price (JPY million) (Note 1)	Appraisal value (JPY million)	Appraiser	Appraisal date
Sale	A75	Spacia Ebisu	Real estate Trust	June 19, 2019	12,200	8,300	Japan Real Estate Institute	April 1, 2019
	A105	Royal Parks Tower Minami-Senju	beneficiary interest	June 7, 2019	27,700	23,400	Japan Real Estate Institute	April 1, 2019

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

(Note 2) The real estate appraisal described above is conducted by applying “Section 3: appraisals concerning prices of real estate subject to securitization” of “Real Estate Appraisal Standard.”

#### Other

Other transactions for which INV entrusted investigation are 6 currency option transactions from January 1, 2019 to June 30, 2019. With regard to these transactions, INV has entrusted Akasaka Audit LLC with investigation on comparable prices based on the Article 201, Paragraph 2 of the Investment Trust Act, transaction dates, names of counterparties in the transactions, issues, agreed numerical values, type of financial instruments or monetary indicators, category of put or call, strike price, exercise periods, transaction periods and details of other over-the-counter derivative transactions, and has received the investigation report.

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

(1) Transactions

Not applicable

(2) Commissions Paid

Not applicable

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

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



## Financial Condition

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

Please refer to Audited Financial Statements for the Fiscal Period ended June 30, 2019 (January 1, 2019 to June 30, 2019).

### 2 Changes in the Calculation Method of Depreciation

Not applicable

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

Not applicable

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

Not applicable

## Other

### 1 Notice

Board of Directors of Investment Corporation

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

Approval date	Item	Summary
April 25, 2019	Conclusion of general administrative services agreement (accounting operations, etc.) with Sumitomo Mitsui Trust Bank, Limited	A general administrative services agreement was concluded between INV and Sumitomo Mitsui Trust Bank, Limited concerning INV's administrative processes involving accounts, etc., as stipulated in Article 117, Items 5 and 6 of the Act on Investment Trusts and Investment Corporations, with April 25, 2019, as the agreement date and August 29, 2019, as the start date of the services.

### 2 Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

### 4 Risk Factors

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

#### Property and Business Risks

- Any adverse conditions in the Japanese economy could adversely affect our properties.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings.

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

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

### **Management and Governance Risks**

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

### **Taxation Risks**

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our distributions to our unitholders.
- If the Japanese tax authorities disagree with the interpretations we used for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We may be subject to taxes in countries other than Japan due to our investments outside of Japan and investors may not be able to take advantage of available credits associated with such taxes.
- Our distributions may decrease due to reversals of allowance for temporary differences adjustment.
- We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.
- Unitholders may become subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax.

### **Legal and Regulatory Risks**

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

for such equities may limit our ability to sell our interests, and we are exposed to risks unique to this investments structure.

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

## **5 Other**

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

## Independent Auditor's Report

The Board of Directors  
Invincible Investment Corporation

We have audited the accompanying financial statements of Invincible Investment Corporation, which comprise the balance sheet as at June 30, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invincible Investment Corporation as at June 30, 2019, and its financial performance and cash flows for the six months then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 27 to the financial statements, which describe the followings.

1. A decision was made on the issuance of new investment units and secondary offering of investment units on July 1, 2019 and July 10, 2019 and the payment was completed on July 18, 2019 and August 15, 2019.
2. A decision was made on the implementation of borrowings and the borrowing agreement was entered into on July 1, 2019.
3. A decision was made to acquire 18 hotel properties on July 1, 2019 and the acquisitions have been closed on July 19, 2019.

Our opinion is not qualified in respect of these matters.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

September 24, 2019  
Tokyo, Japan

# INVINCIBLE INVESTMENT CORPORATION

## BALANCE SHEET

As of June 30, 2019

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits (Notes 6 and 18) .....	¥ 3,985,335	¥ 48,833,358	\$ 453,041
Cash and bank deposits in trust (Notes 6 and 18) .....	7,079,268	6,766,348	62,773
Accounts receivable .....	583,012	647,210	6,004
Rental receivables .....	2,591,368	2,758,865	25,594
Deposits paid .....	-	371,720	3,448
Prepaid expenses .....	539,442	483,656	4,487
Income taxes receivable .....	172,912	168,970	1,567
Consumption taxes receivable .....	434,326	-	-
Other .....	0	-	-
Allowance for doubtful accounts .....	(86)	(148)	(1)
<b>Total current assets</b> .....	<b>15,385,582</b>	<b>60,029,983</b>	<b>556,916</b>
<b>Non-current assets:</b>			
<b>Property and equipment (Notes 7 and 8):</b>			
Buildings, at cost .....	-	19,142,244	177,588
Buildings and accompanying facilities, at cost .....	-	5,111,168	47,417
Tools, furniture and fixtures, at cost .....	3,192	1,069,418	9,921
Construction in progress .....	-	9,817	91
Buildings in trust, at cost .....	144,380,745	130,105,036	1,207,023
Buildings and accompanying facilities in trust, at cost .....	32,567,092	29,757,547	276,069
Structures in trust, at cost .....	228,964	227,665	2,112
Tools, furniture and fixtures in trust, at cost .....	1,690,363	1,816,296	16,850
Land in trust .....	203,881,464	199,037,787	1,846,532
Construction in progress in trust .....	-	14,364	133
Subtotal .....	382,751,823	386,291,346	3,583,740
Less: Accumulated depreciation .....	(20,117,593)	(21,466,694)	(199,152)
<b>Total property and equipment, net</b> .....	<b>362,634,229</b>	<b>364,824,652</b>	<b>3,384,587</b>
<b>Intangible assets:</b>			
Leasehold rights .....	-	10,637,811	98,690
Leasehold rights in trust .....	20,015,700	12,864,608	119,348
<b>Total intangible assets</b> .....	<b>20,015,700</b>	<b>23,502,420</b>	<b>218,038</b>
<b>Investments and other assets:</b>			
Investment securities (Note 19 and 23) .....	54,640,213	17,856,387	165,659
Guarantee deposits .....	1,700,670	803,721	7,456
Long-term prepaid expenses .....	708,191	601,259	5,578
Derivatives assets (Note 20) .....	216,555	255,404	2,369
Other .....	22,667	22,667	210
<b>Total investments and other assets</b> .....	<b>57,288,298</b>	<b>19,539,440</b>	<b>181,273</b>
<b>Total non-current assets</b> .....	<b>439,938,228</b>	<b>407,866,513</b>	<b>3,783,899</b>
<b>Deferred assets:</b>			
Investment corporation bond issuance costs .....	38,985	35,478	329
<b>Total deferred assets</b> .....	<b>38,985</b>	<b>35,478</b>	<b>329</b>
<b>TOTAL ASSETS</b> .....	<b>¥ 455,362,796</b>	<b>¥ 467,931,975</b>	<b>\$ 4,341,144</b>

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable .....	¥ 431,891	¥ 511,902	\$ 4,749
Short-term loans payable (Note 10) .....	1,099,000	-	-
Current portion of long-term loans payable (Note 10) .....	54,745,000	51,744,000	480,044
Accounts payable-other .....	651,992	136,155	1,263
Accrued expenses .....	200,203	362,920	3,366
Income taxes payable .....	605	605	5
Consumption taxes payable .....	-	2,764,397	25,646
Advances received .....	571,668	454,614	4,217
Deposits received .....	134,085	26,159	242
<b>Total current liabilities</b> .....	<b>57,834,445</b>	<b>56,000,754</b>	<b>519,535</b>
<b>Non-current liabilities:</b>			
Investment corporation bonds (Note 9) .....	4,000,000	4,000,000	37,109
Long-term loans payable (Notes 10 and 18) .....	170,029,000	173,030,000	1,605,250
Tenant leasehold and security deposits in trust (Note 18) .....	2,009,816	1,746,941	16,206
Tenant leasehold and security deposits (Note 18) ..	92,525	75,543	700
Asset retirement obligations (Note 21) .....	32,107	32,321	299
<b>Total non-current liabilities</b> .....	<b>176,163,449</b>	<b>178,884,805</b>	<b>1,659,567</b>
<b>TOTAL LIABILITIES</b> .....	<b>233,997,895</b>	<b>234,885,560</b>	<b>2,179,103</b>
<b>NET ASSETS (Note 11)</b>			
<b>Unitholders' equity:</b>			
Unitholders' capital .....	211,092,540	211,092,540	1,958,368
<b>Surplus:</b>			
Capital surplus .....	6,264,432	6,264,432	58,117
Allowance for temporary differences	(46,329)	(131,332)	(1,218)
Adjustment (Note 4) .....	(5,194,798)	(5,398,804)	(50,086)
Other deduction of capital surplus .....	(5,241,128)	(5,530,137)	(51,304)
Capital surplus (net) .....	1,023,303	734,294	6,812
<b>Voluntary reserve</b>			
Retained earnings .....	9,140,372	21,131,966	196,047
<b>Total surplus</b> .....	<b>10,163,675</b>	<b>21,866,261</b>	<b>202,859</b>
<b>Total unitholders' equity</b> .....	<b>221,256,215</b>	<b>232,958,801</b>	<b>2,161,228</b>
<b>Valuation and translation adjustments:</b>			
Deferred gains or losses on hedges .....	108,684	87,612	812
<b>Total valuation and translation adjustments</b> .....	<b>108,684</b>	<b>87,612</b>	<b>812</b>
<b>TOTAL NET ASSETS</b> .....	<b>221,364,900</b>	<b>233,046,414</b>	<b>2,162,041</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<b>¥ 455,362,796</b>	<b>¥ 467,931,975</b>	<b>\$ 4,341,144</b>

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

# INVINCIBLE INVESTMENT CORPORATION

## STATEMENT OF INCOME AND RETAINED EARNINGS

For the six months ended June 30, 2019

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>Operating revenue</b>			
Rental revenue—real estate (Note 13)	¥ 13,604,224	¥ 12,153,399	\$ 112,750
Management contract revenue (Note 14)	-	580,588	5,386
Gain on sales of properties (Note 15)	-	11,117,983	103,144
Dividend income	846,780	827,477	7,676
Distribution income	-	2,660,220	24,679
<b>Total operating revenue</b>	<b>14,451,005</b>	<b>27,339,670</b>	<b>253,638</b>
<b>Operating expenses</b>			
Property related expenses (Note 13)	4,450,676	4,490,658	41,661
Management contract expenses (Note 14)	-	164,376	1,524
Asset management fees	275,000	300,000	2,783
Directors' compensation	5,200	4,800	44
Asset custody fees	18,645	22,233	206
Administrative service fees	52,607	47,312	438
Provision of allowance for doubtful accounts	86	148	1
Other	134,032	125,069	1,160
<b>Total operating expenses</b>	<b>4,936,248</b>	<b>5,154,599</b>	<b>47,820</b>
<b>Operating income</b>	<b>9,514,756</b>	<b>22,185,070</b>	<b>205,817</b>
<b>Non-operating income</b>			
Interest income	82	811	7
Foreign exchange gains	34,468	-	-
Interest on tax refund	72	1,005	9
Other	906	800	7
<b>Total non-operating income</b>	<b>35,528</b>	<b>2,617</b>	<b>24</b>
<b>Non-operating expenses</b>			
Interest expenses	555,811	588,555	5,460
Foreign exchange losses	-	33,648	312
Interest expenses on investment corporation bonds	8,490	11,405	105
Amortization of investment corporation bond issuance costs	2,625	3,506	32
Loan-related costs	407,683	310,089	2,876
Investment unit issuance costs	186,997	-	-
Other-non-operating expenses	3,999	0	0
<b>Total non-operating expenses</b>	<b>1,165,608</b>	<b>947,206</b>	<b>8,787</b>
<b>Ordinary income</b>	<b>8,384,676</b>	<b>21,240,482</b>	<b>197,054</b>
<b>Extraordinary income</b>			
Subsidy income	-	115,319	1,069
<b>Total extraordinary income</b>	<b>-</b>	<b>115,319</b>	<b>1,069</b>
<b>Extraordinary losses</b>			
Loss on reduction entry of non-current assets	-	115,319	1,069
<b>Total extraordinary losses</b>	<b>-</b>	<b>115,319</b>	<b>1,069</b>
<b>Income before income taxes</b>	<b>8,384,676</b>	<b>21,240,482</b>	<b>197,054</b>
Income taxes (Note 16):			
Current	605	605	5
<b>Total income taxes</b>	<b>605</b>	<b>605</b>	<b>5</b>
<b>Net income</b>	<b>8,384,071</b>	<b>21,239,877</b>	<b>197,048</b>
<b>Retained earnings / losses brought forward</b>	<b>756,300</b>	<b>(107,910)</b>	<b>(1,001)</b>
<b>Unappropriated retained earnings / losses (Note 12)</b>	<b>¥ 9,140,372</b>	<b>¥ 21,131,966</b>	<b>\$ 196,047</b>

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



# INVINCIBLE INVESTMENT CORPORATION

## STATEMENT OF CHANGES IN NET ASSETS

For the six months ended June 30, 2019

	Unitholders' equity						
		Surplus					
			Capital surplus				
	Unitholders' capital			Deduction of capital surplus			
		Capital surplus	Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus	Capital surplus (net)	
			(in thousands of yen)				
Balance as of July 1, 2018	¥ 168,798,455	¥ 6,264,432	¥ (46,329)	¥ (1,194,818)	¥ (1,241,148)	¥ 5,023,283	
Changes during the period							
Issuance of new investment units	42,294,085						
Distributions from surplus							
Acquisition of own investment units							
Cancellation of own investment units				(3,999,980)	(3,999,980)	(3,999,980)	
Net income							
Changes other than unitholders' equity (net)							
Total changes during the period	42,294,085	-	-	(3,999,980)	(3,999,980)	(3,999,980)	
Balance as of December 31, 2018	¥ 211,092,540	¥ 6,264,432	¥ (46,329)	¥ (5,194,798)	¥ (5,241,128)	¥ 1,023,303	
Changes during the period							
Distributions from surplus							
Distributions in excess of retained earnings from allowance for temporary differences adjustment			(85,002)		(85,002)	(85,002)	
Other distributions in excess of retained earnings				(204,006)	(204,006)	(204,006)	
Net income							
Changes other than unitholders' equity (net)							
Total changes during the period	-	-	(85,002)	(204,006)	(289,008)	(289,008)	
Balance as of June 30, 2019	¥ 211,092,540	¥ 6,264,432	¥ (131,332)	¥ (5,398,804)	¥ (5,530,137)	¥ 734,294	

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Surplus		Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus					
	(in thousands of yen)						
Balance as of July 1, 2018	¥ 7,610,548	¥ 12,633,832	¥ -	¥ 181,432,288	¥ 90,975	¥ 90,975	¥ 181,523,263
Changes during the period							
Issuance of new investment units				42,294,085			42,294,085
Distributions from surplus	(6,854,248)	(6,854,248)		(6,854,248)			(6,854,248)
Acquisition of own investment units			(3,999,980)	(3,999,980)			(3,999,980)
Cancellation of own investment units		(3,999,980)	3,999,980	-			-
Net income	8,384,071	8,384,071		8,384,071			8,384,071
Changes other than unitholders' equity(net)					17,709	17,709	17,709
Total changes during the period	1,529,823	(2,470,157)	-	39,823,927	17,709	17,709	39,841,636
Balance as of December 31, 2018	¥ 9,140,372	¥ 10,163,675	¥ -	¥ 221,256,215	¥ 108,684	¥ 108,684	¥ 221,364,900
Changes during the period							
Distributions from surplus	(9,248,282)	(9,248,282)		(9,248,282)			(9,248,282)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(85,002)		(85,002)			(85,002)
Other distributions in excess of retained earnings		(204,006)		(204,006)			(204,006)
Net income	21,239,877	21,239,877		21,239,877			21,239,877
Changes other than unitholders' equity(net)					(21,072)	(21,072)	(21,072)
Total changes during the period	11,991,594	11,702,585	-	11,702,585	(21,072)	(21,072)	11,681,513
Balance as of June 30, 2019	¥ 21,131,966	¥ 21,866,261	¥ -	¥ 232,958,801	¥ 87,612	¥ 87,612	¥ 233,046,414

	Unitholders' equity					
	Surplus					
		Capital surplus				
Unitholders' capital	Capital surplus	Deduction of capital surplus			Capital surplus (net)	
		Allowance for temporary differences adjustment	Other deduction of capital surplus	Deduction of capital surplus		
		(in thousands of U.S dollars)				
Balance as of December 31, 2018 .....	\$ 1,958,368	\$ 58,117	\$ (429)	\$ (48,193)	\$ (48,623)	\$ 9,493
Changes during the period .....						
Distributions from surplus .....						
Distributions in excess of retained earnings from allowance for temporary differences adjustment .....			(788)		(788)	(788)
Other distributions in excess of retained earnings .....				(1,892)	(1,892)	(1,892)
Net income .....						
Changes other than unitholders' equity (net) .....						
Total changes during the period .....	-	-	(788)	(1,892)	(2,681)	(2,681)
Balance as of June 30, 2019 .....	\$ 1,958,368	\$ 58,117	\$ (1,218)	\$ (50,086)	\$ (51,304)	\$ 6,812

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Surplus		Own investment units	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus					
	(in thousands of U.S dollars)						
Balance as of December 31, 2018	\$ 84,797	\$ 94,291	\$ -	2,052,659	\$ 1,008	\$ 1,008	\$ 2,053,668
Changes during the period							
Distributions from surplus	(85,799)	(85,799)		(85,799)			(85,799)
Distributions in excess of retained earnings from allowance for temporary differences adjustment		(788)		(788)			(788)
Other distributions in excess of retained earnings		(1,892)		(1,892)			(1,892)
Net income	197,048	197,048		197,048			197,048
Changes other than unitholders' equity(net)					(195)	(195)	(195)
Total changes during the period	111,249	108,568	-	108,568	(195)	(195)	108,372
Balance as of June 30, 2019	\$ 196,047	\$ 202,859	\$ -	\$ 2,161,228	\$ 812	\$ 812	\$ 2,162,041

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

# INVINCIBLE INVESTMENT CORPORATION

## STATEMENT OF CASH FLOWS For the six months ended June 30, 2019

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 8,384,676	¥ 21,240,482	\$ 197,054
Depreciation and amortization	3,039,033	3,168,320	29,393
Loss on reduction entry of non-current assets	-	115,319	1,069
Investment unit issuance costs	186,997	-	-
Amortization of investment corporation bond issuance costs	2,625	3,506	32
Loan-related costs	407,683	310,089	2,876
Interest income	(82)	(811)	(7)
Interest expenses	564,302	599,960	5,566
<b>Changes in assets and liabilities</b>			
Foreign exchange losses (gains)	(7,261)	(23,481)	(217)
Increase (decrease) in allowance for doubtful accounts	(3)	62	0
Decrease (increase) in rental receivables	(764,772)	285,339	2,647
Decrease (increase) in deposits paid	-	96,470	894
Decrease (increase) in receivable income taxes	(23,292)	3,830	35
Decrease (increase) in consumption taxes receivable	(434,326)	434,326	4,029
Increase (decrease) in accounts payable	(32,970)	22,952	212
Increase (decrease) in consumption taxes payable	(14,902)	2,764,397	25,646
Increase (decrease) in accounts payable-other	(49,755)	40,334	374
Increase (decrease) in accrued expenses	(2,611)	118,454	1,098
Increase (decrease) in advances received	20,161	(117,053)	(1,085)
Increase (decrease) in deposits received	(75,818)	(347,981)	(3,228)
Decrease in property and equipment in trust due to sale	-	21,268,952	197,318
Decrease in leasehold rights in trust due to sale	-	7,047,749	65,384
Other, net	9,283	(617,969)	(5,733)
Subtotal	11,208,966	56,413,251	523,362
Interest income received	82	811	7
Interest expenses paid	(553,985)	(603,432)	(5,598)
Income taxes paid	(605)	(605)	(5)
Net cash provided by operating activities	10,654,458	55,810,025	517,766
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment in trust	(45,485,560)	(1,302,310)	(12,081)
Purchases of leasehold rights in trust	(3,421,194)	-	-
Repayments of tenant leasehold and security deposits in trust	(64,862)	(323,779)	(3,003)
Proceeds from tenant leasehold and security deposits in trust	49,032	61,654	571
Payments of tenant leasehold and security deposits	(19,105)	-	-
Collection of tenant leasehold and security deposits	-	896,949	8,321
Payments of TK investment	(37,534,886)	-	-
Proceeds from withdrawal of TK investment	751,060	-	-
Other, net	(12,784)	(58,789)	(545)
Net cash used in investing activities	(85,738,300)	(726,275)	(6,737)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term loans payable	1,099,000	-	-
Repayments of short-term loans payable	(2,000,000)	(1,099,000)	(10,195)
Proceeds from long-term loans payable	68,338,000	17,684,000	164,059
Repayments of long-term loans payable	(28,979,000)	(17,684,000)	(164,059)
Proceeds from issuance of investment corporation bonds	1,980,352	-	-
Payments for loan-related costs	(804,736)	(167,123)	(1,550)
Payments for Acquisition of Own investment units	(3,999,980)	-	-
Payments of distributions of earnings	(6,664,830)	(8,993,502)	(83,435)
Payments of distributions in excess of retained earnings from allowance for temporary differences adjustment	-	(85,002)	(788)
Payments of other distributions in excess of retained earnings	-	(204,006)	(1,892)
Proceeds from issuance of investment units	42,107,087	-	-
Net cash provided by (used in) financing activities	71,075,892	(10,548,635)	(97,862)
<b>Effect of exchange rate change on cash and cash equivalents</b>	-	(12)	0
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,007,949)	44,535,115	413,165
<b>Cash and cash equivalents at beginning of period</b>	15,072,553	11,064,604	102,649
<b>Cash and cash equivalents at end of period (Note 6)</b>	¥ 11,064,604	¥ 55,599,707	\$ 515,815

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

# INVINCIBLE INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and for the six months ended June 30, 2019

### 1. Organization

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2. Summary of Significant Accounting Policies

### (a) Basis of Presentation

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

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

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

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

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

### (b) Cash and Cash Equivalents

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

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

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

### (d) Property and Equipment

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

	For the six months ended
	June 30, 2019
Buildings .....	16-50
Buildings and accompanying facilities .....	5-29
Tools, furniture and fixtures .....	4-10
Buildings in trust .....	5-67
Buildings and accompanying facilities in trust .....	2-33

Structures in trust .....	3-55
Tools, furniture and fixtures in trust .....	2-19

**(e) Intangible Assets**

Amortization of a domestic term leasehold interest for business use is calculated by the straight-line method over the lease term.

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

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

**(g) Investment Unit Issuance Costs**

Investment unit issuance costs are recorded as expenses when incurred.

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

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

**(i) Allowance for Doubtful Accounts**

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

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

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

**(k) Impairment of Fixed Assets**

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

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

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

**(m) Income Taxes**

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

**(n) Consumption Taxes**

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

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

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

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

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax

liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

No taxes on property and equipment were capitalized for the six months ended June 30, 2019.

### 3. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥107.79 = US\$1, the effective rate of exchange prevailing at June 30, 2019. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended June 30, 2019 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, U.S. dollars at that or any other rate.

### 4. Allowance for temporary differences adjustment

*For the six months ended December 31, 2018*

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

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

(in thousands of yen)

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

#### 2. Method of reversal

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

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

*For the six months ended June 30, 2019*

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

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

(in thousands of yen)

Related assets, etc.	Reason for occurrence	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Leasehold rights in trust	Amortization of leasehold rights in trust	¥ (131,332)	¥ (46,329)	¥ (85,002)	-	¥ (131,332)	-

Total		¥ (131,332)	¥ (46,329)	¥ (85,002)	-	¥ (131,332)	
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(in thousands of U.S dollars)

Related assets, etc.	Reason for occurrence	Initial amount	Beginning balance	Allowance set aside during period	Reversal during period	Ending balance	Reason for reversal
Leasehold rights in trust	Amortization of leasehold rights in trust	\$ (1,218)	\$ (429)	\$ (788)	-	\$ (1,218)	-
Total		\$ (1,218)	\$ (429)	\$ (788)	-	\$ (1,218)	

## 2. Method of reversal

### (1) Leasehold rights in trust

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

## 5. Status of cancellation of own investment units

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Total number of investment units cancelled .....	81,341	-	-
Total amount cancelled .....	¥ 3,999,980	¥ -	\$ -

## 6. Cash and Cash Equivalents

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Cash and bank deposits .....	¥ 3,985,335	¥ 48,833,358	\$ 453,041
Cash and bank deposits in trust .....	7,079,268	6,766,348	62,773
Cash and cash equivalents .....	¥ 11,064,604	¥ 55,599,707	\$ 515,815

## 7. Property and Equipment

The following tables show the summary of movement in property and equipment for the six months ended June 30, 2019.

	At cost						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	(in thousands of yen)						
Buildings .....	¥ -	¥ 19,142,244	¥ -	¥ 19,142,244	¥ 62,908	¥ 62,908	¥ 19,079,335
Buildings and accompanying facilities .....	-	5,111,168	-	5,111,168	42,886	42,886	5,068,281
Tools, furniture and fixtures .....	3,192	1,066,225	-	1,069,418	14,924	14,254	1,054,494
Leasehold rights .....	-	10,637,811	-	10,637,811	-	-	10,637,811
Construction in progress .....	-	9,817	-	9,817	-	-	9,817
Buildings in trust .....	144,380,745	464,106	14,739,815	130,105,036	13,178,580	1,783,951	116,926,456



Buildings and accompanying facilities in trust .....	32,567,092	535,596	3,345,141	29,757,547	7,460,526	1,034,766	22,297,021
Structures in trust .....	228,964	5,957	7,256	227,665	94,980	6,121	132,685
Tools, furniture and fixtures in trust .....	1,690,363	174,658	48,725	1,816,296	611,887	120,088	1,204,408
Land in trust .....	203,881,464	-	4,843,676	199,037,787	-	-	199,037,787
Leasehold rights in trust .....	20,500,965	-	7,394,198	13,106,766	242,158	103,342	12,864,608
Construction in progress in trust .....	-	14,364	-	14,364	-	-	14,364
Total .....	<u>¥ 403,252,788</u>	<u>¥ 37,161,951</u>	<u>¥ 30,378,814</u>	<u>¥ 410,035,925</u>	<u>¥ 21,708,852</u>	<u>¥ 3,168,320</u>	<u>¥ 388,327,072</u>

	At cost				Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease	Ending balance			
	(in thousands of U.S dollars)						
Buildings .....	\$ -	\$ 177,588	\$ -	\$ 177,588	\$ 583	\$ 583	\$ 177,004
Buildings and accompanying facilities .....	-	47,417	-	47,417	397	397	47,019
Tools, furniture and fixtures .....	29	9,891	-	9,921	138	132	9,782
Leasehold rights .....	-	98,690	-	98,690	-	-	98,690
Construction in progress .....	-	91	-	91	-	-	91
Buildings in trust .....	1,339,463	4,305	136,745	1,207,023	122,261	16,550	1,084,761
Buildings and accompanying facilities in trust .....	302,134	4,968	31,033	276,069	69,213	9,599	206,856
Structures in trust .....	2,124	55	67	2,112	881	56	1,230
Tools, furniture and fixtures in trust .....	15,682	1,620	452	16,850	5,676	1,114	11,173
Land in trust .....	1,891,469	-	44,936	1,846,532	-	-	1,846,532
Leasehold rights in trust .....	190,193	-	68,598	121,595	2,246	958	119,348
Construction in progress in trust .....	-	133	-	133	-	-	133
Total .....	\$ 3,741,096	\$ 344,762	\$ 281,833	\$ 3,804,025	\$ 201,399	\$ 29,393	\$ 3,602,626

Increases in the net book values are mainly due to the changes of investment structure for the Cayman Islands hotels and capitalized expenditures.

## 8.Fair Value of Investment and Rental Properties

The following tables show the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended December 31, 2018 and June 30, 2019.

### Residential

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period .....	¥ 86,569,109	¥ 85,908,280	\$ 796,996
Net increase (decrease) during period .....	(660,828)	(28,986,463)	(268,916)
Balance at the end of period .....	85,908,280	56,921,817	528,080
Fair value .....	<u>¥ 102,440,000</u>	<u>¥ 72,197,000</u>	<u>\$ 669,793</u>

### Retail facilities

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period .....	¥ 4,912,468	¥ 4,866,739	\$ 45,150
Net increase (decrease) during period .....	(45,728)	(41,503)	(385)
Balance at the end of period .....	4,866,739	4,825,236	44,765
Fair value .....	<u>¥ 6,170,000</u>	<u>¥ 6,140,000</u>	<u>\$ 56,962</u>

### Hotel

As of / For the six months ended

	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 245,453,345	¥ 291,874,909	\$ 2,707,810
Net increase (decrease) during period	46,421,563	34,680,926	321,745
Balance at the end of period	291,874,909	326,555,836	3,029,555
Fair value	¥ 354,366,000	¥ 393,926,158	\$ 3,654,570

Total

	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Net book value			
Balance at the beginning of period	¥ 336,934,923	¥ 382,649,930	\$ 3,549,957
Net increase (decrease) during period	45,715,006	5,652,960	52,444
Balance at the end of period	382,649,930	388,302,890	3,602,401
Fair value	¥ 462,580,000	¥ 472,263,158	\$ 4,381,326

Notes:

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

2.For rental revenues and expenses for the six months ended December 31, 2018 and June 30, 2019, please refer to "Note 13: Rent Revenues—Real Estate and Expenses Related to Property Rental Business"

## 9.Investment corporation bonds

The following table shows the details of investment corporation bonds for the six months ended June 30, 2019.

For the six months ended June 30, 2019

	Beginning balance	Ending balance	Beginning balance	Ending balance	Interest rate (%)
	(in thousands of yen)		(in thousands of U.S. dollars)		
1st unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2023)(1)(2)	1,000,000	1,000,000	9,277	9,277	0.400
2nd unsecured investment corporation bond (Issued on May 25, 2018 and due on May 25, 2028) (1)(2)	1,000,000	1,000,000	9,277	9,277	0.800
3rd unsecured investment corporation bond (Issued on October 12, 2018 and due on October 12, 2023) (1)(3)	2,000,000	2,000,000	18,554	18,554	0.550
Total investment corporation bonds	4,000,000	4,000,000	37,109	37,109	

Notes:

- The bonds were issued with pari passu conditions among specified investment corporation bonds.
- The funds are mainly used to acquire properties in trust.
- The funds are mainly used to repay existing borrowing.
- Repayment schedule of investment corporation bonds for the next five years after each balance sheet date are as follows:

	As of	
	June 30, 2019	June 30, 2019
	(in thousands of yen)	(in thousands of U.S. dollars)
Within 1 year	¥ -	\$ -
1-2 years	-	-
2-3 years	-	-
3-4 years	1,000,000	9,277

4-5 years.....

2,000,000

18,554

## 10. Loans Payable

The following table shows the details of loans payable for the six months ended June 30, 2019.

For the six months ended June 30, 2019

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Short-term loans payable	Mizuho Bank, Ltd.	366,500	-	366,500	-	3,400	-	3,400	-	0.269	02-Aug-19	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	366,500	-	366,500	-	3,400	-	3,400	-	0.269	02-Aug-19		
	MUFG Bank, Ltd.	366,000	-	366,000	-	3,395	-	3,395	-	0.269	02-Aug-19		
	Total Short-term loans payable	1,099,000	-	1,099,000	-	10,195	-	10,195	-				
Long-term loans payable	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.480	16-Jul-19		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,893	-	-	30,893	0.480	16-Jul-19		
	Citibank, N.A., Japan Branches	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.480	16-Jul-19		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,770	-	-	24,770	0.480	16-Jul-19		
	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,385	-	-	12,385	0.480	16-Jul-19		
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,197	-	-	6,197	0.480	16-Jul-19		
	Mizuho Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	MUFG Bank, Ltd.	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	Sumitomo Mitsui Banking Corporation	5,992,000	-	-	5,992,000	55,589	-	-	55,589	0.590	16-Jul-20		
	Shinsei Bank, Limited.	3,330,000	-	-	3,330,000	30,893	-	-	30,893	0.590	16-Jul-20		
	Citibank, N.A., Japan Branches	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.590	16-Jul-20		
	Sumitomo Mitsui Trust Bank, Limited	2,670,000	-	-	2,670,000	24,770	-	-	24,770	0.590	16-Jul-20		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Resona Bank, Limited.	1,335,000	-	-	1,335,000	12,385	-	-	12,385	0.590	16-Jul-20	(2)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	668,000	-	-	668,000	6,197	-	-	6,197	0.590	16-Jul-20		
	Mizuho Bank, Ltd.	3,682,000	-	-	3,682,000	34,159	-	-	34,159	0.480	28-Aug-19		
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	3,400,000	-	31,542	-	31,542	-	0.343	22-Jan-19		
	MUFG Bank, Ltd.	850,000	-	850,000	-	7,885	-	7,885	-	0.343	22-Jan-19		
	Sumitomo Mitsui Trust Bank, Limited	3,400,000	-	-	3,400,000	31,542	-	-	31,542	0.600	22-Jan-21		
	MUFG Bank, Ltd.	850,000	-	-	850,000	7,885	-	-	7,885	0.600	22-Jan-21		
	Mizuho Bank, Ltd.	465,000	-	465,000	-	4,313	-	4,313	-	0.461	30-Mar-19		
	MUFG Bank, Ltd.	1,125,000	-	1,125,000	-	10,436	-	10,436	-	0.461	30-Mar-19		
	Sumitomo Mitsui Trust Bank, Limited	2,181,000	-	2,181,000	-	20,233	-	20,233	-	0.461	30-Mar-19		
	Shinsei Bank, Limited.	570,000	-	570,000	-	5,288	-	5,288	-	0.461	30-Mar-19		
	Resona Bank, Limited.	570,000	-	570,000	-	5,288	-	5,288	-	0.461	30-Mar-19		
	MUFG Bank, Ltd.	650,000	-	650,000	-	6,030	-	6,030	-	0.461	30-Mar-19		
	Japan Post Bank Co., Ltd.	2,000,000	-	2,000,000	-	18,554	-	18,554	-	0.461	30-Mar-19		
	Development Bank of Japan Inc.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.461	30-Mar-19		
	The Bank of Fukuoka, Ltd.	333,000	-	333,000	-	3,089	-	3,089	-	0.461	30-Mar-19		
	The Shizuoka Bank, Ltd.	1,270,000	-	1,270,000	-	11,782	-	11,782	-	0.461	30-Mar-19		
	The Daiichi Bank, Ltd.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.461	30-Mar-19		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	270,000	-	2,504	-	2,504	-	0.461	30-Mar-19		
	Mizuho Bank, Ltd.	965,000	-	-	965,000	8,952	-	-	8,952	0.569	30-Mar-20		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,436	-	-	10,436	0.569	30-Mar-20	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	20,224	-	-	20,224	0.569	30-Mar-20		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.569	30-Mar-20		
	Resona Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.569	30-Mar-20		
	MUFG Bank, Ltd.	650,000	-	-	650,000	6,080	-	-	6,080	0.569	30-Mar-20		
	Japan Post Bank Co., Ltd.	2,000,000	-	-	2,000,000	18,554	-	-	18,554	0.569	30-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	30-Mar-20		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.569	30-Mar-20		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.569	30-Mar-20		
	The Hyogo Bank, Ltd.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	30-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.569	30-Mar-20		
	Mizuho Bank, Ltd.	1,965,000	-	-	1,965,000	18,229	-	-	18,229	0.669	30-Mar-21		
	MUFG Bank, Ltd.	1,125,000	-	-	1,125,000	10,436	-	-	10,436	0.669	30-Mar-21		
	Sumitomo Mitsui Trust Bank, Limited	2,180,000	-	-	2,180,000	20,224	-	-	20,224	0.669	30-Mar-21		
	Shinsei Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.669	30-Mar-21		
	Resona Bank, Limited.	570,000	-	-	570,000	5,288	-	-	5,288	0.669	30-Mar-21		
	MUFG Bank, Ltd.	650,000	-	-	650,000	6,080	-	-	6,080	0.669	30-Mar-21		
	The Bank of Fukuoka, Ltd.	1,333,000	-	-	1,333,000	12,366	-	-	12,366	0.669	30-Mar-21		
	The Shizuoka Bank, Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.669	30-Mar-21		
	The Kagawa Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.669	30-Mar-21		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	The Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.669	30-Mar-21	(2)	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	270,000	-	-	270,000	2,504	-	-	2,504	0.669	30-Mar-21		
	Citibank, N.A., Japan Branches	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.469	15-Jun-19		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	15-Jun-20		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.669	15-Jun-21		
	Development Bank of Japan Inc.	1,000,000	-	1,000,000	-	9,277	-	9,277	-	0.469	30-Jun-19		
	AEON Bank, Ltd.	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.669	30-Jun-21		
	The Tokyo Star Bank, Limited	700,000	-	-	700,000	6,494	-	-	6,494	0.469	20-Jul-19		
	The Tokyo Star Bank, Limited	1,600,000	-	-	1,600,000	14,843	-	-	14,843	0.569	20-Jul-20		
	The Tokyo Star Bank, Limited	1,700,000	-	-	1,700,000	15,771	-	-	15,771	0.669	20-Jul-21		
	Mizuho Bank, Ltd.	634,000	-	-	634,000	5,881	-	-	5,881	0.469	14-Mar-20		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	14-Mar-20		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	14-Mar-20		
	The Toyou Bank, Ltd.	252,000	-	-	252,000	2,337	-	-	2,337	0.469	14-Mar-20		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.469	14-Mar-20		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.469	14-Mar-20		
	Mizuho Bank, Ltd.	1,633,000	-	-	1,633,000	15,149	-	-	15,149	0.569	14-Mar-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	14-Mar-21		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	14-Mar-21	(2)	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	14-Mar-21		
	The Tokai Bank, Ltd.	253,000	-	-	253,000	2,347	-	-	2,347	0.569	14-Mar-21		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.569	14-Mar-21		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.569	14-Mar-21		
	Mizuho Bank, Ltd.	1,733,000	-	-	1,733,000	16,077	-	-	16,077	0.669	14-Mar-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	The Bank of Fukuoka, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	The Nomura Trust and Banking Co., Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	14-Mar-22		
	AEON Bank, Ltd.	900,000	-	-	900,000	8,349	-	-	8,349	0.669	14-Mar-22		
	The Tokai Bank, Ltd.	253,000	-	-	253,000	2,347	-	-	2,347	0.669	14-Mar-22		
	The Shizuoka Bank, Ltd.	200,000	-	-	200,000	1,855	-	-	1,855	0.669	14-Mar-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	14-Mar-22		
	The Gunma Bank, Ltd.	165,000	-	-	165,000	1,530	-	-	1,530	0.669	14-Mar-22		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.519	14-Sep-20		
	Mizuho Bank, Ltd.	4,321,000	-	-	4,321,000	40,087	-	-	40,087	0.619	29-Nov-21		
	The Dai-ichi Life Insurance company, Limited	3,000,000	-	-	3,000,000	27,831	-	-	27,831	0.619	29-Nov-21		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.369	13-Oct-20		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.369	13-Oct-20		
	Resona Bank, Limited.	334,000	-	-	334,000	3,098	-	-	3,098	0.369	13-Oct-20		



Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.369	13-Oct-20	(2)	Unsecured and unguaranteed
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.369	13-Oct-20		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.369	13-Oct-20		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.369	13-Oct-20		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.469	13-Oct-21		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.469	13-Oct-21		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.469	13-Oct-21		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.469	13-Oct-21		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.469	13-Oct-21		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	13-Oct-21		
	The Hiroshima Bank, Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	13-Oct-21		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Shinsei Bank, Limited.	355,000	-	-	355,000	3,293	-	-	3,293	0.669	13-Oct-22		
	Citibank, N.A., Japan Branches	355,000	-	-	355,000	3,293	-	-	3,293	0.669	13-Oct-22		
	Resona Bank, Limited.	333,000	-	-	333,000	3,089	-	-	3,089	0.669	13-Oct-22		
	Development Bank of Japan Inc.	1,500,000	-	-	1,500,000	13,915	-	-	13,915	0.669	13-Oct-22		
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000	2,783	-	-	2,783	0.669	13-Oct-22		
	AEON Bank, Ltd.	190,000	-	-	190,000	1,762	-	-	1,762	0.669	13-Oct-22		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	The Nomura Trust and Banking Co., Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.669	13-Oct-22	(2)	Unsecured and unguaranteed
	The Hiroshima Bank, Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.669	13-Oct-22		
	The Dai-ichi Life Insurance company, Limited	500,000	-	-	500,000	4,638	-	-	4,638	0.669	13-Oct-22		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.769	13-Oct-23		
	Sumitomo Mitsui Trust Bank, Limited	1,065,000	-	-	1,065,000	9,880	-	-	9,880	0.769	13-Oct-23		
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.769	13-Oct-23		
	Mizuho Bank, Ltd.	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.869	11-Oct-24		
	Sumitomo Mitsui Trust Bank, Limited	1,060,000	-	-	1,060,000	9,833	-	-	9,833	0.869	11-Oct-24		
	Sumitomo Mitsui Banking Corporation	1,250,000	-	-	1,250,000	11,596	-	-	11,596	0.869	11-Oct-24		
	Mizuho Bank, Ltd.	1,850,000	-	-	1,850,000	17,163	-	-	17,163	0.319	13-Oct-19		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	17,163	-	-	17,163	0.319	13-Oct-19		
	Shinsei Bank, Limited.	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.750	27-Jun-23		
	MUFG Bank, Ltd.	500,000	-	-	500,000	4,638	-	-	4,638	0.750	27-Jun-23		
	Mizuho Bank, Ltd.	2,442,000	-	-	2,442,000	22,655	-	-	22,655	0.369	17-Jul-21		
	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.369	17-Jul-21		
	Sumitomo Mitsui Banking Corporation	1,998,000	-	-	1,998,000	18,536	-	-	18,536	0.369	17-Jul-21		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.369	17-Jul-21		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.369	17-Jul-21		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.369	17-Jul-21		
	Mizuho Bank, Ltd.	2,443,000	-	-	2,443,000	22,664	-	-	22,664	0.469	17-Jul-22		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.469	17-Jul-22	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,997,000	-	-	1,997,000	18,526	-	-	18,526	0.469	17-Jul-22		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.469	17-Jul-22		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	17-Jul-22		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.469	17-Jul-22		
	Mizuho Bank, Ltd.	2,442,000	-	-	2,442,000	22,655	-	-	22,655	0.569	14-Jul-23		
	MUFG Bank, Ltd.	2,220,000	-	-	2,220,000	20,595	-	-	20,595	0.569	14-Jul-23		
	Sumitomo Mitsui Banking Corporation	1,997,000	-	-	1,997,000	18,526	-	-	18,526	0.569	14-Jul-23		
	Shinsei Bank, Limited.	1,110,000	-	-	1,110,000	10,297	-	-	10,297	0.569	14-Jul-23		
	Citibank, N.A., Japan Branches	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	14-Jul-23		
	Sumitomo Mitsui Trust Bank, Limited	890,000	-	-	890,000	8,256	-	-	8,256	0.569	14-Jul-23		
	Mizuho Bank, Ltd.	766,000	-	-	766,000	7,106	-	-	7,106	0.369	02-Aug-21		
	Sumitomo Mitsui Banking Corporation	766,000	-	-	766,000	7,106	-	-	7,106	0.369	02-Aug-21		
	MUFG Bank, Ltd.	467,000	-	-	467,000	4,332	-	-	4,332	0.369	02-Aug-21		
	Shinsei Bank, Limited.	150,000	-	-	150,000	1,391	-	-	1,391	0.369	02-Aug-21		
	Citibank, N.A., Japan Branches	120,000	-	-	120,000	1,113	-	-	1,113	0.369	02-Aug-21		
	The Nomura Trust and Banking Co., Ltd.	30,000	-	-	30,000	278	-	-	278	0.369	02-Aug-21		
	AEON Bank, Ltd.	60,000	-	-	60,000	556	-	-	556	0.369	02-Aug-21		
	Mizuho Bank, Ltd.	2,521,500	-	-	2,521,500	23,392	-	-	23,392	0.369	26-Sep-21		
Sumitomo Mitsui Banking Corporation	2,521,500	-	-	2,521,500	23,392	-	-	23,392	0.369	26-Sep-21			

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd.	2,133,000	-	-	2,133,000	19,788	-	-	19,788	0.369	26-Sep-21	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.369	26-Sep-21		
	Shinsei Bank, Limited.	684,000	-	-	684,000	6,345	-	-	6,345	0.369	26-Sep-21		
	Citibank, N.A., Japan Branches	546,000	-	-	546,000	5,065	-	-	5,065	0.369	26-Sep-21		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.369	26-Sep-21		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.369	26-Sep-21		
	The Nomura Trust and Banking Co., Ltd.	137,000	-	-	137,000	1,270	-	-	1,270	0.369	26-Sep-21		
	AEON Bank, Ltd.	273,000	-	-	273,000	2,532	-	-	2,532	0.369	26-Sep-21		
	Mizuho Bank, Ltd.	3,287,000	-	-	3,287,000	30,494	-	-	30,494	0.469	26-Sep-22		
	Sumitomo Mitsui Banking Corporation	3,287,000	-	-	3,287,000	30,494	-	-	30,494	0.469	26-Sep-22		
	MUFG Bank, Ltd.	2,600,000	-	-	2,600,000	24,120	-	-	24,120	0.469	26-Sep-22		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.469	26-Sep-22		
	Shinsei Bank, Limited.	833,000	-	-	833,000	7,727	-	-	7,727	0.469	26-Sep-22		
	Citibank, N.A., Japan Branches	667,000	-	-	667,000	6,187	-	-	6,187	0.469	26-Sep-22		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.469	26-Sep-22		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.469	26-Sep-22		
	The Nomura Trust and Banking Co., Ltd.	167,000	-	-	167,000	1,549	-	-	1,549	0.469	26-Sep-22		
	AEON Bank, Ltd.	334,000	-	-	334,000	3,098	-	-	3,098	0.469	26-Sep-22		
	Mizuho Bank, Ltd.	3,287,500	-	-	3,287,500	30,499	-	-	30,499	0.569	26-Sep-23		
	Sumitomo Mitsui Banking Corporation	3,287,500	-	-	3,287,500	30,499	-	-	30,499	0.569	26-Sep-23		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	MUFG Bank, Ltd.	2,600,000	-	-	2,600,000	24,120	-	-	24,120	0.569	26-Sep-23	(2)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	9,277	-	-	9,277	0.569	26-Sep-23		
	Shinsei Bank, Limited.	833,000	-	-	833,000	7,727	-	-	7,727	0.569	26-Sep-23		
	Citibank, N.A., Japan Branches	667,000	-	-	667,000	6,187	-	-	6,187	0.569	26-Sep-23		
	Development Bank of Japan Inc.	500,000	-	-	500,000	4,638	-	-	4,638	0.569	26-Sep-23		
	Resona Bank, Limited.	445,000	-	-	445,000	4,128	-	-	4,128	0.569	26-Sep-23		
	The Nomura Trust and Banking Co., Ltd.	166,000	-	-	166,000	1,540	-	-	1,540	0.569	26-Sep-23		
	AEON Bank, Ltd.	333,000	-	-	333,000	3,089	-	-	3,089	0.569	26-Sep-23		
	MUFG Bank, Ltd.	-	850,000	-	850,000	-	7,885	-	7,885	0.373	22-Jan-22		
	Sumitomo Mitsui Trust Bank, Limited	-	3,400,000	-	3,400,000	-	31,542	-	31,542	0.373	22-Jan-22		
	Mizuho Bank, Ltd.	-	386,000	-	386,000	-	3,581	-	3,581	0.361	29-Mar-22		
	MUFG Bank, Ltd.	-	1,275,000	-	1,275,000	-	11,828	-	11,828	0.361	29-Mar-22		
	Sumitomo Mitsui Trust Bank, Limited	-	2,100,000	-	2,100,000	-	19,482	-	19,482	0.361	29-Mar-22		
	Shinsei Bank, Limited.	-	500,000	-	500,000	-	4,638	-	4,638	0.361	29-Mar-22		
	Resona Bank, Limited.	-	500,000	-	500,000	-	4,638	-	4,638	0.361	29-Mar-22		
	Development Bank of Japan Inc.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.361	29-Mar-22		
	The Bank of Fukuoka, Ltd.	-	333,000	-	333,000	-	3,089	-	3,089	0.361	29-Mar-22		
	The Shizuoka Bank, Ltd.	-	1,270,000	-	1,270,000	-	11,782	-	11,782	0.361	29-Mar-22		
	The Nomura Trust and Banking Co., Ltd.	-	270,000	-	270,000	-	2,504	-	2,504	0.361	29-Mar-22		
	The Sengshu Ikeda Bank, Ltd.	-	300,000	-	300,000	-	2,783	-	2,783	0.361	29-Mar-22		

Classification	Name of lender	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (%) (1)	Maturity date	Use of proceeds	Remarks
		(in thousands of yen)				(in thousands of U.S. dollars)							
Long-term loans payable	Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.594	29-Mar-24	(2)	Unsecured and unguaranteed
	THE NISHI-NIPPON CITY BANK, LTD.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.594	29-Mar-24		
	The Tohoku Bank, Ltd.	-	500,000	-	500,000	-	4,638	-	4,638	0.594	29-Mar-24		
	Kiriboshi Bank, Ltd.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.869	29-Mar-29		
	Citibank, N.A., Japan Branches	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.340	17-Jun-22		
	Development Bank of Japan Inc.	-	1,000,000	-	1,000,000	-	9,277	-	9,277	0.334	17-Jun-22		
	Total long-term loans payable	224,774,000	17,684,000	17,684,000	224,774,000	2,085,295	164,059	164,059	2,085,295				
Total loans payable		225,873,000	17,684,000	18,783,000	224,774,000	2,095,491	164,059	174,255	2,085,295				

Notes:

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

As of			
		June 30, 2019	June 30, 2019
		(in thousands of yen)	(in thousands of U.S. dollars)
1-2 years	¥	57,380,000	\$ 532,331
2-3 years		52,602,000	488,004
3-4 years		29,645,000	275,025
4-5 years		28,843,000	267,585

## 11. Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new investment units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50,000 thousand (US\$463 thousand) as required by Article 67-4 of the Investment Trust Act.

The number of investment units authorized was 10,000,000 units as of December 31, 2018 and June 30, 2019.

The number of investment units issued and outstanding were 5,666,840 as of December 31, 2018 and June 30, 2019 respectively.

## 12. Appropriation of Retained Earnings

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

The following table shows the appropriation of retained earnings for the six months ended December 31, 2018 and June 30, 2019.

For the six months ended		
December 31,	June 30,	June 30,

	2018	2019	2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Unappropriated retained earnings .....	¥ 9,140,372	¥ 21,131,966	\$ 196,047
Reversal of allowance for temporary differences adjustment .....	-	(125,201)	(1,161)
Distributions in excess of retained earnings .....			
Allowance for temporary differences adjustment .....	(85,002)	-	-
Deduction from unitholders capital surplus .....	(204,006)	-	-
Distributions .....	(9,537,291)	(9,384,287)	(87,060)
Of which, distributions of earnings .....	(9,248,282)	(9,384,287)	(87,060)
Of which, allowance for adjustment of temporary differences .....	(85,002)	-	-
Of which, deduction from unitholders capital surplus .....	(204,006)	-	-
Retained earnings / losses carried forward .....	¥ (107,910)	¥ 11,622,477	\$ 107,825

The distribution in respect of the six months ended June 30, 2019 of ¥1,656 (US\$15.3) per investment unit, amounting to a total distribution of ¥9,384,287 thousand (US\$87,060 thousand) was proposed and approved at the Board of Directors meeting on August 22, 2019. These financial statements do not reflect these distributions payable.

Cash distributions per investment unit were ¥1,683 and ¥1,656 (US\$15.3) for the six months ended December 31, 2018, and June 30, 2019, respectively.

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

*For the six months ended December 31, 2018*

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

(a) Reasons, related assets and allowance

(in thousands of yen)

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

(b) Method of reversal

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

*For the six months ended June 30, 2019*

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

(c) Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason for reversal	Allowance for temporary difference adjustments
Leasehold rights in trust	Sale of leasehold in trust	(125,201)

(in thousands of U.S. dollars)

Related assets, etc.	Reason for reversal	Allowance for temporary difference adjustments
Leasehold rights in trust	Sale of leasehold in trust	(1,161)

(d) Method of reversal

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

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

Rent revenue – real estate and expenses related to property rental business for the six months ended December 31, 2018 and June 30, 2019 consist of the following:

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Rental revenue – real estate:			
Rental revenue and common area charges (*)	¥ 13,258,939	¥ 11,795,812	\$ 109,433
Other	345,284	357,587	3,317
Total rental revenue – real estate	¥ 13,604,224	¥ 12,153,399	\$ 112,750
Expenses related to property rental business:			
Facility management fees	¥ 667,393	¥ 662,160	\$ 6,143
Property related taxes	547,232	565,715	5,248
Insurance expense	13,817	13,723	127
Depreciation	3,039,033	3,048,495	28,281
Other	183,199	200,561	1,860
Total expenses related to property rental business	¥ 4,450,676	¥ 4,490,658	\$ 41,661
Operating income from property leasing activities	¥ 9,153,548	¥ 7,662,741	\$ 71,089
(*)Variable rental revenue of hotels	¥ 4,953,767	¥ 4,304,181	\$ 39,931

### 14. Management Contract Revenue

	For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Management contract revenue:			
Hotel management revenue	¥ -	¥ 1,406,749	\$ 13,050
Hotel management expenses	-	826,160	7,664
Management contract revenue	¥ -	¥ 580,588	\$ 5,386
Management contract expenses:			
Management fee	¥ -	¥ 3,490	\$ 32
Insurance expense	-	36,279	336
Depreciation	-	119,824	1,111
Other	-	4,782	44
Total management contract expenses	¥ -	¥ 164,376	\$ 1,524
Operating income from management contract	¥ -	¥ 416,211	\$ 3,861

### 15. Breakdown of Gain on sales of Properties

For the six months ended December 31, 2018

Not Applicable.

For the six months ended June 30, 2019

	Royal Parks Tower Minami-Senju	
	Spacia Ebisu	
	(in thousands of yen)	
Revenue from sales of properties	¥ 12,209,814	¥ 27,745,250
Cost of properties sold	6,422,775	21,923,169
Other sale-related costs	153,225	337,910
Gain or loss on sales of properties	¥ 5,633,813	¥ 5,484,169



	Spacia Ebisu	Royal Parks Tower Minami-Senju
	(in thousands of U.S. dollars)	
Revenue from sales of properties .....	\$ 113,274	\$ 257,400
Cost of properties sold .....	59,586	203,387
Other sale-related costs .....	1,421	3,134
Gain or loss on sales of properties .....	\$ 52,266	\$ 50,878

## 16. Income Taxes

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

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

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

	For the six months ended	
	December 31, 2018	June 30, 2019
	(Rate)	
Statutory tax rates .....	31.51 %	31.51 %
Deductible cash distributions .....	(31.84)	0.00
Increase (decrease) in valuation allowance .....	(0.35)	(31.58)
Change of tax rates .....	0.00	(0.05)
Other .....	0.69	0.12
Effective tax rates .....	0.01 %	0.00 %

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	¥ 1,294	¥ 1,294	\$ 12
Allowance for doubtful accounts .....	27	46	0
Buildings and other (merger) .....	549,474	428,965	3,979
Land (merger) .....	1,367,722	786,792	7,299
Net loss carried forward(*1) .....	7,153,149	747,198	6,931
Asset retirement obligations .....	10,142	10,168	94
Fixed-term leasehold .....	153,295	76,182	706
Adjustment of acquisition price (Overseas properties)	-	477,213	4,427
Subtotal - deferred tax assets .....	9,235,105	2,527,862	23,451
Valuation allowance for tax loss carried forward	(7,153,149)	(747,198)	(6,931)
Valuation allowance for the sum of deductible temporary differences	(2,037,871)	(1,743,389)	(16,173)
Subtotal - valuation allowance(*2) .....	(9,191,020)	(2,490,588)	(23,105)
Total - deferred tax assets .....	44,084	37,274	345
Deferred tax liabilities:			
Asset retirement obligations .....	9,751	9,711	90
Deferred gains or losses on hedges .....	34,333	27,562	255
Total - deferred tax liabilities .....	44,084	37,274	345

Net deferred tax assets .....	¥	-	¥	-	\$	-
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(\*1)The amounts of tax loss carried forward and the deferred tax assets are indicated by carry-forward period.

For the six month ended December 31, 2018

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

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

For the six month ended June 30, 2019

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(in thousands of yen)						
Tax loss carried forward (a)	-	78,982	-	668,215	-	-	747,198
Valuation allowance .....	-	(78,982)	-	(668,215)	-	-	(747,198)
Deferred tax assets .....	-	-	-	-	-	-	-

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	(in thousands of U.S. dollars)						
Tax loss carried forward (a)	-	732	-	6,199	-	-	6,931
Valuation allowance .....	-	(732)	-	(6,199)	-	-	(6,931)
Deferred tax assets .....	-	-	-	-	-	-	-

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

(\*2)Valuation allowance decreased ¥6,700,432 thousand (US\$62,161 thousand).This main reason is the offset of the tax loss carried forward.

## 17. Leases

### (a) Lease rental revenues

The future minimum rental revenues pursuant to existing rental contracts as of December 31, 2018 and June 30, 2019 scheduled to be received are summarized as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Due within one year .....	¥ 9,754,753	¥ 9,754,753	\$ 90,497
Due over one year .....	63,134,893	58,695,396	544,534
Total .....	¥ 72,889,647	¥ 68,450,150	\$ 635,032

### (b) Lease rental expenses

The future minimum rental expenses pursuant to existing rental contracts as of December 31, 2018 and June 30, 2019 scheduled to be paid are summarized as follows:

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of

			U.S. dollars)
Due within one year	¥ 312,959	¥ 268,487	\$ 2,490
Due over one year	9,934,076	7,824,534	72,590
Total	¥ 10,247,035	¥ 8,093,022	\$ 75,081

## 18. Financial Instruments

### (a) Qualitative information for financial instruments

#### (i) Policy for financial instrument transactions

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

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

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

#### (iii) Supplemental information for financial instruments

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

### (b) Quantitative information for financial instruments

The following table shows the carrying amounts, fair values and valuation differences of financial instruments for which fair value is available as of December 31, 2018 and June 30, 2019.

	As of								
	December 31, 2018			June 30, 2019			June 30, 2019		
	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference	Carrying amounts	Fair value	Difference
	(in thousands of yen)						(in thousands of U.S. dollars)		
Assets:									
Current:									
(1) Cash and bank deposits .....	¥ 3,985,335	¥ 3,985,335	¥ -	¥ 48,833,358	¥ 48,833,358	¥ -	\$ 453,041	\$ 453,041	\$ -
(2) Cash and bank deposits in trust. ....	7,079,268	7,079,268	-	6,766,348	6,766,348	-	62,773	62,773	-
Total assets .....	¥ 11,064,604	¥ 11,064,604	¥ -	¥ 55,599,707	¥ 55,599,707	¥ -	\$ 515,815	\$ 515,815	\$ -
Liabilities:									
(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	-	51,744,000	51,744,000	-	480,044	480,044	-
(5) Investment corporation bonds .....	4,000,000	3,996,500	(3,500)	4,000,000	4,005,300	5,300	37,109	37,158	49
(6) Long-term loans payable .....	170,029,000	170,029,000	-	173,030,000	173,030,000	-	1,605,250	1,605,250	-
Total liabilities .....	¥ 229,873,000	¥ 229,869,500	¥ (3,500)	¥ 228,774,000	¥ 228,779,300	¥ 5,300	\$ 2,122,404	\$ 2,122,453	\$ 49
(7) Derivatives .....	¥ 124,029	¥ 124,029	¥ -	¥ 179,861	¥ 179,861	¥ -	\$ 1,668	\$ 1,668	\$ -

#### Notes

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

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

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

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

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

(5) Investment corporation bonds

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

(7) Derivatives

Please refer to the "20. Derivatives" below.

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

	As of		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Tenant leasehold and security deposits in trust	¥ 2,009,816	¥ 1,746,941	\$ 16,206
Investment securities	¥ 54,640,213	¥ 17,856,387	\$ 165,659

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

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

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of December 31, 2018:						
Cash and bank deposits	¥ 3,985,335	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	7,079,268	-	-	-	-	-
Total	¥ 11,064,604	¥ -	¥ -	¥ -	¥ -	¥ -

As of June 30, 2019:						
Cash and bank deposits	¥ 48,833,358	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and bank deposits in trust	6,766,348	-	-	-	-	-
Total	¥ 55,599,707	¥ -	¥ -	¥ -	¥ -	¥ -

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of June 30, 2019:						
Cash and bank deposits	\$ 453,041	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and bank deposits in trust	62,773	-	-	-	-	-
Total	\$ 515,815	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of yen)					
As of December 31, 2018:						
Short-term loans payable	1,099,000	-	-	-	-	-
Current portion of long-term loans payable	54,745,000	-	-	-	-	-
Investment corporation bonds	-	-	-	-	3,000,000	1,000,000
Long-term loans payable	-	50,130,000	55,601,000	32,895,000	27,843,000	3,560,000
Total	¥ 55,844,000	¥ 50,130,000	¥ 55,601,000	¥ 32,895,000	¥ 30,843,000	¥ 4,560,000
As of June 30, 2019:						
Short-term loans payable	-	-	-	-	-	-
Current portion of long-term loans payable	51,744,000	-	-	-	-	-
Investment corporation bonds	-	-	-	1,000,000	2,000,000	1,000,000
Long-term loans payable	-	57,380,000	52,602,000	29,645,000	28,843,000	4,560,000
Total	¥ 51,744,000	¥ 57,380,000	¥ 52,602,000	¥ 30,645,000	¥ 30,843,000	¥ 5,560,000

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars)					
As of June 30, 2019:						
Short-term loans payable .....	-	-	-	-	-	-
Current portion of long-term loans payable ...	480,044	-	-	-	-	-
Investment corporation bonds .....	-	-	-	9,277	18,554	9,277
Long-term loans payable .....	-	532,331	488,004	275,025	267,585	42,304
Total .....	\$ 480,044	\$ 532,331	\$ 488,004	\$ 284,302	\$ 286,139	\$ 51,581

## 19. Investment securities

As of December 31, 2018

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

As of June 30, 2019

Fair values of preferred securities recorded on the Balance Sheet at ¥17,856,387 thousand (US\$165,659 thousand) are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

## 20. Derivatives

Information on derivative transactions undertaken by the Company as of December 31, 2018 and June 30, 2019 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of December 31, 2018:

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount(*1)		
			Total	Over 1 year	Fair Value (*2)
			(in thousands of yen)		
Principle accounting method	Interest rate swap transaction floating rate receivable and Fixed rate payable	Long-term borrowings	¥ 71,640,000	¥ 34,729,000	¥ 48,781
	Currency options Sell – USD Call (Option premium)	Future transactions denominated in a foreign currency	¥ 4,444,000	¥ 1,903,000	¥
			¥ (124,943)	¥ (53,157)	¥ (87,318)
	Currency options Buy – USD Put Option premium		¥ 4,444,000	¥ 1,903,000	¥
			¥ 140,288	¥ 88,792	¥ 162,566

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

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

As of June 30, 2019:

Contract amount(*1)	Contract amount(*1)
---------------------	---------------------

Method of hedge accounting	Type of derivative transaction	Main hedged item	Total	Over 1 year	Fair Value (*2)	Total	Over 1 year	Fair Value (*2)
			(in thousands of yen)			(in thousands of U.S. dollars)		
Principle accounting method	Interest rate swap transaction	Long-term borrowings						
	floating rate receivable and Fixed rate payable		¥ 84,074,000	¥ 51,413,000	¥ (19,845)	\$ 779,979	\$ 476,973	\$ (184)
	Currency options Sell – USD Call (Option premium)	Future transactions denominated in a foreign currency	¥ 5,134,140	¥ 1,933,140	¥	\$ 47,630	\$ 17,934	\$
			¥ (133,171)	¥ (42,806)	¥ (33,916)	\$ (1,235)	\$ (397)	\$ (314)
	Currency options Buy – USD Put Option premium		¥ 5,134,140	¥ 1,933,140	¥	\$ 47,630	\$ 17,934	\$
			¥ 225,420	¥ 102,873	¥ 233,622	\$ 2,091	\$ 954	\$ 2,167

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

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

## 21. Asset Retirement Obligations

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

Movements of asset retirement obligations for the six month ended December 31, 2018 and June 30, 2019 are as follows.

	For the six month ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of U.S. dollars)
Balance at the beginning of the period	¥ 31,891	¥ 32,107	\$ 297
Liabilities incurred due to the acquisition of properties	-	-	-
Accretion expense	215	213	1
Balance at the end of the period	¥ 32,107	¥ 32,321	\$ 299

## 22. Segment Information

Segment information for the six months ended December 31, 2018 and June 30, 2019 is as follows:

### (a) Operating Segment Information

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

### (b) Enterprise-wide Disclosures

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

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

#### (ii) Information about Geographic Areas

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

For the six months ended December 31, 2018

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

For the six months ended June 30, 2019

(in thousands of yen)

<i>Japan</i>	<i>Grand Cayman</i>	<i>Total</i>
24,098,860	3,240,809	27,339,670

(in thousands of U.S. dollars)

<i>Japan</i>	<i>Grand Cayman</i>	<i>Total</i>
223,572	30,065	253,638

(2) Tangible Fixed Assets:

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

**(c) Information about Major Customers**

Information about major clients for the six-month periods ended December 31, 2018 and June 30, 2019 were as follows:

For the six months ended December 31, 2018

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

For the six months ended June 30, 2019

<i>Name of client</i>	<i>Operating Revenues (in thousands of yen)</i>	<i>Operating Revenues (in thousands of U.S. dollars)</i>	<i>Related segment</i>
<i>Mystays Hotel Management Co., Ltd.</i>	<i>¥6,581,126</i>	<i>\$61,055</i>	<i>Real estate investing business</i>
<i>Undisclosed (1)</i>	<i>¥5,633,813</i>	<i>\$52,266</i>	<i>Real estate investing business</i>
<i>Undisclosed (2)</i>	<i>¥5,484,169</i>	<i>\$50,878</i>	<i>Real estate investing business</i>

Notes

(1) The name of the client (an affiliate of a foreign real estate fund) is not disclosed, as the client's consent has not been obtained for disclosure. The client is not included in the group entities of the company and the Asset Manager.

(2) The name of the client (a Japanese TMK (Tokutei Mokuteki Kaisha)) is not disclosed, as the client's consent has not been obtained for disclosure. The client is not included in the group entities of the company and the Asset Manager.

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

For the six months ended December 31, 2018

(in thousands of yen)

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

For the six months ended June 30, 2019

	(in thousands of yen)	(in thousands of US dollars)
Investments in affiliates	17,856,387	165,659
Investments, if equity method was adopted	17,856,387	165,659
Investment gains (losses), if equity method was adopted	3,487,698	32,356

## 24. Related-Party Transactions

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

For the six months ended December 31, 2018

Type of related-party	Company name	Location	Business	Share capital	Voting interest in the Company	Relationship with the Company	Transactions for the period		Balance at the end of period	
				(in millions of yen)			Type of transactions	Amounts (1) (in thousands of yen)	Balance sheet account	Amounts(1) (in thousands of yen)
Interested party of the Asset Manager	Aki TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥20,691,000	-	-
	Raetia TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥16,731,000	-	-
	HL Investments 2 TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥5,286,000	-	-
	Dogo TMK(3)	Minato-ku, Tokyo	Investment management business	¥0.1	-	Seller of real estate trust beneficiary rights	Acquisition of real estate trust beneficiary rights(2)(4)	¥5,039,000	-	-
	Naqua Hotel & Resorts Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥10	-	Lease holder and operator of hotel	Rental Revenues	¥1,112,683	Rental receivables	¥141,119
	Mystays Hotel Management Co., Ltd.(3)	Minato-ku, Tokyo	Hotel management business	¥100	-	Lease holder and operator of hotel	Rental Revenues	¥7,297,799	Rental receivables	¥2,264,664

Notes:

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

Acquisition of real estate trust beneficiary rights are relating to below

Property No.	Property name	Seller	Acquisition cost (in thousands of yen)
D60	Hotel MyStays Premier Akasaka	Aki TMK	20,691,000
D61	Hotel MyStays Premier Sapporo Park	Raetia TMK	16,731,000
D62	Hotel MyStays Ueno East	HL Investments 2 TMK	5,286,000
D63	Hotel MyStays Midosuji Honmach	Dogo TMK	5,039,000
Total			47,747,000

For the six months ended June 30, 2019

Type of related-party	Company name	Location	Business	Share capital		Voting interest in the Company	Relationship with the Company	Transactions for the period			Balance at the end of period		
				(in millions of yen)	(in thousands of U.S. dollars)			Type of transactions	Amounts (1)		Balance sheet account	Amounts(1)	
									(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)



Interested party of the Asset Manager	Naqua Hotel & Resorts Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥10	\$ 92	-	Lease holder and operator of hotel	Rental Revenues	¥590,306	\$5,476	Rental receivables	¥197,253	\$1,829
	Mystays Hotel Management Co., Ltd.(2)	Minato-ku, Tokyo	Hotel management business	¥100	\$ 927	-	Lease holder and operator of hotel	Rental Revenues	¥6,581,126	\$61,055	Rental receivables	¥1,834,677	\$17,020

Notes:

- (1) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of periods.
- (2) Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd has no relationship to be stated, they receive investment through funds that are managed by FIG, a subsidiary of Softbank Group; a parent company of the asset manager directly and indirectly owning 100% of issued shares. Accordingly, we treat Naqua Hotel & Management Resorts Management Co. Ltd, and Mystays Hotel Management, Co. Ltd as a related party.

## (b) Affiliates

For the six months ended December 31, 2018

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

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

For the six months ended June 30, 2019

Type of related-party	Company name	Location	Business	Share capital		Investment ratio	Relationship with the Company	Transactions for the period			Balance at the end of period		
				Amounts (1)(2)				Type of transactions	Amounts (3)		Balance sheet account	Amounts (3)	
				(in millions of yen)	(in thousands of U.S. dollars)				(in millions of yen)	(in thousands of U.S. dollars)		(in millions of yen)	(in thousands of U.S. dollars)
Affiliates	Seven Mile Resort Holdings Ltd.	Grand Cayman, Cayman Islands	Investment management business	¥36,783	\$ 341,254	100.0%	TK investment	Refund of TK investment (3)	¥36,783	\$ 341,254	-	-	-
								Acquisition of fixed assets (3)	¥35,903	\$ 333,091	-	-	-

- (1) Investment amount in USD is converted to yen using the exchange rate fixed by foreign exchange forward (USD 1=JPY 110.45 (rounded down to two decimal places)).
- (2) INV initially funded USD 339,836 thousand (JPY 37,534 million). However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. Thus, the amounts indicated are those after the partial refund.
- (3) Investment was made based on a TK agreement with Seven Mile Resort Holdings Ltd. as an operator. INV acquired the Leasehold of the Cayman Hotels by way of a distribution in kind after the termination of the TK agreement on May 9, 2019. Acquisition price of Leasehold differs from the amount of refund of the TK investment since the book value as of May 9, 2019 is deemed the acquisition price of these properties.

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

For the six months ended December 31, 2018

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

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.

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

For the six months ended June 30, 2019

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts(3)		Balance sheet account	Amounts(3)	
					(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	-	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥419,700	\$3,893	Accrued expenses	¥291,276	\$2,702
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥600	\$5	Accrued expenses	¥324	\$3

Notes:

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

## 25. Parent company and/or significant affiliates

### (a) Information on the parent company

Not Applicable.

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

The significant affiliates in the year ended June 30, 2019 is Kingdom TMK. Summary of financial statements are as follows:

	Kingdom TMK		
	As of / For the six months ended		
	December 31, 2018	June 30, 2019	June 30, 2019
	(in thousands of yen)		(in thousands of US dollars)
Total specified assets	100,856,568	100,524,164	932,592
Total other assets	3,784,525	3,972,036	36,849
Total current liabilities	212,208	106,709	989
Total non-current liabilities	66,280,661	66,280,661	614,905
Total net assets	38,148,224	38,108,830	353,546
Operating revenue	2,350,784	2,333,624	21,649
Income before income taxes	1,729,001	1,689,613	15,675
Net income	1,728,124	1,688,730	15,666

## 26. Per Unit Information

The following table shows net asset value per unit as of December 31, 2018 and June 30, 2019 and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding. The Company has no potentially dilutive units.

As of / For the six months ended		
December 31, 2018	June 30, 2019	June 30, 2019
(Yen)		(U.S. dollars)

Net asset value per unit .....	¥	39,063	¥	41,125	\$	381
Net income per unit .....	¥	1,504	¥	3,748	\$	34
Weighted average number of units .....		5,575,457		5,666,840		-

## 27. Subsequent Events

### (a) Issuance of New Investment Units

The board of directors held on July 1, 2019 and July 10, 2019 approved the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on July 18, 2019. In addition, with the respect to the issuance of new investment units through the third-party allotment in connection with the over-allotment for the public offering, the payment was completed on August 15, 2019. As a result, holders' capital becomes JPY235,576 million and the number of investment units issued and outstanding become 6,096,840 units.

#### (i) Issuance of new investment units through public offering

Number of investment units	Domestic public offering	: 194,524 units
	International	: 215,000 units
	Total	: 409,524 units
Issue price (offer price)		: JPY58,898 per unit
Total issue price (total offer price)		: JPY 24,120,144,552
Amount paid in (issue value)		: JPY 56,939 per unit
Total amount paid in (total issue value)		: JPY 23,317,887,036
Payment date		: July 18, 2019

#### (ii) Secondary offering of investment units (over-allotment secondary offering)

Number of investment units	: 20,476 units
Offer price	: JPY 58,898 per unit
Total offer value	: JPY 1,205,995,448
Delivery date	: July 19, 2019

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

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

**(b) New borrowings**

In order to raise a part of the funds to be used for the acquisition of the 18 hotel properties acquired on July 19, 2019, the Company decided on the implementation of the following borrowings at its board of directors' meeting held and entered into the borrowing agreement on July 1, 2019.

## New Syndicate Loan (L)

Lender	Syndicate formed by Mizuho Bank, Ltd.
Borrowing amount	JPY 27,400 million
Interest rate, etc.	Base rate (1-month JPY TIBOR) +0.700%, 0.550%, 0.500%, 0.450%, 0.350%, 0.200%
Interest payment date	(i) The last Japanese business day of each month before the principal maturity date, beginning with July 31, 2019, and (ii) the principal maturity date,
Principal repayment method	Lump-sum repayment
Borrowing method	Unsecured / with no guarantee
Borrowing date	July 19, 2019,
Maturity date	July 16, 2025, January 16, 2025, July 16, 2024, January 16, 2024, January 16, 2023, July 18, 2020

**(c) Acquisition of assets (properties)**

The Company decided to acquire 18 hotel properties as shown in the following table, of which the total acquisition price is JPY 82,646 million, on July 1, 2019 and the acquisitions have been closed on July 19, 2019.

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (m <sup>2</sup> )	Seller	Category of specified asset
Hotel	D64	Hotel MyStays Sapporo Aspen	Sapporo-shi, Hokkaido	December 1995	15,543	15,313.17	Touyako Godo Kaisha	Trust beneficial interest
Hotel	D65	Art Hotel Ishigakijima	Ishigaki-shi, Okinawa	January 1984	9,731	17,247.54	Yaeyama Resort Hotel Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D66	Hotel MyStays Fuji Onsen Resort	Fujiyoshida-shi, Yamanashi	November 2016	9,405	5,498.49	Saturnia Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D67	Hotel Sonia Otaru	Otaru-shi, Hokkaido	April 1992 March 1998 November 2018	5,930	6,509.41	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D68	Hotel MyStays Kanazawa Castle	Kanazawa-shi, Ishikawa	June 1982 February 1991 January 1997	5,682	5,931.84	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (㎡)	Seller	Category of specified asset
Hotel	D69	Art Hotel Niigata Station	Niigata-shi, Niigata	April 1985	5,524	10,403.01	HL Investments 2 Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D70	Hotel MyStays Nagoya Nishiki	Nagoya-shi, Aichi	March 1974	5,197	6,077.99	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D71	Hotel Nord Otaru	Otaru-shi, Hokkaido	March 1996	4,296	6,047.43	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D72	Hotel MyStays Kagoshima Tenmonkan	Kagoshima-shi, Kagoshima	September 1990	3,445	7,659.55	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D73	Art Hotel Asahikawa	Asahikawa-shi, Hokkaido	October 1987	3,197	25,131.84	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D74	Hotel MyStays Matsuyama	Matsuyama-shi, Ehime	July 2000	3,098	8,274.37	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D75	Hotel MyStays Sapporo Susukino	Sapporo-shi, Hokkaido	May 1981	3,059	2,853.26	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D76	Hotel MyStays Sapporo Nakajima Park	Sapporo-shi, Hokkaido	February 1991	2,118	5,473.41	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D77	Hotel MyStays Sapporo Nakajima Park Annex	Sapporo-shi, Hokkaido	September 1991	1,584	1,775.21	Shirahama Tokutei Mokuteki Kaisha	Trust beneficial interest

Use	Property number	Property name	Location	Construction completion date	Acquisition price (JPY million) (Note)	Total rentable area (m <sup>2</sup> )	Seller	Category of specified asset
Hotel	D78	Flexstay Inn Sakuragicho	Yokohama-shi, Kanagawa	November 1991	1,425	1,308.61	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D79	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	September 1991	1,287	2,156.70	Calvis Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D80	Hotel MyStays Kagoshima Tenmonkan Annex	Kagoshima-shi, Kagoshima	February 1985	1,168	2,047.70	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D81	Hotel MyStays Nayoro	Nayoro-shi, Hokkaido	November 2014	957	1,985.27	Kawaguchiko Tokutei Mokuteki Kaisha	Trust beneficial interest

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

## Properties Acquired in July 2019

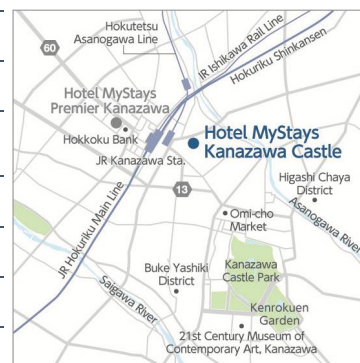
### Hotel MyStays Kanazawa Castle

- Conveniently located only a six-minute walk from Kanazawa Station on the JR Hokuriku Shinkansen.
- Full renovation was completed in March 2016 incorporating contemporary interior design.
- The hotel has a large spa exclusively for guests.
- The hotel is located in an area with many sightseeing spots such as 21st Century Museum of Contemporary Art, Kanazawa, Kanazawa castle and Kenrokuen Garden



#### Property information

Type	Limited-Service Hotel
Address	10-17 Konohana-machi, Kanazawa-shi, Ishikawa
Transport Access	6-minute walk from Kanazawa Station on JR Hokuriku Shinkansen
Completion Date	June 1982, February 1991, January 1997
Renovation Date	From November 2015 to March 2016
Number of Guest Rooms	206 rooms
Total Floor Area	5,931.84 m <sup>2</sup> (Note 1)
Lot Area	1,951.82 m <sup>2</sup>



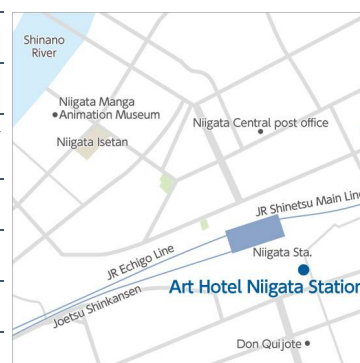
### Art Hotel Niigata Station

- Rebranded and reopened under the Art Hotel brand in October 2016.
- Directly connected to the South Exit of Niigata Station on the JR Joetsu Shinkansen and other lines, the hotel's excellent location offers convenience to both tourists and business persons from within the country and abroad.
- A full-service hotel with several banquet halls including one capable of accommodating over 600 people in addition to guestrooms mainly comprised of single/twin rooms.



#### Property information

Type	Full-Service Hotel
Address	1-1 Sasaguchi, Chuo-ku, Niigata-shi, Niigata
Transport Access	Directly connected to Niigata Station on JR Joetsu Shinkansen
Completion Date	April 1985
Renovation Date	From May 2007 to August 2007
Number of Guest Rooms	304 rooms
Total Floor Area	10,403.01 m <sup>2</sup> (Note 2)
Lot Area	4,631.67 m <sup>2</sup> (Note 3)



(Note 1) There is a pump room and a storage room (11.63 m<sup>2</sup>) as an annex building.

(Note 2) INV holds compartmentalized ownership of the property, and the total floor area indicated is that of the area exclusively owned by INV. Total floor area of the entire building is 27,874.87 m<sup>2</sup>. The area exclusively owned by INV is approximately 46.5% of the entire exclusive area of the property building.

(Note 3) The land of this property consists of one land lot, and INV holds co-ownership interest in ownership right (ownership ratio: 1,891,736,672/10,000,000,000). "Lot Area" refers to the lot area of the entire building.

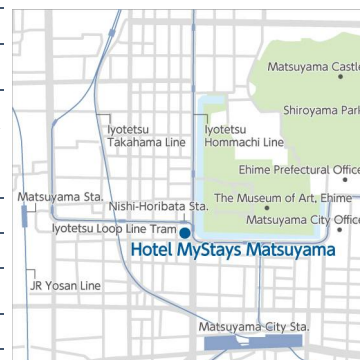
## Hotel MyStays Matsuyama

- Rebranded and reopened in July 2017 as the first MyStays Hotel in Shikoku.
- Conveniently located a ten-minute walk from Matsuyama Station on the JR Yosan Line. The hotel is convenient not only for business use, but also for sightseeing as it is only 20 minutes on the city tram to Dogo Onsen, a hot spring known for being the oldest in Japan.
- The hotel is located near the foot of Matsuyama Castle and guests can enjoy views of the moat and trams from their rooms. Some guest rooms offer a nice view of Matsuyama Castle.
- Renovation of the banquet halls and rooms on upper floors was completed in July 2018 and renovation of the restaurant was completed in November 2018.



### Property information

Type	Full-Service Hotel
Address	1-10-10 Otemachi, Matsuyama-shi, Ehime
Transport Access	10-minute walk from Matsuyama Station on the JR Yosan Line and 9-minute walk from Matsuyamashi Station on the Iyo Line
Completion Date	July 2000
Renovation Date	From May 2018 to July 2018
Number of Guest Rooms	162 rooms
Total Floor Area	8,274.37 m <sup>2</sup> (Note 1)
Lot Area	1,744.08 m <sup>2</sup>



(Note 1) There is a parking lot (42.78 m<sup>2</sup>) as an annex building.

## Hotel MyStays Kagoshima Tenmonkan

- Rebranded and reopened under the MyStays brand in March 2018.
- Located in Tenmonkan, the largest downtown area in Kagoshima, the hotel is convenient for both sightseeing and business.
- Full renovation completed in 2018. The hotel offers semi-double, twin, double, triple and queen room options.
- The hotel has 6 banquet halls and a recently refurbished restaurant.



### Property information

Type	Full-Service Hotel
Address	2-7 Yamanokuchi-cho, Kagoshima-shi, Kagoshima
Transport Access	3-minute walk from Takamibaba Station on the Kagoshima City Tram
Completion Date	September 1999
Renovation Date	From January 2018 to April 2018
Number of Guest Rooms	196 rooms
Total Floor Area	7,659.55 m <sup>2</sup>
Lot Area	1,407.04 m <sup>2</sup>

## Hotel MyStays Kagoshima Tenmonkan Annex

- Rebranded and reopened under the MyStays brand in March 2018. Renovation was completed in April 2019.
- Located in the center of Tenmonkan, the largest downtown area in Kagoshima, the hotel offers excellent accessibility to popular tourist spots such as Sakurajima.
- Guestrooms consist of semi-double, double, queen and twin types, and have specifications that provide a comfortable stay.



### Property information

Type	Limited-Service Hotel
Address	1-20 Gofuku-machi, Kagoshima-shi, Kagoshima
Transport Access	2-minute walk from Tenmonkan-dori Station on the Kagoshima City Tram
Completion Date	February 1985
Renovation Date	From February 2018 to April 2018
Number of Guest Rooms	73 rooms
Total Floor Area	2,047.70 m <sup>2</sup>
Lot Area	483.23 m <sup>2</sup>





## Hotel MyStays Nagoya Nishiki

- Rebranded and reopened under the MyStays brand in July 2018.
- The hotel is conveniently located in the center of Nagoya's famous Sakae/Nishiki entertainment district, having sightseeing attractions such as Nagoya TV Tower and Nagoya Castle within walking distance and Nagoya Castle a ten-minute drive away.
- Renovated all 169 rooms mainly comprised of double rooms with some twin and triple rooms.



### Property information

Type	Limited-Service Hotel
Address	3-8-21 Nishiki, Naka-ku, Nagoya-shi, Aichi
Transport Access	4-minute walk from Sakae Station on the subway Higashiyama Meijo Line
Completion Date	March 1974
Renovation Date	From May 2017 to July 2018
Number of Guest Rooms	169 rooms
Total Floor Area	6,077.99 m <sup>2</sup>
Lot Area	561.72 m <sup>2</sup>



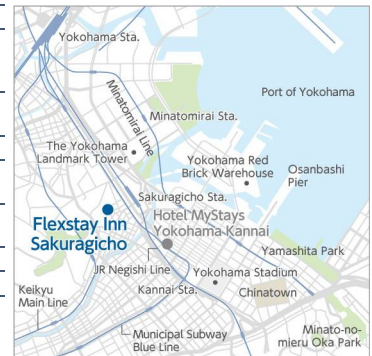
## Flexstay Inn Sakuragicho

- Located a five-minute walk from Sakuragicho Station on the JR Negishi Line, the hotel enjoys transportation convenience allowing access to major stations in Tokyo as well as access to Tokyo International Airport (Haneda Airport) within an hour.
- Renovation completed in September 2016.
- Easy access to the Minatomirai area where Pacifico Yokohama, Yokohama Landmark Tower, Red Brick Warehouse and other facilities are located. Accordingly, both business and leisure demand can be expected.
- All rooms are equipped with microwave ovens.
- The hotel offers accommodation plans for consecutive stays and medium- to long-term stays with reduced per-night rates.



### Property information

Type	Limited-Service Hotel
Address	2-72-2 Hanasaki-cho, Naka-ku, Yokohama-shi, Kanagawa, and four other lots
Transport Access	5-minute walk from Sakuragicho Station on the JR Negishi Line
Completion Date	November 1991
Renovation Date	From July 2016 to September 2016
Number of Guest Rooms	70 rooms
Total Floor Area	1,308.61 m <sup>2</sup> (Note 1)
Lot Area	402.28 m <sup>2</sup>



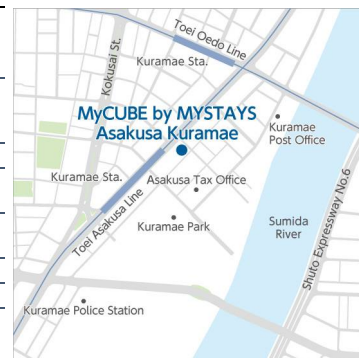
## MyCUBE by MYSTAYS Asakusa Kuramae

- Located close to Asakusa, a well-known historic area in Tokyo which is one of the most popular areas among tourists visiting Tokyo.
- Located a one-minute walk from Kuramae Station on the Toei Subway Asakusa Line and a four-minute walk from Kuramae Station on the Toei Subway Oedo Line, the hotel boasts excellent access to multiple train lines.
- The property was converted into a hotel (hostel) from an office building, and opened as a capsule hotel with space divided into “cubes” in June 2016.
- Cubes are double-decked with sufficient space under beds. Beside the bed, each cube is equipped with a television, folding table, safety box, etc. There is also a lobby lounge serving as a community space for overnight guests.



### Property information

Type	Limited-Service Hotel
Address	2-6-7 Kuramae, Taito-ku, Tokyo
Transport Access	1-minute walk from Kuramae Station on the Toei Subway Asakusa Line
Completion Date	September 1991
Renovation Date	From November 2015 to May 2016 (Note 2)
Number of Guest Rooms	161 rooms
Total Floor Area	2,156.70 m <sup>2</sup>
Lot Area	302.38 m <sup>2</sup>

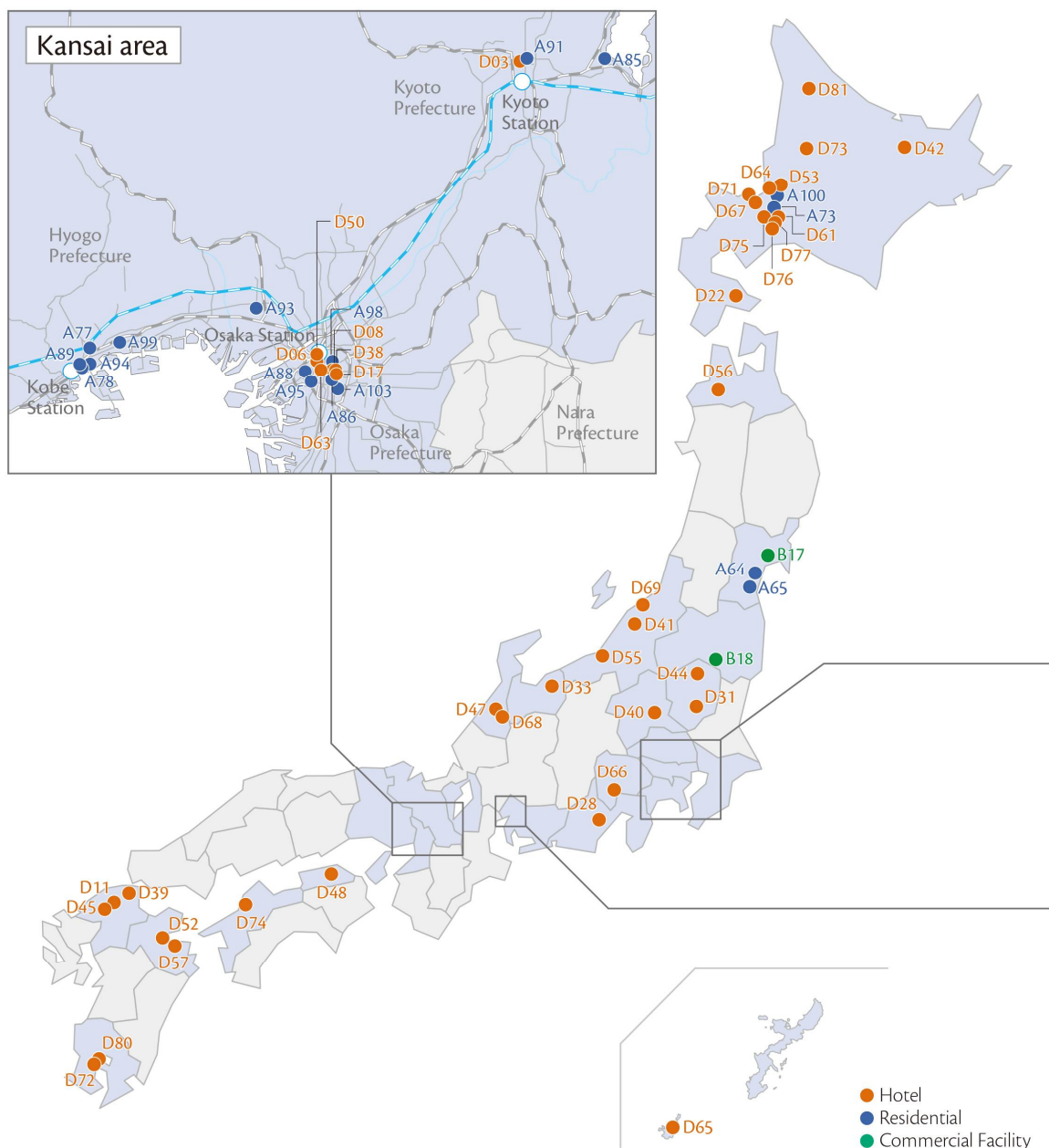


(Note 1) While INV acquired compartmentalized ownership of this property, the total floor area of the entire building is stated as it owns compartmentalized ownership of the entire building.

(Note 2) Construction period for conversion (conversion of purpose of use) is indicated.

## Domestic Portfolio Map (As of August 31, 2019)

No. of Properties (Note 1)	No. of Hotels (Note 1)	No. of Residential Properties	Others
<b>148</b>	<b>84</b>	<b>62</b>	<b>2</b>



(Note 1) Including overseas assets.

(Note 2) For properties corresponding to the number and their overview, please refer to pages 28-30 and pages 61-64.



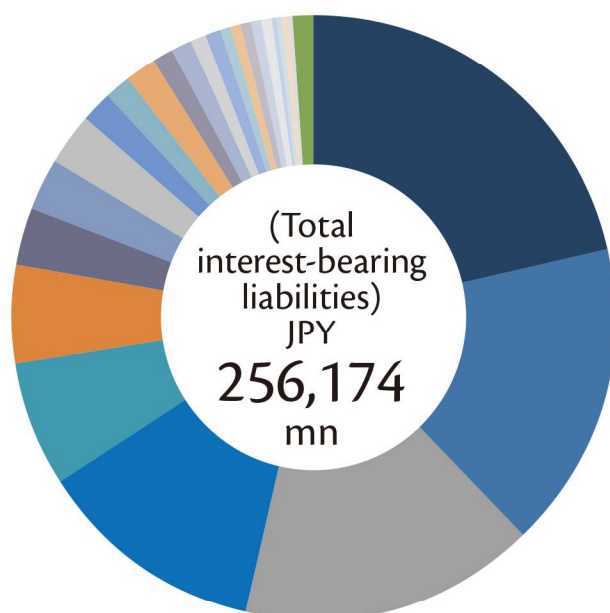
## Financial Conditions

With an aim to diversify financing means, INV invited new lenders upon refinancing in March 2019 and August 2019, increasing the number of partner financial institutions to 26.

### Investment Corporation Bonds

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

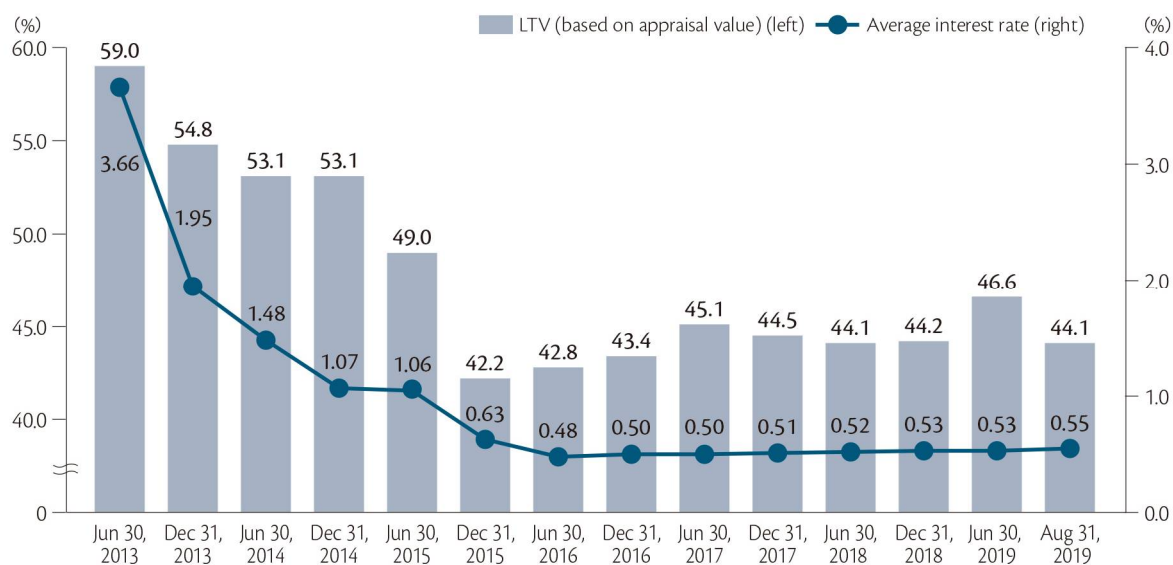
### Lender Formation (as of August 31, 2019)



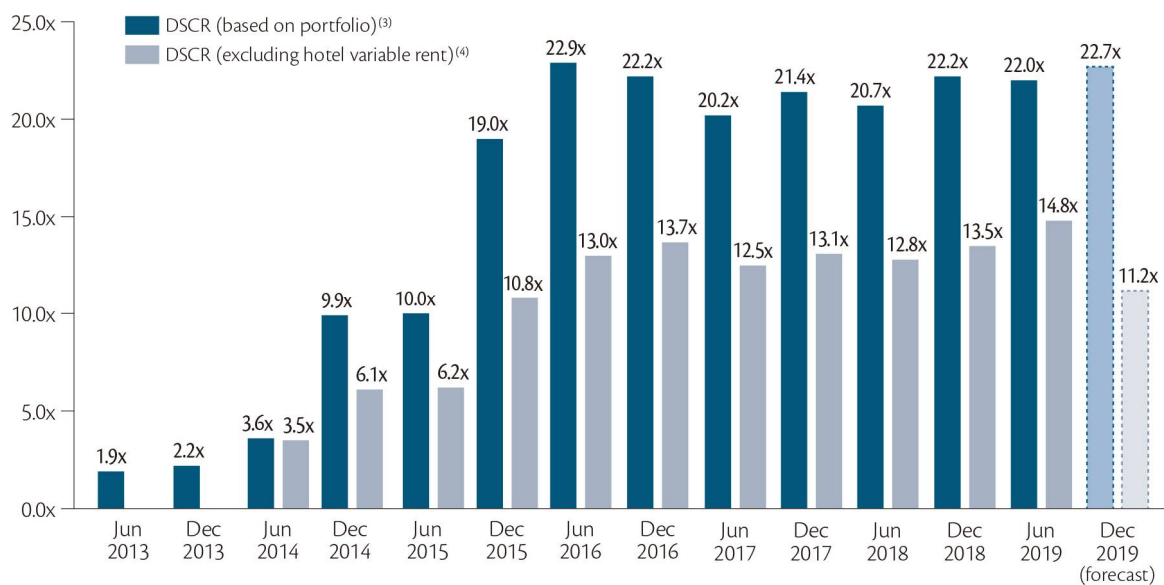
Mizuho Bank	21.4%
SMBC	16.4%
MUFG Bank	16.0%
SMTB	12.3%
Citibank N.A., Tokyo Branch	6.5%
Shinsei Bank	5.4%
Resona Bank	2.9%
DBJ	2.9%
Aeon Bank	2.7%
Tokyo Star Bank	1.6%
Dai-ichi Life Insurance	1.6%
Fukuoka Bank	1.5%
Nomura TB	1.3%
Aozora Bank	1.0%
Shizuoka Bank	0.9%
Japan Post Bank	0.8%
Hiroshima Bank	0.6%
Kagawa Bank	0.4%
Hyakugo Bank	0.4%
Kiraboshi Bank	0.4%
The Nishi-Nippon City Bank	0.4%
The Daisan Bank	0.3%
Towa Bank	0.3%
The Tochigi Bank	0.2%
Gunma Bank	0.2%
The Senshu Ikeda Bank	0.1%
Investment corporation bonds	1.6%



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



## ■ DSCR



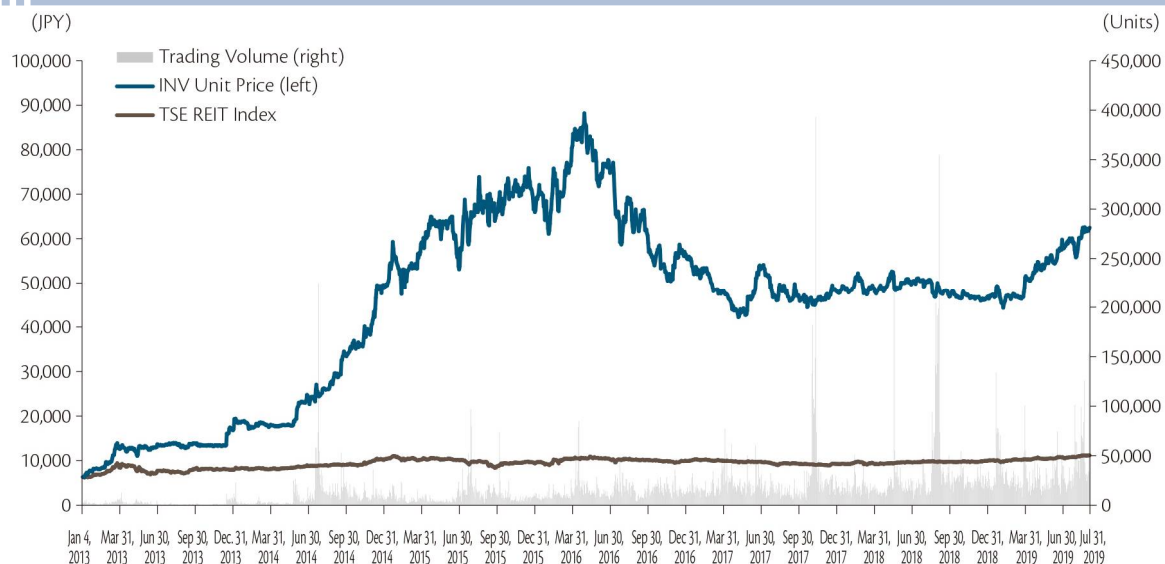
## ■ Rating

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

- (Note 1) LTV (Appraisal Value Base) is calculated by the following formula: (Interest-bearing debt at the end of the relevant fiscal period, excluding short-term consumption tax loan) / (Total appraisal value as of the end of the same period). For the preferred equity securities in the TMK which holds Sheraton Grande Tokyo Bay Hotel as an underlying asset, the acquisition price (INV's investment amount) of such preferred equity securities is deemed as the appraisal value in the calculation for LTV after the acquisition since no appraisal value exists. For the overseas real estate, for the end of December 2018 when INV owned the Cayman Hotel TK Interest, the acquisition price of the interest by INV (an amount after the partial refund of the TK investment on December 10, 2018) is used in the calculation, while for the end of June 2019 and the end of July 2019, appraisal value at the end of the fiscal period ended June 2019 is used in the calculation, since no appraisal value exists. The amounts in USD are converted into JPY using the forward exchange rate of USD 1 = JPY110.45 based on the foreign exchange contract (contract thereof was entered into on July 26, 2018, and implemented on September 26, 2018).
- (Note 2) Average interest rate is calculated by the following formula: (Sum total of (each loan's loan amount outstanding at the end of the fiscal period multiplied by applicable interest rate at the end of the fiscal period) / Total loan amount outstanding at the end of the fiscal period).
- (Note 3) DSCR is calculated by dividing (i) by (ii) for the relevant period; (i) operating income, as adjusted for depreciation expenses from property rental business and any gain (loss) on sales of property; (ii) scheduled repayments of loans payable, interest expense, the amount of redemption of bond and bond interest. In calculating the amount for the fiscal period ended June 2019, the temporary increase of income due to the change of investment structure regarding overseas assets is excluded.
- (Note 4) DSCR (excluding hotel variable rent) is calculated in the same manner as DSCR, except for excluding both hotel variable rent and management contract revenue from operating income.

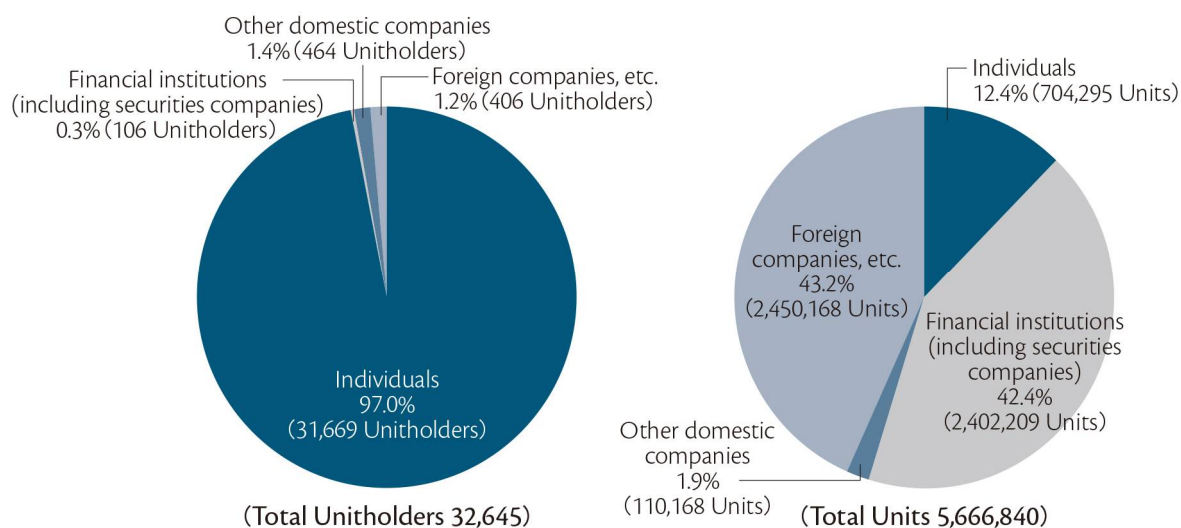
## Overview of Unitholders/Investment Units

### Historical Unit Price



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

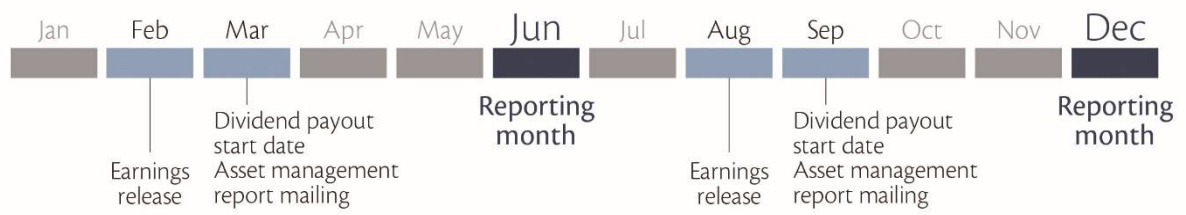
### Distribution of Unitholders



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



## ■ Annual Schedule



## Information for Unitholders

### For Unitholders

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

### Notification Process for Address Changes

Please notify your brokerage (financial instruments business operator) regarding changes to addresses, names, registered seals, and the like. Unitholders who have special accounts instead of brokerage accounts should contact the transfer account management institution (financial instruments business operator) below.

Unitholders of the pre-merger Investment Corporation (former Tokyo Growth REIT Investment Inc.)  
Mitsubishi UFJ Trust and Banking Corporation    Toll-free Number: 0120-255-100

Unitholders of the former LCP Investment Corporation  
Sumitomo Mitsui Trust Bank, Limited                      Toll-free Number: 0120-782-031

### Dividends

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

#### (Bank Transfers)

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

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

## **Notification**

(Notice of Dividend Payment)

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

(Characters for Addresses and Names of Unitholders)

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

## **Inquiries**

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

TEL: 03-5411-2731 (Main)

Weekdays 9:30-17:30