

To All Concerned Parties

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Notice concerning Revision of Forecast of Financial Results and Distribution for the 22nd Fiscal Period Ended June 2014 and the 23rd Fiscal Period Ending December 2014

Invincible Investment Corporation (INV) today announced the revision of its forecast of financial results and distribution per unit for the fiscal period ended June 2014 (22nd fiscal period: from January 1, 2014 to June 30, 2014) and the fiscal period ending December 2014 (23rd fiscal period: from July 1, 2014 to December 31, 2014) announced in the press release titled “Notice concerning Revision of Forecast of Financial Results and Distribution for the 22nd Fiscal Period Ending June 2014 and concerning Forecast of Financial Results and Distribution for the 23rd Fiscal Period Ending December 2014” as of June 23, 2014, as described below.

Details

1. Revision of forecast of financial results for the fiscal period ended June 2014 (from January 1, 2014 to June 30, 2014)

	Operating revenues	Operating income	Ordinary income	Net income	Earnings per unit (Note 1)	Reversal of Surplus per unit (Note 1) (Note 2)
Previous forecast (A) (June 23, 2014)	Million JPY 3,752	Million JPY 2,210	Million JPY 837	Million JPY 837	JPY 532	JPY 17
Revised forecast (B)	Million JPY 3,775	Million JPY 2,234	Million JPY 901	Million JPY 901	JPY 573	JPY 0
Amount of Variance (B) – (A)	Million JPY 23	Million JPY 23	Million JPY 64	Million JPY 64	JPY 41	JPY ▲17
Rate of variance [(B) – (A)] ÷ (A)	% 0.6	% 1.1	% 7.7	% 7.7	% 7.7	% —
(Reference) Actual results (21 st fiscal period)	Million JPY 2,740	Million JPY 1,265	Million JPY 353	Million JPY 352	JPY 224	JPY 12

	Excess profit distribution per unit (Note 1)	Distribution per unit (excluding excess profit distribution per unit) (Note 1)	Total distribution amount	Distribution per unit (including excess profit distribution per unit) (Note 1)
Previous forecast (A) (June 23, 2014)	JPY 0	JPY 550	Million JPY 865	JPY 550
Revised forecast (B)	JPY 0	JPY 573	Million JPY 901	JPY 573
Amount of Variance (B) – (A)	JPY —	JPY 23	Million JPY 36	JPY 23
Rate of variance [(B) – (A)] ÷ (A)	% —	% 4.2	% 4.2	% 4.2
(Reference) Actual results (21 st fiscal period)	JPY 0	JPY 237	Million JPY 372	JPY 237

(Note 1) The number of investment units issued and outstanding at the end of the fiscal period: 1,573,179 units.

(Note 2) Reversal of surplus resulting from the gain on negative goodwill recognized in connection with the merger in February 2010 (the "Surplus"), as planned in the previous forecast. The same shall apply hereafter.

(Note 3) Figures (including earnings per unit, reversal of Surplus per unit and excess profit distribution per unit) are rounded down to the indicated amount and percentages are rounded to the first decimal place.

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2. Revision of forecast of financial results and distribution per unit for the fiscal period ending December 2014 (from July 1, 2014 to December 31, 2014)

	Operating revenues	Operating income	Ordinary income	Net income	Earnings per unit (Note 1)	Reversal of Surplus per unit (Note 1) (Note 2)
Previous forecast (A) (June 23, 2014)	Million JPY 4,090	Million JPY 2,160	Million JPY 1,279	Million JPY 1,279	JPY 479	JPY 16
Revised forecast (B)	Million JPY 4,323	Million JPY 2,429	Million JPY 1,602	Million JPY 1,601	JPY 600	JPY 0
Amount of Variance (B) – (A)	Million JPY 233	Million JPY 269	Million JPY 322	Million JPY 322	JPY 121	JPY ▲ 16
Rate of variance [(B) – (A)] ÷ (A)	% 5.7	% 12.4	% 25.2	% 25.2	% 25.3	% —

	Excess profit distribution per unit (Note 1)	Distribution per unit (excluding excess profit distribution per unit) (Note 1)	Total distribution amount	Distribution per unit (including excess profit distribution per unit) (Note 1)
Previous forecast (A) (June 23, 2014)	JPY 103	JPY 496	Million JPY 1,601	JPY 600
Revised forecast (B)	JPY 0	JPY 600	Million JPY 1,601	JPY 600
Amount of Variance (B) – (A)	JPY ▲ 103	JPY 104	Million JPY —	JPY —
Rate of variance [(B) – (A)] ÷ (A)	% —	% 21.0	% —	% —

(Note 1) The number of investment units issued and outstanding at the end of the fiscal period: 2,668,686 units.

(Note 2) Figures (including earnings per unit, reversal of Surplus per unit and excess profit distribution per unit) are rounded down to the indicated amount and percentages are rounded to the first decimal place.

3. Reasons of Revision of Forecast of Financial Results and Distribution for the 22nd Fiscal Period Ended June 2014 and the 23rd Fiscal Period Ending December 2014

INV reviewed the forecast of the financial results of INV during the course of the preparation of the account settlement, which has been largely finalized for the period ended June 2014. Based on the review, INV decided to revise the forecast of the financial results and distribution for the 22nd fiscal period ended June 2014 as announced in “Notice concerning Revision of Forecast of Financial Results and Distribution for the 22nd Fiscal Period Ending June 2014 and concerning Forecast of Financial Results and Distribution for the 23rd Fiscal Period Ending December 2014” as of June 23, 2014. INV also decided to revise the forecast of the financial results and distribution for the 23rd fiscal period ending December 2014 at the same time.

<Fiscal Period Ended June 2014>

The main factors resulting in the revision of the forecast are as follows:

(1) Increase in Operating Revenues

“Operating Revenues” are expected to increase by JPY 23 million, mainly due to such factors as an increase in GOP (Note 1) by JPY 19 million related to the two hotels acquired on May 23, 2014 as well as an increase in revenues by JPY 6 million from the existing properties which INV owned before INV acquired the said two hotels (71 properties), such as an increase in key money collected by promoting the leasing program.

Of the JPY 19 million increase in GOP from the previous forecast, a JPY 14 million increase is due to the revision of the recognition period of various expenses related to hotel operations (staff cost, cost of materials and utilities, advertisement cost, and other expenses, hereinafter “Hotel expenses”) to the extent that INV recognizes GOP without the deduction of Hotel expenses for one month after the acquisition of two hotels, because Hotel expenses are recorded in the following month on a cash basis under the relevant lease contracts (Note 2). The remaining JPY 5 million is due to the increase in sales at the two hotels compared with the previous forecast.

(Note 1) “GOP”, Gross Operating Profit, is the amount equivalent to gross revenue of hotels minus Hotel expenses and management fees for operators, and is the amount which INV recognizes as rental revenues of hotels.

(Note 2) INV expected to conservatively recognize Hotel expenses for one month after acquisition of the two hotels assuming that the expenses were recorded based on accrual basis. However, as a result of consultation with the audit firm and the tax accountant in the process of settlement of account for 22nd fiscal period, INV decided to recognize the above Hotel expenses assuming the expenses are recorded on cash basis not on accrual basis.

(2) Decrease in Non-Operating Expenses

“Finance-related costs” in the non-operating expenses are expected to decrease by JPY 27 million due to a decrease in one-time charges which are expected to be recorded for the 22nd fiscal period related to the refinancing compared with the previous forecast, while INV estimated conservatively various one-time charges in connection with the Transactions implemented on July 17, 2014. Further “other costs” in the non-operation expenses are expected to decrease by JPY 14 million due to a decrease in costs expected to be recorded for

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the 22nd fiscal period relating to the issuance of investment units through the public offering completed on July 16, 2014 compared with the previous forecast.

As a result, non-operating expenses are expected to decrease by JPY 39 million from the previous forecast as a whole.

(3) Change in the plan of Reversal of Surplus

As a result of (1) and (2), net income for 22nd fiscal period is expected to be JPY 901 million, and distribution per unit is expected to increase by JPY 23 (4.2%) from the previous forecast even if INV does not utilize the reversal of Surplus. Therefore, INV changed the plan of reversing the Surplus and decided not to reverse the Surplus.

As a result of the above factors, the total distribution amount for the fiscal period ended June, 2014 is expected to be JPY 901 million and the distribution per unit is expected to be JPY 573.

<Fiscal Period Ending December 2014>

(1) Increase in Operating Revenues

“Operating Revenues” are expected to increase by JPY 233 million, primarily due to the increase in GOP of JPY 238 million related to the 18 hotels acquired on July 17, 2014 compared with the previous forecast.

Further, out of JPY 238 million increase in GOP from the previous forecast, a JPY 206 million increase is due to the revision of recognition period of Hotel expenses to the extent that INV recognizes GOP without the deduction of Hotel expenses for one month after the acquisition of the 18 hotels, because Hotel expenses are recorded in the following month on a cash basis under the relevant lease contracts (Note). The remaining JPY 31 million is due to the increase in sales at the hotels compared with the previous forecast.

(Note) INV expected to conservatively recognize Hotel expenses for one month after acquisition of the 18 hotels assuming that the expenses were recorded based on accrual basis. However, as a result of consultation with the audit firm and the tax accountant in the process of settlement of account for 22nd fiscal period, INV decided to recognize the above Hotel expenses assuming the expenses are recorded on cash basis not on accrual basis.

(2) Change in policy of Reversal of Surplus and Excess Profit Distribution

As a result of the above, net income for 23rd fiscal period is expected to be JPY 1,601 million. Distribution per unit is expected to be almost the same level as the previous forecast even if INV does not implement the reversal of Surplus and distributions in excess of profits. Further, simulated earnings per unit (Note) for 23rd fiscal period are expected to be almost the same level as the previous forecast. Therefore, INV decided not to make reversal of Surplus and distributions in excess of profits.

As a result of the above factors, the total distribution amount for 23rd fiscal period is expected to be JPY 1,601 million and the distribution per unit for 23rd fiscal period is expected to be JPY 600.

(Note) As to “simulated earnings per unit”, please refer to “For Reference” below. As to excess profit distribution policy, please refer to “Notice concerning Revision of Forecast of Financial Results and Distribution for the

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22nd Fiscal Period Ending June 2014 and concerning Forecast of Financial Results and Distribution for the 23rd Fiscal Period Ending December 2014” and “Notice concerning Partial Revision of Internal Rules (the Investment Guidelines) of the Asset Management Company” as of June 23, 2014.

4. Other: Surplus

Following the distribution for the fiscal period ending December 2014, the balance of the Surplus is expected to be JPY 73 million, unchanged from the fiscal period ended December 2013.

<For Reference>

INV issued new investment units in a public offering (the “Public Offering”) and a third-party allotment in connection with an over-allotment option granted in relation to the public offering (the “Over-Allotment Option” and, together with the Public Offering, the “Offering”). Using the proceeds from the Offering and refinancing of loans (the “Refinancing”), INV acquired 18 hotels (hereinafter together with the Offering and the Refinancing, the “Transactions”). For ease of reference, figures for earnings per unit, distribution per unit and simulated earnings per unit are summarized in the table below.

Forecasts for simulated earnings per unit are shown for reference purposes, and indicate simulated earnings per unit after excluding one-time costs associated with the Transactions and treating the Acquisitions, the Offerings and the Refinancing as if they had taken place prior to the beginning of fiscal period ended June 2014. For details on the method for calculating simulated earnings per unit, please refer to Appendix 2.

The simulated earnings per unit is purely a simulation intended to describe the effect of the transactions, etc. described above and is neither a forecast nor prospect relating to INV’s earnings or distribution per unit for a given operating period.

	Earnings per unit (Note 2)	Reversal of Surplus per unit (Note 2)	Excess profit distribution per unit (Note 2)	Distribution per unit (including excess profit distribution per unit) (Note 2)	Simulated earnings per unit (Note 1) (Note 2)
Forecast for the fiscal period ended June 2014	JPY 573	JPY 0	JPY 0	JPY 573	JPY 600
Forecast for the fiscal period ending December 2014	JPY 600	JPY 0	JPY 0	JPY 600	JPY 628

(Note 1) For details on the simulated earnings per unit, please refer to Appendix 2. As noted in Appendix 2, the simulated earnings per unit for the fiscal period ended June 2014 is calculated based on the assumption that a total of 1,095,507 units (issued during the fiscal period ending December 2014 through the Public Offering and the Over-Allotment Option) were issued at the beginning of the fiscal period ended June 2014 and the number of investment units issued and outstanding is 2,668,686. On the other hand, the forecasts for the earnings per unit and distribution per unit for the fiscal period ended June 2014 is based on the number of investment units issued and outstanding at the end of the fiscal period ended June 2014: 1,573,179 units.

(Note 2) The number of investment units issued and outstanding at the end of the fiscal period ending December 2014: 2,668,686 units.

(Note 3) Figures are rounded down to the indicated amount and percentages are rounded to the first decimal place.

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**< Assumptions Underlying Forecast of Financial Results and Distribution
for the 22nd Fiscal Period (From January 1, 2014 to June 30, 2014) and
for the 23rd Fiscal Period (From July 1, 2014 to December 31, 2014)>**

Item	Assumptions																					
Fiscal period	The 22 nd fiscal period : from January 1, 2014 to June 30, 2014 (181 days) The 23 rd fiscal period: from July 1, 2014 to December 31, 2014 (184 days)																					
Assets under management	Properties held as of the end of the 22 nd fiscal period: 73 properties Properties held as of the end of the 23 rd fiscal period: 91 properties INV assumes that there will be no change to the managed 91 assets through the end of the fiscal period ending December 2014.																					
Units outstanding	As of the end of the 22 nd fiscal period: 1,573,179 units As of the end of the 23 rd fiscal period: 2,668,686 units INV assumes that there will be no additional issuance of units through the end of the fiscal period ending December 2014.																					
Interest-bearing liabilities	Balance as of the end of the 22 nd fiscal period: JPY 41,000 million Balance as of the end of the 23 rd fiscal period: JPY 67,260 million INV assumes that there will be no other borrowings or prepayments through the end of the fiscal period ending December 2014.																					
Operating revenues	INV expects to record rental revenues of JPY 2,772 million for the fiscal period ended June 2014, and JPY 4,323 million for the fiscal period ending December 2014. The breakdown is as follows: <table><tr><td></td><td>The 22nd fiscal period</td><td>/</td><td>The 23rd fiscal period</td></tr><tr><td>• Rental revenues</td><td>JPY 2,772 million</td><td>/</td><td>JPY 4,323 million</td></tr><tr><td></td><td>(of these, JPY 57 million are hotel rents)</td><td></td><td>(of these, JPY 1,740 million are hotel rents)</td></tr></table> Rental revenues are calculated based on historical data taking into account tenant trends, property competitiveness, market environment and other factors. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants. In addition, for the fiscal period ended June 2014, we expect to record operating revenues other than rental revenues from gains in connection with the sale of seven senior housing properties on May 22, 2014 in the amount of JPY1,003 million.		The 22 nd fiscal period	/	The 23 rd fiscal period	• Rental revenues	JPY 2,772 million	/	JPY 4,323 million		(of these, JPY 57 million are hotel rents)		(of these, JPY 1,740 million are hotel rents)									
	The 22 nd fiscal period	/	The 23 rd fiscal period																			
• Rental revenues	JPY 2,772 million	/	JPY 4,323 million																			
	(of these, JPY 57 million are hotel rents)		(of these, JPY 1,740 million are hotel rents)																			
Operating expenses	INV expects to incur property related expenses of JPY 1,281 million for the fiscal period ended June 2014 and JPY 1,661 million for the fiscal period ending December 2014. The breakdown is as follows: <table><tr><td></td><td>The 22nd fiscal period</td><td>The 23rd fiscal period</td></tr><tr><td>• Facility management fees</td><td>JPY446 million</td><td>JPY475 million</td></tr><tr><td></td><td>(of these, JPY 40 million are repair costs)</td><td>(of these, JPY 40 million are repair costs)</td></tr><tr><td>• Taxes and other public charges</td><td>JPY174 million</td><td>JPY 163 million</td></tr><tr><td>• Insurance expenses</td><td>JPY 4 million</td><td>JPY 5 million</td></tr><tr><td>• Other expenses</td><td>JPY 127 million</td><td>JPY134 million</td></tr><tr><td>• Depreciation expenses</td><td>JPY 527 million</td><td>JPY 881 million</td></tr></table> In addition to the property related expenses, INV expects to incur other operating expenses in the amount of JPY 259 million for the fiscal period ended June 2014 and JPY 232 million for the fiscal period ending December 2014.		The 22 nd fiscal period	The 23 rd fiscal period	• Facility management fees	JPY446 million	JPY475 million		(of these, JPY 40 million are repair costs)	(of these, JPY 40 million are repair costs)	• Taxes and other public charges	JPY174 million	JPY 163 million	• Insurance expenses	JPY 4 million	JPY 5 million	• Other expenses	JPY 127 million	JPY134 million	• Depreciation expenses	JPY 527 million	JPY 881 million
	The 22 nd fiscal period	The 23 rd fiscal period																				
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Item	Assumptions												
Non-operating expenses	<p>INV expects to incur non-operating expenses of JPY 1,334 million for the fiscal period ended June 2014 and JPY 827 million for the fiscal period ending December 2014. The breakdown is as follows:</p> <table><tr><td></td><td>The 22nd fiscal period</td><td>The 23rd fiscal period</td></tr><tr><td>• Interest expense</td><td>JPY376 million</td><td>JPY370 million</td></tr><tr><td>• Finance related costs</td><td>JPY842 million (of these, JPY 300 million are one-time charges for Refinancing)</td><td>JPY300 million (of these, JPY 194 million are one-time charges for Refinancing)</td></tr><tr><td>• Other non-operating expenses</td><td>JPY 115 million (of these, JPY 115 million are expenses relating to the issuance of new units for the Offering)</td><td>JPY157 million (of these, JPY 157 million are expenses relating to the issuance of new units for the Offering)</td></tr></table> <p>For details on the Offering, please refer to the “Notice concerning Issuance of New Investment Units and Secondary Distribution of Investment Units” as of June 23, 2014. For details on the expected new borrowings and prepayment (Refinancing) on July 17, 2014, please refer to the “Notice concerning Debt Financing and Prepayment of Existing Borrowings” as of June 23, 2014.</p>		The 22 nd fiscal period	The 23 rd fiscal period	• Interest expense	JPY376 million	JPY370 million	• Finance related costs	JPY842 million (of these, JPY 300 million are one-time charges for Refinancing)	JPY300 million (of these, JPY 194 million are one-time charges for Refinancing)	• Other non-operating expenses	JPY 115 million (of these, JPY 115 million are expenses relating to the issuance of new units for the Offering)	JPY157 million (of these, JPY 157 million are expenses relating to the issuance of new units for the Offering)
	The 22 nd fiscal period	The 23 rd fiscal period											
• Interest expense	JPY376 million	JPY370 million											
• Finance related costs	JPY842 million (of these, JPY 300 million are one-time charges for Refinancing)	JPY300 million (of these, JPY 194 million are one-time charges for Refinancing)											
• Other non-operating expenses	JPY 115 million (of these, JPY 115 million are expenses relating to the issuance of new units for the Offering)	JPY157 million (of these, JPY 157 million are expenses relating to the issuance of new units for the Offering)											
Distribution per unit	<p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV’s Articles of Incorporation.</p> <p>With respect to the distribution for the fiscal period ended June 2014, INV expects to distribute an aggregate amount of JPY 901 million (distribution per unit: JPY 573) based on the assumption that the earnings for the fiscal period ended June 2014 will be used as funds.</p> <p>With respect to the distribution for the fiscal period ending December 2014, INV expects to distribute an aggregate amount of JPY1,601 million (distribution per unit: JPY 600) based on the assumption that the earnings for the fiscal period ending December 2014 will be used as financial funds</p>												
Excess profit distribution per unit	INV does not expect to distribute in excess of profits (excess profit distribution per unit) as of today.												
Other	<p>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.</p> <p>In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</p>												

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<Simulated Earnings per Unit>

	Net Income per Unit (Note 1)	Distribution per Unit (DPU)	Simulated Earnings per Unit
22nd fiscal period	JPY 573	JPY 573	JPY 600
23rd fiscal period (forecast)	JPY 600	JPY 600	JPY 628

(Note 1) Net Income per Unit in 22nd fiscal period is calculated assuming that the number of investment units issued and outstanding is 1,573,179 units, and Net Income Unit in 23rd fiscal period is calculated assuming that the number of investment units issued and outstanding is 2,668,686 units.

(Note 2) Figures in the above table are rounded down to the indicated amount.

Simulated Earnings per Unit refer to earnings per unit calculated by applying the simulated adjustment below, eliminating the effects of such factors as one-time expenses and treating the two hotels acquired in May, 2014 and the 18 hotels acquired in July, 2014 were acquired prior to the beginning of 22nd fiscal period.

Simulated adjustment is based on the total of the following adjustments:

- (i) Elimination of the gains from the sale of seven senior housing properties as of May, 2014.
- (ii) The impact based on the assumption that the repositioning of the portfolio through the sale of seven senior housing properties and the acquisition of two hotels in May, 2014, and the acquisition of 18 hotels in July, 2014 were implemented prior to beginning of 22nd fiscal period.
- (iii) The impact based on the assumption that the refinancing implemented in May, 2014 and July, 2014 were implemented prior to beginning of 22nd fiscal period.
- (iv) The tax amount based on the assumption that property taxes and city planning taxes will be expensed beginning of the 22nd fiscal period on the two hotels acquired in May 2014 and 18 hotels acquired in July, 2014.
- (v) Elimination of various one-time charges in connection with the implementation of the Transactions
- (vi) With respect to both 22nd fiscal period and 23rd fiscal period, calculation is based on the assumption that a total of 1,095,507 units (1,040,000 units through the Public Offering and 55,507 units through the Over Allotment Option) were issued at the beginning of the 22nd fiscal period and the number of investment unites issued and outstanding is 2,668,686 units

The simulated earnings per unit for the 22nd fiscal period and the 23rd fiscal period is purely a simulation intended to calculate the normalized earnings per unit taking into consideration the effect of the transactions, etc. described above and is neither a forecast nor prospect relating to INV's earnings or distribution per unit for a given operating period. Accordingly, there is no guarantee that the simulated earnings per unit will ever be realized for any future operating period, and INV is not obligated to revise any of the simulated figures regardless of any changes in circumstances that may affect the above simulation.

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