Invincible Investment Corporation

Financial Summary for the 25th Fiscal Period

(from July 1, 2015 to December 31, 2015)

Name	:	Invincible Investment Corporation
Representative	:	Naoki Fukuda, Executive Director
Stock Listing	:	Tokyo Stock Exchange
Securities Code	:	8963
URL	:	http://www.invincible-inv.co.jp/eng/
Contact	:	Consonant Investment Management Co., Ltd. (Asset Manager of Invincible Investment Corporation) Masayuki Inagaki , General Manager, Strategic Planning & IR Tel. +81-3-5411-2731
Start date for dividend distribution	:	March 29, 2016

(values are rounded down to the nearest million yen)

1. Financial Results for the Fiscal Period ended December 31, 2015 (from July 1, 2015 to December 31, 2015)

(1) Operating Results

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal period ended December 31, 2015	6,863	38.0	4,369	55.4	2,953	28.6	2,952	28.6
Fiscal period ended June 30, 2015	4,974	7.9	2,810	1.5	2,295	17.2	2,295	17.2

	Net Income per Unit	Net Income/ Unitholders' Equity	Ordinary Income/ Total Assets	Ordinary Income/ Operating Revenues
	yen	%	%	%
Fiscal period ended December 31, 2015	937	3.8	1.8	43.0
Fiscal period ended June 30, 2015	860	3.7	1.7	46.2

(Note) "Net Income per Unit" is calculated based on the average number of investment units during the period and is rounded to the nearest yen. Net income per unit calculated based on the number of investment units issued and outstanding at the end of the fiscal period ended December 31, 2015 (3,193,686 units) and rounded down to yen is JPY 924.

(2) Distributions

	Distribution per Unit (Excluding excess profit distribution per unit)	Distribution Amount (Excluding excess profit distribution per unit)	Excess Profit Distribution per Unit	Excess Profit Distribution Amount	Distribution per Unit (Including excess profit distribution per unit)	Distribution Amount (Including excess profit distribution)	Dividend Payout Ratio	Distribution/ Net Assets
	yen	Millions of yen	yen	Millions of yen	yen	Millions of yen	%	%
Fiscal period ended December 31, 2015	948	3,027	239	763	1,187	3,790	102.5	3.7
Fiscal period ended June 30, 2015	860	2,295	0	0	860	2,295	100.0	3.7

(Note 1) The amount of "Distribution per Unit (Excluding excess profit distribution per unit)," i.e., 948 yen, is the amount calculated by adding the amount of reversal of surplus per unit, i.e., 23.6 yen, to the amount of Net Income Per Unit, i.e., 924.4 yen (the amount calculated based on the number of investment units issued and outstanding at the end of the fiscal period ended December 31, 2015).

(Note 2) Since new investment units were issued during the period, the "Dividend Payout Ratio" for the Fiscal Period ended December 31, 2015 is calculated in accordance with the following formula:
Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution per unit) ÷ Net Income × 100
"Dividend Payout Ratio" is rounded to the nearest one decimal place.

(Note 3) "Dividend Payout Ratio" and "Distribution/ Net Assets" are calculated based on the figures excluding excess profit distribution.

(Note 4) The ratio of decrease in surplus, etc. caused by excess profit distribution (refund of investment) conducted during the fiscal period ended December 31, 2015 is 0.008. The ratio of decrease in surplus, etc. is calculated in accordance with Article 23, Paragraph 1, Item 3 of the Order for Enforcement of the Corporation Tax Act.

(3) Financial Position

	Total Assets	Net Assets	Net Assets/Total Assets	Net Assets per Unit
	Millions of yen	Millions of yen	%	yen
Fiscal period ended December 31, 2015	185,918	91,758	49.4	28,731
Fiscal period ended June 30, 2015	136,299	61,731	45.3	23,132

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

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal period ended December 31, 2015	4,312	(43,092)	45,084	13,818
Fiscal period ended June 30, 2015	4,545	(13,202)	3,006	7,514

2. Forecast for the Fiscal Period ending June 30, 2016 (from January 1, 2016 to June 30, 2016) and Forecast for the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)

(Percentages in brackets represent change from preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution per unit)	Excess Profit Distribution per Unit	Distribution per Unit (including excess profit distribution per unit)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen	Yen
Fiscal Period ending June 30, 2016	7,021	2.3	4,124	(5.6)	3,673	24.4	3,672	24.4	1,150	5	1,155
Fiscal Period ending December 31, 2016	7,773	10.7	4,847	17.4	4,408	19.9	4,408	19.9	1,380	5	1,385

(Reference) Estimated net income per unit for the fiscal period ending June 30, 2016 is JPY 1,150.
Estimated net income per unit for the fiscal period ending December 31, 2016 is JPY 1,380.

※ Others

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

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

(2) Number of Investment Units Issued and Outstanding

(a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)	December 31, 2015	3,193,686	June 30, 2015	2,668,686
(b) Number of Treasury Units as of the End of the Fiscal Period	December 31, 2015	0	June 30, 2015	0

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

(3) Handling of Fractions in Amounts and Ratios

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

The Implementation Status of Statutory Audit

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

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

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

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

Please refer to "Assumptions for Forecast for the Fiscal Period ending June 30, 2016 (from January 1, 2016 to June 30, 2016) and Forecast for the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)", on page 17 for assumptions used in the forecasts and precautions regarding the use of such forecasts.

1. Related Companies of the Investment Corporation

Disclosure is omitted because there have been no material changes in the “Structure of the Investment Corporation” section of the latest securities report (filed on September 28, 2015).

2. Management Policy and Operating Conditions

(1) Management Policy

Disclosure of “Investment Policies,” “Investment Targets,” “Distribution Policies” and the “Investment Restriction” is omitted because there have been no material changes from the relevant sections of the latest securities report (filed on September 28, 2015)

(2) Operating Conditions

a Overview of the Reporting Period

(a) Main Trends in the Investment Corporation

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

Ever since the commencement of sponsorship from the Fortress Group, INV has been focused its efforts on improving the earning power of its portfolio and establishing a revenue base in order to implement stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, and thereby has established a financial base for future growth.

With this platform as a base, in June 2014, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (the “Asset Manager”) revised the Investment Guidelines for INV, and added hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecast to rise going forward. INV's portfolio as at the end of the previous period ended June 2015 comprised 94 properties (23 hotels, 63 residential properties and eight others) with a total acquisition price of JPY 131,188 million, and market capitalization as at such date was JPY 174,265 million.

In the fiscal period ended December 2015 (the "Reporting Period"), INV conducted a global public offering for the second consecutive year (the "Capital Increase"), and with the funds raised through the Capital Increase and new loans, acquired 11 hotels and three residential properties (the "Acquisition") and refinanced all existing loans (the "Refinancing"; collectively with the Capital Increase and the Acquisition, the "Measures"). In addition, on June 25, 2015, INV entered into a Memorandum of Understanding (the " MOU") with affiliates of sponsor Fortress Group, thereby acquiring preferential negotiating rights regarding the acquisition of 21 hotels and nine residential properties, securing a pipeline for external growth.

Through implementation of the Measures, INV achieved further DPU growth and an increase in scale for both the portfolio and market capitalization. Furthermore, INV converted all loans into unsecured debt, further strengthening its financial soundness and stability.

In addition, INV acquired three hotels as of August 28, 2015 which increased the portfolio size to 111 properties (an increase of 17 properties from the previous period end) with a total acquisition price of JPY 173,815 million (an increase of JPY 42,627 million from the previous period end) and a market capitalization of JPY 224,835 million (an increase of JPY 50,570 million from the previous year end) as of the end of the Reporting Period. INV was included in the FTSE EPRA / NAREIT Global Real Estate Index Series regarded as a prominent benchmark by many global property funds from September 21, 2015, due to expansion of market capitalization and enhancement of liquidity through our initiatives.

(b) Operational Environment and Performance

In the Reporting Period, certain segments of the Japanese economy such as exports were influenced by weakness in emerging economies. However, there were many bright spots to highlight due to strong corporate earnings which helped spur real annualized GDP growth of 1.0% for the period from July to September 2015 year-on-year. The employment and wage environment showed further improvement as the unemployment rate for December 2015 fell to 3.3%, the jobs-to-applicants ratio was 1.27x, and the number of unemployed declined for the 67th consecutive month. Going forward, while it is necessary to take note of risks such as the growing concerns over the slowdown in overseas economies primarily in emerging countries, the decline in worldwide stock values and the low price of crude oil, the moderate domestic economic upswing is expected to continue due to the recovery in consumer spending on the back of the improved employment and wage environment. Furthermore, there is underlying economic support from the impact of the government’s financial policy, the Bank of Japan’s large-scale monetary easing policy, and the strengthening of corporate profits in connection with the decline in raw material costs associated with the decline in the price of crude oil.

Regarding the real estate investment market, real estate transaction prices continued to rise in Tokyo and other large cities as a result of Japan’s economic recovery and expectations of an end to deflation. According to the Japanese Real Estate Investor Survey (October 2015) conducted by the Japan Real Estate Institute, investors expect capitalization rates for offices, residences, retail facilities, and hotels to continue to decline. 87% of the survey respondents said that they would make new investments over the next year, showing that investment demand remains high. In particular, investors expect hotel capitalization rates to decrease by 0.4 points in both Tokyo and Osaka compared with the previous survey, as investment demand continues to grow.

Regarding the property rental market, Tokyo office building vacancy rates continue to decline while vacancy rates are bottoming out in parts of other major cities such as Osaka and Nagoya. Rents increased mainly for newly constructed buildings and premium properties in the Tokyo area as corporations consolidate their floor space as well as expand leasing space in the same building.

In the hotel segment, the Japanese government’s promotion of tourism initiatives such as airport capacity expansion, the entry of LCC’s into the Japanese market, and the relaxation of visa requirements for some Asian countries, coupled with macro structural changes such as a sharp increase in the number of cross-border travelers due to the global rise of the middle-income bracket, has led to a significant increase in the number of international visitors to Japan from China and Southeast Asian countries such as Thailand, Malaysia, the Philippines, Indonesia and Vietnam. This robust combination helped Japan log a record high of 19.737 million visitors in 2015 (47.1% increase from the 13.413 million visitors of the previous year), and the number of foreigners entering Japan exceeded the number of Japanese departing for the first time in 45 years. The influx of inbound visitors has dramatically increased the demand for hotel accommodation, in some cases causing a shortage in some regions..

With respect to the residential sector, market rent trends for small-type city-center properties continue to improve. Under the positive circumstances in the macro environment, INV implemented a rent increase program for both new leases and renewals as well as an initiative to reduce residential leasing costs based on a market analysis of each unit and property. As a result, in the Reporting Period, INV realized a rent increase for 42.8% of the new residential lease contracts or a rent increase of 0.2% compared to the previous rent, and a rent increase for 39.1% of contract renewals or a rent increase of 1.3% compared to the previous rent. while maintaining a high contract renewal rate of 85.5% in 2015. The average occupancy rate increased from 93.7% (January to June 2015) to 95.6% (July to December 2015) while maintaining a high renewal rate in contract renewals (85.5% per year in 2015). Furthermore, INV acquired three residential properties from the sponsor group on July 16, 2015 at a total price of JPY 5,099 million, adding further stability to the portfolio.

In the hotel segment, INV acquired 12 properties in total from the sponsor group on July 16 and on August 28, 2015, INV acquired two hotels from a third party, for a total price of JPY 37,528 million. In terms of internal growth, in addition to the abovementioned external factors, the hotel operators adeptly captured inbound demand through strong revenue management techniques. 33 of the INV's hotels (Note 1) recorded significant growth metrics in the Reporting Period led by an occupancy rate (Note 2) of 91.4% (+1.7 points year-on-year for 32 properties (Note 3)), ADR (Note 4) of JPY 8,784 (+18.5% year-on-year), and RevPAR (Note 5) of JPY8,026 (+20.7% year-on-year). The ratio of overseas sales (Note 7) at 31 of the hotels (Note 6) increased to 31.8% (+ 12.2 points year-on-year).

As a result, INV maintained a high average occupancy rate of 98.0% across the entire portfolio, and the NOI increased by 44.4% from the previous period to JPY 5,961 million.

At the end of the Reporting Period, the number of properties held by INV totaled 111, including 37 hotels, 66 residential properties, seven office buildings and retail facilities, as well as one parking lot, at a total acquisition price of JPY 173,815 million and total leasable area of 296,546.92m^2.

As a result of the internal growth performance, trends in the real estate investment and rental market, as well as the strong performance of the hotels, the total appraisal value at the end of the Reporting Period was JPY 214,952 million, an increase of JPY 25,024 million (+13.2%) year-on-year (Note 8). The increase came primarily from the hotels, as the appraisal value of the 37 hotels increased JPY 23,753 million (+21.7%) year-on-year (Note 8), significantly enhancing the overall portfolio asset value. The portfolio has an unrealized gain of JPY 45,700 million (Note 9) and an unrealized gain ratio of 27.0% (Note 9).

(Note 1) Of the 37 acquired hotels, the following hotels on fixed rents are excluded: Super Hotel Shinbashi-Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo-JR Tachikawa Kitaguchi and Super Hotel JR Ueno-Iriyaguchi.

(Note 2) "Occupancy rates" are calculated in accordance with the following formula:

Occupancy rates = 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)

(Note 3) Hotel Mystays Haneda for which there are no performance figures for the same period in the previous year is excluded, in addition to the properties excluded per Note 1.

(Note 4) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period.

(Note 5) "RevPar" means revenue 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 occupancy rates by ADR.

(Note 6) Of the 37 acquired hotels, the following hotels are excluded as the tenant does not disclose the ratio of overseas sales: APA Hotel Yokohama-Kannai, Hotel Nets Hakodate, Super Hotel Shinbashi-Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo JR-Tachikawa Kitaguchi and Super Hotel JR Ueno-Iriyaguchi.

(Note 7) "Overseas sales ratio" is the ratio of sales amount through overseas web agents to revenues.

(Note 8) The comparison was made after the following were added to the total appraisal value of the portfolio assets as of the end of the previous period: (i) of the 66 residential properties, the appraisal value as of May 1, 2015 of the three properties acquired as of July 16, 2015, of the 37 hotels, (ii) the appraisal value as of May 1, 2015 of the 11 properties acquired as of July 16, 2015, (iii) the appraisal value as of August 10, 2015 of Flexstay Inn Ekoda, which is one of three hotels acquired as of August 28, 2015, and (iv) the appraisal value as of July 31, 2015 of the remaining two properties

(Note 9) The unrealized gain is calculated using the following formula: the appraisal value as of the end of the Reporting Period - book value as of the end of the Reporting Period

The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period

(c) Overview of Fund Raising

(i) Equity Finance

INV executed (i) a global public offering of investment units that closed on July 15, 2015 (number of new investment units issued: 500,000; total issue value: JPY 27,970 million) and (ii) a third-party allotment in conjunction with the global offering that closed on August 12, 2015 (number of new investment units issued: 25,000; total issue value: JPY 1,398 million), in order to procure part of the funds for the acquisition of 11 new hotels and three residential properties.

(ii) Debt Finance

INV implemented the borrowing of New Syndicate Loan (E) (amount borrowed: JPY 88,338 million; interest rate: variable interest rate of one-month JPY TIBOR plus 0.40%, 0.50%, 0.60% and 0.20%) on July 16, 2015, with Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ and Mizuho Bank, Ltd. as arrangers, in order to refinance New Syndicate Loan (C), New Syndicate Loan (D) and Prudential LPS Loan B, along with using a portion of the funds to acquire 11 new hotels and three residential properties.

Through the Refinancing, INV converted the entire debt to unsecured debt, lengthened and diversified the debt maturity and further reduced borrowing costs.

In addition, INV implemented the borrowing of Term Loan (A) (amount borrowed: JPY 3,682 million; interest rate: one-month JPY TIBOR plus 0.5%) from Mizuho Bank, Ltd. on August 28, 2015 for use as a portion of the fund and related expenses to acquire three hotels.

Furthermore, INV repaid the portion of the New Syndicate Loan (E) on November 30, 2015 in the amount of JPY 321 million that corresponds to the borrowings equivalent to the expected consumption tax refund (Note 1) using the consumption tax refunds from to the three hotels acquired on February 6, 2015.

As a result of the above measures, INV’s interest-bearing debt outstanding balance was JPY 90,619 million and the Loan-to-Value ratio was 48.7% (Note 2) as of the end of the Reporting Period and, the average interest rate was 0.63% (Note 3), a significant reduction from 1.06% as of the end of the previous period.

(Note 1) Borrowings corresponding to the expected consumption tax refund mean the borrowings which will be prepaid in the amount equivalent to the refund of consumption tax and local tax, which were paid in relation to the acquisition of the trust beneficiary interests acquired by the borrowings executed at the same time, in the case where the above-mentioned consumption tax refunds are received. The same shall apply hereinafter.

(Note 2) The calculation for the Loan-to-Value ratio uses the calculation formula below:

Loan-to-Value ratio = amount of interest-bearing debt (excluding JPY 1,080 million borrowings corresponding to the expected consumption tax refund) ÷ amount of total assets at end of the Reporting Period x 100

(Note 3) The average borrowing interest rate (annual rate) is calculated by the weighted average based on the outstanding balance of borrowings, excluding borrowings corresponding to the expected consumption tax refund. In addition, the said rate is rounded to two decimal places.

(d) Overview of Results of Operations and Distributions

As results of the operations mentioned above, operating revenues for the reporting period increased by JPY 1,889 million from the previous period (+38.0%) to JPY 6,863 million, and net income increased by JPY 657 million from the previous period (+28.6%) to JPY 2,952 million. DPU was JPY 1,187, an increase of JPY 327 (+38.0%) year-on-year.

b Outlook for the Fiscal Period Ending June 30, 2016

(a) Future operational policy and issues to be addressed

Since July 2011, INV has enhanced unitholder value by significantly increasing DPU with the Fortress Group as its sponsor. Going forward, INV will implement various strategies to maintain further growth, including the following measures.

- Continuous acquisition of properties from sponsor and third parties
- Further internal growth at hotel properties
- Obtain credit rating
- Diversification of financing measures, including the issuance of invest corporation bonds

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated. INV will also acquire a certain proportion of residential properties and hotels using fixed rent schemes, which contribute to stable revenue. 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 visitors, demands of business and leisure customers, the competitive hotel environment, and leasing contract types when making investment decisions, with the aim of acquiring properties where growth and stability of gross operating profit (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 and other factors, and consider acquiring mainly small-type properties in large cities with strong competitiveness. In addition, INV will consider acquiring family-type properties in the case where it is determined by INV to be beneficial to portfolio diversification regarding residential properties.

In recent years, the property acquisition environment has become increasingly severe, however, INV, as shown below, has continued to achieve steady external growth from the pipeline of the sponsor, the Fortress Group.

Properties Acquired from affiliates of the Fortress Group

Date	Details	Total acquisition price
September 2012	Acquired 24 residential properties	JPY 14,043 million
May 2014	Acquired two hotels	JPY 5,435 million
July 2014	Acquired 18 hotels	JPY 39,938 million
February 2015	Acquired two hotels	JPY 4,911 million
July 2015	Acquired 11 hotels and three residential properties	JPY 35,258 million
August 2015	Acquired one hotel	JPY 5,069 million
January 2016	Acquired five hotels and one residential property	JPY 10,207 million
Total	67 properties (of which 28 are residential and 39 are hotels)	JPY 114,861 million (of which residential: JPY 22,052 million; hotels: JPY 92,809 million)

The Fortress Group manages four dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I and II. The Fortress Group's committed equity is over JPY 300 billion and the number of properties that the Fortress Group is invested in exceeds 1,400. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 25 hotels and nine residential properties as of January 20, 2016 (see the table below) (Note 1).

In addition, by utilizing the property transaction information available through the Fortress Group and INV's own network, INV will continuously consider and implement the acquisition of properties from third parties that will contribute to stability and growth in revenue and cash flow and an increase in DPU.

No.	Asset Name	Asset Type (Note 8)	Location	No. of Rooms
1	Hotel MyStays Gotanda Station	Limited Service Hotel	Shinagawa-ku, Tokyo	333
2	Hotel MyStays Akasaka (Note 2)	Limited Service Hotel	Minato-ku,Tokyo	327
3	Hotel MyStays Kanazawa	Limited Service Hotel	Kanazawa-shi, Ishikawa	244
4	Hotel MyStays Fukuoka-Tenjin	Limited Service Hotel	Fukuoka-shi, Fukuoka	217
5	Hotel MyStays Yokohama-Kannai (Note 3)	Limited Service Hotel	Yokohama-shi, Kanagawa	166
6	Hotel MyStays Hamamatsucho	Limited Service Hotel	Minato-ku, Tokyo	105
7	Rihga Royal Hotel Kyoto (Note 4)	Full Service Hotel	Kyoto-shi, Kyoto	489
8	Narita Excel Hotel Tokyu	Full Service Hotel	Narita-shi, Chiba	706
9	Art Hotels Sapporo	Full Service Hotel	Sapporo-shi, Hokkaido	418
10	Best Western Hotel Fino Sapporo	Limited Service Hotel	Sapporo-shi, Hokkaido	242
11	Best Western Hotel Fino Oita	Limited Service Hotel	Oita-shi, Oita	145
12	Takamatsu Tokyu REI Hotel	Limited Service Hotel	Takamatsu-shi, Kagawa	191
13	Hotel Naqua City Hirosaki	Full Service Hotel	Hirosaki-shi, Aomori	134
14	Beppu Kamenoi Hotel	Resort Hotel	Beppu-shi, Oita	322
15	Fusaki Resort Village	Resort Hotel	Ishigaki-shi, Okinawa	195
16	Sheraton Grande Tokyo Bay Hotel (Note 5)	Full Service Hotel	Urayasu-shi, Chiba	1,016
17	Hotel Shin-Osaka Conference Center	Limited Service Hotel	Osaka-shi, Osaka	397
18	Art Hotels Asahikawa	Full Service Hotel	Asahikawa-shi, Hokkaido	265
19	Hotel MyStays Kanazawa Castle	Limited Service Hotel	Kanazawa-shi, Ishikawa	206
20	Hotel JAL City Matsuyama	Full Service Hotel	Matsuyama-shi, Ehime	161
21	Hotel Ueno East	Limited Service Hotel	Taito-ku, Tokyo	150
22	(Provisional Name) Hotel MyStays Hommachi 3-chome (Osaka) (Note 6)	Limited Service Hotel	Osaka-shi, Osaka	120
23	Hotel MyStays Sapporo Nakajima Park	Limited Service Hotel	Sapporo-shi, Hokkaido	86
24	Flexstay Inn Sakuragicho	Limited Service Hotel	Yokohama-shi, Kanagawa	70
25	MyCUBE by MYSTAYS Asakusa Kuramae (Note 7)	Limited Service Hotel	Taito-ku, Tokyo	64
Hotel Subtotal				6,769
26	Gran Charm Hiroo	Residential/Small Type	Shibuya-ku, Tokyo	121
27	Plestay Win Kinshicho	Residential/Small Type	Sumida-ku, Tokyo	92
28	Gran Charm Kichijoji	Residential/Small Type	Musashino-shi, Tokyo	28
29	Green Patio Noda	Residential/Small Type	Noda-shi, Chiba	240

No.	Asset Name	Asset Type (Note 8)	Location	No. of Rooms
30	Dainichi F-45	Residential/Small Type	Urayasu-shi, Chiba	54
31	Gran Charm Urayasu	Residential/Small Type	Urayasu-shi, Chiba	54
32	Gran Charm Urayasu 5	Residential/Small Type	Urayasu-shi, Chiba	54
33	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa-shi, Chiba	52
34	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa-shi, Chiba	48
Residential Property Subtotal				743

(Note 1) The term of validity of the MOU is from January 20, 2016, the date of execution of the new MOU, to January 19, 2017. Properties highlighted in the above table show the new properties added to the subject properties of the MOU. Regarding the 34 properties listed above, there is no guarantee that INV will be granted an opportunity for considering acquisition of the properties or be able to acquire the properties.

(Note 2) Hotel MyStays Akasaka is scheduled to be completed in June 2016, and is scheduled to open in August 2016.

(Note 3) Hotel MyStays Yokohama –Kannai is scheduled to be completed in September 2016, and is scheduled to open in October 2016.

(Note 4) Rihga Royal Hotel Kyoto is scheduled to partially reopen on September 1, 2016 after renewal and fully reopen on November 1, 2016.

(Note 5) Extension work regarding the Annex site of Sheraton Grande Tokyo Bay Hotel is now underway and is scheduled to be completed in February 2017.

(Note 6) (Provisional Name) Hotel MyStays Hommachi 3-chome (Osaka) is scheduled to be completed in October 2017, and is scheduled to open in December 2017.

(Note 7) MyCUBE by MYSTAYS Asakusa Kuramae is scheduled to be completed in April 2016, and is scheduled to open in June 2016.

(Note 8) Each "Asset Type" above is as follows:

"Limited Service Hotel" refers to a hotel focusing on revenues from room stay and offer limited service regarding foods and beverages, banquet, spa or gymnasium facilities.

"Full Service Hotel" refers to a hotel having sections of stay, foods and beverages, and banquet.

"Resort Hotel" refers to a hotel located at tourist destinations or recreational lots, having sections of stay, foods and beverages, and incidental facilities.

"Small Type" refers to a residential property in which the majority of dwelling units are less than 30 m^2.

Property Sales

While INV places priority on increasing unitholders' value through external growth by taking into account the increased level of activity in the real estate trading market, it also plans to consider the possibility of property sale upon consideration of the portfolio sector composition, geographic distribution and competitiveness of each property, as appropriate.

(ii) Strategy for internal growth

(Hotels)

Of the 37 hotels owned by INV as at the end of the fiscal period ended December 2015, 32 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives gross operating profit (GOP) after deducting management fees for the hotel operator, and INV's variable rent scheme is set up so that INV can directly enjoy the hotel revenue upside. For 29 hotels, MHM, a hotel operator in the sponsor group, has implemented strict revenue management seeking to maximize revenue. INV will continue to accurately ascertain and analyze operating conditions of its hotels, the conditions of nearby hotels, market trends and other factors through operation meetings and other contact with hotel operators and will focus on operations that maximize rent income.

(Residential properties and others)

INV will continue to strengthen its collaborative ties with Property Management (PM) companies 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 on-season in the residential rental market that occurs during the fiscal period ending June 2016, INV will focus on increasing an occupancy rate, rent for new lease contracts as well as for lease renewals for each of its properties as well as formulating net leasing management 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 stable operations and high tenant satisfaction. Therefore, INV will continue to monitor current strategic plans with flexible implementation as it sees fit.

(iii) Financial strategy

INV will, in continuation of the strengthening of its financial base via the refinancing implemented in July 2015 resulting in its debt becoming unsecured borrowing and the new borrowings implemented in August 2015 and January 2016, promote a financial strategy that envisages obtaining a future credit rating and diversifying financing measures, including issuing investment corporation bonds. Also, INV seeks to maximize unitholders' value by way of lengthening and diversification of borrowing terms, further reduction of borrowing costs, fixing interest rates taking into consideration the interest rate trends, solicitation of new financial institutions and strengthening of its lender formation.

(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.

c Significant Subsequent Events

INV acquired five hotels and one residential property in the fiscal period ending June 30, 2016 (26th fiscal period) by utilizing excess cash-on-hand and new borrowings, without issuing new equity.

As a result, the total number of properties held by INV as of the date of this document increased to 117 properties (comprising 67 residential properties, 42 hotels, and eight others) with a total acquisition price of JPY 184,022 million.

(a) Acquisition of Assets

On January 22, 2016, INV acquired five hotels and one residential property as described in the following table.

Use	Property Number	Property Name	Location	Acquisition Price (mn JPY) (Note 1)	Appraisal Value (mn JPY) (Note 2)	Seller	Category of Specified Assets
Hotel	D38	Hotel Mystays Shinsaibashi	Osaka-shi, Osaka	3,160	3,190	Aki TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D39	Comfort Hotel Kurosaki	Kitakyushu-shi, Fukuoka	1,148	1,160	Navaro TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D40	Comfort Hotel Maebashi	Maebashi-shi, Gunma	1,128	1,140	Navaro TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D41	Comfort Hotel Tsubamesanjo	Sanjo-shi, Nigata	1,010	1,020	Navaro TokuteiMokuteki Kaisha	Trust Beneficial Interest
	D42	Comfort Hotel Kitami	Kitami-shi, Hokkaido	851	860	Navaro TokuteiMokuteki Kaisha	Trust Beneficial Interest
Subtotal				7,297	7,370		
Resi-dential	A103	Royal Parks Momozaka	Osaka-shi, Osaka	2,910	2,940	Momo TokuteiMokuteki Kaisha	Trust Beneficial Interest
Subtotal				2,910	2,940		
Total				10,207	10,310		

(Note 1) Acquisition price does not include adjustments for property taxes, city planning taxes, national or local consumption taxes; hereinafter the same.

(Note 2) The appraisal value of Hotel Mystays Shinsaibashi is based on that as of November 20, 2015 by a report of the Japan Real Estate Institute. The appraisal value of Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubamesanjo and Comfort Hotel Kitami are based on that as of November 20, 2015 by reports of Daiwa Real Estate Appraisal Co., Ltd. Royal Parks Momozaka is based on the appraisal value as of November 20, 2015 by a report of Morii Appraisal & Investment Consulting, Inc.

(b) Borrowing of Funds

INV implemented the new borrowings described in the following table on January 22, 2016 for use as a portion of the fund and related expenses to acquire properties described in "(a) Acquisition of Assets".

Term Loan (B)

Lender	Borrowing Date	Borrowing Amount (mn JPY)	Interest Rate (per annum) (Note 1)	Principal Maturity Date	Borrowing Method
Sumitomo Mitsui Trust Bank, Limited Mitsubishi UFJ Trust and Banking Corporation	January 22, 2016	4,250	0.55% (Note 1) Variable interest rate (Note 2) (Note 5)	January 22, 2019	Unsecured / non guarantee
	January 22, 2016	4,250	0.75% (Note 1) Variable interest rate (Note 3) (Note 5)	January 22, 2021	Unsecured / non guarantee
Sumitomo Mitsui Trust Bank, Limited	January 22, 2016	498	0.35% (Note 1) Variable interest rate (Note 4) (Note 5)	January 22, 2017	Unsecured / non guarantee
Total		8,998			

(Note 1) Interest rate applicable for the period from January 22, 2016 to February 28, 2016

(Note 2) One-month JPY TIBOR (Base Rate) + spread (0.4%)

(Note 3) One-month JPY TIBOR (Base Rate) + spread (0.6%)

(Note 4) One-month JPY TIBOR (Base Rate) + spread (0.2%)

(Note 5) With respect only to the first interest calculation period, the two-month JPY TIBOR will be applied as the base rate, instead of the one-month JPY TIBOR.

d Operational Outlook

The following forecast is made for the fiscal period ending June 30, 2016 and the fiscal period ending December 31, 2016.

Fiscal Period ending June 30, 2016 (from January 1, 2016 to June 30, 2016)

Operating Revenues	JPY 7,021 million
Operating Income	JPY 4,124 million
Ordinary Income	JPY 3,673 million
Net Income	JPY 3,672 million
Earnings per Unit	JPY 1,150
Reversal of Surplus per Unit	-
Distribution per Unit (Excluding excess profit distribution per unit)	JPY 1,150
Excess Profit Distribution per Unit	JPY 5
Distribution per Unit (Including excess profit distribution per unit)	JPY 1,155

INV will make distributions in excess of profits for the fiscal period ending June 2016, in order to cope with the discrepancy between tax and accounting treatment, recording a difference between tax and accounting treatment as distribution of the reserve for temporary difference adjustments.

Excess profit distribution per unit: JPY 5

Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)

Operating Revenues	JPY 7,773 million
Operating Income	JPY 4,847 million
Ordinary Income	JPY 4,408 million
Net Income	JPY 4,408 million
Earnings per Unit	JPY 1,380
Reversal of Surplus per Unit	-
Distribution per Unit (Excluding excess profit distribution per unit)	JPY 1,380
Excess Profit Distribution per Unit	JPY 5
Distribution per Unit (Including excess profit distribution per unit)	JPY 1,385

INV will make distributions in excess of profits for the fiscal period ending December 2016, in order to cope with the discrepancy between tax and accounting treatment, recording a difference between tax and accounting treatment as distribution of the reserve for temporary difference adjustments.

Excess profit distribution per unit: JPY 5

INV presents full year figures for financial results and distribution for information purpose only because rental revenues of hotel properties tend to fluctuate by season.

(Reference) 2016 Annual (total of the fiscal periods ending June 30, 2016 and December 31, 2016)

Operating Revenues	JPY 14,795 million
Operating Income	JPY 8,972 million
Ordinary Income	JPY 8,082 million
Net Income	JPY 8,081 million
Earnings per Unit	JPY 2,530
Reversal of Surplus per Unit	-
Distribution per Unit (Excluding excess profit distribution per unit)	JPY 2,530
Excess Profit Distribution per Unit	JPY 10
Distribution per Unit (Including excess profit distribution per unit)	JPY 2,540

For the assumptions underlying the operational outlook for the fiscal period ending June 30, 2016 and the fiscal period ending December 31, 2016, please see "Assumptions for the Forecasts for the Fiscal Period ending June 30, 2016 (from January 1, 2016 to June 30, 2016) and the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016) ".

(Cautionary Note regarding Forward Looking Statements)

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

<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending June 30, 2016 (from January 1, 2016 to June 30, 2016) and the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Fiscal period</td><td>The 26th Fiscal Period: from January 1, 2016 to June 30, 2016 (182 days)
The 27th Fiscal Period: from July 1, 2016 to December 31, 2016 (184 days)</td></tr>
<tr><td>Assets under management</td><td>Properties held as of the end of the 26th Fiscal Period: 117 properties
Properties held as of the end of the 27th Fiscal Period: 117 properties

The assets under management are based on the 117 properties held by INV as of today and INV assumes that there will be no change through the end of the fiscal period ending December 2016.</td></tr>
<tr><td>Units outstanding</td><td>As of the end of the 26th Fiscal Period: 3,193,686 units
As of the end of the 27th Fiscal Period: 3,193,686 units

INV assumes that there will be no additional issuance of units through the end of the fiscal period ending December 2016.</td></tr>
<tr><td>Interest-bearing liabilities</td><td>Balance as of the end of the 26th Fiscal Period: JPY 99,617 mn (Note)
Balance as of the end of the 27th Fiscal Period: JPY 99,617 mn (Note)

(Note) JPY 1,080 million of consumption tax loan is assumed to be repaid during the 26th fiscal period, on May 16, 2016.
INV assumes that there will be no other borrowings or prepayments.</td></tr>
<tr><td>Operating revenues</td><td>INV expects to record rental revenues for each fiscal period as follows:

<table>
<tr><th></th><th>The 26th Fiscal Period</th><th>The 27th Fiscal Period</th></tr>
<tr><td>・Rental revenues</td><td>JPY 7,021 mn</td><td>JPY 7,773 mn</td></tr>
<tr><td>(of these, hotel rents)</td><td>(JPY 4,142 mn)</td><td>(JPY 4,811 mn)</td></tr>
<tr><td>(of these, hotel variable rents)</td><td>(JPY 1,778 mn)</td><td>(JPY 1,921 mn)</td></tr>
<tr><td>(of these, hotel fixed rents)</td><td>(JPY 2,364 mn)</td><td>(JPY 2,890 mn)</td></tr>
</table>

Rental revenues in the fiscal period ending June 2016 and the fiscal period ending December 2016 are calculated based on estimates as of today from January 2016 to December 2016. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating expenses</td><td>INV expects to incur property related expenses for each fiscal period as follows:
<table>
<tr><th></th><th>The 26th Fiscal Period</th><th>The 27th Fiscal Period</th></tr>
<tr><td>・Facility management fees
(of these, repair costs)</td><td>JPY 524 mn
(JPY 34 mn)</td><td>JPY 552 mn
(JPY 44 mn)</td></tr>
<tr><td>・Taxes and other public charges</td><td>JPY 297 mn</td><td>JPY 349 mn</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 9 mn</td><td>JPY 9 mn</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 1,439 mn</td><td>JPY 1,441 mn</td></tr>
<tr><td>・Other expenses</td><td>JPY 192 mn</td><td>JPY 153 mn</td></tr>
<tr><td>Total property related expenses</td><td>JPY 2,463 mn</td><td>JPY 2,506 mn</td></tr>
</table>
INV expects to incur other operating expenses than the property related expenses for each fiscal period as follows:
<table>
<tr><th></th><th>The 26th Fiscal Period</th><th>The 27th Fiscal Period</th></tr>
<tr><td>・Other operating expenses</td><td>JPY 433 mn</td><td>JPY 419 mn</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 250 mn)</td><td>(JPY 250 mn)</td></tr>
</table></td></tr>
<tr><td>Net Operating Income</td><td>INV expects to record net operating income for each fiscal period as follows:
<table>
<tr><th></th><th>The 26th Fiscal Period</th><th>The 27th Fiscal Period</th></tr>
<tr><td>・NOI</td><td>JPY 5,997 mn</td><td>JPY 6,708 mn</td></tr>
<tr><td>(of these, hotel NOI)</td><td>(JPY 3,953 mn)</td><td>(JPY 4,580 mn)</td></tr>
</table>
NOI is calculated based on the formula as follows.
NOI = rental revenues - property related expenses + depreciation expenses</td></tr>
<tr><td>Non-operating expenses</td><td>INV expects to incur non-operating expenses for each fiscal period as follows:
<table>
<tr><th></th><th>The 26th Fiscal Period</th><th>The 27th Fiscal Period</th></tr>
<tr><td>・Interest expense</td><td>JPY 309 mn</td><td>JPY 315 mn</td></tr>
<tr><td>・Finance related costs</td><td>JPY 141 mn</td><td>JPY 122 mn</td></tr>
<tr><td>Total Non-operating expenses</td><td>JPY 451 mn</td><td>JPY 438 mn</td></tr>
</table></td></tr>
<tr><td>Distribution per unit</td><td>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV’s Articles of Incorporation.</td></tr>
</table>

Item	Assumptions
	With respect to the distribution for the fiscal period ending June 30, 2016, INV expects to distribute an aggregate amount of JPY 3,688 million (distribution per unit: JPY 1,155) based on the assumption that the earnings for the fiscal period ending June 2016 (JPY 3,672 million) will be used as funds and excess profit distribution (JPY 15 million) will be made. With respect to the distribution for the fiscal period ending December 31, 2016, INV expects to distribute an aggregate amount of JPY 4,423 million (distribution per unit: JPY 1,385) based on the assumption that the earnings for the fiscal period ending December 2016 (JPY 4,408 million) will be used as funds and excess profit distribution (JPY 15 million) will be made.
Excess profit distribution per unit	INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, in cases where significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a significant decrease in earnings, INV has decided to make distributions in excess of profits in order to stabilize distributions and be more reflective of INV's simulated earnings. INV will record a difference between tax and accounting treatment as distribution of the reserve for temporary difference adjustments and make distributions of the equivalent amount in accordance with the tax revision in 2016 for the fiscal period ending June 2016 and fiscal period ending December 2016. Excess profit distribution per unit (26th Fiscal Period) JPY 5 Excess profit distribution per unit (27th Fiscal Period) JPY 5
Other	INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.