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Invincible Investment Corporation

Asset Management Report

Fiscal Period ended December 31, 2016 (July 1, 2016 to December 31, 2016)

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Information for Unitholders

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

I would like to take this opportunity to express my 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 27th fiscal period (covering the period from July 1, 2016 to December 31, 2016; the “Reporting Period”).

INV positions hotels and residential properties as its core assets and proactively conducts management activities to maximize growth and stability of the portfolio.

In the hotel sector, the number of inbound visitors reached a record high of 24.03 million in 2016, an increase of 22% from the previous year and 79% higher than two years ago. The significant increase in inbound numbers can be attributed to improvements in airports/travel infrastructure, the launch and expansion of low-cost carriers (LCCs), the Japanese government’s further promotion of tourism-oriented initiatives such as the relaxation of visa requirements as well as a sharp increase in the number of cross-border travelers due to the rise of the middle-income class in Asia.

During the Reporting Period, INV’s hotel portfolio showed a slight decrease in revenues per available room (RevPAR) of 0.8% year-on-year. This was mainly due to unfavorable impact from the day configuration of the Silver Week holidays in September, poor weather including more typhoon landings, the increase in new hotel supply and a rapid increase of the number of hotel rooms listed by online travel agents. However, RevPAR for full year of 2016 increased by 3.3% over the previous year and gross operating profit (GOP) for full year of 2016 also increased by 3.8% over the previous year⁽¹⁾.

The residential properties continue to benefit from ongoing efforts to increase rents upon new/renewal lease contracts and from selective reductions of leasing cost expenditures. As a result, net operating income (NOI) for existing assets increased by 3.8% year-on-year for the Reporting Period and increased by 4.4% for the full year of 2016 over the previous year⁽²⁾.

As a result, operating revenues reached JPY 9,511 million, ordinary income JPY 5,431 million and net income JPY 5,431 million, with a distribution per unit (DPU) of JPY 1,477, an increase of 24.4% year-on-year.⁽³⁾ With this, the annual DPU came to JPY 2,663, a significant increase of 30.1% above the previous year.

Further, INV conducted a public offering in March 2017 to acquire two high quality residential assets, including Royal Parks Tower Minami-Senju, which will serve as the flagship residential asset.

INV renewed the Memorandum of Understanding (MOU) with affiliates of its sponsor, Fortress Group, on December 22, 2016 concerning preferential negotiation rights for property acquisitions. The MOU provides a robust pipeline of assets that INV can potentially acquire, consisting of 22 hotels with 6,616 rooms (INV currently owns 48 hotels with 7,027 rooms) and nine residential properties with 743 units (INV currently owns 70 residential properties with 4,778 units). Going forward, INV plans to expand its portfolio via acquisitions from the abundant pipeline.

Moreover, with respect to INV’s internal growth, we will implement various measures to maximize hotel revenue through close collaboration with each of the hotel operators. As for the residential portfolio, we reduced the number of master lessees and property managers from 19 companies to 10 companies (in December 2016 and January 2017) in an effort to improve NOI, favoring companies with stronger performance in achieving rent increases.

Concerning financial operations, INV obtained an initial credit rating of ‘A’ with a ‘Positive’ outlook from Japan Credit Rating Agency, Ltd. (JCR) on September 27, 2016. INV aims to further strengthen its lender

formation as well as diversify financing methods including the issuance of investment corporation bonds and lengthening of borrowing duration in the future. We also believe the obtainment of the credit rating will contribute to the broadening of our investor base.

INV will continue to implement its basic policy to “increase DPU,” 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) For calculation methods and details of assets included in the indices, please refer to notes on pages 8 and 19
- (2) For calculation methods and details of assets included in the indices, please refer to notes on page 6
- (3) Comparison with the fiscal period ended December 2015. In order to eliminate seasonal factors of hotel variable rents, which is one of the major revenues of INV, in the comparison, the comparison is made with the same period in the previous year and not with the previous fiscal period (ended June 2016)

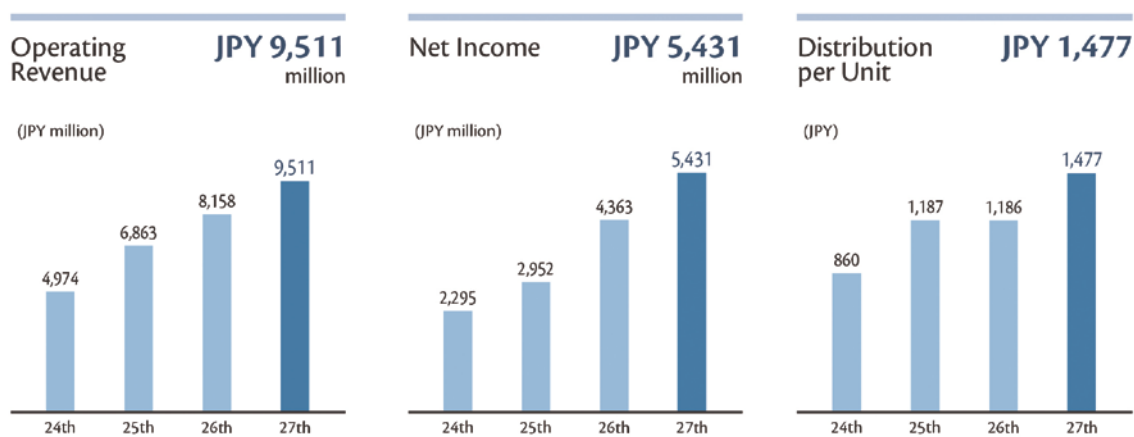
Distribution per unit for the 27th fiscal period
(the fiscal period ended December 2016)

JPY 1,477

- (Note) The forward-looking statements, forecasts and goals described in this report are based on available information, assumptions and estimates as of March 14, 2017. 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

Summary of Financial Results

| | Period from January 1, 2015 to June 30, 2015 | Period from July 1, 2015 to December 31, 2015 | Period from January 1, 2016 to June 30, 2016 | Period from July 1, 2016 to December 31, 2016 |
|-------------------------------------|--|---|--|---|
| Operating Revenues (JPY million) | 4,974 | 6,863 | 8,158 | 9,511 |
| Ordinary Income (JPY million) | 2,295 | 2,953 | 4,364 | 5,431 |
| Net Income (JPY million) | 2,295 | 2,952 | 4,363 | 5,431 |
| Net Assets (JPY million) | 61,731 | 91,758 | 130,005 | 131,455 |
| Total Assets (JPY million) | 136,299 | 185,918 | 284,106 | 277,361 |
| Net Assets per Unit (JPY) | 23,132 | 28,731 | 35,368 | 35,762 |
| Net Assets/Total Assets (%) | 45.3 | 49.4 | 45.8 | 47.4 |
| Distribution per Unit (JPY) | 860 | 1,187 | 1,186 | 1,477 |
| Number of Units Issued (Unit) | 2,668,686 | 3,193,686 | 3,675,824 | 3,675,824 |



(Note) Figures are rounded down to the indicated unit and percentages are rounded to one decimal place.
However, "Net Assets per Unit" are rounded to the nearest yen

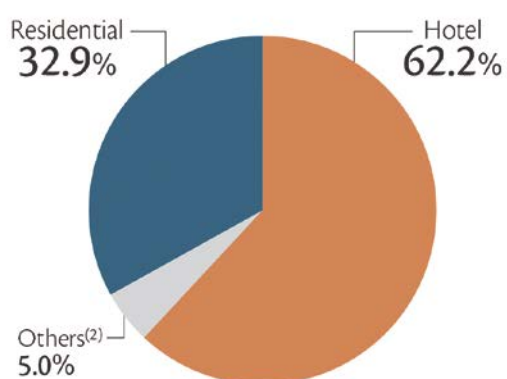
Portfolio and Assets under Management (AUM)

Positioning hotels and residential properties as core assets, INV aims for steady growth of investment assets and securing stable revenues

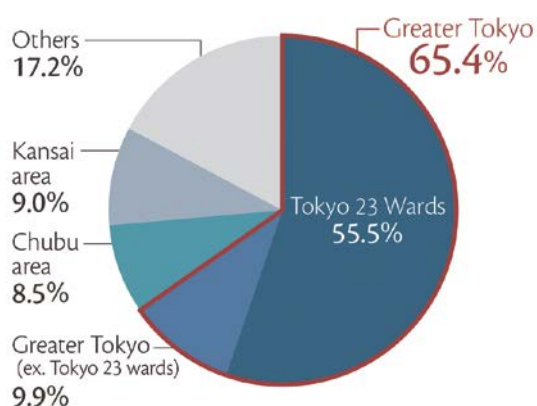
Composition of the portfolio ⁽¹⁾

| No. of properties | Residences | Hotels | Others ⁽²⁾ |
|-------------------|------------|--------|-----------------------|
| 126 | 70 | 48 | 8 |

Portfolio Composition by Asset Type⁽³⁾



Portfolio Composition by Geography⁽³⁾⁽⁴⁾



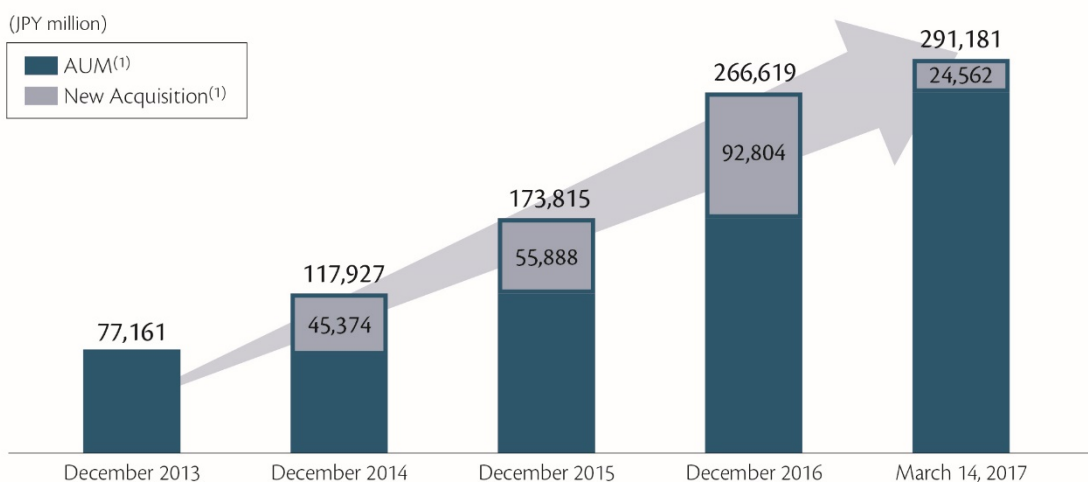
(Note 1) Composition as of the date of this document is shown

(Note 2) "Others" includes offices, commercial facilities and parking lots

(Note 3) Based on acquisition price

(Note 4) Defined as follows: Greater Tokyo is Tokyo, Kanagawa, Chiba and Saitama. 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

Growth of AUM



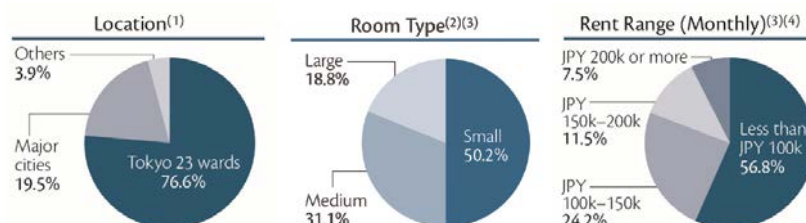
(Note 1) “AUM” is total acquisition amount of the properties owned as of the end of December of the relevant year (or March 14, 2017), and “New Acquisition” shows total acquisition amount for the properties acquired in the relevant year (up to March 14 for 2017)

Residential Portfolio



Composition ratio of residential portfolio

| | | |
|---|--|---|
| 96.1% of the residential portfolio is concentrated in Tokyo 23 wards and other major cities | 81.2% of the residential units are smaller than 60m ² | 81.0% of the residential units are less than JPY 150k per month |
|---|--|---|



(Note 1) Based on acquisition price

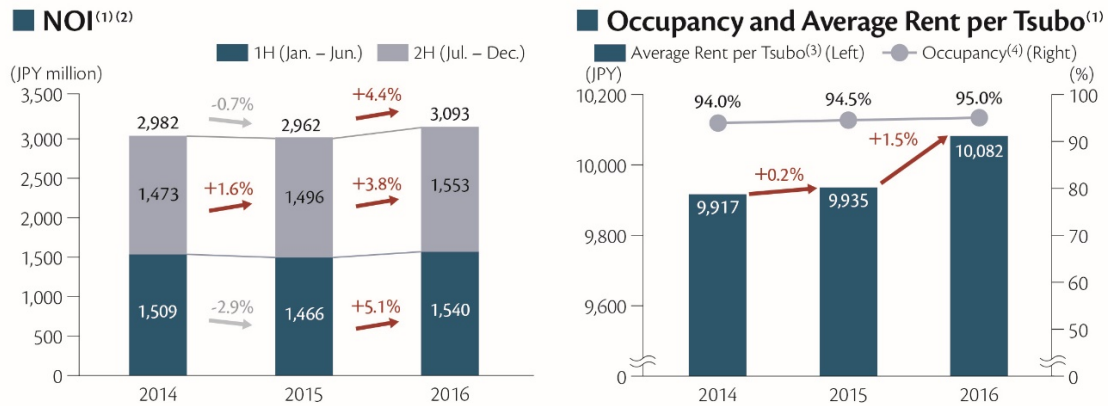
(Note 2) INV defines “Small” as a rentable unit with an area of less than 30m², “Medium” as a leasable unit with an area of 30m² to 60m² and “Large” as a leasable unit with an area of 60m² or more

(Note 3) Based on the number of units excluding shops, offices and nursing homes as of December 31, 2016

(Note 4) The amount of rent is based on monthly rent plus common-area charge for each unit as of December 31, 2016

Performance of Residential Portfolio

With continued proactive asset management, the residential portfolio in 2016 saw increases in average rent per tsubo per month by 1.5% and residential NOI by 4.4% from the previous year



(Note 1) Based on the 63 residential properties owned as of the end of December, 2014

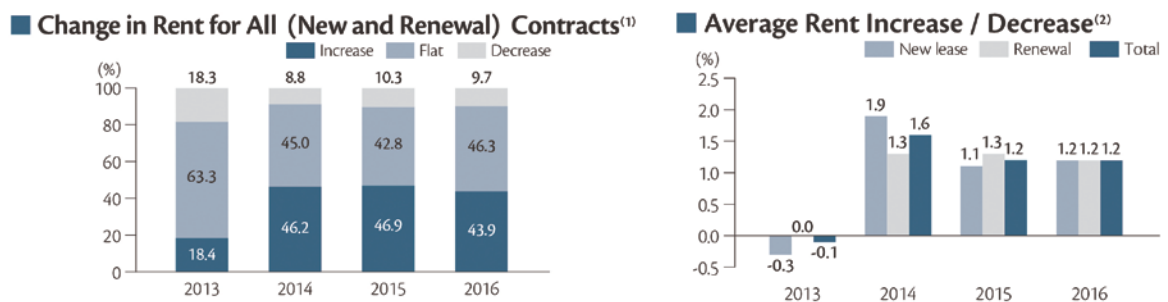
(Note 2) Excludes one-off insurance-related revenues and expenses

(Note 3) Average Rent per Tsubo per Month is calculated by dividing the total residential rental revenue including common area charges for each month by the sum of total residential leasable area at the end of each month, indicating the average rent per Tsubo weighted by leased area

(Note 4) Occupancy is calculated by dividing the sum of total residential leased area by the sum of total residential leasable area at the end of each month of each year

Residential Rent Increase Program

INV launched an initiative for raising rents in 2014, and in 2016 rent increased for 43.9% of all combined new and renewal leases with an average contract rent increase of 1.2%

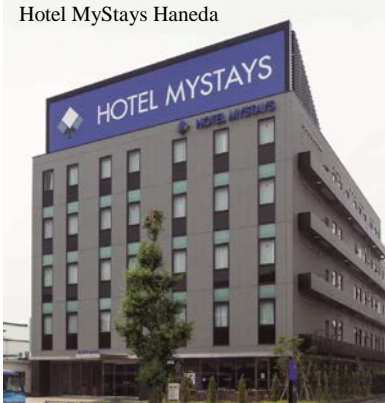


(Note 1) Based on the residential properties owned in relevant year excluding the performance for the properties during the pre-acquisition period. The number of properties at the end of each year is as follows: 63 properties for 2013, 63 properties for 2014, 66 properties for 2015, and 68 properties for 2016

(Note 2) 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 for properties owned at the end of each month during relevant year

Hotel Portfolio

Hotel MyStays Haneda

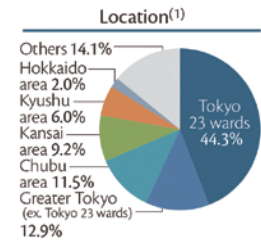
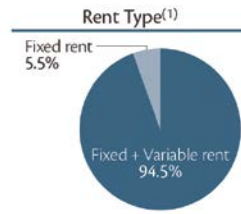
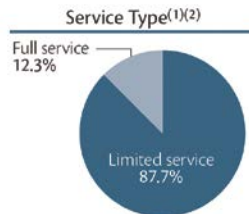


Composition ratio of hotel portfolio

87.7% of the hotel portfolio are limited-service hotels

94.5% of the hotel portfolio are variable rent hotels

57.2% of the hotel portfolio are located in the Greater Tokyo area and 9.2% in the Kansai area



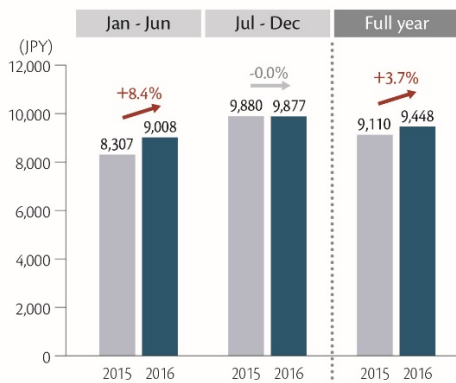
(Note 1) Ratios are based on acquisition price

(Note 2) For types, please refer to notes on page 10

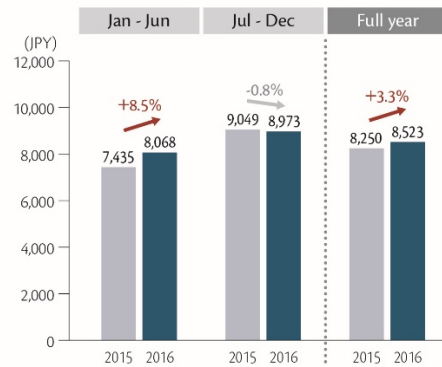
Hotel Property Performance Indicators

The annual performance of the hotel portfolio for 2016 showed a slight decrease in occupancy (down 0.3 percentage points from the previous year). However, ADR, RevPAR and GOP rose by 3.7%, 3.3% and 3.8% respectively over the previous year.

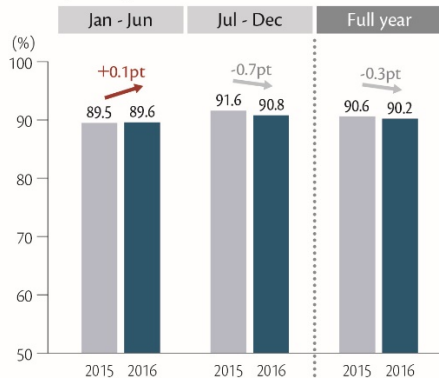
ADR⁽¹⁾



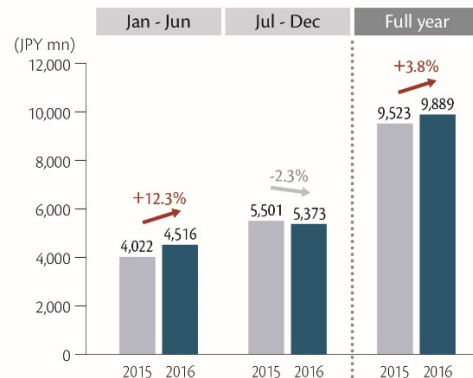
RevPAR⁽¹⁾



Occupancy⁽¹⁾



GOP⁽¹⁾⁽²⁾



- (Note 1) Based on 36 hotel properties; of the 48 hotel properties in our portfolio as of December 31, 2016, 9 hotels with fixed rent lease agreements as well as 3 hotels (Hotel MyStays Shinsaibashi, Hotel MyStays Gotanda Station and Hotel MyStays Kanda), which were renovated during the period from January 2015 to December 2016, are excluded
- (Note 2) In calculating the GOP, the rent received by INV for APA Hotel Yokohama-Kannai is regarded as GOP of the hotel since GOP is not disclosed by the operator
- (Note 3) For the definitions of the terms, please refer to notes on pages 19 and 20

MyStays Hotel Management

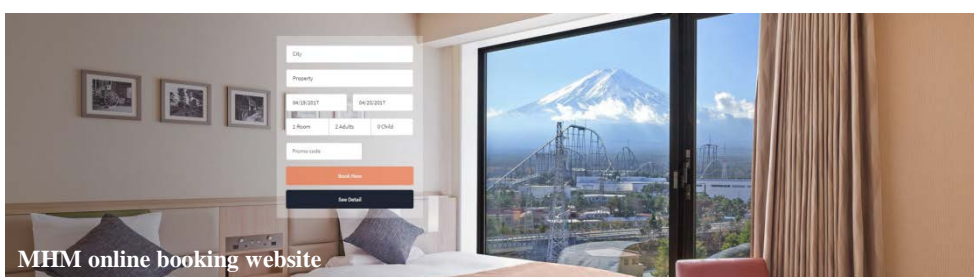
MyStays Hotel Management (MHM), the primary operator of hotels owned by INV, has significantly improved its website and social media capabilities to increase its customer base and direct booking ratio



■ **MHM Overview**

- MHM manages 77 hotels in Japan (12,072 rooms) (as of February 1, 2017) ⁽¹⁾
- MHM was founded in 1999 and acquired in 2012 by Fortress Group
- MHM has 2,095 employees (as of December 31, 2016) ⁽¹⁾

■ **Improved Website and Services**



- Updated website with easier booking navigation and star ratings from TrustYou ⁽²⁾
- In the process of streamlining website architecture and organizing and renovating information in order to have better user experience and SEO ⁽³⁾
- Increased live-chat languages to four languages and expanded operating hours to 9 a.m. – 11 p.m., 7 days per week
- Increased multi-lingual capabilities at front desks
- Launched 5%off campaign to increase direct bookings to save commissions and encourage repeat customers

■ **Key Initiatives**

1. Enhance customer services by utilizing analysis of word-of-mouth reviews provided by TrustYou
2. Plan to convert over 600 rooms from smoking to non-smoking which has higher RevPAR due to updated customer preferences ⁽⁴⁾
3. Strategically increased overbooking ratios to achieve higher RevPAR and to offset last minute cancellations

- **MHM has many highly evaluated hotels -**

23 hotels out of the 35 hotels in INV's portfolio managed by MHM achieved more than 3.8 grade ⁽⁵⁾ on a scale of 1.0 to 5.0, which apply to "Good", "Very Good" or "Excellent" (as of January 16, 2017)



HOTEL MYSTAYS PREMIER
HOTEL MYSTAYS PREMIER
Kanazawa
 2-13-5, Hirooka, Kanazawa-shi, Ishikawa 920-0031, Japan | +81-76-290-5255

4.4 Excellent ⁽⁵⁾
 ★★★★★ 4,792 reviews

Customer reviews ⁽⁵⁾ are posted on the website of MHM

- (Note 1) Includes hotels managed by MHM subsidiary Naqua Hotels and Resorts Management Co., Ltd.
- (Note 2) TrustYou analyzes hundreds of millions of travel reviews and considers itself the world's largest guest feedback platform
- (Note 3) SEO (search engine optimization) is a methodology of strategies, techniques and tactics used to increase the amount of visitors to a website by obtaining a high-ranking placement in the search results page of a search engine
- (Note 4) The initiative has started in December 2016. As of the end of January 2017, 68 rooms have been converted to non-smoking room, and another 574 rooms will be changed to non-smoking room by the end of December 2017
- (Note 5) Average value of customer reviews of guests who stayed at each hotel, which are based on analysis by TrustYou

Sponsor Pipeline

- INV acquired two assets from the sponsor pipeline in March 2017
- Robust pipeline of 31 assets provides opportunity for growth and stability, even after the acquisition

Properties Covered by the MOU²

Hotels

| No. | Property name | Location | Type | # of Rooms | Status | Renovation / Construction Completion |
|-----|--|---------------------|---------|------------|--------------------|--------------------------------------|
| 1 | Hotel MyStays Premier Akasaka | Minato-ku, Tokyo | Limited | 327 | In Operation | Jul 2016 |
| 2 | Hotel MyStays Yokohama Kannai | Yokohama, Kanagawa | Limited | 166 | In Operation | Oct 2016 |
| 3 | RIHGA Royal Hotel Kyoto | Kyoto, Kyoto | Full | 489 | In Operation | Sep 2016 |
| 4 | Narita Excel Hotel Tokyu | Narita, Chiba | Full | 706 | In Operation | — |
| 5 | Hotel MyStays Premier Sapporo Park | Sapporo, Hokkaido | Full | 418 | In Operation | Jul 2015 |
| 6 | Hotel MyStays Sapporo Station | Sapporo, Hokkaido | Limited | 242 | In Operation | — |
| 7 | Hotel MyStays Oita | Oita, Oita | Limited | 145 | In Operation | — |
| 8 | Art Hotel Hirosaki City | Hirosaki, Aomori | Full | 134 | In Operation | — |
| 9 | Beppu Kamenoi Hotel | Beppu, Oita | Resort | 322 | In Operation | Oct 2015 |
| 10 | Fusaki Resort Village | Ishigaki, Okinawa | Resort | 195 | In Operation | Jun 2015 |
| 11 | Sheraton Grande Tokyo Bay Hotel | Urayasu, Chiba | Full | 1,016 | In Operation | Dec 2016 |
| 12 | Hotel MyStays Shin Osaka Conference Center | Osaka, Osaka | Limited | 397 | In Operation | Jun 2016 |
| 13 | Art Hotels Asahikawa | Asahikawa, Hokkaido | Full | 265 | In Operation | — |
| 14 | Hotel MyStays Kanazawa Castle | Kanazawa, Ishikawa | Limited | 206 | In Operation | Mar 2016 |
| 15 | Hotel JAL City Matsuyama | Matsuyama, Ehime | Full | 161 | In Operation | — |
| 16 | Hotel MyStays Ueno East | Taito-ku, Tokyo | Limited | 150 | In Operation | Mar 2016 |
| 17 | (tentative) Hotel MyStays Honmachi 3-chome | Osaka, Osaka | Limited | 120 | Under Construction | Nov 2017 |
| 18 | Hotel Mystays Sapporo Nakajima Park | Sapporo, Hokkaido | Limited | 86 | In Operation | May 2016 |
| 19 | Flexstay Inn Sakuragicho | Yokohama, Kanagawa | Limited | 70 | In Operation | Sep 2016 |
| 20 | MyCUBE by MYSTAYS Asakusa Kuramae | Taito-ku, Tokyo | Limited | 161 | In Operation | Jun 2016 |
| 21 | Hotel MyStays Premier Hamamatsucho | Minato-ku, Tokyo | Limited | 120 | In Operation | Nov 2016 |
| 22 | Hotel MyStays Premier Omori | Shinagawa-ku, Tokyo | Limited | 220 | In Operation | Nov 2016 |

Residential properties

| No. | Property name | Location | # of Apartment Units |
|-----|------------------------------|-------------------|----------------------|
| 23 | Gran Charm Hiroo | Shibuya-ku, Tokyo | 121 |
| 24 | Plestay Win Kinshicho | Sumida-ku, Tokyo | 92 |
| 25 | Gran Charm Kichijoji | Musashino, Tokyo | 28 |
| 26 | Green Patio Noda | Noda, Chiba | 240 |
| 27 | Dainichi F-45 | Urayasu, Chiba | 54 |
| 28 | Gran Charm Urayasu | Urayasu, Chiba | 54 |
| 29 | Gran Charm Urayasu 5 | Urayasu, Chiba | 54 |
| 30 | Gran Charm Minami Gyotoku I | Ichikawa, Chiba | 52 |
| 31 | Gran Charm Minami Gyotoku II | Ichikawa, Chiba | 48 |

No. of Hotel Guest Rooms

6,116

No. of Apartment Units

743

(Note 1) MOU providing preferential negotiation rights

(Note 2) We do not intend to acquire any of the properties listed above as of the date of this material and there is no assurance that we will acquire any of these properties in the future

(Note 3) Each “Asset Type” above is as follows:

“Limited” refers to a limited service hotel focusing on revenues from room stay and offer limited services regarding food and beverage, banquet, spa or gymnasium facilities

“Full” refers to a full service hotel having sections of stay, food and beverage, and banquet

“Resort” refers to a resort hotel located at tourist destinations or recreational lots, having sections of stay, food and beverage, and incidental facilities

Major Sponsor Pipeline Properties



(Note) We do not intend to acquire any of the properties listed above as of the date of this material and there is no assurance that we will acquire any of these properties in the future

Newly Acquired Properties in March 2017

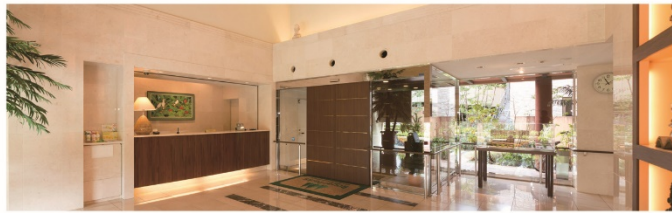
- INV acquired the following two residential assets on March 14, 2017 via funds procured through the public offering and borrowings resolved on February 22, 2017



| | |
|-----------------|--|
| Address | Minami-Senju 4-chome, Arakawa-ku, Tokyo |
| Access | 5-minute walk from Minami-Senju Station (Tokyo Metro Hibiya Line, JR Joban Line, Tsukuba Express Line) |
| Completion Date | May 2008 |
| No. of Units | 557 (Apartments 555, Nursing home 1, Shop 1) ⁽¹⁾ |
| Leasable Area | 39,113.46m ² |
| Land Area | 8,738.44m ² |

(Note 1) The nursing home and the shop are counted as one unit, respectively, for the counting of the number of units

Royal Parks Seasir Minami-Senju



| | |
|-----------------|---|
| Address | Minami-Senju 3-chome, Arakawa-ku, Tokyo |
| Access | 10-minute walk from Minami-Senju Station (Tokyo Metro Hibiya Line, JR Joban Line, Tsukuba Express Line) |
| Completion Date | August 2006 |
| No. of Units | 113 |
| Leasable Area | 6,496.86 m ² |
| Land Area | 3,570.00 m ² |

I. Asset Management Report

Overview of Asset Management

1 Trends in Investment Corporation's Operating Results

| By Period | | 23rd fiscal period | 24th fiscal period | 25th fiscal period | 26th fiscal period | 27th fiscal period | |
|----------------------|--|----------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------|
| Reporting period | | Jul. 1, 2014 to Dec. 31, 2014 | Jan. 1, 2015 to Jun. 30, 2015 | Jul. 1, 2015 to Dec 31, 2015 | Jan. 1, 2016 to Jun. 30, 2016 | Jul. 1, 2016 to Dec 31, 2016 | |
| Operating Results | Operating revenue | (Note 1) (JPY thousand) | 4,610,717 | 4,974,760 | 6,863,775 | 8,158,220 | 9,511,466 |
| | (Rental revenue – real estate) | (JPY thousand) | 4,610,717 | 4,974,760 | 6,863,775 | 8,158,220 | 9,511,466 |
| | Operating expenses | (JPY thousand) | 1,840,796 | 2,163,828 | 2,494,667 | 3,084,315 | 3,577,255 |
| | (Property related expenses) | (JPY thousand) | 1,586,854 | 1,834,039 | 2,178,165 | 2,697,986 | 3,162,067 |
| | Operating income | (JPY thousand) | 2,769,920 | 2,810,931 | 4,369,108 | 5,073,905 | 5,934,211 |
| | Ordinary income | (JPY thousand) | 1,958,607 | 2,295,909 | 2,953,293 | 4,364,025 | 5,431,608 |
| | Net income | (JPY thousand) | 1,958,002 | 2,295,304 | 2,952,688 | 4,363,420 | 5,431,003 |
| Assets | Total assets (change from last period) | (a) (JPY thousand) (%) | 130,477,232 64.6 | 136,299,746 4.5 | 185,918,871 36.4 | 284,106,133 52.8 | 277,361,874 -2.4 |
| | Interest-bearing debt | (JPY thousand) | 67,260,000 | 72,301,000 | 91,699,000 | 141,917,000 | 142,419,000 |
| | Net assets (change from last period) | (b) (JPY thousand) (%) | 61,392,392 68.8 | 61,731,550 0.6 | 91,758,194 48.6 | 130,005,009 41.7 | 131,455,278 1.1 |
| | Unitholders' capital | (JPY thousand) | 53,096,413 | 53,096,413 | 82,465,438 | 120,367,271 | 120,367,271 |
| Dividend | Total distributions | (c) (JPY thousand) | 1,956,146 | 2,295,069 | 3,790,905 | 4,359,527 | 5,429,192 |
| | Dividend payout ratio | (Note 2) (%) | 99.9 | 100.0 | 102.5 | 94.8 | 100.0 |
| Information per Unit | Number of investment units issued and outstanding | (d) (Units) | 2,668,686 | 2,668,686 | 3,193,686 | 3,675,824 | 3,675,824 |
| | Net assets per unit | (b) / (d) (JPY) (Note 3) | 23,005 | 23,132 | 28,731 | 35,368 | 35,762 |
| | Distributions per unit (Distributions of earnings per unit) | (c) / (d) (JPY) (JPY) | 733 733 | 860 860 | 1,187 948 | 1,186 1,125 | 1,477 1,477 |
| | (Distributions in excess of retained earnings per unit) | (JPY) | - | - | 239 | 61 | - |
| Financial Measures | Return on assets (change over year) | (Note 4) (%) | 1.9 3.7 | 1.7 3.5 | 1.8 3.6 | 1.9 3.7 | 1.9 3.8 |
| | Return on equity (change over year) | (Note 4) (%) | 4.0 7.9 | 3.7 7.5 | 3.8 7.6 | 3.9 7.9 | 4.2 8.2 |
| | Capital ratio (change from last period) | (b) / (a) (Note 4) (%) (%) | 47.1 1.2 | 45.3 (1.8) | 49.4 4.1 | 45.8 (3.6) | 47.4 1.6 |
| | NOI (Net Operating Income) | (Note 4) (JPY thousand) | 3,861,122 | 4,127,486 | 5,961,324 | 7,136,971 | 8,414,465 |

(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:

$$\text{Dividend payout ratio} = \text{Distribution amount (Distributions in excess of retained earnings)} \div \text{Net income} \times 100$$

"Dividend payout ratio" is rounded to one decimal place

(Note 3) Distributions per unit are rounded to the nearest unit

(Note 4) Financial measures above are calculated as below, and ratios are rounded to one decimal place

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 this period / (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

Rental NOI = Rental revenue – Leasing costs + Depreciation for fiscal period ended December 31, 2016

2 Operating Conditions

(1) 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 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 focusing its efforts on improving the profitability 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, thereby creating a financial base for external growth. With this platform as a base, in June 2014, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (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 the external growth efforts, INV's portfolio at the end of the previous period ended June 2016 composed of 124 properties (48 hotels, 68 residential properties and eight others) with a total acquisition value of JPY 266,619 million, and market capitalization at such date of JPY 238,193 million. When compared to the period as of May 22, 2014, which is the time immediately prior to INV's initial investment in hotels, the total acquisition value and market capitalization increased significantly by 3.7x and 8.0x, respectively.

In the Reporting Period, INV obtained an initial credit rating of ‘A’ from Japan Credit Rating with a ‘Positive’ outlook on September 27, 2016.

INV expanded the pipeline for future growth by adding two residential properties to the properties subject to a Memorandum of Understanding (the “MOU”) with affiliates of Fortress Group with respect to preferential negotiating rights regarding the acquisitions of hotels and residential properties on December 22, 2016. As of the end of the Reporting Period, there are 22 hotels (6,116 rooms) and 11 residential properties (1,413 units) in the MOU, which will continue to provide INV with considerable opportunities for external growth.

(2) Operational Environment and Performance

For the December 2016 period, NOI increased by 41.2% or JPY 2,453 million compared to the same period in the previous year (the December 2015 period), of which 35.7% came from the hotel portfolio and 5.7% from the residential portfolio.

As a result, INV maintained a high average occupancy rate (Note 1) of 98.2% across the entire portfolio, and the NOI of entire portfolio increased by 17.9% from the previous period (the June 2016 period) to JPY 8,414 million. Below is commentary on each of these sectors and their performance in the second half of 2016.

In the hotel segment, improvements in travel infrastructure, the penetration of LCC's into the Japanese market, and the Japanese government's promotion of tourism initiatives at the national and local level, 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, have led to a continued 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 24.039 million inbound visitors in 2016, (a 21.8% increase compared to 19.737 million in the previous year).

However, for the Reporting Period, the hotel segment was impacted by poor weather such as typhoons, day formation (reduced number of weekday holidays) of the Silver Week holiday in September 2016, an increase in hotel supply in Tokyo in the limited-service-hotel segment, an increase in the number of hotel rooms listed on websites of online travel agents and increased cancellations.

Under the circumstances above, INV is working closely with the operators of the hotels, primarily MyStays Hotel Management Co., Ltd. ("MHM"), a hotel operator in the sponsor group, to proactively address the issues at hand. Specifically, MHM continues to improve the web experience and the service function such as its online chat function and strengthen its user content and engagement to drive more direct bookings through the MHM website as well as increase brand awareness. MHM is increasing the over-bookings ratio to achieve higher occupancy rates and to offset vacancies caused by cancellations. As the result of the initiatives, 39 of the hotels owned by INV (Note 2) recorded ADR (Note 3) of JPY 9,935, RevPAR (Note 4) of JPY 9,049, and an occupancy rate (Note 5) of 91.1%. Among the 36 hotels (Note 6) in which a comparison can be made for the same period in the previous year, ADR was JPY 9,877 (+0.0%), RevPAR was JPY 8,973 (-0.8%), with an occupancy rate of 90.8% (-0.7 points). The ratio of overseas sales (Note 7) at the 36 hotels (Note 8) increased to 27.9% (+2.0 points compared to the same period in the previous year).

With respect to the residential portfolio, market rent trends for small-type city-center properties maintain moderate increases. Under the positive circumstances in the macro environment, INV implemented a rent increase program for 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 54.2% of the new residential lease contracts for an average rent increase of 1.5% compared to the previous rent across all new leases, and a rent increase for 33.6% of contract renewals for an average rent increase of 1.0% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate of 83.7%. The average occupancy rate achieved a stable 95.6% and the average occupancy rate for 63 properties that can be compared to the same period in the previous year (Note 9) was 94.4% (a decrease of 0.9 points). The NOI (Note 10) for the 63 properties (Note 9) in which previous year comparisons can be made increased 3.8% compared to the same period in the previous year. Furthermore, INV decided on November 21, 2016 to change the master lessee ("ML") and the property manager ("PM") for 16 properties effective December 1, 2016 and for one property effective January 1, 2017 (Note 11) respectively in order to further improve its operational efficiency as well as property performance by

consolidating the number of ML/PM from 19 to 10 for its residential portfolio.

Due to the internal growth for the Reporting Period, and trends in the real estate investment and rental market, the total appraisal value at the end of the Reporting Period was JPY 328,192 million, an increase of JPY 4,901 million (+1.5%) over the previous period. The portfolio has an unrealized gain of JPY 68,253 million (Note 12) and an unrealized gain ratio of 26.3% (Note 12).

Key Performance Indicators of 36 Hotel Properties (Note 6)

| | Y2016 | | |
|-----------------------------|--------------------|------------------------|-----------|
| | June fiscal period | December fiscal period | Full-Year |
| Occupancy Rate | 89.6% | 90.8% | 90.2% |
| ADR (JPY) | 9,008 | 9,877 | 9,448 |
| RevPAR (JPY) | 8,068 | 8,973 | 8,523 |
| GOP (Note 13) (JPY million) | 4,516 | 5,373 | 9,889 |

Year-on-Year Changes

| | Y2016 | | |
|-----------------------------|--------------------|------------------------|-----------|
| | June fiscal period | December fiscal period | Full-Year |
| Occupancy Rate | +0.1pt | -0.7pt | -0.3pt |
| ADR (JPY) | +8.4% | -0.0% | +3.7% |
| RevPAR (JPY) | +8.5% | -0.8% | +3.3% |
| GOP (Note 13) (JPY million) | +12.3% | -2.3% | +3.8% |

Key Performance Indicators of 63 Residential Properties (Note 9)

| | Y2016 | | |
|--|--------------------|------------------------|-----------|
| | June fiscal period | December fiscal period | Full-Year |
| Occupancy Rate (Note 1) | 95.5% | 94.4% | 95.0% |
| Average Rent per Tsubo (JPY) (Note 14) | 10,040 | 10,123 | 10,082 |
| NOI (JPY million) | 1,540 | 1,553 | 3,093 |

Year-on-Year Changes

| | Y2016 | | |
|--|--------------------|------------------------|-----------|
| | June fiscal period | December fiscal period | Full-Year |
| Occupancy Rate (Note 1) | +1.8pt | -0.9pt | +0.5pt |
| Average Rent per Tsubo (JPY) (Note 14) | +1.3% | +1.7% | +1.5% |
| NOI (JPY million) | +5.1% | +3.8% | +4.4% |

- (Note 1) “Occupancy Rate” for the entire portfolio and for the residential properties is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month during the relevant period
- (Note 2) Of the 48 acquired hotels, the following nine hotels with fixed-rent lease agreements are excluded: Super Hotel Shinbashi-Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo JR Tachikawa Kitaguchi, Super Hotel JR Ueno-Iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel
- (Note 3) “ADR” means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply
- (Note 4) “RevPAR” means 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 ADR by occupancy rates. Hereinafter the same shall apply
- (Note 5) “Occupancy rate” for the hotel properties is calculated in accordance with the following formula:
- $$\text{Occupancy rate} = \frac{\text{total number of occupied rooms during a certain period}}{\text{total number of rooms available during the same period (number of rooms x number of days)}}$$
- Hereinafter the same shall apply
- (Note 6) Of the 48 acquired hotels, two hotels which were not operating for a certain period due to renovation in 2015, Hotel MyStays Shinsaibashi (renovation period: from January 25, 2015 through March 31, 2015) and Hotel MyStays Gotanda Station (renovation period: from March 1, 2015 through November 24, 2015) and one hotel which was not fully operating for a certain period due to renovation in 2016, Hotel MyStays Kanda (renovation period: from May 20, 2016 through August 22, 2016) are excluded, in addition to the nine hotels with fixed-rent lease agreements excluded per Note 2
- (Note 7) “Overseas sales ratio” is the ratio of sales amount through overseas web agents to revenues
- (Note 8) Of the 48 acquired hotels, 12 hotels, APA Hotel Yokohama-Kannai, Super Hotel Shinbashi-Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo JR Tachikawa Kitaguchi, Super Hotel JR Ueno-Iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel, the tenants of which do not disclose the ratio of overseas sales; Hotel MyStays Gotanda Station, which was not operating for a certain period due to renovation in 2015 (renovation period: from March 1, 2015 through November 24, 2015); and Hotel MyStays Kanda, which was not fully operating for a certain period due to renovation in 2016 (renovation period: from May 20, 2016 through August 22, 2016), are excluded
- (Note 9) Of the 68 acquired residential properties, five properties, City Court Kitaichijo, Lieto Court Mukojima, Lieto Court Nishi-Ojima, Royal Parks Momozaka and Royal Parks Shinden, which were not held by INV in the same period in the beginning of the previous year, are excluded
- (Note 10) For the comparison of NOI of the 63 properties, insurance income and related repair expenses, which are temporary items, are excluded
- (Note 11) 16 properties for which ML/PM were changed on December 1, 2016 are Royal Park Omachi, Lexington Square Haginomachi, Lexington Square Daitabashi, Lexington Square Honjo Azumabashi, Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Salvo Sala, Luna Court Edobori, Winntage Kobe Motomachi, Corp Higashinotoin, Prime Life Sannomiya Isogami Koen, HERMITAGE NANBA WEST, West Avenue, Prime Life Mikage, Lieto Court Mukojima and Lieto Court Nishi-Ojima. One property for which ML/PM were changed on January 1, 2017 is Acseeds Tower Kawaguchi-Namiki

(Note 12) The unrealized gain is calculated using the following formula:
the appraisal value as of the end of the Reporting Period - book value as of the end of the Reporting Period.
The unrealized gain ratio is calculated using the following formula:
the unrealized gain ÷ book value as of the end of the Reporting Period

(Note 13) “GOP,” means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, material, water, electricity and heating and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel’s revenues. Hereinafter the same shall apply

(Note 14) “Average Rent per Tsubo” is calculated by dividing the total rental revenue including common area charges for each month by the sum of total leasable area at the end of each month during the relevant period

(3) Overview of Fund Raising

During the Reported Period, INV obtained a credit rating of ‘A’ with a ‘Positive’ outlook from the Japan Credit Rating Agency and also increased its banking group from 13 financial institutions to 19 including Japan Post Bank Co., Ltd. Below are details of the initial credit rating, which was obtained on September 27, 2016:

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

As a result of the measures described below, INV’s interest-bearing debt outstanding balance was JPY 142,419 million and the Interest-Bearing Debt ratio (Note 1) and LTV (Note 2) were 51.3% and 43.4% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.50%.

INV implemented the borrowing of Term Loan (E) (amount borrowed: JPY 4,000 million; interest rate: variable interest rate of 1-month JPY TIBOR (Note 4) plus 0.4%, 0.5% and 0.6% for durations of three, four and five years) from The Tokyo Star Bank, Limited on July 20, 2016 for use as a portion of the funds and related expenses for the two hotels acquired on June 15, 2016.

On November 30, 2016, INV repaid the portion of Term Loan (B), New Syndicate Loan (F), and Term Loan (C) in the amount of JPY 3,498 million in total that corresponds to the borrowings equivalent to the expected consumption tax refund (Note 5), using the consumption tax refunds from the five hotels acquired on January 22, 2016, the four hotels acquired on March 31, 2016, and the two hotels acquired on June 15, 2016.

In addition, a portion of INV’s existing loans from Mizuho Bank, Ltd. was transferred to Japan Post Bank Co., Ltd. in the amount of JPY 4,000 million on July 15, 2016, The Kagawa Bank, Ltd., The Shizuoka Bank, Ltd., The Hyakugo Bank, Ltd., and The Bank of Fukuoka, Ltd. in the amount of JPY 1,000 million each on July 29, 2016, The Daishi Bank, Ltd. and The Hiroshima Bank, Ltd. in the amount of JPY 1,000 each on December 20, 2016.

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

(Note 2) LTV uses the calculation formula below:
LTV = total outstanding interest-bearing debt/total appraisal value x 100

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

(Note 4) With respect to only the first interest calculation period, the 2-month JPY TIBOR

(Note 5) 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

(4) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 1,353 million from the previous period (+16.6%) to JPY 9,511 million, and net income increased by JPY 1,067 million from the previous period (+24.5%) to JPY 5,431 million. DPU for the Reporting Period was JPY 1,477, an increase of JPY 291 (+24.5%) compared to the previous period.

INV aims to include maximum profit distributions (excluding excess profit distribution) in deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Taxation Measures Law (Act No. 15 of 1957; as amended), and decided to distribute all of the amount by deducting reversal of allowance for temporary differences adjustment from profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, except for fractional distribution per unit less than JPY 1. As a result, the distribution per unit (excluding excess profit distribution) for the Reporting Period is JPY 1,477. On the other hand, excess profit distribution will not be made.

3 Changes in Total Number of Investment Units Issued and Outstanding

Changes in the number of investment units issued and outstanding and unitholders' equity from the date of establishment 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 | |
| January 18, 2002 | Private placement for incorporation | 400 | 400 | 200,000,000 | 200,000,000 | (Note 1) |
| December 26, 2003 | Private placement | 2,700 | 3,100 | 1,012,500,000 | 1,212,500,000 | (Note 2) |
| January 9, 2004 | Private Placement | 1,350 | 4,450 | 506,250,000 | 1,718,750,000 | (Note 2) |
| January 21, 2004 | Private placement | 1,333 | 5,783 | 499,875,000 | 2,218,625,000 | (Note 2) |
| January 27, 2004 | Private placement | 267 | 6,050 | 100,125,000 | 2,318,750,000 | (Note 2) |
| January 28, 2004 | Private placement | 800 | 6,850 | 300,000,000 | 2,618,750,000 | (Note 2) |
| January 31, 2004 | Private placement | 266 | 7,116 | 99,750,000 | 2,718,500,000 | (Note 2) |
| February 5, 2004 | Private placement | 800 | 7,916 | 300,000,000 | 3,018,500,000 | (Note 2) |
| February 7, 2004 | Private placement | 1,333 | 9,249 | 499,875,000 | 3,518,375,000 | (Note 2) |
| May 17, 2004 | Public offering | 9,000 | 18,249 | 3,377,250,000 | 6,895,625,000 | (Note 3) |
| February 7, 2005 | Public offering | 10,650 | 28,899 | 3,937,667,100 | 10,833,292,100 | (Note 4) |
| July 31, 2006 | Public offering | 25,000 | 53,899 | 8,301,125,000 | 19,134,417,100 | (Note 5) |
| February 1, 2010 | Unit split | 215,596 | 269,495 | - | 19,134,417,100 | (Note 6) |
| February 1, 2010 | Merger | 367,200 | 636,695 | - | 19,134,417,100 | (Note 7) |
| July 29, 2011 | Third-party allotment | 711,597 | 1,348,292 | 6,999,979,689 | 26,134,396,789 | (Note 8) |
| December 20, 2013 | Third-party allotment | 224,887 | 1,573,179 | 2,999,992,580 | 29,134,389,369 | (Note 9) |
| July 16, 2014 | Public offering | 1,040,000 | 2,613,179 | 22,747,920,000 | 51,882,309,369 | (Note 10) |
| August 13, 2014 | Third-party allotment | 55,507 | 2,668,686 | 1,214,104,611 | 53,096,413,980 | (Note 11) |
| July 15, 2015 | Public offering | 500,000 | 3,168,686 | 27,970,500,000 | 81,066,913,980 | (Note 12) |
| August 12, 2015 | Third-party allotment | 25,000 | 3,193,686 | 1,398,525,000 | 82,465,438,980 | (Note 13) |
| March 30, 2016 | Public offering | 459,512 | 3,653,198 | 36,123,157,344 | 118,588,596,324 | (Note 14) |
| April 27, 2016 | Third-party allotment | 22,626 | 3,675,824 | 1,778,675,112 | 120,367,271,436 | (Note 15) |

(Note 1) INV was incorporated through a private placement at a price of JPY 500,000 per unit

(Note 2) New investment units were issued in a private placement at a price of JPY 375,000 per unit to raise funds for the acquisition of new properties

- (Note 3) New investment units were issued in a public offering at a price of JPY 395,000 per unit (JPY 375,250 after deducting the underwriters' discount) to raise funds for the acquisition of new properties
- (Note 4) New investment units were issued in a public offering at a price of JPY 385,140 per unit (JPY 369,734 after deducting the underwriters' discount) to raise funds for the acquisition of new properties
- (Note 5) New investment units were issued in a public offering at a price of JPY 348,740 per unit (JPY 332,045 after deducting the underwriters' discount) to raise funds for the acquisition of new properties
- (Note 6) An investment unit split of five units per one unit was conducted
- (Note 7) 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 8) 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 9) 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 10) 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 11) 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 12) 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 13) 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 14) 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 15) New investment units were issued in a third party allotment at a price of JPY 78,612 per unit for the purpose of allocation to cash reserves to be used as a part of the funds for future acquisition of properties

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 follow.

Real Estate Investment and Trust Securities Section, Tokyo Securities Exchange

(Unit: JPY)

| Period | 23rd fiscal period | 24th fiscal period | 25th fiscal period | 26th fiscal period | 27th fiscal period |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Closing month | December 2014 | June 2015 | December 2015 | June 2016 | December 2016 |
| Highest | 50,900 | 66,400 | 76,400 | 88,400 | 70,300 |
| Lowest | 23,020 | 44,500 | 57,900 | 61,100 | 49,600 |

4 Distribution Performance

With respect to profit distributions (not including distributions in excess of retained earnings) for the December 2016 period, INV decided to distribute almost all of its earnings as defined in Article 136, Paragraph 1 of the Investment Trusts Act other than fractional amount per unit less than JPY 1, after deducing the refunded amount of the allowance for temporary difference adjustments, aiming to include the maximum amount of earnings distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including distributions in excess of retained earnings per unit) is JPY 1,477. Further, INV has decided not to make distributions in excess of retained earnings.

| Period | 23rd fiscal period | 24th fiscal period | 25th fiscal period | 26th fiscal period | 27th fiscal period |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Calculated Period | Jul. 1, 2014 to Dec. 31, 2014 | Jan. 1, 2015 to Jun. 30, 2015 | Jul. 1, 2015 to Dec. 31, 2015 | Jan. 1, 2016 to Jun. 30, 2016 | Jul. 1, 2016 to Dec. 31, 2016 |
| Unappropriated retained earnings (JPY thousand) | 2,031,546 | 2,370,704 | 3,028,323 | 4,363,420 | 5,659,831 |
| Reserved profit (JPY thousand) | 75,399 | 75,634 | - | 228,827 | 6,414 |
| Total cash distribution (JPY thousand) | 1,956,146 | 2,295,069 | 3,790,905 | 4,359,527 | 5,429,192 |
| (Distribution per unit) (JPY) | 733 | 860 | 1,187 | 1,186 | 1,477 |
| Total profit distribution (JPY thousand) | 1,956,146 | 2,295,069 | 3,027,614 | 4,135,302 | 5,429,192 |
| (Profit distribution per unit) (JPY) | 733 | 860 | 948 | 1,125 | 1,477 |
| Total refund of investment (JPY thousand) | - | - | 763,290 | 224,225 | - |
| (Refund of investment per unit) (JPY) | - | - | 239 | 61 | - |
| Total distribution from the allowance for temporary differences adjustment out of total refund of investment (JPY thousand) | - | - | - | 224,225 | - |
| (Distribution from the allowance for temporary differences adjustment per unit out of refund of investment per unit) (JPY) | - | - | - | 61 | - |

| | | | | | |
|---|---|---|---------|---|---|
| Total distribution from unitholders' equity under the tax laws out of the total refund of investment (JPY thousand) | - | - | 763,290 | - | - |
| Distribution from unitholders' equity under the tax laws out of refund of investment per unit (JPY) | - | - | 239 | - | - |

5 Future Operational Policy and Issues to be Addressed

Outlook for the Fiscal Periods Ending June 30, 2017 and December 31, 2017

The DPU (including distribution in excess of retained earnings) for the June 2017 period is forecast to be JPY 1,240 (+4.6% YoY) and the DPU (including distribution in excess of retained earnings) for the December 2017 period is forecast to be JPY 1,481 (+0.3% YoY); the full year DPU (including distribution in excess of retained earnings) for calendar year 2017 is forecast to be a modest growth of JPY 2,721 (+2.2% YoY).

(I) 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 and residential properties
- Diversification of financing measures including the issuance of invest corporation bonds and extension and diversification of maturities

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated, and residential properties especially where rental growth can be achieved. Rent revenue from residential assets and other assets as well as the fixed rent portion from hotels will also contribute to more stable revenue, which was 67.4% of total revenue for 2016. 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, business and leisure customer demand, the competitive hotel environment, 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 mainly small-type properties in large cities with strong competitiveness in which it believes it can achieve increases in rent. On February 22, 2017, INV decided to acquire two high quality family-type properties in Tokyo, taking into consideration of the rent growth potential for Royal Parks Tower Minami-Senju and the stability from the fixed-term lease for Royal Parks Seasir Minami-Senju, which will be beneficial to the diversification of the residential portfolio.

These two residential properties are to be acquired from the pipeline of the sponsor, the Fortress Group, which has helped INV to achieve steady external growth as follows.

Properties acquired from affiliates of the Fortress Group (as of February 22, 2017)

| Date | Properties acquired | Total acquisition price |
|----------------|--|---|
| September 2012 | 24 residential properties | JPY 14,043 million |
| May 2014 | Two hotels | JPY 5,435 million |
| July 2014 | 18 hotels | JPY 39,938 million |
| February 2015 | Two hotels | JPY 4,911 million |
| July 2015 | 11 hotels and three residential properties | JPY 35,258 million |
| August 2015 | One hotel | JPY 5,069 million |
| January 2016 | Five hotels and one residential property | JPY 10,207 million |
| March 2016 | Four hotels and one residential property | JPY 66,697 million |
| June 2016 | Two hotels | JPY 15,900 million |
| Total | 74 properties (of which 45 are hotels and 29 are residential properties) | JPY 197,458 million (of which hotels: JPY 170,382 million; residential: JPY 27,076 million) |

The Fortress Group manages four dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, and III. 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 affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 22 hotels and nine residential properties (excluding two residential properties anticipated to be acquired) (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 acquisitions of properties from third parties that will contribute to stability and growth in revenue and cash flow and an increase in DPU.

| No. | Asset Name | Asset Type (Note 2) | Location | No. of Rooms |
|----------------|---|------------------------|-------------------------|--------------|
| 1 | Hotel MyStays Premier Akasaka | Limited Service Hotel | Minato-ku, Tokyo | 327 |
| 2 | Hotel MyStays Yokohama Kannai | Limited Service Hotel | Yokohama-shi, Kanagawa | 166 |
| 3 | RIHGA Royal Hotel Kyoto | Full Service Hotel | Kyoto-shi, Kyoto | 489 |
| 4 | Narita Excel Hotel Tokyo | Full Service Hotel | Narita-shi, Chiba | 706 |
| 5 | Hotel MyStays Premier Sapporo Park | Full Service Hotel | Sapporo-shi, Hokkaido | 418 |
| 6 | Hotel MyStays Sapporo Station | Limited Service Hotel | Sapporo-shi, Hokkaido | 242 |
| 7 | Hotel MyStays Oita | Limited Service Hotel | Oita-shi, Oita | 145 |
| 8 | Art Hotel Hirosaki City | Full Service Hotel | Hirosaki-shi, Aomori | 134 |
| 9 | Beppu Kamenoi Hotel | Resort Hotel | Beppu-shi, Oita | 322 |
| 10 | Fusaki Resort Village | Resort Hotel | Ishigaki-shi, Okinawa | 195 |
| 11 | Sheraton Grande Tokyo Bay Hotel | Full Service Hotel | Urayasu-shi, Chiba | 1,016 |
| 12 | Hotel MyStays Shin Osaka Conference Center | Limited Service Hotel | Osaka-shi, Osaka | 397 |
| 13 | Art Hotel Asahikawa | Full Service Hotel | Asahikawa-shi, Hokkaido | 265 |
| 14 | Hotel MyStays Kanazawa Castle | Limited Service Hotel | Kanazawa-shi, Ishikawa | 206 |
| 15 | Hotel JAL City Matsuyama | Full Service Hotel | Matsuyama-shi, Ehime | 161 |
| 16 | Hotel MyStays Ueno East | Limited Service Hotel | Taito-ku, Tokyo | 150 |
| 17 | (tentative) Hotel MyStays Honmachi 3-chome (Note 3) | Limited Service Hotel | Osaka-shi, Osaka | 120 |
| 18 | Hotel MyStays Sapporo Nakajima Park | Limited Service Hotel | Sapporo-shi, Hokkaido | 86 |
| 19 | Flexstay Inn Sakuragicho | Limited Service Hotel | Yokohama-shi, Kanagawa | 70 |
| 20 | MyCUBE by MYSTAYS Asakusa Kuramae | Limited Service Hotel | Taito-ku, Tokyo | 161 |
| 21 | Hotel MyStays Premier Hamamatsucho | Limited Service Hotel | Minato-ku, Tokyo | 120 |
| 22 | Hotel MyStays Premier Omori | Limited Service Hotel | Shinagawa-ku, Tokyo | 220 |
| Hotel Subtotal | | | | 6,116 |
| 23 | Gran Charm Hiroo | Residential/Small Type | Shibuya-ku, Tokyo | 121 |
| 24 | Plestay Win Kinshicho | Residential/Small Type | Sumida-ku, Tokyo | 92 |
| 25 | Gran Charm Kichijoji | Residential/Small Type | Musashino-shi, Tokyo | 28 |
| 26 | Green Patio Noda | Residential/Small Type | Noda-shi, Chiba | 240 |
| 27 | Dainichi F-45 | Residential/Small Type | Urayasu-shi, Chiba | 54 |
| 28 | Gran Charm Urayasu | Residential/Small Type | Urayasu-shi, Chiba | 54 |
| 29 | Gran Charm Urayasu 5 | Residential/Small Type | Urayasu-shi, Chiba | 54 |

| No. | Asset Name | Asset Type (Note 2) | Location | No. of Rooms |
|-------------------------------|------------------------------|------------------------|---------------------|--------------|
| 30 | Gran Charm Minami Gyotoku I | Residential/Small Type | Ichikawa-shi, Chiba | 52 |
| 31 | 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 December 22, 2016, the date of execution of the updated MOU, to December 21, 2017. The above 31 properties do not include two residential properties anticipated to be acquired upon the exercise of preferential negotiation rights under the MOU as of February 22, 2017. Regarding the 31 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) Each “Asset Type” above is as follows:

“Limited Service Hotel” refers to a hotel focusing on revenues from room stay and offer limited services regarding food and beverage, banquet, spa or gymnasium facilities.

“Full Service Hotel” refers to a hotel having segments of stay, foods and beverages, and banquet

“Resort Hotel” refers to a hotel located in tourist destinations or recreational lots, having segments of stay, food and beverage, and other facilities

“Small Type” refers to a residential property in which the majority of dwelling units are less than 30m²

(Note 3) (Tentative) Hotel MyStays Honmachi 3-chome is scheduled to be completed in November 2017 and open in December 2017

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 and replacement upon consideration of the portfolio sector composition, geographic distribution and competitiveness of each property, as appropriate.

(ii) Strategy for internal growth

(Hotels)

Of the 48 hotels owned by INV as at the end of the Reporting Period, 39 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting management fees for the hotel operator as rents, and INV can directly enjoy the hotel revenue upside. In the case where GOP enters into a downward trend, INV could take advantage from the fixed rent portion or downside floor to protect itself from further loss. For 33 hotels, MHM 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 high-season in the residential rental market that occurs during the fiscal period ending June 2017, INV will focus on increasing the occupancy rate and rent for

both new lease contracts and lease renewals for each 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 stable operations and high tenant satisfaction. Therefore, INV will continue to monitor current strategic plans with flexible implementation as it sees fit. Especially for hotels, INV will carefully execute the plans for renovations and replacement of fixtures and fittings in order to maintain and increase revenues.

(iii) Financial strategy

INV has obtained its initial credit rating, strengthened its relationship with existing lenders and enhanced its lender formation via adding six new lenders including Japan Post Bank Co., Ltd. in order to further stabilize its financial base. Going forward, INV will work on diversifying financing measures including issuing investment corporation bonds. Also, INV seeks to maximize unitholders' value by way of extension and diversification of its borrowing terms, further reduction of borrowing costs, solicitation of new financial institutions and further 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.

6 Significant subsequent events

(I) Issuance of new investment units

INV resolved on February 22, 2017 at its Board of Directors Meeting to the issuance of new investment units (“Public Offering”) and secondary offering of investment units as per the below.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered : 185,000 investment units

Use of proceeds : INV will use the proceeds from the Public Offering for the acquisitions of “Royal Parks Tower Minami-Senju” and “Royal Parks Seasir Minami-Senju” as described in “(c) Property Acquisition” below.

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

Number of investment units to be offered in the secondary offering: 9,250 investment units

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

Number of investment units to be offered (maximum): 9,250 investment units

Allottee : Mizuho Securities Co., Ltd.

Use of proceeds : INV will keep the proceeds as cash-on-hand and use for future asset acquisition. The procured funds will be deposited at banks until disbursement.

(Note) There may be cases where there will be no subscription for whole or part of the investment units to be issued through the third-party allotment, resulting in a commensurate shortfall in the ultimate number of investment units to be issued through the third-party allotment, due to forfeiture, or there may be cases where such issuance itself will not take place at all

(II) Borrowing of funds

INV has decided today to obtain new loans in order to acquire properties described in “(c) Property Acquisition” below and related expenses. The details of loans are as follows:

(i) New Syndicate Loan (G)

| Lender | Borrowing Date | Borrowing Amount (JPY million) | Interest Rate (per annum) | Principal Maturity Date | Borrowing Method |
|--|----------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|
| Mizuho Bank, Ltd. Development Bank of Japan, Inc. Resona Bank, Limited The Bank of Fukuoka, Ltd. The Shizuoka Bank, Ltd. | March 14, 2017 | 3,250 | Variable interest rate (Note 1) | March 14, 2020 | Unsecured / with no guarantee |
| The Nomura Trust and Banking Co., Ltd. AEON Bank, Ltd. The Dai-ichi Life Insurance Company, Limited | March 14, 2017 | 3,250 | Variable interest rate (Note 2) | March 14, 2021 | Unsecured / with no guarantee |
| The Gunma Bank, Ltd. The Towa Bank, Ltd. | March 14, 2017 | 4,750 | Variable interest rate (Note 3) | March 14, 2022 | Unsecured / with no guarantee |
| Total | | 11,250 | | | |

(Note 1)1-month JPY TIBOR (Base Rate) + spread (0.40%)

(Note 2)1-month JPY TIBOR (Base Rate) + spread (0.50%)

(Note 3)1-month JPY TIBOR (Base Rate) + spread (0.60%)

(ii) Term Loan (F)

| Lender | Borrowing Date | Borrowing Amount (JPY million) | Interest Rate (per annum) | Principal Maturity Date | Borrowing Method |
|--------------------------------------|----------------|--------------------------------|-------------------------------|-------------------------|-------------------------------|
| Sumitomo Mitsui Banking Corporation. | March 14, 2017 | 3,000 | Variable interest rate (Note) | September 14, 2020 | Unsecured / with no guarantee |
| Total | | 3,000 | | | |

(Note)1-month JPY TIBOR (Base Rate) + spread (0.45%)

(III) Property acquisition

The Asset Manager has decided on February 22, 2017 to acquire the two residential properties as follows:

| Use | Property number | Property name | Location | Acquisition price (JPY million) (Note 1) | Appraisal value (JPY million) (Note 2) | Seller | Legal form of asset |
|-------------|-----------------|---------------------------------|-------------------|--|--|--------------------------------|----------------------------|
| Residential | A105 | Royal Parks Tower Minami-Senju | Arakawa-ku, Tokyo | 21,879 | 22,100 | Sakura Tokutei Mokuteki Kaisha | Trust beneficiary interest |
| | A106 | Royal Parks Seasir Minami-Senju | Arakawa-ku, Tokyo | 2,683 | 2,710 | Momo Tokutei Mokuteki Kaisha | |
| Total | | | | 24,562 | 24,810 | | |

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

(Note 2) The appraisal value is as of December 1, 2016 based on the appraisal reports by Japan Real Estate Institute

(Note 3) Figures are rounded down to the nearest million yen

Overview of the Investment Corporation

1 Overview of Investment

| By Period | 23rd fiscal period | 24th fiscal period | 25th fiscal period | 26th fiscal period | 27th fiscal period |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Results Dates | As of Dec. 31, 2014 | As of Jun. 30, 2015 | As of Dec. 31, 2015 | As of Jun. 30, 2016 | As of Dec. 31, 2016 |
| 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) | 2,668,686 | 2,668,686 | 3,193,686 | 3,675,824 | 3,675,824 |
| Unitholders' capital (JPY million) | 53,096 | 53,096 | 82,465 | 120,367 | 120,367 |
| Number of total unitholders | 12,148 | 10,731 | 10,587 | 12,135 | 15,634 |

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 |
|---|----------------------|--|
| Calliope Godo Kaisha | 609,942 | 16.59 |
| Japan Trustee Services Bank, Ltd. (trust account) | 472,402 | 12.85 |
| Trust & Custody Services Bank, Ltd. (securities investment trust account) | 395,034 | 10.74 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 349,820 | 9.51 |
| Rayo Godo Kaisha | 149,925 | 4.07 |
| The Nomura Trust and Banking Co., Ltd. (investment trust account) | 141,012 | 3.83 |
| THE BANK OF NEW YORK 133970 | 87,087 | 2.36 |
| THE BANK OF NEW YORK MELLON SA/NV 10 | 75,674 | 2.05 |
| NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 52,849 | 1.43 |
| JP MORGAN CHASE BANK 385628 | 47,626 | 1.29 |
| Total | 2,381,371 | 64.78 |

(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 | Primary responsibilities | Directors' remuneration for operating period (JPY thousand) |
|----------------------|-----------------------------|--|---|
| Executive Director | Naoki Fukuda | President and CEO, Consonant Investment Management Co., Ltd. | - |
| Supervisory Director | Takashi Takahashi | Attorney, Ocean General Law Office | 2,400 |
| | Hiroyuki Fujimoto | Tax accountant, CPA Fujimoto Office | 2,400 |
| Auditor | Ernst & Young ShinNihon LLC | - | 11,700 |

(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.

Matters related to parties that have received a business suspension order within the past two years

The Auditor of INV received business suspension order from the Financial Services Agency on December 22, 2015 to suspend accepting new engagements for 3 months (from January 1, 2016, to March 31, 2016).

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 |
| Special account management company | Mitsubishi UFJ Trust and Banking Corporation Limited (Note 3) / Sumitomo Mitsui Trust Bank, Limited (Note 4) |

- (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) the aforementioned in (i) or tasks incidental or related to (ii) are delegated
- (Note 3) 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 4) 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 June 30, 2016 (as of June 30, 2016) | | Fiscal period ended December 31, 2016 (as of December 31, 2016) | |
|----------------------------|-------------------------------|-----------------------------|--|--------------------------------------|--|--------------------------------------|
| | | | Amount held (JPY million) (Note 2) | Percentage of total assets (%) | Amount held (JPY million) (Note 2) | Percentage of total assets (%) |
| Real estate | Residences | Greater Tokyo area | - | - | - | - |
| | | Major regional cities | - | - | - | - |
| | | Subtotal | - | - | - | - |
| | Offices/Commercial Facilities | Greater Tokyo area | 705 | 0.2 | 704 | 0.3 |
| | | Major regional cities | - | - | - | - |
| | | Subtotal | 705 | 0.2 | 704 | 0.3 |
| | Parking lots, etc. | Greater Tokyo area | 100 | 0.0 | 100 | 0.0 |
| | | Major regional cities | - | - | - | - |
| | | Subtotal | 100 | 0.0 | 100 | 0.0 |
| | Hotels | Greater Tokyo area | - | - | - | - |
| | | Major regional cities | - | - | - | - |
| | | Subtotal | - | - | - | - |
| Total real estate | | | 806 | 0.3 | 805 | 0.3 |
| Real estate in trust | Residences | Greater Tokyo area | 51,860 | 18.3 | 51,610 | 18.6 |
| | | Major regional cities | 16,413 | 5.8 | 16,225 | 5.8 |
| | | Subtotal | 68,274 | 24.0 | 67,835 | 24.5 |
| | Offices/Commercial Facilities | Greater Tokyo area | 7,023 | 2.5 | 7,002 | 2.5 |
| | | Major regional cities | 5,828 | 2.1 | 5,782 | 2.1 |
| | | Subtotal | 12,852 | 4.5 | 12,785 | 4.6 |
| | Parking lots, etc. | Greater Tokyo area | - | - | - | - |
| | | Major regional cities | - | - | - | - |
| | | Subtotal | - | - | - | - |
| | Hotels | Greater Tokyo area | 102,445 | 36.1 | 102,297 | 36.8 |
| | | Major regional cities | 77,092 | 27.1 | 76,214 | 27.5 |
| | | Subtotal | 179,537 | 63.2 | 178,511 | 64.4 |
| Total real estate in trust | | | 260,664 | 91.7 | 259,133 | 93.4 |
| Deposits and other assets | | | 22,634 | 8.0 | 17,423 | 6.3 |
| Total assets (Note 3) | | | 284,106 (261,471) | 100.0 (92.0) | 277,361 (259,938) | 100.0 (93.7) |

- (Note 1) “Greater Tokyo area” refers to Tokyo, Kanagawa, Chiba and Saitama
 (Note 2) “Amount held” is from the balance sheet as of the end of the reporting period and is calculated by deducting accumulated depreciation from the acquisition price (including acquisition related costs)
 (Note 3) The figures indicated in parenthesis under “Total assets” show the amounts related to owned real estate

2 Major Properties

The overview of the Investment Corporation’s major properties (top 10 properties by book value) at the end of the Reporting Period is as below.

| | Name of property | Book value (JPY million) | Leasable area (m ²) | Leased area (m ²) | Occupancy rate (%) (Note 2) | Ratio of rental revenue (%) | Main use |
|-----|---|--------------------------------|------------------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------|
| D43 | Hotel MyStays Gotanda Station | 24,652 | 8,752.42 | 8,752.42 | 100.0 | 4.2 | Hotel |
| D44 | Hotel Epinard Nasu | 20,620 | 37,702.33 | 37,702.33 | 100.0 | 10.9 | Hotel |
| D47 | Hotel MyStays Premier Kanazawa (Note 1) | 13,667 | 13,250.03 | 13,250.03 | 100.0 | 3.6 | Hotel |
| D21 | APA Hotel Yokohama-Kannai | 8,117 | 6,568.51 | 6,568.51 | 100.0 | 2.5 | Hotel |
| D45 | Hotel MyStays Fukuoka Tenjin | 8,022 | 5,083.06 | 5,083.06 | 100.0 | 2.0 | Hotel |
| D46 | Hotel MyStays Hamamatsucho | 7,935 | 1,951.90 | 1,951.90 | 100.0 | 1.2 | Hotel |
| D24 | Hotel MyStays Haneda | 7,641 | 5,400.16 | 5,400.16 | 100.0 | 1.9 | Hotel |
| A75 | Spacia Ebisu | 6,550 | 7,794.91 | 7,328.56 | 94.0 | 2.2 | Residence |
| D03 | Hotel MyStays Kyoto-shijo | 5,818 | 7,241.51 | 7,241.51 | 100.0 | 3.9 | Hotel |
| D25 | Hotel MyStays Kameido P1 | 5,514 | 4,349.67 | 4,349.67 | 100.0 | 2.0 | Hotel |
| | Total | 108,540 | 98,094.50 | 97,628.15 | 99.5 | 34.3 | - |

(Note 1) The name of the property has been changed from Hotel MyStays Kanazawa on October 1, 2016. The same shall apply hereinafter

(Note 2) “Occupancy rate” is computed by dividing the leased area by leasable area, and rounded to one decimal place

3 Asset Portfolio of Real Estate, etc.

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

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|--|--|----------------------------------|------------------------------------|---|--------------------------------|
| A26 | Nisshin Palacestage Daitabashi | 1-31-2 Izumi, Suginami-ku, Tokyo | Trust beneficiary interest | 1,771.13 | 1,150 | 1,123 |
| A27 | Nisshin Palacestage Higashi- Nagasaki | 5-4-1 Nagasaki, Toshima-ku, Tokyo | Trust beneficiary interest | 2,681.94 | 1,270 | 1,092 |
| A28 | Growth Maison Gotanda | 2-26-6 Nishi-Gotanda, Shinagawa-ku, Tokyo | Trust beneficiary interest | 1,051.50 | 994 | 827 |
| A29 | Growth Maison Kameido | 6-58-16 Kameido, Koto-ku, Tokyo | Trust beneficiary interest | 1,367.96 | 1,110 | 984 |
| A30 | Emerald House | 3-27-18 Itabashi, Itabashi-ku, Tokyo | Trust beneficiary interest | 2,152.31 | 1,380 | 1,374 |
| A31 | Harmonie Ochanomizu | 2-5-5 Yushima, Bunkyo-ku, Tokyo | Trust beneficiary interest | 1,748.24 | 1,330 | 1,355 |
| A32 | Suncrest Shakujii-Koen | 3-15-35 Takanodai, Nerima-ku, Tokyo | Trust beneficiary interest | 3,029.16 | 1,070 | 1,090 |
| A33 | Growth Maison Shin-Yokohama | 3-16-2 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa | Trust beneficiary interest | 1,858.44 | 1,180 | 966 |
| A34 | Belle Face Ueno-Okachimachi | 1-27-5 Higashi-Ueno, Taito-ku, Tokyo | Trust beneficiary interest | 1,351.11 | 1,040 | 956 |
| A35 | Grand Rire Kameido | 3-39-12 Kameido, Koto-ku, Tokyo | Trust beneficiary interest | 1,562.26 | 979 | 829 |
| A36 | Growth Maison Ikebukuro | 3-31-14 Nishi-Ikebukuro, Toshima-ku, Tokyo | Trust beneficiary interest | 952.89 | 882 | 752 |
| A37 | Growth Maison Yōga | 1-15-15 Okamoto, Setagaya-ku, Tokyo | Trust beneficiary interest | 1,015.34 | 703 | 750 |
| A38 | Route Tachikawa | 3-7-6 Nishikicho, Tachikawa-shi, Tokyo | Trust beneficiary interest | 1,368.57 | 641 | 641 |
| A39 | Shibuya-Honmachi Mansion | 2-35-2 Honmachi, Shibuya-ku, Tokyo | Trust beneficiary interest | 1,167.50 | 624 | 655 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|------------------------------------|--|----------------------------------|------------------------------------|---|--------------------------------|
| A40 | City Heights Kinuta | 4-13-15 Kinuta, Setagaya-ku, Tokyo | Trust beneficiary interest | 1,235.93 | 492 | 650 |
| A41 | Acseeds Tower Kawaguchi- Namiki | 2-5-13 Namiki, Kawaguchi-shi, Saitama | Trust beneficiary interest | 1,210.74 | 716 | 546 |
| A42 | Capital Heights Kagurazaka | 71-1 Enokicho, Shinjuku-ku, Tokyo | Trust beneficiary interest | 1,126.65 | 567 | 621 |
| A43 | College Square Machida | 3-4-4 Nakamachi, Machida-shi, Tokyo | Trust beneficiary interest | 1,047.75 | 534 | 562 |
| A44 | Belair Meguro | 1-2-15 Meguro, Meguro-ku, Tokyo | Trust beneficiary interest | 557.05 | 601 | 561 |
| A45 | Wacore Tsunashima I | 2-7-47 Tarumachi, Kohoku-ku, Yokohama-shi, Kanagawa | Trust beneficiary interest | 907.46 | 515 | 531 |
| A46 | Foros Nakamurabashi | 1-6-6 Kouyama, Nerima-ku, Tokyo | Trust beneficiary interest | 815.77 | 566 | 524 |
| A47 | Growth Maison Kaijin | 5-29-51 Kaijin, Funabashi-shi, Chiba | Trust beneficiary interest | 2,040.27 | 449 | 523 |
| A48 | College Square Machiya | 7-3-1 Arakawa, Arakawa-ku, Tokyo | Trust beneficiary interest | 871.35 | 536 | 460 |
| A51 | City House Tokyo Shinbashi | 6-19-1 Shinbashi, Minato-ku, Tokyo | Trust beneficiary interest | 3,364.00 | 3,160 | 2,342 |
| A52 | Winbell Kagurazaka | 6-15 Shin-Ogawacho, Shinjuku-ku, Tokyo | Trust beneficiary interest | 4,032.70 | 3,850 | 3,063 |
| A53 | Nishiwaseda Crescent Mansion | 3-18-9 Nishi-Waseda, Shinjuku-ku, Tokyo | Trust beneficiary interest | 4,310.77 | 2,400 | 1,883 |
| A54 | Lexington Square Akebonobashi | 3-8 Yochomachi, Shinjuku-ku, Tokyo | Trust beneficiary interest | 1,987.88 | 1,780 | 1,338 |
| A56 | Casa Eremitaggio | 1-14-15 Nakane, Meguro-ku, Tokyo | Trust beneficiary interest | 1,197.19 | 1,090 | 961 |
| A59 | Towa City Coop Shinotsuka II | 5-49-7 Higashi-Ikebukuro, Toshima-ku, Tokyo | Trust beneficiary interest | 1,627.13 | 1,070 | 824 |
| A61 | Bichsel Musashiseki | 1-22-7 Sekimachi-Kita, Nerima-ku, Tokyo | Trust beneficiary interest | 1,220.24 | 705 | 556 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|--------------------------------------|---|----------------------------------|------------------------------------|---|--------------------------------|
| A62 | Lexel Mansion Ueno Matsugaya | 3-10-2 Matsugaya, Taito-ku, Tokyo | Trust beneficiary interest | 1,969.45 | 1,180 | 864 |
| A63 | Towa City Coop Sengencho | 4-338-2 Sengencho, Nishi-ku, Yokohama-shi, Kanagawa | Trust beneficiary interest | 3,426.36 | 1,350 | 1,022 |
| A64 | Royal Park Omachi | 2-11-10 Omachi, Aoba-ku, Sendai-shi, Miyagi | Trust beneficiary interest | 1,929.59 | 556 | 398 |
| A65 | Lexington Square Haginomachi | 1-15-16 Haginomachi, Miyagino-ku, Sendai-shi, Miyagi | Trust beneficiary interest | 1,528.58 | 446 | 289 |
| A66 | Visconti Kakuoan | 2-44 Otanacho, Chikusa-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 705.75 | 266 | 232 |
| A71 | Lexington Square Daitabashi | 1-33-18 Izumi, Suginami-ku, Tokyo | Trust beneficiary interest | 1,430.64 | 1,150 | 867 |
| A72 | Lexington Square Honjo Azumabashi | 4-20-6 Higashikomagata, Sumida-ku, Tokyo | Trust beneficiary interest | 784.74 | 594 | 446 |
| A73 | AMS TOWER Minami 6-Jo | 2-5-15 Minami 6-Jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido | Trust beneficiary interest | 4,460.56 | 1,230 | 987 |
| A75 | Spacia Ebisu | 3-6-22 Higashi, Shibuya-ku, Tokyo | Trust beneficiary interest | 7,794.91 | 7,900 | 6,550 |
| A76 | Neo Prominence | 3-21-5 Shimo, Kita-ku, Tokyo | Trust beneficiary interest | 3,574.70 | 1,920 | 1,622 |
| A77 | Invoice Shin-Kobe Residence | 3-3-8 Ikutacho, Chuo-ku, Kobe-shi, Hyogo | Trust beneficiary interest | 2,773.71 | 1,420 | 1,194 |
| A78 | Cosmo Court Motomachi | 3-12-20 Motomachidori, Chuo-ku, Kobe-shi, Hyogo | Trust beneficiary interest | 2,310.49 | 1,080 | 918 |
| A79 | Revest Honjin | 2-13 Toriidori, Nakamura-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,933.80 | 790 | 635 |
| A80 | Revest Matsubara | 3-13-12 Matsubara, Naka-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,955.40 | 787 | 622 |
| A81 | Sun Terrace Minami Ikebukuro | 2-22-6 Minami-Ikebukuro, Toshima-ku, Tokyo | Trust beneficiary interest | 898.70 | 724 | 600 |
| A82 | Alba Noritake Shinmachi | 3-6-8 Noritake Shinmachi, Nishi-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,731.68 | 721 | 573 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|--------------------------------------|---|----------------------------------|------------------------------------|---|--------------------------------|
| A83 | Revest Meieki Minami | 2-13-33 Meieki-Minami, Nakamura-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,634.60 | 728 | 564 |
| A84 | Revest Heian | 2-13-17 Heian, Kita-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,554.03 | 678 | 561 |
| A85 | Vendir Hamaotsu Ekimae | 1-2-15 Hamaotsu, Otsu-shi, Shiga | Trust beneficiary interest | 2,670.66 | 713 | 542 |
| A86 | Salvo Sala | 2-6-21 Shimanouchi, Chuo-ku, Osaka-shi, Osaka | Trust beneficiary interest | 1,428.12 | 625 | 515 |
| A87 | Excellente Kagurazaka | 128-1 Yamabukicho, Shinjuku-ku, Tokyo, and other one parcel | Trust beneficiary interest | 701.92 | 615 | 521 |
| A88 | Luna Court Edobori | 3-4-11 Edobori, Nishi-ku, Osaka-shi, Osaka | Trust beneficiary interest | 1,185.50 | 570 | 496 |
| A89 | Winntage Kobe Motomachi | 7-2-2 Motomachidori, Chuo-ku, Kobe-shi, Hyogo | Trust beneficiary interest | 1,433.35 | 606 | 481 |
| A90 | Queen's Court Fukuzumi | 1-3-10 Fukuzumi, Koto-ku, Tokyo | Trust beneficiary interest | 765.18 | 584 | 439 |
| A91 | Corp Higashinotoin | 380-1 Kawaranomachi, Higashinotoindori Nijo Kudara, Nakagyo-ku, Kyoto-shi, Kyoto, and other two parcels | Trust beneficiary interest | 1,029.05 | 513 | 425 |
| A92 | Belair Oimachi | 5-14-17 Higashi-Oi, Shinagawa-ku, Tokyo | Trust beneficiary interest | 530.60 | 491 | 398 |
| A93 | Siete Minami-Tsukaguchi | 3-18 Minami-Tsukaguchimachi, Amagasaki-shi, Hyogo | Trust beneficiary interest | 1,020.86 | 433 | 357 |
| A94 | Prime Life Sannomiya Isogami Koen | 4-3-23 Isogamidori, Chuo-ku, Kobe-shi, Hyogo | Trust beneficiary interest | 789.12 | 434 | 354 |
| A95 | HERMITAGE NANBA WEST | 4-10-3 Sakuragawa, Naniwa-ku, Osaka-shi, Osaka | Trust beneficiary interest | 992.76 | 421 | 339 |
| A96 | Century Park Shinkawa 1-bankan | 4-1-2 Shinkawacho, Minato-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 1,477.62 | 424 | 323 |
| A97 | West Avenue | 1-5-17 Nishi, Kunitachi-shi, Tokyo | Trust beneficiary interest | 794.80 | 322 | 316 |
| A98 | Little River Honmachibashi | 1-34 Honmachibashi, Chuo-ku, Osaka-shi, Osaka | Trust beneficiary interest | 974.81 | 391 | 298 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|---------------------------------|---|----------------------------------|------------------------------------|---|--------------------------------|
| A99 | Prime Life Mikage | 2-25-11 Mikage Tsukamachi, Higashinada-ku, Kobe-shi, Hyogo | Trust beneficiary interest | 761.18 | 337 | 281 |
| A100 | City Court Kitaichijo | 1-6-3 Kita 1-jo Higashi, Chuo-ku, Sapporo-shi, Hokkaido | Trust beneficiary interest | 5,230.18 | 1,920 | 1,835 |
| A101 | Lieto Court Mukojima | 5-45-10 Mukojima, Sumida-ku, Tokyo | Trust beneficiary interest | 2,940.20 | 1,720 | 1,731 |
| A102 | Lieto Court Nishi-Ojima | 2-41-14 Ojima, Koto-ku, Tokyo | Trust beneficiary interest | 2,048.28 | 1,710 | 1,673 |
| A103 | Royal Parks Momozaka | 5-38 Fudegasakicho, Tennouji-ku, Osaka-shi, Osaka | Trust beneficiary interest | 8,776.26 | 3,000 | 2,995 |
| A104 | Royal Parks Shinden | 3-35-20 Shinden, Adachi-ku, Tokyo | Trust beneficiary interest | 15,797.29 | 5,110 | 5,203 |
| Subtotal | | | | 144,376.66 | 77,843 | 67,835 |
| B08 | Kindai Kagakusha Building | 2-7-15 Ichigaya-Tamachi, Shinjuku-ku, Tokyo | Trust beneficiary interest | 1,451.54 | 1,040 | 1,207 |
| B09 | Shinjuku Island | 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo | Real estate | 526.43 | 541 | 704 |
| B14 | Lexington Plaza Nishigotanda | 5-2-4 Nishi-Gotanda, Shinagawa-ku, Tokyo | Trust beneficiary interest | 6,033.58 | 4,100 | 4,684 |
| B15 | Cross Square NAKANO | 5-24-18 Nakano, Nakano-ku, Tokyo | Trust beneficiary interest | 2,145.00 | 1,050 | 1,111 |
| B16 | Ohki Aoba Building | 9-7 Futsukamachi, Aoba-ku, Sendai-shi, Miyagi | Trust beneficiary interest | 2,178.37 | 675 | 733 |
| B17 | Lexington Plaza Hachiman | 3-1-50 Hachiman, Aoba-ku, Sendai-shi, Miyagi | Trust beneficiary interest | 8,419.15 | 3,550 | 3,105 |
| B18 | AEON TOWN Sukagawa | 105 Furukawa, Sukagawa-shi, Fukushima | Trust beneficiary interest | 18,440.58 | 2,340 | 1,943 |
| Subtotal | | | | 39,194.65 | 13,296 | 13,490 |
| C01 | Times Kanda-Sudacho 4th | 1-22-7, 1-22-15 Kanda sudacho, Chiyoda-ku, Tokyo | Real estate | 81.04 | 113 | 100 |
| Subtotal | | | | 81.04 | 113 | 100 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|---|--|----------------------------------|------------------------------------|---|--------------------------------|
| D01 | Hotel MyStays Kanda | 1-2-2 Iwamotocho, Chiyoda-ku, Tokyo | Trust beneficiary interest | 2,585.72 | 5,260 | 3,066 |
| D02 | Hotel MyStays Asakusa | 1-21-11 Honjo, Sumida-ku, Tokyo | Trust beneficiary interest | 3,327.38 | 5,530 | 2,561 |
| D03 | Hotel MyStays Kyoto-Shijo | 52 Kasabokocho, Higashiiru, Aburanokoji, Shijyodori, Shimogyo-ku, Kyoto-shi, Kyoto | Trust beneficiary interest | 7,241.51 | 15,600 | 5,818 |
| D04 | MyStays Shin-Urayasu Conference Center | 2-1-4 Akemi, Urayasu-shi, Chiba | Trust beneficiary interest | 6,232.30 | 7,140 | 4,760 |
| D05 | Hotel MyStays Maihama | 3-5-1 Tekkadori, Urayasu-shi, Chiba | Trust beneficiary interest | 2,456.36 | 6,690 | 4,722 |
| D06 | Hotel Vista Premio Dojima | 2-4-1 Sonezakishinchi, Kita-ku, Osaka | Trust beneficiary interest | 9,445.32 | 7,370 | 3,706 |
| D07 | Hotel MyStays Nagoya-Sakae | 2-23-22 Higashi-Sakura, Naka-ku, Nagoya-shi, Aichi | Trust beneficiary interest | 9,064.71 | 5,850 | 2,792 |
| D08 | Hotel MyStays Sakaisuji-Honmachi | 1-4-8 Awaji-machi, Chuo-ku, Osaka-shi, Osaka | Trust beneficiary interest | 4,188.83 | 8,580 | 2,441 |
| D09 | Hotel MyStays Yokohama | 4-81 Sueyoshicho, Naka-ku, Yokohama-shi, Kanagawa | Trust beneficiary interest | 7,379.43 | 3,500 | 2,039 |
| D10 | Hotel MyStays Nippori | 5-43-7 Higashi-Nippori, Arakawa-ku, Tokyo | Trust beneficiary interest | 1,719.29 | 3,630 | 1,838 |
| D11 | Hotel MyStays Fukuoka-Tenjin-Minami | 3-14-20 Haruyoshi, Chuo-ku, Fukuoka-shi, Fukuoka | Trust beneficiary interest | 3,412.71 | 4,390 | 1,526 |
| D12 | Flexstay Inn Iidabashi | 3-26 Shin-Ogawamachi, Shinjuku-ku, Tokyo | Trust beneficiary interest | 2,953.38 | 2,180 | 1,366 |
| D13 | Hotel MyStays Ueno Inaricho | 1-5-7 Matsugaya, Taito-ku, Tokyo | Trust beneficiary interest | 1,150.76 | 2,580 | 1,280 |
| D14 | Flexstay Inn Shinagawa | 1-22-19 Kita-Shinagawa, Shinagawa-ku, Tokyo | Trust beneficiary interest | 1,134.52 | 2,130 | 1,221 |
| D15 | Flexstay Inn Tokiwadai | 1-52-5 Tokiwadai, Itabashi-ku, Tokyo | Trust beneficiary interest | 2,539.75 | 2,300 | 1,230 |
| D16 | Flexstay Inn Sugamo | 3-6-16 Sugamo, Toshima-ku, Tokyo | Trust beneficiary interest | 2,089.86 | 2,170 | 1,157 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|---|---|----------------------------------|------------------------------------|---|--------------------------------|
| D17 | Hotel MyStays Otemae | 1-3-2 Tokuicho, Chuo-ku, Osaka-shi, Osaka | Trust beneficiary interest | 4,956.66 | 4,720 | 1,169 |
| D18 | Flexstay Inn Kiyosumi Shirakawa | 1-12-16 Tokiwa, Koto-ku, Tokyo | Trust beneficiary interest | 2,673.64 | 1,320 | 737 |
| D19 | Flexstay Inn Nakanobu P1 | 4-27-12 Futaba, Shinagawa-ku, Tokyo | Trust beneficiary interest | 770.56 | 837 | 578 |
| D20 | Flexstay Inn Nakanobu P2 | 4-27-8 Futaba, Shinagawa-ku, Tokyo | Trust beneficiary interest | 391.49 | 403 | 284 |
| D21 | APA Hotel Yokohama-Kannai | 3-37-2 Sumiyoshicho, Naka-ku, Yokohama-shi, Kanagawa | Trust beneficiary interest | 6,568.51 | 9,660 | 8,117 |
| D22 | Hotel Nets Hakodate | 26-17 Honcho, Hakodate-shi, Hokkaido | Trust beneficiary interest | 7,961.26 | 3,580 | 2,707 |
| D23 | Flexstay Inn Shirogane | 5-10-15 Shirokane, Minato-ku, Tokyo | Trust beneficiary interest | 1,754.06 | 2,310 | 2,108 |
| D24 | Hotel MyStays Haneda | 5-1-13 Haneda, Ota-ku, Tokyo | Trust beneficiary interest | 5,400.16 | 8,490 | 7,641 |
| D25 | Hotel MyStays Kameido P1 | 6-32-1 Kameido, Koto-ku, Tokyo | Trust beneficiary interest | 4,349.67 | 7,150 | 5,514 |
| D26 | Hotel MyStays Ueno Iriyaguchi | 5-5-13 Higashi-Ueno, Taito-ku, Tokyo | Trust beneficiary interest | 2,247.92 | 4,520 | 3,770 |
| D27 | Hotel MyStays Kameido P2 | 6-7-8 Kameido, Koto-ku, Tokyo | Trust beneficiary interest | 2,793.99 | 4,840 | 3,681 |
| D28 | Hotel Vista Shimizu | 1-23 Masagocho, Shimizu-ku, Shizuoka-shi, Shizuoka | Trust beneficiary interest | 3,559.81 | 2,400 | 2,144 |
| D29 | Super Hotel Shinbashi/ Karasumoriguchi | 5-16-4 Shinbashi, Minato-ku, Tokyo | Trust beneficiary interest | 1,403.89 | 1,800 | 1,618 |
| D30 | Flexstay Inn Higashi-Jujo | 2-10-2 Nakajujo, Kita-ku, Tokyo | Trust beneficiary interest | 1,714.53 | 1,430 | 1,271 |
| D31 | Hotel MyStays Utsunomiya | 2-4-1 Higashi-Shukugo, Utsunomiya-shi, Tochigi | Trust beneficiary interest | 11,733.23 | 1,280 | 1,238 |
| D32 | Flexstay Inn Kawasaki-Kaizuka | 1-13-2 Kaizuka, Kawasaki-ku, Kawasaki-shi, Kanagawa | Trust beneficiary interest | 1,190.57 | 1,180 | 962 |

| Name of property | | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|---|---|----------------------------------|------------------------------------|---|--------------------------------|
| D33 | Comfort Hotel Toyama | 1-3-2 Takara-machi, Toyama-shi, Toyama | Trust beneficiary interest | 3,305.64 | 1,090 | 963 |
| D34 | Flexstay Inn Kawasaki-Ogawacho | 15-9 Ogawacho, Kawasaki-ku, Kawasaki-shi, Kanagawa | Trust beneficiary interest | 725.60 | 1,060 | 896 |
| D35 | Flexstay Inn Ekoda | 8-6 Sakaecho, Nerima-ku, Tokyo | Trust beneficiary interest | 3,932.93 | 5,040 | 5,001 |
| D36 | Super Hotel Tokyo-JR Tachikawa Kitaguchi | 2-21-9 Akebonocho, Tachikawa-shi, Tokyo | Trust beneficiary interest | 1,832.97 | 1,230 | 1,156 |
| D37 | Super Hotel JR Ueno-iriyaguchi | 7-9-14 Ueno, Taito-ku, Tokyo | Trust beneficiary interest | 1,279.16 | 1,220 | 1,121 |
| D38 | Hotel MyStays Shinsaibashi | 1-9-30 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka | Trust beneficiary interest | 1,942.01 | 3,410 | 3,137 |
| D39 | Comfort Hotel Kurosaki | 3-13-13 Kurosaki, Yahatanishi-ku, Kitakyusyu-shi, Fukuoka | Trust beneficiary interest | 3,207.60 | 1,200 | 1,134 |
| D40 | Comfort Hotel Maebashi | 2-18-14 Omotecho, Maebashi-shi, Gunma | Trust beneficiary interest | 3,660.96 | 1,160 | 1,136 |
| D41 | Comfort Hotel Tsubame-Sanjo | 2-115 Sugoro, Sanjo-shi, Niigata | Trust beneficiary interest | 3,099.90 | 1,060 | 1,006 |
| D42 | Comfort Hotel Kitami | 3-4 Ohdori-Nishi, Kitami-shi, Hokkaido | Trust beneficiary interest | 3,009.50 | 890 | 843 |
| D43 | Hotel MyStays Gotanda Station | 2-6-8 Nishi-Gotanda, Shinagawa-ku, Tokyo | Trust beneficiary interest | 8,752.42 | 24,800 | 24,652 |
| 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 | 21,600 | 20,620 |
| D45 | Hotel MyStays Fukuoka Tenjin | 3-5-7 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka | Trust beneficiary interest | 5,083.06 | 8,280 | 8,022 |
| D46 | Hotel MyStays Hamamatsucho | 1-18-14 Hamamatsucho, Minato-ku, Tokyo | Trust beneficiary interest | 1,951.90 | 8,010 | 7,935 |
| D47 | Hotel MyStays Premier Kanazawa | 2-13-1 Hirooka, Kanazawa-shi, Ishikawa | Trust beneficiary interest | 13,250.03 | 13,900 | 13,667 |
| D48 | Takamatsu Tokyu REI Hotel | 9-9 Hyogomachi, Takamatsu-shi, Kagawa | Trust beneficiary interest | 7,148.17 | 2,170 | 2,135 |

| Name of property | Location (Note 1) | Legal form of asset | Leasable area (m ²) | Appraisal value as of December 31, 2016 (JPY million) (Note 2) | Book value (JPY million) |
|------------------|----------------------|------------------------|------------------------------------|---|--------------------------------|
| Subtotal | | | 226,275.96 | 236,940 | 178,511 |
| Total | | | 409,928.31 | 328,192 | 259,938 |

(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) “Appraisal value” is the value appraised or researched as of the end of the fiscal period in accordance with the Articles of Incorporation of INV and the regulations of The Investment Trusts Association, Japan by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal & Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd.

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

| Name of property | | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | |
|------------------|---------------------------------------|--|---|---|--------------------------------|---|---|---|--------------------------------|
| | | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) |
| A26 | Nisshin Palacestage Daitabashi | 1 | 97.0 | 39,605 | 0.5 | 1 | 98.0 | 39,494 | 0.4 |
| A27 | Nisshin Palacestage Higashi- Nagasaki | 1 | 93.2 | 45,952 | 0.6 | 1 | 96.5 | 43,857 | 0.5 |
| A28 | Growth Maison Gotanda | 1 | 100.0 | 27,349 | 0.3 | 1 | 100.0 | 27,345 | 0.3 |
| A29 | Growth Maison Kameido | 1 | 95.5 | 34,404 | 0.4 | 1 | 92.4 | 33,416 | 0.4 |
| A30 | Emerald House | 1 | 100.0 | 50,753 | 0.6 | 1 | 96.9 | 43,288 | 0.5 |
| A31 | Harmonie Ochanomizu | 1 | 100.0 | 40,389 | 0.5 | 1 | 100.0 | 41,703 | 0.4 |
| A32 | Suncrest Shakujii-Koen | 1 | 84.3 | 34,709 | 0.4 | 1 | 94.0 | 34,586 | 0.4 |
| A33 | Growth Maison Shin-Yokohama | 1 | 89.7 | 34,823 | 0.4 | 1 | 94.2 | 34,347 | 0.4 |
| A34 | Belle Face Ueno-Okachimachi | 1 | 98.3 | 33,342 | 0.4 | 1 | 95.2 | 30,471 | 0.3 |
| A35 | Grand Rire Kameido | 1 | 100.0 | 26,619 | 0.3 | 1 | 100.0 | 26,619 | 0.3 |
| A36 | Growth Maison Ikebukuro | 1 | 97.6 | 26,408 | 0.3 | 1 | 100.0 | 26,733 | 0.3 |
| A37 | Growth Maison Yoga | 1 | 97.5 | 21,839 | 0.3 | 1 | 94.8 | 22,092 | 0.2 |
| A38 | Route Tachikawa | 1 | 93.2 | 20,700 | 0.3 | 1 | 100.0 | 20,282 | 0.2 |
| A39 | Shibuya-Honmachi Mansion | 1 | 95.9 | 20,473 | 0.3 | 1 | 91.9 | 19,621 | 0.2 |
| A40 | City Heights Kinuta | 1 | 100.0 | 17,446 | 0.2 | 1 | 94.6 | 16,158 | 0.2 |
| A41 | Acseeds Tower Kawaguchi-Namiki | 1 | 94.8 | 24,262 | 0.3 | 1 | 89.4 | 24,556 | 0.3 |
| A42 | Capital Heights Kagurazaka | 1 | 97.2 | 18,752 | 0.2 | 1 | 97.2 | 18,565 | 0.2 |
| A43 | College Square Machida | 1 | 100.0 | 17,484 | 0.2 | 1 | 100.0 | 17,484 | 0.2 |
| A44 | Belair Meguro | 1 | 96.1 | 16,436 | 0.2 | 1 | 92.1 | 16,259 | 0.2 |
| A45 | Wacore Tsunashima I | 1 | 98.0 | 18,466 | 0.2 | 1 | 89.9 | 18,690 | 0.2 |
| A46 | Foros Nakamurabashi | 1 | 96.2 | 18,546 | 0.2 | 1 | 91.2 | 17,597 | 0.2 |
| A47 | Growth Maison Kaijin | 1 | 97.7 | 21,918 | 0.3 | 1 | 97.4 | 22,145 | 0.2 |
| A48 | College Square Machiya | 1 | 100.0 | 14,706 | 0.2 | 1 | 100.0 | 14,706 | 0.2 |
| A51 | City House Tokyo Shinbashi | 1 | 96.1 | 90,692 | 1.1 | 1 | 93.3 | 92,285 | 1.0 |

| Name of property | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | | |
|------------------|--|---|---|--------------------------------|---|---|---|--------------------------------|-----|
| | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | |
| A52 | Winbell Kagurazaka | 1 | 98.6 | 107,429 | 1.3 | 1 | 95.5 | 101,878 | 1.1 |
| A53 | Nishiwaseda Crescent Mansion | 1 | 100.0 | 72,347 | 0.9 | 1 | 95.8 | 73,724 | 0.8 |
| A54 | Lexington Square Akebonobashi | 1 | 95.4 | 51,132 | 0.6 | 1 | 96.7 | 49,405 | 0.5 |
| A56 | Casa Eremitaggio | 1 | 100.0 | 31,694 | 0.4 | 1 | 96.7 | 34,594 | 0.4 |
| A59 | Towa City Coop Shinotsuka II | 1 | 97.6 | 35,168 | 0.4 | 1 | 96.3 | 35,150 | 0.4 |
| A61 | Bichsel Musashiseki | 1 | 95.7 | 24,923 | 0.3 | 1 | 91.5 | 22,918 | 0.2 |
| A62 | Lexel Mansion Ueno Matsugaya | 1 | 100.0 | 46,988 | 0.6 | 1 | 96.4 | 34,740 | 0.4 |
| A63 | Towa City Coop Sengencho | 1 | 91.1 | 59,002 | 0.7 | 1 | 89.7 | 56,386 | 0.6 |
| A64 | Royal Park Omachi | 1 | 96.7 | 26,051 | 0.3 | 1 | 92.8 | 25,432 | 0.3 |
| A65 | Lexington Square Haginomachi | 1 | 100.0 | 17,646 | 0.2 | 1 | 92.1 | 17,590 | 0.2 |
| A66 | Visconti Kakuozan | 1 | 100.0 | 10,533 | 0.1 | 1 | 83.8 | 11,857 | 0.1 |
| A71 | Lexington Square Daitabashi | 1 | 97.2 | 29,731 | 0.4 | 1 | 92.9 | 32,254 | 0.3 |
| A72 | Lexington Square Honjo Azumabashi | 1 | 94.1 | 17,760 | 0.2 | 1 | 96.9 | 19,035 | 0.2 |
| A73 | AMS TOWER Minami 6-Jo | 1 | 87.6 | 47,964 | 0.6 | 1 | 86.1 | 45,686 | 0.5 |
| A75 | Spacia Ebisu | 1 | 91.7 | 199,105 | 2.4 | 1 | 94.0 | 205,456 | 2.2 |
| A76 | Neo Prominence | 1 | 96.2 | 65,593 | 0.8 | 1 | 95.0 | 64,271 | 0.7 |
| A77 | Invoice Shin-Kobe Residence | 1 | 98.2 | 49,993 | 0.6 | 1 | 81.5 | 46,782 | 0.5 |
| A78 | Cosmo Court Motomachi | 1 | 96.3 | 37,778 | 0.5 | 1 | 86.5 | 35,528 | 0.4 |
| A79 | Revest Honjin | 1 | 97.5 | 31,265 | 0.4 | 1 | 95.0 | 31,699 | 0.3 |
| A80 | Revest Matsubara | 1 | 88.7 | 28,956 | 0.4 | 1 | 91.8 | 28,164 | 0.3 |
| A81 | Sun Terrace Minami Ikebukuro | 1 | 100.0 | 23,817 | 0.3 | 1 | 97.4 | 23,830 | 0.3 |
| A82 | Alba Noritake Shinmachi | 1 | 97.2 | 26,647 | 0.3 | 1 | 91.0 | 25,917 | 0.3 |
| A83 | Revest Meieki Minami | 1 | 96.6 | 26,539 | 0.3 | 1 | 93.6 | 25,956 | 0.3 |
| A84 | Revest Heian | 1 | 100.0 | 24,076 | 0.3 | 1 | 88.7 | 23,023 | 0.2 |
| A85 | Vendir Hamaotsu Ekimae | 1 | 95.3 | 33,371 | 0.4 | 1 | 93.4 | 32,640 | 0.3 |
| A86 | Salvo Sala | 1 | 100.0 | 25,795 | 0.3 | 1 | 96.7 | 24,657 | 0.3 |

| Name of property | | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | |
|------------------|-----------------------------------|--|---|---|--------------------------------|---|---|---|--------------------------------|
| | | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) |
| A87 | Excellente Kagurazaka | 1 | 97.1 | 17,871 | 0.2 | 1 | 88.3 | 18,252 | 0.2 |
| A88 | Luna Court Edobori | 1 | 96.0 | 21,499 | 0.3 | 1 | 98.0 | 21,451 | 0.2 |
| A89 | Winntage Kobe Motomachi | 1 | 86.0 | 21,396 | 0.3 | 1 | 80.7 | 19,673 | 0.2 |
| A90 | Queen's Court Fukuzumi | 1 | 93.1 | 17,240 | 0.2 | 1 | 96.6 | 16,843 | 0.2 |
| A91 | Corp Higashinotoin | 1 | 90.8 | 17,464 | 0.2 | 1 | 95.2 | 17,203 | 0.2 |
| A92 | Belair Oimachi | 1 | 100.0 | 15,582 | 0.2 | 1 | 92.9 | 14,448 | 0.2 |
| A93 | Siete Minami-Tsukaguchi | 1 | 97.5 | 16,684 | 0.2 | 1 | 97.5 | 16,605 | 0.2 |
| A94 | Prime Life Sannomiya Isogami Koen | 1 | 93.8 | 15,129 | 0.2 | 1 | 87.5 | 13,769 | 0.1 |
| A95 | HERMITAGE NANBA WEST | 1 | 100.0 | 14,372 | 0.2 | 1 | 88.0 | 15,516 | 0.2 |
| A96 | Century Park Shinkawa 1-bankan | 1 | 95.4 | 17,500 | 0.2 | 1 | 90.9 | 17,409 | 0.2 |
| A97 | West Avenue | 1 | 85.0 | 11,037 | 0.1 | 1 | 87.5 | 12,254 | 0.1 |
| A98 | Little River Honmachibashi | 1 | 100.0 | 13,951 | 0.2 | 1 | 96.9 | 13,795 | 0.1 |
| A99 | Prime Life Mikage | 1 | 96.7 | 12,143 | 0.1 | 1 | 86.8 | 11,566 | 0.1 |
| A100 | City Court Kitaichijo | 1 | 95.7 | 66,535 | 0.8 | 1 | 94.8 | 65,467 | 0.7 |
| A101 | Lieto Court Mukojima | 1 | 96.8 | 53,918 | 0.7 | 1 | 95.3 | 53,665 | 0.6 |
| A102 | Lieto Court Nishi-Ojima | 1 | 98.0 | 48,584 | 0.6 | 1 | 96.8 | 48,105 | 0.5 |
| A103 | Royal Parks Momozaka | 4 | 100.0 | 124,216 | 1.5 | 4 | 100.0 | 139,988 | 1.5 |
| A104 | Royal Parks Shinden | 4 | 100.0 | 108,933 | 1.3 | 4 | 100.0 | 215,643 | 2.3 |
| Subtotal | | 74 | 96.4 | 2,481,468 | 30.4 | 74 | 94.7 | 2,562,556 | 26.9 |
| B8 | Kindai Kagakusha Building | 1 | 100.0 | 37,069 | 0.5 | 1 | 100.0 | 38,162 | 0.4 |
| B9 | Shinjuku Island | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| B14 | Lexington Plaza Nishigotanda | 7 | 100.0 | 149,977 | 1.8 | 7 | 91.8 | 140,640 | 1.5 |
| B15 | Cross Square NAKANO | 1 | 84.1 | 39,416 | 0.5 | 1 | 89.1 | 44,623 | 0.5 |
| B16 | Ohki Aoba Building | 1 | 83.6 | 39,081 | 0.5 | 1 | 83.6 | 34,522 | 0.4 |
| B17 | Lexington Plaza Hachiman | 1 | 98.8 | 163,598 | 2.0 | 1 | 100.0 | 163,789 | 1.7 |
| B18 | AEON TOWN Sukagawa | 1 | 100.0 | 142,027 | 1.7 | 1 | 100.0 | 142,027 | 1.5 |

| Name of property | | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | |
|------------------|--|--|---|---|--------------------------------|---|---|---|--------------------------------|
| | | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) |
| Subtotal | | 13 | 98.0 | 588,368 | 7.2 | 13 | 97.2 | 580,963 | 6.1 |
| C1 | Times Kanda-Sudacho 4th | 1 | 100.0 | 2,700 | 0.0 | 1 | 100.0 | 2,700 | 0.0 |
| Subtotal | | 1 | 100.0 | 2,700 | 0.0 | 1 | 100.0 | 2,700 | 0.0 |
| D1 | Hotel MyStays Kanda | 1 | 100.0 | 88,987 | 1.1 | 1 | 100.0 | 95,222 | 1.0 |
| D2 | Hotel MyStays Asakusa | 1 | 100.0 | 128,239 | 1.6 | 1 | 100.0 | 115,200 | 1.2 |
| D3 | Hotel MyStays Kyoto-Shijo | 1 | 100.0 | 358,013 | 4.4 | 1 | 100.0 | 367,441 | 3.9 |
| D4 | MyStays Shin-Urayasu Conference Center | 1 | 100.0 | 179,110 | 2.2 | 1 | 100.0 | 212,187 | 2.2 |
| D5 | Hotel MyStays Maihama | 1 | 100.0 | 148,450 | 1.8 | 1 | 100.0 | 183,694 | 1.9 |
| D6 | Hotel Vista Premio Dojima | 1 | 100.0 | 206,141 | 2.5 | 1 | 100.0 | 215,896 | 2.3 |
| D7 | Hotel MyStays Nagoya-Sakae | 1 | 100.0 | 180,607 | 2.2 | 1 | 100.0 | 197,906 | 2.1 |
| D8 | Hotel MyStays Sakaisuji-Honmachi | 1 | 100.0 | 194,326 | 2.4 | 1 | 100.0 | 201,529 | 2.1 |
| D9 | Hotel MyStays Yokohama | 1 | 100.0 | 111,541 | 1.4 | 1 | 100.0 | 118,878 | 1.2 |
| D10 | Hotel MyStays Nippori | 1 | 100.0 | 72,466 | 0.9 | 1 | 100.0 | 65,615 | 0.7 |
| D11 | Hotel MyStays Fukuoka-Tenjin-Minami | 1 | 100.0 | 110,274 | 1.4 | 1 | 100.0 | 137,361 | 1.4 |
| D12 | Flexstay Inn Idabashi | 1 | 100.0 | 52,789 | 0.6 | 1 | 100.0 | 52,029 | 0.5 |
| D13 | Hotel MyStays Ueno Inaricho | 1 | 100.0 | 53,901 | 0.7 | 1 | 100.0 | 51,818 | 0.5 |
| D14 | Flexstay Inn Shinagawa | 1 | 100.0 | 48,453 | 0.6 | 1 | 100.0 | 50,600 | 0.5 |
| D15 | Flexstay Inn Tokiwadai | 1 | 100.0 | 64,932 | 0.8 | 1 | 100.0 | 60,368 | 0.6 |
| D16 | Flexstay Inn Sugamo | 1 | 100.0 | 55,657 | 0.7 | 1 | 100.0 | 54,852 | 0.6 |
| D17 | Hotel MyStays Otamae | 1 | 100.0 | 137,938 | 1.7 | 1 | 100.0 | 144,286 | 1.5 |
| D18 | Flexstay Inn Kiyosumi Shirakawa | 1 | 100.0 | 40,024 | 0.5 | 1 | 100.0 | 39,669 | 0.4 |
| D19 | Flexstay Inn Nakanobu P1 | 1 | 100.0 | 22,914 | 0.3 | 1 | 100.0 | 21,653 | 0.2 |
| D20 | Flexstay Inn Nakanobu P2 | 1 | 100.0 | 12,159 | 0.1 | 1 | 100.0 | 11,371 | 0.1 |
| D21 | APA Hotel Yokohama-Kannai | 1 | 100.0 | 231,479 | 2.8 | 1 | 100.0 | 234,973 | 2.5 |
| D22 | Hotel Nets Hakodate | 1 | 100.0 | 110,080 | 1.3 | 1 | 100.0 | 160,872 | 1.7 |

| Name of property | | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | |
|------------------|--|--|---|---|--------------------------------|---|---|---|--------------------------------|
| | | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) |
| D23 | Flexstay Inn Shirogane | 1 | 100.0 | 58,122 | 0.7 | 1 | 100.0 | 54,444 | 0.6 |
| D24 | Hotel MyStays Haneda | 1 | 100.0 | 177,466 | 2.2 | 1 | 100.0 | 178,271 | 1.9 |
| D25 | Hotel MyStays Kameido P1 | 1 | 100.0 | 176,496 | 2.2 | 1 | 100.0 | 186,026 | 2.0 |
| D26 | Hotel MyStays Ueno Iriyaguchi | 1 | 100.0 | 106,248 | 1.3 | 1 | 100.0 | 98,762 | 1.0 |
| D27 | Hotel MyStays Kameido P2 | 1 | 100.0 | 123,608 | 1.5 | 1 | 100.0 | 130,259 | 1.4 |
| D28 | Hotel Vista Shimizu | 1 | 100.0 | 67,741 | 0.8 | 1 | 100.0 | 83,319 | 0.9 |
| D29 | Super Hotel Shinbashi/Karasumoriguchi | 1 | 100.0 | 39,426 | 0.5 | 1 | 100.0 | 39,426 | 0.4 |
| D30 | Flexstay Inn Higashi-Jujo | 1 | 100.0 | 40,114 | 0.5 | 1 | 100.0 | 40,126 | 0.4 |
| D31 | Hotel MyStays Utsunomiya | 1 | 100.0 | 77,939 | 1.0 | 1 | 100.0 | 64,742 | 0.7 |
| D32 | Flexstay Inn Kawasaki-Kaizuka | 1 | 100.0 | 31,955 | 0.4 | 1 | 100.0 | 32,535 | 0.3 |
| D33 | Comfort Hotel Toyama | 1 | 100.0 | 35,928 | 0.4 | 1 | 100.0 | 35,928 | 0.4 |
| D34 | Flexstay Inn Kawasaki-Ogawacho | 1 | 100.0 | 29,136 | 0.4 | 1 | 100.0 | 28,421 | 0.3 |
| D35 | Flexstay Inn Ekoda | 1 | 100.0 | 113,216 | 1.4 | 1 | 100.0 | 110,022 | 1.2 |
| D36 | Super Hotel Tokyo-JR Tachikawa Kitaguchi | 1 | 100.0 | 31,787 | 0.4 | 1 | 100.0 | 31,787 | 0.3 |
| D37 | Super Hotel JR Ueno-iriyaguchi | 1 | 100.0 | 27,275 | 0.3 | 1 | 100.0 | 27,275 | 0.3 |
| D38 | Hotel MyStays Shinsaibashi | 1 | 100.0 | 84,282 | 1.0 | 1 | 100.0 | 90,819 | 1.0 |
| D39 | Comfort Hotel Kurosaki | 1 | 100.0 | 33,616 | 0.4 | 1 | 100.0 | 37,894 | 0.4 |
| D40 | Comfort Hotel Maebashi | 2 | 100.0 | 38,901 | 0.5 | 2 | 100.0 | 43,811 | 0.5 |
| D41 | Comfort Hotel Tsubame-Sanjo | 2 | 100.0 | 31,003 | 0.4 | 2 | 100.0 | 34,949 | 0.4 |
| D42 | Comfort Hotel Kitami | 1 | 100.0 | 26,879 | 0.3 | 1 | 100.0 | 30,300 | 0.3 |
| D43 | Hotel MyStays Gotanda Station | 1 | 100.0 | 254,397 | 3.1 | 1 | 100.0 | 396,612 | 4.2 |
| D44 | Hotel Epinard Nasu | 1 | 100.0 | 627,563 | 7.7 | 1 | 100.0 | 1,040,790 | 10.9 |
| D45 | Hotel MyStays Fukuoka Tenjin | 1 | 100.0 | 109,967 | 1.3 | 1 | 100.0 | 190,416 | 2.0 |
| D46 | Hotel MyStays Hamamatsucho | 1 | 100.0 | 77,364 | 0.9 | 1 | 100.0 | 115,208 | 1.2 |
| D47 | Hotel MyStays Kanazawa | 1 | 100.0 | 49,162 | 0.6 | 1 | 100.0 | 343,391 | 3.6 |

| Name of property | | 26th fiscal period (January 1, 2016 to June 30, 2016) | | | | 27th fiscal period (July 1, 2016 to December 31, 2016) | | | |
|------------------|---------------------------|--|---|---|--------------------------------|---|---|---|--------------------------------|
| | | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) | Number of tenants (at end of period) (unit) | Occupancy rate (at end of period) (%) (Note 1) | Rental revenue (during period) (JPY thousand) (Note 2) | Ratio of rental revenue (%) |
| D48 | Takamatsu Tokyu REI Hotel | 3 | 100.0 | 7,591 | 0.1 | 3 | 100.0 | 106,269 | 1.1 |
| Subtotal | | 52 | 100.0 | 5,085,683 | 62.3 | 52 | 100.0 | 6,365,246 | 66.9 |
| Total | | 140 | 98.5 | 8,158,220 | 100.0 | 140 | 97.9 | 9,511,466 | 100.0 |

(Note 1) “Occupancy rate” is computed by dividing the leased area by leasable area, and is rounded to one decimal place

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

(Note 3) Not disclosed because the consent of the tenant was not obtained

4 Asset Portfolio of Facilities Generating Renewable Energy, etc.

Not applicable

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

Not applicable

6 Status of Contract Amount and Fair Value of Specified Transaction

As of December 31, 2016, 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 | 99,119,000 | 99,119,000 | 151,259 |

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

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

7 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 above.

8 Asset Owned Outside of Japan or the Region

There are no relevant items outside of Japan or the region.

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 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 December 31, 2016 | Advance payments | |
| D44 | Hotel Epinard Nasu | Nasu-gun, Tochigi | Renovation work | From January 2017 to June 2017 | 450,000 | - | - |
| B15 | Cross Square NAKANO | Nakano-ku, Tokyo | Parking lots equipment repair work | From January 2017 to June 2017 | 17,000 | - | - |
| A52 | Winbell Kagurazaka | Shinjuku-ku, Tokyo | Repair work of deteriorated rooftop waterproof/Partial repair and paint work of outer wall | From January 2017 to June 2017 | 15,330 | - | - |

2 Capital expenditures for the fiscal period ended December 31, 2016

The principal construction work constituting capital expenditures for the real estate assets for the fiscal period ended December 31, 2016 is as follows. Capital expenditures for the fiscal period totaled JPY 532,163 thousand, and together with JPY 24,069 thousand in repair costs included in this fiscal period's expenses, construction work totaling JPY 556,232 thousand was implemented.

| Name of property | Location | Purpose | Time of implementation | Payment (JPY thousand) | |
|--------------------|---------------------------|--------------------|--|---------------------------------|---------|
| D01 | Hotel MyStays Kanda | Chiyoda-ku, Tokyo | Renovation work | From July 2016 To December 2016 | 154,601 |
| D44 | Hotel Epinard Nasu | Nasu-gun, Tochigi | Hotel interior renovation work | From July 2016 To December 2016 | 14,325 |
| B17 | Lexington Plaza Hachiman | Sendai-shi, Miyagi | Rooftop parking lot repair work | From July 2016 To December 2016 | 10,564 |
| D06 | Hotel Vista Premio Dojima | Osaka-shi, Osaka | Repair work of multi-story car parking equipment | From July 2016 To December 2016 | 8,410 |
| D06 | Hotel Vista Premio Dojima | Osaka-shi, Osaka | Replacement work of thyristor based battery chargers | From July 2016 To December 2016 | 7,500 |
| Other construction | | | | | 360,831 |
| Total | | | | | 556,232 |

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 | 23rd fiscal period | 24th fiscal period | 25th fiscal period | 26th fiscal period | 27th fiscal period |
|--|--|---------------------------------------|--|---------------------------------------|--|
| | From July 1, 2014 to December 31, 2014 | From January 1, 2015 to June 30, 2015 | From July 1, 2015 to December 31, 2015 | From January 1, 2016 to June 30, 2016 | From July 1, 2016 to December 31, 2016 |
| Reserved funds at beginning of period | 579,682 | 738,365 | 852,699 | 982,750 | 1,303,685 |
| Amount reserved (Note) | 268,495 | 283,147 | 352,490 | 543,275 | 446,066 |
| Amount reversed (Note) | 109,812 | 168,813 | 222,439 | 222,339 | 352,464 |
| Amount carried over for next fiscal period | 738,365 | 852,699 | 982,750 | 1,303,685 | 1,397,286 |

(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 | 26th fiscal period January 1, 2016 to June 30, 2016 | | 27th fiscal period July 1, 2016 to December 31, 2016 | |
|----------------------------------|--|--|---|--|
| | | | | |
| (a) Asset management fees | 250,000 | | 250,000 | |
| (b) Asset custody fees | 9,128 | | 14,026 | |
| (c) Administrative services fees | 24,010 | | 27,890 | |
| (d) Directors' compensation | 4,800 | | 4,800 | |
| (e) Other | 98,390 | | 118,471 | |
| Total | 386,329 | | 415,187 | |

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 | Payment method | Purpose | Notes |
|------------------|--|----------------|---|---|------------------------------------|----------------|----------------|----------|-------------------------------|
| | Lender | | | | | | | | |
| Short-term loans | Sumitomo Mitsui Trust Bank, Limited | Jan. 22, 2016 | 498,000 | - | 0.237 | Jan. 22, 2017 | (Note 3) | (Note 2) | Unsecured / with no guarantee |
| | Mizuho Bank, Ltd. | Mar. 31, 2016 | 604,000 | - | 0.237 | Mar. 30, 2017 | (Note 3) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | | 826,000 | - | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 688,000 | - | | | | | |
| | Citibank Japan Ltd. | Jun. 15, 2016 | 882,000 | - | 0.237 | Jun. 15, 2017 | (Note 3) | (Note 2) | Unsecured / with no guarantee |
| Subtotal | | | 3,498,000 | - | | | | | |
| Long-term loans | Sumitomo Mitsui Banking Corporation | Jul. 16, 2015 | 5,992,000 | 5,992,000 | 0.375 | Jul. 16, 2018 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Mizuho Bank, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Shinsei Bank, Limited | | 3,330,000 | 3,330,000 | | | | | |
| | Citibank Japan Ltd. | | 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 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 668,000 | 668,000 | | | | | |

| | 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 | Payment method | Purpose | Notes |
|--|--|----------------|---|---|------------------------------------|----------------|----------------|-------------------------------|-------------------------------|
| | Lender | | | | | | | | |
| Long-term loans | Sumitomo Mitsui Banking Corporation | Jul. 16, 2015 | 5,992,000 | 5,992,000 | 0.480 | Jul. 16, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Mizuho Bank, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Shinsei Bank, Limited | | 3,330,000 | 3,330,000 | | | | | |
| | Citibank Japan Ltd. | | 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 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 668,000 | 668,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | Jul. 16, 2015 | 5,992,000 | 5,992,000 | 0.590 | Jul. 16, 2020 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Mizuho Bank, Ltd. | | 5,992,000 | 5,992,000 | | | | | |
| | Shinsei Bank, Limited | | 3,330,000 | 3,330,000 | | | | | |
| | Citibank Japan Ltd. | | 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 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 668,000 | 668,000 | | | | | |
| | Mizuho Bank, Ltd | Aug. 28, 2015 | 3,682,000 | 3,682,000 | 0.490 | Aug. 28, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | Sumitomo Mitsui Trust Bank, Limited | Jan. 22, 2016 | 3,400,000 | 3,400,000 | 0.343 | Jan. 22, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| Mitsubishi UFJ Trust and Banking Corporation | 850,000 | | 850,000 | | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | Jan. 22, 2016 | 3,400,000 | 3,400,000 | 0.600 | Jan. 22, 2021 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| Mitsubishi UFJ Trust and Banking Corporation | | 850,000 | 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 | Payment method | Purpose | Notes |
|---|--|----------------|---|---|------------------------------------|----------------|----------------|----------|-------------------------------|
| | Lender | | | | | | | | |
| Long-term loans | Mizuho Bank, Ltd | Mar. 31, 2016 | 4,465,000 | 465,000 | 0.443 | Mar. 30, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | | 1,125,000 | 1,125,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,181,000 | 2,181,000 | | | | | |
| | Shinsei Bank, Limited | | 570,000 | 570,000 | | | | | |
| | Resona Bank, Limited | | 570,000 | 570,000 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 650,000 | 650,000 | | | | | |
| | Japan Post Bank Co., Ltd. | | - | 2,000,000 | | | | | |
| | Development Bank of Japan, Inc. | | 1,000,000 | 1,000,000 | | | | | |
| | The Bank of Fukuoka, Ltd. | | 333,000 | 333,000 | | | | | |
| | The Shizuoka Bank, Ltd. | | 270,000 | 1,270,000 | | | | | |
| | The Daishi Bank, Ltd. | | - | 1,000,000 | | | | | |
| | The Nomura Trust and Banking Co., Limited | | 270,000 | 270,000 | | | | | |
| | Mizuho Bank, Ltd | Mar. 31, 2016 | 4,465,000 | 965,000 | 0.545 | Mar. 30, 2020 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, 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 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 650,000 | 650,000 | | | | | |
| | Japan Post Bank Co., Ltd. | | - | 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 | | | | | |
| The Hyakugo Bank, Ltd. | - | | 1,000,000 | | | | | | |
| The Nomura Trust and Banking Co., Limited | 270,000 | | 270,000 | | | | | | |

| Type | Lender | Borrowing date | Balance at beginning of Reporting Period | Balance at end of Reporting Period | Average interest rate (%) | Repayment date | Payment method | Purpose | Notes |
|---------------------------------|--|----------------|--|------------------------------------|---------------------------|----------------|----------------|-------------------------------|-------------------------------|
| | | | (JPY thousand) | (JPY thousand) | | | | | |
| Long-term loans | Mizuho Bank, Ltd | Mar. 31, 2016 | 4,465,000 | 1,965,000 | 0.648 | Mar. 30, 2021 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | The Bank of Tokyo-Mitsubishi UFJ, 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 | | | | | |
| | Mitsubishi UFJ Trust and Banking Corporation | | 650,000 | 650,000 | | | | | |
| | The Bank of Fukuoka, Ltd. | | 333,000 | 1,333,000 | | | | | |
| | The Shizuoka Bank, Ltd. | | 270,000 | 270,000 | | | | | |
| | The Kagawa Bank, Ltd. | | - | 500,000 | | | | | |
| | The Hiroshima Bank, Ltd. | | - | 1,000,000 | | | | | |
| | The Nomura Trust and Banking Co., Limited | | 270,000 | 270,000 | | | | | |
| | Citibank Japan Ltd. | Jun. 15, 2016 | 1,000,000 | 1,000,000 | 0.443 | Jun. 15, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | Citibank Japan Ltd. | Jun. 15, 2016 | 1,000,000 | 1,000,000 | 0.545 | Jun. 15, 2020 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| | Citibank Japan Ltd. | Jun. 15, 2016 | 1,000,000 | 1,000,000 | 0.648 | Jun. 15, 2021 | (Note 4) | (Note 2) | Unsecured / with no guarantee |
| Development Bank of Japan, Inc. | Jun. 30, 2016 | 1,000,000 | 1,000,000 | 0.443 | Jun. 30, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| AEON Bank, Ltd. | Jun. 30, 2016 | 3,000,000 | 3,000,000 | 0.648 | Jun. 30, 2021 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| Tokyo Star Bank, Limited | Jul. 20, 2016 | - | 700,000 | 0.443 | Jul. 20, 2019 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| Tokyo Star Bank, Limited | Jul. 20, 2016 | - | 1,600,000 | 0.545 | Jul. 20, 2020 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| Tokyo Star Bank, Limited | Jul. 20, 2016 | - | 1,700,000 | 0.648 | Jul. 20, 2021 | (Note 4) | (Note 2) | Unsecured / with no guarantee | |
| Subtotal | | | 138,419,000 | 142,419,000 | | | | | |
| Total | | | 141,917,000 | 142,419,000 | | | | | |

(Note 1) Average interest rate is the daily weighted average number of the period according to the number of days, and is 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

(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) INV repaid the principal accompanied with the receipt of consumption tax refund on November 30, 2016

(Note 4) The balance at the end of the period will be repaid in full on the repayment date

3 Investment Corporation Bonds

Not applicable

4 Short-Term Investment Corporation Bonds

Not applicable

5 Investment Unit Options

Not applicable

Acquisitions and Sales for the Fiscal Period Ended December 31, 2016

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

Not applicable

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

Not applicable

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 “II. Balance Sheet,” “III. Statement of Income and Retained Earnings,” “IV. Statement of Changes in Net Assets,” “V. Notes” and “VI. Statement of Cash Distribution”.

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

(1) General Meeting of Unitholders

INV’s General Meeting of Unitholders was held on September 26, 2016.

The summary of the matters approved at the General Meeting of Unitholders are as follows.

| Agenda | | Summary |
|----------------|--|--|
| Proposal No. 1 | Partial Amendment to Articles of Incorporation | <ol style="list-style-type: none">1. With the consent of the asset management company, the asset management fees for the period from January 2013 to December 2016 have been reduced. INV has further obtained the consent of the asset management company to reduce the amount of asset management fees for the period from January 2017 to December 2017 to the amount which is lower than the amount applicable if such reduction were not made, and which is equal to the amount applied for the period from January 2016 to December 2016. Accordingly, INV amended the standards concerning the amount and payment for the asset management fees effective January 1, 2017.2. In response to the amendment to the taxation (including the relevant laws and regulations) in respect of the tax bearing issue in relation to the discrepancy between tax and accounting treatment of investment corporations, INV made necessary amendment to the relevant article. Furthermore, so as to establish the provisions concerning the entrustment of general administrative services on allotment without contribution of new investment unit options and acquisition of its own investment units, both of which are prescribed in the Act on Investment Trusts and Investment Corporations, and, in addition, so as to clarify that the Investment Corporation shall bear the expenses associated with the acquisition of its own investment units, the allotment without contribution of new investment unit options and the issuance of investment corporation bonds, INV has amended the relevant articles. In |

| | | |
|----------------|--|--|
| | | addition, necessary additions or deletions of provisions, revision and clarification of expressions, and other changes in the wording of INV's Articles of Incorporation are made. |
| Proposal No. 2 | Appointment of One (1) Executive Director | Naoki Fukuda was appointed. |
| Proposal No. 3 | Appointment of One (1) Substitute Executive Director | Christopher Reed was appointed. |
| Proposal No. 4 | Appointment of Two (2) Supervisory Directors | Takashi Takahashi and Hiroyuki Fujimoto were appointed. |

(2) Board of Directors of Investment Corporation

There are no matters regarding execution and amendment of the principal agreement approved by INV's Board of Directors in the Reporting Period.

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 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.

II. Balance Sheet

(Unit: JPY thousand)

| | Fiscal period ended June 30, 2016 (Reference) (as of June 30, 2016) | Fiscal period ended December 31, 2016 (as of December 31, 2016) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and bank deposits | 11,322,762 | 8,714,907 |
| Cash and bank deposits in trust | 5,441,316 | 5,499,826 |
| Accounts receivable | 201 | 19 |
| Rental receivables | 1,375,846 | 1,398,433 |
| Prepaid expenses | 394,524 | 387,328 |
| Consumption taxes receivable | 2,672,787 | - |
| Other | 35 | 32 |
| Allowance for doubtful accounts | (2,764) | (1,334) |
| Total current assets | 21,204,709 | 15,999,214 |
| Non-current assets: | | |
| Property and equipment | | |
| Buildings, at cost | 85,914 | 85,914 |
| Accumulated depreciation | (9,948) | (10,489) |
| Buildings, net | 75,965 | 75,424 |
| Buildings and accompanying facilities, at cost | 38,862 | 38,862 |
| Accumulated depreciation | (21,375) | (22,150) |
| Buildings and accompanying facilities, net | 17,487 | 16,712 |
| Structures, at cost | 2,779 | 2,779 |
| Accumulated depreciation | (1,401) | (1,467) |
| Structures, net | 1,377 | 1,311 |
| Land | 711,834 | 711,834 |
| Buildings in trust, at cost | 101,837,752 | 102,029,376 |
| Accumulated depreciation | (5,539,382) | (6,800,686) |
| Buildings in trust, net | 96,298,370 | 95,228,689 |
| Buildings and accompanying facilities in trust, at cost | 23,193,164 | 23,379,828 |
| Accumulated depreciation | (3,592,722) | (4,312,055) |
| Buildings and accompanying facilities in trust, net | 19,600,442 | 19,067,773 |
| Structures in trust, at cost | 336,691 | 340,005 |
| Accumulated depreciation | (147,949) | (158,426) |
| Structures in trust, net | 188,742 | 181,579 |
| Tools, furniture and fixtures in trust, at cost | 500,608 | 651,007 |
| Accumulated depreciation | (179,738) | (221,184) |
| Tools, furniture and fixtures in trust, net | 320,869 | 429,823 |
| Land in trust | 135,384,518 | 135,384,518 |
| Construction in progress in trust | 46,368 | - |
| Total property and equipment, net | 252,645,976 | 251,097,667 |
| Intangible assets | | |
| Leasehold rights in trust | 8,871,542 | 8,840,627 |
| Total intangible assets | 8,871,542 | 8,840,627 |
| Investment and other assets | | |
| Guarantee deposits | 613,914 | 613,914 |
| Long-term prepaid expenses | 729,351 | 616,340 |
| Derivatives assets | - | 151,259 |
| Others | 40,640 | 42,851 |
| Total investments and other assets | 1,383,905 | 1,424,366 |
| Total non-current assets | 262,901,424 | 261,362,660 |
| Total assets | 284,106,133 | 277,361,874 |

(Unit: JPY thousand)

| | Fiscal period ended June 30, 2016 (Reference) (as of June 30, 2016) | Fiscal period ended December 31, 2016 (as of December 31, 2016) |
|--|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 188,362 | 182,601 |
| Short-term loans payable | 3,498,000 | - |
| Accounts payable-other | 8,957,286 | 51,825 |
| Accrued expenses | 186,571 | 166,066 |
| Income taxes payable | 605 | 605 |
| Accrued consumption taxes | - | 460,521 |
| Advances received | 507,135 | 522,072 |
| Deposits received | 21,072 | 13,583 |
| Total current liabilities | 13,359,034 | 1,397,276 |
| Non-current liabilities: | | |
| Long-term loans payable | 138,419,000 | 142,419,000 |
| Tenant leasehold and security deposits in trust | 2,035,843 | 2,030,396 |
| Tenant leasehold and security deposits | 28,663 | 28,663 |
| Derivatives liabilities | 227,532 | - |
| Asset retirement obligations | 31,050 | 31,260 |
| Total non-current liabilities | 140,742,089 | 144,509,319 |
| Total liabilities | 154,101,123 | 145,906,596 |
| Net assets | | |
| Unitholders' equity: | | |
| Unitholders' capital | 120,367,271 | 120,367,271 |
| Surplus: | | |
| Capital surplus | 6,264,432 | 6,264,432 |
| Deduction of unitholders' capital surplus | | |
| Allowance for temporary differences adjustment | *3 - | *3 (224,225) |
| Other deduction of capital surplus | (763,290) | (763,290) |
| Total deduction of unitholders' capital surplus | (763,290) | (987,516) |
| Capital surplus (net) | 5,501,141 | 5,276,915 |
| Voluntary reserve | | |
| Reserve for temporary differences adjustment | *1 708 | *1 - |
| Voluntary reserve | 708 | - |
| Retained earnings | 4,363,420 | 5,659,831 |
| Total surplus | 9,865,270 | 10,936,747 |
| Total unitholders' equity | 130,232,542 | 131,304,019 |
| Valuation and translation adjustments: | | |
| Deferred gains or losses on hedges | (227,532) | 151,259 |
| Total valuation and translation adjustments | (227,532) | 151,259 |
| Total net assets | *2 130,005,009 | *2 131,455,278 |
| Total liabilities and net assets | 284,106,133 | 277,361,874 |

III. Statement of Income and Retained Earnings

(Unit: JPY thousand)

| | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|--|--|---|
| Operating revenue | | |
| Rental revenue – real estate | *1 8,158,220 | *1 9,511,466 |
| Total operating revenue | 8,158,220 | 9,511,466 |
| Operating expenses | | |
| Property related expenses | *1 2,697,986 | *1 3,162,067 |
| Asset management fees | 250,000 | 250,000 |
| Directors' compensation | 4,800 | 4,800 |
| Asset custody fees | 9,128 | 14,026 |
| Administrative service fees | 24,010 | 27,890 |
| Provision of allowance for doubtful accounts | 269 | 1,123 |
| Other | 98,120 | 117,347 |
| Total operating expenses | 3,084,315 | 3,577,255 |
| Operating income | 5,073,905 | 5,934,211 |
| Non-operating income | | |
| Interest income | 1,316 | 129 |
| Interest on tax refund | 1,372 | 6,722 |
| Refund of consumption taxes | - | 35,949 |
| Other | 213 | 385 |
| Total non-operating income | 2,902 | 43,186 |
| Non-operating expenses | | |
| Interest expenses | 295,185 | 359,540 |
| Loan-related costs | 280,326 | 186,249 |
| Investment unit issuance costs | 137,270 | - |
| Total non-operating expenses | 712,782 | 545,789 |
| Ordinary income | 4,364,025 | 5,431,608 |
| Income before income taxes | 4,364,025 | 5,431,608 |
| Income taxes | | |
| Current | 605 | 605 |
| Deferred | - | - |
| Total income taxes | 605 | 605 |
| Net income | 4,363,420 | 5,431,003 |
| Retained earnings brought forward | - | 228,827 |
| Unappropriated retained earnings | 4,363,420 | 5,659,831 |

IV. Statement of Changes in Net Assets

Fiscal period ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

(Unit: JPY thousand)

| | Unitholders' equity | | | | | | | |
|--|------------------------------------|-----------------|------------------------------|-----------|-----------|-----------------------|--|-------------------|
| | Unitholders' capital | Surplus | | | | | | |
| | | Capital surplus | | | | | Voluntary reserve | |
| | | Capital surplus | Deduction of capital surplus | | | Capital surplus (net) | Reserve for temporary differences adjustment | Voluntary reserve |
| Allowance for temporary differences adjustment | Other deduction of capital surplus | | Deduction of capital surplus | | | | | |
| Balance at the beginning of the period | 82,465,438 | 6,264,432 | - | - | - | 6,264,432 | - | - |
| Changes during the period | | | | | | | | |
| Issuance of new investment units | 37,901,832 | | | | | | | |
| Other distributions in excess of retained earnings | | | | (763,290) | (763,290) | (763,290) | | |
| Reserve for temporary differences adjustment | | | | | | | 708 | 708 |
| Distributions from surplus | | | | | | | | |
| Net income | | | | | | | | |
| Changes other than unitholders' equity (net) | | | | | | | | |
| Total changes during the period | 37,901,832 | - | - | (763,290) | (763,290) | (763,290) | 708 | 708 |
| Balance at the end of the period | 120,367,271 | 6,264,432 | - | (763,290) | (763,290) | 5,501,141 | 708 | 708 |

| | Unitholders' equity | | | Valuation and translation adjustments | | Total net assets |
|--|---------------------|---------------|---------------------------|---------------------------------------|---|------------------|
| | Surplus | | Total unitholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| | Retained earnings | Total surplus | | | | |
| Balance at the beginning of the period | 3,028,323 | 9,292,755 | 91,758,194 | - | - | 91,758,194 |
| Changes during the period | | | | | | |
| Issuance of new investment units | | | 37,901,832 | | | 37,901,832 |
| Other distributions in excess of retained earnings | | (763,290) | (763,290) | | | (763,290) |
| Reserve for temporary differences adjustment | (708) | - | - | | | - |
| Distributions from surplus | (3,027,614) | (3,027,614) | (3,027,614) | | | (3,027,614) |
| Net income | 4,363,420 | 4,363,420 | 4,363,420 | | | 4,363,420 |
| Changes other than unitholders' equity (net) | | | | (227,532) | (227,532) | (227,532) |
| Total changes during the period | 1,335,097 | 572,515 | 38,474,348 | (227,532) | (227,532) | 38,246,815 |
| Balance at the end of the period | 4,363,420 | 9,865,270 | 130,232,542 | (227,532) | (227,532) | 130,005,009 |

Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016)

(Unit: JPY thousand)

| | Unitholders' equity | | | | | | | |
|--|------------------------------------|-----------------|------------------------------|-----------|-----------|-----------------------|--|-------------------|
| | Unitholders' capital | Surplus | | | | | | |
| | | Capital surplus | | | | | Voluntary reserve | |
| | | Capital surplus | Deduction of capital surplus | | | Capital surplus (net) | Reserve for temporary differences adjustment | Voluntary reserve |
| Allowance for temporary differences adjustment | Other deduction of capital surplus | | Deduction of capital surplus | | | | | |
| Balance at the beginning of the period | 120,367,271 | 6,264,432 | - | (763,290) | (763,290) | 5,501,141 | 708 | 708 |
| Changes during the period | | | | | | | | |
| Reversal of reserve for temporary differences adjustment | | | | | | | (708) | (708) |
| Distributions from surplus | | | | | | | | |
| Distributions in excess of retained earnings from allowance for temporary differences adjustment | | | (224,225) | | (224,225) | (224,225) | | |
| Net income | | | | | | | | |
| Changes other than unitholders' equity (net) | | | | | | | | |
| Total changes during the period | - | - | (224,225) | - | (224,225) | (224,225) | (708) | (708) |
| Balance at the end of the period | 120,367,271 | 6,264,432 | (224,225) | (763,290) | (987,516) | 5,276,915 | - | - |

| | Unitholders' equity | | | Valuation and translation adjustments | | Total net assets |
|--|---------------------|---------------|---------------------------|---------------------------------------|---|------------------|
| | Surplus | | Total unitholders' equity | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| | Retained earnings | Total surplus | | | | |
| Balance at the beginning of the period | 4,363,420 | 9,865,270 | 130,232,542 | (227,532) | (227,532) | 130,005,009 |
| Changes during the period | | | | | | |
| Reversal of reserve for temporary differences adjustment | 708 | - | - | | | - |
| Distributions from surplus | (4,135,302) | (4,135,302) | (4,135,302) | | | (4,135,302) |
| Distributions in excess of retained earnings from allowance for temporary differences adjustment | | (224,225) | (224,225) | | | (224,225) |
| Net income | 5,431,003 | 5,431,003 | 5,431,003 | | | 5,431,003 |
| Changes other than unitholders' equity (net) | | | | 378,792 | 378,792 | 378,792 |
| Total changes during the period | 1,296,410 | 1,071,476 | 1,071,476 | 378,792 | 378,792 | 1,450,268 |
| Balance at the end of the period | 5,659,831 | 10,936,747 | 131,304,019 | 151,259 | 151,259 | 131,455,278 |

V. Notes

[Notes Concerning Significant Accounting Policies]

| By Period Item | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|----------|---------------------------------------|------------|------------|------------|--------------------|------------|--|------------|---------------------|------------|--|------------|---|-----------|----------|---------------------------------------|------------|------------|------------|--------------------|------------|--|------------|---------------------|------------|--|------------|
| 1. Method of depreciation of non-current assets | <p>(a) Property and equipment The straight-line method is used. The useful lives of major property and equipment are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">77 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and accompanying facilities</td> <td style="text-align: right;">8-24 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures</td> <td style="text-align: right;">7-18 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings in trust</td> <td style="text-align: right;">2-67 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and accompanying facilities in trust</td> <td style="text-align: right;">2-33 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures in trust</td> <td style="text-align: right;">3-55 years</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures in trust</td> <td style="text-align: right;">2-19 years</td> </tr> </table> <p>(b) Intangible assets The straight-line method is used. For leasehold interests (fixed-term land lease for business purposes), the straight-line method based on the lease period is used.</p> <p>(c) Long-term prepaid expenses The straight-line method is used.</p> | Buildings | 77 years | Buildings and accompanying facilities | 8-24 years | Structures | 7-18 years | Buildings in trust | 2-67 years | Buildings and accompanying facilities in trust | 2-33 years | Structures in trust | 3-55 years | Tools, furniture and fixtures in trust | 2-19 years | <p>(a) Property and equipment The straight-line method is used. The useful lives of major property, plant and equipment are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">77 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and accompanying facilities</td> <td style="text-align: right;">8-24 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures</td> <td style="text-align: right;">7-18 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings in trust</td> <td style="text-align: right;">2-67 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and accompanying facilities in trust</td> <td style="text-align: right;">2-33 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures in trust</td> <td style="text-align: right;">3-55 years</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures in trust</td> <td style="text-align: right;">2-19 years</td> </tr> </table> <p>(b) Intangible assets The straight-line method is used. For leasehold interests (fixed-term land lease for business purposes), the straight-line method based on the lease period is used.</p> <p>(c) Long-term prepaid expenses The straight-line method is used.</p> | Buildings | 77 years | Buildings and accompanying facilities | 8-24 years | Structures | 7-18 years | Buildings in trust | 2-67 years | Buildings and accompanying facilities in trust | 2-33 years | Structures in trust | 3-55 years | Tools, furniture and fixtures in trust | 2-19 years |
| Buildings | 77 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and accompanying facilities | 8-24 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures | 7-18 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings in trust | 2-67 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and accompanying facilities in trust | 2-33 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures in trust | 3-55 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures in trust | 2-19 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings | 77 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and accompanying facilities | 8-24 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures | 7-18 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings in trust | 2-67 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and accompanying facilities in trust | 2-33 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures in trust | 3-55 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures in trust | 2-19 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Method of calculating allowances | <p>Allowance for doubtful accounts To reserve for losses on doubtful accounts, allowances are provided for normal receivables using a rate determined based on past bad debt experiences, and specific allowances are provided for accounts with a possibility of default based on the estimated amounts considered to be uncollectible by considering the collectability of accounts on an individual basis.</p> | <p>Allowance for doubtful accounts To reserve for losses on doubtful accounts, allowances are provided for normal receivables using a rate determined based on past bad debt experiences, and specific allowances are provided for accounts with a possibility of default based on the estimated amounts considered to be uncollectible by considering the collectability of accounts on an individual basis.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Revenue and expense recognition | <p>Accounting treatment of property taxes and other taxes With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as property related expenses. Of the amounts paid to the seller for acquisitions of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the real estate or trust beneficiary interests in real estate instead of being charged as expense. The amount equivalent to property taxes that was included as part of the acquisition of real estate during the fiscal period ended June 30, 2016 is JPY 176,385 thousand.</p> | <p>Accounting treatment of property taxes and other taxes With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as property related expenses. Of the amounts paid to the seller for acquisitions of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the real estate or trust beneficiary interests in real estate instead of being charged as expense. There is no amount equivalent to property taxes included as part of the acquisition of real estate during the fiscal period ended December 31, 2016.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| By Period Item | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|--|--|
| 4. Method of hedge accounting | <p>(a) Method of hedge accounting Deferred hedge accounting is used.</p> <p>(b) Hedging instrument and hedged item Hedging instrument: interest rate swap Hedged item: interest on borrowings</p> <p>(c) Hedge policy INV enters into derivatives transactions for the purpose of hedging against the risks set forth in INV's Articles of Incorporation in accordance with its risk management policy.</p> <p>(d) Method of evaluating hedge effectiveness Hedge effectiveness is evaluated by comparing the cumulative amount of changes in cash flows of the hedging instrument and the cumulative amount of changes in cash flows of the hedged item and verifying the difference in the amounts of change of both the hedged item and the hedging instrument.</p> | <p>(a) Method of hedge accounting Deferred hedge accounting is used.</p> <p>(b) Hedging instrument and hedged item Hedging instrument: interest rate swap Hedged item: interest on borrowings</p> <p>(c) Hedge policy INV enters into derivatives transactions for the purpose of hedging against the risks set forth in INV's Articles of Incorporation in accordance with its risk management policy.</p> <p>(d) Method of evaluating hedge effectiveness Hedge effectiveness is evaluated by comparing the cumulative amount of changes in cash flows of the hedging instrument and the cumulative amount of changes in cash flows of the hedged item and verifying the difference in the amounts of change of both the hedged item and the hedging instrument.</p> |
| 5. Other significant matters which constitute the basis for preparation of financial statements | <p>(1) Accounting treatment policy of trust beneficiary interests in real estate As to trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of such items, the following significant trust assets and liabilities are shown separately on the balance sheet.</p> <p>(a) Cash and bank deposits in trust</p> <p>(b) Buildings in trust Buildings and accompanying facilities in trust Structures in trust Tools, furniture and fixtures in trust Land in trust Construction in progress in trust</p> <p>(c) Leasehold rights in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting treatment of deferred assets Investment unit issuance costs The full amount is recorded as expense at the time of expenditure.</p> <p>(3) Accounting treatment of consumption taxes Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p> | <p>(1) Accounting treatment policy of trust beneficiary interests in real estate As to trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of such items, the following significant trust assets and liabilities are shown separately on the balance sheet.</p> <p>(a) Cash and bank deposits in trust</p> <p>(b) Buildings in trust Buildings and accompanying facilities in trust Structures in trust Tools, furniture and fixtures in trust Land in trust</p> <p>(c) Leasehold rights in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting treatment of deferred assets Investment unit issuance costs The full amount is recorded as expense at the time of expenditure.</p> <p>(3) Accounting treatment of consumption taxes Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p> |

[Notes to the Balance Sheet]

| Fiscal period ended June 30, 2016 (Reference) (as of June 30, 2016) | Fiscal period ended December 31, 2016 (as of December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|----------------------|---------------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|------------------------|--------------------------------------|---------------------|------------------------------------|--|-----------|---|-----------|---|-----------|---|-------|--|-----------|---|-----------|---|-----------|---|
| <p>*1. Matters concerning treatment of reversal of reserve for temporary differences adjustment. INV plans to reverse all of the reserve for temporary differences adjustment in the amount of JPY 708 thousand, and use the funds as part of the profit distributions to be made in the next fiscal period.</p> | <p>*1. Matters concerning treatment of reversal of reserve for temporary differences adjustment. INV reversed all of the reserve for temporary differences adjustment in the amount of JPY 708 thousand, and use the funds as part of the profit distributions.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>*2. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations JPY 50,000 thousand</p> | <p>*2. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations JPY 50,000 thousand</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>*3. Allowance for temporary differences adjustment</p> <p>Fiscal period ended June 30, 2016 (from January 1, 2016 to June 30, 2016) (Reference) Not Applicable</p> <p>Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016)</p> <p>1. Reasons, related assets and amounts</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Related assets, etc.</th> <th style="text-align: center;">Reason</th> <th style="text-align: center;">Initial amount</th> <th style="text-align: center;">Balance at the end of previous period</th> <th style="text-align: center;">Allowance set aside during period</th> <th style="text-align: center;">Reversal during period</th> <th style="text-align: center;">Balance at the end of current period</th> <th style="text-align: center;">Reason for reversal</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Deferred gains or losses on hedges</td> <td style="text-align: center;">Loss on interest-rate swaps recognized</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(224,225)</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> | | Related assets, etc. | Reason | Initial amount | Balance at the end of previous period | Allowance set aside during period | Reversal during period | Balance at the end of current period | Reason for reversal | Deferred gains or losses on hedges | Loss on interest-rate swaps recognized | (224,225) | - | (224,225) | - | (224,225) | - | Total | | (224,225) | - | (224,225) | - | (224,225) | - |
| Related assets, etc. | Reason | Initial amount | Balance at the end of previous period | Allowance set aside during period | Reversal during period | Balance at the end of current period | Reason for reversal | | | | | | | | | | | | | | | | | | |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized | (224,225) | - | (224,225) | - | (224,225) | - | | | | | | | | | | | | | | | | | | |
| Total | | (224,225) | - | (224,225) | - | (224,225) | - | | | | | | | | | | | | | | | | | | |
| <p>2. Method of reversal</p> <p>(1) Deferred gains or losses on hedges Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.</p> | | | | | | | | | | | | | | | | | | | | | | | | | |

[Notes to Statement of Income and Retained Earnings]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|---|
| <p>*1. Real estate rental revenues and expenses (Unit: JPY thousand)</p> <p>A. Real estate rental revenues</p> <p>Rental revenue – real estate</p> <p>(Rent/common area charges) 7,889,877</p> <p>(Other revenues) 268,342</p> <hr/> <p>Total 8,158,220</p> <p>B. Real estate rental expenses</p> <p>Property related expenses</p> <p>(Maintenance costs) 554,149</p> <p>(Taxes and public dues) 281,065</p> <p>(Insurance expenses) 12,669</p> <p>(Depreciation expenses) 1,676,736</p> <p>(Other expenses) 173,364</p> <hr/> <p>Total 2,697,986</p> <p>C. Real estate rental income (A-B) 5,460,234</p> | <p>*1. Real estate rental revenues and expenses (Unit: JPY thousand)</p> <p>A. Real estate rental revenues</p> <p>Rental revenue – real estate</p> <p>(Rent/common area charges) 9,237,784</p> <p>(Other revenues) 273,682</p> <hr/> <p>Total 9,511,466</p> <p>B. Real estate rental expenses</p> <p>Property related expenses</p> <p>(Maintenance costs) 580,896</p> <p>(Taxes and public dues) 356,372</p> <p>(Insurance expenses) 11,807</p> <p>(Depreciation expenses) 2,065,066</p> <p>(Other expenses) 147,924</p> <hr/> <p>Total 3,162,067</p> <p>C. Real estate rental income (A-B) 6,349,399</p> |

[Notes to Statement of Changes in Net Assets]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|---|
| <p>Number of issuable investment units and number of investment units issued and outstanding</p> <p>Number of investment units authorized 10,000,000 units</p> <p>Number of investment units issued and outstanding 3,675,824 units</p> | <p>Number of issuable investment units and number of investment units issued and outstanding</p> <p>Number of investment units authorized 10,000,000 units</p> <p>Number of investment units issued and outstanding 3,675,824 units</p> |

[Notes Related to Tax Accounting]

| Fiscal period ended June 30, 2016 (Reference) | Fiscal period ended December 31, 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---------------------------------------|--------|-------------------------------|----------|---------------------------------|---------|----------|-------|---------------------|-------|---|--------------------|---------------------------------|-------------------------------|------------------------------|--------------------------------|---------------|-----------|---------------------------------|--------------------|----------------------|-----------|------------------------------|-------|----------|------------|--|--|---|-------|----------|-------|---------------------|------------|-------|---|-------------------------------------|---|--|------------------------|-----|------------------------------|---|---------------------------------|-----|----------|-------|---------------------|-------|-------|---|---------------------------------|---|------------------------------|---------|---------------|-----------|---------------------------------|---|----------------------|-----------|------------------------------|-------|---------------------------------|--------|----------|------------|--|--|------------------------------------|-------|---|--------|----------|--------|---------------------|-----------|-------|---|-------------------------------------|---|
| <p>1. Significant components of deferred tax assets and liabilities (Deferred tax assets - current assets)</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="0"> <tr> <td>Enterprise tax payable</td> <td style="text-align: right;">481</td> </tr> <tr> <td>Accounts receivable (merger)</td> <td style="text-align: right;">183</td> </tr> <tr> <td>Allowance for doubtful accounts</td> <td style="text-align: right;">877</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">1,542</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right; border-top: 1px solid black;">1,542</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> <tr> <td>(Deferred tax assets - current)</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> </table> <p>(Deferred tax assets - non-current assets)</p> <table border="0"> <tr> <td>Buildings and other (merger)</td> <td style="text-align: right;">711,143</td> </tr> <tr> <td>Land (merger)</td> <td style="text-align: right;">2,092,087</td> </tr> <tr> <td>Deferred gains/losses on hedges</td> <td style="text-align: right;">72,218</td> </tr> <tr> <td>Loss carried forward</td> <td style="text-align: right;">7,200,289</td> </tr> <tr> <td>Asset retirement obligations</td> <td style="text-align: right;">9,855</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">10,085,594</td> </tr> <tr> <td>(Deferred tax liabilities – non-current liabilities)</td> <td></td> </tr> <tr> <td>Removal expenses included in asset retirement obligations</td> <td style="text-align: right;">9,797</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">9,797</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right; border-top: 1px solid black;">10,075,797</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> <tr> <td>(Deferred tax assets - non-current)</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> </table> | Enterprise tax payable | 481 | Accounts receivable (merger) | 183 | Allowance for doubtful accounts | 877 | Subtotal | 1,542 | Valuation allowance | 1,542 | Total | - | (Deferred tax assets - current) | - | Buildings and other (merger) | 711,143 | Land (merger) | 2,092,087 | Deferred gains/losses on hedges | 72,218 | Loss carried forward | 7,200,289 | Asset retirement obligations | 9,855 | Subtotal | 10,085,594 | (Deferred tax liabilities – non-current liabilities) | | Removal expenses included in asset retirement obligations | 9,797 | Subtotal | 9,797 | Valuation allowance | 10,075,797 | Total | - | (Deferred tax assets - non-current) | - | <p>1. Significant components of deferred tax assets and liabilities (Deferred tax assets - current assets)</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="0"> <tr> <td>Enterprise tax payable</td> <td style="text-align: right;">661</td> </tr> <tr> <td>Accounts receivable (merger)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Allowance for doubtful accounts</td> <td style="text-align: right;">423</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">1,084</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right; border-top: 1px solid black;">1,084</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> <tr> <td>(Deferred tax assets - current)</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> </table> <p>(Deferred tax assets - non-current assets)</p> <table border="0"> <tr> <td>Buildings and other (merger)</td> <td style="text-align: right;">700,210</td> </tr> <tr> <td>Land (merger)</td> <td style="text-align: right;">2,092,087</td> </tr> <tr> <td>Deferred gains/losses on hedges</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Loss carried forward</td> <td style="text-align: right;">7,200,289</td> </tr> <tr> <td>Asset retirement obligations</td> <td style="text-align: right;">9,921</td> </tr> <tr> <td>Amortization of leasehold right</td> <td style="text-align: right;">16,248</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">10,018,757</td> </tr> <tr> <td>(Deferred tax liabilities – non-current liabilities)</td> <td></td> </tr> <tr> <td>Deferred gains or losses on hedges</td> <td style="text-align: right;">9,797</td> </tr> <tr> <td>Removal expenses included in asset retirement obligations</td> <td style="text-align: right;">48,009</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">57,807</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right; border-top: 1px solid black;">9,960,950</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> <tr> <td>(Deferred tax assets - non-current)</td> <td style="text-align: right; border-top: 1px solid black;">-</td> </tr> </table> | Enterprise tax payable | 661 | Accounts receivable (merger) | - | Allowance for doubtful accounts | 423 | Subtotal | 1,084 | Valuation allowance | 1,084 | Total | - | (Deferred tax assets - current) | - | Buildings and other (merger) | 700,210 | Land (merger) | 2,092,087 | Deferred gains/losses on hedges | - | Loss carried forward | 7,200,289 | Asset retirement obligations | 9,921 | Amortization of leasehold right | 16,248 | Subtotal | 10,018,757 | (Deferred tax liabilities – non-current liabilities) | | Deferred gains or losses on hedges | 9,797 | Removal expenses included in asset retirement obligations | 48,009 | Subtotal | 57,807 | Valuation allowance | 9,960,950 | Total | - | (Deferred tax assets - non-current) | - |
| Enterprise tax payable | 481 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts receivable (merger) | 183 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Allowance for doubtful accounts | 877 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 1,542 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | 1,542 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax assets - current) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and other (merger) | 711,143 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Land (merger) | 2,092,087 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred gains/losses on hedges | 72,218 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss carried forward | 7,200,289 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset retirement obligations | 9,855 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 10,085,594 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax liabilities – non-current liabilities) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Removal expenses included in asset retirement obligations | 9,797 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 9,797 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | 10,075,797 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax assets - non-current) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Enterprise tax payable | 661 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts receivable (merger) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Allowance for doubtful accounts | 423 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 1,084 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | 1,084 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax assets - current) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings and other (merger) | 700,210 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Land (merger) | 2,092,087 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred gains/losses on hedges | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss carried forward | 7,200,289 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset retirement obligations | 9,921 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization of leasehold right | 16,248 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 10,018,757 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax liabilities – non-current liabilities) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deferred gains or losses on hedges | 9,797 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Removal expenses included in asset retirement obligations | 48,009 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | 57,807 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Valuation allowance | 9,960,950 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (Deferred tax assets - non-current) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>2. Significant difference between statutory tax rate and the effective tax rate</p> <table border="0"> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">32.31%</td> </tr> <tr> <td>Deductible cash distributions</td> <td style="text-align: right;">(32.21)%</td> </tr> <tr> <td>Changes in valuation allowance</td> <td style="text-align: right;">(2.72)%</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">2.63%</td> </tr> <tr> <td>Effective tax rate</td> <td style="text-align: right; border-top: 1px solid black;">0.01%</td> </tr> </table> | Statutory tax rate | 32.31% | Deductible cash distributions | (32.21)% | Changes in valuation allowance | (2.72)% | Others | 2.63% | Effective tax rate | 0.01% | <p>2. Significant difference between statutory tax rate and the effective tax rate</p> <table border="0"> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">31.74%</td> </tr> <tr> <td>Deductible cash distributions</td> <td style="text-align: right;">(31.71)%</td> </tr> <tr> <td>Changes in valuation allowance</td> <td style="text-align: right;">(0.09)%</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">0.08%</td> </tr> <tr> <td>Effective tax rate</td> <td style="text-align: right; border-top: 1px solid black;">0.01%</td> </tr> </table> | Statutory tax rate | 31.74% | Deductible cash distributions | (31.71)% | Changes in valuation allowance | (0.09)% | Others | 0.08% | Effective tax rate | 0.01% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statutory tax rate | 32.31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deductible cash distributions | (32.21)% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Changes in valuation allowance | (2.72)% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | 2.63% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Effective tax rate | 0.01% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statutory tax rate | 31.74% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deductible cash distributions | (31.71)% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Changes in valuation allowance | (0.09)% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | 0.08% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Effective tax rate | 0.01% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>3. Modifications to the corporation tax rate, etc. after the fiscal period.</p> <p>Due to the enactment of the “Act to Partially Revise the Income Tax Act and Others” (Act No. 15 of 2016) and the “Act to Partially Revise the Local Tax Act and Others” (Act No. 13 of 2016) on March 29, 2016, the corporation tax rate, etc. was reduced from the fiscal period commencing after April 1, 2016. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will be changed from the existing rate of 32.31% to 31.74% for the temporary difference expected to be reversed during fiscal periods commencing after July 1, 2016. There is little impact from this change.</p> | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

[Notes Related to Financial Instruments]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---------------|------------|------------|----------------------------|------------|------------|---|-------------------------------------|-----------|-----------|---|--------------|------------|------------|---|----------------------|-------------|-------------|---|----------------------|-------------|-------------|---|---------------------|---------------|---------------|---|-------------------|---------------|---------------|---|-----------------|-----------|-----------|---|---|--|------------|------------|------------|----------------------------|-----------|-----------|---|-------------------------------------|-----------|-----------|---|--------------|------------|------------|---|----------------------|---|---|---|---------------------|---------------|---------------|---|-------------------|---------------|---------------|---|-----------------|---------|---------|---|
| <p>1. Status of financial instruments</p> <p>(1)Policy for financial instruments</p> <p>INV principally conducts its operations through investments in real estate and other specified assets to seek to ensure stable income in the medium to long term. The policy for raising funds is principally through issuing new investment units or borrowing loans. Derivative transactions are to be entered into for the purpose of hedging against the risk of future interest rate increases, etc. and not for speculation. Surplus funds are managed after carefully taking into account safety, liquidity, the interest rate environment and financing.</p> <p>(2)Nature and extent of risks arising from financial instruments and risk management</p> <p>The funds raised through borrowings are mainly used to acquire real estate properties or trust beneficiary interest in real estate (including related acquisition costs) and for the refinancing of existing loan. Liquidity risks relating to loan are managed by the finance department of the Asset Manager by preparing and updating plans for funds, and monitoring the covenants set forth in loan agreements.</p> <p>(3)Supplemental information regarding market value, etc. for financial instruments</p> <p>The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is determined through a reasonable estimate. Since certain assumptions, etc. are used in estimating the fair value, different assumptions, etc. may result in the variance of such value.</p> | <p>1. Status of financial instruments</p> <p>(1)Policy for financial instruments</p> <p>INV principally conducts its operations through investments in real estate and other specified assets to seek to ensure stable income in the medium to long term. The policy for raising funds is principally through issuing new investment units or borrowing loans. Derivative transactions are to be entered into for the purpose of hedging against the risk of future interest rate increases, etc. and not for speculation. Surplus funds are managed after carefully taking into account safety, liquidity, the interest rate environment and financing.</p> <p>(2)Nature and extent of risks arising from financial instruments and risk management</p> <p>The funds raised through borrowings are mainly used to acquire real estate properties or trust beneficiary interest in real estate (including related acquisition costs) and for the refinancing of existing loan. Liquidity risks relating to loan are managed by the finance department of the Asset Manager by preparing and updating plans for funds, and monitoring the covenants set forth in loan agreements.</p> <p>(3)Supplemental information regarding market value, etc. for financial instruments</p> <p>The fair value of financial instruments is based on quoted market prices if available. When quoted market prices are not available, fair value is determined through a reasonable estimate. Since certain assumptions, etc. are used in estimating the fair value, different assumptions, etc. may result in the variance of such value.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>2. Estimated fair value of financial instruments</p> <p>Book value, fair value and the difference between value as of June 30, 2016 are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Book Value</th> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Difference</th> </tr> </thead> <tbody> <tr> <td>(1) Cash and bank deposits</td> <td style="text-align: right;">11,322,762</td> <td style="text-align: right;">11,322,762</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(2) Cash and bank deposits in trust</td> <td style="text-align: right;">5,441,316</td> <td style="text-align: right;">5,441,316</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total assets</td> <td style="text-align: right;">16,764,078</td> <td style="text-align: right;">16,764,078</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(3) Short-term loans</td> <td style="text-align: right;">(3,498,000)</td> <td style="text-align: right;">(3,498,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(4) Accounts payable</td> <td style="text-align: right;">(8,957,286)</td> <td style="text-align: right;">(8,957,286)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(5) Long-term loans</td> <td style="text-align: right;">(138,419,000)</td> <td style="text-align: right;">(138,419,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total liabilities</td> <td style="text-align: right;">(150,874,286)</td> <td style="text-align: right;">(150,874,286)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(6) Derivatives</td> <td style="text-align: right;">(227,532)</td> <td style="text-align: right;">(227,532)</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>(Note 1) Items recorded in the Liabilities Section are shown in parenthesis</p> <p>(Note 2) Receivables and payables arising from derivative</p> | | Book Value | Fair Value | Difference | (1) Cash and bank deposits | 11,322,762 | 11,322,762 | - | (2) Cash and bank deposits in trust | 5,441,316 | 5,441,316 | - | Total assets | 16,764,078 | 16,764,078 | - | (3) Short-term loans | (3,498,000) | (3,498,000) | - | (4) Accounts payable | (8,957,286) | (8,957,286) | - | (5) Long-term loans | (138,419,000) | (138,419,000) | - | Total liabilities | (150,874,286) | (150,874,286) | - | (6) Derivatives | (227,532) | (227,532) | - | <p>2. Estimated fair value of financial instruments</p> <p>Book value, fair value and the difference between value as of December 31, 2016 are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Book Value</th> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Difference</th> </tr> </thead> <tbody> <tr> <td>(1) Cash and bank deposits</td> <td style="text-align: right;">8,714,907</td> <td style="text-align: right;">8,714,907</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(2) Cash and bank deposits in trust</td> <td style="text-align: right;">5,499,826</td> <td style="text-align: right;">5,499,826</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total assets</td> <td style="text-align: right;">14,214,734</td> <td style="text-align: right;">14,214,734</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(3) Short-term loans</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(4) Long-term loans</td> <td style="text-align: right;">(142,419,000)</td> <td style="text-align: right;">(142,419,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: right;">Total liabilities</td> <td style="text-align: right;">(142,419,000)</td> <td style="text-align: right;">(142,419,000)</td> <td style="text-align: center;">-</td> </tr> <tr> <td>(5) Derivatives</td> <td style="text-align: right;">151,259</td> <td style="text-align: right;">151,259</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>(Note 1) Items recorded in the Liabilities Section are shown in parenthesis</p> <p>(Note 2) Receivables and payables arising from derivative transactions are recorded in net amounts, and if the</p> | | Book Value | Fair Value | Difference | (1) Cash and bank deposits | 8,714,907 | 8,714,907 | - | (2) Cash and bank deposits in trust | 5,499,826 | 5,499,826 | - | Total assets | 14,214,734 | 14,214,734 | - | (3) Short-term loans | - | - | - | (4) Long-term loans | (142,419,000) | (142,419,000) | - | Total liabilities | (142,419,000) | (142,419,000) | - | (5) Derivatives | 151,259 | 151,259 | - |
| | Book Value | Fair Value | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Cash and bank deposits | 11,322,762 | 11,322,762 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) Cash and bank deposits in trust | 5,441,316 | 5,441,316 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 16,764,078 | 16,764,078 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (3) Short-term loans | (3,498,000) | (3,498,000) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4) Accounts payable | (8,957,286) | (8,957,286) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) Long-term loans | (138,419,000) | (138,419,000) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities | (150,874,286) | (150,874,286) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (6) Derivatives | (227,532) | (227,532) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Book Value | Fair Value | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Cash and bank deposits | 8,714,907 | 8,714,907 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) Cash and bank deposits in trust | 5,499,826 | 5,499,826 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 14,214,734 | 14,214,734 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (3) Short-term loans | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4) Long-term loans | (142,419,000) | (142,419,000) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities | (142,419,000) | (142,419,000) | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) Derivatives | 151,259 | 151,259 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|-----------------------------------|---------------------|--------------------------------|--------------------------------|---------------------|---------------------------|--|-----------------------------|---|-----------------|------------|------------|-----------|--|--|----------------------------|-----------------------------------|---------------------|--------------------------------|--|---------------------|---------------------------|--|-----------------------------|---|-----------------|------------|------------|---------|
| <p>transactions are recorded in net amounts, and if the total net amount is a negative amount, such amount is shown in parenthesis</p> <p>(Note 1) Methods to calculate fair value of financial instruments (1) Cash and bank deposits (2) Cash and bank deposits in trust (3) Short-term loans (4) Accounts payable Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.</p> <p>(5) Long-term loans Long-term loans with floating interest rates reflecting changes in market rates within a short-term period is stated at their book value as their book value approximate their fair value.</p> <p>(6) Derivatives (a) Derivatives transactions to which hedge accounting was is applied Not applicable (b) Derivatives transactions to which hedge accounting is applied The contract amount as of the closing date under each hedge-accounting method and the amount equivalent to the notional principal prescribed in the contracts are as shown below.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> | | <p>total net amount is a negative amount, such amount is shown in parenthesis</p> <p>(Note 1) Methods to calculate fair value of financial instruments (1) Cash and bank deposits (2) Cash and bank deposits in trust (3) Short-term loans Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.</p> <p>(4) Long-term loans Long-term loans with floating interest rates reflecting changes in market rates within a short-term period is stated at their book value as their book value approximate their fair value.</p> <p>(5) Derivatives (a) Derivatives transactions to which hedge accounting is not applied Not applicable (b) Derivatives transactions to which hedge accounting is applied The contract amount as of the closing date under each hedge-accounting method and the amount equivalent to the notional principal prescribed in the contracts are as shown below.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th rowspan="2">Method of hedge accounting</th> <th rowspan="2">Derivative transaction type, etc.</th> <th rowspan="2">Primary hedged item</th> <th colspan="2">Contract amount, etc. (Note 1)</th> <th rowspan="2">Fair value (Note 2)</th> </tr> <tr> <th colspan="2">Amount due after one year</th> </tr> </thead> <tbody> <tr> <td>Principle accounting method</td> <td>Interest rate swap Receive floating rate/pay fixed rate</td> <td>Long-term loans</td> <td>99,119,000</td> <td>99,119,000</td> <td>(227,532)</td> </tr> </tbody> </table> | | Method of hedge accounting | Derivative transaction type, etc. | Primary hedged item | Contract amount, etc. (Note 1) | | Fair value (Note 2) | Amount due after one year | | Principle accounting method | Interest rate swap Receive floating rate/pay fixed rate | Long-term loans | 99,119,000 | 99,119,000 | (227,532) | <table border="1"> <thead> <tr> <th rowspan="2">Method of hedge accounting</th> <th rowspan="2">Derivative transaction type, etc.</th> <th rowspan="2">Primary hedged item</th> <th colspan="2">Contract amount, etc. (Note 1)</th> <th rowspan="2">Fair value (Note 2)</th> </tr> <tr> <th colspan="2">Amount due after one year</th> </tr> </thead> <tbody> <tr> <td>Principle accounting method</td> <td>Interest rate swap Receive floating rate/pay fixed rate</td> <td>Long-term loans</td> <td>99,119,000</td> <td>99,119,000</td> <td>151,259</td> </tr> </tbody> </table> | | Method of hedge accounting | Derivative transaction type, etc. | Primary hedged item | Contract amount, etc. (Note 1) | | Fair value (Note 2) | Amount due after one year | | Principle accounting method | Interest rate swap Receive floating rate/pay fixed rate | Long-term loans | 99,119,000 | 99,119,000 | 151,259 |
| Method of hedge accounting | Derivative transaction type, etc. | | | | Primary hedged item | Contract amount, etc. (Note 1) | | Fair value (Note 2) | | | | | | | | | | | | | | | | | | | | | | | |
| | | Amount due after one year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principle accounting method | Interest rate swap Receive floating rate/pay fixed rate | Long-term loans | 99,119,000 | 99,119,000 | (227,532) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Method of hedge accounting | Derivative transaction type, etc. | Primary hedged item | Contract amount, etc. (Note 1) | | Fair value (Note 2) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Amount due after one year | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principle accounting method | Interest rate swap Receive floating rate/pay fixed rate | Long-term loans | 99,119,000 | 99,119,000 | 151,259 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>(Note 1) The contract amount, etc. is stated based on a notional principal</p> <p>(Note 2) The fair value is estimated based on the price, etc. presented by the correspondent financial institutions</p> | | <p>(Note 1) The contract amount, etc. is stated based on a notional principal</p> <p>(Note 2) The fair value is estimated based on the price, etc. presented by the correspondent financial institutions</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | | | | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | |
|---|-------------------------------|------------------------------|------------------------------|---|-------------------------------|------------------------------|------------------------------|
| (Note 2) Financial instruments for which fair value is extremely difficult to value (Unit: JPY thousand) | | | | (Note 2) Financial instruments for which fair value is extremely difficult to value (Unit: JPY thousand) | | | |
| Category | | Book value | | Category | | Book value | |
| Tenant leasehold and security deposits | | 28,663 | | Tenant leasehold and security deposits | | 28,663 | |
| Tenant leasehold and security deposits in trust | | 2,035,843 | | Tenant leasehold and security deposits in trust | | 2,030,396 | |
| <p>Tenant leasehold and security deposits and tenant leasehold and security deposits in trust have no observable market price, and it is impracticable to estimate reasonably their future cash flows because the repayment dates of those deposits and the timing of the lessee's exit from the property are not certain. Thus, their fair value is not disclosed.</p> | | | | <p>Tenant leasehold and security deposits and tenant leasehold and security deposits in trust have no observable market price, and it is impracticable to estimate reasonably their future cash flows because the repayment dates of those deposits and the timing of the lessee's exit from the property are not certain. Thus, their fair value is not disclosed.</p> | | | |
| (Note 3) Remaining schedule of monetary claims after the closing date of the fiscal period | | | | (Note 3) Remaining schedule of monetary claims after the closing date of the fiscal period | | | |
| As of June 30, 2016 (Unit: JPY thousand) | | | | As of December 31, 2016 (Unit: JPY thousand) | | | |
| | Due within one year | Due after one to two years | Due after two to three years | | Due within one year | Due after one to two years | Due after two to three years |
| Cash and bank deposits | 11,322,762 | - | - | Cash and bank deposits | 8,714,907 | - | - |
| Cash and bank deposits in trust | 5,441,316 | - | - | Cash and bank deposits in trust | 5,499,826 | - | - |
| Total | 16,764,078 | - | - | Total | 14,214,734 | - | - |
| | Due after three to four years | Due after four to five years | Due after five years | | Due after three to four years | Due after four to five years | Due after five years |
| Cash and bank deposits | - | - | - | Cash and bank deposits | - | - | - |
| Cash and bank deposits in trust | - | - | - | Cash and bank deposits in trust | - | - | - |
| Total | - | - | - | Total | - | - | - |
| (Note 4) Repayment schedule of long-term loans and other interest-bearing debts after the closing date of the fiscal period | | | | (Note 4) Repayment schedule of long-term loans and other interest-bearing debts after the closing date of the fiscal period | | | |
| As of June 30, 2016 (Unit: JPY thousand) | | | | As of December 31, 2016 (Unit: JPY thousand) | | | |
| | Due within one year | Due after one to two years | Due after two to three years | | Due within one year | Due after one to two years | Due after two to three years |
| Short-term loans | 3,498,000 | - | - | Short-term loans | - | - | - |
| Long-term loans | - | - | 46,663,000 | Long-term loans | - | 28,979,000 | 51,045,000 |
| Total | 3,498,000 | - | 46,663,000 | Total | - | 28,979,000 | 51,045,000 |
| | Due after three to four years | Due after four to five years | Due after five years | | Due after three to four years | Due after four to five years | Due after five years |
| Short-term loans | - | - | - | Short-term loans | - | - | - |
| Long-term loans | 44,094,000 | 47,662,000 | - | Long-term loans | 42,012,000 | 20,383,000 | - |
| Total | 44,094,000 | 47,662,000 | - | Total | 42,012,000 | 20,383,000 | - |

[Notes Related to Asset Retirement Obligations]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | |
|---|---|---|---|--------|-------------------|-----|----------------------------------|--------|---|--|--------|---|---|-------------------|-----|----------------------------------|--------|
| <p>1. Summary of the asset retirement obligations for the period INV has recorded asset retirement obligations in regard to its obligation to restore the land to its original condition related to the fixed-term land lease agreement of Comfort Hotel Maebashi held by INV.</p> <p>2. Calculation method for asset retirement obligations for the period The amount of the asset retirement obligations has been calculated by fixing the estimated period of use at 43 years, based on the period until the expiration of the fixed-term land lease agreement, and by using a discount rate of 1.342%.</p> <p>3. Increase/decrease in the total amount of asset retirement obligations for the current fiscal period (Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at the beginning of the period</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Increase due to the acquisition of properties</td> <td style="text-align: right;">30,868</td> </tr> <tr> <td>Accretion expense</td> <td style="text-align: right;">182</td> </tr> <tr> <td>Balance at the end of the period</td> <td style="text-align: right;">31,050</td> </tr> </table> | Balance at the beginning of the period | - | Increase due to the acquisition of properties | 30,868 | Accretion expense | 182 | Balance at the end of the period | 31,050 | <p>1. Summary of the asset retirement obligations for the period INV has recorded asset retirement obligations in regard to its obligation to restore the land to its original condition related to the fixed-term land lease agreement of Comfort Hotel Maebashi held by INV.</p> <p>2. Calculation method for asset retirement obligations for the period The amount of the asset retirement obligations has been calculated by fixing the estimated period of use at 43 years, based on the period until the expiration of the fixed-term land lease agreement, and by using a discount rate of 1.342%.</p> <p>3. Increase/decrease in the total amount of asset retirement obligations for the current fiscal period (Unit: JPY thousand)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance at the beginning of the period</td> <td style="text-align: right;">31,050</td> </tr> <tr> <td>Increase due to the acquisition of properties</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Accretion expense</td> <td style="text-align: right;">209</td> </tr> <tr> <td>Balance at the end of the period</td> <td style="text-align: right;">31,260</td> </tr> </table> | Balance at the beginning of the period | 31,050 | Increase due to the acquisition of properties | - | Accretion expense | 209 | Balance at the end of the period | 31,260 |
| Balance at the beginning of the period | - | | | | | | | | | | | | | | | | |
| Increase due to the acquisition of properties | 30,868 | | | | | | | | | | | | | | | | |
| Accretion expense | 182 | | | | | | | | | | | | | | | | |
| Balance at the end of the period | 31,050 | | | | | | | | | | | | | | | | |
| Balance at the beginning of the period | 31,050 | | | | | | | | | | | | | | | | |
| Increase due to the acquisition of properties | - | | | | | | | | | | | | | | | | |
| Accretion expense | 209 | | | | | | | | | | | | | | | | |
| Balance at the end of the period | 31,260 | | | | | | | | | | | | | | | | |

[Notes Related to Rental Properties]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | | | | | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | |
|--|--|--------------------------|----------------------------------|-------------------------------------|---|--|--------------------------|----------------------------------|-------------------------------------|
| <p>INV owns residential properties and hotels as core assets as well as other various properties including offices and commercial facilities principally in the Tokyo area and major regional cities in order to establish a portfolio which focuses on both stability and growth potential. The book value changed during the period and balance at the end of the period are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> | | | | | <p>INV owns residential properties and hotels as core assets as well as other various properties including offices and commercial facilities principally in the Tokyo area and major regional cities in order to establish a portfolio which focuses on both stability and growth potential. The book value changed during the period and balance at the end of the period are as follows.</p> <p style="text-align: right;">(Unit: JPY thousand)</p> | | | | |
| Use | Book value | | | Fair value at the end of the period | Use | Book value | | | Fair value at the end of the period |
| | Balance at the beginning of the period | Change during the period | Balance at the end of the period | | | Balance at the beginning of the period | Change during the period | Balance at the end of the period | |
| Residences | 60,305,706 | 7,968,789 | 68,274,496 | 77,214,000 | Residences | 68,274,496 | (438,657) | 67,835,839 | 77,843,000 |
| Offices | 8,487,876 | (17,489) | 8,470,387 | 7,219,000 | Offices | 8,470,387 | (29,405) | 8,440,981 | 7,406,000 |
| Commercial facilities | 5,134,083 | (46,557) | 5,087,525 | 5,840,000 | Commercial facilities | 5,087,525 | (38,298) | 5,049,226 | 5,890,000 |
| Parking lot | 100,821 | (1) | 100,820 | 113,000 | Parking lot | 100,820 | (1) | 100,819 | 113,000 |
| Hotels | 95,223,054 | 84,314,865 | 179,537,920 | 232,905,000 | Hotels | 179,537,920 | (1,026,493) | 178,511,427 | 236,940,000 |
| Total | 169,251,542 | 92,219,607 | 261,471,150 | 323,291,000 | Total | 261,471,150 | (1,532,855) | 259,938,294 | 328,192,000 |
| <p>(Note 1) Book value is the figure calculated by subtracting amount of accumulated depreciation from acquisition price (including acquisition-related costs)</p> <p>(Note 2) The major factors for the increase for the fiscal period ended June 30, 2016 were acquisition of residential properties and hotels, capital expenditures related to construction work</p> <p>(Note 3) The major factor for the decrease was depreciation</p> <p>(Note 4) The fair value as of the end of the reporting period is determined based on the appraisal value provided by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal & Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd.</p> <p>For information related to profits and losses from rental properties in the fiscal period ended June 30, 2016, please refer to "Notes to Statement of Income and Retained Earnings."</p> | | | | | <p>(Note 1) Book value is the figure calculated by subtracting amount of accumulated depreciation from acquisition price (including acquisition-related costs)</p> <p>(Note 2) The major factors for the increase for the fiscal period ended December 31, 2016 was capital expenditures related to construction work</p> <p>(Note 3) The major factor for the decrease was depreciation</p> <p>(Note 4) The fair value as of the end of the reporting period is determined based on the appraisal value provided by Asset Research and Development Inc., Japan Real Estate Institute, Morii Appraisal & Investment Consulting Inc., The Tanizawa Sogo Appraisal Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd.</p> <p>For information related to profits and losses from rental properties in the fiscal period ended December 31, 2016, please refer to "Notes to Statement of Income and Retained Earnings."</p> | | | | |

[Notes Related to Restriction on Asset Management]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|--|---|
| Not applicable. | Not applicable. |

[Notes Related to Transactions with Related Parties]

Fiscal period ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

1 Interested parties of the Asset Manager

| Classification | Name | Business or occupation | Percentage of voting rights owned (%) | Type of transaction | Transaction amount (JPY thousand) | Account | Balance at the end of the period (JPY thousand) |
|---------------------------------------|--|--------------------------------|---------------------------------------|--|-----------------------------------|---------------------|---|
| Interested party of the asset manager | Aki Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 3,160,000 | - | - |
| | Navaro Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 20,155,000 | - | - |
| | Momo Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 7,934,000 | - | - |
| | Tsuki Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 24,674,000 | - | - |
| | Septentrio Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 12,588,600 | - | - |
| | Septentrio 2 Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 4,196,199 | - | - |
| | Septentrio 3 Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 4,196,199 | - | - |
| | Ginga Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 13,761,000 | Accounts payable | 8,800,548 |
| | Wakusei Tokutei Mokuteki Kaisha | Investment management business | - | Purchase of trust beneficiary interests in real estate (Note 2) (Note 5) | 2,139,000 | - | - |
| | Naqua Hotel & Resorts Management Co., Ltd. | Hotel business | - | Rental revenues | 627,563 | Accounts receivable | 220,811 |
| | MyStays Hotel Management Co., Ltd. | Hotel business | - | Rental revenues | 3,389,166 | Accounts receivable | 990,543 |

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

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

(Note 3) Aki Tokutei Mokuteki Kaisha, Navaro Tokutei Mokuteki Kaisha, Momo Tokutei Mokuteki Kaisha, Tsuki Tokutei Mokuteki Kaisha, Septentrio Tokutei Mokuteki Kaisha, Septentrio 2 Tokutei Mokuteki Kaisha, Septentrio 3 Tokutei Mokuteki Kaisha, Ginga Tokutei Mokuteki Kaisha, Wakusei Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. The Tokutei Mokuteki Kaisha or the lessee and operator have received an anonymous partnership investment or investment through funds that are managed by affiliates of Fortress Investment Group LLC ("FIG"), an affiliate of Calliope. Accordingly, INV treats Aki Tokutei Mokuteki Kaisha, Navaro Tokutei Mokuteki Kaisha, Momo Tokutei Mokuteki Kaisha, Tsuki Tokutei Mokuteki Kaisha, Septentrio Tokutei Mokuteki Kaisha, Septentrio 2 Tokutei Mokuteki Kaisha, Septentrio 3 Tokutei Mokuteki Kaisha, Ginga Tokutei Mokuteki Kaisha, Wakusei Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties

(Note 4) Calliope holds 609,942 units (holding percentage: 16.6%) of the issued investment units of INV

(Note 5) The purchase of trust beneficiary interests pertains to the following properties. The transaction amount is the purchase price stated in the trust beneficiary purchase agreement, to which other expenses for acquisition, property taxes, city planning taxes and consumption taxes are not included

| Property Number | Name of Property | Counterparty | Purchase Price (JPY thousand) |
|-----------------|--------------------------------|---|-------------------------------|
| A103 | Royal Parks Momozaka | Momo Tokutei Mokuteki Kaisha | 2,910,000 |
| A104 | Royal Parks Shinden | Momo Tokutei Mokuteki Kaisha | 5,024,000 |
| D38 | Hotel MyStays Shinsaibashi | Aki Tokutei Mokuteki Kaisha | 3,160,000 |
| D39 | Comfort Hotel Kurosaki | Navaro Tokutei Mokuteki Kaisha | 1,148,000 |
| D40 | Comfort Hotel Maebashi | Navaro Tokutei Mokuteki Kaisha | 1,128,000 |
| D41 | Comfort Hotel Tsubame-Sanjo | Navaro Tokutei Mokuteki Kaisha | 1,010,000 |
| D42 | Comfort Hotel Kitami | Navaro Tokutei Mokuteki Kaisha | 851,000 |
| D43 | Hotel MyStays Gotanda Station | Tsuki Tokutei Mokuteki Kaisha | 24,674,000 |
| D44 | Hotel Epinard Nasu | Sepentrio Tokutei Mokuteki Kaisha Sepentrio 2 Tokutei Mokuteki Kaisha Sepentrio 3 Tokutei Mokuteki Kaisha | 20,981,000 |
| D45 | Hotel MyStays Fukuoka Tenjin | Navaro Tokutei Mokuteki Kaisha | 8,059,000 |
| D46 | Hotel MyStays Hamamatsucho | Navaro Tokutei Mokuteki Kaisha | 7,959,000 |
| D47 | Hotel MyStays Premier Kanazawa | Ginga Tokutei Mokuteki Kaisha | 13,761,000 |
| D48 | Takamatsu Tokyo REI Hotel | Wakusei Tokutei Mokuteki Kaisha | 2,139,000 |
| Total | | | 92,804,000 |

2 Asset Custody Company

| Classification | Name | Business or occupation | Percentage of voting rights owned (%) | Type of transaction | Transaction amount (JPY thousand) | Account | Balance at the end of the period (JPY thousand) |
|-----------------------|-------------------------------------|----------------------------|---------------------------------------|------------------------------|-----------------------------------|----------------------------|---|
| Asset Custody Company | Sumitomo Mitsui Trust Bank, Limited | Banking and trust business | - | Borrowing for long-term loan | 13,341,000 | Long-term loans payable | 21,351,000 |
| | | | | Finance related fees | 120,832 | Prepaid expenses | 50,170 |
| | | | | | | Long-term Prepaid expenses | 126,212 |
| Interest expenses | 50,413 | Accrued expenses | 320 | | | | |

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

(Note 2) The terms and conditions have been determined based on actual market conditions

Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016)

1 Interested parties of the Asset Manager

| Classification | Name | Business or occupation | Percentage of voting rights owned (%) | Type of transaction | Transaction amount (JPY thousand) | Account | Balance at the end of the period (JPY thousand) |
|---------------------------------------|--|--------------------------------|---------------------------------------|-------------------------------|-----------------------------------|---------------------|---|
| Interested party of the Asset Manager | Ginga Tokutei Mokuteki Kaisha | Investment management business | - | Payments for accounts payable | 8,800,548 | Accounts payable | - |
| | Naqua Hotel & Resorts Management Co., Ltd. | Hotel business | - | Rental revenues | 1,040,790 | Accounts receivable | 92,474 |
| | MyStays Hotel Management Co., Ltd. | Hotel business | - | Rental revenues | 4,043,845 | Accounts receivable | 1,146,414 |

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

(Note 2) Ginga Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management Co., Ltd., and MyStays Hotel Management Co., Ltd. have no capital relationship to be disclosed with the Asset Manager. The tenant and operator have received an anonymous partnership investment or investment through funds that are managed by affiliates of Fortress Investment Group LLC (“FIG”), an affiliate of Calliope. Accordingly, INV treats Ginga Tokutei Mokuteki Kaisha, Naqua Hotel & Resorts Management and MyStays Hotel Management Co., Ltd. as the equivalent to interested parties

(Note 3) Calliope holds 609,942 units (holding percentage: 16.6%) of the issued investment units of INV

2 Asset Custody Company

| Classification | Name | Business or occupation | Percentage of voting rights owned (%) | Type of transaction | Transaction amount (JPY thousand) | Account | Balance at the end of the period (JPY thousand) |
|-----------------------|-------------------------------------|----------------------------|---------------------------------------|------------------------------|-----------------------------------|----------------------------|---|
| Asset Custody Company | Sumitomo Mitsui Trust Bank, Limited | Banking and trust business | - | Borrowing for long-term loan | - | Long-term loans payable | 21,351,000 |
| | | | | Repayment of short-term loan | 1,186,000 | Short-term loans payable | - |
| | | | | Finance related fees | - | Prepaid expenses | 48,328 |
| | | | | | | Long-term Prepaid expenses | 92,856 |
| | | | | Interest expenses | 58,014 | Accrued expenses | 620 |

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

(Note 2) The terms and conditions have been determined based on actual market conditions

[Notes Related to Per Unit Information]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | |
|--|------------|--|------------|
| Net assets per unit | JPY 35,368 | Net assets per unit | JPY 35,762 |
| Net income per unit | JPY 1,270 | Net income per unit | JPY 1,477 |
| Net income per unit is calculated by dividing net income for the period by the daily weighted average number of investment units issued and outstanding. Diluted net income per unit is not stated, as there are no diluted units. | | Net income per unit is calculated by dividing net income for the period by the daily weighted average number of investment units issued and outstanding. Diluted net income per unit is not stated, as there are no diluted units. | |

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

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | |
|--|-----------|---|-----------|
| Net income for the fiscal period (JPY thousand) | 4,363,420 | Net income for the fiscal period (JPY thousand) | 5,431,003 |
| Amounts not attributable to common unitholders (JPY thousand) | - | Amounts not attributable to common unitholders (JPY thousand) | - |
| Net income attributable to common units (JPY thousand) | 4,363,420 | Net income attributable to common units (JPY thousand) | 5,431,003 |
| Average number of investment units during the period (units) | 3,436,572 | Average number of investment units during the period (units) | 3,675,824 |

[Notes Related to Significant Subsequent Events]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------------------|------------------|-------------------|---------------------|---|-----------------------|---|----------------------------|--------------------|------------------|-------------------------------|----------------|---------------|---------------|---|--|--------|---------------------------------------|------------------|-------------------|---------------------|---|-----------------------|---|----------------------------|--------------------|------------------|-------------------------------|----------------|----------------|---------------|---|
| <p>1. Borrowing of funds</p> <p>In order to raise a part of the funds to be used for the acquisition of trust beneficiary interests for the two hotel properties acquired on June 15, 2016, INV implemented the following borrowing on July 20, 2016.</p> <p>Term Loan (E)</p> <table border="1"> <tr> <td>Lender</td> <td>The Tokyo Star Bank, Limited</td> </tr> <tr> <td>Borrowing amount</td> <td>JPY 4,000 million</td> </tr> <tr> <td>Interest rate, etc.</td> <td>Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60%</td> </tr> <tr> <td>Interest payment date</td> <td>(i) The last Japanese business day of each month before the principal maturity date, beginning with July 29, 2016, and (ii) the principal maturity date</td> </tr> <tr> <td>Principal repayment method</td> <td>Lump-sum repayment</td> </tr> <tr> <td>Borrowing method</td> <td>Unsecured / with no guarantee</td> </tr> <tr> <td>Borrowing date</td> <td>July 20, 2016</td> </tr> <tr> <td>Maturity date</td> <td>July 20, 2019, July 20, 2020, July 20, 2021</td> </tr> </table> | Lender | The Tokyo Star Bank, Limited | Borrowing amount | JPY 4,000 million | Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60% | Interest payment date | (i) The last Japanese business day of each month before the principal maturity date, beginning with July 29, 2016, and (ii) the principal maturity date | Principal repayment method | Lump-sum repayment | Borrowing method | Unsecured / with no guarantee | Borrowing date | July 20, 2016 | Maturity date | July 20, 2019, July 20, 2020, July 20, 2021 | <p>1. Issuance of new investment units</p> <p>INV decided on the issuance of new investment units and secondary offering of investment units at its board of directors' meeting on February 22, 2017. Issue price per unit and other details are scheduled to be determined at future board of directors' meeting.</p> <p>(1) Issuance of new investment units through Public Offering</p> <p>Number of Investment Units to be offered: 185,000 investment units</p> <p>(2) Secondary offering of investment units (by way of over-allotment)</p> <p>Number of investment units to be offered: 9,250 investment units</p> <p>2. Borrowing of funds</p> <p>In order to raise a part of the funds to be used for the acquisition of trust beneficiary interests for the two residential properties to be acquired on March 14, 2017 (see "3. Acquisition of Assets" below), INV decided on the implementation of the following borrowings at its board of directors' meeting held on February 22, 2017.</p> <p>New Syndicate Loan (G)</p> <table border="1"> <tr> <td>Lender</td> <td>Syndicate formed by Mizuho Bank, Ltd.</td> </tr> <tr> <td>Borrowing amount</td> <td>JPY11,250 million</td> </tr> <tr> <td>Interest rate, etc.</td> <td>Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60%</td> </tr> <tr> <td>Interest payment date</td> <td>(1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date</td> </tr> <tr> <td>Principal repayment method</td> <td>Lump-sum repayment</td> </tr> <tr> <td>Borrowing method</td> <td>Unsecured / with no guarantee</td> </tr> <tr> <td>Borrowing date</td> <td>March 14, 2017</td> </tr> <tr> <td>Maturity date</td> <td>March 14, 2020, March 14, 2021 and March 14, 2022</td> </tr> </table> | Lender | Syndicate formed by Mizuho Bank, Ltd. | Borrowing amount | JPY11,250 million | Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60% | Interest payment date | (1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date | Principal repayment method | Lump-sum repayment | Borrowing method | Unsecured / with no guarantee | Borrowing date | March 14, 2017 | Maturity date | March 14, 2020, March 14, 2021 and March 14, 2022 |
| Lender | The Tokyo Star Bank, Limited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing amount | JPY 4,000 million | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest payment date | (i) The last Japanese business day of each month before the principal maturity date, beginning with July 29, 2016, and (ii) the principal maturity date | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principal repayment method | Lump-sum repayment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing method | Unsecured / with no guarantee | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing date | July 20, 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maturity date | July 20, 2019, July 20, 2020, July 20, 2021 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lender | Syndicate formed by Mizuho Bank, Ltd. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing amount | JPY11,250 million | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.40%, 0.50%, 0.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest payment date | (1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principal repayment method | Lump-sum repayment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing method | Unsecured / with no guarantee | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing date | March 14, 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maturity date | March 14, 2020, March 14, 2021 and March 14, 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--------|--------------------------------------|------------------|------------------|---------------------|---------------------------------------|-----------------------|---|----------------------------|--------------------|------------------|-------------------------------|----------------|----------------|---------------|--------------------|------------------|----------------|--------------------------|--------------------|----------|---|-----------------|----------|---------------------|----------------------------|--------|--------------------------------|------------------|-------------------------|---------------|--------------------------|
| | <p data-bbox="842 349 991 376">Term Loan (F)</p> <table border="1" data-bbox="842 376 1425 976"> <tr> <td data-bbox="842 376 1082 443">Lender</td> <td data-bbox="1082 376 1425 443">Sumitomo Mitsui Banking Corporation.</td> </tr> <tr> <td data-bbox="842 443 1082 477">Borrowing amount</td> <td data-bbox="1082 443 1425 477">JPY3,000 million</td> </tr> <tr> <td data-bbox="842 477 1082 544">Interest rate, etc.</td> <td data-bbox="1082 477 1425 544">Base Rate (1-month JPY TIBOR) + 0.45%</td> </tr> <tr> <td data-bbox="842 544 1082 768">Interest payment date</td> <td data-bbox="1082 544 1425 768">(1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date</td> </tr> <tr> <td data-bbox="842 768 1082 835">Principal repayment method</td> <td data-bbox="1082 768 1425 835">Lump-sum repayment</td> </tr> <tr> <td data-bbox="842 835 1082 902">Borrowing method</td> <td data-bbox="1082 835 1425 902">Unsecured / with no guarantee</td> </tr> <tr> <td data-bbox="842 902 1082 936">Borrowing date</td> <td data-bbox="1082 902 1425 936">March 14, 2017</td> </tr> <tr> <td data-bbox="842 936 1082 976">Maturity date</td> <td data-bbox="1082 936 1425 976">September 14, 2020</td> </tr> </table> <p data-bbox="842 1014 1070 1041">3. Acquisition of assets</p> <p data-bbox="842 1070 1425 1160">INV decided to acquire the following two properties (total acquisition price of JPY 24,562 million) on February 22, 2017.</p> <p data-bbox="842 1198 1075 1225">Property number: A105</p> <p data-bbox="842 1229 1334 1256">Property name: Royal Parks Tower Minami-Senju</p> <table border="1" data-bbox="842 1279 1425 1659"> <tr> <td data-bbox="842 1279 1070 1312">Acquisition date</td> <td data-bbox="1070 1279 1425 1312">March 14, 2017</td> </tr> <tr> <td data-bbox="842 1312 1070 1379">Acquisition price (Note)</td> <td data-bbox="1070 1312 1425 1379">JPY 21,879 million</td> </tr> <tr> <td data-bbox="842 1379 1070 1447">Location</td> <td data-bbox="1070 1379 1425 1447">Minami-Senju 4-chome, Arakawa-ku, Tokyo</td> </tr> <tr> <td data-bbox="842 1447 1070 1480">Completion date</td> <td data-bbox="1070 1447 1425 1480">May 2008</td> </tr> <tr> <td data-bbox="842 1480 1070 1514">Legal form of asset</td> <td data-bbox="1070 1480 1425 1514">Trust beneficiary interest</td> </tr> <tr> <td data-bbox="842 1514 1070 1581">Seller</td> <td data-bbox="1070 1514 1425 1581">Sakura Tokutei Mokuteki Kaisha</td> </tr> <tr> <td data-bbox="842 1581 1070 1615">Total floor area</td> <td data-bbox="1070 1581 1425 1615">47,424.89m²</td> </tr> <tr> <td data-bbox="842 1615 1070 1659">Leasable area</td> <td data-bbox="1070 1615 1425 1659">39,133.46 m²</td> </tr> </table> | Lender | Sumitomo Mitsui Banking Corporation. | Borrowing amount | JPY3,000 million | Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.45% | Interest payment date | (1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date | Principal repayment method | Lump-sum repayment | Borrowing method | Unsecured / with no guarantee | Borrowing date | March 14, 2017 | Maturity date | September 14, 2020 | Acquisition date | March 14, 2017 | Acquisition price (Note) | JPY 21,879 million | Location | Minami-Senju 4-chome, Arakawa-ku, Tokyo | Completion date | May 2008 | Legal form of asset | Trust beneficiary interest | Seller | Sakura Tokutei Mokuteki Kaisha | Total floor area | 47,424.89m ² | Leasable area | 39,133.46 m ² |
| Lender | Sumitomo Mitsui Banking Corporation. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing amount | JPY3,000 million | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest rate, etc. | Base Rate (1-month JPY TIBOR) + 0.45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest payment date | (1) The last Japanese business day of each month before the principal maturity date, beginning with March 31, 2017, and (2) the principal maturity date | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principal repayment method | Lump-sum repayment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing method | Unsecured / with no guarantee | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing date | March 14, 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maturity date | September 14, 2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Acquisition date | March 14, 2017 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Acquisition price (Note) | JPY 21,879 million | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Location | Minami-Senju 4-chome, Arakawa-ku, Tokyo | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Completion date | May 2008 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legal form of asset | Trust beneficiary interest | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Seller | Sakura Tokutei Mokuteki Kaisha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total floor area | 47,424.89m ² | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leasable area | 39,133.46 m ² | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) | | | | | | | | | | | | | | | | |
|--|--|------------------|----------------|-----------------------------|-------------------|----------|--|-----------------|-------------|---------------------|----------------------------|--------|---------------------------------|------------------|------------------------|---------------|------------------------|
| | <p data-bbox="847 344 1331 405">Property number: A106 Property name: Royal Parks Seasir Minami-Senju</p> <table border="1" data-bbox="847 439 1425 808"> <tr> <td data-bbox="847 439 1070 472">Acquisition date</td> <td data-bbox="1070 439 1425 472">March 14, 2017</td> </tr> <tr> <td data-bbox="847 472 1070 539">Acquisition price (Note)</td> <td data-bbox="1070 472 1425 539">JPY 2,683 million</td> </tr> <tr> <td data-bbox="847 539 1070 607">Location</td> <td data-bbox="1070 539 1425 607">Minami-Senju 3-chome, Arakawa-ku, Tokyo</td> </tr> <tr> <td data-bbox="847 607 1070 640">Completion date</td> <td data-bbox="1070 607 1425 640">August 2006</td> </tr> <tr> <td data-bbox="847 640 1070 674">Legal form of asset</td> <td data-bbox="1070 640 1425 674">Trust beneficiary interest</td> </tr> <tr> <td data-bbox="847 674 1070 741">Seller</td> <td data-bbox="1070 674 1425 741">Momo Tokutei Mokuteki Kaisha</td> </tr> <tr> <td data-bbox="847 741 1070 775">Total floor area</td> <td data-bbox="1070 741 1425 775">7,248.10m²</td> </tr> <tr> <td data-bbox="847 775 1070 808">Leasable area</td> <td data-bbox="1070 775 1425 808">6,496.86m²</td> </tr> </table> <p data-bbox="847 842 1425 965">(Note) Acquisition price is based on the purchase price indicated in the relevant purchase agreement and does not include acquisition costs, property taxes, city planning taxes and consumption taxes</p> | Acquisition date | March 14, 2017 | Acquisition price (Note) | JPY 2,683 million | Location | Minami-Senju 3-chome, Arakawa-ku, Tokyo | Completion date | August 2006 | Legal form of asset | Trust beneficiary interest | Seller | Momo Tokutei Mokuteki Kaisha | Total floor area | 7,248.10m ² | Leasable area | 6,496.86m ² |
| Acquisition date | March 14, 2017 | | | | | | | | | | | | | | | | |
| Acquisition price (Note) | JPY 2,683 million | | | | | | | | | | | | | | | | |
| Location | Minami-Senju 3-chome, Arakawa-ku, Tokyo | | | | | | | | | | | | | | | | |
| Completion date | August 2006 | | | | | | | | | | | | | | | | |
| Legal form of asset | Trust beneficiary interest | | | | | | | | | | | | | | | | |
| Seller | Momo Tokutei Mokuteki Kaisha | | | | | | | | | | | | | | | | |
| Total floor area | 7,248.10m ² | | | | | | | | | | | | | | | | |
| Leasable area | 6,496.86m ² | | | | | | | | | | | | | | | | |

[Notes related to Provision and Reversal of Allowance for Temporary Differences Adjustment]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|---|
| <p>In the Statement of Cash Distribution, INV recorded JPY 708 thousand of reserve for temporary differences adjustment regarding the gain on negative goodwill for the purpose of appropriating for cash distribution.</p> <p>In the Statement of Cash Distribution, INV recorded JPY 224,225 thousand of allowance for temporary differences adjustment regarding deferred losses on hedges of interest rate swaps.</p> <p>The amount of such allowance corresponding to the amounts of change of fair value is scheduled to be reversed.</p> | <p>In the Statement of Cash Distribution, INV reversed JPY 224,225 thousand of allowance for temporary differences adjustment corresponding to the change in the fair value of interest-rate swaps.</p> |

VI. Statement of Cash Distribution

| | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|--|---|
| I. Unappropriated retained earnings | JPY 4,363,420,951 | JPY 5,659,831,868 |
| II. Reversal of voluntary reserve | | |
| Reversal of reserve for temporary differences adjustment | JPY 708,942 | - |
| III. Incorporation into unitholders' equity | | |
| Of which, reversal of allowance for temporary differences adjustment | - | JPY 224,225,264 |
| IV. Distribution in excess of retained earnings | | |
| Allowance for temporary differences adjustment | JPY 224,225,264 | - |
| V. Distributions | JPY 4,359,527,264 | JPY 5,429,192,048 |
| (Distribution per unit) | (JPY 1,186) | (JPY 1,477) |
| Of which, distribution of earnings | JPY 4,135,302,000 | JPY 5,429,192,048 |
| (Distribution of earnings per unit) | (JPY 1,125) | (JPY 1,477) |
| Of which, allowance for temporary differences adjustment | JPY 224,225,264 | - |
| (Distribution in excess of retained earnings per unit (Allowance for temporary differences adjustment)) | (JPY 61) | - |
| VI. Retained earnings carried forward | JPY 228,827,893 | JPY 6,414,556 |
| Calculation method of distribution amount | As shown above, the distribution per unit for the period is JPY 1,186. With respect to profit distributions (not including distributions in excess of profit), INV decided to distribute almost all of its profit as defined in Article 136, | As shown above, the distribution per unit for the period is JPY 1,477. With respect to profit distributions (not including Excess Profit Distribution), INV decided to distribute almost all of its profit as defined in Article 136, |

| | | |
|--|--|--|
| | <p>Paragraph 1 of the Investment Trust Act, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including distributions in excess of profit per unit) is JPY 1,125.</p> <p>In addition, in accordance with the distribution policy as set forth in the Articles of Incorporation, INV makes distributions in excess of earnings of the amount that it determines as the amount equivalent to items deducted from net assets (as set forth in Article 2, Paragraph 2, Item 30 (b) of the Ordinance on Accountings of Investment Corporations), taking into consideration the effect of the items deducted from net assets on the distributions (the “Excess Profit Distribution”).</p> <p>For the Reporting Period, INV makes Distribution in excess of earnings of JPY 227 million, corresponding to deferred losses on hedges, of which, the distribution of allowance for temporary differences adjustment is JPY 224 million, and the distribution per unit of the allowance for temporary differences adjustment is JPY 61.</p> | <p>Paragraph 1 of the Investment Trust Act, remaining after deducting the reversal of allowance for temporary differences adjustments, other than fractional amount per unit less than JPY 1, aiming to include the maximum amount of profit distributions in deductible expenses in accordance with Article 67-15, Paragraph 1 of the Act on Special Taxation Measures (Act No. 26, 1957). As a result, the distribution of earnings per unit (not including Excess Profit Distribution per unit) is JPY 1,477.</p> <p>Furthermore, INV has decided not to make Distribution in excess of profit.</p> |
|--|--|--|

Note

Accompanying English financial information, comprising Balance Sheet, Statement of Income and Retained Earnings, Statement of Changes in Net Assets, Notes to financial statements and Statement of Cash Distribution, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended December 31, 2016 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. However, English translation of the Japanese language report of independent auditors is not attached herein since the accompanying English translation of Balance Sheet, Statement of Income and Retained Earnings, Statements of Changes in Net Assets, Notes to financial statements and Statement of Cash Distribution are unaudited.

Regarding the English audited financial statements, please refer to the “Audited Financial Statements” on the website of Invincible Investment Corporation: <http://www.invincible-inv.co.jp/eng/cms/doc.html>

VII. Statement of Cash Flows (Reference Information)

| | (Unit: JPY thousand) | |
|---|--|---|
| | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
| Cash flows from operating activities | | |
| Net income before taxes | 4,364,025 | 5,431,608 |
| Depreciation and amortization | 1,676,751 | 2,065,066 |
| Investment unit issuance costs | 137,270 | - |
| Loan-related costs | 280,326 | 186,249 |
| Interest income | (1,316) | (129) |
| Interest expenses | 295,185 | 359,540 |
| Increase (decrease) in allowance for doubtful accounts | 269 | (1,430) |
| Decrease (increase) in rental receivable | (306,493) | (22,587) |
| Decrease (increase) in consumption taxes receivable | (1,744,762) | 2,672,787 |
| Increase (decrease) in accounts payable | 7,056 | (66,883) |
| Increase (decrease) in consumption taxes payable | - | 460,521 |
| Increase (decrease) in accounts payable-other | 884,265 | (881,047) |
| Increase (decrease) in accrued expenses | 38,577 | (5,946) |
| Increase (decrease) in advances received | 33,971 | 14,936 |
| Increase (decrease) in deposits received | (14,615) | (23,418) |
| Others, net | (34,907) | (12,451) |
| Subtotal | 5,615,604 | 10,176,817 |
| Interest income received | 1,316 | 129 |
| Interest expenses paid | (297,081) | (358,219) |
| Income taxes paid | (564) | (605) |
| Net cash provided by operating activities | 5,319,276 | 9,818,122 |
| Cash flows from investing activities | | |
| Purchases of property and equipment in trust | (82,786,898) | (8,449,701) |
| Purchases of leasehold rights in trust | (3,055,031) | - |
| Proceeds from tenant leasehold and security deposits in trust | (56,280) | (53,815) |
| Repayments of tenant leasehold and security deposits in trust | 474,368 | 48,371 |
| Payments of tenant leasehold and security deposits | (574,396) | - |
| Other, net | (2,211) | (2,211) |
| Net cash used in investing activities | (86,000,448) | (8,457,356) |
| Cash flows from financing activities | | |
| Proceeds from short-term loans payable | 3,498,000 | - |
| Repayment of short-term loans payable | (1,080,000) | (3,498,000) |
| Proceeds from long-term loans payable | 47,800,000 | 4,000,000 |
| Payments for loan-related costs | (594,356) | (53,775) |
| Payment of distributions of earnings | (3,014,523) | (4,118,229) |
| Payment of distributions in excess of retained earnings from allowance for temporary differences adjustment | - | (224,225) |

(Unit: JPY thousand)

| | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|--|--|---|
| Payment of other distribution in excess of retained earnings | (763,290) | - |
| Proceeds from issuance of investment units | 37,780,441 | - |
| Other | - | (15,879) |
| Net cash provided by (used in) financing activities | 83,626,270 | (3,910,109) |
| Net increase (decrease) in cash and cash equivalents | 2,945,097 | (2,549,344) |
| Cash and cash equivalents at beginning of period | 13,818,981 | 16,764,078 |
| Cash and cash equivalents at end of period *1 | 16,764,078 | 14,214,734 |

[Notes Concerning Significant Accounting Policies (Reference Information)]

| Item \ By Period | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|--|---|---|
| Cash and cash equivalents as stated in Statement of Cash Flows | Cash and cash equivalents as stated in the Statement of Cash Flows consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value. | Cash and cash equivalents as stated in the Statement of Cash Flows consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value. |

[Notes to Changes in Indication Method (Reference Information)]

| Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|--|---|
| In the fiscal period ended December 31, 2015, "Payment for leasehold and security deposits" was included in "Other" under "Cash flows from investing activities". However, due to an increase in the relevant amount, it has become significant enough to be recorded as a separate item in the fiscal period ended June 30, 2016. As a result, the entry for (JPY 2,211,000), which was recorded under "Cash flows from investing activities – Others" for the previous period is now indicated under "Payments of tenant leasehold and security deposits". | - |

[Notes to Statement of Cash Flows (Reference Information)]

| Item \ By Period | Fiscal period ended June 30, 2016 (Reference) (from January 1, 2016 to June 30, 2016) | Fiscal period ended December 31, 2016 (from July 1, 2016 to December 31, 2016) |
|---|--|---|
| *1. Relationship between cash and cash equivalents in Statement of Cash Flows and amounts in accompanying balance sheet | (As of June 30, 2016) (Unit: JPY thousand) | (As of December 31, 2016) (Unit: JPY thousand) |
| | Cash and bank deposits 11,322,762 | Cash and bank deposits 8,714,907 |
| | Cash and bank deposits in trust 5,441,316 | Cash and bank deposits in trust 5,499,826 |
| | Cash and cash equivalents 16,764,078 | Cash and cash equivalents 14,214,734 |

“My Number” informed by municipalities is necessary for taxation procedure on investment units. Thus, it is necessary for unitholders to notify your “My Number” to your brokerage, etc.

Usage of “My Number” in investment units related affairs

“My Number” is recorded on the payment record and the payment record is filed with the relevant tax authority pursuant to laws and ordinances.

Major payment record *Payment record regarding cash distribution

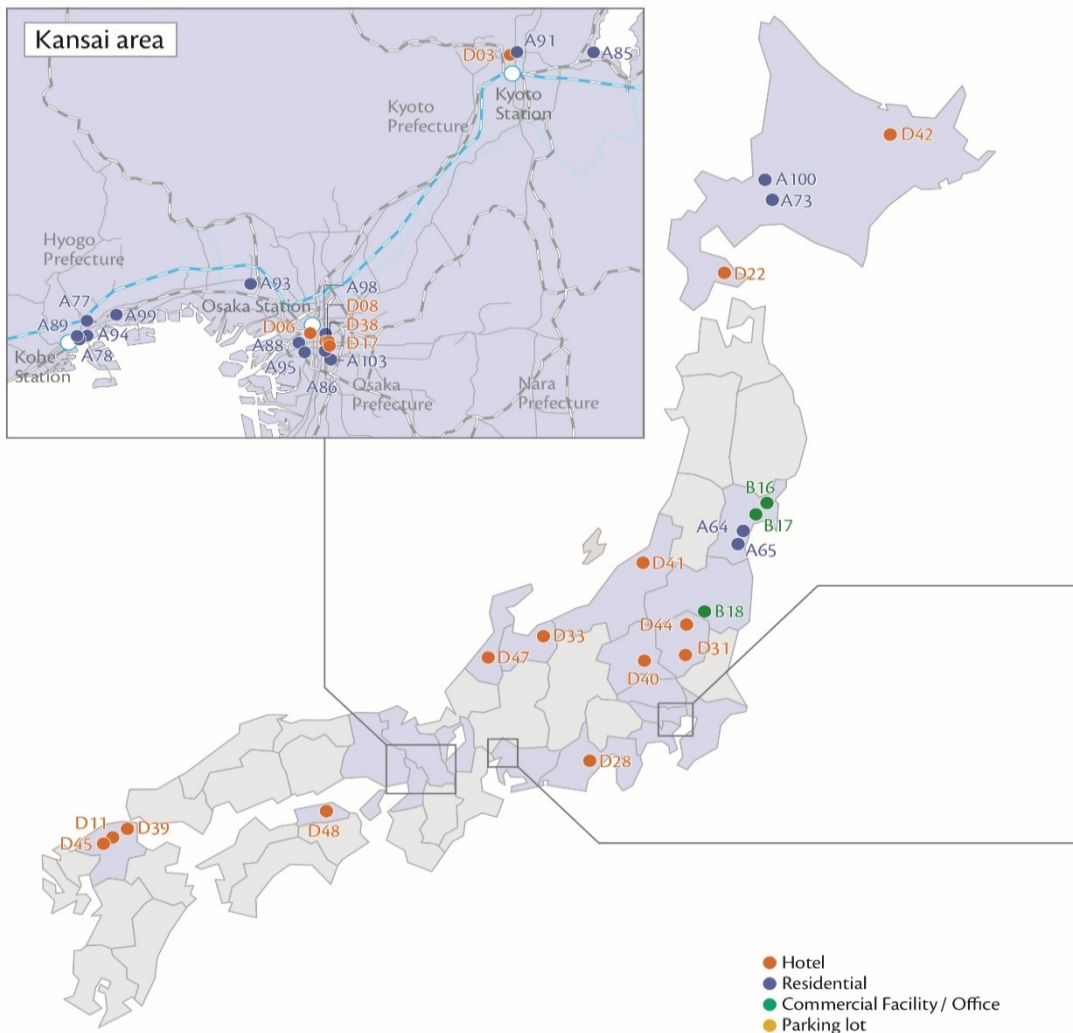
Usage of “My Number” includes taxation related procedures on investment units. It is necessary for unitholders to notify your “My Number” to your brokerage, etc.

Inquiries regarding notifying “My Number”

- Unitholders whose investment units are managed in brokerage accounts
Each brokerage
- Unitholders who have no brokerage account
Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited
Toll-free Telephone Number 0120-782-031

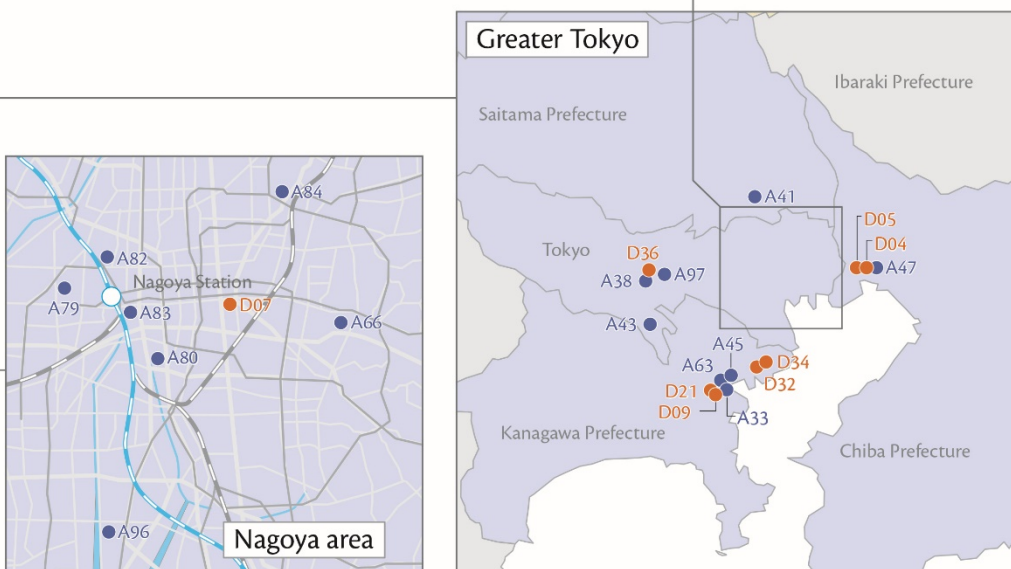
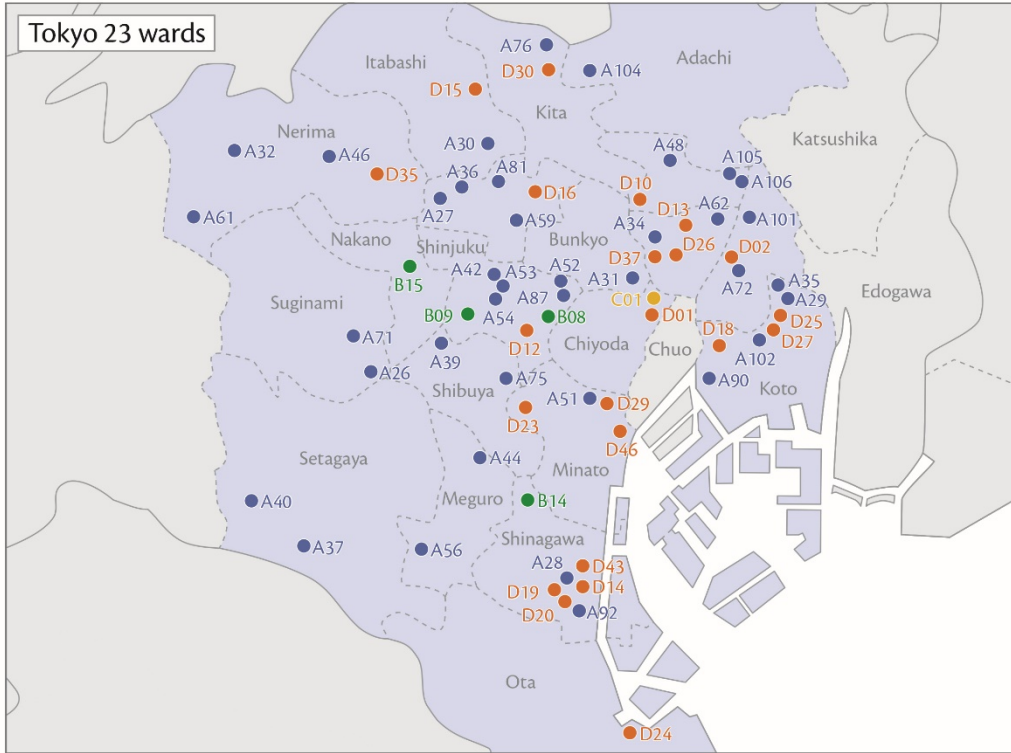
Portfolio Map

| No. of Properties | No. of Hotels | No. of Hotel Rooms | No. of Apartment Units |
|-------------------|---------------|--------------------|------------------------|
| 126 | 48 | 7,027 | 4,778 |



(Note 1) as of March 14, 2017

(Note 2) For properties corresponding to the number and overview, please refer to pages 96-99



Portfolio Overview

(as of March 14, 2017)

| Use | Property Number (Note 1) | Name of Property | Location | Leasable Area (m ²) | Rentable Units | Acquisition Price (JPY mm) (Note 2) | Investment Ratio (%) (Note 3) | Occupancy Rate (%) (Note 4) |
|-------------|--------------------------------------|--|------------------------|------------------------------------|-------------------|--|--|--------------------------------------|
| Residential | A26 | Nisshin Palacestage Daitabashi | Suginami-ku, Tokyo | 1,771.13 | 98 | 1,251 | 0.4 | 98.0 |
| | A27 | Nisshin Palacestage Higashi- Nagasaki | Toshima-ku, Tokyo | 2,681.94 | 60 | 1,229 | 0.4 | 96.5 |
| | A28 | Growth Maison Gotanda | Shinagawa-ku, Tokyo | 1,051.50 | 48 | 888 | 0.3 | 100.0 |
| | A29 | Growth Maison Kameido | Koto-ku, Tokyo | 1,367.96 | 66 | 1,070 | 0.4 | 92.4 |
| | A30 | Emerald House | Itabashi-ku, Tokyo | 2,152.31 | 96 | 1,505 | 0.5 | 96.9 |
| | A31 | Harmonie Ochanomizu | Bunkyo-ku, Tokyo | 1,748.24 | 65 | 1,428 | 0.5 | 100.0 |
| | A32 | Suncrest Shakujii-Koen | Nerima-ku, Tokyo | 3,029.16 | 29 | 1,088 | 0.4 | 94.0 |
| | A33 | Growth Maison Shin- Yokohama | Yokohama-shi, Kanagawa | 1,858.44 | 68 | 1,059 | 0.4 | 94.2 |
| | A34 | Belle Face Ueno- Okachimachi | Taito-ku, Tokyo | 1,351.11 | 64 | 1,023 | 0.4 | 95.2 |
| | A35 | Grand Rire Kameido | Koto-ku, Tokyo | 1,562.26 | 72 | 906 | 0.3 | 100.0 |
| | A36 | Growth Maison Ikebukuro | Toshima-ku, Tokyo | 952.89 | 42 | 825 | 0.3 | 100.0 |
| | A37 | Growth Maison Yoga | Setagaya-ku, Tokyo | 1,015.34 | 39 | 795 | 0.3 | 94.8 |
| | A38 | Route Tachikawa | Tachikawa-shi, Tokyo | 1,368.57 | 24 | 676 | 0.2 | 100.0 |
| | A39 | Shibuya-Honmachi Mansion | Shibuya-ku, Tokyo | 1,167.50 | 25 | 651 | 0.2 | 91.9 |
| | A40 | City Heights Kinuta | Setagaya-ku, Tokyo | 1,235.93 | 19 | 646 | 0.2 | 94.6 |
| | A41 | Acseeds Tower Kawaguchi- Namiki | Kawaguchi-shi, Saitama | 1,210.74 | 57 | 620 | 0.2 | 89.4 |
| | A42 | Capital Heights Kagurazaka | Shinjuku-ku, Tokyo | 1,126.65 | 26 | 604 | 0.2 | 97.2 |
| | A43 | College Square Machida | Machida-shi, Tokyo | 1,047.75 | 62 | 589 | 0.2 | 100.0 |
| | A44 | Belair Meguro | Meguro-ku, Tokyo | 557.05 | 25 | 589 | 0.2 | 92.1 |
| | A45 | Wacore Tsunashima I | Yokohama-shi, Kanagawa | 907.46 | 50 | 572 | 0.2 | 89.9 |
| | A46 | Foros Nakamurabashi | Nerima-ku, Tokyo | 815.77 | 37 | 566 | 0.2 | 91.2 |
| | A47 | Growth Maison Kaijin | Funabashi-shi, Chiba | 2,040.27 | 34 | 557 | 0.2 | 97.4 |
| | A48 | College Square Machiya | Arakawa-ku, Tokyo | 871.35 | 43 | 510 | 0.2 | 100.0 |
| | A51 | City House Tokyo Shinbashi | Minato-ku, Tokyo | 3,364.00 | 86 | 2,520 | 0.9 | 93.3 |
| | A52 | Winbell Kagurazaka | Shinjuku-ku, Tokyo | 4,032.70 | 118 | 3,260 | 1.1 | 95.5 |
| | A53 | Nishiwaseda Crescent Mansion | Shinjuku-ku, Tokyo | 4,310.77 | 69 | 1,880 | 0.6 | 95.8 |
| | A54 | Lexington Square Akebonobashi | Shinjuku-ku, Tokyo | 1,987.88 | 88 | 1,450 | 0.5 | 96.7 |
| | A56 | Casa Eremitaggio | Meguro-ku, Tokyo | 1,197.19 | 17 | 1,070 | 0.4 | 96.7 |
| | A59 | Towa City Coop Shinotsuka II | Toshima-ku, Tokyo | 1,627.13 | 58 | 866 | 0.3 | 96.3 |
| A61 | Bichsel Musashiseki | Nerima-ku, Tokyo | 1,220.24 | 70 | 577 | 0.2 | 91.5 | |
| A62 | Lexel Mansion Ueno Matsugaya | Taito-ku, Tokyo | 1,969.45 | 29 | 970 | 0.3 | 96.4 | |
| A63 | Towa City Coop Sengencho | Yokohama-shi, Kanagawa | 3,426.36 | 154 | 1,110 | 0.4 | 89.7 | |
| A64 | Royal Park Omachi | Sendai-shi, Miyagi | 1,929.59 | 51 | 415 | 0.1 | 92.8 | |
| A65 | Lexington Square Haginomachi | Sendai-shi, Miyagi | 1,528.58 | 39 | 330 | 0.1 | 92.1 | |
| A66 | Visconti Kakuozan | Nagoya-shi, Aichi | 705.75 | 8 | 255 | 0.1 | 83.8 | |
| A71 | Lexington Square Daitabashi | Suginami-ku, Tokyo | 1,430.64 | 43 | 977 | 0.3 | 92.9 | |
| A72 | Lexington Square Honjo Azumabashi | Sumida-ku, Tokyo | 784.74 | 33 | 511 | 0.2 | 96.9 | |
| A73 | AMS TOWER Minami 6-Jo | Sapporo-shi, Hokkaido | 4,460.56 | 120 | 1,180 | 0.4 | 86.1 | |
| A75 | Spacia Ebisu | Shibuya-ku, Tokyo | 7,794.91 | 109 | 7,010 | 2.4 | 94.0 | |
| A76 | Neo Prominence | Kita-ku, Tokyo | 3,574.70 | 52 | 1,660 | 0.6 | 95.0 | |
| A77 | Invoice Shin-Kobe Residence | Kobe-shi, Hyogo | 2,773.71 | 81 | 1,260 | 0.4 | 81.5 | |
| A78 | Cosmo Court Motomachi | Kobe-shi, Hyogo | 2,310.49 | 82 | 973 | 0.3 | 86.5 | |
| A79 | Revest Honjin | Nagoya-shi, Aichi | 1,933.80 | 80 | 674 | 0.2 | 95.0 | |

| Purpose | Property Number (Note 1) | Name of Property | Location | Leasable Area (m ²) | Rentable Units | Acquisition Price (JPY mn) (Note 2) | Investment Ratio (%) (Note 3) | Occupancy Rate (%) (Note 4) |
|--|--|-----------------------------------|-------------------------|---------------------------------|----------------|-------------------------------------|-------------------------------|-----------------------------|
| Residential | A80 | Revest Matsubara | Nagoya-shi, Aichi | 1,955.40 | 70 | 657 | 0.2 | 91.8 |
| | A81 | Sun Terrace Minami Ikebukuro | Toshima-ku, Tokyo | 898.70 | 38 | 625 | 0.2 | 97.4 |
| | A82 | Alba Noritake Shinmachi | Nagoya-shi, Aichi | 1,731.68 | 64 | 608 | 0.2 | 91.0 |
| | A83 | Revest Meieki Minami | Nagoya-shi, Aichi | 1,634.60 | 61 | 597 | 0.2 | 93.6 |
| | A84 | Revest Heian | Nagoya-shi, Aichi | 1,554.03 | 40 | 595 | 0.2 | 88.7 |
| | A85 | Vendir Hamaotsu Ekimae | Otsu-shi, Shiga | 2,670.66 | 81 | 581 | 0.2 | 93.4 |
| | A86 | Salvo Sala | Osaka-shi, Osaka | 1,428.12 | 54 | 544 | 0.2 | 96.7 |
| | A87 | Excellente Kagurazaka | Shinjuku-ku, Tokyo | 701.92 | 33 | 543 | 0.2 | 88.3 |
| | A88 | Luna Court Edobori | Osaka-shi, Osaka | 1,185.50 | 50 | 525 | 0.2 | 98.0 |
| | A89 | Winntage Kobe Motomachi | Kobe-shi, Hyogo | 1,433.35 | 57 | 512 | 0.2 | 80.7 |
| | A90 | Queen's Court Fukuzumi | Koto-ku, Tokyo | 765.18 | 25 | 456 | 0.2 | 96.6 |
| | A91 | Corp Higashinotoin | Kyoto-shi, Kyoto | 1,029.05 | 42 | 446 | 0.2 | 95.2 |
| | A92 | Belair Oimachi | Shinagawa-ku, Tokyo | 530.60 | 26 | 412 | 0.1 | 92.9 |
| | A93 | Siete Minami-Tsukaguchi | Amagasaki-shi, Hyogo | 1,020.86 | 40 | 374 | 0.1 | 97.5 |
| | A94 | Prime Life Sannomiya Isogami Koen | Kobe-shi, Hyogo | 789.12 | 32 | 373 | 0.1 | 87.5 |
| | A95 | HERMITAGE NANBA WEST | Osaka-shi, Osaka | 992.76 | 21 | 355 | 0.1 | 88.0 |
| | A96 | Century Park Shinkawa 1-bankan | Nagoya-shi, Aichi | 1,477.62 | 44 | 335 | 0.1 | 90.9 |
| | A97 | West Avenue | Kunitachi-shi, Tokyo | 794.80 | 40 | 331 | 0.1 | 87.5 |
| | A98 | Little River Honmachibashi | Osaka-shi, Osaka | 974.81 | 31 | 310 | 0.1 | 96.9 |
| | A99 | Prime Life Mikage | Kobe-shi, Hyogo | 761.18 | 28 | 297 | 0.1 | 86.8 |
| A100 | City Court Kitaichijo | Sapporo-shi, Hokkaido | 5,230.18 | 127 | 1,782 | 0.6 | 94.8 | |
| A101 | Lieto Court Mukojima | Sumida-ku, Tokyo | 2,940.20 | 82 | 1,683 | 0.6 | 95.3 | |
| A102 | Lieto Court Nishi-Ojima | Koto-ku, Tokyo | 2,048.28 | 91 | 1,634 | 0.6 | 96.8 | |
| A103 | Royal Parks Momozaka | Osaka-shi, Osaka | 8,776.26 | 147 | 2,910 | 1.0 | 100.0 | |
| A104 | Royal Parks Shinden | Adachi-ku, Tokyo | 15,797.29 | 248 | 5,024 | 1.7 | 100.0 | |
| A105 | Royal Park Tower Minami-Senju (Note 5) | Arakawa-ku, Tokyo | 39,113.46 | 557 | 21,879 | 7.5 | 92.8 | |
| A106 | Royal Parks Seasir Minami-Senju (Note 5) | Arakawa-ku, Tokyo | 6,496.86 | 113 | 2,683 | 0.9 | 100.0 | |
| Subtotal | | | | 189,986.98 | 4,778 | 95,678 | 32.9 | 94.5 |
| Office Buildings / Commercial Facilities | B08 | Kindai Kagakusha Building | Shinjuku-ku, Tokyo | 1,451.54 | 13 | 1,301 | 0.4 | 100.0 |
| | B09 | Shinjuku Island | Shinjuku-ku, Tokyo | 526.43 | 1 | 715 | 0.2 | 100.0 |
| | B14 | Lexington Plaza Nishigotanda | Shinagawa-ku, Tokyo | 6,033.58 | 11 | 4,880 | 1.7 | 91.8 |
| | B15 | Cross Square NAKANO | Nakano-ku, Tokyo | 2,145.00 | 45 | 1,060 | 0.4 | 89.1 |
| | B16 | Ohki Aoba Building | Sendai-shi, Miyagi | 2,178.37 | 13 | 816 | 0.3 | 83.6 |
| | B17 | Lexington Plaza Hachiman | Sendai-shi, Miyagi | 8,419.15 | 18 | 3,280 | 1.1 | 100.0 |
| | B18 | AEON TOWN Sukagawa | Sukagawa-shi, Fukushima | 18,440.58 | 1 | 2,320 | 0.8 | 100.0 |
| Subtotal | | | | 39,194.65 | 102 | 14,372 | 4.9 | 97.2 |
| Parking Lots | C01 | Times Kanda-Sudacho 4th | Chiyoda-ku Tokyo | 81.04 | 1 | 97 | 0.0 | 100.0 |
| Subtotal | | | | 81.04 | 1 | 97 | 0.0 | 100.0 |

| Purpose | Property Number (Note 1) | Name of Property | Location | Leasable Area (m ²) | Rentable Units | Acquisition Price (JPY mn) (Note 2) | Investment Ratio (%) (Note 3) | Occupancy Rate (%) (Note 4) |
|---------|--------------------------|--|-------------------------|---------------------------------|----------------|-------------------------------------|-------------------------------|-----------------------------|
| Hotels | D01 | Hotel MyStays Kanda | Chiyoda-ku, Tokyo | 2,585.72 | 126 | 2,851 | 1.0 | 100.0 |
| | D02 | Hotel MyStays Asakusa | Sumida-ku, Tokyo | 3,327.38 | 161 | 2,584 | 0.9 | 100.0 |
| | D03 | Hotel MyStays Kyoto-Shijo | Kyoto-shi, Kyoto | 7,241.51 | 225 | 6,024 | 2.1 | 100.0 |
| | D04 | MyStays Shin-Urayasu Conference Center | Urayasu-shi, Chiba | 6,232.30 | 175 | 4,930 | 1.7 | 100.0 |
| | D05 | Hotel MyStays Maihama | Urayasu-shi, Chiba | 2,456.36 | 90 | 4,870 | 1.7 | 100.0 |
| | D06 | Hotel Vista Premio Dojima | Osaka-shi, Osaka | 9,445.32 | 153 | 3,845 | 1.3 | 100.0 |
| | D07 | Hotel MyStays Nagoya-Sakae | Nagoya-shi, Aichi | 9,064.71 | 279 | 2,958 | 1.0 | 100.0 |
| | D08 | Hotel MyStays Sakaisuji-Honmachi | Osaka-shi, Osaka | 4,188.83 | 191 | 2,514 | 0.9 | 100.0 |
| | D09 | Hotel MyStays Yokohama | Yokohama-shi, Kanagawa | 7,379.43 | 190 | 2,119 | 0.7 | 100.0 |
| | D10 | Hotel MyStays Nippori | Arakawa-ku, Tokyo | 1,719.29 | 93 | 1,898 | 0.7 | 100.0 |
| | D11 | Hotel MyStays Fukuoka-Tenjin-Minami | Fukuoka-shi, Fukuoka | 3,412.71 | 177 | 1,570 | 0.5 | 100.0 |
| | D12 | Flexstay Inn Idabashi | Shinjuku-ku, Tokyo | 2,953.38 | 62 | 1,381 | 0.5 | 100.0 |
| | D13 | Hotel MyStays Ueno Inaricho | Taito-ku, Tokyo | 1,150.76 | 72 | 1,331 | 0.5 | 100.0 |
| | D14 | Flexstay Inn Shinagawa | Shinagawa-ku, Tokyo | 1,134.52 | 55 | 1,242 | 0.4 | 100.0 |
| | D15 | Flexstay Inn Tokiwadai | Itabashi-ku, Tokyo | 2,539.75 | 130 | 1,242 | 0.4 | 100.0 |
| | D16 | Flexstay Inn Sugamo | Toshima-ku, Tokyo | 2,089.86 | 105 | 1,192 | 0.4 | 100.0 |
| | D17 | Hotel MyStays Otemae | Osaka-shi, Osaka | 4,956.66 | 111 | 1,192 | 0.4 | 100.0 |
| | D18 | Flexstay Inn Kiyosumi Shirakawa | Koto-ku, Tokyo | 2,673.64 | 56 | 749 | 0.3 | 100.0 |
| | D19 | Flexstay Inn Nakanobu P1 | Shinagawa-ku, Tokyo | 770.56 | 39 | 589 | 0.2 | 100.0 |
| | D20 | Flexstay Inn Nakanobu P2 | Shinagawa-ku, Tokyo | 391.49 | 22 | 283 | 0.1 | 100.0 |
| | D21 | APA Hotel Yokohama-Kannai | Yokohama-shi, Kanagawa | 6,568.51 | 452 | 8,350 | 2.9 | 100.0 |
| | D22 | Hotel Nets Hakodate | Hakodate-shi, Hokkaido | 7,961.26 | 205 | 2,792 | 1.0 | 100.0 |
| | D23 | Flexstay Inn Shirogane | Minato-ku, Tokyo | 1,754.06 | 84 | 2,119 | 0.7 | 100.0 |
| | D24 | Hotel MyStays Haneda | Ota-ku, Tokyo | 5,400.16 | 174 | 7,801 | 2.7 | 100.0 |
| | D25 | Hotel MyStays Kameido P1 | Koto-ku, Tokyo | 4,349.67 | 266 | 5,594 | 1.9 | 100.0 |
| | D26 | Hotel MyStays Ueno Iriyaguchi | Taito-ku, Tokyo | 2,247.92 | 97 | 3,821 | 1.3 | 100.0 |
| | D27 | Hotel MyStays Kameido P2 | Koto-ku, Tokyo | 2,793.99 | 177 | 3,742 | 1.3 | 100.0 |
| | D28 | Hotel Vista Shimizu | Shizuoka-shi, Shizuoka | 3,559.81 | 152 | 2,198 | 0.8 | 100.0 |
| | D29 | Super Hotel Shinbashi/Karasumoriguchi | Minato-ku, Tokyo | 1,403.89 | 74 | 1,624 | 0.6 | 100.0 |
| | D30 | Flexstay Inn Higashi-Jujo | Kita-ku, Tokyo | 1,714.53 | 89 | 1,277 | 0.4 | 100.0 |
| | D31 | Hotel MyStays Utsunomiya | Utsunomiya-shi, Tochigi | 11,733.23 | 126 | 1,237 | 0.4 | 100.0 |
| | D32 | Flexstay Inn Kawasaki-Kaizuka | Kawasaki-shi, Kanagawa | 1,190.57 | 64 | 980 | 0.3 | 100.0 |
| | D33 | Comfort Hotel Toyama | Toyama-shi, Toyama | 3,305.64 | 150 | 979 | 0.3 | 100.0 |
| | D34 | Flexstay Inn Kawasaki-Ogawacho | Kawasaki-shi, Kanagawa | 725.60 | 62 | 906 | 0.3 | 100.0 |
| | D35 | Flexstay Inn Ekoda | Nerima-ku, Tokyo | 3,932.93 | 210 | 5,069 | 1.7 | 100.0 |
| | D36 | Super Hotel Tokyo-JR Tachikawa Kitaguchi | Tachikawa-shi, Tokyo | 1,832.97 | 96 | 1,170 | 0.4 | 100.0 |
| | D37 | Super Hotel JR Ueno-iriaguchi | Taito-ku, Tokyo | 1,279.16 | 69 | 1,130 | 0.4 | 100.0 |
| | D38 | Hotel MyStays Shinsaibashi | Osaka-shi, Osaka | 1,942.01 | 57 | 3,160 | 1.1 | 100.0 |
| | D39 | Comfort Hotel Kurosaki | Kitakyushu-shi, Fukuoka | 3,207.60 | 151 | 1,148 | 0.4 | 100.0 |
| | D40 | Comfort Hotel Maebashi | Maebashi-shi, Gunma | 3,660.96 | 154 | 1,128 | 0.4 | 100.0 |
| | D41 | Comfort Hotel Tsubame-Sanjo | Sanjo-shi, Niigata | 3,099.90 | 133 | 1,010 | 0.3 | 100.0 |
| | D42 | Comfort Hotel Kitami | Kitami-shi, Hokkaido | 3,009.50 | 127 | 851 | 0.3 | 100.0 |

| Purpose | Property Number (Note 1) | Name of Property | Location | Leasable Area (m ²) | Rentable Units | Acquisition Price (JPY mn) (Note 2) | Investment Ratio (%) (Note 3) | Occupancy Rate (%) (Note 4) |
|----------|-----------------------------|--|------------------------|------------------------------------|-------------------|--|--|--------------------------------------|
| Hotels | D43 | Hotel MyStays Gotanda Station | Shinagawa-ku, Tokyo | 8,752.42 | 335 | 24,674 | 8.5 | 100.0 |
| | D44 | Hotel Epinard Nasu | Nasu-gun, Tochigi | 37,702.33 | 310 | 20,981 | 7.2 | 100.0 |
| | D45 | Hotel MyStays Fukuoka Tenjin | Fukuoka-shi, Fukuoka | 5,083.06 | 217 | 8,059 | 2.8 | 100.0 |
| | D46 | Hotel MyStays Hamamatsucho | Minato-ku, Tokyo | 1,951.90 | 105 | 7,959 | 2.7 | 100.0 |
| | D47 | Hotel MyStays Premier Kanazawa (Note 6) | Kanazawa-shi, Ishikawa | 13,250.03 | 261 | 13,761 | 4.7 | 100.0 |
| | D48 | Takamatsu Tokyu REI Hotel | Takamatsu-shi, Kagawa | 7,148.17 | 193 | 2,139 | 0.7 | 100.0 |
| Subtotal | | | | 226,275.96 | 7,102 | 181,032 | 62.2 | 100.0 |
| Total | | | | 455,538.63 | 11,983 | 221,181 | 100.0 | 97.5 |

(Note 1) "Property number" refers to the asset owned by INV, classifying the residential asset as A, the office / commercial facility as B, the parking lot as C, the hotel as D according to the use of each property. The numbers with A, B, C, and D indicate the order of acquisition dates and properties with the same acquisition date are arranged in the order of acquisition price

(Note 2) "Acquisition price" is the purchase price indicated in the real estate or trust beneficiary purchase agreement. Such price excludes consumption tax and other taxes, and has been rounded down to the nearest million yen

(Note 3) "Investment ratio" is the ratio of the acquisition price to the aggregate acquisition price of INV's portfolio, and has been rounded to the first decimal place

(Note 4) "Leasable Area" and "Occupancy Rate" are as of end of December 2017

(Note 5) Acquired as of March 14, 2017

(Note 6) Name changed from Hotel MyStays Kanazawa to Hotel MyStays Premier Kanazawa on October 1, 2016

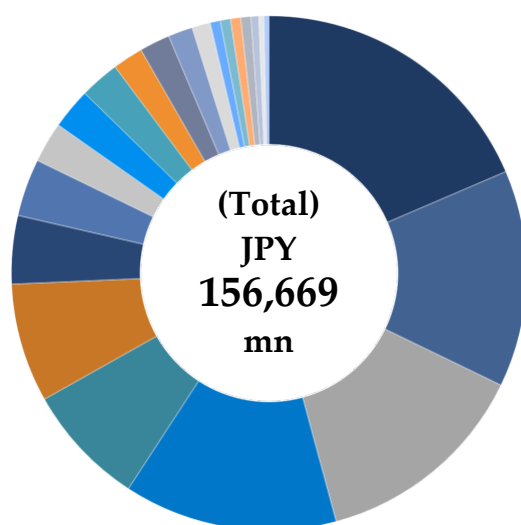
Financial Conditions

- The bank formation is further reinforced by the addition of three new lenders via new borrowing on March 14, 2017 (No. of lenders increased to 22)
- INV obtained its credit rating of 'A' with a 'Positive' outlook from Japan Credit Rating Agency (JCR) on September 27, 2016

Rating (obtained as of September 27, 2016)

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

Lender Formation (as of March 14, 2016)



| | |
|-------------------------|-------|
| Mizuho Bank | 18.5% |
| BTMU | 13.6% |
| SMTB | 13.6% |
| SMBC | 13.4% |
| Citibank Japan | 7.7% |
| Shinsei Bank | 7.5% |
| Resona Bank | 4.3% |
| MUTB | 3.6% |
| Tokyo Star Bank | 2.6% |
| Japan Post Bank | 2.6% |
| Aeon Bank | 2.5% |
| DBJ | 1.9% |
| Fukuoka Bank | 1.9% |
| Shizuoka Bank | 1.5% |
| Nomura TB | 1.2% |
| Kagawa Bank | 0.6% |
| Daishi Bank | 0.6% |
| Hyakugo Bank | 0.6% |
| Hiroshima Bank | 0.6% |
| Towa Bank | 0.5% |
| Dai-ichi Life Insurance | 0.3% |
| Gunma Bank | 0.3% |

(Note 1) LTV (Appraisal Value Base) is calculated by the following formula: (Interest-bearing debts at the end of the relevant fiscal period) / (Total appraisal value as of the end of the same period)

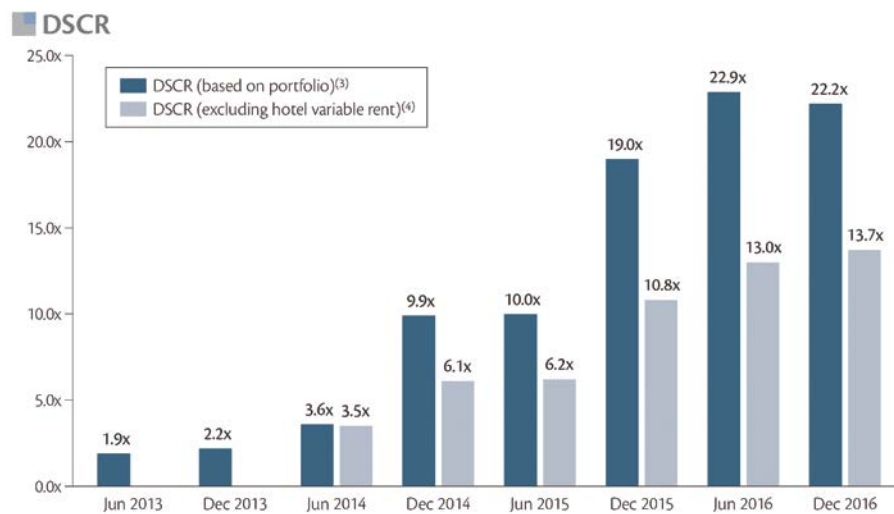
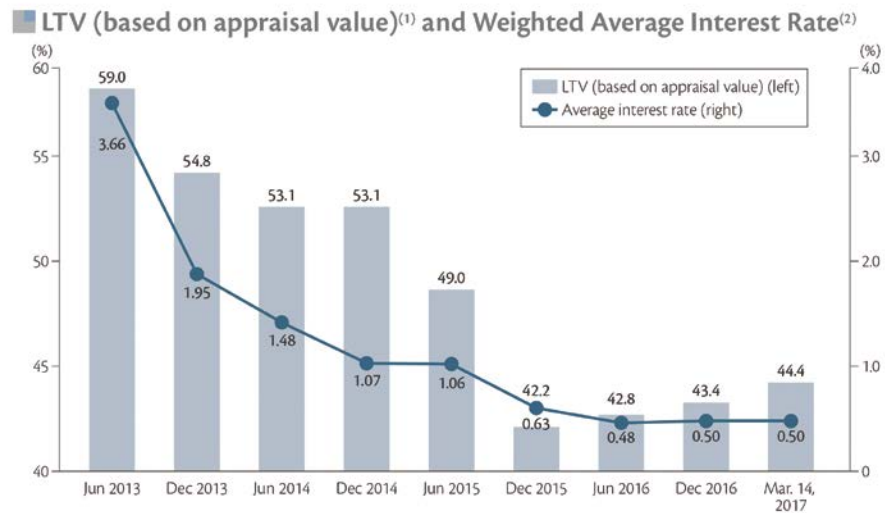
LTV (Appraisal Value Base) as of March 14, 2017 calculated by the following formula:

(Interest-bearing debts at the end of December 2016 + Total amount of new borrowings) / (Total appraisal value as of the end of December 2016 + Total appraisal value for the properties acquired on March 14, 2017 as of December 1, 2016)

(Note 2) The average interest rate is calculated by the following formula: (Total loan amount outstanding at the end of each fiscal period or as of March 14, 2017 multiplied by applicable interest rate at the end of each fiscal period for each loans or as of March 14, 2017 / The loan amount outstanding at the end of each fiscal period or as of March 14, 2017

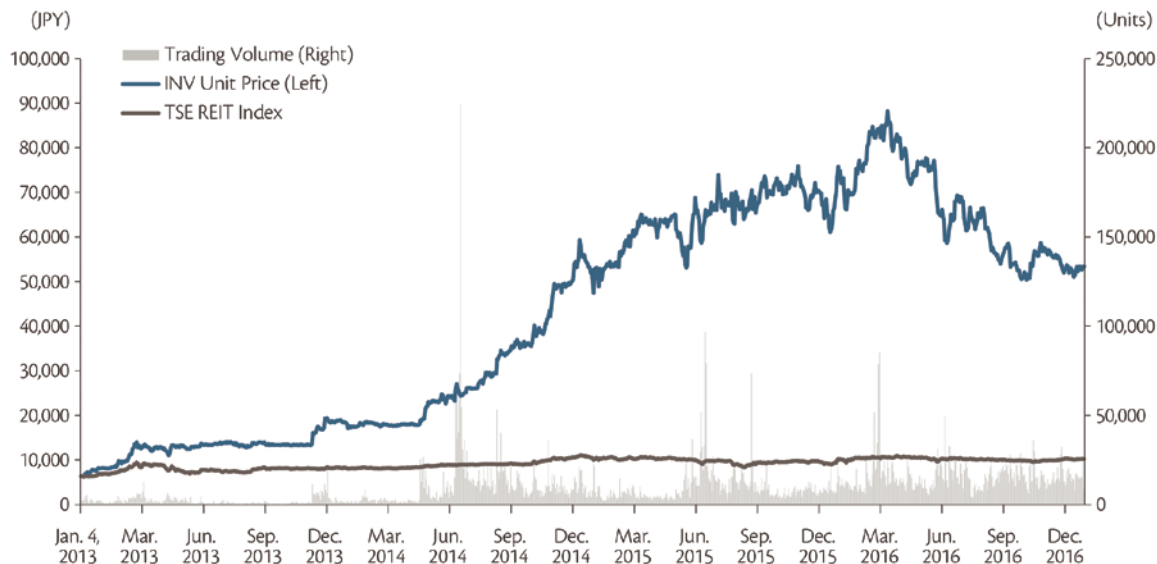
(Note 3) DSCR is calculated by dividing operating income, as adjusted for depreciation expenses from property rental business and any loss (gain) on sales of property by scheduled prepayments of loans payable and interest expense for the relevant period

(Note 4) DSCR (excluding hotel variable rent) is in the same manner as DSCR, except for excluding hotel variable rent from operating income



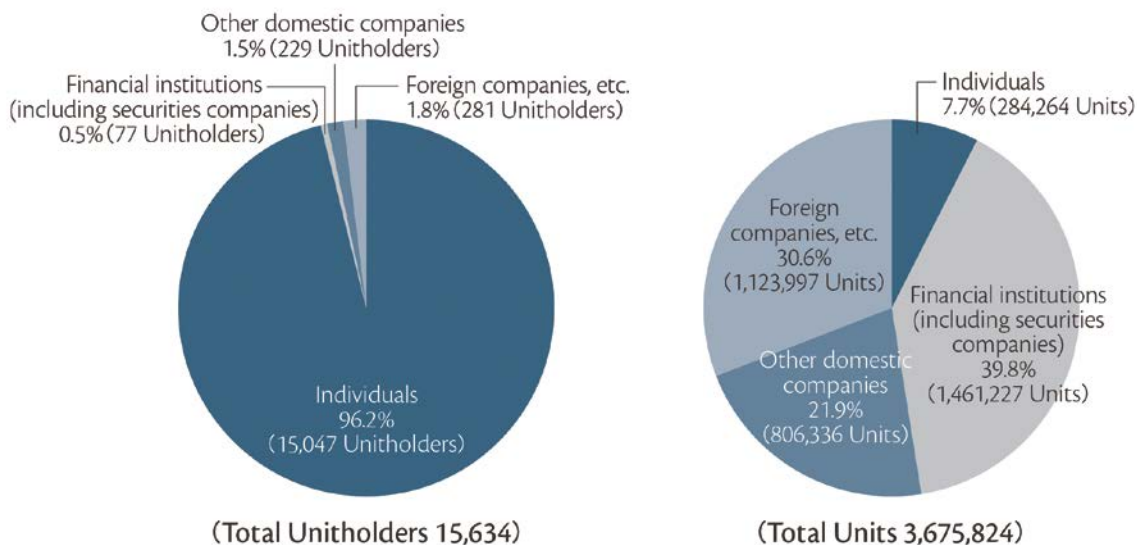
Overview of Unitholders/Investment Units

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 was the same as the closing price of INV unit on the same day.

Distribution of Unitholders



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 is past, please specify the 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. 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, please list 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