

**Invincible**  
Investment Corporation

**Invincible Investment Corporation**  
**Follow on Acquisition**

TSE Code : 8963

May 25, 2017

## Acquisition of High Quality Select Service Hotel in Central Tokyo

- Acquisition price of JPY 8.0 billion, funded with cash on hand and additional borrowing for a 4.7% appraisal cap rate
- Large hotel rooms of 28.5 square meters can accommodate three to five guests; plus 14 serviced apartment units
- A five minute walk to Hamamatsucho Station on the JR Line and Tokyo Monorail provides direct access to Haneda Airport
- After Acquisition, 2017 DPU expected to increase by JPY 49 to JPY 2,770 which is 4.0% above last year and 1.8% above forecast

## Hotel and Residential Showing Strong Growth in 2nd Quarter

- A series of successful operational improvement initiatives at Mystays forecasted to result in same store hotel NOI growth of 3.4%<sup>1</sup> in the 2nd quarter compared to the 2nd quarter of 2016. Initial bookings for the summer indicate that this trend should continue
- A residential rent program systematically applied over the past three years has accelerated with the replacement of Property Managers at 16 residential properties in December, 2016
- Residential NOI is expected to increase 4.4%<sup>2</sup> in the 2nd quarter compared to last year
- Robust Sponsor Pipeline of 21 hotels / 5,996 rooms including Sheraton Grande Tokyo Bay Hotel, Rihga Royal Hotel Kyoto, Hotel MyStays Premier Sapporo Park<sup>3</sup> facilitates external growth

## MyStays Hotel Management Initiatives to Provide for Internal Growth

- Promotional campaigns, an improved website and enhanced revenue management analytics are expected to increase direct bookings and maximize revenue on high demand days
- Converted 261 rooms to non-smoking with an additional 314 rooms to be converted by July. Since conversion, the non-smoking rooms in these properties had an average RevPAR 7.8% higher than the respective smoking rooms<sup>4</sup>
- Renegotiation of linen and cleaning contract costs which is expected to provide annual savings of JPY 45 million<sup>5</sup>
- MyStays has signed 12 new contracts with travel agents, airlines and OTAs based in China, Hong Kong, Taiwan and Korea to diversify its channel and distribution mix

## Potential Synergies with SoftBank Group

- In February 2017, Fortress Investment Group LLC (“FIG LLC”) announced that it had entered into a definitive merger agreement with SoftBank Group Corp. (“SoftBank”) pursuant to which SoftBank will acquire 100% of FIG LLC. The transaction is subject to certain regulatory approvals, and is expected to close in the second half of 2017. If completed, Invincible believes that this transaction could create various potential synergies that might benefit Invincible, including enhancing banking relationships, cooperation in technology and robotics, and additional contacts with corporate Japan

(Note 1) Based on 38 hotel properties; of the 48 hotel properties in our portfolio as of the end of April 2017, 9 hotels with fixed-rent lease agreements as well as Hotel MyStays Kanda, which were renovated in 2016, are excluded

(Note 2) Based on the 66 residential properties owned as of the end of 2015 / Excludes one-off insurance-related revenues and expenses

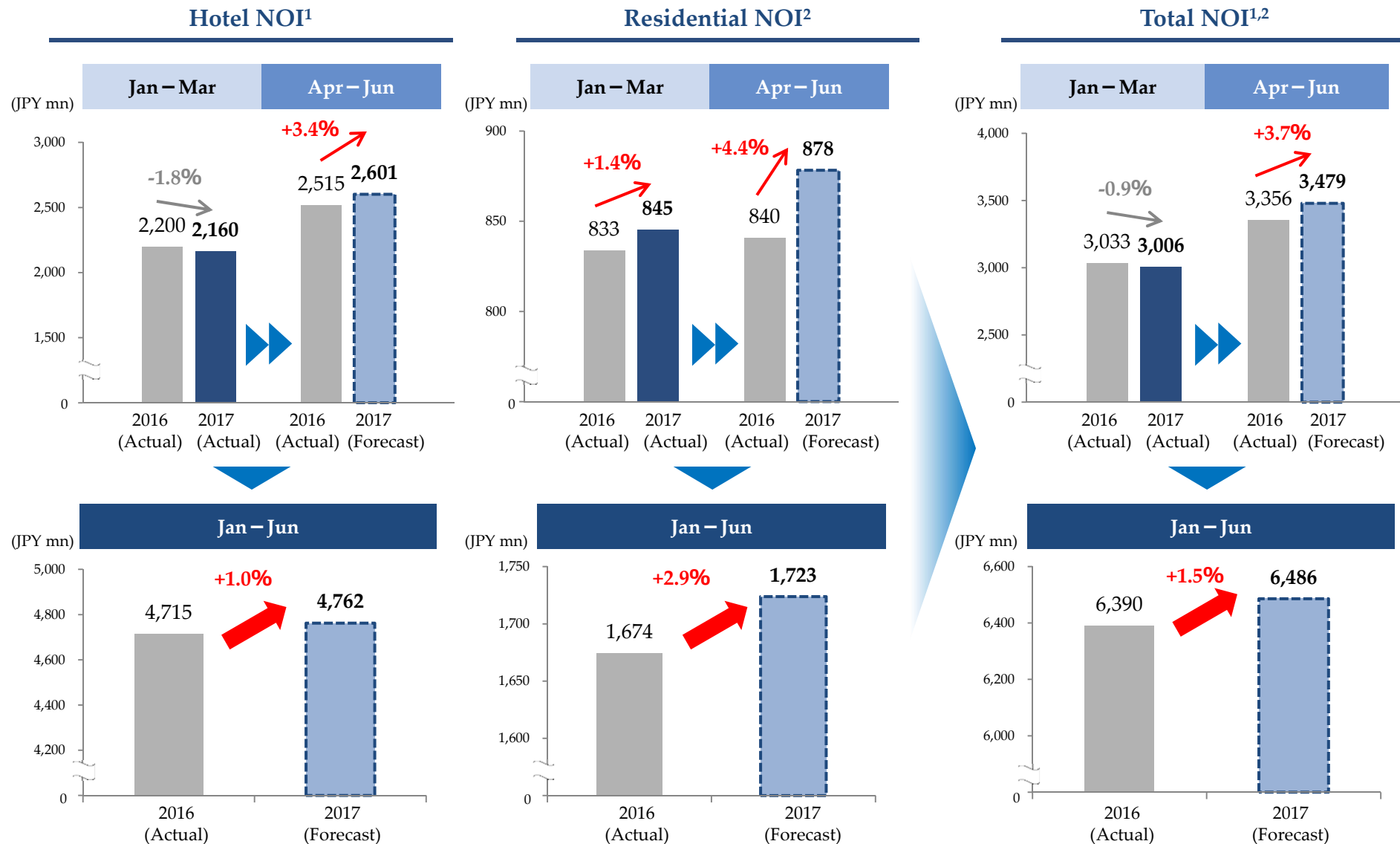
(Note 3) We do not intend to acquire any of the properties for Sponsor Pipeline as of the date of this material and there is no assurance that we will acquire any of these properties in the future

(Note 4) Based on the hotels owned by INV as of the end of April, completed such conversion by the end of February 2017, and have both smoking room and non-smoking room after such conversion. The percentage is calculated by comparing the sum of the RevPAR of smoking room and non-smoking room at each hotel multiplied by the number of room converted at each hotel.

(Note 5) Compared with the annual cost in 2016, assuming relevant 21 hotels owned by INV as of the end of December 2016 were owned since the beginning of 2016, calculated based on actual 2016 full year results. Performance of the properties acquired in 2016 is based on actual results provided by sellers.

# Performance of Existing Properties

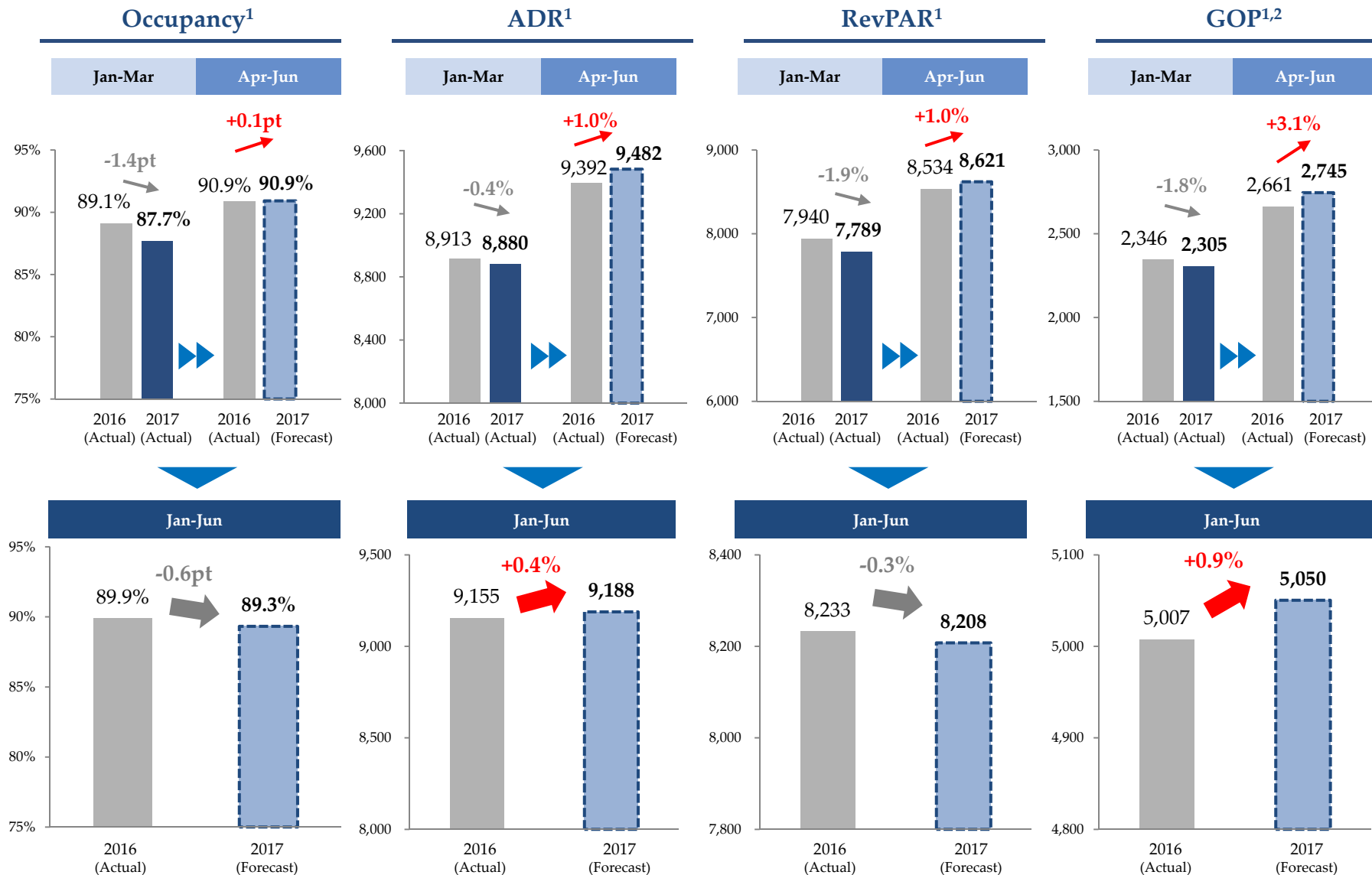
Both hotel and residential NOI are forecasted to show strong NOI growth of 3.4% and 4.4% respectively year-on-year from April to June 2017



(Note 1) Based on 38 hotel properties; of the 48 hotel properties in our portfolio as of the end of April 2017, 9 hotels with fixed-rent lease agreements as well as Hotel MyStays Kanda, which were renovated in 2016, are excluded  
(Note 2) Based on the 66 residential properties owned as of the end of 2015. Excludes one-off insurance-related revenues and expenses

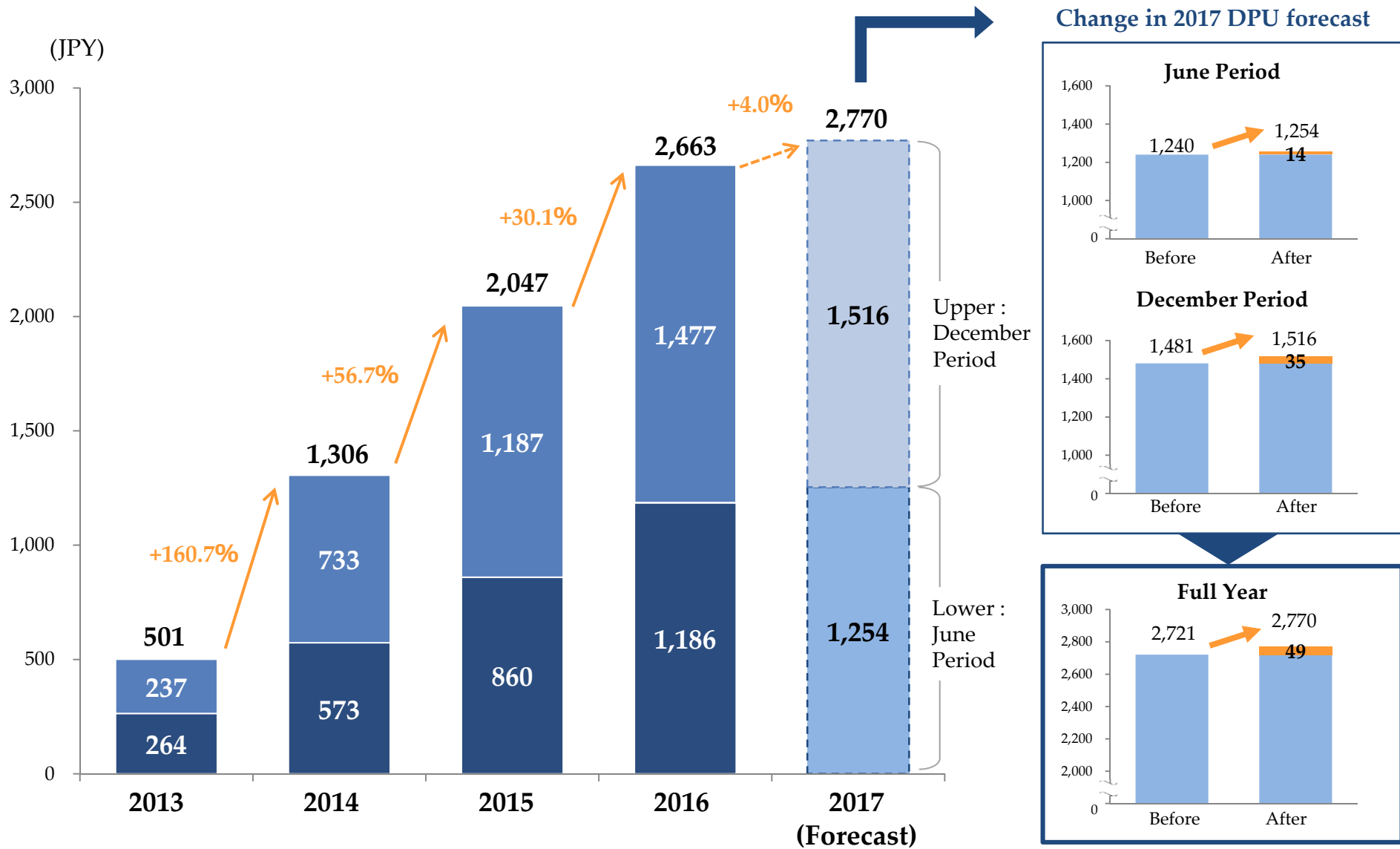
# Performance Indicators of Hotel Properties

For the fiscal period June 2017, INV forecasts year-on-year growth for ADR and GOP will be 0.4% and 0.9% respectively



(Note 1) Based on 38 hotel properties; of the 48 hotel properties in our portfolio as of the end of April 2017, 9 hotels with fixed-rent lease agreements as well as Hotel MyStays Kanda, which were renovated in 2016, are excluded  
 (Note 2) In calculating the GOP, the rent paid for APA Hotel Yokohama-Kannai, is regarded as GOP of the hotel since GOP is not disclosed by the operator

After Acquisition, 2017 DPU expected to increase by JPY 49 to JPY 2,770 which is 4.0% above last year and 1.8% above forecast



# 2017 DPU Impact

DPU will increase by JPY 49 as a result of acquisition

	Forecast at the beginning of term			Forecast after acquisition					
	June Period	December Period	Full Year	June Period	Variance	December Period	Variance	Full Year	Variance
Operating Revenues (JPY mn)	9,285	10,498	19,783	9,282	-2	10,687	189	19,969	186
Operating Income (JPY mn)	5,268	6,245	11,513	5,311	42	6,402	157	11,714	200
Ordinary Income (JPY mn)	4,590	5,652	10,242	4,653	62	5,776	123	10,429	186
Net Income (JPY mn)	4,589	5,651	10,241	4,652	62	5,775	123	10,428	186
DPU without distribution in excess of earnings (JPY)	1,185	1,460	2,645	1,205	20	1,495	35	2,700	55
DPU in excess of earnings (JPY)	55	21	76	49	-6	21	-	70	-6
<b>DPU (Total) (JPY)</b>	<b>1,240</b>	<b>1,481</b>	<b>2,721</b>	<b>1,254</b>	<b>14</b>	<b>1,516</b>	<b>35</b>	<b>2,770</b>	<b>49</b>

MyStays is taking the following actions based on extensive operational analysis and customer feedback through TrustYou<sup>1</sup> Analytics

## At the Hotel

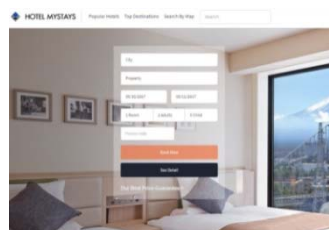
- Converting 575 rooms to non-smoking to better adapt to updated customer preferences (by July 2017)
- On average, RevPAR has increased by 7.8% for the rooms converted to non-smoking rooms<sup>2</sup>
- Reduced linen and cleaning costs by renegotiating the contracts (annual savings JPY 45 million)<sup>2</sup>



Hotel MyStays Hamamatsucho

## Website

- Improved website with easier booking navigation and star ratings from TrustYou
- Streamlined information architecture and rewrote all copyright in order to have better user experience and SEO<sup>3</sup>; updated pictures and content for each hotel and region
- In the second half of the year, MyStays will implement a new booking engine, web site redesign, a CRM system<sup>4</sup> which will allow for an enhanced loyalty program<sup>5</sup> for core Japanese business and leisure travelers



MyStays Website

## Offline Marketing

- MyStays corporate sales team focusing on building group corporate business to resorts and conference center properties



## Revenue Management

- Increased overbooking ratios and continue to monitor them in order to maximize occupancy and offset increased cancellations. For example, the first four months of 2017 had 607 nights<sup>6</sup> that were 99%+ occupied compared to 252 in the same period a year earlier
- Implement new revenue management software



## Online Marketing

- Promoting 5% off Membership campaign to increase direct bookings, save commissions, and encourage repeat customers
- Launched affiliate marketing program with CBTC Bank Co., Ltd. (largest credit card issuer in Taiwan) in 4Q 2016
- Recently started affiliated marketing programs with Hong Kong Airlines and ANA / Union Pay
- Increased online marketing (including multiple property campaigns) through paid search, emails, banner ads, and Facebook ads



the CBTC campaign

## SoftBank Synergies

- In anticipation of the announced acquisition of FIG LLC by SoftBank, MyStays plans to work with SoftBank to identify how MyStays may benefit from SoftBank's deep experience and ownership of companies involved in artificial intelligence, website design, and robotics



(Note 1) TrustYou analyzes hundreds of millions of travel reviews and is one of the world's largest guest feedback platforms

(Note 2) Please refer to the notes on page 1

(Note 2) 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 3) CRM stands for "Customer Relationship Management", and the CRM system is a system that manages contact with customers including customer information utilized for CRM

(Note 4) The loyalty program means the membership program of the hotel, and customers who become members can get points and benefits by reservation and staying at the hotels

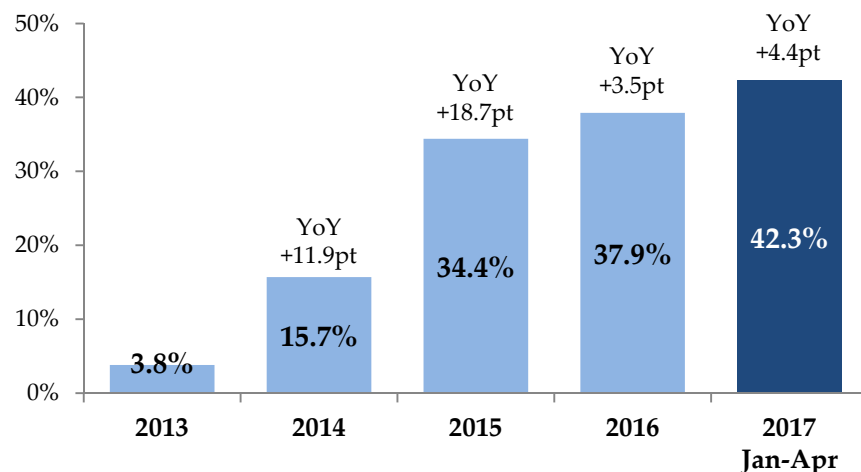
(Note 5) The number of nights means the sum of nights at which each of 34 MyStays hotels owned by INV as of the end of April 2017 (excluded Hotel Epinard Nasu) achieved over 99% occupancy

## MyStays Uniquely Caters to Inbound Tourists

- In the past six months, MyStays has expanded its distribution channels to include new relationships with 12 travel agents, airlines and OTAs in China, Hong Kong, Taiwan and Korea
- MyStays website and guest relations offer 5 languages including Japanese, English, Chinese (Simplified), Chinese (Traditional), and Korean
- Front desks are usually multi-lingual staffed with guest relations providing back-up services
- Easy communication with the customers through website, chat, email, and phone
- MyStays hotels provide Free Wi-Fi

### Broader International Customer Base

Increased revenue from foreign guests<sup>1</sup>



## Increased services for Chinese speaking guests

- Hired additional Chinese speaking staff
- 24-hour support in Chinese via online chat and phone hotline
- Increased presence on C-Trip\*, 6 hotels with Silver Medal status and 30 'China Friendly' hotels
- Conveniently accepts Union Pay at all hotel locations
- Chinese signage throughout the hotels

\*C-trip is the largest online travel site in China and provides certification marks for Chinese traveler friendly hotels.

	Requirement	
<b>China Friendly</b>	Electric kettle, Free Wi-Fi, CUP card, Tea bag, Chinese breakfast, Chinese notation of hotel facilities, 3.8 or more for reviews, Full day Front Chinese	
<b>Gold Medal status</b>	Lowest price, C-trip has price advantage over other OTA	Provided more than 2 rooms per day to C-trip (or use unified management software), 4 points or more for reviews
<b>Silver Medal status</b>	Provided same rates and number of rooms by all OTAs, Benefits for C-trip	



Chinese breakfast at MHM hotels



Union Pay

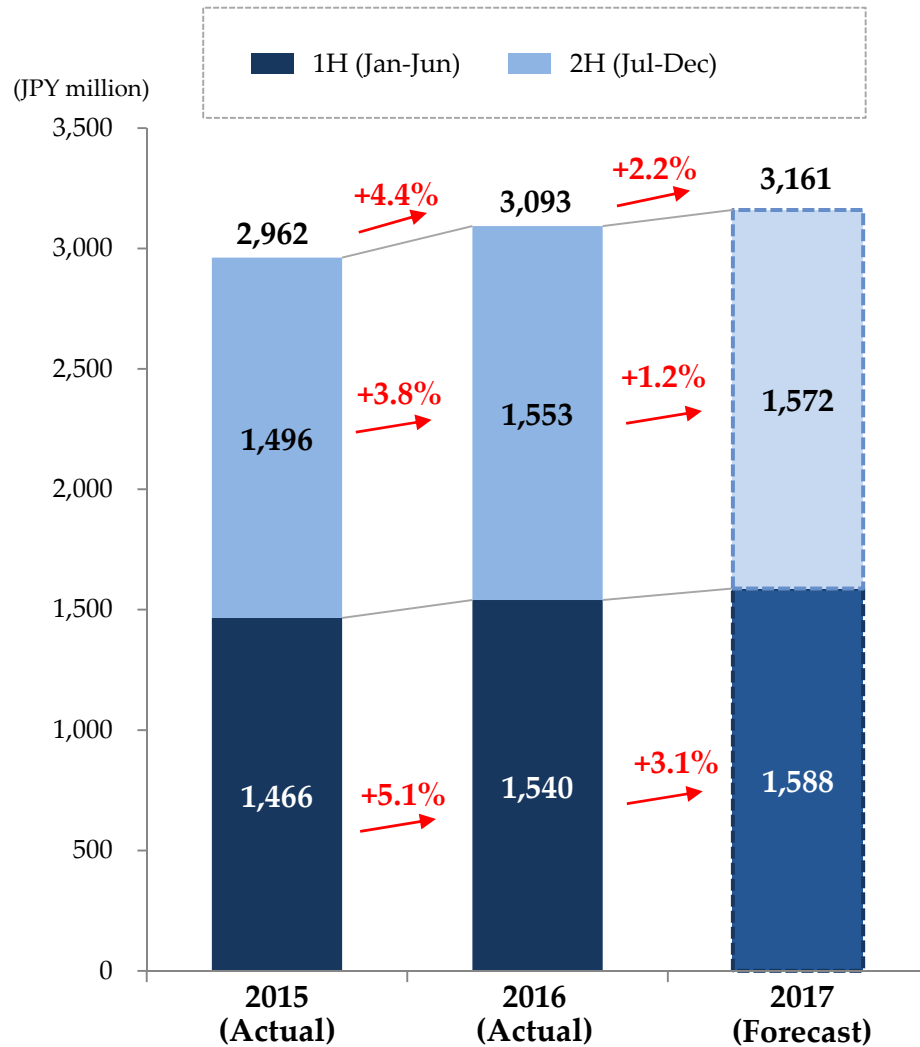
(Note 1) Overseas Sales Ratio refers to the sales revenue booked through overseas Online Travel Agents as a percent of the total room revenue, and is calculated based on the 29 hotels out of the 35 hotels managed by MHM for INV's portfolio as of the end of December 2016, and does not include the six hotels, Hotel MyStays Nagoya-Sakae, Hotel MyStays Haneda, Hotel MyStays Utsunomiya, Hotel MyStays Gotanda Station, Hotel Epinard Nasu, Hotel MyStays Haneda, and Hotel MyStays Premier Kanazawa, which have no data for the period from 2013 through 2016



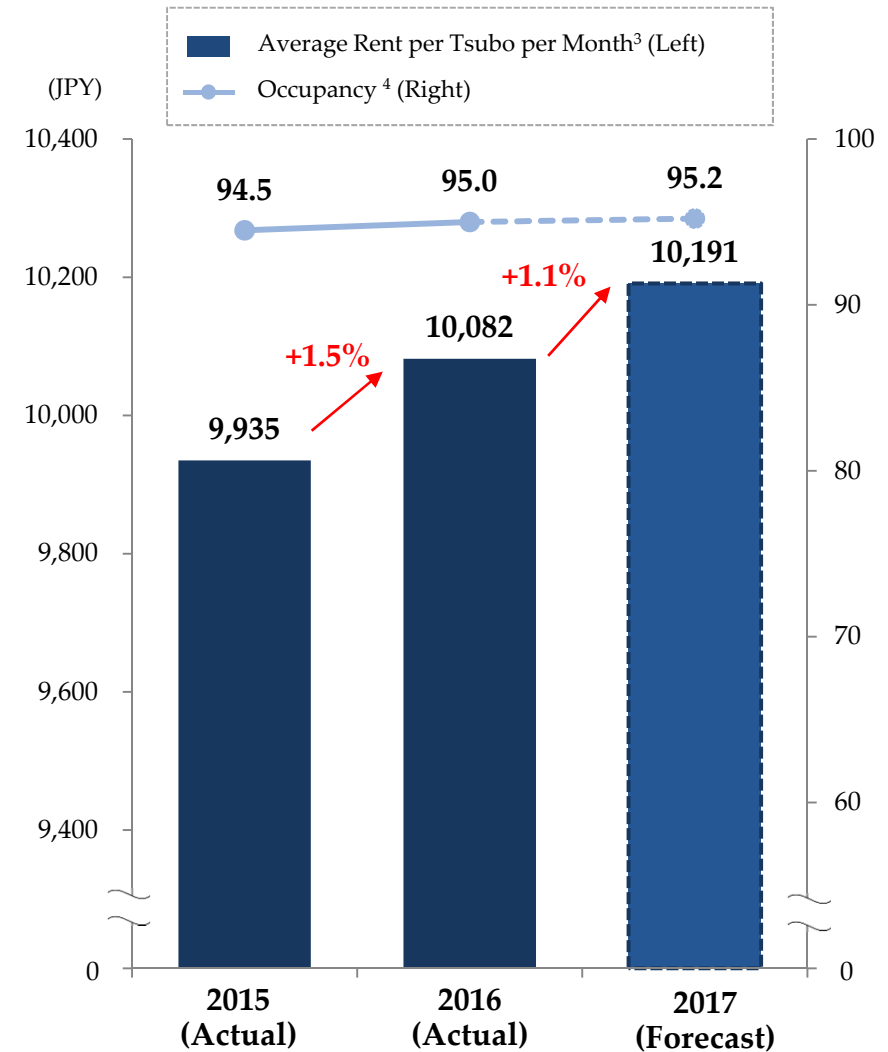
# Residential Rent Increase Initiative (1)

A rent increase program systematically applied over the past three years created the foundation for sustained NOI growth

## NOI<sup>1,2</sup>



## Occupancy and Average Rent per Tsubo per Month<sup>1</sup>



(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

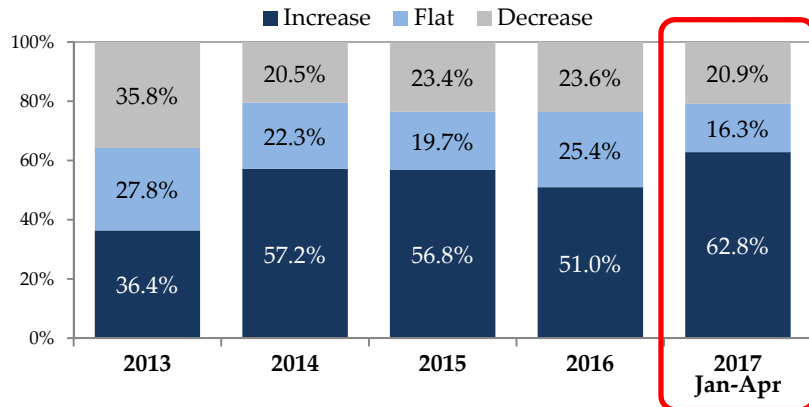
(Note 3) Average Rent per Tsubo per Month is calculated by dividing the total residential rental revenue including common area charges for each month by the sum of total residential leasable area at the end of each month, indicating the average rent per Tsubo weighted by leased area

(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 Initiative (2)

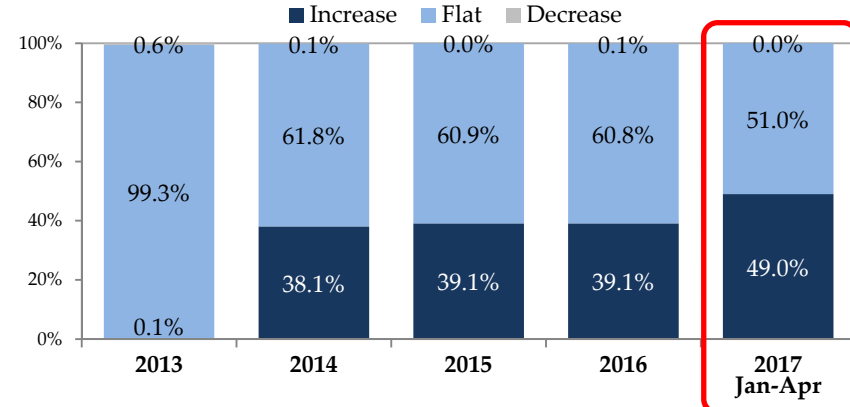
- In December 2016, Invincible replaced the property managers at 16 properties, accelerating the effectiveness of this program
- Invincible anticipates additional changes in property managers and other initiatives to grow the NOI from the residential assets.

### Change in Rent for New Contracts<sup>1</sup>



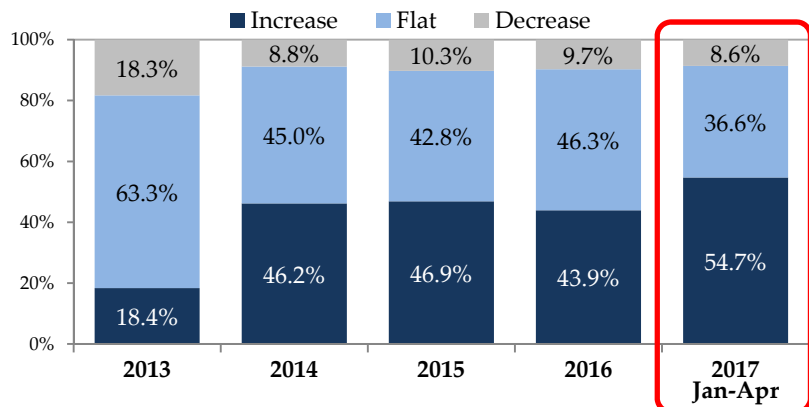
No. of New Contracts	827	649	943	783	417
Occupancy <sup>2</sup> (%)	95.5	94.0	94.7	95.9	95.4
Net Leasing Cost (No. of months) <sup>3</sup>	1.15	1.01	1.23	1.15	0.93

### Change in Rent for Renewal Contracts<sup>1</sup>

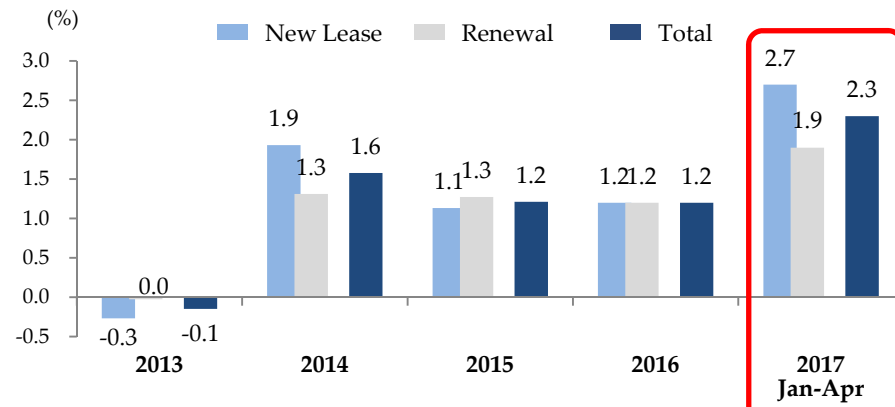


No. of Renewals	818	872	1,209	1,126	590
Renewal Rate <sup>4</sup> (%)	81.2	84.7	85.4	83.7	81.9

### Change in Rent for All Contracts<sup>1</sup>



### Average Rent Increase / Decrease<sup>5</sup>



(Note 1) Based on the properties owned at the end of period. 63 properties for 2013, 63 properties for 2014, 66 properties for 2015, and 68 properties for 2016, 70 properties for 2017 Jan-Apr  
 (Note 2) 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  
 (Note 3) Net Leasing Cost (Multiple of Monthly Rent) = Advertising Expenses (Multiple of Monthly Rent) + Free Rent (Multiple of Monthly Rent) - Key Money (Multiple of Monthly Rent)  
 (Note 4) Renewal rate is calculated by "Number of Renewals during the Period" ÷ "Number of Cases Targeted for Renewal during the Period"  
 (Note 5) Weighted average of monthly rent increase or decrease (%) of new or renewal contracts, or the total of both, compared with previous contracts of properties owned at the end of period

## Hotel MyStays Premier Hamamatsucho



- Large room size of 28.5 square meters offers strong product differentiation in Tokyo market
- Located in close proximity to Hamamatsucho Station, providing direct access to Haneda airport, near the Shiodome business district, and walking distance to Ginza
- Fully renovated in November 2016
- 14 serviced apartments
- Restaurant renovated in April 2017, open for breakfast, lunch and dinner, managed by 3rd party
- Roughly half of room revenue is contributed by inbound guests, boosting Double Occupancy Ratio<sup>3</sup>

### Basic Information

Address	Hamamatsucho 1-8-5, Minato-ku, Tokyo
Access	5 minute walk from Hamamatsucho Station (JR Line, Tokyo Monorail)
Completion Date	1994
No. of Rooms	Hotel : 120 rooms Serviced Apartment : 14 units
Rentable Space	6,151.93m <sup>2</sup>
Land Area	1,070.53m <sup>2</sup>
NOI (estimated) <sup>1</sup>	JPY 368 million

### Hotel KPI<sup>2</sup>

Occupancy	90.4%
ADR	JPY 16,184
RevPAR	JPY 14,629
Double Occupancy Ratio <sup>3</sup>	2.62
Overseas Sales Ratio <sup>4</sup>	57.2%

(Note 1) Annual NOI in 2017 calculated by combining actual monthly NOI from January to April 2017 and anticipated monthly NOI from May to December 2017 estimated by INV  
 (Note 2) Occupancy, ADR, RevPAR, Double Occupancy Ratio : for April 2017 / Inbound Ratio : Average monthly rate since completion of renovation (from November 2016 to April 2017)  
 (Note 3) Double Occupancy Ratio means average number of guest per occupied room, and is calculated by dividing the total number of guests by the total number of occupied rooms during the same period  
 (Note 4) Overseas Sales Ratio refers to the sales revenue booked through overseas Online Travel Agents as a percent of the total room revenue

### 120 rooms (Room size : 28.5m<sup>2</sup> / all non-smoking rooms)

Deluxe King (3 people) 75 rooms	Deluxe Twin (5 people) 18 rooms	Superior Twin (3 people) 24 rooms	Superior Queen (3 people) 3 rooms
			



# Surrounding Attractions

Direct access to Haneda, Japan's busiest and world's fifth busiest airport, and in close proximity to world famous shopping and tourist destinations

Toranomon Hills (1.0km)



Tokyo Tower / Shiba Park (950m)



Hamamatsucho Station (500m)



Haneda Airport



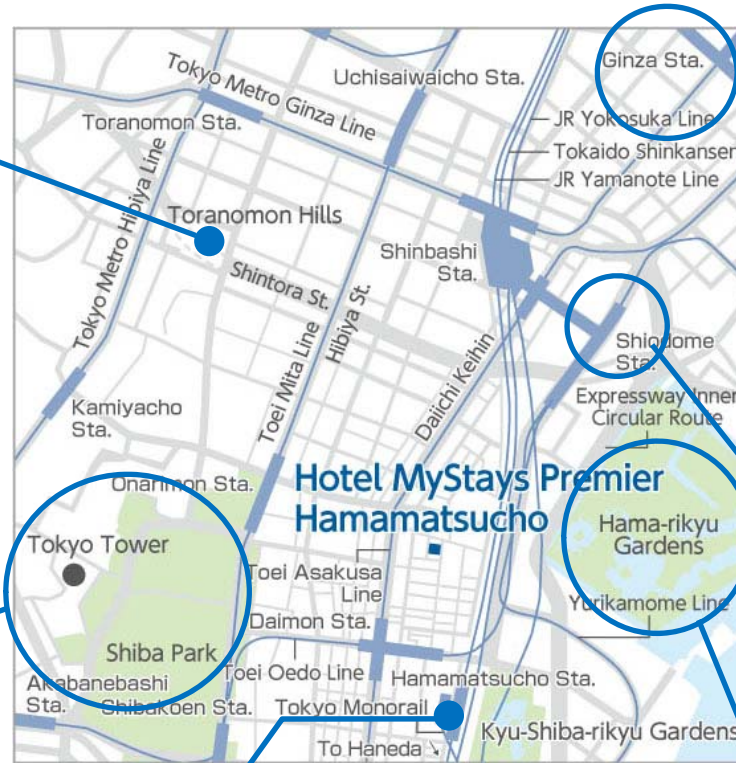
Ginza Area (1.5km)



Shiodome Business District (770m)



Hama-rikyu Gardens (320m)



\* Linear distance from hotel in parentheses

- The acquisition of Hotel MyStays Premier Hamamatsucho is from sponsor pipeline
- Robust pipeline of 30 assets provides opportunity for growth and stability, even after the anticipated acquisition

## Properties Covered by the MOU<sup>1,2</sup>

### ■ Hotels

No.	Property name	Location	Type <sup>3</sup>	No. 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 Hotel 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 Omori	Shinagawa-ku, Tokyo	Limited	220	In Operation	Nov 2016

### ■ Residential properties

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

No. of Hotel Rooms

**5,996**

No. of Apartment Units

**743**

(Note 1) MOU providing preferential negotiation rights.

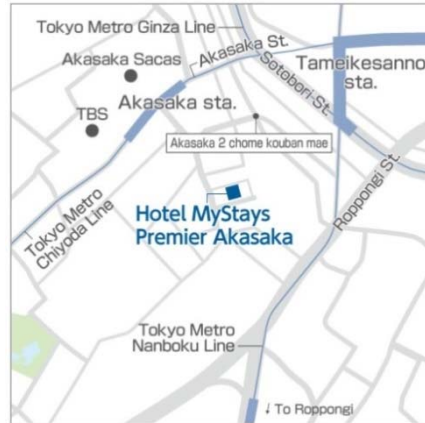
(Note 2) We do not intend to acquire any of the properties listed above as of the date of this material and there is no assurance that we will acquire any of these properties in the future

(Note 3) "Limited" refers to "Limited Service Hotel", "Full" refers to "Full Service Hotel", and "Resort" refers to "Resort Hotel"



# Major Sponsor Pipeline Properties

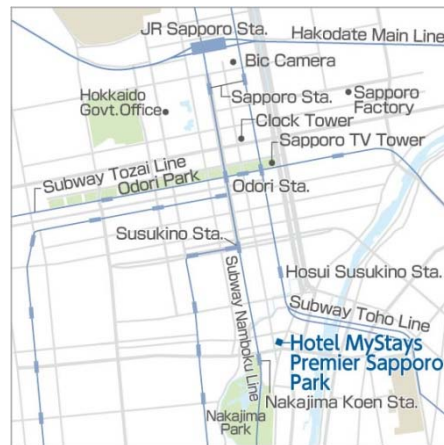
**Hotel MyStays Premier Akasaka (327 rooms)**



**Sheraton Grande Tokyo Bay Hotel (1,016 rooms)**



**Hotel MyStays Premier Sapporo Park (418 rooms)**

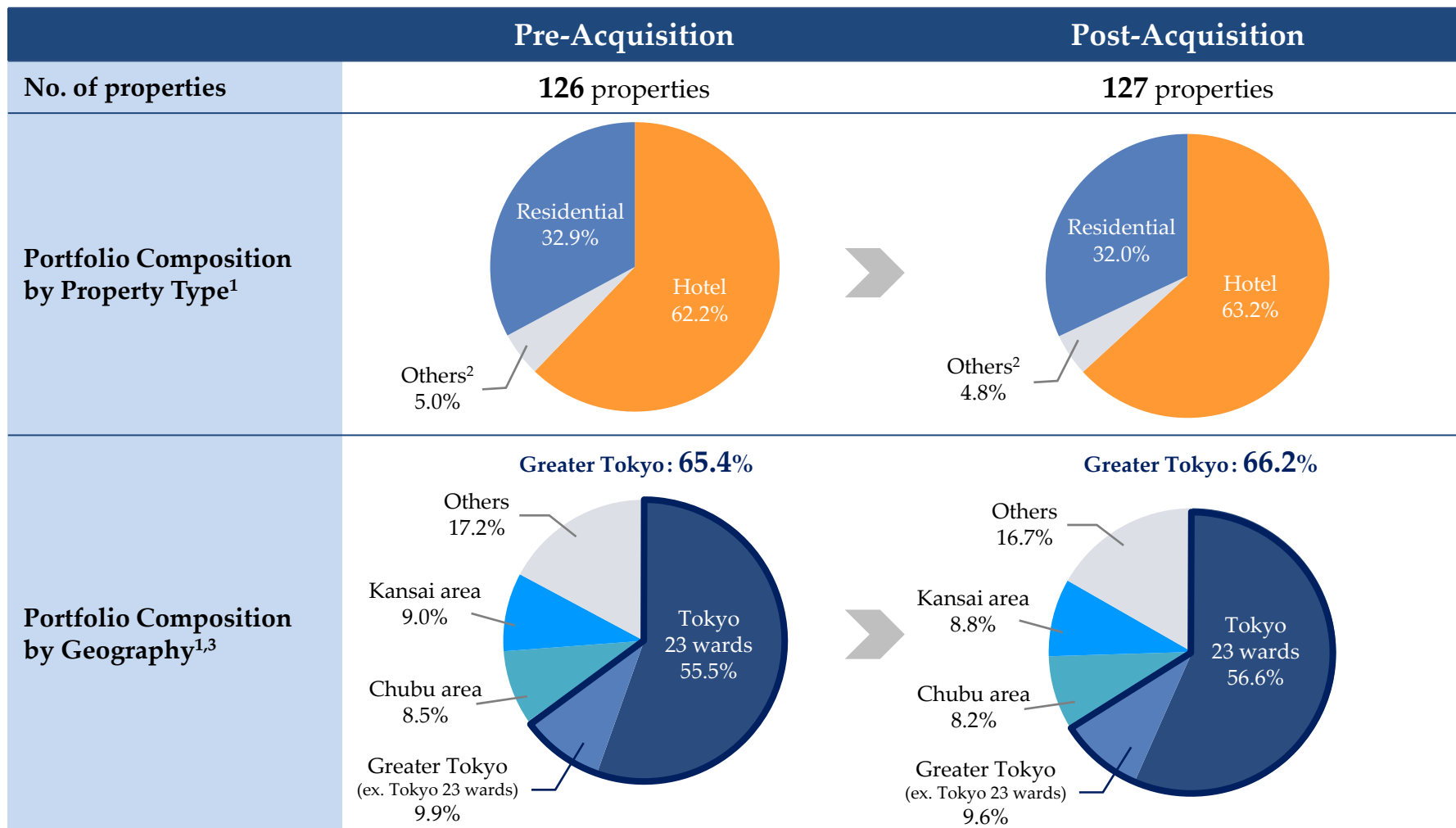


**Rihga Royal Hotel Kyoto (489 rooms)**



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

- The portfolio continues to build a critical mass
- Performance variances at one property offset by other properties



(Note 1) Based on (anticipated) acquisition price

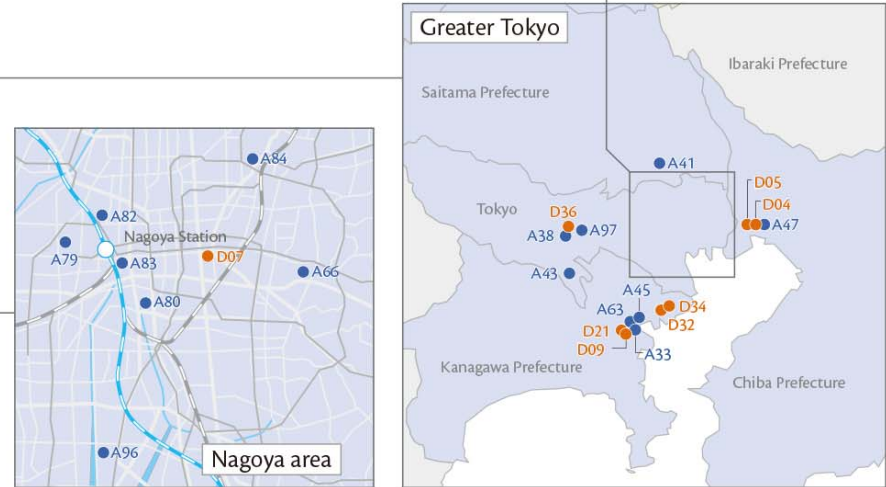
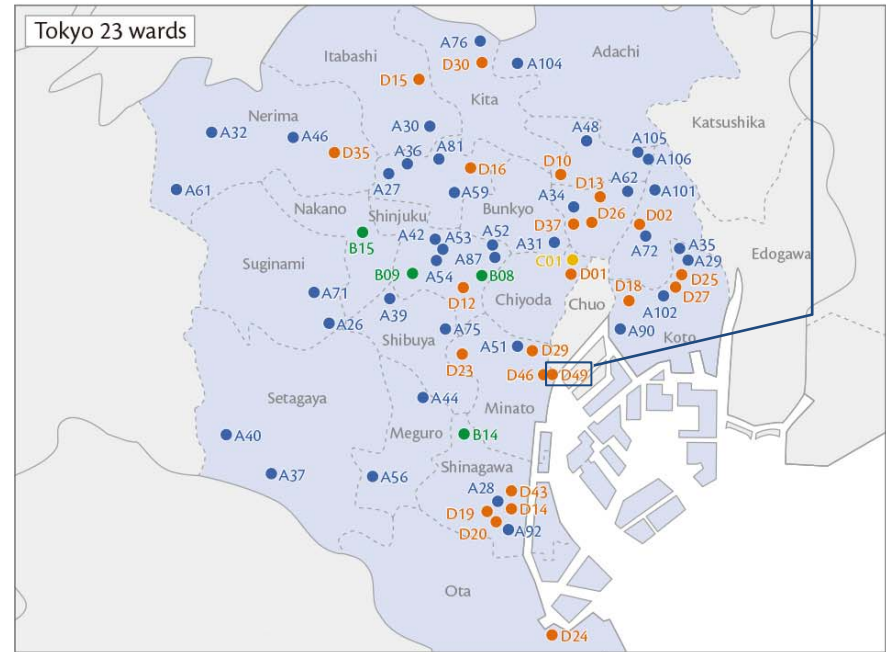
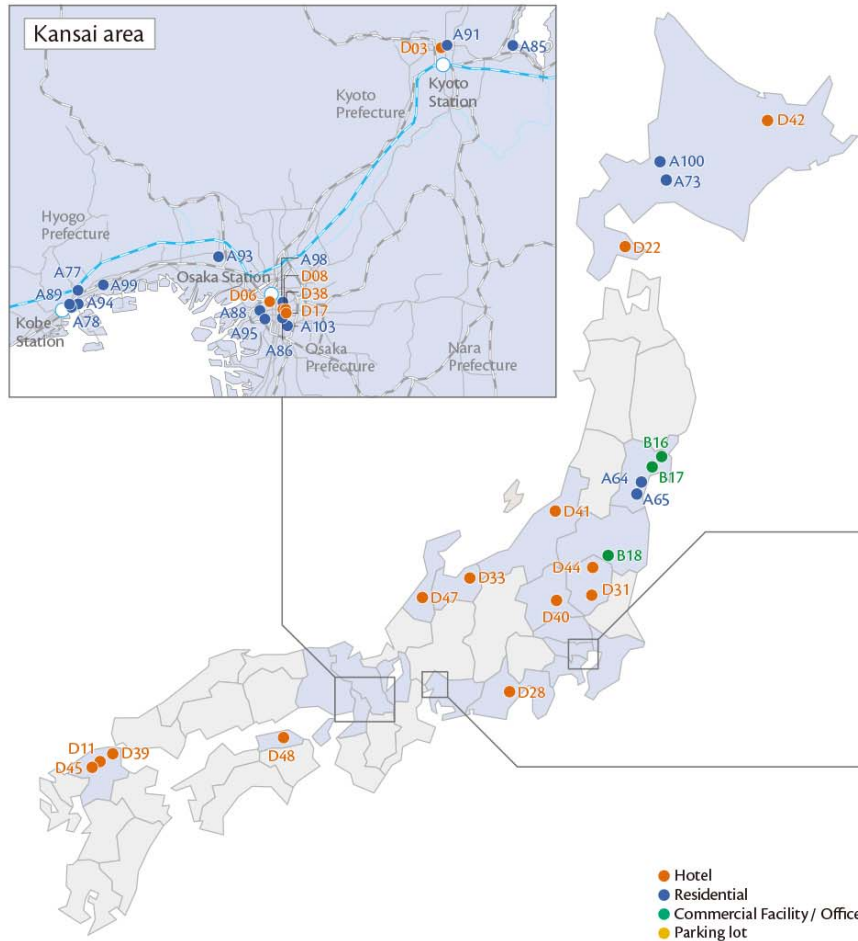
(Note 2) "Others" includes Offices, Commercial facilities and Parking lots

(Note 3) 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.

# Portfolio Map After Anticipated Acquisition

No. of Properties	No. of Residential	No. of Hotels	No. of Others
<b>127</b>	<b>70</b>	<b>49</b>	<b>8</b>

**Hotel MyStays Premier Hamamatsucho**

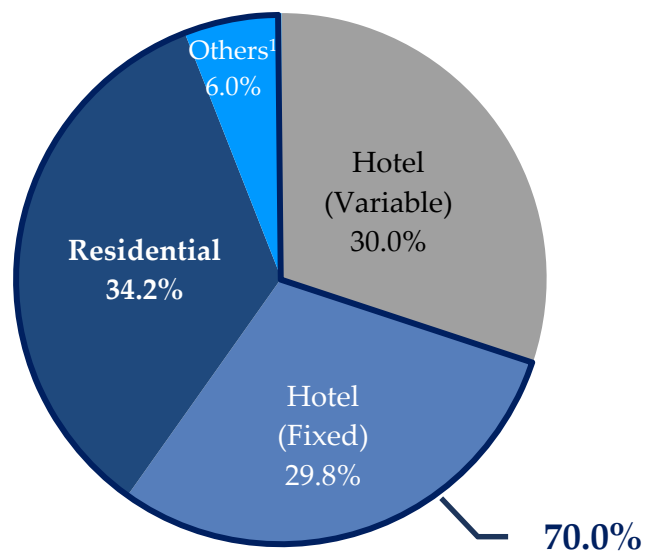




# Revenue Impact on Acquisition of MyStays Premier Hamamatsucho

Residential rents, Hotel fixed rents, and office/retail rents comprise approximately 70% of total revenue

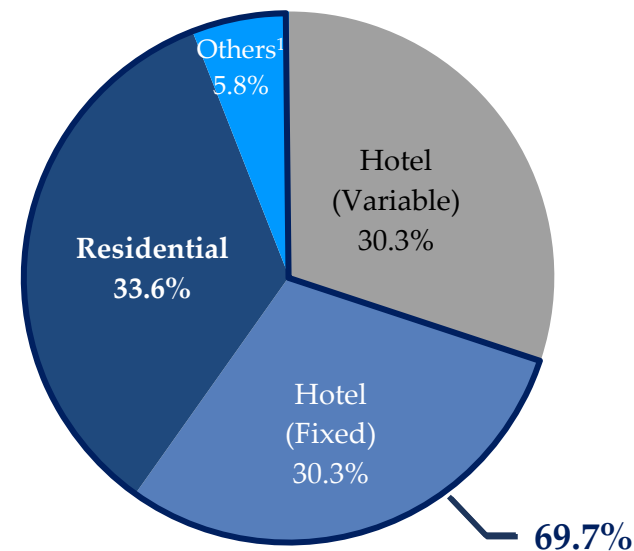
## Pre-Acquisition



(JPY million)

Revenue <sup>2</sup>			
Hotel	(Variable)	5,912	30.0%
	(Fixed)	5,872	29.8%
<b>Residential</b>		<b>6,746</b>	<b>34.2%</b>
Others <sup>1</sup>		1,174	6.0%
<b>Total</b>		<b>19,704</b>	<b>100.0%</b>

## Post-Acquisition



(JPY million)

Revenue <sup>2</sup>			
Hotel	(Variable)	6,090	30.3%
	(Fixed)	6,087	30.3%
<b>Residential</b>		<b>6,746</b>	<b>33.6%</b>
Others <sup>1</sup>		1,174	5.8%
<b>Total</b>		<b>20,097</b>	<b>100.0%</b>

(Note 1) Include Offices, Commercial facilities and Parking lots

(Note 2) Pre-Acquisition: Annual revenue, assuming all of INV's assets as of pre-acquisition were owned since the beginning of 2016, calculated based on actual 2016 full year results. Performance of the properties acquired in 2016 and in March 2017 is based on actual results provided by sellers. / Post-Acquisition: Added 2017 revenue forecast (January-April: Actual / May-December: Forecast) for the anticipated property estimated by INV to the figures for "Pre-Acquisition"

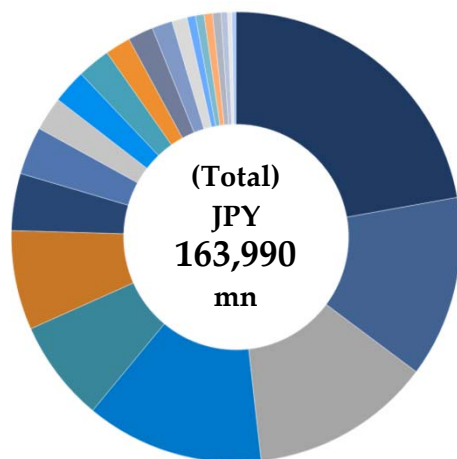
(Note 3) The percentages are rounded to one decimal place

New Borrowing will be contributed by Mizuho Bank as one of the main financing bank of INV, which will result further reinforcement of INV's lender formation

## New Borrowing

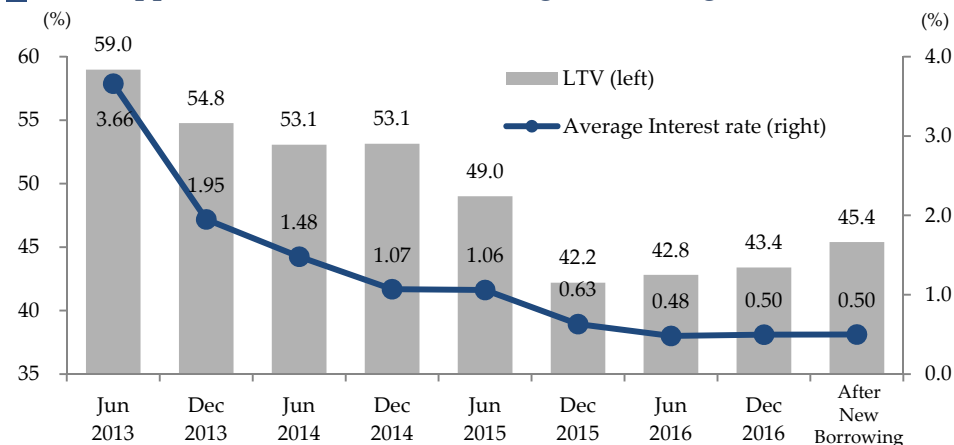
Loan Name	Term (years)	Balance (JPY mn)	Interest Rate	
Term Loan (G)	4.5	7,321	Floating	(1MT+0.55%)

## Lender Formation (After New Borrowing)

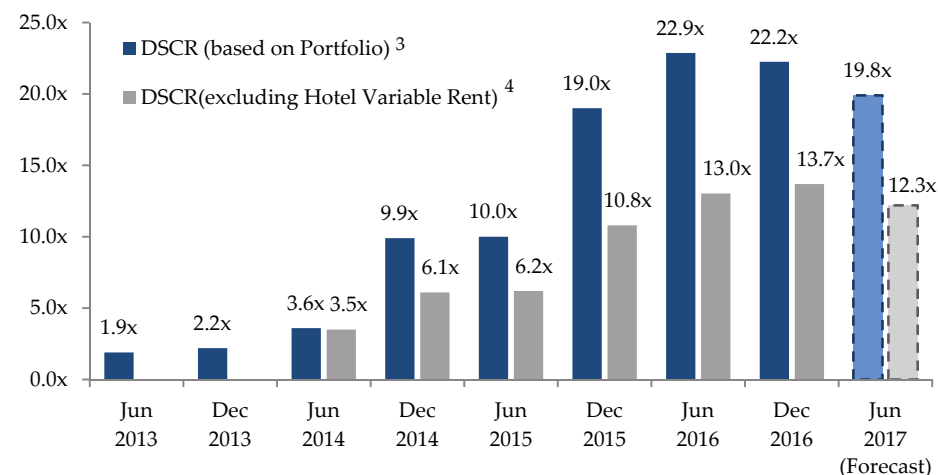


Mizuho Bank	22.2%
BTMU	13.0%
SMTB	13.0%
SMBC	12.8%
Citibank	7.3%
Shinsei Bank	7.1%
Resona Bank	4.1%
MUTB	3.4%
Tokyo Star Bank	2.4%
Japan Post Bank	2.4%
Aeon Bank	2.4%
DBJ	1.8%
Fukuoka Bank	1.8%
Shizuoka Bank	1.5%
Nomura TB	1.1%
Kagawa Bank	0.6%
Daishi Bank	0.6%
Hyakugo Bank	0.6%
Hiroshima Bank	0.6%
Towa Bank	0.5%
Dai-ichi Life Insurance	0.3%
Gunma Bank	0.3%

## LTV(Appraisal Value Base)<sup>1</sup> and Weighted Average Interest Rate<sup>2</sup>



## DSCR



(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) after new borrowing calculated by the following formula:

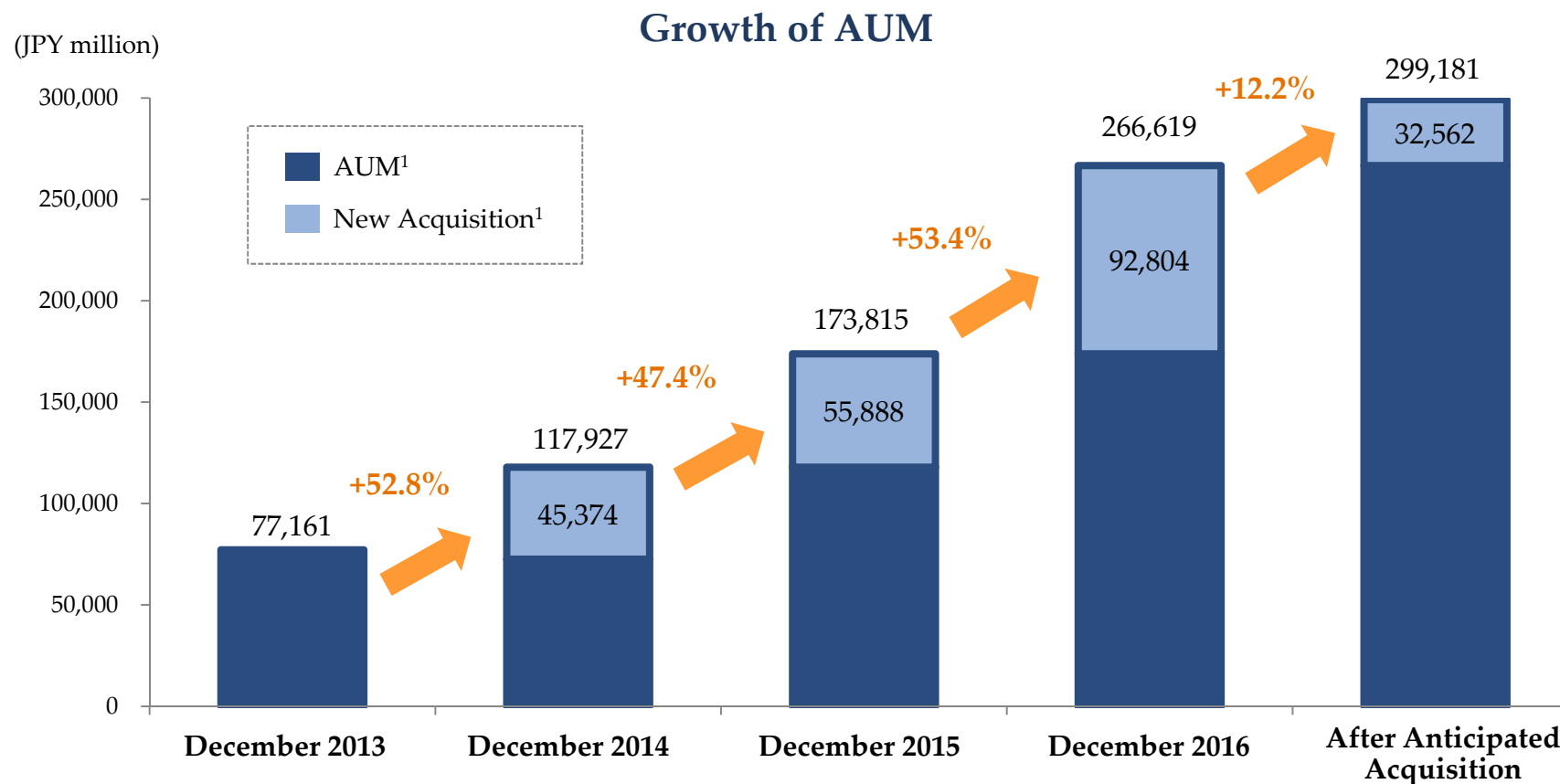
(Interest-bearing debts at March 14, 2017 + Total amount of new borrowing) / (Total appraisal value as of the end of December, 2016 + Total appraisal value for the anticipated property)

(Note 2) The average interest rate is calculated by the following formula: (Total loan amount outstanding at the end of each fiscal period or after new borrowings multiplied by applicable interest rate at the end of each fiscal period for each loans or 1 month TIBOR as of April 26, 2017 assumed to be applied as the base rate for each loans as for "after new borrowing") / The loan amount outstanding at the end of each fiscal period or after new borrowing

(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

- Strong track record of acquiring core assets
- Robust pipeline provides opportunity for acquisitions of properties contributing to portfolio growth and stability

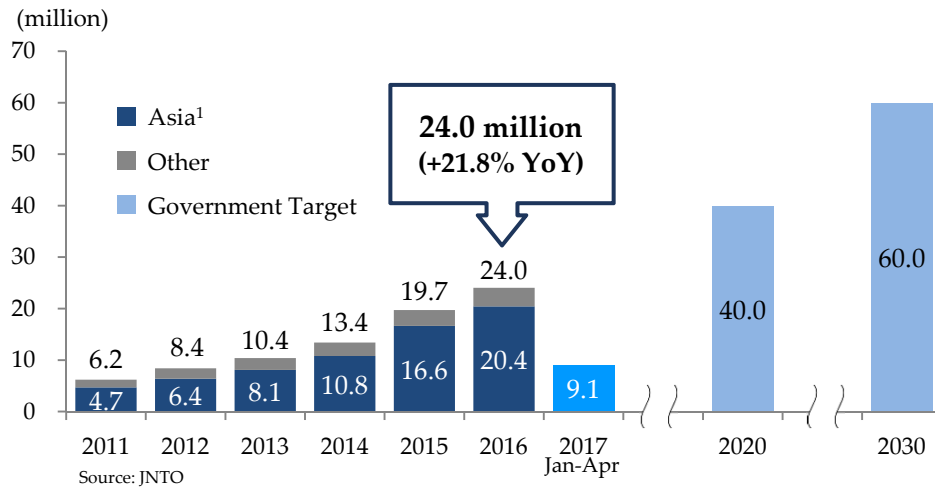


No. of properties	<b>71</b>	<b>91</b>	<b>111</b>	<b>124</b>	<b>127</b>
Hotels	<b>0</b>	<b>20</b>	<b>37</b>	<b>48</b>	<b>49</b>
Residential	<b>63</b>	<b>63</b>	<b>66</b>	<b>68</b>	<b>70</b>

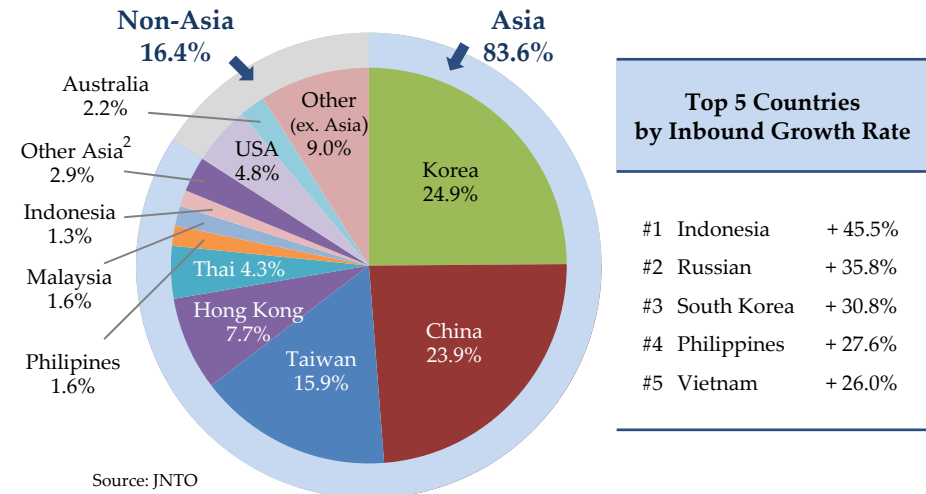
(Note 1) "AUM" is total acquisition amount of the properties owned as of the end of the relevant year, or the sum of AUM as of the end of April 2017 and total anticipated acquisition amount for "After Anticipated Acquisition", and "New Acquisition" shows total (anticipated) acquisition amount for the properties acquired in the relevant year or for the properties to be acquired

- Inbound visitors reached a monthly record high in April 2017 as well as an annual record high of 24.0 million (+21.8% YoY) in 2016
- Japan's large array of attractive cities, tourist activities, food, culture, etc. encourage repeat Asian visitors

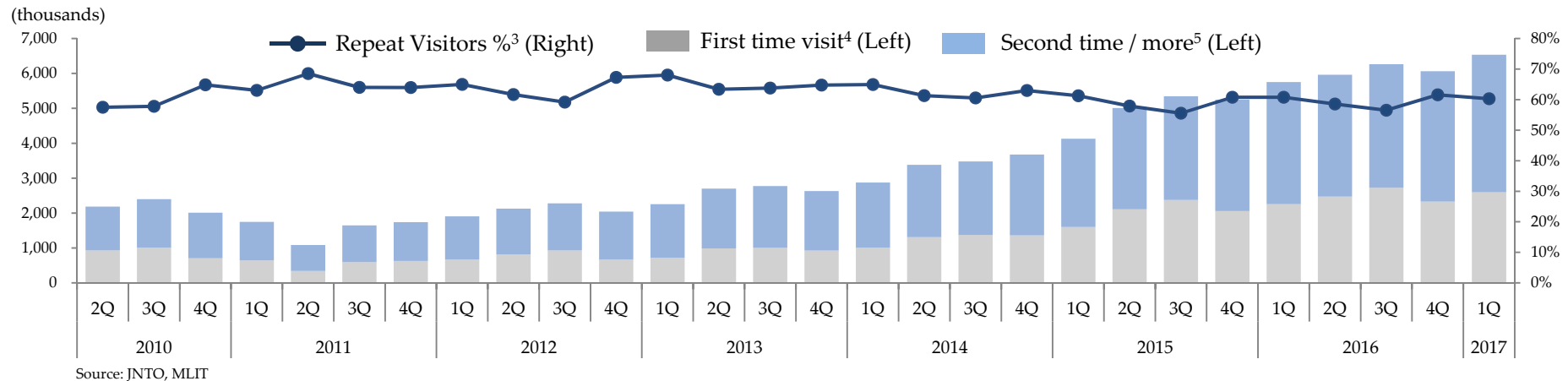
## No. of Inbound Visitors to Japan



## Inbound Visitors Composition by Country (January-April 2017)



## No. of Visitors to Japan and the Percent as Repeat Visitors



(Note 1) Asia includes China, South Korea, Taiwan, Hong Kong, Thailand, Singapore, Malaysia, Indonesia, Philippines, Vietnam, and India  
 (Note 2) Other Asia includes Indonesia, Vietnam and India  
 (Note 3) "Repeat Visitor %" indicates percentage of inbound who answered their visit to Japan was for the second time or more in the survey "Consumption Trend Survey for Foreigners Visiting Japan" conducted by Japan Travel Agency  
 (Note 4) "First time visit" indicates the number of foreign visitors to Japan which is calculated by multiplying the total number of inbound announced by JNTO in the relevant period by (1- Repeat Visitor % in the relevant period)  
 (Note 5) "Second time or more" indicates the number of foreign visitors to Japan which is calculated by multiplying the total number of inbound announced by JNTO in the relevant period by Repeat Visitor % in the relevant period

- Japanese government initiatives focusing on increasing the number of inbound visitors has paid off, growth in inbound tourism has increased by 20% or more in each of the last five years
- While inbound from Asia continues to grow highly, inbound from Europe, the United States and Australia is also steadily growing
- Double-digit increase of total inbound visitors continues in 2017. Southeast Asian countries sustain strong growth momentum

## Inbound Visitors to Japan by Country

(thousand of persons)

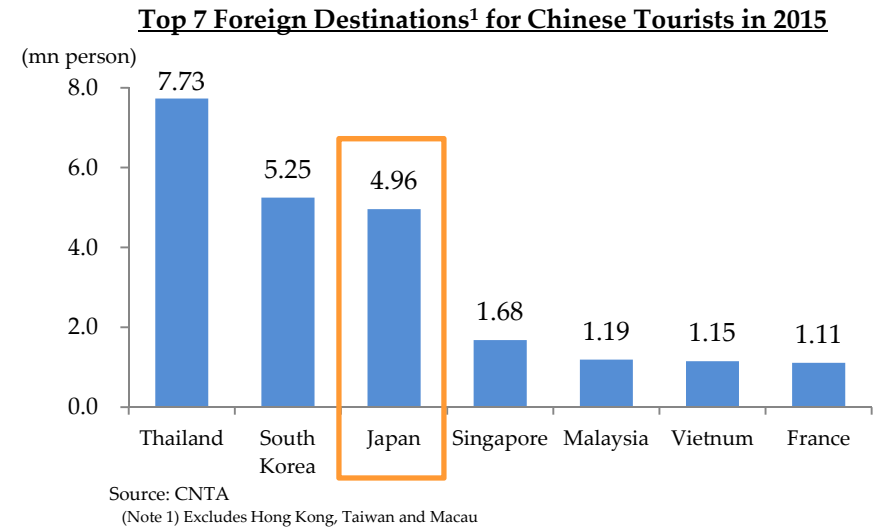
	2012		2013		2014		2015		2016		2017	
		YoY		YoY		YoY		YoY		YoY	Jan-Apr	YoY
China	1,425	+36.6%	1,314	-7.8%	2,409	+83.3%	4,994	+107.3%	6,373	+27.6%	2,178	+9.6%
South Korea	2,043	+23.2%	2,456	+20.2%	2,755	+12.2%	4,002	+45.3%	5,090	+27.2%	2,268	+30.8%
Taiwan	1,466	+47.5%	2,211	+50.8%	2,830	+28.0%	3,677	+29.9%	4,167	+13.3%	1,447	+4.7%
Hong Kong	482	+32.0%	746	+54.9%	926	+24.1%	1,524	+64.6%	1,839	+20.7%	700	+23.9%
Thailand	261	+79.8%	454	+74.0%	658	+45.0%	797	+21.2%	901	+13.1%	390	+10.6%
Malaysia	130	+59.7%	177	+35.6%	250	+41.4%	305	+22.4%	394	+29.1%	148	+17.5%
Indonesia	101	+63.9%	137	+34.8%	159	+16.0%	205	+29.2%	271	+32.1%	122	+45.5%
Philippines	85	+34.8%	108	+27.4%	184	+70.0%	268	+45.7%	348	+29.6%	149	+27.6%
Vietnam	55	+34.4%	84	+53.1%	124	+47.1%	185	+49.2%	234	+26.1%	113	+26.0%
USA	717	+26.7%	799	+11.5%	892	+11.6%	1,033	+15.9%	1,243	+20.3%	434	+16.0%
UK	174	+24.2%	192	+10.2%	220	+14.7%	258	+17.5%	293	+13.2%	109	+7.5%
France	130	+36.6%	155	+18.8%	179	+15.3%	214	+20.0%	253	+18.3%	89	+8.0%
Canada	135	+33.6%	153	+12.9%	183	+19.7%	231	+26.5%	273	+18.0%	105	+23.8%
Australia	206	+27.0%	245	+18.5%	303	+23.8%	376	+24.3%	445	+18.4%	198	+14.2%
Other	947	+35.2%	1,134	+19.6%	1,343	+18.5%	1,666	+24.0%	1,914	+14.9%	666	+14.6%
<b>Total</b>	<b>8,358</b>	<b>+34.4%</b>	<b>10,364</b>	<b>+24.0%</b>	<b>13,413</b>	<b>+29.4%</b>	<b>19,737</b>	<b>+47.1%</b>	<b>24,039</b>	<b>+21.8%</b>	<b>9,116</b>	<b>+16.4%</b>

Source: JNTO

## 1 Chinese outbound tourists growth: +31% CAGR by 2020



## 2 Japan is the third most popular destination for Chinese



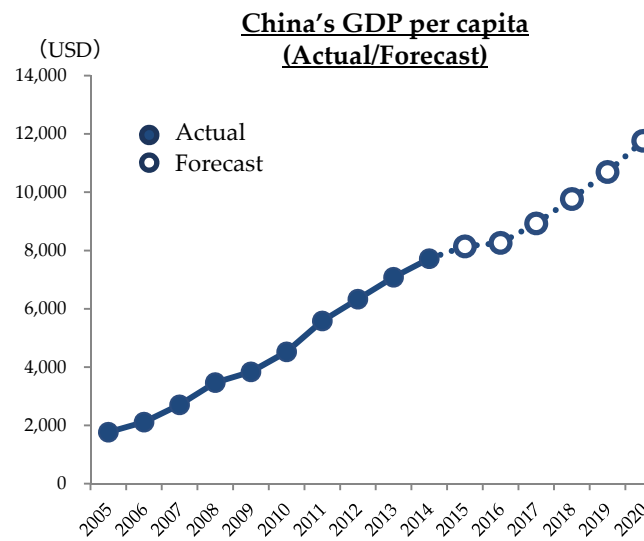
## 3 Japan has gradually relaxed visa requirements for Chinese citizens. Significant upside for further relaxation.

### Relaxation of Visa Requirement for Chinese Citizens

Start Month/Year	Relaxation Measures
October 2016	<ol style="list-style-type: none"> <li>Multiple-entry visas for business purpose, and cultural or intellectual figures</li> <li>Single-entry visas for students and alumni of certain universities</li> </ol>
May 2017	<ol style="list-style-type: none"> <li>Multiple-entry visas to applicants with sufficient financial capability</li> <li>Expansion of multiple-entry Tohoku Region visiting visas from 3 to 6 prefectures in the Tohoku Region</li> <li>Multiple-entry visas for individuals with substantially high incomes</li> <li>Simplified application procedures for single-entry visas for individual tourists</li> </ol>

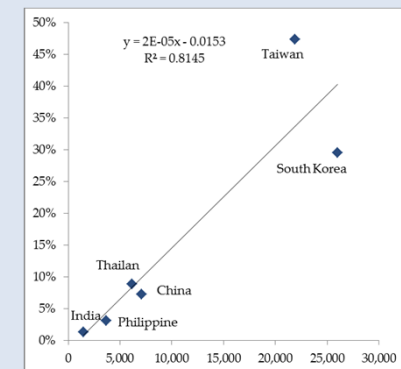
Source: Ministry of Foreign Affairs of Japan

## 4 China's GDP per capita is expected to grow 1.5x from 2014 to 2020



\*A positive correlation between GDP per capita and outbound visitor ratio can be found in Asian countries. (When GDP per capita is higher, outbound visitor ratio is also higher)

GDP per capita (horizontal axis) and outbound visitor ratio as % of population (vertical axis) in 2013



Source: IMF, World Bank and UNWTO

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