Invincible Investment Corporation

Financial Summary for the December 2018 Fiscal Period

(from July 1, 2018 to December 31, 2018)

February 21, 2019

Name	:	Invincible Investment Corporation
Representative	:	Naoki Fukuda, Executive Director
Stock Listing	:	Tokyo Stock Exchange
Securities Code	:	8963
URL	:	http://www.invincible-inv.co.jp/eng/
Contact	:	Consonant Investment Management Co., Ltd. (Asset Manager of Invincible Investment Corporation) Jun Komo, General Manager of Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	:	March 20, 2019

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended December 31, 2018 (from July 1, 2018 to December 31, 2018)

(1) Operating Results

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Fiscal period ended December 31, 2018	14,451	10.3	9,514	12.8	8,384	8.6	8,384	8.6
Fiscal period ended June 30, 2018	13,104	3.6	8,433	2.6	7,722	5.7	7,721	5.7

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2018	1,504	4.2	2.0	58.0
Fiscal period ended June 30, 2018	1,611	4.3	2.1	58.9

(Note) "Net Income per Unit" in the table above is calculated based on the average number of investment units during the relevant period and is rounded to the nearest yen. Net income per unit for the fiscal period ended December 31, 2018 is JPY 1,479, if calculated based on the number of investment units issued and outstanding at the end of fiscal period ended December 31, 2018 (5,666,840 units) and rounded down to the nearest yen.

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Distribution (Including excess profit distribution)		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total	Per Unit	Total		
	JPY	JPY million	JPY	JPY million	JPY	JPY million	%	%
Fiscal period ended December 31, 2018	1,632	9,248	51	289	1,683	9,537	110.3	4.2
Fiscal period ended June 30, 2018	1,430	6,854	-	-	1,430	6,854	88.8	3.8

(Note 1) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended December 31, 2018, since INV distributes almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act, which includes deferred gain on hedge.

(Note 2) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended June 30, 2018, since INV distributed 90% of Distributable Income (JPY 7,610 million, which is a total of net income and JPY 111 million of retained deficits carried forward from the preceding fiscal period) and reserve the remaining amount as internal reserve.

(Note 3) The distribution in excess of profit for the fiscal period ended December 31, 2018 is JPY 289 million (JPY 51 per unit), of which JPY 85 million (JPY 15 per unit) is the allowance for temporary differences adjustment arising from different rules and practices in tax and accounting and JPY 204 million (JPY 36 per unit) is the refund of investment for the purpose of stabilizing distributions.

(Note 4) Dividend Payout Ratio is calculated in accordance with the following formula:

Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Net Income × 100

Moreover, the Dividend Payout Ratio for the fiscal period ended June 30, 2018 calculated in accordance with the following formula is 90.1%:

Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Distributable Income × 100

Dividend Payout Ratio is rounded to the nearest one decimal place.

(Note 5) Distribution/ Net Assets is calculated based on the figures excluding excess profit distribution.

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended December 31, 2018	455,362	221,364	48.6	39,063
Fiscal period ended June 30, 2018	374,512	181,523	48.5	37,871

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

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	JPY million	JPY million	JPY million	JPY million
Fiscal period ended December 31, 2018	10,654	(85,738)	71,075	11,064
Fiscal period ended June 30, 2018	20,483	(21,020)	(5,083)	15,072

2. Forecasts for the Fiscal Periods ending June 30, 2019 (from January 1, 2019 to June 30, 2019) and December 31, 2019 (from July 1, 2019 to December 31, 2019)

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution)	Excess Profit Distribution per Unit	Distribution per Unit (including excess profit distribution)
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY	JPY
Fiscal Period ending June 30, 2019	14,923	3.3	9,804	3.0	8,890	6.0	8,889	6.0	1,568	14	1,582
Fiscal Period ending December 31, 2019	15,596	4.5	10,365	5.7	9,422	6.0	9,421	6.0	1,662	14	1,676

(Reference) Estimated net income per unit for the fiscal periods ending June 30, 2019 is JPY 1,568.
Estimated net income per unit for the fiscal periods ending December 31, 2019 is JPY 1,662.

※Others

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

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

(2) Number of Investment Units Issued and Outstanding

(a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)	December 31, 2018	5,666,840	June 30, 2018	4,793,181
(b) Number of Treasury Units as of the End of the Fiscal Period	December 31, 2018	0	June 30, 2018	0

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

The Implementation Status of Statutory Audit

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

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

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

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

Please refer to "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019" on page19 for assumptions used in the forecasts and precautions regarding the use of such forecasts.

Unless otherwise specified herein, amounts less than JPY 1 are rounded down, and ratios are rounded to the nearest one decimal place.

1. Related Companies of the Investment Corporation

Disclosure is omitted because there have been no material changes in the "Structure of the Investment Corporation" section of the latest securities report (filed on September 25, 2018) (available in Japanese only).

2. Management Policy and Operating Conditions

(1) Management Policy

Disclosure of "Investment Policy," "Investment Targets," "Distribution Policies" and the "Investment Restriction" is omitted because there have been no material changes from the relevant sections of the latest securities report (filed on September 25, 2018) (available in Japanese only).

(2) Operating Conditions

a Overview of the Fiscal Period Ended December 31, 2018

(a) Main Trends of INV

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

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

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

Ever since the commencement of sponsorship from the Fortress Group (Note 2), INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, the Asset Manager revised the Investment Guidelines for INV, and positioned hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecasted to rise going forward. As a result of such external growth efforts, INV's portfolio as at the end of the previous fiscal period ended June 2018 comprised of 126 properties (60 hotels (Note 3), 64 residential properties and two others) with a total acquisition price of JPY 363,831 million. The total acquisition price of the portfolio has significantly grown by 5.0 times, compared to May 22, 2014, which is the date immediately prior to INV's initial investment in hotels.

In the Fiscal Period ended December 31, 2018 ("Reporting Period"), INV implemented a global offering of new investment units for the fifth consecutive year to acquire four domestic hotels including two hotels operated under the "Hotel MyStays Premier" brand, as well as TK (Japanese anonymous association (*tokumei kumiai*)) interest in two overseas hotels as underlying assets for the first time ever in J-REIT history. As a result, INV's portfolio at the end of Reporting Period comprised of 132 properties (66 hotels (Note 3) (Note 4), 64 residential properties and two others) with a total acquisition price of JPY 448,360 million (Note 5).

The Asset Manager revised the Investment Guidelines as of July 17, 2018 to allow the acquisition of overseas real estate assets as a new investment policy, and changed its domestic investment policy regarding domestic hotels. Please refer to "(e) Change in the Investment Guidelines" for more details.

On July 17, 2018, INV amended and renewed the Memorandum of Understanding (the "MOU") entered into with affiliates of Fortress Group with respect to preferential negotiating rights regarding the acquisition of hotels and residential properties, which will continue to provide INV with considerable opportunities for external growth. As of the date of this document, there are 19 hotels and nine residential properties subject to the preferential negotiating rights under the MOU.

(Note 1) US Eastern Standard Time

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

(Note 3) The preferred equity interest is counted as a hotel property, based on the use of Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest. Such preferred equity interest issued by a special purpose company (*tokutei mokuteki kaisha*) refers to 178,458 units of preferred equity interest issued by Kingdom Special Purpose Company (the "TMK") (equivalent to 49.0% of the total issued and outstanding preferred equity interest), which owns the trust beneficiary interest of the Sheraton Grande Tokyo Bay Hotel as an underlying asset. Moreover, INV's investment amount of the preferred equity interest is used as the acquisition price of the preferred equity interest, unless otherwise stated. The "underlying asset" refers to the real estate or the real estate related assets to be acquired or owned by a TK operator of TK interest or a TMK relating to the preferred equity interest which INV owns, thus the real estate or the real estate related assets which will be the revenue source of INV. Hereinafter the same shall apply.

(Note 4) The TK interest is counted as two properties, based on the number of the underlying assets (two hotels) of the TK interest. The TK interest is an interest in Seven Mile Resort Holdings Ltd. (the "Cayman SPC"), a Cayman Islands special purpose company that holds leasehold interests in "Westin Grand Cayman Seven Mile Beach Resort & SPA" and "Sunshine Suites Resort" as underlying assets. The TK interest is classified as a hotel property, based on the use of the underlying assets of the TK interest, and INV's investment amount for the TK interest is used as the acquisition price of the TK interest, unless otherwise stated. The acquisition price is rounded down to the nearest JPY million.

(Note 5) In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore, INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV's investment amount to the TK interest is calculated based on the amount reflecting such partial refund (i.e., USD 333,036 thousand).

(b) Operational Environment and Performance

For the December 2018 period, the portfolio NOI increased by 21.8% or JPY 2,184 million to JPY 12,192 million compared to the same period in the previous year (the December 2017 period). The hotel portfolio NOI increased by JPY 2,419 million, which is equivalent to the increase by 24.2% of the portfolio NOI, due to a combination of internal and external growth. While the residential portfolio is also benefitting from strong rental growth, NOI for the residential portfolio declined by JPY 55 million, which is equivalent to the decrease by 0.6% of the portfolio NOI, due to asset sales as part of INV's asset recycling program. Other portfolio assets also experienced a decline in NOI of JPY 179 million, which is equivalent to the decrease by 1.9% of the portfolio NOI, due to the sale of assets. The portfolio continued to maintain a high average occupancy rate (Note 1) of 98.5% for the period.

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

The NOI (Note 2) for the Reporting Period of the 51 hotels (Note 3) owned by INV increased by 2.6% compared to the same period in the previous year (figures exclude nine hotels with fixed-rent lease agreements of the 60 hotels owned by INV at the beginning of the December 2018 Fiscal Period). The 51 hotels recorded an occupancy rate (Note 4) of 90.7% (+0.1 points YoY), ADR (Note 5) of JPY 11,148 (+2.5% YoY), and RevPAR (Note 6) of JPY 10,106 (+2.6% YoY). Fixed rent revenues accounted for 49.8% (JPY 4,909 million) of total hotel revenue and variable rent revenues accounted for 50.2% (JPY 4,953 million) of total hotel revenue (figures based on the 63 domestic owned hotels as of the end of the December 2018 Fiscal Period, and excludes Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV).

Inbound visitors reached a record high of 31.19 million (+8.7% YoY) in 2018, while government targets continued growth of 40 million visitors in 2020 and 60 million visitors in 2030. Japan will host the Rugby World Cup in 2019 and Tokyo Olympics Games in 2020, and these world-class events are anticipated to further increase attention to Japan and more inbound tourists to Japan.

The NOI (Note 7) of the 64 residential properties (Note 8) for the Reporting Period increased by 5.0% compared to the same period in the previous year, and the average occupancy rate achieved 95.4%, an increase of 0.6 points compared to the same period in the previous year.

Trends for rent at city-center residential properties with small-type rooms maintained a moderate increase. Due to the positive circumstances in the macro environment, INV continues to focus on its rent increase program for new leases and renewals as well as initiatives to reduce residential leasing costs based on a detailed market analysis of each property and unit.

In the Reporting Period, INV realized a rent increase for 53.4% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 2.9% compared to the previous rent across all new leases (Note 9).

INV achieved a rent increase for 52.8% (based on the number of contracts) of contract renewals for an average rent increase of 4.6% compared to the previous rent across all renewal leases (Note 9), while maintaining a high contract renewal rate (Note 10) of 79.1%. Combined, new leases and renewal leases were signed at 3.8% higher than the previous leases (Note 9).

Specifically, at Royal Parks Tower Minami-Senju, INV's flagship residential property, INV achieved strong results with rent increases for 90.4% (based on the number of contracts) of the new lease contracts and 94.9% (based on the number of contracts) of contract renewals, with an average rent increase of 9.8% compared to the previous rent across all new leases and renewal leases (Note 9).

The total appraisal value of 129 properties was JPY 462,580 million (3 out of the 132 properties owned by INV at the end of the Reporting Period are excluded from the appraisal calculation: Sheraton Grande Tokyo Bay Hotel (preferred equity), Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort (TK interest) for which appraisal values of such securities is not applicable). The portfolio has an unrealized gain of JPY 79,930 million (Note 11) and an unrealized gain ratio of 20.9% (Note 11). The total appraisal value of 125 properties which were owned throughout the Reporting Period increased by 0.5% from JPY 411,542 million at the end of June 2018 period to JPY 413,720 million at the end of the Reporting Period.

Key Performance Indicators of 51 Hotel Properties (Note 3)

	December 2018 fiscal period	Year-on-year change
Occupancy Rate (Note 4)	90.7%	+0.1pt
ADR (JPY) (Note 5)	11,148	+2.5%
RevPAR (JPY) (Note 6)	10,106	+2.6%
GOP (JPY million) (Note 12)	9,707	+2.1%

Key Performance Indicators of 64 Residential Properties (Note 8)

	December 2018 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	95.4%	+0.6pt
Average Rent per Tsubo per Month (JPY) (Note 13)	9,832	+2.2%
NOI (JPY million) (Note 7)	2,566	+5.0%

(Note 1) "Average Occupancy Rate" for the entire portfolio and "Occupancy Rate" for the residential properties is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month during the relevant period.

(Note 2) NOI includes a simulated amount of dividend income from Kingdom TMK that owns Sheraton Grande Tokyo Bay Hotel as an underlying asset. The fiscal periods of the TMK are semi-annual periods from April 1 to September 30 and from October 1 to March 31 every year, and INV will receive the dividend within three months from the end of each semi-annual fiscal period of the TMK. Since INV does not receive a dividend from the TMK on a monthly basis, the amount of dividend INV receives from the TMK for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the TMK and the interest of debt (calculated by dividing the budget of the TMK for the fiscal period that includes the relevant month by the number of months in such fiscal period) from (ii) NOI based on the performance of Sheraton Grande Tokyo Bay Hotel in the month which is three months before the target month for this performance disclosure and multiplied by INV's ownership ratio of the preferred equity interest in the TMK (49.0%). However, NOI excludes a simulated amount of dividend income from TK interest the underlying assets of which are Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort, which were acquired by INV in September 2018.

(Note 3) Of the 60 hotels held as of the beginning of the December 2018 Fiscal Period (including the Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV), 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. The figures assume that all properties acquired after July 2017 by INV had been owned since July 1, 2017. The actual results before acquisition by INV are based on the data provided by the sellers.

(Note 4) "Occupancy rate" for the hotel properties is calculated in accordance with the following formula:
Occupancy rate = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)
Hereinafter the same shall apply.

(Note 5) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply.

(Note 6) "RevPAR" means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.

(Note 7) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, as well as expenses required to detach trust beneficiary interest from an integrated trust account are excluded.

(Note 8) Based on the 64 residential properties owned as of the beginning of December 2018 Fiscal Period. In addition, the figures for the properties acquired after July 2017 are calculated on the assumption INV had acquired those properties on July 1, 2017, using the actual figures provided by the sellers of such properties for the period before the acquisition, for the purpose of comparison with previous year.

(Note 9) Increase or decrease in the sum of monthly rents on new or renewal contracts, or the total of both, compared with the sum of previous rents.

(Note 10) Renewal rate is calculated by the number of renewed contracts during the relevant period divided by the number of contracts due up for renewal during the relevant period

(Note 11) 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 12) "GOP," means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues. Hereinafter the same shall apply. Moreover, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV's ownership ratio of the preferred equity interest. Hereinafter the same shall apply.

(Note 13) "Average Rent per Tsubo per Month" is calculated by dividing the total rental revenue (including common area charges) for each month by the sum of total leased area (tsubo) at the end of each month during the relevant period.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 229,873 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 50.2% and 44.2% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.53%.

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

Interest-Bearing Debt ratio = total outstanding interest (excluding short-term consumption tax loan) -bearing debt/total assets x 100

(Note 2) LTV (appraisal value basis) uses the calculation formula below:
LTV = total outstanding interest (excluding short-term consumption tax loan) -bearing debt/total appraisal value (*) x 100

(*) Since appraisal value for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is not available, the acquisition price of the preferred equity interest (JPY 17,845 million) is deemed as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest). Also, for the TK interest with two overseas real estate as underlying assets, the acquisition price (which is the INV's TK investment amount after a partial refund: INV originally funded an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets, however, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated, therefore INV received a refund of the TK investment from the Cayman SPC) of such TK interest, USD 333,036 thousand (JPY 36,783 million, converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract executed on July 26, 2018 and implemented on September 26, 2018), is deemed as the appraisal value and included.

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

(i) Equity Financing

INV implemented a global public offering which closed on August 1, 2018 (the number of new investment units issued: 909,524; total issue value: JPY 40,280 million) and a third party allotment which closed on August 21, 2018 (the number of new investment units issued: 45,476; total issue value: JPY 2,013 million) in order to procure part of the funds for the acquisition of four domestic hotels and the TK interest with two overseas hotels as underlying assets described in "(d) Overview of Acquisition of Assets".

(ii) Debt Financing

a. Borrowing of Funds

INV borrowed New Syndicate Loan (I) on July 17, 2018 (total amount borrowed: JPY 28,979 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.50%, 0.40% and 0.30% for durations of five, four and three years), which was arranged by Mizuho Bank, Ltd. as the arranger in order to repay New Syndicate Loan (E) in the amount of JPY 28,979 million which was due on July 17, 2018.

In tandem with the public offering as described in (i) above, INV borrowed New Syndicate Loan (J) on August 2, 2018 and September 26, 2018 (total amount borrowed: JPY 40,458 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.50%, 0.40%, 0.30%, and 0.20% for durations of five, four and three years and one year), which was arranged by Mizuho Bank, Ltd. as the arranger in order to pay a portion of the acquisition price and related expenses for the acquisition of the four domestic hotels and the TK interest with two overseas hotels as underlying assets described in "(d) Overview of Acquisition of Assets".

b. Issuance of Investment Corporation Bonds

INV issued its Third Series of investment corporation bonds for the purpose of raising funds for repaying existing borrowings, as these bonds helped to diversify the financing sources for INV, while at the same time lowering its financing costs and lengthening the average maturity period of its debt.

Bond Series	Issue Date	Issue Amount (JPY million)	Interest Rate (annual rate)	Redemption Date	Security/ Guaranty
Third Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds)	October 12, 2018	2,000	0.550%	October 12, 2023	Unsecured / Unguaranteed Rating: A (JCR)

(d) Overview of Acquisition of Assets

(i) Acquisition of four domestic hotel properties

The Asset Manager decided on the acquisition of four domestic hotels as follows on July 17, 2018, and acquisition of the assets has been closed on August 2, 2018.

Use	Property Number	Property Name	Location	Acquisition Price (million yen) (Note 1)	Appraisal Value (million yen) (Note 2)	Seller	Category of Specified Assets
Hotel	D60	Hotel MyStays Premier Akasaka	Minato-ku, Tokyo	20,691	20,900	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D61	Hotel MyStays Premier Sapporo Park	Sapporo, Hokkaido	16,731	16,900	Raetia Tokutei Mokuteki Kaisha	
	D62	Hotel MyStays Ueno East	Taito-ku, Tokyo	5,286	5,340	HL Investments 2 Tokutei Mokuteki Kaisha	
	D63	Hotel MyStays Midosuji Honmachi	Osaka, Osaka	5,039	5,090	Dogo Tokutei Mokuteki Kaisha	
Total				47,747	48,230	-	-

(Note 1) Acquisition Prices do not include adjustments for property taxes, city planning taxes, or national or local consumption taxes; the same shall apply hereinafter.

(Note 2) Appraisal Value is based on appraisal value stated in the appraisal report by the Japan Real Estate Institute or The Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of June 1, 2018.

(ii) Acquisition of TK Interest with two Overseas Real Estate as Underlying Assets

The Asset Manager decided on acquisition of TK interest as follows on July 17, 2018 and acquisition of asset has been closed on September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time).

(1) Asset acquired	TK interest in a Cayman Islands special purpose company that holds 99-year Leasehold Interests (Note 1) (with a lease payment of USD 1 or KYD 1 per year) in overseas real estate as underlying assets (the "Cayman Hotel TK Interest")
(2) Acquisition price	USD 333,036 thousand (JPY 36,783 million) (Note 2) (Note 3) for 100.0% of the Cayman Hotel TK Interest
(3) Name of underlying asset	Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort (each an "Underlying Asset", and collectively the "Underlying Assets", or the "Two Overseas Hotel Assets")
(4) Acquisition date	September 28, 2018 (Cayman Island local time)
(5) TK operator	Seven Mile Resort Holdings Ltd.

(Note 1) Rights equivalent to long-term real estate leasehold rights in Japan (hereinafter referred to collectively as the "Leasehold"). The TK operator also acquired some movables including FF&E pertaining to hotel operations. "FF&E" is an abbreviation for furniture, fixtures and equipment, which are the assets necessary for hotel operation, such as furniture, fixtures, equipment and kitchen equipment.

(Note 2) The investment amount is fixed by the foreign exchange forward contract executed on July 26, 2018 in Japanese Yen denomination which were calculated using an exchange rate of 1 USD= JPY 110.45. Hereinafter the same.

(Note 3) The acquisition price is INV's investment amount for the Cayman Hotel TK Interest. In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which is an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore INV received a refund of the TK investment in the amount of USD 6.8 million on December 10, 2018 (Cayman Island local time) from the Cayman SPC. INV's investment amount to the TK interest is calculated based on the amount reflecting such partial refund. The acquisition price is rounded down to the nearest JPY million.

(Note 4) Seven Mile Resort Management Ltd. (the "Hotel Operating SPC"), a special purpose company established separately from the Cayman SPC under the laws of the Cayman Islands, has been entrusted with all aspects of the hotel operations pursuant to a hotel management agreement with the Cayman SPC for each of the Westin Grand Cayman Seven Mile Beach Resort & Spa and the Sunshine Resort (collectively, the "Hotel Management Agreement"). Each of the common shares issued by the Cayman SPC and the Hotel Operating SPC is 100% owned by a general incorporated association (*ippan shadan hojin*) established according to the Act on General Incorporated Associations and General Incorporated Foundations in Japan. The ippan shadan hojin by its nature will not receive any cash distributions from the hotel operations. The outline of the Hotel Management Agreement concluded between the Hotel Operating SPC and the Cayman SPC is as follows:

Hotel Management Assignor	Seven Mile Resort Holdings Ltd.
Hotel Management Trustee	Seven Mile Resort Management Ltd.
Term of Agreement	The agreement term shall last ten years from the Hotel management assignor's acquisition of the Two Overseas Hotel Assets and renew automatically every five year unless the hotel management assignor and the hotel management trustee mutually agree to terminate the agreement 75 days prior to the end of the term.
Remuneration	Equivalent to actual costs
Other Special Matters	Both the hotel management assignor and the hotel management trustee may cancel the Hotel Management Agreement for any reason by 60-days' prior written notice.

(e) Amendment to the Investment Guidelines

The Asset Manager revised the Investment Guidelines as of July 17, 2018. Such revision is intended to establish an investment policy and asset management structure regarding investments in overseas assets, and also to change the investment policy regarding domestic hotels to focus on (i) Limited service hotels, which feature relatively higher profit margins and potential for revenue growth backed by increasing demand for accommodations, and (ii) Full-service and Resort hotels, which have a variety of revenue sources, including rooms, food and beverage and banquet facilities, that are expected to achieve stable growth in overall hotel revenues. Please refer to the latest securities report for the fiscal period ended June 2018 (from January 1, 2018 to June 30, 2018) (available in Japanese only) filed on September 25, 2018 for details of the revised investment policy.

(f) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 1,346 million from the previous period (+10.3%) to JPY 14,451 million, net income increased by JPY 662 million (+8.6%) to JPY 8,384 million and unappropriated retained earnings including the retained earnings carried forward (JPY 756 million) reached JPY 9,140 million.

INV believes that maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period. With respect to the Reporting Period, due to i) one-off expenses in connection with the public offering, the asset acquisition and the borrowings, ii) the revenues of the four domestic hotels acquired during the December 2018 fiscal period will contribute for only a part of the period, and iii) distributions from the TK interest will start from the fiscal period ending June 2019, earnings per unit decreased. Therefore, from the perspective of maintaining stable distributions, INV intends to make distributions in excess of profits in the amount of JPY 204 million (JPY 36 per unit) within the scope of the expected shortfall between actual earnings per unit and the simulated earnings per unit after the transactions including i) the asset acquisitions and dispositions in the fiscal period ended June 2018, ii) asset acquisitions completed or to be completed, in the fiscal period ended December 2018, and iii) refinancing, issuance of new investment units by public offering and third-party allotment, and new borrowing. Further, INV intends to make distribution in excess of profits in the amount of JPY 85 million (JPY 15 per unit) in order to cope with the discrepancy between tax and accounting treatment on depreciation. As a result, distribution per unit (including excess profit distribution) is JPY 1,683.

Moreover, in the Reporting Period, deferred gain on hedging of JPY 108 million has arisen. Deferred gain on hedging is included in profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act, and INV has decided to distribute almost all of the profit as defined in Article 136, Paragraph 1 of the Investment Trust and Investment Corporation Act. As a result, retained deficit carried forward of JPY 107 million is recorded.

Furthermore, INV conducted a unit buyback in December in order to increase unitholder value after taking a comprehensive review of performance indicators, including NAV per investment unit and dividend yield, concluding that the investment units were undervalued. INV entered into a discretionary transaction agreement with a securities company to acquire units from the market (Tokyo Stock Exchange) for an acquisition period of December 13, 2018 through February 28, 2019. All the acquired own investment units were acquired by December 18, 2018 and were retired on December 28, 2018. The total number of investment units acquired and retired in the Reporting Period was 81,341 units (representing 1.4% of the total number of issued and outstanding units before such acquisition and retirement of own investment units), and the amount of investment units acquired was JPY 3,999 million.

b Outlook for the Fiscal Periods Ending June 30, 2019 and December 31, 2019

The DPU for the June 2019 fiscal period and December 2019 fiscal period are forecast to be JPY 1,582 (+10.6% YoY) and JPY 1,676 (-0.4% YoY). The full year DPU for calendar year 2019 is forecast to be JPY 3,258 (+4.7% YoY), providing steady growth.

Future operational policy and issues to be addressed

Since July 2011, INV has enhanced unitholder value by significantly increasing DPU and financial stability with the Fortress Group as its sponsor. Since Fortress Group joined under the umbrella of SoftBank Group in December 2017 and SoftBank Group owns 100% of issued shares of the Asset Manager directly and indirectly as of March 29, 2018, in addition to continued access to Fortress's global real estate expertise, INV will seek to leverage the resources that are expected to become available through SoftBank Group. SoftBank Group has market-leading expertise in technology fields such as digital marketing for both mobile and desktop, online payment systems, search engine optimization, AI and robotics. INV believes that deployment of technology into INV's real estate assets, especially its hotels, will enhance the ongoing initiatives to improve its digital marketing, minimize labor costs and increase customer engagement. For example, INV plans to pursue opportunities to better manage the increased number of foreign visitors and their related online research, bookings and payments, improve the process in setting hotel rates and manage overbooking through the use of sophisticated AI algorithms, and reduce labor costs while enhancing customer service through the use of robotics.

In addition to pursuing synergies with SoftBank Group, going forward, INV will continue to implement various strategies to maintain further growth and financial stability, including the following measures.

- Further external growth utilizing sponsor support
- Property acquisition from third parties with the aim of expanding the AUM
- Asset recycling and property acquisitions using the proceeds from sales
- Further internal growth at hotel and residential properties
- Diversification of funding sources and lengthening the average maturity period of its debt through borrowings and the issuance of investment corporation bonds

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated, 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 63.5% of total revenue (Note 1). This acquisition strategy will enable INV to build a portfolio with a good balance between growth and stability.

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

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

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

Properties Acquired from affiliates of the Fortress Group (as of the date of this document)

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
March 2017	Two residential properties	JPY 24,562 million
May 2017	One hotel	JPY 8,000 million
October 2017	Five hotels (Note 2)	JPY 57,444 million (Note 2)
February 2018	Four hotels	JPY 12,425 million
June 2018	Two hotels	JPY 7,325 million
August 2018	Four hotels	JPY 47,747 million
September 2018	Two hotels (Note 3)	JPY 36,783 million (Note 3)
Total	94 properties (of which 63 are hotels and 31 are residential properties)	JPY 391,745 million (of which hotels: JPY 340,107 million; residential: JPY 51,638 million)

The Fortress Group manages five dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I, II, III and IV. The Fortress Group's committed equity is over JPY 300 billion and the number of properties that the Fortress Group is invested in exceeds 3,500. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with affiliates of the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 19 hotels and nine residential properties (see the table below) (Note 4). 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 5)	Location	No. of rooms
1	Rihga Royal Hotel Kyoto	Full Service Hotel	Kyoto, Kyoto	489
2	Hotel MyStays Premier Narita	Full Service Hotel	Narita, Chiba	711
3	Fusaki Beach Resort Hotel & Villas	Resort Service Hotel	Ishigaki, Okinawa	188
4	Art Hotel Asahikawa	Full Service Hotel	Asahikawa, Hokkaido	265
5	Hotel MyStays Kanazawa Castle	Limited Service Hotel	Kanazawa, Ishikawa	206
6	Hotel MyStays Matsuyama	Full Service Hotel	Matsuyama, Ehime	162
7	Hotel Mystays Sapporo Nakajima Park	Limited Service Hotel	Sapporo, Hokkaido	86
8	Flexstay Inn Sakuragicho	Limited Service Hotel	Yokohama, Kanagawa	70

No.	Asset name	Asset type (Note 5)	Location	No. of rooms
9	MyCUBE by MYSTAYS Asakusa Kuramae	Limited Service Hotel	Taito-ku, Tokyo	161
10	Hotel MyStays Fuji Onsen Resort	Resort Hotel	Fujiyoshida, Yamanashi	159
11	Hotel Nord Otaru	Limited Service Hotel	Otaru, Hokkaido	98
12	Hotel Sonia Otaru	Limited Service Hotel	Otaru, Hokkaido	149
13	Art Hotel Niigata Station	Full Service Hotel	Niigata, Niigata	304
14	Art Hotel Ishigakijima	Resort Hotel	Ishigaki, Okinawa	245
15	Hotel MyStays Shinsaibashi East	Limited Service Hotel	Osaka, Osaka	85
16	Hotel MyStays Sapporo Aspen	Limited Service Hotel	Sapporo, Hokkaido	305
17	Hotel MyStays Sapporo Nakajima Park Annex	Limited Service Hotel	Sapporo, Hokkaido	80
18	Hotel MyStays Sapporo Susukino	Limited Service Hotel	Sapporo, Hokkaido	104
19	Hotel MyStays Nayoro	Limited Service Hotel	Nayoro, Hokkaido	70
Hotel subtotal				3,937
20	Gran Charm Hiroo	Residential/Small Type	Shibuya-ku, Tokyo	121
21	Plestay Win Kinshicho	Residential/Small Type	Sumida-ku, Tokyo	92
22	Gran Charm Kichijoji	Residential/Small Type	Musashino, Tokyo	28
23	Green Patio Noda	Residential/Small Type	Noda, Chiba	240
24	Dainichi F-45	Residential/Small Type	Urayasu, Chiba	54
25	Gran Charm Urayasu	Residential/Small Type	Urayasu, Chiba	54
26	Gran Charm Urayasu 5	Residential/Small Type	Urayasu, Chiba	54
27	Gran Charm Minami Gyotoku I	Residential/Small Type	Ichikawa, Chiba	52
28	Gran Charm Minami Gyotoku II	Residential/Small Type	Ichikawa, Chiba	48
Residential property subtotal				743
Total				4,680

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended December 2018. Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is excluded.

(Note 2) Sheraton Grande Tokyo Bay Hotel acquired by a special purpose company, of which INV owns the preferred equity interest, is counted as one property and the INV's investment amount to the preferred equity interest is counted as the acquisition price of the preferred equity interest.

(Note 3) The Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort acquired by the Cayman SPC, of which INV owns the TK interest, are counted as two properties and the INV's investment amount to the TK interest is used as the acquisition price of the TK interest. In investing in the Cayman SPC, INV initially funded USD 339,836 thousand (JPY 37,534 million), which was an amount which was reasonably estimated to enable the Cayman SPC to acquire the underlying assets. However, based on the closing settlement, the Cayman SPC did not need as much capital as anticipated. Therefore INV received a refund of the TK investment in the amount of USD 6.8 million from the Cayman SPC. INV's investment amount to the TK interest is after such partial refund. USD is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward executed on July 26, 2018 and implemented on September 26, 2018.

(Note 4) The term of validity of the MOU is from July 17, 2018, the date of execution of the updated MOU, to July 16, 2019. However, regarding the 28 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 5) Each "Asset Type" above is as follows:

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

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

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

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

Property Sales

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

(ii) Strategy for internal growth

(Hotels)

Of the 64 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 55 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting management fees for the hotel operator as rents, and as a result 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 52 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives 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.

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

(Residential properties and others)

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

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

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

(iii) Financial strategy

In the Reporting Period, INV issued the investment corporation bonds for the purpose of raising funds from repaying existing borrowings, as described in "a Overview of the Fiscal Period Ended December 2018 ("Reporting Period") (c) Overview of Fund Raising (ii) Debt Financing b. Issuance of Investment Corporation Bonds" and lowered its financing costs while at the same time lengthened the average maturity period of its debt and diversified the maturity date of its debt and funding sources. Going forward, INV seeks to maximize unitholders' value by way of further reduction of borrowing costs, diversification of loan maturity dates and financing measures, and improvement of its credit rating.

(iv) Compliance risk management

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

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

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

c Significant Subsequent Events

Not applicable. Reference information is stated below.

(Reference Information)

(a) Overview of Fund Raising

INV has decided to implement new borrowings (Term Loan (I)) on January 18, 2019, in order to repay Term Loan (B) in the amount of JPY 4,250 million which was due on January 22, 2019.

Overview of Term Loan (I)

Lender	Borrowing Date	Outstanding Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	January 22, 2019	4,250	0.37250% （Note 1）	January 22, 2022	Unsecured/ non guarantee

(Note 1) This borrowing has a floating interest rate, but the interest rate is fixed through an interest rate swap agreement as of January 18, 2019. Therefore, the interest rate stated is fixed in consideration of the swap.

d Operational Outlook

The forecasts of financial results for the fiscal periods ending June 30, 2019 (from January 1, 2019 to June 30, 2019) and December 31, 2019 (from July 1, 2019 to December 31, 2019) are as follows. For reference purposes, full-year forecasts (aggregate of the fiscal periods ending June 30, 2019 and December 31, 2019) are provided as well, since hotel revenues are influenced by seasonal effects.

	June 2019 Fiscal Period	December 2019 Fiscal Period	(Reference) Full-year 2019
Operating Revenues	JPY 14,923 million	JPY 15,596 million	JPY 30,519 million
Operating Income	JPY 9,804 million	JPY 10,365 million	JPY 20,170 million
Ordinary Income	JPY 8,890 million	JPY 9,422 million	JPY 18,312 million
Net Income	JPY 8,889 million	JPY 9,421 million	JPY 18,311 million
Total Distribution Amount (Including excess profit distribution)	JPY 8,964 million	JPY 9,497 million	JPY 18,462 million
Net Income per Unit	JPY 1,568	JPY 1,662	JPY 3,230
Distribution per Unit (Excluding excess profit distribution)	JPY 1,568	JPY 1,662	JPY 3,230
Excess Profit Distribution per Unit	JPY 14	JPY 14	JPY 28
Distribution per Unit (Including excess profit distribution)	JPY 1,582	JPY 1,676	JPY 3,258

For the assumptions underlying the operational outlook for the fiscal periods ending June 30, 2019 and December 31, 2019, please see "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019."

(Cautionary Note regarding Forward Looking Statements)

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

<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending June 2019 and December 2019 >

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Fiscal period</td><td>The June 2019 fiscal period: from January 1, 2019 to June 30, 2019 (181 days)
The December 2019 fiscal period: from July 1, 2019 to December 31, 2019 (184 days)</td></tr>
<tr><td>Assets under management</td><td>Based on the properties held as of the date of this document (129 properties and a preferred equity interest in one TMK and a TK interest), and INV assumes that there will be no changes through the end of the fiscal period ending December 31, 2019.</td></tr>
<tr><td>Units outstanding</td><td>As of the end of the June 2019 fiscal period: 5,666,840 units
As of the end of the December 2019 fiscal period: 5,666,840 units

INV assumes that there will be no change to the current 5,666,840 units issued and outstanding through the end of the fiscal period ending December 31, 2019.</td></tr>
<tr><td>Interest-bearing liabilities</td><td>Balance as of the end of the fiscal period ending June 30, 2019: JPY 229,873 million (borrowing: JPY 225,873 million, investment corporation bonds: JPY 4,000 million)
Balance as of the end of the fiscal period ending December 31, 2019: JPY 228,774 million (borrowing: JPY 224,774 million, investment corporation bonds: JPY 4,000 million)

INV assumes that out of the current balance of JPY 229,873 million, INV intends to repay consumption tax loan of JPY 1,099 million maturing on August 2, 2019 in the fiscal period ending December 31, 2019. Regarding other loans maturing during the June 2019 fiscal period and December 2019 fiscal period, INV intends to refinance at a similar condition. INV assumes no other new loan or prepayment of loan through the end of the December 2019 fiscal period.</td></tr>
<tr><td>Operating revenues</td><td>INV expects to record rental revenues as follows:
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>・Rental revenues</td><td>JPY 12,248 million</td><td>JPY 13,688 million</td></tr>
<tr><td>(of these, hotel rents)</td><td>(JPY 8,497 million)</td><td>(JPY 9,948 million)</td></tr>
<tr><td>(fixed hotel rents)</td><td>(JPY 4,168 million)</td><td>(JPY 5,044million)</td></tr>
<tr><td>(variable hotel rents)</td><td>(JPY 4,329 million)</td><td>(JPY 4,904 million)</td></tr>
<tr><td>・TMK Dividend amount</td><td>JPY 892 million</td><td>JPY 774 million</td></tr>
<tr><td>・TK Dividend amount</td><td>JPY 1,782 million</td><td>JPY 1,133 million</td></tr>
</table>
We estimate the amount of dividends on the preferred equity interests (TMK dividend) based on the performance of the underlying asset and the assumed amount of expenses incurred by the TMK.

TK dividend has been calculated based on the exchange rate of 1 USD = 110.00 JPY, as the exchange rate is fixed based on the currency put/call options as announced in "Notice concerning Cancel of Existing Foreign Exchange Forward and Execution of Put/Call Options" dated November 2, 2018.

Rental revenues are calculated based on estimates as of the date of this document. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating expenses</td><td>
INV expects to incur property related expenses as follows:
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>・Facility management fees</td><td>JPY 652 million</td><td>JPY 638 million</td></tr>
<tr><td>(of these, repair costs)</td><td>(JPY 27 million)</td><td>(JPY 26 million)</td></tr>
<tr><td>・Taxes and other public charges (Note)</td><td>JPY 550 million</td><td>JPY 665 million</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 13 million</td><td>JPY 13 million</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 3,181 million</td><td>JPY 3,232 million</td></tr>
<tr><td>・Other expenses</td><td>JPY 205 million</td><td>JPY 169million</td></tr>
<tr><td>Total property related expenses</td><td>JPY 4,604 million</td><td>JPY 4,720 million</td></tr>
</table>
(Note) Property taxes and city planning taxes on the assets acquired in 2018 are calculated on a pro-rata basis with the previous owners and settled at the time of acquisition, and are not recorded for the fiscal period ended December 31, 2018 and will be recorded from the fiscal period ending June 30, 2019 as the amount equivalent to such settlement is included in the acquisition cost.
INV expects to incur other operating expenses than the property related expenses as follows:
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>・Other operating expenses</td><td>JPY 514 million</td><td>JPY 510 million</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 300 million)</td><td>(JPY 300 million)</td></tr>
</table>
</td></tr>
<tr><td>NOI</td><td>
INV expects to record net operating income as follows:
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>・NOI</td><td>JPY 13,500 million</td><td>JPY 14,108 million</td></tr>
<tr><td>(of these, hotel NOI)</td><td>(JPY 8,057 million)</td><td>(JPY 9,404 million)</td></tr>
<tr><td>(of these, residential NOI)</td><td>(JPY 2,584 million)</td><td>(JPY 2,611 million)</td></tr>
<tr><td>(of these, TMK dividend amount)</td><td>(JPY 892 million)</td><td>(JPY 774 million)</td></tr>
<tr><td>(of these, TK dividend amount)</td><td>(JPY 1,782 million)</td><td>(JPY 1,133 million)</td></tr>
</table>
NOI calculation method in the above table is as follows
・NOI＝ Rental Revenues － Property Related Expenses + Depreciation Expenses + Dividend on the preferred equity interest (TMK dividend) + Dividend on TK interest (TK dividend)
</td></tr>
<tr><td>Non-operating expenses</td><td>
INV expects to incur non-operating expenses as follows:
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>・Interest expense</td><td>JPY 600 million</td><td>JPY 641 million</td></tr>
<tr><td>・Finance related costs</td><td>JPY 298 million</td><td>JPY 286 million</td></tr>
<tr><td>・Interest for investment corporation bonds</td><td>JPY 11 million</td><td>JPY 11 million</td></tr>
<tr><td>・Depreciation of investment corporation bonds issuance expense</td><td>JPY 3million</td><td>JPY 3 million</td></tr>
<tr><td>Total Non-operating expenses</td><td>JPY 914 million</td><td>JPY 943 million</td></tr>
</table>
</td></tr>
</table>

Item	Assumptions
Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation. With respect to the distribution for the fiscal period ending June 30, 2019, INV expects to distribute an aggregate amount of JPY 8,964 million (distribution per unit: JPY 1,582) based on the assumption that excess profit distribution will be paid (JPY 79 million) in addition to distribution of profit (JPY 8,885 million) to be distributed from the net income for the fiscal period ending June 30, 2019 (JPY 8,889 million). With respect to the distribution for the fiscal period ending December 31, 2019, INV expects to distribute an aggregate amount of JPY 9,497 million (distribution per unit: JPY 1,676) based on the assumption that excess profit distribution will be paid (JPY 79 million) in addition to distribution of profit (JPY 9,418 million) to be distributed from the net income for the fiscal period ending December 31, 2019 (JPY 9,421 million). For the fiscal period ending June 30, 2019 and December 31, 2019, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 108 million, which is equal to the amount for the fiscal period ended December 31, 2018. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap does not affect the distribution per unit. Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Excess profit distribution per unit</td><td>INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.
INV may also consider making distributions in excess of profits for the purpose of decreasing the impact from corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.
INV intends to make distribution in excess of profits (JPY 14 per unit for each of the fiscal periods ending June 30, 2019 and December 31, 2019) in order to cope with the discrepancy between tax and accounting treatment on depreciation.
<table>
<tr><th></th><th>June 2019 Fiscal Period</th><th>December 2019 Fiscal Period</th></tr>
<tr><td>Excess profit distribution per unit</td><td>JPY 14</td><td>JPY 14</td></tr>
</table>
</td></tr>
<tr><td>Other</td><td>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations, including the proposed amendments to the Income Tax Act stated below, that would affect the foregoing forecasts.
However, as announced in “Notice concerning Tax Reform Outline for FY 2019 proposed by Governing Parties” dated December 16, 2018, the governing political party of Japan adopted and made public on December 14, 2018 their Tax Reform Outline for Fiscal Year 2019, including the proposal (“Proposal”) to amend the requirement that “J-REIT must not hold 50% or more of the share or the investment in another corporation”, one of the requirements for special taxation measures for J-REITs (so-called “tax conduit requirements”) to include investments in TK interest within the meaning of the investment in another corporation. On February 5, 2019, a bill to amend a portion of the Income Tax Act in Japan, including the said Proposal, was submitted to the Diet. INV has acquired the TK Interest with Overseas Real Estate as Underlying Assets (“TK Interest with Overseas Real Estate”) on September 29, 2018 and holds 100% TK interest. Therefore, there is a possibility that we may fail to satisfy tax conduit requirements when the Proposal is formally adopted and enacted. To deal with such circumstances, INV is currently consulting with Japanese and Cayman regulators regarding a change in the investment structure in order to maintain compliance with the tax conduit requirements while enjoying the full economic benefits derived from the underlying assets of the TK interest. Nevertheless, since it is difficult to incorporate the detail and the timing of investment structure change in the assumption, the forecasts of financial results here does not assume such change of investment structure.
In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</td></tr>
</table>

(3) Investment Risk

Changes are made as follows to certain items contained in "Part 1 Fund Information, I. Fund Status, 3. Investment Risks" in the latest securities report for the fiscal period ended June 2018 (from January 1, 2018 to June 30, 2018) (available in Japanese only), filed on September 25, 2018. Underlined parts below indicate major changes or additions, while deletions are not indicated.

6. Taxation Risks

(a) Risks regarding tax conduit requirement

(Snip)

While we intend to maintain tax conduit requirements, our current favorable tax treatment, available to J-REITs that comply with Japanese tax laws, there is a possibility that we would fail to satisfy such requirements due to the factors below or other factors. If we are unable to meet such requirements, we will not be able to take advantage of this favorable tax treatment. In such a case, we would not be able to deduct our distributions from our taxable income as expenses. As a result, we would have to pay distributions after our taxable income has been subject to Japanese corporate income tax at a regular rate, which might have adverse effect on the amount of distributions to be paid to unitholders. However, due to the availability of tax loss carryforwards totaling JPY 22,685 million as of the end of the 31st Fiscal Period (fiscal period ended December 31, 2018), we do not expect to incur any additional corporate tax liability at least up to the 32nd Fiscal Period (fiscal period ending June 30, 2019) even if we are unable to meet such requirements.

(Snip)

(e) Risks regarding requirement to restrict J-REITs holding control over another corporation

We understand that investment in anonymous association (*tokumei kumiai*) under the Commercial Code in Japan is not included within "share or the investment in another corporation" under the requirement to restrict J-REITs holding control over another corporation and that holding the Cayman Hotel TK Interest does not conflict with the requirement of "J-REIT must not hold 50% or more of the share or the investment in another corporation" under the current tax system in Japan as of the date of this document. On February 5, 2019, a bill to amend a portion of the Income Tax Act in Japan was submitted to the Diet, which includes the proposal ("Proposal") to amend the requirement that "J-REIT must not hold 50% or more of the share or the investment in another corporation" to include investments in anonymous associations within the meaning of the investment in another corporation. Also, since the Proposal does not have particular transitional measure, there is a possibility that we may fail to satisfy requirement to restrict J-REITs holding control over another corporation when the Proposal is formally adopted and enacted, applicable from the 33rd Fiscal Period (fiscal period ending December 2019), which is the first fiscal period of INV immediately after the anticipated effective date (April 1, 2019) of tax law amendment. INV is preparing an investment structure change in order to enjoy the full economic benefits derived from the underlying assets of the TK interest, while maintaining compliance with the tax conduit requirements, complying with Japanese and Cayman laws, and avoiding excessive economic burden in the event the Proposal is adopted and enacted. However, in the event (i) such investment structure change cannot be carried out due to laws and regulations or other factors, (ii) such investment structure change requires a large amount of costs, or (iii) such investment structure change cannot be carried out in a timely manner, it could have a material adverse effect on INV or its unitholders.