

Financial Summary
for the June 2016 Fiscal Period
(from January 1, 2016 to June 30, 2016)

| | |
|---|---|
| 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 | : September 27, 2016 |

This English language notice is a translation of the Japanese-language notice released on August 23, 2016 and was prepared solely for the convenience of, and reference by, non-Japanese investors. It is not intended as an inducement or solicitation for investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. Readers are advised to read the original Japanese-language notice. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail in all respects.

(values are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

(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 June 30, 2016 | 8,158 | 18.9 | 5,073 | 16.1 | 4,364 | 47.8 | 4,363 | 47.8 |
| Fiscal period ended December 31, 2015 | 6,863 | 38.0 | 4,369 | 55.4 | 2,953 | 28.6 | 2,952 | 28.6 |

| | Net Income per Unit | Net Income/ Unitholders' Equity | Ordinary Income/ Total Assets | Ordinary Income/ Operating Revenues |
|--|---------------------|------------------------------------|----------------------------------|--|
| | JPY | % | % | % |
| Fiscal period ended June 30, 2016 | 1,270 | 3.9 | 1.9 | 53.5 |
| Fiscal period ended December 31, 2015 | 937 | 3.8 | 1.8 | 43.0 |

(Note) "Net Income per Unit" is calculated based on the average number of investment units during the period and is rounded to the nearest yen. Net income per unit calculated based on the number of investment units issued and outstanding at the end of the fiscal period ended June 30, 2016 (3,675,824 units) and rounded down to yen is JPY 1,187.

(2) Distributions

| | Distribution (Excluding excess profit) | | Excess Profit | | Distribution | | Dividend Payout Ratio | Distribution / Net Assets |
|--|---|----------------------|---------------|--------------------|--------------|----------------------|-----------------------------|---------------------------------|
| | Per Unit | Total | Per Unit | Total | Per Unit | Total | | |
| Fiscal period ended June 30, 2016 | JPY 1,125 | JPY million 4,135 | JPY 61 | JPY million 224 | JPY 1,186 | JPY million 4,359 | % 94.8 | % 3.5 |
| Fiscal period ended December 31, 2015 | 948 | 3,027 | 239 | 763 | 1,187 | 3,790 | 102.5 | 3.7 |

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

(Note 2) The distribution per unit in excess of profit is JPY 61, of which JPY 61 is the allowance for temporary difference adjustments.

(Note 3) The "Dividend Payout Ratio" is calculated in accordance with the following formula:

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

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

In addition, the Dividend Payout Ratio calculated with the following formula for the period ended June 30, 2016 is 99.9%:

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

(Note 4) "Distribution/ Net Assets" are 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 June 30, 2016 | 284,106 | 130,005 | 45.8 | 35,368 |
| Fiscal period ended December 31, 2015 | 185,918 | 91,758 | 49.4 | 28,731 |

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

(4) Cash Flows

| | Cash Flows from Operating Activities | Cash Flows from Investment Activities | Cash Flows from Financing Activities | Closing Balance of Cash and Cash Equivalents |
|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|--|
| | JPY million | JPY million | JPY million | JPY million |
| Fiscal period ended June 30, 2016 | 5,319 | (86,000) | 83,626 | 16,764 |
| Fiscal period ended December 31, 2015 | 4,312 | (43,092) | 45,084 | 13,818 |

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

(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 December 31, 2016 | 10,015 | 22.8 | 6,417 | 26.5 | 5,872 | 34.6 | 5,872 | 34.6 | 1,597 | 0 | 1,597 |

(Reference) Estimated net income per unit for the fiscal period ending December 31, 2016 is JPY 1,597.

※ 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)
- | | | | |
|---------------|-----------|-------------------|-----------|
| June 30, 2016 | 3,675,824 | December 31, 2015 | 3,193,686 |
|---------------|-----------|-------------------|-----------|
- (b) Number of Treasury Units as of the End of the Fiscal Period
- | | | | |
|---------------|---|-------------------|---|
| June 30, 2016 | 0 | December 31, 2015 | 0 |
|---------------|---|-------------------|---|

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

The Implementation Status of Statutory Audit

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

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

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

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

Please refer to “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)”, on page 21 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 March 31, 2016).

2. Management Policy and Operating Conditions

(1) Management Policy

Disclosure of “Investment Policies,” “Investment Targets,” “Distribution Policies” and the “Investment Restriction” is omitted because there have been no material changes from the relevant sections of the latest securities report (filed on March 31, 2016)

(2) Operating Conditions

a Overview of the Fiscal Period Ended June 2016 (“Reporting Period”)

(a) Main Trends in the Investment Corporation

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

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

Ever since the commencement of sponsorship from the Fortress Group, INV has been focusing its efforts on improving the earning power of its portfolio and establishing a revenue base in order to implement stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for future growth. With this platform as a base, in June 2014, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (the “Asset Manager”) revised the Investment Guidelines for INV, and positioned hotels as a core asset class alongside residential properties with a view towards expanding investments in the hotel sector in which demand is forecasted to rise going forward. As a result of the external growth efforts, INV’s portfolio at the end of the previous period ended December 2015 composed of 111 properties (37 hotels, 66 residential properties and eight others) with a total acquisition value of JPY 173,815 million, and market capitalization at such date of JPY 224,835 million. When compared to the period as of May 22, 2014, which is the time immediately prior to INV’s initial investment in hotels, the total acquisition value and market capitalization increased significantly by 2.4x and 7.6x, respectively.

In the Reporting Period, INV continued its external growth efforts by completing three separate transactions to

further increase the size of the portfolio and increase earnings. On January 22, 2016, INV acquired five hotels and one residential property with funds raised through new loans along with a portion of the cash-on-hand from the July 2015 public offering. On March 10, 2016, INV conducted a global public offering for the third consecutive year (the "Capital Increase"), in which it acquired four hotels and one residential property on March 31, 2016. The transaction was funded with funds raised through the Capital Increase and new loans. In addition, INV acquired two hotels on June 15, 2016 with the cash-on-hand raised through the Capital Increase and third-party allotment conducted in relation to the Capital Increase and new loans. As a result, INV's portfolio composed of 124 properties (48 hotels, 68 residential properties and eight others) with a total acquisition value of JPY 266,619 million and market capitalization of JPY 238,193 million at the end of the Reporting Period.

With respect to financial management, INV took advantage of the negative interest rate policy adopted by the Bank of Japan and executed interest rate swap agreements to fix the interest rate on a portion of its existing borrowings (the total notional principal of which is JPY 99,119 million) on March 4, 2016. As a result, INV was able to improve its financial stability by fixing the interest rate on 69.8% of outstanding debt from 0% at the end of the previous period.

In conjunction with the acquisition of properties on January 20, 2016 and March 10, 2016, INV expanded the pipeline for future growth by adding new properties to the properties subject to a Memorandum of Understanding (the "MOU") with affiliates of Fortress Group with respect to preferential negotiating rights regarding the acquisition of hotels and residential properties. As of the end of the Reporting Period, there are 22 hotels (6,116 rooms) and nine residential properties (743 units) in the MOU, which will continue to provide INV with considerable opportunity for external growth.

(b) Operational Environment and Performance

In the hotel segment, the Japanese government's promotion of tourism initiatives such as airport capacity expansion, the entry of LCC's into the Japanese market, and the relaxation of visa requirements for some Asian countries, coupled with macro structural changes such as a sharp increase in the number of cross-border travelers due to the global rise of the middle-income bracket, has led to a continued increase in the number of international visitors to Japan from China and Southeast Asian countries such as Thailand, Malaysia, the Philippines, Indonesia and Vietnam. This robust combination helped Japan log a record high of 19.737 million visitors in 2015 (47.1% increase from the 13.413 million visitors of the previous year), and the number of foreigners entering Japan exceeded the number of Japanese departing for the first time in 45 years. In the Reporting Period, regardless of the effect of the Kumamoto Earthquake and the development of yen appreciation, the number of foreigners entering Japan during the period from January to July of 2016 logged a record high of 14.010 million (+26.7% compared to the same period for the previous year), and demand in foreigners for accommodations continued to increase.

Regarding INV's hotels, in addition to the abovementioned external factors, the hotel operators adeptly captured inbound demand through strong revenue management techniques. 39 of the hotels owned by INV (Note 1) recorded ADR (Note 2) of JPY 9,148, RevPAR (Note 3) of JPY 8,213, and an occupancy rate (Note 4) of 89.8%. Among the 35 hotels (Note 5) in which a comparison can be made to the same period in the previous year, ADR was JPY 8,874 (+8.5%), RevPAR was JPY 7,896 (+6.9%) (Note 6), with an occupancy rate

of 89.0% (-1.3 points). The ratio of overseas sales (Note7) at the 35 hotels (Note 8) increased to 34.2% (+ 5.2 points compared to the same period for the previous year).

With respect to the residential portfolio, market rent trends for small-type city-center properties continue to improve. Under the positive circumstances in the macro environment, INV implemented a rent increase program for new leases and renewals as well as an initiative to reduce residential leasing costs based on a market analysis of each unit and property in 2014. As a result, in the Reporting Period, INV realized a rent increase for 49.0% of the new residential lease contracts or an average rent increase of 1.1% compared to the previous rent, and a rent increase for 42.4% of contract renewals or an average rent increase of 1.4% compared to the previous rent, while maintaining a high contract renewal rate of 83.6%. The average occupancy rate for the Reporting Period achieved a stable 95.7% (the average of 66 properties, excluding two properties acquired during the Reporting Period; the average occupancy rate including such two properties was 96.3%), and the average occupancy rate of 63 properties that can be compared to the same period for the previous year (Note 9) increased 1.8%. The NOI (Note 10) for the 63 properties (Note 9) in which previous year comparisons can be made increased 5.1% compared to the same period for the previous year.

As a result, INV maintained a high average occupancy rate of 98.3% across the entire portfolio, and the NOI increased by 19.7% from the previous period to JPY 7,136 million.

As a result of the internal growth and the external growth through the acquisition of properties for the Reporting Period, the trends in the real estate investment and rental market, as well as the strong performance of the hotels, the total appraisal value at the end of the Reporting Period was JPY 323,291 million, an increase of JPY 108,339 million (+50.4%) over the previous period. The appraisal value of 111 properties held at the end of the previous period increased from JPY 214,952 million to 229,296 million (+6.7%), and in particular, the appraisal value of the 37 hotels increased by JPY 13,718 million (+10.3%) year-on-year, significantly enhancing the overall portfolio asset value. The portfolio has an unrealized gain of JPY 61,819 million (Note 11) and an unrealized gain ratio of 23.6% (Note 11) were achieved.

(Note 1) Of the 48 acquired hotels, the following hotels on fixed rents are excluded: Super Hotel Shinbashi-Karsumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo JR Tachikawa Kitaguchi, Super Hotel JR Ueno-Iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel.

(Note 2) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period.

(Note 3) "RevPar" means revenue per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates.

(Note 4) "Occupancy rates" are calculated in accordance with the following formula:

Occupancy rates = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)

(Note 5) Hotel Mystays Haneda and Hotel Mystays Kanazawa, for which there are no performance figures in and prior to 2014, Hotel Mystays Shinsaibashi, which was not operated for a certain period due to

renovation in 2015 (renovation period: from January 25 2015 through March 31, 2015), and Hotel Mystays Gotanda Station, which was not operated for a certain period due to renovation in 2015 (renovation period: from March 1, 2015 through November 24, 2015) are excluded, in addition to the properties excluded per Note 1.

- (Note 6) The 34 properties excluded per Note 5 and Hotel Mystays Kanda, which underwent renovation for the period from May 20, 2016 through August 22, 2016, recorded an occupancy rate of 89.1% (-1.1 points compared to the same period for the previous year), ADR of JPY 8,876 (+8.7% compared to the same period for the previous year), and RevPAR of JPY 7,911 (+7.5% compared to the same period for the previous year).
- (Note 7) Of the 48 acquired hotels, APA Hotel Yokohama-Kannai, Hotel Nets Hakodate, Super Hotel Shinbashi-Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo JR Tachikawa Kitaguchi, Super Hotel JR Ueno-Iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel, the tenants of which do not disclose the ratio of overseas sales; Hotel Mystays Gotanda Station, the prior operator of which did not calculate the ratio of overseas sales; and Hotel Epinard Nasu, the ratio of overseas sales of which has not been calculated for the period in and prior to May 2015, are excluded.
- (Note 8) "Overseas sales ratio" is the ratio of sales amount through overseas web agents to revenues.
- (Note 9) Of the 68 acquired residential properties, City Court Kitaichijo, Lieto Court Mukojima, Lieto Court Nishi-Ojima, Royal Parks Momozaka and Royal Parks Shinden, which were not held by INV in the same period in the previous year, are excluded.
- (Note 10) For the comparison of NOI of the 63 properties, insurance payment as the temporary revenue and repair expenses and other expenses that correspond to the insurance payment are excluded.
- (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

(c) Overview of Fund Raising

(i) Equity Finance

INV executed (i) a global public offering of investment units that closed on March 30, 2016 (number of new investment units issued: 459,512; total issue value: JPY 36,123 million) and (ii) a third-party allotment in conjunction with the global offering that closed on April 27, 2016, (number of new investment units issued: 22,626; total issue value: JPY 1,778 million), in order to procure part of the funds for the acquisition of four hotels and one residential property.

(ii) Debt Finance

INV implemented the borrowing of Term Loan (B) (amount borrowed: JPY 8,998 million; interest rate: variable interest rate of one-month JPY TIBOR plus 0.40%, 0.60% and 0.20%) from Sumitomo Mitsui Trust Bank, Limited. and Mitsubishi UFJ Trust and Banking Corporation on January 22, 2016 for use as a portion of the funds and related expenses to acquire five hotels and one residential property.

In addition, INV introduced Development Bank of Japan Inc., etc. as new lenders and implemented the borrowing of New Syndicate Loan (F) (amount borrowed: JPY 34,418 million; interest rate: variable interest rate of one-month JPY TIBOR (Note 1) plus 0.40%, 0.50%, 0.60% and 0.20%) on March 31, 2016, with Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Trust Bank, Limited. as arrangers, for use as portion of the funds and related expenses to acquire four hotels and one residential property, together with the equity finance described in (i) above.

On April 28, 2016, INV repaid the portion of New Syndicate Loan (E) in the amount of JPY 1,080 million that corresponds to the borrowings equivalent to the expected consumption tax refund (Note 2), using the consumption tax refunds from the 11 hotels acquired on July 16, 2015.

Furthermore, INV implemented the borrowing of Term Loan (C) (amount borrowed: JPY 3,882 million; interest rate: variable interest rate of one-month JPY TIBOR (Note 1) plus 0.40%, 0.50%, 0.60% and 0.20%) from Citibank Japan Ltd. on June 15, 2016 for use as a portion of the funds and related expenses to acquire two hotels. Additionally, INV implemented the borrowing of Term Loan (D) (amount borrowed: JPY 4,000 million; interest rate: one-month JPY TIBOR plus 0.40% and 0.60%) from Development Bank of Japan Inc. and AEON Bank, Ltd.

INV also fixed interest rates by executing the interest rate swap agreements with regard to its existing borrowing totaling JPY 99,119 million under New Syndicate Loan (E), Term Loan (A) and a part of Term Loan (B), on March 4, 2016, in order to prepare for future rises in interest rates. Accordingly, INV pursued the improvement of the financial stability as the ratio of fixed interest rates for the total amount of interest-bearing liabilities of INV became 69.8%.

As a result of the above measures, INV's interest-bearing debt outstanding balance was JPY 141,917 million and the Interest-Bearing Debt ratio was 48.7% (Note 3) as of the end of the Reporting Period and, the average interest rate was 0.50% (Note 4).

(Note 1) With respect only to the first interest calculation period, the two-month JPY TIBOR.

(Note 2) Borrowings corresponding to the expected consumption tax refund mean the borrowings which will be prepaid in the amount equivalent to the refund of consumption tax and local tax, which were paid in relation to the acquisition of the trust beneficiary interests acquired by the borrowings executed at the same time, in the case where the above-mentioned consumption tax refunds are received. The same shall apply hereinafter.

(Note 3) The calculation for the Interest-Bearing Debt ratio uses the calculation formula below:

Interest-Bearing Debt ratio = amount of interest-bearing debt (excluding JPY 3,498 million borrowings corresponding to the expected consumption tax refund) ÷ amount of total assets at end of the Reporting Period × 100

(Note 4) The average borrowing interest rate (annual rate) is calculated by the weighted average based on the outstanding balance of borrowings, excluding borrowings corresponding to the expected consumption tax refund. In addition, the said rate is rounded to two decimal places.

(d) Overview of Acquisition of Assets

The overview of five hotels and one residential property acquired on January 22, 2016 is as follows:

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

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

(Note 2) The appraisal value is based on that as of November 20, 2015 by reports of the Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. and Morii Appraisal & Investment Consulting, Inc.

The overview of four hotels and one residential property acquired on March 31, 2016 is as follows:

| Use | Property Number | Property Name | Location | Acquisition Price (JPY million) | Appraisal Value (JPY million) (Note 1) | Seller | Category of Specified Assets |
|-------------|-----------------|-------------------------------|----------------------|---------------------------------|--|--|------------------------------|
| Hotel | D43 | Hotel Mystays Gotanda Station | Shinagawa-ku, Tokyo | 24,674 | 24,800 | Tsuki Tokutei Mokuteki Kaisha | Trust Benefit Interest |
| | D44 | Hotel Epinard Nasu | Nasu-gun, Tochigi | 20,981 | 21,300 | Septentrio Tokutei Mokuteki Kaisha Septentrio 2 Tokutei Mokuteki Kaisha Septentrio 3 Tokutei Mokuteki Kaisha | |
| | D45 | Hotel MyStays Fukuoka Tenjin | Fukuoka-shi, Fukuoka | 8,059 | 8,100 | Navaro Tokutei Mokuteki Kaisha | |
| | D46 | Hotel MyStays Hamamatsucho | Minato-ku, Tokyo | 7,959 | 8,000 | Navaro Tokutei Mokuteki Kaisha | |
| Residential | A104 | Royal Parks Shinden | Adachi-ku, Tokyo | 5,024 | 5,100 | Momo Tokutei Mokuteki Kaisha | |
| Total | | | | 66,697 | 67,300 | | |

(Note 1) The appraisal value is based on that as of November 20, 2015, January 1, 2016 and January 31, 2016 by reports of Morii Appraisal & Investment Consulting, Inc.

The overview of two hotels acquired on June 15, 2016 is as follows:

| Use | Property Number | Property Name | Location | Acquisition Price (JPY million) | Appraisal Value (JPY million) (Note 1) | Seller | Category of Specified Assets |
|-------|-----------------|---------------------------|------------------------|---------------------------------|--|---------------------------------|------------------------------|
| Hotel | D47 | Hotel Mystays Kanazawa | Kanazawa-shi, Ishikawa | 13,761 | 13,900 | Ginga Tokutei Mokuteki Kaisha | Trust Beneficial Interest |
| | D48 | Takamatsu Tokyu REI Hotel | Takamatsu-shi, Kagawa | 2,139 | 2,160 | Wakusei Tokutei Mokuteki Kaisha | |
| Total | | | | 15,900 | 16,060 | | |

(Note 1) The appraisal value is based on that as of May 31, 2016 by reports of Morii Appraisal & Investment Consulting, Inc. and Daiwa Real Estate Appraisal Co., Ltd.

(e) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 1,294 million from the previous period (+18.9%) to JPY 8,158 million, and net income increased by JPY 1,410 million from the previous period (+47.8%) to JPY 4,363 million. DPU for the Reporting Period was JPY 1,186, a decrease of JPY 1 (-0.1%) compared to the same period for the previous year.

With respect to distributions, INV includes profit distributions in deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Taxation Measures Law. Profit distributions (not including distributions in excess of profit) declared for the six months ended June 30, 2016 were ¥4,135,302,000 which were all profit as defined in Article 136, Paragraph 1 of the Investment Trust Act, except for fractional distribution per unit less than JPY 1. In addition, INV makes distributions in excess of profit considering the effect of items deducted from net assets and distributions in excess of profit for the six months ended June 30, 2016 were ¥224,225,264, which corresponds to ¥227,532,553 of deferred losses on hedges at the end of Reporting Period divided by the number of outstanding units (except for fractional distribution per unit in excess of profit less than JPY 1). All of the distributions in excess of profit for the six months ended June 30, 2016 amounting to ¥224,225,264 consist only of allowance for temporary difference adjustments. As a result, the distribution per unit for the Reporting Period is JPY 1,186.

In addition, INV has decided not to conduct the excess profit distribution via return of capital for the Reporting Period, which was announced in the release "Notice concerning Revision of Forecast of Financial Results and Distribution for the 26th Notice concerning Revision of Forecast of Financial Results and Distribution for the 26th" on March 10, 2016, since the sum of adjustment accounts has no discrepancy between tax and accounting profits which can incur taxation.

b Outlook for the Fiscal Period Ending December 31, 2016

(a) Future operational policy and issues to be addressed

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

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

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV will move forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues is anticipated. INV will also acquire a certain proportion of residential properties and hotels using fixed rent schemes, which contribute to stable revenue. This acquisition strategy will enable INV to build a portfolio with a good balance between growth and stability.

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

In regards to residential properties, INV will analyze occupancy rates, rental market trends, the presence of competing properties and other factors, and consider acquiring mainly small-type properties in large cities with strong competitiveness. In addition, INV will consider acquiring family-type properties in the case where it is determined by INV to be beneficial to portfolio diversification regarding residential properties.

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

Properties Acquired from affiliates of the Fortress Group

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

The Fortress Group manages four dedicated Japanese real estate funds, including the Fortress Japan Opportunity Funds I and II. The Fortress Group's committed equity is over JPY 300 billion and the number of properties that the Fortress Group is invested in exceeds 1,400. In order to ensure future growth options for the portfolio, INV entered into an updated MOU with the Fortress Group that provides preferential negotiation rights with respect to the acquisition of 22 hotels and nine residential properties (see the table below) (Note 1). As a result of the acquisition of two properties as of June 15, 2016, the properties with preferential negotiation rights as of the date of this document are as set forth below.

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

| No. | Asset Name | Asset Type (Note 6) | Location | No. of Rooms |
|-------------------------------|--|------------------------|-------------------------|--------------|
| 1 | Hotel MyStays Premier Akasaka | Limited Service Hotel | Minato-ku, Tokyo | 327 |
| 2 | Hotel MyStays Yokohama-Kannai (Note 2) | Limited Service Hotel | Yokohama-shi, Kanagawa | 166 |
| 3 | Rihga Royal Hotel Kyoto (Note 3) | Full Service Hotel | Kyoto-shi, Kyoto | 489 |
| 4 | Narita Excel Hotel Tokyu | Full Service Hotel | Narita-shi, Chiba | 706 |
| 5 | Art Hotels Sapporo | Full Service Hotel | Sapporo-shi, Hokkaido | 418 |
| 6 | Best Western Hotel Fino Sapporo | Limited Service Hotel | Sapporo-shi, Hokkaido | 242 |
| 7 | Best Western Hotel Fino Oita | Limited Service Hotel | Oita-shi, Oita | 145 |
| 8 | Hotel Naqua City Hirosaki | Full Service Hotel | Hirosaki-shi, Aomori | 134 |
| 9 | Beppu Kamenoi Hotel | Resort Hotel | Beppu-shi, Oita | 322 |
| 10 | Fusaki Resort Village Ishigaki-jima | Resort Hotel | Ishigaki-shi, Okinawa | 195 |
| 11 | Sheraton Grande Tokyo Bay Hotel (Note 4) | Full Service Hotel | Urayasu-shi, Chiba | 1,016 |
| 12 | Hotel MyStays Shin-Osaka Conference Center | Limited Service Hotel | Osaka-shi, Osaka | 397 |
| 13 | Art Hotels Asahikawa | Full Service Hotel | Asahikawa-shi, Hokkaido | 265 |
| 14 | Hotel MyStays Kanazawa Castle | Limited Service Hotel | Kanazawa-shi, Ishikawa | 206 |
| 15 | Hotel JAL City Matsuyama | Full Service Hotel | Matsuyama-shi, Ehime | 161 |
| 16 | Hotel MyStays Ueno East | Limited Service Hotel | Taito-ku, Tokyo | 150 |
| 17 | (Provisional Name) Hotel MyStays Hommachi 3-chome (Osaka) (Note 5) | Limited Service Hotel | Osaka-shi, Osaka | 120 |
| 18 | Hotel MyStays Sapporo Nakajima Park | Limited Service Hotel | Sapporo-shi, Hokkaido | 86 |
| 19 | Flexstay Inn Sakuragicho | Limited Service Hotel | Yokohama-shi, Kanagawa | 70 |
| 20 | MyCUBE by MYSTAYS Asakusa Kuramae | Limited Service Hotel | Taito-ku, Tokyo | 161 |
| 21 | Art Hotels Hamamatsucho | Limited Service Hotel | Minato-ku, Tokyo | 120 |
| 22 | Art Hotels Ohmori | Limited Service Hotel | Shinagawa-ku, Tokyo | 220 |
| Hotel Subtotal | | | | 6,116 |
| 23 | Gran Charm Hiroo | Residential/Small Type | Shibuya-ku, Tokyo | 121 |
| 24 | Plestay Win Kinshicho | Residential/Small Type | Sumida-ku, Tokyo | 92 |
| 25 | Gran Charm Kichijoji | Residential/Small Type | Musashino-shi, Tokyo | 28 |
| 26 | Green Patio Noda | Residential/Small Type | Noda-shi, Chiba | 240 |
| 27 | Dainichi F-45 | Residential/Small Type | Urayasu-shi, Chiba | 54 |
| 28 | Gran Charm Urayasu | Residential/Small Type | Urayasu-shi, Chiba | 54 |
| 29 | Gran Charm Urayasu 5 | Residential/Small Type | Urayasu-shi, Chiba | 54 |
| 30 | Gran Charm Minami Gyotoku I | Residential/Small Type | Ichikawa-shi, Chiba | 52 |
| 31 | Gran Charm Minami Gyotoku II | Residential/Small Type | Ichikawa-shi, Chiba | 48 |
| Residential Property Subtotal | | | | 743 |

- (Note 1) The term of validity of the MOU is from March 10, 2016, the date of execution of the new MOU, to March 9, 2017. Regarding the 31 properties listed above, there is no guarantee that INV will be granted an opportunity for considering acquisition of the properties or be able to acquire the properties.
- (Note 2) Hotel MyStays Yokohama –Kannai is scheduled to be completed in September 2016, and is scheduled to open in October 2016.
- (Note 3) Rihga Royal Hotel Kyoto is scheduled to partially reopen on September 8, 2016 after renewal and fully reopen on November 1, 2016.
- (Note 4) Extension work regarding the Annex site of Sheraton Grande Tokyo Bay Hotel is now underway and is scheduled to be completed in December 2016.
- (Note 5) (Provisional Name) Hotel MyStays Hommachi 3-chome (Osaka) is scheduled to be completed in October 2017, and is scheduled to open in December 2017.
- (Note 6) Each “Asset Type” above is as follows:
- “Limited Service Hotel” refers to a hotel focusing on revenues from room stay and offer limited service regarding foods and beverages, banquet, spa or gymnasium facilities.
- “Full Service Hotel” refers to a hotel having sections of stay, foods and beverages, and banquet.
- “Resort Hotel” refers to a hotel located at tourist destinations or recreational lots, having sections of stay, foods and beverages, and incidental facilities.
- “Small Type” refers to a residential property in which the majority of dwelling units are less than 30 m².

Property Sales

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

(ii) Strategy for internal growth

(Hotels)

Of the 48 hotels owned by INV as at the end of the Reporting Period, 39 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives gross operating profit (GOP) after deducting management fees for the hotel operator, and INV’s variable rent scheme is set up so that INV can directly enjoy the hotel revenue upside. For 33 hotels, MYSTAYS HOTEL MANAGEMENT Co., Ltd., a hotel operator in the sponsor group, has implemented strict revenue management seeking to maximize revenue. INV will continue to accurately ascertain and analyze operating conditions of its hotels, the conditions of nearby hotels, market trends and other factors through operation meetings and other contact with hotel operators and will focus on operations that maximize rent income.

(Residential properties and others)

INV will continue to strengthen its collaborative ties with Property Management (PM) companies and brokers to further boost occupancy rates and earning capabilities of its properties. With respect to INV's residential properties, while keeping in mind the off-season in the residential rental market that occurs during the fiscal period ending December 2016, INV will focus on increasing an occupancy rate, rent for new lease contracts as well as for lease renewals for each of its properties as well as formulating net leasing management policies in order to continue maximizing profits.

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

(iii) Financial strategy

INV has strengthened its lender formation via the new borrowings in conjunction with the public offering implemented in March 2016 and the new borrowings implemented in January 2016 and June 2016, to further stabilize its financial base. Going forward, INV will work on diversifying financing measures, including issuing investment corporation bonds, as well as obtaining a future credit rating. Also, INV seeks to maximize unitholders' value by way of lengthening and diversification of borrowing terms, further reduction of borrowing costs, solicitation of new financial institutions and strengthening of its lender formation.

(iv) Compliance risk management

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

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

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

c Significant Subsequent Events

Borrowing of Funds

INV implemented the new borrowings described in the following table on July 20, 2016 for use as a portion of the fund and related expenses to acquire properties described in “a. Overview of the Reporting Period (d) Overview of Acquisition of Assets” above.

Term Loan (E)

| Lender | Borrowing Date | Borrowing Amount (JPY million) | Interest Rate (per annum) | Principal Maturity Date | Borrowing Method |
|------------------------------|----------------|--------------------------------|---------------------------------|-------------------------|---------------------------|
| The Tokyo Star Bank, Limited | July 20, 2016 | 700 | Variable interest rate (Note 1) | July 20, 2019 | Unsecured / non guarantee |
| | July 20, 2016 | 1,600 | Variable interest rate (Note 2) | July 20, 2020 | Unsecured / non guarantee |
| | July 20, 2016 | 1,700 | Variable interest rate (Note 3) | July 20, 2021 | Unsecured / non guarantee |
| Total | | 4,000 | | | |

(Note 1) One-month JPY TIBOR (Base Rate) + spread (0.4%)

(Note 2) One-month JPY TIBOR (Base Rate) + spread (0.5%)

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

(Reference Information)

Loan Transfer with respect to Existing Loans

INV decided on July 15, 2016 to consent to the transfer of a portion of its existing loans from Mizuho Bank, Ltd. as follows.

(i) Financial institution transferring INV's loan:

Mizuho Bank, Ltd.

(ii) Financial institution to which INV's loan is transferred to:

Japan Post Bank Co., Ltd.

(iii) Loan to be transferred:

A total amount of JPY 4,000 million of the New Syndicate Loan (F) as announced in the release “Notice concerning Debt Financing” on March 10, 2016, which is the sum of (a) JPY 2,000 million of the loan held by Mizuho Bank, Ltd. (original principal amount: JPY 4,465 million), out of the three-year loan amounting JPY 11,434 million and (b) JPY 2,000 million of the loan held by Mizuho Bank, Ltd. (original principal amount: JPY 4,465 million), out of the four-year loan amounting JPY 10,433 million

(iv) Date of loan transfer agreement:

July 15, 2016

(iv) Date of transfer:

July 15, 2016

In addition, INV decided on July 27, 2016 to consent to the partial transfer of its existing loans from Mizuho Bank, Ltd. as follows.

- (1) Financial institution transferring INV's loans:
Mizuho Bank, Ltd.
- (2) Financial institutions to which INV's loans are transferred to:
The Kagawa Bank, Ltd., The Shizuoka Bank, Ltd., The Hyakugo Bank, Ltd., and The Bank of Fukuoka, Ltd.
- (3) Loans to be transferred:
A total amount of JPY 4,000 million of the New Syndicate Loan (F) as announced in the release "Notice concerning Debt Financing" on March 10, 2016. The breakdown of loans is as follows.
 - (i) The Kagawa Bank, Ltd.
The sum of (a) JPY 500 million of the loan held by Mizuho Bank, Ltd. (principal amount: JPY 2,465 million), out of the four-year loan amounting JPY 10,433 million and (b) JPY 500 million of the loan held by Mizuho Bank, Ltd. (principal amount: JPY 4,465 million), out of the five-year loan amounting JPY 10,433 million
 - (ii) The Shizuoka Bank, Ltd.
JPY 1,000 million of the loan held by Mizuho Bank, Ltd. (principal amount: JPY 2,465 million), out of the three-year loan amounting JPY 11,434 million
 - (iii) The Hyakugo Bank, Ltd.
JPY 1,000 million of the loan held by Mizuho Bank, Ltd. (principal amount: JPY 2,465 million), out of the four-year loan amounting JPY 10,433 million
 - (iv) The Bank of Fukuoka, Ltd.
JPY 1,000 million of the loan held by Mizuho Bank, Ltd. (principal amount: JPY 4,465 million), out of the five-year loan amounting JPY 10,433 million
- (4) Date of loan transfer agreements:
July 27, 2016
- (5) Date of transfer:
July 29, 2016

There is no change to the content of the loan agreements, including the loan terms and conditions due to the loan transfer.

As a result, the number of lenders has increased from 15 to 17 after the loan transfer above, and INV's lender formation has been further strengthened.

d Operational Outlook

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

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

| | |
|---|-------------------|
| Operating Revenues | JPY 10,015million |
| Operating Income | JPY 6,417 million |
| Ordinary Income | JPY 5,872 million |
| Net Income | JPY 5,872 million |
| Earnings per Unit | JPY 1,597 |
| Reversal of Surplus per Unit | - |
| Distribution per Unit (Excluding excess profit distribution per unit) | JPY 1,597 |
| Excess Profit Distribution per Unit | - |
| Distribution per Unit (Including excess profit distribution per unit) | JPY 1,597 |

For the assumptions underlying the operational outlook for the fiscal period ending December 31, 2016, please see “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2016 (from July 1, 2016 to December 31, 2016)”.

(Cautionary Note regarding Forward Looking Statements)

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

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

| Item | Assumptions | | | | | | | | | | |
|---------------------------------------|---|--|---------------------------------|-------------------|--------------------|-------------------------|---------------------|-------------------------------|---------------------|----------------------------------|---------------------|
| Fiscal period | The December 2016 Fiscal Period: from July 1, 2016 to December 31, 2016 (184 days) | | | | | | | | | | |
| Assets under management | <p>Properties held as of the end of the December 2016 Fiscal Period: 124 properties</p> <p>The assets under management are based on the 124 properties held by INV as of today and INV assumes that there will be no change such as acquisition of new properties or disposal of properties held by INV through the end of the fiscal period ending December 2016.</p> | | | | | | | | | | |
| The total number of units outstanding | <p>As of the end of the December 2016 Fiscal Period: 3,675,824 units</p> <p>INV assumes that there will be no additional issuance of units through the end of the fiscal period ending December 2016.</p> | | | | | | | | | | |
| Interest-bearing liabilities | <p>Balance as of the end of the December 2016 Fiscal Period: JPY 142,419 million (Note)</p> <p>(Note) Out of JPY 145,917 million of the interest-bearing liabilities as of today, JPY 3,498 million of consumption tax loan is assumed to have been repaid during the fiscal period ending December 2016.</p> <p>INV assumes that there will be no other borrowings or prepayments through the end of the fiscal period ending December 2016.</p> | | | | | | | | | | |
| Operating revenues | <p>INV expects to record rental revenues as follows:</p> <table data-bbox="550 1344 1308 1556" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;">The December 2016 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Rental revenues</td> <td style="text-align: right;">JPY 10,015 million</td> </tr> <tr> <td>(of these, hotel rents)</td> <td style="text-align: right;">(JPY 6,844 million)</td> </tr> <tr> <td>(of these, hotel fixed rents)</td> <td style="text-align: right;">(JPY 3,232 million)</td> </tr> <tr> <td>(of these, hotel variable rents)</td> <td style="text-align: right;">(JPY 3,611 million)</td> </tr> </tbody> </table> <p>Rental revenues in the fiscal period ending December 2016 are calculated based on estimates as of today from July 2016 to December 2016. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.</p> | | The December 2016 Fiscal Period | • Rental revenues | JPY 10,015 million | (of these, hotel rents) | (JPY 6,844 million) | (of these, hotel fixed rents) | (JPY 3,232 million) | (of these, hotel variable rents) | (JPY 3,611 million) |
| | The December 2016 Fiscal Period | | | | | | | | | | |
| • Rental revenues | JPY 10,015 million | | | | | | | | | | |
| (of these, hotel rents) | (JPY 6,844 million) | | | | | | | | | | |
| (of these, hotel fixed rents) | (JPY 3,232 million) | | | | | | | | | | |
| (of these, hotel variable rents) | (JPY 3,611 million) | | | | | | | | | | |

| Item | Assumptions | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|---|--|---------------------------------|----------------------------|-------------------|--------------------------|---------------------|----------------------------------|-----------------|------------------------------|-----------------|-------------------------|-------------------|------------------|-----------------|-------|--|---------------------------------|-------------------|--|---------------------------------|----------------------------|-----------------|-----------------------------------|-------------------|
| Operating expenses | <p>INV expects to incur property related expenses as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">The December 2016 Fiscal Period</td> </tr> <tr> <td>• Facility management fees</td> <td style="text-align: right;">JPY 613 million</td> </tr> <tr> <td style="padding-left: 20px;">(of these, repair costs)</td> <td style="text-align: right;">(JPY 33 million)</td> </tr> <tr> <td>• Taxes and other public charges</td> <td style="text-align: right;">JPY 349 million</td> </tr> <tr> <td>• Insurance expenses</td> <td style="text-align: right;">JPY 11 million</td> </tr> <tr> <td>• Depreciation expenses</td> <td style="text-align: right;">JPY 2,060 million</td> </tr> <tr> <td>• Other expenses</td> <td style="text-align: right;">JPY 168 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total property related expenses</td> <td style="text-align: right;">JPY 3,203 million</td> </tr> </table> <p>INV expects to incur other operating expenses than the property related expenses as follows:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">The December 2016 Fiscal Period</td> </tr> <tr> <td>• Other operating expenses</td> <td style="text-align: right;">JPY 394 million</td> </tr> <tr> <td style="padding-left: 20px;">(of these, asset management fees)</td> <td style="text-align: right;">(JPY 250 million)</td> </tr> </table> | | The December 2016 Fiscal Period | • Facility management fees | JPY 613 million | (of these, repair costs) | (JPY 33 million) | • Taxes and other public charges | JPY 349 million | • Insurance expenses | JPY 11 million | • Depreciation expenses | JPY 2,060 million | • Other expenses | JPY 168 million | <hr/> | | Total property related expenses | JPY 3,203 million | | The December 2016 Fiscal Period | • Other operating expenses | JPY 394 million | (of these, asset management fees) | (JPY 250 million) |
| | The December 2016 Fiscal Period | | | | | | | | | | | | | | | | | | | | | | | | |
| • Facility management fees | JPY 613 million | | | | | | | | | | | | | | | | | | | | | | | | |
| (of these, repair costs) | (JPY 33 million) | | | | | | | | | | | | | | | | | | | | | | | | |
| • Taxes and other public charges | JPY 349 million | | | | | | | | | | | | | | | | | | | | | | | | |
| • Insurance expenses | JPY 11 million | | | | | | | | | | | | | | | | | | | | | | | | |
| • Depreciation expenses | JPY 2,060 million | | | | | | | | | | | | | | | | | | | | | | | | |
| • Other expenses | JPY 168 million | | | | | | | | | | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total property related expenses | JPY 3,203 million | | | | | | | | | | | | | | | | | | | | | | | | |
| | The December 2016 Fiscal Period | | | | | | | | | | | | | | | | | | | | | | | | |
| • Other operating expenses | JPY 394 million | | | | | | | | | | | | | | | | | | | | | | | | |
| (of these, asset management fees) | (JPY 250 million) | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Operating Income | <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">The December 2016 Fiscal Period</td> </tr> <tr> <td>• NOI</td> <td style="text-align: right;">JPY 8,872 million</td> </tr> <tr> <td style="padding-left: 20px;">(of these, hotel NOI)</td> <td style="text-align: right;">(JPY 6,554 million)</td> </tr> </table> <p>NOI is calculated based on the formula as follows. NOI = rental revenues - property related expenses + depreciation expenses</p> | | The December 2016 Fiscal Period | • NOI | JPY 8,872 million | (of these, hotel NOI) | (JPY 6,554 million) | | | | | | | | | | | | | | | | | | |
| | The December 2016 Fiscal Period | | | | | | | | | | | | | | | | | | | | | | | | |
| • NOI | JPY 8,872 million | | | | | | | | | | | | | | | | | | | | | | | | |
| (of these, hotel NOI) | (JPY 6,554 million) | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-operating expenses | <p>INV expects to incur non-operating expenses:</p> <table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">The December 2016 Fiscal Period</td> </tr> <tr> <td>• Interest expense</td> <td style="text-align: right;">JPY 362 million</td> </tr> <tr> <td>• Finance related costs</td> <td style="text-align: right;">JPY 181 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total Non-operating expenses</td> <td style="text-align: right;">JPY 544 million</td> </tr> </table> | | The December 2016 Fiscal Period | • Interest expense | JPY 362 million | • Finance related costs | JPY 181 million | <hr/> | | Total Non-operating expenses | JPY 544 million | | | | | | | | | | | | | | |
| | The December 2016 Fiscal Period | | | | | | | | | | | | | | | | | | | | | | | | |
| • Interest expense | JPY 362 million | | | | | | | | | | | | | | | | | | | | | | | | |
| • Finance related costs | JPY 181 million | | | | | | | | | | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Non-operating expenses | JPY 544 million | | | | | | | | | | | | | | | | | | | | | | | | |
| Distribution per unit | <p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation.</p> <p>For the fiscal period ending December 31, 2016, INV expects to record deferred loss/gain on hedge of the interest rate swap as the valuation and conversion adjustments, etc. of JPY 227 million, which is equal to the amount for the fiscal period ended June 30, 2016. 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.</p> <p>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.</p> | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Assumptions |
|-------------------------------------|---|
| Excess profit distribution per unit | INV expects to make no excess profit distribution as allowance for temporary difference adjustments for the fiscal period ending December 2016 because excess profit distribution is calculated based on the assumption that there is no fluctuation in the market value of the interest rate swap. |
| Other | <p>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.</p> <p>In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</p> |