Invincible Investment Corporation

Financial Summary for the June 2018 Fiscal Period

(from January 1, 2018 to June 30, 2018)

August 22, 2018

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 21, 2018

This English language notice is a translation of the Japanese-language notice released on August 22, 2018 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, 2018 (from January 1, 2018 to June 30, 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 June 30, 2018	13,104	3.6	8,433	2.6	7,722	5.7	7,721	5.7
Fiscal period ended December 31, 2017	12,647	36.6	8,223	53.9	7,303	55.3	7,303	55.3

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2018	1,611	4.3	2.1	58.9
Fiscal period ended December 31, 2017	1,712	4.6	2.2	57.7

(Note1) "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 fiscal period ended December 31, 2017 (4,793,181 units) and rounded down to the nearest yen is JPY 1,523.

(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 June 30, 2018	1,430	6,854	-	-	1,430	6,854	88.8	3.8
Fiscal period ended December 31, 2017	1,528	7,323	36	172	1,564	7,496	100.3	4.1

(Note 1) Distribution (excluding excess profit distribution) differs from net income for the Fiscal period ended June 30, 2018, since INV distributes 90% of Distributable Income (JPY 7,610 million, which is a total of net income and JPY 111 million of retained deficits carried forward) and reserve the remaining amount as internal reserve.

(Note 2) Distribution (excluding excess profit distribution) differs from net income for the Fiscal period ended December 31, 2017, 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 of the interest rate swap.

(Note 3) The distribution in excess of profit for the fiscal period ended December 31, 2017 is JPY 172 million (JPY 36 per unit), all of which is the refund of investment for the purpose of stabilizing distributions.

(Note 4) The "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" 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 June 30, 2018	374,512	181,523	48.5	37,871
Fiscal period ended December 31, 2017	371,758	181,320	48.8	37,829

(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, 2018	20,483	(21,020)	(5,083)	15,072
Fiscal period ended December 31, 2017	13,676	(60,034)	57,453	20,693

2. Forecasts for the Fiscal Period ending December 31, 2018 (from July 1, 2018 to December 31, 2018)

(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, 2018	14,278	9.5	9,247	11.4	7,961	4.9	7,960	4.9	1,516	167	1,383

(Reference) Estimated net income per unit for the fiscal periods ending December 31, 2018 is JPY 1,384.
Estimated net income per unit is calculated in accordance with the following formula:
Estimated net income per unit = Estimated Net Income ÷ Estimated Number of Units Issued and Outstanding as of the End of the Fiscal Period

※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, 2018	4,793,181	December 31, 2017	4,793,181
(b) Number of Treasury Units as of the End of the Fiscal Period	June 30, 2018	0	December 31, 2017	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 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 2018" on page23 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 26, 2018) and the extraordinary report (filed on March 30, 2018).

2. Management Policy and Operating Conditions

(1) Management Policy

Consonant Investment Management Co., Ltd., the asset manager to which Invincible Investment Corporation ("INV") entrusts the management of its assets (the "Asset Manager") changed its Investment Policy due to Revision of the Investment Guidelines which are its internal rules on July 17, 2018. Due to this change, "Investment policy" has been changed. Please refer to "c Significant Subsequent Events (Reference Information) (b) Change in the Investment Guidelines" and the press release entitled "Notice concerning Partial Change in Investment Policy due to Revision of Internal Rules (the "Investment Guidelines") of the Asset Manager" dated July 17, 2018 for this change.
Disclosure of "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 26, 2018)

(2) Operating Conditions

a Overview of the Fiscal Period Ended June 2018 ("Reporting Period")

(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, as specified in Article 147 of the Investment Trust Act, with LCP as the absorbed corporation, 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"), effective December 27, 2017 (Note1). Calliope, an affiliate of FIG, who owned 100% of issued shares of 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, 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 the external growth efforts and portfolio rebalance to be described below, INV's portfolio at the end of the previous period ended December 2017 comprised of 126 properties (54 hotels (Note 3), 67 residential properties and five others) with a total acquisition price of JPY 353,695 million. The acquisition price of the portfolio has increased a significant 4.5x, compared to May 22, 2014, which is the date immediately prior to INV's initial investment in hotels.

In the Fiscal Period ended June 30, 2018 ("Reporting Period"), INV continued to pursue its portfolio rebalancing strategy with its Asset Recycling Program which began in the fiscal period ended December 2017,

selling properties at low cap rates and utilizing the funds raised to buy properties at more accretive or higher cap rates. INV sold three residential properties and three office properties for the total sale price of JPY 10,624 million which is equivalent to a weighted average 4.4% NOI yield (Note 4), and used the proceeds to acquire four hotel properties in February 2018 and two hotel properties in June 2018 for the total acquisition price of JPY 19,750 million which is equivalent to a weighted average 5.7% appraisal NOI yield (Note 5). As a result, INV's portfolio at the end of Reporting Period 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 acquisition price of the portfolio has increased a significant 5.0x, compared to May 22, 2014.

INV revised the Investment Guidelines as of July 17, 2018 and newly established an investment policy for overseas real estate related assets as well as changing its domestic investment policy. Please refer to "(1) Management Policy "and "c Significant Subsequent Events (Reference Information) (b) Change in the Investment Guidelines" for more details.

INV revised the Memorandum of Understanding (the "MOU") on July 17, 2018 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 in the MOU.

In addition to acquiring a long-term issuer credit rating (Note 6) of A (positive outlook) from Japan Credit Rating Agency, Ltd. ("JCR"), INV issued its first corporate bond for the purpose of raising part of funds for property acquisition, 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. The two Investment Corporation Bonds have five and 10 year maturities and coupon rates of 40 and 80 basis points respectively, and have an "A" credit rating from JCR.

(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 special purpose company refers to 178,458 units of preferred equity interest issued by Kingdom Special Purpose Company (equivalent to 49.0% of 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 counted as the acquisition price of the preferred equity interest. Hereinafter the same, unless otherwise noted. The underlying asset is the real estate or the real estate related assets to be acquired or owned by a TK operator of TK interest to INV or a TMK relating to the preferred equity interest which INV owns, thus the real estate which will be the revenue source of INV. Hereafter the same.

(Note 4) Calculated by dividing the aggregated actual NOI for January 1, 2017 – December 31, 2017 of the sold properties by the total sale price and rounded to one decimal place.

(Note 5) Appraisal NOI yield is calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports by The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. on the valuation date of January 1, 2018 or April 1, 2018 by the total of acquisition price and rounded to one decimal place.

(Note 6) The above rating is the issuer rating granted to INV, and not a rating granted to its investment units. Furthermore, INV's investment units have no credit rating that have been or will be granted or submitted for inspection by any rating agency at the request of INV.

(b) Operational Environment and Performance

For the June 2018 period, the portfolio NOI increased by 21.6% or JPY 1,734 million to JPY 9,758 million compared to the same period in the previous year (the June 2017 period). Of the 21.6% increase in NOI, the hotel portfolio accounted for an increase of 21.2% or JPY 1,701 million, the residential portfolio accounted for an increase of 2.3% or JPY 186 million, and other portfolio assets accounted for a decrease of 1.9% or JPY 153 million due to sale of assets. In addition, the portfolio maintained a high average occupancy rate (Note 1) of 98.5%.

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

The NOI of the 45 hotels owned by INV (Note 2) decreased by 0.8% for the period compared to the same period in the previous year partially due to the renovation and associated partial downtime of five hotels. If these five hotels were not included, NOI would have increased by 2.6%. The 45 hotels recorded an occupancy rate (Note 3) of 88.4% (-0.2 points YoY), ADR (Note 4) of JPY 10,279 (-0.7% YoY), and RevPAR (Note 5) of JPY 9,087 (-0.9% YoY). As described above, five hotels (Hotel MyStays Kyoto-Shijo, Hotel MyStays Shin-Urayasu Conference Center, Hotel MyStays Maihama, Hotel MyStays Premier Dojima (Note 6) and Hotel MyStays Hakodate Goryokaku (Note 7)) were renovated during the Reporting Period at a total cost of approximately JPY 1.1 billion. Based on the portfolio of 40 hotels excluding such five hotels under renovation, the NOI, occupancy rate, ADR and RevPAR were +2.6% YoY, +0.9 points YoY, +0.4% YoY, and +1.4% YoY, respectively. Of the total hotel revenue from the 59 hotels INV owns (Note 8), fixed rents accounted for 48.6% (JPY 3,587 million) and variable rents accounted for 51.4% (JPY 3,790 million) at the 59 hotels.

Inbound visitors reached a record high of 28.6 million (+19.3% YoY) in 2017 while government targets are 40 million in 2020 and 60 million in 2030. For year to date through July 2018, inbound visitors to Japan reached 18.7 million, or 13.9% higher than the same period of the previous year. Under such circumstances, MyStays Hotel Management Co., Ltd ("MHM"), a hotel operator in the sponsor group which operates 87 hotels nationwide, including 52 hotels in INV's portfolio as of the date of this document, is continually enhancing its operations and recently launched its new website and booking engine to increase direct bookings and reduce commissions. MHM has also recently launched a new revenue management system based on machine learning to improve the overbooking algorithms to help offset cancelations and improve revenue at the hotels overall. MHM is continuing to court the increasing foreign tourism business which accounted for 33.7% (Note 9) of hotel revenue at INV owned MyStays Hotel (Note 10) in the Reporting Period. In addition to having multi-lingual chat and staff, MHM has sought to increase its Chinese guest count by being the first Japanese hotel company to list its rooms on Fliggy, Alibaba's online marketplace in China, selling hotels, tours and other travel-related services from online travel agencies and direct travel service providers, commencing from September 2017. MHM was the top international chain by revenue on Fliggy and won an award for Single's Day in China. Aside from the topline, MHM has also been focused on expense management and cut the building management costs on 38 of INV`s hotels by 13.9% and cut the elevator maintenance costs on 34 of INV`s hotels by 50.4%.

The NOI (Note 11) of the 64 residential properties (Note 12) for the Reporting Period increased 3.2% compared to the same period in the previous year, and the average occupancy rate achieved a stable 95.6%, an increase of 0.5 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 50.1% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 2.6% compared to the previous rent across all new leases (Note 13). Specifically, at Royal Parks Tower Minami-Senju, INV's flagship residential property, INV achieved strong results with rent increases for 84.9% (based on the number of contracts) of the new lease contracts with an average rent increase of 10.1% compared to the previous rent across all new leases (Note 13). INV achieved a rent increase for 54.4% (based on the number of contracts) of contract renewals for an average rent increase of 2.3% compared to the previous rent across all renewal leases (Note 14), while maintaining a high contract renewal rate of 84.9% (Note 13). Combined, new leases and renewal leases were signed at 2.4% higher than the previous leases.

The total appraisal value of 125 properties (Note 8) at the end of the Reporting Period was JPY 411,542

million. The portfolio has an unrealized gain of JPY 74,607 million (Note 15) and an unrealized gain ratio of 22.1% (Note 15). The total appraisal value of 119 properties which were owned throughout the Reporting Period, increased by 0.2% from JPY 390,955 million at the end of December 2017 period to JPY 391,542 million at the end of the Reporting Period.

Key Performance Indicators of 45 Hotel Properties (Note 2)

	June 2018 fiscal period	Year-on-year change
Occupancy Rate(Note 3)	88.4%	-0.2pt
ADR (JPY) (Note 4)	10,279	-0.7%
RevPAR (JPY) (Note 5)	9,087	-0.9%
GOP (JPY million) (Note 16)	7,417	-1.0%

Key Performance Indicators of 64 Residential Properties (Note 12)

	June 2018 fiscal period	Year-on-year change
Occupancy Rate (Note 1)	95.6%	+0.5pt
Average Rent per Tsubo per Month (JPY) (Note 17)	9,737	+2.6%
NOI (JPY million) (Note 11)	2,534	+3.2%

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

(Note 2) Of the 54 acquired hotels held as of the beginning of the June 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 January 2016 by INV had been owned since January 1, 2017. The actual results before acquisition by INV are based on the data provided by the sellers.

(Note 3) "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 4) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply.

(Note 5) "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 6) The property name was changed from "Hotel MyStays Dojima" as of March 10, 2018. Hereinafter the same shall apply.

(Note 7) Due to an operator change, the property name was changed from "Hotel Nets Hakodate" as of May 1, 2018. Hereinafter the same shall apply.

(Note 8) Excluding Sheraton Grande Tokyo Bay Hotel (preferred equity interest) which does not have appraisal value.

(Note 9) The ratio of sales amount through overseas web agents to revenues.

(Note 10) The ratio of the amount of revenues from bookings through the overseas travel agencies to total

revenues for 47 hotels in INV's portfolio that MHM operates as of the end of June 2018 Fiscal Period, excluding Hotel Epinard Nasu operated by a subsidiary of MHM. The figures assume that all hotels acquired in and after January 2018 by INV had been owned since January 1, 2018. The actual results before acquisition by INV are based on the data provided by the sellers.

(Note 11) For the comparison of NOI, insurance income and related repair expenses, which are temporary items, are excluded.

(Note 12) Based on the 64 residential properties; of the 67 properties owned as of the beginning of June 2018 Fiscal Period, three properties (Harmonie Ochanomizu, Growth Maison Ikebukuro and Capital Heights Kagurazaka) sold on December 28, 2017 are excluded. Hereinafter the same shall apply. In addition, the figures for the properties acquired after January 2017 are calculated on the assumption INV had acquired those properties on January 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 13) 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 14) 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 15) 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 16) "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.

(Note 17) "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 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 189,415 million and the Interest-Bearing Debt ratio (Note 1) and LTV (Note 2) were 50.6% and 44.1% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.52%.

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

Interest-Bearing Debt ratio = total outstanding interest-bearing debt/total assets x 100

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

(*) 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) has been added as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest).

(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) Issuance of Investment Corporation Bonds

INV issued its first investment corporation bonds issuance for the purpose of raising part of funds for property acquisition, 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
First Series Unsecured Investment Corporation Bonds(with pari passu conditions among specified corporate bonds)	May 25, 2018	1,000	0.400%	May 25, 2023	Unsecured / Unguaranteed Rating: A (JCR)
Second Series Unsecured Investment Corporation Bonds(with pari passu conditions among specified corporate bonds)	May 25, 2018	1,000	0.800%	May 25, 2028	Unsecured / Unguaranteed Rating: A (JCR)
Total Investment Corporation Bonds / Average Interest Rate		2,000	0.600%		

(ii) Debt Financing

INV decided on new borrowings (Term Loan (H)) on June 25, 2018 and borrowed the funds on June 27, 2018 in order to procure a portion of the acquisition price and related expenses of two hotel properties as described in "(d) Overview of Acquisition of Assets (ii) Acquisition of two hotels".

Overview of Term Loan (H)

Lender	Borrowing Date	Outstanding Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
MUFG Bank, Ltd. Shinsei Bank, Limited	June 27, 2018	1,500	0.74950% (Note 1)	June 27, 2023	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 June 25, 2018. Therefore, the interest rate stated is fixed in consideration of the swap.

(iii) Prepayment of Loan

INV's short-term consumption tax loan (Note 1) in the New Syndicate Loan (H) (in the amount of JPY 1,068 million) was prepaid on May 31, 2018 from the consumption tax refund concerning asset acquisitions on October 13, 2017 and cash on hand.

(Note 1) Short-term consumption tax loan is a loan which is to be repaid before the maturity date from a refund of consumption taxes and regional consumption taxes on an acquisition of a property.

(d) Overview of Acquisition of Assets

(i) Acquisition of four hotels

The Asset Manager decided to acquire four hotel properties on February 5, 2018 and the acquisition was completed on February 7, 2018. The overview of four hotels acquired 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	D54	Hotel MyStays Yokohama-Kannai	Yokohama, Kanagawa	5,326	5,380	Ginga Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D55	Art Hotel Joetsu	Joetsu, Niigata	2,772	2,800	HL Investments Tokutei Mokuteki Kaisha	
	D56	Art Hotel Hirosaki City	Hirosaki, Aomori	2,723	2,750	Monza Tokutei Mokuteki Kaisha	
	D57	Hotel MyStays Oita	Oita, Oita	1,604	1,620	Suisei Tokutei Mokuteki Kaisha	
Total				12,425	12,550		

(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 Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of January 1, 2018.

(ii) Acquisition of two hotels

The Asset Manager decided to acquire two hotel properties on June 25, 2018 and the acquisition was completed on June 27, 2018. The overview of four hotels acquired 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	D58	Hotel MyStays Gotanda	Shinagawa -ku, Tokyo	4,068	4,110	Calvis Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D59	Hotel MyStays Tachikawa	Tachikawa, Tokyo	3,257	3,290		
Total				7,325	7,400		

(Note 1) Appraisal Value is based on appraisal value stated in the appraisal report by The Tanizawa Sōgō

Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. on the valuation date of April 1, 2018.

(e) Overview of Sale of Assets

INV sold its assets as follows for the purpose of improving the profitability of its portfolio by rebalancing of assets and stabilizing the distribution by recognizing a gain on sales.

(i) Sale of three residential properties and two office buildings

The Asset Manager decided to sell three residential properties and two office buildings on December 21, 2017 and December 26, 2017 respectively. Sales of the five assets closed on January 31, 2018. The overview of assets sold is described below. The proceeds from the sale were used to fund the acquisition and a portion of the related expenses described in "(d) Overview of Acquisition of Assets (i) Acquisition of four hotels."

Use	Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sales Price (JPY million) (Note 2)	The Difference between Sales Price and Book Value (Note 1)	Transferee	Category of Specified Assets
Residential	A31	Harmonie Ochanomizu	1,428	1,346	1,603	256	Undisclosed (Note 3)	Trust Beneficiary Interest (Note 4)
	A36	Growth Maison Ikebukuro	825	743	1,057	314		
	A42	Capital Heights Kagurazaka	604	623	732	108		
Office Building	B15	Cross Square NAKANO	1,060	1,125	1,350	224	Taisei-Yuraku Real Estate Co.,Ltd	Trust Beneficiary Interest
	B16	Ohki Aoba Building	816	709	721	11	Kubota Honten	
Total			4,734	4,549	5,464	915		

(Note 1) The difference between sales price and book value is used as an estimate for reference purposes and is calculated using the book values as of the date of sale. INV recognized a gain on sales of JPY 816 million after deducting related expenses in the fiscal period ended June 2018.

(Note 2) Sales prices do not include adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes. Hereafter the same.

(Note 3) The name of the transferee (a domestic TMK) is not disclosed, as the transferee's consent has not been obtained for disclosure.

(Note 4) Each of the trust beneficiary interest of Harmonie Ochanomizu, Growth Maison Ikebukuro and Capital Heights Kagurazaka was integrated in a single trust account with other trust accounts when INV procured funds through debt financing backed by trust assets in July 2011. In transferring the

sole trust beneficiary interest of the above mentioned three properties by itself, INV incurred some expenses to detach from the integrated trust account, effective as of December 22, 2017.

(ii) Sale of one office building

The Asset Manager decided to sell the following asset on February 13, 2018, and the sale of the asset closed on March 9, 2018. The overview of asset sold described below. The proceeds from the sale were used to the fund the acquisition and a portion of the related expenses described in "(d) Overview of Acquisition of Assets (ii) Acquisition of two hotels."

Use	Property Number	Property Name	Acquisition Price	Book Value (Note 1)	Sale Price	The Difference between Sale Price and Book Value (Note 1)	Transferee	Category of Specified Asset
Office Building	B14	Lexington Plaza Nishi-Gotanda	4,880	4,632	5,160	527	Undisclosed (Note 2)	Trust Beneficiary Interest

(Note 1) The difference between sales price and book value is used as an estimate for reference purposes and is calculated using the book values as of the date of sale. INV recognized a gain on sales of JPY 432 million after deducting related expenses in the fiscal period ended June 2018.

(Note 2) The name of the transferee is not disclosed, as the transferee's consent has not been obtained for disclosure.

(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 457 million from the previous period (+3.6%) to JPY 13,104 million, and net income increased by JPY 418 million (+5.7%) to JPY 7,721 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. In the Reporting Period, INV recorded a gain on sale of properties (JPY 1,249 million) and decided to retain a portion of the gains, to the extent allowed by the conduit requirement, in order to stabilize the distribution per unit ("DPU") in the future. Therefore, INV will make a distribution of profit of JPY 6,854 million, or JPY 1,430 per unit, which is equivalent to 90% of its distributable income of JPY 7,610 million (which is a total of net income and JPY 111 million of retained deficits carried forward). INV will not make an excess profit distribution in the Reporting Period.

The majority of INV's owned hotels use a variable rent scheme linked to performance of the relevant hotel. Hotel demand is affected by seasonal factors and the fiscal period ending December (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the fiscal period ending June (from January to June). Accordingly, INV's rental revenues tend to be higher in the fiscal period ending December than in the fiscal period ending June.

b Outlook for the Fiscal Period Ending December 31, 2018

The DPU for the December 2018 period is forecast to be JPY 1,683 (+7.6% YoY). Combined with the DPU for the June 2018 fiscal period, the full year DPU for calendar year 2018 is forecast to be JPY 3,113 (+10.1% 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 synergy 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 loan duration maturities and lengthening the average maturity period of its debt and diversifying the maturity date of its debt by 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 65.9% 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. After the Reporting Period, on August 2, 2018, INV acquired four hotels as mentioned in below "c Significant Subsequent Events (c) Acquisition of assets." For the further achievement of the profitability and stability, INV also will acquire the TK Interest which holds two overseas hotels in Grand Cayman.

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
Total	92 properties (of which 61 are hotels and 31 are residential properties)	JPY 354,961 million (of which hotels: JPY 303,323 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 3). 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 4)	Location	No. of rooms
1	Rihga Royal Hotel Kyoto	Full Service Hotel	Kyoto-shi, Kyoto	489
2	Hotel MyStays Premier Narita	Full Service Hotel	Narita, Chiba	711
3	Fusaki Resort Village	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
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	94
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

No.	Asset name	Asset type (Note 4)	Location	No. of rooms
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				3,882
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				4,625

(Note 1) The percentage indicates composition of rent revenue based on the actual results for the fiscal period ended June 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 term of validity of the MOU is from July 17, 2018, the date of execution of the updated MOU, to July 16, 2019. 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 4) 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 59 hotels (Note 1) owned by INV as of the end of the Reporting Period, 50 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 48 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 low-season in the residential rental market that occurs during the December 2018 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) Excluding Sheraton Grande Tokyo Bay Hotel (the preferred equity interest).

(iii) Financial strategy

In the Reporting Period, INV issued its first 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

(a) Issuance of New Investment Units

On July 17, 2018, INV launched its fifth Global Share Offering, and sixth share offering in total since Fortress became its Sponsor. The offering size and funds raised are described below. The funds used from the issuance of new units were used to procure a portion of acquisition price for four domestic hotels and TK Interest with two overseas hotels as underlying assets defined in "(c) Acquisition of assets".

Payment for the issuance of new investment units and for the third-party allotment in connection with overallotment secondary offering were completed on August 1, 2018 and August 21, 2018 respectively. As a result, total equity for INV is JPY 211,092 million, total number of issued investment units is 5,748,181 units.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered	:	909,524 investment units Domestic public offering: 432,024 investment units Overseas offering: 477,500 investment units
Issue price (offer price)	:	JPY 45,776 per unit
Total issue price (total offer price)		JPY 41,634,370,624
Amount to be paid (issue value)	:	JPY 44,287 per unit
Total amount to be paid (total issue value)	:	JPY 40,280,089,388
Payment date	:	August 1, 2018

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

Number of Investment Units to be offered in the secondary offering	:	45,476 investment units
Offer price	:	JPY 45,776 per unit
Total offer price	:	JPY 2,081,709,376
Delivery date	:	August 2, 2018

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

Number of investment units to be offered	:	45,476investment units
Amount to be paid (issue value)	:	JPY 44,287per unit
Total amount to be paid (total issue value)	:	JPY2,013,995,612
Payment date	:	August 21, 2018
Allottee	:	Mizuho Securities Co., Ltd.

(b) Debt Financing

Along with equity finance defined in "(a) Issuance of New Investment Units", INV has decided to execute new borrowings (New Syndicate Loan (J)) on July 17, 2018 in order to fund a portion of the acquisition price of four domestic hotel properties and TK Interest with two overseas hotels as underlying assets later described in "(c) Acquisition of assets".

New Syndicate Loan (J)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	September 12, 2018 (Note 1)	13,119	Variable interest rate (Note 2)	September 12, 2023 (Note 1)	Unsecured/ non guarantee
MUFG Bank, Ltd. Shinsei Bank, Limited Citibank, N.A.,Tokyo Branch Development Bank of Japan, Inc.		13,120	Variable interest rate (Note 3)	September 12, 2022 (Note 1)	
The Nomura Trust and Banking Co., Ltd. AEON Bank, Ltd.		10,761	Variable interest rate (Note 4)	September 12, 2021 (Note 1)	
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Shinsei Bank, Limited Citibank, N.A.,Tokyo Branch The Nomura Trust and Banking Co., Ltd. AEON Bank, Ltd.	August 2, 2018	2,359	Variable interest rate (Note 4)	August 2, 2021	
Mizuho Bank, Ltd. Sumitomo Mitsui Banking MUFG Bank, Ltd.		1,099	Variable interest rate (Note 5)	August 2, 2019	
Total Debt		40,458			

(Note 1) Borrowing Date and Maturity Date is scheduled as of the date of this document, and it may be changed in the future.

(Note 2) 1-month JPY TIBOR (Base Rate) + spread (0.50%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.50%))

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.40%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.40%))

(Note 4) 1-month JPY TIBOR (Base Rate) + spread (0.30%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.30%))

(Note 5) 1-month JPY TIBOR (Base Rate) + spread (0.20%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.20%))

(c) Acquisition of assets

(i) Acquisition of four domestic hotel properties

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

Use	Property Number	Property Name	Location	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	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) 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 to acquire TK Interest as follows on July 17, 2018 and executed the TK Agreement on the same date.

(1) Asset to be acquired	TK interest in a Cayman Islands special purpose company that plans to acquire 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) Anticipated acquisition price	USD 339,836,000 (JPY 37,534 million) (Note 2) for 100.0% of the Cayman Hotel TK Interest (Note 3)
(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) Anticipated acquisition date	One business day prior to the acquisition date of the underlying assets, which is expected to close by October 31, 2018 or the date separately agreed (Note 4)
(5) TK operator	Seven Mile Resort Holdings Ltd (the "Cayman SPC").

(Note 1) Rights equivalent to long-term real estate leasehold rights in Japan (hereinafter referred to collectively as the "Leasehold"). The TK operator will also acquire 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 (hereinafter the same).

(Note 2) The anticipated 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=110.45. Hereinafter the same.

(Note 3) The anticipated acquisition price is INV's anticipated investment amount for the Cayman Hotel TK Interest. The amount does not include any taxes payable including consumption tax and is rounded down.

(Note 4) The "anticipated acquisition date" (hereinafter the same) will be one business day prior to the date when the Cayman SPC (TK operator) will acquire the underlying assets, which will be (a) as soon as possible, using commercially reasonable efforts, after all conditions to closing have been satisfied or waived, and in any event by October 31, 2018, or (b) such other date as may be agreed upon with the sellers. Conditions precedent to closing under the purchase and sale agreement include,

among others, obtaining (i) governmental approvals relating to the transfer of the Leasehold and (ii) permits under the laws of the Cayman Islands required for the operation of the two Overseas Hotel Assets (including operation by the Special Purpose Company to which the Cayman SPC entrusts the hotel operation).

(Reference Information)

(a) Debt Financing

INV has decided to execute new borrowings (New Syndicate Loan (I)) on July 12, 2018 in order to repay a portion of New Syndicate Loan (E) in the amount of JPY 28,979 million which was due on July 17, 2018.

New Syndicate Loan (I)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A.,Tokyo Branch	July 17, 2018	9,659	Variable interest rate (Note 1)	July 14, 2023	Unsecured/ non guarantee
		9,660	Variable interest rate (Note 2)	July 17, 2022	
		9,660	Variable interest rate (Note 3)	July 17, 2021	
Total Debt		28,979			

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.50%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.50%))

(Note 2) 1-month JPY TIBOR (Base Rate) + spread (0.40%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.40%))

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.30%)
(Only in first calculation period, 2-month JPY TIBOR (Base Rate) + spread (0.30%))

(b) Change in the Investment Guidelines

The Asset Manager decided to revise the Investment Guidelines as of July 17, 2018, prior to the anticipated acquisition of overseas assets. 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 press release entitled "Notice concerning Partial Change in Investment Policy due to Revision of Internal Rules (the "Investment Guidelines") of the Asset Manager" dated July 17, 2018.

d Operational Outlook

The forecasts of financial results for the fiscal period ending December 31, 2018 are as follows.

Fiscal period ending December 31, 2018 (from July 1, 2018 to December 31, 2018)

Operating Revenues	JPY 14,278 million
Operating Income	JPY 9,247 million
Ordinary Income	JPY 7,961 million
Net Income	JPY 7,960 million
Total Distribution Amount (Including excess profit distribution)	JPY 9,674 million
Net Income per Unit	JPY 1,384
Distribution per Unit (Excluding excess profit distribution)	JPY 1,516
Excess Profit Distribution per Unit	JPY 167
Distribution per Unit (Including excess profit distribution)	JPY 1,683

For the assumptions underlying the operational outlook for the fiscal period ending December 31, 2018, please see "Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending December 31, 2018"

(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 2018 >

Item	Assumptions
Fiscal period	The December 2018 fiscal period: from July 1, 2018 to December 31, 2018 (184 days)
Assets under management	Properties held as of the end of the December 2018 fiscal period: 129 properties and preferred equity interests in one special purpose company and a TK interest in one special purpose company In addition to the properties held as of the date of this document (Note1), INV assumes that INV will newly acquire Cayman Hotel TK Interest (Note2), and that there will be no other change through the end of the fiscal period ending December 2018. (Note1) A portion (JPY 2.7 billion) of the acquisition price of the four domestic hotel properties acquired on August 2, 2018 remains unpaid as of the date of this document. INV intends to pay the amount payable by August 1, 2019 using cash on hand etc., pursuant to the provisions on the purchase and sale agreements for the four hotel properties. Please refer to the press release entitled "Notice concerning Completion of Acquisition of Domestic Trust Beneficiary Interests" dated August 2, 2018 for detail. (Note2) As the distribution from Cayman Hotel TK interest will be made in or after the fiscal period ending June 2019, the acquisition of Cayman Hotel TK Interest will not affect the forecast of the operating revenues of the INV for the fiscal period ending December 2018. However, in relation to the interest-bearing liabilities (borrowings), INV assumes that it will implement the borrowings prior to the acquisition of Cayman Hotel TK Investment on September 27, 2018.
Units outstanding	As of the end of the December 2018 fiscal period: 5,748,181 units INV assumes that there will be no change to the current 5,748,181 units issued and outstanding through the end of the fiscal period ending December 2018.
Interest-bearing liabilities	Balance as of the end of the fiscal period ending December 2018: JPY 229,873 million (borrowing: JPY 227,873 million, investment corporation bonds: JPY 2,000 million) In addition to the balance JPY 192,873 million (borrowing: JPY 190,873 million, investment corporation bonds: JPY 2,000 million) as of the date of this document, INV assumes that JPY 37,000 million of borrowing is implemented in September 2018. In addition, INV intends refinance short term loan of JPY 2,000 million due October 13, 2018 in December 2018 fiscal period at a similar condition. INV assumes no other new loan or prepayment of loan through the end of the December 2018 fiscal period.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating revenues</td><td>INV expects to record rental revenues as follows:

<table>
<tr><td></td><td>December 2018 Fiscal Period</td></tr>
<tr><td>・Rental revenues</td><td>JPY 13,447 million</td></tr>
<tr><td>(of these, hotel rents)</td><td>(JPY 9,731 million)</td></tr>
<tr><td>(fixed hotel rents)</td><td>(JPY 4,909 million)</td></tr>
<tr><td>(variable hotel rents)</td><td>(JPY 4,821 million)</td></tr>
<tr><td>・TMK Dividend amount</td><td>JPY 831 million</td></tr>
<tr><td>・TK Dividend amount</td><td>- 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 special purpose company.

With respect to dividend from Cayman Hotel TK Interest (TK dividend), as the initial dividend from SPC is to be made during fiscal period ending June 2019, the dividend amount is not recorded in fiscal period ending December 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.

The majority of INV's owned hotels use a variable rent scheme linked to performance of the relevant hotel. Hotel demand is affected by seasonal factors and the December ending fiscal periods (from July to December) which include summer holiday and autumn outing seasons tend to record higher revenue than the June ending fiscal periods (from January to June). Accordingly, rental revenue of INV tends to be higher in the December ending fiscal periods than in the June ending fiscal periods.</td></tr>
<tr><td>Operating expenses</td><td>INV expects to incur property related expenses as follows:

<table>
<tr><td></td><td>December 2018 Fiscal Period</td></tr>
<tr><td>・Facility management fees</td><td>JPY 680 million</td></tr>
<tr><td>(of these, repair costs)</td><td>(JPY 24 million)</td></tr>
<tr><td>・Taxes and other public charges (Note)</td><td>JPY 542 million</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 12 million</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 3,091 million</td></tr>
<tr><td>・Other expenses</td><td>JPY 191 million</td></tr>
<tr><td>Total property related expenses</td><td>JPY 4,519 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 ending December 2018 and recorded from the fiscal period ending June 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><td></td><td>December 2018 Fiscal Period</td></tr>
<tr><td>・Other operating expenses</td><td>JPY 512 million</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 275 million)</td></tr>
</table></td></tr>
</table>

Item	Assumptions
NOI	INV expects to record net operating income as follows: December 2018 Fiscal Period ・NOI JPY 12,851 million (of these, hotel NOI) (JPY 9,313 million) (of these, residential NOI) (JPY 2,522 million) (of these, TMK dividend amount) (JPY 831 million) (of these, TK dividend amount) (-) NOI calculation method in the above table is as follows ・NOI= Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividends on the preferred equity interests (TMK dividend) + Dividend on TK interest (TK dividend)
Non-operating expenses	INV expects to incur non-operating expenses as follows: December 2018 Fiscal Period ・Interest expense JPY 575 million ・Finance related costs JPY 502 million ・Interest for investment corporation bonds JPY 6 million ・Depreciation of investment corporation bonds issuance expense JPY 1 million ・Other non-operating expenses (expenses relating to the issuance of new units for the public offering) JPY 200 million Total Non-operating expenses JPY 1,286 million
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 December 2018, INV expects to distribute an aggregate amount of JPY 9,674 million (distribution per unit: JPY 1,683) based on the assumption that excess profit distribution in the amount of JPY 959 million will be paid, in addition to JPY 8,714 million from net income for the fiscal period ending December 2018 (JPY 7,960 million) and JPY 756 million from internal reserve. For the fiscal period ending December 2018, INV does not expect to record any deferred gain or loss on hedge of the interest rate swap as the valuation and conversion adjustments, etc. 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.

Item	Assumptions
Excess profit distribution per unit	INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, 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. With respect to the fiscal period ending December 2018, 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 hotel 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 is expected to decrease in the second half. Therefore, from the perspective of maintaining stable distributions, INV intends to make distributions in excess of profits (JPY 153 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 ending December 2018, and iii) refinancing, issuance of new investment unit by public offering and third-party allotment, and new borrowing (Note). Further, INV intends to make distribution in excess of profits (JPY 14 per unit) in order to cope with the discrepancy between tax and accounting treatment on depreciation of fixed term land lease or asset retirement obligation etc. December 2018 Fiscal Period Excess profit distribution per unit: JPY 167 (Note) Please refer to "Notice concerning Revision of Forecast of Financial Results and Distribution for the 30th Fiscal Period Ended June 2018 and 31st Fiscal Period Ending December 2018" dated July 17, 2018 for details of the distribution in excess of profits.
Other	INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.

(3) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities registration statement (filed on July 17, 2018).