Invincible Investment Corporation

Financial Summary
for the December 2020 Fiscal Period
(from July 1, 2020 to December 31, 2020)

February 25, 2021

Name	:	Invincible Investment Corporation ("INV")
Representative	:	Naoki Fukuda, Executive Director
Stock Listing	:	Tokyo Stock Exchange
Securities Code	:	8963
URL	:	https://www.invincible-inv.co.jp/en/
Contact	:	Consonant Investment Management Co., Ltd. (Asset Manager of INV) Jun Komo, General Manager of Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	:	March 22, 2021

This English language notice is a translation of the Japanese-language notice released on February 25, 2021 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.

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended December 31, 2020 (from July 1, 2020 to December 31, 2020)

(1) Operating Results

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Fiscal period ended December 31, 2020	8,340	(11.4)	1,690	(13.0)	624	47.1	623	47.1
Fiscal period ended June 30, 2020	9,410	(49.4)	1,496	(88.4)	424	(96.4)	423	(96.4)

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2020	102	0.2	0.1	7.5
Fiscal period ended June 30, 2020	70	0.2	0.1	4.5

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total		
	JPY	JPY million	JPY	JPY million	%	%
Fiscal period ended December 31, 2020	167	1,018	-	-	163.2	0.4
Fiscal period ended June 30, 2020	69	420	-	-	99.2	0.2

(Note 1) Distribution (excluding excess profit distribution) differs from net income for the fiscal period ended December 31, 2020, since INV will make a distribution by reversing retained earnings along with a distribution of net income.

(Note 2) Dividend Payout Ratio is calculated in accordance with the following formula and is rounded to the nearest one decimal place:
Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Net Income × 100
The dividend payout ratio for the fiscal period ended December 31, 2020 is 163.2% because distribution (excluding excess profit distribution) differs from net income due to a distribution by reversing retained earnings along with a distribution of net income, as described in (Note 1).

(Note 3) Distribution / Net Assets is calculated based on the figures excluding excess profit distribution.

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended December 31, 2020	516,490	249,641	48.3	40,946
Fiscal period ended June 30, 2020	516,663	249,538	48.3	40,929

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

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	JPY million	JPY million	JPY million	JPY million
Fiscal period ended December 31, 2020	13,240	(1,790)	(1,591)	26,176
Fiscal period ended June 30, 2020	12,931	(18,898)	(6,501)	16,318

2. Forecasts for the Fiscal Period ending June 30, 2021 (from January 1, 2021 to June 30, 2021)

(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
	JPY million %	JPY million %	JPY million %	JPY million %	JPY	JPY
Fiscal period ending June 30, 2021	TBD (-)	TBD (-)	TBD (-)	TBD (-)	TBD	TBD

(Note) The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the June 2021 fiscal period (from January 1 to June 30, 2021) remains undetermined.

※Others

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

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

(2) Number of Investment Units Issued and Outstanding

(a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)	December 31, 2020	6,096,840	June 30, 2020	6,096,840
(b) Number of Treasury Units as of the End of the Fiscal Period	December 31, 2020	0	June 30, 2020	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.

- Financial Summary report is not subject to audit procedure by certified public accountants or audit corporations.
- Special Consideration

(Other Matters of Special Consideration)

The forward-looking statements contained in this financial summary report are based on the information currently available to us and certain assumptions which we believe are reasonable. Actual operating performance may differ significantly due to factors we cannot predict as of this date, including gains or losses from the disposition of properties, repayment of borrowings, decreases in rents and changes in operating conditions.

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

1. Operating Conditions

(1) Operating Conditions

a Overview of the Fiscal Period Ended December 31, 2020

(a) Main Trends of INV

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

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

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

Ever since the commencement of sponsorship from the Fortress Group (Note 2), INV has been focusing its efforts on improving the profitability of its portfolio and establishing a revenue base in order to secure stable distributions, and has strengthened the lender formation through new borrowings and the refinancing of existing bank borrowings, thereby creating a financial base for external growth. With this platform as a base, in June 2014, the Asset Manager revised the Investment Guidelines for INV, 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, and has expanded its portfolio.

Moreover, the Asset Manager revised the Investment Guidelines as of July 17, 2018. Such revision was 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 lodging, dining and sales of goods, that are expected to achieve stable growth in overall hotel revenues. Based on such change in investment policy, in July 2018, INV decided on the acquisition of TK (Japanese anonymous association (*tokumei kumiai*)) interest in two overseas hotels, "Westin Grand Cayman Seven Mile Beach Resort & Spa" and "Sunshine Suites Resort" (collectively, the "Cayman Hotels") as underlying assets for the first time ever in J-REIT history. In September 2018, INV implemented the investment in the Cayman Hotels via a global offering of new investment units and borrowing of funds. INV intends to improve both the profitability and stability of the portfolio through such investments, including investment in the Cayman Hotels, which is expected to even out the effects of seasonality in INV's portfolio.

In the Fiscal Period ended December 31, 2020 ("Reporting Period"), INV sold six residential properties on December 18, 2020. As a result, INV's portfolio at the end of the Reporting Period comprised of 142 properties (86 hotels (Note 3) (Note 4), 54 residential properties and two retail properties) with a total acquisition price of JPY 502,717 million (Note 5). Furthermore, INV's hotel portfolio has the largest asset size (Note 6) of JPY 450.6 billion (86 properties, 15,597 rooms) among all J-REIT hotel portfolios including hotel-and-inn-specific type investment corporations.

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

(Note 4) From September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time), INV owned 100% of the TK interest in Seven Mile Resort Holdings Ltd. (the "Cayman SPC"), a Cayman Islands special purpose company that holds leasehold interests in the Cayman Hotels and ancillary assets as underlying assets. However, INV implemented the investment structure change (the "Structure Change" in some cases hereinafter) regarding the Cayman Hotels on May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time) and has directly held the Leasehold Interests, etc. of the Cayman Hotels thereafter. Both of the TK interest and the Cayman Hotels are counted as two properties before and after the Structure Change. In addition, the "Leasehold Interests, etc." means leasehold interests (rights equivalent to long-term real estate leases on land and buildings under the British Cayman laws) and furniture, fixtures, equipment, ornaments, kitchen instrument, and other assets required for hotel operations. Hereinafter the same shall apply.

(Note 5) Due to the Structure Change, the book value of the leasehold interests of the Cayman Hotels recorded by the Cayman SPC as of May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time), when INV succeeded the leasehold interests of the Cayman Hotels from the Cayman SPC via distribution in kind in connection with the termination of TK agreement, is deemed as the acquisition price of the Cayman Hotels. The book value is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contracts executed on July 26, 2018 and implemented on September 26, 2018 in connection with the investment in the TK interest by INV. Hereinafter the same shall apply.

(Note 6) "The largest asset size … among all J-REIT hotel portfolios" refers to the total acquisition price of 86 hotels owned by INV as compared with the total acquisition price of hotels (including inns and other accommodation facilities) owned by listed investment corporations other than INV as of December 31, 2020.

(b) Operational Environment and Performance

Given the enormous impact of COVID-19 on the economy as a whole, especially in the hotel sector, on September 10 and December 11, 2020, INV entered into a Memorandum of Understanding ("MOU") to amend each fixed-term building lease and property management agreement ("MLPM Agreements") pertaining to the rent conditions for the periods from July 1, 2020 to September 30, 2020 and from October 1, 2020 to December 31, 2020 for domestic hotels owned by INV and operated by INV's main tenant, MyStays Hotel Management Co., Ltd. ("MHM") and its affiliates (collectively the "MHM Group" along with MHM) (each MOU is referred to as the "September 2020 MOU" and "December 2020 MOU", respectively). Pursuant to the September 2020 MOU and the December 2020 MOU, we have changed the rent payment conditions of MLPM Agreements in terms of the amount of fixed rent payment, the variable rent calculation method, payment method of rent and payment date. The rent paid by the MHM Group for the three months of July through September was fixed rent of JPY 800 million and variable rent of JPY 391 million, for a total of JPY 1,191 million, while for the three months of October through December was fixed rent of JPY 806 million and variable rent of JPY 652 million, for a total of JPY 1,458 million. The rent paid by the MHM Group for the Reporting Period was fixed rent of

JPY 1,606 million and variable rent of JPY 1,043 million, for a total of JPY 2,649 million. This is equivalent to 41.0% of fixed rent for the same period under the original MLPM Agreements. As a result, NOI for the 73 hotels operated by the MHM Group for the Reporting Period was JPY 1,912 million.

For the December 2020 fiscal period, the portfolio NOI (Note 1) decreased by 75.6% or JPY 11,460 million to JPY 3,703 million compared to the same period in the previous year (the December 2019 fiscal period). The hotel portfolio NOI decreased by JPY 11,262 million, which represents 74.3% points of the decline in portfolio NOI. The residential portfolio NOI (Note 2) also decreased by JPY 193 million, which represents 1.3% points of the decline in portfolio NOI, due to asset sales. The portfolio maintained a high average occupancy rate (Note 3) of 99.1% for the Reporting Period.

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

The NOI for the Reporting Period of the 75 domestic hotels (Note 4) owned by INV decreased by 83.6% compared to the same period in the previous year (figures exclude nine domestic hotels with fixed-rent lease agreements among the 84 domestic hotels owned by INV as of the end of the Reporting Period, including Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV). The 75 domestic hotels recorded an occupancy rate (Note 5) of 48.3% (-40.0 points YoY), ADR (Note 6) of JPY 8,374 (-21.1% YoY), and RevPAR (Note 7) of JPY 4,046 (-56.9% YoY).

Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort recorded an average occupancy rate of 4.5% (-67.8 points YoY), ADR of USD 173 (-47.1% YoY), and RevPAR of USD 8 (-96.7% YoY) for the Reporting Period.

Regarding the hotel sector, domestic hotel demand significantly declined due to a sharp reduction in inbound visitors and a shift in mindset to refrain from business trips and leisure travel. The temporary closure of the Owen Roberts International Airport from March 23, 2020 due to the COVID-19 pandemic caused a significant reduction in hotel demand at the two Cayman hotels. Owen Roberts International Airport has resumed acceptance of foreign nationals on a limited basis and Sunshine Suites Resort has resumed operations from October 2020 after being selected as one of the hotels for isolation facilities. However, Westin Grand Cayman Seven Mile Beach Resort & Spa is expected to remain closed for the time being, except for one restaurant, as the Cayman Islands government has not disclosed when the ban on tourists will be lifted.

Regarding the residential portfolio, the average occupancy rate (Note 3) of 60 residential properties (Note 8) for the Reporting Period was 94.6%, a decrease of 1.7 points compared to the same period in the previous year due to prolonged vacancy periods until a new tenant moves in, particularly in the Tokyo 23 wards and the Tokyo metropolitan area, where INV has a large investment ratio. The NOI (Note 2) of the 60 residential properties for the Reporting Period decreased by 2.3% compared to the same period in the previous year, due to the sale of six residential properties executed on December 18, 2020. NOI for the 54 residential properties, excluding the six properties sold, decreased by 0.8% year-over-year. COVID-19 seems to have only a minor impact on the residential rental market, and trends for rent at city-center residential properties with small-type rooms maintained a moderate increase. Under such circumstances in the macro environment, INV continues to focus on its rent increase program for both new leases and renewals as well as initiatives to reduce residential leasing costs based on a detailed market analysis of each property and unit. The rent increase program for the 60 residential properties (Note 8) continues to produce positive results, as rent has increased for both new and renewal contracts of residential properties owned by INV. The average rent per tsubo per month (Note 9) for the Reporting Period increased by 0.6% YoY to JPY 9,132, and the recovery of occupancy rate is a top priority.

In the Reporting Period, INV realized a rent increase for 46.5% (based on the number of contracts) of the new residential lease contracts for an average rent increase of 0.2% compared to the previous rent across all new leases (Note 10). INV achieved a rent increase for 36.8% (based on the number of contracts) of contract renewals for an average rent increase of 1.2% compared to the previous rent across all renewal leases (Note 10), while maintaining a high contract renewal rate (Note 11) of 84.1%, an increase of 0.9 points compared to the same period in the previous year. Combined, new leases and renewal leases were signed at 0.7% higher than the previous leases (Note 10).

The total appraisal value of 141 properties was JPY 530,860 million (1 out of the 142 properties owned by INV at the end of the Reporting Period is excluded from the appraisal calculation: Sheraton Grande Tokyo Bay

Hotel (preferred equity interest) for which the appraisal value of such interest is not available). The portfolio has an unrealized gain of JPY 65,307 million (Note 12) and an unrealized gain ratio of 14.0% (Note 12). The total appraisal value of 141 properties which were owned throughout the Reporting Period increased by 0.1% from JPY 530,486 million at the end of the June 2020 fiscal period to JPY 530,860 million at the end of the Reporting Period.

Key Performance Indicators of 75 Domestic Hotel Properties (Note 4)

	December 2020 fiscal period	Year-on-year change
Occupancy Rate (Note 5)	48.3%	-40.0pt
ADR (JPY) (Note 6)	8,374	-21.1%
RevPAR (JPY) (Note 7)	4,046	-56.9%
GOP (JPY million) (Note 13)	3,344	-74.0%

Key Performance Indicators of Cayman Hotels

	December 2020 fiscal period	Year-on-year change
Occupancy Rate (Note 5)	4.5%	-67.8pt
ADR (USD) (Note 6)	173	-47.1%
RevPAR (USD) (Note 7)	8	-96.7%
GOP (USD) (Note 13)	-3,775,765	-

Key Performance Indicators of 60 Residential Properties (Note 8)

	December 2020 fiscal period	Year-on-year change
Occupancy Rate (Note 3)	94.6%	-1.7pt
Average Rent per Tsubo per Month (JPY) (Note 9)	9,132	+0.6%
NOI (JPY million) (Note 2)	1,614	-2.3%

(Note 1) "NOI" for the hotel properties is calculated in accordance with the following formula:
NOI= Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividend on the preferred equity interest (TMK dividend) + (Management Contract Revenue of the Cayman Hotels - Management Contract Expense)

(Note 2) For the comparison of NOI for the residential properties, one-off insurance-related revenues and expenses as well as one-off custodian fee associated with a trust split are excluded. NOI of six properties which are Nisshin Palacestage Higashi-Nagasaki, Nishiwaseda Cresent Mansion, Neo Prominence, City Court Kitaichijo, Lexington Square Akebonobashi and Lexington Square Daitabashi sold on December 18, 2020 is based on the data through the day before sale date, excluding one-off custodian fee associated with property sales. Hereinafter the same shall apply.

(Note 3) "Average Occupancy Rate" and "Occupancy Rate" for the portfolio or the residential properties are 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 4) Of the 84 hotels held as of the end of the December 2020 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. In addition, the figures for the properties acquired after July 2019 are calculated on the assumption INV had acquired those properties on July 1, 2019, using the actual figures provided by the sellers of such properties for the period before the acquisition. Hereinafter the same shall apply.

(Note 5) "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 6) "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 7) "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 8) Based on the 60 residential properties owned as of the beginning of July 2020. Of the 60 properties, six properties which are Nisshin Palacestage Higashi-Nagasaki, Nishiwaseda Cresent Mansion, Neo Prominence, City Court Kitaichijo, Lexington Square Akebonobashi and Lexington Square Daitabashi were sold on December 18, 2020. Therefore, for the six properties sold, July 1, 2020 through December 17, 2020 is deemed as the operating period for the December 2020 fiscal period, and the leased area and the leasable area as of December 17, 2020 are deemed as them as of the end of December 2020 to calculate each number. Hereinafter the same shall apply.

(Note 9) "Average Rent per Tsubo per Month" is calculated by dividing the total rental revenue (including common area charges) for each month by the sum of total leased area (tsubo) at the end of each month during the relevant period.

(Note 10) 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 11) 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 12) The unrealized gain is calculated using the following formula: the appraisal value as of the end of the Reporting Period - book value as of the end of the Reporting Period.
The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period.

(Note 13) "GOP" means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues. Moreover, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV's ownership ratio of the preferred equity interest. Hereinafter the same shall apply.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 262,588 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 50.8% and 47.6% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.53%.

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

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

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

(*) Since appraisal value for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is not available, the acquisition price of the preferred equity interest (JPY 17,845 million) is deemed as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest). For

appraisal value of the Cayman Hotels, USD is converted into JPY amount via the forward exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract entered into on July 26, 2018 and executed on September 26, 2018.

(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) Borrowing of Funds

INV borrowed New Syndicate Loan (R) on July 16, 2020 (total amount borrowed: JPY 28,979 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Mizuho Bank, Ltd. in order to repay New Syndicate Loan (E) in the amount of JPY 28,979 million due on July 16, 2020.

On July 20, 2020, INV borrowed Term Loan (N) (total amount borrowed: JPY 600 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of two years), which was arranged by The Tokyo Star Bank, Limited and Term Loan (O) (total amount borrowed: JPY 1,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Development Bank of Japan, Inc. in order to repay one of the tranches of Term Loan (E) in the amount of JPY 1,600 million due on July 20, 2020.

Furthermore, INV borrowed Term Loan (P) on September 14, 2020 (total amount borrowed: JPY 3,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Sumitomo Mitsui Banking Corporation in order to repay Term Loan (F) in the amount of JPY 3,000 million due on September 14, 2020.

In addition, on October 13, 2020, INV borrowed New Syndicate Loan (S) (total amount borrowed: JPY 1,539.5 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year) , which was arranged by Mizuho Bank, Ltd. and Term Loan (Q) (total amount borrowed: JPY 328.5 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Sumitomo Mitsui Trust Bank, Limited in order to repay one of the tranches of New Syndicate Loan (H) in the amount of JPY 1,868 million due on October 13, 2020.

(ii) Prepayment of Loan

INV's short-term consumption tax loan (Note 1) in the New Syndicate Loan (P) (in the amount of JPY 880 million) was prepaid on October 30, 2020 from the consumption tax refund concerning asset acquisitions on January 6, 2020 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 properties.

(d) Overview of Sale of Assets INV completed the sales of trust beneficiary interests in six residential assets as follows on December 18, 2020.

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2) (Note 3)	Gain on Sale (JPY million) (Note 2) (Note 4)	Transferee
A27	Nisshin Palacestage Higashi-Nagasaki	1,229	1,036	7,869	1,509	Undisclosed (Note 5)
A53	Nishiwaseda Cresent Mansion	1,880	1,882			

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2) (Note 3)	Gain on Sale (JPY million) (Note 2) (Note 4)	Transferee
A76	Neo Prominence	1,660	1,585			
A100	City Court Kitaichijo	1,782	1,678			
A54	Lexington Square Akebonobashi	1,450	1,280	3,270	1,092	
A71	Lexington Square Daitabashi	977	820			
Total		8,978	8,284	11,139	2,602	-

(Note 1) As of December 18, 2020.

(Note 2) The sale is a transaction under two purchase and sale agreements with different transferees, in which the six properties of the sold assets are divided into groups of four properties (A27, A53, A76 and A100) and two properties (A54 and A71). The sale price and gain on sale show the total amount of each of the abovementioned four properties and two properties. The sale prices of individual properties are not disclosed as the transferees' consent has not been obtained for disclosure. Accordingly, the gain on sales of individual properties are not disclosed, either.

(Note 3) Sale prices show the total sale prices set forth in the purchase and sale agreements for the trust beneficiary interests of each of the four properties and two properties, and do not include adjustments for property taxes or city planning taxes, or national or local consumption taxes.

(Note 4) Gain on sale is calculated by deducting the book value and the transfer related cost for each of the four properties and two properties.

(Note 5) The names of the transferees are not disclosed, as the transferees' consent has not been obtained for disclosure.

(Note 6) The trust beneficiary interest of Nisshin Palacestage Higashi-Nagasaki was integrated in a single account with other trust accounts when INV procured funds through debt financing backed by trust assets in July 2011. Therefore, for the purpose of selling the trust beneficiary interests of the property by itself, INV has implemented the procedures for the trust split effective on November 17, 2020 and recorded certain expenses. For details on the debt financing backed by trust assets and the integration of trust accounts, please refer to the press release "Notice concerning Fund Procurement through Debt Financing Backed by Trust Assets and Repayment of Borrowings and Change in Trustee of Trust Assets" dated July 15, 2011.

(Note 7) Amounts are rounded down to the nearest million yen.

(e) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period decreased by JPY 1,069 million from the previous period (-11.4%) to JPY 8,340 million, net income increased by JPY 199 million (47.1%) to JPY 623 million and unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 12,747 million) reached JPY 13,371 million.

INV decided that distribution per unit (excluding excess profit distribution) is JPY 167, which is the net income per unit (JPY 102) plus the reversal of retained earnings (JPY 65 per unit).

b Outlook for the Fiscal Period Ending June 30, 2021

From the next fiscal period onward, the Japanese economy is expected to begin a gradual recovery from the severe situation caused by COVID-19 once the nationwide vaccination process gets underway. However, the third wave of COVID-19 infections caused a suspension in the program, the government issuance of another state of emergency and the suspension of inbound travel by foreigners. Similar trends can be seen overseas and harsh conditions are expected to continue, with a risk that the overall economy will deteriorate causing a further rise in the unemployment rate. Therefore, it is necessary to closely monitor the impact of COVID-19 infections in Japan and overseas, variables in the financial and capital markets, and other factors.

The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results for the June 2021 fiscal period remains undetermined.

(a) 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. Fortress Group became a member 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' 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 online research, bookings and payments, improve the process in setting hotel rates and manage overbooking through the use of sophisticated AI algorithms, and reduce labor costs while enhancing customer service through the use of robotics.

In addition to pursuing synergies with SoftBank Group, INV will pay attention to an asset management with an emphasis on customer safety and security in situations where accommodation demand has declined drastically due to the impact of COVID-19, and focus on reviewing the operational strategy to restore revenues from hotels. Going forward, INV will continue to implement various strategies for further growth and financial stability, including the following measures.

- Asset recycling: property acquisitions using the proceeds from sales
- Internal growth at hotels through reducing costs, stimulating existing demand and creating new demand by collaborating with hotel operators
- Further internal growth at residential properties

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

As its basic strategy, INV had moved forward with the acquisition of new properties focusing on hotels, where continued growth in portfolio revenues would be anticipated and residential properties, especially where rental growth could be achieved, to build a portfolio with a good balance between growth and stability. However, for the time being, it is necessary to carefully consider the acquisition of hotel properties, which have been greatly affected by the sluggish demand for accommodation due to COVID-19, while looking for the possibility of acquiring at an attractive price.

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

In regard 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.

Property Sales

INV considers the possibility of portfolio optimization upon consideration of the portfolio sector composition, geographic distribution and competitiveness of each property as appropriate in the sluggish accommodation demand due to the impact of COVID-19.

(ii) Strategy for internal growth

(Hotels)

Of the 84 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 75 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of gross operating profit (GOP) after deducting payment of management fees for the hotel operator as rents. For 73 hotels of the 75 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives seeking to maximize revenue through effectively taking in the accommodation demand. As a result, INV can directly enjoy the hotel revenue upside through this variable rent scheme.

In response to the significant reduction in hotel demand, the MHM Group is taking steps to reduce hotel operating expenses by reviewing its operational strategy. Specific measures include temporary hotel closures and the suspension of non-essential capital expenditures as well as taking government subsidies, cutting payments to service providers such as cleaning vendors, significantly reducing marketing expenses, utilities and other items under the COVID-19 environment. The MHM Group is vigorously working to stimulate demand from existing domestic customers by following up on cancelled or postponed functions and providing corporate customers with various options including new lineup of meeting options highlighting strict measures to reduce the spread of COVID-19. In addition, the MHM Group is focusing on creating new demand, including the provision of day-use telework environments to provide individuals and corporates with a comfortable telework space as well as accommodation demand associated with the 14-day voluntary quarantine period after returning to Japan.

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 while considering the hotel profit situation, where demand has dropped significantly as described above.

(Residential properties and others)

INV will continue to strengthen its collaborative ties with property managers and brokers to further boost occupancy rates and earning capabilities of its properties. With respect to INV's residential properties, INV will focus on increasing the occupancy rates and rents for both new lease contracts and lease renewals for all of its properties as well as formulating net leasing cost reduction policies in order to continue maximizing profits.

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

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

(iii) Financial strategy

The credit rating outlook from Japan Credit Rating Agency, Ltd. (JCR) has been changed as described on the following page as of December 14, 2020. As it is difficult to predict when the outbreak of COVID-19 will come to an end, for the time being INV will implement initiatives that restrict an increase in interest payments on refinancing of existing borrowings and ensure refinancing. Over the medium to long term, INV will implement financial strategies such as reduction of borrowing costs, extension of average interest-bearing debt repayment periods, diversification of loan maturity dates and financing measures.

Credit Rating Object	Before Change	After Change
Long-term Issuer Rating (Outlook)	A+ (Stable)	A+ (Negative)

(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.

(v) Initiatives for Sustainability

INV and CIM recognize the importance of environmental, social, and governance (ESG) considerations in real estate investment management from the viewpoint of sustainability such as economic and social development and contributing to global environmental conservation, and regard improvement of sustainability as an important management issue. INV and CIM believe that the incorporation of ESG considerations into the real estate investment management business, which is our primary business, is essential to maximizing unitholder value over the medium to long term and contributes to maximizing INV's investment returns.

Thus, INV and CIM have established a "Sustainability Policy" to set basic policies for sustainability and put them into practice in our daily operations. Under this policy, CIM has formulated the "Energy Conservation Policy", which stipulates efforts to improve energy consumption management and energy efficiency in the real estate investment management business, and the "Greenhouse Gas Emissions Reduction Policy", which stipulates an operation policy to reduce carbon emissions. In addition, in order to promote initiatives for ESG throughout the value chain of INV's real estate portfolio, CIM has established the Sustainable Procurement Policy to set guidelines in the real estate investment management business, pertaining to the content of construction ordered, the criteria for selecting goods to be procured in connection with construction, and the criteria for selecting and evaluating business partners (suppliers). Furthermore, CIM has conducted sustainability-focused training for all officers and employees, including temporary staff, at least once a year. The purpose of this training is to help officers and employees acquire knowledge and raise awareness of sustainability considerations in line with business practices.

As the COVID-19 pandemic continues, APA Hotel Yokohama-Kannai has been used as an accommodation and medical facility for people with mild COVID-19 cases since August 2020 in terms of initiatives for society.

INV will continue to recognize its social responsibility to the environment and local communities as a J-REIT with hotels and residences as our core assets, and will proactively implement ESG-friendly investment management and sustainability initiatives that take advantage of asset characteristics and carry out social contribution activities.

c Significant Subsequent Events

Not applicable. Reference information is stated below.

(Reference Information)

(a) Prepayment of Loans

The Prepayment was implemented on January 29, 2021 to all lenders on a pro-rata basis by using JPY 10,000 million, a majority of the sales proceeds of the six residential properties sold on December 18, 2020.

Status of Loans Subject to Prepayment after the Prepayment (Note 1)

(As of January 29, 2021)

Loan/Lender(s)	Borrowing Date	Balance before Repayment (JPY million)	Repayment Amount (JPY million)	Balance after Repayment (JPY million)	Interest Rate (annual)	Maturity Date	Borrowing Method
New Syndicate Loan (F) <5-Year Loan> Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited The Hiroshima Bank, Ltd. The Kagawa Bank, Ltd. The Bank of Fukuoka, Ltd. The Shizuoka Bank, Ltd. Resona Bank, Limited The Nomura Trust and Banking Co., Ltd.	March 31, 2016	10,433	4,037	6,396	0.68818% (Note 2)	Mar. 30, 2021	Unsecured/ non-guaranteed
New Syndicate Loan (G) <4-Year Loan> Mizuho Bank, Ltd. Resona Bank, Limited The Bank of Fukuoka, Ltd. The Nomura Trust and Banking Co., Ltd. The Shizuoka Bank, Ltd. The Towa Bank, Ltd. The Gunma Bank, Ltd.	March 14, 2017	3,250	2,323	927	0.58818% (Note 2)	Mar. 14, 2021	

New Syndicate Loan (K) <3-Year Loan> Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan, Inc. The Bank of Fukuoka, Ltd. The Shizuoka Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Senshu Ikeda Bank, Ltd	March 29, 2019	7,934	12	7,922	0.36100% (Note 3)	Mar. 29, 2022	
New Syndicate Loan (K) <5-Year Loan> Aozora Bank, Ltd The Nishi-Nippon City Bank, Ltd. The Tochigi Bank, Ltd.	March 29, 2019	2,500	99	2,401	0.59400% (Note 3)	Mar. 29, 2024	
New Syndicate Loan (K) <10-Year Loan> Kiraboshi Bank, Ltd.	March 29, 2019	1,000	39	961	0.88818% (Note 2)	Mar. 29, 2029	
New Syndicate Loan (L) <4.5-Year Loan> Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Citibank, N.A.,Tokyo Branch Development Bank of Japan, Inc. AEON Bank, Ltd. Aozora Bank, Ltd	July 19, 2019	4,943	138	4,805	0.52473% (Note 3)	Jan. 16, 2024	

The Nomura Trust and Banking Co., Ltd.							
New Syndicate Loan (N) <4.4-Year Loan> Mizuho Bank, Ltd. The Daisan Bank, Ltd.	August 28, 2019	3,682	138	3,544	0.46219% (Note 3)	Jan. 16, 2024	
New Syndicate Loan (P) <5-Year Loan> Sumitomo Mitsui Trust Bank, Limited Momiji Bank,Ltd. The Kiyo Bank	January 6, 2020	4,550	59	4,491	0.64291% (Note 3)	Jan. 6, 2025	
New Syndicate Loan (Q) <5-Year Loan> Mizuho Bank, Ltd. Resona Bank, Limited Development Bank of Japan, Inc. The Bank of Fukuoka, Ltd. The Nomura Trust and Banking Co., Ltd. The Shizuoka Bank, Ltd. The Yamaguchi Bank, Ltd.	March 16, 2020	3,250	39	3,211	0.48700% (Note 3)	Mar. 16, 2025	
New Syndicate Loan (Q) <5-Year Loan> Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Resona Bank, Limited The Nomura Trust and Banking Co., Ltd. Aozora Bank, Ltd The Shizuoka Bank, Ltd. The Kagawa Bank, Ltd. The Yamaguchi	March 30, 2020	6,960	39	6,921	0.58818% (Note 2)	Mar. 16, 2025	

Bank, Ltd. The Chukyo Bank, Ltd.							
New Syndicate Loan (R) <1-Year Loan> Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd. Shinsei Bank, Limited Citibank, N.A.,Tokyo Branch Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited	July 16, 2020	28,979	1,550	27,429	0.33818% (Note 2)	Jul. 16, 2021	
Term Loan (C) <5-Year Loan> Citibank, N.A.,Tokyo Branch	June 15, 2016	1,000	651	349	0.68818% (Note 2)	Jun. 15, 2021	
Term Loan (D) <5-Year Loan> AEON Bank, Ltd.	June 30, 2016	3,000	267	2,733	0.68818% (Note 2)	Jun. 30, 2021	
Term Loan (E) <5-Year Loan> The Tokyo Star Bank, Limited	July 20, 2016	1,700	118	1,582	0.68818% (Note 2)	Jul. 20, 2021	
Term Loan (G) <4.5-Year Loan> Mizuho Bank, Ltd. The Dai-ichi Life Insurance Company, Limited	May 29, 2017	7,321	157	7,164	0.63818% (Note 2)	Nov. 29, 2021	
Term Loan (O) <1-Year Loan> Development Bank of Japan, Inc.	July 20, 2020	1,000	334	666	0.33818% (Note 2)	Jul. 20, 2021	
Total		91,502	10,000	81,502			

(Note 1) Of the loans that are subject to prepayment, only the tranches that are eligible for prepayment are listed.

(Note 2) The interest rate applicable as of January 20, 2021 is shown.

(Note 3) Figure is shown as virtually fixed interest rate because interest rate is fixed by interest rate swap agreement while it is a borrowing with floating interest rate.

(b) Debt Financing

INV decided to borrow Term Loan (R) and Term Loan (S) on January 20, 2021 in order to repay Term Loan (B) in the amount of JPY 4,250 million due on January 22, 2021.

(i) Term Loan (R)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Sumitomo Mitsui Banking Corporation	January 22, 2021	3,400	Floating interest rates (Note 1)	January 22, 2022	Unsecured/ non guarantee

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.25000%)

(ii) Term Loan (S)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
MUFG Bank, Ltd.	January 22, 2021	850	Floating interest rates (Note 1)	January 22, 2022	Unsecured/ non guarantee

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.25000%)

d Operational Outlook

The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the June 2021 fiscal period (from January 1 to June 30, 2021) remains undetermined.

	June 2021 Fiscal Period (Anticipated)
Operating Revenues	TBD
Operating Income	TBD
Ordinary Income	TBD
Net Income	TBD
Total Distribution Amount (Including excess profit distribution)	TBD
Net Income per Unit	TBD
Distribution per Unit (Excluding excess profit distribution)	TBD
Excess Profit Distribution per Unit	TBD
Distribution per Unit (Including excess profit distribution)	TBD

(2) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities report (filed on September 25, 2020).

(3) Material Events related to the Going Concern Assumption

As of the end of the Fiscal Period ended December 31, 2020, considering the overall outlook for business operations for the foreseeable future, including the steady refinancing during the Fiscal Period ended December 31, 2020, the capability of payment for most of interest on interest-bearing debts and operating costs by rent income from residential properties and retail facilities, and the level of cash on hand, INV has determined that

INV is not in the situation that falls under material events (events or circumstances that may cause material doubt on the assumption that an investment corporation will continue to operate in the future and other events that may have a material impact on the management of an investment corporation) to be described in "(3) Material Events related to the Going Concern Assumption".