

# **Invincible** Investment Corporation

## **Financial Summary for the June 2023 Fiscal Period (from January 1, 2023 to June 30, 2023)**

**August 24, 2023**

Name	: Invincible Investment Corporation (“INV”)
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: <a href="https://www.invincible-inv.co.jp/en/">https://www.invincible-inv.co.jp/en/</a>
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	: September 21, 2023

This English language notice is a translation of the Japanese-language notice released on August 24, 2023 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 June 30, 2023 (from January 1, 2023 to June 30, 2023)

(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, 2023	15,914	33.4	10,356	65.5	8,914	75.6	8,913	75.6
Fiscal period ended December 31, 2022	11,929	55.3	6,257	195.9	5,075	399.7	5,075	400.0

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2023	1,462	3.5	1.8	56.0
Fiscal period ended December 31, 2022	832	2.0	1.0	42.5

(2) Distributions

	Distribution (Excluding excess profit distribution)		Excess Profit Distribution		Dividend Payout Ratio	Distribution / Net Assets
	Per Unit	Total	Per Unit	Total		
Fiscal period ended June 30, 2023	1,464	8,925	-	-	100.1	3.5
Fiscal period ended December 31, 2022	832	5,072	-	-	99.9	2.0

(Note 1) Dividend Payout Ratio is calculated in accordance with the following formula and is rounded to the nearest one decimal place:

$$\text{Dividend Payout Ratio} = \text{Distribution Amount (Excluding excess profit distribution)} \div \text{Net Income} \times 100$$

(Note 2) 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, 2023	496,819	254,024	51.1	41,665
Fiscal period ended December 31, 2022	494,237	250,321	50.6	41,058

(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 June 30, 2023	13,782	924	(7,188)	28,041
Fiscal period ended December 31, 2022	6,670	(993)	(2,178)	20,521

2. Forecasts for the Fiscal Periods ending December 31, 2023 (from July 1, 2023 to December 31, 2023) and the Fiscal Periods ending June 30, 2024 (from January 1, 2024 to June 30, 2024)

(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 December 31, 2023	17,786	11.8	11,255	8.7	9,586	7.5	9,586	7.5	1,441	-
Fiscal period ending June 30, 2024	18,000	1.2	11,348	0.8	9,855	2.8	9,854	2.8	1,466	-

(Reference) Estimated net income per unit for the fiscal periods ending December 31, 2023 and the fiscal periods ending June 30, 2024 are JPY 1,422 and JPY 1,462.

※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, 2023 6,096,840 December 31, 2022 6,096,840
- (b) Number of Treasury Units as of the End of the Fiscal Period June 30, 2023 0 December 31, 2022 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

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 the date of this document, 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 June 30, 2023

##### (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). 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.

Ever since the commencement of sponsorship from the Fortress Group (Note 1), 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, Consonant Investment Management Co., Ltd., the asset manager to which INV entrusts the management of its assets (“CIM”) 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.

INV's portfolio at the end of the Fiscal Period ended June 30, 2023 (the “Reporting Period”) comprised of 128 properties (86 hotels (Note 2) (Note 3), 41 residential properties and one retail facility) with a total acquisition price of JPY 491,416 million (Note 4). Furthermore, INV's hotel portfolio has the largest asset size (Note 5) of JPY 450,631 million (86 properties, 15,597 rooms) among all J-REITs (real estate investment corporations which listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market, hereinafter the same shall apply) hotel portfolios including Hotel J-REITs (Note 6).

(Note 1) Calliope transferred 80.0% of issued shares to Fortress CIM Holdings L.P., a subsidiary of SoftBank Group and 20.0% to SoftBank Group Corp. (“SoftBank Group”) on March 29, 2018, but the SoftBank Group transferred its issued shares of CIM to Fortress CIM Holdings L.P. As of the date of this document, SoftBank Group indirectly owns 100% of issued shares of CIM through Fortress CIM Holdings L.P. The SoftBank Group announced that it has entered into a definitive agreement to transfer its interest in the indirect parent company of Fortress CIM Holdings L.P. to Mubadala Capital and others during the first quarter of 2024.

(Note 2) 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 (equivalent to 49.0% of the 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 3) 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 Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort (collectively, 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 4) 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 5) Hotel J-REIT is defined as the J-REIT whose majority part of portfolio consists of hotel assets.

(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 June 30, 2023.

#### (b) Operational Environment and Performance

During the Reporting Period, the Japanese economy maintained a gradual recovery trend, mainly driven by domestic demand and the normalization of economic activities, as the classification of COVID-19 under the Infectious Disease Control Law was lowered from the previous Class 2 equivalent to Class 5, the same category as seasonal influenza, effective May 8, 2023.

In this environment, real GDP (second preliminary report) for the January-March period of 2023 increased 0.7% from the previous quarter, marking the second consecutive quarter of growth following the October-December period of 2022.

The number of inbound visitors in the Reporting Period showed a remarkable recovery trend. The cumulative number of inbound visitors from January to June 2023 was 10,712,000 (estimated by the Japan National Tourism Organization), far exceeding the 507,000 in the same period in 2022. Compared to 2019, prior to the COVID-19 pandemic, the inbound visitor figures in June 2023 decreased by 28.0% and the inbound visitor figures in the period from January to June decreased by 35.6%. Moreover, according to the Japan National Tourism Organization's Survey, the breakdown of travel spending of inbound visitors from April to June 2023 is estimated to be 1,205.2 billion yen (first preliminary report), or 95.1% of the same period in 2019. Regarding the employment trends, the unemployment rate for May 2023 was 2.6%, the same level of the previous month. The effective job openings ratio was 1.31 times, the same level of the previous month and 0.06 points higher than the rate in May 2022, indicating that the employment situation has not worsened.

The portfolio NOI (Note 1) increased by 194.2% or JPY 9,587 million compared to the same period in the previous year (the June 2022 fiscal period) to JPY 14,523 million. The hotel portfolio NOI increased by JPY 9,547 million. The residential and retail portfolio NOI increased by JPY 39 million. Compared to the December 2019 fiscal period prior to the COVID-19 pandemic, the portfolio NOI decreased by 1.4% or JPY 211 million, of which the hotel portfolio NOI increased by JPY 1,255 million and the residential and retail portfolio NOI decreased by JPY 1,467 million due to asset sales.

Commentary on hotel and residential performance is as described below.

Each performance metric of the domestic hotel portfolio increased significantly over the same period of the previous year's results and has recovered to levels close to 2019, before the COVID-19 pandemic, due to the government's travel subsidy program "National Travel Discount Campaign" and increased inbound demand. The GOP for the Reporting Period of the 75 domestic hotels (Note 3) owned by INV increased by 228.7% 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 4) of 80.7%, ADR (Note 5) of JPY 10,868, and RevPAR (Note 6) of JPY 8,772. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the GOP decreased by 9.9%, the occupancy rate decreased by 6.1pt, ADR increased by 7.5%, and RevPAR is the same level.

The Cayman Hotels recorded an average occupancy rate of 77.3%, ADR of USD 537, and RevPAR of USD 415 for the Reporting Period and the figures significantly exceeded the same period in the previous year. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the occupancy rate decreased by 12.0pt, ADR increased by 29.2%, and RevPAR increased by 11.8%.

Regarding the residential portfolio (Note 7), the occupancy rate (Note 8) of 41 residential properties decreased by 0.5 points from 96.4% at the end of the previous fiscal period to 95.9% at the end of the Reporting Period. The average occupancy rate (Note 8) increased by 0.5 points YoY to 96.5%. The NOI (Note 9) for the Reporting Period increased by 1.2% YoY.

In the Reporting Period, INV realized a rent increase for 39.3% (based on the number of contracts) of the new residential lease contracts, however the new rent decreased by 0.4% compared to the previous rent across all new leases (Note 10). INV achieved a rent increase for 43.7% (based on the number of contracts) of contract renewals with an average rent increase of 1.8% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate (Note 11) of 74.3%. Combined, new lease and renewal lease rents were signed at 1.0% higher than the previous leases. The average rent per tsubo per month (Note 12) for the Reporting Period increased by 0.7% YoY to JPY 9,190.

The total appraisal value of 127 properties was JPY 560,963 million (one out of the 128 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 120,464 million (Note 13) and an unrealized gain ratio of 27.3% (Note 13). The total appraisal value of 127 properties which were owned throughout the Reporting Period increased by 5.3% from JPY 532,570 million at the end of the December 2022 fiscal period to JPY 560,963 million at the end of the Reporting Period.

#### Key Performance Indicators of 75 Domestic Hotel Properties (Note 2)

	June 2023 fiscal period	Year-on-year change	vs 1H 2019
Occupancy Rate (Note 4)	80.7%	+19.2pt	-6.1pt
ADR (JPY) (Note 5)	10,868	+44.8%	+7.5%
RevPAR (JPY) (Note 6)	8,772	+90.1%	+0.0%
GOP (JPY million) (Note 3)	10,424	+228.7%	-9.9%

#### Key Performance Indicators of Cayman Hotels

	June 2023 fiscal period	Year-on-year change	vs 1H 2019
Occupancy Rate (Note 4)	77.3%	+37.6pt	-12.0pt
ADR (USD) (Note 5)	537	+45.1%	+29.2%
RevPAR (USD) (Note 6)	415	+182.2%	+11.8%
GOP (USD) (Note 3)	29,182,631	+240.9%	+9.4%

#### Key Performance Indicators of 41 Residential Properties (Note 7)

	June 2023 fiscal period	Year-on-year change
Occupancy Rate (Note 8)	96.5%	-0.5pt
Average Rent per Tsubo per Month (JPY) (Note 12)	9,190	+0.7%
NOI (JPY million) (Note 9)	1,126	+1.2%



- (Note 1) "NOI" for the hotel properties is calculated in accordance with the following formula:  
$$\text{NOI} = \text{Rental Revenues} - \text{Property Related Expenses} + \text{Depreciation Expenses} + \text{Dividend on the preferred equity interest (TMK dividend)} + (\text{Management Contract Revenue of the Cayman Hotels} - \text{Management Contract Expense})$$
- (Note 2) Of the 84 hotels held as of the end of June 2023 (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 etc. 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. "D48 Takamatsu Tokyu REI Hotel" changed its contract with its major tenant, Tokyu Hotels Corporation, to fixed-rent with variable rent lease from April 25, 2023. However, in view of the continuity of disclosed data, this hotel will continue to be excluded. Hereinafter the same shall apply.
- (Note 3) "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. GOP for each fiscal period ended June 2020 and onwards includes the amount of employment adjustment subsidies received by the hotel operators for the respective fiscal periods. In addition, GOP for the Sheraton Grande Tokyo Bay Hotel has been multiplied by 49%, or INV's ownership ratio of the preferred equity interest. Hereinafter the same shall apply.
- (Note 4) "Occupancy rate" for the hotel properties is calculated in accordance with the following formula:  
$$\text{Occupancy rate} = \frac{\text{total number of occupied rooms during a certain period}}{\text{total number of rooms available during the same period (number of rooms} \times \text{number of days)}}$$
Hereinafter the same shall apply.
- (Note 5) "ADR" means average daily rate, and is calculated by dividing total room sales (excluding service fees) for a certain period by the total number of days per room for which each room was occupied during the same period. Hereinafter the same shall apply.
- (Note 6) "RevPAR" means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.
- (Note 7) Based on the 41 residential properties owned as of the end of December 2022. Hereinafter the same shall apply.
- (Note 8) "Occupancy Rate" and "Average 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. Hereinafter the same shall apply.
- (Note 9) For the comparison of NOI for the residential properties, one-off insurance-related revenues and expenses are excluded. Hereinafter the same shall apply.
- (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. Hereinafter the same shall apply.
- (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) "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 13) The unrealized gain is calculated using the following formula: the appraisal value as of the end of the Reporting Period – book value as of the end of the Reporting Period.  
The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 239,190 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were

48.1% and 42.7% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.43%.

(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 × 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 (\*) × 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 (006) on January 16, 2023 (total amount borrowed: JPY 10,408 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Mizuho Bank, Ltd., Term Loan (011) on January 24, 2023 (total amount borrowed: JPY 1,700 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by MUFG Bank, Ltd. and Term Loan (012) on January 24, 2023 (total amount borrowed: JPY 6,800 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a 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 (L) in the amount of JPY 4,943 million due on January 16, 2023, one of the tranches of New Syndicate Loan (M) in the amount of JPY 5,796 million due on January 16, 2023, Term Loan (001) in the amount of JPY 1,700 million due on January 24, 2023 and Term Loan (002) in the amount of JPY 6,800 million due on January 24, 2023.

Moreover, INV borrowed New Syndicate Loan (007) on March 14, 2023 and March 16, 2023 (total amount borrowed: JPY 13,980 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.35000% for a duration of three years) and New Syndicate Loan (008) on March 14, 2023 (total amount borrowed: JPY 3,039 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which were arranged by Mizuho Bank, Ltd., in order to repay New Syndicate Loan (001) in the amount of JPY 12,156 million due on March 14, 2023, New Syndicate Loan (002) in the amount of JPY 3,039 million and one of the tranches of New Syndicate Loan (Q) in the amount of JPY 2,273 million due on March 16, 2023.

Furthermore, INV borrowed Term Loan (013) on June 19, 2023 (total amount borrowed: JPY 1,000 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.30000% for a duration of three years), which was arranged by Development Bank of Japan, Inc. in order to repay Term Loan (004) in the amount of JPY 1,000 million due on June 17, 2023.

In addition, INV borrowed Term Loan (014) on June 27, 2023 (total amount borrowed: JPY 500 million; interest rate: variable interest rate of 3-month JPY TIBOR plus 0.30000% for a duration of three years), which was arranged by MUFG Bank, Ltd. and Term Loan (015) on June 27, 2023 (total amount borrowed: JPY 1,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by SBI Shinsei Bank, Limited in order to repay Term Loan (H) in the amount of JPY 1,500 million due on June 27, 2023.

(ii) Prepayment of Loan

INV's loans of New Syndicate Loan (005) (in the amount of JPY 639 million) and New Syndicate Loan (008) (in the amount of JPY 3,039 million) were prepaid on June 30, 2023 from cash on hand.



(iii) Issuance of Investment Corporation Bonds

INV issued investment corporation bonds as follows for the purpose of raising a portion of funds for repayment of existing borrowings while at the same time lengthening the average maturity period of its debt and further diversifying repayment dates for interest-bearing debt.

Bond Series	Issue Date	Issue Amount (JPY million)	Interest Rate (annual rate)	Redemption Date	Abstract
Seventh Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds)	May 25, 2023	5,000	1.000%	May 25, 2026	Unsecured / Unguaranteed Rating: A (JCR)
Eighth Series Unsecured Investment Corporation Bonds (with pari passu conditions among specified corporate bonds)	May 25, 2023	1,200	1.200%	May 25, 2028	Unsecured / Unguaranteed Rating: A (JCR)

(d) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 3,985 million from the previous period (+33.4%) to JPY 15,914 million, resulting in a net income of JPY 8,913 million, an increase of JPY 3,838 million from the previous period (+75.6%). Unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 8,669 million) is JPY 17,583 million. INV has decided to set the distribution per unit (excluding excess profit distribution) of JPY 1,464, which is the net income per unit (JPY 1,462) plus the reversal of retained earnings (JPY 2 per unit).

b Outlook for the Fiscal Period Ending December 31, 2023

The Japanese economy is gradually recovering due to the resumption of economic activity through the “Post-Corona (COVID-19)” lifestyle and the recovery of inbound consumption, which is supported by the depreciation of the yen along with the pent-up demand for travel. On the other hand, there is a risk that a slowdown in overseas economies may trigger a temporary slowdown in domestic economic growth, so it is necessary to pay close attention to the impact of fluctuations in the financial and capital markets and international affairs.

In the hotel market, the recovery trend is expected to continue for domestic and inbound demand in both leisure and business segments. In particular, travelers from China, who accounted for about 30% of all inbound travelers in 2019, have yet to recover even after the easing of border measures in October 2022. However, there was an announcement that the Chinese government has lifted the ban on group travel to Japan in August 2023, and a gradual recovery is expected in the near future.

In the rental housing market, lifestyle changes due to the impact of COVID-19 infections are expected to affect tenant trends, and INV will keep an eye on such trends.

(a) Future operational policy and issues to be addressed

Since July 2011, INV has focused on improving the profitability of its portfolio and strengthening its financial base in order to enhance unitholder value with the Fortress Group as its sponsor. In addition to access to Fortress’ global real estate expertise, INV will actively promote efforts to acquire new demand under the environment of “Post-Corona” and flexibly respond to changes in the external environment while emphasizing customer safety and security. Going forward, INV will continue to implement various strategies for further growth and financial stability, including the following measures.

- Further external growth utilizing sponsor support
- 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
- Diversification of funding sources through the issuance of investment corporation bonds including Green Bonds

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.

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 with strong competitiveness, in which it believes it can achieve increases in rent.

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

Year	Properties acquired	Total acquisition price
2012	24 residential properties (Note 1)	JPY 14,043 million (Note 1)
2014	20 hotels	JPY 45,373 million
2015	14 hotels and three residential properties (Note 2)	JPY 45,238 million (Note 2)
2016	11 hotels and two residential properties	JPY 92,804 million
2017	six hotels and two residential properties (Note 3)	JPY 90,006 million (Note 3)
2018	12 hotels	JPY 104,280 million
2019	18 hotels (Note 4)	JPY 82,646 million (Note 4)
2020	Two hotels	JPY 16,236 million
2023	Six hotels	JPY 57,230 million
Total	120 properties (of which 89 are hotels and 31 are residential properties)	JPY 547,858 million (of which hotels: JPY 496,220 million; residential: JPY 51,638 million)

- (Note 1) Of the properties acquired from affiliates of the Fortress Group, 15 residential properties have been sold.
- (Note 2) Of the properties acquired from affiliates of the Fortress Group, one residential property has been sold.
- (Note 3) Of the properties acquired from affiliates of the Fortress Group, one residential property has been sold. Sheraton Grande Tokyo Bay Hotel was acquired through a special purpose company, of which INV owns the preferred equity interest, and is counted as one property and INV's investment amount of the preferred equity interest is counted as the acquisition price of the preferred equity interest.
- (Note 4) The Cayman Hotels acquired by the Cayman SPC, of which INV owns the TK interest, are counted as two properties and INV's investment amount of the TK interest is used as the acquisition price of the TK interest. After the Structure Change, INV currently has direct ownership of the Leasehold of the Cayman Hotels.

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.

(ii) Strategy for internal growth

(Hotels)

Of the 84 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 76 hotels use a variable rent scheme. In the variable rent scheme, in principle, INV receives all of the gross operating profit (GOP) after deducting payment of management fees for the hotel operator as rents. For 73 hotels of the 76 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives seeking to maximize revenue through effectively taking in accommodation demand. As a result, INV can directly enjoy the hotel revenue upside through this variable rent scheme.

In response to the reduction in hotel demand, the MHM Group is taking steps to reduce hotel operating expenses and recover revenues by reviewing its operational strategy. During the recovery phase of hotel demand in the future, INV will strive to minimize the impact of rising costs such as utility costs and foodstuffs by means of a thorough review of staffing and work shifts, continuous efforts to reduce fixed costs, and strategies to maximize GOPPAR (GOP per the number of rooms available for sale).

The MHM Group vigorously worked to stimulate demand from domestic customers by providing corporate customers with diverse options including a new lineup of meeting options highlighting strict measures to reduce the spread of COVID-19 and various options including educational tours and employee training while grasping changes in customer demand under the "Post-Corona" environment. In addition, the MHM Group is focusing on creating demand, including continuation of delivery and take-

out services and the development of new menus through directly managed restaurants in the hotel.

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.

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

(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 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.

(iii) Financial strategy

From now on, INV will continue to extend the average interest-bearing debt repayment periods and diversify the loan maturity dates while paying attention to fund procurement costs, as well as diversifying financing measures by issuing investment corporation bonds, including green bonds.

In addition, INV will seek to improve the credit rating (the long-term issuer rating "A" (Outlook: Stable)) obtained from Japan Credit Rating Agency, Ltd. (JCR) by proceeding with these measures.

(iv) Compliance risk management

While the executive director of INV concurrently serves as the representative director at CIM, two supervisory directors (an external attorney and an external certified public account) oversee the execution of the executive director's duties via the Board of Directors of INV.

CIM 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. No resolution will be adopted unless the outside expert agrees.

When INV conducts certain transactions such as asset acquisition from sponsor related parties, prior approvals by the Board of Directors of INV are required to ensure an objectivity in deliberation regarding conflicts of interests. In such agenda, only two supervisory directors (a lawyer and a certified public accountant) will participate in the vote, and the executive director who concurrently serves as the representative director of CIM will not participate in the vote as he is a special interested party.

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”, the “Greenhouse Gas Emissions Reduction Policy”, the “Water Saving Policy” and the “Waste Management Policy” which stipulate efforts to reduce environmental impact as initiatives for environment. In addition, CIM has established the “Sustainable Procurement Policy” in order to promote initiatives for ESG throughout the value chain of INV’s real estate portfolio and concluded the “Green Lease” contract with tenants to collaborate with tenants on measures related to the environmental consideration of real estate, such as proactive introductions of energy-saving equipment such as LED lighting.

Furthermore, INV acquired CASBEE Certification for Buildings (Existing Buildings) for two hotels, and Certification for CASBEE for Real Estate for two residential properties. CASBEE is a method that comprehensively assesses the quality of a building, and evaluates features such as interior comfort and scenic aesthetics, in consideration of environment practices including use of materials and equipment that save energy or achieve smaller environmental loads. Also, 15 hotels owned by INV acquired the certification of Building-Housing Energy-efficiency Labeling System (“BELS”). In particular, Hotel MyStays Premier Akasaka, Hotel MyStays Fukuoka Tenjin, Hotel MyStays Yokohama Kannai and Hotel MyStays Oita have been rated five stars “★★★★★”, and Hotel MyStays Premier Kanazawa, Hotel MyStays Sapporo Station and Hotel MyStays Fuji Onsen Resort have been rated four stars “★★★★” due to high energy conservation performance.

As initiatives for society, CIM is working on various measures for tenants and CIM’s officers and employees. CIM conducts the “Tenant Satisfaction Survey” for residents of INV’s residential properties to collect opinions and requests of residents and utilize them for asset management, and provides sustainability-focused training for all officers and employees at least once a year to help officers and employees acquire knowledge and raise awareness of sustainability considerations in line with business practices. Moreover, as initiatives for CIM’s employees, CIM conducts an employee satisfaction survey once every three years with the aim of improving its working environment, provides paid vaccine leave so that officers and employees can receive COVID-19 vaccines and deal with any potential side-effects, and gives full subsidy for a comprehensive medical checkup without age restrictions.

As the spread of COVID-19 continues, some hotels owned by INV (APA Hotel Yokohama-Kannai, Hotel MyStays Oita and Comfort Hotel Kitami) have been used as accommodation and medical facilities for patients with mild symptoms or quarantine facilities for returnees from overseas in terms of social contributions. Also, meeting rooms at Hotel MyStays Shin Osaka Conference Center were provided as a vaccination venue.

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

(a) Issuance of New Investment Units

On July 19, 2023, INV launched a global equity offering. The offering size and funds raised are described below. The proceeds from the issuance of new units were used to fund a portion of the acquisition price for the six domestic hotels stated in “(c) Acquisition of Assets (Properties)”. Payment for the issuance of new investment units was completed on July 31, 2023. As a result, total equity for INV is JPY 268,463 million, and the total number of issued investment units is 6,706,632 units. Moreover, payment for the third-party allotment in connection with overallotment will be completed on August 28, 2023. In this case, total equity for INV is going to be JPY 270,101 million, and the total number of issued investment units is going to be 6,737,121 units.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered	:	609,792 investment units
		Domestic public offering: 353,680 investment units
		Overseas offering: 256,112 investment units
Amount to be paid (issue value)	:	JPY 53,726 per unit
Total amount to be paid (total issue value)	:	JPY 32,761,684,992
Issue price (offer price)	:	JPY 55,566 per unit
Total issue price (total offer price)	:	JPY 33,883,702,272
Payment date	:	July 31, 2023

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

Number of Investment Units to be offered in the secondary offering	:	30,489 investment units
Offer price	:	JPY 55,566 per unit
Total offer price	:	JPY 1,694,151,774
Delivery date	:	August 1, 2023

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

Number of investment units to be offered	:	30,489 investment units
Amount to be paid (issue value)	:	JPY 53,726 per unit
Total amount to be paid (total issue value)	:	JPY 1,638,052,014
Payment date	:	August 28, 2023
Allottee	:	Mizuho Securities Co., Ltd.



(b) Debt Financing

Along with equity finance described in “(a) Issuance of New Investment Units”, INV has decided to execute new borrowings (New Syndicate Loan (010)) on July 19, 2023 in order to fund a portion of the acquisition price of the six domestic hotel properties stated in “(c) Acquisition of Assets (Properties)” and related expenses.

New Syndicate Loan (010)

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	August 1, 2023	3,086	Variable interest rate (Note 1)	August 1, 2024	Unsecured/ non guarantee
Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, The Tokyo Star Bank, Limited, Aozora Bank, Ltd.	August 1, 2023	9,195.7	Variable interest rate (Note 2)	July 16, 2026	
Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan Inc., The Tokyo Star Bank, Limited, Aozora Bank, Ltd., The Ogaki Kyoritsu Bank, Ltd.	August 1, 2023	17,574.3	Variable interest rate (Note 3)	July 14, 2028	
Total Debt		29,856			

(Note 2) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)

(Note 3) 3-month JPY TIBOR (Base Rate) + spread (0.30000%)

(Note 4) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(c) Acquisition of Assets

The Asset Manager decided to acquire six hotels as follows on July 19, 2023, and acquisition of assets has been completed on August 1, 2023.

Property Number	Property Name	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	Seller
D84	Fusaki Beach Resort Hotel & Villas	40,293	40,700	Sheffield Asset Tokutei Mokuteki Kaisha
D85	Tateshina Grand Hotel Takinoyu	8,365	8,450	Heijo Tokutei Mokuteki Kaisha
D86	Hotel MyStays Okayama	2,613	2,640	Nippori Tokutei Mokuteki Kaisha
D87	Hotel MyStays Aomori Station	2,445	2,470	Shiretoko Tokutei Mokuteki Kaisha
D88	Hotel MyStays Soga	2,039	2,060	Nippori Tokutei Mokuteki Kaisha
D89	Tazawako Lake Resort & Onsen	1,475	1,490	Heijo Tokutei Mokuteki Kaisha
Total		57,230	57,810	

(Note 1) Appraisal Value is based on appraisal value stated in the appraisal report by the Japan Real Estate Institute., JLL Morii Valuation & Advisory K.K., The Tanizawa Sōgō Appraisal Co., Ltd. or Daiwa Real Estate Appraisal Co., Ltd. on the valuation date of June 1, 2023.

(Reference Information)

(a) Debt Financing

INV decided to borrow New Syndicate Loan (009) on July 12, 2023 and borrowed on July 14, 2023 and July 19, 2023 in order to repay New Syndicate Loan (I) in the amount of JPY 9,659 million due on July 14, 2023 and New Syndicate Loan (003) in the amount of JPY 49,684 million due on July 19, 2023.

(i) New Syndicate Loan (009)

Lender	Borrowing Date	Borrowing Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
SBI Shinsei Bank, Limited	July 14, 2023	1,110	Floating interest rates (Note 1)	July 16, 2024	Unsecured/non guarantee
Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited	July 14, 2023	951.6	Floating interest rates (Note 2)	July 16, 2026	Unsecured/non guarantee
	July 14, 2023	3,774.5	Floating interest rates (Note 3)	July 16, 2026	Unsecured/non guarantee
	July 14, 2023	3,774.5	Floating interest rates (Note 4)	July 14, 2028	Unsecured/non guarantee
SBI Shinsei Bank, Limited, Resona Bank, Limited	July 19, 2023	6,848	Floating interest rates (Note 5)	July 16, 2024	Unsecured/non guarantee
Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan, Inc., The Ogaki Kyoritsu Bank, Ltd.	July 19, 2023	18,858	Floating interest rates (Note 6)	July 16, 2026	Unsecured/non guarantee
	July 19, 2023	5,168.4	Floating interest rates (Note 8)	July 14, 2028	Unsecured/non guarantee
Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Development Bank of Japan, Inc.	July 19, 2023	18,858	Floating interest rates (Note 7)	July 16, 2026	Unsecured/non guarantee
Total		59,343			

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)

(Note 2) 3-month JPY TIBOR (Base Rate) + spread (0.30000%)

(Note 3) 1-month JPY TIBOR (Base Rate) + spread (0.30000%)

(Note 4) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(Note 5) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)

(Note 6) 3-month JPY TIBOR (Base Rate) + spread (0.30000%)

(Note 7) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(Note 8) 1-month JPY TIBOR (Base Rate) + spread (0.30000%)

d Operational Outlook

The forecasts of financial results for the fiscal periods ending December 31, 2023 (from July 1, 2023 to December 31, 2023) and June 30, 2024 (from January 1, 2024 to June 30, 2024) are as follows.

	December 2023 Fiscal Period (Anticipated)	June 2024 Fiscal Period (Anticipated)
Operating Revenues	JPY 17,786 million	JPY 18,000 million
Operating Income	JPY 11,255 million	JPY 11,348 million
Ordinary Income	JPY 9,586 million	JPY 9,855 million
Net Income	JPY 9,586 million	JPY 9,854 million
Total Distribution Amount (Including excess profit distribution)	JPY 9,708 million	JPY 9,876 million
Net Income per Unit	JPY 1,422	JPY 1,462
Distribution per Unit (Excluding excess profit distribution)	JPY 1,441	JPY 1,466
Excess Profit Distribution per Unit	-	-
Distribution per Unit (Including excess profit distribution)	JPY 1,441	JPY 1,466

For the assumptions underlying the operational outlook for the fiscal periods ending December 31, 2023 and June 30, 2024, please see “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending December 31, 2023 and June 30, 2024” as follows.

(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 as of the date of this document, such as the occurrence of gains and losses associated with the sale of properties, repayment of borrowings and a decrease in rent received. Also, this forecast is not a guarantee of distribution amounts.

<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods  
ending December 31, 2023 and June 30, 2024 >

Item	Assumptions
Fiscal period	<p>The December 2023 Fiscal Period: from July 1, 2023 to December 31, 2023 (184 days)</p> <p>The June 2024 Fiscal Period: from January 1, 2024 to June 30, 2024 (182 days)</p>
Assets under management	<p>Properties held as of the end of the December 2023 Fiscal Period: 133 properties and preferred equity interests in one TMK</p> <p>Properties held as of the end of the June 2024 Fiscal Period: 133 properties and preferred equity interests in one TMK</p> <p>Based on the properties held as of today (133 properties and preferred equity interests in one TMK), and INV assumes that there will be no change in the portfolio through the end of the fiscal period ending June 2024.</p>
Units outstanding	<p>As of the end of the December 2023 Fiscal Period: 6,737,121 units</p> <p>As of the end of the June 2024 Fiscal Period: 6,737,121 units</p> <p>INV assumes that in addition to the total number of investment units issued and outstanding of 6,706,632 units as of today, 30,489 new investment units will be issued through a third party allotment on August 28, 2023 and that the expected number of investment units issued and outstanding will be 6,737,121 units. INV assumes that there will be no additional issuance of units thereafter through the end of the June 2024 Fiscal Period.</p>
Interest-bearing liabilities	<p>Balance as of the end of the December 2023 Fiscal Period: JPY 269,046 million (borrowing: JPY 255,646 million, investment corporation bonds: JPY 13,400 million)</p> <p>Balance as of the end of the June 2024 Fiscal Period: JPY 269,046 million (borrowing: JPY 255,646 million, investment corporation bonds: JPY 13,400 million)</p> <p>INV intends to refinance the same amount of loans and investment corporation bonds due in December 2023 as well as June 2024 Fiscal Periods. INV assumes no other new loan or prepayment of loan through the end of the June 2024 Fiscal Period.</p>

Operating revenues	INV expects to record rental revenues for the fiscal periods as follows:		
	The hotel rents revenue in Japan are forecasted based on the following assumptions but may be significantly deviate from the actual results due to various factors including the situation of recovery from the pandemic.		
	INV assumes that domestic hotel demand for the fiscal period ending December 31, 2023 and thereafter will generally recover to the level of 2019 before the pandemic, though partially offset by the termination of the governmental tourism promotion measures.		
	INV assumes that inbound demand will recover to the 2019 level from the summer or fall of 2023, except for Chinese tourism to Japan in which recovery is expected to be delayed to 2024.		
	In addition to the demand forecasts above, INV has taken into account various factors including scheduled conferences, concerts and other events in the vicinity of each hotel, situations of competitors and price trends, etc., to forecast hotel rents for the period ending December 31, 2023 and thereafter. The reservations for the period from July to October 2023 already made as of the actual results and forecast are also taken into account.		
		December 2023	June 2024
		Fiscal Period	Fiscal Period
	• Rental revenues	JPY 15,579 million	JPY 13,415 million
	(of these, hotel rents)	(JPY 13,829 million)	(JPY 11,635 million)
	(Fixed hotel rents)	(JPY 7,469 million)	(JPY 5,853 million)
(Variable hotel rents)	(JPY 6,360 million)	(JPY 5,782 million)	
• Management contract revenue	JPY 2,206 million	JPY 4,585 million	
	(USD 15,325 thousand)	(USD 31,841 thousand)	
• TMK dividend amount	-	-	
Total operating revenues	JPY 17,786 million	JPY 18,000 million	
INV estimates the amount of dividends on the preferred equity interests based on the performance of the underlying asset backing the cash flows and the assumed amount of expenses incurred by the special purpose company. INV has assumed conservatively that no dividends would be paid from the Kingdom TMK that owns Sheraton Grande Tokyo Bay Hotel through the end of our fiscal period ending June 30, 2024 due to the TMK recording a cumulative loss due to losses incurred in prior periods with the effect from COVID-19 we expect cumulative loss to be eliminated by then.			
INV receives revenue and recognizes management contract revenues from two overseas real estate assets "Westin Grand Cayman Seven Mile Beach Resort & Spa" and "Sunshine Suites Resort" ("the Overseas Hotels"). The forecast of management contract revenues is based on estimated performance of the underlying assets and the assumed amount of expenses incurred by the hotel management company. Management contract revenues for the December 2023 and June 2024 Fiscal Periods have been calculated based on the exchange rate of USD 1 = JPY 144.			
Foreign currency risks on the management contract revenues are partially hedged by foreign exchange forward contracts.			
While INV is examining potential expansion and renovation of Westin Grand Cayman Seven Mile Beach Resort & Spa, no specific plan has been determined yet. INV neither anticipates nor incorporates any particular impact of such expansion and renovation for the purpose of this forecast through the end of the June 2024 Fiscal Period.			
Rental revenues in the fiscal period ending December 2023 and the fiscal period ending June 2024 are calculated based on estimates as of today. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.			



Operating expenses	<p>INV expects to incur property related expenses out of operating expenses for the fiscal periods as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">December 2023 Fiscal Period</th> <th style="text-align: center;">June 2024 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Facility management fees (of these, repair costs)</td> <td style="text-align: right;">JPY 475 million (JPY 24 million)</td> <td style="text-align: right;">JPY 472 million (JPY 15 million)</td> </tr> <tr> <td>• Taxes and other public charges (Note 1)</td> <td style="text-align: right;">JPY 751 million</td> <td style="text-align: right;">JPY 631 million</td> </tr> <tr> <td>• Insurance expenses</td> <td style="text-align: right;">JPY 275 million</td> <td style="text-align: right;">JPY 327 million</td> </tr> <tr> <td>• Depreciation expenses</td> <td style="text-align: right;">JPY 4,342 million</td> <td style="text-align: right;">JPY 4,551 million</td> </tr> <tr> <td>• Other expenses</td> <td style="text-align: right;">JPY 103 million</td> <td style="text-align: right;">JPY 126 million</td> </tr> <tr> <td><b>Total property related expenses and management contract expenses</b></td> <td style="text-align: right;"><b>JPY 5,948 million</b></td> <td style="text-align: right;"><b>JPY 6,109 million</b></td> </tr> </tbody> </table> <p>(Note 1) Property taxes and city planning taxes on the assets to be acquired in 2023 including anticipated acquisition of assets 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 2023 and recorded from the fiscal period ending June 2024 as the amount equivalent to such settlement is included in the acquisition cost.</p> <p>For the six hotels acquired on August 1, 2023, INV expects to record the property taxes and city planning taxes of JPY 59 million as part of the total acquisition cost, and an annual amount of JPY 141 million of such taxes as expenses starting from the fiscal period ending June 2024.</p>		December 2023 Fiscal Period	June 2024 Fiscal Period	• Facility management fees (of these, repair costs)	JPY 475 million (JPY 24 million)	JPY 472 million (JPY 15 million)	• Taxes and other public charges (Note 1)	JPY 751 million	JPY 631 million	• Insurance expenses	JPY 275 million	JPY 327 million	• Depreciation expenses	JPY 4,342 million	JPY 4,551 million	• Other expenses	JPY 103 million	JPY 126 million	<b>Total property related expenses and management contract expenses</b>	<b>JPY 5,948 million</b>	<b>JPY 6,109 million</b>			
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Non-operating expenses	<p>INV expects to incur non-operating expenses for the fiscal periods as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">December 2023 Fiscal Period</th> <th style="text-align: center;">June 2024 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>• Interest expense</td> <td style="text-align: right;">JPY 631 million</td> <td style="text-align: right;">JPY 557 million</td> </tr> <tr> <td>• Finance related costs</td> <td style="text-align: right;">JPY 650 million</td> <td style="text-align: right;">JPY 548 million</td> </tr> <tr> <td>• Interest for investment corporation bonds</td> <td style="text-align: right;">JPY 60 million</td> <td style="text-align: right;">JPY 31 million</td> </tr> <tr> <td>• Depreciation of investment corporation bonds issuance expenses</td> <td style="text-align: right;">JPY 10 million</td> <td style="text-align: right;">JPY 6 million</td> </tr> <tr> <td>• Other non-operating expenses (expenses relating to the issuance of new units for the public offering)</td> <td style="text-align: right;">JPY 200 million</td> <td style="text-align: right;">-</td> </tr> <tr> <td>• Foreign exchange loss (Note 1)</td> <td style="text-align: right;">JPY 115 million</td> <td style="text-align: right;">JPY 95 million</td> </tr> <tr> <td><b>Total non-operating expenses</b></td> <td style="text-align: right;"><b>JPY 1,668 million</b></td> <td style="text-align: right;"><b>JPY 1,493 million</b></td> </tr> </tbody> </table> <p>(Note 1) Mainly due to the effect of currency exchange contracts on the revenue of overseas hotels. However, this amount is an estimate based on the current exchange rate, and it may change significantly depending on future exchange rate trends. In addition, currency gains may be recorded as a result.</p>		December 2023 Fiscal Period	June 2024 Fiscal Period	• Interest expense	JPY 631 million	JPY 557 million	• Finance related costs	JPY 650 million	JPY 548 million	• Interest for investment corporation bonds	JPY 60 million	JPY 31 million	• Depreciation of investment corporation bonds issuance expenses	JPY 10 million	JPY 6 million	• Other non-operating expenses (expenses relating to the issuance of new units for the public offering)	JPY 200 million	-	• Foreign exchange loss (Note 1)	JPY 115 million	JPY 95 million	<b>Total non-operating expenses</b>	<b>JPY 1,668 million</b>	<b>JPY 1,493 million</b>
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Distribution per unit	<p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation.</p> <p>With respect to the distribution for the fiscal period ending December 2023, INV expects to distribute an aggregate amount of JPY 9,708 million (distribution per unit: JPY 1,441) from the net income for the December 2023 Fiscal Period (JPY 9,586 million) including JPY 121 million reversal of retained earnings (internal reserve).</p> <p>With respect to the distribution for the fiscal period ending June 2024, INV expects to distribute an aggregate amount of JPY 9,876 million (distribution per unit: JPY 1,466) from the net income for the fiscal period ending June 2024 (JPY 9,854 million) including JPY 21 million reversal of retained earnings (internal reserve).</p> <p>For the fiscal period ending December 2023 and fiscal period ending June 2024, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 142 million, which is equal to the amount for the fiscal period ended December 2022. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap and the currency option does not affect the distribution per unit.</p> <p>Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.</p>						
Excess profit distribution per unit	<p>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. Therefore, INV has adopted a policy of making distributions in excess of profits, etc. in order to stabilize distributions in cases where dilution of investment units or significant expenses are to be recorded in connection with the acquisition of assets or the raising of capital, or other events leading to a temporary decrease in distribution per unit. When determining distributions in excess of profits, etc., INV takes into consideration the level of distribution per unit assuming such acquisition of assets, capital raising or other event would had contributed for a full fiscal period.</p> <p>INV may also consider making distributions in excess of profits, etc. 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.</p> <p>With respect to the fiscal period ending December 2023, earnings per unit is expected to decrease due to (i) one-off expenses in connection with the public offering and the borrowings to raise funds for acquisition of properties in the fiscal year ending December 31, 2023 and (ii) partial income contribution from those acquisitions for the fiscal period ending December 2023. Therefore, INV plans to pay distributions through reversal of retained earnings (internal reserve) (JPY 19 per unit) in order to stabilize the DPU.</p> <p>With respect to the fiscal period ending June 2024, INV plans to distribute reversal of retained earnings (internal reserve) (JPY 4 per unit) as "distributions in excess of profit, etc. from the amount of difference arising from differences in tax and accounting processing."</p> <table style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">December 2023 Fiscal Period</th> <th style="text-align: center;">June 2024 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Excess profit distribution per unit</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>		December 2023 Fiscal Period	June 2024 Fiscal Period	Excess profit distribution per unit	-	-
	December 2023 Fiscal Period	June 2024 Fiscal Period					
Excess profit distribution per unit	-	-					
Other	<p>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.</p> <p>In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</p>						

(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 March 27, 2023).