Invincible Investment Corporation

Financial Summary for the June 2024 Fiscal Period

(from January 1, 2024 to June 30, 2024)

August 26, 2024

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	:	September 24, 2024

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(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, 2024	21,136	12.3	14,635	16.3	12,901	16.9	12,900	16.9
Fiscal period ended December 31, 2023	18,819	18.2	12,588	21.6	11,033	23.8	11,032	23.8

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2024	1,914	4.4	2.3	61.0
Fiscal period ended December 31, 2023	1,639	4.1	2.1	58.6

(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 June 30, 2024	1,917	12,915	-	-	100.1	4.4
Fiscal period ended December 31, 2023	1,640	11,048	-	-	100.1	3.9

(Note 1) 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

(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, 2024	569,016	292,766	51.5	43,455
Fiscal period ended December 31, 2023	563,393	290,305	51.5	43,090

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

(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, 2024	20,325	(2,754)	(9,902)	42,560
Fiscal period ended December 31, 2023	12,773	(58,442)	52,520	34,892

2. Forecasts for the Fiscal Period ending December 31, 2024 (from July 1, 2024 to December 31, 2024) and the Fiscal Period ending June 30, 2025 (from January 1, 2025 to June 30, 2025)

(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, 2024	23,720	12.2	16,235	10.9	13,719	6.3	13,718	6.3	1,797	-
Fiscal period ending June 30, 2025	24,247	2.2	16,704	2.9	14,468	5.5	14,467	5.5	1,895	-

(Reference) Estimated net income per unit for the fiscal periods ending December 31, 2024 and the fiscal periods ending June 30, 2025 are JPY 1,794 and JPY 1,892.

※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, 2024	6,737,121	December 31, 2023	6,737,121
(b) Number of Treasury Units as of the End of the Fiscal Period	June 30, 2024	0	December 31, 2023	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, 2024

(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 Reporting Period comprised of 134 properties (92 hotels (Note 2) (Note 3), 41 residential properties and one retail facility) with a total acquisition price of JPY 548,646 million (Note 4). Furthermore, INV's hotel portfolio has the largest asset size (Note 5) of JPY 507,861 million (92 properties, 16,624 rooms) among all J-REITs (real estate investment corporations which are 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 on May 23, 2023. Further, on May 15, 2024, the SoftBank Group transferred its interest in the indirect parent company of Fortress CIM Holdings L.P. to Mubadala Capital, a wholly-owned subsidiary of Mubadala Investment Company, an Abu Dhabi sovereign wealth fund. As a result, the SoftBank Group no longer falls under the parent company and specified related corporation of CIM.

(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 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 92 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, 2024.

(b) Operational Performance

The portfolio NOI (Note 1) increased by 35.2% or JPY 5,110 million compared to the same period in the previous year (the June 2023 fiscal period) to JPY 19,634 million. Of which, the hotel portfolio NOI increased by JPY 5,096 million and the residential and retail portfolio NOI increased by JPY 14 million. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the portfolio NOI increased by 33.2% or JPY 4,899 million, of which the hotel portfolio NOI increased by JPY 6,352 million and the residential and retail portfolio NOI decreased by JPY 1,453 million due to asset sales.

Commentary on hotel and residential performance is as described below.

Domestic hotel portfolio recovered to a level exceeding that of 2019, prior to the COVID-19 pandemic. Even with the end of the "National Travel Discount Campaign" program, the government's travel subsidy program, there has been no significant decline in demand due to the reaction from the elimination of the program. Coupled with the recovery of inbound demand with the help of the weak yen, each performance metric of the domestic hotel portfolio significantly exceeded the results of the same period last year. While occupancy rates (Note 2) were slightly below the 2019 levels, ADR (Note 3) and RevPAR (Note4) were above the 2019 levels. The GOP (Note 5) for the Reporting Period of the 81 domestic hotels (Note 6) owned by INV increased by 17.2% compared to the same period in the previous year (figures exclude nine domestic hotels with fixed-rent lease agreements among the 90 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 81 domestic hotels recorded an occupancy rate of 80.7%, ADR of JPY 12,787, and RevPAR of JPY 10,314. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the GOP increased by 15.6%, the occupancy rate decreased by 5.7pt, ADR increased by 24.7%, and RevPAR increased by 16.5%.

The Cayman Hotels recorded an average occupancy rate of 79.0%, ADR of USD 564, and RevPAR of USD 446 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 10.3pt, ADR increased by 35.8%, and RevPAR increased by 20.1%. Occupancy has not returned to 2019 levels as the number of commercial flights between the Cayman Islands and the U.S. have not recovered to 2019 levels, but ADR has grown significantly due to high demand, and RevPAR has remained above 2019 levels.

Regarding the residential portfolio (Note 7), the occupancy rate (Note 8) of 41 residential properties slightly increased from 95.9% at the end of the previous fiscal period to 96.9% at the end of the Reporting Period. The average occupancy rate (Note 8) increased by 0.2 points YoY to 96.7%. The NOI (Note 9) for the Reporting Period increased by 1.2% YoY.

In the Reporting Period, INV realized a rent increase for 41.8% (based on the number of contracts) of the new residential lease contracts, and the new rent increased by 0.1% compared to the previous rent across all new leases (Note 10). INV achieved a rent increase for 38.7% (based on the number of contracts) of contract renewals with an average rent increase of 1.1% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate (Note 11) of 76.8%. Combined, new lease and renewal lease rents were signed at 0.7% higher than the previous leases. The average rent per tsubo per month (Note 12) for the Reporting Period increased by 0.5% YoY to JPY 9,235.

The total appraisal value of 133 properties was JPY 657,902 million (one out of the 134 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 164,661 million (Note 13) and an unrealized gain ratio of 33.4% (Note 13). The total appraisal value of 133 properties which were owned throughout the Reporting Period increased by 4.6% from JPY 629,041 million at the end of the December 2023 fiscal period to JPY 657,902 million at the end of the Reporting Period.

Key Performance Indicators of 81 Domestic Hotel Properties (Note 6)

	June 2024 fiscal period	Year-on-year change	vs 1H 2019
Occupancy Rate (Note 2)	80.7%	+0.2pt	-5.7pt
ADR (JPY) (Note 3)	12,787	+10.8%	+24.7%
RevPAR (JPY) (Note 4)	10,314	+11.0%	+16.5%
GOP (JPY million) (Note 5)	13,729	+17.2%	+15.6%

Key Performance Indicators of Cayman Hotels

	June 2024 fiscal period	Year-on-year change	vs 1H 2019
Occupancy Rate (Note 2)	79.0%	+1.7pt	-10.3pt
ADR (USD) (Note 3)	564	+5.1%	+35.8%
RevPAR (USD) (Note 4)	446	+7.4%	+20.1%
GOP (USD) (Note 5)	31,586,150	+8.2%	+18.4%

Key Performance Indicators of 41 Residential Properties (Note 7)

	June 2024 fiscal period	Year-on-year change
Average Occupancy Rate (Note 8)	96.7%	+0.2pt
Average Rent per Tsubo per Month (JPY) (Note 12)	9,235	+0.5%
NOI (JPY million) (Note 9)	1,140	+1.2%

(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) "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 3) "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 4) "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 5) "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. 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 6) Of the 90 hotels held as of the end of June 2024 (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 January 2019 are calculated on the assumption INV had acquired those properties on January 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 & RESORTS CO., LTD., to fixed-rent with variable rent lease from April 25, 2023. However, in view of the comparison with the same fiscal period in 2023, this hotel will continue to be excluded. Hereinafter the same shall apply.

(Note 7) Based on the 41 residential properties owned as of the end of June 2024. 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 271,154 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 47.7% and 41.9% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.85%.

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

(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 (012) (total amount borrowed: JPY 31,303 million; interest rate: floating interest rate of 3-month JPY TIBOR plus 0.60000% for a duration of six years, floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years, floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years, floating interest rate of 3-month JPY TIBOR plus 0.40000% (by the interest swap agreement on June 4, 2024, it is fixed, in effect, at 1.26500%) for a duration of four years, floating interest rate of 3-month JPY TIBOR plus 0.40000% (by the interest swap agreement on June 4, 2024, it is fixed, in effect, at 1.26500%) for a duration of four years, floating interest rate of 3-month JPY TIBOR plus 0.30000% for a duration of three years, floating interest rate of 1-month JPY TIBOR plus 0.20000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. and Term Loan (019) (total amount borrowed: JPY 2,440 million; interest rate: floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years) which was arranged by The Tokyo Star Bank, Limited, on January 16, 2024 and on January 24, 2024 in order to repay a tranche of New Syndicate Loan (M) in the amount of JPY 5,796 million, a tranche of New Syndicate Loan (L) in the amount of JPY 4,805 million, New Syndicate Loan (N) in the amount of JPY 3,544 million, New Syndicate Loan (006) in the amount of JPY 10,408 million due on July 16, 2024 and Term Loan (010) in the amount of JPY 1,550 million, Term Loan (011) in the amount of JPY 1,700 million and Term Loan (012) in the amount of JPY 6,800 million due on January 24, 2024.

INV borrowed New Syndicate Loan (013) on March 14, 2024 and March 29, 2024 (total amount borrowed: JPY 7,114 million; interest rate: floating interest rate of 3-month JPY TIBOR plus 0.60000% for a duration of six years, floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years and floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years, floating interest rate of 3-month JPY TIBOR plus 0.40000% for a duration of four years, floating interest rate of 3-month JPY TIBOR plus 0.30000% for a duration of three years, floating interest rate of 3-month JPY TIBOR plus 0.30000% for a duration of three years and floating interest rate of 3-month JPY TIBOR plus 0.20000% for a duration of two years), which was arranged by Mizuho Bank, Ltd. in order to repay a part of New Syndicate Loan (007) in the amount of JPY 4,713 million due on March 14, 2024 and a tranche of New Syndicate Loan (K) in the amount of JPY 2,401 million due on March 29, 2024.

Moreover, INV borrowed Term Loan (020) on April 15, 2024 (total amount borrowed: JPY 1,700 million; interest rate: floating interest rate of 3-month JPY TIBOR plus 0.60000% for a duration of six years), which was arranged by San ju San Bank,Ltd. in order to repay a tranche of New Syndicate Loan (O) in the amount of JPY 1,700 million due on April 15, 2024.

Furthermore, INV borrowed Term Loan (021) on June 27, 2024 (total amount borrowed: JPY 1,000 million; interest rate: floating interest rate of 3-month JPY TIBOR plus 0.50000% for a duration of five years), which was arranged by SBI Shinsei Bank, Limited in order to repay Term Loan (015) in the amount of JPY 1,000 million due on June 27, 2024.

(ii) Prepayment of Loan

INV's Short-term consumption tax loan of New Syndicate Loan (010) (in the amount of JPY 3,086 million) was prepaid on April 30, 2024 with refund of consumption taxes and regional consumption taxes on properties acquired on August 1, 2023 and 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
Eleventh Series Unsecured Investment Corporation Bonds (with pari passu conditions among investment corporate bonds) (nickname : INV Hotel Bonds)	February 9, 2024	6,000	1.470%	February 9, 2029	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 2,316 million from the previous period (+12.3 %) to JPY 21,136 million, resulting in a net income of JPY 12,900 million, an increase of JPY 1,867 million from the previous period (+16.9%). Unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 8,641 million) is JPY 21,542 million. INV has decided to set the distribution per unit (excluding excess profit distribution) of JPY 1,917, which is the net income per unit (JPY 1,914) plus the reversal of retained earnings (JPY 3 per unit).

b Outlook for the Fiscal Period Ending December 31, 2024

The Japanese economy is considered to be levelling off with negative growth due to the suspension of production and shipments by some automakers. However, it is expected to return to a growth trajectory driven by domestic demand as those production and shipments have resumed. Furthermore, household income is expected to improve, and personal consumption is expected to pick up, reflecting the wage hikes of more than 5% logged in the spring labor negotiations (*Shunto*). Moreover, companies are estimated to maintain a strong investment appetite in line with improved business performance, and capital investment is expected to remain solid. In addition to this recovery in domestic demand, the decline in the risk of a slowdown in the overseas economy, particularly in the United States, and the continuous increase in inbound demand are expected to be tailwinds for the economy. On the other hand, if concerns about a recession in the U.S. economy emerge and the yen rises and stock prices fall rapidly, it could affect the Bank of Japan's monetary policy and become a strong headwind for the Japanese economy as a whole, including personal consumption.

In the hotel market, demand in both the domestic/inbound and leisure/business segments is expected to remain stable.

In the rental housing market, the population outflow trend from urban areas caused by the impact of the COVID-19 pandemic has recently turned to a trend of population inflow again, which is expected to lead to higher occupancy rates and higher unit rents in the future.

(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
- Response to the risk of rising interest rates

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 (Note 4)	JPY 104,280 million (Note 4)
2019	18 hotels	JPY 82,646 million
2020	Two hotels	JPY 16,236 million
2023	Six hotels	JPY 57,230 million
2024	12 hotels	JPY 104,420 million
Total	132 properties (of which 101 are hotels and 31 are residential properties)	JPY 652,278 million (of which hotels: JPY 600,640 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 90 domestic hotels (Note 1) owned by INV as of the end of the Reporting Period, 82 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 79 hotels of the 82 hotels, MHM and subsidiaries of MHM have implemented sophisticated revenue management initiatives seeking to maximize revenue through effectively capturing 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. 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

INV will continue to extend the average interest-bearing debt repayment periods, diversify the loan maturity dates and diversify financing measures while paying attention to fund procurement costs, as well as maintaining an appropriate fixed interest rate ratio to mitigate the risk of rising interest rates.

By implementing these measures, INV will seek to improve the credit rating (the long-term issuer rating "A+" (Outlook: Stable)) obtained from Japan Credit Rating Agency, Ltd. (JCR).

(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 an asset acquisition from sponsor related parties, prior approvals by the Board of Directors of INV are required to ensure 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, as of the date of this document, INV acquired CASBEE Certification for Buildings (Existing Buildings) for five hotels, and Certification for CASBEE for Real Estate for three 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, as of the date of this document, 19 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, Hotel MyStays Oita, Hotel MyStays Haneda and Hotel MyStays Matsuyama have been rated five stars "★★★★★" due to high energy conservation performance.

Following the acquisition of environmental certifications for its properties, INV issued green bonds in September 2023 and December 2023 to further promote its sustainability initiatives and to strengthen its fund-raising base by expanding the investor base interested in ESG investment. Furthermore, INV executed refinancing with green loans in January 2024 and March 2024.

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, and gives full subsidy for a comprehensive medical checkup without age restrictions.

As a result of other sustainability promotion activities, INV received a "3-Star" rating in the 2023 GRESB Real Estate Assessment, an international benchmark assessment that measures ESG integration of real estate companies and funds on a five-level rating scale, and an "A level" in the GRESB Public Disclosure assessment, the highest rating.

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

INV resolved at its meetings of the Board of Directors held on July 18, 2024 and July 24, 2024 respectively to conduct the issuance of new investment units and secondary offering of investment units. Payment for the issuance of new investment units was completed on July 30, 2024. Payment for the third-party allotment in connection with overallotment will be completed on August 27, 2024. As a result, the unitholders’ capital of INV is going to be JPY 326,079 million and the total number of issued investment units is going to be 7,646,453 units when the payment for 14,332 units subscribed for the third-party allotment is completed.

(i) Issuance of new investment units through Public Offering

Number of investment units to be offered	:	895,000 investment units Domestic public offering: 472,113 investment units Overseas offering: 422,887 investment units
Amount to be paid (issue value)	:	JPY 61,560 per unit
Total amount to be paid (total issue value)	:	JPY 55,096,200,000
Issue price (offer price)	:	JPY 63,602 per unit
Total issue price (total offer price)		JPY 56,923,790,000
Payment date	:	July 30, 2024

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

Number of investment units to be offered	:	14,332 investment units
Amount to be paid (issue value)	:	JPY 61,560 per unit
Total amount to be paid (total issue value)	:	JPY 882,277,920
Payment date	:	August 27, 2024
Allottee	:	Mizuho Securities Co., Ltd.

(b) Debt Financing

In order to fund a portion of the acquisition price for 12 hotel properties (domestic real estate trust beneficiary interests) acquired on July 31, 2024, INV resolved the following debt financing at a meeting of the Board of Directors held on July 18, 2024, and entered into a loan agreement on the same day.

New Syndicate Loan (015)

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	July 31, 2024	3,425	Floating interest rate (Note 1)	July 31, 2025	Unsecured/ non guarantee
Mizuho Bank, Ltd.	July 31, 2024	1,500	Floating interest rate (Note 1)	July 31, 2025	Unsecured/ non guarantee
SBI Shinsei Bank, Limited The Bank of Fukuoka, Ltd. The Chiba Bank, Ltd. The Chukyo Bank, Ltd. The Kiyo Bank, Ltd. The San-In Godo Bank, Ltd. Suruga Bank Ltd.	July 31, 2024	6,500	Floating interest rate (Note 2)	July 16, 2029	Unsecured/ non guarantee
MUFG Bank, Ltd.	July 31, 2024	1,500	1.59750%	July 16, 2030	Unsecured/ non guarantee
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. San ju San Bank, Ltd. The Chiba Bank, Ltd. The Kiyo Bank, Ltd.	July 31, 2024	20,733	Floating interest rate (Note 3)	July 16, 2030	Unsecured/ non guarantee
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. The Yamaguchi Bank Ltd. The Tochigi Bank Ltd. The Kagawa Bank Ltd.	July 31, 2024	23,067	Floating interest rate (Note 4)	July 16, 2031	Unsecured/ non guarantee
Total Debt		56,725			

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.20000%)
(Note 2) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)
(Note 3) 3-month JPY TIBOR (Base Rate) + spread (0.60000%)
(Note 4) 3-month JPY TIBOR (Base Rate) + spread (0.70000%)

(c) Acquisition of Assets (Properties)

The Asset Manager decided to acquire 12 hotels as follows on July 18, 2024, and the acquisition of assets has been completed on July 31, 2024.

Property Number	Property Name	Acquisition Price (million yen)	Appraisal Value (million yen) (Note 1)	Seller
D90	Art Hotel Osaka Bay Tower & Solaniwa Onsen	31,185	31,500	Ganges Tokutei Mokuteki Kaisha
D91	Hakodate Kokusai Hotel	16,830	17,000	Hakodate Tokutei Mokuteki Kaisha
D92	Art Hotel Nippori Lungwood	16,335	16,500	Nippori Tokutei Mokuteki Kaisha
D93	Hotel MyStays Kumamoto Riverside	6,831	6,900	Rishiri Tokutei Mokuteki Kaisha
D94	Art Hotel Aomori	5,672	5,730	Shiretoko Tokutei Mokuteki Kaisha
D95	Kamenoi Hotel Izukogen	5,563	5,620	Yakushima Tokutei Mokuteki Kaisha
D96	Art Hotel Oita	5,484	5,540	Shiretoko Tokutei Mokuteki Kaisha
D97	Art Hotel Kokura New Tagawa	4,672	4,720	Kawaguchiko Tokutei Mokuteki Kaisha
D98	Art Hotel Miyazaki Sky Tower	3,821	3,860	Rishiri Tokutei Mokuteki Kaisha
D99	Art Hotel Kagoshima	3,395	3,430	Shiretoko Tokutei Mokuteki Kaisha
D100	Kamenoi Hotel Hikone	2,603	2,630	Yakushima Tokutei Mokuteki Kaisha
D101	Kamenoi Hotel Nara	2,029	2,050	Yakushima Tokutei Mokuteki Kaisha
Total		104,420	105,480	

(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, 2024.

(Reference Information)

(a) Debt Financing

INV decided to borrow New Syndicate Loan (014) on July 11, 2024 and borrowed on July 16, 2024 in order to repay a tranche of New Syndicate Loan (L) in the amount of JPY 4,943 million, a tranche of New Syndicate Loan (M) in the amount of JPY 5,796 million, two tranches of New Syndicate Loan (009) in the amount of JPY 7,958 million, and Term Loan (W) in the amount of JPY 1,582 million due on July 16, 2024.

(i) New Syndicate Loan (014)

Lender	Borrowing Date	Borrowing Amount (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
SBI Shinsei Bank, Limited The Bank of Fukuoka, Ltd.	July 16, 2024	3,300	Floating interest rates (Note 1)	July 14, 2028	Unsecured/ non guarantee
Mizuho Bank, Ltd., SBI Shinsei Bank, Limited MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited The Nomura Trust and Banking Co., Ltd.	July 16, 2024	4,692	Floating interest rates (Note 2)	July 16, 2029	Unsecured/ non guarantee
Mizuho Bank, Ltd. SBI Shinsei Bank, Limited MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	July 16, 2024	2,791	Floating interest rates (Note 3)	July 16, 2030	Unsecured/ non guarantee
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc.	July 16, 2024	5,079	Floating interest rates (Note 4)	July 16, 2031	Unsecured/ non guarantee
Total		15,862			

(Note 1) 3-month JPY TIBOR (Base Rate) + spread (0.40000%)

(Note 2) 3-month JPY TIBOR (Base Rate) + spread (0.50000%)

(Note 3) 3-month JPY TIBOR (Base Rate) + spread (0.60000%)

(Note 4) 3-month JPY TIBOR (Base Rate) + spread (0.70000%)

d Operational Outlook

The forecasts of financial results for the fiscal periods ending December 31, 2024 (from July 1, 2024 to December 31, 2024) and June 30, 2025 (from January 1, 2025 to June 30, 2025) are as follows.

	December 2024 Fiscal Period (Anticipated)	June 2025 Fiscal Period (Anticipated)
Operating Revenues	JPY 23,720 million	JPY 24,247 million
Operating Income	JPY 16,235 million	JPY 16,704 million
Ordinary Income	JPY 13,719 million	JPY 14,468 million
Net Income	JPY 13,718 million	JPY 14,467 million
Total Distribution Amount (Including excess profit distribution)	JPY 13,740 million	JPY 14,490 million
Net Income per Unit	JPY 1,794	JPY 1,892
Distribution per Unit (Excluding excess profit distribution)	JPY 1,797	JPY 1,895
Excess Profit Distribution per Unit	-	-
Distribution per Unit (Including excess profit distribution)	JPY 1,797	JPY 1,895

For the assumptions underlying the operational outlook for the fiscal periods ending December 31, 2024 and June 30, 2025, please see “Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Periods ending December 31, 2024 and June 30, 2025” 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, 2024 and June 30, 2025 >

Item	Assumptions
Fiscal period	The December 2024 Fiscal Period: from July 1, 2024 to December 31, 2024 (184 days) The June 2025 Fiscal Period: from January 1, 2025 to June 30, 2025 (181 days)
Assets under management	Properties held as of the end of the December 2024 Fiscal Period: 145 properties and preferred equity interests in one TMK Properties held as of the end of the June 2025 Fiscal Period: 145 properties and preferred equity interests in one TMK Based on the properties held as of today (145 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 2025.
Units outstanding	As of the end of the December 2024 Fiscal Period: 7,646,453 units As of the end of the June 2025 Fiscal Period: 7,646,453 units INV assumes that in addition to the total number of investment units issued and outstanding of 7,632,121 units as of today, 14,332 new investment units will be issued through a third party allotment on August 27, 2024 and that the expected number of investment units issued and outstanding will be 7,646,453 units. INV assumes that there will be no additional issuance of units thereafter through the end of the June 2025 Fiscal Period.
Interest-bearing liabilities	Balance as of the end of the December 2024 Fiscal Period: JPY 321,497 million (borrowing: JPY 300,597 million, investment corporation bonds: JPY 20,900 million) Balance as of the end of the June 2025 Fiscal Period: JPY 321,497 million (borrowing: JPY 300,597 million, investment corporation bonds: JPY 20,900 million) INV intends to refinance or issue investment corporation bonds of the same amount of loan and investment corporation bonds due from August 2024 to the end of June 2025 Fiscal Period. INV assumes no other new loan, issuance of investment corporation bonds or prepayment of loan through the end of the June 2025 Fiscal Period.

Operating revenues

INV expects to record rental revenues for the fiscal periods as follows:

As for the demand for hotels in Japan, INV conservatively assumes that the domestic demand would slightly decrease compared to the demand in 2023, when the government was implementing support for the tourism industry. At the same time, a temporary demand increase for hotels in Osaka due to "World EXPO 2025 in Osaka" starting in April 2025 is assumed and included in the forecast.

As for the demand from inbound travelers, it has been growing and the number of inbound visitors in 2024 is estimated to exceed that in 2019 prior to COVID-19, due to growth in demand from countries except for China, while the number of Chinese tourists visiting Japan is expected to be slightly less than that in 2019, prior to COVID-19. Further, although the increase in demand in 2025 from inbound visitors due to "EXPO 2025 in Osaka" is assumed, it is assumed that the demand in 2025 would exceed that in 2024 even if the demand from "EXPO 2025 in Osaka" is absent.

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, 2024 and thereafter. The reservations for the period from July to August 2024 already made as of the forecast are also taken into account.

	December 2024 Fiscal Period	June 2025 Fiscal Period
・Rental revenues	JPY 21,011 million	JPY 18,674 million
(of these, hotel rents)	(JPY 19,228 million)	(JPY 16,842 million)
(Fixed hotel rents)	(JPY 8,440 million)	(JPY 6,594 million)
(Variable hotel rents)	(JPY 10,788 million)	(JPY 10,247 million)
・Management contract revenue	JPY 2,020 million	JPY 4,630 million
	(USD 12,943 thousand)	(USD 31,042 thousand)
・TMK dividend amount	JPY 687 million	JPY 942 million
Total operating revenues	JPY 23,720 million	JPY 24,247 million

INV estimates the amount of dividend income from preferred equity interests based on the performance the underlying asset backing the cash flows and the assumed amount of expenses incurred by the TMK. Also, as for the Fiscal Period ended June 2024, the amount of dividend income received was equivalent to the amount of dividend income for 12 months (calculation period: April 2023-March 2024). This is due to the temporary adjustment of financial period of the TMK which was caused by the COVID-19-related decrease of revenue from the underlying asset, SGTB (in which INV owns a preferred equity interest), resulting in the TMK recording cumulative losses. However, INV expects to receive dividends with the amount for 6 months as usual in the Fiscal Period ending December 2024 and the Fiscal Period ending June 2025 as the cumulative losses were eliminated and the TMK returned to a six-month financial period from April 2024.

Further, the potential sale of SGTB, the underlying asset of TMK which INV owns its preferred equity, is under consideration (including the scheme of selling beneficiary right of the TMK), and it is possible that INV could conclude a contract to sell this property in the near future. If such event occurred, a considerable amount of profit from the sale would be recorded and distributed in the fiscal period when the sale concluded (or the fiscal period when the INV receives the dividend reflecting the amount of the profit from the sale from the TMK). After such fiscal period, INV's profit would be affected by not receiving the income related to the TMK owning SGTB. Please note that, as of the date of this document, no determination has been made regarding the sale, including the timing and terms and conditions in the case of any sale, and there is no guarantee or assurance that the property will ultimately be sold. Thus, the potential effect from the sale is not included in the forecasts until Fiscal Period ending June 2025.

INV receives revenue and recognizes management contract revenues from 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. Also, as for the management contract revenue, a large portion is hedged with foreign exchange forward based on USD. For more details, please refer to the press releases "Notice concerning Execution of Foreign Exchange Forward" dated on March 10, 2023 and May 31, 2024.

As for the management contract revenue for the Fiscal Period ended June 2024, it has been calculated based on the monthly average exchange rate of each month, and management contract revenue for Fiscal Period ending December 2024 and Fiscal Period ending June 2025 is based on (i) the rate of foreign exchange reserves for the hedged portion, (ii) the exchange rate of USD 1 = JPY 150 for the non-hedged portion.

In addition, INV plans to implement renovation work at Sunshine Suites Resort, and we expect a decline in revenue in the fiscal period ending December 2024, the fiscal period ending June 2025, and after that period (August 2024-November 2024 and May 2025-August 2025 (scheduled)), due to partial sales stoppage during such renovation. While INV is considering the expansion and renovation of Westin Grand Cayman Seven Miles Beach & Resort, details are yet to be determined.

<table>
<tr><td></td><td>Therefore, INV does not anticipate or incorporate any particular impact of the expansion and renovation for the purpose of this forecast through the end of the fiscal year ending June 2025.

Rental revenues in the fiscal period ending December 2024 and the fiscal period ending June 2025 are calculated based on estimates as of today. In addition, INV assumes there will be no delinquencies or non-payment of rent by other tenants.</td></tr>
<tr><td>Operating expenses</td><td>INV expects to incur property related expenses out of operating expenses for the fiscal periods as follows:

<table>
<tr><td></td><td>December 2024 Fiscal Period</td><td>June 2025 Fiscal Period</td></tr>
<tr><td>・Facility management fees</td><td>JPY 604 million</td><td>JPY 589 million</td></tr>
<tr><td>(of these, repair costs)</td><td>(JPY 47 million)</td><td>(JPY 20 million)</td></tr>
<tr><td>・Taxes and other public charges (Note 1)</td><td>JPY 832 million</td><td>JPY 752 million</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 300 million</td><td>JPY 300 million</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 4,991 million</td><td>JPY 5,161 million</td></tr>
<tr><td>・Other expenses</td><td>JPY 141 million</td><td>JPY 159 million</td></tr>
<tr><td>Total property related expenses and management contract expenses</td><td>JPY 6,871 million</td><td>JPY 6,963 million</td></tr>
</table>

(Note 1) Property taxes and city planning taxes on the assets acquired in 2024 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 in the year of acquisition of assets and recorded from the fiscal period ending June in the following year of acquisition of assets as the amount equivalent to such settlement is included in the acquisition cost. For the 12 hotels acquired on July 31, 2024, INV expects to record the property taxes and city planning taxes of JPY 180 million as part of the total acquisition cost, and an annual amount of JPY 427 million of such taxes as expenses starting from the fiscal period ending June 2025.

INV expects to incur other operating expenses than the property related expenses or management contract expenses for the fiscal periods as follows:

<table>
<tr><td></td><td>December 2024 Fiscal Period</td><td>June 2025 Fiscal Period</td></tr>
<tr><td>・Other operating expenses</td><td>JPY 613 million</td><td>JPY 580 million</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 450 million)</td><td>(JPY 450 million)</td></tr>
</table>
</td></tr>
<tr><td>NOI</td><td>INV expects to record net operating income for the fiscal periods as follows:

<table>
<tr><td></td><td>December 2024 Fiscal Period</td><td>June 2025 Fiscal Period</td></tr>
<tr><td>・NOI</td><td>JPY 21,840 million</td><td>JPY 22,445 million</td></tr>
<tr><td>(of these, domestic hotel NOI)</td><td>(JPY 18,925 million)</td><td>(JPY 16,893 million)</td></tr>
<tr><td>(of these, overseas hotel NOI)</td><td>(JPY 1,715 million)</td><td>(JPY 4,328 million)</td></tr>
<tr><td>(of these, residential NOI)</td><td>(JPY 1,122 million)</td><td>(JPY 1,146 million)</td></tr>
</table>

NOI calculation method in the above table is as follows
・NOI ＝ Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividends on the preferred equity interest (TMK dividend) + (Management Contract Revenue - Management Contract Expense)</td></tr>
<tr><td>Non-operating expenses</td><td>INV expects to incur non-operating expenses for the fiscal periods as follows:

<table>
<tr><td></td><td>December 2024 Fiscal Period</td><td>June 2025 Fiscal Period</td></tr>
<tr><td>・Interest expense</td><td>JPY 1,432 million</td><td>JPY 1,478 million</td></tr>
<tr><td>・Finance related costs</td><td>JPY 745 million</td><td>JPY 618 million</td></tr>
<tr><td>・Interest for investment corporation bonds</td><td>JPY 121 million</td><td>JPY 122 million</td></tr>
<tr><td>・Depreciation of investment corporation bonds issuance expenses</td><td>JPY 16 million</td><td>JPY 16 million</td></tr>
<tr><td>・Other non-operating expenses (expenses relating to the issuance of new units for the Public Offering)</td><td>JPY 200 million</td><td>－</td></tr>
<tr><td>Total non-operating expenses</td><td>JPY 2,516 million</td><td>JPY 2,235 million</td></tr>
</table>
</td></tr>
</table>

Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation. With respect to the distribution for the fiscal period ending December 2024, INV expects to distribute an aggregate amount of JPY 13,740 million (distribution per unit: JPY 1,797) from the net income for the fiscal period ending December 2024 (JPY 13,718 million) including the JPY 22 million of reversal of retained earnings (internal reserve). With respect to the distribution for the fiscal period ending June 2025, INV expects to distribute an aggregate amount of JPY 14,490 million (distribution per unit: JPY 1,895) from the net income for the fiscal period ending June 2025 (JPY 14,467 million) including the JPY 22 million of reversal of retained earnings (internal reserve). Distribution per unit may vary due to various factors, including changes in the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.
Excess profit distribution per unit	INV believes maintaining the stability of cash distributions over the medium term is an important factor in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits or reversal of retained earnings ("distributions in excess of profits, etc." together with distributions in excess of profits hereinafter) in order to stabilize distributions, in cases where a dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period. INV may also consider making distributions in excess of profits for the purpose of reducing the impact from a corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation. With respect to the fiscal period ending December 2024, INV plans to distribute the reversal of retained earnings (internal reserve) (JPY 3 per unit) as "distributions in excess of profit for the difference arising from the difference between tax and accounting treatment." With respect to the fiscal period ending June 2025, INV plans to distribute reversal of retained earnings (internal reserve) (JPY 3 per unit) as "distributions in excess of profit for the difference arising from the difference between tax and accounting treatment." Excess profit distribution per unit: December 2024 Fiscal Period: -; June 2025 Fiscal Period: -
Other	INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.

(2) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities registration statement (filed on July 18, 2024).