

Invincible Investment Corporation

Financial Summary for the June 2021 Fiscal Period (from January 1, 2021 to June 30, 2021)

August 25, 2021

Name	: Invincible Investment Corporation (“INV”)
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: https://www.invincible-inv.co.jp/en/
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Start date for dividend distribution	: September 21, 2021

This English language notice is a translation of the Japanese-language notice released on August 25, 2021 and was prepared solely for the convenience of, and reference by, non-Japanese investors. It is not intended as an inducement or solicitation for investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This translation of the original Japanese-language notice is provided for informational purposes only, and no warranties or assurances are given regarding the accuracy or completeness of this English translation. Readers are advised to read the original Japanese-language notice. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail in all respects.

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

(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, 2021	3,806	(54.5)	(2,341)	-	(3,599)	-	(3,599)	-
Fiscal period ended December 31, 2020	8,340	(11.4)	1,690	13.0	624	47.1	623	47.1

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended June 30, 2021	(590)	(1.5)	(0.7)	(94.6)
Fiscal period ended December 31, 2020	102	0.2	0.1	7.5

(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, 2021	JPY 15	JPY million 91	JPY -	JPY million -	% -	% 0.0
Fiscal period ended December 31, 2020	167	1,018	-	-	163.2	0.4

(Note 1) The full amount of distribution (excluding excess profit distribution) for the fiscal period ended June 30, 2021 will be made by reversing retained earnings.

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

(Note 2) Dividend Payout Ratio is calculated in accordance with the following formula and is rounded to the nearest one decimal place:

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

The dividend payout ratio for the fiscal period ended December 31, 2020 is 163.2% because distribution (excluding excess profit distribution) differs from net income since INV made a distribution by reversing retained earnings along with a distribution of net income, as described in (Note 1).

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

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended June 30, 2021	497,899	245,113	49.2	40,203
Fiscal period ended December 31, 2020	516,490	249,641	48.3	40,946

(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, 2021	503	(1,192)	(14,647)	10,840
Fiscal period ended December 31, 2020	13,240	(1,790)	(1,591)	26,176

2. Forecasts for the Fiscal Period ending December 31, 2021 (from July 1, 2021 to December 31, 2021)

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution)	Excess Profit Distribution per Unit
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY
Fiscal period ending December 31, 2021	TBD	(-)	TBD	(-)	TBD	(-)	TBD	(-)	TBD	TBD

(Note) The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the December 2021 fiscal period (from July 1 to December 31, 2021) remains undetermined.

※Others

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

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

(2) Number of Investment Units Issued and Outstanding

- (a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)

June 30, 2021	6,096,840	December 31, 2020	6,096,840
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- (b) Number of Treasury Units as of the End of the Fiscal Period

June 30, 2021	0	December 31, 2020	0
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(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, 2021

(a) Main Trends of INV

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

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

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

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

Moreover, CIM revised the Investment Guidelines as of July 17, 2018. Such revision was intended to establish an investment policy and asset management structure regarding investments in overseas assets, and also to change the investment policy regarding domestic hotels to focus on (i) Limited service hotels, which feature relatively higher profit margins and potential for revenue growth backed by increasing demand for accommodations, and (ii) Full-service and Resort hotels, which have a variety of revenue sources, including lodging, dining and sales of goods, that are expected to achieve stable growth in overall hotel revenues. Based on such change in investment policy, in July 2018, INV decided on the acquisition of TK (Japanese anonymous association (*tokumei kumiai*)) interest in two overseas hotels, “Westin Grand Cayman Seven Mile Beach Resort & Spa” and “Sunshine Suites Resort” (collectively, the “Cayman Hotels”) as underlying assets for the first time ever in J-REIT history. In September 2018, INV implemented the investment in the Cayman Hotels via a global offering of new investment units and borrowing of funds. INV intends to improve both the profitability and stability of the portfolio through such investments, including investment in the Cayman Hotels, which is expected to even out the effects of seasonality in INV’s portfolio.

In the Fiscal Period ended June 30, 2021 (“Reporting Period”), INV didn’t acquire or sell any properties. As a result, INV’s portfolio at the end of the Reporting Period comprised of 142 properties (86 hotels (Note 3) (Note 4), 54 residential properties and two retail properties) with a total acquisition price of JPY 502,717 million (Note 5). Furthermore, INV’s hotel portfolio has the largest asset size (Note 6) of JPY 450,609 million (86 properties, 15,597 rooms) among all J-REIT hotel portfolios including hotel-and-inn-specific type investment corporations.

(Note 1) US Eastern Standard Time.

(Note 2) As of July 2011, Calliope owned 97.35% of issued shares of CIM and the investment ratio reached 100% in October 2013. Calliope transferred 80.0% of issued shares to Fortress CIM Holdings L.P., a subsidiary of SoftBank Group and 20.0% to SoftBank Group on March 29, 2018. As of the date of this

document, SoftBank Group owns 100% of issued shares of CIM directly and indirectly.

- (Note 3) The preferred equity interest held by INV is counted as one property. Such preferred equity interest issued by a special purpose company (*tokutei mokuteki kaisha*) refers to 178,458 units of the preferred equity interest issued by Kingdom Special Purpose Company (the “TMK”) (equivalent to 49.0% of the total issued and outstanding preferred equity interest), which owns the trust beneficiary interest of the Sheraton Grande Tokyo Bay Hotel as an underlying asset. The property is classified as a hotel, based on the use of Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest, and INV’s investment amount of the preferred equity interest is used as the acquisition price of the preferred equity interest, unless otherwise stated. The “underlying asset” refers to the real estate or the real estate related assets owned by a TK operator of TK interest or a TMK relating to the preferred equity interest which INV owns, thus the real estate or the real estate related assets which will be the revenue source of INV. Hereinafter the same shall apply.
- (Note 4) From September 28, 2018 (Cayman Island local time; September 29, 2018 in Japan local time), INV owned 100% of the TK interest in Seven Mile Resort Holdings Ltd. (the “Cayman SPC”), a Cayman Islands special purpose company that holds leasehold interests in the Cayman Hotels and ancillary assets as underlying assets. However, INV implemented the investment structure change (the “Structure Change” in some cases hereinafter) regarding the Cayman Hotels on May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time) and has directly held the Leasehold Interests, etc. of the Cayman Hotels thereafter. Both of the TK interest and the Cayman Hotels are counted as two properties before and after the Structure Change. In addition, the “Leasehold Interests, etc.” means leasehold interests (rights equivalent to long-term real estate leases on land and buildings under the British Cayman laws) and furniture, fixtures, equipment, ornaments, kitchen instrument, and other assets required for hotel operations. Hereinafter the same shall apply.
- (Note 5) Due to the Structure Change, the book value of the leasehold interests of the Cayman Hotels recorded by the Cayman SPC as of May 9, 2019 (Cayman Island local time; May 10, 2019 in Japan local time), when INV succeeded the leasehold interests of the Cayman Hotels from the Cayman SPC via distribution in kind in connection with the termination of TK agreement, is deemed as the acquisition price of the Cayman Hotels. The book value is converted into JPY amount via exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contracts executed on July 26, 2018 and implemented on September 26, 2018 in connection with the investment in the TK interest by INV. Hereinafter the same shall apply.
- (Note 6) “The largest asset size ... among all J-REIT hotel portfolios” refers to the total acquisition price of 86 hotels owned by INV as compared with the total acquisition price of hotels (including inns and other accommodation facilities) owned by listed investment corporations other than INV as of June 30, 2021.

(b) Operational Environment and Performance

Given the enormous impact of COVID-19 on the economy as a whole, especially in the hotel sector, on March 11, 2021, INV entered into a Memorandum of Understanding (“MOU”) to amend each fixed-term building lease and property management agreement (“MLPM Agreements”) pertaining to the rent conditions for the periods from January 1, 2021 to June 30, 2021 for domestic hotels owned by INV and operated by INV’s main tenant, MyStays Hotel Management Co., Ltd. (“MHM”) and its affiliates (collectively the “MHM Group” along with MHM). Pursuant to the MOU, we have changed the rent payment conditions of MLPM Agreements in terms of the amount of fixed rent payment, the variable rent calculation method, payment method of rent and payment date. The rent paid by the MHM Group for the six months of January through June was JPY 1 billion, which is an amount equivalent to the fixed rent, and no variable rent was accrued. Moreover, JPY 1 billion is equivalent to about 20% of fixed rent under the original MLPM Agreements. As a result, NOI for the 73 hotels operated by the MHM Group for the Reporting Period was JPY 430 million.

For the June 2021 fiscal period, the portfolio NOI (Note 1) decreased by 48.1% or JPY 1,936 million compared to the same period in the previous year (the June 2020 fiscal period) to JPY 2,090 million. The hotel portfolio NOI decreased by JPY 1,654 million. The residential portfolio NOI (Note 2) also decreased by JPY 281 million due to asset sales. Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the portfolio NOI decreased by 85.8% or JPY 12,644 million, of which the hotel portfolio NOI decreased by JPY 11,532 million

and the residential portfolio NOI decreased by JPY 1,108 million due to asset sales.

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

The NOI for the Reporting Period of the 75 domestic hotels (Note 3) owned by INV decreased by 27.1% 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 35.6% (-12.5 points YoY), ADR (Note 5) of JPY 6,940 (-4.0% YoY), and RevPAR (Note 6) of JPY 2,472 (-28.9% YoY). Compared to the June 2019 fiscal period prior to the COVID-19 pandemic, the NOI decreased by 94.4%, the occupancy rate decreased by 51.2pt, ADR decreased by 31.4%, and RevPAR decreased by 71.8%.

Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort recorded an average occupancy rate of 7.9% (-29.7 points YoY), ADR of USD 162 (-66.8% YoY), and RevPAR of USD 13 (-93.0% YoY) for the Reporting Period. Compared to June 2019 fiscal period prior to the COVID-19 pandemic, the occupancy rate decreased by 81.4pt, ADR decreased by 61.1%, and RevPAR decreased by 96.6%.

Regarding the hotel sector in Japan, domestic hotel demand has significantly declined compared to pre-COVID-19 pandemic levels due to a sharp reduction in inbound visitors and self-restraint in business trips and leisure travel under the State of Emergency and other measures. While demand from individual customers remained weak, several hotels maintained relatively high occupancy rates by procuring group accommodation demand from sports organizations, various educational institutions and other groups as well as business demand from diverse industries thanks to an extensive corporate customer base and sales efforts of the MHM Group.

The Cayman Hotels were closed due to the temporary closure of the Owen Roberts International Airport in March 2020 caused by the COVID-19 pandemic. The Airport has resumed acceptance of foreign nationals on a limited basis, and Sunshine Suites Resort has resumed operations from October 2020 after being selected as one of the hotels for isolation facilities. Westin Grand Cayman Seven Mile Beach Resort & Spa has reopened on a limited basis from June 2021 primarily to capture staycation demand from domestic customers during summer vacation. COVID-19 vaccinations have been making steady progress in the Cayman Islands, and the Cayman Islands Government has announced a restricted border reopening plan from September 9 once the fully vaccinated rate reaches 80%. The Cayman Hotels are preparing to resume accepting tourists from overseas in phases starting in June 2021 with restrictions.

Regarding the residential portfolio, CIM prioritized the recovery of the occupancy rate (Note 7). As a result, the occupancy rate of 54 residential properties (Note 8) increased by 1.2 points from 94.2% at the end of the previous fiscal period to 95.4% at the end of the Reporting Period. The average occupancy rate (Note 7) decreased by 0.7 points YoY to 95.3%. The NOI for the Reporting Period was almost flat YoY, mainly due to the decrease in restoration work costs and repair costs.

Regarding the rent market conditions for small-type properties, the rents in the 23 wards of Tokyo for the first quarter of 2021 (January to March) decreased YoY due to the impact of tenant relocation to the suburbs with the spread of remote work. The rents in other regions are generally on a gradual uptrend or flat.

In the Reporting Period, INV realized a rent increase for 27.6% (based on the number of contracts) of the new residential lease contracts, however the new rent decreased by 1.5% compared to the previous rent across all new leases (Note 9). INV achieved a rent increase for 23.1% (based on the number of contracts) of contract renewals with an average rent increase of 0.7% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate (Note 10) of 79.7, 10.4 points decrease YoY. Combined, new lease and renewal lease rents were signed at 0.2% lower than the previous leases. The average rent per tsubo per month (Note 11) for the Reporting Period decreased by 0.2% YoY to JPY 9,037.

The total appraisal value of 141 properties was JPY 532,550 million (1 out of the 142 properties owned by INV at the end of the Reporting Period is excluded from the appraisal calculation: Sheraton Grande Tokyo Bay Hotel (preferred equity interest) for which the appraisal value of such interest is not available). The portfolio has an unrealized gain of JPY 70,385 million (Note 12) and an unrealized gain ratio of 15.2% (Note 12). The total appraisal value of 141 properties which were owned throughout the Reporting Period increased by 0.3% from JPY 530,860 million at the end of the December 2020 fiscal period to JPY 532,550 million at the end of the

Reporting Period.

Key Performance Indicators of 75 Domestic Hotel Properties (Note 3)

	June 2021 fiscal period	vs 1H 2020	vs 1H 2019
Occupancy Rate (Note 4)	35.6%	-12.5pt	-51.2pt
ADR (JPY) (Note 5)	6,940	-4.0%	-31.4%
RevPAR (JPY) (Note 6)	2,472	-28.9%	-71.8%
GOP (JPY million) (Note 13)	655	+58.1%	-94.3%

Key Performance Indicators of Cayman Hotels

	June 2021 fiscal period	vs 1H 2020	vs 1H 2019
Occupancy Rate (Note 4)	7.9%	-29.7pt	-81.4pt
ADR (USD) (Note 5)	162	-66.8%	-61.1%
RevPAR (USD) (Note 6)	13	-93.0%	-96.6%
GOP (USD) (Note 13)	-2,850,157	- (Note 14)	- (Note 14)

Key Performance Indicators of 54 Residential Properties (Note 8)

	June 2021 fiscal period	Year-on-year change
Occupancy Rate (Note 7)	95.3%	-0.7pt
Average Rent per Tsubo per Month (JPY) (Note 11)	9,037	-0.2%
NOI (JPY million) (Note 2)	1,376	-0.1%

(Note 1) "NOI" for the hotel properties is calculated in accordance with the following formula:

NOI= Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividend on the preferred equity interest (TMK dividend) + (Management Contract Revenue of the Cayman Hotels - Management Contract Expense)

(Note 2) For the comparison of NOI for the residential properties, one-off insurance-related revenues and expenses. Hereinafter the same shall apply.

(Note 3) Of the 84 hotels held as of the end of the June 2021 Fiscal Period (including the Sheraton Grande Tokyo Bay Hotel, the underlying asset of the preferred equity interest of TMK owned by INV), the following nine hotels with fixed-rent lease agreements are excluded: Super Hotel Shinbashi/Karasumoriguchi, Comfort Hotel Toyama, Super Hotel Tokyo-JR Tachikawa Kitaguchi, Super Hotel JR Ueno-iriyaguchi, Comfort Hotel Kurosaki, Comfort Hotel Maebashi, Comfort Hotel Tsubame-Sanjo, Comfort Hotel Kitami and Takamatsu Tokyu REI Hotel. In addition, the figures for the properties acquired after 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. Hereinafter the same shall apply.

(Note 4) "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 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) "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 8) Based on the 54 residential properties owned as of the end of June 2021. Hereinafter the same shall apply.
- (Note 9) 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 10) 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 11) "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 12) The unrealized gain is calculated using the following formula: the appraisal value as of the end of the Reporting Period - book value as of the end of the Reporting Period.
The unrealized gain ratio is calculated using the following formula: the unrealized gain ÷ book value as of the end of the Reporting Period.
- (Note 13) "GOP" means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues. GOP for each fiscal period ended June 2020 and onwards includes the amount of employment adjustment subsidies to be received by the hotel operators for the respective fiscal period, which requires a certain period of time to confirm. Therefore, the amount of GOP is subject to change retroactively upon confirmation of the amount of employment adjustment subsidies. Moreover, if variable rent is accrued due to changes in GOP arising from revision of the employment adjustment subsidies, we will discuss with the tenant separately regarding the handling of such variable rent. 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 14) The GOP of the Cayman Hotels was USD 8,502,469 in the same period of 2020 and USD 26,681,479 in the same period of 2019.

(c) Overview of Fund Raising

As a result of the measures described below, INV's interest-bearing debt outstanding balance was JPY 249,198 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 50.0% and 45.3% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.51%.

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

$$\text{Interest-Bearing Debt ratio} = \frac{\text{total outstanding interest-bearing debt (excluding short-term consumption tax loan)}}{\text{total assets}} \times 100$$

(Note 2) LTV (appraisal value basis) uses the calculation formula below:

$$\text{LTV} = \frac{\text{total outstanding interest-bearing debt (excluding short-term consumption tax loan)}}{\text{total appraisal value (*)}} \times 100$$

(*) 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 Term Loan (R) on January 22, 2021 (total amount borrowed: JPY 3,400 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Sumitomo Mitsui Trust Bank, Limited and Term Loan (S) (total amount borrowed: JPY 850 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by MUFG Bank, Ltd. in order to repay Term Loan (B) in the amount of JPY 4,250 million due on January 22, 2021.

On March 30, 2021, INV borrowed New Syndicate Loan (T) (total amount borrowed: JPY 3,057 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Mizuho Bank, Ltd., New Syndicate Loan (U) (total amount borrowed: JPY 3,039 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Mizuho Bank, Ltd. and Term Loan (T) (total amount borrowed: JPY 570 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of three months), which was arranged by Resona Bank, Limited in order to repay one of the tranches of New Syndicate Loan (G) in the amount of JPY 927 million due on March 14, 2021 and New Syndicate Loan (F) in the amount of JPY 6,396 million due on March 30, 2021.

Furthermore, INV borrowed Term Loan (U) on June 15, 2021 (total amount borrowed: JPY 349 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of one year), which was arranged by Citibank, N.A., Tokyo Branch in order to repay Term Loan (C) in the amount of JPY 349 million due on June 15, 2021.

In addition, INV borrowed Term Loan (V) on June 30, 2021 (total amount borrowed: JPY 570 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for duration of six months), which was arranged by Resona Bank, Limited in order to repay Term Loan (T) in the amount of JPY 570 million due on June 30, 2021.

(ii) Prepayment of Loan

INV's following Loans Subject to Prepayment were prepaid on January 29, 2021 to each lender on a pro-rata basis by using JPY 10,000 million, a majority of the sales proceeds of the six residential properties sold on December 18, 2020.

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

(As of January 29, 2021)

Loan	Borrowing Date	Balance before Repayment (JPY million)	Repayment Amount (JPY million)	Balance after Repayment (JPY million)	Interest Rate (annual)	Maturity Date	Borrowing Method
New Syndicate Loan (F) <5-Year Loan>	March 31, 2016	10,433	4,037	6,396	0.68818% (Note 2)	Mar. 30, 2021 (Note 3)	Unsecured/ non-guaranteed
New Syndicate Loan (G) <4-Year Loan>	March 14, 2017	3,250	2,323	927	0.58818% (Note 2)	Mar. 14, 2021 (Note 3)	
New Syndicate Loan (K) <3-Year Loan>	March 29, 2019	7,934	12	7,922	0.36100% (Note 4)	Mar. 29, 2022	
New Syndicate Loan (K) <5-Year Loan>	March 29, 2019	2,500	99	2,401	0.59400% (Note 4)	Mar. 29, 2024	
New Syndicate Loan (K) <10-Year Loan>	March 29, 2019	1,000	39	961	0.88818% (Note 2)	Mar. 29, 2029	
New Syndicate Loan (L) <4.5-Year Loan>	July 19, 2019	4,943	138	4,805	0.52473% (Note 4)	Jan. 16, 2024	
New Syndicate Loan (N) <4.4-Year Loan>	August 28, 2019	3,682	138	3,544	0.46219% (Note 4)	Jan. 16, 2024	

New Syndicate Loan (P) <5-Year Loan>	January 6, 2020	4,550	59	4,491	0.64291% (Note 4)	Jan. 6, 2025
New Syndicate Loan (Q) <5-Year Loan>	March 16, 2020	3,250	39	3,211	0.48700% (Note 4)	Mar. 16, 2025
New Syndicate Loan (Q) <5-Year Loan>	March 30, 2020	6,960	39	6,921	0.58818% (Note 2)	Mar. 16, 2025
New Syndicate Loan (R) <1-Year Loan>	July 16, 2020	28,979	1,550	27,429	0.33818% (Note 2)	Jul. 16, 2021 (Note 3)
Term Loan (C) <5-Year Loan>	June 15, 2016	1,000	651	349	0.68818% (Note 2)	Jun. 15, 2021 (Note 3)
Term Loan (D) <5-Year Loan>	June 30, 2016	3,000	267	2,733	0.68818% (Note 2)	Jun. 30, 2021 (Note 3)
Term Loan (E) <5-Year Loan>	July 20, 2016	1,700	118	1,582	0.68818% (Note 2)	Jul. 20, 2021 (Note 3)
Term Loan (G) <4.5-Year Loan>	May 29, 2017	7,321	157	7,164	0.63818% (Note 2)	Nov. 29, 2021
Term Loan (O) <1-Year Loan>	July 20, 2020	1,000	334	666	0.33818% (Note 2)	Jul. 20, 2021 (Note 3)
Total		91,502	10,000	81,502		

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

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

(Note 3) All repayments are completed as of the date of this document.

(Note 4) Figures are shown as virtually fixed interest rate because interest rate is fixed by interest rate swap agreement while it is a borrowing with floating interest rate.

(d) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period decreased by JPY 4,534 million from the previous period (-54.4%) to JPY 3,806 million, resulting in a net loss of JPY 3,599 million (net income of JPY 623 million for the previous period). Unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 12,353 million) is JPY 8,753 million. INV has decided to set distribution per unit (excluding excess profit distribution) of JPY 15 by reversing retained earnings in order to avoid non-dividend.

b Outlook for the Fiscal Period Ending December 31, 2021

The Japanese economy is expected to remain in a severe situation caused by COVID-19 infections, and it is necessary to closely monitor impacts of the pandemic in Japan and overseas, variables in the financial and capital markets, and other factors. However, the increase in nationwide vaccinations will hopefully reduce the number of patients with severe symptoms and death toll, and lead to an improvement in the Japanese economy toward the end of the year.

In the hotel market, accommodation demand related to the Tokyo Olympic Games were limited, as most of the competitions were held without spectators. It is expected that inbound demand will not recover for the time being. However, domestic tourism and business demand are expected to gradually recover as vaccinations progress and the level of socio-economic activity rises.

In the rental housing market, lifestyle changes due to the impact of COVID-19 infections are expected to affect tenant trends, and lessors are required to pay close attention to 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. Fortress Group became a member of SoftBank Group in December 2017 and SoftBank Group owns 100% of issued shares of CIM directly and indirectly as of March 29, 2018. In addition to continued access to Fortress' global real estate expertise, INV will seek to leverage the resources that are expected to become available through SoftBank Group. SoftBank Group has market-leading expertise in technology fields such as digital marketing for both mobile and desktop, online payment systems, search engine optimization, AI and robotics. INV believes that deployment of technology into INV's real estate assets, especially its hotels, will enhance the ongoing initiatives to improve its digital marketing, minimize labor costs and increase customer engagement. For example, INV plans to pursue opportunities to better manage online research, bookings and payments, improve the process in setting hotel rates and manage overbooking through the use of sophisticated AI algorithms, and reduce labor costs.

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

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

Details of the future growth strategy are as follows.

(i) External growth strategy

New Property Acquisitions

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

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

In regard to residential properties, INV will analyze occupancy rates, rental market trends, the presence

of competing properties among other factors, and consider acquiring properties with strong competitiveness, in which it believes it can achieve increases in rent.

Property Sales

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

(ii) Strategy for internal growth

(Hotels)

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

In response to the significant reduction in hotel demand, the MHM Group is taking steps to reduce hotel operating expenses by reviewing its operational strategy. Specific measures include reduction of labor costs as well as taking government subsidies, cutting payments to service providers such as cleaning vendors, significantly reducing marketing expenses, utilities and other items under the COVID-19 environment. The MHM Group is vigorously working to stimulate demand from existing domestic customers by providing corporate customers with diverse options including a new lineup of meeting options highlighting strict measures to reduce the spread of COVID-19 while grasping changes in customer demand under the "With Corona" environment. In addition, the MHM Group is focusing on creating new demand, including the provision of day-use telework environments to provide individuals and corporates with a comfortable telework space and expansion of delivery and take-out services through directly managed restaurants in the hotel as well as accommodation demand associated with the 14-day voluntary quarantine period after returning to Japan.

For hotels, renovation of rooms and replacement of fixtures and fittings are indispensable to maintain and increase revenues and operate stably in a planned manner while considering the hotel profit situation, where demand has dropped significantly as described above.

(Residential properties and others)

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

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

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

(iii) Financial strategy

INV has been granted a long-term issuer rating of "A+" (Outlook: Negative) from Japan Credit Rating Agency, Ltd. (JCR) as of the date of this document.

As it is difficult to predict when the COVID-19 pandemic will come to an end, for the time being INV will implement initiatives that restrict an increase in interest payments upon refinancing of existing borrowings and ensure refinancing. Over the medium to long term, INV will implement financial strategies such as

reduction of borrowing costs, extension of average interest-bearing debt repayment periods, diversification of loan maturity dates and financing measures.

(iv) Compliance risk management

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

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.

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

(v) Initiatives for Sustainability

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

Thus, INV and CIM have established a "Sustainability Policy" to set basic policies for sustainability and put them into practice in our daily operations. Under this policy, CIM has formulated the "Energy Conservation Policy", which stipulates efforts to improve energy consumption management and energy efficiency in the real estate investment management business, and the "Greenhouse Gas Emissions Reduction Policy", which stipulates an operation policy to reduce carbon emissions. In addition, in order to promote initiatives for ESG throughout the value chain of INV's real estate portfolio, CIM has established the Sustainable Procurement Policy to set guidelines in the real estate investment management business, pertaining to the content of construction ordered, the criteria for selecting goods to be procured in connection with construction, and the criteria for selecting and evaluating business partners (suppliers). Furthermore, CIM conducts sustainability-focused training for all officers and employees, including temporary staff, at least once a year, to help officers and employees acquire knowledge and raise awareness of sustainability considerations in line with business practices. In addition, as an initiative for its employees, CIM conducts an employee satisfaction survey once every three years with the aim of improving its working environment. CIM also introduced a paid vaccine leave so that officers and employees can receive COVID-19 vaccines and deal with any potential side-effects.

As the COVID-19 pandemic continues, APA Hotel Yokohama-Kannai has been used as an accommodation and medical facility for patients with mild symptoms since August 2020 in terms of social contributions.

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) Overview of Sale of Assets

CIM decided to sell trust beneficiary interests in one retail facility, Lexington Plaza Hachiman as below on June 28, 2021 and INV completed the sale on July 2, 2021.

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2)	Expected Gain on Sale (JPY million) (Note 3)	Transferee (Note 4)
B17	Lexington Plaza Hachiman	3,280	2,982	3,660	590	Kubota Holdings

(Note 1) Book value shows figures as of June 30, 2021.

(Note 2) Sale price does not include transfer related cost, adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes.

(Note 3) Expected gain on sale is calculated by deducting the Book Value and estimated transfer related costs from the Sale Price.

(Note 4) INV does not have any capital, personnel or transactional relationship of note with the Transferee. In addition, the Transferee is not a related party of INV/CIM. Furthermore, related persons and affiliates of the Transferee are not related parties of INV/CIM. Moreover, the Transferee is not an interested party, etc. of INV/CIM as provided in Investment Trust Act.

(Note 5) Amounts are rounded down to the nearest million yen.

(Reference Information)

(a) Debt Financing

INV decided to borrow New Syndicate Loan (V) and Term Loan (W) on July 14, 2021 in order to repay (i) the New Syndicate Loan (R) in the amount of JPY 27,429 million due on July 16, 2021, (ii) the borrowing in the amount of JPY 9,660 million due on July 17, 2021, which is one of the tranches of the New Syndicate Loan (I) with a total outstanding amount of JPY 28,979 million, (iii) the Term Loan (E) in the amount of JPY 1,582 million due on July 20, 2021, (iv) the Term Loan (O) in the amount of JPY 666 million due on July 20, 2021 and (v) the borrowing in the amount of JPY 2,359 million due on August 2, 2021, which is one of the tranches of the New Syndicate Loan (J) with a total outstanding amount of JPY 39,359 million.

(i) New Syndicate Loan (V)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd. Shinsei Bank, Limited Citibank, N.A., Tokyo Branch Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited	July 16, 2021	27,429	Floating interest rates (Note 1)	July 16, 2022	Unsecured/ non guarantee
Mizuho Bank, Ltd. MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited Citibank, N.A., Tokyo Branch	July 19, 2021	9,660	Floating interest rates (Note 1)	July 16, 2022	
Development Bank of Japan, Inc.	July 20, 2021	666	Floating interest rates (Note 1)	July 16, 2022	
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.	August 2, 2021	2,269	Floating interest rates (Note 1)	July 16, 2022	

Shinsei Bank, Limited Citibank, N.A., Tokyo Branch					
Total		40,024			

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

(ii) Term Loan (W)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
The Tokyo Star Bank, Limited	July 20, 2021	1,582	Floating interest rates (Note 1)	July 20, 2024	Unsecured/non guarantee

(Note 1) 1-month JPY TIBOR (Base Rate) + spread (0.35000%)

d Operational Outlook

The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the December 2021 fiscal period (from July 1 to December 31, 2021) remains undetermined.

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

(2) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities report (filed on March 26, 2021).