Invincible Investment Corporation

Financial Summary
for the December 2021 Fiscal Period
(from July 1, 2021 to December 31, 2021)

February 24, 2022

Name	:	Invincible Investment Corporation ("INV")
Representative	:	Naoki Fukuda, Executive Director
Stock Listing	:	Tokyo Stock Exchange
Securities Code	:	8963
URL	:	https://www.invincible-inv.co.jp/en/
Contact	:	Consonant Investment Management Co., Ltd. (Asset Manager of INV) Jun Komo, General Manager of Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	:	March 22, 2022

(Figures are rounded down to the nearest JPY million)

1. Financial Results for the Fiscal Period ended December 31, 2021 (from July 1, 2021 to December 31, 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 December 31, 2021	8,406	120.9	2,292	-	1,014	-	1,014	-
Fiscal period ended June 30, 2021	3,806	(54.5)	(2,341)	-	(3,599)	-	(3,599)	-

	Net Income per Unit	Net Income / Unitholders' Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
Fiscal period ended December 31, 2021	166	0.4	0.2	12.1
Fiscal period ended June 30, 2021	(590)	(1.5)	(0.7)	(94.6)

(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 December 31, 2021	166	1,012	-	-	99.8	0.4
Fiscal period ended June 30, 2021	15	91	-	-	-	0.0

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

(Note 2) Dividend Payout Ratio is calculated in accordance with the following formula and is rounded to the nearest one decimal place:
Dividend Payout Ratio = Distribution Amount (Excluding excess profit distribution) ÷ Net Income × 100

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

(3) Financial Position

	Total Assets	Net Assets	Net Assets / Total	Net Assets per Unit
	JPY million	JPY million	%	JPY
Fiscal period ended December 31, 2021	494,819	246,130	49.7	40,370
Fiscal period ended June 30, 2021	497,899	245,113	49.2	40,203

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

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Closing Balance of Cash and Cash Equivalents
	JPY million	JPY million	JPY million	JPY million
Fiscal period ended December 31, 2021	12,320	(1,561)	(4,873)	16,726
Fiscal period ended June 30, 2021	503	(1,192)	(14,647)	10,840

2. Forecasts for the Fiscal Period ending June 30, 2022 (from January 1, 2022 to June 30, 2022)

(Percentages indicate percentage change from the preceding period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding excess profit distribution)	Excess Profit Distribution per Unit
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY
Fiscal period ending June 30, 2022	TBD	(-)	TBD	(-)	TBD	(-)	TBD	(-)	TBD	TBD

(Note) The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the June 2022 fiscal period (from January 1 to June 30, 2022) 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	Yes
(b) Changes in Accounting Policies due to Other Reasons	None
(c) Changes in Accounting Estimates	None
(d) Restatements	None

(Note) Please refer to "Notes on Changes in Accounting Policies" regarding the detail.

(2) Number of Investment Units Issued and Outstanding

(a) Number of Units Issued and Outstanding as of the End of the Fiscal Period (Including Treasury Units)	December 31, 2021	6,096,840	June 30, 2021	6,096,840
(b) Number of Treasury Units as of the End of the Fiscal Period	December 31, 2021	0	June 30, 2020	0

(Note) Please refer to "Notes Related to Per Unit Information" regarding the number of investment units which is the basis for the calculation of net income per unit.

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

  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 December 31, 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 December 31, 2021 ("Reporting Period"), INV sold one retail facility on July 2, 2021. In addition, INV decided to sell 13 residential properties on December 8, 2021, seven of which were sold on December 22, 2021. As a result, INV's portfolio at the end of the Reporting Period comprised of 134 properties (86 hotels (Note 3) (Note 4), 47 residential properties and one retail facility) with a total acquisition price of JPY 494,766 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 December 31, 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 September 10, 2021 and December 8, 2021, INV entered into Memorandum of Understandings (collectively the "MOU") to amend each fixed-term building lease and property management agreement ("MLPM Agreements") pertaining to the rent conditions for the periods from July 1, 2021 to September 30, 2021 and from October 1, 2021 to December 31, 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.

For the December 2021 fiscal period, the portfolio NOI (Note 1) increased by 13.5% or JPY 498 million compared to the same period in the previous year (the December 2020 fiscal period) to JPY 4,201 million. The hotel portfolio NOI increased by JPY 872 million. The residential and retail portfolio NOI decreased by JPY 373 million due to asset sales. Compared to the December 2019 fiscal period prior to the COVID-19 pandemic, the portfolio NOI decreased by 72.3% or JPY 10,962 million, of which the hotel portfolio NOI decreased by JPY 10,390 million and the residential and retail portfolio NOI decreased by JPY 571 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 2) owned by INV increased by 40.0% 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 3) of 52.4% (+4.1 points YoY), ADR (Note 4) of JPY 7,667 (-8.5% YoY), and RevPAR (Note 5) of JPY 4,020 (-0.7% YoY). Compared to the December 2019 fiscal period prior to the COVID-19 pandemic, the NOI decreased by 76.7%, the occupancy rate decreased by 35.9pt, ADR decreased by 27.8%, and RevPAR decreased by 57.1%.

Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort recorded an average occupancy rate of 14.9% (+10.4 points YoY), ADR of USD 193 (+11.3% YoY), and RevPAR of USD 29 (+270.8% YoY) for the Reporting Period. Compared to December 2019 fiscal period prior to the COVID-19 pandemic, the occupancy rate decreased by 57.4pt, ADR decreased by 41.1%, and RevPAR decreased by 87.9%.

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. Under such circumstances, high occupancy rates were recorded, centering on the hotels that were able to capture group accommodation and business demand, as well as leisure demand derived from an increase in various events in the market and municipalities' local travel subsidy programs, which helped several hotels achieve occupancy rates over 90% in some months. Since most of the Tokyo Olympics Games were held without spectators, the knock-on effect on the accommodation demand was limited for many hotels owned by INV in the Tokyo metropolitan area and Hokkaido.

As for the Cayman Hotels, commercial flights to/from the US and UK resumed on a limited basis and the requirement for fully vaccinated tourists to self-quarantine after border entry was lifted in November 2021. However, hotel demand did not recover in earnest because of the continuation of the 14-day self-isolation requirement for children who are not fully vaccinated, and the travel health notice from the US' CDC, which listed the Cayman Islands as level 4, the highest COVID-19 risk category. After that, epidemic prevention measures for tourists have been gradually relaxed in the Cayman Islands, and the aforementioned quarantine measures for unvaccinated children have been relaxed as of the date of this document. Furthermore, the rapid lateral flow COVID-19 tests that were required multiple times after border entry were lifted, and major US airlines resumed operations to the Cayman Islands. The hotel demand is expected to start recovering in due course.

Regarding the residential portfolio, the occupancy rate (Note 6) of 54 residential properties (Note 7) decreased by 1.3 points from 95.4% at the end of the previous fiscal period to 94.1% at the end of the Reporting Period. The average occupancy rate (Note 6) increased by 0.1 points YoY to 94.7%. The NOI (Note 8) for the Reporting Period decreased by 2.4% YoY, mainly due to the sale of seven residential properties executed on December 22, 2021. The NOI (Note 8) for the 47 residential properties excluding the seven properties sold in December 2021 decreased by 0.9% year-over-year on a cumulative basis for the Reporting Period.

In the Reporting Period, INV realized a rent increase for 31.5% (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 33.5% (based on the number of contracts) of contract renewals with an average rent increase of 1.4% compared to the previous rent across all renewal leases, while maintaining a high contract renewal rate (Note 10) of 79.6%, a decrease of 4.5 points YoY. Combined, new lease and renewal lease rents were signed at 0.3% higher than the previous leases. The average rent per tsubo per month (Note 11) for the Reporting Period decreased by 1.0% YoY to JPY 9,004.

The total appraisal value of 133 properties was JPY 523,699 million (1 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 71,895 million (Note 12) and an unrealized gain ratio of 15.9% (Note 12). The total appraisal value of 133 properties which were owned throughout the Reporting Period increased by 0.2% from JPY 522,888 million at the end of the June 2021 fiscal period to JPY 523,699 million at the end of the Reporting Period.

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

	December 2021 fiscal period	vs 2H 2020	vs 2H 2019
Occupancy Rate (Note 3)	52.4%	+4.1pt	-35.9pt
ADR (JPY) (Note 4)	7,667	-8.5%	-27.8%
RevPAR (JPY) (Note 5)	4,020	-0.7%	-57.1%
GOP (JPY million) (Note 13)	3,315	-0.9%	-74.3%

Key Performance Indicators of Cayman Hotels

	December 2021 fiscal period	vs 2H 2020	vs 2H 2019
Occupancy Rate (Note 3)	14.9%	+10.4pt	-57.4pt
ADR (USD) (Note 4)	193	+11.3%	-41.1%
RevPAR (USD) (Note 5)	29	+270.8%	-87.9%
GOP (USD) (Note 13)	-1,151,126	- (Note 14)	- (Note 14)

Key Performance Indicators of 54 Residential Properties (Note 7)

	December 2021 fiscal period	Year-on-year change
Occupancy Rate (Note 6)	94.7%	+0.1pt
Average Rent per Tsubo per Month (JPY) (Note 11)	9,004	-1.0%
NOI (JPY million) (Note 8)	1,338	-2.4%

(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) Of the 84 hotels held as of the end of the December 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 July 2019 are calculated on the assumption INV had acquired those properties on July 1, 2019, using the actual figures provided by the sellers of such properties for the period before the acquisition. Hereinafter the same shall apply.

(Note 3) "Occupancy rate" for the hotel properties is calculated in accordance with the following formula:
Occupancy rate = total number of occupied rooms during a certain period ÷ total number of rooms available during the same period (number of rooms x number of days)
Hereinafter the same shall apply.

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

(Note 5) "RevPAR" means revenues per available room per day, and is calculated by dividing total room sales for a certain period by total number of rooms available (number of rooms x number of days) during the same period, and is the same as the figure obtained by multiplying ADR by occupancy rates. Hereinafter the same shall apply.

(Note 6) "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 7) Based on the 54 residential properties owned as of the beginning of the December 2021 fiscal period. Of the 54 properties, seven properties which are Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin and HERMITAGE NANBA WEST were sold on December 22, 2021. Therefore, for the seven properties sold, July 1, 2021 through December 21, 2021 is deemed as the operating period for the December 2021 fiscal period, and the leased area and the leasable area as of December 21, 2021 are deemed as them as of the end of December 2021 to calculate each number. Hereinafter the same shall apply.

(Note 8) For the comparison of NOI for the residential properties, one-off insurance-related revenues and expenses are excluded. NOI of seven properties which are Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin and HERMITAGE NANBA WEST sold on December 22, 2021 is based on the data through the day before sale date. 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 -3,775,766 in the same period of 2020 and USD 13,277,720 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 244,945 million and the Interest-Bearing Debt ratio (Note 1) and LTV (appraisal value basis) (Note 2) were 49.5% and 45.4% respectively, as of the end of the Reporting Period, with an average interest rate (Note 3) of 0.49%.

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

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

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

LTV = total outstanding interest-bearing debt (excluding short-term consumption tax loan) / total appraisal value (*) x 100

(*) Since appraisal value for Sheraton Grande Tokyo Bay Hotel (preferred equity interest) is not available, the acquisition price of the preferred equity interest (JPY 17,845 million) is deemed as appraisal value of Sheraton Grande Tokyo Bay Hotel (preferred equity interest). For appraisal value of the Cayman Hotels, USD is converted into JPY amount via the forward exchange rate of USD 1=JPY 110.45 based on the foreign exchange forward contract entered into on July 26, 2018 and executed on September 26, 2018.

(Note 3) The average interest rate (annual rate) is calculated by the weighted average based on the outstanding balance of borrowings and rounded to two decimal places.

(i) Borrowing of Funds

INV borrowed New Syndicate Loan (V) on July 16, 2021, July 19, 2021, July 20, 2021 and August 2, 2021 (total amount borrowed: JPY 40,024 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. and Term Loan (W) on July 20, 2021 (total amount borrowed: JPY 1,582 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.35000% for a duration of three years), which was arranged by The Tokyo Star Bank, Limited in order to repay (i) New Syndicate Loan (R) in the amount of JPY 27,429 million due on July 16, 2021, (ii) one of the tranches of New Syndicate Loan (I) in the amount of JPY 9,660 million due on July 17, 2021, (iii) Term Loan (E) in the amount of JPY 1,582 million due on July 20, 2021, (iv) Term Loan (O) in the amount of JPY 666 million due on July 20, 2021 and (v) one of the tranches of New Syndicate Loan (J) in the amount of JPY 2,359 million due on August 2, 2021.

Moreover, INV borrowed Term Loan (X) on September 14, 2021 (total amount borrowed: JPY 3,000 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Sumitomo Mitsui Banking Corporation in order to repay Term Loan (P) in the amount of JPY 3,000 million due on September 14, 2021.

Furthermore, INV borrowed New Syndicate Loan (W) on September 27, 2021 and October 13, 2021 (total amount borrowed: JPY 11,851 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Mizuho Bank, Ltd., New Syndicate Loan (X) on October 13, 2021 (total amount borrowed: JPY 639 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. and Term Loan (Y) on October 13, 2021 (total amount borrowed: JPY 1,256 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Citibank, N.A., Tokyo Branch in order to repay (i) one of the tranches of New Syndicate Loan (J) in the amount of JPY 10,761 million due on September 26, 2021, (ii) one of the tranches of New Syndicate Loan (H) in the amount of JPY 1,867 million due on October 13, 2021, (iii) New Syndicate Loan (S) in the amount of JPY 1,539.5 million due on October 13, 2021 and (iv) Term Loan (Q) in the amount of JPY 328.5 million due on October 13, 2021.

In addition, INV borrowed Term Loan (Z) on November 29, 2021 (total amount borrowed: JPY 4,321 million; interest rate: variable interest rate of 1-month JPY TIBOR plus 0.25000% for a duration of one year), which was arranged by Mizuho Bank, Ltd. in order to repay Term Loan (G) in the amount of JPY 7,164 million due on November 29, 2021.

(d) Overview of Sale of Assets

INV completed the sale of trust beneficiary interests in one retail facility as follows on July 2, 2021.

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2)	Gain on Sale (JPY million) (Note 3)	Transferee (Note 4)
B17	Lexington Plaza Hachiman	3280	2,982	3,660	590	Kubota Holdings

(Note 1) Book value shows a figure as of the date of sale.

(Note 2) Sale price shows a figure set forth in the purchase and sale agreement for the trust beneficiary interests, and do not include adjustments for property taxes, city planning taxes, or national or local consumption taxes.

(Note 3) Gain on sale is calculated by deducting the book value and the transfer related cost 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 related parties of INV/CIM. Furthermore, related persons and affiliates of the transferee are not related parties of INV/CIM. Moreover, the transferee is not interested party, etc. of INV/CIM as provided in Investment Trust Act.

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

In addition, INV decided to sell trust beneficiary interests in 13 residential properties as follows on December 8, 2021, and completed the sale of seven properties (Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin, HERMITAGE NANBA WEST) on December 22, 2021 and the sale of six properties (Revest Honjin, Revest Matsubara, Alba Noritake Shinmachi, Revest Meieki Minami, Luna Court Edobori, Little River Honmachibashi) on January 12, 2022.

<table>
<tr><th>Property Number</th><th>Property Name</th><th>Acquisition Price (JPY million)</th><th>Book Value (JPY million) (Note 1)</th><th>Sale Price (JPY million) (Note 2) (Note 3)</th><th>(Expected) Gain on Sale (JPY million) (Note 2) (Note 4)</th><th>Transferee (Note 5)</th></tr>
<tr><td>A77</td><td>Invoice Shin-Kobe Residence</td><td>1,260</td><td>1,097</td><td rowspan="7">6,150</td><td rowspan="7">1,977</td><td rowspan="10">Kansai Residence Tokutei Mokuteki Kaisha</td></tr>
<tr><td>A78</td><td>Cosmo Court Motomachi</td><td>973</td><td>833</td></tr>
<tr><td>A85</td><td>Vendir Hamaotsu Ekimae</td><td>581</td><td>478</td></tr>
<tr><td>A86</td><td>Salvo Sala</td><td>544</td><td>468</td></tr>
<tr><td>A89</td><td>Winntage Kobe Motomachi</td><td>512</td><td>435</td></tr>
<tr><td>A91</td><td>Corp Higashinotoin</td><td>446</td><td>390</td></tr>
<tr><td>A95</td><td>HERMITAGE NANBA WEST</td><td>355</td><td>310</td></tr>
<tr><td>A79</td><td>Revest Honjin</td><td>674</td><td>569</td><td rowspan="3">4,450</td><td rowspan="3">1,454</td></tr>
<tr><td>A80</td><td>Revest Matsubara</td><td>657</td><td>559</td></tr>
<tr><td>A82</td><td>Alba Noritake Shinmachi</td><td>608</td><td>509</td></tr>
</table>

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2) (Note 3)	(Expected) Gain on Sale (JPY million) (Note 2) (Note 4)	Transferee (Note 5)
A83	Revest Meieki Minami	597	498			
A88	Luna Court Edobori	525	457			
A98	Little River Honmachibashi	310	272			
Total		8,042	6,881	10,600	3,432	-

(Note 1) Book value shows figures as of the date of sale for the seven properties sold on December 22, 2021 and as of December 31, 2021 for the six properties sold on January 12, 2022.

(Note 2) Sale prices of individual properties are not disclosed as the transferee's consent has not been obtained for disclosure. Accordingly, the gains on sales of individual properties are not disclosed, either.

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

(Note 4) Gain on sale is calculated by deducting the book value and the transfer related cost (estimated transfer related cost for the six properties sold on January 12, 2022) from the sale price.

(Note 5) INV does not have any capital, personnel or transactional relationship of note with the transferee. In addition, the transferee is not related parties of INV/CIM. Furthermore, related persons and affiliates of the transferee are not related parties of INV/CIM. Moreover, the transferee is not interested party, etc. of INV/CIM as provided in Investment Trust Act.

(Note 6) Amounts are rounded down to the nearest million yen.

(e) Overview of Results of Operations and Distributions

As a result of the operations mentioned above, operating revenues for the Reporting Period increased by JPY 4,600 million from the previous period (+120.9%) to JPY 8,406 million, resulting in a net income of JPY 1,014 million, an increase of JPY 4,613 million from the previous period. Unappropriated retained earnings including the retained earnings carried forward from the preceding fiscal period (JPY 8,662 million) is JPY 9,676 million. INV has decided to set distribution per unit (excluding excess profit distribution) of JPY 166 without reversing retained earnings.

b Outlook for the Fiscal Period Ending June 30, 2022

The Japanese economy is expected to remain in a severe situation caused by a new COVID-19 variant (Omicron variant), 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 progress in vaccine booster shots and popularization of a newly approved oral drug will hopefully reduce the number of patients with severe symptoms and death toll, and lead to an improvement in the Japanese economy toward the second half of 2022.

In the hotel market, it is expected that inbound demand will not recover for the time being, but domestic tourism and business demand are expected to gradually recover as infectious disease prevention is strengthened along with the enhancement of the medical system 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 INV will keep an eye on such trends.

(a) Future operational policy and issues to be addressed

Since July 2011, INV has focused on improving the profitability of its portfolio and strengthening its financial base in order to enhance unitholder value with the Fortress Group as its sponsor. 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. As a result, the sponsor support for a long-term growth of INV has been further strengthened. In addition to access to Fortress' global real estate expertise, INV will pursue synergies with SoftBank Group affiliates that has cutting-edge expertise in various technology fields.

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 the 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 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 and special successive stay for teleworking 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 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.

(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

The long-term issuer rating and bond rating from Japan Credit Rating Agency, Ltd. (JCR) have been changed as follows as of February 1, 2022.

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

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 director 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 director's duties via the Board of Directors of INV.

CIM has a compliance officer who is responsible for compliance with laws, regulations and other relevant matters as well as overall management of transactions with sponsor related parties. Moreover, it has in place a compliance committee which, chaired by such compliance officer, is in charge of deliberating on compliance with laws, regulations and other relevant matters as well as transactions with sponsor related parties. Compliance committee meetings are attended by an outside expert (an attorney) who, sitting in as a compliance committee member, conducts rigorous deliberations on the existence of conflicts of interest in transactions with sponsor related parties as well as strict examinations with respect to INV's compliance with laws and regulations. No resolution will be adopted unless the outside expert agrees.

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

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

(v) Initiatives for Sustainability

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

Thus, INV and CIM have established a "Sustainability Policy" to set basic policies for sustainability and put them into practice in our daily operations. Under this policy, CIM has formulated the "Energy Conservation Policy", the "Greenhouse Gas Emissions Reduction Policy", the "Water Saving Policy" and the "Waste Management Policy" which stipulate efforts to reduce environmental impact. In addition, CIM are actively promoting environmental and social initiatives related to INV's properties. 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, 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, some hotels owned by INV (APA Hotel Yokohama-Kannai and Hotel MyStays Oita) have been used as accommodation and medical facilities for patients with mild symptoms or quarantine facilities for returnees from overseas in terms of social contributions. Also, meeting rooms at Hotel MyStays Shin Osaka Conference Center were provided as a vaccination venue.

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

c Significant Subsequent Events

(a) Overview of Sale of Assets

CIM decided to sell trust beneficiary interests in six residential properties as below on December 8, 2021 and INV completed the sales on January 12, 2022.

Property Number	Property Name	Acquisition Price (JPY million)	Book Value (JPY million) (Note 1)	Sale Price (JPY million) (Note 2) (Note 3)	Expected Gain on Sale (JPY million) (Note 2) (Note 4)	Transferee (Note 5)
A79	Revest Honjin	674	569	4,450	1,454	Kansai Residence Tokutei Mokuteki Kaisha
A80	Revest Matsubara	657	559			
A82	Alba Noritake Shinmachi	608	509			
A83	Revest Meieki Minami	597	498			
A88	Luna Court Edobori	525	457			
A98	Little River Honmachibashi	310	272			
Total		3,371	2,867	4,450	1,454	-

(Note 1) Book value shows figures as of December 31, 2021.

(Note 2) Sale prices of individual properties are not disclosed as the transferee's consent has not been obtained for disclosure. Accordingly, the expected gains on sales of individual properties are not disclosed, either.

(Note 3) Sale price shows a figure set forth in the purchase and sale agreement for the trust beneficiary interests, and do not include adjustments for property taxes, city planning taxes, or national or local consumption taxes.

(Note 4) Expected gain on sale is calculated by deducting the book value and estimated transfer related costs from the sale price. An estimated amount as of today is shown and may change when the financial results for the fiscal period ending June 2022 are finalized.

(Note 5) 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 6) Amounts are rounded down to the nearest million yen.

(Reference Information)

(a) Debt Financing

INV decided to borrow Term Loan (001) and Term Loan (002) on January 20, 2022 in order to repay (i) the Term Loan (I) in the amount of JPY 4,250 million, (ii) the Term Loan (R) in the amount of JPY 3,400 million and (iii) the Term Loan (S) in the amount of JPY 850 million, due on January 22, 2022.

(i) Term Loan (001)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
MUFG Bank, Ltd.	January 24, 2022	1,700	Floating interest rates (Note 1)	January 24, 2023	Unsecured/ non guarantee

(ii) Term Loan (002)

Lender	Borrowing Date	Outstanding Balance (JPY million)	Interest Rate (annual rate)	Maturity Date	Borrowing Method
Sumitomo Mitsui Trust Bank, Limited	January 24, 2022	6,800	Floating interest rates (Note 1)	January 24, 2023	Unsecured/ non guarantee

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

d Operational Outlook

The worldwide spread of COVID-19 has had a significant impact on hotel revenues. At this point in time, it remains difficult to predict the spread of COVID-19 and its impact on the hotel industry and operators. Therefore, the forecast of financial results and DPU for the June 2022 fiscal period (from January 1 to June 30, 2022) remains undetermined.

	June 2022 Fiscal Period (Anticipated)
Operating Revenues	TBD
Operating Income	TBD
Ordinary Income	TBD
Net Income	TBD
Total Distribution Amount (Including excess profit distribution)	TBD
Net Income per Unit	TBD
Distribution per Unit (Excluding excess profit distribution)	TBD
Excess Profit Distribution per Unit	TBD
Distribution per Unit (Including excess profit distribution)	TBD

(2) Investment Risk

Disclosure is omitted because there have been no material changes in the "Investment Risk" section of the latest securities report (filed on September 24, 2021).