Invincible Investment Corporation

[For Information Purpose Only.
The Japanese language press release should be referred to as the original.]

July 19, 2023

To All Concerned Parties

Name of REIT Issuer:
Invincible Investment Corporation
Naoki Fukuda, Executive Director
(Securities code: 8963)

Asset manager:
Consonant Investment Management Co., Ltd.
Naoki Fukuda, President & CEO
Contact: Jun Komo
General Manager of Planning Department
(Tel. +81-3-5411-2731)

Notice concerning Revision of Forecast of Financial Results and Distribution for the 40th Fiscal Period Ended June 2023 and the 41st Fiscal Period Ending December 2023 as well as Forecast of Financial Results and Distribution for the 42nd Fiscal Period Ending June 2024

Invincible Investment Corporation (“INV”) today announced the revision of its forecast of financial results and distribution for the fiscal period ended June 2023 (40th Fiscal Period) as announced in “Notice concerning Revision of Forecast of Financial Results and Distribution for the 40th Fiscal Period Ending June 2023” dated April 25, 2023, and the revision of its forecast of financial results and distribution for the fiscal period ending December 2023 (41st Fiscal Period) as announced in “Financial Summary for the December 2022 Fiscal Period” dated February 22, 2023, together with the newly announced forecast of financial results and distribution for the fiscal period ending June 2024 (42nd Fiscal Period: from January 1, 2024 to June 30, 2024).

1. Revision of the forecast of financial results and distribution for the fiscal period ended June 2023 (from January 1, 2023 to June 30, 2023) and the fiscal period ending December 2023 (from July 1, 2023 to December 31, 2023) and the forecast of financial results and distribution for the fiscal period ending June 2024 (from January 1, 2024 to June 30, 2024)

<Fiscal Period Ended June 2023>

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Total Distribution Amount
Previous forecast (A) (announced on April 25, 2023)	JPY million 15,328	JPY million 9,555	JPY million 8,309	JPY million 8,309	JPY million 8,303
Revised forecast (B)	JPY million 15,842	JPY million 10,239	JPY million 8,796	JPY million 8,796	JPY million 8,803
Amount of Variance (B) – (A)	JPY million 513	JPY million 683	JPY million 486	JPY million 486	JPY million 499

Rate of variance ((B) – (A)) / (A)	% 3.3	% 7.2	% 5.9	% 5.9	% 6.0

	Earnings per Unit (Note 1,2)	Distribution per Unit (Excluding Excess Profit Distribution per Unit) (Note 1,2)	Excess Profit Distribution per Unit (Note 1)	Distribution per Unit (Including Excess Profit Distribution per Unit) (Note 1)
Previous forecast (A) (announced on April 25, 2023)	JPY 1,362	JPY 1,362	JPY -	JPY 1,362
Revised forecast (B)	JPY 1,442	JPY 1,444	JPY -	JPY 1,444
Amount of Variance (B) – (A)	JPY 80	JPY 82	JPY -	JPY 82
Rate of variance ((B) – (A)) / (A)	% 5.9	% 6.0	% -	% 6.0

(Note 1) The total number of investment units issued and outstanding at the end of the fiscal period: 6,096,840 units.

(Note 2) The difference between the Earnings per Unit and Distribution per Unit (Excluding Excess Profit Distribution per Unit) is due to distribution from accumulated retained earnings. Please refer to Appendix 1 < Assumptions Underlying the Forecast of Financial Results and Distributions for the Fiscal Periods ended June 2023 (40th Fiscal Period), ending December 2023 (41st Fiscal Period) and ending June 2024 (42nd Fiscal Period> “Distribution per unit” and “Distributions per unit in excess of profits” for details.

<Fiscal Period Ending December 2023>

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Total Distribution Amount
Previous forecast (A) (announced on February 22, 2023)	JPY million 13,469	JPY million 7,467	JPY million 6,324	JPY million 6,324	JPY million 6,322
Revised forecast (B)	JPY million 17,786	JPY million 11,255	JPY million 9,586	JPY million 9,586	JPY million 9,708
Amount of Variance (B) – (A)	JPY million 4,316	JPY million 3,787	JPY million 3,262	JPY million 3,262	JPY million 3,385
Rate of variance ((B) – (A)) / (A)	% 32.0	% 50.7	% 51.6	% 51.6	% 53.6

	Earnings per Unit (Note 1, 2)	Distribution per Unit (Excluding Excess Profit Distribution per Unit) (Note 1,2)	Excess Profit Distribution per Unit (Note 1)	Distribution per Unit (Including Excess Profit Distribution per Unit) (Note 1)
Previous forecast (A) (announced on February 22, 2023)	JPY 1,037	JPY 1,037	JPY -	JPY 1,037
Revised forecast (B)	JPY 1,422	JPY 1,441	JPY -	JPY 1,441
Amount of Variance (B) – (A)	JPY 385	JPY 404	JPY -	JPY 404
Rate of variance ((B) – (A)) / (A)	% 37.1	% 39.0	% -	% 39.0

(Note 1) The total number of investment units issued and outstanding at the end of the fiscal period: 6,096,840 units (previous forecast) and 6,737,121 units (revised forecast).

(Note 2) The difference between the Earnings per Unit and Distribution per Unit (Excluding Excess Profit Distribution per Unit) is due to distribution from accumulated retained earnings. Please refer to Appendix 1 < Assumptions Underlying the Forecast of Financial Results and Distributions for the Fiscal Periods ended June 2023 (40th Fiscal Period), ending December 2023 (41st Fiscal Period) and ending June 2024 (42nd Fiscal Period> “Distribution per unit” and “Distributions per unit in excess of profits” for details.

<Fiscal Period Ending June 2024>

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Total Distribution
Forecast	JPY million 18,000	JPY million 11,348	JPY million 9,855	JPY million 9,854	JPY million 9,876

	Earnings per Unit (Note 1, 2)	Distribution per Unit (Excluding Excess Profit Distribution per Unit) (Note 1, 2)	Excess Profit Distribution per Unit (Note 1)	Distribution per Unit (Including Excess Profit Distribution per Unit) (Note 1)
Forecast	JPY 1,462	JPY 1,466	JPY -	JPY 1,466

(Note 1) The total number of investment units issued and outstanding at the end of the fiscal period: 6,737,121 units.

(Note 2) The difference between the Earnings per Unit and Distribution per Unit (Excluding Excess Profit Distribution per Unit) is due to distribution from accumulated retained earnings. Please refer to Appendix 1 < Assumptions Underlying the Forecast of Financial Results and Distributions for the Fiscal Periods ended June 2023 (40th Fiscal Period), ending December 2023 (41st Fiscal Period) and ending June 2024 (42nd Fiscal Period> “Distribution per unit” and “Distributions per unit in excess of profits” for details.

(Reference)

Assumptions underlying the revision of the forecast of financial results and distribution for the fiscal period ended June 2023 (40th Fiscal Period) and the fiscal period ending December 2023 (41st Fiscal Period) as well as the forecast of financial results and distribution for the fiscal period ending June 2024 (42nd Fiscal Period) are provided in Appendix 1.

Simulated Distribution per Unit ("DPU") for the fiscal period ending December 2023 are shown for reference purposes, which are calculated by applying adjustments, as the DPU for the fiscal period ending December 2023 will be affected due to acquisition of properties announced as of July 19, 2023 (the "Anticipated Acquisitions") (Note 1), the issuance of new investment units through the public offering and the third party allotment (Note 2) announced as of July 19, 2023 and the new borrowings (the "Borrowings") (Note 3) announced as of July 19, 2023 (collectively, the "Transactions"), assuming that all Transactions had occurred prior to the commencement of the fiscal period ending December 2023 without one-time gains/expenses, etc. incurred in the fiscal period. For details on the method for calculation and figures of simulated DPU, please refer to Appendix 2.

(Note 1) The Anticipated Acquisitions refer to the anticipated acquisition of the six domestic hotel properties announced in the press release entitled "Notice concerning Acquisition and Lease of Domestic Trust Beneficiary Interests" dated July 19, 2023.

(Note 2) The Public Offering refers to the issuance of new investment units through the public offering (the "Primary Offering") and the third party allotment (the "Third Party Allotment", and the together with the primary offering, the "Public Offering") announced in the press release entitled "Notice concerning Issuance of New Investment Units and Secondary Offering of Investment Units" dated July 19, 2023.

(Note 3) The Borrowings refer to the new borrowings announced in the press release entitled "Notice concerning Debt Financing" dated July 19, 2023.

2. Reasons for the revision and announcement of forecast of financial results and distribution

As announced in the press releases “Notice concerning Acquisition and Lease of Domestic Trust Beneficiary Interests”, “Notice concerning Debt Financing” and “Notice concerning Issuance of New Investment Units and Secondary Distribution of Investment Units” dated July 19, 2023, INV expects to conduct the Public Offering as well as Borrowings for the Anticipated Acquisitions on August 1, 2023.

Due to the acquisition of the properties and other transactions mentioned above, the operating revenue for the fiscal period ending December 2023 is expected to increase. Therefore, INV is revising the forecast of financial results and distributions for the fiscal period ending December 2023.

INV decided to revise the forecast of financial results and distribution for the fiscal period ended June 2023 based on the performance of the existing portfolio as of today, and to announce the forecast of financial results and distribution for the fiscal period ending June 2024 upon a series of discussions based on the information currently available to the Investment Corporation and certain assumptions that the Investment Corporation deems reasonable, with the current status of operation reflected.

3. Policy for excess profit distribution, etc.

INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits or reversal of retained earnings (“distributions in excess of profits, etc.” together with distributions in excess of profits hereinafter) in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.

INV may also consider making distributions in excess of profits, etc. for the purpose of mitigating the impact of corporate tax increases arising from different rules and practices in tax and accounting, such as treatment on depreciation of fixed term land lease or asset retirement obligation.

With respect to the fiscal period ended June 2023, INV plans to pay distributions through reversal of retained earnings (internal reserve) as “distributions in excess of profits, etc. of the amount of difference arising from differences in tax and accounting processing”.

With respect to the fiscal period ending December 2023, earnings per unit is expected to decrease due to (i) one-off expenses in connection with the Public Offering and the Borrowings and (ii) partial income contribution from the Anticipated Acquisitions for the fiscal period ending December 2023. Therefore, INV plans to pay distributions through reversal of retained earnings (internal reserve) so that the total amount of DPU for the fiscal period ending December 2023 will be the same level as the total amount of the simulated DPU (after the Transactions) for the same fiscal period.

With respect to the fiscal period ending June 2024, INV plans to distribute reversal of retained earnings (internal reserve) as "an excess share of profit, etc. of the amount of difference arising from differences in tax and accounting processing."

Simulated distribution per unit for the fiscal period ending December 2023 is JPY 1,441, which is calculated by applying adjustments listed in Appendix 2. For the other assumptions, please refer to Appendix 1.

4. Reasons for Forecast Revision

The revised DPU forecast for the fiscal period ended June 2023 is JPY 1,444 (+769.9% year-on-year) and the revised DPU forecast for the fiscal period ending December 2023 is JPY 1,441 (+73.2% year-on-year); the DPU for the full calendar year 2023 is forecasted to be JPY 2,885 (+189.1% year-on-year). As above, strong recovery of the DPU is expected in 2023, overcoming the Covid-19 pandemic.

NOI for INV's entire portfolio for the fiscal period ending December 2023 is expected to grow by 54.0% due to revenue contributions from the assets to be acquired and internal growth of the existing portfolio. As for internal growth of the hotel portfolio and the residential portfolio, NOI for the hotel portfolio (Note 1) and residential portfolio (Note 2) for the fiscal period ending December 2023 are expected to grow by 38.4% and decrease by 0.7%, respectively, as compared to NOI for the corresponding period in the previous year.

With regard to the domestic hotel portfolio, INV expects ADR, occupancy rate and RevPAR (Note 3) for the fiscal period ending December 2023 to increase by 9.7%, 9.3pt and 23.2% year on year, respectively, resulting in GOP (Note 3) growth of 32.2% year on year, as described in "4. Reasons for Forecast Revision (Reference) <Forecasts for Performance Indicators of Domestic Hotel Properties (80 hotels)>" below. With regard to the overseas hotel portfolio, INV expects ADR, occupancy rate and RevPAR for the fiscal period ending December 2023 to increase by 2.1%, 8.5pt and 17.5% year on year, respectively, resulting in GOP growth of 16.8% year on year.

Meanwhile, with regard to internal growth of the residential portfolio, NOI for the fiscal period ending December 2023 for 41 residential properties owned by INV as of the end of June 2023 is expected to decrease by 0.7% against that for the corresponding period in the previous year. INV forecasts occupancy rate (Note 4) to increase from 96.3% to 96.6% and average rent per tsubo (Note 4) to increase by 0.6%, from JPY 9,172 to JPY 9,230 against those for the corresponding period in the previous year.

In addition, as announced in the press release "Notice concerning Acquisition and Lease of Domestic Trust Beneficiary Interests" dated July 19, 2023, INV will acquire six hotel properties totaling JPY 57,230 million in the fiscal period ending December 2023, and these hotels are anticipated to increase the simulated portfolio NOI by JPY 2,213 million, or JPY 328 per unit for the fiscal period ending December 2023, based on forecasted number of investment units issued and outstanding after the Public Offering, INV seeks to maximize unitholders' value while building its portfolio with hotels and residential properties as its core assets via focusing on both growth and stability.

(Note 1) Calculated based on the actual results and forecasts for 77 hotel properties, which are two overseas hotel properties owned as of the end of June 2023 and 75 domestic hotel properties; of the 84 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) owned as of the end of June 2023, excluding nine hotels with fixed-rent lease agreements. Such nine hotels with fixed-rent are 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 Tsubamesanjo, Comfort Hotel Kitami, and Takamatsu Tokyu REI Hotel (Takamatsu Tokyu REI Hotel, for which a variable-rent arrangement has been introduced since April 25, 2023, is included in the nine hotels for ease of comparison with the fiscal period ended December, 2022). The forecasts are based on the assumptions set out in

Appendix 1 "Operating Revenues", which may be significantly deviate from the actual results. However, in order to eliminate the impact of exchange rates, the income for overseas hotels is converted at USD 1 = JPY 110.

(Note 2) Calculated based on actual results and forecasts for the 41 residential properties owned as of the end of June 2023. Excludes one-off insurance-related revenues and expenses.

(Note 3) For definition of ADR, occupancy rate for hotel portfolio, RevPAR and GOP, please refer to "4. Reasons for Forecast Revision (Reference) <Forecasts for Performance Indicators of Domestic Hotel Properties (75 hotels)>" below.

(Note 4) For definition of occupancy rate and average rent per tsubo, please refer to "4. Reasons for Forecast Revision (Reference) <Forecasts for Performance Indicators of Residential Properties (41 properties)>" below.

(Reference)

<Forecasts for Performance Indicators of Domestic Hotel Properties (75 hotels (Note 1))>

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate (Note 2)	80.7%	85.5%	83.1%	85.7%
ADR (JPY) (Note 3)	10,868	11,447	11,169	10,606
RevPAR (JPY) (Note 4)	8,772	9,787	9,284	9,086
GOP (JPY million) (Note 5) (Note 6)	10,424	12,374	22,799	10,939

Year-on-Year Changes

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	+19.2pt	+9.6pt	+14.4pt	+5.0pt
ADR	+44.8%	+12.2%	+24.0%	-2.4%
RevPAR	+90.1%	+26.4%	+49.9%	+3.6%
GOP	+228.7%	+39.7%	+89.6%	+4.9%

(Note 1) From the perspective of comparison with the previously announced performance indicators, forecasts for performance indicators are for 75 domestic hotel properties of the 84 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) owned before the anticipated acquisition, excluding nine hotels with fixed-rent lease agreements. The nine hotels with fixed-rent lease agreements are as described in Note 1 of “4. Reasons for Forecast Revision” above. Hereinafter the same.

(Note 2) “Occupancy Rate” for hotel portfolio is calculated using the following formula: room occupancy rate = total number of rooms occupied during the relevant period ÷ (aggregate number of rooms during the relevant period x number of days during relevant period). Hereinafter the same.

(Note 3) “ADR” or Average Daily Rate, is the value of the total room revenues for a certain period (excluding service fees) divided by the total number of sold rooms for the same period. Hereinafter the same.

(Note 4) “RevPAR” or Revenues Per Available Room, is calculated by dividing the total revenues for a certain period by the aggregate number of rooms for the same period (rooms x number of days), and is the same figure as that of a product of ADR and occupancy rate. Hereinafter the same.

(Note 5) “GOP” or Gross Operating Profit, is rent revenue INV receives as a rent which is the amount remaining after deducting the personnel, material, water, electricity, and heating and advertising expenses as well as the management service fee for the hotel operations (if any) from the hotel’s revenues. Hereinafter the same.

(Note 6) With respect to APA Hotel Yokohama-Kannai, INV considers the rent paid to INV for this hotel as GOP of this hotel.

<Forecasts for Performance Indicators of Domestic Hotel Properties (80 hotels (Note 1))>

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	80.5%	85.4%	83.0%	85.1%
ADR (JPY)	11,570	12,572	12,090	11,235
RevPAR (JPY)	9,314	10,741	10,033	9,564
GOP (JPY million)	11,673	14,602	26,275	12,160

Year-on-Year Changes

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	+19.2pt	+9.3pt	+14.2pt	+4.6pt
ADR	+40.3%	+9.7%	+20.5%	-2.9%
RevPAR	+84.1%	+23.2%	+45.3%	+2.7%
GOP	+207.3%	+32.2%	+77.0%	+4.2%

(Note 1) Calculated based on the actual results and forecasts for 80 hotel properties; of the 90 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) to be owned after the anticipated acquisition, excluding nine hotels with fixed-rent lease agreements as well as Hotel MyStays Soga which an actual result for the fiscal period ended June 2022 is partially unavailable due to effect of renovation. The actual results prior to the anticipated acquisition by INV are based on the data provided by the respective sellers, with adjustments to trust fees and insurance premiums as if INV had held such properties since the beginning of 2023. The forecasts are based on the assumptions set out in Appendix 1 “Operating Revenues”, which may be significantly deviate from the actual results. “Occupancy Rate,” “ADR,” “RevPAR,” and “GOP,” are calculated in the same manner as “4. Reasons for Forecast Revision (Reference) Forecasts for Performance Indicators of Domestic Hotel Properties (75 hotels)” (Note 2) through (Note 6) above.

<Forecasts for Performance Indicators of Overseas Hotel Properties (2 hotels)>

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	77.3%	64.7%	70.9%	80.7%
ADR (USD)	537	411	479	552
RevPAR (USD)	415	266	340	445
GOP (USD)	29,182,631	15,388,203	44,570,834	31,841,848

Year-on-Year Changes

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	+37.6pt	+8.5pt	+22.9pt	+3.4pt
ADR	+45.1%	+2.1%	+23.1%	+2.8%
RevPAR	+182.2%	+17.5%	+81.7%	+7.3%
GOP	+240.9%	+16.8%	+105.0%	+9.1%

<Forecasts for Performance Indicators of Residential Properties (41 properties (Note 1))>

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate (Note 2)	96.6%	96.6%	96.6%	96.9%
Average Rent per Tsubo per Month (JPY) (Note 3)	9,187	9,230	9,209	9,246
NOI (JPY million) (Note 4)	1,121	1,110	2,231	1,112

Year-on-Year Changes

	Y2023			Y2024
	June fiscal period (Forecast)	December fiscal period (Forecast)	Full-Year (Forecast)	June fiscal period (Forecast)
Occupancy Rate	+0.6pt	+0.3pt	+0.4pt	+0.3pt
Average Rent per Tsubo per Month	+0.6%	+0.6%	+0.6%	+0.6%
NOI	+0.8%	-0.7%	+0.0%	-0.9%

(Note 1) For definition of 41 residential properties, please refer to Note 2 of “4. Reasons for Forecast Revision” above.

(Note 2) “Occupancy Rate” is calculated by dividing the sum of total residential leased area by the sum of total residential leasable area at the end of each month of each period. Hereinafter the same.

(Note 3) “Average Rent per Tsubo per Month” is calculated by dividing the total residential rental revenue including common area charges for each month by the sum of total residential leasable area at the end of each month, indicating the average rent per Tsubo weighted by leased area. Hereinafter the same.

(Note 4) Figures are rounded down to the indicated amount. Excludes one-off insurance-related revenues and expenses. Hereinafter the same.

Based on the above, the forecasts of earnings per unit and distribution per unit for the full calendar year 2023 are as follows:

<Full-year 2023> (Aggregate of the fiscal periods ended June 2023 (Forecast) and ending December 2023 (Forecast))

	Earnings per Unit (Note)	Distribution per Unit (Excluding Excess Profit Distribution per Unit) (Note)	Excess Profit Distribution per Unit (Note)	Distribution per Unit (Including Excess Profit Distribution per Unit) (Note)
Previous forecast (A) (announced on February 22, 2023 and April 25, 2023)	JPY 2,399	JPY 2,399	JPY -	JPY 2,399
Revised forecast (B)	JPY 2,864	JPY 2,885	JPY -	JPY 2,885
Amount of variance (B) – (A)	JPY 465	JPY 486	JPY -	JPY 486
Rate of variance ((B) – (A)) / (A)	% 19.4	% 20.3	% -	% 20.3

(Note) Assumption: the number of investment units issued and outstanding at the end of the fiscal period ended June 2023 was 6,096,840 units and the number of investment units issued and outstanding at the end of the fiscal period ending December 2023 is 6,737,121 units.

Website of INV: https://www.invincible-inv.co.jp/en/

(Appendix 1)

<Assumptions Underlying the Forecast of Financial Results and Distributions for the Fiscal Periods ended June 2023 (40th Fiscal Period), ending December 2023 (41st Fiscal Period) and ending June 2024 (42nd Fiscal Period)>

Item	Assumptions
Fiscal period	The June 2023 Fiscal Period: from January 1, 2023 to June 30, 2023 (181 days) The December 2023 Fiscal Period: from July 1, 2023 to December 31, 2023 (184 days) The June 2024 Fiscal Period: from January 1, 2024 to June 30, 2024 (182 days)
Assets under management	Properties held as of the end of the June 2023 Fiscal Period: 127 properties and preferred equity interests in one TMK Properties held as of the end of the December 2023 Fiscal Period: 133 properties and preferred equity interests in one TMK Properties held as of the end of the June 2024 Fiscal Period: 133 properties and preferred equity interests in one TMK In addition to the properties held as of today (127 properties and preferred equity interests in one TMK), INV assumes that INV will newly acquire six hotels, the Anticipated Acquisitions, as of August 1, 2023 (Note) and that there will be no other change in the portfolio through the end of the fiscal period ending June 2024. (Note) For details regarding the details of Anticipated Acquisitions, please refer to “Notice concerning Acquisition and Lease of Domestic Trust Beneficiary Interests” dated July 19, 2023.
Units outstanding	As of the end of the June 2023 Fiscal Period: 6,096,840 units As of the end of the December 2023 Fiscal Period: 6,737,121 units As of the end of the June 2024 Fiscal Period: 6,737,121 units INV assumes that a total of 640,281 new investment units will be issued through the Primary Offering (609,792 new investment units) and the Third Party Allotment (up to 30,489 new investment units), and that the expected number of investment units issued and outstanding following the Public Offering will be 6,737,121 units, and that there will be no additional issuance of units thereafter through the end of the June 2024 Fiscal Period.

Item	Assumptions
Interest-bearing liabilities	Balance as of the end of the June 2023 Fiscal Period: JPY 239,190 million (borrowing: JPY 225,790 million, investment corporation bonds: JPY 13,400 million) Balance as of the end of the December 2023 Fiscal Period: JPY 269,046 million (borrowing: JPY 255,646 million, investment corporation bonds: JPY 13,400 million) Balance as of the end of the June 2024 Fiscal Period: JPY 269,046 million (borrowing: JPY 255,646 million, investment corporation bonds: JPY 13,400 million) INV assumes that JPY 29,856 million of borrowing is implemented as of August 1, 2023, for the fiscal period ending December 2023, as mentioned in the press release entitled “Notice concerning Debt Financing” dated July 19, 2023. In addition, INV intends refinance the same amount of loan and investment corporation bonds due in December 2023 as well as June 2024 Fiscal Periods. INV assumes no other new loan or prepayment of loan through the end of the June 2024 Fiscal Period.

Operating revenues

INV expects to record operating revenues for each fiscal period as follows:

The hotel rents revenue in Japan are forecasted based on the following assumptions but may be significantly deviate from the actual results due to various factors including the situation of recovery from the pandemic.

INV assumes that domestic hotel demand for the fiscal period ending December 31, 2023 and thereafter will generally recover to the level of 2019 before the pandemic, though partially offset by the termination of the governmental tourism promotion measures.

INV assumes that inbound demand will recover to the 2019 level from the summer or fall of 2023, except for Chinese tourism to Japan in which recovery is expected to be delayed to 2024.

In addition to the demand forecasts above, INV has taken into account various factors including scheduled conferences, concerts and other events in the vicinity of each hotel, situations of competitors and price trends, etc., to forecast hotel rents for the period ending December 31, 2023 and thereafter. The reservations for the period from July to September 2023 already made as of the forecast are also taken into account.

	June 2023 Fiscal Period	December 2023 Fiscal Period	June 2024 Fiscal Period
・Rental revenues	JPY 11,957 million	JPY 15,579 million	JPY 13,415 million
(of these, hotel rents)	(JPY 10,085 million)	(JPY 13,829 million)	(JPY 11,635 million)
(fixed hotel rents)	(JPY 5,498 million)	(JPY 7,469 million)	(JPY 5,853 million)
(variable hotel rents)	(JPY 4,587 million)	(JPY 6,360 million)	(JPY 5,782 million)
・Management contract revenue	JPY 3,884 million	JPY 2,206 million	JPY 4,585 million
(in thousand USD)	USD 28,971	USD 15,325	USD 31,841
・Dividend amount	-	-	-
Total operating revenues	JPY 15,842 million	JPY 17,786 million	JPY 18,000 million

INV estimates the amount of dividends on the preferred equity interests based on the performance the underlying asset backing the cash flows and the assumed amount of expenses incurred by the special purpose company. INV has assumed conservatively that no dividends would be paid from the Kingdom TMK that owns Sheraton Grande Tokyo Bay Hotel through the end of our fiscal period ending June 30, 2024 due to the TMK recording a cumulative loss due to losses incurred in prior periods with the effect from Covid-19 we expect cumulative loss to be eliminated by then.

INV receives revenue and recognizes management contract revenues from two overseas real estate assets “Westin Grand Cayman Seven Mile Beach Resort & Spa” and “Sunshine Suites Resort” (“the Overseas Hotels”). The forecast of management contract revenues is based on estimated performance of the underlying assets and the assumed amount of expenses incurred by the hotel management company. Management contract revenues for the June 2023 Fiscal Period have been calculated based on the monthly average exchange rate of each month, and management contract revenues for the December 2023 and June 2024 Fiscal Periods have been calculated based on the exchange rate of USD 1 = JPY 144.

Foreign currency risks on the management contract revenues are partially hedged by foreign exchange forward contracts. For details, please refer to “Notice concerning Execution of Foreign Exchange Forward” dated on January 25, 2023 and “Notice concerning Execution of Foreign Exchange Forward” dated on March 10, 2023 (available

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td></td><td>in Japanese only).
While INV is examining potential expansion and renovation of Westin Grand Cayman Seven Mile Beach Resort & Spa, no specific plan has been determined yet. INV neither anticipates nor incorporates any particular impact of such expansion and renovation for the purpose of this forecast through the end of the June 2024 Fiscal Period.

Rental revenues in the fiscal period ended June 2023, the fiscal period ending December 2023, and the fiscal period ending June 2024 are calculated based on estimates as of today. In addition, INV assumes there will be no delinquencies or non-payment of rent by tenants.</td></tr>
<tr><td>Operating expenses</td><td>INV expects to incur property related expenses and management contract expenses out of operating expenses for each fiscal period as follows:
<table>
<tr><th></th><th>June 2023 Fiscal Period</th><th>December 2023 Fiscal Period</th><th>June 2024 Fiscal Period</th></tr>
<tr><td>・Facility management fees
(of these, repair costs)</td><td>JPY 446 million
(JPY 17 million)</td><td>JPY 475 million
(JPY 24 million)</td><td>JPY 472 million
(JPY 15 million)</td></tr>
<tr><td>・Taxes and other public charges (Note 1)</td><td>JPY 601 million</td><td>JPY 751 million</td><td>JPY 631 million</td></tr>
<tr><td>・Insurance expenses</td><td>JPY 181 million</td><td>JPY 275 million</td><td>JPY 327 million</td></tr>
<tr><td>・Depreciation expenses</td><td>JPY 3,756 million</td><td>JPY 4,342 million</td><td>JPY 4,551 million</td></tr>
<tr><td>・Other expenses</td><td>JPY 110 million</td><td>JPY 103 million</td><td>JPY 126 million</td></tr>
<tr><td>Total property related expenses and management contract expenses</td><td>JPY 5,096 million</td><td>JPY 5,948 million</td><td>JPY 6,109 million</td></tr>
</table>
(Note 1) Property taxes and city planning taxes on the assets to be acquired in 2023 including anticipated acquisition of assets are calculated on a pro-rata basis with the previous owners and settled at the time of acquisition, and are not recorded for the fiscal period ending December 2023 and recorded from the fiscal period ending June 2024 as the amount equivalent to such settlement is included in the acquisition cost.
For the Anticipated Acquisitions, INV expects to record the property taxes and city planning taxes of JPY 59 million as part of the total acquisition cost, and an annual amount of JPY 141 million of such taxes as expenses starting from the fiscal period ending June 2024.

INV expects to incur other operating expenses than the property related expenses or management contract expenses for each fiscal period as follows:
<table>
<tr><th></th><th>June 2023 Fiscal Period</th><th>December 2023 Fiscal Period</th><th>June 2024 Fiscal Period</th></tr>
<tr><td>・Other operating expenses</td><td>JPY 506 million</td><td>JPY 582 million</td><td>JPY 541 million</td></tr>
<tr><td>(of these, asset management fees)</td><td>(JPY 300 million)</td><td>(JPY 300 million)</td><td>(JPY 300 million)</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>NOI</td><td>
INV expects to record net operating income for each fiscal period as follows:
<table>
<tr><th></th><th>June 2023 Fiscal Period</th><th>December 2023 Fiscal Period</th><th>June 2024 Fiscal Period</th></tr>
<tr><td>・NOI</td><td>JPY 14,502 million</td><td>JPY 16,180 million</td><td>JPY 16,442 million</td></tr>
<tr><td>(of these, domestic hotel NOI)</td><td>(JPY 9,618 million)</td><td>(JPY 13,071 million)</td><td>(JPY 11,010 million)</td></tr>
<tr><td>(of these, overseas hotel NOI)</td><td>(JPY 3,684 million)</td><td>(JPY 1,920 million)</td><td>(JPY 4,241 million)</td></tr>
<tr><td>(of these, residential NOI)</td><td>(JPY 1,121 million)</td><td>(JPY 1,110 million)</td><td>(JPY 1,113 million)</td></tr>
</table>
NOI calculation method in the above table is as follows
NOI＝ Rental Revenues － Property Related Expenses + Depreciation Expenses+ Dividends on the preferred equity interest (TMK dividend) + Management Contract Revenue－Management Contract Expense
</td></tr>
<tr><td>Non-operating expenses</td><td>
INV expects to incur non-operating expenses for each fiscal period as follows:
<table>
<tr><th></th><th>June 2023 Fiscal Period</th><th>December 2023 Fiscal Period</th><th>June 2024 Fiscal Period</th></tr>
<tr><td>・Interest expense</td><td>JPY 508 million</td><td>JPY 631 million</td><td>JPY 663 million</td></tr>
<tr><td>・Finance related costs</td><td>JPY 528 million</td><td>JPY 650 million</td><td>JPY 661 million</td></tr>
<tr><td>・Interest for investment corporation bonds</td><td>JPY 34 million</td><td>JPY 60 million</td><td>JPY 62 million</td></tr>
<tr><td>・Depreciation of investment corporation bonds issuance expenses</td><td>JPY 7 million</td><td>JPY 10 million</td><td>JPY 10 million</td></tr>
<tr><td>・Other non-operating expenses (expenses relating to the issuance of new units for the Public Offering)</td><td>-</td><td>JPY 200 million</td><td>-</td></tr>
<tr><td>・Foreign exchange loss (Note 1)</td><td>JPY 375 million</td><td>JPY 115 million</td><td>JPY 95 million</td></tr>
<tr><td>Total Non-operating expenses</td><td>JPY 1,454 million</td><td>JPY 1,668 million</td><td>JPY 1,493 million</td></tr>
</table>
(Note 1) Mainly due to the effect of currency exchange contracts on the revenue of overseas hotels. However, this amount is an estimate based on the current exchange rate, and it may change significantly depending on future exchange rate trends. In addition, currency gains may be recorded as a result.
</td></tr>
</table>

Item	Assumptions
Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation. With respect to the distribution for the fiscal period ended June 2023, INV expects to distribute an aggregate amount of JPY 8,803 million (distribution per unit: JPY 1,444) from the net income for the June 2023 Fiscal Period (JPY 8,796 million) plus JPY 7 million of reversal of retained earnings (internal reserve). With respect to the distribution for the fiscal period ending December 2023, INV expects to distribute an aggregate amount of JPY 9,708 million (distribution per unit: JPY 1,441) from the net income for the December 2023 Fiscal Period (JPY 9,586 million) including JPY 121 million reversal of retained earnings (internal reserve). With respect to the distribution for the fiscal period ending June 2024, INV expects to distribute an aggregate amount of JPY 9,876 million (distribution per unit: JPY 1,466) from the net income for the fiscal period ending June 2024 (JPY 9,854 million) including JPY 21 million reversal of retained earnings (internal reserve). For the fiscal period ended June 2023, fiscal period ending December 2023, and fiscal period ending June 2024, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 142 million, which is equal to the amount for the fiscal period ended December 2022. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap and the currency option does not affect the distribution per unit. Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Distributions per unit in excess of profits</td><td>INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period. Therefore, INV has adopted a policy of making distributions in excess of profits, etc. in order to stabilize distributions in cases where dilution of investment units or significant expenses are to be recorded in connection with the acquisition of assets or the raising of capital, or other events leading to a temporary decrease in distribution per unit. When determining distributions in excess of profits, etc., INV takes into consideration the level of distribution per unit assuming such acquisition of assets, capital raising or other event would had contributed for a full fiscal period.
INV may also consider making distributions in excess of profits, etc. for the purpose of decreasing the impact from corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.
With respect to the fiscal period ended June 2023, we plan to pay distributions through reversal of retained earnings (internal reserve) (JPY 2 per unit) as “distributions in excess of profits, etc. of the amount of difference arising from differences in tax and accounting processing.”
With respect to the fiscal period ending December 2023, earnings per unit is expected to decrease due to (i) one-off expenses in connection with the Public Offering and the Borrowings and (ii) partial income contribution from the Anticipated Acquisitions for the fiscal period ending December 2023. Therefore, INV plans to pay distributions through reversal of retained earnings (internal reserve) (JPY 19 per unit) so that the total amount of DPU for the fiscal period ending December 2023 will be the same level as the simulated DPU (after the Transactions) for the same fiscal period. See Appendix 2, <Simulated distribution per unit for fiscal period ending December 2023>.

With respect to the fiscal period ending June 2024, INV plans to distribute reversal of retained earnings (internal reserve) (JPY 4 per unit) as “distributions in excess of profit, etc. from the amount of difference arising from differences in tax and accounting processing.”
<table>
<tr><th></th><th>June 2023 Fiscal Period</th><th>December 2023 Fiscal Period</th><th>June 2024 Fiscal Period</th></tr>
<tr><td>Excess profit distribution per unit</td><td>-</td><td>-</td><td>-</td></tr>
</table>
</td></tr>
<tr><td>Other</td><td>INV assumes there will be no amendments to applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts.
In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</td></tr>
</table>

(Appendix 2)

<Simulated distribution per unit for fiscal period ending December 2023>

Simulated distribution per unit for the fiscal period ending December 2023 refers to sum of (i) earnings per unit calculated by first assuming the forecast financial results for the fiscal period ending December 2023 and then, by applying the simulated adjustments below, eliminating the effects of such factors as one-off expenses and treating the Anticipated Acquisitions, the Public Offering and the Borrowing as if they had occurred prior to the beginning of the fiscal period ended December 2023, and (ii) distributions in excess of profit ,etc. (limited to distributions in excess of profit etc. of the amount of difference arising from differences in tax and accounting processing)

Simulated adjustments used to calculate simulated distribution per unit for the fiscal period ending December 2023 include the following adjustments

1. The figures are on the assumption that revenue contributions as well as expenses such as property taxes and city planning taxes on the acquired assets and the assets to be acquired announced in the press releases entitled "Notice concerning Acquisition and Lease of Domestic Trust Beneficiary Interests" as of today were recorded from the beginning of the fiscal period ended December 2023.
2. The figures are on the assumption that borrowings announced in the press release entitled "Notice concerning Debt Financing" as of today were recorded from the beginning of the fiscal period ended December 2023.
3. The figures are on the assumption that a total of 640,281 units (609,792 units through the Public Offering and up to 30,489 units through the Third Party Allotment) were issued at the beginning of the fiscal period ending December 2023.
4. Elimination of one-off revenues/expenses in connection with the Transactions.

The simulated distribution per unit for the fiscal period ending December 2023 as well as the simulated earnings per unit, simulated distribution per unit (excluding excess profit distribution per unit) and simulated excess profit distribution per unit, for the fiscal period ending December 2023, which are calculated by applying the same adjustments as the simulated distribution per unit for the fiscal period ending December 2023 are summarized in the column of "After the Transactions (B)" of the Table A below. In addition, to exhibit the effect of the transactions, these figures before the Transactions are also included in the Table A.

Simulated distribution per unit after the Transactions is calculated by applying all adjustments, while simulated distribution per unit before the Transactions is calculated on the assumption that none of the transactions described above would take place and no revenues or expenses, etc. associated therewith would be recorded.

The simulated distribution per unit for the fiscal period ending December 2023 and the other figures in the Table A below are purely a simulation intended to describe the effect of the Transactions, etc. described above and are neither a forecast nor prospect relating to INV's earnings or distribution per unit for a given operating period. Accordingly, there is no guarantee that the simulated distribution per unit for the fiscal period ending

December 2023 will ever be realized for any future period, and INV is not obligated to revise any of the simulated figures regardless of any changes in circumstances that may affect the above simulation.

[Table A]

	Simulated Earnings per Unit for the fiscal period ending December 2023 (Note 1)	Simulated Distribution per Unit (Excluding Excess Profit Distribution per Unit) for the fiscal period ending December 2023 (Note 1)	Simulated Excess Profit Distribution per Unit for the fiscal period ending December 2023 (Note 1)	Simulated Distribution per Unit (Including Excess Profit Distribution per Unit) for the fiscal period ending December 2023 (Note 1)
Before the Transactions (A)	JPY 1,344	JPY 1,346	JPY -	JPY 1,346
After the Transactions (B)	JPY 1,437	JPY 1,441	JPY -	JPY 1,441
Amount of variance (B) – (A)	JPY 93	JPY 95	JPY -	JPY 95
Rate of variance ((B) – (A)) / (A)	% 6.9	% 7.1	% -	% 7.1

(Note 1) Assumption: the number of investment units issued and outstanding before the Transactions: 6,096,840 units; the number of investment units issued and outstanding after the Transactions: 6,737,121 units.