

Invincible Investment Corporation

Financial Summary for the 21st Fiscal Period (from July 1, 2013 to December 31, 2013)

Name	: Invincible Investment Corporation
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: http://www.invincible-inv.co.jp/eng/
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Start date for dividend distribution	: March 27, 2014

1. Performance for the 21st Fiscal Period Ended December 31, 2013

(from July 1, 2013 to December 31, 2013)

1) Business Results (Percentages in brackets represent change from previous fiscal period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	mn JPY	%	mn JPY	%	mn JPY	%	mn JPY	%
21st Fiscal Period	2,740	(-0.7)	1,265	(2.8)	353	(5.3)	352	(5.3)
20th Fiscal Period	2,760	(11.5)	1,231	(13.6)	335	(192.4)	335	(193.5)

	Net Income per Unit	Net Income / NAV*	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
21st Fiscal Period	259	1.0	0.4	12.9
20th Fiscal Period	249	1.0	0.4	12.2

*NAV = Total net assets

(Note) "Net Income per Unit" is calculated based on the average number of investment units and is rounded to nearest yen.

2) Cash Distributions

	Distribution per Unit (Excluding excess profit distribution per unit)	Distribution Amount	Excess Profit Distribution per Unit	Excess Profit Distribution Amount	Dividend Payout Ratio	Distribution / NAV
	JPY	mn JPY	JPY	mn JPY	%	%
21st Fiscal Period	237	372	0	0	105.7	1.0
20th Fiscal Period	264	355	0	0	106.0	1.1

(Note 1) Invincible Investment Corporation (INV) reversed JPY 20 million out of surplus and distributed JPY 264 per unit for the distribution for the 20th fiscal period ended June 30, 2013. As for the distribution for the 21st fiscal period ended December 31, 2013, INV reversed JPY 20 million out of surplus and decided to distribute JPY 237 per unit.

(Note 2) Dividend payout ratio is calculated by dividing "Distribution Amount" by "Net Income" as for 21st fiscal period.

3) Financial Position

	Total Assets	NAV	NAV /Total Assets	NAV per Unit
	mn JPY	mn JPY	%	JPY
21st Fiscal Period	79,176	35,844	45.3	22,785
20th Fiscal Period	80,249	32,848	40.9	24,363

(Note) "NAV per Unit" is calculated based on the number of investment units issued and outstanding at the end of each period, and is rounded to 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
	mn JPY	mn JPY	mn JPY	mn JPY
21st Fiscal Period	1,771	-169	-1,532	4,187
20th Fiscal Period	1,054	-167	-300	4,117

2. Forecast for the 22nd Fiscal Period Ending June 30, 2014

(from January 1, 2014 to June 30, 2014)

(Percentages in brackets represent change from previous fiscal period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution per Unit (Excluding excess profit distribution per unit)	Excess Profit Distribution per Unit
	mn JPY	%	mn JPY	%	mn JPY	%	mn JPY	%	JPY	JPY
22nd Fiscal Period	2,760	(0.7)	1,191	(-5.9)	731	(107.1)	731	(107.3)	464	0

	Reversal of Surplus		Distribution Amount	
	mn JPY	%	mn JPY	%
22nd Fiscal Period	-	(-)	729	(95.8)

(Reference) Estimated net income per unit for the 22nd fiscal period: JPY 465

Based on the forecast of financial results as of today, INV plans to distribute JPY 729 million in total from net income (the distribution per unit : JPY 464) for the 22nd fiscal period. Furthermore, total distribution amount exceeds 90% of the amount of distributable income, and the distribution (JPY 729 million) is calculated on the assumption that INV will not utilize the the surplus gained from negative goodwill resulting from the merger on February, 2010 (the "Surplus"). Therefore, the balance of the Surplus after the 21st fiscal period distribution will be JPY 73 million, and the balance is expected to remain unchanged after the 22nd period distribution.

(Note 1) One of the tax conduit requirements is the dividend payment requirement, in which investment corporations are required to distribute at least 90 % of their distributable income (Note 2).

(Note 2) Amount of distributable income for the next fiscal period (JPY 790 million (*)) × 90% = JPY 711 million
Total distribution amount for the next fiscal period is JPY 729 million, which exceeds the amount of JPY 711 million, calculated as above.

(*) Distributable income for the next fiscal period (JPY 790 million) = Net income before income tax for the next fiscal period (JPY 731 million) + Amortization of negative goodwill for each fiscal period (JPY 59 million)**

** Amortization of negative goodwill for each fiscal period (JPY 59 million) = Gain on negative goodwill accrued upon the merger (JPY 11,843 million) × (Number of months of fiscal period ÷ 1,200 months (***))

(***) 1,200 months = 100 years × 12 months (1 year)

For the pre-conditions and assumptions underlying the forecast results and business outlook for the 22nd fiscal period, please see "Pre-Conditions and Assumptions Underlying Forecasted Performance for the 22nd Fiscal Period (from January 1, 2014 to June 30, 2014)".

(Disclaimer of Forward-Looking Statements)

Forward-looking statements, such as the forecast described herein, are based on the information that we currently have and certain assumptions that we consider reasonable. The results may significantly vary due to changes in the business, such as the occurrence of sales gains and losses in association with the disposals of properties, repayment of borrowings, and a decrease of rent received, that are not forecasted as of today. Also, this forecast is not a guarantee of the distribution amount.

<Pre-Conditions and Assumptions Underlying Forecasted Performance for the 22nd Fiscal Period
(from January 1, 2014 to June 30, 2014)>

Item	Assumptions
Fiscal period	From January 1, 2014 to June 30, 2014
Assets under anagement	INV assumes the number of properties is 78 properties based on the number of properties held by INV as of today. In addition, INV assumes there will be no new acquisitions or disposals of existing properties thereafter through to the end of the 22nd fiscal period.
Units outstanding	INV assumes the number of units issued and outstanding is 1,573,179 units, which is based on the number of units issued by INV as of today. Also, INV assumes there will be no additional issue of investment units thereafter through to the end of the 22nd fiscal period.
Interest-bearing liabilities	Balance as of the end of the 22nd fiscal period: JPY 41,208 million The repayments of JPY 101 million are scheduled to be made by scheduled repayments during this fiscal period and INV assumes there will be no additional repayments of the borrowings other than the scheduled repayments and no new financing.
Operating revenues	INV assumes it will earn operating revenues of JPY 2,760 million for the 22nd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> • Rental revenues JPY 2,760 million Rental revenues are calculated based on historical data and taking into account tenant trends, property competitiveness, market environment and other factors. In addition, INV assumes there are no delinquencies or non-payment of rent by tenants.
Operating expenses	INV assumes it will incur property related expenses of JPY 1,330 million for the 22nd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> • Facility management fees JPY 464 million (of these, JPY 40 million are repair costs) • Taxes and other public charges JPY 170 million • Insurance expenses JPY 5 million • Other expenses JPY 151 million • Depreciation expenses JPY 537 million Other than the property related expenses, INV assumes it will incur operating expenses of JPY 239 million for the 22nd fiscal period.
Non-operating expenses	INV assumes it will incur non-operating expenses of JPY 459 million for the 22nd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> • Interest expenses JPY 396 million • Finance related costs JPY 62 million • Other non-operating expenses JPY 1 million
Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy set forth in INV's Articles of Incorporation. INV assumes it will pay the distribution using net income as a source, and plans to distribute JPY 729 million (JPY 464 per unit).
Excess profit distribution per unit	INV currently does not expect to make distributions in excess of profits (excess profit distribution per unit).

Item	Assumptions
Other	INV assumes there will be no amendments to laws and ordinances, the taxation system, accounting standards and other regulations that will affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in the market environment, including general economic trends and real estate market conditions.

3. Financial Statements

1) Balance Sheet of INV as of December 31, 2013 (Consistent with Japanese GAAP)

Items	20th Fiscal Period		21st Fiscal Period		Changes	
	(As of Jun. 30, 2013)		(As of Dec. 31, 2013)			
	Ths JPY	%	Ths JPY	%	Ths JPY	%
Assets						
Current assets						
Cash and deposits	1,427,483		1,457,257		29,773	
Cash and deposits in trust	2,690,331		2,729,902		39,571	
Accounts receivables	17,407		10,948		-6,458	
Advances paid	139		0		-139	
Deposits paid	748,197		-		-748,197	
Prepaid expenses	211,587		122,321		-89,266	
Consumption tax receivable	-		7,419		7,419	
Others	-		10		10	
Allowance for doubtful accounts	-1,528		-2,573		-1,045	
Total current assets	5,093,620	6.3	4,325,286	5.5	-768,333	-15.1
Non-current assets						
Property, plant and equipment, at cost						
Buildings	2,489,402		2,461,796		-27,605	
Equipment	23,902		22,706		-1,196	
Building improvements	2,451		2,330		-120	
Land	2,713,620		2,713,620		-	
Buildings in trust	27,617,278		27,423,061		-194,217	
Equipment in trust	5,220,784		5,073,126		-147,658	
Building improvements in trust	226,389		223,646		-2,743	
Tools, furniture and fixtures in trust	77,842		80,646		2,804	
Land in trust	36,582,527		36,582,527		-	
Total property, plant and equipment, at cost	74,954,199	93.4	74,583,461	94.2	-370,738	-0.5
Intangible assets						
Others	167		137		-30	
Total intangible assets	167	0.0	137	0.0	-30	-18.0
Investment and other assets						
Guarantee deposits	10,000		10,000		-	
Long-term prepaid expenses	158,394		224,371		65,976	
Others	32,680		33,375		694	
Total investment and other assets	201,075	0.3	267,746	0.3	66,671	33.2
Total non-current assets	75,155,443	93.7	74,851,345	94.5	-304,097	-0.4
Total assets	80,249,063	100.0	79,176,632	100.0	-1,072,430	-1.3

Items	20th Fiscal Period		21st Fiscal Period		Changes	
	(As of Jun. 30, 2013)		(As of Dec. 31, 2013)			
	Ths JPY	%	Ths JPY	%	Ths JPY	%
Liabilities						
Current liabilities						
Accounts payable	151,861		174,201		22,340	
Current portion of long-term debts	262,000		203,520		-58,480	
Current portion of long-term debts in trust	-		105,833		105,833	
Accrued liabilities	4,375		5,000		625	
Accrued expenses	354,066		229,843		-124,223	
Accrued income taxes	527		525		-1	
Accrued consumption taxes	24,902		-		-24,902	
Advances received	377,475		385,886		8,411	
Deposits received	8,601		5,048		-3,553	
Total current liabilities	1,183,809	1.5	1,109,859	1.4	-73,950	-6.2
Non-current liabilities						
Long-term debts	22,629,500		20,146,480		-2,483,020	
Long-term debts in trust	20,960,000		20,854,166		-105,833	
Tenant leasehold and security deposits in trust	1,048,635		1,037,721		-10,913	
Tenant leasehold and security deposits	183,579		183,579		-	
Long-term accrued expenses	1,395,513		-		-1,395,513	
Total non-current liabilities	46,217,228	57.6	42,221,948	53.3	-3,995,279	-8.6
Total liabilities	47,401,038	59.1	43,331,808	54.7	-4,069,230	-8.6
Net assets						
Unitholders' equity						
Unitholders' capital	26,134,396		29,134,389		2,999,992	
Surplus						
Capital surplus	6,264,432		6,264,432		-	
Unappropriated retained earnings / loss	449,196		446,003		-3,193	
Total surplus	6,713,628	8.4	6,710,435	8.5	-3,193	0.0
Total unitholders' equity	32,848,025	40.9	35,844,824	45.3	2,996,799	9.1
Total net assets	32,848,025	40.9	35,844,824	45.3	2,996,799	9.1
Total liabilities and net assets	80,249,063	100.0	79,176,632	100.0	-1,072,430	-1.3

2) Statement of Income for the 6 months Ended December 31, 2013
(Consistent with Japanese GAAP)

Items	20th Fiscal Period 2013/1/1- 2013/06/30		21st Fiscal Period 2013/7/1- 2013/12/31		Changes	
	Ths JPY	%	Ths JPY	%	Ths JPY	%
Operating revenues	2,760,177	100.0	2,740,449	100.0	-19,727	-0.7
Rental revenues (1)	2,760,177		2,740,449		-19,727	
Operating expenses	1,528,940	55.4	1,474,679	53.8	-54,260	-3.5
Property related expenses (2)	1,295,403		1,261,221		-34,182	
Depreciation expenses (3)	543,640		527,420		-16,219	
NOI(1)-(2)+(3)	2,008,413		2,006,648		-1,765	
Asset management fees	125,000		125,000		-	
Directors' remuneration	4,800		4,800		-	
Asset custodian fees	3,911		3,986		74	
Administrative service fees	21,531		19,089		-2,442	
Provision of allowance for doubtful accounts	730		1,045		314	
Bad debt loss	-		2,561		2,561	
Other operating expenses	77,562		56,975		-20,586	
Operating income	1,231,237	44.6	1,265,770	46.2	34,532	2.8
Non-operating revenues	3,472	0.1	355,544	13.0	352,071	AI
Interest revenues	383		400		16	
Profit from finance related cost adjustment	-		354,737		354,737	
Miscellaneous income	3,088		406		-2,681	
Non-operating expenses	899,026	32.6	1,267,953	46.3	368,927	41.0
Interest expenses	800,615		672,128		-128,487	
Finance related costs	96,816		579,038		482,221	
Investment unit issuance expenses	-		15,487		15,487	
Miscellaneous losses	1,593		1,300		-293	
Ordinary income	335,683	12.2	353,360	12.9	17,677	5.3
Income before income taxes	335,683	12.2	353,360	12.9	17,677	5.3
Corporate tax, etc.	605		605		-	
Net income	335,078	12.1	352,755	12.9	17,677	5.3
Retained earnings at the beginning of the period	114,118		93,247		-20,870	
Unappropriated retained earnings / loss at the end of the period	449,196		446,003		-3,193	

3) Statement of Cash Flows for the 6 months Ended December 31, 2013
(Consistent with Japanese GAAP)

Items	20th Fiscal Period	21st Fiscal Period
	2013/1/1- 2013/6/30	2013/7/1- 2013/12/31
	Ths JPY	Ths JPY
<i>Cash flows from operating activities</i>		
Net income before taxes	335,683	353,360
Depreciation expenses	543,717	527,451
Investment unit issuance expenses	-	15,487
Finance related costs	96,816	579,038
Amortization of tenant leasehold and security deposits in trust	(433)	(683)
Interest received	(383)	(400)
Profit from finance related cost adjustment	-	(354,737)
Interest paid	800,615	672,128
Increase (decrease) in allowance for doubtful accounts	730	1,045
Decrease (increase) in accounts receivable	962	6,458
Decrease (increase) in deposit payments	(57,701)	748,197
Decrease (increase) in consumption tax receivable	115,447	(7,419)
Increase (decrease) in accrued consumption taxes	24,902	(24,902)
Increase (decrease) in accounts payable	17,493	24,617
Increase (decrease) in accrued liabilities	(13,571)	-
Increase (decrease) in accrued expenses	9,112	(127,432)
Increase (decrease) in advances received	(1,294)	8,411
Increase (decrease) in deposits received	3,333	(3,553)
Others	(2,456)	5,481
Subtotal	1,872,971	2,422,548
Proceeds of interest	383	390
Payment of interest	(818,164)	(650,982)
Payment of corporate taxes, etc.	(581)	(606)
<i>Cash flows from operating activities</i>	1,054,609	1,771,350
<i>Cash flows from investment activities</i>		
Payment for acquisition of tangible assets in trust	(154,421)	(158,960)
Payment of tenant leasehold and security deposits in trust	(93,409)	(49,761)
Proceeds of tenant leasehold and security deposits in trust	83,162	39,531
Others	(3,298)	(694)
<i>Cash flows from investment activities</i>	(167,967)	(169,885)
<i>Cash flows from financing activities</i>		
Proceeds from long-term debt	-	20,350,000
Repayment of long-term debt	(131,000)	(22,891,500)
Finance related costs	(10,636)	(1,618,501)
Payment of distributions	(157,800)	(355,323)
Proceeds from issuance of investment units	-	2,999,992
Others	(1,300)	(16,787)
<i>Cash flows from financing activities</i>	(300,737)	(1,532,119)
<i>Increase (decrease) in cash and cash equivalents</i>	585,905	69,344
<i>Beginning balance of cash and cash equivalents</i>	3,531,910	4,117,815
<i>Closing balance of cash and cash equivalents</i>	4,117,815	4,187,160

For further information:

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Disclaimer

This document contains translations of selected information provided in the Japanese language Summary Financial Report (*Kessan-Tanshin*) for the 21st Fiscal Period Ended December 31, 2013 (from July 1, 2013 to December 31, 2013) of Invincible Investment Corporation (INV) dated February 26, 2014 and prepared under the timely disclosure requirements of the Tokyo Stock Exchange.

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