

# **Invincible** Investment Corporation

## **Financial Summary for the 22nd Fiscal Period (from January 1, 2014 to June 30, 2014)**

Name	: Invincible Investment Corporation
Representative	: Naoki Fukuda, Executive Director
Stock Listing	: Tokyo Stock Exchange
Securities Code	: 8963
URL	: <a href="http://www.invincible-inv.co.jp/eng/">http://www.invincible-inv.co.jp/eng/</a>
Contact	: Consonant Investment Management Co., Ltd. (Asset Manager of Invincible Investment Corporation) Akiko Watanabe, Manager, Planning Department Tel. +81-3-5411-2731
Start date for dividend distribution	: September 25, 2014

## 1. Performance for the 22nd Fiscal Period Ended June 30, 2014

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

### 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	%
22nd Fiscal Period	3,775	(+37.8)	2,234	(+76.5)	902	(+155.4)	901	(+155.6)
21st Fiscal Period	2,740	(-0.7)	1,265	(+2.8)	353	(+5.3)	352	(+5.3)

	Net Income per Unit	Net Income / NAV*	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	JPY	%	%	%
22nd Fiscal Period	573	2.5	1.1	23.9
21st Fiscal Period	259	1.0	0.4	12.9

\*NAV = Total net assets

(Note) "Net Income per Unit" is calculated based on the average number of investment units and is rounded to the 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	%	%
22nd Fiscal Period	573	901	0	0	100.0	2.5
21st Fiscal Period	237	372	0	0	105.7	1.0

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

(Note 2) Dividend payout ratio is calculated by dividing "Distribution Amount" by "Net Income".

### 3) Financial Position

	Total Assets	NAV	NAV /Total Assets	NAV per Unit
	mn JPY	mn JPY	%	JPY
22nd Fiscal Period	79,261	36,373	45.9	23,121
21st Fiscal Period	79,176	35,844	45.3	22,785

(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 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
	mn JPY	mn JPY	mn JPY	mn JPY
22nd Fiscal Period	6,622	-5,802	-1,482	3,524
21st Fiscal Period	1,771	-169	-1,532	4,187

## 2. Forecast for the 23rd Fiscal Period Ending December 31, 2014

(from July 1, 2014 to December 31, 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
23rd Fiscal Period	4,323	+14.5	2,429	+8.7	1,602	+77.6	1,601	+77.6	600	0

(Reference) Estimated net income per unit for the 23rd fiscal period: JPY 600

<Significant Events during the 23rd Fiscal Period>

INV issued new investment units through a global public offering in the fiscal period ending December 2014 (23rd fiscal period). INV used the funds procured from the global offering (the “Public Offering”) along with additional borrowing and the refinancing of existing lending from leading Japanese and global banks (the “Refinancing”) to acquire 18 extended stay/limited service hotels (the “18 Hotels”) (hereinafter together with the Public Offering and the Refinancing, the “Transactions”).

The Public Offering, accompanying acquisition of the 18 Hotels, and the Refinancing were implemented in line with the portfolio repositioning and refinancing completed in May 2014, to further enhance INV’s unitholder value under the support of the sponsor, Fortress Group.

1) Issuance of New Investment Units

INV resolved at its meeting of the board of directors held on June 23, 2014 and July 9, 2014 respectively to conduct the issuance of new investment units and secondary distribution of investment units. Payment for the new investment units issued via public offering was completed on July 16, 2014. In addition, with respect to the issuance of new investment units through the third-party allotment in connection with the overallotment for the public offering, the payment was completed on August 13, 2014. As a result, INV raised JPY 23,962 million and the number of investment units issued and outstanding of INV increased to 2,668,686. Please refer to the details of the public offering listed below.

(i) Issuance of new investment units through public offering

- (a) Number of investment units : 1,040,000 units  
Domestic public offering: 527,322 units  
International offering: 512,678 units
- (b) Issue price : JPY 22,688 per unit  
(offer price)
- (c) Amount paid in : JPY 21,873 per unit  
(issue value)
- (d) Total amount paid in : JPY 22,747,920,000  
(total issue value)
- (e) Payment date : July 16, 2014

(ii) Secondary offering of investment units outside Japan

- (a) Number of investment units : 70,151 units
- (b) Offer price : JPY 22,688 per unit
- (c) Total offer value : JPY 1,591,585,888
- (d) Seller : Infinite Value Investment Ltd.

(iii) Secondary offering of investment units (overallotment secondary offering)

- (a) Number of investment units : 55,507 units
- (b) Offer price : JPY 22,688 per unit
- (c) Total offer value : JPY 1,259,342,816
- (d) Delivery date : July 17, 2014

- (iv) Issuance of new investment units through third-party allotment
- (a) Number of new investment units : 55,507 units
  - (b) Amount paid in : JPY 21,873 per unit  
(issue value)
  - (c) Total amount paid in : JPY 1,214,104,611  
(total issue value)
  - (d) Payment date : August 13, 2014
  - (e) Allottee : SMBC Nikko Securities Inc.

## 2) Refinancing

INV entered into a loan agreement as of June 23, 2014 to fund a portion of the acquisition of 18 Hotels and to obtain a new syndicate loan (New Syndicate Loan (C)) with an interest rate of 0.80% plus one-month JPY TIBOR to refinance the New Syndicate Loan (A) carrying an interest rate of 1.50% plus one-month JPY TIBOR, together with the New Syndicate Loan (B). All three “megabanks” participating as lenders in the New Syndicate Loan (B) obtained in May 2014, namely Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Bank, Ltd. will continue to participate as lenders in the New Syndicate Loan (C), which will lengthen the borrowing period, further reduce borrowing costs, enhance the debt service coverage ratio, strengthen lender formation and secure greater financing availability and flexibility. As a result, the balance of interest-bearing debt is JPY 67,260 million and average interest rate is 1.09% after the implementation of refinancing as of July 17, 2014.

### (i) Overview of the New Borrowing

#### New Syndicate Loan (C)

Lender	Borrowing Date	Borrowing Amount	Interest Rate (annual)	Principal Maturity Date	Borrowing Method
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Citibank Japan Ltd. Shinsei Bank, Limited Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited	July 17, 2014	JPY 57,300 million	0.98000% Variable interest rate (Note 1)	July 14, 2017	Secured (Note 2) / with no guarantee

(Note 1) Interest rate applicable for the period from July 17, 2014 to August 28, 2014.

One-month JPY TIBOR + spread (0.8%); however, two-month JPY TIBOR + spread (0.8%) for the first interest calculation period only.

(Note 2) First priority pledges over the real estate trust beneficiary interests for 65 properties: Nisshin Palacestage Daitabashi, Nisshin Palacestage Higashi-Nagasaki, Growth Maison Gotanda, Growth Maison Kameido, Emerald House, Harmonie Ochanomizu, Suncrest Shakujii Koen, Growth Maison Shin-Yokohama, Belle Face Ueno Okachimachi,

Grand Rire Kameido, Growth Maison Ikebukuro, Growth Maison Yoga, Route Tachikawa, Shibuya Honmachi Mansion, City Heights Kinuta, Acseeds Tower Kawaguchi Namiki, Capital Heights Kagurazaka, College Square Machida, Belair Meguro, Wacore Tsunashima I, Foros Nakamurabashi, Growth Maison Kaijin, College Square Machiya, City House Tokyo Shinbashi, Winbell Kagurazaka, Nishiwaseda Crescent Mansion, Lexington Square Akebonobashi, Casa Eremitaggio, Towa City Coop Shinotsuka II, Bichsel Musashiseki, Loxel Mansion Ueno Matsugaya, Towa City Coop Sengencho, Royal Park Omachi, Lexington Square Haginomachi, Visconti Kakuozan, Lexington Square Daitabashi, Lexington Square Honjo Azumabashi, AMS TOWER Minami 6-Jo, Spacia Ebisu, Kindai Kagakusha Building, Lexington Plaza Nishigotanda, Cross Square NAKANO, Ohki Aoba Building, Lexington Plaza Hachiman, AEON TOWN Sukagawa, Hotel MyStays Kanda, Hotel MyStays Asakusa, Hotel MyStays Kyoto-Shijo, MyStays Shin Urayasu Conference Center, Hotel MyStays Maihama, Hotel Vista Premio Dojima, Hotel MyStays Nagoya-Sakae, Hotel MyStays Sakaisuji-Honmachi, Hotel MyStays Yokohama, Hotel MyStays Nippori, Hotel MyStays Fukuoka-Tenjin-Minami, Flexstay Inn Iidabashi, Hotel MyStays Ueno Inaricho, Flexstay Inn Shinagawa, Flexstay Inn Tokiwadai, Flexstay Inn Sugamo, Hotel MyStays Otemae, Flexstay Inn Kiyosumi Shirakawa, Flexstay Inn Nakanobu P1 and Flexstay Inn Nakanobu P2. First priority mortgages over two real estate properties: Shinjuku Island and Times Kanda-Sudacho 4th. Floating lien over nine properties: Hotel MyStays Kanda, Hotel MyStays Kyoto-Shijo, MyStays Shin Urayasu Conference Center, Hotel MyStays Maihama, Hotel Vista Premio Dojima, Hotel MyStays Nagoya-Sakae, Hotel MyStays Sakaisuji-Honmachi, Hotel MyStays Yokohama and Hotel MyStays Fukuoka-Tenjin-Minami.

(ii) Overview of the Prepayment of Existing Borrowings

New Syndicate Loan (A)

Lender	Borrowing Date	Repayment Amount	Interest Rate (annual)	Principal Maturity Date	Borrowing Method
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Shinsei Bank, Limited Citibank Japan Ltd. Shinsei Trust & Banking Co., Ltd. Aozora Bank, Ltd.	December 20, 2013	JPY 17,552 million (Note 1)	1.64636% Variable interest rate (Note 2)	December 20, 2016	Secured / with no guarantee

(Note 1) The repayment amount is the outstanding balance after the scheduled payment (JPY 16.96 million) as of June 30, 2014.

(Note 2) Interest rate applicable for the period from June 30, 2014 to July 30, 2014.

One-month JPY TIBOR + spread (1.5%)

New Syndicate Loan (B)

Lender	Borrowing Date	Repayment Amount	Interest Rate (annual)	Principal Maturity Date	Borrowing Method
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	May 23, 2014	JPY 13,488 million (Note 1)	0.94636% Variable interest rate (Note 2)	May 22, 2015	Secured / with no guarantee

(Note 1) The repayment amount is the outstanding balance after the scheduled payment (JPY 11.25 million) as of June 30, 2014.

(Note 2) Interest rate applicable for the period from June 30, 2014 to July 30, 2014.

One-month JPY TIBOR + spread (0.8%)

### 3) Acquisition of Assets

INV acquired the 18 Hotels, which exhibit stable revenue and have a high potential to achieve further revenue growth, on July 17, 2014. Given the expected further increase in hotel users in Japan, the low level of new supply of hotels in Japan, the high occupancy rates of our existing hotel properties and the increasing market share of limited service/extended stay hotels in particular, the Asset Manager expects hotels to have a stable operation and believes that the operation will expand in the future. The Asset Manager has constructed a portfolio that focusses on both improved stability and future growth, and therefore decided to position the residential properties and hotels as core assets and main target of future investment targets for INV.

As a result, the number of properties held by INV after the acquisition of 18 Hotels increased to 91 properties (63 residences, 20 hotels, 7 offices and commercial facilities, and 1 parking lot), for a total acquisition value of JPY 117,927 million and total leasable area of 224,574.36m<sup>2</sup>.

The overview of 18 Hotels is as follows,

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Appraisal Value at Acquisition (JPY million)	Seller	Category of Specified Assets
Hotel	D3	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	6,024	6,110	Shijodori Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D4	MyStays Shin-Urayasu Conference Center	Urayasu-shi, Chiba	4,930	4,980	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D5	Hotel MyStays Maihama	Urayasu-shi, Chiba	4,870	4,920	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D6	Hotel Vista Premio Dojima	Osaka-shi, Osaka	3,845	3,900	Danube Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D7	Hotel MyStays Nagoya-Sakae	Nayoga-shi, Aichi	2,958	3,000	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D8	Hotel MyStays Sakaisuji-Honmachi	Osaka-shi, Osaka	2,514	2,530	Nagahoribashi Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D9	Hotel MyStays Yokohama	Yokohama-shi, Kanagawa	2,119	2,150	Zephyrus Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D10	Hotel MyStays Nippori	Arakawa-ku, Tokyo	1,898	1,910	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D11	Hotel MyStays Fukuoka-Tenjjin-Minami	Fukuoka-shi, Fukuoka	1,570	1,580	Shijodori Holding Tokutei Mokuteki Kaisha	Trust Beneficial Interest

Use	Property Number	Property Name	Location	Acquisition Price (JPY million) (Note 1)	Appraisal Value at Acquisition (JPY million)	Seller	Category of Specified Assets
Hotel	D12	Flexstay Inn Iidabashi	Shinjuku-ku, Tokyo	1,381	1,390	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D13	Hotel MyStays Ueno Inaricho	Taito-ku, Tokyo	1,331	1,340	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D14	Flexstay Inn Shinagawa	Shinagawa-ku, Tokyo	1,242	1,250	Nishi Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D15	Flexstay Inn Tokiwadai	Itabashi-ku, Tokyo	1,242	1,250	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D16	Flexstay Inn Sugamo	Toshima-ku, Tokyo	1,192	1,200	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D17	Hotel MyStays Otemae	Osaka-shi, Osaka	1,192	1,200	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D18	Flexstay Inn Kiyosumi Shirakawa	Koto-ku, Tokyo	749	754	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D19	Flexstay Inn Nakanobu P1	Shinagawa-ku, Tokyo	589	593	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
	D20	Flexstay Inn Nakanobu P2	Shinagawa-ku, Tokyo	283	285	Aki Tokutei Mokuteki Kaisha	Trust Beneficial Interest
Total				39,938	40,342		

(Note 1) Acquisition prices do not include adjustments for property taxes or city planning taxes, or national or local consumption taxes; hereinafter the same.

(Note 2) Appraisal value is the appraisal price as of April 30, 2014 based on the appraisal report from Japan Real Estate Institute.



#### 4) Business Outlook

Financial results for the 23rd fiscal period are expected as follows.

The 23rd fiscal period ending December 31, 2014 (from July 1, 2014 to December 31, 2014)

Operating Revenues	JPY 4,323 Million
Operating Income	JPY 2,429 Million
Ordinary Income	JPY 1,602 Million
Net Income	JPY 1,601 Million
Earnings per Unit	JPY 600
Reversal of Surplus per Unit	JPY 0
Distribution per Unit (Excluding excess profit distribution per unit)	JPY 600
Excess Profit Distribution per Unit	JPY 0

INV plans to distribute all of the net income except for a fractional portion in which Distribution Per Unit is less than JPY 1, using the proceeds from net income for the 23rd fiscal period.

Based on the above, INV plans to distribute JPY 1,601 million in total, (Distribution Per Unit: JPY 600) for the 23rd fiscal period ending December 2014. The total distribution amount exceeds 90% of the amount of distributable income, and therefore meets the tax conduit requirement. The balance of the surplus gained from negative goodwill resulting from the merger on February, 2010 (the "Surplus") after the distribution for the 23rd fiscal period will remain JPY 73 million.

(Note 1) Due to the Offering, the number of investment units issued and outstanding at the end of the 23rd fiscal period is 2,668,686 units.

(Note 2) 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 3).

(Note 3) Amount of distributable income for the next fiscal period (JPY 1,661 million (\*)) × 90% = JPY 1,495 million

(\*) Distributable income for the next fiscal period (JPY 1,661 million) = Net income before income tax for the next fiscal period (JPY 1,602 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 business outlook for the 23rd fiscal period, please see "Pre-Conditions and Assumptions Underlying Forecasted Performance for the 23rd Fiscal Period (from July 1, 2014 to December 31, 2014)".

#### (Disclaimer of Forward-Looking Statements)

Forward-looking statements, such as the forecast results 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, decrease of the 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 23rd Fiscal Period

(from July 1, 2014 to December 31, 2014)>

Item	Assumptions
Fiscal period	From July 1, 2014 to December 31, 2014
Assets under management	INV assumes the number of properties is 91 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 23rd fiscal period.
Units outstanding	INV assumes the number of units issued and outstanding is 2,668,686 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 23rd fiscal period.
Interest-bearing liabilities	Balance as of the end of the 23rd fiscal period: JPY 67,260 million. INV assumes there will be no additional repayments of the borrowings and no new financing thereafter through to the end of the 23rd fiscal period.
Operating revenues	INV assumes it will earn operating revenues of JPY 4,323 million for the 23rd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> <li>• Rental revenues JPY 4,323 million (of these, JPY 1,740 million are hotel revenues)</li> </ul> Rental revenues are calculated based on historical data 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 1,661 million for the 23rd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> <li>• Facility management fees JPY 475 million (of these, JPY 40 million are repair costs)</li> <li>• Taxes and other public charges JPY 163 million</li> <li>• Insurance expenses JPY 5 million</li> <li>• Other expenses JPY 134 million</li> <li>• Depreciation expenses JPY 881 million</li> </ul> Other than the property related expenses, INV assumes it will incur operating expenses of JPY 232 million for the 23rd fiscal period.
Non-operating expenses	INV assumes it will incur non-operating expenses of JPY 827 million for the 23rd fiscal period. The breakdown is as follows: <ul style="list-style-type: none"> <li>• Interest expenses JPY 370 million</li> <li>• Finance related costs JPY 300 million (of those, JPY 194 million are one-time expense of refinancing as of July 17, 2014)</li> <li>• Other non-operating expenses JPY 157 million (of those, JPY 157 million are costs related to the issuance of investment units for the Offering as of July 16, 2014)</li> </ul>
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 1,601 million (JPY 600 per unit).

Item	Assumptions
Excess profit distribution per unit	INV currently does not expect to make distributions in excess of profits (excess profit distribution per unit).
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.

<For Reference>

As mentioned above, INV issued new investment units in a global public offering (the “Public Offering”) and a third-party allotment in connection with an over-allotment option granted in relation to the public offering (the “Over-Allotment Option” and, together with the Public Offering, the “Offering”). Using the proceeds from the Offering and refinancing of loans (the “Refinancing”), INV acquired 18 hotels (hereinafter together with the Offering and the Refinancing, the “Transactions”).

For ease of reference, figures for earnings per unit, distribution per unit and simulated earnings per unit are summarized in the table below.

Forecasts for simulated earnings per unit are shown for reference purposes, and indicate simulated earnings per unit after excluding one-time costs associated with the Transactions and treating the Acquisitions, the Offerings and the Refinancing as if they had taken place prior to the beginning of fiscal period ended June 2014.

The simulated earnings per unit is purely a simulation intended to describe the effect of the transactions, etc. described above and is neither a forecast nor prospect relating to INV’s earnings or distribution per unit for a given operating period.

<Simulated Earnings per Unit>

	Net Income per Unit (Note 1)	Distribution per Unit (DPU)	<b>Simulated Earnings per Unit</b>
22nd fiscal period	JPY 573	JPY 573	<b>JPY 600</b>
23rd fiscal period (forecast)	JPY 600	JPY 600	<b>JPY 628</b>

(Note 1) Net Income per Unit in the 22nd fiscal period is calculated assuming that the number of investment units issued and outstanding is 1,573,179 units, and Net Income per Unit in the 23rd fiscal period is calculated assuming that the number of investment units issued and outstanding is 2,668,686 units.

(Note 2) Figures in the above table are rounded down to the indicated amount.

Simulated Earnings per Unit refer to earnings per unit calculated by applying the simulated adjustment below, eliminating the effects of such factors as one-time expenses and treating the

two hotels acquired in May, 2014 and the 18 hotels acquired in July, 2014 as if they were acquired prior to the beginning of 22nd fiscal period.

Simulated adjustment is based on the total of the following adjustments:

- (i) Elimination of the gains from the sale of seven senior housing properties as of May, 2014.
- (ii) The impact based on the assumption that the repositioning of the portfolio through the sale of seven senior housing properties and the acquisition of two hotels in May, 2014, and the acquisition of the 18 hotels in July, 2014 were implemented prior to beginning of 22nd fiscal period.
- (iii) The impact based on the assumption that the refinancing implemented in May, 2014 and July, 2014 were implemented prior to beginning of the 22nd fiscal period.
- (iv) The tax amount based on the assumption that property taxes and city planning taxes will be expensed at the beginning of the 22nd fiscal period on the two hotels acquired in May 2014 and 18 hotels acquired in July, 2014.
- (v) Elimination of various one-time charges in connection with the implementation of the Transactions.
- (vi) With respect to both the 22nd fiscal period and the 23rd fiscal period, the calculation is based on the assumption that a total of 1,095,507 units (1,040,000 units through the Public Offering and 55,507 units through the Over Allotment Option) were issued at the beginning of the 22nd fiscal period and the number of investment unites issued and outstanding is 2,668,686 units.

The simulated earnings per unit for the 22nd fiscal period and the 23rd fiscal period is purely a simulation intended to calculate the normalized earnings per unit taking into consideration the effect of the transactions, etc. described above and is 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 earnings per unit will ever be realized for any future operating 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.

### 3. Financial Statements

#### 1) Balance Sheet of INV as of June 30, 2014 (Consistent with Japanese GAAP)

Items	21st Fiscal Period		22nd Fiscal Period		Changes	
	(As of Dec. 31, 2013)		(As of Jun. 30, 2014)			
	Ths JPY	%	Ths JPY	%	Ths JPY	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and deposits	1,457,257		759,058		-698,199	
Cash and deposits in trust	2,729,902		2,765,504		35,601	
Accrued revenue	-		2,574		2,574	
Accounts receivables	10,948		71,193		60,244	
Prepaid expenses	122,321		120,941		-1,379	
Consumption tax receivable	7,419		-		-7,419	
Advance payment	-		17,138		17,138	
Others	10		0		-10	
Allowance for doubtful accounts	-2,573		-1,391		1,181	
<b>Total current assets</b>	<b>4,325,286</b>	<b>5.5</b>	<b>3,735,018</b>	<b>4.7</b>	<b>-590,268</b>	<b>-13.6</b>
<b>Non-current assets</b>						
Property, plant and equipment, at cost						
Buildings	2,461,796		78,131		-2,383,665	
Equipment	22,706		21,510		-1,196	
Building improvements	2,330		1,640		-689	
Land	2,713,620		711,834		-2,001,786	
Buildings in trust	27,423,061		28,538,783		1,115,722	
Equipment in trust	5,073,126		5,259,944		186,818	
Building improvements in trust	223,646		212,270		-11,376	
Tools, furniture and fixtures in trust	80,646		91,540		10,894	
Land in trust	36,582,527		40,447,565		3,865,038	
<b>Total property, plant and equipment, at cost</b>	<b>74,583,461</b>	<b>94.2</b>	<b>75,363,220</b>	<b>95.1</b>	<b>779,759</b>	<b>1.0</b>
Intangible assets						
Others	137		106		-30	
<b>Total intangible assets</b>	<b>137</b>	<b>0.0</b>	<b>106</b>	<b>0.0</b>	<b>-30</b>	<b>-22.2</b>
Investment and other assets						
Guarantee deposits	10,000		10,000		-	
Long-term prepaid expenses	224,371		119,338		-105,032	
Others	33,375		34,070		694	
<b>Total investment and other assets</b>	<b>267,746</b>	<b>0.3</b>	<b>163,409</b>	<b>0.2</b>	<b>-104,337</b>	<b>-39.0</b>
<b>Total non-current assets</b>	<b>74,851,345</b>	<b>94.5</b>	<b>75,526,736</b>	<b>95.3</b>	<b>675,391</b>	<b>0.9</b>
<b>Total assets</b>	<b>79,176,632</b>	<b>100.0</b>	<b>79,261,754</b>	<b>100.0</b>	<b>85,122</b>	<b>0.1</b>

Items	21st Fiscal Period		22nd Fiscal Period		Changes	
	(As of Dec. 31, 2013)		(As of Jun. 30, 2014)			
	Ths JPY	%	Ths JPY	%	Ths JPY	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	174,201		143,439		-30,762	
Short-term debts	-		13,488,750		13,488,750	
Current portion of long-term debts	203,520		17,552,100		17,348,580	
Current portion of long-term debts in trust	105,833		-		-105,833	
Accrued liabilities	5,000		32,733		27,733	
Accrued expenses	229,843		121,934		-107,908	
Accrued income taxes	525		520		-4	
Accrued consumption taxes	-		143,637		143,637	
Advances received	385,886		357,522		-28,364	
Deposits received	5,048		32,927		27,879	
<b>Total current liabilities</b>	<b>1,109,859</b>	<b>1.4</b>	<b>31,873,567</b>	<b>40.2</b>	<b>30,763,708</b>	<b>AI</b>
<b>Non-current liabilities</b>						
Long-term debts	20,146,480		-		-20,146,480	
Long-term debts in trust	20,854,166		9,960,000		-10,894,166	
Tenant leasehold and security deposits in trust	1,037,721		1,025,726		-11,995	
Tenant leasehold and security deposits	183,579		28,663		-154,916	
<b>Total non-current liabilities</b>	<b>42,221,948</b>	<b>53.3</b>	<b>11,014,390</b>	<b>13.9</b>	<b>-31,207,558</b>	<b>-73.9</b>
<b>Total liabilities</b>	<b>43,331,808</b>	<b>54.7</b>	<b>42,887,957</b>	<b>54.1</b>	<b>-443,850</b>	<b>-1.0</b>
<b>Net assets</b>						
<b>Unitholders' equity</b>						
Unitholders' capital	29,134,389	36.8	29,134,389	36.8	-	-
Surplus						
Capital surplus	6,264,432		6,264,432		-	
Unappropriated retained earnings / loss	446,003		974,975		528,972	
<b>Total surplus</b>	<b>6,710,435</b>	<b>8.5</b>	<b>7,239,407</b>	<b>9.1</b>	<b>528,972</b>	<b>7.9</b>
<b>Total unitholders' equity</b>	<b>35,844,824</b>	<b>45.3</b>	<b>36,373,796</b>	<b>45.9</b>	<b>528,972</b>	<b>1.5</b>
<b>Total net assets</b>	<b>35,844,824</b>	<b>45.3</b>	<b>36,373,796</b>	<b>45.9</b>	<b>528,972</b>	<b>1.5</b>
<b>Total liabilities and net assets</b>	<b>79,176,632</b>	<b>100.0</b>	<b>79,261,754</b>	<b>100.0</b>	<b>85,122</b>	<b>0.1</b>

2) Statement of Income for the 6 months Ended June 30, 2014  
(Consistent with Japanese GAAP)

Items	21st Fiscal Period 2013/7/1- 2013/12/31-		22nd Fiscal Period 2014/1/1- 2014/06/30		Changes	
	Ths JPY	%	Ths JPY	%	Ths JPY	%
Operating revenues	2,740,449	100.0	3,775,772	100.0	1,035,323	37.8
Rental revenues (1)	2,740,449		2,772,419		31,970	
Gain on sales of properties	-		1,003,352		1,003,352	
Operating expenses	1,474,679	53.8	1,541,127	40.8	66,448	4.5
Property related expenses (2)	1,261,221		1,281,791		20,570	
Depreciation expenses (3)	527,420		527,914		494	
<b>NOI (1)-(2)+(3)</b>	<b>2,006,648</b>		<b>2,018,542</b>		<b>11,894</b>	
Asset management fees	125,000		125,000		-	
Directors' remuneration	4,800		4,800		-	
Asset custodian fees	3,986		3,906		-79	
Administrative service fees	19,089		18,224		-864	
Provision of allowance for doubtful accounts	1,045		-		-1,045	
Bad debt loss	2,561		-		-2,561	
Other operating expenses	56,975		107,404		50,429	
Operating income	1,265,770	46.2	2,234,644	59.2	968,874	76.5
Non-operating revenues	355,544	13.0	1,777	0.0	-353,766	-99.5
Interest revenues	400		404		3	
Profit from finance related cost adjustment	354,737		-		-354,737	
Reversal of allowance for doubtful accounts	-		475		475	
Miscellaneous income	406		898		491	
Non-operating expenses	1,267,953	46.3	1,334,001	35.3	66,048	5.2
Interest expenses	672,128		376,514		-295,613	
Finance related costs	579,038		842,043		263,004	
Investment unit issuance expenses	15,487		115,438		99,951	
Miscellaneous losses	1,300		5		-1,294	
Ordinary income	353,360	12.9	902,420	23.9	549,059	155.4
Income before income taxes	353,360	12.9	902,420	23.9	549,059	155.4
Corporate tax, etc.	605		605		-	
Net income	352,755	12.9	901,815	23.9	549,059	155.6
Retained earnings at the beginning of the period	93,247		73,159		-20,087	
Unappropriated retained earnings / loss at the end of the period	446,003		974,975		528,972	

3) Statement of Cash Flows for the 6 months Ended June 30, 2014  
(Consistent with Japanese GAAP)

Items	21st Fiscal Period	22nd Fiscal Period
	2013/7/1- 2013/12/31	2014/1/1- 2014/06/30
	Ths JPY	Ths JPY
<i>Cash flows from operating activities</i>		
Net income before taxes	353,360	902,420
Depreciation expenses	527,451	527,945
Investment unit issuance expenses	15,487	115,438
Finance related costs	579,038	842,043
Amortization of tenant leasehold and security deposits in trust	(683)	(435)
Interest revenues	(400)	(404)
Profit from finance related cost adjustment	(354,737)	-
Interest expenses	672,128	376,514
Increase (decrease) in allowance for doubtful accounts	1,045	(1,181)
Decrease (increase) in accounts receivable	6,458	(60,244)
Decrease (increase) in deposit payments	748,197	-
Decrease (increase) in consumption tax receivable	(7,419)	7,419
Increase (decrease) in accrued consumption taxes	(24,902)	143,637
Increase (decrease) in accounts payable	24,617	(87,869)
Increase (decrease) in accrued liabilities	-	(1,613)
Increase (decrease) in accrued expenses	(127,432)	18,110
Increase (decrease) in advances received	8,411	(28,364)
Increase (decrease) in deposits received	(3,553)	10,909
Decrease in property and equipment due to sale	-	4,367,451
Others	5,481	(6,762)
<b>Subtotal</b>	<b>2,422,548</b>	<b>7,125,015</b>
Proceeds of interest	390	404
Payment of interest	(650,982)	(502,533)
Payment of corporate taxes, etc.	(606)	(609)
<i>Cash flows from operating activities</i>	<b>1,771,350</b>	<b>6,622,276</b>
<i>Cash flows from investment activities</i>		
Payment for acquisition of tangible assets in trust	(158,960)	(5,618,018)
Repayment of tenant leasehold and security deposits	-	(154,916)
Repayment of tenant leasehold and security deposits in trust	(49,761)	(93,087)
Proceeds of tenant leasehold and security deposits in trust	39,531	81,527
Others	(694)	(17,833)
<i>Cash flows from investment activities</i>	<b>(169,885)</b>	<b>(5,802,328)</b>
<i>Cash flows from financing activities</i>		
Proceeds from short-term debt	-	13,500,000
Repayment of short-term debt	-	(11,250)
Proceeds from long-term debt	20,350,000	-
Repayment of long-term debt	(22,891,500)	(2,797,899)
Repayment of long-term debt in trust	-	(11,000,000)
Finance related costs	(1,618,501)	(732,126)
Payment of distributions	(355,323)	(342,802)
Proceeds from issuance of investment units	2,999,992	-
Payment of investment unit issuance expenses	-	(98,468)
Others	(16,787)	-
<i>Cash flows from financing activities</i>	<b>(1,532,119)</b>	<b>(1,482,546)</b>
<i>Increase (decrease) in cash and cash equivalents</i>	<b>69,344</b>	<b>(662,597)</b>
<i>Beginning balance of cash and cash equivalents</i>	<b>4,117,815</b>	<b>4,187,160</b>
<i>Closing balance of cash and cash equivalents</i>	<b>4,187,160</b>	<b>3,524,562</b>

## For further information:

Please contact

Planning Department at Consonant Investment Management, Co. Ltd.

Tel. +81-3-5411-2731

## Disclaimer

This document contains translations of selected information provided in the Japanese language Summary Financial Report (*Kessan-Tanshin*) for the 22nd Fiscal Period Ended June 30, 2014 (from January 1, 2014 to June 30, 2014) of Invincible Investment Corporation (INV) dated August 27, 2014 and prepared under the timely disclosure requirements of the Tokyo Stock Exchange.

This document is for informational purposes only and not for solicitation to invest in, or recommendation to buy, certain products of INV. You should consult with securities firms if you intend to purchase investment units of INV.

This English language document is provided solely for the convenience of and reference by non-Japanese investors and neither corresponds to the original Japanese documents nor is intended to constitute or form a part of any disclosure document required by the Financial Instruments and Exchange Act of Japan or regulations thereunder, the Investment Trust and Investment Corporation Act of Japan or regulations thereunder, or the listing rules of the Financial Instruments Exchanges or other related rules and regulations. The Japanese language Summary Financial Report should always be referred to as the original of this document.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concepts of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English statements contained herein, the original Japanese documents shall always prevail.

None of INV, Consonant Investment Management Co., Ltd. (Asset Manager) or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates will be responsible or liable for the completeness appropriateness or accuracy of English translations or the selection of the portions of any documents translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by INV, Asset Manager or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates.

The financial statements are a translation of the audited financial statements of INV, that were prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP) which may materially differ in certain respects from generally accepted accounting principles and practices in other jurisdictions. In preparing the financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

Many provisions of this document contain forward-looking statements and information. We base these statements on our beliefs as well as our assumptions in consideration of currently available information; therefore, there may be currently known and unknown risks and uncertainties in such statements. The contents of forward-looking statements are subject to such risks, uncertainties, assumptions and other factors.

These forward-looking statements are not a guarantee of future performance, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation: the general economy, market conditions, financial markets including the performance of the real market, interest rate fluctuations, competition with our properties, and the impact of changing regulations or taxation.

INV does not intend, and is under no obligation, to update any particular information included in this document. The forward-looking statements contained in this document speak only as of the date of release, August 27, 2014, and INV does not undertake to revise those forward-looking statements to reflect events occurring after the date of this release.