

Invincible Investment
Corporation

Audited Financial Statements
for the 28th Fiscal Period
(from January 1, 2017 to June 30, 2017)

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Property No.	Property name	Seller	Acquisition cost (in thousands of yen)	Acquisition cost (in thousands of US dollars)
Total			32,562,000	290,836

(b) Board of Directors and Major Individual Unitholders

For the six months ended December 31, 2016

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period		Balance at the end of period	
				Type of transactions	Amounts (3)	Balance sheet account	Amounts (3)
					(in thousands of yen)		(in thousands of yen)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	-	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 250,000	Accrued expenses	¥ 135,000
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	Accrued expenses	¥ 324

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.
- (3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

For the six months ended June 30, 2017

Type of related-party	Name	Business / Occupation	Voting interest in the Company	Transactions for the period			Balance at the end of period		
				Type of transactions	Amounts (3)		Balance sheet account	Amounts (3)	
					(in thousands of yen)	(in thousands of U.S. dollars)		(in thousands of yen)	(in thousands of U.S. dollars)
Directors and close relatives	Naoki Fukuda	Executive officer of the Company and management director of Consonant Investment Management Co., Ltd.	-	Payment of the assets management fee to Consonant Investment Management Co., Ltd.(1)	¥ 253,256	\$ 2,262	Accrued expenses	¥ 135,000	\$ 1,205
				Payment of institution management fee to Consonant Investment Management Co., Ltd.(2)	¥ 600	\$ 5	Accrued expenses	¥ 324	\$ 2

Notes:

- (1) Naoki Fukuda serves as a representative of the Asset Manager and the asset management fee is established in the Articles of Incorporation of the Company.
- (2) Naoki Fukuda serves as a representative of Asset Manager and the fee is established in the "Administrative Agency Agreement for Organizational Management" which was agreed between the Asset Manager and the Company.
- (3) Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

20. Per Unit Information

The following table shows net asset value per unit as of December 31, 2016 and June 30, 2017 and net income per unit for the six months then ended. Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six-month period. The Company has no potentially dilutive units.

	As of / For the six months ended		
	December 31, 2016	June 30, 2017	June 30, 2017
	(Yen)		(U.S. dollars)
Net asset value per unit	¥ 35,762	¥ 36,019	\$ 321
Net income per unit	¥ 1,477	¥ 1,241	\$ 11
Weighted average number of units	3,675,824	3,788,254	-

21. Subsequent Events

(a) Sales of assets

The Company decided to sell 2 properties as shown in the following table on July 25, 2017 and Sales has been closed on July 31, 2017.

Use	Property number	Property name	Book value (JPY million) (Note 1)	Sales price (JPY million) (Note 2)	Anticipated gain on sales (JPY million) (Note 3)	Transferee	Category of specified asset
Office Building	B08	Kindai Kagaku Sha Building	1,201	1,361	96	Undisclosed (Note 4)	Trust beneficial interest
Parking Lot	C01	Times Kanda-Sudacho 4th	100	130	23	Wastec HOLDINGS Co., Ltd.	Real property

(Note 1) The book values are anticipated amount as of July 31, 2017

(Note 2) Sales prices do not include sales-related expenses, adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes.

(Note 3) Anticipated gain on sales are the differences between sales price and the total of book value and anticipated sales-related expenses.

(Note 4) The name of the transferee is not disclosed, as the transferee's consent has not been obtained for disclosure.

(b) Acquisition of assets (properties)

The Company decided to acquire an additional portion of a hotel on July 25, 2017 and entered into the purchase and sales agreement on the same date. The closing date will be October 31, 2017.

Use	Property number	Property name	Location	Anticipated acquisition price (JPY million) (Note 1)	Additional acquisition portion area	Seller	Category of specified asset
Hotel	D43	Hotel MyStays Gotanda Station (Additional Acquisition Portion)	Shinagawa-ku, Tokyo	1,880	1,385.46 m ²	Undisclosed (Note 2)	Trust beneficial interest

(Note 1) Anticipated acquisition price is the total of (i) purchase price set forth in the PSA, (ii) expenses with regard to the Conversion, (iii) transfer price of the furniture, fixture and equipment (FF&E),(those (ii) and (iii) are estimated amount as of the date of the acquisition decision). The anticipated acquisition price does not include adjustments for fixed asset taxes or city planning taxes, as well as national or local consumption taxes.

(Note 2) The name of the seller is not disclosed, as the seller's consent has not been obtained for disclosure.

The Company decided to acquire 4 hotel properties as shown in the following table, of which the total acquisition price is JPY 39,599 million, on September 21, 2017 and entered into the purchase and sales agreement on the same date. The closing date will be October 13, 2017.

Use	Property number	Property name	Location	Anticipated acquisition price (JPY million) (Note 3)	Total rentable area	Seller	Category of specified asset
Hotel	D50	Hotel MyStays Shin Osaka Conference Center	Osaka, Osaka	13,068	13,026.99 m ²	HL Investments Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D51	Hotel MyStays Premier Omori	Shinagawa-ku, Tokyo	9,781	11,849.61 m ²	Septentrio3 Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D52	Beppu Kamenoi Hotel	Beppu, Oita	8,870	19,422.08 m ²	Monza Tokutei Mokuteki Kaisha	Trust beneficial interest
Hotel	D53	Hotel MyStays Sapporo Station Hotel	Sapporo, Hokkaido	7,880	7,267.88 m ²	Suisei Tokutei Mokuteki Kaisha	Trust beneficial interest

(Note 3) Acquisition prices do not include adjustments for property taxes or city planning taxes, or national or local consumption taxes; hereinafter the same.

(c) Acquisition of an asset (preferred equity interests)

The Company decided to acquire a preferred equity interests as shown in the following table on September 21, 2017 and closing date will be October 13, 2017.

Overview of the acquisition

Asset to be acquired	Preferred equity interest, issued by Kingdom Tokutei Mokuteki Kaisha, provided in Article 2(9) of the Act on Securitization of Assets (Act No. 105 of 1998, as amended)
Number of units of preferred equity to be issued	364,200 units
Number of units of preferred equity to be acquired (ratio of interest holding)	178,458 units (49.0%)
Anticipated acquisition price (Note)	JPY 17,845 million (49.0% of the preferred equity interest)
Name of underlying asset	The Sheraton Grande Tokyo Bay Hotel (the "Underlying Asset")
Seller	Kingdom Tokutei Mokuteki Kaisha

Outline of the Underlying Asset

Property name	The Sheraton Grande Tokyo Bay Hotel
Location	Urayasu, Chiba
Seller	Granada Tokutei Mokuteki Kaisha
Total rentable area	118,186.86 m ²

(Note) Acquisition prices do not include national or local consumption taxes; hereinafter the same.

(d) Issuance of new investment units

The Company decided on the issuance of new investment units and secondary offering of investment units at its board of directors' meeting on September 21, 2017. Issue price per unit and other details are scheduled to be determined at future board of directors' meeting.

(i) Issuance of new investment units through public offering

Number of investment units	: 887,959 units (Note 1)
Issue value	: To be determined (Note 2)
Payment date	: October 12, 2017 (Note 3)
Use of proceeds	: The Company will use the proceeds to raise a part of the funds of its acquisition of 5 hotel properties (see "(b)Acquisition of assets (properties)") and preferred equity interests (see "(c)Acquisition of an asset (preferred equity interests)")

(Note 1) Number of investment units is the total of the domestic public offering and the overseas offering mainly in the U.S., European, and Asian markets.

(Note 2) The issue value will be determined on October 4, 2017 or October 5, 2017 (the "Issue price determination date").

(Note 3) If the Issue price determination date is October 5, 2017, payment date will be October 13, 2017.

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

Number of investment units	: 44,398 units
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(Note) In the offering(i), taking into consideration the level of demand and other factors in the domestic public offering, Mizuho Securities Co, Ltd. (the domestic underwriter) may conduct the overallotment secondary offering of investment units in Japan, using units to be borrowed from a holder of investment units of the Company. The above number of investment units to be offered in the overallotment secondary offering is the maximum number of investment units for the secondary offering. Depending on the level of demand and other factors, such number of investment units to be offered may decrease, or the overallotment secondary offering itself may not take place at all.

(iii) Issuance of new investment units through third - party allotment (Note 1)

Number of investment units (maximum)	: 44,398 units
Allottee	: Mizuho Securities Co, Ltd.
Issue value	: To be determined (Note 2)
Payment date	: November 1, 2017
Use of proceeds	: The Company will use the proceeds to fund the cash reserve decreased by the acquisition of 5 hotel properties (see "(b)Acquisition of assets (properties)") and preferred equity interests (see "(c)Acquisition of an asset (preferred equity interests)") or retain as cash reserve to fund for the future acquisitions.

(Note 1) The purpose is, in relation to the overallotment secondary offering, to allow Mizuho Securities Co, Ltd. to acquire investment units required for returning the borrowed investment units. There may be cases where there will be no subscription for whole or part of the investment units to be issued through the third-party allotment, resulting in a commensurate shortfall in the ultimate number of investment units to be issued through the third-party allotment, due to forfeiture, or there may be cases where such issuance itself will not take place at all.

(Note 2) The issue value will be same as “(i) Issuance of new investment units through public offering”.

(e)New borrowing

In order to raise a part of the funds to be used for the acquisition of the 4 hotel properties to be acquired on October 13, 2017, the Company decided on the implementation of the following borrowings at its board of directors’ meeting held on September 21, 2017 and entered into the borrowing agreement on the same date.

New Syndicate Loan (H)

Lender	Syndicate formed by Mizuho Bank, Ltd.
Borrowing amount	JPY 22,993 million
Interest rate, etc.	Base rate (1-month JPY TIBOR)(Note) + 0.20%, 0.25%, 0.30%, 0.40%, 0.60%, 0.70%, 0.80%
Interest payment date	(i) The last Japanese business day of each month before the principal maturity date, beginning with November 30, 2017, and (ii) the principal maturity date
Principal repayment method	Lump-sum repayment
Borrowing method	Unsecured / with no guarantee
Borrowing date	October 13, 2017
Maturity date	October 13, 2018, October 13, 2019, October 13, 2020, October 13, 2021, October 13, 2022, October 13, 2023, October 11, 2024

(Note) The interest rate applicable for the first interest calculation period only will be two-month JPY TIBOR (Base Rate) + spread (0.20%, 0.25%, 0.30%, 0.40%, 0.60%, 0.70%, 0.80%).