

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation

Name of representative:

Naoki Fukuda, Executive Director

Roppongi Hills Mori Tower

6-10-1 Roppongi, Minato-ku, Tokyo, Japan

(Securities code: 8963)

Asset manager:

Consonant Investment Management Co., Ltd.

Naoki Fukuda, CEO

Contact: Jun Komo

General Manager of Planning Department

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## Notice concerning Sale of Asset

Invincible Investment Corporation (“INV”) announced today the sale (the “Sale”) of the Lexington Plaza Nishi-Gotanda (“Nishi-Gotanda”) office building (hereafter, the “Property to be Sold”) decided by Consonant Investment Management Co., Ltd. (“CIM”), the asset manager of INV.

### 1. Overview of Sale

(in JPY million)

Use	Property number	Property name	Acquisition price	Book value <sup>1</sup>	Anticipated sale price <sup>2</sup>	Expected gain on sale <sup>1</sup>	Transferee <sup>3</sup>	Category of specified asset
Office Building	B14	Lexington Plaza Nishi-Gotanda	4,880	4,662	5,160	498	Undisclosed <sup>4</sup>	Trust Beneficiary Interest

(Note 1) Expected gain on sale shows the difference between anticipated sales price and book value, which indicates estimate for reference purpose calculated using the book value as of December 31, 2017. INV estimates to recognize a gain on sales of JPY 395 million for the fiscal period ending June 2018.

(Note 2) Anticipated sale price does not include adjustments for fixed asset taxes or city planning taxes, or national or local consumption taxes; hereinafter the same.

(Note 3) For an overview of the transferee, please refer to below “4. Overview of Transferee.”

(Note 4) The name of the transferee (a Japanese Private REIT) is not disclosed, as the transferee’s consent has not been obtained for disclosure.

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

### 2. Reasons for Sale

INV is pleased to announce the sale of Nishi-Gotanda office building for JPY 5,160 million at a NOI cap rate<sup>1</sup> of 4.2%, or 3.2% after depreciation<sup>2</sup>. The sale is at a JPY 498 million or 10.7% premium to book value<sup>3</sup> and a JPY 910 million or 21.4% premium to appraisal value<sup>4</sup>.

When combined with the previously sold nine assets over the past two months<sup>5</sup>, the combined sale price was JPY 14,906 million which is equivalent to a 4.2% NOI cap rate<sup>1</sup> and 3.2% after depreciation<sup>2</sup>. INV has already re-invested the proceeds from the sale of nine assets<sup>5</sup> into the acquisition of four hotels from the Sponsor on February 7, 2018 at an average appraisal NOI cap rate<sup>6</sup> of 6.2%. After the Sale, INV will have JPY 4.7 billion (an amount equivalent to the book value of Nishi-Gotanda) cash left over to invest in additional hotel(s) which would make the series of transactions even more accretive. INV is currently doing diligence on additional hotel acquisition(s) from the Sponsor pipeline which INV aims to close in the near term<sup>7</sup>.

Through the sale of Nishi-Gotanda, INV will record a gain on sale of approximately JPY 395 million in the fiscal period ending June 2018. In conjunction with the previously sold nine assets mentioned above, INV will record a net gain on sale of approximately JPY 1,074 million in the fiscal period ended December 2017, and a gain on sale of approximately JPY 1,191 million in the fiscal period ending June 2018, respectively. INV plans to pay out only a portion of this gain, providing the ability to INV of paying out additional gains if needed to help maintain the dividend.

The key highlights of the Sale are below:

- (1) Portfolio repositioning aimed at improving portfolio profitability  
The sale of this non-core asset<sup>8</sup> for JPY 5,160 at a NOI cap rate<sup>1</sup> of 4.2%, or 3.2% after depreciation<sup>2</sup> is attractive, especially when compared to the 6.2% average appraisal NOI yields<sup>6</sup> of the four hotels INV acquired on February 7, 2018. INV aims to successfully redeploy the capital into higher yielding properties.
- (2) Realization of profit on sale  
The sale price exceeds book value<sup>3</sup> by 10.7% and the latest appraisal values<sup>4</sup> by 21.4%, respectively and is expected to generate a net profit on sale of approximately JPY 395 million. Thus INV believes that the sale of this property at this time is in the interest of INV's investors.
- (3) Utilization of the Sponsor Pipeline  
INV has the Memorandum of Understanding on Preferential Negotiation Rights<sup>9</sup> with affiliates of its Sponsor, Fortress Investment Group LLC, which covers 17 hotel properties (3,995 guest rooms) and 9 residential properties (743 leasable residential units). INV plans to acquire properties from this acquisition pipeline, by utilizing the cash to be obtained from the Sale, without issuing new equity. INV intends to acquire properties which have higher yield and NOI after depreciation than the Property to be Sold, and thus aims to improve the profitability of the entire portfolio and increase DPU.

(Note1) Calculated by dividing aggregated actual NOI for January 1, 2017 – December 31, 2017 of Properties (to be) Sold by the (anticipated) sale price.

(Note2) Calculated by dividing aggregated actual NOI (after deducting the depreciation expenses) for January 1, 2017 – December 31, 2017 of Property (to be) Sold by the (anticipated) sale price.

(Note3) Premium to book value is the difference between anticipated sales price and book value, which indicates estimate for reference purpose calculated using the book value as of December 31,

2017, and it is different from the actual gain on sale.

- (Note4) Appraisal Value is based on appraisal value stated in the appraisal report by Japan Real Estate Institute on the valuation date of December 31, 2017.
- (Note5) Please refer to the press releases “Notice concerning Sale of Assets” dated December 21, 2017 and December 26, 2017, for details of the previously sold nine assets.
- (Note6) Averaged appraisal NOI yield of the four hotel properties is calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports by The Tanizawa Sōgō Appraisal Co., Ltd. on the valuation date of January 1, 2018 by the total of acquisition price, and rounded to one decimal place.
- (Note7) The abovementioned planned acquisition will be announced at a later date, when it is determined. Although such acquisition is under consideration as of today, INV may not determine or execute such acquisition, and there is no assurance that INV will determine or execute such acquisition.
- (Note8) Properties other than Core Assets, i.e., hotels and residential properties.
- (Note9) Please refer to the press release “Notice concerning Amendment to Memorandum of Understanding on Preferential Negotiation Rights” dated September 21, 2017 for details of the Memorandum of Understanding.

### 3. Details of Property to be Sold

Details, profit and loss status and outline of appraisal report of the Property to be Sold are as follows:

a. "Outline of Specified Assets and Properties" column:

- "Legal form of Asset" shows the type (the legal form) of real estate and other assets as specified asset.
- "Acquisition Date" shows the date when an acquisition is executed, which is specified in the purchase and sale agreement or the trust beneficiary interest purchase and sale agreement.
- "Acquisition Price" shows a purchase price of the Property to be Sold specified in the purchase and sale agreement or the trust beneficiary interest purchase and sale agreement; consumption tax is not included, and the price is rounded down to the nearest million yen.
- The details in "Location" (excluding address), "Lot Area (m<sup>2</sup>)" of the "Land" and, "Total Floor Area (m<sup>2</sup>)", "Structure/No. of Stories," "Purpose of Use," and "Completion Date" of the "Building" are, unless otherwise specified, as shown in the property register. The "Total Floor Area" is the gross floor area (if no annotation in the context, an annex building would not be included), and with respect to "Purpose of Use," the primary ones of purposes shown in the property register are listed. Further, the "Completion Date" lists the time at which the building was newly constructed, as shown in the property register.
- "Transport" shows the time to walk to the nearest station based on the description in the Real Estate Appraisal Report (in case there is no description of time distance in the Real Estate Appraisal Report, "Transport" is calculated by assuming walking time on the road distance of 80 meters per minute in accordance with the Fair Competition Code on the Real Estate Representations (Fair Trade Commission Notification No.2 of 2003, including subsequent revisions) (hereinafter, referred to as the "Fair Competition Code") and the Ordinance for Enforcement of the Fair Competition Code. If unidentified, it is based on the description in other materials.
- In "Zoning," the class of zoning under the respective items of Article 8(1)① of the City Planning Act (Act No. 100 of 1968) is listed.
- In "Building Coverage Ratio," the ratio of a building's area with regard to the land area as set forth under Article 53 of the Building Standards Act (Act No. 201 of 1950, as amended; the "Building Standards Act") is listed.
- In "Floor Area Ratio," the ratio of a building's total floor area with regard to the land area as set forth under Article 52 of the Building Standards Act is listed.
- In "Trustee," the current trustee as of today is listed.
- In "Master Lease/Property Management Company," with respect to the properties for which a master lease agreement has been entered into, the type of lease (either a pass-through master lease or a fixed rent) is indicated. "Pass-through master lease" is defined as a lease under which, pursuant to the pass-through master lease agreement entered into between the master lease company and INV or the trustee, the amount equal to the rent under the sublease agreement between the master lease company and the end tenant shall be paid to INV or the trustee. "Guaranteed rent" is defined as a lease under which a specified rent shall be paid to INV or the trustee, regardless of the rent under the sublease agreement between the master lease company and the end tenant.

b. "Outline of a Lease Contract" column:

- Based on the lease agreement effective as of December 31, 2017.
- "Total No. of Tenant(s)" is calculated by counting a lessee who has directly concluded a lease agreement for each property as one tenant, and a tenant who has rented two or more rooms in a single property is calculated as one tenant.
- In "Leasable Area," the total leasable floor area for guest room, residential, office, retail and others for the area owned by INV is listed.
- In "Leased Area," the total sum of the leased area with respect to which a lease agreement with an end-tenant has actually been entered into and which are leased to the end-tenant (the area specified in the lease agreement) is listed.
- In "Tenant Leasehold and Security Deposit," the amount of the security deposit/guarantee money after amortization pursuant to the lease agreement is listed.
- In "Occupancy Trend," the ratio of the leased area to the leasable area is shown, rounded to the first decimal place.

c. Descriptions in the "Area Characteristics, etc." field:

Descriptions in the "Area Characteristics, etc." field are an abstract or summary of descriptions in the Real Estate Appraisal Report on the Property to be Sold, prepared by appraisal agencies, or created by referring to such descriptions.

d. Descriptions in the "Special Notes":

Descriptions in the "Special Notes" fields are matters that are deemed important in consideration of their impact on rights, appraisal value, profitability and disposability of each asset.

e. "Income and Expenditures, Etc." column:

- Based on the information for operating period from July 1, 2017 to December 31, 2017.
- Amounts are rounded down to the nearest thousand yen. Therefore, the figures may not necessarily match the total value when added together. Unless otherwise specifically noted, the amounts do not include consumption tax, etc.
- "Taxes and Public Dues" include property tax and city planning tax, which are generally imposed on the owner on January 1 of each year.
- "Non-life Insurance Premiums" is the total amount of paid insurance premiums distributed proportionally over the relevant period.

f. "Summary of Real Estate Appraisal Report" column:

INV has requested real estate appraisal from appraisal agency for the Property to be Sold based on the matters for consideration in a real estate appraisal under the Act on Investment Trust and Investment Corporations (the "Investment Trust Act"), the Act on Real Estate Appraisal (Act No. 152 of 1963, as amended; the "Act on Real Estate Appraisal") and the real estate appraisal standards. An appraisal value of a property is merely an opinion of the real estate appraiser regarding the value of the appraised property at the time the appraisal was conducted in accordance with the Act on Real Estate Appraisal and real estate appraisal standards, etc. A real estate appraisal is neither a guarantee nor a promise that an asset can be sold or purchased at such appraisal value either now or in the future.

## B14: Lexington Plaza Nishi-Gotanda

Outline of Specified Assets and Properties					
Legal Form of Asset	Trust Beneficiary Interest			Trustee	Sumitomo Mitsui Trust Bank, Limited
Location	(Lot Number)	5-435-1 Nishigotanda, Shinagawa-ku, Tokyo			
	(Address)	5-2-4 Nishigotanda, Shinagawa-ku, Tokyo			
Transport	4 minutes' walk from Fudo-mae Station on Tokyu Meguro Line / 11 minutes' walk from Gotanda Station on JR or Toei Asakusa Line				
Acquisition Date	February 1, 2010			Income and Expenditures, Etc. (JPY thousand)	
Acquisition Price	JPY 4,880 million			Operating Period	July 1, 2017 ~ December 31, 2017
Land	Property Right	Ownership		Rental revenues (a)	152,362
	Zoning	Commercial area		Rent Income	133,985
	Lot Area (m <sup>2</sup> )	918.17		Other income etc.	18,376
	Building Coverage Ratio/Floor Area Ratio	100% / 600%			
Building	Property Right	Ownership		Total expenses (b)	66,940
	Purpose of Use	Office		Maintenance and management expenses etc.	27,042
	Total Floor Area (m <sup>2</sup> )	7,994.43		Taxes and Public Dues	12,210
	Structure/No. of Stories	SRC B1/11F		Non-Life Insurance Premiums	140
	Completion Date	June 1993		Depreciation (c)	26,618
Master Lease/Property Management Company	Haseko Livenet, Inc. (*)			Other expenses	928
				Profit and Loss (a) – (b)	85,422
Type of Agreement	—			NOI (a) – (b) + (c)	112,040
Outline of a Lease Contract					
Total number of tenants	8			Tenant Leasehold and security deposit	JPY 164,779 thousand
Leased area (m <sup>2</sup> )	6,033.58			Leasable area (m <sup>2</sup> )	6,033.58
Occupancy Trend	As of the end of Dec. 2015	As of the end of Jun. 2016	As of the end of Dec. 2016	As of the end of Jun. 2017	As of the end of Dec. 2017
	100.0%	100.0%	91.8%	100.0%	100.0%
Area Characteristics, etc.					
<p>The subject property is an office building located a 4minute walk from Tokyu Line Fudo-mae station to the north east and an 11 minutes walk from JR Gotanda Station to the south west. Two train lines (Toei Mita Line and Tokyo metro Nanboku Line) stops at nearby Fudo-mae Station since 2000 which made the area more convenient and this station is only 20 minutes travel from Otemachi Station via the Toei Mita Line.</p> <p>Base floor area is approximately 495.85m<sup>2</sup>-595.04m<sup>2</sup> (150-180 Tsubo) with great facilities such as individual air conditioning system and well maintained building which meet tenants requirements and is seen as a competitive property.</p>					
Special Notes					
<p>1. Due to expansion of the north road, part of the property had been ceded therefore it is currently non-conforming building on Floor Area Ratio.</p> <p>2. This property has burden on Private road/property (Approx. 21.8m<sup>2</sup>)</p> <p>3. Part of the boundary confirmation hasn't been exchanged with the relevant landowner yet.</p>					

(\*)Delegating Property Management only

B14 Lexington Plaza Nishi-Gotanda

Summary of Real Estate Appraisal Report	
Appraisal Agency	Japan Real Estate Institute
Appraisal Value (Specified Value)	JPY 4,250 million
Time of Valuation	December 31, 2017

1. Value of Profits using the Income Approach Method		
(1) Direct Capitalization Method	Contents	Overview
(a) Rental Income	JPY 177,267 thousand	Based on current leasing conditions and market
(b) Common Area Maintenance Fee Income	90,690 thousand	Based on current leasing conditions and market
(c) Utility Income	25,000 thousand	Based on historical data from previous year
(d) Parking Lot Income	6,360 thousand	Based on current leasing conditions and market
(e) Other Income	2,000 thousand	Vending machine fees
(I) Total Potential Revenue = [(a) + (b) + (c) + (d) + (e)]	301,317 thousand	
(f) Vacancy Allowance	9,424 thousand	Based on historical trend and market
(g) Irrecoverable Debt Losses	-	
(II) Operating Revenue = [(I) - (f) - (g)]	291,893 thousand	
(h) Maintenance and Management Costs	17,600 thousand	Based on historical data and leasing conditions
(i) Utility Costs	35,700 thousand	Based on historical data
(j) Repair Costs	5,104 thousand	Based on historical data, comparable assets and estimates in the engineering report
(k) Property Management Fee	1,777 thousand	Based on historical data, leasing conditions and market
(l) Tenant Solicitation Expenses	1,493 thousand	Based on turnover reflecting current leasing conditions, historical data and market
(m) Taxes and Public Dues	25,668 thousand	Based on standard taxable value as stated in the documents relating to taxes and public dues,
(n) Non-Life Insurance Premiums	246 thousand	Premiums based on contract and comparable assets
(o) Other Costs	-	
(III) Operating Costs (Expense Rate) = [(h) + (i) + (j) + (k) + (l) + (m) + (n) + (o)]	87,588 thousand	
(IV) Net Operating Income = [(II) - (III)]	204,305 thousand	
(p) Investment Gains/Losses of Deposits	1,596 thousand	
(q) Capital Improvements and Expenses	12,270 thousand	Based on historical data and comparable assets and the estimates in the engineering report
(V) Net Income = [(IV) + (p) - (q)]	193,631 thousand	
(VI) Capitalization Yield	4.5%	Adjust the spread attributable to the location conditions and building conditions etc. of the target unmoved draft to the standard yield in each district and assess the future uncertainty and transaction yield of similar real estate
(VII) Income Price using Direct Capitalization Method = [(V) / (VI)]	4,300,000 thousand	
(Reference) NOI Yield = [(IV) / (VII)]	4.8%	
(2) DCF Method	Contents	Overview
(I) Total of Present Value of Net Income during Analysis Period	1,567,337 thousand	
(a) Sale Price	4,062,375 thousand	
(b) Sale Costs	121,871 thousand	3% of the sale price
(c) Returning Price [(a) - (b)]	3,940,504 thousand	
(II) Returning Price, Present Value	2,636,591 thousand	
(III) Discount Rate	4.1%	Based on comprehensive consideration of individual property of target real estate based on investment yield of similar real estate assessment
(IV) Final Capitalization Yield	4.8%	Considering the future trend of investment yield, risk of target real estate as investment target, general prediction of future economic growth rate, real estate price, rent trend taking reference to transaction yield of similar real estate assessment
(V) Income Price using DCF Method = [(I) + (II)]	4,200,000 thousand	
(3) Income Price using Income Capitalization Method	4,250,000 thousand	
2. Estimated Price using Cost Method		
	Contents	Overview
(i) Land Price	JPY 1,820,000 thousand	
(ii) Building Price	942,000 thousand	
(iii) Correction Factor for Stabilized Asset	150%	
(iv) Estimated Price using Cost Method = [(i) + (ii) x (iii)]	4,140,000 thousand	

Other Points to be Noted for Appraisal by Appraisal Agency
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Adopted the appraisal value determined using the income capitalization method, after considering recent economic environment, especially real estate market trend and appropriateness of using data, pricing rule, relationship between unit price and gross price, with the cost approach value as a reference
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#### 4. Overview of Transferee

Because consent for disclosure has not been obtained from the transferee (a Japanese Private REIT) of the Property to be Sold, disclosure is not made here.

As of today, there are no capital, personnel, or transactional relationships that should be noted between INV/CIM and the transferee. Further, the transferee is not a related party of INV or CIM, and as of today, the transferee is not an interested person etc. as provided in the Investment Trust Act or a sponsor-related person under the voluntary rules specified by CIM as countermeasures against conflicts of interests in the management of INV's investments.

#### 5. Transactions with Interested Persons etc.

Not applicable.

#### 6. Overview of Brokerage

Because consent for disclosure has not been obtained from the brokers, disclosure is not made here. The brokerage with regard to the Property to be Sold has been jointly conducted by two brokers.

##### Broker 1:

As of today, there are no capital and personnel relationships that should be noted between INV/CIM and the broker, but there is a certain transactional relationships based on laws and regulations. In addition, the broker is involved in INV's transaction of acquisition and disposition during the previous fiscal period ended December 2017 and also in INV's disposition during the current fiscal period ending June 2018. Further, the broker is not a related party of INV or CIM, and as of today, the broker is not an interested person etc. as provided in the Investment Trust Act or a sponsor-related person under the voluntary rules specified by CIM as countermeasures against conflicts of interests in the management of INV's investments.

##### Broker 2:

As of today, there are no capital, personnel or transactional relationships that should be noted between INV/CIM and the broker, but the broker is involved in INV's transaction of disposition during the previous fiscal period ended December 2017 and the current fiscal period ending June 2018. Further, the broker is not a related party of INV or CIM, and as of today, the broker is not an interested person etc. as provided in the Investment Trust Act or a sponsor-related person under the voluntary rules specified by CIM as countermeasures against conflicts of interests in the management of INV's investments.

## 7. Schedules

Sale decision date:	February 13, 2018
Agreement execution date:	
Anticipated sales date:	March 9, 2018
Anticipated sale proceeds payment method:	Lump-sum payment

## 8. Use of Sale Proceeds

The sale proceeds that INV will obtain through the Sale are expected to be allocated to acquire new properties in the near future.

## 9. Future Outlook

Through the Sale, INV will record a gain on sale of approximately JPY 395 million, or JPY 1,191 million along with the previously sold nine properties, in the fiscal period ending June 2018.

The forecasts of the financial results for the fiscal period ending June 2018 and December 2018 will be announced shortly, once they are finalized.

Website of INV: <http://www.invincible-inv.co.jp/eng>