

Invincible

Investment Corporation

Invincible Investment Corporation Portfolio Rebalance and 2018 Forecast

TSE Code : 8963

February 14, 2018

Invincible accomplished the following key achievements in 2017 and first two months of 2018

Earnings Distribution	<ul style="list-style-type: none"> ■ 2017 forecasted DPU of ¥2,828 is 6.2% above 2016 DPU. ■ 2018 projected DPU of ¥2,945 is 4.1% above 2017.
Retained Earnings	<ul style="list-style-type: none"> ■ Japanese REITs are required to pay out at least 90% of income to maintain tax deductibility status. ■ INV will retain earnings of ¥740 million or ¥154 per unit¹ at the end of fiscal period June 2018. ■ The Retained Earnings will serve as a reserve that could be used as a cushion to help insure that projected DPU targets are met.
Dispositions	<ul style="list-style-type: none"> ■ Initiated Asset Recycling Program in July 2017. In total, sold 12 assets for ¥16,397 million at a 4.1% NOI cap rate². ■ The total sales price is ¥2,799 million or 20.6% above book value³ and ¥2,503 million or 18.0% above appraisal value⁴.
Recent And Future Acquisitions	<ul style="list-style-type: none"> ■ INV used the sale proceeds to acquire four hotels from the Sponsor for ¥12,425 million at an average 6.2% NOI cap rate⁵. ■ INV has another ¥4.7 billion of excess cash on hand to acquire additional assets making the Asset Recycling Program more accretive. No additional equity or debt would need to be issued.
Additional Asset Recycling Potential	<ul style="list-style-type: none"> ■ INV owns an additional 64 residential properties and 2 commercial properties with a combined book value of ¥92,193 million⁶ and an appraised value of ¥105,531 million⁶. ■ 2017 NOI for 66 properties⁷ was ¥5,090 million such that the NOI yield to book value was 5.5%⁸ and the NOI yield to appraisal value was 4.8%⁸.

(Note 1) Based on the total number of investment units issued and outstanding as of today (4,793,181 units)

(Note 2) Calculated by dividing actual NOI from July 2016 to June 2017 for the two properties sold in July 2017, or NOI for 2017 full year (up to December 28, 2017 for three properties sold on that date) for the other 10 properties by total (anticipated) sales price

(Note 3) Based on book value as of the sales date for the six properties sold in 2017, or as of December 31, 2017 for the other six properties. The difference between the sales price and book value indicates estimate for reference purpose and are not actual gain on sale

(Note 4) Based on the appraisal reports as of the most recent state prior to sale

(Note 5) Calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports obtained for the acquisition by the acquisition price

(Note 6) As of December 31, 2017

(Note 7) The 66 assets are potential candidates for the Asset Recycling Program. Some assets are under consideration for sale at this time

(Note 8) Calculated by dividing the total amount of actual NOI for 2017 full year by total amount of book value or appraisal value as of December 31, 2017 for the same properties

Invincible accomplished the following key achievements in 2017 and first two months of 2018

<p>NOI Growth</p>	<ul style="list-style-type: none"> ■ The combined NOI for the 2H December 2017 period for the hotel and residential portfolio^{1,2} increased by 2.8% compared to the 2H December 2016 period. ■ Even excluding gain on sales, INV's property portfolio has continued to produce annual per unit net income growth³.
<p>Hotels</p>	<ul style="list-style-type: none"> ■ 2017 Actual (YoY)¹: Occupancy -0.3pt, ADR +0.7%, RevPAR +0.4%, GOP +2.5%, NOI +2.8%
<p>Residential</p>	<ul style="list-style-type: none"> ■ 2017 Actual²: NOI increased by 1.7% over 2016 result. The rent increase program continues to produce positive results, as INV achieved a rent increase for 55.0% of new lease contracts with an average rent increase of 2.8%, and a rent increase for 54.7% of contract renewals for an average rent increase of 2.0%, and total rent increase of 2.4%.
<p>External Growth</p>	<ul style="list-style-type: none"> ■ During 2017, INV acquired two large scale residential properties for ¥24,562 million at a 5.4% appraisal NOI cap rate⁴. In three separate transactions, acquired 10 hotels⁵ for ¥61,873 million at a 5.7% appraisal NOI cap rate⁴, in addition to a 49% preferred equity interest of a special purpose company that owns the Sheraton Grande Tokyo Bay Hotel at a 8.8% dividend yield⁶.
<p>Sponsor</p>	<ul style="list-style-type: none"> ■ SoftBank acquired Fortress Investment Group, the Sponsor, helping to improve INV's relationships with Japanese banks and companies, and is working with MyStays Hotel Management (MHM) on several technology, online, and distribution initiatives which MyStays believes will provide benefits to the hotels.
<p>MyStays</p>	<ul style="list-style-type: none"> ■ MHM recently launched its new website and is in the process of launching a new online reservation system in order to increase bookings. MHM will launch a new revenue management system based on machine learning to improve the overbooking algorithms to help offset cancellations and improve revenue at the hotels overall.

(Note 1) Based on 40 hotel properties. Please refer to the notes on page 9 for details

(Note 2) Based on 70 residential properties. Please refer to the notes on page 10 for details

(Note 3) See analysis and description on page 3

(Note 4) Calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports obtained for the acquisition by the acquisition price

(Note 5) Including the acquisition of the additional floors of Hotel MyStays Gotanda Station

(Note 6) Calculated by dividing "the amount of the estimated annual dividend by JV TMK which holds 100% of Sheraton Grande Tokyo Bay Hotel" by "the amount of preferred equity interest contribution by Invincible to the JV TMK".

Core Earnings Analysis (1)

- INV core earnings estimates from property portfolio NOI excluding any gains on sales or one-time offering costs.
- The table below shows INV's adjusted net income per unit growth from 2016 to 2018¹.

Adjusted Net Income per unit

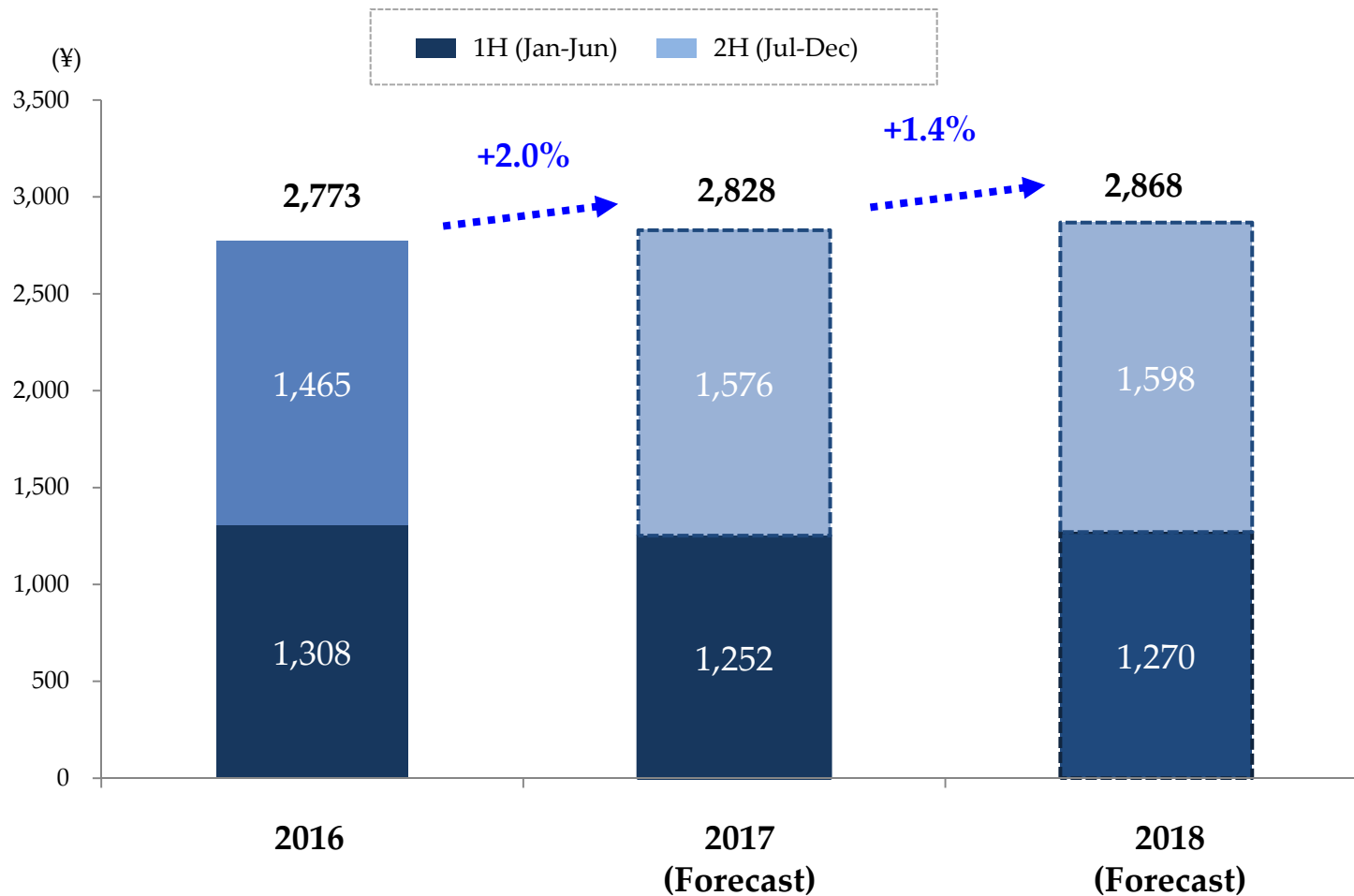
(¥ million)	2016			2017				2018			
	1H	2H	Full Year	1H	2H	Full Year	FY YOY	1H	2H	Full Year	FY YOY
Property Portfolio NOI	7,136	8,414	15,551	8,024	10,008	18,032	16.0%	9,450	10,604	20,054	11.2%
(-) Depreciation	(1,676)	(2,065)	(3,741)	(2,281)	(2,567)	(4,848)		(2,842)	(2,871)	(5,713)	
NOI after Depreciation	5,460	6,349	11,809	5,742	7,441	13,183	11.6%	6,607	7,733	14,340	8.8%
(+) Sheraton TMK Income ¹					481	481		672	1,129	1,802	
(-) Debt Finance Costs	(575)	(545)	(1,121)	(600)	(749)	(1,350)		(711)	(719)	(1,430)	
(-) AM Fees	(250)	(250)	(500)	(250)	(250)	(500)		(275)	(275)	(550)	
(-) Other Operating Expenses ²	(136)	(165)	(301)	(148)	(195)	(343)		(206)	(204)	(411)	
Adjusted Net Income	4,498	5,388	9,886	4,743	6,726	11,470	16.0%	6,087	7,663	13,750	19.9%
Average units outstanding	3,436,572	3,675,824	3,565,386	3,788,254	4,266,437	4,055,985	13.8%	4,793,181	4,793,181	4,793,181	18.2%
Adjusted Net Income per unit (¥)	1,308	1,465	2,773	1,252	1,576	2,828	2.0%	1,270	1,598	2,868	1.4%

(Note 1) Based on actual figures for the term from January 2016 to June 2017 and forecasted figures for the term from July 2017 to December 2018 except for dividends from preferred equity interest of TMK that owns Sheraton Grande Tokyo Bay Hotel. The dividends are recorded on an accrual basis for TMK income for each fiscal period instead of the amount INV will receive as a TMK dividend. Moreover, it is a simulation showing the earnings obtained from INV's portfolio for each year (period) and not indicating actual or forecasted net income. Therefore, the figures are not consistent with the actual results and does not guarantee the adjusted net income in the future.

(Note 2) Includes property appraisal fees, administrative service fees, taxes and dues, professional fees and other operating expenses.

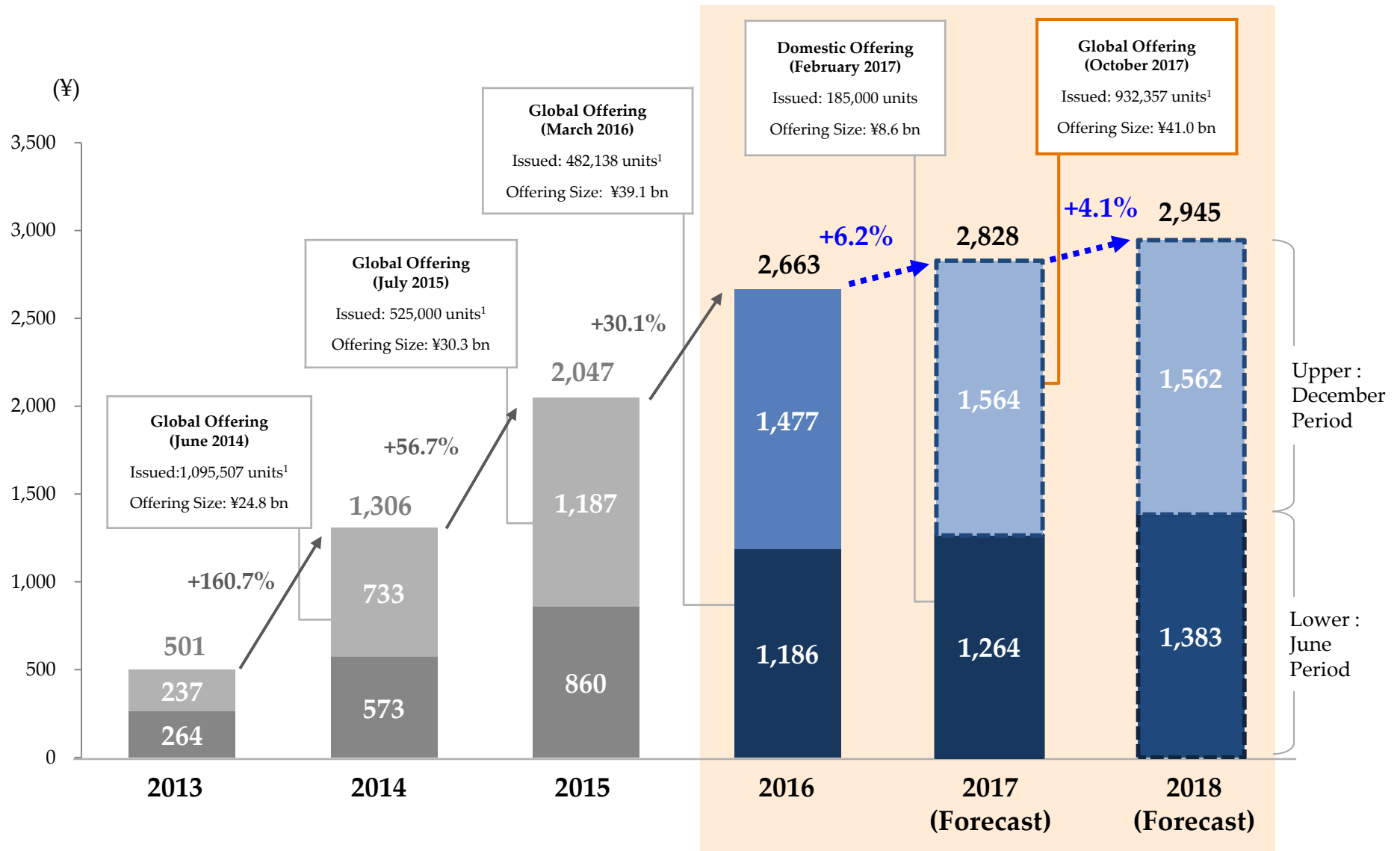
- Even excluding gain on sales, INV's property portfolio has continued to produce annual per unit net income growth¹.

Adjusted Net Income per unit



(Note 1) See analysis and description on page 3

- 2017 DPU forecast of ¥2,828 (+6.2% YoY), with newly projected 2018 DPU of ¥2,945 (+4.1% YoY), signifying continued DPU growth.



(Note 1) The figures include third-party allotment which was announced in tandem with the public offering

Asset Recycling Program

- Initiated Asset Recycling Program in July 2017. In total, INV has sold 12 properties for ¥16.4 billion at a 4.1%¹ NOI cap rate.
- These sales prices are ¥2,799 million (or 20.6%) greater than book value² and ¥2,503 million (or 18.0%) greater than appraisal value³.

(¥ million)

Property Name	Property Type	Sale Date	Sales Price	Actual NOI ¹	Exit NOI Cap Rate ¹	Book Value ²	Gain on Sale	Gain as % of Book	Appraisal Value ³	Sales Price above Appraisal	As % of Appraisal
Kindai Kagaku Sha Building	Office	Jul.-17	1,361	48	4.2%	1,197	163	13.6%	1,060	301	28.4%
Times Kanda-Sudacho 4th	Parking	Jul.-17	130	4	3.8%	100	29	28.9%	113	17	15.0%
Shinjuku Island	Office	Dec.-17	705	19	3.9%	701	3	0.4%	558	147	26.3%
Casa Eremitaggio	Residential	Dec.-17	1,312	52	3.8%	948	363	38.4%	1,120	192	17.1%
Lexel Mansion Ueno Matsugaya	Residential	Dec.-17	1,329	51	4.2%	853	475	55.8%	1,230	99	8.1%
Sun Terrace Minami-Ikebukuro	Residential	Dec.-17	934	32	3.9%	591	343	58.1%	761	173	22.9%
2017 subtotal			5,772	210	3.6%	4,393	1,378	31.4%	4,842	930	19.2%
Harmonie Ochanomizu	Residential	Jan.-18	1,603	65	4.2%	1,346	256	19.1%	1,420	183	12.9%
Growth Maison Ikebukuro	Residential	Jan.-18	1,057	41	4.0%	743	314	42.3%	915	142	15.6%
Capital Heights Kagurazaka	Residential	Jan.-18	732	30	4.1%	623	108	17.5%	587	145	24.8%
Cross Square NAKANO	Office	Jan.-18	1,350	66	4.7%	1,125	224	19.9%	1,170	180	15.4%
Ohki Aoba Building	Office	Jan.-18	721	41	6.5%	725	-4	-0.6%	710	11	1.5%
Lexington Plaza Nishi-Gotanda	Office	Mar.-18	5,160	217	4.0%	4,639	520	11.2%	4,250	910	21.4%
2018 subtotal			10,624	462	4.4%	9,204	1,420	15.4%	9,052	1,572	17.4%
Total			16,397	672	4.1%	13,597	2,799	20.6%	13,894	2,503	18.0%



Lexington Plaza Nishi-Gotanda



Harmonie Ochanomizu



Kindai Kagaku Sha Building



Casa Eremitaggio



Cross Square NAKANO



Lexel Mansion Ueno Matsugaya



Growth Maison Ikebukuro



Ohki Aoba Building



Shinjuku Island



Sun Terrace Minami-Ikebukuro



Capital Heights Kagurazaka



Times Kanda-Sudacho 4th

(Note 1) "Actual NOI" indicates actual NOI from July 2016 to June 2017 for the two properties sold in July 2017, or NOI for 2017 full year for the other eight properties. NOI yield is calculated by dividing "Actual NOI" by total sales price

(Note 2) Based on book value as of the sales date for the six properties sold in 2017, or as of December 31, 2017 for the other six properties. The difference between the sales price and book value indicates estimate for reference purpose and are not actual gain on sale

(Note 3) Based on the appraisal reports as of the most recent state prior to sale

- INV acquired four hotels from the Sponsor in February 2018 for ¥12,425 million or a 6.2% appraisal cap rate¹. The four hotels were acquired with funds from sales of assets, without issuing equity or new bank lending.
- INV still has ¥4.7 billion to actively pursue acquisitions from the Sponsor pipeline, which provides ¥38 per unit in annual DPU increase², assuming a 6.0% NOI and a 4.0% NOI after depreciation³.
- The acquisitions are consistent with INV's strategy in acquiring well located hotels in order to improve earnings growth given the increasing tourism in these areas, further diversify the revenue base, and acquire assets on an accretive basis at attractive cap rates.

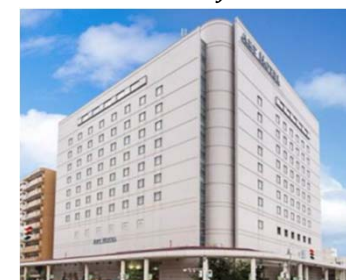
4 Hotels Acquired in February 2018

Acquisition date	February 7, 2018
Acquisition Price	¥12,425 million
Appraisal Value	¥12,550 million
Appraisal NOI ¹ (NOI Yield)	¥767 million (6.2%)
Appraisal NOI After Depreciation ¹ (NOI Yield)	¥497 million (4.0%)

Hotel MyStays Yokohama Kannai



Art Hotel Joetsu



Art Hotel Hirosaki City



Hotel MyStays Oita

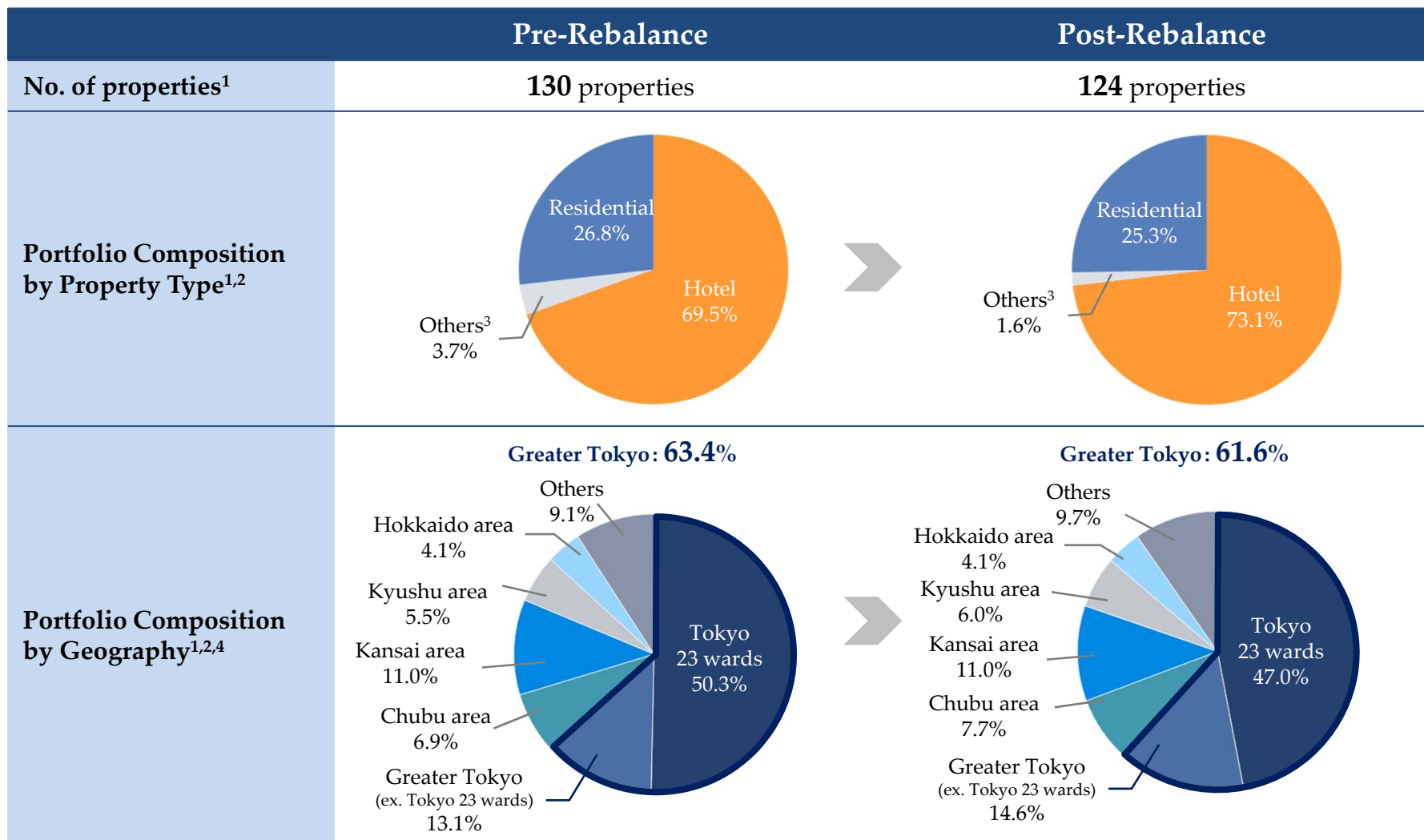


(Note 1) Appraisal NOI of the newly acquired properties is based on the total NOI derived from the direct capitalization method stated in the appraisal reports on the valuation date of January 1, 2018. The appraisal NOI after depreciation is calculated by deducting the depreciation amount from the Appraisal NOI. The depreciation amount is based on the estimate by CIM. Appraisal NOI Yield is calculated by dividing the NOI by the total of Acquisition Price

(Note 2) Calculated by dividing the simulated NOI increase assuming the acquisition in condition above by the total number of investment units issued and outstanding as of today (4,793,181 units). This figure does not show the actual impact on distribution per unit, and INV does not guarantee that such amount will increase in the distribution amount per unit.

(Note 3) There is no assurance that INV will acquire properties under such conditions.

- The portfolio rebalance increases the portfolio composition of core assets, both hotels and residential properties.



(Note 1) Preferred equity interest in the JV TMK which holds Sheraton Grande Tokyo Bay Hotel (SGTB) is counted as one hotel property in Greater Tokyo (ex. Tokyo 23 wards) based on the property type and location of SGTB for Invincible's portfolio. Calculated by applying the amount of preferred equity contribution by Invincible to the JV TMK for the acquisition price of SGTB in Invincible's portfolio

(Note 2) Based on acquisition price

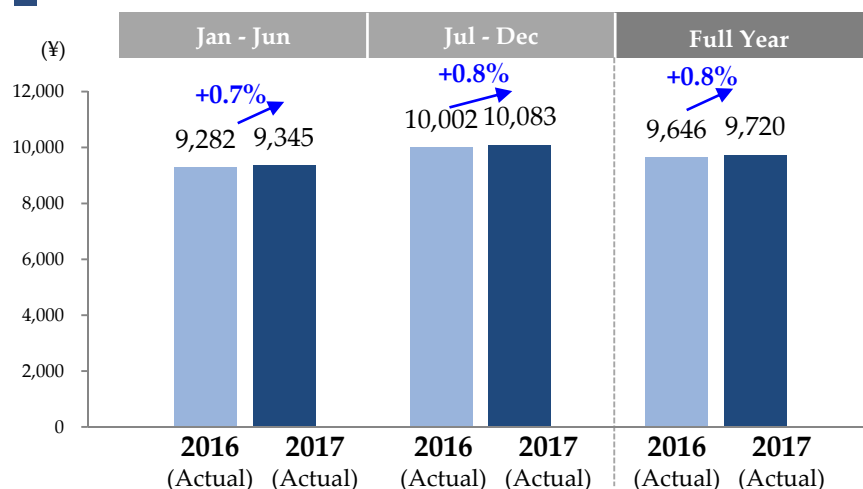
(Note 3) "Others" includes Offices, Commercial facilities and Parking lots

(Note 4) Defined as follows: "Greater Tokyo" is Tokyo, Kanagawa, Chiba and Saitama. Greater Tokyo (ex. Tokyo 23 wards) is Tokyo (ex. Tokyo 23 Wards), Kanagawa, Chiba and Saitama. Kansai area is Osaka, Hyogo, Kyoto, Shiga, Wakayama and Nara. Chubu area is Aichi, Gifu, Mie, Shizuoka, Nagano, Yamanashi, Niigata, Toyama, Ishikawa and Fukui.

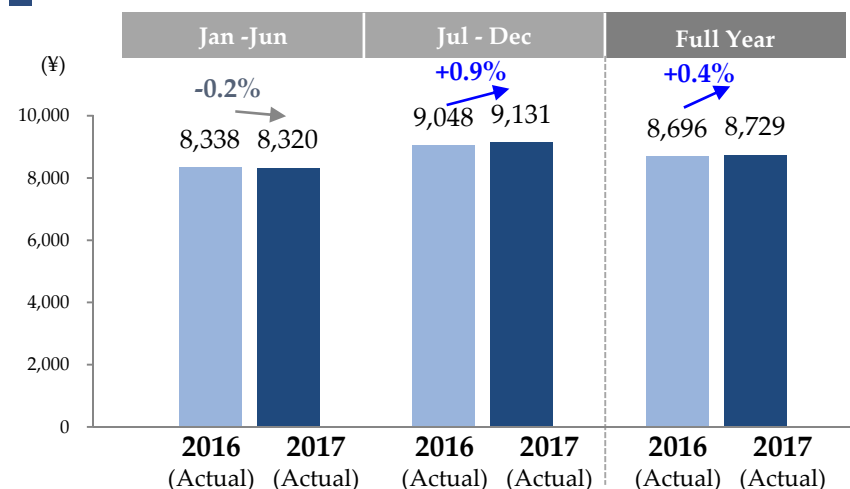
Hotel Property Performance Indicators (2017 Actual) *Based on 40 Properties

■ In 2017 INV achieved ADR growth of 0.8%, RevPAR growth of 0.4%, GOP growth of 2.5% compared with 2016.

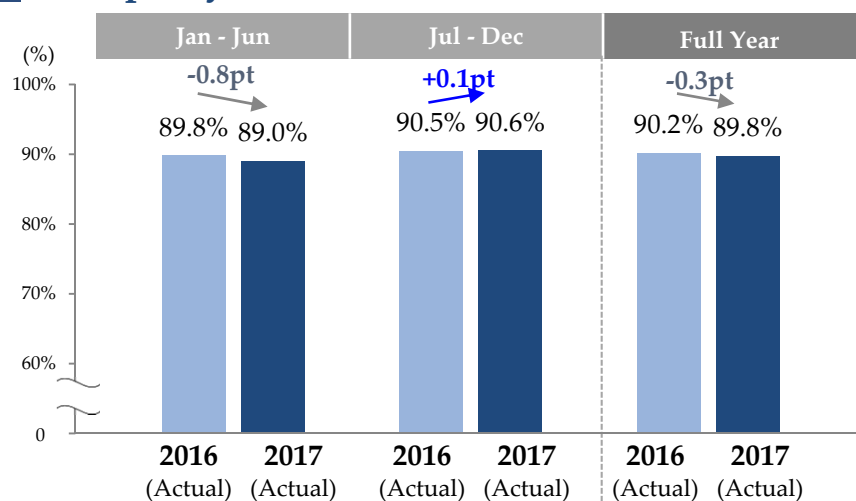
ADR¹



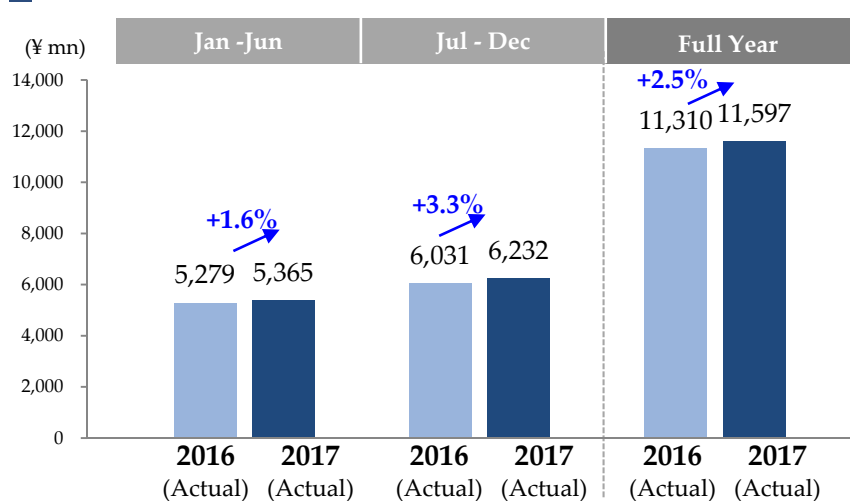
RevPAR¹



Occupancy¹



GOP^{1,2}



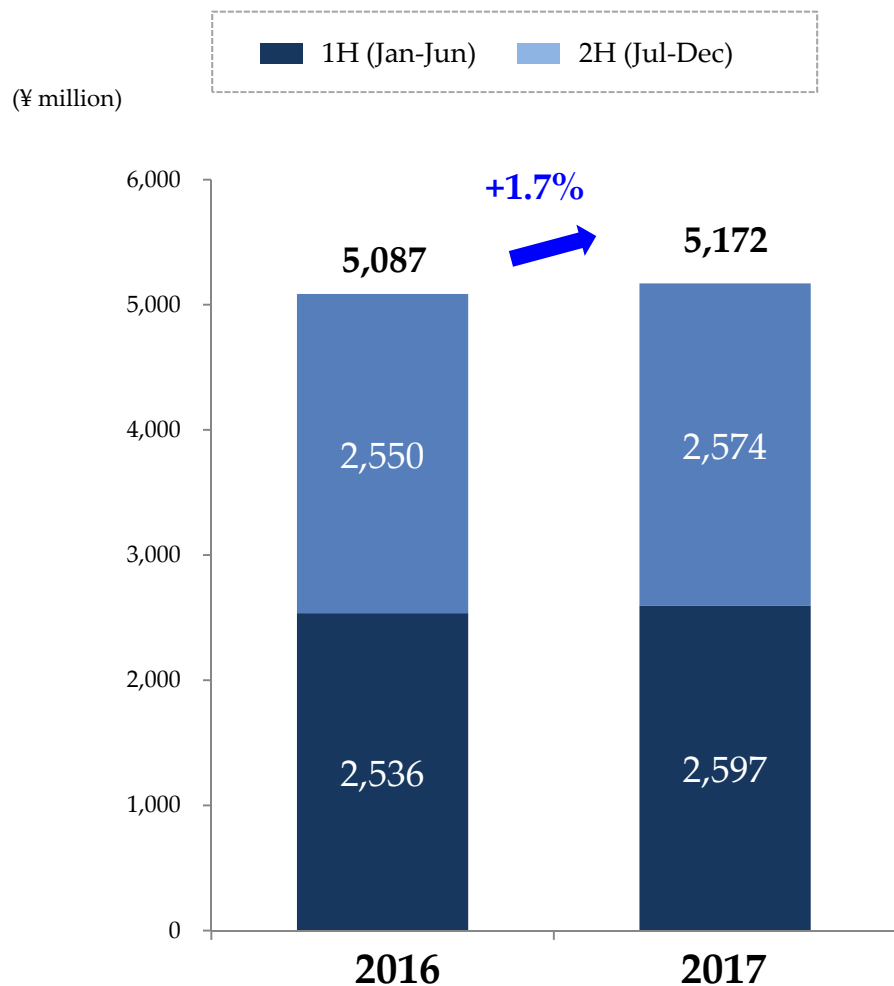
(Note 1) Based on 40 hotel properties; of the 49 hotel properties in our portfolio as of the beginning of December 2017 Fiscal Period, 9 hotels with fixed-rent lease agreements are excluded. The pre-acquisition period of the properties acquired between January 2016 and June 2017 is based on actual results provided by sellers

(Note 2) In calculating the GOP, the rent paid for APA Hotel Yokohama-Kannai, is regarded as GOP of the hotel

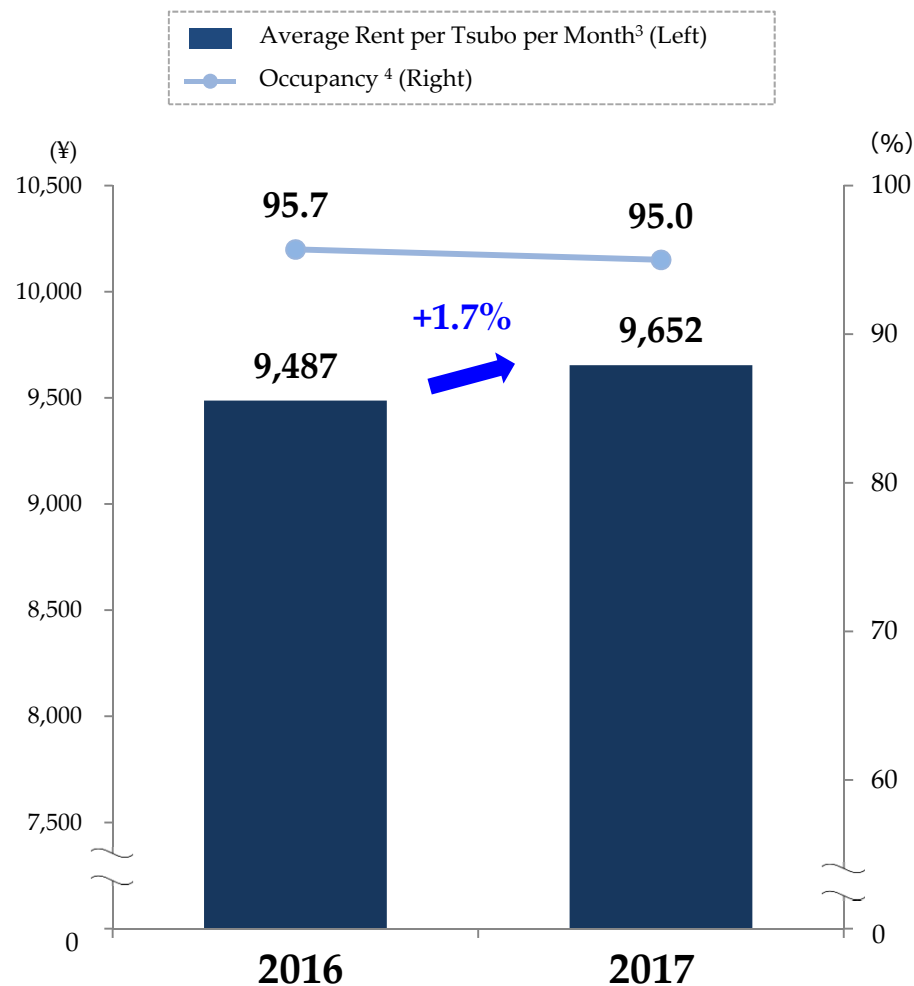
Internal Growth in Residential Portfolio (2017 Actual)

- Sustained proactive asset management resulted in 2017 residential NOI and rents up by 1.7% respectively.

NOI^{1,2}



Occupancy and Average Rent per Tsubo per Month¹



(Note 1) Based on 70 properties owned as of the beginning of December 2017 Fiscal Period (Of the 70 properties, three properties (Casa Eremitaggio, Lxel Mansion Ueno-Matsugaya and Sun Terrace Minami-Ikebukuro) were sold on December 28, 2017. Therefore, for the three properties, December 1, 2017 through December 28, 2017, or the disposition date, is deemed the operating period for the month of December 2017, and the leased area and the leasable area as of December 28, 2017 is deemed as the leased area and the leasable area as of the end of December 2017 to calculate each number). The pre-acquisition period of the properties acquired between January 2016 and February 2018 is based on actual results provided by sellers

(Note 2) Excludes one-off insurance-related revenues and expenses

(Note 3) Average Rent per Tsubo 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

(Note 4) Occupancy 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 year

- Robust pipeline of 26 assets provides opportunity for growth and stability, even after the rebalance.

Properties Covered by the MOU^{1,2}

■ Hotels

No.	Property name	Location	Type ³	No. of Rooms
1	Hotel MyStays Premier Akasaka	Minato-ku, Tokyo	Limited	327
2	Rihga Royal Hotel Kyoto	Kyoto, Kyoto	Full	489
3	Hotel MyStays Premier Narita	Narita, Chiba	Full	711
4	Hotel MyStays Premier Sapporo Park	Sapporo, Hokkaido	Full	418
5	Fusaki Resort Village	Ishigaki, Okinawa	Resort	188
6	Art Hotel Asahikawa	Asahikawa, Hokkaido	Full	265
7	Hotel MyStays Kanazawa Castle	Kanazawa, Ishikawa	Limited	206
8	Hotel MyStays Matsuyama	Matsuyama, Ehime	Full	161
9	Hotel MyStays Ueno East	Taito-ku, Tokyo	Limited	150
10	Hotel MyStays Midosuji Honmachi	Osaka, Osaka	Limited	108
11	Hotel Mystays Sapporo Nakajima Park	Sapporo, Hokkaido	Limited	86
12	Flexstay Inn Sakuragicho	Yokohama, Kanagawa	Limited	70
13	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	Limited	161
14	Hotel MyStays Fuji Onsen Resort	Fujiyoshida, Yamanashi	Resort	159
15	Hotel Nord Otaru	Otaru, Hokkaido	Limited	98
16	Hotel Sonia Otaru	Otaru, Hokkaido	Limited	94
17	Art Hotel Niigata Station	Niigata, Niigata	Full	304

■ Residential properties

No.	Property name	Location	No. of Apartment Units
18	Gran Charm Hiroo	Shibuya-ku, Tokyo	121
19	Plestay Win Kinshicho	Sumida-ku, Tokyo	92
20	Gran Charm Kichijoji	Musashino, Tokyo	28
21	Green Patio Noda	Noda, Chiba	240
22	Dainichi F-45	Urayasu, Chiba	54
23	Gran Charm Urayasu	Urayasu, Chiba	54
24	Gran Charm Urayasu 5	Urayasu, Chiba	54
25	Gran Charm Minami Gyotoku I	Ichikawa, Chiba	52
26	Gran Charm Minami Gyotoku II	Ichikawa, Chiba	48

No. of Hotel Rooms

3,995

No. of Apartment Units

743

(Note 1) MOU providing preferential negotiation rights

(Note 2) We have not decided to acquire any of the properties listed above as of the date of this material and there is no assurance that we will acquire any of these properties in the future

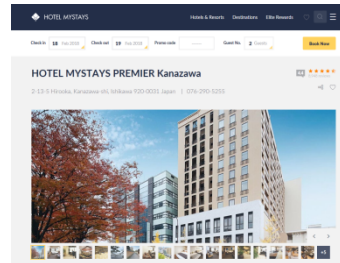
(Note 3) "Limited" refers to "Limited Service Hotel", "Full" refers to "Full Service Hotel", and "Resort" refers to "Resort Hotel"

MyStays Uniquely Caters to Inbound Tourists



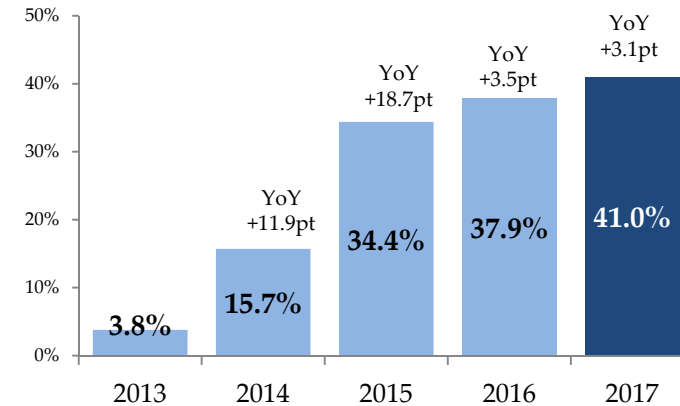
MYSTAYS HOTEL MANAGEMENT CO.,LTD.

- MHM manages **45 hotels** owned by INV and overall manages **82 hotels** in Japan (as of February 7, 2018)
- MHM recently launched its new website and is in the process of launching a new online reservation system in order to increase direct bookings



MHM Websites

Increased revenue from foreign guests¹



Major Recent Initiatives to Capitalize on Updated Customer Preferences & Market Trends

Non-smoking Rooms

- ✓ RevPAR has increased by 5.4%² on average. 650 rooms were converted to non-smoking rooms, reflecting customer preferences



Hotel MyStays Hamamatsucho

Revenue Management Expertise

- ✓ New revenue management system based on machine learning to improve the overbooking algorithms to help offset cancellation and improve revenue at the hotels overall
- ✓ Increased 99%+ occupied nights from 1,171 to 1,658 YoY for 2017³
- ✓ Implementation of new AI revenue management software

Extensive Online Marketing

- ✓ Affiliate marketing program with CTBC Bank Co., Ltd. (Taiwan's largest credit card issuer)
- ✓ Joint marketing programs with Hong Kong Airlines and ANA / Union Pay



CTBC campaign

Alliance with Alibaba Group (Fliggy)

- ✓ 42 MHM hotels on the Fliggy platform, of which 26 hotels are owned by INV
- ✓ Won "Most Popular Store of W11 2017" during the 11.11 Global Online Shopping Festival held on November 11, known as Single's Day in China

(Note 1) Overseas Sales Ratio refers to the sales revenue booked through overseas Online Travel Agents as a percent of the total room revenue, and is calculated based on the 29 hotels out of the 41 hotels managed by MHM for Invincible's portfolio as of the end of 2017, and does not include the following 12 hotels which have no data for the period from 2013 through 2017 due to rebrand etc. (Excluded properties: Hotel MyStays Nagoya-Sakae, Hotel MyStays Haneda, Hotel MyStays Utsunomiya, Hotel MyStays Gotanda Station, Hotel Epinard Nasu, Hotel MyStays Hamamatsucho, Hotel MyStays Premier Kanazawa, Hotel MyStays Premier Hamamatsucho, Hotel MyStays Dojima, Hotel MyStays Shin-osaka CC, Hotel MyStays Premier Omori, Bepup Kamenoi Hotel, Hotel MyStays Sapporo Station)

(Note 2) Based on the hotels owned by Invincible as of the end of December 2017 that completed such conversion by the end of December 2017, and have both smoking room and non-smoking room after such conversion. The percentage is calculated by comparing (i) with (ii); (i) the average of the RevPAR from March 2017 to December 2017 of smoking room multiplied by the number of rooms converted at each hotel (ii) the average of RevPAR for the same term of non-smoking room multiplied by the same number of rooms at each hotel

(Note 3) Based on 35 hotel properties; of the 41 MHM operating hotels owned by INV as of the end of December 2017, excluding properties that include the period under renovation in 2016 or 2017

- SoftBank, including its group companies, focuses on multiple telecommunication and technology fields including advanced telecommunications, internet services, AI (artificial intelligence), smart robotics, IoT and clean energy technology providers. SoftBank has 68,402 employees globally¹.
- MyStays and SoftBank are working to introduce SoftBank's Pepper robot to MyStays hotels in order to sign up more MyStays members and provide multilingual concierge services such as introducing hotel services and local attractions.
- MyStays and SoftBank are discussing other areas of potential cooperation around AI, robotics, and marketing.

Introduction of Pepper as remote concierge in MyStays hotels

- Pepper was introduced in three MyStays hotels from July 2017
- Pepper provides multilingual concierge services



(Note 1) As of March 31, 2017

Major Companies in SoftBank Group



- Sprint Corporation
- Yahoo Japan Corporation
- Brightstar Corp.
- SoftBank Commerce & Service Corp.
- Arm Holdings plc
- SoftBank Vision Fund L.P.

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INQUIRIES:

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