Invincible Investment Corporation (INV) announces that it decided to revise its forecast of financial results and distribution per unit for the fiscal period ending December 2012 (19th fiscal period: from July 1, 2012 to December 31, 2012) announced in the “Notice concerning Revision of Forecast of Financial Results and Distributions for the 19th Fiscal Period Ending December 2012 and concerning Forecast of Financial Results and Distributions for the 20th Fiscal Period Ending June 2013” dated September 26, 2012, as described below. Further, there is no revision to the forecast of financial results and distribution per unit for the fiscal period ending June 2013 (20th fiscal period: from January 1, 2013 to June 30, 2013).

1. Revision of forecast of financial results and distribution per unit for the 19th fiscal period (from July 1, 2012 to December 31, 2012)

<table>
<thead>
<tr>
<th></th>
<th>Operating revenues</th>
<th>Operating income</th>
<th>Ordinary income</th>
<th>Net income</th>
<th>Distribution per unit (excluding exceeding profit distribution per unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous forecast (A) (September 26, 2012)</td>
<td>Million JPY 2,456</td>
<td>Million JPY 998</td>
<td>Million JPY 16</td>
<td>Million JPY 15</td>
<td>JPY 11</td>
</tr>
<tr>
<td>Revised forecast (B)</td>
<td>Million JPY 2,464</td>
<td>Million JPY 1,020</td>
<td>Million JPY 48</td>
<td>Million JPY 47</td>
<td>JPY 72</td>
</tr>
<tr>
<td>Amount of Variance (B) – (A)</td>
<td>Million JPY 8</td>
<td>Million JPY 21</td>
<td>Million JPY 31</td>
<td>Million JPY 31</td>
<td>JPY 61</td>
</tr>
<tr>
<td>Rate of variance ([(B) – (A)] / (A)])</td>
<td>% 0.3</td>
<td>% 2.2</td>
<td>% 193.8</td>
<td>% 200.5</td>
<td>% 554.5</td>
</tr>
<tr>
<td>(Reference) Actual results (18th fiscal period)</td>
<td>Million JPY 2,176</td>
<td>Million JPY 894</td>
<td>Million JPY 125</td>
<td>Million JPY 128</td>
<td>JPY 200</td>
</tr>
</tbody>
</table>
2. Reason for revision of forecast of financial results and distribution per unit for the 19th fiscal period

The decision to revise the forecast was made at this time due to the fact that a review of the forecast revealed a greater than 30% change is expected in the forecasted net income, and a greater than 5% change is expected in the forecasted distribution per unit, compared to the previous forecast for the 19th fiscal period announced on September 26, 2012.

The main factors causing the changes to the forecast of results for the 19th fiscal period are as follows:

(1) Operating revenues are expected to increase by JPY 8 million from the previous forecast of JPY 2,456 million to JPY 2,464 million, mainly as a result of focusing on leasing activities in line with INV’s internal growth strategy in pursuit of improved and stabilized occupancy rates.

(2) Operating expenses are expected to decrease by JPY 13 million from the previous forecast of JPY 1,457 million to JPY 1,444 million, mainly due to the reduction of temporal expenses related to the general unitholders’ meeting held on November 30, 2012 and professional fees in related to the acquisition of 24 new properties closed on September 28, 2012 that were conservatively estimated but are expected to decrease as a result of strong endeavours to reduce cost.

(3) As for non-operating expenses, finance-related expenses are expected to decrease by JPY 7 million from the previous forecast of JPY 216 million, which was conservatively estimated due to the one-time expenses incurred for the new debt financing and refinancing of existing borrowings conducted on September 28, 2012, to JPY 209 million, as a result of strong endeavors to reduce costs.
3. Forecast of distribution per unit and satisfaction of conduit requirements

INV sets its distribution policy to determine the amount of distribution per each fiscal period upon determination of the utilization of, and the amount utilized from, Surplus, taking into comprehensive consideration the maintenance of the level of distribution amount per unit in the past (around JPY 200 per unit) and stability of distribution amount in the mid-term, as the main factor, as well as its financial condition, liquidity of its cash on hand, trends of interest rate levels and the real estate market, and the level of balance of Surplus. As for the conduit requirements, INV will take into consideration the satisfaction of the dividend payment requirement, one of the conduit requirements, to the extent possible. However, it may decide the amount of distribution will not satisfy the dividend payment requirement when it determines that it is necessary to ensure the stability of distribution amount in the mid-term, which INV deems as the most important factor.

The previous forecasts for the 19th fiscal period and the 20th fiscal period dated September 26, 2012 were prepared and announced on the premise that the Surplus is retained in preparation for the occurrence of unexpected situations in the future, and that the Surplus is not utilized for the purpose of paying distributions based on the above policy. In such case, conduit requirements were not satisfied for each of these fiscal periods (Note).

However, with the operating results of the 19th fiscal period largely realized, and in comprehensive consideration of INV’s financial conditions and the liquidity of its cash on hand, as well as the level of balance of Surplus, among other factors, INV has determined that, even if it pays distribution by utilizing the Surplus for the 19th fiscal period to the extent required to satisfy the dividend payment requirement among the conduit requirements, there is sufficient level of Surplus remaining to ensure a stable distribution amount for and after the 20th fiscal period. Therefore, INV determined to make distribution to the extent required to satisfy the dividend payment requirement for the 19th fiscal period. Although the distribution amount per unit for the fiscal period ending December 2012 is expected to be JPY 72 which is substantially lower than the level of the past distribution amount, INV decided to utilize the Surplus only to the extent required to meet the dividend payment requirement. To maintain the stability of the level of distribution amount for and after the fiscal period ending June 2013, INV acquired 24 properties that are expected to contribute to the stability of distribution amount in the future, taking into consideration that the net income for the fiscal period ending December 2012 is expected to significantly decrease due to the one-time costs incurred for the acquisition.

Further, the forecast of distribution per unit for the fiscal period ending June 2013 announced on September 26, 2012 is JPY 200, and there is no revision at this moment. Such forecast was made on the assumption that INV will not satisfy the dividend payment requirement, and
such assumption has not been changed. INV is not expected to satisfy the conduit requirements for the fiscal period ending June 2013, however, even in such case, no corporation tax will be levied for a certain period since INV has a loss carried forward for the tax purpose totaling JPY 20,561 million (as of June 30, 2012) due to the sale of assets in the past.

Please refer to “Notice concerning Revision of Articles of Incorporation and Appointment of Directors” dated October 30, 2012 as well as “(Note) Conduit requirements and distribution payment by INV” for the detail of revision of Articles of Incorporation in relation to the dividend policy which was approved at the unitholders’ meeting held on November 30, 2012.

(Reference) <Overview image of distribution on the assumption of satisfying dividend payment requirement>

(Reference) 

(Note) Conduit requirements and distribution payment by INV

Unlike ordinary stock companies, investment corporations under the J-REIT system are granted a tax exemption for profits that are equivalent to the distributions they deliver to their unitholders, on the condition that they satisfy the conduit requirements. Only the unitholders are taxed for the delivered profit so that double taxation is prevented. One of the conduit requirements is the dividend payment requirement, in which investment corporations are required to distribute at least 90% of their distributable income.

However, INV revised its Articles of Incorporation in relation to the distribution policy, as resolved at its unitholders’ meeting held on November 30, 2012, taking into account the circumstances described in 1) and 2) below. While INV makes it a principle to distribute the amount that exceeds 90% of the amount of its distributable income, the revision enables INV to determine the amount of distributions on a rational basis after comprehensively taking into account INV’s financial status, past actual distribution amounts, trends of interest rate levels and the real estate market, etc. and with consideration to the stability of distribution amounts, when income for the tax purpose does not arise due to the carried-over deduction of a loss carried forward for the tax purpose.

1) Usually, net income before income taxes is equal to the amount of distributable income. At INV, however, distributable income is equal to the amount obtained by adding JPY 59 million to net income before income taxes, as it must amortize the amount of gain on negative goodwill (JPY 11,843 million) resulting from the merger (fiscal period ended December 2010 (15th fiscal period)), which is a profit for the accounting purpose, over a hundred-year period after the merger. Nevertheless, the added amount is no more than the profit for the accounting purpose and not backed by any cash from which distribution is paid. Payment of distributions up to the fiscal period ended June 2012 had been made from the amount equivalent to the added amount by reversing the Surplus. Since the amount of the Surplus has a limit, however, it will be difficult to continue the similar arrangement in the future.
2) On the other hand, since INV has a loss carried forward for the tax purpose totaling JPY 20,561 million (as of June 30, 2012) due to the sale of assets, no corporation tax will be levied for a certain period even if INV does not satisfy the conduit requirements. Furthermore, although tax system revisions have placed an 80% ceiling on the use of a loss carried forward for corporations having paid-in capital of JPY 100 million or more, investment corporations are out of this scope. Accordingly, INV will continue to be able to fully use its loss carried forward.

The previous forecasts for the 19th fiscal period and the 20th fiscal period announced on September 26, 2012, were based on the policy of making distribution payment on the premise that the conduit requirements are not satisfied. However, as stated above, with the operating results of the 19th fiscal period largely coming out and comprehensively taking into account INV’s financial conditions, liquidity of its cash on hand, as well as the level of balance of Surplus, INV has decided on its policy to pay distribution for the 19th fiscal period to the extent required to satisfy the dividend payment requirement among conduit requirements. Further, the forecast of distribution per unit for the 20th fiscal period is JPY 200, and there is no revision at this moment. Such forecast was made on the assumption that INV will not satisfy the dividend payment requirement, and such assumption has not been changed.

4. Other: Utilization of the Surplus

As stated above, INV plans to pay distributions for the 19th fiscal period to the extent required to satisfy the dividend payment requirement among the conduit requirements. As such, INV intends to reverse the Surplus in the amount of JPY 49 million, and utilize the amount to pay distributions.

Furthermore, the balance of the Surplus is expected to be JPY 107 million after paying distribution for the 19th fiscal period (Note).

(Note) The balance of the Surplus after paying distribution for the 18th fiscal period is JPY 157 million.

(Note) The above-mentioned figures are currently forecasted figures and the actual financial results and distribution per unit may differ. INV does not guarantee the statements concerning the abovementioned forecasted figures. If change is found to occur on the forecasted financial results and forecasted distribution per unit to a certain extent, an announcement will be made immediately.

Note: This English language notice is a translation of the Japanese language notice released on December 20, 2012 and was prepared solely for the convenience of, and reference by, non-Japanese investors. No warranties or assurances are given for the accuracy or completeness of this English translation. Readers are urged to read the original Japanese language notice.