Invincible Investment Corporation

[For Information Purpose Only]

May 21, 2014

To All Concerned Parties

Name of REIT Issuer:
Invincible Investment Corporation
Naoki Fukuda, Executive Director
Roppongi Hills Mori Tower, 6-10-1 Roppongi,
Minato-ku, Tokyo, Japan
(Securities code: 8963)
URL: http: //www.invincible-inv.co.jp/eng/
Asset manager:
Consonant Investment Management Co., Ltd.
Naoki Fukuda, President and CEO
Contact: Akiko Watanabe, Manager
(Tel. +81-3-5411-2731)

Notice concerning Revision of Forecast of Financial Results and Distribution for the 22nd Fiscal Period Ending June 2014

Invincible Investment Corporation (INV) has decided to revise its forecast of financial results and distribution per unit for the fiscal period ending June 2014 (22nd fiscal period: from January 1, 2014 to June 30, 2014) announced in the Financial Summary dated February 26, 2014, as described below.

Details

1. Revision of forecast of financial results for the fiscal period ending June 2014 (from January 1, 2014 to June 30, 2014)

	Operating revenues	Operating income	Ordinary income	Net income	Distribution per unit (excluding excess profit distribution per unit) (Note 2)
Previous forecast (A) (February 26, 2014)	Million JPY 2,760	Million JPY 1,191	Million JPY 731	Million JPY 731	JPY 464
Revised forecast (B)	Million JPY 3,749	Million JPY 2,172	Million JPY 1,219	Million JPY 1,218	JPY 550
Amount of Variance (B) – (A)	Million JPY 988	Million JPY 981	Million JPY 487	Million JPY 487	JPY 86

	Operating revenues	Operating income	Ordinary income	Net income	Distribution per unit (excluding excess profit distribution per unit) (Note 2)
Rate of variance [(B) − (A)] ÷ (A)	% 35.8	% 82.3	% 66.6	% 66.7	% 18.5
(Reference) Actual results (21st fiscal period)	Million JPY 2,740	Million JPY 1,265	Million JPY 353	Million JPY 352	JPY 237

	Excess profit distribution per unit	Reversal of surplus	Total distribution amount
Previous forecast (A) (February 26, 2014)	JPY 0	Million JPY —	Million JPY 729
Revised forecast (B)	JPY 0	Million JPY —	Million JPY 865
Amount of Variance (B) – (A)	JPY —	Million JPY —	Million JPY 135
Rate of variance [(B) − (A)] ÷ (A)	% —	% —	% 18.5
(Reference.) Actual results (21st fiscal period)	JPY 0	Million JPY 20	Million JPY 372

(Note 1) The number of investment units issued and outstanding at the end of the fiscal period: 1,573,179 units

(Note 2) Assuming the dividend payout ratio is 100%, distribution per unit would be JPY774. However, with respect to the distribution for the current fiscal period, INV expects to retain a portion (JPY353 million) of the net income as reserves for future distributions in order to make the dividend level more stable in the mid-to long term.

(Note 3) Figures are rounded down to the indicated amount and percentages are rounded to first decimal place.

2. Reason for revision of forecast of financial results and distribution for the fiscal period ending June 2014

As announced today in the "Notice concerning Debt Financing and Prepayment of Existing Borrowings," "Notice concerning Acquisition and Sale of Assets, Entering into Leasing Contract as well as Commencement of Management of New Class of Assets " and the "Notice concerning Series of Transactions" (the series of transactions contemplated by INV as announced in these press releases, hereinafter collectively referred to as the "Transactions"), INV expects to reposition its portfolio as well as to obtain new debt financing ("New Syndicate Loan (B)") in order to prepay the Prudential LPS Loan and partially prepay the New Syndicate Loan (A) and to reduce interest expenses (such financing transaction hereinafter referred to as the "Refinancing").

The revision of the forecast of financial results and distribution for the fiscal period ending June 2014 announced in the Financial Summary dated February 26, 2014 is based on INV's current review of its previous forecast of financial results in connection with the Transactions.

The main factors resulting in the changes to the forecast are as follows:

(1) Increase of Operating Revenues

Operating revenues are expected to increase by JPY988 million from the previous forecast due to gains on sale of real estate from the sale of seven senior housing properties on May 22, 2014 and other factors.

(2) Increase of Operating Expenses

Operating expenses are expected to increase by JPY7 million from the previous forecast due to the increase of advertising expenses and commission for new contract in connection with the new leasing contract for two floors of Lexington Plaza Nishigotanda.

(3) Increase of Non-operating Expenses

Interest expenses are expected to decrease by JPY20 million from the previous forecast due to reduced interest payment resulting from the Transactions. On the other hand, finance-related costs are expected to increase by JPY515 million from the previous forecast due to various one-time charges associated with entering into the Transactions. As a result, non-operating expenses are expected to increase by JPY493 million from the previous forecast as a whole.

(4) Increase of Distribution

As a result of the above, net income per unit is expected to increase by JPY310 from the previous forecast. However, INV will retain a portion of the net income as reserves for future distributions, as described in "1. Revision of forecast of financial results for the fiscal period ending June 2014 (from January 1, 2014 to June 30, 2014)" and "3. Forecast of distribution and satisfaction of conduit requirements" below.

Accordingly, the distribution per unit is expected to increase by JPY86 from the previous forecast.

3. Forecast of distribution and satisfaction of conduit requirements

INV believes it is vital to maintain stable distributions in the mid-term. With respect to the distribution for the fiscal period ending June 2014, INV expects to retain a portion (JPY353 million) of net income as reserves for future distributions and extraordinary one-time fees. INV believes such measures will stabilize the dividend level in the mid-to long-term. Accordingly, INV expects that the distribution per unit ("DPU") for the fiscal period ending June 2014 will be JPY550. INV believes the amount of DPU for the fiscal period ending June 2014 represents a more appropriate approximation of targeted DPU levels in the medium-term (excluding extraordinary effects and factors) based upon a review of its future prospects including its ongoing initiatives for increasing revenue andreducing borrowing costs, as well as the continued implementation of our business strategy.

The above-mentioned DPU for the fiscal period ending June 2014 will be less than 90% of the amount of distributable income for the relevant period, and will therefore not satisfy the dividend payment requirement under the conduit requirements. Nonetheless, INV does not expect to incur any additional tax liability for the fiscal period due to the availability of tax loss carried forwards totaling JPY21.6 billion (as of the end of the fiscal period ended Decmeber 2013) (Note).

(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 to prevent double taxation. One of the conduit requirements is the dividend payment requirement that requires investment corporations 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 generally distributes an 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 based on a comprehensive analysis of INV's financial status, historical distribution amounts, trends in interest rate levels and the real estate market, etc., as well as the stability of distribution amounts, in the event income for tax purposes does not arise due to the carried-over deduction of tax loss carried forwards .

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 JPY59 million to net income before income taxes, as it must amortize the amount of gain on negative goodwill (JPY11,843 million) resulting from the merger effected in the fiscal period ended December 2010 (15th fiscal period), which is a profit for accounting purposes, over a 100-year period after the merger.

2) On the other hand, since INV has tax loss carried forwards totaling JPY21.6 billion (as of December 31, 2013) which may be carried forward until and up to the 35th fiscal period (the period ending December 2020) due to the sale of assets in the past and other factors. Even if INV does not satisfy the conduit requirements, it is expected that INV will not incur additional tax liability as long as such carryforwards are made by the deadline and within the balance of such loss carried forwards since such loss carried forwards are set off against the taxable income of INV.

4. Other: regarding surplus

The balance of surplus following the distribution for the 22nd fiscal period ending June 30, 2014 (the surplus based on gains from the negative goodwill recorded in the fiscal period ended December 2010) will not change from the balance (JPY73 million) following the distribution for the 21st fiscal period ended December 2013.

5. Future outlook

   As announced today in the “Notice concerning Series of Transactions”, INV may conduct acquisitions of assets and related financing transactions and may incur considerable one-time charges when such potential acquisiton and/or financing were to be made. INV may incur such additional one-time charges during the fiscal period ending June 2014 or any future fiscal period, and may make a significant downward revision of the forecast of net income for the fiscal period ending June 2014 if such one-time charges are incurred in such fiscal period. If there are any further changes beyond a certain level to the forecast of financial results and distribution, INV will promptly make such announcement.

Invincible Investment Corporation

(Appendix)

< Assumptions Underlying Forecast of Financial Results and Distribution for the 22nd Fiscal Period (From January 1, 2014 to June 30, 2014)>

Item	Assumptions
Fiscal period	The 22nd fiscal period : from January 1, 2014 to June 30, 2014 (181 days)
Assets under management	Properties held as of the end of the 22nd fiscal period: 73 properties INV assumes that, of the 78 properities it holds as of today, it will sell seven senior housing properties on May 22, 2014 and acquire two hotels on May 23, 2014, and there will be no change to the managed assets thereafter through the end of the 22nd fiscal period.
Units outstanding	As of the end of the 22nd fiscal period: 1,573,179 units The number is based on the number of units issued and outstanding (1,573,179 units) as of today, and INV assumes there will be no additional issuance of units thereafter through the end of the fiscal period ending June 2014.
Interest-bearing liabilities	Balance as of the end of the 22nd fiscal period: JPY41,000 million INV assumes that it will enter into the New Syndicate Loan (B), prepay the Prudential LPS Loan and partially prepay the New Syndicate Loan (A). (For details, please refer to the "Notice concerning Debt Financing and Prepayment of Existing Borrowings" released today), and there will be no other borrowings or prepayments.
Operating revenues	INV expects to record rental revenues of JPY2,764 million*. *Rental revenues are calculated based on historical data and taking into account tenant trends, property competitiveness, market environment and other factors. In addition, INV assumes there are no delinquencies or non-payments of rent by tenants. With respect to operating revenues other than rental revenues, INV expects to record gains on sale of real estate of JPY984 million from the sale of seven senior housing properties as of May 23, 2014.
Operating expenses	INV expects to incur property related expenses of JPY1,338 million. The breakdown is as follows: ・Facility management fees JPY464 million (of these, JPY40 million are repair costs) ・Taxes and other public charges JPY168 million ・Insurance expenses JPY4 million ・Other expenses JPY160 million ・Depreciation expenses JPY539 million In addition to the property-related expenses, IINV expects to incur other operating expenses in the amount of JPY238 million.

Item	Assumptions
Non-operating expenses	INV expects to incur non-operating expenses of JPY953 million. The breakdown is as follows: ・Interest expense JPY375 million ・Finance related costs JPY578 million (of these, JPY515 million are one-time charges for Refinancing) ・Other non-operating expenses None For details on the new borrowing and the prepayment (Refinancing) on May 23, 2014, please refer to the “Notice concerning Debt Financing and Prepayment of Existing Borrowings” dated as of today.
Distribution per unit	The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV’s Articles of Incorporation. INV expects to distribute JPY865 million (JPY550 per unit) of its net income, and retain the remaining (JPY353 million) as reserves for future distributions.
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 applicable laws and regulations, the taxation system, accounting standards and other regulations that would affect the foregoing forecasts. In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.