

May 28, 2019

To All Concerned Parties

Name of REIT Issuer:
 Invincible Investment Corporation
 Naoki Fukuda, Executive Director
 (Securities code: 8963)

Asset manager:
 Consonant Investment Management Co., Ltd.
 Naoki Fukuda, CEO
 Contact: Jun Komo
 General Manager of Planning Department
 (Tel. +81-3-5411-2731)

Notice concerning Sale of Domestic Trust Beneficiary Interest

Invincible Investment Corporation (“INV”) hereby announces the decision today to sell Royal Parks Tower Minami-Senju (the “Sale”), a residential property located in Tokyo (hereinafter, the “Property”) 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 ¹	Anticipated sale price ²	Expected gain on sale ³	Transferee	Category of specified assets
Residential property	A105	Royal Parks Tower Minami-Senju	21,879	22,130	27,700	5,509	Undisclosed ⁴	Trust Beneficiary Interest

(Note 1) As of December 31, 2018.

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

(Note 3) Expected gain on sale is calculated by deducting the estimated transfer related cost and is an estimate as of today, and is subject to change.

(Note 4) The name of the transferee is not disclosed, as the transferee’s consent has not been obtained for disclosure. For an overview of the transferee, please refer to “4. Overview of Transferee” below.

(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 Royal Parks Tower Minami-Senju for an NOI cap rate¹ of 4.26%, and an NOI cap rate after depreciation² of 2.59%. The Sale is a part of INV’s effort to continuously improve its profitability for unitholders including through pursuing asset replacement. CIM decided to dispose of the Property after evaluating the characteristics of the Property, the residential transaction markets and INV’s portfolio strategy. Due to the level of NOI cap rate and NOI cap rate after depreciation, the Sale is expected to have an accretive impact on INV’s overall NOI yield before and after depreciation.

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Since its acquisition in March 2017, the Property has shown both consistent and strong NOI growth as a result of INV's effort to increase rents and reduce expenses. INV was able to increase the rent per tsubo³ by 8.9% between March 31, 2017 and April 30, 2019. INV was also able to reduce the PM fee by JPY 15.7 million⁴, or 40.9%, on an annualized basis after the change of the master lease and property management company for the Property in December 2017. As a result, INV increased NOI on the property by 13.4% as compared with pre-acquisition NOI⁵.

INV originally acquired the Property from a sponsor related entity in March 2017 for JPY 21.8 billion. With its value added approach, INV increased the Property's NOI as described above and expects to sell for JPY 27.7 billion (representing a price that is 24.9% above book value), which will allow INV to recognize a JPY 5.5 billion expected gain on sale. The sale price is also 18.4% above the most recent appraisal value (as of April 1, 2019).

In addition, INV obtained net cash flow⁶ of approximately JPY 2.5 billion from the Property during the holding period (from March 14, 2017 to the anticipated sale date) and was able to earn a 20.5% leveraged IRR⁷ based on the average leverage at INV, showing that this was an accretive transaction for INV.

INV plans to retain substantially all of the sale proceeds⁸ in order to acquire additional assets in the future as a part of its asset replacement strategy. After initiating its asset replacement strategy in 2017, INV has been working to improve the profitability of its portfolio through the strategic replacement of assets. The closing of the Sale is expected to occur on June 7, 2019. INV is not changing its forecasted DPU guidance announced today to incorporate any proceeds from the Sale and plans to pay out dividends as if the Property was held through June 30, 2019. INV currently has a pipeline with its sponsor and can further consider acquisitions from the sponsor pipeline by utilizing the sale proceeds of the Property.

(Note1) Calculated by dividing aggregated actual NOI for January 1, 2018 – December 31, 2018 of the Property by the anticipated sale price.

(Note2) Calculated by dividing aggregated actual NOI (after deducting depreciation expenses) for January 1, 2018 – December 31, 2018 of the Property by the anticipated sale price.

(Note 3) Monthly rent per tsubo as of the relevant date calculated as the weighted average monthly rent per tsubo for the units leased to end tenants based on leased area.

(Note 4) Difference in PM fee between the 12 months ended March 31, 2017 when INV acquired the Property and the 12 months ended April 30, 2019. The PM fee before acquisition by INV is based on the data provided by the previous owner.

(Note 5) The NOI increase is a comparison between the 12 months ended March 31, 2017 and the 12 months ended April 30, 2019. The actual results before acquisition of the Property by INV on March 14, 2017 are based on the data provided by the previous owner.

(Note 6) NOI minus capital expenditure and estimated interest expenses (as described in (Note 7) below).

(Note 7)The Leveraged Internal Rate of Return (Leveraged IRR) is an estimated figure calculated by CIM as the internal rate of return (compound annual rate), after adjusting for estimated leverage, for the initial

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investment amount for the Property based on the net cash flow obtained from the Property during the holding period (from March 14, 2017 to the anticipated sale date).

Adjustments for the estimated leverage, or borrowings, are applied by (i) deducting the estimated borrowing amount, which calculated by multiplying the appraisal value of the Property at the time of the acquisition by INV's average appraisal LTV during the holding period, from the initial investment amount, and (ii) deducting estimated interest expenses when calculating the net cash flow using the average interest rate for such estimated borrowing amount.

(Note 8) Investment corporations under the J-REIT system can deduct the amount of cash distributions in calculating its taxable income as long as they satisfy certain conditions (conduit requirements), in order to prevent double taxation between J-REIT and unitholders. Due to the fact that the gain from sale of the Property will be retained by INV, the distribution payout ratio will not be large enough to fulfill the tax conduit requirement of paying out at least 90% of net distributable income as dividends. However, INV has tax-loss carry forwards in the amount of JPY 22.6 billion (mainly arising out of disposition of the assets in December 2010 fiscal period) which is more than enough to fully offset the expected taxable income. As a result, INV does not expect to be required to pay any income taxes for the fiscal period ending June 2019.

3. Details of the Property

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

- "Category of specified assets" 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 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 (m²)" of the "Land", "Total Floor Area (m²)", "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 there is no annotation otherwise, an annex building is not included), and with respect to "Purpose of Use," the primary purposes appearing in the property register are listed. Further, the "Completion Date" lists the time at which the building was newly constructed, as appearing in the property register.
- "Transport" shows the amount of time it takes 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 a road for a 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) of the City

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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 of the Property is listed as to the Property.
- 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. “Lease Overview” column:

- Based on the lease agreement effective as of December 31, 2018.
- “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 “Security Deposit/Guarantee,” the amount of the security deposit/guarantee money after amortization pursuant to the lease agreement is listed.
- In “Occupancy Rate,” the ratio of the leased area to the leasable area is shown, rounded to the first decimal place.

c. “Income and Expenditures, Etc.” column:

- Based on the information for the operating period from July 1, 2018 to December 31, 2018.
- 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.

d. “Summary of Real Estate Appraisal Report” column:

INV has requested a real estate appraisal for the Property from an appraisal agency based on the matters for consideration in a real estate appraisal under the Act on Investment Trust and

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Invincible Investment Corporation

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 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.

Outline of Specified Assets and Properties.					
Legal Form of Asset	Trust Beneficiary Interest		Trustee	Sumitomo Mitsui Trust Bank, Limited	
Location	(Lot Number)	4-346-48 Minami-Senju, Arakawa-ku, Tokyo			
	(Address)	4-7-3 Minami-Senju, Arakawa-ku, Tokyo			
Transport	5-minute walk from Minami-Senju Station on Tokyo Metro Hibiya Line, JR Joban Line, Tsukuba Express Line				
Acquisition Date	March 14, 2017		Income and Expenditures, Etc. (JPY thousand)		
Acquisition Price	JPY 21,879 million		Operating Period	July 1, 2018 ~ December 31, 2018	
Land	Property Right	Land lease	Rental revenues (a)	782,653	
	Zoning	Semi-industrial area	Rent Income	703,844	
	Lot Area (m ²)	8,738.44	Other income etc.	78,808	
	Building Coverage / Ratio/Floor Area Ratio	60%/200% (Note 1)	Total expenses (b)	498,964	
Building	Property Right	Ownership	Maintenance and management expenses etc.	122,064	
	Purpose of Use	Condominiums, Senior Citizens Properties / Office	Taxes and Public Dues	35,516	
	Total Floor Area (m ²)	47,424.89 (Note 2)	Non-Life Insurance Premiums	1,328	
	Structure/No. of Stories	RC B1/39F	Depreciation (c)	310,440	
Master Lease/Property Management Company	Goodworks Co., Ltd.		Other expenses	29,614	
			Profit and Loss (a) – (b)	283,689	
Type of Agreement	Pass through master lease		NOI (a) – (b) + (c)	594,129	
Outline of a Lease Contract					
Total number of tenants	1		Tenant Leasehold and security deposit	JPY 195,181 thousand	
Leased area (m ²)	36,734.68		Leasable area (m ²)	39,113.46	
Occupancy Trend	As of the end of Dec. 2016	As of the end of Jun. 2017	As of the end of Dec. 2017	As of the end of Jun. 2018	As of the end of Dec. 2018
	—	92.7%	94.1%	93.1%	93.9%

(Note 1) The floor area ratio is relaxed to 500% in accordance with the relaxation of the floor area ratio in “Minami-Senju North District City Plan (W1 City Block).”

(Note 2) In addition, parking building (5,700.54 m²) as an annex building exists.

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Summary of Real Estate Appraisal Report		
Appraisal Value	JPY 23,400 million	
Appraisal Firm	Japan Real Estate Institute	
Time of Valuation	April 1, 2019	
Item	Contents (JPY thousand)	Overview
1. Value of Profits using the Profit Capitalization Method	23,400,000	
(1) Direct Capitalization Method	23,500,000	
(I) Operating Revenue [(a)-(b)]	1,567,442	
(a) Total Potential Revenue	1,643,606	Based on mid-to-long term potential revenue of current leasing conditions and market level
(b) Vacant Room Losses, etc.	76,164	
(II) Operating Costs (Expense Rate) [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	323,212	
(c) Maintenance and Management Costs	73,000	Based on maintenance and management costs of historical data from previous year and comparable assets
(d) Utility Costs	40,000	Based on utility costs of historical data from previous year and comparable assets
(e) Repair Costs	33,852	Based on repair costs level of historical data and comparable assets and repair costs etc. in the engineering report
(f) Property Management Fee	23,116	Based on historical data, contract[s] and market
(g) Tenant Solicitation Expenses	34,885	Based on historical data from previous years and [terms of rental] of comparable assets
(h) Taxes and Public Dues	71,035	Based on the documents relating to taxes and public dues
(i) Non-life Insurance Premiums	2,000	Based on insurance premiums as well as comparable assets
(j) Other Costs	45,324	Including land lease fees
(III) Net Operating Income [(I)-(II)]	1,244,230	
(k) One-time Investment Gains	2,580	Assume investment return as 1.0%
(l) Guarantee Deposits Loss	8,969	Assume investment return as 1.0%
(m) Capital Improvements and Expenses	40,880	Based on comparable assets and estimate in the engineering report
(IV) Net Income [(III)+(k)-(l)-(m)]	1,196,961	
Capitalization Yield	5.1%	Based on local standard yield which is adjusted by adding and subtracting spreads with consideration of the property's individuality, building and other conditions, future uncertainty and comparable assets' transaction yields
(2) DCF Method	23,300,000	
Discount Rate	4.0%	Based on comparable assets' investment yield with consideration of the characteristics of the property
Final Capitalization Yield	5.8%	Based on comparable assets' transaction yield with consideration of the characteristics of the property
2. Estimated Price using Cost Method	19,600,000	
Land Ratio	36.5%	
Building Ratio	63.5%	
Other Points to be Noted for Appraisal by Appraisal Firm	Judged that income approach value truly replicates the price formation process from an income perspective, is more persuasive and adopted the Income 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 of the Property, the name of the transferee is not disclosed. The transferee is a Japanese TMK (Tokutei Mokuteki Kaisha). 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, the names of the brokers are not disclosed. The brokerage with regard to the Property has been jointly conducted by two companies.

Broker 1:

As of today, there are no capital and personnel relationships that should be noted between INV and the broker, and there are no capital, personnel, and transactional relationships that should be noted between CIM and the broker, but there is a certain transactional relationships based on laws and regulations between INV and the broker. 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 or personnel relationships that should be noted between INV and the broker, and there are no capital or personnel or transactional relationships that should be noted between CIM and the broker, but there is a certain transactional relationships related to asset management between INV and the broker. 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. Schedule

Sale decision date:	May 28, 2019
Agreement execution date:	
Anticipated sale date:	June 7, 2019
Anticipated sale proceeds payment method:	Lump-sum payment

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8. Use of Sale Proceeds

Almost all of the sale proceeds of the Property, together with the proceeds from the planned sale of Spacia Ebisu¹, which is scheduled to be sold on June 19, 2019, is expected to be reinvested for new acquisitions as is consistent with INV's track record of asset replacement. We have not determined any specific acquisitions as of today, and we will announce promptly when any are determined.

(Note1) See "Notice concerning Sale of Domestic Trust Beneficiary Interest" dated May 17, 2019 for details of the sale of Spacia Ebisu.

9. Future Outlook

Please refer to "Notice concerning Revision of Forecast of Financial Results and Distribution for the 32nd Fiscal Period Ending June 2019" announced today for the revision of the forecasts for the fiscal period ending June 2019. Moreover, there are no changes to the forecasts of financial results for the fiscal period ending December 2019.

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

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