Invincible Investment Corporation

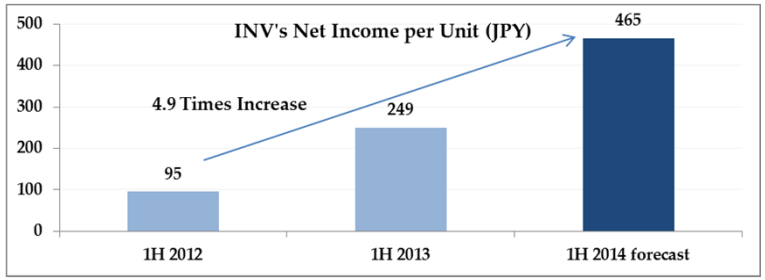
Invincible's Refinancing & Third Party Allotment

December 6, 2013

Executive Summary

Invincible changes dynamics with new Mega Bank lending, paving the way for future growth

- The 2011 sponsorship of Calliope GK, an affiliate of Fortress Investment Group LLC ("FIG"; together with its affiliates, "Fortress"), enabled Invincible (INV) to refinance its debt and reduce leverage
- Sponsor led initiatives led to both internal and external growth
  - Internal growth measures over the last two years reduced expenses and improved occupancy
  - Accretive property acquisition in September 2012 further increased profitability and dividend stability
- A new bank consortium led by Sumitomo Mitsui Banking Corporation and The Bank of Tokyo- Mitsubishi UFJ, Ltd. will provide long-term loans at 1.65%[1,] and is expected to roughly double the Dividends Per Unit for the June 2014 fiscal period
  - Weighted average interest rate would decline to 1.94% from 3.66%
- Third-Party Allotment lowers LTV, paving the way for external growth via acquisitions
- Invincible plans to increase residential rents on the back of improving economic fundamental



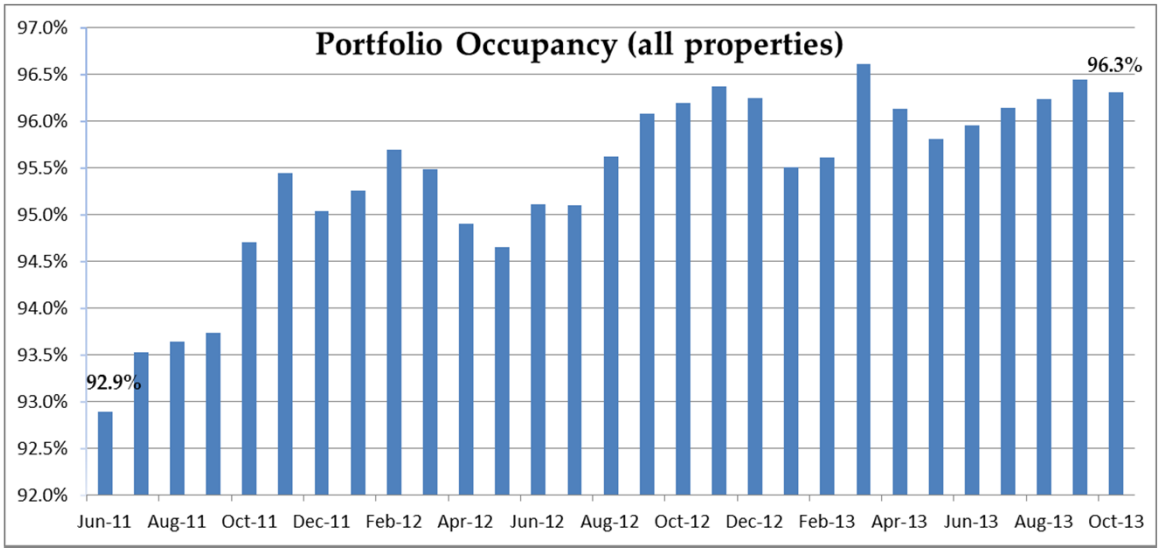
(Note 2 &3)

(Note 1) Details on page 6
(Note 2) December 2012 Period and December 2013 Period excluded for extra-ordinary costs associated to acquisition and refinancing
(Note 3)The forward-looking statements and targets mentioned above are based on currently available information, estimates and assumptions. These estimates and assumptions are inherently uncertain and are subject to numerous risks and factors that are outside of Invincible's control. Accordingly, there is no assurance that such forward-looking statements and targets will prove accurate, and actual results may differ materially

Steps taken to Increase Net Income (Internal Growth)

Over the past 29 months, INV has instituted a series of internal growth programs to improve financial results

- A series of expense reduction programs has reduced annual expenses[1] by about ¥209 million
- The hiring of additional Consonant Investment Management (CIM) resources and a focus on improving the occupancy of the properties increased occupancy from 92.9% in June 2011 to 96.3% as of October 2013



- Expense reductions and higher occupancy increased Net Income by about ¥295 million (¥219 per unit) annually

(Note 1) Figures taken from '20th Fiscal Period Results Ended June 2013' presentation materials 'Achievements through 19th Fiscal Period'
(Note 2) Occupancy data excludes the New Edobashi Building, sold on October 21, 2011; occupancy data from October 2012 includes the acquisition of 24 residential assets
(Note 3) Net Income per unit calculated using 1,348,292 outstanding units; from '20th Fiscal Period Ended June 2013' presentation materials; measures taken since sponsor change in July 2011

Steps taken to Increase Net Income (External Growth)

INV acquired a portfolio of 24 residential properties without issuing equity

- In September 2012, the Sponsor supported INV's acquisition of an additional 24 stabilized multi-family properties from private funds managed by the Sponsor's affiliates, supporting a growth strategy with the accretive acquisition via lowered cost of capital
  - The average age of the properties was 7.7 years
  - The average occupancy of the properties was 96.1%
  - The Net Operating Income yield on the acquisition cost of ¥14.043 billion was 6.1%[1]
  - Acquisition was financed with 5.5, 6.5 and 7.5 year debt at a 1.9% fixed interest rate
  - Post acquisition, the composition of residential properties increased from 69.8% to 75.3% (acquisition cost basis)
- As a result, Invincible's Net Operating Income increased by ¥856 million
- Since this acquisition, INV's share price has more than doubled

Neo Prominence



Invoice Shin-Kobe Residence



Sun Terrace Minami Ikebukuro



(Note 1) NOI based on yield at acquisition price

Invincible Ascendancy Program

Japanese Mega Bank led refinancing and Third Party Allotment is expected to improve earnings and decrease LTV[1] from 59.0% to 55.6%

- A new syndicated bank loan of ¥20.350 billion (the "Syndicated Bank Facility") led by Sumitomo Mitsui Banking Corporation and The Bank of Tokyo- Mitsubishi UFJ, Ltd. will refinance the Shinsei Trust loans (¥9.548 billion[2]) and the existing syndicated bank loan (¥13.212 billion[2])
- New equity raise of ¥3.0 billion via Third-Party Allotment. Rayo Godo Kaisha, an affiliate of Fortress Investment Group LLC, plans to subscribe for ¥2.0 billion of the Third-Party Allotment. Secured Capital Investment Management Co., Ltd., another leading real estate investor in Japan, will subscribe for ¥1.0 billion through an affiliated fund, SCG 16
- The proposed refinancing would reduce the REIT's interest expense by ¥810 million per annum and including a reduction in finance related fees, net income would increase by 2.2x compared with net income for fiscal period ended June 2013.
- Debt Service Coverage Ratio[3] is expected to increase from 1.9x to 3.4x

(Note 1) LTV value based on appraisal value
(Note 2 Balance of Shinsei Trust Loan A & B and Syndicate Bank Loan as of December 6, 2013
(Note 3) DSCR calculation: (Operating Income + Depreciation)/(Scheduled Repayment Amount + Interest Expense); 1.9x for June 2013 Period, 3.4x for June 2014 Period
(Note 4)The forward-looking statements and targets mentioned above are based on currently available information, estimates and assumptions. These estimates and assumptions are inherently uncertain and are subject to numerous risks and factors that are outside of Invincible's control. Accordingly, there is no assurance that such forward-looking statements and targets will prove accurate, and actual results may differ materially

New Lender Formation Led by Japanese Mega Banks

Loan	Lender	Borrowing Date	Borrowing Balance (JPY mn)	Interest Rate (annual)	Maturity Date
Syndicate Loan B	MetLife Alico Life Insurance K.K. The Bank of New York Mellon Trust (Japan), Ltd. Citibank Japan Ltd. Shinsei Bank, Limited	Sep. 28, 2012	13,212	2.24214% Variable interest rate (3 month JPY LIBOR + 2.1%)	Jul. 31, 2014
Shinsei Trust Loan A	Shinsei Trust & Banking Co., Ltd.	Jul. 29, 2011	7,100	8.5% Fixed interest rate	Jan. 30, 2015
Shinsei Trust Loan B	Shinsei Trust & Banking Co., Ltd.	Jul. 29, 2011	2,448	9.5% Fixed interest rate	Jan. 30, 2015
	Subtotal of long-term debt		**22,760**	**4.98%**	
Prudential LPS Loan	Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership	Jul. 29, 2011	11,000	2.5% Fixed interest rate	Jan. 25, 2017 ~ Jan. 25, 2019
Prudential LPS Loan B	Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership	Sep. 28, 2012	9,960	1.9% Fixed interest rate	Mar. 31, 2018 ~ Mar. 31, 2020
	Subtotal of long-term debt in trust		**20,960**	**2.21%**	
	Total		**43,720**	**3.66%**	**2.6 years**

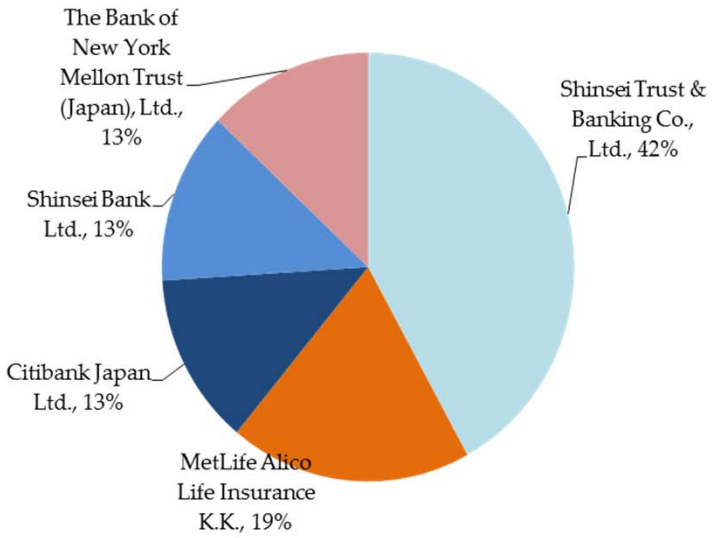
Loan	Lender	Borrowing Date	Borrowing Balance (JPY mn)	Interest Rate (annual)	Maturity Date
New Syndicate Loan (A)	**Sumitomo Mitsui Banking Corporation** **The Bank of Tokyo-Mitsubishi UFJ, Ltd.** **Shinsei Bank Ltd.** **Citibank Japan Ltd.** **Shinsei Trust & Banking Co., Ltd.**[1] **Aozora Bank, Ltd.**	**Dec. 20, 2013**	**20,350**	**1.65% (Note 2) Variable interest rate**	**Dec. 20, 2016**
	Subtotal of long-term debt		**20,350**	**1.65%**	
Prudential LPS Loan	Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership	Jul. 29, 2011	11,000	2.5% Fixed interest rate	Jan. 25, 2017 ~ Jan. 25, 2019
Prudential LPS Loan B	Prudential Mortgage Asset Holdings 1 Japan Investment Limited Partnership	Sep. 28, 2012	9,960	1.9% Fixed interest rate	Mar. 31, 2018 ~ Mar. 31, 2020
	Subtotal of long-term debt in trust		**20,960**	**2.21%**	
	Total		**41,310**	**1.94%**	**3.8 years**

(Note 1) Shinsei Trust & Banking Co., Ltd.is the trustee in the form of a specified money trust, and Platinum CRE Loan II Investment Limited Partnership holds beneficiary interests for such trust
(Note 2) One-month JPY TIBOR + spread (1.5%). The interest rate calculation for the period from December 20, 2013 to January 31, 2014 using Two-month JPY TIBOR + spread (1.5%); 1.65% is calculated based on One-month TIBOR using the December 4, 2013 base
(Note 3) Assumes closing of New Syndicate Loan (A) on December 20, 2013
(Note 4) The borrowing balance is rounded down to the indicated unit

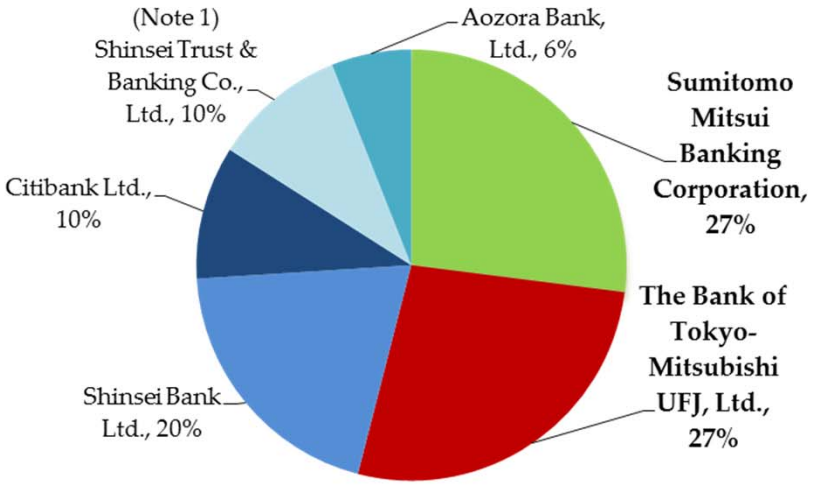
New Lender Formation Led by Japanese Mega Banks

Lender formation excluding entrusted borrowing

Before Transaction



After Transaction



(Note 1) Shinsei Trust & Banking Co., Ltd. is the trustee in the form of a specified money trust, and Platinum CRE Loan II Investment Limited Partnership holds beneficiary interests for such trust
(Note 2) The amount of loan from each of the lenders of New Syndicate Loan (A) is not determined, and figures in 'After Transaction' is based on INV's current assumption
(Note 3) Assumes closing of New Syndicate Loan (A) on December 20, 2013

Impact of Refinance and TPA

Refinancing of the high cost existing debt is expected to double DPU while reducing leverage

(JPY mn)

	Actual			Proforma	
	18th period 1H 2012	19th period 2H 2012	20th period 1H 2013	21st period 2H 2013	22nd period 1H 2014
NOI	**1,564**	**1,800**	**2,008**	**1,966**	**1,970**
Depreciation expenses	Δ 411	Δ 480	Δ 543	Δ 529	Δ 538
Asset management fees	Δ 150	Δ 130	Δ 125	Δ 125	Δ 125
Other operating expenses	Δ 108	Δ 105	Δ 109	Δ 98	Δ 115
Operating income	**894**	**1,084**	**1,231**	**1,213**	**1,191**
Non-operating revenues	2	3	3	355	-
Finance related costs	Δ 73	Δ 208	**Δ 97**	Δ 595	**Δ 63**
Interest expenses	Δ 695	Δ 763	**Δ 801**	Δ 674	**Δ 396**
Other non-operating expenses	Δ 1	Δ 1	Δ 2	Δ 21	Δ 1
Ordinary income	**125**	**114**	**336**	**278**	**731**
Extraordinary income	-	-	-	-	-
Net income	**128**	**114**	**336**	**277**	**731**
Earnings per unit (JPY)	**95**	**85**	**248**	**(Note 1)176**	**465**
DPU (JPY)	**200**	**117**	**264**	**200**	**464**
Total Debt Outstanding	31,603	43,982	43,851	41,310	41,208
Appraisal Values of Properties	59,106	73,483	74,347	74,347	74,347
LTV (%) Appraisal value basis	53.5	59.9	59.0	55.6	55.4
DSCR	1.6	1.7	1.9	2.2	3.4

(Note 1) The Earnings per unit for the 21st Period is calculated using the number of investment units at the end of the 21st Period (1,573,179)
(Note 2) DPU for periods 18, 19 and 20 are based on 1,348,292 investment units; periods 21 and 22 based on 1,573,179 units
(Note 3) Proforma data assumes refinancing takes place on December 20, 2013
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New Unitholder Structure

Following the Third-Party Allotment, Calliope and Rayo will hold 48.3% of INV's issued and outstanding investment units

Major Unitholders (TOP 10)

		Name	Number of units held	(%)
Fortress	1	Calliope Godo Kaisha[1]	609,942	38.8%
Fortress	2	Rayo Godo Kaisha[1]	149,925	9.5%
	3	New Mission Funding Co., Ltd.	129,400	8.2%
	4	JP MORGAN CHASE BANK 380180	98,125	6.2%
Secured Capital	5	SCG 16 Godo Kaisha[2]	74,962	4.8%
	6	GOLDMAN SACHS INTERNATIONAL	67,126	4.3%
	7	Japan Trustee Services Bank, Ltd. (trust account)	55,964	3.6%
Secured Capital	8	INFINITE VALUE INVESTMENT LTD[2]	52,448	3.3%
	9	The Nomura Trust and Banking Co., Ltd. (investment trust account)	41,267	2.6%
	10	Trust & Custody Services Bank, Ltd. (securities investment account)	23,760	1.5%
		Total	1,302,919	82.8%

(Note 1) An affiliate of Fortress Investment Group (FIG)
(Note 2) An affiliate of Secured Capital Investment Management Co., Ltd.
(Note 3) Number of investment units held by existing unitholders other than 2 and 5 above as of the end of June 2013

New Internal Growth Initiatives

Proactive Asset Management to increase rents

- Overall, 73.9% of INV's portfolio is in greater Tokyo (64.5% in the 23 central wards). INV believes land prices and rents will increase based on the effects of tightening employment, increased corporate profits and increasing household formation
- CIM recently conducted a property-by-property, unit-by-unit review of each of its residential properties, evaluating both current and market rents and the ability to raise rents upon renewal or new vacancy
- This analysis took into account that many of INV's properties have a high occupancy rate and vacant units are quickly occupied
- CIM also noted that the potential new supply in many of its core markets was limited and primarily directed at for-sale residential versus for-rent. Additionally, increases in construction costs should act as a further constraint on new supply
- Based on this strategic review, CIM will assign new rents for both renewals and new leases, in aggregate 1.9% higher than the current rents
- The Bank of Japan's monetary policies with its 2% stated inflation target provides further support for this proactive asset management approach

Sponsor Overview

Fortress is a global fund manager with a

significant ongoing commitment to the Japanese market

- FIG is listed on the New York Stock Exchange with a $3.9 billion equity market capitalization (as of November 29, 2013)
- Fortress had $58.0 billion in assets under management through private funds as well as REITs and other publicly listed entities (fee paying AUM as of 9/30/2013)
- Fortress has two dedicated Japan funds, the Fortress Japan Opportunity Funds I & II (collectively, "FJOF"), with over ¥200 billion of committed equity and which have invested in over 1,500 properties in Japan
- The Japanese funds were raised from 55 leading Japanese institutional investors as well as a group of sophisticated global real estate investors
- In the U.S. and Europe, Fortress has a ten year history as a sponsor to REITs and other publicly listed real estate companies
- As a committed investor with dedicated funds, Fortress considers its investment in Invincible and CIM as a core part of its real estate strategy in Japan

Fortress' Global Presence

- Founded in 1998, Fortress Investment Group LLC (NYSE:FIG) was the first New York Stock Exchange listed alternative asset manager
- Headquartered in New York, Fortress has 1,035 employees with offices in Atlanta, Dallas, Frankfurt, Hong Kong, London, Los Angeles, New Canaan, Philadelphia, Rome, San Francisco, Shanghai, Singapore, Sydney and Tokyo



(Note) As of 6/30/2013

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