

May 11, 2020

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, President & CEO
Contact: Jun Komo
General Manager of Planning Department
(Tel. +81-3-5411-2731)

Notice concerning Revision of Forecast of Financial Results and Distribution for the 34th Fiscal Period Ending June 2020

Invincible Investment Corporation (“INV”) today announced the revision of its forecast of financial results and Distribution per Unit (“DPU”) for the fiscal period ending June 2020 (34th Fiscal Period), stated as TBD in “Notice concerning Revision of Forecast of Financial Results and Distribution for the 34th Fiscal Period Ending June 2020 and 35th Fiscal Period Ending December 2020” dated April 24, 2020. The forecast of financial results and DPU for the fiscal period ending December 2020 (35th Fiscal Period) remains unchanged as TBD.

1. Revision of the forecast of financial results and distribution for the fiscal period ending June 2020 (from January 1, 2020 to June 30, 2020)

<Fiscal Period Ending June 2020>

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Total Distribution Amount
Previous forecast (A) (announced on April 24, 2020)	JPY million TBD	JPY million TBD	JPY million TBD	JPY million TBD	JPY million TBD
Revised forecast (B)	JPY million 8,923	JPY million 1,269	JPY million 187	JPY million 186	JPY million 182
Amount of Variance (B) – (A)	JPY million -	JPY million -	JPY million -	JPY million -	JPY million -
Rate of variance ((B) – (A)) / (A)	% -	% -	% -	% -	% -

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Previous forecast (C) (announced on February 20, 2020)	JPY million 18,510	JPY million 12,342	JPY million 11,259	JPY million 11,258	JPY million 11,047
Amount of Variance (B) – (C)	JPY million (9,587)	JPY million (11,072)	JPY million (11,072)	JPY million (11,072)	JPY million (10,864)
Rate of variance ((B) – (C)) / (C)	% (51.8)	% (89.7)	% (98.3)	% (98.3)	% (98.3)

	Earnings per Unit (Note 1)	Distribution per Unit (Excluding Excess Profit Distribution per Unit) (Note 1)	Excess Profit Distribution per Unit (Note 1)	Distribution per Unit (Including Excess Profit Distribution per Unit) (Note 1)
Previous forecast (A) (announced on April 24, 2020)	JPY TBD	JPY TBD	JPY TBD	JPY TBD
Revised forecast (B)	JPY 30	JPY 30	JPY -	JPY 30
Amount of Variance (B) – (A)	JPY -	JPY -	JPY -	JPY -
Rate of variance ((B) – (A)) / (A)	% -	% -	% -	% -
Previous forecast (C) (announced on February 20, 2020)	JPY 1,846	JPY 1,812	JPY -	JPY 1,812
Amount of Variance (B) – (C)	JPY (1,816)	JPY (1,782)	JPY -	JPY (1,782)
Rate of variance ((B) – (C)) / (C)	% (98.4)	% (98.3)	% -	% (98.3)

(Note 1) The total number of investment units issued and outstanding at the end of the fiscal period: 6,096,840 units

(Reference)

Assumptions underlying the forecast of financial results and DPU for the fiscal period ending June 2020 are provided in Appendix 1.

2. Reasons for the revision of forecast of financial results and distribution

As announced in “Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement with Major Tenants” (“MOU Notice”) dated today, INV decided to enter into a Memorandum of Understanding (“MOU”) to amend each fixed-term building lease and property management agreement (“MLPM Agreements”) for domestic hotels owned by INV and operated by INV's main tenant, MyStays Hotel Management Co.,

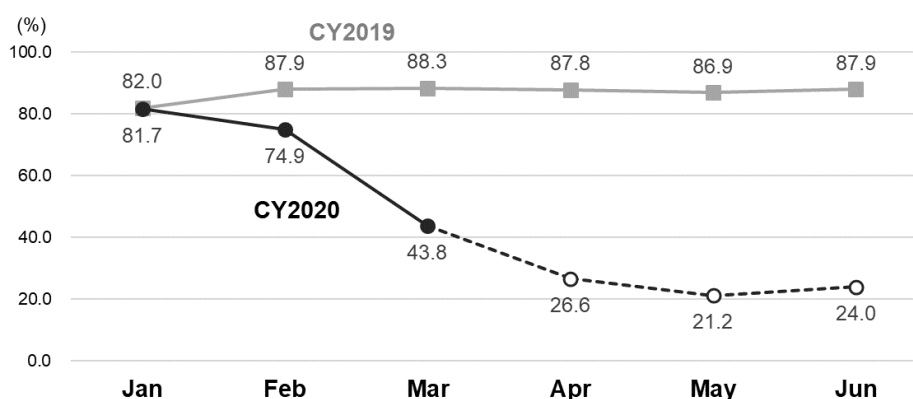
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Ltd. (“MHM”) and its affiliates (collectively with MHM, the “MHM Group”). In light of the impact of the MOU, information currently available to INV and certain assumptions that are deemed reasonable by INV, INV announces the revision of its forecast of financial results and DPU for the fiscal period ending June 2020 (34th Fiscal Period), which was stated as TBD in “Notice concerning Revision of Forecast of Financial Results and Distribution for the 34th Fiscal Period Ending June 2020 and 35th Fiscal Period Ending December 2020” dated April 24, 2020.

The forecast of financial results and DPU for the fiscal period ending December 2020 (35th Fiscal Period) remains unchanged as TBD, as it is still difficult for INV to anticipate the spread and impact of the COVID-19 pandemic, the responses of the government and municipalities to the COVID-19 pandemic, the actual termination date of the State of Emergency which was recently extended through the end of May 2020, and the magnitude of the effect on the economy, the hotel industry or operators. For the same reason, INV may announce a further revised forecast of financial results and DPU for the fiscal period ending June 2020 (34th Fiscal Period), if necessary.

In the fiscal period ending June 2020, the number of hotel guests has recently declined drastically across Japan due to the COVID-19 pandemic, the declaration of the State of Emergency by the government, requests by municipalities to stay home, other quarantine measures, and overall restrictions on global travel. The room occupancy rates for the domestic hotel portfolio for the fiscal period ending June 2020 are shown below. Due to the expansion of the COVID-19 pandemic, the occupancy rate has declined significantly year-over-year since March, and the timing and shape of any recovery is unknown as of today.

Change in Occupancy Rate (Note 1) of 75 Domestic Hotels (Note 2) for Jan. through Jun. 2020



(Note 1) “Occupancy Rate” for hotel portfolio is calculated using the following formula:

room occupancy rate = total number of rooms occupied during the relevant month ÷ (aggregate number of rooms during the relevant month x number of business days during the relevant months). Hereinafter the same.

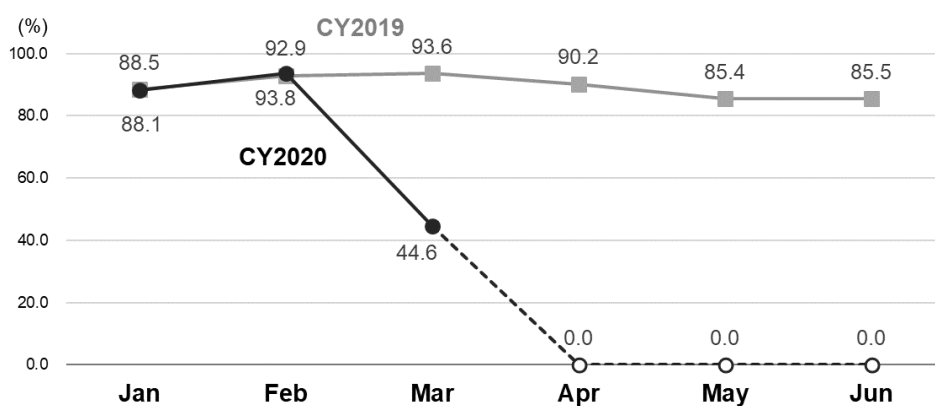
(Note 2) Based on 75 hotel properties; of the 84 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) held as of the end of April 2020, 9 hotels with fixed-rent lease agreements are excluded. Hereinafter the same.

(Note 3) The figures for April through June 2020 show estimated figures as of today, and are subject to change, as it is still difficult to anticipate the spread and impact of the COVID-19 pandemic. For June 2020, we have assumed that the State of Emergency will be terminated on May 31, 2020 and the number of occupied rooms will gradually recover.

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Regarding overseas hotels, the Cayman Islands government announced that it would close Owen Roberts International Airport in Grand Cayman from March 23 to May 31, 2020. Following this announcement, the operation of two Cayman Hotels (Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) has been suspended. The reopening date is scheduled to be July 1 at the earliest at present, but since Cayman Islands government may extend the closure of the International Airport further, details have not been determined. Regarding the annex construction plan, the construction start date and completion date are expected to be delayed from the plan announced on February 20, 2020, but it is still unclear how long the plan will be delayed.

Change in Occupancy Rate of the Cayman Hotels for Jan. through Jun. 2020



(Note 4) The figures for April through June 2020 show estimated figures as of today, and are subject to change, as it is still difficult to anticipate the spread and impact of the COVID-19 pandemic.

There have been cases in which the financial position of hotel operators has deteriorated to the level placing them into insolvency proceedings. As the entire hotel industry continues to be in a crisis, the MHM Group, which is a major tenant and hotel operator of INV owned hotels, strongly requested INV to exempt the MHM Group from the payment of the rent that is due on May 11, 2020 (the due date for the fixed rent for March 2020) and thereafter, and the change of the cost burden and other conditional changes for the time being. Therefore, as announced in the MOU Notice dated today, INV has decided to conclude the MOU on amendment to the MLPM Agreements for the domestic hotels owned by INV and operated by the MHM Group. The conclusion of the MOU will result in a significant decline in rental revenues and a significant increase in property related expenses at hotels in the fiscal year ending June 2020.

In addition, as noted above, management contract revenue from overseas hotels is expected to decline significantly due to the suspension of operations. Furthermore, regarding dividend income for the fiscal period ending June 2020 related to preferred equity interest in the TMK which holds the Sheraton Grande Tokyo Bay Hotel as an underlying asset, the dividend income is expected to decline as it is based on the hotel's performance from October 1, 2019 to March 31, 2020 because of the calculation period of the TMK issuing preferred equity interest, which has seen a significant decline

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in room occupancy rates due to the effects of the temporary closure of the adjacent Tokyo Disney Resort starting from February 29, 2020.

Some of the hotels owned by INV have been temporarily closed as described in Appendix 2. As a result, INV forecasts a decrease in NOI of the hotel portfolio (75 hotels) by 92.5% year-over-year and a decrease in NOI of the Cayman Hotels by 74.5% year-over-year for the fiscal period ending June 2020.

Consonant Investment Management Co., Ltd., the asset manager of INV, has been working with MHM to ensure the safety and employment of employees of MHM, and is working together to thoroughly reduce costs while considering various measures to secure profits. Specifically, MHM and CIM are working to reduce costs such as utilities by partially closing certain floors in reaction to the decline in hotel demand, and in areas where multiple hotels are located in the vicinity, we are consolidating operations on specific properties and closing the remaining hotels. In hotels with surplus staff in view of current demand, the MHM Group utilizes the Japanese Government's Employment Adjustment Subsidy to furlough workers. In addition, MHM and CIM are working to reduce costs by reviewing contracts for cleaning and other services. Moreover, CIM and INV strive to secure INV's cash on hand by minimizing capital expenditures (construction work). On the sales side, in order to compensate for the sluggish hotel demand, we are offering a "Telework Support Plan" in some hotels for people who need to work from home during the day time.

Residential properties (Note 5) are performing very stably so far, and NOI in the fiscal period ending June 2020 is expected to grow by 0.5% year-over-year.

Despite these efforts, INV expects to see a substantial decline in net income and DPU for the fiscal period ending June 2020. We ask for investors' understanding in light of the unpredictable situation in which almost the entire hotel demand has suddenly disappeared due to the COVID-19 pandemic. We have also considered to stabilize the DPU by utilizing a portion of internal reserve in the amount of JPY12.7 billion which was accumulated via asset dispositions, but we have concluded that it is prudent and beneficial from a long-term perspective for both INV and its unitholders' interest to keep the cash on hand to be prepared for unforeseeable circumstances.

However, INV believes that the current issues regarding COVID-19 do not have a material adverse effect on the financial well-being of INV due to the quality of our portfolio, including residential properties that provide stable rent income, low borrowing ratio, and our strong relationship with banks. INV and CIM will work together to strive for early recovery of the performances.

(Note 5) Based on 60 properties held by INV as of the end of April 2020.

Website of INV: <https://www.invincible-inv.co.jp/en/>

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<Assumptions Underlying the Forecast of Financial Results and Distribution for the Fiscal Period ending June 30, 2020>

Item	Assumptions
Fiscal period	The June 2020 Fiscal Period: from January 1, 2020 to June 30, 2020 (182 days)
Assets under management	<p>Properties held as of the end of the June 2020 Fiscal Period: 147 properties and preferred equity interests in one TMK</p> <p>Based on the properties held as of today (147 properties and preferred equity interests in one TMK), and INV assumes that there will be no change in the portfolio through the end of the fiscal period ending June 2020.</p>
Units outstanding	<p>As of the end of the June 2020 Fiscal Period: 6,096,840 units</p> <p>INV assumes that there will be no change to the current 6,096,840 units issued and outstanding through the end of the June 2020 Fiscal Period.</p>
Interest-bearing liabilities	<p>Balance as of the end of the fiscal period ending June 2020: JPY 263,468 million (borrowing: JPY 255,268 million, investment corporation bonds: JPY 8,200 million)</p> <p>INV assumes that of the current total balance of JPY 266,154 million, INV intends to repay consumption tax loan of JPY 2,686 million maturing on July 18, 2020 in the fiscal period ending June 2020. Regarding other loans maturing during the June 2020 Fiscal Period, INV intends to refinance at a similar condition during the fiscal period.</p> <p>INV assumes no other new loan or prepayment of loan through the end of the June 2020 Fiscal Period.</p>

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Operating revenues	INV expects to record rental revenues for the fiscal period as follows:	
		June 2020
		Fiscal Period
	<ul style="list-style-type: none"> • Rental revenues (of these, hotel rents) (fixed hotel rents) (variable hotel rents) • Management contract revenue • TMK dividend amount • Gain on sale 	JPY 5,400 million (JPY 2,832 million) (JPY 2,019 million) (JPY 812 million) JPY 878 million JPY 605 million JPY 2,038 million
	Total operating revenues	JPY 8,923 million
	<p>INV estimates the amount of dividends on the preferred equity interests based on the performance of the underlying asset and the assumed amount of expenses incurred by the TMK.</p> <p>INV recognizes management contract revenue from the overseas hotels as real estate investment income from management contracts of the Cayman Hotels. The forecasts of management contract revenue are based on estimated performance of the underlying assets and the assumed amount of expenses incurred by the hotel management company. Management contract revenue have been calculated based on the exchange rate of USD 1 = JPY 110.00, as the exchange rate is fixed based on the currency put/call options covering approximately 85% of expected cash flow. Previously, INV had assumed that the expansion and renovation of the Cayman Hotels would begin in the summer of 2020 with the goal of completion in the summer of 2023. However, considering that the Cayman Hotels are currently closed due to the impact of COVID-19, INV is forced to refrain from discussions on the expansion and renovation project. As a result, INV does not anticipate and incorporate any particular impact of the expansion and renovation for the purpose of this forecast for the fiscal period ending June 2020.</p> <p>Rental revenues are calculated after considering waiving of rent and change of variable rent pursuant to the MOU as announced in the MOU Notice dated today and based on estimates as of today. In addition, INV assumes there will be no delinquencies or non-payment of rent by other tenants.</p>	

Operating expenses	<p>INV expects to incur property related expenses and management contract expenses out of operating expenses for the fiscal period as follows:</p> <table> <tr> <td></td><td>June 2020 Fiscal Period</td></tr> <tr> <td>• Facility management fees (Note 1) (of these, repair costs)</td><td>JPY 2,046 million (JPY 37 million)</td></tr> <tr> <td>• Taxes and other public charges (Note 2)</td><td>JPY 599 million</td></tr> <tr> <td>• Insurance expenses</td><td>JPY 147 million</td></tr> <tr> <td>• Depreciation expenses</td><td>JPY 4,088 million</td></tr> <tr> <td>• Other expenses</td><td>JPY 205 million</td></tr> <tr> <td>Total property related expenses and management contract expenses</td><td>JPY 7,087 million</td></tr> </table> <p>(Note 1) Figure includes an assumed amount which almost equals to a maximum of the additional burden of property management cost and increased amount of the management fee estimated as of today (Total: JPY 1,485 million) pursuant to the MOU as announced in the MOU Notice dated today.</p> <p>(Note 2) Property taxes and city planning taxes on the acquired assets are calculated on a pro-rata basis with the previous owners and settled at the time of acquisition, and are not recorded for the fiscal periods ending June and December during the year of acquisition and recorded from the fiscal period ending June in the next year as the amount equivalent to such settlement is included in the acquisition cost.</p> <p>For the two hotel properties acquired on January 6, 2020, INV expects to record the property taxes and city planning taxes of JPY 41 million in total as part of the total acquisition cost, and an annual amount of JPY 42 million of such taxes as expenses starting from the fiscal period ending June 2021.</p> <p>INV expects to incur other operating expenses than the property related expenses or management contract expenses for the fiscal period as follows:</p> <table> <tr> <td></td><td>June 2020 Fiscal Period</td></tr> <tr> <td>• Other operating expenses (of these, asset management fees)</td><td>JPY 565 million (JPY 300 million)</td></tr> </table>		June 2020 Fiscal Period	• Facility management fees (Note 1) (of these, repair costs)	JPY 2,046 million (JPY 37 million)	• Taxes and other public charges (Note 2)	JPY 599 million	• Insurance expenses	JPY 147 million	• Depreciation expenses	JPY 4,088 million	• Other expenses	JPY 205 million	Total property related expenses and management contract expenses	JPY 7,087 million		June 2020 Fiscal Period	• Other operating expenses (of these, asset management fees)	JPY 565 million (JPY 300 million)
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NOI	<p>INV expects to record net operating income for the fiscal period as follows:</p> <table> <tr> <td></td><td>June 2020 Fiscal Period</td></tr> <tr> <td>• NOI</td><td>JPY 3,886 million</td></tr> <tr> <td>(of these, domestic hotel NOI)</td><td>(JPY 1,356 million)</td></tr> <tr> <td>(of these, overseas hotel NOI)</td><td>(JPY 706 million)</td></tr> <tr> <td>(of these, residential NOI)</td><td>(JPY 1,641 million)</td></tr> </table> <p>NOI calculation method in the above table is as follows</p> <p>• NOI = Rental Revenues - Property Related Expenses + Depreciation Expenses + Dividends on the preferred equity interest (TMK dividend) + (Management Contract Revenue - Management Contract Expense)</p> <p>NOI for June 2020 fiscal period is calculated after considering waiving of rent, changes of variable rent and cost burden pursuant to the MOU as announced in the MOU Notice dated today.</p>		June 2020 Fiscal Period	• NOI	JPY 3,886 million	(of these, domestic hotel NOI)	(JPY 1,356 million)	(of these, overseas hotel NOI)	(JPY 706 million)	(of these, residential NOI)	(JPY 1,641 million)								
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Non-operating expenses	<p>INV expects to incur non-operating expenses for the fiscal period as follows:</p> <table> <tr> <td></td><td>June 2020 Fiscal Period</td></tr> <tr> <td>• Interest expense</td><td>JPY 711 million</td></tr> <tr> <td>• Finance related costs</td><td>JPY 342 million</td></tr> <tr> <td>• Interest for investment corporation bonds</td><td>JPY 22 million</td></tr> <tr> <td>• Depreciation of investment corporation bonds issuance expenses</td><td>JPY 6 million</td></tr> <tr> <td>Total non-operating expenses</td><td>JPY 1,082 million</td></tr> </table>		June 2020 Fiscal Period	• Interest expense	JPY 711 million	• Finance related costs	JPY 342 million	• Interest for investment corporation bonds	JPY 22 million	• Depreciation of investment corporation bonds issuance expenses	JPY 6 million	Total non-operating expenses	JPY 1,082 million
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• Depreciation of investment corporation bonds issuance expenses	JPY 6 million												
Total non-operating expenses	JPY 1,082 million												
Distribution per unit	<p>The distribution per unit is calculated in accordance with the cash distribution policy as set forth in INV's Articles of Incorporation.</p> <p>With respect to the distribution for the fiscal period ending June 2020, INV expects to distribute an aggregate net income amount of JPY 186 million (distribution per unit: JPY 30).</p> <p>For the fiscal period ending June 2020, INV expects to record deferred gain on hedge of the interest rate swap and the currency option as the valuation and conversion adjustments, etc. of JPY 33 million, which is equal to the amount for the fiscal period ended December 2019. The distribution per unit is calculated based on the assumption that fluctuation of the market value of the interest rate swap and the currency option does not affect the distribution per unit.</p> <p>Distribution per unit may vary due to various factors, including changes of the assets under management, fluctuation of rent income associated with reasons such as change of tenants and occurrences of unexpected repairs.</p>												
Excess profit distribution per unit	<p>INV believes maintaining the stability of cash distributions over the medium term is one of the most important factors in determining the amount of distribution for a given fiscal period, and therefore, INV has adopted the policy to make distributions in excess of profits in order to stabilize distributions, in cases where dilution of investment units or significant expenses are to be recorded in connection with, among other things, the acquisition of assets or the raising of capital, leading to a temporary decrease in distribution per unit, taking into consideration the level of distribution per unit assuming such acquisition of assets or capital raising had contributed for a full fiscal period.</p> <p>INV may also consider making distributions in excess of profits for the purpose of decreasing the impact from corporate tax increase arising from different rules in tax and accounting practices, such as treatment on depreciation of fixed term land lease or asset retirement obligation.</p> <p>With respect to the fiscal period ending June 2020, INV will not make distributions in excess of profits. In addition, INV will not make distributions in excess of profits in order to cope with the discrepancy between tax and accounting treatment.</p> <table> <tr> <td></td><td>June 2020 Fiscal Period</td></tr> <tr> <td>Excess profit distribution per unit</td><td>-</td></tr> </table> <p>Moreover, we have also considered to stabilize the DPU by utilizing a portion of internal reserve in the amount of JPY12.7 billion which was accumulated via asset dispositions, but we have concluded that it is prudent and beneficial from a long-term perspective for both INV and its unitholders' interest to keep the cash on hand to be prepared for unforeseeable circumstances in which almost the entire hotel demand has suddenly disappeared due to the COVID-19 pandemic.</p>		June 2020 Fiscal Period	Excess profit distribution per unit	-								
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Other	<p>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.</p> <p>In addition, INV assumes there will be no unforeseen material changes in general economic trends, real estate market conditions and other trends and conditions.</p>
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<Temporary Closure Status of Hotels Owned by INV>

Property Number	Property Name	Location	Closed Date	End of Closing Period (Note)	Status of Operation
D53	Hotel MyStays Sapporo Station	Sapporo-shi, Hokkaido	March 18	May 15	Consolidating operations with Hotel MyStays Sapporo Aspen
D68	Hotel MyStays Kanazawa Castle	Kanazawa-shi, Ishikawa	April 13	May 15	Consolidating operations with Hotel MyStays Premier Kanazawa
D71	Hotel Nord Otaru	Otaru-shi, Hokkaido	March 18	May 15	Consolidating operations with Hotel Sonia Otaru
D75	Hotel MyStays Sapporo Susukino	Sapporo-shi, Hokkaido	March 18	May 15	Consolidating operations with Hotel MyStays Premier Sapporo Park
D76	Hotel Mystays Sapporo Nakajima Park	Sapporo-shi, Hokkaido	March 18	May 15	
D77	Hotel MyStays Sapporo Nakajima Park Annex	Sapporo-shi, Hokkaido	March 6	May 15	
D3	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	May 1	May 31	Closing
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	April 28	May 31	
D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	April 25	May 31	
D65	Art Hotel Ishigakijima	Ishigaki - shi, Okinawa	April 20	May 31	
D66	Hotel MyStays Fuji Onsen Resort	Fujiyoshida-shi, Yamanashi	May 1	May 31	
D79	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	March 8	May 15	
-	Sheraton Grande Tokyo Bay Hotel	Urayasu-shi, Chiba	April 28	May 31	
D200	Westin Grand Cayman Seven Mile Beach Resort & Spa	Cayman Islands	March 22	June 30	
D201	Sunshine Suites Resort	Cayman Islands	March 22	June 30	

(Note) Expected end of Closing Period as of today, which could change.

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