

[For Information Purpose Only.]

The Japanese language press release should be referred to as the original.]

December 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
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Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement pertaining to the rent conditions for the period from October to December, 2020 with Major Tenant

Invincible Investment Corporation ("INV") announced the decision to enter into a Memorandum of Understanding (the "MOU") to amend each fixed-term building lease and property management agreement ("MLPM Agreements") pertaining to the rent conditions for the period from October 1, 2020 to December 31, 2020 for domestic hotels owned by INV with INV's main tenant, MyStays Hotel Management Co., Ltd. ("MHM") and its affiliates (the "MHM Group"), who operate the hotels, as decided today by Consonant Investment Management Co., Ltd. ("CIM"), the asset manager of INV.

The MHM Group has received investments through funds managed by affiliates of the Sponsor, Fortress Investment Group LLC ("FIG"). Therefore, CIM has treated the MHM Group as equivalent to Sponsor-related Persons. As such, CIM and INV have sincerely deliberated, discussed, and resolved to enter into the MOU in accordance with the internal rules of CIM to handle the related party transactions.

1. Outline of the MOU

As announced in "Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement with Major Tenant" dated May 11, 2020 (the "Notice dated May 11, 2020") and "Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement pertaining to the rent conditions for the period from July to September, 2020 with Major Tenant" dated September 11, 2020 (the "Notice dated September 11, 2020"), INV entered into a Memorandum of Understanding with the MHM Group to amend each MLPM Agreements on May 11, 2020 and September 10, 2020 (each MOU is referred to as the "May 2020 MOU" and "September 2020 MOU", respectively).

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Each of the May 2020 MOU and the September 2020 MOU were agreed as a tentative measure with respect to the 73 domestic hotels leased through the trustees to the MHM Group (the "Subject Properties") for the period from March 1, 2020 to June 30, 2020 and from July 1, 2020 to September 30, 2020, respectively. Thus, unless otherwise agreed, from October 2020 onward, the terms and conditions under the MLPM Agreements prior to the amendment by the May 2020 MOU and the September 2020 MOU (hereinafter referred to as the "Original Leasing Terms and Conditions") will be applied. On the other hand, the impact of the spread of the new coronavirus (COVID-19) on the hotel sector remains enormous. Although the hotel occupancy rates show some signs of recovery, given the hotel operation track record since October 2020, it is impossible for the MHM Group to pay the full amount of the fixed rent under the Original Leasing Terms and Conditions. In order to continue the operation of the Subject Properties by the MHM Group, a certain amount of rent reduction is unavoidable after September 2020 as well.

Under such circumstances, INV has concluded that INV must accept to amend a part of the MLPM Agreement as an additional tentative measure in order to continue the operation of the Subject Properties, upon giving due consideration to INV's interests to the fullest extent as well as its financial conditions.

Consequently, as a result of discussions and negotiations with the MHM Group, INV and CIM determined to enter into the MOU with the MHM Group and change the Original Leasing Terms and Conditions as shown below as a tentative measure for the period from October 1, 2020 to December 31, 2020 (hereinafter referred to as the "Fourth Quarter of 2020") with respect to the Subject Properties.

Items subject to Change	Original Leasing Terms and Conditions	Tentative Measures (Fourth Quarter of 2020)	(For Reference) Tentative Measures (Third Quarter of 2020)
Fixed rent (Total rent for 3 months for 73 properties)	Approx. JPY 2,700 million	JPY 806 million (Approx. 30% of the amount under the Original Leasing Terms and Conditions) (Note 1)	JPY 800 million (Approx. 21% of the amount under the Original Leasing Terms and Conditions (Approx. JPY 3,800 million))
Variable rent	Calculated on a 3-month basis for each hotel. The amount obtained by deducting (i) the total amount of expenses, management services fees, and fixed rents of the hotel property from (ii) the total monthly	Calculated by summing up the rent of all 73 properties for three months. The amount obtained by deducting (i) the above total fixed rent (the total rent for 3 months for 73 properties) from (ii) the aggregate of the amount for three months for	Same as in the column to the left.

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	sales of the hotel property (if the calculation results are negative, the amount shall be JPY 0).	73 properties, which amount is obtained by deducting the management services fees for the hotel for each month from the monthly GOP (operating gross profit) for each hotel for the same month (provided that, for any month where such amount is negative, the amount for the month shall be JPY 0) (if the calculation results are negative, the amount shall be JPY 0).	
Payment method of rent	Paid on the hotel-by-hotel basis	Paid on a total basis of 73 hotel properties.	Same as in the column to the left.
Payment date	The due date is the 11th of the month which is two months from the month in which the last day of the calculation period falls (for the fixed rent, every month, and for the variable rent, every three months)	On February 11, 2021, the sum of the total fixed rent and the total variable rent must be paid.	On November 11, 2020, the sum of the total fixed rent and the total variable rent shall be paid.

(Note 1) Total fixed rent amount under the MOU is almost the same amount as under the September 2020 MOU, however, this is due to the higher fixed rent under the Original Leasing Terms and Conditions for the Third Quarter (July to September), which is the period higher revenues can be expected under normal circumstances.

The total fixed rent (for 73 properties for three months total) of JPY 806 million after the amendment above is determined in view of the fact that the assets and cash on hand of the MHM Group are insufficient and the source of the rent payment is basically limited to the GOP arising from the Subject Properties and that there is a risk of a decline in hotel demand due to the resurgence of COVID-19, and is approximately 54% of the forecasted amount of the hotel GOP for the Fourth Quarter of 2020 of the Subject Properties and approximately 30% of the fixed rent amount under the Original Leasing Terms and Conditions for the same period. If the GOP for the Subject Properties performs well, and the actual amount exceeds the total amount of the fixed rent (for 73 properties for three months total), INV will receive the amount of such excess as variable rent. Other measures are extensions of the same measures taken under the September 2020 MOU for an additional three months.

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Contrary to the May 2020 MOU, INV will not bear the property management costs nor increase the amount of the management fees payable to the MHM Group under the provisional measure by the MOU as was the case with the September 2020 MOU.

For the list of the Subject Properties, please refer to the Appendix. For an overview of the current lease agreements, including the terms and conditions of rent for each Subject Property, please refer to "Part I Fund Information / 1 Status of Fund / 5 Management Status / (2) Investment Assets" of the Securities Report for the 34th fiscal period (from January 1, 2020 to July 31, 2020) submitted by INV on September 25, 2020 (available in Japanese only).

The outlook for the future status of the spread of new coronavirus infections and its impact on the demand for hotels are inevitably uncertain. Therefore, INV plans to make this change a provisional measure for the period up to the end of December 2020, and, if necessary, to discuss the details of the changes in the leasing terms and conditions after such period based on the future situation.

2. Background and Reasons for Conclusion of the MOU and its Impact on INV

(1) Background and Reasons

The Japanese economy has deteriorated rapidly since February 2020 due to the effects of the new coronavirus infection (COVID-19). On April 7, 2020, the Japanese government declared a state of emergency. In addition, global travel restrictions caused the number of foreign tourists visiting Japan to decline by -99.9% (year-over-year) for each month for the period from April to July, and most recently -98.5% for October, significantly affecting the Japanese economy as a whole, particularly the hotel sector. In light of these circumstances, as announced in the Notice dated May 11, 2020 and the Notice dated September 11, 2020, INV entered into the May 2020 MOU and the September 2020 MOU with the MHM Group on May 11, 2020 and September 11, 2020, respectively.

The measures under the May 2020 MOU and the September 2020 MOU were tentative ones only applicable to the period from March 1 to the end of June 2020 and from July 1, 2020 to the end of September 2020, respectively, and as a result, the MHM Group was able to continue to operate the Subject Properties to date, and avoid the short-term loss for INV due to a potential bankruptcy of the MHM Group (i.e., complete loss of rent income, cost burden associated with rebranding, etc.) and the medium- to long-term loss due to change of the operators (i.e., deterioration of the rent level from the Original Leasing Terms and Conditions, increase in the management services fees, etc.), which INV and CIM were most concerned about.

However, the continued impact of COVID-19 has caused a drastic decline in the number of hotel guests, limiting and stalling the recovery of INV's hotels, including those managed by the MHM Group. Hotel profitability has improved somewhat by capturing telework demand under the "With Corona" era, intra- and inter- prefectural tourism from neighboring prefectures, demand for school trips, among others, and an increase in demand for hotels located in major tourist destinations due to the "GoTo Travel" campaign.

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However, the average occupancy rate of MHM's hotels in October 2020 was approximately 56%, which is still not a full-scale recovery, nor sufficient to pay the full amount of fixed rent as originally contracted. Moreover, the impact of COVID-19 going forward remains uncertain, due to a resurgence in the number COVID-19 cases and the knock-on effect on the usage of the "GoTo Travel" campaign.

INV has closely monitored the performance of the hotel GOP for the Subject Properties and continued to request the MHM Group to maximize its cost-cutting efforts, while closely reviewed its financial conditions. However, if the rent structure for October and thereafter remain unchanged from the Original Leasing Terms and Conditions, the MHM Group will inevitably default on its obligations, which INV has determined, in turn, would most likely impair its medium- to long-term profits. On the other hand, in light of the current market environment, it remains extremely difficult to find a successor tenant that can operate all of the Subject Properties under the conditions equivalent to the Original Leasing Terms and Conditions.

Under such circumstances, INV has entered into the MOU after deciding to continue certain tentative measures as above for the Fourth Quarter of 2020 to the extent that there is no significant adverse effect on INV's cash flow, upon giving due consideration to the fullest scope of INV's interests.

(2) MOU's impact on INV

Given the decrease of the fixed rent for the Fourth Quarter of 2020 under the MOU, the amount of INV's cash reserves are expected to be approximately JPY 9.9 billion as of the end of March 2021. Therefore, there is no concern about INV's ability to pay interest payments for the time being (the total amount of interest for INV's interest-bearing debt due during the period from January to June 2021 is approximately JPY 0.7 billion).

3. Outline of MHM

(i)	Name	MyStays Hotel Management Co., Ltd.
(ii)	Location	Roppongi Hills North Tower 14th Floor, 6-2-31, Roppongi, Minato-ku, Tokyo, Japan
(iii)	Title and name of representative officer	President and CEO, Ryoichi Shirota
(iv)	Business	Hotel and Ryokan (Japanese inn) operation and management
(v)	Capital	JPY 100 million (as of end of November 2020) (Note 1)
(vi)	Date of establishment	July 8, 1999
(vii)	Relationship between INV/Asset Manager and the Tenant/Operator	
	Capital relationships	While there are no capital relationships that should be noted between INV/CIM and MHM, the parent company of MHM is owned by a fund operated by affiliates of FIG. FIG is a subsidiary of SoftBank Group Corp., which directly and indirectly holds 100% of CIM's outstanding shares.

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Personnel relationships	As of today, two employees of CIM are seconded from MHM, and among the directors of INV and the officers and employees of CIM, Naoki Fukuda, who is Executive Director of INV and CEO of CIM, Naoto Ichiki, who is Chairman and Director of CIM, and Christopher Reed, who is a part-time director of CIM, are seconded from Fortress Investment Group Japan Godo Kaisha, a subsidiary of FIG.
Transactional relationships	As of today, INV has entered into lease agreements (Note 2) with MHM with respect to 73 hotel properties.
Whether the Tenant/Operator is a related party	MHM is not a related party of INV/CIM. Further, related persons and affiliates of MHM are not related parties of INV/CIM. Furthermore, MHM is not an interested party, etc. of CIM as provided in the Act on Investment Trusts and Investment Corporations.

(Note 1) MHM received the capital contribution of JPY 600 million in June 2020, but a portion of the amount is recorded as capital surplus (shihon-jyunbikin). Also, as a result of capital reduction in September 2020, the amount of capital (shihonkin) is JPY 100 million.

(Note 2) Agreements with MHM subsidiaries and management contracts between MHM and tenants are included.

4. Transactions with Interested Persons etc.

The MHM Group, tenants and operators of the Subject Properties, are not Sponsor-related Persons (Note) under the voluntary rules established by CIM as countermeasures against conflicts of interests in the management of INV's investments. However, MHM or its Affiliates have received investments through funds managed by affiliates of the Sponsor, FIG. Therefore, CIM has treated MHM or its Affiliates as equivalent to Sponsor-related Persons.

In accordance with Sponsor-Related Person Transaction Rules and Sponsor-Related Person Transaction Management Manual, which are internal rules of CIM, and following the deliberation and resolution of the compliance committee meeting and the investment committee meeting both held on December 11, 2020, the boards of directors of CIM and INV held on the same date each approved conclusion of the MOU.

(Note) A Sponsor-related Person is (i) any person who falls under the "Interested Persons, etc." set forth in the Investment Trust Act and the Orders for Enforcement of the Act on Investment Trust and Investment Corporations, (ii) all shareholders of CIM and (iii) special purpose companies (*tokubetsu mokuteki kaisha*) (a) which delegate their management to persons who fall under (ii) above, or (b) which are invested by or invested through anonymous partnership (*tokumei kumiai*) by persons who fall under (ii) above. Hereinafter the same.

5. Future Outlook

With respect to INV's forecasts for financial results and distribution for the fiscal period ending December 2020 (from July 1, 2020 to December 31, 2020) reflecting the impact of the MOU, please refer to the "Notice concerning Revision of Forecast of Financial Results and Distribution for the 35th Fiscal Period Ending December 2020" announced today.

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

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List of Subject Properties

Property No.	Property Name
D1	Hotel MyStays Kanda
D2	Hotel MyStays Asakusa
D3	Hotel MyStays Kyoto-Shijo
D4	MyStays Shin- Urayasu Conference Center
D5	Hotel MyStays Maihama
D6	Hotel MyStays Premier Dojima
D7	Hotel MyStays Nagoya-Sakae
D8	Hotel MyStays Sakaisuji-Honmachi
D9	Hotel MyStays Yokohama
D10	Hotel MyStays Nippori
D11	Hotel MyStays Fukuoka-Tenjin-Minami
D12	Flexstay Inn Iidabashi
D13	Hotel MyStays Ueno Inaricho
D14	Flexstay Inn Shinagawa
D15	Flexstay Inn Tokiwadai
D16	Flexstay Inn Sugamo
D17	Hotel MyStays Otemae
D18	Flexstay Inn Kiyosumi Shirakawa
D19	Flexstay Inn Nakanobu P1
D20	Flexstay Inn Nakanobu P2
D22	Hotel MyStays Hakodate-Goryokaku
D23	Flexstay Inn Shirogane
D24	Hotel MyStays Haneda
D25	Hotel MyStays Kameido P1
D26	Hotel MyStays Ueno Iriyaguchi
D27	Hotel MyStays Kameido P2
D28	Hotel MyStays Shimizu
D30	Flexstay Inn Higashi-Jujo

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D31	Hotel MyStays Utsunomiya
D32	Flexstay Inn Kawasaki-Kaizuka
D34	Flexstay Inn Kawasaki-Ogawacho
D35	Flexstay Inn Ekoda
D38	Hotel MyStays Shinsaibashi
D43	Hotel MyStays Gotanda Station
D44	Hotel Epinard Nasu
D45	Hotel MyStays Fukuoka Tenjin
D46	Hotel MyStays Hamamatsucho
D47	Hotel MyStays Premier Kanazawa
D49	Hotel MyStays Premier Hamamatsucho
D50	Hotel MyStays Shin Osaka Conference Center
D51	Hotel MyStays Premier Omori
D52	Beppu Kamenoi Hotel
D53	Hotel MyStays Sapporo Station
D54	Hotel MyStays Yokohama-Kannai
D55	Art Hotel Joetsu
D56	Art Hotel Hiroaki
D57	Hotel MyStays Oita
D58	Hotel MyStays Gotanda
D59	Hotel MyStays Tachikawa
D60	Hotel MyStays Premier Akasaka
D61	Hotel MyStays Premier Sapporo Park
D62	Hotel MyStays Ueno East
D63	Hotel MyStays Midouji Honmachi
D64	Hotel MyStays Sapporo Aspen
D65	Art Hotel Ishigakijima
D66	Hotel MyStays Fuji Onsen Resort
D67	Sonia Otaru
D68	Hotel MyStays Kanazawa Castle
D69	Art Hotel Niigata Station

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D70	Hotel MyStays Nagoya Nishiki
D71	Nord Otaru
D72	Hotel MyStays Kagoshima Tenmonkan
D73	Art Hotel Asahikawa
D74	Hotel MyStays Matsuyama
D75	Hotel MyStays Sapporo Susukino
D76	Hotel MyStays Sapporo Nakajima Park
D77	Hotel MyStays Sapporo Nakajima Park Annex
D78	Flexstay Inn Sakuragicho
D79	MyCUBE by MYSTAYS Asakusa Kuramae
D80	Hotel MyStays Kagoshima Tenmonkan Annex
D81	Hotel MyStays Nayoro
D82	Hotel MyStays Premier Narita
D83	Art Hotel Morioka

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