

[For Information Purpose Only.]

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

March 11, 2021

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
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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 January to June, 2021 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 January 1, 2021 to June 30, 2021 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”), “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”) 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 October to December, 2020 with Major Tenant” dated December 11, 2020 (the “Notice dated December 11, 2020”), INV entered into a Memorandum of Understanding with the MHM Group to

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Invincible Investment Corporation

amend each MLPM Agreement on May 11, 2020, September 10, 2020 and December 11, 2020 (each MOU is referred to as the “May 2020 MOU”, “September 2020 MOU”, and “December 2020 MOU”, respectively).

Each of the May 2020 MOU, the September 2020 MOU, and the December 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 (i) from March 1, 2020 to June 30, 2020, (ii) from July 1, 2020 to September 30, 2020, and (iii) from October 1, 2020 to December 31, 2020, respectively. Thus, unless otherwise agreed, from January 2021 onward, the terms and conditions under the MLPM Agreements prior to the amendment by the May 2020 MOU, the September 2020 MOU and the December 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 due to the “third wave” of the COVID-19 and the reissuance of the declaration of the state of emergency in January 2021. Given the hotel operation track record since January 2021, and that a quick recovery after the end of the declaration of the state of emergency cannot be foreseeable, 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 during the period from January to June 2021 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 described below as a tentative measure for the period from January 1, 2021 to June 30, 2021 (the “First Half of 2021”) with respect to the Subject Properties. The level of profit from the Subject Properties during the period from January to March 2021 was severe due to the impact of the “third wave” of the COVID-19, the temporary suspension of the “Go To Travel” campaign and the reissuance of the declaration of the state of emergency. On the other hand, there is a good possibility that the demand for hotels will improve due to the end of the declaration of the state of emergency and the implementation of vaccinations. Given these factors, the period to be covered by the temporary reduction measures will be 6 months this time instead of 3 months, and in calculating the variable rent, in summary, if the total GOP of all Subject Properties (73 properties) deducting the management services fees and the total fixed rent is positive on a six-month basis, INV will receive the positive amount as variable rent.

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Items subject to Change	Original Leasing Terms and Conditions	Tentative Measures (First Half of 2021)	(For Reference) Tentative Measures (Fourth Quarter of 2020)
Fixed rent (Total rent for 6 months for 73 properties)	Approx. JPY 4,970 million	JPY 1,000 million (Approx. 20% of the amount under the Original Leasing Terms and Conditions)	JPY 806 million (Approx. 30% of the amount (JPY 2,700 million) under the Original Leasing Terms and Conditions) (Note 1)
Variable rent	<p>Calculated on a 3-month basis for each hotel.</p> <p>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 sales of the hotel property (if the calculation results are negative, the amount shall be JPY 0).</p>	<p>Calculated by summing up the rent of all 73 properties for six months as described below.</p> <p>The amount obtained by deducting (i) the above total fixed rent (the total rent for six months for 73 properties) from (ii) the aggregate of the amount for six months for 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 (if the calculation results are negative, the amount shall be JPY 0).</p>	<p>Calculated by summing up the rent of all 73 properties for three months as described below.</p> <p>The amount obtained by deducting (i) the above total fixed rent (the total rent for three months for 73 properties) from (ii) the aggregate of the amount for three months for 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).</p>
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.

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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 August 11, 2021, the sum of the total fixed rent and the total variable rent must be paid.	On February 11, 2021, the sum of the total fixed rent and the total variable rent shall be paid.
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(Note 1) The period covered by the December 2020 MOU was three months from October to December 2020, and the subject total fixed rent covered by the December 2020 MOU was also for the said three-month period.

The total fixed rent (for 73 properties for six months in aggregate) of JPY 1,000 million after the amendment above is determined in view of the level that MHM Group is highly likely to be capable to pay despite the current severe operating conditions. If the GOP for the Subject Properties (after deducting the management services fees) for the First Half of 2021 performs well, and thereby the actual result exceeds the total amount of the fixed rent (for 73 properties for six months in aggregate), INV will receive the amount of such excess amount as variable rent.

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 and the December 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 June 2021, 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 late February 2020 due to the effects of COVID-19. On April 7, 2020, the Japanese government declared a state of emergency. In addition, affected by global travel restrictions, the number of foreign tourists visiting Japan declined by 99.9% (*year-over-year*) for each month from April to July. Also, the demand for inbound travel has not recovered due to the Japanese government's strengthened quarantine measures and restrictions on travel by other countries. In addition, on December 15, 2020, the Japanese government announced the suspension of the "Go To Travel" campaign

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Invincible Investment Corporation

for four prefectures including Tokyo for the period from December 18 to December 27 and thereafter expanded the suspension nationwide for the year-end and new year holidays due to the resurgence of COVID-19 in Japan since November 2020, the so-called “third wave.” The “Go To Travel” campaign has not yet resumed. As a result, the recovery in domestic demand for travel has been stagnant which has had a serious impact on Japan’s overall economy, especially on the hotel sector.

The measures under the May 2020 MOU, the September 2020 MOU, and the December 2020 MOU were tentative ones only applicable for the period from March 1 to the end of December 2020, 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. In October and November 2020, the average occupancy rate of hotels operated by the MHM Group reached 54.7% (87.9% in the same period of the previous year) due to various initiatives by the MHM Group to capture demand and increased customer bookings of hotels through the “Go To Travel” campaign. However, since the latter half of December 2020, the number of visitors to hotels has declined significantly due to the impact of the “third wave” of COVID-19 and the reissuance of the declaration of the state of emergency in January 2021. Even after the end of the declaration of the state of emergency, the operating environment for the hotel market is uncertain and will be affected by various factors, including the speed of the implementation of vaccinations, restart of the “Go To Travel” campaign and the policy on allowing audience attendance at Tokyo 2020 Olympic venues. It is difficult to expect that the number of hotel customers will recover to pre COVID-19 level at an early stage.

INV and CIM have closely monitored the performance of the hotel GOP for the Subject Properties and continue to request the MHM Group to maximize its cost-cutting efforts, while closely reviewing its financial conditions. However, if INV and CIM claim payment of the rent to the MHM Group in the same rent structure for January 2021 and thereafter as 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, INV and CIM have continued to consider all options, including the replacement of the tenant, but 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 First Half of 2021 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.

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(2) MOU's impact on INV

Given the amendment under the MOU, the timing of the next rent payment by the MHM Group will be postponed to August 11, 2021, but the amount of INV's cash reserves as of the end of February 2021 was approximately JPY 10.8 billion, and the amount of INV's cash reserves are expected to be approximately JPY 9.0 billion as of the end of July 2021 after considering the reduction of rent from January to June 2021 under the MOU and the estimated amount of payment of operation costs (approximately JPY 2 billion). 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 March to July 2021 is approximately JPY 0.6 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 February 2021) (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.
	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.

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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 March 11, 2021, 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

INV's forecasts for financial results and distribution for the fiscal period ending June 2021 (from January 1, 2021 to June 30, 2021) still remain to be announced since it remains difficult to predict the future situation of COVID-19 and its impact on hotel industry and operators. INV will make an announcement of the forecasts for the fiscal period ending June 2021 when it determines such forecast.

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

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 Hirosaki
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 Midosuji 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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