

May 21, 2020

Invincible Investment Corporation

FAQ regarding the following Press Releases disclosed on May 11, 2020

- Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement with Major Tenant
- Notice concerning Revision of Forecast of Financial Results and Distribution for the 34th Fiscal Period Ending June 2020

Q: What is the status of application for government subsidies and acceptance of mild COVID-19 patients?

A: Regarding the acceptance of mild patients, we presented candidate hotels to the Tokyo and Osaka prefectures. Osaka prefecture has placed one of our hotels on the waiting list to use for the acceptance of mild Covid-19 patients based on the level of current demand. In addition, we accept 14-day self-quarantine demand from major companies when their employees and their families return to Japan. We also applied for all eligible subsidies such as financial assistance to compensate for salary reimbursements for a portion of furloughed employee salaries, support from regional governments to help maintain employees during business closure and various other local government subsidies to support employment and businesses.

Q: How many MHM hotels are owned by owners other than INV? And who are the owners? Do these owners also bear (ii) property management cost and (iii) increased amount of management fee set forth in the MOU?

A: Fortress' funds own 19 hotels and third-parties own 9 hotels. We have confirmed that they have started to bear the expense burden in the similar manner as INV.

Q: What is the outlook for MHM's business continuity after the implementation of the MOU?

A: In addition to the application for employment adjustment subsidies, MHM is working to drastically cut costs, including cutting executive salaries by 20% or more, layoff of temporary

workers, revising the terms of its cleaning / outsourcing contracts, reducing marketing costs, and now seriously investigating a plan to transfer or temporarily transfer employees to another company sponsored by Fortress. At the same time, we aim to increase profits by capturing demand for day use through telework and other means, as well as demand for trainees, and are working to improve MHM's financial position on both sides of revenue and expense.

Q: What are your criteria for determining the utilization of internal reserves (retained earnings)?

A: We decided that it is extremely important for INV and its investors to preserve cash now due to the unpredictable situation caused by the Covid-19 pandemic and the State of Emergency declared by the Japanese government. We will consider the best timing on when to use the internal reserves based on the prevailing conditions in the future.

Q: How did INV's lenders respond to the MOU?. What is your view on the refinancing scheduled in July?

A: INV carefully explained the situation to its lender base in detail and ultimately received lender approval to sign-off on the MOU. The lenders understood that the MOU was the best option to proceed with after discussing the various alternatives and mid to long-term profitability of INV. We believe the July refinancing should be fine based on recent discussions with all banks.

Q: What is the threshold at which the variable rent occurs?

A: The sensitivity analysis shows that INV will receive variable rent from the MHM managed hotels as long as RevPAR does not decline by more than approximately 30% from the forecasted RevPAR announced in February 2020. However, since MHH has been working on various cost reductions, the number could be higher than 30%.

Q: The MOU is effective only until June 2020. What will happen after July 2020?

A: The MOU is a limited measure for the period from March to June 2020. Since it depends on the situation towards the summer, no further arrangements have been made so far. We are monitoring the situation closely, especially MHM's efforts to drastically cut costs.

Q: Are waiver of rent and increased fees a common measure in the industry?

A: We are not sure whether it is common or not, but as the recent examples of First Cabin and WBF have demonstrated, there is a high probability that hotel operators will go bankrupt without the support from the property owners. "Management contract" is dominant as a contract between property owners and hotel operators globally, and under the management contract, the property owner usually bears the loss when the hotel operator posts a negative GOP.

Q: What is the impact of the MOU on appraisal value?

A: According to the appraisers, the cash flow projections may remain unchanged as COVID-19 is deemed as a one-off negative event, but the cap rate may be adjusted due to the heightened risk of investing in hotels as perceived by investors. However, even if there is a change in the cap rate, there would not be much impact on the appraisal value for INV's overall portfolio and the impact on LTV is estimated to be only around a few percentage points.