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

May 22, 2024

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
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Notice concerning Conclusion of the Fixed-term Building Lease and Property Management Agreements (Hotel MyStays Kanda / Hotel MyStays Asakusa)

Invincible Investment Corporation (“INV”) announced the decision made today by Consonant Investment Management Co., Ltd. (“CIM”), the asset manager of INV, to conclude fixed-term building lease and property management agreements (“Next Agreements”) with MyStays Hotel Management Co., Ltd. (“MHM”) for Hotel MyStays Kanda (“MS Kanda”) and Hotel MyStays Asakusa (“MS Asakusa”), collectively referred to as the “Two Hotels”, as the current fixed-term building lease and property management agreements (“Current Agreements”) expire today.

MHM has received investments through funds managed by affiliates of the Sponsor, Fortress Investment Group LLC (“FIG”). Therefore, CIM has treated MHM as equivalent to Sponsor-related Persons¹. As such, CIM and INV have sincerely deliberated, discussed, and resolved to conclude the Next Agreements in accordance with the internal rules of CIM to handle the related party transactions.

(Note 1) 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.

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1. Outline of the Next Agreements

Main items of the Current Agreements / Next Agreements are as follows. For details of the Two Hotels and the Current Agreements, please refer to the following press release: “Notice concerning Acquisition and Sale of Assets, Entering into and Termination of Leasing Contract and Commencement of Management of New Class of Assets” dated May 21, 2014.

Comparison of main items between the Current Agreements and the Next Agreements

		Current Agreements	Next Agreements
Contract Period (MS Kanda, MS Asakusa)		May 23, 2014 - May 22, 2024	May 23, 2024 - May 22, 2034
Fixed Rent	MS Kanda	Monthly basis: JPY 6,000,000 Annual basis: JPY 72,000,000	Same as Left
	MS Asakusa	Monthly basis: JPY 6,250,000 Annual basis: JPY 75,000,000	Same as Left
Variable Rent (MS Kanda, MS Asakusa)		<p>Calculated on a 3-month basis: February - April, May - July, August - October, and November - January.</p> <p>The amount obtained by deducting (i) the total amount of expenses, management 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 on a 6-month basis: January - June, and July - December.</p> <p>The amount obtained by deducting (i) the total amount of expenses, management 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>
Management Fees (MS Kanda, MS Asakusa)		The amount obtained by summing (i) the amount equal to 2% of the monthly gross sales; (ii) the amount equal to 6% of the monthly sales resulted from the guests referral developed by the head office sales division of MHM or via the website managed and operated by MHM; and (iii) the amount equal to 5% of the amount so obtained by deducting the amounts set forth in (i) and (ii) from the monthly gross sales less operating expenses excluding management fees	Same as left

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2. Background of the conclusion of the Next Agreements

Ten years have passed since INV began investing in hotel properties, and the Current Agreements for MS Kanda and MS Asakusa, which were initially acquired, are expiring. During the last ten years, INV has achieved external growth mainly through hotel acquisitions, starting with these two properties, and together with the impact of internal growth, DPU has grown significantly.

The internal growth is largely attributed to (i) MHM's excellent capabilities as a hotel operator and (ii) the fixed and variable lease contracts with MHM because all of the upside goes to INV except for management fees paid to MHM under the contracts.

On the other hand, due to this arrangement, MHM does not have the ability to weather the situation where GOP continues to be below the amount of fixed rents as MHM only earns the equivalent of a management fee. In order to address this issue, the details of the Next Agreements have been modified from the Current Agreements.

The Next Agreements stipulate that variable rents are calculated on a six-month basis in contrast to a three-month basis stipulated in the Current Agreements so that MHM will not shoulder too high of a rent burden^{1,2} and that the start date and end date of the calculation period align with the fiscal periods of INV³, while the amount of fixed rents for the Two Hotels is unchanged from the Current Agreements. Moreover, a new provision for good faith consultations have been added to the Next Agreements in the event of a force majeure event in order to deal with the kind of situation that cannot be addressed by the abovementioned extended calculation period, such as the COVID-19 pandemic⁴.

(Note 1) There is a possibility that variable rents decrease due to extension of the calculation period from three months to six months (For example, under the Current Agreements, if the calculation result of variable rent is negative for a certain three-month period and the result is positive for the next three-month period, the former negative result does not affect the latter positive result. In contrast, under the Next Agreements, the negative result of the former three-month period is merged with the positive result of the latter three-month period resulting in a lower variable rent compared to that under the Current Agreements). However, since it is not necessarily reasonable for MHM to bear the rent in excess of the hotel's GOP under the rent structure of the Current Agreements, this arrangement is thought to benefit to INV's interest because this arrangement would reduce the possibility where MHM is forced to pay rent higher than GOP, leading to MHM's more stable financial base. As long as the calculation results of variable rents remain positive, there will be no impact on INV's rent income as a result of this change.

(Note 2) In order to increase the capital efficiency, INV receives a tentative variable rent for three months (January - March or July - September) in the middle of the six-month calculation period. After the amount of variable rent for the six months is determined, the difference of the tentative one for three months and the finalized one for six months is paid.

(Note 3) Under the Current Agreements, the start dates and end dates of the three-month calculation periods (February - April, May - July, August - October, and November - January) do not align with the start dates and end dates of INV's fiscal periods (January - June and July - December). As such, the amount of the variable rent is not yet determined at the end of the fiscal period, and a tentative amount is recorded on the financial result. In order to record a finalized amount on the financial result, the calculation period has been changed from three month to six months with the same start and end dates as INV's fiscal periods.

(Note 4) A new provision for good faith consultations in the event of force majeure event is as follows: The lessor and lessee shall consult with each other in good faith as to the subsequent measures in the event (i) that the performance by each party of all or any part of the obligations is prevented or delayed by the occurrence of any event or circumstance that is beyond its reasonable control and cannot be avoided even with reasonable diligence, such as natural disasters, risks of serious disease or infection, war, riot, civil war, coup, terrorism, changes in laws and regulations, acts of government or judicial administrative agencies, and labor disputes, or (ii) that it becomes legally or commercially impossible or extremely difficult to attract customers to the hotels operating at the leased premises.

3. Outline of MHM

(i)	Name	MyStays Hotel Management Co., Ltd.
(ii)	Location	Roppongi Hills North Tower 14 th 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 the end of December 2023)
(vi)	Date of establishment	July 8, 1999

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(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 a company which indirectly holds 100% of CIM's outstanding shares.
Personnel relationships	As of today, 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, Christopher Reed, who is a part-time director of CIM, and an employee 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 1) with MHM with respect to 79 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) Agreements with MHM subsidiaries and management contracts between MHM and tenants are included.

4. Transactions with Interested Persons etc.

MHM, tenants and operators of the Two Hotels, are not Sponsor-related Persons under the voluntary rules established by CIM as countermeasures against conflicts of interests in the management of INV's investments. However, MHM has received investments through funds managed by affiliates of the Sponsor, FIG. Therefore, CIM has treated MHM 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 May 21, 2024, the board of directors of CIM and INV held on May 22, 2024 each approved the conclusion of the Next Agreements.

5. Future Outlook

The impact of the conclusion the Next Agreements on financial results is minimal.

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

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