

[For Information Purpose Only.]

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

May 25, 2017

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation

Name of representative:

Naoki Fukuda, Executive Director

Roppongi Hills Mori Tower

6-10-1 Roppongi, Minato-ku, Tokyo, Japan

(Securities code: 8963)

Asset manager:

Consonant Investment Management Co., Ltd.

Naoki Fukuda, CEO

Contact: Jun Komo

General Manager of Planning Department

(Tel. +81-3-5411-2731)

## Notice concerning Acquisition of Asset and Entering into Leasing Contract

Invincible Investment Corporation (“INV”) announced the acquisition of one hotel (the “Property”) and entering into new leasing contract with respect to the Property decided by Consonant Investment Management Co., Ltd. (“CIM”), the asset manager of INV, as of today.

### 1. Overview of Acquisition

Use	Property Number	Property Name	Location	Anticipated Acquisition Price (million yen) <sup>1</sup>	Appraisal Value (million yen) <sup>2</sup>	Seller <sup>3</sup>	Category of Specified Assets
Hotel	D49	Hotel MyStays Premier Hamamatsucho	Minato-ku, Tokyo	8,000	8,090	Septentrio 2 Tokutei Mokuteki Kaisha	Trust Beneficiary Interest

(Note 1) “Anticipated Acquisition Price” shows purchase price set forth in the purchase and sale agreement and does not include adjustments for property taxes, city planning taxes, or national or local consumption taxes; hereinafter the same.

(Note 2) “Appraisal Value” is based on appraisal value stated in the appraisal report by Japan Real Estate Institute on the valuation date of April 30, 2017. For details, please refer to “(1) Details of the Property” of “4. Details of the Property” below.

(Note 3) For an overview of the seller, please refer to “5. Overview of Seller of the Property” below.

(Note 4) Amounts are rounded down to the nearest unit; hereinafter the same.

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## 2. Reasons for Acquisition and Leasing

INV decided to acquire the Property from an affiliate of the Sponsor, Fortress Investment Group LLC (“FIG”), by using funds from the borrowing of a new loan and cash-on-hand. This transaction marks INV’s second asset acquisition in 2017 and is consistent with INV’s external growth strategy to acquire assets which contribute to revenue growth and further stability via both variable rent and fixed rent contracts, backed by the Sponsor’s strong support. In addition, INV believes that the acquisition of the Property will contribute to growth of distribution per unit since the Property has an NOI yield after depreciation<sup>1</sup> of 4.1% which is fairly higher than INV’s cost of borrowing.

The Property is a hotel property located a close five-minute walk from Hamamatsucho Station on the JR Lines and the Tokyo Monorail, which provides direct access to Haneda Airport, Japan’s busiest airport. “Hotel MyStays Premier Hamamatsucho” occupies floors 1-9 and “MyStays Premier Residence Hamamatsucho,” a serviced apartment, occupies floors 10-11.

The “Hotel MyStays Premier Hamamatsucho” has 120 hotel rooms and went under a large renovation in conjunction with the rebranding in October 2016. The restaurant was renovated in April 2017 with service throughout the day and is operated by a third-party operator. All rooms are 28.5 square meters, which are relatively large for hotels in Tokyo. Each room can accommodate 3-5 guests providing strong competitiveness due to differentiation from hotels consisting of 1-2 guests room in surrounding area and the scarcity of large room types and many are decorated with a mixture of Japanese ambience. The most recent Double Occupancy Ratio (“DOR”), Average Daily Rate (“ADR”), Overseas Sales Share of the Property are 2.62 people, 16,184 yen, and 57.2% respectively, all of which increased after rebranding<sup>2</sup>.

“MyStays Premier Residence Hamamatsucho” also offers guests furnished apartments for long-term stays, and guests may utilize the hotel amenities such as the front desk, laundry services, restaurant and spacious lounge/lobby. The units are 50–75 square meters, and nine out of the total 14 units were recently renovated<sup>3</sup>.

The Property is in a convenient location with access to three stations and six train lines including Onarimon Station on Toei Mita Line. Hamamatsucho Station, the closest station, is only a 13 minute direct train ride to Haneda Airport via the Tokyo Monorail<sup>4</sup> and connects to bullet train stations such as Tokyo Station and Shinagawa Station via JR Yamanote Line and JR Keihin-Tohoku Line in six minutes and five minutes respectively, beneficial for both domestic and foreign visitors.

The Property can expect stable business demand, owing to the high concentration of middle- to high-rise office buildings and retail shops in the Hamamatsucho area, and is walking distance to business districts such as Shinbashi and Shiodome. In addition, demand from domestic and international leisure travelers can also be expected, since the Property is walking distance to a number of tourist spots including Tokyo Tower, Toranomon Hills, Zojoji Temple, and Hama-rikyu Gardens and the famous Ginza shopping district.

The Property is wholly managed by MyStays Hotel Management Co., Ltd. (“MHM”) including the serviced apartment, and will be the 36th hotel that MHM or MHM’s subsidiary manages for INV out of a total of 49 hotels following this acquisition. MHM is an experienced hotel operator affiliated with the Sponsor, operating 76 properties and 11,975 rooms<sup>5</sup> as of April 21, 2017, providing extensive experience in hotel and revenue management. MHM has been implementing a series of initiatives to improve the operation and to maximize the revenue. For details, please refer to the “Notice concerning Revision of Forecast of Financial Results and Distribution for the 28th Fiscal Period Ending June 2017 and the 29th Fiscal Period Ending December 2017” dated today.

(Note 1) “NOI Yield after Depreciation” is represented by the figure calculated by dividing the NOI derived from the direct capitalization method stated in the appraisal report stated in (Note1) at the table below after deducting depreciation amount estimated by CIM, by the anticipated acquisition price, which is rounded to one decimal place.

(Note 2) ADR and DOR are as of April 2017; Overseas Sales Share is the average of November 2016, which is after the large renovation and rebranding, to April 2017.

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# Invincible Investment Corporation

(Note 3) Nine rooms were renovated during the period between October 2016 and April 2017.

(Note 4) When using express train to Haneda Airport International Terminal Station.

(Note 5) Includes hotels managed by MHM's subsidiary, Naqua Hotels and Resorts Co., Ltd.

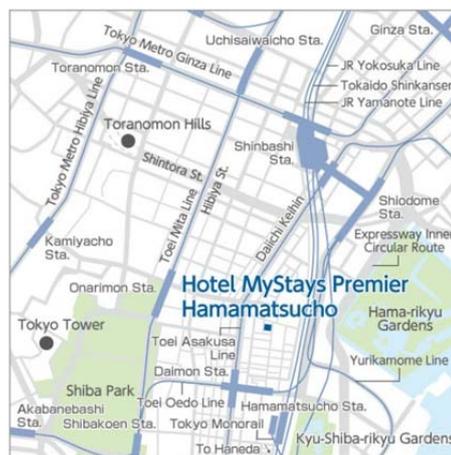
	Existing Portfolio	Property to be Acquired	After Acquisition
Properties (Hotel Properties)	126 (48)	1 (1)	127 (49)
Total (Anticipated) Acquisition Price (million yen)	291,181	8,000	299,181
Total Appraisal Value <sup>1</sup> (million yen)	353,002	8,090	361,092
Appraisal NOI Yield <sup>2</sup>	6.6%	4.7 %	6.5 %

(Note 1) "Total Appraisal Value" is based on appraisal value stated in the appraisal report on the valuation date of December 31, 2016 for the 124 properties owned as of December 31, 2016, December 1, 2016 for two properties acquired on March 14, 2017 and April 30, 2017 for the property to be acquired.

(Note 2) "Appraisal NOI Yield" is represented by the figure calculated by dividing the total NOI derived from the direct capitalization method stated in the appraisal reports of (Note 1) above by the total of (Anticipated) Acquisition Price, which is rounded to one decimal place.

## Picture and Map of the Property

### D49 Hotel MyStays Premier Hamamatsucho



(Note) Pictures in the middle show the interior of the hotel rooms.

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### 3. Execution of Lease Agreement

In regards to the Hotel MyStays Premier Hamamatsucho, INV will enter into a lease agreement with MHM that provides components of both fixed and variable rents; containing a variable rent component based on gross operating profit, or GOP. INV will be able to take advantage of the potential growth in GOP, which could boost INV's profits while the limited service hotel, which accounts for most of the INV-owned hotel properties, exhibits relatively high profit margins compared with full-service hotel. In the case where GOP enters into a downward trend, INV could take advantage from the fixed rent portion or downside floor to protect itself from further loss.

INV considers the tenant for the Property to meet its standard for selection of tenants described in Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties (Japanese only) filed on March 27, 2017.

#### <Overview of Tenant and Operator>

An overview of the tenant and operator for the Property is as follows;

#### The tenant and operator for Hotel MyStays Premier Hamamatsucho

(i) Name	MyStays Hotel Management Co., Ltd.
(ii) Location	6-2-31, Roppongi, Minato-ku, Tokyo
(iii) Title and name of representative officer	Atsuki Asano, President and CEO
(iv) Business	Hotel and Ryokan (Japanese inn) operation and management
(v) Capital	JPY 100 million (as of end of December 2016)
(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 indirectly owned by funds managed by affiliates of FIG, which is an affiliate of Calliope Godo Kaisha ("Calliope"). Calliope holds 609,942 units of INV's outstanding investment units (15.79% stake) as of today. Further, as of the date of this notice, Calliope is the parent company of CIM, holding 100% of its outstanding shares.
Personnel relationships	While there are no personnel relationships that should be noted between INV/CIM and MHM, as of the date of this notice, among the directors of INV and the officers and employees of CIM, Naoki Fukuda, who is Executive Director of INV and CEO of CIM, is seconded from Calliope. Further, part-time director of CIM, Christopher Reed, is seconded from Fortress Investment Group Japan Godo Kaisha, a subsidiary of FIG.
Transactional relationships	As of the date of this notice, INV has entered into lease agreements with MHM with respect to 35 hotel properties <sup>1</sup> .
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 ("Investment Trust Act").

(Note 1) Includes agreements with MHM subsidiaries and sub-leases

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## 4. Details of the Property

### (1) Details of the Property

Details, profit and loss status and outline of appraisal report of the Property are as follows:

Property number indicates the usage categorization of the Property, with “A” standing for residence, “B” standing for office and commercial facility, “C” standing for nursing home and parking lots and “D” standing for hotel, followed by the number assigned for each property. The number following “A”, “B”, “C” and “D” is assigned based on how early an acquisition was made, except for acquisitions to be made at the same time in which a property with a higher acquisition price is assigned a lower number.

#### a. “Outline of Specified Assets and Properties” column:

- “Legal form of Asset” shows the type (the legal form) of real estate and other assets as specified asset.
- “Anticipated Acquisition Date” shows the date when an acquisition is executed, which is specified in the purchase and sale agreement or the trust beneficiary interest purchase and sale agreement.
- “Anticipated Acquisition Price” shows a purchase price of an anticipated acquisition which is specified in the purchase and sale agreement or the trust beneficiary interest purchase and sale agreement; consumption tax is not included, and the acquisition price is rounded down to the nearest million yen.
- “Appraisal Value” shows reported price by appraisal agency for anticipated acquisition.
- The details in “Location” (excluding address), “Lot Area (m<sup>2</sup>)” of the “Land” and, “Total Floor Area (m<sup>2</sup>)”, “Structure/No. of Stories,” “Purpose of Use,” and “Completion Date” of the “Building” are as shown in the property register. The “Total Floor Area” is the gross floor area (if no annotation in the context, an annex building would not be included), and with respect to “Purpose of Use,” the primary ones of purposes shown in the property register are listed. Further, the “Completion Date” lists the time at which the building was newly constructed, as shown in the property register.
- “Transport” shows the time to walk to the nearest station based on the description in the Real Estate Appraisal Report (in case there is no description of time distance in the Real Estate Appraisal Report, “Transport” is calculated by assuming walking time on the road distance of 80 meters per minute in accordance with the Fair Competition Code on the Real Estate Representations (Fair Trade Commission Notification No.2 of 2003, including subsequent revisions) (hereinafter, referred to as the “Fair Competition Code”) and the Ordinance for Enforcement of the Fair Competition Code. If unidentified, it is based on the description in other materials.
- In “Zoning,” the class of zoning under the respective items of Article 8(1) of the City Planning Act (Act No. 100 of 1968) is listed.
- In “Building Coverage Ratio,” the ratio of a building’s area with regard to the land area as set forth under Article 53 of the Building Standards Act (Act No. 201 of 1950, as amended; the “Building Standards Act”) is listed.
- In “Floor Area Ratio,” the ratio of a building’s total floor area with regard to the land area as set forth under Article 52 of the Building Standards Act is listed.
- In “Trustee,” the planned trustee at the time of INV’s acquisition of the assets for anticipated

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acquisition is listed.

- In “Trust Period,” the planned trust period at the time of INV’s acquisition of the assets for anticipated acquisition is listed.
- b. “Lease Overview” column:
- April 30, 2017 is used as the basis.
  - “Total No. of Tenant(s)” is calculated by counting a lessee who has directly concluded a lease agreement for each property as one tenant, and a tenant who has rented two or more rooms in a single property is calculated as one tenant.
  - In “Number of Guest Rooms,” “(S/T/D/O)” indicates the number of guest rooms by category (Single/Twin/Double/Other).
  - In “Leasable Area,” the total leasable floor area for guest room, residential, office, retail and others for the area to be owned by INV is listed.
  - In “Leased Area,” the total sum of the leased area with respect to which a lease agreement with an end-tenant has actually been entered into and which are leased to the end-tenant (the area specified in the lease agreement) is listed.
  - In “Security Deposit/Guarantee,” the amount of the security deposit/guarantee money after amortization pursuant to the lease agreement is listed.
  - In “Occupancy Rate,” the ratio of the leased area to the leasable area is shown, rounded to the first decimal place.
  - In “Rental Revenue,” in principle “GOP,” or the gross operating profit, which is the amount remaining after deducting the personnel, utility and advertising expenses as well as the management services fee for the hotel operations from the hotel’s revenues, is listed.
- c. “Overview of Lease Agreement” column:
- Based on the lease agreement entered into with the tenant.
  - “Type of Agreement” is the type of rent received from the relevant operator (either a fixed-rent or a fixed rent plus variable rent) is indicated. “Fixed rent” is defined as an agreement under which INV or the trustee shall receive a specified rent, regardless of the operational results of the relevant hotel. “Fixed rent plus variable rent” is defined as an agreement under which INV or the trustee shall receive rent that varies based on the GOP (Gross Operating Profit), in addition to a fixed rent.
  - In “Determination of rent of lease agreement,” monthly rent amount is rounded down to nearest ten thousand yen, and annual rent is rounded down to the nearest million yen.
  - The “Management Services Fee” is a commission fee payable to the tenant from landlord in accordance with the provisions of the lease agreement as a compensation for operational service provided by a tenant under the agreement. The management services fee is not disclosed, as tenant’s consent has not been obtained for disclosure. However, for MHM, an amount of the management services fee to be received is, in principle the sum of (i) an amount equal to 2% of monthly sales, (ii) an amount equal to 0-6% of monthly sales from direct bookings made through the MHM’s marketing department or website, and (iii) an amount equal to 4-6% of the monthly GOP (pre-fees) after deducting the amounts of (i) and (ii) above.
  - In “Security Deposit/Guarantee Money,” the amount of the security deposit/guarantee money

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after amortization pursuant to the lease agreement is listed.

- d. "Overview of Building Conditions Survey Report" and "Overview of Seismic Risk Assessment Report" column:
- For the anticipated acquisition, INV has received a report from a research company on building deterioration survey, short- and long-term repair plan decision, a survey on compliance with the Building Standards Act, a survey of hazardous substances contained in a building, and soil contamination survey, amongst others, and has provided an overview of the report in this column. Further, a seismic risk assessment has been conducted and reported to INV by a research company, and an overview of the report is listed in this column.
  - "Short-Term Repair Costs" indicates the repair and/or replacement costs for items which, at the time of the survey, are below minimum functional level due to deterioration or items which are in violation of law or regulations, etc. and which can be judged as best to be repaired or replaced within one year.
  - "Long-Term Repair Costs" consist of capital expenditures and repair costs. Capital expenditures means, of the anticipated improvement costs necessary to maintain the building at the set building functionality level, the costs to extend the use period of the building's equipment or to replace it entirely. Repair costs means, of the anticipated improvement costs necessary to maintain the building at the set building functionality level, costs other than capital expenditures.
  - "Replacement Cost" means the total amount of the appropriate costs needed in the event that the appraised building is to be rebuilt at the time of the survey.
  - "Probable Maximum Loss (PML)" means the probable maximum loss from an earthquake. Though there is not a strict, uniform definition for probable maximum loss (PML), in this press release, it means to what extent damages would be borne from the largest-scale anticipated earthquake in the anticipated planned term of use (50 years) (a large earthquake that has a reoccurrence period of 475 years = a large earthquake with a roughly 10% chance of occurring in 50 years), as indicated by the percentage (%) of the replacement cost for planned recovery costs from damage.
- e. Descriptions in the "Area Characteristics, etc." field:
- Descriptions in the "Area Characteristics, etc." field are an abstract or summary of descriptions in the Real Estate Appraisal Report on the Property, prepared by appraisal agencies, or created by referring to such descriptions.
- f. Descriptions in the "Special Notes":
- Descriptions in the "Special Notes" fields are matters that are deemed important in consideration of their impact on rights, appraisal value, profitability and disposability of each asset.
- g. "Income and Expenditures, Etc." column:
- Based on the information provided from the sellers for each operating period from January 1, 2015 to December 31, 2016. This is not a guarantee of future income and expenditures.
  - Amounts are rounded down to the nearest thousand yen. Therefore, the figures may not necessarily match the total value when added together. Unless otherwise specifically noted, the amounts do not include consumption tax, etc.

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- “Taxes and Public Dues” include property tax and city planning tax, which are generally imposed on the owner on January 1 of each year. For property tax and city planning tax that were borne by the current owner or previous owner at the time of INV’s acquisition of the assets, the estimated amount is included in the acquisition price, and is therefore not included in “Taxes and Public Dues.”
- “Non-Life Insurance Premiums” is the total amount of paid insurance premiums distributed proportionally over the relevant period.
- “NOI” (Net Operating Income) lists in principle the actual figures as provided by the seller. With respect to the trust fees, administration fees, depreciation and insurance premiums, the figures reflect the adjustments assuming the asset is held by INV.
- “Room Income” includes room use fees and lease fees.
- “Other Income” includes items such as parking lot income, laundry income, vending machine income, etc. which do not fall under “Room Income”.
- “ADR,” or Average Daily Rate, is the value of the total room sales over a certain period (excluding service fees) divided by the total number of sold rooms for the same period.
- “RevPAR”, or Revenues Per Available Room, is calculated by dividing the total sales for a certain period by the aggregate number of rooms for the same period (rooms x number of days), and is the same as product of room occupancy rate and ADR.
- “Room Occupancy Rate” is calculated using the following formula:  
$$\text{room occupancy rate} = \frac{\text{total number of rooms occupied during the relevant period}}{\text{aggregate number of rooms during the relevant period} \times \text{number of business days during such period}}$$
- “GOP Ratio” is calculated using the following formula:  
$$\text{GOP ratio} = \frac{\text{GOP}}{\text{sales}}$$
- “Daily / Weekly / Monthly” is the ratio for each classification of length of stay (i.e., daily/weekly/monthly), and is calculated by dividing total room sales for the relevant classification during each operational period by the aggregate room sales for the same operational period. Daily, weekly and monthly are classified by the number of days of stays, with daily being 1-6 nights, weekly being 7-29 nights, and monthly being 30 or more nights.
- “Overseas Sales Share” is a ratio of the sales amount via overseas web agents, who operate a business managing application from abroad at website, to Room Income.

h. “Summary of Real Estate Appraisal Report” column:

INV has requested real estate appraisal from appraisal agency for the planned acquisition asset(s) based on the matters for consideration in a real estate appraisal under the Investment Trust Act, the Act on Real Estate Appraisal (Act No. 152 of 1963, as amended; the “Act on Real Estate Appraisal”) and the real estate appraisal standards. An appraisal value of a property is merely an opinion of the real estate appraiser regarding the value of the appraised property at the time the appraisal was conducted in accordance with the Act on Real Estate Appraisal and real estate appraisal standards, etc. A real estate appraisal is neither a guarantee nor a promise that an asset can be sold or purchased at such appraisal value either now or in the future.

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# Invincible Investment Corporation

D49: Hotel MyStays Premier Hamamatsucho

Outline of Specified Assets and Properties.				
Legal Form of Asset	Trust Beneficiary Interest			
Anticipated Acquisition Date	May 29, 2017			
Anticipated Acquisition Price	JPY 8,000 million			
Appraisal Value	JPY 8,090 million			
Appraisal Agency	Japan Real Estate Institute			
Location	(Lot Number)	1-7-4, Hamamatsucho, Minato-ku, Tokyo and other 13 lots		
	(Address)	1-8-5, Hamamatsucho, Minato-ku, Tokyo		
Transport	5-minute walk from Hamamatsucho Station on JR Yamanote Line, JR Keihin-Tohoku Line and Tokyo Monorail 5-minute walk from Daimon Station on Toei Asakusa Line and Toei Oedo Line			
Land	Property Right	Freehold	Zoning	Commercial area
	Lot Area (m <sup>2</sup> )	1,070.53 m <sup>2</sup>	Building Coverage Ratio/Floor Area Ratio	80% / 600%
Building	Property Right	Freehold	Purpose of Use	Hotel and residence
	Total Floor Area (m <sup>2</sup> )	6,151.93 m <sup>2</sup>	Completion Date	June 30, 1994
	Structure/No. of Stories	SRC B2/11F		
	Renovation Date	From: August 2016; Until: November 2016		
Trustee	Sumitomo Mitsui Trust Bank, Limited			
Trust Period	From: March 1, 2016; Until: May 31, 2027			
Creation of Security Interest	None			
Lease Overview (April 30, 2016)				
Total No. of Tenant(s)	1	Number of Guest Rooms	120 rooms <sup>1</sup> (T42/D75/O3)	
Leasable Area (m <sup>2</sup> )	6,151.93 m <sup>2</sup>	Security Deposit/Guarantee	JPY 2,303 thousand	
Leased Area (m <sup>2</sup> )	6,151.93 m <sup>2</sup>	Rental Revenue (per month)	JPY 48,767 thousand <sup>2</sup>	
Occupancy Rate	100%			
Overview of Lease Agreement				
Tenant	MyStays Hotel Management Co., Ltd.			
Type of Agreement	Fixed rent plus variable rent			
Term	From: May 29, 2017; Until: May 28, 2027			
Determination of Rent of Lease Agreement	Fixed rent (JPY 214.8 million per annum (JPY 17.9 million per month)) plus variable rent based on GOP of hotel operation <sup>3</sup> .			
Management Services Fee	Not disclosed, as tenant's consent has not been obtained for disclosure.			
Security Deposit/Guarantee Money	JPY 2,303 thousand			
Renewal Upon Expiration	The agreement is a fixed-term lease, therefore the agreement will terminate at the expiration of the lease term.			
Rent Revision	Rent cannot be revised during the lease term.			
Early Termination	Termination prior to the expiration of the lease term is not permitted.			
Other Special Matters	—			
Overview of Building Conditions Survey Report				
Company Conducting Survey	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Date of Report	May 2017	
Short-Term Repair Costs (within 1 year)	—	Replacement Cost	JPY 1,933,700 thousand	
Long-Term Repair Costs (in 12 years)	JPY 194,181 thousand			
Overview of Seismic Risk Assessment Report				
Company Conducting Assessment	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Date of Report	May 2017	
Probable Maximum Loss (PML)	6.7%			

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## Area Characteristics, etc.

The Property is a limited service hotel located five-minute walk from Hamamatsucho Station on the JR Yamanote Line, JR Keihin-Tohoku Line and Tokyo Monorail, as well as Daimon Station on the Toei Asakusa Line and Toei Oedo Line. The Property is highly convenient with access from Hamamatsucho Station to Tokyo Station in six minutes and from Daimon Station to Shinjuku Station in 17 minutes. It only takes 13 minutes to Haneda Airport International Terminal Station by Tokyo Monorail. All room size is as large as full-service hotels, with over 28 square meters, and stable demand from domestic leisure and international travelers can be expected, which will further increase revenues. In addition to hotel rooms, the Property has 14 units of serviced apartments (10% of total floor area), as required by the guidelines set forth by Minato Ward, which cater to demand of long-term business travelers.

## Special Notes

Partial boundary with adjacent road is not confirmed in writing.

(Note 1) Only hotel guest rooms are stated. In addition to this, the Property has 14 units of serviced apartments.

(Note 2) Rental revenue includes the revenues from the serviced apartment portion.

(Note 3) Variable rent is the amount of the tenant's aggregate monthly gross revenue (including the revenues from the serviced apartment portion) during the three-month variable rent calculation period after deducting the sum of (i) aggregate gross disbursements, (ii) management services fee and (iii) fixed rent during the same period. However, when the balance after deduction is zero or negative, variable rent is zero.

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# Invincible Investment Corporation

## D49: Hotel MyStays Premier Hamamatsucho

Income and Expenditures, Etc.			
Operating Period	January 1, 2015 – December 31, 2015	January 1, 2016 – December 31, 2016 <sup>1</sup>	
GOP (= (1) - (2))	JPY 280,046 thousand	JPY 263,702 thousand	
a. Land Lease Fees	—	—	
b. Taxes and Public Dues	19,950 thousand	20,892 thousand	
c. Non-Life Insurance Premiums	336 thousand	336 thousand	
d. Trust Fees	800 thousand	800 thousand	
NOI (= GOP - [a. + b. + c. + d.])	258,958 thousand	241,673 thousand	
(Reference)	(1) Sales	704,624 thousand	595,263 thousand
	Room Income	572,848 thousand	517,415 thousand
	Other Income	131,775 thousand	77,847 thousand
	(2) Operating Costs (not including a. through d. above)	424,577 thousand	331,561 thousand
	ADR <sup>2</sup>	JPY 14,143	JPY 15,710
	RevPAR <sup>2</sup>	JPY 13,079	JPY 11,781
	Room Occupancy Rate <sup>2</sup>	92.5%	75.0%
	GOP Ratio	39.7%	44.3%
	Daily/ Weekly/ Monthly <sup>2,3</sup>	— / — / —	100% / 0% / 0%
	Overseas Sales Share	15.5%	28.9%

(Note 1) The Property went through renovation works from August 2016 to November 2016.

(Note 2) Figures are calculated based on data of the hotel portion, excluding the serviced apartment portion.

(Note 3) Ratio of Daily/ Weekly/ Monthly before July 2016 is not available. 2016 data includes only the period from July 2016 to December 2016. This ratio represents only the hotel portion and does not include the serviced apartment portion.

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D49: Hotel MyStays Premier Hamamatsucho

Summary of Real Estate Appraisal Report

Appraisal Agency	Japan Real Estate Institute
Appraisal Value (Specified Value)	JPY 8,090 million
Time of Valuation	April 30, 2017

1. Value of Profits using the Income Approach Method

(1) Direct Capitalization Method	Contents	Overview
(a) Room Rental Income	JPY 407,558 thousand	Room Rental Income and Common Area Maintenance Fee Income are estimated based on anticipated lease agreement, historical data, comparable assets and projected medium- to long-term rents
(b) Common Area Maintenance Fee Income	—	
(c) Utility Income	—	
(d) Parking Lot Income	—	
(e) Other Income	—	
(I) Total Potential Revenue = [(a) + (b) + (c) + (d) + (e)]	407,558 thousand	
(f) Vacancy Allowance	—	Not expected due to lease terms of anticipated lease agreement as well as profile and credit of tenant
(g) Irrecoverable Debt Losses	—	
(II) Operating Revenue = [(I) - (f) - (g)]	407,558 thousand	
(h) Maintenance and Management Costs	—	Not expected since it is included in hotel operation cost
(i) Utility Costs	—	Not expected since it is included in hotel operation cost
(j) Repair Costs	4,855 thousand	Based on historical data, business plan, comparable assets and average annual estimate in the engineering report
(k) Property Management Fee	—	
(l) Tenant Solicitation Expenses	—	
(m) Taxes and Public Dues	24,072 thousand	Based on standard taxable value as stated in the documents relating to taxes and public dues, tax rate adjustments and details of renovation works
(n) Non-Life Insurance Premiums	286 thousand	Based on insurance premiums of insurance policy as well as comparable assets
(o) Other Costs	—	
(III) Operating Costs (Expense Rate) = [(h) + (i) + (j) + (k) + (l) + (m) + (n) + (o)]	29,213 thousand	
(IV) Net Operating Income = [(II) - (III)]	378,345 thousand	
(p) Investment Gains/Losses of Deposits	6 thousand	
(q) Capital Improvements and Expenses	11,670 thousand	Based on comparable assets, building age and average annual estimate in the engineering report
(r) FF&E Reserve	5,360 thousand	Based on comparable assets as well as repair and maintenance plan
(V) Net Income = [(IV) + (p) - (q) - (r)]	361,321 thousand	
(VI) Capitalization Yield	4.4%	Based on standard yield set by Japan Real Estate Institute after adjusting for location, building condition and other conditions of the Property, future uncertainty and transaction yield of comparable assets
(VII) Income Price using Direct Capitalization Method = [(V) ÷ (VI)]	8,210,000 thousand	
(Reference) NOI Yield = [(IV) / (VII)]	4.6%	
(2) DCF Method	Contents	Overview
(I) Total of Current Value of Net Income during Analysis Period	2,888,080 thousand	
(a) Sale Price	7,882,804 thousand	
(b) Sale Costs	236,484 thousand	Assume 3.0% of sale price
(c) Returning Price [(a) - (b)]	7,646,320 thousand	
(II) Returning Price, Current Value	5,067,216 thousand	
(III) Discount Rate	4.2%	Based on transaction yield of comparable assets and characteristics of the Property
(IV) Final Capitalization Yield	4.6%	Based on transaction yield of comparable assets, future trend of investment yield, investment risk of the Property, general economic growth forecasts and trend of real estate prices and rents
(V) Income Price using DCF Method = [(I) + (II)]	7,960,000 thousand	
(3) Income Price using Income Capitalization Method	8,090,000 thousand	

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2. Estimated Price using Cost Method		
	Contents	Overview
(i) Land Price	JPY 3,840,000 thousand	
(ii) Building Price	764,000 thousand	
(iii) Furnishings/Appliances/Equipment/Upholstery Costs	126,000 thousand	
(iv) Total Price of Land, Building, and Furnishings /Appliances/ Equipment/Upholstery Costs = [(i) + (ii) + (iii)]	4,730,000 thousand	
(v) Correction Factor for Stabilized Asset	150%	
(vi) Estimated Price using Cost Method = [(iv) x (v)]	7,100,000 thousand	

Other Points to be Noted for Appraisal by Appraisal Agency  
 Judged that income approach value truly replicates the price formation process from an income perspective, is more persuasive and adopted the Income Price, with the cost approach value as a reference.

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(2) Matters relating to Seismic Resistance etc. for the Property

With respect to the Property, INV has obtained an opinion from a third party expert, Tokio Marine & Nichido Risk Consulting Co., Ltd., indicating that, there is no suspicion of falsification of structural calculation sheets by willful intent of designer, and that the design is in general compliance with the seismic provisions under the Building Standards Act and its Enforcement Order concerning structural design.

As a part of due diligence<sup>1</sup> process, INV conducts investigation on seismic risks for new acquisitions. (Note 1) The due diligence conducted includes examination of appraisal values, building inspection, seismic risk assessment and legal due diligence.

5. Overview of Seller of the Property

An overview of the seller is as follows;

D49 Hotel MyStays Premier Hamamatsucho

(i) Name	Septentrio 2 Tokutei Mokuteki Kaisha (“Septentrio 2 TMK”)
(ii) Location	1-2-9, Nishi-Shinbashi, Minato-ku, Tokyo
(iii) Title and name of representative officer	Masayuki Meguro, Director
(iv) Business	(a) Asset liquidation business of specified assets. (b) All other business ancillary to the above-mentioned asset liquidation of specified assets.
(v) Capital (as of the date of this notice)	Specified Capital: JPY100,000 Preferred Capital: JPY1,200 million
(vi) Date of establishment	February 5, 2016
(vii) Net assets	Not disclosed <sup>1</sup>
(viii) Total assets	Not disclosed <sup>1</sup>
(ix) Investor	Not disclosed <sup>1</sup>
(x) Relationship between INV/Asset Manager and the Seller	
Capital relationships	While there are no capital relationships that should be noted between INV/CIM and Septentrio 2 TMK, Septentrio 2 TMK has indirectly received investments through funds operated by affiliates of FIG, an affiliate of Calliope. As of the date of this notice, Calliope holds 609,942 investment units issued by INV (15.79% stake). Further, as of the date of this notice, Calliope is the parent company of CIM, holding 100% of its outstanding shares.
Personnel relationships	While there are no personnel relationships that should be noted between INV/CIM and Septentrio 2 TMK, as of the date of this notice, among the directors of INV and the officers and employees of CIM, Naoki Fukuda, who is Executive Director of INV and CEO of CIM, is seconded from Calliope. Further, part-time director of CIM, Christopher Reed, is seconded from Fortress Investment Group Japan Godo Kaisha, a subsidiary of FIG.
Transactional relationships	INV acquired “Hotel Epinard Nasu” in March 2016 from Septentrio 2 TMK.
Whether the Seller is a related party	Septentrio 2 TMK is not a related party of INV or CIM. Further, related persons and affiliates of Septentrio 2 TMK are not related parties of INV or CIM. Furthermore, Septentrio 2 TMK is not an interested party, etc. of CIM as provided in the Investment Trust Act.

(Note 1) Not disclosed because consent from the seller has not been obtained.

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## 6. Transactions with Interested Persons etc.

The seller of the Property, namely Septentrio 2 TMK, is not Sponsor-related person<sup>1</sup> under the voluntary rules specified by CIM as countermeasures against conflicts of interests in the management of INV's investments. However, such seller has indirectly received investments through funds managed by affiliates of FIG, an affiliate of Calliope, CIM's parent company, and thus a Sponsor-related person. Therefore, CIM treats the sellers as persons equivalent to sponsor-related persons.

The Property is to be acquired at price not exceeding its appraisal value in accordance with Sponsor-Related Person Transaction Rules and Sponsor-Related Person Transaction Management Manual, which are internal rules of CIM, and after deliberation and resolution of the compliance committee meeting and the investment committee meeting both held on May 25, 2017, which are followed by approvals by the board of directors' meetings of CIM and INV held on the same day.

In addition, MHM, the tenant/operator of the Property is not a Sponsor-related person<sup>1</sup> under the voluntary rules specified by CIM as countermeasures against conflicts of interests in the management of INV's investments. However, MHM has indirectly received investments through funds managed by affiliates of FIG, which is an affiliate of Calliope (Calliope is CIM's parent company, and thus a Sponsor-related person). Therefore, CIM treats, MHM as a person equivalent to a Sponsor-related person.

In accordance with Sponsor-Related Person Transaction Rules and Sponsor-Related Person Transaction Management Manual of CIM and following the deliberation and resolution of the compliance committee meeting and the investment committee meeting both held on May 25, 2017, the boards of directors of CIM and INV each approved the lease agreement expected to be entered into with MHM at meetings both held on the same day, subject to the conditions that hotel operating capability of MHM being confirmed as sufficient through a third party report and other relevant information, the rent level being reasonable considering the market level, and management services fee amount and structure being fair compared with similar properties.

(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 Enforcement Order of the Investment Trust Act, (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 in anonymous partnership (*tokumei kumiai*) by persons who fall under (ii) above.

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## 7. Summary of Current and Previous Owners

1. Name; 2. Relationship with Persons Having Special Conflict of Interests Relationships; 3. Detail/reason for Acquisition; 4. Acquisition Price, and 5. Acquisition Timing

Property Name	D49 Hotel MyStays Premier Hamamatsucho
Current owner/trust beneficiary	<ol style="list-style-type: none"> <li>1. Septentrio 2 TMK</li> <li>2. Septentrio 2 TMK has indirectly received investments through funds, etc. operated by affiliates of FIG, an affiliate of Calliope.</li> <li>3. Acquisition for investment purposes</li> <li>4. Omitted because held for longer than one year</li> <li>5. March 2016</li> </ol>
Previous owner/trust beneficiary	<ol style="list-style-type: none"> <li>1. Boreas Tokutei Mokuteki Kaisha (“Boreas TMK”)</li> <li>2. Boreas TMK has indirectly received investments through funds, etc. operated by affiliates of FIG, an affiliate of Calliope.</li> <li>3. Acquisition for investment purposes</li> <li>4. Omitted because held for longer than one year</li> <li>5. June 2011</li> </ol>
Previous-previous owner/trust beneficiary	Persons having no special conflict of interests relationship

## 8. Overview of Brokerage

Not applicable.

## 9. Schedules

Acquisition decision date:	May 25, 2017
Agreement execution date:	
Anticipated acquisition date:	May 29, 2017
Anticipated source of acquisition funds:	Funds from borrowing <sup>1</sup> and cash-on-hand
Anticipated acquisition proceeds payment method:	Lump-sum payment

(Note 1) For details of the borrowing, please refer to today’s release “Notice concerning Debt Financing”.

## 10. Future Outlook

For information on the revision of INV’s forecasts for financial results and distribution for the fiscal period ending June 2017 (January 1, 2017 to June 30, 2017) and the fiscal period ending December 2017 (July 1, 2017 to December 31, 2017) in connection with acquisition of the Property, please refer to “Notice concerning Revision of Forecast of Financial Results and Distribution for the 28th Fiscal Period Ending June 2017 and the 29th Fiscal Period Ending December 2017” dated as of today.

## 11. Other Matters that are Necessary for Investors to Properly Understand and Make Judgment on Relevant Information

For risks relating to investment in the Property, please refer to the “Investment Risks” (*toshi risuku*) in the securities report (*yuka shoken hokokusho*) of INV for the fiscal period ended December 2016 (July 1, 2016 – December 31, 2016) (available in Japanese only), filed on March 27, 2017.

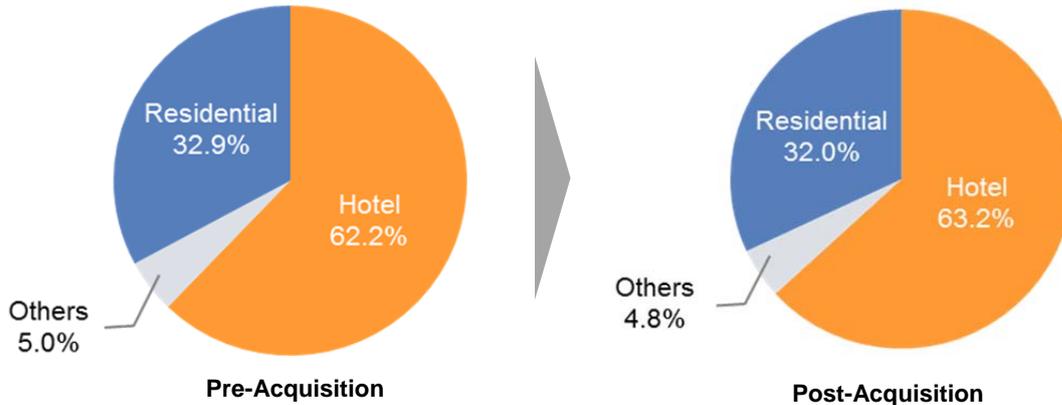
Website of INV: <http://www.invincible-inv.co.jp/eng>

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(Reference)

## Portfolio Composition Pre/Post the Acquisition of Property

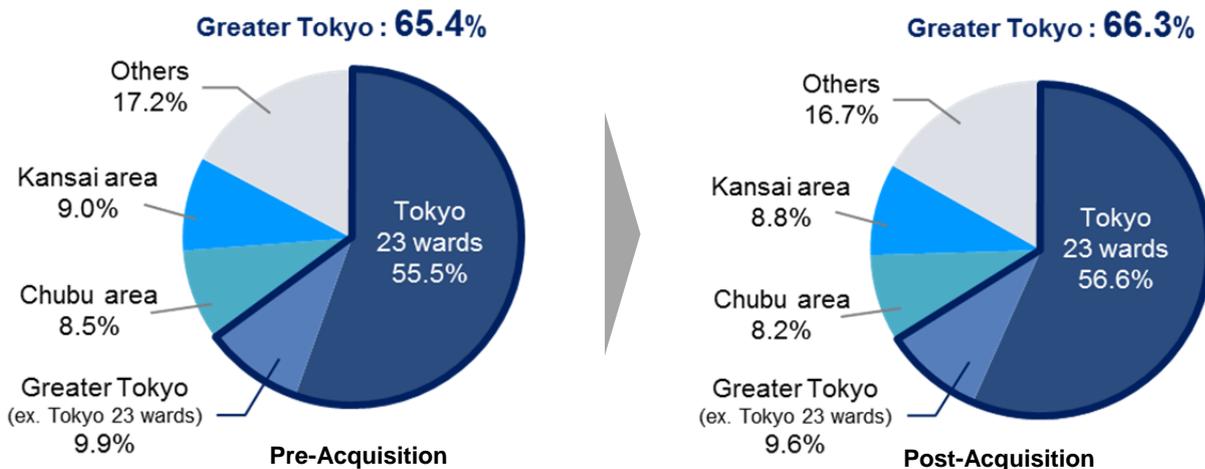
### ■ By Property Type<sup>1,2</sup>



(Note 1) Based on (Anticipated) Acquisition Price.

(Note 2) "Others" include office buildings, commercial facilities, and parking lots

### ■ By Geography<sup>1,2</sup>

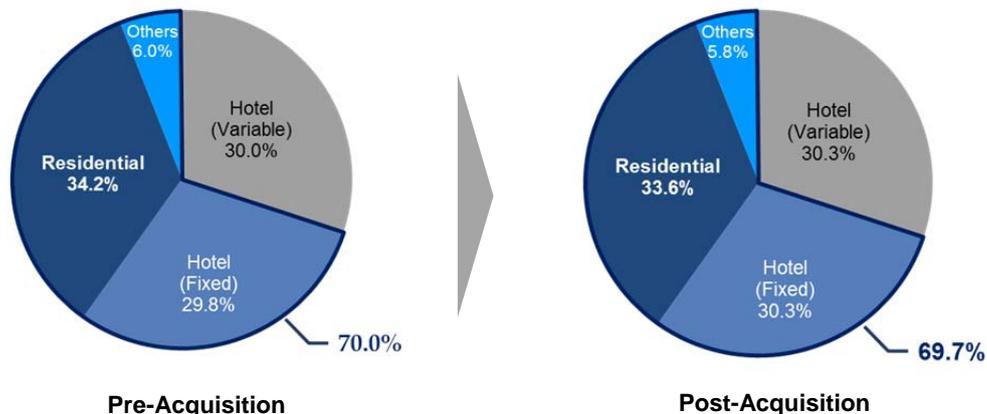


(Note 1) Based on (anticipated) acquisition price.

(Note 2) Defined as follows: Greater Tokyo (ex. Tokyo 23 wards) is Tokyo (ex. Tokyo 23 Wards), Kanagawa, Chiba and Saitama. Kansai area is Osaka, Hyogo, Kyoto, Shiga, Wakayama and Nara. Chubu area is Aichi, Gifu, Mie, Shizuoka, Nagano, Yamanashi, Niigata, Toyama, Ishikawa and Fukui.

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■ By Rent Revenue (Normalized)<sup>1</sup>



(Note 1) The percentages in “Pre-Acquisition” indicate composition of annual rent revenue based on annual rent revenue based on the 2016 actual results of all of the properties owned by INV and on the assumption that all properties acquired in 2016 and March 2017 by INV had been owned since January 1, 2016. The actual results before acquisition by INV are based on the data provided by the sellers.

The percentages in “Post-Acquisition” indicate composition of annual rent revenue calculating by adding 2017 revenue forecast (January-April: Actual / May-December: Forecast) for the property to be acquired estimated by INV to the figures for “Pre-Acquisition”, as the revenue in 2016 from the property to be acquired temporarily declined due to the renovation work during the period between August 2016 and November 2016.

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