

August 23, 2019

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation
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Asset Manager:

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Performance Update for July 2019

Invincible Investment Corporation (“INV”) hereby announces its monthly performance.

1. Overall Performance of the Entire Portfolio

The overall Portfolio NOI^{1,2} for July 2019 (including the assets acquired in July 2019, hereafter the same) decreased by 5.5% compared to the same month in 2018. The decline in NOI stems from several issues affecting the Japan hotel and tourism market in July. First, there was a prolonged rainy season that adversely impacted leisure demand. Second, the Japan - Korea trade frictions increased resulting in fewer inbound travelers from Korea. Third, a strike from EVA Air employees reduced inbound from Taiwan. And fourth, large scale protest demonstrations in Hong Kong reduced air traffic from Hong Kong. Separately, in terms of domestic demand, the 10-day Golden Week period may have reduced some demand for travel during the long weekend in July.

The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

The domestic hotel portfolio³ performance for the month of July 2019 has shown declines in ADR, Occupancy and RevPAR of -3.0%, -0.6pt and -3.6% year-on-year, respectively, due to the reasons mentioned above. The July 2019 NOI declined by -7.8% year-on-year.

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Table below shows the KPIs for each area of the domestic hotel portfolio³.

Pre-offering (55 properties⁴)

Area	Occupancy Rate ⁷	ADR (JPY) ⁸	RevPAR (JPY) ⁹
Tokyo 23 Wards	92.8%	8,541	7,928
Greater Tokyo (ex. Tokyo 23 Wards)	91.1%	12,591	11,473
Chubu	85.3%	7,835	6,687
Kansai	86.2%	8,261	7,121
Kyushu	92.5%	8,491	7,857
Hokkaido	91.6%	14,548	13,322
Other domestic	91.3%	20,155	18,407
Total	90.8%	10,437	9,473

Post-offering (71 properties³)

Area	Occupancy Rate ⁷	ADR (JPY) ⁸	RevPAR (JPY) ⁹
Tokyo 23 Wards	92.9%	8,303	7,711
Greater Tokyo (ex. Tokyo 23 Wards)	91.2%	12,344	11,256
Chubu	85.7%	9,107	7,803
Kansai	86.2%	8,261	7,121
Kyushu	91.9%	10,580	9,728
Hokkaido	91.7%	15,822	14,512
Other domestic	88.9%	17,809	15,836
Total	90.5%	11,025	9,981

(2) Cayman Hotels

The Cayman Hotels (the Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) continue to perform well. ADR increased by 12.9%, Occupancy declined by -2.9% and RevPAR increased by 9.7%.

The NOI (direct ownership basis, hereafter the same) for the month of July 2019 increased by 5.3% year-on-year (which is included in the calculation of the overall Portfolio NOI for July 2019 as stated in “1. Overall Performance of the Entire Portfolio” on page 1).

3. Residential Assets Overview

The residential portfolio⁵ in-place occupancy rate as of the end of July 2019 was 96.4%, a year-on-year increase of +0.5 pt. The rent increase program continues to show positive results as the average in-place rent per tsubo as of the end of July 2019 increased by 0.2% year-over-year. NOI⁶ for the residential portfolio in July 2019 increased by 0.5% year-on-year.

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Rents, compared with those based on the immediately preceding leases, increased by 0.8% across all new leases, 1.1% across all renewal leases, and 1.0% across all combined new and renewal leases for the December 2019 fiscal period.

INV achieved a rent increase on 32.4% of lease contract renewals (December 2019 fiscal period). The retention rate for the existing tenants continues to be high at 79.8% for the December 2019 fiscal period.

4. Performance

(1) 55 Domestic Hotel Properties⁴

	July 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate ⁷	90.8%	91.4%	-0.6pt	-0.7%
ADR (JPY) ⁸	10,437	10,890	-453	-4.2%
RevPAR (JPY) ⁹	9,473	9,953	-480	-4.8%
Gross Revenue (JPY million) ¹⁰	4,425	4,689	-263	-5.6%
# of Properties	55	55	—	—

(2) 71 Domestic Hotel Properties³

	July 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate ⁷	90.5%	91.1%	-0.6pt	-0.6%
ADR (JPY) ⁸	11,025	11,365	-340	-3.0%
RevPAR (JPY) ⁹	9,981	10,352	-371	-3.6%
Gross Revenue (JPY million) ¹⁰	5,757	5,984	-226	-3.8%
# of Properties	71	71	—	—

(3) Cayman Hotels

	July 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate ⁷	86.9%	89.4%	-2.6pt	-2.9%
ADR (USD) ⁸	304	269	35	+12.9%
RevPAR (USD) ⁹	264	241	23	+9.7%
Gross Revenue (USD)	7,190,138	6,707,909	482,229	+7.2%
# of Properties	2	2	—	—

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(4) 62 Residential Properties⁵

	July 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate	96.4%	95.8%	+0.5pt	+0.5%
Rent per Tsubo (JPY)	9,381	9,367	+14	+0.2%
# of Properties	62	62	—	—

5. Portfolio NOI

Pre-offering (130 properties)

		2018 Simulated NOI ¹³		NOI ^{14,2} (JPY million)		
		(JPY million)	Ratio	July 2019	July 2018	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,388	23.5%	454	524	-13.3%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	262	270	-3.1%
	Greater Tokyo - Subtotal	9,957	36.6%	717	795	-9.8%
	Chubu	1,456	5.4%	90	104	-13.1%
	Kansai	2,227	8.2%	129	173	-25.5%
	Kyushu	1,649	6.1%	95	108	-11.8%
	Hokkaido	1,479	5.4%	220	228	-3.5%
	Other domestic	2,181	8.0%	199	199	-0.2%
Domestic Hotel – Subtotal		18,951	69.7%	1,451	1,608	-9.8%
Residential		5,098	18.7%	298	296	0.5%
Commercial		368	1.4%	30	30	0.2%
Domestic Asset- Subtotal		24,417	89.8%	1,781	1,936	-8.0%
Overseas		2,782	10.2%	302	287	5.3%
Total		27,200	100.0%	2,083	2,223	-6.3%

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Post-offering (148 properties)

		2018 Simulated NOI ¹³		NOI ^{1,2} (JPY million)		
		(JPY million)	Ratio	July 2019	July 2018	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,450	21.6%	458	528	-13.2%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,635	12.2%	268	275	-2.7%
	Greater Tokyo - Subtotal	10,086	33.8%	727	804	-9.6%
	Chubu	2,857	9.6%	192	208	-7.7%
	Kansai	2,227	7.5%	129	173	-25.5%
	Kyushu	2,406	8.1%	202	225	-10.4%
	Hokkaido	3,179	10.7%	532	539	-1.2%
	Other domestic	2,363	7.9%	213	214	-0.4%
Domestic Hotel – Subtotal		23,119	77.5%	1,997	2,166	-7.8%
Residential		3,555	11.9%	298	296	0.5%
Commercial		368	1.2%	30	30	0.2%
Domestic Asset- Subtotal		27,043	90.7%	2,326	2,493	-6.7%
Overseas		2,782	9.3%	302	287	5.3%
Total		29,826	100.0%	2,628	2,780	-5.5%

(Note 1) Based on all properties held as of the end of July 2019, excluding (i) 9 hotels with fixed-rent lease agreements and (ii) D70 Hotel MyStays Nagoya Nishiki and D75 Hotel MyStays Sapporo Susukino which do not have comparable performance figure for the previous year. 9 hotels with fixed-rent lease agreements are D29 Super Hotel Shinbashi/Karasumoriguchi, D33 Comfort Hotel Toyama, D36 Super Hotel Tokyo-JR Tachikawa Kitaguchi, D37 Super Hotel JR Ueno-iriyaguchi, D39 Comfort Hotel Kurosaki, D40 Comfort Hotel Maebashi, D41 Comfort Hotel Tsubame-Sanjo, D42 Comfort Hotel Kitami, and D48 Takamatsu Tokyu REI Hotel. NOI includes a simulated amount of dividend income from Kingdom TMK (the "TMK") that owns Sheraton Grande Tokyo Bay Hotel as an underlying asset. The fiscal periods of the TMK are semi-annual periods from April 1 to September 30 and from October 1 to March 31 every year, and INV will receive the dividend within three months from the end of each semi-annual fiscal period of the TMK. Since INV does not receive a dividend from the TMK on a monthly basis, the amount of dividend INV receives from the TMK for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the TMK and the interest of debt (calculated dividing the budget of the TMK for the fiscal period that includes the relevant month by the number of months in such fiscal period) from (ii) NOI based on the performance of Sheraton Grande Tokyo Bay Hotel in the month which is three months before the target month for this performance disclosure and multiplied by INV's ownership ratio of the preferred equity interest in the TMK (49.0%). The revenue from the Cayman Hotels is calculated at the exchange rate of US\$1 to ¥110, which is the exchange rate fixed by the acquisition of puts and selling calls, covering approximately 85% of expected cash flow through December 31, 2020. Furthermore, NOI is provisional figure and subject to change when it is determined at financial closing; hereinafter the same.

(Note 2) NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners; hereinafter the same.

(Note 3) Based on 71 hotel properties; of the 82 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) held as of the end of July 2019, (i) 9 hotels with fixed-rent lease agreements and (ii) (D70 Hotel MyStays Nagoya Nishiki and D75 Hotel MyStays Sapporo Susukino which do not have comparable performance figure for the previous year are excluded. As for Sheraton Grande Tokyo Bay hotel, NOI is based on the figure for the month which is three months prior to the target month for this performance disclosure as INV will receive the dividend from the TMK within three months of each fiscal period end for the TMK as described above. However, in consideration of seasonality, figures other than NOI in the table above are based on the figures for July 2019; hereinafter the same.

(Note 4) Based on 55 hotel properties; of the 64 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) held as of the end of July 2019, 9 hotels with fixed-rent lease agreements are excluded.

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- (Note 5) Based on 62 properties held as of the beginning of July 2019.
- (Note 6) NOI excludes one-off insurance-related revenues and expenses, as well as expenses required to detach trust beneficiary interest from an integrated trust account.
- (Note 7) "Occupancy Rate" for hotel portfolio is calculated using the following formula:
room occupancy rate = total number of rooms occupied during the relevant period ÷ (aggregate number of rooms during the relevant period x number of business days during target period)
- (Note 8) "ADR," or Average Daily Rate, is the value of the total room sales for a certain period (excluding service fees) divided by the total number of sold rooms for the same period.
- (Note 9) "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.
- (Note 10) Gross Revenue of Sheraton Grande Tokyo Bay Hotel used in the table is the whole gross revenue of such hotel, regardless of INV's ownership ratio of the preferred equity interest in the TMK (49.0%)
- (Note 11) Figures for July 2019 are stated.
- (Note 12) Cumulative occupancy rate for residential portfolio is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month and the percentages are rounded to one decimal place. Cumulative rent per tsubo is calculated by dividing the total rental revenue including common area charges for each month by the sum of total leasable area at the end of each month.
- (Note 13) Based on either (i) 130 properties owned by INV as of the beginning of July 2019, or (ii) 148 properties owned by INV as of the end of July 2019, assuming all properties were owned since the beginning of 2018. Includes the dividends from preferred equity interest of TMK that owns Sheraton Grande Tokyo Bay Hotel and estimated TK dividend backed by two Cayman hotels, assuming these dividends contributed throughout the June 2018 fiscal period and the December 2018 fiscal period of INV. Actual results for the pre-acquisition period of the properties acquired in 2018 are based on actual results provided by sellers. The revenue from the Cayman Hotels is calculated at the exchange rate of US\$1 to ¥110, which is the exchange rate fixed by the acquisition of puts and selling calls, covering approximately 85% of expected cash flow through December 31, 2020.
- (Note 14) Based on properties held as of the beginning of July 2019, excluding 9 hotels with fixed-rent lease agreements.
- (Note 15) Percentages are rounded to one decimal place. ADR and RevPAR are rounded to the nearest yen and Gross Revenue is rounded down to the nearest million yen.
- (Note 16) For the details of performance for each asset, please visit INV's website:
<http://www.invincible-inv.co.jp/eng/cms/review.html>

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