

September 25, 2019

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation  
Naoki Fukuda, Executive Director  
(Securities Code: 8963)

Asset Manager:

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## **Performance Update for August 2019**

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

### 1. Overall Performance of the Entire Portfolio

The overall Portfolio NOI<sup>1,2</sup> for December 2019 fiscal period (from July to August) decreased by 4.7% compared to the same period in 2018. The decline in NOI for August 2019 (-4.1%) stems from several issues affecting the Japan hotel and tourism market, including (i) the prolonged trade and diplomatic dispute between Japan and South Korea resulting in fewer inbound travelers from South Korea and (ii) 5 typhoons in August which impacted travel demand especially to/from Western Japan. Guests from South Korea only represent 3.3% of INV’s total hotel room revenue<sup>3</sup> for January-June 2019, but declined to 1.4% in August 2019. The decline in guests from South Korea is in line with the August 2019 figures announced by Japan National Tourism Organization (JNTO), showing a 48% decline in visitor arrivals from South Korea to Japan year-on-year. This could have had an adverse effect on the entire hotel industry in Japan whereby hotel operators that are heavily dependent on South Korean guests cut rates.

The following are the details by segment.

### 2. Hotel Assets Overview

#### (1) Domestic Hotels

The domestic hotel portfolio<sup>4</sup> performance for the month of August 2019 has shown declines in ADR, Occupancy and RevPAR of -1.2%, -2.1pt and -3.3% year-on-year, respectively, due to the reasons mentioned above. The August 2019 NOI declined by -4.7% year-on-year, and the cumulative NOI for the December 2019 fiscal period (July to August) declined by -6.1% compared to the same period last year.

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

Area	Pre-offering (55 properties <sup>5</sup> )			Post-offering (71 properties <sup>4</sup> )		
	Occupancy Rate <sup>8</sup>	ADR (JPY) <sup>9</sup>	RevPAR (JPY) <sup>10</sup>	Occupancy Rate <sup>8</sup>	ADR (JPY) <sup>9</sup>	RevPAR (JPY) <sup>10</sup>
Tokyo 23 Wards	90.0%	8,533	7,682	90.2%	8,291	7,477
Greater Tokyo (ex. Tokyo 23 Wards)	93.9%	15,364	14,429	94.0%	15,028	14,129
Chubu	89.4%	9,870	8,828	90.9%	12,019	10,921
Kansai	90.3%	8,718	7,876	90.3%	8,718	7,876
Kyushu	91.5%	10,281	9,410	90.3%	13,314	12,026
Hokkaido	91.8%	15,125	13,892	91.9%	16,461	15,127
Other domestic	96.2%	34,790	33,466	94.0%	29,752	27,971
Total	91.4%	12,360	11,298	91.4%	13,009	11,889

## (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 9.5%, Occupancy declined by -4.0pt and RevPAR increased by 3.8%.

The NOI (direct ownership basis, hereafter the same) for the month of August 2019 decreased by 2.4% 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) mainly due to decreases in non-room revenues. The cumulative NOI for the December 2019 fiscal period (July to August) increased by 2.7% compared to the same period last year.

## 3. Residential Assets Overview

The residential portfolio<sup>6</sup> in-place occupancy rate as of the end of August 2019 was 96.5%, a year-on-year increase of 0.4 pt. The rent increase program continues to show positive results as the average in-place rent per tsubo as of the end of August 2019 increased by 0.2% year-over-year. NOI<sup>7</sup> for the residential portfolio in August 2019 increased by 0.5% year-on-year, and increased by 0.5% on a cumulative basis for the December 2019 fiscal period (July to August).

Rents, compared with those based on the immediately preceding leases, increased by 0.8% across all new leases, 1.2% 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 33.6% of lease contract renewals (December 2019 fiscal period). The retention rate for the existing tenants continues to be high at 82.7% for the December 2019 fiscal period.

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## 4. Performance

### (1) 55 Domestic Hotel Properties<sup>5</sup>

	August 2019 (A)	August 2018 (B)	(A-B)	YoY Change	Cumulative (July-August)			
					2019 (C)	2018 (D)	(C-D)	YoY Change
Occupancy Rate <sup>8</sup>	91.4%	93.5%	-2.1pt	-2.3%	91.1%	92.5%	-1.4pt	-1.5%
ADR (JPY) <sup>9</sup>	12,360	12,596	-236	-1.9%	11,402	11,753	-351	-3.0%
RevPAR (JPY) <sup>10</sup>	11,298	11,783	-485	-4.1%	10,386	10,868	-482	-4.4%
Gross Revenue (JPY million) <sup>11</sup>	5,184	5,387	-202	-3.8%	9,610	10,076	466	-4.6%

### (2) 71 Domestic Hotel Properties<sup>4</sup>

	August 2019 (A)	August 2018 (B)	(A-B)	YoY Change	Cumulative (July-August)			
					2019 (C)	2018 (D)	(C-D)	YoY Change
Occupancy Rate <sup>8</sup>	91.4%	93.5%	-2.1pt	-2.2%	91.0%	92.3%	-1.3pt	-1.4%
ADR (JPY) <sup>9</sup>	13,009	13,161	-152	-1.2%	12,022	12,275	-253	-2.1%
RevPAR (JPY) <sup>10</sup>	11,889	12,300	-410	-3.3%	10,935	11,326	-391	-3.4%
Gross Revenue (JPY million) <sup>11</sup>	6,685	6,844	-159	-2.3%	12,422	12,828	-386	-3.0%

### (3) Cayman Hotels

	August 2019 (A)	August 2018 (B)	(A-B)	YoY Change	Cumulative (July-August)			
					2019 (C)	2018 (D)	(C-D)	YoY Change
Occupancy Rate <sup>8</sup>	73.5%	77.5%	-4.0pt	-5.2%	80.2%	83.5%	-3.3pt	-3.9%
ADR (USD) <sup>9</sup>	252	230	+22	+9.5%	280	251	+29	+11.6%
RevPAR (USD) <sup>10</sup>	185	178	+7	+3.8%	225	210	+15	+7.2%
Gross Revenue (USD thousand)	5,176	5,401	-225	-4.2%	12,366	12,108	+257	+2.1%

### (4) 62 Residential Properties<sup>6</sup>

	August 2019 (A)	August 2018 (B)	(A-B)	YoY Change	Cumulative (July-August)			
					2019 (C)	2018 (D)	(C-D)	YoY Change
Occupancy Rate	96.5%	96.1%	+0.4pt	+0.4%	96.5%	96.0%	+0.5pt	+0.5%
Rent per Tsubo (JPY)	9,367	9,345	+22	+0.2%	9,374	9,356	+18	+0.2%

## 5. Portfolio NOI

### Pre-offering (130 properties)

	2018 Simulated NOI <sup>13</sup>		NOI <sup>14,2</sup> (JPY million)					
	(JPY million)	Ratio	August			Cumulative (July-August)		
			2019	2018	YoY	2019	2018	YoY

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						Change			Change
Tokyo 23 Wards	6,388	23.5%	449	517	-13.1%	904	1,041	-13.2%	
Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	310	327	-5.4%	572	598	-4.4%	
Greater Tokyo - Subtotal	9,957	36.6%	759	844	-10.1%	1,476	1,639	-10.0%	
Chubu	1,456	5.4%	150	153	-1.7%	241	257	-6.3%	
Kansai	2,227	8.2%	161	194	-16.8%	290	367	-20.9%	
Kyushu	1,649	6.1%	157	174	-9.8%	252	282	-10.5%	
Hokkaido	1,479	5.4%	243	257	-5.5%	463	485	-4.6%	
Other domestic	2,181	8.0%	518	456	+13.7%	718	656	+9.4%	
Domestic Hotel – Subtotal	18,951	69.7%	1,990	2,079	-4.3%	3,442	3,688	-6.7%	
Residential	5,098	18.7%	300	299	+0.5%	598	595	+0.5%	
Commercial	368	1.4%	31	30	+1.5%	62	61	+0.8%	
Domestic Asset- Subtotal	24,417	89.8%	2,322	2,410	-3.6%	4,103	4,346	-5.6%	
Overseas	2,782	10.2%	148	151	-2.4%	450	438	+2.7%	
Total	27,200	100.0%	2,470	2,561	-3.6%	4,553	4,785	-4.8%	

## Post-offering (148 properties)

	2018 Simulated NOI <sup>13</sup>		NOI <sup>1,2</sup> (JPY million)					
	(JPY million)	Ratio	August			Cumulative (July-August)		
			2019	2018	YoY Change	2019	2018	YoY Change
Tokyo 23 Wards	6,450	21.6%	452	522	-13.4%	911	1,051	-13.3%
Greater Tokyo (ex. Tokyo 23 Wards)	3,635	12.2%	318	335	-5.1%	586	611	-4.0%
Greater Tokyo - Subtotal	10,086	33.8%	770	857	-10.1%	1,498	1,662	-9.9%
Chubu	2,857	9.6%	333	338	-1.6%	525	546	-3.9%
Kansai	2,227	7.5%	161	194	-16.8%	290	367	-20.9%
Kyushu	2,406	8.1%	299	360	-16.9%	501	586	-14.4%
Hokkaido	3,179	10.7%	565	577	-2.1%	1,098	1,116	-1.7%
Other domestic	2,363	7.9%	544	479	+13.6%	758	693	+9.3%
Domestic Hotel – Subtotal	23,119	77.5%	2,675	2,808	-4.7%	4,672	4,974	-6.1%
Residential	3,555	11.9%	300	299	+0.5%	598	595	+0.5%
Commercial	368	1.2%	31	30	+1.5%	62	61	+0.8%
Domestic Asset- Subtotal	27,043	90.7%	3,007	3,138	-4.2%	5,334	5,632	-5.3%
Overseas	2,782	9.3%	148	151	-2.4%	450	438	+2.7%
Total	29,826	100.0%	3,155	3,290	-4.1%	5,784	6,071	-4.7%

(Note 1) Based on all properties held as of the end of August 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-

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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 domestic hotel properties managed by MyStays Hotel Management Co., Ltd. or its subsidiary, out of the 82 domestic hotel properties held by INV as of the end of August 2019.
- (Note 4) 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 August 2019; hereinafter the same.
- (Note 5) 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 August 2019, 9 hotels with fixed-rent lease agreements are excluded.
- (Note 6) Based on 62 properties held as of the beginning of July 2019.
- (Note 7) 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 8) "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 9) "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 10) "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 11) 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 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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# Invincible Investment Corporation

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

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