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

October 25, 2019

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation  
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## **Performance Update for September 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 September) decreased by 3.9% compared to the same period in 2018. The decline in NOI for September 2019 (-1.1%) 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) several typhoons in September which impacted travel demand. Guests from South Korea only represented 3.3% of INV’s total hotel room revenue<sup>3</sup> for January-June 2019, but declined to 0.9% in September 2019. The decline in guests from South Korea is in line with the September 2019 figures announced by Japan National Tourism Organization (JNTO), showing a 58.1% 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 had to cut rates to maintain occupancy.

NOI of hotels in the Hokkaido area increased by 339.5% in September 2019, mainly as a result of the recovery from the sharp drop in sales following a big earthquake that hit the area in September 2018.

The following are the details by segment.

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## 2. Hotel Assets Overview

### (1) Domestic Hotels

The domestic hotel portfolio<sup>4</sup> performance for the month of September 2019 has shown an increase in Occupancy of 1.8pt, and declines in ADR and RevPAR of 4.2% and 2.2% year-on-year, respectively, due to the reasons mentioned above. The September 2019 NOI declined by 3.5% year-on-year, and the cumulative NOI for the December 2019 fiscal period (July to September) declined by 5.4% compared to the same period last year.

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	90.5%	8,129	7,354	90.3%	7,919	7,151
Greater Tokyo (ex. Tokyo 23 Wards)	90.9%	12,447	11,309	90.9%	12,193	11,089
Chubu	84.9%	8,347	7,088	87.6%	9,358	8,201
Kansai	81.4%	7,493	6,103	81.4%	7,493	6,103
Kyushu	88.2%	8,103	7,150	86.5%	9,225	7,977
Hokkaido	85.3%	12,456	10,619	87.6%	12,386	10,854
Other domestic	93.5%	18,184	16,994	90.6%	16,171	14,658
Total	88.4%	9,904	8,755	88.4%	10,072	8,899

### (2) Cayman Hotels

The Cayman Hotels (the Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) continue to perform well year-to-date, however experienced some weakness in September, which is the slowest month of the year. ADR increased by 2.3%, Occupancy declined by 10.5pt, and RevPAR decreased by 18.1%. We believe the comparatively poor year-on-year performance mainly reflects the positive impact a 2018 hurricane in the eastern Caribbean had on the hotel performance by creating excess tourism demand in the Cayman Islands for this month last year.

The NOI (direct ownership basis, hereafter the same) for the month of September 2019 increased by 62.3% 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) mainly due to decreases in one-off expenses in relation to the hotel transfer in September 2018. The cumulative NOI for the December 2019 fiscal period (July to September) increased by 9.4% 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 September 2019 was 96.6%, a year-on-year increase of 0.3 pt. The rent increase program continues to show positive results as the average in-place rent per tsubo as of the end of September 2019 increased by 0.8% year-

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over-year. NOI<sup>7</sup> for the residential portfolio in September 2019 increased by 1.8% year-on-year, and increased by 1.0% on a cumulative basis for the December 2019 fiscal period (July to September).

Rents, compared with those based on the immediately preceding leases, increased by 0.6% across all new leases, 1.3% 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 39.0% of lease contract renewals (December 2019 fiscal period). The retention rate for the existing tenants continues to be high at 83.0% for the December 2019 fiscal period.

#### 4. Performance

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

	Sept. 2019 (A)	Sept. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Sept.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	88.4%	88.0%	+0.4pt	+0.4%	90.2%	91.0%	-0.8pt	-0.9%
ADR (JPY) <sup>9</sup>	9,904	10,482	-578	-5.5%	10,923	11,352	-429	-3.8%
RevPAR (JPY) <sup>10</sup>	8,755	9,228	-473	-5.1%	9,854	10,333	-479	-4.6%
Gross Revenue (JPY million) <sup>11</sup>	4,242	4,380	-138	-3.2%	13,852	14,457	-604	-4.2%

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

	Sept. 2019 (A)	Sept. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Sept.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	88.4%	86.5%	+1.8pt	+2.1%	90.1%	90.4%	-0.3pt	-0.3%
ADR (JPY) <sup>9</sup>	10,072	10,516	-444	-4.2%	11,398	11,726	-327	-2.8%
RevPAR (JPY) <sup>10</sup>	8,899	9,098	-199	-2.2%	10,271	10,599	-328	-3.1%
Gross Revenue (JPY million) <sup>11</sup>	5,294	5,295	-1	-0.0%	17,736	18,124	-387	-2.1%

##### (3) Cayman Hotels

	Sept. 2019 (A)	Sept. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Sept.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	42.1%	52.6%	-10.5pt	-20.0%	67.8%	73.4%	-5.7pt	-7.7%
ADR (USD) <sup>9</sup>	196	192	+4	+2.3%	263	237	+26	+10.9%
RevPAR (USD) <sup>10</sup>	83	101	-18	-18.1%	178	174	+4	+2.4%
Gross Revenue (USD thousand)	2,527	3,008	-480	-16.0%	14,894	15,117	-223	-1.5%

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

	Sept. 2019 (A)	Sept. 2018 (B)	(A－B)	YoY Change	Cumulative (July-Sept.)			
					2019 (C)	2018 (D)	(C－D)	YoY Change
Occupancy Rate	96.6%	96.2%	+0.3pt	+0.3%	96.5%	96.1%	+0.4pt	+0.4%
Rent per Tsubo (JPY)	9,392	9,317	+75	+0.8%	9,380	9,343	+37	+0.4%

## 5. Portfolio NOI

### Pre-offering (130 properties)

		2018 Simulated NOI <sup>13</sup>		NOI <sup>14,2</sup> (JPY million)					
		(JPY million)	Ratio	Sept.			Cumulative (July-Sept.)		
				2019	2018	YoY Change	2019	2018	YoY Change
	Tokyo 23 Wards	6,388	23.5%	382	476	-19.7%	1,286	1,517	-15.2%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	235	256	-8.0%	808	855	-5.5%
	Greater Tokyo - Subtotal	9,957	36.6%	618	733	-15.6%	2,094	2,372	-11.7%
	Chubu	1,456	5.4%	86	119	-28.0%	327	377	-13.2%
	Kansai	2,227	8.2%	95	132	-27.9%	386	500	-22.8%
	Kyushu	1,649	6.1%	66	113	-41.3%	319	396	-19.4%
	Hokkaido	1,479	5.4%	128	39	+223.9%	591	525	+12.7%
	Other domestic	2,181	8.0%	213	207	+2.8%	931	863	+7.9%
	Domestic Hotel – Subtotal	18,951	69.7%	1,209	1,346	-10.2%	4,651	5,035	-7.6%
	Residential	5,098	18.7%	300	295	+1.8%	899	891	+1.0%
	Commercial	368	1.4%	30	31	-1.1%	92	92	+0.2%
	Domestic Asset- Subtotal	24,417	89.8%	1,540	1,673	-7.9%	5,644	6,019	-6.2%
	Overseas	2,782	10.2%	-18	-47	+62.3%	427	391	+9.4%
	Total	27,200	100.0%	1,522	1,625	-6.3%	6,072	6,410	-5.3%

### Post-offering (148 properties)

		2018 Simulated NOI <sup>13</sup>		NOI <sup>1,2</sup> (JPY million)					
		(JPY million)	Ratio	Sept.			Cumulative (July-Sept.)		
				2019	2018	YoY Change	2019	2018	YoY Change
	Tokyo 23 Wards	6,450	21.6%	385	482	-20.1%	1,296	1,533	-15.4%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,635	12.2%	241	261	-7.7%	827	872	-5.1%
	Greater Tokyo - Subtotal	10,086	33.8%	626	743	-15.7%	2,124	2,406	-11.7%
	Chubu	2,857	9.6%	184	222	-17.2%	709	767	-7.5%
	Kansai	2,227	7.5%	95	132	-27.9%	386	500	-22.8%

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Kyushu	2,406	8.1%	102	170	-39.8%	604	757	-20.2%
Hokkaido	3,179	10.7%	264	60	+339.5%	1,362	1,177	+15.8%
Other domestic	2,363	7.9%	223	221	+0.7%	981	915	+7.2%
Domestic Hotel – Subtotal	23,119	77.5%	1,496	1,551	-3.5%	6,169	6,523	-5.4%
Residential	3,555	11.9%	300	295	+1.8%	899	891	+1.0%
Commercial	368	1.2%	30	31	-1.1%	92	92	+0.2%
Domestic Asset- Subtotal	27,043	90.7%	1,827	1,877	-2.6%	7,162	7,507	-4.6%
Overseas	2,782	9.3%	-18	-47	+62.3%	427	391	+9.4%
Total	29,826	100.0%	1,809	1,829	-1.1%	7,590	7,898	-3.9%

(Note 1) Based on all properties held as of the end of September 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 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 September 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 September 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 September 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:  

$$\text{room occupancy rate} = \frac{\text{total number of rooms occupied during the relevant period}}{(\text{aggregate number of rooms during the relevant period} \times \text{number of business days during target period})}$$

(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%)

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(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:

<https://www.invincible-inv.co.jp/en/portfolio/hotel.html>

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