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November 25, 2019

To All Concerned Parties

Name of REIT Issuer:

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## **Performance Update for October 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 October) decreased by 5.5% compared to the same period in 2018. The decline in NOI for October 2019 (-10.5%) 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) a large typhoon (Hagibis) in October 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 and remained the same in October 2019. The decline in guests from South Korea is in line with the October 2019 figures announced by Japan National Tourism Organization (JNTO), showing a 65.5% decline in visitor arrivals from South Korea to Japan year-on-year.

On a positive note, the Rugby World Cup was beneficial, especially for the two hotels in Oita Prefecture, which was one of the venues for the tournament. Due to high lodging demand during the World Cup matches in Oita, GOP for the two hotels increased substantially compared to last year, and NOI for hotels in the Kyushu area increased by 39.0% in October 2019. 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 October 2019 has shown declines in Occupancy of 1.6pt, ADR of 2.8% and RevPAR of 4.6% year-on-year,

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respectively, due to the reasons mentioned above. The October 2019 NOI declined by 12.9% year-on-year, and the cumulative NOI for the December 2019 fiscal period (July to October) declined by 7.2% 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	92.1%	9,300	8,569	92.0%	9,048	8,323
Greater Tokyo (ex. Tokyo 23 Wards)	91.2%	13,579	12,384	91.4%	13,280	12,135
Chubu	82.6%	8,450	6,980	84.4%	9,152	7,729
Kansai	83.9%	8,411	7,056	83.9%	8,411	7,056
Kyushu	91.8%	11,496	10,551	90.1%	11,027	9,938
Hokkaido	80.7%	9,279	7,486	82.7%	9,339	7,728
Other domestic	91.4%	16,524	15,104	90.0%	14,876	13,389
Total	88.9%	10,584	9,414	88.4%	10,293	9,096

## (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. ADR increased by 14.2%, Occupancy declined by 4.5pt, and RevPAR increased by 6.5%.

The NOI (direct ownership basis, hereafter the same) for the month of October 2019 increased by 2.8% 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). The cumulative NOI for the December 2019 fiscal period (July to October) increased by 8.3% 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 October 2019 was 96.1%, a year-on-year decrease of 0.2pt. The rent increase program continues to show positive results as the average in-place rent per tsubo as of the end of October 2019 increased by 0.8% year-over-year. NOI<sup>7</sup> for the residential portfolio in October 2019 increased by 0.9% year-on-year, and increased by 1.0% on a cumulative basis for the December 2019 fiscal period (July to October).

Rents, compared with those based on the immediately preceding leases, increased by 0.5% 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 41.3% of lease contract renewals (December 2019 fiscal

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period). The retention rate for the existing tenants continues to be high at 81.2% for the December 2019 fiscal period.

## 4. Performance

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

	Oct. 2019 (A)	Oct. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Oct.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	88.9%	90.9%	-2.0pt	-2.2%	89.9%	91.0%	-1.1pt	-1.2%
ADR (JPY) <sup>9</sup>	10,584	10,861	-277	-2.6%	10,839	11,228	-390	-3.5%
RevPAR (JPY) <sup>10</sup>	9,414	9,877	-463	-4.7%	9,743	10,218	-475	-4.6%
Gross Revenue (JPY million) <sup>11</sup>	4,615	4,943	-328	-6.6%	18,468	19,401	-932	-4.8%

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

	Oct. 2019 (A)	Oct. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Oct.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	88.4%	90.0%	-1.6pt	-1.8%	89.7%	90.3%	-0.6pt	-0.7%
ADR (JPY) <sup>9</sup>	10,293	10,594	-301	-2.8%	11,124	11,442	-318	-2.8%
RevPAR (JPY) <sup>10</sup>	9,096	9,534	-438	-4.6%	9,975	10,331	-356	-3.4%
Gross Revenue (JPY million) <sup>11</sup>	5,589	5,908	-318	-5.4%	23,326	24,032	-706	-2.9%

### (3) Cayman Hotels

	Oct. 2019 (A)	Oct. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Oct.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate <sup>8</sup>	63.1%	67.7%	-4.5pt	-6.7%	66.6%	72.0%	-5.4pt	-7.5%
ADR (USD) <sup>9</sup>	240	210	+30	+14.2%	258	231	+27	+11.6%
RevPAR (USD) <sup>10</sup>	151	142	+9	+6.5%	172	166	+5	+3.3%
Gross Revenue (USD thousand)	4,228	4,136	+92	+2.2%	19,122	19,253	-131	-0.7%

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

	Oct. 2019 (A)	Oct. 2018 (B)	(A—B)	YoY Change	Cumulative (July-Oct.)			
					2019 (C)	2018 (D)	(C—D)	YoY Change
Occupancy Rate	96.1%	96.3%	-0.2pt	-0.2%	96.4%	96.1%	+0.3pt	+0.3%
Rent per Tsubo (JPY)	9,401	9,325	+76	+0.8%	9,385	9,339	+46	+0.5%

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## 5. Portfolio NOI

### Pre-offering (130 properties)

		2018 Simulated NOI <sup>13</sup>		NOI <sup>14,2</sup> (JPY million)					
		(JPY million)	Ratio	Oct.			Cumulative (July-Oct.)		
				2019	2018	YoY Change	2019	2018	YoY Change
	Tokyo 23 Wards	6,388	23.5%	553	589	-6.1%	1,839	2,107	-12.7%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	254	304	-16.6%	1,062	1,159	-8.4%
	Greater Tokyo - Subtotal	9,957	36.6%	807	894	-9.7%	2,902	3,266	-11.2%
	Chubu	1,456	5.4%	101	128	-21.0%	428	505	-15.2%
	Kansai	2,227	8.2%	151	212	-28.9%	537	713	-24.6%
	Kyushu	1,649	6.1%	177	127	+39.0%	497	524	-5.1%
	Hokkaido	1,479	5.4%	74	110	-32.3%	666	635	+4.9%
	Other domestic	2,181	8.0%	172	220	-21.8%	1,104	1,084	+1.8%
	Domestic Hotel – Subtotal	18,951	69.7%	1,484	1,693	-12.3%	6,136	6,729	-8.8%
	Residential	5,098	18.7%	301	299	+0.9%	1,201	1,190	+1.0%
	Commercial	368	1.4%	30	30	+1.1%	123	123	+0.4%
	Domestic Asset – Subtotal	24,417	89.8%	1,817	2,023	-10.2%	7,461	8,043	-7.2%
	Overseas	2,782	10.2%	78	76	+2.8%	506	467	+8.3%
	Total	27,200	100.0%	1,895	2,099	-9.7%	7,968	8,510	-6.4%

### Post-offering (148 properties)

		2018 Simulated NOI <sup>13</sup>		NOI <sup>1,2</sup> (JPY million)					
		(JPY million)	Ratio	Oct.			Cumulative (July-Oct.)		
				2019	2018	YoY Change	2019	2018	YoY Change
	Tokyo 23 Wards	6,450	21.6%	557	594	-6.2%	1,854	2,128	-12.9%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,635	12.2%	261	311	-16.1%	1,089	1,184	-8.0%
	Greater Tokyo – Subtotal	10,086	33.8%	819	906	-9.6%	2,943	3,312	-11.1%
	Chubu	2,857	9.6%	197	245	-19.8%	907	1,013	-10.5%
	Kansai	2,227	7.5%	151	212	-28.9%	537	713	-24.6%
	Kyushu	2,406	8.1%	236	179	+31.4%	840	936	-10.3%
	Hokkaido	3,179	10.7%	160	232	-31.2%	1,522	1,409	+8.0%
	Other domestic	2,363	7.9%	188	234	-19.5%	1,170	1,150	+1.8%
	Domestic Hotel – Subtotal	23,119	77.5%	1,752	2,012	-12.9%	7,922	8,536	-7.2%
	Residential	3,555	11.9%	301	299	+0.9%	1,201	1,190	+1.0%
	Commercial	368	1.2%	30	30	+1.1%	123	123	+0.4%
	Domestic Asset – Subtotal	27,043	90.7%	2,085	2,341	-10.9%	9,247	9,849	-6.1%

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Overseas	2,782	9.3%	78	76	+2.8%	506	467	+8.3%
Total	29,826	100.0%	2,164	2,418	-10.5%	9,754	10,317	-5.5%

(Note 1) Based on all properties held as of the end of October 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 October 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 October 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 October 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%)

(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.

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(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/>