

August 25, 2021

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 July 2021

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

1. Overall Performance of the Entire Portfolio

Similar to the previous month, both the domestic and overseas hotel portfolios for July 2021 were heavily affected by the coronavirus (COVID-19). The occupancy rate of the domestic hotels for July 2021 was 49.0%, which increased by 8.4pt year-over-year. The residential occupancy rate for the end of July 2021 was 95.2%, which decreased by 0.2pt compared to the end of the previous month.

As for the 73 hotels that are operated by MyStays Hotel Management Co., Ltd. and its affiliates (the “MHM Group”), the amount of the employment adjustment subsidy for July 2021 has not been determined as of today. As a result, GOP¹ and NOI^{2,3} for July 2021 have not been determined yet. The total GOP of the 73 hotels for July 2021 is estimated at around 40% of the fixed rent amount of JPY 1,275 million stipulated in the current fixed-term building lease and property management agreements (“MLPM Agreements”), making it difficult for the MHM Group to pay the entire amount of fixed rent for July 2021. Therefore, discussions with the MHM Group are underway on the payment of rent, including a review of MLPM Agreements from July 2021 and onwards.

The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

As for the domestic hotel portfolio⁴ performance for the month of July 2021, the occupancy

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rate increased by 8.4pt, ADR increased by 16.0%, and RevPAR increased by 40.0% compared to July 2020 while the occupancy rate decreased by 41.2pt, ADR decreased by 25.7%, and RevPAR decreased by 59.7% compared to July 2019.

In July 2021, the COVID-19 outbreak spread rapidly while State of Emergency and quasi-State of Emergency measures were in effect in various prefectures. However, the occupancy rate, ADR and RevPAR of hotels mainly in the Tokyo metropolitan area outperformed the same month last year when the Go To Travel Campaign was held. This is due to (i) MHM Group's corporate customer base and sales efforts which allowed several hotels to capture group accommodation demand from sports organizations, various educational institutions and other groups as well as business demand from diverse industries and (ii) some hotels were able to capture leisure demand during the summer vacation.

Since most of the Tokyo Olympics Games were held without spectators, the knock-on effect on the accommodation demand was limited for many hotels owned by INV in the Tokyo metropolitan area and Hokkaido.

In August 2021, the government expanded the target area and extended the duration of State of Emergency and quasi-State of Emergency declarations in response to the nationwide increase in the number of newly infected persons and the number of patients with severe symptoms. As a result, as of today, a State of Emergency has been applied to 13 prefectures and a quasi-State of Emergency has been applied to 16 prefectures, lasting until September 12. Since 60% of all 47 prefectures have been covered by either declaration, a continuation of subdued hotel demand is anticipated. As of today, we are forecasting that August 2021 RevPAR will exceed August 2020, but will be approximately 60% lower than the August 2019 figure.

Table below shows the KPIs for each area of the 75 domestic hotels portfolio⁴.

Area	Occupancy Rate ⁵	ADR (JPY) ⁶	RevPAR (JPY) ⁷
Tokyo 23 Wards	45.6%	6,130	2,794
Greater Tokyo (ex. Tokyo 23 Wards)	64.3%	8,631	5,545
Chubu	50.7%	7,104	3,599
Kansai	34.2%	4,126	1,410
Kyushu	48.0%	7,305	3,507
Hokkaido	36.5%	8,769	3,200
Other domestic	64.4%	15,598	10,038
Total	49.0%	8,043	3,939

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(2) Cayman Hotels

The NOI for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa ("Westin") and Sunshine Suites Resort ("Sunshine")) in July 2021, was JPY -54 million, an increase from JPY -137 million in July 2020, when the Cayman Hotels were closed.

Sunshine has been operated to capture staycation demand for residents and isolation demand, which utilized 33.8% of the rooms in July 2021.

Westin has reopened on a limited basis primarily to capture staycation demand from domestic customers during summer vacation and the occupancy rate for July 2021 was 5.6%. COVID-19 vaccinations have been making steady progress in the Cayman Islands, and the Cayman Islands Government has announced a restricted border reopening plan to resume accepting tourists from overseas in phases from September 9 once the vaccination rate reaches 80%. The government expects the island to be completely open to fully vaccinated tourists by peak Q4 travel periods (e.g. Thanksgiving and Christmas holidays). As of August 20, approximately 72% of the Cayman population have been administered the first dose and approximately 69% have been administered the second dose.

3. Residential Assets Overview

The residential portfolio⁸ in-place occupancy rate as of the end of July 2021 was 95.2%, which decreased by 0.2pt compared to the end of previous month and increased by 0.2pt year-over-year.

The average in-place rent per tsubo decreased by 0.2% year-over-year. The NOI⁹ for the residential portfolio in July 2021 decreased by 1.1% year-over-year.

Rents, compared with those based on the immediately preceding leases, increased by 0.9% for new leases, increased by 1.2% for renewal leases, and increased by 1.1% for new and renewal leases combined for the December 2021 fiscal period. INV achieved a rent increase on 31.5% of lease contract renewals for the December 2021 fiscal period. The retention rate for the existing tenants continues to be high at 84.4% for the December 2021 fiscal period.

4. Performance

* The "Difference" in the table below indicates the increase / decrease in value for the month of July 2021 compared to the corresponding value in 2020 or 2019. Hereinafter the same.

(1) 75 Domestic Hotel Properties⁴

	Jul. 2021	Jul. 2020	Difference	Jul. 2019	Difference
Occupancy Rate ⁵	49.0%	40.6%	+8.4pt	90.2%	-41.2pt
ADR (JPY) ⁶	8,043	6,932	+16.0%	10,827	-25.7%
RevPAR (JPY) ⁷	3,939	2,813	+40.0%	9,768	-59.7%
Gross Revenue (JPY million) ¹⁰	2,730	2,037	+34.0%	6,197	-55.9%

(2) Cayman Hotels

	Jul. 2021	Jul. 2020	Difference	Jul. 2019	Difference
Occupancy Rate ⁵	13.4%	0.0%	+13.4pt	86.9%	-73.5pt
ADR (USD) ⁶	185	0	-	304	-39.1%
RevPAR (USD) ⁷	25	0	+15,114.2%	264	-90.6%
Gross Revenue (USD thousand)	999	212	+370.4%	7,190	-86.1%

(3) 54 Residential Properties⁸

	End of Jul. 2021	End of Jul. 2020	Difference
Occupancy Rate	95.2%	95.0%	+0.2pt
Rent per Tsubo (JPY)	9,071	9,086	-0.2%

5. Portfolio NOI^{2,3,9}

(JPY Million)	Jul. 2021	Jul. 2020	Difference	Jul. 2019	Difference
Tokyo 23 Wards	-	-11	-	459	-
Greater Tokyo (ex. Tokyo 23 Wards)	-	5	-	340	-
Greater Tokyo - Subtotal	-	-6	-	799	-
Chubu	-	19	-	218	-
Kansai	-	-5	-	128	-
Kyushu	-	0	-	210	-
Hokkaido	-	11	-	568	-
Other domestic	-	98	-	242	-
Domestic Hotel- Subtotal	-	119	-	2,168	-

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Residential	226	228	-1.1%	228	-1.0%
Commercial	12	12	+0.2%	12	-0.1%
Domestic Asset- Subtotal	-	360	-	2,409	-
Overseas	-54	-137	-	300	-
Total	-	223	-	2,709	-

- (Note 1) GOP means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues.
- (Note 2) Based on all properties held as of the end of July 2021, excluding 9 hotels with fixed-rent lease agreements. 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. Furthermore, NOI is provisional figure and subject to change when it is determined at financial closing; hereinafter the same.
- (Note 3) NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners, and are subject to change caused by the adjustments based on differences in accounting treatments, since it is difficult to adjust them due to the timing even if the figures are based on actual performance; hereinafter the same.
- (Note 4) Based on 75 hotel properties; of the 84 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 2021, 9 hotels with fixed-rent lease agreements 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 December 2020; hereinafter the same.
- (Note 5) "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 6) "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 7) "RevPAR," or Revenues Per Available Room, is calculated by dividing the total room 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 8) Based on 54 properties held by INV as of the end of July 2021.
- (Note 9) NOI excludes one-off insurance-related revenues and expenses.
- (Note 10) Gross Revenue includes the amount of employment adjustment subsidies to be received by the hotel operators, which require a certain period of time to confirm. Therefore, the amount of Gross Revenue is subject to change retroactively in the future when the amount of employment adjustment subsidies is confirmed. 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) Percentages are rounded to one decimal place. ADR, RevPAR and Rent per Tsubo are rounded to the nearest yen and Gross Revenue is rounded down to the nearest million yen.
- (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 sum of the total rental revenue including common area charges for each month by the sum of total leased area (tsubo) at the end of each month.
- (Note 13) For the details of performance for each hotel asset, please visit INV's website:
<https://www.invincible-inv.co.jp/en/portfolio/hotel.html>

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