

To All Concerned Parties

Name of REIT Issuer:

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## **Performance Update for December 2018**

Invincible Investment Corporation (“INV”) hereby announces its monthly performance for hotel and residential assets.

### 1. Hotel and Residential Assets Overview

The combined NOI for the hotel and residential portfolio<sup>1</sup> for the December 2018 fiscal period (July to December) increased by 3.2% year-on-year. For the month of December 2018, NOI for the total portfolio<sup>1</sup> increased 8.3% compared to December 2017 driven by strong performance of INV’s diversified residential and hotel portfolio.

As previously mentioned, the September 2018 natural disasters in Hokkaido and Kansai impacted the hotel performance figures, with Hokkaido also being effected in October 2018. As an indicator, the combined NOI for the December 2018 period (July to December) would have increased by 6.9% when excluding the Hokkaido and Kansai hotels<sup>2</sup>.

### 2. Hotel Assets Overview

The hotel portfolio<sup>3</sup> performance for the month of December 2018 has shown an increase in ADR of 3.4%, an increase in occupancy of 0.1pt., and an increase in RevPAR of 3.6% year-on-year. The cumulative ADR, occupancy and RevPAR for the December 2018 fiscal period (July to December) increased by 2.5%, 0.0pt, and 2.6% compared to the same period last year.

The December 2018 NOI<sup>4</sup> for the hotel portfolio increased by 10.5% (year-on-year) and the cumulative NOI for the December 2018 fiscal period (July to December) increased by 2.7% compared to the same period last year. Excluding disaster affected areas of Kansai and Hokkaido, the cumulative NOI for the December 2018 fiscal period for the rest of the hotel portfolio increased by 7.5% year-on-year.

INV owns 37 hotels in the Greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama) which represent 37.5% of INV’s total property NOI for the December 2018 period based on forecasted

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NOI as normalized on the assumption that INV had owned all existing hotels for the full December 2018 fiscal period (hereinafter the same). NOI<sup>4</sup> for the month of December 2018 increased 16.9% year-on-year and increased by 11.2% for the December 2018 period compared to the same period in 2017.

The 34 hotels on variable rent contracts in the Greater Tokyo area continue to demonstrate strong performance with an increase in ADR of 5.5%, occupancy growth of 2.7pt and RevPAR growth of 8.8% in December 2018 compared with December 2017. The cumulative ADR, occupancy and RevPAR for the December 2018 fiscal period (July to December) of these 34 hotels increased by 5.8%, 2.4pt, and 8.6% compared to the same period last year. The Greater Tokyo area continues to perform well due to the strict enforcement of Minpaku regulations enacted in June 2018, which eliminated illegal listings and effectively reduced half of the shadow supply of rooms, and the continued growth of inbound tourism.

Over the last two years partly utilizing proceeds from three equity offerings, INV has upgraded its portfolio of hotels, acquiring eight hotels in the Greater Tokyo area, representing 16.8% of total NOI for the December 2018 period. These hotels have performed strongly, recording a 25.1% growth in NOI for December 2018 compared to December 2017, and 13.7% growth in December 2018 fiscal period compared to the same period of 2017. The eight hotels include Sheraton Grande Tokyo Bay Hotel located adjacent to Tokyo Disneyland, Hotel MyStays Premier Akasaka, Hotel MyStays Premier Hamamatsucho, Hotel MyStays Premier Omori, Hotel MyStays Yokoyama-Kannai, Hotel MyStays Gotanda, Hotel MyStays Tachikawa and Hotel MyStays Ueno East. As a testament to the higher quality of these recent acquisitions, in 2018, these eight hotels produced a weighted average RevPAR of 14,731 Yen which is approximately twice the 7,472 Yen weighted average RevPar of the 26 Greater Tokyo hotels acquired prior to 2017.

Kansai hotels represent 8.1% of total NOI for the December 2018 period. The natural disaster in September 2018 and a continued new hotel supply are a cause for lower rates. December NOI declined by 20.4%, and is down 19.4% for the December 2018 period. Upcoming events such as the Rugby World Cup and new attractions at Universal Studios Japan in spring 2019 are expected to provide higher demand.

Kyushu hotels represent 6.3% of total NOI for the December 2018 period. The second half performance figures have been strong due to inbound tourism. December NOI up by 4.4% and the December 2018 period NOI up by 6.4%. Beppu Kameno Hotel, INV's largest hotel in the region, was acquired as part of the October 2017 equity offering, and achieved an increase in NOI of 20.2% for the December 2018 period. Beppu has seen benefits from an increase in tourism due to well-known hot springs and unique promotions by the local government via engaging in a series of clever advertisements.

Hokkaido hotels represent 6.1% of total NOI for the December 2018 period. The region was negatively impacted by a natural disaster in September 2018. NOI has seen a strong recovery by increasing 25.0% in December 2018, despite a decline of 5.4% for the December 2018 period.

Hotels in other regions represent 15.4% of total NOI for the December 2018 period. These areas have recently performed strongly with an increase in NOI of 15.5% in December 2018, compared to a decline of 0.5% for the December 2018 period.

The Cayman hotels (the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) represent 6.9% of total NOI for the December 2018 period and have exceeded expectations. At the time of the July, 2018 equity offering, INV forecast a 2018 NOI of USD

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31.3MM resulting in an acquisition NOI yield of 9.2%. Strong performance post acquisition resulted in an actual 2018 NOI of USD 34.0MM or an actual acquisition yield of 10.2%.

During the month of December 2018, the Cayman hotels achieved an ADR, occupancy rate, and RevPAR that are 18.6%, 0.9 pts. and 19.7% above previous year's performance in the same period, respectively. During the December 2018 fiscal period, the Cayman hotels achieved an ADR, occupancy rate, and RevPAR that are 12.7%, 14.9 pts. and 39.6% above previous year's performance in the same period. As an example, Westin was able to achieve a record high ADR of USD 1,055 for the week of December 23, 2018 to December 29, 2019 which demonstrates that the hotel with its recent renovation was able to achieve premium rates consistent with a luxury resort situated on a prime beachfront location.

The strong performance of the Cayman hotels is a testament to the desire of the Cayman Islands as a premier destination and the increase in airlift to the island. Year over year air arrivals to the Cayman Islands increased 12.9%<sup>6</sup> and the expansion of the Grand Cayman airport is on schedule to be completed by March, 2019. INV continues to plan and discuss with Marriott a potential expansion of the Westin hotel which would capitalize on its land area of 7.2 acres and 700 linear feet of beachfront.

Both the Sheraton Grande Tokyo Bay Hotel and the Cayman hotels are held in structures that require completed entity specific financial statements prior to INV's recognition of the income. As such the October 2018 – March 2019 results for the Cayman hotels will be recognized in the June 2019 fiscal period and the hotel performance figures do not include the contribution from the Cayman hotels. INV does receive monthly cash flow distributions from the Cayman hotels and part of the excess cash was used for the December share repurchase program.

### 3. Residential Assets Overview

The residential portfolio<sup>7</sup> occupancy rate as of the end of December 2018 was 95.2% (-0.1pt year-on-year). The rent increase program continues to show strong results as average rent per tsubo as of the end of December 2018 increased by 2.2% year-on-year.

INV's residential portfolio comprises 64 assets and these residential assets represent 18.4% of total property NOI for the December 2018 fiscal period based upon normalized NOI. NOI<sup>8</sup> for the residential portfolio increased by 2.1% in December 2018 (year-on-year), and increased by 5.0% for the December 2018 fiscal period (July to December) compared to the same period in 2017.

Rents, compared with immediately preceding leases, increased by 2.9% across all new leases, 4.6% across all renewal leases, and 3.8% across all combined new and renewal leases for the December 2018 fiscal period. INV achieved a rent increase on 52.8% of contract renewals (December 2018 fiscal period), compared to 54.2% for the full year 2017 (-1.4pt. year-on-year). The retention rate for the existing tenants continues to be high at 79.1% for the December 2018 fiscal period.

The residential property with the highest rent growth is Royal Parks Tower Minami-Senju at 9.8%. This 39-story Tokyo residential tower, along with the nearby Royal Parks Seair Minami-Senju which had the second highest rent growth of 5.5%, were acquired in a March 2017 equity offering.

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## 4. Performance

### (1) 54 Hotel Properties<sup>3</sup>

	December 2018 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate <sup>9</sup>	88.7%	88.5%	+0.1pt	+0.1%
ADR (JPY) <sup>10</sup>	11,129	10,761	+367	+3.4%
RevPAR (JPY) <sup>11</sup>	9,867	9,528	+339	+3.6%
Gross Revenue (JPY million) <sup>12</sup>	4,734	4,649	+85	+1.8%
# of Properties	54	54	—	—

	Fiscal period ending December 2018 Cumulative <sup>13</sup> (C)	Same period of the previous year <sup>14</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>9</sup>	90.6%	90.6%	+0.0pt	+0.0%
ADR (JPY) <sup>10</sup>	11,260	10,980	+279	+2.5%
RevPAR (JPY) <sup>11</sup>	10,207	9,953	+254	+2.6%
Gross Revenue (JPY million) <sup>12</sup>	28,937	28,186	+751	+2.7%
# of Properties	54	54	—	—

### (2) 64 Residential Properties<sup>7</sup>

	December 2018 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate	95.2%	95.3%	-0.1pt	-0.1%
Rent per Tsubo (JPY)	9,897	9,689	+208	+2.2%
# of Properties	64	64	—	—

	Fiscal period ending December 2018 Cumulative <sup>13</sup> (C)	Same period of the previous year <sup>14</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>17</sup>	95.4%	94.8%	+0.6pt	+0.7%
Rent per Tsubo <sup>17</sup> (JPY)	9,832	9,622	+210	+2.2%
# of Properties	64	64	—	—

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### (3) 45 Hotel Properties<sup>18</sup>

	December 2018 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate <sup>9</sup>	89.1%	89.0%	+0.1pt	+0.2%
ADR (JPY) <sup>10</sup>	11,362	11,060	+302	+2.7%
RevPAR (JPY) <sup>11</sup>	10,127	9,841	+286	+2.9%
Gross Revenue (JPY million) <sup>12</sup>	4,040	3,967	+72	+1.8%
# of Properties	45	45	—	—

	Fiscal period ending December 2018 Cumulative <sup>13</sup> (C)	Same period of the previous year <sup>14</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>9</sup>	91.0%	90.8%	+0.2pt	+0.2%
ADR (JPY) <sup>10</sup>	11,421	11,168	+253	+2.3%
RevPAR (JPY) <sup>11</sup>	10,389	10,135	+254	+2.5%
Gross Revenue (JPY million) <sup>12</sup>	24,743	24,128	+614	+2.5%
# of Properties	45	45	—	—

### (4) Cayman Hotels

	December 2018 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate <sup>9</sup>	88.9%	88.0%	+0.9pt	+1.0%
ADR (USD) <sup>10</sup>	497	419	+78	+18.6%
RevPAR (USD) <sup>11</sup>	442	369	+73	+19.7%
Gross Revenue (USD)	10,021,750	8,720,012	+1,301,737	+14.9%
# of Properties	2	2	—	—

	Fiscal period ending December 2018 Cumulative <sup>13</sup> (C)	Same period of the previous year <sup>14</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>9</sup>	77.1%	62.3%	+14.9pt	+23.9%
ADR (USD) <sup>10</sup>	293	260	+33	+12.7%
RevPAR (USD) <sup>11</sup>	226	162	+64	+39.6%
Gross Revenue (USD)	35,610,250	25,791,215	+9,819,035	+38.1%
# of Properties	2	2	—	—

(Note 1) Based on 54 hotel properties and 64 residential properties stated in (Note 3) and (Note 7) below. 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

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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%). Moreover, NOI does not include the simulated amount of dividend income from the overseas TK interest that owns the Westin Grand Cayman Seven Mile Beach Resort and Spa and Sunshine Suites Resort as underline assets acquired by INV in September 2018. Furthermore, NOI is provisional figure and subject to change when it is determined at financial closing; hereinafter the same.

- (Note 2) Of the 54 hotels stated in (Note 3) below, three hotels located in Hokkaido prefecture and six hotels located in Kasai region are excluded.
- (Note 3) Based on 54 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 November 2018, 9 hotels with fixed-rent lease agreements and D63 Hotel MyStays Midosuji Honmachi which does not have performance figure for the previous year since it newly opened in December 2017, are excluded. 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. 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 in the table above are based on the figures for December 2018. Moreover, the Westin Grand Cayman Resort and Spa and Sunshine Suites Resorts which are the underlying assets of the overseas TK interest acquired by INV in September 2018 are not included.
- (Note 4) NOI for Sheraton Grande Tokyo Bay Hotel includes a simulated amount of dividend income from the TMK. Please refer to (Note 1) above. Moreover, NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners.
- (Note 5) Based on the properties owned by INV as of the end of December 2018, assuming all properties were owned since the beginning of December 2018 fiscal period. 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 December 2018 fiscal period of INV. Actual results for the pre-acquisition period of the properties acquired in 2018 is based on actual results provided by sellers. The estimated TK dividend amount is calculated at the exchange rate of US\$1 to ¥110
- (Note 6) For the 12 months ended November 2018.
- (Note 7) Based on 64 properties held as of the beginning of July 2018.
- (Note 8) 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 9) "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 10) "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 11) "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 12) 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 13) Figures from July 2018 to December 2018 are stated.
- (Note 14) Figures from July 2017 to December 2017 are stated. Figures are based on the assumption that the properties acquired from July 1, 2017 to December 31, 2017 were held as of July 1, 2017, and figures before acquisition by INV is based on the data obtained from third-parties including previous owners.
- (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>
- (Note 17) 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

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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 18) Nine hotels properties acquired during January 2018 and August 2018 are excluded from the 54 hotel properties described in (Note 3) above. The nine hotels are D54 Hotel MyStays Yokohama Kannai, D55 Art Hotel Joetsu, D56 Art Hotel Hirosaki City, D57 Hotel MyStays Oita, D58 Hotel MyStays Gotanda, D59 Hotel MyStays Tachikawa, D60 Hotel MyStays Premier Akasaka, D61 Hotel MyStays Premier Sapporo Park, and D62 Hotel MyStays Ueno East.

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

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