

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation  
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## **Performance Update for February 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 the June 2019 fiscal period (January to February) decreased slightly by 0.5% compared to the same period in 2018. The monthly performance is influenced by some one-off factors described below and we believe INV is still on track for June 2019 fiscal period budget<sup>3</sup>. The following is a detail by segment.

### 2. Hotel Assets Overview

#### (1) Domestic Hotels

The domestic hotel portfolio<sup>4</sup> performance for the month of February 2019 has shown decreases in Occupancy of 0.6pt, ADR of 1.0% and RevPAR of 1.6% year-on-year.

The February 2019 NOI for the domestic hotel portfolio decreased by 10.4% (year-on-year) and the cumulative NOI for the June 2019 fiscal (January to February) decreased by 5.8% compared to the same period last year.

February's slight decline in RevPAR is mainly due to the day configuration of the Chinese New Year holiday (Feb.4-10), which overlapped with the three-day National Foundation Day (Feb.9-11) weekend in 2019, while there was no overlap between Chinese New Year holiday (Feb.15-21) and three-day National Foundation Day (Feb.10-12) weekend in 2018. Therefore, INV was able to push rates over a 10-day period in 2018 while only having an eight-day period in 2019.

The large discrepancy between the level of declines in RevPAR and NOI is mainly attributed to:  
i) Expense recognition, whereas the most of the expenses that were derived from strong revenues achieved in January 2019 were paid in February, and ii) Lower non-room revenues at

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some of the hotels including Sheraton Grande Tokyo Bay Hotel, Art Hotel Joetsu, and Hotel Epinard Nasu compared to February 2018.

The month of February 2019 had worse performance than usual because of the above reasons which were mostly one-off factors and we expect the domestic hotel year on year KPI and NOI to return modest growth in the coming months.

Table below shows the KPIs for each area of the hotel portfolio<sup>4</sup>.

	Occupancy Rate <sup>8</sup>	ADR (JPY) <sup>9</sup>	RevPAR (JPY) <sup>10</sup>
Tokyo 23 Wards	92.4%	9,024	8,334
Greater Tokyo (ex. Tokyo 23 Wards)	91.6%	11,855	10,861
Chubu	81.5%	7,887	6,426
Kansai	89.5%	8,192	7,328
Kyushu	90.7%	10,528	9,554
Hokkaido	88.9%	13,570	12,068
Other domestic	76.2%	12,920	9,850
Total	89.5%	10,073	9,014

## (2) Cayman Hotels

The Cayman hotels (the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) achieved ADR and RevPAR growth of 25.9% and 25.6% year-on-year respectively, while occupancy slightly declined by 0.2pt. The Westin Grand Cayman Seven Mile Beach Resort & Spa continues to benefit from an increasing hotel demand to Cayman Islands as well as Marriott's strong loyalty program. Room-nights booked by Marriot members through the loyalty program have increased by 97.7% year-on-year, resulting in an increase in sales and ADR. The 53.0% increase in NOI<sup>5</sup> (year-on-year), was largely due to the major renovation at the Westin Grand Cayman Seven Mile Beach Resort & Spa in the previous year which understated the NOI in the previous year. The NOI<sup>5</sup> was up by 18.0% in February compared to the budget<sup>3</sup>.

## 3. Residential Assets Overview

The residential portfolio<sup>6</sup> occupancy rate as of the end of February 2019 was 96.2% (+0.8pt year-on-year). The rent increase program continues to show strong results as average rent per tsubo as of the end of February 2019 increased by 1.5% year-on-year.

NOI<sup>7</sup> for the residential portfolio increased by 3.1% in February 2019 (year-on-year), and increased by 3.0% for the June 2019 fiscal period (January to February) compared to the same period in 2018.

Rents, compared with immediately preceding leases, increased by 2.3% across all new leases, 2.1% across all renewal leases, and 2.2% across all combined new and renewal leases for the June 2019 fiscal period. INV achieved a rent increase on 42.7% of contract renewals (June 2019 fiscal period). The retention rate for the existing tenants continues to be high at 74.3% for the June 2019 fiscal period.

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## 4. Performance

### (1) 55 Hotel Properties<sup>4</sup>

	February 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate <sup>8</sup>	89.5%	90.1%	-0.6pt	-0.7%
ADR (JPY) <sup>9</sup>	10,073	10,172	-99	-1.0%
RevPAR (JPY) <sup>10</sup>	9,014	9,164	-150	-1.6%
Gross Revenue (JPY million) <sup>11</sup>	3,831	3,863	-32	-0.8%
# of Properties	55	55	—	—

	Fiscal period ending June 2019 Cumulative <sup>12</sup> (C)	Same period of the previous year <sup>13</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>8</sup>	86.7%	86.9%	-0.3pt	-0.3%
ADR (JPY) <sup>9</sup>	9,572	9,445	+127	+1.3%
RevPAR (JPY) <sup>10</sup>	8,295	8,212	+83	+1.0%
Gross Revenue (JPY million) <sup>11</sup>	7,519	7,397	+122	+1.7%
# of Properties	55	55	—	—

### (2) Cayman Hotels<sup>5</sup>

	February 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate <sup>8</sup>	92.9%	93.1%	-0.2pt	-0.2%
ADR (USD) <sup>9</sup>	519	412	+107	+25.9%
RevPAR (USD) <sup>10</sup>	482	384	+98	+25.6%
Gross Revenue (USD)	10,592,515	8,872,109	+1,720,406	+19.4%
# of Properties	2	2	—	—

	Fiscal period ending June 2019 Cumulative <sup>12</sup> (C)	Same period of the previous year <sup>13</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>8</sup>	90.6%	90.4%	+0.2pt	+0.2%
ADR (USD) <sup>9</sup>	482	387	+95	+24.5%
RevPAR (USD) <sup>10</sup>	437	350	+86	+24.7%
Gross Revenue (USD)	20,081,143	17,843,274	+2,237,869	+12.5%
# of Properties	2	2	—	—

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## (3) 64 Residential Properties<sup>6</sup>

	February 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate	96.2%	95.5%	+0.8pt	+0.8%
Rent per Tsubo (JPY)	9,818	9,676	+142	+1.5%
# of Properties	64	64	—	—

	Fiscal period ending June 2019 Cumulative <sup>12</sup> (C)	Same period of the previous year <sup>13</sup> (D)	Difference (C – D)	YoY Change
Occupancy Rate <sup>14</sup>	95.9%	95.1%	+0.8pt	+0.8%
Rent per Tsubo <sup>14</sup> (JPY)	9,839	9,711	+128	+1.3%
# of Properties	64	64	—	—

## 5. Portfolio NOI

		2018 Simulated NOI <sup>15</sup>		NOI <sup>1,2</sup> (JPY million)		
		(JPY million)	Ratio	February 2019	February 2018	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,388	23.5%	408	449	-9.0%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	273	296	-7.7%
	Greater Tokyo - Subtotal	9,957	36.6%	682	745	-8.5%
	Chubu	1,456	5.4%	56	82	-30.9%
	Kansai	2,227	8.2%	116	166	-29.8%
	Kyushu	1,649	6.1%	123	130	-5.4%
	Hokkaido	1,479	5.4%	168	158	+6.2%
	Other domestic	2,181	8.0%	56	60	-7.3%
Domestic Hotel – Subtotal		18,951	69.7%	1,203	1,343	-10.4%
Residential		5,098	18.7%	424	411	+3.1%
Commercial		368	1.4%	31	31	+0.1%
Domestic Asset- Subtotal		24,417	89.8%	1,658	1,786	-7.1%
Overseas		2,782	10.2%	190	124	+53.0%
Total		27,200	100.0%	1,849	1,910	-3.2%

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		2018 Simulated NOI <sup>15</sup>		NOI <sup>1,2</sup> (JPY million)		
		(JPY million)	Ratio	Fiscal period ending June 2019 Cumulative <sup>12</sup>	Same period of the previous year <sup>13</sup>	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,388	23.5%	796	817	-2.5%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	557	575	-3.2%
	Greater Tokyo - Subtotal	9,957	36.6%	1,353	1,392	-2.8%
	Chubu	1,456	5.4%	93	133	-30.0%
	Kansai	2,227	8.2%	216	289	-25.2%
	Kyushu	1,649	6.1%	232	228	+1.6%
	Hokkaido	1,479	5.4%	236	224	+5.2%
	Other domestic	2,181	8.0%	41	39	+4.1%
Domestic Hotel – Subtotal		18,951	69.7%	2,173	2,308	-5.8%
Residential		5,098	18.7%	857	832	+3.0%
Commercial		368	1.4%	61	61	-0.2%
Domestic Asset- Subtotal		24,417	89.8%	3,091	3,202	-3.4%
Overseas		2,782	10.2%	196	103	+90.1%
Total		27,200	100.0%	3,287	3,305	-0.5%

(Note 1) Based on all properties held as of the beginning of January 2019, listed in “5. Portfolio NOI” excluding 9 hotels with fixed-rent lease agreements. Please refer to (Note 4) below for the details of 9 hotels with fixed-rent lease agreements. 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%). Moreover, NOI for the Cayman hotels includes a simulated amount of dividend income from the Seven Mile Resort Holdings Ltd. (the “Cayman SPC”) that owns the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort as underlying assets. The fiscal periods of the Cayman SPC 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 Cayman SPC. Since INV does not receive a dividend from the Cayman SPC on a monthly basis, the amount of dividend INV receives from the Cayman SPC for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the Cayman SPC and the interest of debt (calculated dividing the budget of the Cayman SPC 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 the underlying assets in the month which is three months before the target month for this performance disclosure. The TK dividend amount 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 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 the forecasts of financial results announced in “Financial Summary for the December 2018 Fiscal Period (from July 1, 2018 to December 31, 2018)” dated February 21, 2019.

(Note 4) 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 beginning of January 2019, 9 hotels with fixed-rent lease agreements are excluded. 9 hotels with fixed-rent lease agreements are D29 Super Hotel Shinbashi/

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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 other than NOI in the table above are based on the figures for February 2019. Moreover, the Westin Grand Cayman Seven Mile Beach Resort & 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 5) Based on the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resorts, the underlying assets of preferred equity interest held by INV as of the beginning of January 2019. As for the Cayman hotels, 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 Cayman SPC as described above. However, in consideration of seasonality, figures other than NOI in the table above are based on the figures for February 2019.
- (Note 6) Based on 64 properties held as of the beginning of January 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) Figures from January 2019 to February 2019 are stated.
- (Note 13) Figures from January 2018 to February 2018 are stated. Figures are based on the assumption that the properties acquired from January 1, 2018 to December 31, 2018 were held as of January 1, 2018, and figures before acquisition by INV is based on the data obtained from third-parties including previous owners.
- (Note 14) 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 subo 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 15) Based on the properties owned by INV as of the end of December 2018, 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 TK dividend amount is calculated at the exchange rate of US\$1 to ¥110.
- (Note 16) 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 17) 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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