

December 18, 2020

Invincible Investment Corporation

**FAQ regarding the following Press Releases disclosed on December 11, 2020**

- Notice concerning Revision of Forecast of Financial Results and Distribution for the 35th Fiscal Period Ending December 2020
- Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement pertaining to the rent conditions for the period from October to December, 2020 with Major Tenant

**Q: Please tell us the level of RevPAR where:**

- (1) MHM will be able to fully pay the fixed rent based on the original leasing contract.**
- (2) MHM hotels' GOP will be in the red.**

A: (1) Approximately 60% of 2019 actual RevPAR (-40% year-on-year)

(2) Approximately 30% of 2019 actual RevPAR (-70% year-on-year)

**Q: Do you expect that hotel performance will return to a level where MHM can fully pay the fixed rent in the next three months or so?**

A: As explained in the monthly performance press release disclosed on November 25, we are forecasting RevPAR in November 2020 to decrease by approximately 40% year-over-year, which means that KPI has improved to the level where MHM can pay the fixed rent, speaking about November alone. However, since December, there are many unknown factors; the number of new infections has increased again and the "Go To travel" campaign has excluded some areas. Therefore, the situation remains unpredictable. It is highly difficult to make accurate predictions since reservation lead times are getting shorter than before and reservations may be canceled due to the influence of COVID-19.

**Q: You told us that approximately 60% of RevPAR of 2019 level should be required for MHM to pay fixed rent based on the original contracts. If that is the case, how long does that RevPAR level need to continue for INV to receive fixed rent based on the original contracts?**

A: It is difficult to judge on a monthly basis due to the facts such as:

- (i) the fixed rents are set on a monthly basis after taking into account of the seasonality.
- (ii) the expenses corresponding to the revenues are recognized one month after the revenues are recorded.
- (iii) the assignments of personnel are decided depending on the situation of each month or each hotel.

Therefore, we believe that we need to monitor the level of the average RevPAR and GOP over a period of 6 months or more. Please note that " 60%" is an approximate estimate because GOP may fluctuate depending on expenses, trends in non-room income, and other factors.

**Q: Please tell us the outlook of hotel performance for 2021.**

A: We have been investigating various scenarios under conditions that remain uncertain. In October 2020, the level of RevPAR returned to nearly 50% of the level in 2019, improving from the levels from July to September. However, after November, the number of people infected with COVID-19 has rapidly increased, and the improvement of hotel performance has slowed again. The outlook for 2021 is highly dependent on when vaccinations become available. For the first half of 2021, a continuation similar to November and December 2020 would be a bad scenario, while a recovery above the October 2020 level at an early stage in 2021 would be a good scenario, leading to good results. For the second half of 2021, we expect that hotel performance will improve due to the progress in vaccinating the broader population of Japan and the holding of the Olympic Games.

**Q: How about the current attitude of lenders?**

A: Amid turmoil created by the COVID-19 pandemic, the refinancings for June-October 2020 were successfully completed in the same amount before the refinance for more than JPY 36 billion in total with continued support led by our main lenders. INV has sufficient cash on hand and also has no problem with any financial covenants as of today. While we had some discussions with banks regarding potential red ink of financial results at period end and LTV control, we were able to address those issues by selling 6 properties. We believe that our lenders understand this unprecedented crisis and our management efforts.

**Q: What is the current financial position of MHM?**

A: Since we are not directly involved in the management of MHM, we do not have their detailed

information. However, due to the nature of the fee business, they should have little borrowing and do not need much support from financial institutions. In addition to support from FIG, management fees to MHM are gradually increasing as hotel revenues improve. MHM is improving its financial position, as it is making efforts to reduce costs. Therefore, we recognize that there is no heightened risk of bankruptcy.

**Q: There is a loss of JPY 757 million for NOI of the Cayman Hotels. Does the loss affect the P/L of INV as a loss? Do you expect a similar loss from the Cayman Hotels in the future?**

A: The loss affects the profit and loss of INV, and including this, we expect net income of JPY 404 million. It is still undecided when the hotel will resume operations in the future, i.e., depending on the Cayman government's decisions on the timing of tourist acceptance and the situation of improving COVID-19 in the U.S. where vaccination has begun.

**Q: According to the announcement of forecast revisions, "facility management fee" is including the management contract expenses, which is the excess amount caused by the result that the expenses at the Cayman Hotels exceeded the revenues. Should we expect the same amount level of such an expense for the June 2021 fiscal period if Cayman Hotels continue to be suspended?**

A: In the December 2020 fiscal period at overseas hotels, "Sunshine" resumed operations from October after being selected as one of the hotels for the Cayman Islands government's isolation facilities, which utilized approximately 27% of the rooms in October, as well as two restaurants reopened for local customers from June 19, 2020. In addition, we are continuing to strive to reduce costs such as personnel cost reductions. The excess of expenses is inclusive of these revenues. For the June 2021 fiscal period, while it depends on the timing of resumption of commercial flights at the airport, the same level of expense can be expected if the situation similar to that of the December 2020 fiscal period continues.

**Q: You said there will be no dividend from the SPC which owns Sheraton Grande Tokyo Bay Hotel (SGTB) for the December 2020 fiscal period due to the worsening of its operating status, but how much is the deficit at the SPC-level? Is it fair to say that there will be no dividends unless the cumulative deficit of the SPC is eliminated? Can dividends be expected from the June 2021 fiscal period?**

A: As for SGTB, it is not possible to disclose specific performance at the TMK (SPC) due to the joint investment agreement. However, it is correct to say that the TMK will not pay a dividend while the TMK has accumulated losses. It depends on the situation of Tokyo Disney Resort, and we have a cautious view about the dividend outlook for 2021.

**Q: Regarding the sale of 6 properties announced on November 27, 2020, what were the factors behind the total sale price of 4 of these properties falling below the total appraisal value? Also, if INV is considering selling property in the future, is there a possibility that the sale price will fall below the appraisal value?**

A: The transaction was split in two tranches, 4 properties and 2 properties, due to the intention of the buyer, and as a whole, the total sale price fell slightly below the total appraisal value. We selected the 6 properties mainly from the following criteria; (i) lower sales cap rate, (ii) multiples of gain on sales against the expected future cash flow, and (iii) building age. However, there was a discrepancy between the buyer and the appraisal regarding the view on future CAPEX. The multiples of gains on sales against the expected future cash flow is high, and we believe this disposition was a good deal. We will pay attention to the appraisal value as well as then prevailing market situation if we sell a property in the future.

**Q: Will you consider selling assets in your portfolio again if needed?**

A: We will not sell any assets if net income improves in 2021. After paying close attention to the convergence status of COVID-19, the outlook on INV's income, and trends in the property sales market, we will consider whether or not to sell properties. Retail facilities and hotel properties can be included as potential candidates to sell, after prudent examination.

End