December 15, 2021

Invincible Investment Corporation

<u>FAQ regarding the following Press Releases disclosed on December 8, 2021</u>

- Notice concerning Sale of Domestic Trust Beneficiary Interests
- 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, 2021 with Major Tenant
- Notice concerning Revision of Forecast of Financial Results and Distribution for the 37th Fiscal Period Ending December 2021

Q: How did you select the 13 assets that you recently announced were sold?

A: Since the past sale of residential properties was biased toward the Greater Tokyo Area, the allocation ratio of Greater Tokyo Area among domestic assets excluding domestic hotels was 64.3% before the sale although the management guideline stipulates that it should be 70% or more. As such we requested two brokerage companies to assess and propose the sale of the local properties (non-Greater Tokyo Area) we own, analyzed the characteristics of properties and the impact of the sale on INV and selected them. We judged that it was advantageous to search for buyers by narrowing down to Kansai + Nagoya rather than covering a wide area. As a result, the above-mentioned allocation ratio of Greater Tokyo Area will be 77.0% after the completion of the sale as of January 12, 2022.

Q: Why are you selling residential assets and not hotels?

A: INV has the goal of being the champion of hotels in the JREIT market. Although the hotel sector has been hit by the pandemic, we believe the worst is over and there is significant upside for the hotel industry that will benefit from huge pent-up domestic business/leisure demand as well as the eventual resumption of inbound travelers. We chose to sell residential assets after carefully studying the market. Residential cap rates have been consistently compressing and it is a good time to take advantage of the tight residential sales market.

Q: Hotels and residences are INV's core assets. What is your plan for the asset allocation in the future?

A: Hotels and residences will continue to be our core assets. Since 2014, INV has been pursuing the acquisition of hotels, and the asset size of our hotel portfolio today is the largest among J-REITs. On the residential side, we have not bought any assets in the past few years, as we believe it has been a seller's market difficult to buy at an attractive price. Still, residential is, and will continue to be one of our core assets.

Q: You said that the proceeds from sale of the 13 residential properties this time would be mainly appropriated for repayment of the existing borrowings. Is there an option to use them for property acquisition or unit buy back?

A: In addition to repayment of borrowings and payment of distributions, we would like to consider a strategic use such as property acquisition, while we have no concrete plans at this time.

Q: You mentioned property acquisition as a potential use of sale proceeds. Based on the current unit price, how about considering a unit buy-back? What is your stance on unit buy-back? Do you think you are in an environment where you can actually implement a unit buy-back?

A: INV did a unit buy-back in December 2018, and we always consider it as an option. However, as the unit buy-back will increase INV's LTV, which is already slightly higher than the industry average, it is somewhat difficult to consider as an immediate option.

Q: You mentioned that you had no concrete plan of property acquisition, but if you are to consider a property acquisition, will you buy from your sponsor pipeline or from a third party in the market?

A: While there are no specific plans, we would like to give priority to acquiring from the sponsor pipeline because there are properties in the sponsor's pipeline.

Q: You said that you would use the sale proceeds from the sale of 13 residential properties to repay the borrowings. Do your lenders request to maintain your LTV at a certain level, or do you have your own LTV target?

A: There is no specific LTV target agreed with the lenders. Moreover, the sale of the properties this time was not forced by our lenders.

Q: The forecast of financial results for the fiscal period ending December 2021 shows an increase in finance-related costs. Is this temporary or permanent?

A: We consider it a temporary event. The main reason is that the amount of borrowings due in the fiscal period ending December 2021 is much larger than usual.

Q: Please tell us what you are discussing with the lenders, including the terms and conditions for future refinancing, if any.

A: Amid the COVID-19 pandemic, while some loans have been repaid, most of the loans have been refinanced with a borrowing period of one year. We would like to continue such refinancing until COVID-19 subsides.

Q: Please tell us an outlook of the hotel market in 2022.

A: In 2021, the occupancy rate in the 2H was higher than the 1H, and in the 2H, the performance in the 4Q is better than the 3Q. Although there are concerns about the Omicron variant at the moment, the vaccine booster (third) inoculation will start soon and the Go To travel campaign is expected to be implemented in 2022. Therefore, recovery is gradually progressing, and we hope such recovery will become clearer toward the 2H in 2022.

Q: What is your outlook for the ADR? The occupancy rate of INV is slightly higher than the industry average. Does the occupancy rate of the entire industry need to improve before your ADR rises further in the future? Is there a threshold in occupancy rate at which the ADR growth will accelerate?

A: The ADR changes while controlling the GOP, and the ADR does not always increase as the occupancy rate increases. For example, the occupancy rate in November 2020 was lower than October 2020, but the ADR in November 2020 was higher than October 2020.

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