

January 25, 2022

To All Concerned Parties

Name of REIT Issuer:

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## **Performance Update for December 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 December 2021 were heavily affected by the coronavirus (COVID-19). The occupancy rate of the domestic hotels for December 2021 was 61.6%, which increased by 14.8pt year-over-year. The residential occupancy rate for the end of December 2021 was 94.1%, which decreased by 0.4pt compared to the end of the previous month. The overall portfolio NOI<sup>1,2</sup> for December 2021 increased by 281.0% year-over-year and increased by 37.1% year-over-year on a cumulative basis for the December 2021 fiscal period (from July to December).

The following are the details by segment.

### 2. Hotel Assets Overview

#### (1) Domestic Hotels

As for the domestic hotel portfolio<sup>3</sup> performance for the month of December 2021, the occupancy rate increased by 14.8pt, ADR decreased by 0.7%, RevPAR increased by 30.6%, NOI significantly increased compared to December 2020 (when it recorded a negative number), and NOI increased by 40.0% year-over-year on a cumulative basis for the December 2021 fiscal period (from July to December). The occupancy rate decreased by 22.6pt, ADR decreased by 15.2%, RevPAR decreased by 38.0%, NOI decreased by 41.4% compared to December 2019 prior to the COVID-19 pandemic, and NOI decreased by 76.7% compared to the same period 2019 on a cumulative basis for the December 2021 fiscal period (from July to December).

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In December 2021, a new COVID-19 variant (Omicron variant) did not have an adverse effect on hotel performance. High occupancy rates were recorded, centering on the hotels that were able to capture group accommodation and business demand, as well as leisure demand derived from an increase in various events in the market and municipalities' local travel subsidy programs, which helped several hotels achieve occupancy rates over 90%.

In January 2022, infections from the Omicron variant are spreading rapidly and quasi-State of Emergency declarations have been declared one after another in various prefectures, leading to concerns that it will have a certain adverse effect on hotel demand. As of today, we are forecasting that January 2022 RevPAR will be approximately 75% higher than January 2021, or approximately 50% lower than the January 2019 figure.

Table below shows the KPIs for each area of the 75 domestic hotels portfolio<sup>3</sup>.

Area	Occupancy Rate <sup>4</sup>	ADR (JPY) <sup>5</sup>	RevPAR (JPY) <sup>6</sup>
Tokyo 23 Wards	55.7%	5,769	3,211
Greater Tokyo (ex. Tokyo 23 Wards)	70.9%	10,607	7,525
Chubu	66.2%	6,674	4,418
Kansai	61.8%	5,083	3,140
Kyushu	64.1%	8,817	5,652
Hokkaido	48.3%	7,668	3,707
Other domestic	75.6%	14,613	11,047
Total	61.6%	8,207	5,059

## (2) Cayman Hotels

The NOI for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort ("Sunshine")) in December 2021 was JPY 73 million, an increase from JPY 45 million in December 2020.

The occupancy rate for December 2021 was 18.6%, an increase of 9.9pt compared to the same month of the previous year when only Sunshine was open. Some commercial flights that resumed operations in December 2021 were suspended again in late January 2022, due to the rapid spread of infections from the Omicron variant. Full-scale recovery in hotel demand is expected after the spring of 2022.

## 3. Residential Assets Overview

The residential portfolio<sup>7</sup> in-place occupancy rate as of the end of December 2021 was 94.1%, which decreased by 0.4pt compared to the end of the previous month and decreased by 0.1pt year-over-year.

The average in-place rent per tsubo decreased by 0.2% year-over-year. The NOI<sup>8</sup> for the

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residential portfolio in December 2021 decreased by 7.5% year-over-year and decreased by 1.8% year-over-year on a cumulative basis for the December 2021 fiscal period mainly due to the sale of seven residential properties executed on December 22, 2021. NOI<sup>8</sup> for the 47 residential properties excluding the seven properties sold in December 2021 decreased by 2.3% year-over-year and decreased by 0.8% year-over-year on a cumulative basis for the December 2021 fiscal period (July to December).

Rents, compared with those based on the immediately preceding leases, decreased by 1.5% for new leases, increased by 1.4% for renewal leases, and increased by 0.3% for new and renewal leases combined for the December 2021 fiscal period. INV achieved a rent increase on 33.5% of lease contract renewals for the December 2021 fiscal period. The retention rate for the existing tenants was 79.6% for the December 2021 fiscal period.

#### 4. Performance

\* The “Difference” in the table below indicates the increase / decrease in value for the month of December 2021 or cumulative figures from July to December 2021 compared to the corresponding value in 2020 or 2019. Hereinafter the same.

##### (1) 75 Domestic Hotel Properties<sup>3</sup>

	Dec. 2021	Dec. 2020	Difference	Dec. 2019	Difference	Jul.-Dec. 2021	Jul.-Dec. 2020	Difference	Jul.-Dec. 2019	Difference
Occupancy Rate <sup>4</sup>	61.6%	46.9%	+14.8pt	84.3%	-22.6pt	52.4%	48.3%	+4.1pt	88.4%	-35.9pt
ADR (JPY) <sup>5</sup>	8,207	8,264	-0.7%	9,677	-15.2%	7,667	8,374	-8.5%	10,615	-27.8%
RevPAR (JPY) <sup>6</sup>	5,059	3,874	+30.6%	8,157	-38.0%	4,020	4,046	-0.7%	9,380	-57.1%
Gross Revenue (JPY million) <sup>9</sup>	3,802	3,122	+21.8%	5,729	-33.6%	17,931	17,925	+0.0%	36,937	-51.5%

##### (2) Cayman Hotels

	Dec. 2021	Dec. 2020	Difference	Dec. 2019	Difference	Jul.-Dec. 2021	Jul.-Dec. 2020	Difference	Jul.-Dec. 2019	Difference
Occupancy Rate <sup>4</sup>	18.6%	8.7%	+9.9pt	85.1%	-66.5pt	14.9%	4.5%	+10.4pt	72.3%	-57.4pt
ADR (USD) <sup>5</sup>	286	164	+74.3%	569	-49.7%	193	173	+11.3%	327	-41.1%
RevPAR (USD) <sup>6</sup>	53	14	+273.1%	484	-89.0%	29	8	+270.8%	237	-87.9%
Gross Revenue (USD thousand)	2,782	1,589	+75.1%	10,711	-74.0%	7,291	3,096	+135.5%	36,299	-79.9%

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### (3) 54 Residential Properties<sup>7</sup>

	End of Dec. 2021	End of Dec. 2020	Difference	Jul.-Dec. 2021	Jul.-Dec. 2020	Difference
Occupancy Rate	94.1%	94.2%	-0.1pt	94.7%	94.6%	+0.1pt
Rent per Tsubo (JPY)	9,086	9,108	-0.2%	9,004	9,091	-1.0%

### 5. Portfolio NOI<sup>1,2,8</sup>

(JPY Million)	Dec. 2021	Dec. 2020	Difference	Dec. 2019	Difference	Jul.-Dec. 2021	Jul.-Dec. 2020	Difference	Jul.-Dec. 2019	Difference
Tokyo 23 Wards	81	-17	-	456	-82.2%	360	113	+217.2%	2,837	-87.3%
Greater Tokyo (ex. Tokyo 23 Wards)	131	38	+241.1%	293	-55.2%	624	347	+79.5%	2,036	-69.4%
Greater Tokyo - Subtotal	212	21	+898.5%	749	-71.6%	984	461	+113.4%	4,874	-79.8%
Chubu	97	-4	-	154	-36.8%	364	328	+11.1%	1,420	-74.3%
Kansai	31	-6	-	81	-61.2%	66	-19	-	790	-91.6%
Kyushu	104	1	+6,590.2%	111	-6.2%	310	180	+72.4%	1,138	-72.7%
Hokkaido	97	-28	-	151	-35.7%	155	70	+121.9%	1,852	-91.6%
Other domestic	207	10	+1,923.9%	33	+519.6%	826	913	-9.5%	1,565	-47.2%
Domestic Hotel- Subtotal	751	-5	-	1,281	-41.4%	2,709	1,935	+40.0%	11,642	-76.7%
Residential	204	221	-7.5%	231	-11.4%	1,346	1,371	-1.8%	1,382	-2.6%
Commercial	12	12	+0.1%	12	-0.2%	77	77	+0.1%	77	-0.2%
Domestic Asset- Subtotal	968	228	+324.2%	1,525	-36.5%	4,133	3,383	+22.2%	13,102	-68.5%
Overseas	73	45	+63.3%	541	-86.3%	-277	-571	-	1,297	-
Total	1,042	273	+281.0%	2,066	-49.6%	3,855	2,811	+37.1%	14,400	-73.2%

(Note 1) Based on all properties held in December 2021, including seven properties which are Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin and HERMITAGE NANBA WEST sold on December 22, 2021 and 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%). However, as announced in "Notice concerning Revision of Forecast of Financial Results and Distribution for the 37th Fiscal Period Ending December 2021" dated December 8, 2021, the TMK has a cumulative loss due to the decline in profits and has been in a situation where it cannot pay dividends. The TMK does not carry out its settlement of accounts in INV's fiscal period ending December 2021 in order to curb the costs of such settlement and has temporarily extended its six-month accounting period to a 12-month accounting period. The TMK plans to restore to the original six-month settlement once the cumulative loss is resolved and TMK is expected to be able to resume payment of dividends. 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 2) 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 3) 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 December 2021, 9 hotels with fixed-rent

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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 2021; hereinafter the same.

- (Note 4) "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 5) "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 6) "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 7) Based on 54 properties held by INV as of the beginning of the December 2021 fiscal period. Of the 54 properties, seven properties which are Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin and HERMITAGE NANBA WEST were sold on December 22, 2021. Therefore, for the seven properties sold, July 1, 2021 through December 21, 2021 is deemed as the operating period for the December 2021 fiscal period, and the leased area and the leasable area as of December 21, 2021 are deemed as them as of the end of December 2021 to calculate each number; hereinafter the same.
- (Note 8) NOI excludes one-off insurance-related revenues and expenses. NOI of seven properties which are Invoice Shin-Kobe Residence, Cosmo Court Motomachi, Vendir Hamaotsu Ekimae, Salvo Sala, Winntage Kobe Motomachi, Corp Higashinotoin and HERMITAGE NANBA WEST sold on December 22, 2021 is based on the data through the day before sale date; hereinafter the same.
- (Note 9) 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 10) 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 11) 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 12) 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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