

August 25, 2022

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation
Naoki Fukuda, Executive Director
(Securities Code: 8963)

Asset Manager:

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Performance Update for July 2022

Invincible Investment Corporation (“INV”) hereby announces its monthly performance.

1. Overall Performance of the Entire Portfolio

Both the domestic and overseas hotel portfolios for July 2022 are gradually recovering from the coronavirus (COVID-19) shock. The occupancy rate of the domestic hotels for July 2022 was 70.9%, which increased by 21.9pt year-over-year. The residential occupancy rate for the end of July 2022 was 96.3%, which increased by 0.3pt compared to the end of the previous month.

As for the 73 hotels that are operated by MyStays Hotel Management Co., Ltd. and its affiliates (the “MHM Group”), the amount of the employment adjustment subsidy for July 2022 has not been determined as of today. As a result, GOP¹ and NOI^{2,3} for July 2022 have not been determined yet. The total GOP of the 73 hotels for July 2022 is estimated at around 80% of the fixed rent amount of JPY 1,275 million stipulated in the current fixed term building lease and property management agreements (“MLPM Agreements”), making it difficult for the MHM Group to pay the entire amount of fixed rent for July 2022. Therefore, discussions with the MHM Group are underway on the payment of rent, including a review of MLPM Agreements from July 2022 and onwards.

The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

As for the domestic hotel portfolio⁴ performance for the month of July 2022, the occupancy

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rate increased by 21.9pt, ADR increased by 15.3%, and RevPAR increased by 66.9% compared to July 2021, while the occupancy rate decreased by 19.3pt, ADR decreased by 14.3%, and RevPAR decreased by 32.7% compared to July 2019 prior to the COVID-19 pandemic.

In July 2022, the number of new COVID-19 cases experienced a sharp increase, but the overall occupancy rate reached the 70% level for the first time since February 2020 due to strong leisure demand during the summer vacation period.

We are forecasting that August 2022 RevPAR will be approximately 100% higher than the August 2021 figure, or approximately 30% lower than the August 2019 figure as of today. The number of new COVID-19 cases in August 2022 remains high and the pace of the rate of increase in hotel bookings is slowing down. However, the overall occupancy rate for August 2022 is expected to be in the lower 70% range due to leisure demand during the summer vacation and group accommodation demand.

Table below shows the KPIs for each area of the 75 domestic hotels portfolio⁴.

Area	Occupancy Rate ⁵	ADR (JPY) ⁶	RevPAR (JPY) ⁷
Tokyo 23 Wards	69.5%	5,676	3,945
Greater Tokyo (ex. Tokyo 23 Wards)	70.2%	11,004	7,721
Chubu	70.1%	7,573	5,307
Kansai	63.8%	5,596	3,570
Kyushu	74.1%	10,073	7,461
Hokkaido	71.8%	11,971	8,590
Other domestic	82.5%	17,062	14,080
Total	70.9%	9,275	6,575

(2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa ("Westin") and Sunshine Suites Resort ("Sunshine")) in July 2022 was 52.1%, an increase of 38.7pt compared to the same month of the previous year due to a pickup in group reservations, or 34.8pt lower than the July 2019 figure. ADR was USD 335, or 10.2% higher than July 2019 due to a sales strategy that strives to reduce the amount of discounts. RevPAR was USD 175, or 33.9% lower than the July 2019 figure. The NOI² for July 2022 was JPY 181 million, an increase from JPY -54 million for July 2021.

We are forecasting that the occupancy rate for the Cayman Hotels in August 2022 will be around 42.9%, or 30.7pt lower than the August 2019 figure and that RevPAR will be around USD 128, or 31.1% lower than the August 2019 figure as of today. Hotel demand has been declining since mid-August when the new school semester began in the United States. However, new weekly non-stop flights to and from the west coast of the United States are

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expected to start in November when the next peak travel season starts, and initiatives are being prepared to support the recovery of hotel demand.

3. Residential Assets Overview

The residential portfolio⁸ in-place occupancy rate as of the end of July 2022 was 96.3%, which increased by 0.3pt compared to the end of the previous month and increased by 0.2pt year-over-year.

The average in-place rent per tsubo increased by 0.2% year-over-year. The NOI⁹ for the residential portfolio in July 2022 was flat year-over-year.

Rents, compared with those based on the immediately preceding leases, decreased by 1.7% for new leases, increased by 1.0% for renewal leases, and decreased by 0.2% for new and renewal leases combined for July 2022. INV achieved a rent increase on 38.2% of lease contract renewals and the retention rate for the existing tenants was 73.9% for July 2022.

4. Performance

* The "Difference" in the table below indicates the increase / decrease in value for the month of July 2022 compared to the corresponding value in 2021 or 2019. Hereinafter the same.

(1) 75 Domestic Hotel Properties⁴

	Jul. 2022	Jul. 2021	Difference	Jul. 2019	Difference
Occupancy Rate ⁵	70.9%	49.0%	+21.9pt	90.2%	-19.3pt
ADR (JPY) ⁶	9,275	8,043	+15.3%	10,827	-14.3%
RevPAR (JPY) ⁷	6,575	3,939	+66.9%	9,768	-32.7%
Gross Revenue (JPY million) ¹⁰	4,221	2,834	+49.0%	6,197	-31.9%

(2) Cayman Hotels

	Jul. 2022	Jul. 2021	Difference	Jul. 2019	Difference
Occupancy Rate ⁵	52.1%	13.4%	+38.7pt	86.9%	-34.8pt
ADR (USD) ⁶	335	185	+81.0%	304	+10.2%
RevPAR (USD) ⁷	175	25	+604.8%	264	-33.9%
Gross Revenue (USD thousand)	5,395	999	+439.8%	7,190	-25.0%

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(3) 41 Residential Properties⁸

	End of Jul. 2022	End of Jul. 2021	Difference
Occupancy Rate	96.3%	96.1%	+0.2pt
Rent per Tsubo (JPY)	9,176	9,156	+0.2%

5. Portfolio NOI^{2,3,9}

(JPY Million)	Jul. 2022	Jul. 2021	Difference	Jul. 2019	Difference
Tokyo 23 Wards	-	93	-	459	-
Greater Tokyo (ex. Tokyo 23 Wards)	-	110	-	340	-
Greater Tokyo - Subtotal	-	204	-	799	-
Chubu	-	62	-	218	-
Kansai	-	4	-	128	-
Kyushu	-	18	-	210	-
Hokkaido	-	20	-	568	-
Other domestic	-	156	-	242	-
Domestic Hotel- Subtotal	-	467	-	2,168	-
Residential	183	183	-0.0%	183	+0.3%
Commercial	12	12	-0.1%	12	-0.3%
Domestic Asset- Subtotal	-	664	-	2,364	-
Overseas	181	-54	-	300	-39.6%
Total	-	609	-	2,664	-

(Note 1) GOP means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues.

(Note 2) Based on all properties held as of the end of July 2022, 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, 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 has temporarily been extending its six-month accounting period to a 12-month accounting period in order to curb the costs of settlement of accounts and is not expected to carry out the six-month settlement in INV's fiscal period ending December 2022. The TMK plans to restore to the original six-month settlement once the cumulative loss is resolved and the TMK is expected to be able to resume payment of dividends. Since dividend income from the TMK is not recorded unless the cumulative loss is eliminated, a discrepancy may arise between the simulated amount of dividend income and the dividend income from the TMK in the process of eliminating the abovementioned cumulative loss. 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.

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- (Note 3) 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 4) 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 July 2022, 9 hotels with fixed-rent 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 July 2022; hereinafter the same.
- (Note 5) "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 6) "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 7) "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 8) Based on 41 properties held by INV as of the end of July 2022; hereinafter the same.
- (Note 9) NOI excludes one-off insurance-related revenues and expenses; hereinafter the same.
- (Note 10) 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 11) 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 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>

Website of INV: <https://www.invincible-inv.co.jp/en/>