

October 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 September 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 September 2022 are gradually recovering from the coronavirus (COVID-19) shock. The occupancy rate of the domestic hotels for September 2022 was 73.6%, which increased by 30.1pt year-over-year. The residential occupancy rate for the end of September 2022 was 96.4%, which increased by 0.2pt compared to the end of the previous month.

As for some of the 73 hotels that are operated by INV's main tenant, MyStays Hotel Management Co., Ltd. and its affiliates (the “MHM Group”), the amount of the employment adjustment subsidies for September 2022 has not been determined as of today. As a result, GOP¹ and NOI^{2,3} for September 2022 have not been determined yet.

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 September 2022, the occupancy rate increased by 30.1pt, ADR increased by 36.1%, and RevPAR increased by 130.1% compared to September 2021, while the occupancy rate decreased by 14.7pt, ADR decreased by 9.2%, and RevPAR decreased by 24.4% compared to September 2019 prior to the COVID-19 pandemic.

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The number of new COVID-19 cases turned to a downward trend in September 2022, and the overall occupancy rate for September 2022 exceeded 70% due to stable business demand, leisure demand on weekends, a pair of consecutive holidays, and the use of municipalities' local travel subsidy programs.

We are forecasting that October 2022 RevPAR will be approximately 95% higher than the October 2021 figure, or approximately 20% lower than the October 2019 figure as of today.

The government's travel subsidy program "National Travel Discount Campaign" started on October 11 (October 20 for Tokyo Prefecture) and is expected to boost domestic accommodation demand. On October 11, border measures have been relaxed, and (i) visa exemption for short-term visitors, (ii) the lifting of the ban on free individual travel from overseas, and (iii) the removal of the upper limit on the number of entries to Japan per day are expected to contribute to a recovery in inbound 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 | 69.0% | 5,662 | 3,909 |
| Greater Tokyo (ex. Tokyo 23 Wards) | 76.9% | 11,157 | 8,585 |
| Chubu | 74.5% | 7,990 | 5,956 |
| Kansai | 64.6% | 5,420 | 3,500 |
| Kyushu | 73.9% | 9,302 | 6,877 |
| Hokkaido | 77.8% | 10,230 | 7,962 |
| Other domestic | 82.8% | 16,542 | 13,695 |
| Total | 73.6% | 9,000 | 6,628 |

(2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) in September 2022 was 30.7%, an increase of 17.0pt compared to the same month of the previous year, or 11.4pt lower than the September 2019 figure. ADR was USD 261, or 32.7% higher than September 2019 due to a sales strategy that strives to reduce the amount of discounts. Despite the impact of Hurricane Ian, RevPAR was USD 80, or 3.2% lower than the September 2019 figure, which was almost the same level as the September 2019 figure. The NOI³ for September 2022 was JPY -25 million, an increase from JPY -77 million for September 2021.

We are forecasting that the occupancy rate for the Cayman Hotels in October 2022 will be around 50.8%, or 12.3pt lower than the October 2019 figure and that RevPAR will be around USD 153, or 1.1% higher than the October 2019 figure as of today. Similar to September 2022, RevPAR is expected to reach 2019 levels.

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3. Residential Assets Overview

The residential portfolio⁷ in-place occupancy rate as of the end of September 2022 was 96.4%, which increased by 0.2pt compared to the end of the previous month and increased by 0.6pt year-over-year.

The average in-place rent per tsubo increased by 0.3% year-over-year. The NOI⁸ for the residential portfolio in September 2022 increased by 0.1% year-over-year and increased by 0.2% year-over-year on a cumulative basis for the December 2022 fiscal period.

Rents, compared with those based on the immediately preceding leases, decreased by 1.8% for new leases, increased by 1.5% for renewal leases, and increased by 0.2% for new and renewal leases combined for the December 2022 fiscal period. INV achieved a rent increase on 52.2% of lease contract renewals and the retention rate for the existing tenants was 78.8% for the December 2022 fiscal period.

4. Performance

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

(1) 75 Domestic Hotel Properties⁴

| | Sep. 2022 | Sep. 2021 | Difference | Sep. 2019 | Difference | Jul.-Dec. 2022 | Jul.-Dec. 2021 | Difference | Jul.-Dec. 2019 | Difference |
|---|-----------|-----------|------------|-----------|------------|----------------|----------------|------------|----------------|------------|
| Occupancy Rate ⁵ | 73.6% | 43.6% | +30.1pt | 88.4% | -14.7pt | 73.4% | 46.2% | +27.2pt | 90.0% | -16.5pt |
| ADR (JPY) ⁶ | 9,000 | 6,613 | +36.1% | 9,917 | -9.2% | 9,745 | 7,860 | +24.0% | 11,178 | -12.8% |
| RevPAR (JPY) ⁷ | 6,628 | 2,881 | +130.1% | 8,762 | -24.4% | 7,155 | 3,634 | +96.9% | 10,056 | -28.9% |
| Gross Revenue (JPY million) ¹⁰ | 5,092 | 2,177 | +133.8% | 5,696 | -10.6% | 14,413 | 7,879 | +82.9% | 19,036 | -24.3% |

(2) Cayman Hotels

| | Sep. 2022 | Sep. 2021 | Difference | Sep. 2019 | Difference | Jul.-Dec. 2022 | Jul.-Dec. 2021 | Difference | Jul.-Dec. 2019 | Difference |
|------------------------------|-----------|-----------|------------|-----------|------------|----------------|----------------|------------|----------------|------------|
| Occupancy Rate ⁵ | 30.7% | 13.8% | +17.0pt | 42.1% | -11.4pt | 42.6% | 13.7% | +28.9pt | 67.8% | -25.2pt |
| ADR (USD) ⁶ | 261 | 154 | +68.8% | 196 | +32.7% | 303 | 174 | +74.2% | 263 | +14.9% |
| RevPAR (USD) ⁷ | 80 | 21 | +276.9% | 83 | -3.2% | 129 | 24 | +440.4% | 178 | -27.8% |
| Gross Revenue (USD thousand) | 2,746 | 852 | +222.0% | 2,527 | +8.6% | 12,403 | 2,857 | +334.1% | 14,894 | -16.7% |

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(3) 41 Residential Properties⁸

| | End of Sep. 2022 | End of Sep. 2021 | Difference | Jul.-Dec. 2022 | Jul.-Dec. 2021 | Difference |
|-------------------------|---------------------|---------------------|------------|-------------------|-------------------|------------|
| Occupancy Rate | 96.4% | 95.8% | +0.6pt | 96.3% | 95.9% | +0.4pt |
| Rent per Tsubo (JPY) | 9,165 | 9,141 | +0.3% | 9,172 | 9,154 | +0.2% |

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

| (JPY Million) | Sep. 2022 | Sep. 2021 | Difference | Sep. 2019 | Difference | Jul.-Dec. 2022 | Jul.-Dec. 2021 | Difference | Jul.-Dec. 2019 | Difference |
|---------------------------------------|--------------|--------------|------------|--------------|------------|-------------------|-------------------|------------|-------------------|------------|
| Tokyo 23 Wards | - | -23 | - | 385 | - | - | 143 | - | 1297 | - |
| Greater Tokyo (ex. Tokyo 23 Wards) | - | 21 | - | 294 | - | - | 227 | - | 1,032 | - |
| Greater Tokyo - Subtotal | - | -2 | - | 680 | - | - | 370 | - | 2,329 | - |
| Chubu | - | -10 | - | 202 | - | - | 100 | - | 773 | - |
| Kansai | - | -7 | - | 95 | - | - | 0 | - | 385 | - |
| Kyushu | - | -7 | - | 99 | - | - | 25 | - | 606 | - |
| Hokkaido | - | -26 | - | 272 | - | - | 5 | - | 1,423 | - |
| Other domestic | - | -11 | - | 244 | - | - | 271 | - | 1,057 | - |
| Domestic Hotel- Subtotal | - | -65 | - | 1,594 | - | - | 773 | - | 6,576 | - |
| Residential | 188 | 188 | +0.1% | 183 | +2.6% | 561 | 560 | +0.2% | 551 | +1.8% |
| Commercial | 12 | 12 | -0.0% | 12 | -0.3% | 38 | 38 | -0.1% | 38 | -0.3% |
| Domestic Asset- Subtotal | - | 135 | - | 1,791 | - | - | 1,373 | - | 7,166 | - |
| Overseas | -25 | -77 | - | -17 | - | 266 | -193 | - | 428 | -37.8% |
| Total | - | 58 | - | 1,773 | - | - | 1,180 | - | 7,595 | - |

(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 September 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 Tokyo 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.

(Note 3) NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners, and are

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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 September 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 September 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 September 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) 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 13) 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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