

November 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 October 2022**

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

### 1. Overall Performance of the Entire Portfolio

As for the domestic hotel portfolio, GOP<sup>1</sup> of 73 hotels that are operated by INV's main tenant, MyStays Hotel Management Co., Ltd. and its affiliates (the “MHM Group”), has recovered to the level where the rent payment amount from July to September 2022 reached 95% of the fixed rent under the original leasing terms and conditions. The GOP of the 73 hotels was JPY 1,293 million for October 2022 and exceeded the fixed rent of JPY 962 million under the original leasing terms and conditions. However, there were some hotels whose GOP was still below the fixed rent under the original leasing terms and conditions on an individual hotel basis. Therefore, as of today, we are discussing with the MHM Group about the necessity of a potential reduction of fixed rent or other measures for the period from October to December 2022, and aim to reach an agreement within early December. In light of these circumstances, the overall portfolio NOI<sup>2,3</sup> for October 2022 and the cumulative figure for the December 2022 fiscal period (from July to October) have not been determined yet.

The following are the details by segment.

### 2. Hotel Assets Overview

#### (1) Domestic Hotels

As for the domestic hotel portfolio<sup>4</sup> performance for the month of October 2022, the occupancy rate increased by 21.6pt, ADR increased by 43.0%, and RevPAR increased by 100.5% compared to October 2021, while the occupancy rate decreased by 12.8pt, ADR decreased by 4.1%, and RevPAR decreased by 17.9% compared to October 2019 prior to

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the COVID-19 pandemic.

For the month of October 2022, the overall occupancy rate exceeded 75% and ADR recovered to 95.9% of the October 2019 figure due to the increase in domestic accommodation demand resulting from the start of the government's travel subsidy program "National Travel Discount Campaign" and the beginning of the recovery in inbound demand after the relaxation of border measures.

We are forecasting that the November 2022 RevPAR will be approximately 85% higher than the November 2021 figure, or approximately 10% lower than the November 2019 figure as of today. The overall occupancy rate is expected to approach 80% of the November 2019 figure due to factors such as leisure demand during the autumn tourist season, in addition to the effects of the above-mentioned National Travel Discount Campaign and relaxation of border measures.

Table below shows the KPIs for each area of the 75 domestic hotels portfolio<sup>4</sup>.

Area	Occupancy Rate <sup>5</sup>	ADR (JPY) <sup>6</sup>	RevPAR (JPY) <sup>7</sup>
Tokyo 23 Wards	73.3%	6,320	4,634
Greater Tokyo (ex. Tokyo 23 Wards)	78.4%	12,686	9,951
Chubu	77.3%	8,864	6,851
Kansai	73.8%	6,672	4,922
Kyushu	76.6%	11,033	8,448
Hokkaido	69.3%	9,307	6,449
Other domestic	85.7%	17,266	14,804
Total	75.4%	9,726	7,338

## (2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) in October 2022 was 52.2%, an increase of 35.2pt compared to the same month of the previous year, or 10.9pt lower than the October 2019 figure. ADR was USD 298, or 24.1% higher than October 2019. RevPAR was USD 155, or 2.7% higher than the October 2019 figure, which was almost the same level as the October 2019 figure. The NOI<sup>3</sup> for October 2022 was JPY 77 million, a significant increase from JPY -64 million for October 2021.

According to the Cayman Islands Tourism Association, the number of stayover visitors in the October-December quarter of 2022 is expected to exceed the record high in the same period of 2019. Visitors are more willing to pay a premium for their long-delayed vacations, thus ADR of major local hotels is said to be 15-20% higher than the 2019 figure.

We are forecasting that the occupancy rate for the Cayman Hotels in November 2022 will

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be around 77.9%, or 4.6pt lower than the November 2019 figure, ADR will be around USD 394, or 30.9% higher than the November 2019 figure and RevPAR will be around USD 307, or 23.6% higher than the November 2019 figure as of today. Both ADR and RevPAR for November 2022 are expected to significantly exceed 2019 levels.

### 3. Residential Assets Overview

The residential portfolio<sup>8</sup> in-place occupancy rate as of the end of October 2022 was 96.5%, which increased by 0.1pt compared to the end of the previous month and increased by 0.8pt year-over-year.

The average in-place rent per tsubo increased by 0.4% year-over-year. The NOI<sup>9</sup> for the residential portfolio in October 2022 increased by 0.9% year-over-year and increased by 0.3% 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 1.4% for new leases, increased by 1.7% for renewal leases, and increased by 0.5% for new and renewal leases combined for the December 2022 fiscal period. INV achieved a rent increase on 48.4% of lease contract renewals and the retention rate for the existing tenants was 80.5% for the December 2022 fiscal period.

### 4. Performance

\* The "Difference" in the table below indicates the increase / decrease in value for the month of October 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 Properties<sup>4</sup>

	Oct. 2022	Oct. 2021	Difference	Oct. 2019	Difference	Jul.-Dec. 2022	Jul.-Dec. 2021	Difference	Jul.-Dec. 2019	Difference
Occupancy Rate <sup>5</sup>	75.4%	53.8%	+21.6pt	88.2%	-12.8pt	73.9%	48.1%	+25.8pt	89.5%	-15.6pt
ADR (JPY) <sup>6</sup>	9,726	6,803	+43.0%	10,139	-4.1%	9,740	7,562	+28.8%	10,920	-10.8%
RevPAR (JPY) <sup>7</sup>	7,338	3,660	+100.5%	8,942	-17.9%	7,201	3,640	+97.8%	9,775	-26.3%
Gross Revenue (JPY million) <sup>10</sup>	5,103	2,880	+77.2%	6,007	-15.0%	18,723	10,760	+74.0%	25,044	-25.2%

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## (2) Cayman Hotels

	Oct. 2022	Oct. 2021	Difference	Oct. 2019	Difference	Jul.-Dec. 2022	Jul.-Dec. 2021	Difference	Jul.-Dec. 2019	Difference
Occupancy Rate <sup>5</sup>	52.2%	17.0%	+35.2pt	63.1%	-10.9pt	45.0%	14.6%	+30.5pt	66.6%	-21.6pt
ADR (USD) <sup>6</sup>	298	155	+92.4%	240	+24.1%	301	168	+79.1%	258	+16.9%
RevPAR (USD) <sup>7</sup>	155	26	+490.2%	151	+2.7%	136	24	+453.9%	172	-21.0%
Gross Revenue (USD thousand)	4,585	889	+415.7%	4,228	+8.4%	16,988	3,746	+353.5%	19,122	-11.2%

## (3) 41 Residential Properties<sup>8</sup>

	End of Oct. 2022	End of Oct. 2021	Difference	Jul.-Dec. 2022	Jul.-Dec. 2021	Difference
Occupancy Rate	96.5%	95.7%	+0.8pt	96.3%	95.9%	+0.4pt
Rent per Tsubo (JPY)	9,170	9,132	+0.4%	9,172	9,149	+0.3%

## 5. Portfolio NOI<sup>2,3,9</sup>

(JPY Million)	Oct. 2022	Oct. 2021	Difference	Oct. 2019	Difference	Jul.-Dec. 2022	Jul.-Dec. 2021	Difference	Jul.-Dec. 2019	Difference
Tokyo 23 Wards	-	63	-	556	-	-	206	-	1,854	-
Greater Tokyo (ex. Tokyo 23 Wards)	-	129	-	322	-	-	357	-	1,354	-
Greater Tokyo - Subtotal	-	193	-	878	-	-	563	-	3,208	-
Chubu	-	80	-	215	-	-	181	-	989	-
Kansai	-	17	-	151	-	-	17	-	536	-
Kyushu	-	89	-	233	-	-	115	-	840	-
Hokkaido	-	25	-	161	-	-	30	-	1,584	-
Other domestic	-	169	-	217	-	-	441	-	1,274	-
Domestic Hotel- Subtotal	-	576	-	1,858	-	-	1,349	-	8,434	-
Residential	186	185	+0.9%	186	+0.1%	748	746	+0.3%	738	+1.4%
Commercial	12	12	-0.0%	12	-0.3%	51	51	-0.1%	51	-0.3%
Domestic Asset- Subtotal	-	774	-	2,058	-	-	2,147	-	9,224	-
Overseas	77	-64	-	76	+1.6%	343	-257	-	504	-31.9%
Total	-	709	-	2,134	-	-	1,889	-	9,729	-

(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 October 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

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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 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 October 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 October 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 October 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>

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