

February 22, 2023

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 January 2023**

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

### 1. Overall Performance of the Entire Portfolio

The domestic hotel portfolio performance steadily recovered as inbound demand reached 55.7% of the January 2019 level. All KPIs except for occupancy rate at the overseas hotel portfolio exceeded the level before the COVID-19 pandemic. The residential portfolio has remained stable. The overall portfolio NOI<sup>1,2</sup> for January 2023 increased by 1,117.0% year-over-year to JPY 1.5 billion, or 17.4% below the same portfolio’s NOI in January 2019 prior to the COVID-19 pandemic.

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 January 2023, the occupancy rate increased by 23.1pt, ADR increased by 29.5%, and RevPAR increased by 91.1% compared to January 2022, while the occupancy rate decreased by 10.4pt, ADR increased by 5.2%, and RevPAR decreased by 8.1% compared to January 2019. The NOI for January 2023 significantly increased from JPY -58 million for January 2022, or 33.4% below the same portfolio’s NOI in January 2019.

For the month of January 2023, the government's travel subsidy program “National Travel Discount Campaign” resumed on January 10, and inbound demand has increased as described above. However, the total number of visitor arrivals to Japan (estimated)

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announced by the Japan National Tourism Organization (JNTO) for January 2023 was 1.49 million, still a significant decline compared to the January 2019 figure, which kept RevPAR below the January 2019 level.

We are forecasting that the February 2023 RevPAR will be approximately 140% higher than the February 2022 figure, approximately 8% lower than the February 2019 figure as of today. The occupancy rate is expected to be around 80%, indicating sold demand, even without any three consecutive holidays in February 2023 compared to February 2019 and the absence of Chinese tourists.

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	76.7%	7,636	5,860
Greater Tokyo (ex. Tokyo 23 Wards)	77.9%	11,919	9,288
Chubu	64.8%	7,656	4,958
Kansai	68.3%	7,533	5,141
Kyushu	75.5%	9,659	7,290
Hokkaido	61.6%	8,827	5,433
Other domestic	66.7%	13,550	9,041
Total	71.6%	9,286	6,646

## (2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) in January 2023 was 75.7%, an increase of 53.4pt compared to the same month of the previous year, or 12.8pt lower than the January 2019 figure. ADR was USD 572, or 27.9% higher than the January 2019 figure. RevPAR was USD 433, or 9.4% higher than the January 2019 figure. Both ADR and RevPAR for January 2022 continuously exceeded 2019 levels. The NOI<sup>1</sup> for January 2023 was JPY 544 million, or 13.4% above the NOI in January 2019, a significant increase from JPY -14 million for January 2022.

We are forecasting that the occupancy rate for the Cayman Hotels in February 2023 will be around 83.7%, or 9.2pt lower than the February 2019 figure, ADR will be around USD 620, or 19.4% higher than the February 2019 figure, and RevPAR will be around USD 519, or 7.6% higher than the February 2019 figure as of today. Both ADR and RevPAR are expected to continue to exceed the levels of the same month in 2019.

## 3. Residential Assets Overview

The residential portfolio<sup>7</sup> in-place occupancy rate as of the end of January 2023 was 96.3%, which decreased by 0.1pt compared to the end of the previous month and increased by 1.0pt year-over-year.

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The average in-place rent per tsubo increased by 0.3% year-over-year. The NOI<sup>8</sup> for the residential portfolio in January 2023 increased by 0.4% year-over-year.

Rents, compared with those based on the immediately preceding leases, increased by 0.6% for new leases, increased by 1.6% for renewal leases, and increased by 1.3% for new and renewal leases combined for January 2023. INV achieved a rent increase on 51.3% of lease contract renewals and the retention rate for the existing tenants was 84.8% for January 2023.

#### 4. Performance

\* The “Difference” in the table below indicates the increase / decrease in value for the month of January 2023 compared to the corresponding value in 2022 or 2019. Hereinafter the same.

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

	Jan. 2023	Jan. 2022	Difference	Jan. 2019	Difference
Occupancy Rate <sup>4</sup>	71.6%	48.5%	+23.1pt	82.0%	-10.4pt
ADR (JPY) <sup>5</sup>	9,286	7,168	+29.5%	8,825	+5.2%
RevPAR (JPY) <sup>6</sup>	6,646	3,477	+91.1%	7,233	-8.1%
Gross Revenue (JPY million) <sup>9</sup>	4,304	2,474	+74.0%	4,837	-11.0%

##### (2) Cayman Hotels

	Jan. 2023	Jan. 2022	Difference	Jan. 2019	Difference
Occupancy Rate <sup>4</sup>	75.7%	22.3%	+53.4pt	88.5%	-12.8pt
ADR (USD) <sup>5</sup>	572	230	+148.2%	447	+27.9%
RevPAR (USD) <sup>6</sup>	433	51	+741.4%	396	+9.4%
Gross Revenue (USD thousand)	10,519	1,699	+518.9%	9,488	+10.9%

##### (3) 41 Residential Properties<sup>7</sup>

	End of Jan. 2023	End of Jan. 2022	Difference
Occupancy Rate	96.3%	95.3%	+1.0pt
Rent per Tsubo (JPY)	9,182	9,155	+0.3%

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

(JPY Million)		Jan. 2023	Jan. 2022	Difference	Jan. 2019	Difference
	Tokyo 23 Wards	271	-28	-	378	-28.1%
	Greater Tokyo (ex. Tokyo 23 Wards)	130	25	+406.2%	320	-59.3%
	Greater Tokyo - Subtotal	402	-2	-	698	-42.4%
	Chubu	78	-13	-	93	-15.6%
	Kansai	79	-7	-	99	-19.7%
	Kyushu	106	-6	-	135	-21.5%
	Hokkaido	93	-11	-	159	-41.1%
	Other domestic	13	-17	-	-23	-
	Domestic Hotel- Subtotal	774	-58	-	1,163	-33.4%
	Residential	185	184	+0.4%	180	+2.7%
	Commercial	12	12	-0.0%	12	-0.2%
	Domestic Asset- Subtotal	972	139	+599.5%	1,357	-28.3%
	Overseas	544	-14	-	480	+13.4%
	Total	1,517	124	+1,117.0%	1,837	-17.4%

(Note 1) Based on all properties held as of the end of January 2023, 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 did not carry out the six-month settlement in INV's fiscal period ended 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 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 January 2023, 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 January 2023; hereinafter the same.

(Note 4) "Occupancy Rate" for hotel portfolio is calculated using the following formula:  

$$\text{room occupancy rate} = \frac{\text{total number of rooms occupied during the relevant period}}{\text{(aggregate number of rooms during the relevant period} \times \text{number of business days during target period)}}$$

(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

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rate and ADR.

(Note 7) Based on 41 properties held by INV as of the end of January 2023; hereinafter the same.

(Note 8) NOI excludes one-off insurance-related revenues and expenses; hereinafter the same.

(Note 9) 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) 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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