

October 25, 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 September 2023

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

1. Overall Performance of the Entire Portfolio

The hotel portfolio performance continues to show a recovery trend. ADR for both domestic and overseas hotels continue to exceed the same month in 2019, while occupancy rate remains below the same month in 2019. The overall portfolio NOI^{1,2} for September 2023 increased by 74.0% year-over-year to JPY 1.6 billion, or 7.7% below the same portfolio’s NOI in September 2019 prior to the COVID-19 pandemic, and decreased by 4.3% on a cumulative basis from July to September 2023 compared to the same period in 2019.

The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

As for the domestic hotel portfolio³ performance for the month of September 2023, the occupancy rate increased by 9.1pt, ADR increased by 29.1%, and RevPAR increased by 45.1% compared to September 2022, while the occupancy rate decreased by 5.6pt, ADR increased by 17.2%, and RevPAR increased by 9.7% compared to September 2019. The NOI in September 2023 increased by 95.4% compared to September 2022, or decreased by 6.2% compared to September 2019.

During the month of September 2023, both domestic and inbound demand continued to recover, and the occupancy rate reached 82.8%. The total number of visitor arrivals to Japan (estimated) announced by the Japan National Tourism Organization (JNTO) for

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September 2023 was 2.18 million (3.9% below the September 2019 level) which is almost the same level as before the Covid-19 pandemic, showing a 27.8% increase in the number of visitors from countries other than China compared to September 2019 prior to the COVID-19 pandemic.

We are forecasting that the October 2023 RevPAR will be approximately 34% higher than the October 2022 figure, or approximately 10% higher than the October 2019 figure as of today.

Table below shows the KPIs for each area of the 75 domestic hotels portfolio³.

Area	Occupancy Rate ⁴	ADR (JPY) ⁵	RevPAR (JPY) ⁶
Tokyo 23 Wards	86.7%	9,460	8,200
Greater Tokyo (ex. Tokyo 23 Wards)	81.2%	13,767	11,185
Chubu	80.6%	10,688	8,613
Kansai	74.8%	8,651	6,470
Kyushu	81.9%	10,738	8,800
Hokkaido	83.1%	13,750	11,428
Other domestic	86.8%	16,034	13,916
Total	82.8%	11,619	9,616

(2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) in September 2023 was 38.0%, an increase of 7.3pt compared to the same month of the previous year, or 4.1pt lower than the September 2019 figure. ADR was USD 252, or 28.6% higher than the September 2019 figure and RevPAR was USD 96, or 16.2% higher than the September 2019 figure, both ADR and RevPAR continue to exceed the 2019 level. The NOI¹ for September 2023 was minus JPY 56 million, slightly below the NOI in September 2022 and in September 2019, due to cost increases.

We are forecasting that the occupancy rate for the Cayman Hotels in October 2023 will be 60.1%, or 3.1pt lower than the October 2019 figure, ADR will be USD 288, or 20.2% higher than the October 2019 figure, and RevPAR will be USD 173, or 14.4% higher than the October 2019 figure as of today.

3. Residential Assets Overview

The residential portfolio⁷ in-place occupancy rate as of the end of September 2023 was 96.3%, which increased 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 slightly increased by 0.0% year-over-year. The NOI⁸ for the residential portfolio in September 2023 decreased by 2.0% year-over-year.

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Rents, compared with those based on the immediately preceding leases, increased by 1.5% for new leases, increased by 1.2% for renewal leases, and increased by 1.4% for new and renewal leases combined for September 2023. INV achieved a rent increase on 44.8% of lease contract renewals, and the retention rate for the existing tenants was 76.8% for the September 2023.

4. Performance

* The “Difference” in the table below indicates the increase / decrease in value for the month of September 2023 or cumulative figures from July to September 2023 compared to the corresponding value in 2022 or 2019. Hereinafter the same.

(1) 75 Domestic Hotel Properties³

	Sep. 2023	Sep. 2022	Difference	Sep. 2019	Difference	Jul.-Sep. 2023	Jul.-Sep. 2022	Difference	Jul.-Sep. 2019	Difference
Occupancy Rate ⁴	82.8%	73.6%	+9.1pt	88.4%	-5.6pt	84.0%	73.4%	+10.6pt	90.0%	-6.0pt
ADR (JPY) ⁵	11,619	9,000	+29.1%	9,917	+17.2%	12,797	9,745	+31.3%	11,178	+14.5%
RevPAR (JPY) ⁶	9,616	6,628	+45.1%	8,762	+9.7%	10,746	7,155	+50.2%	10,056	+6.9%
Gross Revenue (JPY million) ⁹	5,958	4,304	+38.4%	5,696	+4.6%	19,932	13,624	+46.3%	19,036	+4.7%

(2) Cayman Hotels

	Sep. 2023	Sep. 2022	Difference	Sep. 2019	Difference	Jul.-Sep. 2023	Jul.-Sep. 2022	Difference	Jul.-Sep. 2019	Difference
Occupancy Rate ⁴	38.0%	30.7%	+7.3pt	42.1%	-4.1pt	56.8%	42.6%	+14.3pt	67.8%	-10.9pt
ADR (USD) ⁵	252	261	-3.1%	196	+28.6%	343	303	+13.4%	263	+30.4%
RevPAR (USD) ⁶	96	80	+20.0%	83	+16.2%	195	129	+51.4%	178	+9.4%
Gross Revenue (USD thousand)	2,826	2,746	+2.9%	2,527	+11.8%	16,705	12,403	+34.7%	14,894	+12.2%

(3) 41 Residential Properties⁷

	End of Sep. 2023	End of Sep. 2022	Difference	Jul.- Sep. 2023	Jul.- Sep. 2022	Difference
Occupancy Rate	96.3%	96.4%	-0.1pt	96.0%	96.3%	-0.3pt
Rent per Tsubo (JPY)	9,168	9,165	+0.0%	9,199	9,170	+0.3%

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5. Portfolio NOI^{1,2,8}

(JPY Million)	Sep. 2023	Sep. 2022	Difference	Sep. 2019	Difference	Jul.- Sep. 2023	Jul.- Sep. 2022	Difference	Jul.- Sep. 2019	Difference
	Tokyo 23 Wards	444	76	+480.2%	385	+15.2%	1,415	359	+293.4%	1,297
Greater Tokyo (ex. Tokyo 23 Wards)	163	102	+59.9%	294	-44.5%	616	412	+49.5%	1,032	-40.2%
Greater Tokyo - Subtotal	607	178	+239.9%	680	-10.7%	2,032	772	+163.2%	2,329	-12.7%
Chubu	210	86	+143.8%	202	+3.9%	712	382	+86.3%	773	-7.9%
Kansai	113	18	+512.5%	95	+19.1%	344	81	+322.8%	385	-10.7%
Kyushu	117	104	+12.2%	99	+17.9%	650	454	+43.2%	606	+7.2%
Hokkaido	285	170	+67.9%	272	+4.7%	1,589	758	+109.5%	1,423	+11.7%
Other domestic	161	207	-22.2%	244	-33.9%	952	901	+5.6%	1,057	-10.0%
Domestic Hotel- Subtotal	1,496	765	+95.4%	1,594	-6.2%	6,281	3,350	+87.5%	6,576	-4.5%
Residential	184	188	-2.0%	183	+0.5%	558	561	-0.5%	551	+1.3%
Commercial	12	12	-0.0%	12	-0.3%	38	38	-0.2%	38	-0.6%
Domestic Asset-Subtotal	1,693	967	+75.1%	1,791	-5.4%	6,878	3,950	+74.1%	7,166	-4.0%
Overseas	-56	-25	—	-17	—	389	266	+46.4%	428	-8.9%
Total	1,637	941	+74.0%	1,773	-7.7%	7,268	4,217	+72.4%	7,595	-4.3%

(Note 1) Based on all properties held as of the beginning of the December 2023 fiscal period, excluding nine hotels with fixed-rent lease agreements. Nine 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. Of nine hotels that are excluded, "D48 Takamatsu Tokyu REI Hotel" has changed its lease agreement with its major tenant, TOKYU HOTELS CO., LTD., to "fixed rent plus variable rent" effective April 25, 2023, but in consideration of the continuity of disclosed data and other factors, the hotel will continue to be treated as a hotel with fixed-rent lease agreement for the time being, and will remain excluded. 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 beginning of the December 2023 fiscal period, nine 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 June 2023; hereinafter the same.

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

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

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- (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 41 properties held by INV as of the beginning of the December 2023 fiscal period; 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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