

January 25, 2024

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 December 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, absorbing the cost increases. The overall portfolio NOI^{1,2} for December 2023 increased by 48.9% year-over-year to JPY 3.2 billion, or 60.7% above the same portfolio’s NOI in December 2019 prior to the COVID-19 pandemic, and increased by 7.9% on a cumulative basis from July to December 2023 compared to the same period in 2019. The performance reflects the recovery in tourism demand after the COVID-19 pandemic.

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 December 2023, the occupancy rate decreased by 1.3pt, ADR increased by 11.7%, and RevPAR increased by 9.9% compared to December 2022, while the occupancy rate decreased by 5.1pt, ADR increased by 32.8%, and RevPAR increased by 24.8% compared to December 2019. The NOI in December 2023 increased by 81.4% compared to December 2022, or increased by 95.2% compared to December 2019. The NOI on a cumulative basis from July to December 2023 increased by 72.4% compared to the same period in 2022, or increased by 8.9% compared to the same period in 2019.

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During the month of December 2023, strong inbound demand had a positive impact, especially in the Tokyo 23 Wards, where RevPAR for the hotels exceeded the same month in 2022 by approximately 30%.

The total number of visitor arrivals to Japan (estimated) announced by the Japan National Tourism Organization (JNTO) for December 2023 reached 2.73 million, which was 8.2% higher than December 2019.

We are forecasting that the January 2024 RevPAR will be approximately 18.2% higher than the January 2023 figure, or approximately 8.6% higher than the January 2019 figure as of today. The impact of the Noto Peninsula earthquake in Ishikawa Prefecture which occurred on January 1, 2024, is negligible.

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	86.0%	12,088	10,395
Greater Tokyo (ex. Tokyo 23 Wards)	85.5%	16,977	14,517
Chubu	75.4%	10,355	7,808
Kansai	68.3%	10,253	7,000
Kyushu	77.1%	12,107	9,332
Hokkaido	71.6%	11,265	8,060
Other domestic	76.4%	15,160	11,587
Total	79.2%	12,852	10,178

(2) Cayman Hotels

The occupancy rate for the Cayman Hotels (Westin Grand Cayman Seven Mile Beach & Spa and Sunshine Suites Resort) in December 2023 was 77.6%, a decrease of 1.7pt compared to the same month of the previous year, or 7.5pt lower than the December 2019 figure. ADR was USD 674, or 18.5% higher than the December 2019 figure and RevPAR was USD 523, or 8.1% higher than the December 2019 figure, with ADR and RevPAR continuing to exceed 2019 levels. Both ADR and RevPAR significantly exceeded the same month in 2019 due to demand from tourists spending their Christmas holidays at beach resorts, as they did before the pandemic, combined with the effects of inflation and factors such as “revenge travel.” The NOI¹ for December 2023 decreased by 9.3% year-over-year to JPY 550 million, or 1.7% higher than the December 2019 figure. The NOI on a cumulative basis from July to December 2023 increased by 7.5% compared to the same period in 2022, or increased by 6.3% compared to the same period in 2019.

We are forecasting that the occupancy rate for the Cayman Hotels in January 2024 will be 84.7%, or 3.8pt lower than the January 2019 figure, ADR will be USD 593, or 32.7% higher than the January 2019 figure, and RevPAR will be USD 502, or 26.9% higher than the

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January 2019 figure as of today. ADR and RevPAR are expected to increase as demand for post COVID-19 travel continues to drive up rates.

3. Residential Assets Overview

The residential portfolio⁷ in-place occupancy rate as of the end of December 2023 decreased by 0.1pt to 95.9% compared to the end of the previous month, and decreased by 0.5pt year-over-year.

The average in-place rent per tsubo slightly increased by 0.2% year-over-year. The NOI⁸ for the residential portfolio in December 2023 increased by 0.9% year-over-year, and increased by 0.1% on a cumulative basis from July to December 2023 compared to the same period in 2022.

Rents, compared with those based on the immediately preceding leases, increased by 1.3% for new leases, increased by 1.3% for renewal leases, and increased by 1.3% for new and renewal leases combined for December 2023. INV achieved a rent increase on 46.8% of lease contract renewals, and the retention rate for existing tenants was 75.1% for December 2023.

4. Performance

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

(1) 75 Domestic Hotel Properties³

	Dec. 2023	Dec. 2022	Difference	Dec. 2019	Difference	Jul.- Dec. 2023	Jul.- Dec. 2022	Difference	Jul.- Dec. 2019	Difference
Occupancy Rate ⁴	79.2%	80.5%	-1.3pt	84.3%	-5.1pt	82.7%	75.9%	+6.8pt	88.4%	-5.7pt
ADR (JPY) ⁵	12,852	11,503	+11.7%	9,677	+32.8%	12,649	10,199	+24.0%	10,615	+19.2%
RevPAR (JPY) ⁶	10,178	9,263	+9.9%	8,157	+24.8%	10,462	7,744	+35.1%	9,380	+11.5%
Gross Revenue (JPY million) ⁹	6,831	5,963	+14.6%	5,729	+19.2%	40,088	30,192	+32.8%	36,937	+8.5%

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(2) Cayman Hotels

	Dec. 2023	Dec. 2022	Difference	Dec. 2019	Difference	Jul.- Dec. 2023	Jul.- Dec. 2022	Difference	Jul.- Dec. 2019	Difference
Occupancy Rate ⁴	77.6%	79.3%	-1.7pt	85.1%	-7.5pt	64.8%	56.2%	+8.6pt	72.3%	-7.5pt
ADR (USD) ⁵	674	630	+7.0%	569	+18.5%	421	403	+4.6%	327	+28.6%
RevPAR (USD) ⁶	523	500	+4.7%	484	+8.1%	273	226	+20.7%	237	+15.3%
Gross Revenue (USD thousand)	12,046	11,741	+2.6%	10,711	+12.5%	43,257	36,645	+18.0%	36,299	+19.2%

(3) 41 Residential Properties⁷

	End of Dec. 2023	End of Dec. 2022	Difference	Jul.- Dec. 2023	Jul.- Dec. 2022	Difference
Occupancy Rate	95.9%	96.4%	-0.5pt	96.0%	96.3%	-0.3pt
Rent per Tsubo (JPY)	9,224	9,203	+0.2%	9,214	9,172	+0.5%

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

* For 73 hotels operated by main tenant among INV's 75 domestic hotels, variable rent was calculated considering these 73 hotels as one unit during the Covid-19 pandemic period, which is different from the method used in 2023. As such, comparison of NOI with previous year (2022 vs. 2023) may not accurately reflect the recovery from the Covid-19 pandemic at property/area level in some cases.

(JPY Million)	Dec. 2023	Dec. 2022	Difference	Dec. 2019	Difference	Jul.- Dec. 2023	Jul.- Dec. 2022	Difference	Jul.- Dec. 2019	Difference
Tokyo 23 Wards	628	354	+77.4%	456	+37.8%	3,295	1,390	+137.1%	2,837	+16.2%
Greater Tokyo (ex. Tokyo 23 Wards)	1,178	225	+423.0%	293	+302.2%	2,323	1,070	+117.2%	2,036	+14.1%
Greater Tokyo - Subtotal	1,807	579	+211.7%	749	+141.1%	5,619	2,460	+128.4%	4,874	+15.3%
Chubu	178	177	+0.6%	154	+15.3%	1,443	897	+60.8%	1,420	+1.6%
Kansai	99	134	-26.1%	81	+21.6%	818	467	+75.0%	790	+3.6%
Kyushu	173	218	-20.8%	111	+55.4%	1,312	1,090	+20.3%	1,138	+15.2%
Hokkaido	218	97	+123.9%	151	+44.5%	2,012	1,039	+93.5%	1,852	+8.6%
Other domestic	25	171	-85.1%	33	-23.7%	1,471	1,398	+5.2%	1,565	-6.0%
Domestic Hotel- Subtotal	2,501	1,378	+81.4%	1,281	+95.2%	12,677	7,354	+72.4%	11,642	+8.9%
Residential	186	185	+0.9%	187	-0.4%	1,119	1,118	+0.1%	1,117	+0.2%
Commercial	12	12	-0.0%	12	-0.3%	77	77	-0.1%	77	-0.4%
Domestic Asset-Subtotal	2,701	1,576	+71.3%	1,482	+82.3%	13,873	8,550	+62.3%	12,837	+8.1%
Overseas	550	606	-9.3%	541	+1.7%	1,379	1,283	+7.5%	1,297	+6.3%
Total	3,251	2,183	+48.9%	2,023	+60.7%	15,253	9,834	+55.1%	14,135	+7.9%

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- (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:
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 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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