

June 26, 2019

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 May 2019

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

1. Overall Performance of the Entire Portfolio

The overall Portfolio NOI^{1,2} for the June 2019 fiscal period (January to May) increased by 4.5% compared to the same period in 2018. The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

The domestic hotel portfolio³ performance for the month of May 2019 has shown increases in Occupancy of 1.4pt, ADR of 3.5% and RevPAR of 5.2% year-on-year. May's strong performance in Occupancy and ADR was led by hotels with robust demand such as Hotel MyStays Sapporo Station, Hotel MyStays Premier Sapporo Park and Beppu Kamenoi Hotel that performed well during the 10-day Golden Week holidays which started on April 27.

The May 2019 NOI for the domestic hotel portfolio increased by 6.3% (year-on-year) and the cumulative NOI for the June 2019 fiscal period (January to May) increased by 1.9% compared to the same period last year.

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

	Occupancy Rate ⁷	ADR (JPY) ⁸	RevPAR (JPY) ⁹
Tokyo 23 Wards	91.9%	9,440	8,674

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Greater Tokyo (ex. Tokyo 23 Wards)	90.2%	13,547	12,223
Chubu	81.0%	8,653	7,009
Kansai	88.1%	9,218	8,125
Kyushu	90.8%	10,192	9,251
Hokkaido	81.8%	10,067	8,231
Other domestic	80.9%	16,262	13,154
Total	88.5%	10,568	9,352

(2) Cayman Hotels

The Cayman hotels (the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort) have shown increases in occupancy, ADR and RevPAR for the month of May of 0.1pt, 16.5% and 16.7% year-on-year, respectively. The NOI (direct ownership basis)⁴ for the month increased by 33.3% (year-on-year) primarily due to higher non-room based revenue particularly in the banquet segment. This NOI growth is for the actual month of May and not based on the previous method of a three month delay due to the TK interest holding structure. However, the NOI (direct ownership basis) is not included in the calculation of the overall Portfolio NOI for the June 2019 fiscal period (January to May) stated in “1. Overall Performance of the Entire Portfolio” on page 1 to show the trend of the performance on a comparable basis.

As announced in “Notice concerning Change of Investment Structure regarding Overseas Assets” dated May 9, 2019, INV changed the investment structure in the Cayman Hotels from a TK investment to direct ownership. After the structure change, INV will recognize the Cayman Hotels’ earnings directly on and after May 10, 2019 (Japan time) for May 2019 in addition to the NOI (direct ownership basis) discussed above. Previously, due to the indirect ownership in the form of TK interest in an SPC, NOI⁴ was reported on a three month delay (as dividend on TK Interest) and the NOI (TK dividend basis)⁴ for this month (i.e., based on the performance in February 2019) would have been a 19.8% increase for this month and on a cumulative basis, the June 2019 fiscal period (January to May) increased by 22.2% compared to the same period last year. This NOI (TK dividend basis) is included in the overall Portfolio NOI for the June 2019 fiscal period (January to May) in “1. Overall Performance of the Entire Portfolio” on page 1.

3. Residential Assets Overview

The residential portfolio⁵ occupancy rate as of the end of May 2019 was 96.0% (+0.4pt year-on-year). The rent increase program continues to show strong results as average rent per tsubo as of the end of May 2019 increased by 1.6% year-on-year.

NOI⁶ for the residential portfolio increased by 2.4% in May 2019 (year-on-year), and increased by 2.9% for the June 2019 fiscal period (January to May) compared to the same period in 2018.

Rents, compared with immediately preceding leases, increased by 2.1% across all new leases, 1.9% across all renewal leases, and 2.0% across all combined new and renewal leases for the June 2019 fiscal period. INV achieved a rent increase on 40.7% of contract renewals (June 2019 fiscal period). The retention rate for the existing tenants continues to be high at 75.5% for the June 2019 fiscal period.

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4. Performance

(1) 55 Domestic Hotel Properties³

	May 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate ⁷	87.9%	86.5%	+1.4pt	+1.6%
ADR (JPY) ⁸	10,905	10,534	+372	+3.5%
RevPAR (JPY) ⁹	9,588	9,115	+473	+5.2%
Gross Revenue (JPY million) ¹⁰	4,581	4,428	+153	+3.5%
# of Properties	55	55	—	—

	Fiscal period ending June 2019 Cumulative ¹¹ (C)	Same period of the previous year ¹² (D)	Difference (C – D)	YoY Change
Occupancy Rate ⁷	88.5%	87.9%	+0.6pt	+0.7%
ADR (JPY) ⁸	10,568	10,285	+283	+2.8%
RevPAR (JPY) ⁹	9,352	9,037	+315	+3.5%
Gross Revenue (JPY million) ¹⁰	21,640	21,010	+629	+3.0%
# of Properties	55	55	—	—

(2) Cayman Hotels⁴

	May 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate ⁷	85.4%	85.3%	+0.1pt	+0.1%
ADR (USD) ⁸	308	265	+44	+16.5%
RevPAR (USD) ⁹	263	226	+38	+16.7%
Gross Revenue (USD)	7,991,959	6,546,595	1,445,364	+22.1%
# of Properties	2	2	—	—

	Fiscal period ending June 2019 Cumulative ¹¹ (C)	Same period of the previous year ¹² (D)	Difference (C – D)	YoY Change
Occupancy Rate ⁷	90.0%	90.1%	-0.0pt	-0.0%
ADR (USD) ⁸	437	372	+65	+17.3%
RevPAR (USD) ⁹	394	336	+58	+17.3%
Gross Revenue (USD)	48,802,041	43,808,931	4,993,110	+11.4%
# of Properties	2	2	—	—

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(3) 64 Residential Properties⁵

	May 2019 (A)	Same month of the previous year (B)	Difference (A – B)	YoY Change
Occupancy Rate	96.0%	95.6%	+0.4pt	+0.4%
Rent per Tsubo (JPY)	9,939	9,786	+153	+1.6%
# of Properties	64	64	—	—

	Fiscal period ending June 2019 Cumulative ¹¹ (C)	Same period of the previous year ¹² (D)	Difference (C – D)	YoY Change
Occupancy Rate ¹³	96.1%	95.5%	+0.6pt	+0.6%
Rent per Tsubo ¹³ (JPY)	9,884	9,730	+154	+1.6%
# of Properties	64	64	—	—

5. Portfolio NOI

		2018 Simulated NOI ¹⁴		NOI ^{1,2} (JPY million)		
		(JPY million)	Ratio	May 2019	May 2018	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,388	23.5%	505	518	-2.5%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	194	188	+2.8%
	Greater Tokyo - Subtotal	9,957	36.6%	700	707	-1.1%
	Chubu	1,456	5.4%	120	116	+3.8%
	Kansai	2,227	8.2%	164	153	+7.4%
	Kyushu	1,649	6.1%	159	131	+21.5%
	Hokkaido	1,479	5.4%	152	105	+44.4%
	Other domestic	2,181	8.0%	187	182	+2.6%
Domestic Hotel – Subtotal		18,951	69.7%	1,485	1,397	+6.3%
Residential		5,098	18.7%	442	431	+2.4%
Commercial		368	1.4%	31	30	+0.9%
Domestic Asset- Subtotal		24,417	89.8%	1,958	1,859	+5.3%
Overseas		2,782	10.2%	497	415	+19.8%
Total		27,200	100.0%	2,455	2,275	+7.9%

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		2018 Simulated NOI ¹⁴		NOI ^{1,2} (JPY million)		
		(JPY million)	Ratio	Fiscal period ending June 2019 Cumulative ¹¹	Same period of the previous year ¹²	YoY Change
Domestic Hotel	Tokyo 23 Wards	6,388	23.5%	2,642	2,611	+1.2%
	Greater Tokyo (ex. Tokyo 23 Wards)	3,568	13.1%	1,337	1,315	+1.6%
	Greater Tokyo - Subtotal	9,957	36.6%	3,980	3,927	+1.3%
	Chubu	1,456	5.4%	482	531	-9.2%
	Kansai	2,227	8.2%	855	973	-12.1%
	Kyushu	1,649	6.1%	702	646	+8.6%
	Hokkaido	1,479	5.4%	535	407	+31.4%
	Other domestic	2,181	8.0%	631	568	+11.0%
Domestic Hotel – Subtotal		18,951	69.7%	7,187	7,054	+1.9%
Residential		5,098	18.7%	2,171	2,109	+2.9%
Commercial		368	1.4%	153	153	-0.1%
Domestic Asset- Subtotal		24,417	89.8%	9,513	9,318	+2.1%
Overseas		2,782	10.2%	1,566	1,282	+22.2%
Total		27,200	100.0%	11,079	10,600	+4.5%

(Note 1) Based on all properties held as of the beginning of January 2019 (including Royal Parks Tower Minami-Senju and Spacia Ebisu sold on June 7, 2019 and June 19, 2019 respectively), listed in “5. Portfolio NOI” excluding 9 hotels with fixed-rent lease agreements. Please refer to (Note 3) below for the details of 9 hotels with fixed-rent lease agreements. 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%). Moreover, NOI for the Cayman hotels includes a simulated amount of dividend income from the Seven Mile Resort Holdings Ltd. (the “Cayman SPC”) that owns the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resort as underlying assets. The fiscal periods of the Cayman SPC 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 Cayman SPC. Since INV does not receive a dividend from the Cayman SPC on a monthly basis, the amount of dividend INV receives from the Cayman SPC for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the Cayman SPC and the interest of debt (calculated dividing the budget of the Cayman SPC 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 the underlying assets in the month which is three months before the target month for this performance disclosure. The TK dividend amount is calculated at the exchange rate of US\$1 to ¥110, which is the exchange rate fixed by the acquisition of puts and selling calls, covering approximately 85% of expected cash flow through December 31, 2020. Furthermore, NOI is provisional figure and subject to change when it is determined at financial closing and does not include the NOI (direct ownership basis) stated in (Note 4) below; hereinafter the same.

(Note 2) NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners; hereinafter the same.

(Note 3) Based on 55 hotel properties; of the 64 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 January 2019, 9 hotels with fixed-rent lease agreements are excluded. 9 hotels with fixed-rent lease agreements are D29 Super Hotel Shinbashi/

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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. 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 May 2019. Moreover, the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resorts which are the underlying assets of the overseas TK interest acquired by INV in September 2018 are not included.

- (Note 4) Based on the Westin Grand Cayman Seven Mile Beach Resort & Spa and Sunshine Suites Resorts, the underlying assets of the overseas TK interest held by INV as of the beginning of January 2019. As for the Cayman hotels, 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 TK within three months of each fiscal period end for the Cayman SPC which is described as the “NOI (TK dividend basis)” above. However, in consideration of seasonality, figures other than NOI in the table above are based on the figures for May 2019. The three-month income recognition delay through TK dividend will not occur after the structure change effective as of May 10, 2019 announced in “Notice concerning Change of Investment Structure regarding Overseas Assets” dated May 9, 2019. The NOI recognized by direct ownership of Cayman Hotels are described as the “NOI (direct ownership basis)” above. Each NOI is calculated as follows:
NOI (TK dividend basis): Estimated dividend on TK Interest (TK dividend)
NOI (direct ownership basis): Management Contract Revenue-Management Contract Expense
- (Note 5) Based on 64 properties held as of the beginning of January 2019 (including Royal Parks Tower Minami-Senju and Spacia Ebisu sold on June 7, 2019 and June 19, 2019 respectively).
- (Note 6) NOI excludes one-off insurance-related revenues and expenses, as well as expenses required to detach trust beneficiary interest from an integrated trust account.
- (Note 7) “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 8) “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 9) “RevPAR,” or Revenues Per Available Room, is calculated by dividing the total 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 10) 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) Figures from January 2019 to May 2019 are stated.
- (Note 12) Figures from January 2018 to May 2018 are stated. Figures are based on the assumption that the properties acquired from January 1, 2018 to December 31, 2018 were held as of January 1, 2018, and figures before acquisition by INV is based on the data obtained from third-parties including previous owners.
- (Note 13) 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 total rental revenue including common area charges for each month by the sum of total leasable area at the end of each month.
- (Note 14) Based on the properties owned by INV as of the end of December 2018, assuming all properties were owned since the beginning of 2018. Includes the dividends from preferred equity interest of TMK that owns Sheraton Grande Tokyo Bay Hotel and estimated TK dividend backed by two Cayman hotels, assuming these dividends contributed throughout the June 2018 fiscal period and the December 2018 fiscal period of INV. Actual results for the pre-acquisition period of the properties acquired in 2018 are based on actual results provided by sellers. The TK dividend amount is calculated at the exchange rate of US\$1 to ¥110, which is the exchange rate fixed by the acquisition of puts and selling calls, covering approximately 85% of expected cash flow through December 31, 2020.
- (Note 15) Percentages are rounded to one decimal place. ADR and RevPAR are rounded to the nearest yen and Gross Revenue is rounded down to the nearest million yen.
- (Note 16) For the details of performance for each asset, please visit INV’s website:

<http://www.invincible-inv.co.jp/eng/cms/review.html>

Website of INV: <http://www.invincible-inv.co.jp/eng/>

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