Invincible Investment Corporation

[For Information Purpose Only]

September 26, 2018

To All Concerned Parties

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# Performance Update for August 2018

Invincible Investment Corporation ("INV") hereby announces its monthly performance for hotel and residential assets.

## 1. Hotel and Residential Assets Overview

The combined NOI for the hotel and residential portfolio[1] for the December 2018 fiscal period (July to August) increased by 0.6% year on year.

(Note 1) Based on 54 hotel properties and 64 residential properties stated in "4. Performance (1) 54 Hotel Properties" and "(2) 64 Residential Properties" below.

(Note 2) 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%).

## 2. Hotel Assets Overview

The hotel portfolio[1] performance for the month of August 2018 has shown an increase in occupancy of 0.7 pt., an increase in ADR of 1.5% and an increase in RevPAR of 2.3% year on year. Despite the absence of a three-day holiday for Mountain Day (August 11th) that existed in August 2017, regional hotels in Nasu, Kanazawa, Beppu and Sapporo as well as hotels in Tokyo outperformed the previous year due to solid leisure demand, while hotels in the Kansai region underperformed the previous year due to unfavorable weather conditions including

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Typhoon No.20 in late August. Overall, Tokyo, where INV has approximately 40%[2] of its hotels, have benefited from the sharp decline in the supply from private lodging operators such as Airbnb since the enforcement of new regulations governing private lodging businesses in June 2018. The occupancy, ADR and RevPAR for the 25 hotels INV owns in Tokyo's 23 Wards increased by 2.1pt., 2.6% and 4.9% respectively in August 2018 (year on year).

The August 2018 NOI for the hotel portfolio decreased by 1.0% (year-on-year), and the cumulative NOI for the December 2018 fiscal period decreased by 0.3% compared to the same period last year.

(Note 1) Based on 54 hotel properties stated in "4. Performance (1) 51 Hotel Properties" below.
(Note 2) Based on acquisition price as of the end of August 2018. The acquisition price of the preferred equity interest backed by Sheraton Grande Tokyo Bay is based on the investment amount for the preferred equity interest

## 3. Residential Assets Overview

The residential portfolio[1] occupancy rate as of the end of August 2018 was 95.3% (+1.3pt year-on-year). The rent increase program continues to show good results as average rent per tsubo as of the end of August 2018 increased by 2.0% year-on-year.

Rents, compared with immediately preceding leases, increased by 4.0% across all new leases, 6.1% across all renewal leases, and 5.3% across all combined new and renewal leases for the December 2018 fiscal period.

INV achieved a rent increase for 59.9% of contract renewals (December 2018 fiscal period), in comparison to 54.2% for the full year 2017 (+5.7pt. year-on-year). The retention rate for the existing tenants continued to be high at 79.3% for the December 2018 fiscal period.

NOI[2] for the residential portfolio increased by 4.6% in August 2018 (year on year), and increased by 4.8% for the December 2018 fiscal period compared to the same period in 2017.

(Note 1) Based on 64 residential properties stated in "4. Performance (2) 64 Residential Properties" below.
(Note 2) NOI excludes one-off insurance-related revenues and expenses. NOI is provisional figure and subject to change when it is determined at financial closing; hereinafter the same.

## 4. Performance

### (1) 54 Hotel Properties[1]

| | August 2018 (A) | Same month of the previous year (B) | Difference (A－B) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate[2] | 93.5% | 92.8% | +0.7pt | +0.8% |
| ADR (JPY)[3] | 12,616 | 12,427 | +189 | +1.5% |
| RevPAR (JPY)[4] | 11,802 | 11,535 | +268 | +2.3% |
| Gross Revenue (JPY million)[5] | 5,352 | 5,128 | +223 | +4.4% |
| # of Properties | 54 | 54 | — | — |

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| | Fiscal period ending December 2018 Cumulative[6] (C) | Same period of the previous year[7] (D) | Difference (C－D) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate[2] | 92.5% | 91.9% | +0.6pt | +0.6% |
| ADR (JPY)[3] | 11,770 | 11,649 | +121 | +1.0% |
| RevPAR (JPY)[4] | 10,883 | 10,705 | +178 | +1.7% |
| Gross Revenue (JPY million)[5] | 10,009 | 9,674 | +335 | +3.5% |
| # of Properties | 54 | 54 | — | — |

(2) 64 Residential Properties[8]

| | August 2018 (A) | Same month of the previous year (B) | Difference (A－B) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate | 95.3% | 94.0% | +1.3pt | +1.4% |
| Rent per Tsubo (JPY) | 9,817 | 9,628 | +189 | +2.0% |
| # of Properties | 64 | 64 | — | — |

| | Fiscal period ending December 2018 Cumulative[6] (C) | Same period of the previous year[7] (D) | Difference (C－D) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate[11] | 95.2% | 94.3% | +0.9pt | +1.0% |
| Rent per Tsubo[11] (JPY) | 9,812 | 9,612 | +200 | +2.1% |
| # of Properties | 64 | 64 | — | — |

(3) 45 Hotel Properties[12]

| | August 2018 (A) | Same month of the previous year (B) | Difference (A－B) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate[2] | 93.5% | 92.7% | +0.8pt | +0.9% |
| ADR (JPY)[3] | 12,808 | 12,688 | +121 | +1.0% |
| RevPAR (JPY)[4] | 11,979 | 11,761 | +218 | +1.9% |
| Gross Revenue (JPY million)[5] | 4,557 | 4,370 | +186 | +4.3% |
| # of Properties | 45 | 45 | — | — |

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| | Fiscal period ending December 2018 Cumulative[6] (C) | Same period of the previous year[7] (D) | Difference (C－D) | YoY Change |
|---|---|---|---|---|
| Occupancy Rate[2] | 92.3% | 91.8% | +0.5pt | +0.6% |
| ADR (JPY)[3] | 11,858 | 11,780 | +78 | +0.7% |
| RevPAR (JPY)[4] | 10,947 | 10,811 | +136 | +1.3% |
| Gross Revenue (JPY million)[5] | 8,459 | 8,192 | +266 | +3.3% |
| # of Properties | 45 | 45 | — | — |

(Note 1) Based on 54 hotel properties; of the 64 hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) held as of the end of August 2018, 9 hotels with fixed-rent lease agreements and D63 Hotel MyStays Midosuji Honmachi which does not have performance figure for the previous year since it newly opened in December 2017, are excluded. 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. 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 in the table above are based on the figures for August 2018.

(Note 2) "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 3) "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 4) "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 5) 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 6) Figures from July 2018 to August 2018 are stated.

(Note 7) Figures from July 2017 to August 2017 are stated. Figures are based on the assumption that the properties acquired from July 1, 2017 to December 31, 2017 were held as of July 1, 2017, and figures before acquisition by INV is based on the data obtained from third-parties including previous owners.

(Note 8) Based on 64 properties held as of the beginning of July 2018.

(Note 9) 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 10) For the details of performance for each asset, please visit INV's website:
http://www.invincible-inv.co.jp/eng/cms/review.html

(Note 11) 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 12) 9 hotels properties acquired during January 2018 and August 2018 are excluded from the 54 hotel properties described in (Note 1) above. The 9 hotels are D54 Hotel MyStays Yokohama Kannai, D55 Art Hotel Joetsu, D56 Art Hotel Hirosaki City, D57 Hotel MyStays Oita, D58 Hotel MyStays Gotanda, D59 Hotel MyStays Tachikawa, D60 Hotel MyStays Premier Akasaka, D61 Hotel MyStays Premier Sapporo Park, and D62 Hotel MyStays Ueno East.

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

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