August 29, 2024

Invincible Investment Corporation

<u>Questions and Answers Related to the Briefing on the Financial Results for the Fiscal Period Ended June 2024</u>

Q：Regarding the overall performance for the June 2024 FP, RevPAR exceeded the forecast. However, the year-over-year growth rate of RevPAR for May to July 2024 was in the single digits. Was this due to specific factors like the timing of holidays or bad weather, or does it indicate a slowdown in growth? Given the forecast of double-digit RevPAR growth for the December 2024 FP, is this target achievable?

A：Although weather factors had an impact, the overall performance of the portfolio remains strong, and we do not see a slowdown in growth. For the December 2024 FP, we intend to manage the portfolio in a way that will allow us to exceed our performance forecast, just as we did in the June 2024 FP.

Q：The forecast for RevPAR growth in August 2024 for INV's domestic hotels is a 12.7% year-over-year increase. Does INV expect this momentum to continue in September and October as well?

A：On-hand reservations for those months are progressing smoothly, and since October is part of the Autumn tourist season, we believe this momentum will continue.

Q： What impact does the recent appreciation of JPY have on inbound demand?

A：As far as we have observed, there has been no impact. Considering that there was strong inbound demand in 2019 when the FX rate was around 110 yen to one US dollar, we do not believe the current FX rate will significantly affect inbound demand.

Q：Is it correct to understand that your view that the GOP margin will remain flat going forward is a conservative stance? If there is room for growth in the GOP margin, how does INV plan to achieve it?

A：Given that the proportion of full service and resort type hotels in INV's portfolio is increasing, the overall GOP margin of the portfolio is expected to decrease. However, we plan to improve margins by increasing both room and F&B revenues. As for room revenue, we aim to increase ADR by capturing strong inbound demand. F&B revenue is expected to grow by capturing demand that is expected to recover and increase further in the future.

Q：I have heard that the GOP margin of limited service type hotels of some competitors is around 60%. Why is INV's margin lower?

A：If we only look at INV's limited service hotels, the GOP margin would be 50-60% because limited service hotels are cost efficient. However, with limited service hotels, once occupancy rate reaches a certain level, further margin growth can be achieved only by an increase in ADR. On the other hand, resort and full service hotels have lower margins than limited service hotels due to structural factors, but can enjoy additional upside by increasing F&B revenue and room revenue as a possible means to improve GOP. This is why we are adding resort and full service hotels to our portfolio.

Q：Is there a risk that the ROI for the major renovation of Sunshine Suites Resort could decrease? Specifically, I am concerned about a deterioration in profitability due to rising construction costs caused by inflation.

A：As the renovation cost of USD 26 million is based on the contracted amount, there is no risk of an increase in expenses for the contracted scope. Although there may be some variation in the revenue increase from the renovation, the expected increase in sales effect is a conservative estimate.

Q：Is it correct to understand that INV plans to continue holding the two Cayman hotels while enhancing their competitiveness despite increased competition due to competitor renovations and an increase in the number of rooms in the Cayman Islands hotel market?

A：We have no plans to sell the Cayman hotels at this time. However, efforts to enhance competitiveness, such as major renovations at the Sunshine Suites Resort and obtaining government approval for the expansion of the Westin Grand Cayman Seven Mile Beach Resort & Spa are expected to ultimately increase the market value of these properties.

Q：Regarding the potential sale of the Sheraton Grande Tokyo Bay Hotel ("SGTB"), could you provide details on the feasibility of the sale, the expected sale price, and the prospects for reinvesting the proceeds into other properties?

A：Seven years have passed after acquiring SGTB in 2017, and it is time to refinance the TMK that owns it. We are considering a sale based on discussions with our co-investor, partly to confirm the current market value of SGTB, but we have not determined to sell it. We would sell it only in the best interest of unitholders. At this time, the feasibility of a sale, expected sale price, timing, and other conditions remain undetermined, and no concrete plans have been made regarding the use of proceeds from a potential sale.

Q： It is expected that the proceeds will be reinvested if SGTB is sold. In such a case, would you consider using special schemes such as investments in a TMK to achieve high returns similar to SGTB, or does INV intend to directly acquire the assets?

A：Given the large size of the Sheraton's price relative to INV's scale in 2017, we opted for a joint investment, leading to a double-leverage structure through the use of a TMK, resulting in a high dividend yield. The investment structure was due to these special circumstances, and basically, we do not expect to use double leverage in the future.

Q：The majority of the borrowings for the property acquisition in July were at floating interest rates. What % of total borrowings does INV plan to maintain at fixed interest rates in the future?

A：Anticipating that the borrowings for this acquisition would be primarily at floating rates, we had executed interest rate swap prior to the property acquisitions, resulting in approximately 50% of our borrowings being at fixed rates today. We intend to maintain this level around 50% going forward.

Q：The average remaining duration of borrowings at the end of June 2024 was 3.5 years. Do you

plan to further extend the duration in the future?

A：Since borrowing costs increase as borrowing terms are lengthened, we will decide the borrowing terms for future borrowings in consideration of interest rates.