March 3, 2025

Invincible Investment Corporation

Questions and Answers Related to the Briefing on the Financial Results for the Fiscal Period Ended December 2025

Q：The RevPAR increase for domestic hotels owned by Invincible Investment Corporation ("INV”) has accelerated since last October due to rising demand from inbound travelers. In particular, RevPAR for January increased by 25.0% year-on-year, and the forecast for February is a 13.0% year-on-year increase. Did these figures exceed INV’s forecast?

A：Yes, these figures exceeded INV’s forecast. The RevPAR growth for INV’s domestic hotels accelerated in the fourth quarter of 2024, and the current situation is also good. Notably, the demand from Chinese inbound travelers has significantly increased since the fourth quarter of 2024, boosting hotel performance in Hokkaido and the Kansai region. The sharp increase in KPIs this January is partly due to the Chinese New Year Holidays, but even when considered together with February, the figures are stronger than expected. We aim to further increase RevPAR going forward.

Q：What is the impact of the increasing Chinese inbound travelers on hotel performance? Are hotels in Osaka leading the charge?

A：The number of Chinese inbound travelers in January reached a record high due to the Chinese New Year’s Holiday. This helped boost Hokkaido hotel performance with a RevPAR increase of 54.8% year-over-year. Although we do not have actual data for January by area/nationality, we believe that there was a significant volume of Chinese travelers into Hokkaido. When it comes to RevPAR by area in the June 2025 FP forecast, the Kansai area shows the highest increase year-over-year. As such, we can say that hotels in Osaka are contributing to the robust performance of INV’s hotel portfolio.

Q：Some currencies such as South Korean won have depreciated over the last six months. Has this depreciation had a negative impact on the demand from inbound travelers?

A：We have not seen any particular impact. For example, the number of inbound travelers from South Korea in 2024 increased significantly, up 57.9% compared to 2019.

Q：What is the current booking status for hotels operated by MyStays Hotel Management (“MHM”) and Sunshine Suites Resort (“SSR”)?

A：Current bookings for hotels operated by MHM in March and April are higher than at the same time last year. Regarding SSR, it is difficult to assess its current booking status as it is undergoing a large-scale renovation.

Q：Is there any different booking trends between hotel types?

A：We observe a difference in booking trends between areas rather than between hotel types. For example, regarding the hotels in the Kansai region, booking for April is progressing well due to the World Expo 2025 in Osaka which will start in April. Regarding Hokkaido, booking for February is going well due to a snow festival in February.

Q：Is the accommodation demand generated by the World EXPO 2025 in Osaka a net increase in the existing demand? Or is it only a shift from the existing demand in other regions, which means there would be no net increase in accommodation demand in total?

A：We anticipate a net increase in accommodation demand from both domestic and inbound travelers. This pattern has been observed in the past World EXPOs.

Q：What is the expected GOP margin in the upcoming FP? As the GOP increase relative to the RevPAR increase is not so high, I assume that operating costs, such as labor costs, are increasing. Is my understanding correct?

A：Japan has finally entered into an inflationary phase after a long period of deflation. There is upward pressure on various costs, including labor costs. However, the GOP margin increased from 37.3% in the December 2023 FP to 38.9% in the December 2024 FP for 91 hotels operated by MHM and its subsidiaries, despite such economic conditions. We forecast a further GOP margin improvement driven by revenue growth that outpaces cost increases.

Q：The number of properties in the pipeline increased by approximately 20 since the June 2024 FP. Does this mean that INV's appetite for acquiring properties is also increasing?

A：Our sponsor continues to acquire new properties and INV remains keen on external growth. However, when it comes to acquiring properties of a certain scale, we need to consider the balance between equity finance and debt finance.

Q：What is the cap rate of the pipeline properties?

A：According to the map of the pipeline properties, they are distributed across Japan with few hotels located in metropolitan areas such as Tokyo. Therefore, we think that the cap rate of the pipeline properties is similar to that of the properties INV acquired in July 2024, which mainly consist of properties in regional areas.

Q：What is the number of properties and price range of the pipeline properties that are ready for sale to INV? Is the yield of these properties higher than INV's cost of capital?

A：In principle, the pipeline properties are not ready for sale to INV until the sponsor has completed the renovations, operational systems such as revenue management have been installed, and employee training has been completed. Although we have been informed by the sponsor that some pipeline properties will reach such stage in the near future, we do not know the price because we have not obtained the necessary independent appraisal valuations on the properties. Having said that, we have the impression that the monetary scale of these properties is not as high as the last acquisition in July 2024 (total acquisition price of JPY 104.4 billion). When acquiring properties, we will pay attention to ensuring that they yield exceeds INV's cost of capital.

Q：Has there been any change in INV's stance on the potential sale of the Sheraton Grande Tokyo Bay Hotel ("SGTB") ?

A：There has been no change. INV has not made any decision about the potential sale. INV and GIC, the co-owners of SGTB, have been negotiating with the potential buyer. Throughout the negotiation process, our policy remains focused on achieving the best outcome for INV's unitholders.

Q：What is the stance on potential disposition of the two Cayman hotels and domestic residential properties?

A：Regarding SSR, if we decide to sell it, it would be after the completion of the ongoing large-scale renovation. Regarding Westin Grand Cayman Seven Mile Beach Resort & Spa, we believe that the sale price would be higher after obtaining the approval from the authorities for its expansion plan. There are various options possible after obtaining approval for expansion such as implementing the expansion by ourselves, selling the right to expand to a third party, or forming a JV. We will carefully assess the best course of action. Regarding residential properties, we have no plans for a bulk sale. We may revisit the asset recycling strategy used before the COVID-19 pandemic, but the rental income and sales proceeds from the residential properties have helped us endure the COVID-19 pandemic, and we have come to realize the importance of the residential properties. Regarding the commercial property, we will consider the sale as it is not our core asset.

Q：What is the policy interest rate factored in the forecast?

A：The expected policy interest rate in our forecast is based on the projections from security companies and think tanks, etc.

Q：What is the impact of rising construction costs on INV?

A：In principle, rising construction costs have a greater impact on the new development of buildings than on renovations of existing buildings. As such, when it comes to external growth, the impact of rising construction costs on INV is relatively small because INV acquires existing properties that have been renovated by the sponsor. When undertaking renovations for INV's properties, INV implements renovations only after careful analysis to ensure that the expected increase in GOP through an increase in ADR or a decrease in operating costs justify the investment.