

Q&A regarding Financial Results for the Fiscal Period Ended June 2021

Q: The areas subject to the state of emergency have expanded. What is the impact on the hotel occupancy rate?

A: As shown on page 11 of the material, the occupancy rate improved in July in particular, regardless of the declarations of the state of emergency. However, the psychological impact is conceivable due to the fact that the number of newly confirmed infections and serious cases have frequently reached record highs and the number of prefectures subject to the state of emergency and quasi state of emergency have increased. We expect certain demand from the people who have been fully vaccinated, but on the other hand, we don't know the degree of negative psychological impact from the strain on the healthcare system due to the increase of serious cases.

Q: What was the impact of the Olympics, and can you quantify the impact of the Olympics on hotel revenues?

A: The vast majority of Olympic events were held without spectators, so we had a limited impact. Roughly 140 million yen in sales in July due to the Olympics for the limited Tokyo hotels. International media, Olympic operational people and security related people stayed at our hotels. Unfortunately, not as much as we expected last year.

Q: The trends in leisure/business demand are listed on page 18. How much has leisure/business demand ultimately decreased compared to 2019?

A: The upper chart on page 18 of the material is a stacked area chart of the actual occupancy rates. As shown in this chart, the hotel occupancy rate due to business use has been around 20% and above since January 2019. While in May 2020 it dropped significantly along with the overall occupancy rate, it has been about 20% level since then, that is, the numbers haven't changed much. On the other hand, regarding leisure demand, in January 2019, out of the total occupancy rate of over 80%, nearly 60% was used for leisure purposes.

Q: Regarding hotels other than hotels operated by MHM, what are the situation of negotiations for rent reductions and potential withdrawals ?

A: Some hotels have requested a reduction, and we accepted the rent reduction for a limited period under the COVID-19 pandemic.

Q: Regarding the earnings structure, I think the current RevPAR is at a level close to the break-even point (BEP) of MHM. Compared to 2019, what are BEPs where INV's net income would become in the black without gains on sales and where fixed rents can be paid respectively?

A: BEPs are estimated to be at the following levels compared to the actual RevPAR for the 73 hotels operated by MHM in the December 2019 fiscal period (¥8,877), which are the same as the previous explanation.

- 1) MHM hotels' GOP will become positive: Exceeding about 30% of 2019 actual RevPAR
- 2) INV will be in the black: Exceeding about half of 2019 actual RevPAR
- 3) MHM will be able to fully pay the fixed rent based on the original leasing contract: Exceeding about 60% of 2019 actual RevPAR

Also, please note that it is a rough estimate based on certain assumptions and needs to occur 6 months or more consecutively rather than in a single month.

Q: On page 4 of the material, you stated that "Some level of fixed rent payment waivers by MHM from July 2021 will be required." Do you mean the "fixed rent" refers to ¥1 billion determined in the MOU for January - June 2021, or the rent based on the original contract prior to the MOU?

A: This means that reduction is inevitable for the fixed rent based on the original contract. In January-June 2021, it was lowered to ¥1 billion, but in the 2H, occupancy rates and other factors have improved from 1H, and due to seasonality, hotel performance tends to be better in the 2H. Therefore, it is likely that the level of fixed rent in the new agreement will exceed ¥1 billion in the 2H. However, in any event, we will have to lower the fixed rent of the original contract, and it will be announced once we make an agreement.

Q: INV has recently sold 1 property. What is INV's policy about property sales from now on? Do you plan to sell more properties to secure a gain on sale with a goal of achieving a positive net income for this fiscal period to the extent possible?

A: The occupancy rate had been rising since April-June 2021, however the hotel's performance is currently in a challenging situation in July-August. As vaccinations progress, revenues are expected to recover from early autumn to winter, our priority is to achieve positive net income without selling any assets. However, in the June 2021 fiscal period, INV recorded a net loss despite being cash flow positive. Therefore, we basically intend to avoid a deficit for two consecutive fiscal periods, and will consider actions including the sale of property.

Q: What are the policies for the acquisition of properties? Amid the current harsh environment, do you think it is preferable not to acquire properties, or is it an opportunity to acquire properties at a low price?

A: We would like to consider acquiring properties, including asset recycling, in the best possible situation. We'll investigate opportunities when COVID-19 subsides and the recovery of hotel performance becomes clearer to some extent, and we will carefully assess the timing.

Q: What is the reason why the appraisal value of the 2 Cayman properties has risen significantly?

A: The values appreciated basically due to the depreciation of the yen against dollar. It is virtually flat on a dollar basis.

Q: According to page 15 of the material, The Cayman Islands announced a phased tourism reopening plan scheduled to begin in September 2021. Given the current situation in the U.S., do you believe the performance of two hotels will actually recover?

A: Page 15 of the material states that tourists will gradually be accepted from September 9 subject to the rate of fully vaccinated in Cayman Island reaches 80%. However, according to a recent press conference by the Cayman government, considering that the

vaccination rate for the residents of the islands is not growing at the rate expected, the government decided to go ahead as planned even without reaching the 80% target, and will resume accepting tourists with a 5 or 10-day quarantine after entry, while establishing a system that would make it easier for the residents to be vaccinated, as well as urging them to get vaccinated as early as possible. Since September to November is the off-season of Cayman, the actual increase in demand is expected to occur during the peak season after Thanksgiving, that is, after November 18th, when even unvaccinated children will be able to enter the island if accompanied by fully vaccinated adults. However, it is still uncertain since the situation is heavily dependent on the infection situation in the U.S.

Q: Sheraton's TMK has recorded zero dividends for two consecutive fiscal periods. What is the prospect to resume dividend payments in the future? Do you expect it will be necessary to cover the accumulated deficit?

A: Sheraton, like other hotels, is making maximum efforts under the circumstance of "With Corona," but continues to be in a more challenging situation than other general hotels since they are significantly affected by Tokyo Disney Resort. Against this backdrop, revenues of a single-year basis or semi-annual basis are expected to improve during the latter half of the December 2021 fiscal period, but dividend payment is expected to be resumed from next year onward. However, as with other hotels, it is extremely difficult to forecast the timing and amount of the dividend. As with other operators, hotel performance is in a severe situation, and some cash requirements are covered by reserves within the TMK. Depending on the situation, we will consider various measures if necessary.