August 29, 2025

Invincible Investment Corporation

<u>Questions and Answers Related to the Briefing on the Financial Results for the Fiscal Period Ended June 2025</u>

Q：What do you think of the accommodation demand from domestic tourists?

A：We do not expect major changes in the accommodation demand from domestic tourists. However, within a stable market size, the proportion of travel with leisure purpose is increasing. We believe this supports our strategy of increasing exposure to resort-type properties.

Q：What is the expected inbound revenue ratio for 2025, and do you see further growth ahead?

A：For the 91 properties operated by Iconia Hospitality (“ICN”), inbound revenue accounted for 32.0% of total room revenue in the June 2024 Fiscal Period (“FP”), and 37.8% in the June 2025 FP. While we do not have a precise forecast for the December 2025 FP, we expect the ratio to remain at a high level going forward.

Q：For the June 2026 Fiscal Period, you forecast a 4.6% YoY growth in RevPAR. Compared with the double-digit growth achieved during the post-COVID recovery phase, this appears modest. Should we interpret this as the level of stable, normalized growth level, or is it stronger or weaker than such a level?

A：The June 2025 FP result, which serves as the comparison base, reflected a stronger-than-expected uplift in RevPAR due to the positive impact of the World Expo 2025 in Osaka. The 4.6% growth forecast for the June 2026 FP factors in the absence of this temporary boost and therefore should not be viewed as the normalized growth level. Going forward, we will manage our assets with the aim of achieving growth in the high single-digit range.

Q：Could you update us on the renovation work at Sunshine Suites Resort (“SSR”)? Is the renovation progressing on schedule, or is there a delay?

A：Due to global labor shortages in the construction industry, the logistical constraints of operating on an island, and adverse weather conditions, the grand opening which was initially planned for early autumn is now expected in late November. Since September and October are the off-season in the Cayman Islands and the high season begins in late November, we are working toward capturing that demand. As of now, the two guest-room buildings, Building A and Building B, remain closed. Building B underwent the renovation that commenced in August last year, and reopened in early June this year, <u>but was subsequently closed again due to additional work</u>. Building A began renovations in mid-March this year and remains closed.

Note: At the financial results briefing held on August 26, 2025, we stated that Building B is in operation now. However, this was incorrect as underlined above. Both Building A and B are currently closed.

Q：For the June 2026 FP, why is the ADR for the two Cayman hotels expected to decline YoY? I think SSR’s full-fledged operation after the renovation should increase ADR for the two

Cayman hotels.

A：The background is that the ADR of Westin Grand Cayman Seven Mile Beach Resort & Spa (“Westin”) is higher than that of SSR. In the June 2025 FP, since SSR was under renovation, the vast majority of the room revenue for the two Cayman hotels was generated by Westin, effectively making the combined ADR nearly equivalent to Westin’s ADR. On the other hand, in the June 2026 FP, revenue from SSR, whose ADR is lower than Westin's, will be included, leading to a lower combined ADR for the two hotels.

Q：Comparing the June 2024 FP and the June 2026 FP, both of which are unaffected by the SSR’s renovation, why does RevPAR remain almost unchanged despite the expected SSR’s full-fledged operation in the June 2026 FP?

A：While we expect higher revenue from SSR after the renovation, Westin’s operation will be affected by the upcoming openings of competitor hotels.

Q：Why did you not raise equity for this acquisition (10 assets, JPY 34.2 billion), despite P/NAV being above 1.0x?

A：At the outset of considering this property acquisition, we made a comprehensive decision not to issue equity for this acquisition based on the following factors: the P/NAV was below 1.0x; the scale of this acquisition was relatively modest, about one-third the size of last year’s acquisition; we had sufficient cash on hand; and the LTV has been declining steadily since the end of 2020, indicating available borrowing capacity through leverage expansion.

Q：This acquisition of 10 assets totaling JPY 34.2 billion increases AUM by about 5%, but EPU only by around 2.5%. Given that this acquisition is mainly funded with debt, this seems underwhelming. Future external growth may involve equity issuance, which raises the hurdle for EPU accretion. Could you share your policy on external growth?

A：The properties to be acquired this time have an appraisal cap rate of 7.0% before depreciation and 3.9% post-depreciation, reflecting relatively high depreciation expenses against NOI. When acquiring properties through equity issuance, if the post-depreciation NOI is low, DPU growth will be difficult to achieve. Therefore, we intend to also utilize cash on hand as appropriate and aim to acquire properties with sufficient post-depreciation NOI levels in the case of equity-financed acquisitions, so that we can deliver DPU growth.

Q：What is your acquisition policy going forward? Will you continue to acquire distinctive properties regardless of size, as in the case of this acquisition, or will you focus on larger-scale properties, let’s say those exceeding JPY 10 billion?

A：From the standpoint of operational efficiency, increasing the number of smaller-scale properties is not ideal. However, as shown on page 6 of the financial results presentation, the smaller-scale properties we will acquire this time offer high NOI yields, which is one of the key factors that led us to acquire them. Looking ahead, we also have large-scale properties exceeding JPY 10 billion in the pipeline, and we intend to acquire a mix of both large and small properties, considering the balance and composition of our existing portfolio.

Q：The presentation materials noted that ICN has renovated some properties to increase rooms that can accommodate large groups. Does the pipeline also include such properties that can accommodate large groups?

A：Yes, the pipeline includes properties with rooms suitable for large groups. Our sponsor is acquiring properties where increases in DOR (double occupancy ratio) can be expected and is planning renovations after acquisition to further increase DOR.

Q：Strategic CAPEX has increased sharply since last year. What is driving this trend?

A：There are two main factors. First, approximately 10 years have passed since we began hotel acquisitions in 2014. As strategic CAPEX was inevitably constrained during the COVID-19 pandemic, many properties are now entering a phase requiring renovations to enhance value. Second, given the current uptrend in the accommodation market, acquisition cap rates have compressed. In contrast, yields on returns from renovations remain high. The recent increase in CAPEX reflects these two factors and does not imply that the current level will persist. In principle, we intend to keep capital expenditures within depreciation expense.

Q：LTV will rise with the recent acquisitions. Are you still comfortable with the increased level?

A：With the new borrowings, LTV on an appraisal value basis will increase to 43.1%. We believe this remains within an acceptable range and will not affect our credit rating.

Q：What is the practical upper limit for LTV?

A：We aim to maintain LTV on an appraisal value basis around the 45% range.

Q：How much additional acquisition capacity would be created by increasing leverage?

A：On an appraisal value basis, a 1% increase in LTV would provide approximately JPY 35 billion in acquisition capacity, and a 2% increase would provide approximately JPY 50 billion in acquisition capacity.