August 28, 2026

Invincible Investment Corporation

Questions and Answers Related to the Briefing on the Financial Results for the Fiscal Period Ended June 2026

Q：Do you believe the annual DPU growth target of over 3% can be achieved through internal growth alone, or will additional measures, including the utilization of unrealized gains and retained earnings, be required to achieve this target?

A：Based on our current assumptions, we forecast RevPAR growth of approximately 4% year on year for the 101 properties operated by Iconia Hospitality in the June 2027 fiscal period (FP). At this level of growth, however, EPU is expected to remain broadly flat over the next two to three years due to the impact of higher interest rates, and therefore would not be sufficient to achieve our annual DPU growth target solely through internal growth. While we intend to further accelerate organic growth by capitalizing on the expected recovery in demand from Chinese tourists, if achieving the DPU growth target proves difficult through organic growth alone, we plan to make up the shortfall by utilizing unrealized gains and retained earnings, as well as through external growth that does not involve a capital increase. Furthermore, if the annual RevPAR growth for domestic hotels were to exceed 6%, we believe that a substantial portion of our DPU growth target could be achieved through internal growth alone.

Q：You mentioned that the realization of unrealized gains through tax-deferred asset replacement transactions may be utilized as a means of achieving the DPU growth target. Does this mean that if recurring EPU alone is insufficient to reach the DPU target, a portion of the shortfall would be covered by capital gains, while the remainder would be retained as internal reserves?

A：That is correct. As a general principle, we intend to utilize the tax-deferred exchange mechanism when recycling assets, thereby deferring a portion of the gains on sale for future periods and supporting stable DPU growth over time. In addition, we aim to increase recurring NOI through asset replacement transactions. Therefore, reinvesting cash proceeds from property sales into new acquisitions is also one of the options available to us.

Q：When selecting assets for potential disposition, do you have any priorities among the different asset classes (hotels, residential properties, and retail properties)?

A：At this point, we do not have any particular priority among asset classes.

Q：What is the acquisition capacity available for external growth without equity issuance?

A：Our current LTV is 41.9%, based on the appraisal value, and we believe that increasing it by approximately one percentage point would be manageable. Accordingly, if we were to utilize JPY 10 billion of our current cash on hand (JPY 18 billion) and take on debt while raising the appraisal-based LTV by 1 percentage point, calculations indicate that this would result in an acquisition capacity of approximately JPY 32 billion.

Q：The August RevPAR forecast for the domestic hotel portfolio, as disclosed in the "Performance Update for July 2026" released on August 25, 2026, indicates a year-on-year decline and appears somewhat weak. What are the key factors behind this outlook? While the forecast likely reflects the impact of typhoons and the normalization of demand following Expo 2025 Osaka, are there any other factors contributing to the weakness?

A：In addition to these factors, the Kumamoto earthquake that occurred in July has affected hotel performance across Kyushu, including properties located outside Kumamoto Prefecture, such as those in Kagoshima. It should be noted, however, that domestic hotels outside the Kansai area are expected to perform relatively well. The August RevPAR forecast for these properties shows a year-on-year increase of 1.5%.

Q：What is your outlook for GOP margins at the domestic hotel portfolio in 2027?

A：We conservatively assume that GOP margins will remain broadly in line with the level achieved in 2026. However, GOP margins could improve depending on the pace of recovery in demand from Chinese inbound travelers.

Q：Dividend from Kingdom TMK (Sheraton Grande Tokyo Bay Hotel) is expected to continue declining. Does this imply that property-level earnings growth is unlikely to outpace the impact of rising interest rates for the foreseeable future? Please share your outlook for the property.

A：The hotel's operating performance remains solid. The decline in dividend income from Kingdom TMK is primarily due to the increase in the loan amount and higher interest expenses resulting from the refinancing completed in September last year. Looking ahead, we are considering value-enhancement investments utilizing the remaining proceeds from the additional borrowings. When a portion of the hotel's guestrooms was renovated in 2021, those rooms achieved a significant increase in ADR. Building on that experience, we intend to pursue similar value enhancement initiatives to further strengthen the property's profitability and, in turn, increase the dividend income from Kingdom TMK.

Q：Has the large-scale renovation of The Sunshine Hotel & Suites generated the anticipated benefits? Please discuss the results, taking into account changes in the external environment, including developments among competing properties.

A：The large-scale renovation of The Sunshine Hotel & Suites was completed only recently, and its benefits have not yet been fully realized. However, ADR for the June 2026 FP increased by 29.4% compared with the pre-renovation level recorded in the June 2024 FP. Accordingly, we believe the renovation has thus far delivered results broadly in line with our expectations. That said, we believe the two Cayman hotels, including The Sunshine Hotel & Suites, could be affected to some extent by developments among competing properties going forward. For example, Grand Hyatt Grand Cayman Resort & Spa is scheduled to open this November or later, and the existing Grand Cayman Marriott Resort is currently undergoing a beach restoration project following the loss of its beach several years ago, with completion expected in September. In light of these developments, our assumptions for the operating performance of the two Cayman hotels for the December 2026 FP and the June 2027 FP are somewhat conservative. Nevertheless, we expect the overall operating environment to remain favorable, supported by the continued increase in airlift capacity, despite the increase in competitors.