The Briefing of Financial Results for 1H Fiscal Year Ending March 2021

Date and Time: November 13, 2020, starting from 5pm

## Summary for the First Half of Fiscal Year Ending March 2021

Miyao:

Thank you for taking time to join the briefing of Leopalace21 Corporation's financial results for 1H fiscal year ending March 2021. I am Bunya Miyao, President and CEO.

The operating profit and income before income taxes continued negative for 1H because the companies constrained the relocation of the employees and foreign national tenants decreased due to restricted admission for foreign nationals in response to COVID-19, both of them resulted in occupancy rate deterioration which impacted our business more significant than what we originally expected. With SG&A expenses curtailment centering on personnel expenses, we however managed to improve the deficit YoY. We sold in 1H several assets, comprising Hotel Leopalace Nagoya, 17 buildings for lease and investment securities, all amounted to more than 8.5 billion yen

We are trying to save operation costs for the Leasing Business through the use of IT and the attempt is regarded as an effective measure in response to COVID-19 including non-face-to-face web-based contract conclusion. For individual customers we launched on February 12, 2020 web-based rental agreement service which eliminates the need of visiting Leopalace leasing offices for the rooms equipped with *LeoLock*. The web-based service was expanded in September for all the rooms controlled by Leopalace directly managed offices. In addition, we rolled out web-based customer service and web-based viewing of the rooms and surroundings on October 27, 2020. Initially the full set of non-face-to-face contract conclusion service including a key handover were available only for the rooms equipped with *LeoLock* and we are working to roll out the service to all units under management. *Please refer to news release on October 27, 2020 (Japanese only).

We introduced for corporate clients in January 2015 *Leo-sign*, an electronic system for concluding the rental agreements, from confirming the estimates to concluding agreements all on the web. As teleworking has become popular in the society in response to COVID-19, we expect increasing number corporate clients will utilize *Leo-sign* system. *Please refer to news release on November 5, 2020 (Japanese only).

The key to occupancy rate improvement is corporate contracts. We are shifting staffs to the Leasing Business to help strengthen the sales structure in preparation for the busy season. We are discussing with the corporate customers both face to face and non face to face in the following three scenarios: continue follow-up for existing corporate clients; approach the existing corporate clients to shore up our support to reverse their decreasing tenancy; re-approach previous corporate clients who stopped using Leopalace services.

Amid the increased demand for internet shopping and for delivery service leaving the goods in front of door, we employed *OKIPPA* system, a bag to accept delivered goods as a simple replacement for delivery locker for all units under management. This is to make use of our 570 thousand apartment rooms as social infrastructures and attempt to resolve social problem of energy-consuming redelivery and enhance the service level to the tenants. *Please refer to news release on October12, 2020 (Japanese only).

As to the practice of rent review which attracts stakeholders' attention, we have the lease agreements with the property owners which stipulates the regular rent review to keep the properness in accordance with the market every two years. We will take a step of reporting the current state of rent and apartment conditions to the apartment owners and if necessary go into the next step of proposing the revised rent considering the changes in the market rate and prevailing economic conditions. Act on Proper Management of Rental Housing, which controls the sublessors' business practices, will become effective on December 15, 2020. We will take proper steps in the rent revision process in accordance with the Act and other applicable laws and regulations as well as the lease agreements with the respective apartment owners.

We announced the fundraising arrangement amounting to about 57 billion yen with Fortress Group on September 30, 2020. The fundraising scheme comprises three parts: 12 billion yen of issuance of new shares through third party allotment, 30 billion yen of issuance of stock acquisition rights in connection with the loan with stock acquisition rights, and 15 billion yen of issuance of preferred stock by Leopalace Power Corporation, a consolidated subsidiary. The Fortress Group completed the payment on November 2, 2020 and their shareholding ratio became more than 25%. The Company examined the proposals by several potential investors and determined that the Fortress Group's fundraising scheme should best meet our needs as it minimizes the stock dilution impact, enables us to eliminate the excessive liabilities and realize improvement of the financial structure, and provides sufficient amount of funds at the soonest possible time with high degree of probability. We are using the funds for payment of repair work expenses related to construction defects, repayment of existing borrowings and redemption of bonds.

The completion ratio of repair works for the rooms requiring repairs stood at 21.2% as of the end of October. We disclosed the plan of reducing the number of vacant rooms suspended for tenant recruitment from about 50,000 rooms at the beginning of the current fiscal year to about 30,000 by the end of the fiscal year. The reduction of 20,000 vacant rooms corresponds to 3.5% increase of occupancy rate.

We had to temporarily decrease the scale of repair works and organizational setup from July 2020 in order to focus on the business recovery. Our policy, however, remains unchanged to put priority on resolving the construction defects problem.

We are preparing ourselves to continue to handle the construction defects utilizing the funds sourced from Fortress Group and make efforts in regaining the trust of society.

Finally, we have not revised the earnings forecast for fiscal year ending March 2021 which we announced in June 2020. We are making efforts to improve the profitability by increasing the rent revenue through occupancy rate improvement as a result of sales activities stimulating corporate demand as well as by reduced personnel expenses reflecting the outcome of voluntary retirement program and curtailment in the other fixed cost

We are in the middle of discussing the measures for repairing the construction defects and improving the occupancy rates together with Fortress Group and preparing the plans as a consequence. We will announce the plans in the future when needed.

Amid the continuing tough operating conditions, we strive to improve financial results and regain the trust of all shareholders. Thank you very much for your attention.

## Summary of Financial Results for the First Half of Fiscal Year Ending March 2021

Takekura:

Thank you for joining us today for the briefing of Leopalace21 Corporation's financial results for 1H fiscal year ending March 2021. I am Shinji Takekura, who was appointed as Senior Department Manager of the Corporate Planning Department in October 2020.

Now I am going to explain the financial results. Please prepare presentation materials with you.

Please refer to page 7.

I will explain the progress of repair works of construction defects on the properties that we built.

As of the end of October, we identified 13,624 defective buildings with obvious defects, which accounts for 34.9% of the total number of 39,085 buildings. 13,624 buildings correspond to 216,269 rooms and the number of rooms requiring repairs is 195,234, which is the result of deducting the number of rooms without defects from the total number of rooms of the buildings with obvious defects. The number of rooms requiring repairs include the rooms which have not yet investigated because of the tenant occupancy reasons. The repair completion ratio as of end of October was 21.2% on the premise of all 195,234 to be repaired.

We wrote off provision of reserve for losses related to repairs of 51.9 billion yen as of end of September and recorded loss related to repairs of 1.7 billion yen for tools and material cost in extraordinary losses to cover the repairs.

We conducted combustion experiments on fire resistance performance, and detailed fire resistance performance for properties with minor defects was published in the September issue of Architectural Technologies, a specialized magazine.

Please refer to page 8.

Regarding measures to prevent recurrence, we have completed 30 items of the 50 action plans which we announced in August last year and are practicing for 16 items. Please refer the details to pages 9 to 11 if you have time.

Please refer to page 13.

This is an overview of financial results for the 1H of the current fiscal year. Due to the spread of COVID-19, our corporate customers constrained their usual practices of holding trainings and relocating employees which affected the demand for tenancy and resulted in stagnant occupancy rates. Consequently the respective numbers for the 1H as follow:

Net sales:

208.6 billion yen, a reduction of 12.8 billion yen YoY, down 4.9 billion yen against the plan.

Gross profit:

13.9 billion yen, an increase of 0.5 billion yen YoY, down 3.4 billion yen against the plan.

SG&A expenses:

26.6 billion yen, a decrease of 3.9 billion yen YoY, down 1.3 billion yen against the plan.

Operating loss:

12.6 billion yen, a reduction of loss by 4.5 billion yen YoY, down 2.0 billion yen against the plan.

Net loss:

17.5 billion yen, a reduction of loss by 6.8 billion yen YoY, down 3.8 billion yen against the plan.

From gross profit till Net loss, the results were positive compared to the previous fiscal year, but were negative compared to the plan. The main reason behind this is the impact of COVID-19, and the occupancy rates were badly affected and recovery was slower than the plan.

The main components of extraordinary income and extraordinary losses were as follows:

While extraordinary income amounted to 4.2 billion yen, including extraordinary income from the sale of investment securities and the sale of domestic real estate for lease, extraordinary losses amounted to 8.4 billion yen, including impairment loss of 3.7 billion yen from the sale of Leoplace Hotel Nagoya, loss related to repairs of 1.7 billion yen, and special severance allowance of 2.4 billion yen from the voluntary retirement. As a result, net loss of 17.5 billion yen was recorded.

Please refer to page 14. These are the results by segment.

As explained earlier, we recorded for the Leasing Business net sales of 199.7 billion yen (a decrease of 11.1 billion yen YoY and down 4.8 billion yen against the plan) as a result of a decline in demand for moving into apartments due to the spread of COVID-19. As a result of a greater-than-expected reversal of provision of reserve for apartment vacancy loss, gross profit was 13.9 billion yen, an increase of 700 million yen (gross profit margin ratio of 7%) and operating loss was 7.1 billion yen, a decrease of loss of 7.4 billion yen YoY.

In the Elderly Care Business, despite a slight impact on the use of day service and short stay due to

COVID-19, net sales were 7.2 billion yen, a decrease of 50 million yen YoY, and up 40 million yen compared to the plan. The operating loss was 200 million yen, but the numbers are broadly in line with the plan.

Other Businesses mainly consist of domestic hotel business and Guam resort business.
As a result of the downsizing of the business due to the sale of domestic hotels and the slump in the resort business due to restrictions on overseas travel because of the spread of COVID-19, net sales were 1.6 billion yen, a decrease of 1.6 billion yen and down 100 million yen against the plan. Operating loss was 600 million yen, an increase of loss of 500 million yen YoY and up 100 million yen compared to the plan. We have withdrawn from domestic hotels business following the sale of Hotel Leopalace Nagoya at the end of September 2020, and we will continue the efforts in the sale of Guam resort business at the soonest possible time.

Next, I will explain the details of each business.
First I will discuss the leasing business, please refer to page 16.

It shows the occupancy rate trends for the past 3 fiscal years and occupancy rate plan and results for the current fiscal year. The results overachieved the plan during Q1 and the results during Q2 did not meet the plan with 78.09% at the end of September 2020.

Looking into the occupancy rates by region as of the end of September which refers to page 58, Tokyo metropolitan area showed a negative 4 percentage points YoY, Kita-kanto a negative 3 percentage points, and Chubu a negative 3 percentage points, each of the regions made remarkable drop where the rent market rates were relatively high and we have seen good occupancy rates at normal times. Average occupancy from April till September was 79.26%, a decrease of 1.85 percentage points YoY.

Skipping several pages and please refer to page 35. It gives the changes in shares of occupied units by industry. As of the end of September, the number of corporate users was 251,468 rooms, a decrease of 12,354 rooms, down 4.7% YoY. By industry, tenancy declined across almost all industries, with the largest declines being in the services industry with a negative 10% and in staffing and outsourcing services with a negative 8.2%. To the contrary the construction industry recorded a solid year-on-year increase of 4.5%. Toward the end of the fiscal year, the Corporate Sales Departments are strengthening sales activities by focusing on industries that are performing well even in the COVID-19 epidemic.

Now look at page 36.

The graph shows the development of number of foreign national tenants. As of the end of September, the number of individual tenants with foreign nationality stood at 20,633, up 1.1% YoY. The number of contracts grew steadily until the end of March 2020, but the number of contracts stagnated in the current fiscal year due to the impact of COVID-19.

The estimated number of foreign tenants among corporate tenants is approximately 14 thousand as of the end of September. Along with foreign national individuals, the combined number is approximately 34 thousand rooms, and foreign national tenants account for 7 – 8% of the total number of contracted rooms.

Please refer to page 37.

We had a total of 141 directly managed leasing offices as of the end of October, comprising 134 domestic offices and 7 overseas offices. We reduced the number of offices by 48 YoY. As Bunya Miyao, President and CEO, explained at the beginning, we are further improving efficiency by switching the leasing operation from face-to-face to web-based agreements going forward, we can increase the number of contracts while reducing the fixed costs.

Please move to page 38.

It summarizes our web-related measures in the Leasing Business. On the left hand side you see the web-based rent agreement system for individual customers. We launched it in June last year and achieved a cumulative total of 1,080 cases through the end of September 2020. We are aiming for 20,000 contracts in the coming 12 months.

You will see Leo-sign in the upper side of right hand side, an electronic contract service for corporate customers. 28.9% of all corporate contracts in the 1H of the current fiscal year were concluded by use of Leo-sign. Non-face-to-face agreement conclusions are possible, which matches with the increasing trends of skipping seals on paper and online business in post-COVID-19 era.

Please have a look at pages 39, 40, and 41 where we describe the serviced for tenants.

The occupancy rate plan at the end of the current fiscal year is 86.52%. We intend to achieve the year-end occupancy rate target through strengthening the sales structure as a result of shifting staffs to the Leasing Business and through resuming tenant recruitment for properties with construction defects in prioritized regions with high occupancy demand.

Please refer to page 44.

The Development Business has been integrated to the Leasing segment starting from this fiscal year, and the Wealth Management Departments under the Leasing Division are providing follow-up for existing owners to maintain the relationship. We had branch offices with such follow-up responsibilities so far only in the areas where there is demand for apartment construction. The Wealth Management have a network of 65 branches nationwide as of the end of October. We provide careful follow-up activities not only for owners in the 3 major metropolitan areas, but also for owners in the regional cities.

Let us then move into the Elderly Care Business.

Please refer to page 48.

In the Kanto and Chubu regions, we operate 87 care facilities under the name of Azumi-en. As mentioned earlier, however, the use rates of day services and short stays gave negative 6-percentage-point growth and negative 5.5-percentage-point growth, respectively, due to the effects of COVID-19, which resulted in a decline in net sales and operating profit YoY. On the other hand, the occupancy rate of private nursing homes was 2.1 percentage points higher than the previous fiscal year. We continue to place the

Elderly Care Business as a strategic business, and we will work to improve earnings by continually improving operations.

Please see page 49.

Of the Other Businesses, the domestic hotel business and the Guam resort business are outlined.

In the domestic hotel business, both net sales and profits were significantly negative compared with the previous fiscal year due to the impact of the sale of three hotels in Sapporo, Sendai, and Fukuoka. In the current fiscal year, we operated only Hotel Leopalace Nagoya, but the occupancy rates were sluggish due to the impact of COVID-19. We completed the sale of the hotel in Nagoya at the end of September 2020, and we completely withdrew from the domestic hotel business.

The Guam resort business was also hit by COVID-19, and the average occupancy rate in the 1H was sluggish at 40.8%, a decrease of 11.5 points YoY. The Company has not changed its policy for the transfer it at the soonest possible time, while watching the global development of COVID-19 infection and its related impact.

I will explain our International Business on page 50.

As of the end of September, we had 15 offices in ASEAN and are continuing the local business with a total of 203 serviced apartments in 4 buildings in Thailand, Vietnam, Cambodia and Myanmar.

We operate 164 rooms at a total of 5 service offices in the Philippines, Myanmar, South Korea and Vietnam. We intend to sell all of our premises and will withdraw from the international business as soon as possible.

Next I will explain the trends in SG&A expenses and finances.

Please get back to page 18.

The bar graph on the right hand side compares the 1H of the current fiscal year with the 1H of the previous fiscal year. As a result of the attrition of employees and voluntary retirement, we managed to curtail personnel expenses, which resulted in a year-on-year reduction of 3.9 billion yen.

From the third quarter onward, we expect the increased sales commissions on a year-on-year basis in preparation for the busy season, but the effect of the voluntary retirement program implemented in the 1H will help our attempt of reducing overall SG&A expenses.

Please refer to page 19. I will explain the balance sheet.

The Company had a net liabilities of 17.1 billion yen as of end of September 2020, but the Company announced on September 30 that it would raise funds of approximately 57 billion yen from the Fortress Group, and confirmed the payment of funds on November 2. As a result, the current number of shares issued has become 329,389 thousand shares and amount of paid-in capital has become 81,282 million yen.

Total assets at the end of September were 153.3 billion yen, a decrease of 43.6 billion yen from the end of March 2020.

This was mainly attributable to a decrease of 26.4 billion yen in cash and cash equivalents, a decrease of 2.2 billion yen in real estate for sale in process, a decrease of 1.8 billion yen in securities and investment securities due to the sale of securities, and a decrease of 8.1 billion yen in land and buildings and structures due to the sale of real estate for lease and the recording of impairment losses.

Liabilities decreased by 24.8 billion yen from the end of March 2020 to 170.4 billion yen.
The decrease was primarily attributable to the following:
Long- and short-term advances received of 5.7 billion yen,
Interest-bearing debt of 5.3 billion yen,
Provision of reserve for losses related to repairs of 4.2 billion yen,
Provision of reserve for apartment vacancy loss of 3.7 billion yen.

As I mentioned earlier, excessive liabilities were 17.1 billion yen, which was mainly due to the recording of a net loss of 17.5 billion yen. The ratio of shareholders' equity to asset fell by 12 percentage points from the end of March, to minus 11.3%.

Page 20 is an excerpt of the statement of cash flows.
Cash flows from operating activities resulted in a net outflow of 27.9 billion yen.
It was primarily because of the following:
Net loss before adjusting income taxes of 17 billion yen,
Depreciation and amortization of 5.2 billion yen,
Impairment loss of 3.7 billion yen,
Loss related to repairs of 1.7 billion yen,
In addition,
Decrease in reserve for apartment vacancy loss of 3.7 billion yen,
Decrease in accounts payable of 5.2 billion yen,
Decrease in advances received of 5.7 billion yen,
Payment related to repairs of 5.6 billion yen.

Cash flows from investing activities resulted in a net inflow of 6.7 billion yen.
This was mainly due to 4.6 billion yen in proceeds from sale of investment securities and 3.9 billion yen in proceeds from sale of property, plant and equipment, which were offset by 1.3 billion yen in payment for purchase of property, plant and equipment such as furniture and fixtures for installation in apartments.

Cash flows from financing activities resulted in a net outflow of 5.2 billion yen, which was due to the repayment of interest-bearing debt including the redemption of bonds of 1.5 billion yen.

Finally, please refer to the shareholder composition on page 65.

The share of foreign corporations, etc., which exceeded 50% 2 years ago, fell sharply to 16.7% as of the end of September. Trust banking accounts, which are estimated to be domestic institutional investors, account for 9.9%. In addition, business corporations and other corporations account for 34.9% including Reno Group. The aggregated sum of the three as institutional investors is 61.5%.

Recently, as a result of the issuance of new shares through third party allotment, the Fortress Group's actual holdings have risen to more than 25%, while the Reno Group's holdings have gradually declined, as shown in the report on the Company's holdings of large amounts of shares, and the shareholder composition has changed.

This is all from Leopalace21 Corporation for our financial results for the 1H fiscal year ending March 2021.

Although the business environment are extremely challenging, we continue to carefully protect the social infrastructure of 570,000 units under management, overcome construction defects problem, and aim to be a company that will benefit our customers and other stakeholders over the medium to long term.

We look forward to your continued support and understanding. Thank you very much for your attention.

## QA Session

**Q1: Why didn't Leopalace21 change the earnings forecast despite the disappointing financial results for 1H fiscal year ending March 2021?**

Takekura:

We believe that we face challenging conditions to achieve the plan for fiscal year ending March 2021. The target of occupancy rate at the end of the fiscal year is a must-do as it provides a springboard for the next fiscal year and hence we did not make any revision in our earnings forecast for now. We are shifting the staff to the Leasing Business to strengthen the sales structure and the corporate sales teams are following the demand of corporate clients centering on those who perform well such as drugstore industry despite COVID-19 impact. We also re-approach previous corporate clients who stopped using Leopalace21 services to try to capture any business opportunities.

**Q2: The monthly occupancy rates tell that the actual results are underperforming against the monthly plans. What is the reason behind the underperformance and projection for the future?**

Takekura:

There are two major reasons behind about 2-percentage-point deficit. The first reason is the companies constrained their usual on-boarding training programs for new hires and employee relocations which would have driven the usual demand for apartment rooms. The second is the decrease in foreign national immigration due to restricted admission for foreign nationals in response to COVID-19. The foreign national tenants continued to increase up to March 2020 but the trends have changed after that due to COVID-19 impact. We are closely looking into the corporate clients and employing the suitable approaches considering the current state. As to how to capture the demand of foreign nationals, we obtain the information on new tenancy contracts for both business track and residence track. We aim to therefore improve the occupancy rates through meeting such demand of foreign nationals.

Miyao:

We specialize in the studio apartments with furniture and home appliances for single households and not for family use. The average tenancy is two years and tend to be shorter compared to apartments for family use. The average tenancy with corporate customers is less than two years whereas with individual customers over two years. Our clientele consists of 60% corporate customers which characterizes Leopalace21 and differentiates us from other competitors in the rental housing market. The fiscal year-end performance in meeting corporate demand is the starting point of forecasting the prospects of business performance for the next fiscal year. The business results for March 2020 were not what we planned due to the COVID-19 impact. The depressed demand in the companies for employee relocations and training programs hit our business significantly. We enjoyed the steady increase of foreign national tenants for the past years and currently suffer from restricted admission for foreign national immigration. As the corporate clients have consistent demand for hiring new talents as well as foreign national employees, we are continuing to lock-in our corporate clients depending on their respective conditions.

**Q3: Is there any synergy effect in business operation with Fortress Group apart from the fundraising? As Fortress Group is engaged in rental housing business and other real estate business in connection with Softbank Corporation Group, does Leopalace21 expect any synergy or may Fortress Group serve as a window for business opportunities?**

Takekura:

We have started the discussion with Fortress Group for business synergies after the completion of the funds payment on November 2, 2020. The discussions included sharing the method of sales promotion to attract new tenants as Village House under the umbrella of Fortress Group holds more than 100,000 rental housing. Another topic was improving the method of repairs as Village House has know-how of reforming because they maintain the rental housing. Their know-how may help us to increase the speed of repairs at decreased cost for efficiently handling the construction defects.

**Q4: Did you observe any changes in the demand for rental housing due to COVID-19? Did you see any impact which stemmed from deteriorated work conditions of the temporary workers affected by company policy such as reducing workforce in the food service industry?**

Takekura:

Please take a look at p.35 of the presentation materials. We saw an impact in staffing and outsourcing industry as well as food service industry and the number of rooms in those segments decreased sharply. In contrast, we saw an increased use of rooms centering on the construction industry. We are resuming tenant recruitment for the vacant rooms for which we suspended tenant recruitment. We offer those rooms for company dormitories and corporate housing as a part of convenient benefit program for the employees. We identified two major factors in our poor occupancy rate performance. Companies delayed their seasonal activities such as postponing the welcoming ceremony for new hires. Foreign technical intern trainees have been using the Leopalace21 apartment rooms. Our business have suffered significantly from the decrease in demand for the last six months and hence stagnated the occupancy rates.

**Q5: Did you get any positive feedback from the corporate market?**

Takekura:

From April till June, we missed out the usual corporate demand which is related to the training programs and employee relocations following the new hires joining the companies. From latter half of August we started to receive positive responses from the companies. Helped by an article on Architectural Technologies that reported the positive third-party assessment result on our minor defects of apartment buildings, we see recovery of demand from the corporate customers. The number of corporate contracts in September 2020 grew 15.4% compared to August result, which is encouraging. While the demand is mixed in the corporate market, some companies regard the Leopalace21 services as convenient and value them highly. We will make further sales drive to attract increasing number of corporate clients.

**Q6: What do you think about the possibility of sale of Guam resort?**

Takekura:

The COVID-19 still prevails in Asian countries and other regions. We expect therefore to focus on sale activities once we see more stabilized economic conditions despite COVID-19.

Miyao:

Guam remains locked-down and no tourists have been allowed since end of March 2020. The tour operators have cancelled all of their trips to Guam till November with some possibility of resuming the tours in the year-end. The potential purchasers therefore cannot visit the facilities and we do not think it is the time for us to make efforts. As we told to the public that we would like to sell Guam resort, the market understood our intention. We will not therefore hustle for now but take time to identify opportunities to sell.

**Q7: Leopalace21 managed to resolve the excessive liabilities by raising funds from Fortress Group. I am afraid though that the Company may suffer from heavy burden in debt repayment and will not be able to improve net income. If it is the case, wouldn't it be a better option to accept the temporal excessive liabilities and improve the profitability by your own effort from a longer perspective?**

Miyao:

I understood that your concern is based on the heavy interest payment burden related to the loan with stock acquisition rights. While it is true that we face the interest burden, we received lots of responses from worrying corporate clients and business partners at the time when we reported that the Company was close to be in the excessive liabilities for the fiscal year ended March 2020. There was a media report that Leopalace21 was announcing the excessive liabilities more than 10 billion yen just before our official announcement of financial results for Q1 fiscal year ending March 2021. There were lots of inquiries at the time of media report and hence we did not think that it is our option to allow the excessive liabilities and try to resolve them by our own efforts. To the contrary, our stakeholders including corporate clients value highly our fundraising arrangement as it eliminated the consolidated excessive liabilities and secure the funds for repairing the construction defects.

**Q8: How soon do you think the occupancy rates improve based on the accelerated progress of repairs using the funds sourced from Fortress? I would like to know the timeline schedule going forward.**

Ashida:

We are repairing the construction defects in accordance with the plan we announced at the end of August 2020. We will announce a plan for the new year by the end of December 2020. It is premature to present any concrete timeline at the moment, our priority is to repair the rooms in the high demand area in preparation for the busy months ahead so that we should be able to resume the tenant recruitment at the earliest possible time.

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