



B-lot Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending December 2020

August 21, 2020

Event Summary

[Company Name]	B-lot Co., Ltd.
[Event Type]	Earnings Announcement
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending December 2020
[Fiscal Period]	FY2020 Q2
[Date]	August 21, 2020
[Number of Pages]	21
[Time]	15:00 – 15:26 (Total: 26 minutes, Presentation: 26 minutes, Q&A: 0 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Makoto Miyauchi President

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Presentation

Greeting

...Q2 FY12/20...

We would like to express our sincere condolences to the families of those who have passed away due to the COVID-19.

In addition, we would like to extend our sympathies to the patients currently undergoing treatment, as well as their families, and sincerely thank all the medical workers who treat and care for those suffering from the COVID-19 around the world.

We join the rest of the world in hoping for an early end to the coronavirus infection, as well as for a quick restoration of socioeconomic activity.

we will continue working together to promote community and social contribution activities.

All members of B-lot Co., Ltd.



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Miyauchi: I am Makoto Miyauchi, President of B-lot Co., Ltd. Today, I will explain our results for Q2 of the fiscal year ending December 2020.

First of all, I would like to express my sincere sympathy to those affected by the COVID-19, their families, and the people concerned.

I would also like to express my heartfelt respect to the health care professionals and nursing care professionals who have been contributing to the health and welfare of the people on the frontline, and I also hope that this situation is brought under control as soon as possible, as we are feeling anxiety in everyday life.

The B-lot Group will work together as one to contribute to local communities and societies in order to contain the spread of COVID-19 as soon as possible and to restore social and economic activities.

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1. Progress toward our full-year target for consolidated net income budget.
Planning to sell large projects in the second half.
2. Reached a record high of JPY 37.7bn in the total balance of properties for sale.
Proactively purchase profitable property to secure rent income.
3. Offsetting the impact of COVID-19 through our core business.
Aiming to meet our full-year earnings forecast.
4. Acquisition of the company with Investment Management Business, Entrustment-Based Agency Services for Transactions, and authorization.
Expecting to start operation of REIT, that is to increase stable income and secure potential buyers.



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From here on, I will start my explanation.

First, I would like to outline the financial results.

Please see I-1 on page four, which is the summary of the results. As illustrated, we have four major points up to Q2.

First, we are making progress toward achieving the consolidated net income target for the full fiscal year. We plan to sell a large-scale project in the second half of the fiscal year.

Secondly, the balance of real estate for sale is JPY37.7 billion. We are proactively purchasing income-generating properties that can secure rent income.

Third, we will aim to achieve our full-year earnings forecasts by offsetting the impact of the COVID-19 pandemic with earning from our core business.

Fourth, we conducted an M&A with a company that has registered as an investment management business and received approval of entrustment-based agency services for transactions, et cetera. Aiming to launch REIT, we intend to increase stable revenues and secure promising buyer candidates.

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I-2. The impact of the COVID-19 infection

...Q2 FY12/20...

Segment		Impact	1H results, current status	
Investment development	Property acquisition	➢ Increase in number of projects introduced	➢ Acquisition of 21 rental income properties	
	Property sale	➢ Fewer transactions involving large-scale hotel; small and medium-sized hotels unaffected	➢ Sold eight	
	Development project	➢ Change in business plan	➢ Changed use of accommodation facilities, postponed development of nursing care facilities	
Consulting	Brokerage	➢ No transaction from overseas investors due to restrictions on movement	➢ Eight contracts closed, Market fluctuation producing opportunities	
	Consignment sales	➢ Model room closed for about two months	➢ Visitor numbers trending toward recovery, impact expected to be minor	
Management	Rent income	Housing	➢ Essentially unaffected	➢ Steadily accumulating of income from outsourced business and rents
		Stores/office	➢ Some negotiations, application of security deposits	➢ Impact minor, despite concerns about cancellations
		Lodging facility	➢ Income down due to closure	➢ Considering withdrawal from commission-only deals
	Golf courses		➢ Commission income down due to closure	➢ Use of system refinancing, number of visitors rebounding
Management (companywide)	Financing	➢ Public offering cancelled	➢ B-Lot group took out JPY4.1bn in long-term loans	
	Start-ups	➢ Successful M&A under more profitable circumstances	➢ On track for REIT launch	
		➢ Delay in crowdfunding business procedures	➢ Prioritizing investment in management resources	

~ Responding quickly to changes, thanks for all the supporting ~

I-2 is about the impact of the COVID-19 infections. I will spell out the details on this matter.

First, regarding Investment and Development Segment.

In terms of property acquisition, the number of projects brought in increased. In particular, we feel that there is an increase in information about properties that are highly likely to be sold. As a result, we have been able to acquire a total of 21 properties, all of which are rental income properties.

Regarding sale of properties, transactions for large-scale and hotel projects decreased. On the other hand, there has been no change in small- and medium-sized projects. As a result, a cumulative total of eight properties have been sold.

As for development projects, some business plans have been changed. For example, we have changed the use of our accommodations or postponed the development of our nursing care facilities.

Next is the Consulting Business.

Regarding brokerage, there were no transactions with overseas investors due to travel restrictions. This is a very disappointing result. On the other hand, a total of eight contracts have been concluded with domestic customers.

Regarding consignment sales, the show house has been closed for about two months due to the policies of the developers who construct large-scale condominiums. Currently, the number of visitors is on a recovery trend. As a result, the impact is expected to be minor.

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Next is the Management Business.

First is rent income. There is no impact on Residential-Related Business.

Next is store offices. We have received requests for negotiations from some customers, and have dealt with them using deposits or taking other measures. Regarding office-related rent income, related news has often been seen, but I do not feel that we have been greatly affected negatively. Some store tenants are asking for our support, and we are serving their requests. As mentioned, we are dealing with this matter by using deposits or taking other measures. There are concerns about the future if the spread of COVID-19 infection is prolonged, but I think the impact would be slight at present.

Unfortunately, lodging facilities are greatly affected. Income decreased due to the suspension of operations. We would like to consider withdrawing from projects on a full-commission basis.

For golf courses, some courses were closed. As a result, revenue from management contracts decreased. Subsequently, government-directed credit has been used, and additionally, the number of visitors is now recovering.

And Management, which is the company-wide Segment.

First of all, fund procurement. The public offering has been suspended. This was a great disappointment to us. In February, we announced a public offering of new shares, but we were impacted by the plummet of the overall stock prices of the Tokyo Stock Exchange, and had to terminate the offering. Instead, The Group borrowed a total of JPY4.1 billion in long-term debt.

Regarding new businesses. First of all, we were able to conduct M&A on more favorable terms. We are currently making steady progress toward the commencement of REIT operations as a result of this M&A. With regard to crowdfunding, procedures for approvals, et cetera, have been delayed. We would like to prioritize this and invest our management resources.

Generally speaking, we have been responding quickly to changes helped by the support from various people.

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Secure adequate cash and reduce fixed costs

We secured JPY 4.1bn in long-term working capital for the first half of the year.
We continue to prepare finances for future risks and opportunities and reduce fixed costs across the group.

Focus on enhancing value and refurbishment projects

Our group will continue to focus on the key areas of expertise: enhancing value and refurbishment projects.
We will prioritize the purchase of profitable properties that generate rental income.

Expanding stable income

We aim to expand stable sources of income and reinforce the management base.
To do so, we will leverage the asset management subsidiary and REIT incorporation we acquired.



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Next, I-3 talks about our future action policies against the COVID-19 pandemic.

These may be somewhat overlapping with what I already mentioned, and they are roughly classified into three items.

First, we will secure sufficient funds and reduce fixed costs. Fund procurement is currently centered on borrowing. In addition, with regard to fixed costs, we would like to cut the portion that can be reduced.

Second, we will focus on value-up and revitalization projects. We will put particular emphasis on the field of regeneration, one of our Group's strengths. We intend to focus on purchasing income-generating properties with specific rent income.

The third one is to increase stable earnings. By taking advantage of the management company we have acquired through M&A, we intend to grow our REIT and various other Asset Management Businesses, and eventually increase stable earnings and strengthen our management base.

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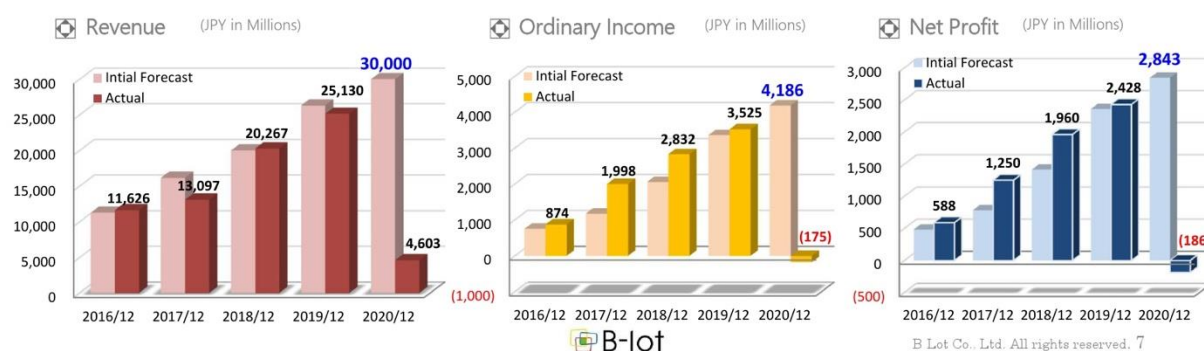


◆Medium-Term Targets (FY2020/12)

(JPY in Millions)

	Performance	Forecast Period	
	FY2019/12	FY2020/12	YoY change (%)
Consolidated Revenue	25,130	30,000	19.4
Consolidated Operating Profit	3,985	4,979	24.9
Consolidated Ordinary Income	3,525	4,186	18.7
Consolidated Net Profit	2,428	2,843	17.1

Net profits have surpassed initial forecasts for the 5 consecutive years since IPO.



I-4 is the full-year consolidated earnings forecast and the medium-term management plan.

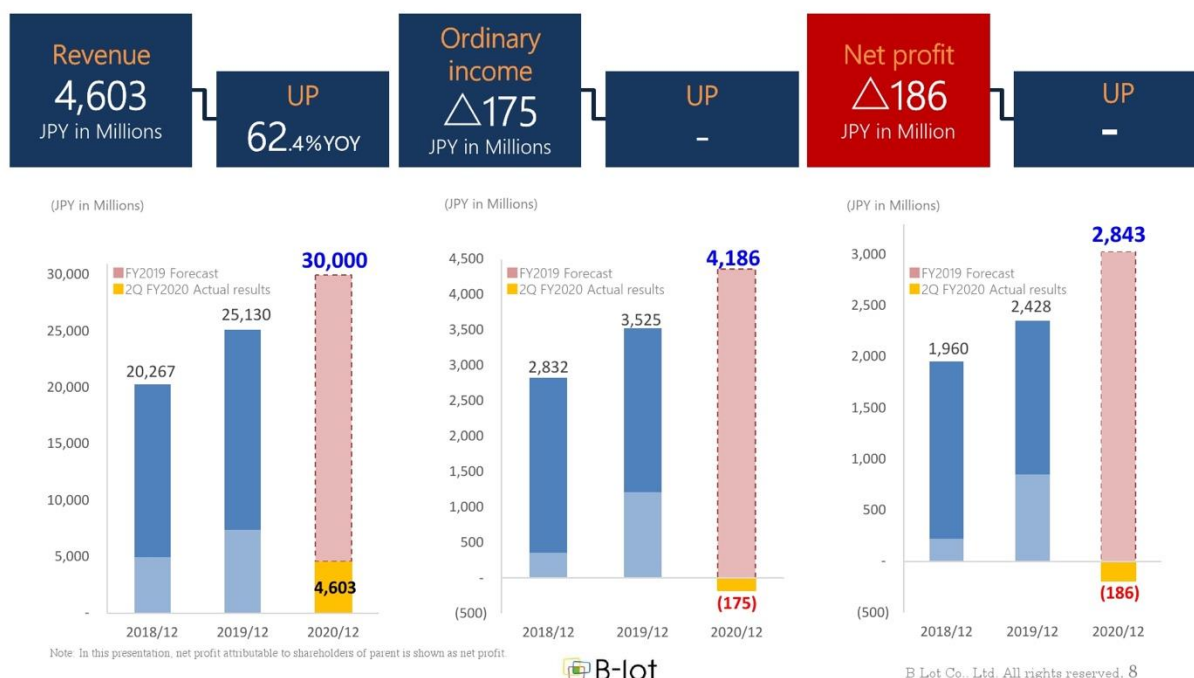
With no change from the beginning of the fiscal year, we aim to achieve net sales of JPY30 billion and net income of JPY2.843 billion.

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Net profit and other KPI shows a sound growth



I-5 is about consolidated financial highlights.

First of all, net sales are the leftmost. At the end of Q2, unfortunately net sales amounted to JPY4.603 billion, 62.4% YoY. The middle shows ordinary income. Unfortunately, this was a JPY175 million loss. The right-hand side shows net income. Unfortunately, this was also a JPY186 million loss.

At the end of Q2, we are still far from our annual target, but as I have explained, there are some large-scale properties in the second half, so I would like to work hard to achieve our full-year target.

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Consolidated P&L Summary				Consolidated BS Summary			
	2019/6.	2020/6.	YoY change		2019/12.	2020/6.	YoY change
(JPY in Millions)				(JPY in Millions)			
Revenue	7,375	4,603	△37.6%	Assets	33,555	51,165	52.5%
(1) Real Estate Investment and Development business	5,253	2,915	△44.5%	Current assets	29,881	46,988	57.2%
(2) Real Estate Consulting business	691	673	△2.6%	Fixed assets	3,650	4,149	13.7%
(3) Real Estate Management business	1,430	1,014	△29.1%	Deferred assets	23	27	17.2%
Gross profit	2,794	1,738	△37.8%	Liabilities	25,401	43,690	72.0%
SG&A	1,408	1,519	7.9%	Current liabilities	11,093	13,838	24.7%
Operating income	1,386	218	△84.2%	Fixed liabilities	14,308	29,851	108.6%
(1) Real Estate Investment and Development business	992	191	△80.7%	Net assets	8,154	7,475	△8.3%
(2) Real Estate Consulting business	476	263	△44.7%	Total liabilities and net assets	33,555	51,165	52.5%
(3) Real Estate Management business	466	320	△31.3%	The above revenue does not include internal transactions between segments. Consolidated balance sheet, including figures for LC Partners Co., Ltd. (now B-lot Asset Management Co., Ltd.)			
Other (company-wide expenses)	△550	△557	1.3%				
Ordinary income	1,211	△175	—				
Net profit for the period	854	△186	—				



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I-6 is a summary of consolidated P&L and B/S.

First, please see the consolidated P&L summary on the left-hand side. As I mentioned earlier, net sales are classified into three business segments.

First, Real Estate Investment and Development decreased by 44.5% YoY to JPY2.915 billion. In the previous fiscal year, there were four properties, but because they were very large properties, sales were large. We sold eight properties in the current fiscal year, but there were no large-scale properties, and this was reflected in the figure.

Second, Real Estate Consulting decreased 2.6% YoY to JPY673 million.

Third, Real Estate Management was JPY1.014 billion, a decrease of 29.1% YoY. This was affected by a decline in income, mainly from accommodation facilities.

Operating income also consists of three business segments.

First, Real Estate Investment and Development came to JPY191 million, a decrease of 80.7% YoY. This was due to a decrease in sales.

Second, Real Estate Consulting amounted to JPY263 million, down 44.7% YoY. This was due to our inability to do business with overseas investors with relatively high profit margins.

And third, Real Estate Management was JPY320 million, down 31.3% YoY. This is also due to the decrease in sales.

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Next, the right side describes the consolidated B/S summary. Assets, liabilities, and net assets. I will explain from the bottom one, net assets.

At the end of the fiscal year ended December 2019, net assets were JPY8.154 billion, but decreased by 8.3% to JPY7.475 billion. As I told you, we intended to make a public offering in February. Demand has been steadily growing, but we couldn't swim against the tide of the abrupt market change and had to suspend the public offering. As a result, net assets declined.

However, total assets increased 52.5% to JPY51.165 billion. The majority of these assets are current assets, and a significant increase in current assets came from real estate for sale. We were supposed to use net assets gained from the public offering as positive funds to build a sounder financial base. However, as we could not raise the funds, we relied on borrowings to procure funds and acquire real estate for sale. As a result, assets increased significantly.

As a result, total liabilities increased sharply by 72% to JPY43.69 billion. This is due to the growth in real estate for sale, but if you look at the details, you can see that fixed liabilities have doubled. We cover real estate for sale and current assets that may be sold within one year with fixed liabilities as much as possible. We are doing this.

II-1. Real Estate Investment Development Business

...Q2 FY12/20...

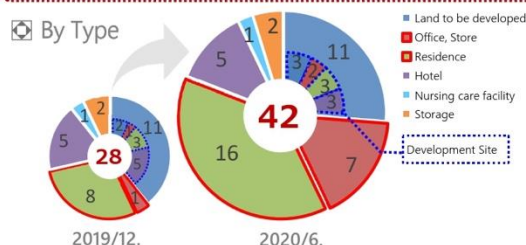
Business profit was JPY 191M(-80.7% YoY)

(JPY in Millions)

	2019/6	2020/6	YoY change
Revenue	5,253	2,915	△44.5%
Operating profit	992	191	△80.7%

Proactively purchase housing and offices, boosting the ratio to above 50% !

By Type



The outstanding balance of real estate for sale is record high



Sales of rental income investment property are holding steady !



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The following is a summary of our business. Here, I would like to discuss the details of the financial results for each of the three business segments.

First, please refer to the page titled II-1, Real Estate Investment and Development Business.

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The graph at the bottom left shows the trend in the balance of real estate for sale. This marked a new record high. At the end of the fiscal year ended December 2019, it was JPY19.9 billion, but it has grown to JPY37.7 billion. As I earlier explained, acquisition of a large-scale property has been proceeding smoothly, and this was reflected in the graph you see. We have plenty of properties for sale, and this is including large properties, which I will later explain in detail.

The upper right pie charts show the number of properties by type. It is clear that compared to the end of the fiscal year ended December 2019, residential real estate and office and store-related real estate are increasing. As a policy, we are working to acquire real estate with rent income. In addition, we are focusing on housing-related properties, which we are the best at, and properties from which we can earn most stable rent income.

The lower right picture shows a couple of properties that were sold by the end of Q2. This is not a large office or condominium, but we have sold them smoothly with profits.



Branch office is established in NAGOYA!

Four projects underway!



Arako / Residence

Total population
4th

House holds
4th

Birthrate
2th

~ Aichi in Japan ~

Office
3th

Employees
3th

Income
2th

Source: Aichi Prefecture "数字でわかる！あいちの姿" (Understanding the numbers of Aichi)"

Linear Chuo Shinkansen
to open in 2027!

Birth of Super Mega-Region
Becoming a huge economic metropolitan area

Mobile population
70M ppl

**Concentration of urban functions,
good liveable**

Passing on an attractive city to the next generation



Irinaka / Residence



Sakurayama / Residence



Amagasaka / Residence

The next page is about the establishment of the Nagoya Branch and four projects in progress.

At last this year, we have been able to set up a branch in Nagoya. The Nagoya Branch has already been handling these four properties. We intend to step up activities in the future, particularly in condominium buildings.

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Upcoming Properties



【Tokyo】Ebisu



【Tokyo】Gakugei-daigaku



【Tokyo】Hiro-o



【Tokyo】Ginza



【Tokyo】Ogikubo



【Kanagawa】Kamakura



【Hokkaido】Sapporo



【Osaka】Kozu



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The next page is the product lineup.

These are properties to be sold in the future, and include offices, condominiums, and retail stores. The majority of them are located in Tokyo area, but some are in Sapporo and Osaka where we have bases.

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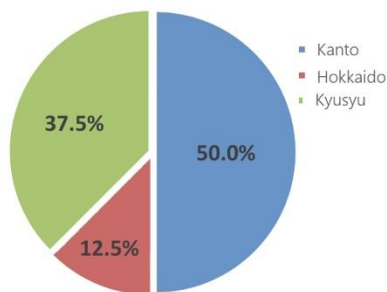


Business profit was JPY 263M(-44.7% YoY)

(JPY in Millions)

	2019/6.	2020/6.	YoY change
Revenue	691	673	△2.6%
Operating profit	476	263	△44.7%

Percentage of Brokerage/Consulting by area



*The above figures are in B-Lot (non-consolidated).

Collaboration with 7 major companies,
Handling sales of large, new-build condominiums

PROUD CITY HIYOSHI
Units as Sales Agent
1320 units
Along the Toyoko line
Housing/commerce/
health/learning
One of the largest housing
complex projects

野村不動産 関電不動産開発 Panasonic Homes パナソニックホームズ株式会社

BRANZ TOWER TOYOSU
Units as Sales Agent
1152 units
4 minutes walk from
Toyosu Station
A tower condo where
people have always
wanted to live

東急不動産 NIPPO 大成有楽不動産 JRB 西日本プロパティーズ

Next, I will move on to II-2, Real Estate Consulting Business.

As I explained earlier, it is a disappointment that we were unable to do business with overseas investors. Although there is an extremely large demand, we have not yet reached the conclusion of the contract because they are not able to actually see the property. I am not sure whether we will be able to reach the conclusion in the second half of the fiscal year, but I would like to achieve this.

The right side of the page shows two large-scale properties that we are involved with in our Consignment Sales Business. We have been entrusted to sell the two enormous condominiums, each of which provides more than 1,000 units, in collaboration with major developers.

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Business profit was JPY 320M(-31.3% YoY)

(JPY in Millions)

	2019/6.	2020/6.	YoY change
Revenue	1,430	1,014	△29.1%
Operating profit	466	320	△31.3%

Increase in number of repeat orders from existing customers



More stable income due to acquisition of asset management company

May	Acquisition of investment management company /REIT incorporation	July	Have investment advisory capabilities, merged with subsidiary
-----	--	------	---

Expansion of asset management business

1. 75% increase in assets under management
 2. More asset types increased
-
3. Expansion of customer segment from overseas to domestic investors
 4. Preparing to launch the REIT project. increase stable income and securing potential buyers

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Next is II-3, Real Estate Management Business.

The bottom left graph shows property management, which is our Real Estate Management Business. The number of tenants or the total leasable area has continued to increase steadily for many years. We believe that this will contribute to our stable profits.

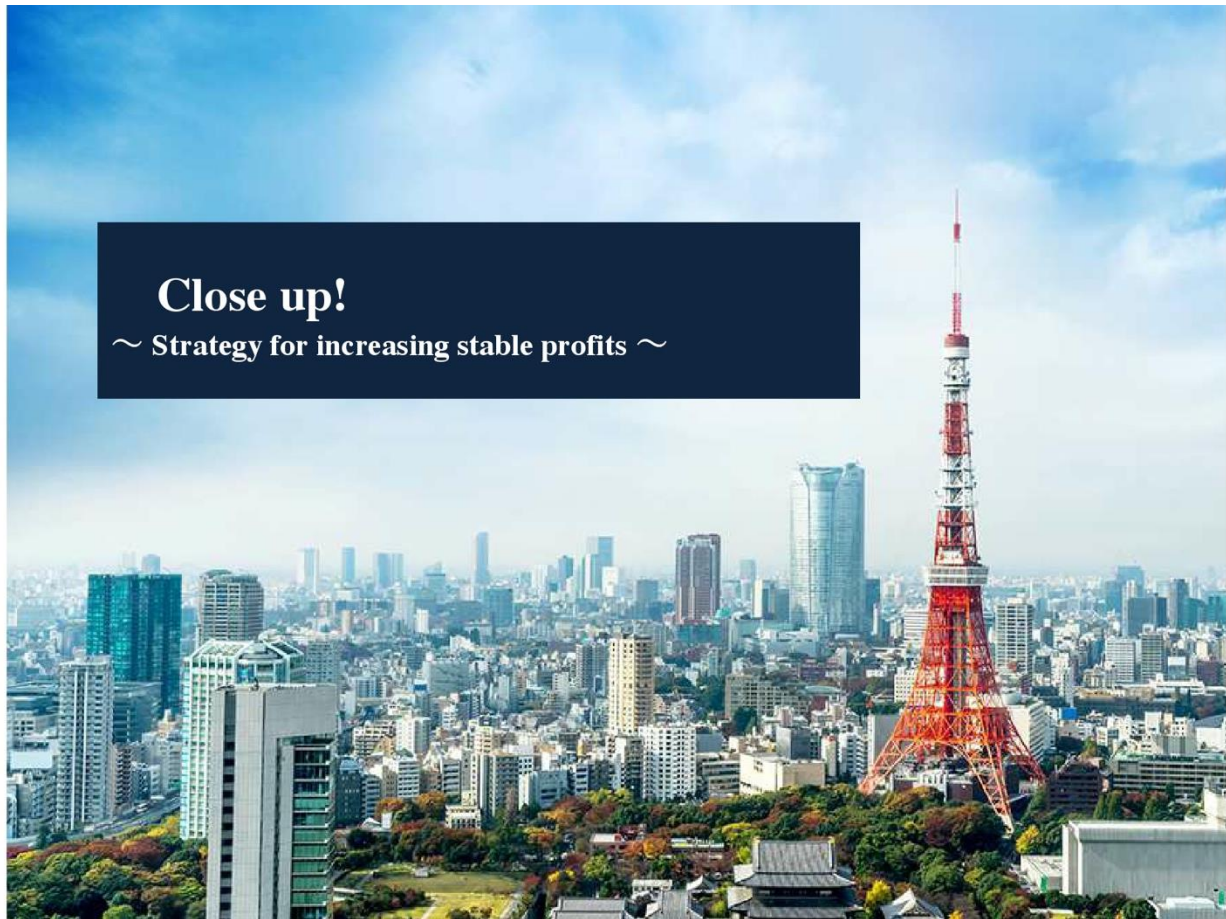
The right side explains about M&As of asset management companies. I explained this at the beginning, and will explain again in detail when I later talk about the featured topics. We have acquired a company that owns a Real Estate Investment Management Business. Together with this company, we merged our real estate management subsidiary in April. As a newly reborn B-lot Asset Management Co., Ltd., I would like to expand our Real Estate Management Business.

As a result of the merger, the balance of real estate asset management has increased. The number of facility type is also increasing. In addition, not only overseas investors, but also domestic investors are increasing. We also want to launch a REIT Business.

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Close up!
～ Strategy for increasing stable profits ～

I would like to talk about two featured topics regarding our Close up! strategies toward achieving stable earnings growth.

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Epoch
Making!

Over JPY10bn highest on record, acquisition of excellent property from REIT long-term holding !

Record acquisition
price
JPY10bn

Good location
**connected to
Station**

Stable
Profitable

Acquisition route
REIT > Major firm
Institution
Investor > B-lot



Basic information

Location	Toyotsu Town, Suita City, Osaka
Access	Midosuji Subway Line [Esaka Station] Directly connected
Type	Office/Store
Building	
Completion	March 1975
Building structure	SRC twenty-story building with two stories underground
Total floor area	33,316.53m ²
Land	
Site area	3,929.31m ²

Leveraging B-Lot's strengths

- 1 High proportion of tenants moved in after global financial crisis
strong lease-upgrade potential
- 2 Over 33,000 sqm, common space available
Realize potential value
- 3 Osaka branch established in 2019, utilize the network
Review maintenance costs to boost earnings

First, we have acquired a prime REIT property, which will be held for a long time, with a record high cost of over JPY10 billion. This is a large office building in Suita City, Osaka Prefecture, which was acquired in March this year. If you look at the photo, you can see how big it is.

The site is directly connected to Esaka Station, which is just the second stop from Shin-Osaka Station on the Midosuji subway line. This is not a new building, but the property was originally managed by a listed REIT investment firm for a long time with meticulous maintenance performed, so I think this is an excellent building.

We were able to acquire this property in March. We acquired this property because we believe our Group has the ability to generate more profits from this building.

Specifically speaking, there are many tenants who moved there in 2009 and 2010, which means that profitability is low due to the economy that was not very good at that time. We believe that there is a possibility of a significant increase in revenues by replacing these tenants.

In addition, since the building is huge, shared area is very spacious. We are currently considering measures to increase revenues by utilizing this.

We will also take a fresh look at costs. For better or for worse, since the listed REIT investment firm had held the building for a long time, there may be things that have been overlooked or issues left unaddressed.

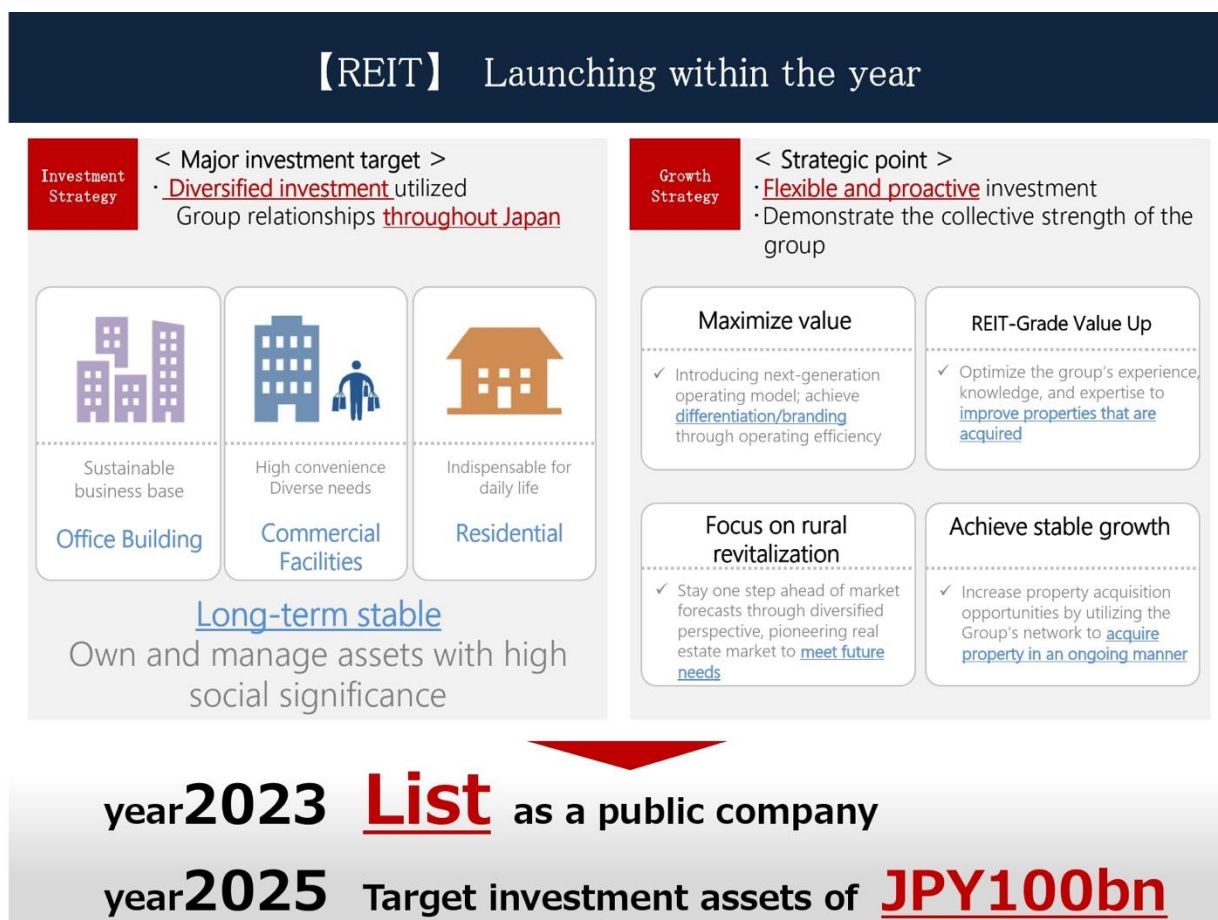
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We will increase the revenue while paying close attention to such points, and decrease the cost as much as possible. As a result, we are trying to increase revenues, calculated by subtracting expenses from income. I believe that if we keep doing such efforts, we will be able to raise its value considerably, and therefore, we have high expectations on the building as a property we work on during the current fiscal year.



The next page talks about the REIT, which will start operation by the end of the year.

I have repeatedly explained the operation of REIT. I think that the objective of operating REIT is to stably maintain it. The B-lot Business has grown for 10 years from its inception in 2008 to its listing on the First Section of the Tokyo Stock Exchange in 2018. Every time I have an opportunity, I have stated that I want to achieve stability, not to mention growth.

Again, I would like to achieve both growth and stability.

One of the measures to stabilize The Company was actually a capital increase through a public offering, but this has not been successful so far. In the future, I would like to make it a success for sure.

Another measure is REIT. If we are successful in REIT, roughly two long-term stability will be achieved.

The first is securing stable income. Rather than simply selling the asset, we receive management fees from the buyer on an ongoing basis. And the more assets the REIT increases, the more management fees we receive. In short, we would like to receive management fees for REIT with stability and growth.

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On the other hand, we will be able to stably secure buyer candidates. So far, we sold REIT once its revival or development was done, so relationships have not lasted long in most cases and we were unable to continue earning income. As I mentioned earlier, we will continue to receive management fees after we sell them. In addition, REIT can be expected to be the buyer of B-lot in the first place. And, again, for the B-lot Group's REIT to be stabilized, I would like to steadily increase the balance of assets under management.

In that sense, REIT is an extremely powerful weapon that stabilizes us.

This might make you think everybody should start with REIT Business, but getting a REIT license requires a lot of money and a lot of time. It is fortunate that we happened to get the license by means of M&A. And we would like to effectively use this opportunity.

Regarding investment strategy of the REIT, the synergy of the B-lot Group will enable us to expand into a variety of cities, mainly major cities throughout Japan. There are office buildings, commercial buildings, and residential buildings, but in the future, we are also likely to invest in accommodations or other properties when the market recovers.

We intend to stably hold and manage assets of high social significance over the long term.

As for our growth strategy, we intend to make flexible and aggressive investments. As I mentioned earlier, we will utilize The Group's comprehensive strengths. The B-lot Group specializes in the revitalization of properties. In addition to maximizing value, I would like to pursue REIT purchasing and reachability. There are cases where there are various problems such as legal problems of buildings or soil pollution. I believe that our role is to resolve these issues.

In addition, we would like to invest not only in major cities, but also in new areas that are attracting attention in tourism, et cetera. As a result, we intend to achieve stable growth.

First, we would like to start operating REIT in 2020 and list it in 2023. In 2025, we would like to increase the size of our assets under management to more than JPY100 billion.

We basically intend to hold this REIT as a long-term investment. I mentioned JPY100 billion in 2025, but we will increase steadily to JPY200 billion and JPY300 billion. As a result, the B-lot Group will be able to steadily increase the management fees of its subsidiaries. Even over the very long term, I think this will serve as an extremely strong weapon that firmly stabilizes us. I will devote every effort to doing this during this fiscal year.

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Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



Revenue and Profit Trends



Now, in summary, this fiscal year has been greatly affected by the COVID-19 pandemic, particularly for lodging facilities. In order to make up for absence of profits from this accommodation facilities, we would like to increase revenues from condominiums and offices and indeed we have good reasons to make it true.

In the current fiscal year, we will work hard and achieve our goals, and from the next fiscal year onward, we will secure stable profits with more growth, including REIT. This is my vision.

Although it has been a difficult time, I hope that you will continue to give us your guidance, support, and attention. I look forward to your continued support.

I would like to thank you for viewing Q2 financial results briefing for the fiscal year ending December 2020 of B-lot Co., Ltd.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked as follows: [Inaudible].
2. This document has been translated by SCRIPTS Asia.

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Tollfree 0120.966.744

North America 1.800.674.8375
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