



B-Lot / 3452

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company’s most recent earnings. First-time readers should start at the business section later in the report.

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Executive summary

Business overview

- B-Lot is a mid-sized real estate company with three core businesses: Real Estate Investment and Development, Real Estate Consulting, and Real Estate Management. The three founders have different areas of expertise and networks formed the company in October 2008: President Makoto Miyuchi with a forte in finance, Deputy President Shinichi Hasegawa, providing consulting to high net worth individuals and strong in customer development, and Deputy President Masahiro Mochizuki who has experience in property revitalization (acquisitions and sales). Previously, they managed a real estate company listed on the TSE First Section. In December 2014, B-Lot listed on the Tokyo Mothers market with 27 employees, in the shortest time for a real estate company established after the global financial crisis to list (six years and two months). In February 2018, the company transferred its listing to the TSE First Section.
- Backed by its property revitalization performance and six years of continuous revenue and earnings growth, B-Lot used private placement bonds and commitment line syndicated loans to boost leverage and grow (the net debt/equity ratio was 3.73 in FY12/16; average for 23 competitors with similar revenue was 1.45). Over the three years through FY12/16, revenue grew at a CAGR of 73.4% and operating profit 75.4%.
- Growth is driven by the Investment business (85.1% of revenue in FY12/16), where it sold 13–22 properties a year between FY12/14 and FY12/16 (the operating profit margin during this period was 14–17%). The company purchases troubled properties (typically single buildings) selling below value due to low profitability or issues with compliance, boosts asset value and profitability, and sells them. B-Lot also purchases land to develop new buildings. The company's sources and customers include high net worth individuals or their asset management companies, real estate companies, and funds. B-Lot handles various types of properties, including office buildings, condominiums, and hotels. Transactions range from JPY100mn to JPY3bn (average sale price per property was JPY624mn in FY12/16). The company is now diversifying into renovating compact hotels (size is between capsule hotels and business hotels) to be an early mover in capturing the boom in tourism to Japan. It mainly operates in major metropolitan areas including the Kanto region (Tokyo and the surrounding area; 56% of buildings sold in FY12/16), Hokkaido (25%), Kyushu (6%), and Kansai (13%).
- Consulting and Management segments are stable earners, generating 7.4% and 7.5% of revenue in FY12/16, and with OPM of 40% and 52%. They share the Investment segment's customer base. For one building B-Lot handles multiple transactions over many years. Many customers are repeaters and refer new customers. The company offers investors multiple services for each property in addition to brokering, including asset management, property management, and leasing management. Rental revenue from real estate for sale and from longer-term holdings of real estate for lease in the Investment segment is booked under the Management segment.

Trends and outlook

- In FY12/16, revenue was JPY11.6bn (+67.3% YoY), operating profit JPY1.2bn (+46.9%), recurring profit JPY874mn (+33.4%), and net income attributable to owners of parent JPY588mn (+46.9%).
- For FY12/17, the company forecasts revenue of JPY13.0bn (+11.8% YoY), operating profit of JPY2.3bn (+92.7%), recurring profit of JPY1.9bn (+116.8%), and net income of JPY1.2bn (+99.2%).
- B-Lot has not released a medium-term plan, to enable flexibility in response to changing economic conditions. Its most important key performance indicator (KPI) is net income. B-Lot thinks that it needs to grow profit roughly 20% per annum to be seen as a growth company on the TSE Mothers. The company also aims to expand its sales bases in key cities in Japan and diversify assets handled, as well as expand overseas in the medium term, collaborating with its Singapore subsidiary. The company has already purchased Life Stage, which markets newly built condominiums to families and has different operating areas and business methods, as well as capsule hotel owner Viento Creation. It plans to continue proactive acquisitions.

Strengths and weaknesses

Shared Research thinks that the company's strengths are its three founders' different areas of expertise and networks; flexibility as a small, skillful team with a balance between focus and diversification; and having Makoto Miyauchi, the eldest son of Orix senior chairman Yoshihiko Miyauchi, as president. We think its weaknesses are that the company has not experienced a property downturn since its founding; a lack of experience in large projects; and lack of retained earnings (see Strengths and weaknesses).

Key financial data

Income statement (JPYmn)	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Est.
Revenue	494	1,338	2,231	3,709	6,951	11,627	13,000
YoY	-	170.9%	66.7%	66.3%	87.4%	67.3%	11.8%
Gross profit	-	327	617	937	1,556	2,621	
YoY	-	-	88.6%	51.9%	66.1%	68.4%	
GPM	-	24.4%	27.7%	25.3%	22.4%	22.5%	
Operating profit	-	85	218	378	800	1,175	2,264
YoY	-	-	157.0%	73.8%	111.5%	46.9%	92.7%
OPM	-	6.3%	9.8%	10.2%	11.5%	10.1%	17.4%
Recurring profit	6	78	183	295	655	874	1,896
YoY	-	1,229.7%	133.4%	61.7%	122.1%	33.4%	116.8%
RPM	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	14.6%
Net income	4	42	104	177	401	588	1,172
YoY	-	944.6%	149.8%	69.2%	126.8%	46.9%	99.2%
Net margin	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.0%
Per share data (JPY)							
Shares issued (year end; '000)	1	3	4	1,095	3,880	4,001	-
EPS	3,251	93	206.9	243.6	112.6	150.6	-
EPS (fully diluted)	-	-	-	206.9	105.6	148.2	-
Dividend per share	-	-	-	-	-	17.0	-
Book value per share	64,394	307	575.0	893.2	626.5	733.8	-
Balance sheet (JPYmn)							
Cash and cash equivalents	-	320	567	1,009	2,107	2,467	
Real estate for sale in process	-	556	399	2,807	6,070	10,323	
Total current assets	-	921	2,303	5,014	8,343	14,105	
Tangible fixed assets	-	60	56	51	822	832	
Investment and other assets	-	21	25	45	151	835	
Intangible fixed assets	-	159	158	157	659	813	
Total assets	281	1,160	2,543	5,268	9,985	16,626	
Short-term debt	-	62	737	2,749	1,296	4,289	
Total current liabilities	-	180	1,007	3,086	1,836	4,979	
Long-term debt	-	681	1,050	1,167	5,607	8,708	
Total fixed liabilities	-	721	1,086	1,205	5,717	8,828	
Total liabilities	-	900	2,093	4,291	7,553	13,806	
Net assets	94	260	449	978	2,431	2,819	
Cash flow statement (JPYmn)							
Cash flows from operating activities	-	-278	-859	-1,802	-1,681	-4,436	
Cash flows from investing activities	-	-225	-23	-220	-1,241	-922	
Cash flows from financing activities	-	722	1,129	2,463	4,019	5,717	
Financial ratios							
Total interest-bearing debt	-	743	1,787	3,916	6,903	12,997	
ROA (RP-based)	2.7%	10.9%	9.9%	7.6%	8.6%	6.6%	
ROE	5.0%	23.6%	29.4%	24.8%	23.5%	22.4%	
Equity ratio	33.5%	22.4%	17.7%	18.6%	24.4%	17.0%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Est.
Consolidated revenue	1,338	2,231	3,709	6,951	11,627	13,000
YoY	170.9%	66.7%	66.3%	87.4%	67.3%	
Real Estate Investment and Development	1,069	1,897	3,237	6,137	9,977	
YoY	-	77.4%	70.6%	89.6%	62.6%	
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%	
No. of properties sold	14	11	22	13	16	
YoY	-	-21.4%	100.0%	-40.9%	23.1%	
<By type of property>						
Residential	na	8	18	7	8	
% of consolidated revenue	na	72.7%	81.8%	53.8%	50.0%	
Offices and stores	na	3	4	4	5	
% of consolidated revenue	na	27.3%	18.2%	30.8%	31.3%	
Land for detached houses	na	-	-	1	2	
% of consolidated revenue	na	-	-	7.7%	12.5%	
Hotels	na	-	-	1	1	
% of consolidated revenue	na	-	-	7.7%	6.3%	
<By region>						
Kanto	na	9	na	8	9	
% of consolidated revenue	na	81.8%	na	61.5%	56.3%	
Hokkaido	na	2	na	3	4	
% of consolidated revenue	na	18.2%	na	23.1%	25.0%	
Kyushu	na	-	na	1	1	
% of consolidated revenue	na	-	na	7.7%	6.3%	
Kansai	na	-	na	1	2	
% of consolidated revenue	na	-	na	7.7%	12.5%	
Revenue per property sold	76	172	147	472	624	
YoY	-	125.8%	-14.7%	220.9%	32.1%	
Real Estate Consulting	192	146	197	171	862	
YoY	-	-24.1%	35.1%	-13.1%	403.2%	
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%	
No. of brokerage deals	25	28	20	29	31	
YoY	-	12.0%	-28.6%	45.0%	6.9%	
<By region>						
Kanto	na	19	7	15	19	
% of consolidated revenue	na	67.9%	35.0%	51.7%	61.3%	
Hokkaido	na	7	8	8	7	
% of consolidated revenue	na	25.0%	40.0%	27.6%	22.6%	
Kyushu	na	-	3	4	4	
% of consolidated revenue	na	-	15.0%	13.8%	12.9%	
Kansai, others	na	2	2	2	1	
% of consolidated revenue	na	7.1%	10.0%	6.9%	3.2%	
Real Estate Management	77	188	275	642	882	
YoY	-	144.9%	46.5%	133.2%	37.3%	
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%	
No. of properties managed	20	31	36	40	48	
YoY	-	55.0%	16.1%	11.1%	20.0%	
<By region>						
Kanto	na	14	15	17	20	
% of consolidated revenue	na	50.0%	75.0%	58.6%	64.5%	
Hokkaido	na	9	12	14	18	
% of consolidated revenue	na	32.1%	60.0%	48.3%	58.1%	
Kyushu	na	8	9	9	10	
% of consolidated revenue	na	-	45.0%	31.0%	32.3%	
Adjustments	-	-	-	-	-94	
Consolidated operating profit	85	218	378	800	1,175	2,264
YoY	-	157.0%	73.8%	111.5%	46.9%	92.7%
Real Estate Investment and Development	120	311	465	840	989	
YoY	-	157.9%	49.6%	80.8%	17.8%	
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%	
OPM	11.3%	16.4%	14.4%	13.7%	9.9%	
Real Estate Consulting	71	58	79	58	346	
YoY	-	-18.9%	36.8%	-26.5%	496.9%	
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%	
OPM	37.0%	39.5%	40.0%	33.8%	40.1%	
Real Estate Management	3	46	89	284	458	
YoY	-	1319.8%	94.0%	219.9%	61.6%	
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%	
OPM	4.2%	24.3%	32.2%	44.2%	52.0%	
Adjustments	-110	-196	-254	-381	-619	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Number of properties acquired	11	20	18	19	23
YoY	-	81.8%	-10.0%	5.6%	21.1%
<By type of property>					
Residential	na	na	na	9	8
% of total properties acquired	na	na	na	47.4%	34.8%
Offices and stores	na	na	na	4	5
% of total properties acquired	na	na	na	21.1%	21.7%
Land for development	na	na	na	4	10
% of total properties acquired	na	na	na	21.1%	43.5%
Other	na	na	na	2	-
% of total properties acquired	na	na	na	10.5%	-
<By region>					
Kanto	na	na	na	11	13
% of total properties acquired	na	na	na	57.9%	56.5%
Hokkaido	na	na	na	5	1
% of total properties acquired	na	na	na	26.3%	4.3%
Kyushu	na	na	na	1	6
% of total properties acquired	na	na	na	5.3%	26.1%
Kansai	na	na	na	2	3
% of total properties acquired	na	na	na	10.5%	13.0%

Source: Shared Research based on company data

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Inventories for sale (year end)	577	1,691	3,403	6,070	11,393
YoY	-	193.1%	101.3%	78.3%	87.7%
Number of properties	na	16	12	18	25
YoY	-	-	-25.0%	50.0%	38.9%
<By use>					
Land (including land for development)	na	na	3	6	12
YoY	na	na	-	100.0%	100.0%
% of inventories for sale	na	na	25.0%	33.3%	48.0%
Offices and stores	na	na	2	2	3
YoY	na	na	-	0.0%	50.0%
% of inventories for sale	na	na	16.7%	11.1%	12.0%
Residential	na	na	6	8	8
YoY	na	na	-	33.3%	0.0%
% of inventories for sale	na	na	50.0%	44.4%	32.0%
Hotel, accomodation related	na	na	1	1	1
YoY	na	na	-	0.0%	0.0%
% of inventories for sale	na	na	8.3%	5.6%	4.0%
Nursing care facilities	na	na	-	1	1
YoY	na	na	-	-	0.0%
% of inventories for sale	na	na	-	5.6%	4.0%
<By region>					
Kanto	na	na	7	10	14
YoY	na	na	-	42.9%	40.0%
% of inventories for sale	na	na	58.3%	55.6%	56.0%
Hokkaido	na	na	4	6	3
YoY	na	na	-	50.0%	-50.0%
% of inventories for sale	na	na	33.3%	33.3%	12.0%
Kyushu	na	na	1	1	6
YoY	na	na	-	0.0%	500.0%
% of inventories for sale	na	na	8.3%	5.6%	24.0%
Kansai	na	na	-	1	2
YoY	na	na	-	-	100.0%
% of inventories for sale	na	na	-	5.6%	8.0%
Inventory value per property	na	106	284	337	456
YoY	-	-	168.4%	18.9%	35.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Recent updates

Highlights

On **February 2, 2018**, B-Lot Co., Ltd. announced that its listing was transferred to the First Section of the Tokyo Stock Exchange from Mothers.

On **January 23, 2018**, the company announced the launch of an after-hours share sale.

- ▷ Number of shares to be offered: 123,000 shares
- ▷ Launch date: January 24, 2018
- ▷ Sale price: JPY2,610 (Based on the closing price of JPY2,683 on January 23, 2018, with 2.72% discount)

On **January 19, 2018**, the company announced plans for an after-hours share sale.

- ▷ Number of shares expected to be offered: 123,000 shares
- ▷ Timeframe: January 24, 2018 through January 31, 2018
- ▷ Sale price: Based on closing price of day prior to the transaction or closing bid price
- ▷ Limit on purchase application: Limit 100 shares per individual buyer (trading unit: 100 shares)
- ▷ Exchange where transaction will take place: Tokyo Stock Exchange
- ▷ Purpose: The company already submitted an application for a transfer of listing to the First Section of the Tokyo Stock Exchange from Mothers. With this after-hours share sale, the company aims to meet the listing transfer criteria, improve its share distribution, and increase liquidity of its shares. Note that the transfer to the First Section may not be approved if the company does not satisfy the criteria for any reason

On **January 17, 2018**, Shared Research initiated coverage of the company.

For corporate releases and developments more than three months old, see the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative (JPYmn)	FY12/15				FY12/16				FY12/17				FY12/17	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	2,858	3,235	4,305	6,951	684	4,192	5,973	11,627	2,021	5,270	6,263		48.2%	13,000
YoY	-	-	-	-	-76.1%	29.6%	38.8%	67.3%	195.6%	25.7%	4.8%			11.8%
Gross profit	554	705	1,075	1,556	384	913	1,563	2,621	715	1,670	2,191			
YoY	-	-	-	-	-30.8%	29.5%	45.4%	68.4%	86.4%	83.0%	40.2%			
GPM	19.4%	21.8%	25.0%	22.4%	56.1%	21.8%	26.2%	22.5%	35.4%	31.7%	35.0%			
SG&A expenses	187	373	562	756	196	399	895	1,446	556	1,050	1,541			
YoY	-	-	-	-	4.8%	7.2%	59.1%	91.2%	183.0%	162.9%	72.3%			
SG&A ratio	6.6%	11.5%	13.1%	10.9%	28.7%	9.5%	15.0%	12.4%	27.5%	19.9%	24.6%			
Operating profit	367	332	512	800	187	513	668	1,175	160	620	649		28.7%	2,264
YoY	-	-	-	-	-49.0%	54.4%	30.5%	46.9%	-14.8%	20.7%	-2.8%			92.7%
OPM	12.8%	10.3%	11.9%	11.5%	27.4%	12.2%	11.2%	10.1%	7.9%	11.8%	10.4%			17.4%
Recurring profit	340	273	405	655	133	393	493	874	77	441	372		19.6%	1,896
YoY	-	-	-	-	-61.0%	44.1%	21.7%	33.4%	-42.0%	12.3%	-24.6%			116.8%
RPM	11.9%	8.4%	9.4%	9.4%	19.4%	9.4%	8.3%	7.5%	3.8%	8.4%	5.9%			14.6%
Net income	218	173	252	401	81	273	323	588	63	304	263		22.4%	1,172
YoY	-	-	-	-	-62.8%	57.8%	27.8%	46.9%	-22.9%	11.4%	-18.5%			99.2%
Net margin	7.6%	5.3%	5.9%	5.8%	11.9%	6.5%	5.4%	5.1%	3.1%	5.8%	4.2%			9.0%

Quarterly (JPYmn)	FY12/15				FY12/16				FY12/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,858	376	1,070	2,646	684	3,508	1,781	5,654	2,021	3,249	993	
YoY	-	-	-	-	-76.1%	832.3%	66.4%	113.7%	195.6%	-7.4%	-44.3%	
Gross profit	554	150	370	482	384	529	650	1,058	715	955	521	
YoY	-	-	-	-	-30.8%	251.4%	75.9%	119.6%	86.4%	80.5%	-19.9%	
GPM	19.4%	40.0%	34.5%	18.2%	56.1%	15.1%	36.5%	18.7%	35.4%	29.4%	52.5%	
SG&A expenses	187	185	190	194	196	203	495	551	556	495	491	
YoY	-	-	-	-	4.8%	9.5%	161.1%	184.5%	183.0%	143.5%	-0.8%	
SG&A ratio	6.6%	49.3%	17.7%	7.3%	28.7%	5.8%	27.8%	9.7%	27.5%	15.2%	49.5%	
Operating profit	367	-35	180	288	187	326	155	507	160	460	30	
YoY	-	-	-	-	-49.0%	-	-13.9%	76.0%	-14.8%	41.2%	-80.8%	
OPM	12.8%	-	16.8%	10.9%	27.4%	9.3%	8.7%	9.0%	7.9%	14.2%	3.0%	
Recurring profit	340	-67	133	250	133	260	101	381	77	364	-69	
YoY	-	-	-	-	-61.0%	-	-24.3%	52.4%	-42.0%	40.0%	-	
RPM	11.9%	-	12.4%	9.4%	19.4%	7.4%	5.6%	6.7%	3.8%	11.2%	-	
Net income	218	-45	79	148	81	192	50	266	63	241	-41	
YoY	-	-	-	-	-62.8%	-	-37.4%	79.3%	-22.9%	25.9%	-	
Net margin	7.6%	-	7.4%	5.6%	11.9%	5.5%	2.8%	4.7%	3.1%	7.4%	-	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Segments (cumulative) (JPYmn)	FY12/15				FY12/16				FY12/17				FY12/17	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Consolidated revenue	2,858	3,235	4,305	6,951	684	4,192	5,973	11,627	2,021	5,270	6,263		48.2%	13,000
YoY	-	-	-	-	-76.1%	29.6%	38.8%	67.3%	195.6%	25.7%	4.8%			11.8%
Real Estate Investment and Development	2,739	2,955	3,746	6,137	330	3,578	4,835	9,977	1,449	4,175	4,652			
YoY	-	-	-	-	-88.0%	21.1%	29.1%	62.6%	339.1%	16.7%	-3.8%			
% of consolidated revenue	95.8%	91.4%	87.0%	88.3%	48.3%	85.4%	80.9%	85.8%	71.7%	79.2%	74.3%			
Real Estate Consulting	20	50	121	171	139	159	482	768	374	641	958			
YoY	-	-	-	-	611.6%	219.4%	298.5%	348.1%	168.3%	302.2%	98.7%			
% of consolidated revenue	0.7%	1.5%	2.8%	2.5%	20.4%	3.8%	8.1%	6.6%	18.5%	12.2%	15.3%			
Real Estate Management	100	229	438	642	214	455	656	882	198	455	652			
YoY	-	-	-	-	115.4%	98.1%	49.9%	37.3%	-7.6%	0.1%	-0.6%			
% of consolidated revenue	3.5%	7.1%	10.2%	9.2%	31.3%	10.8%	11.0%	7.6%	9.8%	8.6%	10.4%			
Consolidated operating profit	367	332	512	800	187	513	668	1,175	160	620	649		28.7%	2,264
YoY	-	-	-	-	-49.0%	54.4%	30.5%	46.9%	-14.8%	20.7%	-2.8%			92.7%
Real Estate Investment and Development	428	426	536	840	64	340	485	989	132	614	603			
YoY	-	-	-	-	-85.1%	-20.1%	-9.5%	17.8%	107.2%	80.3%	24.4%			
% of consolidated operating profit	90.1%	79.2%	66.4%	71.1%	22.6%	47.8%	46.2%	55.2%	32.9%	58.2%	47.9%			
OPM	15.6%	14.4%	14.3%	13.7%	19.3%	9.5%	10.0%	9.9%	9.1%	14.7%	13.0%			
Real Estate Consulting	0	3	44	58	103	125	221	346	172	222	320			
YoY	-	-	-	-	-	-4489.7%	407.4%	496.9%	67.3%	78.4%	44.9%			
% of consolidated operating profit	0.0%	0.5%	5.4%	4.9%	36.7%	17.5%	21.0%	19.3%	43.1%	21.1%	25.4%			
OPM	0.4%	5.4%	36.0%	33.8%	74.0%	78.2%	45.8%	45.1%	46.1%	34.7%	33.4%			
Real Estate Management	47	109	227	284	114	246	344	458	96	218	337			
YoY	-	-	-	-	143.7%	125.8%	51.5%	61.6%	-15.8%	-11.5%	-2.2%			
% of consolidated operating profit	9.9%	20.3%	28.2%	24.0%	40.7%	34.6%	32.8%	25.6%	24.0%	20.7%	26.7%			
OPM	47.1%	47.6%	51.9%	44.2%	53.3%	54.2%	52.4%	52.0%	48.6%	47.9%	51.6%			
Adjustments	-108	-206	-294	-381	-94	-199	-382	-619	-241	-435	-610			

Segments (quarterly) (JPYmn)	FY12/15				FY12/16				FY12/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consolidated revenue	2,858	376	1,070	2,646	684	3,508	1,781	5,654	2,021	3,249	993	
YoY	-	-	-	-	-76.1%	832.3%	66.4%	113.7%	195.6%	-7.4%	-44.3%	
Real Estate Investment and Development	2,739	216	791	2,391	330	3,248	1,257	5,143	1,449	2,725	478	
YoY	-	-	-	-	-88.0%	1403.5%	58.9%	115.1%	339.1%	-16.1%	-62.0%	
% of consolidated revenue	95.8%	57.4%	73.9%	90.4%	48.3%	92.6%	70.5%	91.0%	71.7%	83.9%	48.1%	
Real Estate Consulting	20	30	71	50	139	20	323	286	374	267	317	
YoY	-	-	-	-	611.6%	-33.9%	354.1%	467.3%	168.3%	1233.3%	-1.7%	
% of consolidated revenue	0.7%	8.1%	6.6%	1.9%	20.4%	0.6%	18.1%	5.1%	18.5%	8.2%	32.0%	
Real Estate Management	100	130	209	204	214	240	202	225	198	257	197	
YoY	-	-	-	-	115.4%	84.9%	-3.2%	10.4%	-7.6%	6.9%	-2.2%	
% of consolidated revenue	3.5%	34.5%	19.5%	7.7%	31.3%	6.8%	11.3%	4.0%	9.8%	7.9%	19.9%	
Consolidated operating profit	367	-35	180	288	187	326	155	507	160	460	30	
YoY	-	-	-	-	-49.0%	-	-13.9%	76.0%	-14.8%	41.2%	-80.8%	
OPM	12.8%	-9.3%	16.8%	10.9%	27.4%	9.3%	8.7%	9.0%	7.9%	14.2%	3.0%	
Real Estate Investment and Development	428	-2	109	304	64	277	144	505	132	482	-11	
YoY	-	-	-	-	-85.1%	-	31.9%	65.8%	107.2%	74.1%	-	
% of consolidated operating profit	90.1%	-3.5%	40.8%	81.1%	22.6%	64.3%	42.7%	67.8%	32.9%	73.7%	-5.3%	
OPM	15.6%	-1.0%	13.8%	12.7%	19.3%	8.5%	11.5%	9.8%	9.1%	17.7%	-2.3%	
Real Estate Consulting	0	3	41	14	103	22	96	125	172	50	97	
YoY	-	-	-	-	-	-718.1%	135.5%	766.4%	67.3%	131.4%	1.3%	
% of consolidated operating profit	0.0%	4.2%	15.2%	3.9%	36.7%	5.0%	28.4%	16.8%	43.1%	7.6%	47.5%	
OPM	0.4%	8.7%	57.4%	28.7%	74.0%	107.8%	29.7%	43.8%	46.1%	18.7%	30.7%	
Real Estate Management	47	62	118	56	114	132	98	114	96	122	119	
YoY	-	-	-	-	143.7%	112.4%	-17.2%	102.2%	-15.8%	-7.9%	21.4%	
% of consolidated operating profit	9.9%	99.3%	44.0%	15.1%	40.7%	30.7%	28.9%	15.4%	24.0%	18.6%	57.8%	
OPM	47.1%	47.9%	56.6%	27.7%	53.3%	55.0%	48.4%	50.7%	48.6%	47.4%	60.0%	
Adjustments	-108	-98	-88	-87	-94	-105	-183	-237	-241	-194	-175	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cumulative Q3 FY12/17 results (out November 13, 2017)

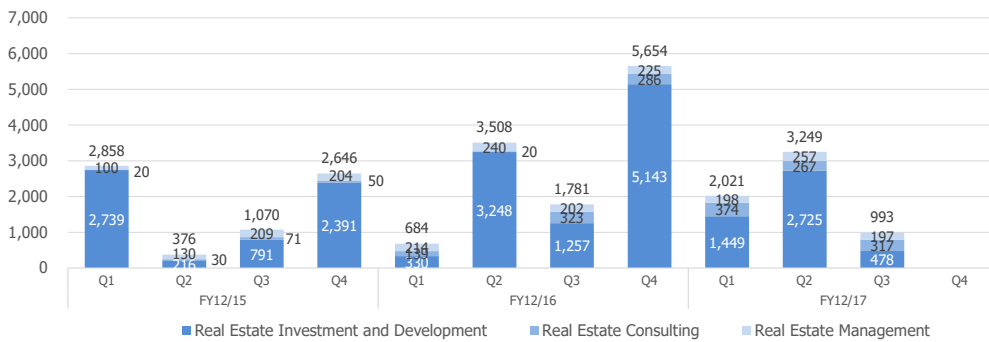
Summary

In cumulative Q3 FY12/17, the company reported revenue of JPY6.3bn (+4.8% YoY), operating profit of JPY649mn (-2.8%), recurring profit of JPY372mn (-24.6%), and net income attributable to owners of parent of JPY263mn (-18.5%). Progress toward initial full-year forecasts (prior to revisions on November 28, 2017) was revenue 38.8% (51.4% of FY12/16 results in Q3 FY12/16), operating profit 43.5% (56.9%), recurring profit 31.7% (56.4%), and net income attributable to owners of parent 33.7% (54.8%). The inventory of real estate for sale (including real estate for sale in process) was JPY13.4bn (+JPY2.0bn vs the start of the fiscal year). The company planned to sell large properties in Q4 FY12/17, starting with a hotel (including retail space) in Shinjuku, Tokyo.

Revenue

Up 4.8% YoY (breakdown: Real Estate Investment and Development -3.8%, Real Estate Consulting +90.3%, and Real Estate Management -0.6%). Consulting drove revenue growth.

Quarterly revenue (JPYmn)

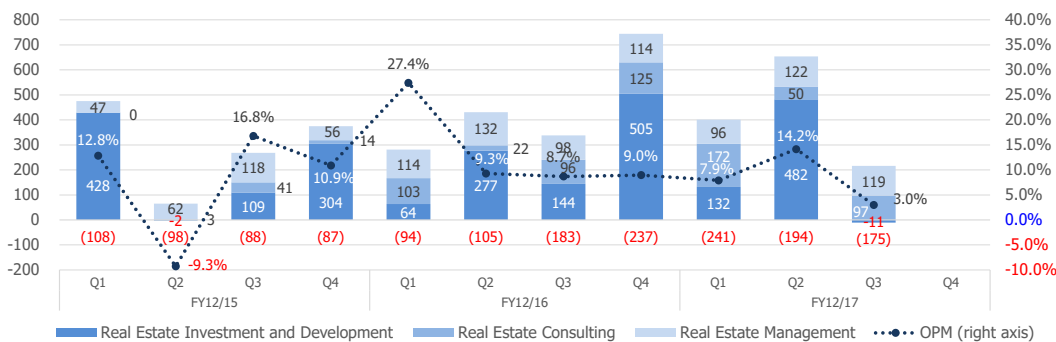


Source: Shared Research based on company data

Profit

Operating profit was -2.8% YoY. Operating profit was +24.4% YoY in Investment, +44.9% in Consulting, and -2.2% in Management. The decline in Management was due to the consolidation of Viento Creation in 1H and costs stemming from closing the capsule hotel for renovations. Note that company-wide costs (corporate costs not allocated to individual segments) are increasing.

Quarterly operating profit (JPYmn) and YoY (%)



Source: Shared Research based on company data

Real Estate Investment and Development segment

Segment revenue was JPY4.7bn (-3.8% YoY). The company sold 13 buildings (nine in Q3 FY12/16): eight residential properties (five in Q3 FY12/16), two office/retail buildings (two), two land parcels (two), and one condo hotel block (none). The company purchased 13 properties (same as the previous year): six residential (four in Q3 FY12/16), two office/retail buildings (four), and five land lots (including land for development; same as the previous year). By region, six were in Kanto (nine), two in Hokkaido (none), one in Kansai (two), and four in Kyushu (two).

As of end-Q3 FY12/17, the company's inventory was 26 properties (22 as of end-Q3 FY12/16). Selling inventories was proceeding smoothly. Following the opening of capsule hotel "nine hours Shinjuku North" in March 2017, the company opened Imano Tokyo Ginza Hostel in September 2017, and Imano Kyoto Kiyomizu Hostel in October 2017, leading to three completed hotels in FY12/17 (as of end-Q3).

Note, the number of properties does not include lots for detached housing owned by Life Stage.

Segment profit was JPY603mn (+24.4% YoY).

Real Estate Consulting segment

Segment revenue was JPY985mn (+90.3% YoY). The company won consulting projects throughout Japan, and completed 21 deals (20 in Q3 FY12/16). Of the completed deals, thirteen were in Kanto (fourteen in Q3 FY12/16), four in Hokkaido (four), three in Kansai (none), and one in Kyushu (two). The number of deals is increasing thanks to the company's Singapore subsidiary and collaborations with Life Stage.

Segment profit was JPY320mn (+44.9% YoY).

Real Estate Management segment

Segment revenue was JPY652mn (-0.6% YoY). The number of client-owned properties under management rose to 58 (46 in Q3 FY12/16). By region, the company was managing 25 properties in Kanto, 23 in Hokkaido, and 10 in Kyushu.

Segment profit was JPY337mn (-2.2% YoY). Revenue and profit fell despite an increase in the number of properties under management. This was owing to lower rental revenue from the company's own properties and costs associated with closing Viento Creation's capsule hotels for renovation.

For details on previous quarterly and annual results, please refer to the Historical financial statements section.

Full-year company forecasts

(JPYmn)	FY12/16			FY12/17 Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.
Revenue	4,192	7,435	11,627	5,270	7,730	13,000
YoY	29.6%	100.1%	67.3%	25.7%	4.0%	11.8%
Gross profit	913	1,708	2,621	1,670		
YoY	29.5%	100.7%	68.4%	83.0%		
GPM	21.8%	23.0%	22.5%	31.7%		
SG&A expenses	399	1,046	1,446	1,050		
YoY	7.2%	172.9%	91.2%	162.9%		
Operating profit	513	662	1,175	620	1,644	2,264
YoY	54.4%	41.5%	46.9%	20.7%	148.5%	92.7%
OPM	12.2%	8.9%	10.1%	11.8%	21.3%	17.4%
Recurring profit	393	482	874	441	1,455	1,896
YoY	44.1%	25.8%	33.4%	12.3%	202.1%	116.8%
RPM	9.4%	6.5%	7.5%	8.4%	18.8%	14.6%
Net income	273	316	588	304	868	1,172
YoY	57.8%	38.6%	46.9%	11.4%	175.1%	99.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

FY12/17 company forecasts

Overview

For FY12/17, the company forecasts revenue of JPY13.0bn (+11.8% YoY), operating profit of JPY2.3bn (+92.7%), recurring profit of JPY1.9bn (+116.8%), and net income attributable to owners of parent of JPY1.2bn (+99.2%). On November 28, 2017, the company revised its initial FY12/17 forecasts.

Revised company forecasts

- ▷ Revenue: JPY13.0bn (initial forecast, JPY16.2bn)
- ▷ Operating profit: JPY2.3bn (JPY1.5bn)
- ▷ Recurring profit: JPY1.9bn (JPY1.2bn)
- ▷ Net income*: JPY1.2bn (JPY781mn)

*Net income attributable to owners of parent

Downward revision of revenue forecast

Regarding the sale of some of the property to be sold in Q4 including a hotel (with retail space) in Shinjuku, Tokyo, the company forecast higher gross profit than initially expected. The company deferred booking some of the revenue initially expected to be booked in FY12/17 to FY12/18. The sale of several properties for sale initially forecast to take place in FY12/17 was deferred until FY12/18 as the company prioritized generating profits in FY12/18.

Upward revision of profit forecasts

The company forecast higher gross profit than initially expected for the properties to be sold in Q4, starting with the sale of a hotel (with retail space) in Shinjuku, Tokyo.

Impairment of fixed assets

The company expects to book extraordinary losses of JPY208mn relating to new impairment losses. There are signs of impairment emerging in some of the fixed assets the company owns, and after considering the possibility of recovering the fixed assets, the company expects to book an impairment loss under Accounting Standards for Impairment of Fixed Assets. Even taking this into account, B-Lot revised up its net income forecast versus the initial forecast.

Medium-term outlook

Overview

B-Lot has not released a medium-term plan to enable flexibility in response to changing economic conditions. The company's most important key performance indicator (KPI) is net income. B-Lot thinks that it needs to grow profit by roughly 20% per annum to be seen as a growth company on the TSE Mothers. The company also aims to expand its sales bases in key cities in Japan and diversify assets handled, as well as expand overseas in the medium term, collaborating with its Singapore subsidiary. It looks to continue proactive acquisitions, following the recent establishment of subsidiaries, the acquisition of Life Stage, which markets condominiums to families and operates in different areas with different methods, as well as the acquisition of capsule hotel owner Viento Creation. According to President Miyauchi, the ideal segmental earnings breakdown in the medium term would be Real Estate Investment and Development 50%, Real Estate Consulting 25%, and Real Estate Management 25%. This would provide a balanced earnings structure with Investment driving growth and stable earnings from Consulting and Management.

Company view on the real estate market

B-Lot thinks that the current conditions in the real estate market will likely persist for some time due to steady fund inflows. Banks now have healthy balance sheets, and are showing tendencies of narrowing their lending to certain key borrowers. Substantial demand for capital comes from M&A and real estate purchases. There is also an abundance of equity underwriters for real estate, and many aggressive purchasers of Japanese real estate including REITs, domestic and overseas institutional investors, individuals in response to the revised inheritance taxes, and high net worth individuals overseas.

In addition to abundant funds, another characteristic particular to Japanese real estate market is low interest rates. Yield spreads are wider than other markets, and there are no signs that interest rates will rise in the near future.

The company thinks the domestic real estate market may shrink gradually as the population declines, but it is still large and some globally diversified investment funds are flowing into the market. There are some alternative investment funds in the market, which have stabilized. While such investment is unlikely to double, neither will they halve in value, so fund inflows should support the real estate market. Several indicators appear to be near their peak, supporting the view that the market is near its top from a cyclical perspective, but it has not yet peaked. Many investors benefited from certain investments following the global financial crisis, and they are waiting for a collapse in prices. If prices fall, funds should once again flow into the market.

Note: See the Market and value chain for key indicators related to the above.

B-Lot prepared to survive a property price crash

According to B-Lot, when hiring it emphasizes both individual skills and teamwork. The aim is to build long-term relationships with customers, industry players, and shareholders. The company emphasizes sustainable growth based on meeting the needs of customers and society. In order to maximize limited management resources, the company emphasizes internal and external teamwork. B-Lot does not prioritize short-term profits, and often conducts joint projects with industry peers. B-Lot thinks that a sustainable company has autonomous employees who can independently plan and generate ideas. In December 2014, B-Lot listed on the TSE Mothers with 27 employees, and has subsequently worked to grow its workforce, hiring new graduates in April 2016 and non-Japanese employees wishing to work in Japan in April 2017. The parent company has a small, skilled team of around 50, and on a group-company basis including acquired companies, there are 146 employees (as of end September 2017).

Financial strategy

B-Lot is growth-oriented and uses higher leverage than its peers (the net debt/equity ratio was 3.73 in FY12/16; average for 23 competitors with similar revenue was 1.45). Most of the company's liquid assets are real estate for sale. Meanwhile, liabilities are mainly fixed, such as long-term loans and corporate bonds. B-Lot thinks that financial institutions rate highly its successful track record in property revitalization and ability to repeat those successes. Still, financial institutions are sensitive to changes in the macro economy and Japanese real estate prices. The company aims to take a long-term view for borrowing plans for real estate for sale, and incorporates possible price downturns. In such a situation, B-Lot said it would hold the real estate for sale on its books. The company's fundraising plans also position it to have sufficient cash on hand for a certain period. The company thinks

that even if its revenue and profits drop, as long as it is not required to repay long-term borrowings in advance when property prices deteriorate, it will remain viable. While B-Lot has a proactive financial strategy, the company said it had a cautious stance in light of lessons from the market downturns following the collapse of the bubble economy and the global financial crisis.

Key measures

- ▀ Create group synergies: Monetize overall group synergies by coordinating product lineup of accommodation facilities nearing completion for wealthy overseas investors
- ▀ Increase external collaboration: Enter and strengthen business alliances to facilitate development of new areas and create new business models
- ▀ Build sound financial platform: While aggressively rolling out business as a startup company, build sound financial platform
- ▀ Build a diverse team: Employ diverse human resources including IT personnel and non-Japanese employees, and manage so each can maximize their potential
- ▀ Establish a structure for organizational growth: Establish a structure with sound corporate governance framework and internal control system that can make swift, accurate management decisions

Hotel development

The company is focusing on developing hotels including stylish hotels, capsule hotels, and budget hotels (without restaurants or banquet halls) due to its own judgment and in light of market needs.

The company entered hotel development ahead of the inbound tourism boom, opening two renovated accommodation facilities in 2015: First Cabin Tsukiji (Chuo, Tokyo: one-minute walk from Tsukiji Station) and a hostel, Imano Tokyo Shinjuku Hostel (Shinjuku, Tokyo: a four-minute walk from Shinjuku and Shinjuku-sanchome stations). In December 2016, the company completed a condo hotel* called “the kamui niseko” (Niseko, Hokkaido). In March 2017, B-Lot completed its first hotel development project in Tokyo, a capsule hotel called “nine hours Shinjuku North.” The company entered into an operating contract with nine hours for the third through eighth floors of the capsule hotel. From the opening day on March 22, 2017, through July 31, the average occupancy rate for the 206 capsule rooms was over 83.5%, with over 17,000 guests. On September 1, 2017, the company opened the second in the Imano series, Imano Tokyo Ginza Hostel (Ginza, Tokyo) in collaboration with ABaccommo Co., Ltd., and in October 2017 opened the third, Imano Kyoto Kiyomizu Hostel in the Higashiyama area of Kyoto.

*Condo hotel: An owner purchases a room that can be rented to guests as a hotel room when the owner is not using it. The owner and real estate management company share the hotel charges.

The company has budget hotel projects underway in Naha, Okinawa (scheduled for completion in March 2018), Otaru, Hokkaido (March 2018), and Shijo, Kyoto (June 2018).

B-Lot generally outsources management of completed hotels to a management company. After the occupancy rate stabilizes, the company sells the hotel based on the hotel’s track record. Subsidiary B-Lot Asset Management sets up funds and manages assets for Asian investors. Rather than a one-time transaction of simply selling a property, the group is involved with a property over the long term, providing post-sales services including asset management and property management. Leveraging the group structure, the company has sold three hotels to date.

Hotel revitalization and development projects (both completed and under development)

Type	Project	At time of purchase	After renovation
Revitalization	First Cabin Tsukiji	Office building	Accommodation (hostel)
Revitalization	IMANO TOKYO HOSTEL	Office building	Accommodation (hostel)
Revitalization	°C Ebisu	Stores and guest houses	Accommodation (major renovation and rebranding)
Revitalization	°C Gotanda	Guest houses	Accommodation (major renovation and rebranding)
Type	Project	Description	
Development	nine hours Shinjuku-North	B-Lot's first hotel development project (capsule hotel) - Average occupancy 83.5%+ (206 capsules in total) - Total number of visitors over 17,000	
Development	the kamui niseko	B-Lot's first condominium for subdivision	
Development	IMANO TOKYO GINZA	Hostel located in the popular Ginza area	
Development	IMANO TOKYO GINZA HOSTEL	Hostel within walking distance from major sightseeing spots in Kyoto	
Development	Tissage Hotel Naha by Nest	First real estate for sale in Okinawa	
Development	Hotel Torifito Otaru Canal	Hotel specialized in accommodation with over 100 rooms in Otaru	
Development	Shijo-karasuma Project (planned)	Budget hotel	

Source: Shared Research based on company materials

Acquisition of Viento Creation

On January 31, 2017, the company purchased Viento Creation, an owner and operator of capsule hotels, for JPY588mn, and made it a subsidiary (see Group companies section for details). The aim was to acquire two capsule hotels within a three-minute walk of major stations on the Yamanote Line (one is in Ebisu, Shibuya Ward and the other is in Higashi-Gotanda, Shinagawa Ward) and personnel with experience working in the hotel industry. B-Lot is conducting major renovations at the capsule hotels in preparation for reopening. The company plans to redevelop properties as capsule hotels under the °C brand (pronounced "doe-shi") that incorporate saunas. The first such property, °C Ebisu, opened on December 16, 2017, and the second, °C Gotanda, was scheduled to open in spring 2018.

Expansion into new business areas

B-Lot is involved in accommodation facilities and nursing care facilities, and would also like to commercialize real estate in new areas such as warehouses and logistics facilities and apartments for private short-term lodging. B-Lot is a pioneer in revitalization and development projects by responding early to market needs. For example, B-Lot was an early mover in repurposing offices into hotels and using redevelopment methods to bring in child care centers, and was able to quickly roll out those initiatives at multiple locations before other companies. It wants to be an early mover in other new fields.

Coordination of inbound investment

In September 2011, the company entered a business alliance with JRAMC (Seoul), which manages real estate funds in South Korea. JRAMC structures private REITS in South Korea, investing in office buildings and commercial facilities, with total AUM of roughly KRW1.5tn (roughly JPY94bn) at the time of the agreement. When JRAMC decided to enter the Japanese market, it chose B-Lot to advise on investee selection. From July 2015, the contract was changed to be between JRAMC and an asset management subsidiary of B-Lot, so the group books advisory fees for every project.

Global expansion

As the company works to diversify its business portfolio, it aims to deepen cross-border collaboration. While bringing overseas investors to Japan, B-Lot would also like to enter overseas real estate investment, revitalization, development, or financing. Singapore, where the company established a subsidiary, could be a hub to invest in Southeast Asian countries. Clients already include English-speaking investors, and the company has hired Taiwanese staff as it plans to target Chinese speakers as well.

Acquisitions

In April 2016, B-Lot purchased Life Stage, whose main business is marketing newly built condominiums to families, for JPY880mn, and made it a subsidiary. In January 2017, the company purchased Viento Creation, an owner and operator of capsule hotels, for JPY588mn, and made it a subsidiary. In line with its core strategy of hiring talented employees and business diversification, the company plans to proactively use acquisitions to increase synergies between individual businesses and offer end-to-end services as a group.

Joint investment in fund with Misawa Homes

In September 2016, a fund the company invested in together with Misawa Homes started operating. (Property size: roughly JPY1.0bn; stake: Misawa Homes 89.8%, B-Lot 10.2%.) The company's subsidiary, B-Lot Asset Management, put together a real estate fund backed by two relatively new rental condominium buildings in Osaka. In March 2017, the fund made an additional purchase of a new rental condominium building in Osaka (Luxe Tennoji). In addition to dividend revenue based on investment performance (returns), the company receives asset management and other fees.

B-Lot said that it would like to purchase properties worth around JPY10bn, using similar schemes with its investment partners to create other funds.

Application to list on Tokyo Stock Exchange First Section

In December 2014, B-Lot listed on the Tokyo Stock Exchange Mothers market. In November 2017, the company applied for a transfer to the TSE First Section with the aim of improving its social standing and trustworthiness and further increasing corporate value.

Business

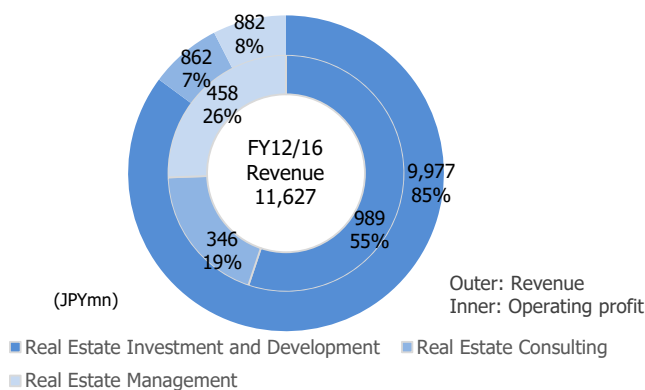
Business description

Overview

B-lot is a mid-sized real estate company with three core businesses: real estate investment, consulting, and management. In its key Real Estate Investment and Development business, the company aims to take on some risk and drive growth. Real Estate Consulting and Real Estate Management, meanwhile, are stable earners. The company handles various types of real estate, and transactions range between JPY100mn and JPY3bn. Its properties are mainly in major cities, but it also handles properties nationwide. The Kanto area is covered by the head office, while branches have a track record other major metropolitan areas in the Hokkaido, Kyushu, and Kansai regions. Clients include high net worth individuals, their asset management companies, real estate companies, and funds.

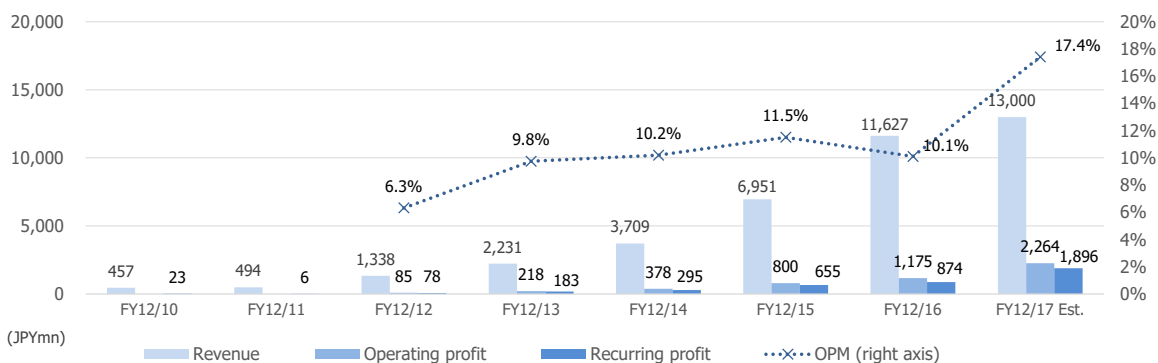
In FY12/16, the breakdown of earnings by segment was: Investment 85.1% of revenue, 55.2% of operating profit; Consulting 7.4% of revenue, 19.3% of operating profit; and Management 7.5% of revenue and 25.6% of operating profit. OPM was 9.9%, 40.1%, and 52.0% respectively. B-Lot aims to diversify its building types and regions in the Real Estate Investment segment. Breakdown by building type: residential eight (50% of properties sold), office/retail buildings five (31%), detached lots two (13%), and hotels one (6%). Breakdown by region: Kanto nine (56% of properties sold), Hokkaido four (25%), Kyushu one (6%), and Kansai two (13%). The average sales price per property sold in the Real Estate Investment segment was JPY624mn, up sharply from JPY76mn in FY12/12. In the Consulting segment, the company won around 30 deals per annum, plus 440 sales contracts from Life Stage (consolidated subsidiary from FY12/16). In the Management segment, management contracts rose from 20 in FY12/12 to 48 in FY12/16.

Segment revenue and operating profit (FY12/16: excluding adjustments)



Source: Shared Research based on company data

Revenue, operating profit, and recurring profit (JPYmn) and OPM



Source: Shared Research based on company data

Characteristics

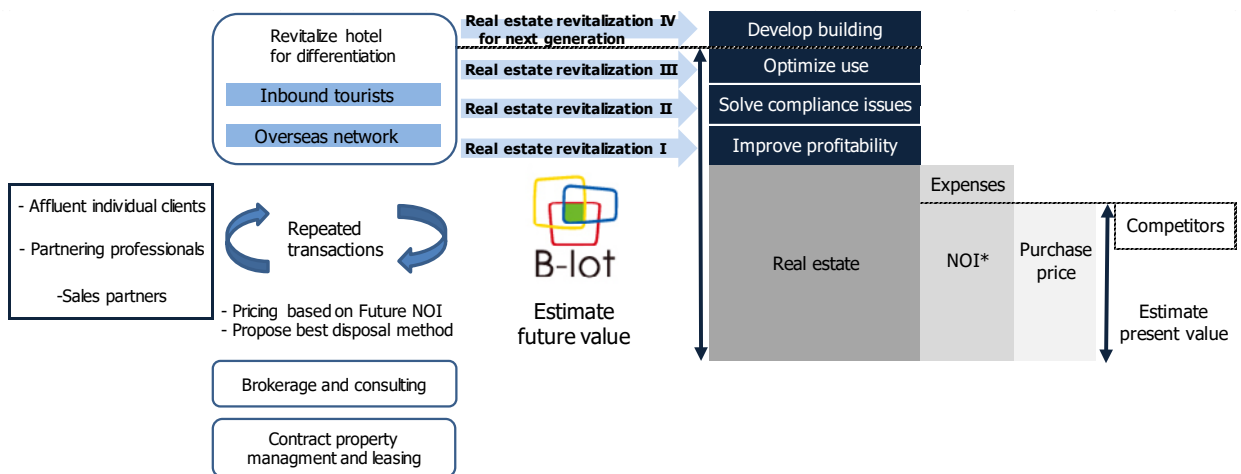
Based on accumulated real estate investment and management expertise, B-lot’s segments operate in line with overall corporate goals. For each project individual divisions collaborate, each contributing ideas based on specialized knowledge, and the company selects those ideas that could maximize a property’s value. Customers are mainly high net worth individuals, their asset management companies, and general companies. The company focuses on smaller properties, a relatively niche area, and the average sales price per property sold was JPY624mn in FY12/16. Still, such properties* account for the vast majority of real estate, offering a wealth of opportunities. According to the company, smaller properties are often overlooked compared to large properties targeting large corporations, which already have settlement processes. However, in the niche area where B-Lot operates, customers can suddenly change their mind, and dealing with such situations requires real estate expertise, people skills, a network, and a speedy response.

*Office stock in Tokyo’s 23 wards is roughly split between small and medium properties (floor space of 300–5,000 tsubo) and large properties (over 5,000 tsubo). In terms of rentable area (floor space), small and medium properties accounted for 46% (5.51mn tsubo) versus 54% (6.64mn tsubo) for large properties. By number of buildings, small and medium office buildings accounted for the vast majority or 91% (7,031 buildings) versus 9% (732 large buildings). Source: Xymax Real Estate Institute, Office Stock Pyramid 2016

The company acts as a kind of control center, and outsources virtually all labor-intensive processes such as construction, operation, and management. For each building there are two transactions, a purchase and a sale, so the company needs to create a network and work with real estate brokers of all sizes. B-Lot aims to have multiple transactions with real estate brokers.

The company may sell one property to numerous customers over the lifespan of a property, during which it provides asset management, property management, and leasing management services. The company also continues its relationships with customers from which it buys properties, introducing new investment properties. It has a high ratio of repeat customers.

Building long-term relationships with customers through Investment business



Source: Shared Research based on company materials
 *NOI (Net Operating Income): net profit only considering revenue (rent) less actually incurred expenses (management fees, property taxes etc.)

Expansion leveraging creditworthiness and fundraising ability following stock market listing

B-Lot was established in October 2008, early in the global financial crisis, by President Makoto Miyauchi, who has knowledge and experience in structured finance from working in a bank and securities firm and at the management level of a real estate company listed on TSE1; Deputy President Shinichi Hasegawa, who helped establish and was a director of the same listed real estate company; and Deputy President Masahiro Mochizuki. At the time of the company’s founding, the company focused on real estate brokerage and rental management, before branching out into real estate investment in its third year. In 2011, it established a branch in Hokkaido, offering clients diversification for their portfolios via real estate in Sapporo. As a result, even when the real estate market chilled following the Great East Japan Earthquake of 2011, the company was able to generate a profit. In 2013 it expanded into the Kyushu area, establishing a branch in Fukuoka through a transfer of employees and bases from an industry peer. In December 2014, the company listed on the Tokyo Mothers market, the quickest real estate company to list after being established in the wake of in the global financial crisis (six years and two months after founding). The company used its

creditworthiness and fundraising ability following its listing to support its growth driver, the Investment segment, and has grown thanks to stable earnings sources, Consulting and Management.

In 2015 the company established an asset management company (B-Lot Asset Management) and a Singapore subsidiary (B-Lot Singapore). In April 2016, the company purchased Life Stage, whose main business is marketing newly built condominiums to people with families, for JPY880mn, and made it a subsidiary. In January 2017, B-Lot purchased Viento Creation, an owner and operator of capsule hotels, for JPY588mn, and made it a subsidiary. (See Group companies section for details.) B-Lot had a small team of skilled professionals at the time of its establishment. As of end-September 2017, including acquired companies, the group had around 146 employees.

In September 2016, a fund the company invested in jointly with Misawa Homes started operating. (Property size: roughly JPY1.0bn, investment share: Misawa Homes 89.8%, B-Lot 10.2%.) The company's subsidiary, B-Lot Asset Management, put together a real estate fund backed by two relatively new rental condominium buildings in Osaka. In March 2017, the fund bought a newly built rental condominium building in Osaka (Luxe Tennoji).

Business model



Real Estate Investment and Development segment

This segment comprises real estate revitalization and real estate development. In the revitalization business, the company purchases troubled properties (typically single buildings) selling below value due to low profitability or issues with compliance. Using its planning and development capabilities and revitalization expertise, the company fixes the issues, boosting asset value and profitability, and sells it to high net worth individuals, their asset management companies, real estate and non-real estate companies, and funds. In the real estate development business, the company purchases land for development, upon which it constructs a building and sells to this customer base. The business offers end-to-end services from real estate planning and development through management and operation. It typically takes one-and-a-half to two years from revitalization and development to sales.

Properties with profitability issues

For low-margin properties, B-Lot improves rent levels and occupancy rates, repurposes properties, attracts tenants, and refurbishes. Alternatively, the company may develop or review long-term repair plans to improve profitability. In some cases, the company redevelops a property through major renovations or rebuilding. In such cases it first conducts detailed market research, drafts an appropriate architectural blueprint, and manages the construction project.

Revitalization of properties with profitability issues

Before renovation	Renovated
	
<p>Occupancy 12.8%</p>	<p>Occupancy 100.0% (At time of sale)</p>

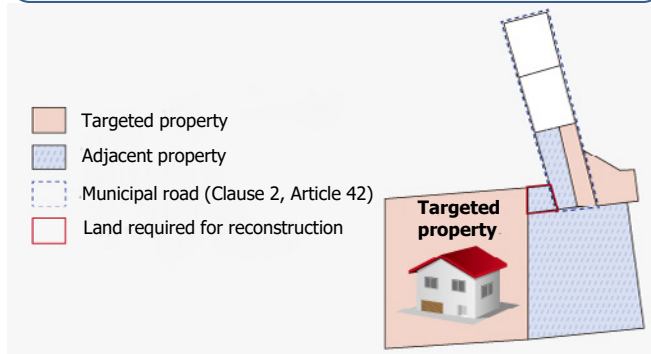
Source: Shared Research based on company materials

Properties with compliance issues

For properties with compliance issues, B-Lot conducts the necessary capex, coordinates to realign property rights and match opinions between the relevant parties, or liaises with public authorities. In addition, B-Lot takes appropriate action regarding issues such as owner-associated bad debts related to the property, or cases where property information must be kept confidential.

Revitalization of property with compliance issues

Jointly with investors acquire an existing apartment built in a popular area but is only connected to a third party's land (not connected to a road, according to Building Standards Law). Revitalize the property to enable reconstruction.



Source: Shared Research based on company materials

The Investment segment accounts for around 85% of revenue (FY12/12–16 average) and the operating profit margin during these years was 10–16%. Recently, revitalization and new development projects accounted for about half and half (of the 25 properties for sale at the start of FY12/17, 12 were land for development). Of the 25 properties, twelve were land, including for development (48% of the 25 properties), three were office/retail properties (12%), eight were residential buildings (32%), one was a hotel/accommodation property (4%), and one was a nursing care facility (4%). The breakdown by region: Kanto fourteen (56% of total), Hokkaido three (12%), Kyushu six (24%), and Kansai two (8%). Many of the company's customers own several buildings, particularly in Tokyo. Some are repeat customers who also aim to diversify their portfolios by owning properties in Hokkaido and Fukuoka, and when prices go up in one area they sell and purchase somewhere else.

According to B-Lot, high net worth individuals tend to prefer recently built properties, but there are not as many new properties, so it focuses on developing new buildings on its own. Currently, properties under development are mainly hotels favored by overseas investors (dormitory-type accommodation) and budget hotels (without banquet halls or restaurants). The cycle from development through sale depends on the size of a property, but on average is one-and-a-half to two years.

The company's forte is selling real estate to businesses. It said that its network helps it collect useful information from other operators. B-Lot holds a weekly investment conference attended by all of its executive directors and nearly all salespeople. This enables swift decision-making regarding investment projects. (For urgent projects decisions are sometimes made after exchanging information via email as long as it is compliant board rules.)

Projects with profitability or compliance issues that will require a long time until sale are typically taken to sales brokers once they are ready for sale. However, B-Lot participates from the initial planning stages and helps resolve outstanding issues such as those regarding property rights. In some cases, the company's planning comes first, such as when turning an office building into a compact hotel (smaller than a business hotel, but larger than a capsule hotel). The company said that it can usually sell such properties for a high price, so it can afford to pay more to obtain them. In many cases, individual operators use the company's organization and brand power to develop projects. B-Lot said that recently, operating companies and individual operators are increasingly bringing in projects.

Investment segment revenue and operating profit

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Real Estate Investment and Development revenue	1,069	1,897	3,237	6,137	9,977
YoY	-	77.4%	70.6%	89.6%	62.6%
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%
No. of properties sold	14	11	22	13	16
YoY	-	-21.4%	100.0%	-40.9%	23.1%
<By type of property>					
Residential	na	8	18	7	8
% of consolidated revenue	na	72.7%	81.8%	53.8%	50.0%
Offices and stores	na	3	4	4	5
% of consolidated revenue	na	27.3%	18.2%	30.8%	31.3%
Land for detached houses	na	-	-	1	2
% of consolidated revenue	na	-	-	7.7%	12.5%
Hotels	na	-	-	1	1
% of consolidated revenue	na	-	-	7.7%	6.3%
<By region>					
Kanto	na	9	na	8	9
% of consolidated revenue	na	81.8%	na	61.5%	56.3%
Hokkaido	na	2	na	3	4
% of consolidated revenue	na	18.2%	na	23.1%	25.0%
Kyushu	na	-	na	1	1
% of consolidated revenue	na	-	na	7.7%	6.3%
Kansai	na	-	na	1	2
% of consolidated revenue	na	-	na	7.7%	12.5%
Revenue per property sold	76	172	147	472	624
YoY	-	125.8%	-14.7%	220.9%	32.1%
Real Estate Investment and Development operating profit	120	311	465	840	989
YoY	-	157.9%	49.6%	80.8%	17.8%
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%
OPM	11.3%	16.4%	14.4%	13.7%	9.9%

Source: Shared Research based on company materials

Note: Figures may differ from company materials due to differences in rounding methods.

Investment segment purchases

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Number of properties acquired	11	20	18	19	23
YoY	-	81.8%	-10.0%	5.6%	21.1%
<By type of property>					
Residential	na	na	na	9	8
% of total properties acquired	na	na	na	47.4%	34.8%
Offices and stores	na	na	na	4	5
% of total properties acquired	na	na	na	21.1%	21.7%
Land for development	na	na	na	4	10
% of total properties acquired	na	na	na	21.1%	43.5%
Other	na	na	na	2	-
% of total properties acquired	na	na	na	10.5%	-
<By region>					
Kanto	na	na	na	11	13
% of total properties acquired	na	na	na	57.9%	56.5%
Hokkaido	na	na	na	5	1
% of total properties acquired	na	na	na	26.3%	4.3%
Kyushu	na	na	na	1	6
% of total properties acquired	na	na	na	5.3%	26.1%
Kansai	na	na	na	2	3
% of total properties acquired	na	na	na	10.5%	13.0%

Source: Shared Research based on company materials

Investment segment inventory of real estate for sale

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Inventories for sale (year end)	577	1,691	3,403	6,070	11,393
YoY	-	193.1%	101.3%	78.3%	87.7%
Number of properties	na	16	12	18	25
YoY	-	-	-25.0%	50.0%	38.9%
<By use>					
Land (including land for development)	na	na	3	6	12
YoY	na	na	-	100.0%	100.0%
% of inventories for sale	na	na	25.0%	33.3%	48.0%
Offices and stores	na	na	2	2	3
YoY	na	na	-	0.0%	50.0%
% of inventories for sale	na	na	16.7%	11.1%	12.0%
Residential	na	na	6	8	8
YoY	na	na	-	33.3%	0.0%
% of inventories for sale	na	na	50.0%	44.4%	32.0%
Hotel, accomodation related	na	na	1	1	1
YoY	na	na	-	0.0%	0.0%
% of inventories for sale	na	na	8.3%	5.6%	4.0%
Nursing care facilities	na	na	-	1	1
YoY	na	na	-	-	0.0%
% of inventories for sale	na	na	-	5.6%	4.0%
<By region>					
Kanto	na	na	7	10	14
YoY	na	na	-	42.9%	40.0%
% of inventories for sale	na	na	58.3%	55.6%	56.0%
Hokkaido	na	na	4	6	3
YoY	na	na	-	50.0%	-50.0%
% of inventories for sale	na	na	33.3%	33.3%	12.0%
Kyushu	na	na	1	1	6
YoY	na	na	-	0.0%	500.0%
% of inventories for sale	na	na	8.3%	5.6%	24.0%
Kansai	na	na	-	1	2
YoY	na	na	-	-	100.0%
% of inventories for sale	na	na	-	5.6%	8.0%
Inventory value per property	na	106	284	337	456
YoY	-	-	168.4%	18.9%	35.1%

Source: Shared Research based on company materials

Note: Figures may differ from company materials due to differences in rounding methods.

Real Estate Consulting segment

In this segment, the company uses its Type II Financial Instruments Business registration to provide brokerage and consulting services, such as trust beneficiary interest brokerage, property sale brokerage, rental property brokerage, proposals for property exchanges and effective land use, and rent revision services. B-Lot says it is able to obtain accurate information regarding properties for sale to swiftly evaluate properties and provide consultant-style brokerage services that meet the needs of those selling or buying real estate. According to the company, brokerage services (based on sales contracts) and consulting services are roughly half and half. Real estate sellers and buyers are high net worth individuals or their asset companies, real estate companies, and real estate funds. The company said it had many repeat customers. This segment contributed 7.4% of revenue (FY12/16), and OPM was 34–40% (FY12/12–16).

The number of brokerage deals has been increasing, including purchases of investment real estate by high net worth individuals or their AM companies, and properties sold in collaboration with specialists that have close ties with B-Lot accompanying the disposal of bad debts. For high net worth individuals, the company obtains information from buyers, sellers, and its own network, and brokers real estate valued at several hundred million yen or more, to provide stable long-term revenue streams to investors in the Tokyo and Osaka regions.

The database on real estate for sale accumulated in this segment is used in the Investment segment for creating procurement networks and in sales and marketing activities.

Real Estate Consulting segment revenue and operating profit

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Real Estate Consulting revenue	192	146	197	171	862
YoY	-	-24.1%	35.1%	-13.1%	403.2%
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%
No. of brokerage deals	25	28	20	29	31
YoY	-	12.0%	-28.6%	45.0%	6.9%
<By region>					
Kanto	na	19	7	15	19
% of consolidated revenue	na	67.9%	35.0%	51.7%	61.3%
Hokkaido	na	7	8	8	7
% of consolidated revenue	na	25.0%	40.0%	27.6%	22.6%
Kyushu	na	-	3	4	4
% of consolidated revenue	na	-	15.0%	13.8%	12.9%
Kansai, others	na	2	2	2	1
% of consolidated revenue	na	7.1%	10.0%	6.9%	3.2%
Real Estate Consulting operating profit	71	58	79	58	346
YoY	-	-	-	-	-
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%
OPM	37.0%	39.5%	40.0%	33.8%	40.1%

Source: Shared Research based on company materials

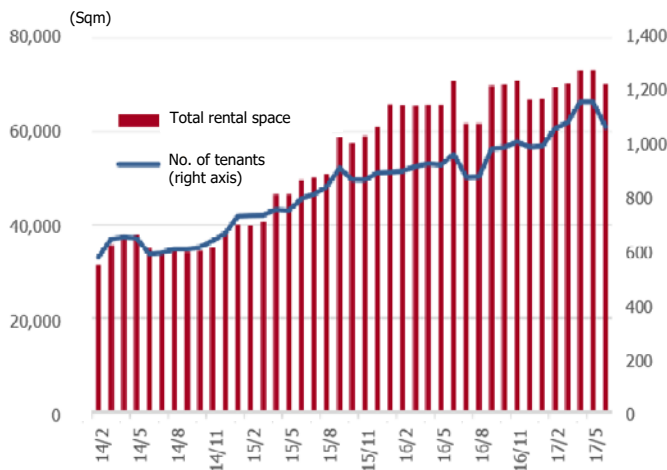
Note: Figures may differ from company materials due to differences in rounding methods.

Real Estate Management segment

In this segment, the company provides operation and management services for properties owned by its customers, as well as investment advisory services, the main business of subsidiary B-Lot Asset Management. As the property manager for both its customers' and its own properties, B-Lot aims to maximize cash flows from the properties and improve asset value. At the same time, the company provides value-added services to tenants. The company manages 48 buildings. The segment accounted for 7.5% of revenue and OPM was 52% (FY12/16).

When customers invest in property via real estate funds, B-Lot provides asset management support. It gains an understanding of investors' asset management needs and develops an investment strategy to meet these needs. It assists in the choice of investment properties, management/operating strategy during the investment period, and all other processes until the asset is sold.

Number of tenants and total rentable floor space (sqm)



Source: company materials

Real estate securitization

The company also securitizes medium-sized properties that are typically hard to securitize. B-Lot provides customers benefits from securitization such as fundraising without relying on loans and off-balance-sheet property financing, which improves its financial health. It also provides a variety of support in line with its customers' business strategies.

Asset management

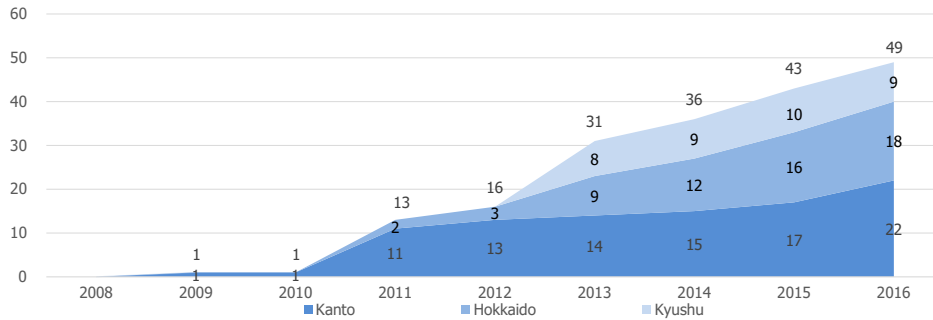
B-Lot provides comprehensive real estate management services to Japanese and overseas institutional investors. The company puts together funds that meet investors' diverse needs (where investors can invest in property). As an asset manager, the company uses its experience to broker business properties for sale and rent, appraise and manage properties, as well as its

specialized knowledge in asset finance and network to provide asset management services. The company purchases properties on behalf of investors and generates gains over periods of three to five years, as well as capital gains when the property is sold.

Property management

The company maximizes cash flow and enhances asset value on behalf of the condominium or building owner, while providing value-added services to tenants.

Number of buildings under management



Source: Shared Research based on company materials
 Note: Only includes buildings that the company manages

Leasing management

The company develops and implements leasing plans so that properties can reach full occupancy as quickly as possible. When customers are considering real estate purchases, the company helps assess rents and create renovation plans.

Building maintenance and construction management

Prioritizing the protection of asset value, the company helps manage construction costs and choose building maintenance companies.

Accounts services

The company's dedicated accounting team provides payment management services. If a tenant is in arrears B-Lot notifies the tenant. For problematic tenants, the company requests legal help from a specialist. In addition to payment management, the company provides bulk expense remittance services and makes monthly reporting easy to understand.

Real estate rental

B-Lot rents out real estate through long-term ownership of income-generating properties. The company owns the following properties that it rents out:

- ▷ Keiun Building (Chiyoda, Tokyo): land, 142.04sqm, building 429.8sqm, built in 1987
- ▷ Elgar House Kanazawa (wedding hall, northern Ishikawa): land, 4,169.77sqm, building 197.22sqm, built in April 1999
- ▷ Bay East (rental condominiums, Yokohama): land, 1,110.37sqm, building 4,144.25sqm, built in February 1992
- ▷ Two condo hotel blocks, Okinawa

Real Estate Management segment revenue and operating profit

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Real Estate Management revenue	77	188	275	642	882
YoY	-	144.9%	46.5%	133.2%	37.3%
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%
No. of properties managed	20	31	36	40	48
YoY	-	55.0%	16.1%	11.1%	20.0%
<By region>					
Kanto	na	14	15	17	20
% of consolidated revenue	na	50.0%	75.0%	58.6%	64.5%
Hokkaido	na	9	12	14	18
% of consolidated revenue	na	32.1%	60.0%	48.3%	58.1%
Kyushu	na	8	9	9	10
% of consolidated revenue	na	-	45.0%	31.0%	32.3%
Real Estate Management operating profit	3	46	89	284	458
YoY	-	1319.8%	94.0%	219.9%	61.6%
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%
OPM	4.2%	24.3%	32.2%	44.2%	52.0%

Source: Shared Research based on company materials

Note: Figures may differ from company materials due to differences in rounding methods.

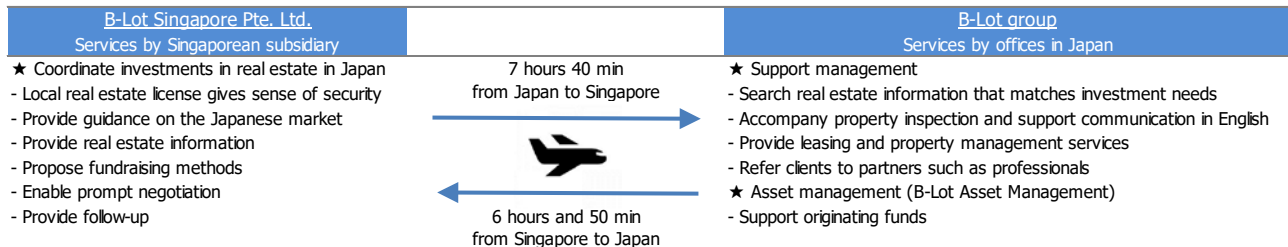
Group companies

The group consists of B-Lot, B-Lot Singapore Pte. Ltd., B-Lot Asset Management Co., Ltd., Life Stage Corporation, and Viento Creation Co., Ltd.

B-Lot Singapore

B-Lot Singapore was established to offer asset management to Asian investors. To facilitate foreign investment in Japan, the company uses B-Lot's unique consulting capabilities to collect real estate information and offer one-stop services covering purchasing, management, and sales. This enables the company to provide the precise asset management demanded by Asian investors. B-Lot Singapore had 2 employees (as of end-September 2017).

B-Lot Singapore business model

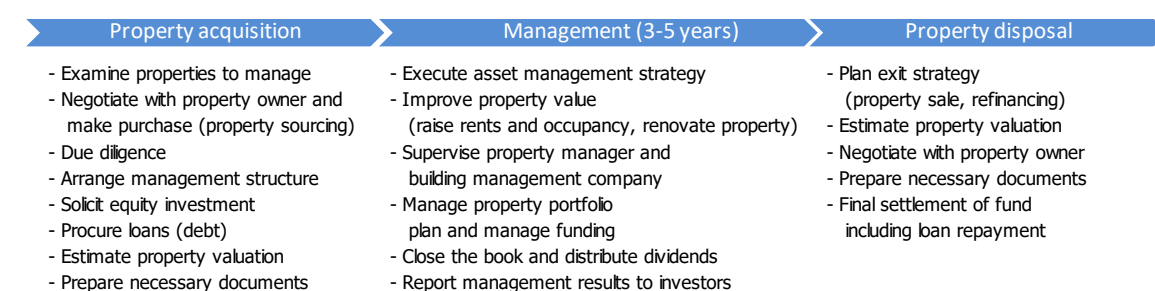


Source: Shared Research based on company materials

B-Lot Asset Management

B-Lot Asset Management provides comprehensive real estate investment services such as fund management, to institutional investors in Japan and overseas. The company puts together funds that meet the diverse needs of investors (schemes to invest in real estate). As an asset manager, the company uses its experience to broker business properties for sale and rent, appraise and manage properties, as well as its specialized knowledge in asset finance and network to provide asset management services. B-Lot Asset Management had 4 employees (as of end-September 2017).

B-Lot Asset Management business model

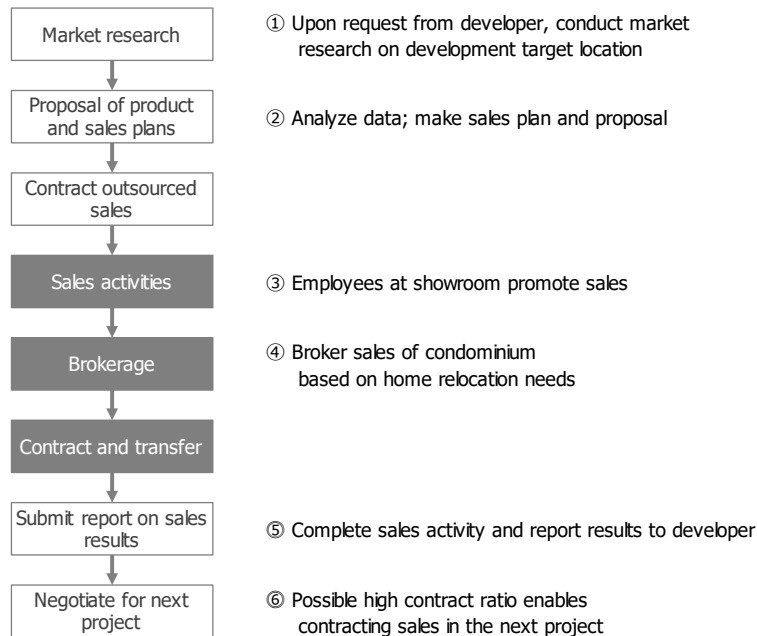


Source: Shared Research based on company materials

Life Stage

Large developers outsource to this subsidiary marketing of newly built condominiums to people with families. Life Stage has a unique business model that leverages customer feedback into product and sales planning. The purchase of Life Stage enabled B-Lot to fulfill its ambition to enter the Kansai region and extend the overall group's business territories through synergies with its existing businesses. Life Stage had 92 employees (as of end-September 2017). Life Stage was established in December 1990.

Life Stage business model



Source: Shared Research based on company materials

Viento Creation

This company owns and operates capsule hotels. On January 31, 2017, B-Lot purchased Viento Creation and made it a subsidiary. The aim was to acquire the capsule hotels within a three-minute walk of major stations on the Yamanote Line (one is in Ebisu, Shibuya Ward and one is in Higashi-Gotanda, Shinagawa Ward) and obtain personnel with experience working in the hotel industry. The company is conducting major renovations at the two capsule hotels in preparation for reopening. Viento Creation had 0 employees (as of end-September 2017, following M&A it transferred all employees to B-Lot). The company was established in July 1995.

Competition

Real estate spans a wide range of activities including revitalization (liquidation), development, rental, management, and fund consulting. B-Lot provides a wide range of services in these areas. Its customers are high net worth individuals in Japan and overseas, their management companies, real estate and non-real estate companies, and funds. The company specializes in highly liquid small and medium-sized properties, which are quite common (the average sale price per property in FY12/16 was JPY624mn) and many competitors handle properties of this size. However, despite a few competitors in land acquisition, each company has particular services and property acquisition policies as well as varying sources of exclusive real estate information (typically real estate brokers). B-Lot differentiates such as through the revitalization of compact hotels, and its overseas network via its Singapore subsidiary means that it can provide support for overseas investment into Japan.

Using the creditworthiness and fundraising ability gained by listing on the TSE Mothers market in December 2014, the company has been using higher levels of leverage than its competitors to accelerate growth (the net debt/equity ratio was 3.73 in FY12/16; average for its 23 competitors with similar revenue was 1.45). Over the three years through FY12/16, revenue grew at a CAGR of 73.4% and operating profit of 75.4%.

Comparison with main competitors

Ticker	Company	Fiscal year	Revenue (JPY mn)	OP (JPY mn)	OPM	ROA (RP-based)	ROE	Equity ratio	Net Debt-to-Equity ratio	Main businesses (% of revenue)
3299	Mugen Estate	FY 12/16	57,488	6,310	11.0%	11.2%	22.1%	26.6%	1.92	Sales (revitalization) (96)
3244	Samty	FY 11/16	52,409	8,586	16.4%	5.2%	15.3%	23.1%	2.29	Real estate (development and revitalization)(84), rental (13)
8923	Tosei	FY 11/16	49,818	9,280	18.6%	7.9%	14.4%	33.8%	1.18	Revitalization (52), Development (26), Rental (10)
2337	Ichigo	FY 02/16	49,699	15,417	31.0%	6.5%	21.0%	26.8%	2.00	Value-added (renovation)(86), asset management (10)
8940	Intellex	FY 05/16	38,975	1,759	4.5%	5.0%	11.5%	27.7%	1.83	Renovation and sale of pre-owned condominiums (84)
8934	Sun Frontier Fudousan	FY 03/16	30,625	7,387	24.1%	14.9%	30.9%	55.7%	0.10	Renovation (88), asset management (5)
4321	Kenedix	FY 12/16	22,745	9,530	41.9%	6.0%	11.9%	48.6%	0.37	Real estate investment (40), asset management (34)
3230	Star Mica	FY 11/16	20,973	3,258	15.5%	5.1%	12.7%	26.8%	2.32	Pre-owned condominium (sale and rental) (81)
3250	A. D. Works	FY 03/17	18,969	1,040	5.5%	3.4%	8.8%	24.7%	0.31	Sale of rental real estate (90), recurring fee business (10)
3294	e'grand	FY 03/16	17,501	1,103	6.3%	6.4%	20.8%	35.3%	1.00	Renovation of pre-owned houses (96)
8914	Arealink	FY 12/16	16,908	1,935	11.4%	9.1%	7.6%	64.2%	-0.16	
3457	House DO	FY 06/17	16,848	1,249	7.4%	6.7%	29.8%	13.7%	4.01	
3236	Properst	FY 05/17	14,874	1,162	7.8%	6.1%	26.1%	15.7%	3.80	
3454	First Brothers	FY 11/16	14,606	3,966	27.2%	12.3%	25.7%	27.4%	1.73	
8929	Aoyama Zaisan Networks	FY 12/16	14,420	751	5.2%	7.6%	18.9%	35.8%	-0.19	Property consulting (22), real estate transaction (70), sublease other (8)
3277	Sansei Landic	FY 12/16	12,300	1,446	11.8%	12.0%	13.2%	63.3%	-0.34	
3452	B-Lot	FY 03/17	11,627	1,175	10.1%	6.6%	22.4%	17.0%	3.73	
3475	Goodcom Asset	FY 10/16	7,393	929	12.6%	14.3%	36.5%	31.0%	0.93	
8925	Ardepro	FY 07/17	7,733	820	10.6%	-3.7%	0.8%	12.9%	5.04	
1717	Meiho Enterprise	FY 07/17	7,496	675	9.0%	7.5%	28.2%	35.7%	1.03	
3241	Will	FY 12/16	4,881	673	13.8%	16.6%	22.1%	51.0%	-0.09	
8918	Land	FY 02/17	4,331	828	19.1%	27.7%	67.6%	49.8%	-0.19	
3237	Intrance	FY 03/17	2,743	569	20.7%	7.3%	9.5%	42.8%	0.77	
	Average		21,537	1,157	14.9%	8.8%	20.8%	34.3%	1.45	

Source: Shared Research based on company data

Strengths and weaknesses

Strengths

- **Three founders' different areas of expertise and networks, and resulting synergies:** President Miyauchi's forte is in real estate finance, from his work in structured finance during his career in a bank and securities firm. Deputy President Hasegawa's expertise is in consulting for high net worth individuals and customer development, and Deputy President Mochizuki is skilled in property revitalization (acquisitions and sales). The three founders previously worked together managing a real estate company that listed on the TSE First Section. In addition to a high level of expertise and people skills, the trust gained by the company listing on TSE Mothers in December 2014 has led to rapid growth in the number of introductions to high net worth individuals from private bankers and from other wealthy individuals. There are many repeat customers. Backed by six years of continued revenue and its track record in real estate revitalization, the company used private placement bonds and commitment line syndicated loans to boost leverage above level of its peers to grow (the net debt/equity ratio was 3.73 in FY12/16; average for 23 competitors with similar revenue was 1.45). Over the three years through FY12/16, revenue grew at a CAGR of 73.4% and operating profit 75.4%.
- **Boutique operation that leverages the flexibility of a small, talented team and balances specialization and diversification:** B-Lot focuses on small and medium-sized properties (valued between JPY100mn and JPY3bn; average sales price per property was JPY624mn in FY12/16) that are larger companies don't want to handle. The company leverages its information network that spans large cities across Japan and Singapore and operates as a boutique firm with a small, talented team (roughly 50 employees at the parent company). Real estate companies that focus on small and medium-sized properties tend to concentrate on the Tokyo metropolitan region, where there are many properties. In contrast, B-Lot has not limited its presence to Kanto, but has diversified across a wide area with offices in Hokkaido, Kyushu, Kansai, and Singapore. Of the 16 properties the Investment segment sold in FY12/16, nine (56%) were in Kanto, four (25%) in Hokkaido, one (6%) in Kyushu, and two (13%) in Kansai. Diversification enables B-Lot to mitigate the risk of regional price fluctuations and increases opportunities. Also, the company handles various types of properties, including office buildings, condominiums, and hotels. In recent years, the company further diversified into renovating compact hotels, seeing an opportunity to be an early mover in capturing surging inbound tourist demand.
- **President Makoto Miyauchi is son of Orix's senior chairman:** President Makoto Miyauchi is the son of prominent business leader Yoshihiko Miyauchi, the senior chairman of Orix. The younger Miyauchi says he has received much training and advice from his father, as well as personal connections. B-Lot does not have direct business with Yoshihiko Miyauchi or Orix, but the company's president has followed in his father's footsteps in terms of an entrepreneurial spirit.

Weaknesses

- **No experience of property price downturns since the company's founding:** B-Lot was established in October 2008, at the start of the global financial crisis. Subsequently there has been a boom in the real estate market, so the company has not experienced a property slump. The company's leverage is high compared to competitors of a similar size (its net D/E ratio was 3.73 FY12/16, versus an average of 1.45 for 23 competitors around the same time.) The company has not yet proved its resilience to a market slump.
- **Lack of experience in major projects:** B-Lot focuses on transactions between JPY100mn and JPY3bn in its Real Estate Investment and Development business. The average sales price of buildings sold in FY12/16 was just JPY624mn. The company's president, Makoto Miyauchi, was involved in arranging numerous large deals in his previous career at a bank and securities firm, but the company as a whole has no such experience. To grow over the long term, the company will need a track record of large projects.
- **Lack of retained earnings:** B-Lot has a shareholders' equity ratio of 17.0%, the fourth lowest compared to a similar sized peer group of 23 companies, which have an average ratio of 34.3%. The company's net D/E ratio, which is double the average, is a reflection of the high valuation that banks place on the company's real estate for sale, but the balance sheet is not strong.

Market and value chain

Japanese real estate transactions

Market size

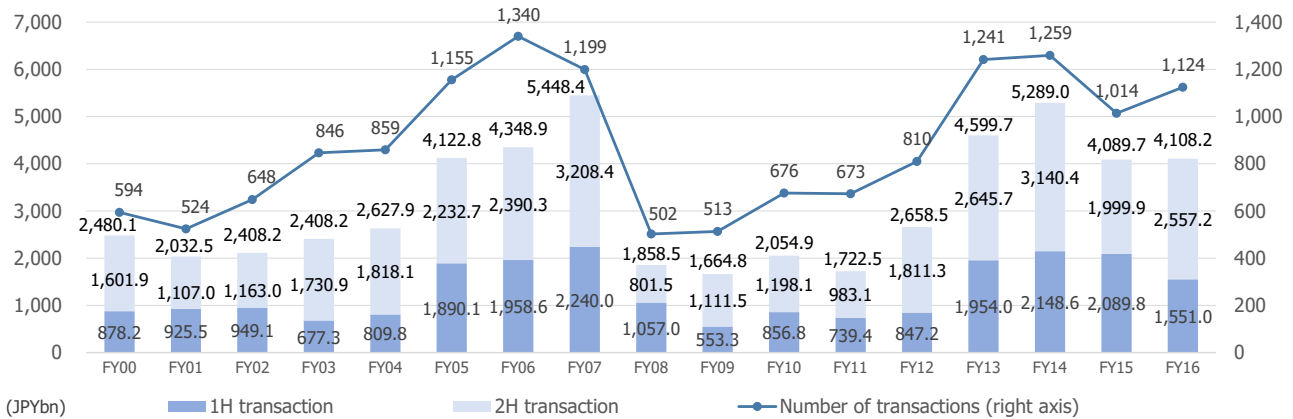
After peaking in fiscal 2014, Japanese real estate transactions declined in fiscal 2015 before a slight recovery in fiscal 2016. The value of Japanese real estate transactions by listed companies in fiscal 2016 was JPY4.1tn (+0.5% YoY). Factors behind the decline after 2015 include reduced supply of properties and rising property prices* (and a downtrend in the cap rate** owing to higher prices) on a jump in construction costs due to a labor shortage. Meanwhile, an uptrend in yield spreads*** accompanying declining interest rates saw the real estate funds market expand to JPY31.1tn (+8.0% YoY) in 2016. In addition to growth in J-REITs, private placement funds specializing in Japanese real estate are also growing. Bank lending to the real estate sector is also in an uptrend.

*Rising property prices: Prices of newly built condominiums in the Tokyo metropolitan area rose from JPY54.7mn/unit in 2015 to JPY55.5mn (+1.5%) in 2016 (source: Real Estate Economic Institute, simple average of monthly prices). Prices for pre-owned condominiums rose 13.2% YoY from JPY30.7mn/70sqm in 2015 to JPY34.8/70sqm in 2016 (source: Tokyo Kantei).

**Cap rate: Short for capitalization rate. Yield used when determining property prices from net earnings generated by a property. Net operating income ÷ cap rate = property price.

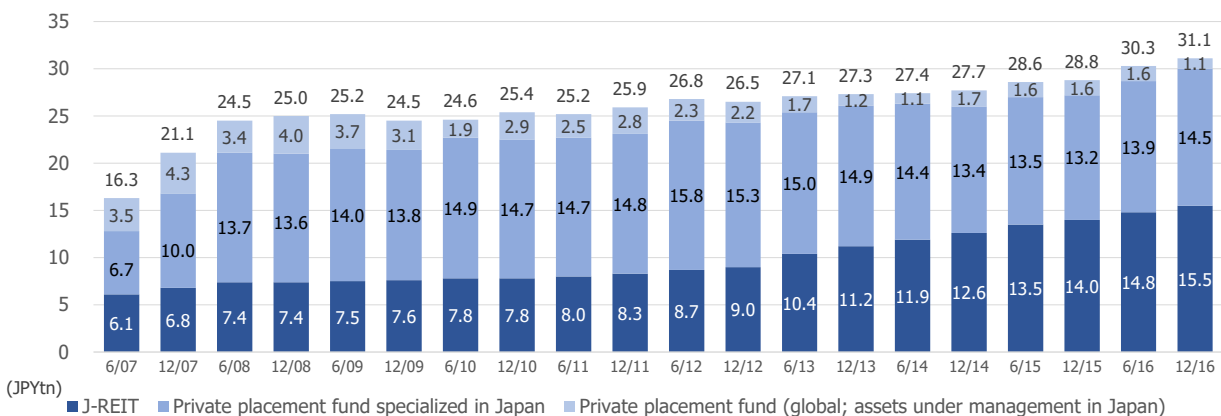
***Yield spread: Gap between cap rate and 10-year government bond yield.

Real estate transactions by listed companies (JPYbn) and number of transactions



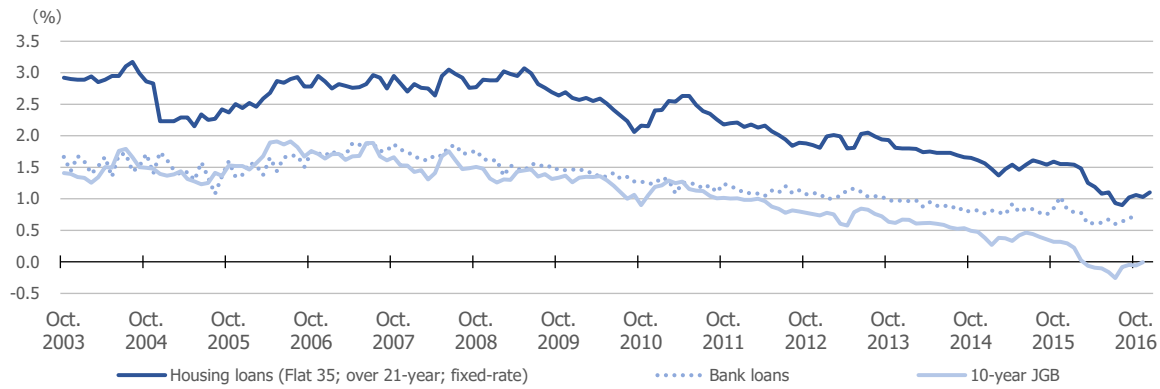
Source: Shared Research based on Urban Research Institute Corporation, Real Estate Topics

Real estate fund market (JPYtn)



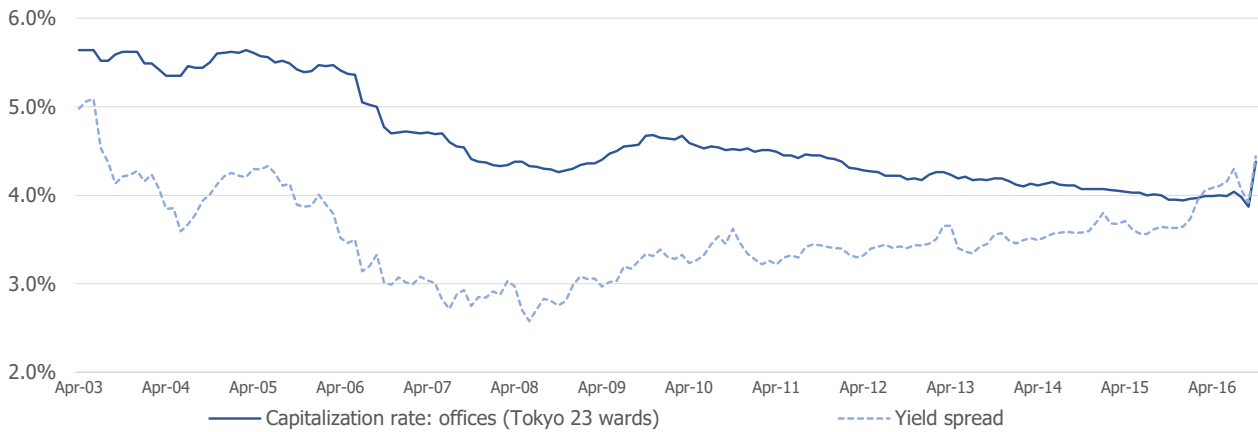
Source: Shared Research based on Sumitomo Mitsui Trust Research Institute data

Interest rates (%)



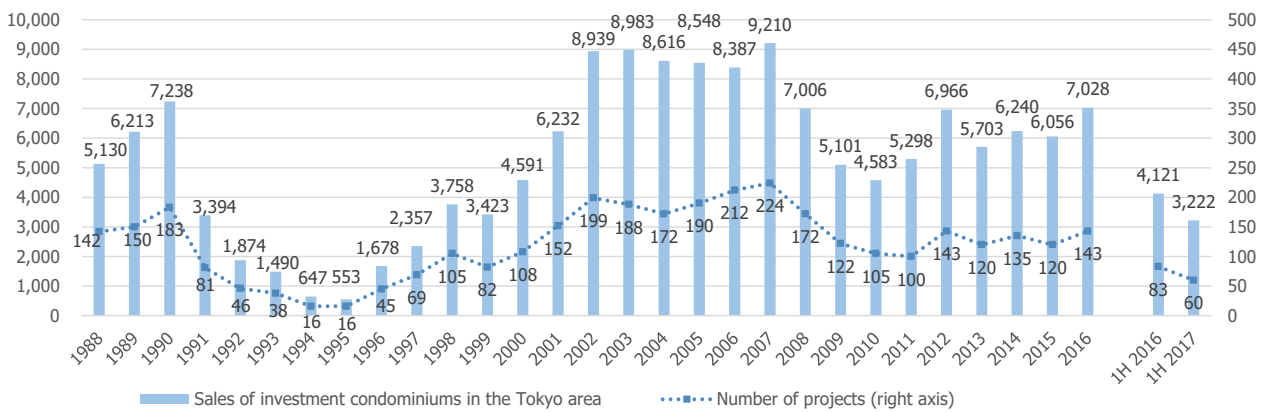
Source: Shared Research based on Japan Housing Finance Agency, Bank of Japan, and Ministry of Finance data

Cap rate and yield spread (%)



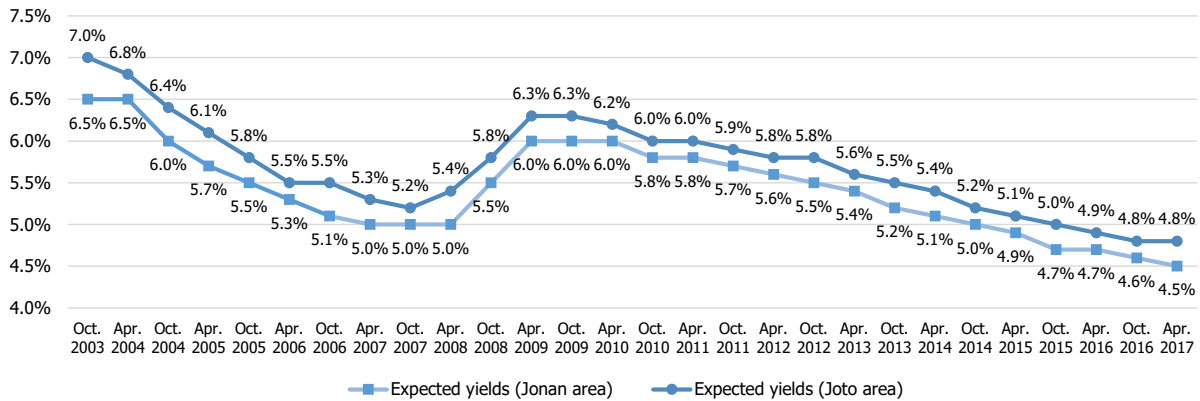
Source: Shared Research based on ARES and Bank of Japan data

Supply of investment condominiums in Tokyo metropolitan region



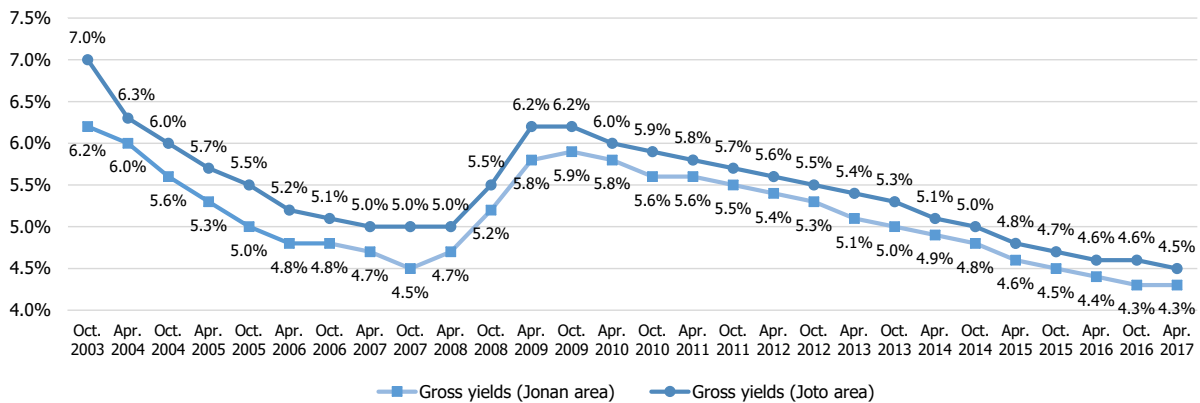
Source: Shared Research based on Real Estate Economic Institute data

Expected yields on one-room investment condominiums in Tokyo



Source: Shared Research based on Japan Real Estate Institute data
 Note: Within 10 minutes' walk of nearest station, built within past five years, average exclusive-use floor space per 25–30sqm, one-room condos with a total of around 50 units
 Note: Jonan refers to an area in southern Tokyo, and Joto refers to an area in eastern Tokyo

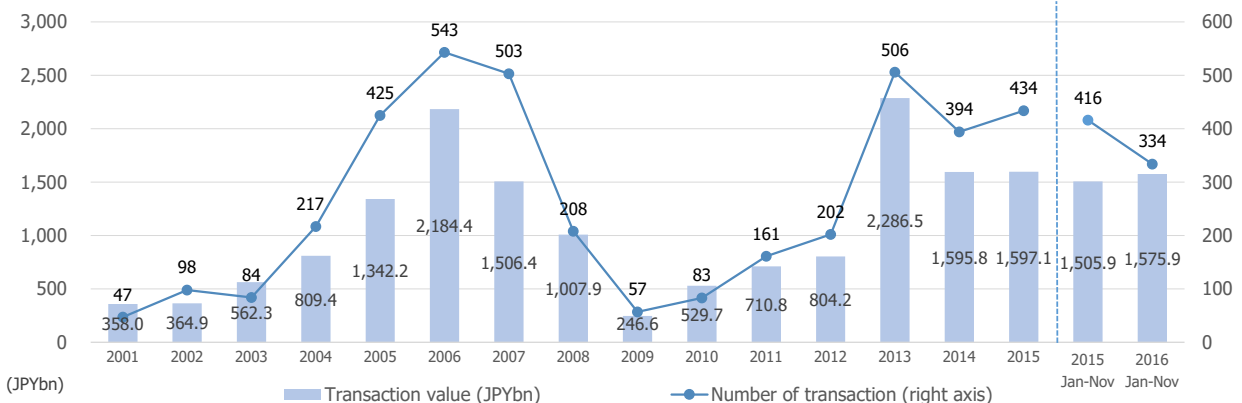
Gross yield* on one-room investment condominiums in Tokyo



Source: Shared Research based on Japan Real Estate Institute data
 Note: Within 10 minutes' walk of nearest station, built within past five years, average exclusive-use floor space per unit 25–30sqm, one-room condos with a total of around 50 units
 Note: Jonan refers to an area in southern Tokyo, and Joto refers to an area in eastern Tokyo

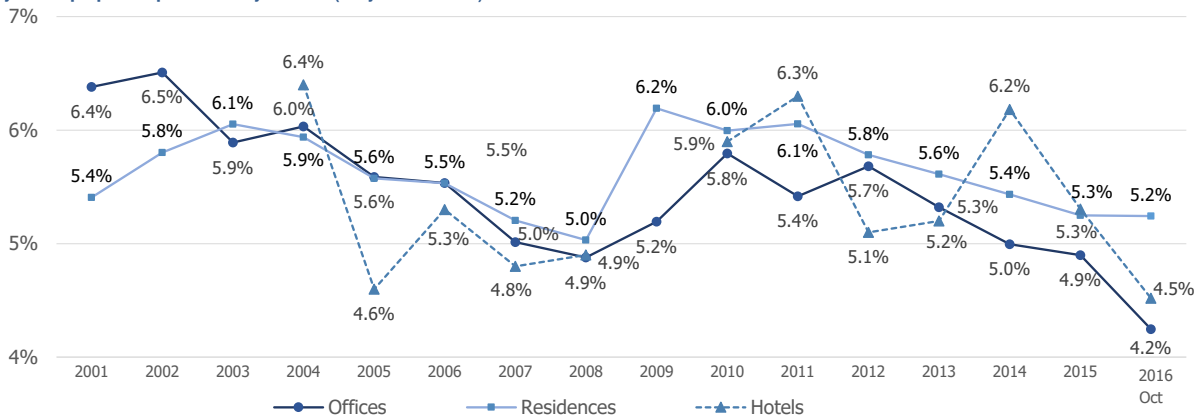
*Gross yield: The yield derived by dividing annual rental revenue by property price. Net yield is calculated by subtracting overheads (management expenses and property taxes etc.) from annual rental revenue and dividing by sum of property price and overheads at time of purchase (registration and license tax). In an investment, there are additional factors to consider: interest rates on loans, vacancy risk, and risk of loss on sale. According to a company that sells investment condos, the main reason that investors invest in one-room condos, in addition to yield, is cash flow for retirement, tax deductions (if rental revenue minus expenses during the initial investment period is negative due to building depreciation, interest, lower inheritance tax valuation), and life insurance (group credit insurance when borrowing).

J-REIT transactions (JPYbn)

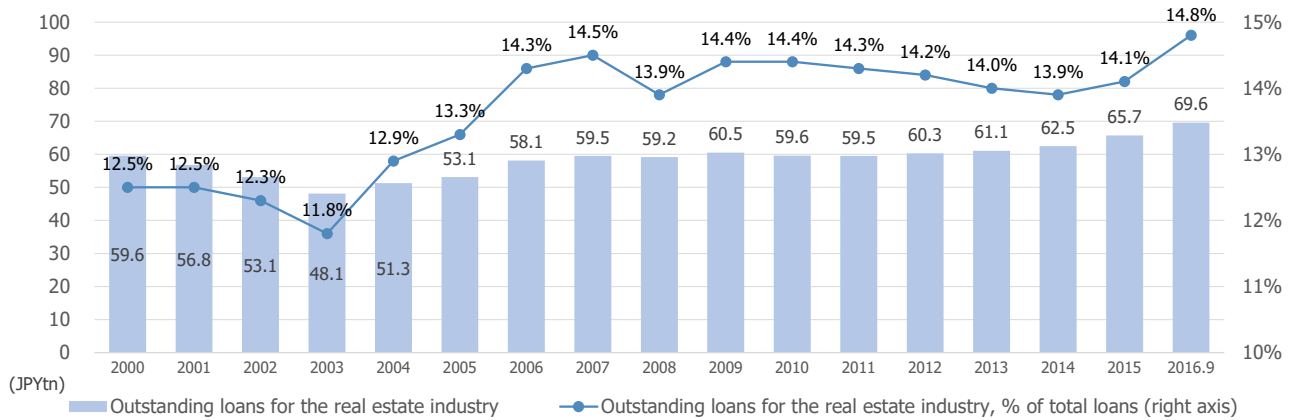


Source: Shared Research based on ARES data

NOI yield on properties purchased by J-REITs (Tokyo's 23 wards)



Bank loans outstanding to property sector

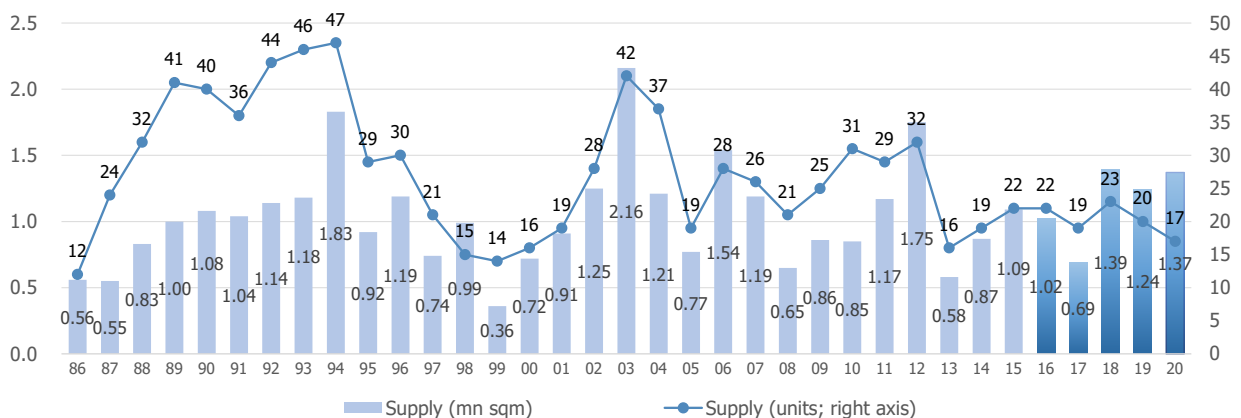


Source: Shared Research based on Bank of Japan, loans by sector

Office building rents

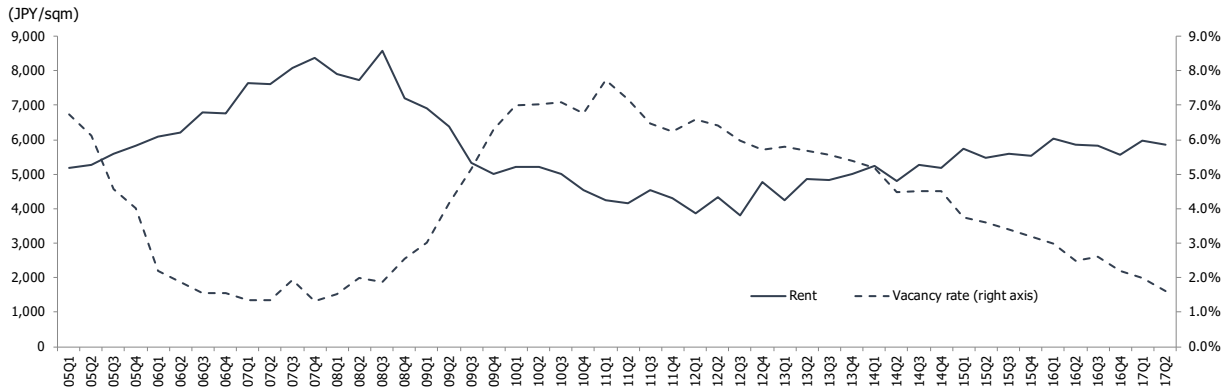
According to the Office Rent Index jointly published by Sanko Estate and NLI Research Institute, in Q3 2017, contracted rents for Class B buildings in Tokyo were JPY20,824/tsubo (+8.0% YoY, +7.5% QoQ). A gentle appreciation in rents since bottoming out in Q3 2012 continues. Vacancy rates in Tokyo Class B buildings remain above 1%, at 1.4%. The downtrend since Q2 2011 continues, against a backdrop of the end of large increases of newly constructed office building supply.

Supply of large office buildings (above 10,000sqm) in Tokyo's 23 wards



Source: Shared Research based on Mori Building data
Note: 2016–2020 figures are forecasts

Class B office rent and vacancy rates in Tokyo



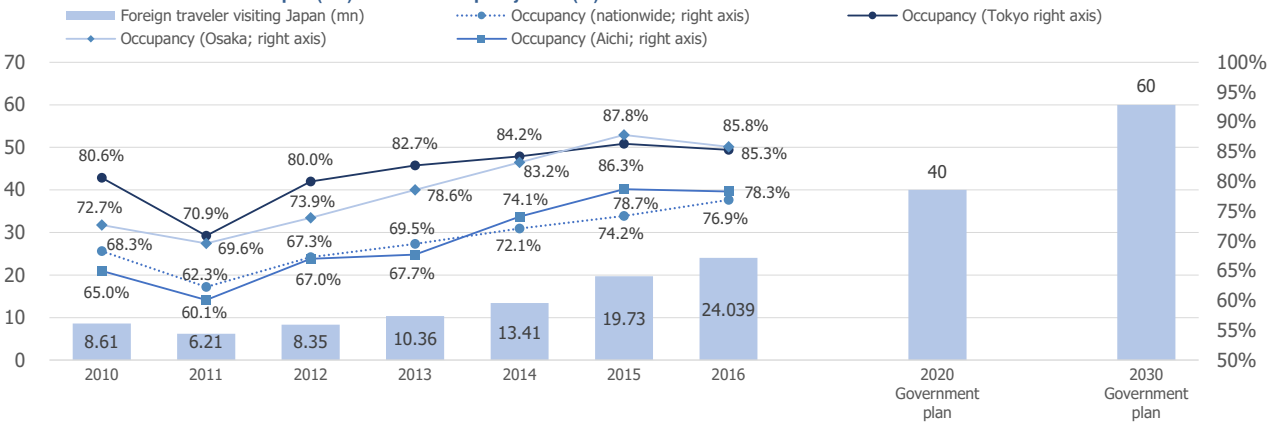
	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2
Rent	3,810	4,779	4,255	4,874	4,822	5,015	5,247	4,818	5,282	5,182	5,749	5,484	5,587	5,524	6,041	5,851	5,830	5,561	5,972	5,861
Vacancy rate	6.0%	5.7%	5.8%	5.7%	5.6%	5.4%	5.2%	4.5%	4.5%	4.5%	3.7%	3.6%	3.4%	3.2%	3.0%	2.5%	2.6%	2.2%	2.0%	1.6%

Source: Shared Research based on Sanko Estate Co. and NLI Research Institute
 Note: rents are contracted rent and exclude Common Area Maintenance fee

Hotels

In January–September 2017, there were 21.2mn overseas tourist arrivals in Japan (+18.0% YoY). Hotel vacancy rates have been on an uptrend since bottoming in 2011 as the number of overseas tourists to Japan has increased.

Number of International Visitors to Japan (mn) and hotel occupancy rates (%)



Source: Shared Research based on Ministry of Land, Infrastructure, Transport and Tourism, Accommodation Travel Survey

Historical performance

Historical financial statements

1H FY12/17 results

Summary

In 1H FY12/17, the company reported revenue of JPY5.3bn (+25.7% YoY), operating profit of JPY620mn (+20.7%), recurring profit of JPY441mn (+12.3%), and net income attributable to owners of parent of JPY304mn (+11.4%). Progress toward full-year FY12/17 forecasts was revenue 32.6% (36.1% of FY12/16 results in 1H FY12/16), operating profit 41.5% (43.7%), recurring profit 37.5% (44.9%), and net income 38.9% (46.4%). The inventory of real estate for sale (sum of real estate for sale and real estate for sale in process) was JPY11.3bn (-0.3% vs the start of the fiscal year). The company planned to sell major projects in 2H FY12/17.

Revenue

Up 25.7% YoY (breakdown: Investment +16.7%, Consulting +302.2%, and Management +0.1%). In addition to double-digit growth in the key Investment business, revenue in Consulting was 4x revenue in 1H FY12/16. Revenue from Management was in line with the previous year.

Profits

Operating profit was +20.7% YoY. Segment profit was +80.3% YoY in Investment, +78.4% in Consulting, and -11.5% in Management. The decline in Management earnings came from increased costs associated with the renovation of capsule hotels accompanying the consolidation of Viento Creation in 1H. Note that corporate costs not allocated to individual reporting segments are increasing.

Investment segment

Segment revenue was JPY4.2bn (+16.7% YoY). The company sold 11 buildings (six in 1H FY12/16). By type, the company sold six residential real estate buildings (two in 1H FY12/16), two office/retail buildings (two), two land parcels (two), and one condo hotel block (none). The company purchased eight properties (five). By type, three were residential (none), one office/retail building (three), and four land (including development land) (two). By region, four were in Kanto (three), one in Hokkaido (none), none in Kansai (two), and three in Kyushu (none).

As of end-1H FY12/17, the company's inventory was 23 properties (17 in 1H FY12/16). Construction is proceeding steadily on development land and the company planned to complete a series of projects in FY12/17, following the completion of "nine hours Shinjuku North" in March 2017.

Note: the number of properties does not include detached lots owned by Life Stage.

Segment profit was JPY614mn (+80.3% YoY).

Consulting segment

Segment revenue was JPY641mn (+302.2% YoY). The company acquired investment real estate brokerage deals and consulting projects, primarily in the Kanto area, and completed 12 deals (11 in 1H FY12/16). Of these, eight were in Kanto (seven in FY12/16), two in Hokkaido (three), one in Kansai (none), and one in Kyushu (one). The Singapore subsidiary was in its third year, and contributed to group results as it steadily builds its overseas investor base and closes deals with repeat customers.

Segment profit was JPY222mn (+78.4% YoY).

Management segment

Segment revenue was JPY455mn (+0.1% YoY). The number of client-owned properties under management rose to 54 (45 at end-1H FY12/16). By region, the company was managing 22 properties in Kanto (19), 22 in Hokkaido (16), and 10 in Kyushu (10).

Segment profit was JPY218mn (-11.5% YoY). The main factors were increased SG&A expenses due to the consolidation of Viento Creation in 1H and costs associated with temporarily closing Viento Creation's capsule hotels for renovation.

Q1 FY12/17 results

Summary

In Q1 FY12/17, the company reported revenue of JPY2.0bn (+195.6%YoY), operating profit of JPY160mn (-14.8%), recurring profit of JPY77mn (-42.0%), and net income attributable to owners of parent of JPY63mn (-22.9%). Progress toward full-year FY12/17 forecasts was revenue 12.5% (5.9% of FY12/16 results in Q1 FY12/16), operating profit 10.7% (15.9%), recurring profit 6.6% (15.2%), and net income 8.0% (13.8%). The inventory of real estate for sale (sum of real estate for sale and real estate for sale in process) was JPY12.5bn (+9.4% vs the start of the fiscal year). The company planned to sell major developments in 2H FY12/17.

Revenue

Up 195.6% YoY (breakdown: Investment +333.9%, Consulting +168.3%, and Management -7.6%). While revenue in the key Investment business as well as the Consulting business grew sharply, they fell in the Real Estate Management business.

Profits

Operating profit was -14.8% YoY. Operating profit was +107.2% YoY in Investment, +67.3% in Consulting, and -15.8% in Management. The decline in Management earnings was due to lower rental revenue owing to ownership of a large proportion of buildings with low occupancy rates.

Investment segment

Segment revenue was JPY1.5bn (+339.1% YoY). The company sold three buildings (one in Q1 FY12/16). By type, the company sold one residential real estate building (one in Q1 FY12/16), one office/retail building (none), one land parcel (none), and one condo hotel block (none). The company purchased five properties (five). By type, three were residential (none), zero were office/retail buildings (three), and two were land (including development land) (two). By region, two were in Kanto (three), one in Hokkaido (none), none in Kansai (two), and two in Kyushu (none).

As of end-Q1 FY12/17, the company's inventory was 28 properties (22 in Q1 FY12/16).

Note: the number of properties does not include detached lots owned by Life Stage.

Segment profit was JPY132mn (+107.2% YoY).

Consulting segment

Segment revenue was JPY374mn (+168.3% YoY). The company acquired investment real estate brokerage deals and consulting projects, primarily in the Kanto area, and completed seven deals (11 in Q1 FY12/16). Of these, four were in Kanto (six in Q1 FY12/16), two in Hokkaido (three), and one in Kyushu (two). Contract fees on investments into Japan from overseas wealthy individuals and sales commissions from Life Stage contributed to segment revenue and profit growth.

Segment profit was JPY172mn (+67.3% YoY).

Management segment

Segment revenue was JPY198mn (-7.6% YoY). The number of client-owned properties under management rose to 51 (44 at end-Q1 FY12/16). By region, the company was managing 21 properties in Kanto (17), 19 in Hokkaido (17), and 11 in Kyushu (10).

Segment profit was JPY96mn (-15.8% YoY). The main factor was the consolidation of Viento Creation in Q1 and costs associated with closing the capsule hotels for renovation.

FY12/16 results

Summary

In FY12/16, the company reported revenue of JPY11.6bn (+67.3%YoY), operating profit of JPY1.2bn (+46.9%), recurring profit of JPY874mn (+33.4%), and net income attributable to owners of parent of JPY588mn (+46.9%). Revenue exceeded full-year FY12/16 forecasts by 3.2%, operating profit by 20.6%, recurring profit by 19.0%, and net income by 22.1%. The inventory of real estate for sale (sum of real estate for sale and real estate for sale in process) was JPY11.4bn (+87.7% vs the end of FY12/15).

Revenue

Up 67.3% YoY (breakdown: Investment +62.6%, Consulting +403.2%, and Management +37.3%). Each segment posted sharp YoY growth.

Profit

Operating profit was +46.9% YoY. Segment profit was +17.8% YoY in Investment, +496.9% in Consulting, and +61.6% in Management.

Investment segment

Segment revenue was JPY10.0bn (+62.6% YoY). The company sold 16 buildings (13 in FY12/15). By type, the company sold eight residential real estate buildings (seven in FY12/15), five office/retail buildings (four), two detached lot parcels (one), and one hotel (one). One of the group's key initiatives, targeting overseas investment into Japan, started to bear fruit. Three of the properties sold were to overseas investors, customers of the company's Singapore subsidiary.

The company purchased 23 properties (19). By type, eight were residential (nine), five were office/retail buildings (four), and 10 development land (four). There were no other purchases (two other purchases in the previous year). By region, there were 13 purchases in Kanto (11), one in Hokkaido (five), six in Kyushu (one), and three in Kansai (two). Some of the real estate purchased was land for development acquired under the company's target to grow in the medium-term plan. The company had hotel, retail facility, and condominium projects, with five properties scheduled to be completed in FY12/17. Also, in FY12/16, the company's first condo hotel, "the kamui niseko," was completed.

As of end-FY12/16, the company's inventory was 25 properties (18 in FY12/15).

Note: the number of properties does not include detached lots owned by Life Stage.

Segment profit was JPY989mn (+17.8% YoY).

Consulting segment

Segment revenue was JPY862mn (+403.2% YoY). The company acquired investment real estate brokerage deals and consulting projects, primarily in the Kanto area, and completed 31 deals (29 in FY12/15). Of these, nineteen were in Kanto (15 in FY12/15), seven in Hokkaido (eight), and four in Kyushu (four). There was one other deal (two in the previous year). Sales contracts from the Singapore subsidiary and sales commissions on 440 sales contracts from Life Stage (consolidated subsidiary starting in FY12/16) contributed to segment revenue and profit growth.

Segment profit was JPY346mn (+496.9% YoY).

Management segment

Segment revenue was JPY882mn (+37.3% YoY). The number of client-owned properties under management rose to 48 (40 at end-FY12/15). By region, the company was managing 20 properties in Kanto (17), 18 in Hokkaido (14), and 10 in Kyushu (9). In the Asset Management business, the company started asset management services under contract in September 2016 for a fund jointly invested in with Misawa Homes, LLC MB Investment 1.

Segment profit was JPY458mn (+61.6% YoY).

FY12/15 results

Summary

In FY12/15, the company reported revenue of JPY7.0bn (+87.4%YoY), operating profit of JPY800mn (+111.5%), recurring profit of JPY655mn (+122.1%), and net income attributable to owners of parent of JPY401mn (+126.8%). Revenue exceeded full-year FY12/15 forecasts by 28.7%, operating profit by 57.2%, recurring profit by 52.4%, and net income by 60.2%. The inventory of real estate for sale (sum of real estate for sale and real estate for sale in progress) was JPY6.1bn (+78.3% vs the end of FY12/14).

Investment segment

Segment revenue was JPY6.1bn (+89.6% YoY). The company sold 13 buildings (22 in FY12/14). By type, the company sold seven residential real estate buildings (eighteen in FY12/14), four office/retail building (four), one detached lot (one), and one hotel (none). The hotel was the company's first project to convert an office building into accommodation facilities. It was sold after its launch as First Cabin Tsukiji, and made a significant contribution to results.

The company purchased 19 properties (18 in the previous year). By type, nine were residential, four were office/retail buildings, four were development land, one was residential land, and one was a nursing care facility. By region, there were eleven purchases in Kanto, five in Hokkaido, one in Kyushu, and two in Kansai. One of the office/retail properties purchased was the second conversion project for accommodation facilities, which opened in November 2015 as Imano Tokyo. The company was also building accommodation facilities on development land it purchased was accumulating revitalization projects to convert properties into compact hotels.

As of end-FY12/15, the company's inventory was 18 properties (12 in FY12/14).

Segment profit was JPY840mn (+ 80.8% YoY).

Consulting segment

Segment revenue was JPY171mn (-13.1% YoY). The company reported a solid build-up in investment real estate brokerage deals in the Kanto region, and completed 29 deals (20 in FY12/14). Of these, fifteen were in Kanto (seven in FY12/14), eight in Hokkaido (eight), and four in Kyushu (three). There were two other deals (two).

Segment profit was JPY58mn (-26.5% YoY).

Management segment

Segment revenue was JPY642mn (+133.2% YoY). The number of client-owned properties under management rose to 40 (36 at end-FY12/14). By region, the company was managing 17 properties in Kanto (15), 14 in Hokkaido (12), and nine in Kyushu (9).

Segment profit was JPY284mn (+219.9% YoY).

FY12/14 results

Summary

In FY12/14, the company reported revenue of JPY3.7bn (+66.3%YoY), operating profit of JPY378mn (+73.8%), recurring profit of JPY295mn (+61.7%), and net income attributable to owners of parent of JPY177mn (+69.2%).

Investment segment

Segment revenue was JPY3.2bn (+70.6% YoY). The company sold 22 buildings (11 in FY12/13). By type, the company sold eighteen residential real estate buildings (eight in FY12/13) and four office/retail buildings (three). The company purchased 18 properties (20). As of end-FY12/14, the company's inventory was 12 properties (16 in FY12/13).

Segment profit was JPY465mn (+49.6% YoY).

Consulting segment

Segment revenue was JPY197mn (+35.1% YoY). The company's investment real estate brokerage deals in Hokkaido trended well, and it completed 20 brokerage deals (28 in FY12/13). Of these, seven were in Kanto (nineteen in FY12/13), eight in Hokkaido (seven), and three in Kyushu (none). There were two other deals (two).

Segment profit was JPY79mn (+36.8% YoY).

Management segment

Segment revenue was JPY275mn (+46.5% YoY). The number of client-owned properties under management rose to 36 (31 at end-FY12/13). By region, the company was managing 15 properties in Kanto (14), 12 in Hokkaido (nine), and nine in Kyushu (eight).

Segment profit was JPY89mn (+94.0% YoY).

Income statement

Income statement (JPYmn)	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Est.
Revenue	532	457	494	1,338	2,231	3,709	6,951	11,627	13,000
YoY	-	-14.2%	8.2%	170.9%	66.7%	66.3%	87.4%	67.3%	11.8%
Cost of revenue	-	-	-	1,011	1,614	2,773	5,395	9,006	
Gross profit	-	-	-	327	617	937	1,556	2,621	
YoY	-	-	-	-	88.6%	51.9%	66.1%	68.4%	
GPM	-	-	-	24.4%	27.7%	25.3%	22.4%	22.5%	
SG&A expenses	-	-	-	242	399	558	756	1,446	
SG&A ratio	-	-	-	18.1%	17.9%	15.1%	10.9%	12.4%	
Operating profit	-	-	-	85	218	378	800	1,175	2,264
YoY	-	-	-	-	157.0%	73.8%	111.5%	46.9%	92.7%
OPM	-	-	-	6.3%	9.8%	10.2%	11.5%	10.1%	17.4%
Non-operating income	-	-	-	-	0	3	7	1	
Non-operating expenses	-	-	-	-	35	86	151	302	
Recurring profit	1	23	6	78	183	295	655	874	1,896
YoY	-	1,545.2%	-74.6%	1,229.7%	133.4%	61.7%	122.1%	33.4%	116.8%
RPM	0.3%	5.1%	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	14.6%
Extraordinary gains (losses)	-	-	-	-	-	-	-	0	
Income taxes	-	-	-	-	78	118	255	286	
Implied tax rate	-	-	-	-	42.9%	40.1%	38.9%	32.7%	
Minority interests	-	-	-	-	-	-	-	-	
Net income	2	15	4	42	104	177	401	588	1,172
YoY	-	702.6%	-72.9%	944.6%	149.8%	69.2%	126.8%	46.9%	99.2%
Net margin	0.3%	3.2%	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Revenue and operating profit

The company's revenue has been on a continuous uptrend other than a decline in FY10/12. Over the three years to FY12/16, the company posted CAGR of 73.4%. The key segment and growth driver is the Investment business, while the Management business is a recurring revenue business that has posted ongoing leaps in profit in line with the number of management contracts. Meanwhile, the Consulting business generally posts strong growth, but profit in a single fiscal year may decline due to fluctuations in the number of completed brokerage deals. The company has posted operating profit growth every year since FY12/12, the earliest fiscal year for which figures are available, through FY12/16. From FY12/13 through FY12/16, the operating profit margin has been stable at 10–12%.

Profitability and financial indicators

Profit margins (JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Gross profit	327	617	937	1,556	2,621
GPM	24.4%	27.7%	25.3%	22.4%	22.5%
Operating profit	85	218	378	800	1,175
OPM	6.3%	9.8%	10.2%	11.5%	10.1%
EBITDA	85	237	391	868	1,254
EBITDA margin	6.3%	10.6%	10.5%	12.5%	10.8%
Net margin	3.1%	4.7%	4.8%	5.8%	5.1%
Financial ratios					
ROA (RP-based)	10.9%	9.9%	7.6%	8.6%	6.6%
ROE	23.6%	29.4%	24.8%	23.5%	22.4%
Total asset turnover	1.9	1.2	0.9	0.9	0.9
Inventory turnover	3.6	3.4	1.7	1.2	1.1
Days in inventory	100.3	107.9	211.0	300.3	332.2
Working capital requirement	578	1,691	3,407	6,093	11,502
Current ratio	512.3%	228.6%	162.5%	454.3%	283.3%
Quick ratio	192.4%	185.5%	52.6%	116.0%	73.2%
OCF / Current liabilities	-309.6%	-144.8%	-88.1%	-68.3%	-130.2%
Net debt / Equity	-162.8%	271.5%	297.4%	197.3%	373.5%
OCF / Total liabilities	-0.3	-0.4	-0.4	-0.2	-0.3
Cash cycle (days)	100.4	108.0	211.2	301.0	334.3
Changes in working capital	577.6	1,113.6	1,716.0	2,685.4	5,409.8

Source: Shared Research based on company data

Historical performance versus initial company forecasts

Results vs. Initial Est. (JPYmn)		FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
		Parent	Parent	Parent	Parent	Parent	Parent	Cons.	Cons.	Est.
Revenue	Initial Est.	-	-	-	-	-	-	5,401	11,263	16,154
	Results	532	457	494	1,338	2,231	3,709	6,951	11,627	
	Results vs. Initial Est.	-	-	-	-	-	-	28.7%	3.2%	
Operating profit	Initial Est.	-	-	-	-	-	-	509	974	1,492
	Results	-	-	-	85	218	378	800	1,175	
	Results vs. Initial Est.	-	-	-	-	-	-	57.2%	20.6%	
Recurring profit	Initial Est.	-	-	-	-	-	-	430	735	1,175
	Results	1	23	6	78	183	295	655	874	
	Results vs. Initial Est.	-	-	-	-	-	-	52.4%	19.0%	
Net income	Initial Est.	-	-	-	-	-	-	250	482	781
	Results	2	15	4	42	104	177	401	588	
	Results vs. Initial Est.	-	-	-	-	-	-	60.2%	22.1%	

Source: Shared Research based on company data

There are only two years of earnings forecasts available to compare company forecasts and actual results. Still, in both FY12/15 and FY12/16, results exceeded the company's initial forecasts.

Balance sheet

Balance sheet (JPYmm)	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
ASSETS							
Cash and deposits	-	-	320	567	1,009	2,107	2,467
Accounts receivable	-	-	1	0	4	23	110
Real estate for sale	-	-	21	1,292	596	-	1,070
Real estate for sale in process	-	-	556	399	2,807	6,070	10,323
Prepaid expenses	-	-	4	8	14	-	-
Other	-	-	19	36	585	144	136
Total current assets	-	-	921	2,303	5,014	8,343	14,105
Land	-	-	-	-	-	167	177
Buildings	-	-	-	52	47	644	642
Other fixed assets	-	-	60	4	4	10	13
Total tangible fixed assets	-	-	60	56	51	822	832
Software	-	-	157	157	157	659	659
Goodwill	-	-	-	-	-	-	144
Other	-	-	2	1	0	0	10
Total intangible fixed assets	-	-	159	158	157	659	813
Investment securities	-	-	0	0	1	-	-
Deferred tax assets	-	-	-	-	-	1	1
Other	-	-	20	25	45	150	834
Investments and other assets	-	-	21	25	45	151	835
Total fixed assets	-	-	239	240	254	1,632	2,479
Deferred assets	-	-	-	-	-	9	41
Total assets	160	281	1,160	2,543	5,268	9,985	16,626
LIABILITIES							
Short-term debt	-	-	62	737	2,749	1,296	4,289
Other	-	-	118	270	337	540	690
Total current liabilities	-	-	180	1,007	3,086	1,836	4,979
Long-term debt	-	-	681	1,050	1,167	5,607	8,708
Other	-	-	39	36	37	110	120
Total fixed liabilities	-	-	721	1,086	1,205	5,717	8,828
Total liabilities	-	-	900	2,093	4,291	7,553	13,806
Capital stock	-	-	124	167	405	932	944
Capital surplus	-	-	45	88	326	853	865
Retained earnings	-	-	59	164	247	648	1,236
Treasury stock	-	-	-	-	-	-	-223
Accumulated other comprehensive income	-	-	-	-	-	-2	-2
Net assets	66	94	260	449	978	2,431	2,819
Working capital	-	-	578	1,691	3,407	6,093	11,502
Total interest-bearing debt	-	-	743	1,787	3,916	6,903	12,997
Net debt	-	-	-423	1,220	2,907	4,796	10,530

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash conversion cycle	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.
Accounts receivable turnover	3,796.4	4,876.2	1,838.2	520.0	175.3
Accounts receivable days	0.1	0.1	0.2	0.7	2.1
Inventory turnover	3.6	3.4	1.7	1.2	1.1
Days in inventory	100.3	107.9	211.0	300.3	332.2
Accounts payable turnover	-	-	-	-	-
Accounts payable days	-	-	-	-	-
Cash conversion cycle (days)	100.4	108.0	211.2	301.0	334.3

Source: Shared Research based on company data

Assets

More than 80% of the company's assets are liquid, of which real estate for sale (including real estate in progress) accounts for roughly 70%. Cash and deposits and fixed assets each account for around 15% of total assets.

Liabilities

Liabilities account for more than 80% of total liabilities and net assets, and interest-bearing debt accounts for over 90% of liabilities.

Shareholders' equity

Net assets account for under 20% of total liabilities and net assets. As of end-FY12/16 the shareholders' equity ratio was 17.0%.

Cash flow statement

Cash flow statement (JPYmn)	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16
	Parent	Parent	Parent	Cons.	Cons.
Cash flows from operating activities (1)	-278	-859	-1,802	-1,681	-4,436
Cash flows from investing activities (2)	-225	-23	-220	-1,241	-922
Free cash flow (1+2)	-503	-882	-2,023	-2,922	-5,359
Cash flows from financing activities	722	1,129	2,463	4,019	5,717
Depreciation and amortization (A)	-	20	13	68	79
Capital expenditures (B)	-	-	-	-	-
Working capital changes (C)	-	1,114	1,716	2,685	5,410
Simple FCF (NI + A + B - C)	42	-990	-1,526	-2,217	-4,742

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash flows from operating activities

From FY12/12 through FY12/16, cash flows from operating activities have been negative as the company has grown its business.

Cash flows from investing activities

From FY12/12 through FY12/16, cash flows from investing activities have been negative as the company has purchased tangible and intangible fixed assets and acquired subsidiaries.

Cash flows from financing activities

From FY12/12 through FY12/16, cash flows from financing activities have been positive as the company has continuously raised funds.

Other information

History

The company was established in October 2008, and all three founders had different areas of expertise and networks. President Makoto Miyauchi had experience in real estate finance such as structured finance when he worked in a bank and securities firm. Deputy President Shinichi Hasegawa's expertise is in consulting for high net worth individuals and customer development, and deputy president Masahiro Mochizuki is skilled in property revitalization (acquisitions and sales). The three founders previously worked together managing a real estate company listed on the TSE First Section. In December 2014, the company listed on the Tokyo Mothers market, just six years and two months after founding, a record high listing speed out of all real estate companies established in the wake of in the global financial crisis. The company used its creditworthiness and fundraising ability following its listing to support its growth driver, the Investment segment, and Consulting and Management are stable earners.

In 2015 the company established an asset management company (B-Lot Asset Management) and a Singapore subsidiary (B-Lot Singapore). In April 2016, the company purchased Life Stage, whose main business is marketing newly built condominiums to the family demographic, for JPY880mn, and made it a subsidiary. In January 2017, B-Lot purchased Viento Creation, an owner and operator of capsule hotels, for JPY588mn, and made it a subsidiary. (See Group companies.) B-Lot had a small elite team (around 50 employees in the parent company) at the time of its establishment. As of end-September 2017, including the companies it has acquired, the group now has around 146 employees overall.

Oct 2008	B-Lot (capital: JPY50mn) established as real estate investment and consulting company
Nov 2008	Acquires Building Lots and Buildings Transaction Business License. (Lic. No. (1) 89915, Governor of Tokyo)
Feb 2009	Launches leasing management contracting business
Jul 2009	Acquires Type II Financial Instruments Business registration with Kanto Local Finance Bureau (Lic. No. 2235)
Apr 2011	Opens Sapporo branch (currently Hokkaido branch) in Sapporo, Hokkaido
Jun 2011	Changes Building Lots and Buildings Transaction Business license from Governor of Tokyo license to MLIT Lic. No. (2) 8157
Jun 2012	Begins management and operation of its own buildings
Sep 2013	Opens Fukuoka branch in Fukuoka City, Fukuoka
Dec 2014	Lists on TSE Mothers
Feb 2015	Establishes B-Lot Asset Management
May 2015	Establishes B-Lot Singapore
Apr 2016	Acquires Life Stage
Jul 2016	Establishes Osaka branch office
Jan 2017	Acquires all shares of Viento Creation
Feb 2018	Transfers its listing to TSE1

Source: Company materials

Group companies (as of end-September 2017)

Company	Business	Note
B-Lot Singapore Pte. Ltd.	Asset management services for investors in Asia	Consolidated subsidiary
B-Lot Asset Management Co., Ltd	Comprehensive real estate management services for Japanese and overseas institutional investors	Consolidated subsidiary
Life Stage Corporation	Newly built condominium sales targeting family demographic	Consolidated subsidiary
Viento Creation Co., Ltd.	Ownership and operation of capsule hotels	Consolidated subsidiary

Source: Shared Research based on company data

Origin of company name

The letter “B” stands for “brain,” while “lot” is used in the colloquial sense of colleagues or mates as in “you lot.” The name is an attempt to convey the idea of a group of people who can put into practice their ideas.

Corporate governance and top management

B-Lot: corporate governance structure (as of May 15, 2017)

Capital structure	
Controlling interests	None
Foreign shareholding	Under 10%
Organization and directors	
Organization	Company with Audit & Supervisory Board
Number of directors (under Articles of Incorporation)	5
Number of directors	3
Directors’ term of office (under Articles of Incorporation)	2 years
Chairman of the board of directors	President
Number of outside directors	1
Number of independent outside directors	1
Nominating committee or compensation committee	None
Number of members of Audit & Supervisory Board (under Articles of Incorporation)	3
Number of members of Audit & Supervisory Board	3
Number of outside members of Audit & Supervisory Board	3
Number of independent outside members of Audit & Supervisory Board	3
Other	
Incentives for directors	Stock options
Stock option eligibility	Internal directors and employees, subsidiaries’ directors and employees
Disclosure of directors’ compensation	No individual disclosure
Policy to determine amount and calculation method of remuneration	Y
Corporate takeover defenses	None

Source: Shared Research based on company data

President and Representative Director Makoto Miyauchi (born 1969) was in charge of project finance and nonrecourse property loans for eight years at The Sanwa Bank, Limited (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) At Sanwa Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) he was involved in arranging real estate securitization. He was involved in deals including the securitization of urban Class S buildings, the creation of commercial building funds, and structuring special-lease condominium funds. Starting in 2006, he worked at Sun Frontier Fudousan, a real estate company listed on the TSE First Section, where he was responsible for planning and implementing new projects as general manager of the investment planning department. In 2008, he established B-Lot to launch a new real estate finance business, and assumed the position of representative director and president.

After moving from Hokkaido to Tokyo, **Director and Deputy President Shinichi Hasegawa (born 1972)** joined Sun Frontier (currently Sun Frontier Fudousan) in 1996, where he was involved in commercial real estate brokerage. He has broad experience in bankruptcy administration, Resolution and Collection Corporation, and loan servicer projects. Subsequently, as executive responsible for solutions for listed company owners and high net worth individuals, he oversaw the brokerage, property management, and leasing businesses. As managing director and general manager of the sales department, he assisted the company’s listing on JASDAQ five and a half years after founding and listing on the TSE First Section in under eight years. He

helped plan the establishment of B-Lot in 2008 and assumed the position of director and deputy president. In 2015, he was appointed representative director and president of B-Lot Singapore Pte. Ltd.

Following work in a bank-affiliated real estate consulting company, **Director and Deputy President Minoru Mochizuki (born 1972)** joined Sun Frontier (currently Sun Frontier Fudousan) in 1999, where he was instrumental in launching the real estate revitalization business, with the aim of building an infrastructure business for the real estate industry. He was responsible for over 100 building revitalization projects, and oversaw market research, purchases, value enhancing plans, sales management, and securitization. As managing director and general manager of the Asset Division, he contributed to that company's listing on JASDAQ five and a half years after its founding, and on the Tokyo Stock Exchange First Section in under eight years. In 2009, he joined B-Lot and assumed the position of director and deputy president.

Outside Director Takashi Osaka (born 1955) worked for four years at a trading company. In 1982 he joined Japan Recruit Center (currently, Recruit Holding Co., Ltd). He was assigned to the Building Business Division, where he was involved in acquiring land for Recruit's office buildings nationwide including Tokyo, Yokohama, Kawasaki, Kyoto, Osaka, and Kobe as well as planning, project management, and operations. He participated in a management buyout of the business from Recruit in 2000, and is involved in management as a director of the company, now known as Xymax. The company is engaged in property management for office, retail, and logistics facilities nationwide. In 2014 he was appointed to his current post of vice chairman of Xymax and in 2016 was appointed independent external director of B-Lot.

Dividend policy

B-Lot considers the return of profits to shareholders to be an important management issue. The company's basic policy is to strengthen its financial position through adequate retained earnings while providing returns to shareholders that reflect its performance. Distributions of profits are determined from a comprehensive viewpoint taking into full consideration corporate performance and future business plans. For FY12/17, the company plans to pay a year-end annual dividend of JPY39 per share.

Major shareholders

Top shareholders	Stake
Shinichi Hasegawa	16.67%
Masahiro Mochizuki	14.42%
M&M, Ltd.	10.23%
Makoto Miyauchi	7.41%
Mitsuru Otsuka	3.44%
Fumie Mochizuki	1.97%
Rakuten Securities Inc.	1.89%
Bang-Joo Lee	1.50%
Kwan-Young Kim	1.46%
SBI Securities Co., Ltd.	1.36%

Source: Shared Research based on company data

Employees

	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.
Parent	24	32	35
Consolidated	24	35	134

Source: Shared Research based on company data

Profile

Company Name	Head Office
B-Lot Co., Ltd.	Shimbashi Marine Bldg.8F 2-19-10 Shimbashi Minato-ku Tokyo
Phone	Listed On
+81(3)-6891-2525	TSE First Section
Established	Exchange Listing
October 10, 2008	December 11, 2014
Website	Fiscal Year-End
http://en.b-lot.co.jp/	December
IR Contact	IR Web
+81(3)-6891-2525	http://www.b-lot.co.jp/ir.html (Japanese only)

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AS ONE CORPORATION	IDOM Inc.	SBS Holdings, Inc.
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Azbil Corporation	Intelligent Wave, Inc.	Snow Peak, Inc.
Bell-Park Co., Ltd.	istyle Inc.	Solasia Pharma K.K.
Benefit One Inc.	Itochu Enex Co., Ltd.	SOURCENEXT Corporation
B-lot Co.,Ltd.	J Trust Co., Ltd	Star Mica Co., Ltd.
Canon Marketing Japan Inc.	Japan Best Rescue System Co., Ltd.	Strike Co., Ltd.
Carma Biosciences, Inc.	JINS Inc.	SymBio Pharmaceuticals Limited
CERES INC.	KAMEDA SEIKA CO., LTD.	TAIYO HOLDINGS CO., LTD.
Chiyoda Co., Ltd.	Kenedix, Inc.	Takashimaya Company, Limited
Chugoku Marine Paints, Ltd.	KFC Holdings Japan, Ltd.	Takihyo Co., Ltd.
cocokara fine Inc.	LAC Co., Ltd.	TAMAGAWA HOLDINGS CO., LTD.
COMSYS Holdings Corporation	Lasertec Corporation	TEAR Corporation
CRE, Inc.	MATSUI SECURITIES CO., LTD.	3-D Matrix, Ltd.
CREEK & RIVER Co., Ltd.	MEDINET Co., Ltd.	TKC Corporation
Daiseki Co., Ltd.	Milbon Co., Ltd.	TOKAI Holdings Corporation
DIC Corporation	MIRAIT Holdings Corporation	Tri-Stage Inc.
Digital Arts Inc.	NAGASE & CO., LTD	VISION INC.
Digital Garage Inc.	NAIGAI TRANS LINE LTD.	VISIONARY HOLDINGS CO., LTD.
Don Quijote Holdings Co., Ltd.	NanoCarrier Co., Ltd.	VOYAGE GROUP, INC.
Dream Incubator Inc.	Net One Systems Co.,Ltd.	WirelessGate, Inc.
EARTH CHEMICAL CO., LTD.	Nichi-Iko Pharmaceutical Co., Ltd.	YELLOW HAT LTD.
Elecom Co., Ltd.	NIPPON PARKING DEVELOPMENT Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Emergency Assistance Japan Co., Ltd.	Nisshinbo Holdings Inc.	Yume no Machi Souzou Inkai Co., Ltd.
en-Japan Inc.	NS TOOL CO., LTD.	Yushiro Chemical Industry Co., Ltd.
euglena Co., Ltd.	NTT URBAN DEVELOPMENT CORPORATION	ZAPPALLAS, INC.
Ferrotec Holdings Corporation	Oki Electric Industry Co., Ltd	
FIELDS CORPORATION	ONO SOKKI Co., Ltd.	

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