



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 Miyauchi 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 seven 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 2.23 in FY12/17; average for 23 competitors with similar revenue was 1.46). Over the five years through FY12/17, revenue grew at a CAGR of 57.8% and operating profit 94.6%.
- Growth is driven by the Investment business (83.7% of revenue in FY12/17), where it sold 13–22 properties a year between FY12/12 and FY12/17 (the operating profit margin during this period was 10–21%). 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 JPY523mn in FY12/17; if bulk projects are treated as a single item, the average is JPY625mn). 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; 71% of buildings sold in FY12/17), Hokkaido (14%), Kyushu (14%), and Kansai (no sales in FY12/17).
- Consulting and Management segments are stable earners, generating 9.9% and 6.4% of revenue in FY12/17, and with OPM of 31.3% and 52.8%. 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 FY12/17, revenue was JPY13.1bn (+12.6% YoY), operating profit JPY2.4bn (+101.3% YoY), recurring profit JPY2.0bn (+128.6% YoY), and net income attributable to owners of parent JPY1.3bn (+112.6% YoY).
- For FY12/18, the company forecasts revenue of JPY20.0bn (+52.7% YoY), operating profit of JPY2.5bn (+6.2% YoY), recurring profit of JPY2.1bn (+2.9% YoY), and net income attributable to owners of parent of JPY1.4bn (+13.1% YoY).
- 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. 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 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 relatively low 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 Cons.	FY12/18 Est.
Revenue	494	1,338	2,231	3,709	6,951	11,627	13,097	20,000
YoY	-	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%	52.7%
Gross profit	-	327	617	937	1,556	2,621	4,397	
YoY	-	-	88.6%	51.9%	66.1%	68.4%	67.8%	
GPM	-	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%	
Operating profit	-	85	218	378	800	1,175	2,366	2,512
YoY	-	-	157.0%	73.8%	111.5%	46.9%	101.3%	6.2%
OPM	-	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%	12.6%
Recurring profit	6	78	183	295	655	874	1,999	2,057
YoY	-	1,229.7%	133.4%	61.7%	122.1%	33.4%	128.6%	2.9%
RPM	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	15.3%	10.3%
Net income	4	42	104	177	401	588	1,251	1,414
YoY	-	944.6%	149.8%	69.2%	126.8%	46.9%	112.6%	13.1%
Net margin	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%	7.1%
Per share data (JPY)								
Shares issued (year end; '000)	2,628	5,940	6,660	6,567	7,759	8,002	8,020	-
EPS	1.8	15.6	34.5	40.6	56.3	75.3	162.8	183.7
EPS (fully diluted)	-	-	-	34.5	52.8	74.1	160.6	-
Dividend per share	-	-	-	-	-	17.0	19.5	-
Book value per share	35.8	51.2	95.8	148.9	313.3	366.9	520.6	-
Balance sheet (JPYmn)								
Cash and cash equivalents	-	320	567	1,009	2,107	2,467	4,855	
Real estate for sale in process	-	556	399	2,807	6,070	10,323	6,643	
Total current assets	-	921	2,303	5,014	8,343	14,105	16,761	
Tangible fixed assets	-	60	56	51	822	832	596	
Investments and other assets	-	21	25	45	151	835	897	
Intangible fixed assets	-	159	158	157	659	813	825	
Total assets	281	1,160	2,543	5,268	9,985	16,626	19,110	
Short-term debt	-	62	737	2,749	1,296	4,289	8,017	
Total current liabilities	-	180	1,007	3,086	1,836	4,979	9,138	
Long-term debt	-	681	1,050	1,167	5,607	8,708	5,777	
Total fixed liabilities	-	721	1,086	1,205	5,717	8,828	5,963	
Total liabilities	-	900	2,093	4,291	7,553	13,806	15,101	
Net assets	94	260	449	978	2,431	2,819	4,009	
Cash flow statement (JPYmn)								
Cash flows from operating activities	-	-278	-859	-1,802	-1,681	-4,436	2,533	
Cash flows from investing activities	-	-225	-23	-220	-1,241	-922	-861	
Cash flows from financing activities	-	722	1,129	2,463	4,019	5,717	719	
Financial ratios								
Total interest-bearing debt	-	743	1,787	3,916	6,903	12,997	13,794	
ROA (RP-based)	2.7%	10.9%	9.9%	7.6%	8.6%	6.6%	11.2%	
ROE	5.0%	23.6%	29.4%	24.8%	23.5%	22.4%	36.6%	
Equity ratio	33.5%	22.4%	17.7%	18.6%	24.4%	17.0%	21.0%	

Source: Shared Research based on company data

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

Note: The company conducted a 2-for-1 stock split on January 17, 2018. Values for EPS and EPS (fully diluted) are calculated assuming the stock split was conducted at the start of FY12/17.

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Consolidated revenue	1,338	2,231	3,709	6,951	11,627	13,097
YoY	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%
Real Estate Investment and Development	1,069	1,897	3,237	6,137	9,977	10,981
YoY	-	77.4%	70.6%	89.6%	62.6%	10.1%
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%	83.7%
No. of properties sold	14	11	22	13	16	21
YoY	-	-21.4%	100.0%	-40.9%	23.1%	31.3%
<By type of property>						
Residential	na	8	18	7	8	11
% of consolidated revenue	na	72.7%	81.8%	53.8%	50.0%	52.4%
Offices and stores	na	3	4	4	5	5
% of consolidated revenue	na	27.3%	18.2%	30.8%	31.3%	23.8%
Land for detached houses	na	-	-	1	2	3
% of consolidated revenue	na	-	-	7.7%	12.5%	14.3%
Hotels	na	-	-	1	1	2
% of consolidated revenue	na	-	-	7.7%	6.3%	9.5%
<By region>						
Kanto	na	9	na	8	9	15
% of consolidated revenue	na	81.8%	na	61.5%	56.3%	71.4%
Hokkaido	na	2	na	3	4	3
% of consolidated revenue	na	18.2%	na	23.1%	25.0%	14.3%
Kyushu	na	-	na	1	1	3
% of consolidated revenue	na	-	na	7.7%	6.3%	14.3%
Kansai	na	-	na	1	2	0
% of consolidated revenue	na	-	na	7.7%	12.5%	0.0%
Revenue per property sold	76	172	147	472	624	523
YoY	-	125.8%	-14.7%	220.9%	32.1%	-16.1%
Real Estate Consulting	192	146	197	171	862	1,305
YoY	-	-24.1%	35.1%	-13.1%	403.2%	51.4%
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%	9.9%
No. of brokerage deals	25	28	20	29	31	29
YoY	-	12.0%	-28.6%	45.0%	6.9%	-6.5%
<By region>						
Kanto	na	19	7	15	19	18
% of consolidated revenue	na	67.9%	35.0%	51.7%	61.3%	62.1%
Hokkaido	na	7	8	8	7	5
% of consolidated revenue	na	25.0%	40.0%	27.6%	22.6%	17.2%
Kyushu	na	-	3	4	4	2
% of consolidated revenue	na	-	15.0%	13.8%	12.9%	6.9%
Kansai, others	na	2	2	2	1	4
% of consolidated revenue	na	7.1%	10.0%	6.9%	3.2%	13.8%
Real Estate Management	77	188	275	642	882	839
YoY	-	144.9%	46.5%	133.2%	37.3%	-4.9%
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%	6.4%
No. of properties managed	20	31	36	40	48	59
YoY	-	55.0%	16.1%	11.1%	20.0%	22.9%
<By region>						
Kanto	na	14	15	17	20	26
% of consolidated revenue	na	45.2%	41.7%	42.5%	41.7%	44.1%
Hokkaido	na	9	12	14	18	23
% of consolidated revenue	na	29.0%	33.3%	35.0%	37.5%	39.0%
Kyushu	na	8	9	9	9	8
% of consolidated revenue	na	25.8%	25.0%	22.5%	18.8%	13.6%
Adjustments	-	-	-	-	-94	-28
Consolidated operating profit	85	218	378	800	1,175	2,366
YoY	-	157.0%	73.8%	111.5%	46.9%	101.3%
Real Estate Investment and Development	120	311	465	840	989	2,316
YoY	-	157.9%	49.6%	80.8%	17.8%	134.1%
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%	73.1%
OPM	11.3%	16.4%	14.4%	13.7%	9.9%	21.1%
Real Estate Consulting	71	58	79	58	346	408
YoY	-	-18.9%	36.8%	-26.5%	496.9%	17.9%
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%	12.9%
OPM	37.0%	39.5%	40.0%	33.8%	40.1%	31.3%
Real Estate Management	3	46	89	284	458	443
YoY	-	1319.8%	94.0%	219.9%	61.6%	-3.3%
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%	14.0%
OPM	4.2%	24.3%	32.2%	44.2%	52.0%	52.8%
Adjustments	-110	-196	-254	-381	-619	-802

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 Cons.
Number of properties acquired	11	20	18	19	23	22
YoY	-	81.8%	-10.0%	5.6%	21.1%	-4.3%
<By type of property>						
Residential	na	na	na	9	8	11
% of total properties acquired	na	na	na	47.4%	34.8%	50.0%
Offices and stores	na	na	na	4	5	4
% of total properties acquired	na	na	na	21.1%	21.7%	18.2%
Land for development	na	na	na	4	10	7
% of total properties acquired	na	na	na	21.1%	43.5%	31.8%
Other	na	na	na	2	-	-
% of total properties acquired	na	na	na	10.5%	-	-
<By region>						
Kanto	na	na	na	11	13	8
% of total properties acquired	na	na	na	57.9%	56.5%	36.4%
Hokkaido	na	na	na	5	1	7
% of total properties acquired	na	na	na	26.3%	4.3%	31.8%
Kyushu	na	na	na	1	6	4
% of total properties acquired	na	na	na	5.3%	26.1%	18.2%
Kansai	na	na	na	2	3	3
% of total properties acquired	na	na	na	10.5%	13.0%	13.6%

Source: Shared Research based on company data

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

Recent updates

Highlights

On **September 25, 2018**, Shared Research updated the report following interviews with B-Lot Co., Ltd.

On **August 10, 2018**, the company announced earnings results for 1H FY12/18; see the results section for details.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative (JPYmn)	FY12/16				FY12/17				FY12/18				FY12/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	684	4,192	5,973	11,627	2,021	5,270	6,263	13,097	2,752	4,999			25.0%	20,000
YoY	-76.1%	29.6%	38.8%	67.3%	195.6%	25.7%	4.8%	12.6%	36.2%	-5.1%				52.7%
Gross profit	384	913	1,563	2,621	715	1,670	2,191	4,397	1,031	1,668				
YoY	-30.8%	29.5%	45.4%	68.4%	86.4%	83.0%	40.2%	67.8%	44.2%	-0.1%				
GPM	56.1%	21.8%	26.2%	22.5%	35.4%	31.7%	35.0%	33.6%	37.5%	33.4%				
SG&A expenses	196	399	895	1,446	556	1,050	1,541	2,032	557	1,094				
YoY	4.8%	7.2%	59.1%	91.2%	183.0%	162.9%	72.3%	40.5%	0.3%	4.2%				
SG&A ratio	28.7%	9.5%	15.0%	12.4%	27.5%	19.9%	24.6%	15.5%	20.3%	21.9%				
Operating profit	187	513	668	1,175	160	620	649	2,366	474	574			22.8%	2,512
YoY	-49.0%	54.4%	30.5%	46.9%	-14.8%	20.7%	-2.8%	101.3%	197.0%	-7.4%				6.2%
OPM	27.4%	12.2%	11.2%	10.1%	7.9%	11.8%	10.4%	18.1%	17.2%	11.5%				12.6%
Recurring profit	133	393	493	874	77	441	372	1,999	374	354			17.2%	2,057
YoY	-61.0%	44.1%	21.7%	33.4%	-42.0%	12.3%	-24.6%	128.6%	385.7%	-19.8%				2.9%
RPM	19.4%	9.4%	8.3%	7.5%	3.8%	8.4%	5.9%	15.3%	13.6%	7.1%				10.3%
Net income	81	273	323	588	63	304	263	1,251	263	221			15.7%	1,414
YoY	-62.8%	57.8%	27.8%	46.9%	-22.9%	11.4%	-18.5%	112.6%	320.2%	-27.1%				13.1%
Net margin	11.9%	6.5%	5.4%	5.1%	3.1%	5.8%	4.2%	9.5%	9.5%	4.4%				7.1%
Quarterly (JPYmn)	FY12/16				FY12/17				FY12/18					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	684	3,508	1,781	5,654	2,021	3,249	993	6,835	2,752	2,247				
YoY	-76.1%	832.3%	66.4%	113.7%	195.6%	-7.4%	-44.3%	20.9%	36.2%	-30.8%				
Gross profit	384	529	650	1,058	715	955	521	2,207	1,031	637				
YoY	-30.8%	251.4%	75.9%	119.6%	86.4%	80.5%	-19.9%	108.6%	44.2%	-33.3%				
GPM	56.1%	15.1%	36.5%	18.7%	35.4%	29.4%	52.5%	32.3%	37.5%	28.3%				
SG&A expenses	196	203	495	551	556	495	491	490	557	537				
YoY	4.8%	9.5%	161.1%	184.5%	183.0%	143.5%	-0.8%	-11.0%	0.3%	8.6%				
SG&A ratio	28.7%	5.8%	27.8%	9.7%	27.5%	15.2%	49.5%	7.2%	20.3%	23.9%				
Operating profit	187	326	155	507	160	460	30	1,716	474	100				
YoY	-49.0%	-	-13.9%	76.0%	-14.8%	41.2%	-80.8%	238.6%	197.0%	-78.3%				
OPM	27.4%	9.3%	8.7%	9.0%	7.9%	14.2%	3.0%	25.1%	17.2%	4.4%				
Recurring profit	133	260	101	381	77	364	-69	1,627	374	-20				
YoY	-61.0%	-	-24.3%	52.4%	-42.0%	40.0%	-	327.0%	385.7%	-				
RPM	19.4%	7.4%	5.6%	6.7%	3.8%	11.2%	-	23.8%	13.6%	-				
Net income	81	192	50	266	63	241	-41	988	263	-41				
YoY	-62.8%	-	-37.4%	79.3%	-22.9%	25.9%	-	271.7%	320.2%	-				
Net margin	11.9%	5.5%	2.8%	4.7%	3.1%	7.4%	-	14.5%	9.5%	-				

Source: Shared Research based on company data

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

Segments (cumulative)		FY12/16				FY12/17				FY12/18				FY12/18	
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Consolidated revenue		684	4,192	5,973	11,627	2,021	5,270	6,263	13,097	2,752	4,999			25.0%	20,000
YoY		-76.1%	29.6%	38.8%	67.3%	195.6%	25.7%	4.8%	12.6%	36.2%	-5.1%				72.0%
Real Estate Investment and Development		330	3,578	4,835	9,977	1,449	4,175	4,652	10,981	2,128	3,958				
YoY		-88.0%	21.1%	29.1%	62.6%	339.1%	16.7%	-3.8%	10.1%	46.8%	-5.2%				
% of consolidated revenue		48.3%	85.4%	80.9%	85.8%	71.7%	79.2%	74.3%	83.8%	77.3%	79.2%				
Real Estate Consulting		139	159	482	768	374	641	958	1,278	456	634				
YoY		611.6%	219.4%	298.5%	348.1%	168.3%	302.2%	98.7%	66.4%	21.9%	-1.2%				
% of consolidated revenue		20.4%	3.8%	8.1%	6.6%	18.5%	12.2%	15.3%	9.8%	16.6%	12.7%				
Real Estate Management		214	455	656	882	198	455	652	839	168	408				
YoY		115.4%	98.1%	49.9%	37.3%	-7.6%	0.1%	-0.6%	-4.9%	-14.9%	-10.3%				
% of consolidated revenue		31.3%	10.8%	11.0%	7.6%	9.8%	8.6%	10.4%	6.4%	6.1%	8.2%				
Consolidated operating profit		187	513	668	1,175	160	620	649	2,366	474	574			22.8%	2,512
YoY		-49.0%	54.4%	30.5%	46.9%	-14.8%	20.7%	-2.8%	101.3%	197.0%	-7.4%				113.8%
Real Estate Investment and Development		64	340	485	989	132	614	603	2,316	339	543				
YoY		-85.1%	-20.1%	-9.5%	17.8%	107.2%	80.3%	24.4%	134.1%	157.1%	-11.6%				
% of consolidated operating profit		22.6%	47.8%	46.2%	55.2%	32.9%	58.2%	47.9%	73.1%	49.4%	53.7%				
OPM		19.3%	9.5%	10.0%	9.9%	9.1%	14.7%	13.0%	21.1%	15.9%	13.7%				
Real Estate Consulting		103	125	221	346	172	222	320	408	245	194				
YoY		-	4489.7%	407.4%	496.9%	67.3%	78.4%	44.9%	17.9%	42.0%	-12.7%				
% of consolidated operating profit		36.7%	17.5%	21.0%	19.3%	43.1%	21.1%	25.4%	12.9%	35.7%	19.2%				
OPM		74.0%	78.2%	45.8%	45.1%	46.1%	34.7%	33.4%	31.9%	53.7%	30.6%				
Real Estate Management		114	246	344	458	96	218	337	443	103	274				
YoY		143.7%	125.8%	51.5%	61.6%	-15.8%	-11.5%	-2.2%	-3.3%	6.9%	25.9%				
% of consolidated operating profit		40.7%	34.6%	32.8%	25.6%	24.0%	20.7%	26.7%	14.0%	15.0%	27.1%				
OPM		53.3%	54.2%	52.4%	52.0%	48.6%	47.9%	51.6%	52.8%	61.0%	67.3%				
Adjustments		-94	-199	-382	-619	-241	-435	-610	-802	-213	-437				
Segments (quarterly)		FY12/16				FY12/17				FY12/18					
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Consolidated revenue		684	3,508	1,781	5,654	2,021	3,249	993	6,835	2,752	2,247				
YoY		-76.1%	832.3%	66.4%	113.7%	195.6%	-7.4%	-44.3%	20.9%	36.2%	-30.8%				
Real Estate Investment and Development		330	3,248	1,257	5,143	1,449	2,725	478	6,329	2,128	1,830				
YoY		-88.0%	1403.5%	58.9%	115.1%	339.1%	-16.1%	-62.0%	23.1%	46.8%	-32.8%				
% of consolidated revenue		48.3%	92.6%	70.5%	91.0%	71.7%	83.9%	48.1%	92.6%	77.3%	81.4%				
Real Estate Consulting		139	20	323	286	374	267	317	319	456	178				
YoY		611.6%	-33.9%	354.1%	467.3%	168.3%	1233.3%	-1.7%	11.9%	21.9%	-33.5%				
% of consolidated revenue		20.4%	0.6%	18.1%	5.1%	18.5%	8.2%	32.0%	4.7%	16.6%	7.9%				
Real Estate Management		214	240	202	225	198	257	197	186	168	240				
YoY		115.4%	84.9%	-3.2%	10.4%	-7.6%	6.9%	-2.2%	-17.3%	-14.9%	-6.7%				
% of consolidated revenue		31.3%	6.8%	11.3%	4.0%	9.8%	7.9%	19.9%	2.7%	6.1%	10.7%				
Consolidated operating profit		187	326	155	507	160	460	30	1,716	474	100				
YoY		-49.0%	-	-13.9%	76.0%	-14.8%	41.2%	-80.8%	238.6%	197.0%	-78.3%				
OPM		27.4%	9.3%	8.7%	9.0%	7.9%	14.2%	3.0%	25.1%	17.2%	4.4%				
Real Estate Investment and Development		64	277	144	505	132	482	-11	1,713	339	204				
YoY		-85.1%	-	31.9%	65.8%	107.2%	74.1%	-	239.6%	157.1%	-57.8%				
% of consolidated operating profit		22.6%	64.3%	42.7%	67.8%	32.9%	73.7%	-5.3%	89.8%	49.4%	62.7%				
OPM		19.3%	8.5%	11.5%	9.8%	9.1%	17.7%	-2.3%	27.1%	15.9%	11.1%				
Real Estate Consulting		103	22	96	125	172	50	97	88	245	-51				
YoY		-	718.1%	135.5%	766.4%	67.3%	131.4%	1.3%	-29.5%	42.0%	-				
% of consolidated operating profit		36.7%	5.0%	28.4%	16.8%	43.1%	7.6%	47.5%	4.6%	35.7%	-15.7%				
OPM		74.0%	107.8%	29.7%	43.8%	46.1%	18.7%	30.7%	27.6%	53.7%	-28.6%				
Real Estate Management		114	132	98	114	96	122	119	107	103	172				
YoY		143.7%	112.4%	-17.2%	102.2%	-15.8%	-7.9%	21.4%	-6.8%	6.9%	40.9%				
% of consolidated operating profit		40.7%	30.7%	28.9%	15.4%	24.0%	18.6%	57.8%	5.6%	15.0%	52.9%				
OPM		53.3%	55.0%	48.4%	50.7%	48.6%	47.4%	60.0%	57.1%	61.0%	71.7%				
Adjustments		-94	-105	-183	-237	-241	-194	-175	-192	-213	-225				

Source: Shared Research based on company data

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

1H FY12/18 results (out August 10, 2018)

Earnings overview

For 1H FY12/18, B-Lot reported revenue of JPY5.0bn (-5.1% YoY), operating profit of JPY574mn (-7.4% YoY), recurring profit of JPY354mn (-19.8% YoY), and net income attributable to owners of parent of JPY221mn (-27.1% YoY).

Progress toward FY12/18 forecasts was revenue 25.0% (40.2% of FY12/17 results in 1H FY12/17), operating profit 22.8% (26.2%), recurring profit 17.2% (22.1%), and net income attributable to owners of parent 15.7% (24.3%). The company stated that results were in line with its initial forecasts and that it expects to sell the large hotel properties it has been developing during 2H FY12/18.

Stock exchange listing moved to Tokyo Stock Exchange's First Section

The company's stock exchange listing was transferred from Mothers market of the Tokyo Stock Exchange to the First Section in 1H FY12/18 (on February 2, 2018). B-Lot says it is already seeing benefits stemming from the change in its stock exchange listing, including an enhanced reputation and greater name recognition as evidenced by increases in both the quantity and quality of information it receives on a wide range of property proposals, including large properties and properties overseas. The company

says it has also seen an increase in invitations to participate as a partner in various deals. Because customers now perceive B-Lot as more reliable as a result of its listing on the First Section of the Tokyo Stock Exchange, it has also received more referrals for highly confidential cases involving inheritance planning, as well as more referrals for its asset management and property management services. In short, the increase in B-Lot's brand recognition has led to an increase in the flow of information it receives, its customer base, and the number of financial institutions with which it can do business with on favorable terms, and increased its ability to attract talented employees.

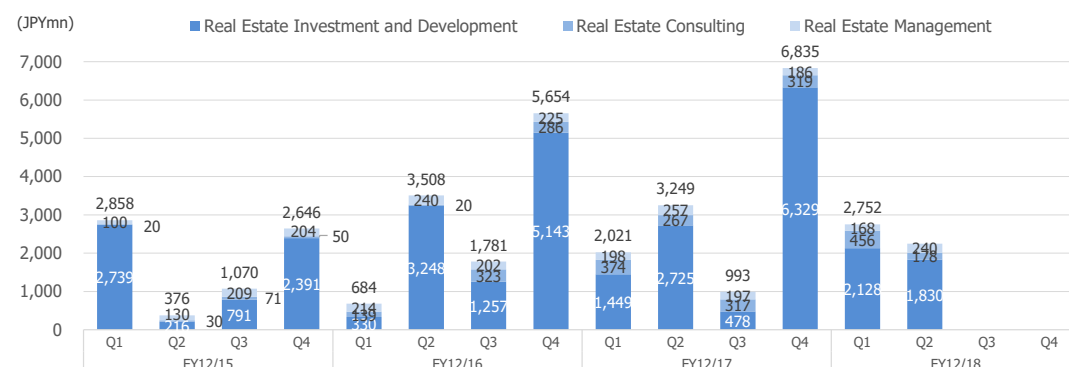
We would highlight the following four points in discussing 1H results:

- **1H results in line with plan:** Revenue and profits at all levels were in line with expectations; the company expects to sell the large hotel properties it has been developing during 2H FY12/18.
- **Property purchases going well:** As of end-1H the company's balance sheet showed a total of JPY18.9bn in inventory of real estate for sale (including real estate for sale in process), a JPY7.5bn increase over end-FY12/17. The company said its property acquisitions during the period went well, and included a range of properties in terms of both use and geographic location.
- **Complete construction of multiple hotel projects located in major cities around Japan:** Its first hotel development projects, the 128-room Hotel Torifito Otaru Canal (the first hotel with more than 100 rooms built in the Otaru area of Hokkaido in nine years) and the 132-room, Tissage Hotel Naha (a large, 4,000sqm-plus hotel designed with both businessmen and tourists in mind; within walking distance of the Okinawa Prefecture government building), were opened in April 2018 and have maintained high occupancy rates since then. Two hostels opened in FY12/17, the 120-bed Imano Tokyo Ginza Hostel (within walking distance of Tokyo's Ginza district) and the 113-bed Imano Kyoto Kiyomizu Hostel (located in the Kiyomizu Gojo district of Kyoto), saw very high occupancy rates for a short while and have continued to do well since then. While it generally takes about three years for hotels to become well known enough to achieve high occupancy rates, the hotels and hostels developed by B-Lot have managed to achieve high occupancy rates in only about three months.
- **Moved into new business fields offering more earnings opportunities:** The company has started handling different types of properties such a logistics centers, golf courses, and solar power generation facilities; in May 2018, B-Lot established B-Lot Capital Link Co., Ltd. as a subsidiary to handle M&A- and personnel-related businesses.

Revenue

Down 5.1% YoY. Revenue declined by 5.2% in Real Estate Investment and Development, by 1.1% in Real Estate Consulting, and by 10.3% in Real Estate Management.

Quarterly revenue

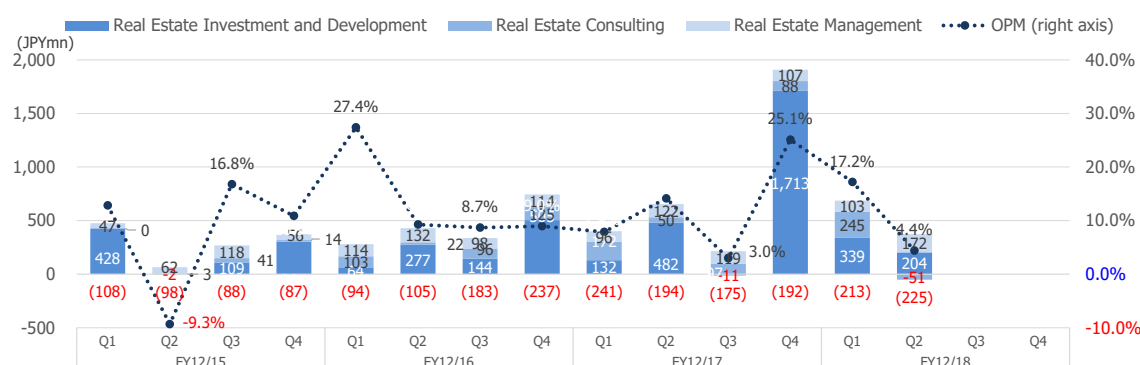


Source: Shared Research based on company data

Profit

Operating profit fell 7.4% YoY. Operating profit was down by 11.6% in Investment and Development and by 12.7% in Consulting, but up by 25.9% in Management.

Quarterly operating profit and YoY (%)



Source: Shared Research based on company data

By Segment

Real Estate Investment and Development segment

Property sales

Segment revenue was JPY4.0bn (-5.2% YoY). The company sold 10 buildings (11 in 1H FY12/17): four residential properties (six), three office/retail buildings (two), two land lots (two), and hotel condominium (one). Further, thanks to synergies with Life Stage Co., Ltd., the company remains on track to sell out all its newly built condominiums, a new initiative that began in 2018.

The average sales price of properties sold during the period was JPY400mn. The company did not disclose details for individual property sales, but said that some of the ten properties sold during the period went for several tens of million yen while other large properties sold for close to JPY1.0bn.

Property acquisitions

B-Lot purchased 16 properties (eight in 1H FY12/17) and steadily continues to purchase new properties: seven residential properties (three), three office/retail buildings (one), four land lots including land for development (four); and two others (none). By region, seven were in Kanto (four), two in Hokkaido (one), four in Kyushu (three), and three in Kansai (none).

As of end-1H FY12/18, the company's balance sheet showed a total of JPY18.9bn in inventory of real estate for sale (including real estate for sale in process), an increase of JPY7.5bn over end-FY12/17. The jump in inventory was driven by a total of 16 acquisitions in 1H FY12/18, including four valued at roughly JPY1.0bn each. In addition to the steady properties acquisitions, the company also completed construction of large hotels that it plans to sell during 2H FY12/18; cost on uncompleted construction projects (consisting of payments to the construction companies involved) was booked as inventory of real estate for sale.

Real estate inventory

B-Lot continues to expand the types of properties it handles and among the other properties acquired was one of the group's first projects to revitalize a logistics facility. The number of properties held in inventory was 33 (23 in 1H FY12/17), significantly exceeding 1H FY12/17. The company has been steadily preparing to sell real estate for sale in 2H FY12/18 and from FY12/19 onward. While the number of properties outlined above does not include real estate for sale owned by Life Stage Co., Ltd. and Viento Creation Co., Ltd., the company's inventory includes three condominiums and two capsule hotels.

Of the 33 properties currently held in inventory, 12 are land holdings (nine of which will be developed and three of which will be resold after the soil has been prepared). Another 12 are residential properties, four being hotels or other lodging facilities, two being office or commercial space, one logistics facility (new area), and one solar power generation facility (new area). Other than the land, the properties will either developed or existing buildings will be revitalized. Of the nine plots of land bought for development, four will be used to develop hotels or other lodging facilities, three will be developed into residential properties, and two will be developed into office or commercial space.

Geographically, of the 33 properties ten are located in the Kanto area, six in Hokkaido, nine in Kyushu, and eight in the Kansai area, giving the company a nice balance of real estate holdings across four of Japan's major urban centers (Tokyo, Sapporo, Fukuoka, and Osaka).

Profit

Segment profit was JPY543mn (-11.6% YoY).

1H FY12/18 Topics:

Increasing dealings with overseas investors located in Hong Kong, Singapore, and Beijing

B-Lot Singapore Pte. Ltd. President Shinichi Hasegawa (who is also the Deputy President of B-Lot) has held sales events in Singapore to promote investments in Japanese real estate among overseas investors, especially investors in Singapore. In the spring of 2018, B-Lot Singapore in cooperation with the Hokkaido government sponsored a tour for overseas investors from Singapore to promote investment in Hokkaido properties. The tour included visits to various parts of Hokkaido, from popular spots such as Sapporo and Niseko to Eastern Hokkaido. By providing potential investors with the opportunity to conduct on-site inspections, the company was able to sell all seven of the remaining units at its hotel-condominium complex in Niseko to overseas investors.

Fukuoka branch office

One of B-Lot's branch offices is located in the city of Fukuoka, one of Japan's major cities with a population of some 1.5 million people (the greater Fukuoka area has a population of some 2.5 million). Fukuoka is currently ranked as the number one city in Japan based on factors such as growth potential, the amount of travel time from the international airport to the city's central district, the number of travelers arriving on foreign ships, growth in the number of non-Japanese residents, and the number of international conferences held. (Source: Company data based on *Visual Ranking of Japanese Cities by Growth Potential* by Nomura Research Institute, the Fukuoka city government's website, bulletins published by the Fukuoka city government, and statistical data on the Fukuoka Facts).

Still, the company says business development in the city of Fukuoka can be problematic because a lot of different businesses are crowded into an extremely narrow area centering on the Tenjin district. Not only are most of the properties that domestic and foreign investors would like to acquire concentrated in the Chuo and Hakata wards of the city, there are also a lot of rival real estate investment groups that compete for properties in this small area, so much so that property prices in some locations are on par with Tokyo prices.

Amid these local market conditions, B-Lot has been steadily pursuing business since it opened its Fukuoka branch office in 2013. Much of the credit goes to Kentaro Ezaki, the native-born Fukuoka branch's general manager who is especially good at development and was appointed to the company's director in March 2018. Under the leadership of Mr. Ezaki, the Fukuoka branch office is working on a number of different real estate projects, including the development of a hotel in the Reisen-machi on the east side of the Tenjin district and a revitalization project involving a single office building located near the Fukuoka airport. The Fukuoka branch is also in the process of building condominium complexes in the Ropponmatsu and Imagawa areas on the west side of the Tenjin district and is also buying land a little bit further west of there.

According to the company, its success in winning projects has come from establishing close relationships with locals and allowing the business development opportunities to emerge from there. For example, while many companies would bring a condominium development and construction project to an end once it was sold to investors, B-Lot stays involved by serving as the investor's property manager and thus is able to establish a relationship over a long period of time with both the property and the investor. By serving as the property manager, B-Lot is able to make plans for maintaining and enhancing the value of its client's property while at the same time planning how to maintain and enhance the value of properties in the surrounding area. This method of establishing close ties with local residents is a textbook example of how B-Lot operates and one of its main strengths.

Real Estate Consulting segment

Segment revenue was JPY634mn (-1.2% YoY). The company won consulting projects mainly in the Kanto region, and completed 16 deals (12 in 1H FY12/17). Of the 16 completed deals, 10 were in Kanto (eight), two in Hokkaido (two), two in Kansai (one), and two in Kyushu (one). The brokerage of investment real estate has continued to be brisk since Q1 FY12/18, and the company is seeing a rise in consulting projects. Segment profit was JPY194mn (-12.7% YoY). The decline in segment profit came mainly from increased selling expenses amid a 1.2% YoY decline in segment revenue.

Working in its capacity as the sales agent for the newly built Pleagia Kyoto Yamashina Higashino condominium complex, B-Lot expects to sell even more the units in 2H FY12/18 in conjunction with its Life Stage subsidiary. Having bought roughly one-third of 70 units from a large developer at a discount price, B-Lot is using the sales force of its Life Stage subsidiary to sell the units individually by providing detailed explanations, with the majority of the units going to families. Financial backing of B-Lot and sales force of Life Stage made this collaborative sales activities possible.

Real Estate Management segment

Segment revenue was JPY407mn (-10.3% YoY). The number of client-owned properties under management rose to 63 (54 in 1H FY12/17). By region, the company was managing 28 properties in Kanto (22), 24 in Hokkaido (22), two in Kansai (one), and nine in Kyushu (nine). Revenue declined YoY due to a decrease in real estate for lease. However, utilization of hotels opened in spring 2018 (Hotel Torifito Otaru Canal, Tissage Hotel Naha, °C Gotanda) steadily increased, contributing to earnings. Reduced cost of revenue and SG&A expenses helped absorb the decline in segment revenue. Segment profit was JPY274mn (+25.9% YoY).

Topics: Opening “minpaku” (Airbnb-style private accommodation) lodging facilities in designated district

B-Lot recently acquired a roughly 40-year old condominium complex in the Nakatsu district of Kita Ward in Osaka (about a two minutes walk from Nakatsu Station). Because the city of Osaka has established a specially designated district where minpaku facilities can be legally operated, B-Lot made use of this location to startup a minpaku lodging facility. The building has a total of nearly 30 units but roughly half were vacant. After renovating all of the vacant units along with all of the common areas, in the spring of 2018 B-Lot started a minpaku lodging business at the building using the renovated rooms while all of the existing residents remained in place. Despite legal restrictions that, among other things, require that rooms used as minpaku lodging must be reserved for a minimum of two nights, the occupancy rate for the rooms quickly shot up thanks to the building's location near Osaka's popular Umeda district.

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

Full-year company forecasts

(JPYmn)	FY12/17			FY12/18 Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.
Revenue	5,270	7,827	13,097	4,999	15,001	20,000
YoY	25.7%	5.3%	12.6%	-5.1%	91.6%	52.7%
Gross profit	1,670	2,728	4,397	1,668		
YoY	83.0%	59.7%	67.8%	-0.1%		
GPM	31.7%	34.8%	33.6%	33.4%		
SG&A expenses	1,050	981	2,032	1,094		
YoY	162.9%	-6.2%	40.5%	4.2%		
Operating profit	620	1,746	2,366	574	1,938	2,512
YoY	20.7%	163.8%	101.3%	-7.4%	11.0%	6.2%
OPM	11.8%	22.3%	18.1%	11.5%	12.9%	12.6%
Recurring profit	441	1,558	1,999	354	1,703	2,057
YoY	12.3%	223.4%	128.6%	-19.8%	9.3%	2.9%
RPM	8.4%	19.9%	15.3%	7.1%	11.4%	10.3%
Net income	304	947	1,251	221	1,193	1,414
YoY	11.4%	200.0%	112.6%	-27.1%	26.0%	13.1%

Source: Shared Research based on company data

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

FY12/18 company forecasts

Overview

For FY12/18, the company forecasts revenue of JPY20.0bn (+52.7% YoY), operating profit of JPY2.5bn (+6.2% YoY), recurring profit of JPY2.1bn (+2.9% YoY), and net income attributable to owners of parent of JPY1.4bn (+13.1% YoY).

Industry environment

Looking at FY12/18, while there are some concerns for a downturn in the global economy, domestic economy is expected to remain on a recovery path supported by Japanese government-led economic measures and Bank of Japan's monetary easing. The real estate industry also expects to see continued growth driven by a financial environment that maintains its strength. The company stated that, in light of this outlook, it aims to aggressively develop its businesses by leveraging synergies within the group, expanding business opportunities, and maximizing profits, and through these initiatives achieve sustainable growth.

Main properties under development/revitalization

At present, the principal sites under development/revitalization by the company are as follows:

- Hostels opened in July 2017 (Shintomi, Tokyo) and September 2017 (Kiyomizu, Kyoto)
- A capsule hotel owned by the company's wholly owned subsidiary, Viento Creation Co., Ltd., was renovated and reopened under the brand name °C Ebisu (Ebisu, Tokyo) in December 2017. In April 2018, the second hotel under the same brand, °C Gotanda, was renovated and reopened in Gotanda, Tokyo
- Completion of Hotels in March 2018 (Naha, Okinawa, and Otaru, Hokkaido). The former was opened as Tissage Hotel Naha, and the latter as Hotel Torifito Otaru Canal, respectively, in April 2018
- June 2018: hotel (Shijo, Kyoto)
- June 2018: office building (Shimbashi, Tokyo)
- November 2018: rental condominium building (Ropponmatsu, Fukuoka)

Expansion into Okinawa

Although in the past many real estate companies have failed when advancing into Okinawa, for several years the company has had its sights on real estate in Okinawa on the basis that Japan will continue to become more popular as a tourist destination. As stated above, the company completed an income-generating condominium project worth over JPY1.5bn in FY12/17. Additionally, in FY12/18 the company opened a site that it acquired two years ago and developed as Tissage Hotel Naha, referred to above. The company sees a robust demand for property in Okinawa, and it will continue to focus on opportunities there. The company is considering opening a base in Okinawa, and is looking for reliable partners.

Acquisition policy

The company plans to continue to actively pursue acquisition in the future.

FY12/17 results: Viento Creation

Viento Creation, which became a subsidiary in January 2017, owns and operates capsule hotels (Central Inn Gotanda, Hotel Siesta Ebisu). As a result, the company enhanced personnel with the addition of people with hotel operation expertise, expanded real estate purchasing methods, developed M&A know-how, and inherited a hotel network. Hotel Siesta Ebisu was reopened in December 2017 with a new operator, rebranded as °C Ebisu. The Gotanda location was also reopened in April 2018.

Targeting the acquisition of businesses holding operational assets

The company wants to be actively involved in real estate with strong operational factors. In the past the company has been involved in a large number of accommodation facilities. Initially it was involved in changing the use of office buildings to accommodation facilities, and after that it also developed accommodation facilities from zero. With the capsule hotel revitalization mentioned above, although the use is the same, it is currently being operated under a different brand, operator, and facilities (e.g. an enlarged sauna). Although the company does not directly participate in hotel management, it works in partnership with operators. The company hopes to become actively involved in other fields, making changes like these to raise the value of real estate, such as: nursing homes, warehouses, tenant changes at large shopping centers, and golf courses. The company plans to actively acquire operational assets, partner with operators that systematically generate stable long-term profits, and improve the asset value of real estate where operational factors hold the key for success.

Making T&K K.K. a subsidiary

On March 15, 2018, the company announced a share acquisition of T&K K.K., making it a subsidiary (see Recent updates).

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 48, and on a group-company basis including acquired companies, there are 149 employees (as of end-December 2017).

Financial strategy

B-Lot is growth-oriented and uses higher leverage than its peers (the net debt/equity ratio was 2.23 in FY12/17; average for 23 competitors with similar revenue was 1.46). 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, 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. In December 2017, the company renovated a capsule hotel owned by the company’s wholly owned subsidiary, Viento Creation Co., Ltd., and reopened it under the brand name °C Ebisu (Shibuya, Tokyo; one minute by walk from Ebisu station). In April 2018, the company reopened °C Gotanda (Shinagawa, Tokyo; three minutes by walk from Gotanda station). Both hotels are being managed by nine hours. Also in April, the company opened budget hotels Tissage Hotel Naha (Naha, Okinawa) and Hotel Torifito Otaru Canal (Otaru, Hokkaido).

*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 Shijo, Kyoto (scheduled for completion in 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 opened in 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

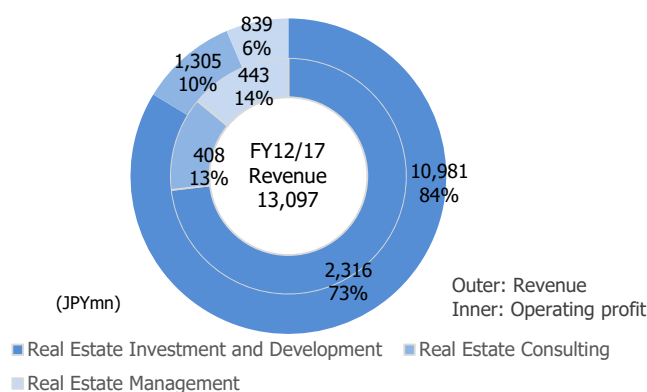
Business description

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 in 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.

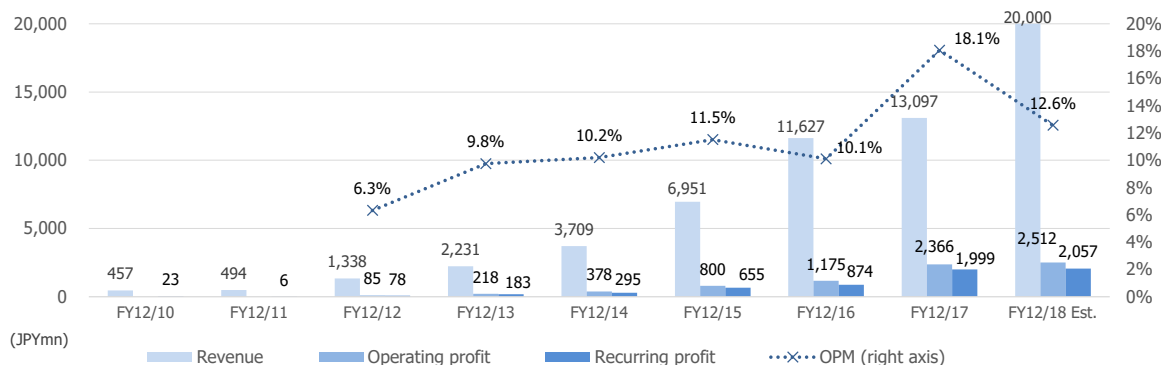
In FY12/17, the breakdown of earnings by segment was: Investment 83.7% of revenue, 73.1% of operating profit; Consulting 9.9% of revenue, 12.9% of operating profit; and Management 6.4% of revenue and 14.0% of operating profit. OPM was 21.1%, 31.3%, and 52.8% respectively. B-Lot aims to diversify its building types and regions in the Real Estate Investment segment. Breakdown by building type: residential 11 (52% of properties sold), office/retail buildings five (24%), detached lots three (14%), and hotels two (10%). Breakdown by region: Kanto 15 (71% of properties sold), Hokkaido three (14%), Kyushu three (14%), and Kansai zero (no sales in FY12/17). The average sales price per property sold in the Real Estate Investment segment was JPY625mn (if bulk projects are treated as a single item), 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 59 in FY12/17.

Segment revenue and operating profit (FY12/17: excluding adjustments)



Source: Shared Research based on company data

Revenue, operating profit, and recurring profit and OPM



Source: Shared Research based on company data

Characteristics

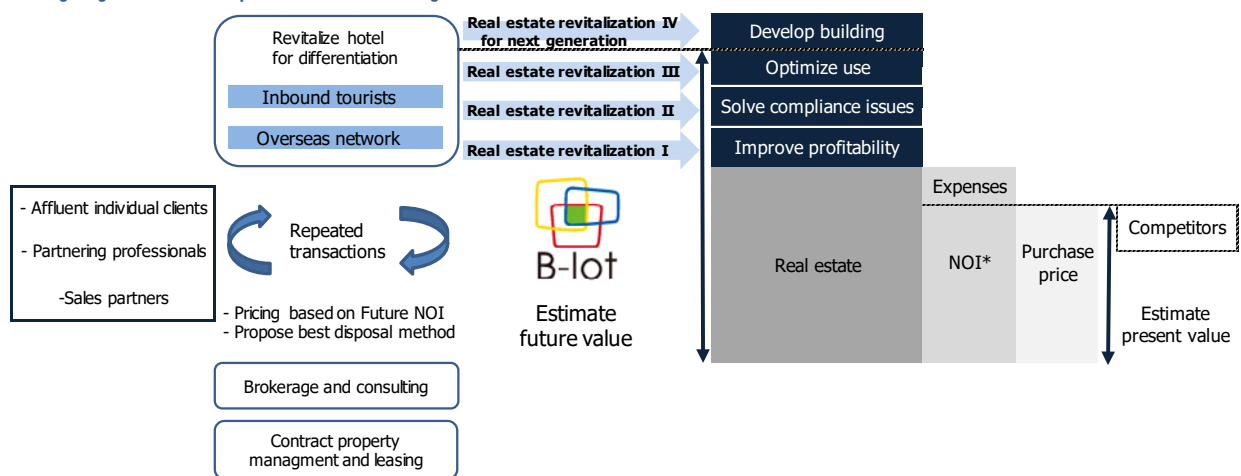
Based on accumulated real estate investment and management expertise, B-Lot's segments operate in line with overall corporate goals. For each project individual divisions collaborate, each contributing ideas based on specialized knowledge, and the company selects those ideas that could maximize a property's 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 JPY523mn in FY12/17 (JPY625mn if bulk projects are treated as a single item). 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-December 2017, including acquired companies, the group had around 149 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

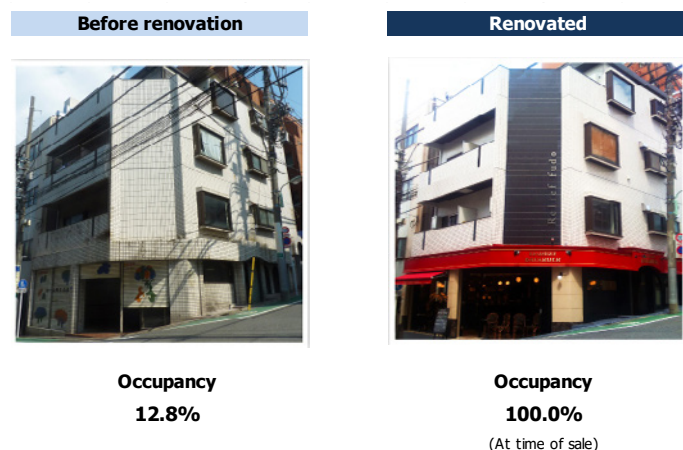
Real Estate Investment and Development segment

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



<Revitalization of an office building into a compact hotel>



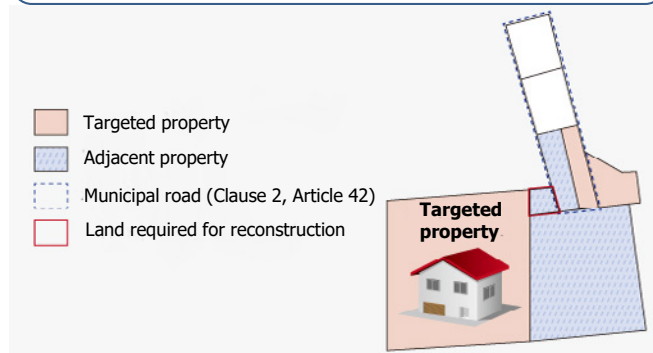
Source: Shared Research based on company materials

Properties with compliance issues

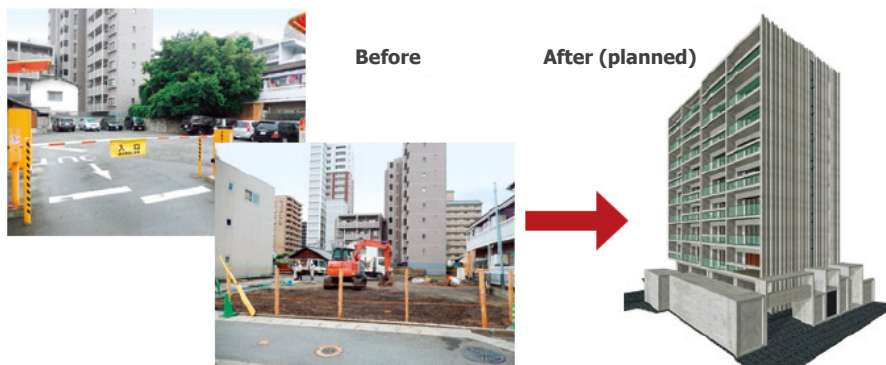
For properties with compliance issues, B-Lot conducts the necessary capex, coordinates to realign property rights and match opinions between the relevant parties, or liaises with public authorities. In addition, B-Lot takes appropriate action regarding issues such as owner-associated bad debts related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



<Development of condominium from land>



Source: Shared Research based on company materials

The Investment segment accounts for around 85% of revenue (FY12/12–17 average) and the segment profit margin during these years was 10–21%. In recent years, revitalization and new development projects accounted for almost half and half (of the 27 items of real estate for sale at the start of FY12/18, 12 were land for development). Of the 27 properties, twelve were land, including land for development (44% of the 27 properties), two were office/retail properties (7%), nine were residential buildings (33%), three were hotel/accommodation properties (11%), and one was a nursing care facility (4%). The inventories are regionally diversified as well. 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.	FY12/17 Cons.
Real Estate Investment and Development revenue	1,069	1,897	3,237	6,137	9,977	10,981
YoY	-	77.4%	70.6%	89.6%	62.6%	10.1%
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%	83.7%
No. of properties sold	14	11	22	13	16	21
YoY	-	-21.4%	100.0%	-40.9%	23.1%	31.3%
<By type of property>						
Residential	na	8	18	7	8	11
% of consolidated revenue	na	72.7%	81.8%	53.8%	50.0%	52.4%
Offices and stores	na	3	4	4	5	5
% of consolidated revenue	na	27.3%	18.2%	30.8%	31.3%	23.8%
Land for detached houses	na	-	-	1	2	3
% of consolidated revenue	na	-	-	7.7%	12.5%	14.3%
Hotels	na	-	-	1	1	2
% of consolidated revenue	na	-	-	7.7%	6.3%	9.5%
<By region>						
Kanto	na	9	na	8	9	15
% of consolidated revenue	na	81.8%	na	61.5%	56.3%	71.4%
Hokkaido	na	2	na	3	4	3
% of consolidated revenue	na	18.2%	na	23.1%	25.0%	14.3%
Kyushu	na	-	na	1	1	3
% of consolidated revenue	na	-	na	7.7%	6.3%	14.3%
Kansai	na	-	na	1	2	0
% of consolidated revenue	na	-	na	7.7%	12.5%	0.0%
Revenue per property sold	76	172	147	472	624	523
YoY	-	125.8%	-14.7%	220.9%	32.1%	-16.1%
Real Estate Investment and Development operating profit	120	311	465	840	989	2,316
YoY	-	157.9%	49.6%	80.8%	17.8%	134.1%
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%	73.1%
OPM	11.3%	16.4%	14.4%	13.7%	9.9%	21.1%

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.	FY12/17 Cons.
Number of properties acquired	11	20	18	19	23	22
YoY	-	81.8%	-10.0%	5.6%	21.1%	-4.3%
<By type of property>						
Residential	na	na	na	9	8	11
% of total properties acquired	na	na	na	47.4%	34.8%	50.0%
Offices and stores	na	na	na	4	5	4
% of total properties acquired	na	na	na	21.1%	21.7%	18.2%
Land for development	na	na	na	4	10	7
% of total properties acquired	na	na	na	21.1%	43.5%	31.8%
Other	na	na	na	2	-	-
% of total properties acquired	na	na	na	10.5%	-	-
<By region>						
Kanto	na	na	na	11	13	8
% of total properties acquired	na	na	na	57.9%	56.5%	36.4%
Hokkaido	na	na	na	5	1	7
% of total properties acquired	na	na	na	26.3%	4.3%	31.8%
Kyushu	na	na	na	1	6	4
% of total properties acquired	na	na	na	5.3%	26.1%	18.2%
Kansai	na	na	na	2	3	3
% of total properties acquired	na	na	na	10.5%	13.0%	13.6%

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.	FY12/17 Cons.
Inventories for sale (year end)	577	1,691	3,403	6,070	11,393	11,358
YoY	-	193.1%	101.3%	78.3%	87.7%	-0.3%
Number of properties	na	16	12	18	25	27
YoY	-	-	-25.0%	50.0%	38.9%	8.0%
<By use>						
Land (including land for development)	na	na	3	6	12	12
YoY	na	na	-	100.0%	100.0%	0.0%
% of inventories for sale	na	na	25.0%	33.3%	48.0%	44.4%
Offices and stores	na	na	2	2	3	2
YoY	na	na	-	0.0%	50.0%	-33.3%
% of inventories for sale	na	na	16.7%	11.1%	12.0%	7.4%
Residential	na	na	6	8	8	9
YoY	na	na	-	33.3%	0.0%	12.5%
% of inventories for sale	na	na	50.0%	44.4%	32.0%	33.3%
Hotel, accomodation related	na	na	1	1	1	3
YoY	na	na	-	0.0%	0.0%	200.0%
% of inventories for sale	na	na	8.3%	5.6%	4.0%	11.1%
Nursing care facilities	na	na	-	1	1	1
YoY	na	na	-	-	0.0%	0.0%
% of inventories for sale	na	na	-	5.6%	4.0%	3.7%
<By region>						
Kanto	na	na	7	10	14	7
YoY	na	na	-	42.9%	40.0%	-50.0%
% of inventories for sale	na	na	58.3%	55.6%	56.0%	25.9%
Hokkaido	na	na	4	6	3	7
YoY	na	na	-	50.0%	-50.0%	133.3%
% of inventories for sale	na	na	33.3%	33.3%	12.0%	25.9%
Kyushu	na	na	1	1	6	7
YoY	na	na	-	0.0%	500.0%	16.7%
% of inventories for sale	na	na	8.3%	5.6%	24.0%	25.9%
Kansai	na	na	-	1	2	5
YoY	na	na	-	-	100.0%	150.0%
% of inventories for sale	na	na	-	5.6%	8.0%	18.5%
Inventory value per property	na	106	284	337	456	421
YoY	-	-	168.4%	18.9%	35.1%	-7.7%

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 accounted for 8% of revenue (FY12/12–17 average), and OPM was 34–40% (FY12/12–17). The segment's composition of overall revenue has continued to grow, from 2.5% in FY12/15, to 7.4% in FY12/16, to 9.9% in FY12/17

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.	FY12/17 Cons.
Real Estate Consulting revenue	192	146	197	171	862	1,305
YoY	-	-24.1%	35.1%	-13.1%	403.2%	51.4%
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%	9.9%
No. of brokerage deals	25	28	20	29	31	29
YoY	-	12.0%	-28.6%	45.0%	6.9%	-6.5%
<By region>						
Kanto	na	19	7	15	19	18
% of consolidated revenue	na	67.9%	35.0%	51.7%	61.3%	62.1%
Hokkaido	na	7	8	8	7	5
% of consolidated revenue	na	25.0%	40.0%	27.6%	22.6%	17.2%
Kyushu	na	-	3	4	4	2
% of consolidated revenue	na	-	15.0%	13.8%	12.9%	6.9%
Kansai, others	na	2	2	2	1	4
% of consolidated revenue	na	7.1%	10.0%	6.9%	3.2%	13.8%
Real Estate Consulting operating profit	71	58	79	58	346	408
YoY	-	-18.9%	36.8%	-26.5%	496.9%	17.9%
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%	12.9%
OPM	37.0%	39.5%	40.0%	33.8%	40.1%	31.3%

Source: Shared Research based on company materials

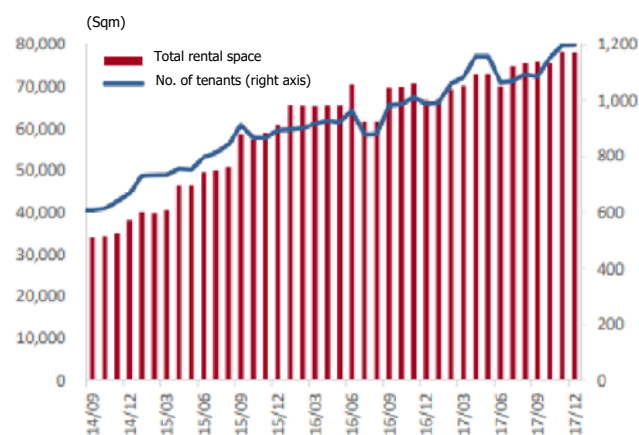
Note: Figures may differ from company materials due to differences in rounding methods.

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 59 buildings. The segment accounted for 6.4% of revenue and OPM was 52.8% (FY12/17).

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

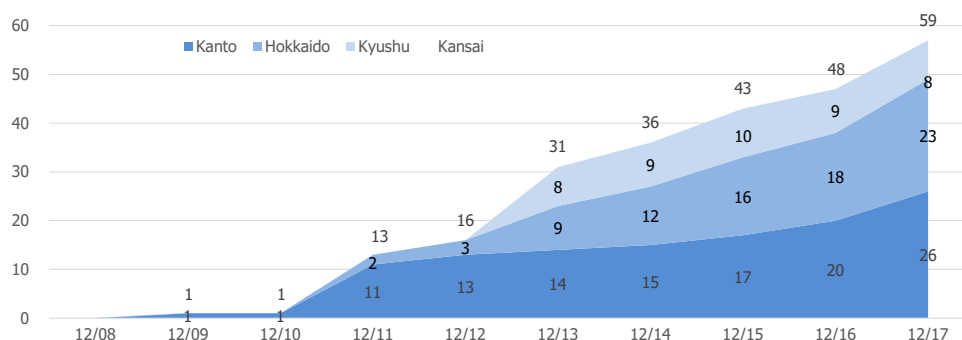
B-Lot provides comprehensive real estate management services to Japanese and overseas institutional investors. The company puts together funds that meet investors' diverse needs (where investors can invest in property). As an asset manager, the company uses its experience to broker business properties 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.	FY12/17 Cons.
Real Estate Management revenue	77	188	275	642	882	839
YoY	-	144.9%	46.5%	133.2%	37.3%	-4.9%
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%	6.4%
No. of properties managed	20	31	36	40	48	59
YoY	-	55.0%	16.1%	11.1%	20.0%	22.9%
<By region>						
Kanto	na	14	15	17	20	26
% of consolidated revenue	na	45.2%	41.7%	42.5%	41.7%	44.1%
Hokkaido	na	9	12	14	18	23
% of consolidated revenue	na	29.0%	33.3%	35.0%	37.5%	39.0%
Kyushu	na	8	9	9	9	8
% of consolidated revenue	na	25.8%	25.0%	22.5%	18.8%	13.6%
Kansai, other	na	-	-	-	1	2
% of consolidated revenue	na	-	-	-	2.1%	3.4%
Real Estate Management operating profit	3	46	89	284	458	443
YoY	-	1319.8%	94.0%	219.9%	61.6%	-3.3%
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%	14.0%
OPM	4.2%	24.3%	32.2%	44.2%	52.0%	52.8%

Source: Shared Research based on company materials

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

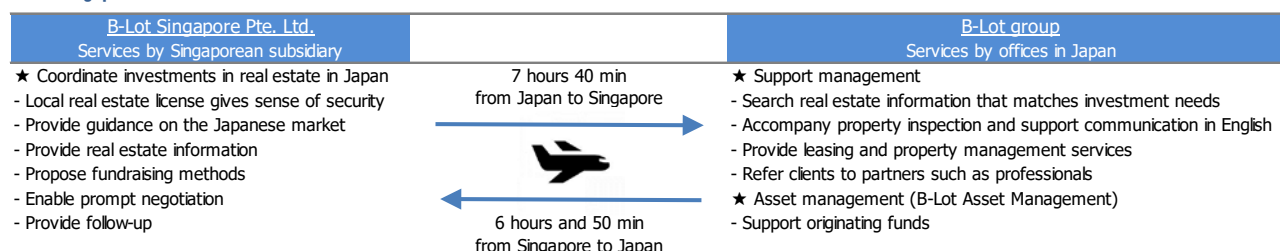
Group companies

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 two employees (as of end-September 2017).

B-Lot Singapore business model

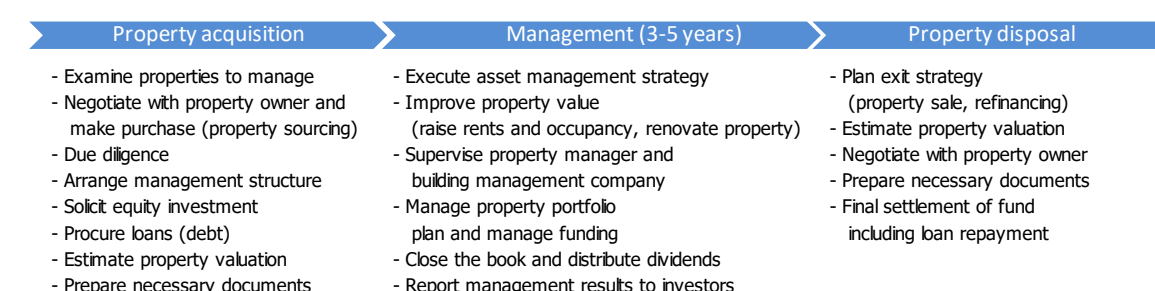


Source: Shared Research based on company materials

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 four employees (as of end-September 2017).

B-Lot Asset Management business model

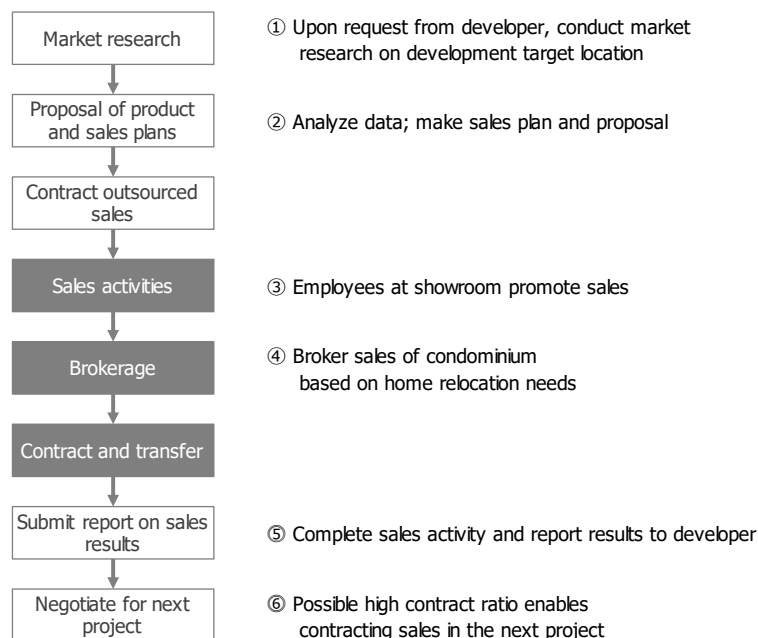


Source: Shared Research based on company materials

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 FY12/17 was JPY523mn; JPY625mn if bulk projects are treated as a single item) 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 2.23 in FY12/17; average for its 23 competitors with similar revenue was 1.46). Over the five years through FY12/17, revenue grew at a CAGR of 57.8% and operating profit of 94.6%.




Comparison with main competitors

Company	Fiscal year	Revenue (JPY mn)	OP (JPY mn)	OPM	ROA (RP-based)	ROE	Equity ratio	Net Debt / Equity ratio	Main businesses (% of revenue)
Ichigo	FY02/17	109,253	21,781	19.9%	7.5%	20.2%	29.4%	1.58	Value-added (revitalization) (84), asset management (4)
Mugen Estate	FY12/17	63,568	7,122	11.2%	11.0%	24.7%	32.5%	1.18	Buying and selling (revitalization) (96)
Samty	FY11/17	60,479	10,131	16.8%	5.5%	15.8%	23.4%	2.26	Real estate (development and revitalization) (85), rental (12)
Tosei	FY11/17	57,754	9,833	17.0%	7.4%	14.1%	37.7%	0.94	Revitalization (70), Development (9), Rental (11)
Intellex	FY05/17	41,400	1,756	4.2%	4.0%	9.7%	26.6%	1.95	Renovation and sale of pre-owned condominiums (84)
Sun Frontier Fudousan	FY03/17	40,394	9,380	23.2%	15.1%	19.6%	56.0%	0.16	Renovation (88), asset management (4)
Kenedix	FY12/17	26,349	12,285	46.6%	6.2%	11.7%	48.2%	0.34	Asset management (44), real estate investment (32)
Star Mica	FY11/17	23,075	3,575	15.5%	5.6%	14.1%	28.3%	2.25	Pre-owned condominium (sale and rental) (77)
Arealink	FY12/17	21,489	2,379	11.1%	9.1%	9.8%	54.7%	0.15	Property management (91), property revitalization & liquidation (9)
A. D. Works	FY03/17	18,969	1,040	5.5%	3.4%	8.8%	24.7%	0.31	Sale of rental real estate (90), recurring-fee business (10)
First Brothers	FY11/17	18,766	3,373	18.0%	8.1%	19.1%	29.7%	1.60	Investment bank (100)
e'grand	FY03/17	18,487	1,233	6.7%	6.4%	12.8%	34.2%	1.13	Renovation of pre-owned houses (99)
House DO	FY06/17	16,848	1,249	7.4%	6.7%	29.8%	13.7%	4.01	Real estate buying and selling (42), renovation (17), house leaseback (17)
Properst	FY05/17	14,874	1,162	7.8%	6.1%	26.1%	15.7%	3.92	Renovation (53), development of properties for subdivision (39)
Aoyama Zaisan Networks	FY12/17	14,562	1,094	7.5%	8.6%	22.2%	28.7%	0.27	Property consulting (27), real estate transaction (65), sublease and other (8)
Sansei Landic	FY12/17	13,098	1,762	13.5%	12.0%	15.0%	47.3%	0.48	Real estate sales (91), construction (9)
B-Lot	FY12/17	13,097	2,366	18.1%	11.2%	36.6%	21.0%	2.23	Real estate investment and development (84), real estate consulting (10), real estate management (6)
Goodcom Asset	FY10/17	9,834	907	9.2%	8.9%	24.5%	25.7%	1.95	Domestic sales (54), sales to real estate companies (40), property management
Ardepro	FY07/17	7,733	820	10.6%	-3.7%	0.8%	12.9%	5.04	Revitalization of real estate (95), real estate rental revenue and other (5)
Meiho Enterprise	FY07/17	7,496	675	9.0%	7.5%	28.2%	35.7%	1.03	Subdivision (70), rental (26)
Wll	FY12/17	5,222	630	12.1%	13.7%	18.2%	49.4%	0.16	Development for subdivision (48), renovation (28)
Land	FY02/17	4,331	828	19.1%	27.7%	67.6%	49.8%	-0.19	Real estate sales (79)
Intrance	FY03/17	2,743	569	20.7%	7.3%	9.5%	42.8%	0.77	Principal (development) investment (74), solutions (20)
Average		26,514	4,172	14.4%	8.5%	20.0%	33.4%	1.46	




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 2.23 in FY12/17; average for 23 competitors with similar revenue was 1.46). Over the five years through FY12/17, revenue grew at a CAGR of 57.8% and operating profit 94.4%.
- 
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 JPY523mn in FY12/17; JPY625mn if bulk projects are treated as a single item) 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 21 properties the Investment segment sold in FY12/17, 15 (71%) were in Kanto, three (14%) in Hokkaido, three (14%) in Kyushu, and zero (0%) 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 2.23 FY12/17, versus an average of 1.46 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 FY12/17 was just JPY523mn (JPY625mn if bulk projects are treated as a single item). 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 21.0%, the fourth lowest compared to a similar sized peer group of 23 companies, which have an average ratio of 33.4%. The company's net D/E ratio, which is 1.5 times 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

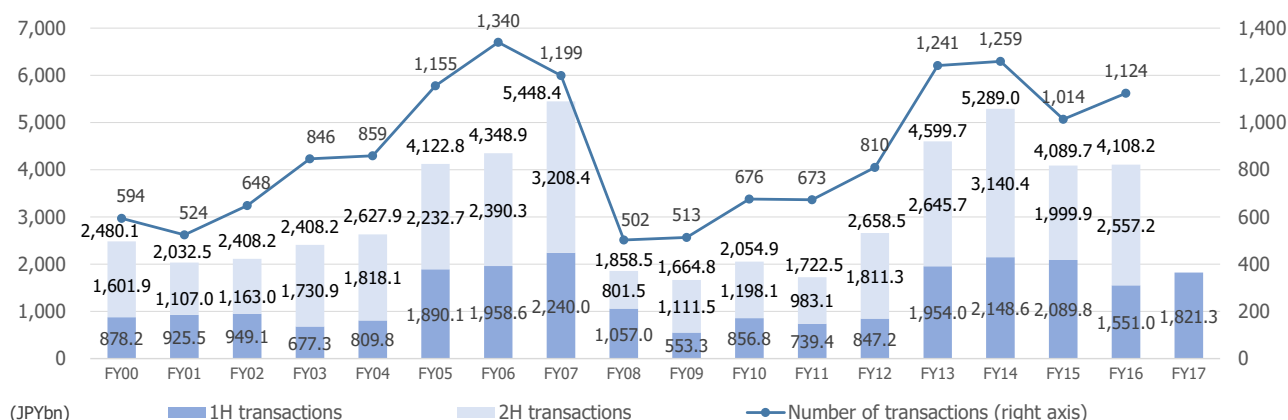
After peaking in fiscal 2014, Japanese real estate transactions declined in fiscal 2015 before a slight recovery in fiscal 2016. The value of Japanese real estate transactions by listed companies in fiscal 2016 was JPY4.1tn (+0.5% YoY). The trend towards recovery continued in 1H FY12/17, with transaction of JPY1.8tn in 1H FY12/17 (+17.4% YoY). Against a backdrop of reduced property supply, soaring construction costs, and a labor shortage, real estate prices are rising* (and the cap rate** declining due to higher prices). Meanwhile, widening yield spreads*** accompanying declining interest rates saw the real estate funds market expand to JPY32.0tn (+5.6% YoY) in the first half of 2017. In addition to growth in J-REIT, 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 JPY55.5mn/unit in 2016 to JPY56.8mn (+2,3%) in 2017 (source: Real Estate Economic Institute, simple average of monthly prices). Prices for pre-owned condominiums rose 2.9% YoY from JPY34.8mn/70sqm in 2016 to JPY35.8/70sqm in 2017 (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.

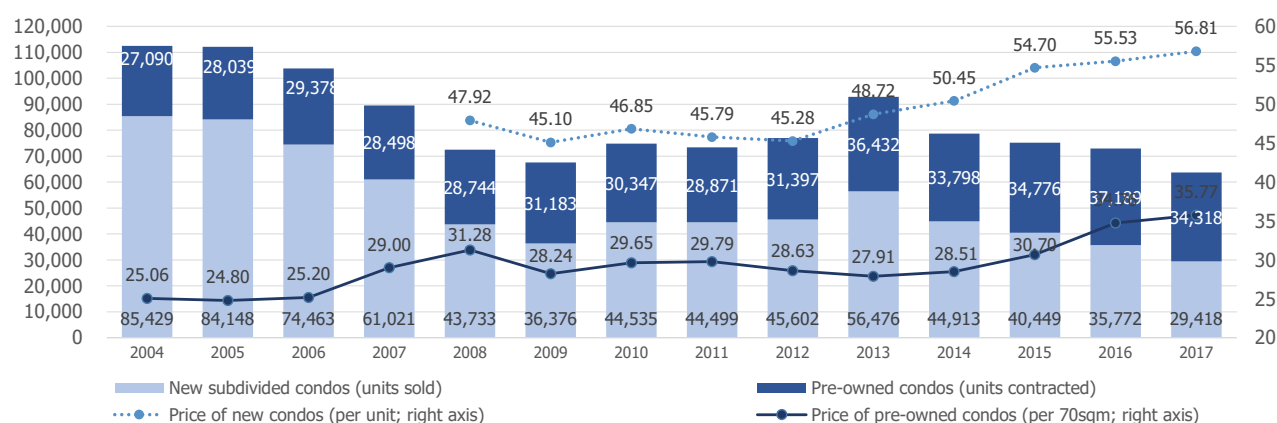
***Yield spread: Gap between cap rate and 10-year government bond yield.

Real estate transactions by listed companies and number of transactions



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

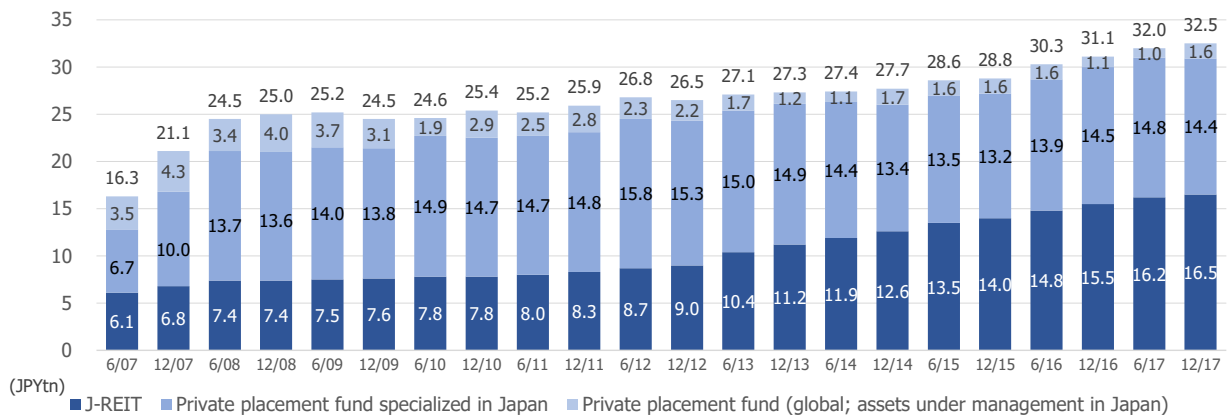
New and pre-owned condominium in Tokyo metropolitan, sold and contracted



Source: Shared Research based on information from Tokyo Kantei, Real Estate Information Network for East Japan, and Real Estate Economic Institute

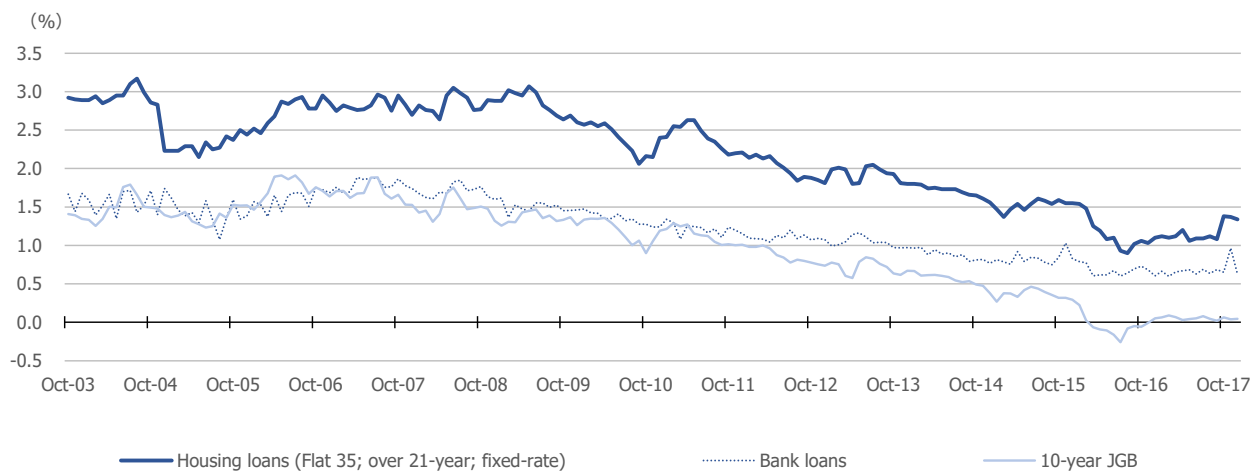
*The value of newly build condominiums (annual average) is calculated as a simple average from monthly data

Real estate fund market



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

Interest rates (%)



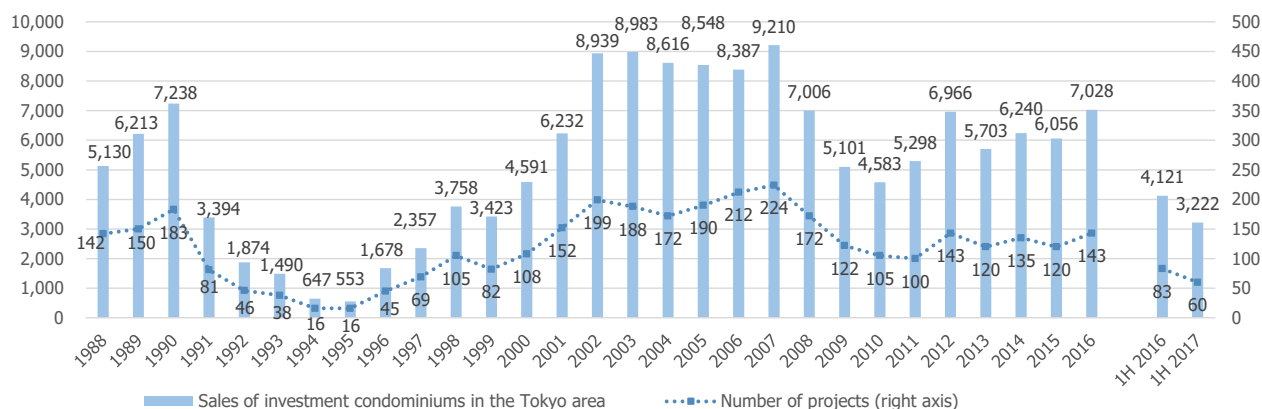
Source: Shared Research based on Japan Housing Finance Agency, Bank of Japan, and Ministry of Finance data

Cap rate and yield spread (%)



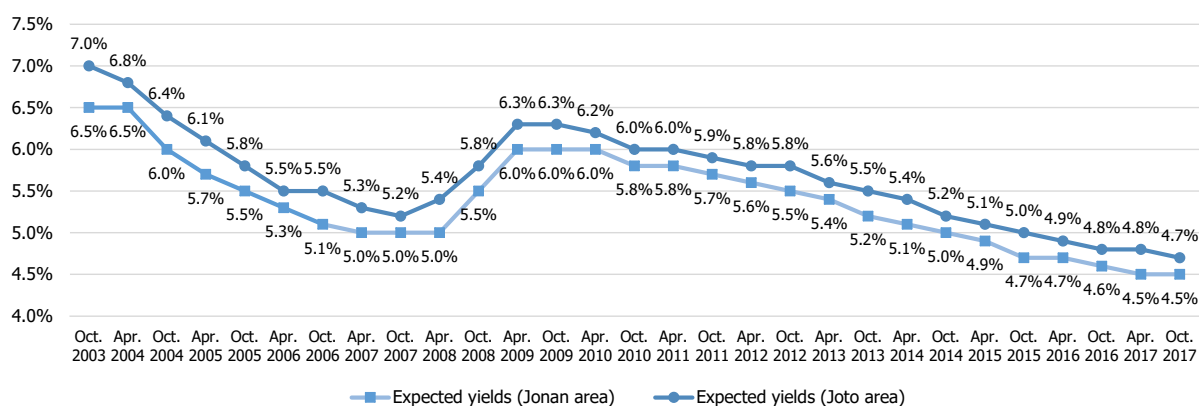
Source: Shared Research based on ARES and Bank of Japan data

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

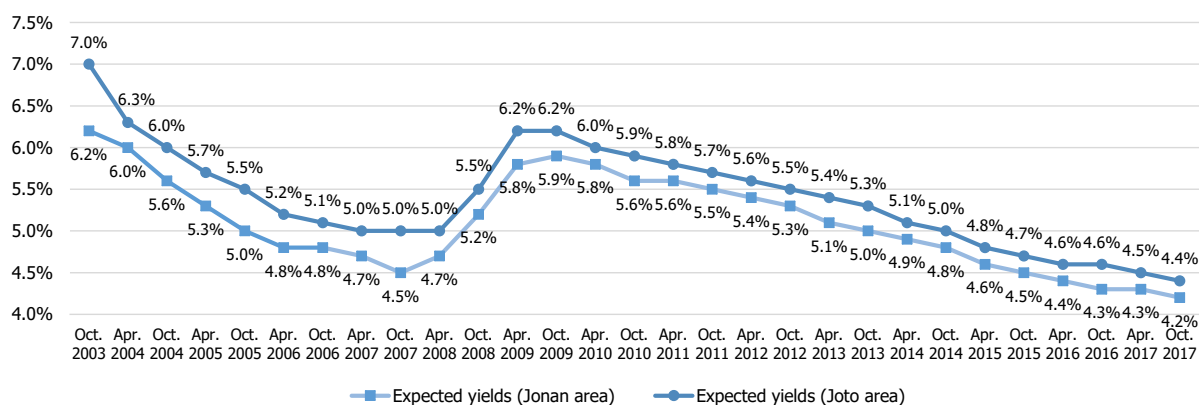


Source: Shared Research based on Japan Real Estate Institute data

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



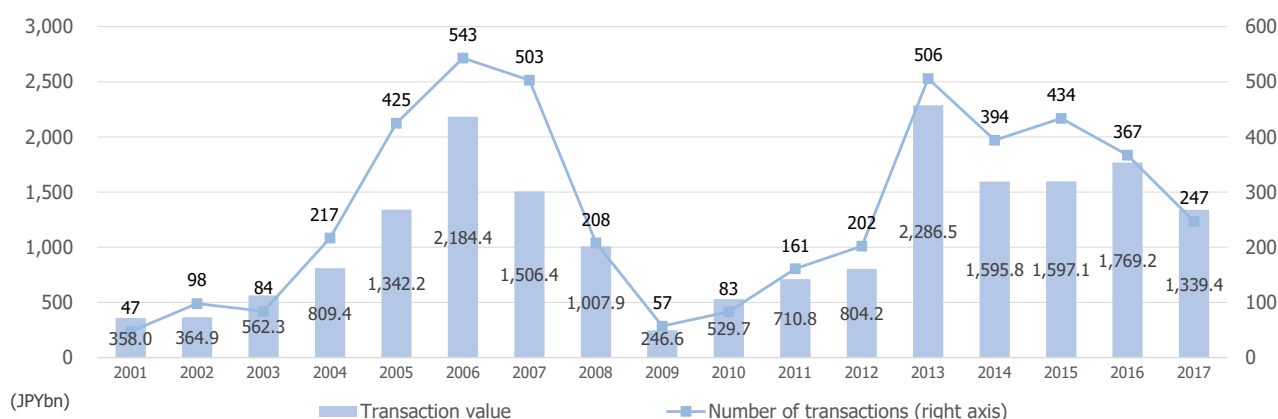
Source: Shared Research based on Japan Real Estate Institute data

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.

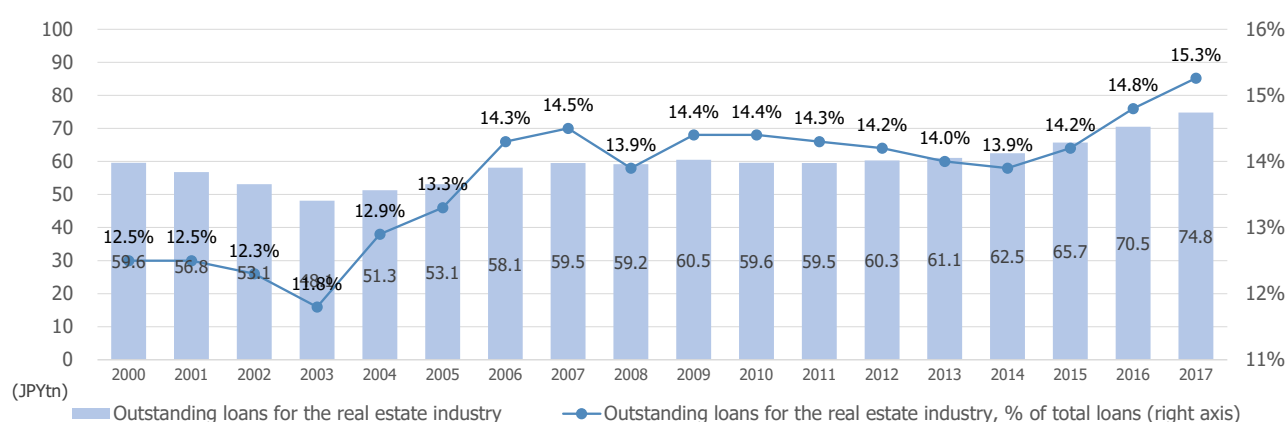
*Gross yield: The yield derived by dividing annual rental revenue by property price. Net yield is calculated by subtracting overheads (management expenses and property taxes etc.) from annual rental revenue and dividing by sum of property price and overheads at time of purchase (registration and license 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



Source: Shared Research based on ARES data

Bank loans outstanding to property sector

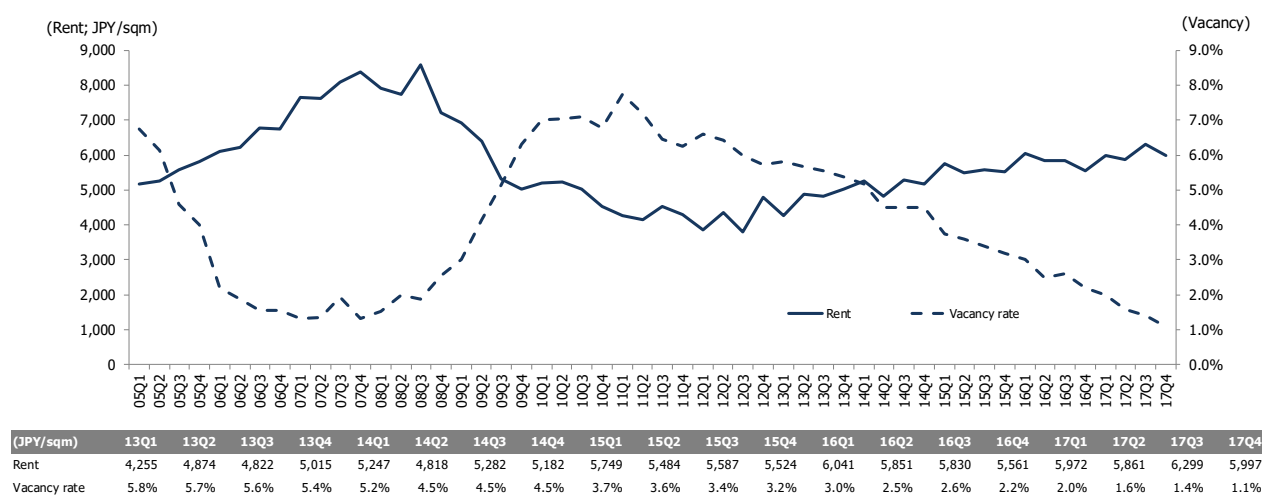


Source: Shared Research based on Bank of Japan, loans by sector

Office building rents

According to the Office Rent Index jointly published by Sanko Estate and NLI Research Institute, in Q4 2017 (October to December), contracted rents for Class B buildings in Tokyo were JPY19,824/tsubo (+7.8% YoY, -4.8% QoQ). A gentle appreciation in rents since bottoming out in Q3 2012 continues. Vacancy rates in Tokyo Class B buildings remain above 1%, at 1.1%. The downtrend since Q2 2011 continues, against a backdrop of the end of large increases of newly constructed office building supply.

Class B office rent and vacancy rates in Tokyo



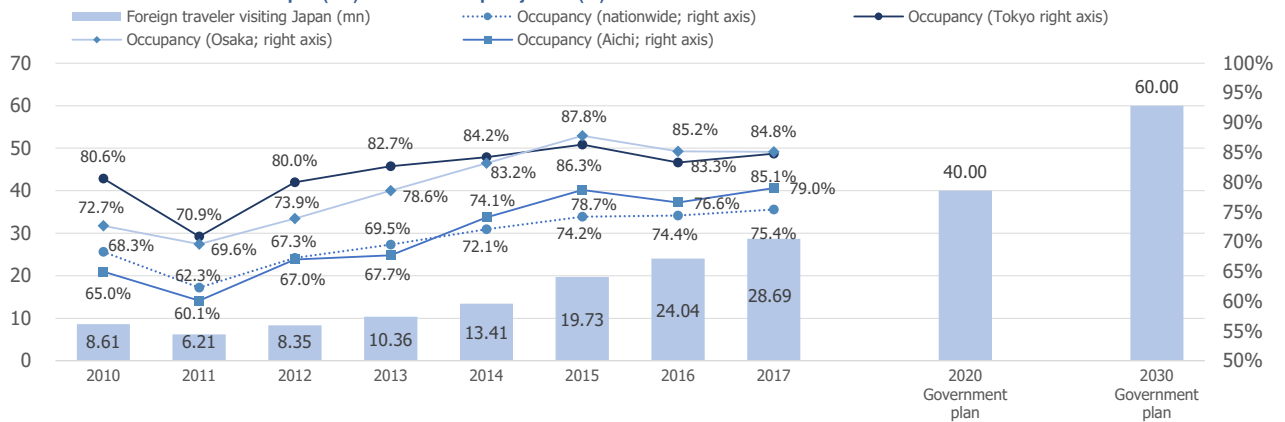
Source: Shared Research based on Sanko Estate Co. and NLI Research Institute

Note: rents are contracted rent and exclude Common Area Maintenance fee

Hotels

In 2017, there were 28.7mn overseas tourist arrivals in Japan (+19.3% 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 Japan National Tourism Organization's Foreign Tourists in Japan Statistics, and Ministry of Land, Infrastructure, Transport and Tourism, Accommodation Travel Survey

Historical performance

Historical financial statements

Q1 FY12/18 results (out May 15, 2018)

Earnings overview

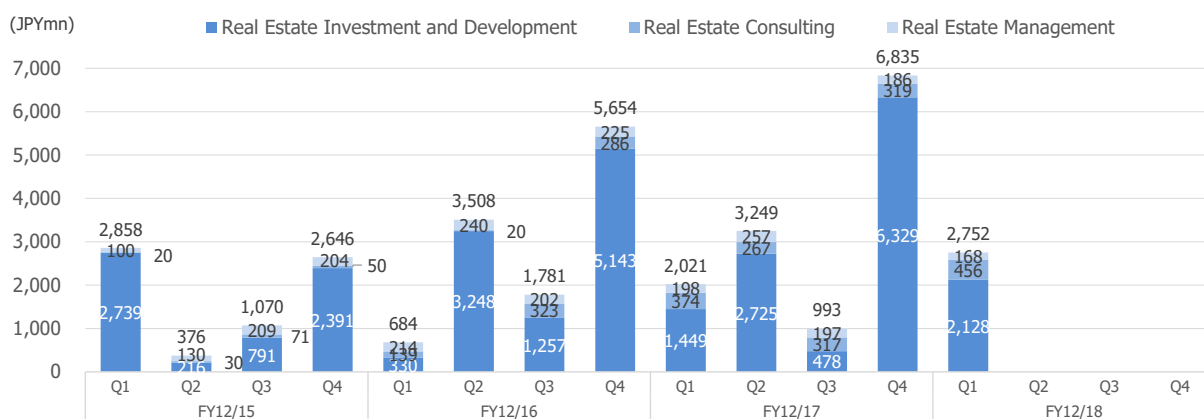
For Q1 FY12/18, the company reported revenue of JPY2.8bn (+36.2% YoY), operating profit of JPY474mn (+197.0% YoY), recurring profit of JPY374mn (+385.7% YoY), and net income attributable to owners of parent of JPY263mn (+320.2% YoY). Progress toward FY12/18 forecasts was revenue 13.8% (Q1 FY12/17 results were 15.4% of the full-year FY12/17 results), operating profit 18.9% (6.7%), recurring profit 18.2% (3.9%), and net income attributable to owners of parent 18.6% (5.0%). The company's listing was transferred from Mothers market of the Tokyo Stock Exchange to the First Section of the same exchange in Q1 FY12/18.

According to the company, acquisition and sales of properties were robust in terms of the number of transactions and revenue, leaving an overall positive impression for the quarter. The company is steadily accumulating knowledge and expertise necessary in dealing with overseas real estate investors centered around Asia. With the transfer of its listing to TSE1, the number of inquiries increased, and its relationship with financial institutions were strengthened. In Real Estate Investment and Development, all eight blocks of "the kamui niseko" hotel condominium in Niseko, a global ski resort in Abuta, Hokkaido, were sold mainly to overseas investors. It was the company's first resort development project, and completing sales of all eight blocks was a significant achievement for the company. Two new hotels were completed in March 2018 and opened in April the same year, and the company expects to earn stable rental revenue from them. In Real Estate Consulting, in addition to the increase in the number of projects, the company succeeded in concluding contracts for large projects mainly in real estate brokerage. Behind such performance were young employees, including new graduates, who have grown and begun contributing actively to bringing results.

Revenue

Up 36.2% YoY. Revenue was up by 46.8% in Real Estate Investment and Development, by 21.9% in Real Estate Consulting, and down by 14.9% in Real Estate Management. Real Estate Investment and Development and Real Estate Consulting drove revenue growth.

Quarterly revenue

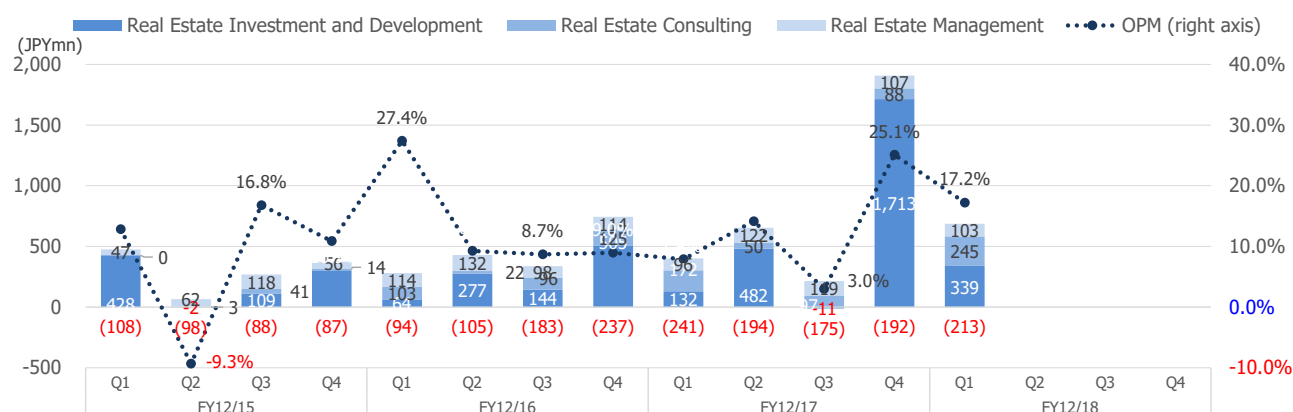


Source: Shared Research based on company data

Profit

Operating profit rose 197.0% YoY. Operating profit was up by 157.1% in Investment and Development, by 42.0% in Consulting, and by 6.9% in Management. Operating profit rose YoY in all segments.

Quarterly operating profit and YoY (%)



Source: Shared Research based on company data

By Segment

Real Estate Investment and Development segment

Segment revenue was JPY2.1bn (+46.8% YoY). The company sold five buildings (three in Q1 FY12/17): two residential properties (one), one office/retail building (none), one land lot (one), and hotel condominium (one). Of this, seven out of eight blocks of the newly built "the kamui niseko" hotel condominium in Niseko, a global ski resort in Abuta, Hokkaido, were sold.

The company purchased seven properties (five in Q1 FY12/17): three residential properties (three), three office/retail buildings (none), no land lots including land for development (two); and one other (none). By region, six were in Kanto (two), none in Hokkaido (one), and one in Kyushu (two). The balance of real estate for sale and real estate for sale in process increased by JPY4.2bn from end-FY12/17, with continued purchases of new properties. In addition, out of this total balance, two new hotels were completed in March 2018 (Hotel Torifito Otaru Canal in Otaru, Hokkaido and Tissage Hotel in Naha, Okinawa). These hotels opened in April and are making progress towards commercialization. The number of properties held in inventory was 29 (28 in Q1 FY12/17). The number of properties does not include lots for detached housing owned by Life Stage Co., Ltd.

Segment profit was JPY339mn (+157.1% YoY).

Real Estate Consulting segment

Segment revenue was JPY456mn (+21.9% YoY). The company won consulting projects mainly in the Kanto region, and completed 13 deals (seven in Q1 FY12/17). Of the 13 completed deals, nine were in Kanto (four), two in Hokkaido (two), one in Kansai (zero), and one in Kyushu (one). With a number of large-scale projects completed (mainly brokered deals), both revenues and number of contracts were well ahead of FY12/17. In addition, B-Lot Singapore Pte. Ltd. revenue also increased YoY, and the company's network of overseas investors further expanded. Segment profit was JPY245mn (+42.0% YoY).

Real Estate Management segment

Segment revenue was JPY168mn (-14.9% YoY). The number of client-owned properties under management rose to 62 (51 in Q1 FY12/17). By region, the company was managing 28 properties in Kanto (21), 23 in Hokkaido (19), two in Kansai (one), and nine in Kyushu (ten). In asset management, the number of projects managed by B-Lot Asset Management Co., Ltd. increased YoY. However, sales fell YoY on lower rental revenue from the company's own properties. Reduced cost of revenue and SG&A expenses helped absorb the decline in sales. Segment profit was JPY103mn (+6.9% YoY).

Expansion into solar power projects

On March 29, 2018, the company purchased a solar power plant (land and solar power generation facilities) in Kasama, Ibaraki. To further acquire solar power projects and strategically expand the related business, the company concluded a business alliance agreement with Asia Energy Bank Co., Ltd.

In Japan, Feed-in Tariff Scheme for Renewable Energy (FIT Act) was introduced in July 2012, accelerating commercialization of solar energy across the nation. With the establishment of an infrastructure fund market by the Tokyo Stock Exchange in 2015 for investments in infrastructure assets including renewable energy facilities, solar power plants drew attention as potential managed assets that can meet the needs of high-net-worth individuals and investors for long-term stable returns. However, in 2016, four years since the introduction of the FIT Act, various challenges surfaced, including one concerning there being 310,000 idle solar power plants in Japan. In April 2017, revised FIT Act was introduced to encourage appropriate implementation of the business. B-Lot confirmed that there exist many plants highly suitable for revitalization in the secondary market for solar energy. Viewing it as an opportunity to engage in a socially conscious business, the company intends to undertake solar power plant revitalization as a part of its Real Estate Investment and Development business. Depending on the needs of overseas investors and the company's existing customers, B-Lot will expand product lineup of solar power projects. The company targets small projects of less than JPY10bn in scale located in the Greater Tokyo Area that have much time left in the FIT scheme.

Overview of acquired project

Project name	Solar power plant in Kasama, Ibaraki
Address	4170-22 (and 10 parcels) Aza Marumine, Kasama, Kasama-shi, Ibaraki
Site area/ Rights	Total 14,817sqm (11 parcels)/ Ownership
Operation start date	September 2015
Unit price of electricity	JPY36/kWh (tax not included) *Annual earnings: JPY44,022,435 (tax included, from August 2016 to July 2017)
Electricity sold to	Ennet Corp. (shareholders include NTT Facilities, Inc., Tokyo Gas Co., Ltd., and Osaka Gas Co., Ltd.)
Output	900.00kW (50.00kW x 18 blocks)
Acquisition date	March 29, 2018

Source: Company press release

Events after the reporting period

In April 2018, the company announced establishment of a wholly owned subsidiary, B-Lot Capital Link Co., Ltd., that operates M&A- and staffing-related businesses (see Recent updates).

The subsidiary's staffing- and M&A-related businesses aim to respond to the needs of the company's existing customers. The staffing-related business will provide referral and staffing services of highly talented individuals; the M&A related business intends to offer solutions to facilitate business succession at small and medium enterprises concerned with lack of successors.

Full-year FY12/17 results (out February 14, 2018)

Summary

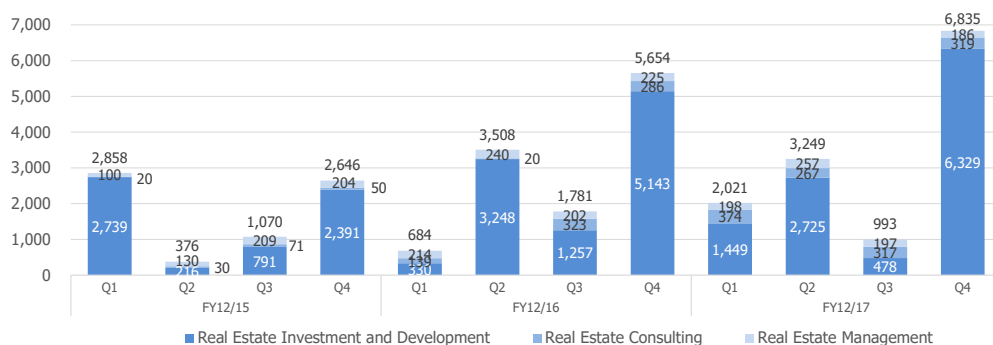
For full-year FY12/17, the company reported revenue of JPY13.1bn (+12.6% YoY), operating profit of JPY2.4bn (+101.3% YoY), recurring profit of JPY2.0bn (+128.6% YoY), and net income attributable to owners of parent of JPY1.3bn (+112.6% YoY). Progress toward full-year forecasts was revenue 100.7%, operating profit 104.5%, recurring profit 105.4%, and net income attributable to owners of parent 106.7%. All profit items overshot the upward revisions announced on November 28, 2017. Progress rates against the initial forecasts are as follows: revenue 81.1%, operating profit 158.6%, recurring profit 170.1%, and net income attributable to owners of parent 160.1%.

*Because of the prospect of being able to secure larger profits than in the initial forecasts, the company pushed back the sale of a portion of the real estate for sale that had been scheduled in FY12/17 to FY12/18.

Revenue

Up 12.6% YoY. Revenue was +10.1% in Real Estate Investment and Development, +66.4% in Real Estate Consulting, and -4.9% in Real Estate Management. Real Estate Investment and Development and Real Estate Consulting drove revenue growth.

Quarterly revenue (JPYmn)

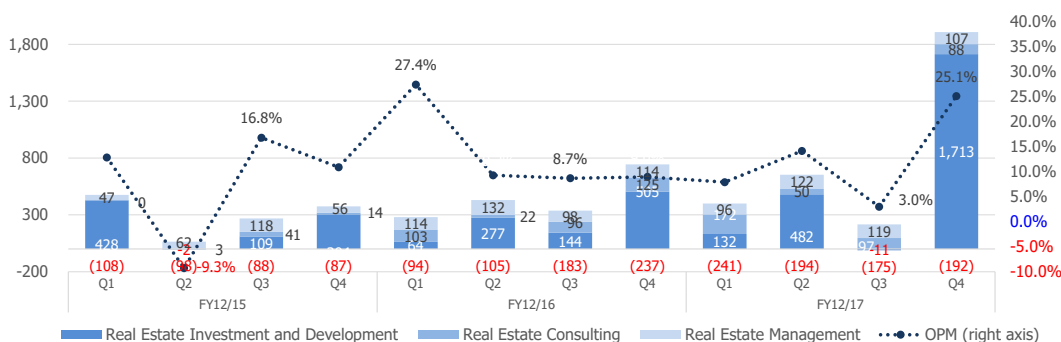


Source: Shared Research based on company data

Profit

Up 101.3% YoY. Operating profit was +134.1% YoY in Investment and Development, +17.9% in Consulting, and -3.3% 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 JPY11.0bn (+10.1% YoY). The company sold 21 buildings (16 in FY12/16): 11 residential properties (eight in FY12/16), five office/retail buildings (five), three land lots (two), and two condo hotel blocks (one); average sale price per property was JPY523mn (-16.1% YoY).* The company purchased 22 properties (23 in FY12/16): 11 residential properties (eight in FY12/16), four office/retail buildings (five), and seven land lots (including land for development; ten in FY12/16). By region, eight were in Kanto (13), seven in Hokkaido (one), three in Kansai (three), and four in Kyushu (six).

*If bulk projects (an income-generating condominium and four other properties) are treated as a single item, the average sale price per property is JPY625mn (+2.0% YoY).

Main properties sold** were predominantly as follows:

- June 2017: Income-generating condominiums in Shinagawa, Tokyo (total floor space of 1,913.65sqm and registered lot size of 506.18sqm), and four other sites (sum of the five: total floor space of 3,363.28sqm and registered lot size of 2,074.77sqm).
- October 2017: Income-generating condominiums in Kin-cho, Kunigami, Okinawa (total floor space of 5,768.29sqm and registered lot size of 5,796.01sqm). This is the first project sold in Okinawa. According to the company this project was worth over JPY1.5bn. The company believes that this project marks the beginning of business development in the Okinawa area.
- November 2017: Hotel/retail space in Shinjuku, Tokyo (total floor space of 1,967.88sqm and registered lot size of 350.00sqm). Sold to a domestic private fund. The company secured an asset management contract, and involvement continues after sale.

**** Projects corresponding to over 10% of revenue and/or over 30% of net income in the immediately preceding fiscal year (FY12/16), publicly announced as timely disclosure in the appropriate month.**

The company is making steady progress in its plans to commercialize inventory properties from FY12/18 and beyond. It launched two new hotels developed on the land lots in inventory, and has a steady stock of development projects in the pipeline. Note, the number of properties does not include lots for detached housing owned by Life Stage. The company's real estate for sale included 27 items, and the inventory at end-FY12/17 (sum of real estate for sale and real estate for sale in process) was JPY11.4bn (-0.3% YoY). Average value per property was JPY421mn (-7.7% YoY). Number of properties by type was: land—including land for development—12 (12 at end-FY12/16); office/retail two (eight); residential nine (eight); hotel/accommodation three (one); and nursing care facility one (one). Of the 12 land items, nine were for development, and the breakdown by type was as follows: office/retail two; residential three; hotel/accommodation four.

Segment profit was JPY2.3bn (+134.1% YoY).

Real Estate Consulting segment

Segment revenue was JPY1.3bn (+66.4% YoY). The company won consulting projects throughout Japan, and completed 29 deals (31 in FY12/16). The significant increase in revenue compared to the previous fiscal year was due to the full year contribution of marketing business (for newly built condominiums for subdivision) which began with the acquisition of Life Stage during FY12/16. Of the completed deals, 18 were in Kanto (19 in FY12/16), five in Hokkaido (seven), four in Kansai (one), and two in Kyushu (four). The number of deals is increasing owing to the company's Singapore subsidiary and collaborations with Life Stage. The company is achieving continuing business with high net-worth customers. The company brokered 26 deals (27 in FY12/16), obtaining revenue from fees of JPY252mn (+42.4% YoY).

Segment profit was JPY408mn (+17.9% YoY).

Real Estate Management segment

Segment revenue was JPY839mn (-4.9% YoY). The number of client-owned properties under management rose to 59 (48 in FY12/16). By region, the company was managing 26 properties in Kanto (20 in FY12/16), 23 in Hokkaido (18), and eight in Kyushu (nine).

Segment profit was JPY443mn (-3.3% YoY). The number of cases in which the company retains involvement with the same customer after a relatively new sale, by obtaining asset management or property management contracts, is increasing in relation to capsule hotels and hotels. 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.

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

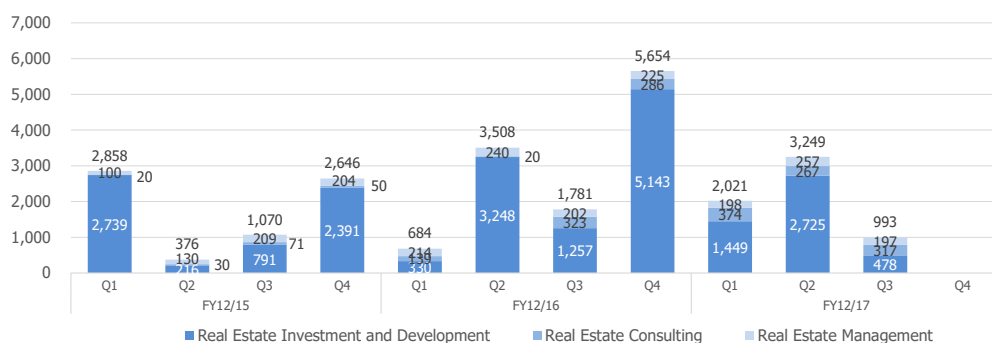
Summary

In cumulative Q3 FY12/17, the company reported revenue of JPY6.3bn (+4.8% YoY), operating profit of JPY649mn (-2.8% YoY), recurring profit of JPY372mn (-24.6% YoY), and net income attributable to owners of parent of JPY263mn (-18.5% YoY). 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)

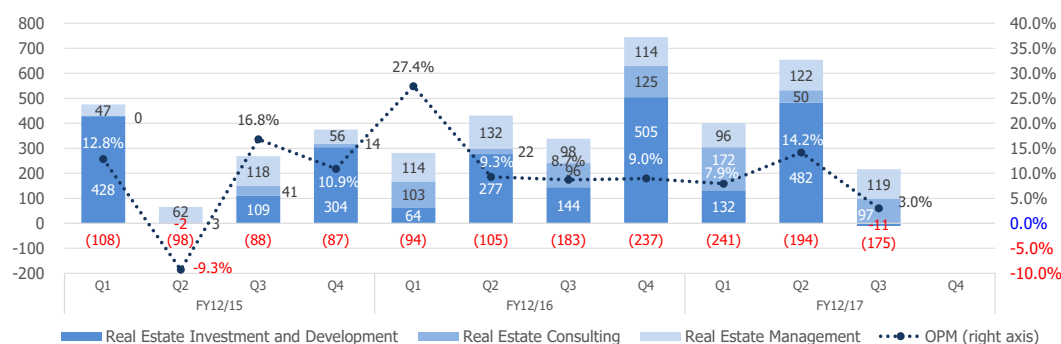


Source: Shared Research based on company data

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 in Q3 FY12/16): six residential (four in Q3 FY12/16), two office/retail buildings (four), and five land lots (including land for development; same as in Q3 FY12/16). 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.

FY12/16 results

Summary

In FY12/16, the company reported revenue of JPY11.6bn (+67.3%YoY), operating profit of JPY1.2bn (+46.9% YoY), recurring profit of JPY874mn (+33.4% YoY), and net income attributable to owners of parent of JPY588mn (+46.9% YoY). 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 end-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 FY12/15). 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 FY12/15). 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% YoY), recurring profit of JPY655mn (+122.1% YoY), and net income attributable to owners of parent of JPY401mn (+126.8% YoY). 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 process) was JPY6.1bn (+78.3% vs end-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 FY12/14). 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% YoY), recurring profit of JPY295mn (+61.7% YoY), and net income attributable to owners of parent of JPY177mn (+69.2% YoY).

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 Cons.
Revenue	532	457	494	1,338	2,231	3,709	6,951	11,627	13,097
YoY	-	-14.2%	8.2%	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%
Cost of revenue	-	-	-	1,011	1,614	2,773	5,395	9,006	8,700
Gross profit	-	-	-	327	617	937	1,556	2,621	4,397
YoY	-	-	-	-	88.6%	51.9%	66.1%	68.4%	67.8%
GPM	-	-	-	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%
SG&A expenses	-	-	-	242	399	558	756	1,446	2,032
SG&A ratio	-	-	-	18.1%	17.9%	15.1%	10.9%	12.4%	15.5%
Operating profit	-	-	-	85	218	378	800	1,175	2,366
YoY	-	-	-	-	157.0%	73.8%	111.5%	46.9%	101.3%
OPM	-	-	-	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%
Non-operating income	-	-	-	-	0	3	7	1	1
Non-operating expenses	-	-	-	-	35	86	151	302	368
Recurring profit	1	23	6	78	183	295	655	874	1,999
YoY	-	1,545.2%	-74.6%	1,229.7%	133.4%	61.7%	122.1%	33.4%	128.6%
RPM	0.3%	5.1%	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	15.3%
Extraordinary gains (losses)	-	-	-	-	-	-	-	0	-199
Income taxes	-	-	-	-	78	118	255	286	549
Implied tax rate	-	-	-	-	42.9%	40.1%	38.9%	32.7%	30.5%
Minority interests	-	-	-	-	-	-	-	-	-
Net income	2	15	4	42	104	177	401	588	1,251
YoY	-	702.6%	-72.9%	944.6%	149.8%	69.2%	126.8%	46.9%	112.6%
Net margin	0.3%	3.2%	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%

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 five years to FY12/17, the company posted CAGR of 57.8%. 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 FY12/17. From FY12/13 through FY12/16, the operating profit margin has been stable at 10–12%, but in FY12/17 it rose to 18.1%.

Profitability and financial indicators

Profit margins (JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Gross profit	327	617	937	1,556	2,621	4,397
GPM	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%
Operating profit	85	218	378	800	1,175	2,366
OPM	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%
EBITDA	85	237	391	868	1,254	2,431
EBITDA margin	6.3%	10.6%	10.5%	12.5%	10.8%	18.6%
Net margin	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%
Financial ratios						
ROA (RP-based)	10.9%	9.9%	7.6%	8.6%	6.6%	11.2%
ROE	23.6%	29.4%	24.8%	23.5%	22.4%	36.6%
Total asset turnover	1.9	1.2	0.9	0.9	0.9	0.7
Inventory turnover	3.6	3.4	1.7	1.2	1.1	1.0
Days in inventory	100.3	107.9	211.0	300.3	332.2	355.9
Working capital requirement	578	1,691	3,407	6,093	11,502	11,476
Current ratio	512.3%	228.6%	162.5%	454.3%	283.3%	183.4%
Quick ratio	192.4%	185.5%	52.6%	116.0%	73.2%	106.0%
OCF / Current liabilities	-309.6%	-144.8%	-88.1%	-68.3%	-130.2%	35.9%
Net debt / Equity	-162.8%	271.5%	297.4%	197.3%	373.5%	223.0%
OCF / Total liabilities	-0.3	-0.4	-0.4	-0.2	-0.3	0.2
Cash cycle (days)	100.4	108.0	211.2	301.0	334.3	359.0
Changes in working capital	577.6	1,113.6	1,716.0	2,685.4	5,409.8	-26.4

Source: Shared Research based on company data

Historical performance versus initial company forecasts

Results vs. Initial Est. (JPYmn)		FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Revenue	Initial Est.	-	-	-	5,401	11,263	16,154
	Results	1,338	2,231	3,709	6,951	11,627	13,097
	Results vs. Initial Est.	-	-	-	28.7%	3.2%	-18.9%
Operating profit	Initial Est.	-	-	-	509	974	1,492
	Results	85	218	378	800	1,175	2,366
	Results vs. Initial Est.	-	-	-	57.2%	20.6%	58.6%
Recurring profit	Initial Est.	-	-	-	430	735	1,175
	Results	78	183	295	655	874	1,999
	Results vs. Initial Est.	-	-	-	52.4%	19.0%	70.1%
Net income	Initial Est.	-	-	-	250	482	781
	Results	42	104	177	401	588	1,251
	Results vs. Initial Est.	-	-	-	60.2%	22.1%	60.1%

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 soundly exceeded the company's initial forecasts in terms of both revenue and profit. In FY12/17 actual revenue fell short of initial forecasts due to a delay in certain projects into the next fiscal year, but actual profit surpassed initial forecasts by a wide margin.

Balance sheet

Balance sheet (JPYmn)	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
ASSETS								
Cash and deposits	-	-	320	567	1,009	2,107	2,467	4,855
Accounts receivable	-	-	1	0	4	23	110	118
Real estate for sale	-	-	21	1,292	596	-	1,070	4,716
Real estate for sale in process	-	-	556	399	2,807	6,070	10,323	6,643
Prepaid expenses	-	-	4	8	14	-	-	-
Other	-	-	19	36	585	144	136	430
Total current assets	-	-	921	2,303	5,014	8,343	14,105	16,761
Land	-	-	-	-	-	167	177	164
Buildings	-	-	-	52	47	644	642	418
Other fixed assets	-	-	60	4	4	10	13	13
Total tangible fixed assets	-	-	60	56	51	822	832	596
Software	-	-	157	157	157	659	659	659
Goodwill	-	-	-	-	-	-	144	156
Other	-	-	2	1	0	0	10	10
Total intangible fixed assets	-	-	159	158	157	659	813	825
Investment securities	-	-	0	0	1	-	-	-
Deferred tax assets	-	-	-	-	-	1	1	104
Other	-	-	20	25	45	150	834	794
Investments and other assets	-	-	21	25	45	151	835	897
Total fixed assets	-	-	239	240	254	1,632	2,479	2,318
Deferred assets	-	-	-	-	-	9	41	31
Total assets	160	281	1,160	2,543	5,268	9,985	16,626	19,110
LIABILITIES								
Short-term debt	-	-	62	737	2,749	1,296	4,289	8,017
Other	-	-	118	270	337	540	690	1,121
Total current liabilities	-	-	180	1,007	3,086	1,836	4,979	9,138
Long-term debt	-	-	681	1,050	1,167	5,607	8,708	5,777
Other	-	-	39	36	37	110	120	186
Total fixed liabilities	-	-	721	1,086	1,205	5,717	8,828	5,963
Total liabilities	-	-	900	2,093	4,291	7,553	13,806	15,101
Capital stock	-	-	124	167	405	932	944	945
Capital surplus	-	-	45	88	326	853	865	866
Retained earnings	-	-	59	164	247	648	1,236	2,421
Treasury stock	-	-	-	-	-	-	-223	-224
Accumulated other comprehensive income	-	-	-	-	-	-2	-2	0
Net assets	66	94	260	449	978	2,431	2,819	4,009
Working capital	-	-	578	1,691	3,407	6,093	11,502	11,476
Total interest-bearing debt	-	-	743	1,787	3,916	6,903	12,997	13,794
Net debt	-	-	-423	1,220	2,907	4,796	10,530	8,939

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.	FY12/17 Cons.
Accounts receivable turnover	3,796.4	4,876.2	1,838.2	520.0	175.3	115.2
Accounts receivable days	0.1	0.1	0.2	0.7	2.1	3.2
Inventory turnover	3.6	3.4	1.7	1.2	1.1	1.0
Days in inventory	100.3	107.9	211.0	300.3	332.2	355.9
Accounts payable turnover	-	-	-	-	-	-
Accounts payable days	-	-	-	-	-	-
Cash conversion cycle (days)	100.4	108.0	211.2	301.0	334.3	359.0

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 for sale in process) accounts for roughly 60%. Cash and deposits account for around 25% of total assets (a large increase from around 15% in FY12/16), and fixed assets account for 15% of total assets.

Liabilities

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

Shareholders' equity

Net assets account for approximately 20% of total liabilities and net assets. As of end-FY12/17 the shareholders' equity ratio was 21.0%.

Cash flow statement

Cash flow statement (JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Cash flows from operating activities (1)	-278	-859	-1,802	-1,681	-4,436	2,533
Cash flows from investing activities (2)	-225	-23	-220	-1,241	-922	-861
Free cash flow (1+2)	-503	-882	-2,023	-2,922	-5,359	1,671
Cash flows from financing activities	722	1,129	2,463	4,019	5,717	719
Depreciation and amortization (A)	-	20	13	68	79	65
Capital expenditures (B)	-	-	-	-	-	1
Working capital changes (C)	-	1,114	1,716	2,685	5,410	-26
Simple FCF (NI + A + B - C)	42	-990	-1,526	-2,217	-4,742	1,343

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

The company is expanding business, and from FY12/12 through FY12/16, it saw cash outflows from operating activities. In FY12/17 cash flows from operating activities were positive due to reduction in inventories and a large increase in pre-tax profit on the back of steadily increasing sales in the Real Estate Investment business.

Cash flows from investing activities

From FY12/12 through FY12/17, 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 FY12/17, cash flows from financing activities have been positive as the company has continuously raised funds. However, in FY12/17 proceeds from long-term debt decreased, leading to a decrease in the overall amount of financing.

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

News and topics

May 2018

On **May 15**, the company announced issuance of the 7th stock acquisition rights (with provisions to revise exercise price) and 8th stock acquisition rights via third-party allotment.

Summary of offer

Allocation date	June 6, 2018
Number of stock acquisition rights to be issued	12,400 units 7th stock acquisition rights: 10,000 units 8th stock acquisition rights: 2,400 units

Issue price	JPY810 per 7th stock acquisition right JPY364 per 8th stock acquisition right On any day between May 17, 2018 and May 21, 2018, if the price calculated using the same method used to determine the issue price above exceeds the above price, the amount by which the calculated price exceeds the above price shall be set by the President and Representative Director, or his representative, based on the authorization of the Board of Directors.
Number of issuable shares	Number of issuable shares: 1,240,000 shares (100 shares per stock acquisition right) 7th stock acquisition rights: 1,000,000 shares 8th stock acquisition rights: 240,000 shares The 7th stock acquisition rights have a provision for exercise price revision. Even at the minimum exercise price, the number of issuable shares for the 7th stock acquisition rights is 1,000,000 shares.
Funds to be raised (estimated net proceeds)	JPY3.0bn
Method of offer/allocation	Third-party allocation managed by SBI Securities Co., Ltd.

Purpose of fund raising

Intended use	Amount (JPYmn)	Scheduled period of spend
Acquisition of real estate for sale in Real Estate Investment and Development, acquisition of real estate for lease in Real Estate Management, and improvements to enhance asset values.	1,968	June 2018–June 2020
M&A and investment in capital or business partnerships	1,000	June 2018–June 2020

April 2018

On **April 17, 2018**, the company announced that it will establish a subsidiary B-Lot Capital Link Co., Ltd.

Reasons for establishing a subsidiary

B-Lot moved its stock listing to the First Section of the Tokyo Stock Exchange in February 2018, and it is in a stage to further increase the company value. Through recent M&A of hotel and golf course operating companies, it aims to expand into new business areas.

Leveraging its network of business clients and contacts, the company decided to establish a subsidiary B-Lot Capital Link to expand into new businesses with the theme of “Creating new business value to enhance the value of various companies and individuals.” B-Lot Capital Link will operate staffing- and M&A-related businesses.

The subsidiary’s staffing-related business provides services to address a management issue of securing and training talented individuals, that many companies face. Its M&A-related business intends to offer solutions to small and medium enterprises in Japan to facilitate smooth business succession by leveraging B-Lot group’s network and expertise in providing solutions. With the lack of successors at SME as a growing concern going forward in Japan, the company aims to contribute in solving this social issue.

Overview of the new subsidiary

- ▷ Business areas: Worker dispatching service, fee-charging job placement service, M&A-related service, business succession advisory service
- ▷ Capital: JPY20mn
- ▷ Date of establishment: Mid May 2018 (tentative)
- ▷ Start of operations: June 1, 2018 (tentative)
- ▷ Major shareholder and shareholding ratio: B-Lot Co., Ltd., 100%

March 2018

On **March 29, 2018**, the company announced the acquisition of real estate for sale and the issuance of unsecured corporate bonds.

The company announced that it had decided to acquire real estate for sale and was issuing unsecured corporate bonds to finance the purchase.

Overview of property to be acquired

Location	Type	Total floor space (sqm)	Lot size (sqm) (registered)
Setagaya, Tokyo	Residential complex/warehouse	1,929.53	991.73

Overview of seller and purchase price

The seller is a corporation located in Tokyo's Setagaya Ward. The price at which the property will be acquired cannot be disclosed owing to a confidentiality clause in the sales contract. There are no capital, personal, or business relationships to report between B-Lot and the seller.

Overview of unsecured corporate bond issue

Name of issue	Series eight unsecured floating rate interest-bearing corporate bonds (guaranteed by Sumitomo Mitsui Banking Corporation, limited to qualified institutional investors)
Issuing amount	JPY1,150mn
Face value of individual bonds	JPY115mn
Interest payment date	Interest paid after end of every six-month period
Interest rate	Six-month Japanese Yen TIBOR rate (floating rate, adjusted every six months)
Payment date	March 29, 2018
Redemption date	March 29, 2021
Fiscal agent	Sumitomo Mitsui Banking Corporation
Guarantor	Sumitomo Mitsui Banking Corporation
General underwriter	Sumitomo Mitsui Banking Corporation
Transfer agent	Japan Securities Depository Center, Inc.

The acquisition of the above-mentioned property is not expected to have a material impact on FY12/18 results.

On **the same day**, the company also announced it was postponing its acquisition of T&K K.K. shares.

With regard to the planned acquisition of the shares of T&K K.K. announced on March 15, 2018, the company said it had decided to push back the share transfer date, previously set for March 29, 2018, to April 11, 2018.

The company said it was still trying to determine the impact of this transaction on FY12/18 results and would promptly disclose any matters requiring public announcement.

On **March 15, 2018**, the company announced a share acquisition of T&K K.K., making it a subsidiary.

At a Board of Directors meeting held on March 15, 2018, the company resolved to acquire shares of T&K K.K. (hereinafter T&K), making it a subsidiary. The date of the share transfer will be March 29, 2018 (planned).

In recent years, the company has proactively acquired operational assets, such as lodging and nursing facilities. The company has a track record of improving asset value, even in properties where operational elements are crucial, through forming partnerships with operators, which produce stable, long-term profits in a systematic manner.

Through this acquisition, the company aims to enter a new business realm with the mission statement to “create new value for golfers in and outside Japan and improve the asset value of golf courses.” It plans to achieve this by fusing its expertise in revitalizing properties and track record of revitalizing operational assets with T&K’s golf course operational know-how and network of high-income customers.

Overview of T&K K.K.

- ▷ Business: Operation, consulting, assessment, design, renovation, and supervision of golf courses and other sports facilities
- ▷ Capital: JPY95mn

Acquisition price and status of holdings after acquisition

- ▷ Acquired shares: 1,518 (voting rights: 1,518)
- ▷ Acquisition price: JPY70mn (planned), JPY5mn in advisory costs (estimate), total price of JPY75mn (estimate)
- ▷ Holdings after acquisition: 1,518 shares (1,518 voting rights; 53.1% share of total voting rights)

February 2018

On **February 2, 2018**, the company announced that its listing was transferred to the First Section of the Tokyo Stock Exchange from Mothers.

January 2018

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: 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.

Group companies (as of end-December 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 (after of March 28, 2018)

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)	No more than 10 (no more than five directors to be members of the Audit and Supervisory Board)
Number of directors	9
Directors’ term of office (under Articles of Incorporation)	2 years
Chairman of the board of directors	President
Number of outside directors	3
Number of independent outside directors	3
Nominating committee or compensation committee	None
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
Number of independent outside directors	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 (as of end-December, 2017)

Top shareholders	Shares held	Shareholding ratio
Shinichi Hasegawa	647,000	16.1%
Masahiro Mochizuki	557,000	13.9%
M&M, Ltd.	409,500	10.2%
Makoto Miyauchi	276,500	6.9%
Mitsuru Otsuka	137,700	3.4%
Fumie Mochizuki	79,000	2.0%
Hokuto Mfg. Co., Ltd.	62,000	1.5%
Bang-Joo Lee	60,000	1.5%
Kwan-Young Kim	58,500	1.5%
Taro Togawa	54,000	1.3%
Shares issued	4,010,100	100.0%

Source: Shared Research based on company data

Note: On January 17, 2018, the company conducted a 2-for-1 common stock split, making total shares issued 8,020,200.

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)

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

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ADJUVANT COSME JAPAN CO., LTD.	Fujita Kanko Inc.	ONWARD HOLDINGS CO.,LTD.
Aeon Delight Co., Ltd.	FURYU CORPORATION	PARIS MIKI HOLDINGS Inc.
Aeon Fantasy Co., Ltd.	Gamecard-Joyco Holdings, Inc.	PIGEON CORPORATION
Ai Holdings Corporation	GCA Corporation	RACCOON CO., LTD.
AnGes Inc.	Grandy House Corporation	RESORTTRUST, INC.
Anicom Holdings, Inc.	Hakuto Co., Ltd.	ROUND ONE Corporation
Anritsu Corporation	Happinet Corporation	RVH Inc.
Apaman Co., Ltd.	Harmonic Drive Systems Inc.	RYOHIN KEIKAKU CO., LTD.
Arealink Co.,Ltd.	HOUSEDO Co., Ltd.	SanBio Company Limited
Artspark Holdings Inc.	IDOM Inc.	SANIX INCORPORATED
AS ONE CORPORATION	IGNIS LTD.	Sanrio Company, Ltd.
Ateam Inc.	Inabata & Co., Ltd.	SATO HOLDINGS CORPORATION
Aucfan Co., Ltd.	Infocom Corporation	SBS Holdings, Inc.
Axell Corporation	Infomart Corporation	Seikagaku Corporation
Azbil Corporation	Intelligent Wave, Inc.	Seria Co.,Ltd.
AZIA CO., LTD.	istyle Inc.	SHIP HEALTHCARE HOLDINGS, INC.
BEEVOS Inc.	Itochu Enex Co., Ltd.	Showcase-Tv Inc.
Bell-Park Co., Ltd.	JSB Co., Ltd.	SMS Co., Ltd.
Benefit One Inc.	J Trust Co., Ltd	Snow Peak, Inc.
B-lot Co.,Ltd.	Japan Best Rescue System Co., Ltd.	Solasia Pharma K.K.
Canon Marketing Japan Inc.	JINS Inc.	SOURCENEXT Corporation
Carra Biosciences, Inc.	JP-HOLDINGS, INC.	Star Mica Co., Ltd.
CERES INC.	KAMEDA SEIKA CO., LTD.	Strike Co., Ltd.
Chiyoda Co., Ltd.	Kenedix, Inc.	SymBio Pharmaceuticals Limited
Chugoku Marine Paints, Ltd.	KFC Holdings Japan, Ltd.	Synchro Food Co., Ltd.
cocokara fine Inc.	KI-Star Real Estate Co., Ltd.	TAIYO HOLDINGS CO., LTD.
COMSYS Holdings Corporation	Kumiai Chemical Industry Co., Ltd.	Takashimaya Company, Limited
CRE, Inc.	LAC Co., Ltd.	Take and Give Needs Co., Ltd.
CREEK & RIVER Co., Ltd.	Lasertec Corporation	Takihyo Co., Ltd.
Daiseki Co., Ltd.	LUCKLAND CO., LTD.	TAMAGAWA HOLDINGS CO., LTD.
DIC Corporation	MATSUI SECURITIES CO., LTD.	TEAR Corporation
Digital Arts Inc.	Medical System Network Co., Ltd.	3-D Matrix, Ltd.
Digital Garage Inc.	MEDINET Co., Ltd.	TKC Corporation
DIGITAL HEARTS HOLDINGS Co., Ltd	Milbon Co., Ltd.	TOKAI Holdings Corporation
Don Quijote Holdings Co., Ltd.	MIRAIT Holdings Corporation	Tri-Stage Inc.
Dream Incubator Inc.	Monex Goup Inc.	VISION INC.
EARTH CHEMICAL CO., LTD.	NAGASE & CO., LTD	VISIONARY HOLDINGS CO., LTD.
Elecom Co., Ltd.	NAIGAI TRANS LINE LTD.	VOYAGE GROUP, INC.
Emergency Assistance Japan Co., Ltd.	NanoCarrier Co., Ltd.	WirelessGate, Inc.
en-Japan Inc.	Net One Systems Co.,Ltd.	YELLOW HAT LTD.
euglena Co., Ltd.	Nichi-Iko Pharmaceutical Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Evolable Asia Corp.	NIPPON PARKING DEVELOPMENT Co., Ltd.	Yume no Machi Souzou Iinkai Co., Ltd.
Ferrotec Holdings Corporation	Nisshinbo Holdings Inc.	Yushiro Chemical Industry Co., Ltd.
FIELDS CORPORATION	NS TOOL CO., LTD.	ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

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