

Annual Report

Fiscal Year Ending Dec. 31, 2018

【English Summary】



 **B-lot** Co.,Ltd.

3452 TSE, First Section

Feb.14,2019

To Our Shareholders

We will continue to make rapid progress during our next growth stage



B-Lot Co., Ltd.
President
Makoto Miyauchi

We would like to take this opportunity to express our sincere gratitude to our shareholders.

We announced upward revisions to our financial forecast in December were able to exceed our initial projections for net profit by 39%. Additionally, we have announced a large increase in dividends, raising them to 2.5 times what they were in FY12/17.

Although we faced some challenges while planning and meeting our targets, as both sales and profit for the year were primarily supported by the sale of just over 20 real estate properties, we were able to continue our trend of exceeding our initial forecasts each term. As a result, we recorded year-on-year increases in both revenue and profit for the eight consecutive term in FY12/18.

In FY2019, we will launch new businesses lines in addition to expanding our existing businesses utilizing our group strengths of spirit of challenge, flexibility and creativity, as well as our network.

We look forward to receiving further support from our stakeholders as we strive to achieve our tasks.

Mid-term Business Plan Leading up to Our Next Growth Stage in 2020

Derivative increase in in-house expertise

Domestic operations

- ▶ Focusing on regional cities and resorts with growing populations and an increasing number of inbound tourists
- ▶ Establishing expertise concerning human resource diversification.

Investment development

- ▶ Holding medium- and long-term income-generating assets and developing new products.
- ▶ Investing in and collaborating with growing companies.



Establishment of a new earnings structure

Overseas expansion

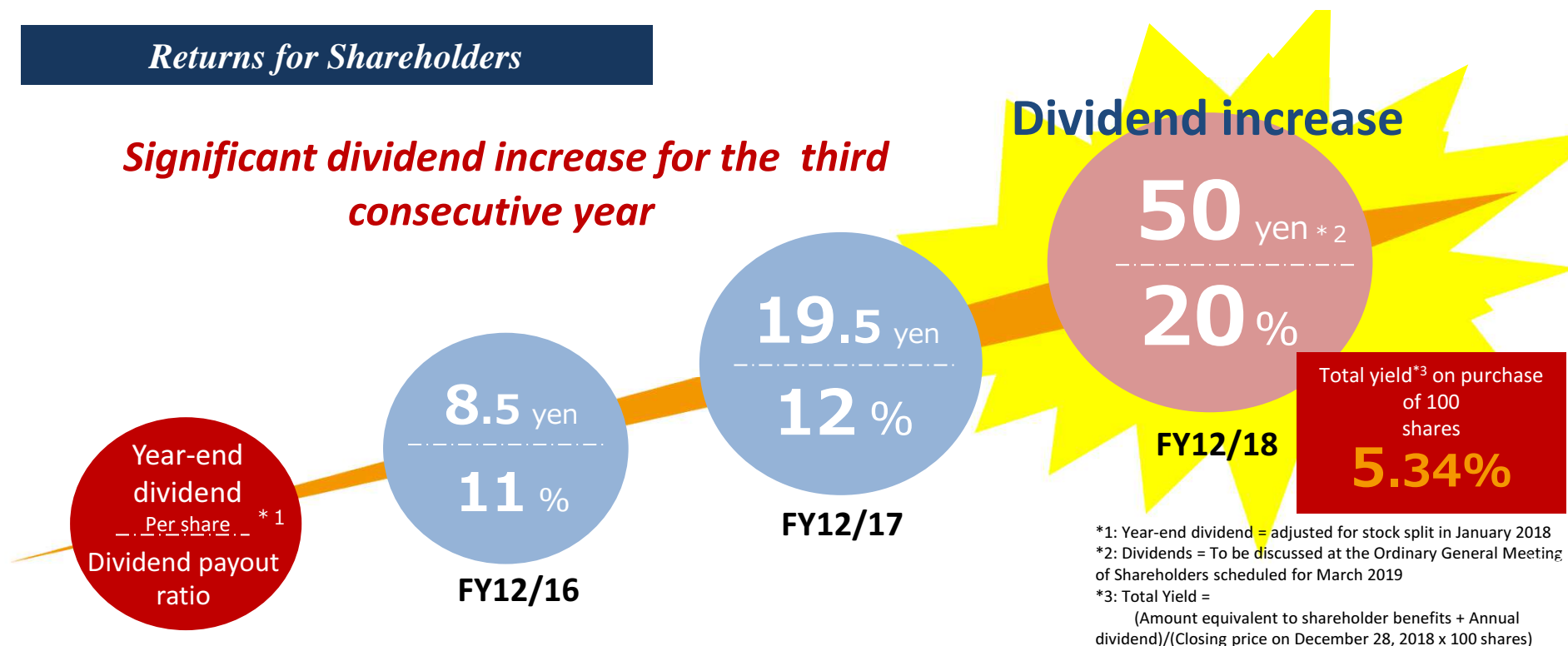
- ▶ Implementing overseas investment and expanding overseas network of investors
- ▶ Raising inbound investment into Japan and developing channels to individuals of high net worth

IT strategy

- ▶ Improving operational efficiency with IT.
- ▶ Developing innovative products with Real Tech. Reaching out to more buyers and investors through SNS.

Returns for Shareholders

Significant dividend increase for the third consecutive year



Increase in the Number of Shareholders



Shareholder Benefits

Record Date	December 31, 2018
Shares held	100 shares (one unit) or more
QUO card	1,000 yen



Stock Ownership Association

Objectives	<ul style="list-style-type: none"> ▶Employee benefits and participation in management ▶Stable, long-term growth in the number of employee shareholders
Incentive	10% of contributions
Timing of first Purchase	Scheduled for April 2019

I . Company Profile

<i>I . Company Profile</i>	<i>P.05-13</i>
<i>II . Performance Review</i>	<i>P.15-18</i>
<i>III . Business Summary</i>	<i>P.20-29</i>

Company Profile =as of Dec. 31, 2018=

...FY12/18...

Company Name	B-Lot Company Limited
Head Office	2-19-10, Shimbashi, Minato-ku, Tokyo, 105-0041 Japan
Establishment	October 10, 2008
Capital	JPY 1,024,017,683
President	Makoto Miyauchi
Number of Employee	54 employees (201 as Consolidated)
Listed Date	Dec.11, 2014 (TSE Mothers Section : 3452) Feb.02, 2018 (TSE, 1st Section : 3452)
Offices and Subsidiaries	Hokkaido, Fukuoka, Osaka B-Lot Asset Management Co., Ltd (100% Subsidiary) B-Lot Singapore Pte., Ltd. (100% Subsidiary) Life Stage Corporation (100% Subsidiary) B-Lot Capital Link Co.,Ltd (100% Subsidiary) T&K Co.,Ltd.





Makoto Miyauchi Representative Director and President (Born in February 1969)

Acquired BA in Political Science at Keio University, Tokyo and MBA at University of Washington, Seattle.
A former banker (at Sanwa Bank - currently MUFG) with expertise in project financing, property loans, and securitization.
Established B-Lot to start new real estate and financial businesses in 2008.
A well-known, influential business executive in Japan.



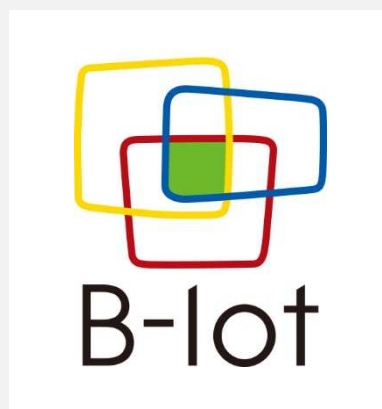
Shinichi Hasegawa Director and Deputy President (Born in July 1972)

Acquired BA in Commercial Science at Sapporo Gakuin University.
Has been responsible mainly for purchase and sales real estate brokerage business .
Made tremendous contribution for Sun Frontier Fudousan Co., Ltd.(TSE first section 8934) to be listed in the JASDAQ Stock Exchange in 5 years and in the Tokyo Stock Exchange in 8 years since its incorporation. Assumed the Deputy President of B-Lot in 2008.
Set up new branches in Singapore & Hokkaido by himself and creates new investment networks.



Masahiro Mochizuki Director and Deputy President (Born in October 1972)

Acquired BA in Real Estate at Meikai University.
Established a new business field in real estate value-up called “Re-planning” in 2001, responsible for purchasing, improving value, selling, and securitizing properties.
Specialized in ‘revitalization and conversion business on real estate’.
Has dealt more than 150 transactions, becoming a most recognized authority in the field of real estate value-up.
Held a number of seminars mainly about revitalization.



The logo is ...
a symbol of our foundation.



The rounded corners of the squares express flexibility and balance.

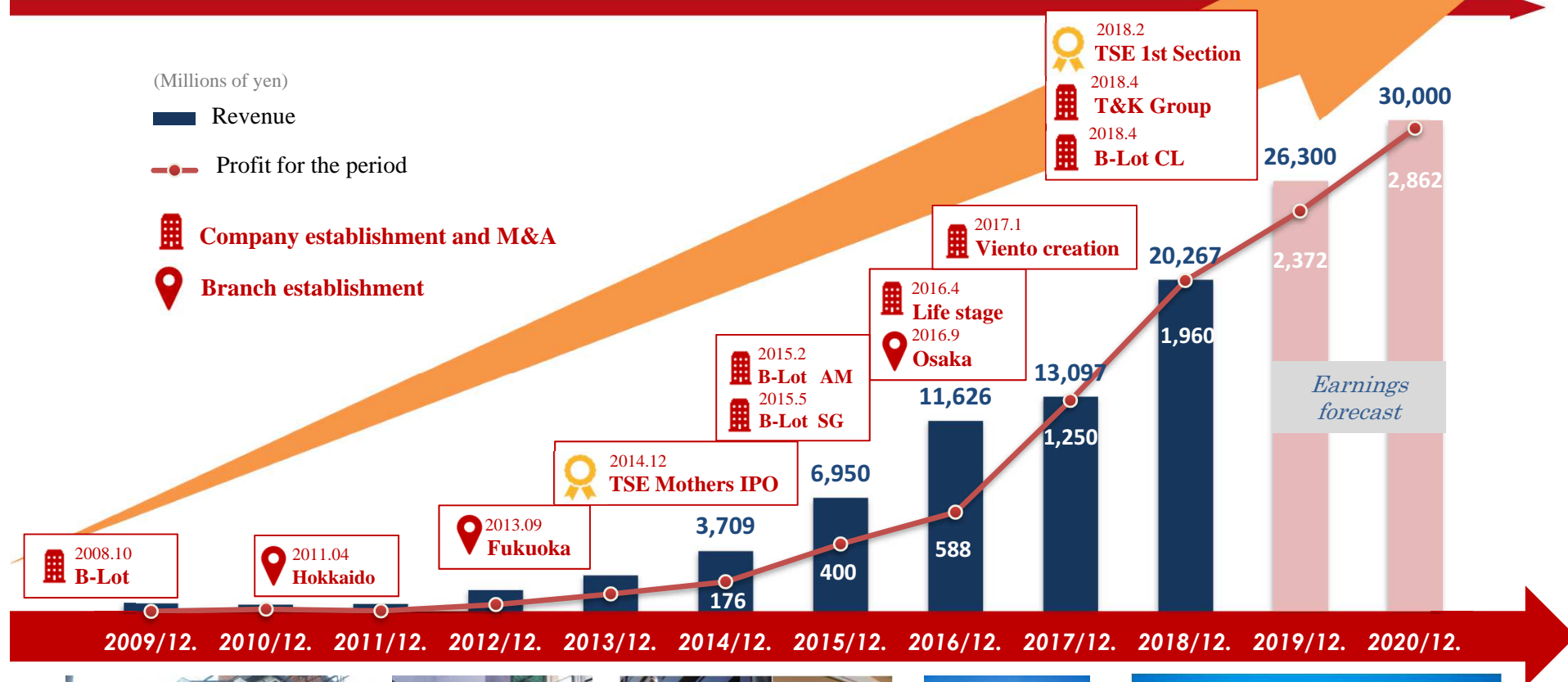
The company was established in October 2008, and all three founders had different areas of expertise and networks.

President Makoto Miyauchi has a strong background in finance, Deputy President Shinichi Hasegawa's has extensive expertise in consulting and customer development and Deputy President Masahiro Mochizuki is skilled in property revitalization (acquisition and sales). Previously, they managed a real estate company listed on the TSE 1st Section.

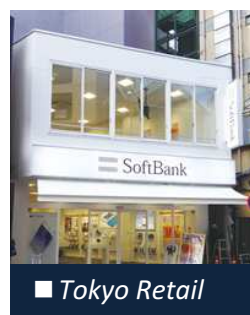
In December 2014, B-Lot listed on the TSE Mothers market with 27 employees, just six years and two months after its founding, which was faster than any other real estate company following the global financial crisis.

In February 2018, the company transferred its listing to the TSE 1st Section.

Revenue and Profit Trends



Started renovation business.



Started brand-new business line.



First conversion of office building into a compact hotel.

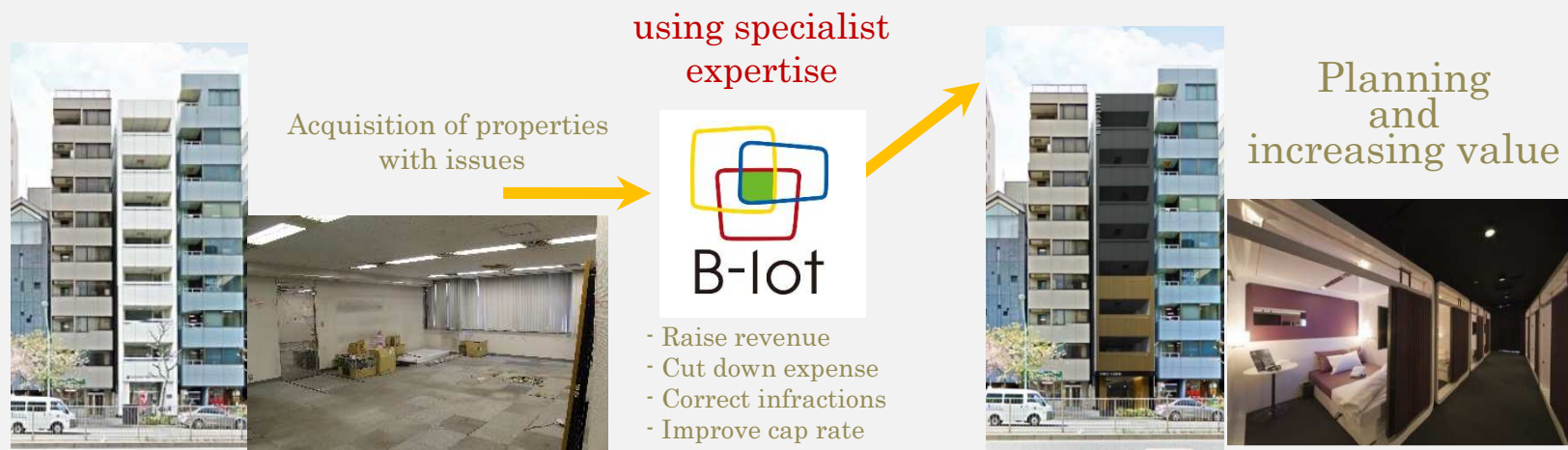


Condominium sold to high-net-worth foreign individuals

With 3 core businesses, B-Lot build close relationships with high-net-worth clients.



**Acquire properties with profitability and regulatory issues
→solve these issues, thereby increasing property value**



Revitalization

B-Lot sees potential in buildings that are highly costly, have low value or have been used illegally or maintained poorly. Our investment team will make those buildings shine again with creative planning based on deep knowledge of and specialized expertise in real estate.

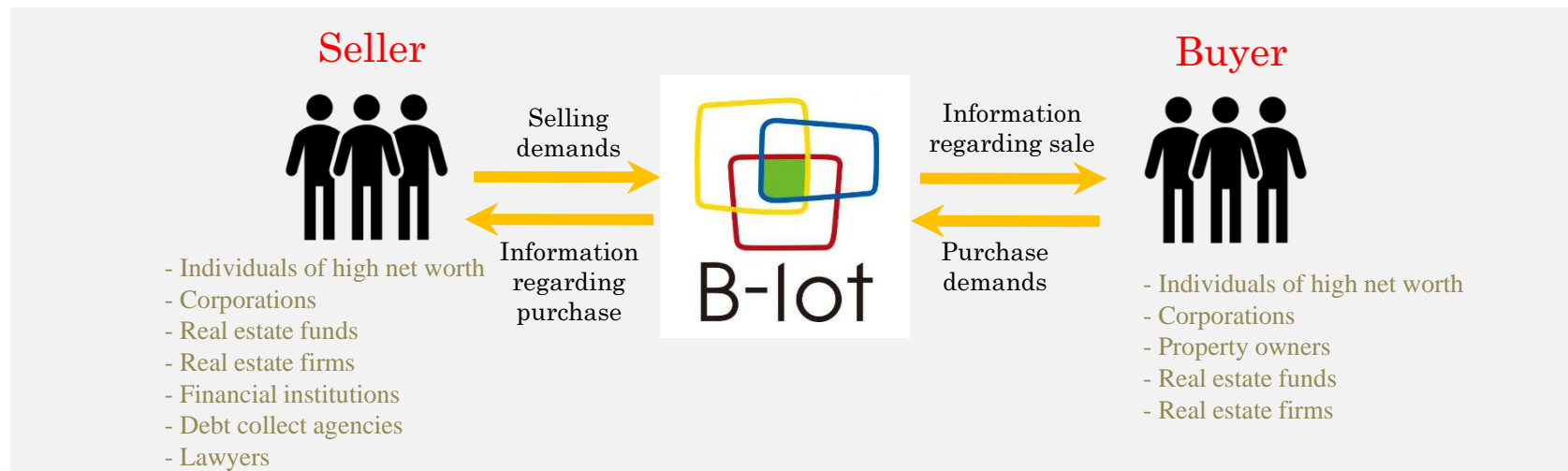
Development

B-Lot catches the latest trends in real estate and implements creative plans in developing products. Even in a tough market, we develop sites with reasonable prices through our strong and solid networks.

2. Real Estate Consulting Division

...FY12/18...

Build close and long-term relationships with individuals of high net worth and corporations, potential buyers in a competitive real estate market



Brokerage

Consulting

B-Lot offers comprehensive consulting services such as trust beneficiary interest transactions, brokerage of property sales, leasing, proposals for property exchanges and effective utilization of unused land and rent negotiation services. Our consulting team always carefully listens to clients needs and concerns in order to provide optimal and unique solutions tailored to them. This enables us to build life-long relationships with our clients.

3. Real Estate Management Division

...FY12/18...

From property management to structured projects, B-lot offers services tailored to each client

Asset management



Real estate securitization

B-Lot arranges and proposes structure for clients who want to set up an SPC for real estate purchase.

Asset management

B-Lot uses its experience in brokerage and evaluating and managing properties, as well as its specialized knowledge in asset finance and networks, to provide asset management services.

Property management

Leasing management

Account services

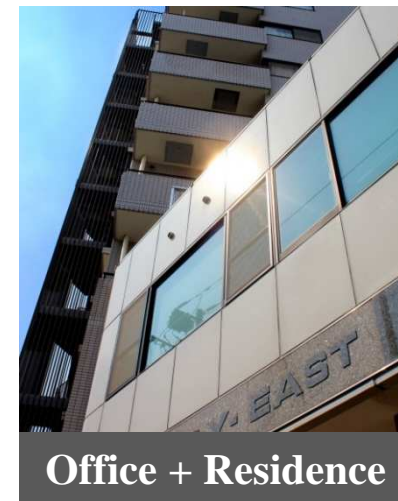


Building maintenance
Construction management

Owned properties



Retail



Office + Residence

Steady rent income for cash flow

Rent income from our own properties is a core revenue for the Property Management division. All rent, including rent acquired by the Investment division is booked in the Property Management division.

1. *We maintain an earnings target of net income growth of 20% or higher, fulfilling a long-held business indicator.*
2. *The B-Lot Group will continue working to achieve earnings targets so it can return profits to shareholders.*
3. *Enhancement of shareholders' equity is also an important issue for long-term, continued growth. The company aims to engage in capital-raising efforts and boost profits to meet the targets below.*


◆ **Medium-term management plan targets (FY12/19–FY12/20)**

(Millions of yen)

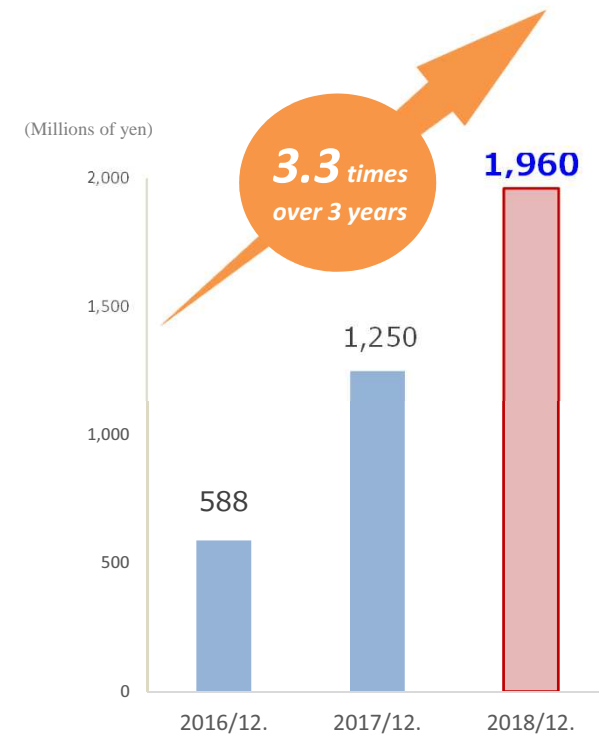
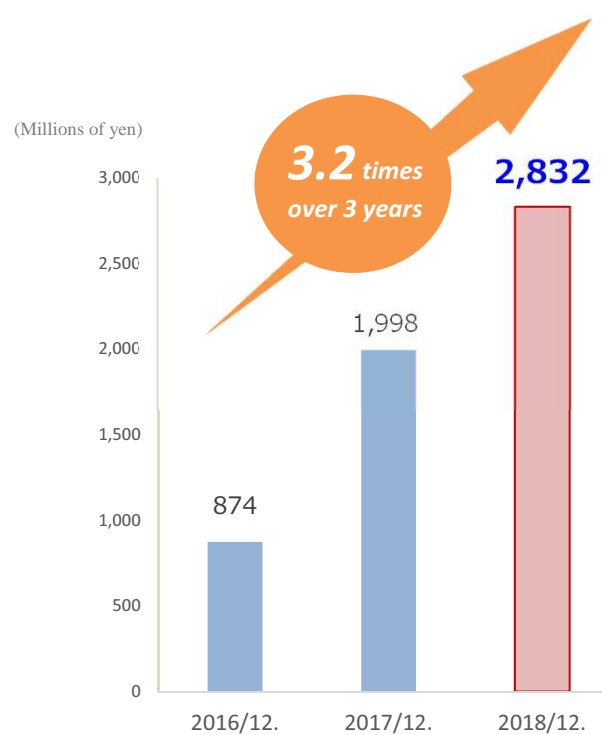
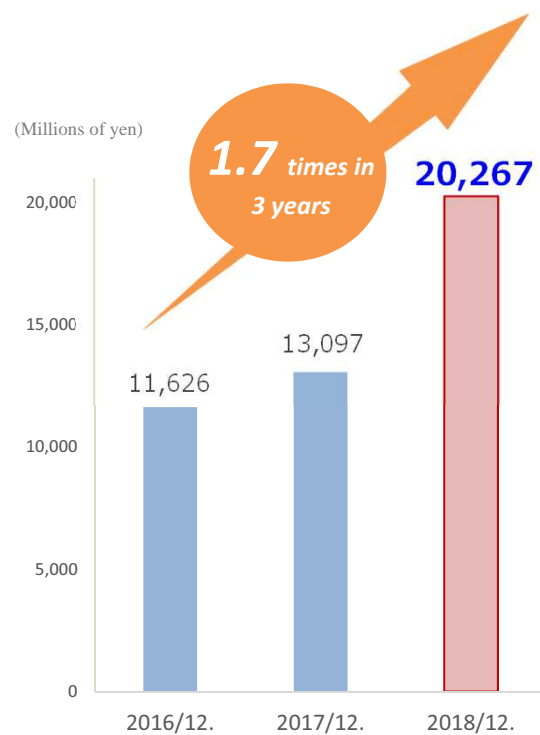
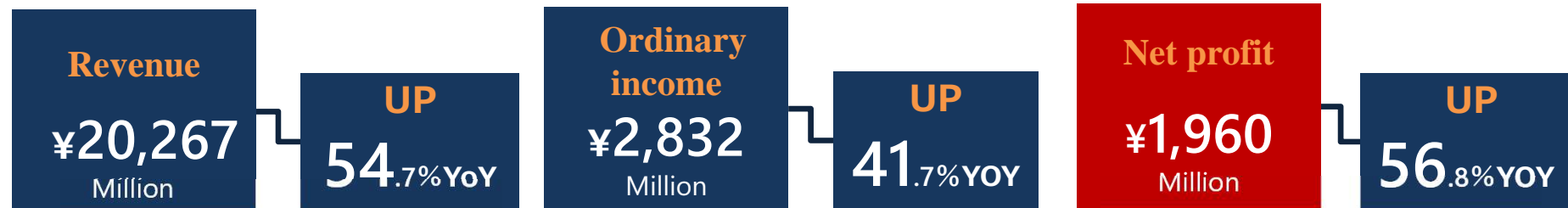
	Previous year's results	Forecast period			
	FY ended Dec. 2018	FY ending Dec. 2019	YoY change (%)	FY ending Dec. 2020	YoY change (%)
Consolidated revenue	20,267	26,300	29.8	30,000	14.1
Consolidated operating profit	3,307	3,738	13.0	4,552	21.8
Consolidated ordinary income	2,832	3,360	18.6	4,121	22.7
Consolidated net profit	1,960	2,357	20.2	2,843	20.6

II. Performance Review

<i>I. Company Profile</i>	<i>P.05-13</i>
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- 
1. Achieved eight consecutive years of growing sales and profits
Consolidated net income surged 56.8% year on year
 2. **Increases in project scale achieved over the past few years have made a significant contribution to earnings.**
 3. A proven debt financing track record of more than 150 transactions
Disclose medium-term business plan in pursuit of continuous growth
 4. Plan to achieve consolidated net income of more than JPY2.8bn in FY2020.
Aiming for growth of 1.45 times over the next three fiscal years.

Net profit and other KPI shows a sound growth



Note: In this presentation, net profit attributable to shareholders of parent is shown as net profit.

1. With a substantial increase in net assets.
2. Borrowed with a long-term shift.

Consolidated P&L Summary

(Millions of yen)

	Dec. 2017	Dec. 2018	YoY change
Revenue	13,097	20,267	54.7%
(1) Real Estate Investment and Development business	10,980	17,208	56.7%
(2) Real Estate Consulting business	1,277	1,037	△18.8%
(3) Real Estate Management business	838	2,021	141.0%
Gross profit	4,397	5,797	31.8%
SG&A	2,031	2,490	22.6%
Operating income	2,365	3,307	39.8%
(1) Real Estate Investment and Development business	2,316	3,039	31.2%
(2) Real Estate Consulting business	408	282	△30.7%
(3) Real Estate Management business	443	901	103.5%
Other (company-wide expenses)	△801	△917	14.4%
Ordinary income	1,998	2,832	41.7%
Net profit for the period	1,250	1,960	56.8%

Consolidated BS Summary

(Millions of yen)

	Dec. 2017	Dec. 2018	YoY change
Assets	19,109	24,268	27.0%
Current assets	16,761	21,726	29.6%
Fixed assets	2,317	2,507	8.2%
Deferred assets	31	34	12.5%
Liabilities	15,100	18,242	20.8%
Current liabilities	9,137	6,057	△33.7%
Fixed liabilities	5,962	12,185	104.3%
Net assets	4,009	6,025	50.3%
Total liabilities and net assets	19,109	24,268	27.0%

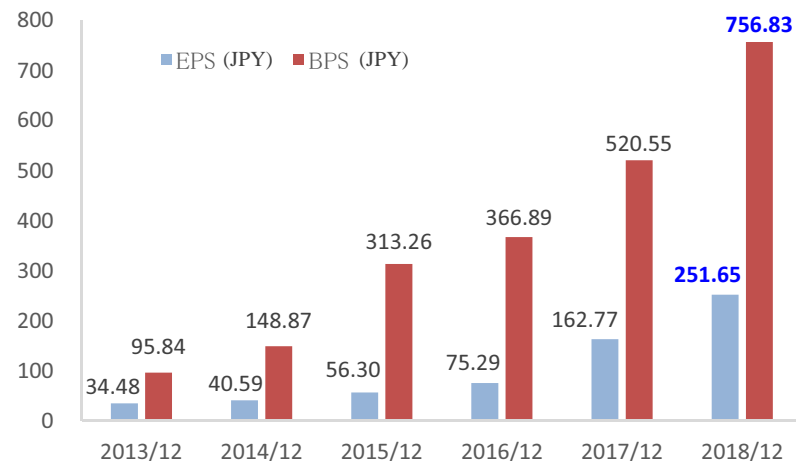
Notes: Consolidated P&L: T&K group is included in the P&L from Q3 FY2018.

The above revenue does not include internal transactions between segments.

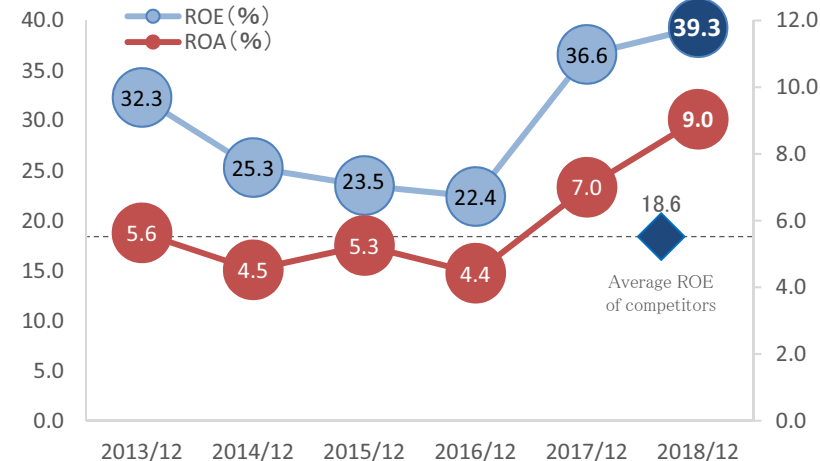
I-4. Data (Reference Material)

...FY12/18...

EPS & BPS



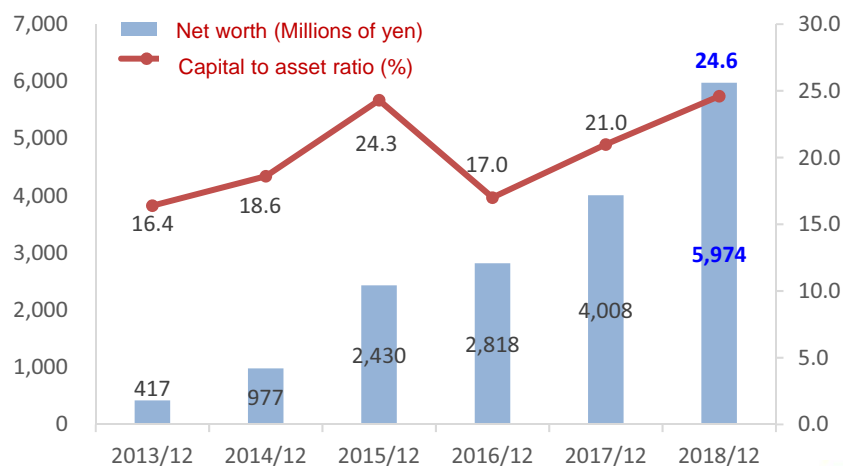
ROE, ROA



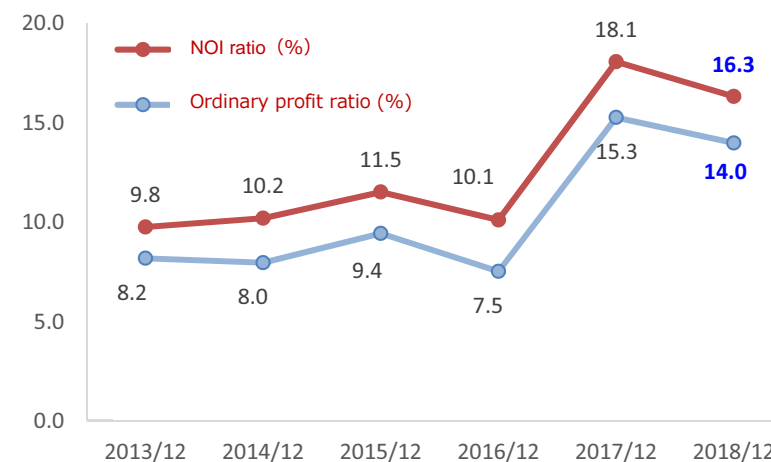
*Average of competitors is calculated by B-lot using six listed companies that conduct real estate revitalization as their main businesses and have ROEs of over 10%

*ROA and ROE have been partially modified from figures included in the previous annual report.

Capital to Asset Ratio



Profit Ratio



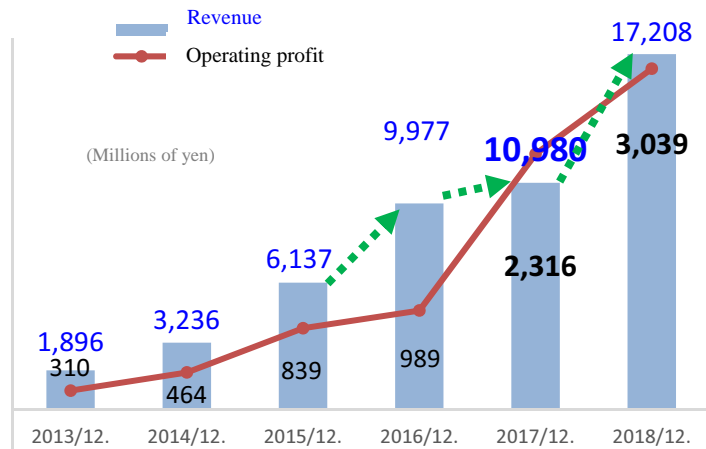
III. Business Summary

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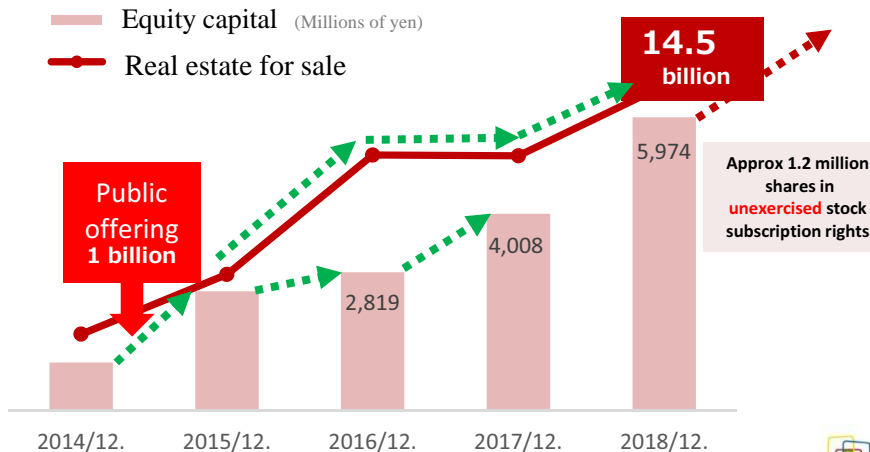
II-1. Real Estate Investment and Development Division

...FY12/18...

Segment profit was JPY3.0bn (+31.2% YoY).



An increase in equity capital led to an increase in real estate for sale.



Segment Summary

- 1 Sound growth in sales and inventory**
• An increase in equity capital led to an increase in real estate for sale.
- 2 Strong pipeline in debt financing**
• Have good relations with financial institutions.
• Debt coverage ratio 93.7% (non-consolidated).
- 3 Unit price per transaction up 4.2 times**
• Average sales price increased significantly compared to 2014.



NAHA HOTEL Project

First development project in Okinawa.

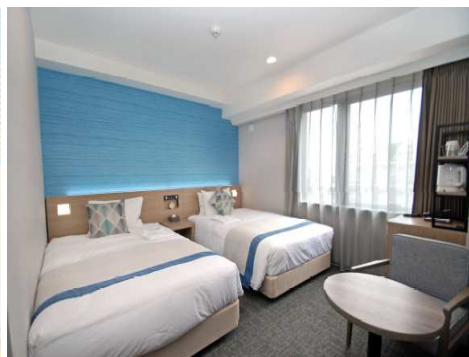


Development at Okinawa

1st  Project

Sales to REIT
over
28 Billion

 Access by car
min.
from Naha Airport.



Epoch
Making!

... Project summary ...

- 1 Purchased development site.
- 2 Working with local partners.
Our strong relationship with partners is a key to the success of this remotely located project
- 3 Gained significant attention in local business society in Okinawa

 Expand synergistic projects

Leverage the experience from this project to further grow our business in Okinawa





Prime and unique location



Tokyo

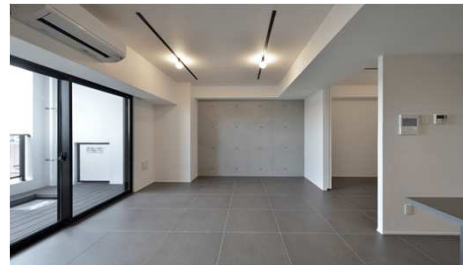


**Minato-ku
Nishi-Shimbashi
District 1**

Prime Location



Fukuoka



**holding period
after completion**



**Residential building into
vacation rental accommodation**



**Page views
on website**

NO.1

**occupancy
over**

80%

continuously



*2018.5 ~ 2018.10

And more...

*Purchase inquiries come
before sales activities begin.*

*Create attractive products a few steps
ahead of competitors.*

Upcoming properties for sale

Create attractive products ahead of the changing Needs of clients

2017.9

Kyoto



2017.12

Tokyo



2018.3

Otaru



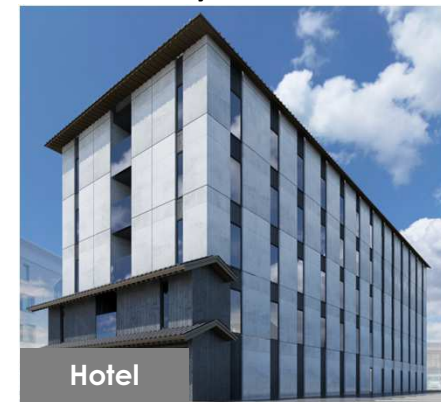
2018.4

Tokyo



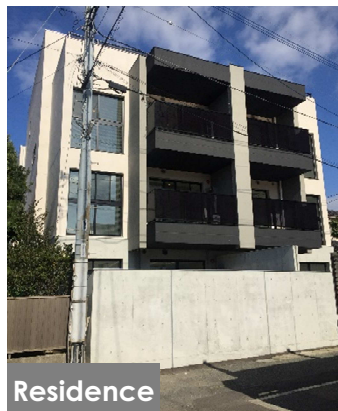
2018.6

Kyoto



2019.2

Fukuoka



2019.3

Osaka



2019.7

Fukuoka



2019.12

Kyoto



and more...

Coming Soon

2020~

Residence

Tokyo

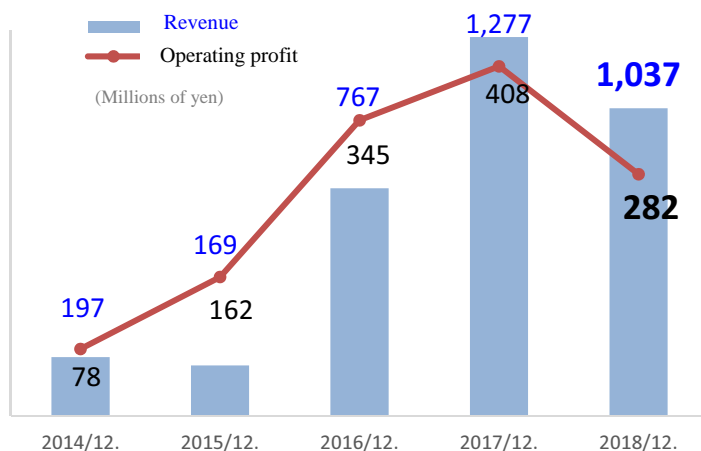
Hostel

Fukuoka

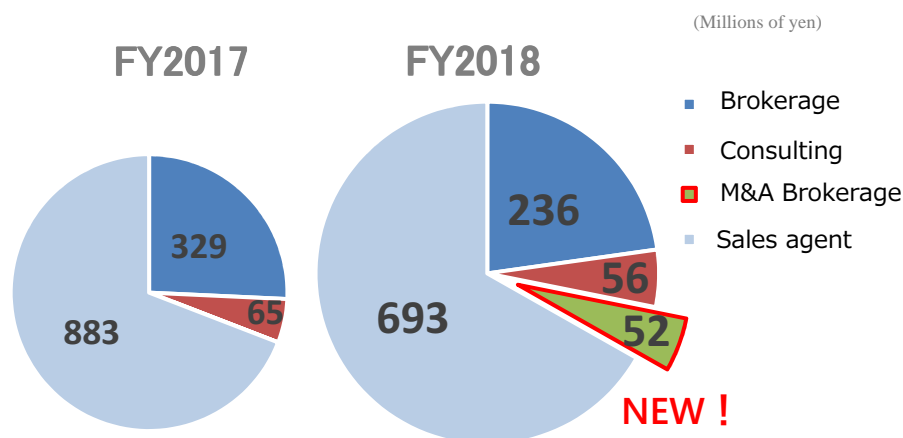
II-2. Real Estate Consulting Division

...FY12/18...

Segment profit was JPY283mn (-30.7% YoY).



Breakdown of sales



Segment summary

1 Expanded to include new services

Made progress and exhibited the advantages of cross-group Synergies (e.g. M&A Brokerage, etc.)

2 Analyzing the results

Revenue was down 18.8% due to booking delays on contract sales and brokerage projects.

Acquired large projects thanks to our strong track record as a sales agent



Increased outsourcing demand from developers

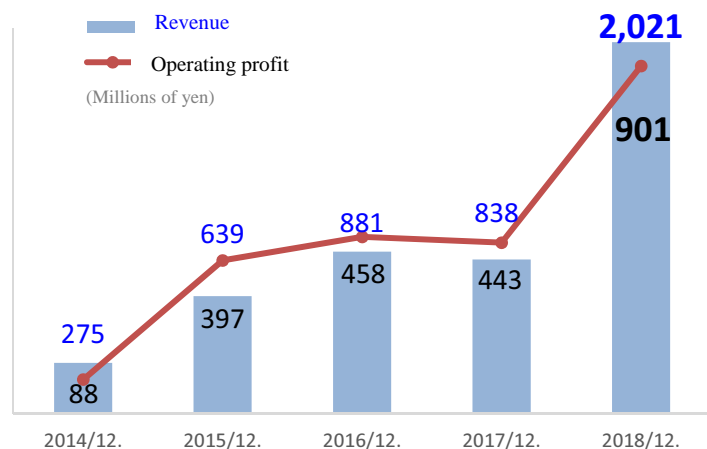
Units handled as sales agent

1,320 units
Record

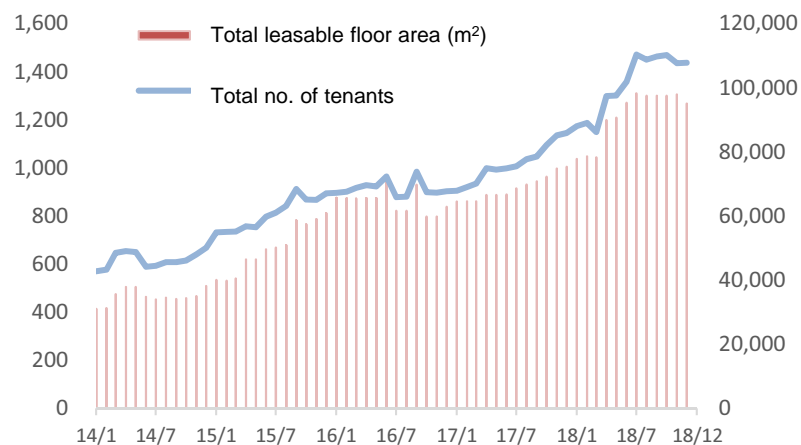
II-3. Real Estate Management Division

...FY12/18...

Segment revenue was JPY2.0bn (+141.0% YoY)



Number of tenants and total floor area



Segment summary

1 Both revenue and profit doubled

Subsidiary company, T&K, contributed to Q3 sales.
Rent income increased due to the completion of a hotel

Buildings under management

V.S. IPO
2 times

Rental income from owned properties

V.S. IPO
6 times

PM

Received multiple orders from repeat clients in Fukuoka.



Next growth stage
Diversifying service and products



Providing One-Stop Investment Opportunities for Affluent Customers Overseas



HNWI = high net-worth individuals



ALL in One package

- 1** Select a prime seed asset.
Select partner companies.
- 2** Formation of special purpose company
Financing and organization
- 3** Close investor follow-up that transcends boundaries and cultures
- 4** Continuous follow-up
Conducted by B-Lot expert groups

We enable secure real estate investments in Japan



Activating foreign clients to invest in Japan

Entered into the 4rd year, Singapore subsidiary has been contributing more strongly to the group profits. Build strong clients base and close deals with repeat clients.

Private Event at SG



Viewing



Sold out !

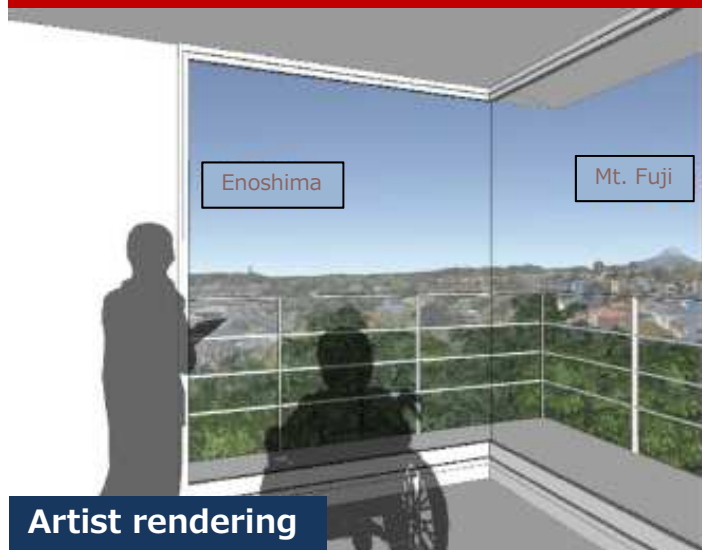


Spectacular Re-Development Plan



- Senior housing located on a hilltop in Kamakura with over 7,100 square meters of land
- Built in 1969
- Unique and excellent view of Mt. Fuji and Enoshima island

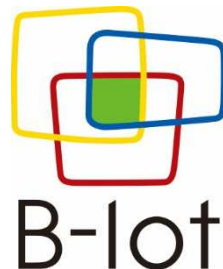
Rebuild a brand-new, safe and comfortable home for more seniors From 44 beds to 88 beds (planned)



Artist rendering



Artist rendering



..... Contact us
Corporate Planning Department
Tel : +81 3-6891-2524
Fax : +81 3-6891-2522
E-mail ir@b-lot.co.jp
URL : <https://en.b-lot.co.jp/>

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