



B-Lot / 3452

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Research Coverage Report by Shared Research Inc.

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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 Miyachi 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 24 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 FY12/18, revenue was JPY20.3bn (+54.7% YoY), operating profit JPY3.3bn (+39.8% YoY), recurring profit JPY2.8bn (+41.7% YoY), and net income attributable to owners of parent JPY2.0bn (+56.8% YoY). Both revenue and profit rose for the eighth consecutive year.
- For FY12/19, the company forecasts revenue of JPY26.3bn (+29.8% YoY), operating profit of JPY3.7bn (+13.0% YoY), recurring profit of JPY3.4bn (+18.6% YoY), and net income attributable to owners of parent of JPY2.4bn (+20.2% YoY).
- The company has developed a medium-term management plan for the following two years (FY12/19-FY12/20), which it announced at the time of the FY12/18 earnings announcement. The FY12/19 goal is described above. FY12/20 targets: revenue of JPY30.0bn (+14.1% YoY), operating profit of JPY4.6bn (+21.8% YoY), recurring profit of JPY4.1bn (+22.6% YoY), net income attributable to owners of parent of JPY2.8bn (+20.6% YoY). The basic policy of the company is 20% or higher net income growth (a business indicator it has used for many years) and a 20% payout ratio.

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 | FY12/12 | FY12/13 | FY12/14 | FY12/15 | FY12/16 | FY12/17 | FY12/18 | FY12/19 | FY12/20 |
|---|------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | Parent | Parent | Parent | Parent | Cons. | Cons. | Cons. | Cons. | Est. | Est. |
| Revenue | 494 | 1,338 | 2,231 | 3,709 | 6,951 | 11,627 | 13,097 | 20,268 | 26,300 | 30,000 |
| YoY | - | 170.9% | 66.7% | 66.3% | 87.4% | 67.3% | 12.6% | 54.7% | 29.8% | 14.1% |
| Gross profit | - | 327 | 617 | 937 | 1,556 | 2,621 | 4,397 | 5,797 | | |
| YoY | - | - | 88.6% | 51.9% | 66.1% | 68.4% | 67.8% | 31.8% | | |
| GPM | - | 24.4% | 27.7% | 25.3% | 22.4% | 22.5% | 33.6% | 28.6% | | |
| Operating profit | - | 85 | 218 | 378 | 800 | 1,175 | 2,366 | 3,307 | 3,738 | 4,552 |
| YoY | - | - | 157.0% | 73.8% | 111.5% | 46.9% | 101.3% | 39.8% | 13.0% | 21.8% |
| OPM | - | 6.3% | 9.8% | 10.2% | 11.5% | 10.1% | 18.1% | 16.3% | 14.2% | 15.2% |
| Recurring profit | 6 | 78 | 183 | 295 | 655 | 874 | 1,999 | 2,833 | 3,360 | 4,121 |
| YoY | - | 1,229.7% | 133.4% | 61.7% | 122.1% | 33.4% | 128.6% | 41.7% | 18.6% | 22.6% |
| RPM | 1.2% | 5.8% | 8.2% | 8.0% | 9.4% | 7.5% | 15.3% | 14.0% | 12.8% | 13.7% |
| Net income | 4 | 42 | 104 | 177 | 401 | 588 | 1,251 | 1,961 | 2,357 | 2,843 |
| YoY | - | 944.6% | 149.8% | 69.2% | 126.8% | 46.9% | 112.6% | 56.8% | 20.2% | 20.6% |
| Net margin | 0.8% | 3.1% | 4.7% | 4.8% | 5.8% | 5.1% | 9.5% | 9.7% | 9.0% | 9.5% |
| Per share data (split-adjusted; JPY) | | | | | | | | | | |
| Shares issued (year-end; '000) | 2,628 | 5,940 | 6,660 | 6,567 | 7,759 | 8,002 | 8,020 | 8,214 | | |
| EPS | 1.8 | 15.6 | 34.5 | 40.6 | 56.3 | 75.3 | 162.8 | 251.7 | | |
| EPS (fully diluted) | - | - | - | 34.5 | 52.8 | 74.1 | 160.6 | 248.9 | | |
| Dividend per share | - | - | - | - | - | 17.0 | 19.5 | 25.0 | | |
| Book value per share | 35.8 | 51.2 | 95.8 | 148.9 | 313.3 | 366.9 | 520.6 | 756.8 | | |
| Balance sheet (JPYmn) | | | | | | | | | | |
| Cash and cash equivalents | - | 320 | 567 | 1,009 | 2,107 | 2,467 | 5,030 | 6,476 | | |
| Real estate for sale in process | - | 556 | 399 | 2,807 | 6,070 | 10,323 | 6,643 | 7,653 | | |
| Total current assets | - | 921 | 2,303 | 5,014 | 8,343 | 14,105 | 16,761 | 21,726 | | |
| Tangible fixed assets | - | 60 | 56 | 51 | 822 | 832 | 596 | 580 | | |
| Investments and other assets | - | 21 | 25 | 45 | 151 | 835 | 897 | 1,004 | | |
| Intangible fixed assets | - | 159 | 158 | 157 | 659 | 813 | 825 | 924 | | |
| Total assets | 281 | 1,160 | 2,543 | 5,268 | 9,985 | 16,626 | 19,110 | 24,269 | | |
| Short-term debt | - | 62 | 737 | 2,749 | 1,296 | 4,289 | 8,017 | 4,456 | | |
| Total current liabilities | - | 180 | 1,007 | 3,086 | 1,836 | 4,979 | 9,138 | 6,058 | | |
| Long-term debt | - | 681 | 1,050 | 1,167 | 5,607 | 8,708 | 5,777 | 11,980 | | |
| Total fixed liabilities | - | 721 | 1,086 | 1,205 | 5,717 | 8,828 | 5,963 | 12,185 | | |
| Total liabilities | - | 900 | 2,093 | 4,291 | 7,553 | 13,806 | 15,101 | 18,243 | | |
| Net assets | 94 | 260 | 449 | 978 | 2,431 | 2,819 | 4,009 | 6,026 | | |
| Cash flow statement (JPYmn) | | | | | | | | | | |
| Cash flows from operating activities | - | -278 | -859 | -1,802 | -1,681 | -4,436 | 2,533 | -1,229 | | |
| Cash flows from investing activities | - | -225 | -23 | -220 | -1,241 | -922 | -861 | -190 | | |
| Cash flows from financing activities | - | 722 | 1,129 | 2,463 | 4,019 | 5,717 | 719 | 2,631 | | |
| Financial ratios | | | | | | | | | | |
| Total interest-bearing debt | - | 743 | 1,787 | 3,916 | 6,903 | 12,997 | 13,794 | 16,436 | | |
| ROA (RP-based) | 2.7% | 10.9% | 5.6% | 4.5% | 5.3% | 4.4% | 7.0% | 9.0% | | |
| ROE | 5.0% | 23.6% | 32.3% | 25.3% | 23.5% | 22.4% | 36.6% | 39.3% | | |
| Equity ratio | 33.5% | 22.4% | 17.7% | 18.6% | 24.4% | 17.0% | 21.0% | 24.6% | | |

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. | FY12/18 Cons. |
|---|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Real Estate Investment and Development | 1,069 | 1,897 | 3,237 | 6,137 | 9,977 | 10,981 | 17,208 |
| YoY | - | 77.4% | 70.6% | 89.6% | 62.6% | 10.1% | 56.7% |
| % of consolidated revenue | 79.9% | 85.0% | 87.3% | 88.3% | 85.1% | 83.7% | 84.3% |
| No. of properties sold | 14 | 11 | 22 | 13 | 16 | 21 | 26 |
| YoY | - | -21.4% | 100.0% | -40.9% | 23.1% | 31.3% | 23.8% |
| <By type of property> | | | | | | | |
| Residential | na | 8 | 18 | 7 | 8 | 11 | 14 |
| % of properties sold | na | 72.7% | 81.8% | 53.8% | 50.0% | 52.4% | 53.8% |
| Offices and stores | na | 3 | 4 | 4 | 5 | 5 | 7 |
| % of properties sold | na | 27.3% | 18.2% | 30.8% | 31.3% | 23.8% | 26.9% |
| Land for detached houses | na | - | - | 1 | 2 | 3 | 2 |
| % of properties sold | na | - | - | 7.7% | 12.5% | 14.3% | 7.7% |
| Hotels | na | - | - | 1 | 1 | 2 | 3 |
| % of properties sold | na | - | - | 7.7% | 6.3% | 9.5% | 11.5% |
| <By region> | | | | | | | |
| Kanto | na | 9 | na | 8 | 9 | 15 | 11 |
| % of properties sold | na | 81.8% | na | 61.5% | 56.3% | 71.4% | 42.3% |
| Hokkaido | na | 2 | na | 3 | 4 | 3 | 9 |
| % of properties sold | na | 18.2% | na | 23.1% | 25.0% | 14.3% | 34.6% |
| Kyushu | na | - | na | 1 | 1 | 3 | 5 |
| % of properties sold | na | - | na | 7.7% | 6.3% | 14.3% | 19.2% |
| Kansai | na | - | na | 1 | 2 | 0 | 1 |
| % of properties sold | na | - | na | 7.7% | 12.5% | 0.0% | 3.8% |
| Revenue per property sold | 76 | 172 | 147 | 472 | 624 | 523 | 662 |
| YoY | - | -125.8% | -14.7% | 220.9% | 32.1% | -16.1% | 26.6% |
| Real Estate Consulting | 192 | 146 | 197 | 171 | 862 | 1,305 | 1,190 |
| YoY | - | -24.1% | 35.1% | -13.1% | 403.2% | 51.4% | -8.8% |
| % of consolidated revenue | 14.4% | 6.5% | 5.3% | 2.5% | 7.4% | 9.9% | 5.8% |
| No. of brokerage deals | 25 | 28 | 20 | 29 | 31 | 29 | 27 |
| YoY | - | 12.0% | -28.6% | 45.0% | 6.9% | -6.5% | -6.9% |
| <By region> | | | | | | | |
| Kanto | na | 19 | 7 | 15 | 19 | 18 | 12 |
| % of brokerage deals | na | 67.9% | 35.0% | 51.7% | 61.3% | 62.1% | 44.4% |
| Hokkaido | na | 7 | 8 | 8 | 7 | 5 | 5 |
| % of brokerage deals | na | 25.0% | 40.0% | 27.6% | 22.6% | 17.2% | 18.5% |
| Kyushu | na | - | 3 | 4 | 4 | 2 | 4 |
| % of brokerage deals | na | - | 15.0% | 13.8% | 12.9% | 6.9% | 14.8% |
| Kansai | na | 2 | 2 | 2 | 1 | 4 | 6 |
| % of brokerage deals | na | 7.1% | 10.0% | 6.9% | 3.2% | 13.8% | 22.2% |
| Average consulting revenue per deal | 8 | 5 | 10 | 6 | 28 | 45 | 44 |
| YoY | | | | | | | |
| Real Estate Management | 77 | 188 | 275 | 642 | 882 | 839 | 2,022 |
| YoY | - | 144.9% | 46.5% | 133.2% | 37.3% | -4.9% | 141.0% |
| % of consolidated revenue | 5.7% | 8.4% | 7.4% | 9.2% | 7.5% | 6.4% | 9.9% |
| No. of properties managed | 20 | 31 | 36 | 40 | 48 | 59 | 68 |
| YoY | - | 55.0% | 16.1% | 11.1% | 20.0% | 22.9% | 15.3% |
| <By region> | | | | | | | |
| Kanto | na | 14 | 15 | 17 | 20 | 26 | 28 |
| % of properties managed | na | 45.2% | 41.7% | 42.5% | 41.7% | 44.1% | 41.2% |
| Hokkaido | na | 9 | 12 | 14 | 18 | 23 | 23 |
| % of properties managed | na | 29.0% | 33.3% | 35.0% | 37.5% | 39.0% | 33.8% |
| Kyushu | na | 8 | 9 | 9 | 9 | 8 | 14 |
| % of properties managed | na | 25.8% | 25.0% | 22.5% | 18.8% | 13.6% | 20.6% |
| Kansai | na | 0 | - | - | 1 | 2 | 3 |
| % of properties managed | na | 0.0% | 0.0% | 0.0% | 3.2% | 6.9% | 4.4% |
| Adjustments | - | - | - | - | -94 | -28 | -152 |
| Consolidated operating profit | 85 | 218 | 378 | 800 | 1,175 | 2,366 | 3,307 |
| YoY | - | 157.0% | 73.8% | 111.5% | 46.9% | 101.3% | 39.8% |
| Real Estate Investment and Development | 120 | 311 | 465 | 840 | 989 | 2,316 | 3,040 |
| YoY | - | 157.9% | 49.6% | 80.8% | 17.8% | 134.1% | 31.2% |
| % of consolidated operating profit | 61.8% | 75.0% | 73.5% | 71.1% | 55.2% | 73.1% | 72.0% |
| OPM | 11.3% | 16.4% | 14.4% | 13.7% | 9.9% | 21.1% | 17.7% |
| Real Estate Consulting | 71 | 58 | 79 | 58 | 346 | 408 | 283 |
| YoY | - | -18.9% | 36.8% | -26.5% | 496.9% | 17.9% | -30.7% |
| % of consolidated operating profit | 36.5% | 13.9% | 12.5% | 4.9% | 19.3% | 12.9% | 6.7% |
| OPM | 37.0% | 39.5% | 40.0% | 33.8% | 40.1% | 31.3% | 23.8% |
| Real Estate Management | 3 | 46 | 89 | 284 | 458 | 443 | 902 |
| YoY | - | 1319.8% | 94.0% | 219.9% | 61.6% | -3.3% | 103.5% |
| % of consolidated operating profit | 1.7% | 11.0% | 14.0% | 24.0% | 25.6% | 14.0% | 21.3% |
| OPM | 4.2% | 24.3% | 32.2% | 44.2% | 52.0% | 52.8% | 44.6% |
| Adjustments | -110 | -196 | -254 | -381 | -619 | -802 | -917 |

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. | FY12/18 Cons. |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Number of properties acquired | 11 | 20 | 18 | 19 | 23 | 22 | 24 |
| YoY | - | 81.8% | -10.0% | 5.6% | 21.1% | -4.3% | 9.1% |
| <By type of property> | | | | | | | |
| Residential | na | na | na | 9 | 8 | 11 | 11 |
| % of total properties acquired | na | na | na | 47.4% | 34.8% | 50.0% | 45.8% |
| Offices and stores | na | na | na | 4 | 5 | 4 | 5 |
| % of total properties acquired | na | na | na | 21.1% | 21.7% | 18.2% | 20.8% |
| Land for development | na | na | na | 4 | 10 | 4 | 4 |
| % of total properties acquired | na | na | na | 21.1% | 43.5% | 18.2% | 16.7% |
| Other | na | na | na | 2 | - | 3.0 | 4.0 |
| % of total properties acquired | na | na | na | 10.5% | - | - | - |
| <By region> | | | | | | | |
| Kanto | na | na | na | 11 | 13 | 8 | 13 |
| % of total properties acquired | na | na | na | 57.9% | 56.5% | 36.4% | 54.2% |
| Hokkaido | na | na | na | 5 | 1 | 7 | 2 |
| % of total properties acquired | na | na | na | 26.3% | 4.3% | 31.8% | 8.3% |
| Kyushu | na | na | na | 1 | 6 | 4 | 5 |
| % of total properties acquired | na | na | na | 5.3% | 26.1% | 18.2% | 20.8% |
| Kansai | na | na | na | 2 | 3 | 3 | 4 |
| % of total properties acquired | na | na | na | 10.5% | 13.0% | 13.6% | 16.7% |

Source: Shared Research based on company data

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

Recent updates

Highlights

On **July 9, 2019**, Shared Research updated the report following interviews with B-Lot Co., Ltd.

On **May 15, 2019**, the company announced earnings results for Q1 FY12/19; 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) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | | FY12/19 | |
|-----------------------|---------|--------|--------|--------|---------|--------|-------|--------|---------|----|----|----|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Revenue | 2,021 | 5,270 | 6,263 | 13,097 | 2,752 | 4,999 | 6,814 | 20,268 | 5,886 | | | | 22.4% | 26,300 |
| YoY | 195.6% | 25.7% | 4.8% | 12.6% | 36.2% | -5.1% | 8.8% | 54.7% | 113.9% | | | | | 29.8% |
| Gross profit | 715 | 1,670 | 2,191 | 4,397 | 1,031 | 1,668 | 2,577 | 5,797 | 2,239 | | | | | |
| YoY | 86.4% | 83.0% | 40.2% | 67.8% | 44.2% | -0.1% | 17.6% | 31.8% | 117.1% | | | | | |
| GPM | 35.4% | 31.7% | 35.0% | 33.6% | 37.5% | 33.4% | 37.8% | 28.6% | 38.0% | | | | | |
| SG&A expenses | 556 | 1,050 | 1,541 | 2,032 | 557 | 1,094 | 1,749 | 2,490 | 711 | | | | | |
| YoY | 183.0% | 162.9% | 72.3% | 40.5% | 0.3% | 4.2% | 13.5% | 22.6% | 27.5% | | | | | |
| SG&A ratio | 27.5% | 19.9% | 24.6% | 15.5% | 20.3% | 21.9% | 25.7% | 12.3% | 12.1% | | | | | |
| Operating profit | 160 | 620 | 649 | 2,366 | 474 | 574 | 828 | 3,307 | 1,528 | | | | 88.5% | 3,738 |
| YoY | -14.8% | 20.7% | -2.8% | 101.3% | 197.0% | -7.4% | 27.5% | 39.8% | 222.4% | | | | | 13.0% |
| OPM | 7.9% | 11.8% | 10.4% | 18.1% | 17.2% | 11.5% | 12.1% | 16.3% | 26.0% | | | | | 14.2% |
| Recurring profit | 77 | 441 | 372 | 1,999 | 374 | 354 | 474 | 2,833 | 1,438 | | | | 84.3% | 3,360 |
| YoY | -42.0% | 12.3% | -24.6% | 128.6% | 385.7% | -19.8% | 27.3% | 41.7% | 284.6% | | | | | 18.6% |
| RPM | 3.8% | 8.4% | 5.9% | 15.3% | 13.6% | 7.1% | 7.0% | 14.0% | 24.4% | | | | | 12.8% |
| Net income | 63 | 304 | 263 | 1,251 | 263 | 221 | 303 | 1,961 | 1,023 | | | | 83.2% | 2,357 |
| YoY | -22.9% | 11.4% | -18.5% | 112.6% | 320.2% | -27.1% | 15.3% | 56.8% | 289.4% | | | | | 20.2% |
| Net margin | 3.1% | 5.8% | 4.2% | 9.5% | 9.5% | 4.4% | 4.4% | 9.7% | 17.4% | | | | | 9.0% |

| Quarterly (JPYmn) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | |
|----------------------|---------|--------|--------|--------|---------|--------|--------|--------|---------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Revenue | 2,021 | 3,249 | 993 | 6,835 | 2,752 | 2,247 | 1,815 | 13,454 | 5,886 | | | |
| YoY | 195.6% | -7.4% | -44.3% | 20.9% | 36.2% | -30.8% | 82.8% | 96.9% | 113.9% | | | |
| Gross profit | 715 | 955 | 521 | 2,207 | 1,031 | 637 | 909 | 3,220 | 2,239 | | | |
| YoY | 86.4% | 80.5% | -19.9% | 108.6% | 44.2% | -33.3% | 74.4% | 45.9% | 117.1% | | | |
| GPM | 35.4% | 29.4% | 52.5% | 32.3% | 37.5% | 28.3% | 50.1% | 23.9% | 38.0% | | | |
| SG&A expenses | 556 | 495 | 491 | 490 | 557 | 537 | 655 | 741 | 711 | | | |
| YoY | 183.0% | 143.5% | -0.8% | -11.0% | 0.3% | 8.6% | 33.3% | 51.2% | 27.5% | | | |
| SG&A ratio | 27.5% | 15.2% | 49.5% | 7.2% | 20.3% | 23.9% | 36.1% | 5.5% | 12.1% | | | |
| Operating profit | 160 | 460 | 30 | 1,716 | 474 | 100 | 254 | 2,479 | 1,528 | | | |
| YoY | -14.8% | 41.2% | -80.8% | 238.6% | 197.0% | -78.3% | 753.0% | 44.4% | 222.4% | | | |
| OPM | 7.9% | 14.2% | 3.0% | 25.1% | 17.2% | 4.4% | 14.0% | 18.4% | 26.0% | | | |
| Recurring profit | 77 | 364 | -69 | 1,627 | 374 | -20 | 120 | 2,359 | 1,438 | | | |
| YoY | -42.0% | 40.0% | - | 327.0% | 385.7% | - | - | 45.0% | 284.6% | | | |
| RPM | 3.8% | 11.2% | - | 23.8% | 13.6% | - | 6.6% | 17.5% | 24.4% | | | |
| Net income | 63 | 241 | -41 | 988 | 263 | -41 | 82 | 1,657 | 1,023 | | | |
| YoY | -22.9% | 25.9% | - | 271.7% | 320.2% | - | - | 67.8% | 289.4% | | | |
| Net margin | 3.1% | 7.4% | - | 14.5% | 9.5% | - | 4.5% | 12.3% | 17.4% | | | |

Source: Shared Research based on company data

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

| Segments (cumulative) | | | | | | | | | | | | | FY12/19 | |
|--|---------|--------|-------|--------|---------|--------|--------|--------|---------|----|----|----|---------|---------|
| (JPYmm) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | | % of FY | FY Est. |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Consolidated revenue | 2,021 | 5,270 | 6,263 | 13,097 | 2,752 | 4,999 | 6,814 | 20,268 | 5,886 | | | | 22.4% | 26,300 |
| YoY | 195.6% | 25.7% | 4.8% | 12.6% | 36.2% | -5.1% | 8.8% | 54.7% | 113.9% | | | | | 126.2% |
| Real Estate Investment and Development | 1,449 | 4,175 | 4,652 | 10,981 | 2,128 | 3,958 | 4,728 | 17,208 | 4,612 | | | | | |
| YoY | 339.1% | 16.7% | -3.8% | 10.1% | 46.8% | -5.2% | 1.6% | 56.7% | 116.7% | | | | | |
| % of consolidated revenue | 71.7% | 79.2% | 74.3% | 83.8% | 77.3% | 79.2% | 69.4% | 84.9% | 78.3% | | | | | |
| Real Estate Consulting | 374 | 641 | 958 | 1,278 | 456 | 634 | 881 | 1,038 | 542 | | | | | |
| YoY | 168.3% | 302.2% | 98.7% | 66.4% | 21.9% | -1.2% | -8.1% | -18.8% | 18.9% | | | | | |
| % of consolidated revenue | 18.5% | 12.2% | 15.3% | 9.8% | 16.6% | 12.7% | 12.9% | 5.1% | 9.2% | | | | | |
| Real Estate Management | 198 | 455 | 652 | 839 | 168 | 408 | 1,205 | 2,022 | 732 | | | | | |
| YoY | -7.6% | 0.1% | -0.6% | -4.9% | -14.9% | -10.3% | 84.8% | 141.0% | 335.0% | | | | | |
| % of consolidated revenue | 9.8% | 8.6% | 10.4% | 6.4% | 6.1% | 8.2% | 17.7% | 10.0% | 12.4% | | | | | |
| Consolidated operating profit | 160 | 620 | 649 | 2,366 | 474 | 574 | 828 | 3,307 | 1,528 | | | | 40.9% | 3,738 |
| YoY | -14.8% | 20.7% | -2.8% | 101.3% | 197.0% | -7.4% | 27.5% | 39.8% | 222.4% | | | | | 218.1% |
| Real Estate Investment and Development | 132 | 614 | 603 | 2,316 | 339 | 543 | 632 | 3,040 | 1,011 | | | | | |
| YoY | 107.2% | 80.3% | 24.4% | 134.1% | 157.1% | -11.6% | 4.9% | 31.2% | 198.1% | | | | | |
| % of consolidated operating profit | 32.9% | 58.2% | 47.9% | 73.1% | 49.4% | 53.7% | 39.6% | 72.0% | 55.4% | | | | | |
| OPM | 9.1% | 14.7% | 13.0% | 21.1% | 15.9% | 13.7% | 13.4% | 17.7% | 21.9% | | | | | |
| Real Estate Consulting | 172 | 222 | 320 | 408 | 245 | 194 | 229 | 283 | 534 | | | | | |
| YoY | 67.3% | 78.4% | 44.9% | 17.9% | 42.0% | -12.7% | -28.4% | -30.7% | 118.0% | | | | | |
| % of consolidated operating profit | 43.1% | 21.1% | 25.4% | 12.9% | 35.7% | 19.2% | 14.4% | 6.7% | 29.2% | | | | | |
| OPM | 46.1% | 34.7% | 33.4% | 31.9% | 53.7% | 30.6% | 26.0% | 27.3% | 98.5% | | | | | |
| Real Estate Management | 96 | 218 | 337 | 443 | 103 | 274 | 734 | 902 | 281 | | | | | |
| YoY | -15.8% | -11.5% | -2.2% | -3.3% | 6.9% | 25.9% | 118.1% | 103.5% | 173.6% | | | | | |
| % of consolidated operating profit | 24.0% | 20.7% | 26.7% | 14.0% | 15.0% | 27.1% | 46.0% | 21.3% | 15.4% | | | | | |
| OPM | 48.6% | 47.9% | 51.6% | 52.8% | 61.0% | 67.3% | 60.9% | 44.6% | 38.4% | | | | | |
| Adjustments | -241 | -435 | -610 | -802 | -213 | -437 | -768 | -917 | -298 | | | | | |

| Segments (quarterly) | | | | | | | | | | | | |
|--|---------|---------|--------|--------|---------|--------|--------|--------|---------|----|----|----|
| (JPYmm) | FY12/17 | | | | FY12/18 | | | | FY12/19 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Consolidated revenue | 2,021 | 3,249 | 993 | 6,835 | 2,752 | 2,247 | 1,815 | 13,454 | 5,886 | | | |
| YoY | 195.6% | -7.4% | -44.3% | 20.9% | 36.2% | -30.8% | 82.8% | 96.9% | 113.9% | | | |
| Real Estate Investment and Development | 1,449 | 2,725 | 478 | 6,329 | 2,128 | 1,830 | 770 | 12,480 | 4,612 | | | |
| YoY | 339.1% | -16.1% | -62.0% | 23.1% | 46.8% | -32.8% | 61.2% | 97.2% | 116.7% | | | |
| % of consolidated revenue | 71.7% | 83.9% | 48.1% | 92.6% | 77.3% | 81.4% | 42.4% | 92.8% | 78.3% | | | |
| Real Estate Consulting | 374 | 267 | 317 | 319 | 456 | 178 | 247 | 157 | 542 | | | |
| YoY | 168.3% | 1233.3% | -1.7% | 11.9% | 21.9% | -33.5% | -22.0% | -50.8% | 18.9% | | | |
| % of consolidated revenue | 18.5% | 8.2% | 32.0% | 4.7% | 16.6% | 7.9% | 13.6% | 1.2% | 9.2% | | | |
| Real Estate Management | 198 | 257 | 197 | 186 | 168 | 240 | 797 | 816 | 732 | | | |
| YoY | -7.6% | 6.9% | -2.2% | -17.3% | -14.9% | -6.7% | 303.8% | 337.8% | 335.0% | | | |
| % of consolidated revenue | 9.8% | 7.9% | 19.9% | 2.7% | 6.1% | 10.7% | 43.9% | 6.1% | 12.4% | | | |
| Consolidated operating profit | 160 | 460 | 30 | 1,716 | 474 | 100 | 254 | 2,479 | 1,528 | | | |
| YoY | -14.8% | 41.2% | -80.8% | 238.6% | 197.0% | -78.3% | 753.0% | 44.4% | 222.4% | | | |
| OPM | 7.9% | 14.2% | 3.0% | 25.1% | 17.2% | 4.4% | 14.0% | 18.4% | 26.0% | | | |
| Real Estate Investment and Development | 132 | 482 | -11 | 1,713 | 339 | 204 | 90 | 2,407 | 1,011 | | | |
| YoY | 107.2% | 74.1% | - | 239.6% | 157.1% | -57.8% | - | 40.5% | 198.1% | | | |
| % of consolidated operating profit | 32.9% | 73.7% | -5.3% | 89.8% | 49.4% | 62.7% | 15.3% | 91.6% | 55.4% | | | |
| OPM | 9.1% | 17.7% | -2.3% | 27.1% | 15.9% | 11.1% | 11.6% | 19.3% | 21.9% | | | |
| Real Estate Consulting | 172 | 50 | 97 | 88 | 245 | -51 | 35 | 54 | 534 | | | |
| YoY | 67.3% | 131.4% | 1.3% | -29.5% | 42.0% | - | -64.1% | -39.0% | 118.0% | | | |
| % of consolidated operating profit | 43.1% | 7.6% | 47.5% | 4.6% | 35.7% | -15.7% | 6.0% | 2.0% | 29.2% | | | |
| OPM | 46.1% | 18.7% | 30.7% | 27.6% | 53.7% | -28.6% | 14.1% | 34.3% | 98.5% | | | |
| Real Estate Management | 96 | 122 | 119 | 107 | 103 | 172 | 460 | 168 | 281 | | | |
| YoY | -15.8% | -7.9% | 21.4% | -6.8% | 6.9% | 40.9% | 287.8% | 57.3% | 173.6% | | | |
| % of consolidated operating profit | 24.0% | 18.6% | 57.8% | 5.6% | 15.0% | 52.9% | 78.7% | 6.4% | 15.4% | | | |
| OPM | 48.6% | 47.4% | 60.0% | 57.1% | 61.0% | 71.7% | 57.7% | 20.5% | 38.4% | | | |
| Adjustments | -241 | -194 | -175 | -192 | -213 | -225 | -330 | -150 | -298 | | | |

Source: Shared Research based on company data

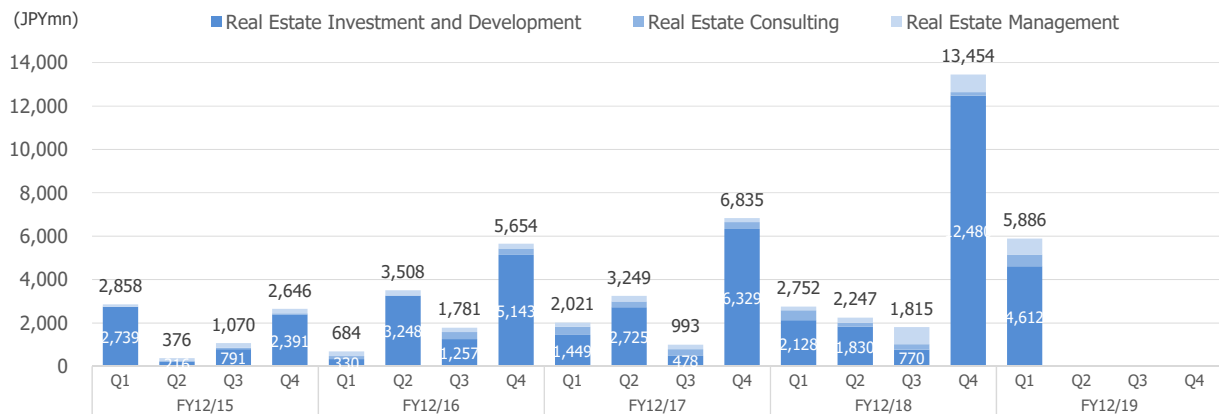
Note: Figures may differ from company materials due to differences in rounding methods. Segment revenues are revenues from external transactions.

Q1 FY12/19 results (out May 15, 2019)

- ▷ For Q1 FY12/19, the company reported revenue of JPY5.9bn (+113.9% YoY), operating profit of JPY1.5bn (+222.4% YoY), recurring profit of JPY1.4bn (+284.6% YoY), and net income attributable to owners of parent of JPY1.0bn (+289.4% YoY). Both revenue and profit increased for the ninth consecutive year.
- ▷ Progress versus plan: Q1 FY12/19 revenue reached 22.4% of the full-year forecast (versus 13.6% of the full-year FY12/18 result a year earlier), operating income 40.9% (14.9%), recurring profit 42.8% (13.2%), and net income 43.4% (13.4%).
- ▷ B-Lot recorded a strong Q1 FY12/19, putting the company on track for 9 straight years of revenue and operating profit increase. Typically, revenue and profit tend to come in stronger in Q4 every year. In Q1 FY12/19, however, B-Lot sold newly built Hotel Torifito Otaru Canal (Otaru, Hokkaido) to foreign investors (see below for detail), resulting in a strong Q1 progress rate. Properties under its development are growing in size, with each property having greater influence on business performance. Large-scale properties contributed significantly to profits. Procurement in Q1 fared steadily (see below).
- ▷ Not only does the company focus on long term profit growth, it has also delivered results that exceed company forecast each year. Looking at the difference between initial forecasts and actual results over the four year period between FY12/15-FY12/18, its operating profit exceeded initial forecast by an average of 42%.

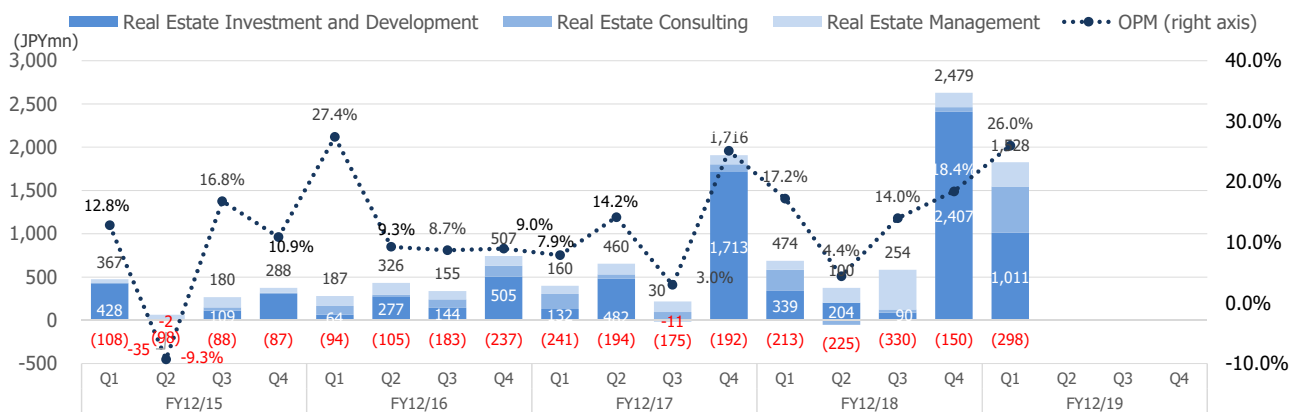
- ▷ Q1 revenue up 113.9% YoY: In the mainstay Real Estate Investment and Development segment, the company steadily sold off residential properties, office and retail buildings, and hotels. Revenue performance was strong in all segments, increasing by 116.7% YoY in Real Estate Investment and Development, 18.9% in Real Estate Consulting (revenue from external transactions), and 335.0% in Real Estate Management.
- ▷ Operating profit up 222.4% YoY: Operating profit increased significantly in all segments, up 198.1% in Investment and Development, 118.0% in Consulting, and 173.6% in Management.
- ▷ Balance of real estate for sale and real estate for sale in process: Procurement was steady as property types expanded. Initiatives aiming to increase scale of projects made progress. The balance of inventories on real estate for sale (including real estate for sale in process) at end-FY12/19 was JPY15.7bn (+8.0% from end-FY12/18). Using its track record of over 150 properties, debt finance is proceeding smoothly (shifting debt to long-term)
- ▷ Dividends: Dividend guidance for FY12/19 is pending

Quarterly revenue



Source: Shared Research based on company data

Quarterly operating profit and YoY (%)



Source: Shared Research based on company data

By Segment

Real Estate Investment and Development segment

- ▷ Segment revenue was JPY4.6bn (+116.7% YoY). The company sold three properties (five in Q1 FY12/18): One residential property (two), one office/retail buildings (one), zero land lots (one), and one hotel (one).
- ▷ The sale of the newly built Hotel Torifito Otaru Canal (Otaru, Hokkaido) to a foreign investor, a collaborative project of group companies B-Lot Singapore Pte. Ltd and B-Lot Asset Management, significantly contributed to results.

- ▷ The company purchased five properties (seven in Q1 FY12/18): Two residential properties (three), one office/retail buildings (three), two land lot (none), and others none (one). By region, four were in Kanto (six), none in Kyushu (one), and one in Kansai (none).
- ▷ According to B-Lot, procurement is steady and new development properties are increasingly becoming larger in scale. Generally speaking, however, development projects tend to carry higher risk as there are a variety of factors that can change before the properties start producing rental revenues, like economic conditions and the lending environment. The company believes the domestic real estate market carries a large percentage of old stock, and there is a need to replace this with new stock to keep the market liquid, especially when considering financial institutions' lending policies toward properties built according to legacy seismic building codes.
- ▷ As for revitalization projects, the company is conservatively procuring stock as lending for individual investors slows down.
- ▷ 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 one residential property, two condominiums, and two capsule hotels.
- ▷ Segment profit was JPY1.0bn (+198.1% YoY).

Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY542mn (+18.9% YoY). Segment revenues including inter-segment transactions was JPY740mn (+47.1% YoY). The sale of newly built Hotel Torifito Otaru Canal to foreign investors, which was a result of close coordination between B-lot Singapore Pte. Ltd. and B-Lot Asset Management, contributed to segment revenue (commissions were booked in the Real Estate Consulting segment). Additionally, B-lot Singapore is steadily booking profits as well.
- ▷ B-lot Singapore is steadily generating profit. To facilitate foreign investment in Japan, 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.
- ▷ The company mainly brokered transactions in the Kanto area, completing six deals (13 in Q1 FY12/18). Of the six completed deals, five were in Kanto (nine), one in Hokkaido (two), none in Kyushu (one), and none in Kansai (one).
- ▷ In addition to the completion of a large commercial property deal, completion of commissioned condominium sales grew significantly. Three years after acquiring Kansai region based Lifestage, the synergies are coming to fruition.
- ▷ With a favorable business environment including the growing scale of projects, segment profit came in at JPY534mn (+118.0% YoY).

Real Estate Management segment

- ▷ Segment revenue was JPY732mn (+335.0% YoY).
- ▷ The number of client-owned properties under property management rose to 74 (62 in Q1 FY12/18). By region, the company was managing 32 properties in Kanto (28), 24 in Hokkaido (23), 15 in Kyushu (9), and 3 in Kansai (2).
- ▷ Asset management revenue increased significantly backed by an increase in the number of properties managed by B-Lot Asset Management, and the consolidation of T & K Incorporated.
- ▷ Segment profit was JPY281mn (+173.6% YoY).

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 | | | FY12/19 Est. |
|-------------------------|--------------|--------------|---------------|--------------|---------------|---------------|---------------|
| | 1H | 2H | FY | 1H | 2H | FY | FY Est. |
| Revenue | 5,270 | 7,827 | 13,097 | 4,999 | 15,269 | 20,268 | 26,300 |
| YoY | 25.7% | 5.3% | 12.6% | -5.1% | 95.1% | 54.7% | 29.8% |
| Gross profit | 1,670 | 2,728 | 4,397 | 1,668 | 4,129 | 5,797 | |
| YoY | 83.0% | 59.7% | 67.8% | -0.1% | 51.4% | 31.8% | |
| GPM | 31.7% | 34.8% | 33.6% | 33.4% | 27.0% | 28.6% | |
| SG&A expenses | 1,050 | 981 | 2,032 | 1,094 | 1,396 | 2,490 | |
| YoY | 162.9% | -6.2% | 40.5% | 4.2% | 42.2% | 22.6% | |
| Operating profit | 620 | 1,746 | 2,366 | 574 | 2,733 | 3,307 | 3,738 |
| YoY | 20.7% | 163.8% | 101.3% | -7.4% | 56.5% | 39.8% | 13.0% |
| OPM | 11.8% | 22.3% | 18.1% | 11.5% | 17.9% | 16.3% | 14.2% |
| Recurring profit | 441 | 1,558 | 1,999 | 354 | 2,479 | 2,833 | 3,360 |
| YoY | 12.3% | 223.4% | 128.6% | -19.8% | 59.1% | 41.7% | 18.6% |
| RPM | 8.4% | 19.9% | 15.3% | 7.1% | 16.2% | 14.0% | 12.8% |
| Net income | 304 | 947 | 1,251 | 221 | 1,739 | 1,961 | 2,357 |
| YoY | 11.4% | 200.0% | 112.6% | -27.1% | 83.7% | 56.8% | 20.2% |

Source: Shared Research based on company data

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

FY12/19 company forecasts

Overview

For FY12/19, the company forecasts revenue of JPY26.3bn (+29.8% YoY), operating profit of JPY3.7bn (+13.0% YoY), recurring profit of JPY3.4bn (+18.6% YoY), and net income attributable to owners of parent of JPY2.4bn (+20.2% YoY).

Industry environment and company initiatives

- ▷ Looking at FY12/19, while there remain some uncertainties 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 a continued favorable environment.
- ▷ The company group has aimed to be a "company which achieves sustainable and long-term growth" for many years. Now that it is a listed on TSE1, the company still maintains this goal. The company has developed a new medium-term management plan (referenced below) and aims for further growth. As one means to achieve long-term continued growth, the company is prioritizing the enhancement of its treasury stock and aims to first boost profits.
- ▷ The number of group companies is gradually increasing and the businesses are diversifying. The company plans to spur opportunities to utilize synergies within the company group, enhance business opportunities, and maximize profits.

Medium-term outlook

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

The company has developed a medium-term management plan for the following two years (FY12/19–FY12/20), which it announced at the time of the FY12/18 earnings announcement. Plan targets are as follows.

- ▷ FY12/19 target is according to company forecasts
- ▷ FY12/20 target: Revenue of JPY30.0bn (+14.1% YoY), operating profit of JPY4.6bn (+21.8% YoY), recurring profit of JPY4.1bn (+22.6% YoY), net income attributable to owners of parent of JPY2.8bn (+20.6% YoY)

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

| (JPYmn) | FY12/18 | FY12/19 | FY12/20 |
|-------------------------|---------------|---------------|---------------|
| | Cons. | Est. | Est. |
| Revenue | 20,268 | 26,300 | 30,000 |
| YoY | 54.7% | 29.8% | 14.1% |
| Gross profit | 5,797 | | |
| YoY | 31.8% | | |
| GPM | 28.6% | | |
| Operating profit | 3,307 | 3,738 | 4,552 |
| YoY | 39.8% | 13.0% | 21.8% |
| OPM | 16.3% | 14.2% | 15.2% |
| Recurring profit | 2,833 | 3,360 | 4,121 |
| YoY | 41.7% | 18.6% | 22.6% |
| RPM | 14.0% | 12.8% | 13.7% |
| Net income | 1,961 | 2,357 | 2,843 |
| YoY | 56.8% | 20.2% | 20.6% |
| Net margin | 9.7% | 9.0% | 9.5% |

Source: Shared Research based on company data

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

Basic policy

- ▷ Maintain long-held business indicator of 20% or higher net income growth as earnings target
 - Based on the management concept of “pursuing profits in conformity with societal standards and long-term, continued growth,” achieved eighth consecutive year of higher revenue and profits since FY12/10
 - In 2018, changed listing from Mothers Section to First Section of Tokyo Stock Exchange
 - As a company on the First Section of the Tokyo Stock Exchange, will continue to pursue long-held business indicator (20% or higher net income growth) in this new stage
- ▷ Year-end dividend for FY12/18 planned for 20% payout ratio with JPY30.5 YoY increase (after consideration of stock split). The company will continue to take efforts to achieve earnings target so that it can return profits to shareholders
 - In the Real Estate Investment and Development segment, a core business of the company group, the year-end balance of properties for sale in FY12/18 reached record highs (see FY12/18 results) as the company assembles assets for the future
 - Enhancement of shareholders’ equity is also an important issue for long-term, continued growth. The company aims to manifest capital-raising efforts and boost profits to meet the targets above

Net income growth of over 20%

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

While maintaining a degree of caution, B-Lot is basically positive about Japan's real estate market due to steady fund inflows.

Domestic real estate transactions in July–December 2018 totaled JPY1.7tn (-34% YoY), showing short-term signs of buyers holding off. However, real estate demand in Japan remains robust among real estate equity underwriters, REITs, domestic and overseas institutional investors, affluent overseas buyers, and individuals in Japan seeking to make the most of revised inheritance tax laws. In addition to abundant funds, another characteristic particular to Japanese real estate market is low interest rates. Yield spreads are wider than other markets. 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. Banks have tightened lending to salaried worker investors who acquired real estate in the JPY100–200mn price range mainly financed by bank loans after revelations of improper lending, but real estate lending by banks as a whole has continued to expand.

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 24 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. In February 2018, the company transferred to TSE First Section. The parent company has a small, skilled team of 54 employees, and on a group-company basis including acquired companies, there are 201 employees (as of end-December 2018).

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

Further cultivate expertise by advancing initiatives

Strengthen domestic business

- ▷ Focus also on regional cities and resort areas with growing population and increasing number of inbound tourists
- ▷ Build expertise in utilizing a diverse talent pool

Investment and development

- ▷ Secure fixed assets in the medium to long term and develop new products
- ▷ Invest in and enter business alliances with growth companies

Establish a new earnings structure

Expand overseas

- ▷ Promote inbound investment and expand a client base of affluent investors
- ▷ Participate in overseas investment and expand network

IT strategy

- ▷ Improve operational efficiency and plan and develop smart products
- ▷ Expand sales channels by utilizing SNS and recruit investors

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.

Transfer to the 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. A transfer to the TSE First Section went ahead in February 2018.

Business

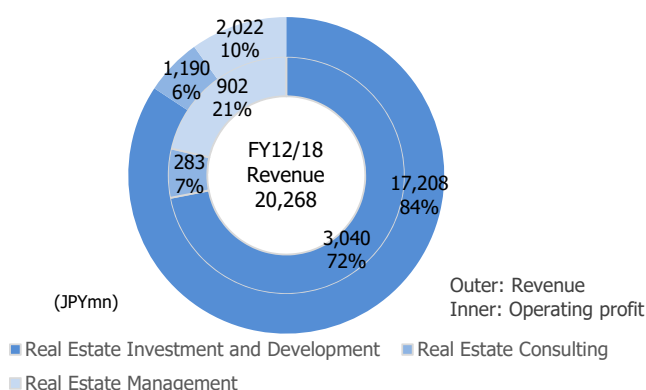
Business description

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.

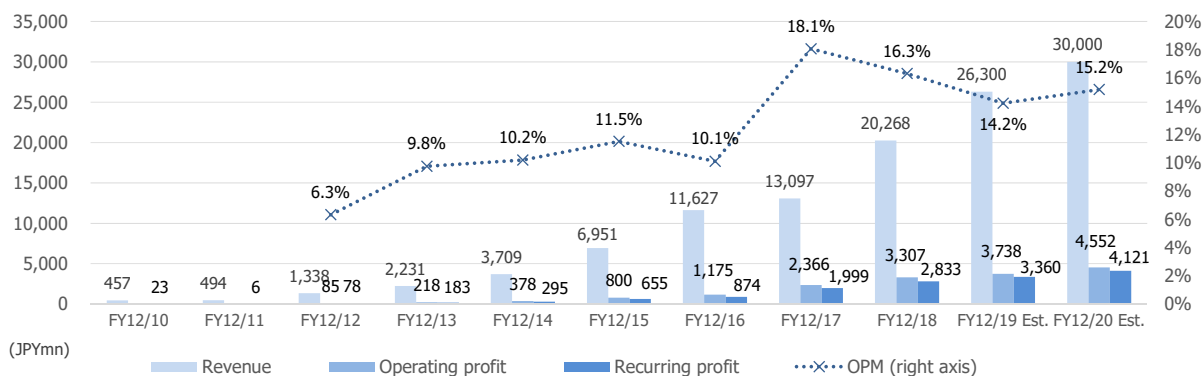
In FY12/18, the breakdown of earnings by segment was: Investment 84.3% of revenue, 72.0% of operating profit; Consulting 5.8% of revenue, 6.7% of operating profit; and Management 9.9% of revenue and 21.3% of operating profit. OPM was 17.7%, 23.8%, and 44.6% respectively. B-Lot aims to diversify its building types and regions in the Real Estate Investment segment. Breakdown by building type: residential 14 (54% of properties sold), office/retail buildings seven (27%), detached lots two (8%), and hotels three (12%). Breakdown by region: Kanto 11 (42% of properties sold), Hokkaido nine (35%), Kyushu five (19%), and Kansai one (4%). The average sales price per property sold in the Real Estate Investment segment was JPY662mn, 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 68 in FY12/18.

Segment revenue and operating profit (FY12/18: excluding adjustments)



Source: Shared Research based on company data

Revenue, operating profit, recurring profit, and OPM



Source: Shared Research based on company data

Characteristics

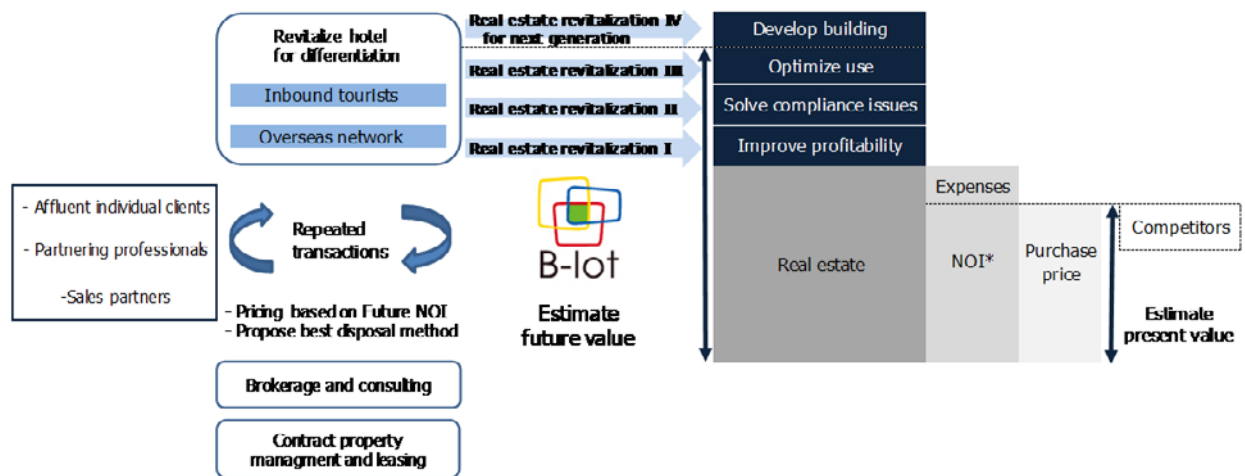
Based on accumulated real estate investment and management expertise, B-lot’s segments operate in line with overall corporate goals. For each project individual divisions collaborate, each contributing ideas based on specialized knowledge, and the company selects those ideas that could maximize a property’s 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 JPY662mn in FY12/18. 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 47% (5.94mn tsubo) versus 53% (6.68mn tsubo) for large properties. By number of buildings, small and medium office buildings accounted for the vast majority or 92% (8,162 buildings) versus 8% (737 large buildings). Source: Xymax Real Estate Institute, Office Stock Pyramid 2018

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). B-Lot transferred to the TSE First Section in February 2018. 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 2018, including acquired companies, the group had 201 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>



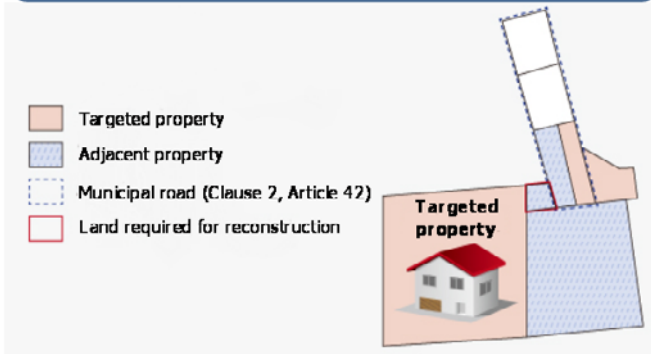
Source: Shared Research based on company materials

Properties with compliance issues

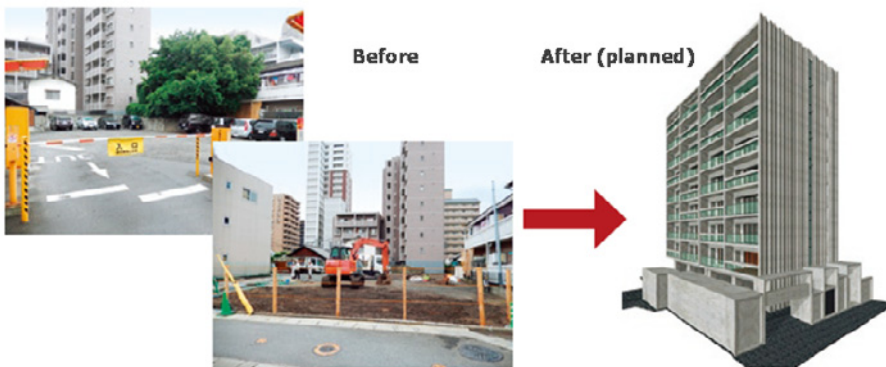
For properties with compliance issues, B-Lot conducts the necessary capex, coordinates to realign property rights and match opinions between the relevant parties, or liaises with public authorities. In addition, B-Lot takes appropriate action regarding issues such as owner-associated bad debts related 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–FY12/18 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). The company sold 26 properties and acquired 24 properties in FY12/18. The acquired properties break down into 11 residential properties, five office/retail buildings, one land lot, four land lots for development, and three others. The others include two solar power generation facilities and one logistics facility, which are firsts for the company. The inventories are diversified regionally and by type of property. 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. | FY12/18 Cons. |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Real Estate Investment and Development revenue | 1,069 | 1,897 | 3,237 | 6,137 | 9,977 | 10,981 | 17,208 |
| YoY | - | 77.4% | 70.6% | 89.6% | 62.6% | 10.1% | 56.7% |
| % of consolidated revenue | 79.9% | 85.0% | 87.3% | 88.3% | 85.1% | 83.7% | 84.3% |
| No. of properties sold | 14 | 11 | 22 | 13 | 16 | 21 | 26 |
| YoY | - | -21.4% | 100.0% | -40.9% | 23.1% | 31.3% | 23.8% |
| <By type of property> | | | | | | | |
| Residential | na | 8 | 18 | 7 | 8 | 11 | 14 |
| % of total properties sold | na | 72.7% | 81.8% | 53.8% | 50.0% | 52.4% | 53.8% |
| Offices and stores | na | 3 | 4 | 4 | 5 | 5 | 7 |
| % of total properties sold | na | 27.3% | 18.2% | 30.8% | 31.3% | 23.8% | 26.9% |
| Land for detached houses | na | - | - | 1 | 2 | 3 | 2 |
| % of total properties sold | na | - | - | 7.7% | 12.5% | 14.3% | 7.7% |
| Hotels | na | - | - | 1 | 1 | 2 | 3 |
| % of total properties sold | na | - | - | 7.7% | 6.3% | 9.5% | 11.5% |
| <By region> | | | | | | | |
| Kanto | na | 9 | na | 8 | 9 | 15 | 11 |
| % of total properties sold | na | 81.8% | na | 61.5% | 56.3% | 71.4% | 42.3% |
| Hokkaido | na | 2 | na | 3 | 4 | 3 | 9 |
| % of total properties sold | na | 18.2% | na | 23.1% | 25.0% | 14.3% | 34.6% |
| Kyushu | na | - | na | 1 | 1 | 3 | 5 |
| % of total properties sold | na | - | na | 7.7% | 6.3% | 14.3% | 19.2% |
| Kansai | na | - | na | 1 | 2 | 0 | 1 |
| % of total properties sold | na | - | na | 7.7% | 12.5% | 0.0% | 3.8% |
| Revenue per property sold | 76 | 172 | 147 | 472 | 624 | 523 | 662 |
| YoY | - | 125.8% | -14.7% | 220.9% | 32.1% | -16.1% | 26.6% |
| Real Estate Investment and Development operating profit | 120 | 311 | 465 | 840 | 989 | 2,316 | 3,040 |
| YoY | - | 157.9% | 49.6% | 80.8% | 17.8% | 134.1% | 31.2% |
| % of consolidated operating profit | 61.8% | 75.0% | 73.5% | 71.1% | 55.2% | 73.1% | 72.0% |
| OPM | 11.3% | 16.4% | 14.4% | 13.7% | 9.9% | 21.1% | 17.7% |

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. | FY12/18 Cons. |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Number of properties acquired | 11 | 20 | 18 | 19 | 23 | 22 | 24 |
| YoY | - | 81.8% | -10.0% | 5.6% | 21.1% | -4.3% | 9.1% |
| <By type of property> | | | | | | | |
| Residential | na | na | na | 9 | 8 | 11 | 11 |
| % of total properties acquired | na | na | na | 47.4% | 34.8% | 50.0% | 45.8% |
| Offices and stores | na | na | na | 4 | 5 | 4 | 5 |
| % of total properties acquired | na | na | na | 21.1% | 21.7% | 18.2% | 20.8% |
| Land for development | na | na | na | 4 | 10 | 4 | 4 |
| % of total properties acquired | na | na | na | 21.1% | 43.5% | 18.2% | 16.7% |
| Other | na | na | na | 2 | - | 3.0 | 4.0 |
| % of total properties acquired | na | na | na | 10.5% | - | - | - |
| <By region> | | | | | | | |
| Kanto | na | na | na | 11 | 13 | 8 | 13 |
| % of total properties acquired | na | na | na | 57.9% | 56.5% | 36.4% | 54.2% |
| Hokkaido | na | na | na | 5 | 1 | 7 | 2 |
| % of total properties acquired | na | na | na | 26.3% | 4.3% | 31.8% | 8.3% |
| Kyushu | na | na | na | 1 | 6 | 4 | 5 |
| % of total properties acquired | na | na | na | 5.3% | 26.1% | 18.2% | 20.8% |
| Kansai | na | na | na | 2 | 3 | 3 | 4 |
| % of total properties acquired | na | na | na | 10.5% | 13.0% | 13.6% | 16.7% |

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. | FY12/18 Cons. |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Inventories for sale (year-end) | 577 | 1,691 | 3,403 | 6,070 | 11,393 | 11,358 | 14,500 |
| YoY | - | 193.1% | 101.3% | 78.3% | 87.7% | -0.3% | 27.7% |
| 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 total number of properties in inventory | 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 total number of properties in inventory | 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 total number of properties in inventory | 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 total number of properties in inventory | 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 total number of properties in inventory | na | na | - | 5.6% | 4.0% | 3.7% | |
| <By region> | na | na | | | | | |
| Kanto | na | na | 7 | 10 | 14 | 7 | |
| YoY | na | na | - | 42.9% | 40.0% | -50.0% | |
| % of total number of properties in inventory | 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 total number of properties in inventory | 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 total number of properties in inventory | na | na | 8.3% | 5.6% | 24.0% | 25.9% | |
| Kansai | na | na | - | 1 | 2 | 5 | |
| YoY | na | na | - | - | 100.0% | 150.0% | |
| % of total number of properties in inventory | na | na | - | 5.6% | 8.0% | 18.5% | |
| Value of inventories 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 7% of revenue (FY12/12–FY12/18 average), and OPM was 24–40% (FY12/12–FY12/18). The segment’s composition of overall revenue had continued to grow, from 2.5% in FY12/15, to 7.4% in FY12/16, to 9.9% in FY12/17, but contracted to 5.8% in FY12/18.

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. | FY12/18 Cons. |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Real Estate Consulting revenue | 192 | 146 | 197 | 171 | 862 | 1,305 | 1,190 |
| YoY | - | -24.1% | 35.1% | -13.1% | 403.2% | 51.4% | -8.8% |
| % of consolidated revenue | 14.4% | 6.5% | 5.3% | 2.5% | 7.4% | 9.9% | 5.8% |
| No. of brokerage deals | 25 | 28 | 20 | 29 | 31 | 29 | 27 |
| YoY | - | 12.0% | -28.6% | 45.0% | 6.9% | -6.5% | -6.9% |
| <By region> | | | | | | | |
| Kanto | na | 19 | 7 | 15 | 19 | 18 | 12 |
| % of total brokerage deals | na | 67.9% | 35.0% | 51.7% | 61.3% | 62.1% | 44.4% |
| Hokkaido | na | 7 | 8 | 8 | 7 | 5 | 5 |
| % of total brokerage deals | na | 25.0% | 40.0% | 27.6% | 22.6% | 17.2% | 18.5% |
| Kyushu | na | - | 3 | 4 | 4 | 2 | 4 |
| % of total brokerage deals | na | - | 15.0% | 13.8% | 12.9% | 6.9% | 14.8% |
| Kansai | na | 2 | 2 | 2 | 1 | 4 | 6 |
| % of total brokerage deals | na | 7.1% | 10.0% | 6.9% | 3.2% | 13.8% | 22.2% |
| Real Estate Consulting operating profit | 71 | 58 | 79 | 58 | 346 | 408 | 283 |
| YoY | - | -18.9% | 36.8% | -26.5% | 496.9% | 17.9% | -30.7% |
| % of consolidated operating profit | 36.5% | 13.9% | 12.5% | 4.9% | 19.3% | 12.9% | 6.7% |
| OPM | 37.0% | 39.5% | 40.0% | 33.8% | 40.1% | 31.3% | 23.8% |

Source: Shared Research based on company materials

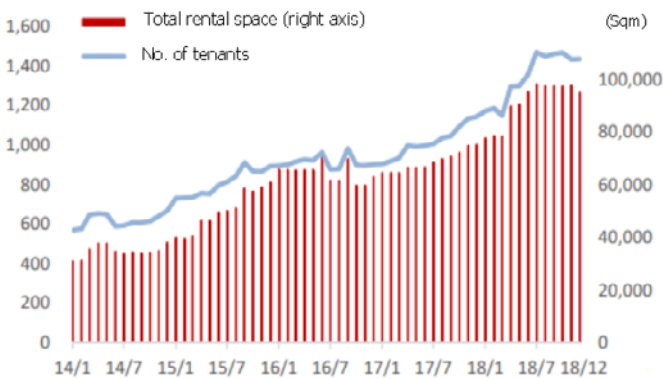
Note: Figures may differ from company materials due to differences in rounding methods.

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 68 buildings. In FY12/18, the segment accounted for 9.9% of revenue and OPM was 44.6%.

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

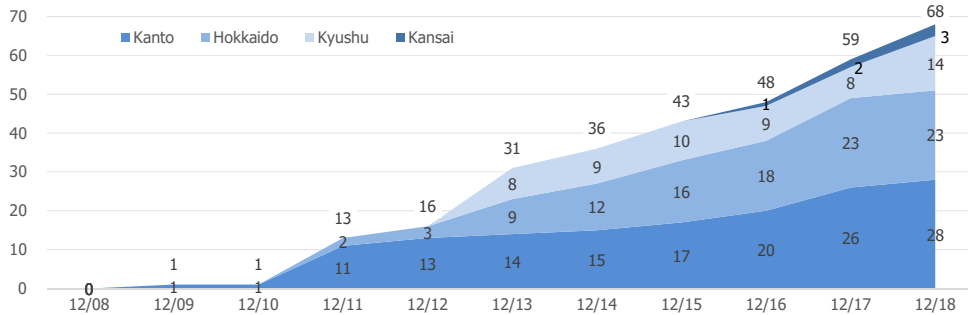
B-Lot provides comprehensive real estate management services to Japanese and overseas institutional investors. The company puts together funds that meet investors' diverse needs (where investors can invest in property). As an asset manager, the company uses its experience to broker business properties 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. | FY12/18 Cons. |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Real Estate Management revenue | 77 | 188 | 275 | 642 | 882 | 839 | 2,022 |
| YoY | - | 144.9% | 46.5% | 133.2% | 37.3% | -4.9% | 141.0% |
| % of consolidated revenue | 5.7% | 8.4% | 7.4% | 9.2% | 7.5% | 6.4% | 9.9% |
| No. of properties managed | 20 | 31 | 36 | 40 | 48 | 59 | 68 |
| YoY | - | 55.0% | 16.1% | 11.1% | 20.0% | 22.9% | 15.3% |
| <By region> | | | | | | | |
| Kanto | na | 14 | 15 | 17 | 20 | 26 | 28 |
| % of total properties managed | na | 45.2% | 41.7% | 42.5% | 41.7% | 44.1% | 41.2% |
| Hokkaido | na | 9 | 12 | 14 | 18 | 23 | 23 |
| % of total properties managed | na | 29.0% | 33.3% | 35.0% | 37.5% | 39.0% | 33.8% |
| Kyushu | na | 8 | 9 | 9 | 9 | 8 | 14 |
| % of total properties managed | na | 25.8% | 25.0% | 22.5% | 18.8% | 13.6% | 20.6% |
| Kansai, other | na | - | - | - | 1 | 2 | 3 |
| % of total properties managed | na | - | - | - | 2.1% | 3.4% | 4.4% |
| Real Estate Management operating profit | 3 | 46 | 89 | 284 | 458 | 443 | 902 |
| YoY | - | 1319.8% | 94.0% | 219.9% | 61.6% | -3.3% | 103.5% |
| % of consolidated operating profit | 1.7% | 11.0% | 14.0% | 24.0% | 25.6% | 14.0% | 21.3% |
| OPM | 4.2% | 24.3% | 32.2% | 44.2% | 52.0% | 52.8% | 44.6% |

Source: Shared Research based on company materials

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

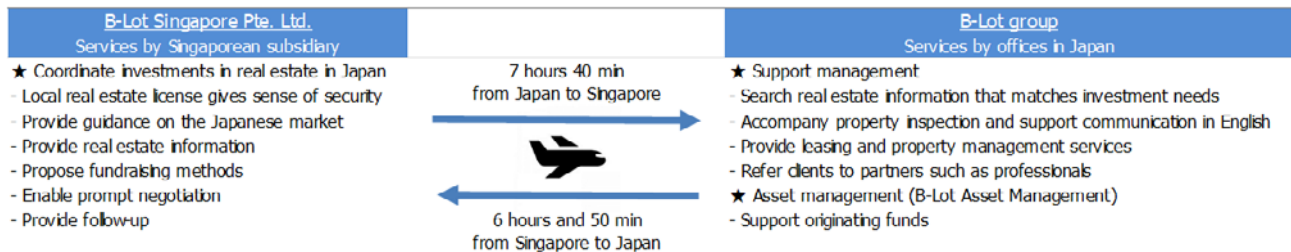
Group companies

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

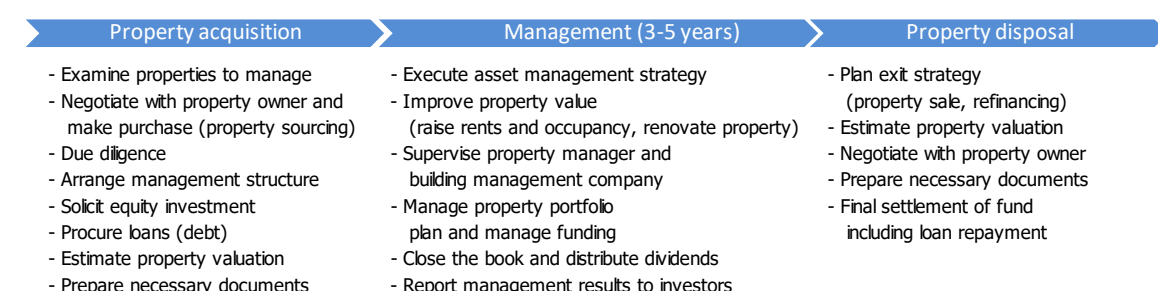


Source: Shared Research based on company materials

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

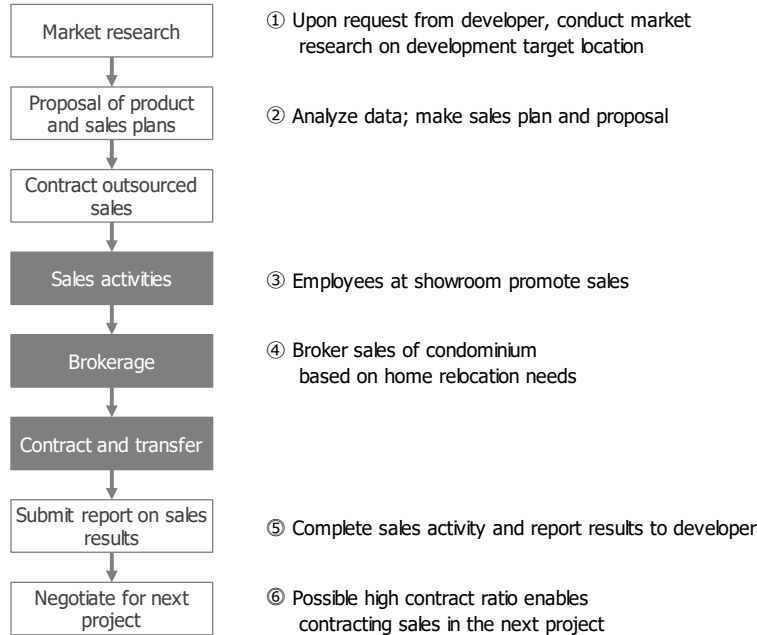


Source: Shared Research based on company materials

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

| Ticker Company | Fiscal year | Revenue (JPYmn) | OP (JPYmn) | OPM | ROA (RP-based) | ROE | Equity ratio | Net debt-to-Equity ratio | Main businesses (% of revenue) |
|-----------------------------|-------------|-----------------|------------|-------|----------------|-------|--------------|--------------------------|--|
| 2337 Ichigo | FY02/17 | 109,253 | 21,781 | 19.9% | 7.5% | 20.2% | 29.4% | 1.58 | Value-added (revitalization) (84), asset management (4) |
| 3299 Mugen Estate | FY12/17 | 63,568 | 7,122 | 11.2% | 11.0% | 24.7% | 32.5% | 1.18 | Buying and selling (revitalization) (96) |
| 3244 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) |
| 8923 Tosei | FY11/17 | 57,754 | 9,833 | 17.0% | 7.4% | 14.1% | 37.7% | 0.94 | Revitalization (70), Development (9), Rental (11) |
| 8940 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) |
| 8934 Sun Frontier Fudousan | FY03/17 | 40,394 | 9,380 | 23.2% | 15.1% | 19.6% | 56.0% | 0.16 | Renovation (88), asset management (4) |
| 4321 Kenedix | FY12/17 | 26,349 | 12,285 | 46.6% | 6.2% | 11.7% | 48.2% | 0.34 | Asset management (44), real estate investment (32) |
| 3230 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) |
| 8914 Arealink | FY12/17 | 21,489 | 2,379 | 11.1% | 9.1% | 9.8% | 54.7% | 0.15 | Property management (91), property revitalization & liquidation (9) |
| 3250 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) |
| 3454 First Brothers | FY11/17 | 18,766 | 3,373 | 18.0% | 8.1% | 19.1% | 29.7% | 1.60 | Investment bank (100) |
| 3294 e'grand | FY03/17 | 18,487 | 1,233 | 6.7% | 6.4% | 12.8% | 34.2% | 1.13 | Renovation of pre-owned houses (99) |
| 3457 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) |
| 3236 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) |
| 8929 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) |
| 3277 Sansei Landic | FY12/17 | 13,098 | 1,762 | 13.5% | 12.0% | 15.0% | 47.3% | 0.48 | Real estate sales (91), construction (9) |
| 3452 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) |
| 3475 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 |
| 8925 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) |
| 1717 Meiho Enterprise | FY07/17 | 7,496 | 675 | 9.0% | 7.5% | 28.2% | 35.7% | 1.03 | Subdivision (70), rental (26) |
| 3241 Wil | FY12/17 | 5,222 | 630 | 12.1% | 13.7% | 18.2% | 49.4% | 0.16 | Development for subdivision (48), renovation (28) |
| 8918 Land | FY02/17 | 4,331 | 828 | 19.1% | 27.7% | 67.6% | 49.8% | -0.19 | Real estate sales (79) |
| 3237 Inrance | 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

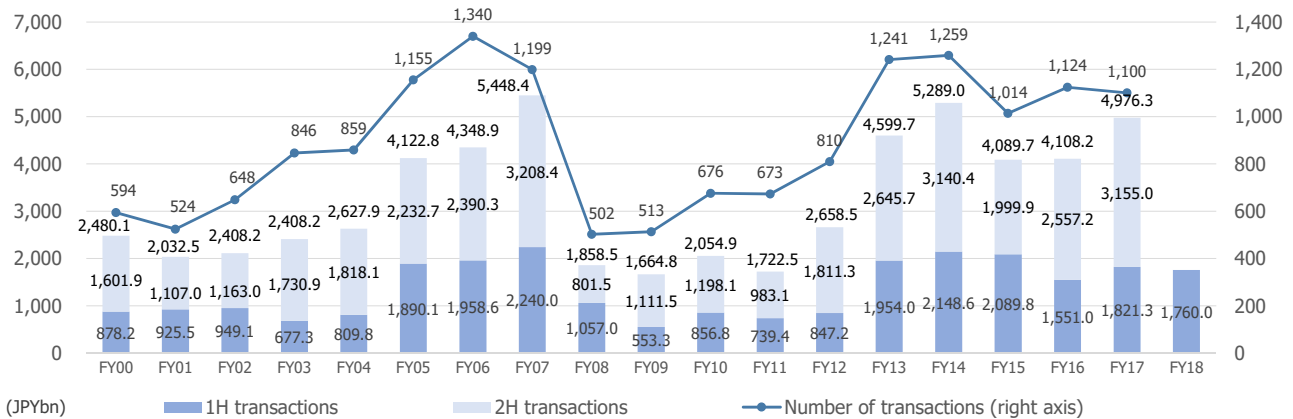
After peaking in fiscal 2014, Japanese real estate transactions declined in fiscal 2015 before a slight recovery in fiscal 2016. The value of Japanese real estate transactions by listed companies in fiscal 2016 was JPY4.1tn (+0.5% YoY). Real estate transactions grew 21.1% YoY in fiscal 2017, but transactions by listed companies in the first half of fiscal 2018 was down 3.4% YoY to JPY1.8tn and was down 34% YoY to 1.7tn in July–December 2018. 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), which deterred buying by overseas investors. Meanwhile, widening yield spreads*** accompanying declining interest rates saw the real estate funds market expand to JPY34.2tn (+6.9% YoY) in the first half of 2018. In addition to growth in J-REIT, private placement funds specializing in Japanese real estate are also growing. Banks have tightened lending to salaried worker investors who acquired real estate in the JPY100–200mn price range mainly financed by bank loans after revelations of improper lending by Suruga Bank, but real estate lending by banks as a whole has continued to expand.

*Rising property prices: Prices of newly built condominiums in the Tokyo metropolitan area rose from JPY56.8mn/unit in 2017 to JPY59.0mn (+3.6%) in 2018 (source: Real Estate Economic Institute, simple average of monthly prices). Prices for pre-owned condominiums rose 1.7% YoY from JPY35.8mn/70sqm in 2017 to JPY36.4mn/70sqm in 2018 (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.

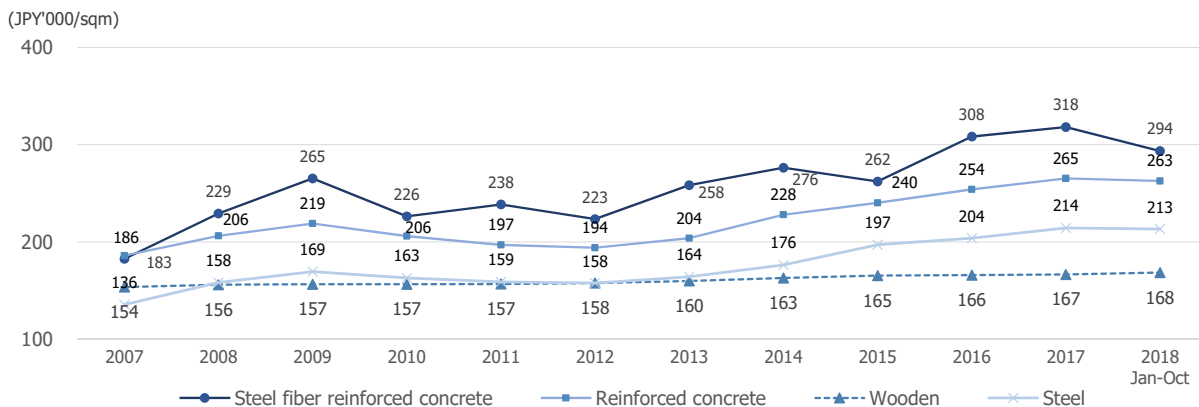
***Yield spread: Gap between cap rate and 10-year government bond yield.

Real estate transactions by listed companies and number of transactions



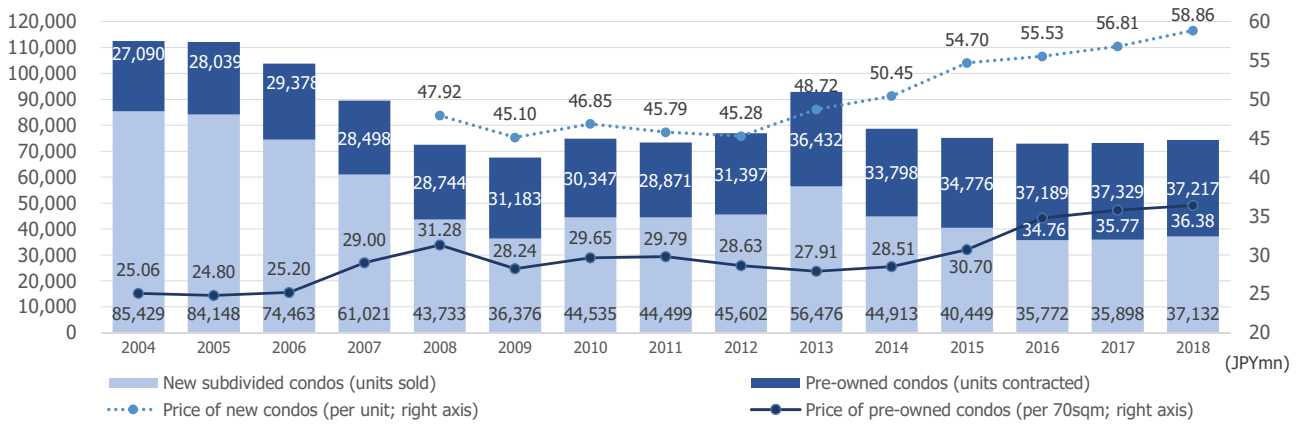
Source: Shared Research based on Urban Research Institute Corporation, Real Estate Topics

Construction price per sqm by type of structure (thousand yen per sqm)



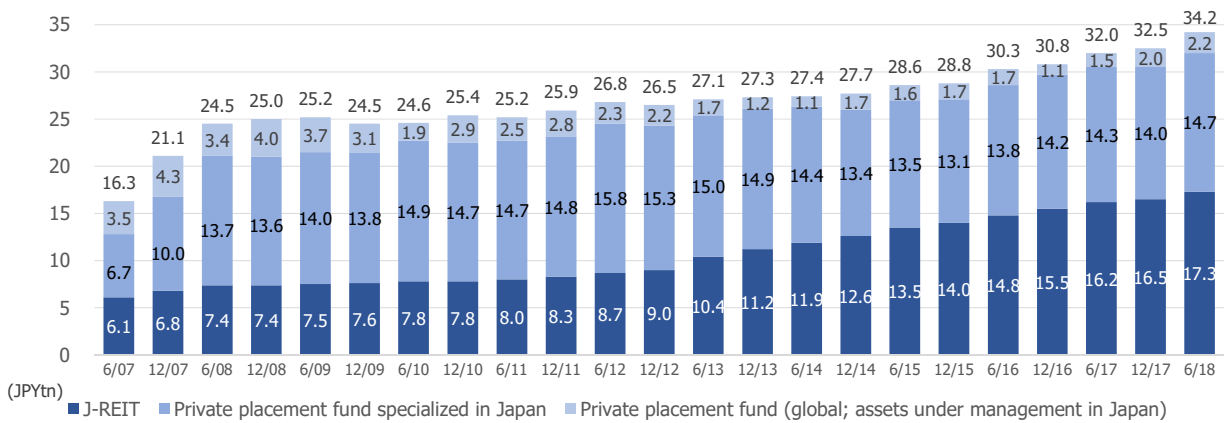
Source: Shared Research based on MLIT data

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



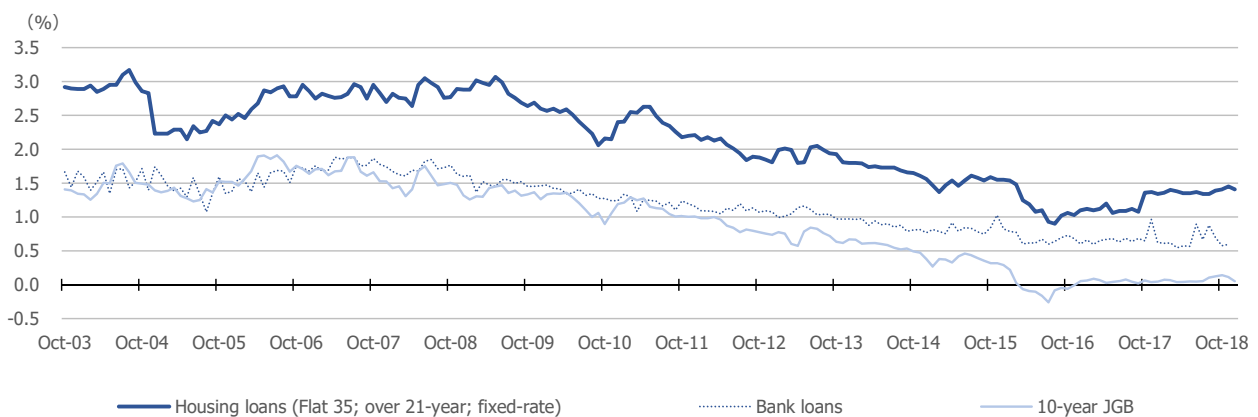
Source: Shared Research based on information from Tokyo Kantei, Real Estate Information Network for East Japan, and Real Estate Economic Institute
 *The value of newly build condominiums (annual average) is calculated as a simple average from monthly data

Real estate fund market



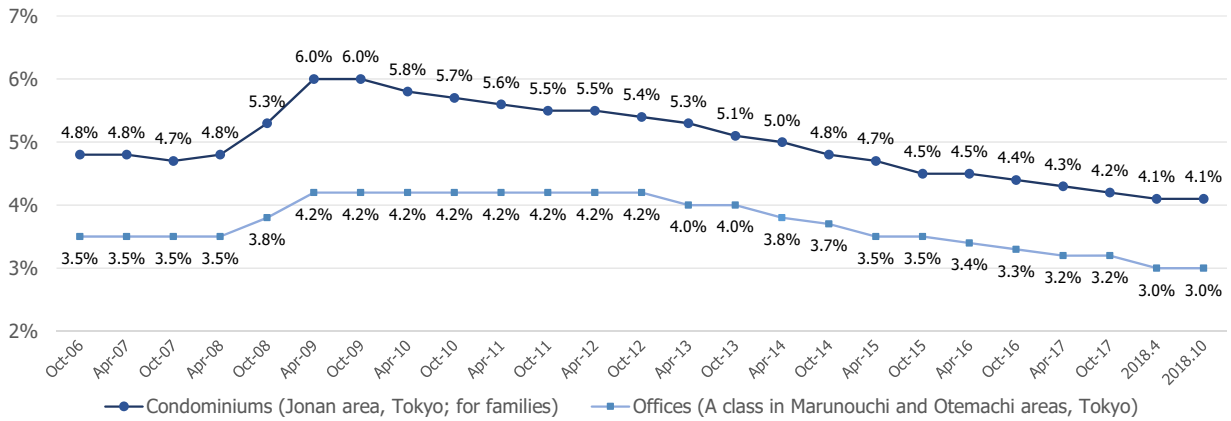
Source: Shared Research based on Sumitomo Mitsui Trust Research Institute data

Interest rates (%)



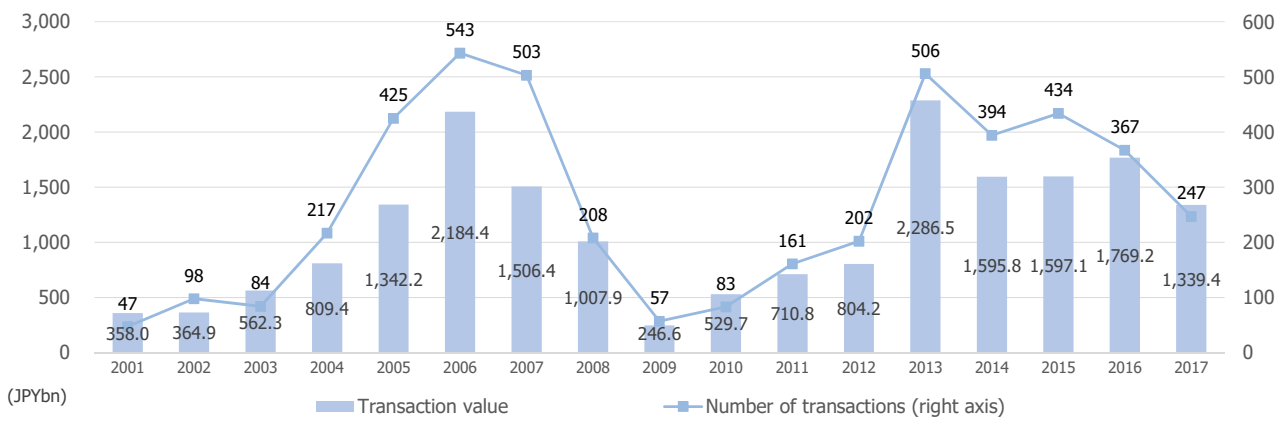
Source: Shared Research based on Japan Housing Finance Agency, Bank of Japan, and Ministry of Finance data

Expected yields on one-room investment condominiums in Tokyo



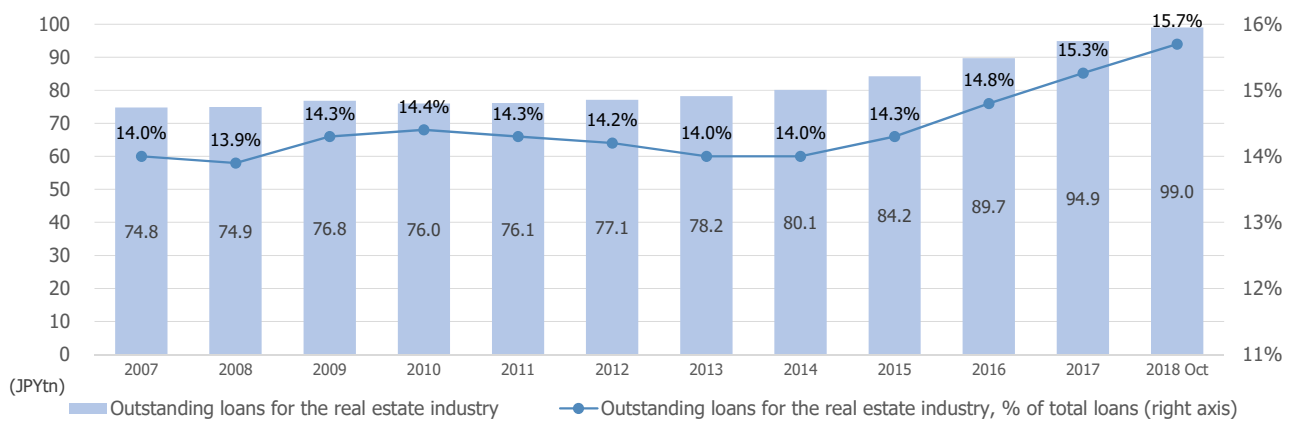
Source: Shared Research based on Japan Real Estate Institute data
 Note: Within 10 minutes' walk of nearest station, built within past five years, average exclusive-use floor space per 25–30sqm, one-room condos with a total of around 50 units
 Note: Jonan refers to an area in southern Tokyo, and Joto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

J-REIT transactions



Source: Shared Research based on ARES data

Bank loans outstanding to property sector

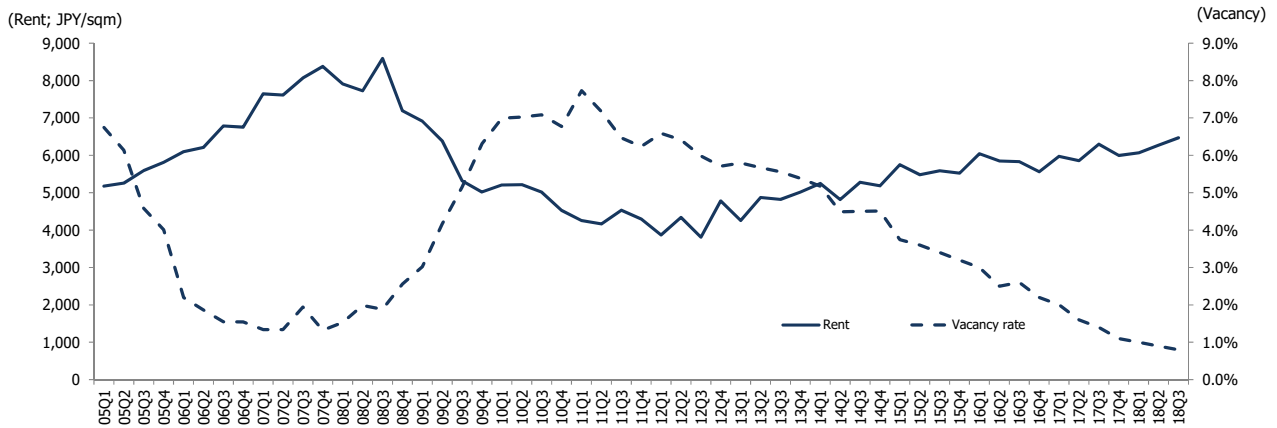


Source: Shared Research based on Bank of Japan, loans by sector
 Note: Outstanding loans are total for domestic banks (three accounts total), Shinkin banks, and other financial institutions

Office building rents

According to the Office Rent Index jointly published by Sanko Estate and NLI Research Institute, the average rent for a Class B* building in central Tokyo in Q3 2018 (July–September) was around JPY6,470/sqm (+2.7% YoY, +3.2% QoQ). Rents have been climbing since bottoming out in Q3 2012 (July–September). The vacancy rate for Class B buildings in central Tokyo was 0.8% (dropping below 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

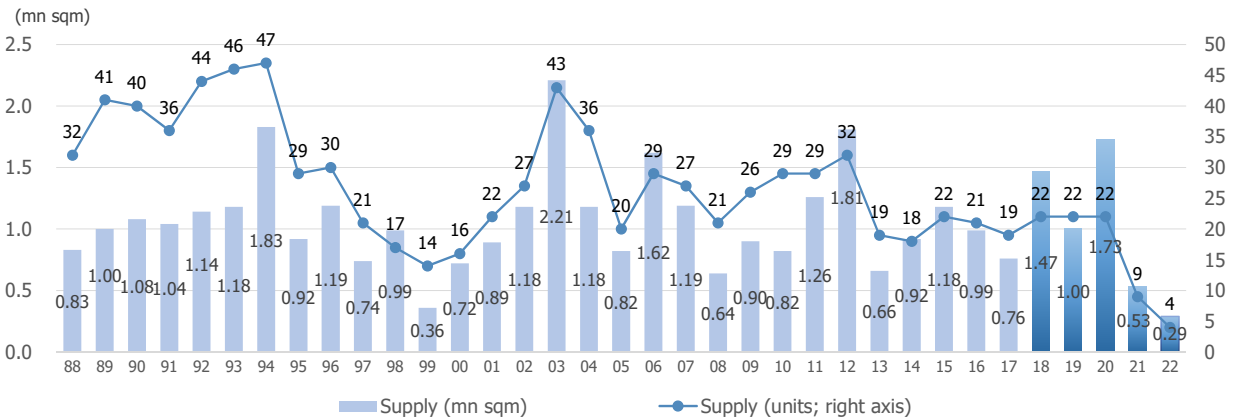


| (JPY/sqm) | 16Q1 | 16Q2 | 16Q3 | 16Q4 | 17Q1 | 17Q2 | 17Q3 | 17Q4 | 18Q1 | 18Q2 | 18Q3 |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Rent | 6,041 | 5,851 | 5,830 | 5,561 | 5,972 | 5,861 | 6,299 | 5,997 | 6,063 | 6,271 | 6,470 |
| Vacancy rate | 3.0% | 2.5% | 2.6% | 2.2% | 2.0% | 1.6% | 1.4% | 1.1% | 1.0% | 0.9% | 0.8% |

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

*Class B building: Buildings with a leased area of 660sqm or more that do not fall under the Class A category (Class A: total floor space of over 33,000sqm, leased area of 990sqm or more, no more than 15 years old), including buildings that have the appropriate floor space and leased area, but exceed the maximum age of 15 years to be considered a class A building

Supply of large offices (10,000sqm or larger) in 23 wards of Tokyo

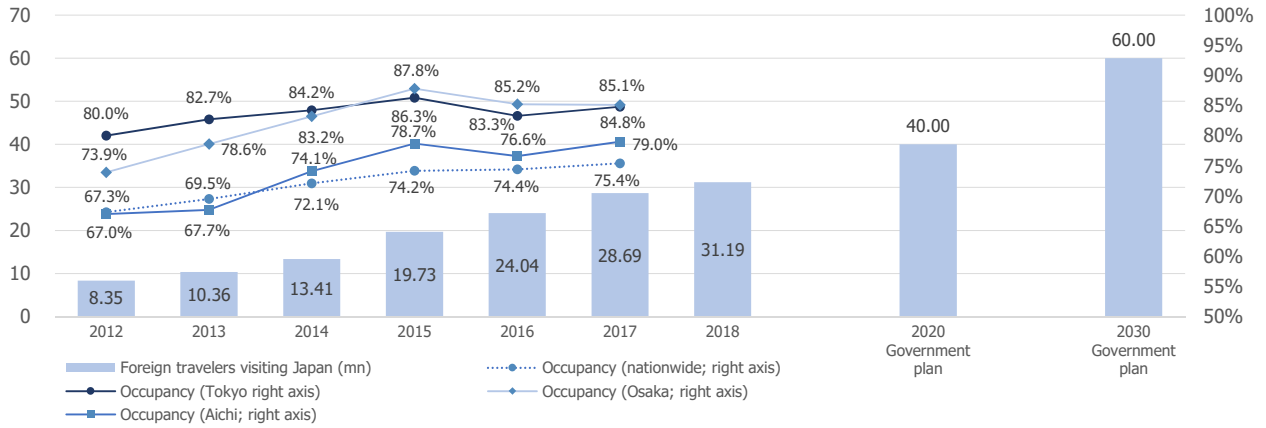


Source: Shared Research based on Mori Building Co., Ltd. "Survey of Large-Scale Office Building Supply in Tokyo's 23 Wards 2018" data
 Note: Data for 2018–2022 are forecasts.

Hotels

In 2018, there were 31.2mn overseas tourist arrivals in Japan (+8.7% YoY). Although affected by a succession of natural disasters which discouraged some tourists from visiting Japan, arrivals were up YoY by the end of 2018 to mark a record high. Hotel occupancy 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 Tourism Agency's Foreign Tourists in Japan Statistics, and Ministry of Land, Infrastructure, Transport and Tourism, Accommodation Travel Survey

Historical performance and financial statements

Historical financial statements

Full-year FY12/18 results (out February 14, 2019)

- ▷ For FY12/18, the company reported revenue of JPY20.3bn (+54.7% YoY), operating profit of JPY3.3bn (+39.8% YoY), recurring profit of JPY2.8bn (+41.7% YoY), and net income attributable to owners of parent of JPY2.0bn (+56.8% YoY). Both revenue and profit increased for the eighth consecutive year.
- ▷ Progress versus plan: FY12/18 results ended in line with revised forecasts* announced on December 17, 2018. Against the initial forecasts for the full year, revenue was 101.3% while operating profit was 131.6%, recurring profit was 137.7%, and net income attributable to owners of the parent was 138.7%.
- ▷ Revenue up 54.7% YoY: In the mainstay Real Estate Investment and Development segment, the company steadily sold off revenue-generating buildings, renovated rental apartment buildings, and newly built properties it developed. Revenue increased 56.7% YoY in Real Estate Investment and Development, declined 18.8% in Real Estate Consulting (revenue from external transactions), and grew 141.0% in Real Estate Management.
- ▷ Operating profit up 39.8% YoY: Operating profit was up 31.2% in Investment and Development and fell 30.7% in Consulting, but rose 103.5% in Management.
- ▷ Balance of real estate for sale and real estate for sale in process: Procurement was steady as property types expanded. Initiatives aiming to increase scale of projects made progress. The balance of inventories on real estate for sale (including real estate for sale in process) at end-FY12/18 was JPY14.5bn (+27.7% YoY). Using its track record of over 150 properties, debt finance is proceeding smoothly (shifting debt to long-term)
- ▷ Dividend increase: As 2018 marks B-Lot's 10th anniversary, the company's policy for the FY12/18 year-end dividend calls for a payout ratio of 20%. B-Lot has decided to increase the ordinary dividend by JPY30.5 from JPY19.5 in FY12/17 (after considering stock split) to JPY50 per share.

Revised full-year FY12/18 earnings forecasts (out December 17, 2018)

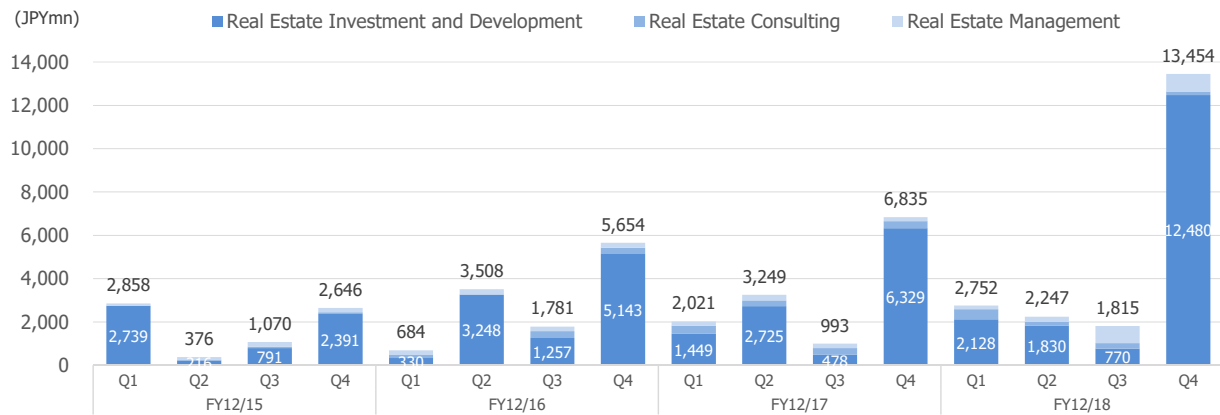
- ▷ Revenue: JPY20.2bn (previous forecast: JPY20.0bn)
- ▷ Operating profit: JPY3.3bn (JPY2.5bn)
- ▷ Recurring profit: JPY2.8bn (JPY2.1bn)
- ▷ Net income*: JPY1.9bn (JPY1.4bn)
- ▷ EPS: JPY248.98 (JPY183.65)

* Net income refers to net income attributable to owners of parent.

Reasons for revision

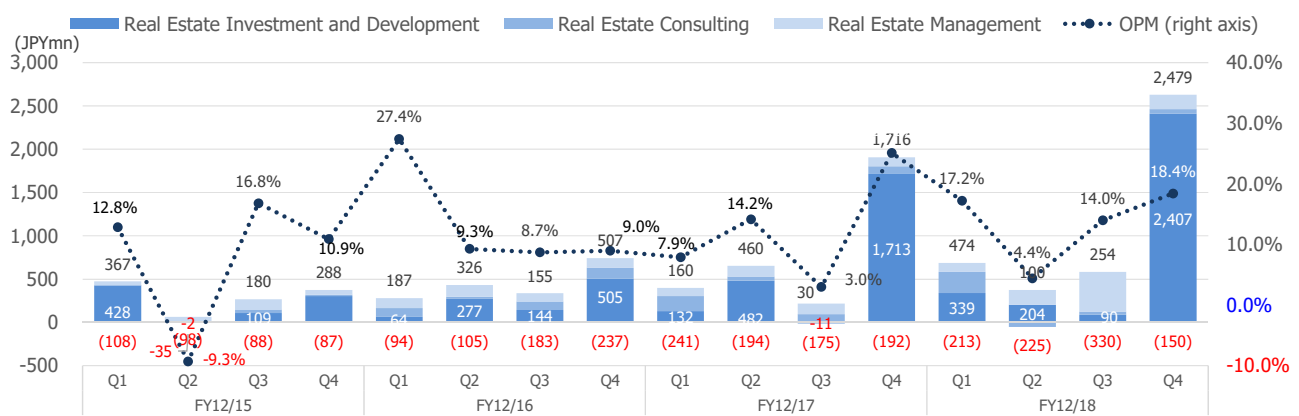
The revised revenue forecast is largely in line with the previous forecast. However, the company expects profits to exceed its previous forecasts owing to successive sales of real estate for sale in Q4 and corresponding strong margins in the mainstay Real Estate Investment and Development business.

Quarterly revenue



Source: Shared Research based on company data

Quarterly operating profit and YoY (%)



Source: Shared Research based on company data

By Segment

Real Estate Investment and Development segment

- ▷ Segment revenue was JPY17.2bn (+56.7% YoY). The company sold 26 buildings (21 in FY12/17): 14 residential properties (11), seven office/retail buildings (five), two land lots (three), and three hotels (two). By region, 11 were in Kanto (15), nine in Hokkaido (three), five in Kyushu (three), and one in Kansai (none).
- ▷ In FY12/18, the company finished construction on five properties for development. Three of these properties opened as new accommodations facilities. Each accommodations facility has maintained a high level of occupancy since its opening. Among them, the business hotel in Naha City, Okinawa named Tissage Hotel Naha was sold in 2018, greatly contributing to group earnings.
- ▷ The company purchased 24 properties (22 in FY12/17): 11 residential properties (11), five office/retail buildings (four), one land lot (three), four land lots for development (four); and three others (none). By region, 13 were in Kanto (eight), two in Hokkaido (seven), five in Kyushu (four), and four in Kansai (three).
- ▷ Of the acquired properties, two were solar energy facilities and one was a logistics facility, the first of their kind for the company group. The company aims to further expand its business content by expanding the types of properties it handles.
- ▷ 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 one residential property, four condominiums, and two capsule hotels.
- ▷ Segment profit was JPY3.0bn (+31.2% YoY).

Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY1.0bn (-18.8% YoY).
- ▷ The company won projects for consulting and brokerage of investment real estate, mainly in Kanto, and completed 27 deals (29 in FY12/17). Of the 27 completed deals, 12 were in Kanto (18), five in Hokkaido (five), four in Kyushu (two), and six in Kansai (four).
- ▷ The new condominium Pleagia Kyoto Yamashina Higashino is being sold by the company through Life Stage Co., Ltd. This sale is making progress, showing the cross-group synergy advantages.
- ▷ However, revenue was down 8.8% due to booking delays on contract sales and brokerage projects. Segment profit was JPY283mn (-30.7% YoY).

Real Estate Management segment

- ▷ Segment revenue was JPY2.0bn (+141.0% YoY).
- ▷ The number of client-owned properties under property management rose to 68 (59 in FY12/17). By region, the company was managing 28 properties in Kanto (26), 23 in Hokkaido (23), 14 in Kyushu (eight), and three in Kansai (two).
- ▷ In asset management, the number of properties managed by B-Lot Asset Management has increased and efforts to tap into new customers by working with a local corporation in Singapore has been successful.
- ▷ In addition to higher revenue accompanying the acquisition of shares in T & K Incorporated, rents on properties for sale increased significantly on the launch of hotels the company developed.
- ▷ Segment profit was JPY902mn (+103.5% YoY).

Dividend increase

As 2018 marks B-Lot's 10th anniversary, the company's policy for the FY12/18 year-end dividend calls for a payout ratio of 20%. B-Lot has decided to increase the ordinary dividend by JPY30.5 from JPY19.5 in FY12/17 (after considering stock split) to JPY50 per share (20% payout ratio).

Q3 FY12/18 results (out November 14, 2018)

Earnings overview

For cumulative Q3 FY12/18, the company reported revenue of JPY6.8bn (+8.8% YoY), operating profit of JPY828mn (+27.5% YoY), recurring profit of JPY474mn (+27.3% YoY), and net income attributable to owners of parent of JPY303mn (+15.3% YoY).

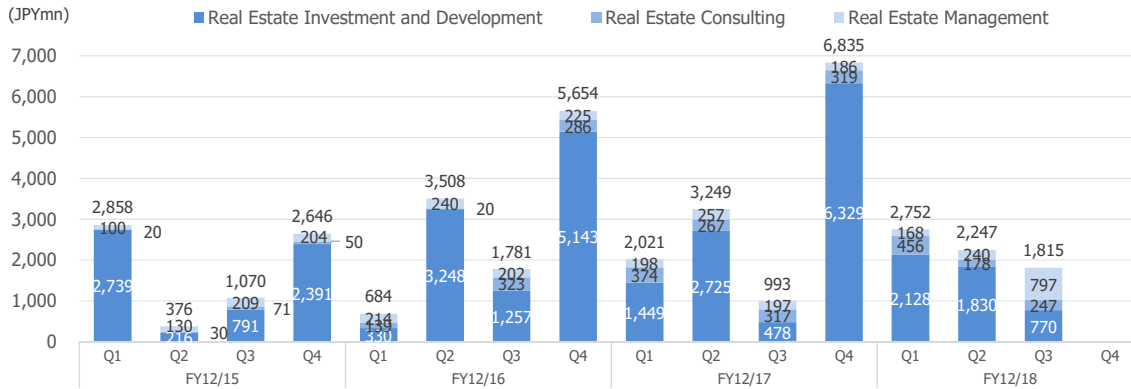
Progress toward FY12/18 forecasts was revenue 34.1% (47.8% of full-year FY12/17 results in Q3 FY12/17), operating profit 33.0% (27.4%), recurring profit 23.0% (18.6%), and net income attributable to owners of parent 21.4% (21.0%). The company's listing was transferred from Mothers market of the Tokyo Stock Exchange to the First Section in Q1 FY12/18. The company plans to sell several real estate properties in Q4, including large hotel properties it has been developing for some time, and indicates that revenue and all categories of profit performed in line with initial forecasts in cumulative Q3.

Land prices in major cities have continued on a slight upward trend overall, based on the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) Trend Report of the Value of Intensively Used Land in Major Cities (Land Value LOOK Report) for April 1–July 1, 2018. Competition for the acquisition of commercial land remains intense, due in part to the Bank of Japan's negative interest monetary policy to stimulate the market. Under these conditions, the company increased the number of projects in the Real Estate Investment and Development and Real Estate Consulting businesses.

Revenue

Up 8.8% YoY. Revenue increased 1.6% in Real Estate Investment and Development, declined 8.1% in Real Estate Consulting, and grew 84.8% in Real Estate Management.

Quarterly revenue

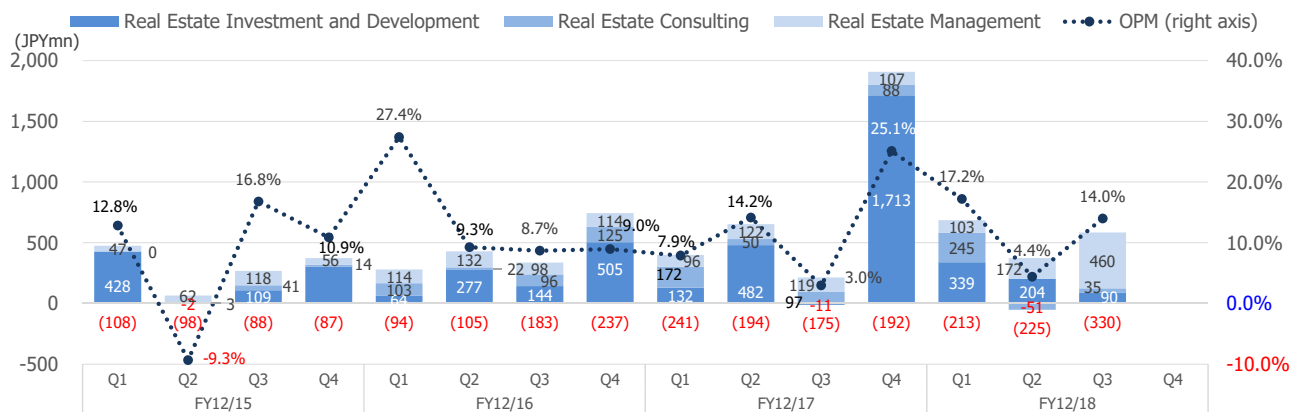


Source: Shared Research based on company data

Profit

Operating profit grew 27.5% YoY. Operating profit was up 4.9% in Investment and Development and fell 28.4% in Consulting, but rose 118.1% in Management.

Quarterly operating profit and YoY (%)



Source: Shared Research based on company data

By Segment

Real Estate Investment and Development segment

Segment revenue was JPY4.7bn (+1.6% YoY). The company sold 13 buildings (13 in Q3 FY12/17): five residential properties (eight), four office/retail buildings (two), three land lots (two), and one hotel condominium (one).

The company purchased 19 properties (13 in Q3 FY12/17): nine residential properties (six), four office/retail buildings (two), four land lots including land for development (five); and two others (none). By region, nine were in Kanto (six), two in Hokkaido (two), four in Kyushu (four), and four in Kansai (one). The number of properties held in inventory in Q3 FY12/18 was 33 (26 in Q3 FY12/17), making solid progress toward commercialization. The company's first business hotel development in Kyoto was completed and opened in August as Nest Hotel Kyoto Shijokarasuma. An office building was also completed in central Tokyo and preparations are under way for sales. 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 one residential property, six condominiums, and two capsule hotels.

Segment profit was JPY632mn (+4.9% YoY).

Main real estate property sales announced in Q4: as of December 7, 2018

Large sales announced in Q4 alone comprised the following five properties:

- ▷ New rental condominium building (Fukuoka-shi, Fukuoka): 2,608.75sqm in registered total floor space (estimated); registered lot area of 499.04sqm; buyer and selling price undisclosed
- ▷ Hotel (Tissage Hotel Naha in Naha-shi, Okinawa): 3,758.76sqm in registered floor space; registered lot area of 875.38sqm; purchased by Fukuoka REIT Corporation; selling price of JPY2.8bn (tax not included)
- ▷ Residential complex and garage (Setagaya-ku, Tokyo): 1,929.53sqm in registered floor space; registered lot area of 991.73sqm; buyer and selling price undisclosed
- ▷ IMANO TOKYO GINZA HOSTEL (Chuo-ku, Tokyo): 915.65sqm in registered floor space; registered lot area of 137.01sqm; buyer is a foreign investor; selling price undisclosed; jointly assumed responsibility for asset management with another company
- ▷ Retail store (Taito-ku, Tokyo): 1,291.10sqm in registered floor space; registered lot area of 168.59sqm; buyer and selling price undisclosed

(The above properties are outlined in further detail in the “Recent updates” section)

Acquisition of second solar power station: announced on November 7, 2018

In March 2018, the company concluded a business alliance with Asia Energy Bank Co., Ltd. and acquired a solar power station in Kasama-shi, Ibaraki with the goal of expanding the product lineup of its Real Estate Investment and Development business. Later, in November 2018, the company acquired Sakate, Joso-shi, Ibaraki No. 3 MS power station, its second power station.

Recently, a new “secondary solar market” has formed in Japan, through which already-operational solar power stations are purchased and sold. Yano Research Institute Ltd., a marketing research company, predicts that the market scale* of secondary solar power stations will expand from 450MW in fiscal 2018, to 650MW in fiscal 2019, and later to 800MW in fiscal 2020.

*Based on the power outputs of already-operational solar power stations that have been or will be traded during FY12/18.

The group views expansion in these kinds of markets as a business opportunity and will apply renewable energy technologies during the commercialization of solar power stations, thereby reducing its environmental impact. At the same time, the group will build expertise in conducting highly transparent trading in the solar power generation industry and contribute to regional and social development. B-Lot indicates that it is giving thought to accumulating solar power stations and selling them as commodity packages.

Real Estate Consulting segment

Segment revenue was JPY935mn (-5.1% YoY). The company won consulting projects mainly in Japan’s major cities, and completed 23 deals (21 in Q3 FY12/17). Of the 23 completed deals, 11 were in Kanto (13), five in Hokkaido (four), two in Kyushu (one), and five in Kansai (three). Segment profit was JPY229mn (-28.4% YoY) due to the ongoing increase in SG&A expenses, although the number of completed deals has been increasing (mainly investment properties in the Kanto region).

Real Estate Management segment

Segment revenue was JPY1.2bn (+84.8% YoY). The number of client-owned properties under management rose to 66 (58 in Q3 FY12/17). By region, the company was managing 27 properties in Kanto (25), 24 in Hokkaido (23), 13 in Kyushu (nine), and two in Kansai (one). High occupancy rates of hotels that opened in spring and summer 2018 drove revenue and profit growth. Segment profit was JPY734mn (+118.1% YoY).

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.

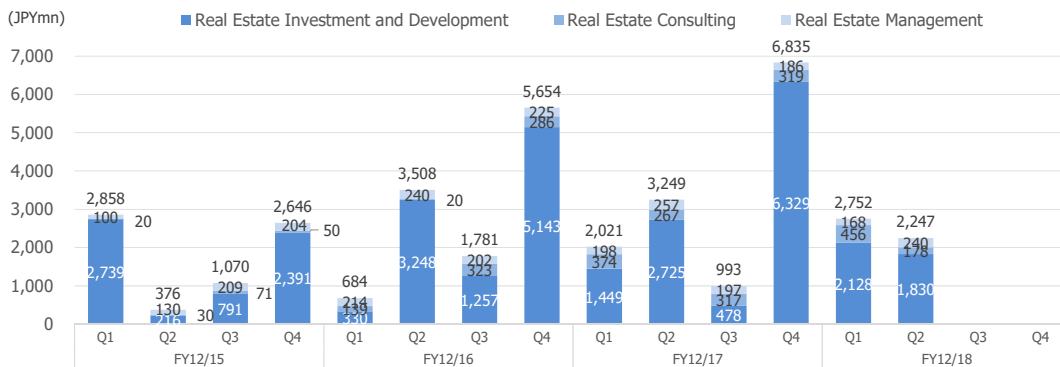
We would highlight the following four points in discussing 1H results:

- 
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

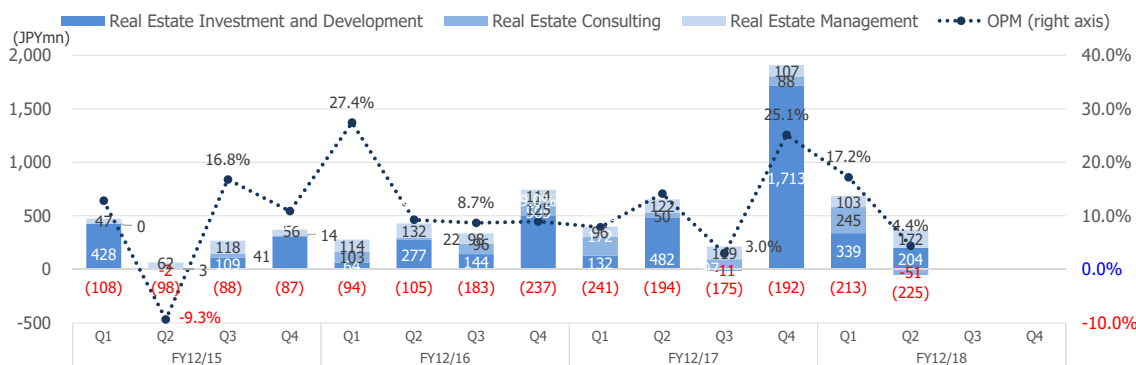


Source: Shared Research based on company data

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 based in Osaka 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 these 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 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.

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.

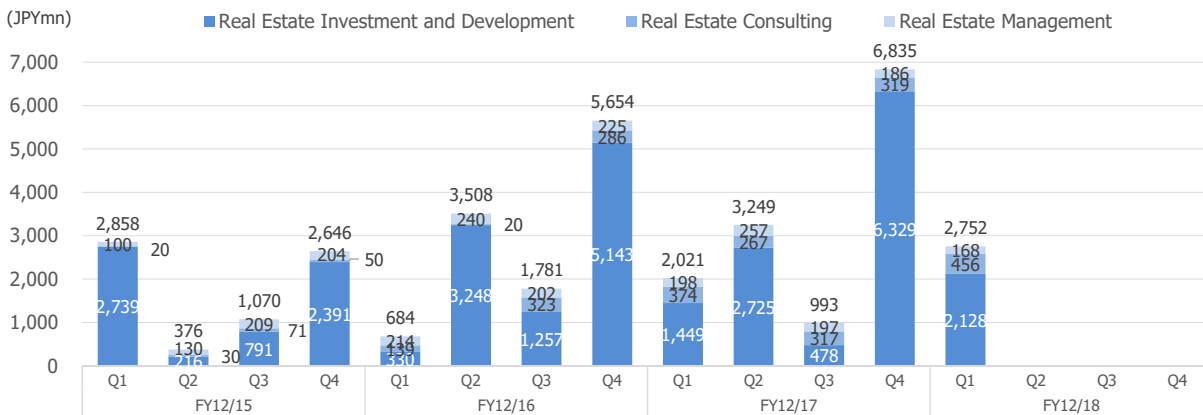
According to the company, acquisition and sales of properties were robust in terms of the number of transactions and revenue, leaving an overall positive impression for the quarter. The company is steadily accumulating knowledge and expertise necessary in dealing with overseas real estate investors centered 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

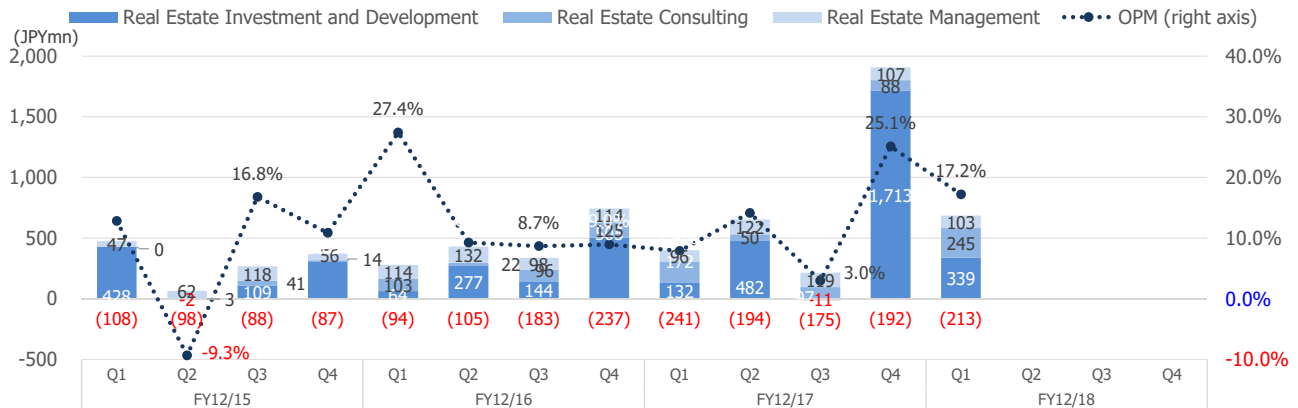


Source: Shared Research based on company data

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.

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. | FY12/18 Cons. |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Revenue | 532 | 457 | 494 | 1,338 | 2,231 | 3,709 | 6,951 | 11,627 | 13,097 | 20,268 |
| YoY | - | -14.2% | 8.2% | 170.9% | 66.7% | 66.3% | 87.4% | 67.3% | 12.6% | 54.7% |
| Cost of revenue | - | - | - | 1,011 | 1,614 | 2,773 | 5,395 | 9,006 | 8,700 | 14,471 |
| Gross profit | - | - | - | 327 | 617 | 937 | 1,556 | 2,621 | 4,397 | 5,797 |
| YoY | - | - | - | - | 88.6% | 51.9% | 66.1% | 68.4% | 67.8% | 31.8% |
| GPM | - | - | - | 24.4% | 27.7% | 25.3% | 22.4% | 22.5% | 33.6% | 28.6% |
| SG&A expenses | - | - | - | 242 | 399 | 558 | 756 | 1,446 | 2,032 | 2,490 |
| SG&A ratio | - | - | - | 18.1% | 17.9% | 15.1% | 10.9% | 12.4% | 15.5% | 12.3% |
| Operating profit | - | - | - | 85 | 218 | 378 | 800 | 1,175 | 2,366 | 3,307 |
| YoY | - | - | - | - | 157.0% | 73.8% | 111.5% | 46.9% | 101.3% | 39.8% |
| OPM | - | - | - | 6.3% | 9.8% | 10.2% | 11.5% | 10.1% | 18.1% | 16.3% |
| Non-operating income | - | - | - | - | 0 | 3 | 7 | 1 | 1 | 6 |
| Non-operating expenses | - | - | - | - | 35 | 86 | 151 | 302 | 368 | 481 |
| Recurring profit | 1 | 23 | 6 | 78 | 183 | 295 | 655 | 874 | 1,999 | 2,833 |
| YoY | - | 1,545.2% | -74.6% | 1,229.7% | 133.4% | 61.7% | 122.1% | 33.4% | 128.6% | 41.7% |
| RPM | 0.3% | 5.1% | 1.2% | 5.8% | 8.2% | 8.0% | 9.4% | 7.5% | 15.3% | 14.0% |
| Extraordinary gains (losses) | - | - | - | - | - | - | - | 0 | -199 | -7 |
| Extraordinary gains | - | - | - | - | - | - | - | 0 | - | - |
| Extraordinary losses | - | - | - | - | - | - | - | - | 199 | 7 |
| Income taxes | - | - | - | - | 78 | 118 | 255 | 286 | 549 | 857 |
| Implied tax rate | - | - | - | - | 42.9% | 40.1% | 38.9% | 32.7% | 30.5% | 30.3% |
| Minority interests | - | - | - | - | - | - | - | - | - | 9 |
| Net income | 2 | 15 | 4 | 42 | 104 | 177 | 401 | 588 | 1,251 | 1,961 |
| YoY | - | 702.6% | -72.9% | 944.6% | 149.8% | 69.2% | 126.8% | 46.9% | 112.6% | 56.8% |
| Net margin | 0.3% | 3.2% | 0.8% | 3.1% | 4.7% | 4.8% | 5.8% | 5.1% | 9.5% | 9.7% |

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%. OPM remained at a high level of 16.3% in FY12/18.

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. | FY12/18 Cons. |
|------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Gross profit | 327 | 617 | 937 | 1,556 | 2,621 | 4,397 | 5,797 |
| GPM | 24.4% | 27.7% | 25.3% | 22.4% | 22.5% | 33.6% | 28.6% |
| Operating profit | 85 | 218 | 378 | 800 | 1,175 | 2,366 | 3,307 |
| OPM | 6.3% | 9.8% | 10.2% | 11.5% | 10.1% | 18.1% | 16.3% |
| EBITDA | 85 | 237 | 391 | 868 | 1,254 | 2,431 | 3,372 |
| EBITDA margin | 6.3% | 10.6% | 10.5% | 12.5% | 10.8% | 18.6% | 16.6% |
| Net margin | 3.1% | 4.7% | 4.8% | 5.8% | 5.1% | 9.5% | 9.7% |
| Financial ratios | | | | | | | |
| ROA (RP-based) | 10.9% | 9.9% | 7.6% | 8.6% | 6.6% | 11.2% | 13.1% |
| ROE | 23.6% | 29.4% | 24.8% | 23.5% | 22.4% | 36.6% | 39.1% |
| Total asset turnover | 1.9 | 1.2 | 0.9 | 0.9 | 0.9 | 0.7 | 0.9 |
| Inventory turnover | 3.6 | 3.4 | 1.7 | 1.2 | 1.1 | 1.0 | 2.0 |
| Days in inventory | 100.3 | 107.9 | 211.0 | 300.3 | 332.2 | 355.9 | 180.3 |
| Working capital requirement | 578 | 1,691 | 3,407 | 6,093 | 11,502 | 11,476 | 14,596 |
| Current ratio | 512.3% | 228.6% | 162.5% | 454.3% | 283.3% | 183.4% | 358.7% |
| Quick ratio | 192.4% | 185.5% | 52.6% | 116.0% | 73.2% | 107.9% | 221.5% |
| OCF / Current liabilities | -309.6% | -144.8% | -88.1% | -68.3% | -130.2% | 35.9% | -16.2% |
| Net debt / Equity | -162.8% | 271.5% | 297.4% | 197.3% | 373.5% | 223.0% | 172.1% |
| OCF / Total liabilities | -0.3 | -0.4 | -0.4 | -0.2 | -0.3 | 0.2 | -0.1 |
| Cash conversion cycle (days) | 100.4 | 108.0 | 211.2 | 301.0 | 334.3 | 359.0 | 182.2 |
| Changes in working capital | 577.6 | 1,113.6 | 1,716.0 | 2,685.4 | 5,409.8 | -26.4 | 3,120.2 |

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. | FY12/18 Cons. |
|-------------------------------------|--------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Revenue | Initial Est. | - | - | - | 5,401 | 11,263 | 16,154 | 20,000 |
| | Results | 1,338 | 2,231 | 3,709 | 6,951 | 11,627 | 13,097 | 20,268 |
| | Results vs. Initial Est. | - | - | - | 28.7% | 3.2% | -18.9% | 1.3% |
| Operating profit | Initial Est. | - | - | - | 509 | 974 | 1,492 | 2,512 |
| | Results | 85 | 218 | 378 | 800 | 1,175 | 2,366 | 3,307 |
| | Results vs. Initial Est. | - | - | - | 57.2% | 20.6% | 58.6% | 31.6% |
| Recurring profit | Initial Est. | - | - | - | 430 | 735 | 1,175 | 2,057 |
| | Results | 78 | 183 | 295 | 655 | 874 | 1,999 | 2,833 |
| | Results vs. Initial Est. | - | - | - | 52.4% | 19.0% | 70.1% | 37.7% |
| Net income | Initial Est. | - | - | - | 250 | 482 | 781 | 1,414 |
| | Results | 42 | 104 | 177 | 401 | 588 | 1,251 | 1,961 |
| | Results vs. Initial Est. | - | - | - | 60.2% | 22.1% | 60.1% | 38.7% |

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 FY12/15, FY12/16, and FY12/18, 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. | FY12/18 Cons. |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | | | | | |
| Cash and deposits | - | - | 320 | 567 | 1,009 | 2,107 | 2,467 | 4,855 | 6,064 |
| Marketable securities | - | - | - | - | - | - | - | 175 | 412 |
| Accounts receivable | - | - | 1 | 0 | 4 | 23 | 110 | 118 | 96 |
| Real estate for sale | - | - | 21 | 1,292 | 596 | - | 1,070 | 4,716 | 6,847 |
| Real estate for sale in process | - | - | 556 | 399 | 2,807 | 6,070 | 10,323 | 6,643 | 7,653 |
| Advance payments | - | - | - | - | - | - | - | - | - |
| Prepaid expenses | - | - | 4 | 8 | 14 | - | - | - | - |
| Other | - | - | 19 | 36 | 585 | 144 | 136 | 255 | 654 |
| Total current assets | - | - | 921 | 2,303 | 5,014 | 8,343 | 14,105 | 16,761 | 21,726 |
| Land | - | - | - | - | - | 167 | 177 | 164 | 9 |
| Buildings | - | - | - | 52 | 47 | 644 | 642 | 418 | 452 |
| Other fixed assets | - | - | 60 | 4 | 4 | 10 | 13 | 13 | 118 |
| Total tangible fixed assets | - | - | 60 | 56 | 51 | 822 | 832 | 596 | 580 |
| Software | - | - | 157 | 157 | 157 | 659 | 659 | 659 | 659 |
| Goodwill | - | - | - | - | - | - | 144 | 156 | 256 |
| Other | - | - | 2 | 1 | 0 | 0 | 10 | 10 | 9 |
| Total intangible fixed assets | - | - | 159 | 158 | 157 | 659 | 813 | 825 | 924 |
| Investment securities | - | - | 0 | 0 | 1 | - | - | - | - |
| Deferred tax assets | - | - | - | - | - | 1 | 1 | 104 | 43 |
| Other | - | - | 20 | 25 | 45 | 150 | 834 | 794 | 961 |
| Investments and other assets | - | - | 21 | 25 | 45 | 151 | 835 | 897 | 1,004 |
| Total fixed assets | - | - | 239 | 240 | 254 | 1,632 | 2,479 | 2,318 | 2,507 |
| Deferred assets | - | - | - | - | - | 9 | 41 | 31 | 35 |
| Total assets | 160 | 281 | 1,160 | 2,543 | 5,268 | 9,985 | 16,626 | 19,110 | 24,269 |
| LIABILITIES | | | | | | | | | |
| Short-term debt | - | - | 62 | 737 | 2,749 | 1,296 | 4,289 | 8,017 | 4,456 |
| Other | - | - | 118 | 270 | 337 | 540 | 690 | 1,121 | 1,601 |
| Total current liabilities | - | - | 180 | 1,007 | 3,086 | 1,836 | 4,979 | 9,138 | 6,058 |
| Long-term debt | - | - | 681 | 1,050 | 1,167 | 5,607 | 8,708 | 5,777 | 11,980 |
| Other | - | - | 39 | 36 | 37 | 110 | 120 | 186 | 205 |
| Total fixed liabilities | - | - | 721 | 1,086 | 1,205 | 5,717 | 8,828 | 5,963 | 12,185 |
| Total liabilities | - | - | 900 | 2,093 | 4,291 | 7,553 | 13,806 | 15,101 | 18,243 |
| Capital stock | - | - | 124 | 167 | 405 | 932 | 944 | 945 | 1,024 |
| Capital surplus | - | - | 45 | 88 | 326 | 853 | 865 | 866 | 945 |
| Retained earnings | - | - | 59 | 164 | 247 | 648 | 1,236 | 2,421 | 4,232 |
| Treasury stock | - | - | - | - | - | - | -223 | -224 | -224 |
| Accumulated other comprehensive income | - | - | - | - | - | -2 | -2 | 0 | -3 |
| Share subscription rights | - | - | - | - | - | - | - | - | 9 |
| Non-controlling interests | - | - | - | - | - | - | - | - | 42 |
| Net assets | 66 | 94 | 260 | 449 | 978 | 2,431 | 2,819 | 4,009 | 6,026 |
| Working capital | - | - | 578 | 1,691 | 3,407 | 6,093 | 11,502 | 11,476 | 14,596 |
| Total interest-bearing debt | - | - | 743 | 1,787 | 3,916 | 6,903 | 12,997 | 13,794 | 16,436 |
| Net debt | - | - | -423 | 1,220 | 2,907 | 4,796 | 10,530 | 8,939 | 10,372 |

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. | FY12/18 Cons. |
|-------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Accounts receivable turnover | 3,796.4 | 4,876.2 | 1,838.2 | 520.0 | 175.3 | 115.2 | 189.8 |
| Accounts receivable days | 0.1 | 0.1 | 0.2 | 0.7 | 2.1 | 3.2 | 1.9 |
| Inventory turnover | 3.6 | 3.4 | 1.7 | 1.2 | 1.1 | 1.0 | 2.0 |
| Days in inventory | 100.3 | 107.9 | 211.0 | 300.3 | 332.2 | 355.9 | 180.3 |
| Accounts payable turnover | - | - | - | - | - | - | - |
| Accounts payable days | - | - | - | - | - | - | - |
| Cash conversion cycle (days) | 100.4 | 108.0 | 211.2 | 301.0 | 334.3 | 359.0 | 182.2 |

Source: Shared Research based on company data

Assets

Approximately 90% 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 about 10% of total assets.

Liabilities

Liabilities account for approximately 75% of total liabilities and net assets, and interest-bearing debt accounts for around 90% of liabilities.

Shareholders' equity

Net assets account for approximately 25% of total liabilities and net assets. As of end-FY12/18 the shareholders' equity ratio was 24.6%.

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. | FY12/18 Cons. |
|--|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Cash flows from operating activities (1) | -278 | -859 | -1,802 | -1,681 | -4,436 | 2,533 | -1,229 |
| Cash flows from investing activities (2) | -225 | -23 | -220 | -1,241 | -922 | -861 | -190 |
| Free cash flow (1+2) | -503 | -882 | -2,023 | -2,922 | -5,359 | 1,671 | -1,419 |
| Cash flows from financing activities | 722 | 1,129 | 2,463 | 4,019 | 5,717 | 719 | 2,631 |
| Simple FCF (NI + A + B - C) | 42 | -990 | -1,526 | -2,217 | -4,742 | 1,326 | -1,259 |

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, but the company again recorded cash outflows in FY12/18.

Cash flows from investing activities

From FY12/12 through FY12/18, 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 FY12/18, 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

March 2019

On **March 28, 2019**, the company announced it will acquire shares in Yokohama Shoen Co., Ltd. (formerly known as Yokohama Fujireiby Co., Ltd.), making the company an equity-method affiliate.

Reason for share acquisition

- ▷ Yokohama Shoen, which will become an equity-method affiliate through the share acquisition, is located in a prime location that is a six minute walk from Kishine Koen Station on the Blue Line of the Yokohama Municipal Subway. It was spun off from the company that owns and manages Fujikinenkan/Fujireiby, a funeral hall and columbarium (building for storing funeral urns) facility that has been in operation for 45 years. (The spin-off was an incorporation-type demerger for the purpose of establishing an entity to hold and manage a real estate property.)
- ▷ The company name was changed from Yokohama Fujireiby to Yokohama Shoen after the share acquisition.
- ▷ Following the share acquisition, the facility will expand indoor space for funeral urns, conduct exterior renovations, and undergo earthquake reinforcements.
- ▷ By combining B-lot's expertise in real estate revitalization and its extensive track record in regenerating operational assets with Fujireiby's expertise in columbarium operations, both companies will venture into a new business field.
- ▷ As Japan's population continues to age going forward, the development of indoor-type columbaria in urban locations not only has social significance, but is also expected to become a stable source of long-term revenue.
- ▷ The impact of the share acquisition on FY12/19 earnings is currently under review.

Details of share acquisition

- ▷ Shares held before acquisition: 0 shares
- ▷ Number of shares to be acquired: 100 shares (number of shareholder voting rights: 100)
- ▷ Acquisition cost: JPY378mn (estimated JPY375mn for the common shares of Yokohama Shoen, estimated advisory fees and other costs)
- ▷ Shares held after acquisition: 100 shares (number of shareholder voting rights: 100; percentage of voting rights: 50.0%)

On **the same day**, the company announced it will purchase and cancel its 7th stock acquisition rights (with provisions to revise exercise price) and 8th stock acquisition rights.

The company has resolved to purchase all outstanding 7th and 8th stock acquisition rights* issued on June 6, 2018, and cancel such rights upon acquisition.

Reason for purchase and cancellation of stock acquisition rights

- ▷ The stock acquisition rights in question were issued to raise (1) acquisition funds for real estate for sale and real estate for lease, (2) cash reserves for M&A and capital and business alliances, and (3) funds to bolster the company's financial standing and raise its equity ratio. A total of 230 stock acquisition rights (corresponding to 23,000 shares) were exercised, and the amount paid upon exercise of the stock acquisition rights was JPY36,296,500.
- ▷ Amid a subsequent downturn in real estate sector stocks, the company's stock price fell roughly 30% below its closing price on the business day prior to the date of the resolution regarding the issuance of the stock acquisition rights. No stock acquisitions rights have been exercised since June 19, 2018 as the stock price has remained below the exercise price.

- ▷ Meanwhile, the company's earnings have held steady, and its equity ratio has risen to 24.6% (FY12/18). After taking into overall consideration factors such as future growth, share dilution, and the market environment, the company has decided to purchase and cancel all outstanding 7th and 8th stock acquisition rights.
- ▷ The impact on earnings is expected to be negligible.

Summary of offer (from release on May 15, 2018)

| | |
|---|---|
| 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. |

February 2019

On **February 28, 2019**, the company announced the sale of a real estate property.

Outline of property sold

Location: Otaru, Hokkaido

Building type: Newly built hotel

Total floor space (registered): 4,358.19sqm

Lot size (registered): 1,420.03sqm

Buyer and sales price: Undisclosed due to a confidentiality clause in the sales contract for the property. Proceeds from the sale has been incorporated into FY12/19 company forecasts.

On **February 22, 2019**, Shared Research updated the report following interviews with the company.

December 2018

On **December 17, 2018**, the company announced revisions to its full-year FY12/18 earnings forecasts and dividends from surplus (dividend increase).

Revised full-year FY12/18 earnings forecasts

- ▷ Revenue: JPY20.2bn (previous forecast: JPY20.0bn)
- ▷ Operating profit: JPY3.3bn (JPY2.5bn)
- ▷ Recurring profit: JPY2.8bn (JPY2.1bn)
- ▷ Net income*: JPY1.9bn (JPY1.4bn)

▷ EPS: JPY248.98 (JPY183.65)

* Net income refers to net income attributable to owners of parent.

Reasons for revision

The revised revenue forecast is largely in line with the previous forecast. However, the company expects profits to exceed its previous forecasts owing to successive sales of real estate for sale in Q4 and corresponding strong margins in the mainstay Real Estate Investment and Development business.

Dividends from surplus

As 2018 marks B-Lot's 10th anniversary, the company's policy for the FY12/18 year-end dividend calls for a payout ratio of 20%. Taking into account its dividend policy and the upward revision to its full-year forecasts, B-Lot has decided to increase the ordinary dividend by JPY30.50 from JPY19.50 in FY12/17 to JPY50 per share.

Overview of property

The company announced the sale of the following real estate commodities in Q3 FY12/18:

Outline of property announced on December 7, 2018

Facility name: Ropponmatsu View Apartment (new rental condominium building)

Location (displayed address): Chuo-ku, Fukuoka-shi, Fukuoka

Construction completed: November 30, 2018

Variety/structure: residential complex/ reinforced concrete/ 14-story (39 total units, 13-section parking lot)

Total floor space (registered): 2,577.42sqm

Lot size (registered): 499.04sqm

Buyer: industrial corporation located in Minato-ku, Tokyo

Outline of property announced on December 7, 2018

Facility name: Tissage Hotel Naha

Location (displayed address): 2-14-1 Nishi, Naha-shi, Okinawa

Construction completed: February 26, 2018

Variety/ structure: hotel/ reinforced concrete/ 13 stories above ground (132 total units)

Total floor space (registered): 3,758.76sqm

Lot area (registered): 875.38sqm

Buyer: Fukuoka REIT Corporation

November 2018

Outline of property announced on November 28, 2018

Facility name: Toranomom SE (new office building)

Location (displayed address): 1-19-8 Nishi-Shinbashi, Minato-ku, Tokyo

Construction completed: June 27, 2018

Variety/ structure: office and retail building/ reinforced concrete/ flat roof with eight stories and one basement level (three stores, six offices)

Total floor space (registered): 406.09sqm

Lot area (registered): 67.06sqm

Buyer: industrial corporation in Osaka-shi, Osaka

Outline of property announced on November 27, 2018

Facility name: Maison Milano Nakatsu (condominium building offering minpaku (Airbnb-style private accommodations) lodging facility in a designated district)

Location (displayed address): Nakatsu, Kita-ku, Osaka-shi, Osaka

Variety/ structure: office and residential complex/ reinforced concrete/ flat roof with five stories (30 total units, 16 of which are minpaku-style rooms)

Total floor space (registered): 1,395.20sqm

Lot area (registered): 558.21sqm

Operating company: Main Tree Japan

Buyer: undisclosed

Property outline

Location (displayed address): Setagaya-ku, Tokyo

Variety: residential complex and garage

Total floor space (registered): 1,929.53sqm

Lot area (registered): 991.73sqm

Buyer: undisclosed

Outline of property announced on November 7, 2018

Facility name: Sakate, Joso-shi, Ibaraki No. 3 MS power station (solar power station)

Location (displayed address): 1385-1-37 Aza Nishiyatsu, Sakate-machi, Joso-shi, Ibaraki

Date of acquisition: November 7, 2018

Lot area (registered): 15,629sqm

Operations commenced: March 2018

Unit price of electricity: JPY36/ kWh (tax not included)

Electricity buyer: TEPCO Energy Partner, Inc.

Output: 1,333.8kW

Outline of property announced on November 2, 2018

Location (displayed address): Shimohyaku-cho, Mitsuhashi-machi, Yanagawa-shi, Fukuoka

Date of acquisition: September 27, 2018

Construction completed: August 30, 1990

Variety/ structure: medical office and residential complex/ steel and reinforced concrete/ slate roof with 11 stories above ground (one medical office, two stores, 36 residential units, 50 parking-section parking lot)

Total floor space (registered): 4,204.38sqm

Lot area (registered): 2,300.00sqm

October 2018

Outline of property announced on October 31, 2018

Facility name: IMANO TOKYO GINZA HOSTEL

Location (displayed address): 1 Shintomi, Chuo-ku, Tokyo

Structure: reinforced concrete/ 10 stories above ground (30 total rooms with 120 beds)

Total floor space (registered): 915.65sqm

Lot area (registered): 137.01sqm

Operating company: ABaccommo Co., Ltd.

Buyer: Foreign investor

Outline of property announced on October 11, 2018

Location (displayed address): Taito-ku, Tokyo

Variety: retail store

Total floor space (registered): 1,291.10sqm

Lot area (registered): 168.59sqm

Buyer: undisclosed

September 2018

Outline of property announced on September 27, 2018

Location (displayed address): Kyoto-shi, Kyoto

Variety: land for development

Lot area (registered): 451.65sqm

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. The company's basic policy is to maintain a dividend payout ratio of 20%.

Major shareholders (as of end-December 2018)

| Top shareholders | Shares held | Shareholding ratio |
|-----------------------|------------------|--------------------|
| Shinichi Hasegawa | 1,269,000 | 16.08% |
| Masahiro Mochizuki | 1,089,000 | 13.80% |
| M&M, Ltd. | 819,000 | 10.38% |
| Makoto Miyauchi | 528,000 | 6.69% |
| Mitsuru Otsuka | 175,400 | 2.22% |
| Fumie Mochizuki | 168,000 | 2.13% |
| Hokuto Mfg. Co., Ltd. | 115,000 | 1.46% |
| Taro Togawa | 108,000 | 1.37% |
| Kentaro Ezaki | 107,000 | 1.36% |
| XYMAX Corporation | 72,000 | 0.91% |
| SUM | 4,450,400 | 56.38% |

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

| Number of employees | FY12/14 | FY12/15 | FY12/16 | FY12/17 | FY12/18 |
|---------------------|---------|---------|---------|---------|---------|
| | Cons. | Cons. | Cons. | Cons. | Cons. |
| Parent | 24 | 32 | 35 | 48 | 54 |
| Consolidated | 24 | 35 | 134 | 149 | 201 |

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>.

Current Client Coverage of Shared Research Inc.

| | | |
|--|--------------------------------------|--|
| Accordia Golf Trust | FRONTEO, Inc. | NS TOOL CO., LTD. |
| ADJUVANT COSME JAPAN CO., LTD. | Fujita Kanko Inc. | OHIZUMI MFG. CO., LTD. |
| Aeon Delight Co., Ltd. | Gamecard-Joyco Holdings, Inc. | Oisix ra daichi Inc. |
| Aeon Fantasy Co., Ltd. | GCA Corporation | Oki Electric Industry Co., Ltd |
| Ai Holdings Corporation | Good Com Asset Co., Ltd. | ONO SOKKI Co., Ltd. |
| and factory, inc. | Grandy House Corporation | ONWARD HOLDINGS CO.,LTD. |
| ANEST IWATA Corporation | Hakuto Co., Ltd. | Pan Pacific International Holdings Corporation |
| AnGes Inc. | Happinet Corporation | PARIS MIKI HOLDINGS Inc. |
| Anicom Holdings, Inc. | Harmonic Drive Systems Inc. | PIGEON CORPORATION |
| Anritsu Corporation | HOUSEDO Co., Ltd. | RACCOON HOLDINGS, Inc. |
| Apaman Co., Ltd. | IDOM Inc. | Raysum Co., Ltd. |
| ARATA CORPORATION | IGNIS LTD. | RESORTTRUST, INC. |
| Arealink Co.,Ltd. | i-mobile Co.,Ltd. | ROUND ONE Corporation |
| Artspark Holdings Inc. | Inabata & Co., Ltd. | RVH Inc. |
| AS ONE CORPORATION | Infocom Corporation | RYOHIN KEIKAKU CO., LTD. |
| Ateam Inc. | Infomart Corporation | SanBio Company Limited |
| Aucfan Co., Ltd. | Intelligent Wave, Inc. | SANIX INCORPORATED |
| AVANT CORPORATION | ipet Insurance CO., Ltd. | Sanrio Company, Ltd. |
| Axell Corporation | istyle Inc. | SATO HOLDINGS CORPORATION |
| Azbil Corporation | Itochu Enex Co., Ltd. | SBS Holdings, Inc. |
| AZIA CO., LTD. | JSB Co., Ltd. | Seikagaku Corporation |
| AZoom, Co., Ltd. | JTEC Corporation | Seria Co.,Ltd. |
| BEBNOS Inc. | J Trust Co., Ltd | SHIFT Inc. |
| Bell-Park Co., Ltd. | Japan Best Rescue System Co., Ltd. | SHIP HEALTHCARE HOLDINGS, INC. |
| Benefit One Inc. | JINS HOLDINGS Inc. | SIGMAXYZ Inc. |
| B-lot Co.,Ltd. | JP-HOLDINGS, INC. | SMS Co., Ltd. |
| Broadleaf Co., Ltd. | KAMEDA SEIKA CO., LTD. | Snow Peak, Inc. |
| Canon Marketing Japan Inc. | Kenedix, Inc. | Solasia Pharma K.K. |
| Career Design Center Co., Ltd. | KFC Holdings Japan, Ltd. | SOURCENEXT Corporation |
| Carna Biosciences, Inc. | KI-Star Real Estate Co., Ltd. | Star Mica Holdings Co., Ltd. |
| CARTA HOLDINGS, INC | Kondotec Inc. | Strike Co., Ltd. |
| CERES INC. | Kumiai Chemical Industry Co., Ltd. | Symbio Pharmaceuticals Limited |
| Chiyoda Co., Ltd. | Lasertec Corporation | Synchro Food Co., Ltd. |
| Chugoku Marine Paints, Ltd. | LUCKLAND CO., LTD. | TAIYO HOLDINGS CO., LTD. |
| cocokara fine Inc. | MATSUI SECURITIES CO., LTD. | Takashimaya Company, Limited |
| COMSYS Holdings Corporation | Medical System Network Co., Ltd. | Take and Give Needs Co., Ltd. |
| CRE, Inc. | MEDINET Co., Ltd. | Takihyo Co., Ltd. |
| CREEK & RIVER Co., Ltd. | MedPeer,Inc. | TEAR Corporation |
| Daiichi Kigenso Kagaku Kogyo Co., Ltd. | Mercuria Investment Co., Ltd. | Tempo Innovation Inc. |
| Daiseki Co., Ltd. | Micronics Japan Co., Ltd. | 3-D Matrix, Ltd. |
| DIC Corporation | Milbon Co., Ltd. | TKC Corporation |
| Digital Arts Inc. | MIRAIT Holdings Corporation | TOKAI Holdings Corporation |
| Digital Garage Inc. | Monex Goup Inc. | TOYOBO CO., LTD. |
| Dream Incubator Inc. | MORINAGA MILK INDUSTRY CO., LTD. | Toyo Tanso Co., Ltd. |
| Earth Corporation | NAGASE & CO., LTD | Tri-Stage Inc. |
| Elecom Co., Ltd. | NAIGAI TRANS LINE LTD. | VISION INC. |
| en-Japan Inc. | NanoCarrier Co., Ltd. | VISIONARY HOLDINGS CO., LTD. |
| euglena Co., Ltd. | Net One Systems Co.,Ltd. | WirelessGate, Inc. |
| Evolable Asia Corp. | Nichi-Iko Pharmaceutical Co., Ltd. | YELLOW HAT LTD. |
| FaithNetwork Co., Ltd. | Nihon Denkei Co., Ltd. | YOSHINOYA HOLDINGS CO., LTD. |
| Ferrotec Holdings Corporation | Nippon Koei Co., Ltd. | YUMESHIN HOLDINGS CO., LTD. |
| FIELDS CORPORATION | NIPPON PARKING DEVELOPMENT Co., Ltd. | Yume no Machi Souzou Iinkai Co., Ltd. |
| Financial Products Group Co., Ltd. | NIPRO CORPORATION | Yushiro Chemical Industry Co., Ltd. |
| FreeBit Co., Ltd. | Nisshinbo Holdings Inc. | ZAPPALLAS, INC. |

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