



## **B-Lot Company Limited**

Financial Results Briefing for the Fiscal Year Ended December 2019

February 19, 2020

## Event Summary

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[Company Name]	B-Lot Company Limited
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended December 2019
[Fiscal Period]	2019 Annual
[Date]	February 19, 2020
[Number of Pages]	26
[Time]	10:00 – 10:42 (Total: 42 minutes, Presentation: 30 minutes, Q&A: 12 minutes)
[Venue]	Kabutocho Heiwa Building 2F 3-3 Kabutocho Nihonbashi Chuo-ku, Tokyo 103-0026 (Hosted by The Securities Analysts Association of Japan)
[Venue Size]	145 m <sup>2</sup>
[Participants]	
[Number of Speakers]	2 Makoto Miyauchi                      President Hiroyuki Goto                         Manager

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## Presentation

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**Moderator:** We have come to the appointed time, so we will now hold the financial results briefing of B-Lot Company Limited for the fiscal year ended December 2019.

First of all, I would like to introduce two persons who have come today from The Company. We have here Mr. Makoto Miyauchi, President. This is Mr. Hiroyuki Goto, Manager of the Corporate Planning Department, Corporate Administration Division.

Today, President Miyauchi will talk about The Company's financial results. After his explanations, we will take time to answer questions.

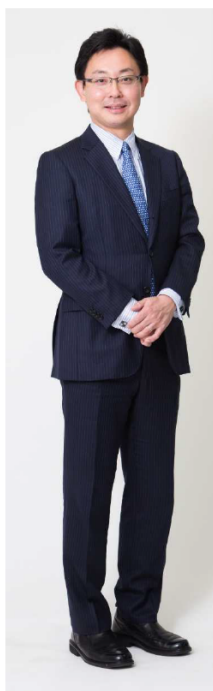
Now, let's begin.

**Miyauchi:** Good morning. I am Miyauchi. We would like to thank you for coming to our financial results briefing for the fiscal year ended December 2019 today despite your busy schedule.

Let me now discuss our financial results according to the materials you have on hand.

### *To Our Shareholders*

### *Building a Robust Business Base and Stable Growth in a Changing Environment*



B-Lot Co., Ltd.  
President  
Makoto Miyauchi

*To All Stakeholders:*

*Ever since our founding, B-lot has pursued profits and long-term growth as a company greatly needed by society by creating valuable new businesses in real estate and real estate finance.*

*Looking back at 2019, we felt the real estate industry reached a turning point, where the companies well-trusted by financial institutions and business partners could enjoy greater success than others.*

*We saw this as a good opportunity, and we have tried to differentiate ourselves from competitors by sticking to the following two points.*

- ▶ *Work on each project with integrity and sincerity*
- ▶ *Commit to results as professional's*

*Going forward, we will not only work to expand our existing businesses, but also diversify ourselves to create new business pillars. We will do so by rigorously enforcing compliance and sustaining corporate culture that promotes honesty and integrity.*

*We will continue to develop in unity, drawing on our strengths of taking on new challenges, flexibly adapting to changes, creatively devising solutions, and building networks.*

*We look forward to your continued support of B-Lot.*

This is the page of my greeting. What we felt in 2019 was that the real estate market remained active. However, we also felt subtle changes. We felt that there was a difference between the companies trusted by our business partners and financial institutions, and the companies that are not, unfortunately.

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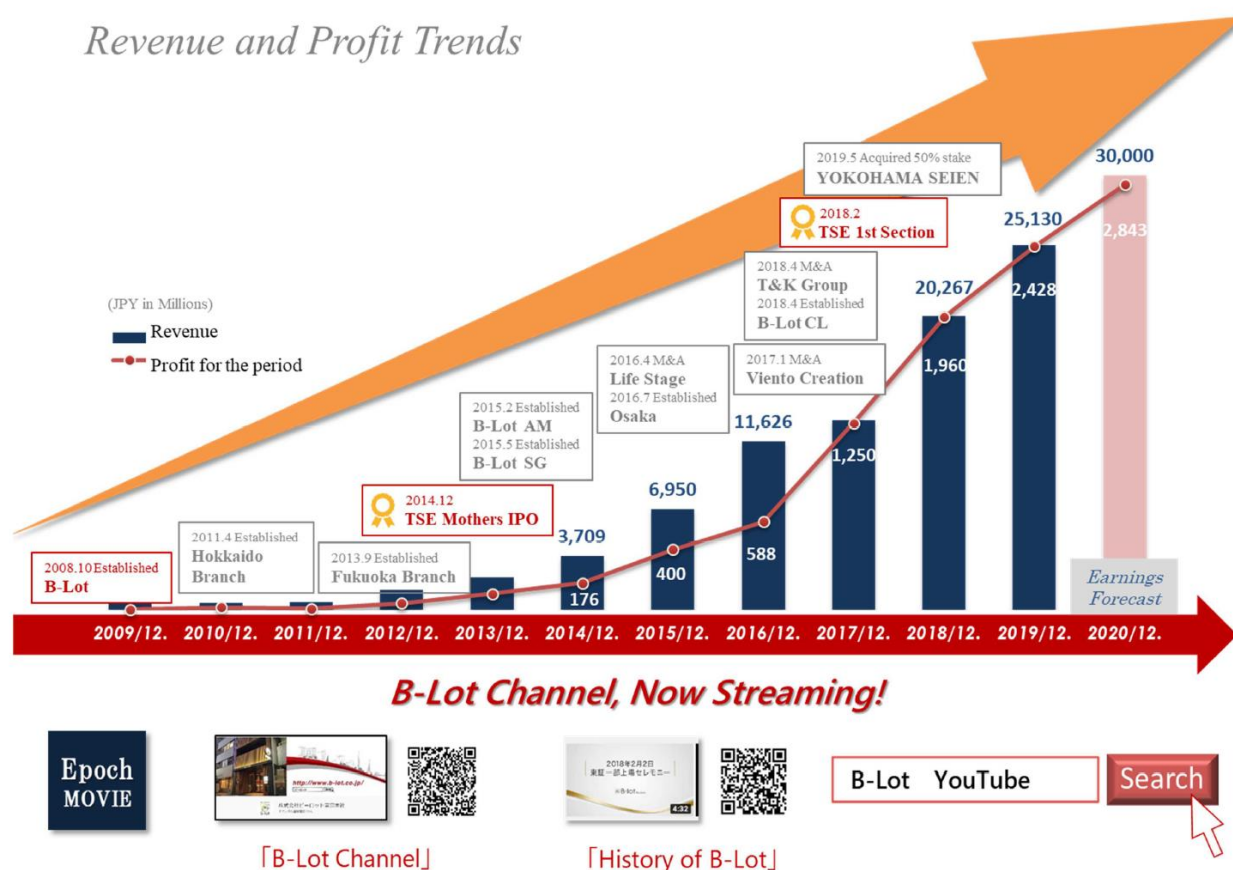
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Naturally, we would like to do more for the former. When things change, we come back to the fundamentals, and we will focus on two things.

We will "sincerely and faithfully engage in each project" and "each one of us will be particular about results as a professional." That is a given. However, I think it is necessary to return to the basics when these changes occur, and to look back at the work and the company we are running. By repeating this basic process, I believe we can achieve stable growth and evolve into a company with a strong business foundation.



This page is about rapid growth through business development that precedes trends in business performance and the needs of the times. You can see that sales and net income have consistently increased since our founding in 2008.

There are two QR codes at the bottom of this page. We hope you will watch the videos when you have time. They are entitled B-Lot Channel and Progress of B-Lot.

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## Returns for Shareholders

### Increased Dividends in Consideration of Internal reserves



**FY2019/12**

Total yield on  
purchase of 100  
shares

**3.44%** <sup>\*3</sup>



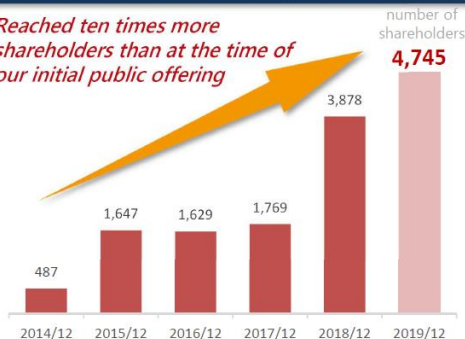
<sup>\*1</sup>: Year-end dividend = adjusted for stock split in January 2018

<sup>\*2</sup>: Dividends = To be discussed at the Ordinary Shareholders Meeting scheduled for March 2020

<sup>\*3</sup>: Total Yield = (Amount equivalent to shareholder benefits + Annual dividend)/(Closing price on December 30, 2019 x 100 shares)

## Increase in the Number of Shareholders

Reached ten times more  
shareholders than at the time of  
our initial public offering



## Shareholder Benefits



Record Date	December 31, 2019
Shares held	100 shares (one unit) or more
QUO card	1,000 yen

This page is about our decision to increase the dividend while taking into account shareholder returns and internal reserves. While it will depend on the resolution made at the General Meeting of Shareholders in March of this year, we would like to implement a dividend payout ratio of 20% and a year-end dividend of JPY60 per share based on our financial results in fiscal year ended December 2019.

As shown at the bottom right of this page, we have distributed the QUO Card as a shareholder benefit. Total dividends and shareholder benefits, as shown in the upper right, yielded 3.44% at the time of the purchase of 100 shares in the fiscal year ended December 2019. We also want to somehow reward our shareholders. I don't know whether the results have been achieved, but the number of shareholders is at the bottom left. The number has increased approximately 10 times since the IPO to nearly 5,000.

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# *I . Performance Review*

<i>I. Performance Review</i>	<i>P.05-9</i>
<i>II. Business Summary</i>	<i>P.10-22</i>
<i>III. Company Profile</i>	<i>P.23-34</i>

It says I. Overview of financial results and descriptions. As shown at the bottom right of this page, this material consists of four major items.

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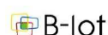
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1. *Achieved nine consecutive years of growing sales and profits.  
Consolidated net income surged 23.9% year on year.*
2. *Reached a record high of 19.9B JPY in the total balance of properties for sale.  
Property acquisition was steady thanks to our extensive track record and business network.*
3. *Successfully completed a record high transaction, the sale of 4 properties to one investor, which boosted the earnings.  
Diverse disposition strategies increased opportunities.*
4. *Developed new business areas and created synergies with existing businesses.  
We have expanded our business by building strong relationships with partner companies.*



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First, I would like to explain the first item, which is the overview of our financial results.

This is the page titled I-1. Summary. There are four key points in our financial results for the fiscal year ended December 2019.

The first point is that sales and profits increased for the ninth consecutive year. Consolidated net income rose 23.9% YoY.

The second point is that the balance of real estate for sale (including work in process) reached a record high of JPY19.9 billion. Our extensive track record and network have enabled us to make steady progress in our purchasing activities.

The third point is that we sold four properties simultaneously. This is the highest transaction value ever for us. These transactions have contributed to our performance. We aim to diversify our sales methods and expand project opportunities.

The fourth point is that we will explore new business areas and aim for synergies with existing businesses. We have realized business expansion by building very strong relationships with a variety of partner companies.

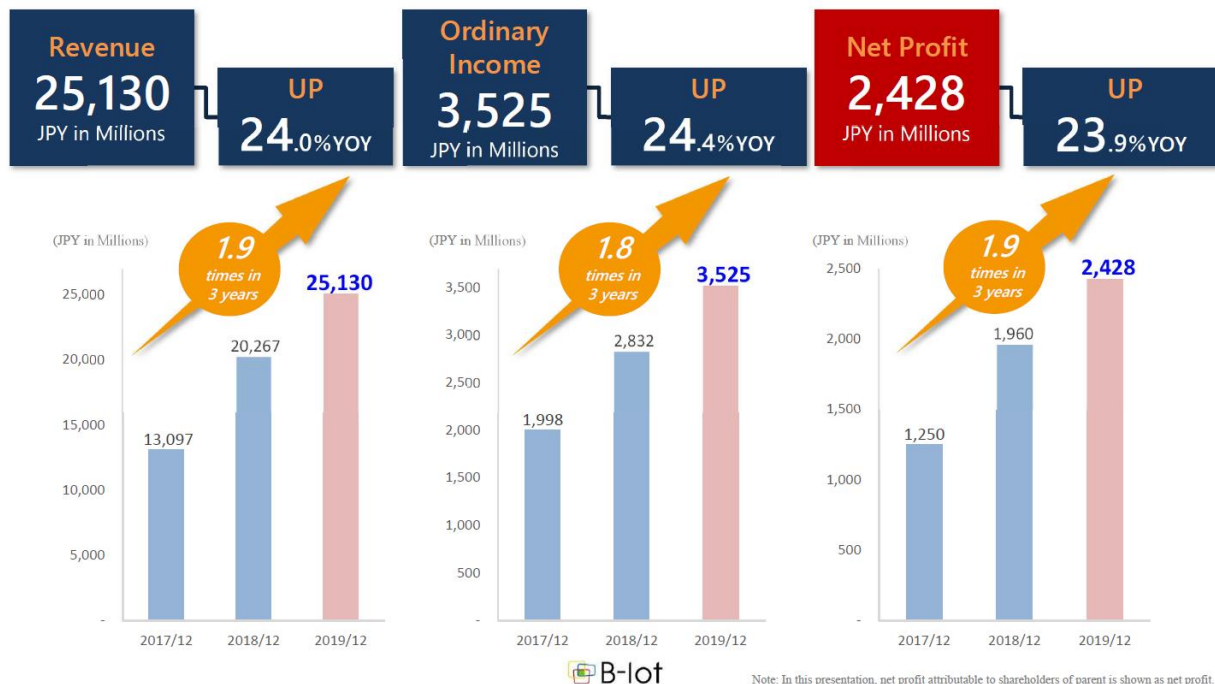
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## ~ Achieved KPI of 20% Net Profit Growth ~



This is I-2, the consolidated financial highlights. We achieved a 20% growth in net income, which is a key performance indicator for B-Lot Company Limited.

The graph on the left shows sales. It rose 24.0% YoY to JPY25.130 billion. The one in the middle shows ordinary income. It rose 24.4% YoY to JPY3.525 million. At the rightmost is net income. It is enclosed in a red box, which means that it is the most important value for us. It rose 23.9% YoY to JPY2.428 million.

In all cases, the increase was 1.8 times or 1.9 times over three years.

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**Profit Growth Driven by Investment & Development and Consulting Businesses.**

Consolidated P/L Summary				Consolidated B/S Summary			
	FY2018/12	FY2019/12	YoY change		FY2018/12	FY2019/12	YoY change
<b>Revenue</b>	<b>20,267</b>	<b>25,130</b>	<b>24.0%</b>	<b>Assets</b>	<b>24,268</b>	<b>33,555</b>	<b>38.3%</b>
(1) Real Estate Investment and Development business	17,208	21,185	23.1%	Current Assets	21,659	29,881	38.0%
(2) Real Estate Consulting business	1,037	1,249	20.4%	Fixed Assets	2,573	3,650	41.8%
(3) Real Estate Management business	2,021	2,695	33.3%	Deferred Assets	34	23	△31.8%
<b>Gross Profit</b>	<b>5,797</b>	<b>6,980</b>	<b>20.4%</b>	<b>Liabilities</b>	<b>18,242</b>	<b>25,401</b>	<b>39.2%</b>
SG&A	2,490	2,995	20.3%	Current Liabilities	6,057	11,093	83.1%
<b>Operating Income</b>	<b>3,307</b>	<b>3,985</b>	<b>20.5%</b>	Fixed Liabilities	12,185	14,308	17.4%
(1) Real Estate Investment and Development business	3,039	3,896	28.2%	<b>Net Assets</b>	<b>6,025</b>	<b>8,154</b>	<b>35.3%</b>
(2) Real Estate Consulting business	282	577	104.3%	<b>Total Liabilities and Net Assets</b>	<b>24,268</b>	<b>33,555</b>	<b>38.3%</b>
(3) Real Estate Management business	901	679	△24.7%	<small>The above revenue does not include internal transactions between segments. Notes: Consolidated BS, P&amp;L: B-lot Capital Link Co.,Ltd. is included in the B/S, P/L from FY2019.</small>			
Other (company-wide expenses)	△917	△1,168	27.4%				
<b>Ordinary Income</b>	<b>2,832</b>	<b>3,525</b>	<b>24.4%</b>				
<b>Net Profit for the Period</b>	<b>1,960</b>	<b>2,428</b>	<b>23.9%</b>				



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This page is titled I-3, the consolidated P/L and B/S summary. The Investment Development and Consulting business drove profit growth.

First, let's discuss the left half. This is a summary of our consolidated P/L. First, I want to look at the sales of our three businesses. Sales in Real Estate Investment and Development in number two has increased overwhelmingly. In this business, we actually sell real estate, so sales significantly increase every year.

If you look at the lower section, we have the operating income for each of our three businesses. Although the balance is better than sales, Real Estate Investment and Development is a very large figure here as well. It manifests a significant increase of 28.2% over the previous fiscal year.

However, if you look at Real Estate Consulting in number three, its operating income has also nearly doubled. In addition, Real Estate Management in number three has ended with a decline in profits.

Please look at the right half. It is a summary of our consolidated B/S. First of all, in terms of assets, there was a 38.3% increase to JPY33.555 billion. The majority of these assets are current assets. The majority of current assets are real estate for sale and cash and deposits.

Now, please look at liabilities. Our liabilities increased 39.2% to JPY25.401 billion. Our balance sheet is characterized by the fact that, every fiscal year, our assets are largely current assets, while our liabilities are largely dependent on fixed liabilities and long-term borrowings. However, I think you can see the increase in current liabilities in the fiscal year ended December 2019.

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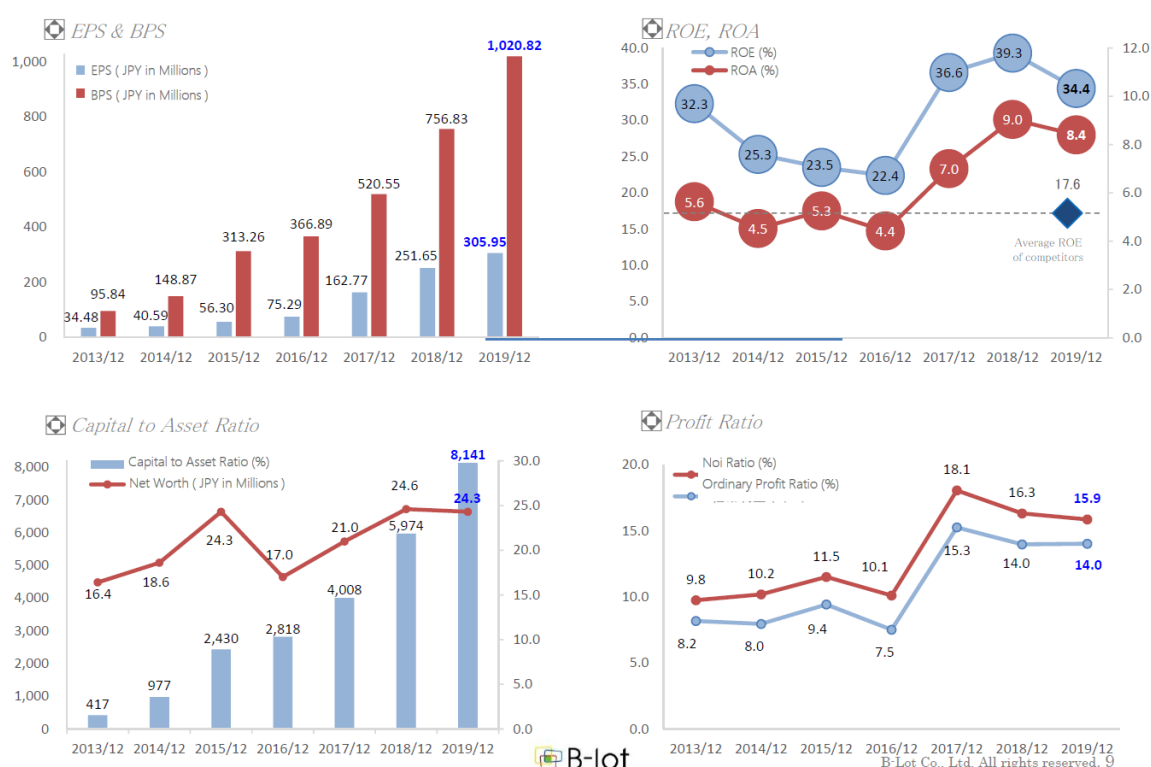
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Of the more than JPY11 billion in current liabilities, more than JPY3 billion is unsecured short-term working capital. Therefore, you can see that we continue to rely on medium to long-term borrowings for financing related to our main business, which involves obtaining loans backed by real estate when acquiring real estate.

Our net assets increased by 35.3% to JPY8.154 billion.

#### I-4. Data (Reference Material)

...FY2019/12...



This is I-4. Reference data. As this is a reference, I will only explain a little bit.

On the bottom left, the shareholders' equity ratio was 24.3% in the fiscal year ended December 2019. In addition, the ROE/ROA, or profit margin, on the right half is extremely high in the industry and we are proud of that.

From here on out, I will go into the second major item, which is the overview of our business. I will explain our financial results of each of our businesses in detail.

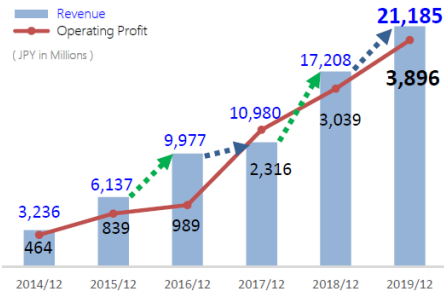
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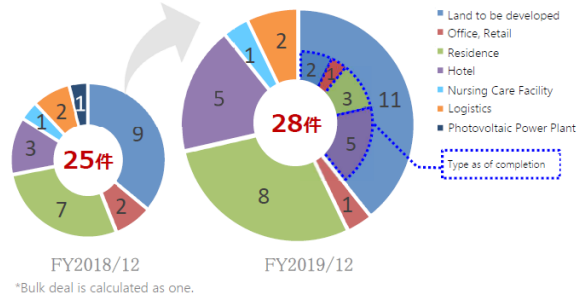
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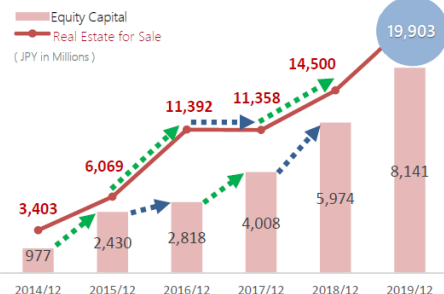
Business profit was 3.8B JPY(+28.2% YoY)



Properties By Type\*



Increase in Equity led to Increase in Real Estate for Sale and Revenue in this Business



Strengthening Cooperation with Financial Institutions to Secure Flexible Funding

- Secured a 4.3B JPY Syndicated Loan**
  - We secured approximated **1.5x** the last year's loan amount from 14 financial institutions.
  - As a result, we will be able to respond flexibly to large new investments without collateral.
- Unsecured Working Capital, Significant Increase**
  - 4.5B JPY** (Balance in December 2019, Excludes Syndicated Loan Above).
  - 2.0B JPY** (From Shimane Bank in January 2020).

B-lot

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This is II-1. Real Estate Investments and Development business. This business is engaged in the revitalization and development of used real estate, which is our main business.

Please refer to the graph at the top left. You can see that both sales and profits are growing.

Next, please look at the graph at the bottom left. This graph shows changes in shareholders' equity and real estate for sale. With equity, shown in pink, the arrows indicate its increasing trend. Although this trend of growth lags one period behind, I think you can see that there is a similar trend that is directly linked to the increase in real estate for sale.

If you return to the graph at the top left, such a trend can also be seen in the increase in sales in this business. In other words, if the shareholders' equity increases, it brings about a synergistic effect in that there will be an increase in real estate for sale and an increase in sales in this business, even though there is a one-year delay.

Please see the upper right. It is a pie chart showing a breakdown of inventory by use. The trend remained unchanged from fiscal year ended December 2018. As of the end of December 2019, for example, inventories of residential and condominium in green, or hotels in purple stood out. You can also see that we continue to invest in real estate for a variety of uses.

In the lower right, I think that strengthening collaboration with financial institutions and securing flexible funds are the most distinguishing features of the fiscal year ended December 2019.

There are two elements that have to do with this. The first is syndicated loans based on commitment line agreements totaling JPY4.3 billion. Until the autumn of last year, we had a commitment line of JPY3 billion,

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but at the time of renewal, it jumped about one and a half times higher to JPY4.3 billion, and we got it from 14 financial institutions.

Next is the second element, which is the amount of unsecured working capital that increased significantly. Excluding the first commitment line of JPY4.3 billion, we borrowed JPY4.5 billion in unsecured working capital at the end of December 2019.


By the turn of the fiscal year ending December 2020, we borrowed JPY2 billion from The Shimane Bank, Ltd. in January. In the first and second, we secured a considerable amount of unsecured working capital, and we flexibly use this for expeditious purchases and for purchasing large-scale properties.

## Record High Transaction, Sale of 4 Properties Worth 8.0B JPY






Osaka / Logistics




Kyoto / Hotel

### Highlights


- ▶ Closed the **largest** transaction in the company's history
- ▶ Started the new **relationship** with the large institutional investor, the buyer
- ▶ **Accumulated expertise** in logistics properties
- ▶ Employed a new disposition strategy of **selling properties in bulk**



Tokyo / Residence



Tokyo / Residence



Handled products large enough to be **acquired by large institutional investors**

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I would like to report on four topics on this page that are related to Real Estate Investment and Development business.

First, we have set a new record in sales at approximately JPY8 billion in total. As I mentioned earlier, we have sold four properties en bloc. We have provided photos of those four properties, but as you can see, there are some properties that we developed and others that we revived. We have been acquiring a few pieces, but if we put all four properties together, they will form a considerable size. You can also see that the locations and uses are dispersed.

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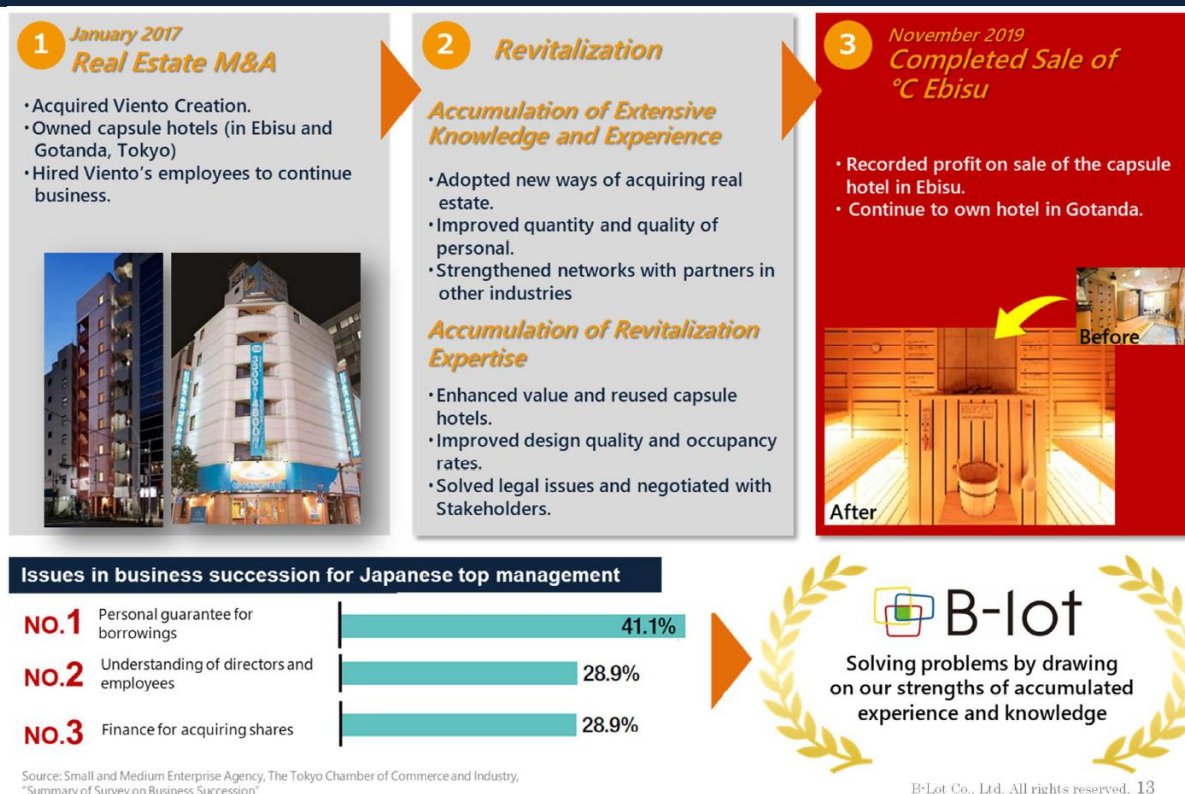
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When properties accumulate like this, high-quality institutional investors will be interested in making investments. We intend to use the bulk method of selling multiple properties in combination as one of our methods in the future to deepen our business with leading institutional investors.

## Medium- to Long-Term; M&A Projects Paid Off



This is page is about succeeding in medium to long-term M&A projects.

First, please refer to number one. In 2017, we turned Viento Creation, a company that owns and operates capsule hotels in Tokyo's Ebisu and Gotanda areas, into a subsidiary. Rather than simply buying real estate, we actually bought a real estate company. We not only revitalized real estate, but in November last year, we also sold the Ebisu property, following commercialization in a bid to develop the companies themselves and have them become a member of the Group.

As seen in the photograph showing real estate rehabilitation, we are undertaking a considerably large-scale construction project, including the construction of a new sauna. As a result, we were able to make a large profit on the sale of the Ebisu capsule hotel. We continue to operate the Gotanda property.

As stated at the bottom, there are a large number of small and medium-sized enterprises, and I think there are many managers who are concerned about business succession. As for B-Lot Company Limited, we would like to actively conduct M&A and link it to business expansion.

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## Differentiation of Acquired Facilities Based on Concept



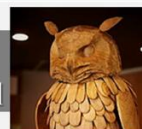
Average Occupancy  
**80%**

Randor Residential Hotel Sapporo Suites

### Residential Hotel: Stay That Feels Like Home

- ✓ **Medium-to Long-term stay**  
Furniture, appliances, kitchen, luxury spa bath, and washing machine (some rooms)
- ✓ **For Families and Groups**  
Up to 8 people in one room, 66 rooms in total, and 37m<sup>2</sup>-58m<sup>2</sup>
- ✓ **Barrier-Free**  
Handrail, call string installation (some rooms)
- ✓ **Good Location**  
7-minutes walk from Susukino.
- ✓ **Newly Built**  
Completed in May 2019; opened in June 2019

Playing to the fullest  
like a wise owl



Average Occupancy  
**90%**

Entertainment hostel  
themed around  
"food and travel"

Create attractive products, steps  
ahead of competitors

This is mapping out differentiation through concepts and acquiring accommodation facilities. They say that there has been an oversupply of lodging facilities nowadays, but I think there are always business opportunities there. That is, we will invest in hotels that have different concepts from other hotels.

Please refer to the left. This is a residential-type hotel where you can stay as if you live there. It is a new hotel in Sapporo, but please look at the photo. It has rooms with a kitchen or rooms with four beds. The facility is where families and groups of six or eight people can stay medium to long term. When it was acquired by B-Lot Company Limited, it was a popular hotel with an average occupancy rate of 80%.

Next, please look at the right half. There is a statement that says, "Play wisely like an OWL". We acquired three hostels from the same operating company last year. These are entertainment-oriented accommodation facilities where you can talk about traveling and food all night since you are already in town anyway.

The hostel in Tokyo's Shibuya area at the leftmost already opened in 2017, and boasts an extremely high average occupancy rate of 90%.

We have also acquired hotels in Kyoto and Sapporo that will begin to be operated by the same operating company in March and June, respectively.

We are expanding our lineup of such appealing products.

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## Upcoming Properties



※These plans may change in the future.



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This is our product lineup. Properties to be sold in the future. This is an introduction to properties that we recently developed and revived, or are in the process of revitalization.

From the top left are a condominium in Fukuoka, the one in the middle at the top is a condominium in Sendagi, Tokyo, the one on the top right is a condominium in Nagoya, the one at the bottom left is a condominium in Yanagawa, Fukuoka, and the one at the bottom right is a nursing care facility in Kamakura.

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This is II-2. The Real Estate Consulting business. It is our second business. Here, we are engaged in real estate brokerage, consulting, and sales agency services for newly built condominiums.

Although both sales and profits in this business are growing, I think you can see that the growth in profits is particularly large.

The main reason for the increase in sales and profits was the significant increase in the number of deliveries of commissioned sales projects in the business of sales agency services for new condominiums that I mentioned earlier.

We also broker M&A deals. I mentioned earlier that we conduct M&A, but we also act as an intermediary for M&A. We are also seeing an increase in commissioned projects for various real estate businesses.

If you look at the right half, this is a good example of the M&A intermediation that I just mentioned. This is an example of us brokering the buy and sell of real estate companies, not the brokering of the buy and sell of real estate. There was a company that owned the four condominiums shown in the photo, and the owner was planning to get sold as a company.

So, we have found a customer interested in purchasing the company, and they ended up actually buying it. We helped in building a property management company toward effective asset formation for the purchaser.

In addition, it was not a simple sale or purchase of real estate, but the sale or purchase of a company, so we have been able to smoothly execute the sale in cooperation with such professionals as lawyers and certified public tax accountants.

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While there are talks about the sale and purchase of companies like this, there is also an increase in diverse needs, such as talks about diversification, inheritance, or asset replacement. We have established a consulting system that can respond to these issues.

## II-3. Real Estate Management Business

...FY2019/12...



This is II-3. The Real Estate Management business. It is our third business, where we are engaged in real estate management, real estate fund management, and the collection of rent income.

In this business, sales are increasing, but operating income is decreasing. The factors behind the increase in sales and the decrease in profits are on the lower left. First of all, sales of the group of golf course management company T&K Incorporated, which was acquired in the fiscal year that ended December 2018, contributed significantly to the full year's increase in sales.

The decline in profits was due in part to the excessive progress in the sale of real estate for sale and the decline in rent income.

On the other hand, as described in number two, the number of Asset Management (AM), and Property Management (PM) projects entrusted to is steadily increasing, and I think that will lead to stable earnings in the future.

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We have provided two good examples in this business. At the upper right is Wakasu Golf Links, which has been commissioned to us by T&K Incorporated and where we are assigned as the designated manager by the Tokyo Metropolitan Government.

The hotel in the lower right is hotel in Otaru that B-Lot Company Limited developed and opened. We sold the property last year, but we have continued to be entrusted with its asset management and property management by the buyer.

Through these examples, we intend to continue our efforts to create communities and increase value.

## Close up!

**“Company Strongly Needed by Society”  
Toward Long-Term Growth and Stability**



This is a section titled “Close up!”, in regards to social demands on the Company toward long-term sustainable growth and stability. From here, I want to discuss three things that will lead us to the future.

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## Creating a Reliable Real Estate Investment Market for Individual Investors

"B-Lot Crowd Funding," a Crowdfunding Service for Real Estate Investments



- ✓ Extensive Track Record with Investors, Including High-Net-Worth
- ✓ **Expertise in** various types of **Properties**



B-Lot Co., Ltd.  
President Makoto Miyauchi

SBI SECURITIES Co., Ltd.  
President Masato Takamura

- ✓ **Broad customer base** with over 5.13 million online accounts
- ✓ **Strong network** with regional financial institutions



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This page is about creating a new real estate investment market towards more secure asset formation.

As we have disclosed recently, B-Lot Crowd Funding, our real estate investment-type crowdfunding business, entered into a business alliance with SBI SECURITIES Co., Ltd. in this business. SBI SECURITIES Co., Ltd. has a wide customer base, with more than 5.13 million online accounts. It also has a strong network with local financial institutions.

B-Lot Company Limited has a wealth of real estate transactions with investors and wealthy individuals. In addition, The Company possesses a wide variety of income-generating real estate know-how. By combining these two companies, we hope to provide outstanding services.

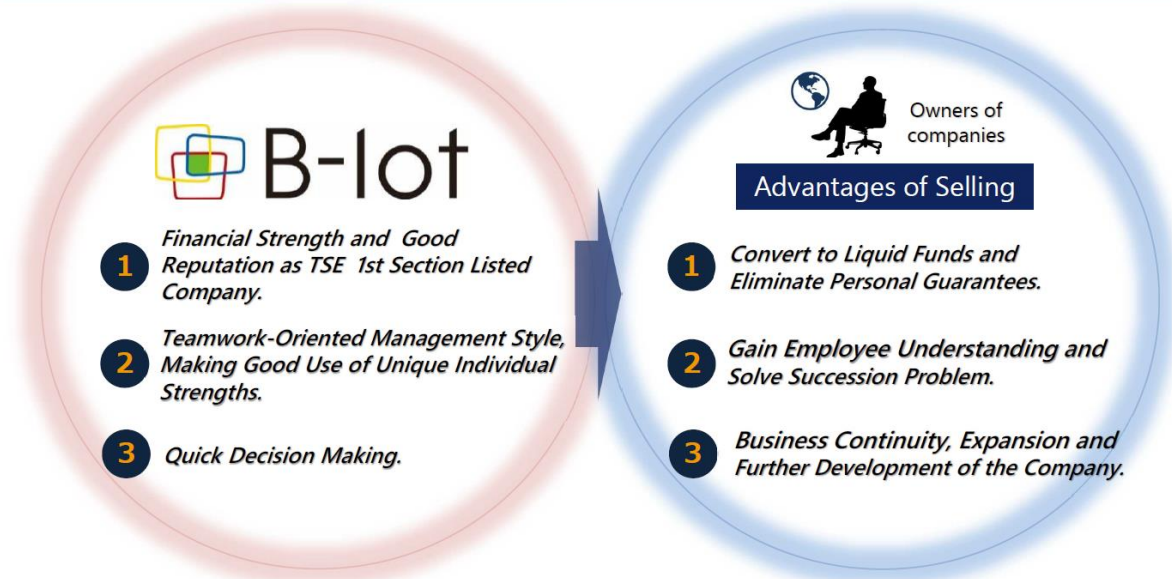
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## Medium- to Long-Term; Pursue M&A Deals



### ~ Track Record of Our Own M&A Transactions ~

2016.4 Sales of Residential Condominiums



2017.1 Ownership and Operation of Capsule Hotels



2018.4 Operation and Consulting of Golf Courses



This page is about the medium to long-term, continuing to aggressively expand M&A projects in the future.

Since 2016, we have conducted approximately one M&A deal each year. As for B-Lot Company Limited, we want to make use of our financial strength and name recognition of the first section of the Tokyo Stock Exchange, teamwork management that leverages the individuality of employees, and speedy decision-making.

Shareholders who intend to sell a company may consider selling the company for the benefit of conversion into liquid funds, elimination of personal guarantees, resolving the successor problem with the understanding of employees, continuing and expanding the business, and further developing the company.

At B-Lot Company Limited, we intend to pursue M&A with the aim of achieving stable earnings in the medium to long-term.

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## Columbarium Re-opening, Showcasing the Skills of World-Class Masters !

Design

×

Food

**B-lot**  
Makoto Miyauchi

**Mr. Kengo Kuma**

**Mr. Tsutomu Ochiai**

**Mr. Masahiro Kasahara**

聖 横  
苑 濱  
YOKOHAMA  
SEIEN

**Provide Japanese and Western Dishes and Sweets  
Supervised By Masters at the  
Modern and Comfortable Columbarium.**

Last year, we acquired 50% of the company called Yokohama Seien. This company is responsible for the operation of funeral homes and the administration of a columbarium.

Currently, we are renovating the funeral halls and the columbarium building. Mr. Kengo Kuma, a world-class architect, took charge of the design. The modern and warm space designed by Kengo Kuma is scheduled to reopen after renovations this summer.

In addition to renovating the building, we would like to transform the meals served in the memorial services and other events into wonderful meals through the supervision of Tsutomu Ochiai, a master in Italian cuisine, and Masahiro Kasahara, an expert in Japanese cuisine.

With the help of these masters, we intend to create new products, such as next-generation funeral halls, the cabin, and columbaria.

The third major item is our earnings forecast.

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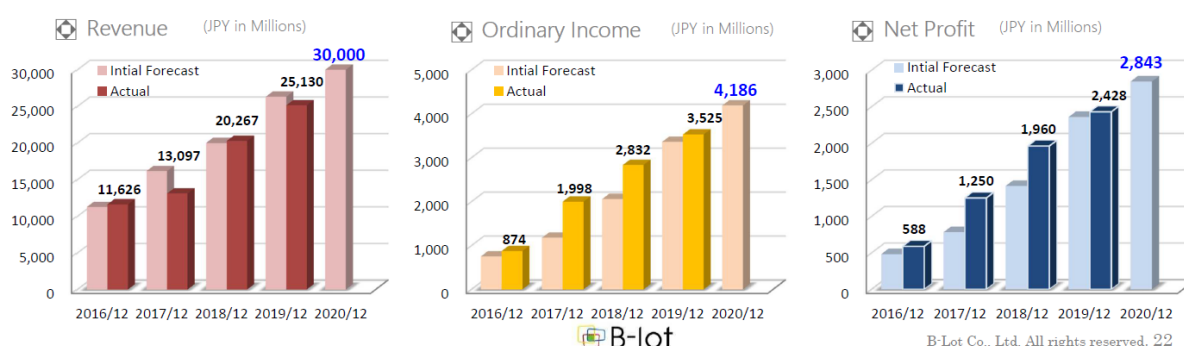
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◆Medium-Term Targets (FY2020/12)

(JPY in Millions)

	Performance			Forecast Period	
	FY2018/12	FY2019/12	YoY change (%)	FY2020/12	YoY change (%)
Consolidated Revenue	20,267	25,130	24.0	30,000	19.4
Consolidated Operating Profit	3,307	3,985	20.5	4,979	24.9
Consolidated Ordinary Income	2,832	3,525	24.4	4,186	18.7
Consolidated Net Profit	1,960	2,428	23.9	2,843	17.1

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



This page is titled III-1. The consolidated full-year earnings forecast and medium-term management plan. Our business results for the fiscal year ended December 2019 are as shown here. As you can see on the top right, in FY2020 ending December 2020, we intend to increase net sales by 19.4% to JPY30 billion. At the bottom, you can see that we want to increase net income attributable to our most important parent company shareholders by 17.1% to JPY2.843 million.

Please see the graph at the bottom right of this page. It is the trend in our net income, and the light blue colors are the initial forecasts for the fiscal year. On the other hand, the figures in blue indicate our actual results. We have come to record a net income that exceeded our initial forecast for each fiscal year. Even in the fiscal year ending December 2020, we are working hard to surpass the net profit set forth here.

Next is our fourth major item. This is for reference, as shown in the title, so please take a look at it when you have time.

As I have explained, in FY2019 ended December 2019, both our sales and net income grew significantly. In the fiscal year ending December 2020, we want to continue growing with your warm guidance and support. In addition, we would like to have a sense of stability that will prevent us from losing in any market situation. We would like to ask for your continued support.

This ends my explanation, so I will take your questions now. Thanks.

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## Question & Answer

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**Moderator:** Thank you. Now, we will start the question and answer session. Please raise your hand if you have a question. A staffer will bring a microphone to you.

The IR Meeting is scheduled to be published in full, including the question-and-answer section. Therefore, if you say your name or your company's name when you ask your question, it will be disclosed as is. If you want anonymity, you don't really have to give your name. Let's begin.

**Participant:** Thanks for your explanation. I have two questions.

First, I want to ask for your thoughts in relation to hotels and accommodation facilities. While your company has always been raising your business results in this area, there are real concerns now, such as the oversupply situation that you mentioned earlier, and the coronavirus issue just recently. I think that the effect will not be entirely zero because you have changed the concept slightly in long-term stay and capsule hotels, but are you fighting bravely compared to ordinary budget hotels?

The second point is about the diversification of customers. It seems that you have different kinds of customers, such as bulk institutional investors and crowdfunding companies. While your company has a good track record in the past, I think you had quite a lot of overseas investors, too. I would like to ask you for some additional information about this matter, including your current stance and how overseas investors think about real estate investment in Japan right now. Thank you very much.

**Miyauchi:** Thanks for your questions. You asked two points.

Let me start with the first question. Even though hotels are said to be in a state of oversupply, we are coping by changing our concept. I think your question is about what kind of investment plans we are considering.

Over the past four to five years, we have focused our investment on hotels and accommodation facilities. On the other hand, we are obviously paying attention to trends in demand and supply, so we are carefully considering what type of property we would like to invest in.

At present, I believe that there is certainly an oversupply in large cities. Nevertheless, not everybody will stay at the same hotel. Sometimes people can be drawn if you are a hotel with a different concept. We will not limit ourselves to concepts, as we think that we can find places where there is a gap between supply and demand if we go to a different location.

Indeed, there is no doubt that we see hotels as investment destinations where we are carefully investing. However, it does not mean that we don't see it as a business at all.

In addition, we are not into hotels only. So, within the wide range of investments, I think we may be able fix our target on places that we think are hot right now.

Today, for example, if this town has very good real estate properties, we will set our aim there and shift to places that can be of good use. The same is true with the price range. I think we are a company that can change our targets flexibly from a broad range of investments if we think that a property will move if its price is less than a certain price or more than a certain price.

We want to find and invest in opportunities in hotels, but in a careful manner.

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I think your second question is how we view sales to overseas investors amid the diversification of sales. Simply put, we are not really conscious about whether the investor is from Japan or overseas. Rather than figuring out where to focus our sales, we go for good customers who can do good business with us over the medium to long-term.

It need not be said that since we sell real estate, the most important thing for us is a customer who will buy properties at a good price. And not only that, we are also looking for customers who want to, can stay partners with us for a long time as we want to continue with the company for a long time. If there is a good customer, we will go anywhere to do business with that customer.

As a result, we had sales to overseas customers in the past year as well. However, even though they are called overseas customers, there are many times when an individual from overseas will buy under his or her name, buy through a corporation, or set up a company in Japan and then buy properties.

For example, we sold to a Japanese corporation last year, but behind that company were shareholders who are foreign customers. Although it is difficult to state in figures, we will continue to actively promote sales to overseas customers. To this end, we are reinforcing our personnel who can speak not only in English, but also in Chinese. We will continue to actively serve overseas customers. Thank you very much.

**Participant:** Thank you.

**Moderator:** Thanks. Next, please ask your questions.

It does not look like there is anyone else with a question. So, just in case, is there any additional matter your company wants to discuss?

**Miyauchi:** You have come all the way here, so please, any question will be accepted.

**Fujimoto:** My name is Fujimoto and I am from FISCO Ltd. Thanks for today.

In line with that question, I want to ask about sales to institutional investors. What are their attributes, beside their individual names, and what kind of institutional investors were they sold to? Please answer within the scope you're allowed to talk about them.

**Miyauchi:** Thanks for your question. I think you're asking about what kind of institutional investors we have. Is this about the case in which we sold four properties altogether?

It happened to be a major Japanese institutional investor. It is a financial investor. We are not specifically focused on the financial sector or on Japanese investors. It's just that such a customer appeared. Listed REITs in Japan, unlisted REITs, and overseas institutional investors are also doing business with us, so we would like to do business with good customers no matter who they are.

**Moderator:** Thanks. Next question.

**Participant:** Thanks for your explanation. With today's explanations, I honestly felt that for your company, your strengths are procuring funds and engaging in flexible fund procurement based on the trust you have cultivated over the years, making quick investment decisions, and comparing and purchasing various assets. Thank you very much.

As for my question, I would like to ask a question that you can answer within the allowed scope. When you answered the question earlier, you talked about asset classes that were attracting attention, in terms of their flexible amount of money and liquidity. I would like to ask you what kind of assets you are paying

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attention to, given that excessive competition is emerging among hotels and accommodation facilities? The real estate market is also quite strong and many people think it is peaking.

**Miyauchi:** Thanks for your question.

Are you asking about our target property, area, and purpose right now?

When it comes to purpose, as I mentioned earlier, we are looking at targets in the hotel area, albeit with some caution. As for other uses, we are paying particular attention to offices, logistics facilities, and nursing care facilities. In fact, as we disclosed on the 14th, we have acquired a fairly large office and store property in Osaka.

We are unable to provide detailed information at the request of the seller, but the total floor area is approximately 30,000 square meters and the land area is approximately 4,000 square meters on the public register, which is a fairly large property. I think this is evidence that we are paying attention to such properties as offices and stores.

**Moderator:** Thanks. Next question, please.

**Participant:** Thanks for your explanation. Looking at the forecasts or the outlook for the current fiscal year, I want to ask you about how you view each segment, in that do you expect all three to basically post increases in both sales and profits, or do you think there will be some imbalance? I want to ask you about that matter, including the direction of business segments.

**Miyauchi:** Thanks for your question. We have not announced the sales and profit forecasts for each of the three business segments. Nevertheless, as managers, we are naturally trying to achieve growth in all three. I believe that the growth of all businesses will lead to the growth of The Company as a whole.

With regard to Real Estate Investment and Development, which is the first business segment, it has been the driving force behind our growth. While focusing on this area, we would like to expand the consulting and management businesses, which are expected to become our second and third sources of stable profits. Even though it may sound audacious, we would like to see growth in all three segments.

**Moderator:** Thanks. Next question, please.

And with that, we will now end today's briefing. Thank you very much.

**Miyauchi:** Thank you very much.

[END]

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### **Document Notes**

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

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