



## **B-Lot / 3452**

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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 with 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 nine years of continuous revenue and earnings growth through FY12/19, B-Lot used private placement bonds and commitment line syndicated loans to boost leverage and grow (the net debt/equity ratio was 1.98 in FY12/19; average for 23 competitors with similar revenue was 1.30). Over the five years through FY12/19, revenue grew at a CAGR of 46.6% and operating profit expanded at a CAGR of 60.2%.
- Growth is driven by the Real Estate Investment and Development business (83.6% of revenue in FY12/19), where it sold 11–26 properties a year between FY12/13 and FY12/19 (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 JPY883mn in FY12/19; 5.1x the JPY172mn level of FY12/13). 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 inbound tourism to Japan. B-Lot is also making progress in expanding the scale of its projects, recording in FY12/19 its highest transaction value for a single project as it sold in bulk four properties to one customer for about JPY8.0bn. It mainly operates in major metropolitan areas, including the Kanto region (Tokyo and the surrounding area; 63% of properties sold in FY12/19), Hokkaido (8%), Kyushu (13%), and Kansai (17%).
- Real Estate Consulting and Management segments are stable earners, generating 5.7% and 10.6% of revenue in FY12/19, with OPM of 39.8% and 25.2%, respectively. They share the Investment and Development 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 and Development segment is booked under the Management segment.

### Trends and outlook

- In FY12/20, the company reported revenue of JPY26.5bn (+5.4% YoY), operating profit of JPY1.7bn (-56.9% YoY), recurring profit of JPY1.0bn (-70.7% YoY), and net income attributable to owners of the parent of JPY344mn (-85.8% YoY). The impact of the COVID-19 pandemic meant that even though the company was profitable, valuation losses in some properties (primarily hotels) caused the company's profit to decline YoY for the first time since its listing. The larger declines in recurring profit and net income compared to operating profit reflect increases in interest expenses (+JPY255mn YoY) and commission expenses, including arrangement fees for financial institutions associated with the acquisition of trust beneficiary rights (+JPY85mn YoY).
- For FY12/21, the company forecasts revenue of JPY21.7bn (-18.1% YoY), operating profit of JPY2.0bn (+18.1% YoY), recurring profit of JPY1.3bn (+27.8% YoY), and net income attributable to owners of the parent of JPY870mn (+152.9% YoY). The company has not decided on a dividend forecast.

- Based on the policies and strategies set out in the medium-term management plan (announced on November 30, 2020), the company will work to reform its earnings structure by FY12/23, the final year of the plan. The company intends to steadily accumulate profits while observing economic trends in a with-pandemic or post-pandemic world and expanding stable earnings. Further, with the number of group companies gradually increasing, the company is diversifying its businesses. It plans to take the current situation as an opportunity to take greater advantage of group synergies, widen business opportunities, and maximize profit.
- On November 30, 2020, the company unveiled its new medium-term management plan covering the three-year period from FY12/21 through FY12/23. Under the plan, the company is targeting FY12/23 consolidated revenue of JPY29.7bn, operating profit of JPY4.5bn, recurring profit of JPY3.6bn, and net income attributable to owners of the parent of JPY2.4bn. This compares with its current two-year plan covering FY12/19–FY12/20, under which it targeted FY12/20 consolidated revenue of JPY30.0bn, operating profit of JPY4.6bn, recurring profit of JPY4.1bn, net income attributable to owners of the parent of JPY2.8bn.

## Strengths and weaknesses

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

## Key financial data

Income statement (JPYmn)	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.	FY12/21 Est.
<b>Revenue</b>	<b>494</b>	<b>1,338</b>	<b>2,231</b>	<b>3,709</b>	<b>6,951</b>	<b>11,627</b>	<b>13,097</b>	<b>20,268</b>	<b>25,131</b>	<b>26,481</b>	<b>21,700</b>
YoY	-	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%	54.7%	24.0%	5.4%	-18.1%
<b>Gross profit</b>	<b>-</b>	<b>327</b>	<b>617</b>	<b>937</b>	<b>1,556</b>	<b>2,621</b>	<b>4,397</b>	<b>5,797</b>	<b>6,981</b>	<b>4,734</b>	
YoY	-	-	88.6%	51.9%	66.1%	68.4%	67.8%	31.8%	20.4%	-32.2%	
Gross profit margin	-	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%	28.6%	27.8%	17.9%	
<b>Operating profit</b>	<b>-</b>	<b>85</b>	<b>218</b>	<b>378</b>	<b>800</b>	<b>1,175</b>	<b>2,366</b>	<b>3,307</b>	<b>3,986</b>	<b>1,719</b>	<b>2,030</b>
YoY	-	-	157.0%	73.8%	111.5%	46.9%	101.3%	39.8%	20.5%	-56.9%	18.1%
Operating profit margin	-	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%	16.3%	15.9%	6.5%	9.4%
<b>Recurring profit</b>	<b>6</b>	<b>78</b>	<b>183</b>	<b>295</b>	<b>655</b>	<b>874</b>	<b>1,999</b>	<b>2,833</b>	<b>3,525</b>	<b>1,033</b>	<b>1,320</b>
YoY	-	1,229.7%	133.4%	61.7%	122.1%	33.4%	128.6%	41.7%	24.4%	-70.7%	27.8%
Recurring profit margin	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	15.3%	14.0%	14.0%	3.9%	6.1%
<b>Net income</b>	<b>4</b>	<b>42</b>	<b>104</b>	<b>177</b>	<b>401</b>	<b>588</b>	<b>1,251</b>	<b>1,961</b>	<b>2,429</b>	<b>344</b>	<b>870</b>
YoY	-	944.6%	149.8%	69.2%	126.8%	46.9%	112.6%	56.8%	23.9%	-85.8%	152.9%
Net margin	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%	9.7%	9.7%	1.3%	4.0%
<b>Per-share data (split-adjusted; JPY)</b>											
Shares issued (year-end; '000)	2,628	5,940	6,660	13,134	15,518	16,004	16,040	16,427	16,476	16,582	
EPS	0.9	7.8	17.2	20.3	28.2	37.6	81.4	125.8	153.0	21.6	54.2
EPS (fully diluted)	-	-	-	17.2	26.4	37.1	80.3	124.5	152.3	-	
Dividend per share	-	-	-	-	-	8.5	19.5	25.0	30.0	15.0	TBD
Book value per share	17.9	25.6	47.9	74.4	156.6	183.4	260.3	378.4	510.4	499.8	
<b>Balance sheet (JPYmn)</b>											
Cash and cash equivalents	-	320	567	1,009	2,107	2,467	5,030	6,476	7,160	12,611	
Real estate for sale in process	-	556	399	2,807	6,070	10,323	6,643	7,653	17,316	13,897	
<b>Total current assets</b>	<b>-</b>	<b>921</b>	<b>2,303</b>	<b>5,014</b>	<b>8,343</b>	<b>14,105</b>	<b>16,761</b>	<b>21,726</b>	<b>29,882</b>	<b>41,476</b>	
Tangible fixed assets	-	60	56	51	822	832	596	580	1,058	1,075	
Investments and other assets	-	21	25	45	151	835	897	1,070	1,677	2,407	
Intangible fixed assets	-	159	158	157	659	813	825	924	916	968	
<b>Total assets</b>	<b>281</b>	<b>1,160</b>	<b>2,543</b>	<b>5,268</b>	<b>9,985</b>	<b>16,626</b>	<b>19,110</b>	<b>24,269</b>	<b>33,556</b>	<b>45,961</b>	
Short-term debt	-	62	737	2,749	1,296	4,289	8,017	4,456	9,091	11,644	
<b>Total current liabilities</b>	<b>-</b>	<b>180</b>	<b>1,007</b>	<b>3,086</b>	<b>1,836</b>	<b>4,979</b>	<b>9,138</b>	<b>6,058</b>	<b>11,093</b>	<b>13,866</b>	
Long-term debt	-	681	1,050	1,167	5,607	8,708	5,777	11,980	14,215	23,968	
<b>Total fixed liabilities</b>	<b>-</b>	<b>721</b>	<b>1,086</b>	<b>1,205</b>	<b>5,717</b>	<b>8,828</b>	<b>5,963</b>	<b>12,185</b>	<b>14,308</b>	<b>24,056</b>	
<b>Total liabilities</b>	<b>-</b>	<b>900</b>	<b>2,093</b>	<b>4,291</b>	<b>7,553</b>	<b>13,806</b>	<b>15,101</b>	<b>18,243</b>	<b>25,401</b>	<b>37,923</b>	
<b>Net assets</b>	<b>94</b>	<b>260</b>	<b>449</b>	<b>978</b>	<b>2,431</b>	<b>2,819</b>	<b>4,009</b>	<b>6,026</b>	<b>8,154</b>	<b>8,038</b>	
<b>Cash flow statement (JPYmn)</b>											
Cash flows from operating activities	-	-278	-859	-1,802	-1,681	-4,436	2,533	-1,229	-4,057	-7,122	
Cash flows from investing activities	-	-225	-23	-220	-1,241	-922	-861	-190	-2,074	432	
Cash flows from financing activities	-	722	1,129	2,463	4,019	5,717	719	2,631	6,470	11,847	
<b>Financial ratios</b>											
Total interest-bearing debt	-	743	1,787	3,916	6,903	12,997	13,794	16,436	23,307	35,612	
ROA (NI-based)	2.7%	10.9%	5.6%	4.5%	5.3%	4.4%	7.0%	9.0%	8.4%	0.9%	
ROE	5.0%	23.6%	32.3%	25.3%	23.5%	22.4%	36.6%	39.3%	34.4%	4.3%	
Equity ratio	33.5%	22.4%	16.4%	18.6%	24.3%	17.0%	21.0%	24.6%	24.3%	17.5%	

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 April 1, 2020. Values for EPS and EPS (fully diluted) are calculated assuming the stock split was conducted at the start of FY12/20. 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. The company conducted a 3-for-1 stock split on April 16, 2015. Values for EPS and EPS (fully diluted) are calculated assuming the stock split was conducted at the start of FY12/15.

(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
<b>Consolidated revenue</b>	<b>1,338</b>	<b>2,231</b>	<b>3,709</b>	<b>6,951</b>	<b>11,627</b>	<b>13,097</b>	<b>20,268</b>	<b>25,131</b>	<b>26,481</b>
YoY	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%	54.7%	24.0%	5.4%
<b>Real Estate Investment and Development</b>	<b>1,069</b>	<b>1,897</b>	<b>3,237</b>	<b>6,137</b>	<b>9,977</b>	<b>10,981</b>	<b>17,208</b>	<b>21,185</b>	<b>22,668</b>
YoY	-	77.4%	70.6%	89.6%	62.6%	10.1%	56.7%	23.1%	7.0%
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%	83.7%	84.3%	83.6%	85.3%
No. of properties sold	14	11	22	13	16	21	26	24	25
YoY	-	-21.4%	100.0%	-40.9%	23.1%	31.3%	23.8%	-7.7%	4.2%
<By type of property>									
Residential	na	8	18	7	8	11	14	14	17
% of properties sold	na	72.7%	81.8%	53.8%	50.0%	52.4%	53.8%	58.3%	68.0%
Offices and stores	na	3	4	4	5	5	7	5	5
% of properties sold	na	27.3%	18.2%	30.8%	31.3%	23.8%	26.9%	20.8%	20.0%
Land for detached houses	na	-	-	1	2	3	2	2	3
% of properties sold	na	-	-	7.7%	12.5%	14.3%	7.7%	8.3%	12.0%
Hotels	na	-	-	1	1	2	3	2	-
% of properties sold	na	-	-	7.7%	6.3%	9.5%	11.5%	8.3%	-
Other	na	-	-	-	-	-	-	1	-
% of properties sold	na	-	-	-	-	-	-	4.2%	-
<By region>									
Kanto	na	9	na	8	9	15	11	15	13
% of properties sold	na	81.8%	na	61.5%	56.3%	71.4%	42.3%	62.5%	52.0%
Hokkaido	na	2	na	3	4	3	9	2	1
% of properties sold	na	18.2%	na	23.1%	25.0%	14.3%	34.6%	8.3%	4.0%
Kyushu	na	-	na	1	1	3	5	3	6
% of properties sold	na	-	na	7.7%	6.3%	14.3%	19.2%	12.5%	24.0%
Kansai	na	-	na	1	2	-	1	4	2
% of properties sold	na	-	na	7.7%	12.5%	-	3.8%	16.7%	8.0%
Chubu	na	-	na	-	-	-	-	-	3
% of properties sold	na	-	na	-	-	-	-	-	12.0%
Revenue per property sold	76	172	147	472	624	523	662	883	907
YoY	-	125.8%	-14.7%	220.9%	32.1%	-16.1%	26.6%	33.4%	2.7%
<b>Real Estate Consulting</b>	<b>192</b>	<b>146</b>	<b>197</b>	<b>171</b>	<b>862</b>	<b>1,305</b>	<b>1,190</b>	<b>1,453</b>	<b>1,269</b>
YoY	-	-24.1%	35.1%	-13.1%	403.2%	51.4%	-8.8%	22.1%	-12.7%
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%	9.9%	5.8%	5.7%	4.8%
No. of brokerage deals	25	28	20	29	31	29	27	19	28
YoY	-	12.0%	-28.6%	45.0%	6.9%	-6.5%	-6.9%	-29.6%	47.4%
<By region>									
Kanto	na	19	7	15	19	18	12	14	12
% of brokerage deals	na	67.9%	35.0%	51.7%	61.3%	62.1%	44.4%	73.7%	42.9%
Hokkaido	na	7	8	8	7	5	5	2	2
% of brokerage deals	na	25.0%	40.0%	27.6%	22.6%	17.2%	18.5%	10.5%	7.1%
Kyushu	na	-	3	4	4	2	4	0	5
% of brokerage deals	na	-	15.0%	13.8%	12.9%	6.9%	14.8%	0.0%	17.9%
Kansai	na	2	2	2	1	4	6	3	7
% of brokerage deals	na	7.1%	10.0%	6.9%	3.2%	13.8%	22.2%	15.8%	25.0%
Chubu	na	-	-	-	-	-	-	-	1
% of brokerage deals	na	-	-	-	-	-	-	-	3.6%
Tohoku	na	-	-	-	-	-	-	-	1
% of brokerage deals	na	-	-	-	-	-	-	-	3.6%
Average consulting revenue per deal	8	5	10	6	28	45	44	76	45
YoY	-	-32.2%	89.2%	-40.1%	370.7%	61.8%	-2.1%	73.5%	-40.7%
<b>Real Estate Management</b>	<b>77</b>	<b>188</b>	<b>275</b>	<b>642</b>	<b>882</b>	<b>839</b>	<b>2,022</b>	<b>2,696</b>	<b>2,639</b>
YoY	-	144.9%	46.5%	133.2%	37.3%	-4.9%	141.0%	33.3%	-2.1%
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%	6.4%	9.9%	10.6%	9.9%
No. of properties managed	20	31	36	40	48	59	68	82	101
YoY	-	55.0%	16.1%	11.1%	20.0%	22.9%	15.3%	20.6%	23.2%
<By region>									
Kanto	na	14	15	17	20	26	28	35	42
% of properties managed	na	45.2%	41.7%	42.5%	41.7%	44.1%	41.2%	42.7%	41.6%
Hokkaido	na	9	12	14	18	23	23	27	30
% of properties managed	na	29.0%	33.3%	35.0%	37.5%	39.0%	33.8%	32.9%	29.7%
Kyushu	na	8	9	9	9	8	14	15	21
% of properties managed	na	25.8%	25.0%	22.5%	18.8%	13.6%	20.6%	22.1%	20.8%
Kansai	na	-	-	-	1	2	3	5	5
% of properties managed	na	-	-	-	3.2%	6.9%	4.4%	6.1%	5.0%
Chubu	na	-	-	-	-	-	-	-	3
% of properties managed	na	-	-	-	-	-	-	-	3.0%
Adjustments	-	-	-	-	-94	-28	-152	-203	-95
<b>Consolidated operating profit</b>	<b>85</b>	<b>218</b>	<b>378</b>	<b>800</b>	<b>1,175</b>	<b>2,366</b>	<b>3,307</b>	<b>3,986</b>	<b>1,719</b>
<b>Real Estate Investment and Development</b>	<b>120</b>	<b>311</b>	<b>465</b>	<b>840</b>	<b>989</b>	<b>2,316</b>	<b>3,040</b>	<b>3,897</b>	<b>1,465</b>
YoY	-	157.9%	49.6%	80.8%	17.8%	134.1%	31.2%	28.2%	-62.4%
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%	73.1%	72.0%	75.6%	51.7%
OPM	11.3%	16.4%	14.4%	13.7%	9.9%	21.1%	17.7%	18.4%	6.5%
<b>Real Estate Consulting</b>	<b>71</b>	<b>58</b>	<b>79</b>	<b>58</b>	<b>346</b>	<b>408</b>	<b>283</b>	<b>578</b>	<b>455</b>
YoY	-	-18.9%	36.8%	-26.5%	496.9%	17.9%	-30.7%	104.3%	-21.3%
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%	12.9%	6.7%	11.2%	16.0%
OPM	37.0%	39.5%	40.0%	33.8%	40.1%	31.3%	23.8%	39.8%	35.9%
<b>Real Estate Management</b>	<b>3</b>	<b>46</b>	<b>89</b>	<b>284</b>	<b>458</b>	<b>443</b>	<b>902</b>	<b>679</b>	<b>916</b>
YoY	-	1319.8%	94.0%	219.9%	61.6%	-3.3%	103.5%	-24.7%	34.8%
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%	14.0%	21.3%	13.2%	32.3%
OPM	4.2%	24.3%	32.2%	44.2%	52.0%	52.8%	44.6%	25.2%	34.7%
Adjustments	-110	-196	-254	-381	-619	-802	-917	-1,168	-1,117

Source: Shared Research based on company data

Note: Segment revenues include intersegment revenues and transfers. 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.	FY12/19 Cons.	FY12/20 Cons.
<b>Number of properties acquired</b>	<b>11</b>	<b>20</b>	<b>18</b>	<b>19</b>	<b>23</b>	<b>22</b>	<b>24</b>	<b>28</b>	<b>30</b>
YoY	-	81.8%	-10.0%	5.6%	21.1%	-4.3%	9.1%	16.7%	7.1%
<By type of property>									
Residential	na	na	na	9	8	11	11	14	20
% of total properties acquired	na	na	na	47.4%	34.8%	50.0%	45.8%	50.0%	66.7%
Offices and stores	na	na	na	4	5	4	5	4	9
% of total properties acquired	na	na	na	21.1%	21.7%	18.2%	20.8%	14.3%	30.0%
Land for development	na	na	na	4	10	4	4	7	1
% of total properties acquired	na	na	na	21.1%	43.5%	18.2%	16.7%	25.0%	3.3%
Other	na	na	na	2	-	3.0	4.0	1.0	-
% of total properties acquired	na	na	na	10.5%	-	13.6%	16.7%	3.6%	0.0%
<By region>									
Kanto	na	na	na	11	13	8	13	17	14
% of total properties acquired	na	na	na	57.9%	56.5%	36.4%	54.2%	60.7%	46.7%
Hokkaido	na	na	na	5	1	7	2	2	1
% of total properties acquired	na	na	na	26.3%	4.3%	31.8%	8.3%	7.1%	3.3%
Kyushu	na	na	na	1	6	4	5	4	3
% of total properties acquired	na	na	na	5.3%	26.1%	18.2%	20.8%	14.3%	10.0%
Kansai	na	na	na	2	3	3	4	2	9
% of total properties acquired	na	na	na	10.5%	13.0%	13.6%	16.7%	7.1%	30.0%
Chubu	na	na	na	-	-	-	-	3	3
% of total properties acquired	na	na	na	-	-	-	-	10.7%	10.0%
(JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
<b>Inventories for sale (year-end)</b>	<b>577</b>	<b>1,691</b>	<b>3,403</b>	<b>6,070</b>	<b>11,393</b>	<b>11,358</b>	<b>14,500</b>	<b>19,903</b>	<b>26,930</b>
YoY	-	193.1%	101.3%	78.3%	87.7%	-0.3%	27.7%	37.3%	35.3%
<b>Number of properties</b>	<b>na</b>	<b>16</b>	<b>12</b>	<b>18</b>	<b>25</b>	<b>27</b>	<b>25</b>	<b>28</b>	<b>33</b>
YoY	-	-	-25.0%	50.0%	38.9%	8.0%	-7.4%	12.0%	17.9%
<By use>									
Land (including land for development)	na	na	3	6	12	12	9	11	7
YoY	na	na	-	100.0%	100.0%	0.0%	-25.0%	22.2%	-36.4%
% of total number of properties in inventory	na	na	25.0%	33.3%	48.0%	44.4%	36.0%	39.3%	21.2%
Offices and stores	na	na	2	2	3	2	2	1	5
YoY	na	na	-	0.0%	50.0%	-33.3%	0.0%	-50.0%	400.0%
% of total number of properties in inventory	na	na	16.7%	11.1%	12.0%	7.4%	8.0%	3.6%	15.2%
Residential	na	na	6	8	8	9	7	8	11
YoY	na	na	-	33.3%	0.0%	12.5%	-22.2%	14.3%	37.5%
% of total number of properties in inventory	na	na	50.0%	44.4%	32.0%	33.3%	28.0%	28.6%	33.3%
Hotel, accommodation related	na	na	1	1	1	3	3	5	7
YoY	na	na	-	0.0%	0.0%	200.0%	0.0%	66.7%	40.0%
% of total number of properties in inventory	na	na	8.3%	5.6%	4.0%	11.1%	12.0%	17.9%	21.2%
Nursing care facilities	na	na	-	1	1	1	1	1	1
YoY	na	na	-	-	0.0%	0.0%	0.0%	0.0%	100.0%
% of total number of properties in inventory	na	na	-	5.6%	4.0%	3.7%	4.0%	3.6%	3.0%
Nursing care facilities	na	na	-	-	-	-	3	2	2
YoY	na	na	-	-	-	-	-	-33.3%	0.0%
% of total number of properties in inventory	na	na	-	-	-	-	12.0%	7.1%	6.1%
Value of inventories per property	na	106	284	337	456	421	580	711	816
YoY	-	-	168.4%	18.9%	35.1%	-7.7%	37.9%	22.6%	14.8%

Source: Shared Research based on company data

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

## Recent updates

### Highlights

On March 15, 2021, B-Lot Co., Ltd., announced the share buyback using the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange.

#### Buyback method

- ▷ The purchase price is set at the March 15, 2021 closing price of JPY691 (including closing special quote). The company will use ToSTNeT-3 to repurchase shares at 8:45 a.m. on March 16, 2021. The purchase order is limited to the specified trading time.

#### Details of share buyback

- ▷ Type of shares to be acquired: Common stock in B-Lot
- ▷ Maximum number of shares to be acquired: 150,000 (0.93% of outstanding shares)
- ▷ Maximum total value of shares to be acquired: JPY103,650,000

On the same day, the company announced that it would issue share subscription rights (paid-in stock option).

- ▷ At a meeting of its Board of Directors held on March 15, 2021, B-Lot resolved to issue its ninth series of share subscription rights to directors and employees of the company and employees of its subsidiaries.
- ▷ If all of the share subscription rights are exercised, there will be dilution of up to 1.4% of the 16,582,400 shares outstanding as of March 15, 2021. However, the share subscription rights are conditional on the company achieving its profit objectives, and the company believes that achieving these objectives will contribute to improving corporate and shareholder value, which will also benefit existing shareholders. For this reason, the company considers the dilution impact to be within a reasonable range.

#### Conditions of exercise of share subscription rights

- ▷ 50% of the rights are exercisable if net income is at least JPY1,490mn in FY12/22.
- ▷ 50% of the rights are exercisable if net income is at least JPY2,440mn in FY12/23.

#### Terms of issue of share subscription rights

- ▷ Number of stock options: 2,406 units
- ▷ Payment amount in exchange for stock options: JPY990 per unit
- ▷ Payment date for amount paid in exchange for stock options: April 9, 2021
- ▷ Application date: March 30, 2021
- ▷ Allocation date: April 1, 2021
- ▷ People to be allotted stock options and number of such people: Directors and employees of the company and employees of the company's subsidiaries (138 people and 2,406 units)

On February 15, 2021, the company announced earnings results for full-year FY12/20; see the results section for details.



On the same day, the company announced an absorption-type merger (simplified and short-form merger) with a consolidated subsidiary.

- ▷ At a meeting of the Board of Directors held on February 15, 2021, the company decided to undertake a merger with consolidated subsidiary Life Stage Co., Ltd., to take effect on April 1, 2021.
- ▷ The objectives of the merger are to yield more effective synergies in terms of sales capabilities with Life Stage's network in the Kansai area and the newly built condominium sales agency business, and to rationalize management of the group.
- ▷ The merger will take place by absorption; the company will be the surviving entity and Life Stage will be dissolved. The company owns all shares in Life Stage, and there will be no issuance of new shares, capital increase, or cash payment on the merger.

On January 19, 2021, Shared Research updated the report following interviews with the company.

On November 30, 2020, the company announced revisions to its full-year forecast for FY12/20 and released its new medium-term management plan.

## Revised forecast for full-year consolidated results for FY12/20

- ▷ Revenue: JPY27.7bn (versus previous forecast of JPY30.0bn)
- ▷ Operating profit: JPY1.7bn (JPY5.0bn)
- ▷ Recurring profit: JPY990mn (JPY4.2bn)
- ▷ Net income\*: JPY278mn (JPY2.8bn)
- ▷ Earnings per share: JPY17.44 (JPY178.22)
- ▷ Dividends per share: JPY15 (no estimate previously)

\*Net income attributable to owners of the parent

## Reasons for revisions to FY12/20 forecast

- ▷ Explaining the downward revision to its estimates for full-year earnings, the company said its profit margins had failed to meet expectations owing to a slump in economic activity. The downward revision also reflected extraordinary losses, including valuation losses on some hotels and other properties carried under "real estate for sale" following a conservative revaluation of certain properties to reflect their diminished earnings potential in the wake of the COVID-19 pandemic, and also losses booked in connection with the halt of certain hotel development projects, as detailed in a separate announcement made the same day.
- ▷ The company plans to pay a dividend of JPY15 per share. Reflecting the downward revisions to its outlook for earnings, this is down from the dividend paid in FY12/19.

## Medium-term management plan (FY12/21–FY12/23)

### Key strategies

- ▷ Expand stable revenue base: The company aims to expand its stable revenue base through the acquisition of high-quality properties that will add to the stable income stream the group receives from leasing. It will also work to expand sources of asset management fees and other stable income derived from B-Lot REIT Investment Corporation and private REITs.
- ▷ Diversify and deepen relationships with client companies: The company strives to deepen relationship with high net worth clients in Japan and overseas and also broaden its client base via B-Lot REIT Investment Corporation and other means.

- ▷ Secure stable sources of financing: The company aims for the continuation of efforts to strengthen its ties with a wide range of financial institutions, thereby building up the level of trust in its relationships and establishing secure sources of finances.
- ▷ Expand investments into new types of real estate: The company works to leverage its expertise in real estate revitalization and development by moving into new areas within the real estate market and investing in new types of real estate.

## Numerical targets

(JPYmn)	FY12/20 estimates	FY12/21 targets	% change	FY12/22 targets	% change	FY12/23 targets	% change
Revenue	26,698	21,700	-18.7%	24,500	12.9%	29,700	21.2%
Operating profit	1,690	2,030	20.1%	3,080	51.7%	4,480	45.5%
Recurring profit	990	1,320	33.2%	2,240	69.7%	3,640	62.5%
Net income*	278	870	212.2%	1,490	71.3%	2,440	63.8%

\*Net income attributable to owners of the parent

On the same day, the company announced the booking of valuation losses on real estate for sale and losses in connection with the cancellation of contracts.

Regarding certain properties carried under “real estate for sale” and “real estate for sale in process,” the company decided to book losses in Q4 FY12/20 following a conservative revaluation of certain properties to better reflect their diminished earnings potential affected by prolonged impact of the COVID-19 pandemic.

- ▷ Valuation losses on real estate for sale (cost of revenue): The company was forced to lower its selling price below its acquisition cost for some hotels and other properties carried under “real estate for sale.” This resulted in valuation losses on real estate for sale of JPY908mn being booked under the cost of revenue.
- ▷ With regard to the extraordinary losses booked in connection with the cancellation of contracts, which will total JPY537mn, the company decided to cancel certain hotel development projects and terminate related property sales contracts that it had entered into prior to the pandemic owing to the dramatic changes in the market environment in the wake of the pandemic.

The losses are incorporated in the company’s revised full-year forecast for FY12/20 announced on November 30, 2020.

On the same day, the company announced that it had completed the formation the private REIT by B-Lot REIT Investment Corporation and was officially beginning management of the REIT, which now has assets of over JPY13.0bn.

- ▷ As previously announced on May 27, 2020, B-Lot has been working to put together a private REIT since its acquisition of an asset management company and an investment corporation. As indicated in its press release on November 30, 2020, B-Lot REIT Investment Corporation has now completed the formation of the REIT and officially begun asset management operations effective November 30, 2020, having finalized the purchase of its first property, the B-Lot Esaka Building (located in Suita, Osaka Prefecture). B-Lot Investment Corporation will be able to draw upon extensive expertise of the group, sponsor of the REIT, in the field of real estate to guide investments made by the REIT, most of which will be in office and commercial buildings and residential complexes. At the same time, it will pursue investments mainly in areas where its group operates with an aim to contributing to investing in various new types of real estate and to the revitalization of rural areas, thereby helping create a comprehensive, diversified REIT.
- ▷ Future plans on this front call for B-Lot, as the sponsor, to work together with equity investors in the REIT (including Misawa Homes Co., Ltd., SHINNIHON Corporation, A.D. Works Corporation, Kyoei Security Service Co., Ltd., Japan Living Warranty Inc., Fujii Building Co., Ltd., and Pineland Co., Ltd.) to foster organic growth from existing portfolio properties while at the same time working to increase external growth opportunities by maximizing its pipeline of new deals. Through these efforts, the

company aims to build up a real estate portfolio valued at over JPY50.0bn over several years and then look for the right timing to list the REIT on the Tokyo Stock Exchange.

On the same day, the company announced that it had decided to sell the property for sale.

- ▷ B-Lot decided to sell the property for sale owned by the silent partnership that was managed by its consolidated subsidiary BL Esaka Property LLC.
- ▷ The property sale has been included in the company's revised full-year forecast for FY12/20 announced on November 30, 2020.

## Overview of property

Property name	Location	Type	Floorspace (sqm)	Land area based on public records (sqm)
B-Lot Esaka Building	Suita, Osaka Prefecture	Office/retail building	33,316.53	3,929.31

- ▷ The property will be sold to B-Lot REIT Investment Corporation at a price of JPY13.0bn (excluding national and local taxes).
- ▷ The selling price of the property is equal to more than 10% of the company's consolidated revenue reported in the previous fiscal year (FY12/19), and the gain on the sale is equal to more than 30% of FY12/19 consolidated recurring profit and net income attributable to owners of the parent.

On the same day, the company announced the acquisition of a property for sale, as well as the financing related to the property acquisition.

- ▷ B-Lot resolved to acquire a property for sale, as well as the financing related to the property acquisition on November 30, 2020.
- ▷ The impact of the acquisition on the company's FY12/20 earnings is negligible.

## Overview of property

Location	Type	Floorspace (sqm)	Land area based on public records (sqm)
Meguro Ward, Tokyo	Residential complex	5,751.49	3,381.85

- ▷ The company said the name of the property acquired cannot be disclosed owing to a confidential clause in the sales contract, but indicated that it had no capital, personal, or business relations to report between B-Lot and the seller.
- ▷ With regard to the financing of the property acquisition, the company reported that it used a combination of its own funds and outside borrowings, securing a three-year loan of JPY2.6bn from Rakuten Bank effective November 30, 2020.

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

## Trends and outlook

### Quarterly trends and results

Cumulative (JPYmn)	FY12/18				FY12/19				FY12/20				FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue	2,752	4,999	6,814	20,268	5,886	7,376	9,669	25,131	1,816	4,603	8,926	26,481	99.2%	26,698
YoY	36.2%	-5.1%	8.8%	54.7%	113.9%	47.5%	41.9%	24.0%	-69.2%	-37.6%	-7.7%	5.4%		6.2%
Gross profit	1,031	1,668	2,577	5,797	2,239	2,795	3,544	6,981	994	1,739	2,983	4,734		
YoY	44.2%	-0.1%	17.6%	31.8%	117.1%	67.5%	37.5%	20.4%	-55.6%	-37.8%	-15.8%	-32.2%		
Gross profit margin	37.5%	33.4%	37.8%	28.6%	38.0%	37.9%	36.6%	27.8%	54.7%	37.8%	33.4%	17.9%		
SG&A expenses	557	1,094	1,749	2,490	711	1,409	2,166	2,995	884	1,520	2,232	3,014		
YoY	0.3%	4.2%	13.5%	22.6%	27.5%	28.7%	23.8%	20.3%	24.3%	7.9%	3.0%	0.6%		
SG&A ratio	20.3%	21.9%	25.7%	12.3%	12.1%	19.1%	22.4%	11.9%	48.7%	33.0%	25.0%	11.4%		
Operating profit	474	574	828	3,307	1,528	1,386	1,378	3,986	110	219	751	1,719	101.7%	1,690
YoY	197.0%	-7.4%	27.5%	39.8%	222.4%	141.6%	66.4%	20.5%	-92.8%	-84.2%	-45.5%	-56.9%		-57.6%
Operating profit margin	17.2%	11.5%	12.1%	16.3%	26.0%	18.8%	14.2%	15.9%	6.1%	4.8%	8.4%	6.5%		6.3%
Recurring profit	374	354	474	2,833	1,438	1,211	1,044	3,525	-115	-175	189	1,033	104.3%	990
YoY	385.7%	-19.8%	27.3%	41.7%	284.6%	242.1%	120.4%	24.4%	-	-	-81.9%	-70.7%		-71.9%
Recurring profit margin	13.6%	7.1%	7.0%	14.0%	24.4%	16.4%	10.8%	14.0%	-	-	2.1%	3.9%		3.7%
Net income	263	221	303	1,961	1,023	854	726	2,429	-135	-186	79	344	123.7%	278
YoY	320.2%	-27.1%	15.3%	56.8%	289.4%	285.8%	139.4%	23.9%	-	-	-89.1%	-85.8%		-88.6%
Net margin	9.5%	4.4%	4.4%	9.7%	17.4%	11.6%	7.5%	9.7%	-	-	0.9%	1.3%		1.0%
Quarterly (JPYmn)	FY12/18				FY12/19				FY12/20					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	2,752	2,247	1,815	13,454	5,886	1,489	2,294	15,461	1,816	2,788	4,323	17,555		
YoY	36.2%	-30.8%	82.8%	96.9%	113.9%	-33.7%	26.4%	14.9%	-69.2%	87.2%	88.5%	13.5%		
Gross profit	1,031	637	909	3,220	2,239	556	749	3,437	994	745	1,244	1,751		
YoY	44.2%	-33.3%	74.4%	45.9%	117.1%	-12.7%	-17.6%	6.7%	-55.6%	34.1%	66.1%	-49.1%		
Gross profit margin	37.5%	28.3%	50.1%	23.9%	38.0%	37.3%	32.6%	22.2%	54.7%	26.7%	28.8%	10.0%		
SG&A expenses	557	537	655	741	711	698	757	829	884	636	712	782		
YoY	0.3%	8.6%	33.3%	51.2%	27.5%	30.0%	15.6%	11.9%	24.3%	-8.8%	-6.0%	-5.7%		
SG&A ratio	20.3%	23.9%	36.1%	5.5%	12.1%	46.9%	33.0%	5.4%	48.7%	22.8%	16.5%	4.5%		
Operating profit	474	100	254	2,479	1,528	-142	-8	2,608	110	109	532	968		
YoY	197.0%	-78.3%	753.0%	44.4%	222.4%	-	-	5.2%	-92.8%	-	-	-62.9%		
Operating profit margin	17.2%	4.4%	14.0%	18.4%	26.0%	-	-	16.9%	6.1%	3.9%	12.3%	5.5%		
Recurring profit	374	-20	120	2,359	1,438	-227	-167	2,481	-115	-60	364	844		
YoY	385.7%	-	-	45.0%	284.6%	-	-	5.2%	-	-	-	-66.0%		
Recurring profit margin	13.6%	-	6.6%	17.5%	24.4%	-	-	16.0%	-	-	8.4%	4.8%		
Net income	263	-41	82	1,657	1,023	-168	-129	1,703	-135	-51	265	265		
YoY	320.2%	-	-	67.8%	289.4%	-	-	2.8%	-	-	-	-84.4%		
Net margin	9.5%	-	4.5%	12.3%	17.4%	-	-	11.0%	-	-	6.1%	1.5%		

Source: Shared Research based on company data

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

Segments (cumulative)		FY12/18				FY12/19				FY12/20				FY12/20	
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Consolidated revenue		2,752	4,999	6,814	20,268	5,886	7,376	9,669	25,131	1,816	4,603	8,926	26,481	99.2%	26,698
YoY		36.2%	-5.1%	8.8%	54.7%	113.9%	47.5%	41.9%	24.0%	-69.2%	-37.6%	-7.7%	5.4%		6.2%
Real Estate Investment and Development		2,128	3,958	4,728	17,208	4,612	5,254	6,608	21,185	797	2,915	6,308	22,668		
YoY		46.8%	-5.2%	1.6%	56.7%	116.7%	32.7%	39.8%	23.1%	-82.7%	-44.5%	-4.5%	7.0%		
% of consolidated revenue		77.3%	79.2%	69.4%	84.9%	78.3%	71.2%	68.3%	84.3%	43.9%	63.3%	70.7%	85.6%		
Real Estate Consulting		456	634	881	1,038	542	691	1,030	1,250	558	674	871	1,257		
YoY		21.9%	-1.2%	-8.1%	-18.8%	18.9%	9.1%	17.0%	20.4%	3.0%	-2.6%	-15.5%	0.6%		
% of consolidated revenue		16.6%	12.7%	12.9%	5.1%	9.2%	9.4%	10.7%	5.0%	30.7%	14.6%	9.8%	4.7%		
Real Estate Management		168	408	1,205	2,022	732	1,431	2,031	2,696	461	1,014	1,748	2,555		
YoY		-14.9%	-10.3%	84.8%	141.0%	335.0%	250.7%	68.5%	33.3%	-37.1%	-29.1%	-14.0%	-5.2%		
% of consolidated revenue		6.1%	8.2%	17.7%	10.0%	12.4%	19.4%	21.0%	10.7%	25.4%	22.0%	19.6%	9.6%		
Consolidated operating profit		474	574	828	3,307	1,528	1,386	1,378	3,986	110	219	751	1,719	101.7%	1,690
YoY		197.0%	-7.4%	27.5%	39.8%	222.4%	141.6%	66.4%	20.5%	-92.8%	-84.2%	-45.5%	-56.9%		-57.6%
Real Estate Investment and Development		339	543	632	3,040	1,011	992	1,086	3,897	-64	192	739	1,465		
YoY		157.1%	-11.6%	4.9%	31.2%	198.1%	82.9%	71.7%	28.2%	-	-80.7%	-31.9%	-62.4%		
% of consolidated operating profit		49.4%	53.7%	39.6%	72.0%	55.4%	51.3%	49.5%	75.6%	-15.4%	24.7%	47.1%	51.7%		
OPM		15.9%	13.7%	13.4%	17.7%	21.9%	18.9%	16.4%	18.4%	-8.0%	6.6%	11.7%	6.5%		
Real Estate Consulting		245	194	229	283	534	477	580	578	336	264	266	455		
YoY		42.0%	-12.7%	-28.4%	-30.7%	118.0%	145.7%	153.1%	104.3%	-37.1%	-44.7%	-54.1%	-21.3%		
% of consolidated operating profit		35.7%	19.2%	14.4%	6.7%	29.2%	24.6%	26.4%	11.2%	81.0%	34.0%	17.0%	16.0%		
OPM		53.7%	30.6%	26.0%	27.3%	98.5%	69.0%	56.3%	46.3%	60.1%	39.1%	30.6%	36.2%		
Real Estate Management		103	274	734	902	281	467	527	679	142	321	564	916		
YoY		6.9%	25.9%	118.1%	103.5%	173.6%	70.1%	-28.2%	-24.7%	-49.4%	-31.3%	7.0%	34.8%		
% of consolidated operating profit		15.0%	27.1%	46.0%	21.3%	15.4%	24.1%	24.1%	13.2%	34.3%	41.3%	36.0%	32.3%		
OPM		61.0%	67.3%	60.9%	44.6%	38.4%	32.6%	26.0%	25.2%	30.9%	31.6%	32.3%	35.9%		
Adjustments		-213	-437	-768	-917	-298	-550	-815	-1,168	-304	-557	-818	-1,117		
Segments (quarterly)		FY12/18				FY12/19				FY12/20					
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Consolidated revenue		2,752	2,247	1,815	13,454	5,886	1,489	2,294	15,461	1,816	2,788	4,323	17,555		
YoY		36.2%	-30.8%	82.8%	96.9%	113.9%	-33.7%	26.4%	14.9%	-69.2%	87.2%	88.5%	13.5%		
Real Estate Investment and Development		2,128	1,830	770	12,480	4,612	642	1,354	14,578	797	2,119	3,393	16,360		
YoY		46.8%	-32.8%	61.2%	97.2%	116.7%	-64.9%	75.8%	16.8%	-82.7%	230.0%	150.6%	12.2%		
% of consolidated revenue		77.3%	81.4%	42.4%	92.8%	78.3%	43.1%	59.0%	94.3%	43.9%	76.0%	78.5%	93.2%		
Real Estate Consulting		456	178	247	157	542	149	339	219	558	115	197	387		
YoY		21.9%	-33.5%	-22.0%	-50.8%	18.9%	-15.9%	37.1%	39.5%	3.0%	-22.8%	-42.0%	76.4%		
% of consolidated revenue		16.6%	7.9%	13.6%	1.2%	9.2%	10.0%	14.8%	1.4%	30.7%	4.1%	4.6%	2.2%		
Real Estate Management		168	240	797	816	732	698	601	665	461	553	733	807		
YoY		-14.9%	-6.7%	303.8%	337.8%	335.0%	191.4%	-24.7%	-18.6%	-37.1%	-20.7%	22.1%	21.5%		
% of consolidated revenue		6.1%	10.7%	43.9%	6.1%	12.4%	46.9%	26.2%	4.3%	25.4%	19.9%	17.0%	4.6%		
Consolidated operating profit		474	100	254	2,479	1,528	-142	-8	2,608	110	109	532	968		
YoY		197.0%	-78.3%	753.0%	44.4%	222.4%	-	-	5.2%	-92.8%	-	-	-62.9%		
Operating profit margin		17.2%	4.4%	14.0%	18.4%	26.0%	-9.6%	-0.4%	16.9%	6.1%	3.9%	12.3%	5.5%		
Real Estate Investment and Development		339	204	90	2,407	1,011	-19	93	2,811	-64	256	547	726		
YoY		157.1%	-57.8%	-	40.5%	198.1%	-	4.2%	16.8%	-	-	486.5%	-74.2%		
% of consolidated operating profit		49.4%	62.7%	15.3%	91.6%	55.4%	-	36.3%	94.9%	-	70.6%	69.0%	-		
OPM		15.9%	11.1%	11.6%	19.3%	21.9%	-2.9%	6.9%	19.3%	-8.0%	12.1%	16.1%	4.4%		
Real Estate Consulting		245	-51	35	54	534	-57	103	-2	336	-72	2	189		
YoY		42.0%	-	-64.1%	-39.0%	118.0%	-	194.7%	-	-37.1%	-	-97.7%	-		
% of consolidated operating profit		35.7%	-	6.0%	2.0%	29.2%	-	40.1%	-0.1%	81.0%	-	0.3%	-		
OPM		53.7%	-28.6%	14.1%	34.3%	98.5%	-38.1%	30.4%	-0.9%	60.1%	-62.5%	1.2%	48.9%		
Real Estate Management		103	172	460	168	281	186	61	152	142	178	244	352		
YoY		6.9%	40.9%	287.8%	57.3%	173.6%	8.2%	-86.8%	-9.3%	-49.4%	-4.0%	302.3%	131.5%		
% of consolidated operating profit		15.0%	52.9%	78.7%	6.4%	15.4%	-	23.6%	5.1%	34.3%	-	30.7%	-		
OPM		61.0%	71.7%	57.7%	20.5%	38.4%	26.6%	10.1%	22.9%	30.9%	32.2%	33.2%	43.6%		
Adjustments		-213	-225	-330	-150	-298	-252	-265	-353	-304	-253	-261	-299		

Source: Shared Research based on company data

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

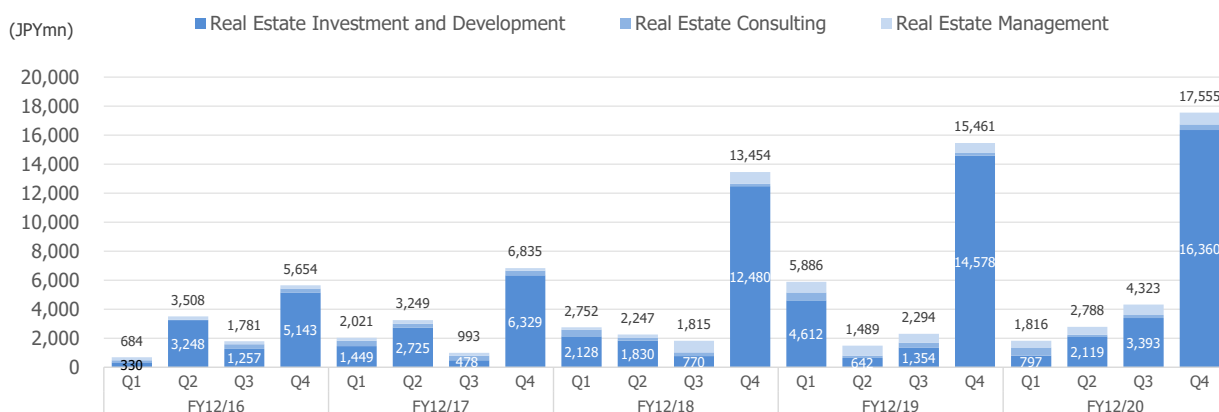
## Full-year FY12/20 results (out February 15, 2020)

### Summary

- ▷ In full-year FY12/20, the company reported revenue of JPY26.5bn (+5.4% YoY), operating profit of JPY1.7bn (-56.9% YoY), recurring profit of JPY1.0bn (-70.7% YoY), and net income attributable to owners of the parent of JPY344mn (-85.8% YoY). The impact of the COVID-19 pandemic meant that even though the company was profitable, valuation losses in some properties (primarily hotels) caused the company's profit to decline YoY for the first time since its listing. The larger declines in recurring profit and net income compared to operating profit reflect increases in interest expenses (+JPY255mn YoY) and commission expenses, including arrangement fees for financial institutions associated with the acquisition of trust beneficiary rights (+JPY85mn YoY).

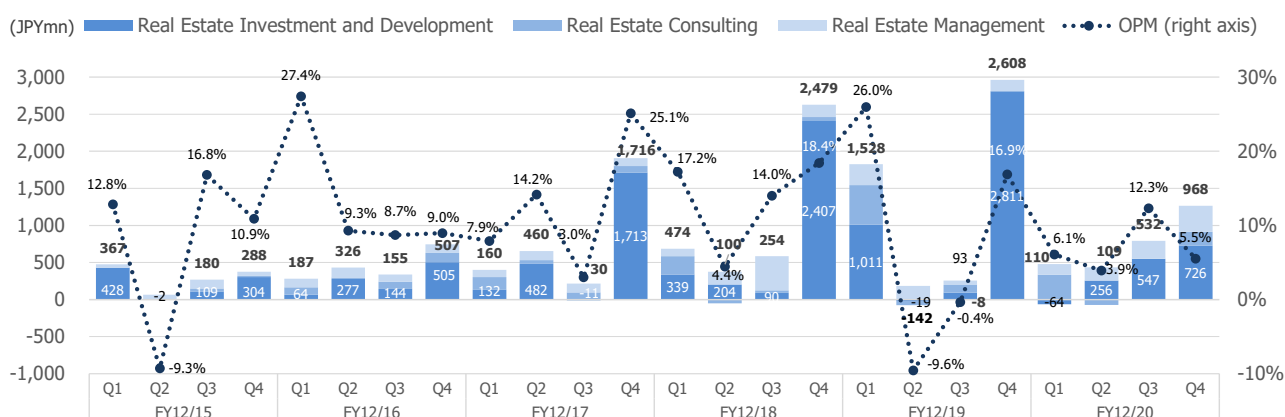
- ▷ Progress versus plan: Full-year revenue, operating profit, and recurring profit ended approximately in line with the downward revisions to the company forecast announced on November 30, 2020. Net income attributable to owners of the parent finished 23.7% above forecast.
- ▷ Revenue up 5.4% YoY: The company sold the B-Lot Esaka building, the largest property since its founding in the Real Estate Investment and Development segment, to B-Lot REIT Investment Corporation, which is sponsored by the company. The company also continued to sell small and medium-sized properties, for which demand remained strong. It commenced operation of private REITs in November 2020. By segment, revenue was up 7.0% in Real Estate Investment and Development, up 0.6% in Real Estate Consulting (revenue from external transactions), and down 5.2% in Real Estate Management (revenue from external transactions).
- ▷ In terms of purchases, the company plans to purchase properties that generate rent income, such as residential properties and office/retail buildings by obtaining loans from a wide range of financial institutions. It will continue to commercialize real estate while securing stable earnings.
- ▷ The number of inventoried real estate properties for sale was 33 (compared with 28 at end-FY12/19).
- ▷ Operating profit down 56.9% YoY: Operating profit was down 62.4% YoY in Real Estate Investment and Development, as the company was unable to secure the expected profit margin due to stagnation in economic activity brought about by the COVID-19 pandemic, and booked valuation losses on some properties (mainly hotels that the company owns as real estate for sale) in anticipation of post-pandemic conditions. Operating profit was down 21.3% YoY in Real Estate Consulting despite robust performance in brokerage of investment real estate and consulting projects, because consulting services for overseas high net worth individuals by B-Lot Singapore Pte. Ltd. declined due the impact of the pandemic. Operating profit was up 34.8% YoY in Real Estate Management despite a decline in revenue, as a result of extended property management contracts and increased rental income-generating real estate for sale.
- ▷ The company's outlook on the external environment: In the real estate industry in which the company operates, investors remain willing to invest as monetary easing measures contribute to an ongoing supply of funds although they have become more selective about the properties they invest in as a result of the COVID-19 pandemic. Residential properties have hardly been affected by the pandemic. Although there are concerns about the effect of teleworking on office/retail buildings, the impact on occupancy rates and rent levels has been relatively minor. On the other hand, demand for hotels has deteriorated significantly due to restrictions on the movement of people around the world. The impact of stimulus measures in Japan, such as the Go To Travel campaign, and a recovery in global demand remains to be seen.

## 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 JPY22.7bn (+7.0% YoY), and segment profit was JPY1.5bn (-62.4% YoY).
- ▷ The company sold 25 properties (24 in FY12/19), including 17 residential properties (14), five office/retail buildings (five), three land lots (two), and no hotels (two). By region, 13 were in Kanto (15), one in Hokkaido (two), six in Kyushu (three), two in Kansai (four), and three in Chubu (none). In November 2020, the company sold the B-Lot Esaka building, the largest property since its founding in the Real Estate Investment and Development segment, to B-Lot REIT Investment Corporation, which is sponsored by the company. The company also continued to sell small and medium-sized properties, for which demand remained strong.
- ▷ The company purchased 30 properties (28 in FY12/19), including 20 residential properties (13), nine office/retail buildings (four), one land lot (including land lot for development) (eight), and no hotels (three). By region, 14 were in Kanto (17), one in Hokkaido (two), three in Kyushu (four), nine in Kansai (two), and three in Chubu (three). By obtaining loans from a wide range of financial institutions, the company plans to purchase properties that generate rent income, such as residential properties and office/retail buildings. It will continue to commercialize real estate while securing stable earnings.
- ▷ While the number of properties outlined above does not include real estate for sale owned by consolidated subsidiaries Life Stage and Viento Creation, the company's inventory includes two condominiums, one capsule hotel, and one land lot for development.
- ▷ Meanwhile, profit was down YoY as the company was unable to secure the expected profit margin due to stagnation in economic activity brought about by the pandemic, and recorded valuation losses on some properties (mainly hotels that the company owns as real estate for sale) in anticipation of post-pandemic conditions.

### Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY1.3bn (+0.6% YoY), and segment profit was JPY455mn (-21.3% YoY).
- ▷ The company mainly won projects in Kanto, completing 28 deals (19 in FY12/19). Of these 28 completed deals, 12 were in Kanto (14), two in Hokkaido (two), five in Kyushu (none), seven in Kansai (three), one in Chubu (none), and one in Tohoku (none).
- ▷ Despite robust performance in brokerage of investment real estate and consulting projects, segment revenue and profit declined YoY. The number of consulting services for overseas high net worth individuals by B-Lot Singapore Pte. Ltd. declined due the impact of the pandemic.

**Real Estate Management segment**

- ▷ Segment revenue (revenue from external transactions) was JPY2.6bn (-5.2% YoY), and segment profit was JPY916mn (+34.8% YoY).
- ▷ The number of client-owned properties under property management rose to 101 (82 at end-FY12/19). By region, the company was managing 42 properties in Kanto (35), 30 in Hokkaido (27), 21 in Kyushu (15), five in Kansai (five), and three in Chubu (none).
- ▷ Segment revenue fell but profit rose. Rental income from accommodation facilities declined and golf courses managed by T&K were temporarily closed due to the impact of the COVID-19 pandemic. However, the number of properties under management grew and rental income-generating real estate for sale increased.

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



## Full-year company forecast

(JPYmn)	FY12/19			FY12/20			FY12/21
	1H	2H	FY	1H	2H	FY	FY Est.
<b>Revenue</b>	<b>7,376</b>	<b>17,755</b>	<b>25,131</b>	<b>4,603</b>	<b>21,878</b>	<b>26,481</b>	<b>21,700</b>
YoY	47.5%	16.3%	24.0%	-37.6%	23.2%	5.4%	-18.1%
<b>Gross profit</b>	<b>2,795</b>	<b>4,186</b>	<b>6,981</b>	<b>1,739</b>	<b>2,995</b>	<b>4,734</b>	
YoY	67.5%	1.4%	20.4%	-37.8%	-28.5%	-32.2%	
Gross profit margin	37.9%	23.6%	27.8%	37.8%	13.7%	17.9%	
SG&A expenses	1,409	1,586	2,995	1,520	1,494	3,014	
YoY	28.7%	13.7%	20.3%	7.9%	-5.8%	0.6%	
<b>Operating profit</b>	<b>1,386</b>	<b>2,600</b>	<b>3,986</b>	<b>219</b>	<b>1,500</b>	<b>1,719</b>	<b>2,030</b>
YoY	141.6%	-4.9%	20.5%	-84.2%	-42.3%	-56.9%	18.1%
Operating profit margin	18.8%	14.6%	15.9%	4.8%	6.9%	6.5%	9.4%
<b>Recurring profit</b>	<b>1,211</b>	<b>2,314</b>	<b>3,525</b>	<b>-175</b>	<b>1,208</b>	<b>1,033</b>	<b>1,320</b>
YoY	242.1%	-6.6%	24.4%	-	-47.8%	-70.7%	27.8%
Recurring profit margin	16.4%	13.0%	14.0%	-3.8%	5.5%	3.9%	6.1%
<b>Net income</b>	<b>854</b>	<b>1,574</b>	<b>2,429</b>	<b>-186</b>	<b>530</b>	<b>344</b>	<b>870</b>
YoY	285.8%	-9.5%	23.9%	-	-66.3%	-85.8%	152.9%

Source: Shared Research based on company data

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

## FY12/21 company forecast

- ▷ The company projects full-year FY12/21 revenue of JPY21.7bn (-18.1% YoY), operating profit of JPY2.0bn (+18.1% YoY), recurring profit of JPY1.3bn (+27.8% YoY), and net income attributable to owners of the parent of JPY870mn (+152.9% YoY).
- ▷ The company has not decided on a dividend forecast.

## Company assumptions about the external environment

The company expects that there will be normalization and recovery with respect to the COVID-19 pandemic, as a result of various policies and the development and dissemination of vaccines. However, with the number of new infections once again increasing around the world, the company thinks the situation will remain uncertain as the process of trial and error in the pursuit of controlling infection and sustaining economic activity continues.

## Company initiatives

- ▷ The company has aimed for many years to create businesses that add value to society in the spheres of real estate and real estate finance, and to achieve profits and sustainable long-term growth as a company fulfilling societal needs.
- ▷ Based on the policies and strategies set out in the medium-term management plan (announced on November 30, 2020; see below), the company will work to reform its earnings structure by FY12/23, the final year of the plan.
- ▷ The company intends to steadily accumulate profits while observing economic trends in a with-pandemic or post-pandemic world and expanding stable earnings.
- ▷ With the number of group companies gradually increasing, the company is diversifying its businesses. It plans to take the current situation as an opportunity to take greater advantage of group synergies, widen business opportunities, and maximize profit.

## Medium-term outlook

### New medium-term management plan (FY12/21–FY12/23)

On November 30, 2020, the company unveiled its new medium-term management plan covering the three-year period from FY12/21 through FY12/23.

- ▷ In FY12/23, the final year of the new medium-term management plan, B-Lot targets revenue of JPY29.7bn (111.2% of the company's FY12/20 forecast), recurring profit of JPY3.6bn (3.6x that of the FY12/20 forecast), and net income attributable to owners of the parent of JPY2.4bn (8.6x that of the FY12/20 forecast).
- ▷ B-Lot aims to achieve long-term stable growth by reforming the earnings structure even if it means a period of plateauing profits. Up until now, the company has been highly reliant on the earnings of the Real Estate Investment and Development segment such that delays in sales and other factors could significantly impact performance. Going forward, B-Lot plans to bolster the earnings base through stable rental income to achieve earnings in FY12/23 exceeding the forecast for FY12/20.

#### Numerical targets

(JPYmn)	FY12/20 estimates	FY12/21 targets	% change	FY12/22 targets	% change	FY12/23 targets	% change
Revenue	26,698	21,700	-18.7%	24,500	12.9%	29,700	21.2%
Operating profit	1,690	2,030	20.1%	3,080	51.7%	4,480	45.5%
Recurring profit	990	1,320	33.2%	2,240	69.7%	3,640	62.5%
Net income*	278	870	212.2%	1,490	71.3%	2,440	63.8%

\*Net income attributable to owners of the parent  
Source: Shared Research based on company data

#### Basic policy

- ▷ Since its founding, the group has created businesses that add value to society in the fields of real estate and real estate finance. It aims to achieve profits as a company fulfilling societal needs along with long-term continuous growth.
- ▷ Since its founding, the group's core values (action guidelines) have been to conduct business professionally and to enjoy work. Under the company's definition, being professional involves striving to make accurate decisions quickly and with insight and expertise, acquiring specialized knowledge, collecting information, and improving oneself. So that its employees can fully enjoy their work, the group has actively promoted businesses that allow room for creativity and flexibility.
- ▷ Although the employee headcount has increased since the company's founding, it will continue to contribute to society by emphasizing partnership and teamwork both inside and outside the company, pursuing profits in compliance with social norms, and pursuing continuous long-term growth.
- ▷ In FY12/20, the company revised its forecast downward due to the impact of the COVID-19 pandemic. On a positive note, it is laying the groundwork for the future, such as through the launch of company-sponsored B-Lot REIT Investment Corporation's private REIT (see "FY12/20 company forecast" above).
- ▷ B-Lot formulated the medium-term management plan amid changes in economic trends occurring in the COVID-affected world with the intention of remaining a group that continues to fulfill societal needs 100 years in the future.

#### Key strategies

- ▷ Expand stable revenue base: The company aims to expand its stable revenue base through the acquisition of high-quality properties that will add to the stable income stream the group receives from leasing. It will also work to expand sources of asset management fees and other stable income derived from B-Lot REIT Investment Corporation and private REITs.
  - Aim for a CAGR of 20% in the Real Estate Consulting and Real Estate Management businesses: In FY12/19, the Real Estate Investment and Development business accounted for 64% of gross profit, with only 16% and 19% coming from the more stable Real Estate Consulting and Real Estate Management businesses, respectively. In FY12/23, the

company plans to reduce this dependence on the Real Estate Investment and Development business so that the segment will account for 50% of gross profit, while increasing the amount accounted for by the Real Estate Consulting business to 22%, and that accounted for by the Real Estate Management business to 28%.

- Aim to achieve AUM of JPY50.0bn for B-Lot REIT Investment Corporation, and list on the Tokyo Stock Exchange.
- ▷ Diversify and deepen relationships with client companies: The company strives to deepen relationships with high-net-worth clients in Japan and overseas and also broaden its client base via B-Lot REIT Investment Corporation and other means.
  - In existing businesses, dig deeper into client needs, expanding the types of real estate assets, increasing the types of consulting services for high-net-worth individuals, and expanding the scale of existing businesses. Promote the systemization of finance through REITs.
  - Establish relationships with more partners and gain time with an emphasis on co-prosperity.
- ▷ Secure stable sources of financing: The company aims for the continuation of efforts to strengthen its ties with a wide range of financial institutions, thereby building up the level of trust in its relationships and establishing secure sources of finances.
  - Aim for a shareholders' equity ratio of over 25%. In FY12/20, heavy borrowing caused the shareholders' equity ratio to fall below 20% and the company aims for recovery in the metric. Concerning the cancelled public offering, the company said it will implement a public offering when the timing is right, but will be unlikely to do so in the near future.
- ▷ Expand investments into new types of real estate: The company works to leverage its expertise in real estate revitalization and development by moving into new areas within the real estate market and investing in new types of real estate.
  - Revitalize a golf course business: The company acquired a golf course in Tsuruga, Fukui Prefecture, and is working to revitalize the business (non-consolidated).
  - Promote regional revitalization through hotels: Torifito Hakata Gion opened in September 2020. In November 2020, it showed steady growth, achieving 123% of the budget target.
  - Energy and SDGs: The company supports SDGs through its ownership of two properties with a sum of over of 30,000sqm of solar panel installation area.
  - As the company diversifies, it plans to strengthen management and cultivate next-generation leaders. It will nurture young leaders by entrusting the responsibility for certain areas to them and encouraging them to achieve growth.

## 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. While lending for investment in rental apartment buildings is becoming increasingly tight, lending to the high-net-worth and ultrahigh-net-worth individuals remains robust, contributing to extreme polarization in the market as quality real estate prices further rise. In 2019, the company witnessed the market change, including the emergence of a gap in performance between companies that are trusted by financial institutions and business partners and companies that are not. B-Lot believes changes bring new opportunities, and thinks it important to go back to the basics at times of such changes. Specifically, the company is advancing its business with a focus on the following two points:

- ▷ Working on each project with integrity and sincerity
- ▷ Commit to results as professionals

B-Lot not only aims to expand its existing businesses, but to create new businesses that can give rise to and combine with other businesses and grow these businesses as new pillars by rigorously enforcing compliance and taking advantage of the favorable business environment which merits honesty and fairness.

## External environment

In FY2018, real estate transaction value at domestic listed companies totaled JPY3.6tn (-27.4% YoY), with the transaction value down an especially sharp 41.4% YoY in 2H FY2018. In FY2019 (April 2019–March 2020), transaction value was JPY4.5tn (+24.5% YoY). Large transactions increased in 2H, supporting the double-digit YoY growth.

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.

## 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 61 employees, and on a group-company basis including acquired companies, there are 194 employees (as of end-December 2019). With the increase in the number of employees accompanying acquisitions, the company is also working to expand its business areas.

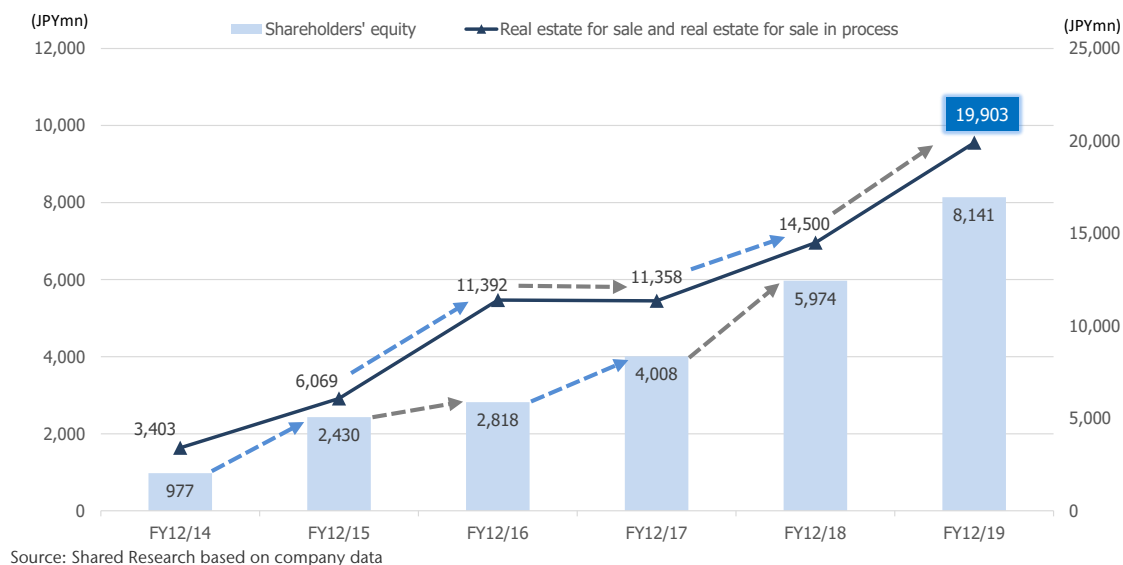
## Financial strategy

B-Lot is growth-oriented and uses higher leverage than its peers (the net debt/equity ratio was 1.98 in FY12/19; average for 23 competitors with similar revenue was 1.30). 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.

At end-FY12/19, interest-bearing debt stood at JPY23.3bn. The company secured a syndicated loan in FY12/19 of JPY4.3bn (1.5x FY12/18), allowing it to respond flexibly to large-scale new investments without the need for collateral. In addition to the syndicated loan, the company borrowed a total of JPY4.5bn (balance at end-December 2019) in unsecured working capital, and also secured JPY2.0bn from Shimane Bank in January 2020. The company aims to make effective use of these funds for real estate purchases and real estate revitalization projects.

Increased retained earnings have contributed to a steady expansion in shareholders' equity (see figure below), and the company has achieved ongoing revenue growth through an expansion in its inventory of real estate for sale. It appears B-Lot is benefiting from a virtuous cycle in which shareholders' equity gains are followed the next year by an expansion in the inventory of real estate for sale, and a corresponding increase in revenue.

## Shareholders' equity and inventory of real estate for sale



## 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

## Acquisitions

The company intends to actively consider acquisitions, aiming to use acquisitions to pursue its basic strategies of securing talented workers and diversifying the company's businesses, as well as to increase synergies between businesses while simultaneously expanding one-stop services within the group. 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 April 2018, the

company purchased shares in golf course and sports facility operator T&K Co., Ltd., making it a subsidiary. In this respect, the company is trying its hand in a new business territory, with the aim of boosting the value of its golf courses by providing new values to golfers in Japan and overseas. Since many SMEs in Japan are struggling with the issue of succession, the company intends to make full use of its experience and knowledge to resolve related issues and pursue acquisitions to expand its business.

## Business expansion

### Transfer to the First Section of the Tokyo Stock Exchange

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.

### 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 participate in overseas real estate investment, revitalization, development, and 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.

### Expansion into new business areas

B-Lot is involved in accommodation facilities (see below) and nursing care facilities, and is commercializing 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. One example of this, detailed below, is the ossuary real estate revitalization business.

#### Yokohama Shoen: an ossuary real estate revitalization business

- ▷ In May 2019, the company purchased 50% of the shares in Yokohama Fuji Reibyo, which operates an ossuary and funeral business, and changed the name to Yokohama Shoen, which became an equity-method affiliate.
- ▷ Leveraging its real estate revitalization expertise, the company plans to conduct a thorough overhaul of the aging facility, make it earthquake resistant, and utilize empty space in the main hall to expand the ossuary. It aims to reopen the facility following renovations in summer 2020. Kengo Kuma, who designed the New National Stadium for the 2020 Olympic Games in Tokyo, designed the renovated facility. In total, three buildings on the site are being renovated, with the ossuary being expanded and a glass-enclosed café being built for customers and local residents. Meal preparation, including for Buddhist memorial services, are supervised by Chef Tsutomu Ochiai, famous for his Italian cuisine, and Japanese cuisine chef Masahiro Kasahara. The company aims to create added value and make the facility a next-generation funeral home and ossuary.
- ▷ The facility currently has 3,250 indoor locker-type ossuaries, which the company plans to expand by 10,000 over the next few years. In addition to revenue from selling the ossuaries (offerings for *eitai kuyo* [permanent ritual care]: JPY1.8mn for standard and JPY3mn for high-end), the company will also receive stable, long-term management fees (JPY6,000 yearly for standard and JPY10,000 for high-end; applies to those receiving *eitai kuyo* service). The property is conveniently located in an urban area, five minutes' walk from Kishine Koen station on the Yokohama Municipal Subway's Blue Line and also close to central Tokyo.

## 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.

## 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.

## B-Lot Crowd Funding, a real-estate crowdfunding venture

The company has forged a business alliance agreement with SBI Securities Co., Ltd. regarding collaboration in operations such as real estate crowdfunding.

- ▷ As a pioneer in the comprehensive online brokerage business, SBI Securities leads the field in the number of accounts, assets under management, and trading value.
- ▷ In the real estate business, small-lot investment in income property has grown in recent years after the revision of the Act on Specified Joint Real Estate Ventures in December 2017, which was intended to stimulate investment in growth businesses such as regional revitalization and tourism. In this context, the company and SBI Securities agreed to collaborate in the real estate investment business by combining the B-Lot Group's know-how on diverse income properties around the country with SBI Securities' networks with a broad customer base and regional financial institutions.
- ▷ As the first step, B-Lot plans to set up small-lot investment units for quality, stable income properties owned by the group, and form a real estate investment market that offers a relatively safe vehicle for asset formation to high net worth individuals and investors in collaboration with SBI Securities.
- ▷ The company plans to launch the business after obtaining a specified joint real estate venture business license.

## Reference: Current 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. The plan targets at the time of its creation and the company's current estimates for FY12/20 are as follows:

- ▷ Medium-term management plan targets for FY12/20 (at the time of its announcement): 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 the parent of JPY2.8bn (+20.6% YoY)
- ▷ The company's current FY12/20 forecast calls for revenue of JPY30.0bn (+19.4% YoY), operating profit of JPY5.0bn (+24.9% YoY), recurring profit of JPY4.2bn (+18.7% YoY), and net income attributable to owners of the parent of JPY2.8bn (+17.1% YoY). The current FY12/20 estimates for revenue (JPY30.0bn) and net income (JPY2.8bn) are in line with the previously announced medium-term plan targets.

### Medium-term management plan targets (FY12/19–FY12/20), actual earnings, and current estimates

(JPYmn)	FY12/18	FY12/19		FY12/20	
	FY Act.	Est.	Act.	MTP Est.	Current Est.
<b>Revenue</b>	<b>20,268</b>	<b>26,300</b>	<b>25,131</b>	<b>30,000</b>	<b>30,000</b>
YoY	54.7%	29.8%	24.0%	14.1%	19.4%
<b>Operating profit</b>	<b>3,307</b>	<b>3,738</b>	<b>3,986</b>	<b>4,552</b>	<b>4,979</b>
YoY	39.8%	13.0%	20.5%	21.8%	24.9%
Operating profit margin	16.3%	14.2%	15.9%	15.2%	16.6%
<b>Recurring profit</b>	<b>2,833</b>	<b>3,360</b>	<b>3,525</b>	<b>4,121</b>	<b>4,186</b>
YoY	41.7%	18.6%	24.4%	22.6%	18.7%
Recurring profit margin	14.0%	12.8%	14.0%	13.7%	14.0%
<b>Net income</b>	<b>1,961</b>	<b>2,357</b>	<b>2,429</b>	<b>2,843</b>	<b>2,843</b>
YoY	56.8%	20.2%	23.9%	20.6%	17.1%
Net margin	9.7%	9.0%	9.7%	9.5%	9.5%

Source: Shared Research based on company data

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

## Basic policy

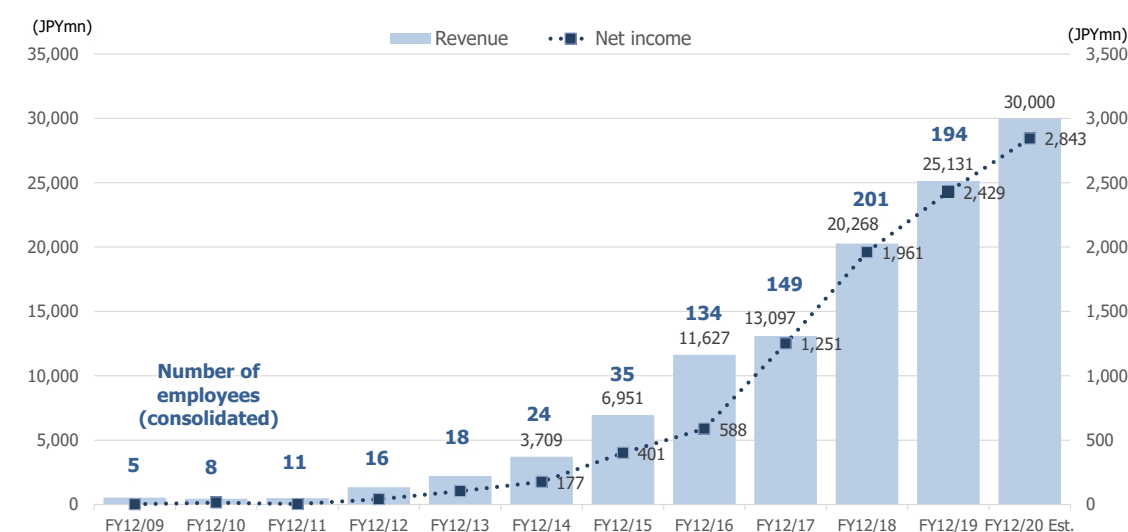
- ▷ Maintain long-held business indicator of 20% or higher net income growth as earnings target (the company's current estimate for net income in FY12/20 is unchanged from the initial medium-term plan target, and since growth in FY12/19 exceeded the medium-term plan target, the current estimate for net income growth in FY12/20 is below 20%, at 17.1%)
- ▷ Based on the management concept of "pursuing profits in conformity with societal standards and long-term, continued growth," achieved a ninth consecutive year of higher revenue and profits since FY12/10
- ▷ In 2018, changed listing from Mothers Section to First Section of the Tokyo Stock Exchange
- ▷ As a company on the First Section of the Tokyo Stock Exchange, B-Lot will continue to pursue its long-held business indicator (20% or higher net income growth)
- ▷ Year-end dividend for FY12/18 of JPY50 (20% payout ratio) resulted from a JPY30.5 YoY increase (after consideration of stock split). B-Lot plans to pay a FY12/19 DPS of JPY60 (+JPY10 YoY) based on a 20% payout ratio. The company will continue to take efforts to achieve earnings targets so that it can return profits to shareholders. The company's policy is to determine dividends each year based on performance.
- ▷ In the Real Estate Investment and Development segment, a core business of the company group, the year-end balance of properties for sale in FY12/19 reached record highs (see FY12/19 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 CAGR of over 20%

The company's most important key performance indicator (KPI) is net income. B-Lot thinks that it needs to grow profit at a CAGR of roughly 20% 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. As growth contributes to an expansion in earnings, the company believes to achieve net income CAGR of 20%, it will need to increase headcount and unit transaction prices.

### Number of (consolidated) employees, revenue, and net income



Source: Shared Research based on company data

### 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.

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 contracts asset management operations 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.

- ▷ The company entered hotel development ahead of the inbound tourism boom, opening two renovated accommodation facilities in 2015: First Cabin Tsukiji (Chuo-ku, Tokyo: one-minute walk from Tsukiji Station) and a hostel, Imano Tokyo Hostel (Shinjuku, Tokyo: a four-minute walk from Shinjuku and Shinjuku-sanchome stations).
- ▷ In December 2016, the company completed a condo hotel\* called "the kamui niseko" (Niseko, Hokkaido).

\*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 revenue from hotel charges.

- ▷ 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 two capsule hotels owned by subsidiary Viento Creation Co., Ltd. One was reopened under the brand name °C Ebisu (Shibuya, Tokyo; one minute by walk from Ebisu station). The property underwent substantial renovations including the installation of a new sauna, and it has seen consistently strong occupancy ratios since its reopening. The property was sold in November 2019. Another renovated hotel was °C Gotanda (Shinagawa, Tokyo; three minutes by walk from Gotanda station), which reopened in April 2018. The hotel remains in operation under the company's ownership. Both hotels are being managed by nine hours.
- ▷ Also in April 2018, the company opened budget hotels Tissage Hotel Naha (Naha, Okinawa) and Hotel Torifito Otaru Canal (Otaru, Hokkaido; the fourth property opened in collaboration with AB Accommo). After the sale of Hotel Torifito Otaru Canal to an investment company in February 2019, the company is working with AB Accommo to support the investor in asset management over the long term.
- ▷ In August 2018, Nesthotel Kyoto Shijokarasuma opened. In March 2019, the fifth project under the company's collaboration with AB Accommo, Imano Osaka Shinsaibashi Hostel in Kitahorie, Osaka opened.
- ▷ Further, the sixth project with AB Accommo, Hotel Torifito Hakata Reisenmachi in Fukuoka (tentative name) is set to be completed in July 2020, with operations scheduled to commence in September the same year, and the seventh Hotel Torifito Kanazawa (tentative name) in June 2021.
- ▷ In December 2019, B-Lot acquired Randor Residential Hotel Sapporo Suites. The hotel is one of the company's "stay that feels like home" residential hotels, and features in-room kitchens and multiple beds. The hotel is a seven-minute walk from Susukino Station and is suitable for families, groups, and those planning medium- to long-term stays. Construction was completed in May 2019, and the hotel opened in June of the same year. Occupancy rate at the time of acquisition stood at about 80%.
- ▷ The company acquired three hostels operated by Wise Owl in November–December 2019. The hostels (WISE OWL HOSTELS SHIBUYA, WISE OWL HOSTELS SAPPORO, and WISE OWL HOSTELS KYOTO) target mainly overseas visitors and are entertainment hostels focused on the theme of "food and travel." The Shibuya hostel has 98 beds and was opened in April 2017; the Kyoto hostel has 138 beds and is expected to be opened in March 2020; and the Sapporo hostel has 146 beds and is scheduled to be opened in June 2020. According to the company, the average occupancy rate at the Shibuya hostel is about 90%.

## 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	the kamui niseko	B-Lot's first condominium for subdivision	
Development	nine hours Shinjuku-North	B-Lot's first hotel	
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	NESTHOTEL KYOTO SHJOKARASUMA	Budget hotel (holding)	
Development	IMANO OSAKA SHINSAIBASHI HOSTEL	Opened in March 2019 (holding)	
Under development	Hotel Torifito Hakata Reisenmachi	To be completed in July 2020	
Under development	Hotel Torifito Kanazawa	To be completed in June 2021	

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. As noted earlier, °C Ebisu maintained strong occupancy rates after reopening and was sold in November 2019.

## Business

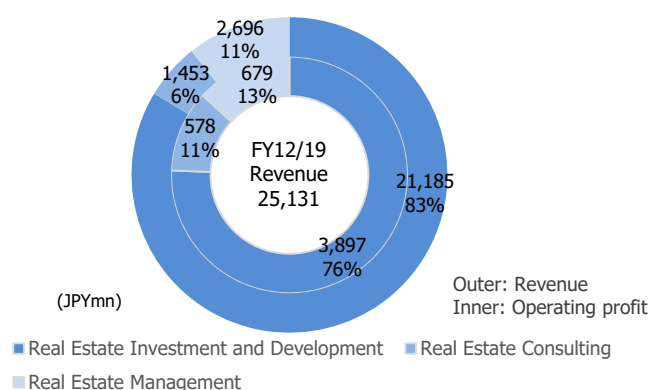
### Business description

#### 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.

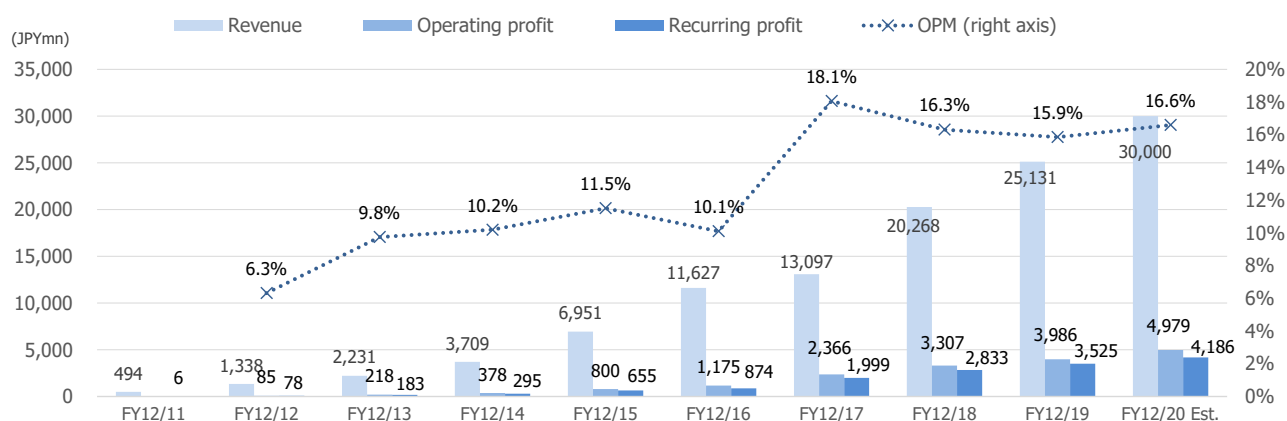
In FY12/19, the breakdown of earnings by segment was: Investment and Development 83.6% of revenue, 75.6% of operating profit; Consulting 5.7% of revenue, 11.2% of operating profit; and Management 10.6% of revenue and 13.2% of operating profit. OPM was 18.4%, 39.8%, and 25.2% respectively. B-Lot aims to diversify its building types and regions in the Real Estate Investment and Development segment. Breakdown by building type: residential 14 (58% of properties sold), office/retail buildings five (21%), detached lots two (8%), hotels two (8%), and others one (4%). Breakdown by region: Kanto 15 (63% of properties sold), Hokkaido two (8%), Kyushu three (13%), and Kansai four (17%). The average sales price per property sold in the Real Estate Investment and Development segment was JPY883mn, up sharply from JPY76mn in FY12/12. In the Consulting segment, the company has won around 20–30 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 82 in FY12/19.

#### Segment revenue and operating profit (FY12/19: excluding adjustments)



Source: Shared Research based on company data

#### Revenue, operating profit, recurring profit, and OPM



Source: Shared Research based on company data

## Characteristics

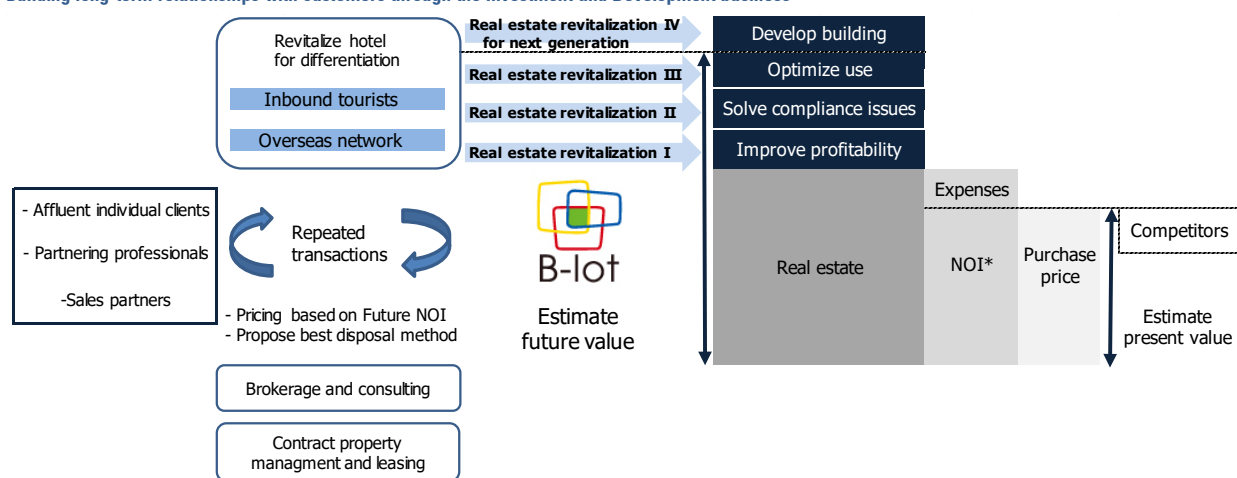
Based on accumulated real estate investment and management expertise, B-lot's segments operate in line with overall corporate goals. For each project individual divisions collaborate, each contributing idea based on specialized knowledge, and the company selects those ideas that could maximize a property's 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 JPY883mn in FY12/19. 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-sized properties (floor space of 300–5,000 tsubo [992–16,529sqm]) and large properties (over 5,000 tsubo [over 16,529sqm]). In terms of rentable area (floor space), small and medium-sized properties accounted for 47% (6.07mn tsubo [roughly 20.1mn sqm]) versus 53% (6.89mn tsubo [roughly 22.8mn sqm]) for large properties. By number of buildings, small and medium-sized office buildings accounted for the vast majority or 92% (8,538 buildings) versus 8% (755 large buildings). Source: Xymax Real Estate Institute, Office Stock Pyramid 2019

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 the Investment and Development 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 and Development 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. In April 2018, the company purchased shares in golf course and sports facility operator T&K Co., Ltd., making it a subsidiary. In May 2018, it established a subsidiary called B-Lot Capital Link to engage in human resources and M&A businesses. B-Lot had a small team of skilled professionals at the time of its establishment; as of end-December 2019, including acquired companies, the group had 194 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

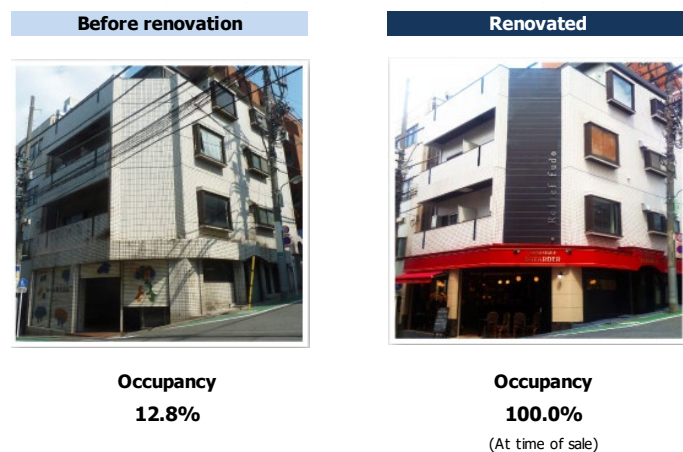
### Real Estate Investment and Development segment

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

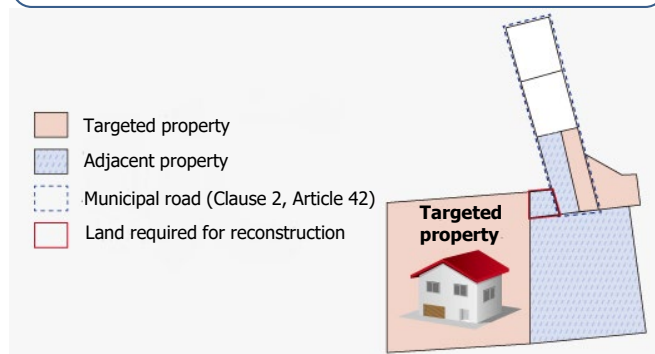
#### Properties with compliance issues

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 Real Estate Investment and Development segment accounts for around 85% of revenue (FY12/12–FY12/19 average) and the segment profit margin in FY12/12–FY12/18 was at 10–21%. In recent years, revitalization and new development projects each accounted for about half of all projects (of the 28 items in inventory of real estate for sale at the start of FY12/20, 11 were land for development, with inventory of real estate for sale for the year at a slightly elevated level). The company sold 24 properties and acquired 28 in FY12/19. The acquired properties break down into 13 residential properties, four office/retail buildings, one land lot, seven land lots for development, three hotels, and no properties in the others category. The others category (previously acquired) included two solar power generation facilities and one logistics facility, which were 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.

## Real Estate Investment and Development segment revenue and operating profit

(JPYmn)	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.
<b>Real Estate Investment and Development revenue</b>	<b>1,069</b>	<b>1,897</b>	<b>3,237</b>	<b>6,137</b>	<b>9,977</b>	<b>10,981</b>	<b>17,208</b>	<b>21,185</b>
YoY	-	77.4%	70.6%	89.6%	62.6%	10.1%	56.7%	23.1%
% of consolidated revenue	79.9%	85.0%	87.3%	88.3%	85.1%	83.7%	84.3%	83.6%
No. of properties sold	14	11	22	13	16	21	26	24
YoY	-	-21.4%	100.0%	-40.9%	23.1%	31.3%	23.8%	-7.7%
<By type of property>								
Residential	na	8	18	7	8	11	14	14
% % of total properties sold	na	72.7%	81.8%	53.8%	50.0%	52.4%	53.8%	58.3%
Offices and stores	na	3	4	4	5	5	7	5
% % of total properties sold	na	27.3%	18.2%	30.8%	31.3%	23.8%	26.9%	20.8%
Land for detached houses	na	-	-	1	2	3	2	2
% % of total properties sold	na	-	-	7.7%	12.5%	14.3%	7.7%	8.3%
Hotels	na	-	-	1	1	2	3	2
% % of total properties sold	na	-	-	7.7%	6.3%	9.5%	11.5%	8.3%
Other	na	-	-	-	-	-	-	1
% % of total properties sold	na	-	-	-	-	-	-	4.2%
<By region>								
Kanto	na	9	na	8	9	15	11	15
% % of total properties sold	na	81.8%	na	61.5%	56.3%	71.4%	42.3%	62.5%
Hokkaido	na	2	na	3	4	3	9	2
% % of total properties sold	na	18.2%	na	23.1%	25.0%	14.3%	34.6%	8.3%
Kyushu	na	-	na	1	1	3	5	3
% % of total properties sold	na	-	na	7.7%	6.3%	14.3%	19.2%	12.5%
Kansai	na	-	na	1	2	-	1	4
% % of total properties sold	na	-	na	7.7%	12.5%	-	3.8%	16.7%
Revenue per property sold	76	172	147	472	624	523	662	883
YoY	-	125.8%	-14.7%	220.9%	32.1%	-16.1%	26.6%	33.4%
<b>Real Estate Investment and Development operating profit</b>	<b>120</b>	<b>311</b>	<b>465</b>	<b>840</b>	<b>989</b>	<b>2,316</b>	<b>3,040</b>	<b>3,897</b>
YoY	-	157.9%	49.6%	80.8%	17.8%	134.1%	31.2%	28.2%
% of consolidated operating profit	61.8%	75.0%	73.5%	71.1%	55.2%	73.1%	72.0%	75.6%
Operating profit margin	11.3%	16.4%	14.4%	13.7%	9.9%	21.1%	17.7%	18.4%

Source: Shared Research based on company materials

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

## Real Estate Investment and Development segment purchases

(JPYmn)	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.
<b>Number of properties acquired</b>	<b>11</b>	<b>20</b>	<b>18</b>	<b>19</b>	<b>23</b>	<b>22</b>	<b>24</b>	<b>28</b>
YoY	-	81.8%	-10.0%	5.6%	21.1%	-4.3%	9.1%	16.7%
<By type of property>								
Residential	na	na	na	9	8	11	11	13
% of total properties acquired	na	na	na	47.4%	34.8%	50.0%	45.8%	46.4%
Offices and stores	na	na	na	4	5	4	5	4
% of total properties acquired	na	na	na	21.1%	21.7%	18.2%	20.8%	14.3%
Land for development	na	na	na	4	10	4	4	7
% of total properties acquired	na	na	na	21.1%	43.5%	18.2%	16.7%	25.0%
Other	na	na	na	2	-	3.0	4.0	4.0
% of total properties acquired	na	na	na	10.5%	-	13.6%	16.7%	14.3%
<By region>								
Kanto	na	na	na	11	13	8	13	17
% of total properties acquired	na	na	na	57.9%	56.5%	36.4%	54.2%	60.7%
Hokkaido	na	na	na	5	1	7	2	2
% of total properties acquired	na	na	na	26.3%	4.3%	31.8%	8.3%	7.1%
Kyushu	na	na	na	1	6	4	5	4
% of total properties acquired	na	na	na	5.3%	26.1%	18.2%	20.8%	14.3%
Kansai	na	na	na	2	3	3	4	2
% of total properties acquired	na	na	na	10.5%	13.0%	13.6%	16.7%	7.1%
Chubu	na	na	na	-	-	-	-	3
% of total properties acquired	na	na	na	-	-	-	-	10.7%

Source: Shared Research based on company materials

### Real Estate Investment and Development 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.	FY12/19 Cons.
<b>Inventories for sale (year-end)</b>	<b>577</b>	<b>1,691</b>	<b>3,403</b>	<b>6,070</b>	<b>11,393</b>	<b>11,358</b>	<b>14,500</b>	<b>19,903</b>
YoY	-	193.1%	101.3%	78.3%	87.7%	-0.3%	27.7%	37.3%
<b>Number of properties</b>	<b>na</b>	<b>16</b>	<b>12</b>	<b>18</b>	<b>25</b>	<b>27</b>	<b>25</b>	<b>28</b>
YoY	-	-	-25.0%	50.0%	38.9%	8.0%	-7.4%	12.0%
<By use>								
Land (including land for development)	na	na	3	6	12	12	9	11
YoY	na	na	-	100.0%	100.0%	0.0%	-25.0%	22.2%
% of total number of properties in inventory	na	na	25.0%	33.3%	48.0%	44.4%	36.0%	39.3%
Offices and stores	na	na	2	2	3	2	2	1
YoY	na	na	-	0.0%	50.0%	-33.3%	0.0%	-50.0%
% of total number of properties in inventory	na	na	16.7%	11.1%	12.0%	7.4%	8.0%	3.6%
Residential	na	na	6	8	8	9	7	8
YoY	na	na	-	33.3%	0.0%	12.5%	-22.2%	14.3%
% of total number of properties in inventory	na	na	50.0%	44.4%	32.0%	33.3%	28.0%	28.6%
Hotel, accommodation related	na	na	1	1	1	3	3	5
YoY	na	na	-	0.0%	0.0%	200.0%	0.0%	66.7%
% of total number of properties in inventory	na	na	8.3%	5.6%	4.0%	11.1%	12.0%	17.9%
Nursing care facilities	na	na	-	1	1	1	1	1
YoY	na	na	-	-	0.0%	0.0%	0.0%	0.0%
% of total number of properties in inventory	na	na	-	5.6%	4.0%	3.7%	4.0%	3.6%
Nursing care facilities	na	na	-	-	-	-	3	2
YoY	na	na	-	-	-	-	-	-33.3%
% of total number of properties in inventory	na	na	-	-	-	-	12.0%	7.1%
Value of inventories per property	na	106	284	337	456	421	580	711
YoY	-	-	168.4%	18.9%	35.1%	-7.7%	37.9%	22.6%

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–FY12/19 average), and OPM was 24–40% (FY12/12–FY12/19). The segment's composition of overall revenue had continued to grow, from 2.5% in FY12/15 to 7.4% in FY12/16 and to 9.9% in FY12/17, but contracted to 5.7% in FY12/19.

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 and Development 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.	FY12/19 Cons.
<b>Real Estate Consulting revenue</b>	<b>192</b>	<b>146</b>	<b>197</b>	<b>171</b>	<b>862</b>	<b>1,305</b>	<b>1,190</b>	<b>1,453</b>
YoY	-	-24.1%	35.1%	-13.1%	403.2%	51.4%	-8.8%	22.1%
% of consolidated revenue	14.4%	6.5%	5.3%	2.5%	7.4%	9.9%	5.8%	5.7%
No. of brokerage deals	25	28	20	29	31	29	27	27
YoY	-	12.0%	-28.6%	45.0%	6.9%	-6.5%	-6.9%	0.0%
<By region>								
Kanto	na	19	7	15	19	18	12	12
% % of total brokerage deals	na	67.9%	35.0%	51.7%	61.3%	62.1%	44.4%	63.2%
Hokkaido	na	7	8	8	7	5	5	5
% % of total brokerage deals	na	25.0%	40.0%	27.6%	22.6%	17.2%	18.5%	26.3%
Kyushu	na	-	3	4	4	2	4	4
% % of total brokerage deals	na	-	15.0%	13.8%	12.9%	6.9%	14.8%	21.1%
Kansai	na	2	2	2	1	4	6	6
% % of total brokerage deals	na	7.1%	10.0%	6.9%	3.2%	13.8%	22.2%	31.6%
<b>Real Estate Consulting operating profit</b>	<b>71</b>	<b>58</b>	<b>79</b>	<b>58</b>	<b>346</b>	<b>408</b>	<b>283</b>	<b>578</b>
YoY	-	-18.9%	36.8%	-26.5%	496.9%	17.9%	-30.7%	104.3%
% of consolidated operating profit	36.5%	13.9%	12.5%	4.9%	19.3%	12.9%	6.7%	11.2%
Operating profit margin	37.0%	39.5%	40.0%	33.8%	40.1%	31.3%	23.8%	39.8%

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 82 buildings. In FY12/19, the segment accounted for 10.6% of revenue and OPM was 25.2%.

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.

### 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.

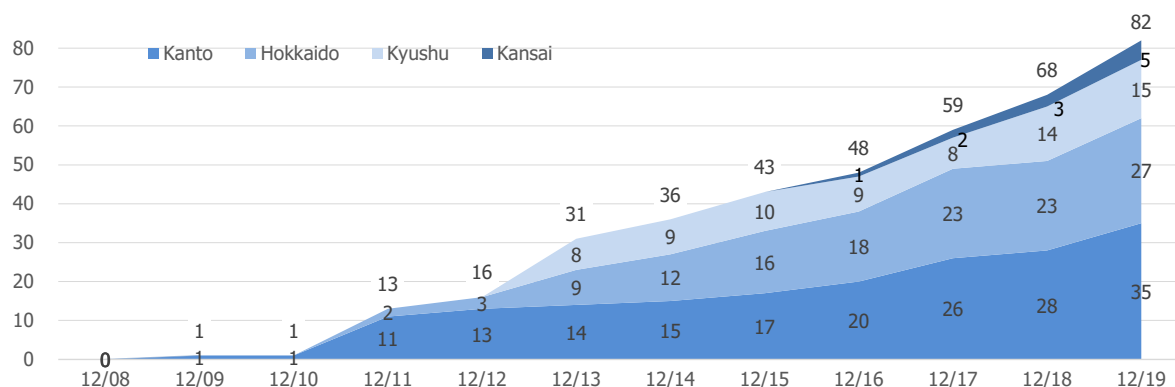
### Asset management

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
- ▷ 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	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Parent	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.
<b>Real Estate Management revenue</b>	<b>77</b>	<b>188</b>	<b>275</b>	<b>642</b>	<b>882</b>	<b>839</b>	<b>2,022</b>	<b>2,696</b>
YoY	-	144.9%	46.5%	133.2%	37.3%	-4.9%	141.0%	33.3%
% of consolidated revenue	5.7%	8.4%	7.4%	9.2%	7.5%	6.4%	9.9%	10.6%
No. of properties managed	20	31	36	40	48	59	68	68
YoY	-	55.0%	16.1%	11.1%	20.0%	22.9%	15.3%	0.0%
<By region>								
Kanto	na	14	15	17	20	26	28	28
% % of total properties managed	na	45.2%	41.7%	42.5%	41.7%	44.1%	41.2%	41.2%
Hokkaido	na	9	12	14	18	23	23	23
% % of total properties managed	na	29.0%	33.3%	35.0%	37.5%	39.0%	33.8%	33.8%
Kyushu	na	8	9	9	9	8	14	14
% % of total properties managed	na	25.8%	25.0%	22.5%	18.8%	13.6%	20.6%	20.6%
Kansai, other	na	-	-	-	1	2	3	3
% % of total properties managed	na	-	-	-	2.1%	3.4%	4.4%	4.4%
<b>Real Estate Management operating profit</b>	<b>3</b>	<b>46</b>	<b>89</b>	<b>284</b>	<b>458</b>	<b>443</b>	<b>902</b>	<b>679</b>
YoY	-	1319.8%	94.0%	219.9%	61.6%	-3.3%	103.5%	-24.7%
% of consolidated operating profit	1.7%	11.0%	14.0%	24.0%	25.6%	14.0%	21.3%	13.2%
Operating profit margin	4.2%	24.3%	32.2%	44.2%	52.0%	52.8%	44.6%	25.2%

Source: Shared Research based on company materials  
Note: Figures may differ from company materials due to differences in rounding methods.

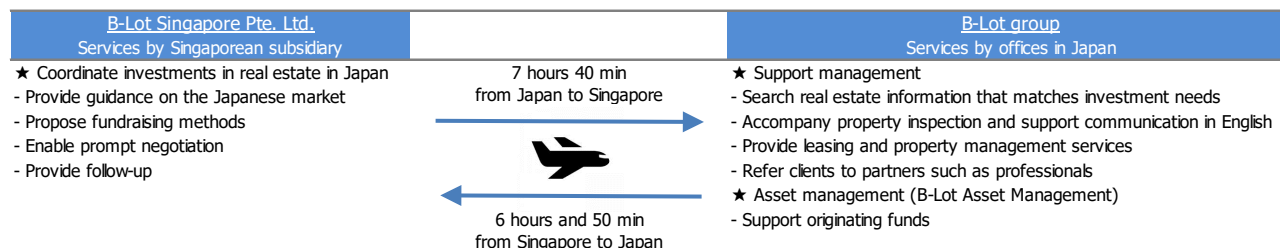
## Group companies

The group consists of B-Lot, B-Lot Singapore Pte. Ltd., B-Lot Asset Management Co., Ltd., Life Stage Co., Ltd., Viento Creation Co., Ltd., T&K Co., Ltd., and B-Lot Capital Link 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 business model

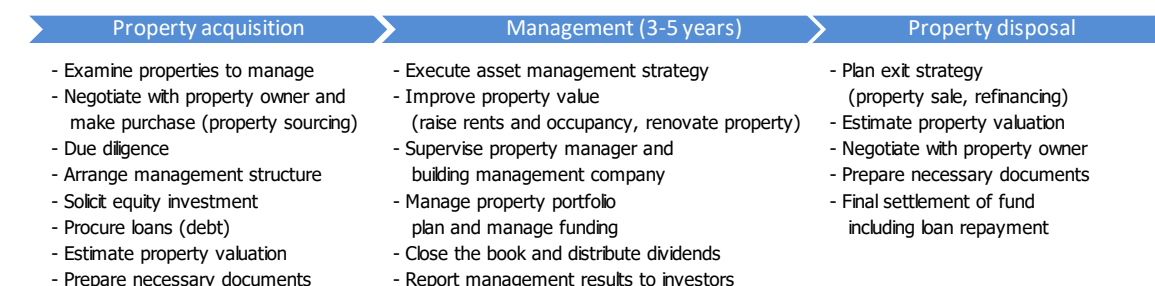


Source: Shared Research based on company materials

## 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 business model

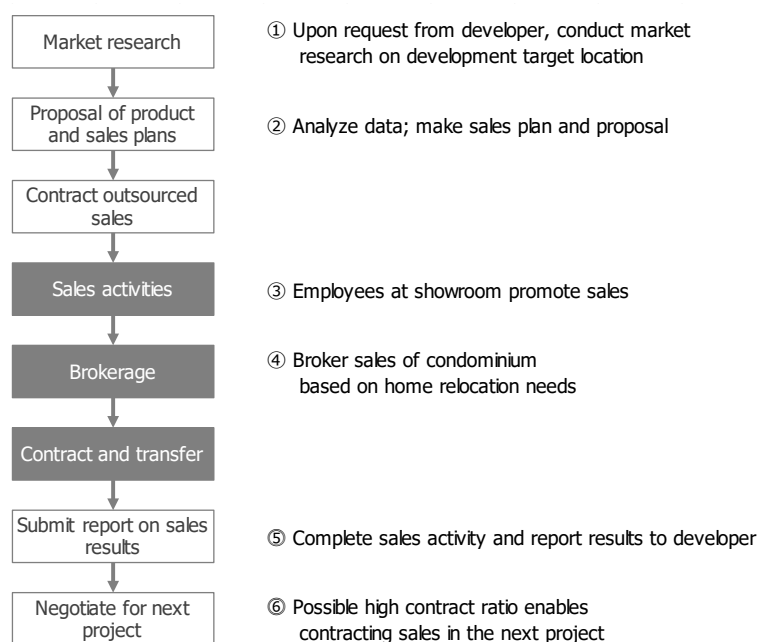


Source: Shared Research based on company materials

## 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 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 recently reopened two capsule hotels on which it completed major renovations. Of these two, B-Lot sold off the hotel located in Ebisu, Shibuya.

## T&K

Acquired and made a subsidiary in April 2018. This group company provides a wide variety of services based on its extensive experience in golf-related pursuits and wide-ranging knowledge including the operation of golf courses under contract, design and renovation planning, and golf tournament proposals. The Tokyo Metropolitan Government has commissioned the company to manage the Wakasu Golf Links facility.

## B-Lot Capital Link

Established as a wholly owned subsidiary in May 2018 to carry out M&A and human resources businesses. Business succession consulting and planning and M&A advisory are main areas.

## 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 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 and then on the TSE First Section in February 2018, the company has been using higher levels of leverage than its competitors to accelerate

growth (the net debt/equity ratio was 1.98 in FY12/19; average for its 23 competitors with similar revenue was 1.30). Over the five years through FY12/19, revenue grew at a CAGR of 46.6% and operating profit expanded at a CAGR of 60.2%.




## Comparison with main competitors

Ticker	Company	FY	Revenue (JPYmn)	OP (JPYmn)	OPM	ROA (RP-based)	ROE	Equity ratio	Net D/E ratio	Main businesses (% of revenue)
3244	Samty	11/19	85,552	15,395	18.0%	6.9%	14.7%	32.5%	1.22	Real estate (development and revitalization) (87), Rental (8)
2337	Ichigo	02/19	83,540	26,279	31.5%	7.5%	16.3%	30.9%	1.53	Value-added (revitalization) (93), Clean energy (4), Asset management (3)
4321	Kenedix	12/19	70,326	15,931	22.7%	8.8%	11.2%	57.0%	0.04	Real Estate Investment (73), Asset Management (15)
8923	Tosei	11/19	60,727	12,690	20.9%	8.0%	15.3%	36.0%	0.99	Revitalization (51), Development (24), Rental (10), Consulting (6), Management (8), Hotel (2)
8934	Sun Frontier Fudousan	03/19	53,291	13,305	25.0%	12.6%	16.8%	50.3%	0.39	Renovation (85), Property management (5)
8940	Intellex	05/19	36,981	1,672	4.5%	4.0%	8.0%	29.0%	1.77	Renovation and sale of pre-owned condominiums (77)
3299	Mugen Estate	12/19	36,977	3,157	8.5%	3.7%	7.6%	32.9%	1.35	Buying and selling (revitalization) (92), Rental and other (8)
2975	Star Mica	11/19	32,164	3,627	11.3%	4.2%	11.4%	24.3%	2.74	Renovated condominium (90), Investment (7), Advisory services (3)
3457	HOUSEDO	06/19	31,546	3,156	10.0%	8.5%	19.2%	27.8%	0.96	House leaseback (44), Real estate buying and selling (29), Renovation (10)
8914	Arealink	12/19	29,333	3,030	10.3%	7.4%	-10.0%	49.5%	-0.02	Property management (87), Property revitalization & liquidation (13)
3452	B-Lot	12/19	25,131	3,986	15.9%	12.2%	34.4%	24.3%	1.98	Real estate investment and development (83), Real estate consulting (6), Real estate management (11)
3250	A.D. Works	03/19	24,861	2,116	8.5%	5.9%	6.0%	38.2%	0.59	Income property sales (88), recurring-fee business (12)
3475	Good Com Asset	10/19	23,376	1,755	7.5%	11.9%	16.9%	46.2%	0.34	Sales to individuals (30), Sales to real estate companies (67), Property management (3)
3454	First Brothers	11/19	19,838	3,462	17.5%	5.0%	14.3%	25.4%	2.19	Investment banking (100)
8929	Aoyama Zaisan Networks	12/19	19,061	1,603	8.4%	10.8%	31.1%	40.6%	-0.44	Property consulting (29), Real estate transaction (71)
3294	e'grand	03/19	18,180	904	5.0%	4.1%	7.4%	37.6%	1.03	Renovation of pre-owned houses (99)
3277	Sansei Landic	12/19	18,020	1,860	10.3%	9.8%	12.3%	51.3%	0.36	Real estate sales (90), Construction (10)
3236	Properst	05/19	18,002	1,378	7.7%	4.1%	23.0%	15.6%	4.30	Development of properties for rental (55), Renovation (42)
8925	Ardepro	07/19	15,953	-662	-4.1%	-6.9%	-67.5%	11.0%	6.28	Revitalization of real estate (92), real estate rental revenue and other (8)
8927	Meiho Enterprise	07/19	10,638	448	4.2%	2.7%	3.3%	36.3%	1.12	Real estate sales (76), Leasing (21), Contracting (2)
3241	Will	12/19	6,260	658	10.5%	8.0%	16.0%	32.3%	1.37	Property development and sales (44), Renovation (29), Real estate marketing (20)
3237	Intrance	03/19	2,752	375	13.6%	6.6%	1.9%	59.4%	-0.11	Principal (development) investment (76), Solutions (17)
8918	Land	02/19	2,244	771	34.4%	9.0%	8.7%	83.7%	-0.02	Renewable energy-related investments (52), Real estate sales (39)
Average			31,511	5,082	13.1%	6.7%	9.5%	37.9%	1.30	




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 1.98 in FY12/19; average for 23 competitors with similar revenue was 1.30). Over the five years through FY12/19, revenue grew at a CAGR of 46.6% and operating profit expanded at a CAGR of 60.2%.
- 
**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 JPY883mn in FY12/19) 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 (61 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 24 properties the Investment and Development segment sold in FY12/19, 15 (63%) were in Kanto, two (8%) in Hokkaido, three (13%) in Kyushu, and four (17%) 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 1.98 in FY12/19, versus an average of 1.30 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 sale price of buildings sold in FY12/19 was just JPY883mn. 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. That said, B-Lot seems to be making progress in increasing the scale of its transactions, having successfully sold in bulk four properties to one customer in FY12/19 for about JPY8.0bn.
- 
**Lack of retained earnings:** B-Lot has a shareholders' equity ratio of 24.3%, the third lowest compared to a similar sized peer group of 23 companies, which have an average ratio of 37.9%. 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, the domestic real estate transaction value at listed Japanese firms declined in fiscal 2015 before recovering in fiscal 2017. The value of real estate transactions in fiscal 2017 was JPY5.0tn (+21.1% YoY). However, the transaction value in fiscal 2018 declined 27.4% YoY to JPY3.6tn, with the 2H FY2018 decline (-41.4% YoY) particularly sharp. In 1H FY2019 (April–September), the real estate transaction value reached JPY1.7tn, with the YoY decline narrowing to 2.0%.

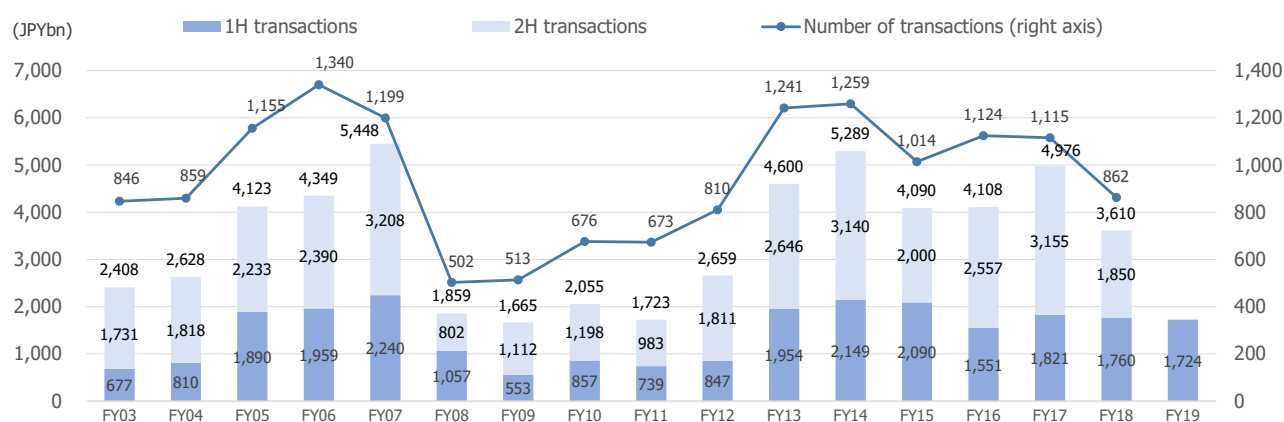
Against a backdrop of reduced property supply, soaring construction costs, and a labor shortage, real estate prices are rising\* (and the cap rate\*\* declining due to higher prices), entrenching property distribution in a cyclical structure within a real estate sector that includes J-REITs, real estate companies, and overseas firms. Meanwhile, widening yield spreads\*\*\* accompanying declining interest rates saw the real estate funds market expand to JPY37.8tn (+10.5% YoY) in the first half of 2019. 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 JPY58.9mn/unit in 2018 to JPY60.0mn (+1.9%) in 2019 (January–November) (source: Real Estate Economic Institute). Prices for pre-owned condominiums rose 1.2% YoY from JPY36.4mn/70sqm in 2018 to JPY36.8mn/70sqm in 2019 (January–October) (source: Tokyo Kantai).

\*\*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.

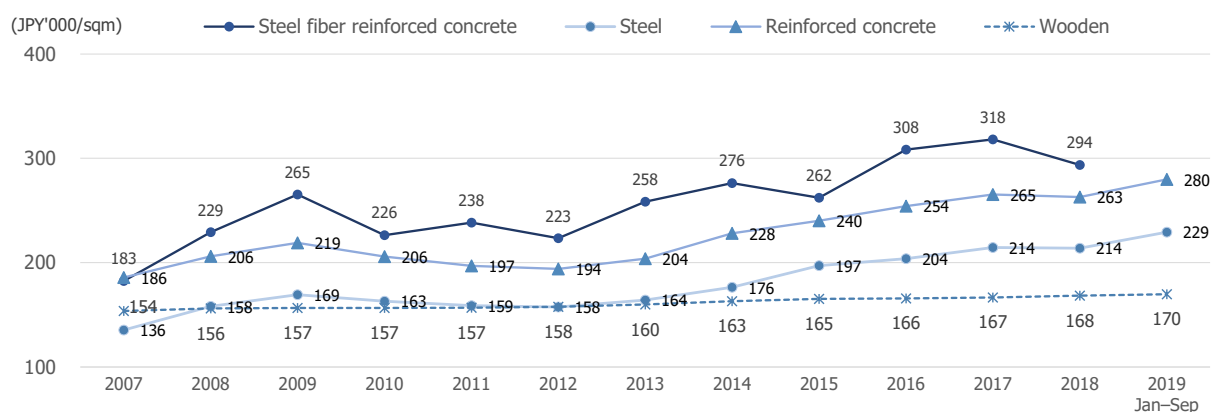
\*\*\*Yield spread: Gap between cap rate and 10-year government bond yield.

#### Real estate transactions by listed companies and number of transactions



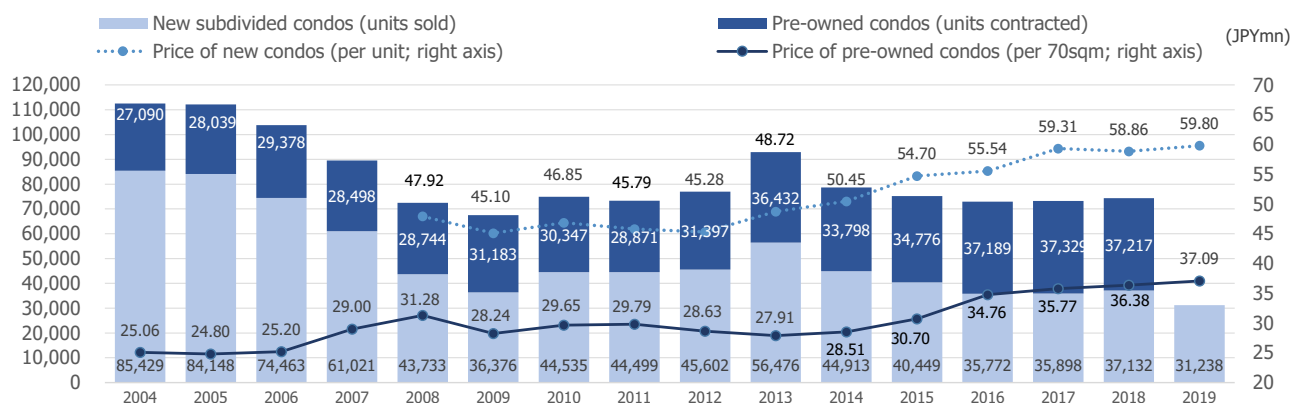
Source: Shared Research based on Urban Research Institute Corporation, Real Estate Topics

#### Construction cost per sqm by type of structure



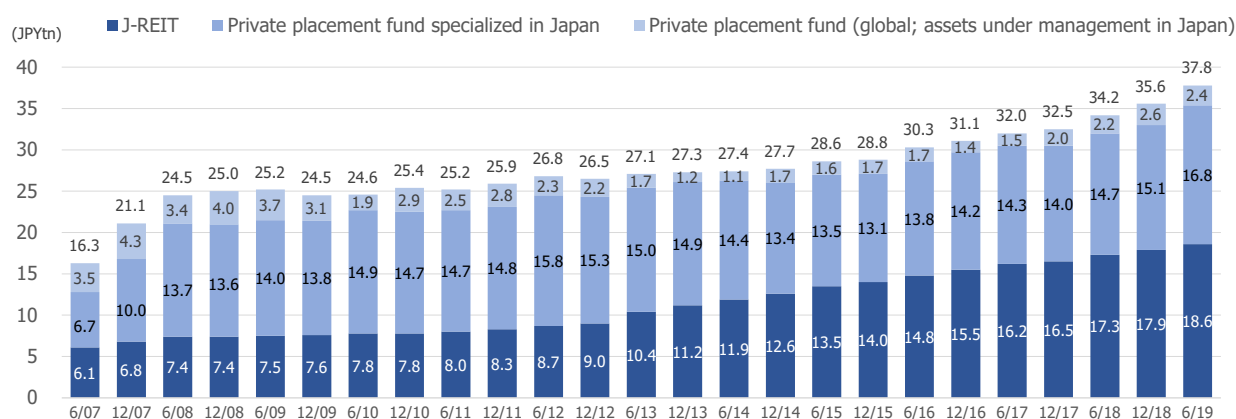
Source: Shared Research based on MLIT data

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



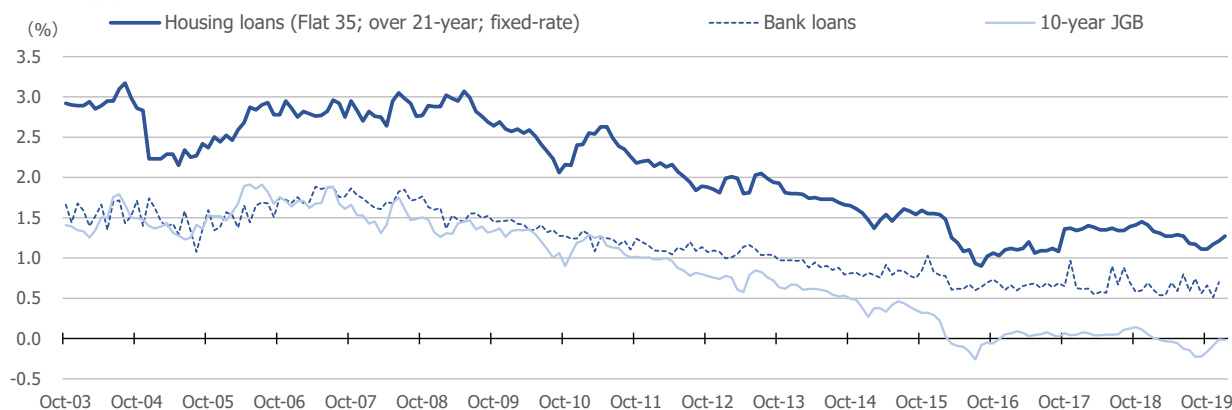
Source: Shared Research based on information from Tokyo Kantei, Real Estate Information Network for East Japan, and Real Estate Economic Institute  
 \*The value of newly build condominiums (annual average) is calculated as a simple average from monthly data

### Real estate fund market



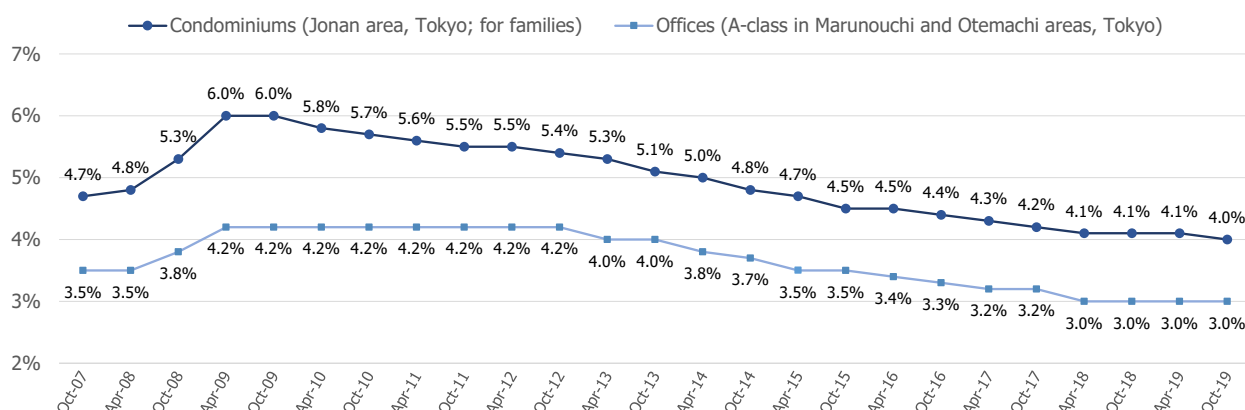
Source: Shared Research based on Sumitomo Mitsui Trust Research Institute data

### 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

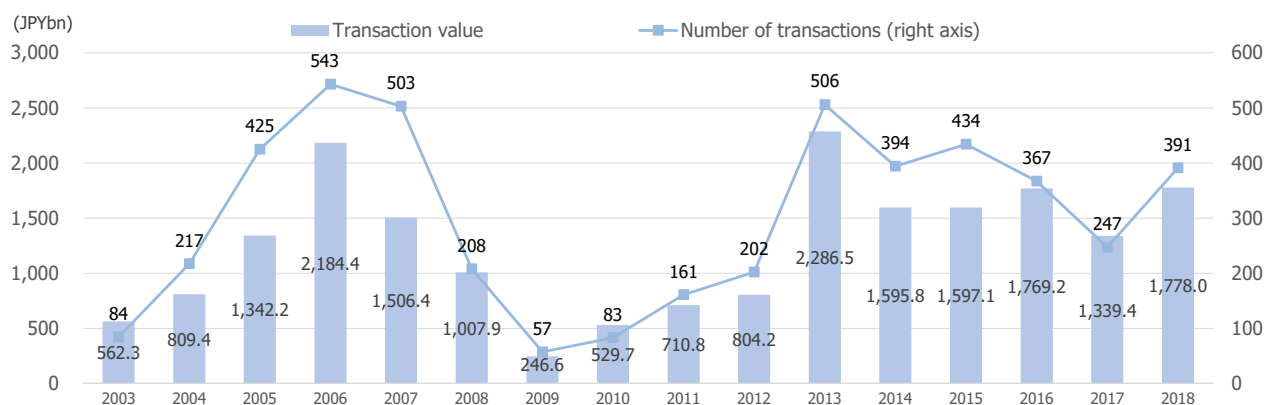


Source: Shared Research based on Japan Real Estate Institute data

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

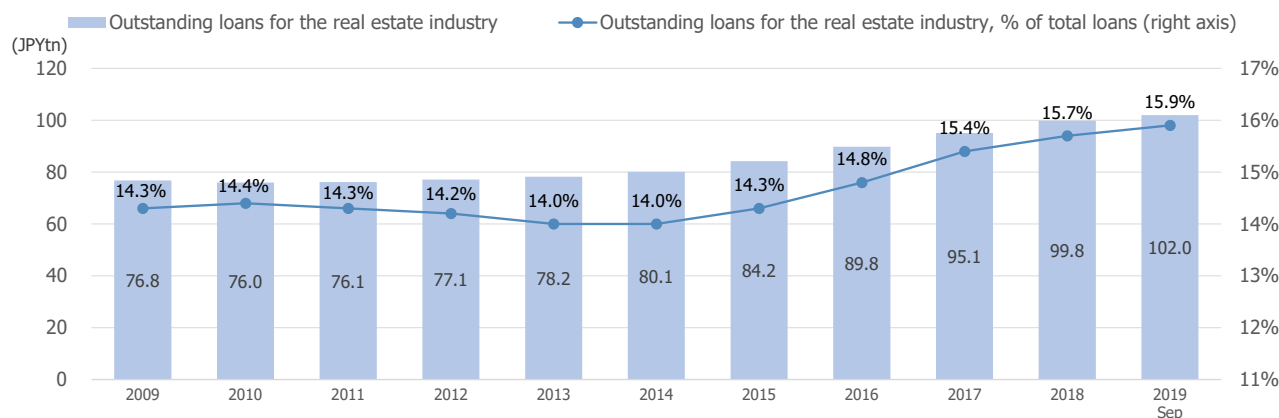
Note: Jonan refers to an area in southern Tokyo, and Joto refers to an area in eastern Tokyo.

## J-REIT transactions



Source: Shared Research based on ARES data

## Bank loans outstanding to property sector



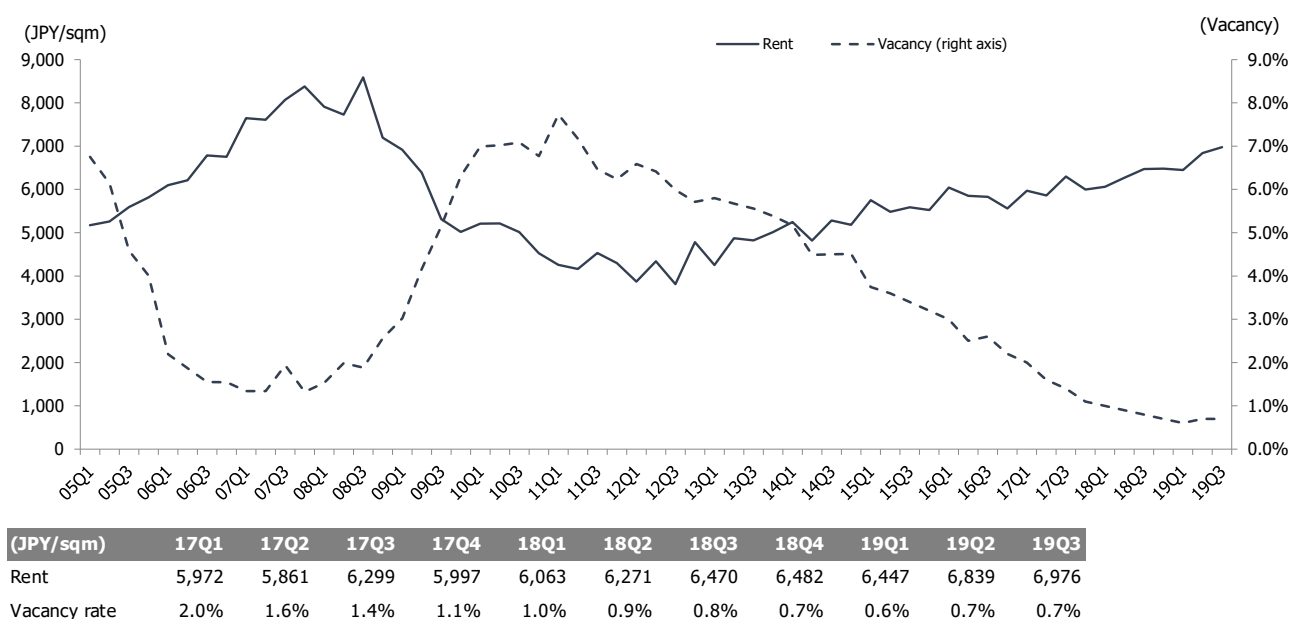
Source: Shared Research based on Bank of Japan, loans by sector

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 2019 (July–September) was around JPY6,976/sqm (+7.8% YoY, +2.0% QoQ). Rents have been climbing since bottoming out in Q3 2012 (July–September). The vacancy rate for Class B buildings in central Tokyo was 0.7% (dropping below 1%). The downtrend since Q2 2011 continues, against a backdrop of the end of large increases of newly constructed office building supply.

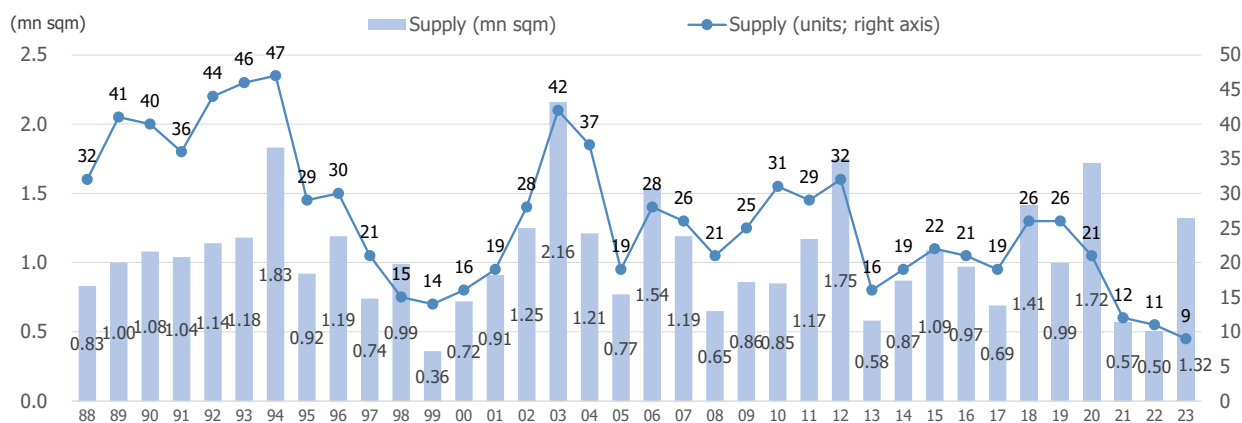
### Class B office rent and vacancy rates in Tokyo



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

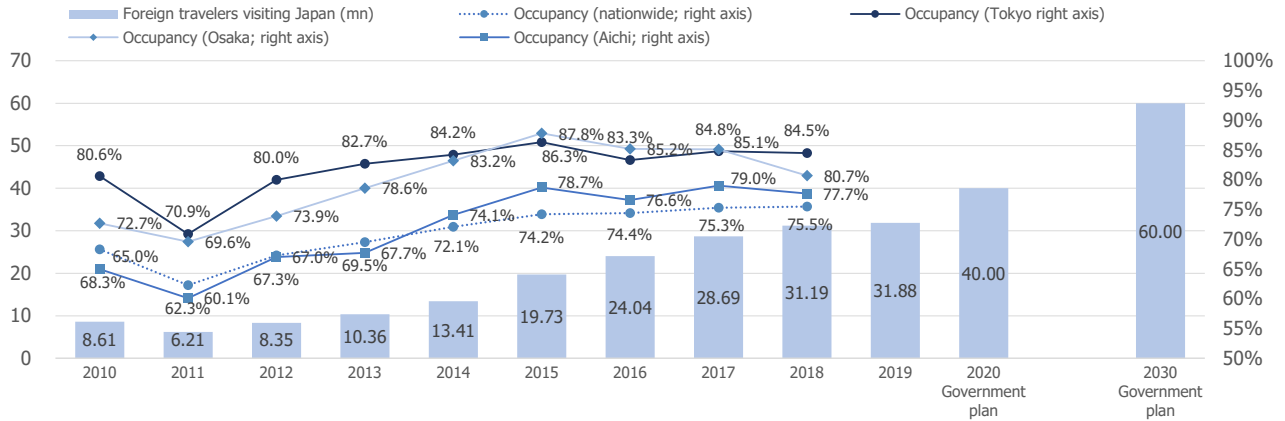


Source: Shared Research based on Mori Building Co., Ltd. "Survey of Large-Scale Office Building Supply in Tokyo's 23 Wards 2018" data  
Note: Data for 2018–2022 are forecasts.

## Hotels

In 2019, there were 31.9mn overseas tourist arrivals in Japan (+2.2% YoY). Although affected by a succession of natural disasters which discouraged some tourists from visiting Japan, arrivals were up YoY by the end of 2019 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

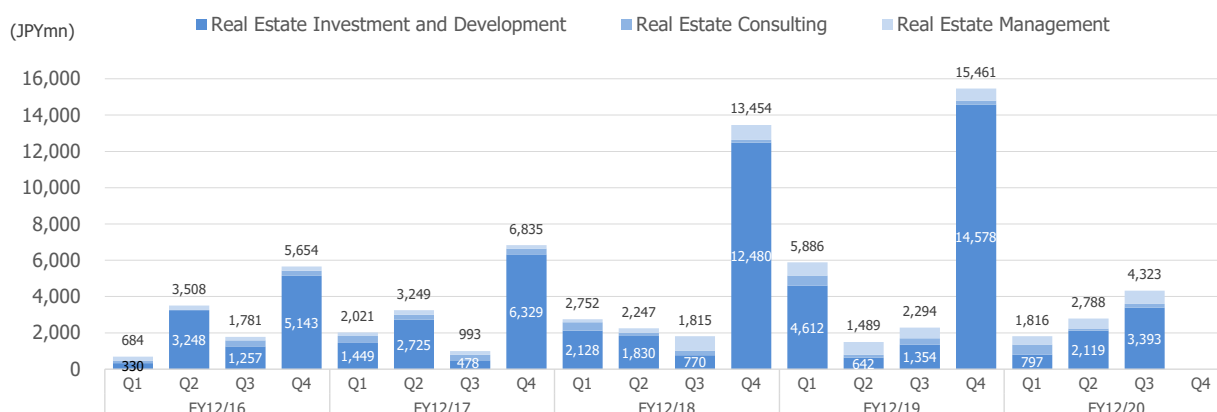
### Historical financial statements

#### Cumulative Q3 FY12/20 results (out November 13, 2020)

##### Summary

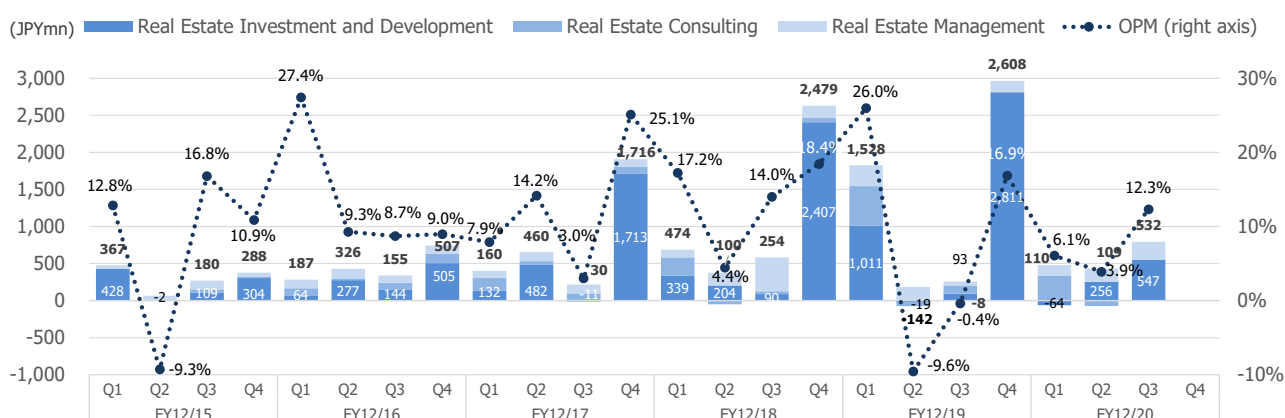
- ▷ In cumulative Q3 FY12/20, the company reported revenue of JPY8.9bn (-7.7% YoY), operating profit of JPY751mn (-45.5% YoY), recurring profit of JPY189mn (-81.9% YoY), and net income attributable to owners of the parent of JPY79mn (-89.1% YoY). The larger declines in recurring profit and net income compared to operating profit reflect increases in interest expenses (+JPY205mn YoY) and commission expenses, including arrangement fees for financial institutions associated with the acquisition of trust beneficiary rights (+JPY73mn YoY).
- ▷ In terms of the sale of properties in the Real Estate Investment and Development business in Q3, the company was successful in the sale of various small and medium-sized properties and the number of properties sold significantly grew YoY.
- ▷ In terms of purchases, the company followed a strict selection process, centering on rent-generating properties, with a particular focus on residential properties.
- ▷ The number of inventoried real estate properties for sale was 34 (compared with 37 at end-Q3 FY12/19).
- ▷ As part of new initiatives, the company has been preparing for the forming of private REITs by B-Lot REIT Investment Corporation (formerly Medical Asset Investment Corporation), which the company acquired in May 2020.
- ▷ Progress versus plan: Cumulative Q3 FY12/20 revenue reached 29.8% of the full-year forecast (current as of November 13, 2020; cumulative Q3 FY12/19 revenue reached 38.5% of full-year FY12/19 results), operating profit 15.1% (34.6%), recurring profit 4.5% (29.6%), and net income 2.8% (29.9%). The company is targeting large-property sales in 2H.
- ▷ Revenue down 7.7% YoY: Revenue was down 4.5% YoY in Real Estate Investment and Development, down 15.5% YoY in Real Estate Consulting (revenue from external transactions), and down 14.0% YoY in Real Estate Management (revenue from external transactions).
- ▷ Operating profit down 45.5% YoY: Operating profit was down 31.9% YoY in Real Estate Investment and Development, down 54.1% YoY in Real Estate Consulting, and up 7.0% YoY in Real Estate Management.
- ▷ The company's outlook on the external environment: In the real estate industry in which the company operates, investors remain willing to invest as monetary easing measures contribute to an ongoing supply of funds although they have become more selective about the properties they invest in as a result of the COVID-19 pandemic. Residential properties have hardly been affected by the pandemic. Although there are concerns about the effect of teleworking on office/retail buildings, the impact on occupancy rates and rent levels has been relatively minor. On the other hand, demand for hotels has deteriorated significantly due to restrictions on the movement of people around the world. The impact of stimulus measures in Japan, such as the Go To Travel campaign, and a recovery in global demand remains to be seen.
- ▷ The company made no changes to its FY12/20 earnings forecast.

## 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 JPY6.3bn (-4.5% YoY), and segment profit was JPY739mn (-31.9% YoY).
- ▷ The company sold 19 properties (eight in cumulative Q3 FY12/19), including 15 residential properties (five), two office/retail buildings (one), two land lots (one), and no hotels (one). Sales of small and medium-sized properties have held up well and the number of properties sold grew significantly YoY.
- ▷ The company purchased 25 properties (21 in cumulative Q3 FY12/19), including 16 residential properties (nine), eight office/retail buildings (three), one land lot (including land lot for development) (eight), and no hotels (one). By region, 12 were in Kanto (13), one in Hokkaido (one), three in Kyushu (three), six in Kansai (one), and three in Chubu (three). The company continued with carefully selected purchases nationwide, with a focus on properties that generate rent income, such as residential properties.
- ▷ The number of inventoried real estate properties for sale at end-Q3 FY12/10 was 34 (37 at end-Q3 FY12/19). While the number of properties outlined above does not include real estate for sale owned by consolidated subsidiaries, the company's inventory includes one office/retail building, two condominiums, one capsule hotel, and one land lot for development.

### Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY871mn (-15.5% YoY), and segment profit was JPY266mn (-54.1% YoY).

- ▷ The company mainly won projects in Kanto, completing 17 deals (14 in cumulative Q3 FY12/19). Of these 17 completed deals, seven were in Kanto (10), one in Hokkaido (two), five in Kyushu (none), and four in Kansai (two).
- ▷ Segment revenue and profit declined YoY. The number of consulting services for overseas high net worth individuals by B-Lot Singapore Pte. Ltd. declined due the impact of the COVID-19 pandemic.

### Real Estate Management segment

- ▷ Segment revenue was JPY1.7bn (-14.0% YoY), and segment profit was JPY564mn (+7.0% YoY).
- ▷ The number of client-owned properties under property management rose to 99 (80 at end-Q3 FY12/19). By region, the company was managing 43 properties in Kanto (37), 31 in Hokkaido (23), 20 in Kyushu (15), and five in Kansai (five).
- ▷ Segment revenue fell but profit rose. Rental income from accommodation facilities declined and golf courses managed by T&K were temporarily closed due to the impact of the COVID-19 pandemic. However, the number of properties under management grew and rental income-generating real estate for sale increased.

## 1H FY12/20 results (out August 14, 2020)

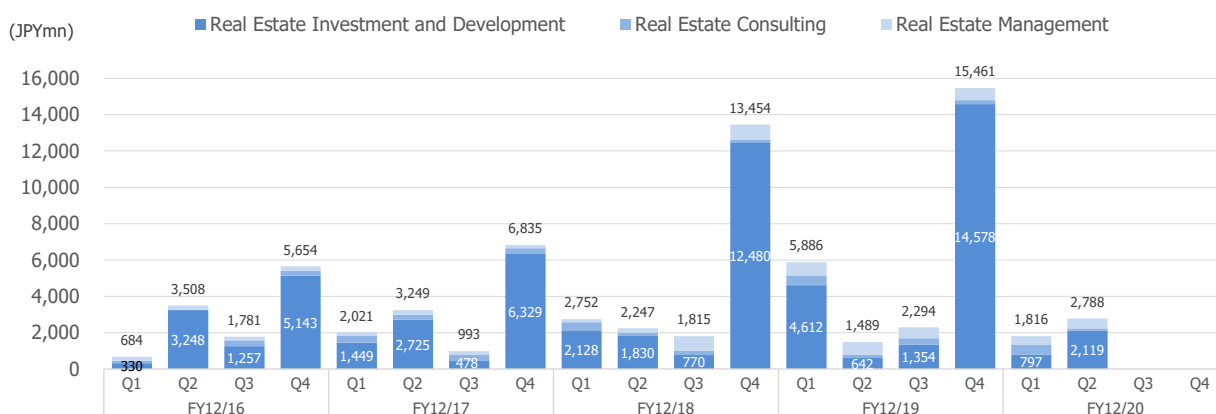
### Summary

- ▷ In 1H FY12/20, the company reported revenue of JPY4.6bn (-37.6% YoY), operating profit of JPY219mn (-84.2% YoY), a recurring loss of JPY175mn (recurring profit of JPY1.2bn in 1H FY12/19), and a net loss attributable to owners of the parent of JPY186mn (net income of JPY854mn in 1H FY12/19). The company booked a recurring loss and a net loss attributable to owners of the parent due to a JPY98mn YoY increase in commissions paid, including arrangement fees for financial institutions associated with the acquisition of trust beneficiary rights, as well as a JPY229mn YoY increase in non-operating expenses due to factors such as a JPY121mn YoY rise in interest payments as a result of the company taking on additional interest-bearing debt.
- ▷ With rental income in mind, the company focused mainly on sales of small to medium-sized properties in the Real Estate Investment and Development business in 1H FY12/20 (the company is targeting large-property sales in 2H).
- ▷ In terms of purchases, an area where inquiries are increasing, the company followed a strict selection process, centering on rent-generating properties, with a focus in particular on residential and office building properties.
- ▷ The number of inventoried real estate properties for sale and the value on inventoried properties both reached record highs in 1H, with the former rising by 14 from the end of FY12/19 to 42, and the latter increasing by JPY17.8bn from the same point to JPY37.7bn.
- ▷ As part of new initiatives, the company planned to expand the asset management business as a stable source of earnings in May 2020, acquired all shares of LC Partners, Inc. (now B-Lot Asset Management Co., Ltd.), and has been preparing for the forming of private REITs and the management of private funds (details follow).
- ▷ Progress versus plan: 1H FY12/20 revenue reached 15.3% of the full-year forecast (1H FY12/19 revenue reached 29.3% of full-year FY12/19 results), operating profit 4.4% (34.8%), recurring profit N/A (34.4%), and net income attributable to owners of the parent N/A (35.2%). The company is targeting large-property sales in 2H.
- ▷ Revenue down 37.6% YoY: Revenue was down 44.5% YoY in Real Estate Investment and Development, down 2.6% YoY in Real Estate Consulting (revenue from external transactions), and down 29.1% YoY in Real Estate Management (revenue from external transactions).
- ▷ Operating profit down 84.2% YoY: Operating profit was down 80.7% YoY in Real Estate Investment and Development, down 44.7% YoY in Real Estate Consulting, and down 31.3% YoY in Real Estate Management.



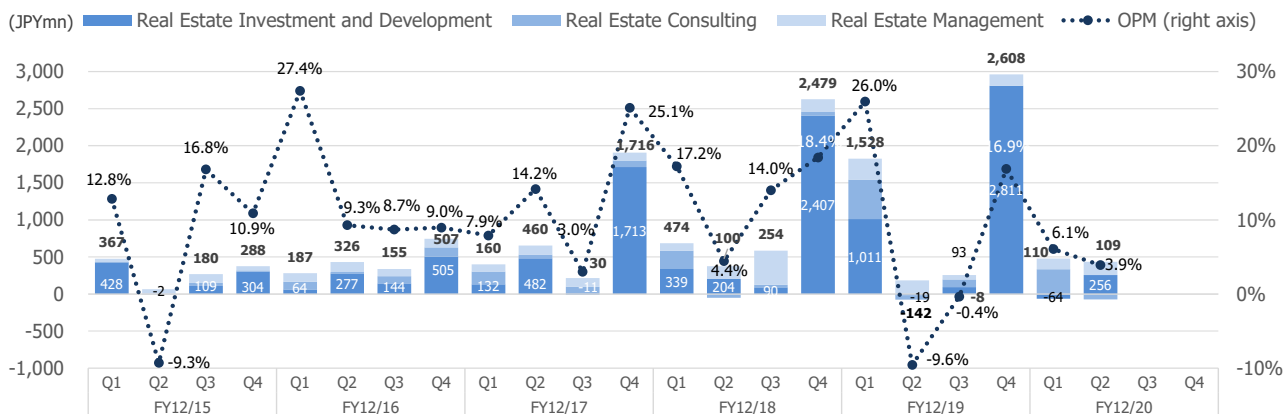
- ▷ The company's outlook on the external environment: Conditions in the real estate industry in which the company operates remain solid, as investors remain willing to invest thanks to funding costs remaining low as monetary easing measures contribute to an ongoing supply of funds.
- ▷ The company made no changes to its FY12/20 earnings forecast. As mentioned, while progress of 1H revenue and profit was subdued, B-Lot plans to sell large properties in 2H. The company thinks that its core businesses will offset the negative impact from the COVID-19 pandemic (details later), and aims to meet its full year targets. Moving ahead, it plans to cut fixed costs after obtaining enough assets, focus on value-added and revitalization projects, and expand sources of stable future earnings through REITs.

## 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 JPY2.9bn (-44.5% YoY) and segment profit was JPY192mn (-80.7% YoY).
- ▷ The company sold eight properties (four in 1H FY12/19): six residential properties (two), one office/retail building (one), one land lot (none), and one hotel (none). With rental income in mind, the company focused mainly on sales of small to medium-sized properties in the Real Estate Investment and Development business in 1H FY12/20 (the company is targeting large property sales in 2H).
- ▷ The company purchased 21 properties (12 in 1H FY12/19): 13 residential properties (four), seven office/retail buildings (three), and one land lot (including land lot for development) (five). By region, 11 were in Kanto (eight), one in Hokkaido (none),

three in Kyushu (none), three in Kansai (one), and three in Chubu (three). Including an office/retail building in Suita, Osaka, which (at over JPY10.0bn) is the largest acquisition since the company was established, the company moved aggressively to purchase carefully selected rent-generating properties, with a focus on residential and office building properties. The company also opened its Nagoya branch in June 2020. It promoted the further expansion of its operating base by pushing into the Chubu region. The balance of real estate for sale and real estate for sale in process was JPY37.7bn (an increase of JPY17.8bn from end-FY12/19).

- ▷ The lineup of properties for sale going forward includes office/retail buildings in Ebisu, Gakugeidaigaku, Ginza, and Ogikubo (all in Tokyo), and condominiums in Hiroo (Tokyo), Kamakura (Kanagawa), Sapporo (Hokkaido), and Kozu, Chuo-ku (Osaka). The Nagoya branch has four projects underway. The company intends to step up its activities, primarily in condominiums.
- ▷ 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 six condominiums, one capsule hotel, and one land lot for development.

### Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY674mn (-2.6% YoY). Segment profit was JPY264mn (-44.7% YoY).
- ▷ The company mainly brokered transactions and won consulting projects in the Kanto area, completing eight deals (11 in 1H FY12/19). Of the eight completed deals, four were in Kanto (eight), one in Hokkaido (one), three in Kyushu (none), and none in Kansai (two).
- ▷ Sales and segment profit declined YoY. Despite strong contract sales of condominiums by Life Stage, the number of properties under management by B-Lot Singapore Pte. Ltd. declined.

### Real Estate Management segment

- ▷ Segment revenue was JPY1.0bn (-29.1% YoY). Segment profit was JPY321mn (-31.3% YoY).
- ▷ The number of client-owned properties under property management rose to 96 (77 in 1H FY12/19). By region, the company was managing 41 properties in Kanto (35), 31 in Hokkaido (24), 19 in Kyushu (15), and five in Kansai (three).
- ▷ Despite the steady increase in property management contracts, both segment revenue and profit fell YoY due to lower revenue at T&K Co., Ltd., which was acquired in April 2018 and undertakes the management of golf courses, as a result of the spread of the COVID-19.

## Impact of the COVID-19 pandemic

### Real Estate Investment and Development segment

- ▷ In terms of purchases, B-Lot saw an increase in number of projects introduced during the pandemic. It is particularly receiving an increasing number of leads on properties that are highly likely to be for sale. As a result, the company concentrated on properties that generate rental income, and purchased a total of 21 properties.
- ▷ Property sales are being affected by travel restrictions as foreign investors are unable to come to Japan. Transactions for large properties and hotels have declined, but small and medium-sized property sales were unaffected, with a total of eight sold.
- ▷ The company changed part of the business plans for properties under development, changing the use of accommodation facilities and deferring the development schedule for nursing care facilities. The company said it had postponed the sale of some properties that generate rental income.

### Real Estate Consulting segment

- ▷ B-Lot brokered no transactions with foreign investors due to travel restrictions, but closed eight deals in Japan.
- ▷ Contract sales of condominiums by subsidiaries were affected by a large condominium developer closing the display unit for about two months. However, the company expects little impact on full-year results because commissions are booked when condos are delivered and visitor numbers have been on the rise since June 2020.

### Real Estate Management segment

- ▷ There was no impact on rental income from residential properties. Some office/retail tenants entered negotiations, with the amounts covered by appropriating security deposits. Several office tenants negotiated lower rents, but the company said the impact was negligible. Due to temporary closures, management fee revenue from hotels is declining, so the company is considering withdrawing from deals that were commission-only.
- ▷ Management fee revenue of golf courses declined as some golf courses suspended operations. The company took advantage of the local government loan system, and said that course visitor numbers are currently recovering.

### New share issue and secondary offering cancelled, but projects steadily funded by cash on hand and bank loans

- ▷ The company announced its new share issue and secondary offering plans on February 21, 2020, and subsequently announced the cancelation of those plans on March 2, 2020, due to the COVID-19 pandemic. The funds to be raised had been intended to be allocated to the acquisition of for-sale real estate, acquisition of a licensed investment management business via M&A, and investment in the company's new cloud funding business (for details, please refer to the "News and topics" section under the "Other information" chapter).
- ▷ Although these equity financing plans were cancelled, the company used cash on hand and bank loans to implement the acquisition of for-sale real estate and the acquisition of a licensed investment management business via M&A over the period through August 14, 2020. The specifics are as follows:
- ▷ Acquisition of for-sale real estate: The company made carefully selected purchases, primarily residential and office properties that generate rental revenue, including an office/retail building in Suita, Osaka, which (for over JPY10.0bn) was the largest acquisition since its founding. The balance of real estate for sale and real estate for sale in process was a record JPY37.7bn (up JPY17.8bn from end-FY12/19).
- ▷ Licensed investment management business via M&A: The company acquired companies registered to carry out investment management and entrustment-based agency services businesses. It plans to start managing a REIT by the end of 2020, with the aim of growing stable revenue and enhancing its ability to sell within the group (details follow).
- ▷ New crowd funding business: On February 14, 2020, the company announced that it had signed a business alliance agreement with SBI Securities Co., Ltd. regarding collaboration in operations such as real estate crowdfunding (for details, please refer to the "News and topics" section of the "Other information" chapter). The company said it would invest business resources in order of priority.

### End-1H balance of interest-bearing debt

- ▷ The combined total of long- and short-term interest-bearing debt at end-1H was JPY41.6bn (+JPY18.3bn versus end-FY12/19). Cash and deposits at end-1H totaled JPY6.4bn (-JPY747mn).

- ▷ When we interviewed the company, B-Lot said that the approximately 40 financial institutions it banks with nationwide have grown more circumspect about increasing new transactions, but that they also tend to endorse its business model and corporate culture, and continue to support financing projects and working capital for the company.

## Company purchases largest property since establishment

- ▷ In March 2020 (Q1), B-Lot acquired the trust beneficiary right for the largest for-sale real estate since its establishment: an office/retail building in Suita, Osaka (for over JPY10.0bn, floor space of 10,000 tsubo [33,316.53sqm]). The building is in a good location directly connected to Esaka Station, two stops from Shin-Osaka Station on the Midosuji Line of Osaka Metro. While this is not a new building (completed in 1975), the company explained that the property was managed by a REIT over a long period, and maintenance is up-to-date.
- ▷ The company made the purchase in anticipation of upturn in earnings. Specifically, many of the tenants moved in around the economic downturn in 2009–2010, and profitability of contracts with these tenants are low. B-Lot thinks that there is room for significant growth in revenue and profit through a number of initiatives. Further, it is a large building with plenty of shared space, and exploiting this could boost revenue. The company added it hoped to review costs by renegotiating rents with tenants who had moved in when the office market was slumping.

## REITs: Moves to start managing by end of 2020

- ▷ In late May 2020, B-Lot completed its acquisition of all of the shares in LC Partners, Inc. owned by GLOME Holdings, Inc. and all of the investment units in Medical Asset Investment Corporation owned by LC Partners, making them consolidated subsidiaries. Following the purchase, the company executed an absorption-type merger between LC Partners and wholly owned subsidiary B-Lot Asset Management\*. LC Partners was the surviving company and B-Lot Asset Management was absorbed. Following the merger in July 2020, the name of the surviving company was changed to B-Lot Asset Management. It normally requires a great deal of funds and time to obtain a REIT license, but the company was able to achieve this through an acquisition and intends to use it effectively moving forward.

\*The company established B-Lot Asset Management in February 2015 as a wholly owned subsidiary. In the asset management business, B-Lot Asset Management has managed numerous properties under its financial instrument (advisory and agency) business license. It has also considered obtaining an investment management license. The aim was to also be able to put together and manage private placement funds and REITs to meet demand from high net worth individuals and other investors.

- ▷ The company has begun preparations to start managing a private placement fund and put together a REIT by the end of 2020. The aim of managing REITs is to add stability to growth, which has been a core strategy of the company since its listing in 2008 through its debut on the TSE First Section in 2018. Another strategy toward stability was the cancelled equity financing plans (new share issue and secondary offering announced on February 21, 2020, and cancellation announced on March 2, 2020). The company says it definitely wants a successful equity raising in the future.
- ▷ REITs that the company manages are potential buyers for its properties, and after sale the company can continue to receive management revenue. As assets under management increase, management fees also increase.
- ▷ The company's REIT investment strategy entails diversified investment in numerous areas, leveraging the group's relationships at its locations nationwide to extract group synergies. The key focus of its investments will be office buildings as locations for sustainable business activities, commercial facilities that are convenient and fulfil diverse consumer needs, and residences essential for daily living. The company added that when the market recovers, it will consider developing accommodation facilities and other properties, and it aims to own and manage socially significant assets in a stable, long-term manner.
- ▷ In terms of growth strategy, B-Lot intends to mobilize all group resources to invest in a flexible and aggressive manner. The group excels in revitalizing properties, and in addition to maximizing value, it aims to commercialize quality properties that

REITs show interest to purchase. The company said it adds value by resolving issues such as legal problems with buildings, and coordinating issues such as rights of way related to land. The company aims at stable growth by investing in major cities and new areas of note, such as tourist regions.

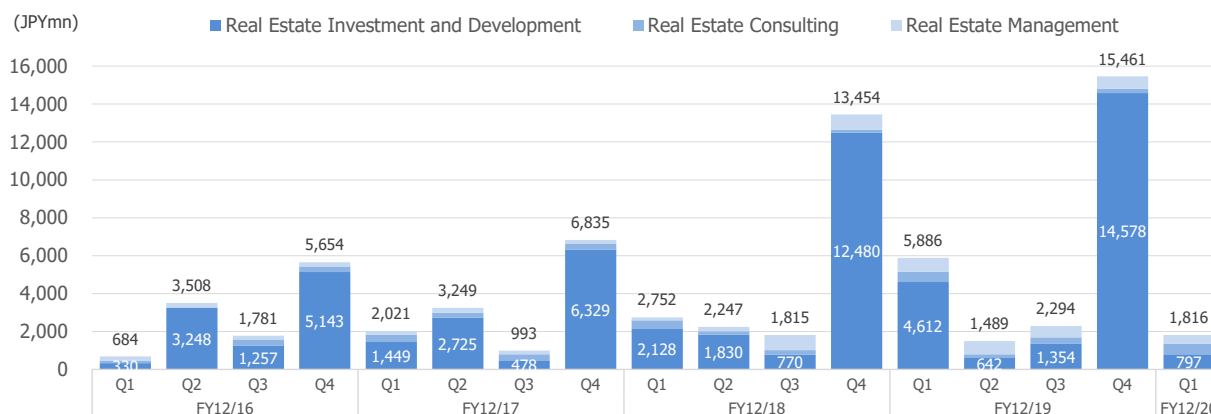
- ▷ B-Lot aims to start managing a REIT by the end of FY12/20, list it in 2023, and have JPY100.0bn in assets under management in 2025. Because REITs are basically long-term investments, the company intends to boost assets under management further to JPY200.0bn and JPY300.0bn in the long term, growing management fees for subsidiaries. The company thinks REITs are an extremely important weapon in its arsenal to achieve stability in the very long term.

## Q1 FY12/20 results (out May 15, 2020)

### Overview

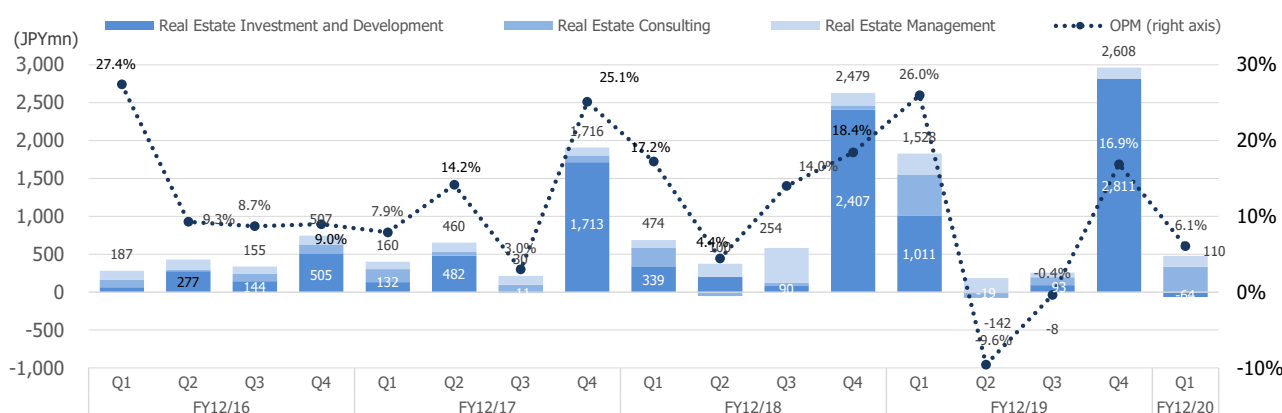
- ▷ In Q1 FY12/20, the company reported revenue of JPY1.8bn (-69.2% YoY), operating profit of JPY110mn (-92.8% YoY), recurring loss of JPY115mn (recurring profit of JPY1.4bn in Q1 FY12/19), and net loss attributable to owners of the parent of JPY135mn (net income of JPY1.0bn in Q1 FY12/19). The company's objective is to attain its targets on a full-year basis, and in contrast to Q1 FY12/19 there were no large property sales. However, it acquired the trust beneficiary right for the largest real estate for sale since its establishment (an office/retail building in Suita, Osaka Prefecture; over JPY10.0bn). By running its business according to plan, namely working to obtain carefully selected properties and navigate the market by gauging forthcoming economic activity, the company's balance of real estate for sale and real estate for sale in process came to JPY36.7bn (+JPY16.8bn vs. previous fiscal year-end). The company posted a recurring loss and a net loss attributable to owners of the parent as a result of non-operating expenses increasing by JPY136mn YoY due to higher arrangement fees for financial institutions associated with the acquisition of the aforementioned trust beneficiary rights, and a JPY45mn YoY increase in interest payments due to expanded interest-bearing debt.
- ▷ Results versus plan: Q1 FY12/20 revenue reached 6.1% of the full-year forecast (Q1 FY12/19 revenue reached 23.4% of full-year FY12/19 results), operating profit 2.2% (38.3%), recurring profit N/A (40.8%), and net income attributable to owners of the parent N/A (42.1%).
- ▷ Revenue down 69.2% YoY: Revenue was down 82.7% YoY in Real Estate Investment and Development, up 3.0% in Real Estate Consulting (revenue from external transactions), and down 37.1% in Real Estate Management.
- ▷ Operating profit down 92.8% YoY: Real Estate Investment and Development saw an operating loss of JPY64mn (operating profit of JPY1.0bn in Q1 FY12/19), and operating profit was down 37.1% YoY in Real Estate Consulting, and down 49.4% in Real Estate Management.
- ▷ The company made no changes to its FY12/20 earnings forecast.
- ▷ External environment: In the real estate industry, to which the company belongs, the Bank of Japan and the central banks of various other countries are implementing emergency monetary easing policies, meaning that there is a sufficient supply of funds. However, financial institutions and investors have taken a more cautious position, and the company believes that it is necessary to monitor investment trends closely.

## 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 JPY797mn (-82.7% YoY) and segment loss was JPY64mn (segment profit of JPY1.0bn in Q1 FY12/19).
- ▷ The company sold two properties (three in Q1 FY12/19): one residential property (one), one office/retail building (one), and zero hotels (one). The company sold no large properties in Q1 FY12/20.
- ▷ The company purchased 10 properties (five in Q1 FY12/19): four residential properties (two), five office/retail buildings (one), and one land lot (including land lot for development) (two). By region, five were in Kanto (four), two in Kyushu (none), one in Kansai (one), and two in Chubu (none). The company carefully selected properties and actively made acquisitions, including an office/retail building in Suita, Osaka, which is the largest acquisition since the company was established. The balance of real estate for sale and real estate for sale in process was JPY36.7bn (an increase of JPY16.8bn from end-FY12/19).
- ▷ 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 eight condominiums, one capsule hotel, and one land lot for development.

### Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY558mn (+3.0% YoY). Segment profit was JPY336mn (-37.1% YoY).

- ▷ The company mainly brokered transactions and won consulting projects in the Kanto area, completing four deals (six in Q1 FY12/19). Of the four completed deals, two were in Kanto (five), one in Hokkaido (one), and one in Kyushu (none).
- ▷ Segment profit declined YoY. Despite strong contract sales of condominiums by Life Stage, the number of properties under management by B-Lot Singapore Pte. Ltd. declined.

## Real Estate Management segment

- ▷ Segment revenue was JPY461mn (-37.1% YoY). Segment profit was JPY142mn (-49.4% YoY).
- ▷ The number of client-owned properties under property management rose to 96 (74 in Q1 FY12/19). By region, the company was managing 41 properties in Kanto (32), 28 in Hokkaido (24), 22 in Kyushu (15), and five in Kansai (three).
- ▷ Both sales and profit fell YoY due to reduced revenue at T&K Co., Ltd., which was acquired in April 2018 and undertakes the management of golf courses, as a result of the spread of the novel coronavirus disease (COVID-19).

## Impact of the COVID-19 pandemic

- ▷ In Q1, COVID-19 impacted rent revenue accompanying the suspension of hotel operations as well as the temporary closure of golf courses at consolidated subsidiaries. When we interviewed the company, management said it is coordinating with transaction partners and associated entities to contain the monetary value of the pandemic's impact.
- ▷ Looking ahead, the company said there are risks that could hinder the sale of properties, such as investors and financial institutions exercising greater scrutiny, or eager overseas investors being unable to come to Japan. However, during our interviews with the company, management said it cannot gauge when the COVID-19 pandemic will end, that it cannot rationally estimate the monetary value of the pandemic's impact given the amount of time remaining until fiscal year-end, and that it is taking steps to attain its targets, including the sale of large properties.
- ▷ Procurement, as mentioned above, is going smoothly. The company says that it basically procures only properties that have rent revenue. While other players in the industry are experiencing last-minute cancellations before contracts are signed, B-Lot has seen an increase in properties brought in thanks to its systematic implementation of measures to build trust. However, at the current time real estate prices have not fallen all that much, and in the company's assessment there is little likelihood of any major decline going forward. In terms of development, the company says there have been some delays due to difficulty in procuring kitchen and bathroom materials or the suspension of operations at construction companies.

## New share issue and secondary offering cancelled, but projects steadily funded by cash on hand and bank loans

- ▷ The company announced its new share issue and secondary offering plans on February 21, 2020, and subsequently announced the cancellation of those plans on March 2, 2020, due to the COVID-19 pandemic. The funds to be raised had been intended to be allocated to the acquisition of for-sale real estate, acquisition of a licensed investment management business via M&A, and investment in the company's new cloud funding business (for details on the new share issue and secondary offering, please refer to the "News and topics" section of the "Other information" chapter, and for details on their cancellation, please refer to the "Recent updates" chapter).
- ▷ Although these equity financing plans were cancelled, the company used cash on hand and bank loans to implement the acquisition of for-sale real estate and the acquisition of a licensed investment management business via M&A over the period through May 27, 2020. The specifics are as follows:
- ▷ Acquisition of for-sale real estate: The company carefully selected properties and actively made acquisitions, including an office/retail building in Suita, Osaka (over JPY10bn), which is the largest acquisition since the company was established. The

balance of real estate for sale and real estate for sale in process was JPY36.7bn (an increase of JPY16.8bn from end-FY12/19). The Suita, Osaka, office/retail building, with total floor space of 10,000 tsubo (33,317sqm), offers good prospects for rent revenue, and the company is also pushing through with plans to enhance the property's value.

- ▷ Licensed investment management business via M&A: On May 27, 2020, the company announced that it completed its acquisition of shares in LC Partners, Inc. and investment units in Medical Asset Investment Corporation, converting these two entities into consolidated subsidiaries (please refer to the "Recent Updates" and "Important subsequent events" below for details). By acquiring a licensed financial instruments dealer (investment management business), the company aims to generate further group synergies by forming and managing private funds or REITs and incorporating B-Lot's merchandise (properties) into their asset portfolios. Starting with private funds, the company aims for AUM of JPY50bn within three years.
- ▷ New crowd funding business: On February 14, 2020, the company announced that it had signed a business alliance agreement with SBI Securities Co., Ltd. regarding collaboration in operations such as real estate crowdfunding (for details, please refer to the "News and topics" section of the "Other information" chapter. As the first step, B-Lot plans to set up small-lot investment units for quality, stable income properties owned by the group, and form a real estate investment market that offers a relatively safe vehicle for asset formation to high net worth individuals and investors in collaboration with SBI Securities. The company plans to launch the business after obtaining a specified joint real estate venture business license.

## End-Q1 balance of interest-bearing debt

- ▷ The combined total of long- and short-term interest-bearing debt at end-Q1 was JPY44.1bn (+JPY20.8bn versus end-FY12/19). The company says that it acknowledges that its low shareholders equity ratio is an issue, but with COVID-19 casting uncertainty over the future, it intends to increase its borrowings, primarily long-term loans. Cash and deposits at end-Q1 totaled JPY10.1bn (+JPY2.9bn).
- ▷ When we interviewed the company, B-Lot said that the approximately 40 financial institutions it banks with nationwide have grown more circumspect about increasing new transactions, but that they also tend to endorse its business model and corporate culture and have made no major changes in their stance toward financing projects and working capital for the company.

## Important subsequent events

On April 30, 2020, the Board of Directors passed a resolution to acquire all outstanding shares in LC Partners, Inc., making it a subsidiary.

### Purpose of the acquisition

By acquiring a licensed financial instruments dealer (investment management business), the company aims to generate further group synergies by forming and managing private funds or REITs and incorporating B-Lot's merchandise (properties) into their asset portfolios.

### Shares acquired from:

GLOME Holdings, Inc.

### Name, business, and size of the company acquired

- ▷ Company name: LC Partners, Inc.
- ▷ Business: Real estate fund formation and management
- ▷ Paid in capital: JPY350mn



## Acquisition date

The acquisition was completed on May 27, 2020

## Number of shares acquired, market cap, and equity stake following acquisition

- ▷ Shares acquired: 1,200 shares
- ▷ Equity stake following acquisition: 100%
- ▷ Acquisition price (estimated)
- ▷ Purchase price: JPY190mn
- ▷ Advisory and other fees (estimate): JPY10mn
- ▷ Total (estimate): JPY200mn

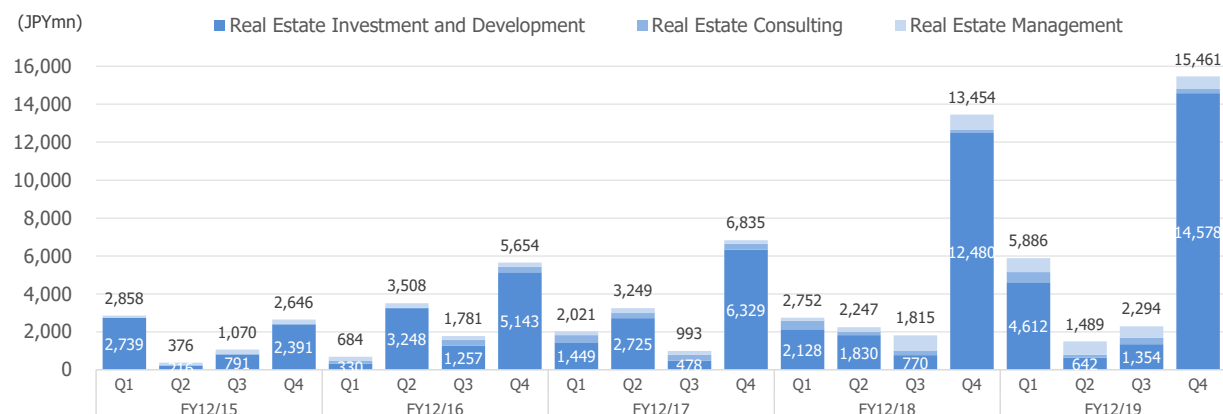
## Financing of the acquisition

- ▷ Cash on hand and bank loans

## Full-year FY12/19 results (out February 14, 2020)

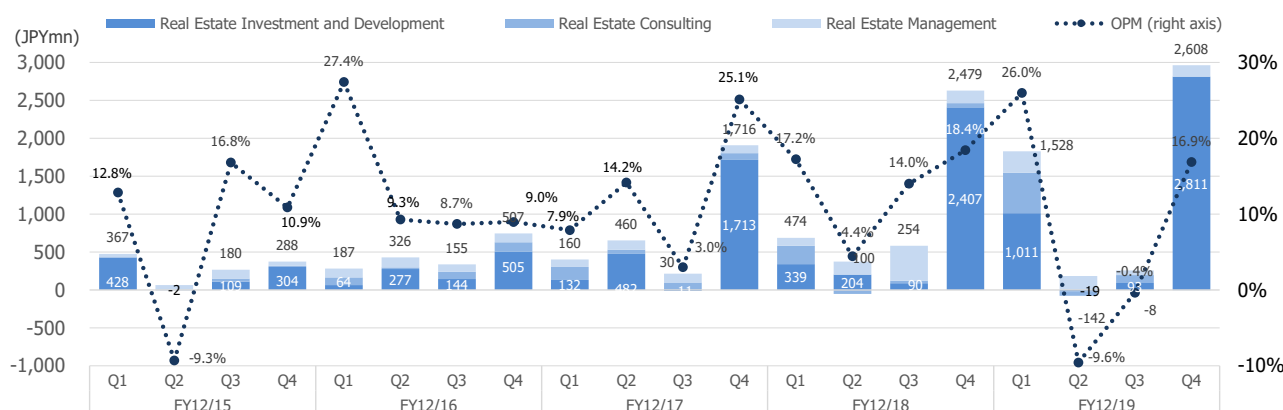
- ▷ For full-year FY12/19, the company reported revenue of JPY25.1bn (+24.0% YoY), operating profit of JPY4.0bn (+20.5% YoY), recurring profit of JPY3.5bn (+24.4% YoY), and net income attributable to owners of the parent of JPY2.4bn (+23.9% YoY).
- ▷ Results versus plan: FY12/19 revenue reached 95.6% of the full-year forecast, operating profit 106.6%, recurring profit 104.5%, and net income attributable to owners of the parent 103.0%. Profits exceeded target at all levels, although revenue fell slightly short.
- ▷ Revenue up 24.0% 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 23.1% YoY in Real Estate Investment and Development, 20.4% in Real Estate Consulting (revenue from external transactions), and 33.3% in Real Estate Management.
- ▷ Operating profit up 20.5% YoY: Operating profit was up 28.2% in Investment and Development and 104.3% in Consulting, but down 24.7% in Management with the sale of a high occupancy building.
- ▷ Dividends: Dividend forecast for FY12/19 is JPY60 per share (+JPY10 YoY).

## 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 JPY21.2bn (+23.1% YoY) and segment profit was JPY3.9bn (+28.2% YoY).
- ▷ The company sold 24 properties (26 in full-year FY12/18): 14 residential properties (14), five office/retail buildings (seven), two land lots, including land for development (two), two hotels (three), and one other (none). By region, the company sold 15 properties in Kanto (11 in FY12/18), two in Hokkaido (nine), three in Kyushu (five), and four in Kansai (one). As a result of diversifying sales methods, the company succeeded in selling four properties in one transaction, which marked record transaction value to contribute to earnings. As well, the company completed the commercialization of capsule hotel °C Ebisu owned by Viento Creation Co., Ltd. (acquired in 2017) and sold it in FY12/19, which also contributed to earnings.
- ▷ The aforementioned sales include the bulk sale of four properties (a hotel in Kyoto, a warehouse/office facility in Hirakata, Osaka, a condominium/retail store/office facility in Shinagawa, Tokyo, and a condominium in Nakano, Tokyo) for about JPY8.0bn, which was the largest single transaction recorded by the company to date. The company's new strategy of selling properties in bulk allowed it to successfully establish a new business relationship with a major corporation.
- ▷ The company purchased 28 properties (24 in FY12/18): 13 residential properties (11), four office/retail buildings (five), one land lot (one), seven land lots for development (four), three hotels (none), and none in the others category (three). By region, 17 were in Kanto (13), two in Hokkaido (two), four in Kyushu (five), two in Kansai (four), and three in Chubu (none). While there is some sense of oversupply in hotels, the company appears focused on concept-based differentiation, including with residential hotels, where the company's slogan is "stay that feels like home," as well as with the WISE OWL HOSTELS that cater to those looking for entertainment in the city (the company's slogan for these locations is "playing to the fullest like a wise owl").
- ▷ 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 eight condominiums and one capsule hotel.

### Real Estate Consulting segment

- ▷ Segment revenue (revenue from external transactions) was JPY1.3bn (+20.4% YoY). Segment profit came in at JPY578mn (+104.3% YoY).
- ▷ The company mainly brokered transactions and won consulting projects in the Kanto area, completing 19 deals (27 in FY12/18). Of the 19 completed deals, 14 were in Kanto (12), two in Hokkaido (five), none in Kyushu (four), and three in Kansai (six).

- ▷ An increase in booking of contract sales by Life Stage contributed to higher revenue and operating profit. The company made efforts to expand earnings by initiating M&A brokerage deals at the request of clients in addition to brokerage deals of investment real estate and consulting projects.

**Real Estate Management segment**

- ▷ Segment revenue was JPY2.7bn (+33.3% YoY). Segment profit was JPY679mn (-24.7% YoY).
- ▷ The number of client-owned properties under property management rose to 82 (68 in FY12/18). By region, the company was managing 35 properties in Kanto (28), 27 in Hokkaido (23), 15 in Kyushu (14), and five in Kansai (three).
- ▷ Revenue was up 33.3% YoY on an increase in the number of properties under management and the contribution of T&K Co., Ltd. (acquired in April 2018), but profit was down 24.7% YoY on the sale of a high occupancy building, which led to a decline in rental revenue.

## Income statement

Income statement (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.	FY12/19 Cons.	FY12/20 Est.
<b>Revenue</b>	<b>457</b>	<b>494</b>	<b>1,338</b>	<b>2,231</b>	<b>3,709</b>	<b>6,951</b>	<b>11,627</b>	<b>13,097</b>	<b>20,268</b>	<b>25,131</b>	<b>30,000</b>
YoY	-14.2%	8.2%	170.9%	66.7%	66.3%	87.4%	67.3%	12.6%	54.7%	24.0%	19.4%
Cost of revenue	-	-	1,011	1,614	2,773	5,395	9,006	8,700	14,471	18,150	-
<b>Gross profit</b>	<b>-</b>	<b>-</b>	<b>327</b>	<b>617</b>	<b>937</b>	<b>1,556</b>	<b>2,621</b>	<b>4,397</b>	<b>5,797</b>	<b>6,981</b>	
YoY	-	-	-	88.6%	51.9%	66.1%	68.4%	67.8%	31.8%	20.4%	
Gross profit margin	-	-	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%	28.6%	27.8%	
SG&A expenses	-	-	242	399	558	756	1,446	2,032	2,490	2,995	
SG&A ratio	-	-	18.1%	17.9%	15.1%	10.9%	12.4%	15.5%	12.3%	11.9%	
<b>Operating profit</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>218</b>	<b>378</b>	<b>800</b>	<b>1,175</b>	<b>2,366</b>	<b>3,307</b>	<b>3,986</b>	<b>4,979</b>
YoY	-	-	-	157.0%	73.8%	111.5%	46.9%	101.3%	39.8%	20.5%	24.9%
Operating profit margin	-	-	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%	16.3%	15.9%	16.6%
Non-operating income	-	-	-	0	3	7	1	1	6	7	
Non-operating expenses	-	-	-	35	86	151	302	368	481	468	
<b>Recurring profit</b>	<b>23</b>	<b>6</b>	<b>78</b>	<b>183</b>	<b>295</b>	<b>655</b>	<b>874</b>	<b>1,999</b>	<b>2,833</b>	<b>3,525</b>	<b>4,186</b>
YoY	1,545.2%	-74.6%	1,229.7%	133.4%	61.7%	122.1%	33.4%	128.6%	41.7%	24.4%	18.7%
Recurring profit margin	5.1%	1.2%	5.8%	8.2%	8.0%	9.4%	7.5%	15.3%	14.0%	14.0%	14.0%
Extraordinary gains (losses)	-	-	-	-	-	-	0	-199	-7	-	
Extraordinary gains	-	-	-	-	-	-	0	-	-	-	
Extraordinary losses	-	-	-	-	-	-	-	199	7	-	
Income taxes	-	-	-	78	118	255	286	549	857	1,094	
Implied tax rate	-	-	-	42.9%	40.1%	38.9%	32.7%	30.5%	30.3%	31.0%	
Net income attrib. to non-controlling interests	-	-	-	-	-	-	-	-	9	2	
<b>Net income</b>	<b>15</b>	<b>4</b>	<b>42</b>	<b>104</b>	<b>177</b>	<b>401</b>	<b>588</b>	<b>1,251</b>	<b>1,961</b>	<b>2,429</b>	<b>2,843</b>
YoY	702.6%	-72.9%	944.6%	149.8%	69.2%	126.8%	46.9%	112.6%	56.8%	23.9%	17.1%
Net margin	3.2%	0.8%	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%	9.7%	9.7%	9.5%

Source: Shared Research based on company data

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

## Revenue and operating profit

The company's revenue has been on a continuous uptrend other than a decline in FY10/12. Over the five years to FY12/19, revenue grew at a CAGR of 46.6%. The key segment and growth driver is the Investment and Development 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 FY12/19. From FY12/13 through FY12/16, the operating profit margin remained stable at 10–12%, but in FY12/17 it rose to 18.1%. OPM remained at the high levels of 16.3% in FY12/18 and 15.9% in FY12/19.

### 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.	FY12/19 Cons.
Gross profit	327	617	937	1,556	2,621	4,397	5,797	6,981
Gross profit margin	24.4%	27.7%	25.3%	22.4%	22.5%	33.6%	28.6%	27.8%
Operating profit	85	218	378	800	1,175	2,366	3,307	3,986
Operating profit margin	6.3%	9.8%	10.2%	11.5%	10.1%	18.1%	16.3%	15.9%
EBITDA	85	237	391	868	1,254	2,431	3,372	3,986
EBITDA margin	6.3%	10.6%	10.5%	12.5%	10.8%	18.6%	16.6%	15.9%
Net margin	3.1%	4.7%	4.8%	5.8%	5.1%	9.5%	9.7%	9.7%
<b>Financial ratios</b>								
ROA (RP-based)	10.9%	9.9%	7.6%	8.6%	6.6%	11.2%	13.1%	12.2%
ROE	23.6%	29.4%	24.8%	23.5%	22.4%	36.6%	39.3%	34.4%
Total asset turnover	1.9	1.2	0.9	0.9	0.9	0.7	0.9	0.9
Inventory turnover	3.6	3.4	1.7	1.2	1.1	1.0	2.0	1.5
Days in inventory	100.3	107.9	211.0	300.3	332.2	355.9	180.3	153.9
Working capital	578	1,691	3,407	6,093	11,502	11,476	14,596	19,980
Current ratio	512.3%	228.6%	162.5%	454.3%	283.3%	183.4%	358.7%	269.4%
Quick ratio	192.4%	185.5%	52.6%	116.0%	73.2%	107.9%	221.5%	88.6%
OCF / Current liabilities	-309.6%	-144.8%	-88.1%	-68.3%	-130.2%	35.9%	-16.2%	-47.3%
Net debt / Equity	-162.8%	271.5%	297.4%	197.3%	373.5%	223.0%	172.1%	198.1%
OCF / Total liabilities	-30.9%	-41.0%	-42.0%	-22.3%	-32.1%	16.8%	-6.7%	-16.0%
Cash conversion cycle (days)	100	108	211	301	334	359	182	155
Change in working capital	578	1,114	1,716	2,685	5,410	-26	3,120	5,384

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.	FY12/19 Cons.
Revenue	Initial Est.	-	-	-	5,401	11,263	16,154	20,000	26,300
	Results	1,338	2,231	3,709	6,951	11,627	13,097	20,268	25,131
	Results vs. Initial Est.	-	-	-	28.7%	3.2%	-18.9%	1.3%	-4.4%
Operating profit	Initial Est.	-	-	-	509	974	1,492	2,512	3,738
	Results	85	218	378	800	1,175	2,366	3,307	3,986
	Results vs. Initial Est.	-	-	-	57.2%	20.6%	58.6%	31.6%	6.6%
Recurring profit	Initial Est.	-	-	-	430	735	1,175	2,057	3,360
	Results	78	183	295	655	874	1,999	2,833	3,525
	Results vs. Initial Est.	-	-	-	52.4%	19.0%	70.1%	37.7%	4.9%
Net income	Initial Est.	-	-	-	250	482	781	1,414	2,357
	Results	42	104	177	401	588	1,251	1,961	2,429
	Results vs. Initial Est.	-	-	-	60.2%	22.1%	60.1%	38.7%	3.0%

Source: Shared Research based on company data

There are only five years of earnings forecasts available to compare company forecasts and actual results. Still, profit has each year exceeded the company's initial forecast. The company believes the most important KPI is net income attributable to owners of the parent.

## Balance sheet

Balance sheet (JPYmn)	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
<b>ASSETS</b>								
Cash and deposits	320	567	1,009	2,107	2,467	4,855	6,064	7,154
Marketable securities	-	-	-	-	-	175	412	6
Accounts receivable	1	0	4	23	110	118	96	77
Real estate for sale	21	1,292	596	-	1,070	4,716	6,847	2,587
Real estate for sale in process	556	399	2,807	6,070	10,323	6,643	7,653	17,316
Advance payments	-	-	-	-	-	-	-	-
Prepaid expenses	4	8	14	-	-	-	-	-
Other	19	36	585	144	136	255	654	2,742
<b>Total current assets</b>	<b>921</b>	<b>2,303</b>	<b>5,014</b>	<b>8,343</b>	<b>14,105</b>	<b>16,761</b>	<b>21,726</b>	<b>29,882</b>
Land	-	-	-	167	177	164	9	9
Buildings	-	52	47	644	642	418	452	1,018
Other fixed assets	60	4	4	10	13	13	118	31
<b>Total tangible fixed assets</b>	<b>60</b>	<b>56</b>	<b>51</b>	<b>822</b>	<b>832</b>	<b>596</b>	<b>580</b>	<b>1,058</b>
Software	157	157	157	659	659	659	659	659
Goodwill	-	-	-	-	144	156	256	218
Other	2	1	0	0	10	10	9	38
<b>Total intangible fixed assets</b>	<b>159</b>	<b>158</b>	<b>157</b>	<b>659</b>	<b>813</b>	<b>825</b>	<b>924</b>	<b>916</b>
Investment securities	0	0	1	-	-	-	-	-
Deferred tax assets	-	-	-	1	1	104	109	142
Other	20	25	45	150	834	794	961	1,535
<b>Investments and other assets</b>	<b>21</b>	<b>25</b>	<b>45</b>	<b>151</b>	<b>835</b>	<b>897</b>	<b>1,070</b>	<b>1,677</b>
<b>Total fixed assets</b>	<b>239</b>	<b>240</b>	<b>254</b>	<b>1,632</b>	<b>2,479</b>	<b>2,318</b>	<b>2,574</b>	<b>3,650</b>
<b>Deferred assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>41</b>	<b>31</b>	<b>35</b>	<b>24</b>
<b>Total assets</b>	<b>1,160</b>	<b>2,543</b>	<b>5,268</b>	<b>9,985</b>	<b>16,626</b>	<b>19,110</b>	<b>24,269</b>	<b>33,556</b>
<b>LIABILITIES</b>								
Short-term debt	62	737	2,749	1,296	4,289	8,017	4,456	9,091
Other	118	270	337	540	690	1,121	1,601	2,002
<b>Total current liabilities</b>	<b>180</b>	<b>1,007</b>	<b>3,086</b>	<b>1,836</b>	<b>4,979</b>	<b>9,138</b>	<b>6,058</b>	<b>11,093</b>
Long-term debt	681	1,050	1,167	5,607	8,708	5,777	11,980	14,215
Other	39	36	37	110	120	186	205	93
<b>Total fixed liabilities</b>	<b>721</b>	<b>1,086</b>	<b>1,205</b>	<b>5,717</b>	<b>8,828</b>	<b>5,963</b>	<b>12,185</b>	<b>14,308</b>
<b>Total liabilities</b>	<b>900</b>	<b>2,093</b>	<b>4,291</b>	<b>7,553</b>	<b>13,806</b>	<b>15,101</b>	<b>18,243</b>	<b>25,401</b>
Capital stock	124	167	405	932	944	945	1,024	1,034
Capital surplus	45	88	326	853	865	866	945	1,044
Retained earnings	59	164	247	648	1,236	2,421	4,232	6,255
Treasury stock	-	-	-	-	-223	-224	-224	-182
Accumulated other comprehensive income	-	-	-	-2	-2	0	-3	-9
Share subscription rights	-	-	-	-	-	-	9	0
Non-controlling interests	-	-	-	-	-	-	42	12
<b>Net assets</b>	<b>260</b>	<b>449</b>	<b>978</b>	<b>2,431</b>	<b>2,819</b>	<b>4,009</b>	<b>6,026</b>	<b>8,154</b>
Working capital	578	1,691	3,407	6,093	11,502	11,476	14,596	19,980
Total interest-bearing debt	743	1,787	3,916	6,903	12,997	13,794	16,436	23,307
Net debt	-423	1,220	2,907	4,796	10,530	8,939	10,372	16,153

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.	FY12/19 Cons.
Accounts receivable turnover	3,796.4	4,876.2	1,838.2	520.0	175.3	115.2	189.8	262.4
<b>Days in accounts receivable</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>2.1</b>	<b>3.2</b>	<b>1.9</b>	<b>1.4</b>
Inventory turnover	3.6	3.4	1.7	1.2	1.1	1.0	2.0	2.4
<b>Days in inventory</b>	<b>100.3</b>	<b>107.9</b>	<b>211.0</b>	<b>300.3</b>	<b>332.2</b>	<b>355.9</b>	<b>180.3</b>	<b>153.9</b>
Accounts payable turnover	-	-	-	-	-	-	-	-
<b>Days in accounts payable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash conversion cycle (days)</b>	<b>100.4</b>	<b>108.0</b>	<b>211.2</b>	<b>301.0</b>	<b>334.3</b>	<b>359.0</b>	<b>182.2</b>	<b>155.3</b>

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 20% 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.

## Net assets

Net assets account for approximately 25% of total liabilities and net assets. As of end-FY12/19 the shareholders' equity ratio was 24.3%.

## 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.	FY12/19 Cons.
Cash flows from operating activities (1)	-278	-859	-1,802	-1,681	-4,436	2,533	-1,229	-4,057
Cash flows from investing activities (2)	-225	-23	-220	-1,241	-922	-861	-190	-2,074
<b>Free cash flow (1+2)</b>	<b>-503</b>	<b>-882</b>	<b>-2,023</b>	<b>-2,922</b>	<b>-5,359</b>	<b>1,671</b>	<b>-1,419</b>	<b>-6,131</b>
Cash flows from financing activities	722	1,129	2,463	4,019	5,717	719	2,631	6,470
<b>Simple FCF (NI + A + B - C)</b>	<b>42</b>	<b>-990</b>	<b>-1,526</b>	<b>-2,217</b>	<b>-4,742</b>	<b>1,326</b>	<b>-1,259</b>	<b>16,861</b>

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 its business and with the exception of FY12/17, it saw cash outflows from operating activities in each of the eight years from FY12/12 to FY12/19. 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 and Development business, but the company again recorded cash outflows in FY12/18. The company saw a substantial cash outflow in FY12/19 amid a build-up in inventory as the Real Estate Investment and Development business made a series of acquisitions.

### Cash flows from investing activities

For the eight years from FY12/12 through FY12/19, cash flows from investing activities have been negative as the company has purchased tangible and intangible fixed assets and acquired subsidiaries. In FY12/19, payments into time deposits added to cash outflows.

### Cash flows from financing activities

For the eight years from FY12/12 through FY12/19, 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 and Development 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. In April 2018, the company purchased shares in golf course and sports facility operator T&K Co., Ltd., making it a subsidiary. In May 2018, it established a subsidiary called B-Lot Capital Link to engage in human resources and M&A businesses. (See Group companies.) B-Lot had a small elite team at the time of its establishment and counted 61 employees in the parent company as of end-December 2019. Including the companies it has acquired, the group had 194 employees at end-December 2019.

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 the city of Fukuoka, Fukuoka
Dec 2014	Lists on TSE Mothers
Feb 2015	Establishes B-Lot Asset Management
May 2015	Establishes B-Lot Singapore
Apr 2016	Makes Life Stage a subsidiary
Jul 2016	Establishes Osaka branch
Jan 2017	Makes Viento Creation a subsidiary
Feb 2018	Transfers its listing to TSE1
Apr 2018	Makes T&K a subsidiary
May 2018	Establishes B-Lot Capital Link
Oct 2018	Establishes Tokyo branch in Minato, Tokyo
May 2019	Transfers and consolidates headquarters functions in Tokyo branch office

Source: Company materials

## News and topics

### September 2020

On September 28, 2020, the company announced a change regarding a specified subsidiary.

B-Lot on September 28 announced its decision to issue investment units in specified subsidiary B-Lot REIT Investment Corporation (formerly Medical Asset Investment Corporation) for allotment to third-party investors. The company accordingly expects B-Lot REIT Investment Corporation to be converted from a subsidiary to an equity-method affiliate.

#### Reasons for the change

- ▷ As noted in the company's April 30, 2020 announcement regarding the acquisition of shares in LC Partners, Inc. and investment units in Medical Asset Investment Corporation (with the intention of making both companies consolidated subsidiaries) and the May 27, 2020 announcement that the company had completed these efforts, B-Lot has been working to strengthen its asset management business. To this end, it acquired all investment units in Medical Asset Investment Corporation, and prepared for the formation of a REIT within the year.
- ▷ In line with its capital policies targeting the REIT formation, management decided to raise funds through the issuance of new investment units by B-Lot REIT Investment Corporation, allowing the company to further advance the REIT formation within the year.

#### Method

B-Lot REIT Investment Corporation will issue the new investment units, resulting in a decline in the Group's share of total investment units.

#### Share of total investment units and number of investment units owned by B-Lot before and after the change

- ▷ Investment units owned by B-Lot before the change: 2,000 (100% of which are indirectly owned)  
(Share of units: 100%) (100% of which are indirectly owned)
- ▷ Investment units owned by B-Lot after the change: 2,000 (100% of which are indirectly owned)  
(Share of units: 39%) (39% indirectly owned)

#### Schedule

Date of decision: September 28, 2020

Planned payment date for the new investment units: by September 30, 2020

#### Outlook

The company, as a result of this transaction, expects B-Lot REIT Investment Corporation to be converted from a subsidiary to an equity-method affiliate. Management is currently calculating the effect on FY12/20 earnings and plans to promptly announce any related matters requiring disclosure.

### May 2020

On May 27, 2020, the company announced that it completed its acquisition of shares in LC Partners, Inc. and investment units in Medical Asset Investment Corporation (converting these two organizations into consolidated subsidiaries).

- ▷ As announced on April 30, 2020 (details below), the company completed its acquisition of shares in LC Partners, Inc. and investment units in Medical Asset Investment Corporation, converting these two organizations into consolidated subsidiaries, on May 27 of the same year.

- ▷ When acquiring Medical Asset Investment Corporation, the company obtained all investment units in the entity, converting it into a consolidated subsidiary. However, the company plans to recruit equity investors and remove Medical Asset Investment Corporation from its list of consolidated subsidiaries.

## April 2020

On April 30, 2020, the company announced the acquisition of shares in LC Partners, Inc. and investment units in Medical Asset Investment Corporation (making them consolidated subsidiaries).

- ▷ On April 30, 2020, the company decided to acquire all of the shares in LC Partners, Inc. owned by GLOME Holdings, Inc. and all of the investment units in Medical Asset Investment Corporation owned by LC Partners and to make them consolidated subsidiaries.
- ▷ Note that the target companies will become specified subsidiaries of B-Lot as their capital and amount invested by the company are equivalent to over 10% of B-Lot's capital.

## Aim

- ▷ The company established B-Lot Asset Management in February 2015 as a wholly owned subsidiary. In the asset management business, B-Lot Asset Management has managed numerous properties under its financial instrument (advisory and agency) business license. It has also considered obtaining an investment management license. The aim was to also be able to put together and manage private placement funds and REITs to meet demand from high net worth individuals and other investors.
- ▷ LC Partners has an investment management license and operates asset management and investment businesses. B-Lot agreed with parent company GLOME Holdings to acquire all of its shares in LC Partners and all of its units in the investment corporation.
- ▷ Leveraging the licensing, staff, expertise, and other components of the business platform necessary to REIT management acquired in this deal, the company plans to implement further business growth.
- ▷ The company is evaluating the impact on FY12/20 consolidated results, and will promptly inform the market of any material information.
- ▷ The company plans to execute an absorption-type merger promptly after the share transfer to streamline management. LC Partners will be the surviving company and B-Lot Asset Management will be dissolved. Following the merger, the name of the surviving company will be changed to B-Lot Asset Management.

## Details

### LC Partners, Inc.

- ▷ Number of shares to be acquired: 1,200 (1,200 voting rights)
- ▷ Number of shares to be owned after transfer: 1,200 (1,200 voting rights, 100% of total)

### Medical Asset Investment Corporation

- ▷ Number of units to be acquired: 2,000
- ▷ Number of units to be owned after transfer: 2,000 (of which indirectly owned: 2,000. Share of units: 100%, of which indirectly owned: 100%)

## Purchase price

- ▷ Shares in LC Partners and units in Medical Asset Investment Corporation: JPY190mn (planned)

- ▷ Advisory and other expenses (estimate): JPY10mn
- ▷ Total (estimate): JPY200mn

## Schedule

- ▷ Board decision: April 30, 2020
- ▷ Share transfer agreement: April 30, 2020
- ▷ Share transfer: May 27, 2020 (completed)

## March 2020

On March 13, 2020, the company announced the transfer of a specified subsidiary.

At a meeting of the Board of Directors held the same day, the company resolved to invest in the following silent partnership, which will make it a specified subsidiary of the company.

### Reason for transfer

B-Lot will invest in a silent partnership operated by SSG24 LLC, with the aim of acquiring and holding trust beneficiary rights in office and retail store buildings located in Osaka Prefecture. B-Lot's investment in the silent partnership represents more than 30% of the company's net assets and more than 10% of its capital, making the silent partnership a specified subsidiary of the company.

### Overview of subsidiary to be transferred

- ▷ Name: Silent partnership operated by SSG24 LLC
- ▷ Business: Acquisition, holding, and disposition of real estate and related activities
- ▷ Investment date: March 31, 2020 (scheduled)
- ▷ Investment amount: JPY3.1bn
- ▷ Relationship between the listed company and the silent partnership:
  - Capital relationship: 100% investment by the company
  - Business relationship: An asset management agreement will be signed between SSG24 LLC, the operator of the silent partnership, and B-Lot Asset Management Co., Ltd., a consolidated subsidiary of the company.

On March 2, 2020, the company announced the cancellation of its issuance of new shares and secondary offerings of shares.

The company resolved at a meeting of its Board of Directors held on March 2, 2020, to cancel the issuance of new shares and secondary offerings of shares that it had resolved to conduct at a meeting of its Board of Directors held on February 21, 2020.

### Reasons for the cancellation of the new issuance of shares and secondary offerings of shares

- ▷ The company had resolved to conduct an issuance of new shares and secondary offerings of shares in order to actively pursue growth by purchasing real estate for sale, carrying out M&A activity, and investing in the development of new businesses. However, the stock market is becoming increasingly volatile due to the spread of COVID-19, and the company decided to abandon the issuance of new shares and secondary offerings based on its judgment that continuing with them under such circumstances would not maximize profit for existing shareholders or other stakeholders.

## Future outlook

- ▷ The company has used a combination of on-hand funds and bank loans to execute or commence all of the projects that were to be funded by the new share issue and secondary offering, namely the acquisition of large properties, M&A, and new lines of business.
- ▷ Although the cancellation's direct impact on earnings is minimal at this time, there are still ample business opportunities, and the company says that where it is able to arrange funding it will be able to effect further organizational growth.
- ▷ The company initially forecast changes in the composition of major shareholders as a result of the new issuance of shares and secondary offerings of shares, but such changes will not occur due to this cancellation.
- ▷ The stock split announced on February 21, 2020, was implemented as planned, but the number of additional shares resulting from the split will change as a result of this cancellation.

## Group companies (as of end-December 2019)

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 Co., Ltd.	Newly built condominium sales targeting family demographic	Consolidated subsidiary
Viento Creation Co., Ltd.	Ownership and operation of capsule hotels	Consolidated subsidiary
T&K Co., Ltd.	Operation of golf courses under contract, consulting, and advisory services	Consolidated subsidiary
B-Lot Capital Link Co., Ltd.	Business succession consulting and planning, M&A advisory	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 April 8, 2019)

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)	15
Number of directors	9
Directors' term of office (under Articles of Incorporation)	1 year
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
<b>Other</b>	
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 December 31, 2019)

Top shareholders	Shares held	Shareholding ratio
Shinichi Hasegawa	1,160,400	14.50%
Masahiro Mochizuki	1,100,400	13.83%
M&M, Ltd.	819,000	10.30%
Makoto Miyauchi	539,400	6.78%
Mitsuru Otsuka	175,400	2.21%
Fumie Mochizuki	174,100	2.19%
Japan Trustee Services Bank, Ltd. (Trust account)	138,800	1.70%
Hokuto Mfg. Co., Ltd.	124,000	1.56%
Taro Togawa	114,100	1.40%
Kentaro Ezaki	113,100	1.40%
SUM	4,458,700	55.87%

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 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
Parent	24	32	35	48	54	61
Consolidated	24	35	134	149	201	194

Source: Shared Research based on company data

## Profile

Company Name	Head Office
B-Lot Co., Ltd.	Shimbashi Center Place 10F 1-11-7 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
<a href="https://en.b-lot.co.jp/">https://en.b-lot.co.jp/</a>	December
IR Contact	IR Web
+81(3)-6891-2525	<a href="https://www.b-lot.co.jp/ir.html">https://www.b-lot.co.jp/ir.html</a> (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 <https://sharedresearch.jp>.

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Aeon Delight Co., Ltd.	Dream Incubator Inc.	KLab Inc.	SanBio Company Limited
Aeon Fantasy Co., Ltd.	Earth Corporation	Kondotec Inc.	SANIX INCORPORATED
Ai Holdings Corporation	Edion Corporation	Kumiai Chemical Industry Co., Ltd.	Sanrio Company, Ltd.
AI inside Inc.	Elecom Co., Ltd.	Lasertec Corporation	SATO HOLDINGS CORPORATION
AirTrip Corp.	en Japan Inc.	Locondo, Inc.	SBS Holdings, Inc.
and factory, inc.	Estore Corporation.	LUCKLAND CO., LTD.	Seikagaku Corporation
ANEST IWATA Corporation	euglena Co., Ltd.	Marumae Co., Ltd.	Seria Co., Ltd.
AnGes Inc.	FaithNetwork Co., Ltd.	MATSUI SECURITIES CO., LTD.	Serverworks Co., Ltd.
Anicom Holdings, Inc.	Ferrotec Holdings Corporation	Media Do Co., Ltd.	SHIFT Inc.
Anritsu Corporation	FIELDS CORPORATION	Medical System Network Co., Ltd.	Shikigaku Co., Ltd.
Apaman Co., Ltd.	Financial Products Group Co., Ltd.	MEDINET Co., Ltd.	SHIP HEALTHCARE HOLDINGS, INC.
ARATA CORPORATION	First Brothers Col, Ltd.	MedPeer, Inc.	SIGMAXYZ Inc.
Artspark Holdings Inc.	FreeBit Co., Ltd.	Mercuria Investment Co., Ltd.	SMS Co., Ltd.
AS ONE CORPORATION	Gamecard-Joyco Holdings, Inc.	Metaps Inc.	Snow Peak, Inc.
Ateam Inc.	GameWith, Inc.	Micronics Japan Co., Ltd.	Solasia Pharma K.K.
Aucan Co., Ltd.	GCA Corporation	MIRAIT Holdings Corporation	SOURCENEXT Corporation
AVANT CORPORATION	Good Com Asset Co., Ltd.	Monex Goup Inc.	Star Mica Holdings Co., Ltd.
Axell Corporation	Grandy House Corporation	MORINAGA MILK INDUSTRY CO., LTD.	Strike Co., Ltd.
Azbil Corporation	Hakuto Co., Ltd.	Mortgage Service Japan Limited.	SymBio Pharmaceuticals Limited
AZIA CO., LTD.	Hamee Corp.	MRT Inc.	Synchro Food Co., Ltd.
AZoom, Co., Ltd.	Happinet Corporation	NAGASE & CO., LTD.	TAIYO HOLDINGS CO., LTD.
Base Co., Ltd.	Harmonic Drive Systems Inc.	NAIGAI TRANS LINE LTD.	Takashimaya Company, Limited
BEENOS Inc.	HENNGE K.K.	NanoCarrier Co., Ltd.	Take and Give Needs Co., Ltd.
Bell-Park Co., Ltd.	Hosokawa Micron Corporation	Net Marketing Co., Ltd.	TEAR Corporation
Benefit One Inc.	Hope, Inc.	Net One Systems Co., Ltd.	Tenpo Innovation Inc.
B-lot Co., Ltd.	HOUSEDO Co., Ltd.	Nichi-Iko Pharmaceutical Co., Ltd.	3-D Matrix, Ltd.
Broadleaf Co., Ltd.	H2O Retailing Corporation	Nihon Denkei Co., Ltd.	The Hokkoku Bank, Ltd.
CanBas Co., Ltd.	IDOM Inc.	Nippon Koei Co., Ltd.	TKC Corporation
Canon Marketing Japan Inc.	IGNIS LTD.	NIPPON PARKING DEVELOPMENT Co., Ltd.	TKP Corporation
Career Design Center Co., Ltd.	i-mobile Co., Ltd.	NIPRO CORPORATION	Tsuzuki Denki Co., Ltd.
Carna Biosciences, Inc.	Inabata & Co., Ltd.	Nishinbo Holdings Inc.	TOCALO Co., Ltd.
CARTA HOLDINGS, INC	Infocom Corporation	NS TOOL CO., LTD.	TOKAI Holdings Corporation
CERES INC.	Infomart Corporation	OLBA HEALTHCARE HOLDINGS, Inc.	Tokyu Construction Co., Ltd.
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
Chori Co., Ltd.	ipet Insurance CO., Ltd.	Oisix ra daichi Inc.	Toyo Ink SC Holdings Co., Ltd.
Chugoku Marine Paints, Ltd.	Itochu Enex Co., Ltd.	Oki Electric Industry Co., Ltd.	Toyo Tanso Co., Ltd.
cocokara fine Inc.	JAFCO Co., Ltd.	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
COMSYS Holdings Corporation	JMDC Inc.	ONWARD HOLDINGS CO., LTD.	TSURUHA Holdings
COTA CO., LTD.	JSB Co., Ltd.	Pan Pacific International Holdings Corporation	VISION INC.
CRE, Inc.	JTEC Corporation	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
CREEK & RIVER Co., Ltd.	J Trust Co., Ltd.	PIGEON CORPORATION	World Holdings Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	Japan Best Rescue System Co., Ltd.	P3, inc.	YELLOW HAT LTD.
Daiseki Co., Ltd.	JINS HOLDINGS Inc.	QB Net Holdings Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
Demae-Can CO., LTD	JP-HOLDINGS, INC.	RACCOON HOLDINGS, Inc.	YUMESHIN HOLDINGS CO., LTD.
DIC Corporation	KAMEDA SEIKA CO., LTD.	Raysum Co., Ltd.	ZAPPALLAS, INC.
Digital Arts Inc.	Kanamic Network Co., LTD	RESORTTRUST, INC.	

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