

B-Lot Company Limited

3452

TSE Mothers

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■ Summary

Inbound demand strategy is performing well! Achieved the sixth consecutive year of higher sales and profits and will pay a dividend for the first time

B-Lot Company Limited <3452> (hereafter, also “the Company”) is an emerging company that provides one-stop services in the field of real estate investment. It was founded in 2008 by a group of professionals who are highly experienced in real estate and finance, including the President and Representative Director Makoto Miyauchi.

When it was founded, the Company first accumulated results in its main businesses of real estate brokerage and rental management, and then since its third fiscal year onwards, it has grown rapidly from the growth driver of its Real Estate Investment and Development Business that raises the value of the assets that it invests in.

In December 2014, the Company was listed on the Tokyo Stock Exchange (TSE) Mothers’ market in the shortest ever time for a real estate company founded after the bankruptcy of Lehman Brothers, of six years and two months. It provides consulting and other services for wealthy investors, mainly for real estate investment in single buildings not only in Kanto but throughout Japan, including in Hokkaido, Kansai, and Kyushu. After it was listed, it has used its credit worthiness and fund raising capability to accelerate growth.

In 2015, it founded an asset management company and a wholly owned subsidiary in Singapore. In April 2016, it conducted an M&A to acquire Life Stage Corporation (head office: Osaka City, condominium sales), which has more than 100 employees and is in its 26th year. In September 2016, it formed a real estate fund jointly with MISAWA HOMES CO., LTD. <1722>. By FY12/17, the Company had grown from its former stage of a small group of elite professionals to be a group of companies with more than 130 members, including subsidiaries, and it has entered a stage of even further growth.

1. FY12/16 results

In the FY12/16 full year consolidated results, net sales increased 67.3% year on year (YoY) to ¥11,626mn, and ordinary income rose 33.4% to ¥874mn, for the sixth consecutive fiscal year of higher sales and profits. Net sales grew significantly, as in the mainstay Real Estate Investment and Development Business, the number of sales increased to 16 (13 in the previous fiscal year), while the real estate it handles for REITs also grew in scale and sales to overseas investors also contributed to the results.

Profits increased greatly in the Real Estate Consulting Business, which consists of brokerage of real estate for investment and business-succession consulting. The Singapore subsidiary, which was in its second year since its foundation, also contributed significantly.

In the Real Estate Management Business, the number of management outsourcing agreements in which the Company supports owners over the long term, increased to 48 (previous fiscal year, 40) and the number of asset management agreements increased to 4 (previous fiscal year, 1). While enhancing its expertise and service content in each segment, the Company achieved favorable results through working on an inbound demand strategy for overseas clients as a group.

2. Business outlook

The outlook for the FY12/17 full year consolidated results is for the major increases in sales and profits to continue, with net sales to climb 38.9% YoY to ¥16,154mn and ordinary income to rise 34.4% to ¥1,175mn. In FY12/17 in the mainstay real estate development operations, five development project buildings will be completed (in Sapporo, Shinjuku, Shintomi, Kyoto Gojo, and Fukuoka), and the Company will start collecting rent and other income from them, which can be expected to contribute to results.

The real estate for sale (including in progress) balance on the balance sheet at the end of FY12/16 had reached ¥11,392mn, and on considering that the building construction costs for projects currently underway and the income from planned sales will be added to this, it is considered that, even at the beginning of the fiscal period, the Company has already accumulated sufficient assets to achieve its forecasts. Against the backdrop of the favorable purchasing environment, it has been able to handle the larger scale of real estate due to strengthened capital and has had the foresight to commercialize the real estate wanted by buyers in advance of its industry peers. For hotels, it is considered that the Company is utilizing the expertise acquired from IMANO TOKYO, which it already sold in the previous fiscal year, to anticipate the needs of Asian investors, with Singapore serving as the hub, and it is providing one-stop services, from real estate for investment from introductions, through to arranging financing, including forming funds, and outsourcing management during the period.

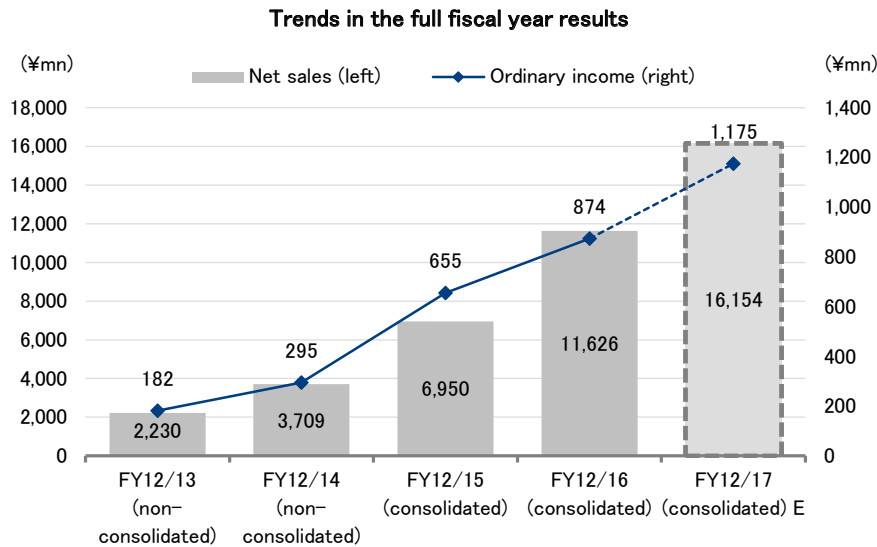
3. Growth strategy

As its inbound demand strategy, in recent years the Company has been working on product development for accommodation assets, mainly for capsule hotels and hostels with sophisticated designs. It has been progressing development projects nationwide since the start in 2015, of the real estate regeneration projects of FIRST CABIN TSUKIJI and IMANO TOKYO (Shinjuku) as simple accommodation. More recently, in December 2016 it completed construction and started receiving rent and other income from “the kamui niseko (Hokkaido, Niseko; hotel-condo), and in March 2017, from the “nine hours Shinjuku-North (Tokyo, Shinjuku; capsule hotel). Kyoto Kiyomizu Gojo Hostel (near to Kiyomizu Temple, a World Cultural Heritage site)” is scheduled to be completed in September 2017. The Company is working on a variety of facilities to capture inbound demand, from capsule hotels through to condominiums and from Hokkaido to Okinawa. Its strengths include the fact that it is expanding sales channels at the time of sale and simultaneously strengthening development in a variety of directions.

In January 2017, the Company acquired all of the shares of Viento Creation Co., Ltd., which owns two capsule hotels near to Ebisu Station and Gotanda Station, and made it a subsidiary. Although this is part of its inbound demand strategy, it has also entered into the area of so-called private equity investment, in which it aims to purchase the shares of unlisted companies and regenerate them. It is considered that this acquisition indicates that the Company intends to further expand its business area in the future.

Key Points

- Achieved the sixth consecutive fiscal year of higher sales and profits
- Is progressing an inbound demand strategy that utilizes capital alliances and M&A
- Plans to pay a dividend for the first time (¥17) and is also actively focusing on share buy-backs



Source: Prepared by FISCO from the Company's financial results

■ Company profile

A rapidly growing real estate venture in the 10th year since its foundation. Is also expanding services to overseas investors!

1. Company profile and history

B-Lot is an emerging company that provides one-stop services in the field of real estate investment. It was founded in 2008 by a group of professionals who are highly experienced in real estate and finance, including the President and Representative Director Makoto Miyauchi.

When it was founded, the Company first accumulated results in its main businesses of real estate brokerage and rental management, and then since the third fiscal year onwards, it has grown rapidly from the growth driver of its Real Estate Investment and Development Business that raises the value of the assets that it invests in.

In December 2014, the Company was listed on the Tokyo Stock Exchange (TSE) Mothers' market in the shortest ever time for a real estate company founded after the bankruptcy of Lehman Brothers, of six years and two months. It provides consulting and other services for wealthy investors, mainly for real estate investment in single buildings not only in Kanto but throughout Japan, including in Hokkaido, Kansai, and Kyushu. After it was listed, it has used its credit worthiness and fund raising capability to accelerate growth. In 2015, it founded an asset management company and a wholly owned subsidiary in Singapore. In FY12/16, it completed sales of 3 buildings to overseas investors and achieved higher sales and profits for the sixth consecutive fiscal year. By FY12/16, the Company had grown from its former stage of a small group of elite professionals to be a group of companies with more than 130 members, including subsidiaries, and it has entered a stage of even further growth.

Company profile

2. Business overview

The Real Estate Investment and Development Business is the growth driver and it provides 85.8% of net sales and 55.2% of operating profit. There are two types of operations in this business; “real estate regeneration,” of investing in single office, condominium, and other buildings, improving their value, and then selling them, and “real estate development,” of acquiring land and constructing new buildings on it. Each year, the scale of the real estate that the Company handles grows larger, and moreover in recent years, REITs and overseas investors have been increasing as the exits (the buyers). Brokerage is the main operation in the Real Estate Consulting Business, where the number of new customers are increasing from “introductions” from other professionals and the finance industry, including for consultations on the conversion of assets as an inheritance-related measure. In terms of results, this business provides 6.6% of the Company-wide net sales, but as it is a fees business, it generates 19.3% of operating income. Life Stage, acquired through an M&A, is expected to contribute to results from FY12/17 as it was consolidated in FY12/16 Q3. The Real Estate Management Business consists of the outsourcing of real estate rental management for clients of the wealthy and other investors, rental from the real estate that the Company itself owns, and asset management. It contributes 7.5% of net sales but 25.6% of operating income, so its contribution to profits is high. From September 2016, the Company has also been undertaking outsourced asset management operations from a real estate fund that it formed through a joint investment with MISAWA HOMES. It is a stock business in which the Company provides long-term continuous support to the wealthy and gains their trust, and it can be said to be an indispensable business.

Business descriptions and percentages (consolidated FY12/16)

Business segment	Description of main businesses	% of sales	% of operating profit
Real Estate Investment and Development Business	1. Real estate regeneration 2. Real estate development	85.8%	55.2%
Real Estate Consulting Business	1. Real estate brokerage 2. Real estate consulting	6.6%	19.3%
Real Estate Management Business	1. Leasing management 2. Property management	7.6%	25.6%
Total		100.0%	100.0%

Source: prepared from Company materials

* Before adjustments

Business trends

Achieved sixth consecutive fiscal year of higher sales and profits

1. Summary of the FY12/16 results

In the FY12/16 full year consolidated results, net sales increased 67.3% YoY to ¥11,626mn, operating profit climbed 46.9% to ¥1,175mn, ordinary income rose 33.4% to ¥874mn, and profit attributable to owners of parent increased 46.9% to ¥588mn, for the sixth consecutive fiscal year of higher sales and profits.

Net sales grew because in the mainstay Real Estate Investment and Development Business, the number of sales increased to 16 (13 in the previous fiscal year), and the sales amount per sale also grew larger. In terms of profits, the Real Estate Consulting Business, which consists of brokering sales of real estate for investment and consulting services, contributed greatly to profits through the acquisition of overseas investors as new clients by the Singapore subsidiary. In the Real Estate Management Business, the number of management outsourcing agreements, in which the Company supports owners over the long term, increased to 48 (previous fiscal year, 40) and the number of asset management agreements increased to 4 (previous fiscal year, 1). While enhancing its expertise and service content in each segment, the Company achieved favorable results through working on an inbound demand strategy for overseas clients as a group.

FY12/16 full year results

	FY12/15 full year		FY12/16 full year		
	Results (¥mn)	% of total	Results (¥mn)	% of total	YoY (%)
Net sales	6,950	100.0	11,626	100.0	67.3
Gross profit	1,556	22.4	2,620	22.5	68.4
SG&A expenses	756	10.9	1,445	12.4	91.2
Operating profit	800	11.5	1,175	10.1	46.9
Ordinary income	655	9.4	874	7.5	33.4
Profit attributable to owners of parent	400	5.8	588	5.1	46.9

Source: Prepared by FISCO from the Company's financial results

Expanding assets through leverage management

2. Financial position and management indicators

At the end of FY12/16, total assets were up ¥6,641mn on the end of the previous fiscal year to ¥16,625mn. The main factor behind this was that current assets rose ¥5,762mn. This included increases in real estate for sale (up ¥1,070mn) and real estate for sale in progress (up ¥4,252mn). The background to this is the steady progress made in acquiring properties for growth in the future.

Total liabilities were up ¥6,253mn on the end of the previous fiscal year to ¥13,806mn, which was mainly due to increases in non-current liabilities of ¥3,110mn and current liabilities of ¥3,142mn, and also the raising of funds from borrowing and corporate bonds.

In the management indicators of stability (at the end of FY12/16), the current ratio was 283.3%, and the equity ratio was 17.0%, and the Company is conducting management that actively utilizes leverage while maintaining these indicators.

Business trends

Consolidated balance sheet, management indicators

	FY12/15	FY12/16	Change
	(¥mn)		
Current assets	8,343	14,105	5,762
(Cash and deposits)	2,106	2,467	360
(Real estate for sale)	-	1,070	1,070
(Real estate for sale in progress)	6,069	10,322	4,252
Fixed assets	1,632	2,479	847
Total assets	9,984	16,625	6,641
Current liabilities	1,836	4,978	3,142
(Current portion of long term borrowings)	305	1,420	1,114
Fixed liabilities	5,716	8,827	3,110
Total liabilities	7,553	13,806	6,253
Net assets	2,431	2,819	387
Total liabilities and equity	9,984	16,625	6,641
Stability			
Current ratio (current assets ÷ current liabilities)	454.3%	283.3%	-
Equity ratio (shareholders' equity ÷ total assets)	24.3%	17.0%	-

Source: Prepared by FISCO from the Company's financial results

Business outlook

The outlook for the FY12/17 results is for the significant growth to continue

1. The FY12/17 results outlook

The outlook for the FY12/17 full year consolidated results is for net sales to increase 38.9% YoY to ¥16,154mn, operating profit to rise 27.0% to ¥1,492mn, ordinary income to climb 34.4% to ¥1,175mn, and profit attributable to owners of parent to increase 32.8% to ¥781mn, for the seventh consecutive fiscal year of higher sales and profits. In FY12/17 in the mainstay real estate development operations, five development project buildings will be completed (in Sapporo, Shinjuku, Shintomi, Kyoto Gojo, and Fukuoka), and the Company will start collecting rent and other income from them, which can be expected to contribute to results. The FY12/16 real estate for sale (including in progress) balance on the balance sheet had reached ¥11,392mn, and on considering that the building construction costs for projects currently underway and the income from planned sales will be added to this, it is considered that, even at the beginning of the fiscal period, the Company has already accumulated sufficient assets to achieve its forecasts. For your reference, the initial forecast for real estate for sale (including in progress) in FY12/16 was ¥6,069mn, while the actual net sales result was ¥11,626mn.

FY12/17 full year forecasts

	FY12/16 full year		FY12/17 full year (forecast)		
	Results (¥mn)	% of total	Forecast (¥mn)	% of total	YoY (%)
Net sales	11,626	100.0	16,154	100.0	38.9
Operating profit	1,175	10.1	1,492	9.2	27.0
Ordinary income	874	7.5	1,175	7.3	34.4
Profit attributable to owners of parent	588	5.1	781	4.8	32.8

Source: Prepared by FISCO from the Company's materials

The real estate for sale balance is growing and projects are becoming larger

2. Trend in the real estate for sale (including in progress) balance

The balance of real estate for sale and real estate for sale in progress at the end of FY12/16 had reached ¥11,392mn. It has been trending upward for three years since FY12/13, and in particular this is an increase of ¥5,322mn compared to the end of FY12/15, and this upward trend is accelerating the speed of asset expansion. In the background to this is the Company's improved credit worthiness with regard to financial institutions and the shift toward larger-scale properties. The eight properties acquired, on which it disclosed information in 2H of FY12/16, from July to December, were on a scale of ¥800mn to ¥2,200mn, and in total were worth ¥11,102mn.

Acquisitions of real estate for sale (disclosed, from July to December 2016)

	Date	Location	Scale of property	(¥mn)
				Procurement amount
Income properties, 4 other properties	Sep. 2016	Shinagawa Ward, Tokyo, others	Total floor area 1,913 m ² , 4 other properties	1,370
Land (for condominium construction)	Sep. 2016	Fukuoka City, Fukuoka Prefecture	Land size 499 m ²	900
Land (for hotel construction)	Sep. 2016	Kyoto City, Kyoto Prefecture	Land size 609 m ²	2,200
Land (for hotel construction)	Sep. 2016	Naha City, Okinawa Prefecture	Land size 875 m ²	2,000
Land (for hotel construction)	Oct. 2016	Otaru City, Hokkaido	Land size 1,420 m ²	1,843
Income condominiums	Oct. 2016	Kunigami District, Okinawa Prefecture	Total floor area 5,768 m ²	1,000
Land (for store construction)	Nov. 2016	Shibuya Ward, Tokyo	Land size 231 m ²	800
Land and income properties	Nov. 2016	Fukuoka City, Kagoshima City	Land size 798 m ² , 2 other properties	989
Total				11,102

Source: prepared by FISCO from Company information

The medium- to long-term growth strategy

Diversified expansion with a sense of speed, including through alliances and M&A

1. Progressing the inbound demand strategy

As its inbound demand strategy, in recent years the Company has been working on product development for accommodation assets, mainly for capsule hotels and hostels with sophisticated designs. It has been progressing development projects nationwide since the start in 2015, of the real estate regeneration projects of FIRST CABIN TSUKIJI and IMANO TOKYO (Shinjuku) as simple accommodation. More recently, in December 2016 it completed construction and started receiving rent and other income from “the kamui niseko (Hokkaido, Niseko; hotel-condo*)” and in March 2017, from the “nine hours Shinjuku-North (Tokyo, Shinjuku; capsule hotel). Kyoto Kiyomizu Gojo Hostel (near to Kiyomizu Temple, a World Cultural Heritage site),” is scheduled to be completed in September 2017. The Company is working on a variety of facilities to capture inbound demand, from capsule hotels through to condominiums and from Hokkaido to Okinawa. Its strengths include that it is expanding sales channels at the time of sale and simultaneously strengthening development in a variety of directions.

* hotel-condo is a portmanteau of hotel + condominium, and it is a framework in which the owner purchases a room and when not using it himself or herself, rents it to general customers as a hotel room, and the owner and the management company share the room fee.

For the completed accommodation facilities, the plan is to basically outsource their management to operations companies and to sell them after a certain period of time has passed and they have reached a stage of stable operations. The Company has already sold 2 hotels to Asian investors and is looking into sales to Asian investors with its Singapore subsidiary serving as the hub. Its consolidated subsidiary B-Lot Asset Management Co., Ltd., proposes schemes to acquire the real estate preferred by overseas family companies and then to offer outsourced asset management and other services, and it has started to provide comprehensive services as a group.

Progressing the inbound demand strategy

FY2017, five development projects will have been completed, start to collect rent and other income!

★ Hotel Condominium★ 2016.12 NISEKO

★ Residence★ 2017.1 SAPPORO

(scheduled) 2017.3 SHINJUKU

(scheduled) 2017.7 SHINTOMI

(scheduled) 2017.9 KYOTO GOJO

(scheduled) 2018.3 NAHA

(scheduled) 2018.2 OTARU

Currently distributing development project videos!

Coming Soon

Source: the Company's results briefing materials

We encourage readers to review our complete legal statement on “Disclaimer” page.

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The medium- to long-term growth strategy

2. Acquired the shares of Viento Creation (and made it a subsidiary)

In January 2017, the Company acquired all of the shares of Viento Creation and made it a subsidiary. Viento Creation owns two capsule hotels in locations that are rare even for Tokyo, within three minute walks to the JR Ebisu and Gotanda stations. It is pursuing an inbound demand strategy, and by bringing Viento Creation into the Group, the aim is to improve income in the future from the properties it owns. Previously it purchased used real estate itself, but this time it purchased the shares of an unlisted company and is aiming for regeneration through utilizing the management resources of this company. It is considered that this so-called private equity investment indicates that the Company intends to further expand its business area in the future.

The share acquisition price was ¥588mn, and Viento Creation has total assets, including land, of ¥781mn, and it recorded an operating income in the three years up to FY6/15. Therefore, its acquisition does not seem to be a big risk.

Overview of Viento Creation

Name	Viento Creation Co., Ltd.
Address	7-9-203 Nanpeidaicho, Shibuya Ward, Tokyo
Name of representative	Representative Director Shinji Okajima (January 31, 2017~)
Business content	Management of capsule hotels
Capital	¥50mn
Date of establishment	July 11, 1995
Major shareholder	B-Lot Co., Ltd. 100%
Past results	Total assets ¥781mn, net sales ¥245mn, operating income ¥15mn, all FY6/15
Share transfer date	January 31, 2017

Source: Prepared by FISCO from a Company press release and the Vento Creation homepage

Properties owned by Viento Creation



Central Inn Gotanda
 3 minute walk to Gotanda Station; JR Yamanote Line, Tokyu Ikegami Line, Toei Asakusa Line

Source: the Viento Creation homepage



Hotel Siesta
 1 minute walk to Ebisu Station; JR Yamanote Line, Tokyo Metro Hibiya Line

The medium- to long-term growth strategy

3. Formed a real estate fund jointly with MISAWA HOMES

In September 2016, MISAWA HOMES and the Company announced that their co-funded real estate fund had started operations.

The two companies joined forces as their aims are in agreement; specifically, MISAWA HOMES is aiming to diversify its revenue sources in order to optimize its business portfolio that is dependent on a detached housing business, and the Company is aiming to grow in the asset management field. The name of the real estate fund is LLC MB Investment 1. It has acquired already newly constructed rental condominium buildings in Osaka City and a student dormitory building in Sapporo City, and operations during the period are being outsourced to B-Lot Asset Management.

As for the Company Group, it is assumed that dividend income from investment performance will be the return on investment, and it can also be expected to collect fees and other income for the asset management.

Formed a real estate fund through a joint investment with MISAWA HOMES



Source: the Company's results briefing materials

■ Shareholder return policy

Plans to pay a dividend for the first time (¥17) and is also actively focusing on share buy-backs

The Company has begun paying dividends as its policy for returning profits to shareholders. Its basic policy is to comprehensively determine the dividend based on results while also taking “business development in the future” and “strengthening the financial structure” into consideration. It will pay a dividend for the first time in FY12/16, with a forecast end-of-period dividend of ¥17 for a dividend payout ratio of 11.3%.

The Company also entered into a share buy-back in FY12/16 worth a cumulative total of ¥223mn. The total payout ratio, on taking this amount and the dividend amount (¥65mn) into consideration, reaches 49%, and the Company can be praised for enhancing its returns to shareholders.



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