

CREAL Inc.

2998

Tokyo Stock Exchange Growth Market

23-Jul.-2024

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<https://www.fisco.co.jp>

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Summary

The leading company in the online real estate investment market utilizing its originally developed AI and continuing to achieve high growth

CREAL Inc. <2998> (hereafter, also “the Company”) is the leading company in the online real estate investment market in the real estate investment crowdfunding market. It was established in 2011 with the company name Bridge-C Inc. and following the easing of the regulations of the Act on Specified Real Estate Joint Enterprises* in 2017, in October 2018 it acquired the No. 1 and No. 2 business operator licenses for specified real estate joint enterprises (electronic trading business), which made it possible for it to provide a real estate investment crowdfunding service via the Internet. Moreover, in November 2018 it started providing a real estate fund online market service using the Internet under the CREAL brand.

* Established in 1994 to protect the interests of real estate investors. Following the Act’s revision in 2017, small-scale real estate specified joint enterprises were created and also an environment established to enable crowdfunding.

Real estate investment is considered to have high hurdles to entry for individual investors due to the closed nature of the real estate industry and the lack of funds and specialist knowledge. But the Company has achieved high growth by pursuing information transparency and online investment through the digital transformation (DX) of the asset management process and utilizing its originally developed AI to provide investing opportunities widely to all investors, including individuals. In April 2022, it was listed on the Tokyo Stock Exchange (TSE) Growth market.

1. Business summary

In terms of business structure, the asset management platform business is the Company’s only business segment. That business comprises three services: 1) CREAL, which is a real estate fund online market service for individual investors that utilizes crowdfunding and allows them to invest in asset management starting from ¥10,000; 2) CREAL PRO for institutional investors and the extremely wealthy, which is an asset management service targeting large-scale real estate; and 3) CREAL PB* for individual investors which is a medium- to long-term asset management service targeting actual real estate.

* The service name was changed from CREAL PARTNERS to CREAL PB in conjunction with an April 1, 2023 absorption-type split. The rental management service conducted up to then, CREAL PARTNERS, was taken over by the Other segment and is currently operated there.

2. FY3/24 results trends

In the FY3/24 consolidated results, net sales showed an almost 30% increase year on year (YoY), while each profit level also increased sharply. Net sales were ¥21,044mn (up 28.0% YoY), while gross profit was ¥3,562mn (up 61.4%), operating profit was ¥980mn (up 79.1%), ordinary profit was ¥941mn (up 89.7%), and profit attributable to owners of parent was ¥647mn (up 92.6%). In particular, gross profit, the Company’s most important KPI, grew substantially by over 60% YoY, exceeding the growth of net sales. The biggest factor in this was a significant increase in CREAL’s profit margin as it switched from bulk sales to individual sales, in addition to a near doubling of the scale of CREAL PRO business deals. As a result, the Company was able to absorb aggressive growth investments such as in advertising and personnel expenses, while ensuring a significant increase in each profit line. Other KPIs were also on track, with the cumulative number of investors at 63,879 (up 56.3%) and cumulative Gross Merchandise Value (GMV) of ¥47.62bn (up 72.8%).

Summary

3. FY3/25 results outlook

For the FY3/25 consolidated forecast, the Company is forecasting a significant increase in sales and profits, with net sales to increase 107.2% YoY to ¥43,600mn, gross profit to rise 33.3% to ¥4,750mn, operating profit to grow 37.7% to ¥1,350mn, ordinary profit to increase 32.8% to ¥1,250mn, and profit attributable to owners of parent to rise 31.3% to ¥850mn. The forecast rise reflects a plan to conduct sales activities using the rich pipeline accumulated in the mainstay CREAL service, despite a sharp rise in SG&A expenses.

4. Growth strategy

The Company's overall growth is driven by CREAL, and it will maintain this role going forward as it continues to make aggressive investments in marketing and IT. Moreover, given the increased activity in its partnership with SBI Holdings <8473>, the Company has set medium-term targets (FY3/27 targets) of annual GMV ¥80.0bn and cumulative number of investors of 180,000.

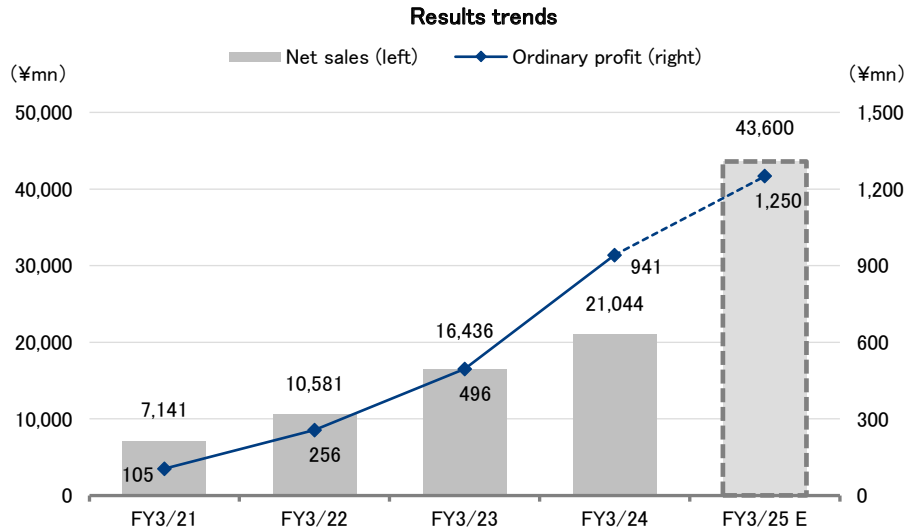
By making full use of the Company's distinctive CREAL platform, it will aim to achieve increases in sales and profits in each business. In the future, it will effectively provide and operate services through a DX platform as an asset management company that can meet the investment needs of all manner of customers, including new investors, experienced investors, customers aiming to form assets, affluent customers, and institutional investors. It will provide alternative assets in general, mainly real estate, as well as providing asset management for aircraft, ships, and solar power systems, among others, with the aim of responding to needs. In its future product lineup related to real estate, the Company plans to add Type 3 and 4 products under the Act on Specified Real Estate Joint Enterprises to the Type 1 and 2 products it already handles under the same act.

Moreover, the Company decided to enter the hotel management business to capture inbound tourism needs and will develop CREAL HOTELS. By providing high quality hotels, the Company will generate synergies with CREAL and CREAL PRO to expand its business opportunities. Incorporating hotels is expected to expand earnings through ongoing asset management including small-lot sales to individual investors at CREAL and fund sales to institutional investors at CREAL PRO. The hotel management business seems to have the potential to become a fourth pillar business for the Company through synergies with existing businesses, and FISCO views this as a contributor to the Company's growth and expansion.

Key Points

- Generates opportunities for investing in real estate for individual investors by promoting DX in the asset management process and utilizing its originally developed AI
- FY3/24 net sales increased by just under 30% YoY, with all profit levels achieving significant growth
- For FY3/25, forecasting net sales to increase more than 100%, and each profit line to increase more than 30%, as the Company plans for accelerating growth
- Has positioned CREAL as the center of its growth strategy, and planning to achieve annual GMV of ¥80.0bn by FY3/27

Summary



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

Company summary

A real estate investment management digital innovator that is “changing real estate investment and changing society”

1. Company summary

At the current time, the CREAL Group is comprised of five companies, the Company and its consolidated subsidiaries (CREAL Partners Inc., CREAL ASIA Pte Ltd, RLS Project Inc., and RLS Property Inc. (hereafter, “the CREAL Group”). The Company’s name of CREAL is derived from “clear real estate” and it incorporates the idea of wanting to provide peace of mind and safety for real estate investment by eliminating the “closed nature of the industry” and the “asymmetry and lack of transparency of information,”* and instead devoting itself to providing “information transparency” and “online investment convenience.”

* It refers to a situation in which there is a gap between the information that is held and that can be acquired between so called pro investors, such as real estate companies and institutional investors, and general individual investors.

Following the easing of regulations in the Act on Specified Real Estate Joint Enterprises in 2017, in October 2018 the Company acquired the No. 1 and No. 2 specified real estate joint enterprise business operator licenses (electronic trading business) that has enabled it to provide a real estate investment crowdfunding service via the Internet. In November 2018, it started providing a real estate fund online market service using the Internet under the CREAL brand. This was actually the start of the Company’s current business model and is serving as the driving force behind its high growth.

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

Company summary

Against the backdrop of the closed nature of the industry, the lack of information transparency, and the lack of funds and specialist knowledge, real estate investment has high hurdles to entry for general individual investors. But a major feature of the Company is that it has opened the door widely to real estate investment through the DX of the asset management process. From this, it has expanded its services by utilizing cutting-edge Fintech that uses AI and DX and the knowledge of its founding members and board members, business collaborations with well-known domestic and overseas companies, and by developing alliance services. It also provides many opportunities to invest in ESG real estate that has been difficult to invest in so far and is realizing both asset management and social contribution, and it has earned the trust of a wide range of customers, from individual investors through to institutional investors, by measures to mitigate investor risk, including a priority-and-subordinate investment method.

2. History

The Company was established in May 2011 with the company name Bridge-C Inc. and changed its company name to Bridge-C Capital Inc. in October 2017. In November 2018, it launched the CREAL real estate fund online market service, the Company's main business. In March 2021, it changed its company name to the current name of CREAL Inc., and then in April 2022, it was listed on the TSE Growth market.

History

Date	Important event
May 2011	Bridge-C Inc. was established
January 2016	Registered as a Type II Financial Instruments Business, investment advisor and agency
October 2017	Changed the company name to Bridge-C Capital Inc.
March 2018	Increased capital to ¥100mn
October 2018	Acquired a non-specific license / electronic trading business
November 2018	Launched CREAL, a real estate investment crowdfunding service
March 2021	Changed company name to CREAL Inc.
April 2022	Listed on the TSE Growth market
January 2023	Concluded a capital and business alliance with SBI Holdings
November 2023	Wholly owned subsidiary CREAL ASIA Pte Ltd was established

Source: Prepared by FISCO from the Company's securities report

Business description and features

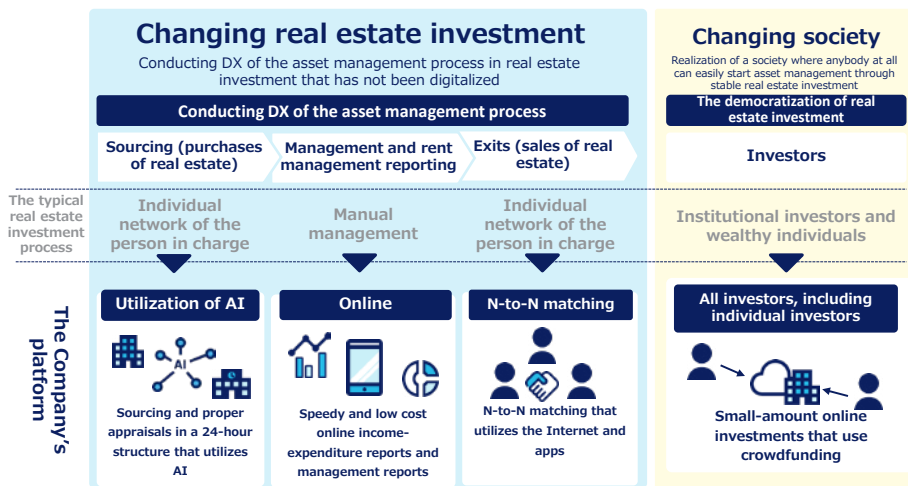
The main CREAL service makes possible investments from ¥10,000 and realizes the democratization of real estate investment

Compared to other industries such as the securities and insurance industries, the real estate investment industry is an industry in which DX is lagging behind, including that even today it still has a culture of using faxes. The Company is aiming to greatly change real estate investment by progressing DX for many real estate investment management processes, including sourcing (purchases of real estate), management, and exits (sales of real estate).

Business description and features

Specifically, the Company is building its own platform through DX for the typical real estate investment processes up to the present time of sourcing, management and rent management reporting, and exits. For sourcing, in addition to the conventional method of relying on the individual network of the person in charge, it can also conduct sourcing and proper appraisals using a 24-hour structure that utilizes AI. For management and rent management reporting, it is transforming the situation of manual management, for example sending paper materials, by making it possible to send and receive online income-expenditure reports and management reports speedily and at low cost. Exits are also not restricted to the individual network of the person in charge as was the case up until recently, and it achieves N-to-N matching that utilizes the Internet and apps. Moreover, by using crowdfunding to make possible small-amount online investments, it is succeeding in expanding real estate investment to all investors, including not only institutional investors and the wealthy as in the past, but also individual investors.

The Company's platform



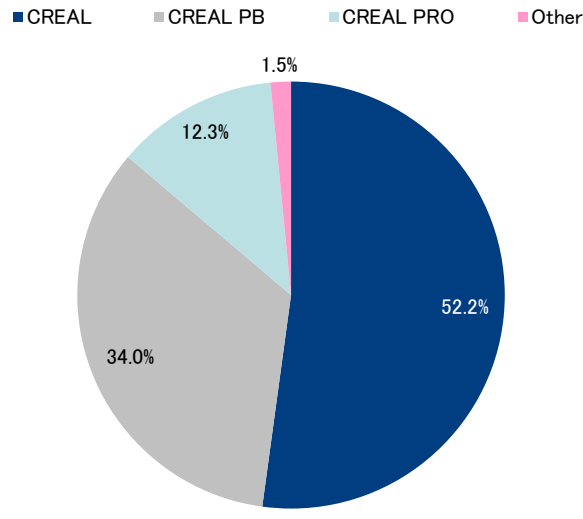
Source: Prepared by FISCO from the Company's financial results briefing materials

1. Business summary

As an asset management platform business, the CREAL Group provides four services that each have different types of investor, investment amounts and investment targets: 1) CREAL; 2) CREAL PRO; 3) CREAL PB; and 4) Other. While pursuing a business concept in accordance with the targeted customer investment and management policy of each service, the Company has set the services as a single business segment, its only segment, with the intention of creating synergies between the services and conducting organic, unified management of them. In the percentages of total net sales by service on an FY3/24 basis, CREAL provides 52.2%, CREAL PRO 12.3%, CREAL PB 34.0%, and Other 1.5%.

Business description and features

Percentages of total net sales by service (FY3/24)



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

2. Features of each service

The features of each service of CREAL, CREAL PB and CREAL PRO are described below.

(1) CREAL

CREAL is a real estate fund online market service for individual investors utilizing crowdfunding, which is the Company's main business, and it can manage assets starting from ¥10,000. It performs matching with the aim of managing surplus funds over the short term (within five years). As of the end of February 2024, the average expected yield of the funds the Company has formed and managed was approximately 4.3%, and as of the end of May 2024, there was no loss of principal. Under Japan's Kishida government in addition to "the Asset Income Doubling Plan" and "shifting from savings to investment" that it is extolling, there are few yen-based management products that can be expected to acquire yields of approximately 4-5% in the short-term, which can be said to be a tailwind for the market as well. In this situation, management by asset management professionals and being able to invest in diverse real estate, ranging from ESG properties such as nursery schools through to residences, hotels, and offices, are major factors differentiating the Company from its competition. CREAL's gross profit is calculated as $GMV \times \text{Take Rate}^*$, and it has an earnings structure in which the growth of GMV contributes greatly to the increase in profits of this service.

* The percentage of the revenue taken by the management company relative to GMV.

Business description and features

CREAL funds invest in specified properties. The funds are established once a certain level of invested funds are collected during the subscription period, and then fund management commences. The rental revenue obtained in fund management is distributed to investors in accordance with their invested amounts, and when the fund is wound up, the invested capital is returned through sale of the real estate. CREAL has a return target of expected dividend yield set by the Company in advance and enables investors to invest in various types of fund starting from one unit of ¥10,000, and all the investment steps, from investor registration through to conducting the investment, are completed online. In addition, all of the management processes after the investment, from property management through to management and sales, are carried out by the Company, which has sophisticated investment systems that utilize its advanced real estate investment expertise and IT technologies, making it possible for real estate fund management without having to spend additional time or effort or to have specialist knowledge.

The CREAL work flow is described below.

- 1) Information on investment properties acquired supplying properties with which property supply business contracts have been concluded, management companies of hotels and nursery schools, brokerage companies, and others, are screened, and then properties that are suitable as investment properties are selected. Recently, CREAL platform's recognition is higher than before, so there has been an increase in business deals brought to the Company from companies with which the Company previously had no business relationship.
- 2) A fund is formed for the properties selected by the Company as suitable for investment and it is published on the CREAL real estate fund online market.
- 3) Investors decide on an investment after considering the published fund information and the yield set depending on the fund.
- 4) If a fund is established, the Company purchases the targeted real estate from their owners using the investment funds invested by investors through CREAL and the priority-and-subordinate funds from the Company. At this time, the Company receives certain fees (upfront fees) for the costs of forming the fund.
- 5) During the fund-management period, the Company pays dividends to investors based on the rent received from renters through renting the real estate. At this time, the Company receives management fees during the fund-management period (asset management fees).
- 6) When the fund management is completed, the Company pays a final dividend and refunds the principal to investors based on the sales price obtained from selling the real estate. Also, when the fund management is completed, the Company receives a real estate sales fee (exit fee), and moreover, should the Company generate profits through the sale of the property, it receives the profit on the sale or one part of the profit on the sale (profit share).

In this service, the Company prioritizes information transparency and it publishes on its product introduction webpage detailed information and videos of interviews with the managers on the amount of funds raised and the expected yield (breakdown of income gains and capital gains), the expected management period, the expected date of the first dividend, and the real estate targeted for investment. It does not only disclose an overview and the locations of the real estate targeted, but it also discloses information on the project's investment risk and allowances for them, and third party reports by experts, including real estate survey report summaries and engineering reports. It also disseminates overview information, such as summaries of the property managers, the areas where the investment targets are located, and the market's macro-market. Furthermore, the Company provides information on examples of rentals and sales of similar properties as reference information for returns, and it also provides return simulations of the funds raised through the fund and the funds' usage.

Business description and features

Since the CREAL service was launched, the Company has focused on the creation of investment projects for the ESG real estate area, which include nursery schools, schools, and regional revitalization-related properties and for which it has been difficult to supply funds in the past despite the fact that these are types of real estate needed by society. The scale of investment in ESG real estate has been small and it lacks a track record as a target for asset management, so an issue so far is that it has been difficult to attract the attention of institutional investors. The Company is utilizing CREAL crowdfunding to play a role as a pipeline and interface to supply investment funds from individual investors, and it is succeeding in both contributing to society and providing appealing investment products.

This track record of investment in ESG real estate can be said to clearly demonstrate that the Company has a management policy of prioritizing the SDGs. At FISCO, we think it is one of very few asset management support companies developing its main services based on this type of concept as an ESG company and is both achieving excellent management results while also obtaining the support of a wide range of investors, including individual investors. This is one of the features and a major appeal of the Company and the CREAL service.

Also, CREAL separates the investment amount into the priority-and-subordinate parts of the investment from the view point of protecting investors, with the priority part and the subordinate part being the investment by the Company. It is a framework in which CREAL investors invest the priority part and they receive dividends and other returns as a priority ahead of the subordinate part (5%) invested by the Company. Through this structure, in the event that profits are not generated as expected, the Company bears the risk up to the upper limit of the subordinate amount that it invested. It conducts its subordinate investment together with the customers' investment, which increases the certainty that they will receive the priority part of dividends and the return of their principal. This generates peace of mind among investors and is a major factor behind increasing investors' trust in the Company.

One point that should be noted about CREAL's operation is that customer referrals from SBI SECURITIES Co., Ltd. were ramped up from FY3/24 under a capital and business alliance with SBI Holdings, and this has been driving CREAL's rapid growth. Moreover, SBI MONEYPLAZA Co., Ltd. has been active in introducing properties to its customers when the Company sells real estate.

(2) CREAL PRO

This is an asset management service targeting large-scale real estate investment for professionals, of institutional investors and the extremely wealthy, with asset management starting from ¥100mn. It is structured to facilitate investment in real estate including ESG properties, residences, and hotels, and as it is mainly a flow business, the majority of sales are recorded unchanged as gross profit.

CREAL PRO is centered on brokerage work and work to form and manage private-placement funds mainly based on investment properties on which the Company has acquired information. Basically, it is a service that is managed for external investors, but it also includes a business in which some of the properties are owned, developed and managed by the CREAL Group (after increasing their value, they are published on CREAL and sold externally).

Business description and features

The main CREAL PRO work flow is described below.

- 1) Information on investment properties acquired from companies with which property supply business contracts have been concluded, management companies of hotels and nursery schools, brokerage companies, and others, are screened and then properties that are suitable as investment properties are selected.
- 2) For the properties suitable for investment selected by the Company, a fund is formed or brokerage work is carried out, and investors who are interested in investing in the relevant fund or investors who want to buy the relevant properties are searched for.
- 3) Should a fund be formed through investment in the relevant fund by investors or should the investment properties be purchased, the Company obtains a certain level of fees for the fund-formation costs (upfront fees), or it receives brokerage fees.
- 4) During the fund-management period, the Company receives management fees (asset management fees) for the management and administration of the properties.
- 5) Based on the proceeds from the sale of the real estate when the fund management is completed, final distribution to investors and principal redemption is conducted. Also, the Company receives a real estate sales fee (exit fee), and if there is a profit generated from the sale of properties, it also receives a portion of that profit (profit share).

Moreover, the Company is developing CREAL PRO as a business with an awareness of collaboration synergies with CREAL. Specifically, in addition to selling externally each of the properties in the small- to medium-scale properties portfolio managed by CREAL, it bundles properties on a scale of ¥5.0bn to ¥10.0bn and sells them in bulk to CREAL PRO customers such as institutional investors. Moreover, it carries out outsourced asset management work as CREAL PRO for the management of the relevant properties. This scheme is embodied in its track record in July 2021 of a transaction with Allianz Real Estate, a company belonging to the major German life insurance group Allianz, and with Gaw Capital Partners, a major Hong Kong real estate investment firm, which it announced at the same time as it was listed in April 2022. It concluded a sales contract with a fund formed by Gaw Capital Partners for 13 condominium buildings (including those scheduled to be completed) that it uses CREAL to currently manage, or plans to manage, in Tokyo's 23 wards.

(3) CREAL PB

This is an asset management service for individual investors. It targets actual real estate for long-term management (at least 5 years). Its major features include that it utilizes the AI developed by the Company to efficiently discover excellent properties from the real estate market (mainly pre-owned sub-divided residences in the metropolitan Tokyo area). Moreover, it provides a rich lineup of asset management products with investment classes that include not only residences, but also single building residences, and solar power. CREAL PB's gross profit is calculated as net sales × profit margin.

Specifically, it is a scheme in which gains on sales are acquired through the Company purchasing the investment properties and selling them to individual investors. After sales as well, it provides various types of management-work services required by the investors, which creates a framework to receive not only gains on sales, but also to continuously receive rent management-related earnings, such as rent collection agency fees and contract-work fees, while also increasing convenience for individual investors.

CREAL PB improves investment returns through utilizing AI and promoting DX for each of the series of processes relating to real estate investment. It is also progressing measures intended to increase the investment appeal and convenience for customers, including enhancing interface functions, and focusing on operational improvements and cost reductions.

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Business description and features

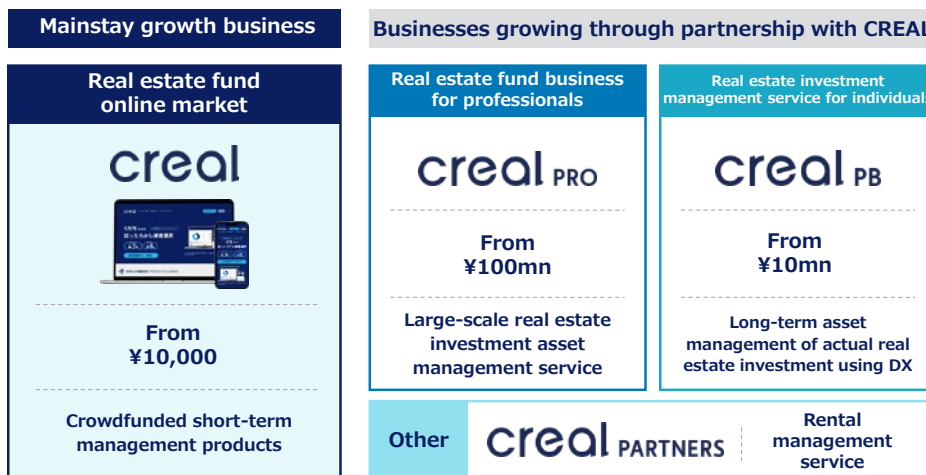
One system worthy of note is CREAL buyer, which is a property assessment and evaluation system for investment projects. In CREAL buyer, AI developed by the Company to efficiently assesses and purchases properties is always learning from the enormous volume of data relating to purchases and sales of real estate, and it enables finding appropriate rent and price assessments according to factors such as location, area, floor space, building age and specs. It facilitates speedy purchasing negotiations by always selecting on the Internet high-performance properties with relatively inexpensive prices and rent and notifying the person in charge of purchase proposals when there is a promising property.

The Company developed CREAL concierge as a system to promote the increased efficiency of real estate investment management, and it is promoting DX for real estate investment management processes that so far have relied greatly on paper documents and face-to-face interactions. Through CREAL concierge, real estate owners, who are the Company's customers, can confirm online at any time their properties' rental status and financial performance, which leads to increased convenience for asset management. In December 2023, the Company digitalized special real estate documents (explanation of important matters, building drawings, report on investigation of important matters, etc.) that were not compliance with general electronic contract platforms, thereby increasing convenience for customers while also reducing operation costs such as revenue stamps, printing, and postage. It also has the function of showing the latest real estate that is being sold, so it fulfills the role of promoting the purchase of additional properties to real estate owners.

(4) Other

The Company developed CREAL manager to improve the efficiency of property management work, and it has built a framework that can effectively manage real estate work, its primary service in Other, for pre-owned sub-divided residential real estate. Through CREAL manager, it promotes the integration of information that conventionally has been managed in a dispersed manner, such as on paper documents and in Excel files, and starting with contract management and the management of deposits and withdrawals, it automates the creation of detailed statements for owners and the mailing of documents to people requesting them. In such ways, it forms an effective work environment that has major advantages for both customers and the Company.

The Company's service lineup



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

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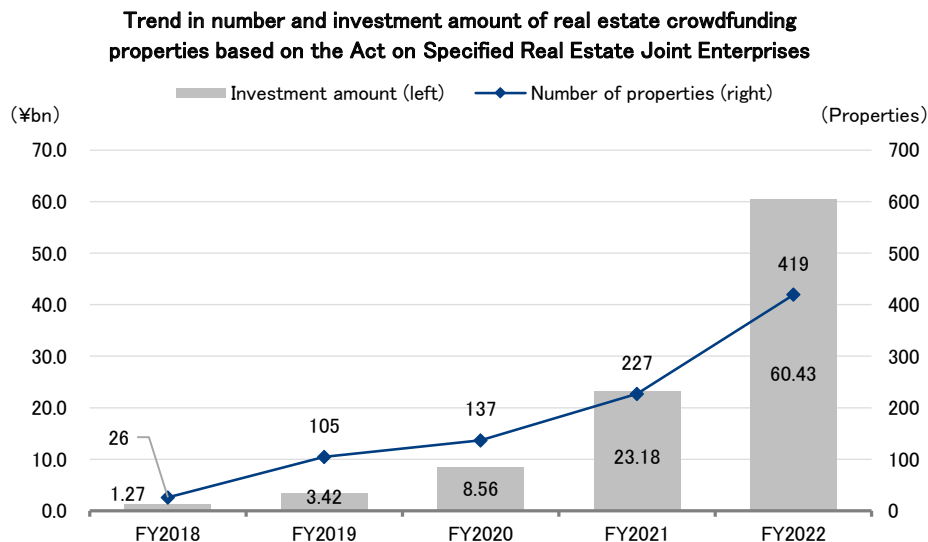
■ Online real estate market trends

Real estate crowdfunding investment amount increased 47.6 times over four years

The Ministry of Land, Infrastructure, Transport and Tourism formulated Guidelines for Electronic Trading Business under the Act on Specified Real Estate Joint Enterprises to further promote the Act on Specified Real Estate Joint Enterprises and real estate crowdfunding based on the same act. The ministry also revised relevant regulations, revised and notifications, and made improvements to other relevant systems. In September 2023, the ministry announced a practical guide for real estate crowdfunding to enable businesses conducting real estate crowdfunding in accordance with the Act on Specified Real Estate Joint Enterprises to realize appropriate operation management systems and implement protection for investors.

The guide explains the necessary organization and management structures, etc., for each practical phase, and summarizes business risk and trouble factors, necessary countermeasures, points, and other information, as well as introducing marketing innovations, strategies, and know-how for success in practical operations.

With backing from the government, real estate crowdfunding based on the Act on Specified Real Estate Joint Enterprises expanded from 26 properties with an investment amount of ¥1.27bn in FY2018 to 227 properties with an investment amount of ¥23.18bn in FY2021, and in FY2022 it expanded to 419 properties (up by approximately 1.85 times compared to the previous fiscal year) with an investment amount of ¥60.43bn (approximately 2.61 times). Currently, the Japanese market is centered on individuals, but in the future it is expected to see the entry of corporations similarly to overseas markets, with an attendant increase in scale.



Source: Prepared by FISCO from the Handbook for Business Operators under the Act on Specified Real Estate Joint Enterprises (Ministry of Land, Infrastructure, Transport and Tourism)

Results trends

In FY3/24 sales and profits increased due to a dramatic improvement in the profit margin of CREAL

1. FY3/24 results trends

In the FY3/24 consolidated results, net sales showed an almost 30% increase YoY, while each profit level also increased sharply. Net sales were ¥21,044mn (up 28.0% YoY), while gross profit was ¥3,562mn (up 61.4%), operating profit was ¥980mn (up 79.1%), ordinary profit was ¥941mn (up 89.7%), and profit attributable to owners of parent was ¥647mn (up 92.6%). In particular, gross profit, the Company's most important KPI, grew substantially by over 60% YoY, exceeding the growth of net sales. The biggest factor in this was a significant increase in CREAL's profit margin as it switched from bulk sales to individual sales, in addition to a near doubling of the scale of CREAL PRO business deals. As a result, the Company was able to absorb aggressive growth investments such as in advertising and personnel expenses, while ensuring a significant increase in each profit line. Other KPIs were also on track, with the cumulative number of investors at 63,879 (up 56.3%) and cumulative GMV of ¥47.62bn (up 72.8%).

Summary of the FY3/24 results

	FY3/23				FY3/24				
	Result	% of net sales	Initial forecast	Revised forecast	Result	% of net sales	YoY	Vs. initial forecast	Vs. revised forecast
Net sales	16,436		26,000	19,700	21,044		28.0%	-19.1%	6.8%
Gross profit	2,206	13.4%	3,250	3,400	3,562	16.9%	61.4%	9.6%	4.8%
Operating profit	547	3.3%	770	950	980	4.7%	79.1%	27.3%	3.2%
Ordinary profit	496	3.0%	720	910	941	4.5%	89.7%	30.7%	3.4%
Profit attributable to owners of parent	336	2.0%	480	580	647	3.1%	92.6%	34.9%	11.6%

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

2. Results trends by service

CREAL net sales were ¥10,974mn (up 7.3% YoY) with gross profit of ¥1,437mn (up 48.9%). Up to now, the Company's business plan was predicated on bulk sales of multiple properties occurring when real estate funds invested by institutional investors are due or redemption. However, since the activity of mainly foreign real estate funds was subdued on the whole, the Company revised its sales plan and adopted a policy of individual sales. As a result, the gross profit margin was 13.1% (up 3.7pt), with the gross profit margin rate of increase significantly higher than that of net sales, resulting in a significant increase in profits.

CREAL PRO net sales were ¥2,582mn (up 87.0% YoY) with gross profit of ¥1,272mn (up 82.8%). Significant increases in sales and profit mainly reflected significant contributions from asset management fees associated with an increase in assets under management (AUM) from the establishment of funds incorporating multiple residences in Japan for overseas institutional investors, brokerage fees for properties brokered to affluent investors, and sale of properties owned by the Company. CREAL PRO's growth is accelerating as increased recognition of CREAL after featuring on news sites and journals led to transactions for large properties.

Results trends

CREAL PB net sales were ¥7,163mn (up 56.5% YoY) with gross profit of ¥637mn (up 50.7%). Significant increases in sales and profits were achieved atop an increase in the number of units sold in second-hand central city one-room condominiums (sub-divided residences) with sales methods that make effective use of DX. Although the result demonstrates the high level of actual real estate investment needs, in FISCO's view, the decrease in the CREAL PB gross profit margin from 9.2% to 8.9% indicates increasing difficulty in acquiring good quality properties on prime central city land due to increasing competition.

FY3/24 results by service

	(¥mn)		
	FY3/23	FY3/24	YoY
CREAL			
Net sales	10,223	10,974	7.3%
Gross profit	965	1,437	48.9%
CREAL PRO			
Net sales	1,380	2,582	87.0%
Gross profit	696	1,272	82.8%
CREAL PB			
Net sales	4,578	7,163	56.5%
Gross profit	422	637	50.7%
Other			
Net sales	254	324	27.6%
Gross profit	121	214	76.0%

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

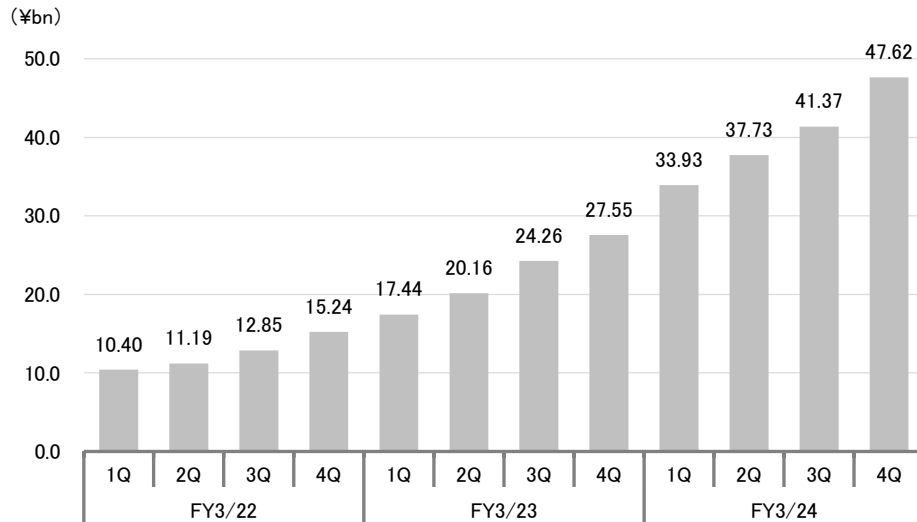
3. Trends in KPI

As noted above, CREAL's gross profit comprises GMV x Take Rate, with the Take Rate made up of fixed fees comprising project origination, fund management handling and redemption fees, and fluctuating fees made up from profit sharing of capital gains made through funds' external sales; the combined total to date has been 8-10%. GMV is compiled and announced at the time of procurement (when soliciting funds), but CREAL's net sales and gross profit are recorded at the time of transaction settlement (time of property sale), so for many funds this generates a time lag of about one year between the closing of the GMV and recording of gross profit. Consequently, GMV is one of the most important KPIs as it indicates the scale of CREAL business as well as forming the leading indicator of gross profit. Meanwhile, CREAL PB calculates gross profit through net sales x profit margin. Also, CREAL PRO is mainly a fee business, so the majority of its sales are recorded as gross profit. Given that gross profit in the mainstay CREAL business represents 40.3% of gross profit overall, contributing significantly to the Company's profit growth, the Company considers GMV and the number of investor members to be particularly important, while also establishing KPIs for repeat investment rate, gross profits, and others.

GMV, which is a KPI that the Company particularly prioritizes, grew significantly, increasing 72.8% YoY to a cumulative ¥47.62bn (FY3/24 acquisition GMV was ¥20.07bn). The cumulative number of investors, which is an important element forming the basis of GMV, rose significantly to 63,879 people (up 56.3% YoY).

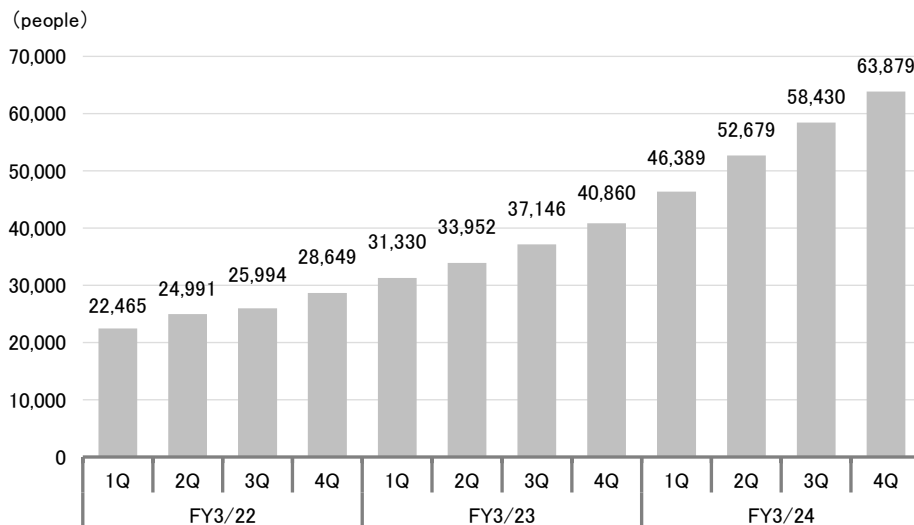
Results trends

Cumulative GMV trend



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

Trend in cumulative investors



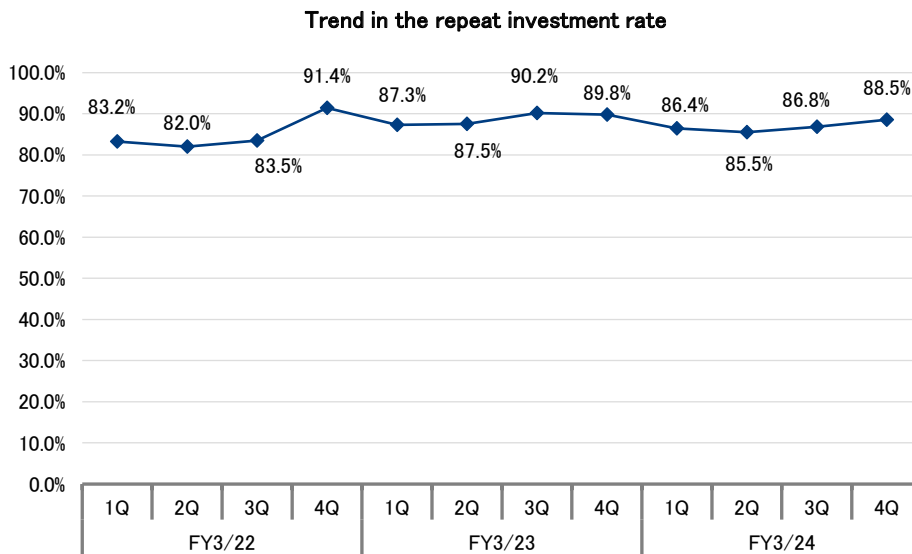
Source: Prepared by FISCO from the Company's financial results briefing materials

The investor repeat investment rate*, an important GMV-related indicator in CREAL, has continued to maintain its high level at 88.5% (down 1.3pt YoY). Since the repeat investment rate depends on the percentage of investments by new investors, the rate may decrease depending on the status of measures taken to acquire new investors and other factors. Given this, we can say that not only does the percentage of total investment by existing investors continue to maintain a high level, but the Company is making good progress in its efforts to acquire new investors.

* The percentage of GMV for the quarter in question represented by the amount invested by investors who have invested in the past year.

Results trends

Through the above, CREAL is succeeding in acquiring highly loyal users who reinvest the same amounts as were returned to them or even higher amounts in new funds after the completion of fund management. Therefore, it can be understood to be an earnings structure with a stable-earnings-accumulation model similar to SaaS. Going forward, the further growth of GMV and the cumulative number of investors is expected due to the stronger partnership with SBI Holdings, the re-investment plus new investor loop is expected to expand significantly. With its growth potential and stability, we at FISCO expect CREAL to serve as a growth driver for the Company’s overall business, and to become a service with even higher growth potential.



Source: Prepared by FISCO from the Company’s financial results briefing materials

Judgment of financial soundness based on balance sheet excluding special impacts of crowdfunding

4. Financial condition and management indicators

Total assets at the end of FY3/24 increased ¥14,257mn from the end of the previous fiscal year to ¥35,749mn. This was mainly due to an increase of ¥1,661mn in cash and deposits, an increase of ¥327 in segregated deposits, an increase in real estate for sale of ¥13,480mn, and a decrease in property, plant and equipment of ¥541mn due to transfer to real estate for sale.

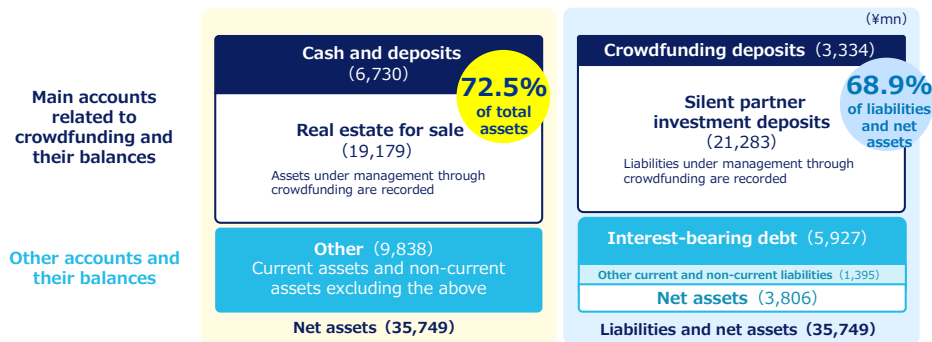
Total liabilities were ¥31,942mn, an increase of ¥13,561mn from the end of the previous fiscal year. This was mainly due to an increase of ¥4,022mn in short-term borrowings and, following business expansion, a decrease of ¥171mn in crowdfunding deposits, increase of ¥10,413mn in silent partner investment deposits, and decrease of ¥1,126mn in long-term borrowings. Short-term borrowings rose sharply from ¥676mn to ¥4,699mn; however, this increase was due to preparing against the possibility of a mismatch of the deadline dates for real estate purchases and procuring funds through crowdfunding, and does not constitute a problem.

Total net assets increased ¥695mn from the end of the previous period to ¥3,806mn. This was mainly due to an increase in retained earnings resulting from the recording of ¥647mn in profit attributable to owners of parent.

Results trends

Features of the Company's financial condition include crowdfunding deposits of ¥3,334mn and silent partner investment deposits of ¥21,283mn recorded in liabilities, balanced out under assets by cash and deposits of ¥7,859mn, which includes ¥6,730mn related to crowdfunding, and real estate for sale of ¥24,478mn, which includes ¥19,179mn related to crowdfunding. Crowdfunding-related accounts make up 72.5% of the Company's total assets of ¥35,749mn. Silent partner investment deposits are investments by silent partners, so legally they do not have a repayment obligation, but they are recorded as liabilities on the balance sheet. Therefore, it is considered that the actual equity ratio is 31.1%, higher than the equity ratio based on the balance sheet, which is 10.5%. The current ratio is 110.9% when calculated from the balance sheet, but the actual ratio is 155%. As such, FISCO does not consider these levels to present and issue in terms of financial soundness.

Structure of consolidated balance sheet



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

Results trends

The consolidated balance sheet and the main management indicators

	(¥mn)		
	FY3/23	FY3/24	Change
Current assets	19,834	34,602	14,767
Cash and deposits	6,198	7,859	1,661
Deposits	1,353	1,680	327
Real estate for sale	10,998	24,478	13,480
Allowance for bad debts	-37	-	37
Non-current assets	1,657	1,147	-510
Property, plant and equipment	1,404	862	-541
Intangible non-current assets	1	0	-0
Investments and other assets	251	283	31
Total assets	21,492	35,749	14,257
Current liabilities	16,472	31,192	14,720
Short-term borrowings	676	4,699	4,022
Current portion of long-term borrowings	504	504	0
Crowdfunding deposits	3,506	3,334	-171
Silent partner investment deposits	10,870	21,283	10,413
Non-current liabilities	1,908	749	-1,159
Long-term borrowings	1,849	722	-1,126
Total liabilities	18,380	31,942	13,561
(interest-bearing debt)	3,030	5,927	2,897
Total net assets	3,111	3,806	695
Total liabilities and net assets	21,492	35,749	14,257
Profitability indices			
Return on Assets (ROA)	3.1%	3.3%	0.2pt
Return on Equity (ROE)	16.2%	18.9%	2.7pt
Operating profit margin	3.3%	4.7%	1.3pt
Stability indices			
Equity ratio	14.4%	10.5%	-3.9pt
D/E ratio	0.98x	1.58x	0.60pt
Current ratio	120.4%	110.9%	-9.5pt

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

5. Earnings expansion factors

As described above, the Company's earnings are performing well. However, the salient factor in this performance is growth in CREAL crowdfunding for B2C business. As crowdfunding investors increase, the Company's fund procurement capabilities are growing, and the amount per fund at CREAL has grown approximately 40% to a cumulative ¥0.71bn in FY3/24 from the previous cumulative amount of ¥0.51bn. The Company expects to be able to expand to a highly profitable ¥3.0bn per fund, maintaining high profitability without a change in the amount of labor. In fact, the commercial facility "CREAL terrace Jiyugaoka" reached the largest scale in the Company's history at ¥2.466bn, but with fund procurement has now finished as the full amount has been collected, and the Company can be expected to expand the earnings of CREAL even further going forward. Looking at the asset types held by the funds, residences made up approximately 75% as of the end of FY3/23, falling to approximately 60% as of the end of FY3/24. The reason for this is that residences have little scope for increasing value, and it is difficult to find properties with a high profit ratio, and the Company is therefore widening its scope to operational assets such as commercial facilities, logistics facilities, and healthcare facilities. Operational assets involve operating risks, but it appears that the Company is able to leverage its asset management capabilities to increase yields.

Results trends

CREAL crowdfunding for B2C business is being featured on news websites and other media with increasing frequency, increasing its recognition among professional investors as well as the Company's credibility, and leading to the introduction of large properties. As the number of properties handled increases, the Company's relations with institutional investors and the extremely wealthy, to whom it sells the properties, are also growing stronger. The closure of many deals has invigorated sales revenues, transaction revenues, and interim revenues, which are growth factors for CREAL PRO. In addition to B2C business, the Company also has a broad ranging B2B business, and this business portfolio is also one of its strengths.

The Company is also making progress in its partnership with the SBI Group. After concluding a capital and business alliance with SBI Holdings in January 2023, SBI SECURITIES began referring customers to CREAL in FY3/24 1Q, and in 2Q, SBI MONEYPLAZA introduced CREAL PB services and real estate under management by CREAL funds to its customers, and SBI Holdings affiliated financial institutions began providing non-recourse loans and other services for CREAL PRO private-placement funds. In fact, customer referrals from SBI SECURITIES were the largest channel from the inflow of new investor acquisitions for CREAL in FY3/24, and further expansion initiatives will be undertaken going forward.

Future outlook

Large-scale earnings expansion expected to continue through CREAL and CREAL PRO

1. FY3/25 results outlook

For the FY3/25 consolidated results, the Company is forecasting net sales to increase 107.2% YoY to ¥43,600mn, gross profit to rise 33.3% to ¥4,750mn, operating profit to grow 37.7% to ¥1,350mn, ordinary profit to increase 32.8% to ¥1,250mn, and profit attributable to owners of parent to rise 31.3% to ¥850mn.

CREAL contributed to acquisition GMV of ¥20.07bn for FY3/24, and is expected to contribute to a significant increase in sales and profits with plans to conduct selling activities utilizing its rich pipeline by changing its sales methods. CREAL PRO is forecasting extremely high full-year net sales growth of 326.0% YoY due to plans to trade a large Osaka hotel property during 1H. It has a subdued forecast for 2H, however, with the steady accumulation of transaction revenue and fee revenue, which it has been expanding before FY3/24, the Company plans to achieve growth in sales and profits. CREAL PB is also forecasting growth in sales and profits in the same manner as FY3/24, but increasing the number of sales through the enhancement of sales systems using DX. The major portion of Other consists of revenue from rental management operations; however, the Company plans to increase sales and profits due to growth in the number of contracts associated with growth in other service lines as well as further operational efficiency gains through DX.

SG&A expenses are expected to increase 31.7% YoY. This is due to the Company's plans to make upfront investments for growth in strengthening recruitment to secure human resources, as it has been doing, and increasing personnel expenses needed for system development and advertising and promotion expenses for winning investors and increasing recognition.

Future outlook

FY3/25 results outlook

	FY3/24 Results	FY3/25	
		Plan	YoY
			(¥mn)
Net sales	21,044	43,600	107.2%
CREAL	10,974	24,000	118.7%
CREAL PRO	2,582	11,000	326.0%
CREAL PB	7,163	8,150	13.8%
Other	324	450	38.5%
Gross profit	3,562	4,750	33.3%
CREAL	1,437	2,000	39.1%
CREAL PRO	1,272	1,750	37.5%
CREAL PB	637	720	13.0%
Other	214	280	30.4%
SG&A expenses	2,581	3,400	31.7%
Operating profit	980	1,350	37.7%
Ordinary profit	941	1,250	32.8%
Profit attributable to owners of parent	647	850	31.3%

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

2. Outlook by service

(1) CREAL

a) Fund management conditions

Since fund redemption is the main trigger for external sales of properties, this value is directly linked to the CREAL service's net sales amount. CREAL's net sales are comprised external sales amounts with the addition of rental income from real estate held by the fund.

In FY3/24, redemptions were made for 10 residences, 2 logistics facilities, 1 nursery school, and 1 commercial facility. In addition, there are currently 23 residences, 2 commercial facilities, 1 nursery school, 1 hotel, 1 office, 1 logistics facility, and 1 healthcare facility, totaling ¥21,517mn under management. Given that these have been positioned as a reserve pipeline for possible sale during FY3/25, it is more than likely that the forecast net sales of ¥24,000mn can be achieved.

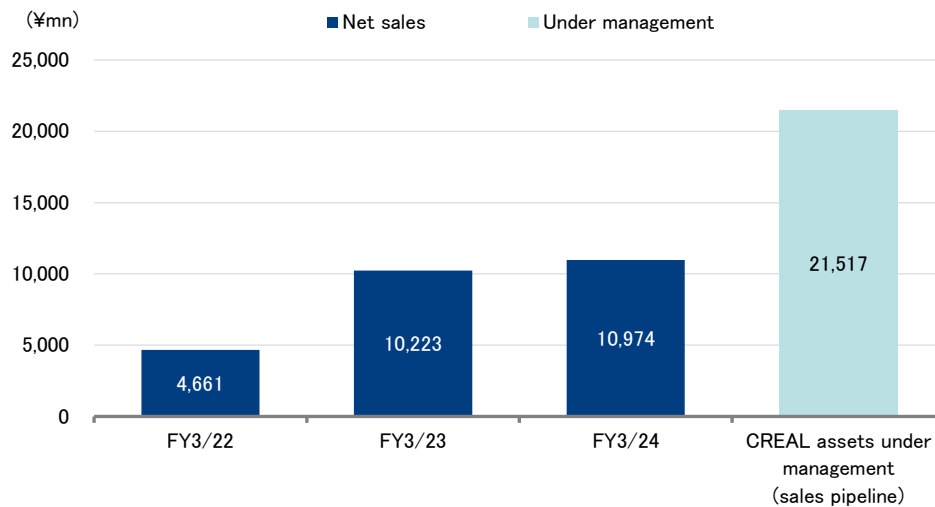
Future outlook

CREAL fund management and redemption conditions

Completed external sale	Targeted properties	No. of properties
FY3/23	Residences	15
	Hotels	2
	Commercial facility	1
FY3/24	Residences	10
	Logistics facilities	2
	Nursery schools	1
	Commercial facilities	1
Before the conclusion of a sales contract	Targeted properties	No. of properties
Under management	Residences	23
	Commercial facilities	2
	Nursery schools	1
	Hotels	1
	Offices	1
	Logistics facilities	1
	Healthcare facilities	1

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

CREAL fund management and redemption conditions



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

b) IT investment

The Company has begun development of a fund system in anticipation of the launch of crowdfunding utilizing SPCs once it obtains No. 3 and No. 4 business operator licenses under the Act on Specified Real Estate Joint Enterprises. Since product schemes under No. 3 and No. 4 funds differ significantly from those of No. 1 and No. 2 funds, the goal is to enable the Company to start service immediately after obtaining the business operator licenses.

Future outlook

c) Proactive ESG real estate investment

The Company is promoting ESG real estate investment, where investment has not progressed under conventional investment funds for the reason that the investment scale has been small and the track record has been thin. By doing so, the Company aims to achieve both economic returns and resolution of social issues by maximizing its feature of crowdfunding real estate investment that enables a direct approach to individual investors. The Company continued on from its four ESG real estate investments in FY3/23 with two ESG project formations: the PAL International School @ Tokyo University of Foreign Studies (TUFS) in alliance with Seiwa Gakuen (¥170mn); and the licensed nursery school project in alliance with MIRATZ (¥270mn), which reached their targets in 20 seconds and 30 seconds, respectively. The total amount procured from investors for ESG real estate investments with CREAL at the end of FY3/24 since service launch exceeded ¥5.0bn.

(2) CREAL PRO

As its growth strategy going forward, the Company's policy is to strengthen synergies between CREAL and CREAL PB even more than it has to date. Specifically, in addition to the previous method of bundling properties in the small- to medium-scale properties portfolio managed by CREAL on a scale of ¥5.0bn to ¥10.0bn and selling them in bulk to CREAL PRO customers, such as institutional investors and financial institutions, it also aims to secure high profitability through individual sales to investors such as domestic business corporations and overseas family offices. It will also undertake outsourced asset management work as CREAL PRO for the management of the targeted properties. By doing so, it will strengthen and expand the business model that is able to generate synergies between the Company's businesses. In addition, the Company is planning to cross-sell CREAL PRO, an asset management service for professionals and aligned with asset scale and investment strategies to the affluent customers who are the main customers of CREAL PB.

In other topics, CREAL ASIA Pte Ltd was established in Singapore in November 2023 as a wholly owned subsidiary of the Company, with a view to global expansion based in Asia. While Singapore has about the same land area as Tokyo's 23 wards, it has from several times upwards of 20 times as many wealthy individuals as Japan, and the number of fund managers at investment management firms that cater to such high-net-worth individuals is increasing every year. Given that in recent years, the country has grown into one of Asia's top financial hubs, the company aims to see even greater accelerated growth for its serves in Asia.

The Company plans to first promote the sale of CREAL funds to Asian investors, particularly in Singapore, at the time of fund redemption. It also plans to undertake asset management operations following fund redemptions (CREAL PRO), source high-margin overseas projects for CREAL, and develop a crowdfunding system in Asia, among other steps. In fact, the Company acquired a real estate license in Singapore in February 2024 and launched a website, and was entrusted with asset management services for the first CREAL PRO project as early as March 2024. It has already built a pipeline with leading investors and began to steadily acquire projects from the start of FY3/25.

The Company is prioritizing the growth of CREAL, which has significant room for DX intervention and share expansion, and this can make it seem like the degree of interest in CREAL PRO is relatively low compared to CREAL, but CREAL has recently been featured on news sites and in institutional magazines, its recognition among institutional investors has increased, and it has attracted so much attention from major real estate investment funds within and outside of Japan for the rapid expansion of its total amount of fund investments and activated inquiries that CREAL's high growth potential has had a ripple effect on CREAL PRO. We at FISCO estimate that the future growth potential of CREAL PRO will expand significantly beyond what had initially been envisaged.

Future outlook

This business model is able to stably secure buyers of properties in CREAL, which is maintaining high growth, while CREAL PRO is also providing opportunities to acquire stable fee business. Moreover, CREAL's high growth potential can spread to CREAL PRO and it will be possible to create a value chain between services that greatly increases CREAL PRO's ability to grow. We at FISCO believe that CREAL PRO's growth strategy can be expected to contribute greatly to the high growth of the Company's business as a whole and the further expansion of its management base.

(3) CREAL PB

In addition to expanding the organization, the plan is to further improve convenience and to increase the efficiency of administrative work by continuously evolving the DX platform. In conjunction with this, the policies are to utilize CREAL buyer's AI to supplement and strengthen sub-divided residences in main city centers, install renewable energy facilities, and add to the product lineup of single building residences currently under management in CREAL and CREAL PRO. The Company plans to achieve high growth by responding to the diverse needs of investors who so far have found it difficult to invest only in sub-divided residences and by increasing investment opportunities. It is also strengthening sales for overseas investors, whose investment needs are growing due to the recent weak yen. On the other hand, the gross profit margin for CREAL PB in FY3/24 decreased somewhat from the previous fiscal year's 9.2% to 8.9%—a sign that it is becoming difficult to procure good quality properties in central city areas. Therefore, the Company is planning to source properties in areas such as Yokohama, on the periphery of the city center, and in the Kansai metropolitan area, such as Osaka, where high returns can be expected despite a slightly elevated risk.

■ Growth strategy

1. No. 1 asset management platform catering to all needs

The Company's overall growth is driven by CREAL, and it will maintain this role going forward as it continues to make aggressive investments in marketing and IT. Moreover, given the increased activity in its partnership with SBI Holdings, the Company has set medium-term targets for FY3/27 of annual GMV ¥80.0bn and cumulative number of investors of 180,000. To secure prime assets towards achieving these targets, the Company decided to enter the hotel management business in May 2024.

The Company's competitive advantages are over 60,000 online users with a high repeat investment rate, which indicates high loyalty, and the key to its growth is making maximum use of this asset. Specifically, it will first expand its number of CREAL users, who are the experienced investor sector that drives the Company's growth, through its partnership with SBI SECURITIES. Next, it will work to grow CREAL into a larger platform by concentrating on effective mass advertising to capture the inexperienced investor sector (entry-level investors). In efforts to bring in large-scale investors, such as the affluent sector and institutional investors, the Company has started by acquiring licenses as a No. 3 and No. 4 business operator under the Act on Specified Real Estate Joint Enterprises. Acquiring these licenses enables it to form crowdfunding projects using SPC. In principle, this enables the immediate recording of net sales for various types of fees such as for off-balancing and up-front fees for properties, thereby realizing such effects as lightening the Company's balance sheet and bankruptcy remoteness. This will enhance eligibility as an investment target and is expected to promote participation by financial institutions and institutional investors in addition to individual investors, which can be expected to significantly expand the breadth of investment and the investment amount. Additionally, the leverage effect of non-recourse loans can be expected to enhance yields for CREAL investors, further increasing the Company's earnings.

Growth strategy

Meanwhile, the Company is also focusing initiatives on the other side. This involves increasing sales of CREAL PRO by undertaking bulk sales of properties held by funds arranged by CREAL to institutional investors, after which the Company remains involved as an asset manager continuing to exploit earning opportunities. The Company also proposes longer-term asset formation for online investors as a product for CREAL customers (cross-selling), thereby increasing net sales of CREAL PB.

By making maximum use of the CREAL platform, which is a special characteristic of the Company, it plans to increase sales and profits in each business. For the future, the Company plans to implement efficient provision and management through a DX platform as an asset management company that responds to the needs of investors in all customer segments, including the entry-level investor sector, the experienced investor sector, the asset formation sector, the affluent sector, and institutional investors. In this way, it plans to provide customers with a form of general alternative asset management centered on real estate.

In its future product lineup related to real estate, the Company plans to add Type 3 and 4 products under the Act on Specified Real Estate Joint Enterprises to the Type 1 and 2 products it already handles under the same act. Moreover, after that, the Company will proceed to apply for licenses to handle products that change the subject real estate and open-ended products. Products that change the subject real estate allow the Company to handle products where the subject asset can be changed through the addition or sale of real estate in the fund. Up until now, the funds have been redeemed once the acquired real estate is sold. However, these products allow continued management of the fund while replacing the real estate, enabling investors to continue investing without having to reinvest after redemption. Open ended products enable the investor to start and redeem investments at any time. Compared to current products, the product characteristics are more suitable to long-term investment or incremental deposits, and the Company therefore considers them capable of acting as a recipient for deposits, which are said to be ¥1,000tn. In addition, the Company is considering products corresponding to type 3 and 4 voluntary association products under the Act on Specified Real Estate Joint Enterprises, which are targeted at the affluent sector, and plans to develop products that offer tax benefits with equivalent effects to actual real estate investment. Furthermore, the Company is considering products that conduct direct investment in companies and funds as private credit. These could be expected to see strong demand particularly for overseas projects, and would be products that can be offered to individual investors regardless of market conditions in Japan.

Moreover, the Company is also expanding its customer base and strengthening its capabilities to find and operate properties in addition to proactively considering M&A to expand business overseas. We at FISCO believe that the Company can expand its management foundation powerfully through the above kinds of initiatives.

2. Participation in hotel management business CREAL HOTELS

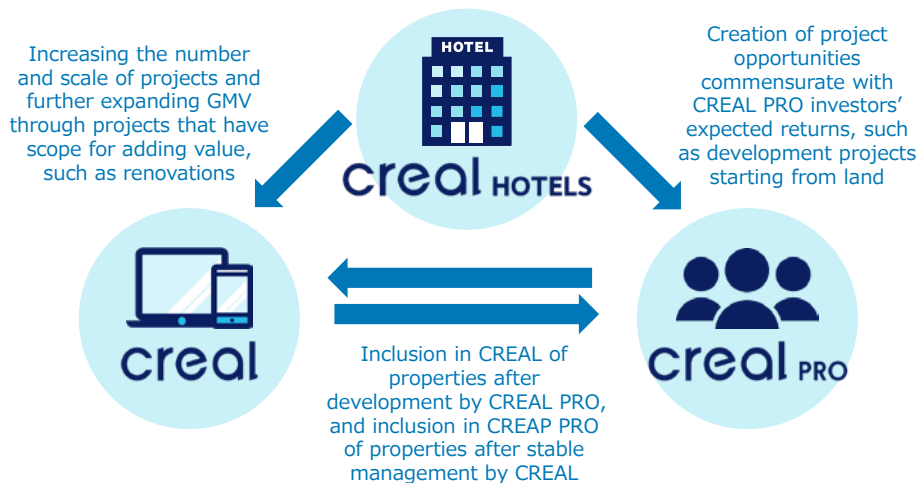
The Company announces its entry into the hotel management business, CREAL HOTELS, on May 14, 2024. GMV growth is vital to the Company's continued growth, and this requires prime assets. The number of foreign visitors to Japan exceeded 25 million in 2023, and hotel demand has risen sharply with the rapid expansion of inbound tourism in the wake of the spread of COVID-19. In 2030, the number of foreign visitors to Japan is expected to climb to 60 million, further increasing hotel demand; however, there are few hotels that can accurately capture the needs of inbound tourism. Therefore, the Company has entered the hotel management business, which has the potential to become its fourth business pillar.

Growth strategy

The Company considers the supply of good quality hotels to be the factor that will lead to growth in the hotel management business as well as increase in GMV. Synergies with the existing CREAL and CREAL PRO businesses are expected to increase business opportunities, while the Company expects to capture earnings through small-lot sales to individual investors, sales to institutional investors as a fund under CREAL PRO, and involvement in ongoing asset management. In particular, there seems to be ample scope for developing sales to institutional investors and corporate investors. If the company can acquire licenses as a No. 3 and No. 4 business operator under the Act on Specified Real Estate Joint Enterprises, which it has been making progress on, thereby enabling crowdfunding using SPCs that are bankruptcy remote, then it will lead to large investments and create the potential for strengthening its earning capabilities.

There are two sourcing patterns in the hotel management business. The first is to acquire an existing hotel and renovate the rooms for inbound tourism by expanding them and so forth. The second is to purchase land and then construct a hotel. Both patterns require fund raising for acquitting the hotel. Since this can be conducted through the Company's main business of crowdfunding, the Company can clear funding issues up to the point of stable operations, and can also expand GMV and conduct stable hotel management. For this reason, the Company' plans to deal in hotels in the ¥2.0bn to ¥3.0bn range, which can be supplied by crowdfunding, and move quickly to get the businesses up and running. The Company aims to have 20 hotels under management in three years.

Synergy effects between the Company's hotel business and its existing businesses



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

■ Shareholder returns policy

Believing further growth will maximize returns to shareholders, will assess the dividend policy while maintaining a balance with internal reserves

The Company is aware that returning profits to shareholders is an important management issue, and its basic policy is to pay continuous, stable dividends while taking into comprehensive account the business environment, management performance, its financial position and other factors. As the Company is currently in a growth process, it believes that in addition to supplementing internal reserves, effectively utilizing those reserves as funds for future business growth will lead to maximized returns to shareholders. Going forward, the Company's general policy is to pay dividends while considering management performance and financial position, but at this time, it has yet to determine a specific dividend policy.

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