

## CREAL Inc.

2998

Tokyo Stock Exchange Growth Market

21-Sept.-2023

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## Summary

### The leading company in the online real estate investment market promoting the DX of the asset management process, 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. During the same period, it started providing a real estate fund online market service using crowdfunding technologies 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 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 convenience through the digital transformation (DX) of the asset management process and utilizing its originally developed AI to provide investing opportunities widely to individual investors that have demand for investments of small amounts. On April 28, 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. Within it, it provides three services: 1) CREAL, which is a service for individual investors that utilizes crowdfunding technologies and enables them to invest online and easily in asset management starting from ¥10,000; 2) CREAL PB for individual investors, which is a medium- to long-term asset management service targeting prime actual real estate extracted utilizing AI and DX (in April 2023 the name of this service line was changed from CREAL PARTNERS); and 3) CREAL PRO for institutional investors and the extremely wealthy, which is a real estate investment service to manage real estate funds and other assets.

#### 2. Results trends

In the FY3/23 consolidated results, sales and profits increased significantly, as net sales were ¥16,436mn (up 55.3% year-on-year (YoY)), gross profit was ¥2,206mn (up 42.0%), operating profit was ¥547mn (up 74.5%), ordinary profit was ¥496mn (up 93.0%), and profit attributable to owners of parent was ¥336mn (up 95.0%). Because CREAL’s property sales exceeded its forecast, both net sales and each profit line were higher than the results forecasts, which had been upwardly revised in December 2022. With the easing of activity restrictions based on COVID-19 as well as policy effects, such as the government support for nationwide travel, there was a recovery in the utilization rate of hotels and commercial facilities, which had been on the decline, and demand remained solid for residences and logistics facilities which saw stable utilization. In the condominium market, both new and existing condominiums continued to see a rising trend in unit prices per square meter, with a significant increase in sales for CREAL which smoothly completed the redemption and sale funds centered on residential properties, and this drove both net sales and profit. CREAL has enjoyed more recognition since its listing on the stock market and steadily returned gains to online investors. As a result, the cumulative number of investor members reached 40,000 members, and the cumulative amount invested reached ¥27.5bn.

Summary

**3. FY3/24 results forecast**

For the FY3/24 consolidated results, the Company is forecasting net sales to increase 58.2% YoY to ¥26,000mn, gross profit to rise 47.3% to ¥3,250mn, operating profit to grow 40.7% to ¥770mn, ordinary profit to increase 45.1% to ¥720mn, and profit attributable to owners of parent to rise 42.8% to ¥480mn. As such, the Company is forecasting an acceleration in both sales and profit growth, in continuation from the previous fiscal year. In January 2023, the Company announced initiatives including sharing customers through a capital and business alliance with SBI Holdings, Inc. <8473>. In April, from CREAL PARTNERS which had been operated by a subsidiary, the Company brought in-house the real estate sales and brokerage business, changed the service name to CREAL PB, as well as centralized customers, marketing and system development, and otherwise is steadily working to upgrade the growth platform. In addition, due to its greater recognition and presence in the industry, the Company is having many investment properties brought to it by real estate brokerages and developers, and the Company has put in place a business environment for supplying funds to meet the needs of investors. The Company has an ambitious plan to increase the number of CREAL's acquired investors by 20,000 and grow the GMV (Gross Merchandise Value: CREAL's solicited amount) by ¥20.0bn, but based on the aforementioned bolstering of the business platform and environment, and the Company's high repeat investment rate of 90%, at FISCO we think these goals are very likely to be achieved.

**4. Growth strategy**

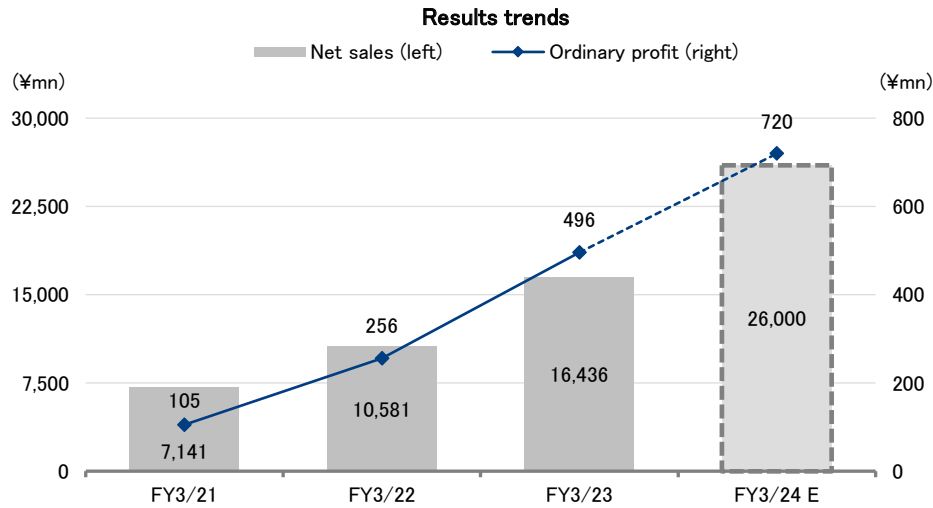
Against a backdrop of the high growth potential of the online real estate investment market, the Company has positioned the mainstay CREAL service as the main driver of its growth strategy. To develop it, it is currently progressing preparations to acquire the No.3 and No.4 business operator licenses in the Act on Specified Joint Real Estate Enterprises, and acquiring these licenses will enable it to carry out real estate crowdfunding that utilizes SPC (Special Purpose Company). As utilizing SPC will enable it to move properties off-balance, it can utilize borrowings from financial institutions to invest in larger properties and gain leveraged income, the Company is establishing a business scheme toward entering its second growth stage.

In the Company, with the realization of the business scheme utilizing SPC through acquiring the No.3 and No.4 business operator licenses in the Act on Specified Joint Real Estate Enterprises and the capital and business alliance with SBI Holdings being major driving forces, with the aim growing CREAL dramatically, the Company has formulated a plan to increase annual GMV to ¥60.0bn (roughly 4.9 times greater than ¥12.31bn, the actual level in FY3/23), grow the cumulative number of investors to 140,000 (approximately 3.4 times more than the 40,860 at the end of March 2023), and single-year AIPU (Average Investment Per User) to ¥428,000 (around 1.4 times higher than the ¥310,000 in FY3/23) by FY3/26. The Company's policy is to actively conduct IT investment and release new functions that will strongly support business expansion.

**Key Points**

- Generates opportunities for investing in real estate, for which in general there are high hurdles for the individual investor, through promoting the DX of the asset management process and utilizing its originally developed AI
- In FY3/23, both net sales and all profit lines ended up higher than the full-year forecasts
- For FY3/24, forecasting net sales to increase more than 50%, and each profit line to increase more than 40%, as the Company plans for accelerating growth
- Establishing a business scheme targeting the second growth stage
- Has positioned CREAL as the center of its growth strategy, and planning to grow annual GMV to ¥60.0bn by FY3/26

Summary



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

## 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 four companies, the Company and its three consolidated subsidiaries (CREAL Partners Inc., 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 Joint Real Estate 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. During the same period, 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 investment crowdfunding 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

Source: Prepared by FISCO from the Company's website

## Business description and features

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

Real estate investment is extremely appealing as an investment target with inherently middle risk and middle returns. But despite this, against the backdrop of the closed nature of the industry, the lack of information transparency, and the lack of funds and specialist knowledge, this investment has high hurdles to entry for individual investors. But the main feature of the Company is that it opens the door widely to real estate investment through the DX of the asset management process.

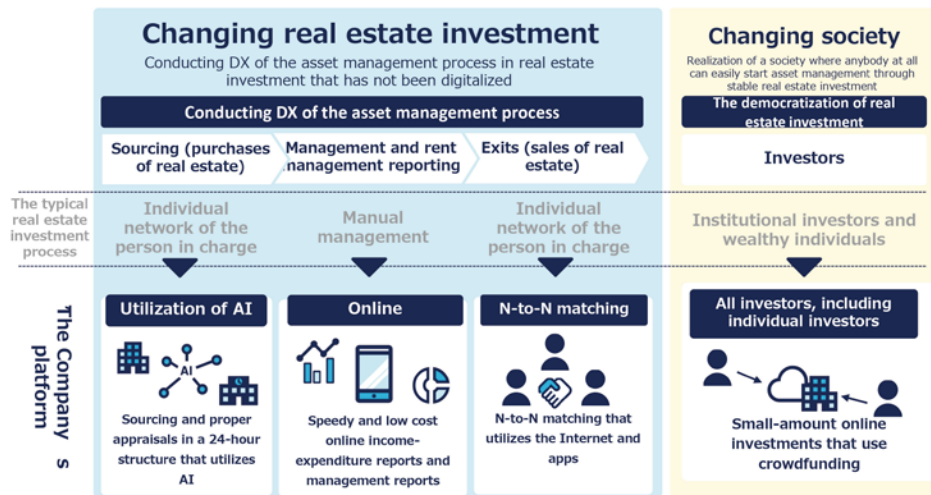
Compared to other industries such as the securities and insurance industries, the real estate investment industry is an industry in which DX is lagging behind, including that even today it still has a culture of using faxes. The Company is aiming to greatly change real estate investment by progressing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

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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: The Company's financial results briefing materials

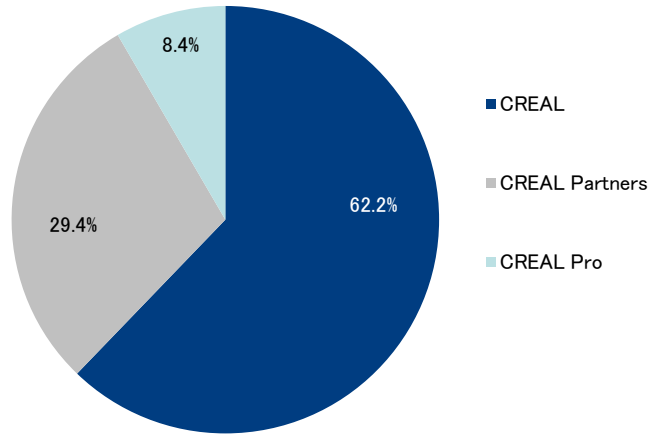
1. Business summary

As an asset management platform business, the CREAL Group provides three services– 1) CREAL, 2) CREAL PARTNERS\*, and 3) CREAL PRO–that each have different types of investor, investment amounts, and investment targets. 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 FY3/23 basis, CREAL provides 62.2%, CREAL PARTNERS 29.4%, and CREAL PRO 8.4%.

\* CREAL PARTNERS changed the name of some of its services to CREAL PB from April 2023. However, the figure below was produced using data through FY3/23, so the previous names are used below.

Business description and features

Percentages of total net sales by service (FY3/23)



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 PARTNERS 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 5 years). 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 domestically or overseas that can be expected to acquire yields of 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  $GMV \times Take\ Rate^*$ , 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.

CREAL, which has a return target of expected dividend yield that the Company sets in advance, enables investors to invest in various types of real estate starting from 1 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 investors to obtain returns on their investments without having to spend additional time or effort or to have specialist knowledge.



Business description and features

The CREAL work flow is described below.

- a) 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. Currently, the 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.
- b) 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.
- c) Investors decide on an investment after considering the published fund information and the yield set depending on the fund.
- d) 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.
- e) 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).
- f) 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 risk and allowances for them, and third party reports, 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, and monitoring reports that summarize the progress made for a project each month after the investment.

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. CREAL's first investment in ESG real estate was in April 2019, of a nursery school located in Komagome, Toshima Ward, Tokyo. Since then, it has been accumulating a track record in the educational and regional-revitalization fields, the effective utilization of existing buildings, and as a result, investment in ESG real estate constitutes more than ¥5.0bn of CREAL's total investment so far.

#### Business description and features

This track record can be said to show that the Company is functioning to support ESG real estate management to realize the SDGs, and that its management policy is to prioritize 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, from the viewpoint of protecting investors, CREAL separates the investment amount into the priority-and-subordinate parts of the investment, 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 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.

#### (2) CREAL PARTNERS

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). 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, CREAL PARTNERS 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 PARTNERS 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.

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

Business description and features

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 conditions, which leads to increased convenience for asset management. It also makes it possible to show the real estate from within the latest sales to real estate owners, who are the customers, and functions to promote the purchase of another property. 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, who are the customers.

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 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.

### (3) 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).

The main CREAL Pro work flow is described below.

- a) Information on investment properties acquired from condominium development 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.
- b) 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.
- c) 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.
- d) During the fund-management period, the Company receives management fees (asset management fees) for the management and administration of the properties.
- e) Based on the proceeds from the sale of the real estate when the fund management is completed, investors will recover the principal invested and their final profit will be determined. Also, when the fund management is completed, the Company receives a real estate sales fee (exit fee).

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Business description and features

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 ¥5bn to ¥10bn 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. It is a business model that leverages the synergies between the Company's businesses. This scheme is embodied in its track record in 2021 of a transaction with Allianz, the major German life insurance company, and with Gaw Capital PARTNERS, the major Hong Kong real estate fund, which it announced at the same time as it was listed on April 28, 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 currently manages and plans to manage in Tokyo's 23 wards.

The Company's service lineup

**For individual investors /CREAL's mainstay growth business**  
**Promotion of DX in the real estate investment process and opening up of wider opportunities for real estate investment**

- Real estate fund online market**  
**creal**  
 From ¥10,000  
 Real estate crowdfunding for short-term management products
- Real estate investment management service for individuals**  
**creal PARTNERS**  
 From ¥10mn  
 Asset management through investment in actual real estate for long-term asset management that utilizes DX
- For institutional investors and the extremely wealthy**  
**creal PRO**  
 From ¥100mn  
**Real estate fund business for professionals**  
 An asset management service through investment in large-scale real estate

Source: The Company's financial results briefing materials

## Online real estate market trends

### Globally, is forecast to grow to US\$793.4bn by 2032

The online real estate market, to which the Company's business belongs, is a market that is expected to grow greatly in the future. In 2022 in Japan, the scale of the online real estate market, including lending types, had reached around US\$1.0bn\*. It is forecast to grow to a scale of approximately US\$58.3bn\* by 2032.

Globally, in 2022 the scale of this market was already more than US\$14.2bn\*, and it is forecast to grow to a market scale of US\$793.4bn\* by 2032. Both in Japan and globally, the market's average annual growth rate is 50% and extremely high growth is expected. Overseas, not only general individual investors but also institutional investors, such as financial institutions and insurance companies, are participating in it, and while this market in Japan is currently centered on individuals, it is believed that corporations will also participate, as they do overseas, and it will grow further.

\* Converted from the market forecasts in the Polaris Market Research & Consulting LLP, Real Estate Crowdfunding Market Report (Forecast to 2032)

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## Results trends

**FY3/23 saw significant increases in sales and profits. Each profit item exceeded full-year forecasts. Important KPI including GMV, number of members and repeat investment rate at high levels, high growth continues**

### 1. FY3/23 results summary

In the FY3/23 consolidated results, sales and profits increased significantly, as net sales were ¥16,436mn (up 55.3% YoY), gross profit was ¥2,206mn (up 42.0%), operating profit was ¥547mn (up 74.5%), ordinary profit was ¥496mn (up 93.0%), and profit attributable to owners of parent was ¥336mn (up 95.0%). Because CREAL's property sales exceeded its forecast, both net sales and each profit line were higher than the results forecasts, which had been upwardly revised in December 2022. With the easing of activity restrictions based on COVID-19 as well as policy impacts, such as the government support for nationwide travel, there was a recovery in the utilization rate of hotels and commercial facilities, which had been on the decline, and demand remained solid for residences and logistics facilities which saw stable utilization. In the condominium market, both new and existing condominiums continued to see a rising trend in unit prices per square meter, with a significant increase in sales for CREAL which smoothly completed the redemption and sale of funds centered on residential properties, and this drove both net sales and profit. CREAL has enjoyed more recognition since its listing on the stock market and steadily returned gains to online investors. As a result, the cumulative number of investor members reached 40,000 members, and the cumulative investment amount reached ¥27.5bn. Also, in conjunction with business growth, the Company increased the number of employees, including as part of upfront investment, leading to a 49.7% YoY increase in personnel costs.

#### Summary of the FY3/23 results

	FY3/22		FY3/23		YoY
	Result	% of net sales	Result	% of net sales	
Net sales	10,581	-	16,436	-	55.3%
Gross profit	1,554	14.7%	2,206	13.4%	42.0%
Operating profit	313	3.0%	547	3.3%	74.5%
Ordinary profit	256	2.4%	496	3.0%	93.0%
Profit attributable to owners of parent	172	1.6%	336	2.0%	95.0%

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

### 2. Results trends by service

CREAL net sales were ¥10,223mn (up 119.3% YoY) and gross profit ¥965mn (up 118.7% YoY). The strong growth was due to moving forward on sales and redemptions of funds accumulated in the previous fiscal year and 1H FY3/23. The Company collaborated with companies possessing track records in various fields. In residences, the Company collaborated with "Hmlet" co-living style rental condominiums managed by the MITSUBISHI ESTATE <8802> Group, and in nursery schools the Company collaborated with Seiwa Gakuen and MIRATZ CO., LTD. In addition, the Company established a new lineup of commercial facilities, which have seen a recovery in utilization rates, and logistics facilities for which demand has been solid, while the Company formed 24 funds (8 more than the previous fiscal year), and the average size of the funds also exceeded that of the previous year. Net sales increased approximately 2.2 times YoY as a result of an increase in the number of members and growing GMV by providing many appealing products online. The business also secured an appropriate take rate and the gross profit grew more than 2 times YoY, allowing both net sales and gross profit to grow spectacularly.

Results trends

CREAL PARTNERS' net sales were ¥4,832mn (up 4.1% YoY) and gross profit ¥544mn (down 3.0% YoY). The number of sales of sub-divided residences grew, which led to a steady increase in the number of rent management properties associated with them and an increase in net sales. Meanwhile, the decline in the gross profit margin led to a decline in profit, but this was due to highly-profitable one-time fee income in the previous fiscal year. Excluding this factor, there was an effective increase in profit.

CREAL PRO's net sales were ¥1,380mn (up 8.2% YoY) and gross profit was ¥696mn (up 26.3% YoY). The increase in both sales and profit was due to the fact that the business was able to post increases in both up-front fees and asset management fees by forming new funds incorporating multiple domestic residential properties.

**FY3/23 Results by service**

	(¥mn)		
	FY3/22	FY3/23	YoY
<b>CREAL</b>			
Net sales	4,661	10,223	119.3%
Gross profit	441	965	118.7%
<b>CREAL PARTNERS</b>			
Net sales	4,644	4,832	4.1%
Gross profit	561	544	-3.0%
<b>CREAL PRO</b>			
Net sales	1,275	1,380	8.2%
Gross profit	551	696	26.3%

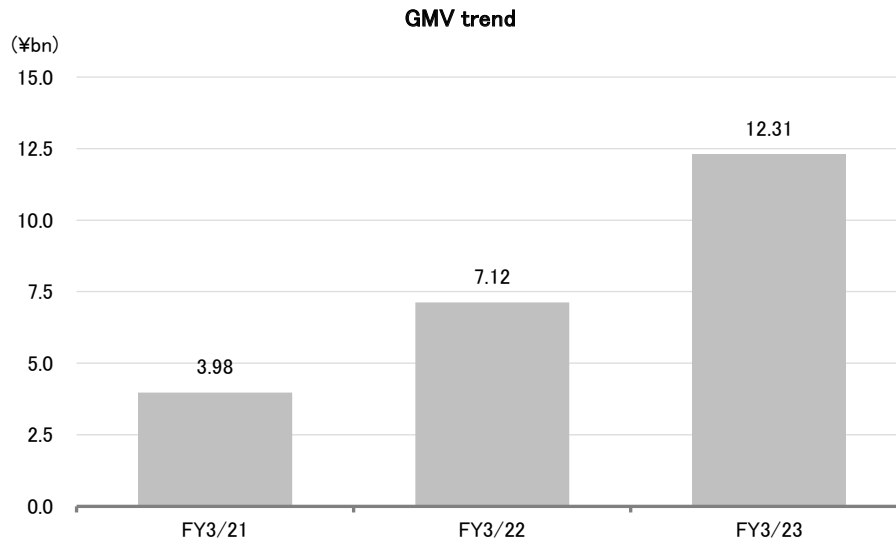
Source: Prepared by FISCO from the Company's financial results briefing materials

### 3. Trends in the main KPI

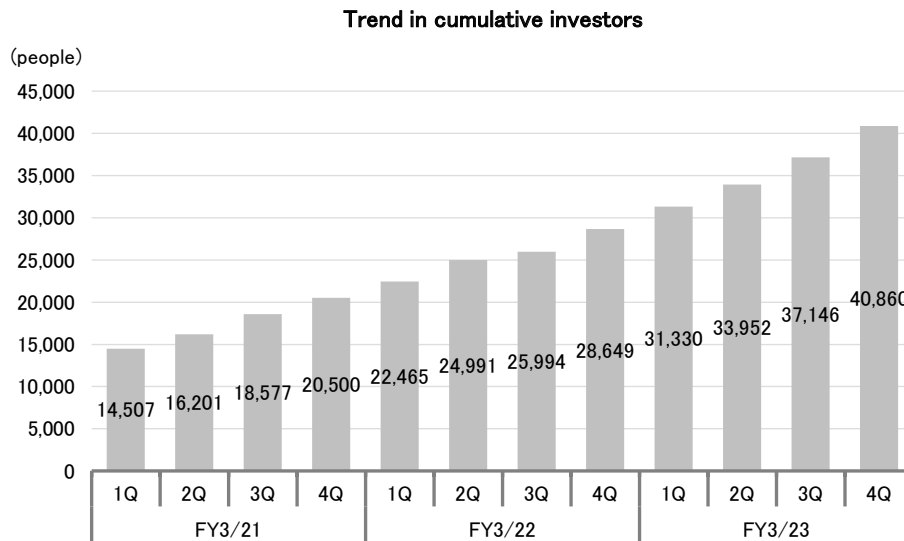
CREAL's gross profit comprises GMV x TakeRate, with the TakeRate made up of fixed fees comprising project origination, fund management handling and redemption fees, and fluctuating fees made up from profit sharing of capital gains made through funds' external sales, and the combined total up until now 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 payment), 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 an important KPI as it indicates the scale of CREAL business as well as forms a leading indicator of gross profit. CREAL PB calculates gross profit through net sales x profit margin. Also, CREAL PRO is mainly a fee business, so the majority of its net sales are recorded as gross profit and the structure is that the mainstay CREAL's GMV growth contributes greatly to the Company's profit growth. Therefore, the Company considers its important KPI to include GMV, the number of members, the repeat investment rate, and gross profit, while among them, it considers GMV and the number of members to be particularly important.

GMV, which is a KPI that the Company particularly prioritizes, grew significantly, increased 72.8% YoY in FY3/23 to ¥12.31bn, and performing strongly with a progress rate of 136.8% toward the FY3/23 full-year plan of ¥9.0bn. The cumulative number of investors, which is an important element constituting GMV, rose significantly by 12,211 people from the end of the previous period to 40,860 people at the end of FY3/23, and has a progress rate of 152.6% toward the FY3/23 full-year plan of 8,000 people. Both are progressing stronger than assumed.

Results trends



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



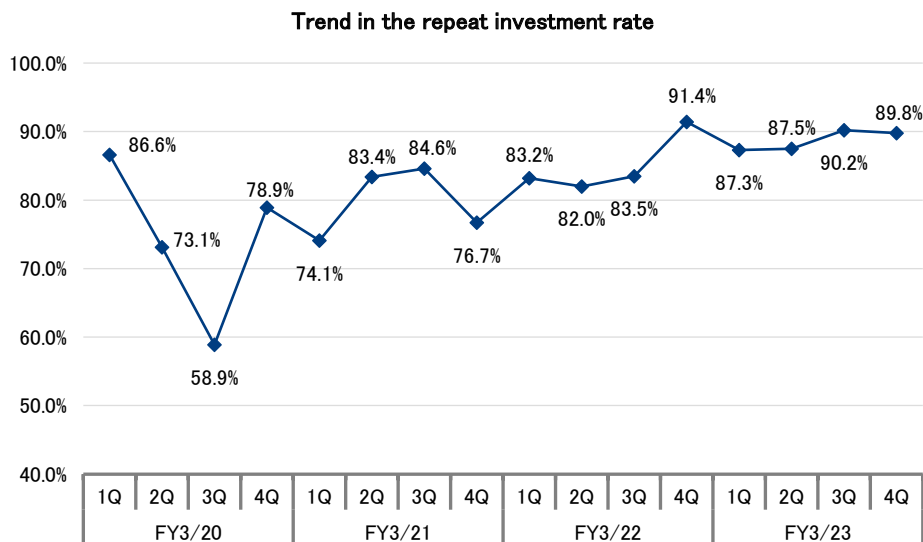
Source: Prepared by FISCO from the Company's financial results briefing materials

The investor repeat investment rate\*, which is also an important GMV-related indicator in CREAL, was at the high level of 89.8% at the end of FY3/23 and is trending stably. The reason it cannot be 100% is the addition of investment by new members, so the percentage of total investment by existing investors can be said to be at an extremely high level.

\* The percentage of the investment amount by registered members, who have an investment result in the past 1 year within GMV

Results trends

Through the above, CREAL is succeeding in acquiring users who reinvest the same amounts as were returned to them or even higher amounts in new funds after the completion of fund management, which can be understood to be an earnings structure with a stable-earnings-accumulation model similar to SaaS. Going forward, it is forecast that along with the further growth of GMV and the cumulative number of investors, the re-investment loop will grow greatly. At FISCO, we expect CREAL to have stability and moreover to be a service with high growth potential.



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

**4. Financial condition and management indicators**

Total assets in FY3/23 were ¥21,492mn, an increase of ¥10,565mn from the end of the previous fiscal year. This was mainly due to an increase of ¥4,739mn in cash and deposits, an increase of ¥824mn in segregated deposits, and an increase of ¥3,528mn in real estate for sale.

Total liabilities were ¥18,380mn, an increase of ¥8,500mn from the end of the previous fiscal year. This was mainly due to increases of ¥2,940mn in crowdfunding deposits due to business expansion, ¥3,341mn in silent partner investment deposits, ¥422mn in short-term borrowings, ¥474 in current portion of long-term borrowings, ¥1,540mn in long-term borrowings and a decrease of ¥583mn in current portion of bonds payable.

Total net assets increased ¥2,065mn from the end of the previous period to ¥3,111mn. This was mainly due to increases of ¥860mn in share capital and ¥860mn in capital surplus resulting from a public offering of the Company's shares accompanying the transfer to the Tokyo Stock Exchange Growth Market, the capital increase via third-party allotment to SBI Holdings, and other factors, and the recording of ¥336mn in profit attributable to owners of parent.

Features of the Company's financial condition include crowdfunding-related accounts accounting for more than 80% of its total assets of ¥21,492mn, with its liabilities recording crowdfunding deposits of ¥3,506mn and silent partner investment deposits of ¥10,870mn, balanced out under assets by cash and deposits of ¥6,198mn and real estate for sale related to crowdfunding of ¥10,998mn. Silent partner investment deposits are "investments" by silent partners, so legally they do not have a repayment obligation, but for accounting purposes they are formally recorded in liabilities on the balance sheet. Therefore, it is considered that the actual equity ratio is higher than it appears to be.

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



## Results trends

## The consolidated balance sheet and the main management indicators

	End of FY3/22	End of FY3/23	Increase / decrease
(¥mn)			
<b>Current assets</b>	9,656	19,834	10,177
Cash and deposits	1,458	6,198	4,739
Real estate for sale	7,469	10,998	3,528
Other	768	2,674	1,906
Allowance for bad debts	-39	-37	2
<b>Non-current assets</b>	1,269	1,657	388
Property, plant and equipment	1,208	1,404	196
Intangible non-current assets	5	1	-4
Investments and other assets	55	251	196
<b>Total assets</b>	10,926	21,492	10,565
<b>Current liabilities</b>	9,482	16,472	6,989
Trade payables	0	0	0
Current portion of bonds payable	583	0	-583
Short-term borrowings (including current portion of long-term borrowings)	284	1,181	897
Crowdfunding deposits	565	3,506	2,940
Silent partner investment deposits	7,528	10,870	3,341
Other	521	914	393
<b>Non-current liabilities</b>	397	1,908	1,510
Long-term borrowings and corporate bonds	308	1,849	1,540
<b>Total liabilities</b>	9,880	18,380	8,500
(interest-bearing debt)	1,175	3,030	1,854
<b>Total net assets</b>	1,045	3,111	2,065
<b>[Profitability]</b>			
ROA (Return on Assets)	2.6%	3.1%	0.5pt
ROE (Return on Equity)	18.1%	16.2%	-1.9pt
Operating profit margin	3.0%	3.3%	0.3pt
<b>[Stability]</b>			
Equity ratio	9.5%	14.4%	4.9pt
D/E ratio	1.12	0.97	-0.15pt
Current ratio	101.8%	120.4%	18.6pt

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

## Future outlook

### In FY3/24, forecast significant expansion of business and high growth to continue centered on the high growth of the mainstay CREAL service

#### 1. FY3/24 results outlook

For the FY3/24 consolidated results, the Company is forecasting net sales to increase 58.2% YoY to ¥26,000mn, gross profit to rise 47.3% to ¥3,250mn, operating profit to grow 40.7% to ¥770mn, ordinary profit to increase 45.1% to ¥720mn, and profit attributable to owners of parent to rise 42.8% to ¥480mn, so in continuation from the previous year the Company is expecting accelerating increases in both sales and profits, with net sales increasing more than 50% and each profit line rising more than 40%. The Company is working steadily on developing the platform to accelerate growth, and in April 2023, the Company assumed some of the services that had been operated by wholly-owned subsidiary CREAL PARTNERS and changed the service line name to CREAL PB. Because some of CREAL's customers are investors that have physical real estate investment needs, the Company will cross-sell CREAL PB products to these customers. Similarly, the Company has decided to also promote cross-selling from CREAL PB to CREAL PRO. In addition, the Company will look to maximize synergies between services by centralizing marketing and the DX development platform. Regarding subsidiary CREAL PARTNERS, the strategy is to grow it as a property management specialist company, and bolster the recurring-revenue business. Furthermore, with the January 2023 capital and business alliance with SBI Holdings (the Company has a 21.68% ownership stake), the Company is working on joint business development and operating tie-ups in a variety of areas with SBI Group companies. CREAL's advertisement banner is already on the home page of SBI SECURITIES (SBI Group's online securities company), and it appears that customers with SBI Securities accounts are being referred to CREAL. Moreover, SBI MONEY PLAZA, which operates physical branches, is introducing CREAL and CREAL PB to wealthy customers, and there are expectations for synergies through the business alliance.

Meanwhile, due to its greater recognition and presence in the industry, the Company is having many investment properties introduced to it by real estate brokerages and developers, and the Company has put in place a business environment for supplying funds to meet the needs of investors. The Company has an ambitious plan to increase the number of CREAL members by 20,000 and grow the GMV (by ¥20.0bn), and based on the bolstering of the business platform and environment, and the Company's high repeat investment rate of 90%, at FISCO we think these goals are very likely to be achieved.

In addition, the Company will continue its efforts from the previous fiscal year on upfront investment targeting growth. In order to maintain and grow CREAL's strength of being able to perform system development, marketing, and product (real estate) development in-house, it is necessary for the Company to secure human resources who can demonstrate their abilities in each field in a well-balanced manner, and the Company plans to invest a reasonable amount in order to accomplish this.

Future outlook

**FY3/24 results outlook**

(¥mn)

	FY3/23		FY3/24		YoY
	Results	% of net sales	Plan	% of net sales	
Net sales	16,436	-	26,000	-	58.2%
CREAL	10,223	62.2%	16,000	61.5%	56.5%
CREAL PB	4,578	27.9%	6,600	25.4%	44.2%
CREAL PRO	1,380	8.4%	3,100	11.9%	124.5%
Gross profit	2,206	13.4%	3,250	12.5%	47.3%
CREAL	965	5.9%	1,450	5.6%	50.2%
CREAL PB	422	2.6%	630	2.4%	49.0%
CREAL PRO	696	4.2%	1,000	3.8%	43.6%
Operating profit	547	3.3%	770	3.0%	40.7%
Ordinary profit	496	3.0%	720	2.8%	45.1%
Profit attributable to owners of parent	336	2.0%	480	1.8%	42.8%

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

## 2. Outlook by service

### (1) CREAL

In CREAL, against the backdrop of the steady progress being made for fund redemption, results are trending strongly in the current period with the sales-increase pace doubling YoY. Looking to the future, the Company is actively conducting IT investment, such as more investment in AI and DX than previously, and also progressing marketing and developments of new products, such as ESG investment. In addition, preparations are underway to obtain the No.3 and No.4 specified real estate joint enterprise business operator licenses under the Act on Specified Joint Real Estate Enterprises.

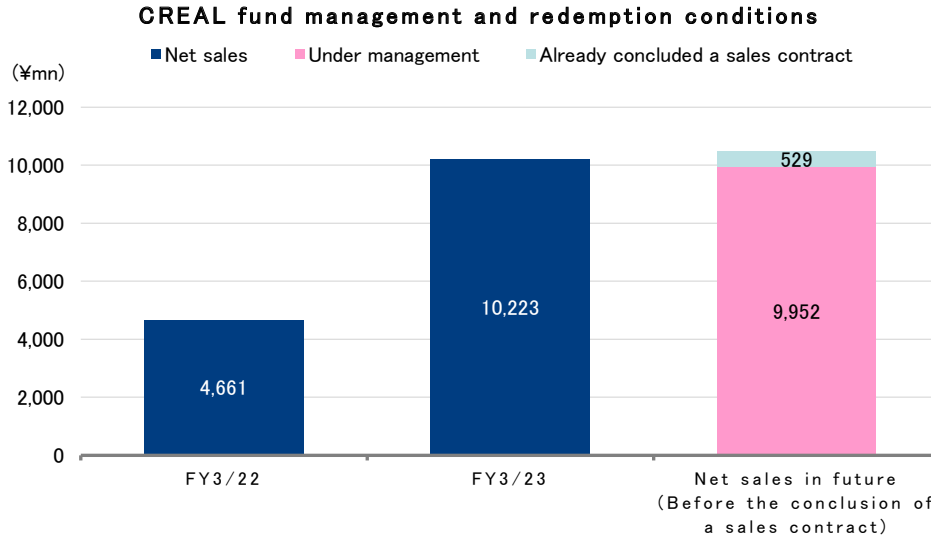
#### a) Fund management conditions

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 fund formation fees and management fees relating to funds.

CREAL's net sales in FY3/23 were ¥10,223mn. Redemptions were made for 15 residences, 2 hotels and 1 commercial facility. Fund formation fees and management fees relating to funds are added to the external sales amounts of these funds.

For FY3/24, before May's financial results announcement the Company disclosed that a sales contract had already been concluded for 1 residence fund (fund size: ¥529mn), and 2 logistics facilities, 1 commercial facility, 2 nursery schools and 13 residences totaling ¥9,952mn are under management as funds before the conclusion of a sales contract, and this has been positioned as a reserve pipeline for possible sale during FY3/24. In addition, after the May full-year financial results announcement, the Company disclosed the sales contracts for 2 logistics facilities, and these facilities, along with the 1 residence noted above, are in reserve for principal redemptions. Furthermore, in April and May 2024 the Company will form a fund of 7 properties of approximately ¥4.5bn, and if things progress at the current pace, this is a level that would make it likely that CREAL's FY3/24 full-year forecast of ¥16,000mn in net sales would be achieved.

Future outlook



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

**CREAL fund management and redemption conditions**

Completed external sale	Targeted properties	No. of properties
FY3/22	Residences	9
	Nursery schools	4
	Hotels	2
	Office	1
FY3/23	Residences	15
	Hotels	2
	Commercial facility	1
Already concluded a sales contract	Targeted properties	No. of properties
FY3/24	Residence	1
Before the conclusion of a sales contract	Targeted properties	No. of properties
Under management	Residences	13
	Nursery schools	2
	Commercial facility	1
	Logistics facilities	2

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

**b) IT investment**

• **Native app (iOS app) development**

Based on the current situation that around 70% of users access CREAL via a smartphone, the Company released a native app (iOS app) on December 16, 2022, with the aims of further improving the active rate and customer loyalty. On May 12, 2023, the Company added an eKYC function with IC chip-reading capability.

## Future outlook

**• Introducing a membership program system (July 2022)**

The Company introduced a member rank function system from July 2022 as a loyalty marketing strategy. Through it, members' ranks are set according to their investment amount and their balance of managed assets, with members receiving incentives and benefits according to their rank, with the aim of increasing the amounts invested by investors and the repeat rate. The policy also aims for further growth of GMV.

**• Development of CREAL Workspace, an internal operations system**

CREAL Workspace is a system to realize major improvements in the efficiency of internal operations, as a DX tool, by aiming to eliminate inefficiencies in the real estate investment process. Through realizing this development, the three services being developed by the Company, of CREAL, CREAL PB, and CREAL PRO, will be smoothly integrated and coordinated, realizing increased efficiency for data sharing between departments.

**c) Proactive ESG real estate investment**

The Company is aiming to achieve both economic returns and resolution of social issues by maximizing its feature of its crowdfunding real estate investment that enables a direct approach to individual investors as well as promoting ESG real estate investment where investment has not progressed for the reason that under conventional investment funds the investment scale has been small and the track record has been thin. 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 MIRAIZ (¥270mn), which reached their targets in 20 seconds and 30 seconds, respectively.

**d) Acquisition of new licenses**

The Company has applied to the Ministry of Land, Infrastructure, Transport and Tourism and the Financial Services Agency for its No.3 and No.4 business operator licenses based on the Act on Specified Joint Real Estate Enterprises. Acquiring these licenses will enable it to form crowdfunding projects using external SPC. Utilizing crowdfunding in external SPC will enable it to move properties off-balance and can be expected to promote the participation in funds of financial institutions and institutional investors. As this will make possible the formation of larger-scale projects, the Company is preparing systems with the aim of acquiring the licenses at an early stage as it will be an extremely significant management resource and driving force in expanding business toward entering its second growth stage.

**(2) CREAL PB**

In 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.

## Future outlook

**(3) CREAL PRO**

As its growth strategy for CREAL PRO going forward, the Company's policy is to strengthen synergies between CREAL and CREAL PB even more than up to the present time. Specifically, it will bundle properties in the small- to medium-scale properties portfolio managed by CREAL on a scale of ¥5.0bn to ¥10.0bn and sell them in bulk to CREAL PRO customers, such as institutional investors and financial institutions. 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 as a management service for professionals aligned with asset scale and investment strategies to the many wealthy customers among the CREAL PB customers.

This has been embodied in its prior track record of transactions, in 2021 with Allianz, the major German life insurance company, and with Gaw Capital PARTNERS, the major Hong Kong real estate fund. In April 2022, it concluded a sales contract with a fund formed by Gaw Capital for 13 condominium buildings (including those scheduled to be completed) that it currently manages and plans to manage in Tokyo's 23 wards. At that time, the Company will arrange to conclude sales contracts with Gaw Capital for 7 condominiums located in the 23 wards of Tokyo owned by external investors and operated and managed by CREAL, and CREAL PRO has concluded an asset management outsourcing contract for these total of 20 condominiums. The results of this one project with Gaw Capital will be larger in scale than the results of the Allianz project.

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 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.

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.

## ■ Medium- to long-term growth strategy

### **With CREAL positioned as the core of the growth strategy, the Company is establishing a business scheme toward its second growth stage by acquiring the No.3 and No.4 business operator licenses in the Act on Specified Joint Real Estate Enterprises**

The Company has applied to the Financial Services Agency and the Ministry of Land, Infrastructure, Transport and Tourism to acquire licenses as a No.3 and No.4 business operator under the Act on Specified Joint Real Estate Enterprises. Acquiring these licenses will enable it to form crowdfunding projects using SPC. Utilizing crowdfunding in SPC will in principle enable the immediate recording of net sales for various types of fees such as for off-balancing and up-front fees for properties, which realizes such effects as lightening the balance sheet and bankruptcy remoteness. This will enhance eligibility as an investment target and is projected to promote participation in CREAL by financial institutions and institutional investors in addition to individual investors and can be expected to significantly expand the breadth of investment and the investment amount. Additionally, the leverage effect of borrowings can be expected to enhance yields for CREAL investors, further increasing the Company's earnings.

The current situation is that 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 payment), so for many funds this generates a time lag of about one year between the closing of the GMV and recording of gross profit. However, if it obtains No.3 and No.4 business operator licenses under the Act on Specified Joint Real Estate Enterprises and is able to utilize SPC, it will eliminate the time lag for the fixed fee portion of fixed fees (project origination, fund management handling and redemption fees) and variable fees (profit sharing of capital gains made through funds' external sales), which make up CREAL's gross profit (= GMV x Take Rate) Take Rate.

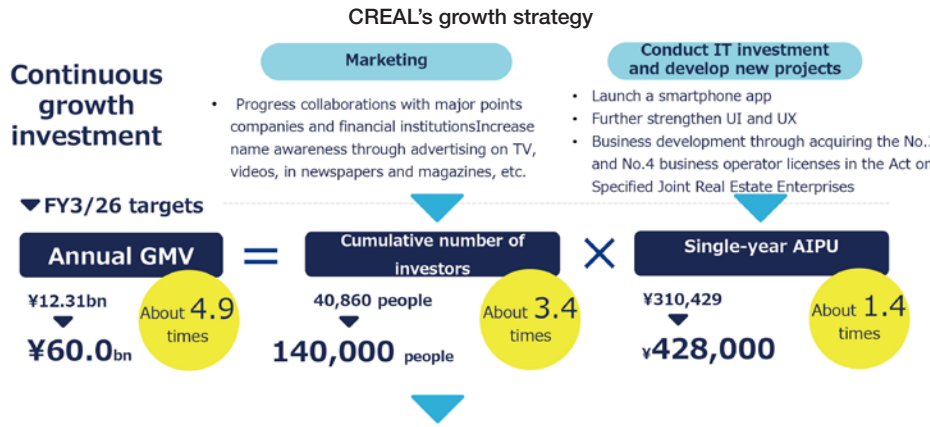
Considering the above, in the results for the fiscal year in which the license is obtained, the total of the fixed fees recorded with the sale after a time lag of about one year for those funds formed under the existing scheme and the fixed fees recorded with the new scheme during the same fiscal period without a time lag will be reflected in the gross profit, and this is expected to result in a very large increase in profit. This raises concerns of a downward rebound from the fixed fee time lag decreasing profits in the next fiscal year, but increasing GMV by expanding the amount invested in such ways as full-scale utilization of SPC to increase the number of client investors and participation by financial institutions and institutional investors is planned to maintain sustain high growth.

In this way, acquiring the No.3 and No.4 business operator licenses in the Act on Specified Joint Real Estate Enterprises can be expected to fundamentally transform the Company's business model and to become the major driving force in creating even higher growth and higher earnings than before. The Company has positioned the high growth of CREAL, which it expects from building the new business scheme that will utilize SPC, to be the core of its management strategy in the future, and in FY3/26, it is targeting GMV of ¥60.0bn and 140,000 members. In addition, to strongly support the high growth of CREAL and establish its position as the leading asset management service, the Company intends to proactively invest in various types of IT such as AI and DX, as well as release new functions, including in collaboration with major point companies and financial institutions and marketing using mass media like TV.

Moreover, the Company is also expanding its customer base and strengthening its capabilities to find and operate properties in addition to having a policy of proactively considering M&A to expand business overseas.

Medium- to long-term growth strategy

In addition to these measures for CREAL, the Company’s plan is to accelerate growth by the previously described continuous evolution of CREAL PB’ DX platform and to expand the management base by further strengthening synergies between CREAL and CREAL PRO.



**CREAL = established a position as the “leading asset management service”**

Source: The Company’s financial results briefing materials

## Shareholder returns policy

**Policy is to consider paying a dividend while also maximizing shareholder profits through further growth and maintaining a balance with internal reserves**

At the present time, the Company has not yet decided on a specific shareholder returns policy. Conversely, as the first method of returning profits to shareholders, it is aware that strengthening profitability in order to secure the funds to pay a dividend and continuously and stably paying a dividend is an important management issue. Also, it is currently in a growth process and in addition to supplementing internal reserves, it considers that effectively utilizing these reserves as the business funds for further growth will maximize returns to shareholders in the future. Going forward, its basic dividend policy is to comprehensively consider the business environment and management performance and financial position, and to consider paying a dividend while maximizing shareholder profits through further growth and also while maintaining a balance with internal reserves.





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