

# **SYLA Technologies Co., Ltd.**

**SYT NASDAQ**

1-Oct.-2024

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## Summary

### PropTech company that operates “Rimawari-kun,” a real estate crowdfunding platform

SYLA Technologies Co., Ltd. <SYT> (hereafter “the Company”) states as its mission, “Democratizing real estate investment around the world, enriching the 100-year life era with technology and asset management.” The Company is a PropTech\* firm that, since its founding, has focused on the real estate development business, on which its planning, development, construction, management and brokering, primarily of investment condominiums, are based. It also operates Rimawari-kun, a real estate crowdfunding platform, and is developing a renewable energy-related business. In March 2023, it became the first Japanese real estate company to be listed on the NASDAQ in the U.S.

\* PropTech is a word coined from the combination of “property” and “technology.” It is used to refer to digital transformation in the asset management field through real estate, utilizing advanced technologies. While it is seen as synonymous with RealTech (a combination of “real estate” and “technology”), in recent years the field is more commonly referred to as PropTech.

#### 1. Overview of FY12/23 results

In the FY12/23 results, revenue increased 3.1% year on year (YoY) to ¥22,743mn, operating income from continuing operations rose 85.1% to ¥1,441mn, and net income attributable to SYLA Technologies Co., Ltd. went up 72.5% to ¥681mn. EBITDA (operating income from continuing operations + depreciation and amortization expenses) increased 60.4% to ¥1,742mn. Revenue reached a record high, while operating income from continuing operations rose significantly above initial plan. Revenue from real estate sales fell 10.8% YoY due to a decline in the number of units sold, but with construction completed on a total of eight buildings and the sale of another six, the business can be said to be generally going well. Revenue from land sales surged 2.1 times due to the sale of large development sites for development. As recurring revenue, income from real estate leasing and real estate management grew steadily. On the profit side, SG&A expenses increased by 45.0% due to an increase in personnel costs, IPO-related expenses, and M&A-related expenses (with the SG&A expenses ratio rising by 5.2 percentage points). However, gross profit increased by 53.7% (an increase of 8.0 percentage points in the gross profit margin) due to the sale of high-margin properties which absorbed the increase in SG&A expenses, resulting in an increase in profit.

#### 2. FY12/24 forecast

The Company’s results for FY12/24 are forecasted in a range, calling for revenue to increase between 20.9% and 31.9% YoY (to between ¥27,500mn and ¥30,000mn) and for operating income from continuing operations to decrease between 48.0% and 23.7% (¥750mn to ¥1,100mn). On the revenue side, the Company expects to complete construction on 14 buildings in the real estate development business, and a significant increase in revenue is expected, driven by the effects of the collaboration with Private Fund Managed by BlackRock’s Real Estate Business and an increase in fee income from mezzanine finance license related to Rimawari-kun. On the cost side, the Company anticipates an increase in SG&A expenses, including from M&A-related expenses and investments in the DX technology field, among others. The Company plans to accelerate business expansion by leveraging customer cross-referrals with ietty, an online real estate rental brokerage app, in an effort to reduce advertising expenses, while also strengthening efforts to increase the number of investment members (both new investments and re-investments).

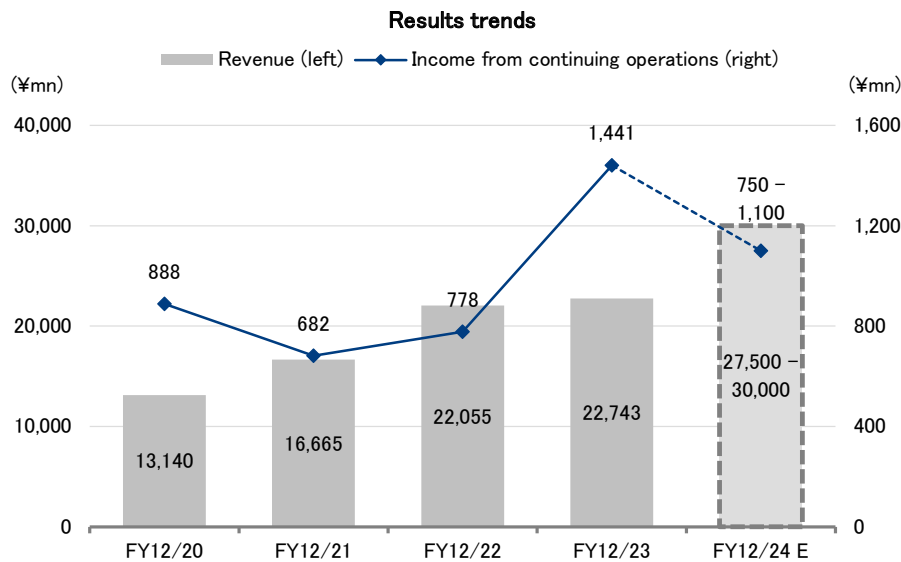
Summary

3. Growth strategy

In January 2024, the Company announced Growth 2026, its growth strategy. It calls for medium-term quantitative targets including revenue of between ¥27.5bn and ¥30.0bn in FY12/24, revenue of ¥34.0bn in FY12/25 and revenue of ¥41.0bn in FY12/26, the final year of the strategy (all of which exclude M&A). To expand sales, the Company aims for organic growth of 20% or more, an expansion of its own services and products, and the promotion of strategic M&A. At the same time, its basic strategy also includes improving profit margins by bringing real estate construction in-house and through the growth of the Rimawari-kun business. In the business, the Company expects to improve convenience through the dedicated Rimawari-kun app and through the Rimawari-kun points linked with Rakuten points and to get membership on a growth track through customer cross-referrals with the ietty business and other synergies. By nurturing relationships with both its new and existing members, it will boost new investments and reinvestments as well. In addition, in November 2023, the Company gained the ability to also use bank loans in structuring projects, and plans to advance the creation of large-scale funds.

Key Points

- A PropTech company listed on the NASDAQ. It operates a real estate developer business and Rimawari-kun, a real estate crowdfunding platform, and is developing a renewable energy-related business
- Profits increased significantly in FY12/23
- A decline in profits forecast for FY12/24 with an increase in SG&A expenses, but on track for a significant increase in revenue due to an increase in completed construction projects, etc.
- Seeking organic growth of 20% or more



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

## ■ Company profile

### The first Japanese real estate company to be listed on the NASDAQ

#### 1. Company profile

In March 2023, the Company became the first Japanese real estate firm to list on the NASDAQ in the U.S. It states as its mission, “Democratizing real estate investment around the world, enriching the 100-year life era with technology and asset management.” The Company is a PropTech firm that, since its founding, has focused on the real estate development business, on which its planning, development, construction, management and brokering, primarily of investment condominiums, are based. It also operates Rimawari-kun, a real estate crowdfunding platform, and is developing a business in renewable energy.

As of July 1, 2024, the SYLA Technologies Group comprised a total of six companies, including the Company itself, which is a holding company (Head office: Hiroo, Shibuya-ku, Tokyo), four consolidated subsidiaries (SYLA Co., Ltd., SYLA Realty Co., Ltd., SYLA Brain Co., Ltd., and SYLA Solar Co., Ltd.) and one equity method affiliate (CUMICA CORPORATION <8887>).

Note that SYLA Solar was formerly known as Nihon Taiyoko Hatsuden Co., Ltd. It is involved in building and managing solar power plants and retail sales of electric power. After becoming a subsidiary of SYLA Holdings Co. Ltd. (now SYLA Technologies) in February 2022, by November 2023 it had absorbed and merged with seven subsidiaries, including SYLA Power Co., Ltd. (formerly Aichi Electric Power Co., Ltd.). Further, on July 1, 2024, it merged with SYLA Biotech Co., Ltd., a company engaged in the sale and maintenance of containerized data center pods equipped with solar panels. The Company also took a 20.39% stake in CUMICA, making it the firm’s largest shareholder. Since the Company has also sent one director to serve on CUMICA’s board, it is possible CUMICA may become a consolidated subsidiary from FY12/25, based on the substantive control standard.

#### 2. History

SYLA and Yukes Asset Management Co., Ltd. (now SYLA Technologies) were founded in September 2010\*1. Later, in July 2013, it changed the name of Yukes Asset Management to SY Holdings Co., Ltd., and in October 2017, it was made a subsidiary of SYLA through a stock swap. In June 2018, the name of SY Holdings was changed to SYLA Holdings Co., Ltd., and then to its current name in July 2022 (with the Group companies also changing their name at the same time). In March 2023, SYLA Technologies was listed on the NASDAQ market in the U.S.\*2.

\*1 While the Company was registered in March 2009, it defines September 29, 2010, as its founding date, as that was when it began business.

\*2 The Company is listed on the U.S. NASDAQ (it is not listed on the stock market in Japan), but can be traded in Japan through SBI Securities, Rakuten Securities and Monex.

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Company profile

In business development, M&A and alliance-related matters, in June 2021, SYLA released Rimawari-kun, and began linking Rimawari-kun with the Rakuten point system in December of that year. In December 2021, it made DEVEL Co., Ltd. (now SYLA Brain) a subsidiary, and did the same with Nihon Taiyoko Hatsuden (now SYLA Solar), a solar power generation system integrator, in February 2022. In May of the same year, SYLA Technologies established RE100 Co., Ltd., engaged in the sale and maintenance of solar panel-equipped containerized data centers (changing its name to SYLA Biotech in July 2022, after which it was merged with SYLA Solar in July 2024). In October 2023, SYLA acquired ietty, an AI-based online real estate brokerage business from ietty, Inc. (the business is operated by SYLA Realty, established in June 2023). In November of that year, SYLA also acquired StarPaint, a construction painting franchise business, from ETP Inc. to expand its business in the construction field. In December 2023, they collaborated with BlackRock of the U.S. and in January 2024, they entered into a capital and business alliance with CUMICA (formerly RIBERESUTE). In July of the same year, SYLA Solar merged with SYLA Biotech. CUMICA has issued new shares through a third-party allotment in August 2024, and delivered 1,470,500 shares to the Company via exercise of its subscription rights with an effective date of August 28, 2024 (announced on August 7, 2024). As a result, the Company's stake in CUMICA has increased from 20.94% to 30.58%. The Company plans to further advance its collaboration in condominium development as part of its joint projects with CUMICA.

History

Date	History
March 2009	SYLA Co., Ltd. and Yukes Asset Management Co., Ltd. are established (registered)
September 2010	SYLA, Yukes Asset Management begins business (defined as the founding date)
January 2012	SYLA begins sales of SYFORME IRIYA, its first self-branded condominium
July 2013	Name of Yukes Asset Management is changed to SY Holdings Co., Ltd.
July 2015	SYLA begins sales of Ryogoku Park House, its first renovation project
November 2016	SYLA begins sales of SYFORME KEIKYU-KAMATA, a special zone private lodging condominium.
October 2017	SYLA Holdings makes SYLA a subsidiary through a stock swap
June 2018	The name of SY Holdings is changed to SYLA Holdings Co., Ltd.
December 2018	SYLA begins sales of SYFORME YOKOHAMA-ODORIKOEN, a SYLA IoT condominium
November 2020	SYFORME HIGASHI-SHINJUKU II, developed and sold by SYLA, wins an Excellent Business Award
February 2021	SYLA begins sales of the industry's first SENIOR TECH MANSION condominium
June 2021	SYLA begins its Rimawari-kun service, a real estate crowdfunding platform
September 2021	SYLA obtains a special construction business license, making in-house construction possible
December 2021	Rimawari-kun beings link with Rakuten Point online DEVEL Co., Ltd., developer of GOD AI and other systems, is made a subsidiary (name changed to SYLA Brain Co., Ltd. in July 2022)
February 2022	Nihon Taiyoko Hatsuden Co., Ltd., a solar power generation system integrator, is made a subsidiary (name changed to SYLA Solar Co., Ltd. in July 2022)
March 2022	Obtains environmentally friendly ZEH-M (ZEH Mansion) oriented certification
May 2022	Rimawari-kun becomes the No. 1 real estate crowdfunding service in Japan in terms of members. Establishes RE100.com Co., Ltd. to sell and operate containerized data centers (name changed to SYLA Biotech Co., Ltd. in July 2022)
July 2022	SYLA Holdings name is changed to SYLA Technologies Co., Ltd. (four other Group companies' names changed at the same time)
December 2022	SYLA completes construction of SYFORME HIGASHI-IKEBUKURO, its first property constructed in-house
March 2023	Company lists on the NASDAQ market in the U.S.
October 2023	SYLA acquires the ietty business, an online real estate rental brokerage app, from ietty, Inc. (business operated by SYLA Realty Co., Ltd., established in June 2023)
November 2023	SYLA acquires StarPaint, a construction painting franchise business, from ETP Inc., to expand its business in the construction field SYLA Technologies establishes the Japan Real Estate Crowdfunding Association as joint representative
December 2023	Cooperation with the private fund managed by the real estate division of BlackRock <BLK> of the U.S. for investment in Japanese real estate projects SYLA completes construction on SYFORME TABATA, its first ZEH condominium
January 2024	Capital and business alliance with RIBERESUTE (now CUMICA CORPORATION <8887>)
February 2024	SYLA releases dedicated app for Rimawari-kun
March 2024	SYLA Solar enters comprehensive business alliance with LIVE THE CREATIVE, Inc.
June 2024	SYLA completes construction on SYLA TOYOCHO in Koto-ku, Tokyo, the company's first office building

Source: Prepared by FISCO from the Company's website, interviews, and news releases

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## Business description

### Real estate and land sales represent about 90% of consolidated net revenue

#### 1. Business description

Under the Company, a holding company engaged in the PropTech business, consolidated subsidiary SYLA operates a real estate development business and Rimawari-kun, a real estate crowdfunding platform. SYLA Realty runs the ietty business, an online real estate rental brokerage app, while SYLA Brain develops real estate data analysis AI and business automation systems, and SYLA Solar is engaged in the renewable energy-related business.

Group composition and business description (as of August 7, 2024)

Company name	Consolidation	Business description
SYLA Technologies Co., Ltd. (the Company)	Holding company	ProTech business
SYLA Co., Ltd.	Consolidated subsidiary	Real estate development business including investment condominiums, etc. in the 23 wards of Tokyo, and in Yokohama and Kawasaki area Operates the Rimawari-kun real estate crowdfunding platform business
SYLA Realty Co., Ltd.	Consolidated subsidiary	The ietty online real estate rental brokerage app business
SYLA Brain Co., Ltd.	Consolidated subsidiary (67.0% stake)	Development of real estate data analysis AI and business automation systems
SYLA Solar Co., Ltd.	Consolidated subsidiary	Solar power generation and other renewable energy-related businesses (Merged with SYLA Biotech Co., Ltd., developer of containerized data centers, etc.)
CUMICA CORPORATION <8887>	Equity-method affiliate (30.58% stake*)	Business related to development of family-type condominiums, etc. in the southern Kanto region

\* CUMICA has issued new shares through a third-party allotment in August 2024, and delivered shares to the Company via exercise of its subscription rights with an effective date of August 28. As a result, the company's stake has increased from 20.94% to 30.58%.  
 Source: Prepared by FISCO from the Company's website, interviews, and news releases

#### 2. Revenue breakdown by business segment

The SYLA Group operates in a single, real estate-related segment, but broadly speaking, it is engaged in the real estate development business, operation of the Rimawari-kun platform, and the renewable energy-related business. The revenue breakdown by business segment includes real estate sales—primarily investment condominiums—land sales, rental income from real estate, property management income, sales of solar facilities related to solar power generation, operation and maintenance of solar power facilities, income from electricity sales, sales of solar panel-equipped containerized data centers, and container maintenance.

Looking at revenue trends by business segment over the past four fiscal periods (FY12/20 to FY12/23), although sales of real estate and land tend to fluctuate depending on the properties delivered, the combined total of real estate and land sales represent about 90% of consolidated net revenue. While there were no revenues generated from land sales in FY12/20, they went on to rise rapidly, to ¥240mn in FY12/21, ¥1,670mn in FY12/22, and increasing 2.1 times YoY to ¥3,536mn in FY12/23. This is due to a one-time factor in which land initially procured for condominium development was later sold because it could be expected to generate profits comparable to those from in-house development and sales.

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## Business description

## Change in revenue by business

	(¥mn)			
	FY12/20	FY12/21	FY12/22	FY12/23
<b>Revenue</b>				
Real estate sales	11,837	15,010	17,978	16,031
Land sales	-	240	1,670	3,536
Real estate rental income	834	893	1,007	1,136
Real estate management income	467	520	623	766
Solar power facilities sales	-	-	561	633
Solar power facilities operation and maintenance	-	-	28	33
Electricity sales	-	-	185	214
Sales of containerized data centers	-	-	-	373
Container maintenance	-	-	-	18
<b>Total (consolidated net revenues)</b>	<b>13,140</b>	<b>16,665</b>	<b>22,055</b>	<b>22,743</b>
<b>Sales distribution ratio</b>				
Real estate sales	90.1%	90.1%	81.5%	70.5%
Land sales	0.0%	1.4%	7.6%	15.5%
Real estate rental income	6.4%	5.4%	4.6%	5.0%
Real estate management income	3.6%	3.1%	2.8%	3.4%
Solar power facilities sales	-	-	2.5%	2.8%
Solar power facilities operation and maintenance	-	-	0.1%	0.1%
Electricity sales	-	-	0.8%	0.9%
Sales of containerized data centers	-	-	-	1.6%
Container maintenance	-	-	-	0.1%
<b>Total (consolidated net revenue)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: The Company listed on the NASDAQ market in the U.S. in March 2023

Source: Prepared by FISCO from the Company's materials

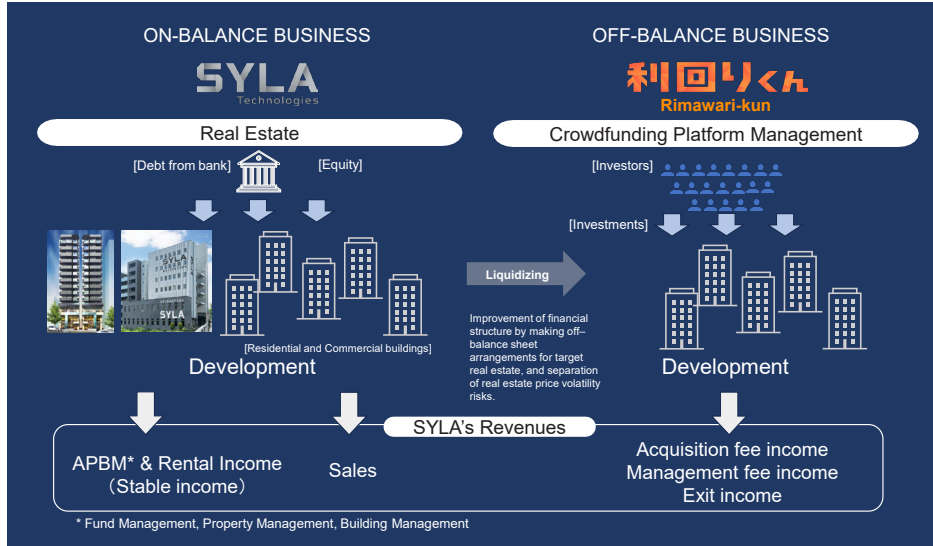
The real estate development business is basically funded primarily through bank loans and funds on hand, but the Company also recovers funds through the sale of properties, as well as by taking on building management and other services for some properties. Further, by utilizing its operation of the Rimawari-kun platform, it can take target real estate off balance sheet (by selling properties constructed by the real estate development business to a Rimawari-kun fund), thus improving the Company's financial structure while isolating real estate price fluctuation risk and reducing the risk of fluctuations in performance. The Company's business model is characterized by ongoing income from its APBM business (fund management, property management, building management), obtained following property sales, including properties sold to Rimawari-kun funds, which, along with rental income from its own real estate, provides a stable revenue source.

In the Rimawari-kun business, investment real estate includes not only residential and commercial facilities, but a wide range of other properties, including those related to renewable energy and regional revitalization. Revenues include fee income recorded as part of the asset management business (acquisition fees, management fees, exit fees). Data on this revenue is not currently disclosed due to its small impact on consolidated financial results, but is included in real estate sales, real estate management income, and real estate rental income, respectively.



Business description

Diversification of financing methods



Source: The Company's investor presentation materials

## Real estate development business centers on SYFORME, the Company's own brand

### 3. Real estate development business

The real estate development business is conducted by SYLA, a subsidiary. The company plans, purchases, develops, constructs, sells, rents and manages various type of real estate, focusing primarily on investment condominiums such as its original SYFORME brand, while also handling rental of properties it owns itself. Aiming to provide compact condominiums with true value, the company supplies relatively compact, high-quality residences, commercial facilities and others suited to the characteristics of each area, primarily in Tokyo's 23 wards and the Yokohama and Kawasaki area. They focus primarily on sales of single buildings to corporations and funds and sales of individual units to investors, while post-sales income from rental and building management provides a stable source of revenue.

Since launching sales of SYFORME IRIYA, its first self-branded condominium, in January 2012, as of the end of FY12/23, the company has supplied a cumulative 79 buildings and a total of 57 buildings and 3,328 units under management, with an occupancy rate of 99.4% (figures include properties outsourced by Rimawari-kun funds). As of the end of April 2024, a cumulative total of 84 buildings had been supplied, with a cumulative 3,390 units under management and an occupancy rate of 99.8%. As of the end of FY12/23, company-held real estate offered for use as rentals included 13 commercial buildings (rental income of ¥380mn) and 267 residences (rental income of ¥338mn), and this also provides a stable source of revenue.

Business description

Real estate development and sales



Source: The Company's investor presentation materials

Main KPIs for real estate development business

FY	Cumulative number of buildings supplied	Cumulative number of buildings managed*	Cumulative number of units managed	Occupancy rate
FY12/12	5	4	223	94.6%
FY12/13	10	9	435	97.5%
FY12/14	17	15	824	98.9%
FY12/15	21	18	1,163	98.8%
FY12/16	25	21	1,535	98.2%
FY12/17	31	27	1,856	99.0%
FY12/18	37	33	2,127	99.9%
FY12/19	45	39	2,478	99.7%
FY12/20	52	45	2,738	99.0%
FY12/21	60	48	2,863	98.7%
FY12/22	71	51	3,074	99.0%
FY12/23	79	57	3,328	99.4%

\* Cumulative number of buildings managed among buildings supplied  
 Source: Prepared by FISCO from the Company's materials

In September 2021, the real estate development business obtained a special construction business license, enabling the company to build the properties it had developed itself as well as to contract construction from other operating companies. In December of the following year, it completed construction of its first company-built property, SYFORME HIGASHI-IKEBUKURO. In addition to existing mainstay business in residential development, the company reinforced its system to acquire and develop large-scale projects including office buildings, commercial buildings and lodging facilities. In December 2023, it opened SYLA HOTEL ZUSHI-HAYAMA (Accommodation capacity 6-12 guests, operated by Compass Corp.), the first in its SYLA HOTEL series, the company's own brand of resort-type hotels. Further, in March 2024, it began construction on SYLA TOYOCHO in Koto-ku, Tokyo, the company's first office building.

Business description

In November 2023, the company acquired StarPaint, a construction painting franchise business, from ETP, and entered into a business alliance with a major paint company listed on the Tokyo Stock Exchange. With this, the company will work with the franchisees to offer services rooted in the community while also reducing construction costs for SYLA and the cost of major renovations of its managed properties, and expand into the single-family home remodeling field as a new business. In May 2024, the company opened the StarPaint Wakayama Showroom, its first franchise store since acquiring the StarPaint business.

In December 2023, the company agreed on a collaboration with the private fund managed by the real estate division of BlackRock of the U.S. SYLA will strengthen their mutual collaboration including by offering investment opportunities in real estate projects in Japan, primarily around the SYFORME series developed by SYLA. In conjunction with this, the company sold four properties to BlackRock (three buildings in FY12/23 and one in January 2024). It is expected that SYLA will continue to deal with BlackRock as a major customer going forward.

In January 2024, SYLA entered into a capital and business alliance with CUMICA (formerly RIBERESUTE). CUMICA plans, develops, and sells primarily family-type condominiums in the southern Kanto area, and combined with SYLA will become one of the top condominium suppliers in the Tokyo metropolitan area. Through this capital and business alliance, it plans to supplement its real estate development areas and strengthen the development and sales of investment and family-type condominiums, while also advancing joint development of and joint projects involving large-scale properties. Through these steps aimed at expanding its business, SYLA will diversify its stock assets and expand revenue, and increase the number of variations in the products supplied by Rimawari-kun.

## Rimawari-kun, a real estate crowdfunding platform with the largest membership in Japan

### 4. Rimawari-kun business

In the Rimawari-kun business, subsidiary SYLA operates the Rimawari-kun platform as an asset management business. As of the end of FY12/23, Rimawari-kun had a cumulative 279,029 members and a cumulative total of 64 projects with a gross merchandise value (GMV) of ¥5,337mn. Fee income from this asset management business (acquisition fees, management fees, exit fees) was an average of 5 to 6% of GMV x take rate (= gross profit); from this amount, operating expenses are subtracted to arrive at operating income from continuing operations. Thus, as the fund's GMV or its AUM (assets under management) grows, the business model is designed to absorb operating expenses and increase operating income from continuing operations, resulting in a higher operating income margin from those continuing operations.

#### Main KPIs for Rimawari-kun

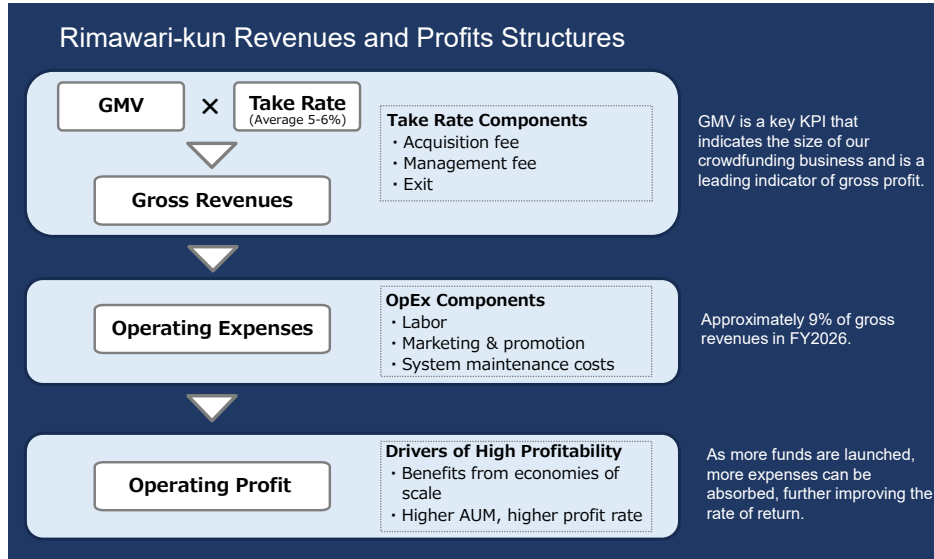
	(¥mn)		
	Cumulative number of members	Cumulative number of projects	Gross merchandise value
FY12/21	80,495	5	549
FY12/22	237,004	25	1,887
FY12/23	279,029	64	5,337

Note: Service began in June 2021

Source: Prepared by FISCO from the Company's results report and website

Business description

Crowdfunding business model



Source: The Company's investor presentation materials

Crowdfunding is a system by which funds needed to launch a new project are raised from a large number of unspecified people over the internet. Generally, the individuals or companies seeking to raise funds are called the initiators, while those providing funding for a project are referred to as supporters or backers. The advantage for the initiator is that this opens another path for fund raising outside of bank loans. The supporters, meanwhile, not only get to back the project, but can also expect a certain return on their support (business revenue, investment income, interest, rewards, etc.). These factors have seen crowdfunding rapidly grow in popularity as a new method of fund raising and asset management.

Real estate investment-based crowdfunding involves collecting funds from multiple investors, acquiring and managing real estate with those funds, and distributing profits—including profit on sales and rental income—back to the investors. Should the valuation of the managed assets decrease, investors are compensated for that decrease from the capital investment of the operating company, which participates in the investment as a subordinate investor. If such compensation is not possible even with the full amount of that capital, the system is designed to reduce the principal of the preferred investors. As a result, compared to loan-based crowdfunding or equity-based crowdfunding, where there is a risk of the investors' capital being entirely lost, this model as the advantage of offering a higher degree of security for the principal of preferred investors.

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Business description

Rimawari-kun is a platform on which SYLA, acting as a subordinate investor, creates a fund focused on real estate. The platform presents the target property, fundraising amount, expected yield\*, distribution schedule, and investment period to attract investments from investors. The fundraising amount, expected yield, distribution schedule, and investment period will differ depending on the target property, and depending on the type of partnership, the fund assets are kept off the balance sheet from SYLA's financial standing. The service launched in June 2021, and in addition to its accessibility, with investment starting from ¥10,000 per unit, the start of the platform's link with the Rakuten Point system in December 2021 further boosted the number of registered members, which grew rapidly. Within two years of its launch, the platform's cumulative membership became the largest in Japan and it grew to become one of the world's leading real estate crowdfunding platforms. In February 2024, the company released a dedicated app for Rimawari-kun, further enhancing convenience by making it possible to process investments via smartphone. The platform is also characterized by the fact that its advertising expenses and other member acquisition costs are low in comparison to general types of crowdfunding thanks to the effect of its link with the Rakuten Point system.

\* The expected return obtainable from rental income, profit on sales, etc.

Through its service concept of "social contribution, regional development, and support for people's dreams and challenges," the Rimawari-kun platform aims to realize a society in which real estate investment becomes a familiar and chosen method of asset formation. Target real estate is not limited to properties developed and sold through SYLA's real estate development business, but includes residential and commercial facilities, hotels and so on, as well as a broad range of funds to support renewable energy and regional revitalization projects nationwide. The platform's track record thus far shows an average fund size (fundraising amount) of less than ¥100mn, an average investment period of about one year and an average annual return of about 4%. However, there is an increasing trend toward the formation of large-scale funds in amounts of over ¥100mn.

Specific examples of funds formed on the Rimawari-kun platform include the Taiki Town Rocket Fund (Nos. 1-3). This support-type fund relates to the "ZERO" rocket designed to launch an ultra-compact satellite, which is being developed and manufactured by Interstellar Technologies, Inc., a space business development firm founded by Takafumi Horie. The target real estate for the fund between 2021 and 2022 was the factory being built to develop and manufacture ZERO. In 2021 and 2022, a fund for the INUNeko Hills (vol. 1-3) project, a pet-friendly condominium developed by Yusaku Maezawa, were created. This was a support-type fund to support activities aimed at creating a society in which no dogs or cats are euthanized. In addition, a fund was formed for ABURAJIMA, a solar-powered data center that began operation as a joint project between SYLA Solar and SYLA Biotech, both Group companies. This is another support-type fund aimed at supporting a sustainable solar-powered data center run 100% on renewable energy. In October 2023, the AZABUDAI PARKHOUSE fund was formed, a large-scale fund that raised ¥529mn, the largest amount ever for Rimawari-kun. The fund was created for a penthouse on the top floor of the AZABUDAI PARKHOUSE, a large-scale luxury condominium aimed at high-net-worth individuals. It was initially structured as a high-yield property offering a 5.0% yield, unusual for central Tokyo (this was later changed to 7.0%). In March 2024, a donation-based crowdfunding campaign was launched to support the preservation of cultural assets at Henjomon-in, a temple on Mt. Koya and a valuable cultural heritage site in Japan.

#### Business description

In addition, SYLA operates the ietty business, which has one of the largest registered memberships in Japan. SYLA acquired the business from ietty in October 2023. It features an ability to streamline the rental brokerage process by enabling users to do everything from searching and viewing properties to completing rental contracts via their smartphones. Because it also includes properties that have not been made public on the internet, demand for the service is growing, primarily among young people in their 20s and 30s. In March 2024, registered members numbered 300,000 people, and that had grown to more than 400,000 in May of the same year. The company plans to enhance group synergies by improving occupancy rates for its own SYFORME brand series and through customer cross-references with the Rimawari-kun platform.

SYLA Brain, another subsidiary, focuses on developing AI and RPA business systems to streamline Group operations, as well as consulting on deployment of corporate business automation and AI systems and real estate investment and asset management consulting. Key services include Rimawari-kun AI, which uses AI to automatically calculate indicators from real estate data, including fair prices and theoretical yields, to identify and notify users of good deals. It also offers GOD GPT, a system customized for ease of use based on large language models (LLMs) such as ChatGPT.

## Solar power generation and other renewable energy-related businesses also grew

### 5. Other businesses

In other businesses, the Company is engaged in the renewable energy-related business. SYLA Solar, a subsidiary, is involved in the design, construction, procurement, sale, operation and maintenance of non-FIT solar power generation facilities\*, as well as the sale of electricity and renewable energy-related products. Additionally, the former SYLA Biotech is engaged in the sale and maintenance of containerized data centers equipped with solar panels and in biomass power generation, among others.

| \* Refers to power generation facilities to which the set price "Feed-in Tariff" power purchasing system does not apply. |

The strength of the business lies in offering a total solution encompassing everything from the installation and sale of solar power generation systems to maintenance and electricity sales, and in leveraging the Group's Rimawari-kun platform to secure investments from investors. With Rimawari-kun, SYLA Solar and SYLA Biotech began operation of ABURAJIMA, a joint project solar-powered data center, in July 2022. In August of that year, SYLA formed the ABURAJIMA fund utilizing Rimawari-kun.

In December 2023, SYLA Solar participated in the UMABA PROJECT, a next-generation solar sharing project in Miyoshi, Tokushima Prefecture, as the designer and builder of the project's solar power generation equipment. The project is designed to advance the diffusion and promotion of renewable energy in mountainous regions, as well as to revitalizing declining agriculture and ensuring a stable agricultural workforce by making effective use of fallow and devastated agricultural lands. The project is expected to result in the creation of a self-sustaining, horizontally deployable independent agricultural solar system, contributing to the realization of a decarbonized society. In March 2024, SYLA Solar entered into a comprehensive business alliance agreement with Live The Creative, Inc. By combining SYLA Solar's expertise in solar power plant development and Live The Creative's drone technology for surveying work, the company aims to improve the accuracy and efficiency of on-site land surveys and enhance the efficiency of the overall development process.

## Business description

**6. Risk factors, countermeasures and issues**

Common risk factors in the real estate business include real estate market conditions (including land prices, rents, office vacancy rates, rental housing occupancy rates, etc.), the impact of interest rate fluctuations, rising construction costs, inventory risks related to development properties and land, and legal regulations. However, the Company leverages the operation of Rimawari-kun to improve its financial structure by keeping the target real estate off balance sheet and isolating the risk of real estate price fluctuations. Additionally, its business model ensures stable revenue sources through APBM income after property sales as well as rental income from the Company's own real estate holdings. Compared to the typical real estate developer, the Company has taken steps to reduce performance fluctuation risks and make its services more user-friendly.

## Results trends

### FY12/23 saw a significant increase in both revenue and profit

**1. Overview of FY12/23 results**

In the FY12/23 results, revenue increased 3.1% YoY to ¥22,743mn, operating income from continuing operations rose 85.1% to ¥1,441mn, and net income attributable to SYLA Technologies Co., Ltd. went up 72.5% to ¥681mn. EBITDA (operating income from continuing operations + depreciation and amortization expenses) increased 60.4% to ¥1,742mn. Revenue reached a record high, while operating income from continuing operations rose significantly above initial plan.

**Overview of FY12/23 consolidated results**

	FY12/22		FY12/23		YoY	
	Results	% of revenue	Results	% of revenue	Change	% change
Revenue	22,055	100.0%	22,743	100.0%	687	3.1%
Cost of revenues	18,451	83.7%	17,205	75.7%	-1,246	-6.8%
Gross profit	3,603	16.3%	5,537	24.3%	1,933	53.7%
Operating expenses (SG&A expenses)	2,825	12.8%	4,096	18.0%	1,271	45.0%
Income from continuing operations	778	3.5%	1,441	6.3%	662	85.1%
Other income	201	0.9%	146	0.6%	-55	-27.3%
Other expenses	323	1.5%	570	2.5%	246	76.2%
Income tax expense	345	1.6%	265	1.2%	-79	-22.9%
Net income from continuing operations	310	1.4%	749	3.3%	438	141.1%
Income (loss) from discontinued operations, net of income taxes	78	0.4%	-6	-0.0%	-85	-
Net income	389	1.8%	742	3.3%	353	90.7%
Net income attributable to SYLA Technologies Co., Ltd.	394	1.8%	681	3.0%	286	72.5%
EBITDA	1,086	4.9%	1,742	7.7%	656	60.4%
Net income attributable to SYLA Technologies Co., Ltd. per share						
Basic	1,650.09	-	2,671.99	-	1,021.90	61.9%
Diluted	1,393.86	-	2,241.19	-	847.33	60.8%
ROE	6.7%	-	8.0%	-	1.3pp	-
Number of shares (stock) issued as of fiscal year end	239,489	-	260,891	-	21,402	-

Note: EBITDA= Net income from continuing operations + Depreciation and amortization expenses

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

## Results trends

The breakdown of revenue includes ¥16,031mn in real estate sales, ¥3,536mn in land sales, ¥1,136mn in real estate rental income, ¥766mn in real estate management income, ¥633mn in solar power equipment sales, ¥33mn in solar power facility operation and maintenance, ¥214mn from electricity sales, ¥373mn in container sales, and ¥18mn in container maintenance and management. Net revenue from real estate sales declined 10.8% YoY due to a decline in the number of units sold (588 in FY12/22 versus 446 in FY12/23). However, the business is generally strong, with a total of eight buildings completed (seven in the SYFORME series and one SYLA TERRACE), and a total of six buildings sold (including three SYFORME series buildings sold to BlackRock of the U.S.). Net revenue from land sales grew rapidly by 2.1 times over the previous fiscal year. This was due to a one-time factor consisting of the sale of land for large-scale development. As recurring revenue, income from real estate rentals and real estate management have grown steadily. In the renewable energy business, sales of solar power equipment and income from electricity sales also saw strong growth. Revenue from the sale of containerized data centers is new addition.

In terms of profit, operating expenses (SG&A expenses) increased by 45.0% YoY (and the SG&A expenses ratio also rose by 5.2 percentage points) due to higher personnel costs associated with strengthening the management structure, increased IPO-related costs including stock compensation and attorney's fees in conjunction with the NASDAQ listing, and increased M&A-related expenses. However, gross profit rose by 53.7% YoY, driven by the sale of high-margin properties such as large-scale development sites. This resulted in an 8.0 percentage point increase in the gross profit margin, which offset the increased SG&A expenses and led to a rise in overall profits. As a result, the operating income margin from continuing operations rose 2.8 percentage points to 6.3%.

**2. Financial condition**

On the financial side, total assets as of the end of FY12/23 increased by ¥10,291mn YoY to ¥40,084mn. Primarily, cash and cash equivalents rose by ¥1,474mn and inventories increased by ¥6,332mn. Total liabilities rose by ¥5,677mn to ¥28,903mn. Interest-bearing debt balance (long- and short-term loans, bonds, and interest-bearing debt) increased ¥5,920mn to ¥25,853mn. Total equity rose ¥4,613mn to ¥11,180mn. In March 2023, when the Company was newly listed, capital surplus increased by ¥2,000mn due to fundraising, and retained earnings rose by ¥646mn, with an increase in non-controlling interests of ¥2,042mn. As a result, equity ratio rose 1.3 percentage points to 21.2%. While the balance of interest-bearing debt increased with business expansion, the DE ratio (debt-to-equity ratio) was 3.0 times, and the interest-bearing debt dependency ratio was 64.5%. Neither level is of particular concern for the real estate industry, and FISCO believes that the Company is prudent in managing its financial risk. The Company plans to target a medium-term equity ratio of 30%.



## Results trends

## Simplified balance sheets

	End of FY12/22	End of FY12/23	Change
	(¥mn)		
Total asses	29,792	40,084	10,291
Current assets	14,299	22,583	8,283
Cash and cash equivalents	2,542	4,017	1,474
Inventories	10,517	16,849	6,332
Non-current assets	15,493	17,500	2,007
Property, plant and equipment	10,592	12,366	1,774
Total liabilities	23,226	28,903	5,677
Current liabilities	5,132	11,997	6,864
Short-term loans	697	1,692	995
Current portion of long-term loans	1,030	7,243	6,212
Current portion of long-term bonds	126	107	-18
Non-current liabilities	18,093	16,906	-1,187
Long-term loans	15,257	14,308	-948
Long-term bonds	205	97	-108
Total equity	6,566	11,180	4,613
Capital surplus	2,987	4,988	2,000
Retained earnings	2,767	3,413	646
Noncontrolling interests	650	2,692	2,042
Equity ratio	19.9%	21.2%	1.3pp
Interest-bearing debt balance	17,317	23,448	6,131

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

## ■ Outlook

### A decline in income is forecast for FY12/24, but high growth is expected to continue with a significant increase on the revenue side

The Company's results for FY12/24 are forecasted in a range, calling for revenue to increase between 20.9% and 31.9% YoY to between ¥27,500mn and ¥30,000mn and for operating income from continuing operations to decrease between 48.0% and 23.7% to ¥750mn to ¥1,100mn. While income is expected to decline due to an increase in SG&A expenses, the Company plans to continue its high revenue growth with a significant increase in revenue. On the revenue side, the Company expects to complete construction on 14 buildings in the real estate development business, including the SYFORME series, and to see contributions from the collaboration with BlackRock of the U.S. and an increase in fee income from mezzanine finance license related to Rimawari-kun. On the cost side, the Company anticipates an increase in SG&A expenses, including from M&A-related expenses and investments in the DX technology field, among others. For Rimawari-kun, the Company plans to accelerate business expansion by leveraging customer cross-referrals with ietty, the online rental brokerage app, in an effort to reduce advertising expenses, while also strengthening efforts to increase the number investment members (both new investments and re-investments).

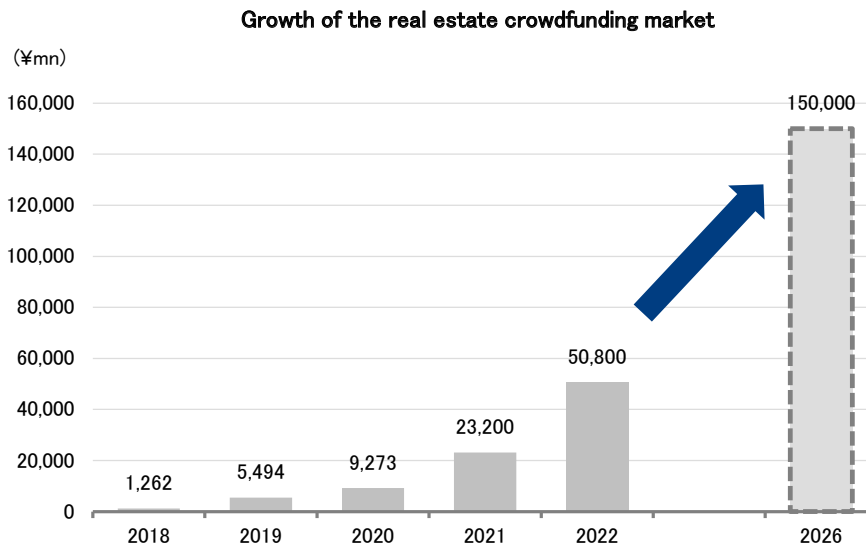
## Growth strategy

### The market environment is good, and the Company is aiming for organic growth of 20% or more

#### 1. Market trends

Conditions surrounding the Japanese real estate market are expected to see a long-term inflationary trend, driven by macro factors including a rise in land prices and rents, primarily in the Tokyo metropolitan area, rising prices for goods associated with a historic depreciation in the yen, and entry into an inflationary cycle accompanied by wage increases for the first time in 20 years. Further, business conditions surround the Company can be considered favorable, with investment funds flowing into the real estate market due to a government-led push for a shift from savings to investment and an increase in major foreign investors focused on the perceived undervaluation of the Japanese real estate market.

Along with these business conditions in the real estate market, an acceleration of DX in the real estate investment market targeted by the Company is also expected. A change in the law in May of 2022 removed the prohibition against online real estate contracts. In Japan, there are fewer people with real estate investment experience, including REITs, than in other countries. However, with an increasing awareness of crowdfunding and other factors, it is expected that going forward, there will be an influx of real estate investment money in Japan using crowdfunding. Note that according to Company materials, the size of Japan's real estate crowdfunding market is expected to grow from ¥50.8bn in 2022 to ¥150.0bn in 2026.



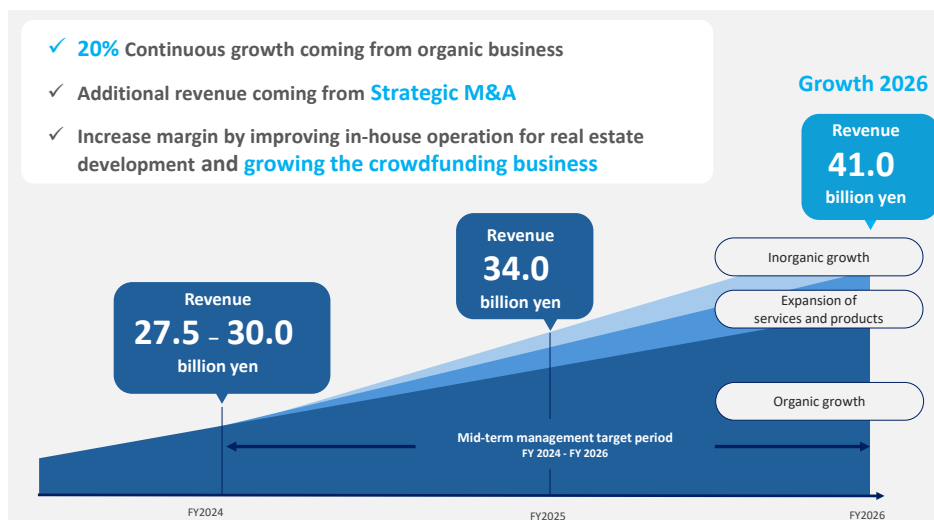
Source: Prepared by FISCO from the Company's investor presentation materials

Growth strategy

2. Growth strategy “Growth 2026”

In January 2024, the Company announced “Growth 2026,” its growth strategy for FY12/24 to FY12/26 centered around M&A. Its management targets include revenue of between ¥27.5bn and ¥30.0bn in FY12/24, revenue of ¥34.0bn in FY12/25 and revenue of ¥41.0bn in FY12/26 (all of which exclude M&A). Its basic strategy is to target organic growth of 20% or more to expand revenue, expand its own services and products, and promote strategic M&As (inorganic growth). It also plans to bring real estate construction in-house and grow the Rimawari-kun business to promote improvement in profit margins.

Growth strategy and mid-term management targets



In terms of strategies by business, in the real estate development business the Company aims to collaborate with BlackRock’s private funds, expand its real estate development business with CUMICA and supplement its areas of activity. It will also focus on promoting new product development and aims to grow and expand its real estate development business, including the SYFORME series in-house brand. In the Rimawari-kun business, the Company anticipates an increase in memberships through improved convenience with the February 2024 release of the dedicated Rimawari-kun app and the Rimawari-kun point linked with the Rakuten Point system, as well as synergies with the ietty business through customer cross-referrals. The Company also plans to control advertising and promotional expenses through the use of digital marketing. Additionally, it will promote new investments and reinvestments by nurturing both new and existing members. Also, starting in November 2023, the Company gained the ability to form projects using bank loans in conjunction with other funding. This will facilitate the formation of large-scale funds and aims to expand the size of each project. The target for 2026 is to achieve a cumulative membership of 500,000 and a total fund formation amount (on an AUM basis) of ¥60.6bn. In the renewable energy business, the Company will push to expand the business through full-scale development of its mainstay non-FIT solar power sources.

The Company’s M&A strategy focuses on the growth potential of target businesses as one means of expanding its own products and services, and plans to actively execute M&As. The criteria for M&A decision-making include companies that have a PBR of less than one times but that are expected to create synergies with the Company’s own technologies, as well as companies that can be expected to contribute to profits immediately upon acquisition. In addition, companies where net assets are undervalued relative to the fair value of their real estate holdings will also be considered. Recent M&A activity includes the acquisition of the ietty business and the StarPaint construction painting franchise business, as well as the capital and business alliance with CUMICA.

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

Growth strategy

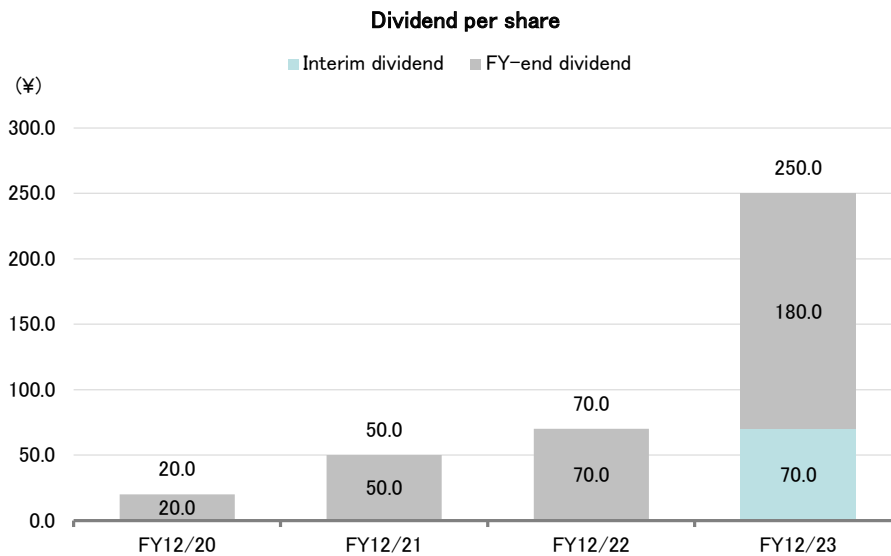
3. FISCO perspective

The Company is a PropTech firm that operates the Rimawari-kun platform based on its real estate development business. While it may be unfamiliar to Japanese investors since it listed directly on the NASDAQ in the U.S., this has also enabled it to move target real estate off the balance sheet by using its operation of Rimawari-kun and reduce the risk of performance fluctuations. Its business model is characterized by ongoing APBM income gained following the sale of property and rental income from its own real estate holdings, both of which provide a stable source of revenue. FISCO gives this business model strong marks. Further, as part of its growth strategy, the Company plans to utilize M&A and create Group synergies to grow in scale and improve profit margins. FISCO believes their progress with this growth strategy bears watching.

## Shareholder returns

### Shareholder returns target a payout ratio of 30%

While the Company has not disclosed its basic policy regarding shareholder returns, it has been paying dividends since FY12/13, prior to its listing, targeting a payout ratio of 30%, and it began implementing interim dividends from FY12/23. The dividend in FY12/23 was ¥250.0, an increase of ¥180.0 YoY (interim dividend of ¥70.0, fiscal year-end dividend of ¥180.0).



Source: Prepared by FISCO from the Company's results report and website

## ■ Sustainability

### Contribute through business to realizing a sustainable society

While the Company has not disclosed its basic policies and materialities regarding sustainability management, its shift in real estate investment to PropTech via the Rimawari-kun platform, its formation of support-based funds, and its efforts to promote a decarbonized society in its real estate development business and renewable energy-related business demonstrate that it plans to actively work to contribute to helping solve social issues and realize a sustainable society through its business.

In its real estate development business, in March 2022 the Company obtained environmentally friendly ZEH-M Oriented certification, and in December 2023 completed construction of SYFORME TABATA, the Company's first ZEH condominium. In addition, SYFORME MOTOMACHI-CHUKAGAI, another ZEH condominium completed in December 2023, received the Excellent Business Award in the mid- to high-rise studio condominium sales category at the 14th annual awards organized by the Japan Association of Home Suppliers to recognize excellent businesses. In the Rimawari-kun business, numerous support-based funds have been established for renewable energy and regional revitalization projects across the country. Further, in the renewable energy-related business, the Company has expanded its development and operation of solar power generating facilities, while also aiming to supply sustainable containerized data centers using 100% renewable energy through the introduction of biomass power generation.



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