

October 29, 2019

Arealink Co., Ltd.
TSE Mothers (8914)



Fiscal Year Ending 12/31/2019 3Q Financial Report Summary

■ Fiscal Year Ending 12/31/2019 3Q Financial Results

3Q (three-month period): Net sales up ¥200 million, operating income ¥100 million. Increases in ordinary income and net incomes

(In Millions of yen)	Nine Months Ended September 30,			Three Months Ended September 30,		
	2019 (Sales ratio)	2018 (Sales ratio)	YoY	2019 (Sales ratio)	2018 (Sales ratio)	YoY
Net sales	25,258 (100.0)	19,793 (100.0)	27.6%	5,113 (100.0)	5,849 (100.0)	-12.6%
Cost of sales	19,418 (76.9)	15,031 (75.9)	29.2%	4,004 (78.3)	4,427 (75.7)	-9.5%
Gross profit	5,839 (23.1)	4,762 (24.1)	22.6%	1,108 (21.7)	1,421 (24.3)	-22.1%
SG&A expenses	2,872 (11.4)	2,763 (14.0)	3.9%	774 (15.2)	917 (15.7)	-15.6%
Operating income	2,967 (11.7)	1,998 (10.1)	48.5%	333 (6.5)	504 (8.6)	-33.9%
Ordinary income	2,894 (11.5)	1,763 (8.9)	64.2%	422 (8.3)	418 (7.2)	0.8%
Net income	1,949 (7.7)	1,156 (5.8)	68.5%	262 (5.1)	245 (4.2)	7.0%

■ Fiscal Year Ending 12/31/2019 3Q Business Segments

3Q (three-month period): Both Property Management Service and Property Revitalization & Liquidation Service segments in line with plan; Decline in revenue and earnings

(In Millions of yen)		Nine Months Ended September 30,			Three Months Ended September 30,		
		2019 (Profit margin)	2018 (Profit margin)	YoY	2019 (Profit margin)	2018 (Profit margin)	YoY
Self-storage management	Net sales	9,506 (-)	8,262 (-)	15.1%	3,217 (-)	2,859 (-)	12.5%
	Gross profit	1,932 (20.3)	1,922 (23.3)	0.5%	692 (21.5)	668 (23.4)	3.6%
	Operating income	1,243 (13.1)	1,151 (13.9)	8.0%	421 (13.1)	380 (13.3)	10.6%
Self-storage brokerage	Net sales	9,201 (-)	7,683 (-)	19.8%	898 (-)	1,739 (-)	-48.3%
	Gross profit	1,589 (17.3)	1,617 (21.1)	-1.7%	145 (16.1)	374 (21.5)	-61.2%
	Operating income	924 (10.0)	940 (12.2)	-1.8%	14 (1.6)	166 (9.6)	-91.3%

Other property management service	Net sales	1,476 (—)	1,507 (—)	−2.1%	485 (—)	498 (—)	−2.6%
	Gross profit	594 (40.3)	597 (39.6)	−0.4%	187 (38.7)	193 (38.9)	−3.1%
	Operating income	477 (32.4)	457 (30.4)	4.4%	146 (30.2)	146 (29.5)	−0.1%
Property Management Service Segment Total	Net sales	20,184 (—)	17,453 (—)	15.7%	4,602 (—)	5,097 (—)	−9.7%
	Gross profit	4,117 (20.4)	4,137 (23.7)	−0.5%	1,025 (22.3)	1,236 (24.3)	−17.1%
	Operating income	2,645 (13.1)	2,549 (14.6)	3.8%	582 (12.7)	694 (13.6)	−16.1%
Property Revitalization & Liquidation Service Segment Total	Net sales	5,073 (—)	2,339 (—)	116.9%	510 (—)	751 (—)	−32.1%
	Gross profit	1,722 (33.9)	624 (26.7)	175.8%	83 (16.3)	185 (24.7)	−55.2%
	Operating income	1,223 (24.1)	426 (18.2)	187.0%	19 (3.8)	127 (17.0)	−84.6%
Management Division Expenses	Net sales	—	—	—	—	—	—
	Gross profit	—	—	—	—	—	—
	Operating income	(901)	(977)	−7.8%	(269)	(317)	−15.3%
Total for All Businesses	Net sales	25,258 (—)	19,793 (—)	27.6%	5,113 (—)	5,849 (—)	−12.6%
	Gross profit	5,839 (23.1)	4,762 (24.1)	22.6%	1,108 (21.7)	1,421 (24.3)	−22.1%
	Operating income	2,967 (11.7)	1,998 (10.1)	48.5%	333 (6.5)	504 (8.6)	−33.9%

■ Financial Results by Segment

- **Self-storage management: Targets achieved with increase in revenue and earnings, progress made in improving the discount rate.**

In self-storage management, targets met with increases in both revenue and earnings. The discount rate has improved curbing the promotional pricing campaign. The total number of self-storage units increased to 96,002 (+4,457 units from end-Dec. 31, 2018 and +8,132 units from end-Sept. 2018), while the self-storage utilization rate was down 1.85%ppt compared to end-Sept 2018. This was due mainly to revisions to the promotional pricing campaign at the beginning of the year. (76.68% at end-Sept. 2018 > 74.83% at end- Sept. 2019)

- **Self-storage brokerage: Revenue and earnings due to decrease in sales of self-storage properties w/land.**

In Self-storage brokerage, targets met for revenue and earnings, but with declines in both figures due to a decrease in sales of self-storage properties w/land. (2018: 4 properties → 2019: 1 property).

- **Limited land rights: Revenue and earnings met their targets though with decline in both figures.**

Progress made in procuring limited land rights for 2020. Net sales and profit targets achieved, but decline in revenue and earnings, due mainly to focus in 2H on procurement to support earnings in 2020. Steady progress with procurement over the three-month period.

Inventory value: End-Sept. 2018 ¥5.0bn

End-Jun. 2019 ¥4.4bn

End-Sept. 2019 ¥6.0bn (+¥1.0bn vs end-Sept. 2018)

Steady progress with procurement of limited land rights for commercial use (Tokyo: Akasaka, Machida), and expansion into Kansai area (Osaka: Sumiyoshi, Joto). Procurements expected to contribute to earnings in 2020 and beyond.

■Earnings outlook, dividend outlook

No change in results forecast or dividend forecast

	FY2018		FY2019		YoY	
(In Millions of yen)	Actual	(%)	Forecast	(%)	Variance	% Change
Net sales	28,828	(100.0)	29,000	(100.0)	171	0.6%
Property Management Service	25,129	—	24,000	—	(1,129)	—4.5%
Property Revitalization & Liquidation Service	3,698	—	5,000	—	1,301	35.2%
Operating income	2,782	(9.7)	2,800	(9.7)	17	0.6%
Property Management Service	3,445	—	2,797	—	(648)	—18.8%
Property Revitalization & Liquidation Service	650	—	1,203	—	552	84.8%
Management Division Expenses	(1,313)	—	(1,200)	—	(113)	—8.7%
Ordinary income	2,536	(8.8)	2,700	(9.3)	163	6.4%
Net income	1,810	(6.3)	1,500	(5.2)	(310)	—17.1%
Net income per share (yen)	145.47	—	118.76	—	(26.71)	—18.4%

	FY2018	FY2019 (Forecast)
Cash dividends per share	46 yen	40 yen
Payout ratio	31.6%	33.7%

For other IR information, please see <https://www.arealink.co.jp/en/ir/>