

April 28, 2020

Arealink Co., LTD.
TSEX Mothers Code 8914



FY2020 1Q Business Performance Summary

■FY12/20 1Q (three-month period)

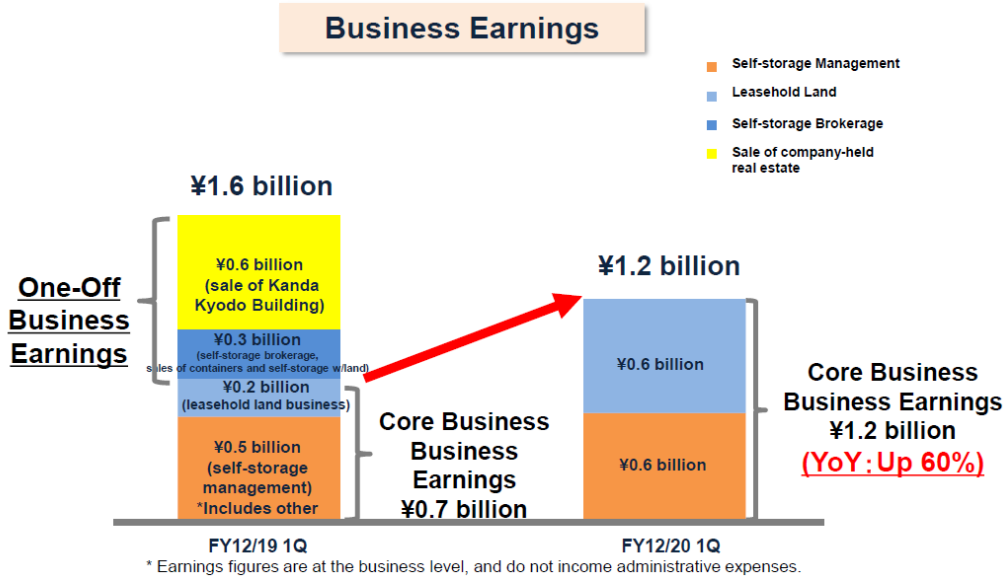
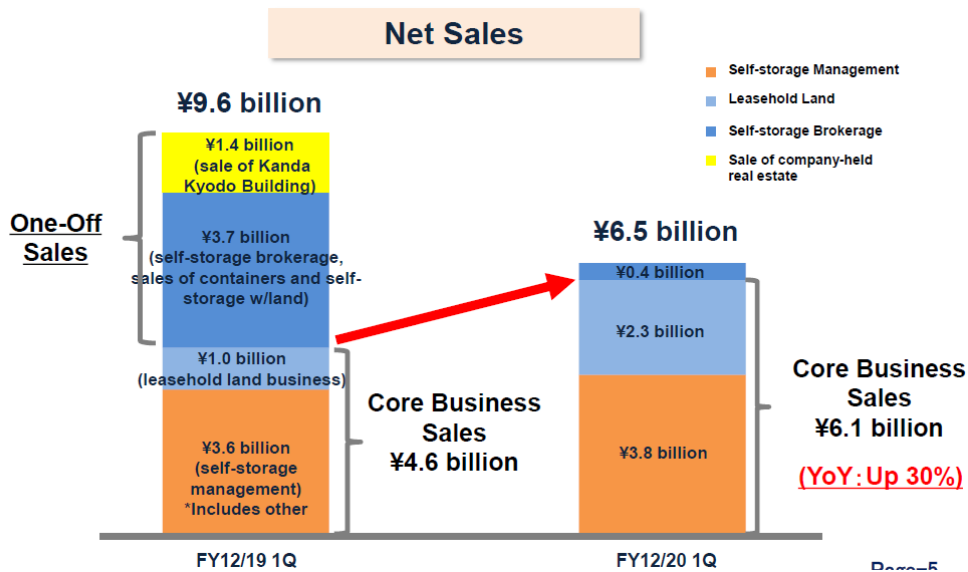
Revenue and earnings dropped year-on-year even though upward swing was significantly above expectations

Upward swing: ¥1.5 billion in net sales and ¥0.5 billion in operating income

(In Millions of yen)	FY12/20 1Q Jan-Mar	Percent of Sales (%)	FY12/19 1Q Jan-Mar	Percent of Sales (%)	YoY
Net sales	6,523	(—)	9,634	(—)	−32.3%
Cost of sales	4,731	(72.5)	7,395	(76.8)	−36.0%
Gross profit	1,791	(27.5)	2,238	(23.2)	−19.9%
SG&A expenses	996	(15.3)	959	(10.0)	+3.9%
Operating income	795	(12.2)	1,278	(13.3)	−37.8%
Ordinary income	783	(12.0)	1,177	(12.2)	−33.5%
Net income	535	(8.2)	801	(8.3)	−33.2%

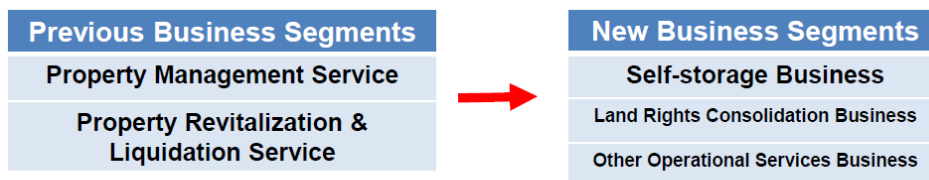
Net sales of ¥6,523 million (down 32.3% year on year), operating income of ¥795 million (down 37.8%), ordinary income of ¥783 million (down 33.5%), and quarterly net income of ¥535 million (down 33.2%) have resulted in a drop for revenue and earnings. However, results for the same period of the previous year (first quarter of 2019) included a one-off gain (a gross profit of ¥600 million for the ¥1.4 billion sale of the Kanda Kyodo Building), and, as the company changes its self-storage policy to that of a company-held model, the decrease in sales and profits previously included in self-storage brokerage is the reason for the drop in revenue and earnings. The company was able to achieve a significant increase in revenue and earnings on the back of core businesses such as self-storage management and limited land rights.

Furthermore, since the self-storage business met its targets and the leasehold land business performed significantly better than budget, company-wide performance surpassed the earnings forecast announced on February 14 by ¥1.5 billion and ¥0.5 billion respectively for net sales and operating income.



Change in Reportable Segment

Reportable segments have changed from FY12/20.



New Business Segments	Business Contents
Self-storage Business	Self-storage management and brokerage
Land Rights Consolidation Business	Buying and selling of land with leasehold interest; Buying and selling of real estate
Other Operational Services Business	Leasing, maintenance, and management of company-owned real estate; Rental offices; Rental meeting rooms; etc.

■ Overview of FY12/20 1Q by Segment

Self-storage Business: Achieved budget, revenue and earnings decline due to reduced brokerage

▪ Storage Management: Achieved budget and increased revenue and earnings, continued to improve discount rates

Self-storage management sales were ¥3,383 million (up 9.2% year on year) and business profit was ¥445 million (up 7.6% year on year) resulting in increased revenue and earnings. Total number of self-storage units increased to 97,882 (+1,413 units from end-Dec 2019, and +5,554 units from end-March 2019). Utilization rate of 78.03%, increase of 1.98 ppt (compared to end-March 2019), the utilization rate is increasing steadily. Existing utilization rate decreased by 1.53 ppt (compared to end-March 2019) (82.05% in March 2019 80.52% in March 2020). This is because self-storage with land, which has a low utilization rate, has been converted to existing property.

▪ Storage Brokerage: Significant drop in revenue and earnings, and shift to company-held storage away from investor sales

Net sales were ¥427 million resulting in a large decrease in revenue on the same period last year. The main reasons for the drop in revenue and earnings are that the number of openings of self-storage units with land has decreased sharply and container storage has shifted away from the conventional investor sales model to the company-held model. As such the drop in revenue and earnings was as planned by the Company.

Land Rights Consolidation Business: Revenue and earnings decreased due to sale of assets last year but revenue and earnings increased on an actual basis

While the land rights consolidation business saw a year on year decline in net sales to ¥2,255 million, the sale of the Kanda Kyodo Building (sales of ¥1.4 billion, operating income of approx. ¥0.6 billion) was included in the same period of the previous year meaning that, on an actual basis, there was a significant increase in revenue and earnings. In particular, large-scale properties scheduled to be settled in the second quarter were settled in March, leading to a better than expected performance for the first quarter. Looking ahead, we will, in light of the economy and market conditions, focus on divestment while putting a stop to any procurement for the time being.

In Millions of yen			FY12/20		FY12/19		YoY
			Actual	Profit margin	Actual	Profit margin	
	Management	Net sales	3,383	(—)	3,100	(—)	9.2%
		Gross profit	720	(21.3)	665	(21.5)	8.2%
		Operating income	445	(13.2)	413	(13.3)	7.6%
	Brokerage	Net sales	427	(—)	3,688	(—)	−88.4%
		Gross profit	49	(11.7)	507	(13.8)	−90.1%
		Operating income	(39)	(−9.2)	260	(7.1)	−115.2%
Self-storage Business	Net sales	3,811	(—)	6,788	(—)	−43.9%	
	Gross profit	770	(20.2)	1,172	(17.3)	−34.3%	
	Operating income	405	(10.6)	674	(9.9)	−39.8%	
Land Rights Consolidation Business	Net sales	2,255	(—)	2,390	(—)	−5.6%	
	Gross profit	843	(37.4)	895	(37.5)	−5.8%	

	Operating income	597	(26.5)	795	(33.3)	−25.0%
Other Operational Services Business	Net sales	456	(−)	454	(−)	0.4%
	Gross profit	177	(39.0)	170	(37.4)	4.6%
	Operating income	135	(29.7)	133	(29.3)	2.0%
Management Division Expenses	Net sales	—	(−)	—	(−)	—
	Gross profit	—	(−)	—	(−)	—
	Operating income	(343)	(−)	(324)	(−)	6.0%
Total for All Businesses	Net sales	6,523	(−)	9,634	(−)	−32.3%
	Gross profit	1,791	(27.5)	2,238	(23.2)	−19.9%
	Operating income	795	(12.2)	1,278	(13.3)	−37.8%

■FY20 Earnings Outlook

No change to earnings forecast

	FY2019		FY2020		YoY	
	Actual	(%)	Forecast	(%)	Variance	% Change
(Millions of yen)						
Net sales	29,333	(−)	24,700	(−)	(4,633)	−15.8%
Self-storage Business	22,087	—	14,571	—	(7,616)	−34.0%
Land Rights Consolidation Business	5,402	—	8,436	—	3,033	56.2%
Other Operational Services Business	1,842	—	1,691	—	(151)	−8.2%
Operating income	3,030	(10.3)	2,300	(9.3)	(730)	−24.1%
Self-storage Business	2,308	—	1,361	—	(946)	−41.0%
Land Rights Consolidation Business	1,344	—	1,711	—	366	27.3%
Other Operational Services Business	546	—	496	—	(50)	−9.2%
Management Division Expenses	(1,169)	—	(1,269)	—	(100)	8.6%
Ordinary income	3,000	(10.2)	2,200	(8.9)	(800)	−26.7%
Net income	(1,753)	(−)	1,300	(5.3)	3,053	—
Net income per share (yen)	(138.81)	—	102.93	—	—	—

■Dividend forecast

No change to dividend forecast

	FY2019	FY2020 (Forecast)
Cash dividends per share	40 yen	31 yen
Payout ratio	—	30.1%

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