



"We supply the best use of space."

**Results Briefing**  
**Fiscal Year Ended**  
**December 2019**

**February 14, 2020**

**Securities code: 8914**



Hello storage (Outdoor type/ appearance: siding specification)

HS Bokke-machi Part 2, 27 units

Ten minutes by car from Shimousanakayama Station on JR Sobu Line



Hello storage (Outdoor type)

HS Kochi Shinta-cho, 18 units

Twelve minutes on foot from Sanbashidori 4-chome Station on Tosa Electric Railway Sanbashi Line

## **Part- I . Summary of FY12/19 and FY12/20 Earnings Outlook**

## **Part- II . Basic Policy and Main Measures**

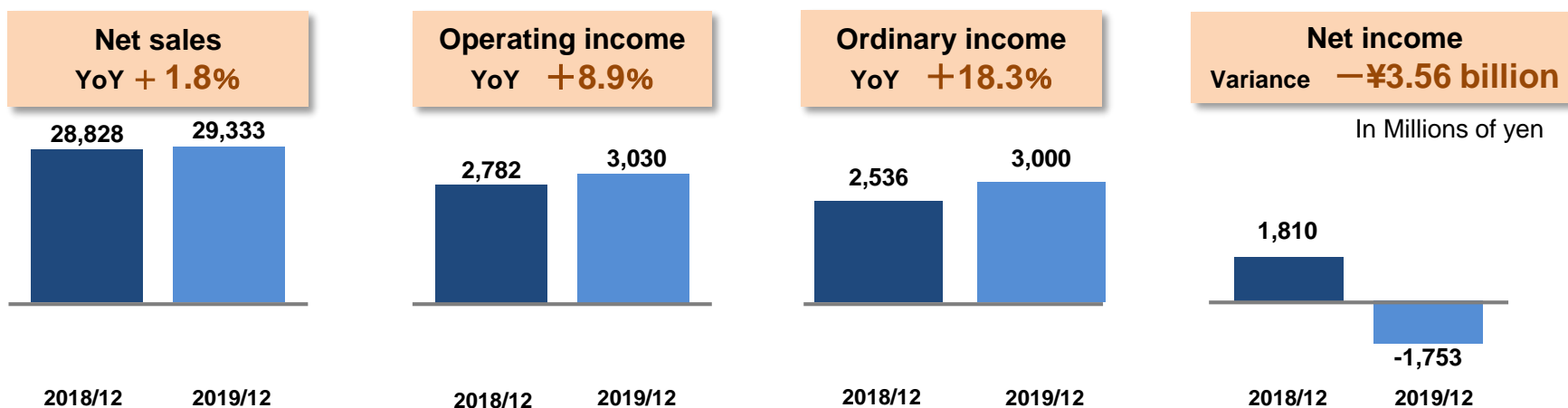
## **Part-III. Reference Material**

## **Part- I**

# **Summary of FY12/19 and FY12/20 Earnings Outlook**

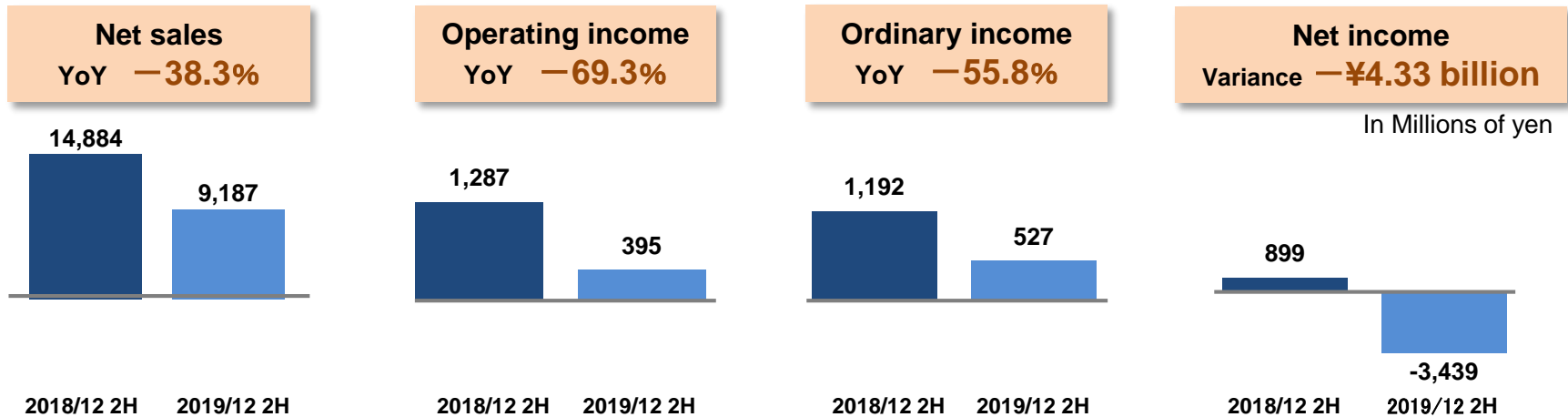
■ Note: Figures in this report presented in units of billions have been rounded off, while figures in units of millions have been rounded down

## Full Year (12 months): Achieved target for net sales and operating income Recorded extraordinary loss of ¥5.9 billion, resulting in net loss



(In Millions of yen)	FY12/19 Jan-Dec	Percent of Sales (%)	FY12/18 Jan-Dec	Percent of Sales (%)	YoY
Net sales	29,333	(—)	28,828	(—)	+1.8%
Cost of sales	22,669	(77.3)	22,173	(76.9)	+2.2%
Gross profit	6,663	(22.7)	6,655	(23.1)	+0.1%
SG&A expenses	3,633	(12.4)	3,873	(13.4)	-6.2%
Operating income	3,030	(10.3)	2,782	(9.7)	+8.9%
Ordinary income	3,000	(10.2)	2,536	(8.8)	+18.3%
Net income	(1,753)	(—)	1,810	(6.3)	—

## 2H (6 months): Decrease in revenue and earnings but achieved the target Net loss of ¥3.4 billion due to extraordinary loss



(In Millions of yen)	FY12/19 Jul-Dec	Percent of Sales (%)	FY12/18 Jul-Dec	Percent of Sales (%)	YoY
Net sales	9,187	(—)	14,884	(—)	-38.3%
Cost of sales	7,255	(79.0)	11,569	(77.7)	-37.3%
Gross profit	1,931	(21.0)	3,315	(22.3)	-41.7%
SG&A expenses	1,536	(16.7)	2,027	(13.6)	-24.2%
Operating income	395	(4.3)	1,287	(8.7)	-69.3%
Ordinary income	527	(5.7)	1,192	(8.0)	-55.8%
Net income	(3,439)	(—)	899	(6.0)	—

# Summary of FY12/19 (full year, by segment)

**Property Management Service: Decrease in revenue and earnings as per target, main cause being drop in self-storage brokerage**

**Property Revitalization & Liquidation Service: Achieved target, increase in revenue and earnings**

In Millions of yen

			FY12/19 Jan-Dec		FY12/18 Jan-Dec		YoY
			Actual	Profit margin	Actual	Profit margin	% Change
	Self-storage management	Net sales	12,797	(—)	11,262	(—)	13.6%
		Gross profit	2,526	(19.7)	2,474	(22.0)	2.1%
		Operating income	1,534	(12.0)	1,456	(12.9)	5.4%
	Self-storage brokerage	Net sales	9,290	(—)	11,867	(—)	−21.7%
		Gross profit	1,534	(16.6)	2,379	(20.1)	−35.2%
		Operating income	773	(8.3)	1,379	(11.6)	−43.9%
	Other property management service	Net sales	1,966	(—)	1,998	(—)	−1.6%
		Gross profit	801	(40.7)	792	(39.6)	1.1%
		Operating income	641	(32.6)	608	(30.5)	5.4%
<b>Property Management Service Segment Total</b>	Net sales	24,054	(—)	25,129	(—)	−4.3%	
	Gross profit	4,870	(20.2)	5,646	(22.5)	−13.7%	
	Operating income	2,950	(12.3)	3,445	(13.7)	−14.4%	
<b>Property Revitalization &amp; Liquidation Service Segment Total</b>	Net sales	5,278	(—)	3,698	(—)	42.7%	
	Gross profit	1,792	(34.0)	1,008	(27.3)	77.8%	
	Operating income	1,249	(23.7)	650	(17.6)	91.9%	
<b>Management Division Expenses</b>	Net sales	—	(—)	—	(—)	—	
	Gross profit	—	(—)	—	(—)	—	
	Operating income	(1,169)	(—)	(1,313)	(—)	−11.0%	
<b>Total for All Businesses</b>	Net sales	29,333	(—)	28,828	(—)	1.8%	
	Gross profit	6,663	(22.7)	6,655	(23.1)	0.1%	
	Operating income	3,030	(10.3)	2,782	(9.7)	8.9%	

# Summary of FY12/19 (2H, by segment)

**Property Management Service: Decrease in revenue and earnings as per target**  
**Property Revitalization & Liquidation Service: Decrease in revenue and earnings, focus on procurement of inventory**

In Millions of yen

			FY12/19 Jul-Dec		FY12/18 Jul-Dec		YoY
			Actual	Profit margin	Actual	Profit margin	% Change
	Self-storage management	Net sales	6,508	(—)	5,859	(—)	11.1%
		Gross profit	1,285	(19.8)	1,219	(20.8)	5.4%
		Operating income	712	(11.0)	686	(11.7)	3.9%
	Self-storage brokerage	Net sales	987	(—)	5,924	(—)	−83.3%
		Gross profit	98	(10.0)	1,136	(19.2)	−91.3%
		Operating income	(135)	(−13.7)	605	(10.2)	−122.4%
	Other property management service	Net sales	976	(—)	990	(—)	−1.4%
		Gross profit	394	(40.4)	389	(39.3)	1.3%
		Operating income	310	(31.8)	298	(30.1)	4.2%
<b>Property Management Service Segment Total</b>	Net sales	8,471	(—)	12,773	(—)	−33.7%	
	Gross profit	1,778	(21.0)	2,745	(21.5)	−35.2%	
	Operating income	887	(10.5)	1,589	(12.4)	−44.2%	
<b>Property Revitalization &amp; Liquidation Service Segment Total</b>	Net sales	716	(—)	2,110	(—)	−66.1%	
	Gross profit	153	(21.5)	569	(27.0)	−73.0%	
	Operating income	45	(6.3)	352	(16.7)	−87.2%	
<b>Management Division Expenses</b>	Net sales	—	(—)	—	(—)	—	
	Gross profit	—	(—)	—	(—)	—	
	Operating income	(536)	(—)	(654)	(—)	−17.9%	
<b>Total for All Businesses</b>	Net sales	9,187	(—)	14,884	(—)	−38.3%	
	Gross profit	1,931	(21.0)	3,315	(22.3)	−41.7%	
	Operating income	395	(4.3)	1,287	(8.7)	−69.3%	

**Achieved target resulting in increased revenue and earnings  
Opened just under 5,000 self-storage units for the year but  
improved utilization and discount rates**

- Self-storage management **achieved targets** for both sales and earnings, resulting in **increased revenue and earnings**
- Total number of self-storage units increased to **96,469** (**+2,584** units from end of June 2019, and **+4,924** units from end December 2018)
- Self-storage utilization rate increased by **1.89 percentage point** to **76.52%** (compared to end of June 2019)(**74.63%** at end of June 2019 **75.56%** at end of December 2018)  
Utilization rate is recovering due to effects of controlling promotional campaign ended.
- Continuing control on discount, approx. Discount rate has been controlled almost half of previous year result.



**Achieved target but decrease in revenue and earnings  
Main factor was decrease in sales of self-storage properties with land**

- **Decrease in revenue and earnings as per target for self-storage brokerage**
- **Sale of 1 self-storage property with land for 2H as per target (2018, 1H: 15 properties, 2H: 23 properties → 2019, 1H: 30 properties, 2H: 1 property)**
- **Number of opening self-storage units achieved target, 84 container properties, 2,574 units in 2H.**
- **Active expansion of small properties (outdoor containers) targeting regional towns and cities (in Aomori, Tochigi, Yamaguchi Ehime and Kochi prefectures) with populations of 50k-100k**

**Decrease in revenue and earnings but results achieved target  
Focused on land with leasehold procurement, will contribute to  
earnings after 2020**

- **Achieved targets** for both sales and earnings, but **revenue and earnings decreased**  
Main reason is concentration on procurement in 2H due to good progress in 1H
- **Steady progress with procurement in 2H (6 months)**  
Inventory value: ¥5 billion at end of Dec. 2018  
¥4.4 billion at end of Jun. 2019  
¥7.1 billion at end of Dec. 2019 (up ¥2.1 billion on previous year)
- **Procurement of residential and commercial land with leasehold will contribute to earnings from end of Dec. 2020.**  
Strengthen this business to become a second revenue source to support the self-storage business
- **Procurements of land with commercial leasehold: 2 in 2H (Tokyo: Akasaka and Machida)**  
Procurements in Kansai area: 2 in 2H

## Recorded extraordinary loss of 5.9 billion yen

Non-operating income  
 Compensation for transfer      ¥197 million

Non-operating expenses  
 Interest expenses              ¥122 million  
 Commission expenses        ¥117 million

Extraordinary Losses  
 Provision for loss on repurchases      ¥5,034 million  
 Store impairment                          ¥332 million  
 Owned commercial facilities impairment   ¥290 million  
 Software impairment                        ¥165 million

In Millions of yen

Step income	FY12/18	FY12/19	YoY (%)
Operating income	2,782	3,030	8.9%
Non-operating income	57	245	328.6%
Non-operating expenses	302	275	−8.8%
Ordinary income	2,536	3,000	18.3%
Extraordinary income	23	17	−23.6%
Extraordinary loss	292	5,878	−1908.3%
Income before income taxes	2,267	(2,860)	—
Income taxes — current	843	1,694	100.9%
Income taxes — deferred	(386)	(2,801)	625.3%
Net income	1,810	(1,753)	—

Recorded extraordinary loss of ¥5.9 billion, reduced risk of store impairment by investing in company-held model, all remaining losses are temporary impairments

In Millions of yen

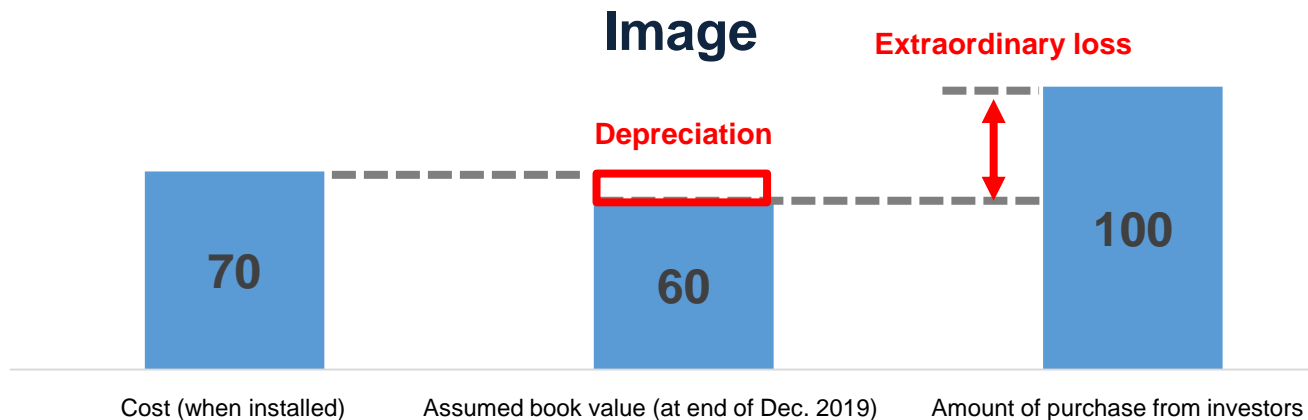
Loss	Amount
Provision for loss on repurchases	(5,034)
Store impairment	(332)
Owned commercial facilities impairment	(290)
Software impairment	(165)

- **Provision for loss on repurchases: -¥5.0 billion. Details on next page**
- **Store impairment: - ¥332 million.**  
**Recorded impairment for low-performing properties two years after opening**  
**Impairment risk will decline in future due to moving to company-held model**
- **Owned commercial facilities impairment: - ¥290 million.**  
**Impairment recorded due to generating loss of the Company-owned Miyazaki Nishitachi Yokocho facility**  
**Aiming for profitability by switching to company-held model**
- **Software impairment: - ¥165 million. Impairment recorded due to internal use and newly implemented software, which is a temporary impairment**

# Provision for Loss on Repurchases

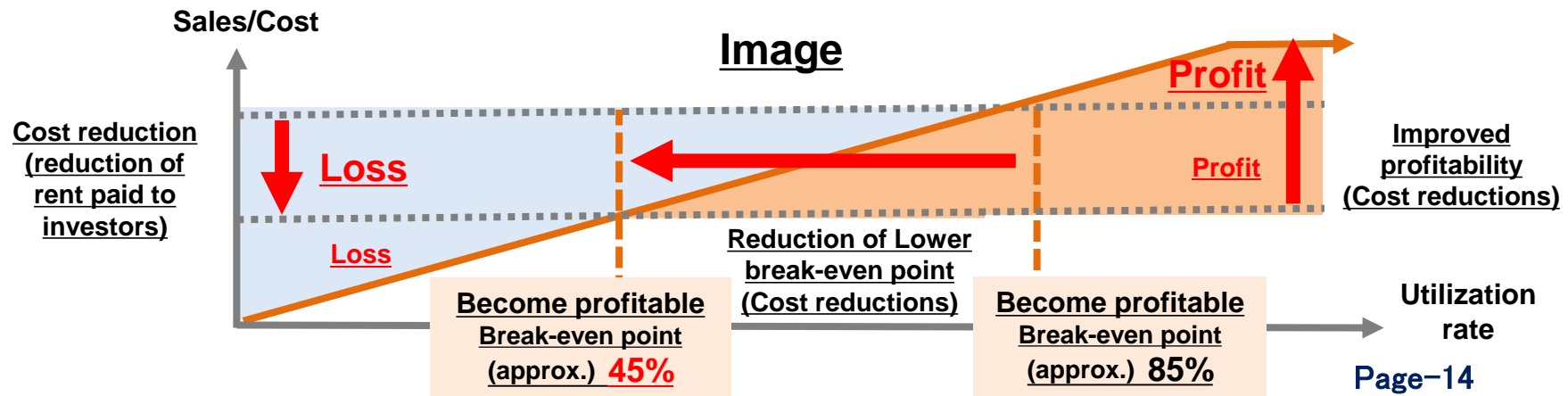
## Provision for differences arising when repurchasing containers sold in past

- **Background:** Issues in concerning to taxation useful life of outdoor containers which have acquired building confirmation.  
Provision to account for the difference arising at the time of repurchase as the company may repurchase containers from some customers for whom it was pointed out that a longer useful life as “Building” should apply, rather than under the conventional “Furniture and Fixtures” basis
- **Policy:** We are considering to repurchase some containers as having company-held containers will lead to improved operating margins
- **Impact:** We have to recognize profit or loss in the event of there being a difference between the purchase price when buying from the customer and our capitalized value happened. Possible difference recorded as an extraordinary loss, assuming purchase of all containers for which building confirmation has been acquired



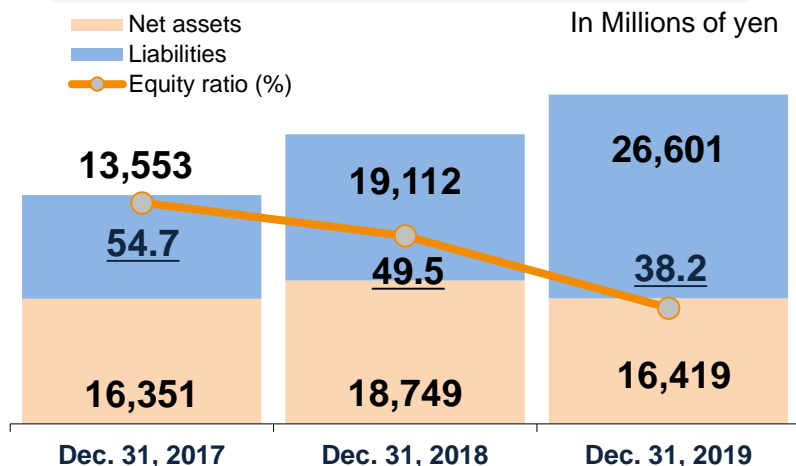
## Improving operating margin expected with container purchases but not reflected in forecast of 2020 December end earnings

- **Future outlook:** The current break-even point of 85% is expected to fall to 45% (improved operating margin) for each property by moving to company-held model
- **Approach to earnings forecast:** Since how many our customers wish us to repurchase their containers, the improvement in profitability associated with this repurchase of existing properties is not taken into account
- **Impact on amount:** Purchasing all target properties has the effect of boosting operating income by up to ¥1 billion per year, as maximum



## Increase in noncurrent assets through company held self-storage properties with land

### Liabilities, net assets, equity ratio



In Millions of yen

	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019
Current assets	17,532	25,840	(A)19,903
Noncurrent assets	12,372	12,022	23,117
<b>Total assets</b>	<b>29,904</b>	<b>37,862</b>	<b>43,020</b>
Current liabilities	5,691	6,607	(B)11,906
Noncurrent liabilities	7,861	12,505	14,694
<b>Total liabilities</b>	<b>13,553</b>	<b>19,112</b>	<b>26,601</b>
<b>Net assets</b>	<b>16,351</b>	<b>18,749</b>	<b>16,419</b>

### Financial position (As of December 31, 2019)

#### (A) Assets

Up ¥5.2 billion (Current assets + Noncurrent assets)

Cash and deposits (Mainly business income)	+¥2.0 billion
Transfer self-storage properties with land from current assets to noncurrent assets ( A decrease in current assets, an increase in noncurrent assets)	+¥5.9 billion
Leased assets (Noncurrent assets)	+¥2.3 billion
Deferred tax assets (Noncurrent assets)	+¥2.8 billion

\* Comparison between Dec. 31, 2019 and Dec. 31, 2018

#### (B) Liabilities

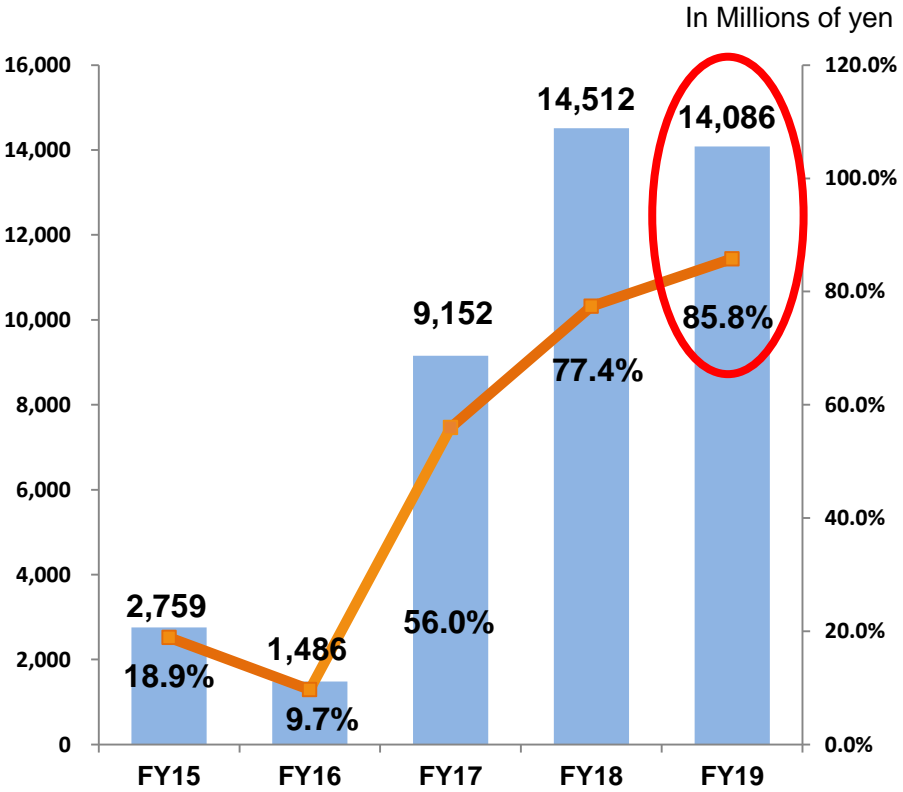
Up ¥7.5 billion (Current liabilities + Noncurrent liabilities)

Provision for loss on repurchases	+¥5.0 billion
Interest-bearing debt	¥(0.4) billion
(Balance of bonds payable + borrowings: ¥14.2 billion ⇒ ¥11.7 billion, down ¥2.5 billion)	

\* Comparison between Dec. 31, 2019 and Dec. 31, 2018

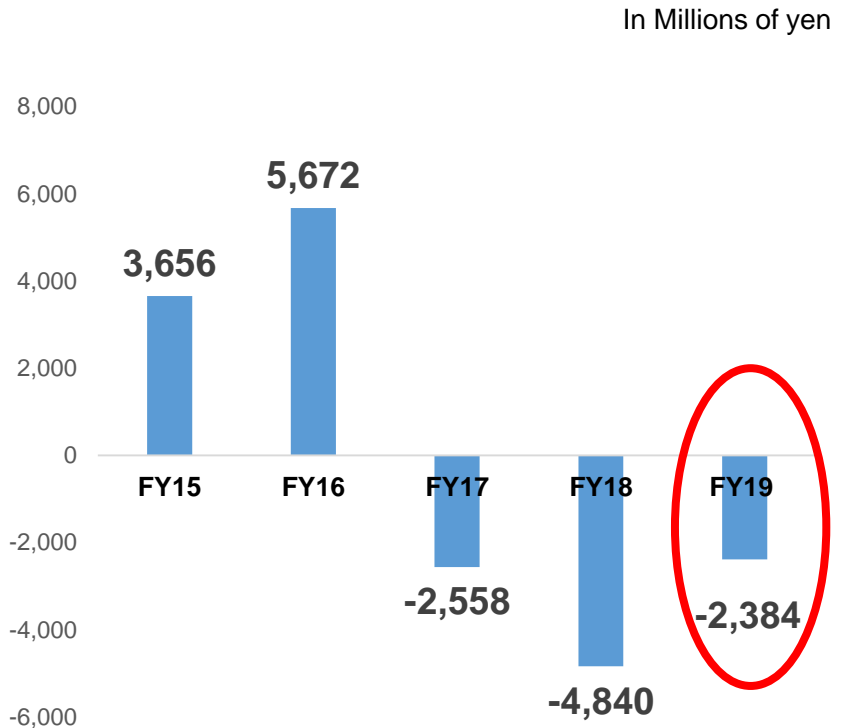
## Cash flow improved through liquidation of inventories and certain assets

Interest-bearing debt and interest-bearing debt ratio



Interest-bearing debt: Short-term loans payable + bonds payable (including current portion of bonds) + long-term loans payable (including current portion of long-term loans payable) + lease obligations

Cash and cash equivalents and Interest-bearing debt after offsetting



Cash and cash equivalents: Quarter-end balance of cash and cash equivalents  
 Interest-bearing debt: Short-term loans payable + bonds payable (including current portion of bonds) + long-term loans payable (including current portion of long-term loans payable) + lease obligations



**Property Management Service: Decrease in revenue and earnings, shift to operational profit**  
**Property Revitalization & Liquidation Service: Increase in revenue and earnings**

In Millions of yen	FY2019		FY2020		YoY	
	Actual	(%)	Forecast	(%)	Variance	% Change
<b>Net sales</b>	<b>29,333</b>	<b>(—)</b>	<b>24,700</b>	<b>(—)</b>	<b>(4,633)</b>	<b>—15.8%</b>
Property Management Service	24,054	—	16,378	—	(7,675)	—31.9%
Property Revitalization & Liquidation Service	5,278	—	8,321	—	3,042	57.6%
<b>Operating income</b>	<b>3,030</b>	<b>(10.3)</b>	<b>2,300</b>	<b>(9.3)</b>	<b>(730)</b>	<b>—24.1%</b>
Property Management Service	2,950	—	1,939	—	(1,011)	—34.3%
Property Revitalization & Liquidation Service	1,249	—	1,630	—	380	30.5%
Management Division Expenses	(1,169)	—	(1,269)	—	(100)	8.6%
<b>Ordinary income</b>	<b>3,000</b>	<b>(10.2)</b>	<b>2,200</b>	<b>(8.9)</b>	<b>(800)</b>	<b>—26.7%</b>
<b>Net income</b>	<b>(1,753)</b>	<b>(—)</b>	<b>1,300</b>	<b>(5.3)</b>	<b>3,053</b>	<b>—</b>
<b>Net income per share (yen)</b>	<b>(138.81)</b>	<b>—</b>	<b>102.93</b>	<b>—</b>	<b>—</b>	<b>—</b>

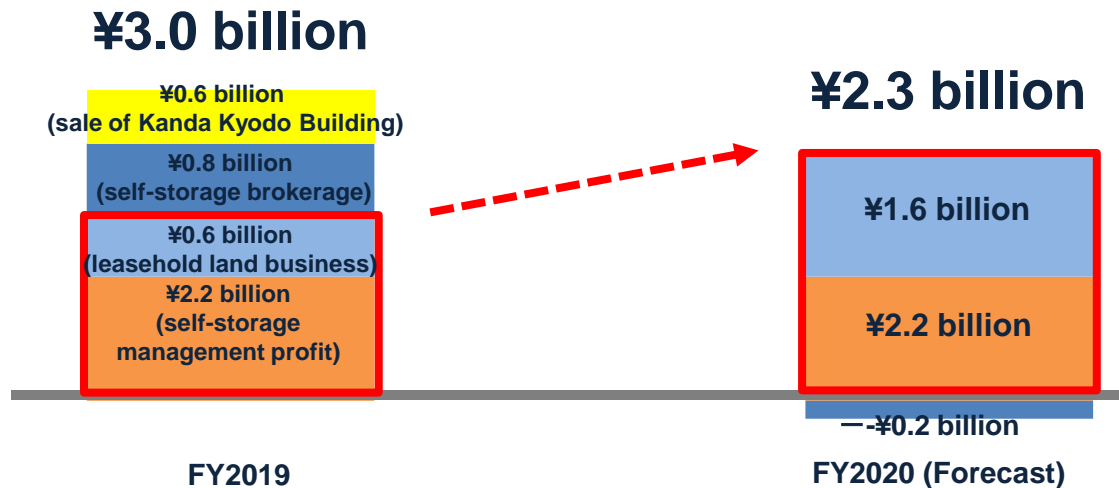
\* The self-storage business belongs to Property Management Service segment in the following table.

# FY20 Forecast (Overall)

**No recording of one-time profits (sale of company-held real estate, fund formation)**

**Planned sales of ¥24.7 billion and operating income of ¥2.3 billion**

- Even with reduced revenue and earnings, if one-time profits (sale of company-held real estate, No. 3 fund ) are excluded, revenue and earnings in the Company-wide plan will increase substantially
- Expansion of leasehold land business and inventory purchased in 2H of 2019 starts to contribute to earnings
- Focus on improving profitability and profit margins by controlling discount rates in self-storage management
- Aim for V-shaped recovery by increasing profits from investing in our company and purchased containers



\* Earnings figures are at the business level, and do not include administrative expenses.

## Plan to increase revenue and earnings, focus on profit improvement

- Plan to **increase sales and profits** for self-storage management
- Total number of units expected to exceed 100,000 in 2020  
(96,469 as of the end of December 2019)
- Aim to improve utilization rate by 1% and more during 2020  
(76.52% at the end of December 2019 rate of)
- Improvements in operating profits from repurchasing outdoor containers are not factored into earnings forecasts. Purchasing all target properties will have the **effect of boosting operating income by ¥1 billion per year as maximum**

## **Planning for decline in revenue and earnings, as promoting in-house investment in outdoor containers and self-storage with land**

- **Sales to investors will be close to zero due to shift toward company-held self-storage properties with land, and in-house investment in outdoor containers**
- **Reduce dependence on profits from business of buying and selling that are susceptible to real estate and financial market conditions, becoming a company able to withstand economic fluctuations**
- **There is demand for self-storage properties with land as a way to utilize land, and new products (business, garage), aim to establish a construction orders scheme**

**Planned for large increase in revenue and earnings  
Procurement in 2H of 2019 will contribute to earnings from 2020**

- **Leasehold land business expected to **grow significantly in revenue and earnings****  
**Strengthen to act as a second revenue source to support the self-storage business**
- **In addition to Kanto, moved into **Kansai** and, in addition to residential areas, started purchasing land with **commercial leasehold**.**
- **Inventory purchased in 2H of 2019 (6 months) expected to contribute to earnings from 2020**  
**Inventory value: ¥7.1 billion (up ¥2.1 billion on end of previous year)**  
**Sufficient Inventory level to achieve large increase in revenue and earnings**
- **No one-time gains from sale of real estate this term**

**Dividend payout as planned as results were substantially on target, excluding extraordinary losses**

## Dividends and Payout Ratio

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

\* The payout ratio is calculated using revised earnings forecasts for the full fiscal year ended December 31, 2019.

## **Part- II**

# **Basic Policy and Main Measures**

- Increase in revenue and earnings, exceeding target. Net sales ¥29.3 billion, operating income ¥3.0 billion
- Extraordinary loss of ¥5.9 billion recorded, resulting in net loss  
Previous problems settled, establishing an unshakable business foundation

Unit: Billions of yen

	Net sales	Operating income	Ordinary income	Net income
FY2018	28.8	2.8	2.5	1.8
FY2019	29.3	3.0	3.0	(1.8)
FY2020 (Forecast)	24.7	2.3	2.2	1.3



## Major policies to improve profitability

- **Become a company supported by earnings from self-storage management**

Secure stable growth and profitability for Arealink going forward.

Aim to establish a robust company resistant to economic fluctuations (especially downturns).

⇒ Shift to operational profit centered on self-storage.

- **Strengthen the land rights management (leasehold land) business**

Strengthen the business as a second source of earnings supporting Arealink centered on the self-storage business.

Be the No.1 Self-storage Company, the Overwhelming No. 1



**No. 1 Self-storage  
Company**

**Overwhelming Market  
Share**  
Other companies can't  
match

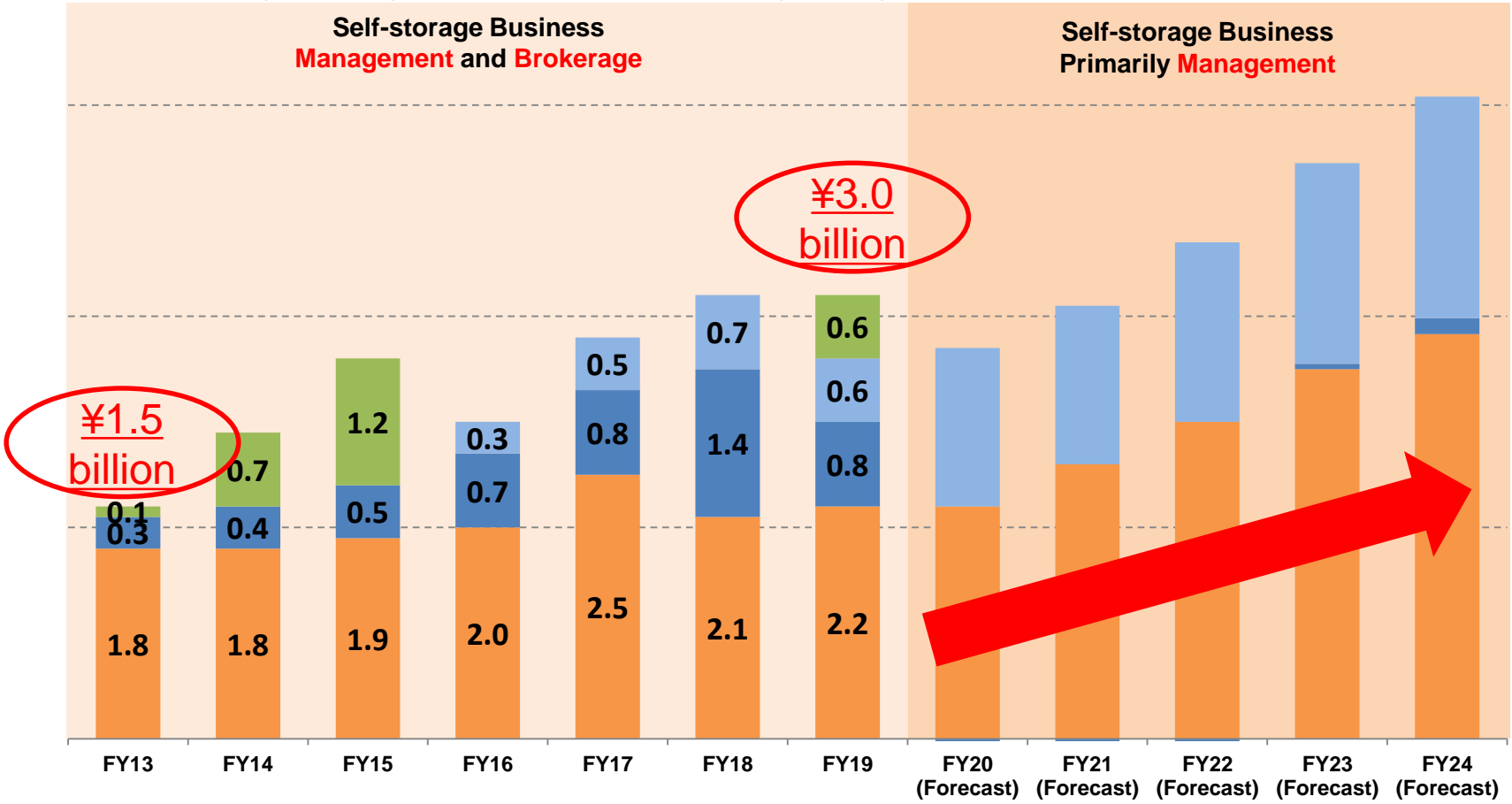
**Overwhelming  
Growth Speed**  
Other companies can't  
match

# Growth Track and Outlook

Arealink will weight to an **“operating owner” business**, starting with a shift to **self-storage operating profit**, and establishing a company resilient to economic fluctuations.

Operating income  
Unit: Billions of yen

- Real estate transactions
- Buying and selling of leasehold land
- Self-storage brokerage
- Self-storage management



\* Earnings figures are at the business level, and do not include administrative expenses.

## Transition to an “operating owner” business

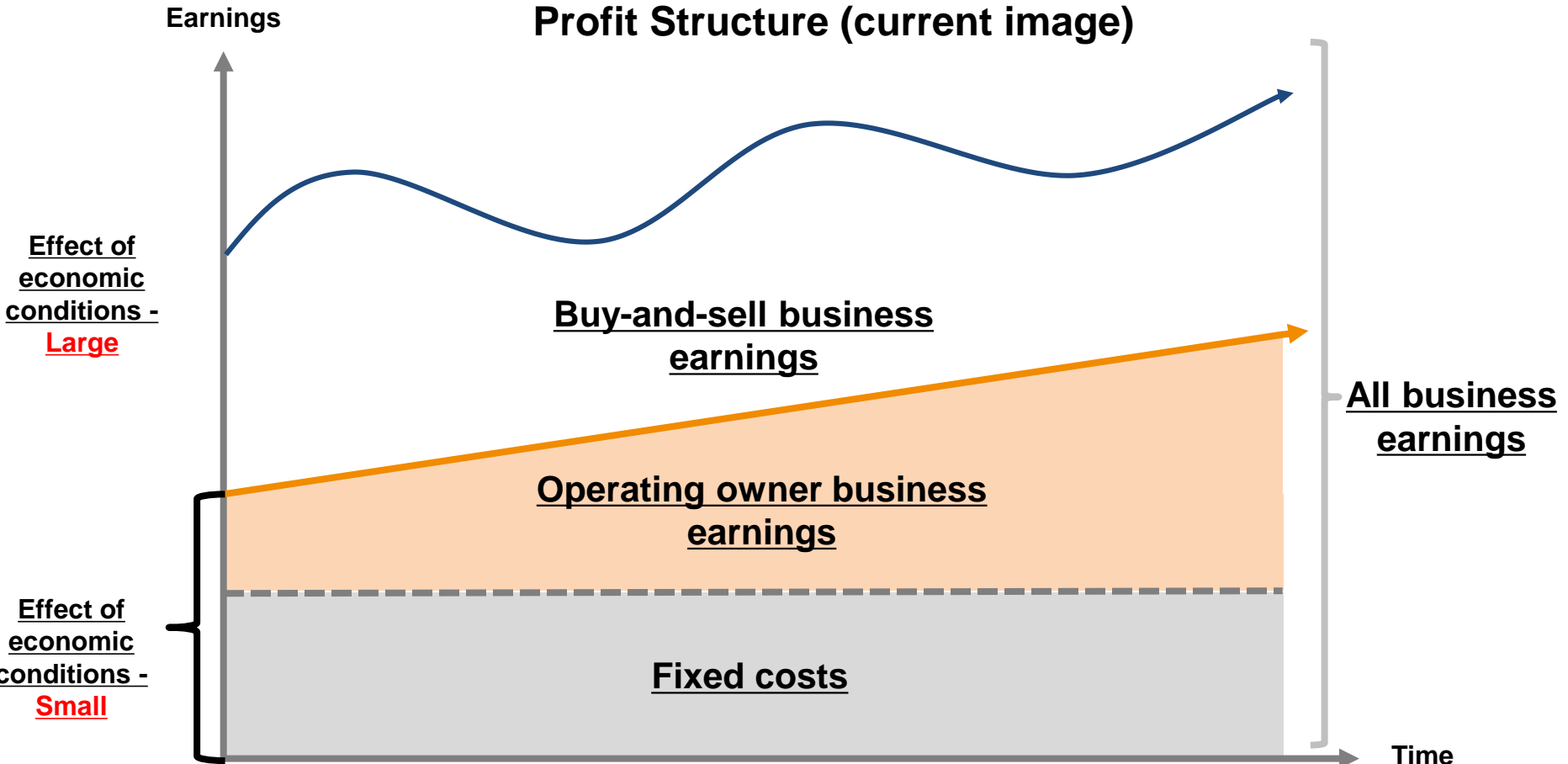
- **Shift from sales to investors to in-house (direct) investment**  
**Significant improvement in profitability expected (lower break-even point)**

\*Figures are projections

Self-storage style	(Previous) Orders from investors	(New) In-house investment
Break-even point	85%	<u>45%</u>
Profitability (Annually)	10%	<u>18%</u>

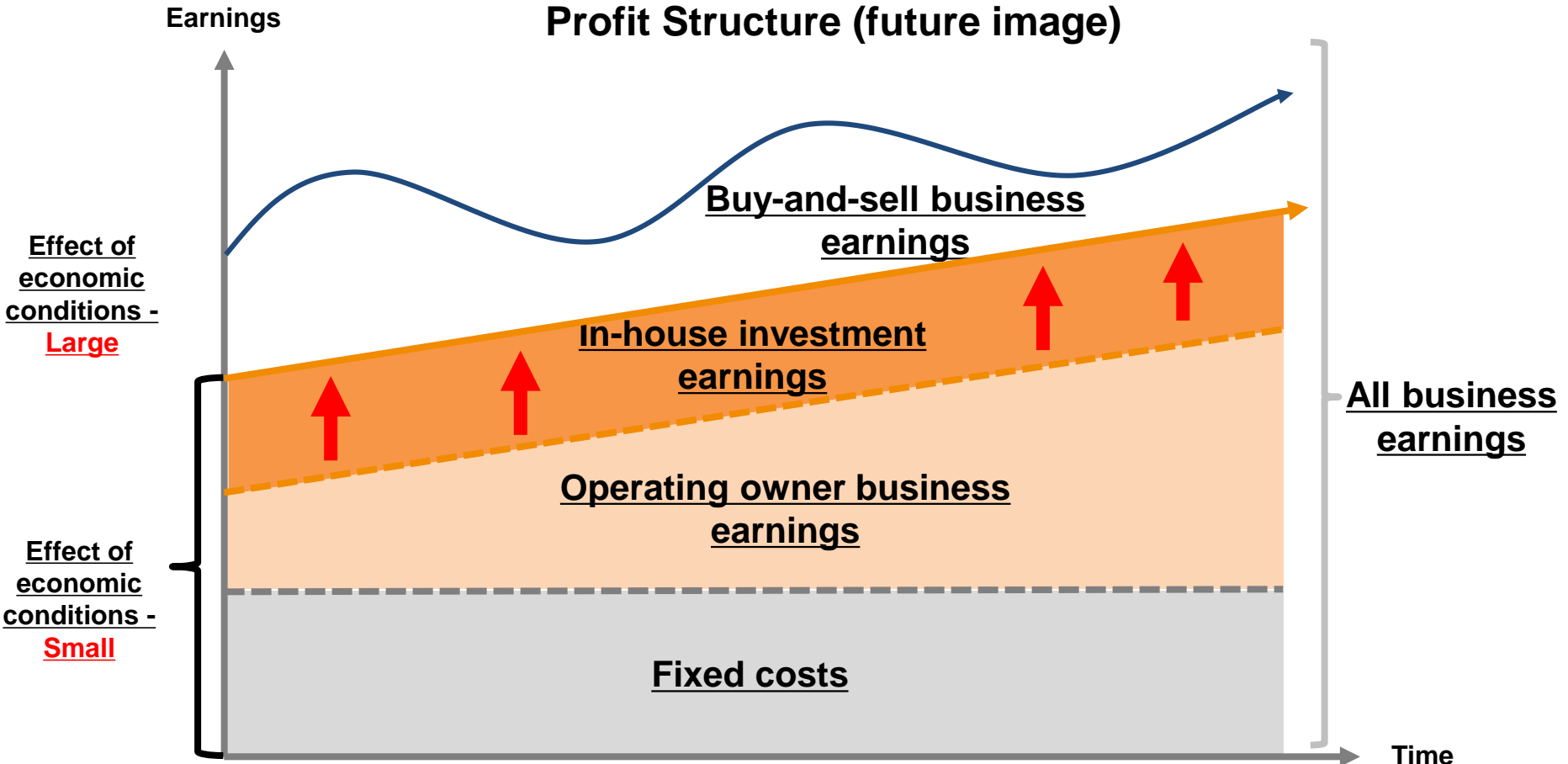
- **Transition to a company based on self-storage operations = Hands-on approach**  
**By meeting the particular needs that arise from on-site operations and making improvements, we will provide services that help customers, and increase profitability.**

Considering the future image of the company and business risks (real estate, financial markets, etc.), we decided to focus on an operating owner business model.





\* Operating owner business: Accumulative businesses (self-storage operations, income properties, SOHO, rental meeting rooms, leasehold land rent)  
\* Buy-and-sell business: Self-storage brokerage, real estate dealing, etc.

**Reduce dependency on transient earnings susceptible to real estate and financial market conditions, and establish a company that gains stable earnings**

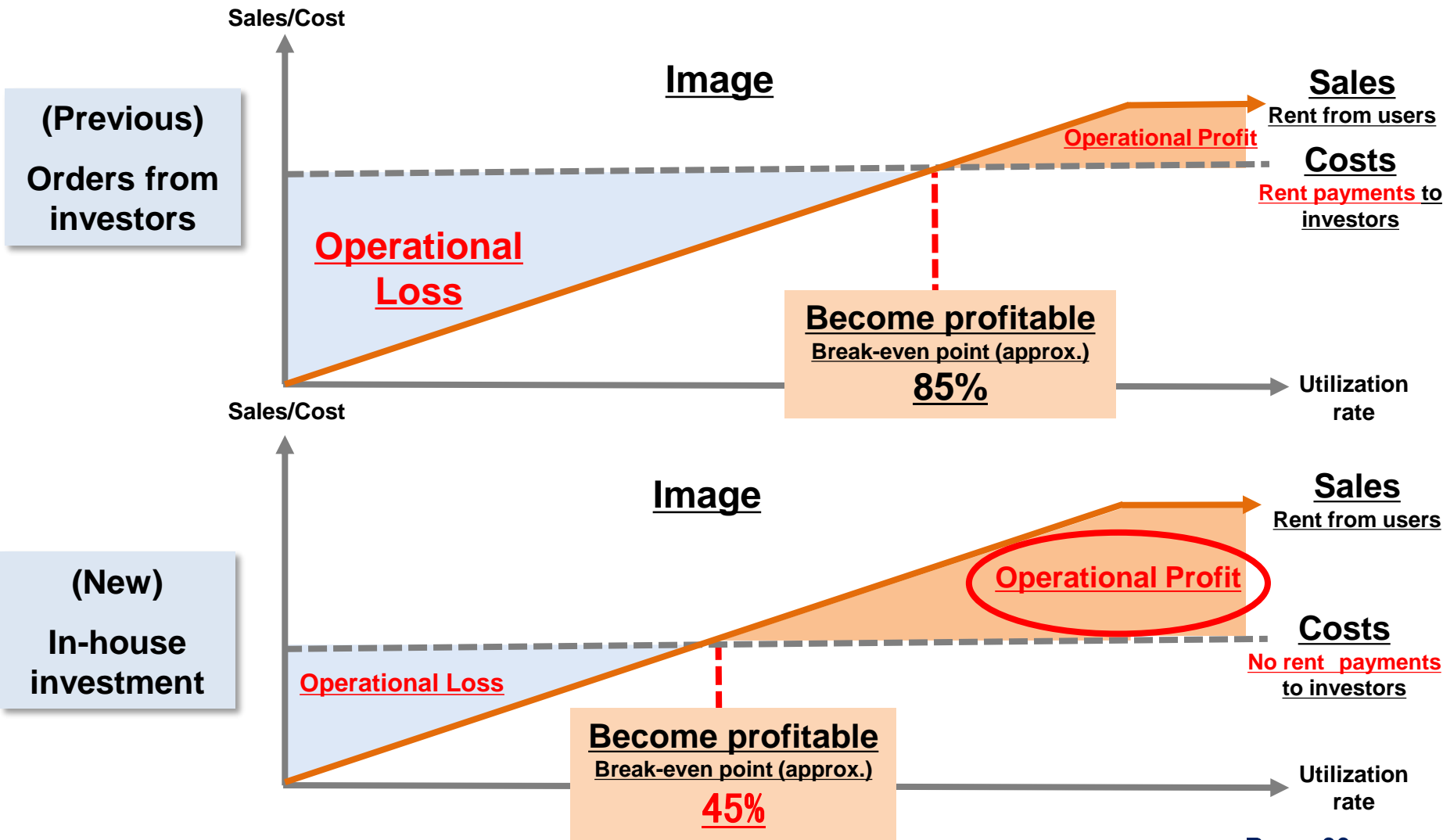


\* Operating owner business: Accumulative businesses (self-storage operations, income properties, SOHO, rental meeting rooms, leasehold land rent)  
 \* Buy-and-sell business: Self-storage brokerage, real estate dealing, etc.

## In-house investment: Substantially lower break-even point

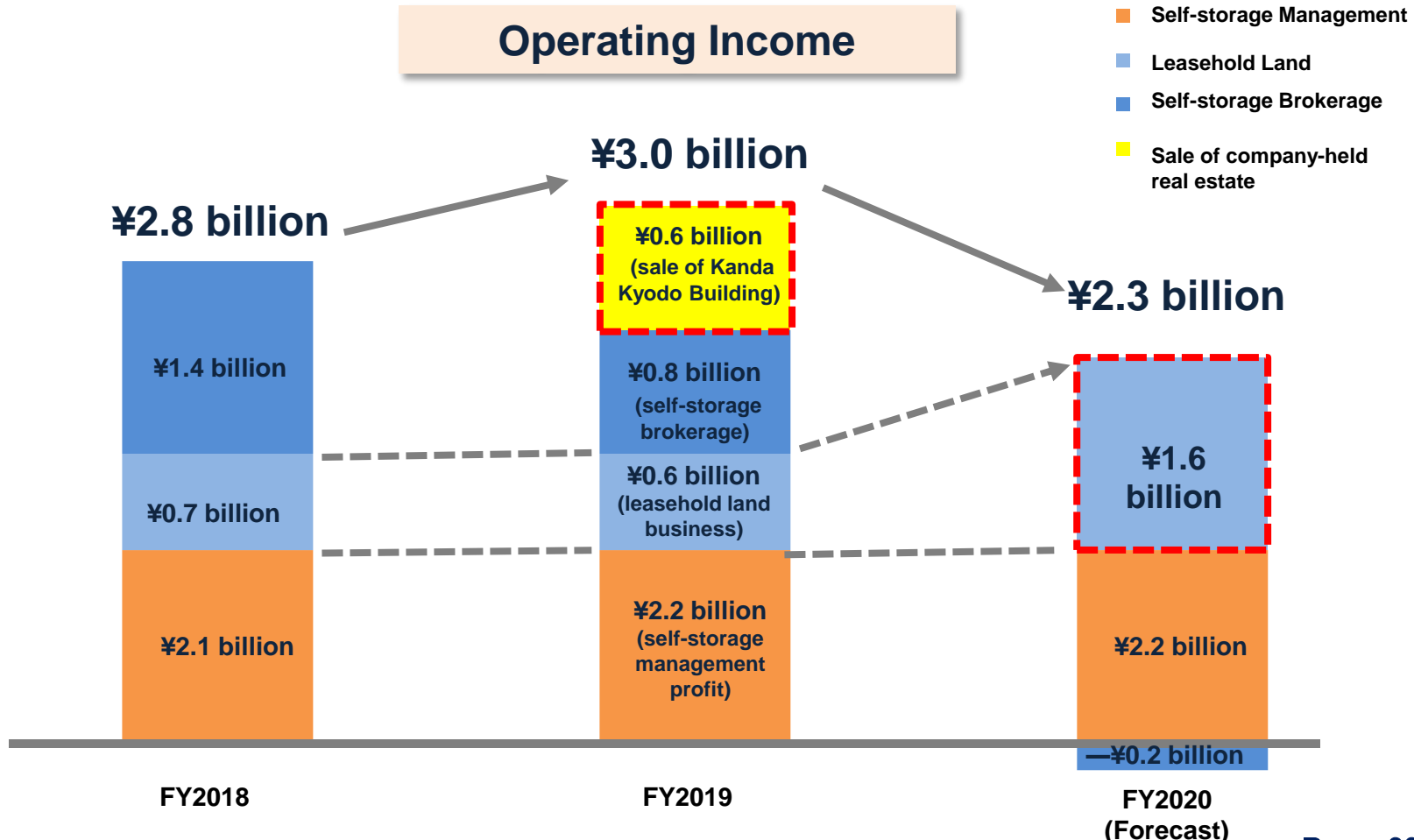
<b>Location opening scheme</b>	<p><b>(Previous)</b> <b>Investor</b> makes investment</p>  <p>Leasing of land</p>	<p><b>(New)</b> <b>Arealink</b> makes investment</p>  <p>Leasing of land</p>
<b>○Advantages</b>	<p>Opening of Arealink location <b>Zero debt burden</b> Investor purchases containers</p>	<p><b>Lower break-even point</b> <b>= High profitability</b> No rent payments to investors</p>
<b>△Disadvantages</b>	<p><b>High break-even point</b> <b>= Low profitability</b> Rent payments to investors</p>	<p><b>Arealink secures funding</b> <b>to open locations</b></p>

## Image of profitability improvement from direct investment by Arealink



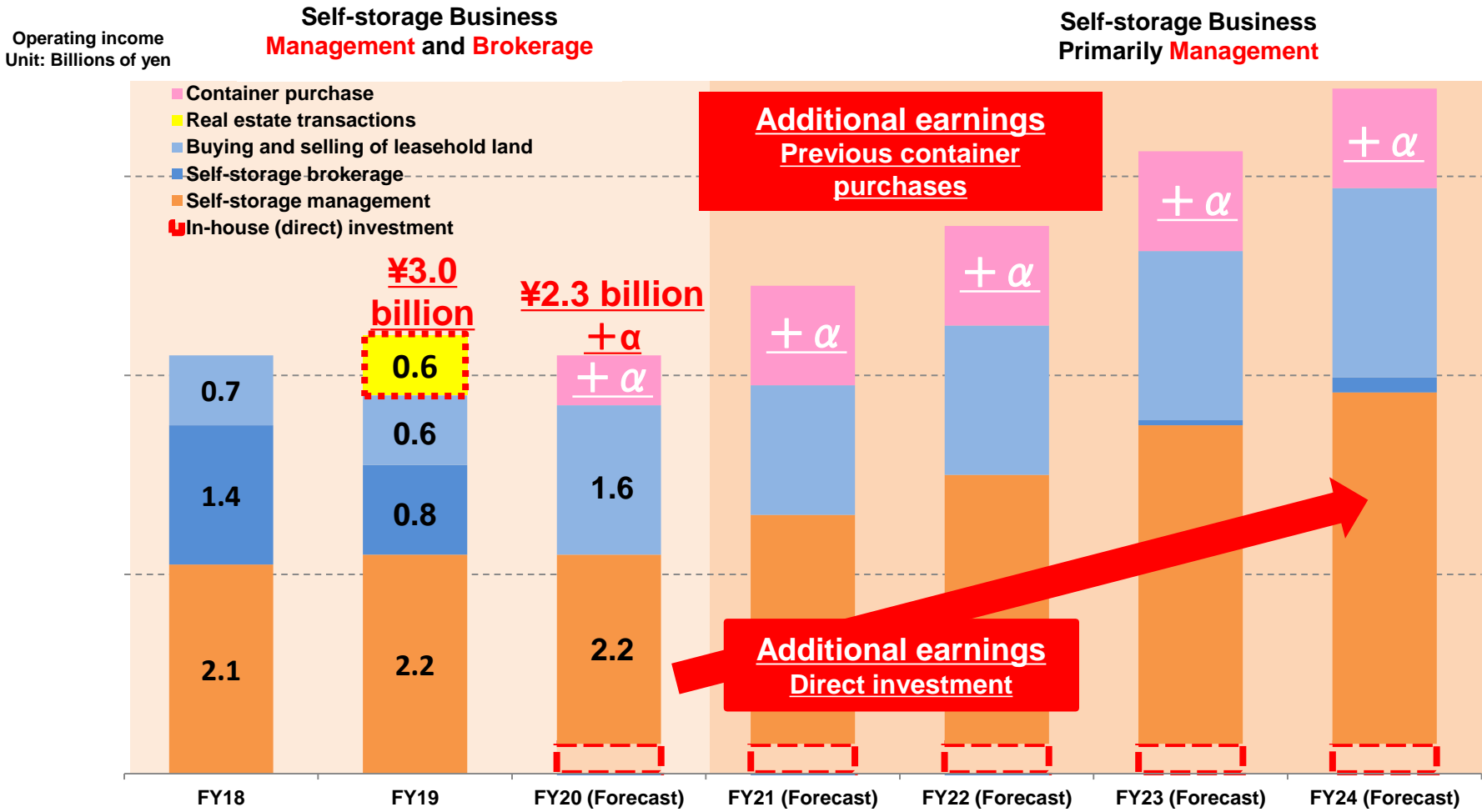


**FY12/19: Slowdown in brokerage offset by real estate sales.**  
**FY12/20: Shift to operational profit, contributing to earnings from 2021.**  
**Leasehold Land business to contribute to earnings.**



\* Earnings figures are at the business level, and do not include administrative expenses.

Shift to **profit from operations**, and establish a company less susceptible to economic conditions  
 Improved profitability from container purchases will be **long-term**, and provide an **additional boost**



\* Earnings figures are at the business level, and do not include administrative expenses.

**Increase revenue and earnings in the self-storage management and leasehold land businesses.**

## **Self-storage Business**

**Overwhelming No.1** in domestic market share and profitability

- **Location opening policy: Continue opening outdoor container locations in regional areas**
- **Profitability improvements:**
  - Shift from investor orders to in-house investment**
  - Focus on improving earnings and raise profitability**  
(Limit campaign price reductions, 100 yen project, etc.)
- **Marketing: Hire specialists to enhance functionality → Dominate nationally**
- **Differentiation: Develop potential customers with new products (businesses, garages) and new services (transport service, cash back)**

## **Leasehold Land Business**

**Strengthen the sales structure, and establish a second pillar for earnings**

- **Leasehold Land (Land Rights Management): Focused on procurement in FY12/19 2H, inventory of ¥7.1 billion (end-Dec.) to contribute to earnings going forward.**

## Continue approaching potential customers

- **Opening of model rooms for self-storage with land (Tokyo and Kanagawa)**

### Ideas for lifestyle possible using self-storage

- High-end bicycle (road bike) room
- Room for lovers of golf
- Snowboard / ski room
- Room for end-of-life preparations
- Ordinary house storage pattern
- Artisan's room

Opening of model rooms for self-storage with land



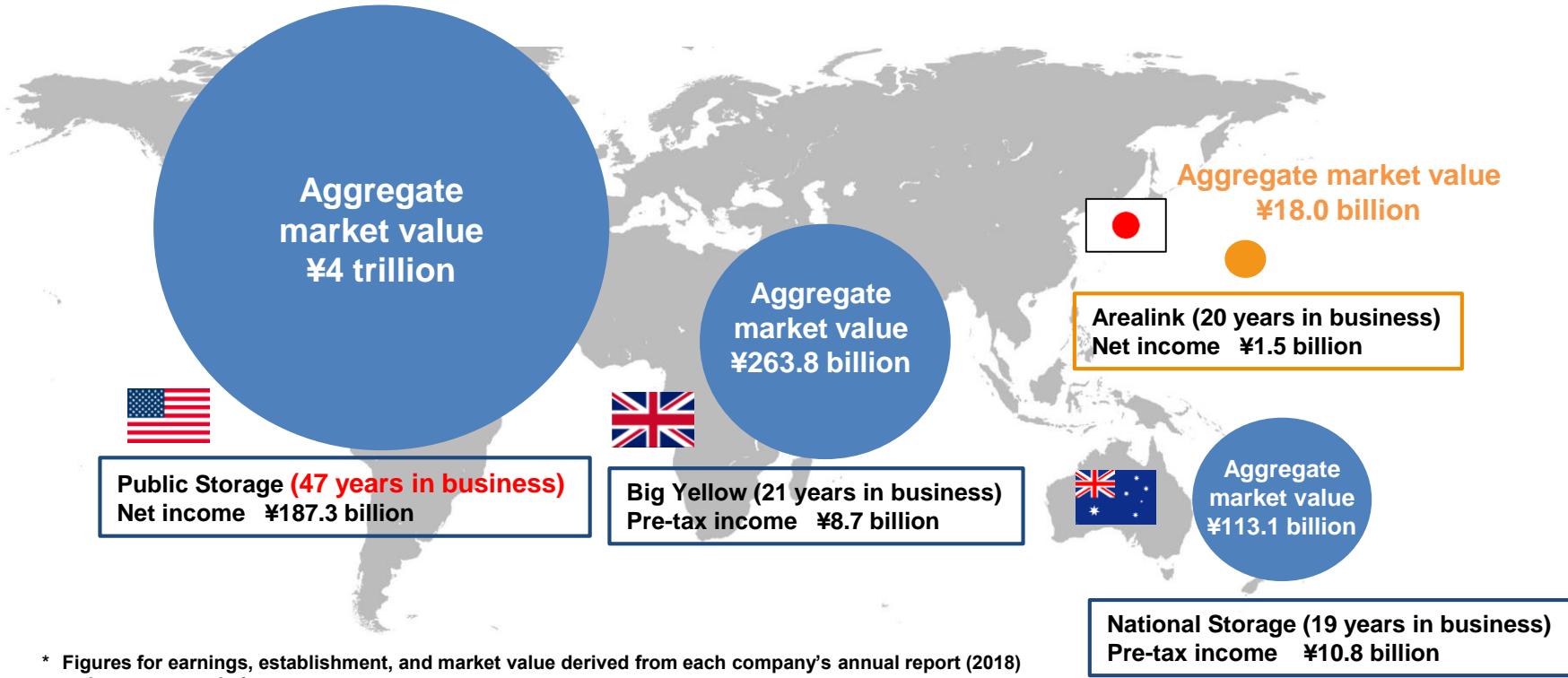
Business self-storage, Hello Garage (Sonnocho, Chiba Prefecture)

- **New products (businesses, garages)**  
**Aim to gain new customer types**  
**Continue opening locations in Tokyo and Chiba**



**Aim for in-house store openings, the same model as overseas self-storage companies.**

**U.S. and Europe: In-house development and management of properties  
Japan: Sublease management after sale of property to investors**



\* Figures for earnings, establishment, and market value derived from each company's annual report (2018) and corporate website.  
 \* Arealink figures totaled from initial year of self-storage business; Net income is for 2018.  
 \* Currency conversion rates for sales, earnings, and market value: ¥109.09/USD, ¥141.07/GBP, ¥74.37/AUD (at Dec. 2, 2019).

Continue location openings, aiming for overwhelming No. 1 position in the Japanese market

Self-storage style

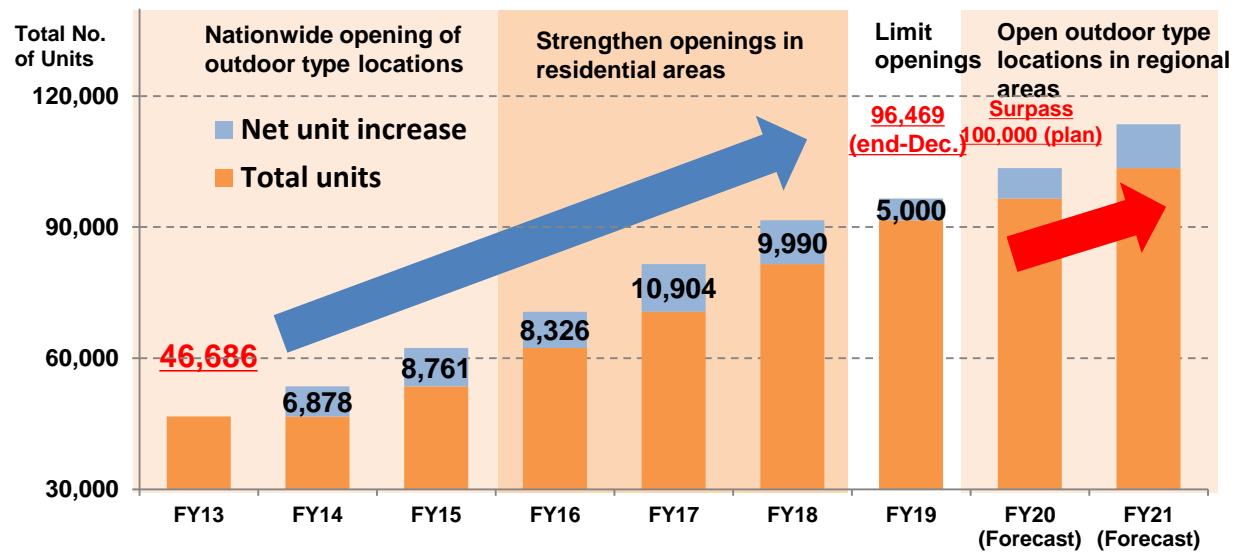


Hello Storage (outdoor type)  
Order from investor, in-house holding



Hello Storage (indoor type)

Total number of units



## ● **Leasehold Land Business = Solutions for difficult situations**

This business brings together and finds solutions for landowners who are unable to utilize their land freely, and leaseholders, who are able to continue occupying the property but cannot use the land freely.

⇒ **Business in line with Arealink’s concept of “finding solutions”**

## ● **Niche, low-risk business with stable earnings**

- Since this is a niche business, competition is not too severe.
- Stable business even during economic downturns. Unlike ordinary land market, land can be purchased at around 30% of market value, so the price change risk is low.
- Arealink receives rent income prior to sale, and a stable gain on sale when the property is sold.

## Leasehold Land: Land with a leasehold interest, leased for the purpose of owning a building



**Image of leasehold land rights and leased land rights**

**Situation for the leaseholder and landowner**

**Leasehold land rights owner**  
**(30% of property rights)**

- Unable to utilize land freely
- Low liquidity, difficult to sell

\* Land rights owner receives rent and renewal fees from leaseholder, but earnings are low compared to the inheritance tax asset valuation.

**Leasehold rights holder**  
**(70% of property rights)**

- Able to continue occupying land

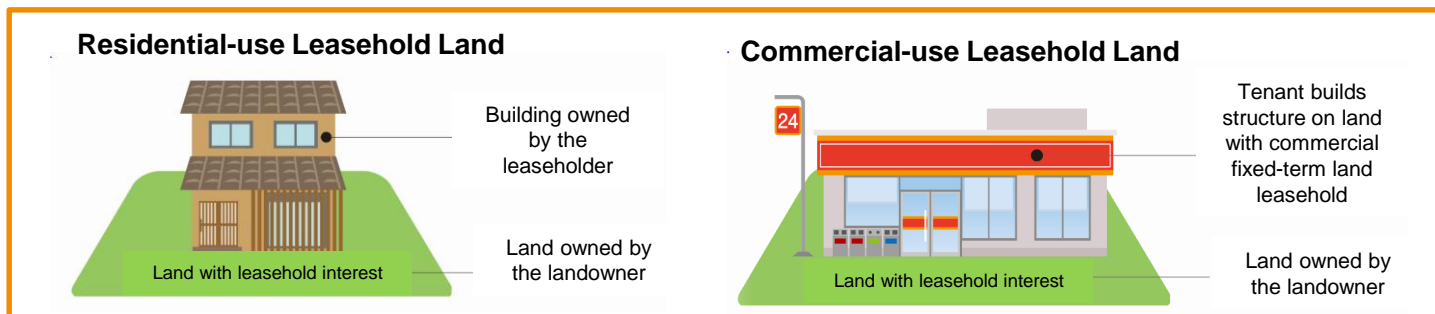
\* Must meet the following conditions:

- 1) Pay rent (monthly) to the landowner
- 2) Pay renewal fee to the landowner at contract renewal
- 3) Landowner consent needed for extension or reconstruction of building



## Characteristics of the Leasehold Land Business and outlook

- Demand remains firm regardless of economic conditions, providing **stability to the business portfolio**.  
**Gain rent income (3% annually) and 20% gain on sale** (after 1-2 years)
- Few major companies in the market, allowing Arealink to take advantage of its strengths to aim to be **the leading companies in this niche real estate market**.
- Arealink is **strengthening its sales structure**, expanding beyond Kanto (Tokyo metropolitan area) to the **Kansai region** (Osaka metropolitan area).
- Arealink has begun purchasing **commercial** leasehold land rights in addition to residential leasehold land right.
- Test run planned for purchase of commercial-use leased land rights



**A company that will do something  
to help with difficulties**

---

**Provide convenience, joy, and excitement**

---

# **Part-III**

## **Reference Material**

# Major Indicators for the Past Six Years

In Millions of yen

	FY14	% Change	FY15	% Change	FY16	% Change	FY17	% Change	FY18	% Change	FY19
Net sales	18,120	(5.2) %	17,173	(1.5) %	16,908	+27.1%	21,489	+34.2%	28,828	+1.8%	29,333
Gross profit	4,360	+16.3%	5,073	(6.0) %	4,771	+19.1%	5,683	+17.1%	6,655	+0.1%	6,663
Gross profit margin (%)	24.1	(3.9) pt	29.5	(1.3) pt	28.2	(1.8) pt	26.4	(3.3) pt	23.1	(0.4) pt	22.7
SG&A expenses	2,125	+13.7%	2,415	+17.4%	2,835	+16.5%	3,303	+17.2%	3,873	(6.2)%	3,633
Operating income	2,235	+18.9%	2,657	(27.2) %	1,935	+22.9%	2,379	+16.9%	2,782	+8.9%	3,030
Operating income ratio (%)	12.3	+2.4pt	15.5	(4.1) pt	11.4	(0.3) pt	11.1	(1.4) pt	9.7	+0.6pt	8.9
Ordinary income	2,087	+17.0%	2,442	(19.4) %	1,968	+24.0%	2,441	+3.9%	2,536	+18.3%	3,000
Net income	1,541	+1.0%	1,550	(26.3) %	1,142	+35.4%	1,547	+17.0%	1,810	—	△1,753
ROA (%)	7.2	+0.8pt	8.0	(2.7) pt	5.3	+0.5pt	5.8	(0.5) pt	5.3	—	△4.3
ROE (%)	11.9	(0.8) pt	11.0	(0.4) pt	7.6	+2.2pt	9.8	+0.5pt	10.3	—	△10.3
Total assets	19,539	(1.2) %	19,312	+23.2%	23,791	+25.7%	29,904	+26.6%	37,862	+13.6%	43,020
Net assets	13,514	+8.3%	14,626	+4.5%	15,283	+7.0%	16,351	+14.7%	18,749	(12.4)%	16,419
Shareholders' equity ratio (%)	69.2	+6.6pt	75.7	+6.6pt	64.2	(9.5) pt	54.7	(5.2) pt	49.5	(11.3) pt	38.2
Interest-bearing debt	2,759	(52.5) %	1,311	+265.6%	4,793	+90.9%	9,152	+58.6%	14,512	(2.9)%	14,086
Net income per share* (Yen)	125.5	+1.0%	126.3	(26.3) %	93.06	+35.5%	126.08	+15.4%	145.47	—	△138.81
Net assets per share *(Yen)	1,100.9	+5.7%	1,191.4	+4.5%	1,245.09	+7.1%	1,332.88	+11.4%	1,484.44	(12.4)%	1,299.96
Number of employees	106	+16.0%	123	+1.6%	125	(20.8)%	99	(5.1)%	94	(16.0)%	79

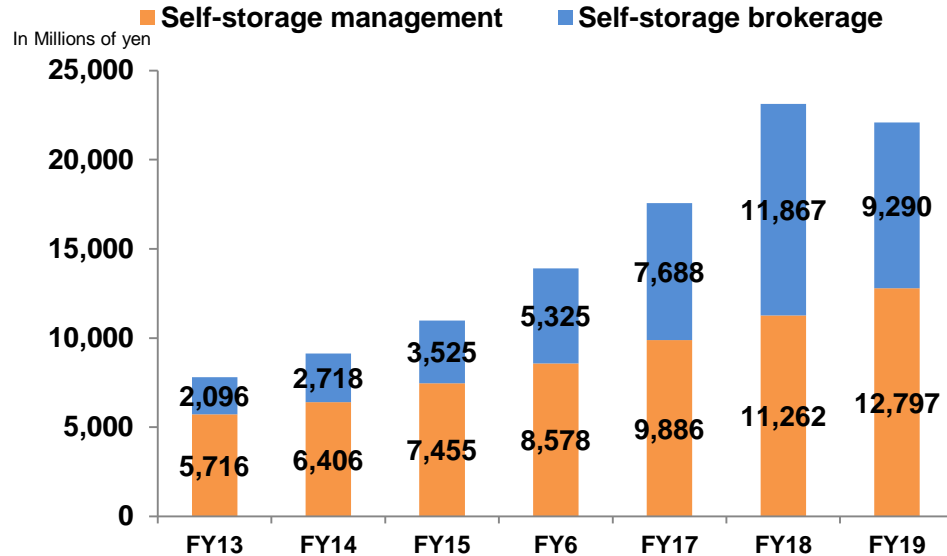
Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Also with an effective date of July 1, 2016, the Company conducted a consolidation of its common shares at a ratio of 1 share for 10 outstanding shares. Accordingly, the figures for per share information before 2015 have been calculated assuming that the stock split and consolidation were conducted at the beginning of the previous fiscal year.

# Profit Margin by Segment (Quarterly)

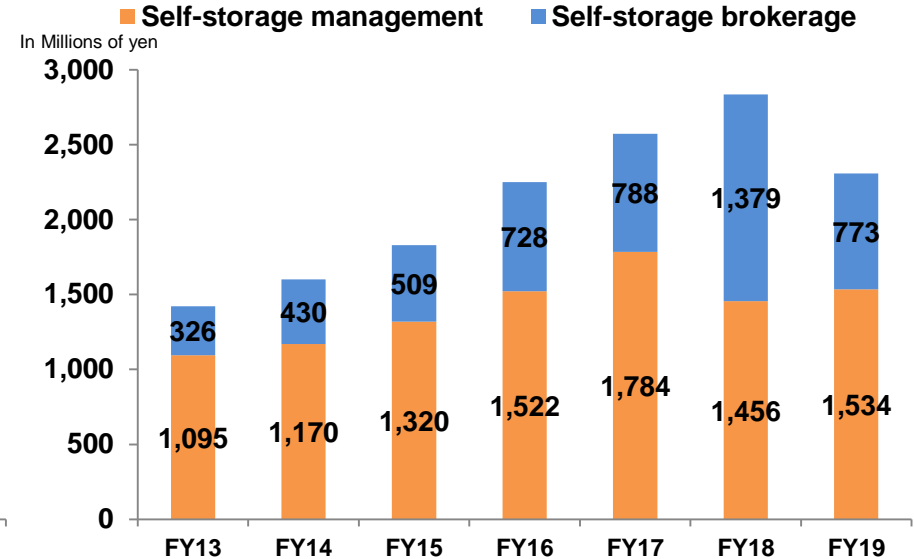
In Millions of yen

			FY18	FY19				
			(full year)	1Q	2Q	3Q	4Q	Cumulative
			Cumulative					
	Self-storage management	Net sales	11,262	3,100	3,188	3,217	3,290	12,797
		Gross profit	2,474	665	574	692	593	2,526
		Operating income	1,456	413	408	421	291	1,534
	Self-storage brokerage	Net sales	11,867	3,688	4,614	898	88	9,290
		Gross profit	2,379	507	937	145	(46)	1,543
		Operating income	1,379	260	649	14	(150)	773
	Other property management service	Net sales	1,998	481	509	485	490	1,966
		Gross profit	792	188	218	187	206	801
		Operating income	608	152	178	146	163	641
<b>Property Management Service Segment Total</b>		Net sales	25,129	7,270	8,311	4,602	3,869	24,054
		Gross profit	5,646	1,361	1,730	1,025	753	4,870
		Operating income	3,445	826	1,236	582	305	2,950
<b>Property Revitalization &amp; Liquidation Service Segment Total</b>		Net sales	3,698	2,363	2,199	510	205	5,278
		Gross profit	1,008	876	762	83	70	1,792
		Operating income	650	777	426	19	25	1,249
<b>Management Division Expenses</b>		Net sales	—	—	—	—	—	—
		Gross profit	—	—	—	—	—	—
		Operating income	(1,313)	(324)	(307)	(269)	(267)	(1,169)
<b>Total for All Businesses</b>		Net sales	28,828	9,634	10,511	5,113	4,074	29,333
		Gross profit	6,655	2,238	2,493	1,108	823	6,663
		Operating income	2,782	1,278	1,355	333	62	3,030

## Self-Storage Business Net Sales



## Self-Storage Business Operating Income



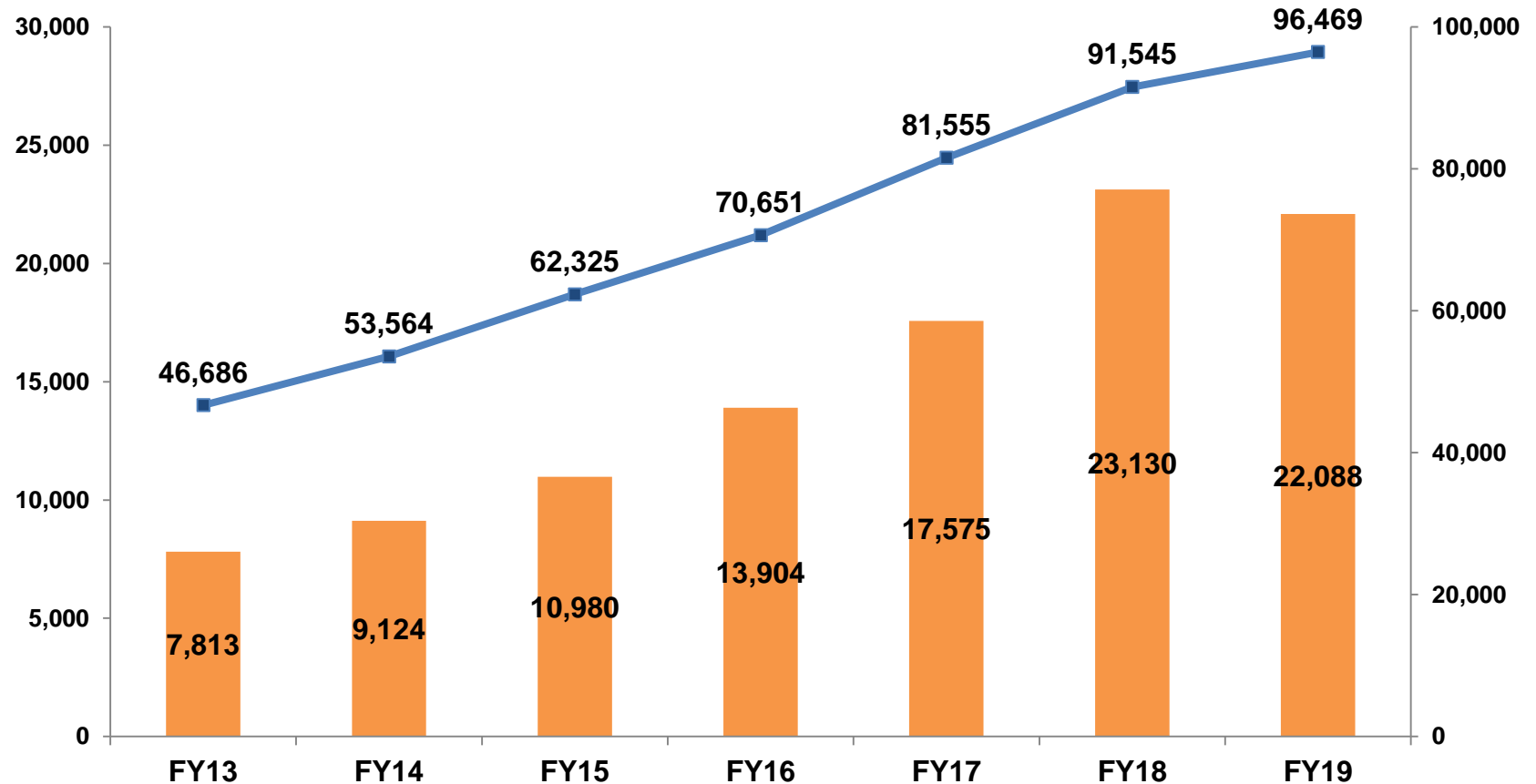
(Millions of yen)	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Self-storage management	5,716	6,406	7,455	8,578	9,886	11,262	12,797
Self-storage brokerage	2,096	2,718	3,525	5,325	7,688	11,867	9,290
<b>Self-Storage Business Net Sales</b>	<b>7,813</b>	<b>9,124</b>	<b>10,980</b>	<b>13,904</b>	<b>17,575</b>	<b>23,130</b>	<b>22,087</b>
Self-storage management	1,095	1,170	1,320	1,522	1,784	1,456	1,534
Self-storage brokerage	326	430	509	728	788	1,379	773
<b>Self-Storage Business Operating Income</b>	<b>1,421</b>	<b>1,600</b>	<b>1,829</b>	<b>2,251</b>	<b>2,572</b>	<b>2,836</b>	<b>2,308</b>

## Self-Storage Business Net Sales and Total Units

In Millions of yen

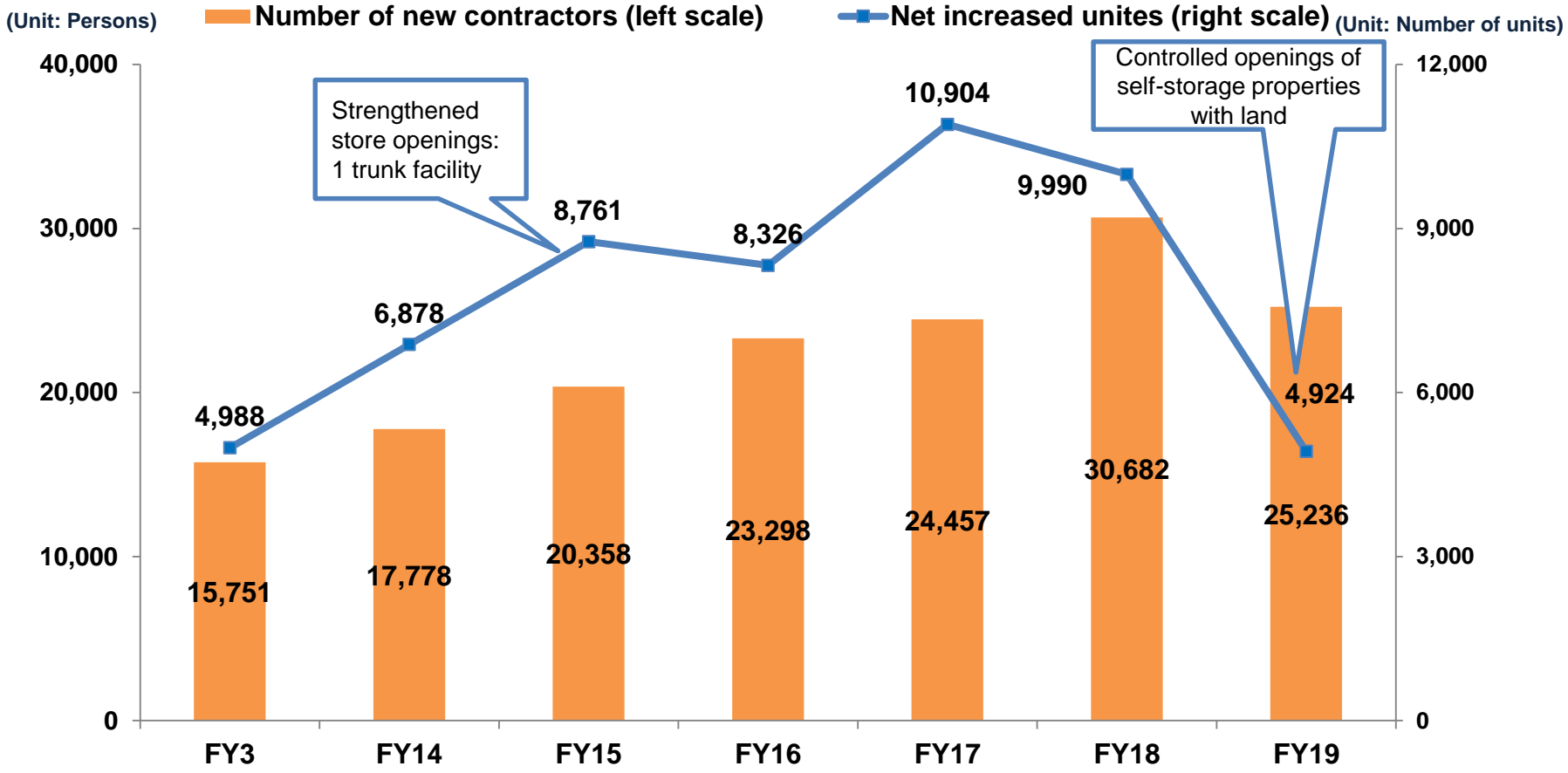
Self-storage Business Net Sales (left scale)

Total Units (right scale) (Unit: Number of units)



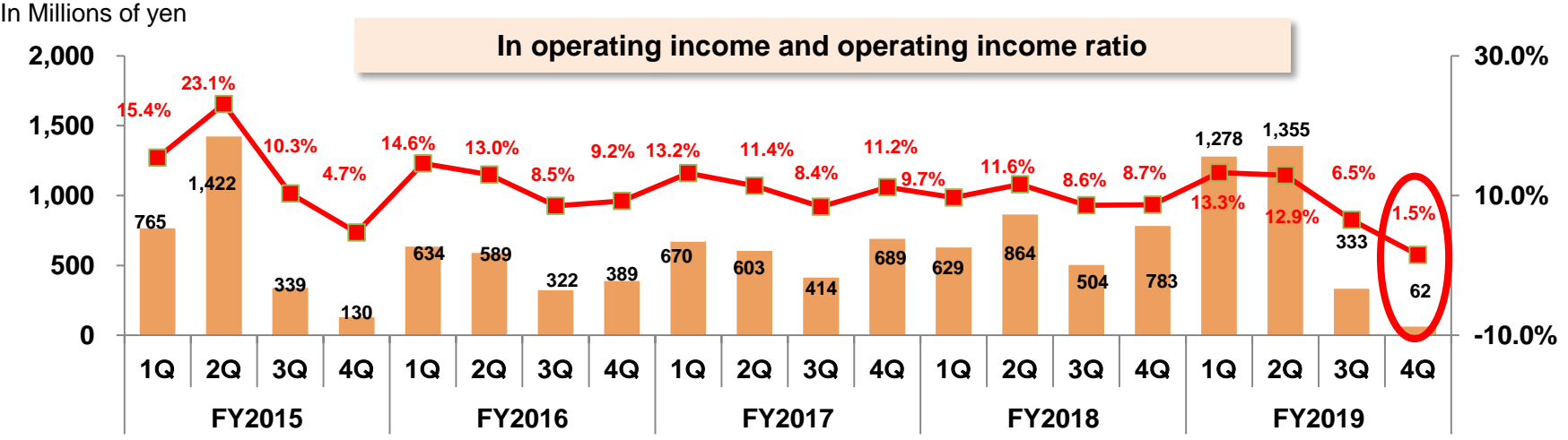
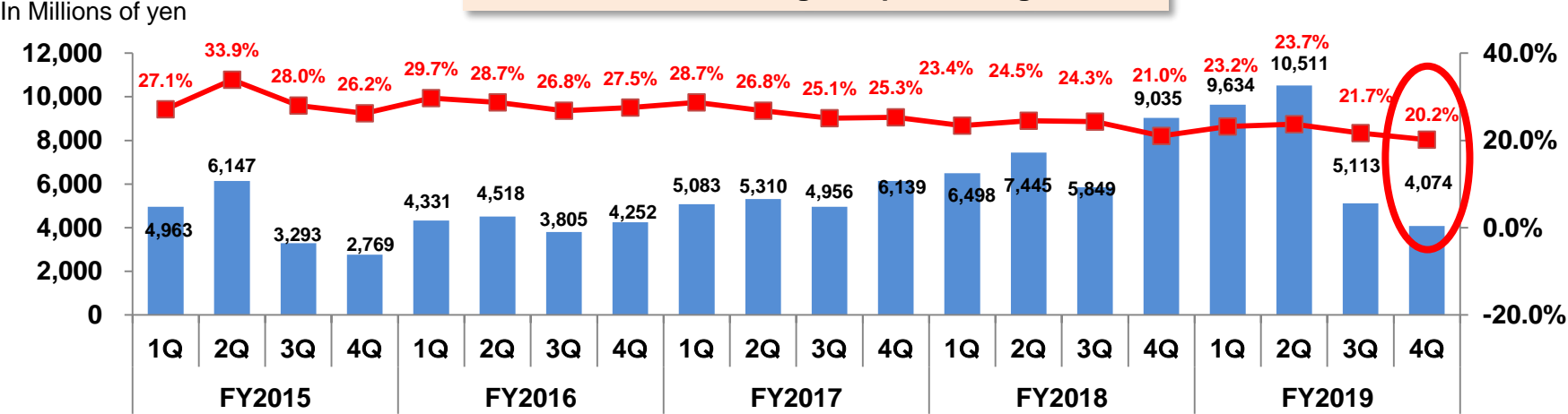


## Self-Storage Business Number of New Contractors and Net Increased Units



## Results in line with plan, with earnings in 2019 weighted toward 1H

**In net sales and gross profit margin**



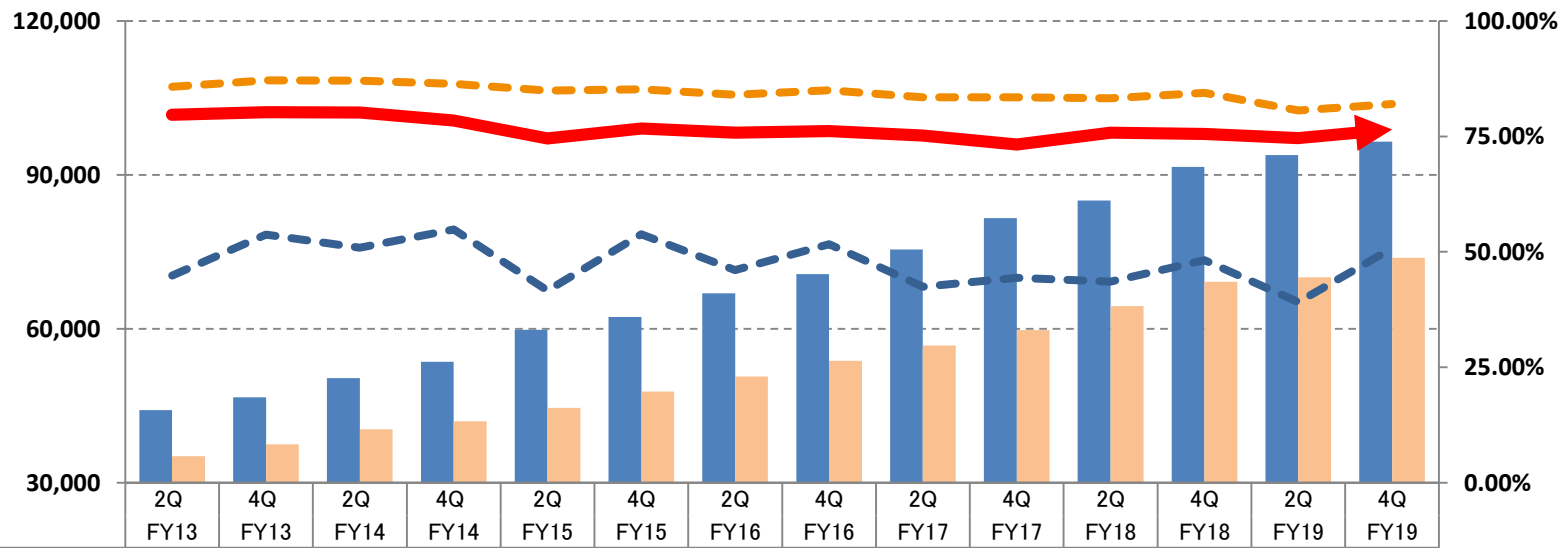
# Total Units, Units in Use, and Utilization Rate



**More than double the total number of storage units and units in use over 6 years**

**Total Units, Units in Use, and Utilization Rate**

(Unit: Number of units)



	2Q FY13	4Q FY13	2Q FY14	4Q FY14	2Q FY15	4Q FY15	2Q FY16	4Q FY16	2Q FY17	4Q FY17	2Q FY18	4Q FY18	2Q FY19	4Q FY19
Total Units	44,138	46,686	50,422	53,564	59,802	62,325	66,923	70,651	75,440	81,555	85,005	91,545	93,885	96,469
Units in Use	35,177	37,499	40,407	42,009	44,603	47,796	50,739	53,786	56,742	59,748	64,432	69,169	70,064	73,815
Utilizaation Rate (%)	79.70%	80.22%	80.14%	78.43%	74.58%	76.69%	75.82%	76.13%	75.21%	73.26%	75.80%	75.56%	74.63%	76.52%
Existing Utilization Rate (%)	85.73%	87.15%	87.06%	86.36%	84.90%	85.19%	84.03%	84.97%	83.45%	83.48%	83.24%	84.46%	80.59%	81.99%
New Utilization Rate (%)	44.86%	53.77%	50.90%	54.85%	41.63%	53.84%	46.04%	51.69%	42.43%	44.36%	43.57%	48.20%	39.14%	50.73%

\* Existing: Units after more than two years since they opened  
 New: Units after less than two years since they opened  
 New for FY 2019: Newly opened in 2018 and 2019

The earnings forecasts, predictions, strategies, and other information presented in this report are as of the time of preparation. The report was prepared based on information reasonably available to the Company, with determinations made within foreseeable bounds.

However, there are risks that that actual performance may differ from the earnings forecasts in this report as a result of unforeseeable events and results.

The Company makes an effort to proactively disclose information considered important to investors, but readers are strongly advised to avoid decisions that place undue reliance solely on the earnings forecasts presented in this report.

This report may not be duplicated or forwarded without permission for any purpose.

Inquiries  
IR Office Administrative Division  
Arealink Co., Ltd.  
TEL : +81-3-3526-8556 E-mail : [info@arealink.co.jp](mailto:info@arealink.co.jp)