



“We supply the best use of space.”

Results Briefing

Third Quarter, Fiscal Year Ending December 2020

October 29, 2020
Arealink Co., Ltd.



Trunk House 24 Nerima Hikarigaoka,
24 units



Hello Storage Tochigi-shi, Jonaicho,
26 units

I. Summary of FY12/20 3Q

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Summary of FY12/20 3Q

Summary of FY12/20 3Q

**Significant increase in earnings and shift to increased revenue and earnings trend in 3Q (3 months)
Driven by core business of self-storage management**

In Millions of yen

	FY19 1-3Q		FY20 1-3Q			FY19 3Q		FY20 3Q		
	Actual	Percent of Sales	Actual	Percent of Sales	YoY	Actual	Percent of Sales	Actual	Percent of Sales	YoY
Net sales	25,258	—	17,153	—	(32.1) %	5,113	—	5,362	—	+ 4.9 %
Cost of sales	19,418	76.9 %	12,897	75.2 %	(33.6) %	4,004	78.3 %	4,095	76.4 %	+ 2.3 %
Gross profit	5,839	23.1 %	4,256	24.8 %	(27.1) %	1,108	21.7 %	1,267	23.6 %	+ 14.3 %
SG&A expenses	2,872	11.4 %	2,445	14.3 %	(14.9) %	775	15.2 %	712	13.3 %	(8.1) %
Operating income	2,967	11.7 %	1,810	10.6 %	(39.0) %	333	6.5 %	554	10.3 %	+ 66.5 %
Ordinary income	2,894	11.5 %	1,727	10.1 %	(40.3) %	422	8.3 %	510	9.5 %	+ 21.0 %
Extraordinary profit and loss	(27)	—	583	3.4 %	—	(14)	—	581	10.8 %	—
Income before income taxes	2,867	11.4 %	2,311	13.5 %	(19.4) %	407	8.0 %	1,092	20.4 %	+ 168.2 %
Net income	1,949	7.7 %	1,586	9.2 %	(18.6) %	262	5.1 %	756	14.1 %	+ 187.7 %

Summary of FY12/20 3Q (by segment) Arealink

"We supply the best use of space."

3Q (3 months): Self-storage revenue decreased and earnings increased, mainly due to decrease in self-storage brokerage

Limited land rights resulted in increased revenue and earnings as a consequence of restrained sales in second half of 2019

In Millions of yen			FY19 1-3Q		FY20 1-3Q			FY19 3Q		FY20 3Q		
			Actual	Percent of Sales	Actual	Percent of Sales	YoY	Actual	Percent of Sales	Actual	Percent of Sales	YoY
Self-storage management	Net sales	9,506	—	10,416	—	+ 9.6 %	3,217	—	3,547	—	+ 10.2 %	
	Gross profit	1,932	20.3 %	2,425	23.3 %	+ 25.5 %	692	21.5%	930	26.2%	+ 34.5 %	
	Operating income	1,243	13.1 %	1,561	15.0 %	+ 25.6 %	421	13.1%	627	17.7%	+ 49.0 %	
Self-storage brokerage	Net sales	9,201	—	746	—	(91.9) %	898	—	176	—	(80.4) %	
	Gross profit	1,589	17.3 %	112	15.0 %	(93.0) %	145	16.1%	36	20.6%	(75.0) %	
	Operating income	924	10.0 %	(79)	—	—	14	1.6%	(10)	—	—	
Self-storage Business	Net sales	18,708	—	11,162	—	(40.3) %	4,116	—	3,723	—	(9.6) %	
	Gross profit	3,522	18.8 %	2,537	22.7 %	(28.0) %	837	20.3%	967	26.0%	+ 15.5 %	
	Operating income	2,167	11.6 %	1,482	13.3 %	(31.6) %	435	10.6%	617	16.6%	+ 41.6 %	
Land Rights Consolidation Business (limited land rights)	Net sales	5,160	—	4,730	—	(8.3) %	540	—	1,247	—	+ 130.9 %	
	Gross profit	1,787	34.6 %	1,275	27.0 %	(28.6) %	106	19.7%	177	14.2%	+ 66.8 %	
	Operating income	1,288	25.0 %	889	18.8 %	(31.0) %	42	7.9%	110	8.9%	+ 159.1 %	
Other Operational Services Business	Net sales	1,389	—	1,260	—	(9.3) %	456	—	391	—	(14.2) %	
	Gross profit	529	38.1 %	443	35.2 %	(16.3) %	164	36.1%	122	31.4%	(25.4) %	
	Operating income	412	29.7 %	341	27.1 %	(17.3) %	123	27.1%	93	23.9%	(24.4) %	
Management Division	Net sales	—	—	—	—	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	—	—	—	—	
	Operating income	(901)	—	(902)	—	+ 0.1 %	(269)	—	(266)	—	(1.0) %	
Total for All Businesses	Net sales	25,258	—	17,153	—	(32.1) %	5,113	—	5,362	—	+ 4.9 %	
	Gross profit	5,839	23.1 %	4,256	24.8 %	(27.1) %	1,108	21.7%	1,267	23.6%	+ 14.3 %	
	Operating income	2,967	11.7 %	1,810	10.6 %	(39.0) %	333	6.5%	554	10.3%	+ 66.5 %	

Self-Storage Management: Achieved budget, continued to increase revenue and earnings

Self-Storage Brokerage: Achieved budget with reduced revenue and earnings, shift to in-house investment

◆ **Total number of self-storage units 98,732**

(+2,263 units since Dec 31, 2019, and +2,730 units since Sep 30, 2019)

- Revise self-storage opening plan to shift from quantity to quality
- Careful selection of prime properties for location openings resulted in slower pace of increase in number of units

◆ **Utilization rate of 78.42%, increase of 3.59 ppt (compared to Sep 30, 2019)**

Steady utilization of 2019-2020 unit openings, improving utilization rate of newly opened

◆ **Self-storage management improves gross profit margin by 4.7 ppt**

Gross profit margin: 21.5% in 3Q FY12/19 ⇒ 26.2% in 3Q FY12/20

- Continue to curb campaigns, improving discount rates
- Cost reductions through container repurchases and requesting rent reductions

◆ **Brokerage achieved budget, decrease in revenue and earnings due to shift to in-house investment model**

Recorded sale of 1 self-storage property with land and orders for 2 containers for 3 months in the second half of 2020

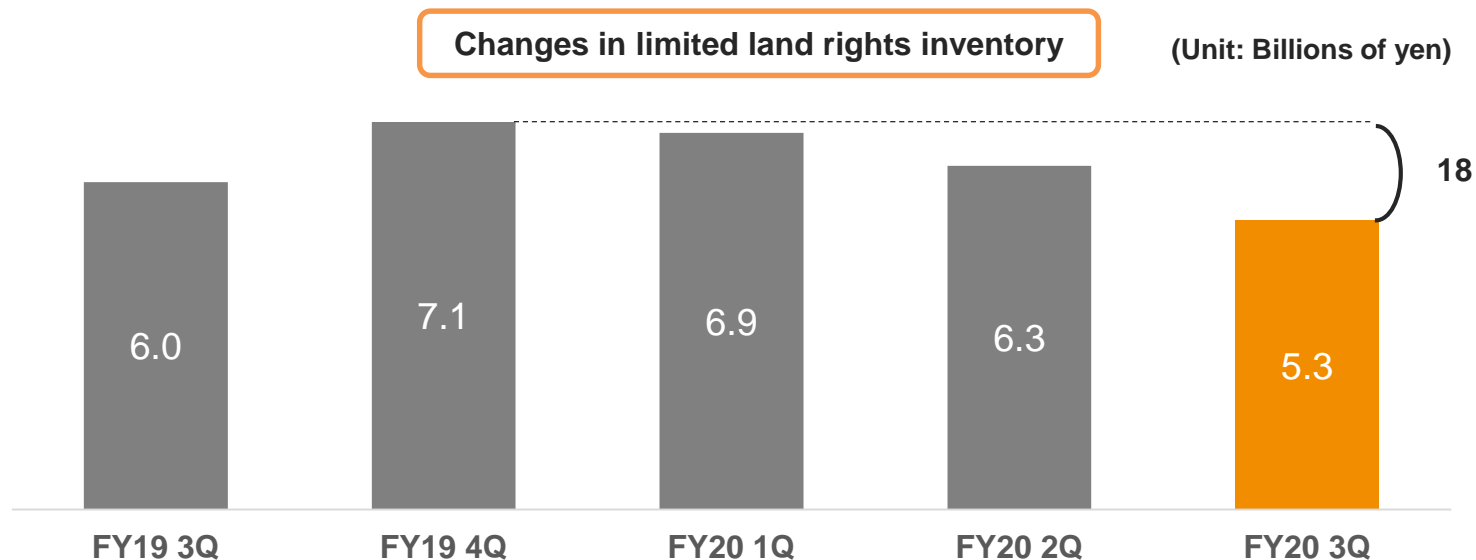
Limited Land Rights: Revenue and earnings increased due to rebound from second half of 2019, but budget not achieved as a result of focusing on sales to reduce inventory

◆ **Budget not achieved despite increase in revenue and earnings**

- Revenue and earnings increased as a consequence of restrained sales in the second half of 2019
- Budget not achieved due to sales promotion of slow-moving inventory and halt in procurement to reduce inventory

◆ **Inventory decreased to ¥5.3 billion (down ¥1.8 billion from Dec 31, 2019)**

Continue inventory reduction to rebuild business model



**Decrease in revenue and earnings, budget not achieved
Rental meeting room business continues to be affected by COVID-19,
withdraw from business**

◆ **Rental meeting room business saw a significant decrease in revenue and earnings, budget not achieved by a significant margin**

- Business continues to be affected by COVID-19
- Decision made on September 17 to pull out of the rental meeting room business by December 2020
- Although there are costs and penalties associated with restoring properties back to original state, the impact on business performance is minor

◆ **Asset management business saw decrease in revenue and increase in earnings**

- Decrease in revenue and increase in earnings, resulting in budget not achieved for sales, but achieved for earnings
- Responded to requests from some tenants for lower rent due to effects of COVID-19
- As a result of controlling selling and administrative expenses, profit margin improved and earnings increased

◆ **Rental office business achieved budget despite reduced revenue and earnings**

- Factors for reduced revenue and earnings: Closure of underperforming properties in December 2019
- Maintain strong utilization rate and capture demand for remote work

Extraordinary Income: Recorded reverse gain with provision for loss on repurchases

In Millions of yen	FY19 1-3Q	FY20 1-3Q	YoY
Operating income	2,967	1,810	(39.0) %
Non-operating income	143	55	(61.5) %
Non-operating expenses	215	137	(36.1) %
Ordinary income	2,894	1,727	(40.3) %
Extraordinary income	13	596	+ 4411.0 %
Extraordinary loss	40	13	(67.2) %
Income before income taxes	2,867	2,311	(19.4) %
Income taxes — current	1,677	324	(80.6) %
Income taxes — deferred	(759)	399	—
Net income	1,949	1,586	(18.6) %

Non-operating income
Compensation for transfer ¥27 million

Non-operating expenses
Interest expenses ¥100 million

Extraordinary income
Reverse gain with provision for loss on repurchases ¥582 million

No change in company policy
Container purchases are progressing and negotiations ongoing for 3 months in the second half

◆ **Progress with container purchases**

Number of purchases as of Sep 30: 36 Total purchase amount: ¥3.1 billion

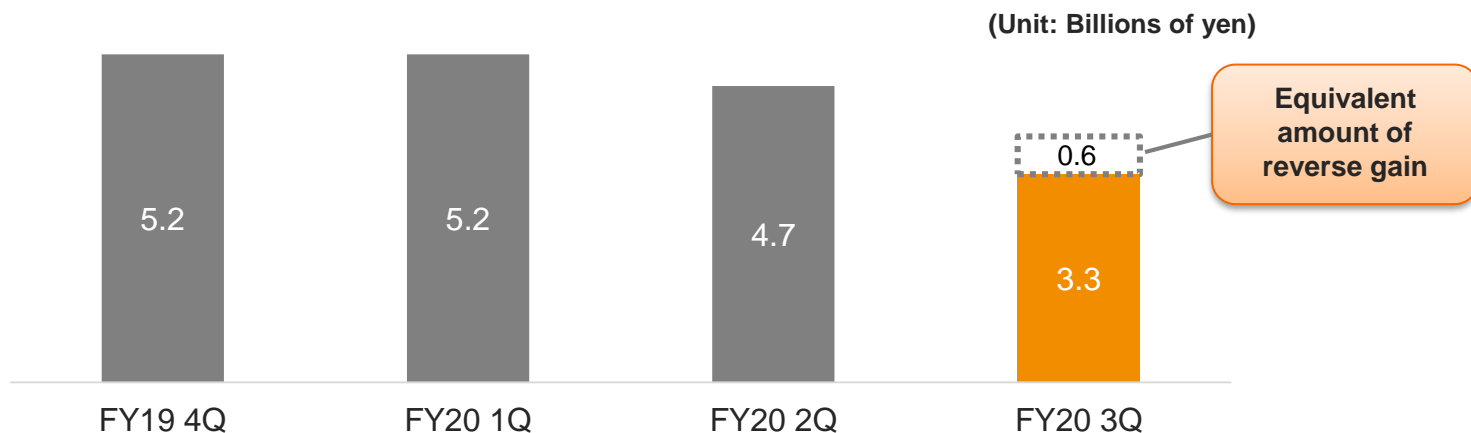
Decrease in provisions due to container purchases: ¥1.2 billion (equivalent to approximately one quarter of total)

◆ **Recorded reverse gain with provision for loss on repurchases**

Reduction of provision for repurchase loss on containers which were decided not to be purchased

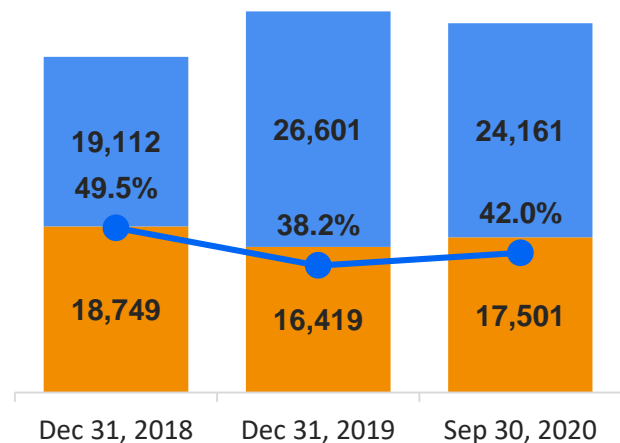
<Number of investors: 32 ; Beginning balance of provision : ¥2.2 billion ; Decrease in provision due to reversal: ¥0.6 billion>

Changes in provision



Liabilities, net assets, equity ratio

Net assets Liabilities Equity ratio



In Millions of yen

	Dec 31, 2018	Dec 31, 2019	Sep 30, 2020
Current assets	25,840	19,903	16,596
Noncurrent assets	12,022	23,117	25,065
Total assets	37,862	43,020	41,662
Current liabilities	6,607	11,913	7,954
Noncurrent liabilities	12,505	14,687	16,206
Total liabilities	19,112	26,601	24,161
Net assets	18,749	16,419	17,501

Financial position (As of September 30, 2020)

Assets

Down ¥1.4 billion (Current assets + Noncurrent assets)

* Comparison between Sep.30, 2020 and Dec 31, 2019

Cash reductions (due mainly to corporate tax payments)
¥ (2.1) billion
Reductions in real estate for sale (sale of limited land rights)
¥ (2.0) billion
Increase in tools, equipment and fixtures (location openings
from own investment, container repurchases) +¥2.0 billion

Liabilities

Down ¥2.4 billion (Current liabilities + Noncurrent liabilities)

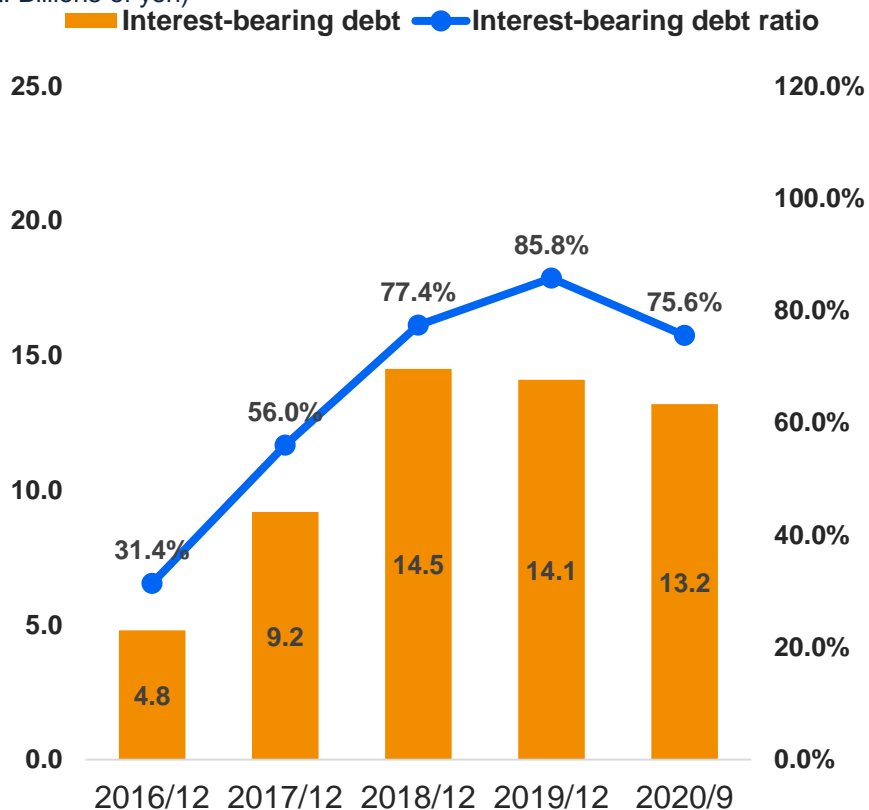
* Comparison between Sep.30, 2020 and Dec 31, 2019

Income taxes payable, etc. ¥ (1.4) billion
Provision for loss on repurchases ¥ (1.8) billion

Interest-bearing debt ratio is improving, reduced inventory assets

Interest-bearing debt and interest-bearing debt ratio

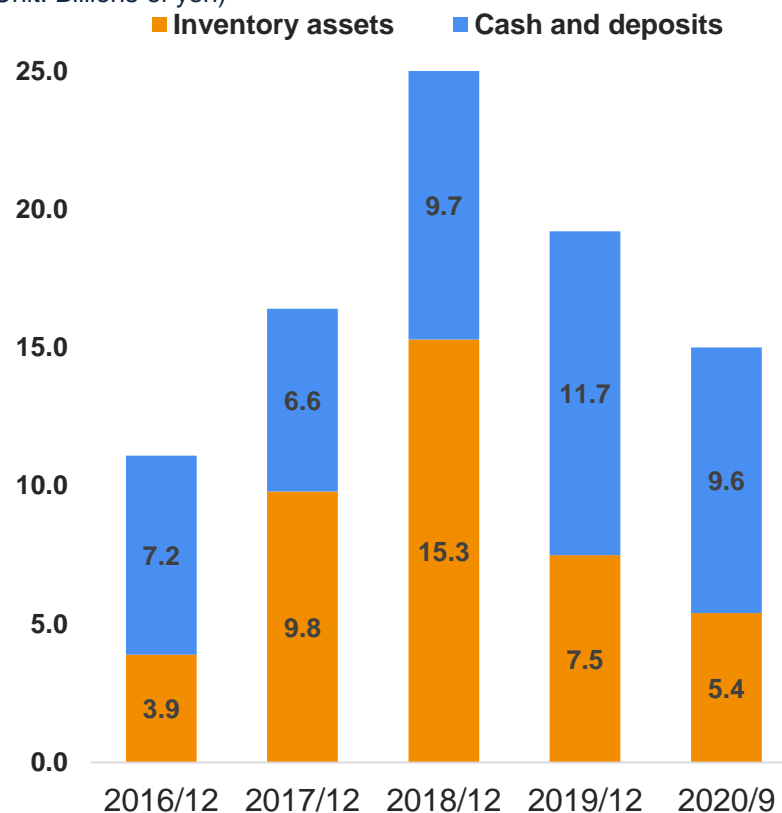
(Unit: Billions of yen)



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

Inventory assets and cash and deposits

(Unit: Billions of yen)



Inventory assets: Real estate for sale + Real estate for sale in process

FY20 Earnings Outlook

FY20 Earnings Outlook

Announced revision of full-year earnings forecast today Revised forecasts for net sales and net income

In Millions of yen	FY2019 Actual	FY2020 Prior forecast	FY2020 Revised forecast	YoY	Compared to the prior forecast
Net sales	29,333	24,700	22,300	(24.0) %	(9.7) %
Operating income	3,030	2,300	2,300	(24.1) %	—
Ordinary income	3,000	2,200	2,200	(26.7) %	—
Net income	(1,753)	1,300	1,700	—	+ 30.8 %
Net income per share (yen)	(138.81)	102.93	134.59	—	+ 30.8 %

Extraordinary profit and loss: +0.4 billion yen
Impact of reverse gain with provision for loss on repurchases

Self-storage management is expected to land above latest forecast Limited land rights down due to reduced inventory

- ① **Sales and earnings for self-storage management expected to be higher than previous forecasts**
 - Utilization rate on track, and curbed discount rate contributes
 - Container repurchases not included in previous forecasts boost profits
- ② **Lower gross margin expected for limited land rights due to reduced inventory**

(Millions of yen)		Full-year forecast (latest)	Full-year forecast (revised)	Increase (Decrease)
Self-Storage Business	Net sales	14,571	14,700	+ 129
	Operating income	1,850	① 2,100	+ 250
Land Rights Consolidation Business	Net sales	8,436	② 6,000	(2,436)
	Operating income	1,270	1,040	(230)
Other Operational Services Business	Net sales	1,691	1,600	(91)
	Operating income	420	380	(40)
Headquarters Expenses	Operating income	(1,240)	(1,220)	+ 20

**Maintained dividend payout ratio excluding impact of reverse gains on provision for repurchases
No change to dividend forecast**

◆ Dividends to be paid excluding impact of extraordinary income

- In FY2019, dividends paid based on results excluding extraordinary losses associated with container repurchases
- In FY2020, as in previous year, plan to pay dividends in line with payout ratio excluding impact of reverse gains.
- Dividend payout ratio expected to be 30.1% on actual basis.

Dividend per share and payout ratio

	FY2019	FY2020 (Forecast)
Dividend per share (yen)	40.0	31.0
Payout ratio	—	23.0 %

Topics

Special website "kurasul" established with information on lifestyle and storage

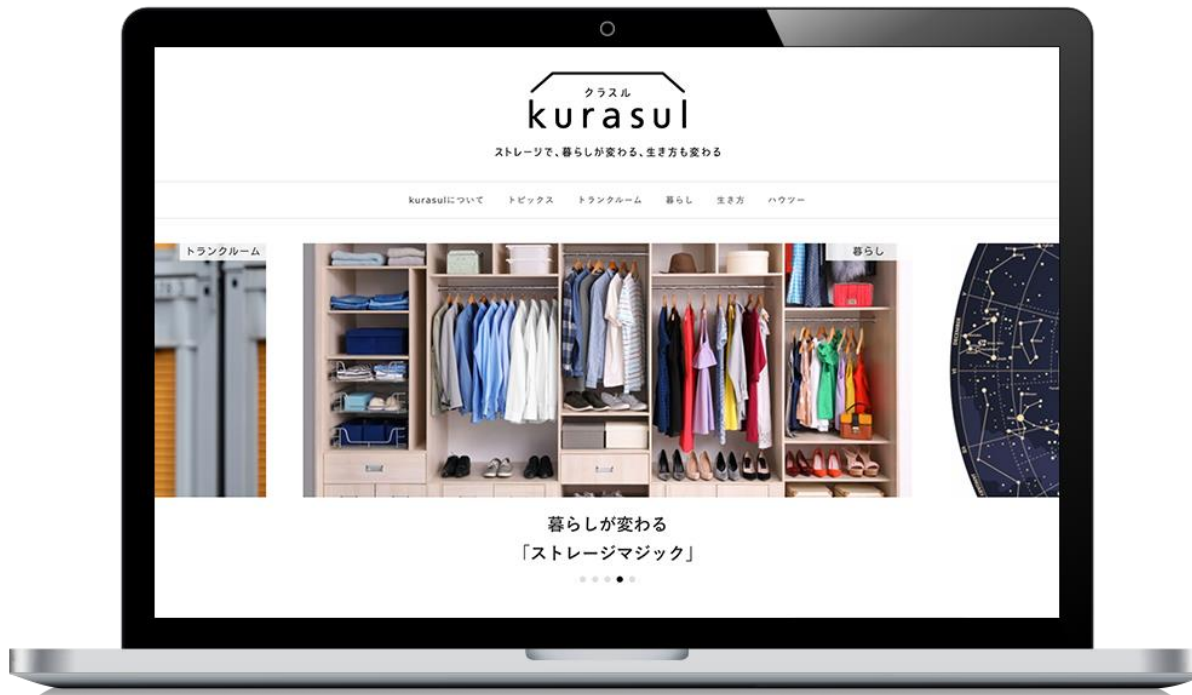
Offering ideas for a more convenient and fuller life with a self-storage unit

◆ Developed based on the concept of "Change your lifestyle, and change your way of life, with self-storage."

Use self-storage to create more living space, and change your lifestyle.

Site regularly updated with ideas for a more convenient and fuller life with a self-storage unit

URL : <https://kurasul.hello-storage.com/> (Japanese)



Decision made to terminate the Rental Meeting Room Business by the end of December
Considering the downturn in the business environment, management resources will be focused on core businesses.

- ◆ **Decision to terminate the Rental Meeting Room Business**
 - Resolution at regular meeting of Board of Directors on September 17, 2020
 - Plan to conclude business by end of December 2020
- ◆ **Considering the downturn in the business environment due to the coronavirus**
 - Decline in face-to-face meetings, conventions, and other gatherings
 - Sharp increase in use of online meeting systems
 - Expected decline in revenue and earnings for FY12/20, falling well short of targets
- ◆ **Concentrate management resources in core businesses, and establish a robust management structure**
 - Build a foundation for stable growth over the longer term
 - Apply cash flow management
 - ⇒ Focus on strengthening the Self-storage Business and other mainstay businesses
- ◆ **Impact of business termination on results expected to be negligible**

Appendix

Change in Reportable Segments

Reportable segments have been changed from FY12/20.

Property Management Service		
Property Management Service	Self-storage Management	
	Self-storage Brokerage	
	Other Property Management Services	Rental offices
		Assets
		Land with leasehold interest (rent income)
...		
Property Revitalization & Liquidation Service	Buying and selling of leasehold land and property	



New Business Segments	
Self-storage Business	Self-storage Management
	Self-storage Brokerage
Land Rights Consolidation Business	Buying and selling of leasehold land and property
	Land with leasehold interest (rent income)
Other Operational Services Business	Rental offices
	Assets
	...

Segment Name	Segment Description
Self-storage Business	Self-storage Management: Operation, marketing, and management of rental storage spaces Self-storage Brokerage: Received orders and sales of self-storage properties as investment products
Land Rights Consolidation Business	Resolution of issues between land owners and leasehold rights holders through the buying and selling of leasehold land with complex rights circumstances
Other Operational Services Business	Businesses based on rent income, such as rental management of company-held properties, and rental offices

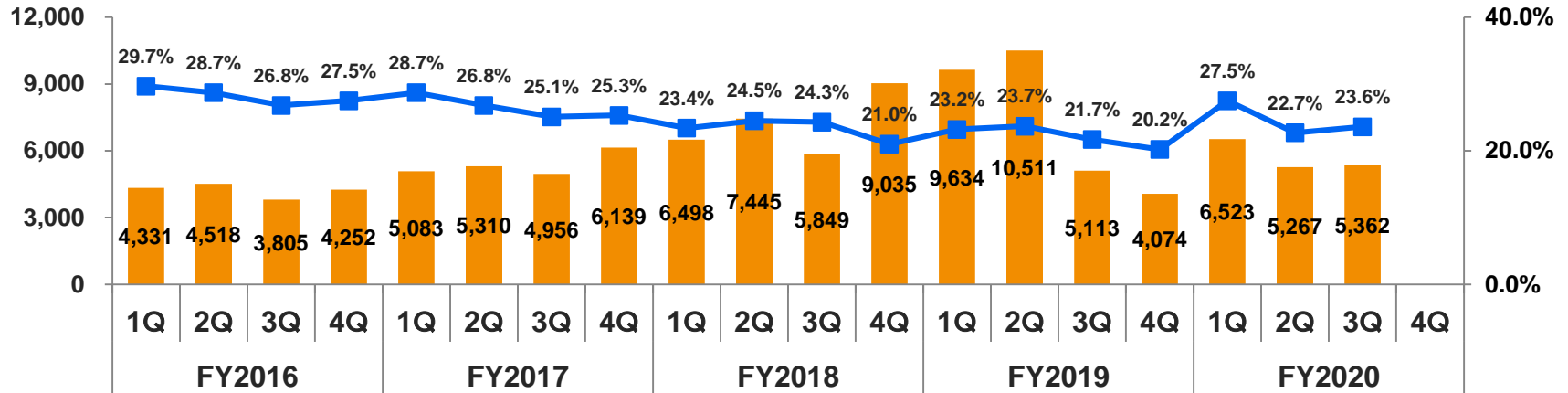
Business Segments – Quarterly Results

In Millions of yen			FY19	FY20				Cumulative
			Full-year	1Q	2Q	3Q	4Q	
Self-storage management	Net sales	12,797	3,383	3,485	3,547	—	10,416	
	Gross profit	2,526	720	773	930	—	2,425	
	Operating income	1,534	445	488	627	—	1,561	
	Self-storage brokerage	Net sales	9,290	427	142	176	—	746
		Gross profit	1,543	49	25	36	—	112
		Operating income	773	(39)	(29)	(10)	—	(79)
Self-storage Business	Net sales	22,087	3,811	3,627	3,723	—	11,162	
	Gross profit	4,069	770	799	967	—	2,537	
	Operating income	2,308	405	459	617	—	1,482	
Land Rights Consolidation Business	Net sales	5,402	2,255	1,227	1,247	—	4,730	
	Gross profit	1,888	843	254	177	—	1,275	
	Operating income	1,344	597	181	110	—	889	
Other Operational Services Business	Net sales	1,842	456	412	391	—	1,260	
	Gross profit	706	177	142	122	—	443	
	Operating income	546	135	111	93	—	341	
Management Division	Net sales	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	
	Operating income	(1,169)	(343)	(292)	(266)	—	(902)	
Total for All Businesses	Net sales	29,333	6,523	5,267	5,362	—	17,153	
	Gross profit	6,663	1,791	1,196	1,267	—	4,256	
	Operating income	3,030	795	460	554	—	1,810	

Entire Business— Quarterly Results

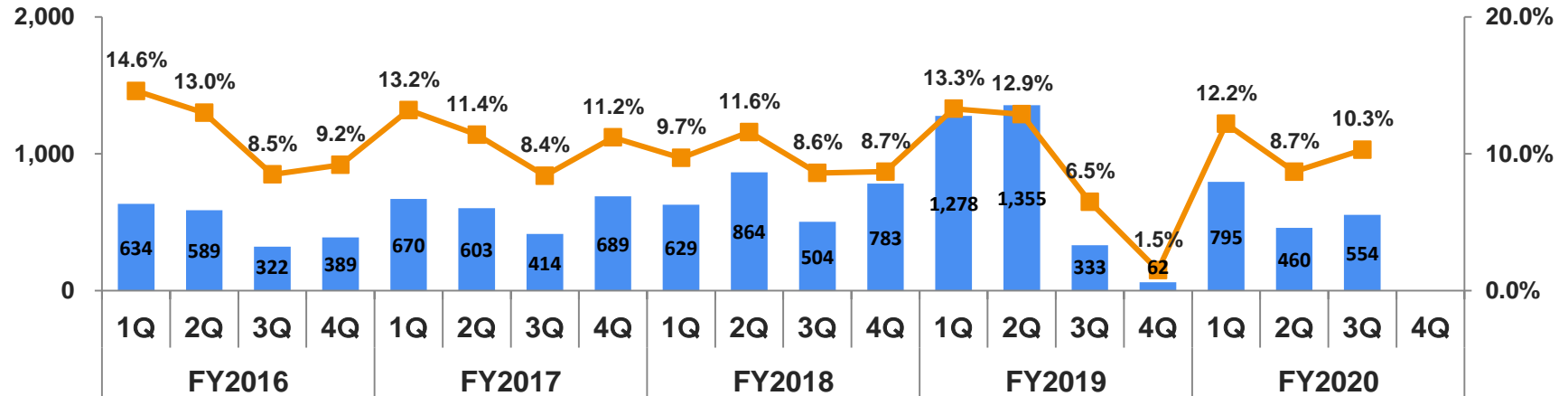
In net sales and gross profit margin

In Millions of yen



In operating income and operating income ratio

In Millions of yen



Property Name	Location	Number of properties	Purpose	Book Value (Land and Structure) Unit: ¥mn
Trunk House 24 Series	Tokyo and 4 other prefectures	31	Storage	6,311
Hotel (Comfort Inn・Best Inn)	Kofu City, Yamanashi Prefecture, and other	5	Hotel	1,255
Kanda BM Building	Chiyoda Ward, Tokyo	1	Office, store	951
Ginza Idei Building	Chuo Ward, Tokyo	1	Store	898
Overseas storage	Texas, U.S.	1	Storage	778



Trunk House 24
Megurohondo
(Meguro Ward, Tokyo)



Trunk House 24
Kamiigusa
(Suginami Ward, Tokyo)



Ginza Idei Building
(Chuo Ward, Tokyo)



Kanda BM Building
(Chiyoda Ward, Tokyo)



Texas Storage
(Texas, U.S.)

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.

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