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Results Briefing

First Quarter, Fiscal Year Ending December 2020

April 28, 2020

Hello storage (Outdoor type)
HS Katsushika Higashitateishi, 46 units
Nine minutes on foot from Keiseitateishi Station on Keisei Osihage Line

Hello storage (Outdoor type)
HS Fujisawakarasawa, 71 units
16 minutes by car from Fujisawa Station on JR Tokaido Main Line

Securities code：8914

Contents

Part- I

Summary of FY12/20 1Q 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

Summary of FY12/20 1Q

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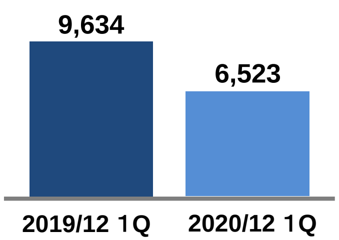
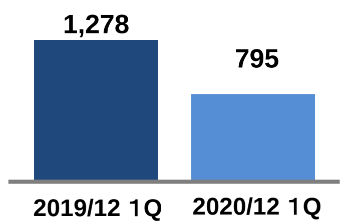
1Q (three-month period): Revenue and earnings dropped year-on-year even though upward swing was significantly above expectations
Upward swing: ¥1.5 billion in net sales and ¥0.5 billion in operating income

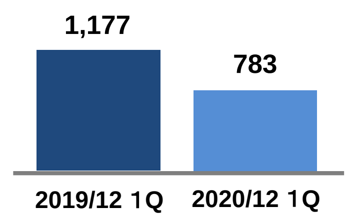
Net sales
YoY −32.3%



Operating income
YoY −37.8%

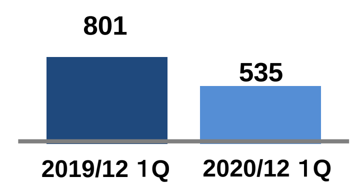


Ordinary income
YoY −33.5%



Net income
YoY −33.2%

In Millions of yen



(In Millions of yen)	FY12/20 Jan-Mar	Percent of Sales (%)	FY12/19 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%

Summary of FY12/20 1Q

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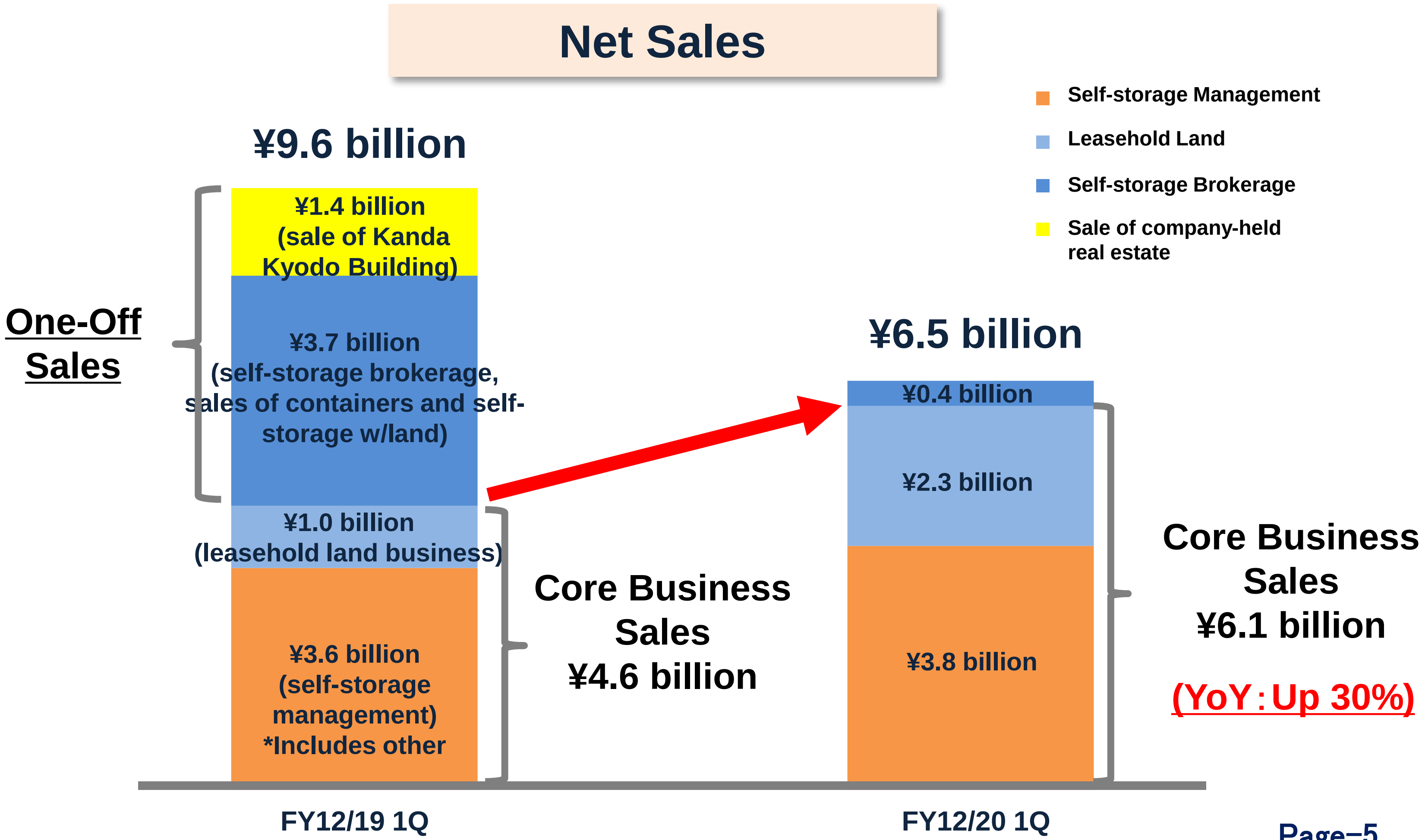
Shift from self-storage investor sales to company-held model
Drastic decrease in one-off sales but core business revenue up by ¥1.5 billion



Summary of FY12/20 1Q

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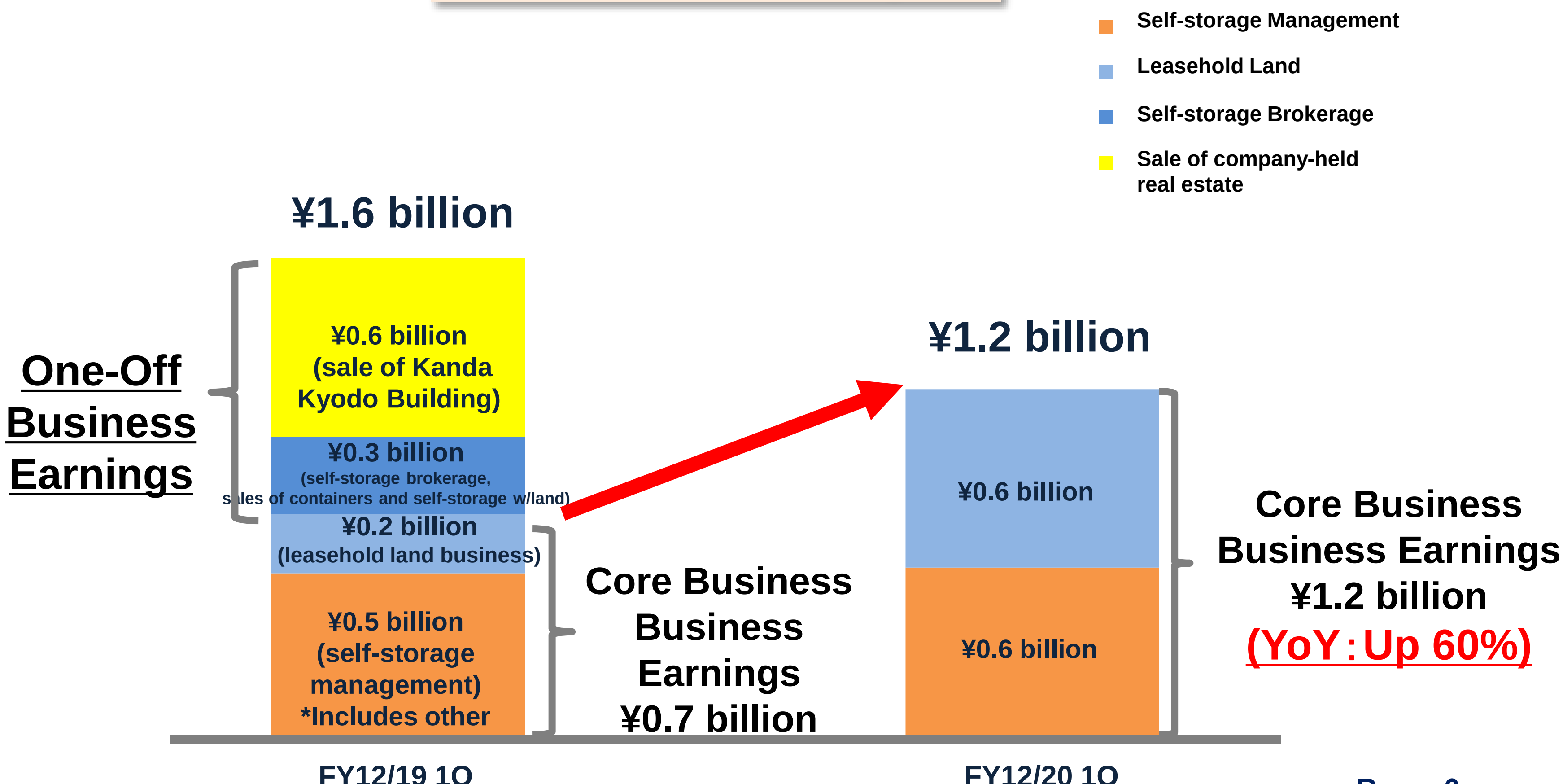
Overall earnings decreased due to one-off gains, but core business earnings increased by ¥0.5 billion
Land rights management (limited land rights) business contributes to earnings

Business Earnings



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

Change in Reportable Segment

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Reportable segments have been changed from FY12/20.

Previous Business Segments
Property Management Service
Property Revitalization & Liquidation Service

→

New Business Segments
Self-storage Business
Land Rights Consolidation Business
Other Operational Services Business

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

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Self-storage Business: Achieved budget; revenue and earnings declined due to reduced brokerage
Land Rights Consolidation Business: Significantly better than budget; decline in revenue and earnings

In Millions of yen

			FY12/20 Jan-Mar		FY12/19 Jan-Mar		YoY
			Actual	Profit margin	Actual	Profit margin	% Change
	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%

Self-storage Business- 1Q (three-month period)

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Management: Achieved budget, increased revenue and earnings and continued to improve discount rates
Brokerage: Reduced revenue and earnings; move from investor sales to company-held storage model

- **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)
  ⇒Self-storage properties with land within 2 to 3 years of opening lower the utilization rate for facilities 2 years and older as a whole.
- **Management achieved budgets for both sales and earnings, resulting in increased revenue and earnings**
  Continue to improve discount rates
- **Brokerage achieved budgets for both sales and earnings, decrease in revenue and earnings as per budget**
  Due to shift from self-storage investor sales to company-held/investment model

Land Rights Consolidation Business- 1Q (three-month period)

Revenue and earnings fell due to sale of assets last year but increased on an actual basis as a result of being significantly better than budget

- **Decrease in revenue and earnings but result is significantly better than budget**

  Large-scale projects scheduled for 2Q were settled ahead of time contributing to business results

- **Significant increase in revenue and earnings on an actual basis**

  ⇒1Q 2019 includes sale of Kanda Kyodo Building

  (sales ¥1.4 billion, operating income approx. ¥0.6 billion)

- **Stopped procurement with shift to sales in anticipation of changes in market conditions**

Inventory value: ¥7.1 billion at end-Dec 2019

¥6.9 billion at end-March 2020 (down ¥0.2bn from end-Dec 2019)

***¥4.4 billion at end-March 2019**

Other Operational Services Business- 1Q (three-month period)

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Achieved budget resulting in increased revenue and earnings
Rental meeting room business affected by COVID-19

- **Other operational services business achieved budget resulting in increased revenue and earnings**

- **Rental meeting room business has fallen short of budget with drop in revenue and earnings**

  Reservation cancellations increased from March due to the effects of COVID-19

- **Asset business (rental and maintenance management of owned properties) is operating smoothly without being affected by COVID-19**

- **Focused on a program to capture demand for satellite offices in the rental office business in response to COVID-19 measures**

Quarterly Net Sales and Operating Income

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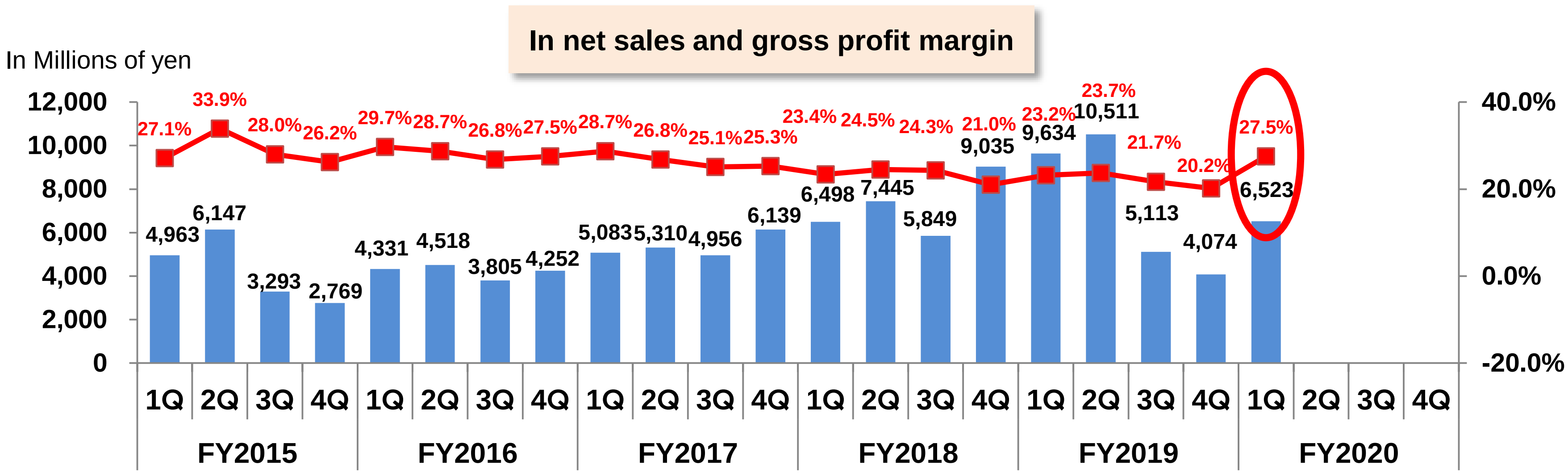
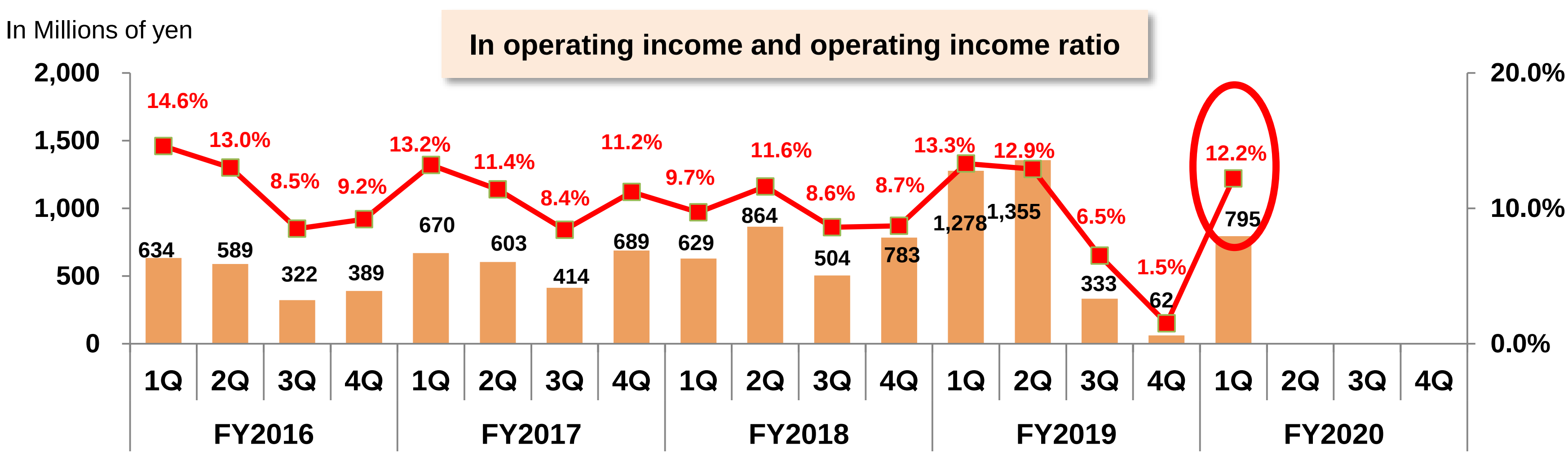
Steady start bringing significantly better results than budgeted





Breakdown of Non-Operating and Extraordinary Profit and Loss

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Commission fees decreased due to completing extensions to loan terms

Non-operating income
Compensation for transfer ¥25 million

Non-operating expenses
Interest expenses ¥34 million
Commission fee ¥7 million

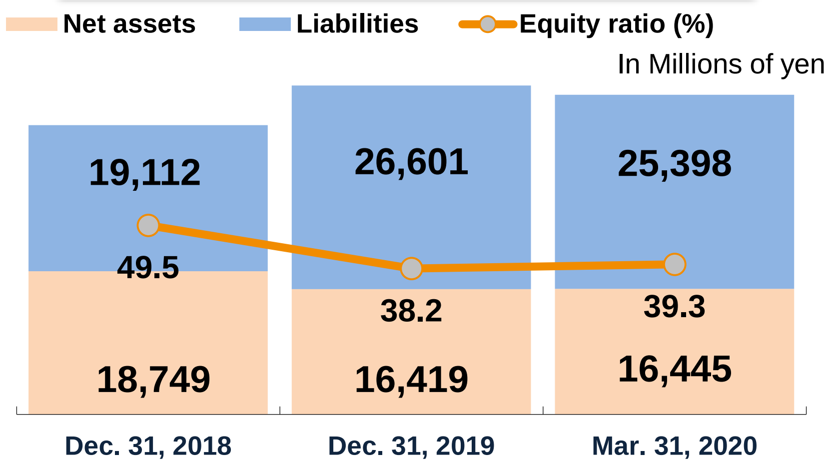
In Millions of yen

Step income	FY12/19 1Q	FY12/20 1Q	YoY（%）
Operating income	1,278	795	−37.8%
Non-operating income	9	35	+273.8%
Non-operating expenses	110	47	−57.0%
Ordinary income	1,177	783	−33.5%
Extraordinary income	4	4	+0.00%
Extraordinary loss	1	0	−100.0%
Income before income taxes	1,180	787	−33.3%
Income taxes — current	1,147	124	−89.2%
Income taxes — deferred	-768	127	−115.8%
Net income	801	535	−33.2%

Financial Position

Reduced real estate for sale and short-term borrowing

Liabilities, net assets, equity ratio



In Millions of yen

	Dec. 31, 2018	Dec. 31, 2019	Mar. 31, 2020
Current assets	25,840	19,903	(A) 18,316
Noncurrent assets	12,022	23,117	23,527
Total assets	37,862	43,020	41,843
Current liabilities	6,607	11,906	(B) 9,938
Noncurrent liabilities	12,505	14,694	15,459
Total liabilities	19,112	26,601	25,398
Net assets	18,749	16,419	16,445

Financial position (As of March 31, 2020)

(A) Assets

Down ¥1.2 billion (Current assets + Noncurrent assets)

Cash and deposit reductions (mainly corporate tax payments)
－¥1.3 billion
Real estate for sale reductions
(sales of self-storage w/land and limited land rights)
－¥0.3 billion

* Comparison between Mar. 31, 2020 and Dec. 31, 2019

(B) Liabilities

Down ¥1.2 billion (Current liabilities + Noncurrent liabilities)

Income taxes payable, etc. －¥1.2 billion
Interest-bearing debt +¥0.4 billion
(Of which reductions in short-term debt
Long-term debt: Balance ¥8.5 billion → ¥9.5 billion + ¥1 billion
Short-term debt: Balance ¥0.6 billion → ¥0 billion －¥0.6 billion)

* Comparison between Mar. 31, 2020 and Dec. 31, 2019

Interest-bearing debt and cash and deposits

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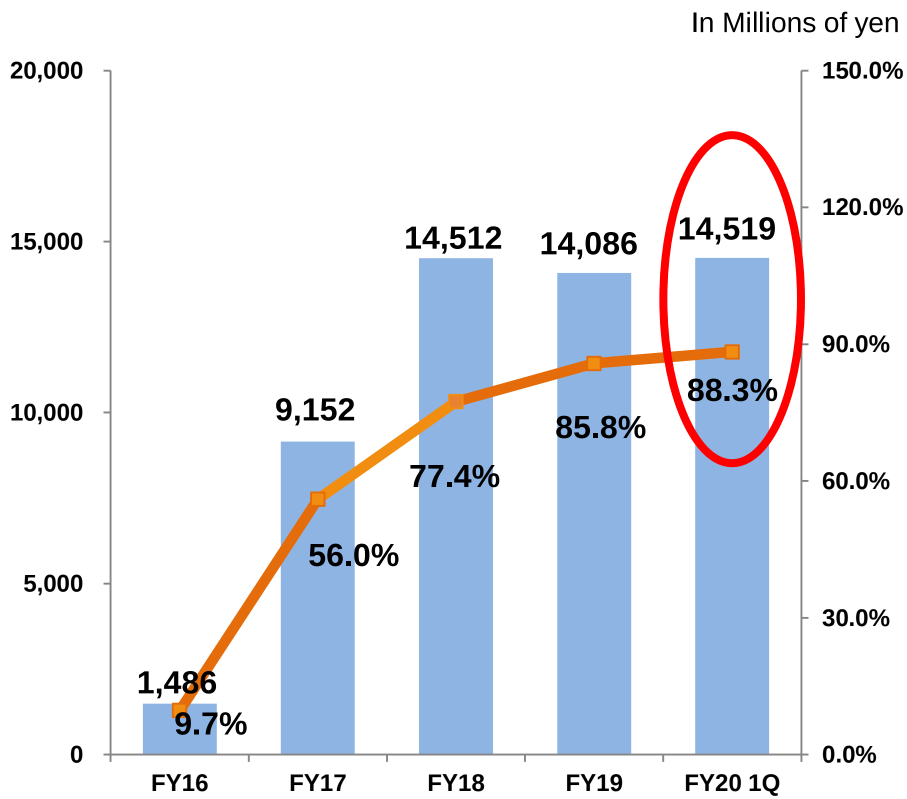
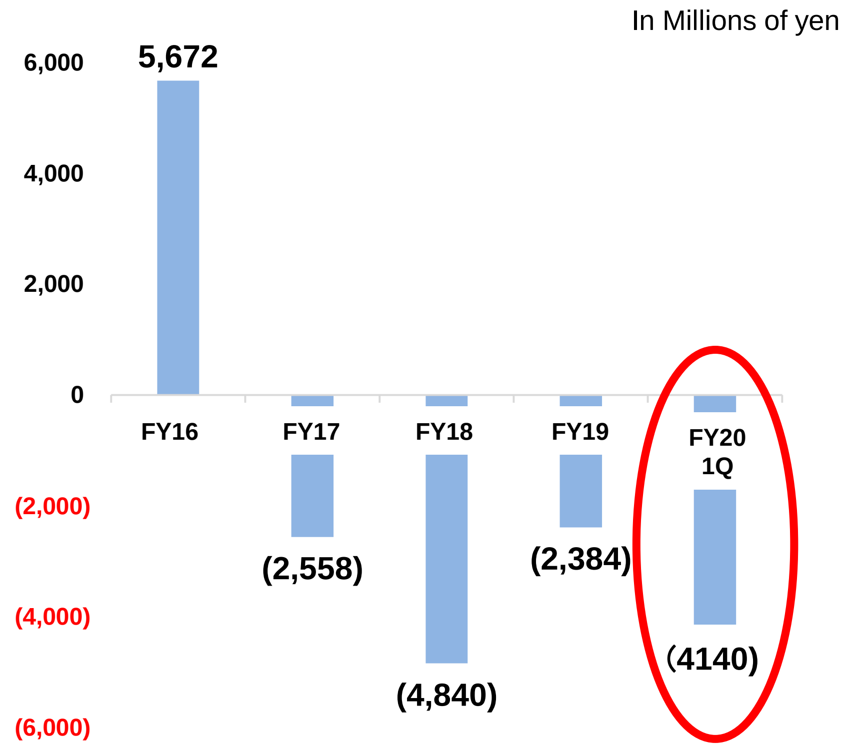
Maintained levels of interest-bearing debt

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

FY20 Earnings Outlook

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No change to earnings forecast

	FY2019		FY2020		YoY	
In Millions of yen	Actual	(%)	Forecast	(%)	Variance	% Change
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**	**—**	**—**	**—**

Dividends and Payout Ratio

No change to dividend forecast

Dividends and Payout Ratio

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

Part- Ⅱ

Main Measures

Impact of COVID-19 on Business Results

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At present, the impact on business results from COVID-19 is minimal.

Business	Sales Composition Ratio (FY12/20 E)	Impact from COVID-19
Self-storage (Management)	60%	No impact at present
Self-storage (Brokerage)	5%	
Land Rights Consolidation	30%	
Other Operations (Assets)	3%	
Other Operations (Rental Office)	1%	
Other Operations (Rental Meeting Rooms)	1%	Increase in cancelations from March

* Sales composition ratio figures are estimates.

Strategy for a Market Downturn

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Arealink will make a concerted effort as a company to overcome the imminent market downturn.

- **Self-storage Business:**
  Curb opening of company-owned locations, while continuing to open carefully selected, prime locations.
  Implement the 100 Yen Project companywide, focusing efforts on individual sites and working to improve earnings in units of 100 yen

- **Land Rights Consolidation Business:**
  This business is less susceptible to market conditions, but considering the projected market downturn, Arealink will cease procurement, and focus on sales.

- **Administrative expenses:**
  In anticipation of an approaching crisis, expenses are being revised and reduced across the company.

Overcome the coming downturn, and prepare for big opportunities afterward

Measures Taken to Control Spread of COVID-19

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Arealink is implementing a range of ongoing measures to control the spread of COVID-19.

- **February (Measures implemented)**
  - Provided goods to prevent infection (masks, alcohol disinfectant, etc.)
  - Established internal telephone consultation desk
  - Employees prohibited from attending external seminars, events, and parties
  - In response to school closures, encouraged shortened working hours and telecommuting
  - Began flexible work times for off-peak commuting
- **March (Measures implemented)**
  - Expanded provision of goods to prevent infection (throat care items made available)
  - Strict infection control measures during annual shareholders' meeting, business briefing session canceled
  - Distributed stockpile (all employees received up to 10,000 yen)
  - Began telecommuting

No infections among employees (as of April 28)

Progress since Recording of Provision for Loss on Repurchases

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No change in company policy, and no impact on finances at this time.

- **Company policy: Continue purchasing containers.**
- **Progress: Negotiation with investors continues, and a portion of containers purchased, but we anticipate that some time will be required.**
- **Impact on earnings: If all purchases are made, it will provide a boost of up to ¥1 billion annually. However, this is not included in results forecasts.**
- **Impact on finances: Impact on finances will be negligible, as payments to repurchase containers will be made in installments**

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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