

Feb 14th, 2020

Arealink Co., LTD.
TSEX Mothers Code 8914



FY2019/Dec Annual Business Performance Summary

■ FY2019/Dec (Full Year)

Achieved target for net sales and operating income, but as 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)	—

■ FY2019/Dec (Full Year) By Segment business performance

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

■ FY2019/Dec (2H 6months) By Segment business performance

Property Management Service: Decrease in Sales and Profit, hit the target Target

- Self-Strage Management

Achieved target resulting in increased revenue and earnings. Unit opening just under 5k units throughout the year but utilization ratio and discount ratio have been improved.

Number of units at the end of 2019/Dec was 96,469 (+4,924 units from 2018/Dec)

Utilization ration as of ending 2019/Dec was 76.52% (75.56% as of 2018/Dec)

Utilization rate is recovering due to effects of controlling promotional

campaign ended.

- Self-Storage Brokerage

Achieved the target, but decrease in sales and profit. Main reason was decrease of self-storage with land. FY2019-2H 1 self-storage with land has been sold but it is decreased by 22 self-storage with land comparing to FY2018/2H were sold in FY2018-2H

- Property Revitalization & Liquidation Service Business

Decrease in Sales and Profit in 2H but achieved the target. Due to good performance in 2019/1H, company focused on procurement of land with leasehold in this 2H. Progress of procurement was steady, amount of inventory reached to 7.1 billion yen (+2.1 billion yen vs 2018/Dec).

The company started to procure land with commercial leasehold and Kansai area (Osaka, Kobe and Kyoto). These new category will contribute from FY2020.

			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	1,543	(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%
Property Management Service Segment Total		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%
Property Revitalization & Liquidation Service Segment Total		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%
Management Division Expenses		Net sales	—	(—)	—	(—)	—
		Gross profit	—	(—)	—	(—)	—
		Operating income	△ 1,169	(—)	△ 1,313	(—)	△ 11.0%
Total for All Businesses		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%

■Extraordinary Losses

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

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

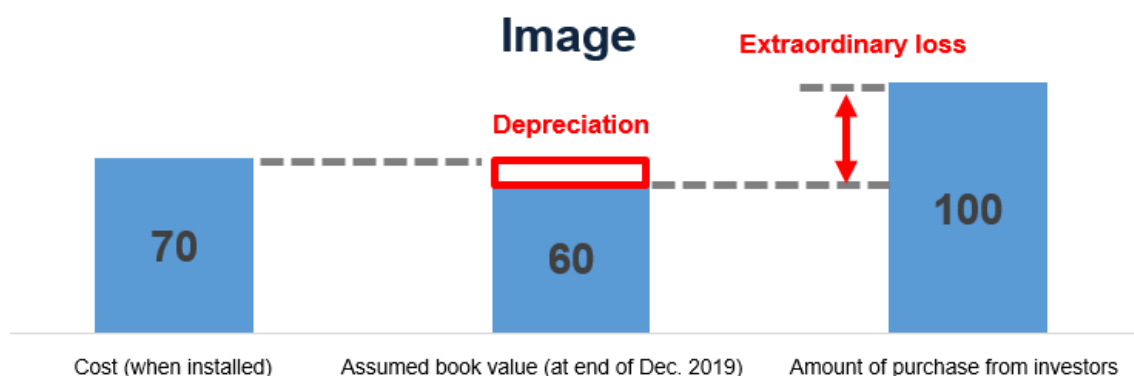
- Provision for differences arising when repurchasing containers sold in past

Background: Issues in concerning to taxation useful life of outdoor containers which have applied 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 as “Building” should apply, rather than under the conventional “Furniture and Fixture” 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/loss in the event of there being a difference between the purchase price when buying from the customer and capitalized value happened. Possible difference recorded as an extraordinary loss, assuming purchase of all containers for which building confirmation has been acquired.



■ Impact of Recording Provision for loss on Repurchases

- Improving operating margin expected with container purchase but not reflected in forecast FY2020/Dec

Future outlook: After moving to company held style model, break even point will fall down to 45% from 85% due to no longer rent payment to container owner is required.

Forecast FY2020/Dec: Since how many % of customers wish us to repurchase containers is unknown, this impact has not reflected in forecast

Impact on amount : Purchasing all target properties has the effect of boosting operating income by 1.0 billion jpy per year, as maximum.

■ Forecast FY2020/Dec

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

	FY2019		FY2020		YoY	
(Millions of yen)	Actual	(%)	Forecast	(%)	Variance	% Change
Net sales	29,333	(—)	24,700	(—)	△ 4,633	△ 15.8%
Property Management Service	24,054	—	16,378	—	△ 7,675	△ 31.9%
Property Revitalization & Liquidation Service	5,278	—	8,321	—	3,042	57.6%
Operating income	3,030	(10.3)	2,300	(9.3)	△ 730	△ 24.1%
Property Management Service	2,950	—	1,939	—	△ 1,011	△ 34.3%
Property Revitalization & Liquidation Service	1,249	—	1,630	—	381	30.5%
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	—	—	—

No recording of one-time profits (sale of company-held real estate, fund formation)Planned sales of ¥24.7billion and operating income of ¥2.3billion

- 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

■Divided

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

	FY2019 (Forecast)	FY2020 (Forecast)
Net sales	40yen	31yen
Property Management Service	—	30.1%

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