

Arealink | 8914 |

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On **July 29, 2020**, Arealink Co., Ltd. announced earnings results for 1H FY12/20.

Earnings results and forecasts		Sales (JPYmn)	YoY	Operating profit (JPYmn)	YoY	Recurring profit (JPYmn)	YoY	Net income (JPYmn)	YoY	EPS (JPY)	BPS (JPY)	ROA (RP-based)	ROE
FY12/10	Parent	11,143	-8.5%	1,007	-10.2%	775	-6.3%	673	20.8%	54.80	750.6	4.0%	7.6%
FY12/11	Parent	10,604	-4.8%	1,045	3.8%	954	23.1%	773	14.7%	62.90	813.5	5.3%	8.0%
FY12/12	Parent	10,124	-4.5%	1,165	11.6%	1,075	12.8%	948	22.7%	77.20	890.8	6.0%	9.1%
FY12/13	Parent	12,256	21.1%	1,505	29.2%	1,434	33.3%	1,347	42.0%	109.70	1000.5	6.9%	11.6%
FY12/14	Parent	18,120	47.8%	2,235	48.5%	2,087	45.6%	1,541	14.4%	125.50	1100.9	9.8%	11.9%
FY12/15	Parent	17,174	-5.2%	2,658	18.9%	2,442	17.0%	1,551	0.6%	126.30	1191.4	12.6%	11.0%
FY12/16	Parent	16,908	-1.5%	1,936	-27.2%	1,969	-19.4%	1,142	-26.3%	93.06	1245.1	9.1%	7.6%
FY12/17	Parent	21,489	27.1%	2,380	22.9%	2,441	24.0%	1,547	35.4%	126.08	1332.9	9.1%	9.8%
FY12/18	Parent	28,828	34.2%	2,782	16.9%	2,537	3.9%	1,810	17.0%	145.47	1484.4	7.5%	10.3%
FY12/19	Parent	29,333	1.8%	3,030	8.9%	3,000	18.3%	-1,753	-196.8%	-138.81	1300.0	7.4%	10.3%
FY12/20 Est.	Parent	24,700	-14.3%	2,300	-17.3%	2,200	-13.3%	1,300	-28.2%	102.93	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: ROA is calculated using recurring profit.

1H FY12/20 results

In 1H FY12/20, the company reported sales of JPY11.8bn (-41.5% YoY), operating profit of JPY1.3bn (-52.3% YoY), recurring profit of JPY1.2bn (-50.8% YoY), and net income of JPY830mn (-50.8% YoY). Progress rate versus full-year FY12/20 forecast was 47.7% for sales, 54.6% for operating profit, 55.3% for recurring profit, and 63.9% for net income.

The company had been projecting 1H FY12/20 sales of JPY11.4bn (-43.4% YoY), operating profit of JPY960mn (-63.6% YoY), recurring profit of JPY910mn (-63.2% YoY), and net income of JPY650mn (-61.5% YoY). Achievement rate versus 1H FY12/20 projections was 103.4% for sales, 130.8% for operating profit, 133.8% for recurring profit, and 127.7% for net income.

Results versus initial company forecast

Results vs. Initial Est. (JPYmn)	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Parent	FY12/16 Parent	FY12/17 Parent	FY12/18 Parent	FY12/19 Parent	FY12/20 Parent
Sales (Initial Est.)	9,760	10,242	10,320	10,723	13,651	12,296	16,806	19,447	30,000	29,000	24,700
Sales (Results)	11,143	10,603	10,124	12,256	18,120	17,174	16,908	21,489	28,828	29,333	-
Results vs. Initial Est.	14.2%	3.5%	-1.9%	14.3%	32.7%	39.7%	0.6%	10.5%	-3.9%	1.1%	-
Operating profit (Initial Est.)	995	1,127	1,147	1,292	1,863	1,060	1,675	2,254	3,000	2,800	2,300
Operating profit (Results)	1,006	1,044	1,165	1,505	2,235	2,658	1,936	2,379	2,782	3,030	-
Results vs. Initial Est.	1.1%	-7.4%	1.6%	16.5%	20.0%	150.7%	15.6%	5.5%	-7.3%	8.2%	-
Recurring profit (Initial Est.)	731	950	1,000	1,200	1,701	1,015	1,650	2,220	2,870	2,700	2,200
Recurring profit (Results)	774	953	1,075	1,434	2,087	2,442	1,969	2,441	2,536	3,000	-
Results vs. Initial Est.	5.9%	0.3%	7.5%	19.5%	22.7%	140.6%	19.3%	10.0%	-11.6%	11.1%	-
Net income (Initial Est.)	622	756	943	1,017	1,500	655	1,091	1,353	1,855	1,500	1,300
Net income (Results)	673	772	948	1,347	1,541	1,551	1,142	1,547	1,810	-1,753	-
Results vs. Initial Est.	8.2%	2.1%	0.5%	32.4%	2.7%	136.8%	4.7%	14.3%	-2.4%	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Breakdown of results by segment

Self-Storage segment

Self-storage management

In the self-storage management business, the company was more selective in opening new storage facilities in anticipation of worsening market conditions due to the novel coronavirus, resulting in a slowdown of new storage units opened. On the other hand, the occupancy rate improved by 3.13pp YoY to 77.76% due to a steady increase in new contracts. Additionally, the company conducted a comprehensive review of existing facility costs and focused on improving profitability. As of 1H FY12/20, the company had a total of 98,691 storage units in operation (+2,222 units versus end-FY12/19). As a result, the self-storage management business reported higher sales and profit, with sales of JPY6.9bn (+9.2% YoY) and operating profit of JPY934mn (+13.6% YoY).

Self-storage brokerage

Since FY12/19, the company started working on building its recurring-revenue business to generate a steady stream of monthly revenues. Accordingly, it has focused on owning storage with land (indoor storage facilities) on a long-term basis and making proprietary investment to create and launch outdoor storage container facilities. As a result, the ratio of non-recurring revenues generated from sales to investors were lower, which led to a significant decline in sales in the self-storage brokerage business. The self-storage brokerage business reported lower sales and turned unprofitable, with sales of JPY570mn (-93.1% YoY) and operating loss of JPY69mn (versus a profit of JPY910mn in 1H FY12/19).

Land Rights Consolidation segment

In the Land Rights Consolidation segment, the company suspended purchases and focused on reducing inventory through sales to secure short-term liquidity in anticipation of worsening market conditions due to the novel coronavirus. As a result, the segment posted sales of JPY3.5bn (-24.6% YoY) and operating profit of JPY779mn (-37.5% YoY). Sales and profit decreased due to the sale of an income-generating property (Kanda Kyodo Building) in January 2019, but excluding this sale, sales and profit were up YoY.

Other Operational Services segment

The Other Operational Services segment includes businesses that bring in recurring revenue (rental income) such as the asset business, rental meeting room business, and office business. The asset business performed well despite requests from some tenants for rent reductions due to the novel coronavirus. The rental meeting room business saw booking cancellations and reduced usage from March onwards due to the novel coronavirus, resulting in significantly lower sales and profit YoY. Meanwhile, the office business maintained high occupancy rates and focused on measures to capture demand for satellite offices to prevent the spread of the novel coronavirus. As a result, the segment reported sales of JPY869mn (-6.8% YoY) and operating profit of JPY248mn (-14.3% YoY).

Breakdown of sales and operating profit by previous segments

Cumulative (JPYmn)	FY12/17				FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	5,083	10,394	15,350	21,489	6,498	13,944	19,793	28,828	9,634	20,145	25,259	29,333
YoY	17.4%	17.4%	21.3%	27.1%	27.8%	34.2%	28.9%	34.2%	48.3%	44.5%	27.6%	1.8%
Property Management	4,532	9,181	13,873	19,620	5,819	12,356	17,453	25,130	7,271	15,582	20,185	24,054
YoY	13.3%	13.6%	18.2%	24.0%	28.4%	34.6%	25.8%	28.1%	24.9%	26.1%	15.7%	-4.3%
% of total	89.2%	88.3%	90.4%	91.3%	89.6%	88.6%	88.2%	87.2%	75.5%	77.4%	79.9%	82.0%
Property Revitalization & Liquidation	549	1,213	1,477	1,869	679	1,588	2,340	3,699	2,364	4,563	5,074	5,279
YoY	65.9%	57.8%	61.6%	72.0%	23.6%	30.9%	58.4%	97.8%	248.2%	187.4%	116.9%	42.7%
% of total	10.8%	11.7%	9.6%	8.7%	10.4%	11.4%	11.8%	12.8%	24.5%	22.6%	20.1%	18.0%
Operating profit	670	1,275	1,690	2,380	630	1,494	1,999	2,782	1,279	2,634	2,968	3,030
YoY	5.7%	4.2%	9.3%	22.9%	-6.0%	17.2%	18.3%	16.9%	103.1%	76.3%	48.5%	8.9%
Property Management	776	1,515	2,227	3,134	852	1,855	2,550	3,445	826	2,063	2,645	2,950
YoY	3.5%	0.8%	8.4%	14.7%	9.8%	22.5%	14.5%	9.9%	-3.1%	11.2%	3.8%	-14.4%
% of total	80.7%	81.4%	85.3%	87.1%	89.3%	86.1%	85.7%	84.1%	51.5%	63.1%	68.4%	70.3%
OPM	17.1%	16.5%	16.1%	16.0%	14.6%	15.0%	14.6%	13.7%	11.4%	13.2%	13.1%	12.3%
Property Revitalization & Liquidation	185	346	383	464	102	299	426	651	777	1,204	1,224	1,249
YoY	77.9%	72.5%	67.1%	88.7%	-44.9%	-13.6%	11.4%	40.2%	662.9%	303.1%	187.0%	91.9%
% of total	19.2%	18.6%	14.7%	12.9%	10.7%	13.9%	14.3%	15.9%	48.5%	36.9%	31.6%	29.7%
Adjustments	-291	-586	-920	-1,218	-324	-660	-977	-1,314	-324	-632	-901	-1,169
Quarterly (JPYmn)	FY12/17				FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	5,083	5,311	4,956	6,139	6,498	7,446	5,849	9,035	9,634	10,511	5,113	4,075
YoY	17.4%	17.5%	30.2%	44.4%	27.8%	40.2%	18.0%	47.2%	48.3%	41.2%	-12.6%	-54.9%
Property Management	4,533	4,648	4,694	5,747	5,819	6,537	5,097	7,676	7,271	8,312	4,602	3,869
YoY	13.3%	13.9%	28.3%	40.9%	28.4%	40.6%	8.6%	33.6%	24.9%	27.2%	-9.7%	-49.6%
% of total	89.2%	87.5%	94.7%	93.6%	89.6%	87.8%	87.1%	85.0%	75.5%	79.1%	90.0%	95.0%
Property Revitalization & Liquidation	549	664	264	392	679	909	752	1,359	2,364	2,199	511	205
YoY	65.9%	51.9%	80.9%	128.2%	23.6%	36.9%	184.6%	246.3%	248.2%	141.9%	-32.1%	-84.9%
% of total	10.8%	12.5%	5.3%	6.4%	10.4%	12.2%	12.9%	15.0%	24.5%	20.9%	10.0%	5.0%
Operating profit	670	605	415	690	630	865	504	783	1,279	1,355	333	63
YoY	5.7%	2.5%	28.8%	77.1%	-6.0%	43.0%	21.5%	13.5%	103.1%	56.8%	-33.9%	-92.0%
Property Management	776	739	714	907	852	1,003	694	895	826	1,237	583	305
YoY	3.5%	-1.8%	29.1%	33.7%	9.8%	35.8%	-2.7%	-1.2%	-3.1%	23.3%	-16.1%	-65.9%
% of total	80.7%	82.1%	95.3%	91.8%	89.3%	83.6%	84.5%	79.9%	51.5%	74.3%	96.7%	92.3%
OPM	17.1%	15.9%	15.2%	15.8%	14.6%	15.3%	13.6%	11.7%	11.4%	14.9%	12.7%	7.9%
Property Revitalization & Liquidation	185	161	37	82	102	197	128	225	777	427	20	26
YoY	77.9%	69.3%	31.5%	409.5%	-44.9%	22.3%	246.7%	175.5%	662.9%	116.9%	-84.6%	-88.6%
% of total	19.2%	17.9%	4.9%	8.2%	10.7%	16.4%	15.5%	20.1%	48.5%	25.7%	3.3%	7.7%
Adjustments	-291	-295	-334	-298	-324	-335	-318	-337	-324	-308	-269	-268

Source: Shared Research, based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Breakdown of sales and operating profit by new segments

Cumulative (JPY mm)	FY12/19				FY12/20		FY12/20		
	Q1	Q2	Q3	Q4	Q1	Q2	1H % of FY Est.	2H Est.	FY Est.
Sales	9,634	20,145	25,259	29,333	6,524	11,791	47.7%	12,909	24,700
YoY	48.3%	44.5%	27.6%	1.8%	-32.3%	-41.5%			-15.8%
Self-Storage	6,789	14,592	-	22,087	3,812	7,439	51.1%	7,132	14,571
YoY	-	-	-	-	-43.9%	-49.0%			-34.0%
% of sales	70.5%	72.4%	-	75.3%	58.4%	63.1%			
Self-storage management	3,100	6,289	-	-	3,384	6,869			
YoY	-	-	-	-	9.2%	9.2%			
% of sales	32.2%	31.2%	-	-	51.9%	58.3%			
Self-storage brokerage	3,689	8,303	-	-	428	570			
YoY	-	-	-	-	-88.4%	-93.1%			
% of sales	38.3%	41.2%	-	-	6.6%	4.8%			
Land Rights Consolidation	2,390	4,620	-	5,402	2,256	3,483	41.3%	4,953	8,436
YoY	-	-	-	-	-5.6%	-24.6%			56.2%
% of sales	24.8%	22.9%	-	18.4%	34.6%	29.5%			
Other Operational Services	455	933	-	1,842	457	869	51.4%	822	1,691
YoY	-	-	-	-	0.4%	-6.8%			-8.2%
% of sales	4.7%	4.6%	-	6.3%	7.0%	7.4%			
Operating profit	1,279	2,634	2,968	3,030	795	1,256	54.6%	1,044	2,300
YoY	103.1%	76.3%	48.5%	8.9%	-37.8%	-52.3%			
Self-Storage	674	1,732	-	2,301	406	865	46.8%	985	1,850
YoY	-	-	-	-	-39.8%	-50.0%			-19.6%
% of OP	42.0%	53.0%	-	54.8%	35.6%	45.7%			
OPM	9.9%	11.9%	-	10.4%	10.6%	11.6%			
Self-storage management	414	822	-	-	445	934			
YoY	-	-	-	-	7.6%	13.6%			
% of OP	25.8%	25.2%	-	-	39.1%	49.4%			
OPM	13.3%	13.1%	-	-	13.2%	13.6%			
Self-storage brokerage	260	910	-	-	-39	-69			
YoY	-	-	-	-	-	-			
% of OP	16.2%	27.8%	-	-	-	-			
OPM	7.1%	11.0%	-	-	-9.2%	-12.1%			
Land Rights Consolidation	796	1,246	-	1,344	597	779	61.3%	491	1,270
YoY	-	-	-	-	-25.0%	-37.5%			-5.5%
% of OP	49.6%	38.1%	-	32.0%	52.4%	41.2%			
OPM	33.3%	27.0%	-	24.9%	26.5%	22.4%			
Other Operational Services	133	289	-	546	136	248	59.0%	172	420
YoY	-	-	-	-	2.0%	-14.3%			-23.1%
% of OP	8.3%	8.8%	-	13.0%	11.9%	13.1%			
OPM	29.3%	31.0%	-	29.6%	29.7%	28.5%			
Adjustments	-324	-632	-	-1,169	-344	-636		-604	-1,240
Quarterly (JPY mm)	FY12/19				FY12/20				
	Q1	Q2	Q3	Q4	Q1	Q2			
Sales	9,634	10,511	5,113	4,075	6,524	5,268			
YoY	48.3%	41.2%	-12.6%	-54.9%	-32.3%	-49.9%			
Self-Storage	6,789	7,803	-	-	3,812	3,628			
YoY	-	-	-	-	-43.9%	-53.5%			
% of sales	70.5%	74.2%	-	-	58.4%	68.9%			
Self-storage management	3,100	3,189	-	-	3,384	3,486			
YoY	-	-	-	-	9.2%	9.3%			
% of sales	32.2%	30.3%	-	-	51.9%	66.2%			
Self-storage brokerage	3,689	4,614	-	-	428	142			
YoY	-	-	-	-	-88.4%	-96.9%			
% of sales	38.3%	43.9%	-	-	6.6%	2.7%			
Land Rights Consolidation	2,390	2,230	-	-	2,256	1,227			
YoY	-	-	-	-	-5.6%	-45.0%			
% of sales	24.8%	21.2%	-	-	34.6%	23.3%			
Other Operational Services	455	478	-	-	457	413			
YoY	-	-	-	-	0.4%	-13.7%			
% of sales	4.7%	4.6%	-	-	7.0%	7.8%			
Operating profit	1,279	1,355	333	63	795	460			
YoY	103.1%	56.8%	-33.9%	-92.0%	-37.8%	-66.0%			
Self-Storage	674	1,058	-	-	406	459			
YoY	-	-	-	-	-39.8%	-56.6%			
% of OP	42.0%	63.6%	-	-	35.6%	61.0%			
OPM	9.9%	13.6%	-	-	10.6%	12.7%			
Self-storage management	414	408	-	-	445	489			
YoY	-	-	-	-	7.6%	19.7%			
% of OP	25.8%	24.5%	-	-	39.1%	64.9%			
OPM	13.3%	12.8%	-	-	13.2%	14.0%			
Self-storage brokerage	260	649	-	-	-39	-30			
YoY	-	-	-	-	-115.2%	-104.5%			
% of OP	16.2%	39.0%	-	-	-3.5%	-3.9%			
OPM	7.1%	14.1%	-	-	-9.2%	-20.8%			
Land Rights Consolidation	796	450	-	-	597	181			
YoY	-	-	-	-	-25.0%	-59.7%			
% of OP	49.6%	27.0%	-	-	52.4%	24.1%			
OPM	33.3%	20.2%	-	-	26.5%	14.8%			
Other Operational Services	133	156	-	-	136	112			
YoY	-	-	-	-	2.0%	-28.2%			
% of OP	8.3%	9.4%	-	-	11.9%	14.9%			
OPM	29.3%	32.6%	-	-	29.7%	27.1%			
Adjustments	-324	-308	-	-	-344	-292			

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

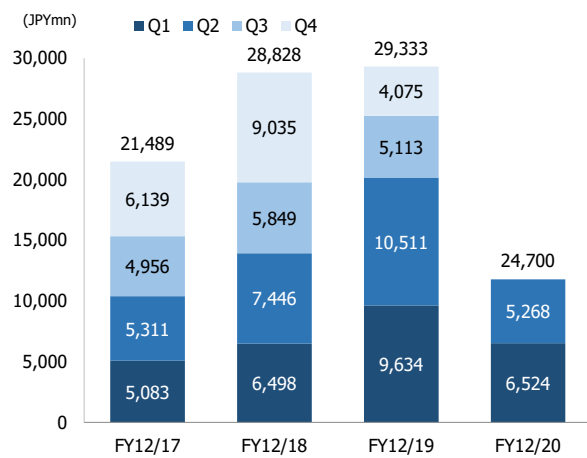
Quarterly performance (cumulative)

Cumulative earnings		FY12/18				FY12/19				FY12/20		FY12/20	
Parent (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of Est.	FY Est.	
Sales	6,498	13,944	19,793	28,828	9,634	20,145	25,259	29,333	6,524	11,791	47.7%	24,700	
YoY	27.8%	34.2%	28.9%	34.2%	48.3%	44.5%	27.6%	1.8%	-32.3%	-41.5%		-14.3%	
Cost of sales	4,979	10,604	15,031	22,173	7,396	15,414	19,419	22,670	4,732	8,802			
YoY	37.3%	41.2%	34.0%	40.3%	48.5%	45.4%	29.2%	2.2%	-36.0%	-42.9%			
Cost ratio	76.6%	76.0%	75.9%	76.9%	76.8%	76.5%	76.9%	77.3%	72.5%	74.7%			
Gross profit	1,520	3,340	4,762	6,655	2,239	4,732	5,840	6,664	1,792	2,989			
YoY	4.2%	15.8%	15.3%	17.1%	47.3%	41.7%	22.6%	0.1%	-19.9%	-36.8%			
GPM	23.4%	24.0%	24.1%	23.1%	23.2%	23.5%	23.1%	22.7%	27.5%	25.3%			
SG&A expenses	890	1,846	2,763	3,873	960	2,097	2,872	3,633	997	1,733			
YoY	13.0%	14.7%	13.3%	17.2%	7.9%	13.6%	3.9%	-6.2%	3.9%	-17.4%			
SG&A ratio	13.7%	13.2%	14.0%	13.4%	10.0%	10.4%	11.4%	12.4%	15.3%	14.7%			
Operating profit	630	1,494	1,999	2,782	1,279	2,634	2,968	3,030	795	1,256	54.6%	2,300	
YoY	-	17.2%	18.3%	16.9%	-	76.3%	48.5%	8.9%	-	-52.3%		-17.3%	
OPM	9.7%	10.7%	10.1%	9.7%	13.3%	13.1%	11.7%	10.3%	12.2%	10.7%		9.3%	
Recurring profit	624	1,345	1,763	2,537	1,178	2,473	2,895	3,000	783	1,217	55.3%	2,200	
YoY	-	3.4%	0.7%	3.9%	-	83.9%	64.2%	18.3%	-	-50.8%		-13.3%	
RPM	9.6%	9.6%	8.9%	8.8%	12.2%	12.3%	11.5%	10.2%	12.0%	10.3%		8.9%	
Net income	424	911	1,157	1,810	802	1,687	1,950	-1,753	536	830	63.9%	1,300	
YoY	-	6.2%	-0.5%	17.0%	-	85.1%	68.5%	-196.8%	-	-50.8%		-28.2%	
Net margin	6.5%	6.5%	5.8%	6.3%	8.3%	8.4%	7.7%	-6.0%	8.2%	7.0%		5.3%	

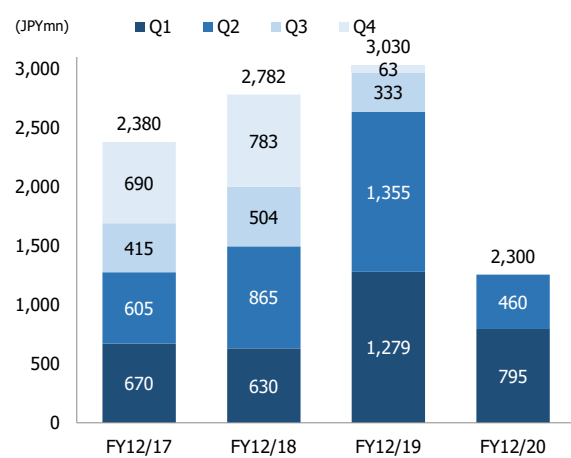
Quarterly earnings		FY12/18				FY12/19				FY12/20	
Parent (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Sales	6,498	7,446	5,849	9,035	9,634	10,511	5,113	4,075	6,524	5,268	
YoY	27.8%	40.2%	18.0%	47.2%	48.3%	41.2%	-12.6%	-54.9%	-32.3%	-49.9%	
Cost of sales	4,979	5,625	4,427	7,142	7,396	8,018	4,005	3,251	4,732	4,071	
YoY	37.3%	44.8%	19.3%	55.8%	48.5%	42.5%	-9.5%	-54.5%	-36.0%	-49.2%	
Cost ratio	76.6%	75.5%	75.7%	79.0%	76.8%	76.3%	78.3%	79.8%	72.5%	77.3%	
Gross profit	1,520	1,821	1,422	1,893	2,239	2,493	1,108	824	1,792	1,197	
YoY	4.2%	27.7%	14.2%	21.8%	47.3%	36.9%	-22.1%	-56.5%	-19.9%	-52.0%	
GPM	23.4%	24.5%	24.3%	21.0%	23.2%	23.7%	21.7%	20.2%	27.5%	22.7%	
SG&A expenses	890	956	918	1,110	960	1,138	775	761	997	737	
YoY	13.0%	16.4%	10.5%	28.4%	7.9%	19.0%	-15.5%	-31.4%	3.9%	-35.3%	
SG&A ratio	13.7%	12.8%	15.7%	12.3%	10.0%	10.8%	15.2%	18.7%	15.3%	14.0%	
Operating profit	630	865	504	783	1,279	1,355	333	63	795	460	
YoY	-	43.0%	21.5%	13.5%	-	56.8%	-33.9%	-92.0%	-	-66.0%	
OPM	9.7%	11.6%	8.6%	8.7%	13.3%	12.9%	6.5%	1.5%	12.2%	8.7%	
Recurring profit	624	721	419	774	1,178	1,295	422	105	783	434	
YoY	-	12.4%	-7.1%	12.1%	-	79.6%	0.8%	-86.4%	-	-66.5%	
RPM	9.6%	9.7%	7.2%	8.6%	12.2%	12.3%	8.3%	2.6%	12.0%	8.2%	
Net income	424	487	246	654	802	885	263	-3,703	536	294	
YoY	-	13.7%	-19.4%	70.1%	-	81.8%	7.0%	-	-	-66.7%	
Net margin	6.5%	6.5%	4.2%	7.2%	8.3%	8.4%	5.1%	-90.9%	8.2%	5.6%	

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly sales



Quarterly operating profit



Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Income statement

Income statement (JPYmn)	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Parent	FY12/16 Parent	FY12/17 Parent	FY12/18 Parent	FY12/19 Parent
Sales	11,143	10,604	10,124	12,256	18,120	17,174	16,908	21,489	28,828	29,333
YoY	-8.5%	-4.8%	-4.5%	21.1%	47.8%	-5.2%	-1.5%	27.1%	34.2%	1.8%
Cost of sales	8,967	8,238	7,494	8,950	13,759	12,100	12,136	15,806	22,173	22,670
YoY	-9.1%	-8.1%	-9.0%	19.4%	53.7%	-12.1%	0.3%	30.2%	40.3%	2.2%
Cost ratio	80.5%	77.7%	74.0%	73.0%	75.9%	70.5%	71.8%	73.6%	76.9%	77.3%
Gross profit	2,176	2,365	2,630	3,306	4,361	5,073	4,771	5,683	6,655	6,664
YoY	-6.1%	8.7%	11.2%	25.7%	31.9%	16.3%	-6.0%	19.1%	17.1%	0.1%
GP margin	19.5%	22.3%	26.0%	27.0%	24.1%	29.5%	28.2%	26.4%	23.1%	22.7%
SG&A expenses	1,169	1,321	1,464	1,801	2,125	2,416	2,836	3,304	3,873	3,633
YoY	-2.3%	13.0%	10.9%	23.0%	18.0%	13.7%	17.4%	16.5%	17.2%	-6.2%
SG&A ratio	10.5%	12.5%	14.5%	14.7%	11.7%	14.1%	16.8%	15.4%	13.4%	12.4%
Operating profit	1,007	1,045	1,165	1,505	2,235	2,658	1,936	2,380	2,782	3,030
YoY	-10.2%	3.8%	11.6%	29.2%	48.5%	18.9%	-27.2%	22.9%	16.9%	8.9%
OPM	9.0%	9.9%	11.5%	12.3%	12.3%	15.5%	11.4%	11.1%	9.7%	10.3%
Non-operating income	28	79	61	114	63	49	93	149	57	246
YoY	-52.5%	181.5%	-22.4%	86.4%	-44.7%	-22.4%	90.2%	60.3%	-61.6%	328.8%
% of sales	0.3%	0.7%	0.6%	0.9%	0.3%	0.3%	0.6%	0.7%	0.2%	0.8%
Non-operating expenses	260	169	151	185	211	265	60	87	302	276
YoY	-26.3%	-35.1%	-10.7%	22.5%	14.1%	25.4%	-77.3%	45.4%	246.5%	-8.8%
% of sales	2.3%	1.6%	1.5%	1.5%	1.2%	1.5%	0.4%	0.4%	1.0%	0.9%
Recurring profit	775	954	1,075	1,434	2,087	2,442	1,969	2,441	2,537	3,000
YoY	-6.3%	23.1%	12.8%	33.3%	45.6%	17.0%	-19.4%	24.0%	3.9%	18.3%
RPM	7.0%	9.0%	10.6%	11.7%	11.5%	14.2%	11.6%	11.4%	8.8%	10.2%
Net income	673	773	948	1,347	1,541	1,551	1,142	1,547	1,810	-1,753
YoY	20.8%	14.7%	22.7%	42.0%	14.4%	0.6%	-26.3%	35.4%	17.0%	-
Net margin	6.0%	7.3%	9.4%	11.0%	8.5%	9.0%	6.8%	7.2%	6.3%	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Balance sheet

Balance sheet (JPYmn)	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Parent	FY12/15 Parent	FY12/16 Parent	FY12/17 Parent	FY12/18 Parent	FY12/19 Parent
Current assets	4,929	5,504	5,753	10,828	10,115	9,122	12,169	17,532	25,840	19,903
Cash and deposits	1,034	2,819	3,085	3,591	5,432	6,415	7,159	6,594	9,673	11,702
Inventories	2,810	1,704	1,814	6,321	3,714	1,855	4,232	10,063	15,347	7,482
Other	1,085	981	854	916	969	852	778	875	820	719
Fixed assets	13,772	11,762	12,860	12,189	9,423	10,191	11,623	12,372	12,022	23,117
Tangible fixed assets	12,524	10,529	10,888	10,544	8,169	8,871	10,005	10,648	9,742	18,070
Intangible fixed assets	228	152	103	84	67	86	107	135	178	68
Investments and other assets	1,019	1,081	1,869	1,562	1,188	1,234	1,511	1,589	2,103	4,979
Total assets	18,701	17,266	18,612	23,017	19,539	19,313	23,792	29,905	37,862	37,862
Current liabilities	2,137	2,138	1,780	3,207	2,463	2,881	4,959	5,692	6,607	11,906
Interest-bearing debt	1,154	1,046	815	1,792	461	690	2,516	2,719	3,516	2,412
Other	983	1,092	966	1,415	2,002	2,191	2,443	2,973	3,091	9,494
Fixed liabilities	7,350	5,141	5,898	7,528	3,562	1,806	3,549	7,862	12,505	14,695
Interest-bearing debt	5,925	4,160	4,730	6,045	2,298	621	2,016	5,912	10,625	8,988
Other	1,425	981	1,167	1,483	1,264	1,185	1,533	1,950	1,880	5,707
Total liabilities	9,486	7,278	7,678	10,735	6,025	4,686	8,508	13,553	19,113	26,601
Total net assets	9,215	9,987	10,935	12,282	13,514	14,626	15,284	16,351	18,750	16,419
Total liabilities and net assets	18,701	17,265	18,613	23,017	19,539	19,313	23,792	29,905	37,862	43,020

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Total assets of JPY42.0bn at end-1H FY12/20 were down JPY1.1bn versus end-FY12/19. The breakdown in changes include a JPY1.3bn increase in fixed assets, a JPY1.5bn decrease in cash and deposits, and a JPY940mn decrease in real estate for sale. Total liabilities of JPY25.2bn at end-1H FY12/20 were down JPY1.4bn versus end-FY12/19. The breakdown in changes include a JPY617mn increase in long-term debt, a JPY1.1bn decrease in corporate taxes payable, and a JPY562mn decrease in short-term debt. Net assets of JPY16.7bn at end-1H FY12/20 were up JPY323mn versus end-FY12/19. The breakdown in changes include a JPY324mn increase in retained earnings (increase of JPY830mn from net income and decrease of JPY505mn from dividend payments). As a result, shareholders' equity ratio was 39.9%.

Cash flow statement

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
(JPYmn)	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent
Cash flows from operating activities	2,533	2,641	443	1,014	7,123	3,941	-709	-2,993	-2,381	4,055
Cash flows from investing activities	-588	1,080	-489	-2,764	146	-1,069	-1,544	-1,424	-484	-1,006
Cash flows from financing activities	-2,713	-1,937	311	2,256	-5,429	-1,888	3,000	3,855	5,944	-1,020

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Net cash flow from operating activities in 1H FY12/20 came to a net inflow of JPY592mn (versus an inflow of JPY7.5bn in 1H FY12/19), with major contributors including a JPY1.3bn reduction from corporate taxes paid, which was offset by a JPY1.2bn addition from pre-tax profit, and a JPY1.0bn reduction in inventories.

Investing activities resulted in a net cash outflow of JPY1.5bn (versus an outflow of JPY623mn in 1H FY12/19), reflecting a JPY1.5bn outlay for the acquisition of tangible fixed assets among other factors.

Financing activities resulted in a net cash outflow of JPY548mn (versus an outflow of JPY1.9bn in 1H FY12/19), with major contributors including JPY2.2bn in proceeds from long-term loans, offset by laying out JPY562mn to repay short-term loans, JPY1.5bn to pay back long-term loans, and JPY503mn to payout dividends.

Financial ratios

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent
ROA (RP-based)	4.0%	5.3%	6.0%	6.9%	9.8%	12.6%	9.1%	9.1%	7.5%	7.4%
ROE	7.6%	8.0%	9.1%	11.6%	11.9%	11.0%	7.6%	9.8%	10.3%	-10.0%
Inventory turnover	2.8	3.6	4.3	2.2	2.7	4.3	4.0	2.2	1.7	2.0
Tangible fixed assets turnover	0.9	1.0	0.9	1.2	2.2	1.9	1.7	2.0	3.0	1.6
Current ratio	230.7%	257.4%	323.2%	337.6%	410.7%	316.7%	245.4%	308.0%	391.1%	167.2%
Equity ratio	49.3%	57.8%	58.8%	53.4%	69.2%	75.7%	64.2%	54.7%	49.5%	38.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Company forecast for FY12/20

Full-year forecast

The company maintained its initial FY12/20 earnings forecast calling for sales of JPY24.7bn (-15.8% YoY), operating profit of JPY2.3bn (-24.1% YoY), recurring profit of JPY2.2bn (-26.7% YoY), and net income of JPY1.3bn (versus a loss of JPY1.8bn in FY12/19).

The company is looking to its self-storage management business as its primary source of earnings in FY12/20, anticipating positive growth in both sales and profit for the year. Plans call for pushing the number of storage units in operation over 100,000, measures to increase recognition of its *Hello Storage* brand, the continued rollout of new products (*Hello Business Box* and *Hello Garage*), the implementation of measures to increase customer satisfaction, and the development of new peripheral services around self-storage.

At its self-storage brokerage business, the company sees another year of big declines in both sales and profit as it purposely shrinks sales of outdoor storage container facilities and storage with land (indoor storage facilities). The setback in profit is expected to be temporary, though, as the company expects taking ownership of its outdoor storage and storage with land to improve overall margins at the Self-Storage segment and realize higher earnings at the self-storage management business to build up its recurring-revenue business in the long-term.

The above policy will call for a significant negative impact on sales and profit in the self-storage brokerage business for FY12/20, and the company expects the Self-Storage segment to report full-year sales of JPY14.6bn (-34.0% YoY) and operating profit of JPY1.9bn (-19.6% YoY).

On the other hand, as described in the “Revision to the earnings forecast due to extraordinary losses” announced on February 13, 2020, when the company purchases storage containers for which a building certification has been applied for, profitability in the Self-Storage segment improves. As such, the company expects the segment to contribute significantly to profitability and growth in the medium to long term.

At the Land Rights Consolidation segment, the company plans to focus on the purchase and sale of land rights. It sees sales rising and profit falling in FY12/20, with projected full-year sales of JPY8.4bn (+56.2% YoY) and operating profit of JPY1.3bn (-5.5% YoY). Amid uncertain market conditions in 2H, the company expects profitability to decline as it works to reduce inventory, and revised its forecast downward to reflect this.

The company paid a dividend of JPY40.0 per share in FY12/19 but expects to pay a dividend of JPY31.0 per share in FY12/20.

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