COMPANY RESEARCH AND ANALYSIS REPORT

Arealink Co., Ltd.

8914

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Summary

Centered on the new type of “self-storage properties with land,” the Company is aiming for a 50% share of the Japanese self-storage market and ¥100mn in ordinary income per employee

Arealink Co., Ltd., <8914> (hereafter, also “the Company”) conducts a self-storage business based on its corporate philosophy of “provide convenience, enjoyment, Corporate and excitement to the world.” In addition to the outdoor container-type self-storage and indoor trunk-type self-storage, it is currently focusing on actively opening properties for a new type, of “self-storage properties with land” (asset indoor-type self-storage). In the medium-term, it is aiming to acquire a 50% share of the Japanese self-storage market and to achieve ¥10bn in ordinary income with a workforce of 100 employees (¥100mn in ordinary income per employee).

1. Growth from the outdoor container-type self-storage. Currently taking on the challenge of capturing growth-market share through “self-storage properties with land.”

After it was established, the Company grew with the outdoor container-type self-storage as its main business to acquire its current position of being the leading domestic company with a 15.1% market share. It is aiming to accelerate the opening of properties in urban residential areas, which is the biggest growth market for the self-storage business, and in FY12/16 it started “self-storage properties with land” as the business model suitable for this. It established the business model up to FY12/17 and positioned self-storage properties with land as its growth engine over the next 3 to 5 years, and since FY12/18, it has been working to rapidly increase the number of openings. At FISCO we think the Company’s features and strengths lie in its ability to respond quickly to needs and rapidly create the optimal business model, and the ability of the entire Company to act instantaneously to achieve rapid growth.

2. The core of its growth strategy is organically combining the three elements of “business model,” “human resources,” and “management”

A feature of the self-storage properties with land business model is that once the Company acquires land, it sells it to investors after modifying it to be a self-storage, real-estate commodity (the subsequent tenant recruitment, operations and management are the same as for the outdoor container-type self-storage and other types). To realize revenue growth through effectively utilizing this model, two abilities are essential; financing ability for land purchases and construction, and the ability to sell real estate commodities. On this point, the Company focuses not only on acquiring and fully training human resources, but also on building the organization and framework that can fully draw out the abilities of these human resources. That is to say, it can be said that biggest point for the Company’s growth strategy is the creation of synergies through combining the three elements of business model, human resources, and management.

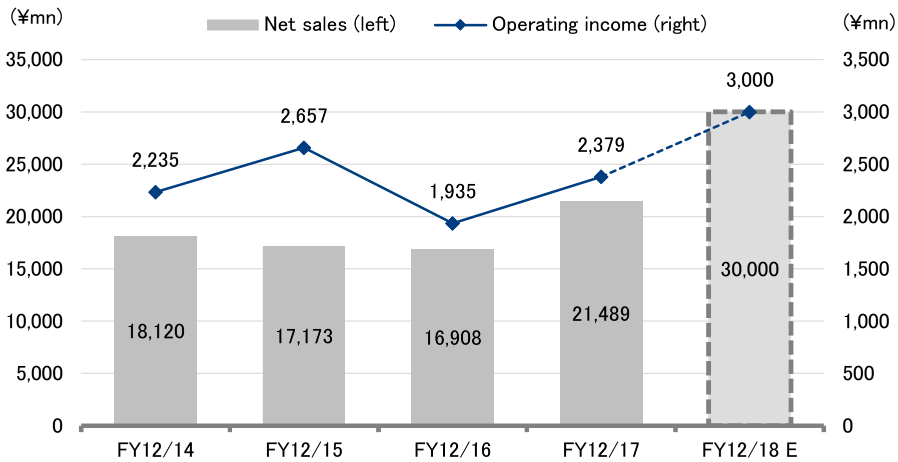
3. Sales and profits increased in FY12/18 1H. On a full fiscal year basis also, results may exceed the forecasts.

In FY12/18 1H, both sales and profits increased, with net sales of ¥13,943mn (up 34.2% year-on-year (YoY)) and operating income of ¥1,494mn (up 17.2%). For self-storage properties with land, in 1H the Company newly opened 15 properties (cumulative total, 37) and also made steady progress in property openings for the outdoor container-type self-storage. As a result, at the end of FY12/18 1H, the total number of self-storage units had reached 85,005. The full-year forecasts for FY12/18 are net sales of ¥30,000mn (up 39.6% YoY) and operating income of ¥3,000mn (up 26.1%). The Company has left its initial forecasts unchanged due to the uncertainties in the 2H, but the current situation is that it has already allotted land for the opening of self-storage properties with land in the 2H, while for sales also, it is making progress with the diversification of its exit strategy, such as the formation of funds. So in terms of performance results there are few concerns, and at FISCO we think that the results may exceed the forecasts.

Key Points

- Fundamentally, it leases self-storage with a rental guarantee and collects income from tenant recruitment, operations and management. Developing self-storage properties with land to strengthen property openings in urban residential areas
- With accelerating openings of self-storage properties with land as the growth engine, the Company is aiming for a 50% share of the Japanese self-storage market and ordinary income of ¥10bn in 2025
- If progress is made as planned for new openings of self-storage properties with land, the results may exceed the full year forecasts for FY12/18

Results trends



Source: Prepared by FISCO from the Company's financial results

Company Overview

Growth from container storage and trunk rooms in the self-storage business

1. History

The Company was established in Funabashi City, Chiba Prefecture, in 1995 as WELL's Giken K.K., by Mr. Naomichi Hayashi, the current President and CEO, in order to launch a contracting business for the WELL's 21 cross-industrial exchange stations.

In the year after its establishment (1996), it launched a property leasing business (currently Mister Kashichi) and Hello Parking, a coin-operated parking lot business, and it entered into the real estate business. Subsequently, continuing on from Hello Parking, it expanded its business area by launching a series of businesses, including the storage space businesses of Hello Container and Hello Trunk (both are also collectively known as Hello Storage); Hello Monthly, a monthly apartment rental business; and Hello Office, an office rental business.

The Company, which had been developing the wide ranging Hello Series, gradually set its core business to be the self-storage business (container storage and trunk room), which has the advantages of there being little competition as a niche market and low running costs as a non-residential type of real estate, and it has aimed to expand and strengthen its business under the slogan of being "overwhelmingly No.1 for share and quality." As a result, it has become the leading company domestically, with 85,005 units (as of the end of June 2018) as the total for both container storage and trunk rooms, and a market share of 15.1% (FY17, based on net sales).

The Company was listed on the Tokyo Stock Exchange (TSE) Mothers market in August 2003, where it is currently listed.

History

Date	Event
April 1995	Established WELL's Giken K.K. for contracts for the WELL's 21 warehousing office. Launched a contracting business for WELL's 21 cross-industrial exchange stations.
April 1996	Launched a property leasing business (currently Mister Kashichi)
June 1996	Launched Hello Parking, a coin-operated parking lot business
March 1999	Launched Hello Container, a business for installing and leasing storage containers on vacant land
October 1999	Changed company name to Mister Kashichi Co., Ltd.
August 2000	Launched a coin-operated laundry business
September 2000	Conducted an absorption merger with Sysnet K.K. (property leasing business was transferred from Sysnet). Changed company name to Arealink Co., Ltd.
December 2000	Acquired all the shares of Hayashi Soken Inc., and made it a wholly owned subsidiary (absorption merger in April 2002). Launched Hello Monthly, a weekly/monthly apartment rental business.
February 2001	Launched the Hello Trunk business using vacant buildings for storage rental space
September 2002	Launched a stock management business to provide management services for the land and properties owned by the Company (currently, the Property Management Service business)
January 2003	Launched the Hello Renewal business to renovate old buildings to add value and improve management efficiency (currently, the Property Revitalization & Liquidation Service business)
June 2003	Opened Hello Bike BOX, indoor parking for motorcycles
August 2003	Listed on TSE Mothers
January 2004	Launched the Hello Office business to lease SOHO utilizing vacant buildings
February 2005	Acquired Space Products K.K., in the same industry that manages Rakuchin BOX
November 2005	Exceeded 10,000 units in the Hello Storage business
January 2008	Exceeded 30,000 units in the Hello Storage business
June 2014	Exceeded 50,000 units in the Hello Storage business
December 2016	Relocated the Head Office to Sotokanda, Chiyoda-ku, Tokyo, its current location

Source: Prepared by FISCO from Company website and securities report

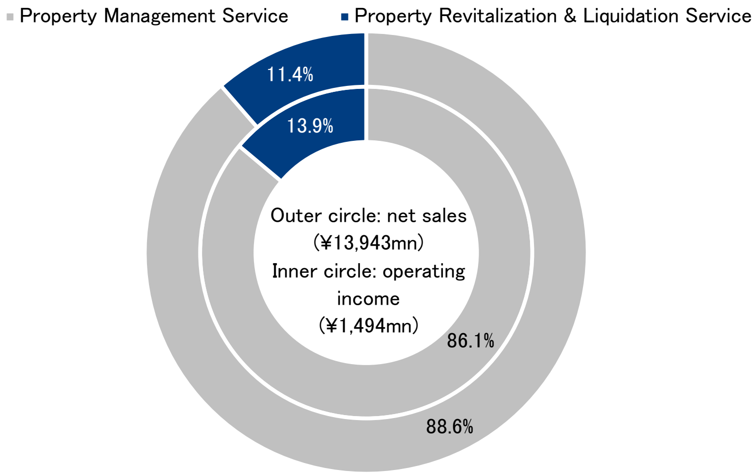
Has a two-segment structure; the Property Management Service, the core of which is the self-storage business, and the Property Revitalization & Liquidation Service, which is a limited land rights business

2. Business description

(1) Business segments

The Company's business is comprised of two business segments; 1) the Property Management Service business, and 2) the Property Revitalization & Liquidation Service business. Looking at the breakdown by segment for FY12/18 1H, the Property Management Service business provided 88.6% of net sales, and the Property Revitalization & Liquidation Service business 11.4%. On the other hand, the Property Management Service business provided 86.1% of operating income, and the Property Revitalization & Liquidation Service business 13.9%, from which we understand that the Property Revitalization & Liquidation Service business has a high profit margin.

Breakdown of net sales and operating income by business segment (FY12/18 1H)



Source: Prepared by FISCO from the Company's financial results

(2) Overview of the Property Management Service business

The essence of the Property Management Service business is to generate revenue by turning real estate (such as land and buildings) that is not being utilized into real estate commodities (commoditization). From the viewpoint of commodities, as previously stated the Company is providing services under the Hello brand in various business categories, including self-storage, parking lots, and office rentals.

As mentioned above, the Company had been growing centered on its self-storage business, and in terms of revenue also, the contribution of the self-storage business is overwhelmingly large. The self-storage business is further divided into several types depending on the structure and the business model, and the revenue characteristics of each type are different. Reflecting the current situation, the Company discloses information on the Property Management Service business upon dividing it into three sub-segments; self-storage management, self-storage brokerage, and other property management services (the details of the business model by self-storage type, such as Hello Container and self-storage properties with land, are described below).

Both self-storage management and self-storage brokerage generate revenue for Hello Storage and are classified according to the characteristics of their revenue. Within them, self-storage management generates revenue from tenant recruitment, operations and management for Hello Storage. In other words, it generates revenue as the management company for the real-estate commodity of self-storage. Self-storage includes each of the outdoor container-type self-storage, the indoor trunk-type self-storage, and self-storage properties with land. The type of revenue can be said to be stock-type revenue.

Revenue from self-storage brokerage consists of sales revenue from self-storage properties with land and revenue relating to Hello Container orders and property openings. The type of revenue can be said to be flow-type revenue.

Revenue from other property management services is from the businesses other than the self-storage business. Specifically, it is comprised of revenue from businesses including Hello Parking, Hello Office, and asset management (tenant recruitment, operations and management of properties owned by the Company). The type of revenue can be said to be stock-type revenue.

Breakdown by the sub-segments of the Property Management Service business

Business segment	Sub-segment	Characteristics of revenue	Revenue type	FY12/18 1H net sales
Property Management Service	Self-storage management	Revenue from tenant recruitment, operations and management for self-storage (outdoor container-type self-storage, indoor trunk-type self-storage, and self-storage properties with land)	Stock-type revenue	5,435
	Self-storage brokerage	Sales of self-storage properties with land, orders for self-storage container modifications, and revenue from openings of own properties for Hello Container	Flow-type revenue	5,943
	Other property management services	Revenue from tenant recruitment, operations and management of the Company's own properties, and revenue from other businesses, including Hello Office and Hello Parking	Stock-type revenue	977

Source: Prepared by FISCO from the Company's results briefing materials

(3) Overview of the Property Revitalization & Liquidation Service business

The Property Revitalization & Liquidation Service business initially involved purchasing used real estate from its owners and investors, adding value to it such as through renovation, improving the management efficiency, and then after that, selling it to investors and other buyers. In other words, it is a real estate trading business. However, in the context of the rapid change to the business environment triggered by the Bankruptcy of Lehman Brothers, the Company withdrew from the real estate trading business at the end of FY12/15, and since FY12/16, it has been specializing in land rights management business (within the Company, it is known as the "limited land rights business").

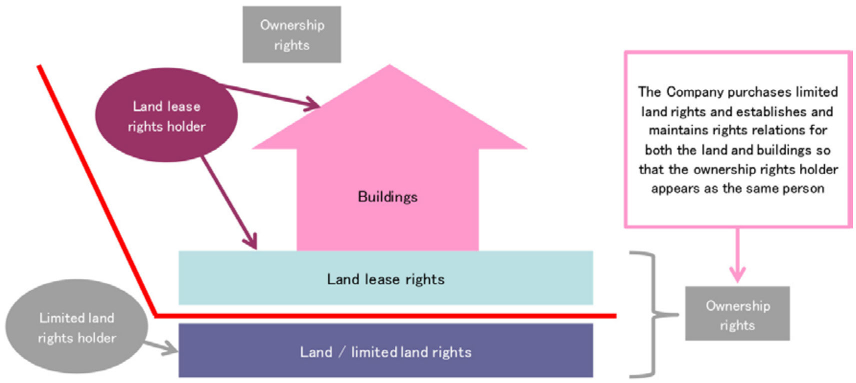
The business model of the limited land rights business is as follows.

It is the general practice to rent land and then construct buildings on it. In this case, the owner of the building (called A) has the right to use the land (the leasehold right, while it goes without saying that there is the obligation to pay for the use of the land, in other words, to pay rent). On the other hand, the owner of the land (the landowner, called B) cannot freely use the land due to the restrictions on the leasehold rights. In this way, land with leasehold rights attached is called limited land rights. Although B's use of the land is restricted, it has the right to receive rental income from A. The right to lease this land is called "limited land rights" and is generally carried out in the housing and real estate industry.

The situation in which there are owners of both land and buildings not only makes things more complicated by distorting the rights relationship, it also affects the price of land (land lease rights + limited land rights can be schematized with ownership rights, with only the land lease rights portion discounted). Therefore, the Company acquires the limited land rights from B, the landowner, and generates revenue by selling it to A, and in addition, it conducts a business of establishing and maintaining rights relations between A and B. This is the basic model for its limited land rights business.

The Company may acquire buildings from A and limited land rights from B, and sell them to a third party as a vacant lot. But it does this when an opportunity to do so arises, and it does not actively pursue such sales in its limited land rights business.

Image of the limited land rights business



Source: Prepared by FISCO from Company materials, interviews, etc.

Fundamentally, it leases self-storage with a rental guarantee and collects income from tenant recruitment, operations and management. Developing self-storage properties with land to strengthen property openings in urban residential areas

3. Description of the self-storage business

The Company's self-storage business, which it is developing under the Hello Storage brand, has a lineup of three types; the outdoor container-type self-storage, the indoor trunk-type self-storage, and the self-storage properties with land type. The outdoor container-type self-storage and indoor trunk-type self-storage are categorized and named with the focus on the structure of the properties. Conversely, self-storage properties with land is named based on its features as a real estate commodity, although structurally it is an indoor type. In terms of the history of the types, the sequence was that in 1999 the Company started a self-storage business for the outdoor container-type self-storage, and then in 2001, it began the indoor trunk-type self-storage that utilizes empty buildings and other such spaces, and in 2016, it launched self-storage properties with land, which brings us up to the present day.

Breakdown by type of self-storage business

Name by type	Outdoor container-type self-storage	Indoor trunk-type self-storage	Self-storage properties with land (asset indoor-type self-storage)
Structure	Outdoor	Indoor	Indoor
Self-storage structure	Marine transport containers modified for self-storage	Renovation of buildings (a complete building or part of a floor), warehouses, etc.	Specialist-design properties (steel frame, wooden construction)
Main locations	Suburbs of urban areas, regional areas	Urban areas, regional areas	Urban residential areas
Number of units (estimate for end of FY12/18)	71,000 units	17,000 units	5,000 units
The degree of focus in the future	○	△	◎

Source: Prepared by FISCO

(1) Business model for the outdoor container-type self-storage and indoor trunk-type self-storage

The basic business model for the self-storage business is the outdoor container-type self-storage. In terms of its specific form, the basic business model is that first, the Company searches for and matches partners to conclude a land use contract between the land owner (A) and the investor (the container owner (B)). After this, the Company rents the container from B and in turn leases it to the end user as self-storage. In terms of the flow of money, on the one hand the Company receives a monthly fee (rent) from the end user, while on the other hand it pays rent to B. The biggest point here is that the contract between the Company and B is a 10 year, rent-guarantee contract. As B is guaranteed a fixed amount of rent for 10 years, it does not have to bear the risk of having a vacant unit, so it can be said to have the advantage of being able to calculate the return on the container investment (the relation between B and A is also kept consistent at 10 years, so the same is true for A, that the return is predictable).

As for the Company's revenue, gross profit is the difference between the rent it receives from the end user (net sales) and the rent it pays to B (cost of sales). It seems that the gross profit margin is around 20%. In addition to this, its nets sales consists of other incidental income, including administration costs (¥2,000/month) and security guarantee packs (option to prepare for a loss of keys and other such issues, at ¥500/month). The revenue from self-storage tenant recruitment, operations and management is recorded in the previously described self-storage management sub-segment.

The major features of this business model is that the Company does not incur any costs for capital investment and that its balance sheet does not become heavy because it rents its business assets (containers and land), both of which are major advantages for its cash flow. There was previously a period in which the Company purchased land and conducted the Hello Container business, but currently it has shifted entirely to this leasing approach. On the other hand, since it pays rent to B irrespective of the occupancy rate of the containers, initially it will make a loss. Therefore, the key is raising the occupancy rates at an early stage.

For the indoor trunk-type self-storage, instead of containers, the Company renovates existing buildings (the entire building or part of a floor), warehouses, and other properties into trunk rooms and conducts the self-storage business. So in this case, the basic framework is the same as the outdoor container-type self-storage.

The Company contracts the remodeling and renovation of containers and existing buildings into use for its self-storage business. The revenue item relating to this is "Orders," which is included in the self-storage brokerage sub-segment.

(2) The self-storage properties with land business model

On the other hand, the self-storage properties with land business model is slightly different. From the viewpoints of capital efficiency and keeping down capital investment, the Company's basic policy is not to own land and properties (containers). However, in residential districts in urban areas, which are where demand for self-storage is strongest, it faces the barrier that it is difficult to find land owners. Therefore, the Company has developed a model in which it temporarily purchases the land for itself, constructs a self-storage property on it and creates a commodity, and then sells the land and property as a package to investors, such as the wealthy. As a result, it has named this type "with land."

At the same time as carrying out sales, the Company leases properties and conducts tenant recruitment, operations and management, which is the same as for the other types, such as the outdoor container-type self-storage. It is also the same on the point of providing a rent guarantee. However, for the recording of revenue, due to the addition of the process of selling to investors, the Company records revenue from sales in the self-storage brokerage sub-segment, while it records the revenue from tenant recruitment, operations and management in the self-storage management sub-segment.

When selling self-storage properties with land, the sales price is determined by the income approach. Therefore, the Company has the opportunity to increase the profit margin by keeping down land purchase prices and building construction costs. It would seem difficult to generate a large profit margin because the land price is also the market price, but there is room to improve it by pursuing cost reductions for the properties through various techniques, such as the design, structure, and construction method. The Company receives all of the benefits from realizing lower costs, so it its progressing research and development for this point also.

In terms of securing buyers for the self-storage properties with land (which it sometimes calls the "exit strategy,") the Company is actively working to diversify its exit strategy, including by setting the yield at a level that the buyers (such as investors) will find appealing, and also by forming private-placement funds (the details are provided below).

Medium- to long-term growth strategy

With accelerating openings of self-storage properties with land as the growth engine, the Company is aiming for a 50% share of the Japanese self-storage market and ordinary income of ¥10bn in 2025

1. Summary of the long-term vision and the medium-term management plan

Toward realizing growth in the medium- to long-term, the Company has formulated a medium-term management plan and a long-term vision, and it is aiming to achieve sustainable growth over the medium- to long-term through steadily realizing both.

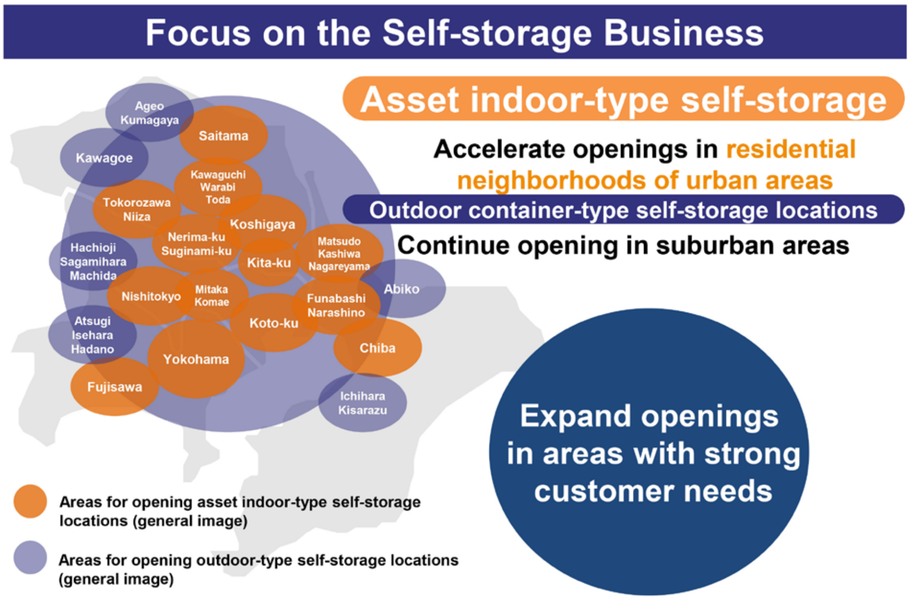
(1) Medium-term management plan

The Company is currently working on its 3-year medium-term management plan, which runs from FY12/18 to FY12/20. The basic policy in the medium-term management plan is to "concentrate on the self-storage business." This was from the judgement that within the numerous real estate investment businesses, the self-storage business has the greatest growth potential (the details are given below). As previously explained, the Company is broadly developing three types in its self-storage business (outdoor container-type self-storage, indoor trunk-type self-storage, and self-storage properties with land). But the policy in the current medium-term management plan is to grow revenue through accelerating openings of self-storage properties with land.

In the background to this decision was the fact that opening properties in areas where end-user needs are high is essential to realize growth. That is to say, these are residential districts in urban areas, and the Company is creating the commodity of self-storage properties with land in order to smoothly open properties in these areas (self-storage properties with land is also sometimes called "asset indoor-type self-storage").

While focusing on self-storage properties with land, the Company will also continue to open properties for the outdoor container-type self-storage. The target areas for this type are the suburbs of urban areas, and the image is of realizing growth while solidifying the outer circumference of the self-storage properties with land areas.

Medium-term Management Plan – Basic Policy



Source: Company's results briefing materials

The Company's policy is to focus on the self-storage business and based on this, the results targets that it is aiming for in the current medium-term management plan through accelerating openings of self-storage properties with land are net sales of ¥43,414mn and operating income of ¥5,000mn in the plan's final fiscal year of FY12/20. The self-storage business, which has been positioned as the growth engine, is included in the Property Management Service segment, and the forecasts for this segment's results in the plan's final fiscal year are net sales of ¥40,412mn and operating income of ¥5,882mn. With the FY12/17 results as the starting point, the 3-year average annual growth rates up to FY12/20 are 27.2% for net sales and 23.4% for operating income.

Quantitative vision in the medium-term management plan

(¥mn)

		FY12/17 results	Medium-term management plan FY12/18 forecast	FY12/19 forecast	FY12/20 forecast	CAGR
Property Management Service total	Net sales	19,619	27,730	34,310	40,412	27.2%
	Operating income	3,133	3,724	4,733	5,882	23.4%
Property Revitalization & Liquidation Service total	Net sales	1,869	2,270	2,611	3,002	17.1%
	Operating income	464	604	695	799	19.9%
Adjustment	Operating income	-1,218	-1,328	-1,528	-1,681	-
Company-wide total	Net sales	21,489	30,000	36,921	43,414	26.4%
	Operating income	2,379	3,000	3,900	5,000	28.1%

Note: CAGR = 3-year average annual growth rate up to FY12/20, with FY12/17 as the starting point
Source: Prepared by FISCO from the Company's results briefing materials

On extracting only the self-storage business from within the Property Management Service business, and then further dividing it into self-storage management and self-storage brokerage, we see that self-storage brokerage is the growth driver with net sales and operating income average annual growth rates in the self-storage brokerage business greatly exceeding the rates in the self-storage management business. It goes without saying that nearly all of the revenue from self-storage brokerage is from sales of self-storage properties with land.

Looking at the trend in the number of units, the outlook is for openings of self-storage properties with land to rise rapidly from FY12/18. At the end of FY12/18, the number of units is expected to increase greatly from the 1,319 units at the end of FY12/17 to 5,000 units. Subsequently also, this doubling pace of increase will continue, and by the end of FY12/20, the Company plans to have 20,000 units. However, in terms of the number of units, as it will change the method of partitioning units while observing customer needs, at FISCO we think it is possible that the number will fluctuate above the property-opening plan. If the number of units increases as planned, the average annual growth rate for the total number of units will be 14.4%, so it is considered possible that the self-storage management net sales growth rate will exceed the currently forecast rate of 10.6%.

Detailed forecasts of the self-storage business in the medium-term management plan

(¥mn)

		FY12/17 results	Medium-term management plan			CAGR
			FY12/18 forecast	FY12/19 forecast	FY12/20 forecast	
Net sales	Self-storage management	9,886	11,058	12,158	13,358	10.6%
	Self-storage brokerage	7,688	14,795	20,326	25,277	48.7%
	Self-storage business total	17,575	25,853	32,484	38,635	30.0%
Operating income	Self-storage management	1,784	1,471	1,615	1,898	2.1%
	Self-storage brokerage	788	1,750	2,645	3,540	65.0%
	Self-storage business total	2,572	3,221	4,260	5,438	28.4%
Operating margin	Self-storage management	18.0%	13.3%	13.3%	14.2%	-
	Self-storage brokerage	10.2%	11.8%	13.0%	14.0%	-
	Self-storage business total	14.6%	12.5%	13.1%	14.1%	-
Number of units in the garage business	Outdoor container-type self-storage	63,571	71,000	78,000	85,000	10.2%
	Self-storage properties with land	1,319	5,000	11,000	20,000	172.9%
	Other indoor-types	17,000	17,000	17,000	17,000	0.0%
	Total	81,555	93,000	106,000	122,000	14.4%

Note: CAGR = 3-year average annual growth rate up to FY12/20, with FY12/17 as the starting point
Source: Prepared by FISCO from the Company's results briefing materials

(2) The long-term vision

The Company has set becoming a “future oriented, ideal company” as the vision of the enterprise it is aiming to be in the long term. In terms of the specific content of a future oriented, ideal company, it cites “steady progress toward the target of ¥100 million in ordinary income per employee” and “Global business development with management that combines the rational approach of Europe and the U.S. with the attention to detail of Japan.” The Company’s current numerical targets are “50% share of the Japanese self-storage market” and “¥10bn in ordinary income with a workforce of 100 employees in 2025.”

In order to realize this long-term vision, the Company has picked-up the following three points as its priority action items; 1) business model, 2) human resources, and 3) management. It is aiming not only to refine each of these items, but also to maximize the effects through the interactions (combinations) between them. It can be said that this constitutes the foundation of the Company’s growth strategy.

Long-term Vision: Formula for Growth

Source: Company's results briefing materials

For 1) business model, the Company has set the theme of acquiring the No.1 share of the domestic market for its self-storage business. The specific growth engine for this, as previously described in the medium-term management plan section, is accelerating openings of self-storage properties with land and continuing to open properties for the outdoor container-type self-storage. In addition to this, it has set the theme of business expansion through global business development (opening properties in Asia) and collaborations with companies in different industries, such as logistics companies and retail companies, in Japan. In the self-storage properties with land business model, there is the explosive power of the dramatic growth in revenue from the addition of the process of sales, while at the same time, it will require skills for the aspects of land purchases and sales.

The Company's basic policy for 2) human resources, is a doctrine of a small but highly capable workforce. This is based on the idea that it is possible to grow the revenue scale even with a small number of employees by increasing productivity and profitability per employee. Therefore, the Company is focusing on enhancing and implementing various training programs in order to develop its human resources, but what is important is the idea of education. Company President Hayashi has set an employee image of a person who always thinks for themselves and who works positively while enjoying life, as the basis of human resource education. In addition to this, the Company is actively working on various other measures, such as introducing RPA (robotic process automation, the automation of work through utilizing AI and machine-learning technologies) and also making use of home workers and part-time employees.

For the 3) management, the Company is aiming to become "a company with little overtime, many holidays, and high salaries." In order to realize this, it is essential to improve the skills of each and every employee. In advance of this, having the ideal workplace environment is needed, and it can be said that for this, 2) and 3) form a positive spiral. In addition to creating such framework to improve motivation, the Company is also strengthening measures for ESG. To give a specific example, to contribute to local communities through trunk rooms, it concluded a disaster mitigation agreement with Ota Ward and is providing trunk rooms free of charge. These are being utilized as storerooms to stockpiles goods for people who are unable to return to their homes following a disaster. Also, from the viewpoint of progressing work-style reform, it used the opportunity of the relocation of the head office to update the design and layout of its offices, to change to offices that promote reforms toward a "brain worker" working style.

These measures are steadily producing results, and the Company has pushed forward from 2025 to 2023 the year to realize the target of "¥10bn in ordinary income with a workforce of 100 employees."

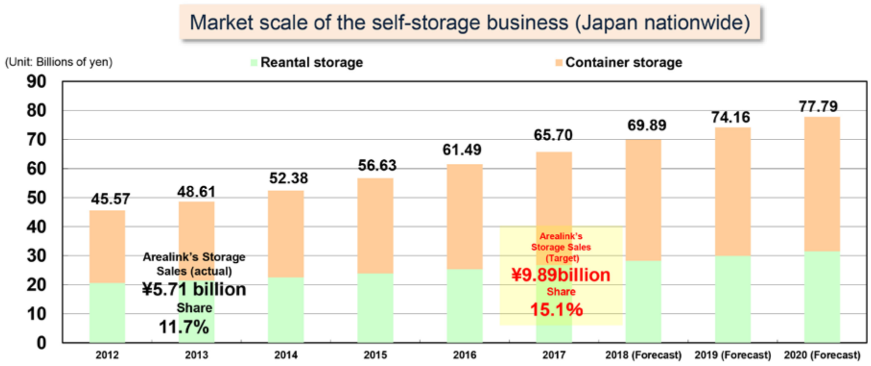
Responds to all process for self-storage properties with land, from land purchases through to the exit strategy

2. The self-storage business growth strategy

(1) Conditions in the self-storage market

The scale of the Japanese self-storage market (container storage and rental storage rental income) was estimated to be ¥65.7bn in 2017. In the same year, the Company's self-storage rental income (including administration costs) was net sales of ¥9,886mn for self-storage management within the Property Management Service segment. Based on this, it is estimated that the Company's share of the self-storage market is 15.1%.

Trend in the scale of the self-storage business market



Source: Company's results briefing materials

Medium-term Management Plan – Basic Policy

There is the opinion that the Japanese self-storage market will grow to be worth approximately ¥77.8bn in 2020, an average annual growth rate of 5.8% for the 3 years from 2017 until 2020. As previously stated, the Company is planning an average annual growth rate for self-storage management net sales of 10.6%. Based on the market outlook and the Company's revenue plan, its market share in FY12/20 will have risen to 17.2%.

In the self-storage business, the United States greatly leads Japan. According to the Company's survey and estimates, the volume of supply (the number of units) of self-storage in 2015 was approximately 20 million units in the United States, but only around 450,000 units in Japan, which is a difference of roughly 44.4 times. The number of households during the same period was approximately 114.59 million households in the United States and around 56.41 million households in Japan, a difference of roughly 2.0 times. On dividing the number of households by the number of units supplied, in the United States there are 6 households per unit, but in Japan, there are 125 households per unit. From this, we understand that there is an enormous gap between the two countries in terms of the extent to which self-storage has spread.

As there are differences between Japan and the United States in terms of living conditions and lifestyle, it cannot be asserted that self-storage will spread in Japan to the same extent as in the United States. But in the United States, where the areas of homes are wider than in Japan, the current situation, in which self-storage has spread more than in Japan, can be said to be extremely interesting and full of suggestions.

(2) The features and strengths of self-storage as real estate investment

As mentioned in the History section, since it was established, the Company has developed various business forms within the broad framework of real estate investment, and it is currently focusing on the self-storage business. The major reason for this is that the Company considers that self-storage will spread as the choice of real estate investment.

At FISCO, we think this opinion of the Company is persuasive. What is most important for real estate investment is customer acquisition, and on this point, self-storage is thought to have a major advantage. As previously stated, compared to in the United States, the extent to which self-storage is known and has spread in Japan are low. When considering factors like housing conditions, in terms of the social structure, the potential demand for self-storage can be said to be extremely large. Japan has entered a stage of a declining population, but at FISCO, we think that the effects that this declining population will have on the demand-supply balance in the self-storage market will be smaller than in the residential real estate market. It is also considered that even under a declining population, competition will not occur between residential real estate and self-storage. Cases of an apartment resident renting a neighboring unit that has become vacant, instead of choosing storage, would seem to be extremely rare.

Self-storage also has many advantages on the points such as the initial investment and maintenance and management. This is easy to understand when comparing it to investment in residential real estate, like in apartments and condominiums. It goes without saying that for residential real estate, bathrooms and kitchens are essential. A certain level of investment is also necessary for the interior decoration. Also, should the tenant leave, it will be necessary to pay the costs to restore the property to its original condition. In contrast, as self-storage is intended for the storage of items, these costs are basically unnecessary.

In terms of location also, self-storage is superior. It is not a problem if it is located at a distance from a train station or shopping district. Commercial zones are considered to have a radius of around 2 km, but with the assumption of the use of a vehicle, the important points for self-storage are ease of use, such as being alongside a community road, and ease of access. These features of self-storage mean that there is little competition with other real estate, like residences and parking lots, for the securing of land, and relatively inexpensive land can be acquired and utilized for a rational price. These points can be expected to contribute to keeping down the initial investment and improving the investment yield.

(3) Features and strength of the self-storage business

The Company's self-storage business is divided into three major types, including the outdoor container-type self-storage. Below, self-storage properties with land, which is the type that the Company is currently focusing on the most, is described.

The business model for self-storage properties with land is that once the Company has acquired land, it constructs self-storage property on it and sells both the land and property to investors (such as the wealthy and business companies), and then with a rental guarantee for full occupancy, it collects revenue for its management (tenant recruitment, operations and management). Therefore, the series of processes involved, from the purchase of the land through to the management and administration after the acquisition of the end-user customers, can be broadly divided into five processes.

Process and Company policies for self-storage properties with land

Process	Main issue	The Company's features, responses, and policies	Revenue type
Land purchase	Price	Strict and precise purchasing standards	Self-storage brokerage
	Location	Capital increase, bank loans	
	Fund raising		
Construction	Construction method	Steel frame / wooden construction (2 x 4)	
	Design	Supplementing in-Company designers	
	Construction period	Reduction of construction period	
	Legal compliance		
Sales	Setting prices	Sales prices set by the income approach	
	Bank financing	Rent guarantee Diversification of the exit strategy through utilizing funds and REIT	
Customer acquisition	Advertising and publicity	Utilizing the Hello Kitty brand	Self-storage management
	Campaign	"Security guarantee pack"	
Management and administration	Money collection	Utilization of home workers and part-time workers	
	Investigation and analysis	Automation by introducing RPA	

Source: Prepared by FISCO from Company materials

Land purchases are an extremely important aspect for the start of the business. As previously mentioned, one feature of self-storage locations is that they do not overlap with the land used for residences and parking lots, so it would seem it is possible to purchase the land for a rational price in accordance with the actual situation. The Company raises the funds for purchases through bank loans and other such means, in addition to the capital increase it conducted in June 2018. Keeping in mind customer acquisition after the construction of the property, it has established extremely detailed guidelines for land purchases and conducts strict surveys. For FY12/18, it has completed the acquisition of the land during the 1H for the 50 properties it plans to open, and in the 2H, it will work on securing the land for the property openings in FY12/19.

The construction of properties is divided into steel frame and wooden construction (2 x 4 construction method) as appropriate according to the location conditions (including the surrounding environment, the application area, and the zoning area). Compared to the container-type, the construction period is long, which means that capital efficiency is poor. The Company is working to raise the quality of its in-Company designers and on designs that will contribute to improving efficiency and shortening the construction period. Also, since the prices at the time of the sale are determined by the income approach rather than by the cost-accumulation method, fluctuations in construction costs directly affect the Company's gross profit margin. Therefore, achieving low-costs designs is another important theme. It aims for a profit margin on sales of approximately 20% (on a gross profit basis), and it seems that the Company is currently essentially achieving this target.

For sales, prices are set using the income approach and the land and property are sold as a package to investors. Once sold, the Company will shift to self-storage management with a rent guarantee for full occupancy. The sales activities themselves are typically carried out at the stage when the land has been purchased and the building construction confirmed. As there is a rent guarantee, demand from investors is strong, and in practically every case, the sales are completed before the buildings are constructed. The current issue is that due to a change in the attitude of banks toward lending, there have been some cases in which investors were unable to obtain loans and therefore the sales negotiations were unable to be progressed.

On this point, the Company is working to diversify its exit strategy, such as conducting sales to private-placement funds formed for the purpose of investing in real estate. Up to the present time, two private-placement funds, whose main purpose is investing in the commodity of self-storage, have been formed, and a total of seven self-storage properties with land have been sold to these funds. The formation of private-placement funds is expected to continue in the future, and at the present time, the focus is on the No.3 fund, which is scheduled to be formed sometime in November and December 2018. The Company plans to open a further 35 properties in FY12/18 2H (50 properties on a full fiscal year basis), and the funds are expected to play the role of being the major receptacle for the large number of property openings.

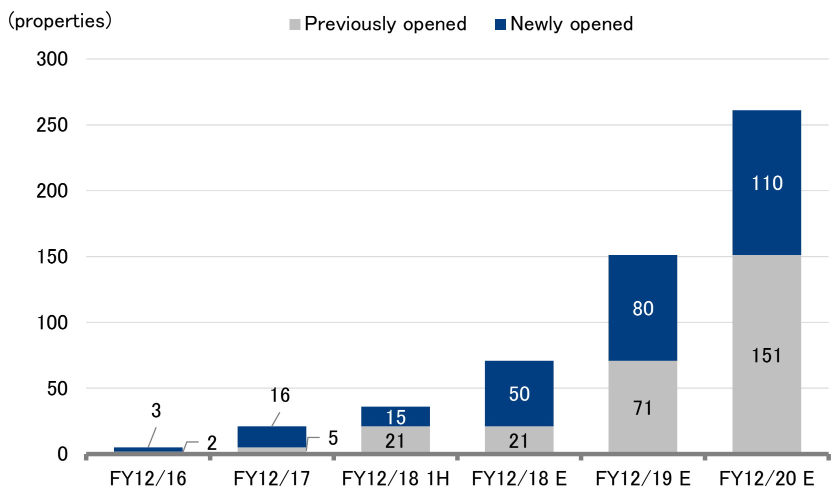
For the acquisition of end-user customers, the Company conducts detailed investigations, such as of the fees in neighboring parking lots, and it works to set appropriate prices. In addition, it aims to exceed the break-even point at an early stage by conducting the necessary advertising and publicity and other campaigns. The occupancy rate that constitutes the break-even point is set to an average of 70%, which is a lower level than for the container-type self-storage, of 80%. Therefore, essentially, the profitability of self-storage properties with land exceeds that of the container-type self-storage.

In self-storage management, the portion paid to investors as the rent guarantee becomes the cost of sales, which is subtracted from rental income, which are net sales, and the difference becomes the gross profit, with the gross profit margin being set at approximately 20%. Currently, the Company continues to actively open properties, so many properties have only just opened. Therefore, the percentage of newly opened properties with low occupancy rates is comparatively high, so the situation is that profitability appears to be low. However, the properties that exceed the break-even point from the third year onwards obtain incidental income from the end user, of fees for administration and for the “security guarantee pack,” in addition to the gross profit of rental income. So they have a higher profit margin than is generally considered.

The measures in the daily management and administration include the utilization of home workers and the automation of operations through introducing RPA. Part-time employees who allocate time to working at home are in an environment in which they can concentrate more on their work than regular employees, and the aim is to make use of this advantage.

Through the measures described above, the Company is accelerating its openings of self-storage properties with land properties and aiming to realize its quantitative vision for the medium-term management plan.

Trend in the number of self-storage properties with land at period end



Source: Prepared by FISCO from Company materials, interviews, etc.

Results trends

Initial forecasts were for higher sales but lower profits, but results exceeded the forecasts for higher sales and profits

1. FY12/18 1H results

In FY12/18 1H, both sales and profits increased, with net sales of ¥13,943mn (up 34.2% year-on-year (YoY)), operating income of ¥1,494mn (up 17.2%), ordinary income of ¥1,344mn (up 3.4%), and net income of ¥910mn (up 6.2%)

The initial forecasts were for an increase in sales but decreases in profits. But each of the results exceeded their forecasts, net sales by 3.3% (¥443mn), operating income by 26.1% (¥309mn), ordinary income by 19.0% (¥214mn), and net income by 19.1% (¥145mn). As a result, as previously stated, both sales and profits increased.

Summary of FY12/18 1H results

(¥mn)

	FY12/17			FY12/18					
				1H					
	1H results	2H results	Full year results	Results	Forecast	YoY	vs. forecast	Progress rate	Full-year forecast
Net sales	10,394	11,095	21,489	13,500	13,943	34.2%	3.3%	46.5%	30,000
Operating income	1,274	1,104	2,379	1,185	1,494	17.2%	26.1%	49.8%	3,000
Operating profit margin	12.3%	10.0%	11.1%	8.8%	10.7%	-	-	-	10.0%
Ordinary income	1,300	1,140	2,441	1,130	1,344	3.4%	19.0%	46.9%	2,870
Net income	857	689	1,547	765	910	6.2%	19.1%	49.1%	1,855

Note: Progress rate indicates the 1H fulfillment rate against the full-year forecast
Source: Prepared by FISCO from the Company's financial results

For the FY12/18 full year, the Company plans to newly open 50 properties for self-storage properties with land, and in FY12/18 1H, it opened 15 properties, for a cumulative total of 37 properties at the end of 1H. As stated in the business model section, the self-storage properties with land process is first completed through brokerage (sales to investors), and in FY12/18 1H, the Company sold 15 properties (which includes those opened in previous fiscal years). The total sales price of the 15 properties was approximately ¥4.2bn for an average price per property of around ¥280mn. This high price seems to be due to the large percentage of steel frame, large-scale projects.

As a result of the steady progress made for property openings for the outdoor container-type self-storage also, the number of self-storage units during FY12/18 1H increased by 3,450 units. At the end of 1H, the total number of self-storage units had reached 85,005 units.

As a result of these business activities, sales and profits increased greatly in the Property Management Service segment, with net sales rising 34.6% YoY to ¥12,356mn and operating income climbing 22.5% to ¥1,855mn. Looking at the breakdown of net sales by sub-segment, the Company posted a 13.1% increase to ¥5,435mn in self-storage management, a 77.2% increase to ¥5,943mn in self-storage brokerage, and a 4.2% decrease to ¥977mn in other property management services. In operating income by sub-segment, the Company posted a 93.5% increase to ¥774mn in self-storage brokerage due to higher sales, but an 8.0% decline in self-storage management to ¥773mn. The main factors behind this decline were the increase in the rent burden from properties opened in FY12/17 2H, and the rise in SG&A expenses, primarily for advertising and publicity.

The Property Revitalization & Liquidation Service segment saw a major increase in sales, but a decline in profits, with net sales rising 30.9% YoY to ¥1,587mn and operating income declining 13.6% to ¥298mn. This segment specializes in the limited land rights business, and the number of projects handled trended stably in line with the initial plan, leading to the increase in sales. The reason for the decline in operating income was the absence of property sales with high profit margins posted in the same period in the previous fiscal year.

Details and trends by segment

(¥mn)

		FY12/17			FY12/18		
		1H	2H	Full year	1H	YoY	Progress rate
Self-storage management	Net sales	4,806	5,080	9,886	5,435	13.1%	49.1%
	Operating income	840	944	1,784	773	-8.0%	52.5%
Self-storage brokerage	Net sales	3,354	4,334	7,688	5,943	77.2%	40.2%
	Operating income	400	388	788	774	93.5%	44.2%
Other property management services	Net sales	1,019	1,025	2,044	977	-4.2%	52.1%
	Operating income	273	287	560	307	12.5%	61.0%
Property Management Service total	Net sales	9,181	10,438	19,619	12,356	34.6%	44.6%
	Operating income	1,514	1,618	3,133	1,855	22.5%	49.8%
Property Revitalization & Liquidation Service total	Net sales	1,212	656	1,869	1,587	30.9%	69.9%
	Operating income	345	118	464	298	-13.6%	49.3%
Adjustment	Operating income	-585	-633	-1,218	-659	-	-
Company-wide total	Net sales	10,394	11,095	21,489	13,943	34.2%	46.5%
	Operating income	1,274	1,104	2,379	1,494	17.2%	49.8%

Note: Progress rate indicates the 1H fulfillment rate against the full-year forecast
Source: Prepared by FISCO from the Company's results briefing materials

As stated above, operating income exceeded the initial forecast by approximately ¥300mn. Breaking this down, it was due to the improvement in the profitability of self-storage management (approximately ¥70mn), the pushing forward of sales in self-storage brokerage (around ¥90mn), the pushing forward of sales ahead of schedule in the limited land rights business (approximately ¥80mn), and the improvement in profitability in other property management services (around ¥60mn). This can be read as indicating that the business is trending steadily in all areas. In the self-storage brokerage and the limited land rights businesses, sales scheduled for FY12/18 2H onwards were pushed forward to the 1H, so there may be some concerns that this will affect results in the 2H. But at FISCO, we think that such concerns are unnecessary, as the situation is that new projects are steadily being acquired and developed.

If progress is made as planned for new openings of self-storage properties with land, the results may exceed the full year forecasts for FY12/18

2. Outlook for FY12/18

The full-year forecasts for FY12/18 are net sales of ¥30,000mn (up 39.6% YoY), operating income of ¥3,000mn (up 26.1%), ordinary income of ¥2,870mn (up 17.6%), and net income of ¥1,855mn (up 19.9%), for a double-digit growth in sales and profits. These figures were left unchanged from the initial forecast.

Summary of FY12/18 outlook

(¥mn)

	FY12/17			FY12/18					
				1H			2H		Full-year forecast
	1H	2H	Full year	Results	YoY	vs. initial forecast	Initial forecast	Forecast	
Net sales	10,394	11,095	21,489	13,943	44.7%	-2.7%	16,500	16,056	30,000
Operating income	1,274	1,104	2,379	1,494	36.3%	-17.0%	1,815	1,505	3,000
Operating profit margin	12.3%	10.0%	11.1%	10.7%	-	-	11.0%	9.4%	10.0%
Ordinary income	1,300	1,140	2,441	1,344	33.7%	-12.3%	1,740	1,525	2,870
Net income	857	689	1,547	910	37.0%	-13.4%	1,090	944	1,855

Source: Prepared by FISCO from the Company's financial results

For the 2H also, the Company's policy will be to pursue business expansion and revenue growth, centered on self-storage properties with land within the self-storage business. For self-storage properties with land, it plans to open 50 new properties for the full fiscal year, and in the 2H, it will work to open the remaining 35 properties. For the allotment of land, which is the first hurdle to overcome in order to execute this plan, it completed the allotment in the 1H of the land for the 50 properties for the full fiscal year, so the focus in the 2H will be on the construction of properties and the exit strategy (sales of properties).

Of these two points, the most important is the exit strategy. The Company will work to sell a total of 40 properties; namely, the 35 properties it will open in the 2H and the 5 properties opened in the past that it has not yet sold. In relation to this, it is currently advancing preparations for the formation of the No. 3 fund towards its launch sometime in November or December 2018. Based on the results of the previous No.1 and No.2 funds, it seems that the No. 3 fund will be larger in scale, in the range of ¥3bn to ¥4bn. As the Company estimates that the average price of self-storage properties with land in FY12/18 will be approximately ¥200mn, if the No. 3 fund is formed, the Company can be expected to sell approximately 15 to 20 properties to it. It will sell the remaining 20 to 25 properties to general investors and the wealthy.

Based on this business plan, on looking at the results forecasts for the 2H, net sales of ¥16,056mn are needed to in order to achieve the full fiscal year forecast. Sales ¥2,000mn higher than the 1H results will be required for this, but when considering that the number of openings of self-storage properties with land will be 20 properties more than in the 1H (15 properties in 1H ⇒35 properties in 2H), it is not only fully possible it will achieve the forecast, it can be said that the current revenue forecasts are somewhat conservative. This is especially true when considering that revenue from self-storage management, which is stock-type revenue, will steadily increase compared to in the 1H.

At FISCO, we estimate that the reason why Company has left unchanged its full fiscal forecasts, despite the fact that the 1H results exceeded their forecasts, is in consideration of the business uncertainties alongside brokerage (sales), typically of self-storage properties with land. Although it is true that uncertainties are a part of any sale, at FISCO we consider that currently there are no such uncertainties. As the sales price of self-storage properties with land come in a set, of an appealing investment yield and a rent guarantee, it is highly attractive for investors, such as the wealthy. Also, another positive aspect can be said to be the diversification of the exit strategy through the formation of funds. If based on these points, at FISCO we think it is extremely highly likely that the Company will achieve its full-year results forecasts for FY12/18.

Detailed outlook by segment

(¥mn)

		FY12/17			FY12/18				
						2H		Full year	
		1H	2H	Full year	1H	Forecast	YoY	Forecast	YoY
Self-storage management	Net sales	4,806	5,080	9,886	5,435	5,623	10.7%	11,058	11.9%
	Operating income	840	944	1,784	773	698	-26.1%	1,471	-17.5%
Self-storage brokerage	Net sales	3,354	4,334	7,688	5,943	8,852	104.2%	14,795	92.4%
	Operating income	400	388	788	774	976	151.5%	1,750	122.1%
Other property management services	Net sales	1,019	1,025	2,044	977	900	-12.2%	1,877	-8.2%
	Operating income	273	287	560	307	196	-31.7%	503	-10.2%
Property Management Service total	Net sales	9,181	10,438	19,619	12,356	15,373	47.3%	27,730	41.3%
	Operating income	1,514	1,618	3,133	1,855	1,868	15.4%	3,724	18.9%
Property Revitalization & Liquidation Service total	Net sales	1,212	656	1,869	1,587	682	3.9%	2,270	21.4%
	Operating income	345	118	464	298	305	158.0%	604	30.1%
Adjustment	Operating income	-585	-633	-1,218	-659	-669	-	-1,328	-
Company-wide total	Net sales	10,394	11,095	21,489	13,943	16,056	44.7%	30,000	39.6%
	Operating income	1,274	1,104	2,379	1,494	1,505	36.3%	3,000	26.1%

Source: Prepared by FISCO from the Company's results briefing materials

Income statement

(¥mn)

	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	
					1H results	Full-year forecast
Net sales	18,120	17,173	16,908	21,489	13,943	30,000
YoY	47.8%	-5.2%	-1.5%	27.1%	34.2%	39.6%
Gross profit	4,360	5,073	4,771	5,683	3,340	-
Gross profit margin	24.1%	29.5%	28.2%	26.4%	24.0%	-
SG&A expenses	2,125	2,415	2,835	3,303	1,845	-
SG&A expenses ratio	11.7%	14.1%	16.8%	15.4%	13.2%	-
Operating income	2,235	2,657	1,935	2,379	1,494	3,000
YoY	48.5%	18.9%	-27.2%	22.9%	17.2%	26.1%
Operating profit margin	12.3%	15.5%	11.4%	11.1%	10.7%	10.0%
Ordinary income	2,087	2,442	1,968	2,441	1,344	2,870
YoY	45.6%	17.0%	-19.4%	24.0%	3.4%	17.6%
Net income	1,541	1,550	1,142	1,547	910	1,855
YoY	14.4%	0.6%	-26.3%	35.4%	6.2%	19.9%
Net income per share (¥)	125.53	126.32	93.06	126.08	74.16	151.21
Net assets per share (¥)	1,100.90	1,191.43	1,245.09	1,332.88	-	-
Cash dividends per share (¥)	36.00	39.00	39.00	40.00	-	46.00

Note: implemented a 10 for 1 stock consolidation on July 1, 2016. Results in FY12/15 and earlier have been retroactively corrected.
Source: Prepared by FISCO from the Company's financial results

Balance sheet

(¥mn)

	End-FY12/14	End-FY12/15	End-FY12/16	End-FY12/17	End-FY12/18 1H
Current assets	10,115	9,121	12,168	17,532	20,827
Cash and deposits	5,431	6,415	7,158	6,594	7,698
Accounts receivable—trade	132	102	219	108	114
Real estate for sale, real estate for sale in process	3,325	1,419	3,897	9,843	12,011
Inventory assets	622	656	441	283	299
Noncurrent assets	9,423	10,191	11,622	12,372	12,326
Property, plant and equipment	8,169	8,870	10,004	10,648	10,473
Intangible assets	66	86	107	134	153
Investments and other assets	1,187	1,234	1,510	1,589	1,699
Total assets	19,539	19,312	23,791	29,904	33,153
Current liabilities	2,462	2,880	4,959	5,691	5,177
Payment obligations	536	517	714	1,011	542
Short-term loans payable, etc.	326	577	2,515	2,718	2,830
Noncurrent liabilities	3,561	1,805	3,548	7,861	10,496
Long-term loans payable, corporate bonds	2,298	621	2,191	6,351	8,737
Shareholders' equity	13,515	14,624	15,283	16,343	17,452
Capital stock	5,568	5,568	5,568	5,568	5,914
Capital surplus	5,612	5,612	5,612	5,612	5,959
Retained earnings	2,591	3,700	4,363	5,432	5,852
Treasury stock	-256	-256	-261	-269	-273
Valuation and translation adjustments	-1	1	0	8	10
Stock subscription rights	-	-	-	-	15
Total net assets	13,514	14,626	15,283	16,351	17,479
Total liabilities and net assets	19,539	19,312	23,791	29,904	33,153

Source: Prepared by FISCO from the Company's financial results

Cash flow statement

(¥mn)

	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18 1H
Cash flow from operating activities	7,123	3,941	-708	-2,992	-1,270
Cash flow from investing activities	146	-1,069	-1,544	-1,423	-318
Cash flow from financing activities	-5,429	-1,888	2,999	3,854	2,694
Cash and deposits translation difference	-	-	-3	-2	-0
Change in cash and deposits	1,840	983	743	-564	1,103
Cash and deposits balance at start of period	3,590	5,431	6,415	7,158	6,594
Cash and deposits balance at end of period	5,431	6,415	7,158	6,594	7,698

Source: Prepared by FISCO from the Company's financial results

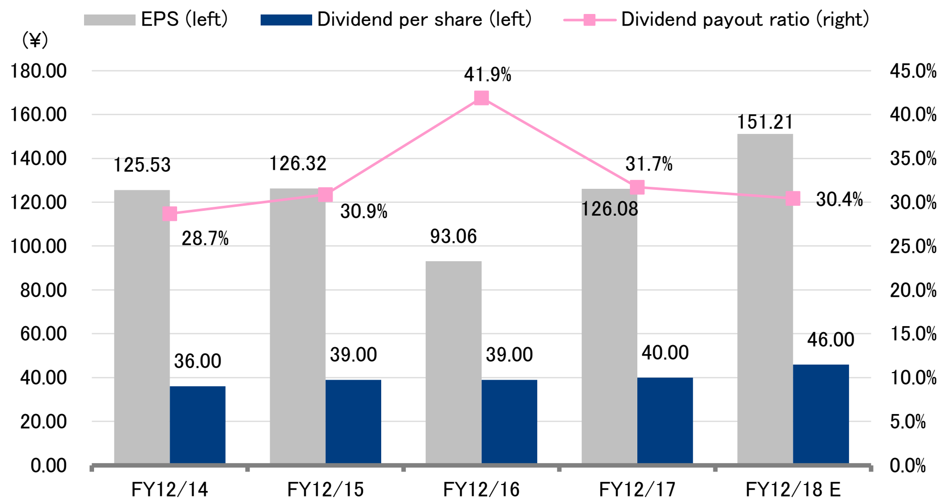
Shareholder returns

The FY12/18 dividend forecast is ¥46, up ¥6 YoY

Returning profits to shareholders is one important management issue for the Company, which it fundamentally performs through paying dividends. Its basic policy is to pay a single dividend at the end of the fiscal period, targeting a dividend payout ratio of 30%. It decides on the dividend based on its medium-to long-term business plan and while observing the market environment and the timing of capital investment, comprehensively taking into consideration factors such as securing internal funds, its financial condition, and the level of profits.

In FY12/17, the Company paid a dividend of ¥40 for a dividend payout ratio of 31.7%, which was above its target of 30%. For FY12/18, it has announced a dividend forecast of ¥46, an increase of ¥6 from FY12/17. Earnings per share (EPS) will be ¥151.21, while the dividend payout ratio will be 30.4%. As previously stated, it is possible that the full-year results for FY12/18 will exceed the Company forecasts, so in this case, the dividend payout ratio may fall below 30%. The focus is on achieving a balance between investments for growth and enhancing returns to shareholders.

Trends in EPS, dividend per share, and the dividend payout ratio



Note: implemented a 10 for 1 stock consolidation on July 1, 2016. Results in FY12/15 and earlier have been retroactively corrected.
Source: Prepared by FISCO from the Company's financial results

Disclaimer