

# **DEAR LIFE CO., LTD.**

**3245**

Tokyo Stock Exchange First Section

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<http://www.fisco.co.jp>

## ■ Index

■ <b>Summary</b> .....	<b>01</b>
1. Business description .....	01
2. Results trends .....	01
3. Growth strategy .....	02
4. Shareholder return policy .....	03
■ <b>Company profile</b> .....	<b>04</b>
1. Company profile .....	04
2. Business description .....	04
■ <b>Business overview</b> .....	<b>05</b>
1. Real Estate Business .....	05
2. Sales Promotion Business .....	08
3. Outsourcing Services Business .....	09
■ <b>Results trends</b> .....	<b>11</b>
1. The FY9/18 results .....	11
2. Financial conditions and management indicators .....	13
■ <b>Outlook</b> .....	<b>14</b>
1. FY9/19 targets .....	14
2. Purchases and development projects .....	15
■ <b>Medium- to long-term growth strategy</b> .....	<b>15</b>
1. Announced Go for The Future 2021 as the new medium-term management plan .....	15
2. Completed raising funds of approximately ¥2.4bn through the new equity finance method (MSWT) .....	17
■ <b>Shareholder return policy</b> .....	<b>18</b>

## Summary

### Sales and profits were record highs in FY9/18, driven by results in the Real Estate Business Announced Go For The Future 2021, the new medium-term management plan, aiming for ordinary profit of ¥5bn

DEAR LIFE CO., LTD., <3245> (hereafter, also “the Company”) is a corporate group centered on its Real Estate Business, which includes an urban apartment development business and an income-producing properties investment business, but which also conducts a staffing business and other businesses. Since its establishment in 2004, it has achieved rapid growth, mainly from apartment development (Real Estate Business), primarily for single people and DINKS (double income, no kids), specializing in the Tokyo area. Its strengths include the real estate assessment skills of its human resources who possess high levels of expertise, including its President and Representative Director Yukihiro Abe. It was listed on the Tokyo Stock Exchange (TSE) Mothers Market in August 2007, a little less than three years from its establishment. Its listed was upgraded to the TSE 1st Section in August 2015, and subsequently also it has continued to show remarkable growth.

#### 1. Business description

The Company’s mainstay business is the Real Estate Business, and it is the main business pillar earning 94.3% (in FY9/18) of Company-wide net sales and 95.9% (same) of Company-wide operating profit. The features of its business model include that 1) it specializes in the Tokyo area, 2) it has expertise in developing apartments for single people and DINKS of a size of around 30 to 50 apartments per building, 3) it sells to real estate sales companies, business corporations, and various investor groups on the unit of an entire building, and it does not conduct lot sales for customers. With a small number of talented human resources, it has achieved annual net sales of ¥19,587mn (FY9/18) and its asset efficiency and productivity are high.

#### 2. Results trends

In the FY9/18 full year results, sales and profits increased and achieved new record highs, with net sales rising 26.0% year-on-year (YoY) to ¥20,763mn, operating profit growing 38.1% to ¥2,859mn, ordinary profit climbing 46.9% to ¥2,932mn, and profit attributable to owners of parent increasing 89.3% to ¥2,518mn. The gross profit margin was 19.6% (20.1% in the previous fiscal year) and is being maintained at around 20%. The SG&A expenses ratio declined to 5.8% (7.5%) from the expansion of the sales scale and the removal of Palma Co., Ltd. from the scope of consolidation. In the mainstay Real Estate Business, the Company sold a total of 28 properties to a wide range of customers, including business companies, funds, and domestic investors, and as a result, segment profit increased significantly. In the Sales Promotion Business, in the situation of the increase in the supply of lot-sale and rental apartment properties in the city center, demand for sales staff continued to trend steadily. But profits declined due the strengthening of investment, including in staff recruitment and training costs.

#### Summary

The targets for the FY9/19 full year results are ordinary profit of ¥3,000mn (up 2.3% YoY) and profit attributable to owners of parent of ¥2,000mn (down 20.6%). In a typical year, the Company does not disclose results targets for net sales and operating profit. It does not disclose a net sales target because in the Real Estate Business, there are many uncertain elements as the methods of selling properties are diverse, and also for the same reason, the target indicator in the medium-term management plan is not sales, but ordinary profit. In the Real Estate Business, in accordance with the strategy up to the present time, it will continue to expand business scale, centered on urban apartments. Also, the new medium-term management plan describes the “strengthening of base for sustainable, stable income assets.” Up to the present time, the Company has partially invested in income-producing properties, but it is forecast that it will utilize its sound financial base to increase the investment ratio in this asset. It is thought that this will mainly be for residential properties, but it seems that the investment targets will also include other fields, such as the senior and lodging fields. In the Sales Promotion Business, it is widening the scope of occupations it provides staff for, which is leading to an expansion of consignments. The Outsourcing Services Business (conducted by Palma <3461>, an affiliate) has been removed from the scope of consolidation, so it will aim to achieve its targets from the above-described two segments. In the current fiscal period, Palma <3461> began a capital alliance with the Japan Post Group, and the plan is to utilize its brand strength, network, and management resources to accelerate the growth of the self-storage business.

### 3. Growth strategy

The name of the new medium-term management plan is Go For The Future 2021. The aim is to lay the groundwork toward business development in the 2020s, while maintaining continuous growth. In terms of the key theme in the mainstay Real Estate Business, the plan reconfirms that, the same as in the past, the Company will specialize in the Tokyo area with the aim of expanding the volume of the development and investment business. Also, as a new axis, it incorporates the “strengthening of base for sustainable, stable income assets,” and in the future, it will conduct business management while maintaining a balance between flow and stock. In addition, the plan is to strengthen investment in growth, and the fields it can target for investment include the lodging-related industry, the construction-related industry, services for seniors, lifestyle services, real estate x IT, and services for foreigners. The Company has also invested in Palma in the past and has a track record of successes for it, including developing it and having it listed, and it is currently searching for the second Palma in surrounding fields. It is also proactive about raising funds. Continuing on from 2017, it exercised equity finance (MSWT) from March 2018, and by September had completed fund raising of approximately ¥2.4bn. As a result, the equity ratio improved to 53.3% (end of FY9/18, compared to 42.3% at end of previous fiscal year), which is contributing to the maintenance of a sound financial structure.

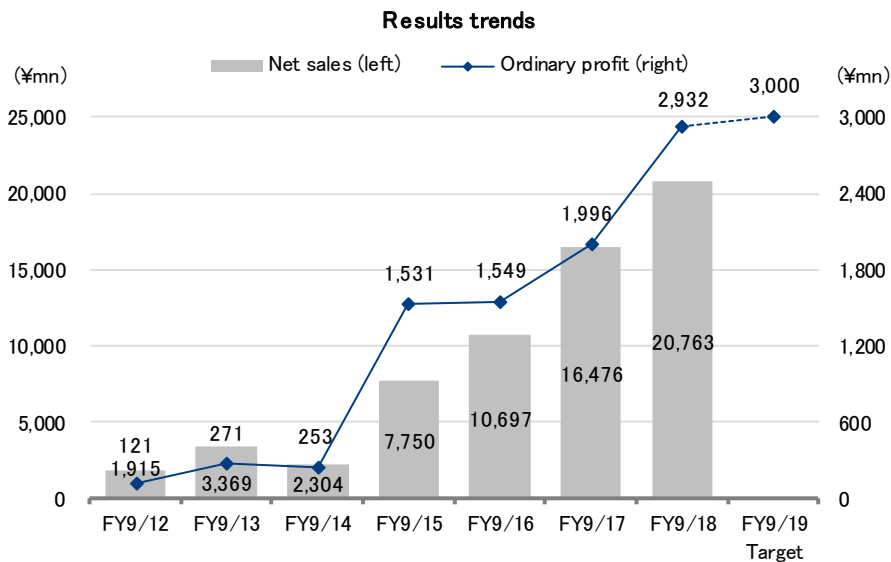
Summary

**4. Shareholder return policy**

For FY9/18, the initial forecast for the dividend per share was ¥19. But profits increased due to the gain on the sale of Palma shares and the strong results, mainly in the Real Estate Business. Therefore, the dividend was significantly increased, to ¥28, for a dividend payout ratio of 39.8%. The forecasts for FY9/19 are a dividend of ¥20 per share and a dividend payout ratio of 40%. There was a special factor in FY9/18, of the gain on the sale of Palma shares, but there has been no change to the medium- to long-term upward trend in the dividend. The shareholder benefits program, which the Company has implemented since the past, has been renewed from FY9/19 as the DEAR LIFE Premium Benefits Club. The aim of this renewal is to have shareholders hold a large number of shares over the long term. Previously, shareholders holding 100 or more shares were eligible for benefits, but this have been raised to 500 or more shares, and in addition, the rate of return has also been significantly increased. In the new system, points can be exchanged for foods, electrical products, gifts, travel, and experiences at the specially created Internet website.

**Key Points**

- Sales and profits were record highs in FY9/18, driven by results in the Real Estate Business
- Due to the strong results and active capital measures, cash and deposits are approximately ¥13bn and the equity ratio is over 50%
- Announced Go For The Future 2021 as the new medium-term management plan, aiming for ordinary profit of ¥5bn
- In FY9/18, the dividend greatly increased on the gain on sales of shares (annual dividend, ¥28). Going to start the DEAR LIFE Premium Benefits Club as the new shareholder benefits program.



Note: it did not set a net sales target in FY9/19  
 Source: Prepared by FISCO from the Company's financial results

## ■ Company profile

### Developing urban apartment in Tokyo area The Real Estate Business is the core business

#### 1. Company profile

The Company is a corporate group centered on the Real Estate Business, which includes an urban apartment development business and an income-producing properties investment business, but it has also a staffing business and other businesses. Since its establishment in 2004, it has achieved rapid growth, mainly from apartment development (Real Estate Business), primarily for single people and DINKS, specializing in the Tokyo area. Its strengths are the real estate assessment skills of its human resources who possess high levels of expertise, including its President Yukihiro Abe. In the human resources staffing business for the real estate industry (which it calls the Sales Promotion Business), which was started at around the same time as the Company was established, it has earned high levels of trust from both client and staff because of the detailed support it provides that utilizes its strength of being highly knowledgeable about the real estate industry. Palma, which was a consolidated subsidiary up to FY9/18 2Q, conducts a BPO business (Outsourcing Services Business) for the self-storage business (it is currently an affiliate), and in May 2018, it began a capital alliance with the Japan Post Group. Following a series of capital measures, the Japan Post Group now holds 20.86% of Palma's shares, and the Company holding has changed from 61.12% (consolidated subsidiary) to 43.32% (affiliate). For Palma, in addition to strengthening its creditworthiness and financial base, this alliance can be expected to create major opportunities for growth, such as through the supply of self-storage facilities as part of the effective utilization of the assets owned by the Japan Post Group. For the Japan Post Group also, it may improve the profitability and efficiency of the assets it holds, starting with its nationwide network of 24,009 post offices (as of the end of September 2018).

The Company was listed on the TSE Mothers Market in August 2007, a little less than three years from its establishment. Its listed was upgraded to the TSE 1st Section in August 2015.

#### 2. Business description

The mainstay Real Estate Business includes the development of urban apartments and sales of income-producing properties, mainly in the Tokyo area. Its expertise is in developing apartments for single people and DINKS of a size of 30 to 50 apartments per building. After the development, it conducts sales on the unit of the entire building to customers such as real estate companies, investor groups, and business corporations. It is the main business pillar, earning 94.3% of Company-wide net sales (FY9/18) and 95.9% of Company-wide operating profit (same). The Sales Promotion Business consists of the dispatch of sales and administrative staff to the real estate industry and the provision of sales and business support. A high percentage of these staff is women, and there is considerable demand for apartment sales support staff. The Sales Promotion Business provides 1.6% of Company-wide net sales (same) and 1.8% of Company-wide operating profit (same). Outsourcing Service Business consists of BPO services for the self-storage business, IT solutions, and turnkey solutions services (development, sales and business start-up support services of self-storage facilities) provided by Palma. A feature of BPO services and IT solutions is that they are recurring-type businesses that are growing stably. They provided 4.1% (same) of Company-wide net sales and 2.3% (same) of Company-wide operating profit. The results of this business up to the 1H of FY9/18 were recorded in the Company's results.

Company profile

**Business content and composition (consolidated, FY9/18)**

Business segment	Main business content	Sales composition	Operating profit composition
Real Estate Business	Development of urban apartments, sales of income-producing properties	94.3%	95.9%
Sales Promotion Business	Dispatch of sales and administrative staff to the real estate industry, provision of various types of sales promotion and business support	1.6%	1.8%
Outsourcing Services Business	BPO services for the self-storage business, IT solutions, and a facilities development and business start-up support services provided by Palma Co., Ltd.	4.1%	2.3%

Note: the Outsourcing Services Business results are the results up to FY9/18 2Q  
 Source: Prepared by FISCO from the Company materials

\* Before profit adjustment

## Business overview

### Investment apartment market in the Tokyo area is steady. An efficient business model that specializes in sales of entire urban apartment buildings

#### 1. Real Estate Business

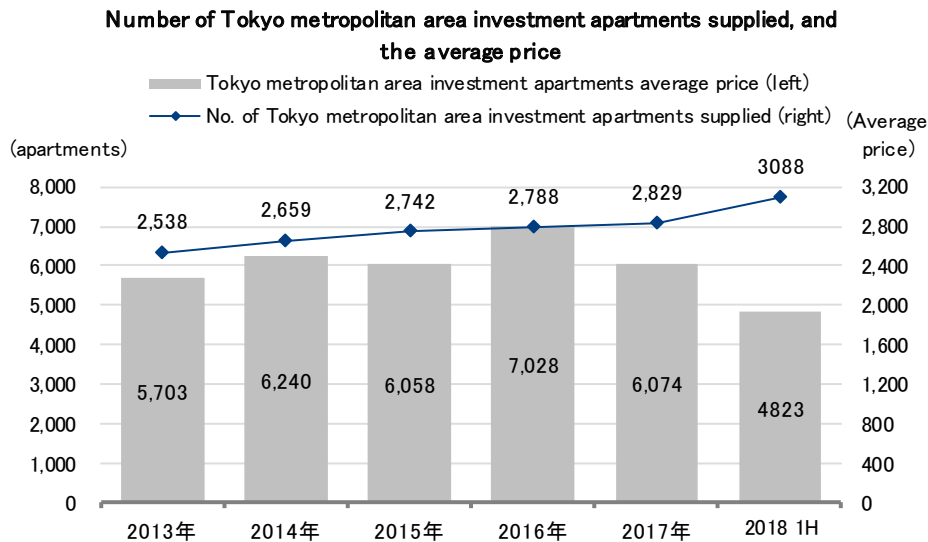
##### (1) Honing its competitiveness from specializing in urban apartments in the Tokyo area

##### a) Strong demand is expected in the Tokyo area

Since its establishment, the Company has been conducting a real estate development business centered on urban apartments for single people and DINKS in the Tokyo area. Even in Japan, which has entered a period of population decline, the trend of the population inflow into the Tokyo area is continuing. Furthermore, ways of working and lifestyles are changing, which means that demand for city center apartments in the best locations is increasing more and more. The difficulty of securing sites for buildings in the Tokyo metropolitan area is rising and the number of newly built apartments supplied continues to decline, but conversely, apartment prices continue to rise. There are some voices saying the market has overheated, but the balance of demand and supply for newly built apartments has not collapsed, and for the time being it would seem that there will be no major market adjustments. The number of investment apartments supplied in the Tokyo metropolitan area trended steadily in the five years from 2013 to 2017, while average prices also trended moderately upward. In the 1H of 2018 (January to June), the number of supplied apartments reached 76% of the number in the previous full year, and the market is forecast to grow in this fiscal period.

In 2018, scandals involving financial institutions and some real estate companies came to light. These scandals have a point in common, in that financial institutions (mainly regional banks) and real estate companies tried to illegally pass on unreasonable loans to individual investors ("salaryman investors") who conduct apartment management (including of shared housing) in regional and suburban areas. The Company has a completely different business model on the point that it sells entire apartment buildings specializing in city center locations where occupancy rates are expected to be high, to business companies and the wealthy. This completely distinguishes it from the composition of this series of scandals.

Business overview



Source: Prepared by FISCO from the Real Estate Economic Institute Co., Ltd. materials

**b) Strengths include area specialization for site acquisition and construction orders**

In this sort of environment, the fact that the Company specializes in the Tokyo area, which has strong demand, as its business area, works to its advantage not only for sales, but also for the acquisition of sites and construction orders. In the real estate industry, which relies to a great extent on the asymmetry of information, the more that there is beneficial information on land and properties, the more important it is to conduct face-to-face negotiations. By limiting its area, the Company has been able to build a network of industry contacts, such as of more efficient and densely concentrated intermediaries, and its ability to acquire this information is high. In addition, by limiting the area, it is able to continuously order construction work, which has enabled it to build good relationships with general contractors and other construction companies and realize high quality building construction work.

**c) Another strength is its highly specialized in-house human resources**

In addition to the advantage of operating in a limited area, another of the Company's major advantages is that it has in-house, highly specialized human resources, including first-class architects. For the acquisition of sites, the ability to acquire information quickly at the same time as accurately and rapidly calculating a site's development potential, and also the ability to quickly present a competitive price, are indispensable. In addition, if there are human resources who understand construction techniques and other such matters, then it becomes easier to implement creative ideas as cost-control measures, and the ability to negotiate with general contractors.

**d) Has not entered-into the lot-sales business and is prioritizing asset efficiency and productivity**

The Company has not entered-into the lot-sales business and is able to recover its investments quickly and increase asset efficiency through sales of entire buildings. The buyers are a wide range of investors, including business companies such as for a dormitory or company housing; real estate companies targeting lot-sales and rental management; real estate investment funds; and individual wealthy investors. For the development aspect, the Company is increasing efficiency and competitiveness through specializing in the Tokyo area, but conversely for the sales aspect, it is widely exploring the possibility of not having its own sales staff. In FY9/18, it sold 28 properties, mainly urban apartments in the Tokyo area (in-Company developments). The aim in the Real Estate Business is to achieve and maintain ordinary profit per capita of approximately ¥100mn, which is a value worthy of attention in terms of expressing the height of the Company's productivity.



Business overview

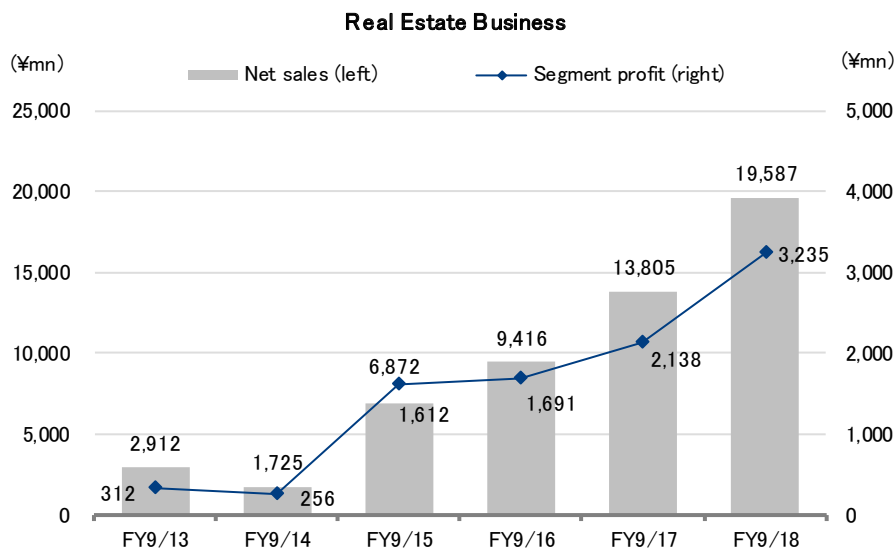
**(2) Focusing on purchases and sales of income-producing properties**

**a) Utilizing its high-level assessment skills to invest in income-producing properties**

The Company has expanded the scope of its business, which is mainly from the development through to the handling of urban apartments. But moreover, in order to expand its business base and diversify earnings, it is also actively investing in excellent, medium- to small-sized income-producing properties that are already operational. The aim for income-producing properties is to maximize earnings by ascertaining the real estate cycle toward acquiring rental income during the holding period, while targeting the best sales timing. There is also considerable room for creative ideas by the Company, which has expertise and real estate management capabilities, such as to inexpensively purchase older properties and properties with temporarily high vacancy rates, and then to sell them after improving their asset value through conducting renovations and acquiring tenants during the period in which it holds them.

**b) Avoiding risk and improving asset efficiency**

The Company has continued to achieve excellent results and growth for the development of urban apartments and its creditworthiness is high. In 2015, its listing was upgraded to the First Section of the Tokyo Stock Exchange and it is highly financially sound, so its relations with financial institutions are good and it has significant borrowing capacity. In general, compared to the apartment development business that involves building new properties, the ability of the existing income-producing properties business to create added value is low, but it is able to acquire earnings at an early stage and its properties have fluidity, in that it is possible to choose between rental income and sales, so these businesses have different characteristics. By handling income-producing properties, the Company is aiming to establish both stable profitability and to avoid risk, and thereby to further improve asset efficiency.



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

Business overview

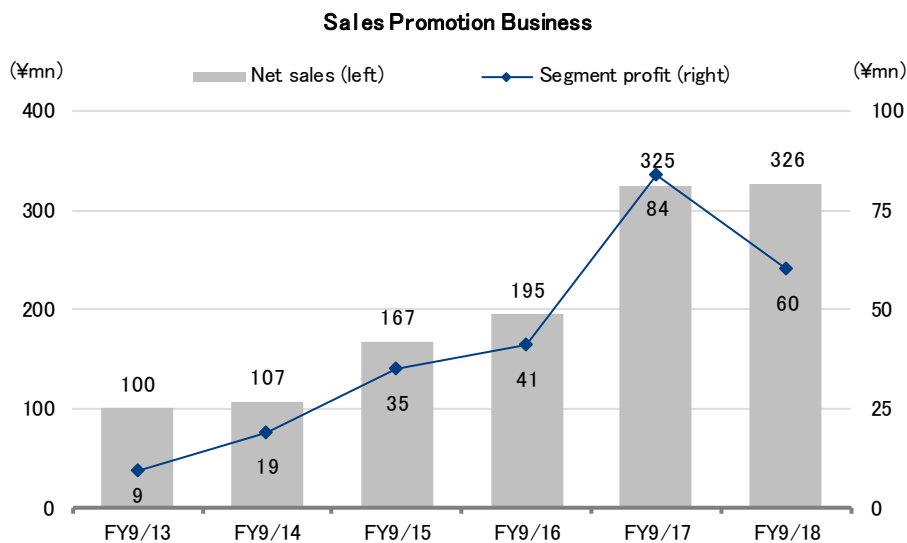
2. Sales Promotion Business

**(1) Dispatches female staff to perform various real estate operations.**

Since its establishment, the Company has conducted a business to dispatch human resources to the real estate industry. This business is performing steadily, including due to the current boom in the real estate market in the Tokyo area. It is utilizing its experience in conducting a real estate business to train and dispatch human resources who can be useful at real estate worksites. Regardless of whether for lot-sale or rental apartments, the Company dispatches staff to various fields of work, including for sales support to provide property explanations and guidance; reception work, such as general reception work and reception room management; marketing, sales support monitoring, surveys, and posting work; and concierge services at rental properties. Both the dispatched staff and employees engaged in this work are women, so there is also the aspect of supporting the advance of women in society.

**(2) Earns the trust of both customers and dispatched staff through providing detailed guidance**

Staffs are only dispatched to worksites after undergoing basic training in accordance with the actual work they will perform, and even after they are dispatched, the Company conducts detailed follow-ups for them based on the feedback of customers, of major real estate companies. This sort of thorough and courteous approach to work leads to a virtual circle in this business, of earning the trust of both customers, of real estate companies, and the dispatched staff. The Company has many excellent dispatch staff, and strong results are expected in this business in the future from the continuing demand from major real estate companies.



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

Business overview

**(3) Establishment of DEAR LIFE AGENCY Co., Ltd.**

In July 2018, the Company established DEAR LIFE AGENCY Co., Ltd., as a human resources-related services company. Although the rate of women participating in the labor force is steadily rising, it is said that there is still more than 3 million women who are unable to work despite being willing to do so, because of the restrictions on the places and times that they can work. Conversely, due to the intensification of competition to acquire human resources alongside the economic recovery and the improved employment environment, the shortage of human resources in various industrial fields is accelerating. So the Company has positioned resolving this inconsistency in the work-related situation as a business opportunity, and it is strengthening measures that aim to achieve the fully-fledged expansion of its human resources-related business. Also, by making it an independent organization, the aims are to speed-up decision making in the relevant business department and to increase the independence and expertise of this organization.

**Overview of the Sales Promotion Business**

**☑ Established DEAR LIFE AGENCY Co., Ltd., as a human resources-related services company**

- ☐ Has positioned as a business opportunity the inconsistency relating to the “shortage of human resources” and “the diversification of labor opportunities” and established a specialist company, and is strengthening efforts toward the fully-fledged expansion of the human resources business
- ☐ Utilizing its experience and expertise in providing a variety of work styles, mainly in the real estate industry, from its wide range of female staff, is developing new human resources services and pursuing collaborations and alliances with other companies toward achieving steady growth in the human resources-related services field

Company name	DEAR LIFE AGENCY Co., Ltd.
Capital	¥50 million (the Company's wholly owned subsidiary)
Executives	President and Representative Director: Yukihiro Abe (the Company's President and Representative Director) President and Representative Director: Yukihiro Abe (the Company's President and Representative Director) Director: Eiko Hasegawa (the Company's Executive Officer)
Business description	Human resources-related services, including the staffing and placement of human resources Advertising agency and SP planning business
Establishment	July 2, 2018



\*SP: sales promotion (sales promotion activities in general)

Source: The Company's results briefing materials

**3. Outsourcing Services Business**

**(1) The self-storage market has high growth potential**

The self-storage market has high growth potential. Palma, which is the Company's equity-method affiliate that was listed on the TSE Mothers Market in 2015, provides multifaceted services for the self-storage business for which high growth is expected, and it is the leading service provider in this industry. Palma's name awareness and creditworthiness were further improved by its listing, and going forward also, there are great expectations for it as it continues to be the market leader supporting the self-storage business, which still has considerable room for growth.

\* The capital alliance between Palma and the Japan Post Group is described in the section on the medium- to long-term growth strategy.

#### Business overview

“Self-storage” is the general name for rental-storage space, and the use of it by individuals is expected to greatly increase in the future. Its use by individuals is mainly for the storage of household goods and daily goods that are infrequently used. Demand for the storage of inherited items and for storage space to supplement narrow living spaces in cities is increasing, and there is also significant need for the temporary storage of belongings when moving, relocating, or divorcing. In this way, the potential demand from individuals is considered to be large, so the market is forecast to rapidly expand alongside the provision of properties and the spread of services. The self-storage market has grown by approximately 10% a year in the last few years, and in FY2016, the market scale was estimated to be ¥65.26bn (source: Survey of the Rental Storage, Container Storage, and Trunk Room Market (2016) by the Yano Research Institute). If the above-described growth rate continues, it is expected to have reached a scale of ¥80bn by FY2020.

### **(2) Highly competitive services for the self-storage business operators**

The three business pillars are business solutions services, IT solutions services, and turnkey solutions services

As a provider of business solutions services, Palma first accepts inquiries, applications and contract cancellations from the self-storage end users on behalf of the business operators. In addition to regular duties such as daily fee collection, provision of payment methods, and management of deposits, the business also undertakes patrols and cleaning at the properties. The business operators are able to collectively outsource their individual responses to the many end users and the fund management of the large number of small-amount payments that they make and receive. The company, which already has a considerable outsourcing share for its business solutions services, is able to provide efficient operations, and its services are extremely highly competitive and results in this business have been steadily expanding. It had provided 70,925 outsourcing BPO units (as of the end of FY9/18), and this number is steadily increasing.

IT solutions services consists of the management of Kurarisu, which is a reservation, payment, and inventory management system, and also the administration and management of the Kuragime customer-acquisition website, and its supports the efficient business management of business operators. Both services are increasing their presence as the leading domestic IT infrastructure, and the company’s presence in the self-storage market is also growing more and more.

The Company’s turnkey solutions services provide a full range of services, from business planning through to property development and management. There are many potential investors that are interested in investing in Japan’s self-storage market, including major real estate business operators that require new products, real estate investors who are aiming to diversify their portfolios, and overseas investors who are familiar with precedent investment cases in overseas locations. Potential demand is extremely high for the services provided by the company, of “turnkey solutions services (services provided for facilities that can be operational simply by turning the key) provided as a package for the services necessary for the launch of a new business.”

### **(3) Effectively utilizing the Japan Post Group’s management resources to enter a new development stage**

In May 2018, Palma conducted a capital increase through a third party allocation of shares to Japan Post Capital Co., Ltd., which is the wholly owned subsidiary of the Japan Post Holdings Co., Ltd. <6178> Group. Moreover, to further strengthen the partnership with Japan Post Capital and to minimize the impact of the dilution of shares on Palma’s existing shareholders, the Company sold some of the Palma shares it held to Japan Post Capital. Following this series of capital measures, the Japan Post Group now holds 20% of Palma’s shares, and the Company holding has changed from 61.12% (consolidated) to 43.32% (non-consolidated).

Business overview

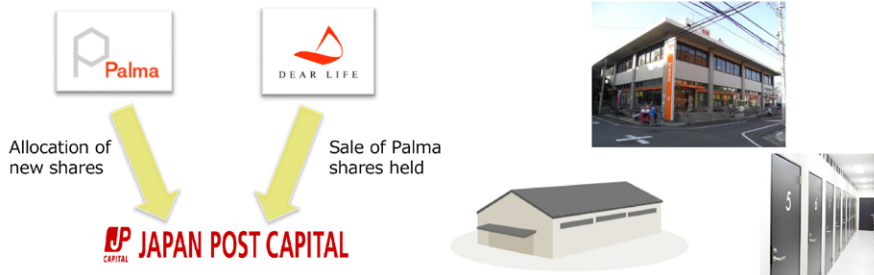
For Palma, in addition to strengthening its creditworthiness and financial base, this alliance can be expected to create major opportunities for growth, such as through the supply of self-storage facilities as part of the effective utilization of the assets owned by the Japan Post Group. For the Japan Post Group also, it may improve the profitability and efficiency of the assets it holds, starting with its nationwide network of 24,009 post offices (as of the end of April 2018).

Overview of business of the Group company (Palma)

☑ Aiming to create synergies that will connect the “effective utilization of the Japan Post Group’s management resources” to “the continuous expansion of the self-storage business”



- ❑ Japan Post Capital has acquired 20% of Palma’s shares through a new allocation of shares and the purchase of Palma shares held by the Company
- ❑ Using the opportunity of the alliance, has starting investigated a fundamental business alliance toward effectively utilizing the resources of both companies
- ❑ The alliance is expected to provide a major assist toward the further development of the self-storage business through utilizing the Japan Post Group’s brand power, network, and management resources



Source: The Company's results briefing materials

## Results trends

### Achieved record high sales and profits in FY9/18, driven by results in the Real Estate Business

#### 1. The FY9/18 results

In the FY9/18 full year results, sales and profits increased and achieved new record highs, with net sales rising 26.0% YoY to ¥20,763mn, operating profit growing 38.1% to ¥2,859mn, ordinary profit climbing 46.9% to ¥2,932mn, and profit attributable to owners of parent increasing 89.3% to ¥2,518mn. The gross profit margin was 19.6% (20.1% in the previous fiscal year) and is being maintained at around 20%. The SG&A expenses ratio declined to 5.8% (7.5%) due to the expansion of the sales scale and the removal of Palma from the scope of consolidation.

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Results trends

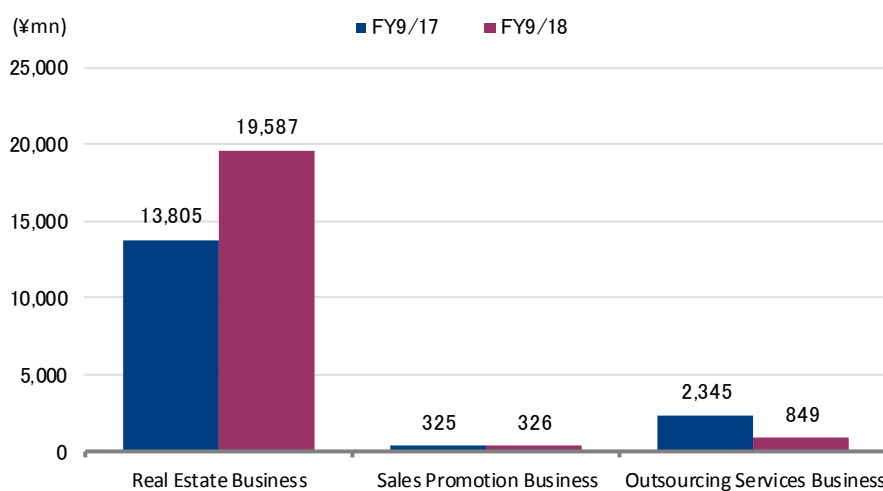
In the mainstay Real Estate Business, the Company sold a total of 28 properties to a wide range of customer, including business companies, funds, and domestic investors. Breaking down this number, 13 were the Company's development properties, 9 were development projects (such as relating to the adjustment of rights relationships, the demolition of existing buildings, and the establishment of a soil contamination investigation) and 6 were income-producing properties (to increase the income return, including from improving operating efficiency and reviewing management costs). As a result, segment profit increased significantly. In the Sales Promotion Business, in the situation of the increase in the supply of lot-sale and rental apartment properties in the city center, demand for sales staff continued to trend steadily. But profits declined due to the strengthening of investment, including in staff recruitment and training costs. In the Outsourcing Services Business, results were strong for consignments of delinquent-payments guaranteed BPO services and property development and supply + BPO services.

**FY9/18 Consolidated statement of income**

	FY9/17		FY9/18		Change		YoY
	Results	% of sales	Results	% of sales			
Net sales	16,476	100.0%	20,763	100.0%	4,287	26.0%	
Gross profit	3,310	20.1%	4,066	19.6%	755	22.8%	
SG&A expenses	1,239	7.5%	1,206	5.8%	-33	-2.7%	
Operating profit	2,071	12.6%	2,859	13.8%	788	38.1%	
Ordinary profit	1,996	12.1%	2,932	14.1%	935	46.9%	
Profit attributable to owners of parent	1,329	8.1%	2,518	12.1%	1,188	89.3%	

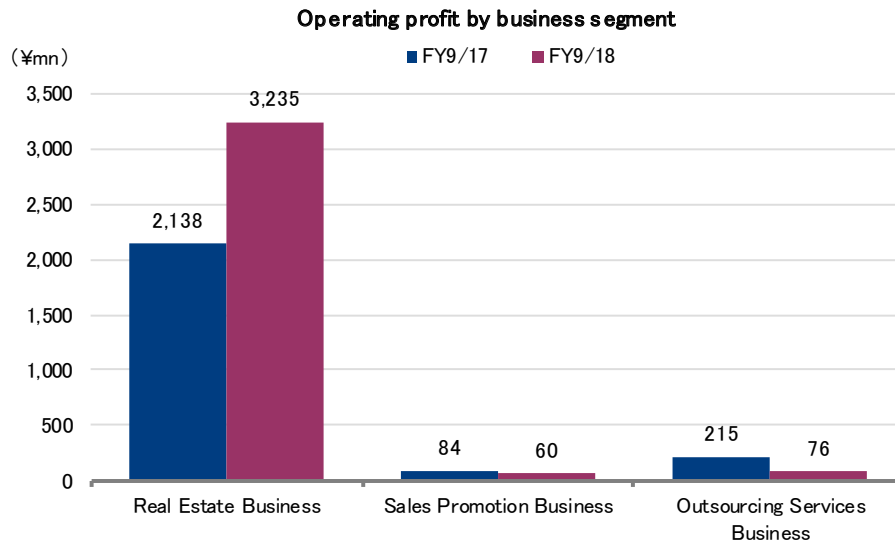
Source: Prepared by FISCO from the Company's financial results

**Net sales by business segment**



Note: FY9/18 results for the Outsourcing Services Business are up to 2Q  
 Source: Prepared by FISCO from the Company's financial results

## Results trends



Note: FY9/18 results for the Outsourcing Services Business are up to 2Q  
 Source: Prepared by FISCO from the Company's financial results

## Due to the strong results and active capital measures, cash and deposits are approximately ¥13bn and the equity ratio is over 50%

### 2. Financial conditions and management indicators

At the end of FY9/18, total assets were up ¥5,286mn on the end of the previous fiscal year to ¥23,095mn, and the asset scale had expanded greatly. The main factors included increases of current assets of ¥4,623mn and cash and deposits of ¥5,942mn. Sales activities were also strong, and as a result the Company has ample cash and deposits, of ¥13,062mn.

Total liabilities were up ¥840mn on the end of the previous fiscal year to ¥10,779mn. Within this amount, the main factors included increases of current liabilities of ¥419mn and income taxes payable of ¥533mn. Non-current liabilities also rose ¥421mn, which was mainly due to the rise in long-term loans payable of ¥402mn. Total net assets increased greatly, up ¥4,445mn on the end of the previous fiscal year to ¥12,316mn. This was mainly because of increases of ¥2,518mn from profit attributable to owners of parent and ¥2,831mn from the exercise of share acquisition rights.

For the management indicators, the current ratio is 809.9% and short term stability is extremely high. The equity ratio is 53.3% (42.3% at the end of the previous fiscal year), which greatly exceeds the industry level, so medium- to long-term stability is also excellent. One of the reasons why the equity ratio improved by 11 percentage points is the contribution of the new equity finance method (MSWT).

## Results trends

## Consolidated balance sheet and management indicators

	End of FY9/17	End of FY9/18	Change
	(¥mn)		
Current assets	17,683	22,306	4,623
(Cash and deposits)	7,120	13,062	5,942
(Real estate for sale)	1,866	2,286	420
(Real estate for sale in process)	7,607	6,614	-993
Non-current assets	125	788	663
Assets	17,808	23,095	5,286
Current liabilities	2,334	2,754	419
Non-current liabilities	7,603	8,024	421
Liabilities	9,938	10,779	840
Net assets	7,870	12,315	4,445
Liabilities and net assets	17,808	23,095	5,286
<Stability>			
Current ratio (current assets/current liabilities)	757.4%	809.9%	-
Equity ratio (shareholders' equity/assets)	42.3%	53.3%	-

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

## ■ Outlook

### Forecast is for an increase in ordinary profit even without incorporating the results of Palma, which has become an affiliate

#### 1. FY9/19 targets

For the FY9/19 full year results, the Company is targeting ordinary profit of ¥3,000mn (up 2.3% YoY) and profit attributable to owners of parent of ¥2,000mn (down 20.6%). In terms of the special conditions, the FY9/19 targets incorporate the fact that Palma has been removed from the scope of consolidation, and that in the previous fiscal year, profit attributable to owners of parent included the gain on the sale of Palma shares. The same as in a typical year, the Company has not disclosed results targets for net sales and operating profit. It does not disclose a net sales target because in the Real Estate Business, there are many uncertain elements as the methods of selling properties are diverse, and also for the same reason, the target indicator in the medium-term management plan is not sales, but ordinary profit.

In the Real Estate Business, in accordance with the strategy up to the present time, the Company will continue to expand the scale of real estate development and investment business in the Tokyo area, centered on urban apartments. Also, the new medium-term management plan describes the "strengthening of base for sustainable, stable income assets." Up to the present time, it has partially invested in income-producing properties, but it is expected to utilize its sound financial base to increase the investment ratio in this asset. It is thought this will mainly be for residential properties, but it also seems that the investment targets will include the senior and lodging fields. In the Sales Promotion Business, it is widening the scope occupations it dispatches staff for, which is leading to an expansion of consignments. The Outsourcing Services Business (conducted by Palma, an affiliate) has been removed from the scope of consolidation, so it will aim to achieve its targets from the above-described two segments.



Outlook

FY9/19 consolidated results target

	FY9/18 Results	FY9/19		
		Target	Change	YoY
Net sales	20,763	-	-	-
Operating profit	2,859	-	-	-
Ordinary profit	2,932	3,000	67	2.3%
Profit attributable to owners of parent	2,518	2,000	-518	-20.6%

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

## Succeeded in purchasing 40 properties with a business scale of ¥26.5bn

### 2. Purchases and development projects

The Company has been actively purchasing development projects sites and income-producing properties. As a result, it has acquired real estate on a business scale of ¥26.5bn, which is approximately 65% above the amount in the previous fiscal year. On a number-of-properties basis, the 40 properties include development project sites and income-producing properties. The main properties are concentrated in Tokyo's 23 wards, and in accordance with its commitment, it is purchasing properties with a focus on the Tokyo area.

## Medium- to long-term growth strategy

### Announced Go For The Future 2021 as the new medium-term management plan, aiming for ordinary profit of ¥5bn

#### 1. Announced Go for The Future 2021 as the new medium-term management plan

The Company has cleared "Run" ~ For Growth 2018 ~, which was the former medium-term management plan with FY9/18 as its final fiscal year, and it has announced the new medium-term management plan in order to advance to the next stage. On looking back at the former medium-term management plan, we see that results greatly surpassed all of the targets for FY9/18, as the Company achieved ordinary profit of ¥2.93bn (target, ¥2.5bn), ROE of 25.4% (target, 20%), and shareholders' equity of ¥12.3bn (target ¥4.85bn).

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Medium- to long-term growth strategy

The name of the new medium-term management plan is Go For The Future 2021. The aim is to lay the groundwork toward business development in the 2020s, while maintaining continuous growth. In terms of the key theme in the mainstay Real Estate Business, it reconfirms that, the same as in the past, the Company will specialize in the Tokyo area with the aim of expanding the volume of the development and investment business. Also, as a new axis, it incorporates the “strengthening of base for sustainable, stable income assets” and in the future, it will conduct business management while maintaining a balance between flow and stock. In addition, the plan is to strengthen investment in growth, and the fields it can target for investment include the lodging-related industry, the construction-related industry, services for seniors, lifestyle services, real estate x IT, and services for foreigners. The Company has also invested in Palma in the past and has a track record of successes for it, including developing it and having it listed. So it is investing in surrounding fields, like the human resources business being developed by DEAR LIFE AGENCY, or in industrial fields in which growth can be expected in the future, and it is searching for a new business line to follow on from Palma.

The numerical targets for FY9/21 are ordinary profit of ¥5bn, ROE of 15% or above, ROE of a 10% level, and an equity ratio of 30% or above.

**Go for The Future 2021, the new medium-term management plan**

		Content
<b>Basic policy</b>		In the 2020s, in order to become an appealing corporate group that provides real estate and services that are of value to customers and investors, the aim is to both expand the business foundation and realize strong profitability through actively investing in growth.
<b>Key themes</b>	Real estate business field	<ul style="list-style-type: none"> <li>• Expansion of the volume of the development and investment business</li> <li>• Strengthening of base for sustainable, stable income assets</li> </ul>
	Human resources services field	<ul style="list-style-type: none"> <li>• Strengthen competitiveness in the mainstay services field</li> <li>• Expand the business area by utilizing alliances and M&amp;A</li> </ul>
	Progressing investment in growth	<ul style="list-style-type: none"> <li>• Promote investment in fields where it can demonstrate expertise and competitive advantage for the purpose of creating new business fields, while also accelerating the speed of growth.</li> </ul>
<b>Numerical targets</b>	Ordinary profit	¥2.93bn (FY9/18) ->¥5bn (FY9/21)
	ROE (return on equity)	15% or above
	ROA (return on assets)	10% level
	Equity ratio (indicator of financial soundness)	30% or above
<b>Shareholder returns policy</b>		<ul style="list-style-type: none"> <li>• Dividend payout ratio of 40% as the standard</li> <li>• Shareholder benefits</li> <li>• Acquisition of treasury shares</li> </ul>
<b>Strengthening the management foundation for growth</b>		<ul style="list-style-type: none"> <li>• Training human resources</li> <li>• Improving productivity</li> <li>• Strengthening governance</li> </ul>

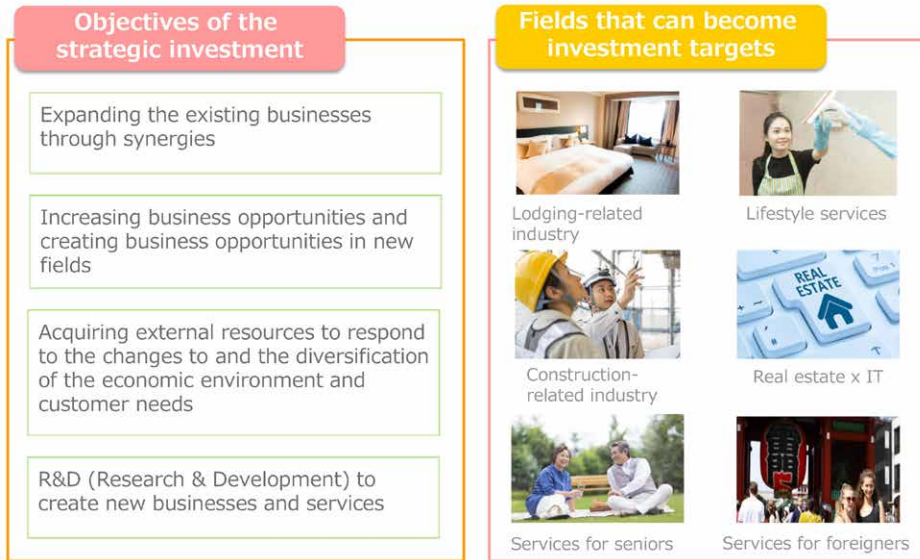
Source: Prepared by FISCO from the Company's results briefing materials

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Medium- to long-term growth strategy

Key themes Progressing investment in growth

**Accelerating the speed of growth through conducting strategic investment (such as M&A, and capital and business alliances)**



Source: The Company's results briefing materials

**2. Completed raising funds of approximately ¥2.4bn through the new equity finance method (MSWT)**

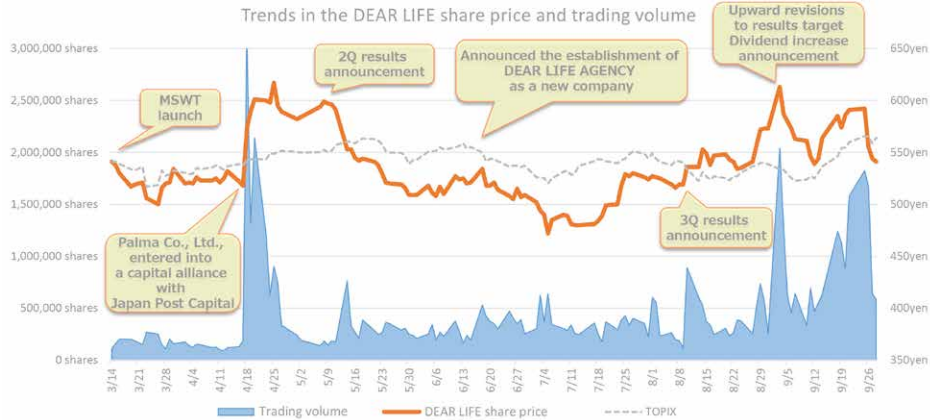
The acquisition of properties is essential for the Company to execute its growth strategy, so its demand for funds for this is increasing. Several times in the past it raised funds by conducting a capital increase through a public offering, and it does not rely excessively on borrowing. The new fund raising method it introduced in March 2017, of a capital-increase scheme that utilizes share acquisition rights with an exercise price adjustment provision through a third-party allocation (MSWT), was completed in October 2017, and it raised funds of approximately ¥1.57bn (4 million shares). In order to meet its demand for further funds, the Company again conducted equity finance in 2018 using the same method (MSWT). The allocation was to SMBC Nikko Securities and the exercise period was from March 14 to September 20, 2018, and as a result, it raised funds of around ¥2.4bn (5 million shares). This capital strengthening measures contributed to the improvement in the equity ratio, which rose from 38.1% (end of FY9/16) to 42.3% (end of FY9/17), and then to 53.3% (end of FY9/18). Due to this skillful equity financing, the Company is maintaining a sound financial structure even compared to its industry peers.

The features of MSWT include the following: 1) it is possible to raise funds responsively and flexibly in accordance with share-price trends; 2) the Company can control the number and the timing of the shares to be exercised, so it can avoid a rapid dilution of shares, and 3) as there is no upper limit on the exercise price, it can be constantly revised, which means that the stable exercise of rights and maximization of the financing amount can be expected.

Medium- to long-term growth strategy

**Financing conditions through MSWT (share acquisition rights)**

Through the share issue in March 2018, the exercise of the total number of shares allocated (5 million shares) was completed, raising funds of ¥2.4bn



Overview	Details
Exercise period	March 14 to September 20, 2018
No. of share acquisition rights exercised	50,000 rights (5,000,000 shares)
Financing amount	¥2.4bn

Source: The Company's results briefing materials

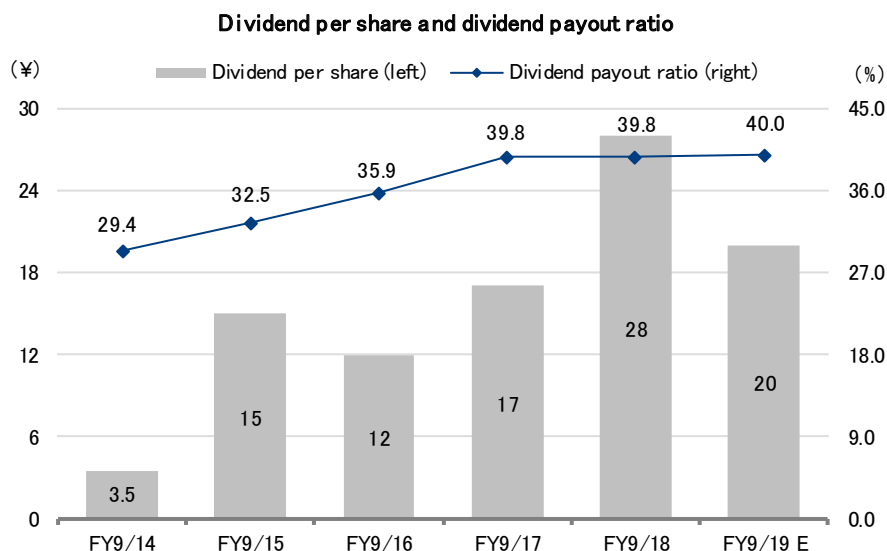
## Shareholder return policy

**In FY9/18, greatly increased the dividend (annual, ¥28) from the gain on sales of shares. Started the DEAR LIFE Premium Benefits Club as the new shareholder benefits program.**

The Company returns profits to shareholders through paying dividends. In terms of its basic dividend policy, it aims to strengthen its financial structure and secured internal reserves, but it also positions returning profits to shareholders as an important management issue, so its pay dividends targeting a dividend payout ratio of 40%. Its policy is also to flexibly acquire treasury shares while considering factors such as the share-price trend and the financial situation.

The initial forecast for FY9/18 was a dividend per share of ¥19. But the Company greatly increased this to a dividend of ¥28 due to the rise in profits following the gain on the sale of Palma shares and the strong results, particularly in the Real Estate Business. The dividend payout ratio was 39.8%. For FY9/19, it is forecasting a dividend of ¥20 and a dividend payout ratio of 40%. There was a special factor in FY9/18, of the gain on the sale of Palma shares, but there has been no change to the medium- to long-term trend of an increasing dividend.

Shareholder return policy



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

The shareholder benefits program, which the Company has implemented since the past, has been renewed from FY9/19 as the DEAR LIFE Premium Benefits Club. The aim of this renewal is to have shareholders hold a large number of shares over the long term. Previously, shareholders holding 100 or more shares were eligible for benefits, but this have been raised to 500 or more shares, and in addition, the rate of return has also been significantly increased. Supposing that a person holds 1,000 shares, in the previous system he would have received a QUO card worth ¥3,000. But in the new system, he will receive 8,000 points (worth ¥8,000, for shares held for six months or longer) or 8,800 points (worth ¥8,800, for shares held for one year or longer), which is close to three times the value of previously. In the new system, points can be exchanged for foods, electrical products, gifts, travel, and experiences at the specially created Internet website.

**Enhancing and strengthening returns to shareholders [the FY9/19 shareholder returns policy]**

**New establishment of the DEAR LIFE Premium Benefits Club**

- Shareholders receive points according to the number of shares they hold and the period they hold them
- Points can be exchanged for various products

No. of shares held	Held for 6 months or longer (Note 2)	Held for 1 year or longer (Note 3)
500shares~799shares	3,000points	3,300points
800shares~999shares	5,000points	5,500points
1,000shares~1,999shares	8,000points	8,800points
2,000shares~2,999shares	12,000points	13,200points
3,000shares~3,999shares	18,000points	19,800points
4,000shares~4,999shares	24,000points	26,400points
5,000shares~	30,000points	33,000points

Note 1) To exchange points for products, it is necessary to register with the DEAR LIFE Premium Benefits Club and to apply  
 Note 2) The number of shares held recorded in the column that were held continuously from the end of March to the end of September 2019, and also with the same shareholder code  
 Note 3) The number of shares held recorded in the column that were held continuously from the end of September 2017 to the end of September 2019, and also with the same shareholder code

Source: The Company's results briefing materials

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