

Presentation of Financial Results for Fiscal 2019, Ended September 30, 2019

DEAR LIFE CO., LTD.

November 8, 2019



DEAR LIFE

Securities code 3245 on the First Section of the Tokyo Stock Exchange

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Summary of Fiscal 2019 Financial Results



Fiscal 2019 results and fiscal 2020 targets

- ❑ Our Go for the Future 2021 medium-term management plan was successfully launched, **ordinary profit** reached a record-high **¥3.4 billion**, and **profit attributable to owners of parent** was above target at **¥2.3 billion**
- ❑ **Return on equity (ROE) and return on assets (ROA)** were above targets at **18% and 14%**, respectively, indicating excellent profitability and asset efficiency
- ❑ Aiming to continue profit growth in 2020 with targets of **¥4.0 billion in ordinary profit** and **¥2.7 billion in profit attributable to owners of parent**

Highlights of fiscal 2019

- ◎ Proactively invested in real estate and sold off properties with favorable conditions
 - Secured development projects and income-producing properties worth about **¥40 billion**
 - Sales of developed condominiums and income-producing properties generated better results than expected
- ◎ Forged alliances with a view to create new business opportunities and bolster established businesses
 - Partnerships formed with a real estate joint-venture established by India-based OYO and Yahoo Japan
 - Investing in a venture launched by Waseda University as well as a co-working space startup
- ◎ More profits returned to shareholders
 - Dividend payout ratio set at 40% and a **¥27 per share** dividend planned to commemorate the 15th anniversary of the company's founding
 - Acquired **1,468,000 company shares** for **¥670 million**

Explanation of Fiscal 2019 Financial Results



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Consolidated Financial Results and Key Performance Indicators in Fiscal 2019



☑ Results reflect a good balance between profitability, efficiency and stability

Millions of yen	FY2018	FY2019	Difference	FY2019 target	Achievement rate	2021 target
Net sales	20,763	19,866	-897	—		
Operating profit	2,859	3,333	474	—		—
Ordinary profit	2,932	3,409	477	3,000	113.6%	5,000
Profit attributable to owners of parent	2,518	2,363	-155	2,000	118.2%	—
<hr/>						
Total assets	23,095	25,337	2,242			
Interest-bearing liabilities	8,727	10,665	1,938			
Capital-to-assets ratio (%)	53.3	51.7	-1.6			
Debt-to-equity ratio (times)	0.71	0.81	0.10			
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Earnings per share (yen)	70.42	59.52	-10.90			—
ROE (%)	25.4	18.6	-6.8			15%
ROA (%)	14.3	14.1	-0.20			10%

Main Results from the Consolidated Income Statement in Fiscal 2019



☑ Favorable transactions and measures for controlling rising costs associated with business expansion drove up operating profit and ordinary profit

Millions of yen	FY2018	FY2019	Difference	Main reasons for year-on-year difference
Net sales	20,763	19,866	-897	
Real Estate Business	19,587	19,515	-72	The year-on-year decrease in net sales reflects the removal of Palma Co., Ltd., from the scope of consolidation in fiscal 2019.
Sales Promotion Business	326	350	24	
Outsourcing Service Business (operated by Palma Co., Ltd.)	849			
Selling, general and administrative expenses	1,206	1,006	-200	Operating profit and ordinary profit increased due to sell-offs of properties with favorable conditions and measures to control rising costs associated with the expansion of operations, including selling, general and administrative expenses and interest expenses.
Operating profit	2,859	3,333	474	
Non-operating income	214	209	-5	Profit attributable to owners of parent decreased YoY due to the absence of extraordinary profit from the sell-off of Palma Co., Ltd.'s shares in fiscal 2018. Nevertheless, the amount exceeded the fiscal 2019 target of ¥2 billion due to the increase in ordinary profit.
Non-operating expenses	142	133	-9	
Ordinary profit	2,932	3,409	477	
Extraordinary income (loss)	693	(6)	-699	
Profit attributable to owners of parent	2,518	2,363	-155	

Main Results from the Consolidated Balance Sheet in Fiscal 2019



☑ Maintained a steady asset turnover while prudently increasing liabilities

(Millions of yen)	Sept. 30, 2018	Sept. 30, 2019	Difference	Main reasons for year-on-year difference
	(1)	(2)	(2) - (1)	
Assets	23,094	25,337	2,243	Cash and deposits decreased due to condominium development costs, acquisitions of income-producing properties, payments of taxes, and dividends paid. Net real estate for sale grew from ¥8.8 billion to ¥13.7 billion as a result of proactive investment in real estate.
Cash and deposits	13,062	9,811	-3,251	
Real estate for sale in process	6,614	8,565	1,951	
Real estate for sale	2,286	5,060	2,774	
Shares and investments in capital of subsidiaries and associates	739	997	258	
Other	393	904	511	Interest-bearing liabilities increased due to financing expenses used for proactively investing in development projects and income-producing properties.
Liabilities	10,778	12,247	1,552	
Notes and accounts payable - trade	691	163	-528	Breakdown of shareholders' equity Profit attributable to owners of parent 2,363 Dividends paid (1,120) Acquisition of company shares (543)
Interest-bearing liabilities	8,727	10,665	1,938	
Accrued taxes	992	1,034	42	
Other	367	385	101	
Net assets	12,316	13,089	773	
Shareholders' equity	12,315	13,089	774	

Main Results from the Consolidated Cash Flow Statement in Fiscal 2019



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(Millions of yen)	FY2018 (1)	FY2019 (2)	Difference (2) – (1)	Main reasons for year-on-year difference
Net cash provided by (used in) operating activities	2,431	(3,165)	-5,596	
Profit before income taxes	3,625	3,404	-221	Inventories are comprised of real estate development projects and investment properties. Acquisitions of properties and investment in development projects resulted in inventory outflows of ¥16.2 billion in fiscal 2018 and ¥20.0 billion in fiscal 2019, while property sales resulted in inventory inflows of ¥15.9 billion in fiscal 2018 and ¥15.3 billion in fiscal 2019.
Decrease (increase) in inventories	(322)	(4,793)	-4,471	
Increase (decrease) in notes and accounts payable - trade	339	(527)	-866	
Income taxes paid	(681)	(879)	-198	
Net cash used in investing activities	(290)	(114)	176	
Expenses associated with the sale of shares of Palma Co., Ltd., and its removal from the scope of consolidation	(432)	—	-586	Borrowings increased at a reasonable rate as cash on hand was effectively utilized.
Payments for acquisition of investment securities and investments in capital of subsidiaries and associates	—	(150)	-150	
Net cash provided by financing activities	3,389	337	-3,052	
Proceeds from borrowings and corporate bond issuance	13,343	14,419	1,076	
Repayments of borrowings	(12,199)	(12,482)	-283	
Proceeds from exercising share options	2,834	63	-2,771	Cash outflows increased as funds were used for investing in businesses and paying taxes and dividends, leveraging a financial footing that had been improved up to the previous fiscal year.
Purchase of treasury shares	—	(543)	-373	
Dividends paid	(575)	(1,119)	-544	
Net increase (decrease) in cash and cash equivalents	5,530	(2,942)	-8,472	
Cash and cash equivalents at end of period	13,084	10,142	-2,942	



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Explanation of Fiscal 2019 Financial Results by Business Segment

Overview of the Dear Life Group's Businesses



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Real Estate Business



- Developing and selling real estate in the Tokyo area.
- Development is focused on urban condominium Buildings¹
- Net sales in fiscal 2019 came to ¥19,520 million.



Sales Promotion Business

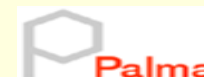
DEAR LIFE AGENCY

- Operated by the subsidiary, Dear Life Agency Co., Ltd., the business offers various promotional support services, and handles outsourcing of sales and administrative staff mainly in the real estate industry.
- Net sales in fiscal 2019 came to ¥350 million.



Palma Co., Ltd. (Affiliated Company)

Securities code 3461 on the Mothers section of the Tokyo Stock Exchange



- Palma provides BPO services² and develops facilities for the self-storage market.
- Handling about 60% of Japan's self storage facilities³, Palma is the country's largest service
- It established a capital alliance with the Japan Post Group in 2018 with the aim of jointly creating synergies.



1. Urban condominium buildings are designed for singles and DINKs, and are situated within walking distance of the nearest train station in the Tokyo area.
2. BPO services are self storage business process outsourcing services with payment guarantee conditions, and cover contract administration, inspections, payment administration, delinquent payment administration, and removal of abandoned items in storage.
3. Self storage facilities are rental storage facilities, including trunk rooms.

Summary of Fiscal 2019 Financial Results by Business Segment

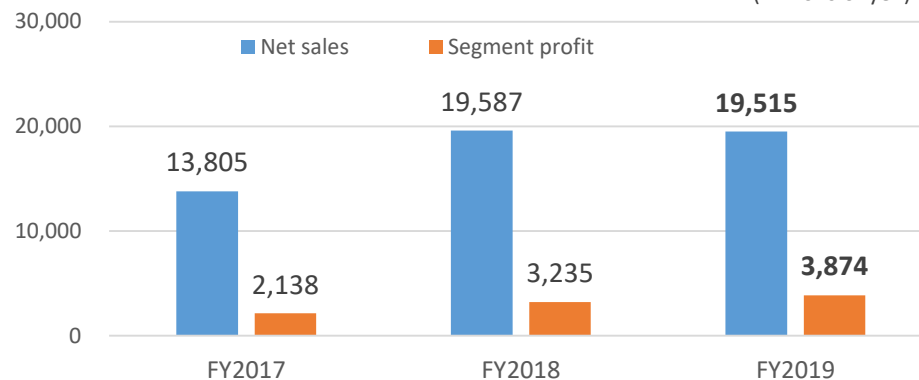


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(Millions of yen)

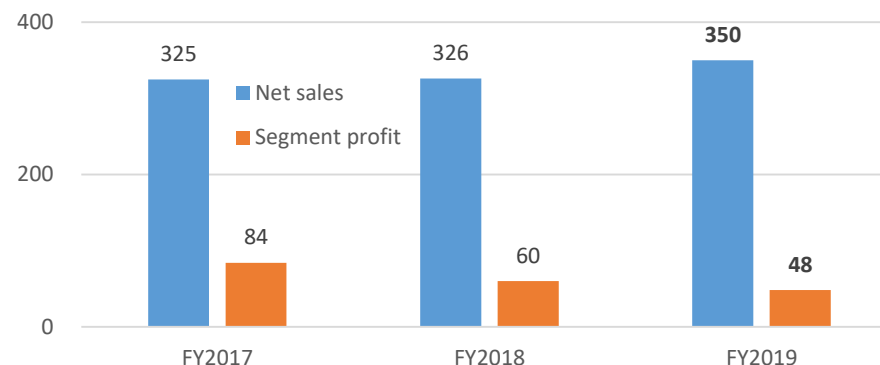
Real Estate Business

- ✓ **Net sales: ¥19,515 million**
Segment profit: ¥3,874 million
- ✓ Profit increased YoY due to favorable sales of urban condominium buildings and income-producing properties



Sales Promotion Business

- ✓ **Net sales: ¥350 million**
Segment profit: ¥48 million
- ✓ Orders were up for staff outsourcing in the real estate industry



Palma Co., Ltd. (Affiliated Company)

- ✓ **Net sales: ¥4,390 million**
Profit attributable to owners of parent: ¥330 million
- ✓ Sales and profit were up due to steady orders for self storage BPO services and higher numbers of facility development sales transactions



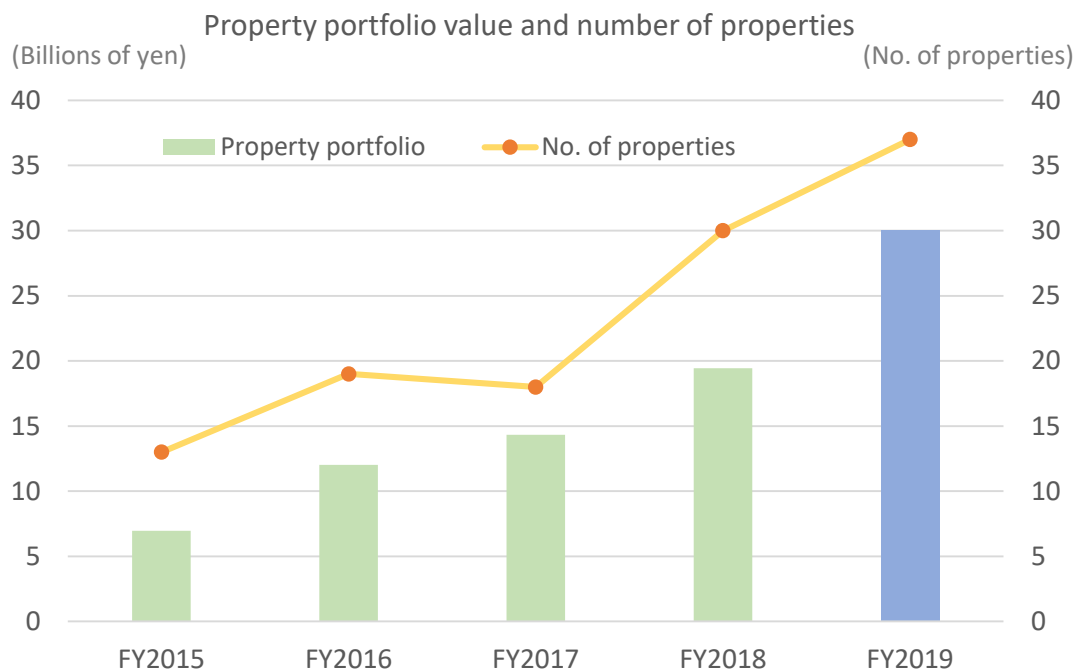
Real Estate Business (1): Properties Sold in Fiscal 2019

- The Company sold **30 properties** of various types , including urban condominium buildings it developed, income-producing properties, and sites that are suitable for development projects.
- Properties were sold to a diverse range of investors, including individuals, real estate companies, real estate investment funds, and general trading firms, demonstrating the Company’s track record as a capable and dependable property supplier.



Real Estate Business (2): Property Portfolio Expansion in Fiscal 2019

- The Company proactively used reserve funds generated from its solid financial footing to invest in condominium buildings in the Tokyo area, commercial facility development sites, and income-producing properties.
- By increasing the scale of investments, the Company acquired properties **worth ¥30 billion**, exceeding the amount in the previous fiscal year. (The amount comes to **¥40 billion** if acquisition agreements and acquisitions planned in the next fiscal year are included.)



* The property portfolio value of approximately ¥30.0 billion is comprised of the total costs of development projects and the total acquisition price of income producing properties.

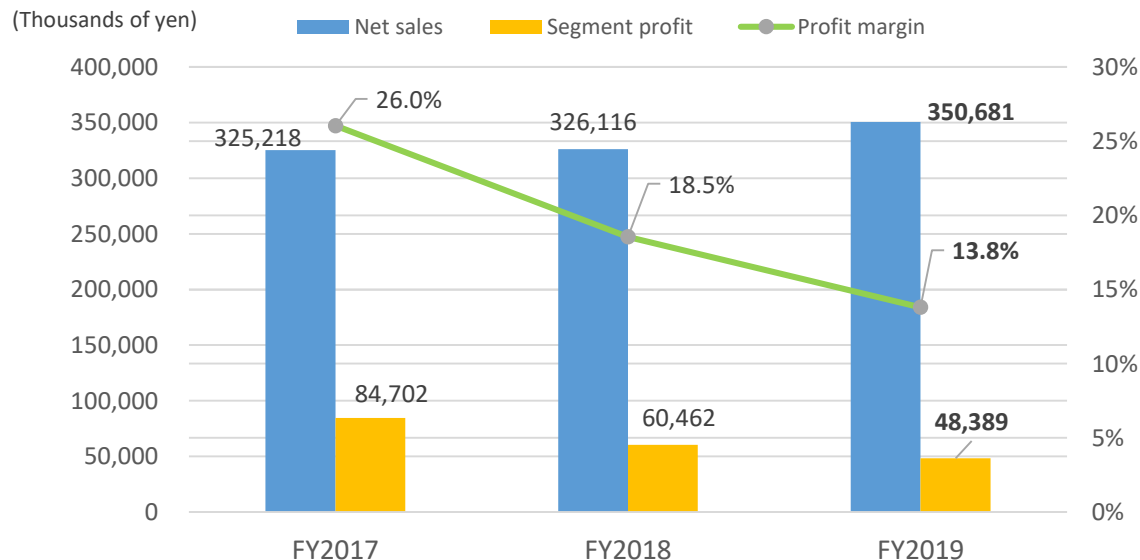
Overview of the Sales Promotion Business

☑ **Staff outsourcing service launched by new subsidiary, Dear Life Agency Co., Ltd.**

Took over Dear Life's staff outsourcing business and began operations in November 2018

☑ **Growing orders for staff outsourcing services in the real estate industry**

Although operating expenses increased due to rising personnel costs and investments aimed at improving service quality and the scale of service organizations, the Company cultivated new businesses and handled orders for a broad range of personnel positions, including sales, back office, and after-sales service staff. Orders received were higher than in the previous fiscal year.



Overview of Businesses Operated by Group Company Palma Co., Ltd.

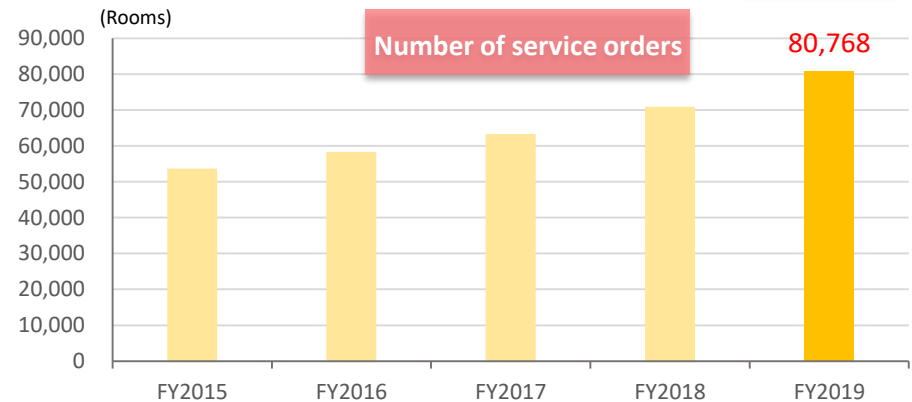


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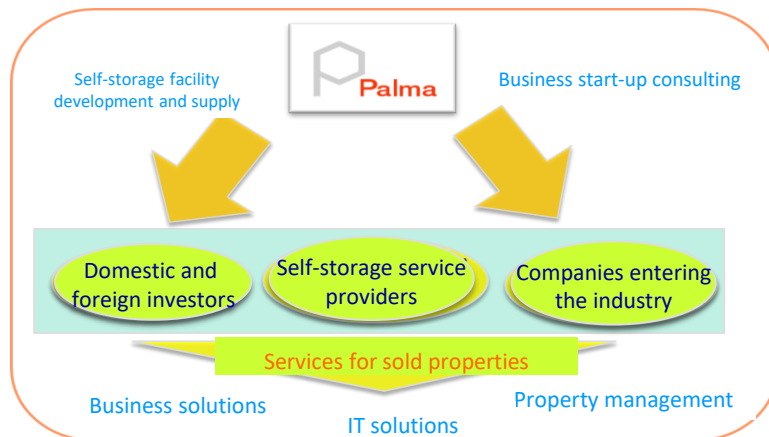
Business solutions services: BPO services with payment guarantee conditions



- ✓ Orders from current business partners and properties that Palma developed and sold continued to grow at a steady pace
- ✓ Boosted sales of leading outsourcing services, particularly delinquent payment administration, and improved the efficiency of leasing operations by attracting tenants from the logistics industry



Turnkey solutions services: Property development and supply combined with BPO services



- ✓ Handled a growing amount of facility development and operational consulting for 13 facilities in the Tokyo area
- ✓ Strong demand for investment in facilities driven by facility expansion by companies in the same industry and the needs of new entrants from different industries

Promoting alliances with business partners, including major housing developers and real estate companies

Investment and Partnerships Aimed at Broadening Businesses and Entering New Markets

Investment in Coin Space K.K.

- ❑ Concluded a capital tie-up with this startup operating a co-working space service
- ❑ Anticipating growing demand for co-working spaces, the Company will cooperate in opening and operating facilities



Partnership with OYO Life

- ❑ Working together to develop and supply more properties for rental services offered by OYO Life, a real estate joint-venture established by Indian venture firm OYO and Yahoo Japan
- ❑ Efforts are underway to provide the service using DEAR LIFE's leased condominium buildings



Investment in a venture launched by Waseda University

- ❑ Invested in a venture fund initiated by Waseda University
- ❑ Offering DEAR LIFE's expertise to businesses targeted by the fund and aiming to create opportunities for alliances and collaboration



Returning Profits to Shareholders through Dividends and Company Share Acquisitions



Dividends

¥27 per share dividend planned for fiscal 2019¥

- ◆ Performance-linked and 15th anniversary commemorative dividend based on a 40% payout ratio target
- ◆ Dividend set well above the ¥20 per share target set at the beginning of fiscal 2019

Acquisition of Company Shares

1.468 million shares* worth ¥670 million in fiscal 2019

- ◆ Acquired company shares in fiscal 2019 equivalent to almost 4% of all shares issued and outstanding in consideration of share prices and fluctuations as well as investment demand
- * 268,000 shares of the total were acquired in October 2019

Stock price in fiscal 2019

Sept. 28, 2018 – Sept. 30, 2019



Shareholder Benefits Program in Fiscal 2019



As members¹ of the **Dear Life Premium Benefits Club**, shareholders are awarded points depending on the number of and length of time they hold their shares, and can redeem the points for gifts and products.

No. of shares held	Points awarded for shares held at least 6 months ²	Points awarded for shares held at least 1 year ³
500 – 799 shares	3,000 points	3,300 points
800 – 999 shares	5,000 points	5,500 points
1,000 – 1,999 shares	8,000 points	8,800 points
2,000 – 2,999 shares	12,000 points	13,200 points
3,000 – 3,999 shares	18,000 points	19,800 points
4,000 – 4,999 shares	24,000 points	26,400 points
5,000 shares or more	30,000 points	33,000 points

1. To exchange points for products, it is necessary to register as a member of the Dear Life Premium Benefits Club.

2. Shareholders must continuously hold the number of shares shown in left column and have the same shareholder number from March 31 to September 30, 2019.

3. Shareholders must continuously hold the number of shares shown in left column and have the same shareholder number from September 30, 2018, to September 30, 2019.

Outlook for Fiscal 2020

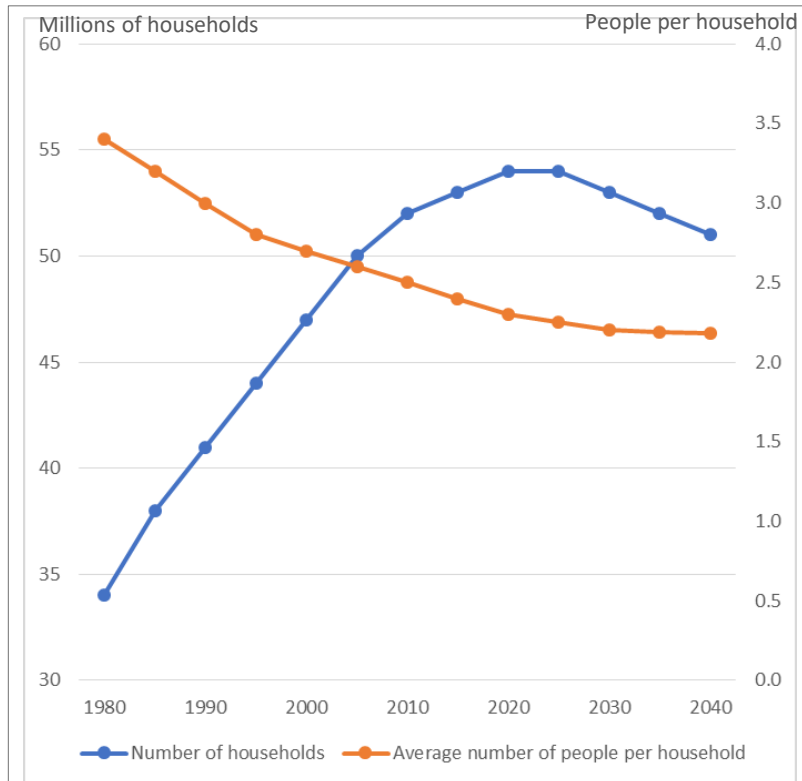


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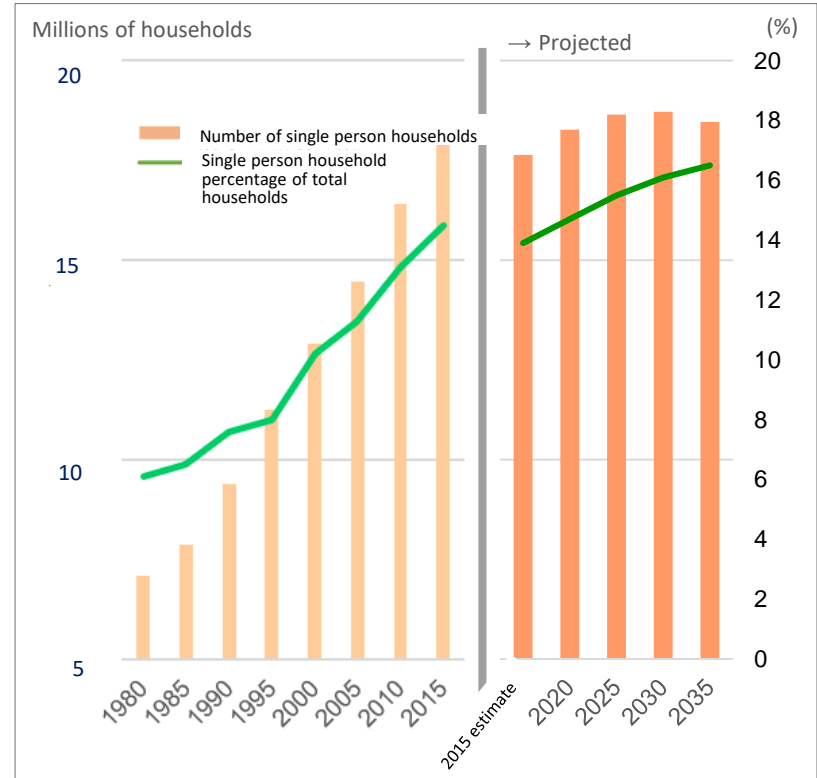
Market Environment: Population Trends

Average number of household members declining and single person households on the rise

Projected number of households and average number of household members in Japan



Single person households in Japan

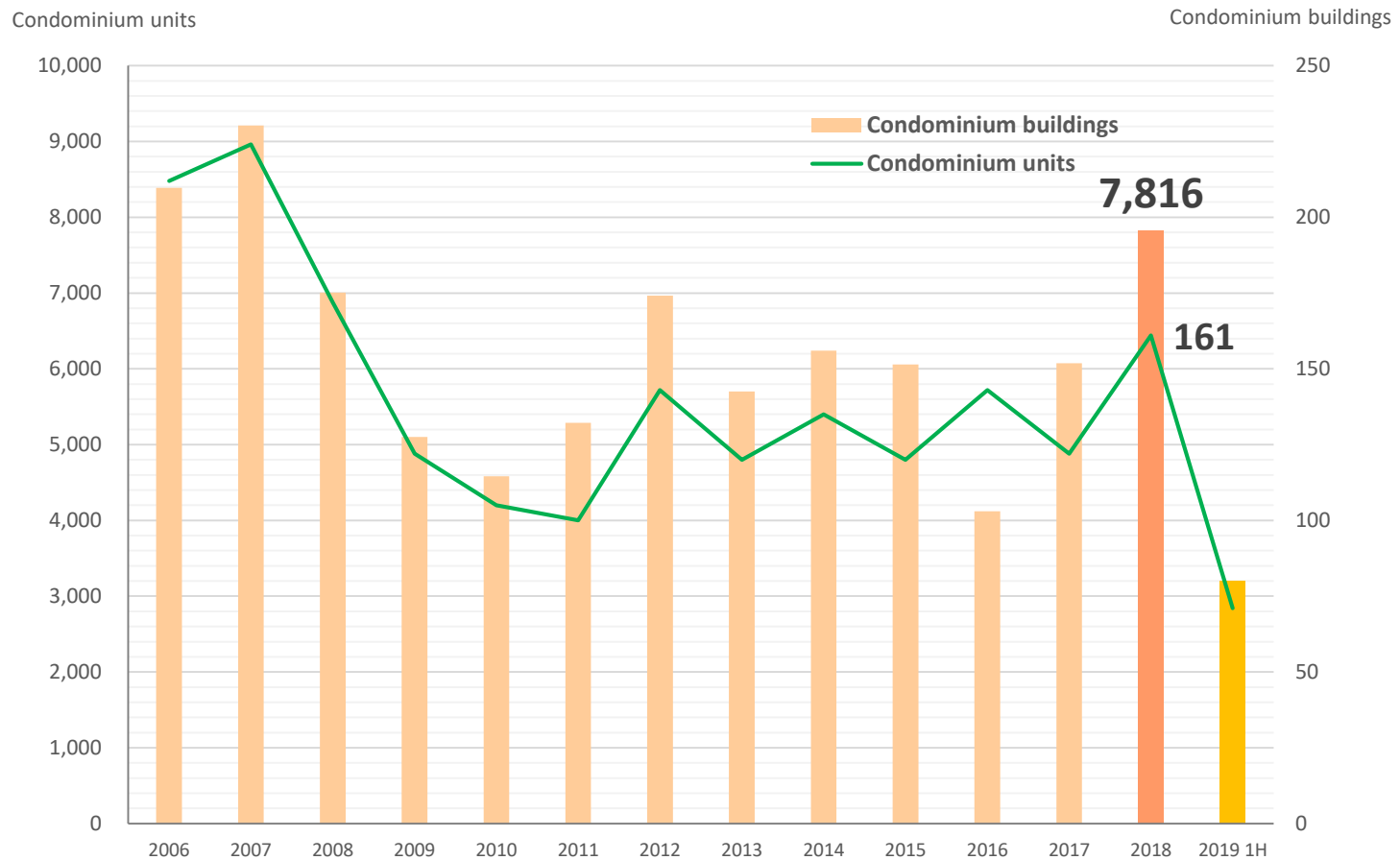


Data compiled by DEAR LIFE based on the following sources:
 Data from 1980 to 2015 was taken from results of the 2015 national census published by the Statistics Bureau of the Ministry of Internal Affairs and Communications. Data from 2015 to 2040 was taken from projections of Japan's population and households as of 2018 published by the National Institute of Population and Social Security Research; household members were calculated by dividing the population by the number of households.

Data compiled by DEAR LIFE based on the following sources:
 Data from 1980 to 2015 was taken from results of the 2015 national census published by the Statistics Bureau of the Ministry of Internal Affairs and Communications. Data from 2015 to 2035 was taken from projections of Japan's population as of January 2013 published by the National Institute of Population and Social Security Research.

Market Environment: Condominium Trends

- The number of studio condominium units in 2018 reached the highest level in 10 years



Source: Data on the investment condominium market in Japan published in 2019 by Real Estate Economic Institute Co., Ltd.

Profit Targets for Fiscal 2020



☑ In fiscal 2020, the second year of our medium-term management plan, we are aiming to increase profits mainly through real estate development and investment.

(Millions of yen)	FY2019		FY2020 targets	FY2022 targets
	Targets	Results		
Ordinary profit	3,000	3,400	4,000	5,000
Profit attributable to owners of parent	2,000	2,300	2,700	
Dividend per share	¥20	¥27	¥28	

	FY2019 results	FY2022 targets
ROE	18.6%	15%
ROA	14.1%	10%

Key Initiatives for Fiscal 2020

Continuing to carry out the key initiatives of the Go For The Future 2021 medium-term management plan

Results and progress of the plan's key initiatives

Key initiatives

2019 results and progress

Real Estate Business

- Increase the scale of development and investment projects
- Continue building up a stable income-producing asset portfolio



Acquired ¥30 billion in assets comprised of development projects, including urban condominiums in Tokyo, and properties with potential to produce stable income over the medium and long terms

Sales Promotion Business

- Improve the competitiveness of mainstay staff outsourcing services
- Expand business domains through alliances and M&A



- New business deals and orders for replacement staff led to increased orders overall
- Proactively studied investment in other staffing companies that have potential to generate synergies with established businesses

Growth investment

Carry out investment in new businesses and established businesses in which our know-how and market dominance can be leveraged



Formed a capital tie-up with Coin Space K.K. and invested in a venture launched by Waseda University

Key Initiatives in the Real Estate Business

Continuing to actively invest in main businesses with the goal of establishing a foundation for growth over the medium and long terms

Increase the scale of development and investment projects

- Continue increasing the scale of development and investment projects, especially for condominiums designed for singles and DINKs
- Create investment opportunities for medium and large properties by utilizing partnerships, multipurpose facility development projects, and various other means
- Continuously sell off properties while taking account of development plans, future building operations, market trends, and consolidated profits

Increasing development and investment project earnings

Properties for development and sale



Continue building up a stable income-producing asset portfolio

- Leverage the Company's sound financial footing to boost investment in assets that can be used over the medium and long terms to generate stable earnings
- Invest in suitable sites for future development and properties in growth sectors, such as senior citizen homes and facilities

Increasing portfolio earnings

Stable income-producing assets



Investment Targets in the Real Estate Business



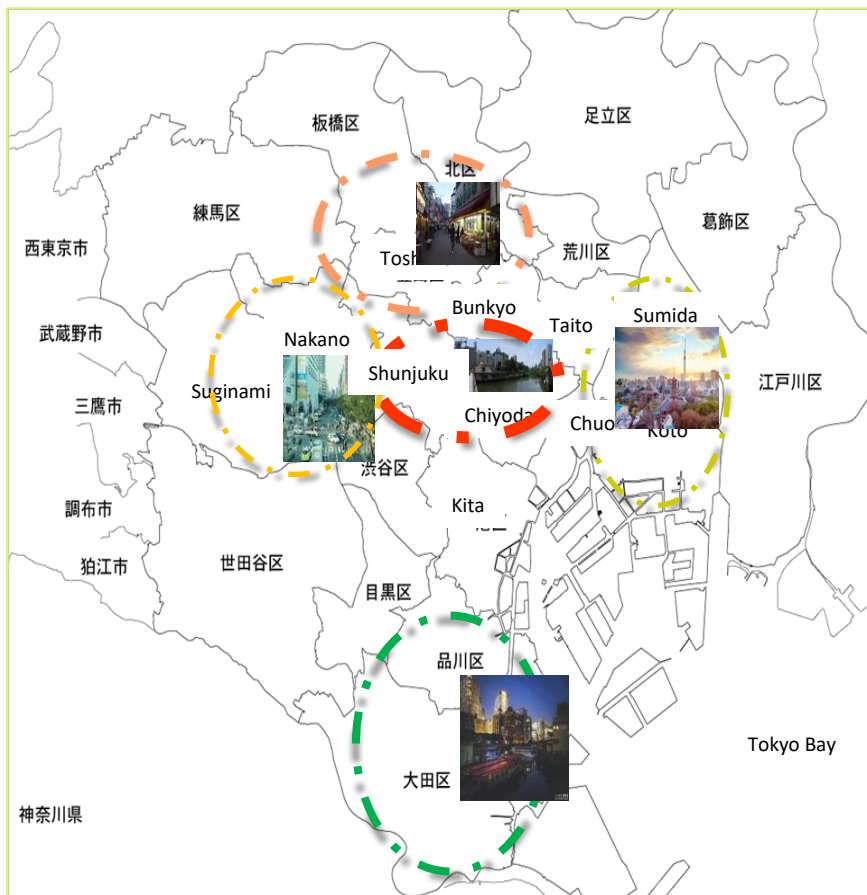
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Property portfolio area

Continue developing and investing in properties located near train stations in Tokyo

- Targeting properties located in the 23 wards of Tokyo and within 30 minutes by train from major stations
- Boosting investment in areas with convenient access to workplaces, restaurants, and residences, such as the Ichigaya, Iidabashi and Kagurazaka areas

Properties operated by the Company in Iidabashi and Kagurazaka



Restaurant building in Kagurazaka 2-Chome



Residential complex in Yamabukicho, Shinjuku Ward



Commercial, office and residential building in Kagurazaka 6-Chome



Kagurazaka-Shirogane Koen Project

Properties under Development



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Project name	Location	Project name	Location
Mita Kaigan	Minato Ward, Tokyo	Anamori Inari	Ota Ward, Tokyo
Kameido	Koto Ward, Tokyo	Ichigaya-Yanagicho	Shinjuku Ward, Tokyo
Honjo-azumabashi	Sumida Ward, Tokyo	Shin-okachimachi	Taito Ward, Tokyo
Kinshicho III	Sumida Ward, Tokyo	Ayase	Adachi Ward, Tokyo
Koenji II	Nakano Ward, Tokyo	Kiyosumi-shirakawa II	Koto Ward, Tokyo
Ojima	Koto Ward, Tokyo	Komagome IV	Toshima Ward, Tokyo
Tachikawa II	Tachikawa City, Tokyo	Jujo	Kita Ward, Tokyo
Higashi-Jujo	Kita Ward, Tokyo	Itabashi V	Kita Ward, Tokyo
Akatsuka	Itabashi Ward, Tokyo	Mitaka	Mitaka City, Tokyo
Ikebukuro	Toshima Ward, Tokyo	Asakusabashi	Taito Ward, Tokyo
Shin-Otsuka	Toshima Ward, Tokyo	Kagurazaka-Yaraicho	Shinjuku Ward, Tokyo
Komagome III	Bunkyo Ward, Tokyo	Asakusa V	Taito Ward, Tokyo
Nishi-koyama	Meguro Ward, Tokyo	Ryogoku IV	Sumida Ward, Tokyo
Itabashi IV	Kita Ward, Tokyo	DeLCCS Kagurazaka-Tenjincho (commercial building)	Shinjuku Ward, Tokyo
Ojima II	Koto Ward, Tokyo	Omori VI	Shinagawa Ward, Tokyo
Kinshicho IV	Koto Ward, Tokyo	Higashi-Kanda	Chiyoda Ward, Tokyo
Nakanobu	Shinagawa Ward, Tokyo	Nakano Shimbashi	Nakano Ward, Tokyo
DeLCCS Kagurazaka-Tsukudocho (commercial building)	Shinjuku Ward, Tokyo		
Ojima II	Koto Ward, Tokyo		
DeLCCS KAGURAZA III (commercial building)	Shinjuku Ward, Tokyo		



The Honjo-azumabashi Project



The Kameido Project

Engaged in projects with a combined value of ¥28.0 billion

Portfolio of Main Income-Producing Properties



DeLCCS Higashi Gokencho



DeLCCS Yamabuki Kagurazaka



DeLCCS Tamagawa



Philpark Omotesando

Property name	Location	Use
Philpark Omotesando	Shibuya Ward, Tokyo	Commercial building
DeLCCS Tamagawa	Takatsu Ward, Kawasaki	Leased condominium building
DeLCCS Higashi Gokencho	Shinjuku Ward, Tokyo	Condominium and office building
Yanaka	Taito Ward, Tokyo	Detached housing
DeLCCS Bunkyo Kagurazaka	Bunkyo Ward, Tokyo	Condominium and commercial building
DeLCCS Yamabuki Kagurazaka	Shinjuku Ward, Tokyo	Multipurpose building
DeLCCS KAGURAZA II	Shinjuku Ward, Tokyo	Commercial building
DeLCCS Ichigaya	Shinjuku Ward, Tokyo	Office and commercial building

Key Initiatives in the Sales Promotion Business



Dear Life Agency Co., Ltd. (Subsidiary providing staffing-related services)

Wide-ranging capabilities



Resources

- ◆ Relations with major real estate firms
- ◆ Female-led staff spanning many generations
- ◆ Extensive sales and customer service experience
- ◆ Event management know-how
- ◆ Staff development and training expertise
- ◆ Detailed system for following up on outsourced staff
- ◆ Able to quickly arrange operations

Improve the competitiveness of mainstay staff outsourcing services

- Continue promoting sales of staff outsourcing to the real estate industry, in which demand is high for personnel and outsourced staff when the economy is healthy
- Clients
- Focus on improving the quality and number of outsourced staff by securing and training the workforce

Promote alliances and M&A

- Broaden services offered through mergers, acquisitions, joint ventures, and business tie-ups



Promote strategic investment in mergers, acquisitions and capital tie-ups that can contribute to medium- and long-term growth

Strategic investment goals

Expand established businesses through synergy effects and create opportunities in new business areas

Results in fiscal 2019:

Formed a capital tie-up with [Coin Space K.K.](#) and a business partnership with [OYO Technology & Hospitality Japan K.K.](#)

Acquire resources from outside the Company to more effectively respond to changing economic conditions and diversifying customer needs

Conduct research and development aimed at creating new businesses and services

Results in fiscal 2019:

Invested in a [venture initiated by Waseda University](#)

Industries and services targeted for investment



Staff outsourcing services



Lifestyle services



Construction-related industries



IT applications for real estate



Services for senior citizens



Services for foreigners

Shareholder Returns Policy



The Company will consider acquiring its own shares while adhering to a policy of paying dividends linked to profit growth and offering benefits to shareholders

Dividends

Target a dividend payout ratio of 40%

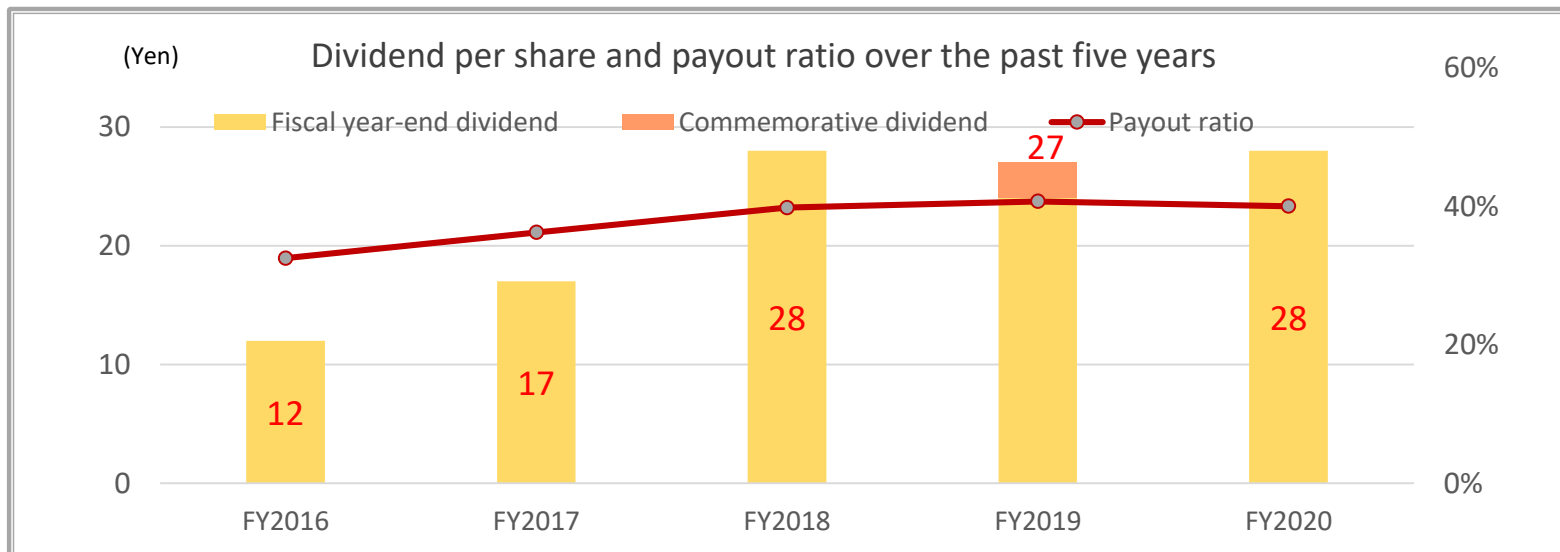
Dependably pay stable dividends in line with ongoing profit growth

Shareholder benefits

Offer benefits to shareholders with a view to increase the proportion of shareholders that intend to invest in and hold stocks over the medium and long terms

Company stock acquisitions

Consider acquiring company shares while taking full account of the Company's stock price, financial soundness, operating environment, and other relevant factors



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