

Dramatic Communication



Apamanshop Holdings Co., Ltd.
Briefings on Financial Results
for the Fiscal Year Ended
September 30, 2016 (FY2015)

Wednesday, November 2, 2016

Apamanshop Holdings Co., Ltd. (Securities code: 8889)

Results of Operations

- Operating income **up 3.4% YoY** ¥2,407 million → ¥2,489 million
- Ordinary income **up 22.8% YoY** ¥1,682 million → ¥2,065 million
- Profit - ¥(3,666) million → ¥1,653 million

Growth Strategy (Progress on Medium-term Management Plan)

1. Subcontracted management **+6,549 units (FY2015 plan: 4,000)** 63,492 → 70,041 units
2. Opening of directly managed agencies **+12 agencies (FY2015 plan: 15)** 95 → 107 agencies
3. Sales of new products
 - Rent guarantees **8,974 (FY2015 target: 3,000)** Cumulative subscribers: 8,974
 - Insurance and emergency assistance service **5,346 (FY2015 target: 7,000)** Cumulative subscribers: 5,346

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1. Consolidated

1. Overview of Consolidated Results (3-year comparison)

(Millions of yen)

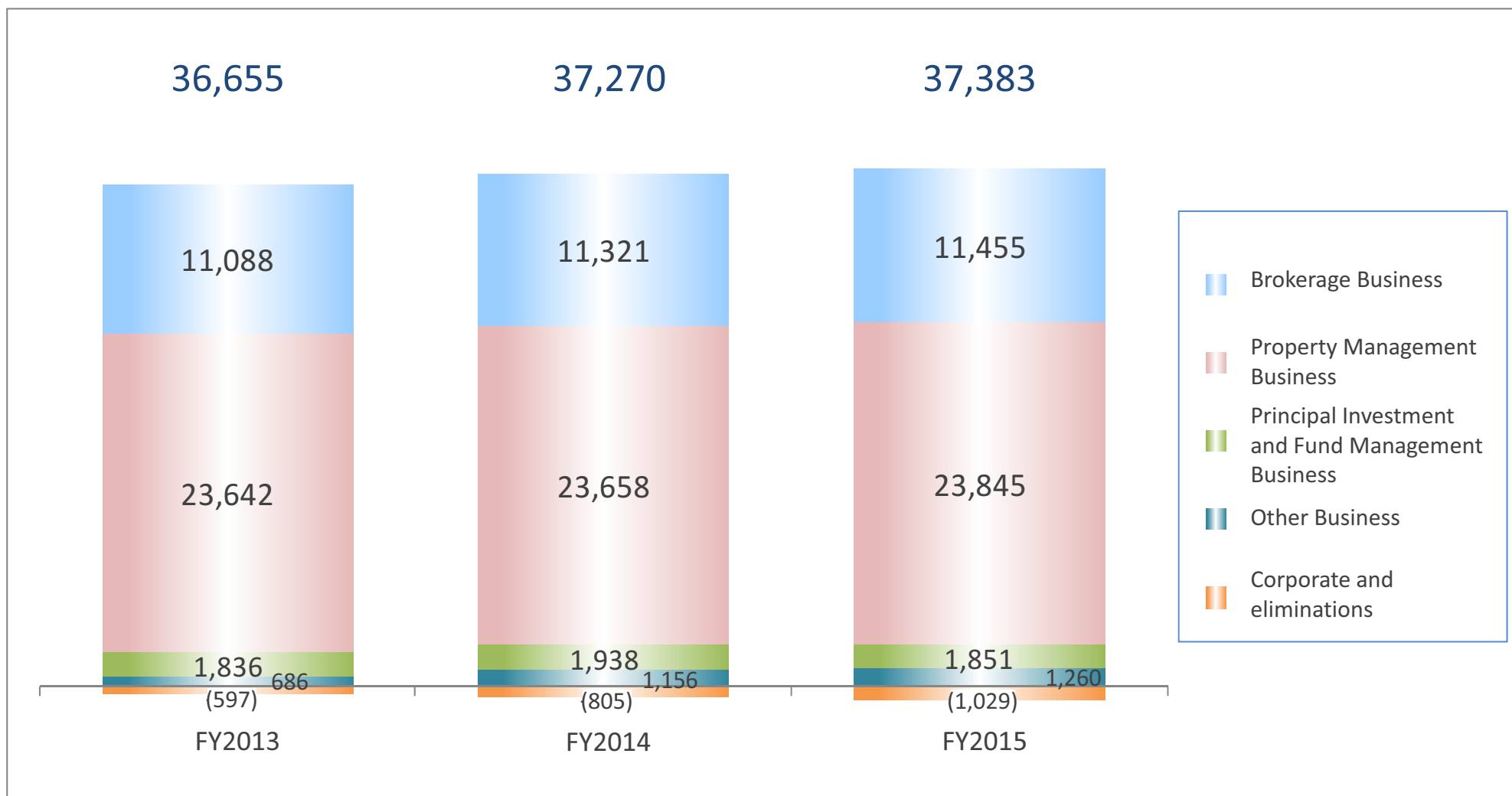
	FY2013	FY2014	FY2015	YoY change
Net sales	36,655	37,270	37,383	+113
Gross profit	10,221	10,907	10,965	+57
Operating income (Operating margin)	2,108 (5.8%)	2,407 (6.5%)	2,489 (6.7%)	+81 (+0.2%)
Ordinary income	1,439	1,682	2,065	+382
Profit	1,482	(3,666)	1,653	+5,319
EBITDA	3,762	3,910	4,219	+308

EBITDA = Ordinary income + interest expenses + depreciation + amortization of goodwill

Note: Amounts are rounded down to the nearest million yen and percentages are rounded off to the first decimal place. Accordingly, figures calculated using mathematical formulas and the resulting figures stated in this material may not agree.

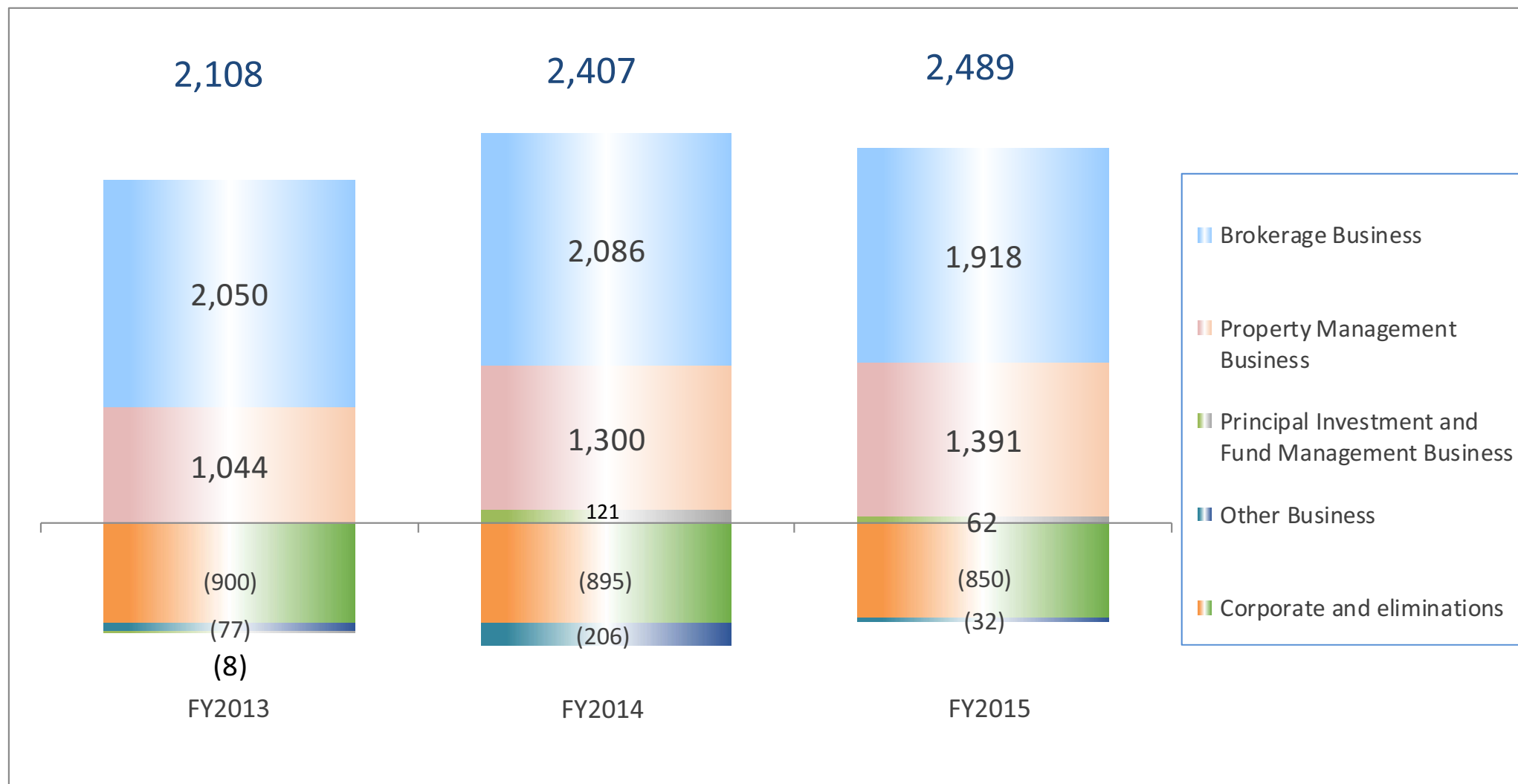
2. Net Sales by Segment (3-year trend)

(Millions of yen)



3. Operating Income by Segment (3-year trend)

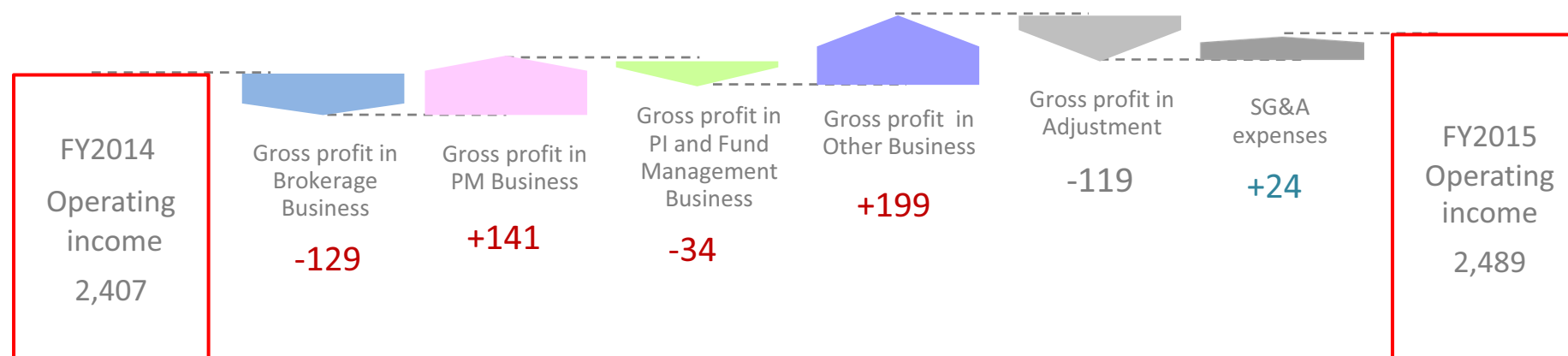
(Millions of yen)



4. Analysis of Net Sales and Operating Income by Segment (YoY)

(Millions of yen)

	FY2014			FY2015			YoY change		
	Net sales	Gross profit	Gross profit margin	Net sales	Gross profit	Gross profit margin	Net sales	Gross profit	Gross profit margin
Brokerage Business	11,321	6,234	55.1%	11,455	6,105	53.3%	+134	-129	-1.8pt
Property Management (PM) Business	23,658	3,881	16.4%	23,845	4,023	16.9%	+186	+141	+0.5pt
Principal Investment (PI) and Fund Management Business	1,938	759	39.2%	1,851	724	39.1%	-86	-34	+0.0pt
Other Business	1,156	246	21.3%	1,260	445	35.3%	+103	+199	+14.0pt
Adjustment (elimination or corporate)	(805)	(214)	-	(1,029)	(333)	-	-224	-119	-
Total	37,270	10,907	29.3%	37,383	10,965	29.3%	+113	+57	+0.1pt
SG&A expenses (SG&A expenses ratio)	8,500		22.8%	8,476		22.7%	-24		-0.1pt
Operating income (Operating margin)	2,407		6.5%	2,489		6.7%	+81		+0.2pt



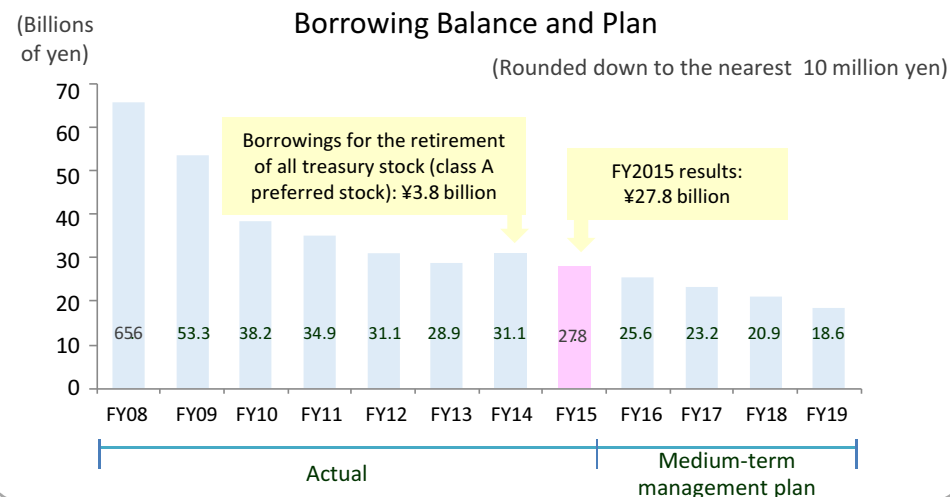
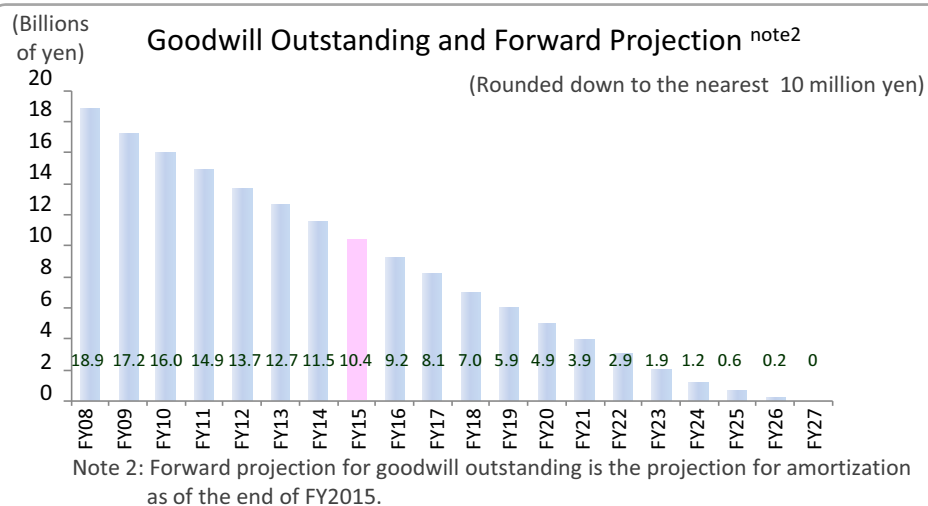
5. Overview of Consolidated Balance Sheet (vs. end-FY2014)

(Millions of yen)

Assets	End-FY2014	End-FY2015	YoY change
Current assets	6,592	7,888	+1,296
Cash and deposits	2,609	3,847	+1,237
Notes and accounts receivable–trade	1,494	1,538	+44
Other	2,488	2,502	+13
Non-current assets	36,899	34,402	-2,496
Property, plant and equipment	17,178	15,956	-1,222
Intangible assets	12,338	11,504	-833
Goodwill	11,577	10,449	-1,127
Other intangible assets	761	1,054	+293
Investments and other assets	7,382	6,942	-440
Total assets	43,492	42,291	-1,200

Liabilities	End-FY2014	End-FY2015	YoY change
Current liabilities	8,168	8,422	+254
Accounts payable–trade	860	982	+121
Short-term loans payable ^{note1}	2,847	2,839	-8
Other	4,460	4,601	+140
Non-current liabilities	33,311	29,781	-3,530
Long-term loans payable	28,294	24,989	-3,304
Long-term lease and guarantee deposited	4,327	4,222	-104
Other	690	569	-121
Net assets	2,011	4,087	+2,075

Note 1: Includes current portion of long-term loans payable



6. Overview of Consolidated Statement of Cash Flows (YoY)

(Millions of yen)

	FY2014	FY2015	YoY change
Net cash provided by (used in) operating activities	2,800	3,408	+608
Profit before income taxes	1,621	2,496	+874
Depreciation	579	645	+66
Amortization of goodwill	1,154	1,176	+22
Net cash provided by (used in) investing activities	(744)	799	+1,544
Proceeds from sales of property, plant and equipment	0	1,280	+1,280
Proceeds from sales of investment securities	-	425	+425
Purchase of intangible assets	(468)	(612)	-143
Net cash provided by (used in) financing activities	(1,985)	(2,963)	-978
Increase/decrease in borrowings	2,140	(3,312)	-5,453
Cash dividends paid	(189)	(163)	+25
Purchase of treasury stock	(3,889)	(4)	+3,885
Net increase (decrease) in cash and cash equivalents	73	1,232	+1,158
Cash and cash equivalents at beginning of period	2,529	2,602	+73
Cash and cash equivalents at end of period	2,602	3,840	+1,237



2. Brokerage Business

(Directly managed + franchise)

1. Overview of Brokerage Business (3-year comparison)

(Millions of yen)

	FY2013	FY2014	FY2015	YoY change
Net sales (Segment)	11,088	11,321	11,455	+134
Franchise agencies	6,800	6,831	7,042	+211
Directly managed agencies	4,288	4,490	4,413	-77
Operating income (Segment)	2,050	2,086	1,918	-168
Franchise agencies	1,054	1,124	1,174	+50
Directly managed agencies	995	962	743	-219
No. of contracted franchises	1,132	1,159	1,164	+5
Franchise agencies	1,043	1,064	1,057	-7
Directly managed agencies	89	95	107	+12
Per directly managed agency (Japan)				
Net sales	57.5	56.1	50.8	-5.3
Operating income	12.9	12.2	9.0	-3.2

Notes: 1. Net sales and operating income per agency are calculated based on the average number of directly managed agencies (Japan) operated during the period.
 2. Amounts are rounded down to the nearest million yen and percentages are rounded off to the first decimal place. Accordingly, figures calculated using mathematical formulas and the resulting figures stated in this material may not agree.



3. Property Management Business

(Rental management + sub-leasing)

1. Overview of Property Management Business (3-year comparison)

(Millions of yen)

	FY2013	FY2014	FY2015	YoY change
Net sales (Segment)	23,642	23,658	23,845	+186
Sub-leasing	17,543	17,498	17,383	-115
Rental management	6,099	6,161	6,462	+301
Operating income	1,044	1,300	1,391	+94
Total number of units under management	60,426	63,492	70,041	+6,549
Rental management	32,867	35,851	41,302	+5,451
Sub-leasing	27,559	27,641	28,739	+1,098
Per 1,000 units				
Net sales	395	382	359	-23
Operating income	17.4	21.0	20.9	+0
Sub-leasing occupancy rate	95.5%	95.4%	94.7%	-0.7pt

- Notes: 1. Amounts are rounded down to the nearest million yen and percentages are rounded off to the first decimal place. Accordingly, figures calculated using mathematical formulas and the resulting figures stated in this material may not agree.
2. The sub-leasing occupancy rate (1 – (rent of vacant units / total rent)) reported in monthly information is not applied.
3. Net sales for sub-leasing and rental management are the total sales proportionally divided by the number of units under management for category at the end of each period.



4. Principal Investment and Fund Management Business

(Rental income)

1. Primary Real Estate Held

RIHGA Royal Hotel Kokura



Lease a building to RIHGA Royal Hotel Kokura

Aruaru City



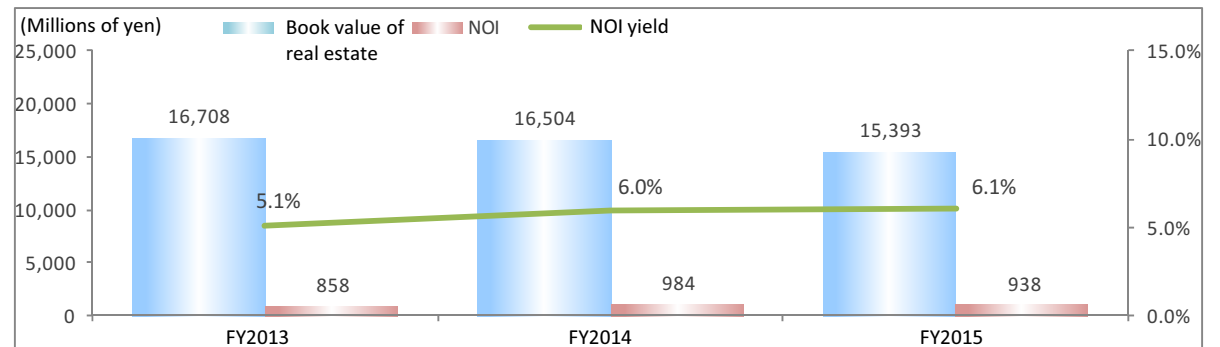
One of Japan's largest subculture buildings
Approximately 2.6 million visitors annually

Aruaru City Building No. 2
(multi-story parking garage)



Multi-story, self-parking parking garage for 1,000 vehicles

Book Value of Real Estate and NOI ^{note 1}



Notes: 1. NOI (net operating income) = Gross profit from rent earnings in Principal Investment and Fund Management Business (excluding value enhancement) + depreciation. Includes portion from real estate sold during the period.
2. NOI yield = NOI / Consolidated book value of real estate at the end of each period.
3. NOI yield for each period is annualized.



5. Medium-term Management Plan

(5-year period from FY2015 to FY2019)

1. Growth Strategy – Medium-term Management Plan

Included in the Medium-term Management Plan

(1) Strengthening subcontracted management

- FY2014 (Actual): **+3,066 units** (No. of marketing staff: 9
Average: 340 units per 1 staff)
- FY2015 (Actual): **+6,549 units** (No. of marketing staff: 26)



(2) Increase in number of directly managed agencies

- FY2014 (Actual): **+6 agencies**
- FY2015 (Actual): **+12 agencies**



(3) Strengthening core business-related activities

- Increase sales of incidental products, move production in-house, develop new products
- Expand related businesses

Example for incidental products



Rent guarantees



Power agency business note



Gas agency business note



Insurance and 24-hour emergency assistance service



Simple type fire extinguishers



Bacterial detergents and deodorants

Related businesses

Note: The Medium-term Management Plan does not include the power and gas agency businesses.



Parking lot



Vending machine



SOHO



Registration center

1. Growth Strategy –Entering *minpaku* (B&B) business

Not included in the
Medium-term
Management Plan



Earnings forecast for the *Minpaku* business will be disclosed after the revision of government ordinances, finalization of rules on approvals and authorizations and other relevant regulations.

1. Growth Strategy

–Current status and outlook for *minpaku* (B&B) business

Not included in the
Medium-term
Management Plan

	National Strategic Special Zones	Inns and Hotels Act (Simple lodging)	New Legislation (Cabinet approval)
Area	Limited to national strategic special zones	Nationwide (excluding residential areas)	Nationwide (excluding residential areas)
Approvals and authorizations	Approval system	Approval system	Registration system (notification system)
Restrictions on stay days	6 or more nights (7 days) → <u>2 or more nights (3 days)</u> ^{note}	One or more nights	One or more nights
Restrictions on number of business days	365 days	365 days	180 days (max.)
Area requirements	Larger than 25m ²	Applicable	Not applicable
Type of contract	Lease contract	Lodging	Decision pending
Other	Municipal Ordinance (Equipment restrictions, etc.)	Municipal Ordinance (Equipment restrictions, etc.)	Municipal Ordinance Resident owner type Absentee owner type

Note: The government is planning to revise the regulation concerning stay days to two or more nights. The revised regulation will come into force following the issuance of government and municipal ordinances.

* Excerpts from various guidelines and other materials.

1. Growth Strategy –Storage

Not included in the
Medium-term
Management Plan

About 300 units are scheduled to be opened by December 2016

(Nerima-ku and Suginami-ku, Tokyo, etc.)



Note: Images are for illustration purposes.

2. Quantitative Targets (Income plan)

(Millions of yen)

	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)	FY2019 (Plan)
Net sales	37,270	37,383	43,000	46,600	51,000	56,000
Brokerage Business	11,321	11,455	13,700	14,800	15,900	16,800
Property Management Business	23,659	23,845	26,900	29,500	32,800	37,000
Other Businesses ^{note2}	2,290	2,082	2,400	2,300	2,300	2,200
Gross profit	10,907	10,965	13,600	15,200	16,900	18,400
Brokerage Business	6,234	6,105	8,000	9,000	10,000	10,800
Property Management Business	3,882	4,023	4,700	5,300	6,000	6,700
Other Businesses ^{note2}	791	836	900	900	900	900
Operating income	2,407	2,489	3,200	3,700	4,400	4,900
Ordinary income	1,682	2,065	2,800	3,300	4,000	4,600
Profit	(3,666)	1,653	1,500	1,600	2,200	2,700
EBITDA ^{note1}	3,910	4,219	4,900	5,400	6,000	6,600

Notes: 1. EBITDA = Ordinary income + interest expenses + depreciation + amortization of goodwill

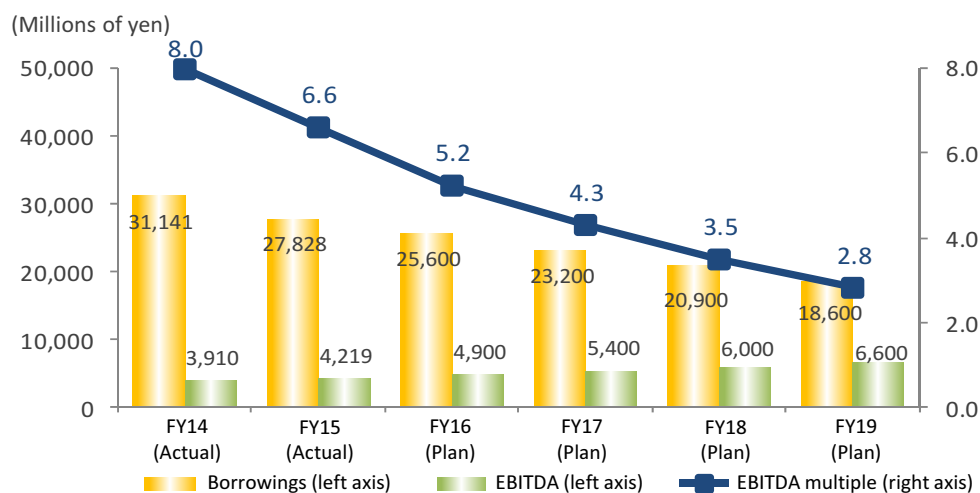
2. Other businesses include Principal Investment and Fund Management Business, Other Business and corporate and eliminations.

3. Quantitative Targets (Financial plan)

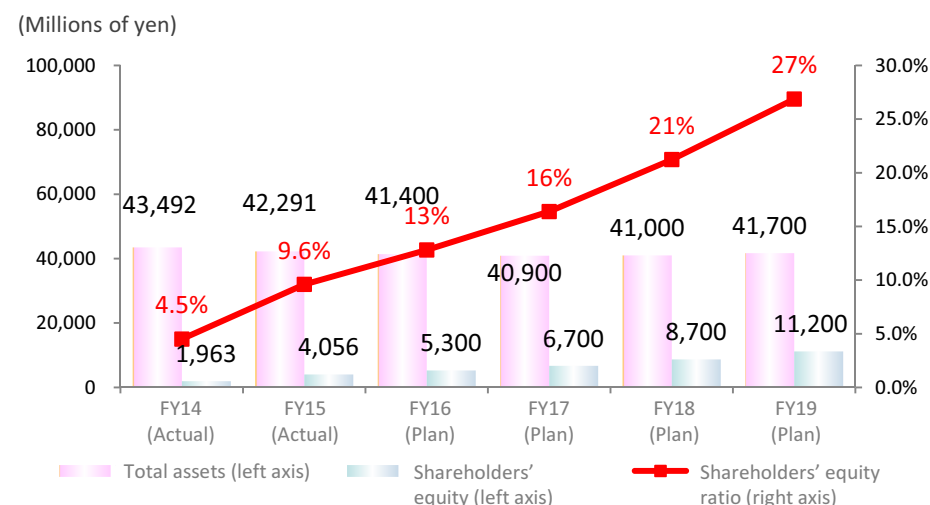
(Millions of yen)

	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)	FY2019 (Plan)
Total assets	43,492	42,291	41,400	40,900	41,000	41,700
Total liabilities	41,480	38,204	36,100	34,100	32,200	30,400
Of which borrowings	31,141	27,828	25,600	23,200	20,900	18,600
Total net assets	2,011	4,087	5,300	6,800	8,800	11,300

EBITDA ^{note1} Multiple ^{note2}



Shareholders' Equity Ratio



Notes: 1. EBITDA = Ordinary income + interest expenses + depreciation + amortization of goodwill

2. EBITDA multiple: Interest bearing debt / EBITDA (Operating income + depreciation + amortization of goodwill)

4. Quantitative Targets (Brokerage segment)

Number of agencies	Unit	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)	FY2019 (Plan)
Franchise agencies	Agencies	1,064	1,057 (-7)	1,104 (+47)	1,124 (+20)	1,144 (+20)	1,164 (+20)
Directly managed agencies	Agencies	95	107 (+12)	125 (+18)	140 (+15)	155 (+15)	170 (+15)
Subtotal	Agencies	1,159	1,164 (+5)	1,229 (+65)	1,264 (+35)	1,299 (+35)	1,334 (+35)
<hr/>							
Brokerage segment Net sales	Billions of yen	11.3	11.4 (+0.1)	13.7 (+2.3)	14.8 (+1.1)	15.9 (+1.1)	16.8 (+0.9)
Brokerage segment Operating income	Billions of yen	2.0	1.9 (-0.1)	2.6 (+0.7)	2.8 (+0.2)	3.1 (+0.3)	3.2 (+0.1)
<hr/>							
Directly managed segment	Millions of yen	56	50 (-5)	55 (+5)	55 (+0)	55 (+0)	55 (+0)
Net sales and operating income per agency (Japan)		12	9 (-3)	11 (+2)	11 (+0)	11 (+0)	11 (+0)

5. Quantitative Targets (PM segment)

Number of properties under management	Unit	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)	FY2019 (Plan)
Rental management	Thousands of units	36	41 (+5)	43 (+2)	48 (+5)	54 (+6)	61 (+7)
Sub-leasing	Thousands of units	28	28 (+1)	31 (+2)	34 (+3)	38 (+4)	43 (+5)
Total	Thousands of units	64	70 (+6)	74 (+4)	82 (+8)	92 (+10)	104 (+12)
PM segment Net sales	Billions of yen	23.6	23.8 (+0.1)	26.8 (+3.0)	29.5 (+2.7)	32.8 (+3.3)	37.0 (+4.2)
PM segment Operating income	Billions of yen	1.3	1.3 (+0)	1.5 (+0.2)	1.9 (+0.4)	2.3 (+0.4)	2.8 (+0.5)
PM segment Net sales and operating income per 1,000 units	Millions of yen	382 21	359 (-23) 20 (-0)	378 (19) 22 (+2)	378 (0) 24 (+2)	377 (-1) 26 (+2)	377 (0) 29 (+3)

Thank you for your attention



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