

Year ended December 31, 2016

ANNUAL REPORT 2016



**Driving Force
Management Power**

Arealink Co., Ltd.



2016 Highlights



Enhance brand power

- Developed collaborative properties combining Hello Storage rental storage space with the popular Hello Kitty character.



Secure a 50% share of the Japanese self-storage market

- Launched a new contracted storage management service, building on our high brand power.
- Acquired a U.S. self-storage business to further advance the contracted business, and made investments aimed at incorporating leading-edge expertise from overseas.



Bolster growth potential through investment and strengthening of business foundation

- Developed new “2x4 Trunk” (wood frame construction) type self-storage locations with accompanying land.



Strengthen location openings and customer acquisition, and increase efficiency

- Increased IT system investment to support operational efficiency and service improvements.
- Expanded marketing activities using signs.



Cultivate and strengthen of follow-up business on investors and real estate owners

- Focused particularly on cultivating the land rights management business (limited land rights)



Overview of FY2016

Net Sales

16,908 million yen

Operating Income

1,935 million yen

Ordinary Income

1,968 million yen

Net Income

1,142 million yen

ROE

7.6%

Shareholders' Equity Ratio

64.2%

Market Share in Japan

14.0% (2016)

No. 1 share of the Japanese self-storage market

Storage Total Units

70,651 units

(+8,326 units year on year)

Number of New Contracts

23,298

(+2,940 year on year)

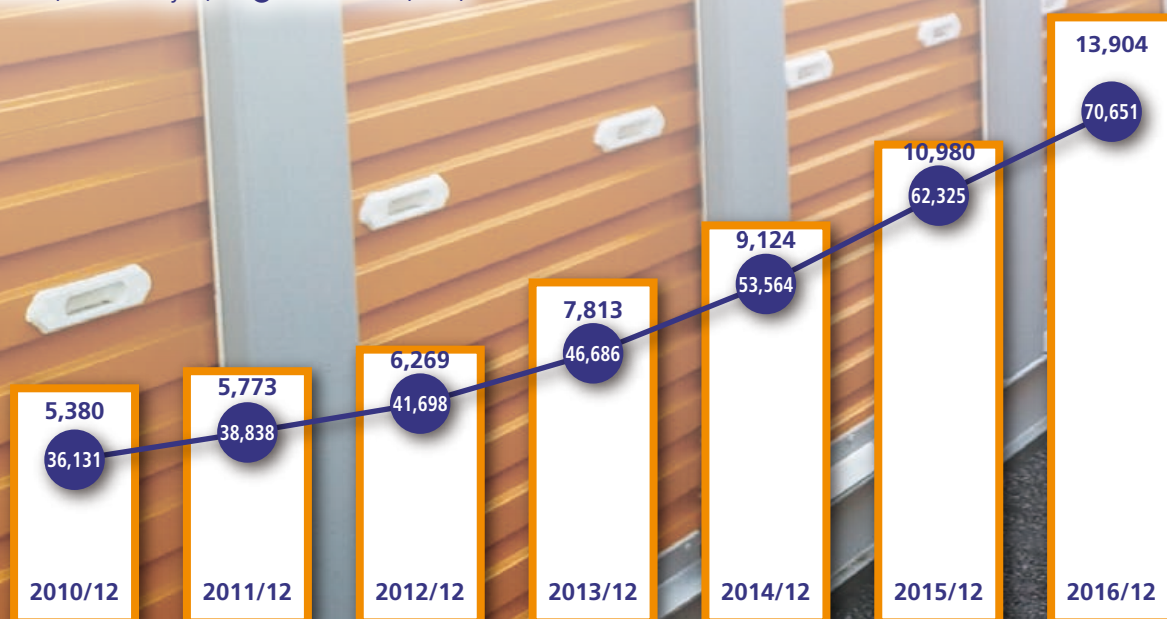
Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2016 Edition (Japan)
Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage.

Arealink's Overwhelming Advantage in the Self-Storage Business Delivers Strong Growth

Arealink's mainstay business is self-storage, represented by Hello Storage, the leading brand in rental storage space in Japan. Considering the housing situation in Japan, particularly in urban areas, Arealink has grown by meeting the needs of the many customers desiring a convenient and enjoyable life utilizing space. We hold the top share of the domestic self-storage market, serving around 55,000 customers. We plan to further expand our market share by concentrating investment in the service-oriented self-storage business.

Trend in Net Sales in Self-Storage Business and Total Units

Net sales (Millions of yen) Total units (units)





Outdoor Container Type

These are large storage spaces utilizing sturdy, overseas shipping containers. They are large enough to drive into, for easy loading and unloading. Arealink has approximately 54,000 units nationwide, from Hokkaido to Okinawa.



Indoor Trunk Type

These are clean, indoor storage spaces accessible 24 hours a day, and equipped with an advanced security system. Arealink is the most extensive brand in the Tokyo metropolitan area, with around 17,000 units.



Self-Storage with Accompanying Land

This is a new product, specially planned and built as fully air-conditioned, indoor trunk rooms located in suburban areas, where outdoor storage types are more common. The properties were designed to appeal to women, with attention to security and peace of mind.



Collaboration with Hello Kitty

Arealink installed signs at all its locations featuring the popular Hello Kitty character beloved by people of all ages, establishing the Hello Storage brand image.



Indoor Whole Building Type

These are indoor trunk type locations where the entire building is storage space. They were developed to enhance awareness mainly in urban areas where storage needs are high.

Number of New Contracts in the Self-Storage Business and Net Increase in Self-Storage Units

□ New contracts (number of persons) ● Net increase in self-storage units



Message from the President



Naomichi Hayashi
President & CEO

“Implementing a Range of Measures to Capture a 50% Market Share in Japan’s Storage Business”



Business results for 2016

Arealink posted net sales of ¥16,908 million in fiscal 2016 (ended December 31, 2016), with operating income of ¥1,935 million, and ROE of 7.6%. Growth in our mainstay self-storage business was particularly notable, with net sales rising 26.6% year on year. Revenue and earnings were both

down year on year compared to plan, but we made steady progress toward reaching our initial targets. The main reason for the decline was the proactive sales in 2014 and 2015 of income-generating properties in the Property Revitalization & Liquidation Service segment, resulting in transient earnings. The Property Management Service business, which includes Hello Storage, the leading brand in the rental storage space market, grew steadily. By segment, the Property Management Service business, which operates Hello Storage and Hello Rental Meeting Rooms, recorded revenues of ¥15,820 million. The Property Revitalization & Liquidation Service

business, dealing in land rights for lease-land properties, which is less susceptible to market conditions, had revenues of ¥1,087 million.



Priority strategies and earnings forecasts for 2017

Arealink will strengthen its self-storage business measures during fiscal 2017 in a continued effort to achieve a 50% share of the Japanese self-storage market. As one measure to enhance data analysis-based marketing, we will pursue scientific marketing activities using applications such as Salesforce and G Suite. We will also take advantage of our brand power as the leading company in Japan's self-storage market to expand our contracted storage management service for other firms. As a

measure to further advance the contracted business, we will purchase facilities in the United States, a leader in self-storage, in order to accumulate advanced expertise. In addition, with an eye toward future securitization (funds or REITs), we will develop self-storage properties with accompanying land, including 2x4 types, steel-frame 3-story buildings, and system containers.

In other areas, as part of a service expansion for existing asset holders and real estate owners, we will further strengthen our land rights management (limited land rights) business. Land rights management is a high-earnings business, with expected returns of 3% annually, and 20% at the time of sale in one-two years.

Formula for Growth

Business Model (No. 1 in a Growth Market)

Strengthening our storage business, a market where growth is expected, and aiming for the No. 1 market share

- Storage facilities with land
- Storage administration business

X

Human Resources (Personnel Training)

A small group of highly capable people focusing on practical creative work

- Arealink Master
- Training with over-night stays, etc.

X

Management (Organization and Business)

All departments aim to be tops in Japan as specialists and differentiated service providers

Combining management of leading European and U.S. companies and Japanese management

Future-oriented ideal company in 2025
Ordinary income 10 billion yen, Employees 200
Combining the best aspects of European/U.S. and Japanese management

For fiscal 2017 (ending December 31, 2017), Arealink is forecasting net sales of ¥19,447 million, with ¥2,254 million in operating income. We expect the mainstay self-storage business to expand 19.8% compared to the previous fiscal year.



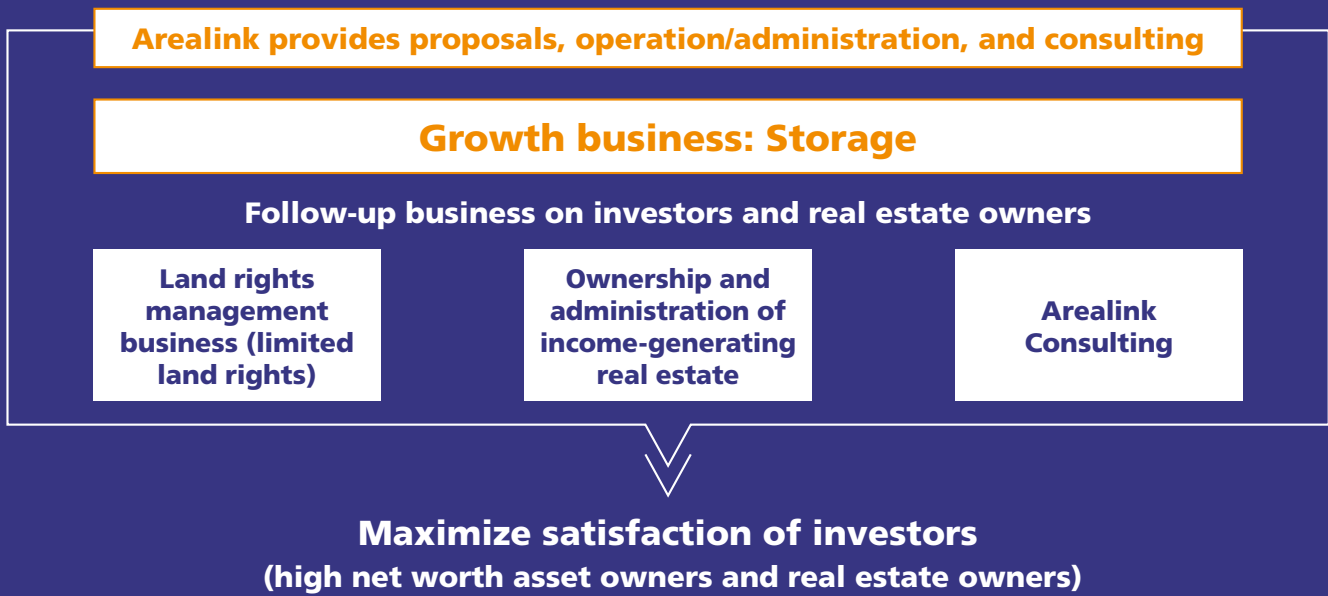
Arealink's 20th anniversary

Arealink marked its 20th anniversary in April 2015. I think these first two decades can be broadly divided into three founding periods. The first is the several years after Arealink's founding in 1995. In 2003 we listed on the TSE Mother's market, and the scale of the company gradually expanded. Long working hours were the norm in this corporate culture.

The second period was the time after the financial crisis in September 2008. This was just at the point when self-storage became our business focus, and we were pursuing a range of internal reforms, including introducing various training programs and structures. The business and internal reforms began to produce results, bringing improvements in our business performance and financial position.

The third founding period has just begun. Arealink has set an ambitious ten-year goal of 200 employees and ¥10 billion in ordinary income. At the same time, we are aiming to establish the sort of company that research shows employees desire, a company with high pay, ample vacation time, and little overtime.

Realizing High Growth through Being Tops in the Storage Business Niches



A highly efficient work environment that continually produces results requires a “brainwork” style that favors intellect over physical effort. Accordingly, to enhance production efficiency for the company overall, in December 2016 Arealink consolidated its business locations, and moved the head office to Tokyo’s Akihabara district. Various elements have been incorporated into the new office to promote highly efficient work that will test creativity and forward-thinking capabilities. I believe that if we can combine the “over-the-top” style of global companies like Google and Apple, which emphasizes efficiency, with the warm corporate culture of Japan that cultivates human assets, we can become an exceptional company not found anywhere else.



Achieving our medium to long-term goals

There seems to be little positive news in Japan these days, as Japanese society faces major social changes as a result the low birthrate, an aging society, and population decline. However, I think there are still bright spots yet to be uncovered, and many potential business opportunities. We look for the things that trouble and concern



Creating New Business Opportunities through New Concepts that Focus on Social Issues

customers, and present solutions that bring them happiness. Specific examples include development of new products such as 2x4 Trunk for optimal utilization of land in suburban areas, training for salespersons with asset management knowledge, and strengthening of leasing capabilities. At the heart of these measures is the attitude we have maintained since our founding, that problems offer business opportunities. We take the perspective of asking what problems people face, and rather than just thinking how we can make a profit, generate new ideas that address social issues.

An era where the future is unclear is also one with needed businesses. Our goal is not just to maximize profit, but to realize a company that satisfies our customers and shareholders, and takes care of employees.

Naomichi Hayashi

President & CEO

Priority Strategies for the Next Stage of Growth



Core Business

Self-Storage Business

Strengthening marketing activities

The self-storage business is becoming increasingly competitive in terms of price, and differentiation in products and services. In such a market environment, Arealink has introduced a sales support system that utilizes a database to clarify standards for location openings, and optimize product type. We also make efforts for service differentiation with the "Speed 3-Minute Contract" for 24-hour contract conclusion.

Arealink conducts marketing based on data analysis, pursuing cloud-based sales activities utilizing G Suite and Salesforce. The basis for the "intuition" we've developed for product type, optimal price, and standards for store openings, is clarified with data in a database. We currently have information on 1,000 sites, and plan to further expand its scope. In addition, we are pursuing sign-based marketing as a means to strengthen relationships with land owners, and sow seeds for the future. Signs have been installed at more than 420 sites.

Share of the Japanese Self-Storage Market

14.0% (2016)



50.0% (2026)



Signage Marketing

As part of its marketing program, Arealink uses signs to strengthen relationships with real estate owners. As of the end of 2016, we had installed signs on more than 420 lots.

Using Hello Storage: Storage for seasonal items



"My family enjoys going camping every summer. We've bought a lot of new outdoor goods, but storage was a problem. It was also difficult to get rid of older items that brought back fond memories, so we decided to use a storage room. The storage room we rented is air conditioned, so we are able to store items without concern. We don't need to worry about theft or damage from bad weather, and the facility has a parking lot as well, so we can take our time loading and unloading, without having to park illegally."*

* Air conditioning and parking availability vary by Hello Storage facility.



Launch of the contracted storage management business

Drawing on its brand strength and customer acquisition expertise, in 2016 Arealink launched a contracted management business to recruit customers for properties owned by other companies. We established a special team for new business development, and aim to acquire contracts for 100 properties in 2017. This is one of our measures to achieve a 50% share of the Japanese self-storage market within ten years.

Arealink has developed numerous self-storage locations nationwide since launching the business in 1999, acquiring operational expertise. Our steady business results are backed by an effective customer acquisition structure built on our capability to attract customers, and an economy of scale. Utilizing our top market share and customer acquisition capabilities, we will be able to conclude contracts on favorable terms, and anticipate high profitability for the contracted business.

Further, to acquire expertise in the contracted services business, Arealink has purchased self-storage facilities in the United States, where the contracted business is well established. Management and operation of the property has been entrusted to CubeSmart, the fourth largest company in the U.S. self-storage market.* CubeSmart operates 626 properties with 396,000 units, of which 22% are managed under contract. Going forward, we will analyze the advanced structures of overseas markets, and by accumulating new expertise strengthen the contracted management business and expand our market share. Total investment in fiscal 2016 was ¥750 million.

*Source: "Self-Storage Almanac 2016"

Investments in Fiscal 2016 for Purchasing U.S. Storage Space

¥750 million

Return on Units Purchased

6%

Contract Business in 2017 Targeted Locations

100

Using Hello Storage: Space for hobbies and collections



"I live in an apartment without a parking space for motorcycles, but really wanted a bike. I found that I could keep a motorcycle at Hello Storage, and immediately decided to buy one. I could keep it in a container, and so wouldn't have to worry about it being stolen. On my days off I get up early and enjoy going for rides. I love planning where I'll head to next. My weekends are really satisfying now."



55 Priority Strategies for the Next Stage of Growth

Development of a new type of self-storage with accompanying land

Arealink develops self-storage properties with accompanying land, including 2x4 Trunk, steel-frame 3-story buildings, and system containers, with an eye toward future securitization (funds or REITs), and sells these to investors when the utilization rate reaches a certain level. This service allows us to open locations under a broad range of conditions including site and land area, as well as to expand the base of end users. The 2x4 self-storage type in particular is positioned in between downtown and suburban self-storage types, and well matched to market needs in residential areas. By establishing a new image for self-storage of reasonable cost and cleanliness, these locations have maintained an extremely high utilization rate. We plan to build 10 locations of self-storage units with land during fiscal 2017, with a further 30 planned for the future.

Self-storage locations with accompanying land are designed specifically for Hello Storage, enhancing convenience and design. These locations offer a new type of asset for investors other than rental apartments, and establish a structure to support expanded securitization.

2x4 Trunks
Construction Planned
in Fiscal 2017

10



2x4 trunks create a new image in the self-storage business and make possible reasonable cost and high utilization rates.

Using Hello Storage: Storage space for companies and groups



"I run a construction-related business, and need a place to store documentation and other materials in between jobs. I live in an apartment without extra space, so use a self-storage unit to keep the documents I'm not using. Previously we kept all documents in a warehouse on site, but we didn't bring the unused documents, and ended up with empty space in the warehouse. Having a place to keep the increasing volume of documents is extremely valuable."



Other Business

Limited Land Rights: Land Rights Management Business

Arealink is commercializing a new business venture related to follow-up services for existing investors (wealthy individuals and property owners).

The lands rights business is basically a land rights management business, involving purchasing land from owners receiving rent from leasing, and (in general) selling it to the leaseholder. In cases such as inheritance involving land owners holding limited property rights, problems often arise. To help solve these difficulties, as part of our follow-up support for owners, Arealink will purchase land from the owners it contracts with for self-storage, or from ordinary landowners, and sell these properties to the leaseholders when the timing is right. We estimate returns from this business of 3% annually, with a 20% gain on sale after 1-2 years. Total planned investment in the land rights business is ¥1.5 billion in fiscal 2017, with a total of ¥6-8 billion allocated over a three-year period. We anticipate ¥2.0 billion in gross profit over the next three years.

Arealink carefully explains the framework for the land rights business to land owners when purchasing land. We are also able to draw on the strength of our sound financial position compared to competing companies to offer advantages in terms of price and quick resolution. Accordingly, inquiries from land owners have increased significantly in recent years. Arealink is currently third in this industry, and aims to become the industry leader in the near future.

Expected Annual Return

3%

Planned Investment

■ Fiscal 2017

¥1.5 billion

■ Total for Three Years

¥6.0 billion

to ¥8.0 billion

Land Rights Business Scheme



■ Negotiations conducted by specialist staff

■ Purchase of land rights

- Expert knowledge
- In-depth communication
- Network of partner attorneys and industry professionals

Six-Year Summary

Years ended December 31

	Millions of Yen					
	2016	2015	2014	2013	2012	2011
Summary of Income						
Net sales	¥16,908	¥17,173	¥18,120	¥12,256	¥10,124	¥10,603
Property management service	15,820	12,980	11,845	10,735	9,551	9,819
Property revitalization & liquidation service	1,087	4,192	6,274	1,521	573	783
Cost of sales	12,136	12,100	13,759	8,950	7,494	8,238
Gross profit	4,771	5,073	4,360	3,306	2,629	2,365
Selling, general and administrative expenses	2,835	2,415	2,125	1,800	1,464	1,320
Operating income	1,935	2,657	2,235	1,505	1,165	1,044
Ordinary income	1,968	2,442	2,087	1,433	1,075	953
Net income before income taxes	1,902	2,405	2,222	1,369	844	575
Net income	1,142	1,550	1,541	1,346	948	772
Financial Position						
Total assets	23,791	19,312	19,539	23,017	18,612	17,266
Current assets	12,168	9,121	10,115	10,828	5,752	5,503
Noncurrent assets	11,622	10,191	9,423	12,189	12,860	11,762
Interest-bearing debt	4,793	1,311	2,759	7,837	5,545	5,206
Net assets	15,283	14,626	13,514	12,282	10,935	9,987
Cash Flows						
Cash flows from operating activities	(708)	3,941	7,123	1,014	443	2,641
Cash flows from investing activities	(1,544)	(1,069)	146	(2,764)	(489)	1,080
Free cash flows	(2,253)	2,871	7,270	(1,750)	(45)	3,721
Cash flows from financing activities	2,999	(1,888)	(5,429)	2,256	311	(1,937)
Cash and cash equivalents at end of period	7,158	6,415	5,431	3,590	3,084	2,818
Amount per Share of Common Stock*¹ (Yen)						
Net income per share (EPS)	93.06	126.3	125.5	109.7	77.2	62.9
Book value per share (BPS)	1,245.09	1,191.4	1,100.9	1,000.5	890.8	813.5
Cash dividends per share	39	39	36	25	0	0
Financial Indicators (%)						
Operating income ratio	11.4	15.5	12.3	12.3	11.5	9.8
Return on equity	7.6	11.0	11.9	11.6	9.1	8.0
Return on assets	5.3	8.0	7.2	6.5	5.3	4.3
Shareholders' equity ratio	64.2	75.7	69.2	53.4	58.8	57.8
Interest-bearing debt ratio	31	9	20	64	50	52
Investment Indicators (Times)						
Price/Earning value ratio—PER* ²	13.4	11.4	11.2	11.9	8.9	4.4
Price/Book value ratio—PBR* ³	1.00	1.21	1.27	1.30	0.77	0.34
Price/Cash flow ratio—PCFR* ⁴	8.94	8.65	7.02	9.00	5.86	2.25

*1 Consolidation-adjusted per share data

*2 Year-end share price/Net income per share

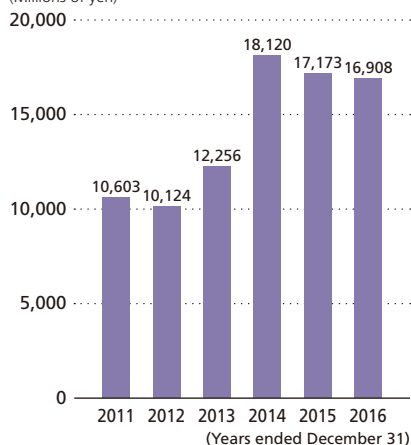
*3 Year-end share price/Net assets per share

*4 Year-end share price/Cash flow per share

Management's Discussion and Analysis of Financial Condition and Operating Results

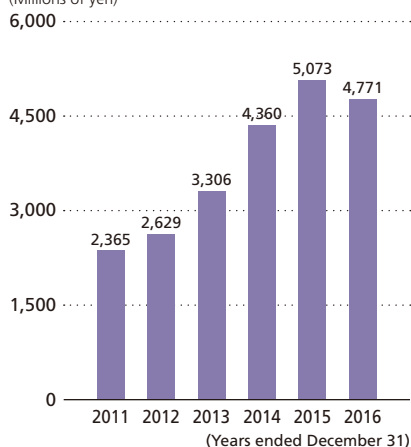
Net Sales

(Millions of yen)



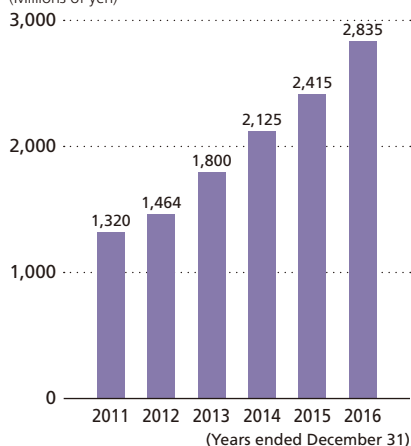
Gross Profit

(Millions of yen)



Selling, General and Administrative Expenses

(Millions of yen)



Business Results for Fiscal 2016

Arealink proactively expanded its Property Management Service business, centered on a "stock-type" (service oriented) business model, as well as its Property Revitalization & Liquidation Service business, centered on the sale of properties held for resale in response to market conditions.

As a result, net sales for fiscal 2016 amounted to ¥16,908 million (down 1.5% year on year), with operating income of ¥1,935 million (down 27.2%), ordinary income of ¥1,968 million (down 19.4%), and net income of ¥1,142 million (down 26.3%). Operating results by business segment were as follows.

Property Management Service

In the mainstay self-storage business, to strengthen openings of new community-oriented locations and improve customer service, Arealink leveraged its full-fledged operations and new location development structure, centered on existing offices and sales agencies, to maintain a steady pace for openings and operations, which contributed to greater earnings. We also opened collaboration locations combining Arealink's self-storage brand Hello Storage with Sanrio's popular Hello Kitty character, and took proactive steps for business expansion, including acquiring self-storage properties in the United States.

As a result, net sales in the Property Management Service segment amounted to ¥15,820 million (up 21.9% year on year), with operating income of ¥2,735 million (up 15.1%).

Property Revitalization & Liquidation Service

Arealink expanded its business operations in the land rights business, which is less susceptible to real estate market conditions, proactively buying and selling land rights. Of note, in the previous fiscal year, in response to favorable real estate market conditions, Arealink actively sold commercial property, office buildings, and residential apartments held for resale.

As a result, net sales in the Property Revitalization & Liquidation Service segment amounted to ¥1,087 million (down 74.1% year on year), with operating income of ¥246 million (down 79.0%).

Financial Condition

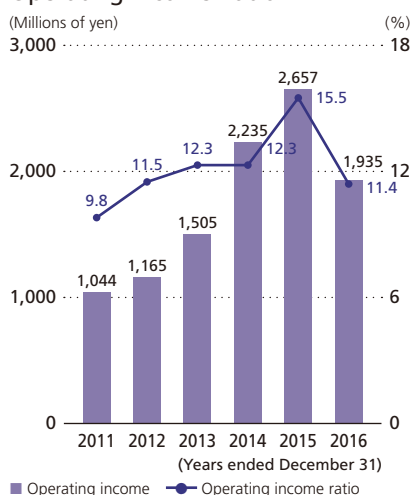
Total assets at the end of fiscal 2016 (December 31, 2016) increased 23.2% compared with the end of the previous fiscal year (December 31, 2015), to ¥23,791 million.

Current assets increased 33.4% from the end of the previous fiscal year to ¥12,168 million. This was due mainly to increases of ¥2,142 million in real estate for sale, mainly land with limited usage rights and land for construction of real estate properties and ¥743 million in cash and deposits.

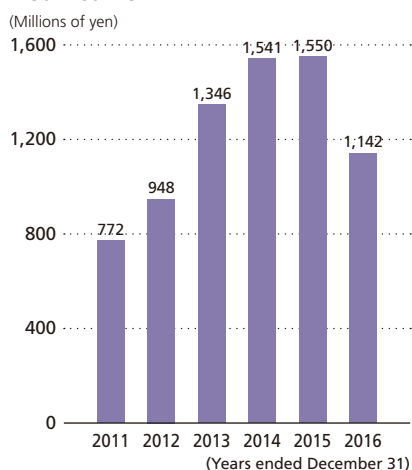
Noncurrent assets increased 14.0% year on year to ¥11,622 million. This was due mainly to increases of ¥1,133 million in total property, plant and equipment stemming from acquisition of tangible fixed assets and ¥305 million in guarantee deposits.

Total liabilities increased 81.5% from the previous fiscal year to ¥8,508 million.

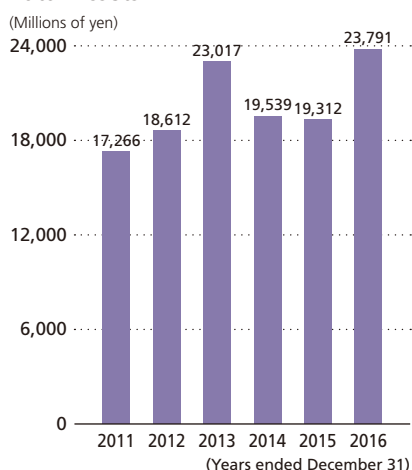
Operating Income/ Operating Income Ratio



Net Income



Total Assets



Current liabilities increased 72.2% year on year to ¥4,959 million. This was due mainly to increases of ¥1,644 million in short-term loans payable and ¥244 million in current portion of long-term loans payable principally for purchasing self-storage locations with land, against a decrease of ¥398 million in income taxes payable.

Noncurrent liabilities increased 96.5% year on year to ¥3,548 million. This was due mainly to increases of ¥1,395 million in long-term loans payable and ¥175 million in bonds payable.

Net assets increased 4.5% from the previous fiscal year to ¥15,283 million. This was due mainly to an increase of ¥663 million in retained earnings brought forward.

Cash Flows

Cash and cash equivalents (“cash”) at the end of fiscal 2016 (December 31, 2016) increased ¥743 million from the end of the previous fiscal year (December 31, 2015), to ¥7,158 million. The condition of each cash flow during the subject fiscal year and the primary factors affecting them are as follows.

Cash flow from operating activities

Cash used in operating activities amounted to ¥708 million. This was due mainly to decreasing factors of a ¥2,263 million increase in inventories; ¥1,081 million in income taxes paid; against increasing factors of ¥1,902 million in net income before tax; and ¥518 million in depreciation.

Cash flow from investing activities

Cash used in investing activities amounted to ¥1,544 million. This was due mainly to decreasing factors of ¥1,537 million in expenditures for acquisition of property, plant and equipment.

Cash flow from financing activities

Cash provided by financing activities amounted to ¥2,999 million. This was due mainly to increasing factors of ¥2,000 million in proceeds from long-term loans payable; ¥1,644 million in increase of short-term loans payable; against ¥477 million in cash dividends paid; and ¥360 million in expenditures for repayment of long-term loans payable.

Procurement and Usage of Funds

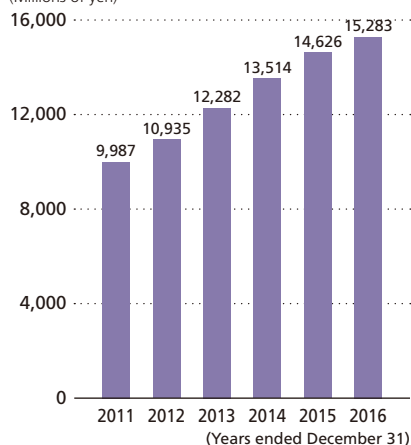
Arealink finances investments necessary for growth either from internal funds or, when its cash requirements exceed cash on hand, procures funds within the scope of liquidity. If there are promising projects, Arealink actively procures funds from external sources to realize its growth plans.

Dividend Policy

Arealink regards the long-term, comprehensive expansion of profit to shareholders as an important management objective. Our basic policy is to maintain a stable target payment of payout ratio of 30% commensurate with the Company's financial condition and earnings, based on the long-term business plan, and assessing the market environment

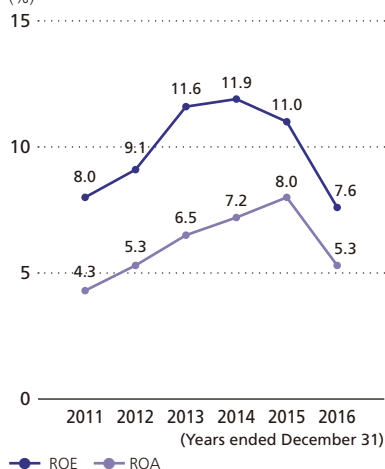
Net Assets

(Millions of yen)



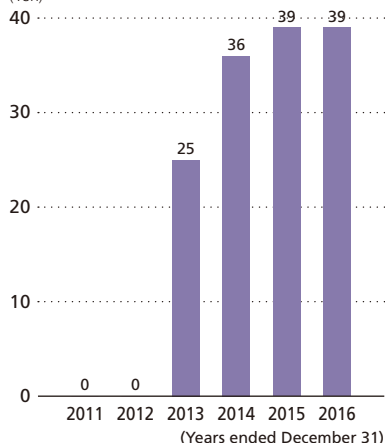
Return on Equity/Return on Assets

(%)



Cash Dividends per Share

(Yen)



Note: Consolidation-adjusted per share data

and opportune timing for capital expenditures, while also keeping in mind retention of earnings for reinvestment. The basic policy for the number of payouts is once per year at the end of the fiscal period, as determined by the General Meeting of Shareholders.

Of note, the Articles of Incorporation state that "By resolution of the Board of Directors, the Company may pay an interim dividend with a record date of June 30 annually." Accordingly, the decision-making body for the dividend of surplus is the General Meeting of Shareholders for year-end dividends, and the Board of Directors for interim dividends.

For fiscal 2016, based on a comprehensive consideration of current economic conditions, the Company's financial condition, and business results for the year, Arealink plans to pay an annual dividend of ¥39.0 per share.

For fiscal 2017, in accordance with the above basic policy and earnings forecasts at the present time, Arealink plans to pay an annual dividend of ¥40.0 per share. There are no plans for an interim dividend.

Outlook for Fiscal 2017

For fiscal 2017 (ending December 31, 2017), despite the recovery trend in the general economy, the outlook for business conditions in the real estate industry remains uncertain as a result of concerns including the impact that U.S. President Trump's policies will have on the Japanese economy, and continued high real estate prices.

Under such conditions, in the Property Management Service, Arealink has increased location openings for its mainstay self-storage business. With the addition of the new 2x4 Trunk-type self-storage units alongside conventional trunk and container units, we are accelerating openings of storage locations and increasing our share of the self-storage market. Along with proactive expansion of the self-storage business, we plan to establish a stable foundation for earnings centered on strengthening the Office Division through new openings of rental meeting room locations, which will address such issues as differentiating ourselves from the competition, while expanding our "stock-type" (property management service oriented) business model.

In the Property Revitalization & Liquidation Service, for real estate trading we are focusing on the buying and selling of land rights, which is comparatively less susceptible to real estate market conditions, and will pursue slow and steady sales activities to develop a business centered on sales to land lease right holders.

In terms of costs, we anticipate increases in expenses for introduction of the sales support system and other measures related to business expansion, as well as IT system investments to improve services, but expect to lower expenditures through enhanced business efficiency with the introduction of IT systems, and far-reaching cost controls.

In consideration of these factors, for the fiscal year ending December 31, 2017, Arealink is forecasting net sales of ¥19,447 million, comprising an increase in the Property Management Service segment to ¥18,547 million, and a decline in the Property Revitalization & Liquidation Service segment to ¥900 million. In terms of earnings, we forecast operating income of ¥2,254 million, ordinary income of ¥2,220 million, and net income of ¥1,353 million.

Non-Consolidated Balance Sheets

Arealink Co., Ltd.
December 31, 2016 and 2015

	Millions of Yen	
	2016	2015
ASSETS		
Current assets:		
Cash and deposits	¥ 7,158	¥ 6,415
Accounts receivable—trade	95	102
Merchandise	335	436
Real estate for sale	3,561	1,419
Costs on uncompleted construction contracts	92	211
Prepaid expenses	243	203
Deferred tax assets	67	106
Other current assets	641	257
Allowance for doubtful accounts	(27)	(30)
Total current assets	12,168	9,121
Noncurrent assets:		
Property, plant and equipment:		
Buildings	5,660	4,981
Accumulated depreciation	(1,576)	(1,387)
Accumulated impairment loss	(179)	(132)
Buildings, net	3,904	3,460
Structures	1,243	823
Accumulated depreciation	(303)	(218)
Accumulated impairment loss	(99)	(44)
Structures, net	840	560
Machinery and equipment	82	87
Accumulated depreciation	(63)	(57)
Accumulated impairment loss	(6)	(6)
Machinery and equipment, net	11	23
Vehicles	13	13
Accumulated depreciation	(8)	(6)
Vehicles, net	5	7
Tools, furniture and fixtures	1,949	1,653
Accumulated depreciation	(672)	(560)
Accumulated impairment loss	(52)	(47)
Tools, furniture and fixtures, net	1,223	1,045
Land	3,954	3,685
Lease assets	161	170
Accumulated depreciation	(96)	(82)
Lease assets, net	65	88
Total property, plant and equipment	10,004	8,870
Intangible assets:		
Other	107	86
Total intangible assets	107	86
Investments and other assets:		
Investment securities	159	158
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,290	1,280
Guarantee deposits	1,285	979
Other	80	117
Allowance for doubtful accounts	(1,303)	(1,302)
Total investments and other assets	1,510	1,234
Total noncurrent assets	11,622	10,191
Total assets	¥23,791	¥19,312

	Millions of Yen	
	2016	2015
LIABILITIES		
Current liabilities:		
Accounts payable—trade	¥ 243	¥ 249
Accounts payable for construction contracts	471	268
Short-term loans payable	1,977	333
Current portion of long-term loans payable	488	244
Accounts payable-other	533	306
Income taxes payable	316	715
Advances received	629	569
Other	298	193
Total current liabilities	4,959	2,880
Noncurrent liabilities:		
Long-term loans payable	2,016	621
Guarantee deposited	565	523
Asset retirement obligations	585	418
Other	382	242
Total noncurrent liabilities	3,548	1,805
Total liabilities	8,508	4,686
NET ASSETS		
Shareholders' equity:		
Capital stock	5,568	5,568
Legal capital surplus	5,612	5,612
Total capital surplus	4,363	3,700
Treasury stock	(261)	(256)
Total shareholders' equity	15,283	14,624
Valuation and translation adjustments:		
Total valuation and translation adjustments	0	1
Total net assets	15,283	14,626
Total liabilities and net assets	¥23,791	¥19,312

Non-Consolidated Statements of Income

Arealink Co., Ltd.

Fiscal years ended December 31, 2016 and 2015

	Millions of Yen	
	2016	2015
Net sales	¥16,908	¥17,173
Cost of sales	12,136	12,100
Gross profit	4,771	5,073
Selling, general and administrative expenses	2,835	2,415
Operating income	1,935	2,657
Non-operating income:		
Interest income	10	12
Default charge income	1	2
Penalty income	62	9
Other	18	23
Total non-operating income	93	48
Non-operating expenses:		
Interest expenses	39	46
Commission fee	4	28
Early repayment of loans	—	161
Other	15	27
Total non-operating expenses	60	264
Ordinary income	1,968	2,442
Extraordinary income:		
Gain on sales of noncurrent assets	17	27
Gain on transfer of business	11	12
Penalty income	61	—
Total extraordinary income	90	39
Extraordinary loss:		
Loss on retirement of noncurrent assets	12	2
Impairment loss	115	58
Loss on valuation of securities	—	15
Other	28	—
Total extraordinary losses	156	76
Net income before income taxes	1,902	2,405
Income taxes—current	667	774
Income taxes—deferred	92	80
Total income taxes	760	854
Net income	¥ 1,142	¥ 1,550

Non-Consolidated Statements of Cash Flows

Arealink Co., Ltd.

Fiscal years ended December 31, 2016 and 2015

	Millions of Yen	
	2016	2015
Cash flows from operating activities:		
Income before income taxes	¥1,902	¥2,405
Depreciation	518	463
Impairment loss	115	58
Decrease (increase) in notes and accounts receivable—trade	(117)	30
Decrease (increase) in inventories	(2,263)	1,872
Decrease (increase) in consumption taxes refund receivable	70	(70)
Increase (decrease) in notes and accounts payable—trade	196	(18)
Increase (decrease) in accrued consumption taxes	1	(370)
Increase (decrease) in guarantee deposits received	41	(58)
Other, net	(58)	(165)
Subtotal	407	4,146
Interest and dividends income received	10	13
Interest expenses paid	(45)	(50)
Income taxes paid	(1,081)	(168)
Net cash provided by (used in) operating activities	(708)	3,941
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,537)	(1,055)
Proceeds from sales of property, plant and equipment	—	9
Purchase of intangible assets	(49)	(54)
Collection of loans receivable	17	79
Proceeds from redemption of investment securities	30	—
Other, net	(5)	(48)
Net cash provided by (used in) investing activities	(1,544)	(1,069)
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	1,644	333
Proceeds from long-term loans payable	2,000	120
Repayment of long-term loans payable	(360)	(1,879)
Proceeds from issuance of bonds	250	—
Redemption of bonds	(25)	—
Purchase of treasury shares	(4)	—
Cash dividends paid	(477)	(440)
Repayments of lease obligations	26	(21)
Net cash provided by (used in) financing activities	2,999	(1,888)
Effect of exchange rate changes on cash and cash equivalents	(3)	—
Net increase (decrease) in cash and cash equivalents	743	983
Cash and cash equivalents at beginning of period	6,415	5,431
Cash and cash equivalents at end of period	¥7,158	¥6,415

Non-Consolidated Statements of Changes in Shareholders' Equity

Arealink Co., Ltd.

Fiscal years ended December 31, 2016 and 2015

	Millions of Yen										
	Shareholders' Equity							Valuation and Conversions			
	Capital Surplus			Retained Earnings		Treasury Stock	Total Shareholders' Equity	Net Unrealized Gains on Marketable Securities	Deferred Gains or Losses on Hedges	Total Valuation and Conversions	Total Net Assets
	Common Stock	Legal Reserve	Total Capital Surplus	Other Reserve	Total Retained Earnings						
			Retained Earnings Brought Forward								
Balance as of January 1, 2015	¥5,568	¥5,612	¥5,612	¥2,591	¥2,591	¥(256)	¥13,515	¥(1)	¥—	¥(1)	¥13,514
Increase (decrease) during the period ended December 31, 2015											
Dividends from surplus				(441)	(441)		(441)				(441)
Net income				1,550	1,550		1,550				1,550
Purchase of treasury shares							—				—
Net changes in items excluding shareholders' equity during the period								3	—	3	3
Total	—	—	—	1,108	1,108	—	1,108	3	—	3	1,111
Balance as of December 31, 2015	¥5,568	¥5,612	¥5,612	¥3,700	¥3,700	¥(256)	¥14,624	¥1	¥—	¥1	¥14,626

	Millions of Yen										
	Shareholders' Equity							Valuation and Conversions			
	Capital Surplus			Retained Earnings		Treasury Stock	Total Shareholders' Equity	Net Unrealized Gains on Marketable Securities	Deferred Gains or Losses on Hedges	Total Valuation and Conversions	Total Net Assets
	Common Stock	Legal Reserve	Total Capital Surplus	Other Reserve	Total Retained Earnings						
			Retained Earnings Brought Forward								
Balance as of January 1, 2016	¥5,568	¥5,612	¥5,612	¥3,700	¥3,700	¥(256)	¥14,624	¥1	¥—	¥1	¥14,626
Increase (decrease) during the period ended December 31, 2016											
Dividends from surplus				(478)	(478)		(478)				(478)
Net income				1,142	1,142		1,142				1,142
Purchase of treasury shares							(4)				(4)
Net changes in items excluding shareholders' equity during the period								0	(1)	(1)	(1)
Total	—	—	—	663	663	(4)	658	0	(1)	(1)	657
Balance as of December 31, 2016	¥5,568	¥5,612	¥5,612	¥4,363	¥4,363	¥(261)	¥15,283	¥2	¥(1)	¥0	¥15,283

Status of Hello Storage

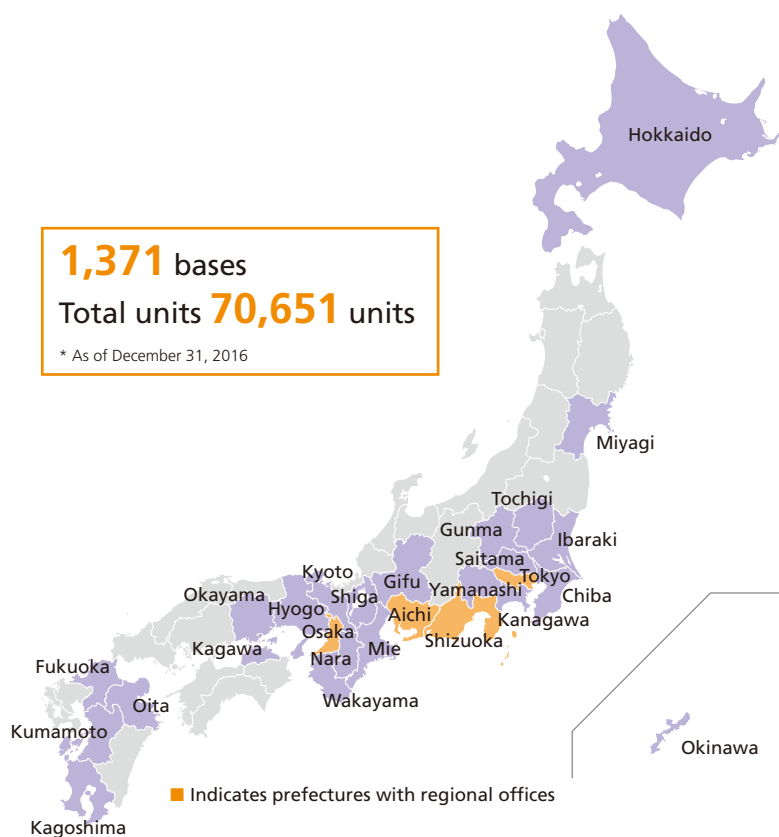
Storage Units by Region

As of December 31, 2016 Arealink had 70,651 units and 1,371 bases. These were located in 27 out of a total of 47 prefectures in Japan.

Units by Region

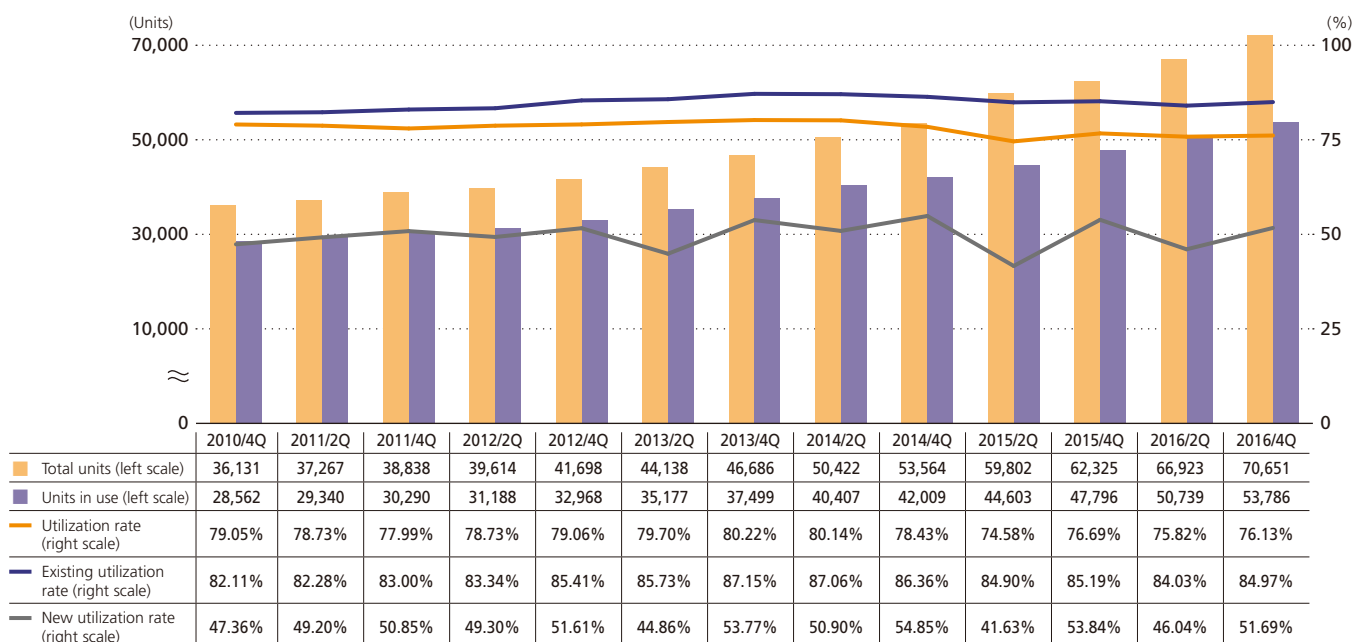
Prefecture	Units*	Prefecture	Units*
Hokkaido	1,466	Shiga	66
Miyagi	1,695	Kyoto	1,211
Ibaraki	571	Osaka	4,102
Tochigi	81	Hyogo	3,546
Gunma	165	Nara	560
Saitama	7,957	Wakayama	27
Chiba	9,248	Okayama	64
Tokyo	24,261	Kagawa	86
Kanagawa	8,150	Fukuoka	1,551
Yamanashi	45	Kumamoto	92
Gifu	521	Oita	26
Shizuoka	822	Kagoshima	372
Aichi	3,664	Okinawa	104
Mie	198	Total	70,651

* As of December 31, 2016



Total Units in Use and Utilization Rates in the Self-Storage Business

In fiscal 2016, the number of storage units increased by 8,326. The number of new location openings accelerated, but utilization rates remained at a high level.



Examples of Hello Storage Installations

Outdoor Container Type



Wako Part 5 (Saitama)



Mizuho-machi Part 1 (Tokyo)



Oimachi Kamioi (Kanagawa)



Sapporo Kitano (Hokkaido)



Sendai Higashi-Inter (Miyagi)



Urawa Nakao Part 1 (Saitama)



Urawa Oyaguchi Part 2 (Saitama)



Kisarazu Part 1 (Chiba)



Haijima Part 4 (Tokyo)



Kodaira Part 3 (Tokyo)



Seya Meguro (Kanagawa)



Hamamatsu Minamiasada (Shizuoka)



Kuwana (Mie)



Kyoto Yamashina (Kyoto)



Sakai Otori Part 2 (Osaka)



Kobe Nagata (Hyogo)



Wakayama Matsuekita (Wakayama)



Nishiku Imajyuku (Fukuoka)



Minamiku Roji (Fukuoka)

Indoor Trunk Type



Miyanogi Premier (Chiba)

2x4 Trunk Type



Azamino (Kanagawa)



Sapporo Shiroishi (Hokkaido)



Chihaya (Aichi)



Whole Building Type

Kanda Akihabara 3 (Tokyo)



Whole Building Type

Warabi (Saitama)



Adachi Takenozuka Part 2 (Tokyo)



Kouenji Kokashita Part 1 (Tokyo)



Gakugeidaimae Part 2 (Tokyo)



Whole Building Type

Yukigata-otsuka (Tokyo)



Machida Part 1 (Tokyo)



Yamato Fukaminishi (Kanagawa)



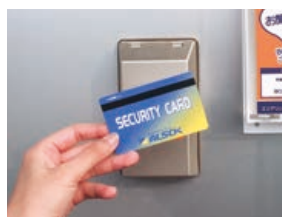
Nagoya Higashikataha (Aichi)



Abeno Asahimachi (Osaka)



Amagasaki Higashi (Hyogo)



Tight security systems



Slide-type locks on individual storage units



Carts for moving storage items are available on the premises

Company Profile

Company Profile

Company name	Arealink Co., Ltd.
Head office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-0021
Established	April 1995
Paid-in capital	5,568,222 thousand yen
Number of employees	125 (excluding Directors, temporary employees and contract employees) (As of Dec. 31, 2016)
Securities code	8914 (TSE Mothers)
Balance date	December
Main financing banks	Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Resona Bank, Ltd.

Board of Directors (As of Dec. 31, 2016)

President & CEO	Naomichi Hayashi
Director	Kazuki Kurino
Director	Yasuaki Otaki
Director	Shohei Wakasugi
Director	Yoshika Suzuki
Outside Director	Kazuhiro Furuyama
Full-time company auditor (Outside company auditor)	Hideto Kojima
Outside company auditor	Koji Tamura
Outside company auditor	Yasuhiro Sonoda

Guide to Company Website

The Company offers the latest information on all its corporate activities on its IR website. If you register your e-mail address on the site, the Company will send you its latest information when it becomes available. Please have a look at our site:

URL: <http://www.arealink.co.jp>



Company History

1995	April	WELL's Giken K.K. (currently Arealink) established in Funabashi City, Chiba Start of contracted business for WELL's 21 cross-industrial exchange stations
1996	April	Start of property leasing business (currently Mister Kashichi)
	June	Start of coin-operated parking lot business, Hello Parking
1998	July	Head office relocated to Mihama Ward in Chiba City
1999	March	Start of Hello Container business, installing and renting storage containers on vacant land
2000	September	Company name changed to Arealink Co., Ltd.
	December	Start of weekly/monthly apartment rental business, Hello Monthly
2001	January	Head office relocated to Ginza, Chuo-ku, Tokyo
	February	Start of Hello Trunk business, using vacant buildings for storage rental
	August	Head office relocated to Kasumigaseki, Chiyoda-ku, Tokyo
2002	September	Start of property management service using real estate owned by Arealink
2003	June	Opening of Hello Bike Box indoor parking for motorcycles
	August	Listed on TSE Mothers
2004	January	Start of Hello Office SOHO service using vacant buildings
2005	February	Acquired Space Products K.K., which operates Rakuchin Box
	November	Hello Storage business rooms exceed 10,000
2007	March	Osaka Office opened
	April	Head office relocated to Akasaka, Minato-ku, Tokyo
2008	January	Hello Storage business rooms exceed 30,000 Nagoya Sales Office (now, Nagoya Office) opened
2009	April	Head office relocated to Kandaogawamachi, Chiyoda-ku, Tokyo
2014	June	Hello Storage business rooms exceed 50,000
2015	July	Hello Storage business rooms exceed 60,000
	August	Suburban outdoor rental space opened (2x4 Trunk)
	October	Shizuoka Sales Office opened
2016	December	Head office relocated to Sotokanda, Chiyoda-ku, Tokyo Hello Storage business rooms exceed 70,000

Stock Information (As of December 31, 2016)

Securities Code	8914
Stock Listing	Tokyo Stock Exchange Mothers
Share Handling Agent	Mitsubishi UFJ Trust and Banking Corporation
Authorized Shares	35,760,000 Shares
Number of Shares Issued and Outstanding	12,576,300 Shares
Trading Unit of Shares	100 Shares
Number of Shareholders	7,604

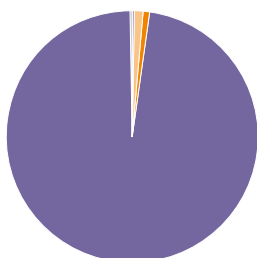
Status of Shareholders

Principal shareholders	Number of shares held	% of total
Naomichi Hayashi	2,813,660	22.92
GOLDMAN, SACHS & CO. REG	1,128,730	9.19
The Master Trust Bank of Japan, Ltd.	508,800	4.14
Trust & Custody Services Bank, Ltd.	384,600	3.13
NIIHAMA IRON WORKS CO., LTD.	270,000	2.20
Amix Co., Ltd.	250,000	2.03
The Nomura Trust and Banking Co., Ltd.	219,600	1.78
Arealink's supplier stock ownership	209,700	1.70
Sansei Engineering Co., Ltd.	208,200	1.69
THE BANK OF NEW YORK MELLON 140042	186,409	1.51

Notes: 1. The list excludes Arealink, who owns 303,975 shares of its treasury stock.
2. The ownership percentages were calculated after exclusion of the 303,975 treasury shares.

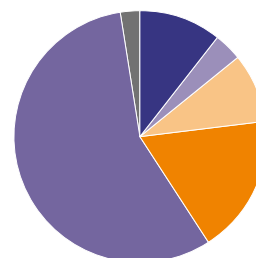
Breakdown of Shareholders by Type

Financial institutions: 8	0.10%
Financial instruments and financial dealers: 23	0.30%
Other companies: 83	1.09%
Foreign investors: 62	0.82%
Individuals and others: 7,427	97.67%
Treasury: 1	0.01%

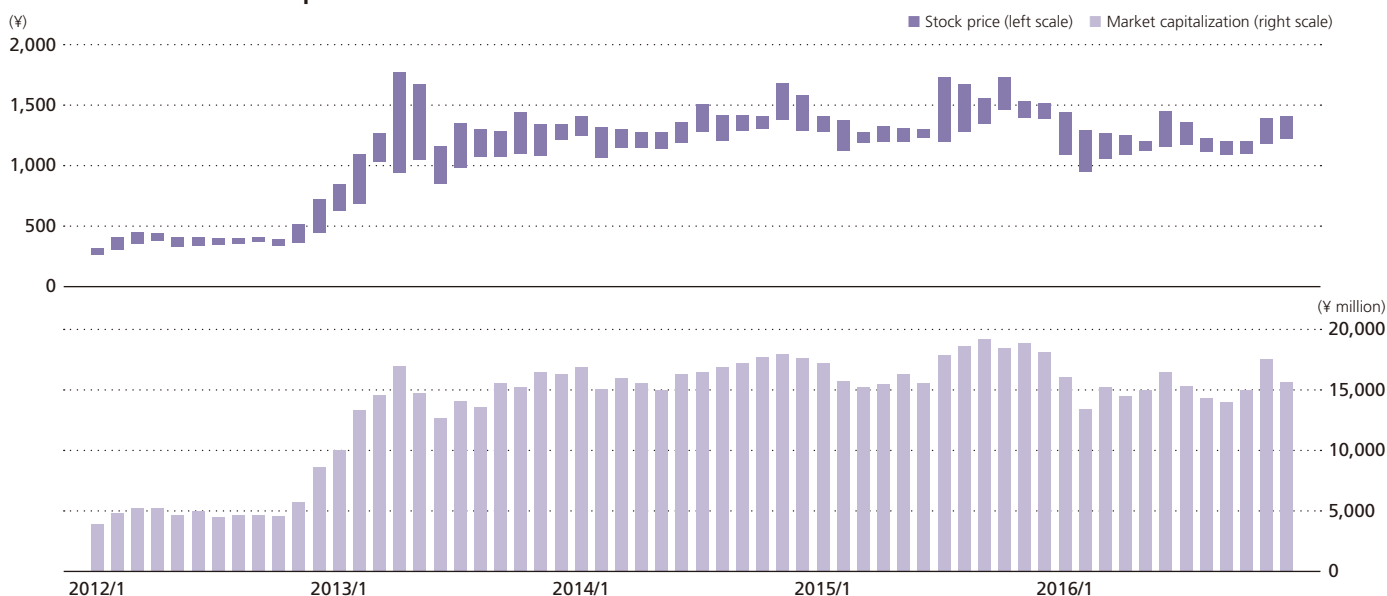


Breakdown of Shares by Type of Shareholder (Thousand shares)

Financial institutions: 1,340	10.66%
Financial instruments and financial dealers: 451	3.59%
Other companies: 1,114	8.86%
Foreign investors: 2,237	17.79%
Individuals and others: 7,128	56.68%
Treasury: 303	2.42%



Stock Price and Market Capitalization



Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common stock on July 1, 2013 and a 1:10 consolidation of its common stock, with an effective date of July 1, 2016, respectively. Figures in the graph have been adjusted retroactively in accordance with the split and consolidation.

	2012/12	2013/12	2014/12	2015/12	2016/12
High (¥)	720	1,770	1,680	1,730	1,450
Low (¥)	269	620	1,070	1,120	950
Close (¥)	688	1,300	1,400	1,440	1,247
Market capitalization (Millions of yen)	8,652	16,349	17,606	18,109	15,682

Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common stock on July 1, 2013 and a 1:10 consolidation of its common stock, with an effective date of July 1, 2016, respectively. Accordingly, stock prices before 2015 have been adjusted retroactively in accordance with the split and consolidation.

Arealink Co., Ltd.

4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-0021
TEL: 03-3526-8555

URL. <http://www.arealink.co.jp/eng>