

**We supply the best use of space.**

# Results Briefing

First Quarter, Fiscal Year Ending December 2015

**May 7, 2015**

**Exciting Company**



**Arealink Co.,Ltd.**

Securities code:8914

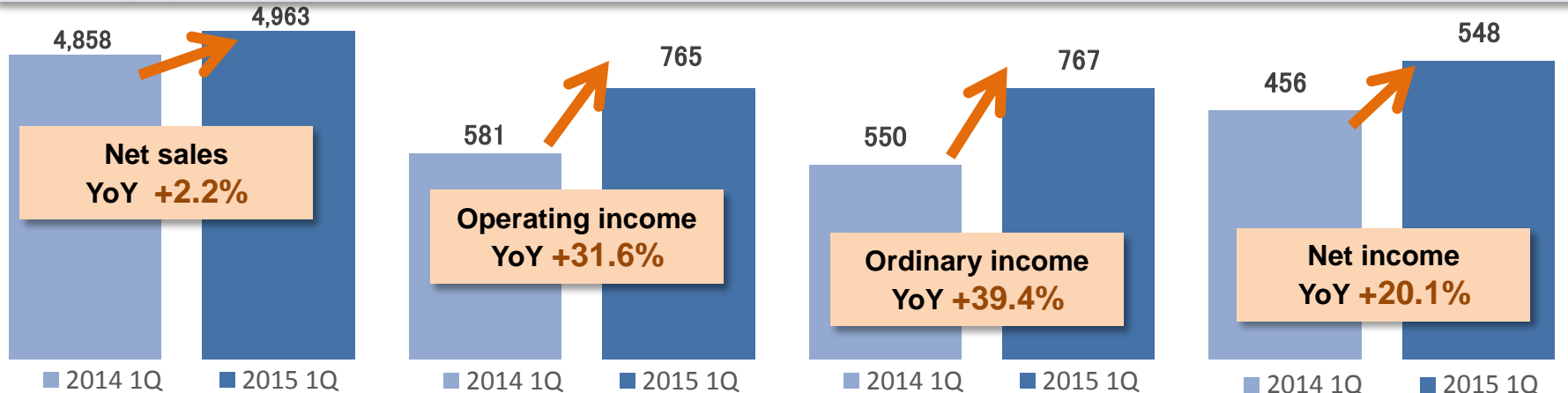
# Part- I

## Results Overview

- Note: Figures in this report presented in units of billions have been rounded off, while figures in units of millions have been rounded down

# Overview of FY15 1Q

Business in all areas steadily expanded. Results exceeded targets, with substantial growth in earnings year on year.



Unit: Millions of yen

	FY14 1Q		FY15 1Q		FY15 Plan (before revised)			YoY	
(Millions of yen)	Actual	(%)	Actual	(%)	Plan	(%)	Completion rate	Variance	% Change
Net sales	4,858	(100.0)	4,963	(100.0)	12,296	(100.0)	40.4%	105	2.2%
Cost of sales	3,802	(78.3)	3,616	(72.9)	9,231	(75.1)	39.2%	-186	-4.9%
Gross profit	1,055	(21.7)	1,346	(27.1)	3,065	(24.9)	44.0%	291	27.6%
SG&A expenses	474	(9.8)	581	(11.7)	2,004	(16.3)	29.0%	107	22.6%
Operating income	581	(12.0)	765	(15.4)	1,060	(8.6)	72.1%	183	31.6%
Ordinary income	550	(11.3)	767	(15.5)	1,015	(8.3)	75.6%	216	39.4%
Net income	456	(9.4)	548	(11.0)	655	(5.3)	83.7%	91	20.1%

## Steady progress with measures for each business

- ✓ Steady advancement in storage location openings and operations.
- ✓ Total number of storage units increased to 57,431.  
(Up 3,867 units year on year)
- ✓ Opened the Sendai Business Office in February; strengthening efforts aimed at opening offices in regional areas.
- ✓ Robust progress in the Property Revitalization & Liquidation Service business.
- ✓ Greater exposure in TV, magazines and other media, has led to a moderate increase in the visibility of the self-storage business service.

# Segment Breakdown

## Property Management Service

- Storage management (Hello Storage customer recruitment, operations and management)
- Storage liquidation (Hello Storage orders and location development)
- Other management services
  - Asset management (Tenant recruitment, operations and management of help properties)
  - SOHO (Hello Office / Hello Rental Meeting Room)
  - Parking lots, etc.



Hello Storage (Container type)



Hello Storage (Room type)



Property Holding (Residential and commercial building, Ichigaya)



Hello Rental Meeting Room (Shibuya II)

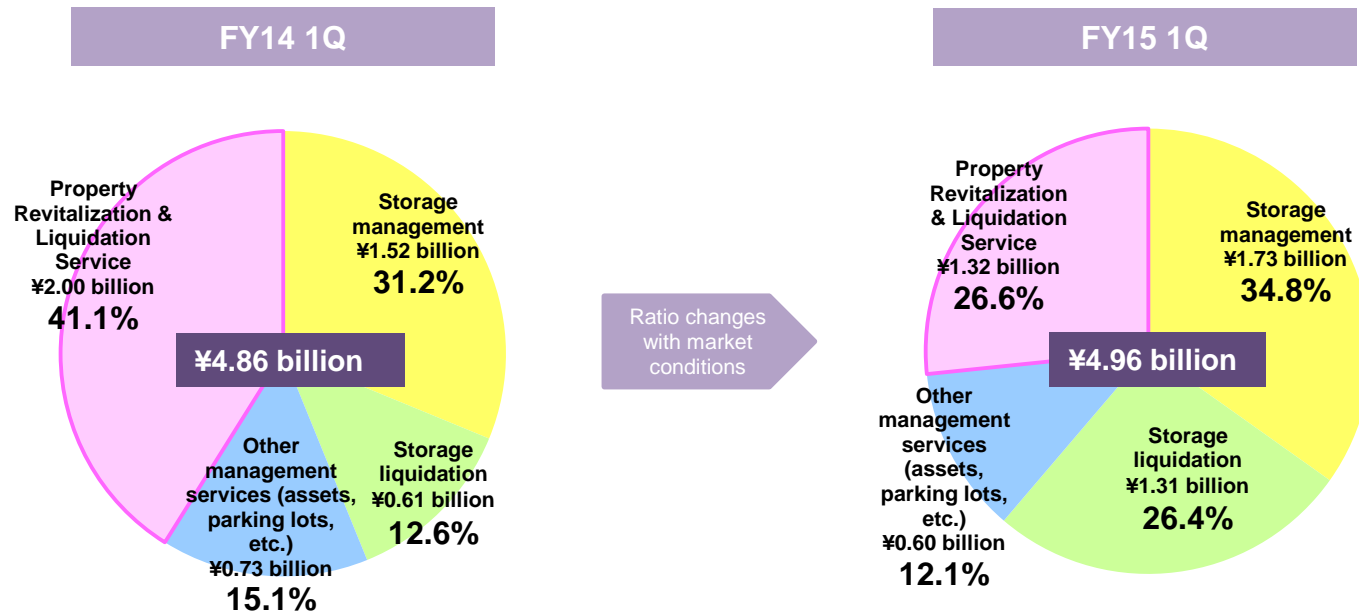
## Property Revitalization & Liquidation Service

- Real estate sales
  - \* Renovate, provide added value, and sell



Sold property (Hotel, Hirosaki-shi, Aomori Pref.)

# Sales Breakdown by Segment



- ✓ Change in the composition ratio compared to FY14.
- ✓ Solid progress particularly in storage liquidation in FY15 1Q.
- ✓ Cumulative-type businesses, such as storage management and other management services, were mainly in line with plan.

# Profit Margin by Segment

Both the gross profit margin and operating income margin rose steadily on the whole in all business segments.

Unit: Millions of yen

			FY14 (actual)		FY15 (initial budget)		FY 15 1Q (actual)	
			Full year actual	Profit margin	Initial budget	Profit margin	Full year actual	Profit margin
Storage management	Net sales		1,516		7,339		1,729	
	Gross profit		383	25.3%	1,661	22.6%	504	29.2%
	Operating income		260	17.1%	1,013	13.8%	362	20.9%
Storage liquidation	Net sales		613		2,439		1,310	
	Gross profit		220	36.0%	615	25.2%	390	29.8%
	Operating income		86	14.1%	286	11.8%	221	16.9%
Other property management service	Net sales		732		2,012		601	
	Gross profit		228	31.2%	648	32.2%	195	32.5%
	Operating income		191	26.1%	489	24.3%	148	24.8%
<b>Property Management Service Total</b>	Net sales		2,862		11,791		3,641	
	Gross profit		832	29.1%	2,925	24.8%	1,090	30.0%
	Operating income		538	18.8%	1,789	15.2%	732	20.1%
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales		1,995		505		1,322	
	Gross profit		222	11.2%	140	27.7%	256	19.4%
	Operating income		211	10.6%	73	14.6%	212	16.1%
<b>Other</b>	Net sales		—		—		—	
	Gross profit		—		—		—	
	Operating income		(167)		(802)		(180)	
<b>Total</b>	Net sales		4,858		12,296		4,963	
	Gross profit		1,055	21.7%	3,065	24.9%	1,346	27.1%
	Operating income		581	12.0%	1,060	8.6%	765	15.4%

# Quarterly Net Sales, Gross Profit, and Operating Income by Segment

Profitability also rose steadily in all segments. Transactions in the Property Revitalization & Liquidation Service segment continued to contribute to earnings.

Unit: Millions of yen

			FY14					FY15
			1Q	2Q	3Q	4Q	Cumulative	1Q
	Storage management	Net sales	1,516	1,583	1,630	1,675	6,406	1,729
		Gross profit	383	488	461	359	1,692	504
		Operating income	260	375	335	200	1,170	362
	Storage liquidation	Net sales	613	1,004	812	287	2,718	1,310
		Gross profit	220	381	278	86	967	390
		Operating income	86	194	150	(1)	430	221
	Other property management service	Net sales	732	698	676	614	2,721	601
		Gross profit	228	225	185	191	831	195
		Operating income	191	184	141	147	664	148
<b>Property Management Service Total</b>	Net sales	<b>2,862</b>	<b>3,286</b>	<b>3,119</b>	<b>2,577</b>	<b>11,845</b>	<b>3,641</b>	
	Gross profit	<b>832</b>	<b>1,094</b>	<b>926</b>	<b>637</b>	<b>3,491</b>	<b>1,090</b>	
	Operating income	<b>538</b>	<b>754</b>	<b>627</b>	<b>346</b>	<b>2,266</b>	<b>732</b>	
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales	<b>1,995</b>	<b>1,468</b>	<b>2,776</b>	<b>33</b>	<b>6,274</b>	<b>1,322</b>	
	Gross profit	<b>222</b>	<b>282</b>	<b>337</b>	<b>27</b>	<b>869</b>	<b>256</b>	
	Operating income	<b>211</b>	<b>192</b>	<b>264</b>	<b>22</b>	<b>690</b>	<b>212</b>	
<b>Other</b>	Net sales	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	
	Operating income	<b>(167)</b>	<b>(169)</b>	<b>(180)</b>	<b>(202)</b>	<b>(721)</b>	<b>(180)</b>	
<b>Total</b>	Net sales	<b>4,858</b>	<b>4,755</b>	<b>5,896</b>	<b>2,610</b>	<b>18,120</b>	<b>4,963</b>	
	Gross profit	<b>1,055</b>	<b>1,377</b>	<b>1,263</b>	<b>664</b>	<b>4,360</b>	<b>1,346</b>	
	Operating income	<b>581</b>	<b>777</b>	<b>710</b>	<b>165</b>	<b>2,235</b>	<b>765</b>	



# Completion Rate for Net Sales and Gross Profit Targets by Segment

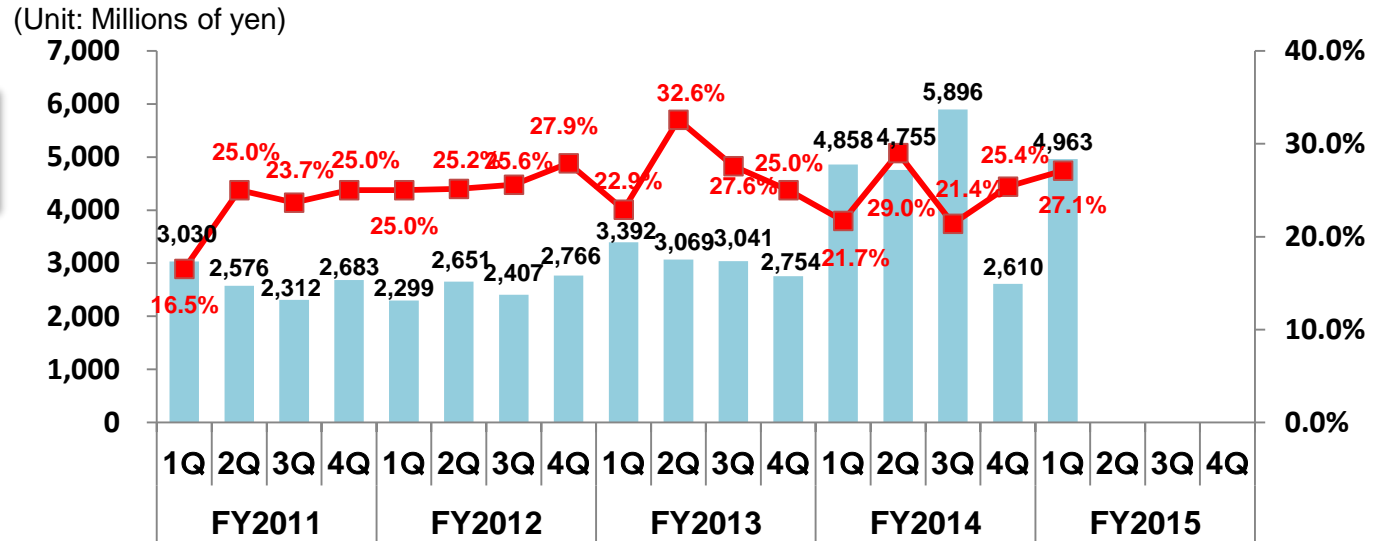
Unit: Millions of yen

		FY14 (actual)		FY15 (initial plan)		FY15 1Q (actual)		
		Full Year	Component Ratio	Full Year	Component Ratio	Actual	Component Ratio	Completion Rate
Net sales	Property Management Service	11,845	65.4%	11,791	95.9%	3,641	73.4%	30.9%
	Storage management	6,406	35.4%	7,339	59.7%	1,729	34.8%	23.6%
	Storage liquidation	2,718	15.0%	2,439	19.8%	1,310	26.4%	53.7%
	Parking	540	3.0%	204	1.7%	133	2.7%	65.5%
	Asset	1,520	8.4%	1,103	9.0%	301	6.1%	27.3%
	SOHO	644	3.6%	692	5.6%	163	3.3%	23.6%
	Other	15	0.1%	12	0.1%	3	0.1%	26.9%
	Property Revitalization & Liquidation Service	6,274	34.6%	505	4.1%	1,322	26.6%	261.8%
Total	18,120	100.0%	12,296	100.0%	4,963	100.0%	40.4%	
Gross profit	Property Management Service	3,491	80.1%	2,925	95.4%	1,090	81.0%	37.3%
	Storage management	1,692	38.8%	1,661	54.2%	504	37.5%	30.4%
	Storage liquidation	967	22.2%	615	20.1%	390	29.0%	63.4%
	Parking	86	2.0%	65	2.1%	23	1.7%	35.1%
	Asset	552	80.1%	343	11.2%	116	8.7%	33.9%
	SOHO	198	4.6%	226	7.4%	51	3.9%	22.9%
	Other	(6)	(0.2)%	12	0.4%	4	0.3%	37.1%
	Property Revitalization & Liquidation Service	869	19.9%	140	4.6%	256	19.0%	182.9%
Total	4,360	100.0%	3,065	100.0%	1,346	100.0%	43.9%	

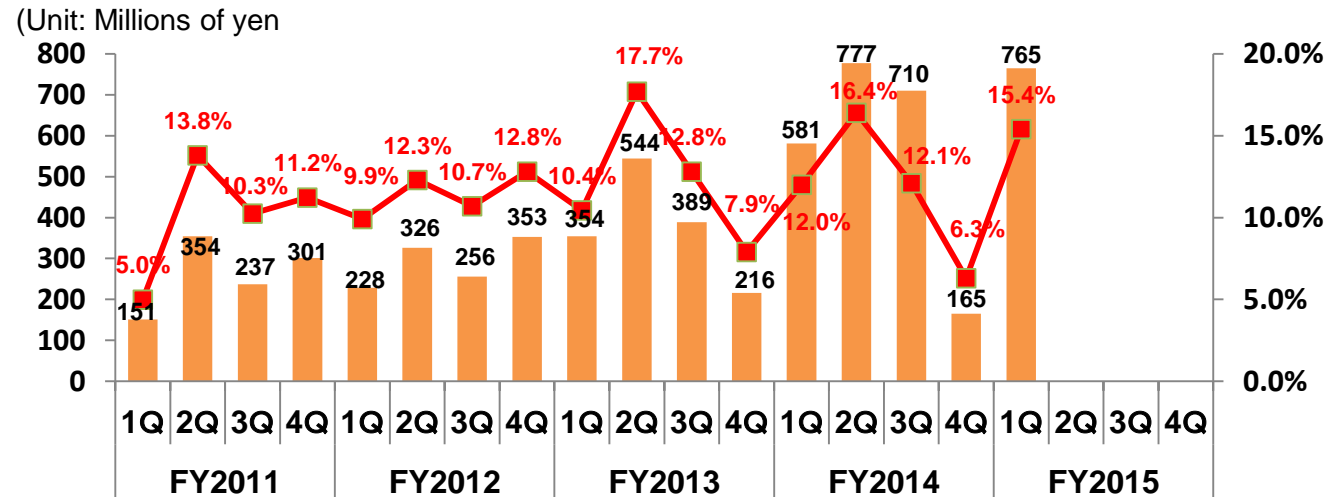
# Quarterly Net Sales and Operating Income

Steady growth in key indicators including net sales, operating income, and profit margins.

Trends in net sales and gross profit margin



Trends in operating income and operating income ratio



# Breakdown of Non-Operating and Extraordinary Profit and Loss

Unit: Millions of yen

## Non-operating income

Interest income      ¥3 million  
 Compensation for transfer  
                                  ¥5 million

## Non-operating expenses

Interest expenses   ¥16 million

## Extraordinary income

Gain on sales of noncurrent  
 assets                      ¥4 million

## Extraordinary loss

Loss on retirement of  
 noncurrent assets      ¥1 million

Step income	2014/3 1Q period	2014/6 2Q period	2014/9 3Q period	2014/9 4Q period	2014/12 cumulative	2015/3 1Q period	Variance	% Change
Operating income	581	777	710	165	2,235	765	183	31.6
Non-operating income	14	4	10	33	63	20	5	38.1
Non-operating expenses	45	75	62	28	211	18	(27)	(60.4)
Ordinary income	550	706	659	170	2,087	767	216	39.4
Extraordinary income	104	4	4	93	206	8	(95)	(92.0)
Extraordinary loss	6	2	1	60	71	1	(5)	(80.1)
Income before income taxes	648	708	662	203	2,222	774	(126)	19.5
Income taxes — current	44	63	33	22	163	79	35	79.7
Income taxes — deferred	147	209	114	46	517	147	0	(0.6)
Net income	456	435	515	134	1,541	548	91	20.1

# Financial Position

Owned capital further increased on reduction in interest-bearing debt and higher earnings.

## Financial Position

As of March 31, 2015

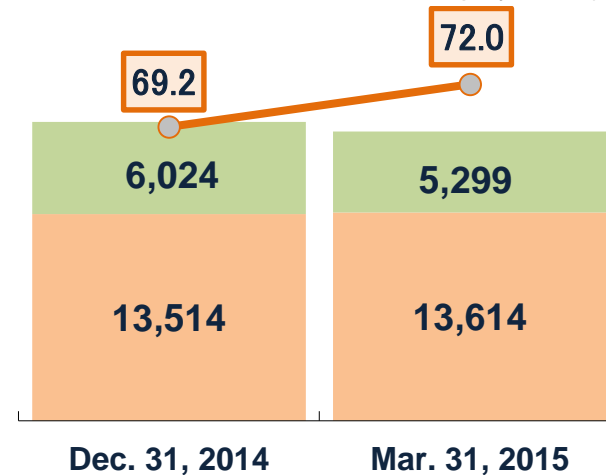
Figures in parentheses indicate changes from the end of December 31, 2014

<p style="text-align: center;">Total assets ¥18.91 billion (- ¥ 0.63 billion)</p>	<p>Liabilities ¥5.30 billion (- ¥ 0.73 billion)</p>	Liabilities
	<p>Net assets ¥13.61 billion (+ ¥ 0.10 billion)</p>	Net assets

## Liabilities, net assets, equity ratio

(Millions of yen)

Net assets Liabilities Equity ratio (%)



(Millions of yen)	Dec. 31, 2014	Mar. 31, 2015
Current assets	10,115	9,009
Noncurrent assets	9,423	9,904
<b>Total assets</b>	<b>19,539</b>	<b>18,913</b>
Current liabilities	2,462	2,293
Noncurrent liabilities	3,561	3,006
<b>Total liabilities</b>	<b>6,024</b>	<b>5,299</b>
<b>Net assets</b>	<b>13,514</b>	<b>13,614</b>

Increase in cash and deposits	¥ 0.09 billion
Decrease in real estate for sale	¥ 0.89 billion
Decrease in costs on uncompleted construction contracts	¥ 0.19 billion

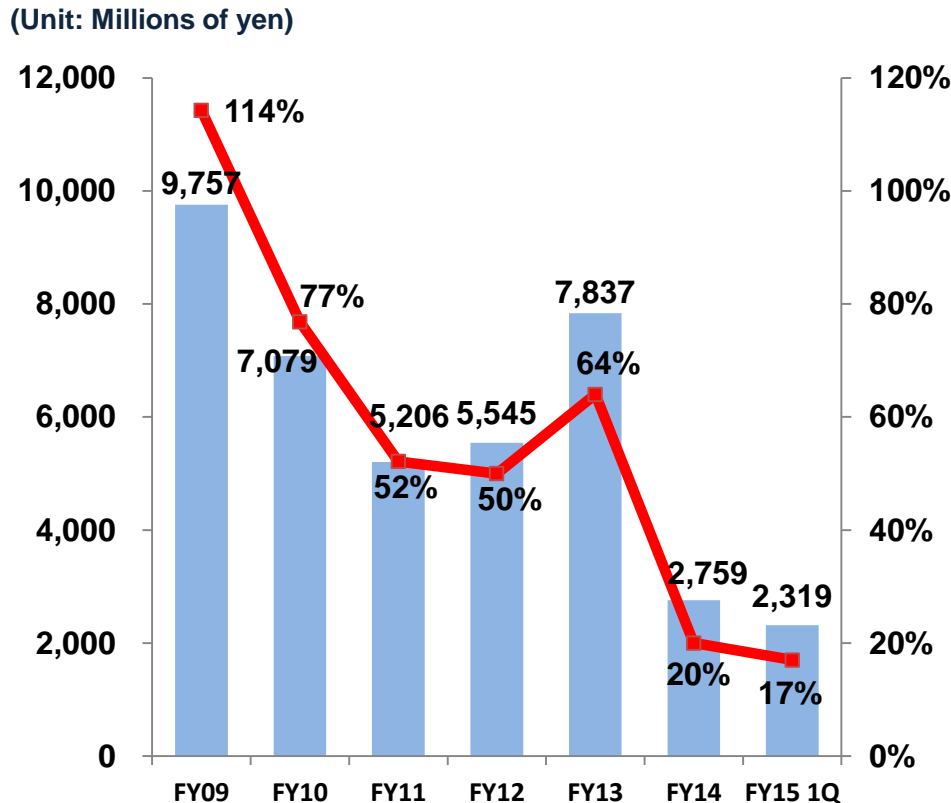
Decrease in long-term loans payable	¥ 0.51 billion
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Increase in net income	¥ 0.55 billion
Decrease in payment of dividends	¥ 0.44 billion

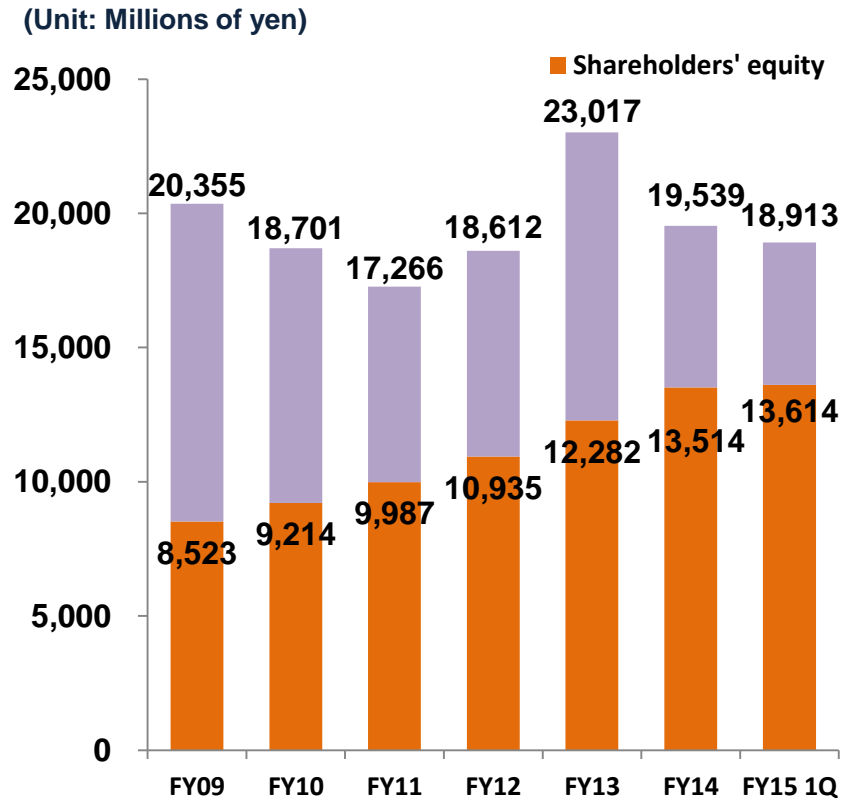
# Interest-Bearing Debt, Total Capital, and Shareholders' Equity

Sound financial condition maintained by repayment of borrowings to lower interest-bearing debt, and increasing shareholders' equity.

Interest-bearing debt and interest-bearing debt ratio



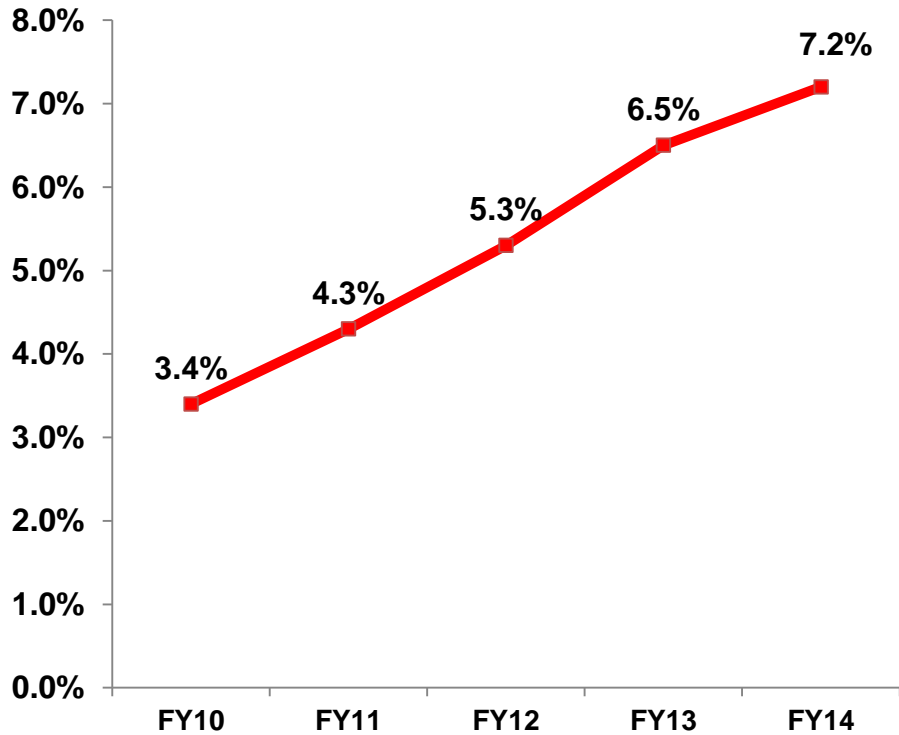
Total capital and shareholders' equity



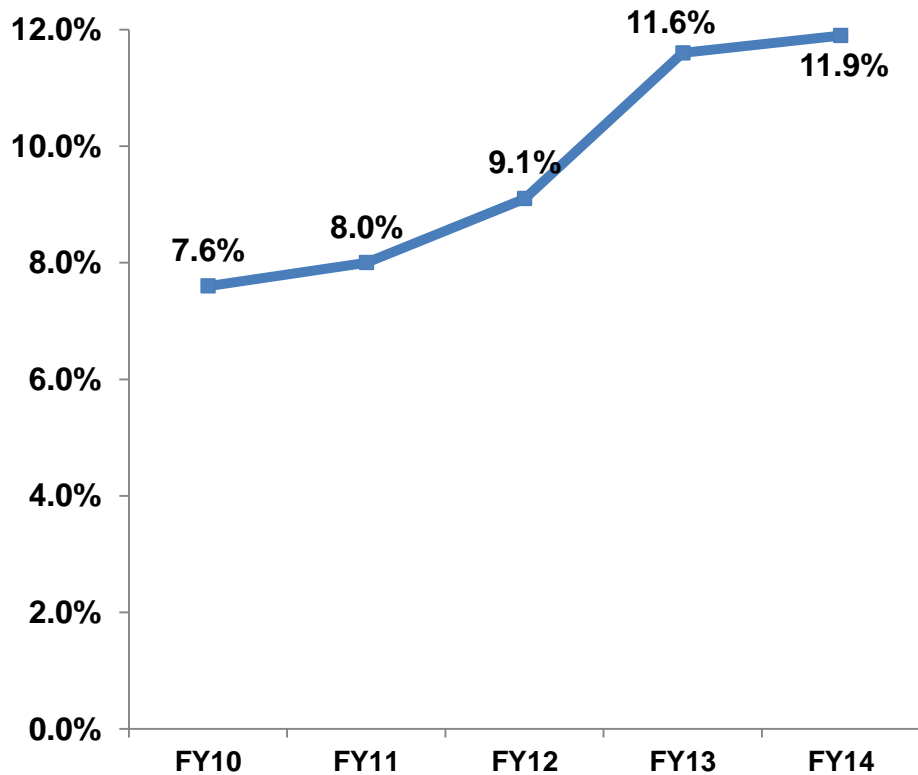
# Capital Efficiency

Capital efficiency rose further on higher profits.

Return on assets (ROA)



Return on shareholders' equity (ROE)



# Part- II Medium-Term Management Plan

\* Details of the Medium-Term Management Plan outlined in Part-II are in line with information announced on February 16, 2015.

The mainstay storage business provides a stable earnings foundation and high rate of growth

【 Our Ideal Real Estate Model 】

Focus investment on storage business



## Platform Business

Generate stable cash flows by proactively openings new bases of operation and engaging in sound management

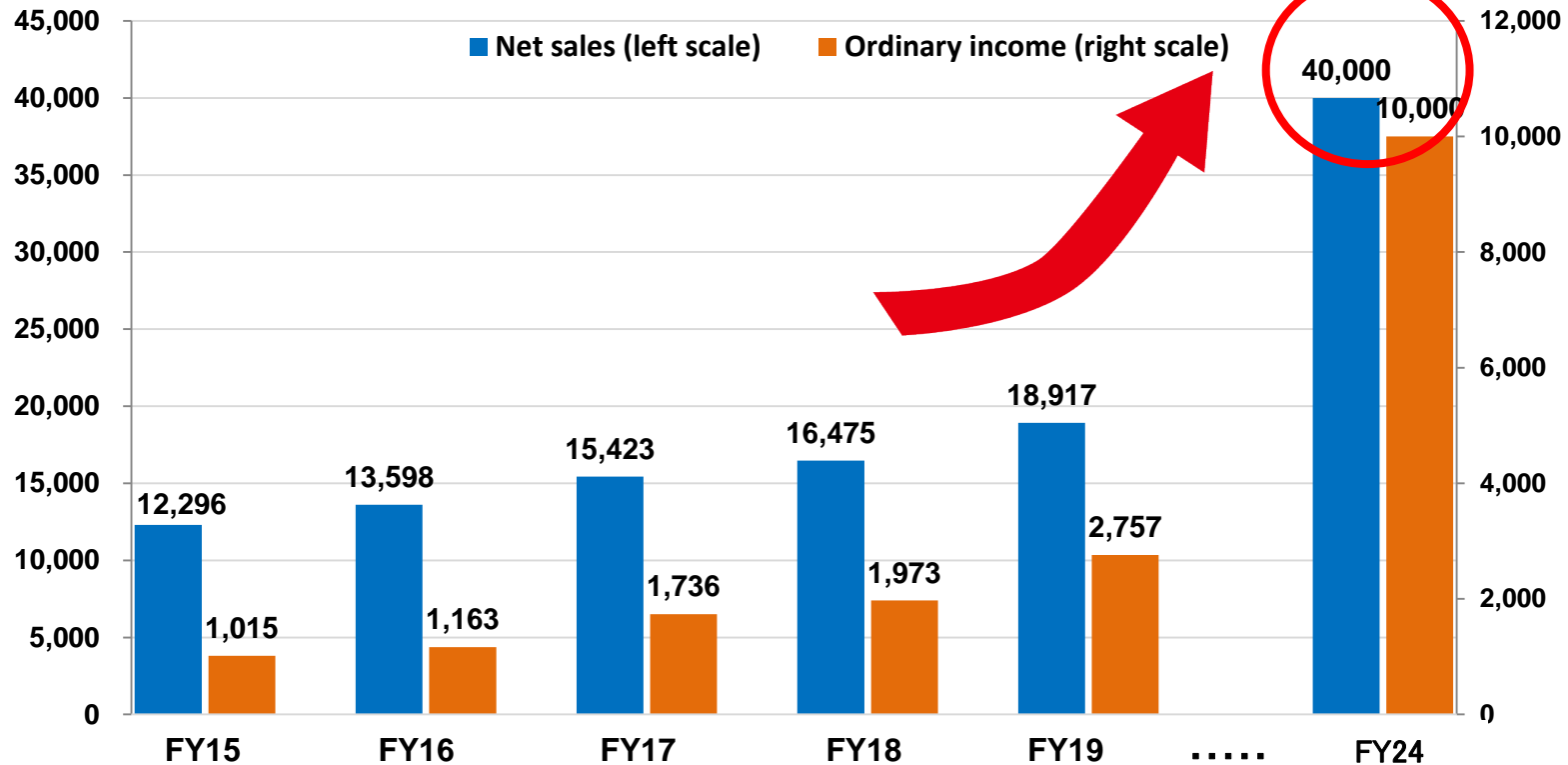


Growth foundation in the mainstay storage business  
FY19: Net sales ¥18.91bn, Ordinary income ¥2.75bn  
FY24: Net sales ¥40.0bn, Ordinary income ¥10.0bn

## Outlook for net sales and ordinary income

(Unit: Millions of yen)

(Unit: Millions of yen)



# Medium-Term Management Plan

## Modify business model to achieve 50% share of the self-storage market

- ✓ Expand self-financing and raise profitability.
- ✓ Establish business offices to accelerate location openings.
- ✓ Differentiation and greater brand strength.
  - IT system investments to enhance operational efficiency and improve services  
(Incorporate a sales force modeled on know-how of major U.S. self-storage companies)
  - Open storage buildings, and raise visibility with installation of LED signage

**Target of ¥10 billion in ordinary income and 200 employees within ten years  
⇒ Aim for efficient management**

- ✓ Begin opening self-financed storage locations, not just through contracts.
- ✓ Break-even point will improve, from 70% for contracted locations to 45% for self-financed.
- ✓ 2015 location opening plan is 70-30 contact to self-financed. We will make this 50-50 within three years, further improving profitability.



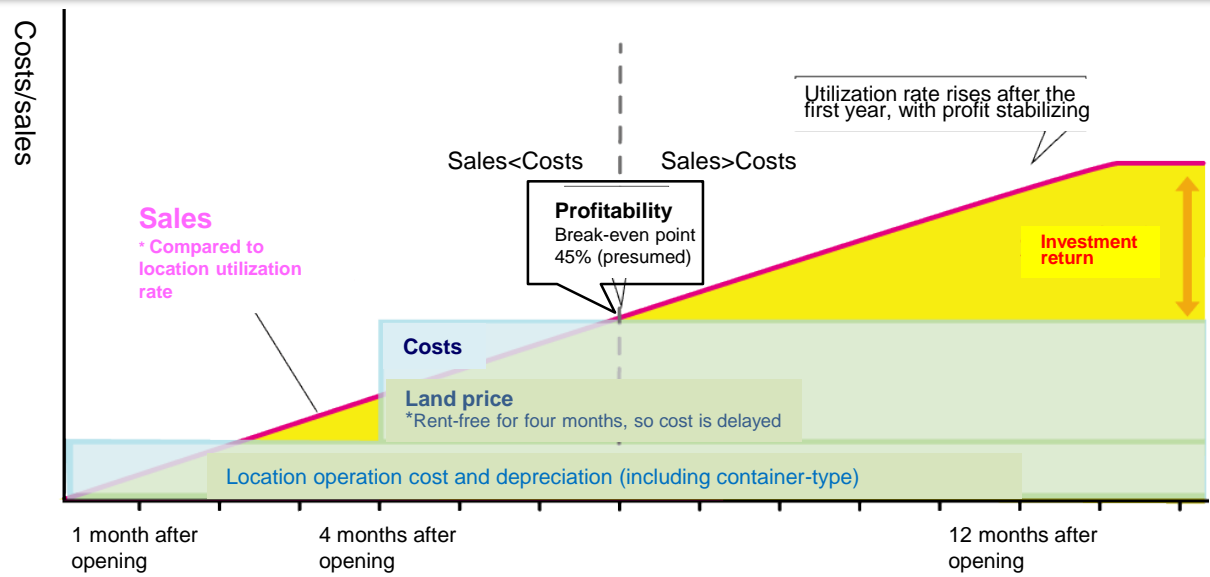
- ✓ Implement profitability improvement strategies for strong future growth

**“Small numbers—exceptional talent”**

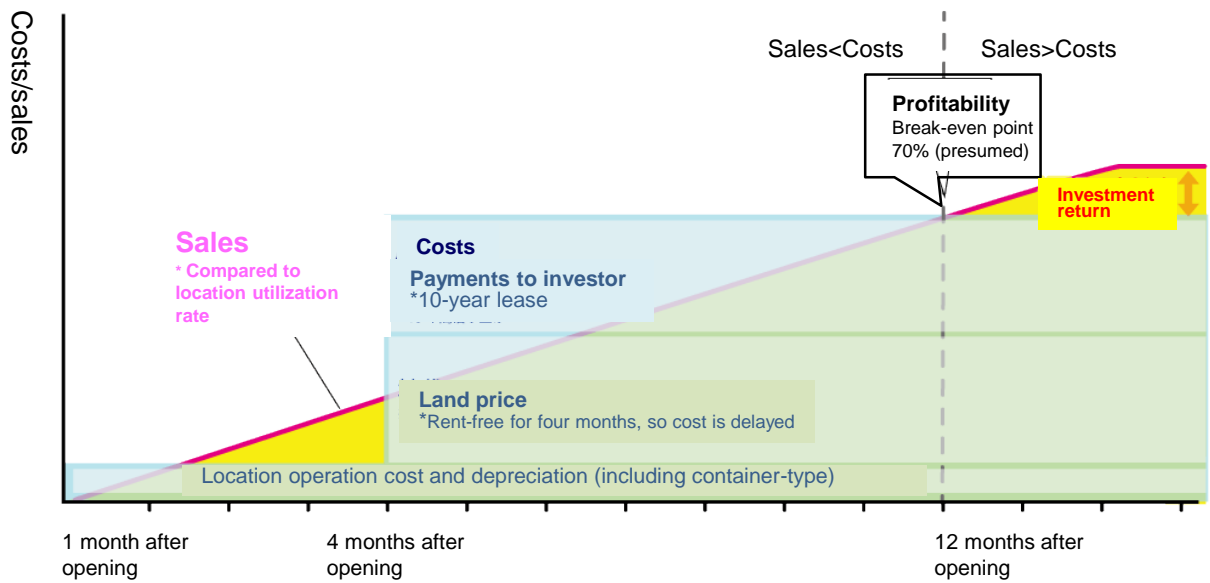
**The New Arealink**

## Self-financed locations will contribute to earnings at an earlier stage

Self-financed locations



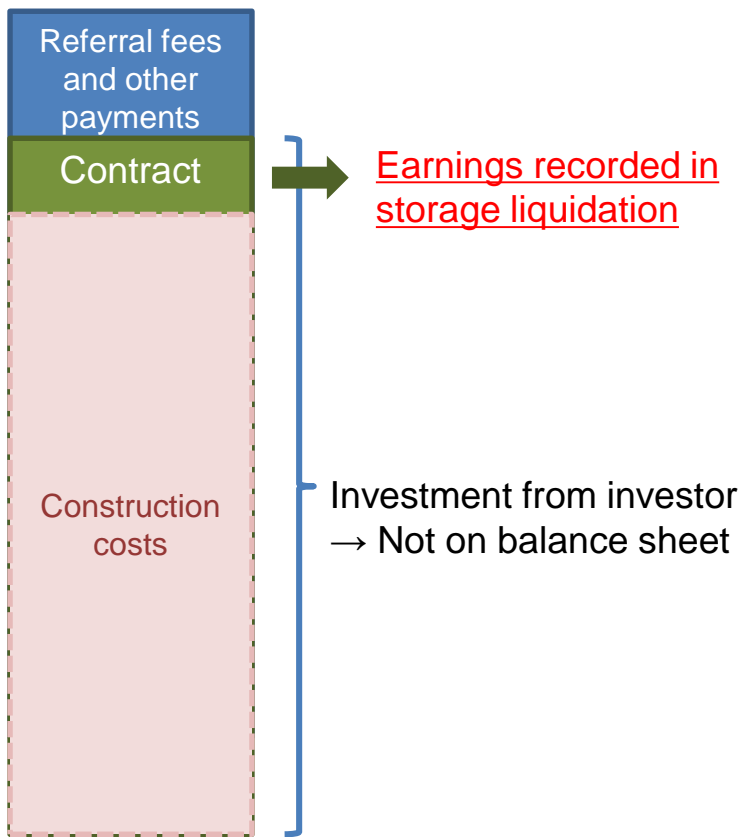
Investor contract locations



Increase in self-financed location openings, decrease in contract profit from storage liquidation

## Comparison of costs at time of opening

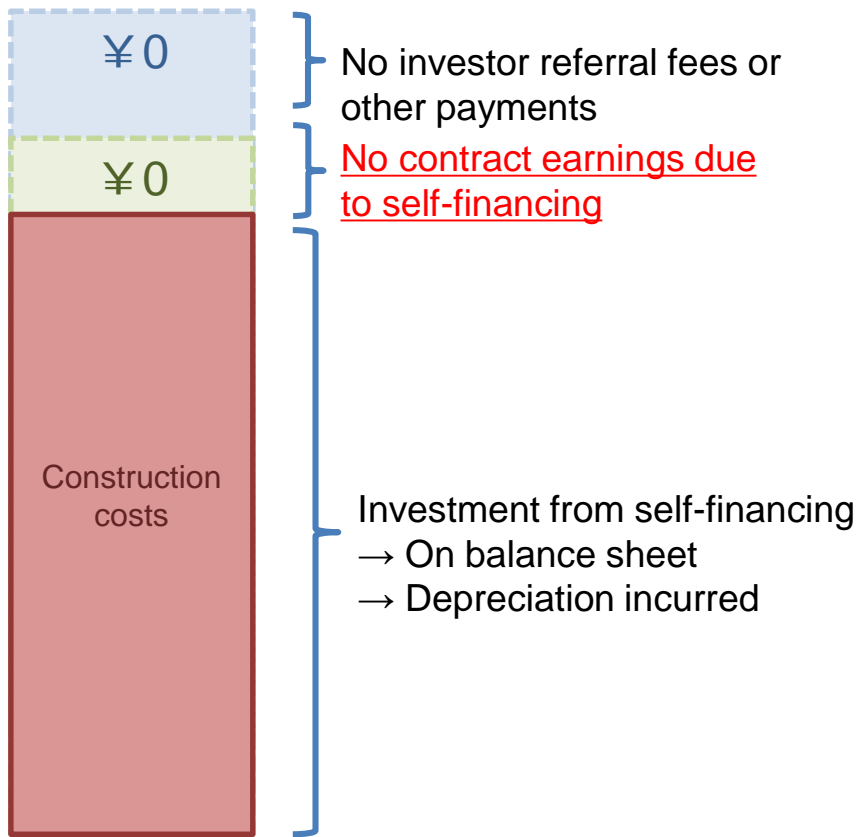
Opening costs with storage liquidation



Earnings recorded in storage liquidation

Investment from investor  
→ Not on balance sheet

Opening costs with self-financing



No investor referral fees or other payments

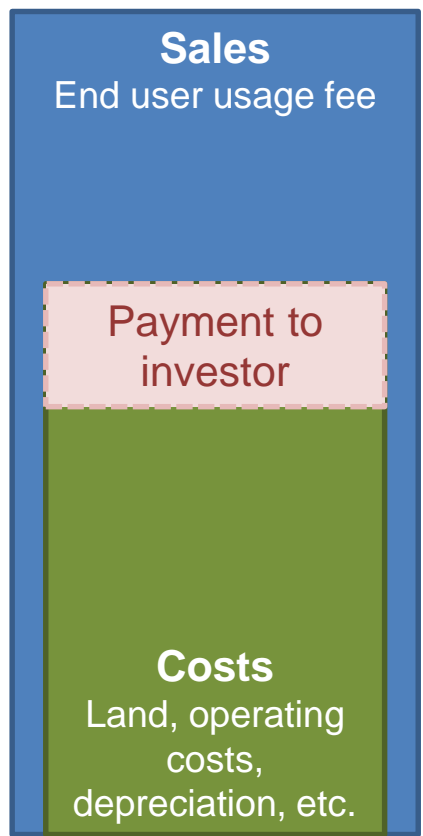
No contract earnings due to self-financing

Investment from self-financing  
→ On balance sheet  
→ Depreciation incurred

Opening locations with self-financing lowers costs, raises gross profit rate

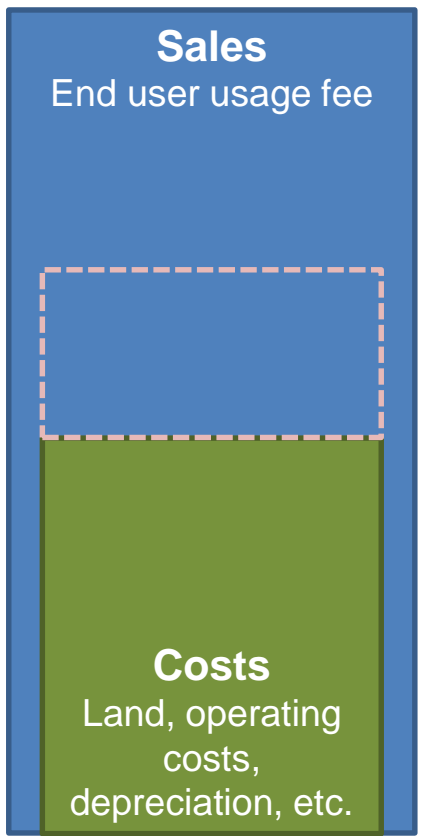
## Comparison of income gain and running costs

Storage liquidation



Gross profit rate:  
Around 30%

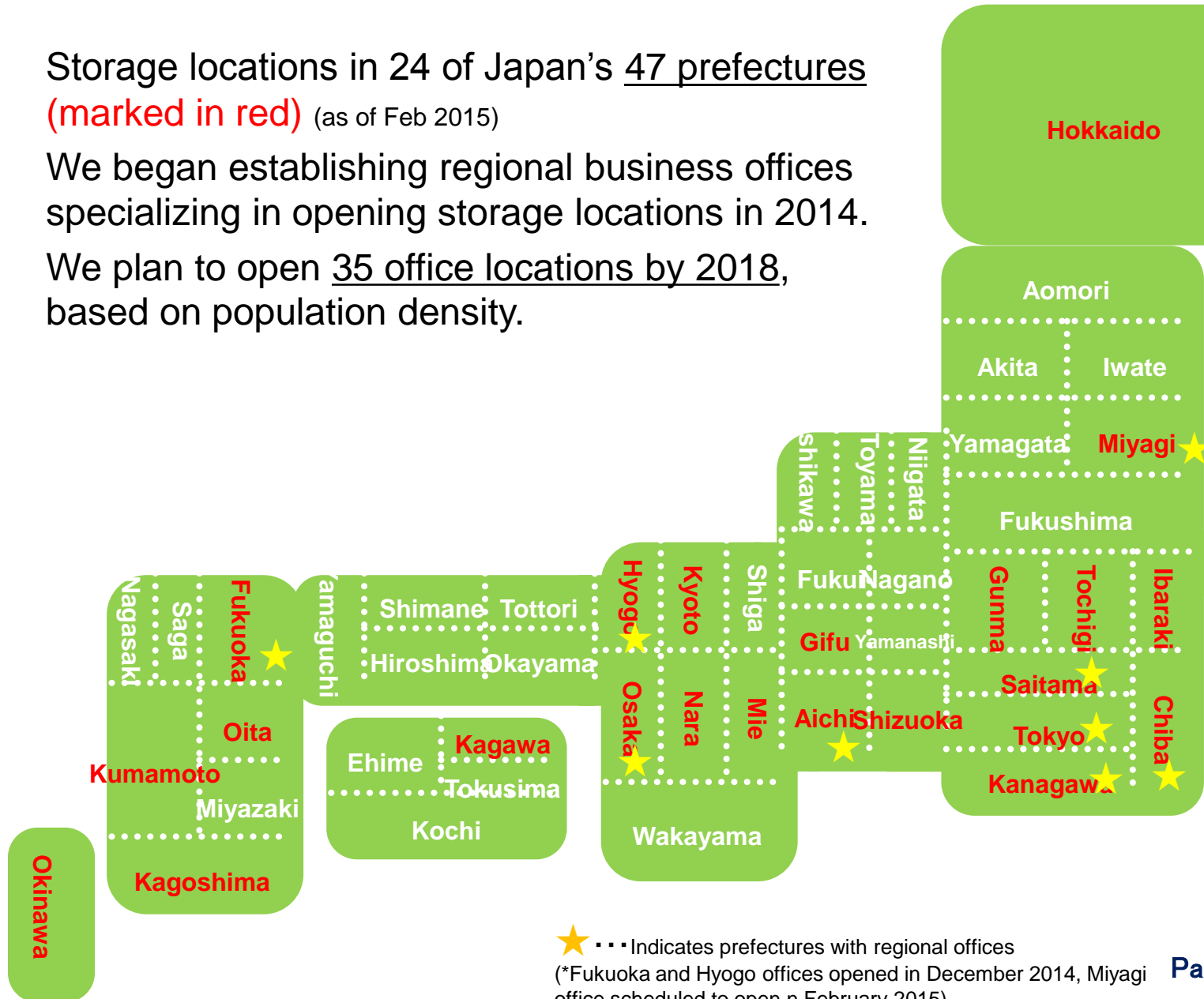
Self-financing alone



Gross profit rate:  
Around 55%

# Medium-Term Management Plan: Accelerate Openings in the Storage Business

- ✓ Storage locations in 24 of Japan's 47 prefectures (marked in red) (as of Feb 2015)
- ✓ We began establishing regional business offices specializing in opening storage locations in 2014.
- ✓ We plan to open 35 office locations by 2018, based on population density.



## ✓ Develop “Storage Building” flagship locations

- Raise brand awareness by developing dedicated storage buildings in addition to the usual in-building type
- Continued openings of eight buildings per year



Hello Storage Azamino (Kanagawa)



Hello Storage Yachiyo (Chiba)



Hello Storage Kanda Akihabara 3(Tokyo)

## ✓ Accelerate installation of LED signage design

- Install high-visibility LED signage at all locations within three years, raising brand awareness



LED signage design



We are developing “storage building” type rental spaces in order to enhance visibility in urban areas, where storage needs are high.

Hello Storage Warabi ▪ Hello Storage Kajigaya Part 2 **NEW** opened on February 1, 2015 simultaneously



Hello Storage Warabi (Chuo, Warabi-shi, Saitama Pref.) 211 rooms



Hello Storage Kajigaya Part 2 (Miyamae-ku, Kawasaki-shi, Kanagawa Pref.) 155 rooms

## **NEW** New storage building openings

### **Hello Storage Monzen-nakacho**

(Koto-ku, Tokyo) Opened May 2014, 93 rooms

### **Hello Storage Kita-ueno**

(Taito-ku, Tokyo) Opened July 2014, 93 rooms

### **Hello Storage Yukigaya-otsuka**

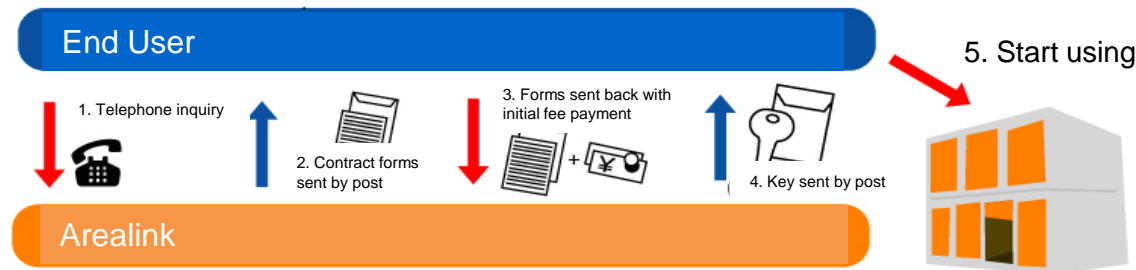
(Ota-ku, Tokyo) Opened October 2014, 171 rooms

### **Hello Storage Kanda Akihabata3**

(Chiyoda-ku, Tokyo) Opened December 2014, 96 rooms

- ✓ IT system investments to enhance operational efficiency and improve services
  - Introduce “Speed 3-Minute Contract” (automated contract), the industry’s first web-based, 24-hour service for contract procedures
  - Simple reservation and return using a credit card
  - Possible to receive keys by the current day
  - Possible to contract using PC and smart phone

## Previous Contract System



## Speed 3-Minute Contract **NEW**



## Training Future Managers with Office Openings and Independent Profitability

Arealink will expand to a network of 35 branch and business office locations by 2018.

We are creating opportunities for young employees, and developing exceptional personnel.

A new graduate hire who joined in April 2011 was selected to head the Tokyo Branch Office, which manages the greatest number of units Appoint as executive officer from 2015.

- ✓ **Branch offices** (Number of units managed more than 5,000)  
Offices currently in Tokyo, Osaka, Chiba, Saitama, Kanagawa  
(\*the Chiba, Saitama, and Kanagawa offices were opened in May 2014)
- ✓ **Business offices** (Number of units managed less than 5,000)  
Offices currently in Nagoya, Kobe, Fukuoka, Sendai  
(\*the Kobe and Fukuoka offices were opened in December 2014 and Sendai office scheduled to open in February 2015)



Sendai Business Office  
(Miyagino-ku, Sendai-shi,  
Miyagi Pref.)

# New Business: Preparations to Launch “Arealink Consulting”

- ✓ New business targeting wealthy individuals, including asset management consulting for the Owners’ Club
  - Provide a broad range of services for premier clients (VIPs), including insurance, real estate, and inheritance, helping to retain customers.
  - Establish an Owners’ Club for owners of storage containers, land, buildings, and other assets
  - In future, provide consulting for asset management and minimizing taxes, capture business
  - Develop into a business for the wealthy, becoming a new earnings base
- ✓ Hold regular training sessions at the head office for branch office managers, business office managers, and employees, in order to strengthen consulting capabilities to owners
  - Acquire expertise to provide services with even more attentiveness than private banking, such as asset management and travel arrangement.



Sales training session



Quarterly newsletter Owners’ Shinbun

## M&A Objective No. 1

Effectively utilize growth capital to expand the mainstay storage business in a short period of time.

## M&A Objective No. 2

Secure a market share far ahead of all other companies, and establish absolute superiority.

## Outlook for Arealink

Through implementation of current strategies, within around five years, we expect to achieve a level of market share and growth capital that overwhelms other companies.



Even without actively seeking out M&A negotiations, there is a strong possibility that competitors will approach us of their own accord.

Company with an extremely stable, high rate of growth

■ Target figures for FY19:




Net sales ¥18,1977 million; Operating income ¥2,780 million

(Millions of yen)	FY14 Actual	FY19 Target	Variance	Average YoY Growth
Net sales	18,120	18,917	+797	+0.9%
Operating income	2,235	2,780	+544	+4.5%
Operating income ratio (%)	12.3	14.7	+2.4pt	—
Ordinary income	2,087	2,757	+670	+5.7%
Net income	1,541	1,792	+251	+3.0%
ROA (%)	7.2	8.0	+0.8pt	—
ROE (%)	11.9	10.8	(1.1)pt	—
Shareholders' equity ratio (%)	69.2	73.7	+4.5pt	—

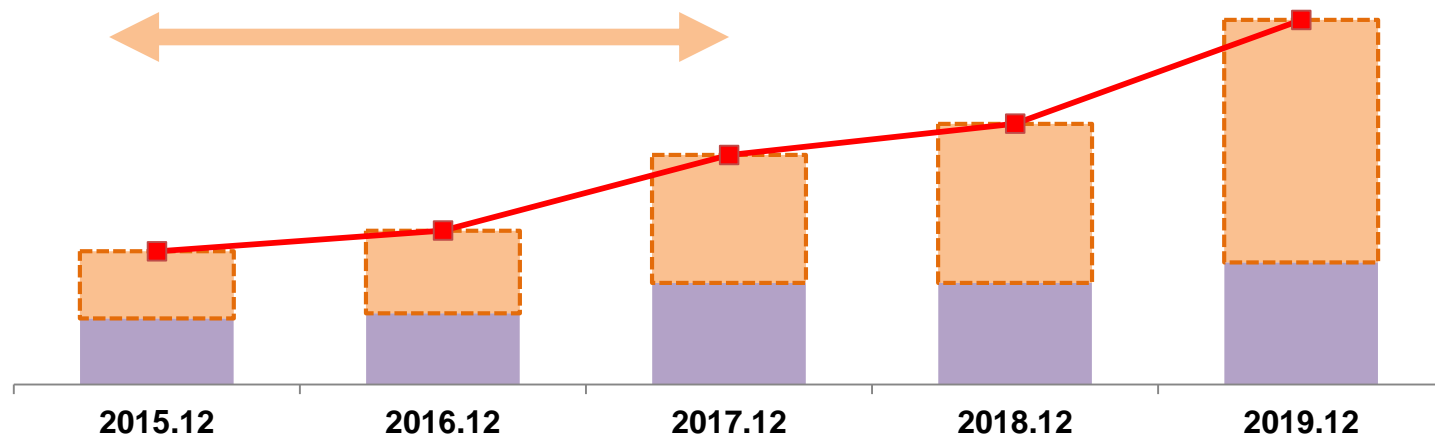
# Shareholder Returns

Provide stable shareholder returns, with a view to performance-linked dividend increases and share buybacks

Reserve capacity for dividend increases and share buybacks

-  Reserve capacity for dividend increases and share buybacks
-  Annual dividend
-  Presumed after-tax earnings (net income)

Target payout ratio of 50% in the three years from FY14



Note: Presumed after-tax earnings correspond to forecast net income.



## ✓ Basic stance

Arealink's aim is management emphasizing shareholder value. We will introduce an executive officer system while retaining the statutory auditor system, and make efforts to ensure management transparency and objectivity while ensuring separation and control over business execution and auditing/supervision through such measures as appointing outside directors. Further, for efficient and sound management, we will pursue the restructuring of a management system centered on vitality and flexibility.

## ✓ Plans to strengthen the corporate governance structure

- Introduce an executive officer system in the future
- Plan to increase the number of outside directors



- ✓ Achieve overwhelming superiority with a 50% share of the self-storage market.
- ✓ Expand self-financed openings to improve profitability.
- ✓ Differentiation and greater brand strength from opening dedicated storage buildings, installation of LED signage, and other measures.
- ✓ Move forward to achieve 10-year target of ¥10 billion in ordinary income with 200 employees (operating income of ¥50 million per employee).

# Exciting Company

Bringing the world convenience,  
enjoyment, and excitement

## **Part-III**

# **Reference Material**

# Major Indicators for the Past Six Years

(Unit: Millions of yen)

	FY09	% Change	FY10	% Change	FY11	% Change	FY12	% Change	FY13	% Change	FY14
Net sales	12,183	-8.5%	11,143	-4.8%	10,603	-4.5%	10,124	+21.1%	12,256	+47.8%	18,120
Gross profit	2,317	-6.1%	2,176	+8.7%	2,365	+11.2%	2,629	+26.8%	3,306	+31.9%	4,360
Gross profit margin (%)	19.0	+0.5pt	19.5	+2.8pt	22.3	+3.5pt	26.0	+1.2pt	26.9	(2.8)pt	24.1
SG&A expenses	1,196	-2.3%	1,169	+12.9%	1,320	+10.9%	1,464	+24.9%	1,800	+16.3%	2,125
Operating income	1,121	-10.2%	1,006	+3.8%	1,044	+11.6%	1,165	+29.2%	1,505	+48.5%	2,235
Operating income ratio (%)	9.2	-0.2pt	9.0	+0.8pt	9.8	+1.7pt	11.5	+0.8pt	12.3	+0.0pt	12.3
Ordinary income	827	-6.3%	774	+23.1%	953	+12.8%	1,075	+33.3%	1,433	+45.6%	2,087
Net income	557	+20.8%	673	+14.7%	772	+22.7%	948	+42.0%	1,346	+14.4%	1,541
ROA (%)	2.7	+0.7pt	3.4	+0.9pt	4.3	+1.0pt	5.3	+1.2pt	6.5	+0.7pt	7.2
ROE (%)	7.3	+0.3pt	7.6	+0.4pt	8.0	+1.1pt	9.1	+2.5pt	11.6	+0.4pt	11.9
Interest-bearing debt	9,757	-27.4%	7,079	-26.5%	5,206	+6.5%	5,545	+41.3%	7,837	(35.1)%	2,759
Total assets	20,355	-8.1%	18,701	-7.7%	17,266	+7.8%	18,612	+23.7%	23,017	(15.1)%	19,539
Net assets	8,523	8.1%	9,214	8.4%	9,987	+9.5%	10,935	+12.3%	12,282	+10.0%	13,514
Shareholders' equity ratio (%)	41.9	+7.4pt	49.3	+8.5pt	57.8	+1.0pt	58.8	(5.4)pt	53.4	+15.8pt	69.2
Net income per share (Yen)	5.38	+1.9%	5.48	+14.7%	6.29	+22.7%	7.72	+42.0%	10.97	+14.4%	12.55
Net assets per share (Yen)	69.43	+8.1%	75.06	+8.4%	81.35	+9.5%	89.08	+12.3%	100.05	+10.0%	110.09
Number of employees	62	-3.2%	60	+21.7%	73	+12.3%	82	+19.5%	98	+8.2%	106

On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares.

Accordingly, net income per share and net assets per share before 2012 have been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

# Storage Business (1): Market Scale Forecasts (1)

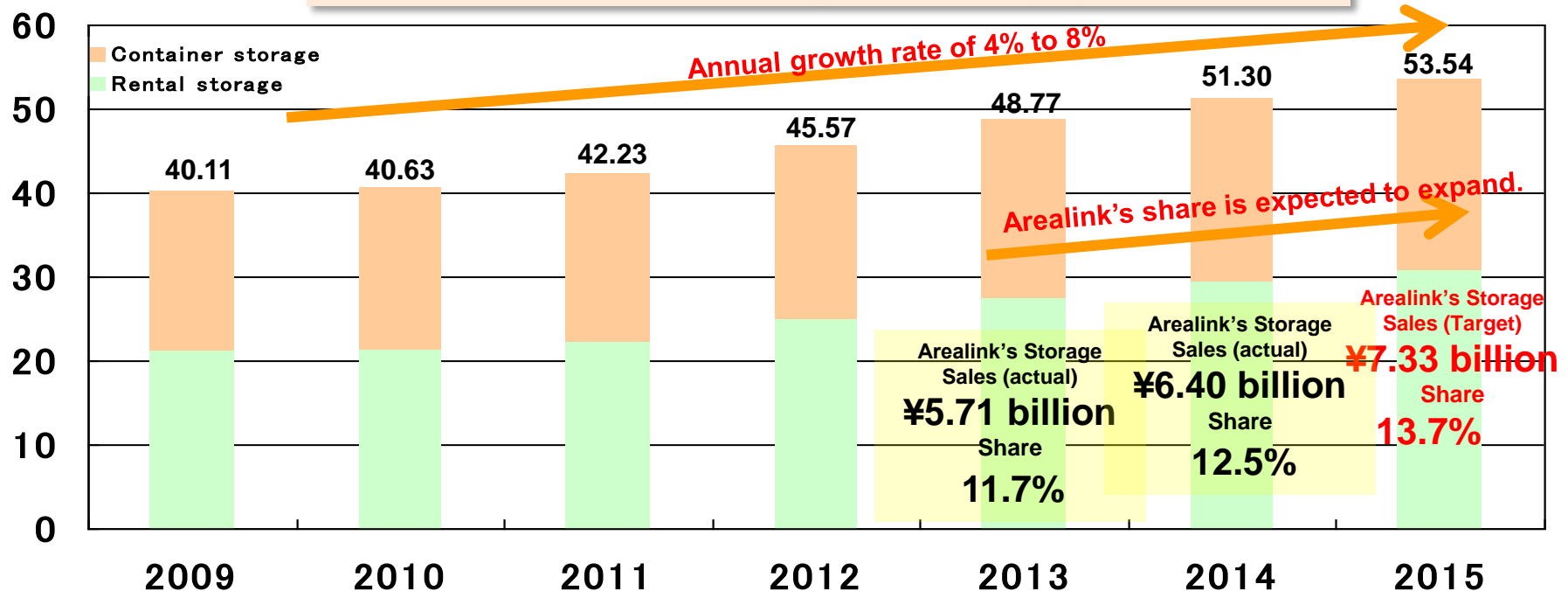
The Japanese self-storage market is expected to expand to ¥53.54 billion by 2015.

Arealink expects to maintain its leading market share of 13.7%.

- Scale of the Japanese self-storage market (2015 estimate)      ¥53.54 billion
- Arealink's self-storage net sales (2015 target)                      ¥7.33 billion
- Arealink's market share (net sales)                                      13.7% (No.1 in Japan)

(Unit: Billions of yen)

Market scale of the self-storage business (Japan nationwide)

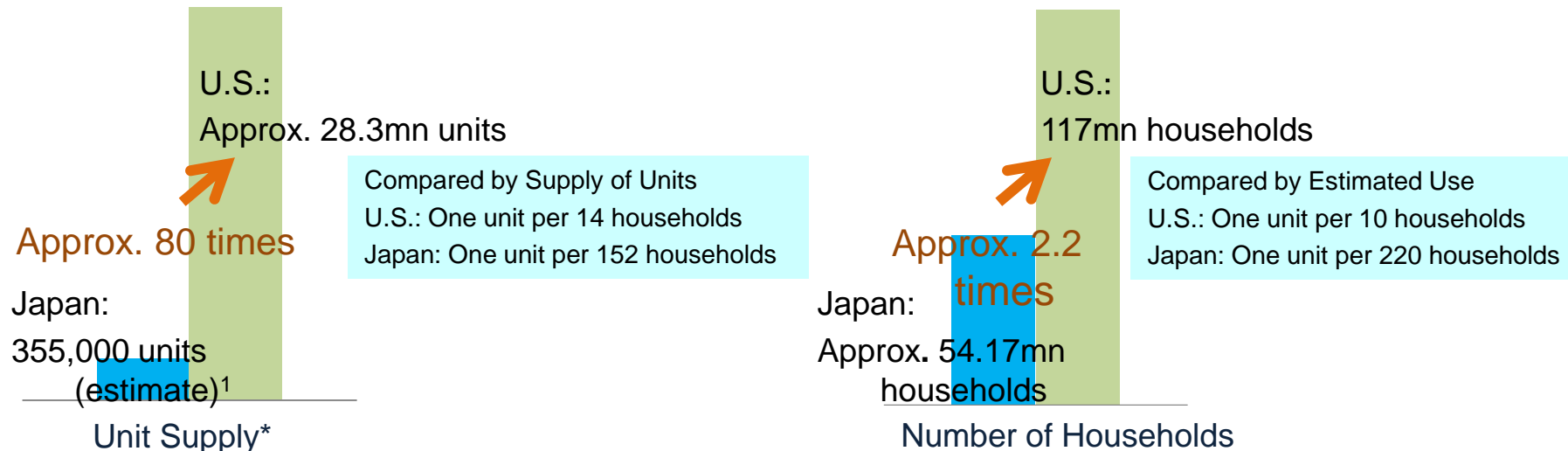


# Storage Business (2): Market Scale Forecasts (2)

Japan's storage market is expected to grow to be on a par with the U.S. in the future.

- Supply of units per household is less than one-tenth that of the U.S.
- The U.S. market is worth approximately ¥1.76 trillion, around 40 times that of Japan
- We will uncover latent demand with expectations of market growth

## Comparison between Japan and U.S.



Figures for the market scale estimate and unit supply are estimated figures for 2012.

Note 1: Number of units for rental storage space, as opposed to the warehouse industry

Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2013 Edition (Japan) Self Storage Almanac 2013 (U.S.)  
 Currency converted at ¥80/USD (2011 average)

# Storage Business (3): Competitive Environment

## Top Three Companies in the U.S. Self-Storage Market (Fiscal 2012)

Rank	Company Name	No. of Locations	No. of Units	Market Share (by No. of Units)
1	Public Storage	2,253	1,350,000	5.43%
2	Extra Space Storage	882	584,804	2.35%
3	U-Haul	1,144	428,334	1.72%
Top 10 companies		5,773	3,267,596	13.14%
Total		50,859	24,870,000	100%

Source: Self Storage Almanac 2013

## Overview of Public Storage, the Largest Self-Storage Company in the U.S.

- Storage net sales      ¥208.6 billion
- Net income              ¥110.8 billion

Source: Company's Annual Report 2013 (Currency converted at ¥105.3USD (closing price as of December 2013))

## Arealink's Position in Japan's Self-Storage Market

	Company Name	No. of Locations	No. of Units	Market Share (by No. of Units)
No.1	<b>Arealink</b>	<b>798</b>	<b>44,929</b>	<b>12.7%</b>
No.2	<b>Company A</b>	<b>749</b>	<b>36,631</b>	<b>10.4%</b>
No.3	<b>Company B</b>	<b>47</b>	<b>26,192</b>	<b>7.4%</b>
No.4	<b>Company C</b>	<b>391</b>	<b>20,646</b>	<b>5.8%</b>
No.5	<b>Company D</b>	<b>255</b>	<b>11,445</b>	<b>3.2%</b>
<b>Total</b>		<b>7,419</b>	<b>352,929</b>	<b>100%</b>

Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2013 Edition (Japan)

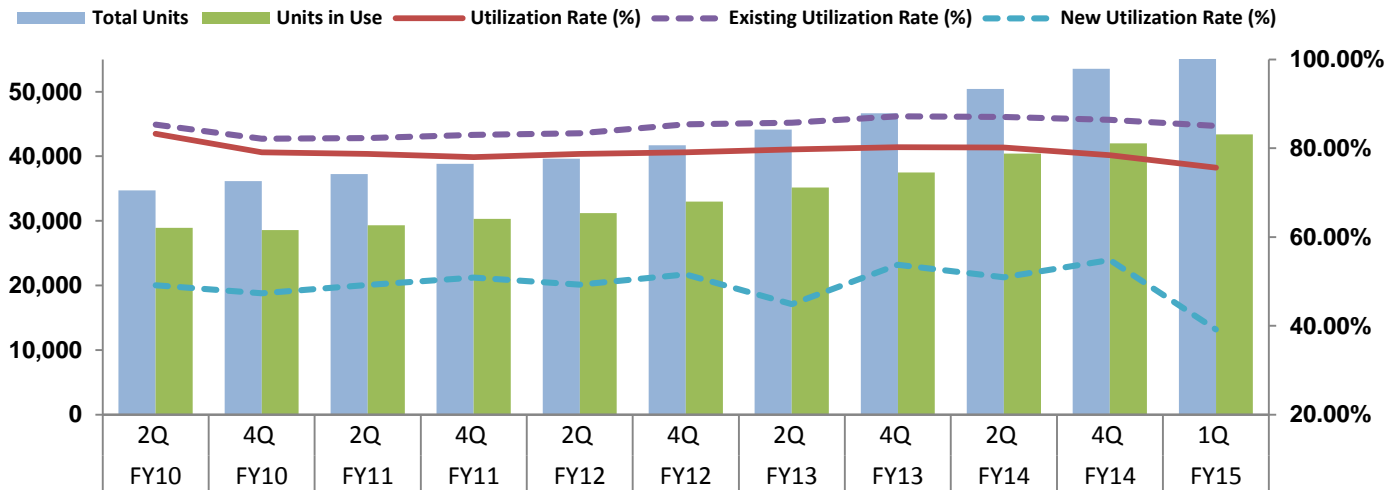


# Storage Business (4): Total Units, Units in Use, and Utilization Rate

Accelerated program of business openings has maintained the higher utilization rate. Establishment of regional sales offices is also accelerating openings.

- We are planning a full-fledged business expansion from the Tokyo metropolitan area to major suburban and regional areas, which will increase the number of business locations from approximately 6,800 in 2014, to 11,000 in 2016.
- In FY15 1Q, openings of new units; 3,978 and closing of 111 units; The total number of units increased by 3,867 units from the end of the previous fiscal year.

Total Units , Units in Use, and Utilization Rate



Total Units	34,723	36,131	37,267	38,838	39,614	41,698	44,138	46,686	50,422	53,564	57,431
Units in Use	28,917	28,562	29,340	30,290	31,188	32,968	35,177	37,499	40,407	42,009	43,413
Utilization Rate (%)	83.28%	79.05%	78.73%	77.99%	78.73%	79.06%	79.70%	80.22%	80.14%	78.43%	75.59%
Existing Utilization Rate (%)	85.33%	82.11%	82.28%	83.00%	83.34%	85.41%	85.73%	87.15%	87.06%	86.36%	85.02%
New Utilization Rate (%)	49.11%	47.36%	49.20%	50.85%	49.30%	51.61%	44.86%	53.77%	50.90%	54.85%	39.18%

\* Existing: Units after more than two years since they opened  
 New: Units after less than two years since they opened

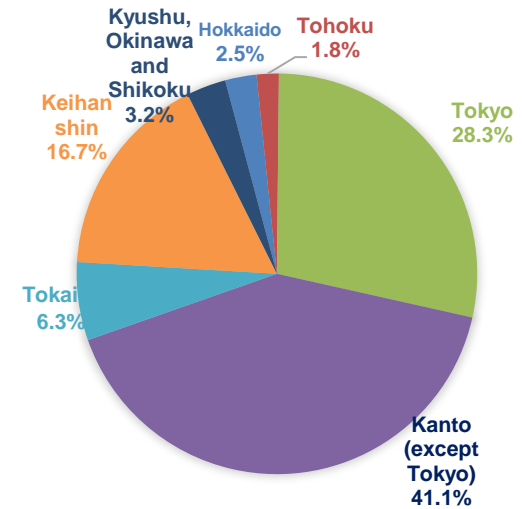


# Storage Business (5) : Openings by Region

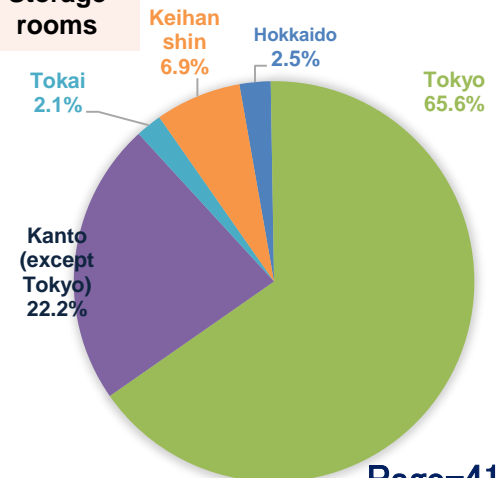
Establish 35 locations (branch offices and business offices) nationwide, aiming for a 50% domestic market share, and accelerate storage location openings

Prefecture	Containers	Storage Rooms	Total	Proportion of Total
Hokkaido	1,024	422	1,446	2.5%
Miyagi	722	-	722	1.3%
Ibaraki	292	-	292	0.5%
Tochigi <sup>NEW</sup>	83	-	83	0.1%
Gunma	112	-	112	0.2%
Saitama	5,439	815	6,254	10.9%
Chiba	7,378	329	7,707	13.4%
Tokyo	11,440	11,001	22,441	39.1%
Kanagawa	3,589	2,694	6,283	10.9%
Gifu	202	-	202	0.4%
Shizuoka	357	-	357	0.6%
Aichi	1,834	303	2,137	3.7%
Mie	154	50	204	0.4%
Kyoto	808	154	962	1.7%
Osaka	2,745	962	3,707	6.5%
Hyogo	2,587	47	2,634	4.6%
Nara	530	-	530	0.9%
Wakayama <sup>NEW</sup>	27	-	27	0.0%
Kagawa <sup>NEW</sup>	45	-	45	0.1%
Fukuoka	706	-	706	1.2%
Kumamoto	48	-	48	0.1%
Oita	26	-	26	0.0%
Kagoshima	372	-	372	0.6%
Okinawa	134	-	134	0.2%
<b>Total</b>	<b>40,654</b>	<b>16,777</b>	<b>57,431</b>	<b>100.0%</b>

Container



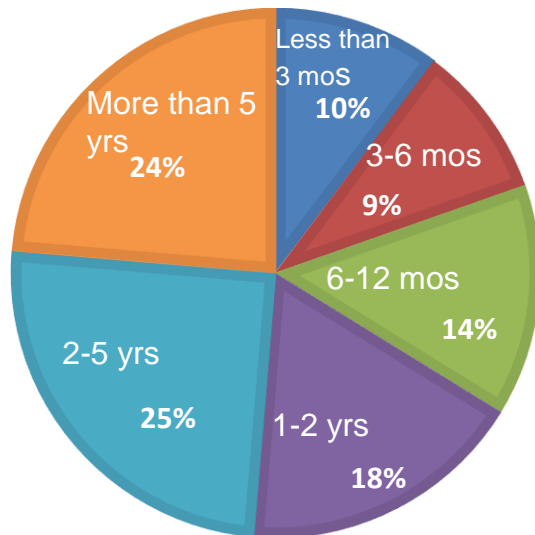
Storage rooms



# Storage Business (6): User Analysis

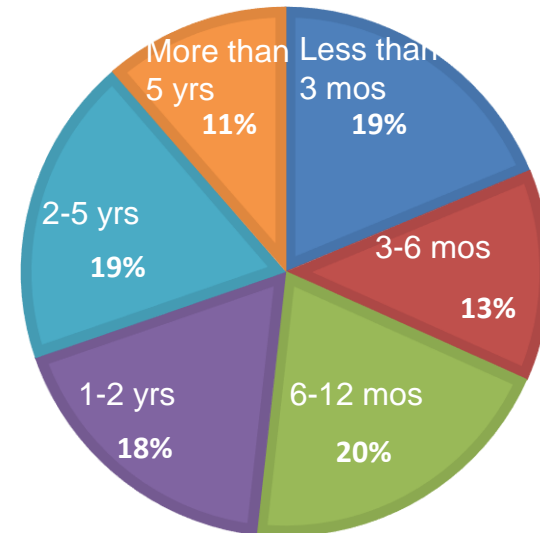
- Average usage period for current contract customers is three years (at August 2014).
- Average usage period for customers who have terminated contracts is 22 months (2013 result).
- Average monthly usage fee is ¥11,250 for a container type, and ¥12,500 for trunk type.

**Breakdown of usage period for current contract customers**



\* Analysis of customers with contracts at August 2014

**Breakdown of usage period for customers who terminated contracts**



\* Analysis of customers who terminated contracts in 2013

# Examples of self-storage locations / Outdoor container type



Sendai Tago (Miyagi)



Sendai Higashinakata (Miyagi)



Misato 2 (Saitama)



Wako5 (Saitama)



Higashifuchu (Tokyo)



Hino, Koshu Kaido (Tokyo)



Kodaira 3 (Tokyo)



Ariake, Toyosu, Shinonome (Tokyo)



Higashikasai (Tokyo)



Yotsugi4 (Tokyo)



Higashikurume2 (Tokyo)



Machida Oyamagaoka (Tokyo)



Hachioji 4 (Tokyo)



Utsunomiya Joto (Tochigi)



Mito Himeko (Ibaraki)



Motosumiyoshi (Kanagawa)



Hamamatsu Minamiasada (Shizuoka)



Owari Setoekimae (Aichi)



Wakayama Matsuekita (Wakayama)



Kyoto Hachiman (Kyoto)



Izumi Fuchu (Osaka)



Nara Sahoda (Nara)



Akashinishi2 (Hyogo)



Takamastu Gotocho (Kagawa)

NEW : Newly opened in 2014 and 2015



# Examples of self-storage locations / Outdoor container type



# Examples of self-storage locations / Indoor building type



Ageo (Saitama)



Shimoichiai (Tokyo)



Hashimoto (Tokyo)



Koenji Kokashita2 (Tokyo)



Ginza 2 (Tokyo)



Adachi Takenozuka2 (Tokyo)



Adachi Higashiiko (Tokyo)



Nakajujo (Tokyo)



Shinonome (Tokyo)



Shinjuku Yotsuya 3-Chome 2 (Tokyo)



Minamiazabu (Tokyo)



Iidabashi (Tokyo)



Musashikoyama1 (Tokyo)



Shjbuyahoncho (Tokyo)



Yokohama Kannai (Kanagawa)



Yokohama Aobadai (Kanagawa)



Mukogaokayuen (Kanagawa)



Azamino (Kanagawa)



Nagoya Higashikataha (Aichi)



Kyoto Fushimi (Kyoto)



Kyoto Shjokarasuma (Kyoto)



Osaka Edobori (Osaka)



Tanimachi 4-Chome (Osaka)



Amagasaki (Hyogo)

NEW : Newly opened in 2014 and 2015



# Examples of self-storage locations / a “Storage Building” Type Unit



Upper from left to right  
 Hello Storage Kita-ueno  
 Hello Storage Kanda Akihabara 3  
 Hello Storage Monzen-nakacho

Lower from left to right  
 Hello Storage Yukigata-otsuka  
 Hello Storage Warabi  
 Hello Storage Kajigaya 2

※ **NEW**  
 Newly opened in 2014 and 2015

# Examples of self-storage locations





# Expansion in Rental Meeting Rooms

- ✓ We are developing the Hello Meeting Room business nationwide with the aim of establishing a new earnings base, and being **the industry leader**.
  - Rental meeting room service launched in 2006, utilizing small and mid-sized office buildings, and vacant rooms in Tokyo, Yokohama, and Osaka.
  - Locations opened in Osaka in December 2013, and Nagoya in January 2014. New locations to be opened in central regional cities.
  - Instead of the former method of opening locations on a piecemeal basis, we will rent properties with favorable qualities.

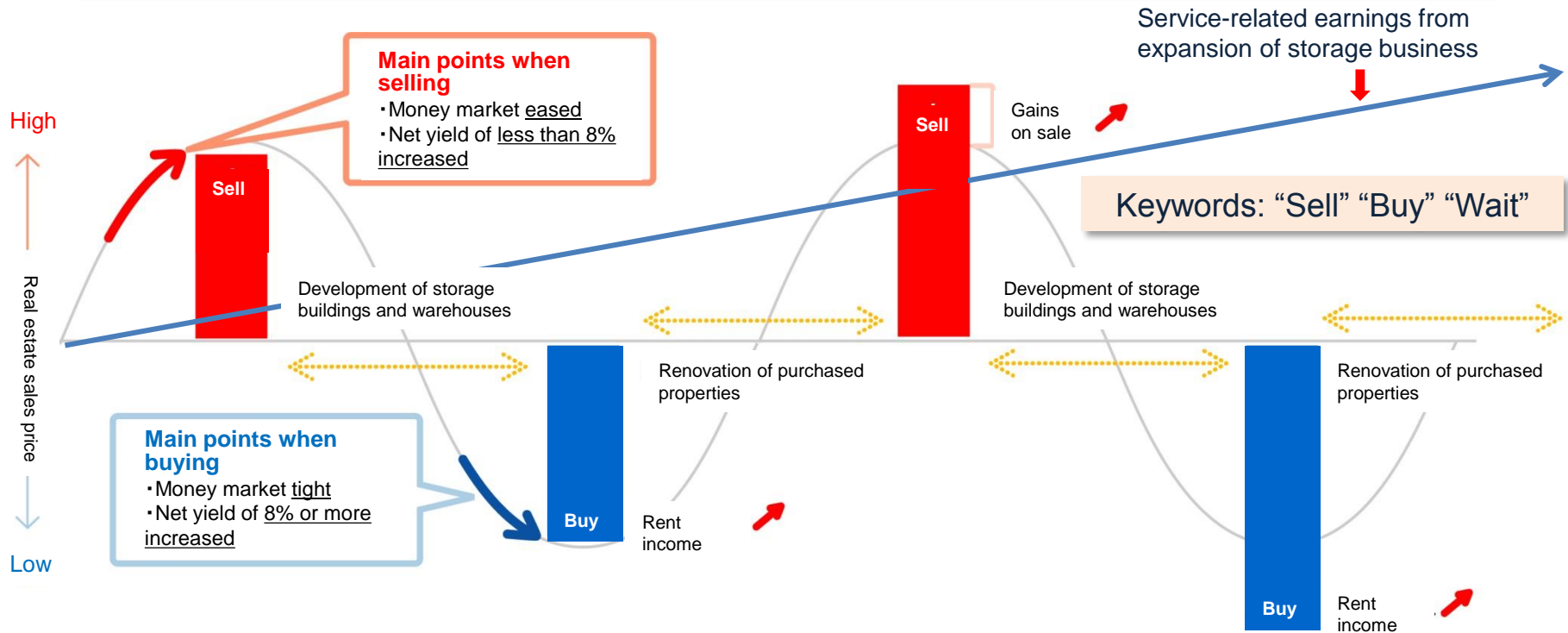


Hello Meeting Room Shinbashi (Tokyo)



# Ideal Real Estate Model (1)

## Ideal property purchases and sales in line with the real estate price cycle

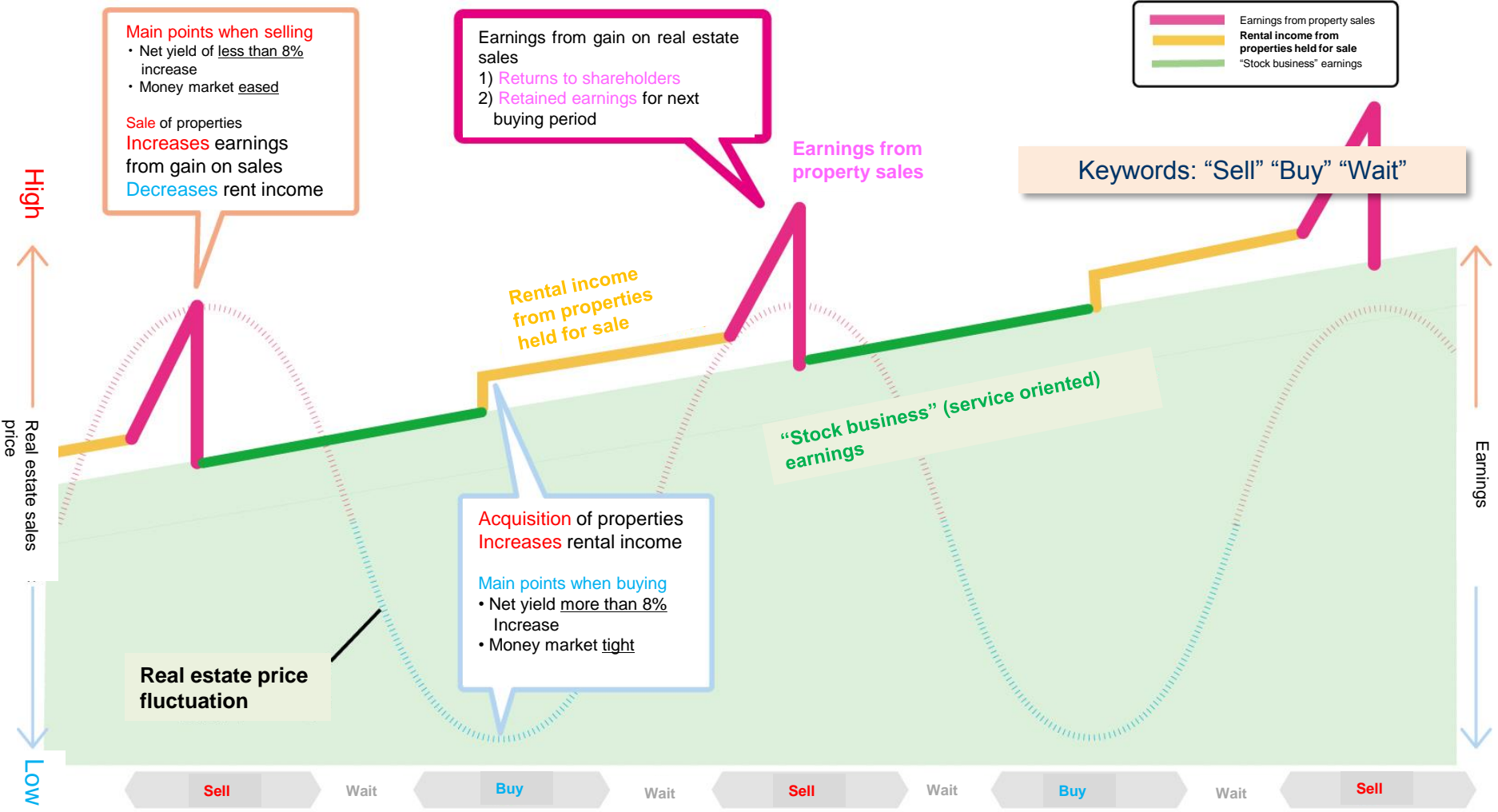


### Real estate purchases and sales in line with the price cycle:

- Buy low, sell high
- Clarify purchase and sale policy to maximize return
- Return 20%-30% of gains on sale to shareholders as dividends
- Expand storage business as hedge against periods when we refrain from buying or selling
- Service-related earnings growth from expanded openings of Storage Buildings (downtown areas) and Storage Warehouses (suburbs)

# Ideal Real Estate Model (2)

## Arealink's Earnings Model

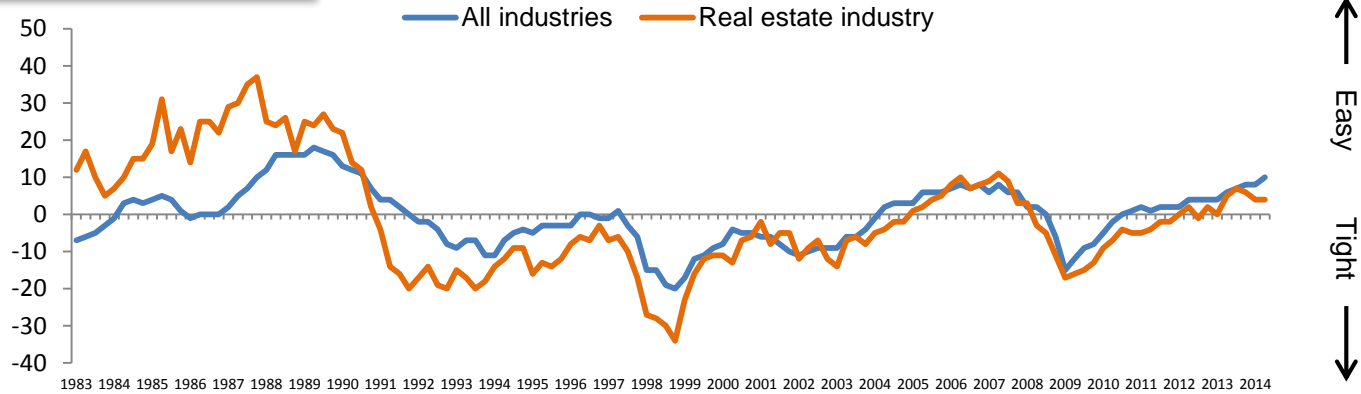


The "Sell-Buy-Wait" cycle for real estate sales

# Ideal Real Estate Model (3)

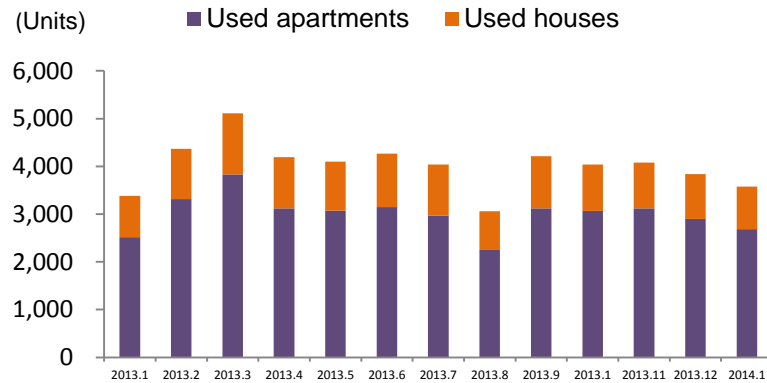
We conduct a demand analysis of the real estate market, including the status of corporate financing, newly-built and used apartments, and newly-built homes.

Financing Diffusion Index (DI)

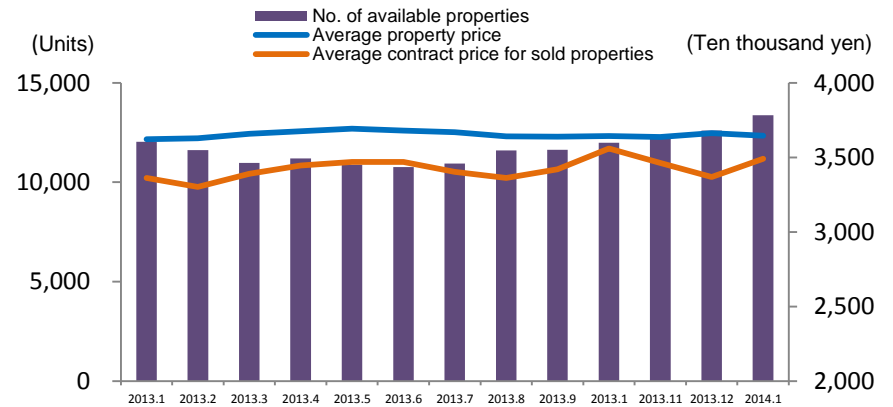


Source: Bank of Japan, Explanation of the Short-Term Economic Survey of Enterprises in Japan (*Tanken*) \* DI (Diffusion index): "easy" minus "tight"

Contracts concluded for used apartments and houses (Tokyo metropolitan area)



Supply of newly-built homes and average contract price (Tokyo metropolitan area)



Source: Real Estate Information Network for East Japan, monthly flash report "Market Watch" January 2014 Edition

# Front-loaded Annual Schedule to Achieve Earnings Targets

Clarify the points to focus on during each period of the front-loaded annual schedule

## First Half

**January – June: Buffer Period**  
**Sprinting start to achieve**  
**our target ahead of**  
**schedule**

- ✓ Implement sales strategies in a concerted manner as a company
- ✓ Form a buffer team
- ✓ Early property acquisition and business openings in the stock business

## Second Half

**July – September: Refresh and**  
**Sowing Seeds Period**  
**Sowing seed for the Furious**  
**Activity Period and for 2014**

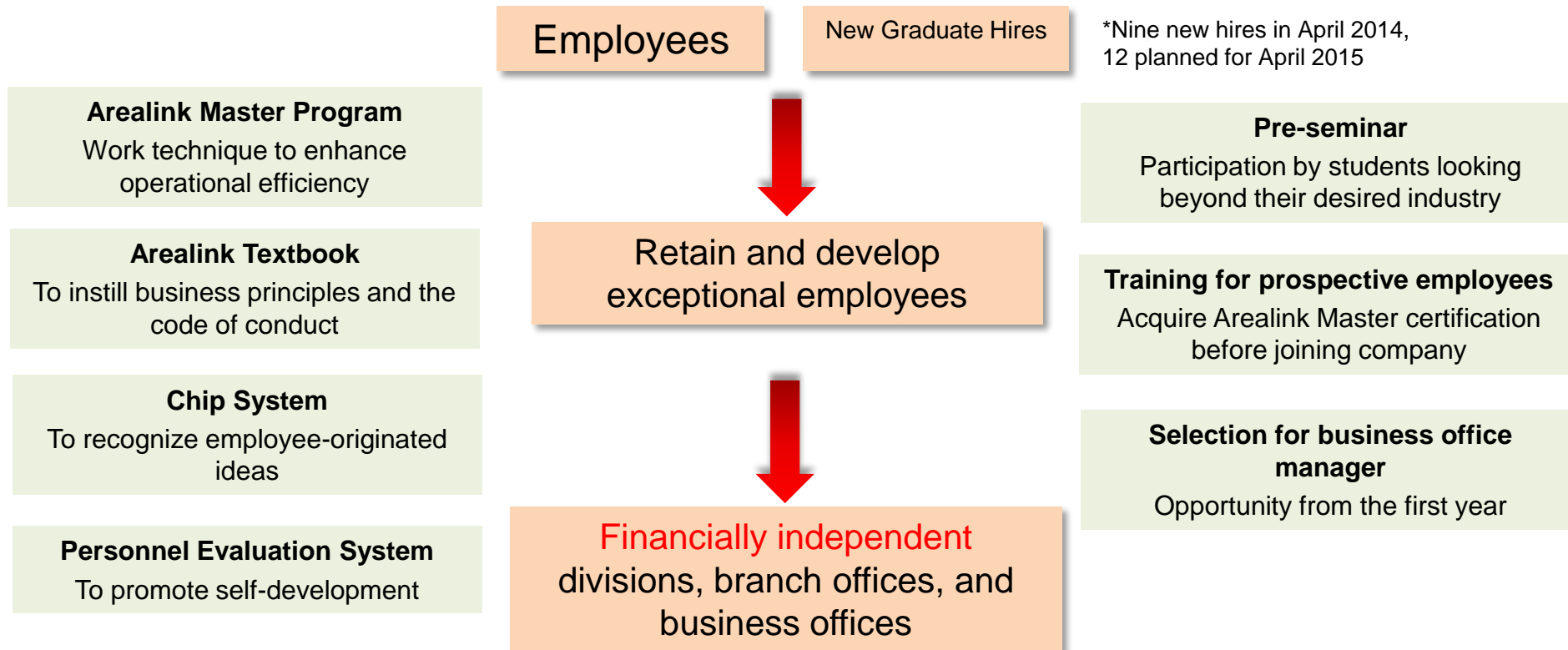
- ✓ Create a marketing list
- ✓ Maintenance of primary properties
- ✓ Cost reductions
- ✓ Improvement in C and D rank properties
- ✓ Enhance follow-up support for owners
- ✓ Strengthen network with property owners
- ✓ Simplify work for maintenance and administrative personnel

**October – December: Furious**  
**Activity Period**  
**Savings for the next year**

Prepare for sprinting start in the first half of the next year

# Human Resources Development (1)

We are creating mechanisms to enhance capabilities, and the effectiveness of new graduate employees.

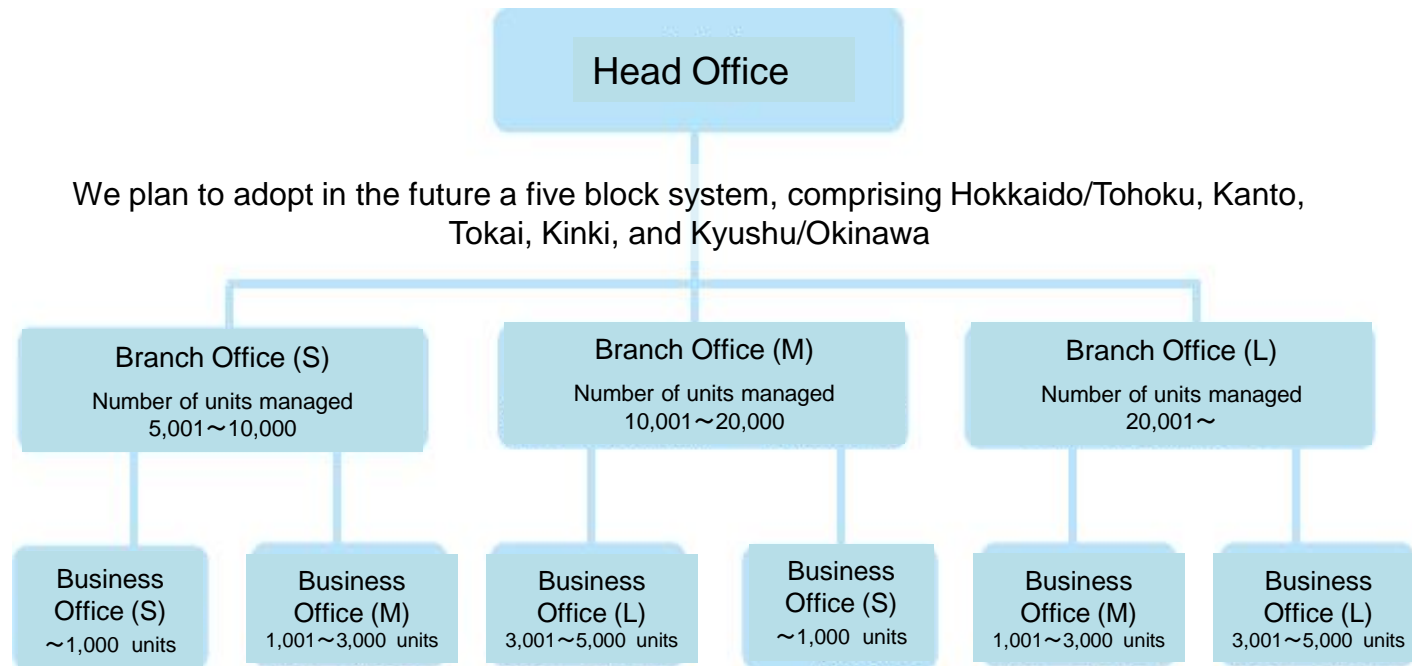


# Human Resources Development (2)

## Unrivaled organization and system

**Young employees** with 2-3 years of experience (22-25 years old) are **selected to head business offices**, and those with 5-6 years of experience (25-27 years old) to lead branch offices.

Example: A fourth-year new graduate hire was selected to head the Tokyo Branch Office, which manages the greatest number of units (L class office)



Young employees selected for promotion based on performance

Example promotions

Business Office (S) manager  
→ Business Office (M) manager

Business Office (L) manager  
→ Branch Office (S) manager

Branch Office (L) manager

→ **Block manager**

→ **Expert**

# Real Estate Sales: Strategies and Measures

Expand revenue and earnings through planned purchases of income properties, centering on commercial and office buildings

## Investment strategy

- Purchase of high-yield products as well as buildings and condominium complexes situated in prime locations; renovation and sale by individual floors and lots

## Major properties during the subject period



**Kojimachi, Chiyoda-ku, Tokyo**  
Single building, stores and offices  
¥810 million

**Honmachi, Shibuya-ku, Tokyo**  
Single building, stores and offices  
¥675 million

The earnings forecasts, predictions, strategies, and other information presented in this report are as of the time of preparation. The report was prepared based on information reasonably available to the Company, with determinations made within foreseeable bounds.

However, there are risks that that actual performance may differ from the earnings forecasts in this report as a result of unforeseeable events and results.

The Company makes an effort to proactively disclose information considered important to investors, but readers are strongly advised to avoid decisions that place undue reliance solely on the earnings forecasts presented in this report.

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