

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

# Results Briefing

Third Quarter, Fiscal Year Ending December 2015

**October 29, 2015**

**Exciting Company**



**Arealink Co.,Ltd.**

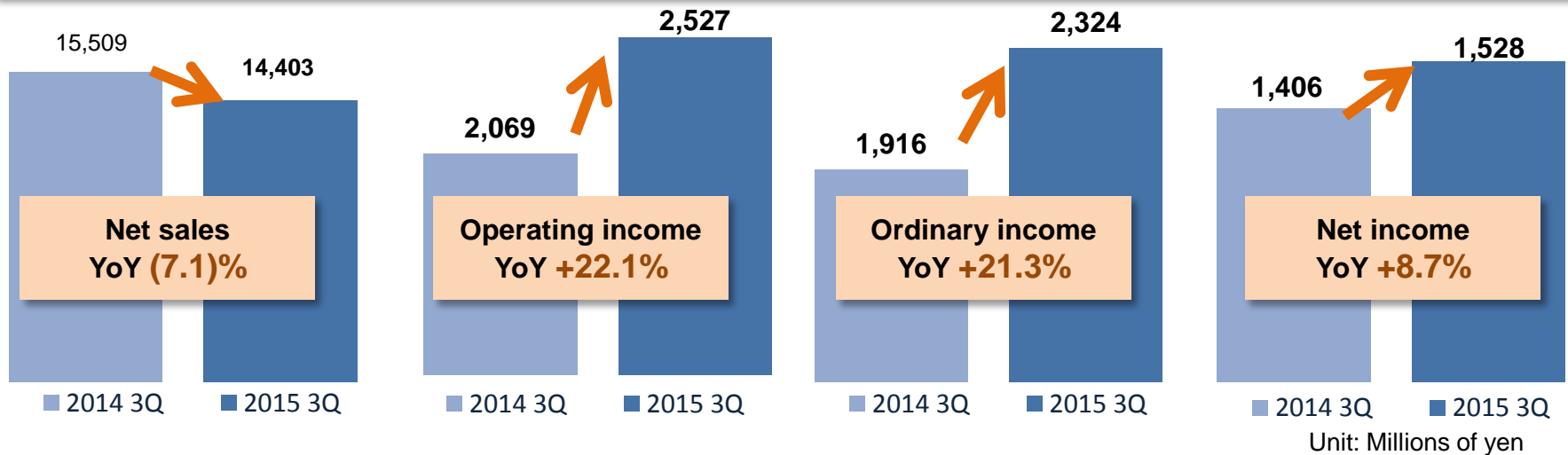
Securities code:8914

# 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

Steady expansion in all businesses, with substantial year-on-year gains in earnings



	FY14 3Q Cumulative (actual)		FY15 3Q Cumulative (actual)		Plan (Upward revised)		YoY	
	Actual	(%)	Actual	(%)	Plan	(%)	Variance	% Change
(Millions of yen)								
Net sales	15,509	(100.0)	14,403	(100.0)	17,425	(100.0)	(1,106)	(-7.1)
Cost of sales	11,813	(76.2)	10,054	(69.8)	12,665	(72.7)	(1,759)	(-14.9)
Gross profit	3,696	(23.8)	4,349	(30.2)	4,760	(27.3)	652	(17.7)
SG&A expenses	1,626	(10.5)	1,821	(12.6)	2,259	(13.0)	195	(12.0)
Operating income	2,069	(13.3)	2,527	(17.5)	2,500	(14.4)	457	(22.1)
Ordinary income	1,916	(12.4)	2,324	(16.1)	2,287	(13.1)	407	(21.3)
Net income	1,406	(9.1)	1,528	(10.6)	1,513	(8.7)	122	(8.7)

# Segment Breakdown

## Property Management Service

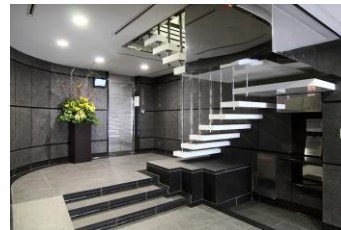
- Storage management (Hello Storage customer recruitment, operations and management)
- Storage liquidation (Hello Storage orders and location development)
- Other management services
  - Asset management (Tenant recruitment, operations and management of help properties)
  - SOHO (Hello Office / Hello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



Hello Storage (Container type)



Hello Storage (Room type)



Property Holding (Kyodo Building entrance)



Hello Rental Meeting Room (Shibuya II)

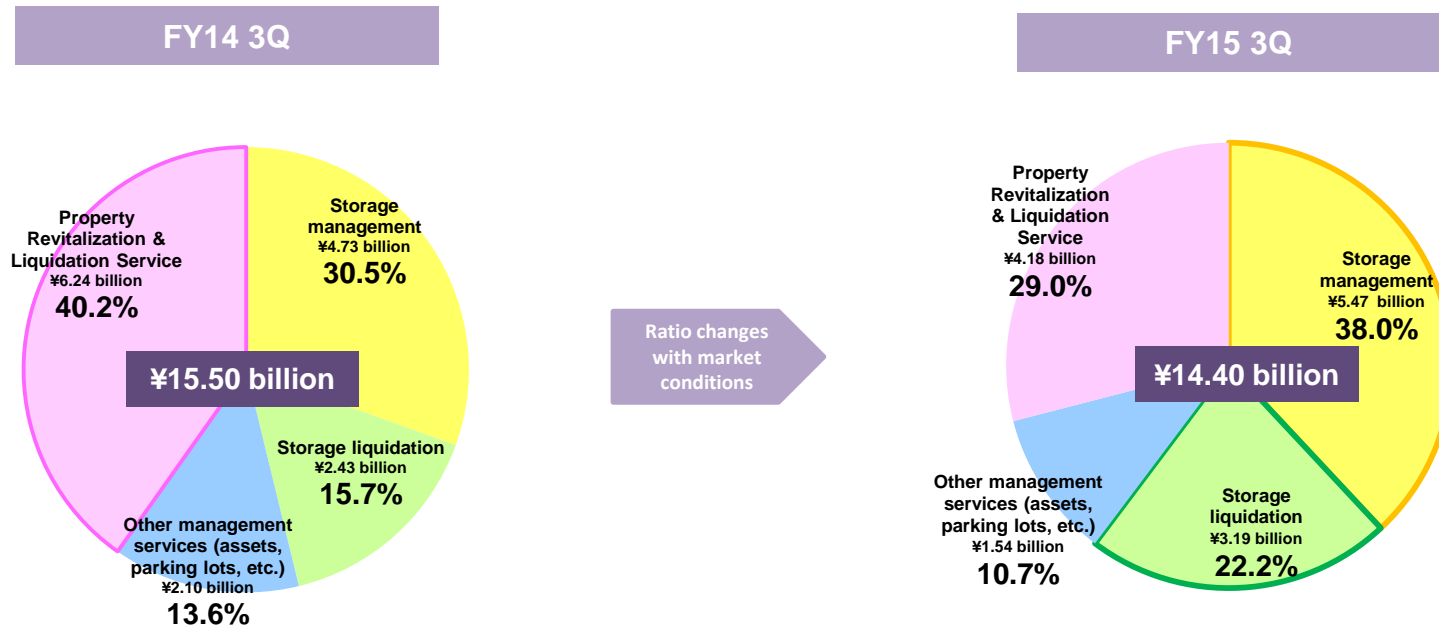
## Property Revitalization & Liquidation Service

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



Sold property (Residential building and commercial building, Ichigaya)

# Sales by Segment



- ✓ Steady progress during FY15 3Q, particularly in storage management and storage liquidation
- ✓ Cumulative-type businesses such as other management services progressed mainly as budgeted.

# Profit Margin by Segment

Both the gross profit margin and operating income margin rose. Results are rising on the whole.

Unit: Millions of yen

			FY14 3Q (actual)		FY15 (initial budget)		FY 15 3Q (actual)	
			Actual	Profit margin	Initial budget	Profit margin	Actual	Profit margin
Storage management	Net sales		4,730		7,339		5,477	
	Gross profit		1,333	28.2%	1,661	22.6%	1,531	28.0%
	Operating income		970	20.5%	1,013	13.8%	1,078	19.7%
Storage liquidation	Net sales		2,430		2,439		3,197	
	Gross profit		880	36.2%	615	25.2%	951	29.7%
	Operating income		432	17.8%	286	11.8%	513	16.0%
Other property management service	Net sales		2,106		2,012		1,546	
	Gross profit		639	30.4%	648	32.2%	555	35.9%
	Operating income		517	24.6%	489	24.3%	421	27.3%
<b>Property Management Service Total</b>	Net sales		9,268		11,791		10,221	
	Gross profit		2,853	30.8%	2,925	24.8%	3,037	29.7%
	Operating income		1,920	20.7%	1,789	15.2%	2,012	19.7%
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales		6,241		505		4,182	
	Gross profit		842	13.5%	140	27.7%	1,311	31.3%
	Operating income		667	10.7%	73	14.6%	1,157	27.7%
<b>Other</b>	Net sales		—		—		—	
	Gross profit		—		—		—	
	Operating income		(518)		(802)		(642)	
<b>Total</b>	Net sales		15,509		12,296		14,403	
	Gross profit		3,696	23.8%	3,065	24.9%	4,349	30.2%
	Operating income		2,069	13.3%	1,060	8.6%	2,527	17.5%

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

Profitability also rose steadily in all segments during the period.  
Accelerated store openings of storage liquidation projects contributed to earnings.

Unit: Millions of yen

			FY13 (full year)	FY14					FY15			
			Cumulative	1Q	2Q	3Q	4Q	Cumulative	1Q	2Q	3Q	3Q Cumulative
	Storage management	Net sales	5,716	1,516	1,583	1,630	1,675	6,406	1,729	1,843	1,904	5,477
		Gross profit	1,574	383	488	461	359	1,692	504	544	482	1,531
		Operating income	1,095	260	375	335	200	1,170	362	389	326	1,078
	Storage liquidation	Net sales	2,096	613	1,004	812	287	2,718	1,310	1,104	782	3,197
		Gross profit	826	220	381	278	86	967	390	331	229	951
		Operating income	326	86	194	150	(1)	430	221	190	101	513
	Other property management service	Net sales	2,921	732	698	676	614	2,721	601	496	448	1,546
		Gross profit	735	228	225	185	191	831	195	197	161	555
		Operating income	615	191	184	141	147	664	148	157	115	421
<b>Property Management Service Total</b>	Net sales	10,735	2,862	3,286	3,119	2,577	11,845	3,641	3,445	3,134	10,221	
	Gross profit	3,136	832	1,094	926	637	3,491	1,090	1,072	874	3,037	
	Operating income	2,081	538	754	627	346	2,266	732	736	543	2,012	
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales	1,521	1,995	1,468	2,776	33	6,274	1,322	2,701	158	4,182	
	Gross profit	169	222	282	337	27	869	256	1,008	46	1,311	
	Operating income	111	211	192	264	22	690	212	924	19	1,157	
<b>Other</b>	Net sales	—	—	—	—	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	—	—	—	—	
	Operating income	(644)	(167)	(169)	(180)	(202)	(721)	(180)	(238)	(223)	(642)	
<b>Total</b>	Net sales	12,256	4,858	4,755	5,896	2,610	18,120	4,963	6,147	3,293	14,403	
	Gross profit	3,306	1,055	1,377	1,263	664	4,360	1,346	2,081	920	4,349	
	Operating income	1,505	581	777	710	165	2,235	765	1,422	339	2,527	

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

Unit: Millions of yen

		FY14 3Q (actual)		FY15 (initial budget)		FY15 3Q (actual)		
		3Q Cumulative	Component Ratio	Initial Full Year	Component Ratio	Actual	Component Ratio	Completion Rate
Net sales	Property Management Service	9,268	59.8%	11,791	95.9%	10,221	71.0%	86.7%
	Storage management	4,730	30.5%	7,339	59.7%	5,477	38.0%	74.6%
	Storage liquidation	2,430	15.7%	2,439	19.8%	3,197	22.2%	131.1%
	Parking	403	2.6%	204	1.7%	184	1.3%	90.6%
	Asset	1,211	7.8%	1,103	9.0%	834	5.8%	75.6%
	SOHO	480	3.1%	692	5.6%	517	3.6%	74.8%
	Other	12	0.1%	12	0.1%	9	0.1%	79.6%
	Property Revitalization & Liquidation Service	6,241	40.2%	505	4.1%	4,182	29.0%	828.2%
Total	15,509	100.0%	12,296	100.0%	14,403	100.0%	117.1%	
Gross profit	Property Management Service	2,853	77.2%	2,925	95.4%	3,037	69.9%	103.9%
	Storage management	1,333	36.1%	1,661	54.2%	1,531	35.2%	92.2%
	Storage liquidation	880	23.8%	615	20.1%	951	21.9%	154.6%
	Parking	63	1.7%	65	2.1%	58	1.3%	89.0%
	Asset	430	11.6%	343	11.2%	302	7.0%	88.1%
	SOHO	144	3.9%	226	7.4%	184	4.2%	81.1%
	Other	2	0.1%	12	0.4%	9	0.2%	81.4%
	Property Revitalization & Liquidation Service	842	22.8%	140	4.6%	1,311	30.2%	936.6%
Total	3,696	100.0%	3,065	100.0%	4,349	100.0%	141.9%	

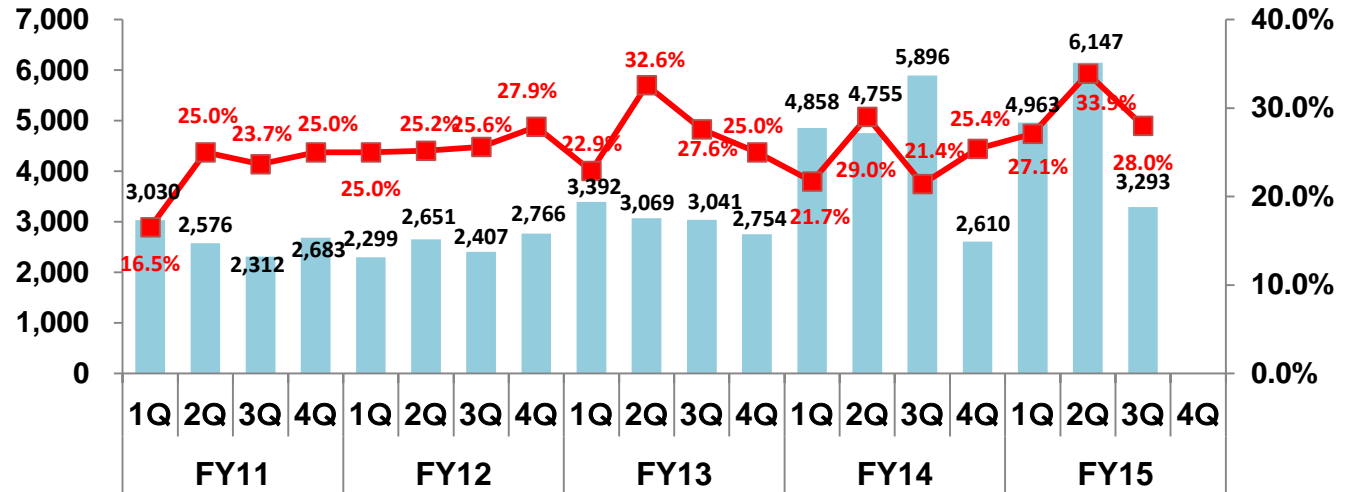


# Quarterly Net Sales and Operating Income

Net sales margin and operating profit margin remained stable overall.

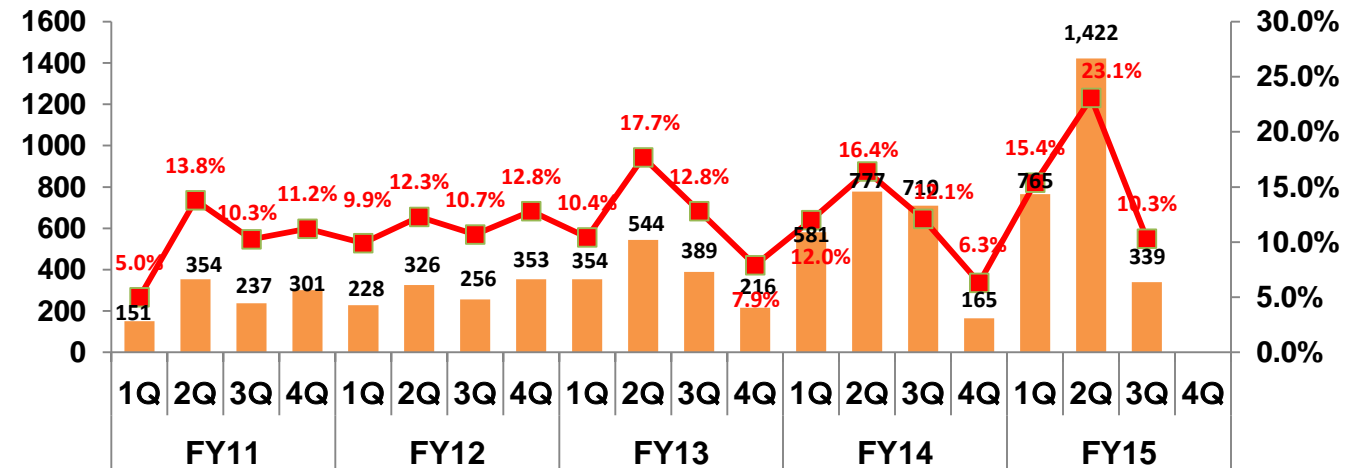
(Unit: Millions of yen)

Trends in net sales and gross profit margin



(Unit: Millions of yen)

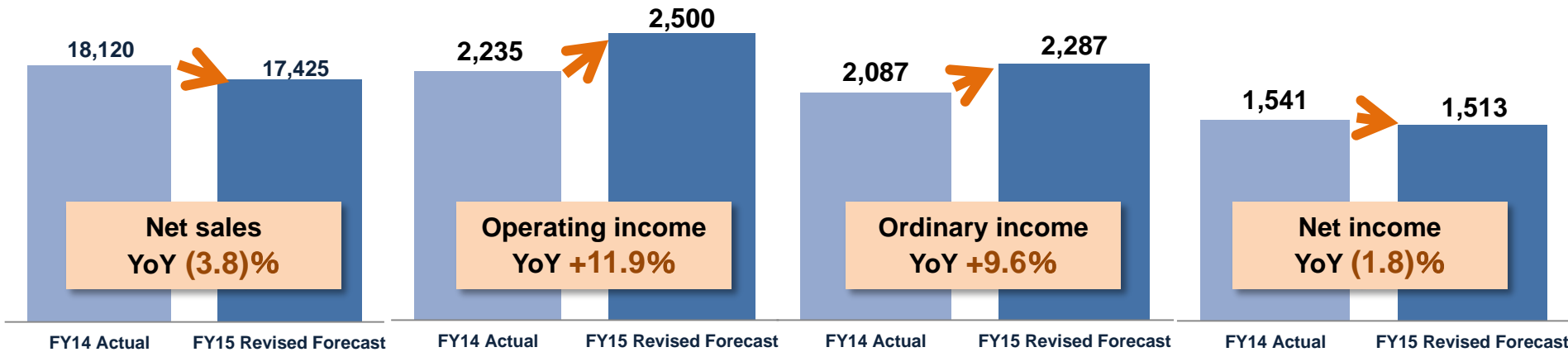
Trends in operating income and operating income ratio



# FY15 Earnings Outlook

Initial forecasts revised upward, for increases both in operating income and ordinary income

Unit: Millions of yen



	FY2014		FY2015				YoY	
	Actual (A)	(%)	Previous * Forecast	(%)	Revised Forecast (B)	(%)	Variance (B-A)	% Change
(Millions of yen)								
Net sales	18,120	(100.0)	13,400	(100.0)	17,425	(100.0)	(695)	(3.8)%
Operating income	2,235	(12.3)	1,195	(8.9)	2,500	(14.3)	265	11.9%
Ordinary income	2,087	(11.5)	1,150	(8.6)	2,287	(13.1)	200	9.6%
Net income	1,541	(8.5)	797	(5.9)	1,513	(8.7)	(28)	(1.8)%
ROE (%)	11.9	—	4.8	—	11.1	—	(0.8)pt	—
ROA (%)	7.2	—	3.4	—	7.8	—	0.6pt	—

\* Announced on April 28

## **Part- II**

# **2H Priority Measures for FY15**

# Priority Measures (1)

## ✓ Brand strengthening and differentiation strategies

✓ 2x4 Trunk

✓ Installation of LED signage (approx. 200 locations)



Hello Storage Funabashi  
Sakae-cho  
Opened Aug. 2015



Interior of Hello Storage  
Funabashi Sakae-cho



Hello Storage Miyanogi Premium  
Scheduled to open in Dec. 2015  
Architectural rendering



Example of LED signage



Look of LED signage at night

## ✓ Growing investment needs in the storage liquidation business

✓ Develop new investor segments through bank business matching services

✓ Sow seeds for a future consulting business

# Priority Measures (2)

- ✓ **Strengthen marketing**
  - ✓ We divided the entire country into 420,000 areas of 500 m<sup>2</sup> each, analyzing the local characteristics (such as residents' age and family composition) and supply-demand conditions. This will enhance precision in location openings.
  
- ✓ **Introduce IT systems**
  - ✓ Greater efficiency and standardization in customer recruitment and store openings
  - ✓ Systemization of sales operations using Salesforce
  - ✓ Strengthen marketing using Revenue Management, such as flexible pricing based on capacity utilization

# Priority Measures (3)

## ✓ Store opening strategies

### ✓ Establish regional offices

Shizuoka Business Office opened in October 2015, for a network of 10 offices

### ✓ Conduct sign marketing campaign

Signs placed in approx. 160 locations (as of end-Sept.)  
Strengthen connections with land owners



## ✓ Continual personnel training

### ✓ Continue the more than 30 systems and programs, such as the Arealink Master Program

### ✓ Currently formulating an original manual, “Simple Honesty Overcomes Even the Best!”

Use for training and recruitment, and to instill our corporate vision

# 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.

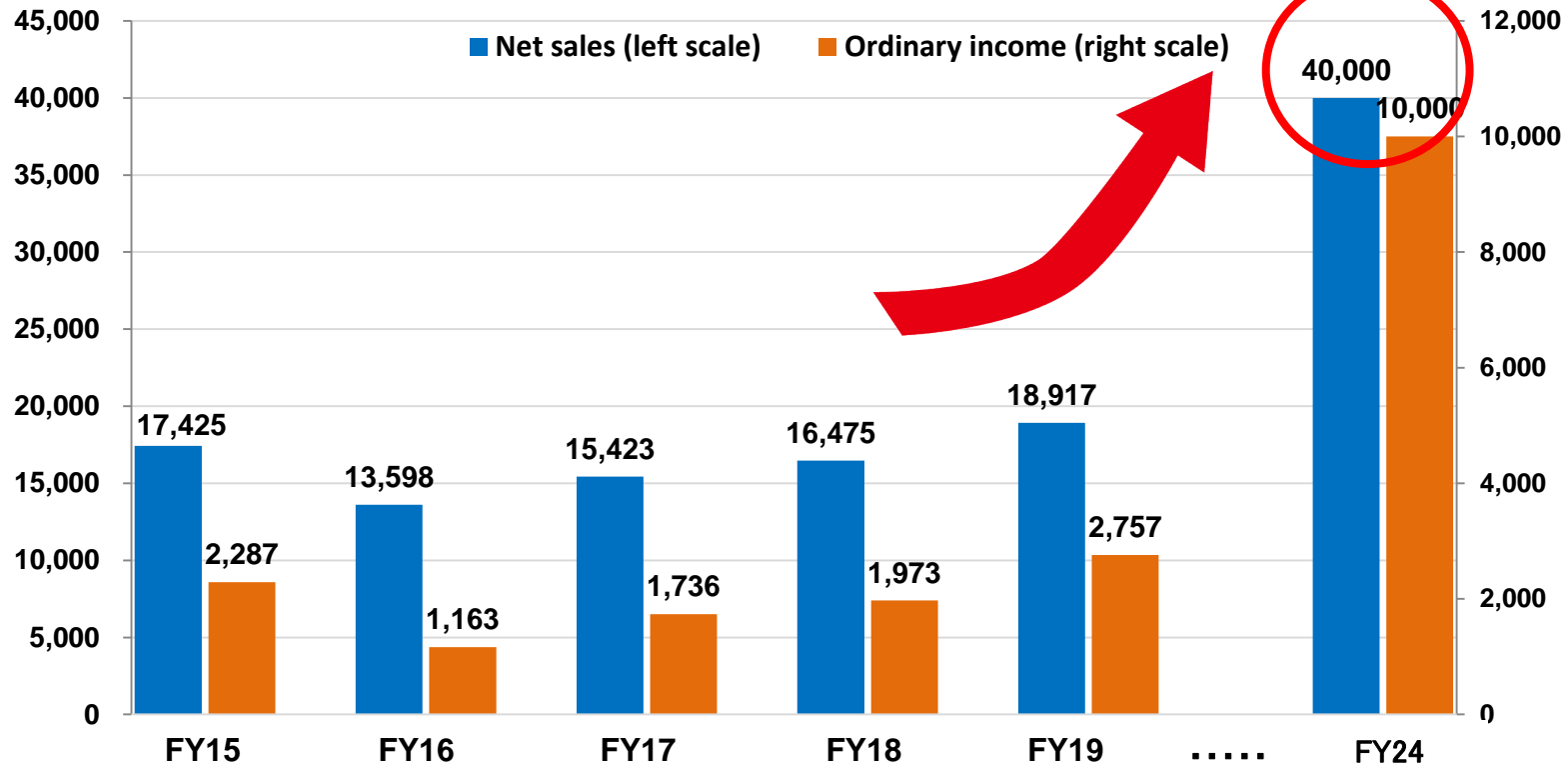
Accordingly, net income per share and net assets per share before 2012 have been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

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)



## Target to achieve 50% share of the self-storage market

- ✓ **Establish business offices to accelerate location openings**
  - ✓ Total of 35 local offices specializing in opening of storage locations to be established by 2018
- ✓ **Differentiation and greater brand strength**
  - ✓ IT system investments to enhance operational efficiency and improve services
  - ✓ Raise visibility with storage buildings and installation of LED signage
- ✓ **Human resources development**
  - ✓ Train future managers with office openings and independent profitability



LED Signage

## Medium-Term Management Plan: Principal Measures (2)

- ✓ **Growth strategies including M&A**
  - ✓ Effectively utilize growth capital to expand the mainstay self-storage business in a short period of time
  - ✓ Secure a market share far ahead of the competition, and establish absolute predominance
  
- ✓ **Develop new business “Arealink Consulting”**
  - ✓ New business targeting wealthy individuals, including asset management consulting for the Owners’ Club



- ✓ In ten years, ¥10 billion in ordinary income with 200 employees
- ✓ Target operating income of ¥50 million in ordinary income per employee  
⇒ **Aim for efficient management**

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

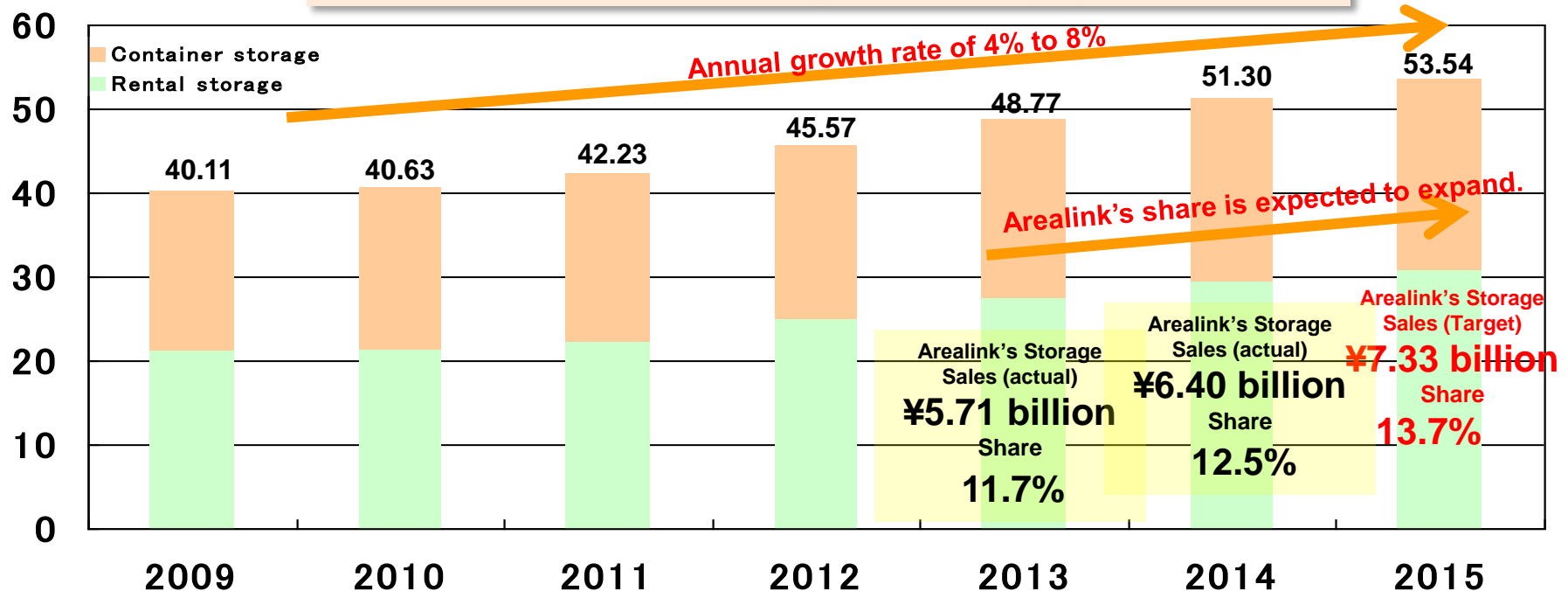
The Japanese self-storage market is expected to expand to ¥53.54 billion by 2015.

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)

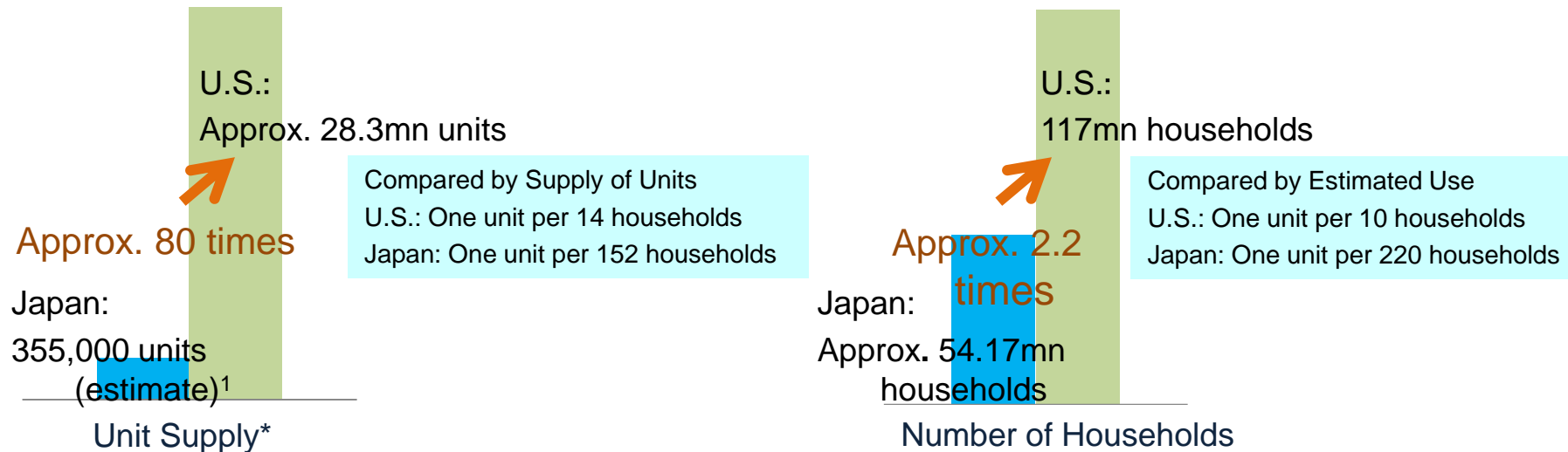


# Storage Business (2): Market Scale Forecasts (2)

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 2014)

Rank	Company Name	No. of Locations	No. of Units	Market Share (by No. of Units)
1	Public Storage	2,396	1,435,686*	5.83%
2	Extra Space Storage	1,072	714,082	2.90%
3	U-Haul	1,262	477,675	1.94%
Top 10 companies		5,773	3,267,596	15.53%
Total		6,753	3,821,350	100%

Source: Self Storage Almanac 2015

\* The number of units are preliminary calculated since 2012, because it is a non-disclosure figure.

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

Founded in 1972, Selected for the S&P 500 and FT Global 500

● Operating revenue ¥267.8 billion (YoY+10.8%)

● Net income allocable to shareholders ¥139.5 billion (YoY+8.7%)

Source: Company's Annual Report 2014 (Currency converted at ¥122 USD (closing price as of December 20134))

## 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	Arealink	798	44,929	12.7%
No.2	Company A	749	36,631	10.4%
No.3	Company B	47	26,192	7.4%
No.4	Company C	391	20,646	5.8%
No.5	Company D	255	11,445	3.2%
Total		7,419	352,929	100%

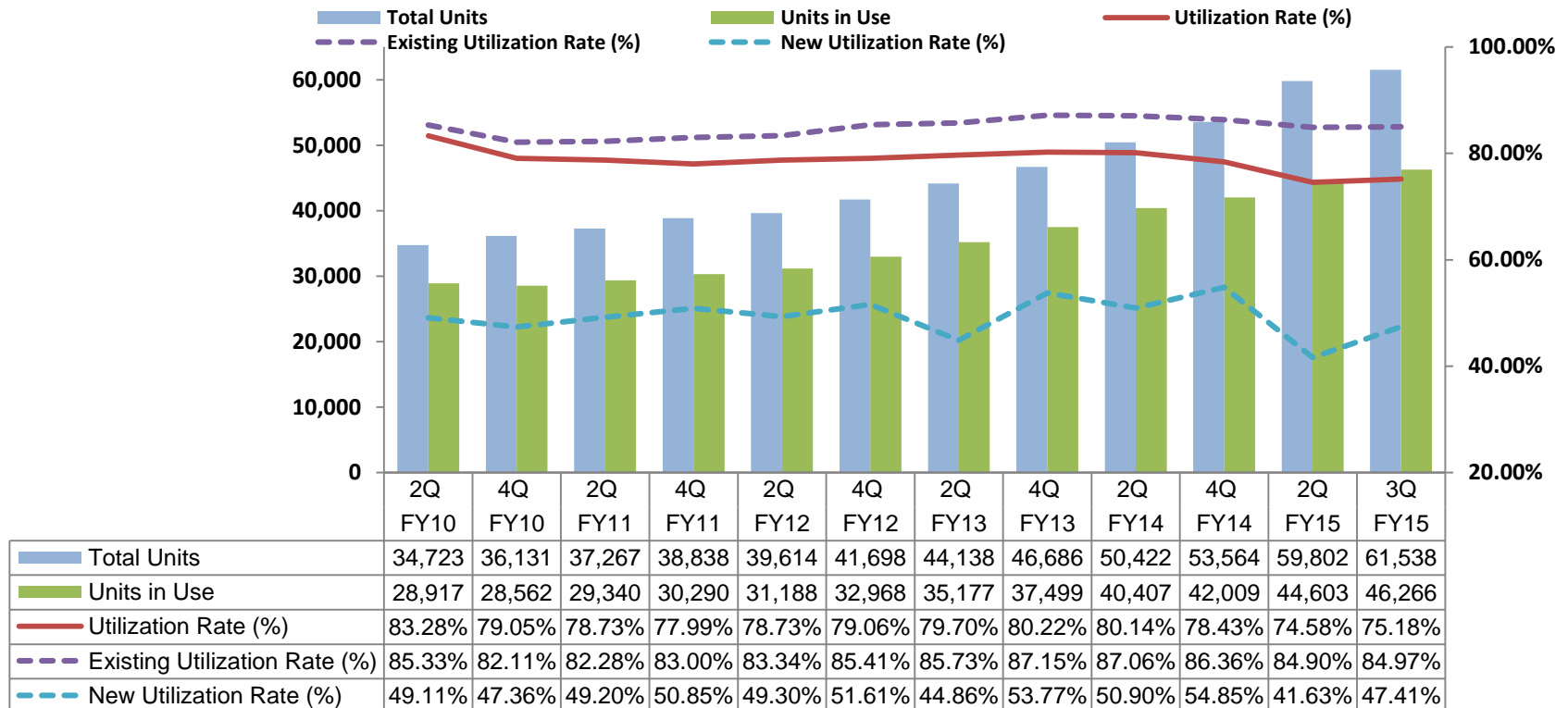


# Storage Business (4): Total Units, Units in Use, and Utilization Rate

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 3Q, openings of new units; 8,281 and closing of 307 units; The total number of units increased by 7,974 units from the end of the previous fiscal year.

Total Units , Units in Use, and Utilization Rate



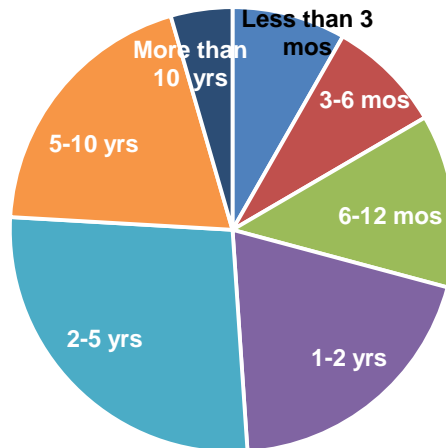
\* Existing: Units after more than two years since they opened  
 New: Units after less than two years since they opened



# Storage Business (5): User Analysis

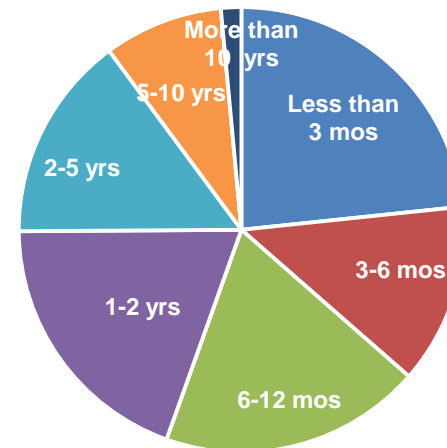
- Average usage period for current contract customers is three years and two months (at June 2015).
- Average usage period for customers who have terminated contracts is 22 months (2014 result).
- Average monthly usage fee is ¥11,250 for a container type, and ¥12,500 for trunk type.

Breakdown of usage period for current contract customers



\* Analysis of customers with contracts at June 2015

Breakdown of usage period for customers who terminated contracts



\* Analysis of customers who terminated contracts in 2014

# Examples of self-storage locations / Outdoor container type



Ebetsushi Omasakiragucho (Hokkaido)



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)



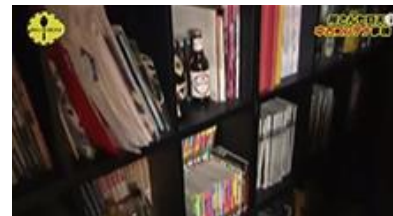
Takamastu Gotocho (Kagawa)

NEW : Newly opened in 2014 and 2015

# Examples of self-storage locations / Outdoor container type



Featured on the TV Asahi Super J channel (October 8, 2014)



Featured on the NHK "Tokoro san! Taihendesuyo" (July 2, 2015)

# Examples of self-storage locations / Indoor building type



Ageo (Saitama)



Shimoichiai (Tokyo)



Hashimoto (Tokyo)



Koudenji 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

# 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.

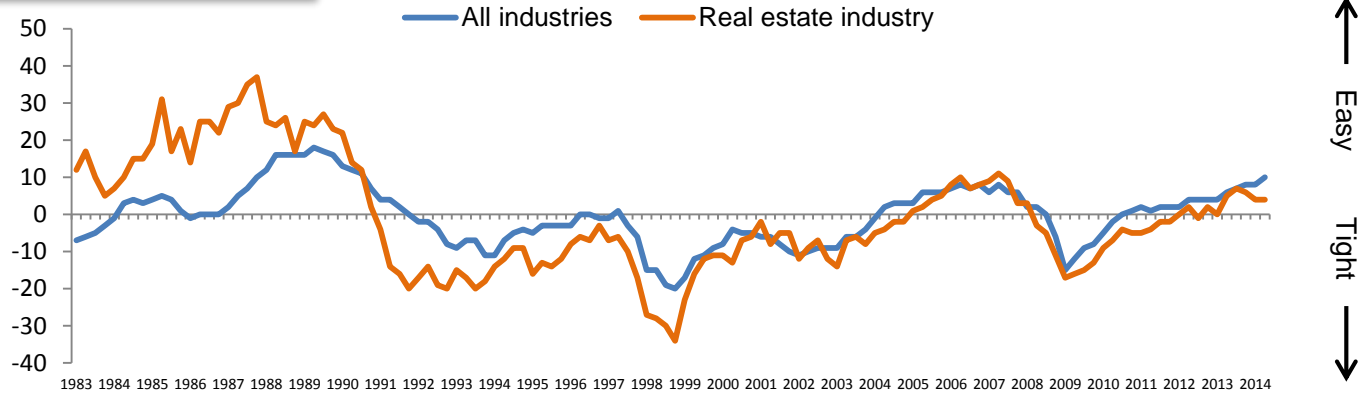


Hello Meeting Room Shinbashi (Tokyo)

# Ideal Real Estate Model

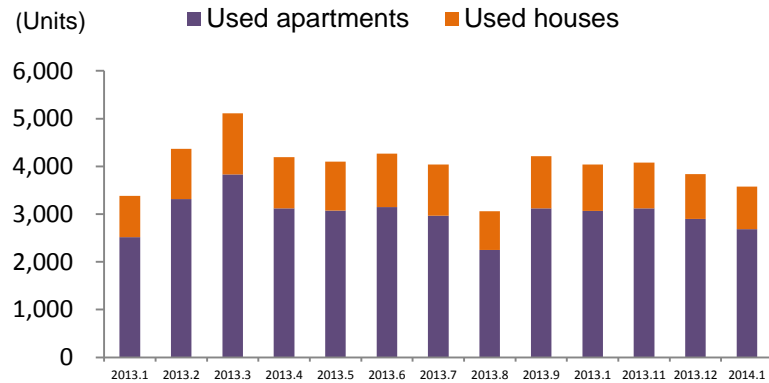
We conduct a demand analysis of the real estate market, including the status of corporate financing, newly-built and used apartments, and newly-built homes.

Financing Diffusion Index (DI)

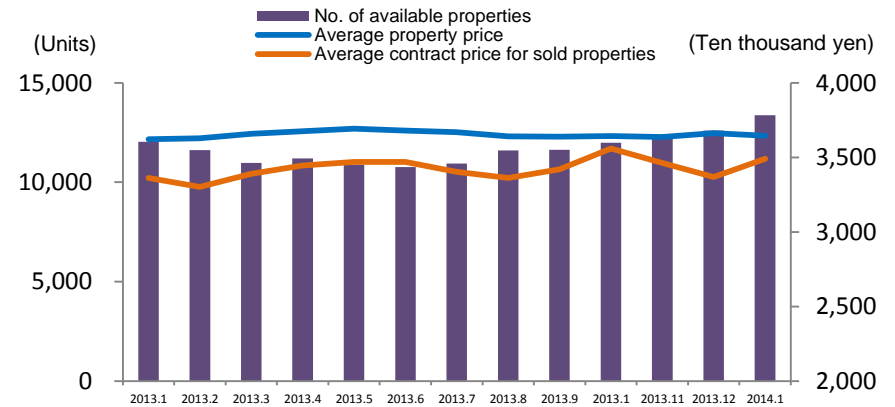


Source: Bank of Japan, Explanation of the Short-Term Economic Survey of Enterprises in Japan (*Tanken*) \* DI (Diffusion index): "easy" minus "tight"

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

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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