

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

# Results Briefing

Second Quarter, Fiscal Year Ending December 2016

**August 2, 2016**

**Exciting Company**



**Arealink Co.,Ltd.**

Securities code:8914

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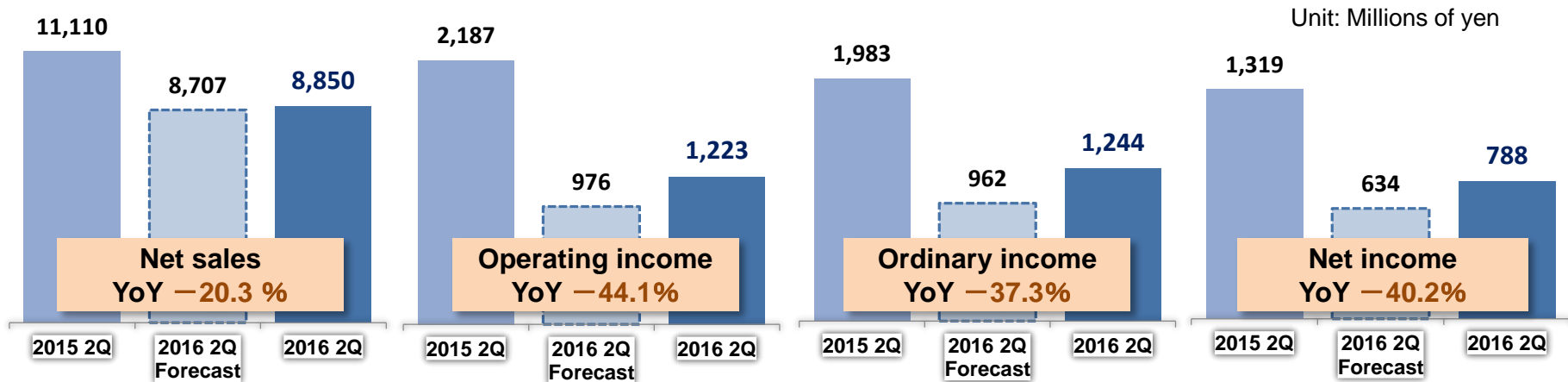
# Part- I

## 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 FY16 2Q

Results are down year on year as a result of focusing on the storage business, but the scope of all businesses has steadily expanded, with results exceeding initial forecasts.



	FY15 2Q Cumulative		FY16 2Q Cumulative (plan)		FY16 2Q Cumulative (actual)		Actual vs. Initial plan		YoY	
(Millions of yen)	Actual	(%)	Plan	(%)	Actual	(%)	Variance	% Change	Variance	% Change
Net sales	11,110	(100.0)	8,707	(100.0)	8,850	(100.0)	142	1.7%	(2,260)	-20.3%
Cost of sales	7,682	(69.1)	6,545	(75.2)	6,267	(70.8)	(278)	-4.3%	(1,415)	-18.4%
Gross profit	3,428	(30.9)	2,161	(24.8)	2,583	(29.2)	421	19.5%	(845)	-24.7%
SG&A expenses	1,240	(11.2)	1,185	(13.6)	1,359	(15.4)	173	14.7%	118	9.6%
Operating income	2,187	(19.7)	976	(11.2)	1,223	(13.8)	247	25.3%	(964)	-44.1%
Ordinary income	1,983	(17.9)	962	(11.1)	1,244	(14.1)	282	29.3%	(738)	-37.3%
Net income	1,319	(11.9)	634	(7.3)	788	(8.9)	154	24.3%	(530)	-40.2%

# Segment Breakdown

## Property Management Service

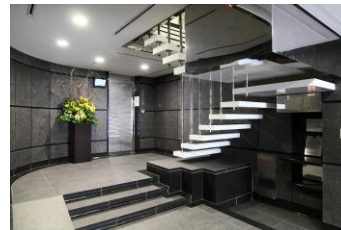
- Self-storage management (Hello Storage customer recruitment, operations and management)
- Self-storage brokerage (Hello Storage orders and location development)
- Other management services
  - Asset management (Tenant recruitment, operations and management of help properties)
  - SOHO (Hello Office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



Hello Storage (Container type)



Hello Storage (Room type)



Property Holding (Kyodo Building entrance)



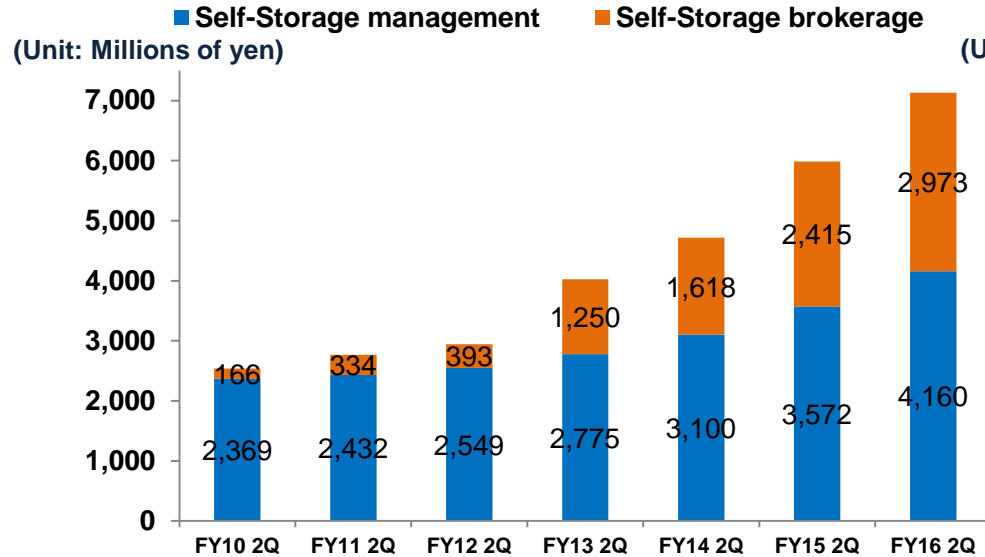
Hello Rental Meeting Room (Shibuya II)

## Property Revitalization & Liquidation Service

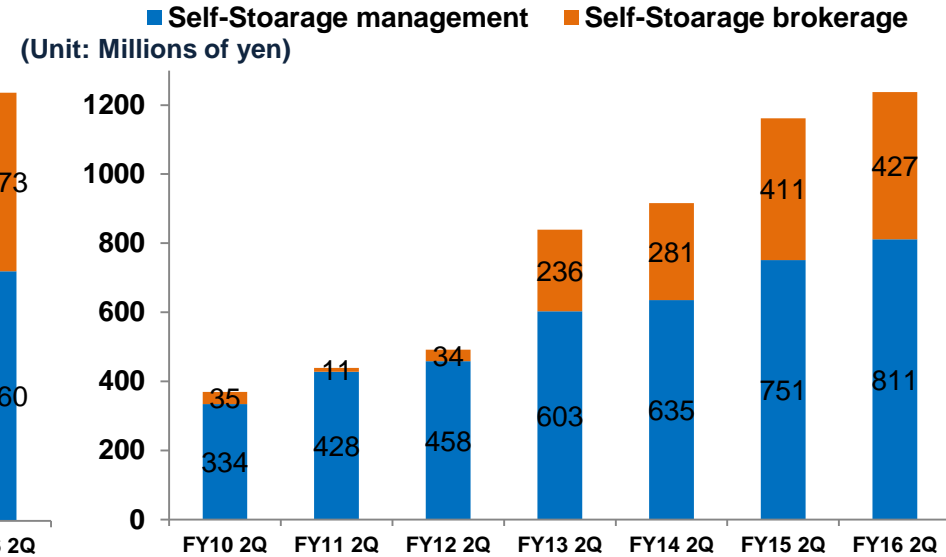
- Land development business (land rights)

# Self-Storage Business: Net Sales and Operating Income in FY16 1H

## Self-Storage Business Net Sales



## Self-Storage Business Operating Income



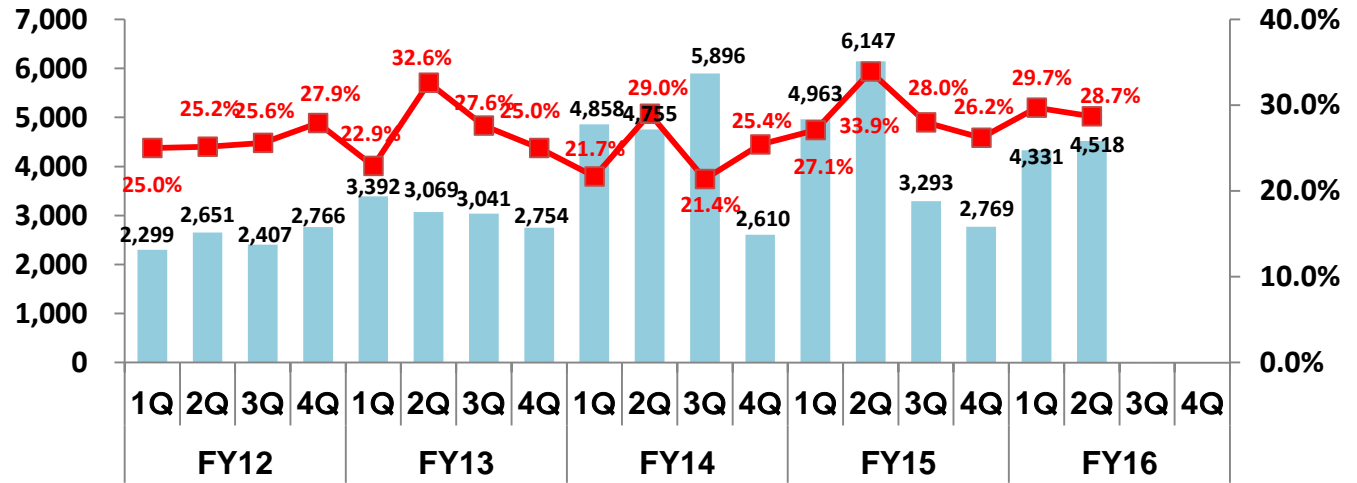
(Millions of yen)	FY10 2Q Cumulative	FY11 2Q Cumulative	FY12 2Q Cumulative	FY13 2Q Cumulative	FY14 2Q Cumulative	FY15 2Q Cumulative	FY16 2Q Cumulative
Self-storage management	2,369	2,432	2,549	2,775	3,100	3,572	4,160
Self-storage brokerage	166	334	393	1,250	1,618	2,415	2,973
<b>Self-Storage Business Net Sales</b>	<b>2,535</b>	<b>2,766</b>	<b>2,942</b>	<b>4,025</b>	<b>4,718</b>	<b>5,987</b>	<b>7,133</b>
Self-storage management	334	428	458	603	635	751	811
Self-storage brokerage	35	11	34	236	281	411	427
<b>Self-Storage Business Operating Income</b>	<b>369</b>	<b>439</b>	<b>492</b>	<b>839</b>	<b>916</b>	<b>1,162</b>	<b>1,238</b>

# Quarterly Net Sales and Operating Income

Steady growth in both revenue and earnings, including profitability.

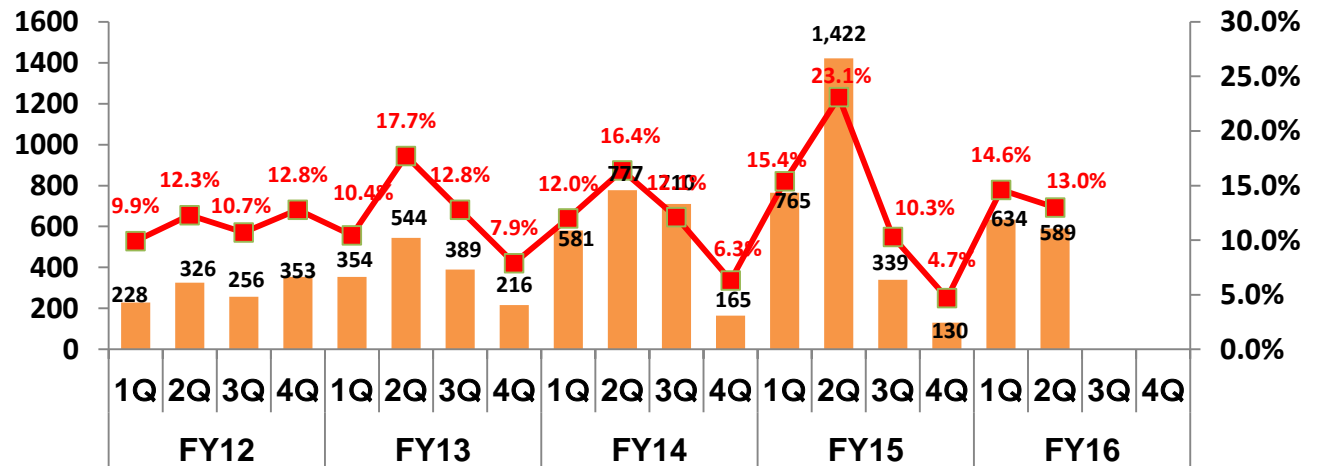
(Unit: Millions of yen)

Trends in net sales and gross profit margin



(Unit: Millions of yen)

Trends in operating income and operating income ratio



# Breakdown of Non-Operating and Extraordinary Profit and Loss

Non-operating expenses declined due to the absence of the early repayment of loans fee in the previous fiscal year.

**Non-operating income**  
 Compensation for transfer ¥41 million  
 Interest income ¥5 million

**Non-operating expenses**  
 Interest expenses ¥16 million

**Extraordinary income**  
 Gain on sales of noncurrent assets ¥8 million

Unit: Millions of yen

Step income	2015/3 1Q period	2015/6 2Q period	2015/6 2Q cumulative	2016/3 1Q period	2016/6 2Q period	2016/6 2Q cumulative	Variance	% Change
Operating income	765	1,422	2,187	634	589	1,223	(964)	(44.1)
Non-operating income	20	13	33	50	7	58	24	71.5
Non-operating expenses	18	220	238	21	16	37	(200)	(84.3)
Ordinary income	767	1,215	1,983	663	581	1,244	(738)	(37.3)
Extraordinary income	8	16	25	7	7	14	(10)	(43.0)
Extraordinary loss	1	0	2	2	0	3	1	62.7
Income before income taxes	774	1,232	2,006	668	587	1,255	(751)	(37.4)
Income taxes — current	79	487	566	170	233	404	(162)	(28.7)
Income taxes — deferred	147	(26)	120	77	(14)	62	(58)	(48.2)
Operating income	548	771	1,319	720	368	788	(530)	(40.2)



# Self-Storage Business: Net Sales and Total Units in FY16 1H

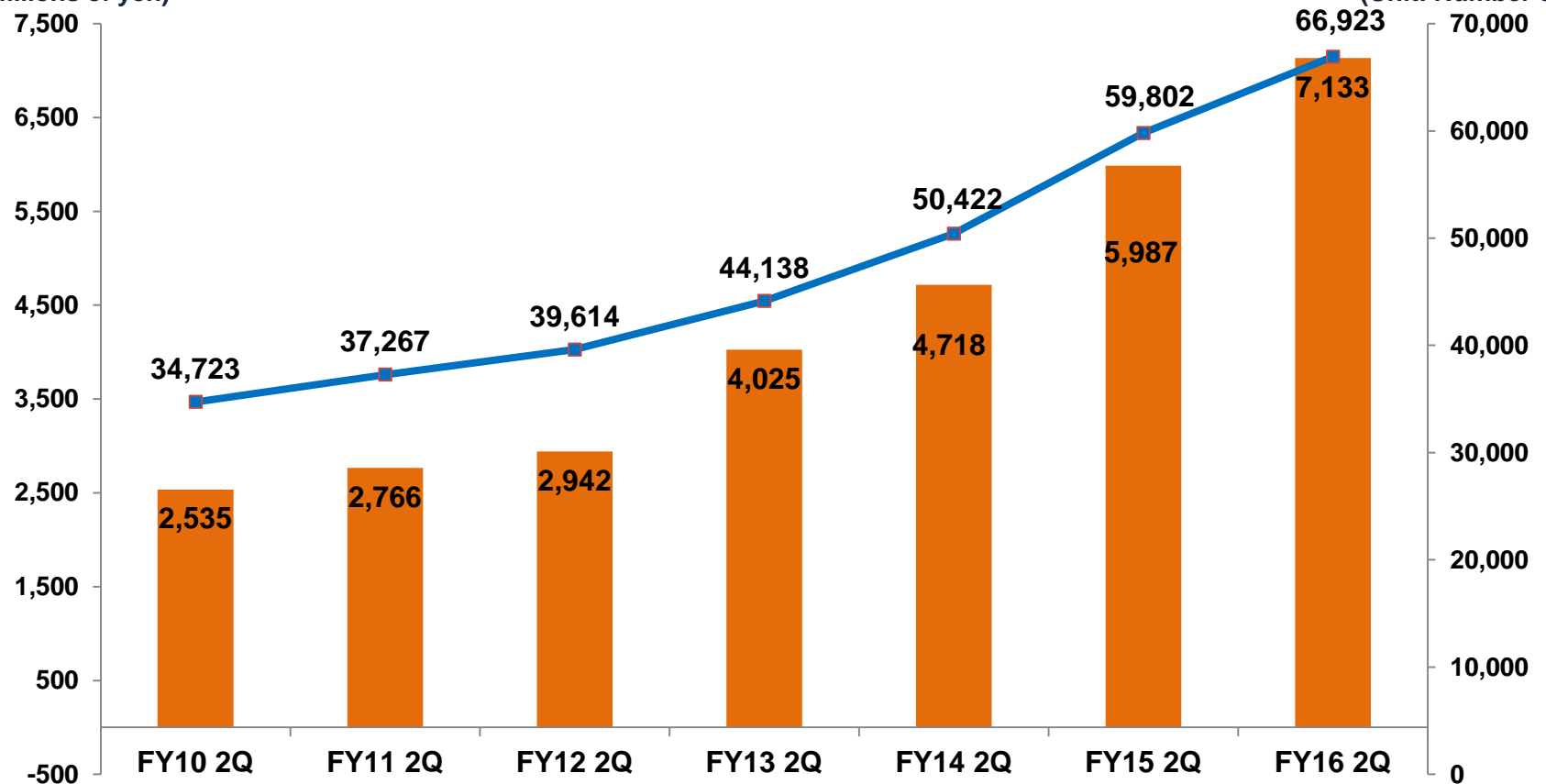
## Self-Storage Business Net Sales and Total Units in FY16 1H

(Unit: Millions of yen)

Self-Storage Business Net Sales (left scale)

Total Units (right scale)

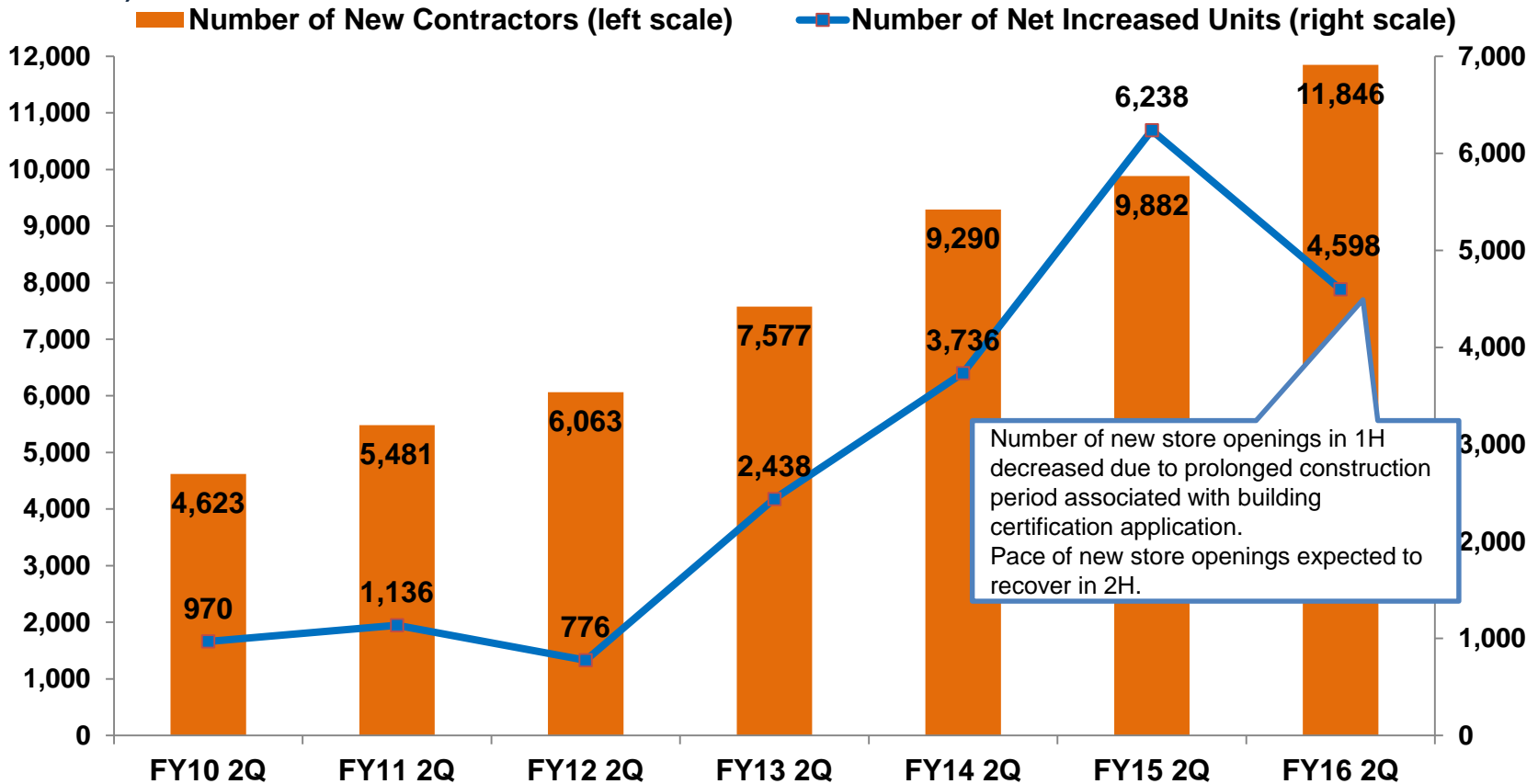
(Unit: Number of units)



## Self-Storage Business Number of New Contractors and Net Increased Units in FY16 1H

(Unit: Persons)

(Unit: Number of units)



# Financial Position

Equity ratio maintained at over 70%.

## Financial Position

As of June 30, 2016

\*Figures in parentheses indicate changes from the end of December 31, 2015.

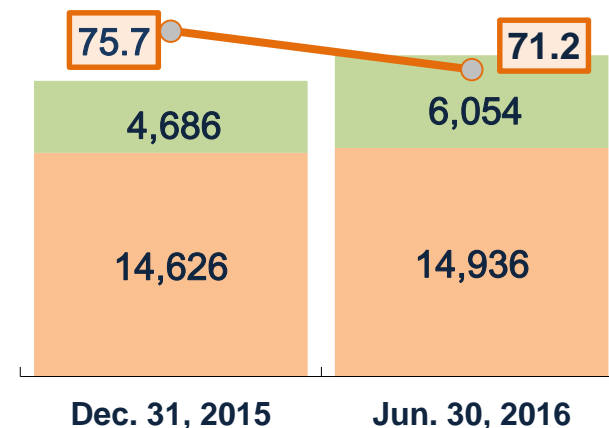
<b>Total assets</b> ¥20,991 million (+ ¥ 1,678 million)	<b>Liabilities</b> ¥6,054 million (+ ¥ 1,368 million)	Liabilities
	<b>Net assets</b> ¥14,936 million (+ ¥309 million)	Net assets

(Millions of yen)	Dec. 31, 2015	Jun. 30 2016
<b>Current assets</b>	9,121	10,482
<b>Noncurrent assets</b>	10,191	10,508
<b>Total assets</b>	19,312	20,991
<b>Current liabilities</b>	2,880	4,024
<b>Noncurrent liabilities</b>	1,805	2,029
<b>Total liabilities</b>	4,686	6,054
<b>Net assets</b>	14,626	14,936

## Liabilities, net assets, equity ratio

(Millions of yen)

Net assets Liabilities Equity ratio (%)



Increase in real estate for sale ¥ 0.88 billion  
 Increase in cash and deposits ¥ 0.69 billion

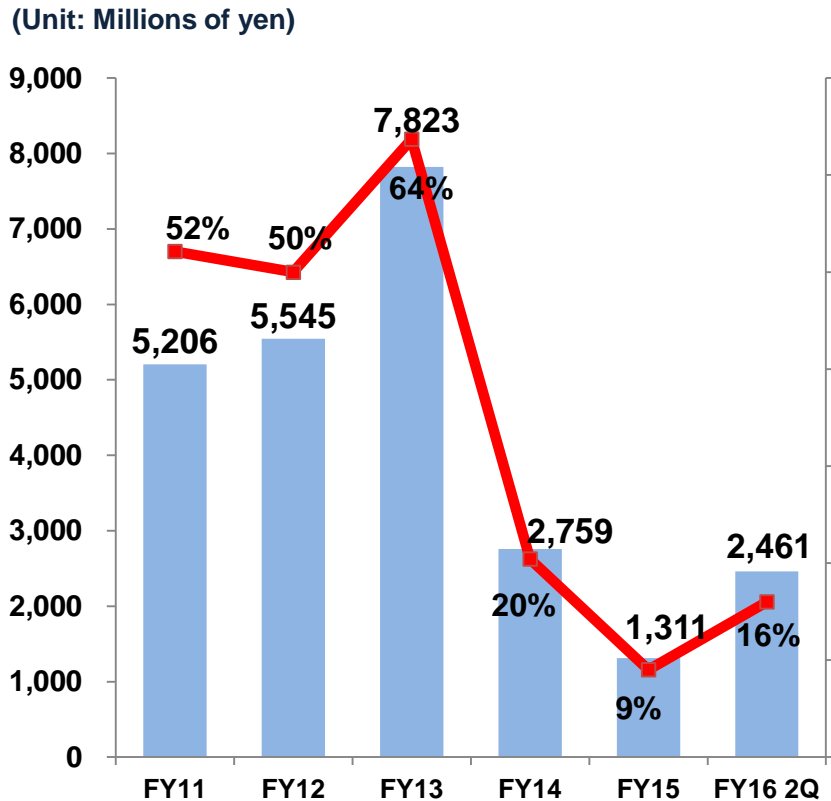
Increase in short-term loans payable ¥1.04 billion

Decrease in dividend payments income ¥ 0.48 billion  
 Increase in net income ¥ 0.31 billion

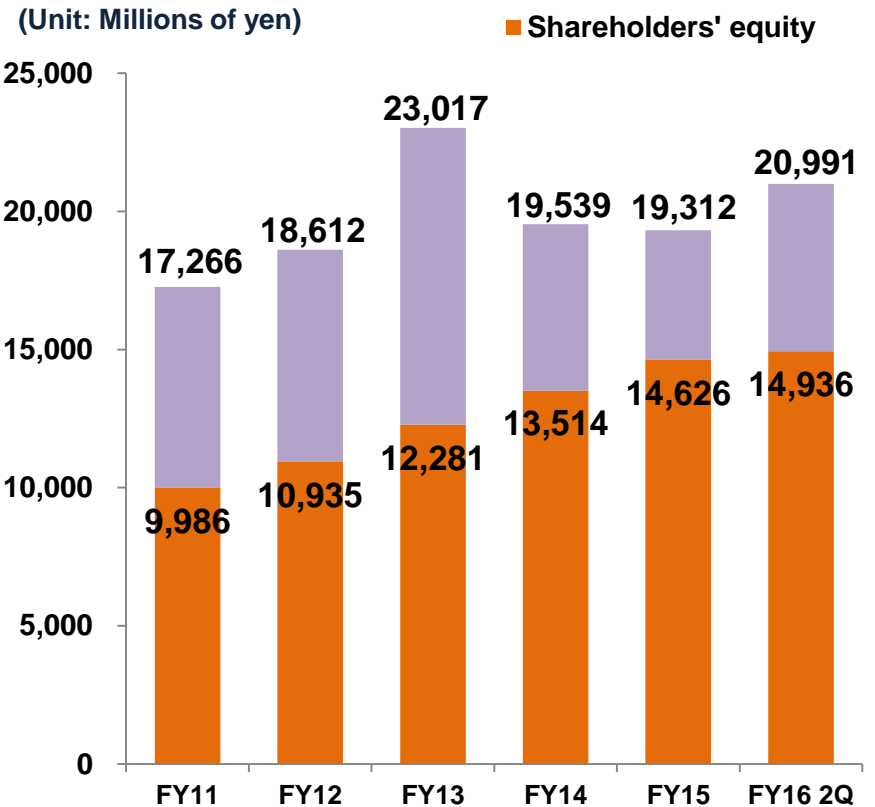
# Interest-Bearing Debt, Total Capital, and Shareholders' Equity

Sound financial condition maintained

Interest-bearing debt and interest-bearing debt ratio



Total capital and shareholders' equity



Expenditures for purchase of noncurrent assets declined, while cash and cash equivalents decreased with the decline in earnings.

Unit: Millions of yen

	FY15 2Q	FY16 2Q	
<b>Cash flows from operating activities</b>	<b>4,265</b>	<b>536</b>	Income before income taxes      ¥1.26 billion Increase in inventories      ¥(0.71) billion
<b>Cash flows from investing activities</b>	<b>(761)</b>	<b>(520)</b>	Purchase of noncurrent assets      ¥(0.52) billion
<b>Cash flows from financing activities</b>	<b>(1,686)</b>	<b>674</b>	Dividend payments      ¥(0.48) billion Net increase of short-term borrowings      ¥1.04 billion
<b>Cash and cash equivalents at the end of period</b>	<b>7,248</b>	<b>7,100</b>	

# FY16 Earnings Outlook

For the Property Management Service segment, the representative core self-storage business, Arealink is forecasting steady gains, with net sales rising 23.1% year on year.

For the Property Revitalization & Liquidation Service segment, we will focus on sales of land rights for lease-land properties.

\*The self-storage business belongs to Property Management Service segment in the following table.

	FY2015		FY2016		YoY	
(Millions of yen)	Actual (A)	(%)	Forecast	(%)	Variance	(%)
<b>Net sales</b>	<b>17,173</b>	<b>(100.0)</b>	<b>16,806</b>	<b>(100.0)</b>	<b>(367)</b>	<b>(2.1)%</b>
Property Management Service	12,980	—	15,982	—	3,001	23.1%
Property Revitalization & Liquidation Service	4,192	—	823	—	(3,369)	(80.4)%
<b>Operating income</b>	<b>2,657</b>	<b>(15.5)</b>	<b>1,675</b>	<b>(10.0)</b>	<b>(981)</b>	<b>(36.9)%</b>
Property Management Service	2,376	—	2,497	—	121	5.1%
Property Revitalization & Liquidation Service	1,170	—	153	—	(1,016)	(86.9)%
Elimination & Corporate	(889)	—	(974)	—	(85)	(9.6)%
<b>Ordinary income</b>	<b>2,442</b>	<b>(14.2)</b>	<b>1,650</b>	<b>(9.8)</b>	<b>(791)</b>	<b>(32.4)%</b>
<b>Net income</b>	<b>1,550</b>	<b>(9.0)</b>	<b>1,091</b>	<b>(6.5)</b>	<b>(456)</b>	<b>(29.6)%</b>
<b>ROE (%)</b>	<b>11.0</b>	<b>—</b>	<b>7.3</b>	<b>—</b>	<b>(3.7)pt</b>	<b>—</b>
<b>ROA (%)</b>	<b>8.0</b>	<b>—</b>	<b>5.6</b>	<b>—</b>	<b>(2.4)pt</b>	<b>—</b>

## **Part- II**

# **Summary of FY16 2Q and Future Priority Measures**

# Summary of FY16 2Q

**Operating income total 25.3% over initial plan  
¥970 million (initial forecast)  
⇒ ¥1,220 million (FY16 2Q actual)**

- **Results greatly exceeded initial forecast**
- **Steady growth in core business (Property Management Service)**
  - ✓ **Construction periods have become longer because of building certification applications, but the total number of Hello Storage units increased to 66,923 units (+4,598 units YoY)**
- **Operations in the Property Revitalization & Liquidation Service limited to land development business (land rights)**



## Enhance brand power

- **Develop collaborative properties combining Hello Storage and Hello Kitty**

**Licensing contract concluded with Sanrio Co., Ltd.**

- ✓ Increase brand power and recognition
- ✓ Effective in gaining users

➔ Provide differentiation from other companies



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(Left) **Hello Storage Miyanogi Part 3**  
2125-1 Miyanogi-cho, Inage-ku, Chiba-shi, Chiba

(Right) **Hello Storage Saitama Higashikoshigaya Premier**  
(Scheduled to open in September)  
4-29-18, Higashikoshigaya, Koshigaya-shi, Saitama  
※The photo is an artist image.

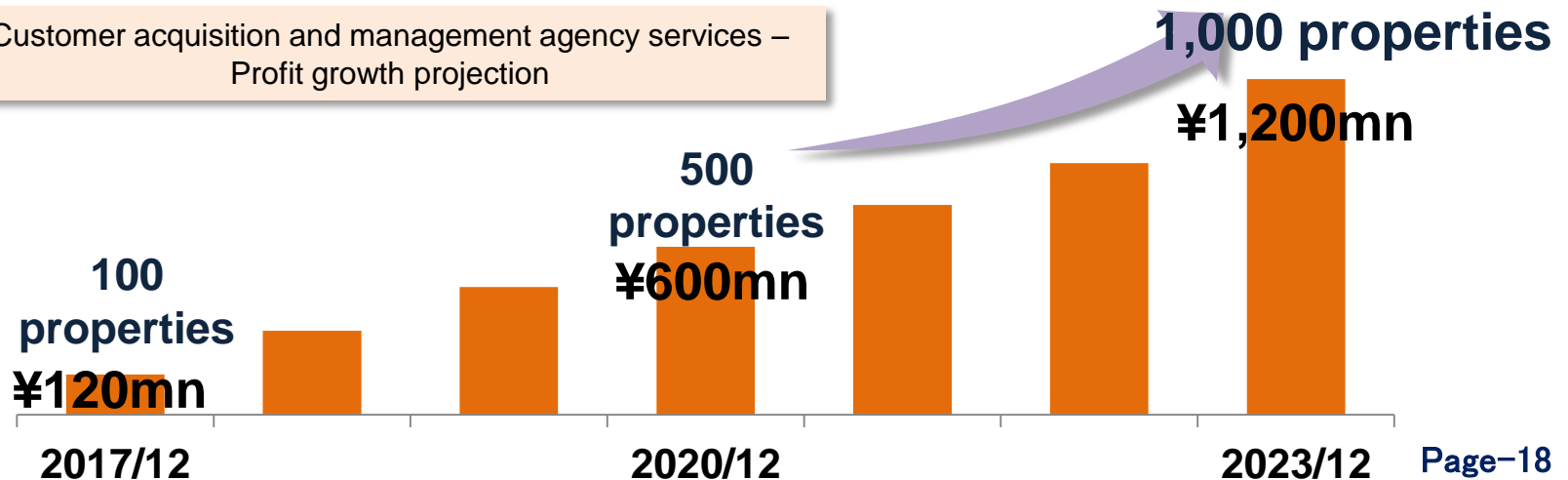
Secure a 50% share of the Japanese self-storage market

## New “Contracted Business” launched, building on Arealink’s brand power

- **Partnership with other company (payment guarantee company)**
  - ✓ Provide customer acquisition and management services for other companies on contract
  - ✓ Customer management and billing outsourced to other companies (payment guarantee company (listed company))
  - ✓ Utilize our brand power to gain fee revenue and market share

**Earnings = ¥100,000 per location per month, times the number of locations**

Customer acquisition and management agency services – Profit growth projection



## Enhance growth potential through investment and strengthening of business foundation

- **Develop new “2 × 4 Trunk” locations (wood frame construction)**
  - ✓ Construction possible in a wide range of sizes and sites → Accelerate openings in Tokyo metropolitan area
  - ✓ Two properties sold to investors during 1H
  - ✓ Purchase of sites for 10 properties planned to support development from FY17
  - ✓ Opening for two locations planned during FY16



### Main Features

- Built specifically as a fully air-conditioned, self-storage building
- Design easier for women and elderly to use compared to conventional container type
- 2x4 construction method (wood frame) lowers construction cost

## Strengthen and increase efficiency for location openings and customer acquisition

- **Introduce IT systems for marketing to support location openings and customer acquisition**
  - ✓ Accumulate and utilize data by strengthening investment in Salesforce, Google Apps, and Revenue Management
  - ✓ Establish a structure for systematic and effective marketing, customer acquisition, and location openings
  - ✓ Use Revenue Management to collection information and enhance analysis capabilities
  - ✓ Planned investment for ¥300-500 million over the next several years
- **Signage marketing: Signs installed in around 400 locations**
  - ✓ Strengthen relationships with landowners, and ensure effective location opening operations



Examples of marketing activities using signs



## Investments for global business development

### Investment in overseas self-storage rooms

- **Acquire expertise in overseas markets by spending ¥500-1,000 million annually to purchase overseas self-storage locations, mainly in the U.S., Europe, and Southeast Asia**

# Growth in the Self-Storage Business over the Next Ten Years

## Aim for a 50% share of the Japanese self-storage market

### Number of Hello Storage Units

(Unit: Number of Units)

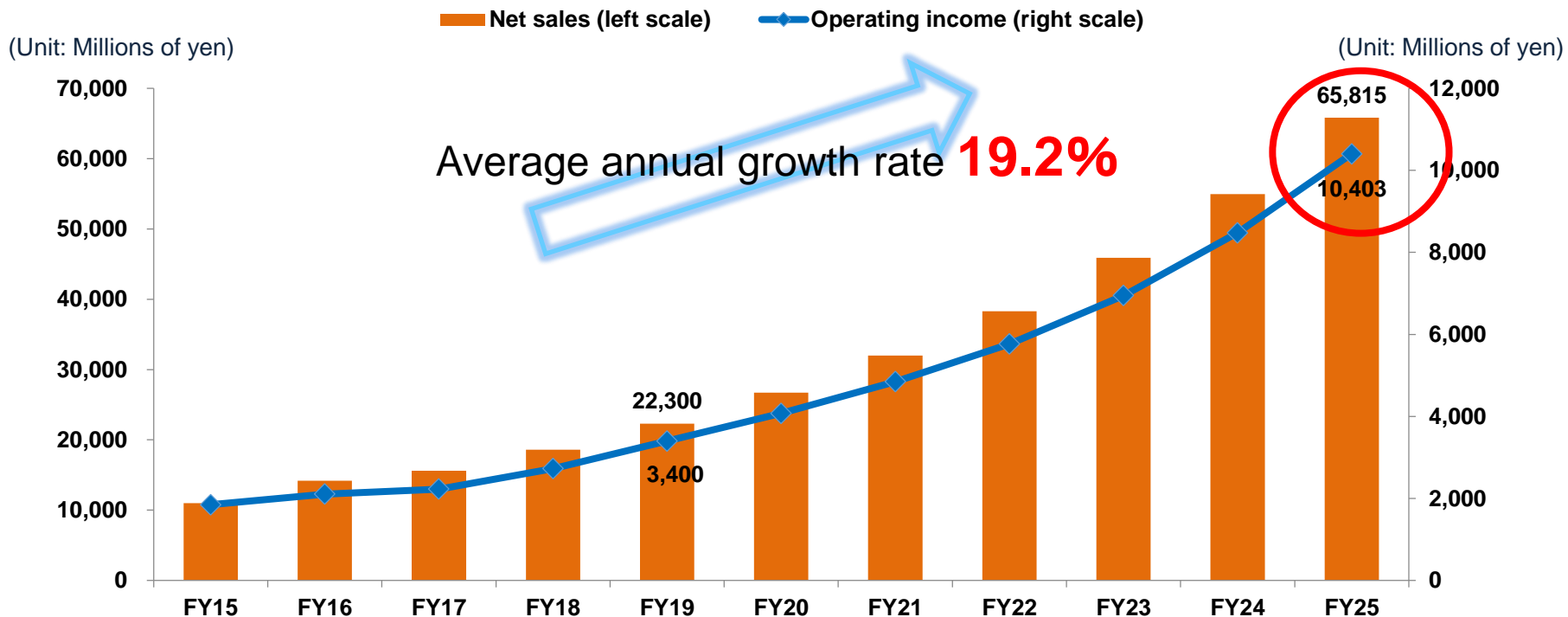


# Growth in the Self-Storage Business over the Next Ten Years

In the mainstay self-storage business<sup>\*</sup>, average annual revenue growth of 19.2%  
 By 2019, the self-storage business is anticipated to have ¥22.3 billion in sales with operating income of ¥3.4 billion.  
 By 2025, this business will have ¥65.8 billion in sales with operating income of ¥10.4 billion.

\* The self-storage business represents “Self-storage management” and “Self-storage brokerage”.

## Outlook for net sales and ordinary income

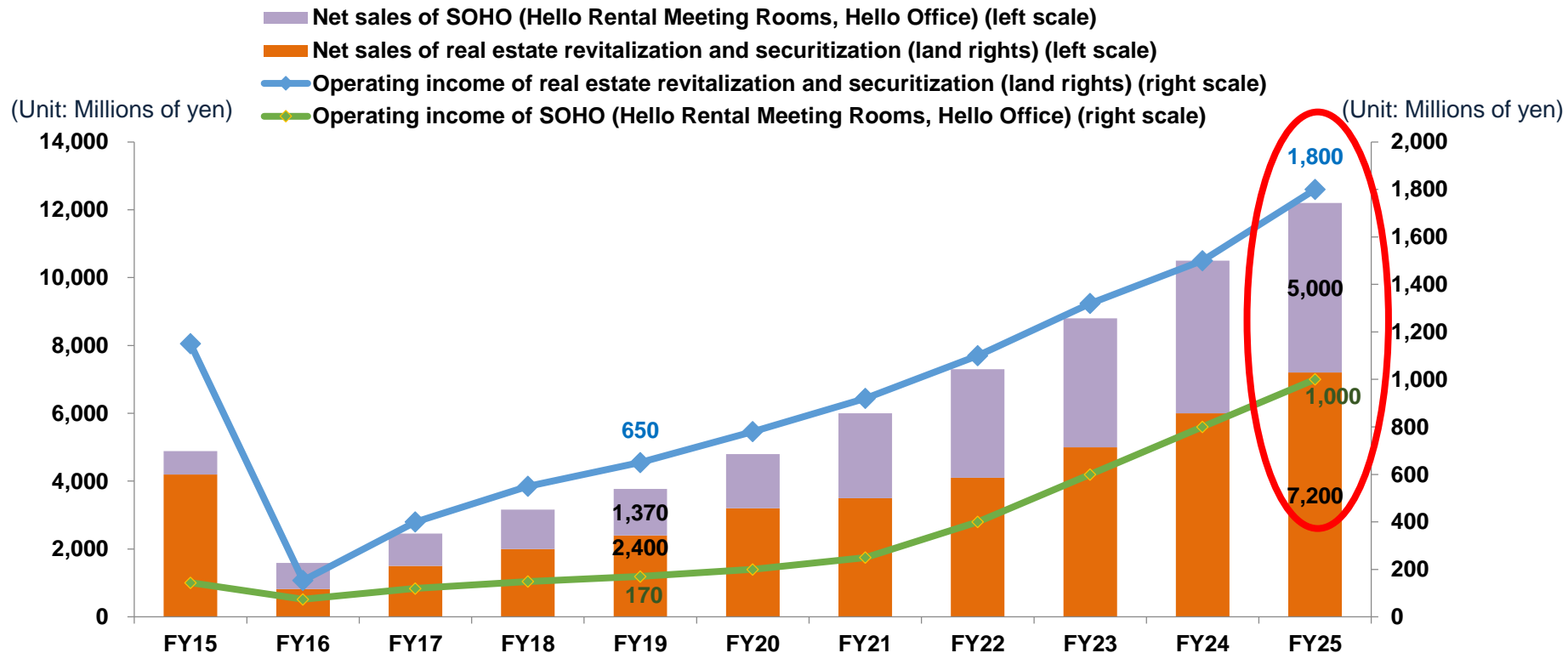


# Growth Trends for New Businesses

New businesses, the total of real estate revitalization and securitization (land rights) and SOHO (Hello Rental Meeting Rooms, Hello Office), by 2019 is anticipated to have ¥3.77 billion in revenue, with operating income of ¥0.82 billion.

By 2025, the total will reach ¥12.2 billion in revenue, with operating income of ¥2.8 billion.

## Outlook for net sales and ordinary income





## Priority Measure: **Land development business (land rights)**

- **Actively acquire land with complicated rights**
- **Sell to leaseholders**
- **During the holding period until sale the non-payment risk is low, and property can be held as a stable asset (3% return)**

## Priority Measures: Cultivate the SOHO business

- ▶ **Hello Rental Meeting Rooms: Develop bigger properties of over 100 *tsubo* (331m<sup>2</sup>)**
- ✓ **During FY16, we expect to develop 8-10 new locations, with a total of 1,000 *tsubo* (3,306m<sup>2</sup>) of floor space.  
Budget: Sales of ¥767 million\* (+10.7 YoY) \*Includes Hello Office**



Hello Meeting Room Omiya Higashiguchi (240m<sup>2</sup>, Up to 70 persons ¥14,300/hr; 71-141 persons ¥25,920/hr)

**Develop a more advanced business model, aiming for a 50% share of the Japanese self-storage market**



- **In ten years, ¥10 billion in ordinary income with 200 employees**
- **Make steady progress to meet target of ¥50 million in ordinary income per employee**
- **Continue employee training: Start “Advanced Subcontracting”**
- **Start the “Futuristic Ideal Company School”**

# Dividends and Payout Ratio

**Pay dividends** in response to increased earnings, with a minimum payout ratio of 30%.

## Dividends and Payout Ratio

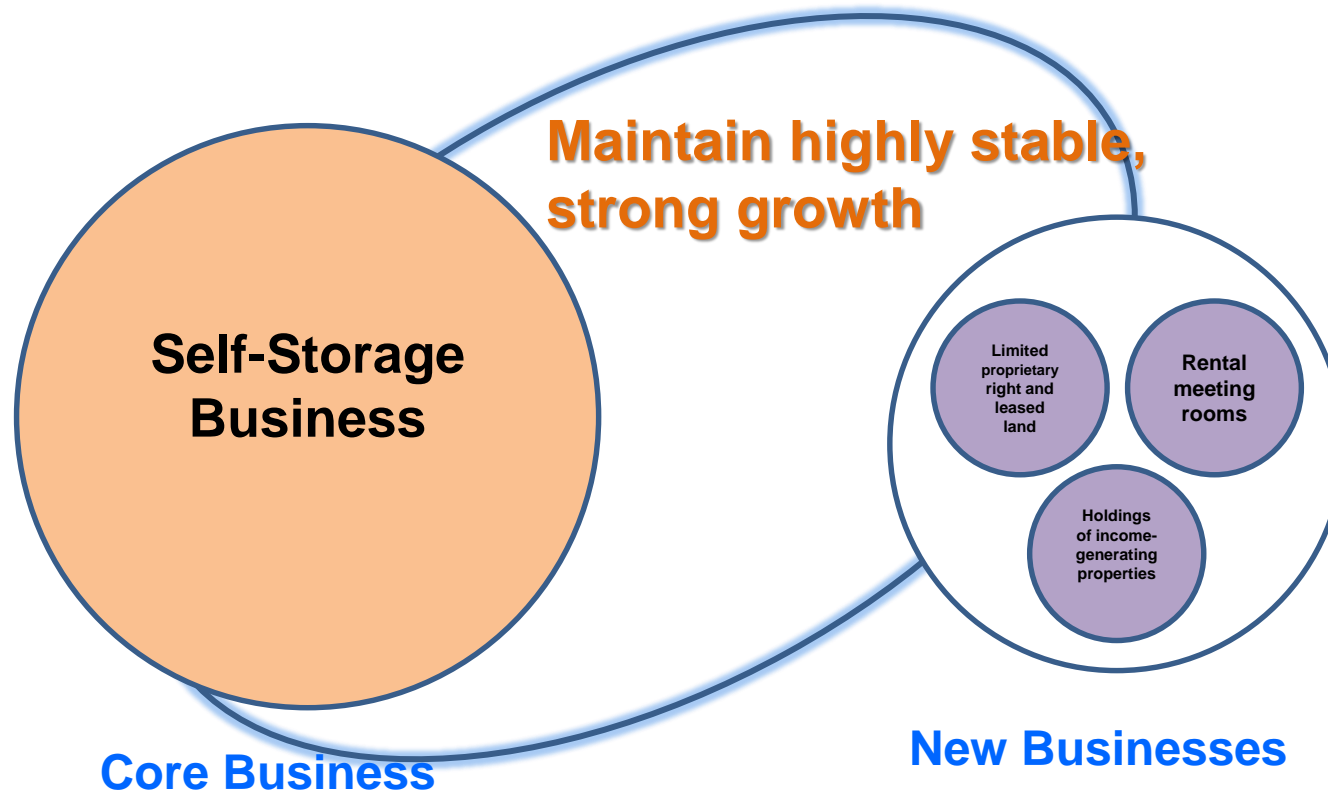
	FY2014	FY2015	FY2016 (Forecast)
<b>Cash dividends per share</b>	<b>3.6 yen</b>	<b>3.9 yen</b>	<b>39 yen</b>
<b>Payout ratio</b>	<b>28.7%</b>	<b>30.9%</b>	<b>43.9%</b>

※Effective July 1, 2016, Arealink Co., Ltd. conducted a 1:10 consolidation of its common stock.

The mainstay storage business provides a stable earnings foundation and high rate of growth. Conditions for entering new business: Businesses in which we anticipate leading market share, and a return of more than ¥1.0 billion.

## 【 Our Ideal Real Estate Model 】

Focus investment on storage business



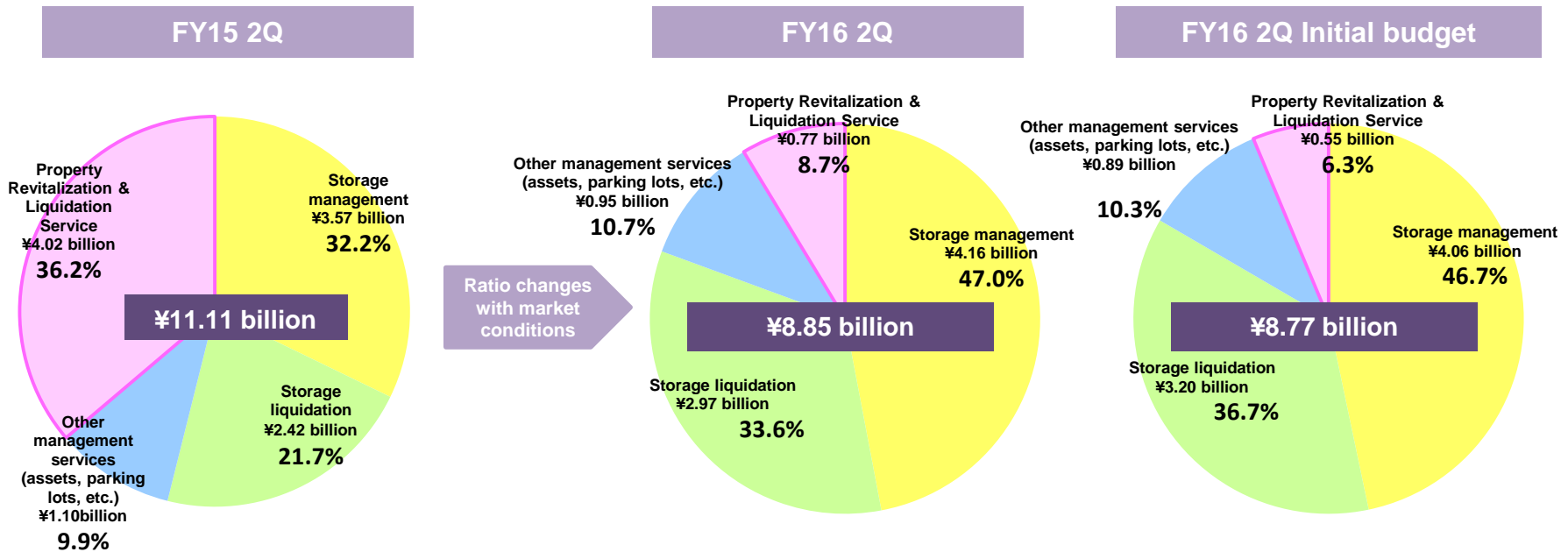
# Exciting Company

Bringing the world convenience,  
enjoyment, and excitement

## **Part-III**

# **Reference Material**

# Sales by Segment



- ✓ Storage management in particular increased during FY12/16 2Q.
- ✓ Growth in cumulative-type businesses such as storage management and other management services exceeded budget



# Profit Margin by Segment

Gross profit margin and operating income margin exceeded initial forecasts for both the Property Management and Property Revitalization & Liquidation Service segments, with overall performance increasing.

Unit: Millions of yen

			FY15 (actual)		FY16 (initial budget)		FY 16 2Q (actual)	
			Actual	Profit margin	Initial budget	Profit margin	Actual	Profit margin
	Self-storage management	Net sales	3,572		8,482		4,160	
		Gross profit	1,048	29.4%	2,259	26.6%	1,163	28.0%
		Operating income	751	21.0%	1,530	18.0%	811	19.5%
	Self-storage brokerage	Net sales	2,415		5,684		2,973	
		Gross profit	721	29.9%	1,072	18.9%	816	27.5%
		Operating income	411	17.1%	575	10.1%	427	14.4%
	Other property management service	Net sales	1,098		1,815		948	
		Gross profit	393	35.8%	562	31.0%	359	37.9%
		Operating income	306	27.9%	390	21.5%	265	28.0%
<b>Property Management Service Total</b>	Net sales	7,086		15,982		8,081		
	Gross profit	2,163	30.5%	3,894	24.4%	2,339	29.0%	
	Operating income	1,469	20.7%	2,497	15.6%	1,503	18.6%	
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales	4,023		823		768		
	Gross profit	1,264	31.4%	213	25.9%	243	31.7%	
	Operating income	1,137	28.3%	153	18.6%	200	26.1%	
<b>Other (Headquarter expenses)</b>	Net sales	—		—		—		
	Gross profit	—		—		—		
	Operating income	(419)		(974)		(480)		
<b>Total</b>	Net sales	11,110		16,806		8,850		
	Gross profit	3,428	30.9%	4,108	24.4%	2,583	29.2%	
	Operating income	2,187	19.7%	1,675	10.0%	1,223	13.8%	

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

Profitability rose steadily during the subject period in the Property Management Service segment, and is expected to continue to contribute to earnings.

Unit: Millions of yen

		FY14 (Full year)	FY15					FY16			
			Cumulative	1Q	2Q	3Q	4Q	Cumulative	1Q	2Q	2Q Cumulative
	Self-storage management	Net sales	6,406	1,729	1,843	1,904	1,978	7,455	2,034	2,125	4,160
		Gross profit	1,692	504	544	482	423	1,955	576	587	1,163
		Operating income	1,170	362	389	326	242	1,320	399	411	811
	Self-storage brokerage	Net sales	2,718	1,310	1,104	782	327	3,525	1,509	1,464	2,973
		Gross profit	967	390	331	229	102	1,054	416	400	816
		Operating income	430	221	190	101	(3)	509	223	203	427
	Other property management service	Net sales	2,721	601	496	448	453	1,999	456	491	948
		Gross profit	831	195	197	161	174	729	174	184	359
		Operating income	664	148	157	115	125	546	127	138	265
<b>Property Management Service Total</b>	Net sales	11,845	3,641	3,445	3,134	2,759	12,980	4,000	4,080	8,081	
	Gross profit	3,491	1,090	1,072	874	701	3,739	1,166	1,172	2,339	
	Operating income	2,266	732	736	543	363	2,376	750	752	1,503	
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales	6,274	1,322	2,701	158	10	4,192	331	437	768	
	Gross profit	869	256	1,008	46	23	1,334	121	122	243	
	Operating income	690	212	924	19	13	1,170	104	95	200	
<b>Other</b>	Net sales	—	—	—	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	—	—	—	
	Operating income	(721)	(180)	(238)	(223)	(246)	(889)	(220)	(259)	(480)	
<b>Total</b>	Net sales	18,120	4,963	6,147	3,293	2,769	17,173	4,331	4,518	8,850	
	Gross profit	4,360	1,346	2,081	920	724	5,073	1,288	1,294	2,583	
	Operating income	2,235	765	1,422	339	130	2,657	634	589	1,223	

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

Unit: Millions of yen

		FY15		FY16 (initial plan)				FY16 (actual)		
		2Q Cumulative	Component Ratio	Initial full-year budget	Component Ratio	Initial 1H budget	Component Ratio	Actual	Component Ratio	Completion Rate
Net sales	Property Management Service	7,086	63.8%	15,982	95.1%	8,158	93.7%	8,031	91.3%	50.6%
	Storage management	3,572	32.2%	8,482	50.5%	4,063	46.7%	4,160	47.0%	49.0%
	Storage liquidation	2,415	21.7%	5,684	33.8%	3,200	36.8%	2,973	33.6%	52.3%
	Parking	159	1.4%	100	0.6%	50	0.6%	50	0.6%	50.0%
	Asset	585	5.3%	935	9.0%	468	5.4%	508	5.7%	54.3%
	SOHO	346	3.1%	767	5.6%	369	4.2%	382	4.3%	49.8%
	Other	6	0.1%	12	0.1%	6	0.1%	7	0.1%	62.8%
	Property Revitalization & Liquidation Service	4,023	36.2%	823	4.9%	548	6.3%	768	8.7%	93.3%
Total	11,110	100.0%	16,806	100.0%	8,707	100.0%	8,850	100.0%	52.7%	
Gross profit	Property Management Service	2,163	63.1%	3,894	94.8%	2,013	93.1%	2,339	90.1%	60.0%
	Storage management	1,048	30.6%	2,259	55.0%	1,116	51.6%	1,163	45.0%	51.5%
	Storage liquidation	721	21.0%	1,072	26.1%	607	28.1%	816	31.6%	76.2%
	Parking	40	1.2%	72	1.8%	36	1.7%	36	1.4%	50.3%
	Asset	219	6.4%	287	7.0%	145	6.7%	187	7.2%	65.2%
	SOHO	125	3.7%	190	4.6%	102	4.8%	127	4.9%	66.9%
	Other	7	0.2%	12	0.3%	6	0.3%	7	0.3%	62.8%
	Property Revitalization & Liquidation Service	1,264	36.9%	213	5.2%	148	6.9%	243	9.4%	114.0%
Total	3,428	100.0%	4,108	100.0%	2,161	100.0%	2,583	100.0%	62.9%	

# Major Indicators for the Past Six Years

(Unit: Millions of yen)

	FY10	% Change	FY11	% Change	FY12	% Change	FY13	% Change	FY14	% Change	FY15
Net sales	11,143	-4.8%	10,603	-4.5%	10,124	+21.1%	12,256	+47.8%	18,120	(5.2)%	17,173
Gross profit	2,176	+8.7%	2,365	+11.2%	2,629	+26.8%	3,306	+31.9%	4,360	+16.3%	5,073
Gross profit margin (%)	19.5	+2.8pt	22.3	+3.5pt	26.0	+1.2pt	26.9	(2.8)pt	24.1	(3.9) pt	29.5
SG&A expenses	1,169	+12.9%	1,320	+10.9%	1,464	+24.9%	1,800	+16.3%	2,125	+13.7%	2,415
Operating income	1,006	+3.8%	1,044	+11.6%	1,165	+29.2%	1,505	+48.5%	2,235	+18.9%	2,657
Operating income ratio (%)	9.0	+0.8pt	9.8	+1.7pt	11.5	+0.8pt	12.3	+0.0pt	12.3	+2.4pt	15.5
Ordinary income	774	+23.1%	953	+12.8%	1,075	+33.3%	1,433	+45.6%	2,087	+17.0%	2,442
Net income	673	+14.7%	772	+22.7%	948	+42.0%	1,346	+14.4%	1,541	+1.0%	1,550
ROA (%)	3.4	+0.9pt	4.3	+1.0pt	5.3	+1.2pt	6.5	+0.7pt	7.2	+0.8pt	8.0
ROE (%)	7.6	+0.4pt	8.0	+1.1pt	9.1	+2.5pt	11.6	+0.4pt	11.9	(0.8) pt	11.0
Interest-bearing debt	7,079	-26.5%	5,206	+6.5%	5,545	+41.3%	7,837	(35.1)%	2,759	(52.5)%	1,311
Total assets	18,701	-7.7%	17,266	+7.8%	18,612	+23.7%	23,017	(15.1)%	19,539	(1.2)%	19,312
Net assets	9,214	8.4%	9,987	+9.5%	10,935	+12.3%	12,282	+10.0%	13,514	+8.3%	14,626
Shareholders' equity ratio (%)	49.3	+8.5pt	57.8	+1.0pt	58.8	(5.4)pt	53.4	+15.8pt	69.2	+6.6pt	75.7
Net income per share (Yen)	5.48	+14.7%	6.29	+22.7%	7.72	+42.0%	10.97	+14.4%	12.55	+1.0%	12.63
Net assets per share (Yen)	75.06	+8.4%	81.35	+9.5%	89.08	+12.3%	100.05	+10.0%	110.09	+5.7%	119.14
Number of employees	60	+21.7%	73	+12.3%	82	+19.5%	98	+8.2%	106	+16.0%	123

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)

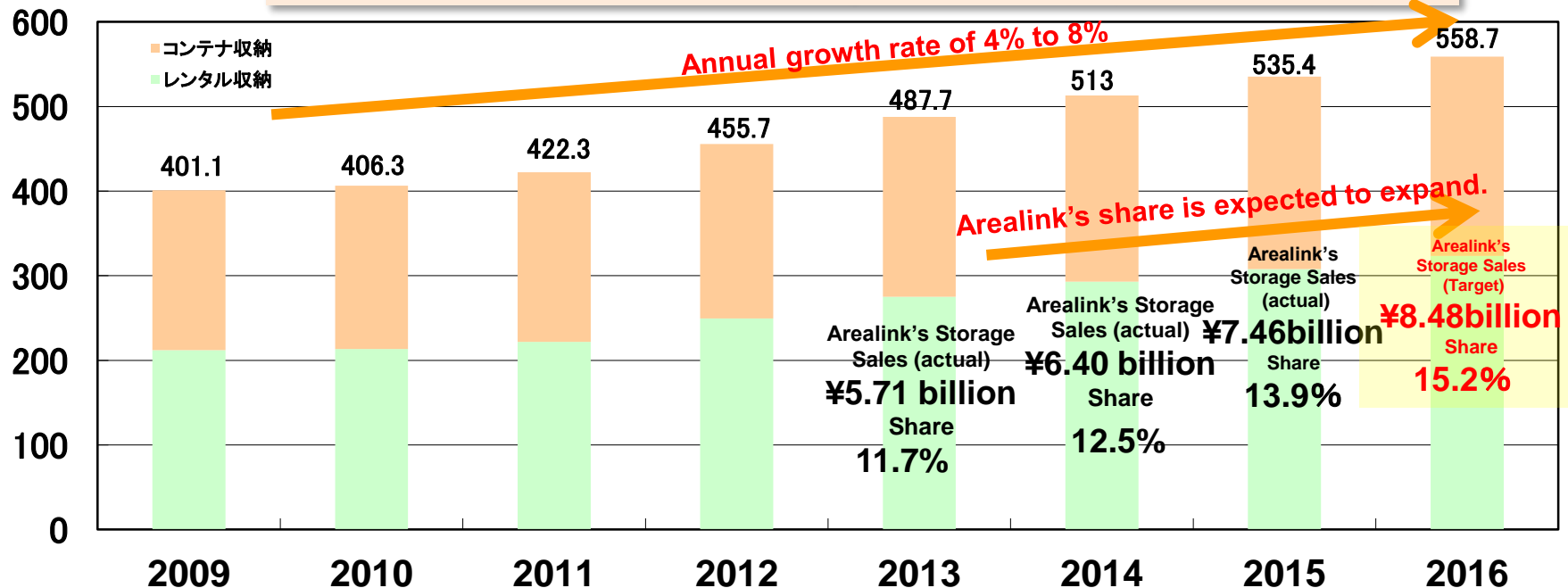
The Japanese self-storage market is expected to expand to ¥53.54 billion by 2015.

Arealink expects to maintain its leading market share of 13.9%.

- Scale of the Japanese self-storage market (2015 estimate)      ¥53.54 billion
- Arealink's self-storage net sales (2015 actual)                      ¥7.46 billion
- Arealink's market share (net sales)                                      13.9% (No.1 in Japan)

(Unit: Billions of yen)

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



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

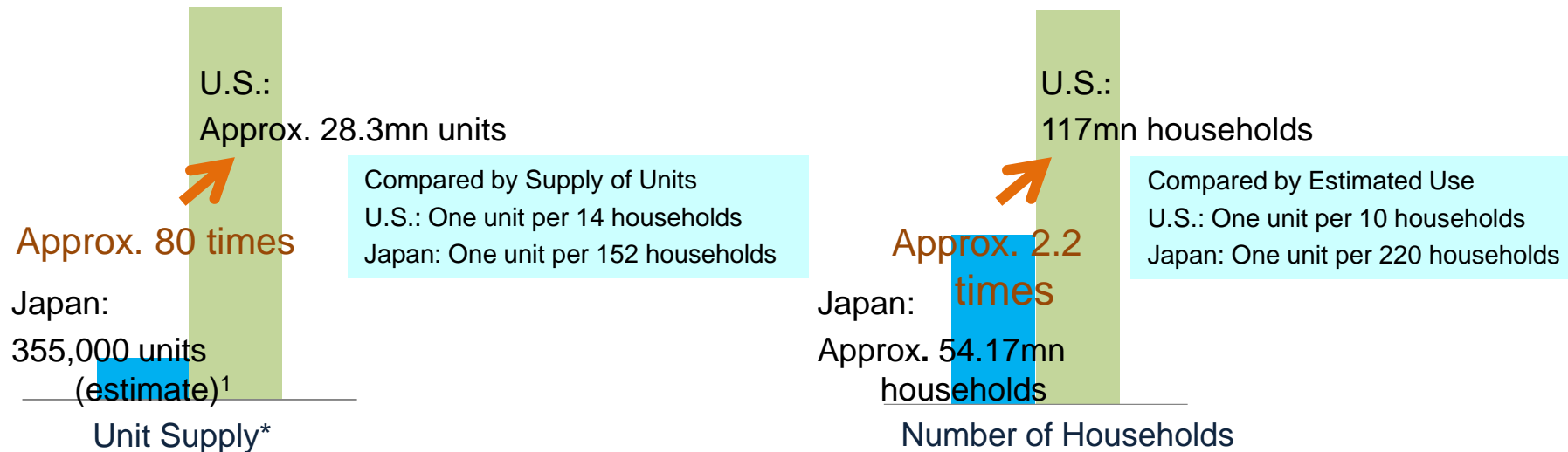
Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

# 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 2015)

Rank	Company Name	No. of Locations	No. of Units *	Market Share (by No. of Units)
1	Public Storage	2,466	1,477,630	7.4%
2	Extra Space Storage	1,312	871,000	4.4%
3	U-Haul	1,317	513,234	2.6%
Rank 4-10		7,202	2,434,318	5.6%
Top 10 companies total		41,443	3,996,182	20.1%

Source: Self Storage Almanac 2016

\* 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 2014))

## ■ 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>

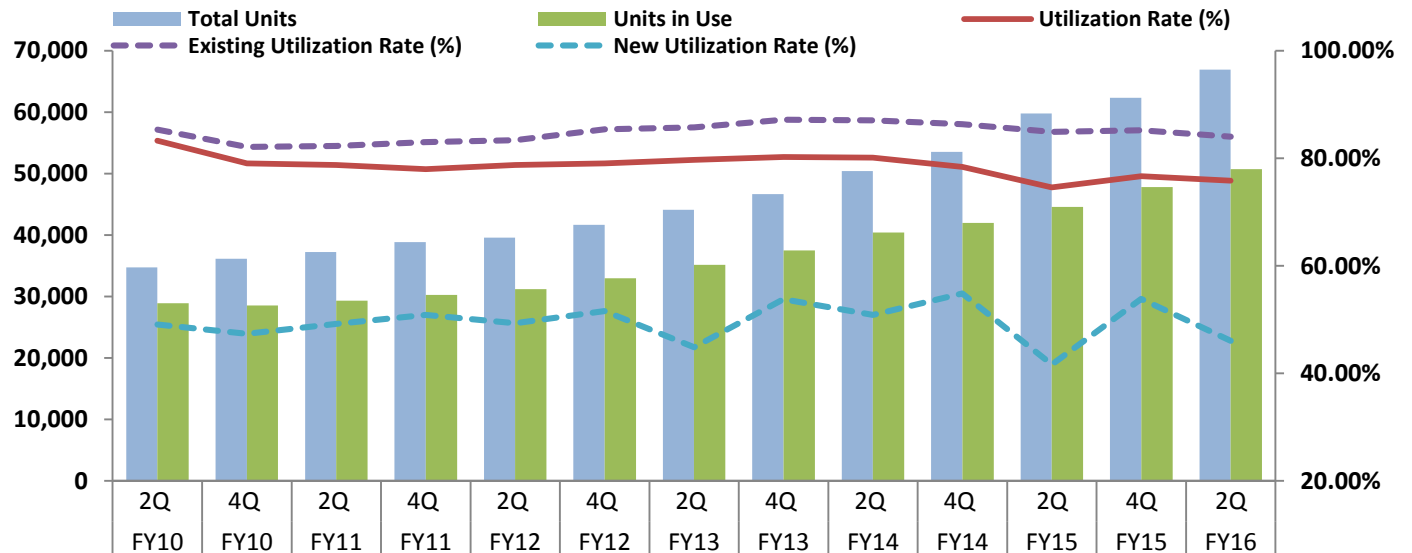


# Storage Business (4): Total Units, Units in Use, and Utilization Rate

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

- We are planning to open new business locations approximately 10,900 in 2016.
- In FY16 2Q, openings of new units; 5,071 and closing of 473 units; The total number of units increased by 4,598 units from the end of the previous fiscal year.
- In FY15 openings of new units; 9,202 and closing of 441 units; The total number of units increased by 8,761 units from the end of the previous fiscal year.

Total Units , Units in Use, and Utilization Rate



	2Q FY10	4Q FY10	2Q FY11	4Q FY11	2Q FY12	4Q FY12	2Q FY13	4Q FY13	2Q FY14	4Q FY14	2Q FY15	4Q FY15	2Q FY16
Total Units	34,723	36,131	37,267	38,838	39,614	41,698	44,138	46,686	50,422	53,564	59,802	62,325	66,923
Units in Use	28,917	28,562	29,340	30,290	31,188	32,968	35,177	37,499	40,407	42,009	44,603	47,796	50,739
Utilization Rate (%)	83.28%	79.05%	78.73%	77.99%	78.73%	79.06%	79.70%	80.22%	80.14%	78.43%	74.58%	76.69%	75.82%
Existing Utilization Rate (%)	85.33%	82.11%	82.28%	83.00%	83.34%	85.41%	85.73%	87.15%	87.06%	86.36%	84.90%	85.19%	84.03%
New Utilization Rate (%)	49.11%	47.36%	49.20%	50.85%	49.30%	51.61%	44.86%	53.77%	50.90%	54.85%	41.63%	53.84%	46.04%

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

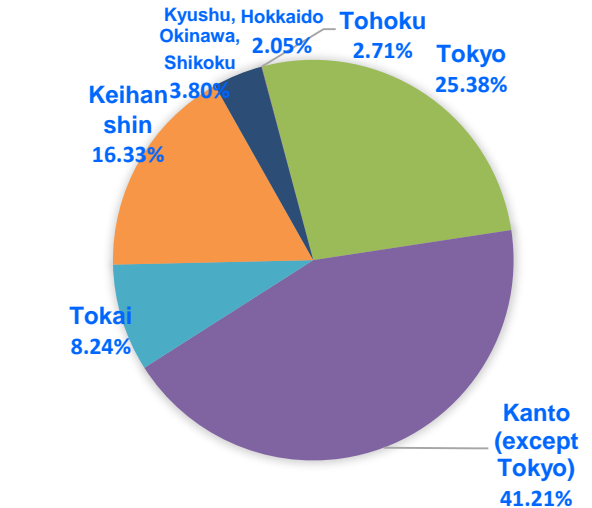


# Storage Business (5) : Openings by Region

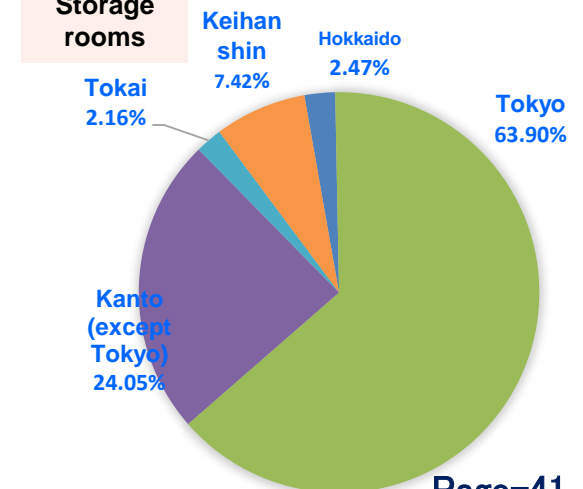
Aiming for a 50% domestic market share, and accelerate storage location openings.

Prefecture	Containers	Storage Rooms	Total	Proportion of Total
Hokkaido	1,024	422	1,446	2.16%
Miyagi	1,353		1,353	2.02%
Ibaraki	499		499	0.75%
Tochigi	81		81	0.12%
Gunma	168		168	0.25%
Saitama	6,543	847	7,390	11.04%
Chiba	8,380	450	8,830	13.19%
Tokyo	12,653	10912	23,565	35.21%
Kanagawa	4,870	2810	7,680	11.48%
Gifu	523		523	0.78%
Shizuoka	675		675	1.01%
Aichi	2,910	369	3,279	4.90%
Mie	148	50	198	0.30%
Shiga	66		66	0.10%
Kyoto	1,022	154	1,176	1.76%
Osaka	2,956	955	3,911	5.84%
Hyogo	3,387	109	3,496	5.22%
Nara	560		560	0.84%
Wakayama	27		27	0.04%
Kagawa	86		86	0.13%
Fukuoka	1,350		1,350	2.02%
Kumamoto	32		32	0.05%
Oita	26		26	0.04%
Kagoshima	372		372	0.56%
Okinawa	134		134	0.20%
Total	49,845	17,078	66,923	100.0%

Container



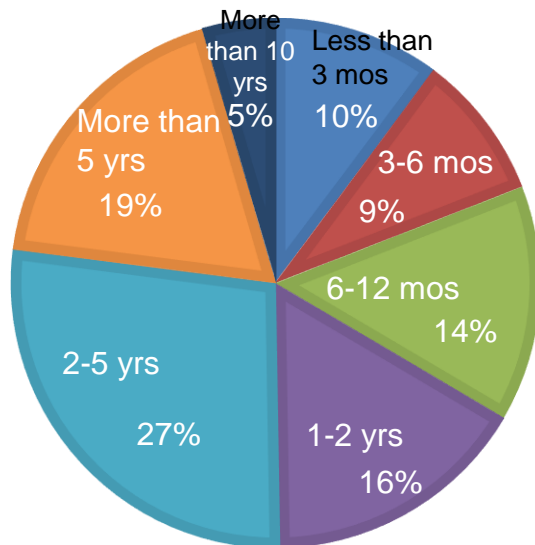
Storage rooms



# Storage Business (6): User Analysis

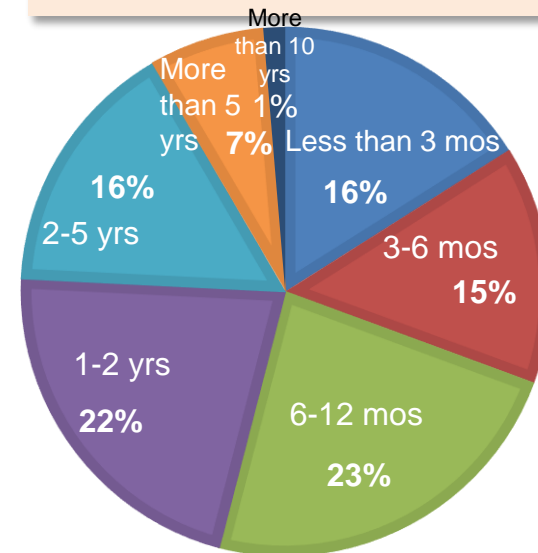
- Average usage period for current contract customers is 38 months (at February 2016).
- Average usage period for customers who have terminated contracts is 20 months (2015 result).
- Average monthly usage fee is ¥11,250 for a container type, and ¥12,500 for trunk type.

Breakdown of usage period for current contract customers



\* Analysis of customers with contracts at February 2016

Breakdown of usage period for customers who terminated contracts



\* Analysis of customers who terminated contracts in 2016

# Examples of self-storage locations / Outdoor container type



Ebetsushi Oasa Sakuragicho (Hokkaido)



Sendai Oroshimachi Higashi (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)



Nerima Yahara (Tokyo)



Utsunomiya Joto (Tochigi)



Mito 3 (Ibaraki)



Hodogaya Hosen 2 (Kanagawa)



Hamamatsu Minamiasada (Shizuoka)



Owari Setoekimae (Aichi)



Wakayama Matsuekita (Wakayama)



Kyoto Hachiman (Kyoto)



Osaka Kishiwada 2 (Osaka)



Nara Sahoda (Nara)



Akashinishi2 (Hyogo)



Takamastu Gotocho (Kagawa)

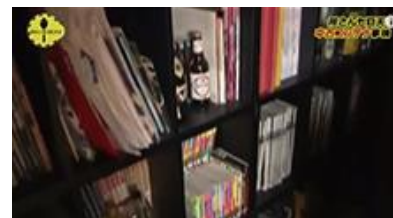
※ NEW  
Newly opened in 2015 and 2016



# 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)



Koenji Kokashita2 (Tokyo)



Ginza 2 (Tokyo)



Adachi Takenozuka2 (Tokyo)



Edogawabashi (Tokyo)



Nakajujo (Tokyo)



Shinonome (Tokyo)



Shinjuku Yotsuya 3-Chome 2 (Tokyo)



Minamiazabu (Tokyo)



Iidabashi (Tokyo)



Minamimagome (Tokyo)



Shibuyahoncho (Tokyo)



Miyanogi Premier (Chiba)



Yokohama Aobadai (Kanagawa)



Mukogaokayuen (Kanagawa)



Azamino (Kanagawa)



Nagoya Higashikataha (Aichi)



Kyoto Fushimi (Kyoto)



Kyoto Shijokarasuma (Kyoto)



Tanimachi 4-Chome (Osaka)



Amagasaki (Hyogo)



Entrance security

※ NEW Newly opened in 2015 and 2016



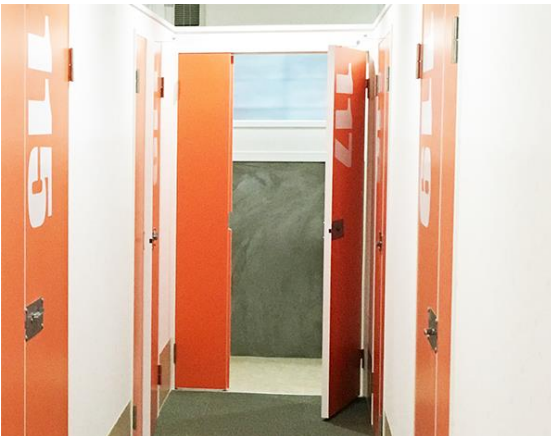
# Examples of self-storage locations /“2x4 Trunk” (wood frame)



Hello Storage Funabashi Sakae-machi  
Opened Aug. 2015



Hello Storage Miyanogi Premier  
Opened Dec. 2015



New kind of partition opens wider than previous types



Surveillance monitor inside Hello Storage Miyanogi Premier



Handwashing area at Hello Storage Miyanogi Premier

# 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



# Examples of self-storage locations





# 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 2016**

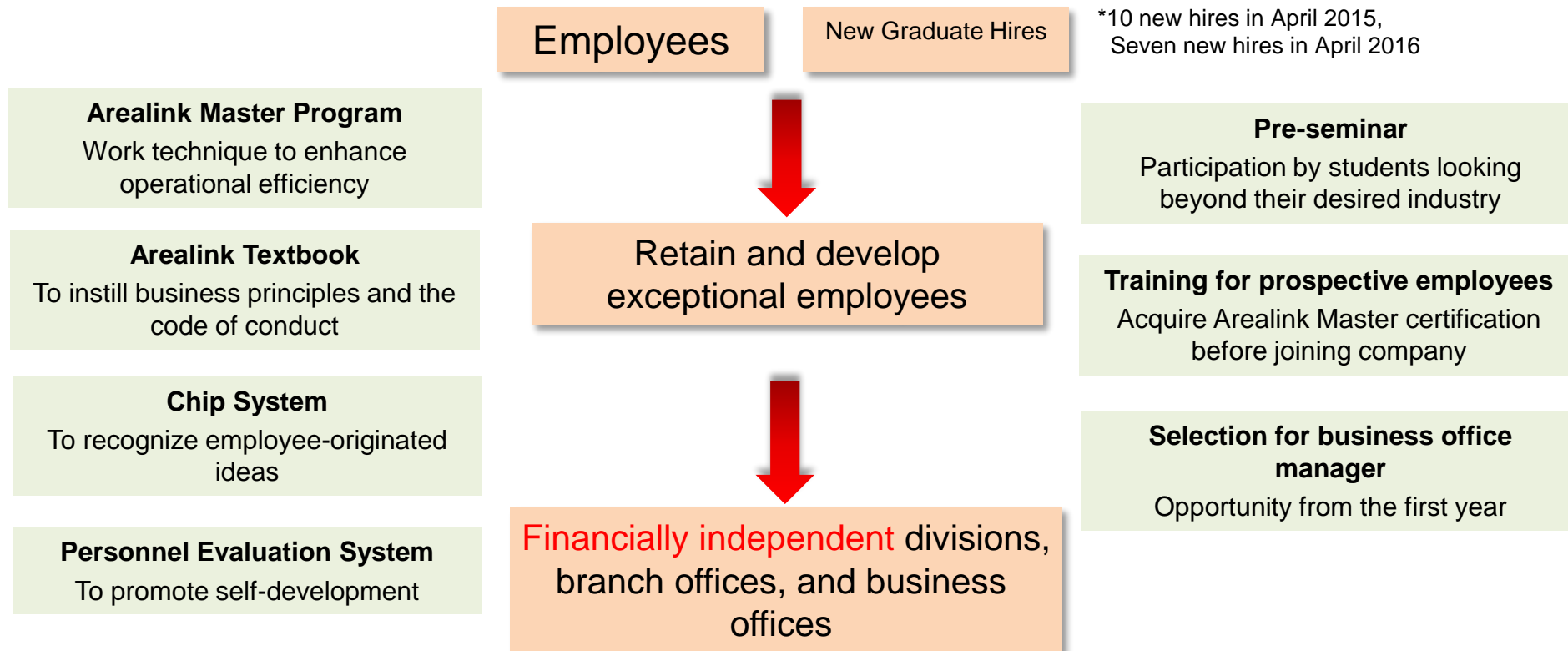
- ✓ Create a marketing list
- ✓ Maintenance of primary properties
- ✓ Cost reductions
- ✓ Improvement in C and D rank properties
- ✓ Enhance follow-up support for owners
- ✓ Strengthen network with property owners
- ✓ Simplify work for maintenance and administrative personnel

**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

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



## Main Properties (partial list)

Property Name	Location	Purpose	Book Value (Land and Structure) Unit: ¥mn
Kanda BM Building	Chiyoda Ward, Tokyo	Head Office, store, office	986
Ginza 6-Chome Idei Building	Chuo Ward, Tokyo	Store	879
Kanda Kyodo Building	Chiyoda Ward, Tokyo	Office	841
Best Inn Omihachiman	Omihachiman City, Shiga Pref.	Hotel	416
Best Inn Kashima	Kamisu City, Ibaraki Pref.	Hotel	357
Best Inn Uozu	Uozu City, Toyama Pref.	Hotel	266
Best Inn Youkaichi	Higashiomi City, Shiga Pref.	Hotel	254
Hello Storage Machida	Machida City, Tokyo	Storage	246
Best Inn Kofu	Kofu City, Yamanashi Pref.	Hotel	245
Hello Storage Chofu	Chofu City, Tokyo	Storage	230

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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