

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

# Results Briefing

Fiscal Year Ended December 2016

**February 15, 2017**

**Exciting Company**



**Arealink Co.,Ltd.**

Securities code:8914

**Part I Results Overview**

**Part II Summary of FY16 and FY17 Earnings  
Outlook**

**Part-III Formula for Growth**

**Part-IV Reference Material**

# 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

# Segment Breakdown

## Property Management Service

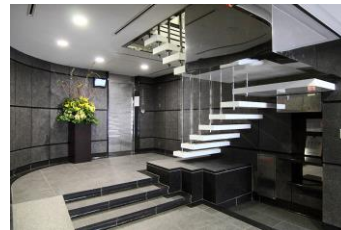
- Self-storage management (Hello Storage customer recruitment, operations and management)
- Self-storage brokerage (Hello Storage orders and location development)
- Other management services
  - Asset management (Tenant recruitment, operations and management of help properties)
  - SOHO (Hello Office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



Hello Storage (Container type)



Hello Storage (Room type)



Property Holding (Kyodo Building entrance)

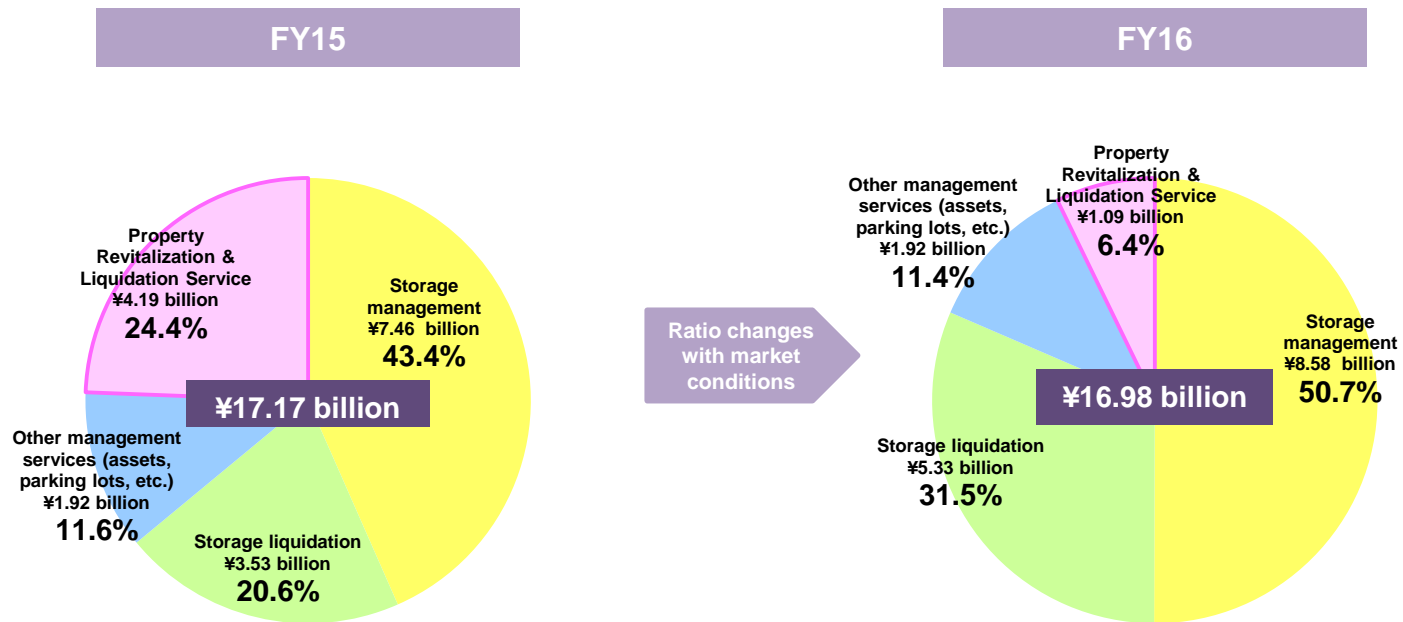


Hello Rental Meeting Room (Shibuya II)

## Property Revitalization & Liquidation Service

- Land rights management business (limited land rights)

# Sales by Segment

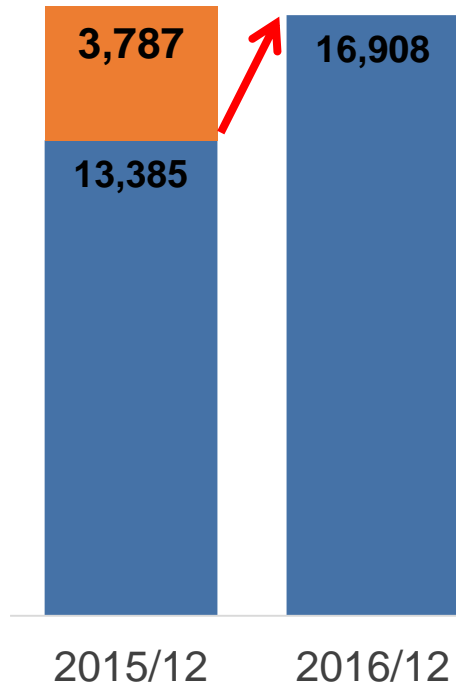


- ✓ Change in the composition ratio in FY12/16 compared to FY12/15.
- ✓ Sales ratio for the Property Revitalization & Liquidation Service business declined in FY12/16.
- ✓ Cumulative-type businesses such as storage management and other management services were mostly in line with plan.

Excluding sales of income properties, gains in both revenue and earnings

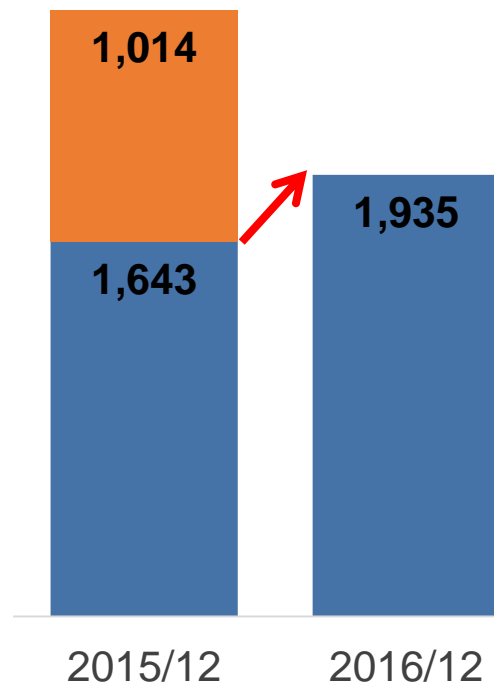
## Net sales

Unit: Millions of yen



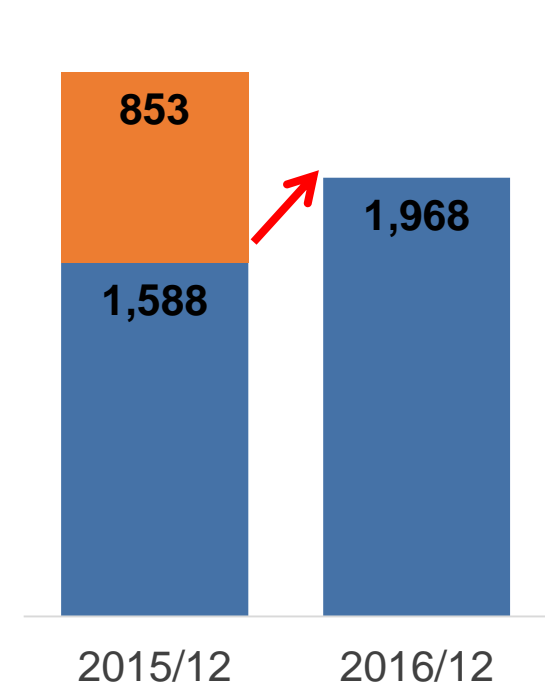
## Operating income

Unit: Millions of yen



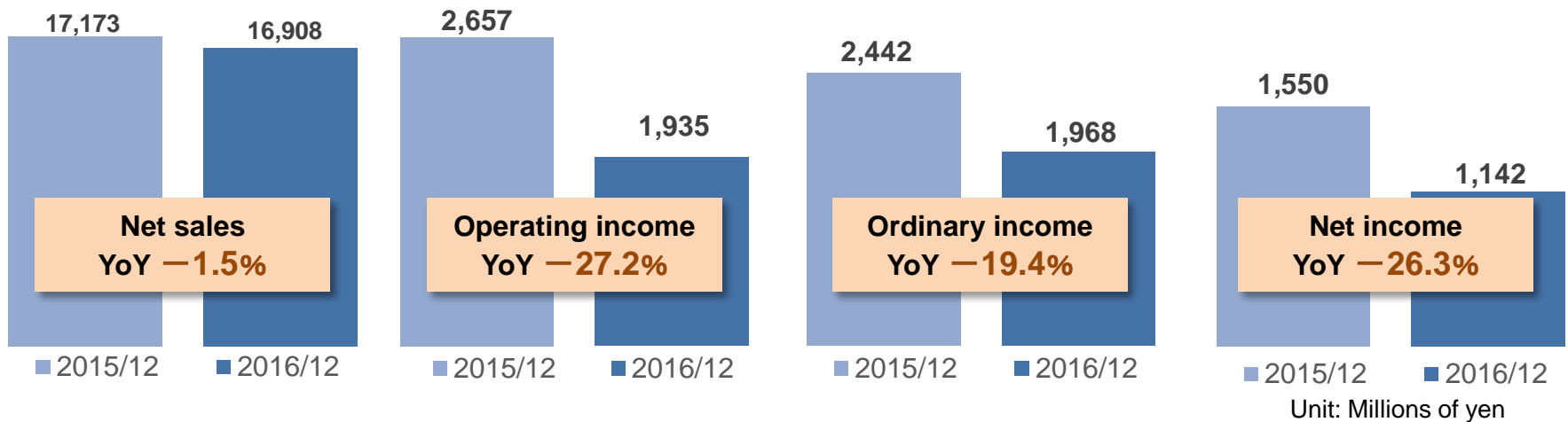
## Ordinary income

Unit: Millions of yen



 Sales of income properties

**Net sales and earnings exceeded plan on steady growth in the self-storage business, despite suspension of sales of income properties.**

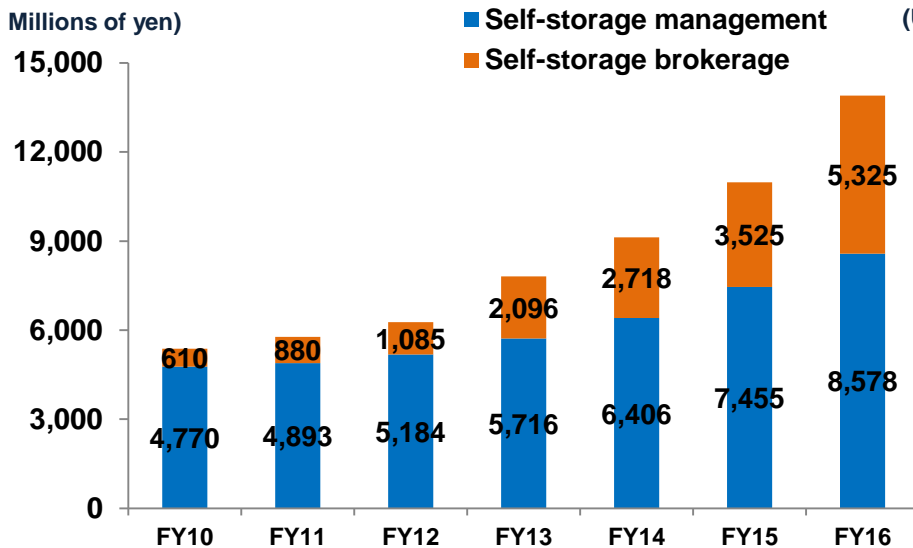


|                   | FY15   |         | FY16 Plan (after revised) |         | FY16   |         | Actual vs. Initial plan |          | YoY      |          |
|-------------------|--------|---------|---------------------------|---------|--------|---------|-------------------------|----------|----------|----------|
|                   | Actual | (%)     | Plan                      | (%)     | Actual | (%)     | Variance                | % Change | Variance | % Change |
| (Millions of yen) |        |         |                           |         |        |         |                         |          |          |          |
| Net sales         | 17,173 | (100.0) | 16,806                    | (100.0) | 16,908 | (100.0) | 102                     | 0.6%     | (265)    | (1.5)%   |
| Cost of sales     | 12,100 | (70.5)  | 12,697                    | (75.6)  | 12,136 | (71.8)  | (561)                   | (4.4)%   | 36       | 0.3%     |
| Gross profit      | 5,073  | (29.5)  | 4,108                     | (24.4)  | 4,771  | (28.2)  | 663                     | 16.1%    | (302)    | (6.0)%   |
| SG&A expenses     | 2,415  | (14.1)  | 2,432                     | (14.5)  | 2,835  | (16.8)  | 403                     | 16.6%    | 420      | 17.4%    |
| Operating income  | 2,657  | (15.5)  | 1,675                     | (10.0)  | 1,935  | (11.4)  | 259                     | 15.5%    | (722)    | (27.2)%  |
| Ordinary income   | 2,442  | (14.2)  | 1,650                     | (9.8)   | 1,968  | (11.6)  | 317                     | 19.3%    | (473)    | (19.4)%  |
| Net income        | 1,550  | (9.0)   | 1,091                     | (6.5)   | 1,142  | (6.8)   | 50                      | 4.6%     | (408)    | (26.3)%  |

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

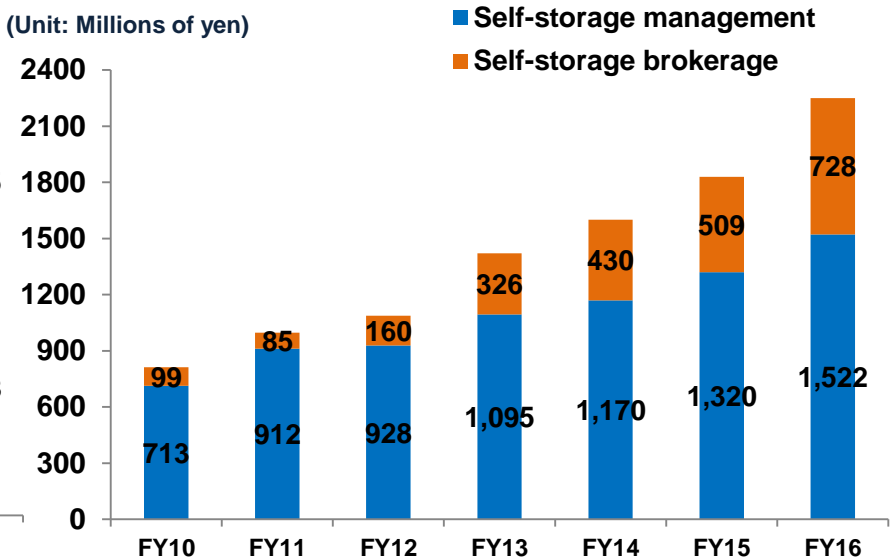
## Self-Storage Business Net Sales

(Unit: Millions of yen)



## Self-Storage Business Operating Income

(Unit: Millions of yen)

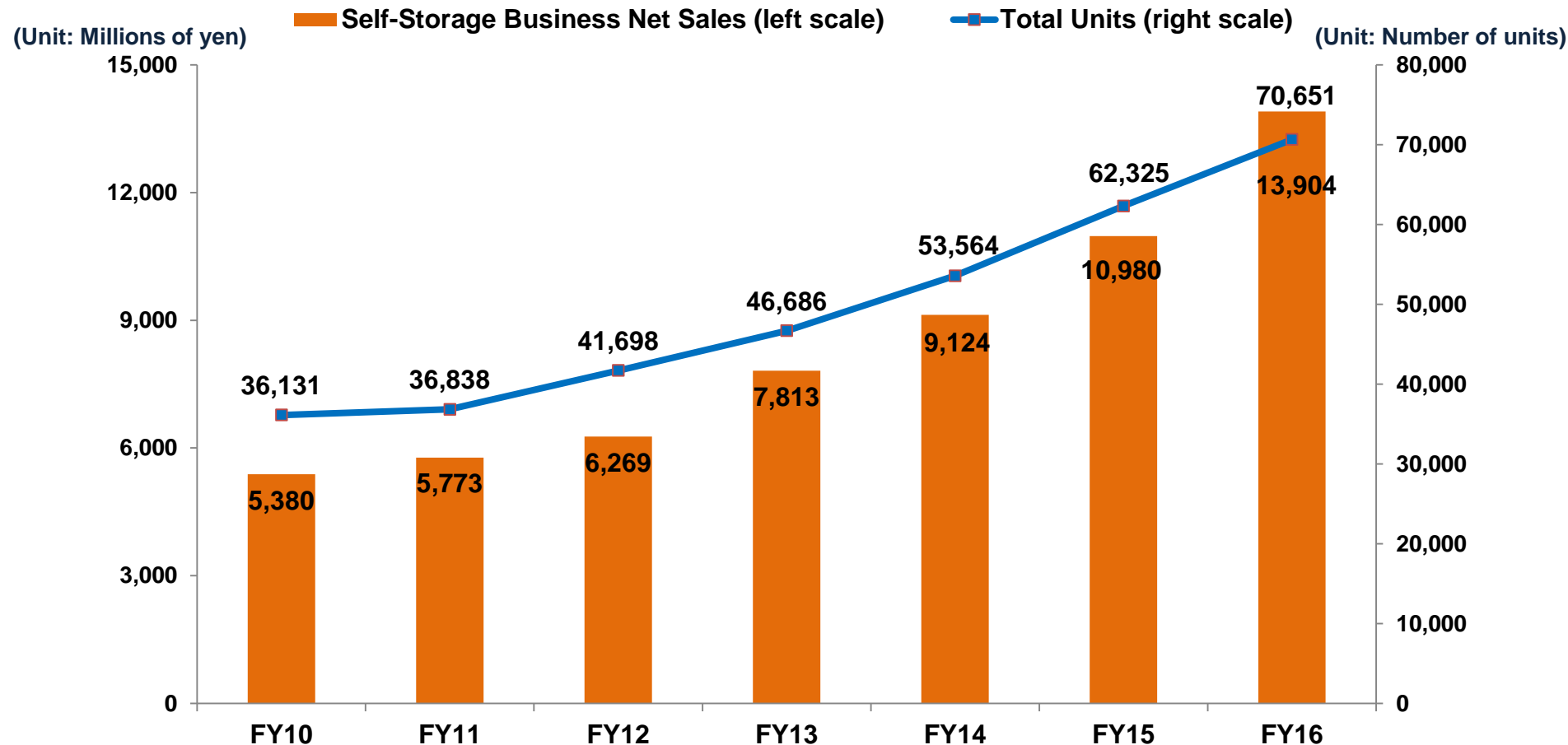


| (Millions of yen)                             | FY10         | FY11         | FY12         | FY13         | FY14         | FY15          | FY16          |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Self-storage management                       | 4,770        | 4,893        | 5,184        | 5,716        | 6,406        | 7,455         | 8,578         |
| Self-storage brokerage                        | 610          | 880          | 1,085        | 2,096        | 2,718        | 3,525         | 5,325         |
| <b>Self-Storage Business Net Sales</b>        | <b>5,380</b> | <b>5,773</b> | <b>6,269</b> | <b>7,813</b> | <b>9,124</b> | <b>10,980</b> | <b>13,904</b> |
| Self-storage management                       | 713          | 912          | 928          | 1,095        | 1,170        | 1,320         | 1,522         |
| Self-storage brokerage                        | 99           | 85           | 160          | 326          | 430          | 509           | 728           |
| <b>Self-Storage Business Operating Income</b> | <b>812</b>   | <b>997</b>   | <b>1,088</b> | <b>1,421</b> | <b>1,600</b> | <b>1,829</b>  | <b>2,251</b>  |



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

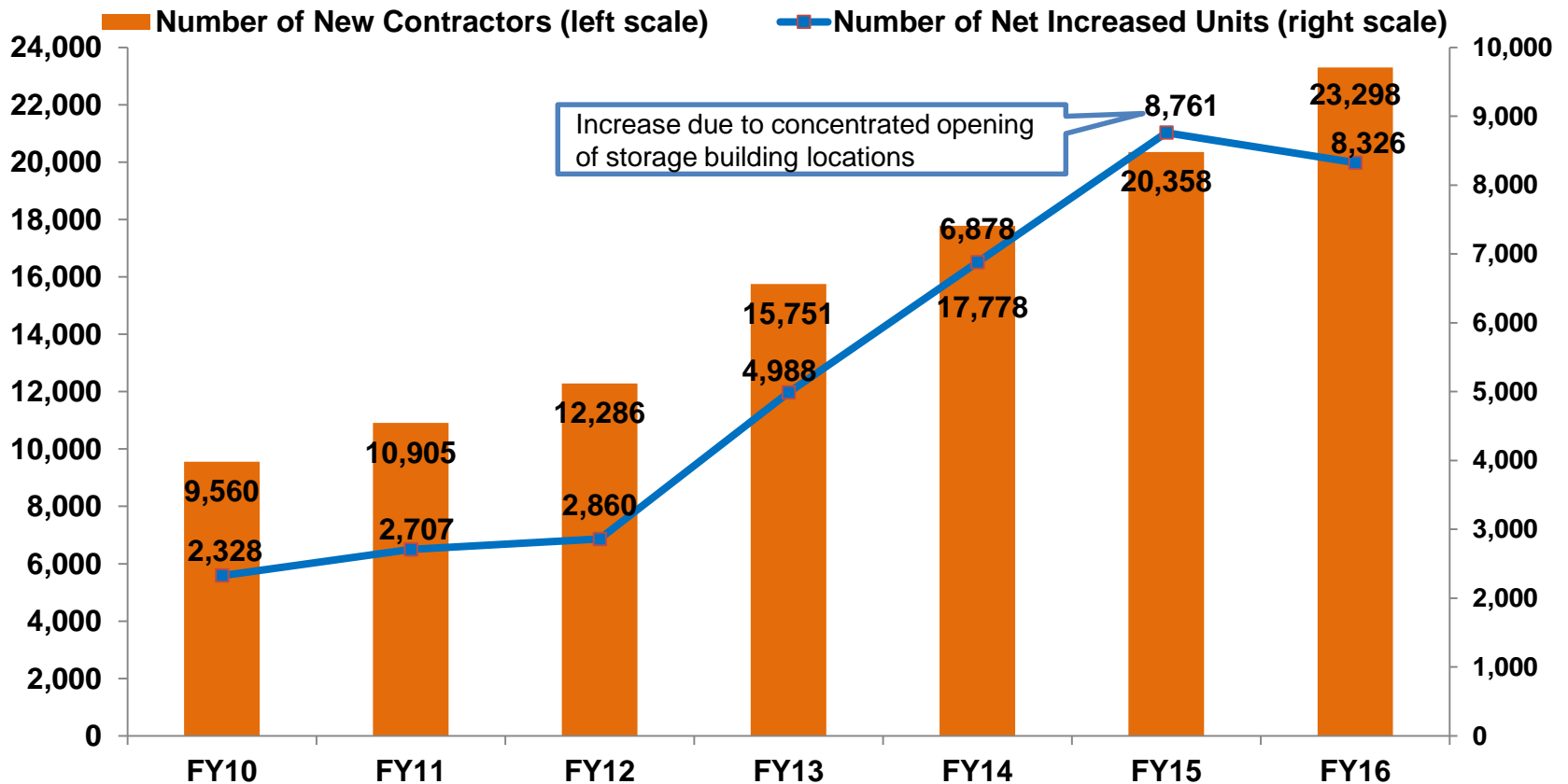
## Self-Storage Business Net Sales and Total Units in FY16



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

(Unit: Persons)

(Unit: Number of units)



**Gross profit margin and operating income margin exceeded initial forecasts, with overall performance increasing.**

Unit: Millions of yen

|  |                                   |                  | FY15 (actual) |               | FY16 (initial budget) |               | FY 16 (actual) |               |
|--|-----------------------------------|------------------|---------------|---------------|-----------------------|---------------|----------------|---------------|
|  |                                   |                  | Actual        | Profit margin | Initial budget        | Profit margin | Actual         | Profit margin |
|  | Self-storage management           | Net sales        | 7,455         |               | 8,482                 |               | 8,578          |               |
|  |                                   | Gross profit     | 1,955         | 26.2%         | 2,259                 | 26.6%         | 2,241          | 26.1%         |
|  |                                   | Operating income | 1,320         | 17.7%         | 1,530                 | 18.0%         | 1,522          | 17.8%         |
|  | Self-storage brokerage            | Net sales        | 3,525         |               | 5,684                 |               | 5,325          |               |
|  |                                   | Gross profit     | 1,054         | 29.9%         | 1,072                 | 18.9%         | 1,533          | 28.8%         |
|  |                                   | Operating income | 509           | 14.5%         | 575                   | 10.1%         | 728            | 13.7%         |
|  | Other property management service | Net sales        | 1,999         |               | 1,815                 |               | 1,916          |               |
|  |                                   | Gross profit     | 729           | 36.5%         | 562                   | 31.0%         | 667            | 34.8%         |
|  |                                   | Operating income | 546           | 27.3%         | 390                   | 21.5%         | 483            | 25.2%         |
| <b>Property Management Service Total</b>                 |                                   | Net sales        | 12,980        |               | 15,982                |               | 15,820         |               |
|  |                                   | Gross profit     | 3,739         | 28.8%         | 3,894                 | 24.4%         | 4,443          | 28.1%         |
|  |                                   | Operating income | 2,376         | 18.3%         | 2,497                 | 15.6%         | 2,735          | 17.3%         |
| <b>Property Revitalization &amp; Liquidation Service</b> |                                   | Net sales        | 4,192         |               | 823                   |               | 1,087          |               |
|  |                                   | Gross profit     | 1,334         | 31.8%         | 213                   | 26.0%         | 328            | 30.2%         |
|  |                                   | Operating income | 1,170         | 27.9%         | 153                   | 18.6%         | 246            | 22.6%         |
| <b>Other</b>   |                                   | Net sales        | —             |               | —                     |               | —              |               |
|  |                                   | Gross profit     | —             |               | —                     |               | —              |               |
|  |                                   | Operating income | (889)         |               | (974)                 |               | (1,046)        |               |
| <b>Total</b>   |                                   | Net sales        | 17,173        |               | 16,806                |               | 16,908         |               |
|  |                                   | Gross profit     | 5,073         | 29.5%         | 4,108                 | 24.4%         | 4,771          | 28.2%         |
|  |                                   | Operating income | 2,657         | 15.5%         | 1,675                 | 10.0%         | 1,935          | 11.4%         |

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

**Self-storage management earnings grew steadily for the period. Earnings in the Property Revitalization & Liquidation Service segment declined from 3Q due to Arealink's frontloaded annual schedule.**

Unit: Millions of yen

|  |                                   |                  | FY15<br>(full year) | FY16  |       |       |       |            |
|--|-----------------------------------|------------------|---------------------|-------|-------|-------|-------|------------|
|  |                                   |                  | Cumulative          | 1Q    | 2Q    | 3Q    | 4Q    | Cumulative |
| Property Management Service                              | Self-storage management           | Net sales        | 7,455               | 2,034 | 2,125 | 2,172 | 2,245 | 8,578      |
|  |                                   | Gross profit     | 1,955               | 576   | 587   | 528   | 549   | 2,241      |
|  |                                   | Operating income | 1,320               | 399   | 411   | 360   | 351   | 1,522      |
|  | Self-storage brokerage            | Net sales        | 3,525               | 1,509 | 1,464 | 1,004 | 1,347 | 5,325      |
|  |                                   | Gross profit     | 1,054               | 416   | 400   | 292   | 423   | 1,533      |
|  |                                   | Operating income | 509                 | 223   | 203   | 88    | 213   | 728        |
|  | Other property management service | Net sales        | 1,999               | 456   | 491   | 482   | 486   | 1,916      |
|  |                                   | Gross profit     | 729                 | 174   | 184   | 155   | 152   | 667        |
|  |                                   | Operating income | 546                 | 127   | 138   | 104   | 113   | 483        |
| <b>Property Management Service Total</b>                 |                                   | Net sales        | 12,980              | 4,000 | 4,080 | 3,659 | 4,079 | 15,820     |
|  |                                   | Gross profit     | 3,739               | 1,166 | 1,172 | 977   | 1,126 | 4,443      |
|  |                                   | Operating income | 2,376               | 750   | 752   | 553   | 678   | 2,735      |
| <b>Property Revitalization &amp; Liquidation Service</b> |                                   | Net sales        | 4,192               | 331   | 437   | 146   | 172   | 1,087      |
|  |                                   | Gross profit     | 1,334               | 121   | 122   | 43    | 41    | 328        |
|  |                                   | Operating income | 1,170               | 104   | 95    | 28    | 16    | 246        |
| <b>Other</b>   |                                   | Net sales        | —                   | —     | —     | 0     | —     | —          |
|  |                                   | Gross profit     | —                   | —     | —     | 0     | —     | —          |
|  |                                   | Operating income | (889)               | (220) | (259) | (260) | (305) | (1,046)    |
| <b>Total</b>   |                                   | Net sales        | 17,173              | 4,331 | 4,518 | 3,805 | 4,252 | 16,908     |
|  |                                   | Gross profit     | 5,073               | 1,288 | 1,294 | 1,020 | 1,167 | 4,771      |
|  |                                   | Operating income | 2,657               | 634   | 589   | 322   | 389   | 1,935      |

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

Unit: Millions of yen

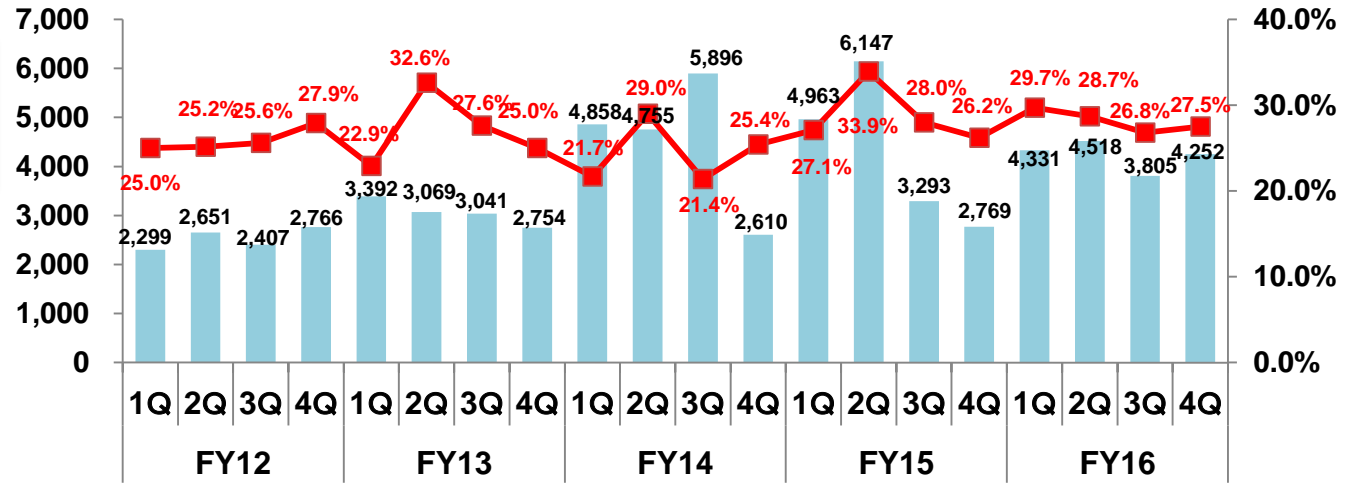
|              |   | FY15      |                 | FY16 (initial plan) |                 | FY16 (actual) |                 |                 |
|--------------|---|-----------|-----------------|---------------------|-----------------|---------------|-----------------|-----------------|
|              |   | Full Year | Component Ratio | Full Year           | Component Ratio | Actual        | Component Ratio | Completion Rate |
| Net sales    | Property Management Service                   | 12,980    | 75.6%           | 15,982              | 95.1%           | 15,820        | 93.6%           | 99.0%           |
|              | Self-storage management                       | 7,455     | 43.4%           | 8,482               | 50.5%           | 8,578         | 50.7%           | 101.1%          |
|              | Self-storage brokerage                        | 3,525     | 20.5%           | 5,684               | 33.8%           | 5,325         | 31.5%           | 93.7%           |
|              | Parking                                       | 209       | 1.2%            | 100                 | 0.6%            | 100           | 0.6%            | 100.0%          |
|              | Asset   | 1,083     | 6.3%            | 935                 | 5.6%            | 1,028         | 6.1%            | 110.0%          |
|              | SOHO  | 693       | 4.0%            | 767                 | 4.6%            | 752           | 4.4%            | 98.0%           |
|              | Other   | 12        | 0.1%            | 12                  | 0.1%            | 35            | 0.2%            | 292.5%          |
|              | Property Revitalization & Liquidation Service | 4,192     | 24.4%           | 823                 | 4.9%            | 1,087         | 6.4%            | 132.0%          |
| Total        | 17,173  | 100.0%    | 16,806          | 100.0%              | 16,908          | 100.0%        | 100.6%          |                 |
| Gross profit | Property Management Service                   | 3,739     | 73.7%           | 3,894               | 94.8%           | 4,443         | 93.1%           | 114.1%          |
|              | Self-storage management                       | 1,955     | 38.5%           | 2,259               | 55.0%           | 2,241         | 47.0%           | 99.2%           |
|              | Self-storage brokerage                        | 1,054     | 20.8%           | 1,072               | 26.1%           | 1,533         | 32.1%           | 143.1%          |
|              | Parking                                       | 76        | 1.5%            | 72                  | 1.8%            | 72            | 1.5%            | 100.6%          |
|              | Asset   | 387       | 7.6%            | 287                 | 7.0%            | 388           | 8.1%            | 134.9%          |
|              | SOHO  | 251       | 5.0%            | 190                 | 4.7%            | 188           | 3.9%            | 98.7%           |
|              | Other   | 14        | 0.3%            | 12                  | 0.3%            | 18            | 0.4%            | 155.2%          |
|              | Property Revitalization & Liquidation Service | 1,334     | 26.3%           | 213                 | 5.2%            | 328           | 6.9%            | 153.5%          |
| Total        | 4,360   | 100.0%    | 4,108           | 100.0%              | 4,771           | 100.0%        | 116.1%          |                 |

# Quarterly Net Sales and Operating Income

Revenue and earnings trends in line with plan, including profitability

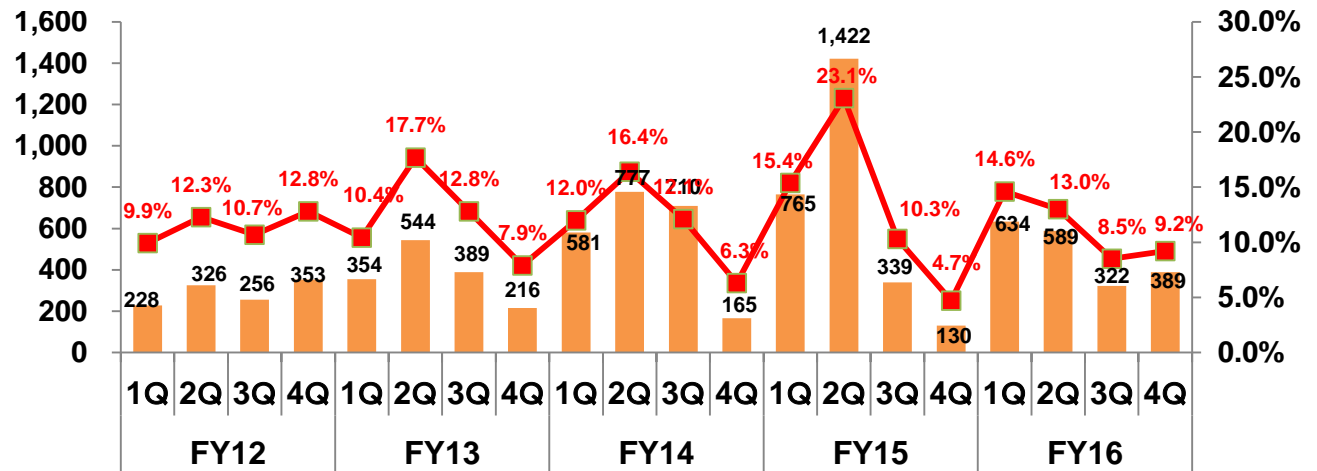
(Unit: Millions of yen)

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 rose due to compensation for transfer.  
Extraordinary loss increased on rise in impairment loss.**

Unit: Millions of yen

**Non-operating income**  
Compensation for transfer  
¥62 million

**Non-operating expenses**  
Interest expenses ¥36 million

**Extraordinary income**  
Penalty income ¥61 million

**Extraordinary loss**  
Impairment loss ¥115 million

| Step income                | 2015/12<br>cumulative | 2016/3<br>1Q period | 2016/6<br>2Q period | 2016/9<br>3Q period | 2016/9<br>4Q period | 2016/12<br>cumulative | Variance | %<br>Change |
|----------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------|-------------|
| Operating income           | 2,657                 | 634                 | 589                 | 322                 | 389                 | 1,935                 | (722)    | (27.2)%     |
| Non-operating income       | 48                    | 50                  | 7                   | 12                  | 22                  | 93                    | 44       | 90.2%       |
| Non-operating expenses     | 264                   | 21                  | 16                  | 10                  | 12                  | 60                    | (204)    | (77.3)%     |
| Ordinary income            | 2,442                 | 663                 | 581                 | 340                 | 399                 | 1,968                 | (473)    | (19.4)%     |
| Extraordinary income       | 39                    | 7                   | 7                   | 7                   | 68                  | 90                    | 50       | 127.6%      |
| Extraordinary loss         | 76                    | 2                   | 0                   | 3                   | 149                 | 156                   | 79       | 104.7%      |
| Income before income taxes | 2,405                 | 668                 | 587                 | 327                 | 318                 | 1,902                 | (502)    | (20.9)%     |
| Income taxes — current     | 774                   | 170                 | 233                 | 101                 | 161                 | 667                   | (107)    | (13.8)%     |
| Income taxes — deferred    | 80                    | 77                  | (14)                | 28                  | 1                   | 92                    | 12       | 15.8%       |
| Net income                 | 1,550                 | 420                 | 368                 | 198                 | 155                 | 1,142                 | (408)    | (26.3)%     |

# Financial Position

## Financial Position

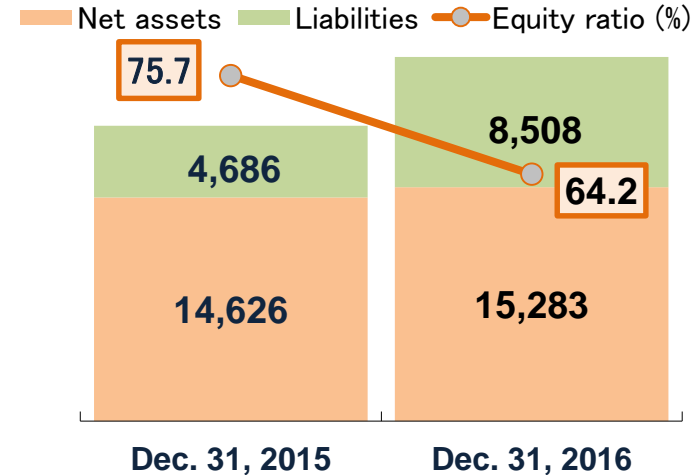
As of December 31, 2016

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

|   |   |             |
|---|---|-------------|
| <b>Total assets</b><br>¥23,791 million<br>(+ ¥ 4,478 million) | <b>Liabilities</b><br>¥8,508 million<br>(+ ¥ 3,821 million) | Liabilities |
|   | <b>Net assets</b><br>¥15,283 million<br>(+ ¥657 million)    | Net assets  |

## Liabilities, net assets, equity ratio

(Millions of yen)



| (Millions of yen)             | Dec. 31, 2015 | Dec. 31, 2016 |
|-------------------------------|---------------|---------------|
| <b>Current assets</b>         | <b>9,121</b>  | <b>12,168</b> |
| <b>Noncurrent assets</b>      | <b>10,191</b> | <b>11,622</b> |
| <b>Total assets</b>           | <b>19,312</b> | <b>23,791</b> |
| <b>Current liabilities</b>    | <b>2,880</b>  | <b>4,959</b>  |
| <b>Noncurrent liabilities</b> | <b>1,805</b>  | <b>3,548</b>  |
| <b>Total liabilities</b>      | <b>4,686</b>  | <b>8,508</b>  |
| <b>Net assets</b>             | <b>14,626</b> | <b>15,283</b> |

Increase in real estate for sale      ¥ 2.14 billion  
 Increase in cash and deposits      ¥ 0.74 billion

Increase in short-term loans payable      ¥1.64 billion  
 Increase in long-term loans payable      ¥1.40 billion

Increase in net income      ¥ 0.66 billion

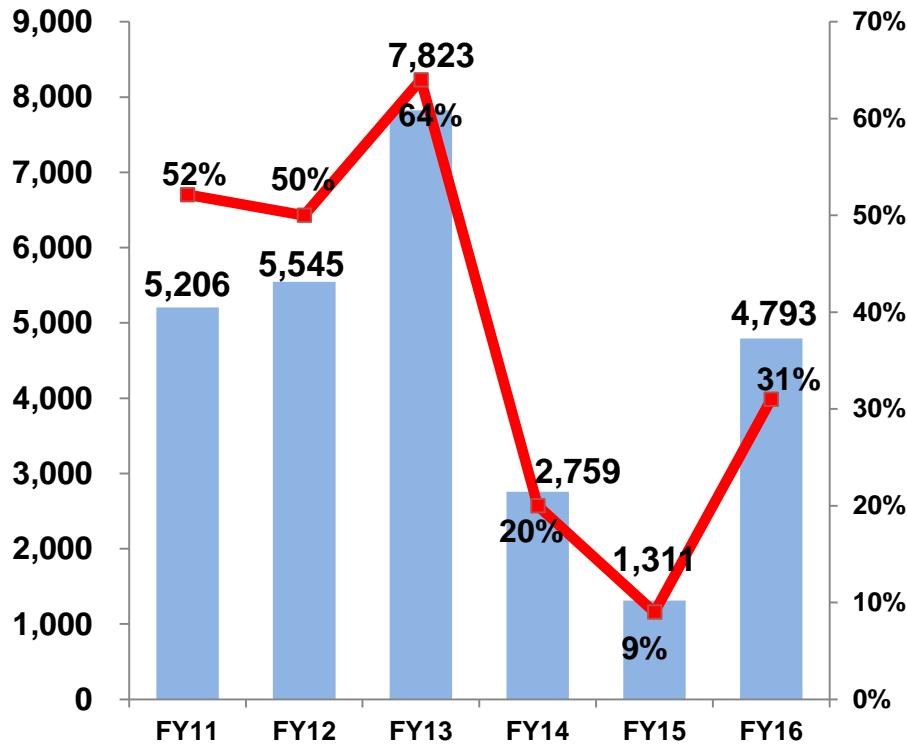


# Interest-Bearing Debt, Total Capital, and Shareholders' Equity

Interest-bearing debt increased, but Arealink maintains effective non-debt management.

Interest-bearing debt and interest-bearing debt ratio

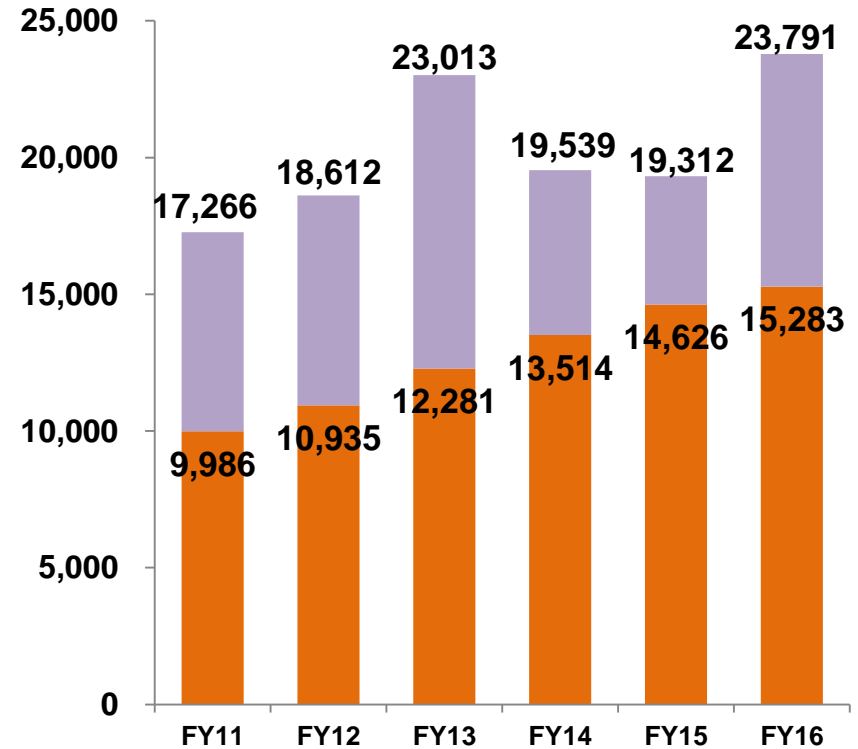
(Unit: Millions of yen)



Total capital and shareholders' equity

(Unit: Millions of yen)

■ Shareholders' equity



**Cash and equivalents increased due to income from long-term borrowing and an increase in short-term debt, offsetting an increase in expenditures for acquisition of tangible fixed assets.**

Unit: Millions of yen

|  | FY15    | FY16    |   |
|--|---------|---------|---|
| Cash flows from operating activities           | 3,941   | (708)   | Income before income taxes      ¥1.90 billion<br>Increase in inventories            ¥(2.26) billion                   |
| Cash flows from investing activities           | (1,069) | (1,544) | Purchase of noncurrent assets    ¥(1.54) billion  |
| Cash flows from financing activities           | (1,888) | 2,999   | Proceeds from long-term loans payable      ¥2.00 billion<br>Net increase of short-term loans payable    ¥1.64 billion |
| Cash and cash equivalents at the end of period | 6,415   | 7,158   |   |

## **Part- II**

# **Summary of FY16 and FY17 Earnings Outlook**

|                         |  |
|-------------------------|--|
| <b>Net Sales</b>        | <b>¥16.91 billion</b><br><b>(+0.6% compared to plan)</b> |
| <b>Operating Income</b> | <b>¥1.94 billion</b><br><b>(+15.5% compared to plan)</b> |

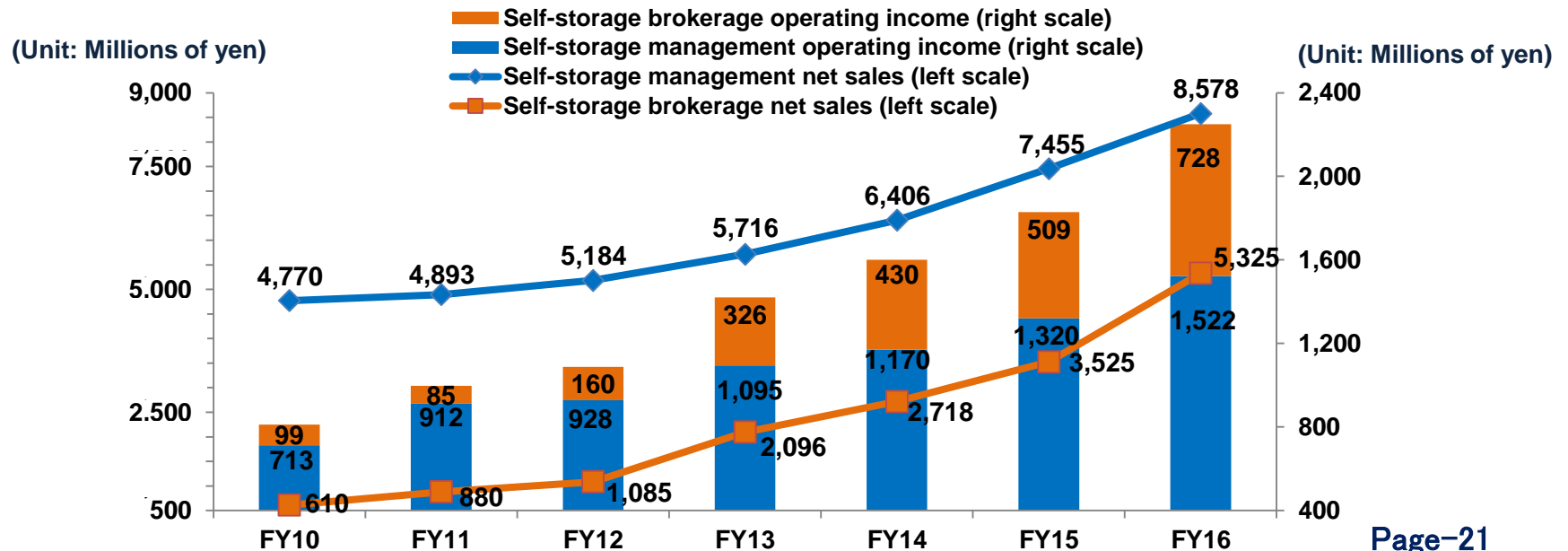
- **Net sales and operating income both exceeded plan.**
- **Higher-than-expected profit margin.**

# Summary of FY12/16 Results

## Steady progress with business measures

- **Stable storage management and securitization**
  - ✓ Continual location openings and stable operations
  - ✓ Expansion to a total 70,651 units
  - ✓ Increased location openings in areas with high population density

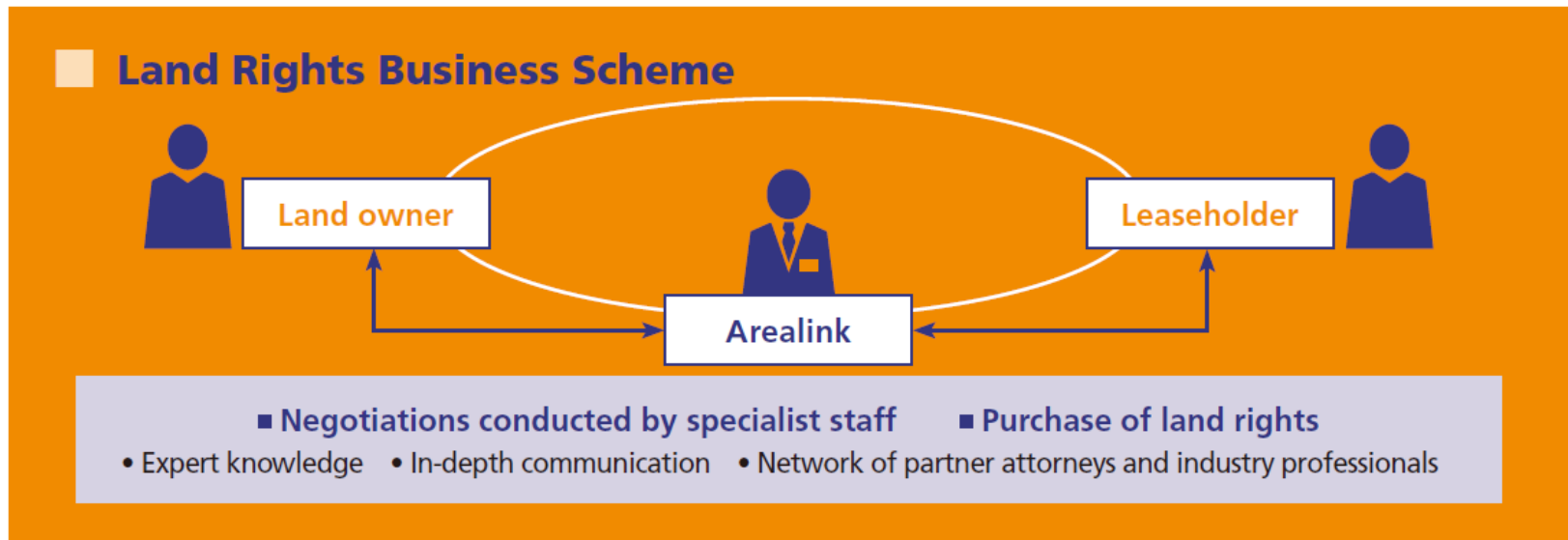
### Self-Storage Business Net Sales and Operating Income



# Overview of FY16

## Steady progress with business measures

- **Property Revitalization & Liquidation Service business contributing to earnings**
- ✓ **Strengthening land rights management business (limited land rights), to become the industry leader in Japan.**



- **Develop new type of storage with accompanying land**
  - ✓ Aim for future securitization (investment funds / REITs)
  - ✓ Open storage locations with accompanying land, including 2x4, three-story steel frame, and system container types
  - ✓ Potential for opening locations under a wide range of conditions (site, area)
  - ✓ Received “Tanaka Keiichi Prize” from the Japan Association for Real Estate Sciences



Hello Storage Funabashi  
Sakae-machi  
Opened August 2015

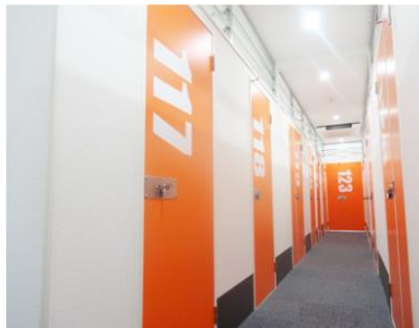


Hello Storage Miyanoki Premier  
Opened December 2015 (night scene)



Hello Storage Matsudo Tokiwadaira  
Premier Container  
Opened March 2017  
(architectural rendering)

- **Develop new type of storage with accompanying land (continued)**
  - ✓ **Expand scope of end users**
  - ✓ **Designed specifically for Hello Storage, with improved convenience and design**
  - ✓ **Offer to investors as new type of asset**



Interior of the Hello Storage Funabashi Sakae-machi location



Security monitor in the Hello Storage Miyanogi Premier location



Hand-washing area at the Hello Storage Miyanogi Premier location





Hello Storage Funabashi Sakae-machi



Hello Storage Miyanogi Premier



Hello Storage Kashiwa Aobadai Premier



Hello Storage Saitama Higashi-Koshigaya Premier



Hello Storage Mukougaokayuen

- **Full-fledged launch of the contracted storage management business**
  - ✓ **Expand the contracted storage management business**
    - **Utilize brand power and expertise to provide user recruitment and guarantee services for properties owned by other companies.**
    - **Establish a dedicated team for new business development.**
    - **Target of 100 properties under management in 2017.**

## ➤ Efforts to achieve a global standard in the contracted storage management business

### ✓ Acquisition of U.S. properties

- Contracted management and operation of CubeSmart, the No.4 company in the U.S. market
- Purpose: Analyze composition of more developed overseas market, and accumulate new expertise.  
Strengthen the contracted management business in Japan, and expand our market share.
- Investment amount: ¥750 million in 2016
- Return: 6% (Phase II construction project underway, return of 7% after expansion)

#### Overview of CubeSmart

- Head office: Malvern, Pennsylvania
- Fourth largest storage company in U.S.
- Total 626 properties with 396,000 units, of which 22% (153 properties, 86,000 units) are managed under contract
- One of six listed storage-related REITs in the U.S.

## Owned properties managed and operated under contract by CubeSmart



Property managed by CubeSmart



Aerial photograph



Management office (exterior)



Internal hallway

### Summary of Owned Properties

- College Station, Texas
- Total 477 units – 361 storage units, 114 parking spaces (for large RVs), 2 other (office and warehouse)
- Approx. 3,636 m<sup>2</sup> (39,141 ft<sup>2</sup>)



View of premises

➤ **Strengthen marketing**

✓ **Marketing based on data analysis**

- **Cloud-based, standardized sales activities  
(Salesforce, G Suite, Surface)**
- **Optimization of product type, price**
- **Clarification of location opening standards**
- **Optimization of user recruitment using  
revenue management**

## ➤ Strengthen marketing (continued)

### ✓ Continue sign-based marketing

- Sow seeds for future business
- Strengthen relationships with property owners
- Signs placed on more than 420 sites (as of end-Dec. 2016)



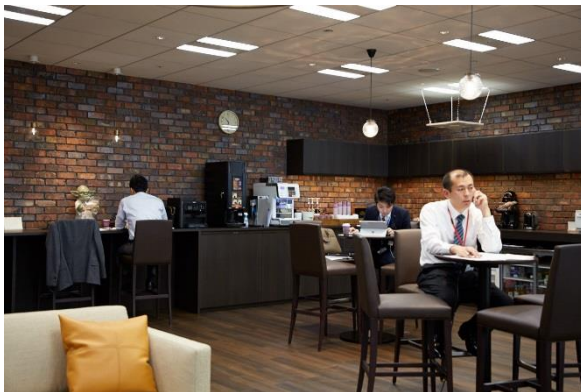
## ➤ Land rights business: Land rights management

- ✓ Acquire land rights from landowners
- ✓ Sell to leaseholders at ideal timing
- ✓ Annual return of 3%, with 20% gain on sale (after 1-2 years)
- ✓ Estimated investment of ¥6-8 billion over next three years, with around ¥2.0 billion profit on sales

### Condition for entry into new business

Establish businesses that lead to better relations with existing investors (wealthy persons, real estate owners)

- **Relocation of head office**
  - ✓ **Move to new office in Akihabara in December 2016**
- **Aims of the relocation**
  - ✓ **Shift to a practical and creative work style emphasizing goals**
  - ✓ **Maximum results with few personnel and in the shortest period**



Executive lounge



Café





# Dividends and Payout Ratio

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

## Dividends and Payout Ratio

|                                 | FY2015         | FY2016        | FY2017<br>(Forecast) |
|---------------------------------|----------------|---------------|----------------------|
| <b>Cash dividends per share</b> | <b>3.9 yen</b> | <b>39 yen</b> | <b>40 yen</b>        |
| <b>Payout ratio</b>             | <b>30.9%</b>   | <b>41.9%</b>  | <b>36.3%</b>         |

# FY17 Earnings Outlook

**For the Property Management Service segment, the representative core self-storage business, Arealink is forecasting steady gains, with net sales rising 17.2% 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.

|   | FY2016        |                | FY2017        |                | YoY          |              |
|---|---------------|----------------|---------------|----------------|--------------|--------------|
| (Millions of yen)                             | Actual (A)    | (%)            | Forecast      | (%)            | Variance     | (%)          |
| <b>Net sales</b>                              | <b>16,908</b> | <b>(100.0)</b> | <b>19,447</b> | <b>(100.0)</b> | <b>2,539</b> | <b>15.0%</b> |
| Property Management Service                   | 15,820        | —              | 18,547        | —              | 2,726        | 17.2%        |
| Property Revitalization & Liquidation Service | 1,087         | —              | 900           | —              | (186)        | (17.2)%      |
| <b>Operating income</b>                       | <b>1,935</b>  | <b>(11.4)</b>  | <b>2,254</b>  | <b>(11.6)</b>  | <b>337</b>   | <b>16.5%</b> |
| Property Management Service                   | 2,735         | —              | 2,968         | —              | 233          | 8.5%         |
| Property Revitalization & Liquidation Service | 246           | —              | 352           | —              | 106          | 43.2%        |
| Elimination & Corporate                       | (1,046)       | —              | (1,066)       | —              | (20)         | (2.0)%       |
| <b>Ordinary income</b>                        | <b>1,968</b>  | <b>(11.6)</b>  | <b>2,220</b>  | <b>(11.4)</b>  | <b>251</b>   | <b>12.8%</b> |
| <b>Net income</b>                             | <b>1,142</b>  | <b>(6.8)</b>   | <b>1,353</b>  | <b>(7.0)</b>   | <b>211</b>   | <b>18.5%</b> |

# Part-III

## Formula for Growth

## Business Model (No. 1 in a Growth Market)

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

- Storage facilities with land
- Contracted storage management business



## Human Resources (Personnel Training)

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

- Arealink Master
- Training with overnight stays, etc.



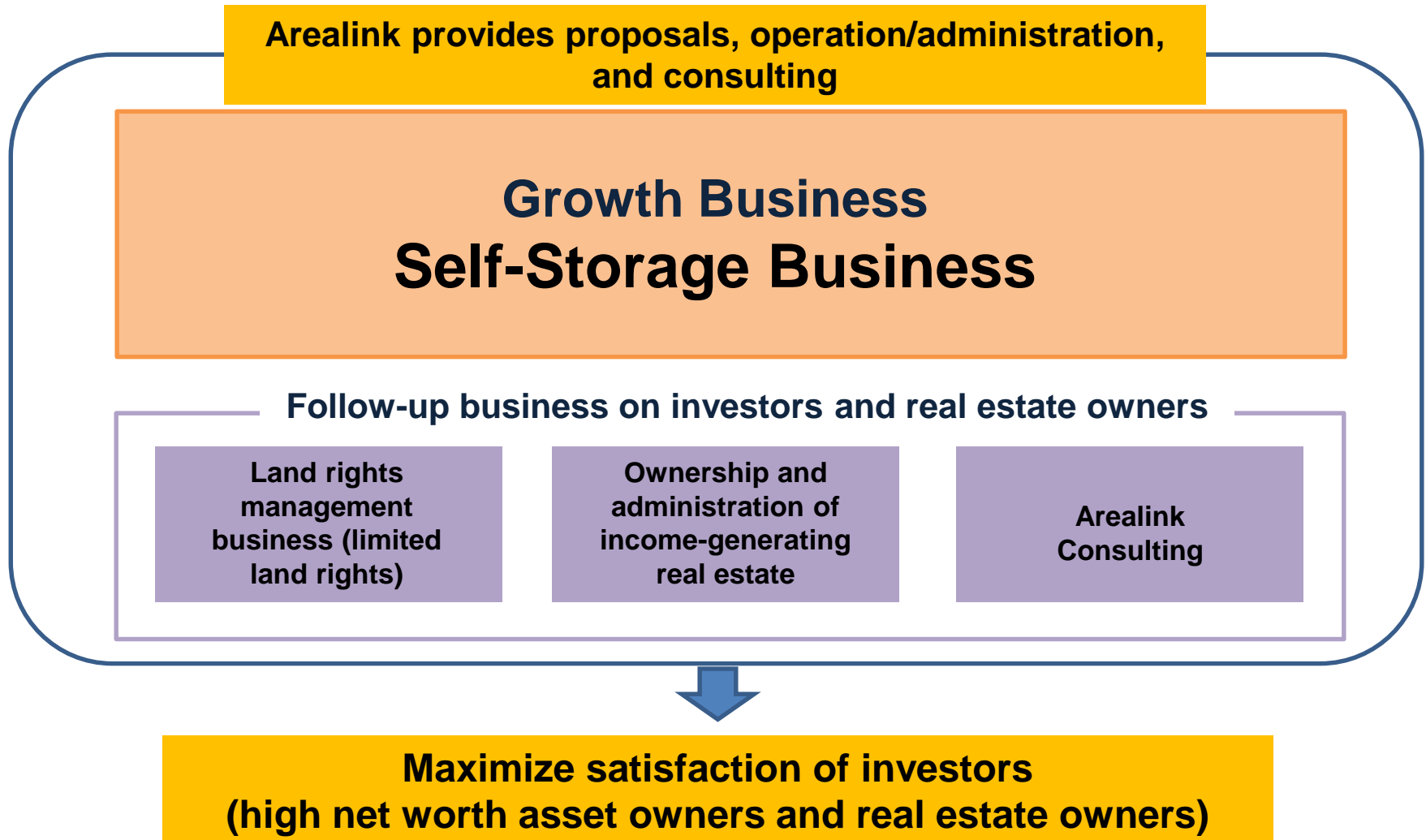
## Management (Organization and Business)

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

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



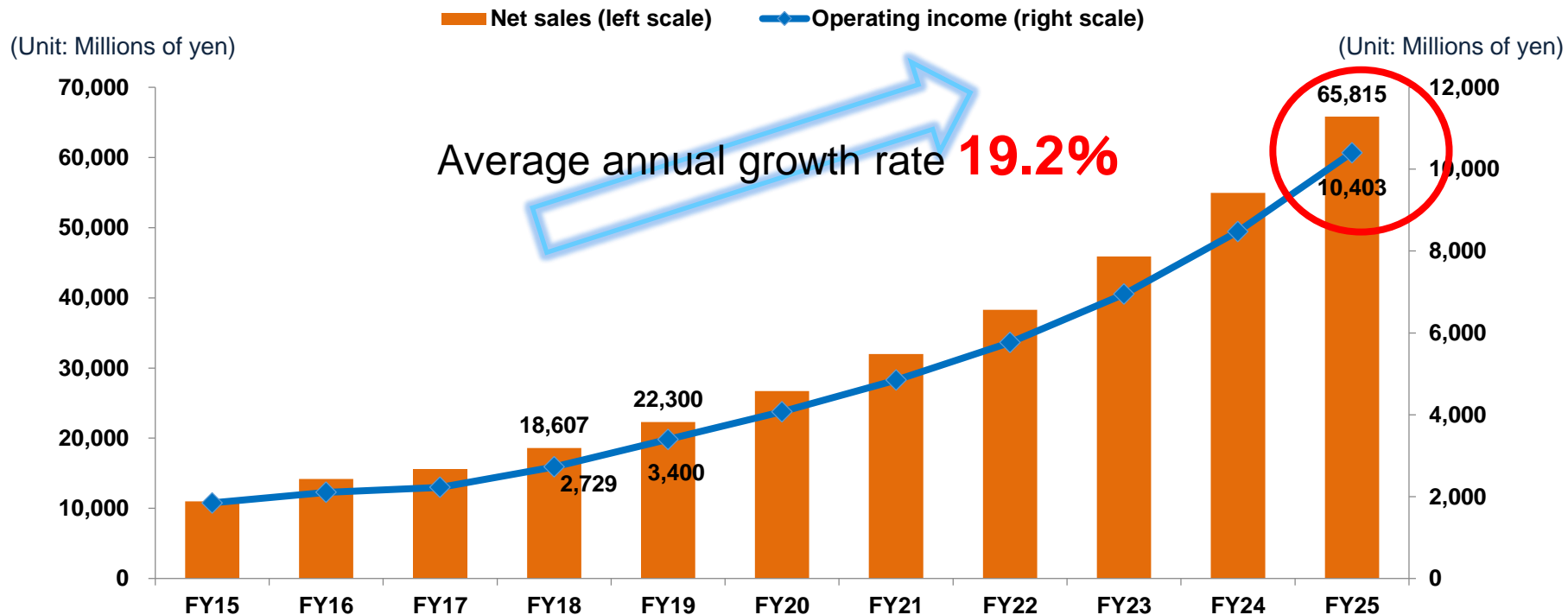
**Future-oriented ideal company in 2025**  
**Ordinary income 10 billion yen, Employees 200**  
**Combining the best aspects of European/U.S. and Japanese management**



In the mainstay self-storage business\*, 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 in the Self-Storage Business



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

### ➤ Establish brand image

- ✓ Install signs with “Hello Kitty” design at all locations
- ✓ Install LED signage
- ✓ Install signs along expressways



### ➤ Expand the contracted storage management business

- ✓ Provide user recruitment and management services for self-storage properties of other companies
- ✓ Gain fee income and market share

### ➤ Acquire overseas self-storage facilities, accumulate expertise

- **Establish “Arealink Consulting”**
  - ✓ **Develop new products designed for future securitization**
- **Channel the self-storage sales business to investment funds or REITs in the future**



- ✓ **By 2025, ¥10 billion in ordinary income with 200 employees**
- ✓ **Make steady progress to meet target of ¥50 million in ordinary income per employee**
  - ⇒ Aim for effective management**



# Exciting Company

Bringing the world convenience,  
enjoyment, and excitement

# **Part-IV**

## **Reference Material**

# Major Indicators for the Past Six Years

(Unit: Millions of yen)

|                                | FY11   | % Change | FY12   | % Change | FY13   | % Change | FY14   | % Change | FY15   | % Change | FY16     |
|--------------------------------|--------|----------|--------|----------|--------|----------|--------|----------|--------|----------|----------|
| Net sales                      | 10,603 | -4.5%    | 10,124 | +21.1%   | 12,256 | +47.8%   | 18,120 | (5.2)%   | 17,173 | (1.5)%   | 16,908   |
| Gross profit                   | 2,365  | +11.2%   | 2,629  | +26.8%   | 3,306  | +31.9%   | 4,360  | +16.3%   | 5,073  | (6.0)%   | 4,771    |
| Gross profit margin (%)        | 22.3   | +3.5pt   | 26.0   | +1.2pt   | 26.9   | (2.8)pt  | 24.1   | (3.9) pt | 29.5   | (1.3)pt  | 28.2     |
| SG&A expenses                  | 1,320  | +10.9%   | 1,464  | +24.9%   | 1,800  | +16.3%   | 2,125  | +13.7%   | 2,415  | +17.4%   | 2,835    |
| Operating income               | 1,044  | +11.6%   | 1,165  | +29.2%   | 1,505  | +48.5%   | 2,235  | +18.9%   | 2,657  | (27.2)%  | 1,935    |
| Operating income ratio (%)     | 9.8    | +1.7pt   | 11.5   | +0.8pt   | 12.3   | +0.0pt   | 12.3   | +2.4pt   | 15.5   | (4.1)pt  | 11.4     |
| Ordinary income                | 953    | +12.8%   | 1,075  | +33.3%   | 1,433  | +45.6%   | 2,087  | +17.0%   | 2,442  | (19.4)%  | 1,968    |
| Net income                     | 772    | +22.7%   | 948    | +42.0%   | 1,346  | +14.4%   | 1,541  | +1.0%    | 1,550  | (26.3)%  | 1,142    |
| ROA (%)                        | 4.3    | +1.0pt   | 5.3    | +1.2pt   | 6.5    | +0.7pt   | 7.2    | +0.8pt   | 8.0    | (2.7)pt  | 5.3      |
| ROE (%)                        | 8.0    | +1.1pt   | 9.1    | +2.5pt   | 11.6   | +0.4pt   | 11.9   | (0.8) pt | 11.0   | (0.4)pt  | 7.6      |
| Interest-bearing debt          | 5,206  | +6.5%    | 5,545  | +41.3%   | 7,837  | (35.1)%  | 2,759  | (52.5)%  | 1,311  | +265.6%  | 4,793    |
| Total assets                   | 17,266 | +7.8%    | 18,612 | +23.7%   | 23,017 | (15.1)%  | 19,539 | (1.2)%   | 19,312 | +23.2%   | 23,791   |
| Net assets                     | 9,987  | +9.5%    | 10,935 | +12.3%   | 12,282 | +10.0%   | 13,514 | +8.3%    | 14,626 | +4.5%    | 15,283   |
| Shareholders' equity ratio (%) | 57.8   | +1.0pt   | 58.8   | (5.4)pt  | 53.4   | +15.8pt  | 69.2   | +6.6pt   | 75.7   | +6.6pt   | 64.2     |
| Net income per share (Yen)     | 6.29   | +22.7%   | 7.72   | +42.0%   | 10.97  | +14.4%   | 12.55  | +1.0%    | 12.63  | (26.3)%  | 93.06    |
| Net assets per share (Yen)     | 81.35  | +9.5%    | 89.08  | +12.3%   | 100.05 | +10.0%   | 110.09 | +5.7%    | 119.14 | +4.5%    | 1,245.09 |
| Number of employees            | 73     | +12.3%   | 82     | +19.5%   | 98     | +8.2%    | 106    | +16.0%   | 123    | +1.6%    | 125      |

Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Also with an effective date of July 1, 2016, the Company conducted a consolidation of its common shares at a ratio of 1 share for 10 outstanding shares. Accordingly, the figures for per share information before 2015 have been calculated assuming that the stock split and consolidation were conducted at the beginning of the previous fiscal year.

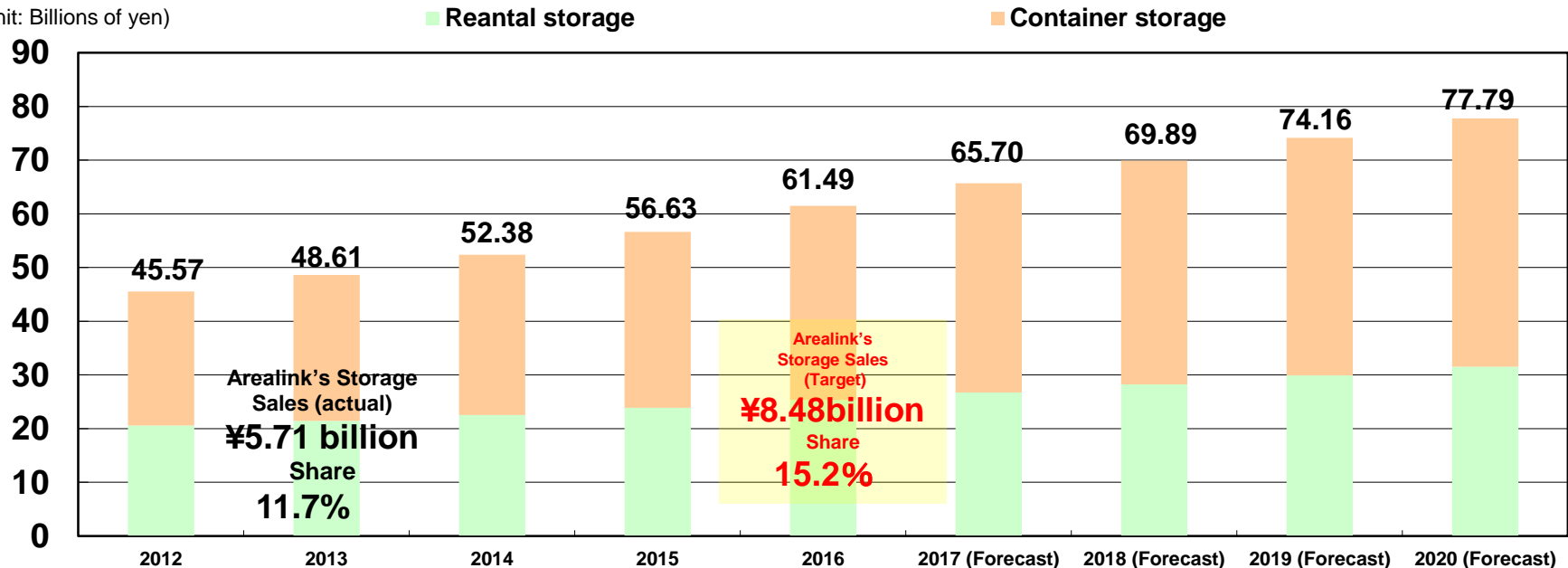
# Self-storage Market Forecast in Japan

The Japanese self-storage market is expected to expand to ¥77.79 billion by 2020. Arealink expects to maintain its leading market share of 14.0%.

- Scale of the Japanese self-storage market (2016 estimate)      ¥61.49 billion
  - Arealink's self-storage net sales (2016 actual)                      ¥8.58 billion
  - Arealink's market share (net sales)                                      14.0% (No.1 in Japan)
- \*Storage management sales

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

(Unit: Billions of yen)



Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2016 Edition (Japan)

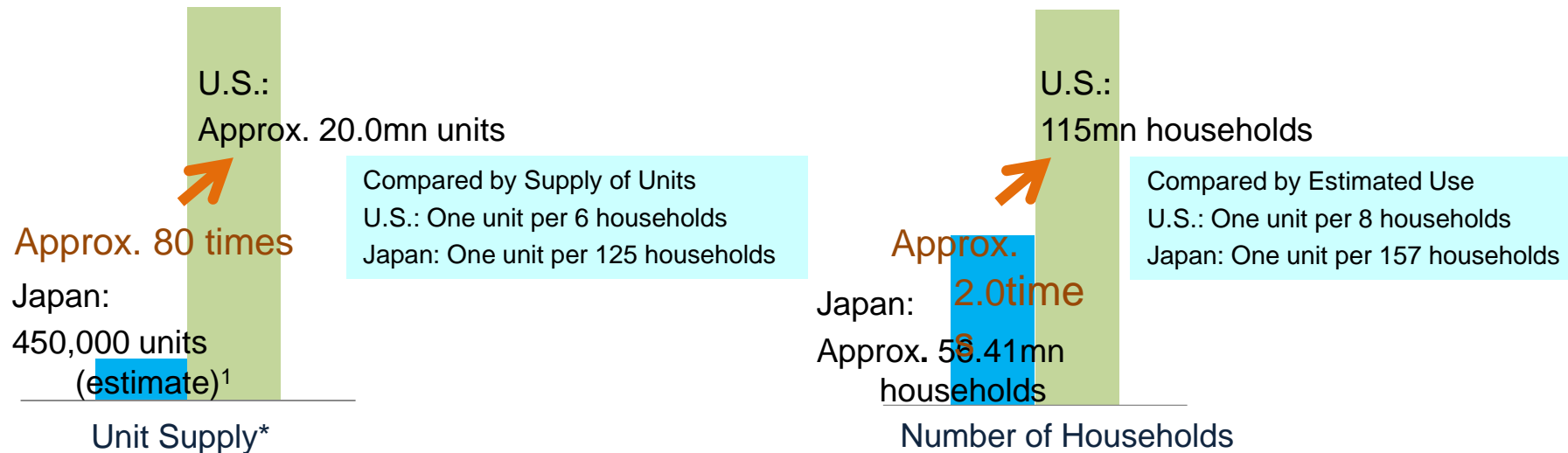
Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

# Storage Business (1): Market Scale Forecasts

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 2015.

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" 2016 Edition (Japan) Self Storage Almanac 2015 (U.S.)  
 Currency converted at ¥80/USD (2011 average)

# Storage Business (2): Competitive Environment

## ■ Top Three Companies in the U.S. Self-Storage Market (Fiscal 2015)

| Rank                   | Company Name        | No. of Locations | No. of Units<br>* | Market Share (by<br>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<br>(by No. of Units) |
|--------------|------------------|------------------|----------------|-----------------------------------|
| No.1         | <b>Arealink</b>  | <b>1,208</b>     | <b>63,391</b>  | <b>14.5%</b>                      |
| No.2         | <b>Company A</b> | <b>1,045</b>     | <b>50,460</b>  | <b>11.5%</b>                      |
| No.3         | <b>Company B</b> | <b>50</b>        | <b>30,244</b>  | <b>6.9%</b>                       |
| No.4         | <b>Company C</b> | <b>327</b>       | <b>18,124</b>  | <b>4.1%</b>                       |
| No.5         | <b>Company D</b> | <b>276</b>       | <b>11,969</b>  | <b>2.7%</b>                       |
| <b>Total</b> |                  | <b>9,479</b>     | <b>437,814</b> | <b>100%</b>                       |

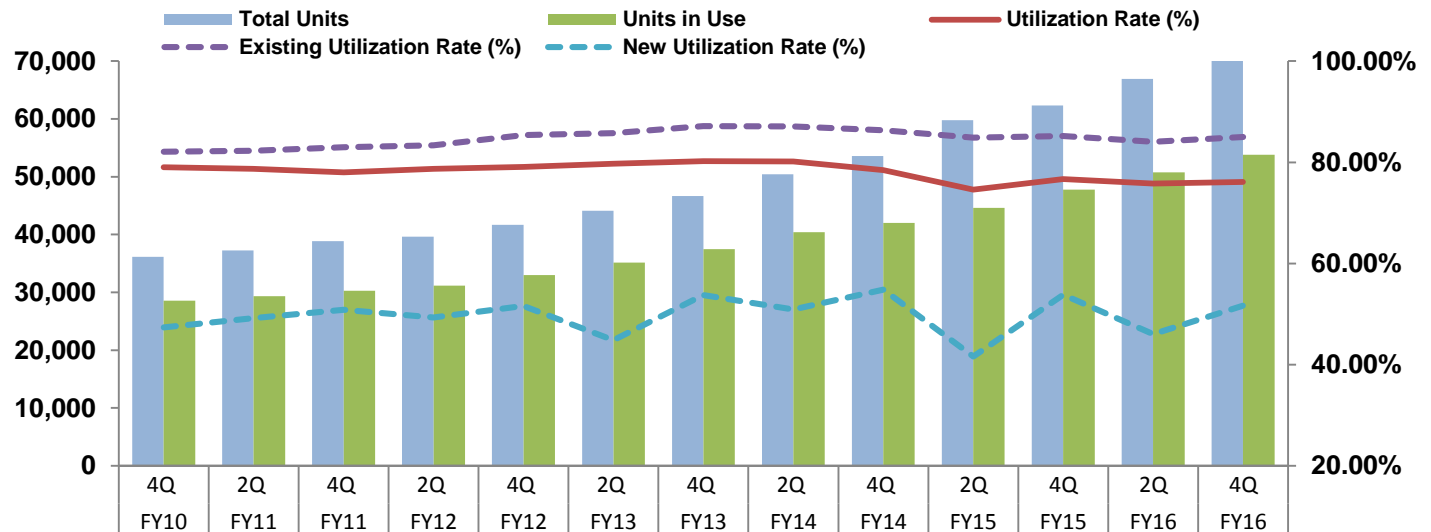


# Storage Business (3): Total Units, Units in Use, and Utilization Rate

**Utilization rate remains high as a result of accelerated location openings and effective marketing.**

- FY12/16: 9,246 units opened and 920 closed, for a net gain of 8,326 units from the end of the previous fiscal year.
- FY12/15: 9,202 units opened and 441 closed, for a net gain of 8,761 units from the end of the previous fiscal year.

Total Units , Units in Use, and Utilization Rate



|                               | 4Q<br>FY10 | 2Q<br>FY11 | 4Q<br>FY11 | 2Q<br>FY12 | 4Q<br>FY12 | 2Q<br>FY13 | 4Q<br>FY13 | 2Q<br>FY14 | 4Q<br>FY14 | 2Q<br>FY15 | 4Q<br>FY15 | 2Q<br>FY16 | 4Q<br>FY16 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Units                   | 36,131     | 37,267     | 38,838     | 39,614     | 41,698     | 44,138     | 46,686     | 50,422     | 53,564     | 59,802     | 62,325     | 66,923     | 70,651     |
| Units in Use                  | 28,562     | 29,340     | 30,290     | 31,188     | 32,968     | 35,177     | 37,499     | 40,407     | 42,009     | 44,603     | 47,796     | 50,739     | 53,786     |
| Utilization Rate (%)          | 79.05%     | 78.73%     | 77.99%     | 78.73%     | 79.06%     | 79.70%     | 80.22%     | 80.14%     | 78.43%     | 74.58%     | 76.69%     | 75.82%     | 76.13%     |
| Existing Utilization Rate (%) | 82.11%     | 82.28%     | 83.00%     | 83.34%     | 85.41%     | 85.73%     | 87.15%     | 87.06%     | 86.36%     | 84.90%     | 85.19%     | 84.03%     | 84.97%     |
| New Utilization Rate (%)      | 47.36%     | 49.20%     | 50.85%     | 49.30%     | 51.61%     | 44.86%     | 53.77%     | 50.90%     | 54.85%     | 41.63%     | 53.84%     | 46.04%     | 51.69%     |

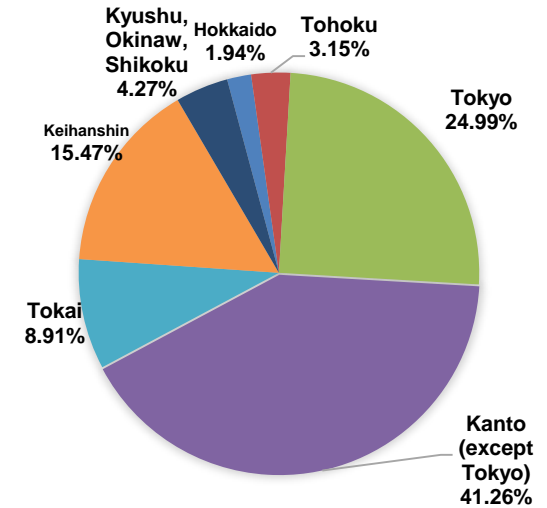
\* Existing: Units after more than two years since they opened  
 New: Units after less than two years since they opened

# Storage Business (5) : Openings by Region

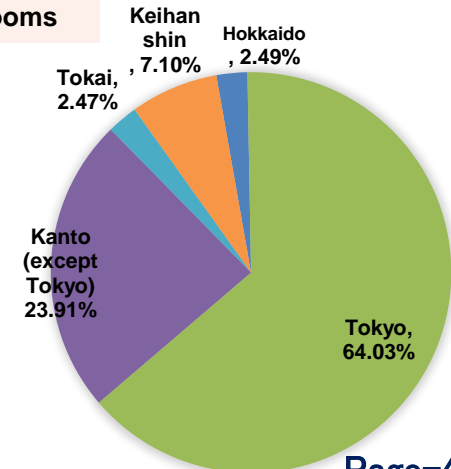
Aiming for a 50% domestic market share, and accelerate storage location opening

| Prefecture | Containers | Storage Rooms | Total  | Proportion of Total |
|------------|------------|---------------|--------|---------------------|
| Hokkaido   | 1,044      | 422           | 1,466  | 2.07%               |
| Miyagi     | 1,695      | -             | 1,695  | 2.40%               |
| Ibaraki    | 571        | -             | 571    | 0.81%               |
| Tochigi    | 81         | -             | 81     | 0.11%               |
| Gunma      | 165        | -             | 165    | 0.23%               |
| Saitama    | 7,043      | 914           | 7,957  | 11.26%              |
| Chiba      | 8,718      | 530           | 9,248  | 13.09%              |
| Tokyo      | 13,430     | 10,831        | 24,261 | 34.34%              |
| Kanagawa   | 5,550      | 2,600         | 8,150  | 11.54%              |
| Yamanashi  | 45         | -             | 45     | 0.06%               |
| Gifu       | 521        | -             | 521    | 0.74%               |
| Shizuoka   | 822        | -             | 822    | 1.16%               |
| Aichi      | 3,297      | 367           | 3,664  | 5.19%               |
| Mie        | 148        | 50            | 198    | 0.28%               |
| Shiga      | 66         | -             | 66     | 0.09%               |
| Kyoto      | 1,059      | 152           | 1,211  | 1.71%               |
| Osaka      | 3,159      | 943           | 4,102  | 5.81%               |
| Hyogo      | 3,440      | 106           | 3,546  | 5.02%               |
| Nara       | 560        | -             | 560    | 0.79%               |
| Wakayama   | 27         | -             | 27     | 0.04%               |
| Okayama    | 64         | -             | 64     | 0.09%               |
| Kagawa     | 86         | -             | 86     | 0.12%               |
| Fukuoka    | 1,551      | -             | 1,551  | 2.20%               |
| Kumamoto   | 92         | -             | 92     | 0.13%               |
| Oita       | 26         | -             | 26     | 0.04%               |
| Kagoshima  | 372        | -             | 372    | 0.53%               |
| Okinawa    | 104        | -             | 104    | 0.15%               |
| Total      | 53,736     | 16,915        | 70,651 | 100.00%             |

Container



Storage rooms

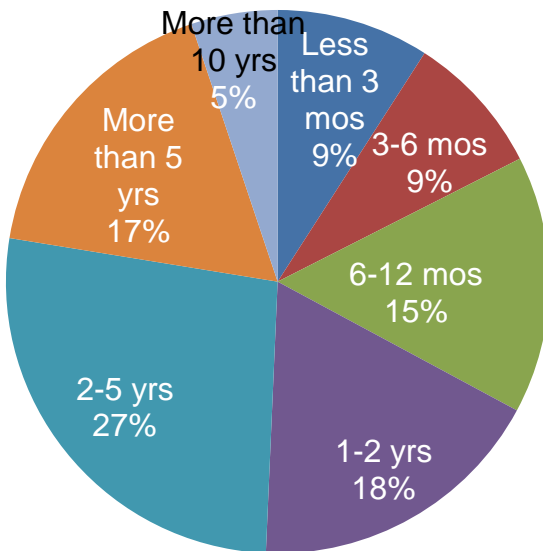




# Storage Business (5): User Analysis

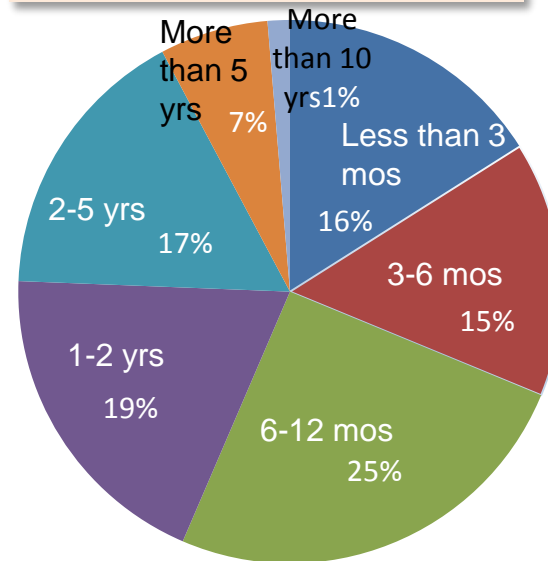
- Average usage period for current contract customers is 38 months (at February 2017).
- Average usage period for customers who have terminated contracts is 20 months (2016 result).
- Average monthly usage fee is ¥12,165 for a container type, and ¥13,707 for trunk type.

Breakdown of usage period for current contract customers



\* Analysis of customers with contracts at February 2017

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)



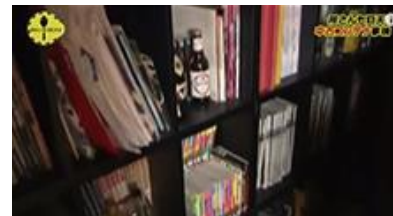
Takamastu Gotocho (Kagawa)

※ 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)



Shjbuyahoncho (Tokyo)



Miyanogi Premier (Chiba)



Yokohama Aobadai (Kanagawa)



Mukogaokayuen (Kanagawa)



Azamino (Kanagawa)



Nagoya Higashikataha (Aichi)



Kyoto Fushimi (Kyoto)



Kyoto Shjokarasuma (Kyoto)



Tanimachi 4-Chome (Osaka)



Amagasaki (Hyogo)



Entrance security

※ NEW Newly opened in 2015 and 2016

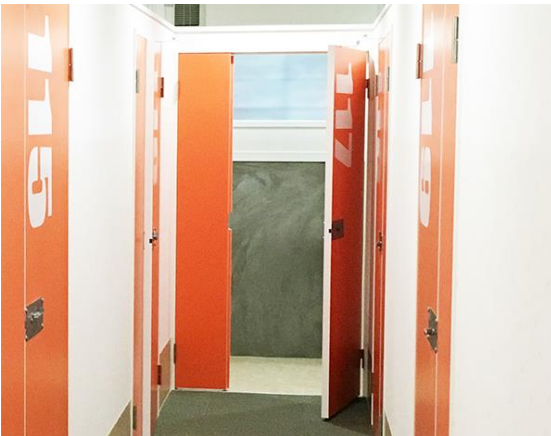
# Examples of self-storage locations /“2x4 Trunk” (wood frame)



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



# Breakdown of Real Estate Holdings

## Main Properties (partial list)

| Property Name               | Location                      | Purpose       | Book Value (Land and Structure)<br>Unit: ¥mn |
|-----------------------------|-------------------------------|---------------|--|
| Kanda BM Building           | Chiyoda Ward, Tokyo           | Store, office | 986  |
| Ginza 6-Chome Idei Building | Chuo Ward, Tokyo              | Store         | 879  |
| Kanda Kyodo Building        | Chiyoda Ward, Tokyo           | Office        | 841  |
| State of Texas Storage      | State of Texas, U.S.A.        | Storage       | 773  |
| 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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