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Results Briefing

Second Quarter, Fiscal Year Ending December 2017

August 1, 2017

Exciting Company



Arealink Co.,Ltd.

Securities code: 8914

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**Part II Priority Measures for FY12/17 and
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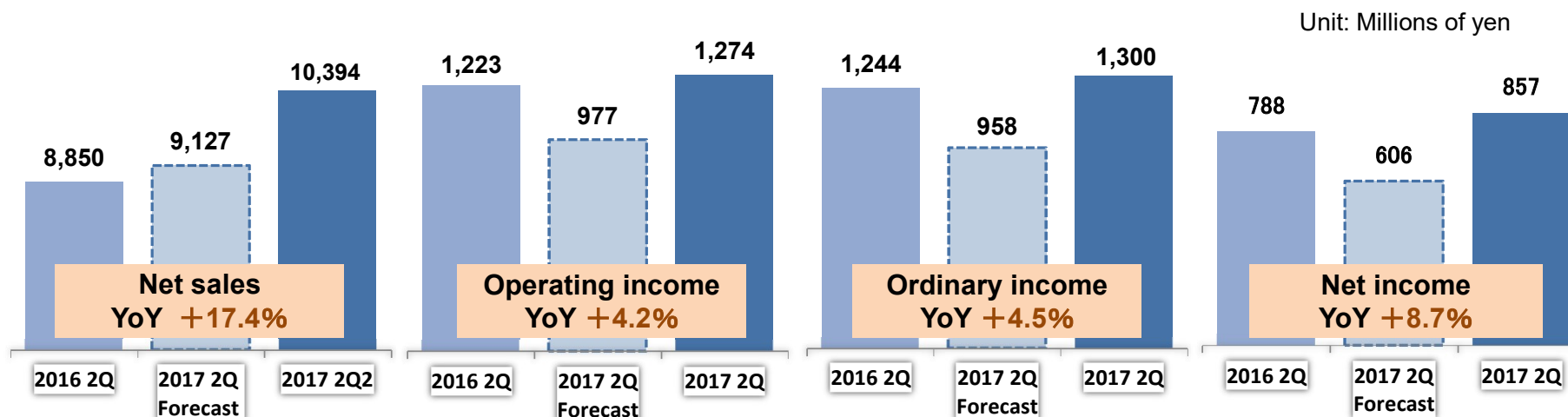
Part- I

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 FY17 2Q

As a result of concentrating on the self-storage business, results exceeded initial plan, with gains in both revenue and earnings.



	FY16 2Q Cumulative		FY17 2Q Cumulative (plan)		FY17 2Q Cumulative (actual)		Actual vs. Initial plan		YoY	
	Actual	(%)	Plan	(%)	Actual	(%)	Variance	% Change	Variance	% Change
(Millions of yen)										
Net sales	8,850	(100.0)	9,127	(100.0)	10,394	(100.0)	1,266	13.9%	1,544	17.4%
Cost of sales	6,267	(70.8)	6,774	(74.2)	7,510	(72.3)	735	10.9%	1,243	19.8%
Gross profit	2,583	(29.2)	2,353	(25.8)	2,883	(27.7)	530	22.5%	300	11.6%
SG&A expenses	1,359	(15.4)	1,375	(15.0)	1,608	(15.5)	233	16.9%	249	18.4%
Operating income	1,223	(13.8)	977	(10.7)	1,274	(12.3)	297	30.4%	50	4.2%
Ordinary income	1,244	(14.1)	958	(10.5)	1,300	(12.5)	341	35.7%	56	4.5%
Net income	788	(8.9)	606	(6.6)	857	(8.3)	250	41.3%	68	8.7%

Steady advancement of business measures

- ✓ **Continued progress with self-storage location openings and stable operations**
- ✓ **Increase to a total 75,440 units
(+4,789 units compared to end-FY12/16)**
- ✓ **Total of nine self-storage locations with accompanying land**
 - Four locations opened in during 1H
 - Five locations sold during 1H
- ✓ **Steady growth in the Property Revitalization & Liquidation Service business, centered on land rights**

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)



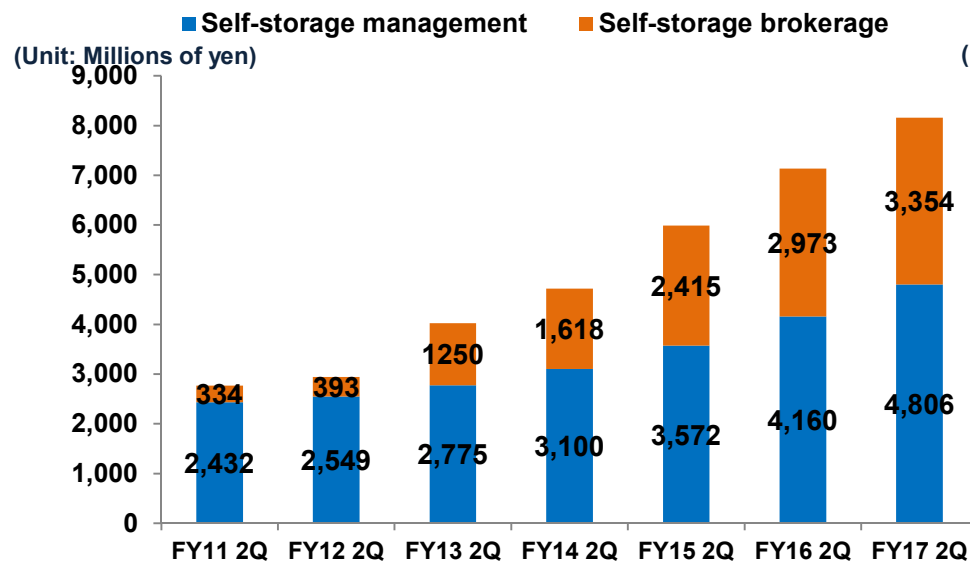
Hello Rental Meeting Room (Shibuya II)

Property Revitalization & Liquidation Service

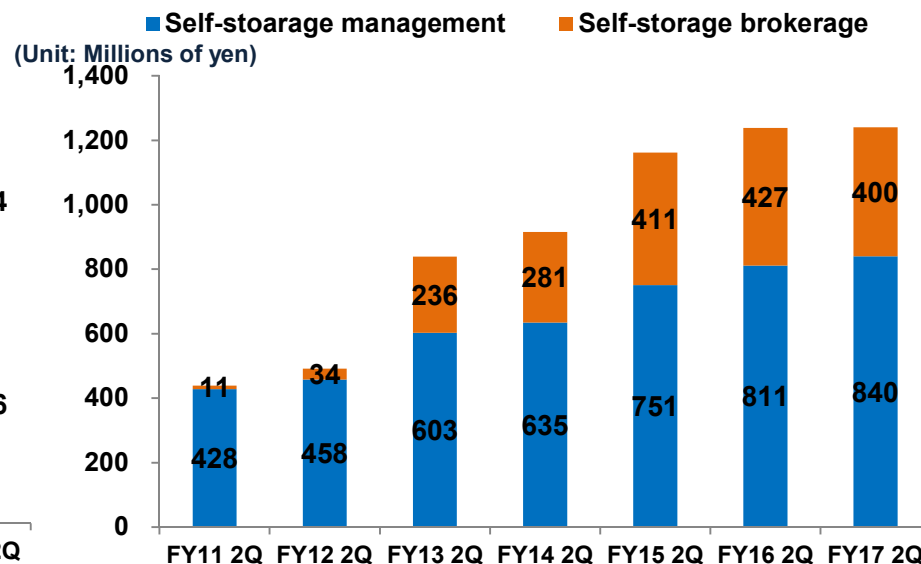
- Land rights management business (limited land rights)

Self-Storage Business: Net Sales and Operating Income in FY17 1H

Self-Storage Business Net Sales



Self-Storage Business Operating Income



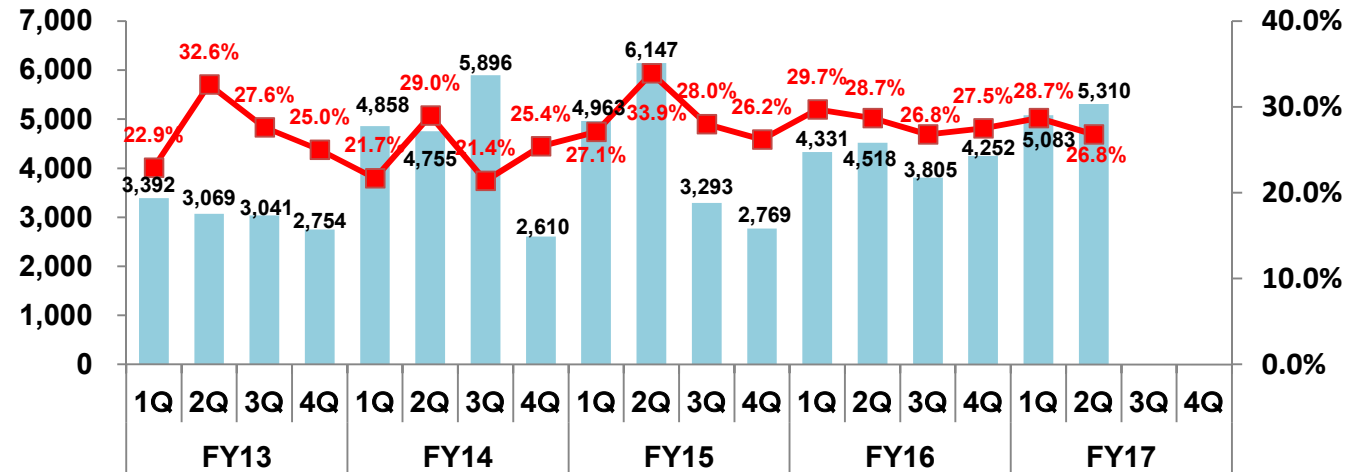
(Millions of yen)	FY11 2Q Cumulative	FY12 2Q Cumulative	FY13 2Q Cumulative	FY14 2Q Cumulative	FY15 2Q Cumulative	FY16 2Q Cumulative	FY17 2Q Cumulative
Self-storage management	2,432	2,549	2,775	3,100	3,572	4,160	4,806
Self-storage brokerage	334	393	1,250	1,618	2,415	2,973	3,354
Self-Storage Business Net Sales	2,766	2,942	4,025	4,718	5,987	7,133	8,161
Self-storage management	428	458	603	635	751	811	840
Self-storage brokerage	11	34	236	281	411	427	400
Self-Storage Business Operating Income	439	492	839	916	1,162	1,238	1,241

Quarterly Net Sales and Operating Income

Steady growth in both revenue and earnings, including profitability.

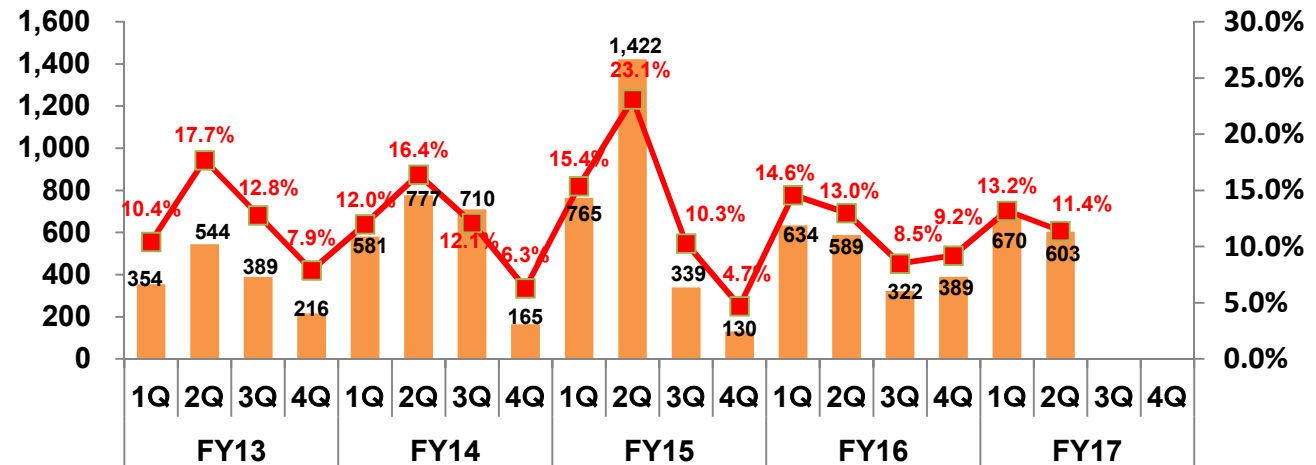
(Unit: Millions of yen)

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

Extraordinary losses increased due to head office relocation costs, and loss on retirement of non-current assets.

Unit: Millions of yen

Non-operating income
Interest income ¥4 million
Compensation for transfer ¥44 million

Non-operating expenses
Interest expenses ¥25 million

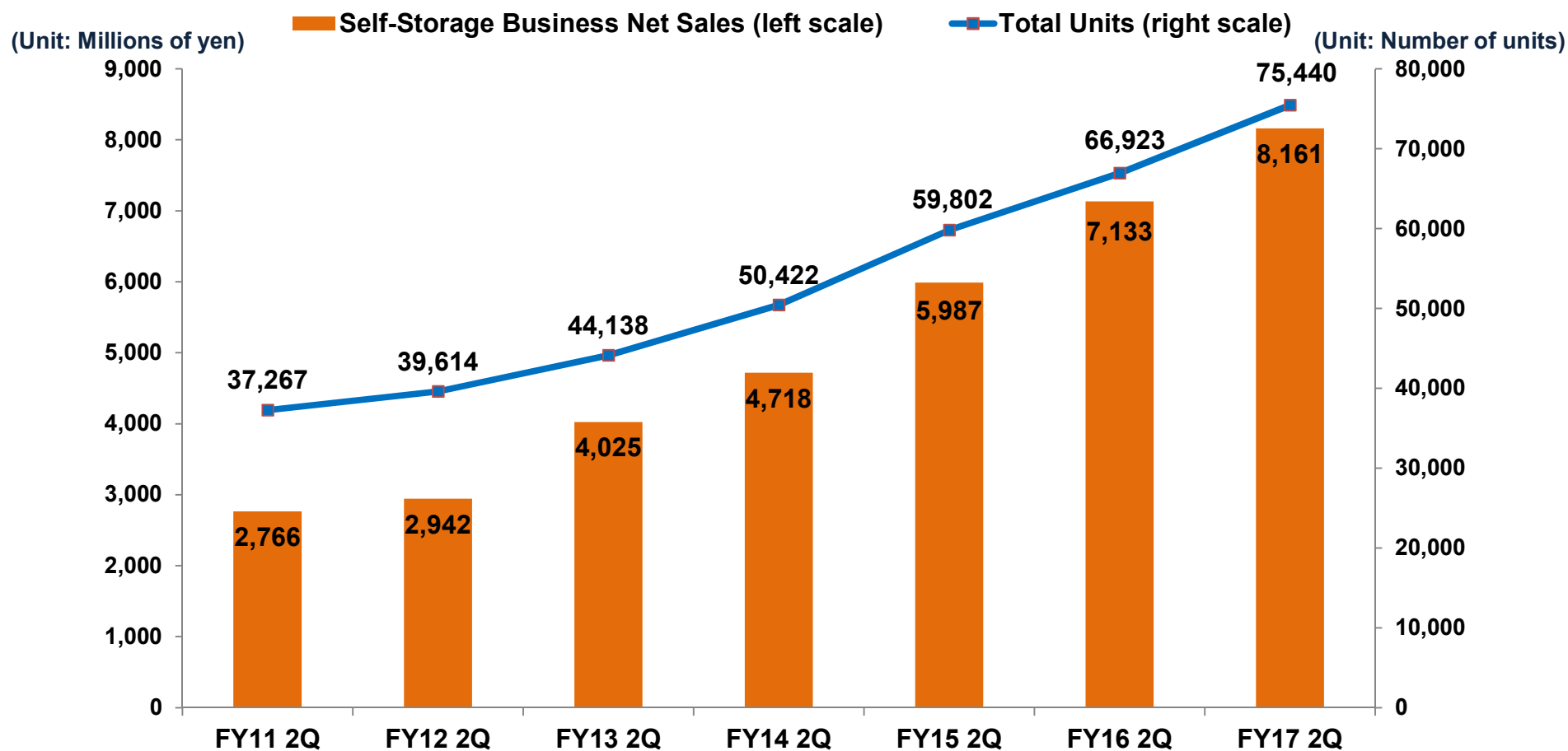
Extraordinary income
Gain on sales of noncurrent assets ¥8 million

Extraordinary loss
Head office transfer cost ¥16 million
Loss on retirement of noncurrent assets ¥18 million

Step income	2016/3 1Q period	2016/6 2Q period	2016/6 2Q cumulative	2017/3 1Q period	2017/6 2Q period	2017/6 2Q cumulative	Variance	% Change
Operating income	634	589	1,223	670	603	1,274	50	4.2
Non-operating income	50	7	58	12	56	69	11	19.1
Non-operating expenses	21	16	37	24	19	43	5	15.5
Ordinary income	663	581	1,244	659	641	1,300	56	4.5
Extraordinary income	7	7	14	7	7	14	0	0.0
Extraordinary loss	2	0	3	29	4	34	31	942.4
Income before income taxes	668	587	1,255	637	643	1,280	24	2.0
Income taxes — current	170	233	404	188	231	420	16	4.1
Income taxes — deferred	77	(14)	62	18	(16)	2	(60)	(96.8)
Net income	420	368	788	430	427	857	68	8.7

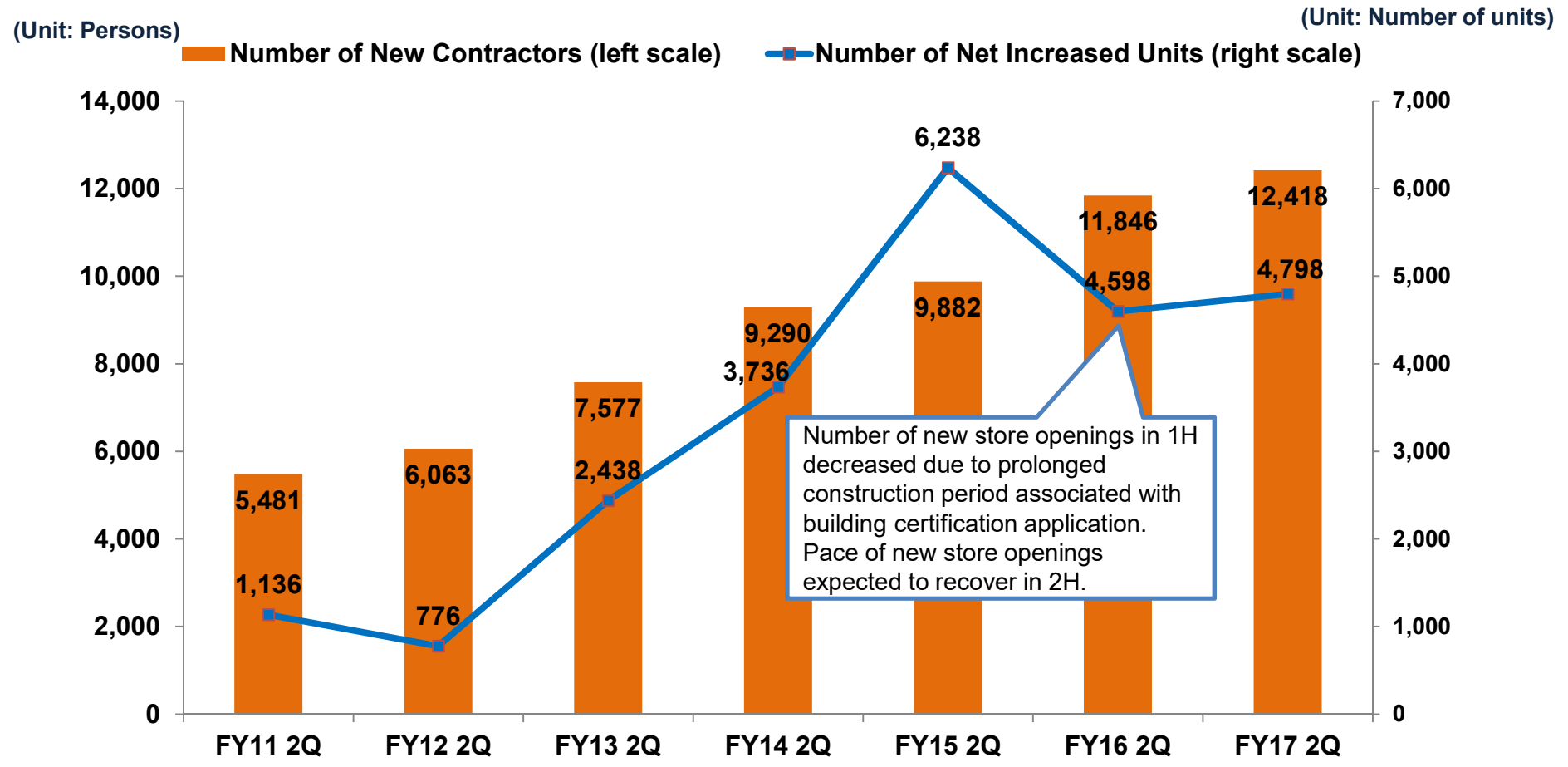
Self-Storage Business: Net Sales and Total Units in FY17 1H

Self-Storage Business Net Sales and Total Units in FY17 1H



Self-Storage Business: Number of New Store Openings and Users in FY17 1H

Self-Storage Business Number of New Contractors and Net Increased Units in FY17 1H



Sound financial condition maintained

Financial Position

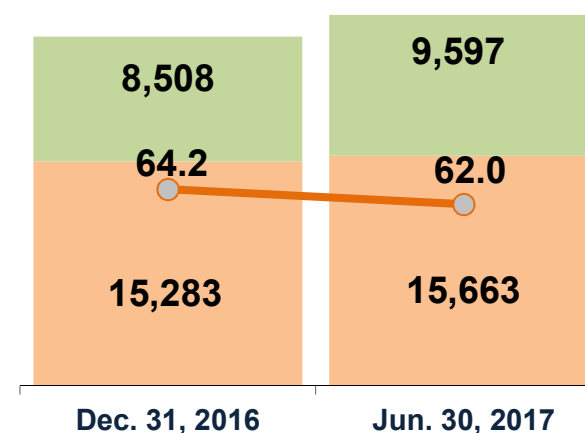
As of June 30, 2017

*Figures in parentheses indicate changes from the end of December 31, 2016

Total assets ¥25,260 million (+ ¥ 1,468 million)	Liabilities ¥9,597 million (+ ¥ 1,089 million)	Liabilities
	Net assets ¥15,663 million (+ ¥379 million)	Net assets

Liabilities, net assets, equity ratio

■ Net assets
 ■ Liabilities
 ●—● Equity ratio (%)
 (Millions of yen)



(Millions of yen)	Dec. 31, 2016	Jun. 30 2017
Current assets	12,168	13,537
Noncurrent assets	11,622	11,722
Total assets	23,791	25,260
Current liabilities	4,959	4,494
Noncurrent liabilities	3,548	5,103
Total liabilities	8,508	9,597
Net assets	15,283	15,663

Decrease in cash and deposits ¥ 0.20 billion
 Increase in real estate for sale in process ¥ 1.55 billion

Increase in long-term loans payable ¥ 1.17 billion
 Decrease in short-term loans payable ¥ 0.58 billion

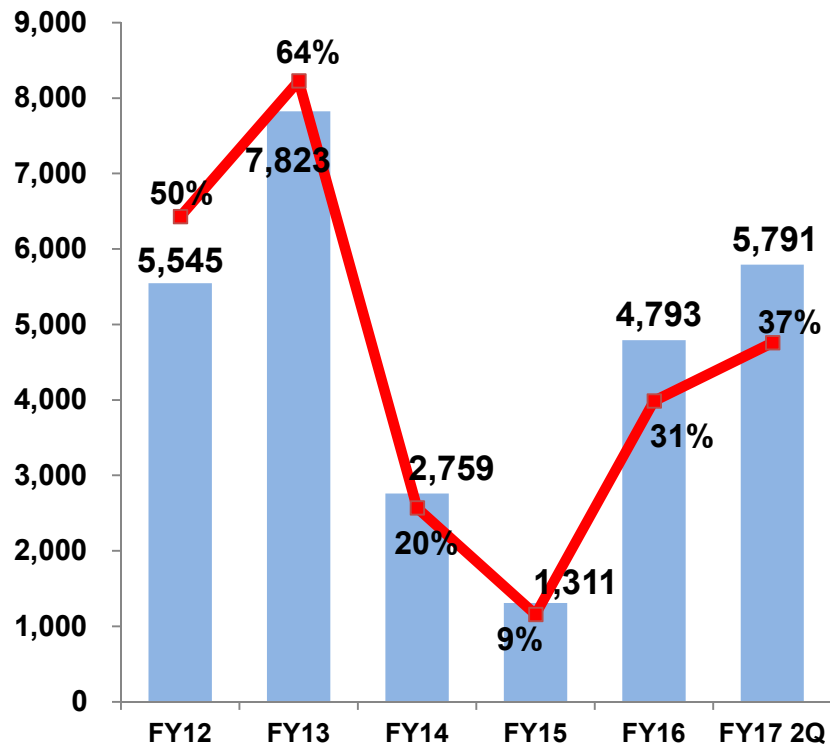
Increase in net income ¥ 0.86 billion
 Decrease in dividend payments income ¥ 0.48 billion

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

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

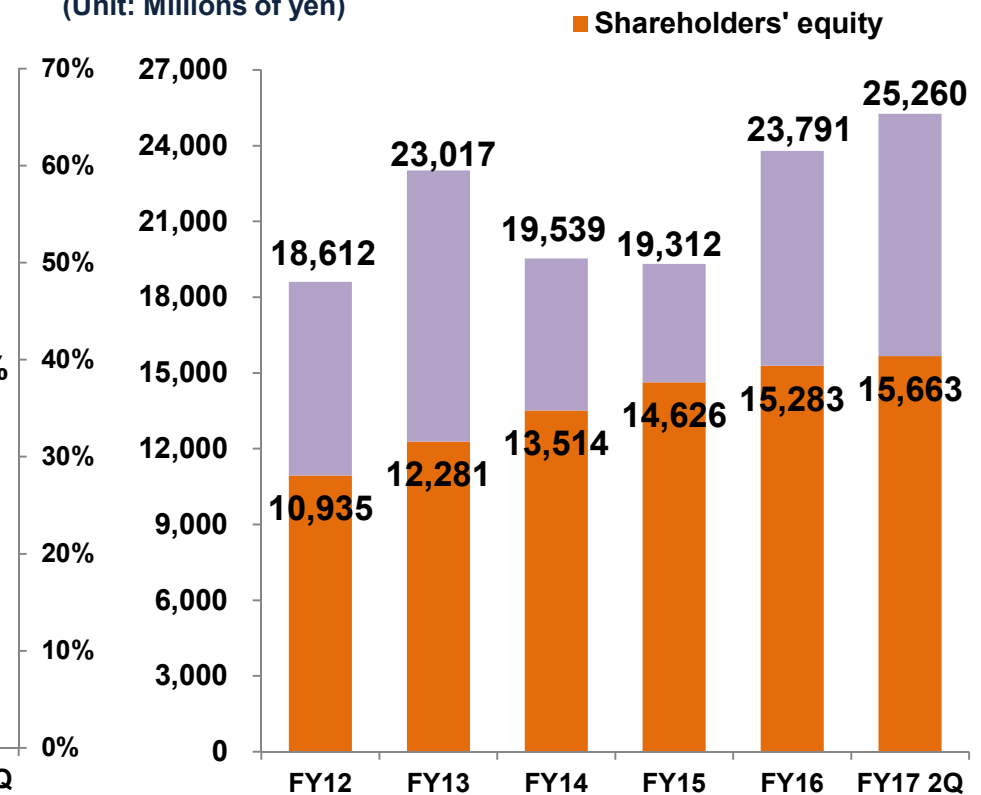
Interest-bearing debt and interest-bearing debt ratio

(Unit: Millions of yen)



Total capital and shareholders' equity

(Unit: Millions of yen)



Cash Flow

Cash and cash equivalents rose as a result of a decline in expenditures for purchase of noncurrent assets, and an increase in earnings.

Unit: Millions of yen

	FY16 2Q	FY17 2Q	
Cash flows from operating activities	536	(193)	Income before income taxes ¥1.28 billion Increase in inventories ¥(1.40) billion
Cash flows from investing activities	(520)	(517)	Purchase of noncurrent assets ¥(0.50) billion
Cash flows from financing activities	674	517	Dividend payments ¥(0.48) billion Proceeds from long-term loans payable ¥1.54 billion
Cash and cash equivalents at the end of period	7,100	6,963	

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.

(Millions of yen)	FY2016		FY2017		FY2017		YoY (B) – (A)	
	Actual (A)	(%)	Initial forecast	(%)	Revised forecast (B)	(%)	Variance	(%)
Net sales	16,908	(100.0)	19,447	(100.0)	19,447	(100.0)	2,539	15.0%
Property Management Service	15,820	—	18,547	—	18,547	—	2,726	17.2%
Property Revitalization & Liquidation Service	1,087	—	900	—	900	—	(186)	(17.2)%
Operating income	1,935	(11.4)	2,254	(11.6)	2,354	(12.1)	419	21.6%
Property Management Service	2,735	—	2,968	—	3,028	—	293	10.7%
Property Revitalization & Liquidation Service	246	—	352	—	392	—	146	59.5%
Elimination & Corporate	(1,046)	—	(1,066)	—	(1,066)	—	(20)	(2.0)%
Ordinary income	1,968	(11.6)	2,220	(11.4)	2,320	(11.9)	352	17.8%
Net income	1,142	(6.8)	1,353	(7.0)	1,416	(7.3)	274	24.0%

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 (Forecast)
Cash dividends per share	3.9 yen	39 yen	40 yen
Payout ratio	30.9%	41.9%	34.6%

Results of FY17 Priority Measures, and 2H Strategies

FY17 Priority Measures	First Half Results	Second Half Strategies
<p>Investments for Growth / Strengthening Business Foundation 1) Develop new type of storage with accompanying land</p>	<ul style="list-style-type: none"> ■ Opened four new storage properties with accompanying land in FY17 1H, for a total of nine. ■ Sold five properties. 	<ul style="list-style-type: none"> ■ Strengthen selection of new location candidates with an eye toward incorporation in an investment fund or REIT.
<p>Investments for Growth / Strengthening Business Foundation 2) Full-fledged launch of the contracted storage management business</p>	<ul style="list-style-type: none"> ■ Contracted for 15 properties in 1H, total of around 449 units. ■ Concentrated on shift from U.S. firm CubeSmart to local business and management method. U.S. owned property investment yield a 6%. 	<ul style="list-style-type: none"> ■ Expand to 1,000 properties. Strengthen sales aiming for contracts for 50 properties in FY17. ■ Further strengthen relationship with CubeSmart.

Results of FY17 Priority Measures, and 2H Strategies

FY17 Priority Measures	First Half Results	Second Half Strategies
<p>Strengthen self-storage business— Bolster marketing</p>	<ul style="list-style-type: none"> ■ Utilized IT to enhance operational efficiency. ■ Signs for sign-based marketing placed in a total 300 locations. 	<ul style="list-style-type: none"> ■ Full-fledged base meetings utilizing Google Hangout ■ Strengthen proposals for contracted operations to sign-based marketing partners (direct, investors).
<p>Strengthen the land rights business</p>	<ul style="list-style-type: none"> ■ Purchased land rights for nine properties during 1H. 	<ul style="list-style-type: none"> ■ Promote sales to leaseholders. Target gross margin of ¥440mn.
<p>Work toward Arealink’s “Third Founding Period”</p>	<ul style="list-style-type: none"> ■ Establish a pragmatic and creative work environment to maximize employee capacity. 	<ul style="list-style-type: none"> ■ Further strengthen working-style reforms by introducing new technologies, and improving the office environment.

Part- II

Priority Measures for FY12/17 and Second Half Strategies

➤ Develop new type of storage with accompanying land

- ✓ Aim for future securitization (investment funds / REITs)
- ✓ Develop self-storage locations with land, including 2x4 trunk locations with parking and other facilities*, and three-story steel frame types
- ✓ In high-demand areas, seek to open locations under a wide range of conditions (site, area)
- ✓ Accentuate advertising effects by utilizing visual identity (VI), mainly in urban centers where recognition is high

* Received “Tanaka Keiichi Prize” from the Japan Association for Real Estate Sciences



Hello Storage Funabashi
Sakae-machi
Opened August 2015



Hello Storage Miyanoki Premium
Opened December 2015 (night
scene)



Hello Storage Matsudo Tokiwadaira
Premium Container
Opened March 2017

➤ **Develop new type of storage with accompanying land (continued)**

- ✓ **Secure land along main roads in highly popular urban centers**
- ✓ **Set women and elderly as main target**
- ✓ **Enhance customer appeal and achieve profitability at an early stage**
- ✓ **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 Premium
location**



**Hand-washing area at the
Hello Storage Miyanogi
Premium location**

Examples of storage with accompanying land



Hello Storage Funabashi Sakae-machi



Hello Storage Miyanogi Premium



Hello Storage Kashiwa Aobadai Premium



Hello Storage Saitama Higashi-Koshigaya Premium



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.**
- **Gain existing and new properties of other companies.**
- **High earnings structure (¥30,000/month per site in initial year, ¥80,000/month from second year).**
- **Target of 50 properties under management in 2017.**

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

✓ **Acquisition of U.S. properties**

- **Acquire the contracted management expertise of CubeSmart, the No.4 company in the U.S. market.**
- **Purpose: Analyze composition of more developed overseas market, and accumulate new expertise. Strengthen sales 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
- Third largest storage company in U.S.
- Total 762 properties with 483,000 units, of which 33% (153 properties, 163,000 units) are managed under contract
- One of six listed storage-related REITs in the U.S.

Source: Self Storage Almanac 2017

Property holdings managed under contract by U.S. firm CubeSmart



Property managed by CubeSmart



Second phase of construction starting in November

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 m² (39,141 ft²)



View of premises

➤ **Strengthen marketing**

✓ **Marketing based on data analysis**

- **Cloud-based, standardized sales activities (Salesforce, G Suite)**
- **Optimization of product type, price**
- **Improvement of location opening standards, clarification of policy**
- **Analyze customer needs through point-of-sale (POS). Implement effective customer recruitment activities by optimizing sales campaigns based on revenue management.**

➤ Strengthen marketing (continued)

✓ Strengthen appeals to property owners for direct order sales through sign-based marketing

- Strengthen relationships with property owners
- Signs placed on more than 300 sites (as of end-June 2017)



➤ **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)

Priority Measures for FY12/17 (5): Arealink's "Third Founding Period" :Second Half Strategies

Exciting Company



- **Relocation of head office**
 - ✓ Move to new office in Akihabara in December 2016
- **Measures for a successful relocation**
 - ✓ Shift to a pragmatic and creative work style emphasizing results
 - ✓ Aim for maximum results with fewest personnel in the shortest period
 - Advance outsourcing (outsourcing of tasks) to shift to a brainwork organization



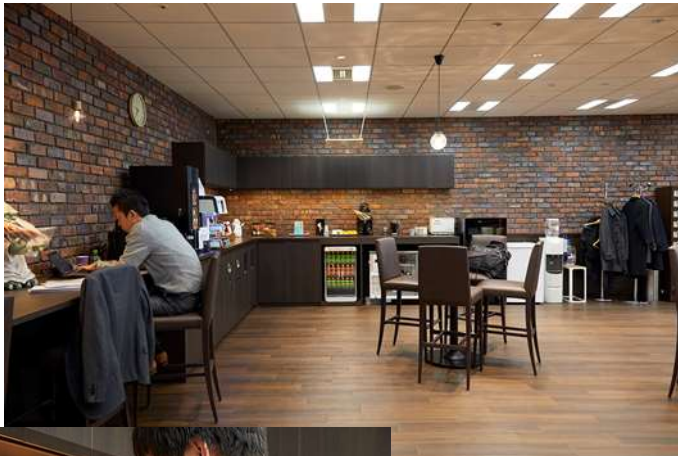
Entranceway panorama screen



Reception

Priority Measures for FY12/17 (5): Arealink's "Third Founding Period" :Second Half Strategies

Head office designed to achieve a pragmatic and creative work style



Lounge (exclusively for managers)



Green and playful office environment



Café

Part-III

Medium-term Business Plan – Overview of Main Measures

Goal: 50% share of the self-storage market

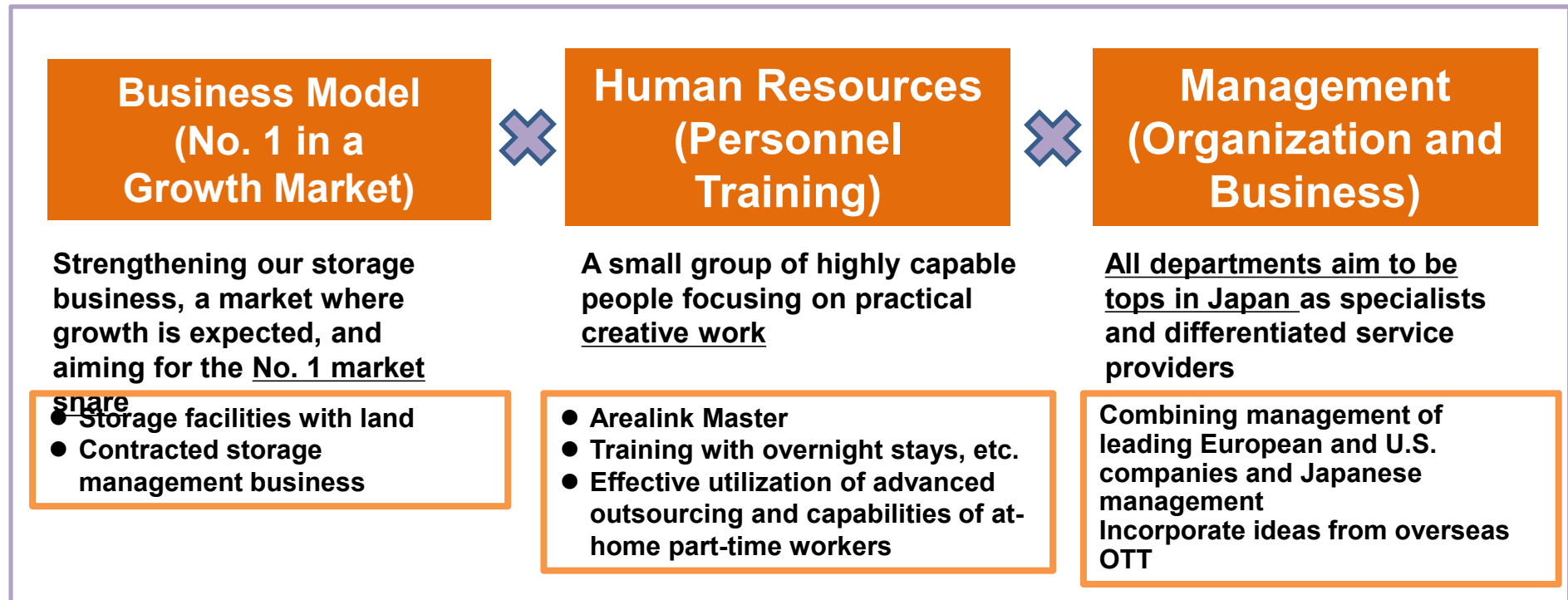
Main Measures

- **Establish brand image**
- **Expand the contracted storage management business**
- **Acquire overseas self-storage facilities, accumulate expertise**
- **Packaging of “direct orders”**
- **Incorporate self-storage sales business in investment funds or REITs in the future**

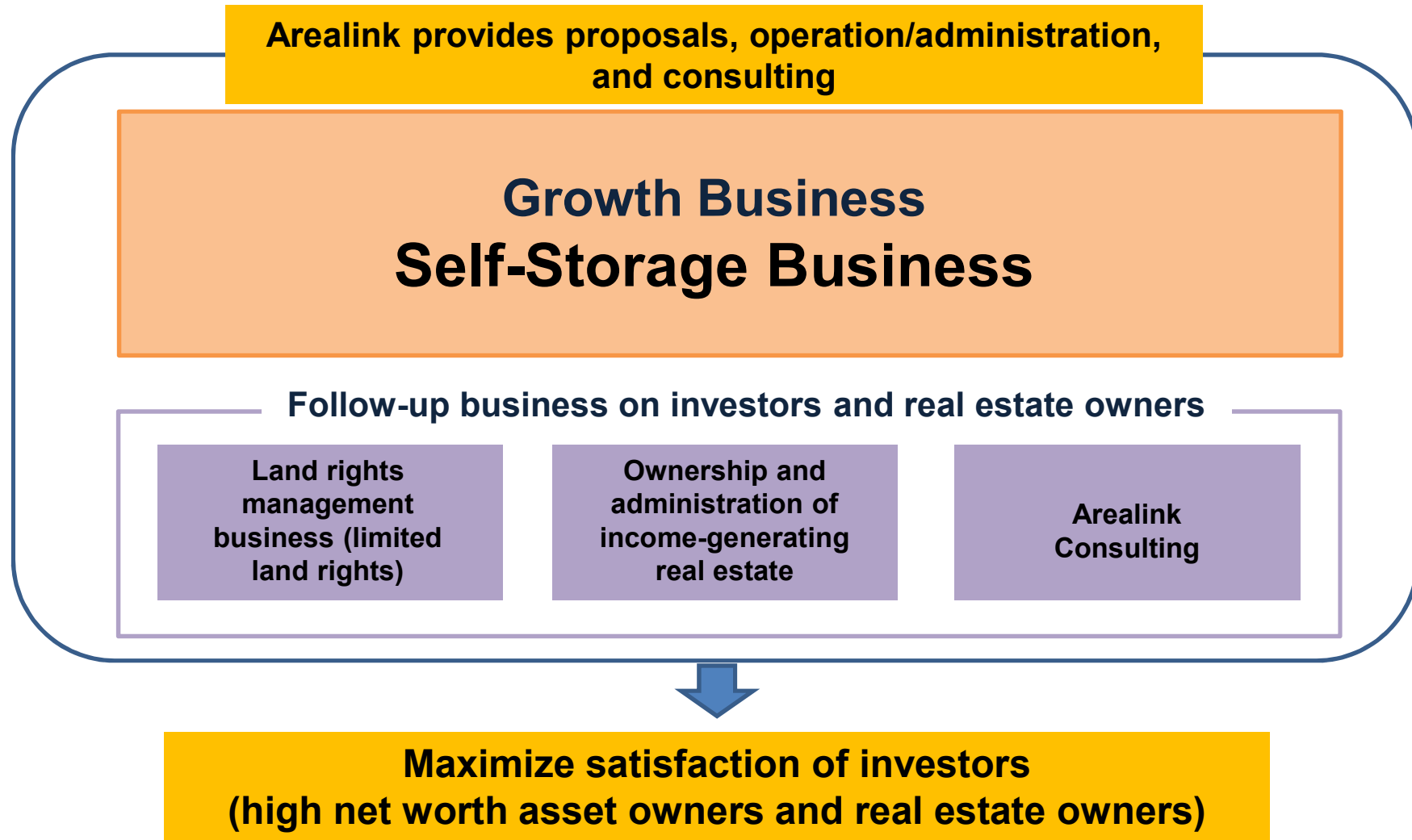


- ✓ By 2025, ¥10 billion in ordinary income with 100 employees
- ✓ Make steady progress to meet target of ¥100 million in ordinary income per employee

Formula for Growth



Future-oriented ideal company in 2025
Ordinary income 10 billion yen, Employees 100
Combining the best aspects of European/U.S. and Japanese management



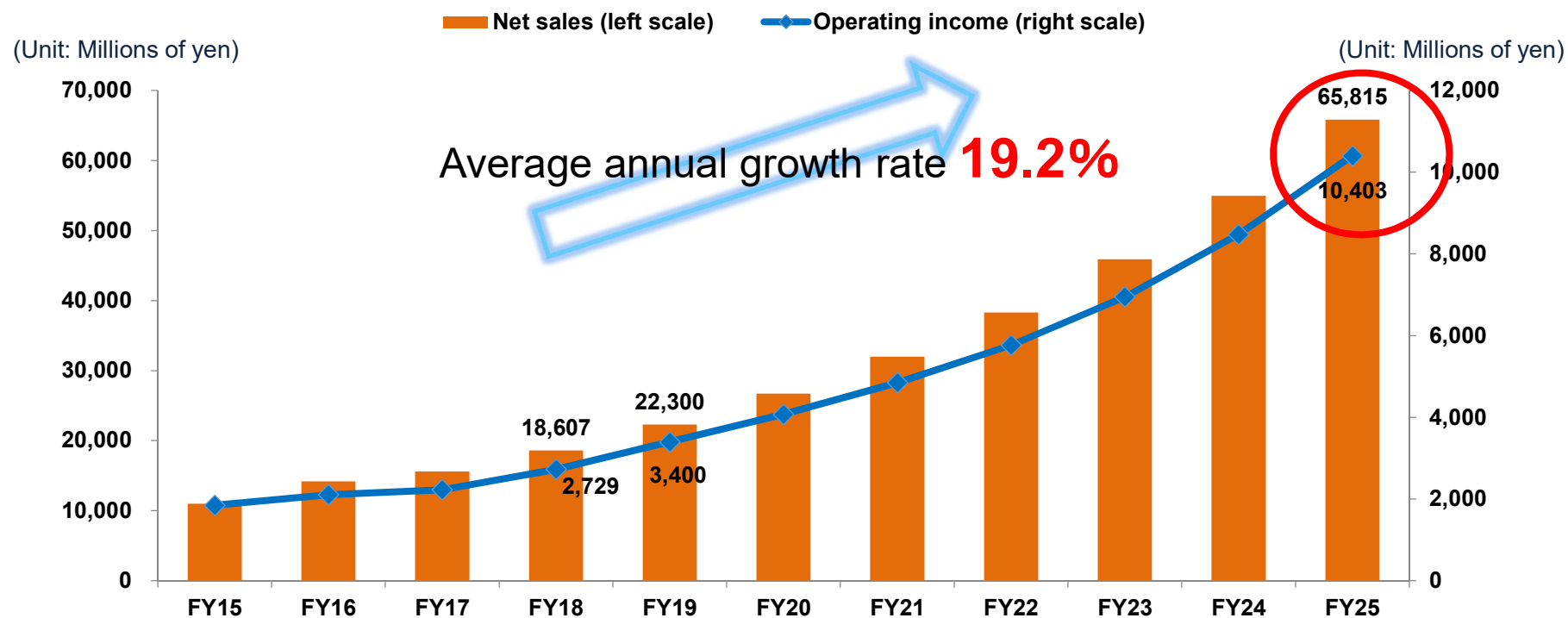
Medium-Term Management Plan: Growth Trend in the Self-Storage Business

*

In the mainstay self-storage business, average annual revenue growth of 19.2%
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



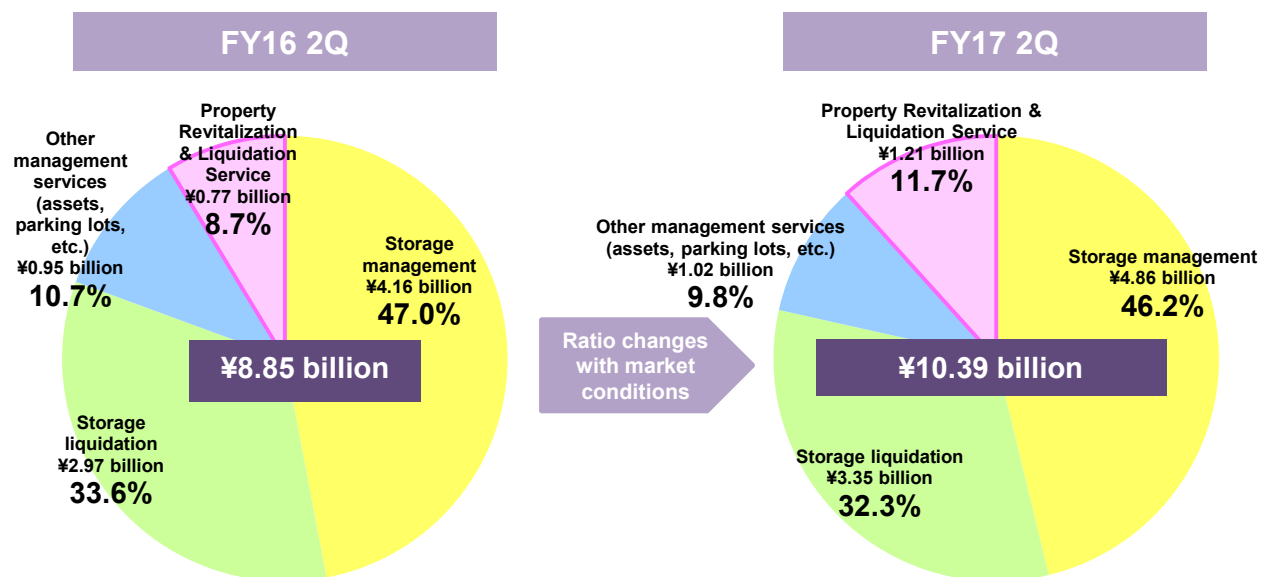
Exciting Company

Bringing the world convenience,
enjoyment, and excitement

Part-IV

Reference Material

Sales by Segment



- ✓ Growth in self-storage management was particularly steady during FY17 2Q.
- ✓ Cumulative-type business such as self-storage management and other management services are growing steadily.

Profit Margin by Segment

In the Property Management Service business, gross profit margin and operating income margin exceeded initial forecasts, and are expanding overall.

Unit: Millions of yen

			FY16 (actual)		FY17 (initial budget)		FY17 2Q (actual)	
			Actual	Profit margin	Initial budget	Profit margin	Actual	Profit margin
	Self-storage management	Net sales	4,160	/	9,654	/	4,806	/
		Gross profit	1,163	28.0%	2,580	26.7%	1,227	25.5%
		Operating income	811	19.5%	1,805	18.7%	840	17.5%
	Self-storage brokerage	Net sales	2,973	/	7,003	/	3,354	/
		Gross profit	816	27.5%	1,428	20.4%	859	25.6%
		Operating income	427	14.4%	754	10.8%	400	11.9%
	Other property management service	Net sales	948	/	1,889	/	1,019	/
		Gross profit	359	37.9%	580	30.7%	358	35.2%
		Operating income	265	28.0%	408	21.6%	273	26.8%
Property Management Service Total	Net sales	8,081	/	18,547	/	9,181	/	
	Gross profit	2,339	29.0%	4,589	24.7%	2,444	26.6%	
	Operating income	1,503	18.6%	2,968	16.0%	1,514	16.5%	
Property Revitalization & Liquidation Service	Net sales	768	/	900	/	1,212	/	
	Gross profit	243	31.7%	444	49.4%	438	36.2%	
	Operating income	200	26.1%	352	39.2%	345	28.5%	
Other (Headquarter expenses)	Net sales	—	/	—	/	—	/	
	Gross profit	—	/	—	/	—	/	
	Operating income	(480)	/	(1,066)	/	(585)	/	
Total	Net sales	8,850	/	19,447	/	10,394	/	
	Gross profit	2,583	29.2%	5,034	25.9%	2,883	27.7%	
	Operating income	1,223	13.8%	2,254	11.6%	1,274	12.3%	

Quarterly Net Sales, Gross Profit, and Operating Income by Segment Exciting Company



Property Management Service business is growing steadily, and is expected to continue contributing to earnings.

Unit: Millions of yen

			FY15	FY16				FY17			
			(Full year)								
			Cumulative	1Q	2Q	3Q	4Q	Cumulative	1Q	2Q	2Q Cumulative
	Self-storage management	Net sales	7,455	2,034	2,125	2,172	2,245	8,578	2,348	2,458	4,806
		Gross profit	1,955	576	587	528	549	2,241	616	610	1,227
		Operating income	1,320	399	411	360	351	1,522	441	399	840
	Self-storage brokerage	Net sales	3,525	1,509	1,464	1,004	1,347	5,325	1,693	1,660	3,354
		Gross profit	1,054	416	400	292	423	1,533	448	410	859
		Operating income	509	223	203	88	213	728	219	181	400
	Other property management service	Net sales	1,999	456	491	482	486	1,916	491	528	1,019
		Gross profit	729	174	184	155	152	667	158	200	358
		Operating income	546	127	138	104	113	483	116	157	273
Property Management Service Total	Net sales	12,980	4,000	4,080	3,659	4,079	15,820	4,533	4,647	9,181	
	Gross profit	3,739	1,166	1,172	977	1,126	4,443	1,223	1,221	2,444	
	Operating income	2,376	750	752	553	678	2,735	776	738	1,514	
Property Revitalization & Liquidation Service	Net sales	4,192	331	437	146	172	1,087	549	663	1,212	
	Gross profit	1,334	121	122	43	41	328	234	204	438	
	Operating income	1,170	104	95	28	16	246	185	160	345	
Other	Net sales	—	—	—	0	—	—	—	—	—	
	Gross profit	—	—	—	0	—	—	—	—	—	
	Operating income	(889)	(220)	(259)	(260)	(305)	(1,046)	(291)	(294)	(585)	
Total	Net sales	17,173	4,331	4,518	3,805	4,252	16,908	5,083	5,310	10,394	
	Gross profit	5,073	1,288	1,294	1,020	1,167	4,771	1,458	1,425	2,883	
	Operating income	2,657	634	589	322	389	1,935	670	603	1,274	

Completion Rate for Net Sales and Gross Profit Targets by Segment

Exciting Company



Unit: Millions of yen

		FY16		FY17 (initial plan)				FY17 (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	8,031	91.3%	18,547	95.4%	8,481	92.9%	9,181	88.3%	49.5%
	Storage management	4,160	47.0%	9,654	49.6%	4,635	50.8%	4,806	46.2%	49.8%
	Storage liquidation	2,973	33.6%	7,003	36.0%	2,896	31.7%	3,354	32.3%	47.9%
	Parking	50	0.6%	—	—	—	—	—	—	—
	Asset	508	5.7%	991	5.1%	498	5.5%	536	5.2%	54.1%
	SOHO	382	4.3%	786	4.0%	394	4.3%	411	4.0%	52.4%
	Other	7	0.1%	112	0.6%	56	0.6%	72	0.7%	64.3%
	Property Revitalization & Liquidation Service	768	8.7%	900	4.6%	646	7.1%	1,212	11.7%	134.7%
Total	8,850	100.0%	19,447	100.0%	9,127	100.0%	10,394	100.0%	53.4%	
Gross profit	Property Management Service	2,339	90.1%	4,589	91.2%	2,056	87.4%	2,444	84.8%	53.3%
	Storage management	1,163	45.0%	2,580	51.3%	1,157	49.2%	1,227	42.6%	47.6%
	Storage liquidation	816	31.6%	1,428	28.4%	614	26.1%	859	29.8%	60.2%
	Parking	36	1.4%	—	—	—	—	—	—	—
	Asset	187	7.2%	334	6.7%	169	7.2%	204	7.1%	61.1%
	SOHO	127	4.9%	151	3.0%	69	2.9%	106	3.7%	70.2%
	Other	7	0.3%	94	1.9%	47	2.0%	47	1.7%	50.6%
	Property Revitalization & Liquidation Service	243	9.4%	444	8.8%	296	12.6%	438	15.2%	98.7%
Total	2,583	100.0%	5,034	100.0%	2,353	100.0%	2,883	100.0%	57.3%	

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

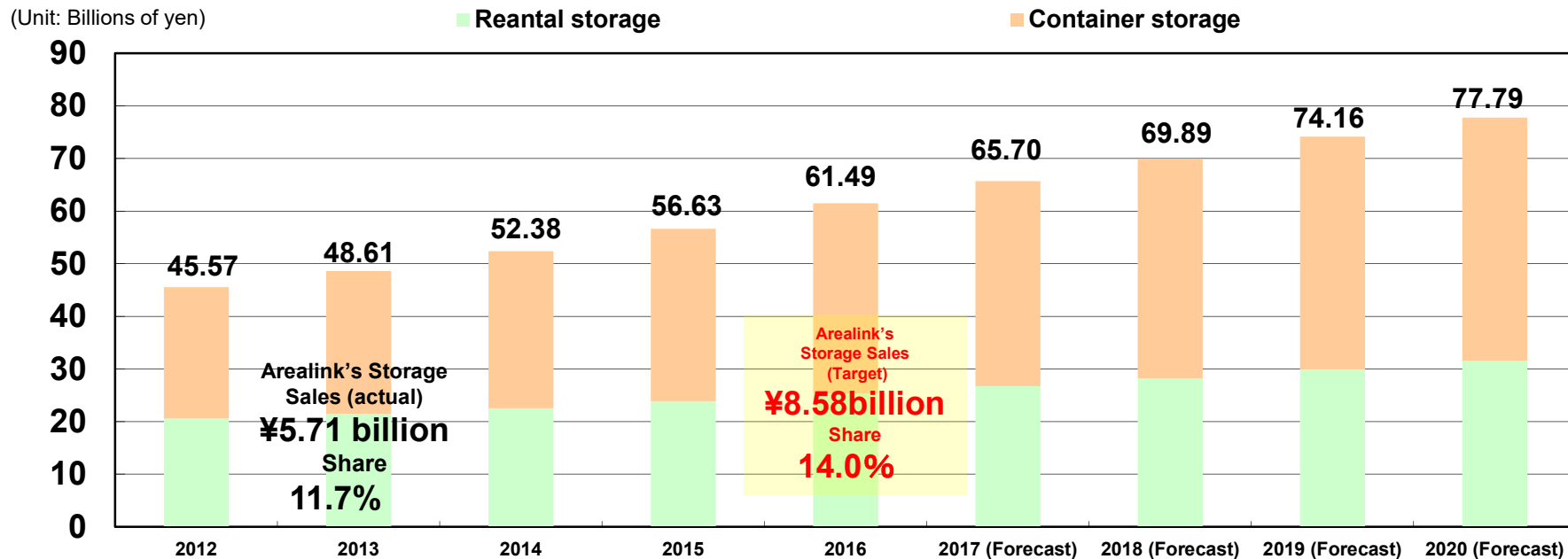
Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Also with an effective date of July 1, 2016, the Company conducted a consolidation of its common shares at a ratio of 1 share for 10 outstanding shares. Accordingly, the figures 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
- *Storage management sales
- Arealink's market share (net sales) 14.0% (No.1 in Japan)

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



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

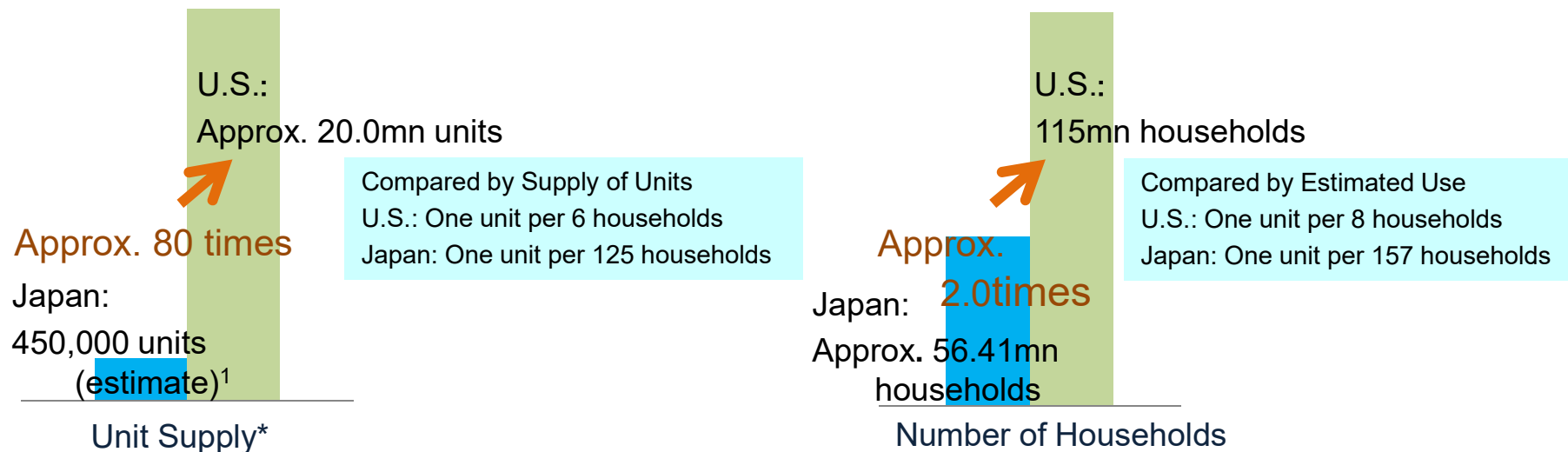
Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

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 2016)

Rank	Company Name	No. of Locations	No. of Units *	Market Share (by No. of Units)
1	Public Storage	2,310	N/A	5.5%
2	Extra Space Storage	1,412	946,406	3.4%
3	CubeSmart	762	513,234	1.8%
Top 6 listed companies total		7,005	2,620,081	16.7%

Ref: Self-Storage Almanac 2017

* Public Storage does not disclose unit figures, so these have been excluded from the calculation.

■ 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 ¥284.2 billion (YoY+7.5%)

● Net income allocable to shareholders ¥161.3 billion (YoY+10.9%)

Source: Company's Annual Report 2016 (Currency converted at ¥111 USD)

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

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

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

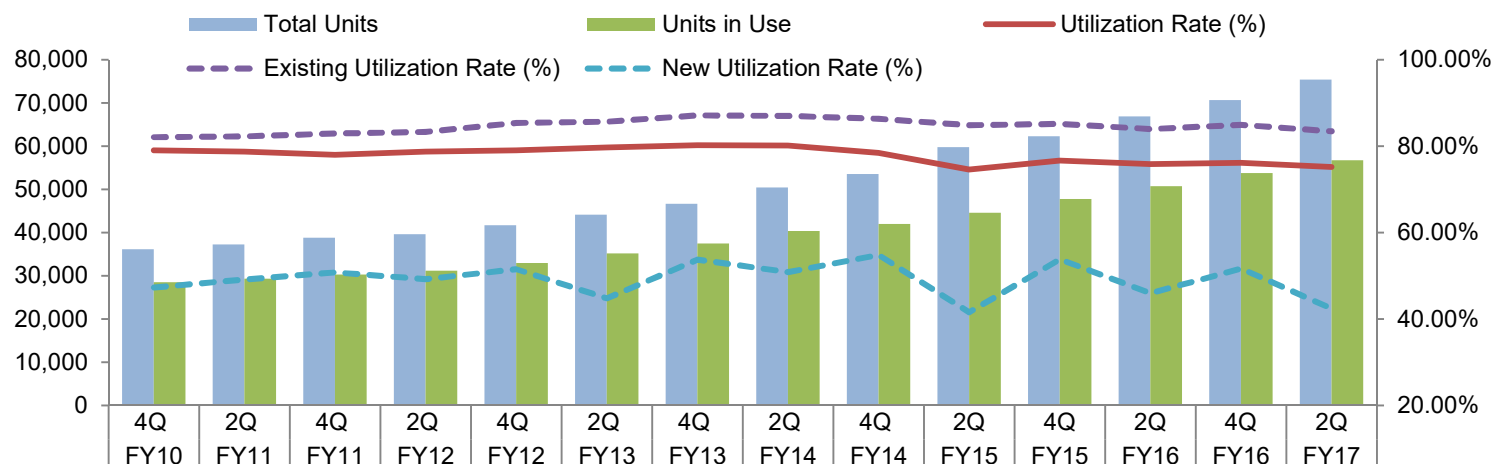


Storage Business (3): Total Units, Units in Use, and Utilization Rate

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

- FY12/17 2Q: 5,077 units opened and 288 closed, for a net gain of 4,789 units from the end of the previous fiscal year.
- 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.

Total Units , Units in Use, and Utilization Rate



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	75,440
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	56,742
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%	75.21%
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%	83.45%
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%	42.43%

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

New: Units after less than two years since they opened

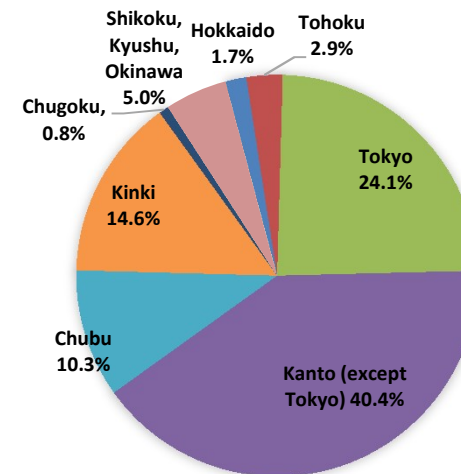
New for FY 2017: Newly opened in 2016 and 2017

Storage Business (4) : Openings by Region

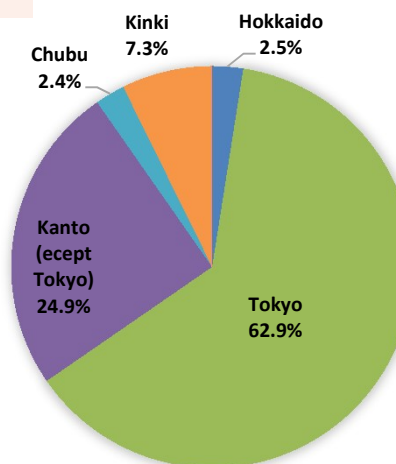
Number of units : as of June 30, 2017

Prefecture	Containers	Storage Rooms	Total	Proportion of Total
Hokkaido	998	422	1,420	1.9%
Miyagi	1,695	0	1,695	2.2%
Ibaraki	745	0	745	1.0%
Tochigi	121	0	121	0.2%
Gunma	257	0	257	0.3%
Saitama	7,364	986	8,350	11.1%
Chiba	9,236	671	9,907	13.1%
Tokyo	14,047	10,774	24,821	32.9%
Kanagawa	5,867	2,600	8,467	11.2%
Niigata	69	0	69	0.1%
Toyama	76	0	76	0.1%
Ishikawa	204	0	204	0.3%
Fukui	90	0	90	0.1%
Yamanashi	67	0	67	0.1%
Nagano	58	0	58	0.1%
Gifu	565	0	565	0.7%
Shizuoka	1,121	0	1,121	1.5%
Aichi	3,565	367	3,932	5.2%
Mie	253	50	303	0.4%
Shiga	119	0	119	0.2%
Kyoto	1,074	152	1,226	1.6%
Osaka	3,252	993	4,242	5.6%
Hyogo	3,493	106	3,599	4.8%
Nara	583	0	583	0.8%
Wakayama	27	0	27	0.0%
Okayama	218	0	218	0.3%
Hiroshima	242	0	242	0.3%
Kagawa	86	0	86	0.1%
Ehime	45	0	45	0.1%
Fukuoka	1,743	0	1,743	2.3%
Saga	79	0	79	0.1%
Nagasaki	118	0	118	0.2%
Kumamoto	156	0	156	0.2%
Oita	106	0	106	0.1%
Miyazaki	109	0	109	0.1%
Kagoshima	367	0	367	0.5%
Okinawa	104	0	104	0.1%
Total	58,319	17,121	75,440	100.0%

Container



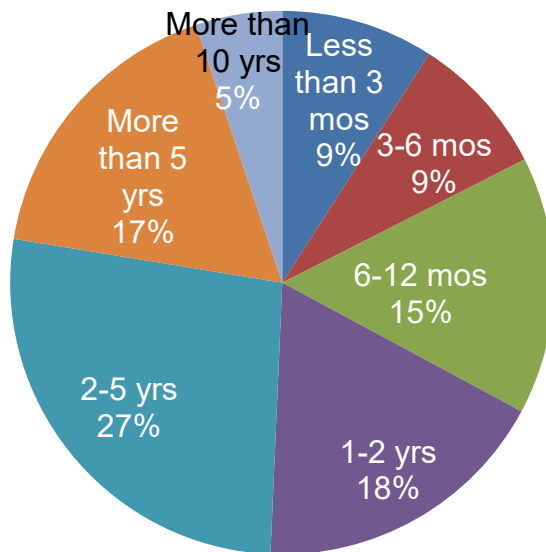
Storage rooms



Storage Business (5): User Analysis

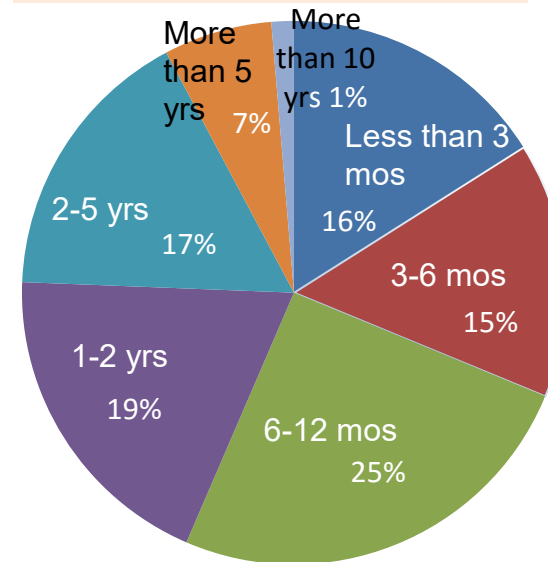
- Average usage period for current contract customers is 38 months (at February 2017).
- Average usage period for customers who have terminated contracts is 20 months (2016 result).
- Average monthly usage fee is ¥12,165 for a container type, and ¥13,707 for trunk type.

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)



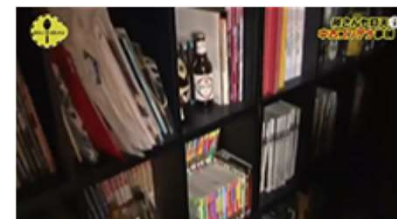
Takamastu Gotocho (Kagawa)

※ 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)



Kouenji 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 Premium (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

Self-storage Location Example / Self-storage Type with Accompanying Land

Exciting Company



Hello Storage Funabashi Sakae-machi
Opened Aug. 2015



Hello Storage Miyanogi Premium
Opened Dec. 2015



New kind of partition opens wider than previous types



Surveillance monitor inside Hello Storage Miyanogi Premium



Handwashing area at Hello Storage Miyanogi Premium

Self-storage Location Example / Self-storage Type with Accompanying Land



Hello Storage Matsudo Tokiwadaira (system container type) – Opened March 2017



Interior of unit utilizing a container



Windows provide a view of the outside, giving a sense of security



Automatic doors installed at the entrance

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

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

First Half	Second Half	
<p>January – June: Buffer Period Sprinting start to achieve our target ahead of schedule</p>	<p>July – September: Refresh and Sowing Seeds Period Sowing seed for the Furious Activity Period and for 2016</p>	<p>October – December: Furious Activity Period Savings for the next year</p>
<ul style="list-style-type: none">✓ Implement sales strategies in a concerted manner as a company✓ Form a buffer team✓ Early property acquisition and business openings in the stock business	<ul style="list-style-type: none">✓ 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	<p>Prepare for sprinting start in the first half of the next year</p>

Breakdown of Real Estate Holdings

Main Properties (partial list)

Property Name	Location	Purpose	Book Value (Land and Structure) Unit: ¥mn
Kanda BM Building	Chiyoda Ward, Tokyo	Store, office	978
Ginza 6-Chome Idei Building	Chuo Ward, Tokyo	Store	878
Kanda Kyodo Building	Chiyoda Ward, Tokyo	Office	828
State of Texas Storage	State of Texas, U.S.A.	Storage	765
Best Inn Omihachiman	Omihachiman City, Shiga Pref.	Hotel	406
Best Inn Kashima	Kamisu City, Ibaraki Pref.	Hotel	348
Best Inn Uozu	Uozu City, Toyama Pref.	Hotel	259
Best Inn Youkaichi	Higashiomi City, Shiga Pref.	Hotel	248
Hello Storage Machida	Machida City, Tokyo	Storage	243
Best Inn Kofu	Kofu City, Yamanashi Pref.	Hotel	239
Hello Storage Chofu	Chofu City, Tokyo	Storage	230

Property Management Service

This business manages Arealink's core businesses of Hello Storage space rental business as well as its holdings of income-generating properties in the Hello Office and Hello Rental Meeting Room businesses.

Storage Management Business

In this business, Arealink offers "Hello Storage" rental storage space nationwide in Japan.

Self-storage Type with Accompanying Land

Arealink offers indoor trunk rooms in houses built by the 2 x 4 construction method or steel construction method, mainly in suburban areas in the Tokyo metropolitan area, as part of its Hello Storage services. The exteriors of the houses as a whole feature the Hello Storage brand color.

Property Revitalization & Liquidation Service

This service includes the selling of properties owned by Arealink after providing added value through renovation as well as selling leased land where rights issues are complicated.

Storage Liquidation Business

For business investors and owners of real estate, Arealink proposes Hello Storage as an effective method for investing their funds and making use of their assets.

Hello Limited Proprietary Rights and Leased Land

Arealink's Hello Limited Property Right and Leased Land business includes settling problems related to such rights that require complicated negotiation with a large number of related parties. By acting as a negotiating agency and/or buying up such land, Arealink assists in the revitalization of land through this business for both landowners and lease holders to reach satisfactory agreements.

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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