

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

# Results Briefing

First Quarter, Fiscal Year Ending December 2018

**May 1, 2018**

**Exciting Company**



Securities code: 8914

## **Part I Summary of FY12/18 1Q and FY12/18 Earnings Outlook**

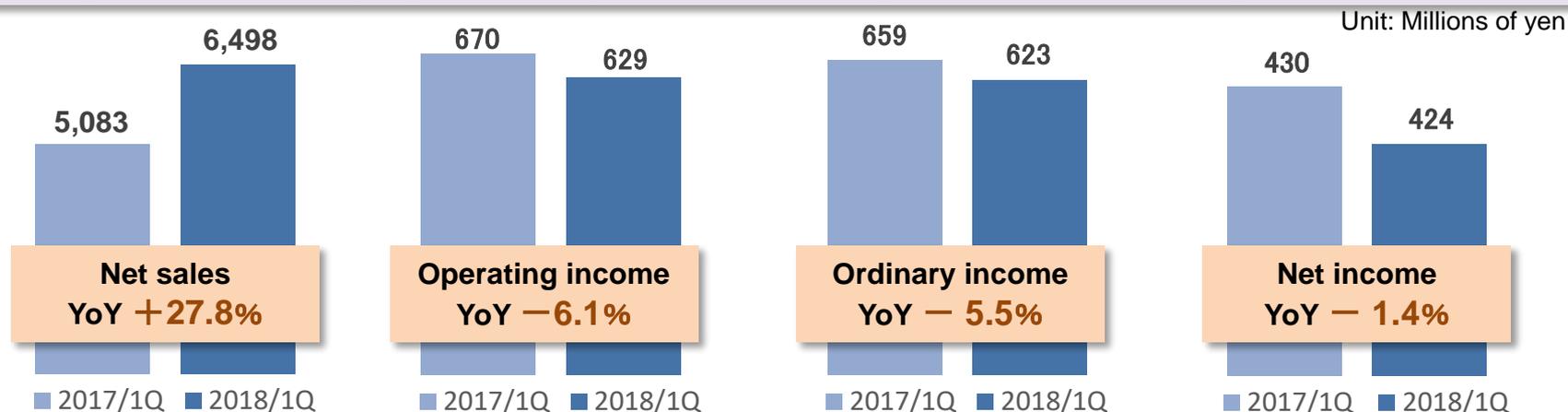
## **Part II Main Measures for FY12/18**

## **Part III Reference Material**

## Part- I

# Summary of FY12/18 1Q and FY12/18 Earnings Outlook

An increase in the number of sales of properties with accompanying land boosted revenue, but earnings declined due to a scaling back of container storage location openings with the shift to storage with accompanying land, along with lower earnings in the limited land rights business.



(Millions of yen)	FY12/17 1Q		FY12/18 1Q		YoY		FY12/18 Plan		
	Actual	(%)	Actual	(%)	Variance	% Change	Plan	(%)	Completion rate
Net sales	5,083	(100.0)	6,498	(100.0)	1,415	(27.8)	30,000	100.0%	(21.7)
Cost of sales	3,625	(71.3)	4,978	(76.6)	1,353	(37.3)	—	—	—
Gross profit	1,458	(28.7)	1,519	(23.4)	61	(4.2)	—	—	—
SG&A expenses	787	(15.5)	889	(13.7)	102	(13.0)	—	—	—
Operating income	670	(13.2)	629	(9.7)	(41)	(-6.1)	3,000	10.0%	(21.0)
Ordinary income	659	(13.0)	623	(9.6)	(36)	(-5.5)	2,870	9.5%	(21.7)
Net income	430	(8.5)	424	(6.5)	(6)	(-1.4)	1,855	6.1%	(22.9)

**Even with the result of revenue gains with earnings decline, performance is steadily in line with the full-year plan.**

- **Increased total of self-storage properties with accompanying land to 26 properties (+6 from end-FY12/17).**  
⇒ Revenue increase from sale of six properties with accompanying land (two in the previous fiscal year).
- **No. of self-storage location openings increased to 82,698 units (+1,143 units from end-FY12/17).**  
⇒ Earnings decline due to scaling back of container storage location openings with the shift to storage with accompanying land.
- **Limited land rights (land rights management) business stable and in line with plan.**  
⇒ Earnings decline on the sale in the previous year of highly profitable properties due to special factors.

# Segment Breakdown

## Property Management Service

- Self-storage management (Hello Storage customer recruitment, operations and management)
- Self-storage brokerage (Hello Storage orders and location development, Self-storage Properties w/Land)
- 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)



Self-storage Properties w/Land



Property Holding (Kyodo Building entrance)



Hello Rental Meeting Room (Shibuya II)

## Property Revitalization & Liquidation Service

- Land rights management business (limited land rights)

# Overview of FY12/18 1Q by Segment

Performance in the Property Management Service business was stable. Earnings declined in the Property Revitalization & Liquidation Service business on the sale in the previous year of highly profitable properties due to special factors

Unit: Millions of yen

			FY12/17 1Q		FY12/18 1Q		YoY	
			Actual	Profit margin	Actual	Profit margin	Variance	% Change
	Self-storage management	Net sales	2,330	—	2,643	—	312	13.4%
		Gross profit	607	26.1%	629	23.8%	21	3.5%
		Operating income	433	18.6%	389	14.7%	(44)	—10.2%
	Self-storage brokerage	Net sales	1,693	—	2,682	—	988	58.4%
		Gross profit	448	26.5%	549	20.5%	100	22.4%
		Operating income	219	12.9%	314	11.7%	95	43.7%
	Other property management service	Net sales	509	—	493	—	(15)	—3.1%
		Gross profit	166	32.8%	190	38.7%	23	14.3%
		Operating income	123	24.3%	147	29.8%	23	18.8%
<b>Property Management Service Total</b>	Net sales	4,533	—	5,819	—	1,285	28.4%	
	Gross profit	1,223	27.0%	1,369	23.5%	146	11.9%	
	Operating income	776	17.1%	851	14.6%	74	9.6%	
<b>Property Revitalization &amp; Liquidation Service</b>	Net sales	549	—	678	—	128	23.5%	
	Gross profit	234	42.6%	149	22.1%	(84)	—36.1%	
	Operating income	185	33.8%	101	15.0%	(83)	—45.1%	
<b>Other</b>	Net sales	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	
	Operating income	(291)	—	(324)	—	(33)	—	
<b>Total</b>	Net sales	5,083	—	6,498	—	1,414	27.8%	
	Gross profit	1,458	28.7%	1,519	23.4%	61	4.2%	
	Operating income	670	13.2%	629	9.7%	(41)	—6.1%	

Non-operating expenses rose due to compensation for transfer.

Extraordinary loss decreased on the lack head office transfer costs incurred in the same period of the previous fiscal year.

## Non-operating income

Compensation for transfer ¥22 million

## Non-operating expenses

Interest expenses ¥22 million

## Extraordinary income

Gain on sales of noncurrent assets ¥7 million

## Extraordinary loss

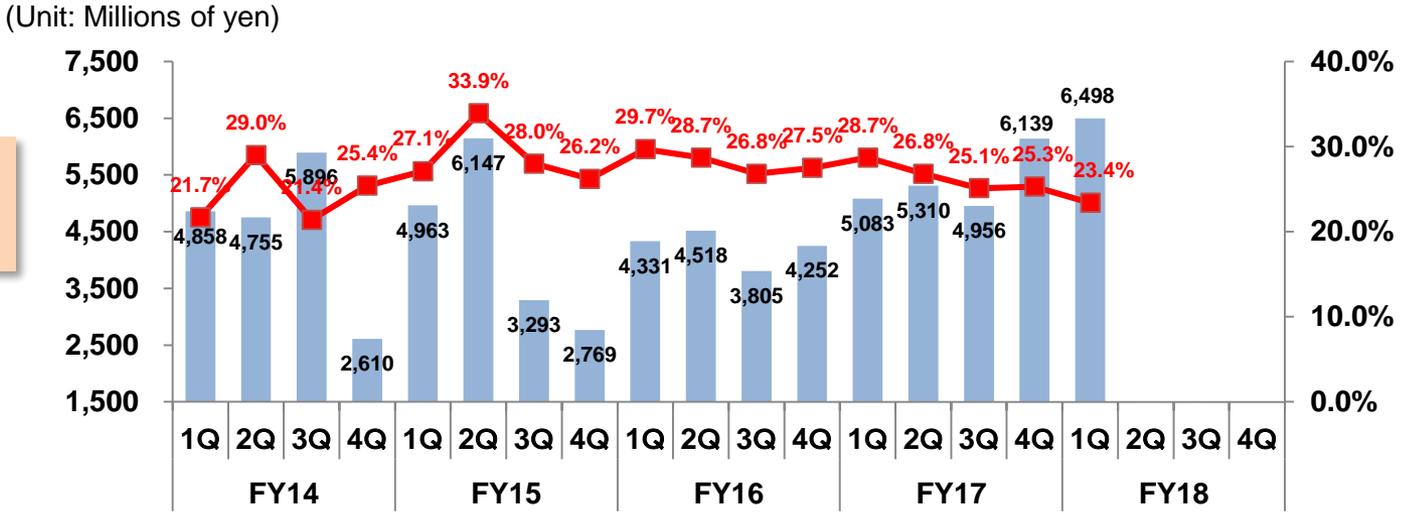
Loss on retirement of non-current assets ¥3 million

Unit: Millions of yen

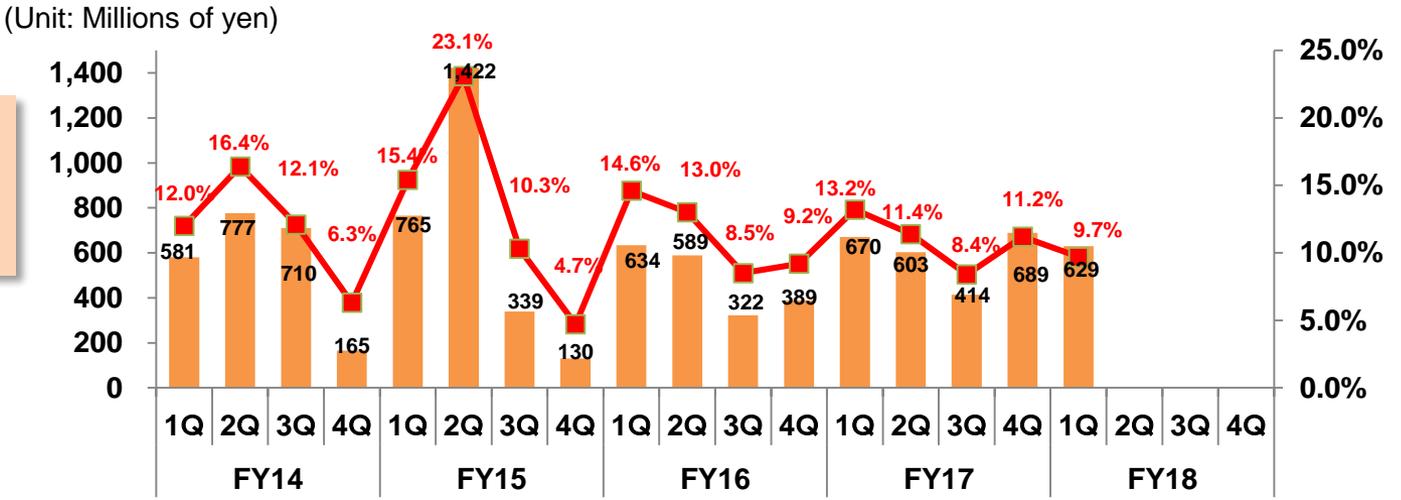
Step income	FY12/17 1Q	FY12/18 1Q	YoY (%)
Operating income	670	629	(-6.1)
Non-operating income	12	30	(150.0)
Non-operating expenses	24	36	(50.0)
Ordinary income	659	623	(-5.5)
Extraordinary income	7	10	(42.9)
Extraordinary loss	29	3	(-89.7)
Income before income taxes	637	631	(-0.9)
Income taxes — current	188	169	(-10.1)
Income taxes — deferred	18	37	(105.6)
Net income	430	424	(-1.4)

**Revenue and earnings trends in line with plan, including profitability**

**Trends in net sales and gross profit margin**



**Trends in operating income and operating income ratio**



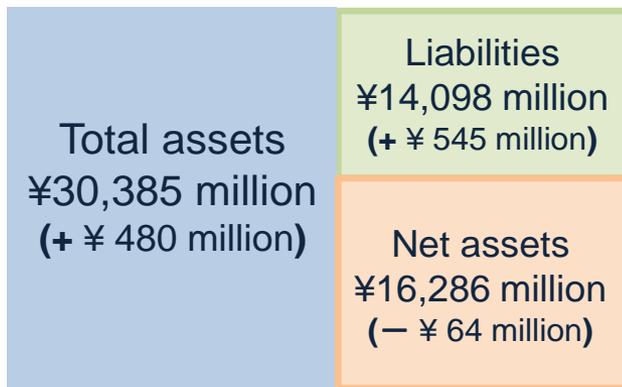
# Financial Position

## Sound financial condition maintained

### Financial Position

As of March 31, 2018

\*Figures in parentheses indicate changes from the end of December 31, 2017..

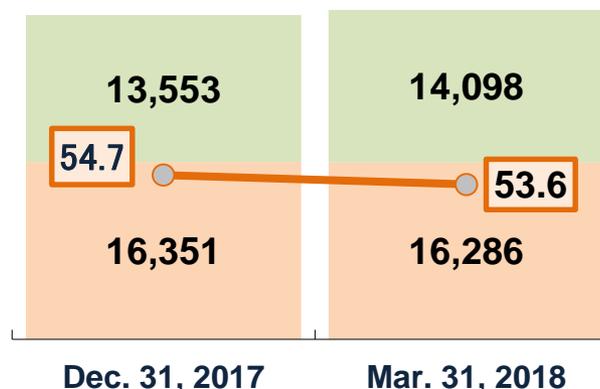


(Millions of yen)	Dec. 31, 2017	Mar. 31, 2018
<b>Current assets</b>	17,532	17,971
<b>Noncurrent assets</b>	12,372	12,413
<b>Total assets</b>	29,904	30,385
<b>Current liabilities</b>	5,691	4,931
<b>Noncurrent liabilities</b>	7,861	9,167
<b>Total liabilities</b>	13,553	14,098
<b>Net assets</b>	16,351	16,286

### Liabilities, net assets, equity ratio

(Millions of yen)

Net assets Liabilities Equity ratio (%)



Increase in real estate for sale in process    ¥ 1.66 billion  
 Decrease in cash and deposits                ¥ (1.01) billion  
 Decrease in real estate for sale                ¥ (0.23) billion

Increase in long-term loans payable        ¥ 1.36 billion  
 Decrease in accounts payable for construction contracts    ¥ (0.43) billion  
 Decrease in bonds payable                    ¥ (0.05) billion

Decrease in retained earnings                 ¥ (0.07) billion

**For the Property Management Service segment, Arealink is forecasting steady gains, with net sales rising 41.3% year on year. We will maintain sales of land rights for lease-land properties.**

	FY2017		FY2018		YoY	
(Millions of yen)	Actual	(%)	Forecast	(%)	Variance	(%)
<b>Net sales</b>	<b>21,489</b>	<b>(100.0)</b>	<b>30,000</b>	<b>(100.0)</b>	<b>8,511</b>	<b>39.6%</b>
Property Management Service	19,619	—	27,730	—	8,110	41.3%
Property Revitalization & Liquidation Service	1,869	—	2,270	—	400	21.4%
<b>Operating income</b>	<b>2,379</b>	<b>(11.0)</b>	<b>3,000</b>	<b>(10.0)</b>	<b>621</b>	<b>26.1%</b>
Property Management Service	3,133	—	3,724	—	590	18.9%
Property Revitalization & Liquidation Service	464	—	604	—	139	30.1%
Elimination & Corporate	(1,218)	—	(1,328)	—	(110)	9.1%
<b>Ordinary income</b>	<b>2,441</b>	<b>(11.3)</b>	<b>2,870</b>	<b>(9.5)</b>	<b>429</b>	<b>17.6%</b>
<b>Net income</b>	<b>1,547</b>	<b>(7.1)</b>	<b>1,855</b>	<b>(6.1)</b>	<b>308</b>	<b>19.9%</b>
<b>Net income per share (yen)</b>	<b>126.1</b>	<b>—</b>	<b>151.2</b>	<b>—</b>	<b>25.1</b>	<b>19.9%</b>

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

**Maintain a stable target payment of payout ratio of 30 %**

## Dividends and Payout Ratio

	FY2017	FY2018 (Forecast)
Cash dividends per share	40 yen	46 yen
Payout ratio	31.7%	30.4%

## **Part- II**

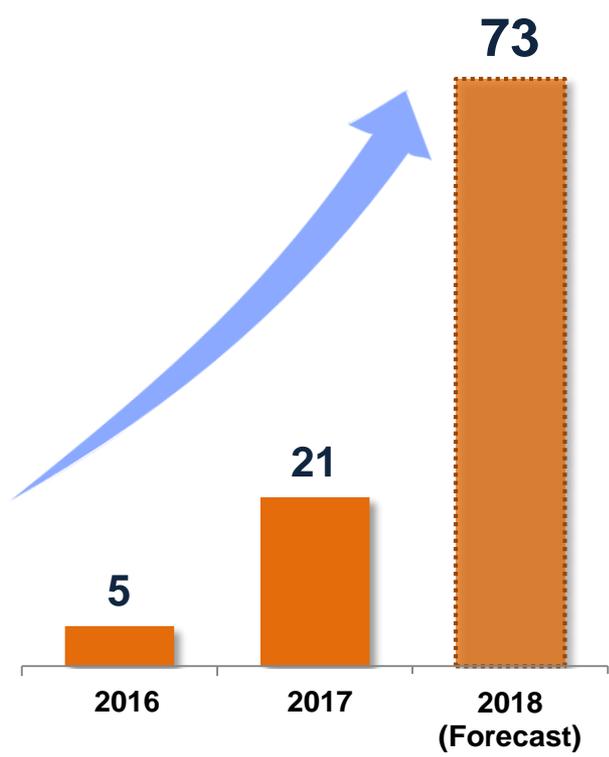
# **Main Measures for FY18**

## Period of transition from containers to self-storage properties with accompanying land

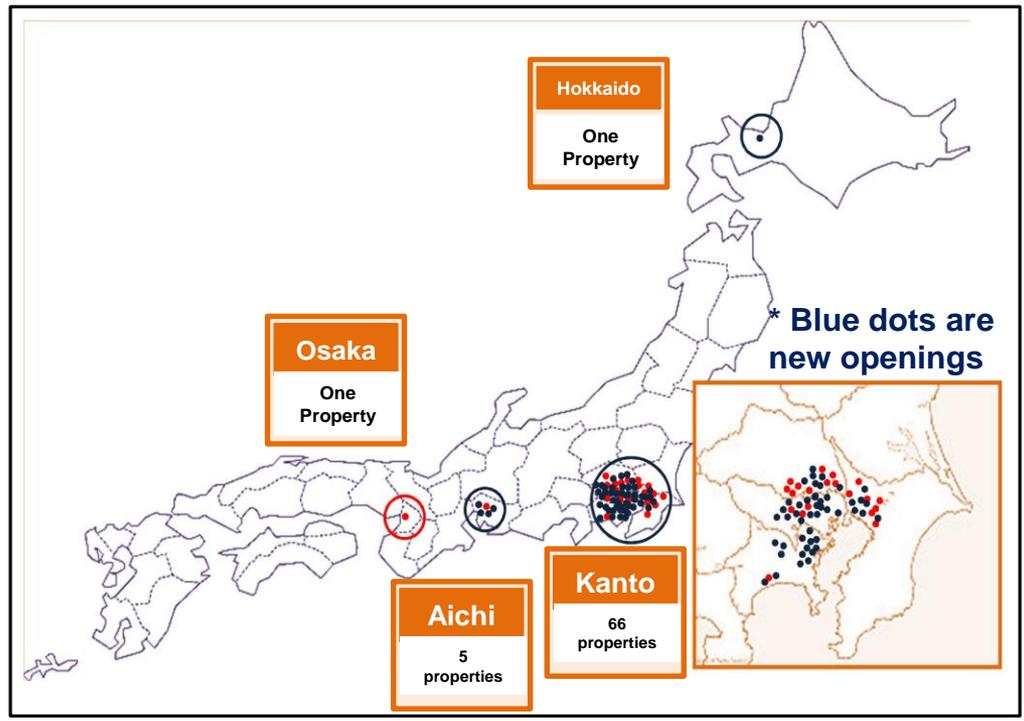
- **Shift in location opening policy from containers to self-storage properties with accompanying land.**
  - ⇒ Performance is stable and in line with plan. Sales revenue emphasis shifting from 1H to 2H.
- **Steady progress with securing buyers for self-storage properties w/land.**
  - ⇒ Set up private placement fund “Hello Storage Fund No. 1 ”  
Plan to continue securitization (funds, REITs).
  - ⇒ Conducted in parallel with Arealink’s own sales, with diversification of exit strategies such as securitization (funds, REITs).

# Steady progress against full-year plan Land purchases and property sales ahead of schedule

Cumulative Total of Openings



Areas for Openings (2018 Plan)



## Diversification of exit strategies, securitization (funds, REITs)

- **Private placement fund “Hello Storage Fund No. 1 LLC ” formed Together with Resona Bank and HASEKO Real Estate Investment Management, first in the industry**

**Scale: Approx. ¥2.0 billion (4 steel frame properties: Koto Higashisuna, Tanashi, Nerima Yahara, Yokohama Mutsumicho)**

**Period: Five years (plan)**

- **Plan for continued securitization (funds, REITs)**



Hello Storage Koto Higashisuna Premium  
Steel frame, 53 units



Hello Storage Tanashi Premium  
Steel frame, 74 units



Hello Storage Nerima Yahara Premium  
Steel frame, 196 units



Hello Storage Yokohama Mutsumicho  
Premium  
Steel frame, 85 units

# Self-storage Properties w/Land: Recent Examples



Hello Storage Nerima Yahara Premium



Hello Storage Minami Koshigaya Premium



Hello Storage Toda Bijogi Premium



Hello Storage Mitaka Shinkawa Premium



Hello Storage Tanashi Premium



Full outdoor parking



Various large and small spaces



Indoor security monitors



Advanced security system



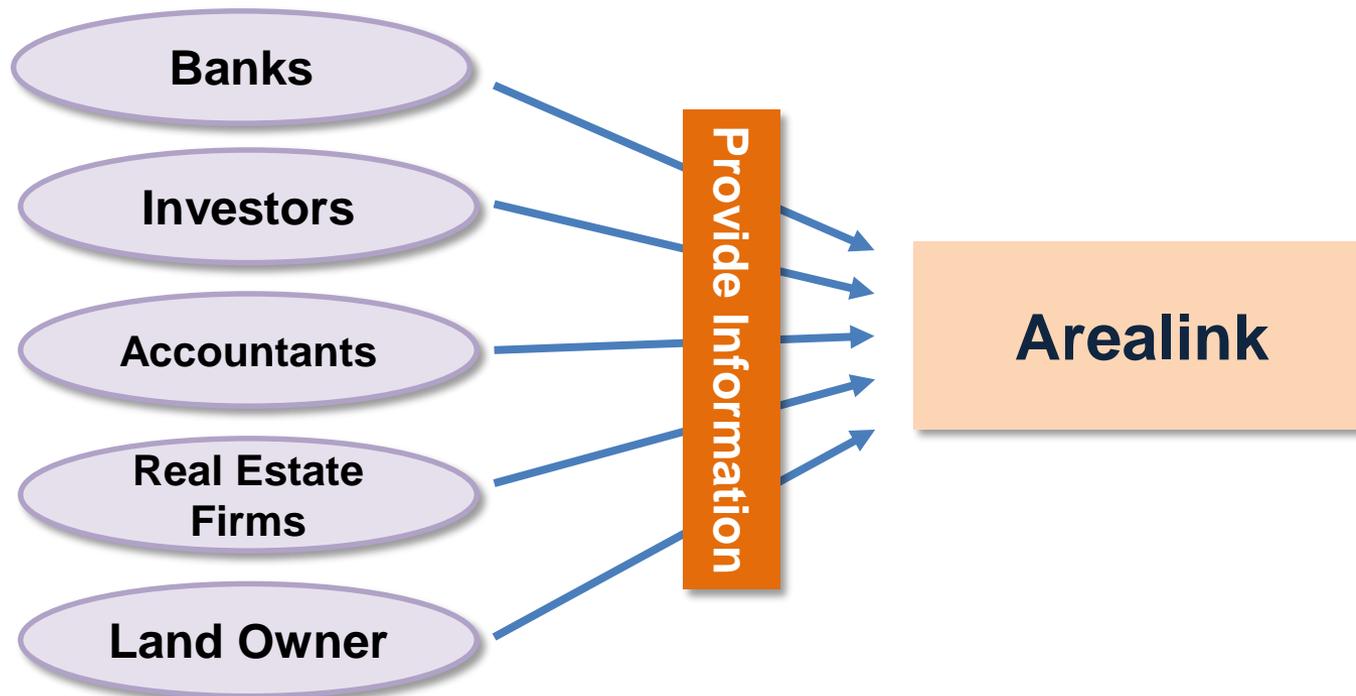
Large storage spaces



Hand washing area

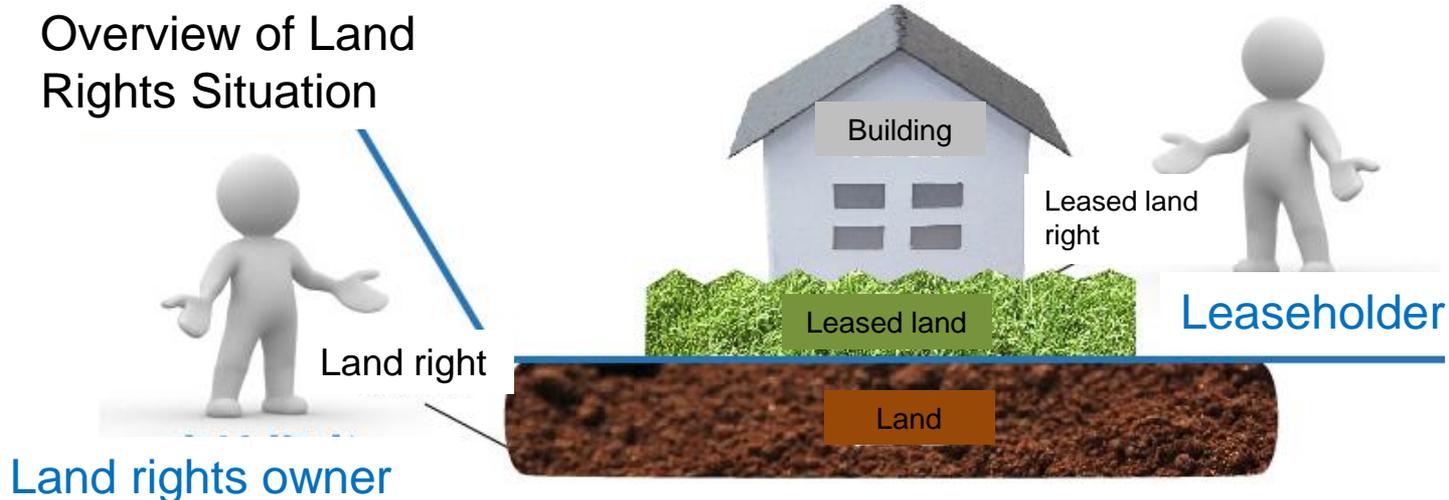
**Focus on further strengthening relationships to support land purchases and secure buyers (investors)**

- **Expand network of banks, investors, accountants, real estate firms, and other contacts**



# Main Measures (3) Other Business: Land Rights Management

- Firm demand in all economic conditions, helping to stabilize the business portfolio
- High management credibility makes it easier to purchase land from rights owners
- Annual return of 3% on land rent income, 20% gain on sale (after 1-2 years)
- No leading operator in the market, allowing Arealink to utilize its strengths and become the top company in the near future
- Expand business area. Plan to advance into Osaka and Nagaoya in addition to Tokyo



## ➤ **Administrative guidance on construction methods for containers**

“Containers installed as warehouses and that cannot be occasionally or arbitrary moved, such as those intended for continual use, because of their form and actual use, are considered buildings as prescribed by Article 2-1 of the Building Standards Act. Accordingly, in general, based on the Building Standards Act an application for building confirmation, and receipt of a certificate of confirmation, is required.”



**Arealink has already submitted applications for building confirmation for all its properties.**

# **Part-III**

## **Reference Material**

# Major Indicators for the Past Six Years

(Unit: Millions of yen)

	FY12	% Change	FY13	% Change	FY14	% Change	FY15	% Change	FY16	% Change	FY17
Net sales	10,124	+21.1%	12,256	+47.8%	18,120	(5.2)%	17,173	(1.5)%	16,908	+27.1%	21,489
Gross profit	2,629	+26.8%	3,306	+31.9%	4,360	+16.3%	5,073	(6.0)%	4,771	+19.1%	5,683
Gross profit margin (%)	26.0	+1.2pt	26.9	(2.8)pt	24.1	(3.9)pt	29.5	(1.3)pt	28.2	(1.8)pt	26.4
SG&A expenses	1,464	+24.9%	1,800	+16.3%	2,125	+13.7%	2,415	+17.4%	2,835	+16.5%	3,303
Operating income	1,165	+29.2%	1,505	+48.5%	2,235	+18.9%	2,657	(27.2)%	1,935	+22.9%	2,379
Operating income ratio (%)	11.5	+0.8pt	12.3	+0.0pt	12.3	+2.4pt	15.5	(4.1)pt	11.4	(0.3)pt	11.1
Ordinary income	1,075	+33.3%	1,433	+45.6%	2,087	+17.0%	2,442	(19.4)%	1,968	+24.0%	2,441
Net income	948	+42.0%	1,346	+14.4%	1,541	+1.0%	1,550	(26.3)%	1,142	+35.4%	1,547
ROA (%)	5.3	+1.2pt	6.5	+0.7pt	7.2	+0.8pt	8.0	(2.7)pt	5.3	+0.5pt	5.8
ROE (%)	9.1	+2.5pt	11.6	+0.4pt	11.9	(0.8)pt	11.0	(0.4)pt	7.6	+2.2pt	9.8
Interest-bearing debt	5,545	+41.3%	7,837	(35.1)%	2,759	(52.5)%	1,311	+265.6%	4,793	+90.9%	9,152
Total assets	18,612	+23.7%	23,017	(15.1)%	19,539	(1.2)%	19,312	+23.2%	23,791	+25.7%	29,904
Net assets	10,935	+12.3%	12,282	+10.0%	13,514	+8.3%	14,626	+4.5%	15,283	+7.0%	16,351
Shareholders' equity ratio (%)	58.8	(5.4)pt	53.4	+15.8pt	69.2	+6.6pt	75.7	+6.6pt	64.2	(9.5)pt	54.7
Net income per share* (Yen)	77.2	+42.0%	109.7	+14.4%	125.5	+1.0%	126.3	(26.3)%	93.06	+35.5%	126.08
Net assets per share *(Yen)	890.8	+12.3%	1,000.5	+10.0%	1,100.9	+5.7%	1,191.4	+4.5%	1,245.09	+7.05%	1,322.88
Number of employees	82	+19.5%	98	+8.2%	106	+16.0%	123	+1.6%	125	(20.8)%	99

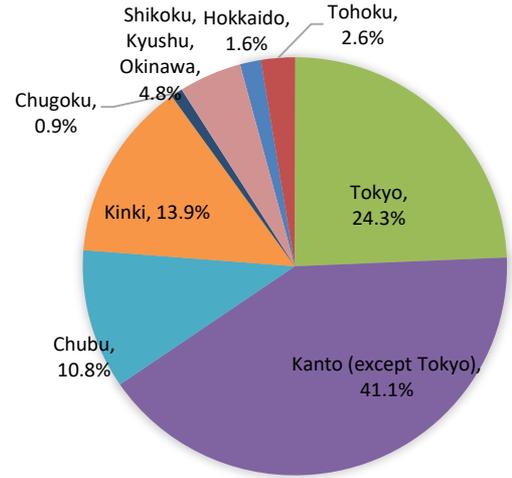
Note: On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Also with an effective date of July 1, 2016, the Company conducted a consolidation of its common shares at a ratio of 1 share for 10 outstanding shares. Accordingly, the figures 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.

# Storage Business: Openings by Region

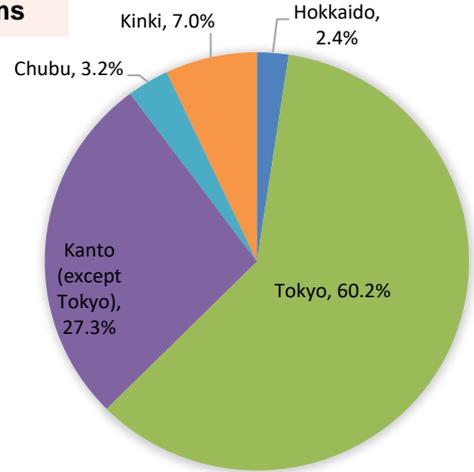
Number of units : as of February 28, 2018

Prefecture	Containers	Storage Rooms	Total	Proportion of Total
Hokkaido	998	422	1,420	1.7%
Miyagi	1,695	0	1,695	2.1%
Ibaraki	783	0	783	1.0%
Tochigi	155	0	155	0.2%
Gunma	334	0	334	0.4%
Saitama	7,922	1,310	9,232	11.2%
Chiba	9,545	808	10,353	12.6%
Tokyo	15,654	10,734	26,388	32.1%
Kanagawa	7,691	2,743	10,434	12.7%
Niigata	69	0	69	0.1%
Toyama	143	0	143	0.2%
Ishikawa	204	0	204	0.2%
Fukui	90	0	90	0.1%
Yamanashi	89	0	89	0.1%
Nagano	175	0	175	0.2%
Gifu	582	0	582	0.7%
Shizuoka	1,205	0	1,205	1.5%
Aichi	4,116	516	4,632	5.6%
Mie	290	50	340	0.4%
Shiga	154	0	154	0.2%
Kyoto	1,016	152	1,168	1.4%
Osaka	3,723	987	4,710	5.7%
Hyogo	3,423	106	3,529	4.3%
Nara	567	0	567	0.7%
Wakayama	27	0	27	0.0%
Tottori	32	0	32	0.0%
Okayama	218	0	218	0.3%
Hiroshima	316	0	316	0.4%
Tokushima	27	0	27	0.0%
Kagawa	181	0	181	0.2%
Ehime	84	0	84	0.1%
Kochi	34	0	34	0.0%
Fukuoka	1,697	0	1,697	2.1%
Saga	79	0	79	0.1%
Nagasaki	118	0	118	0.1%
Kumamoto	177	0	177	0.2%
Oita	106	0	106	0.1%
Miyazaki	109	0	109	0.1%
Kagoshima	367	0	367	0.4%
Okinawa	104	0	104	0.1%
<b>Total</b>	<b>64,299</b>	<b>17,828</b>	<b>82,127</b>	<b>100.0%</b>

### Container

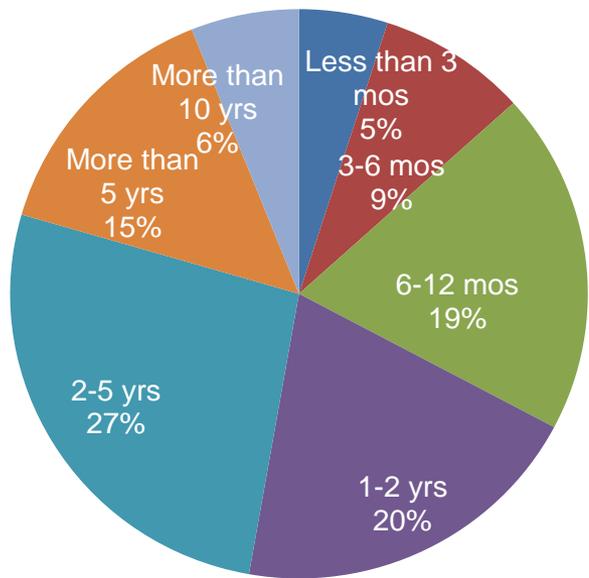


### Storage rooms



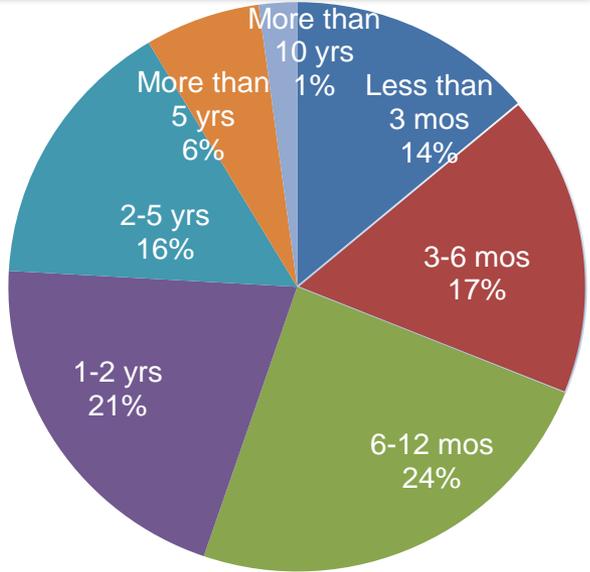
- Average usage period for current contract customers is 37 months (at December 2017).
- Average usage period for customers who have terminated contracts is 21 months (2017 result).
- Average monthly usage fee is ¥14,198 for a container type, and ¥15,100 for trunk type.

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



\* Analysis of customers with contracts at December 2017

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

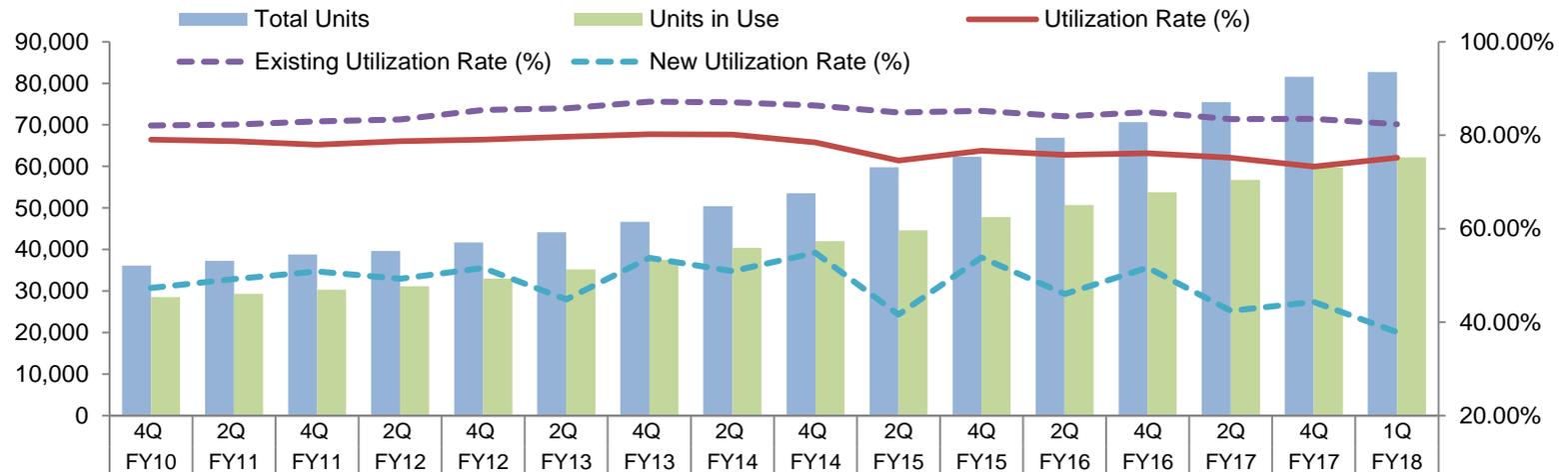


\* Analysis of customers who terminated contracts in 2017

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

Total Units, Units in Use, and Utilization Rate

(Unit: Number of units)

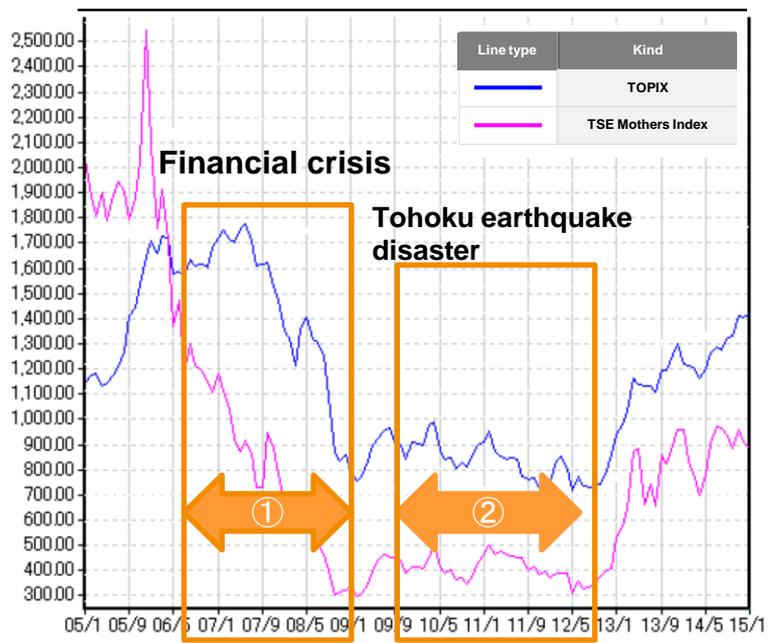


	4Q FY10	2Q FY11	4Q FY11	2Q FY12	4Q FY12	2Q FY13	4Q FY13	2Q FY14	4Q FY14	2Q FY15	4Q FY15	2Q FY16	4Q FY16	2Q FY17	4Q FY17	1Q FY18
Total Units	36,131	37,267	38,838	39,614	41,698	44,138	46,686	50,422	53,564	59,802	62,325	66,923	70,651	75,440	81,555	82,698
Units in Use	28,562	29,340	30,290	31,188	32,968	35,177	37,499	40,407	42,009	44,603	47,796	50,739	53,786	56,742	59,748	62,201
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%	73.26%	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%	83.48%	82.33%
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%	44.36%	37.92%

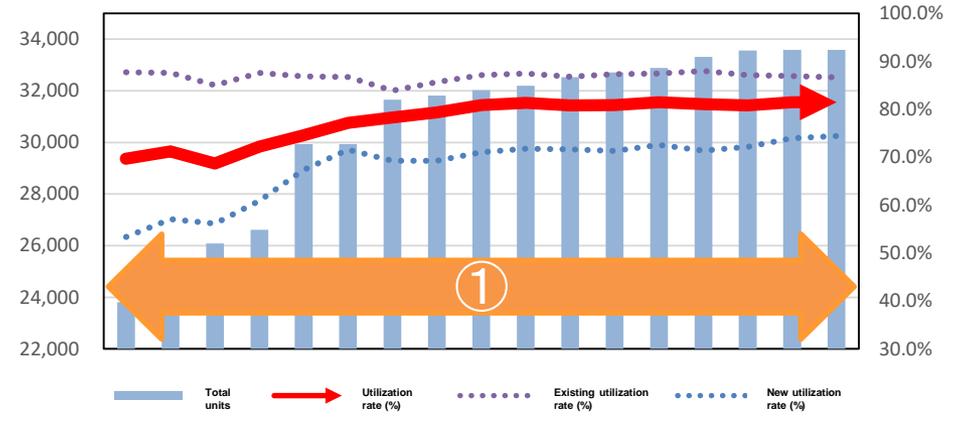
\* Existing: Units after more than two years since they opened  
 New: Units after less than two years since they opened  
 New for FY 2017: Newly opened in 2016 and 2017

After achieving stable operations, contract cancellations are rare, making the business less susceptible to market conditions. Utilization rates remained stable even during periods of market fluctuation, such as the financial crisis and Tohoku earthquake disaster.

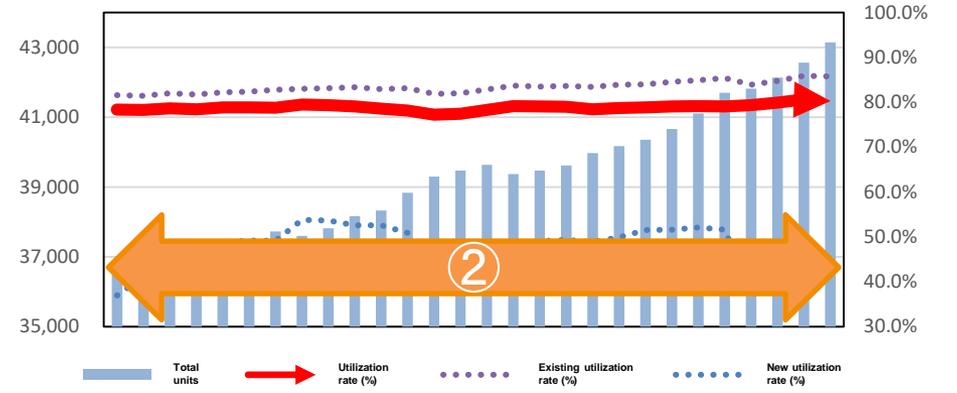
## TOPIX & TSE Mothers Index 10-Year Period (Jan 2005 – Jan 2015)



① Financial Crisis (Jan 2007 – Nov 2008)



② Tohoku earthquake disaster (Jan 2011 – Apr 2013)



# Examples of self-storage locations / Outdoor container type



Ebetsushi Oasa Sakuragicho (Hokkaido)



Sendai Oroshimachi Higashi (Miyagi)



Misato 2 (Saitama)



Omiya Haruoka Part 2 (Saitama)



Higashifuchu (Tokyo)



Higashikurume2 (Tokyo)



Kita-ku Shigacho Kurokawa (Aichi)



Ariake, Toyosu, Shinonome (Tokyo)



Higashikasai (Tokyo)



Nerima Yahara (Tokyo)



Hodogaya Hosen 2 (Kanagawa)



Kanagawaku Irie (Kanagawa)



Chiba Chuo Honcho (Chiba)



Mito 3 (Ibaraki)



Hamamatsu Minamiasada (Shizuoka)



Minamiku Kitauchicho (Aichi)



Owari Setoekimae (Aichi)



Wakayama Matsuekita (Wakayama)



Kyoto Hachiman (Kyoto)



Hiranonishi (Osaka)



Osaka Kishiwada 2 (Osaka)



Nara Sahoda (Nara)



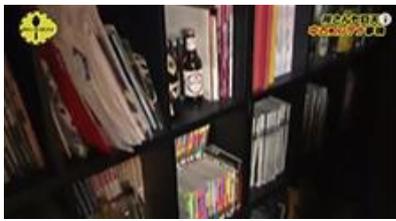
Akashinishi2 (Hyogo)



Takamastu Gotocho (Kagawa)

※ **NEW**  
Newly opened in 2018

# 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)



Shjbuyahoncho (Tokyo)



Hashimoto (Tokyo)



Kouenji Kokashita2 (Tokyo)



Ginza 2 (Tokyo)



Adachi Takenozuka2 (Tokyo)



Edogawabashi (Tokyo)



Nakajujo (Tokyo)



Sangenjaya1 (Tokyo)



Shinjuku Yotsuya 3-Chome 2 (Tokyo)



Minamiazabu (Tokyo)



lidabashi (Tokyo)



Mlnamimagome (Tokyo)



Hodogaya (Kanagawa)



Azamino (Kanagawa)



Yokohama Aobadai (Kanagawa)



Mukogaokayuen (Kanagawa)



Setokyoeidori (Aichi)



Nagoya Higashikataha (Aichi)



Kyoto Fushimi (Kyoto)



Kyoto Shijokarasuma (Kyoto)



Tanimachi 4-Chome (Osaka)



Amagasaki (Hyogo)



Entrance security

# Examples of Self-storage Properties – Self-storage Properties w/Land



**Hello Storage Nerima Yahara Premium**



**Hello Storage Toda Bijogi Premium**



**Ample large storage spaces**



**Fully equipped with elevators**



**Hand washing area**

# Examples of Self-storage Properties – Self-storage Properties w/Land



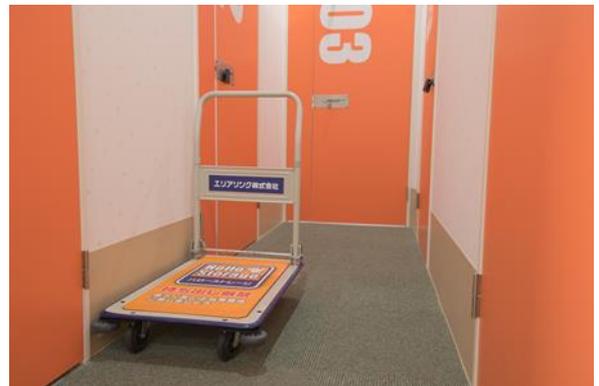
**Hello Storage Minami Koshigaya Premium**



**Hello Storage Mitaka Shinkawa Premium**



**Indoor fully equipped for air- conditioning**



**Exclusive-use handcarts**



**Ample large storage spaces**

# 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

**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

- **Contributing to communities with trunk rooms**
  - **Arealink concluded a disaster preparedness agreement with Ota Ward in Tokyo, and provides trunk rooms free of charge.**
  - **Meets storage needs to aid people who are unable to return home after disasters**
  - **Responding to the disaster preparedness planning needs of local governments**



Signing ceremony with Ota Ward for the agreement to provide outdoor container-type storage units

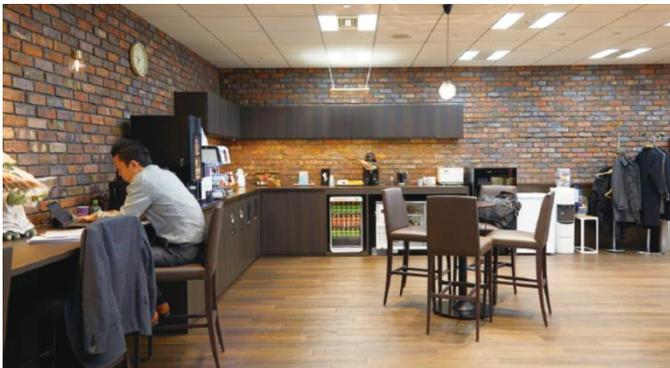
Items typically stored in trunk rooms for temporary stays in disaster shelters

- Blankets
- Carpets
- Other items

- **Promoting working style reforms**
  - **Head office relocation**
  - **Aim for change to brainwork-type work style**



Entrance/Reception



Café

- **Acquire capabilities linked to business results**
- **Continual training and learning provided to improve capabilities**
- **Increase quality rather than time**



Karuizawa training and recreational facility



Training to foster a shared vision

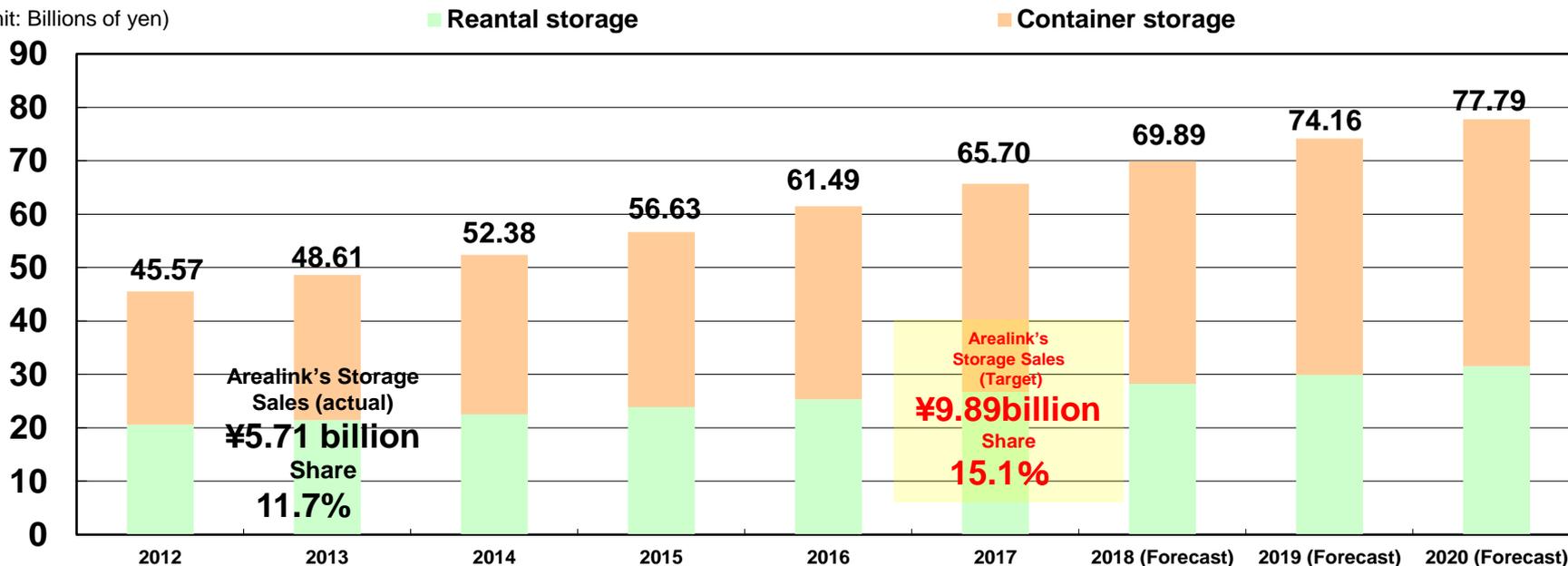
# Self-storage Market Forecast in Japan

The Japanese self-storage market is expected to expand to ¥77.79 billion by 2020. Arealink expects to maintain its leading market share of 15.1%.

- Scale of the Japanese self-storage market (2017 estimate)      ¥65.7 billion
- Arealink's self-storage net sales (2017 actual)                      ¥9.89 billion
- \*Storage management sales
- Arealink's market share (net sales)                                      15.1% (No.1 in Japan)

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

(Unit: Billions of yen)



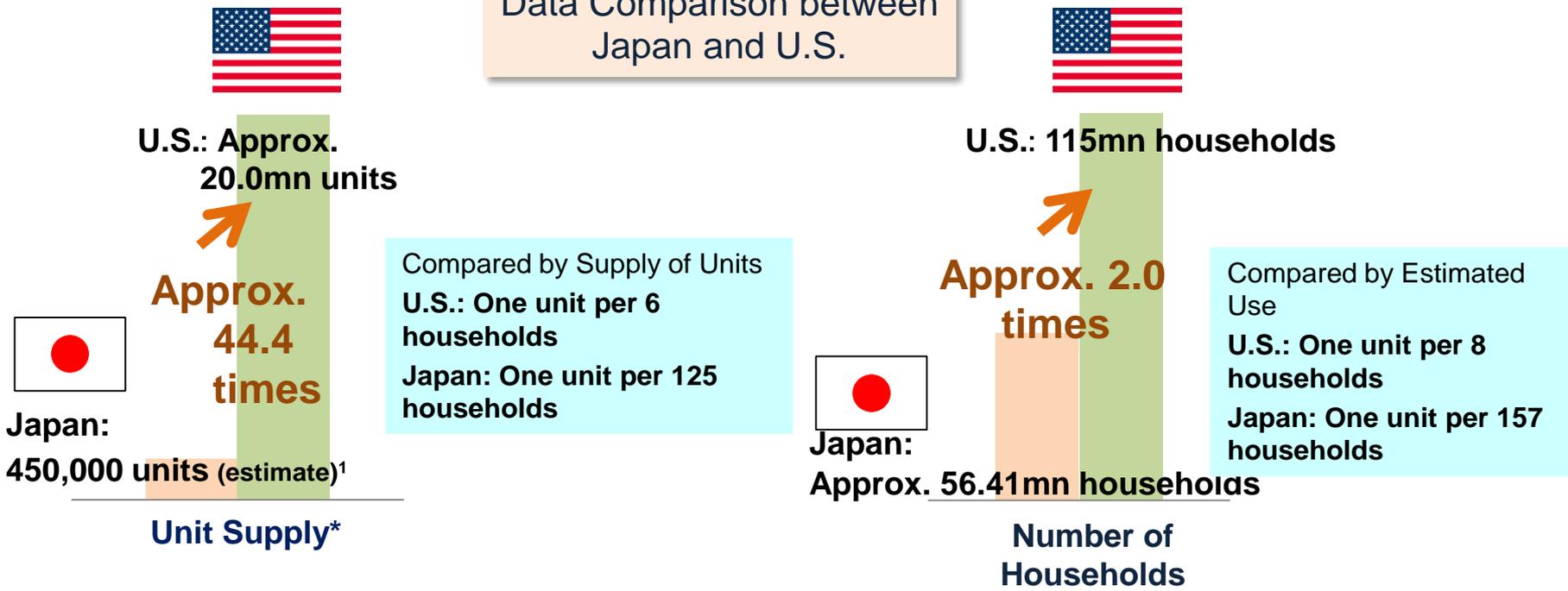
Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2016 Edition (Japan)

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.

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

## Data 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

## ■ 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	<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>

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

# Examples of U.S. Property Holdings

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



Property managed by CubeSmart

**Phase II construction project completed, increase of 120 units**



Aerial photograph

### Overview of Owned Property (As of February 2018)

- College Station, Texas
- Total 477 units ⇒ 593 units (481 self-storage units, 107 parking spaces (for large RVs), 5 other (office and warehouse))
- Approx. 38,000 m<sup>2</sup> (409,028ft<sup>2</sup>)



Management office (exterior)



Internal hallway

### 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



View of premises

## **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.

This report may not be duplicated or forwarded without permission for any purpose.

Inquiries: Administrative Division  
Arealink Co., Ltd.  
Tel: +81-3-3526-8556  
Fax: +81-3-3526-8577