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Results Briefing

Fiscal Year Ended December 2018

February 20, 2019

Exciting Company



Securities code : 8914

**Part- I . Summary of FY12/18 and
FY12/19 Earnings Outlook**

Part- II . Strategic Shift and Basic Policy

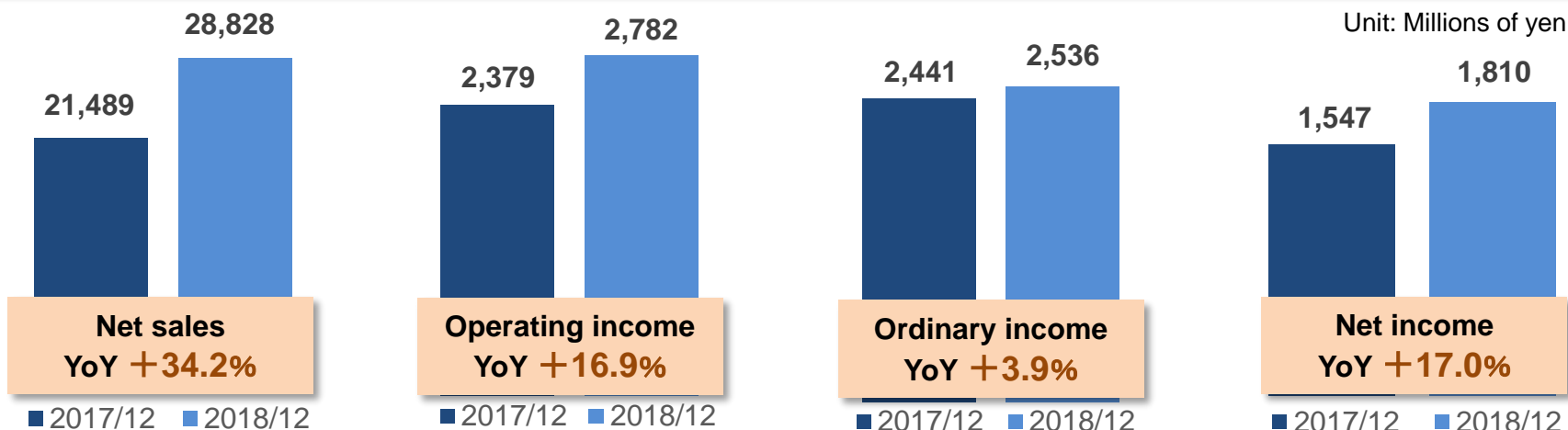
Part-III. Reference Material

Part- I

Summary of FY12/18 and FY12/19 Earnings Outlook

■ Note: Figures in this report presented in units of billions have been rounded off, while figures in units of millions have been rounded down

Double-digit increases in net sales, operating income, and net income



(Millions of yen)	FY12/17		FY12/18		YoY	
	Actual	(%)	Actual	(%)	Variance	% Change
Net sales	21,489	(100.0)	28,828	(100.0)	7,339	34.2%
Cost of sales	15,805	(73.5)	22,173	(76.9)	6,367	40.3%
Gross profit	5,683	(26.4)	6,655	(23.1)	971	17.1%
SG&A expenses	3,303	(15.4)	3,873	(13.4)	569	17.2%
Operating income	2,379	(11.1)	2,782	(9.7)	402	16.9%
Ordinary income	2,441	(11.4)	2,536	(8.8)	95	3.9%
Net income	1,547	(7.2)	1,810	(6.3)	263	17.0%

Despite difficulties in the second half due to changes in the business environment, revenue and earnings increased in both the Self-storage (management and brokerage) and Self-storage Properties w/Land businesses.

- **Increased cumulative total of self-storage properties with accompanying land to 73 properties (+52 from end-FY12/17)**
 - ⇒ Total of 38 self-storage properties w/land sold (cumulative FY12/18) (15 in the previous fiscal year).
- **Total number of self-storage units increased to 91,545 units (+9,990 units from end-FY12/17)**
 - ⇒ Self-storage management: Sales gain with earnings decline. Greater openings of outdoor container properties led to an increase in fees paid to property owners.
- **Limited land rights (land rights management) business contributed to earnings.**
 - ⇒ **Increases in revenue and earnings.** Going forward, Arealink will continue to focus on this business that is less susceptible to market conditions.

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 held properties)
 - SOHO (Hello Office / Hello Rental Meeting Room)
 - Parking lots, etc.



Hello Storage (Container type)



Hello Storage w/Parking lots



Hello Storage (Room type)



SOHO (Hello Office)

Property Revitalization & Liquidation Service

- Land rights management business (limited land rights)

Overview of FY12/18 by Segment

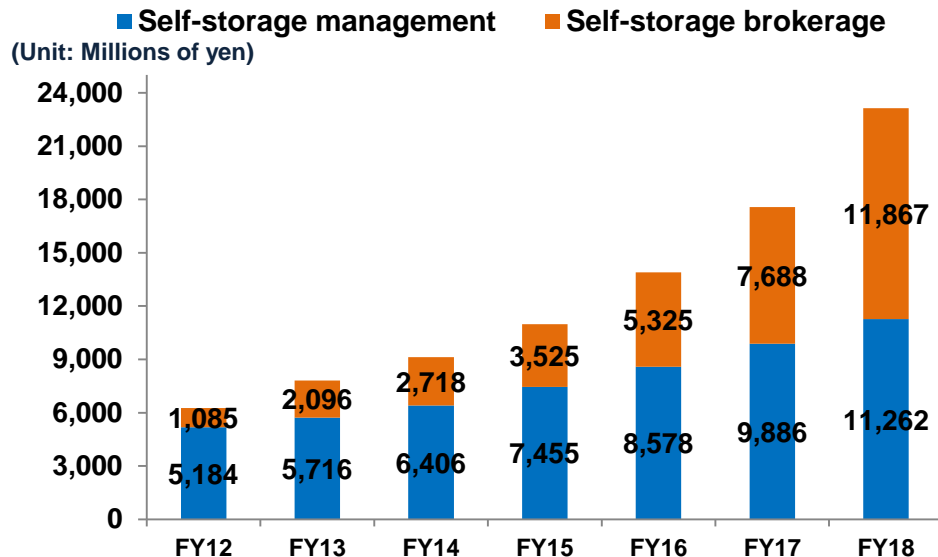
Considerable gains in the self-storage brokerage business and Property Revitalization & Liquidation Service segment, while the self-storage management business posted a revenue increase with earnings decline.

Unit: Millions of yen

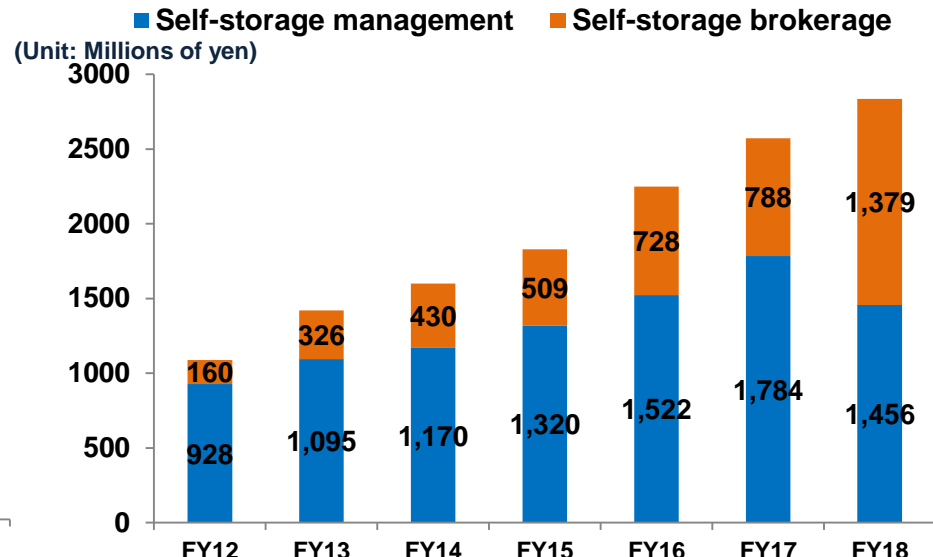
			FY12/17		FY12/18		YoY	
			Actual	Profit margin	Actual	Profit margin	Variance	% Change
	Self-storage management	Net sales	9,886	—	11,262	—	1,376	13.9%
		Gross profit	2,628	26.6%	2,474	22.0%	(154)	—5.9%
		Operating income	1,784	18.0%	1,456	12.9%	(327)	— 18.4%
	Self-storage brokerage	Net sales	7,688	—	11,867	—	4,179	54.4%
		Gross profit	1,692	22.0%	2,379	20.0%	687	40.6%
		Operating income	788	10.3%	1,379	11.6%	591	75.0%
	Other property management service	Net sales	2,044	—	1,998	—	(45)	— 2.2%
		Gross profit	724	35.5%	792	39.6%	67	9.3%
		Operating income	560	27.4%	608	30.5%	48	8.6%
Property Management Service Total	Net sales	19,619	—	25,129	—	5,509	28.1%	
	Gross profit	5,046	25.7%	5,646	22.5%	600	11.9%	
	Operating income	3,133	16.0%	3,445	13.7%	311	9.9%	
Property Revitalization & Liquidation Service	Net sales	1,869	—	3,698	—	1,829	97.8%	
	Gross profit	637	34.1%	1,008	27.3%	371	58.2%	
	Operating income	464	24.8%	650	17.6%	186	40.2%	
Other	Net sales	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	
	Operating income	(1,218)	—	(1,313)	—	(95)	7.9%	
Total	Net sales	21,489	—	28,828	—	7,339	34.2%	
	Gross profit	5,683	26.4%	6,655	23.1%	971	17.1%	
	Operating income	2,379	11.1%	2,782	9.7%	402	16.9%	

Self-Storage Business: Net Sales and Operating Income

Self-Storage Business Net Sales

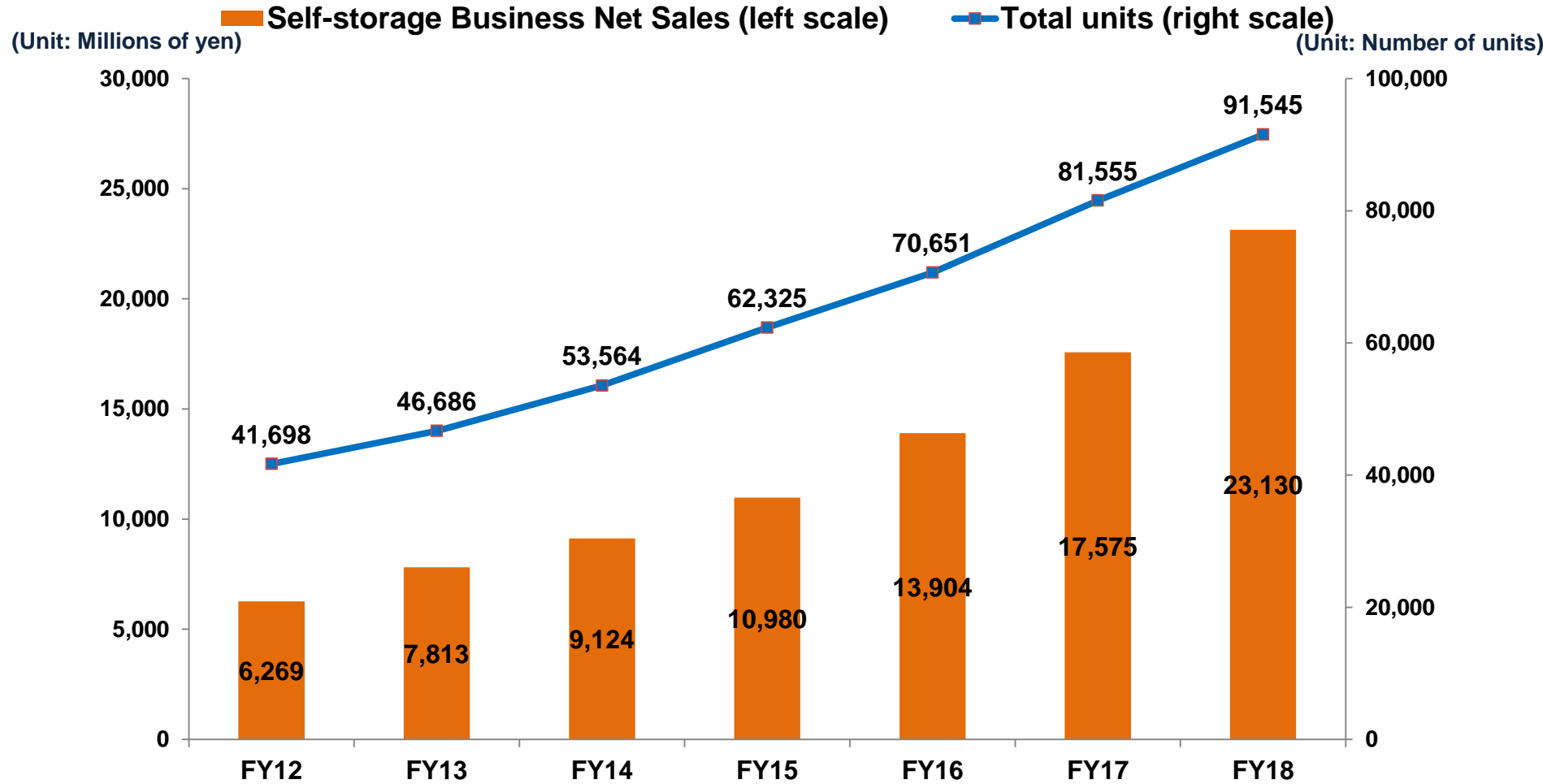


Self-Storage Business Operating Income

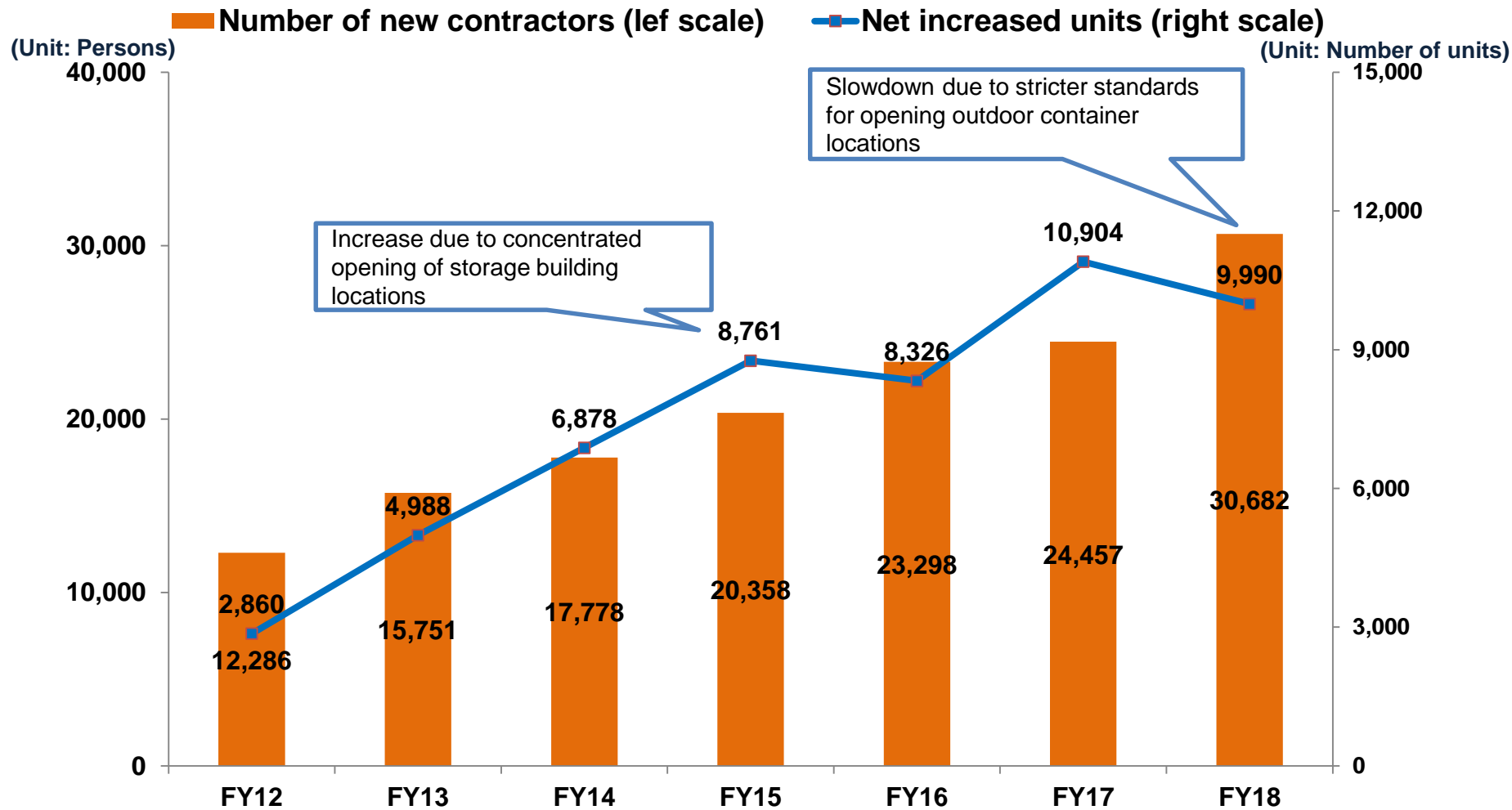


(Millions of yen)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Self-storage management	5,184	5,716	6,406	7,455	8,578	9,886	11,262
Self-storage brokerage	1,085	2,096	2,718	3,525	5,325	7,688	11,867
Self-Storage Business Net Sales	6,269	7,813	9,124	10,980	13,904	17,575	23,130
Self-storage management	928	1,095	1,170	1,320	1,522	1,784	1,456
Self-storage brokerage	160	326	430	509	728	788	1,379
Self-Storage Business Operating Income	1,088	1,421	1,600	1,829	2,251	2,572	2,836

Self-Storage Business Net Sales and Total Units

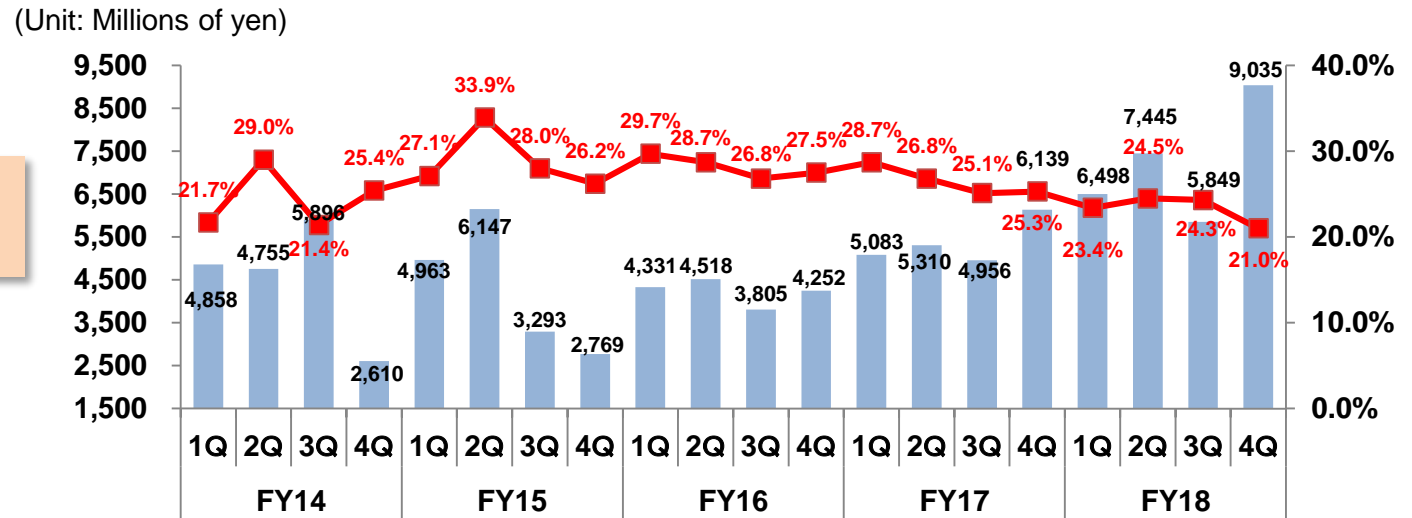


Self-Storage Business Number of New Contractors and Net Increased Units

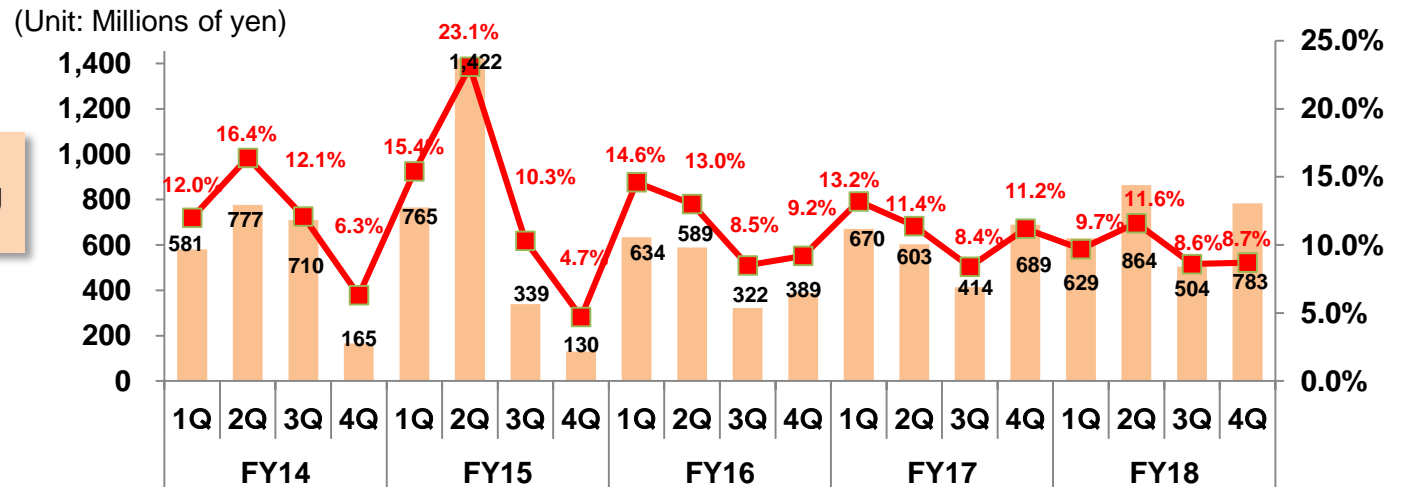


Despite changes in the business environment, sales increased in 4Q.

Trends in net sales and gross profit margin



Trends in operating income and operating income ratio



Ordinary income rose slightly due to an increase in financial expenses.
 Impairment loss recorded for a portion of the self-storage business.

Non-operating income
 Compensation for transfer ¥23 million

Non-operating expenses
 Interest expenses ¥110 million
 Commission fee ¥159 million

Extraordinary income
 Gain on sales of noncurrent assets ¥20 million

Extraordinary loss
 Impairment loss ¥279 million

Unit: Millions of yen

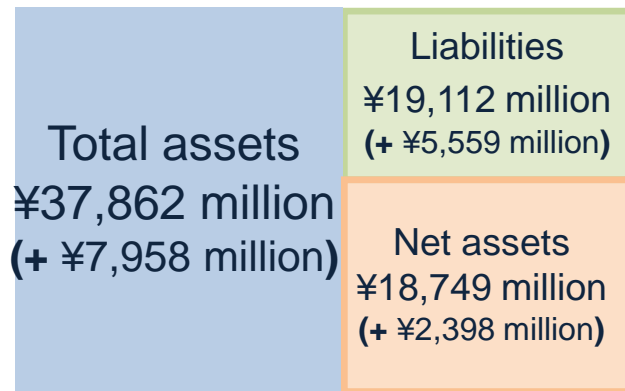
Step income	FY12/17	FY12/18	YoY (%)
Operating income	2,379	2,782	(16.9)
Non-operating income	149	57	(-61.6)
Non-operating expenses	87	302	(246.5)
Ordinary income	2,441	2,536	(3.9)
Extraordinary income	43	23	(-45.7)
Extraordinary loss	162	292	(80.4)
Income before income taxes	2,322	2,267	(-2.4)
Income taxes — current	787	843	(7.1)
Income taxes — deferred	(12)	(386)	(-3101.5)
Net income	1,547	1,810	(17.0)

Sound financial condition maintained

Financial Position

As of December 31, 2018

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

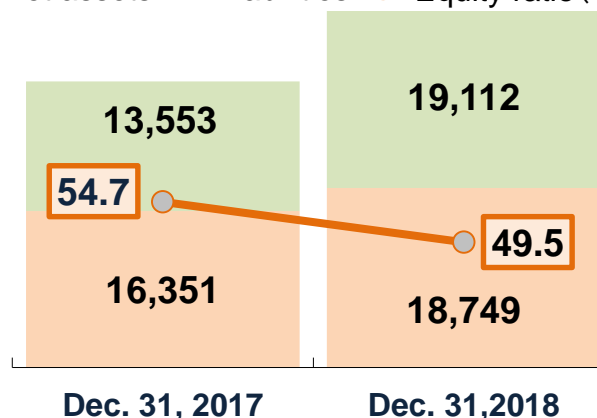


(Millions of yen)	Dec. 31, 2017	Dec. 31, 2018
Current assets	17,532	25,947
Noncurrent assets	12,372	11,914
Total assets	29,904	37,862
Current liabilities	5,691	6,607
Noncurrent liabilities	7,861	12,505
Total liabilities	13,553	19,112
Net assets	16,351	18,749

Liabilities, net assets, equity ratio

(Millions of yen)

Net assets Liabilities Equity ratio (%)



Increase in cash and deposits	¥ 3.08 billion
Increase in real estate for sale	¥ 4.66 billion
Increase in real estate for sale in process	¥ 0.84 billion

Increase in bonds payable	¥ 0.29 billion
Increase in long-term loans payable	¥ 3.98 billion

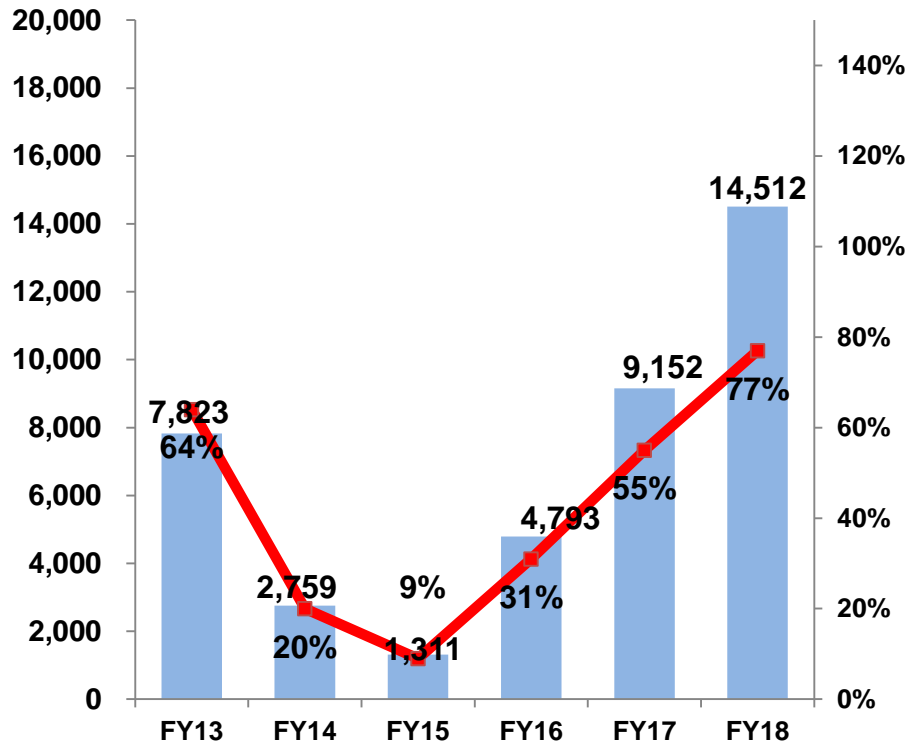
Increase in capital stock stemming from the exercise of share acquisition rights and the issuance of common shares	¥ 0.54 billion
Increase in legal capital surplus	¥ 0.54 billion
Increase in retained earnings	¥ 1.31 billion

Interest-bearing debt increased due to expanded openings of self-storage properties w/land.

Interest-bearing debt and interest-bearing debt ratio

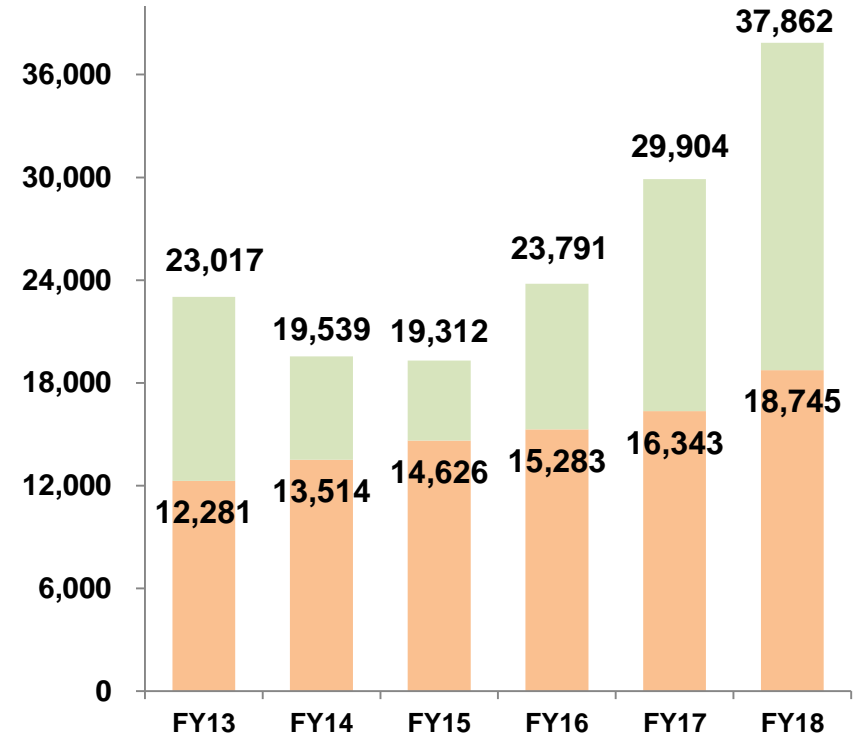
Total capital and shareholders' equity

(Unit: Millions of yen)



(Unit: Millions of yen)

Shareholders' equity



Proceeds from long-term borrowings increased, with upturn in period-end cash and cash equivalents.

Unit: Millions of yen

	FY17	FY18	
Cash flows from operating activities	(2,992)	(2,070)	Increase in inventories ¥(4.28) billion Income taxes paid ¥(0.89) billion Income before income taxes ¥2.27 billion Depreciation ¥ 0.65 billion
Cash flows from investing activities	(1,423)	(484)	Purchase of noncurrent assets ¥(0.30) billion
Cash flows from financing activities	3,854	5,634	Proceeds from long-term loans payable ¥9.43 billion Cash dividends paid ¥(0.49) billion Repayment of long-term loans payable ¥(4.74) billion
Cash and cash equivalents at the end of period	6,594	9,672	

Transition period for stable and continuous growth less susceptible to market conditions

	FY2018		FY2019		YoY	
	Actual	(%)	Forecast	(%)	Variance	(%)
(Millions of yen)						
Net sales	28,828	(100.0)	24,618	(100.0)	(4,209)	— 14.6%
Property Management Service	25,129	—	18,913	—	(6,215)	— 24.7%
Property Revitalization & Liquidation Service	3,698	—	5,705	—	2,006	54.2%
Operating income	2,782	(9.7)	2,194	(8.9)	(587)	— 21.1%
Property Management Service	3,445	—	1,928	—	(1,516)	— 44.0%
Property Revitalization & Liquidation Service	650	—	1,432	—	781	120.0%
Elimination & Corporate	(1,313)	—	(1,165)	—	(148)	— 11.3%
Ordinary income	2,536	(8.8)	2,000	(8.1)	(536)	— 21.2%
Net income	1,810	(6.3)	1,111	(4.5)	698	— 38.6%
Net income per share (yen)	145.5	—	88.0	—	(57.5)	— 39.5%

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

*The figure for net income per share has been calculated based on the number of shares issued and outstanding as of the end of the previous fiscal year.

Payout ratio enhanced, strengthening shareholder returns

Dividends and Payout Ratio

	FY2018	FY2019 (Forecast)
Cash dividends per share	46 yen	40 yen
Payout ratio	31.6%	45.5%

Part- II

Strategic Shift and Basic Policy


Transition period from outdoor containers to self-storage properties w/land

- **Shift in location opening focus from outdoor containers to self-storage properties w/land, increasing the number of self-storage units by 9,990 units, to 91,545 units.**
- **Awareness of self-storage is increasing among users and property owners as non-residential real estate.**
- **Limited land rights business growing, contributing to earnings**

Spring 2018 Bankruptcy of Smart Days, Inc. (“Kabocha no Basha”)

Fall 2018 TATERU Inc.’s falsification of financial documents uncovered

Winter 2018 Inappropriate financing by financial institutions surfaces



Japan’s Financial Services Agency files administrative dispositions, tightens real estate financing to individuals.

- **Decline in real estate prices in overseas developed nations and China**
- **Slowing economic growth in the U.S. and other countries**
- **Potential for extraordinary measures globally in order to sustain economic growth**
- **Harsh outlook for businesses with expanding inventory, such as Japan's residential real estate market**



We should devote capital and talent to non-residential businesses.

Current Status and Issues in 2018 – 2019

- **Downturn in the external business environment, possibility of recession**
- **Possibility that financial institutions will restrict lending**



• Change in the exit strategy for self-storage properties w/land from sales to holding, custom orders, and custom selling.
• Focus on self-storage management.

- ✓ **Shift to a business structure able to generate profit despite the economic conditions (strengthen cumulative business).**
- ✓ **Increase cash holdings so as not to miss opportunities.**

Basic Policy for 2019

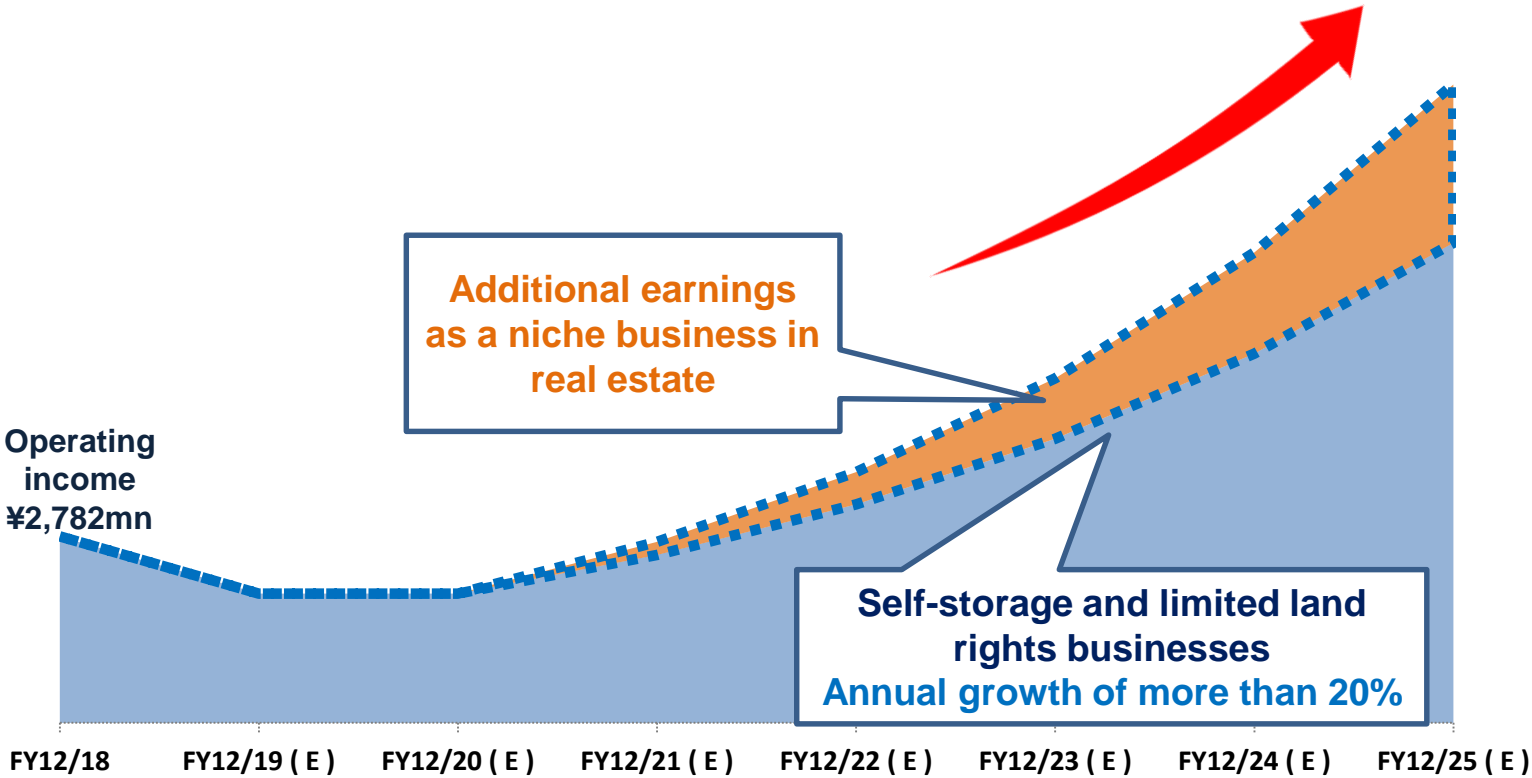
- Secure cash, and prepare for economic downturn**
- **Growing sense of uncertainty around the outlook for buying/selling or construction orders, curtailment**
 - ➔ **Without using “push-style” sales, we will conduct sales at the customer’s request (custom orders and selling), and strengthen product appeal for self-storage.
(Provisional names) Business self-storage, Hobby self-storage**
- **Strengthen businesses with expectations for stable growth, such as sectional ownership of office buildings.**
 - ➔ **Become niche trading company for real estate**
- **Employee mindset**
 - ➔ **Customer first (Enhance customer satisfaction)**
- **Maintain policy for stable growth and dividends**

2020 and beyond

Aim to increase operating income by more than 20% in the self-storage and limited land rights businesses.

We expect that while earnings will be flat n FY12/19 and FY12/20, we will achieve annual growth of more than 20% from FY12/21.

Operating Income Growth Forecast



Advancements in the Real Estate Business Platform

Create new businesses such as custom self-storage (Business Self-storage, Hobby Self-storage (provisional names) etc.), or sectional ownership of office buildings. Achieve stable growth in cumulative business, and niche real estate business.

Illustration of Business self-storage
(Provisional name)



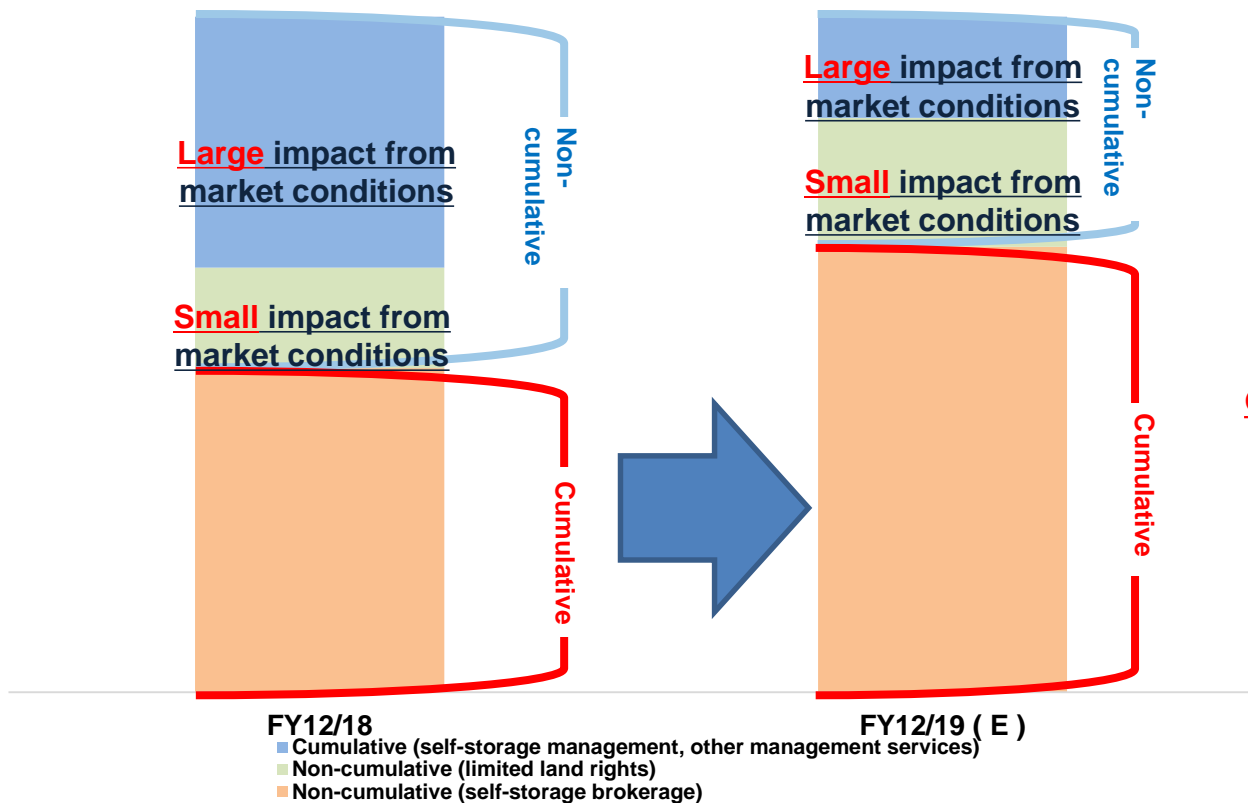
Illustration of Hobby self-storage
(Provisional name)



Outlook for Earnings after the Strategic Shift

- In FY12/19, we will change the exit strategy for self-storage from sales, to **holding, custom orders, and custom selling**.
- The ratio of sales will decline for the non-cumulative self-storage brokerage business, which is high susceptible to market conditions, and increase for cumulative businesses such as self-storage management, for which the impact of market conditions is small.

Net Sales by Segment



Change the exit strategy for self-storage properties w/land

Sift from sales, to **holding, custom orders, and custom selling**

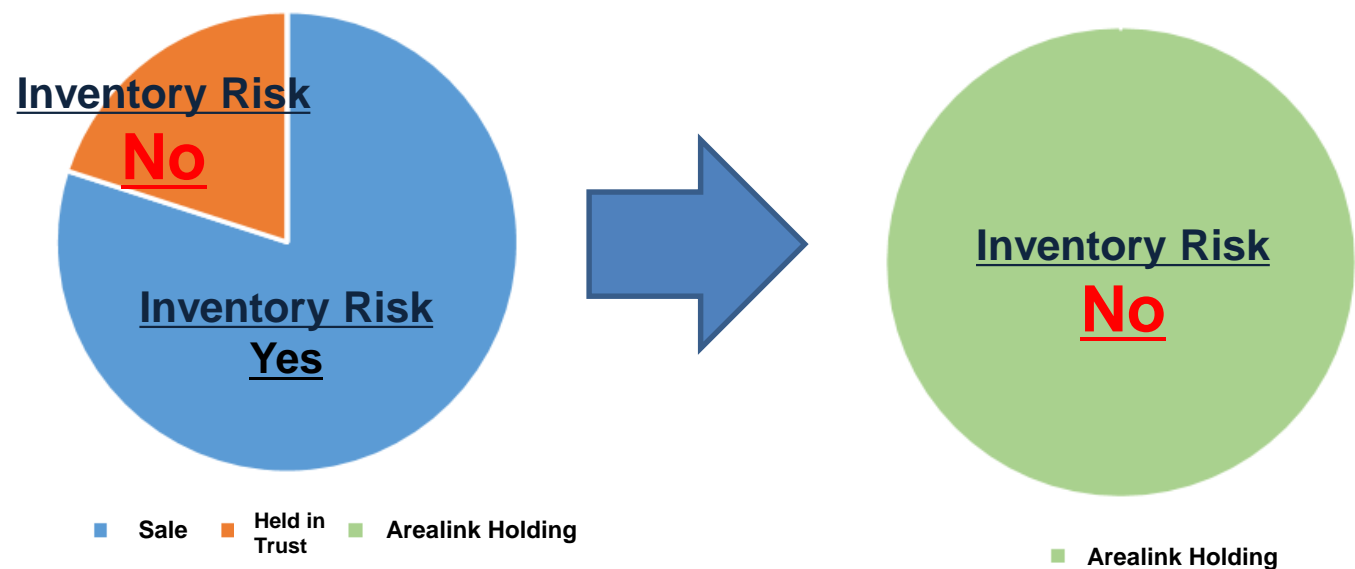
Outlook for Earnings after the Strategic Shift

- Change in self-storage exit strategy will help us avoid the effects of market conditions.
- Shift from sales to holding, custom orders, and custom selling.

Change in Exit Strategy

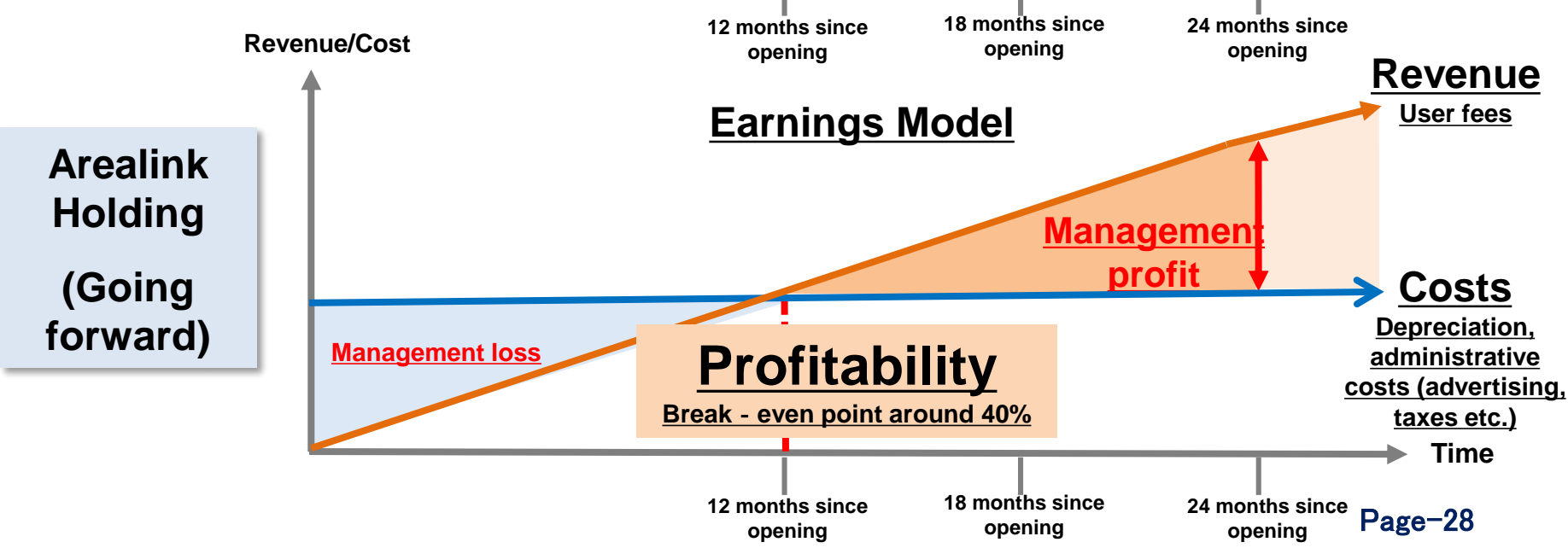
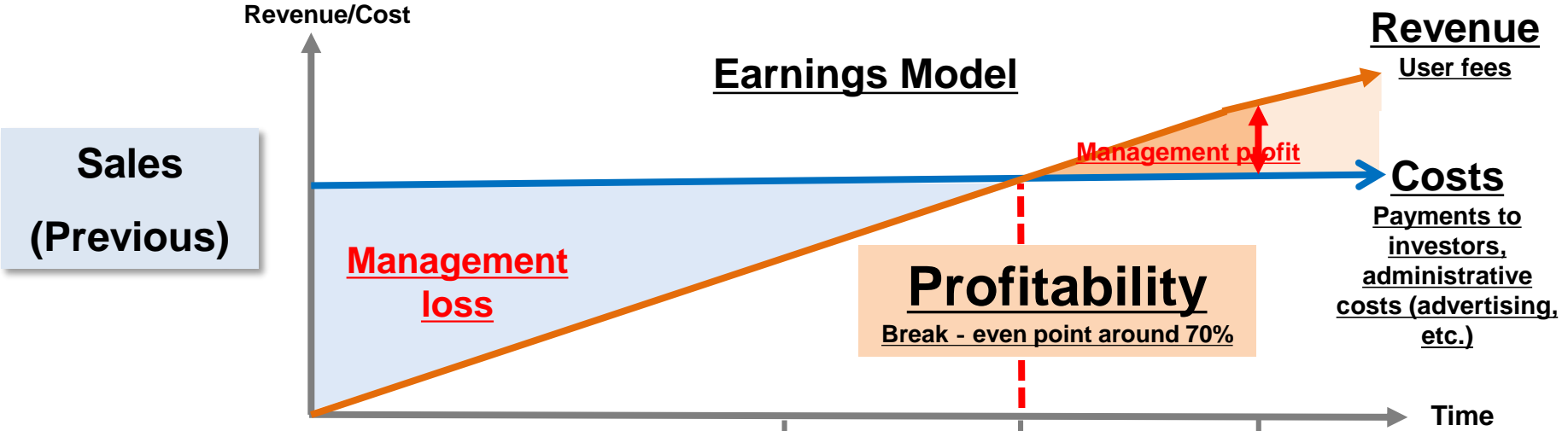
Diversification of Exit Strategies	Selling	Orders	Arealink Holding
Previous ⇒ Future	Sale ⇒ <u>Custom Selling*</u>	Order ⇒ <u>Custom Order*</u>	Non-holding ⇒ <u>100% holding</u>
Inventory Risk	Yes ⇒ No	No	No

* Custom selling and order is self-storage selling and order at the request of the customer.



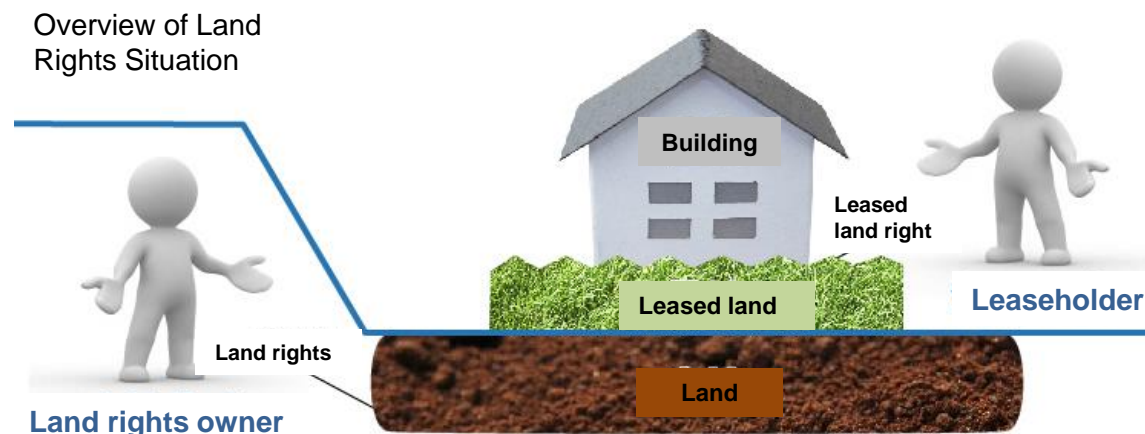
Outlook for Earnings after the Strategic Shift

Increase the ratio of Arealink holdings, aiming to improve earnings for self-storage management.



What are Arealink's advantages and aims in limited land rights business?

- Demand that is not dependent on favorable market conditions, and **stabilization of the business portfolio**.
Rental return of **3% annually**, and **20% gain on sale** (after 1-2 years)
- **High management credibility** makes it easier to purchase land from rights owners.
- Growing to be a business **contributing to earnings**.
- No leading operator in the market, allowing Arealink to utilize its strengths and **become the top company in a niche real estate business**.

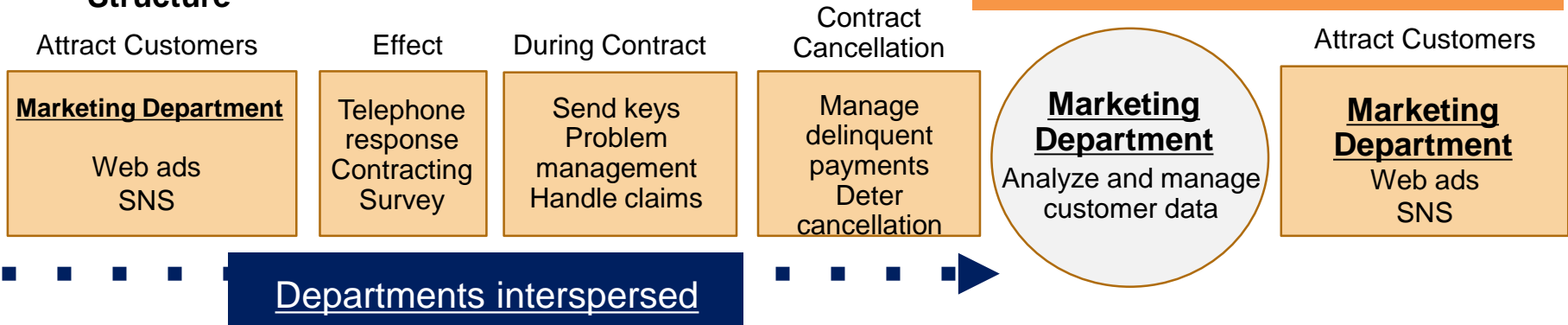


Ensure a Thoroughly “Customer First” Approach

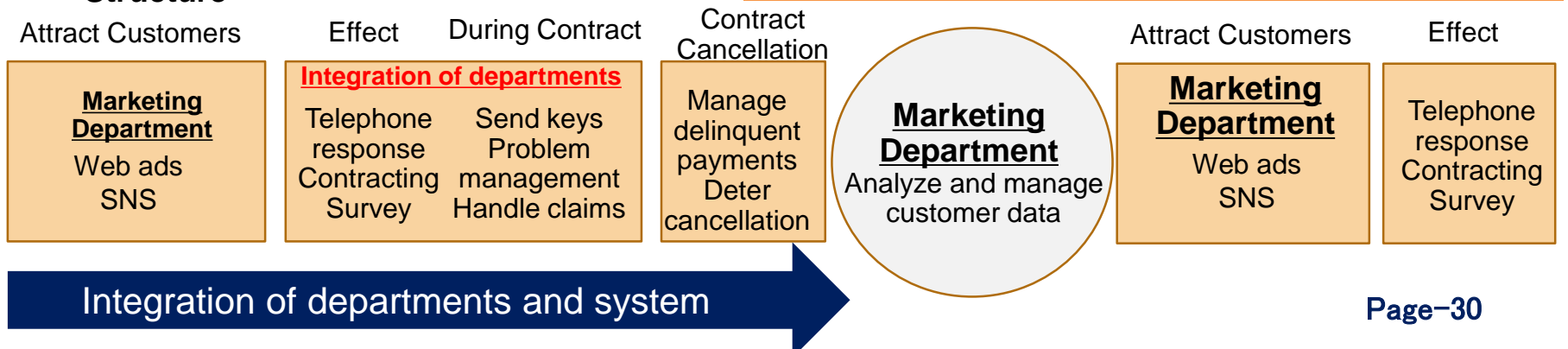
Advancements in Marketing

Integrate systems and department, and shift to a structure able to utilize customer data

Previous Organizational Structure



Current Organizational Structure



Advancements in Marketing

Utilize customer data to improve services and expand customer target

A more easy-to-use service

Pursue latent demand

Wrap advertising on vehicles Enhanced customer support

Negative image of packing away excess stuff

Positive image



Videos with usage examples

Demonstrations at events



Better life with a trunk room

Advancements in Marketing

Arealink has introduced marketing automation, a trouble ticket system, and smart keys, advancing its business through data utilization and operational improvement systems.

- ✓ **Marketing Automation (MA):**
Tools to automate marketing activities, such as encouraging existing customers to renew contracts, or reaching out to those who have cancelled contracts.
- ✓ **Trouble Ticket System:**
An operations improvement system to quantify the speed and quality of the response by departments and individuals in addressing operational issues.
- ✓ **Smart Key:**
Arealink introduced smart keys for Hello Storage, a first in the self-storage industry. The system enhances security and supports marketing.



Real estate is shifting from residential to non-residential. We have three categories to ensure a thoroughly “Customer First” approach

- Level 1: Things customers appreciate
- Level 2: Solving problems for customers
- Level 3: Providing goods and services customers hadn’t considered, exceeding expectations

Level	User Feedback 
1	I stored items that had been taking up space in my house for over a year. The house is much more spacious.
1	I had to move on short notice, and was glad to have a place to store my things temporarily.
1	I like how things can be easily stored and removed.
1	I appreciate that the contract was completed quickly, with good service.
1	Applying online or by email is convenient.
2	I move entire clothes chests as the seasons change. My home’s storage space is alike a walk-in closet.
2	I called in the evening, and the key arrived two days later. That was really helpful.
3	I store seasonal clothing, bedding, and other items I don’t use very often. I set a new rule for myself of getting rid of things I have used for six months.
3	The containers have a neat and clean feel, and being able to drive onto the property is very convenient. The collaboration with Hello Kitty gives it a familiar feel.
3	The units are air conditioned and secure, so I can leave things there with peace of mind. I recommended it to a friend was dealing with a lack of storage space.



Feedback from Property Owners

Secure feeling of site utilization, property management

- I was able to open a location on a site that was difficult to utilize.
- I am able to invest even without owning land.
- Arealink handles the marketing and management, so it doesn’t require my time and effort.
- Self-storage lacks the problems and stress of apartments or parking lots.

Secure feeling as an investment property

- Yields on apartments decline as the property ages, but self-storage provide long-term, stable yields.
- There is a tax reduction benefit (inheritance tax, depreciation).
- The initial facility expenses and repair costs are lower than that of apartments.

Secure feeling of market growth

- Demand for self-storage is rising, and the market is expected to grow.
- Unlike the saturated residential housing market, more widespread use is expected in urban areas with tight living environments and limited storage space.

Part-III
Reference Material

Major Indicators for the Past Six Years

(Unit: Millions of yen)

	FY13	% Change	FY14	% Change	FY15	% Change	FY16	% Change	FY17	% Change	FY18
Net sales	12,256	+47.8%	18,120	(5.2) %	17,173	(1.5) %	16,908	+27.1%	21,489	+34.2%	28,828
Gross profit	3,306	+31.9%	4,360	+16.3%	5,073	(6.0) %	4,771	+19.1%	5,683	+17.1%	6,655
Gross profit margin (%)	26.9	(2.8) pt	24.1	(3.9) pt	29.5	(1.3) pt	28.2	(1.8) pt	26.4	(3.3) pt	23.1
SG&A expenses	1,800	+16.3%	2,125	+13.7%	2,415	+17.4%	2,835	+16.5%	3,303	+17.2%	3,873
Operating income	1,505	+48.5%	2,235	+18.9%	2,657	(27.2) %	1,935	+22.9%	2,379	+16.9%	2,782
Operating income ratio (%)	12.3	+0.0pt	12.3	+2.4pt	15.5	(4.1) pt	11.4	(0.3) pt	11.1	(1.4) pt	9.7
Ordinary income	1,433	+45.6%	2,087	+17.0%	2,442	(19.4) %	1,968	+24.0%	2,441	+3.9%	2,536
Net income	1,346	+14.4%	1,541	+1.0%	1,550	(26.3) %	1,142	+35.4%	1,547	+17.0%	1,810
ROA (%)	6.5	+0.7pt	7.2	+0.8pt	8.0	(2.7) pt	5.3	+0.5pt	5.8	(0.5) pt	5.3
ROE (%)	11.6	+0.4pt	11.9	(0.8) pt	11.0	(0.4) pt	7.6	+2.2pt	9.8	+0.5pt	10.3
Interest-bearing debt	7,837	(35.1) %	2,759	(52.5) %	1,311	+265.6%	4,793	+90.9%	9,152	+58.6%	14,512
Total assets	23,017	(15.1) %	19,539	(1.2) %	19,312	+23.2%	23,791	+25.7%	29,904	+26.6%	37,862
Net assets	12,282	+10.0%	13,514	+8.3%	14,626	+4.5%	15,283	+7.0%	16,351	+14.7%	18,749
Shareholders' equity ratio (%)	53.4	+15.8pt	69.2	+6.6pt	75.7	+6.6pt	64.2	(9.5) pt	54.7	(5.2) pt	49.5
Net income per share* (Yen)	109.7	+14.4%	125.5	+1.0%	126.3	(26.3) %	93.06	+35.5%	126.08	+15.4%	145.47
Net assets per share *(Yen)	1,000.5	+10.0%	1,100.9	+5.7%	1,191.4	+4.5%	1,245.09	+7.1%	1,332.88	+11.4%	1,484.44
Number of employees	98	+8.2%	106	+16.0%	123	+1.6%	125	(20.8)%	99	(5.1)%	94

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.

Profit Margin by Segment (FY12/18 Quarterly)

Unit: Millions of yen

			FY17 (full year)	FY18				
			Cumulative	1Q	2Q	3Q	4Q	Cumulative
	Self-storage management	Net sales	9,886	2,658	2,777	2,879	3,013	11,328
		Gross profit	2,628	631	628	674	552	2,486
		Operating income	1,784	391	382	387	305	1,466
	Self-storage brokerage	Net sales	7,688	2,682	3,261	1,739	4,184	11,867
		Gross profit	1,692	549	693	374	762	2,379
		Operating income	788	314	459	166	439	1,379
	Other property management service	Net sales	2,044	478	498	478	478	1,933
		Gross profit	724	189	209	187	194	780
		Operating income	560	146	161	140	150	598
Property Management Service Total		Net sales	19,619	5,819	6,536	5,097	7,676	25,129
		Gross profit	5,046	1,369	1,531	1,236	1,509	5,646
		Operating income	3,133	852	1,002	694	895	3,445
Property Revitalization & Liquidation Service		Net sales	1,869	678	909	751	1,358	3,698
		Gross profit	637	149	289	185	383	1,008
		Operating income	464	101	196	127	224	650
Other		Net sales	—	0	0	0	0	0
		Gross profit	—	0	0	0	0	0
		Operating income	(1,218)	(324)	(335)	(317)	(336)	(1,313)
Total		Net sales	21,489	6,498	7,445	5,849	9,035	28,828
		Gross profit	5,683	1,519	1,820	1,421	1,893	6,655
		Operating income	2,379	629	864	504	783	2,782



Hello Storage Oyata Part 2



Hello Storage Oyata Part 3



Cars can be parked alongside units



Properties fully equipped with movable staircases



Emphasis on security

Examples of Self-storage Properties / Asset indoor-type self-storage



Trunk House 24 Setagaya Kinuta



Trunk House 24 Nerima Sekimachi



Ample large storage spaces



Fully equipped with elevators and security



Hand washing area

Examples of U.S. Property Holdings

Owned properties consigned to U.S. self-storage REIT, CubeSmart



Property managed by CubeSmart

Phase II construction project completed, increase of 120 units



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))

Aerial photograph



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

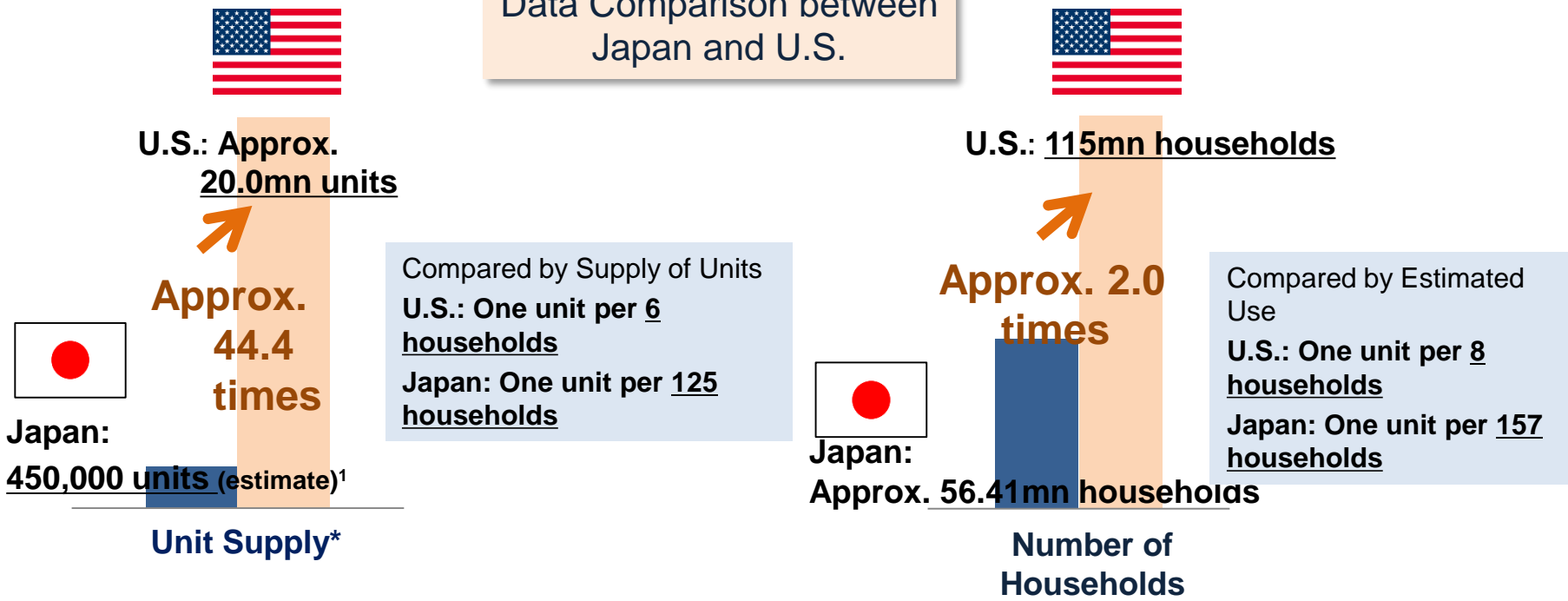


View of premises

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.

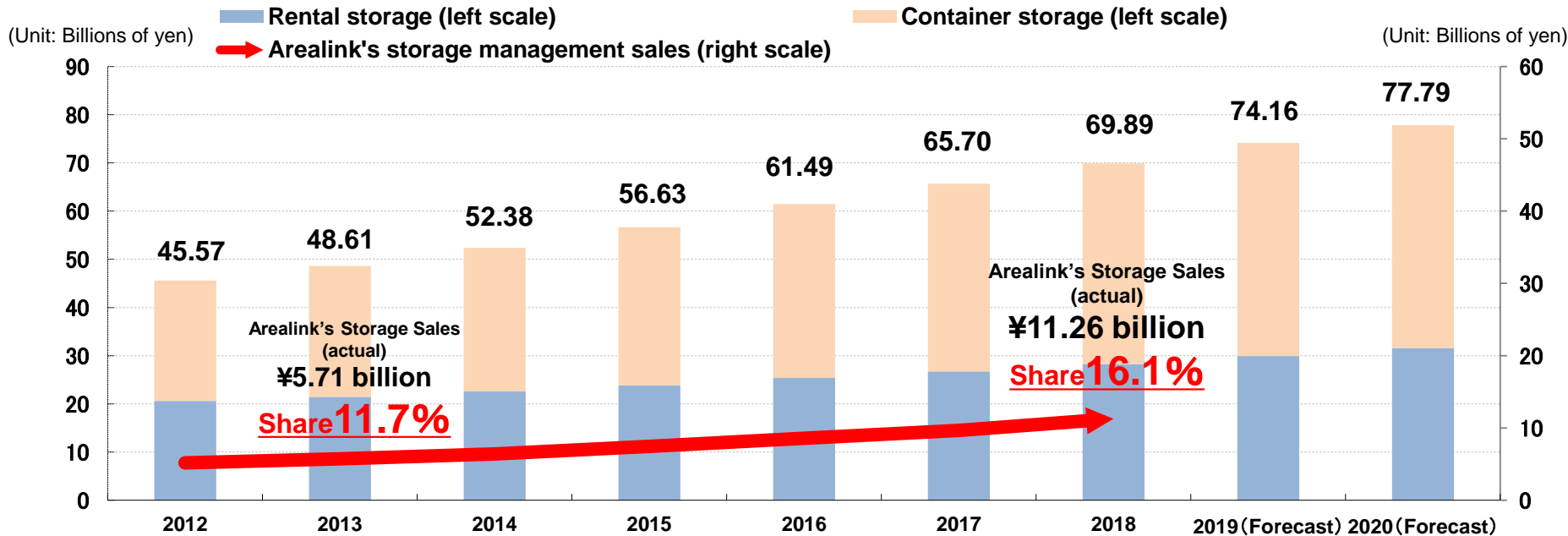
Note 1: Number of units for rental storage space, as opposed to the warehouse industry

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 16.1%.

- Scale of the Japanese self-storage market (2018 estimate) ¥69.89 billion
 - Arealink's self-storage net sales (2018 actual) ¥11.26 billion
- *Storage management sales
- Arealink's market share (net sales) 15.6% (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)

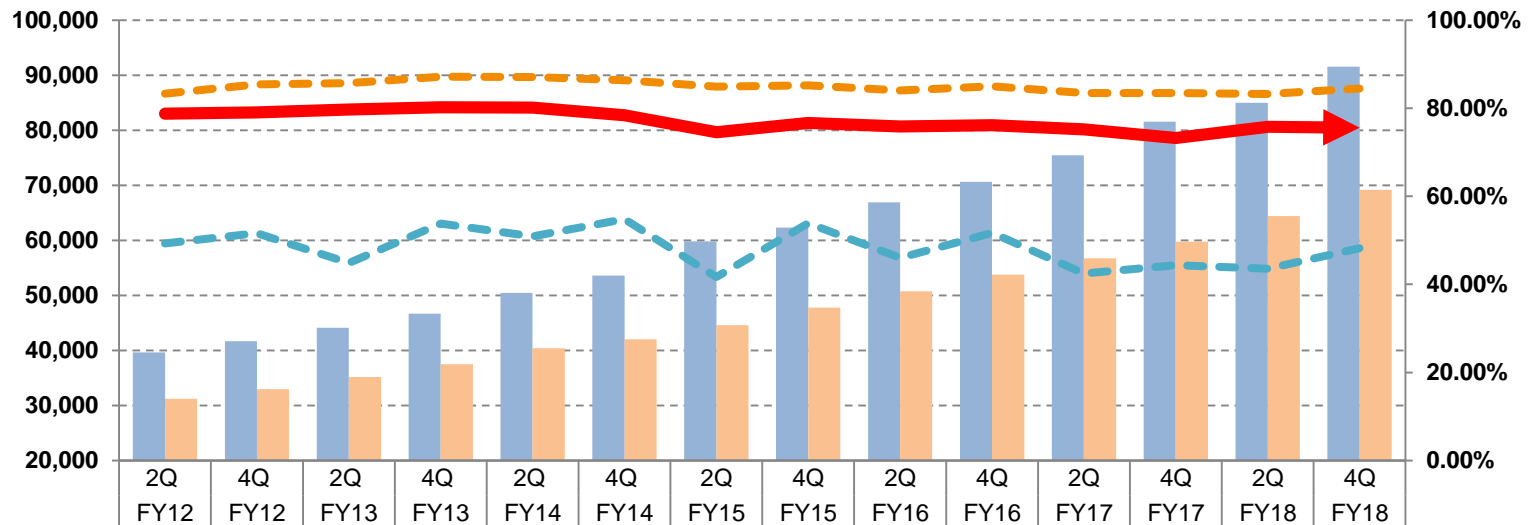
Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

Storage Business : Total Units, Units in Use, and Utilization Rate

Utilization rate remains high in the long term as a result of accelerated location openings and effective marketing.

Total Units, Units in Use, and Utilization Rate

(Unit: Number of units)



Total Units	39,614	41,698	44,138	46,686	50,422	53,564	59,802	62,325	66,923	70,651	75,440	81,555	85,005	91,545
Units in Use	31,188	32,968	35,177	37,499	40,407	42,009	44,603	47,796	50,739	53,786	56,742	59,748	64,432	69,169
Utilization Rate (%)	78.73%	79.06%	79.70%	80.22%	80.14%	78.43%	74.58%	76.69%	75.82%	76.13%	75.21%	73.26%	75.80%	75.56%
Existing Utilization Rate (%)	83.34%	85.41%	85.73%	87.15%	87.06%	86.36%	84.90%	85.19%	84.03%	84.97%	83.45%	83.48%	83.24%	84.46%
New Utilization Rate (%)	49.30%	51.61%	44.86%	53.77%	50.90%	54.85%	41.63%	53.84%	46.04%	51.69%	42.43%	44.36%	43.57%	48.20%

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

New: Units after less than two years since they opened

New for FY 2018: Newly opened in 2017 and 2018

Advantages of early market entry and business scale create favorable market environment

■ Self-storage Business Characteristics

- Reaching the break - even point for profitability takes longer than for residential properties.

➔ High barriers to entry for companies newly entering the market

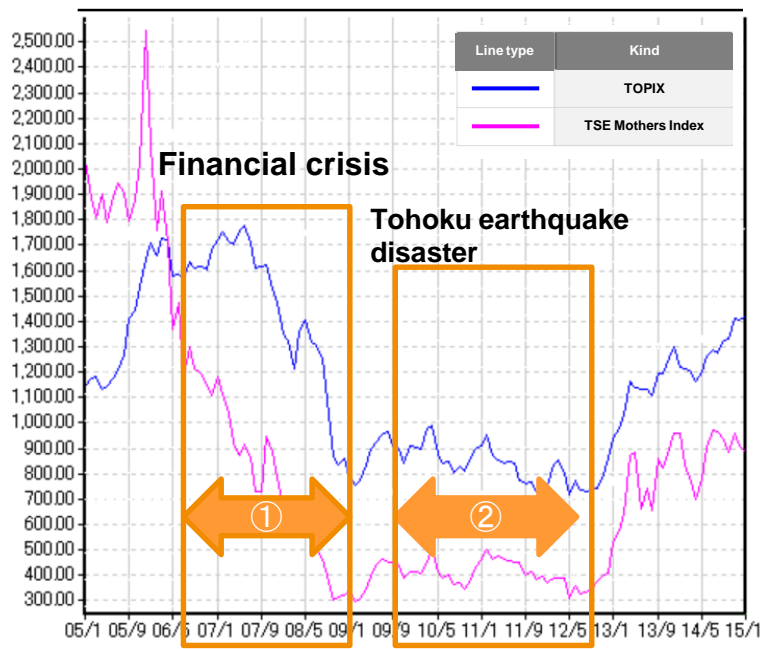
■ Arealink's Strengths

- Stable earnings due to greatest number of units in Japan
- Able to open locations in urban residential areas faster than competitors

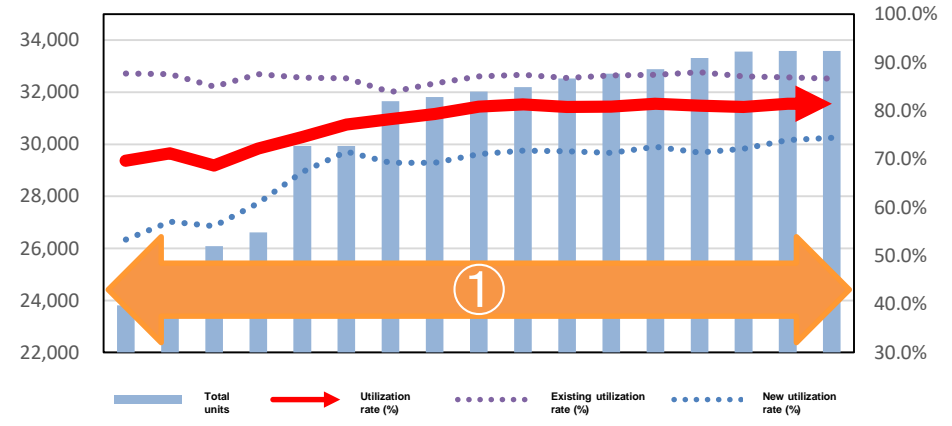
➔ Aim to gain a 50% share of the Japanese market

Utilization rates remained stable even during periods of market fluctuation, such as the financial crisis and Tohoku earthquake disaster.

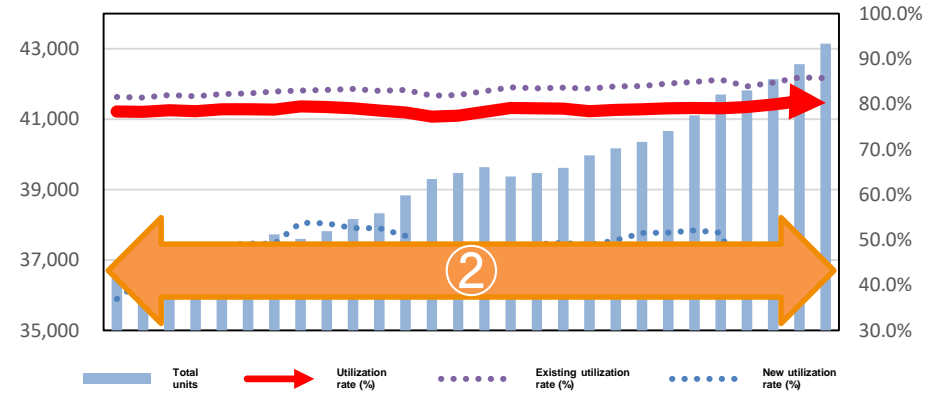
TOPIX & TSE Mothers Index 10-Year Period (Jan 2005 – Jan 2015)



① Financial Crisis (Jan 2007 – Nov 2008)

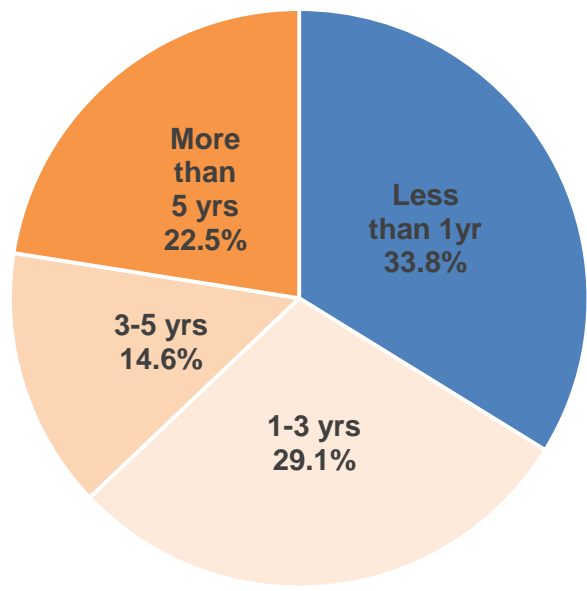


② Tohoku earthquake disaster (Jan 2011 – Apr 2013)



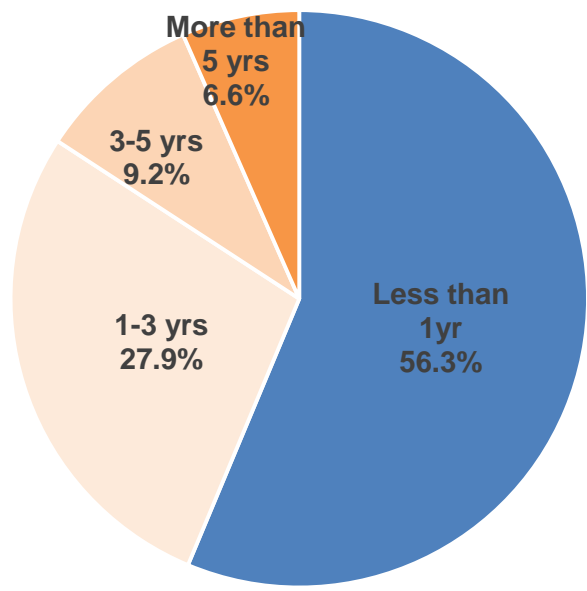
- Average usage period for current contract customers is 39 months (at December 2018).
- Average usage period for customers who have terminated contracts is 19 months (2018 result).
- Average monthly usage fee is ¥13,890 for a container type, and ¥5,289 for trunk type.

Breakdown of usage period for current contract customers



* Analysis of customers with contracts at December 2018

Breakdown of usage period for customers who terminated contracts

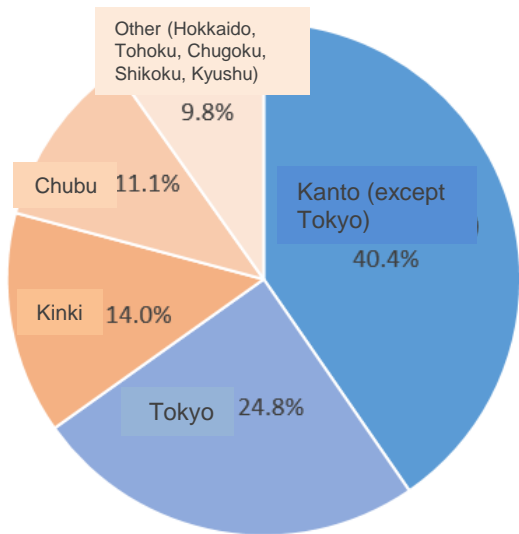


* Analysis of customers who terminated contracts in 2018

Storage Business: Openings by Region

Prefecture	Containers	Storage Rooms	Total	Proportion of Total
Hokkaido	999	490	1,489	1.6%
Aomori	0	0	0	0.0%
Iwate	0	0	0	0.0%
Miyagi	1,682	0	1,682	1.8%
Akita	0	0	0	0.0%
Yamagata	0	0	0	0.0%
Fukushima	56	0	56	0.1%
Ibaraki	786	0	786	0.9%
Tochigi	207	0	207	0.2%
Gunma	337	0	337	0.4%
Saitama	8,449	1,994	10,443	11.4%
Chiba	9,831	1,297	11,128	12.2%
Tokyo	17,114	12,511	29,625	32.4%
Kanagawa	8,336	3,737	12,073	13.2%
Niigata	92	0	92	0.1%
Toyama	143	0	143	0.2%
Ishikawa	204	0	204	0.2%
Fukui	90	0	90	0.1%
Yamanashi	118	0	118	0.1%
Nagano	237	0	237	0.3%
Gifu	621	0	621	0.7%
Shizuoka	1,275	0	1,275	1.4%
Aichi	4,858	1,045	5,903	6.4%
Mie	378	50	428	0.5%
Shiga	154	0	154	0.2%
Kyoto	1,146	152	1,298	1.4%
Osaka	3,839	1,043	4,882	5.3%
Hyogo	3,583	106	3,689	4.0%
Nara	567	0	567	0.6%
Wakayama	27	0	27	0.0%
Tottori	32	0	32	0.0%
Shimane	0	0	0	0.0%
Okayama	218	0	218	0.2%
Hiroshima	312	0	312	0.3%
Yamaguchi	0	0	0	0.0%
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	1,827	0	1,827	2.0%
Saga	79	0	79	0.1%
Nagasaki	118	0	118	0.1%
Kumamoto	402	0	402	0.4%
Oita	106	0	106	0.1%
Miyazaki	100	0	100	0.1%

Container As of December 31, 2018



Storage rooms As of December 31, 2018

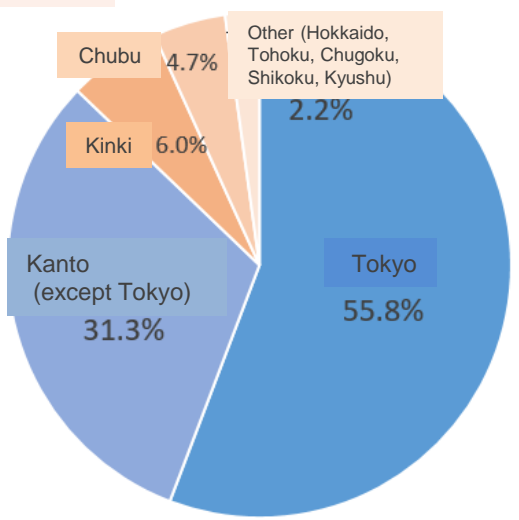


Image for the Company

What is a “future-oriented ideal company?”

- **Steady progress toward target of ¥100 million in ordinary income per employee**
- **Global business development with management that combines the rational approach of Europe/U.S. with the attention to detail of Japan**



Long-term Vision: No.1 Share of Japan's Self-Storage Market

**Business Model
No.1 in the Growth
Market**

Strengthen capabilities in the growing self-storage business, and achieve the No. 1 market share

- **Expand business for self-storage facilities w/land, and continue location openings for outdoor containers, and increase our market share in Japan.**

Asset indoor-type self-storage



Outdoor container-type self-storage

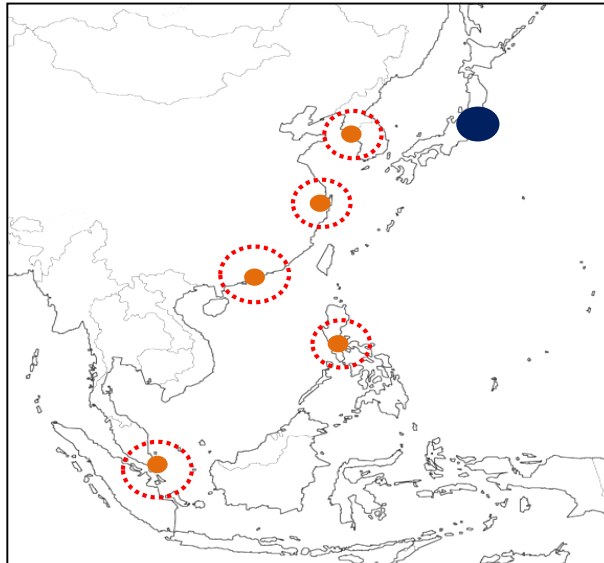


New Expansion of the Self-Storage Business

- **B2C: Expand market share in Japan, and open locations in other areas of Asia**
- **B2B: Cooperation with different business types, such as logistics companies and retailers**

B2C: Location openings in Asia

B2B: Cooperation with other companies



Cooperation with PUDO Station (residential package lockers)



Hello Storage Misato Part 3



Hello Storage Misato Kanamachi Part 44

Pursue cooperation with different business types, including logistics, railroads, and retailers.

**Human Resources
Personnel
development**

Doctrine of “small but highly capable workforce,” focusing on practical and creative work

➤ **“Arealink Master”**

System aimed at shifting a structure where employees consider problems and find solutions on their own

➤ **Overnight training sessions**

➤ **Advance outside contracting, and effectively utilize the capabilities of at-home and part-time employees**

**Management
Organization and
businesses**

**Develop a more muscular
corporate culture**

- **Enhanced operational efficiency aimed at results**
⇒ Utilization of Salesforce, G Suite, RPA
- **Prepared to handle the worst market conditions**
⇒ Arealink Reform Project 3
Panic countermeasures, cost improvement, no labor/paperless

- **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**



大田区 エリアリンク株式会社
屋外コンテナタイプ倉庫の提供に関する協定
締結式

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

- Blankets
- Carpets
- Other items

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

➤ Promoting working style reforms

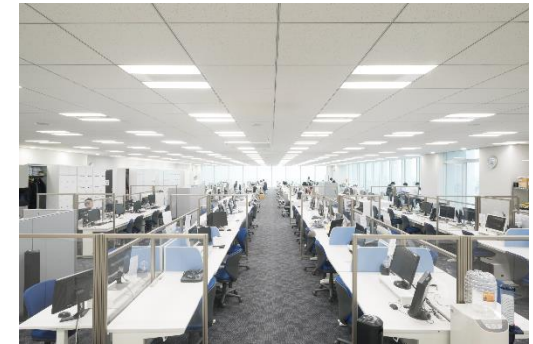
- Head office relocation
- Aim for change to brainwork-type work style



Entrance/Reception



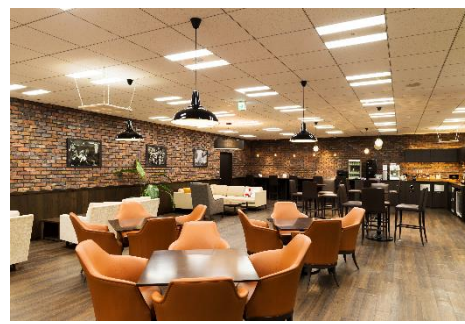
Café



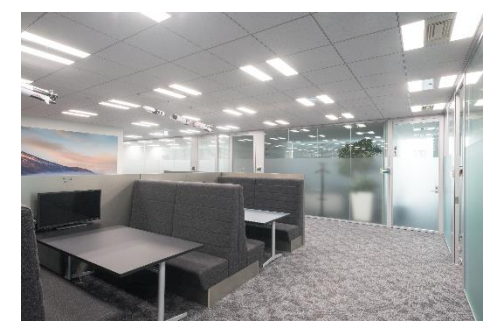
Office



Lounge (for exclusive use by managers)



Lounge (for exclusive use by managers)



Office

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

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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