

We supply the best use of space.

## Results Briefing

First Quarter, Fiscal Year Ending  
December 2019

May 10, 2019

Exciting Company



Hello Storage (Outdoor container type)



Hello Storage ( indoor-type w/Parking lots)  
\*Self-storage Properties w/Land

**Part- I . Summary of FY12/19 1Q and  
FY12/19 Earnings Outlook**

**Part- II . Basic Policy and Main Measures**

**Part-III. Reference Material**

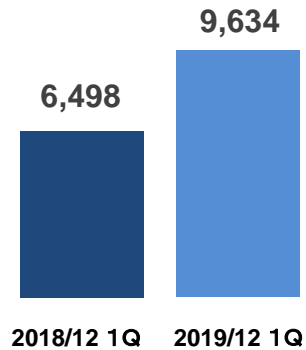
## **Part- I**

# **Summary of FY12/19 1Q and FY12/19 Earnings Outlook**

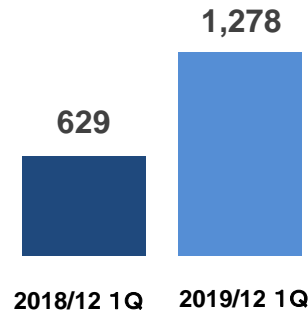
**Net sales increased 48.3% from FY12/18 1Q, while operating income doubled.**

Unit: Millions of yen

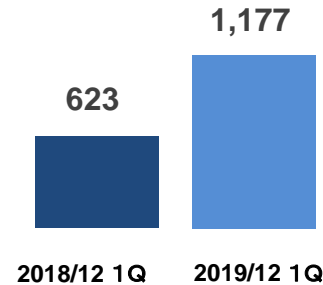
**Net sales**  
YoY **+48.3%**



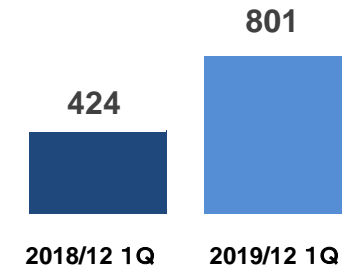
**Operating income**  
YoY **+103.1%**



**Ordinary income**  
YoY **+88.9%**



**Net income**  
YoY **+89.0%**



(Millions of yen)	FY12/18 1Q		FY12/19 1Q		YoY	
	Actual	(%)	Actual	(%)	Variance	% Change
Net sales	6,498	(100.0)	9,634	(100.0)	3,136	48.3%
Cost of sales	4,978	(76.6)	7,395	(76.8)	2,417	48.5%
Gross profit	1,519	(23.4)	2,238	(23.2)	719	47.3%
SG&A expenses	889	(13.7)	959	(10.0)	69	7.9%
Operating income	629	(9.7)	1,278	(13.3)	649	103.1%
Ordinary income	623	(9.6)	1,177	(12.2)	554	88.9%
Net income	424	(6.5)	801	(8.3)	377	89.0%

# Overview of FY12/19 1Q by Segment

**Property Management Service: Increase sales and decrease profits**

**Property Revitalization & Liquidation Service: Significant gains in revenue and earnings**

Unit: Millions of yen

			FY12/18 1Q		FY12/19 1Q		YoY	
			Actual	Profit margin	Actual	Profit margin	Variance	% Change
	Self-storage management	Net sales	2,643	—	3,100	—	456	17.3%
		Gross profit	629	23.8%	665	21.5%	36	5.8%
		Operating income	389	14.7%	413	13.3%	24	6.3%
	Self-storage brokerage	Net sales	2,682	—	3,688		1,006	37.5%
		Gross profit	549	20.5%	507	13.8%	(42)	−7.7%
		Operating income	314	11.7%	260	7.1%	(54)	−17.3%
	Other property management service	Net sales	493	—	481		(11)	−2.4%
		Gross profit	190	38.7%	188	39.2%	(2)	−1.1%
		Operating income	148	30.0%	152	31.6%	3	2.6%
<b>Property Management Service Segment Total</b>	Net sales	5,819	—	7,270		1,451	24.9%	
	Gross profit	1,369	23.5%	1,361	18.7%	(7)	−0.6%	
	Operating income	852	14.6%	826	11.4%	(26)	−3.1%	
<b>Property Revitalization &amp; Liquidation Service Segment Total</b>	Net sales	678	—	2,363		1,685	248.2%	
	Gross profit	149	22.1%	876	37.1%	726	485.5%	
	Operating income	101	15.0%	777	32.9%	675	662.9%	
<b>Management Division Expenses</b>	Net sales	—	—	—	—	—	—	
	Gross profit	—	—	—	—	—	—	
	Operating income	(324)	—	(324)	—	0	0.0%	
<b>Total for All Businesses</b>	Net sales	6,498	—	9,634	—	3,136	48.3%	
	Gross profit	1,519	23.4%	2,238	23.2%	719	47.3%	
	Operating income	629	9.7%	1,278	13.3%	649	103.1%	

The self-storage management business posted gains in revenue and earnings, but profitability declined in the self-storage brokerage business, resulting in a revenue increase with earnings decrease for the segment overall.

- Total number of self-storage units increased to **92,328 units** (+**783 units** from end-FY12/18; +**9,630 units** from end-March 2018)
- Self-storage utilization rate improved 0.8 ppt (75.21% at end-March 2018 → **76.05%** at end-March 2019)
- Self-storage management: We **achieved** sales and earnings **targets**, resulting in **revenue and earnings gains**. The main factor for the downturn in profitability is the increased pace of location openings in recent years, but going forward we expect earnings to improve over the medium term as profitability rises.
- Self-storage brokerage: We **easily met targets** for sales and earnings, but **profitability declined**. This was because of the accelerated sale of certain self-storage properties with accompanying land, in accordance with a shift in management policy in anticipation of a downturn in market conditions.

The segment posted considerable gains in revenue and earnings on positive results in the land rights management business, and the sale of held properties.

- Land rights management business (limited land rights): We **achieved** sales and earnings **targets**. **Net sales roughly doubled** compared to the same period of the previous fiscal year, and **earnings rose substantially**, contributing to overall results.
- We are strengthening the structure for the limited land rights business to make it **a core business**, and are aiming for **rapid growth**.
- The sale of held property (Kanda Kyodo Building, sale amount around ¥1.4bn with profit of around ¥0.6bn) resulted in a considerable increase in net sales and operating income from the same period of the previous fiscal year.

# 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)

\*Self-storage properties with accompanying land

## Property Revitalization & Liquidation Service

- Land rights management business (limited land rights) Refer to page 18

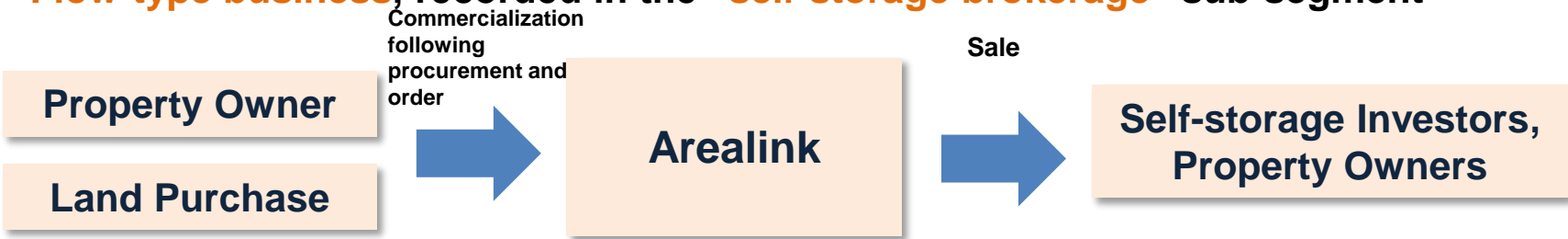


# Business Segments – Self-storage Business Model

## Property Management Service

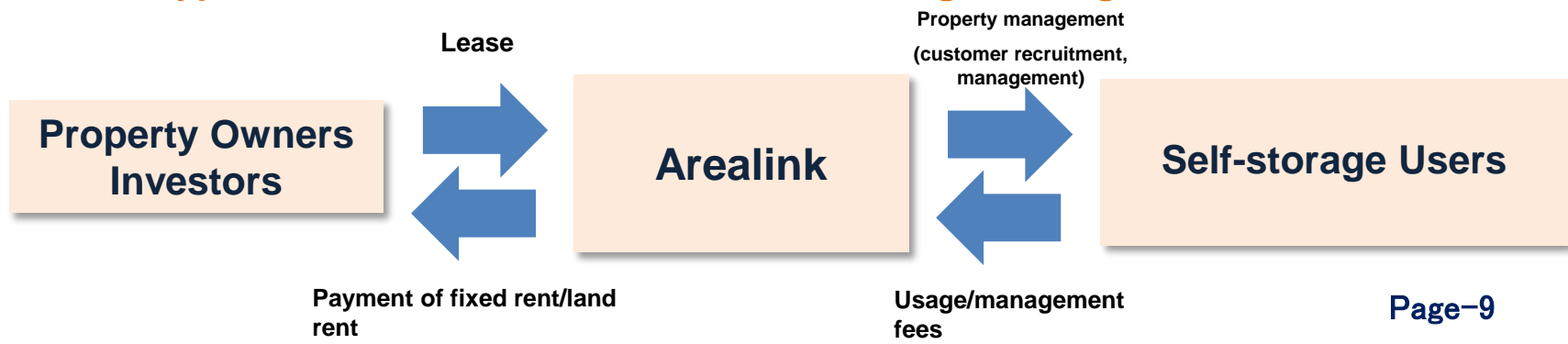
(1) Orders for and openings of Hello Storage locations, orders for and sales of self-storage locations with accompanying land

**Flow-type business**, recorded in the “**self-storage brokerage**” sub-segment



(2) Hello Storage Property Management (customer recruitment and management)

**Stock-type business**, recorded in the “**self-storage management**” sub-section.

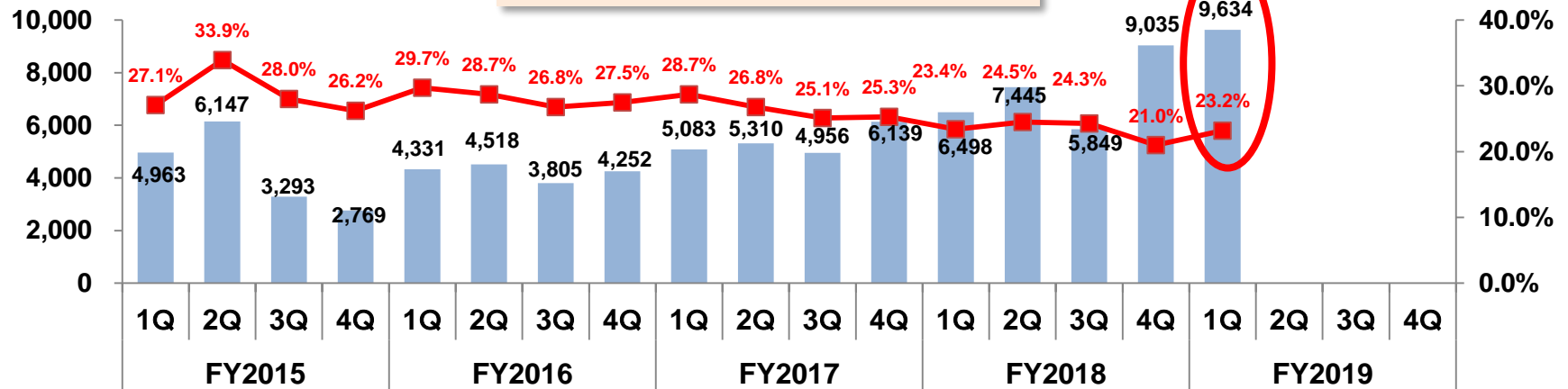


# Breakdown of Non-Operating and Extraordinary Profit and Loss

## Record high quarterly net sales and operating income

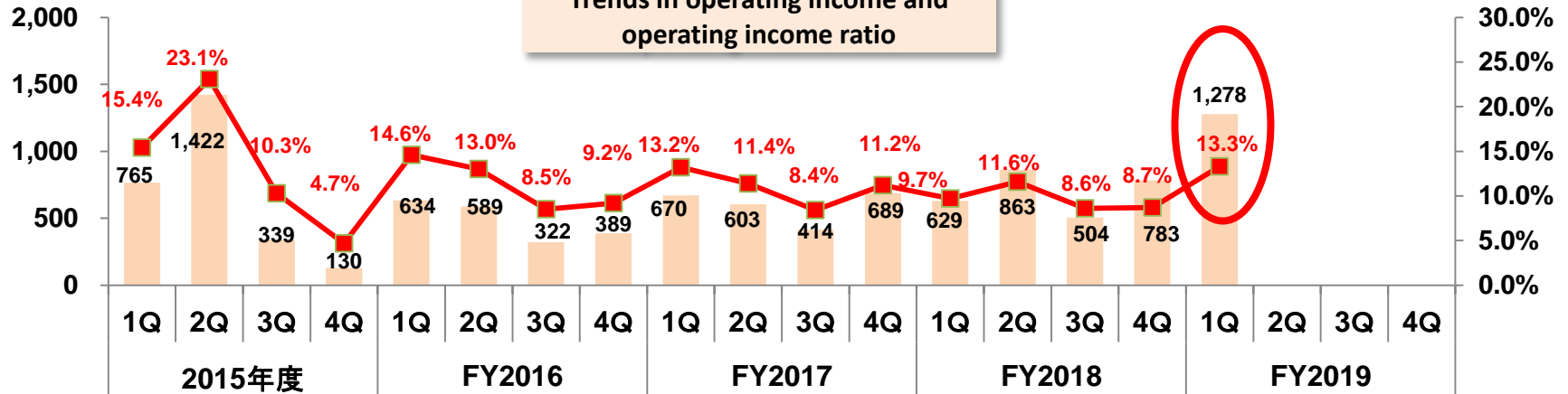
Unit: Millions of yen

Trends in net sales and gross profit margin



Unit: Millions of yen

Trends in operating income and operating income ratio



Commission fee increased following the switch to long-term debt

### Non-operating expenses

Interest expenses      ¥31 million  
 Commission fee        ¥70 million

### Extraordinary income

Gain on sales of noncurrent assets      ¥4 million

### Extraordinary loss

Loss on retirement of non-current assets      ¥1 million

Unit: Millions of yen

Step income	FY12/18 1Q	FY12/19 1Q	YoY (%)
Operating income	629	1,278	(103.1)
Non-operating income	30	9	(-68.7)
Non-operating expenses	36	110	(202.0)
Ordinary income	623	1,177	(88.9)
Extraordinary income	10	4	(-59.0)
Extraordinary loss	3	1	(-40.9)
Income before income taxes	631	1,180	(87.0)
Income taxes — current	169	1,147	(577.8)
Income taxes — deferred	37	(768)	—
Net income	424	801	(89.0%)

## Steady progress with switch to long-term debt and cash retention

### Financial Position

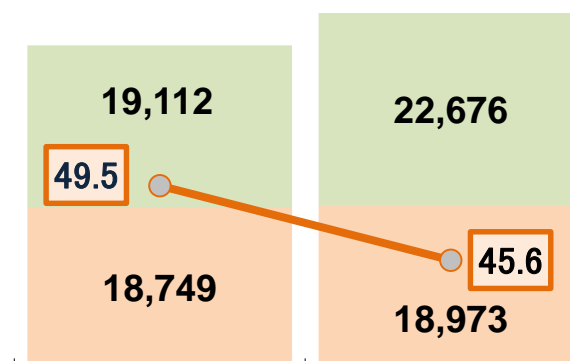
As of March 31, 2019

\*Figures in parentheses indicate changes from the end of December 31, 2018.

<b>Total assets</b> ¥41,650 million (+ ¥3,788 million)	<b>Liabilities</b> ¥22,676 million (+ ¥3,564 million)
	<b>Net assets</b> ¥18,973 million (+ ¥224 million)

### Liabilities, net assets, equity ratio

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



Dec. 31, 2018

Mar. 31, 2019

(Millions of yen)	Dec. 31, 2018	Mar. 31, 2019
<b>Current assets</b>	<b>25,840</b>	<b>26,136</b>
<b>Noncurrent assets</b>	<b>12,022</b>	<b>15,513</b>
<b>Total assets</b>	<b>37,862</b>	<b>41,650</b>
<b>Current liabilities</b>	<b>6,607</b>	<b>6,817</b>
<b>Noncurrent liabilities</b>	<b>12,505</b>	<b>15,859</b>
<b>Total liabilities</b>	<b>19,112</b>	<b>22,676</b>
<b>Net assets</b>	<b>18,749</b>	<b>18,973</b>

Cash and deposits	+¥ 3.00 billion
Lease assets	+¥ 2.51 billion
Real estate for sale	¥ (1.77) billion
Real estate for sale in process	¥ (0.94) billion

Long-term lease obligations	+¥ 2.26 billion
Long-term unearned revenue	+¥ 2.22 billion
Short-term loans payable	¥ (1.03) billion
Long-term loans payable	¥ (0.87) billion

Increase in retained earnings	+ ¥ 0.22 billion
-------------------------------	------------------

**Upward revision to interim and full-year forecasts (April 23, 2019)**  
**Sales and earnings from properties sold to a private fund will be recorded in 2Q**

	FY2018		FY2019		YoY	
	Actual	(%)	Forecast	(%)	Variance	(%)
(Millions of yen)						
<b>Net sales</b>	<b>28,828</b>	<b>(100.0)</b>	<b>27,918</b>	<b>(100.0)</b>	<b>(909)</b>	<b>−3.2%</b>
Property Management Service	25,129	—	22,213	—	( 2,915)	−11.6%
Property Revitalization & Liquidation Service	3,698	—	5,705	—	2,006	54.2%
<b>Operating income</b>	<b>2,782</b>	<b>(9.7)</b>	<b>2,694</b>	<b>(9.7)</b>	<b>(88)</b>	<b>−3.1%</b>
Property Management Service	3,445	—	2,428	—	(1,016)	−29.5%
Property Revitalization & Liquidation Service	650	—	1,432	—	781	120.0%
Management Division Expenses	(1,313)	—	(1,165)	—	(148)	−11.3%
<b>Ordinary income</b>	<b>2,536</b>	<b>(8.8)</b>	<b>2,500</b>	<b>(9.0)</b>	<b>(36)</b>	<b>−1.5%</b>
<b>Net income</b>	<b>1,810</b>	<b>(6.3)</b>	<b>1,450</b>	<b>(5.2)</b>	<b>(360)</b>	<b>−19.9%</b>
<b>Net income per share (yen)</b>	<b>145.47</b>	<b>—</b>	<b>114.80</b>	<b>—</b>	<b>(30.67)</b>	<b>−21.1%</b>

\* 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.

\* Full-year figures for FY12/19 incorporate the forecast revision.

# Dividends and Payout Ratio

## Dividends and Payout Ratio

	FY2018	FY2019 (Forecast)
Cash dividends per share	46 yen	40 yen
Payout ratio	31.6%	34.8%

\* The payout ratio is calculated using revised earnings forecasts for the full fiscal year ending December 31, 2019.

## **Part- II**

# **Basic Policy and Main Measures**

## 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**

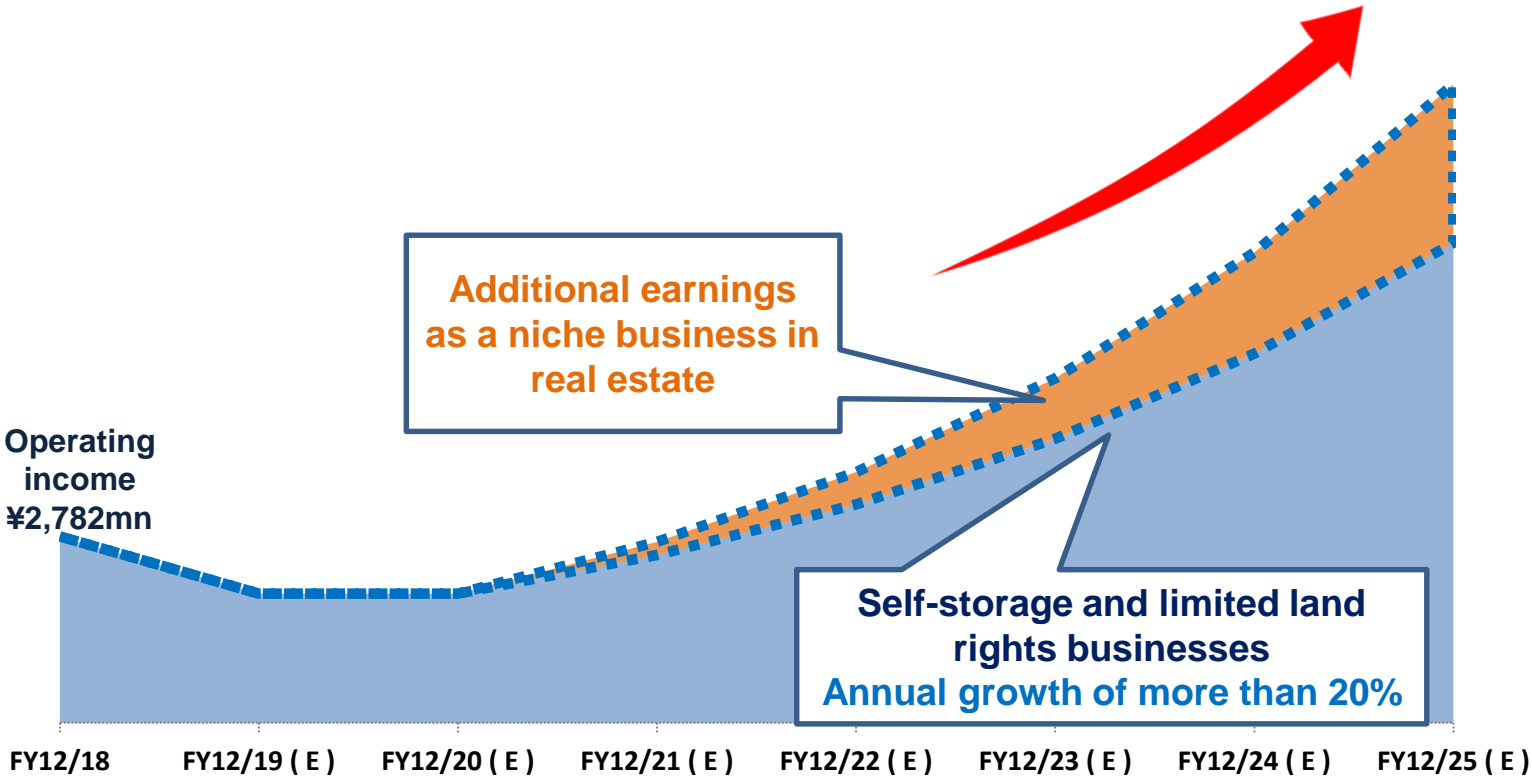
### 2021 and beyond

**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

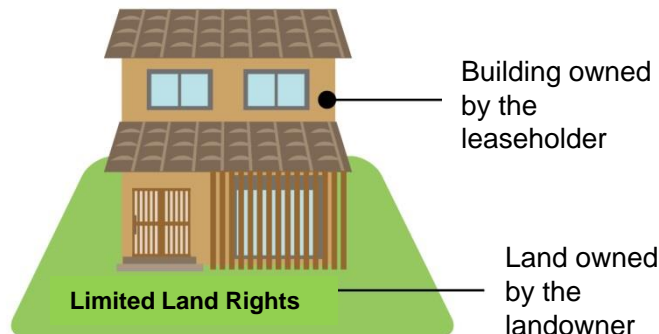


## Business Characteristics and Limited Lands Rights

- Demand that is not dependent on market conditions, and **stabilization of the business portfolio**.  
Rental return of **3% annually**, and **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 a niche real estate business**.

### ■ About “Limited Land Rights”

This is land leased to others for the purpose of building ownership. It is also called “land attached to leasehold.”



#### Situation for the leaseholder:

- Land rent is paid monthly to the landowner. Renewal fee is paid at time of contract renewal.
- Consent from the landowner is needed to expand or renovate the property.

#### Situation for the landowner:

- Land cannot be utilized at will.
- Earnings (land rent, renewal fees) are low relative to the inheritance asset valuation.
- Liquidity is low compared to ordinary land, making buying and selling difficult.

# 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**

**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.

# Reference: Formation of a Self-storage REIT

## Continue forming funds to establish private placement REITs

- Arealink formed the private placement fund “Trunk house 24,” and sold the fund eight self-storage properties with accompanying land. The sale will be recognized in 2Q.

No. of properties sold: Eight steel frame structures (5 in Tokyo, 2 in Kanagawa, and 1 in Aichi)

Fund period: Five years (plan)

- We will continue forming funds to establish private placement REITs (¥20-30 billion in 2022).



Trunk House 24 Setagaya Kinuta  
Heavy steel structure, 150 units



Trunk House 24 Nerima Oizumigakuen  
Heavy steel structure, 172 units



Trunk House 24 Sagamihara Chuo  
Steel frame structure, 117 units



Trunk House 24 Nagoya Sakae  
Heavy steel structure, 166 units



## ■ U.S. Market (FY2016)

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

Overview of Public Storage, the Largest Self-Storage Company in the U.S.

Ref: Self-Storage Almanac 2017

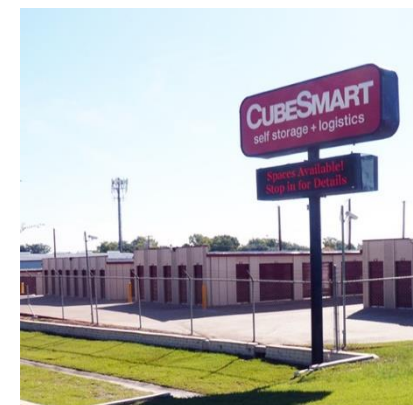
\* Public Storage does not disclose unit figures, so these have been excluded from the calculation.

**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)

## ■ Japanese Market (FY2018)

	Company Name	No. of Locations	No. of Units	Market Share (by No. of Units)
No.1	<b>Arealink</b>	<b>1,738</b>	<b>88,084</b>	<b>16.7%</b>
No.2	Company A	1,319	60,283	11.5%
No.3	Company B	61	35,554	6.8%
No.4	Company C	495	25,853	4.9%
<b>Total</b>		<b>11,214</b>	<b><u>525,410</u></b>	<b>100%</b>



Property consigned to CubeSmart



Management office (exterior)



Container type self-storage

**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 (FY12/19 1Q Quarterly)

Unit: Millions of yen

			FY18	FY19				
			(full year)	1Q	2Q	3Q	4Q	Cumulative
			Cumulative					
	Self-storage management	Net sales	11,262	3,100	—	—	—	3,100
		Gross profit	2,474	665	—	—	—	665
		Operating income	1,456	413	—	—	—	413
	Self-storage brokerage	Net sales	11,867	3,688	—	—	—	3,688
		Gross profit	2,379	507	—	—	—	507
		Operating income	1,379	260	—	—	—	260
	Other property management service	Net sales	1,998	481	—	—	—	481
		Gross profit	792	188	—	—	—	188
		Operating income	608	152	—	—	—	152
<b>Property Management Service Segment Total</b>		Net sales	25,129	7,270	—	—	—	7,270
		Gross profit	5,646	1,361	—	—	—	1,361
		Operating income	3,445	826	—	—	—	826
<b>Property Revitalization &amp; Liquidation Service Segment Total</b>		Net sales	3,698	2,363	—	—	—	2,363
		Gross profit	1,008	876	—	—	—	876
		Operating income	650	777	—	—	—	777
<b>Management Division Expenses</b>		Net sales	—	—	—	—	—	—
		Gross profit	—	—	—	—	—	—
		Operating income	(1,313)	(324)	—	—	—	(324)
<b>Total for All Businesses</b>		Net sales	28,828	9,634	—	—	—	9,634
		Gross profit	6,655	2,238	—	—	—	2,238
		Operating income	2,782	1,278	—	—	—	1,278



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 Chofu Tamagawa



Ample large storage spaces



Unit access with card key or special app



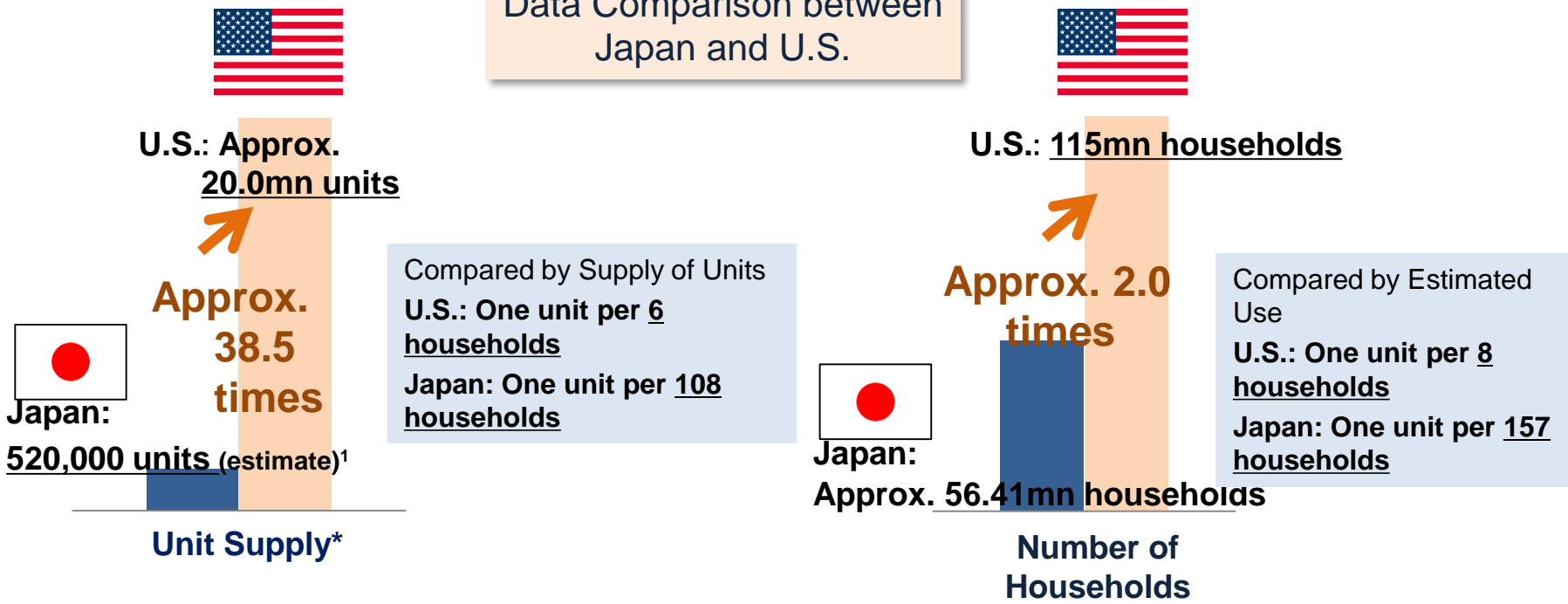
Fully equipped with elevators and security



**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-eighteenth that of the U.S.
- The U.S. market is worth approximately ¥1.76 trillion, around 25 times that of Japan
- We will uncover latent demand with expectations of market growth

Data Comparison between Japan and U.S.



Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2019 Edition (Japan) Self Storage Almanac 2015 (U.S.)  
 Currency converted at ¥80/USD (2011 average)

# Self-storage Market Forecast in Japan

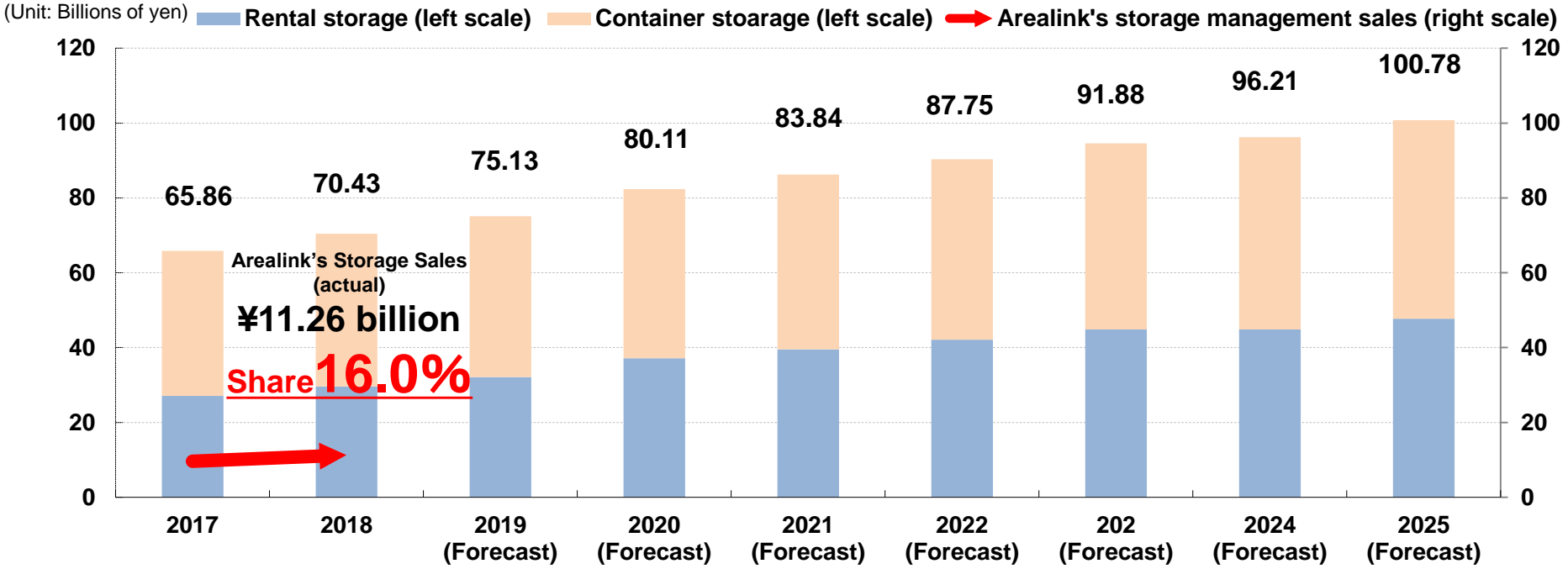
**The Japanese self-storage market is expected to expand to ¥100.78 billion by 2025. Arealink expects to maintain its leading market share of 16.0%.**

- Scale of the Japanese self-storage market (2019 estimate)      ¥70.43 billion
- Arealink's self-storage net sales (2018 actual)                      ¥11.26 billion

\*Storage management sales

- Arealink's market share (net sales)                                      16.0% (No.1 in Japan)

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



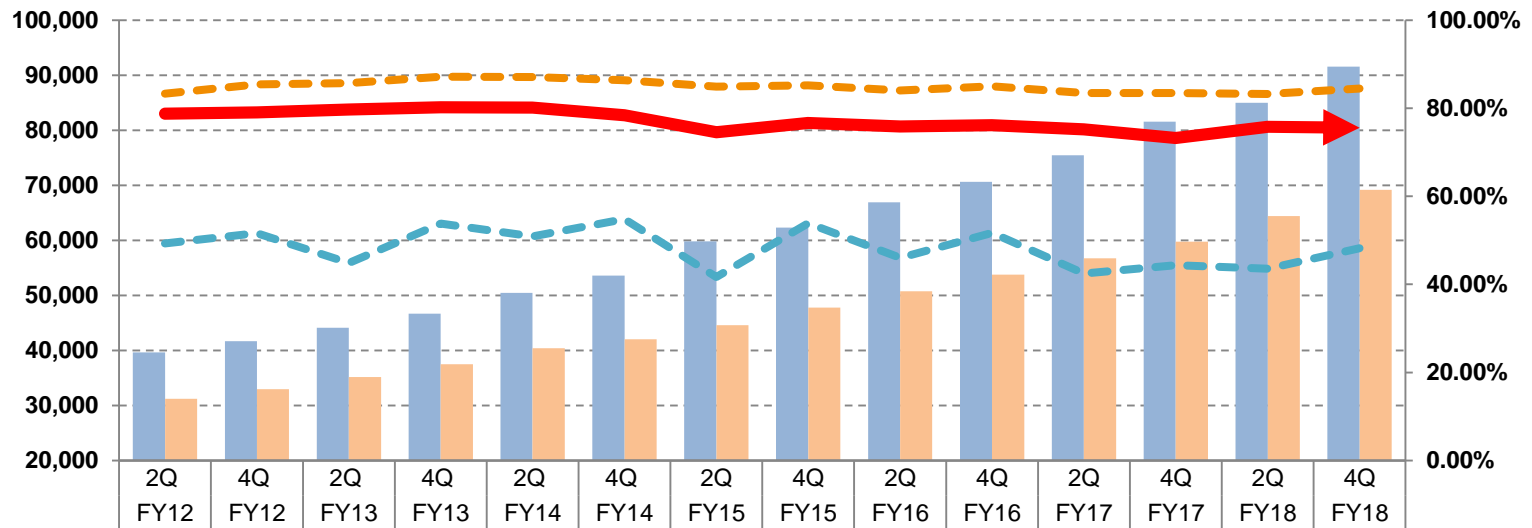
Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2019 Edition (Japan)  
 Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

# 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

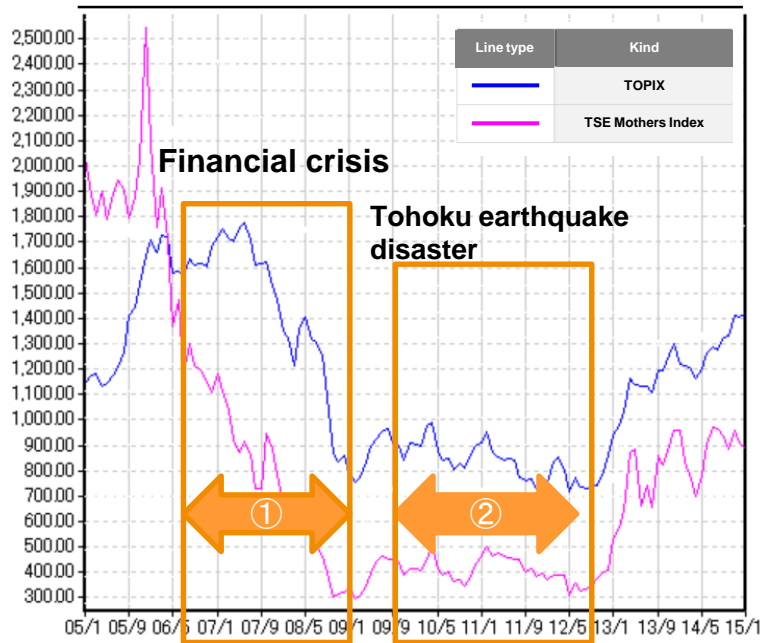
## ■ Arealink's Strengths

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

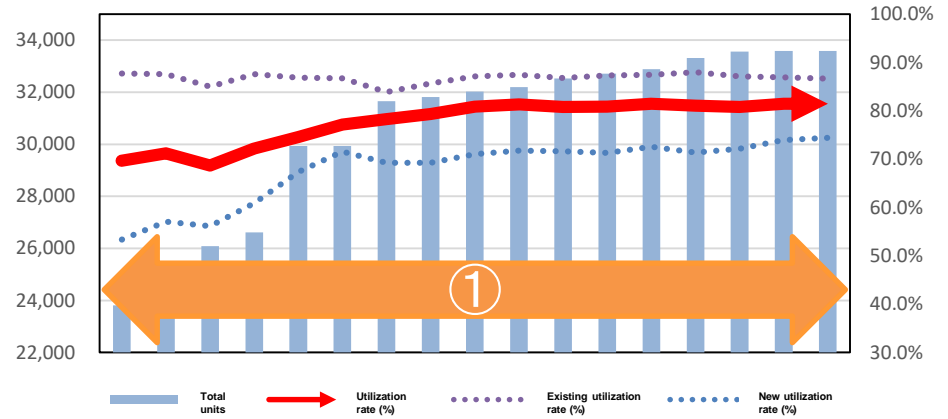
➔ Aim to gain a 50% share of the Japanese market

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

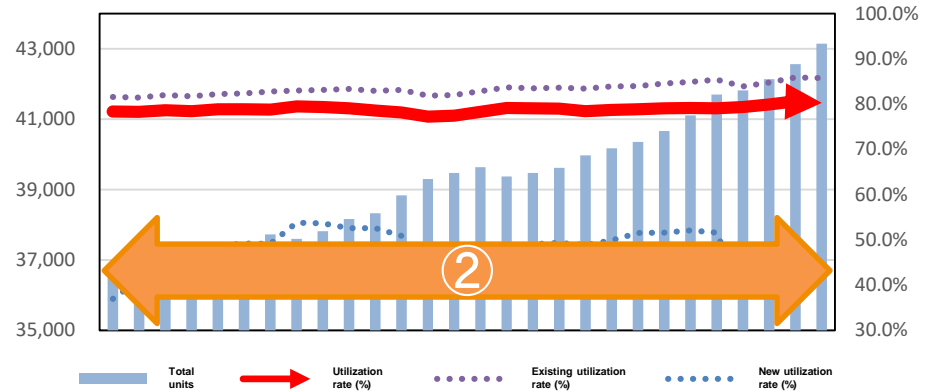
## TOPIX & TSE Mothers Index 10-Year Period (Jan 2005 – Jan 2015)



### ① Financial Crisis (Jan 2007 – Nov 2008)



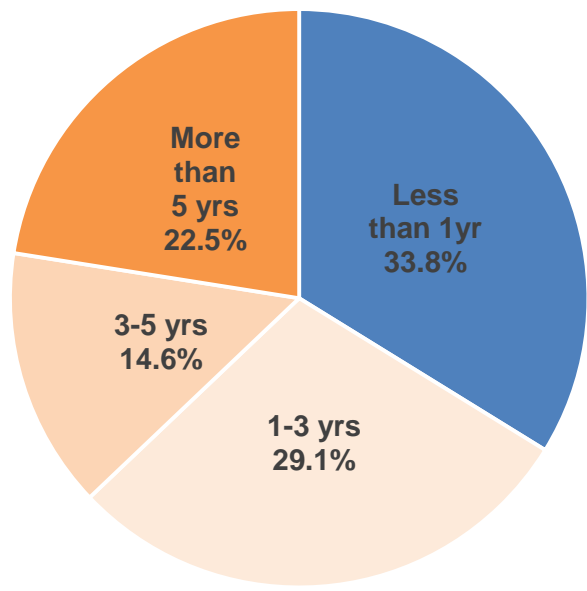
### ② Tohoku earthquake disaster (Jan 2011 – Apr 2013)





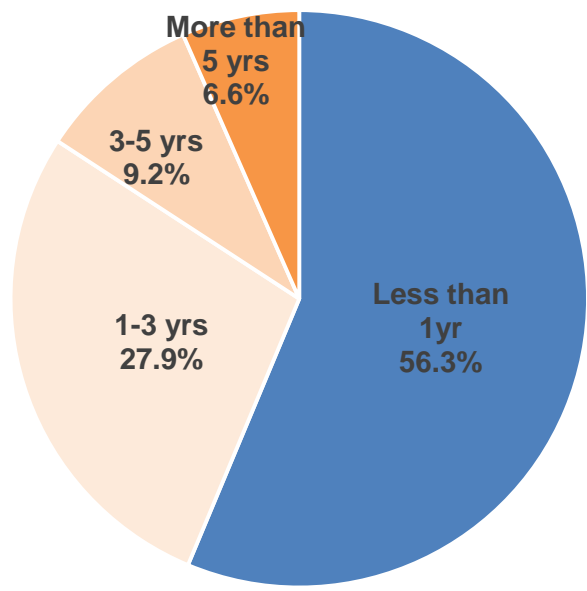
- Average usage period for current contract customers is 39 months.
- Average usage period for customers who have terminated contracts is 19 months.
- Average monthly usage fee is ¥13,890 for a container type, and ¥15,289 for trunk type.

**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**

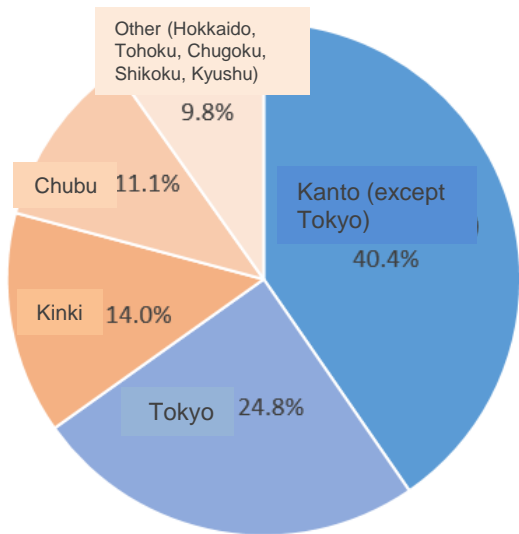


\* Analysis of customers who terminated contracts in 2018

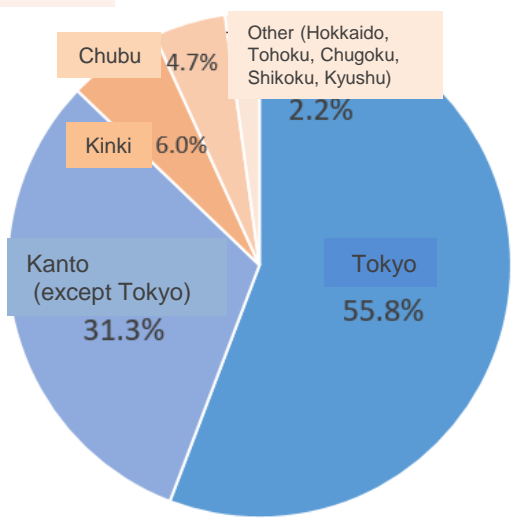
# Storage Business: Openings by Region

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%
Kagoshima	367	0	367	0.4%
Okinawa	104	0	104	0.1%
<b>Total</b>	<b>69,120</b>	<b>22,425</b>	<b>91,545</b>	<b>100.0%</b>

**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

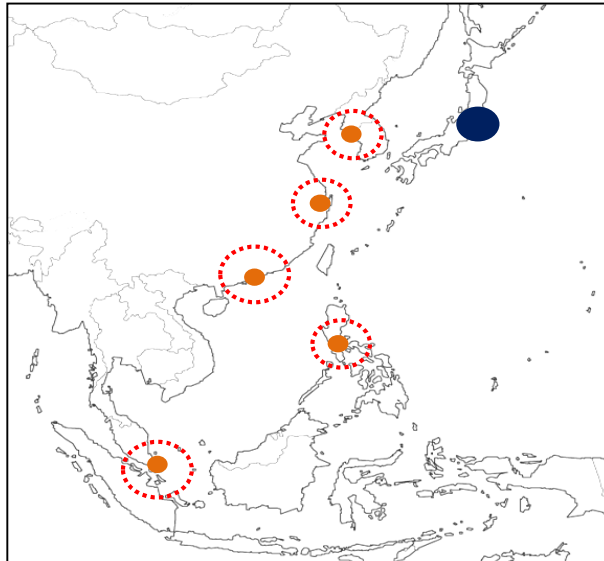


### New Expansion of the Self-Storage Business

- **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<sup>\*</sup>, RPA<sup>\*</sup>
- **Prepared to handle the worst market conditions**  
⇒ Arealink Reform Project 3  
Panic countermeasures, cost improvement,  
no labor/paperless

\* Robotic Process Automation (RPA) is technology to automate simple administrative tasks.

\* G Suite is a comprehensive set of services necessary for business, provided by Google.



## ➤ 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.
- Self-storage units in the outskirts of Sapporo (Hokkaido Prefecture) provided free of charge. Arealink provided communities that had suffered extensive damage in the Hokkaido Eastern Iburi earthquake (September 2018) with free use of its self-storage facilities.

■ Facilities Provided : Hello Storage Sapporo Kitano, Hello Storage Sapporo Atsubetsu, Hello Storage Sapporo Tonden-kyujo, Hello Storage Ebetsu-shi Oasakuragicho, Hello Storage Sapporo Shiroishi, Hello Storage Sapporo Naebocho Premium

■ Period: Six months (September 13, 2018 to March 13, 2019)

\* Arealink conducts ESG (Environment, Society, and Governance) measures in order to increase enterprise value over the longer term.

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



Entrance/Reception (Spring version)



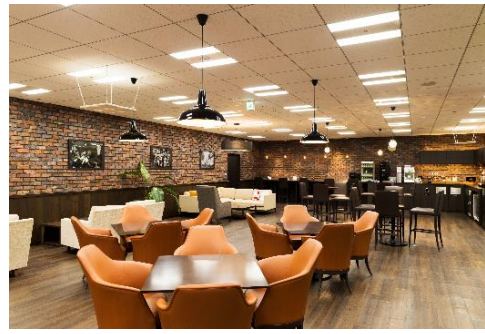
Entrance/Reception (Summer version)



Office



Lounge (for exclusive use by managers)



Lounge (for exclusive use by managers)



Café

\* Arealink conducts ESG (Environment, Society, and Governance) measures in order to increase enterprise value over the longer term.

## 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 2019**

- ✓ 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.

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

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