



"We supply the best use of space."

Results Briefing
Second Quarter, Fiscal Year
Ending December 2019

July 29, 2019

Securities code: 8914



Hello Storage (outdoor container type)
HS Osaka Izumiotsu Part 2, fifty units
Five minutes by car from Shinodayama Station on the JR
Hanwa Line



Hello Storage (indoor-type, w/parking lots) *w/land
Trunk House 24 Komae Izumi Honcho, 66 units
Five minutes by car from Izumi-Tamagawa Station on
the Odakyu Odawara Line

**Part- I . Summary of FY12/19 2Q and
FY12/19 Earnings Outlook**

Part- II . Basic Policy and Main Measures

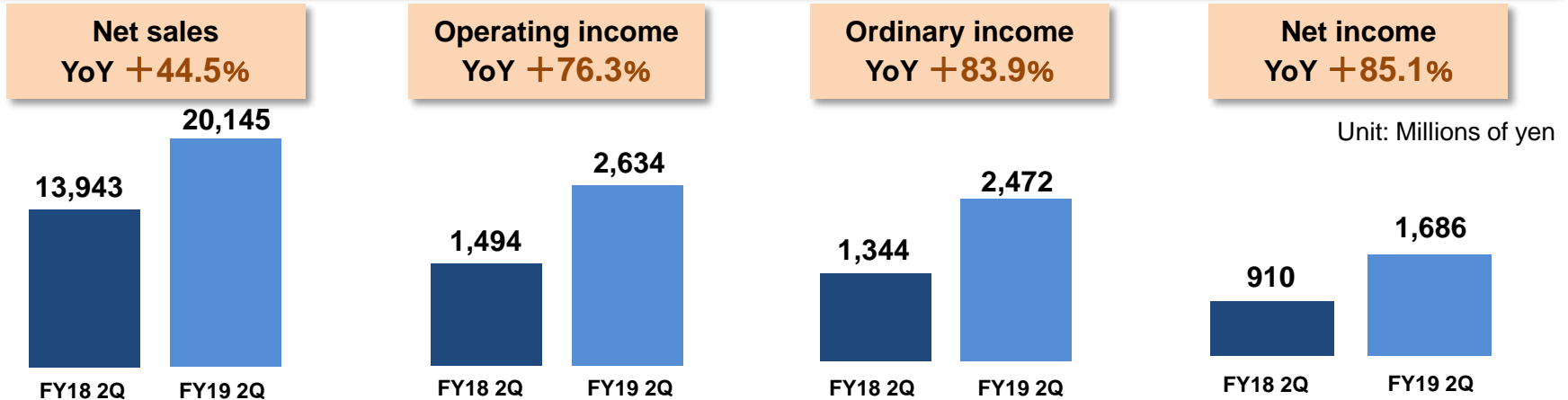
Part-III. Reference Material

Part- I

Summary of FY12/19 2Q 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

Net sales increased 44.5%, while operating income increased 76.3% from FY12/18 2Q



(Millions of yen)	FY18 2Q Cumulative		FY19 2Q Cumulative		YoY	
	Actual	(%)	Actual	(%)	Variance	% Change
Net sales	13,943	(100.0)	20,145	(100.0)	6,201	44.5%
Cost of sales	10,603	(76.0)	15,413	(76.5)	4,810	45.4%
Gross profit	3,340	(24.0)	4,731	(23.5)	1,391	41.7%
SG&A expenses	1,845	(13.2)	2,097	(10.4)	251	13.6%
Operating income	1,494	(10.7)	2,634	(13.1)	1,140	76.3%
Ordinary income	1,344	(9.6)	2,472	(12.3)	1,128	83.9%
Net income	910	(6.5)	1,686	(8.4)	775	85.1%

Overview of FY12/19 2Q by Segment

Property Management Service: double-digit growth of sales and profit
Property Revitalization & Liquidation Service: net sales tripled, operating income quadrupled

Unit: Millions of yen

			FY18 2Q Cumulative		FY19 2Q Cumulative		YoY	
			Actual	Profit margin	Actual	Profit margin	Variance	% Change
Self-storage management	Net sales		5,403	—	6,288	—	885	16.4%
	Gross profit		1,254	23.2%	1,240	19.7%	(14)	—1.2%
	Operating income		770	14.3%	822	13.1%	51	6.7%
Self-storage brokerage	Net sales		5,943	—	8,302	—	2,359	39.7%
	Gross profit		1,242	20.9%	1,444	17.4%	201	16.2%
	Operating income		774	13.0%	909	11.0%	135	17.5%
Other property management service	Net sales		1,008	—	990	—	(18)	—1.8%
	Gross profit		403	40.0%	407	41.1%	3	0.9%
	Operating income		310	30.8%	330	33.4%	20	6.5%
Property Management Service Segment Total	Net sales		12,356	—	15,582	—	3,226	26.1%
	Gross profit		2,901	23.5%	3,092	19.8%	191	6.6%
	Operating income		1,855	15.0%	2,062	13.2%	207	11.2%
Property Revitalization & Liquidation Service Segment Total	Net sales		1,587	—	4,562	—	2,975	187.4%
	Gross profit		439	27.7%	1,639	35.9%	1,200	273.4%
	Operating income		298	18.8%	1,203	26.4%	905	303.1%
Management Division Expenses	Net sales		—	—	—	—	—	—
	Gross profit		—	—	—	—	—	—
	Operating income		(659)	—	(632)	—	(27)	—4.1%
Total for All Businesses	Net sales		13,943	—	20,145	—	6,201	44.5%
	Gross profit		3,340	24.0%	4,731	23.5%	1,391	41.7%
	Net sales		1,494	10.7%	2,634	13.1%	1,140	76.3%

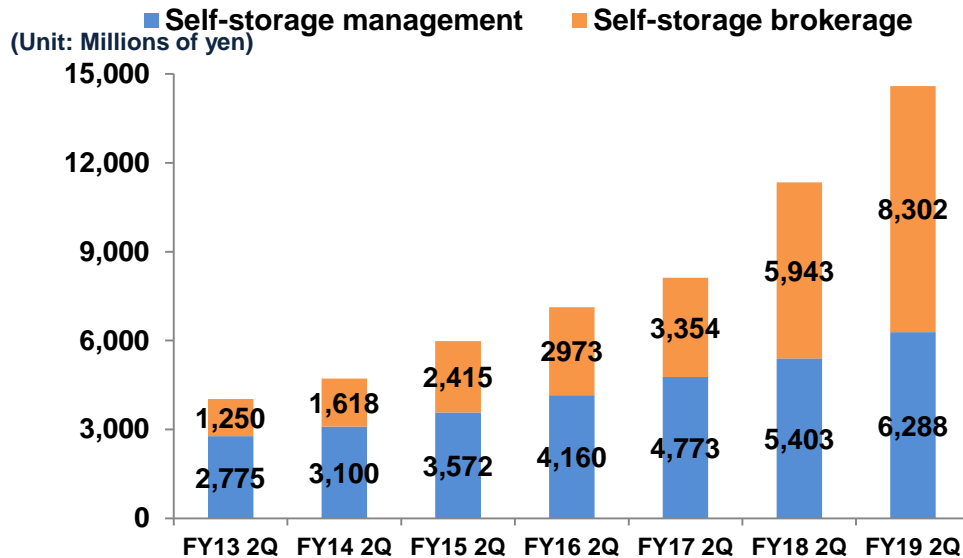
Higher sales and profit, but the gross profit margin declined due to the sublease loss allowance and the accelerated sale of certain properties

- Total number of self-storage units increased to **93,885 (+2,340 units** from Dec. 31, 2018, and **+8,880 units** from June 30, 2018)
- Compared to the same month of the previous year, self-storage utilization rate **down slightly, by 1.17 percentage point**, due to a lower existing utilization rate from the revision of our promotional pricing campaign at the beginning of the year (75.80% at the end of June 2018 ⇒ 74.63% at the end of June 2019)
- For self-storage management, **both net sales and profit increased and met expectations**
The gross profit margin declined due to the introduction of a sublease loss allowance since the end of last year, which came to ¥200 million in the first half. Excluding this, the profit margin improved as a result of lower discounts from reining in our promotional pricing campaign.
- For self-storage brokerage, both sales and profit increased to **significantly exceed expectations**
1Q: **Profitability declined** due to **the accelerated sale of certain** self-storage properties w/land
2Q: **Profitability improved** due to the sale of property to the No. 3 Fund (sales of ¥3.3 billion, operating income of ¥500 million)

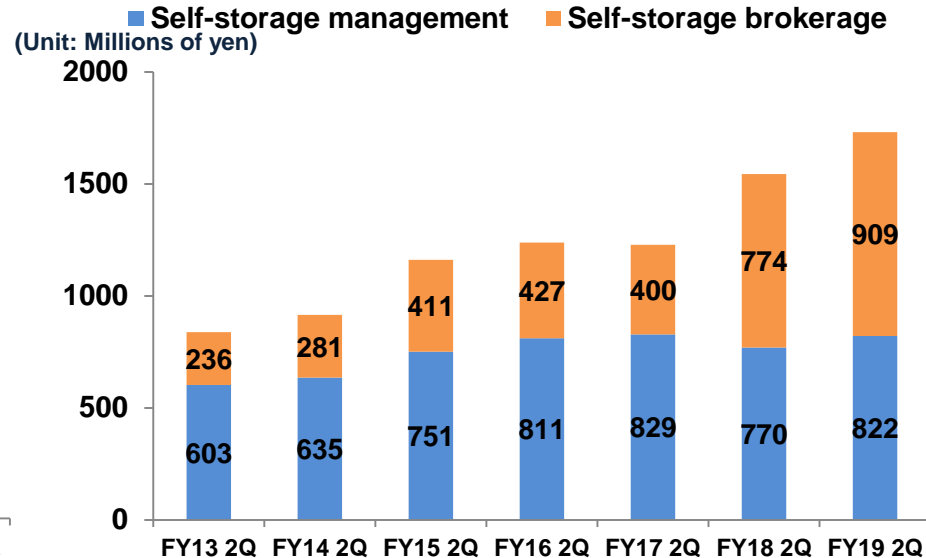
Achieved dramatic growth in sales and profit; performance aided by the expansion of our land rights management business (leased land business) and the sale of owned properties

- **We achieved expectations** for both sales and profits. Year-on-year, **both sales and profit rose dramatically (net sales tripled, operating income quadrupled)**
- The settlement of a large-scale project was done in 2Q, contributing to results. **Both sales and profit recorded massive increases** across the board, even when one-time gains from the sale of owned properties are excluded.
- Strengthened purchasing. Aim to further expand our leased land business. Started to **purchase leased land for commercial use** in addition to leased land for residential use. Started to purchase leased land for residential use in the **Kansai area** in addition to the Tokyo metropolitan area.
- Sold owned property in the first half (Kanda Kyodo Bldg.: sale price of ¥1.4 billion, operating income of ¥600 million)

Self-Storage Business Net Sales

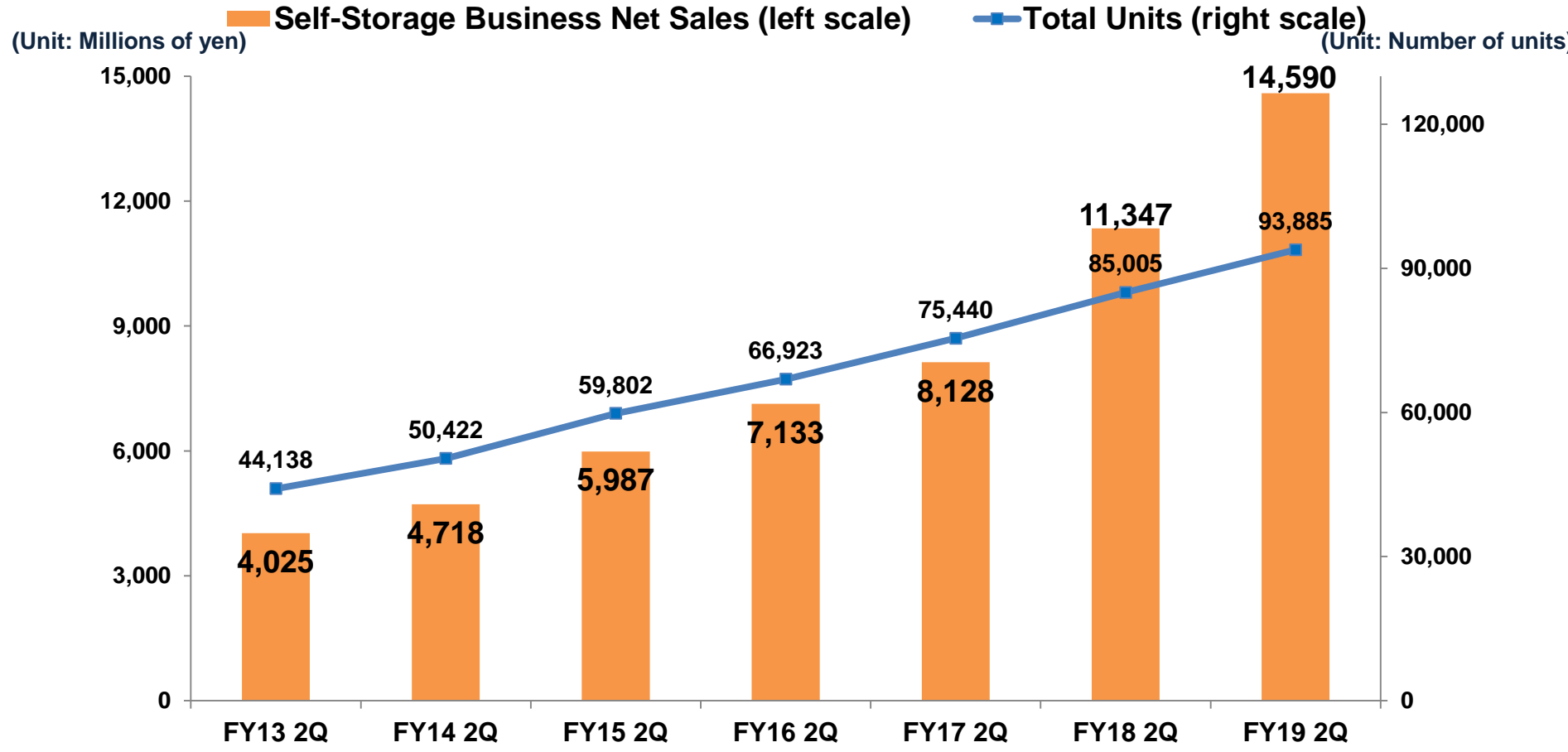


Self-Storage Business Operating Income

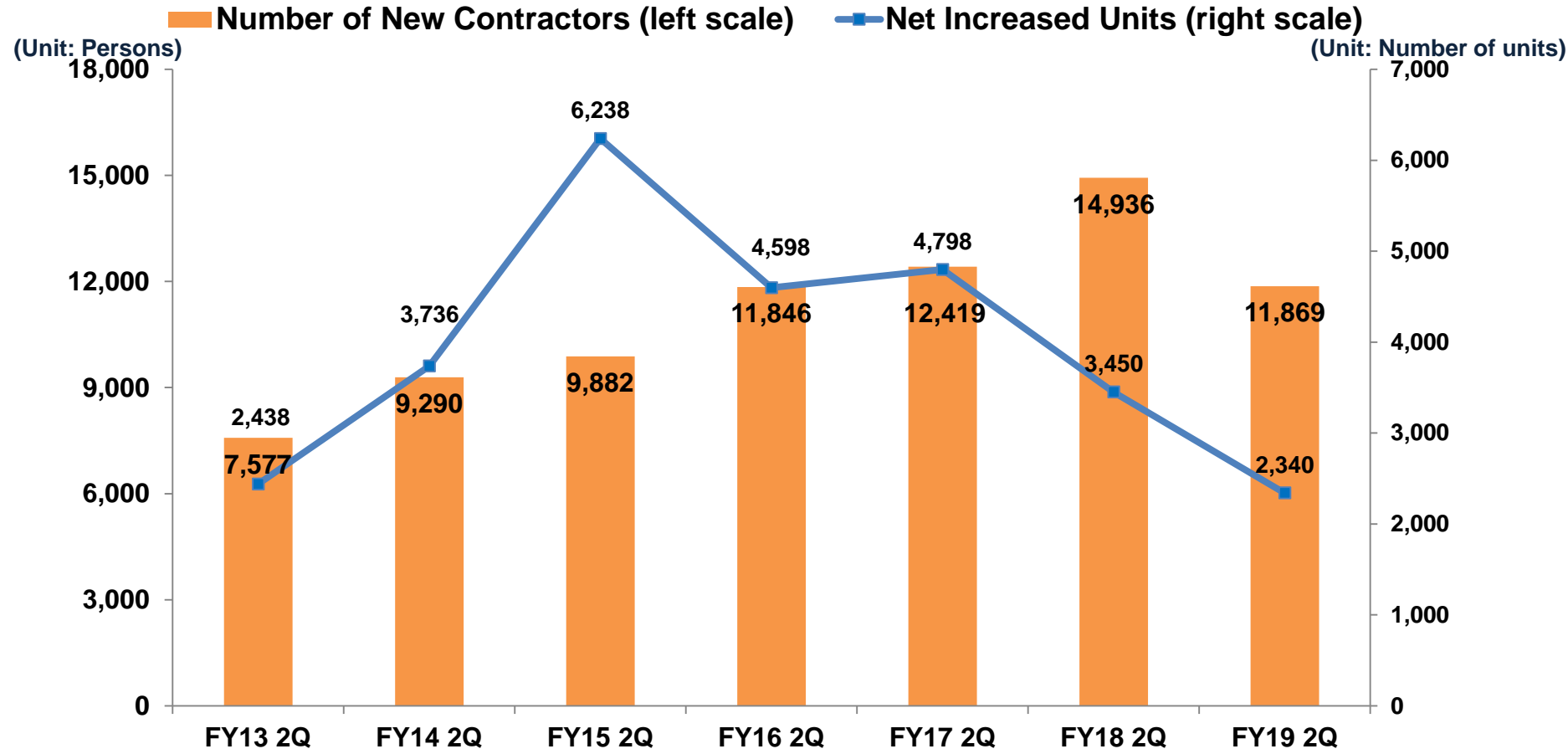


(Millions of yen)	FY13 2Q Cumulative	FY14 2Q Cumulative	FY15 2Q Cumulative	FY16 2Q Cumulative	FY17 2Q Cumulative	FY18 2Q Cumulative	FY19 2Q Cumulative
Self-storage management	2,775	3,100	3,572	4,160	4,773	5,403	6,288
Self-storage brokerage	1,250	1,618	2,415	2,973	3,354	5,943	8,302
Self-Storage Business Net Sales	4,025	4,718	5,987	7,133	8,128	11,347	14,590
Self-storage management	603	635	751	811	829	770	822
Self-storage brokerage	236	281	411	427	400	774	909
Self-Storage Business Operating Income	839	916	1,162	1,238	1,229	1,544	1,731

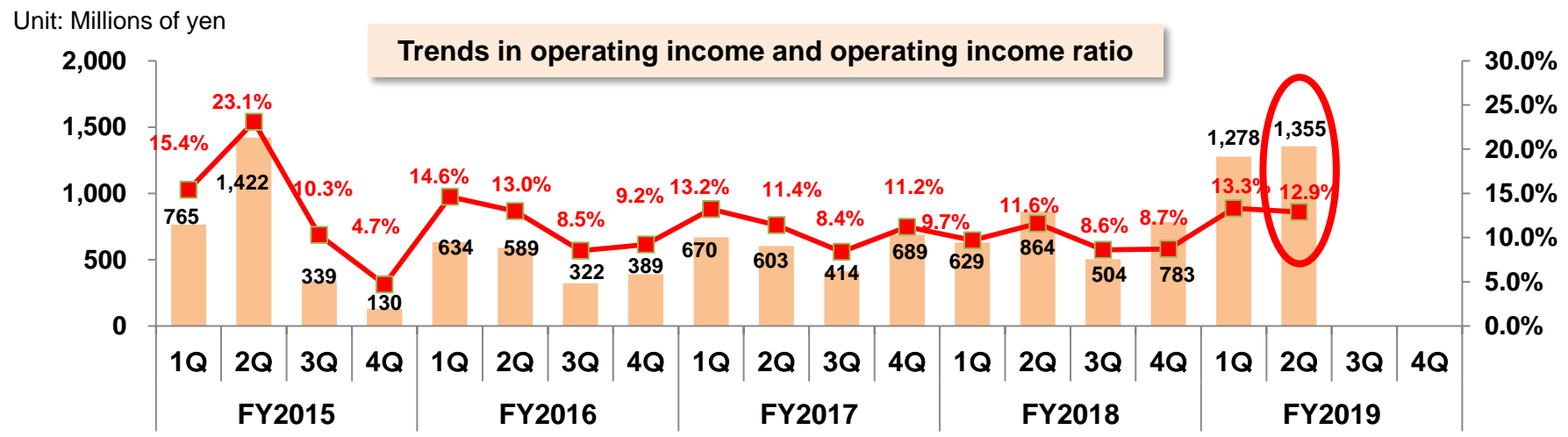
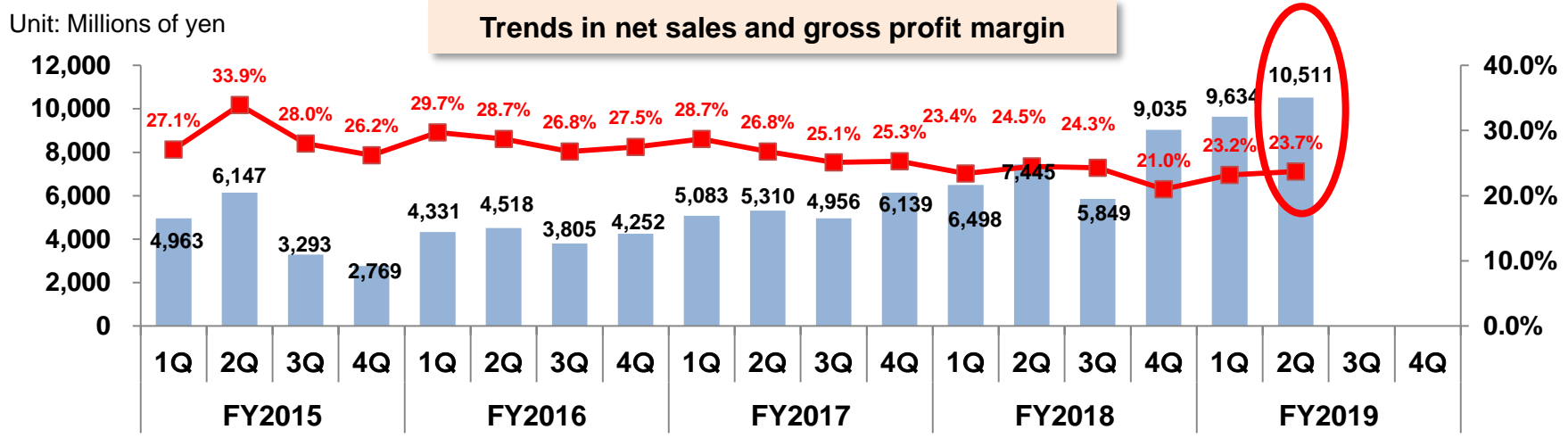
Self-Storage Business Net Sales and Total Units in FY19 1H



Self-Storage Business Number of New Contractors and Net Increased Units in FY19 1H



Net sales for 2Q were the highest ever, operating income was close to being the highest ever



Shifted to long-term debt, non-operating expenses flat

Non-operating expenses

Interest expenses	¥62 million
Commission fee	¥92 million

Extraordinary income

Gain on sales of noncurrent assets	¥8 million
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Extraordinary loss

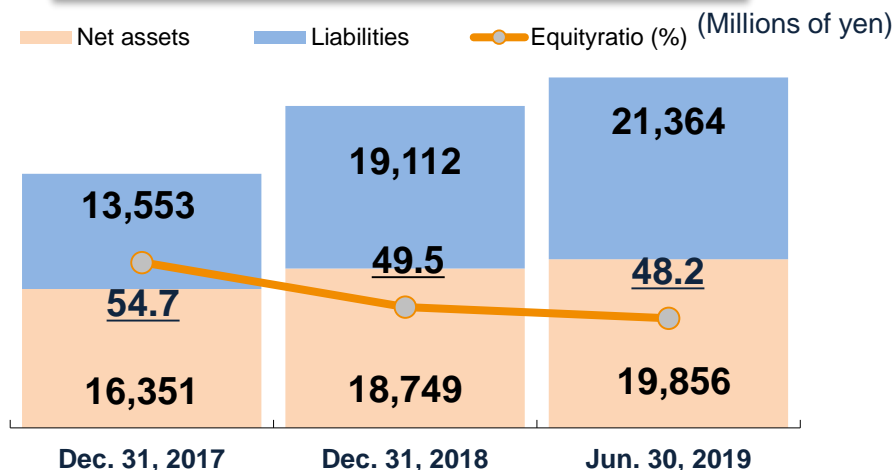
Loss on retirement of non-current assets	¥21 million
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Unit: Millions of yen

Step income	FY12/18 2Q	FY12/19 2Q	YoY (%)
Operating income	1,494	2,634	(76.3)
Non-operating income	38	23	(-40.2)
Non-operating expenses	188	184	(-1.9)
Ordinary income	1,344	2,472	(83.9)
Extraordinary income	14	8	(-39.8)
Extraordinary loss	5	21	(302.8)
Income before income taxes	1,354	2,460	(81.7)
Income taxes — current	411	1,589	(286.2)
Income taxes — deferred	31	(815)	—
Net income	910	1,686	(85.1)

Reduced inventories, shifted to long-term debt

Liabilities, net assets, equity ratio



Financial position (As of June 30, 2019)

(A) Current assets

Reduced inventory assets by adjusting inventories and liquidating certain assets; increased cash and deposits

Cash and deposits	+¥4.98 billion
Real estate for sale	¥(2.96) billion
Real estate for sale in process	¥ (2.15) billion

* Comparison between Jun. 30, 2019 and Dec. 2018

(B) Interest-bearing debt

Reduced interest-bearing debt and shifted from short-term to long-term debt

Short-term loans payable	¥(1.37) billion
Long-term loans payable	¥(2.09) billion
Lease obligations	+¥2.19 billion

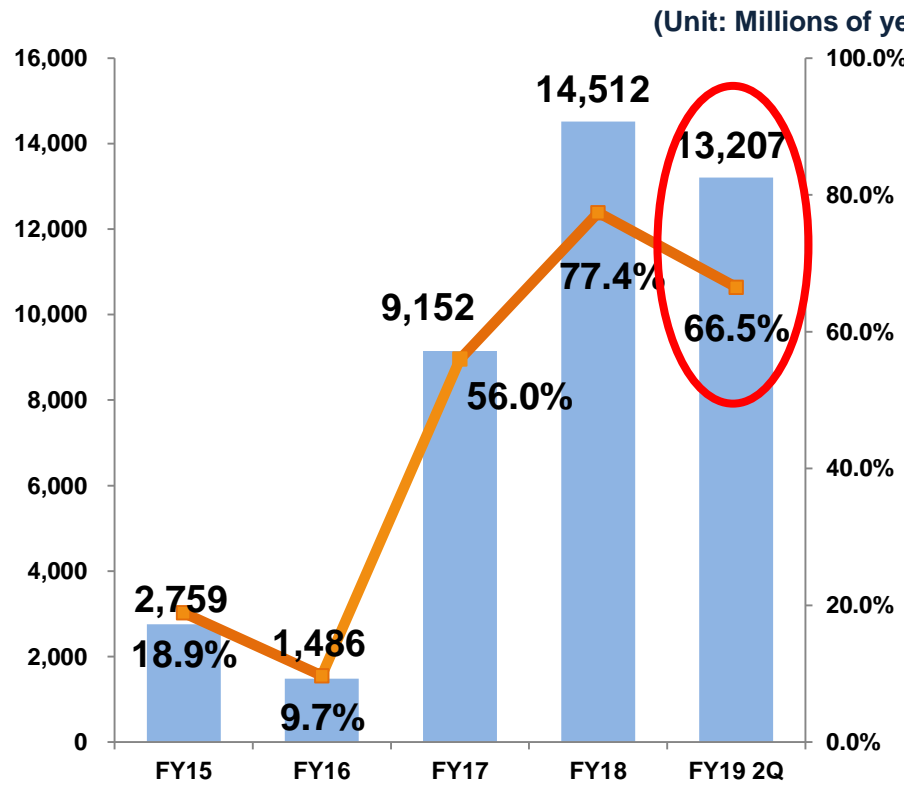
* Comparison between Jun. 30, 2019 and Dec. 2018

(Millions of yen)

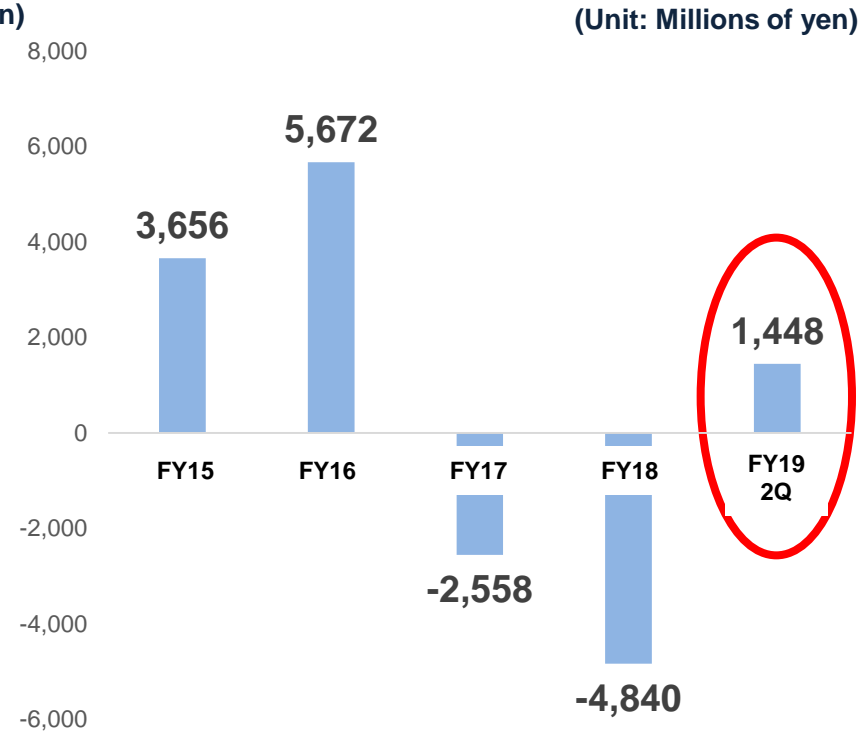
	Dec. 31, 2017	Dec. 31, 2018	Jun. 30, 2019
Current assets	17,532	25,947	(A) 25,653
Noncurrent assets	12,372	11,914	15,567
Total assets	29,904	37,862	41,221
Current liabilities	5,691	6,607	(B) 6,902
Noncurrent liabilities	7,861	12,505	14,462
Total liabilities	13,553	19,112	21,364
Net assets	16,351	18,749	19,856

As a result of adjusting inventories and liquidating certain assets, cash and cash equivalents exceed interest-bearing debt

Interest-bearing debt and interest-bearing debt ratio



Cash and cash equivalents and Interest-bearing debt after offsetting



Cash and cash equivalents: Quarter-end balance of cash and cash equivalents
 Interest-bearing debt: Short-term loans payable + long-term loans payable + current portion of long-term loans payable + lease obligations

Continued to bolster our financial structure in case of a recession

Unit: Millions of yen

	FY18 2Q	FY19 2Q	
Cash flows from operating activities	(1,270)	7,489	Income before income taxes ¥2,460 million Sublease loss allowance ¥187 million Decrease in inventories ¥5,148 million Income taxed paid ¥(435) million
Cash flows from investing activities	(318)	(623)	Purchase of noncurrent assets ¥(366) million
Cash flows from financing activities	2,694	(1,883)	Proceeds from long-term loans payable ¥6,431 million Repayment of long-term loans payable ¥(8,709) million Cash dividends paid ¥(578) million
Cash and cash equivalents at the end of period	7,698	14,655	

Announced a revision of our earnings forecast on July 25
Net sales up ¥1.1 billion, operating income up ¥100 million

	FY2018		FY2019		YoY	
	Actual	(%)	Forecast	(%)	Variance	(%)
(Millions of yen)						
Net sales	28,828	(100.0)	29,000	(100.0)	171	0.6%
Property Management Service	25,129	—	24,000	—	(1,129)	—4.5%
Property Revitalization & Liquidation Service	3,698	—	5,000	—	1,301	35.2%
Operating income	2,782	(9.7)	2,800	(9.7)	17	0.6%
Property Management Service	3,445	—	2,797	—	(648)	—18.8%
Property Revitalization & Liquidation Service	650	—	1,203	—	552	84.8%
Management Division Expenses	(1,313)	—	(1,200)	—	(113)	—8.7%
Ordinary income	2,536	(8.8)	2,700	(9.3)	163	6.4%
Net income	1,810	(6.3)	1,500	(5.2)	(310)	—17.1%
Net income per share (yen)	145.47	—	118.76	—	(26.71)	—18.4%

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

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

Property Management Service: revised up Property Revitalization & Liquidation Service: revised down

- Property management service business first half results were good and the revised net sales amount is up ¥1.8 billion and operating income is up ¥400 million
- Property revitalization & liquidation service business revised net sales is ¥−700 million and operating income is ¥−200 million.
- The downward revision for the property revitalization & liquidation service business is due to preparations to enter into the commercially leased land business and the Kansai area next year

Unit: million yen

Net sales/operating income		Full year (Apr. announcement)	Full year (July announcement)	Difference
Property management service	Net sales	22,213	24,000	1,787
	Operating income	2,428	2,797	369
Property revitalization & liquidation service	Net sales	5,705	5,000	(705)
	Operating income	1,432	1,203	(229)
Total for all businesses	Net sales	27,918	29,000	1,082
	Operating income	2,694	2,800	106

Due to the front-loading of results in the first half and preparations for the next year, second half net sales will be ¥—2.4 billion, operating income will be ¥—600 million

- We are revising our business forecast for the second half to reduce total net sales by ¥2.4 billion and total operating income by ¥600 million
- The revisions were mainly in the leased land business (net sales lowered by ¥2.2 billion and operating income lowered by ¥500 million)
- The reasons for the revision are:(1) the front-loading of some settlements in the first half (net sales of ¥1.5 billion, operating income of ¥300 million), and (2) our preparations for entry into the commercial leased land business and Kansai

Unit: million yen

Net sales/operating income		Second half (Apr. announcement)	Second half (July announcement)	Difference
Property management service	Net sales	8,631	8,422	(209)
	Operating income	837	739	(98)
Property revitalization & liquidation service	Net sales	2,673	438	(2,235)
	Operating income	504	0	(504)
Total for all businesses	Net sales	11,304	8,860	(2,444)
	Operating income	787	170	(617)

Dividends and Payout Ratio

	FY2018	FY2019 (Forecast)
Cash dividends per share	46 yen	40 yen
Payout ratio	31.6%	33.7%

* 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

Be the No.1 Self-storage Company, the Overwhelming No. 1



**No. 1
Self-storage
Company**

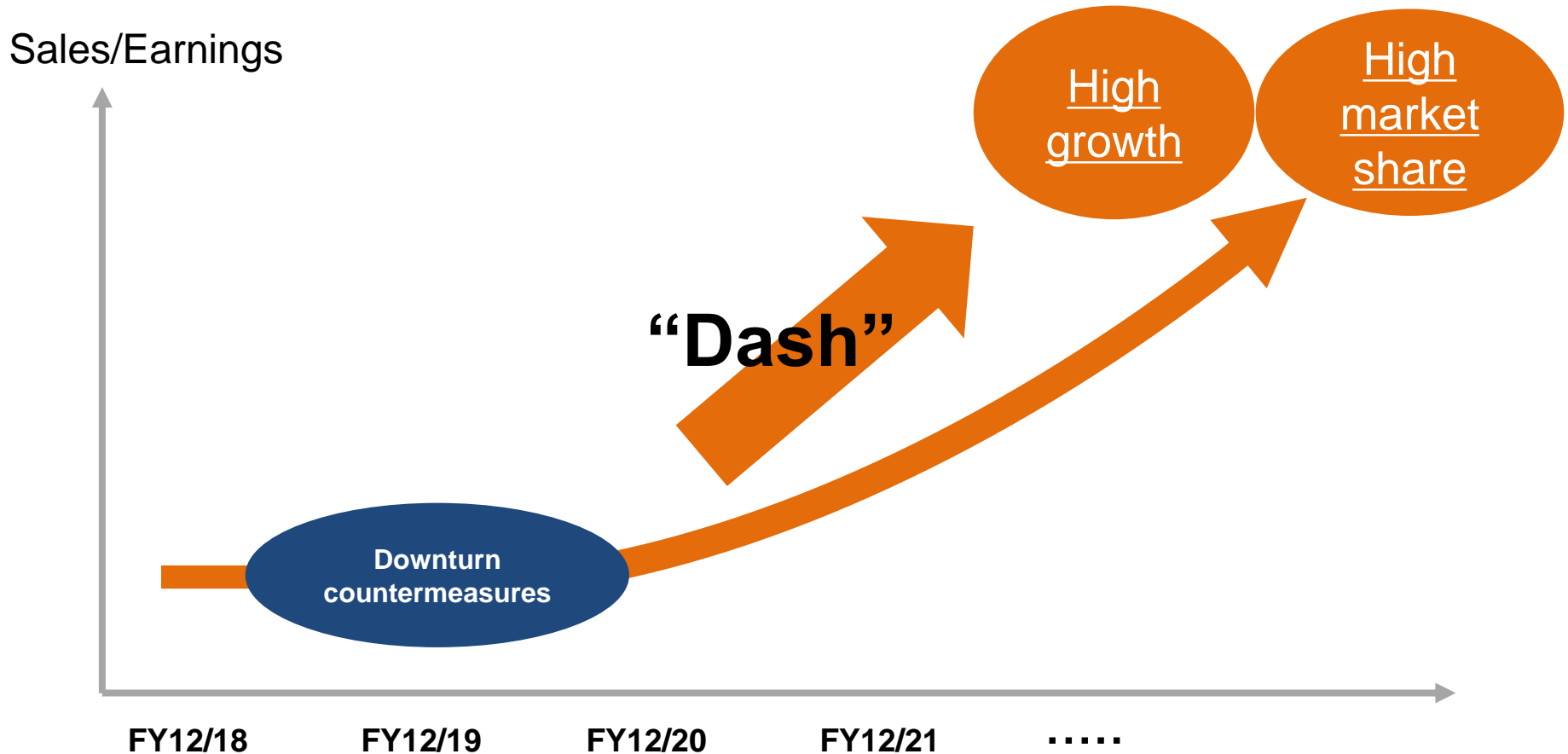
**Overwhelming
Market Share**

Other companies can't match

**Overwhelming
Growth Speed**

Other companies can't match

“Dash” to reach a corporate structure able to generate earnings even during downturns
Return to a growth track, and regain a high-earnings structure



Strengthen the self-storage business and diversification businesses

Self-storage Business

Attain an overwhelming domestic market share

- **Container-type units:** Re-strengthen openings, and expand openings in regional areas.
- **Self-storage w/land:** Resume purchases in anticipation of investment fund and REIT formation, but tighten purchase criteria.
Maintain a healthy balance sheet.

Diversification Businesses

Strengthen businesses with stable growth

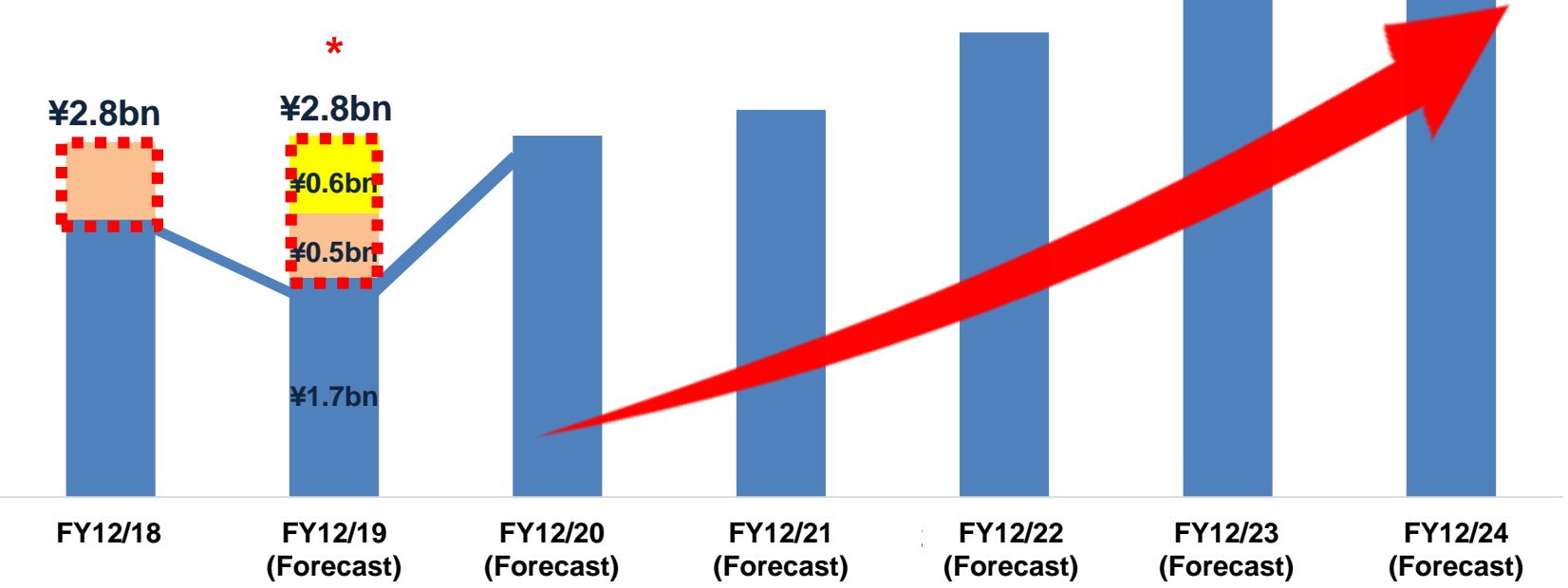
- **Expand the limited land rights business (land rights management):** Expand from Kanto to Kansai region, focus on commercial land rights management as well as residential.
- **Strengthen stable profit businesses:** Brokerage and holdings of older office buildings.

FY12/19: Decline in core business earnings will be offset with transient earnings*
After FY12/19: Plan for continued earnings increases in core businesses

Operating Income Expectation

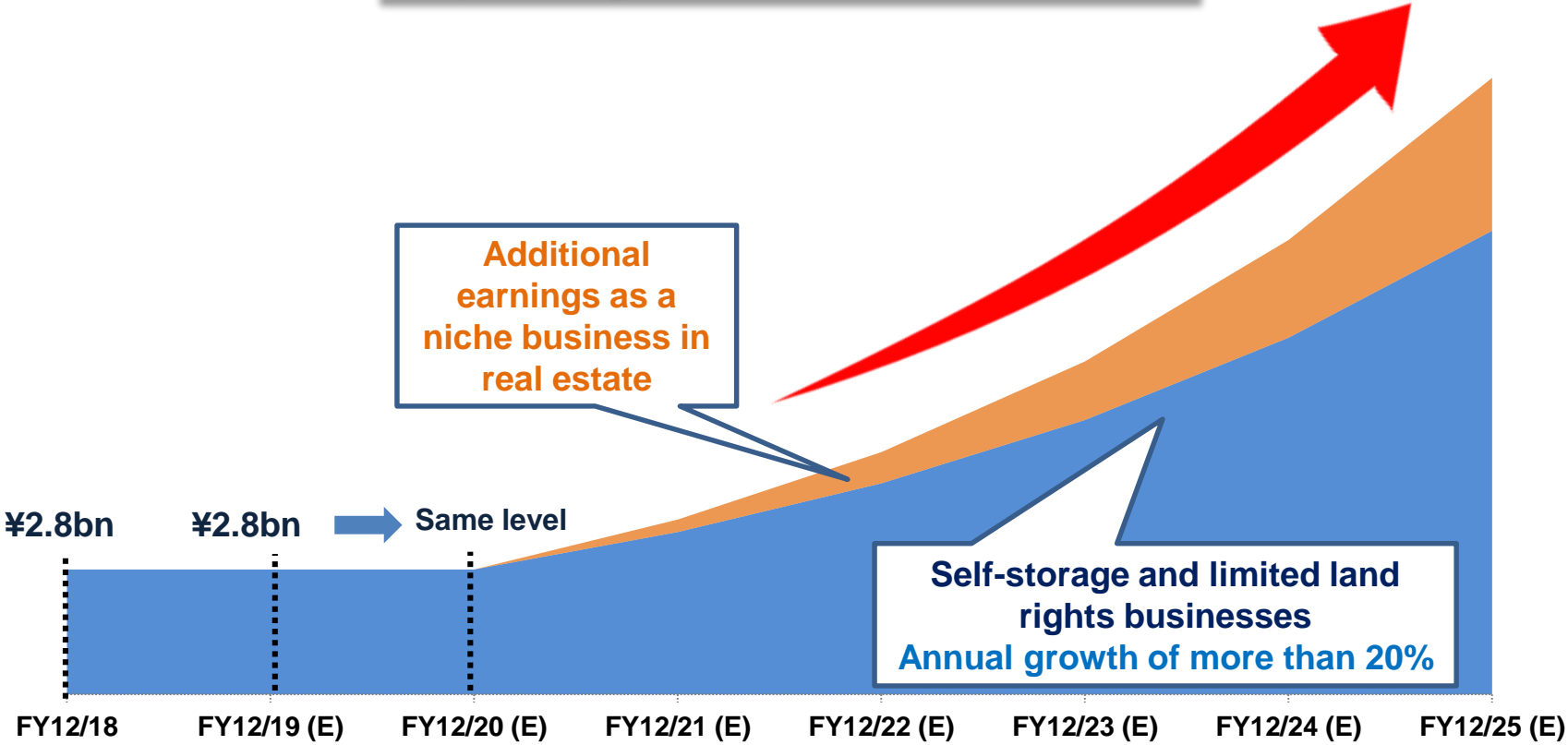


***Transient earnings**



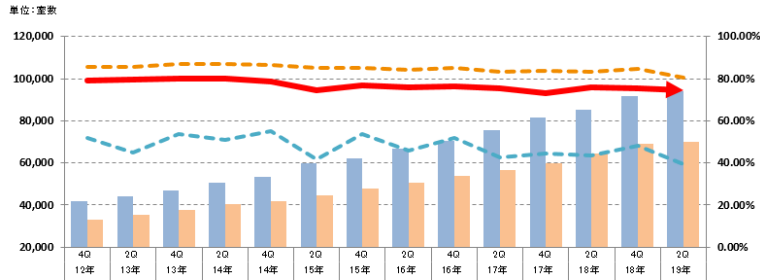
Earnings to remain steady in FY12/19 and FY12/20 even presuming a downturn
We will achieve **annual growth of more than 20%** from FY12/21

Operating Income Growth Forecast

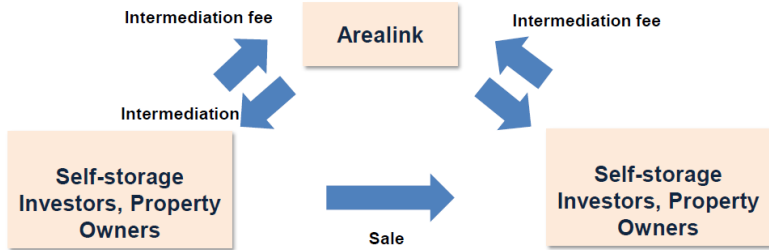


Priority measures for average annual growth of 20% from FY12/21

1. Location Opening Plan



2. New Businesses



3. New Products



Illustration

Illustration

4. Collaboration



Trunk House 24 Kami-Igusa / My Basket Kami-Igusa Station South Store

Limit openings during FY12/19 in order to rebuild the corporate structure
Re-strengthen openings from 2020, focusing on the main container-type units

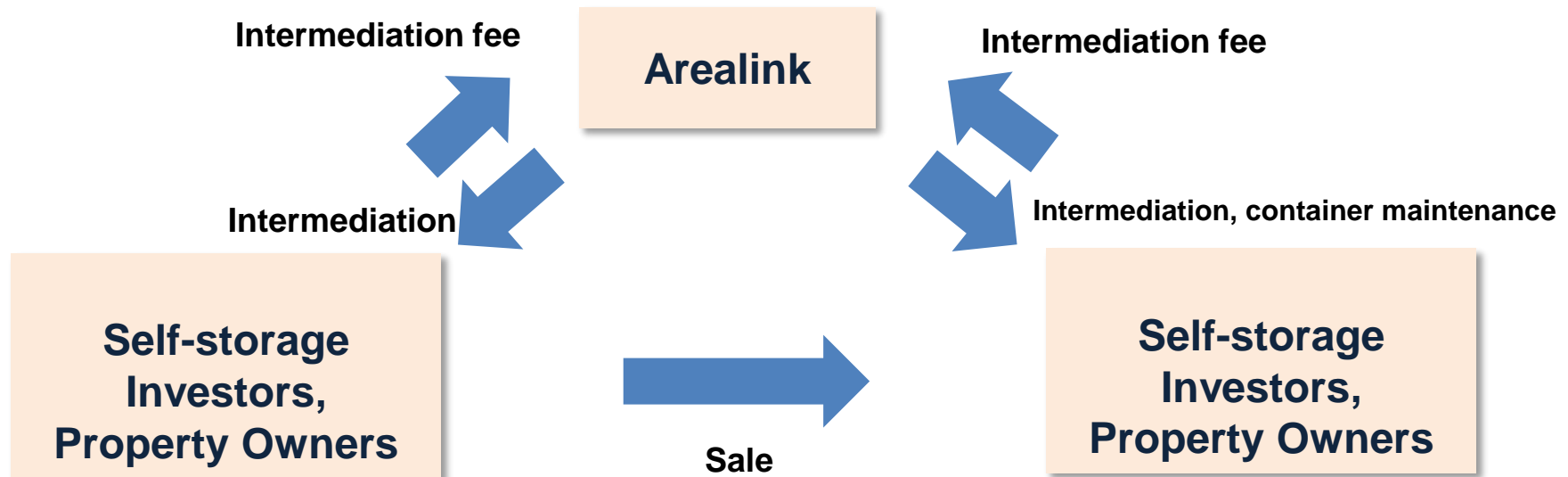
- **Container-type Units**
 - Plan to curb the number of openings during FY12/19 (around 30% of peak).
 - Aim to re-strengthen openings from FY12/20 to the same level as peak.
 - Strengthen location openings in regional areas (Nagano, Niigata, Yamaguchi, etc.).
 - Secure a purchasing structure for sites to open locations in regional areas.
 - Enhance the precision of location development, and put in place a structure able to maintain a high utilization rate.

- **Self-storage w/land**
 - Meet customer needs different from that for container-type units.
 - Re-start purchasing in anticipation of ongoing investment fund formation.
 - Tighten purchase criteria assuming an economic downturn. Maintain a healthy balance sheet.

Self-storage Business – Priority Measures (2. New Businesses)

Launch intermediation business for used containers
Provide maintenance service for investors purchasing units

- **Intermediation for used containers + maintenance business**
Intermediation between investors wanting to liquidate assets quickly, and those looking to invest in used containers at a reduced price. Arealink provides maintenance for the used containers, and refurbishes them as new properties.



Self-storage Business – Priority Measures (3. New Products)

Develop new products, aiming to further increase awareness of self-storage

Container-type Units

New lineup of products using containers

- Retail stores, lodging facilities (hotels, vacation rentals)
- Emergency evacuation shelters, etc.

Merits of containers

- Durable, movable, low cost

Hire designers to create appearance to fit with the surrounding neighborhood Illustration



Illustration

Illustration

Contracted Development Business

Develop business with a wide range of users (B2B, B2C)

⇒ First Hobby Stage location to open at end of 2019



Hobby Stage (tentative name)



Business Stage (tentative name)

**Collaborate with various types of companies,
including major corporations**

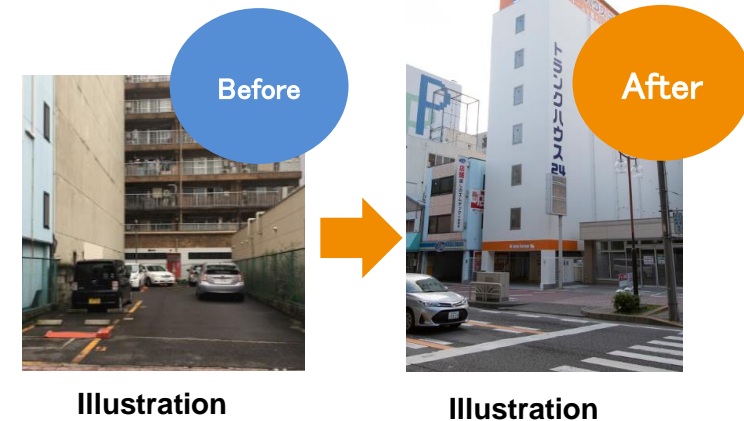
**Collaboration with various types of
companies, including major corporations**

Examples of possible collaboration

- 1) Freight carrier utilizes Arealink self-storage units as a temporary warehouse.
- 2) Arealink proposes way for companies to effectively utilize idle assets.
- 3) Arealink subleases a portion of its self-storage space as a commercial site.
- 4) Joint formation of self-storage REIT.

**<Actual example the third type of
collaboration>**

**My Basket Kami-Igusa Station South
Store opened in the Trunk House 24
Kami-Igusa location on July 12, 2019.**



Trunk House 24 Kami-Igusa / My Basket Kami-Igusa Station South Store

Continue forming funds to establish private placement REITs

➤ In April 2019, Arealink formed the private placement fund “Trunk house 24,” and sold the fund eight self-storage properties with accompanying land.

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

Fund period: Five years (plan)

Net sales of ¥3.3 billion and operating income of ¥0.5 billion recorded in the Self-storage Brokerage business

➤ 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	Public Storage	2,310	N/A*	5.5%*
No.2	Extra Space Storage	1,412	946,406	3.4%
No.3	CubeSmart	762	513,234	1.8%
Top 6 listed companies total		7,005	<u>2,620,081</u>	16.7%
Ref. (Japan) Total for All Companies		11,214	<u>525,410</u>	—

Ref: Self-Storage Almanac 2017

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

Ref: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2019 Edition (Japan)



Property consigned to CubeSmart



Public Storage (No. 1 in the U.S., 5.5% market share)

Founded in 1972, Selected for the S&P 500 and FT Global 500

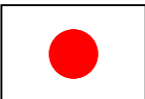
Operating Revenue **¥298.5 billion** (YoY+3.2%)

Net income allocable to shareholders **¥185.4 billion** (YoY+18.6%)

Source: Company's Annual Report 2018 (Currency converted at ¥108.4 USD)



Management office (exterior)



Arealink (No. 1 in Japan, 16.7% market share)

*** No.1 in Japan, but 1/100th the scale of the U.S. No. 1**

Founded in 1995, TSE Mothers

Operating Income (FY 2018) **¥2.78 billion** (YoY+16.9%)

Net Income (FY 2018) **¥1.81 billion** (YoY+17.0%)



Container type self-storage

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**.
- **Expand new business domain**. Expand to **Kansai** region in addition to Kanto, and enter **commercial land rights** business as well as residential land rights business.

■ About "Limited Land Rights"

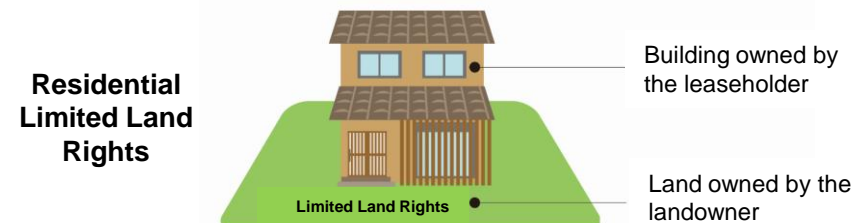
This is land leased to others for the purpose of building ownership. It is also called "land attached to leasehold."

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.

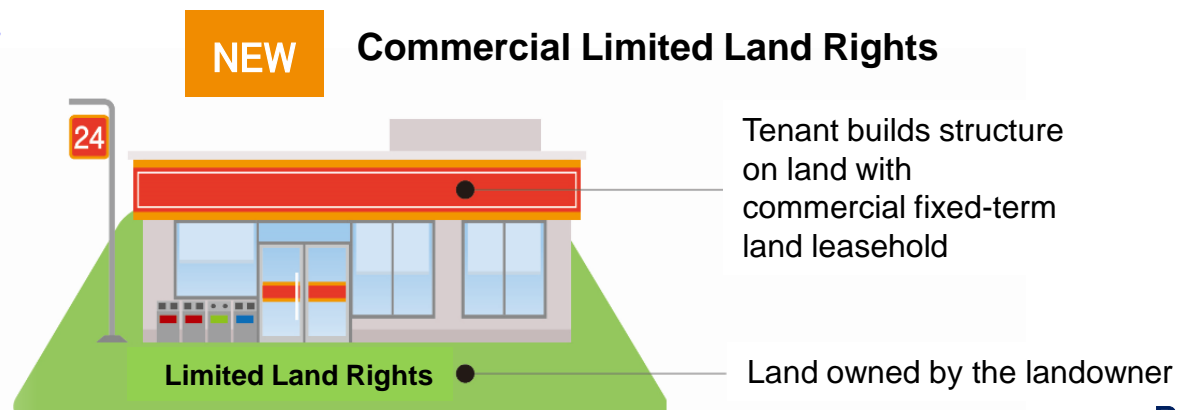
Situation for the landowner:

- 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.



About commercial limited land rights

- **Steady demand regardless of market conditions, stabilizing the business portfolio.**
- **High land rents and large-scale projects offer large business potential.**
- **Actively pursue purchases from commercial facilities (convenience stores, small supermarkets, chain restaurants, etc.)**
- **Find new and existing wealthy investors using Arealink's investor network.**



Revised our business forecast upward in view of the better-than-expected performance in the first half
Focus on growth for both our self-storage and leased land businesses in FY 12/20 and beyond

- **Announced a revision to our business forecast for the full year after our strong performance in the first half**
- **In the second half, we are focusing on steps toward growth in FY 12/20 and beyond**
- **Our self-storage business will return to containers and open more regional locations**
- **Our leased land business will focus on preparing to enter into the commercially leased land business and the Kansai area, which should contribute to our performance starting next year**

Unit: billion yen

Net sales/operating income		Full year (Apr. announcement)	Full year (July announcement)	Difference
Property management service	Net sales	22.2	24.0	1.8
	Operating income	2.4	2.8	0.4
Property revitalization & liquidation service	Net sales	5.7	5.0	(0.7)
	Operating income	1.4	1.2	(0.2)
Total for all businesses	Net sales	27.9	29.0	1.1
	Operating income	2.7	2.8	0.1

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
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
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
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 Quarterly)

Unit: Millions of yen

			FY18	FY19				
			(full year)	1Q	2Q	3Q	4Q	Cumulative
			Cumulative					
	Self-storage management	Net sales	11,262	3,100	3,188	—	—	6,288
		Gross profit	2,474	665	574	—	—	1,240
		Operating income	1,456	413	408	—	—	822
	Self-storage brokerage	Net sales	11,867	3,688	4,614	—	—	8,302
		Gross profit	2,379	507	937	—	—	1,444
		Operating income	1,379	260	649	—	—	909
	Other property management service	Net sales	1,998	481	509	—	—	990
		Gross profit	792	188	218	—	—	407
		Operating income	608	152	178	—	—	330
Property Management Service Segment Total		Net sales	25,129	7,270	8,311	—	—	15,582
		Gross profit	5,646	1,361	1,730	—	—	3,092
		Operating income	3,445	826	1,236	—	—	2,062
Property Revitalization & Liquidation Service Segment Total		Net sales	3,698	2,363	2,199	—	—	4,562
		Gross profit	1,008	876	762	—	—	1,639
		Operating income	650	777	426	—	—	1,203
Management Division Expenses		Net sales	—	—	—	—	—	—
		Gross profit	—	—	—	—	—	—
		Operating income	(1,313)	(324)	(307)	—	—	(632)
Total for All Businesses		Net sales	28,828	9,634	10,511	—	—	20,145
		Gross profit	6,655	2,238	2,493	—	—	4,731
		Operating income	2,782	1,278	1,355	—	—	2,634

Property Management Service 80% of net sales (As of June 2019)

- 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
*Self-storage properties with accompanying land



Hello Storage (Room type)



SOHO (Hello Office)

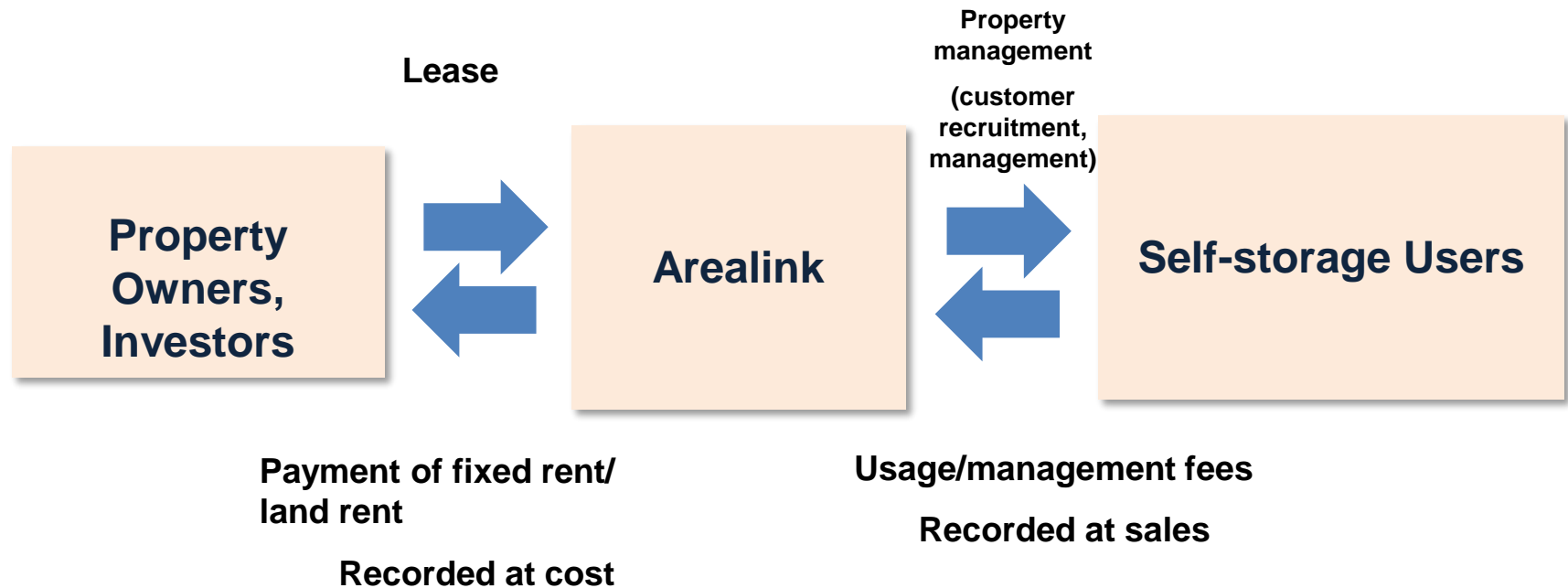
Property Revitalization & Liquidation Service 20% of net sales (As of June 2019)

- Land rights management business (limited land rights)

Self-storage management

(1) Hello Storage property management (customer recruitment/management)

Arealink rents self-storage facilities and land and manages the facilities (including customer recruitment). This is a stock-type business included in the self-storage management sub-segment



Self-storage brokerage

(1) Purchase and sale of self-storage properties w/land (asset indoor-type storage)

Arealink purchases land, builds trunk room facilities, and then resells the facilities and the land to investors

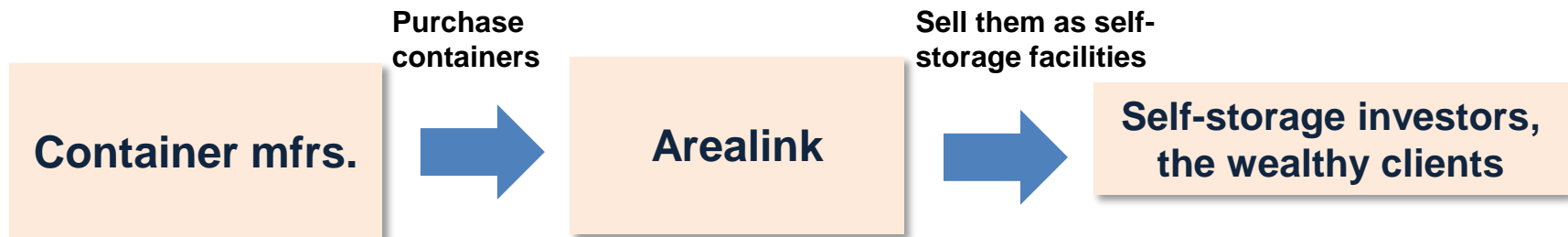
This is a flow-type business included in the self-storage brokerage sub-segment





(2) Purchase and sale of outdoor containers

Arealink sells containers to investors who already own or are leasing land

This is a flow-type business included in the self-storage brokerage sub-segment



We expect storage to become a popular new option for real estate investors.

	Rental apt. management 	Rental storage investment 
Market	△ Rental housing market is <u>saturated</u>	○ <u>Big market potential</u> due to small size of Japanese homes
Opportunity	× Japan's <u>population is declining</u>	◎ <u>Low degree of penetration</u> compared with the population
Returns	× <u>Obsolescence</u> proceeding rapidly, <u>as Japanese people prefer new housing</u>	○ Customers do not care about the age of a storage facility
	× <u>Renovation costs</u> are borne by the owner	○ Owner does not bear many costs because <u>obsolescence</u> proceeds slowly



Outdoor containers



Indoor storage (with land)

(1) Storage type	Containers	Trunk rooms
(2) Land ownership	Leased	Owned (by investors/Arealink)
(3) Benefits	Stable earnings	Alternative investment to apts.
(4) Payments of land rent	Yes	No
(5) Capital expenditures	Low	High (usually requires a bank loan)



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 Machida Tadao



Trunk House 24 Setagaya Higashitamagawa



Ample large storage spaces



Unit access with card key or special app

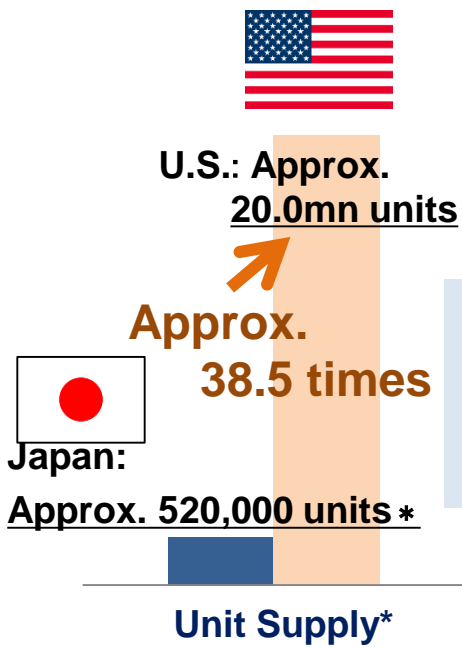


Fully equipped with elevators and security

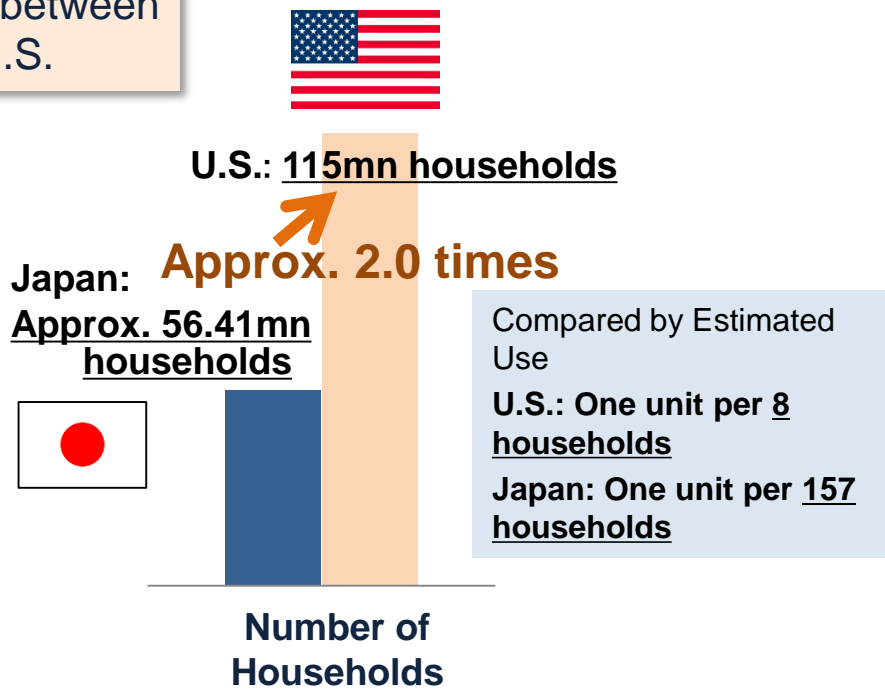
Japan’s storage market is expected to grow to be on a par with the U.S. in the future.

- 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.



Compared by Supply of Units
U.S.: One unit per 6 households
Japan: One unit per 108 households



Compared by Estimated Use
U.S.: One unit per 8 households
Japan: One unit per 157 households

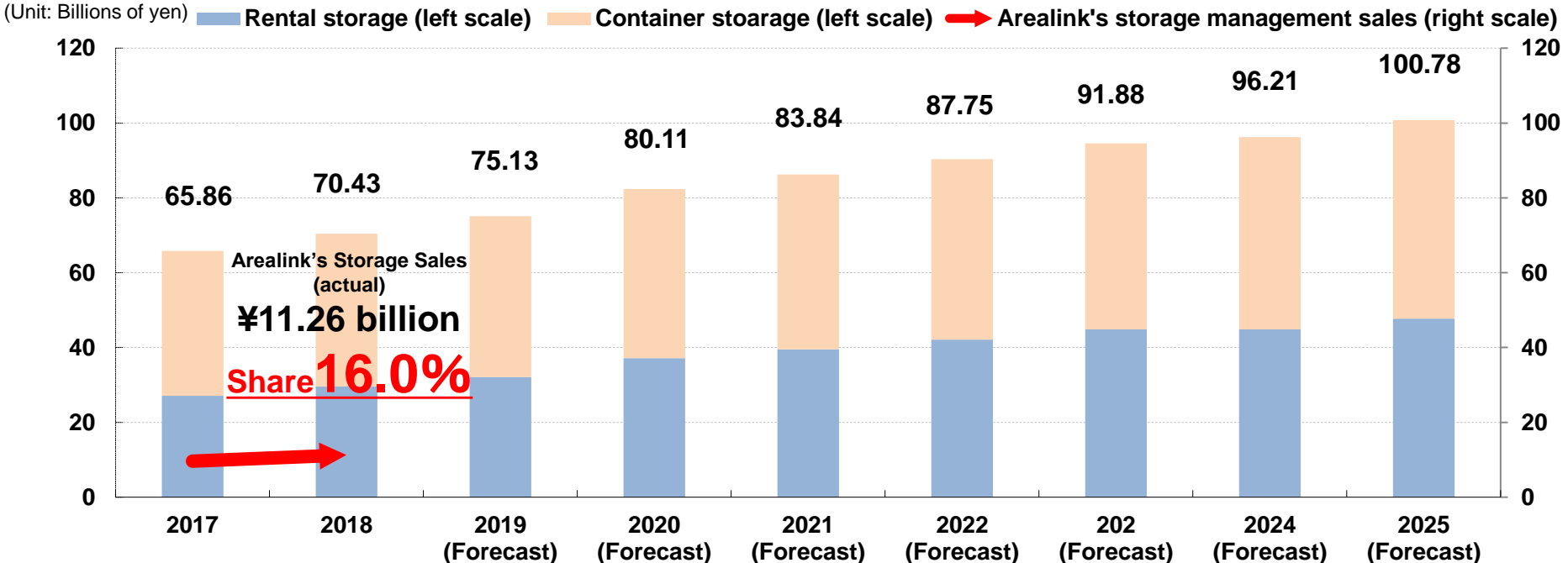
* Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2019 Edition (Japan) Self Storage Almanac 2015 (U.S.)
 * Currency converted at ¥80/USD (2011 average)

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
 - Arealink’s market share (net sales) 16.0% (No.1 in Japan)
- *Storage management sales

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



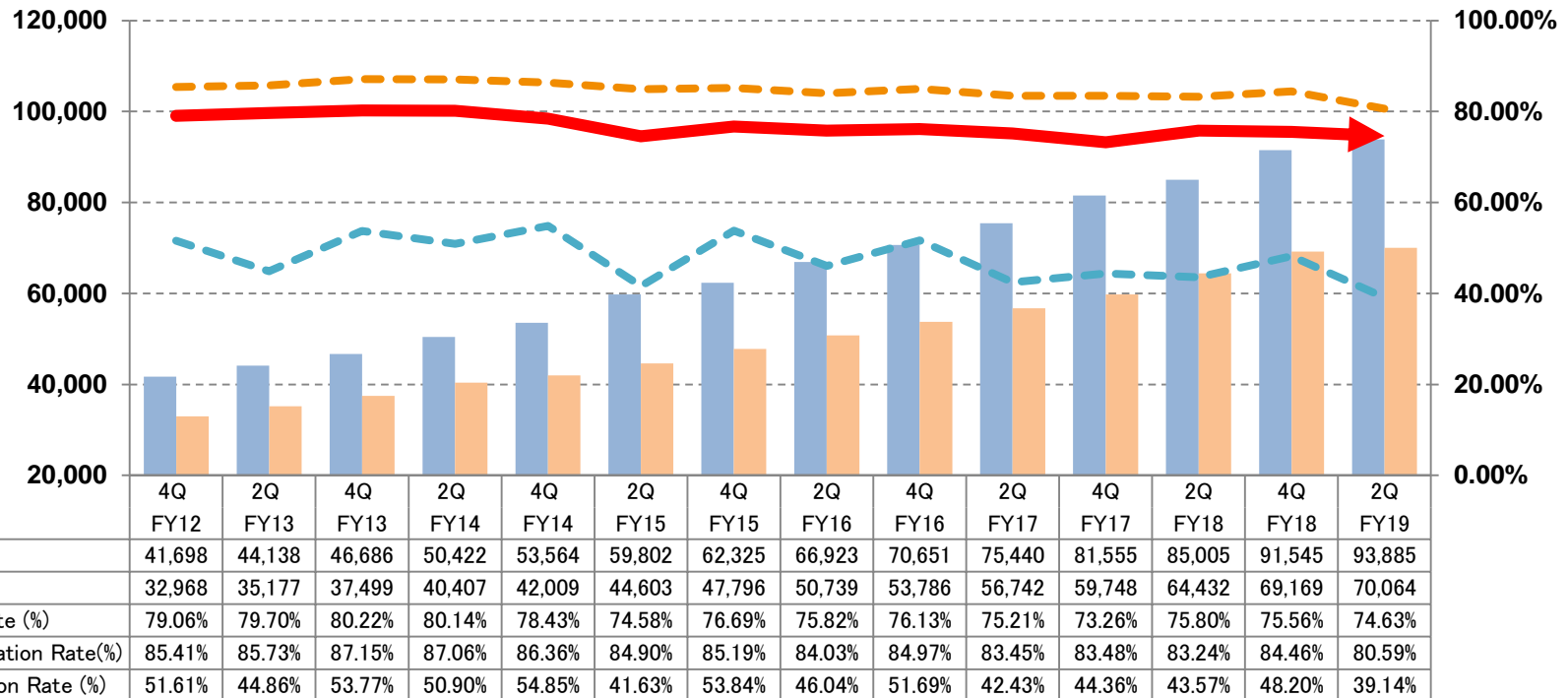
Source: Yano Research Institute, "Thorough Survey of the Growing Self-Storage Business" 2019 Edition (Japan)
 Figures for the scale of Japan's storage market are the combined total of moderate-range projections for rental storage and container storage using our own calculation method.

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

Our rate of opening new storage facilities was above the market average. For the past 6 years, our number of storage units increased 2.2x and our number of units in use increased 2.1x

Total Units, Units in Use, and Utilization Rate

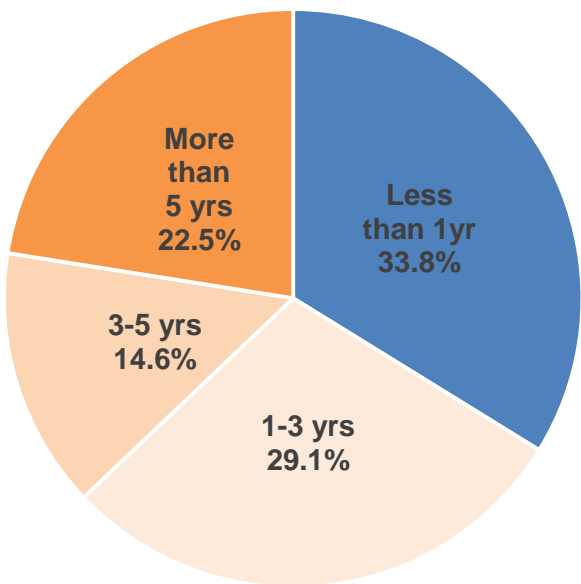
(Unit: Number of units)



* Existing: Units after more than two years since they opened
 New: Units after less than two years since they opened
 New for FY 2019: Newly opened in 2018 and 2019

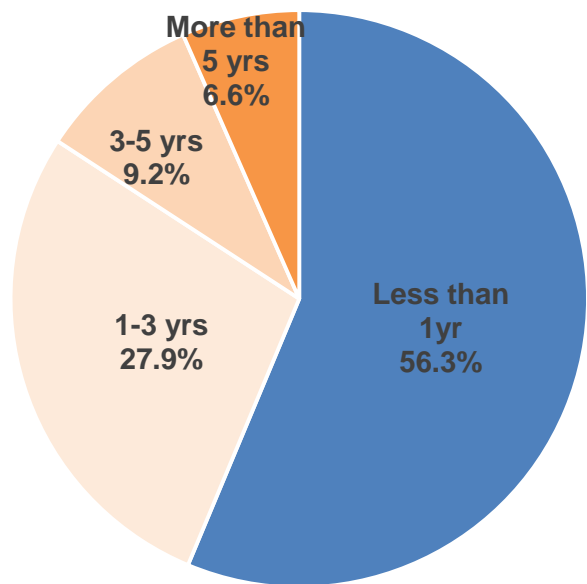
- Average usage period for current contract customers is 39 months.
- Average usage period for customers who have terminated contracts is 19 months.
- Average monthly usage fee is ¥13,890 for a container type, and ¥15,289 for trunk type.

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



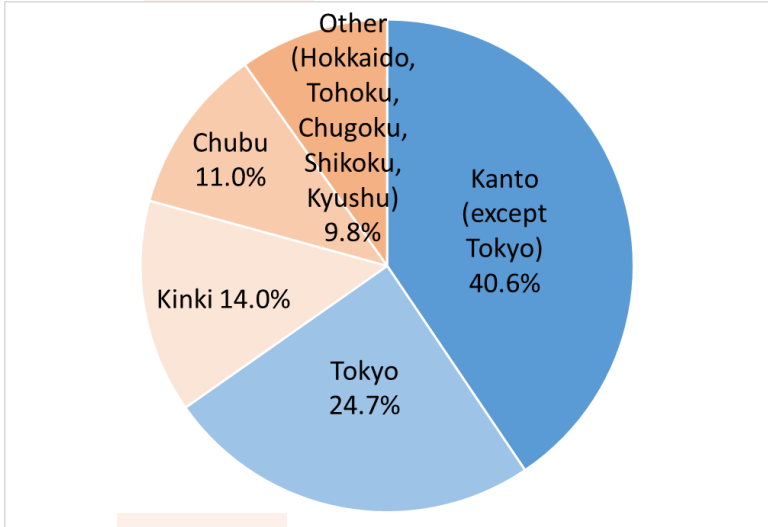
* Analysis of customers who terminated contracts in 2018

Storage Business: Openings by Region



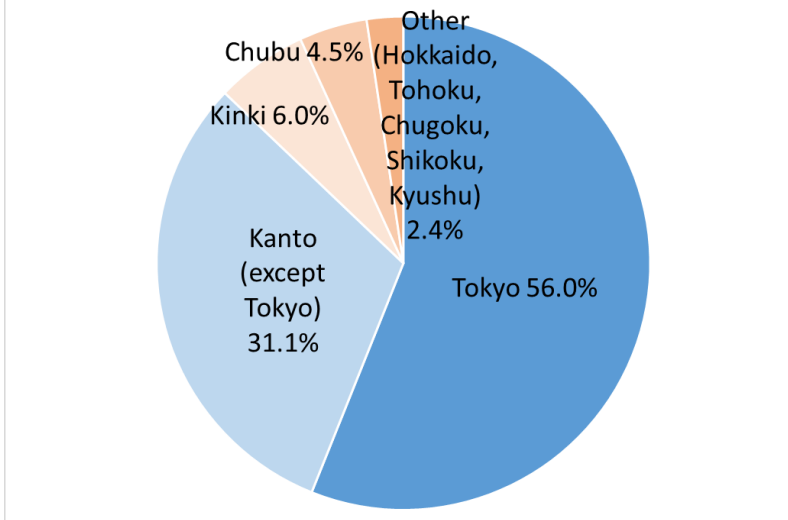
Prefecture	Containers	Storage Rooms	Total	Proportion of Total	Prefecture
Hokkaido	985	422	137	1,544	1.6%
Aomori	0	0	0	0	0.0%
Iwate	0	0	0	0	0.0%
Miyagi	1,682	0	0	1,682	1.8%
Akita	0	0	0	0	0.0%
Yamagata	0	0	0	0	0.0%
Fukushima	56	0	0	56	0.1%
Ibaraki	786	0	0	786	0.8%
Tochigi	207	0	0	207	0.2%
Gunma	337	0	0	337	0.4%
Saitama	8,643	872	1,212	10,727	11.4%
Chiba	10,016	250	1,130	11,396	12.1%
Tokyo	17,419	10,523	2,598	30,540	32.5%
Kanagawa	8,619	2,700	1,105	12,424	13.2%
Niigata	92	0	0	92	0.1%
Toyama	143	0	0	143	0.2%
Ishikawa	204	0	0	204	0.2%
Fukui	90	0	0	90	0.1%
Yamanashi	149	0	0	149	0.2%
Nagano	266	0	0	266	0.3%
Gifu	621	0	0	621	0.7%
Shizuoka	1,275	0	0	1,275	1.4%
Aichi	4,884	530	515	5,929	6.3%
Mie	378	50	0	428	0.5%
Shiga	154	0	0	154	0.2%
Kyoto	1,187	152	0	1,339	1.4%
Osaka	3,861	941	152	4,954	5.3%
Hyogo	3,685	121	0	3,806	4.1%
Nara	567	0	0	567	0.6%
Wakayama	27	0	0	27	0.0%
Tottori	32	0	0	32	0.0%
Shimane	0	0	0	0	0.0%
Okayama	218	0	0	218	0.2%
Hiroshima	312	0	0	312	0.3%
Yamaguchi	0	0	0	0	0.0%
Tokushima	27	0	0	27	0.0%
Kagawa	181	0	0	181	0.2%
Ehime	84	0	0	84	0.1%
Kochi	34	0	0	34	0.0%
Fukuoka	2,014	0	0	2,014	2.1%
Saga	79	0	0	79	0.1%
Nagasaki	118	0	0	118	0.1%
Kumamoto	402	0	0	402	0.4%
Oita	106	0	0	106	0.1%
Miyazaki	100	0	0	100	0.1%
Kagoshima	367	0	0	367	0.4%
Okinawa	68	0	0	68	0.1%
Total	70,475	16,561	6,849	93,885	100.0%

Container As of June 30, 2019



Storage rooms As of June 30, 2019

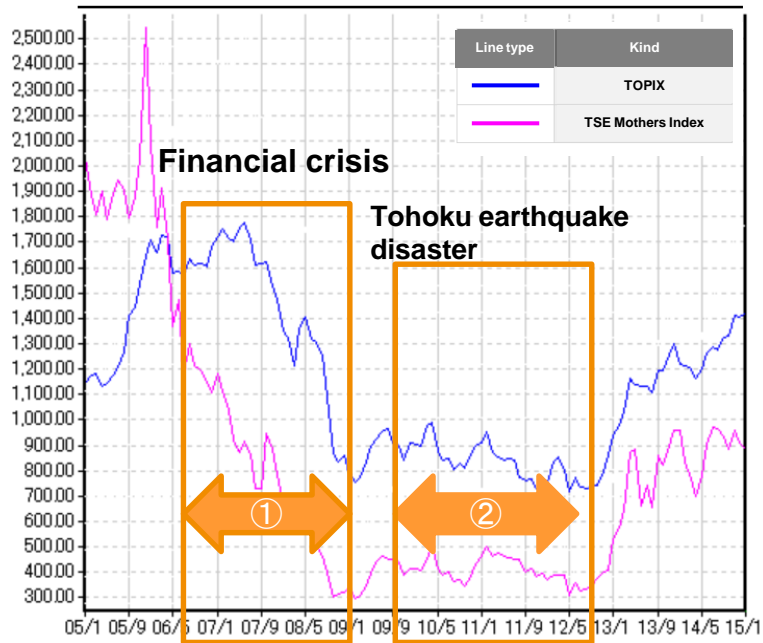
*Sum of trunk-type and indoor storage with land



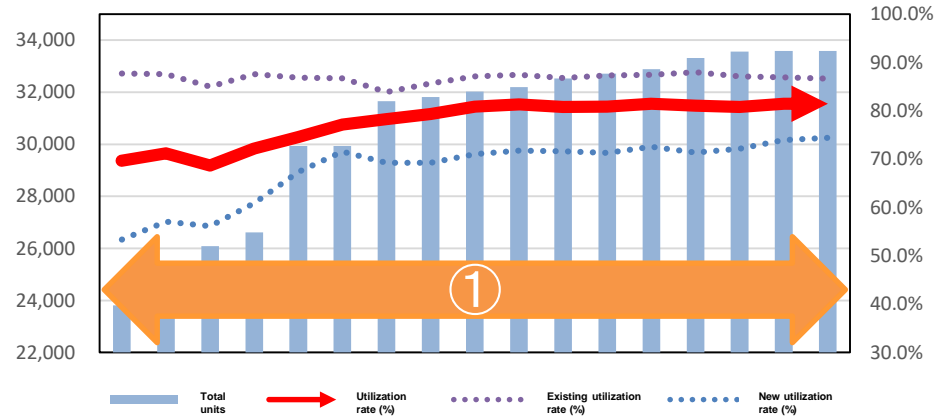
Self-storage Business: Less Susceptible to Market Conditions

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)

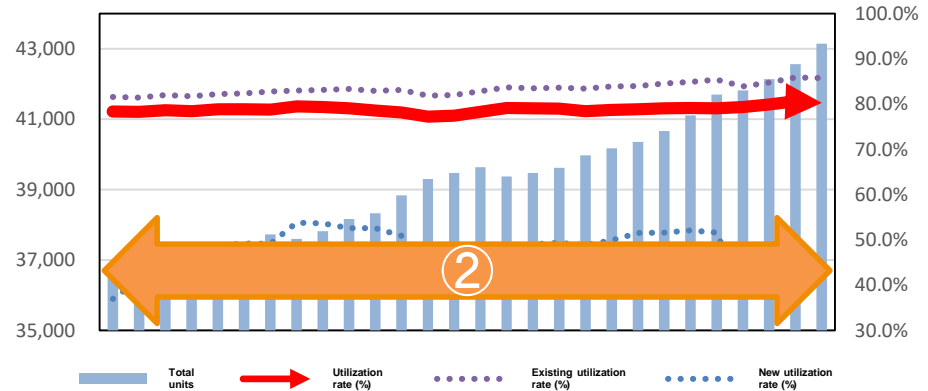


Image for the Company

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

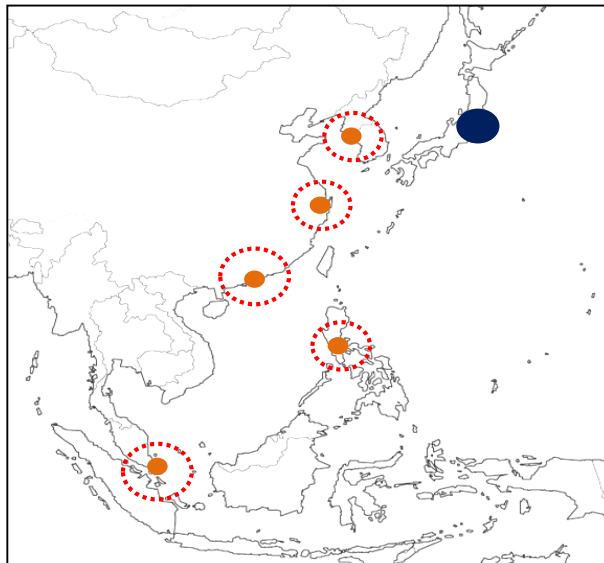


New Expansion of the Self-Storage Business

- **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

* 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)



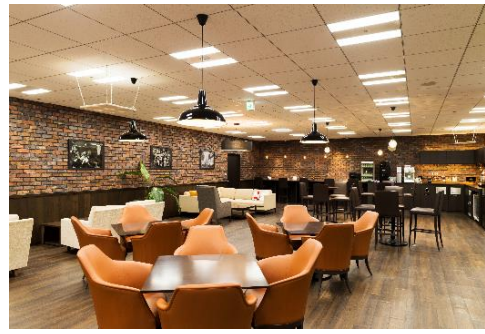
Entrance/Reception (Summer version)



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.

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