

Arealink

Arealink Co., Ltd.

April 27, 2022

Results Briefing

First Quarter, Fiscal Year

Ending December 2022

FY12/22 1Q Business Results

Wataru Sasaki
Director, Head of Administrative Division

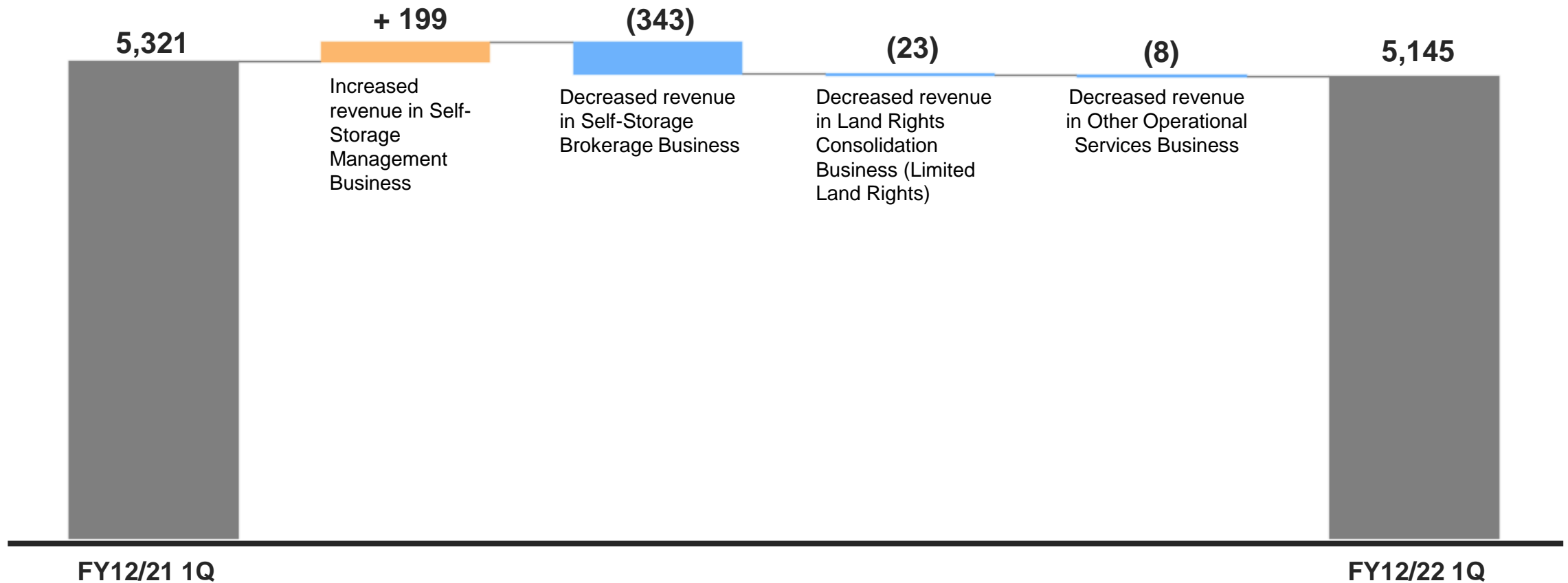
Operating and Ordinary Income Continued to Rise and Budget Achieved

	FY12/21 1Q	FY12/22 1Q	YoY
<small>In Millions of yen</small>			
Net Sales	5,321	5,145	− 3.3%
Operating Income	781	936	+ 19.9%
Ordinary Income	773	948	+ 22.7%
Net Income	724	650	− 10.2%

Self-Storage Management Revenue Continued to Grow While Revenue From Self-Storage Brokerage Business Fell

Increase/Decrease in Net Sales

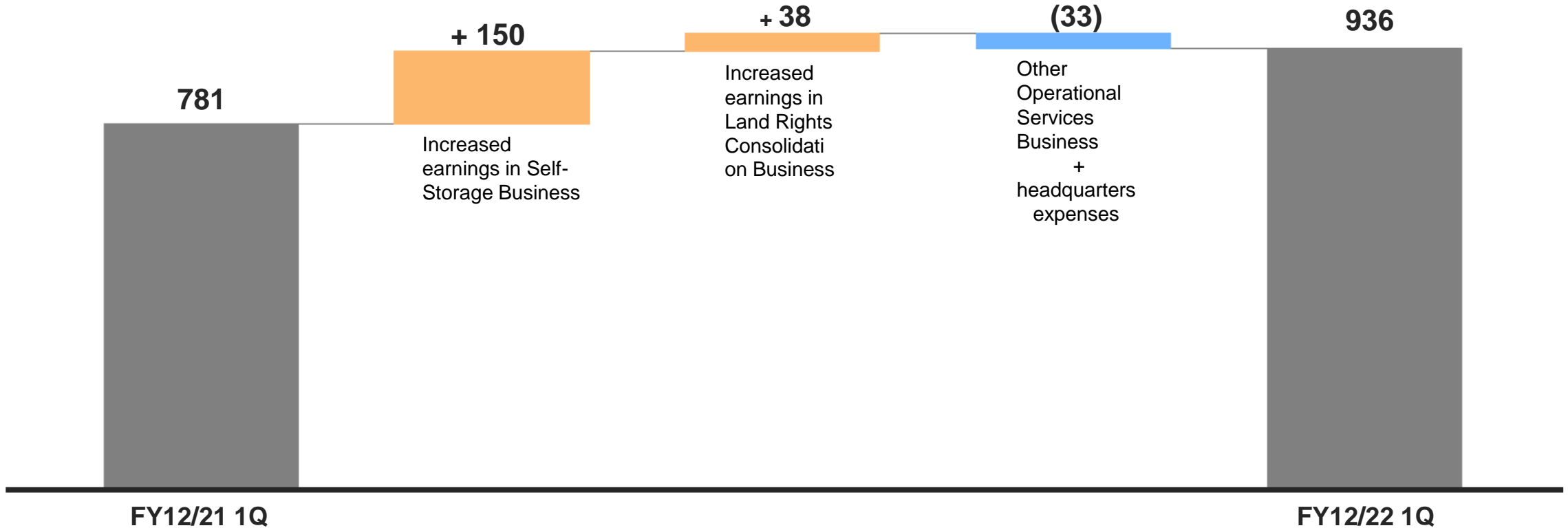
In Millions of yen



Self-Storage Earnings Increased Steadily

Increase/Decrease in Operating Income

In Millions of yen



Extraordinary Income in FY12/21 Is From the Sale of Parking Business

In Millions of yen	FY12/21 1Q	FY12/22 1Q	YoY
Operating Income	781	936	+ 19.9%
Non-operating Income	23	48	+ 102.4%
Non-operating Expenses	31	35	+ 14.7%
Ordinary Income	773	948	+ 22.7%
Extraordinary Income	208	4	- 98.0%
Extraordinary Loss	0	2	-
Income Before Income Taxes	982	951	- 3.2%
Income Taxes — Current	203	241	+ 61.3%
Income Taxes — Deferred	54	59	+ 8.3%
Net Income	724	650	- 10.2%

Non-operating income
 Compensation for transfer ¥17 million
 Foreign exchange gains ¥11 million

Non-operating expenses
 Interest expenses ¥28 million

In Millions of yen			FY12/21 1Q		FY12/22 1Q		
			Actual	Percent of Sales	Actual	Percent of Sales	YoY
	Self-Storage Management	Net Sales	3,654	—	3,853	—	+ 5.5%
		Gross Profit	1,138	31.2%	1,319	34.3%	+ 15.9%
	Self-Storage Brokerage	Net Sales	482	—	139	—	- 71.2%
		Gross Profit	55	11.5%	12	9.3%	- 76.6%
Self-Storage Business		Net Sales	4,136	—	3,992	—	- 3.5%
		Gross Profit	1,194	28.9%	1,332	33.5%	+ 11.6%
		Business Profit	828	20.0%	978	24.6%	+ 18.1%
Land Rights Consolidation Business (limited land rights)		Net Sales	834	—	810	—	- 2.8%
		Gross Profit	232	27.8%	214	26.5%	- 7.4%
		Business Profit	133	16.0%	172	21.2%	+ 29.1%
Other Operational Services Business		Net Sales	350	—	341	—	- 2.5%
		Gross Profit	115	33.1%	107	31.5%	- 7.0%
		Business Profit	98	28.0%	94	27.7%	- 3.7%
Headquarters Expenses		Business Profit	(278)	—	(308)	—	+ 10.7%
Total for All Businesses		Net Sales	5,321	—	5,145	—	- 3.3%
		Gross Profit	1,542	29.0%	1,655	32.2%	+ 7.3%
		Operating Income	781	14.7%	936	18.2%	+ 19.9%

Starting this fiscal year, the self-storage management business and self-storage brokerage business no longer include separate accounts for business profit because of the application of Revenue Recognition Standards, falling weight of the self-storage brokerage business in profit, and rising common expenses.

Budget Achieved as Profit Steadily Rose Despite Decline in Self-Storage Brokerage Business Net Sales

Self-Storage Business			
	FY12/21 1Q	FY12/22 1Q	YoY
In Millions of yen			
Net Sales (Self-Storage Management)	3,654	3,853	+ 5.5%
Net Sales (Self-Storage Brokerage)	482	139	- 71.2%
Net Sales	4,136	3,992	- 3.5%
Gross Profit (Self-Storage Management)	1,138	1,319	+ 15.9%
Gross Profit (Self-Storage Brokerage)	55	12	- 76.6%
Gross Profit	1,194	1,332	+ 11.6%
SG&A Expenses	366	354	- 3.2%
Business Profit	828	978	+ 18.1%

Self-Storage Management: Increased Net Sales

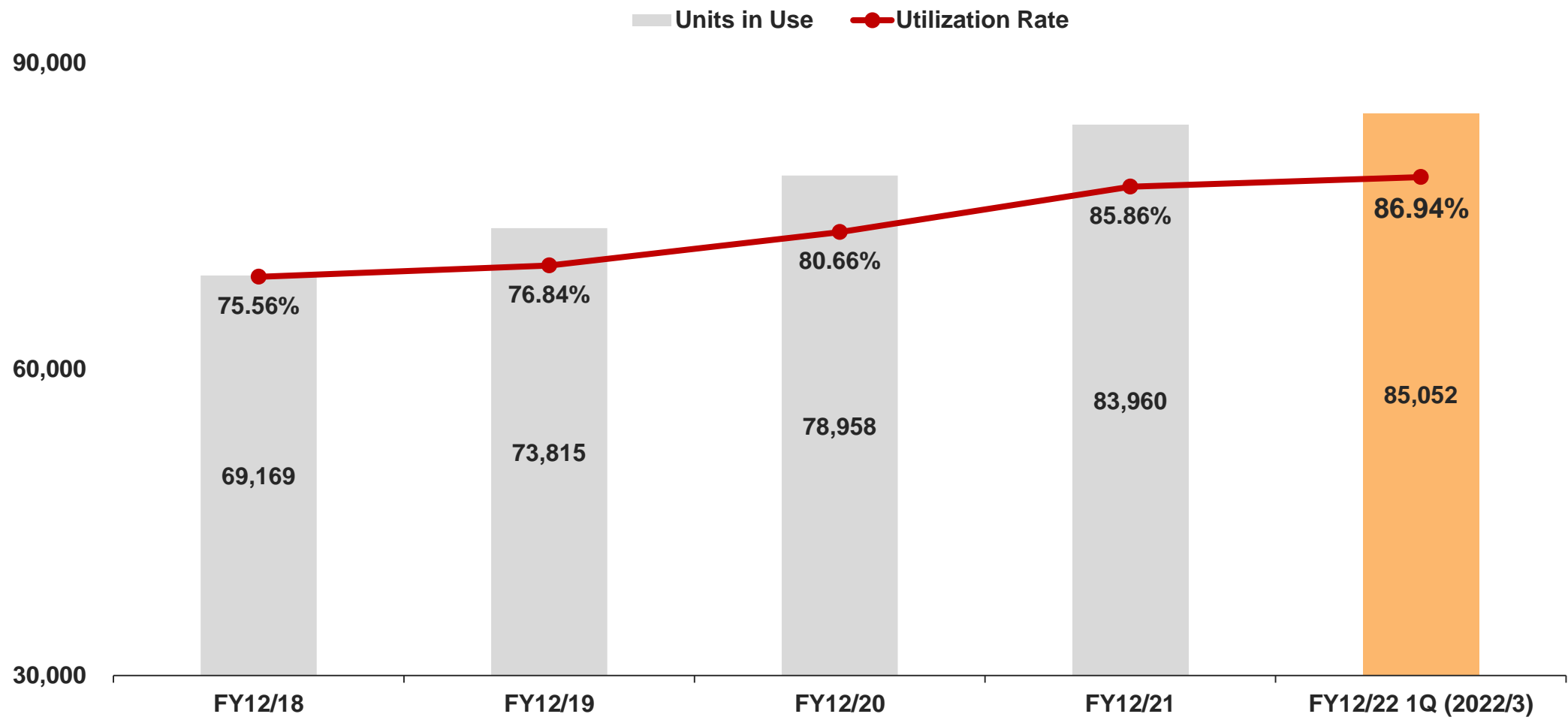
- Utilization rose due to steady growth in applications
- Utilization rate hit 86.9%, up 3.79 ppt YoY
- Gross profit rose as utilization rate increased

Self-Storage Brokerage: Decreased Net Sales

- Sold 1 Self-Storage Mini and received 1 Hello Storage order (for 1Q 2021, sold 1 property and received 2 property construction orders)

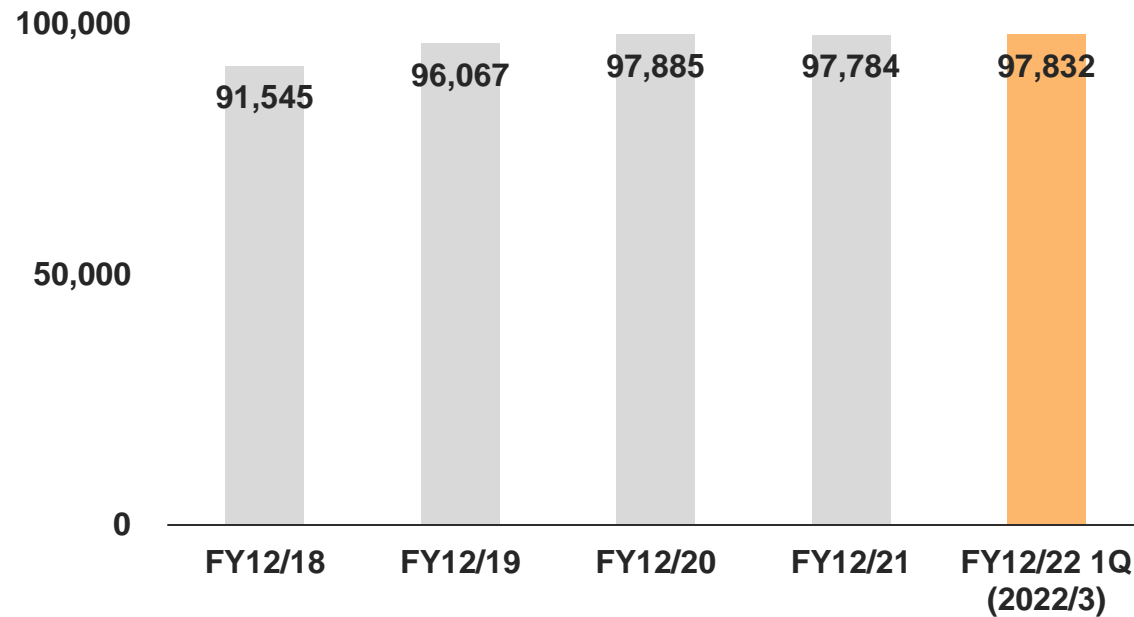
Steady Growth in Both Number of Units in Use and Utilization Rate

Change in Units in Use and Utilization Rate



New Openings Remained Strong Compared to Plans

Change in Number of Self-Storage Units



- Made Steady progress in new unit openings, as opened 542 units comparing to planned 2,300 units for 2022
- Continued to open Self-Storage Minis that were under construction in 2021
 - ▶ Container: 297 units, Self-Storage Mini: 245 units
- Continued to open new units in regional cities, too
 - Tokyo Metropolitan Area: 241
 - Main Kansai Cities (Osaka, Kyoto): 191
 - Other: 110

	Planned	FY12/22 1Q Actual
New units in 2022	2,300	542

Profit Margin Improved on Greater Profit Despite Fall in Net Sales; Progress Ahead of the Plan

Land Rights Consolidation Business (Limited Land Rights)			
In Millions of yen	FY12/21 1Q	FY12/22 1Q	YoY
Net Sales	834	810	- 2.8%
Gross Profit	232	214	- 7.4%
SG&A Expenses	98	42	- 56.9%
Business Profit	133	172	+ 29.1%

Other Operational Services Business			
In Millions of yen	FY12/21 1Q	FY12/22 1Q	YoY
Net Sales	350	341	- 2.8%
Gross Profit	115	107	- 7.0%
SG&A Expenses	17	13	- 25.4%
Business Profit	98	94	- 3.7%

Land Rights Consolidation Business (Limited Land Rights)

- Business profit ratio improved as SG&A expenses declined due to fewer sales commissions; Net sales decreased while profit increased
- Inventory increased YoY of ¥656 million to ¥3,172 million

Other Operational Service Business

- Both net sales and profit fell on account of the withdrawal from the parking business in March of FY21
- Asset management net sales and profit were about the same as that for FY21
- For the rental office business, both net sales and profit rose; New properties opened in April of FY21 contributed to earnings

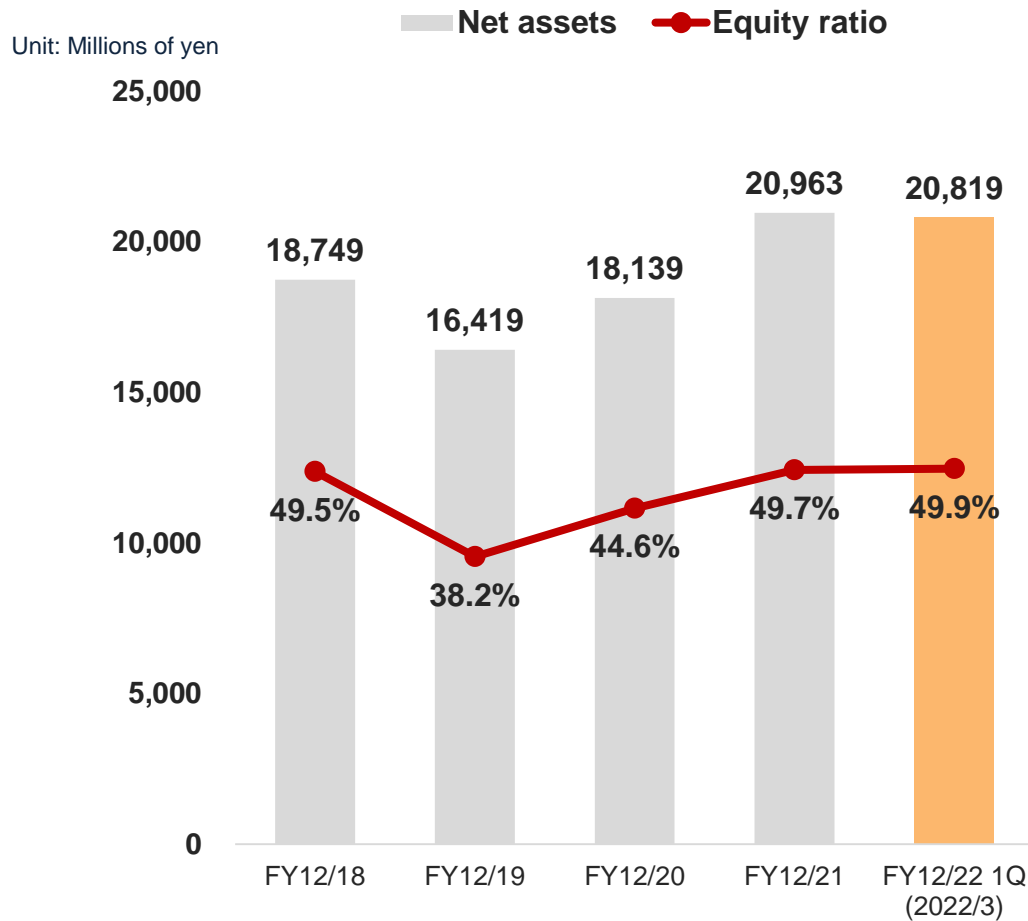
Adjusted Retained Earnings for 196 Million Yen, Due to Application of Revenue Recognition Standards

In Millions of yen

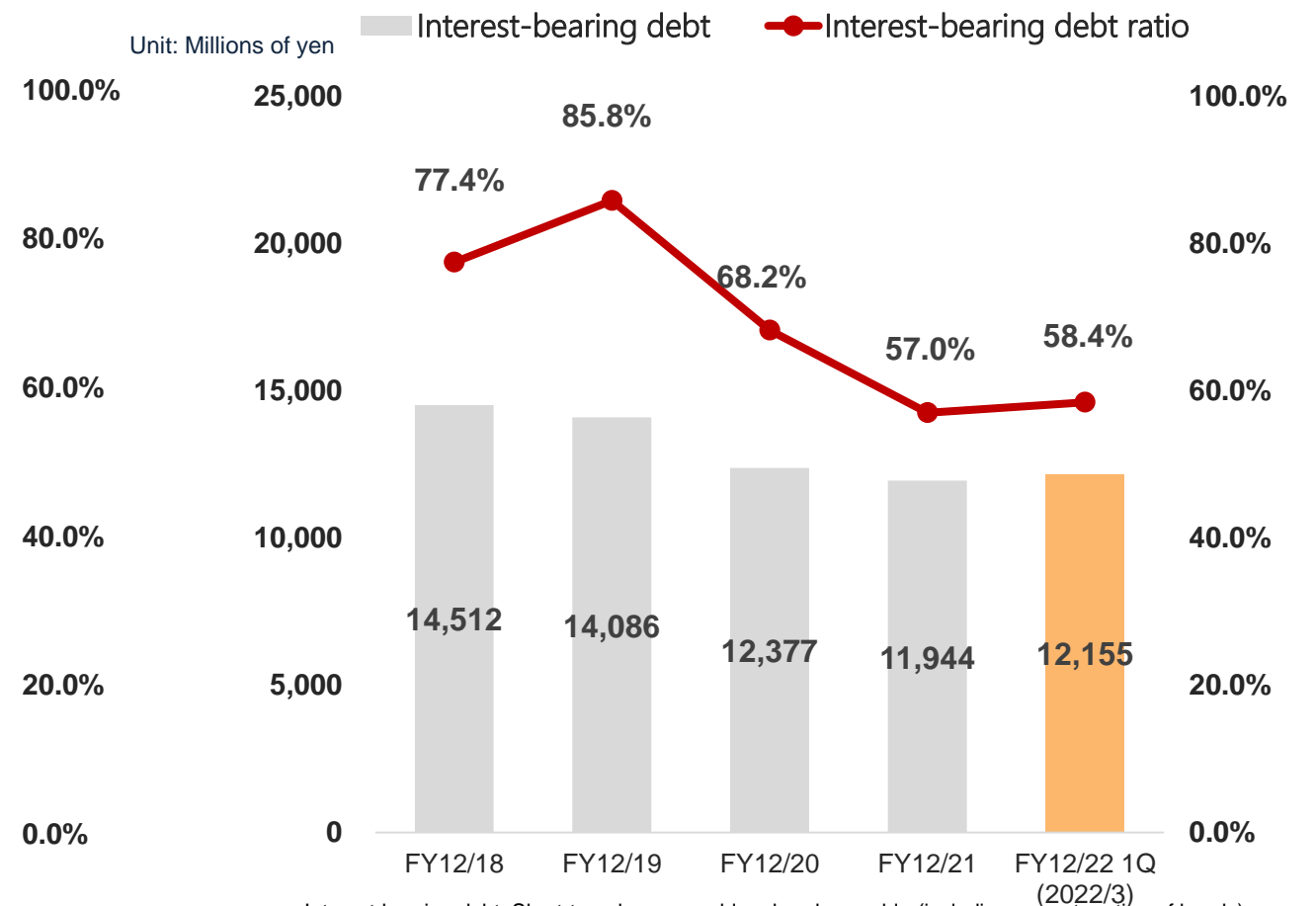
	Cash and deposits 11,554	Current liabilities 5,552	Current portion of long-term debt	1,334 million yen
	Other current assets 4,715	Fixed liabilities 15,332	Long-term loans payable	7,958 million yen
Real estate for sale (of which limited land rights)	3,859 million yen 3,172 million yen		Lease obligations	1,777 million yen
	Fixed assets 25,434		Long-term accounts payable - other	2,721 million yen
Land	8,028 million yen		Total liabilities (YoY)	20,885 million yen – 490 million yen
Buildings	5,847 million yen			
Tools, equipment and fixtures	4,743 million yen	Net assets 20,819		
Total assets (YoY)	41,704 million yen – 497 million yen		Net assets (YoY)	20,819 million yen – 144 million yen

Equity Ratio at Stable Level of 49.9%

Equity Ratio



Interest-Bearing Debt



Interest-bearing debt: Short-term loans payable + bonds payable (including current portion of bonds) + long-term loans payable (including current portion of long-term loans payable) + lease obligations
 Interest-bearing debt ratio= Interest-bearing debt/Net assets × 100

FY12/22 Earnings Outlook

No Change in Earnings Outlook at the Present

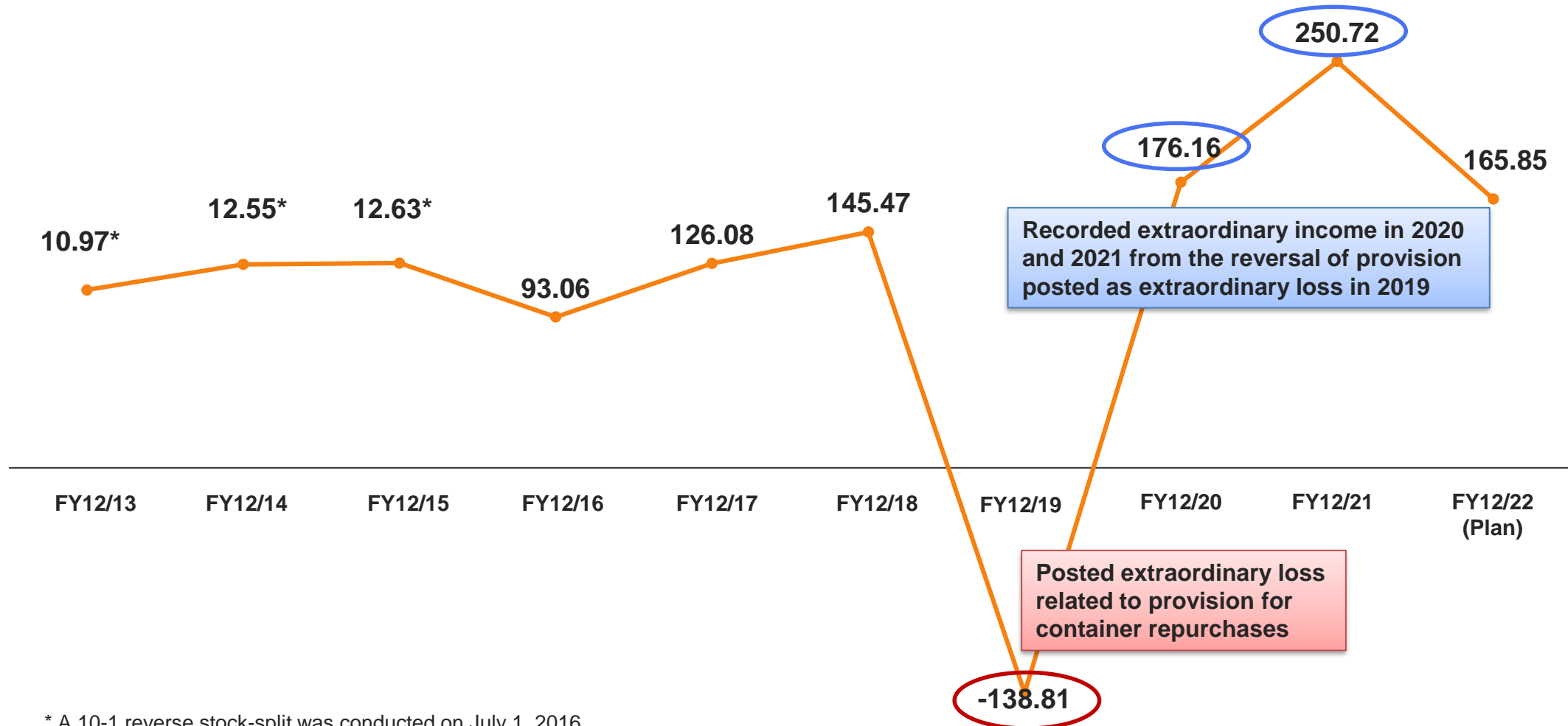
	FY12/21		FY12/22		
	Actual	Percent of Sales	Plan	Percent of Sales	YoY
In Millions of yen					
Net Sales	20,572	—	20,600	—	+ 0.1%
Operating Income	3,044	14.8%	3,300	16.0%	+ 8.4%
Ordinary Income	3,009	14.6%	3,200	15.5%	+ 6.3%
Net Income	3,171	15.4%	2,100	10.2%	− 33.8%
Net Income per Share	250.72	—	165.85	—	− 33.8%

No Change in Earnings Outlook at the Present

In Millions of yen

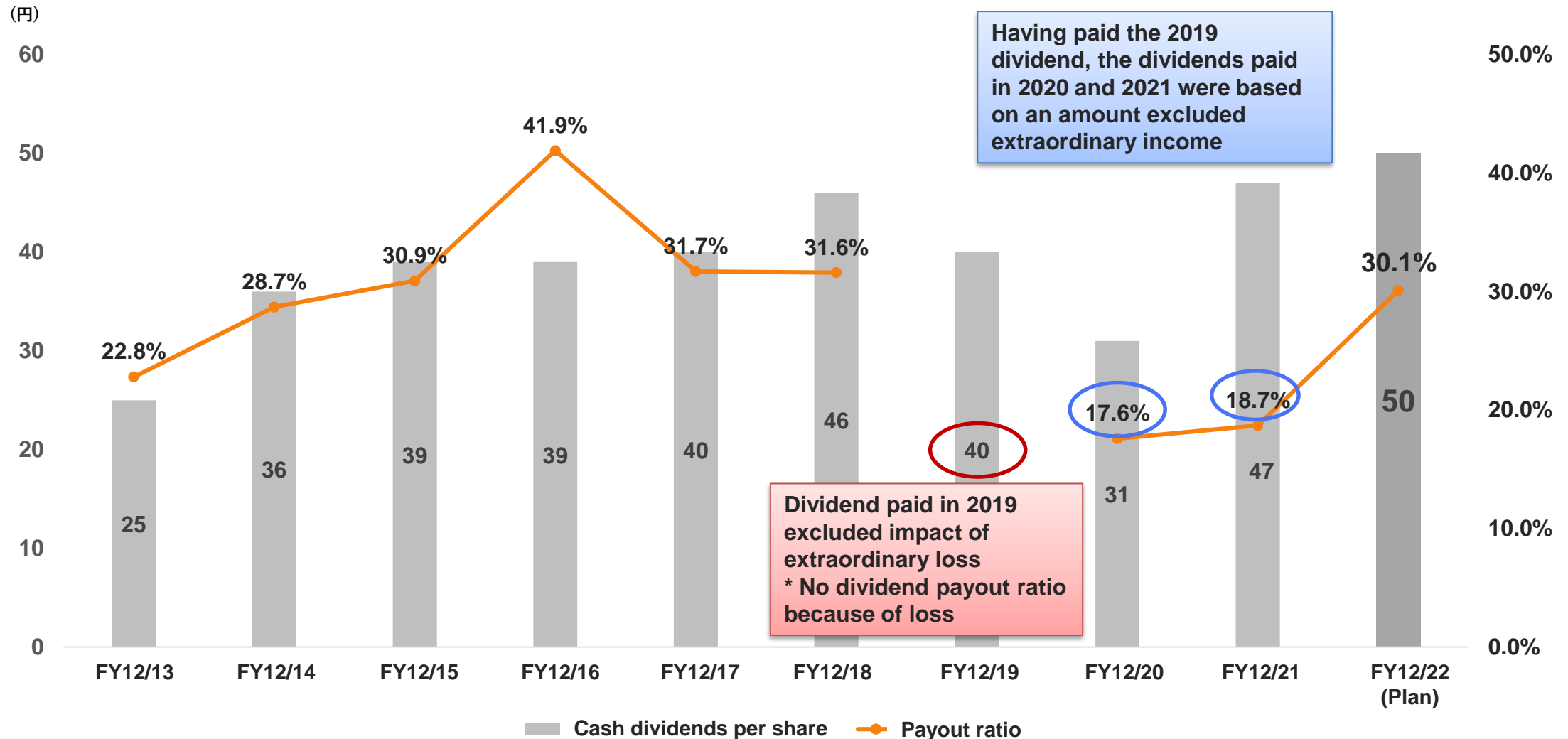
		FY12/21		FY12/22		
		Actual	Percent of Sales	Plan	Percent of Sales	YoY
Self-Storage Business	Net Sales	15,469	—	16,000	—	+ 3.4%
	Operating Income	3,415	22.2%	3,650	22.8%	+ 6.9%
Land Rights Consolidation Business (Limited Land Rights)	Net Sales	3,716	—	3,270	—	△ 12.0%
	Operating Income	442	11.9%	510	15.2%	+ 15.3%
Other Operational Services Business	Net Sales	1,385	—	1,330	—	△ 4.0%
	Operating Income	382	27.6%	340	26.9%	△ 11.1%
Management Division Expenses	Net Sales	—	—	—	—	—
	Operating Income	(1,195)	—	(1,200)	—	+ 0.4%
Total for All Businesses	Net Sales	20,572	—	20,600	—	+ 0.1%
	Operating Income	3,044	14.8%	3,300	16.0%	+ 8.4%

Expect Return to Normal Starting 2022, Following Impact of Extraordinary Income and Loss Over Past Three Years



* A 10-1 reverse stock-split was conducted on July 1, 2016.

Pay Dividend Based on 30% Of Net Income; No Change to Dividend Outlook



Corporate Logo

Emphasis on the company's identity



Brand Logo

Prominence of Japanese script rather than English enhances readability



Business Overview and Arealink's Strengths

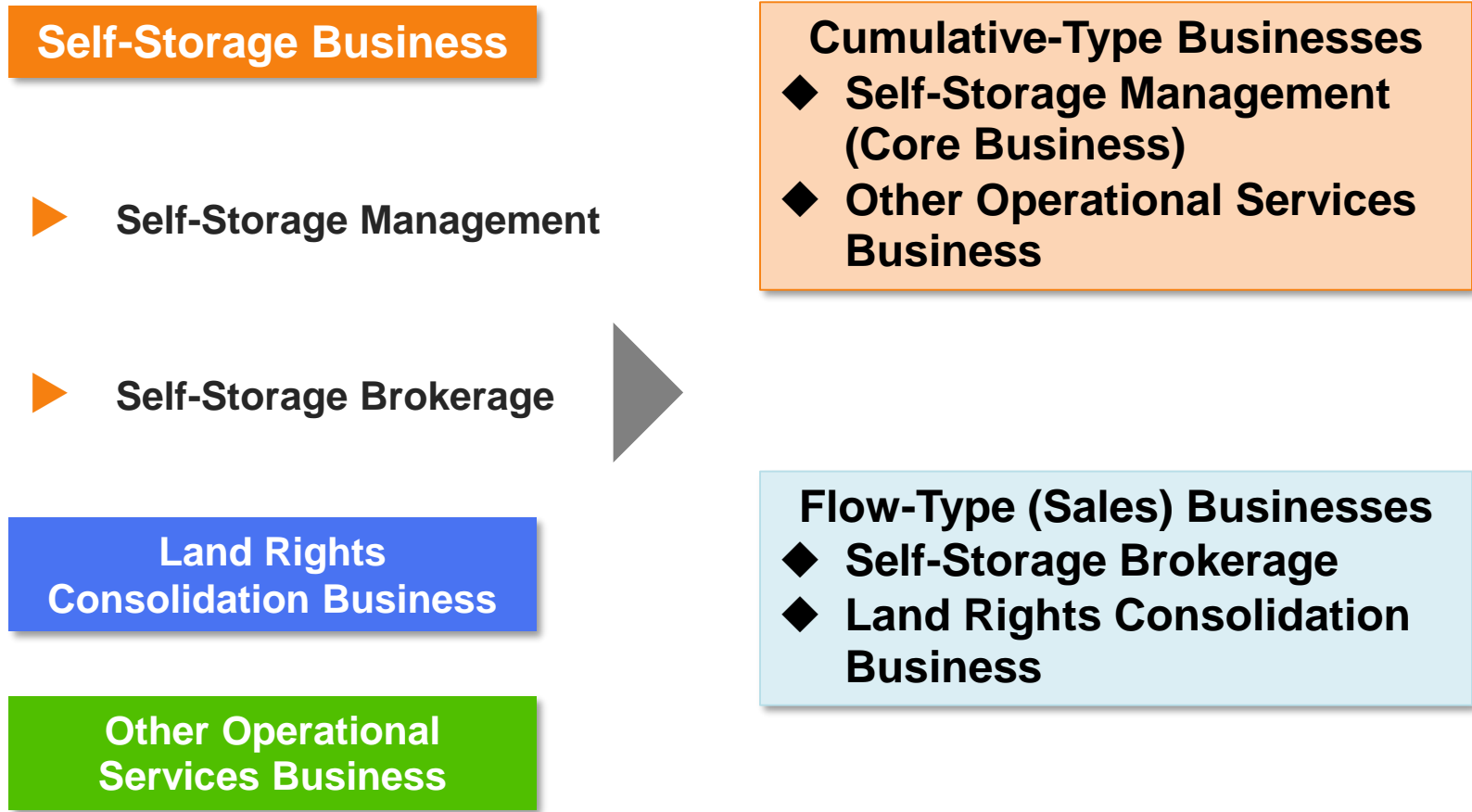
1. Cumulative-Type Business

2. Self-Storage, A Growth Market

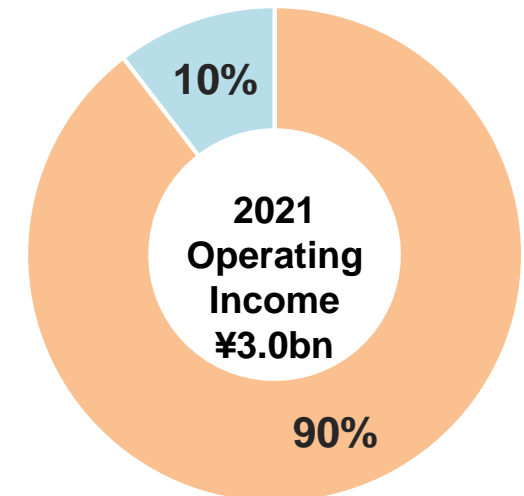
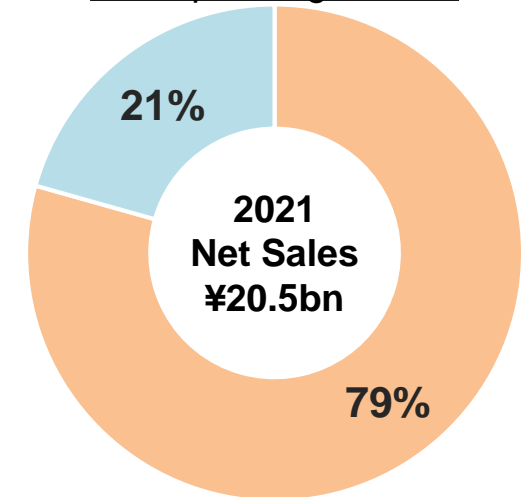
3. Per-Head Business Management

Cumulative-Type Business Accounted For Around 90% Of Earnings in 2021


Business Segments and Association with Cumulative-Type or Flow-Type Business



Ratio of Cumulative-Type Business Net Sales and Operating Income

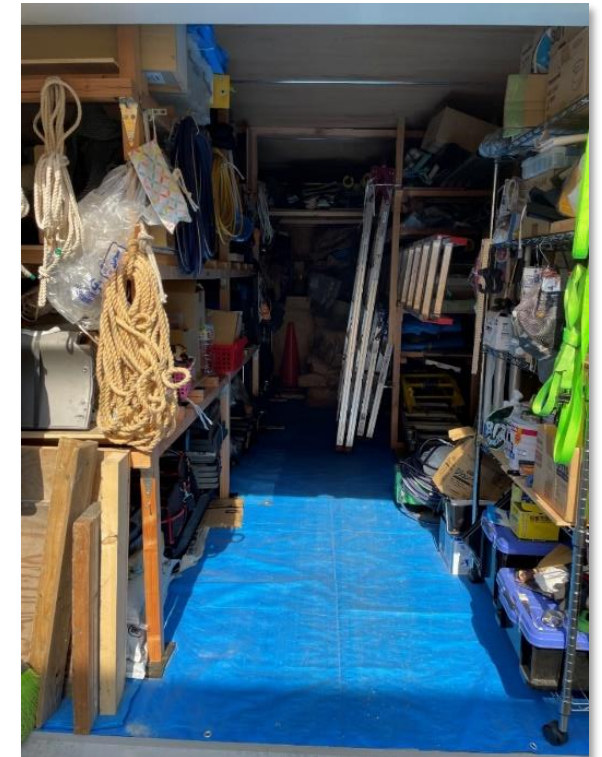
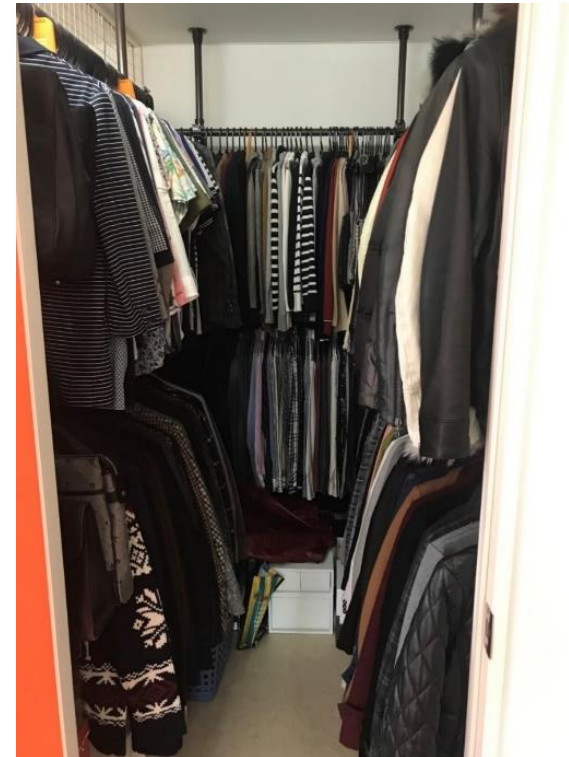


- ◆ **Self-Storage is the partitioning of containers or buildings into individual units, and providing these units as rental storage spaces. This is known as “self-storage” in the United States, and commonly called “trunk rooms” in Japan.**
- ◆ **Arealink provides self-storage units under the “Hello Storage” brand.**
 - ▶ **Arealink is a leading company in this market in Japan, with locations in 45 prefectures throughout the country, and a market share of approximately 17%.**

Outdoor Container Type	Building Type (Self-Storage Mini)
Containers installed on leased land, and provided as rental space	Buildings constructed on owned land, and provided as rental space
	

Can Be Used for a Wide Variety of Needs; The Ideal Solution for Organizing a Home

Examples of How Customers Use Arealink Storage Units



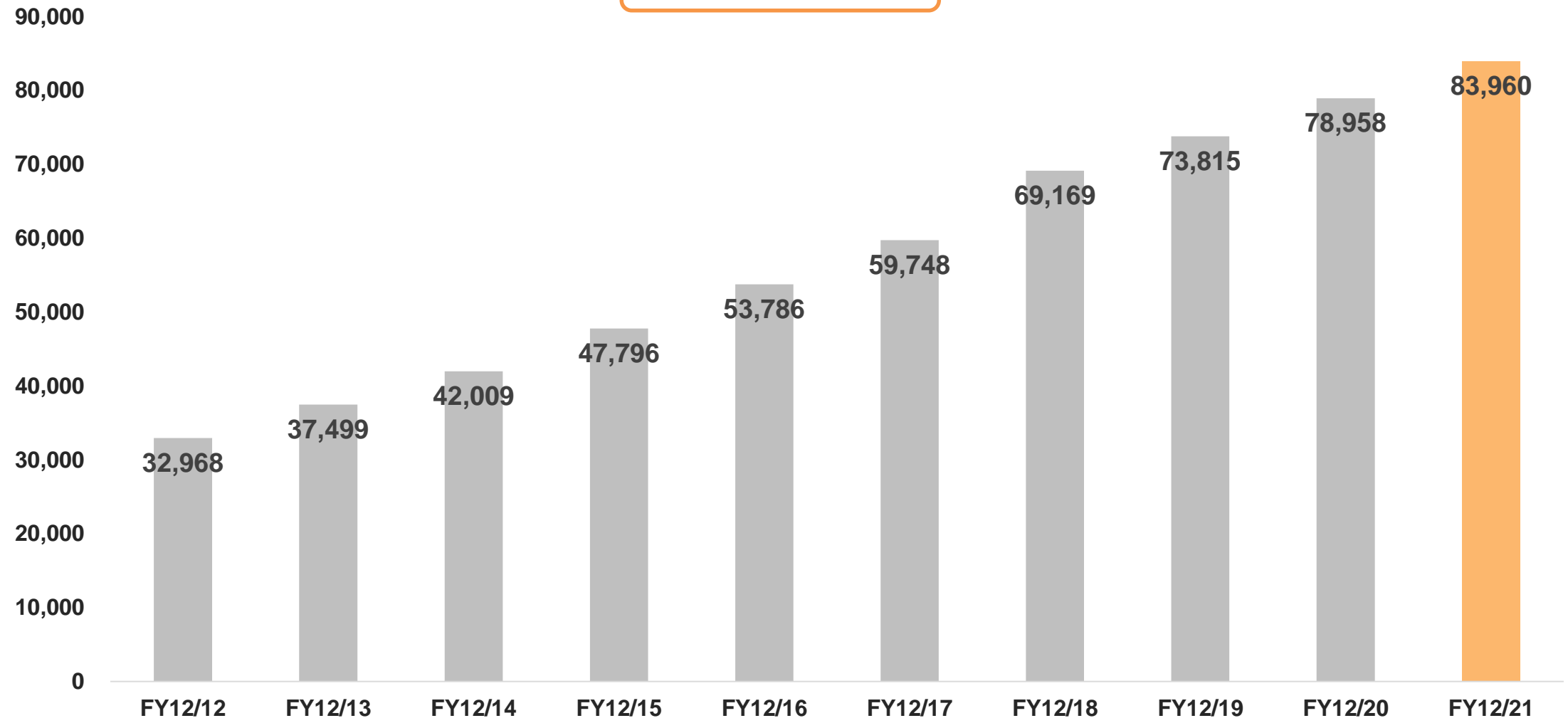
Container storage unit used to organize a room (Container Type)

Space for keeping seasonal clothing (Building Type)

Space for storing materials (Container Type)

The Number of Users Has More Than Doubled in 10 Years

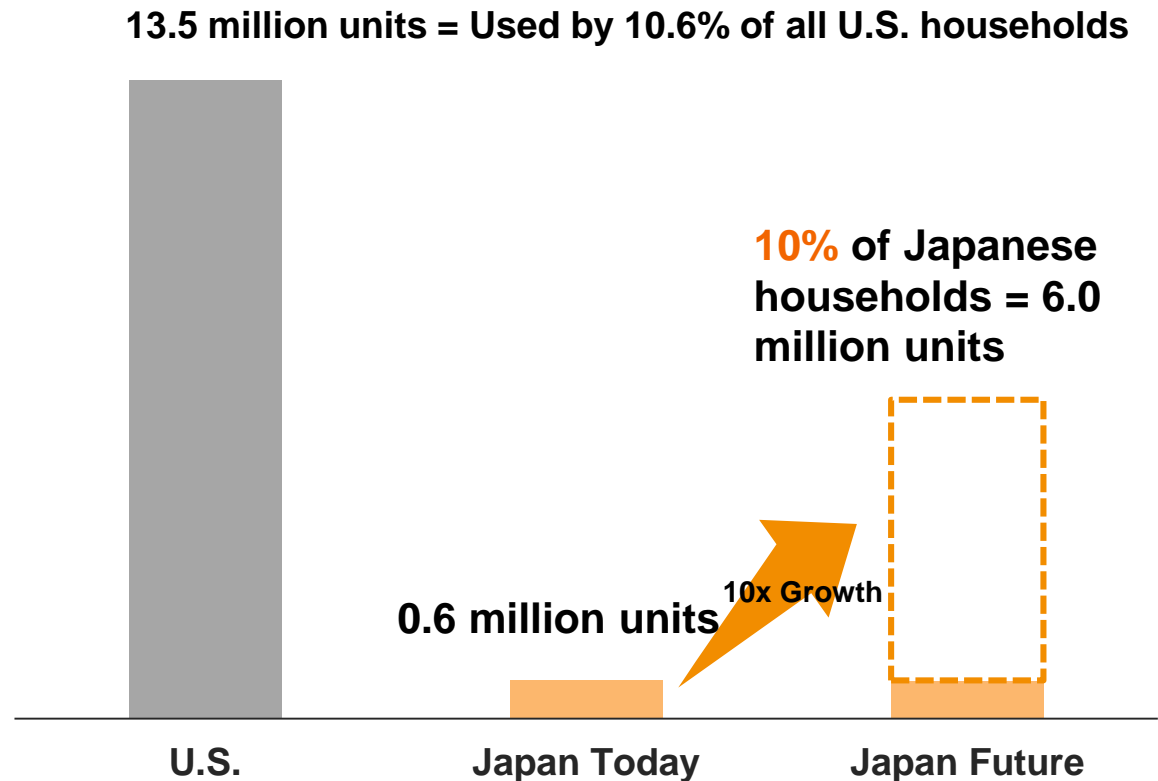
Number of Users



When Compared With the U.S., the Japanese Market Has Potential for Ten-Fold Growth From Current Level

Comparison With U.S. Self-Storage Usage

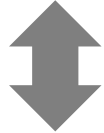
Comparison of Scale With U.S. Self-Storage Companies



U.S.

Public Storage
(Market Cap \$71.6bn, PER 77 times, PBR 7 times)

Extra Space Storage
(Market Cap \$28.4bn, PER 64 times, PBR 11 times)






Japan

Arealink
(Market Cap ¥17.5bn, PER 8 times, PBR 0.8 times)



At end-March 2022

No. of units in use in the U.S. (Source: Demand Study, Self Storage Association)
 Current situation in Japan (Source: Arealink)
 Future situation for Japan: Calculated by Arealink as 10% of all households in Japan* (*Reference: 2020 Population Census, Statistics Bureau of Japan)

Self-Storage Market Has Ample Room for Growth in Terms of Both Degree of Recognition and Market Scale

	Self-Storage	Paid Parking	Rental Meeting Rooms
			
Standard Use Pattern	Used on a monthly basis	Used on an hourly basis	Used on an hourly basis
Strengths	<ul style="list-style-type: none"> • Stable monthly income • Growth market • High potential for continued use once started 	<ul style="list-style-type: none"> • High degree of recognition • Can gain earnings immediately after opening 	<ul style="list-style-type: none"> • Easy to operate as utilization of idle buildings • Can gain earnings immediately after opening
Weaknesses	<ul style="list-style-type: none"> • Recognition is still low • Requires certain period of time to reach break-even point 	<ul style="list-style-type: none"> • Monthly income unstable due to hourly basis • Young people are less interested in cars • Saturated market 	<ul style="list-style-type: none"> • Monthly income unstable due to hourly basis • Demand declining as a result of online meetings

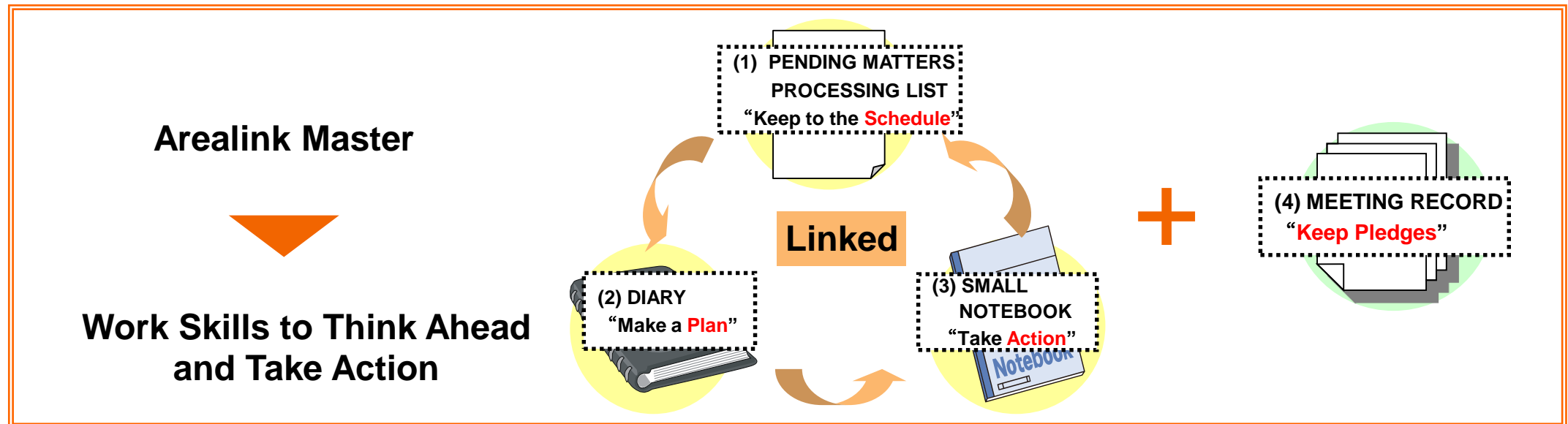
Self-Storage Has Low Risk of Decline in Value, Allowing for Earnings Over the Medium to Long Term

	Self-Storage	Apartments / Condominiums
		
Strengths	<ul style="list-style-type: none"> • Growth market • Slow deterioration over time because of specialization in storage • Demand and price remain constant regardless of year built • Can open locations outside of prime residential areas 	<ul style="list-style-type: none"> • Constant demand for newly built units and properties near train stations • Easier to find tenants for prime properties because Brokers handle entire process
Weaknesses	<ul style="list-style-type: none"> • Need to handle everything from advertising for tenants to finalizing contracts • Zoning regulations prohibit openings in certain areas 	<ul style="list-style-type: none"> • Saturated market – Risk of vacancies due to declining population • Demand and value decline over time necessitate a lowering of the rent • Restoration and other repair costs will be incurred

Ordinary Income per Employee Reached ¥40 Million in 2021;
Arealink Will Continue to Conduct Business With a Small Workforce

◆ Work Skills “Arealink Master”

- ▶ Corporate growth by enhancing employee productivity, rather than increasing the number of employees.



Appendix

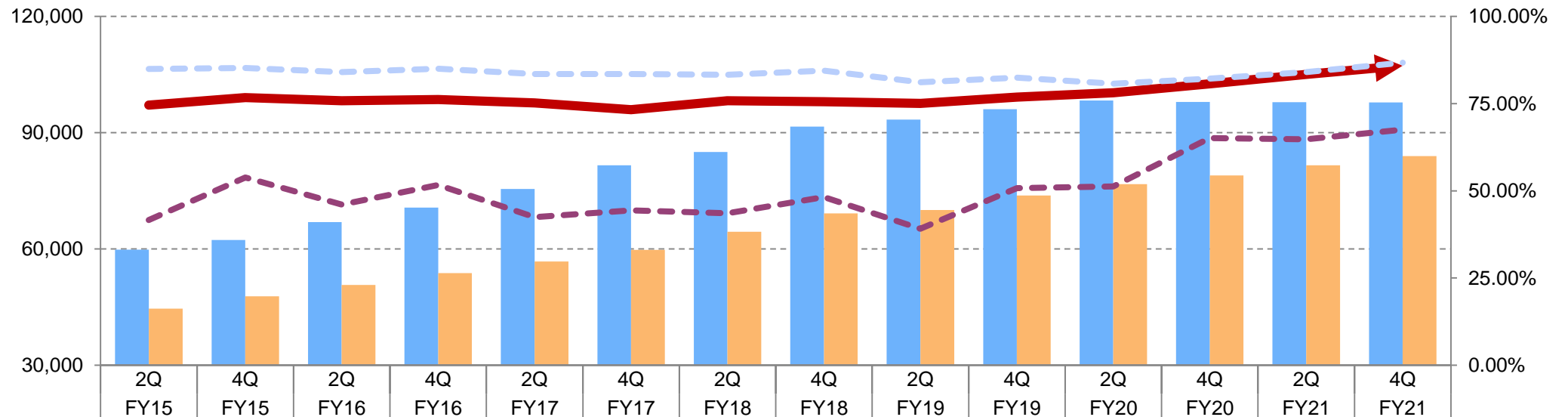
Starting this fiscal year, the self-storage management business and self-storage brokerage business no longer include separate accounts for business profit because of the application of Revenue Recognition Standards, falling weight of the self-storage brokerage business in profit, and rising common expenses.

In Millions of yen			FY12/21	FY12/22				
			Full-year	1Q	2Q	3Q	4Q	Cumulative
	Self-Storage Management	Net Sales	14,941	3,853				3,853
		Gross Profit	4,760	1,319				1,319
	Self-Storage Brokerage	Net Sales	528	139				139
		Gross Profit	85	12				12
Self-Storage Business		Net Sales	15,469	3,992				3,992
		Gross Profit	4,845	1,332				1,332
		Business Profit	3,415	978				978
Land Rights Consolidation Business (Limited Land Rights)		Net Sales	3,716	810				810
		Gross Profit	743	214				214
		Business Profit	442	172				172
Other Operational Services Business		Net Sales	1,385	341				341
		Gross Profit	445	107				107
		Business Profit	382	94				94
Management Division		Business Profit	(1,195)	(308)				(308)
Total for All Businesses		Net Sales	20,572	5,145				5,145
		Gross Profit	6,035	1,655				1,655
		Operating Income	3,044	936				936

Utilization rate of 85.86% at end of 2021, the highest since listing

Total Units, Units in Use, and Utilization Rate

Unit: Number of units



	2Q FY15	4Q FY15	2Q FY16	4Q FY16	2Q FY17	4Q FY17	2Q FY18	4Q FY18	2Q FY19	4Q FY19	2Q FY20	4Q FY20	2Q FY21	4Q FY21
Total Units	59,802	62,325	66,923	70,651	75,440	81,555	85,005	91,545	93,372	96,067	98,289	97,885	97,836	97,784
Units in Use	44,603	47,796	50,739	53,786	56,742	59,748	64,432	69,169	70,064	73,815	76,743	78,958	81,583	83,960
Utilization Rate (%)	74.58%	76.69%	75.82%	76.13%	75.21%	73.26%	75.80%	75.56%	75.04%	76.84%	78.08%	80.66%	83.39%	85.86%
Existing Utilization Rate (%)	84.90%	85.19%	84.03%	84.97%	83.45%	83.48%	83.24%	84.46%	81.10%	82.40%	80.68%	82.17%	84.03%	86.72%
New Utilization Rate (%)	41.63%	53.84%	46.04%	51.69%	42.43%	44.36%	43.57%	48.20%	39.14%	50.73%	51.26%	65.10%	64.78%	67.54%

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

New: Units after less than two years since they opened

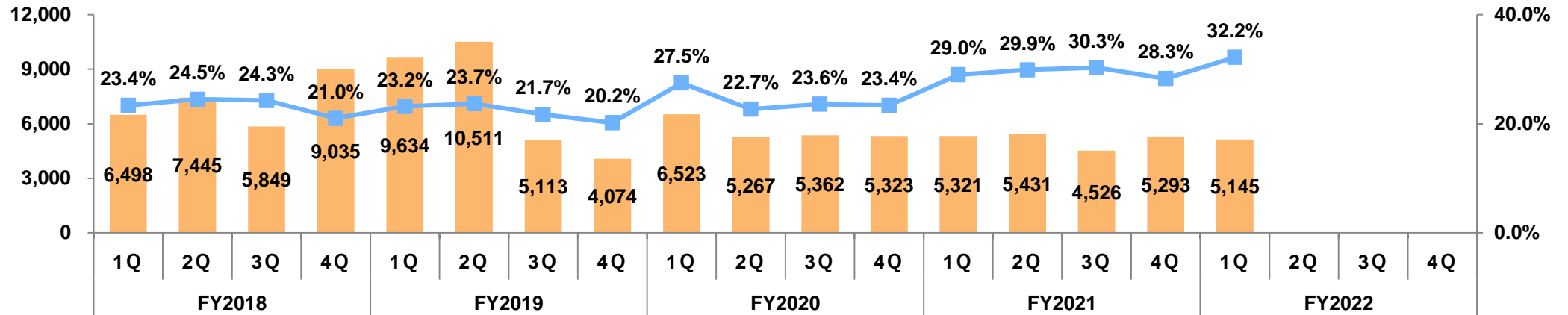
New for FY 2021: Newly opened in 2020 and 2021

	Containers	Trunk	Other	Total	Proportion of Total
Hokkaido	1,081	551	0	1,632	1.7%
Aomori	50	0	0	50	0.1%
Iwate	0	0	0	0	—
Miyagi	1,642	0	0	1,642	1.7%
Akita	0	0	0	0	—
Yamagata	74	0	0	74	0.1%
Fukushima	134	0	0	134	0.1%
Ibaraki	822	0	0	822	0.8%
Tochigi	337	0	0	337	0.3%
Gunma	991	0	0	991	1.0%
Saitama	8,329	2,046	17	10,392	10.6%
Chiba	10,010	1,557	59	11,626	11.9%
Tokyo	17,064	13,664	260	30,988	31.7%
Kanagawa	8,803	3,965	15	12,783	13.1%
Niigata	194	0	0	194	0.2%
Toyama	143	0	0	143	0.1%
Ishikawa	203	0	0	203	0.2%
Fukui	112	0	0	112	0.1%
Yamanashi	202	0	0	202	0.2%
Nagano	357	0	0	357	0.4%
Gifu	615	0	0	615	0.6%
Shizuoka	1,440	0	0	1,440	1.5%
Aichi	4,993	953	13	5,959	6.1%
Mie	378	50	0	428	0.4%

	Containers	Trunk	Other	Total	Proportion of Total
Shiga	261	0	0	261	0.3%
Kyoto	1,505	152	0	1,657	1.7%
Osaka	4,173	1,178	0	5,351	5.5%
Hyogo	3,730	121	2	3,853	3.9%
Nara	606	0	0	606	0.6%
Wakayama	27	0	0	27	0.0%
Tottori	52	0	0	52	0.1%
Shimane	30	0	0	30	0.0%
Okayama	218	0	0	218	0.2%
Hiroshima	345	0	0	345	0.4%
Yamaguchi	169	0	0	169	0.2%
Tokushima	49	0	0	49	0.1%
Kagawa	198	76	0	274	0.3%
Ehime	118	0	0	118	0.1%
Kochi	69	0	0	69	0.1%
Fukuoka	2,349	0	0	2,349	2.4%
Saga	106	0	0	106	0.1%
Nagasaki	118	0	0	118	0.1%
Kumamoto	402	0	0	402	0.4%
Oita	80	0	0	80	0.1%
Miyazaki	150	0	0	150	0.2%
Kagoshima	388	0	0	388	0.4%
Okinawa	36	0	0	36	0.0%
Total	73,153	24,313	366	97,832	100.0%

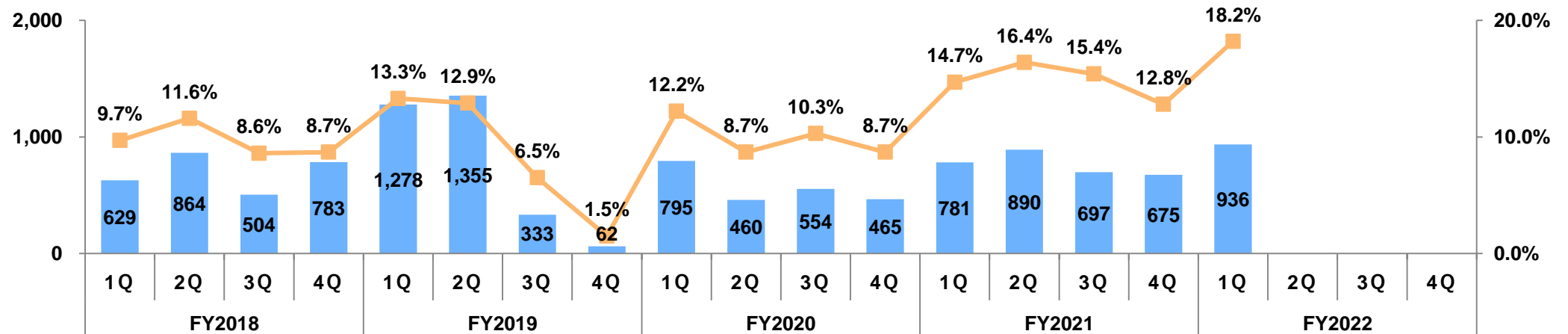
In Net Sales and Gross Profit Margin

In Millions of yen



In Operating Income and Operating Income Ratio

In Millions of yen



As of March 31, 2022

Property Name	Location	Number of properties	Purpose	Book Value (Land and Structure) Unit: ¥million
Trunk House 24 Series	Tokyo and 7 other prefectures	35	Storage	6,356
Hotel (Comfort Inn · Best Inn)	Kofu City, Yamanashi Prefecture, and other	5	Hotel	1,140
Kanda BM Building	Chiyoda Ward, Tokyo	1	Office, store	923
Ginza Idei Building	Chuo Ward, Tokyo	1	Store	892
Overseas storage	Texas, U.S.	1	Storage	749



Trunk House 24
Megurohonocho
(Meguro Ward, Tokyo)



Trunk House 24
Hiratsukaoimatsucho
(Hiratsuka-shi, Kanagawa
Prefecture)



Ginza Idei Building
(Chuo Ward, Tokyo)



Kanda BM Building
(Chiyoda Ward, Tokyo)



Texas Storage
(Texas, U.S.)

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.

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