

# Arealink

Change Life in Japan with Self-Storage

## ANNUAL REPORT 2021

Year ended December 31, 2021



Securities code : 8914

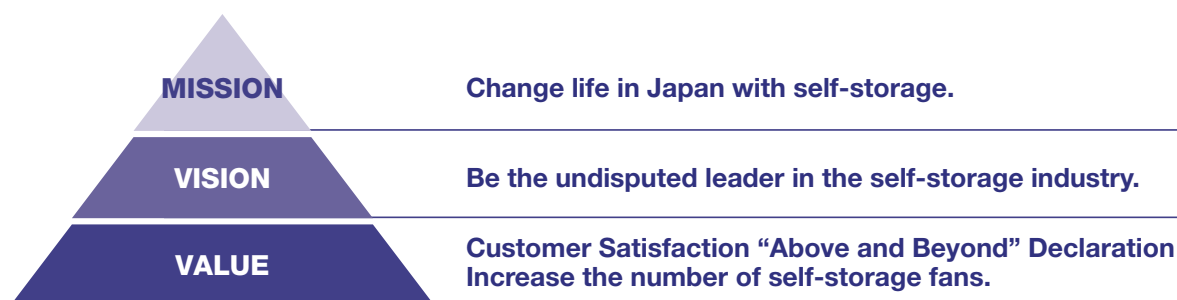
# Arealink's History of Value Creation

Arealink operates a service-oriented cumulative-type business that makes use of under-utilized real estate. In the Self-Storage Business, Arealink manages storage units nationwide under the Hello Storage brand, and has established a position as a leading company. Following its management philosophy of “Provide convenience, joy, and excitement,” Arealink has adopted the following value, vision and mission, and is seeking growth centered on self-storage management.

## Arealink's Significance as a Company

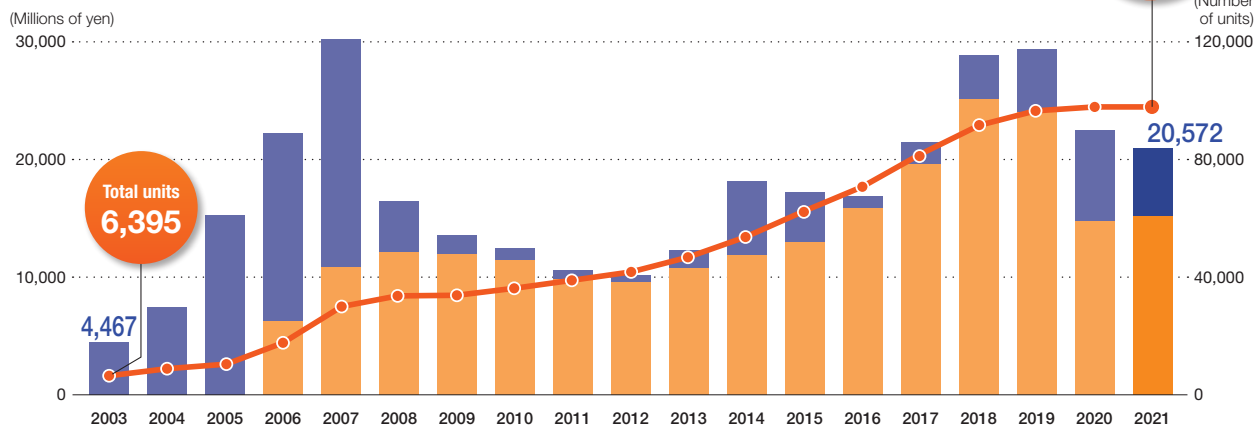
### Management Philosophy

**Provide convenience, joy, and excitement**



## Net Sales and Total Units

■ Sales of Property Management Service Segment (left scale) \* After FY2020: Sales of Self-Storage Business Segment (left scale)  
■ Sales of other businesses (left scale) —●— Total units (right scale)



**1999**



Began offering outdoor container units

**2001**



Began offering indoor self-storage units

**2003**

Listed on the TSE Mothers market

**2005**

Hello Storage business surpassed 10,000 units

**2007**

Osaka Office opened

**2008**

Hello Storage business surpassed 30,000 units

**2015**



Began offering self-storage type properties with land

**2016**

Hello Storage business surpassed 70,000 units

**2017**

Won 15.1% of the self-storage market in Japan  
Collaboration between Hello Storage and the popular Hello Kitty character

**2018**

Hello Storage business surpassed 90,000 units  
Won 16.1% of the self-storage market in Japan

**2019**



Began offering Business Storage / Hello Garage

**2020**

Market listing switched to TSE Second Section

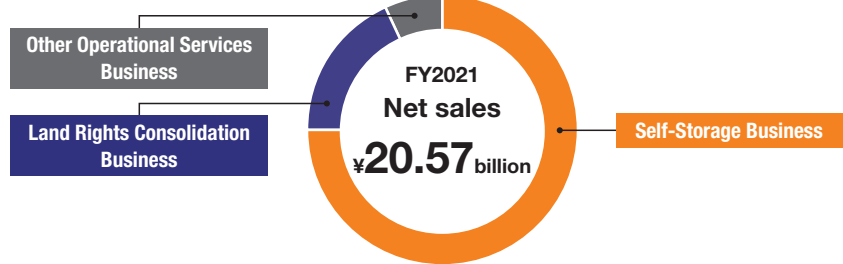
**2022**

Market listing transferred to TSE Standard Section

## Arealink's Business

### Business Segments

Centered on earnings from  
Self-Storage Management,  
a cumulative business



**Self-Storage Business** Net sales: **¥15.47 billion** Sales composition ratio: **75.2%** (December 2021)

The Self-storage Business leases, or acquires and holds, land and buildings that it then manages as rental storage space. This business also offers storage containers as investment products, and builds self-storage properties to order.



Operation, marketing, and management of rental storage spaces

Net sales: **¥14.94 billion** Sales composition ratio: **72.6%** (December 2021)

#### Hello Storage (outdoor type)

These are large storage spaces utilizing sturdy, overseas shipping containers. They are large enough to drive into, for easy loading and unloading. Arealink has approximately 73,179 units (as of December 31, 2021) nationwide, from Hokkaido to Okinawa.



Received orders and sales of self-storage properties as investment products

Net sales: **¥0.53 billion** Sales composition ratio: **2.6%** (December 2021)

#### Hello Storage (indoor type)

Indoor-type self-storage units utilizing an entire building or section, mainly in Tokyo and Osaka metropolitan areas.



#### Main User Base

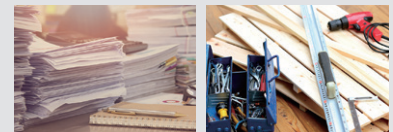
##### 70%: Individual users

- Households with children
- Hobby enthusiasts



##### 30%: Companies

- SMEs: Materials and inventory storage
- Civil engineering companies: Goods storage



### Land Rights Consolidation (Leasehold Land) Business

Net sales: **¥3.72 billion** Sales composition ratio: **18.1%** (December 2021)

Resolution of issues between landowners and leasehold rights holders through the buying and selling of leasehold land with complex rights circumstances.

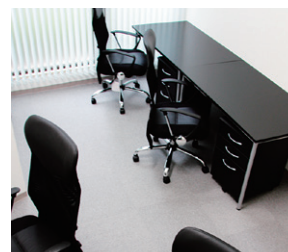


Arealink operates a land rights consolidation business through which it buys land rights from landowners, and at the appropriate timing, sells them to leaseholders.

### Other Operational Services Business

Net sales: **¥1.39 billion** Sales composition ratio: **6.7%** (December 2021)

The Other Operational Services Business leases, or acquires and holds, land and buildings for the asset or office building business, adds value as part of the Arealink Hello Series, and operates and manages the properties.



#### SOHO

Arealink provides rental office spaces that allow small businesses to curb startup costs as much as possible.



# Arealink's Competitive Advantage

## ► Self-storage market has ample room for growth in terms of both degree of recognition and market scale

### Comparison with Other Major Real Estate-Related Sectors

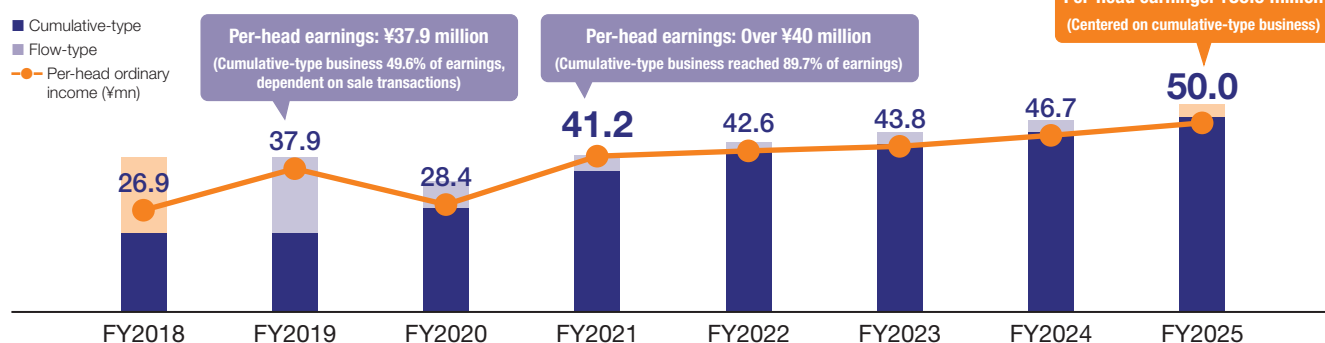
	Self-Storage	Paid Parking	Rental Meeting Rooms
Standard Use Pattern	Used on a monthly basis	Used on an hourly basis	Used on an hourly basis
Features	<ul style="list-style-type: none"> <li>Stable monthly income</li> <li>Growth market</li> <li>High potential for continued use once started</li> <li>Degree of recognition still low</li> </ul>	<ul style="list-style-type: none"> <li>Monthly income instable due to hourly basis</li> <li>Young people are less interested in cars</li> <li>Saturated market</li> <li>High degree of recognition</li> </ul>	<ul style="list-style-type: none"> <li>Monthly income instable due to hourly basis</li> <li>Declining demand as a result of online meetings</li> <li>Easy to operate as utilization of idle buildings</li> </ul>

## ► Achieve high efficiency, centered on cumulative-type businesses

FY2021: Achieve ordinary income of over 40 million yen per head (per-head earnings)

Further enhance efficiency, aiming for earnings of 50 million yen per head in 2025

### Ordinary income per employee (per-head earnings)



## ► As a leading company, we provide storage with a favorable image and high valuation

Hello Kitty character used in design. Storage structures designed to fit with the residential environment.



Developing a range of self-storage solutions to meet user needs

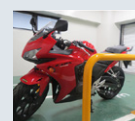


#### • Business self-storage

Maisonette-type units to meet a range of needs, with warehouse space with an electric shutter and parking space in front, and an open area on the second floor.

#### • Parking spaces specifically for motorcycles

Secure parking spaces for people with several bikes.



Enhancing service content to differentiate Arealink from competitors



#### • Digital showroom

Video with storage examples according to size and layout, providing customers with an image of how space is used.

#### • Expanded owned media "kurasul" and video content

Information site to rethink the relationship between goods, storage, and self-storage facilities, for a fuller and richer life.



#### • New transport service

Service to make moving items to a self-storage unit easier and simpler.

#### • Transportation IC card to access facility

Use of transportation IC card technology enhances convenience and safety.

#### • Start of storage rack sales and assembly service

Storage racks are an easy way to increase storage capacity and organize space. Units with racks are popular.

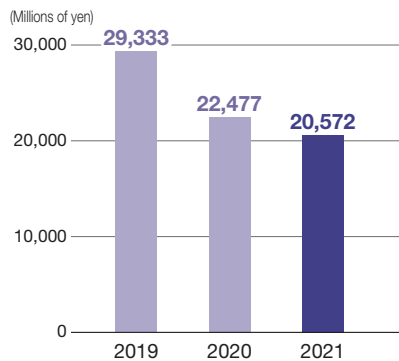


## Highlights of Financial and Business Results

### Financial Highlights

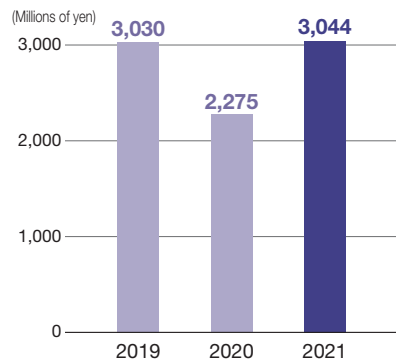
#### Net Sales

**20,572** million yen



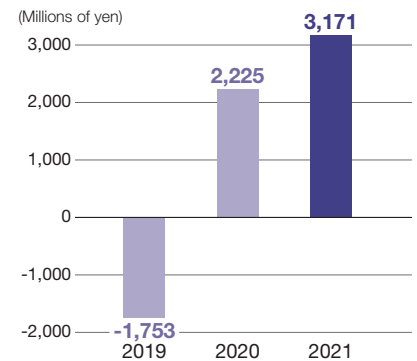
#### Operating Income

**3,044** million yen



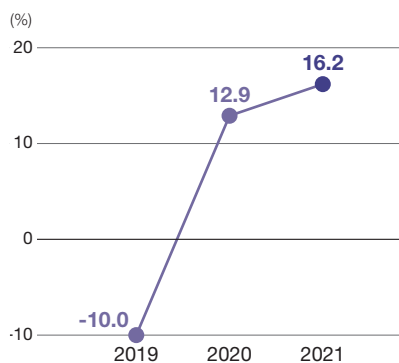
#### Net Income

**3,171** million yen



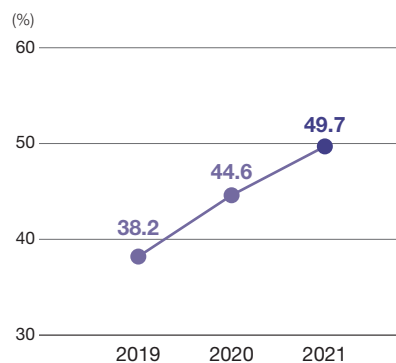
#### ROE

**16.2%**



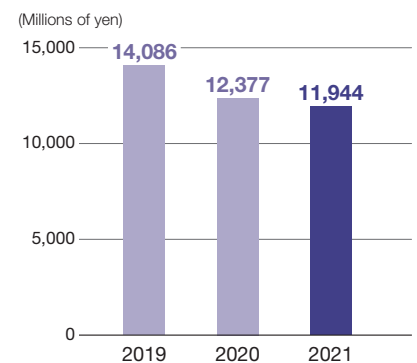
#### Shareholders' Equity Ratio

**49.7%**



#### Interest-Bearing Debt

**11,944** million yen

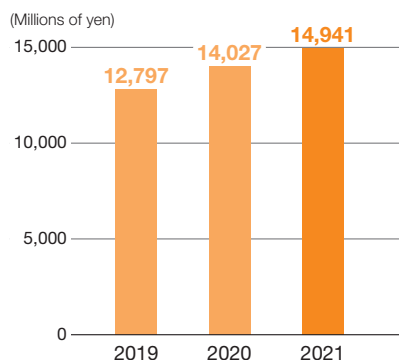


### Business Results Highlights

#### Self-Storage Business Net Sales

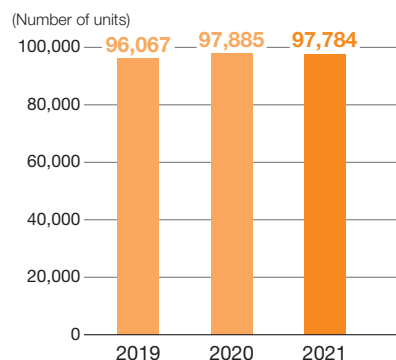
\* Revenue from Self-storage Management

**14,941** million yen



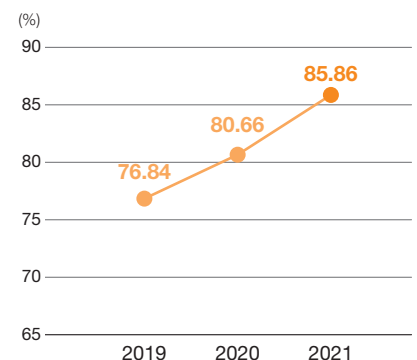
#### Total No. of Self-Storage Units

**97,784** units



#### Utilization Rate

**85.86%**



## **President's Message**

**Arealink is pursuing growth through a cumulative-type business centered on self-storage management, with a mission to “Change Life in Japan with Self-Storage.”**

President & CEO

**Naomichi Hayashi**



### **Fiscal 2021 business results**

Arealink achieved a considerable increase in earnings in fiscal 2021 (ended December 31, 2021), despite a year-on-year decline in revenue. Because of improved profitability stemming from an increase in the utilization rate for the self-storage business, net sales, operating income, and ordinary income all exceed our initial forecasts.

By segment, revenue and earnings rose in the Self-Storage Business overall. Looking at the subsegments, sales increased in the core self-storage management business, with a sharp rise in earnings. The number of self-storage units at the end of December 2021 totaled 97,784 units, a decrease of 101 units from the end of the previous fiscal year. The utilization rate improved by 5.20 percentage points to a new record high of 85.86%, the highest level it has reached since Arealink's market listing. Earnings were further boosted by cost reductions stemming from the container repurchase program we had been running for the last two years since 2020, as well as the increase in the utilization rate, and the reversal of a provision for losses on subleases following a switch to a strategy of opening company-owned locations. The Self-Storage Brokerage Business, meanwhile, posted substantial declines in revenue and earnings due to the policy shift in favor of opening locations utilizing in-house investment. The Land Rights Consolidation Business recorded a decrease in profitability due to sales of holdings in the fourth quarter aimed at reducing inventory. Revenue and earnings

declined as a result, but the scale of the business has been optimized. The Other Operational Services Business posted a decline in revenue and earnings, but these results were in line with plan.

Regarding the status of the container buy-back program, purchases concluded in 2021. In the end, Arealink purchased ¥1.96 billion in applicable containers, or around 40% of the total on a value basis. The container purchases were mostly made on an installment basis to avoid a serious disruption to cash flow, and the program has boosted profitability in the self-storage business.

### **Fiscal 2022 forecasts and medium-term management plan**

For fiscal 2022 (ending December 31, 2022), Arealink is forecasting increases in both revenue and earnings as a result of the ongoing shift to a cumulative-type business centered on self-storage management. Although net income is projected to decline from the previous fiscal year, this is because of extraordinary gains recorded in FY12/21. Discounting this effect, the forecast is for an increase in earnings on a real basis. For the annual dividend in FY12/22, we are planning an increase of three yen to 50 yen per share, for a dividend payout ratio of 30.1%.

Looking at the Medium-term Business Plan 2022-2024, Arealink expects to reach the fiscal 2023 target of ¥3.1 billion in ordinary income during 2022, and is formulating a plan with steady increases in revenue and earnings. In

terms of the number of newly opened self-storage units, we expect the number of new units to be down in 2022 from the initial plan because of the extra new units exceeding plan added in 2021. From 2023, we will pivot to a plan of steadily opening new locations.

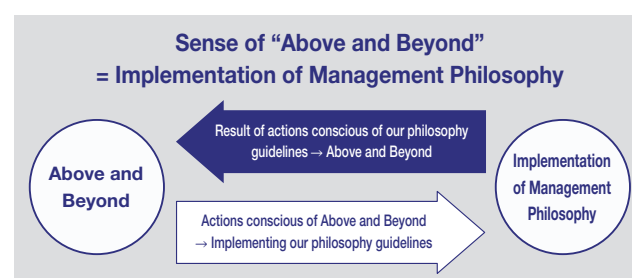
## “Change Life in Japan with Self-Storage”

To achieve its management philosophy of “Provide Convenience, Joy, and Excitement,” Arealink aims to increase the number of “self-storage fans” by taking action based on its “Above and Beyond” Declaration, and become the undisputed leader in the self-storage industry.

The scale of Japan's self-storage market is expanding year by year, but awareness of self-storage remains low, and the market is still in the development stage. However, with the limited living space in Japanese homes, there is certainly latent demand for storage. In recent years especially, as people spent extended periods at home due to the COVID-19 pandemic, the image of a “house” has shifted from simply a place for meals and sleep, to a space where people can enjoy a comfortable and fulfilling life. Against this backdrop, Arealink adopted the corporate mission of “Change Life in Japan with Self-Storage,” and is promoting self-storage space as a consumer product. To establish self-storage as a business supporting easier and more enjoyable lifestyles, we are continuing to pursue growth as a cumulative-type business centered on self-storage management.

To accomplish this, Arealink will work to raise awareness of its “Hello Storage” brand, expand the number of available units, develop and improve value-added services, and contribute to society through self-storage. Further, we aim to be adding 10,000 units annually by 2030, and differentiate ourselves from the competition by developing and opening “Self-Storage Mini” locations, small indoor self-storage units with a high-grade feel. In addition, to enhance efficiency and provide centralized management in the self-storage business, Arealink has introduced “Cockpit Management” (See Page 7) as a means of enhancing management quality. Going forward, building on the stable earnings base provided by its cumulative-type business, Arealink will utilize its structures for greater work efficiency, and the “Arealink Master” human resources development program, to achieve per-head management with ordinary income of ¥50 million per employee by 2025.

Thank you for your continued support of Arealink.



\* For details on FY12/21 results and FY12/22 forecasts, see Page 11, “Management's Discussion and Analysis of Financial Condition and Operating Results.”

## Medium-term Business Plan 2022-2024 — Management Targets

**Achieve the initial 2023 ordinary income target of ¥3.1 billion in 2022, a year in advance, Steady increases in revenue and earnings planned**

	2021		2022		2023		2024	
	Actual	Profit Margin	Projected	Profit Margin	Projected	Profit Margin	Projected	Profit Margin
In millions of yen								
Net sales	20,572	-	20,600	-	22,800	-	24,000	-
Operating income	3,044	14.8%	3,300	16.0%	3,500	15.4%	3,800	15.8%
Ordinary income	3,009	14.6%	3,200	15.5%	3,400	14.9%	3,700	15.4%
Self-storage No. of new units*	1,614 units		2,300 units		3,000 units		3,900 units	

\* Excludes cancellations

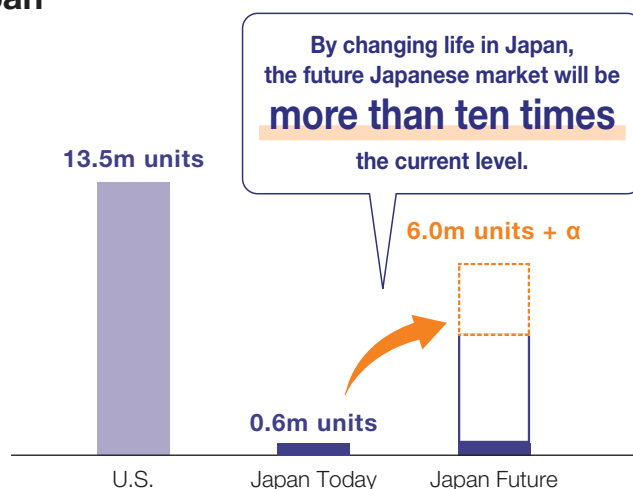
- **Structural reform:** Advance shift to cumulative-type business and focus on growth in earnings rather than net sales
- **New unit openings:** Due to openings being moved forward to 2021, the initial plan for openings in 2022 has been shrunk  
Shift to steady opening plan from 2023 onward

# Achieving Growth through Self-Storage

## ► Growth potential for self-storage in Japan

Compared to the U.S., where self-storage is a mature industry and around 10% of all households have a self-storage unit, use of self-storage in Japan remains low, utilized by only around 1% of households. Considering this situation, a simple comparison of the U.S. and Japan suggests that the Japanese self-storage market has potential to increase to 10 times its current scale. Greater awareness of the convenience offered by self-storage in Japan—where residential space tends to be cramped—and the uncovering of latent demand offers the potential for rapid market growth.

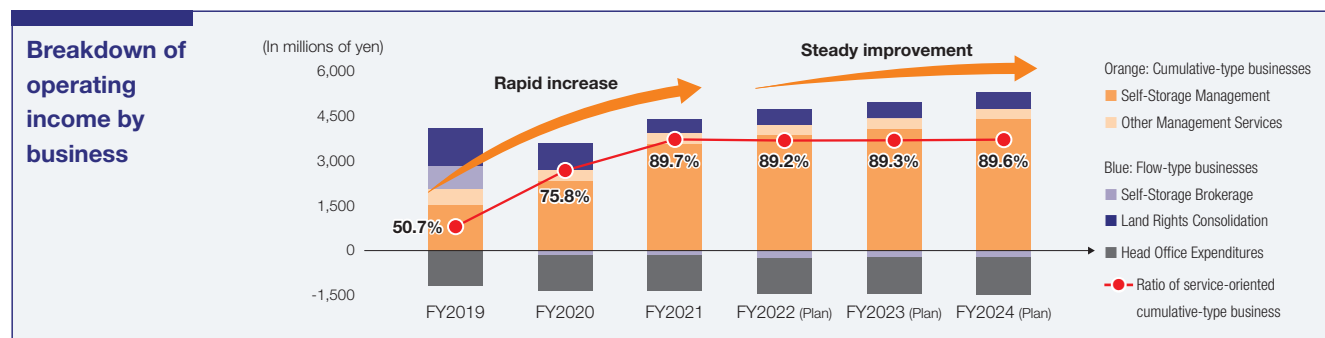
No. of units used in U.S. (Source: Demand Study, Self Storage Association (SSA))  
Current situation in Japan (Source: Arealink)  
Future situation for Japan calculated by Arealink as 10% of all households in Japan\*  
(\*Reference: 2020 Population Census, Statistics Bureau of Japan)



## ■ Growth as a cumulative-type business

Arealink shifted its strategic focus in fiscal 2019 from an earnings structure dependent on real estate sales, to a cumulative-type business with steady earnings from in-house holdings and management of self-storage

properties. In fiscal 2021, more than 90% of earnings were derived from this cumulative-type business. Arealink will continue to establish a stable foundation for earnings going forward.



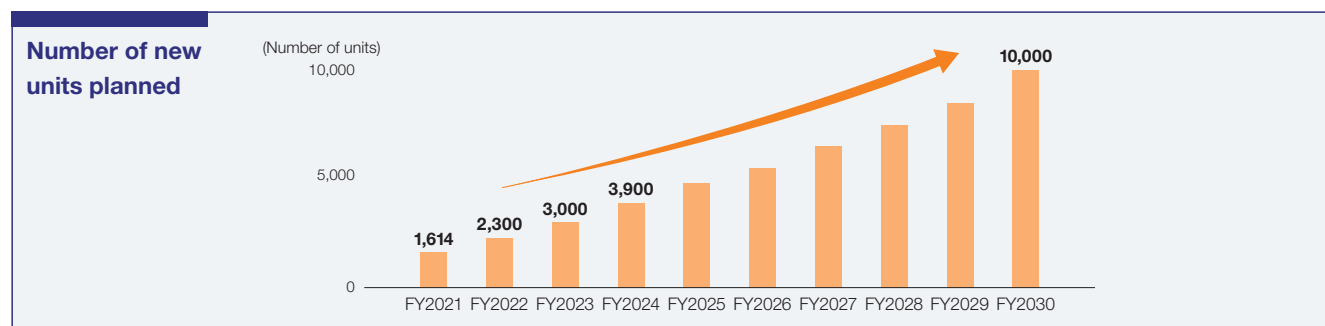
## ■ Accelerating openings of new self-storage locations

### Self-Storage Location Opening Strategy 1

Arealink temporarily suspended openings of new self-storage locations in 2020 in response to warnings of economic downturn due to the coronavirus pandemic. As a result, only 1,614 new units were added in 2021. Going forward, as announced in the medium-term business plan for fiscal 2022-2024, Arealink will gradually increase the

number of openings, adding 2,300 units in 2022, 3,000 units in 2023, and 3,900 units in 2024. An analysis of location openings in recent years shows that by reducing the number of units per property and concentrating on opening smaller locations, the break-even point can be reached in less than a year.

### Structure adding 10,000 new units annually by 2030





## Opening of more convenient and stylish “Self-Storage Mini” locations

### Self-Storage Location Opening Strategy 2

Arealink is developing “Self-Storage Mini” locations, small and easy-to-use indoor-style properties with a high-grade interior, under its “Trunk House 24” brand. Self-Storage Mini locations occupy a land area of around 200m<sup>2</sup>, with a three-story wood frame construction containing a total 40

to 60 units. Eight locations have already been opened in fiscal 2022, with a further 10 locations scheduled to open by August 2022. In addition to the greater Tokyo area, Arealink plans to successively open locations in regional cities with populations of 100,000 people or more.

A covered parking area allows customers to load and unload items out of the rain.



Trunk House 24 Inage Todorokicho  
(57 units)



Trunk House 24 Kasukabe Mashitomi  
(37 units)

- 1 Indirect lighting offers a brighter interior.
- 2 Hand carts provided at the site have been upgraded to lightweight models that corner more easily.
- 3 • Hallways are wider, allowing items to be stored and removed more easily, with smoother movement of hand carts.  
• The interior design has been renovated to be more stylish, making moving through the building a more pleasant experience.



Interior of Self-Storage Mini

## Advancing the Self-Storage Business with enhanced service and “Cockpit Management”

Arealink has worked to enhance customer satisfaction by developing unique services such as pickup and delivery, and storage rack sales and assembly, as well as by continually renovating and improving its storage locations. In addition, in May 2022, Arealink implemented “Cockpit Management,” a

system utilizing IT and data to provide centralized management, at around 2,000 locations nationwide. The use of an alert system gives early notification of problem areas and specific locations, such as a falloff in utilization rates, allowing Arealink to take effective measures based on data.

\* For details of services, see “Arealink’s Competitive Advantage” (Page 2).

### Main Functions of “Cockpit Management”

#### Operational efficiency

Automated reporting

#### Central management

Analysis drawing data from several systems

#### Alarm

Immediate notification of falloff in utilization rate, etc.

## ESG Measures (Sound Material-Cycle Society)

Arealink considers the long-term application of ESG management to be an important issue for management,

and aims to realize a sound material-cycle society through self-storage.

### Achieve a recycling-based society through self-storage

#### • Foster a culture that values things — Contribute to waste reduction

- People can keep treasured items in self-storage
- Consciousness of storage space reduces impulse buying and other wasteful spending

#### • Build eco-friendly self-storage facilities with longer periods of use

- Containers can be used for long periods with regular maintenance
- Unlike apartments and other structures, self-storage units can be used for a longer time for there is no plumbing nor residents
- Long-term usage of wooden built “Self-Storage Mini” properties can reduce CO<sub>2</sub> emissions

## Corporate Governance Structure

Arealink has introduced an executive officer system alongside its corporate auditor system, while ensuring separation and control over business execution and auditing/supervisory functions, including appointing outside directors. The Board of Auditors and accounting auditor exchange information as required, providing for effective operational and account auditing. Arealink has also established an Internal Audit Office as the body for conducting internal audits. The Board of Auditors and Internal Audit Office, in order to enhance the effectiveness and efficiency of audit functions, exchange opinions and information on a regular basis, and as necessary.

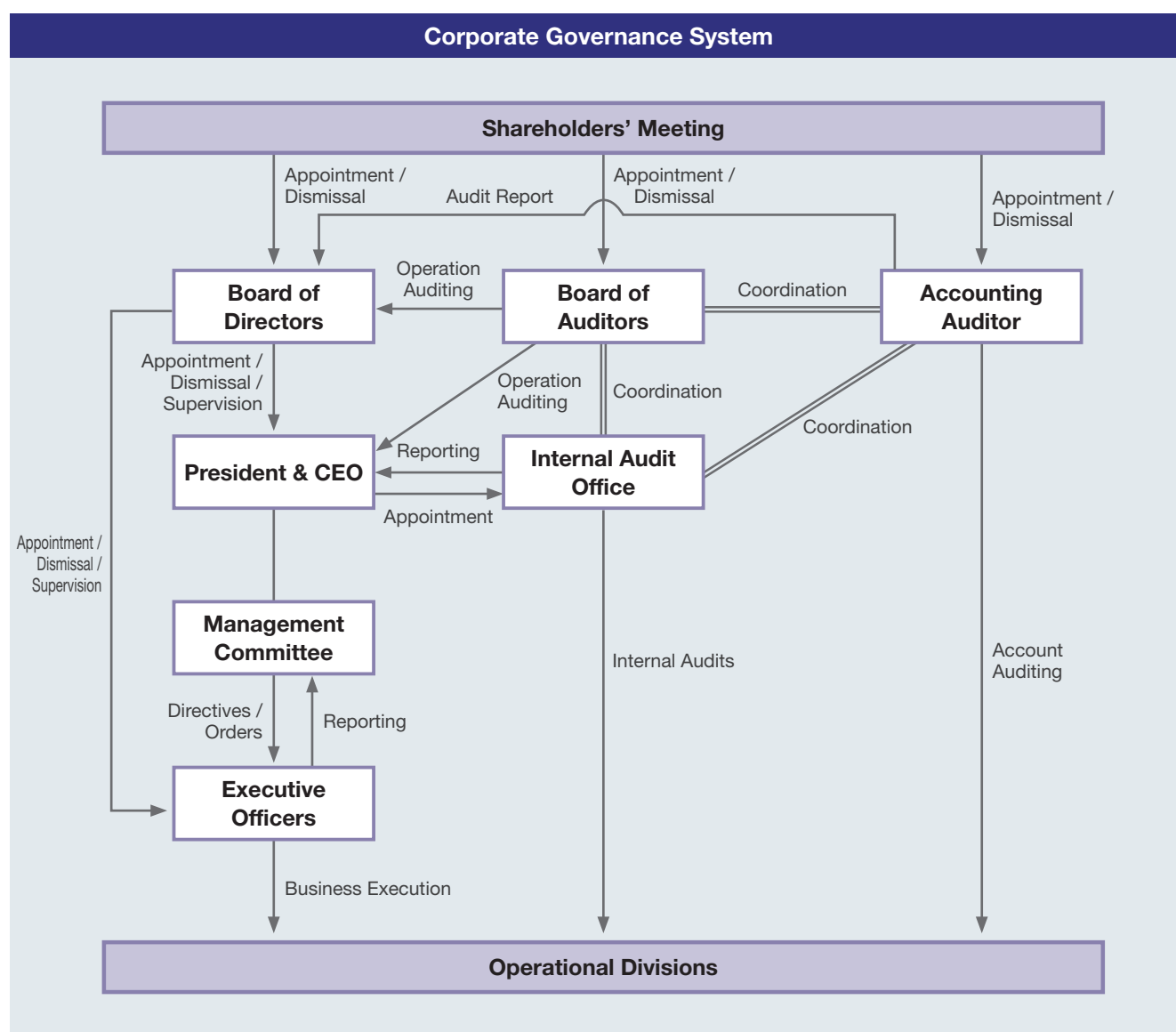
The business execution, auditing/supervisory, nomination, remuneration determination, and other functions are as follows.

The Board of Directors convenes monthly, and holds extraordinary sessions as necessary. It makes decisions

regarding important business execution and legal matters, and supervises business execution. Arealink's Board of Directors comprises seven members, two of whom are outside directors.

The main activities of the Board of Auditors include having company auditors attend meetings of the Board of Directors and full-time company auditors attend Management Committee sessions and other important meetings, as well as conducting audits of internal departments regarding the status of business execution. Arealink's Board of Auditors comprises four members, of which all four are outside auditors (with one full-time company auditor).

The Management Committee is a space for the discussion of Arealink's management strategy. It comprises of internal directors and persons designated by them. The Management Committee meets three times per month in principle.



## ► Management Team



### Directors

**1 Naomichi Hayashi**

President & CEO

**2 Yoshika Suzuki**

Senior Managing Director and Executive Officer

**3 Wataru Sasaki**

Director and Executive Officer

**4 Minoru Nishizawa**

Director and Executive Officer

**5 Yasuaki Ootaki**

Director and Executive Officer

**6 Kazuhiro Furuyama**

Director (Outside Director)

**7 Masanori Koda**

Director (Outside Director)

### Auditors

**8 Hideto Kojima**

Full-Time Company Auditor (Outside Auditor)

**9 Koji Tamura**

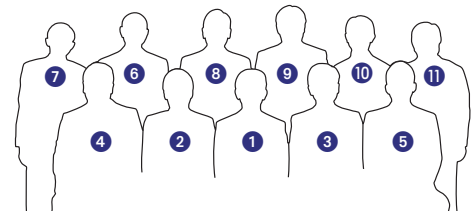
Auditor (Outside Auditor)

**10 Iwao Aoki**

Auditor (Outside Auditor)

**11 Shigekazu Mitsuta**

Auditor (Outside Auditor)



(As of March 29, 2022)

### Skill Matrix of Directors

	Position in Arealink	Areas of Contribution (Max 3)					
		Corporate Management	Industry Knowledge	Sales/Marketing	Finance/Accounting	Legal/Governance	Human Resources/ Training
Naomichi Hayashi	President & CEO	●	●	●			
Yoshika Suzuki	Senior Managing Director and Executive Officer		●	●			
Wataru Sasaki	Director and Executive Officer				●		●
Minoru Nishizawa	Director and Executive Officer		●	●			
Yasuaki Ootaki	Director and Executive Officer				●	●	
Kazuhiro Furuyama	Director (Independent Outside)					●	●
Masanori Koda	Director (Independent Outside)	●	●				

# Six-Year Summary

Years ended December 31

	Millions of Yen					
	2021	2021	2019	2018	2017	2016
<b>Summary of Income</b>						
Net sales	¥20,572	¥22,477	¥29,333	¥28,828	¥21,489	¥16,908
Self-storage Business <sup>*1</sup>	15,469	14,773	22,087	—	—	—
Land Rights Consolidation Business <sup>*1</sup>	3,716	6,063	5,402	—	—	—
Other Operational Services Business <sup>*1</sup>	1,385	1,640	1,842	—	—	—
Cost of sales	14,536	16,977	22,669	22,173	15,805	12,136
Gross profit	6,035	5,499	6,663	6,655	5,683	4,771
Selling, general and administrative expenses	2,990	3,223	3,633	3,873	3,303	2,835
Operating income	3,044	2,275	3,030	2,782	2,379	1,935
Ordinary income	3,009	2,161	3,000	2,536	2,441	1,968
Net income before income taxes	4,519	3,284	(2,860)	2,267	2,322	1,902
Net income	3,171	2,225	(1,753)	1,810	1,547	1,142
<b>Financial Position</b>						
Total assets	42,202	40,702	43,020	37,862	29,904	23,791
Current assets	17,319	15,947	19,903	25,840	17,532	12,168
Noncurrent assets	24,882	24,755	23,117	12,022	12,372	11,622
Interest-bearing debt	11,944	12,377	14,086	14,512	9,152	4,793
Net assets	20,963	18,139	16,419	18,749	16,351	15,283
<b>Cash Flows</b>						
Cash flows from operating activities	5,741	2,520	4,055	(2,380)	(2,992)	(708)
Cash flows from investing activities	(1,264)	(2,228)	(1,005)	(484)	(1,423)	(1,544)
Free cash flows	4,477	291	3,049	(2,865)	(4,416)	(2,253)
Cash flows from financing activities	(825)	(2,213)	(1,020)	5,944	3,854	2,999
Cash and cash equivalents at end of period	13,440	9,776	11,702	9,672	6,594	7,158
<b>Amount per Share of Common Stock<sup>*2</sup> (Yen)</b>						
Net income per share (EPS)	250.72	176.16	(138.81)	145.47	126.08	93.06
Book value per share (BPS)	1,655.56	1,436.16	1,299.96	1,484.44	1,332.88	1,245.09
Cash dividends per share	47	31	40	46	40	39
<b>Financial Indicators (%)</b>						
Operating income ratio	14.8	10.1	10.3	9.7	11.1	11.4
Return on equity	16.2	12.9	(10.0)	10.3	9.8	7.6
Return on assets	7.6	5.3	(4.3)	5.3	5.8	5.3
Shareholders' equity ratio	49.7	44.6	38.2	49.5	54.7	64.2
Interest-bearing debt ratio	57	68	86	77	55	31
<b>Investment Indicators (Times)</b>						
Price/Earning value ratio—PER <sup>*3</sup>	6.1	5.4	—	8.06	18.8	13.4
Price/Book value ratio—PBR <sup>*4</sup>	0.93	0.66	1.04	0.79	1.78	1.00
Price/Cash flow ratio—PCFR <sup>*5</sup>	4.26	3.39	(4.49)	7.34	18.75	8.94

\*1 Reportable segments have been changed from the fiscal year ended December 31, 2020. The figures for the fiscal year ended December 31, 2019 have been revised retroactively.

\*2 Consolidation-adjusted per share data

\*3 Year-end share price/Net income per share

\*4 Year-end share price/Net assets per share

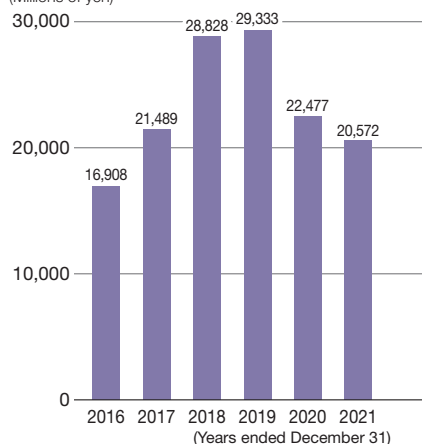
\*5 Year-end share price/Cash flow per share



## Management's Discussion and Analysis of Financial Condition and Operating Results

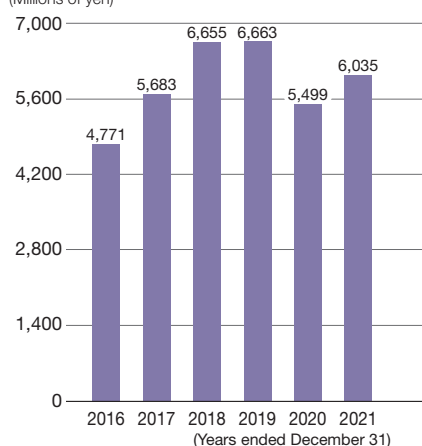
### Net Sales

(Millions of yen)



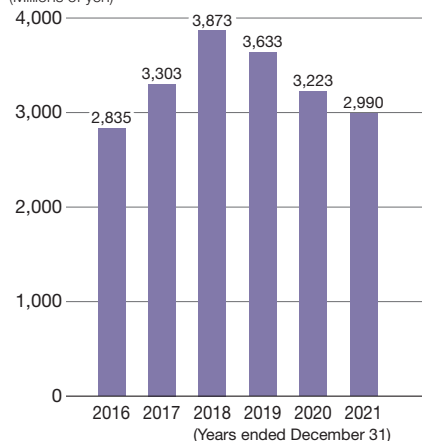
### Gross Profit

(Millions of yen)



### Selling, General and Administrative Expenses

(Millions of yen)



### Fiscal 2021 Business Results

Net sales for fiscal 2021 (ended December 31, 2021) amounted to ¥20,572 million (down 8.5% year on year), with operating income of ¥3,044 million (up 33.8%), and ordinary income of ¥3,009 million (up 39.2%). Net income rose significantly to ¥3,171 million (up 42.5%), due primarily to extraordinary gains of ¥1,833 million, resulting mainly from ¥1,610 million recorded as a reversal of loss on repurchases. This was a drawing down of the provision made in fiscal 2019 for containers the Company could not repurchase (as announced on December 16, 2021).

#### Self-Storage Business

Arealink's mainstay Self-Storage Business segment comprises the two sub-segments of Self-Storage Management and Self-Storage Brokerage.

In Self-Storage Management, the utilization rate for "Hello Storage," the brand under which the Company operates its self-storage business, increased by 5.20 percentage points from the previous fiscal year to 85.86%. This is the highest level since Arealink's public listing, and provided a boost in profitability. The two main factors behind the increase were the steady capturing of contract applications, and a decrease in the total number of units.

In terms of contract applications, the impact from the coronavirus pandemic led to a slight upturn in demand for self-storage. There were some cancellations as a result of the economic downturn, but the increase in telework and stay-at-home lifestyles spurred demand for reorganizing homes, with steady growth in the number of storage units utilized. Additional factors that made a significant contribution to the higher utilization rate were the steady increase in utilization of large-scale locations opened between 2016 and 2018, and the high utilization rate for locations opened from 2019 under the policy of greater precision in location openings. At the same time, the utilization rate was boosted by a decline in the total number of units available by 101 units from the end of the previous fiscal year to 97,784 units, due mainly to a decrease in the number of locations opened during 2021 following a temporary suspension of all openings in 2020, as well as regularly scheduled annual closures. Further, improved profitability stemming from the repurchasing of containers conducted over a two-year period from 2020, and the reversal of a provision recorded in fiscal 2018 related to a rise in the utilization rate and a shift in policy in favor of company-owned locations, resulted in a significant gain in earnings for Self-Storage Management.

The Self-Storage Brokerage Business recorded two orders for indoor asset-type "self-storage properties with land," and one sale.

As a result, sales in the Self-Storage Business amounted to ¥15,469 million (up 4.7% from the previous fiscal year), with operating income of ¥3,415 million (up 56.3%).

#### Land Rights Consolidation Business

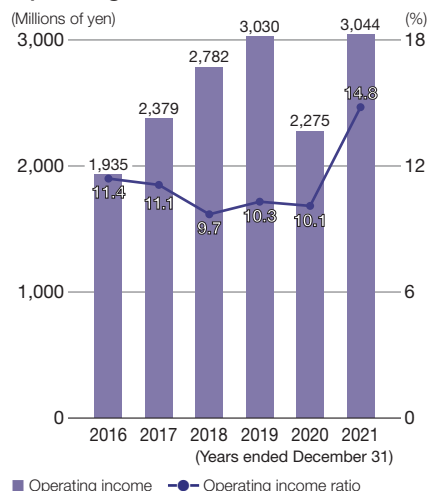
Net sales in the Land Rights Consolidation Business amounted to ¥3,716 million (down 38.7% from the previous fiscal year), with operating income of ¥442 million (down 49.3%). This was due primarily to efforts to optimize the business scale, the result of a reduction in asset value of ¥1,750 million from the end of fiscal 2021 to ¥2,516 million, and a shift to a policy of emphasizing quality over quantity.

#### Other Operational Services Business

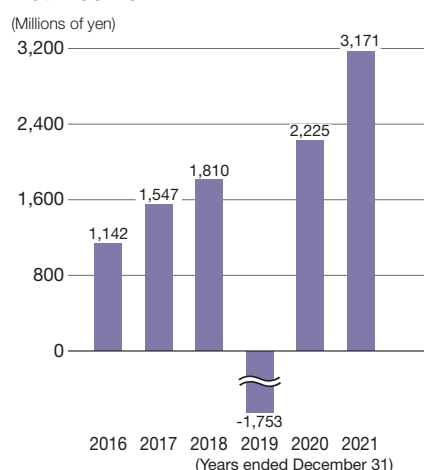
The Other Operational Services Business comprises businesses with a revenue base of rent income, such as asset management and rental offices. In the asset management business, revenue and earnings declined as a result of continued decreases in rents for certain tenants due to the impact from the coronavirus pandemic, but the utilization rate remained steady. In the rental offices business, earnings declined due to the incurring of startup costs for new locations opened in April 2021, but the utilization rate remained steady, resulting in revenue gains with a decline in earnings. The withdrawal from the rental meeting room and parking

## Management's Discussion and Analysis of Financial Condition and Operating Results

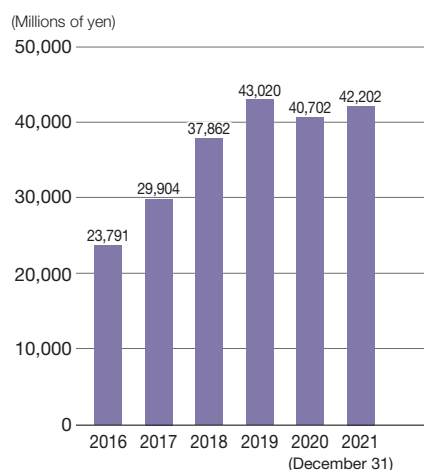
### Operating Income/ Operating Income Ratio



### Net Income



### Total Assets



businesses also had an impact on segment earnings.

As a result, net sales in the Other Operational Services Business amounted to ¥1,385 million (down 15.5% from the previous fiscal year), with operating income of ¥382 million (down 3.5%).

### Financial Condition

Current assets increased 8.6% from the end of the previous fiscal year to ¥17,319 million. This was due mainly to an increase of ¥3,663 million in cash and deposits; against decreases of ¥1,396 million in real estate for sale; ¥560 million in consumption taxes refund receivable; and ¥258 million in income taxes refund receivable.

Noncurrent assets increased 0.5% year on year to ¥24,882 million. This was due mainly to an increase of ¥1,065 million in tools, furniture and fixtures, principally from purchasing of containers.

As a result, total assets at the end of fiscal 2021 increased 3.7% compared with the end of the previous fiscal year, to ¥42,202 million.

Current liabilities decreased 13.5% year on year to ¥5,867 million. This was due mainly to decreases of ¥2,297 million in provision for loss on repurchases; and ¥192 million in advances received on construction contracts in progress; against an increase of ¥557 million in income taxes payable.

Noncurrent liabilities decreased 2.6% year on year to ¥15,371 million. This was due mainly to decreases of ¥280 million in lease liabilities; and ¥157 million in bonds payable.

As a result, total liabilities decreased 5.9% from the end of the previous fiscal year to ¥21,239 million.

Net assets increased 15.6% from the previous fiscal year to ¥20,963 million. This was due mainly to an increase of ¥2,780 million in retained earnings brought forward.

### Cash Flow

Cash and cash equivalents ("cash") at the end of fiscal 2021 increased ¥3,663 million from the end of the previous fiscal year to ¥13,440 million. The condition of each cash flow during the subject fiscal year and the principal factors affecting them are as follows.

#### Cash flow from operating activities

Cash provided by operating activities amounted to ¥5,741 million. This was due mainly to increasing factors of ¥4,519 million in income before income taxes; ¥1,476 million in decrease in inventories; and ¥879 million in depreciation; against decreasing factors of ¥2,297 million in decrease in provision for loss on repurchases; and ¥236 million in income taxes paid.

#### Cash flow from investing activities

Cash used in investing activities amounted to ¥1,264 million. This was due mainly to decreasing factors of ¥1,822 million in expenditures for purchase of property, plant and equipment.

#### Cash flow from financing activities

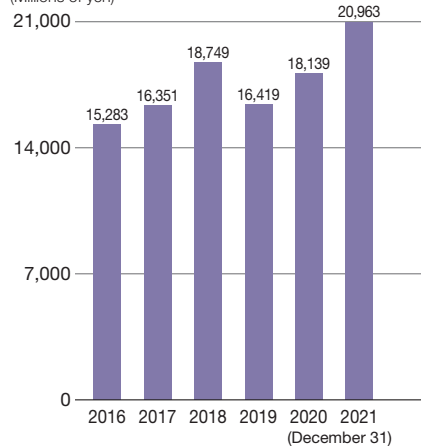
Cash used in financing activities amounted to ¥825 million. This was due mainly to decreasing factors of ¥2,363 million in repayments of long-term loans payable; against increasing factors of ¥2,001 million in proceeds from long-term borrowings; and ¥396 million in increase in short-term borrowings.

### Fund Procurement and Use

Arealink utilizes its own funds as capital necessary for growth, while enhancing its cash position. When the required capital exceeds funds on hand, the Company will borrow funds within the scope of liquidity.

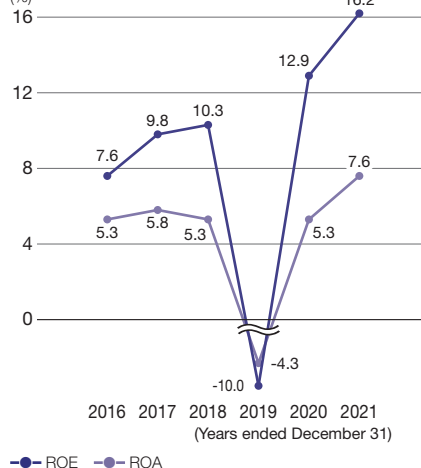
## Net Assets

(Millions of yen)



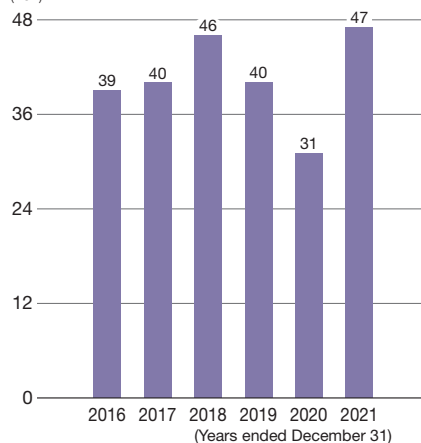
## Return on Equity/Return on Assets

(%)



## Cash Dividends per Share

(Yen)



Note: Consolidation-adjusted per share data

## Dividend Policy

Arealink regards the long-term, comprehensive expansion of profit to shareholders as an important management objective. The Company's basic policy is to pay a stable dividend with a target payout ratio of 30% in general consideration of the Company's financial condition and earnings, based on the long-term business plan, and assessing the market environment and opportune timing for capital expenditures, while also keeping in mind retention of earnings for reinvestment. The basic policy for the number of payouts is once per year at the end of the fiscal period, as determined by the General Meeting of Shareholders.

Of note, the Company has established in its Articles of Incorporation the provision that "The Company may make an interim dividend payment, with a record date of June 30 each year, by resolution of the Board of Directors." Accordingly, the determining body for dividend of surplus is the General Meeting of Shareholders for year-end dividends, and the Board of Directors for interim dividends.

For fiscal 2021, based on a comprehensive consideration of current economic conditions and the business results for the year, the Company plans to pay an annual dividend of ¥47.0 per share.

For fiscal 2022, in accordance with the above basic policy and earnings forecasts at the present time, the Company plans to pay an annual dividend of ¥50.0 per share. There are no plans for an interim dividend.

## Outlook for Fiscal 2022

As per the Medium-Term Business Plan 2022-2024, Arealink aims to steadily increase revenue and earnings over the next three years. In addition, for the fiscal year ending December 31, 2022, Arealink is forecasting net sales of ¥20,600 million, with operating income of ¥3,300 million, ordinary income of ¥3,200 million, and net income of ¥2,100 million. The Company is accelerating its transition to a cumulative-type business centered on self-storage management, with an increase in revenue as well as operating income and ordinary income. Net income, discounting the effect of extraordinary income recorded in the previous fiscal year, is projected to increase on a real basis.

	FY12/21		FY12/22		
	Actual	Percent of Sales	Plan	Percent of Sales	YoY
In millions of yen					
Net sales	22,572	—	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%

		FY12/21		FY12/22		
		Actual	Percent of Sales	Plan	Percent of Sales	YoY
In millions of yen						
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	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%

# Non-Consolidated Balance Sheets

Arealink Co., Ltd.

December 31, 2021 and 2020

	Millions of Yen	
	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and deposits	¥13,440	¥ 9,776
Accounts receivable—trade	123	133
Real estate for sale	3,127	4,523
Real estate for sale in process	211	130
Costs on uncompleted construction contracts	2	161
Prepaid expenses	247	240
Other current assets	191	1,009
Allowance for doubtful accounts	(24)	(29)
Total current assets	17,319	15,947
Noncurrent assets:		
Property, plant and equipment:		
Buildings	9,043	8,896
Accumulated depreciation	(2,768)	(2,450)
Accumulated impairment loss	(565)	(378)
Buildings, net	5,709	6,067
Structures	2,343	2,176
Accumulated depreciation	(818)	(723)
Accumulated impairment loss	(695)	(708)
Structures, net	828	744
Machinery and equipment	21	65
Accumulated depreciation	(7)	(55)
Accumulated impairment loss	(0)	(5)
Machinery and equipment, net	13	4
Vehicles	5	—
Accumulated depreciation	(1)	—
Vehicles, net	4	—
Tools, furniture and fixtures	6,376	4,969
Accumulated depreciation	(1,594)	(1,280)
Accumulated impairment loss	(231)	(203)
Tools, furniture and fixtures, net	4,550	3,484
Land	8,027	7,798
Lease assets	3,088	3,130
Accumulated depreciation	(985)	(748)
Accumulated impairment loss	(124)	(124)
Lease assets, net	1,977	2,256
Construction in progress	106	0
Total property, plant and equipment	21,217	20,356
Intangible assets:		
Software	46	52
Other	3	3
Total intangible assets	49	55
Investments and other assets:		
Investment securities	136	243
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,290	1,290
Guarantee deposits	1,370	1,396
Deferred tax assets	2,025	2,642
Other	79	75
Allowance for doubtful accounts	(1,287)	(1,304)
Total investments and other assets	3,615	4,343
Total noncurrent assets	24,882	24,755
Total assets	¥42,202	¥40,702



	Millions of Yen	
	2021	2020
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable—trade	¥ 160	¥ 158
Accounts payable for construction contracts	2	0
Short-term loans payable	396	—
Current portion of long-term loans payable	1,416	1,616
Accounts payable—other	1,246	760
Income taxes payable	557	—
Advances received	705	686
Unearned revenue	267	267
Lease obligations	283	288
Sublease loss allowance	37	82
Provision for loss on repurchases	—	2,297
Other	795	627
Total current liabilities	5,867	6,785
Noncurrent liabilities:		
Bonds payable	186	343
Long-term loans payable	7,656	7,817
Guarantee deposited	364	394
Long-term advances received	1,529	1,796
Lease obligations	1,848	2,129
Long-term accounts payable—other	2,839	2,396
Asset retirement obligations	925	864
Other	20	35
Total noncurrent liabilities	15,371	15,777
Total liabilities	21,239	22,563
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	6,111	6,111
Total capital surplus	6,163	6,156
Total retained earnings	8,917	6,137
Treasury stock	(246)	(274)
Total shareholders' equity	20,945	18,130
Valuation and translation adjustments:		
Total valuation and translation adjustments	17	8
Total net assets	20,963	18,139
Total liabilities and net assets	¥42,202	¥40,702

## Non-Consolidated Statements of Income

Arealink Co., Ltd.

Fiscal years ended December 31, 2021 and 2020

	Millions of Yen	
	2021	2020
<b>Net sales</b>	<b>¥20,572</b>	<b>¥22,477</b>
<b>Cost of sales</b>	<b>14,536</b>	<b>16,977</b>
<b>Gross profit</b>	<b>6,035</b>	<b>5,499</b>
<b>Selling, general and administrative expenses</b>	<b>2,990</b>	<b>3,223</b>
<b>Operating income</b>	<b>3,044</b>	<b>2,275</b>
<b>Non-operating income:</b>		
Interest income	7	7
Insurance income	9	3
Default charge income	1	3
Compensation for forced relocation	69	27
Other	75	25
Total non-operating income	164	67
<b>Non-operating expenses:</b>		
Interest expenses	107	131
Commission fee	73	21
Other	18	29
Total non-operating expenses	199	182
<b>Ordinary income</b>	<b>3,009</b>	<b>2,161</b>
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	29	18
Gain on reversal of loss on repurchases	1,610	1,477
Total extraordinary income	1,833	1,495
<b>Extraordinary loss:</b>		
Loss on sale of noncurrent assets	12	1
Loss on retirement of noncurrent assets	41	27
Impairment loss	235	343
Penalty loss	34	—
Total extraordinary losses	323	372
<b>Net income before income taxes</b>	<b>4,519</b>	<b>3,284</b>
<b>Income taxes—current</b>	<b>734</b>	<b>463</b>
<b>Income taxes—deferred</b>	<b>613</b>	<b>596</b>
<b>Total income taxes</b>	<b>1,347</b>	<b>1,059</b>
<b>Net income</b>	<b>¥ 3,171</b>	<b>¥ 2,225</b>

## Non-Consolidated Statements of Cash Flows

Arealink Co., Ltd.

Fiscal years ended December 31, 2021 and 2020

	Millions of Yen	
	2021	2020
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 4,519	¥ 3,284
Depreciation	879	783
Impairment loss	235	343
Increase (decrease) in sublease loss allowance	(59)	(31)
Increase (decrease) in provision for loss on repurchases	(2,297)	(2,897)
Decrease (increase) in notes and accounts receivable—trade	9	9
Decrease (increase) in inventories	1,476	2,537
Decrease (increase) in consumption taxes refund receivable	560	(560)
Increase (decrease) in notes and accounts payable—trade	3	(10)
Increase (decrease) in accounts payable—other	252	613
Increase (decrease) in accrued consumption taxes	289	(382)
Increase (decrease) in guarantee deposits received	(30)	(47)
Increase (decrease) in long-term accounts payable—other	413	1,100
Other, net	(59)	327
Subtotal	6,192	5,071
Interest and dividends income received	11	8
Interest expenses paid	(111)	(130)
Payments of loss on repurchase	(398)	(419)
Income taxes paid	(236)	(2,010)
Income taxes refund	284	—
Net cash provided by (used in) operating activities	5,741	2,520
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,822)	(2,178)
Proceeds from sales of property, plant and equipment	223	3
Purchase of intangible assets	(14)	(42)
Proceeds from sale of businesses	205	—
Proceeds from redemption of investment securities	150	—
Collection of loans receivable	—	0
Other, net	(5)	(11)
Net cash provided by (used in) investing activities	(1,264)	(2,228)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) of short-term loans payable	396	(562)
Proceeds from long-term loans payable	2,001	2,449
Repayment of long-term loans payable	(2,363)	(3,119)
Redemption of bonds	(182)	(207)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(391)	(504)
Repayments of lease obligations	(285)	(295)
Proceeds from sales and leasebacks	—	26
Net cash provided by (used in) financing activities	(825)	(2,213)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>11</b>	<b>(3)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,663</b>	<b>(1,925)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,776</b>	<b>11,702</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥13,440</b>	<b>¥ 9,776</b>

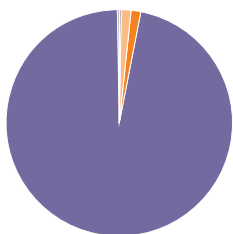
## Stock Information/Company Profile

(As of December 31, 2021)

Securities Code	8914
Stock Listing	Second Section of Tokyo Stock Exchange (TSE Standard Market as of April 4, 2022)
Share Handling Agent	Mitsubishi UFJ Trust and Banking Corporation
Authorized Shares	35,760,000 Shares
Number of Shares Issued and Outstanding	12,940,900 Shares
Trading Unit of Shares	100 Shares
Number of Shareholders	5,782

### Breakdown of Shareholders by Type

Financial institutions: 6	0.11%
Financial instruments and financial dealers: 24	0.42%
Other companies: 70	1.21%
Foreign investors: 85	1.47%
Individuals and others: 5,596	96.78%
Treasury: 1	0.01%



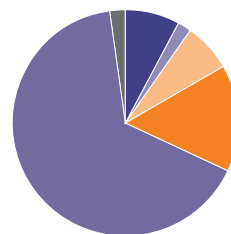
### Status of Shareholders

Principal shareholders	Number of shares held	% of total
Naomichi Hayashi	2,839,582	22.42
GOLDMAN, SACHS & CO. REG	816,162	6.44
Takeyasu Tsujimoto	457,200	3.61
Trust & Custody Services Bank, Ltd. (Trust account B)	354,300	2.79
Hiroyuki Yoshioka	334,000	2.63
The Master Trust Bank of Japan, Ltd. (Trust account)	324,700	2.56
Takeshi Watanabe	314,400	2.48
NIHAMA IRON WORKS CO., LTD.	310,000	2.44
Amix Co., Ltd.	250,000	1.97
The Higo Bank, Ltd.	214,300	1.69

Notes: 1. The list excludes Arealink, who owns 278,595 shares of its treasury stock.  
2. The ownership percentages were calculated after exclusion of the 278,595 treasury shares.

### Breakdown of Shares by Type of Shareholder (Thousand shares)

Financial institutions: 1,005	7.83%
Financial instruments and financial dealers: 264	2.06%
Other companies: 897	6.99%
Foreign investors: 1,935	15.07%
Individuals and others: 8,461	65.88%
Treasury: 278	2.17%



### Stock Price

	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12
High (¥)	1,450	2,571	4,225	1,480	1,335	1,729
Low (¥)	950	1,220	1,139	889	631	932
Close (¥)	1,247	2,376	1,173	1,350	945	1,536
Market capitalization (Millions of yen)	15,682	29,881	15,179	17,470	12,229	19,877

### Company Profile

Company name	Arealink Co., Ltd.
Head office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-0021
Established	April 1995
Paid-in capital	6,111,539 thousand yen
Number of employees	73 (excluding Directors, temporary employees and contract employees)
Balance date	December
Main financing banks	Kiraboshi Bank, Ltd., Resona Bank, Limited., The Chiba Bank, Ltd., The Musashino Bank, Ltd., and JOHOKU SHINKIN BANK

## IR Communication

Arealink holds twice-yearly results briefings for institutional investors and securities analysts. These briefings include explanations of business results, and President Hayashi directly presents the company's growth strategies. A video of the most recent results briefing is available on the company IR website, along with the presentation material.

**Contact: IR Office, Administrative Department (+81-3-3526-8556)**



FY12/21 Results Briefing Video Streaming Site (Japanese)

**URL** <https://www.arealink.co.jp/>