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Non-Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



April 27, 2023

Company name: Arealink Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8914

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Scheduled date of filing quarterly securities report: May 11, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Non-Consolidated Financial Results for the Three Months Ended March 31, 2023 (January 1, 2023 – March 31, 2023)

(1) Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
March 31, 2023	5,088	(1.1)	1,005	7.4	979	3.2	695	6.9
March 31, 2022	5,145	(3.3)	936	19.9	948	22.7	650	(10.2)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2023	54.88	–
March 31, 2022	51.41	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	44,903	22,893	51.0
As of December 31, 2022	45,643	23,072	50.5

(Reference) Equity: As of March 31, 2023: ¥22,893 million

As of December 31, 2022: ¥23,072 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	0.00	–	69.00	69.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (Forecast)		0.00	–	62.00	62.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	10,775	1.5	2,025	5.1	1,960	(1.2)	1,370	(14.0)	108.07
Full year	21,800	4.4	4,050	8.2	3,930	4.6	2,600	(9.8)	205.09

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2023: 12,940,900 shares

December 31, 2022: 12,940,900 shares

2) Total number of treasury shares at the end of the period:

March 31, 2023: 267,859 shares

December 31, 2022: 263,402 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Three months ended March 31, 2023: 12,677,187 shares

Three months ended March 31, 2022: 12,662,308 shares

* These quarterly non-consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements contained in this document, including the forecast of business results, are based on information available to the Company at the time of preparation of this document and certain assumptions that the Company deems to be reasonable. Actual results may differ materially from those statements due to a variety of different factors in the future. For details of assumptions for the financial results forecast and cautionary statements regarding the use of the forecast, please refer to “Explanation of Non-Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments for these quarterly non-consolidated financial results.

Attachment

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

For the three months ended March 31, 2023, net sales were ¥5,088 million (down 1.1% year on year), operating profit was ¥1,005 million (up 7.4% year on year), ordinary profit was ¥979 million (up 3.2% year on year), and profit was ¥695 million (up 6.9% year on year).

The Company's business performance by segment is as follows.

Self-Storage Business

Arealink's mainstay self-storage business comprises the two subsegments of self-storage management and self-storage brokerage.

In self-storage management, the utilization rate for "Hello Storage," the trunk room brand under which the Company operates its self-storage business, increased by 1.06 percentage points to 90.42% from the end of the previous fiscal year. This was the highest level since Arealink's public listing, and provided a boost in profitability. The main factors behind the increase in utilization rate were a reduction in the size of opened locations and the steady conclusion of contracts partly due to improved product recognition.

In the self-storage business, as described in the Medium-term Business Plan 2023-2025, which was announced on February 14, 2023, the Company aims to add 4,700 new openings in the fiscal year ending December 2023. For the three months ended March 31, 2023, the Company opened 585 new self-storage units and as a result, the number of self-storage units totaled 98,912 units, an increase of 331 units from the end of the previous fiscal year, due to factors including regularly scheduled annual closures. In terms of contracts conclusion, in addition to greater precision in new location openings brought about by a built database and a reduction in the size of opened locations, the recognition of Arealink storage products improved owing to strengthened public relations. This helped to spur demand, leading to steady growth in the number of storage units utilized. As for profitability, the main style of opened locations continued to be highly profitable company-owned locations. Moreover, discount rates were reduced through controlled sales campaigns and efficient advertising was carried out. This resulted in a significant increase in earnings for the self-storage management.

The self-storage brokerage business recorded two sales for indoor asset-type "self-storage properties with land."

Consequently, net sales in the self-storage business amounted to ¥4,307 million (up 7.9% year on year), and operating profit was ¥1,166 million (up 19.2%), resulting in increases in both revenue and profit.

Land Rights Consolidation Business

Net sales in the land rights consolidation business amounted to ¥441 million (down 45.5% year on year), and operating profit was ¥56 million (down 67.0% year on year). This was mainly due to adjustments made to settlement timing despite a shift to a policy of emphasizing quality over quantity. In terms of purchases, the Company continued to concentrate on purchasing properties of good quality, with the result of an increase in asset value of ¥500 million from the end of the previous fiscal year to ¥4,456 million.

Other Operational Services Business

The other operational services business comprises businesses with a revenue base of rent income, such as asset business and office business. In the asset business, the Company recorded a decrease in revenue but an increase in profit as the utilization rate remained high despite cancellations of requisitioned properties. In the office business, despite three new openings in 2022 and two new openings in February 2023, both revenue and profit declined partly due to startup costs for new opened locations and the closure of properties. As a result, net sales in the other operational services business amounted to ¥339 million (down 0.8% year on year), and operating profit was ¥73 million (down 22.8% year on year), resulting in decreases in both revenue and profit.

(2) Explanation of Financial Position

Total assets as of March 31, 2023 decreased by ¥740 million compared to the end of the previous fiscal year to ¥44,903 million. This was mainly attributable to an increase of ¥462 million in real estate for sale, an increase of ¥137 million in tools, furniture and fixtures, an increase of ¥101 million in buildings, and a decrease of ¥1,391 million in cash and deposits.

Total liabilities as of March 31, 2023 decreased by ¥560 million compared to the end of the previous fiscal year to ¥22,010 million. This was mainly attributable to increases of ¥156 million in current portion of long-term borrowings and ¥64 million in short-term borrowings, and decreases of ¥456 million in income taxes payable, ¥273 million in long-term borrowings, ¥194 million in long-term accounts payable - other, and ¥61 million in long-term unearned revenue.

Net assets as of March 31, 2023 decreased by ¥179 million compared to the end of the previous fiscal year to ¥22,893 million. This was mainly attributable to a decrease of ¥178 million in retained earnings (an increase of ¥695 million due to profit and a decrease of ¥874 million due to the payment of dividends). As a result, the equity ratio was 51.0%.

(3) Explanation of Financial Results Forecast and Other Forward-Looking Information

No changes have been made to the financial results forecast for the six months ending June 30, 2023 and the full year ending December 31, 2023 in “Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2022,” which was announced on February 14, 2023.

For the fiscal year ending December 31, 2023, in accordance with its basic policy and earnings forecasts at the present time, the Company plans to pay an annual dividend of ¥62.0 per share. There are no plans for an interim dividend.

2. Quarterly Non-Consolidated Financial Statements and Primary Notes

(1) Quarterly Non-Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the first quarter ended March 31, 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	14,299,556	12,908,250
Accounts receivable - trade	130,914	144,642
Real estate for sale	4,993,920	5,456,647
Real estate for sale in process	142,903	124,308
Supplies	19,931	20,317
Other	471,743	543,277
Allowance for doubtful accounts	(26,607)	(26,606)
Total current assets	20,032,362	19,170,836
Non-current assets		
Property, plant and equipment		
Buildings	9,532,734	9,725,257
Accumulated depreciation	(3,069,336)	(3,160,585)
Accumulated impairment	(565,617)	(565,617)
Buildings, net	5,897,780	5,999,054
Tools, furniture and fixtures	7,358,853	7,614,977
Accumulated depreciation	(1,980,825)	(2,099,867)
Accumulated impairment	(240,995)	(240,995)
Tools, furniture and fixtures, net	5,137,031	5,274,114
Land	8,148,844	8,272,761
Other	5,678,344	5,725,262
Accumulated depreciation	(2,195,103)	(2,297,447)
Accumulated impairment	(814,905)	(814,905)
Other, net	2,668,334	2,612,909
Total property, plant and equipment	21,851,991	22,158,840
Intangible assets		
Other	49,576	46,507
Total intangible assets	49,576	46,507
Investments and other assets		
Deferred tax assets	1,921,978	1,842,086
Other	2,416,393	2,313,914
Allowance for doubtful accounts	(628,948)	(628,962)
Total investments and other assets	3,709,423	3,527,039
Total non-current assets	25,610,991	25,732,386
Total assets	45,643,354	44,903,223

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the first quarter ended March 31, 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	146,815	262,372
Short-term borrowings	109,000	173,446
Current portion of bonds payable	157,000	108,000
Current portion of long-term borrowings	1,893,583	2,050,267
Income taxes payable	715,760	259,288
Provision for loss on sublease	14,268	17,256
Lease obligations	289,015	288,905
Other	2,893,439	3,096,071
Total current liabilities	6,218,882	6,255,609
Non-current liabilities		
Bonds payable	29,500	–
Long-term borrowings	9,995,107	9,721,113
Long-term unearned revenue	1,242,936	1,181,800
Lease obligations	1,574,804	1,503,181
Asset retirement obligations	1,000,523	1,035,640
Provision for loss on sublease	6,881	8,571
Long-term accounts payable - other	2,152,643	1,958,375
Other	349,469	345,904
Total non-current liabilities	16,351,865	15,754,587
Total liabilities	22,570,747	22,010,196
Net assets		
Shareholders' equity		
Share capital	6,111,539	6,111,539
Capital surplus		
Legal capital surplus	6,156,037	6,156,037
Other capital surplus	17,346	17,346
Total capital surplus	6,173,384	6,173,384
Retained earnings		
Retained earnings brought forward	11,009,320	10,830,328
Total retained earnings	11,009,320	10,830,328
Treasury shares	(233,694)	(234,117)
Total shareholders' equity	23,060,549	22,881,134
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,057	11,892
Total valuation and translation adjustments	12,057	11,892
Total net assets	23,072,607	22,893,026
Total liabilities and net assets	45,643,354	44,903,223

(2) Quarterly Non-Consolidated Statements of Income
Three Months Ended March 31

(Thousand yen)

	For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Net sales	5,145,385	5,088,855
Cost of sales	3,489,828	3,333,455
Gross profit	1,655,556	1,755,399
Selling, general and administrative expenses	718,846	749,572
Operating profit	936,710	1,005,827
Non-operating income		
Interest income	7	14
Delinquency charge income	420	429
Foreign exchange gains	11,217	1,729
Insurance claim income	991	283
Compensation for forced relocation	17,024	54,263
Gain on investments in private placement fund	8,971	–
Other	9,555	2,122
Total non-operating income	48,187	58,842
Non-operating expenses		
Interest expenses	28,199	33,777
Interest on bonds	281	151
Commission expenses	5,733	39,161
Other	1,685	12,181
Total non-operating expenses	35,899	85,271
Ordinary profit	948,997	979,398
Extraordinary income		
Gain on sale of non-current assets	4,257	5,235
Gain on liquidation of investment securities	–	29,591
Total extraordinary income	4,257	34,826
Extraordinary losses		
Loss on sale of non-current assets	363	381
Loss on retirement of non-current assets	1,726	–
Total extraordinary losses	2,090	381
Profit before income taxes	951,163	1,013,842
Income taxes - current	241,088	238,110
Income taxes - deferred	59,155	79,976
Total income taxes	300,243	318,087
Profit	650,920	695,755

(3) Notes on Quarterly Non-Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the three months period ended March 31, 2023 under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The decision does not affect the quarterly non-consolidated financial statements.

(Segment information, etc.)

1. Overview of reportable segments

The Company's reportable segments are components of the Company whose separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The three segments, "self-storage business," "land rights consolidation business," and "other operational services business" comprise the Company's reportable segments.

In the self-storage business, the Company rents land and vacant rooms in buildings or holds land and buildings to provide them as storage containers, trunk rooms, and other rental storage space for users. The business also involves receiving orders for the installation or construction of storage containers and trunk rooms and selling such self-storage properties to suit the needs of landowners and investors.

The land rights consolidation business offers resolution of issues between landowners and leasehold rights holders through the buying and selling of leaseholder rights and limited land rights with complex rights circumstances. Revenue earned from ground rent for a period during which the Company holds limited land rights, etc. and revenue generated by buying and selling income properties are also included.

The other operational services business includes the asset business, which handles the leasing, maintenance, and management of the Company's own properties (offices, stores, residences, hotels, etc.), the office business, which rents vacant rooms in buildings and provides them as small rental offices for users, and other businesses run by adding value to the Company's products.

2. Information on net sales and profit (loss) by reportable segment

For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(Thousands of yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Non-Consolidated Statements of Income
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	3,992,740	810,764	341,880	5,145,385	–	5,145,385
Intersegment net sales or transfers	–	–	–	–	–	–
Total	3,992,740	810,764	341,880	5,145,385	–	5,145,385
Segment profit	978,472	172,232	94,615	1,245,319	(308,609)	936,710

(Notes) 1. The adjustment to segment profit of ¥(308,609) thousand is corporate expenses not allocated to reported segments. Corporate expenses are mainly expenses related to the Management Division.

2. Segment profit is adjusted with operating profit in the Quarterly Non-Consolidated Statements of Income.

For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(Thousands of yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Non-Consolidated Statements of Income
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	4,307,974	441,646	339,234	5,088,855	–	5,088,855
Intersegment net sales or transfers	–	–	–	–	–	–
Total	4,307,974	441,646	339,234	5,088,855	–	5,088,855
Segment profit	1,166,035	56,852	73,077	1,295,965	(290,138)	1,005,827

(Notes) 1. The adjustment to segment profit of ¥(290,138) thousand is corporate expenses not allocated to reported segments. Corporate expenses are mainly expenses related to the Management Division.

2. Segment profit is adjusted with operating profit in the Quarterly Non-Consolidated Statements of Income.

(Significant subsequent events)

Not applicable.