

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

## Non-Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]



October 26, 2023

Company name: Arealink Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8914

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

Representative: Yoshika Suzuki, President & CEO

Contact: Yasuaki Otaki, Director and General Manager, Administration Division

Phone: +81-3-3526-8555

Scheduled date of filing quarterly securities report: November 9, 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 Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 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	%
Nine months ended								
September 30, 2023	17,096	8.0	3,356	18.7	3,330	15.0	2,338	5.7
September 30, 2022	15,831	3.6	2,827	19.3	2,897	23.3	2,212	19.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2023	184.43	–
September 30, 2022	174.59	–

### (2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	47,723	24,538	51.4
As of December 31, 2022	45,643	23,072	50.5

(Reference) Equity: As of September 30, 2023: ¥24,538 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	–	0.00	–		
Fiscal year ending December 31, 2023 (Forecast)				72.00	72.00

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) Breakdown of the year-end dividends for the fiscal year ending December 31, 2023: Ordinary dividends: ¥62.00; Commemorative dividends (for the 20th anniversary of the Company's stock listing): ¥10.00

## 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
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):

September 30, 2023: 12,940,900 shares

December 31, 2022: 12,940,900 shares

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

September 30, 2023: 257,315 shares

December 31, 2022: 263,402 shares

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

Nine months ended September 30, 2023: 12,679,693 shares

Nine months ended September 30, 2022: 12,669,869 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 Financial Results Forecast and Other Forward-Looking Information" on page 3 of the attachments for these quarterly non-consolidated financial results.

Attachment

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Financial Results Forecast and Other Forward-Looking Information.....	3
2. Quarterly Non-Consolidated Financial Statements and Primary Notes.....	4
(1) Quarterly Non-Consolidated Balance Sheets.....	4
(2) Quarterly Non-Consolidated Statements of Income.....	6
(3) Notes on Quarterly Non-Consolidated Financial Statements.....	7
(Notes on going concern assumption).....	7
(Notes on significant changes in shareholders' equity).....	7
(Changes in accounting policies).....	7
(Segment information, etc.).....	7
(Significant subsequent events).....	8

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

### (1) Explanation of Operating Results

For the nine months ended September 30, 2023, net sales were ¥17,096 million (up 8.0% year on year), operating profit was ¥3,356 million (up 18.7% year on year), ordinary profit was ¥3,330 million (up 15.0% year on year), and profit was ¥2,338 million (up 5.7% 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, decreased by 1.09 percentage points to 88.27% from the end of the previous fiscal year, but remained at a high level. The main factors behind the high utilization rate were an improvement in precision of store openings through data analysis, 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 nine months ended September 30, 2023, the Company opened 3,582 new self-storage units and as a result, the number of self-storage units totaled 100,493 units, an increase of 1,912 units from the end of the previous fiscal year, achieving 100,000 self-storage units for the first time, partly due to the impact of 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 six sales for indoor asset-type "self-storage properties with land."

Consequently, net sales in the self-storage business amounted to ¥13,065 million (up 5.8% year on year), and operating profit was ¥3,434 million (up 14.7% year on year), resulting in increases in both revenue and profit.

#### **Land Rights Consolidation Business**

Net sales in the land rights consolidation business amounted to ¥2,982 million (up 22.5% year on year), and operating profit was ¥583 million (up 31.1% year on year), resulting in increases in both revenue and profit. 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 ¥126 million from the end of the previous fiscal year to ¥4,082 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 utilization rate remained high despite cancellations of requisitioned properties, but the Company recorded decreases in both revenue and profit due to the recording of repair expenses, etc. In the office business, despite three new openings in 2022 and two new openings in February 2023 that contributed to sales, revenue increased while 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 ¥1,048 million (down 0.4% year on year), and operating profit was ¥246 million (down 12.3% year on year), resulting in decreases in both revenue and profit.

## (2) Explanation of Financial Position

Total assets as of September 30, 2023 increased by ¥2,079 million compared to the end of the previous fiscal year to ¥47,723 million. This was mainly attributable to increases of ¥1,079 million in tools, furniture and fixtures, ¥828 million in buildings, and ¥472 million in land, as well as a decrease of ¥394 million in cash and deposits.

Total liabilities as of September 30, 2023 increased by ¥614 million compared to the end of the previous fiscal year to ¥23,185 million. This was mainly attributable to increases of ¥853 million in long-term borrowings, ¥624 million in current portion of long-term borrowings, and ¥188 million in short-term borrowings, and decreases of ¥567 million in long-term accounts payable - other, ¥292 million in income taxes payable, and ¥183 million in long-term unearned revenue.

Net assets as of September 30, 2023 increased by ¥1,465 million compared to the end of the previous fiscal year to ¥24,538 million. This was mainly attributable to an increase of ¥1,463 million in retained earnings (an increase of ¥2,338 million due to profit and a decrease of ¥874 million due to the payment of dividends). As a result, the equity ratio was 51.4%.

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

No changes have been made to the financial results forecast for 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, the Company has revised its forecast upward as stated in the “Notice of Revision to Dividend Forecast (20th Anniversary Commemorative Dividend)” announced on October 26, 2023, and plans to pay an annual dividend of ¥72.0 per share.

## 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 third quarter ended September 30, 2023 (As of September 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,299,556	13,904,880
Accounts receivable - trade	130,914	139,432
Real estate for sale	4,993,920	4,883,210
Real estate for sale in process	142,903	391,354
Supplies	19,931	23,642
Other	471,743	543,053
Allowance for doubtful accounts	(26,607)	(26,417)
Total current assets	20,032,362	19,859,155
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	9,532,734	10,623,404
Accumulated depreciation	(3,069,336)	(3,336,682)
Accumulated impairment	(565,617)	(560,745)
Buildings, net	5,897,780	6,725,976
Tools, furniture and fixtures	7,358,853	8,808,828
Accumulated depreciation	(1,980,825)	(2,351,206)
Accumulated impairment	(240,995)	(240,748)
Tools, furniture and fixtures, net	5,137,031	6,216,872
Land	8,148,844	8,621,588
Other	5,678,344	6,082,880
Accumulated depreciation	(2,195,103)	(2,509,553)
Accumulated impairment	(814,905)	(812,228)
Other, net	2,668,334	2,761,098
Total property, plant and equipment	21,851,991	24,325,536
<b>Intangible assets</b>		
Other	49,576	60,880
Total intangible assets	49,576	60,880
<b>Investments and other assets</b>		
Deferred tax assets	1,921,978	1,769,444
Other	2,416,393	2,337,314
Allowance for doubtful accounts	(628,948)	(629,133)
Total investments and other assets	3,709,423	3,477,626
<b>Total non-current assets</b>	25,610,991	27,864,042
<b>Total assets</b>	45,643,354	47,723,197

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the third quarter ended September 30, 2023 (As of September 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	146,815	136,562
Short-term borrowings	109,000	297,774
Current portion of bonds payable	157,000	29,500
Current portion of long-term borrowings	1,893,583	2,517,688
Income taxes payable	715,760	423,076
Provision for loss on sublease	14,268	15,392
Lease obligations	289,015	292,747
Other	2,893,439	3,120,664
Total current liabilities	6,218,882	6,833,407
Non-current liabilities		
Bonds payable	29,500	-
Long-term borrowings	9,995,107	10,848,521
Long-term unearned revenue	1,242,936	1,059,515
Lease obligations	1,574,804	1,367,361
Asset retirement obligations	1,000,523	1,139,098
Provision for loss on sublease	6,881	8,850
Long-term accounts payable - other	2,152,643	1,585,318
Other	349,469	343,038
Total non-current liabilities	16,351,865	16,351,704
Total liabilities	22,570,747	23,185,111
<b>Net assets</b>		
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	10,032
Total capital surplus	6,173,384	6,166,070
Retained earnings		
Retained earnings brought forward	11,009,320	12,473,139
Total retained earnings	11,009,320	12,473,139
Treasury shares	(233,694)	(225,525)
Total shareholders' equity	23,060,549	24,525,224
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,057	12,861
Total valuation and translation adjustments	12,057	12,861
Total net assets	23,072,607	24,538,085
Total liabilities and net assets	45,643,354	47,723,197

(2) Quarterly Non-Consolidated Statements of Income  
 Nine Months Ended September 30

(Thousand yen)

	For the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	For the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Net sales	15,831,906	17,096,113
Cost of sales	10,778,553	11,166,746
Gross profit	5,053,352	5,929,366
Selling, general and administrative expenses	2,225,901	2,573,341
Operating profit	2,827,451	3,356,025
Non-operating income		
Interest income	19	30
Delinquency charge income	1,297	1,517
Foreign exchange gains	47,928	35,787
Insurance claim income	4,137	8,916
Compensation for forced relocation	74,755	87,167
Gain on investments in private placement fund	41,686	-
Other	26,449	7,845
Total non-operating income	196,273	141,264
Non-operating expenses		
Interest expenses	91,780	104,511
Interest on bonds	722	323
Commission expenses	29,667	49,017
Other	4,165	12,579
Total non-operating expenses	126,335	166,432
Ordinary profit	2,897,388	3,330,856
Extraordinary income		
Gain on sale of non-current assets	12,861	12,404
Gain on sale of investment securities	-	21,970
Gain on liquidation of investment securities	-	29,591
Total extraordinary income	12,861	63,966
Extraordinary losses		
Loss on sale of non-current assets	363	381
Loss on retirement of non-current assets	25,880	9,474
Total extraordinary losses	26,244	9,856
Profit before income taxes	2,884,005	3,384,965
Income taxes - current	760,212	894,202
Income taxes - refund	(235,930)	-
Income taxes - deferred	147,680	152,196
Total income taxes	671,962	1,046,399
Profit	2,212,042	2,338,566



### (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, 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 nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(Thousand 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	12,345,164	2,433,878	1,052,863	15,831,906	-	15,831,906
Intersegment net sales or transfers	-	-	-	-	-	-
Total	12,345,164	2,433,878	1,052,863	15,831,906	-	15,831,906
Segment profit	2,993,791	444,715	281,200	3,719,706	(892,255)	2,827,451

(Notes) 1. The adjustment to segment profit of ¥ (892,255) 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 nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

(Thousand 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	13,065,592	2,982,106	1,048,414	17,096,113	-	17,096,113
Intersegment net sales or transfers	-	-	-	-	-	-
Total	13,065,592	2,982,106	1,048,414	17,096,113	-	17,096,113
Segment profit	3,434,165	583,004	246,595	4,263,766	(907,741)	3,356,025

(Notes) 1. The adjustment to segment profit of ¥ (907,741) 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.