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Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]



February 14, 2024

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

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Scheduled date of the general meeting of shareholders: March 27, 2024

Scheduled date of commencing dividend payments: March 28, 2024

Scheduled date of filing securities report: March 28, 2024

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

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

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	22,463	7.6	4,155	11.1	4,058	8.0	2,821	(2.1)
December 31, 2022	20,878	1.5	3,742	22.9	3,758	24.9	2,883	(9.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2023	222.50	—	11.7	8.5	18.5
December 31, 2022	227.54	—	13.1	8.6	17.9

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	49,676	25,021	50.4	1,972.72
As of December 31, 2022	45,643	23,072	50.5	1,819.97

(Reference) Equity: As of December 31, 2023: ¥25,021 million

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

(3) Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
December 31, 2023	3,530	(4,667)	1,818	14,995
December 31, 2022	1,605	(2,258)	1,492	14,299

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio	Ratio of dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended December 31, 2022	Yen –	Yen 0.00	Yen –	Yen 69.00	Yen 69.00	Million yen 874	% 30.3	% 4.0
Fiscal year ended December 31, 2023	–	0.00	–	77.00	77.00	976	34.6	4.1
Fiscal year ending December 31, 2024 (Forecast)	–	0.00	–	77.00	77.00		31.7	

(Note) Breakdown of the year-end dividends for the fiscal year ended December 31, 2023:

Ordinary dividends: ¥67.00

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, 2024 (January 1, 2024 – December 31, 2024)

(% 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	12,000	7.3	2,360	6.9	2,300	4.3	1,580	2.3	124.57
Full year	24,400	8.6	4,650	11.9	4,520	11.4	3,080	9.2	242.83

* Notes:

(1) 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

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

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

December 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:

December 31, 2023: 257,325 shares

December 31, 2022: 263,402 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2023: 12,680,669 shares

Fiscal year ended December 31, 2022: 12,671,795 shares

* These non-consolidated financial results are outside the scope of audit 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. For details of assumptions for the financial results forecast and cautionary statements regarding the use of the forecast, please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 4 of the attachment.

Attachment

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1. Overview of Operating Results, etc.

(1) Operating Results for the Fiscal Year under Review

For the fiscal year under review, net sales were ¥22,463 million (up 7.6% year on year), operating profit was ¥4,155 million (up 11.1% year on year), ordinary profit was ¥4,058 million (up 8.0% year on year), and profit was ¥2,821 million (down 2.1% year on year) due in part to ¥235 million in income taxes - refund recorded in the previous fiscal year.

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 self-storage ("trunk rooms") brand under which the Company operates its self-storage business, decreased by 1.07 percentage points to 88.29% from the end of the previous fiscal year despite an increase in the number of newly opened self-storage units, but remained at a high level. The main factors behind the high utilization rate was the steady conclusion of contracts partly due to the improved precision of store openings through data analysis, openings at smaller locations, and improved product recognition.

In the self-storage business, while the Company had aimed to open 4,700 new units in the fiscal year ended December 31, 2023 in the Medium-term Business Plan 2023-2025 announced on February 14, 2023, as a result, the Company opened a total of 5,800 units (including additions of 430 units in existing properties). The number of self-storage units totaled 101,379 units, an increase of 2,798 units from the end of the previous fiscal year, and exceeded 100,000 units, offsetting the impact of regularly scheduled annual closures. In terms of contracts concluded, the Company steadily expanded the number of storage units utilized by capturing demand through efforts such as leveraging its database established to further improve the precision of new location openings and shift to openings at smaller locations, as well as strengthened public relations which improved the recognition of Arealink storage products. As for profitability, the Company increased revenue from self-storage management by curbing discount rates through controlled sales campaigns, reviewing some rent, and carrying out efficient advertising, in addition to maintaining its style of having the bulk of openings centered on high-margin company-owned locations.

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

Consequently, net sales in the self-storage business amounted to ¥17,423 million (up 6.5% year on year), and operating profit was ¥4,563 million (up 11.7% year on year), and both revenue and profit increased.

Land Rights Consolidation Business

Net sales in the land rights consolidation business amounted to ¥3,623 million (up 16.5% year on year), and operating profit was ¥446 million (down 3.9% year on year). As a result, revenue increased and profit decreased. In terms of purchases, while the Company continued to concentrate on purchasing properties of good quality, asset value resulted in a decrease of ¥146 million from the end of the previous fiscal year to ¥3,809 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, both revenue and profit decreased. This was due to the recording of repair expenses, etc. although the utilization rate remained high despite cancellations of requisitioned properties. In the office business, revenue increased but profit decreased. This was because three new openings in 2022 and two new openings in February 2023 contributed to sales, but results were affected by the recording of startup costs for new opened locations and the closure of properties. As a result, net sales in the other operational services business amounted to ¥1,416 million (up 1.2% year on year), and operating profit was ¥345 million (down 7.6% year on year), resulting in an increase in revenue and a decrease in profit.

(2) Financial Position for the Fiscal Year under Review

A) Assets

Current assets increased by 9.3% compared with the end of the previous fiscal year to ¥21,887million. This was mainly attributable to increases in real estate for sale, cash and deposits, and real estate for sale in process of ¥955 million, ¥696 million, and ¥209 million, respectively.

Non-current assets increased by 8.5% compared with the end of the previous fiscal year to ¥27,788 million. This was mainly attributable to an increase in property, plant and equipment of ¥2,384 million due in part to the purchase of tools, furniture and fixtures.

As a result, total assets increased by 8.8% compared with the end of the previous fiscal year to ¥49,676 million.

B) Liabilities

Current liabilities increased by 13.6% compared with the end of the previous fiscal year to ¥7,062 million. This was mainly attributable to increases in current portion of long-term borrowings and short-term borrowings of ¥684 million and ¥132 million, respectively.

Non-current liabilities increased by 7.6% compared with the end of the previous fiscal year to ¥17,592 million. This was mainly attributable to decreases in long-term accounts payable - other, lease obligations, and long-term unearned revenue of ¥706 million, ¥270 million and ¥244 million, respectively, which were offset by an increase in long-term borrowings of ¥2,313 million.

As a result, total liabilities increased by 9.2% compared with the end of the previous fiscal year to ¥24,655 million.

C) Net assets

Total net assets increased by 8.4% compared with the end of the previous fiscal year to ¥25,021 million. This was mainly attributable to an increase in retained earnings brought forward of ¥1,946 million. The main component was an increase in retained earnings of ¥1,946 million (an increase of ¥2,821 million due to profit and a decrease of ¥874 million due to the payment of dividends). As a result, the equity ratio was 50.4%.

(3) Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year under review increased by ¥696 million compared to the end of the previous fiscal year to ¥14,995 million.

The status of cash flows and its contributing factors during the fiscal year under review are as follows.

Cash flows from operating activities:

Cash flows from operating activities resulted in a net inflow of ¥3,530 million. This was mainly attributable to factors for decrease such as increases in inventories and income taxes paid of ¥150 million and ¥1,169 million, respectively, being offset by factors for increase such as profit before income taxes and depreciation of ¥4,070 million and ¥1,130 million, respectively.

Cash flows from investing activities:

Cash flows from investing activities resulted in a net outflow of ¥4,667 million. This was mainly attributable to factors for decrease such as purchase of property, plant and equipment of ¥4,801 million.

Cash flows from financing activities:

Cash flows from financing activities resulted in a net inflow of ¥1,818 million. This was mainly attributable to factors for decrease such as repayments of long-term borrowings, dividends paid and repayments of lease obligations of ¥2,603 million, ¥873 million, and ¥290 million, respectively, being offset by factors for increase such as proceeds from long-term borrowings of ¥5,362 million.

(4) Future Outlook

As stated in the Medium-term Business Plan 2023-2025 described in the results briefing materials for the fiscal year ended December 31, 2023 announced today, the Company will continue to aim for further growth by opening more storage facilities in the self-storage business. Accordingly, the Company expects net sales of ¥24,400 million, operating profit of ¥4,650 million, ordinary profit of ¥4,520 million, and profit of ¥3,080 million as its financial results forecast for the fiscal year ending December 31, 2024.

In the self-storage business, it is the Company's policy to continue to expand and develop the subscription-based ("stock-type") business centered on the sub-segment of self-storage management. The Company intends to establish a management structure that is more resilient to conditions in the real estate and financial markets by further strengthening the stable cumulative-type revenue base.

Self-storage management is the Company's core business that supports the stable cumulative-type revenue base. The Company aims to accelerate store openings nationwide and further develop and expand the segment as a growth business as it strengthens the branding and recognition, improves customer satisfaction, and develops services incidental to storage through the Hello Storage brand, and strives to establish storage as a business that changes and enriches the lifestyles of the Japanese people.

For self-storage brokerage, the Company plans to sell properties such as outdoor containers and indoor asset-type "self-storage properties with land," except for certain properties. The Company intends to curb the margin on property sales to acquire self-storage management customers and maintain the current ratio of revenue from the service to total revenue. Accordingly, the one-time gain on sale will not be significant, but the Company expects that improving the ratio of revenue from self-storage management to total revenue in addition to increasing company-owned locations will expand revenue from the self-storage business as a whole over the medium to long term, and ultimately strengthen the cumulative-type business.

As a result of the above, for the self-storage business, the Company expects both revenue and profit to increase, forecasting net sales of ¥20,500 million and segment profit of ¥5,360 million.

For the land rights consolidation business (limited land rights), the scale of which is shrinking, the Company expects both revenue and profit to decrease, forecasting net sales of ¥2,400 million and segment profit of ¥320 million in 2024.

For the other operational services business, the Company expects revenue to increase but profit to decrease, forecasting net sales of ¥1,500 million and segment profit of ¥300 million in 2024.

2. Basic Policy on Selection of Accounting Standards

The Company's policy is to prepare its non-consolidated financial statements under Japanese GAAP for the immediate future, to enable the comparability of financial statements across periods and among companies. The Company will take appropriate steps in the future to consider the application of the International Financial Reporting Standards (IFRS) in response to domestic and international trends.

3. Non-Consolidated Financial Statements and Primary Notes
(1) Non-Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the fiscal year ended December 31, 2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	14,299,556	14,995,672
Accounts receivable - trade	130,914	135,774
Real estate for sale	4,993,920	5,949,327
Real estate for sale in process	142,903	352,103
Supplies	19,931	19,643
Prepaid expenses	254,817	273,136
Advance payments to suppliers	60,093	61,882
Other	156,833	128,835
Allowance for doubtful accounts	(26,607)	(29,144)
Total current assets	20,032,362	21,887,231
Non-current assets		
Property, plant and equipment		
Buildings	9,532,734	10,208,674
Accumulated depreciation	(3,069,336)	(3,330,391)
Accumulated impairment	(565,617)	(583,136)
Buildings, net	5,897,780	6,295,145
Structures	2,505,857	2,965,224
Accumulated depreciation	(938,046)	(1,078,319)
Accumulated impairment	(689,709)	(679,691)
Structures, net	878,102	1,207,213
Machinery and equipment	25,679	22,311
Accumulated depreciation	(9,232)	(7,238)
Accumulated impairment	(198)	(198)
Machinery and equipment, net	16,248	14,874
Vehicles	5,656	20,502
Accumulated depreciation	(3,193)	(2,880)
Vehicles, net	2,463	17,622
Tools, furniture and fixtures	7,358,853	9,556,775
Accumulated depreciation	(1,980,825)	(2,477,931)
Accumulated impairment	(240,995)	(250,617)
Tools, furniture and fixtures, net	5,137,031	6,828,225
Land	8,148,844	8,132,863
Leased assets	3,062,119	3,043,146
Accumulated depreciation	(1,244,631)	(1,477,576)
Accumulated impairment	(124,998)	(124,998)
Leased assets, net	1,692,489	1,440,571
Construction in progress	79,030	299,903
Total property, plant and equipment	21,851,991	24,236,420

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the fiscal year ended December 31, 2023 (As of December 31, 2023)
Intangible assets		
Trademark right	942	3,470
Software	46,831	52,874
Other	1,802	1,691
Total intangible assets	49,576	58,036
Investments and other assets		
Investment securities	129,996	23,153
Distressed receivables	631,872	631,872
Long-term prepaid expenses	66,253	53,259
Guarantee deposits	1,362,025	1,421,318
Deferred tax assets	1,921,978	1,776,962
Other	226,245	217,218
Allowance for doubtful accounts	(628,948)	(629,283)
Total investments and other assets	3,709,423	3,494,501
Total non-current assets	25,610,991	27,788,958
Total assets	45,643,354	49,676,189

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)	For the fiscal year ended December 31, 2023 (As of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	146,815	148,835
Accounts payable for construction contracts	—	16,054
Short-term borrowings	109,000	241,560
Current portion of bonds payable	157,000	29,500
Current portion of long-term borrowings	1,893,583	2,578,006
Accounts payable - other	1,162,312	1,396,145
Accrued expenses	238,747	277,704
Income taxes payable	715,760	648,556
Advances received	709,937	749,023
Deposits received	3,818	4,551
Unearned revenue	573,779	554,044
Lease obligations	289,015	293,146
Provision for loss on sublease	14,268	14,240
Other	204,843	110,697
Total current liabilities	6,218,882	7,062,064
Non-current liabilities		
Bonds payable	29,500	—
Long-term borrowings	9,995,107	12,308,784
Guarantee deposits received	349,469	340,199
Long-term unearned revenue	1,242,936	998,373
Lease obligations	1,574,804	1,304,115
Long-term accounts payable - other	2,152,643	1,445,900
Asset retirement obligations	1,000,523	1,187,976
Provision for loss on sublease	6,881	7,605
Total non-current liabilities	16,351,865	17,592,954
Total liabilities	22,570,747	24,655,019
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	11,360
Total capital surplus	6,173,384	6,167,397
Retained earnings		
Other retained earnings		
Retained earnings brought forward	11,009,320	12,956,012
Total retained earnings	11,009,320	12,956,012
Treasury shares	(233,694)	(225,555)
Total shareholders' equity	23,060,549	25,009,394
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,057	11,775
Total valuation and translation adjustments	12,057	11,775
Total net assets	23,072,607	25,021,170
Total liabilities and net assets	45,643,354	49,676,189

(2) Non-Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net sales		
Leasing business revenue	17,184,974	18,154,322
Construction sales	58,292	9,754
Real estate sales	3,625,482	4,288,070
Other sales	9,296	11,429
Total net sales	20,878,046	22,463,576
Cost of sales		
Lease business expenses	11,187,546	11,463,033
Cost of construction sales	45,496	9,337
Cost of real estate sales	2,927,292	3,438,510
Total cost of sales	14,160,334	14,910,881
Gross profit	6,717,711	7,552,695
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	139,642	148,240
Salaries and allowances	818,548	943,684
Other salaries	12,415	32,178
Welfare expenses	132,646	159,111
Advertising expenses	220,040	256,835
Entertainment expenses	24,307	24,535
Travel and transportation expenses	69,786	86,134
Communication expenses	177,238	187,415
Insurance expenses	5,437	5,302
Utilities expenses	8,136	7,416
Supplies expenses	29,119	15,118
Commission expenses	432,602	596,970
Fee expenses	378,374	401,025
Repair expenses	9,876	2,547
Taxes and dues	194,575	201,132
Depreciation	61,702	58,142
Provision of allowance for doubtful accounts	17,434	19,805
Bad debt expenses	170	50
Rent expenses on land and buildings	184,394	175,174
Other	59,233	76,271
Total selling, general and administrative expenses	2,975,685	3,397,092
Operating profit	3,742,026	4,155,603

(Thousand yen)

	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Non-operating income		
Interest income	19	30
Dividend income	1,262	1,394
Foreign exchange gains	23,411	16,208
Gain on investments in private placement fund	56,492	–
Insurance claim income	4,545	8,824
Delinquency charge income	1,659	2,125
Compensation for forced relocation	74,755	87,267
Other	29,620	18,041
Total non-operating income	191,767	133,893
Non-operating expenses		
Interest expenses	126,745	143,496
Interest on bonds	875	344
Commission expenses	34,183	73,666
Other	13,380	13,518
Total non-operating expenses	175,185	231,025
Ordinary profit	3,758,608	4,058,470
Extraordinary income		
Gain on sale of non-current assets	17,163	12,786
Gain on sale of investment securities	–	21,970
Gain on liquidation of investment securities	136,793	29,591
Total extraordinary income	153,956	64,347
Extraordinary losses		
Loss on sale of non-current assets	363	381
Loss on retirement of non-current assets	35,450	18,190
Impairment losses	14,641	33,464
Total extraordinary losses	50,455	52,037
Profit before income taxes	3,862,108	4,070,781
Income taxes - current	1,021,761	1,104,183
Income taxes - refund	(235,930)	–
Income taxes - deferred	192,915	145,157
Total income taxes	978,746	1,249,341
Profit	2,883,362	2,821,439

(3) Non-Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2022

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	6,111,539	6,156,037	7,395	6,163,432	8,917,566	8,917,566	(246,781)	20,945,758
Cumulative effects of changes in accounting policies					(196,480)	(196,480)		(196,480)
Restated balance	6,111,539	6,156,037	7,395	6,163,432	8,721,086	8,721,086	(246,781)	20,749,277
Changes of items during period								
Dividends of surplus					(595,128)	(595,128)		(595,128)
Restricted stock compensation			9,951	9,951			14,025	23,977
Profit					2,883,362	2,883,362		2,883,362
Purchase of treasury shares							(939)	(939)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	9,951	9,951	2,288,234	2,288,234	13,086	2,311,271
Balance at end of period	6,111,539	6,156,037	17,346	6,173,384	11,009,320	11,009,320	(233,694)	23,060,549

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	17,481	17,481	20,963,239
Cumulative effects of changes in accounting policies			(196,480)
Restated balance	17,481	17,481	20,766,758
Changes of items during period			
Dividends of surplus			(595,128)
Restricted stock compensation			23,977
Profit			2,883,362
Purchase of treasury shares			(939)
Net changes of items other than shareholders' equity	(5,423)	(5,423)	(5,423)
Total changes of items during period	(5,423)	(5,423)	2,305,848
Balance at end of period	12,057	12,057	23,072,607

Fiscal year ended December 31, 2023

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	6,111,539	6,156,037	17,346	6,173,384	11,009,320	11,009,320	(233,694)	23,060,549
Changes of items during period								
Dividends of surplus					(874,747)	(874,747)		(874,747)
Restricted stock compensation			(5,986)	(5,986)			9,525	3,539
Profit					2,821,439	2,821,439		2,821,439
Purchase of treasury shares							(1,386)	(1,386)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	(5,986)	(5,986)	1,946,692	1,946,692	8,139	1,948,845
Balance at end of period	6,111,539	6,156,037	11,360	6,167,397	12,956,012	12,956,012	(225,555)	25,009,394

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	12,057	12,057	23,072,607
Changes of items during period			
Dividends of surplus			(874,747)
Restricted stock compensation			3,539
Profit			2,821,439
Purchase of treasury shares			(1,386)
Net changes of items other than shareholders' equity	(281)	(281)	(281)
Total changes of items during period	(281)	(281)	1,948,563
Balance at end of period	11,775	11,775	25,021,170

(4) Non-Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	3,862,108	4,070,781
Depreciation	987,264	1,130,341
Impairment losses	14,641	33,464
Interest and dividend income	(1,281)	(1,425)
Increase (decrease) in provision for loss on sublease	(36,760)	696
Interest expenses on borrowings and bonds	127,621	143,841
Loss (gain) on sale of non-current assets	(16,799)	(12,405)
Loss on retirement of non-current assets	35,450	18,190
Loss (gain) on liquidation of investment securities	(136,793)	(29,591)
Decrease (increase) in trade receivables	(6,972)	(4,859)
Decrease (increase) in inventories	(1,797,871)	(150,483)
Increase (decrease) in trade payables	(15,438)	18,073
Increase (decrease) in accounts payable - other	(14,690)	(28,923)
Increase (decrease) in accrued consumption taxes	(121,742)	(129,775)
Increase (decrease) in guarantee deposits received	(14,930)	(9,269)
Other, net	(167,580)	61,685
Subtotal	2,696,225	5,110,342
Interest and dividends received	1,281	1,425
Interest paid	(128,200)	(144,289)
Payments for loss on repurchase	(317,587)	(273,339)
Income taxes paid	(871,925)	(1,169,074)
Income taxes refund	225,400	5,432
Net cash provided by (used in) operating activities	1,605,193	3,530,496
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,189,665)	(4,801,743)
Proceeds from sale of property, plant and equipment	180	3,066
Payments for retirement of property, plant and equipment	(19,140)	-
Purchase of intangible assets	(27,039)	(27,481)
Proceeds from liquidation of investment securities	191,390	134,980
Other, net	(214,494)	24,091
Net cash provided by (used in) investing activities	(2,258,768)	(4,667,086)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(287,720)	372,560
Proceeds from long-term borrowings	5,180,438	5,362,057
Repayments of long-term borrowings	(2,364,431)	(2,603,957)
Redemption of bonds	(157,000)	(157,000)
Purchase of treasury shares	(820)	(1,386)
Dividends paid	(595,035)	(873,575)
Repayments of lease obligations	(283,317)	(290,324)
Proceeds from sale and leaseback transactions	-	10,112
Net cash provided by (used in) financing activities	1,492,113	1,818,486
Effect of exchange rate change on cash and cash equivalents	20,485	14,219
Net increase (decrease) in cash and cash equivalents	859,023	696,116
Cash and cash equivalents at beginning of period	13,440,532	14,299,556
Cash and cash equivalents at end of period	14,299,556	14,995,672

(5) Notes to Non-Consolidated Financial Statements

(Notes on going concern assumption)

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 fiscal year ended December 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 non-consolidated financial statements.

(Segment information, etc.)

Segment information

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 the 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. It also includes 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.

The other operational services business consists of operations that add value to the Company’s products, including the asset business, which handles the leasing, maintenance, and management of the Company’s own properties (offices, stores, residences, hotels, etc.), and the office business, which rents vacant rooms in buildings and provides them as small rental offices for users.

2. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment
Fiscal year ended December 31, 2022

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Non-Consolidated Financial Statements
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	16,366,642	3,110,749	1,400,654	20,878,046	–	20,878,046
Intersegment net sales or transfers	–	–	–	–	–	–
Total	16,366,642	3,110,749	1,400,654	20,878,046	–	20,878,046
Segment profit	4,084,734	464,282	373,908	4,922,924	(1,180,898)	3,742,026
Segment assets	19,447,134	4,047,433	4,995,185	28,489,753	17,153,601	45,643,354
Other items						
Depreciation	790,216	–	148,458	938,674	48,590	987,264
Increase in property, plant and equipment and intangible assets	1,648,689	–	174,997	1,823,686	117,014	1,940,701

- (Notes) 1. The adjustment to segment profit of ¥(1,180,898) thousand is corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses related to the Management Division.
2. Segment profit is adjusted with operating profit in the Non-Consolidated Statements of Income.
3. The adjustment to segment assets of ¥17,153,601 thousand is corporate assets not allocated to reportable segments. Corporate assets are mainly assets related to the Management Division.
4. The depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and related amortization.
5. The increase in property, plant and equipment and intangible assets includes amounts of assets and liabilities related to installment transactions of ¥71,450 thousand that were recorded in association with the buyback of containers.

Fiscal year ended December 31, 2023

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Non-Consolidated Statements of Income
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	17,423,449	3,623,188	1,416,938	22,463,576	–	22,463,576
Intersegment net sales or transfers	–	–	–	–	–	–
Total	17,423,449	3,623,188	1,416,938	22,463,576	–	22,463,576
Segment profit	4,563,102	446,097	345,602	5,354,801	(1,199,198)	4,155,603
Segment assets	22,373,187	3,847,351	5,778,077	31,998,615	17,677,574	49,676,189
Other items						
Depreciation	909,880	–	172,852	1,082,733	47,608	1,130,341
Increase in property, plant and equipment and intangible assets	3,915,267	–	877,052	4,792,319	29,017	4,821,337

- (Notes) 1. The adjustment to segment profit of ¥(1,199,198) thousand is corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses related to the Management Division.
2. Segment profit is adjusted with operating profit in the Non-Consolidated Statements of Income.
3. The adjustment to segment assets of ¥17,677,574 thousand is corporate assets not allocated to reportable segments. Corporate assets are mainly assets related to the Management Division.
4. The depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and related amortization.

[Entity-wide disclosures]

Fiscal year ended December 31, 2022

1. Information about products and services

This information is omitted, as similar information is disclosed in segment information.

2. Information about geographical areas

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales reported in the non-consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount reported in the non-consolidated balance sheets.

3. Information about major customers

Not applicable.

Fiscal year ended December 31, 2023

1. Information about products and services

This information is omitted, as similar information is disclosed in segment information.

2. Information about geographical areas

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales reported in the non-consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount reported in the non-consolidated balance sheets.

3. Information about major customers

Not applicable.

[Impairment losses on non-current assets by reportable segment]

Fiscal year ended December 31, 2022

(Thousand yen)

	Reportable segment				Adjustment	Total
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Impairment losses	14,641	—	—	14,641	—	14,641

Fiscal year ended December 31, 2023

(Thousand yen)

	Reportable segment				Adjustment	Total
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Impairment losses	1,322	—	32,142	33,464	—	33,464

[Amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended December 31, 2022

Not applicable.

Fiscal year ended December 31, 2023

Not applicable.

[Gain on bargain purchase by reportable segment]

Not applicable.

[Equity in earnings (losses) of associates assuming equity method]

Not applicable.

(Per share information)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Fiscal year under review (from January 1, 2023 to December 31, 2023)
Net assets per share	¥1,819.97	¥1,972.72
Basic earnings per share	¥227.54	¥222.50
Diluted earnings per share	¥—	¥—

(Notes) 1. Diluted earnings per share is not provided as there are no dilutive potential shares.

2. Basic earnings per share was calculated based on the following:

Item	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Fiscal year under review (from January 1, 2023 to December 31, 2023)
Basic earnings per share		
Profit (Thousand yen)	2,883,362	2,821,439
Amount not attributable to shareholders of common shares (Thousand yen)	—	—
Profit relating to common shares (Thousand yen)	2,883,362	2,821,439
Average number of common shares during the period (Shares)	12,671,795	12,680,669
Overview of potential shares not included in calculation of diluted earnings per share because they are antidilutive		—

(Significant subsequent events)

Not applicable.