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Non-Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



April 25, 2024

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: May 9, 2024
 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, 2024 (January 1, 2024 – March 31, 2024)

(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, 2024	6,883	35.3	1,405	39.7	1,342	37.1	902	29.8
March 31, 2023	5,088	(1.1)	1,005	7.4	979	3.2	695	6.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	71.18	–
March 31, 2023	54.88	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2024	51,072	24,952	48.9
As of December 31, 2023	49,676	25,021	50.4

(Reference) Equity: As of March 31, 2024: ¥24,952 million

As of December 31, 2023: ¥25,021 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, 2023	–	0.00	–	77.00	77.00
Fiscal year ending December 31, 2024	–				
Fiscal year ending December 31, 2024 (Forecast)		39.00	–	19.00	–

- (Notes) 1. Revision to the forecast for dividends announced most recently: Yes
2. 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. As the Company plans to carry out a two-for-one share split of its common shares effective July 1, 2024, the year-end dividend per share for the fiscal year ending December 31, 2024 (forecast) is indicated in an amount that reflects the impact of the share split, and a dash ("–") is indicated as the total annual dividend per share. Without considering the share split, the year-end dividend per share for the fiscal year ending December 31, 2024 (forecast) is ¥38.00, which brings the annual dividend per share to ¥77.00, meaning the amounts are essentially not impacted by the split. For more details, see the "Notice of Stock Split and Change in Dividend Policy (Implementation of Interim Dividend) and Revision of Dividend Forecast" released today (April 25, 2024).

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	121.42

- (Note) 1. Revision to the financial results forecast announced most recently: None
2. As the Company plans to carry out a two-for-one share split of its common shares effective July 1, 2024, the basic earnings per share figure indicated in the non-consolidated financial results forecast (full year) for the fiscal year ending December 31, 2024 reflects the impact of the share split. Without considering the share split, basic earnings per share in the non-consolidated financial results forecast (full year) for the fiscal year ending December 31, 2024 is ¥242.83.

* 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: None
 - 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, 2024:	12,940,900 shares
December 31, 2023:	12,940,900 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2024:	257,325 shares
December 31, 2023:	257,325 shares

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

Three months ended March 31, 2024:	12,683,575 shares
Three months ended March 31, 2023:	12,677,187 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

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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, 2024, net sales were ¥6,883 million (up 35.3% year on year), operating profit was ¥1,405 million (up 39.7% year on year), ordinary profit was ¥1,342 million (up 37.1% year on year), and profit was ¥902 million (up 29.8% 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 self-storage ("trunk rooms") brand under which the Company operates its self-storage business, increased by 0.59 percentage points to 88.88% 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, as described in the Medium-term Business Plan 2023-2025 announced on February 14, 2023, while aiming to add 4,700 new openings, the Company opened a total of 5,800 units (including additions of 430 units in existing properties) in the fiscal year ended December 2023. In the fiscal year ending December 2024, with the aim of adding 10,400 new openings, the Company opened 1,835 units (including additions of 65 units in existing properties) during the three months ended March 31, 2024. The number of self-storage units totaled 102,981 units, an increase of 1,602 units from the end of the previous fiscal year due to the factors such as regularly scheduled 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 five sales for indoor asset-type "self-storage properties with land."

Consequently, net sales in the self-storage business amounted to ¥5,165 million (up 19.9% year on year), and operating profit was ¥1,389 million (up 19.2% 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 ¥1,346 million (up 204.9% year on year), and operating profit was ¥243 million (up 329.1% year on year), resulting in significant increases in both revenue and profit partly due to payment for large-scale projects. In terms of purchases, the Company continued to concentrate on purchasing properties of good quality, and asset value resulted in a decrease of ¥713 million from the end of the previous fiscal year to ¥3,095 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 increases in both revenue and profit mainly as utilization rates of held and managed properties remained high. In the office business, both revenue and profit increased partly due to two properties newly opened in February 2023 that have worked well. As a result, net sales in the other operational services business amounted to ¥371 million (up 9.6% year on year), and operating profit was ¥102 million (up 39.9% year on year), resulting in increases in both revenue and profit.

(2) Explanation of Financial Position

Total assets as of March 31, 2024 increased by ¥1,396 million compared to the end of the previous fiscal year to ¥51,072 million. This was mainly attributable to increases of ¥1,150 million in shares of subsidiaries and associates, ¥732 million in tools, furniture and fixtures, ¥147 million in real estate for sale in process, and ¥108 million in buildings, as well as a decrease of ¥1,202 million in real estate for sale.

Total liabilities as of March 31, 2024 increased by ¥1,465 million compared to the end of the previous fiscal year to ¥26,120 million. This was mainly attributable to increases of ¥982 million in long-term borrowings, ¥453 million in accounts payable - other, and ¥161 million in long-term accounts payable - other, and a decrease of ¥251 million in income taxes payable.

Net assets as of March 31, 2024 decreased by ¥68 million compared to the end of the previous fiscal year to ¥24,952 million. This was mainly attributable to a decrease of ¥73 million in retained earnings (an increase of ¥902 million due to profit and a decrease of ¥976 million due to the payment of dividends). As a result, the equity ratio was 48.9%.

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

No changes have been made to the financial result forecasts for the six months ending June 30, 2024 and the full year ending December 31, 2024 in “Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2023,” which was announced on February 14, 2024.

While the Company has basically paid an annual year-end dividend so far, the policy will be changed to semiannually pay an interim dividend and a year-end dividend in order to enhance opportunities for returning profits to shareholders. For more details, see the “Notice of Stock Split and Change in Dividend Policy (Implementation of Interim Dividend) and Revision of Dividend Forecast” released today.

2. Quarterly Non-Consolidated Financial Statements and Primary Notes

(1) Quarterly Non-Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)	For the first quarter ended March 31, 2024 (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	14,995,672	14,951,620
Accounts receivable - trade	135,774	167,772
Real estate for sale	5,949,327	4,747,089
Real estate for sale in process	352,103	499,745
Supplies	19,643	27,789
Other	463,854	959,215
Allowance for doubtful accounts	(29,144)	(31,138)
Total current assets	21,887,231	21,322,094
Non-current assets		
Property, plant and equipment		
Buildings	10,208,674	10,416,637
Accumulated depreciation	(3,330,391)	(3,429,430)
Accumulated impairment	(583,136)	(583,136)
Buildings, net	6,295,145	6,404,070
Tools, furniture and fixtures	9,556,775	10,442,792
Accumulated depreciation	(2,477,931)	(2,631,122)
Accumulated impairment	(250,617)	(250,617)
Tools, furniture and fixtures, net	6,828,225	7,561,052
Land	8,132,863	8,132,863
Other	6,351,089	6,461,604
Accumulated depreciation	(2,566,015)	(2,685,226)
Accumulated impairment	(804,887)	(804,887)
Other, net	2,980,185	2,971,490
Total property, plant and equipment	24,236,420	25,069,476
Intangible assets		
Other	58,036	88,562
Total intangible assets	58,036	88,562
Investments and other assets		
Shares of subsidiaries and associates	-	1,150,000
Deferred tax assets	1,776,962	1,706,494
Other	2,346,822	2,365,672
Allowance for doubtful accounts	(629,283)	(629,379)
Total investments and other assets	3,494,501	4,592,787
Total non-current assets	27,788,958	29,750,826
Total assets	49,676,189	51,072,920

(Thousand yen)

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)	For the first quarter ended March 31, 2024 (As of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	148,835	273,667
Short-term borrowings	241,560	142,700
Current portion of bonds payable	29,500	-
Current portion of long-term borrowings	2,578,006	2,725,684
Income taxes payable	648,556	396,693
Provision for loss on sublease	14,240	11,107
Lease obligations	293,146	293,276
Other	3,108,220	3,634,780
Total current liabilities	7,062,064	7,477,909
Non-current liabilities		
Long-term borrowings	12,308,784	13,291,567
Long-term unearned revenue	998,373	937,230
Lease obligations	1,304,115	1,230,851
Asset retirement obligations	1,187,976	1,232,296
Provision for loss on sublease	7,605	6,948
Long-term accounts payable - other	1,445,900	1,607,358
Other	340,199	336,326
Total non-current liabilities	17,592,954	18,642,579
Total liabilities	24,655,019	26,120,489
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	11,360	12,687
Total capital surplus	6,167,397	6,168,724
Retained earnings		
Retained earnings brought forward	12,956,012	12,882,198
Total retained earnings	12,956,012	12,882,198
Treasury shares	(225,555)	(225,555)
Total shareholders' equity	25,009,394	24,936,908
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,775	15,522
Total valuation and translation adjustments	11,775	15,522
Total net assets	25,021,170	24,952,430
Total liabilities and net assets	49,676,189	51,072,920

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

(Thousand yen)

	For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)	For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Net sales	5,088,855	6,883,648
Cost of sales	3,333,455	4,514,326
Gross profit	1,755,399	2,369,322
Selling, general and administrative expenses	749,572	963,940
Operating profit	1,005,827	1,405,381
Non-operating income		
Interest income	14	20
Delinquency charge income	429	739
Foreign exchange gains	1,729	23,898
Insurance claim income	283	5,928
Compensation for forced relocation	54,263	40,993
Other	2,122	3,454
Total non-operating income	58,842	75,035
Non-operating expenses		
Interest expenses	33,777	41,703
Interest on bonds	151	19
Commission expenses	39,161	92,539
Other	12,181	3,594
Total non-operating expenses	85,271	137,857
Ordinary profit	979,398	1,342,559
Extraordinary income		
Gain on sale of non-current assets	5,235	-
Gain on liquidation of investment securities	29,591	-
Total extraordinary income	34,826	-
Extraordinary losses		
Loss on sale of non-current assets	381	120
Total extraordinary losses	381	120
Profit before income taxes	1,013,842	1,342,439
Income taxes - current	238,110	370,803
Income taxes - deferred	79,976	68,814
Total income taxes	318,087	439,618
Profit	695,755	902,821

(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)

Not applicable

(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, 2023 (from January 1, 2023 to March 31, 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	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.

For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(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	5,165,320	1,346,440	371,888	6,883,648	-	6,883,648
Intersegment net sales or transfers	-	-	-	-	-	-
Total	5,165,320	1,346,440	371,888	6,883,648	-	6,883,648
Segment profit	1,389,508	243,931	102,235	1,735,674	(330,293)	1,405,381

(Notes) 1. The adjustment to segment profit of ¥ (330,293) 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)

(Share split)

The Company resolved to implement a share split at the Board of Directors meeting held on April 25, 2024, setting June 30, 2024 as a record date.

1. Purpose of the share split

The share split will be conducted with the aim of expanding investors and increasing liquidity of the Company's shares by improving an environment to allow investors to invest more readily with a lower amount of investment unit of the Company's shares and higher liquidity of the shares with the number of shares increased.

2. Outline of the share split

(1) Method of the split

Setting June 30, 2024 as the record date (virtually June 28, 2024 since that date falls on a non-business day of a shareholder register administrator), the Company will conduct a two-for-one share split of common shares held by shareholders who have been entered or recorded on the last shareholder register on that date.

(2) Number of shares to increase through the share split

Common shares

Total number of issued and outstanding shares before the share split	12,940,900 shares
Number of shares to be increased through the share split	12,940,900 shares
Total number of issued and outstanding shares after the share split	25,881,800 shares
Total number of authorized shares after the share split	35,760,000 shares (no change)

3. Schedule of the share split

Date of public notice for the record date	June 14, 2024 (scheduled)
Record date	June 30, 2024
Effective date	July 1, 2024

4. Impact on per-share information

On the assumption that the share split was conducted at the beginning of the fiscal year ended December 31, 2022, each value of "per share information" is as follows.

	For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)	For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Basic earnings per share	¥27.43	¥35.59

Note: Diluted earnings per share is not stated as no potential shares exist.

5. Other

For this share split, the amount of share capital is unchanged.