Annual Securities Report

The 29th Fiscal Year	From January 1, 2023 To December 31, 2023

Arealink Co., Ltd.

Annual Securities Report

1. This document serves as the Annual Securities Report based on the provision of Article 24, paragraph (1) of the Financial Instruments and Exchange Act and represents the output and printing of the data submitted on March 28, 2024 through the use of the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30-2 of said Act with a table of contents and page numbers attached.

2. Appended to the back of this document are the Independent Auditor's Report attached to the Annual Securities Report when it was filed using the aforementioned method, the Internal Control Report and the Confirmation Letter that were filed at the same time as the Annual Securities Report.

Contents

[Cover]

[Document filed]	Annual Securities Report
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General, Kanto Local Finance Bureau
[Filing date]	March 28, 2024
[Fiscal year]	The 29th fiscal year (January 1, 2023, through December 31, 2023)
[Company name]	Arealink Co., Ltd.
[Company name in English]	Arealink Co., Ltd.
[Title and name of representative]	Yoshika Suzuki, President & CEO
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[Telephone number]	+81-3-3526-8555
[Name of contact person]	Yasuaki Otaki, Director and General Manager, Administration Division
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Key Financial Data

Period		25th period	26th period	27th period	28th period	29th period
Fiscal year ended December 31,		2019	2020	2021	2022	2023
Net sales	(Thousand yen)	29,333,252	22,477,251	20,572,156	20,878,046	22,463,576
Ordinary profit	(Thousand yen)	3,000,365	2,161,462	3,009,368	3,758,608	4,058,470
Profit (loss)	(Thousand yen)	(1,753,331)	2,225,051	3,171,678	2,883,362	2,821,439
Share of profit of entities accounted for using equity method	(Thousand yen)	–	–	–	–	–
Share capital	(Thousand yen)	6,111,539	6,111,539	6,111,539	6,111,539	6,111,539
Total number of issued shares	(Shares)	12,940,900	12,940,900	12,940,900	12,940,900	12,940,900
Net assets	(Thousand yen)	16,419,116	18,139,355	20,963,239	23,072,607	25,021,170
Total assets	(Thousand yen)	43,020,300	40,702,816	42,202,397	45,643,354	49,676,189
Net assets per share	(Yen)	1,299.96	1,436.16	1,655.56	1,819.97	1,972.72
Dividends per share (of which, interim dividends per share)	(Yen)	40.00 (-)	31.00 (-)	47.00 (-)	69.00 (-)	77.00 (-)
Basic earnings (loss) per share	(Yen)	(138.81)	176.16	250.72	227.54	222.50
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	38.2	44.6	49.7	50.5	50.4
Return on equity	(%)	(10.0)	12.9	16.2	13.1	11.7
Price earnings ratio	(Times)	–	5.4	6.1	7.8	12.1
Payout ratio	(%)	–	17.6	18.7	30.3	34.6
Cash flows from operating activities	(Thousand yen)	4,055,271	2,520,399	5,741,331	1,605,193	3,530,496
Cash flows from investing activities	(Thousand yen)	(1,005,722)	(2,228,502)	(1,264,081)	(2,258,768)	(4,667,086)
Cash flows from financing activities	(Thousand yen)	(1,020,202)	(2,213,749)	(825,324)	1,492,113	1,818,486
Cash and cash equivalents at end of period	(Thousand yen)	11,702,254	9,776,968	13,440,532	14,299,556	14,995,672
Number of employees [Separately, the average number of temporary employees]	(Persons)	79 [104]	76 [98]	73 [85]	71 [95]	80 [111]
Total shareholder return (Comparison benchmark: TOPIX (total return))	(%) (%)	118.5 (118.1)	86.6 (126.8)	141.0 (143.0)	167.7 (139.5)	251.8 (178.9)
Highest share price	(Yen)	1,480	1,335	1,729	2,041	3,085
Lowest share price	(Yen)	889	631	932	1,245	1,754

Notes: 1. Diluted earnings per share is not shown for the 25th, 26th, 27th, 28th, and 29th periods as there are no dilutive potential shares for these periods.

2. Share of profit of entities accounted for using equity method is not shown as the Company has no associates.
3. Price earnings ratio and payout ratio are not shown for the 25th period as profit for the period is negative.
4. Highest and lowest share prices are those on the Standard Market of the Tokyo Stock Exchange from April 4, 2022 on; and those on the Second Section of the Tokyo Stock Exchange before that date.
5. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied since the beginning of the 28th period; key management indicators, etc. for the 28th and subsequent periods are the indicators, etc. after the application of the said accounting standards.
6. Dividends per share for the 29th period include a commemorative dividend of ¥10.00 for the 20th anniversary of the Company’s stock listing.

2. History

April 1995	WELL’s Giken K.K. was established with a share capital of ¥30 million in Funabashi City, Chiba Prefecture to accommodate WELL’s21, an office with an attached warehouse.
June 1996	The Company launched the coin-operated hourly parking lot business.
July 1998	The head office was relocated to Mihama Ward, Chiba City, Chiba Prefecture.
March 1999	The Company launched the Hello Container business, which involves installing storage containers on vacant land and renting them out.
October 1999	The Company changed its trade name to Mister Kashichi Co., Ltd.
September 2000	The Company absorbed and merged with Sysnet K.K. (with a share capital of ¥10 million), and its share capital increased to ¥40 million after the merger (a property leasing business transferred from Sysnet).
	The Company changed its trade name to Arealink Co., Ltd.
November 2000	The Company newly opened Ginza Office in Chuo Ward, Tokyo.
December 2000	The Company acquired all the shares of Hayashi Soken Inc. to make it a wholly-owned subsidiary.
January 2001	The head office was relocated to Ginza, Chuo Ward, Tokyo.
February 2001	The Company launched the Hello Trunk business, which involves renting out storage spaces set up in vacant buildings.
August 2001	The Company relocated the head office to Kasumigaseki, Chiyoda Ward, Tokyo. The Company made Makuhari Office (Mihama Ward, Chiba City) and Ginza Office (Chuo Ward, Tokyo) as sales offices.
April 2002	The Company absorbed and merged with Hayashi Soken Inc. (with a share capital of ¥10 million).
September 2002	The Company launched a “stock management” business to provide property management services through its proprietary land and buildings (currently, the other operational services business).
January 2003	The Company launched the Hello Renewal business to renovate old buildings, add value, and improve their management efficiency (currently, the real estate brokerage business).
August 2003	The Company got listed on TSE Mothers.
January 2004	The Company launched the business to rent SOHO utilizing vacant buildings.
	The Company consolidated Makuhari Office and Ginza Office into the Kasumigaseki head office (Chiyoda Ward, Tokyo).
August 2004	The Company acquired the shares of Autobus Co., Ltd.
February 2005	The Company acquired all the shares of Space Products K.K.
March 2005	The Company established Hello Acca Co, Ltd.
April 2005	The Company acquired the shares of Good Communication Co., Ltd.
September 2005	The Company transferred all the shares of its associate Autobus Co., Ltd.
December 2006	The Company transferred all the shares of Hello Acca Co., Ltd.
March 2007	The Company acquired all the shares of Yubara Resort Co., Ltd.
April 2007	The head office was relocated to Akasaka, Minato Ward, Tokyo.
January 2008	The Company absorbed and merged with Space Products K.K..
October 2008	The Company acquired all the shares of Carcom Sales Co., Ltd.
November 2008	The Company transferred all the shares of its associate Good Communication Co., Ltd.
April 2009	The head office was relocated to Kanda Ogawamachi, Chiyoda Ward, Tokyo.
June 2009	Carcom Co., Ltd. changed its trade name to Hello Techno Co., Ltd.
January 2010	The Company absorbed and merged with Yubara Resort Co., Ltd.
June 2010	The Company transferred the Mister Kashichi business to WELL’s21 Co., Ltd.
June 2010	The Company assumed the parking business from WELL’s21 Co., Ltd.
December 2010	The Company sold part of its shareholdings in a consolidated subsidiary Hello Techno Co., Ltd.
May 2012	The Company sold all the shares of its associate Hello Techno Co., Ltd.
December 2016	The head office was relocated to Sotokanda, Chiyoda Ward, Tokyo.
May 2020	The Company changed its listing market to the TSE Second Section.
March 2021	The Company transferred the parking business to Hello Techno Co., Ltd.
April 2022	The Company changed its listing market to the TSE Standard Market.

3. Description of Business

The Company operates the self-storage business, the land rights consolidation business, and the other operational services business. In the self-storage business, the Company leases land and buildings, or acquires and holds land and buildings to manage them as rental storage spaces. The business also receives orders for and sells containers and self-storage buildings as investment products. 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. The other operational services business, comprising the asset management business and the office business, leases, or acquires and holds, land and buildings, adds value as part of the Arealink Hello Series, and operates and manages the properties.

The relation between the Company’s businesses and segments are as shown below. The segments shown below are identical to the Company’s business segments.

<Self-Storage Business>

Self-storage management	A business that provides users with storage spaces for rent by furnishing and subdividing the interiors of shipping containers and buildings
Self-storage brokerage	A business that installs containers, furnishes the interiors of trunk rooms, receives orders for and sells self-storage buildings.

<Land Rights Consolidation Business>

Land rights consolidation business	A business that offers the resolution of issues between landowners and leasehold right holders through the buying and selling of leaseholder rights and limited land rights with complex rights circumstances.
Real estate brokerage business	A business that adds value to existing real estate properties the Company owns through renovation, etc. to improve their management efficiency, and then sells these properties to investors, etc.

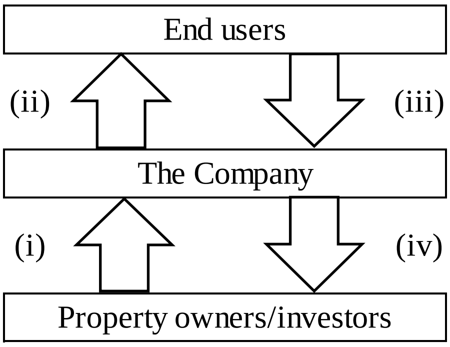
<Other Operational Services Business>

Asset business	A business that handles the leasing, maintenance, and management of existing real estate properties the Company owns (offices, stores, residences, hotels, etc.)
Office business	A business that subdivides the floors of vacant buildings into multiple spaces, furnishes their interiors, installs necessary facilities, and provides them as small rental offices to users, to use such vacant buildings efficiently.
Other	Businesses such as the network business to earn fees from licensing trademarks and trade names, which are ancillary to each of our businesses.

Our business structure is as shown below.

<Self-Storage Business>

1. Leasing properties



(i) The Company leases inactive real estate properties, including land and buildings, from their owners.

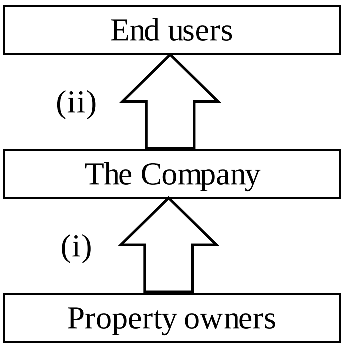
(ii) The Company commercializes (*) inactive real estate properties and rents them to end users. The product the Company has commercialized in this segment is Hello Storage.

*"Commercialize" refers to the Company's capital investments, such as leasing land and installing containers on the land or furnishing the interiors of trunk rooms in buildings.

(iii) The Company then collects fees (rents) from end users.

(iv) The Company pays rent to the property owners. We have added "investors" to the structure, as shown in "Property owners/investors" because, in the self-storage business, we sell containers and trunk room furnishings, in which we made capital investments through the commercializing process, to investors, and then we lease these properties from the investors and continue using them.

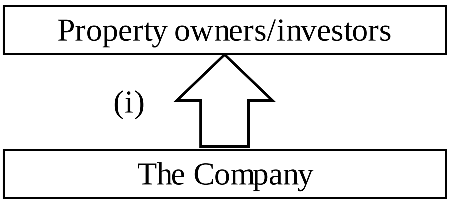
2. Properties held by the Company



(i) The Company purchases real estate properties (land and buildings) from their owners, or purchases land and constructs buildings on the land, and then holds these properties.

(ii) The Company operates these properties as rental self-storage spaces and earns rents.

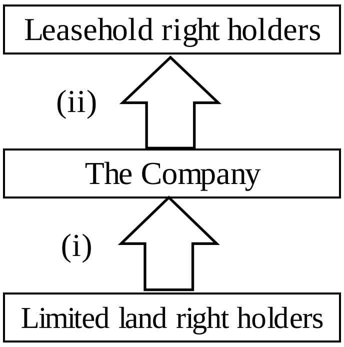
3. Taking orders



(i) The Company receives orders for installing containers, or furnishing the interiors of trunk rooms, and sells them.

<Land Rights Consolidation Business>

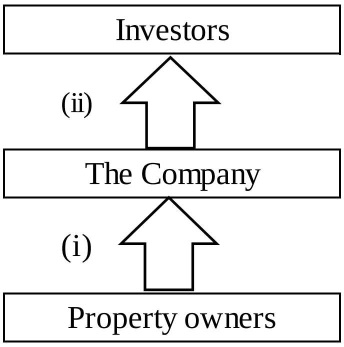
1. Land rights consolidation



(i) The Company purchases limited land rights from their holders.

(ii) The Company adjusts land rights and sells them to leasehold right holders.

2. Real estate brokerage

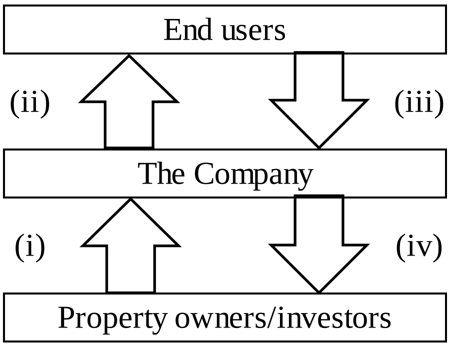


(i) The Company purchases real estate properties (office buildings, condominiums, hotels, etc.) from their owners to hold them.

(ii) The Company raises the added value of real estate properties (e.g., improving occupancy rates) and sells these properties to investors.

<Other Operational Services Business>

1. Leasing properties



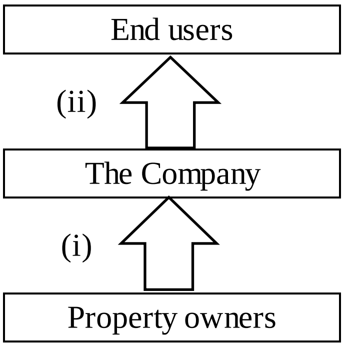
(i) The Company rents inactive buildings from the property owners.

(ii) The Company commercializes inactive real estate properties and leases them to end users. The brands that the Company has commercialized include “Hello Office.”

(iii) The Company then collects fees (rents) from end-users.

(iv) The Company pays rent to the property owners.

2. Properties held by the Company



(i) The Company purchases properties (land and buildings) from their owners and holds them.

(ii) The Company manages these properties to earn rent by leasing them as rental offices, stores, etc.

4. Subsidiaries and Associates

Not applicable.

5. Employees

(1) Information about Reporting Company

(As of December 31, 2023)

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousand yen)
80 [111]	38.7	7.9	7,050

Name of segment	Number of employees (Persons)
Self-Storage Business	53 [68]
Land Rights Consolidation Business	6 [6]
Other Operational Services Business	3 [5]
Corporate (common)	18 [32]
Total	80 [111]

Notes:
1. The number of employees represents the number of regular employees.
2. The number in the [ ] indicates separately the annual average number of temporary employees.
3. Annual average salary includes extra wages.
4. Corporate (common) represents employees in administrative departments, such as general affairs and accounting.
5. The number of employees has increased by nine from the end of the previous fiscal year. The major reason is that the Company proactively recruited employees to expand operations.

(2) Labor Union

The Company has no labor union; labor-management relations have been favorable.

(3) Percentage of Female Employees in Management Positions, Percentage of Parental Leave Taken by Male Employees, and Pay Gap Between Male and Female Employees

Fiscal year ended December 31, 2023					Supplementary explanation
Percentage of female employees in management positions (%) (Note 1)	Percentage of parental leave taken by male employees (%) (Note 2)	Pay gap between male and female employees (%) (Note 3)			
		All employees	Regular employees	Part-time/fixed-term workers	
10.5	–	–	–	–	

Notes: 1. Calculated based on stipulations in "Act on the Promotion of Women's Active Engagement in Professional Life (Act No.64 of 2015)"

2. Omitted as the disclosure is not required under stipulations in "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991)"

3. Omitted as the disclosure is not required under stipulations in "Act on the Promotion of Women's Active Engagement in Professional Life (Act No.64 of 2015)"

II. Overview of Business

1. Management Policy, Business Environment, and Issues to be Addressed

Forward-looking statements described in this document are based on judgments made by the Company as of the filing date of this report.

(1) Basic Management Policy of the Company

Under our management philosophy of "providing convenience, joy, and excitement," we contribute to enriching people's lives through self-storage. Centered around the stable revenue base of our recurring revenue ("stock-type") businesses, including the self-storage business, we aim for sustainable growth of the Company and a further increase in its corporate value.

(2) Business Environment

(i) Self-storage business

Concerning the market environment surrounding our mainstay self-storage business, the size of the market has been growing steadily with the increasing recognition of and more prominent demand for self-storage among general consumers, as well as the proactive development of the same business by other players, such as existing business operators, new market entrants, and investors.

In these circumstances, the residential environment has attracted more attention than ever since the life and work styles changed across societies in the aftermath of the COVID-19 pandemic. People are increasingly aware that self-storage is a useful product and a service needed in society since people stay longer at home, and, as a result, households in need of teleworking space and comfortable living space have increased. We will strive to expand the self-storage market and enhance our corporate value through continued focus on efforts such as expanding the market share of our Hello Storage brand, winning customers, and developing new products/services.

(ii) Land rights consolidation business

The land rights consolidation business focuses on the purchase and sale of limited land rights for residential properties. In Japan, we still find many such lands, which are based on the former Land Lease Law. We have determined to downsize the land rights consolidation business to further shift toward recurring revenue businesses, although we had developed the operations as a profitable and solid business because its business model is less vulnerable to economic fluctuations.

(iii) Other operational services business

The other operational services business consists primarily of the asset business through income properties, and the rental office business leasing and managing under-utilized properties. In the asset business, we aim to continue to maintain its stable revenue base despite contract cancellations for some leased properties. In the rental office business, the demand for satellite offices has been growing due to changing lifestyles in the aftermath of the COVID-19 pandemic. Meanwhile, we see a wave of major property companies and other players enter into the business with new services, which we believe are aimed at capturing such growing demand for satellite offices. As such, the Company remains committed to engaging in solid business operations.

(3) Target Management Indicators

As its management indicators, the Company has aimed to secure the ordinary profit ratio of 10% or more from the perspective of profitability and cash and deposits of ¥10,000 million from the perspective of solvency so it can achieve stable growth built on recurring revenue businesses centered on the self-storage business. In addition, the Company has focused on expanding per-head profit (profit per employee) by promoting business operations with a small workforce as an organization that can adapt to rapid changes of the times. We will work to further enhance our corporate value with the aim of achieving a per-head profit of ¥64 million in 2025.

(4) The Company’s Medium- to Long-Term Management Strategy

We announced our Medium-term Business Plan starting in the fiscal year ended December 31, 2023. In the Plan, to realize the “(1) Basic Management Policy of the Company” stated above, we will promote the development of indoor asset-type Self-Storage Mini, and move forward with the opening of in-building trunk rooms for metropolitan areas as the target locations, in addition to further accelerating the opening of conventional outdoor container-type storage. Through these measures, we will build a structure to deliver products catered to diverse customer needs and improve our ability to provide services/products, our brand power, and recognition as our medium- to long-term management strategy.

(5) Business and Financial Issues to be Addressed with Priority

The Company will continue to address the following issues as important challenges for ensuring the sustainable growth of its businesses, primarily the self-storage business, and a more robust management base.

1. Establishing stable revenue base

The Company has worked on business restructuring toward achieving sustainable growth since a few years ago, moving forward with a shift from an earnings structure dependent on the sale and purchase of real estate properties to an earnings structure centered on recurring revenue businesses, primarily the self-storage business. In the years ahead, we will work to establish a highly efficient and stable earnings structure by developing human resources through the Arealink Master program as our proprietary tool and pushing forward with business operations with a small workforce, with the underpinning of our stable recurring revenue base.

2. Development of self-storage business

The Company’s mainstay business is the self-storage business to operate trunk rooms. In Japan, while the size of the self-storage market has been growing year by year, people’s awareness of self-storage is still limited and underdeveloped. In the U.S. where self-storage has matured as an industry, about 10% of all households use self-storage, whereas only about 1% of all households use the service in Japan.

However, as the size of residences in Japan is smaller than that in the U.S. and European countries, we believe Japan has an untapped potential demand for self-storage. In recent years, as people stay longer at home in the wake of the COVID-19 pandemic, the definition of home for the Japanese has changed from a place for just dining and sleeping to a place for living a comfortable and prosperous life. In these circumstances, the Company will contribute to enriching the lives of Japanese people by spreading the products called storage trunk rooms to further improve the living conditions of homes here in Japan.

The Company will proactively address the following challenges to achieve sustainable growth of the self-storage business and further develop the industry as a whole.

(i) Expand the number of newly opened self-storage units

On the lookout for economic deterioration in the wake of the COVID-19 pandemic, the Company suspended new location openings in 2020. As a consequence, the numbers of newly opened self-storage units were 1,614 and 2,915 in 2021 and 2022, respectively. As announced in the Medium-term Business Plan 2023–2025, we then focused on expanding the number of newly opened self-storage units, and as a result, the number reached 5,800 in 2023. We will analyze new location openings in recent years, reduce the number of units per property, and expand location openings mainly in small properties like convenience stores. In addition, as demand for our mainstay outdoor containers is strong also in regional cities, we will strengthen new location openings nationwide, including regional cities. We will also promote the opening of building-type trunk rooms featuring an interior design with a sense of luxury and excellent usability.

(ii) Increase recognition of the Hello Storage brand

As we see our competitors enter the market along with its growth, we will move forward with marketing strategies, such as strengthening PR activities focused on a tie-up with Hello Kitty, a popular character of Sanrio, in a bid to raise the recognition of our Hello Storage brand.

(iii) Develop/enhance value-added services

We will seek to enhance customer satisfaction by constantly developing new services that help customers use our trunk rooms more easily and by improving self-storage facilities, such as the Hello Home Delivery courier service, an end-to-end service covering self-storage at home to trunk rooms; collaborations with transport IC cards in security systems at the entrance of in-building trunk rooms; a rack sales/assembly service, which is a convenient solution to self-storage.

(iv) Contribute to society through self-storage

As the awareness of sustainability and security and safety of society has been rising in recent years, it is absolutely imperative that we further drive ESG initiatives taking into account risks and opportunities from a long-term perspective. Operating approximately 2,100 locations nationwide, the Company will promote environmentally friendly business operations by ensuring the long-term use of containers through periodic maintenance, as well as the long-term operation of wood-frame, highly durable building-type trunk rooms.

We believe self-storage is a business that has significant potential to contribute to a recycling-oriented society with storage at the starting point, as it helps reduce waste by limiting wasteful spending such as impulse purchases, and fostering a culture of valuing things. In the years ahead, as a company supporting the social foundation, we will continue efforts to solve social issues.

(6) Other Significant Management Matters of the Company

Not applicable.

2. Approaches to and Initiatives for Sustainability

The Company's approaches to and initiatives for sustainability are as described below.

The forward-looking statements described in this document are based on judgments made by the Company as of December 31, 2023.

(Overall Sustainability Disclosures)

(1) Basic Sustainability Policy

Under the management philosophy of "providing convenience, joy, and excitement," we value dialogues with all our stakeholders, including customers, business partners, shareholders and investors, employees, and local communities, and will play an active role in building a sustainable society as we strive to increase corporate value.

(2) Governance

With a view to enhancing its corporate value, the Company has recognized issues related to sustainability as significant management issues. We have been striving to enhance our corporate value by moving forward with sustainability-related initiatives. The Company's initiatives related to sustainability issues are deliberated and reviewed by the Management Committee, an important meeting body. Important issues and policies are reported to the Board of Directors, which provides advice on the contents of such reports.

(3) Risk Management

To recognize, evaluate, and manage sustainability-related risks and opportunities, including consideration for global environmental issues such as climate change, respect for human rights, consideration for employee health and work environment, and management of crises such as natural disasters, each department, led by the director in charge, continuously monitors and identifies risks and opportunities as part of the Company's risk management. In addition, the Management Committee, a deliberative body, reports and examines the status of management of business risks, and the Board of Directors considers and determines appropriate measures, as necessary.

(Disclosures Related to Human Capital)

(1) Strategy

When educating/developing human resources, which are the assets most essential to practice business operations with a small workforce, the Company has focused on bringing the best out of each employee. The Company has a proprietary human resources education/development program called the Arealink Method. Its scheme and in-house training of each employee help unlimitedly increase the productivity of each employee, department, and team. In addition to the effect of the scheme, the elaborately designed education and evaluation system help each and every employee grow, and, as a result, we can realize business operations with a small workforce.

Also, to create an environment where employees can work with a sense of safety, we have organized a project team within the Company to implement various measures and actively work toward the management and promotion of employee health, in addition to putting in place the internal environment.

We believe that the growth of each employee will lead to corporate growth (higher per-head profits), which in turn will improve the work environment through the implementation of further personnel and other measures, thereby repeating the virtuous cycle of sustainable business growth and new value creation to ultimately contribute to improving sustainable corporate value.

(2) Metrics and Targets

To educate and develop human resources and create an organization in which diverse human resources can play active roles, the Company is determined to achieve the following targets by 2026: (i) 28 hours of training per employee annually, (ii) a response rate of 98% or higher to internal ES surveys, and (iii) an employee evaluation score of 9.5 or higher for personnel evaluations. We will also continue efforts to raise the percentage of female employees to 50% or more of all employees.

3. Business Risks

Matters regarding the Overview of Business, Financial Information, etc., described in the Annual Securities Report that may have a material effect on investors' decisions are as listed below. The Company will make every effort to prevent the occurrence of these risks and respond to them in case they do occur based on the awareness that these risks could actually take place.

Forward-looking statements described in this document are based on judgments made by the Company as of the filing date of this report.

(1) Risks Associated with Changes in External Business Environment, Including Customer Needs and Market Climate

Demand for the self-storage facilities we operate is susceptible to changes in the economy, real estate market conditions, and other social conditions, as well as to demand trends of, and laws and regulations applicable to, the self-storage industry as a whole. Rapid changes in the external environment may cause a significant decrease in demand, a decline in occupancy rates, or an increase in rent delinquencies, which could eventually affect our operating results and financial position.

As measures to address this risk, the Company will regularly monitor economic trends and real estate market conditions, etc., and will seek to reduce the risk by fostering our own market view according to area, scale, use, and property characteristics, and by strengthening its investment decision-making and leasing capabilities.

(2) Risks Associated with Holding Real Estate Properties

In the self-storage business, the Company is moving forward with the opening of indoor asset-type self-storage properties with land for which land is purchased and buildings are constructed; the Company intends to hold some of these real estate properties and expand the self-storage services nationwide. Also, for the land rights consolidation business, the Company purchased limited land rights and hold them as real estate properties for sale. Purchasing and holding real estate properties for these businesses tend to be susceptible to declines in land prices and other factors due to the deterioration of the real estate market. Therefore, our operating results and financial position could be affected in the event the economic conditions in Japan and abroad deteriorate in the future, as this may result in a decline in the appetite for real estate investment, a decrease in real estate transactions, tighter lending conditions for individuals, a significant decline in rents, etc.

As countermeasures to this risk, the Company will regularly monitor economic trends and real estate market conditions, etc., and carefully consider the selection of properties that meet customer needs, taking into account location conditions and the market conditions in the surrounding area, to mitigate the risk.

(3) Natural Disasters etc.

In case natural disasters, such as major earthquakes, which are feared to occur in the future, storms and floods, take place, the value of real estate properties we operate and manage could significantly decline. Depending on the affected area, our occupancy rates could drop substantially, and we may have to bear repair costs for restoration, which may affect our operating results and financial position.

As a countermeasure to address this risk, we purchase properties in locations that are unlikely to be damaged by such disasters. In the event of natural or other disasters, we will take measures to continue or quickly restore important businesses by utilizing the business continuity workflow formulated for each of our businesses.

(4) Risk of Low Barriers to Entry

In the self-storage business and the land rights consolidation business we operate, we have no legal means to fend off other companies, such as patent rights. Also, as the business model is simple, the competition may intensify with the new market entry of competitors.

To mitigate this risk, the Company will secure a solid customer base by raising awareness of its Hello Storage brand and by differentiating itself from competitors through the development of new products and services.

(5) Risk of Stricter Regulations to be Imposed on the Self-Storage Business

In the self-storage business that the Company operates, the number of outdoor container-type rental storage spaces, including those installed by industry peers, has been increasing rapidly. We have filed applications for building confirmation for newly installed containers since we were notified that we needed to do so by the Ministry of Infrastructure, Transport and Tourism. However, in cases where regulations are further tightened and existing containers are also required to comply with the building standards, we may incur unexpected costs, and, as a consequence, the Company's operating results and financial position may be affected.

To mitigate this risk, the Company will implement measures that regard the safety of customers and residents in the surrounding areas as the top priority, while at the same time educating the public about container safety and strengthening the patrol and maintenance systems.

4. Management’s Analysis of Financial Position, Operating Results, and Cash Flows

(Overview of Business Performance)

(1) Operating Results and Financial Position

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.

The business performance of each 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 room) 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 include 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, it actually 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.”

As a result, 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), recording increases in both revenues and profits.

<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 the asset business and the 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 contract cancellations for leased properties. In the office business, revenue increased but profit decreased. This was because three new location openings in 2022 and two new location openings in February 2023 contributed to sales, but the results were affected by the startup costs for newly opened locations and the closure of properties. As a result, in the other operational services business, net sales 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.

Current assets increased by 9.3% compared with the end of the previous fiscal year to ¥21,887 million. 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.

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 accounts payable - other of ¥684 million and ¥233 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.

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%.

(2) Cash Flows

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 payments for loss on repurchase and income taxes paid of ¥273 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.

(Status of Production, Orders Received, and Sales)

(1) Results of Production

Not applicable.

(2) Results of Orders Received

The results of orders received by segment for the fiscal year under review were as follows:

Segment name	Orders received (Thousand yen)	YoY change (%)	Order backlog (Thousand yen)	YoY change (%)
Self-storage business	–	(100.0)	–	(100.0)
Total	–	(100.0)	–	(100.0)

(3) Results of Sales

The results of sales by segment for the fiscal year under review were as follows:

Segment name	Sales volume (Thousand yen)	YoY change (%)
Self-Storage Business	17,423,449	6.5
Land Rights Consolidation Business	3,623,188	16.5
Other Operational Services Business	1,416,938	1.2
Total	22,463,576	7.6

(Management’s Discussion and Analysis of Operating Results, etc.)

The forward-looking statements described in this document are based on judgments made by the Company as of December 31, 2023.

(1) Significant Accounting Policies and Estimates

The Company’s financial statements are prepared in accordance with accounting principles generally accepted as fair and appropriate in Japan. In preparing the financial statements for the fiscal year under review, estimates that affect the reported amounts of revenues and expenses for the reporting period include allowance for doubtful accounts, provision for loss on sublease, valuation of inventories, useful life of depreciable assets, valuation of non-current assets, and recoverability of deferred tax assets. Such estimates are measured on a consistent basis. These measurements are conducted based on factors that are considered reasonable in view of past results and situations; however, they may differ from actual results due to uncertainties inherent in estimates. In particular, we believe the following accounting estimates and assumptions used for the estimates are material.

(i) Valuation of inventories

As for inventories, in cases where the net selling price is less than the carrying amount, we reduce the carrying amount to the net selling price and recognize the reduced amount as valuation loss. Therefore, if changes in sales plans or the market environment may cause changes to the conditions or assumptions on which such estimates are based, which results in the net selling price falling below the carrying amount, we may need to recognize valuation loss.

(ii) Impairment of non-current assets

In cases where an item of non-current assets shows indications of impairment and its recoverable amount falls below its carrying amount, we write it down to its recoverable amount. Significant assumptions used to assess whether there are any indications of impairment and to estimate the recoverable amount include real estate appraisal by a licensed real estate appraiser and estimates of future cash flows. In the event the conditions and assumptions on which the estimates are based change, and the estimates decrease due to drastic changes in the business environment or deterioration in revenues from the business to which the asset or asset group belongs, an impairment loss may be incurred.

(iii) Assessment of recoverability of deferred tax assets

We have recognized deferred tax assets in the estimated recoverable amount based on the reasonable estimate of future taxable income and by fully taking into account their recoverability. However, in the event of a change in the estimated recoverable amount of deferred tax assets, profits may fluctuate due to the reduction or additional recognition of deferred tax assets.

(iv) Provision for loss on sublease

For properties that will likely continue to incur loss on sublease in future years under master leases in the self-storage business, provision for loss on sublease is recorded at an amount of estimated losses in the next fiscal year and beyond. In calculating the amount of provision for loss on sublease, future revenues are estimated based on historical revenues. However, in the event the conditions and assumptions on which the estimates are based change and revenues decline due to significant changes in the business environment or deterioration in revenues of the self-storage business, we may need to recognize additional provision.

(2) Recognition and Discussion and Analysis of Operating Results, etc. for the Fiscal Year under Review

For the fiscal year under review, the Company recorded year-on-year increases in revenue and profits except net profit. Profit decreased year on year due in part to the lack of ¥235 million of income taxes - refund recognized for the previous fiscal year as a result of the correction of corporate income tax for prior fiscal years. The self-storage business contributed significantly to increases in both revenue and profits based on the growth strategy to increase the number of newly opened self-storage units as stated in the Medium-term Business Plan 2023–2025. In the land rights consolidation (limited land rights) business, we made efforts to optimize its scale. As a result, the business remained strong with increased revenue. Profits, however, declined due in part to write-downs of some real estate properties. The Company continued to take steps to shift from an earnings structure dependent on one-time revenues from real estate transactions to a recurring-revenue-based earnings structure that generates a steady monthly revenue stream.

Our mainstay business is the self-storage business. The Company has 101,379 rental storage spaces, of which about 88% have been occupied, which enables the Company to build an environment whereby it can continue generating revenues. In addition, as the self-storage properties that we have delivered can be operated and managed unattended and do not require personnel or other relevant costs, they are not affected by market conditions and are expected to generate stable revenues. Further, in the self-storage business, the market size is on the rise backed by increasing demand for and awareness of rental storage spaces. While competitors have also increasingly opened new locations on the outskirts of Tokyo, the Company continued efforts to open new locations in competing areas and moved forward with opening smaller properties (20 to 40 units) mainly in regional cities with 100,000 residents. Since our new location openings, the number of potential customers hoping to subscribe to our service has increased strongly, backed by lower land costs and fewer competitors compared to larger cities. In addition, since we switched to opening new locations through principal investment, the breakeven point has lowered. As a result, the margin of our self-storage operations has improved. We will continue to deliver self-storage properties nationwide by leveraging our sales expertise, aiming to ensure the sustainable growth of our recurring revenue businesses and to establish a solid revenue base.

The land rights consolidation business focuses on the purchase and sale of limited land rights for residential properties. This is a business that aims to mediate between limited land right holders who are unable to freely utilize their properties and leasehold right holders who can continue to live on the properties but are unable to utilize the lands, and solve their issues. The business is less competitive given its niche nature and complex rights circumstances. Since the demand for purchases by leasehold right holders is firm and the business tends not to be affected by real market conditions, sales to leasehold right holders who own buildings have continued to generate steady revenues. In addition, since limited land right holders can generate rental income during the period when they hold the right, the business is increasingly attracting attention as an investment product. We, therefore, believe that sale to investors is one of the exit options.

As for capital resources and liquidity, we believe it is extremely important to maintain the level of funds that can be used flexibly, such as for opening self-storage units, purchasing limited land rights, and developing system infrastructure, as well as to keep the appropriate level of interest-bearing debt in consideration of financial soundness as we accelerate the growth of each business. Therefore, we have financed capital by securing retained earnings and borrowing working capital from financial institutions to ensure high liquidity of funds. Limited land rights recognized in real estate for sale are purchased and sold using retained earnings while maintaining an appropriate level of inventories, taking into account careful examination at the purchasing stage and exit strategies.

5. Material Contracts

At the Board of Directors' meeting held on September 22, 2023, the Company resolved to acquire all the shares of LIFULL SPACE Co., Ltd. (its trade name changed to Japan Trunkroom Co, Ltd. as of February 29, 2024) and make it a subsidiary, and executed a share transfer agreement on February 29, 2024.

For details, please refer to "V. Financial Information, 2. Non-Consolidated Financial Statements, etc., (1) Non-Consolidated Financial Statements, Notes to Non-Consolidated Financial Statements (Significant Subsequent Events)."

6. Research and Development Activities

Not applicable.

III. Information about Facilities

1. Overview of Capital Expenditures

For the fiscal year under review, the amount of capital expenditures totaled ¥4,581 million. They include primarily investments in opening and developing new locations for the self-storage business.

We funded the opening and development of new locations and working capital for the self-storage business through borrowings of ¥5,734 million.

2. Major Facilities

The Company's major facilities are as shown below.

(1) Reporting Company

(As of December 31, 2023)

Name of office (Location)	Name of segment	Type of facilities	Carrying amount (thousand yen)				Number of employees (Persons)
			Buildings and structures	Land area (m^2)	Other	Total	
Ginza Idei Building (Chuo-ku, Tokyo)	Other operational services business	Office and other facilities	41,971 [41,971]	870,361 (210.18) [870,361]	621 [621]	912,955 [912,955]	–
Kanda BM Building (Chiyoda-ku, Tokyo)	Other operational services business	Office and other facilities	97,078 [97,078]	794,683 (202.04) [794,683]	3,364 [3,364]	895,126 [895,126]	–
Hello Storage Kamiigusa (Suginami-ku, Tokyo)	Self-storage business / Other operational services business	Self-storage /store facilities	221,339 [221,339]	314,178 (370.00) [314,178]	–	535,517 [535,517]	–
Hello Storage Suginami Horinouchi (Suginami-ku, Tokyo)	Self-storage business	Self-storage	119,691 [119,691]	259,742 (308.25) [259,742]	–	379,433 [379,433]	–
Hello Storage Itabashi Hasune (Itabashi-ku, Tokyo)	Self-storage business	Self-storage	80,783 [80,783]	233,667 (392.91) [233,667]	145 [145]	314,596 [314,596]	–
Hello Storage Edogawa Matsue (Edogawa-ku, Tokyo)	Self-storage business	Self-storage	198,400 [198,400]	108,268 (231.92) [108,268]	–	306,669 [306,669]	–
Hello Storage Minami Shinagawa (Shinagawa-ku, Tokyo)	Self-storage business	Self-storage	112,539 [112,539]	187,160 (206.73) [187,160]	–	299,699 [299,699]	–
Comfort Inn Omihachiman (Omihachiman-shi, Shiga)	Other operational services business	Hotel	272,615 [272,615]	–	–	272,615 [272,615]	–
Hello Storage Shinagawa Ebara (Shinagawa-ku, Tokyo)	Self-storage business	Self-storage	105,304 [105,304]	141,386 (132.24) [141,386]	–	246,690 [246,690]	–
Hello Storage Suginami Asagaya (Suginami-ku, Tokyo)	Self-storage business	Self-storage	104,891 [104,891]	134,626 (203.43) [134,626]	–	239,517 [239,517]	–
Texas Storage (Texas, USA)	Other operational services business	Self-storage	440,693 [440,693]	277,697 (37,635.76) [277,697]	997 [997]	719,389 [719,389]	–
Germany Storage (Schleswig-Holstein, Germany)	Other operational services business	Self-storage	631,106 [631,106]	51,031 (5,377.00) [51,031]	–	682,137 [682,137]	–

Notes: 1. Of the "Carrying amount" columns, "Other" represents "Machinery and equipment," "Tools, furniture and fixtures," and "Long-term prepaid expenses."

2. The figures in the square brackets are the facilities currently rented to other parties.
3. Other than the above, the facilities leased from other parties are as shown below.

Name of segment	Name of business	Type of facilities	Annual rent (Thousand yen)
Self-storage business	Self-storage business	Land and containers	6,012,948
		Office and interior furnishings	1,989,503

3. Planned Additions, Retirements, and Other Changes of Facilities

Not applicable.

IV. Information about Reporting Company

1. Company's Shares and Other Information

(1) Total Number of Shares

(i) Authorized shares

Class	Total number of shares authorized to be issued (Shares)
Common share	35,760,000
Total	35,760,000

(ii) Issued shares

Class	Number of issued shares as of fiscal year end (Shares) (December 31, 2023)	Number of issued shares as of filing date (Shares) (March 28, 2024)	Name of financial instruments exchange on which the Company is listed or authorized financial instruments firms association where the Company is registered	Description
Common share	12,940,900	12,940,900	Tokyo Stock Exchange (Standard Market)	Number of shares per unit: 100 shares
Total	12,940,900	12,940,900	–	–

(2) Share Acquisition Rights

(i) Employee share option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercises of Moving Strike Convertible Bonds, etc.

Not applicable.

(4) Changes in Total Number of Issued Shares, Share Capital and Legal Capital Surplus

Date	Increase (decrease) in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Increase (decrease) in share capital (Thousand yen)	Balance of share capital (Thousand yen)	Increase (decrease) in legal capital surplus (Thousand yen)	Balance of legal capital surplus (Thousand yen)
January 1, 2018 through December 31, 2018 Note 1	364,600	12,940,900	543,317	6,111,539	543,317	6,156,037

Note: 1. During the period from January 1, 2018 to December 31, 2018, upon the exercise of share acquisition rights, the total number of issued shares, the amount of share capital, and the amount of legal capital surplus increased by 364,600 shares, ¥543,317 thousand, and ¥543,317 thousand, respectively.

(5) Shareholding by Shareholder Category

As of December 31, 2023

Category	Shareholding (Number of shares constituting one unit: 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	–	6	23	65	91	8	4,927	5,120	–
Number of shares held (Number of units)	–	5,125	5,880	8,623	28,899	5	80,014	128,546	86,300
Percentage of shareholdings (%)	–	3.99	4.57	6.71	22.48	0.00	62.25	100.00	–

Note: Out of 257,325 treasury shares, 2,573 units are included in "Individuals and others," and 25 shares are included in "Shares less than one unit."

(6) Major Shareholders

As of December 31, 2023

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares)
Naomichi Hayashi	Chuo-ku, Tokyo	2,593,214	20.44
Takeyasu Tsujimoto	Setagaya-ku, Tokyo	545,800	4.30
GOLDMAN, SACHS & CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 West Street New York, NY, USA (10-1, Roppongi 6-chome, Minato-ku, Tokyo)	530,566	4.18
CEPLUX-THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	31, Z.A. Bourmicht, L-8070, Bertrange, Luxembourg (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	470,100	3.70
NIIHAMA IRON WORKS CO., LTD.	1-6-46, Shinden-cho, Niihama-shi, Ehime	310,000	2.44
Custody Bank of Japan, Ltd. (Trust account B)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	228,900	1.80
Satoshi Nakajima	Setagaya-ku, Tokyo	225,000	1.77
Amix Co., Ltd.	1-3-7, Yaesu, Chuo-ku, Tokyo	225,000	1.77
Arealink's supplier stock ownership	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo	217,600	1.71
Atsuhiro Morizane	Naka-ku, Nagoya-shi, Aichi	200,320	1.57
Total	–	5,546,500	43.72

Notes: 1. Shareholding ratio (excluding treasury shares) is rounded down to two decimal places.
2. In addition to the above, the Company holds 257,325 treasury shares (1.98%).

3. According to a Change Report of the Report of Large Volume Holding made available for public inspection on March 20, 2023, the shares of the Company were held by Tokio Marine Asset Management Co., Ltd. as of March 15, 2023 with the details shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by the entity as of December 31, 2023. The detail of the Change Report of the Report of Large Volume Holding is as follows:

Name	Address	Number of share certificates, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Tokio Marine Asset Management Co., Ltd.	8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	625,700	4.84

4. According to a Change Report of the Report of Large Volume Holding made available for public inspection on September 21, 2023, the shares of the Company were held by Kabouter Management, LLC as of September 14, 2023 with the details shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by the entity as of December 31, 2023. The detail of the Change Report of the Report of Large Volume Holding is as follows:

Name	Address	Number of share certificates, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Kabouter Management, LLC	401 North Michigan Avenue, Suite 2510, Chicago, Illinois, 60611, USA	808,794	6.25

(7) Voting Rights

(i) Issued shares

As of December 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	–	–	–
Shares with limited voting rights (treasury shares, etc.)	–	–	–
Shares with limited voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 257,300	–	Standard shares of the Company with no limitations on rights
Shares with full voting rights (other)	Common shares 12,597,300	125,973	Standard shares of the Company with no limitations on rights
Shares less than one unit	Common shares 86,300	–	–
Total number of issued shares	12,940,900	–	–
Number of voting rights held by all shareholders	–	125,973	–

Note: Common shares of “Shares less than one unit” include 25 treasury shares.

(ii) Treasury shares, etc.

As of December 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others’ names (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
(Treasury shares) Arealink Co., Ltd.	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo	257,300	–	257,300	1.98
Total	–	257,300	–	257,300	1.98

Note: In addition to the above, the Company holds treasury shares less than one unit of 25 shares.

2. Acquisition and Disposal of Treasury Shares

Class of shares, etc.: Acquisition of common shares pursuant to Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution of Shareholders Meeting

Not applicable.

(2) Acquisition by Resolution of Board of Directors Meeting

Not applicable.

(3) Acquisition Not Based on Resolution of Shareholders Meeting or Board of Directors Meeting

Category	Number of shares (Shares)	Total value (Thousand yen)
Treasury shares acquired during the fiscal year ended December 31, 2023	4,816	1,386
Treasury shares acquired during the period from January 1, 2024 to the filing date of this Annual Securities Report	–	–

Note: The number of treasury shares acquired during the period from January 1, 2024 to the filing date of this Annual Securities Report does not include shares less than one unit purchased during the period from March 1, 2024 to the filing date of this Annual Securities Report.

(4) Disposal of Acquired Treasury Shares and Number of Treasury Shares Held

Category	Fiscal year ended December 31, 2023		Period from January 1, 2024 to the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total amount of disposal (Thousand yen)	Number of shares (Shares)	Total amount of disposal (Thousand yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were disposed of	–	–	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	–	–	–	–
Other	10,893	9,525	–	–
Treasury shares held	257,325	–	257,325	–

Notes: 1. "Other" for the fiscal year ended December 31, 2023 is the disposal of treasury shares as restricted stock compensation.

2. The number of treasury shares held during the period from January 1, 2024 to the filing date of this Annual Securities Report does not include shares less than one unit purchased and sold during the period from March 1, 2024 to the filing date of this Annual Securities Report.

3. Dividend Policy

The Company views increasing long-term and comprehensive profits to shareholders as an important management goal. Based on the medium- to long-term business plan, the Company's basic policy is to maintain stable dividends with a target payout ratio of 30% and no reduction in dividends compared to the preceding fiscal year, while considering the market environment and capital investment timing, ensuring internal reserves for reinvestment, and comprehensively taking into account financial position and profit levels. The basic policy for the number of payouts is once per year at the end of the fiscal year, as determined by the General Meeting of Shareholders.

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

For the fiscal year ended December 31, 2023, the Company plans to pay an annual dividend of ¥77.0 per share, including a commemorative dividend of ¥10 per share in celebration of the 20th anniversary of listing, after comprehensively taking into account the current economic conditions, financial condition, the business performance during the fiscal year, etc.

For the fiscal year ending December 31, 2024, in accordance with the above basic policy and earnings forecasts at the present time, the Company plans to pay an annual dividend of ¥77.0 per share. There are no plans for an interim dividend.

Note: Dividends of surplus whose record date falls within the fiscal year ended December 31, 2023 are as follows:

Date of resolution	Total amount of dividends (Thousand yen)	Dividends per share (Yen)
Resolution passed at the Annual General Meeting of Shareholders held on March 27, 2024	976,635	77.0

4. Corporate Governance

(1) Overview of Corporate Governance

The Company views improving and strengthening corporate governance as one of its most important management issues. By strengthening corporate governance, the Company aims to realize its corporate philosophy, achieve its business plan, enhance its corporate value over the medium to long term, and achieve sustainable growth.

The Company also strives to ensure transparency and objectivity in management. Meanwhile, the Company is working to build a management system based on vitality and flexibility for efficient and sound management, by making appropriate and prompt decisions, strengthening its oversight function for decision-making, establishing a compliance system, and enhancing and strengthening its internal control system, among other measures.

(i) Overview of corporate governance system

(A) Board of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than nine (9) Directors, and six directors have been elected as of March 28, 2024. The Board of Directors convenes monthly and holds extraordinary meetings, as necessary. It makes decisions on the Company's basic management policy, matters stipulated by laws and regulations, and important management matters, as well as constantly supervises the status of business execution. Executive officers also attend the Board of Directors meetings as observers as necessary to strengthen the reporting function on the status of business execution and to ensure prompt communication and confirmation of management decisions.

Names and job titles of members constituting the Board of Directors

Chairperson: Yoshika Suzuki, President & CEO

Members: Naomichi Hayashi, Chairman & CEO; Yasuaki Otaki, Director; Minoru Nishizawa, Director; Kazuhiro Furuyama, Outside Director; Masanori Koda, Outside Director; Hideto Kojima, Full-time Company Auditor and Outside Auditor; Koji Tamura, Outside Auditor; Iwao Aoki, Outside Auditor; and Shigekazu Mitsuta, Outside Auditor

▪ Activity status during the fiscal year ended December 31, 2023

Board of Directors meetings held and attendance

Job title	Name	Number of meetings held	Number of meetings attended
Chairman & CEO	Naomichi Hayashi	13	13
President & CEO	Yoshika Suzuki	13	13
Director	Yasuaki Otaki	13	13
Director	Minoru Nishizawa	13	13
Director	Wataru Sasaki	3	3
Outside Director	Kazuhiro Furuyama	13	13
Outside Director	Masanori Koda	13	13

Note: As Mr. Wataru Sasaki resigned from his position due to the expiration of his term of office at the conclusion of the 28th Annual General Meeting of Shareholders held on March 28, 2023, the attendance at the Board of Directors meetings held during his term of office is stated.

Main items on the agenda

The Board of Directors discusses and resolves matters stipulated by laws, regulations and the Company’s Articles of Incorporation as well as the Company’s basic management policy and other important business matters. The Board of Directors receives reports from each director on the status of business execution and discusses the Company’s important management issues to take appropriate measures. The main items on the agenda are as follows:

- Budget for the next fiscal year, and deliberation on the Medium-term Business Plan
- Deliberation on proposals to be submitted to a General Meeting of Shareholders
- Borrowing of funds for capital investment, etc.
- Deliberation on important investment projects

(B) Board of Company Auditors and audits by company auditors

As of March 28, 2024, the Company’s Board of Company Auditors comprises four members, all of whom are outside auditors. The Board of Company Auditors convenes monthly in principle. Each company auditor attends the Board of Directors meetings. The full-time company auditor attends Management Committee meetings and other important meetings and audits the status of business execution in internal departments and affiliated entities.

Names and job titles of members constituting the Board of Company Auditors

Chairperson: Hideto Kojima, Full-time Company Auditor and Outside Auditor

Members: Koji Tamura, Outside Auditor; Iwao Aoki, Outside Auditor; and Shigekazu Mitsuta, Outside Auditor

(C) Executive officer system

The Company introduced an executive officer system in March 2010 for the main purposes of strengthening management and supervisory functions and business execution functions, increasing management efficiency, and facilitating decision-making. As of March 28, 2024, the Company has two executive officers, and they are responsible for executing business in their areas of responsibility. As described below, important business execution matters are deliberated and determined by the Management Committee.

(D) Management Committee

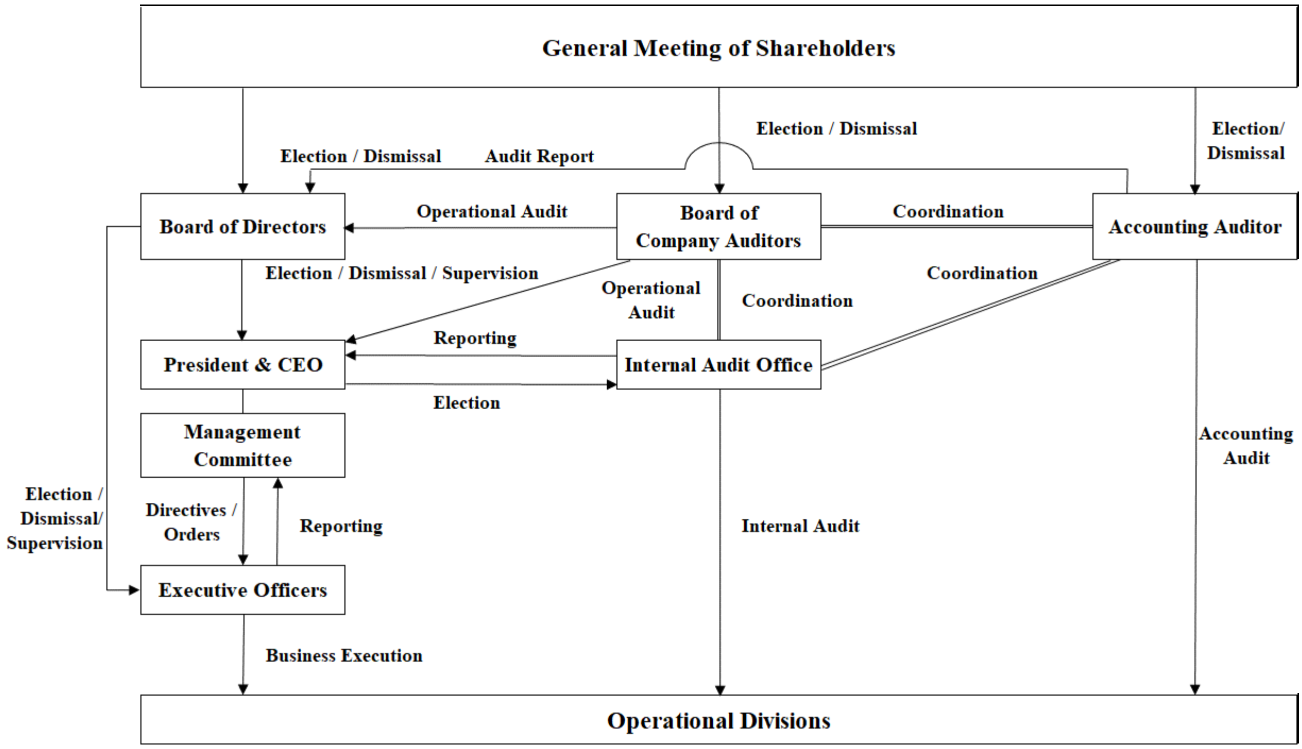
The Management Committee is a space for the discussion of the Company’s management strategy. It comprises internal directors, executive officers, and persons designated by them. The Management Committee meets three times per month in principle.

Names and job titles of members constituting the Management Committee

Chairperson: Yoshika Suzuki, President & CEO

Members: Naomichi Hayashi, Chairman & CEO; Yasuaki Otaki, Director; Minoru Nishizawa, Director; Hideto Kojima, Full-time Company Auditor and Outside Auditor; Executive Officers; General Manager of the Accounting Department; and General Manager of the Business Administration Department

The diagram of the Company’s corporate governance system is shown below.



▪ Reasons for adopting the corporate governance system

The Company has adopted the current system because it believes that the above system is optimal for the Company from the perspective of effectively balancing the executive function with the supervisory and audit functions, in light of the nature of its business, the size of the Company, etc. The Company has introduced an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, clarify executive responsibilities, and expedite business execution. Meanwhile, the Company has worked to improve and operate the supervisory function for business execution by the Board of Directors, whose members include outside directors with diverse backgrounds, and the supervisory and auditing functions by the Board of Company Auditors. The Company therefore believes that an appropriate governance system has been established.

(ii) Status of the Company’s internal control system and risk management system

The Company’s system to ensure that the execution of duties by directors complies with laws, regulations, and the Articles of Incorporation, and other systems to ensure the appropriateness of the Company’s operations, are as described below.

(A) System to ensure that the execution of duties by directors and employees complies with laws, regulations, and the Articles of Incorporation

To promote compliance, the Company has established a Compliance Manual to serve as a code of conduct for directors and employees. When a case of suspected violation of laws or regulations is reported, we will promptly confirm the facts and take appropriate action, as stipulated in the Compliance Manual, and take the utmost care to ensure that the reporter will not suffer any disadvantage.

As a company that provides real estate management services, the Real Estate Brokerage Act and construction-related laws and regulations are vitally important to use, and we strive for compliance by listening to the opinions of outside experts.

(B) Rules and systems for managing loss risks

The Company will establish regulations for risk management in order to collect and analyze information to prevent the occurrence of loss risks and to prevent the spread of losses that do occur. In addition, the department in charge of each risk is designated, and the Board of Directors and the department in charge manage each risk in a comprehensive and general manner.

The Internal Audit Office audits the status of risk management and reports the results to the Board of Directors and the Board of Company Auditors.

(C) System to ensure that directors execute their duties efficiently

The Company holds regular meetings of the Board of Directors at least once a month to flexibly make decisions on basic and important matters related to business execution. In addition, the Company will endeavor to make decisions efficiently and flexibly by delegating authority through the establishment of rules of authority and other regulations.

(D) System for storage and management of information related to execution of duties by directors

Important documents, etc. related to the execution of duties by directors and employees, such as minutes of board meetings and various approval documents, shall be properly stored in accordance with laws, regulations, and internal rules such as document management rules, and directors and company auditors shall have access to these documents, etc. at all times.

(E) System concerning assistants to company auditors, and system to ensure the effectiveness of instructions to such employees

In order to enhance the operation of the auditing system by company auditors, the Company makes it possible to assign employees to assist company auditors upon consultation between the Board of Directors and company auditors, if company auditors request the assignment of such employees to assist their duties.

The authority to direct such employees shall be delegated to the company auditors to ensure their independence from directors. In addition, the appointed employees will work under the direction of the company auditors, with the authority to collect information necessary for auditing purposes.

(F) System for reporting to company auditors by directors, employees, etc., and system to ensure that reporters are not treated disadvantageously for doing so

When a director or employee discovers a fact that may cause significant damage to the Company, he or she shall promptly report it to the company auditors in accordance with applicable laws and regulations.

In addition, the Company prohibits any disadvantageous treatment, in terms of personnel treatment, etc., to directors, employees, etc. of the Company because they have made such reports to the company auditors.

(G) Procedures for advance payment and reimbursement of expenses incurred in the performance of duties by company auditors, policies regarding the treatment of such expenses and liabilities, and systems to ensure the effectiveness of audits by company auditors

With respect to expenses, etc. incurred in the performance of duties by company auditors, unless the Company certifies that such expenses are not necessary for the performance of such company auditors' duties, the Company shall establish a system whereby the company auditors may receive advance payment and reimbursement of such expenses and may request that the Company take necessary measures such as budgeting.

The Company will ensure that the company auditors are able to attend all important meetings as necessary, in addition to meetings of the Board of Directors.

(iii) Risk management system

The Company conducts business operations in accordance with internal rules, various manuals, etc., and enables internal checks and balances to work in order to minimize possible business risks. The Company has also entered into an advisory agreement with an attorney at law to receive advice from multiple perspectives and thereby mitigate risks in order to cope with various legal risks that may arise in the course of business operations.

(iv) Numbers of directors and company auditors

The Company's Articles of Incorporation stipulate that the Company shall have no more than nine (9) Directors and no more than four (4) Company Auditors.

(v) Requirements for resolution for election of directors

Resolution for election of directors of the Company is made at a General Meeting of Shareholders. The Company’s Articles of Incorporation stipulate that resolution for the election of Directors shall be made by a majority of the votes of the shareholders present at a General Meeting of Shareholders where the shareholders holding one-third (1/3) or more of the voting rights of shareholders who are entitled to exercise their voting rights are present and that it shall not be by cumulative voting.

(vi) Requirements for special resolution at a General Meeting of Shareholders

For the purpose of the smooth operation of a General Meeting of Shareholders, the Company’s Articles of Incorporation stipulate that special resolution prescribed in Article 309, Paragraph 2 of the Companies Act shall require two-thirds (2/3) or more of the votes of the shareholders present at a General Meeting of Shareholders where the shareholders holding one-third (1/3) or more of the voting rights of shareholders who are entitled to exercise their voting rights are present.

(vii) Interim dividends

For the purpose of flexible profit distribution to shareholders, the Company’s Articles of Incorporation stipulate that the Company may make an interim dividend payment, with a record date of June 30 each year, by resolution of the Board of Directors pursuant to Article 454, Paragraph 5 of the Companies Act.

(viii) Acquisition of own shares

In order for the Company to timely execute its capital policy in response to changes in economic conditions, the Company’s Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions or other means by resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act.

(ix) Agreements to limit directors’ and company auditors’ liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company’s Articles of Incorporation stipulate that the Company may enter into agreements with Directors (excluding Executive Directors, etc.) and Company Auditors to limit their liability as stipulated in Article 423, Paragraph 1 of the Act, and the Company has entered into such agreements with the directors and company auditors. However, the maximum amount of liability based on such agreements is the amount stipulated by laws and regulations.

(2) Directors and Other Officers

(i) List of directors and other officers

Male: 10, Female: 0 (Ratio of female directors and other officers: 0%)

Job title	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Chairman & CEO	Naomichi Hayashi	August 8, 1953	April 1978 April 1995 February 2010 May 2019 September 2019 September 2020 March 2022 March 2023	Joined Chikuma Real Estate Co., Ltd. (currently, Starts Corporation Inc.) Established the Company; President & CEO Director, JAPAN SELF STORAGE ASSOCIATION Representative Director, JAPAN SELF STORAGE ASSOCIATION (to present) President and CEO and Executive Officer; General Manager, Marketing Development Division President and CEO and Executive Officer President & CEO Chairman & CEO (to present)	Note 3	2,593,214
President & CEO	Yoshika Suzuki	May 23, 1986	April 2011 August 2014 February 2015 March 2016 July 2018 September 2019 March 2021 March 2022 March 2023	Joined the Company Branch Office Manager, Tokyo Office, Storage Location Development Division Executive Officer; Branch Office Manager, Tokyo Office, Storage Location Development Division Director; General Manager responsible for self-storage management, Storage Business Division; Branch Office Manager, Tokyo Office and Chiba Office Director; General Manager, Storage Business Division; General Manager, Storage Dept. Director and Executive Officer; General Manager, Storage Business Division Managing Director and Executive Officer; General Manager, Storage Business Division Senior Managing Director and Executive Officer; General Manager, Storage Business Division President & CEO (to present)	Note 3	11,856
Director and Executive Officer; General Manager, Administration Division; General Manager, Accounting Dept.	Yasuaki Otaki	October 14, 1977	April 2001 March 2011 March 2012 March 2017 March 2019 September 2019 March 2021 March 2022 March 2023	Joined the Company Executive Officer; Assistant to the General Manager of the Administration Division; General Manager, General Affairs Dept. Director, General Manager, Administration Division Executive Officer; General Manager, Administration Division General Manager, Accounting Dept. Assistant to the General Manager of the Administration Division; General Manager, Accounting Dept. Executive Officer; Assistant to the General Manager of the Administration Division; General Manager, Accounting Dept. Director and Executive Officer; Assistant to the General Manager of the Administration Division; General Manager, Accounting Dept. Director and Executive Officer; General Manager, Administration Division; General Manager, Accounting Dept. (to present)	Note 3	10,890

Job title	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Director and Executive Officer; General Manager, Storage Business Division; General Manager, Customer Contact Dept.	Minoru Nishizawa	April 29, 1978	April 2001 March 2012 March 2016 March 2017 March 2019 March 2021 March 2022 March 2023	Joined the Company Director; General Manager, Storage Dept. Executive Officer; Assistant to the General Manager of the Storage Business Division; General Manager, Storage Dept. Director; Assistant to the General Manager of the Storage Business Division; General Manager, Storage Dept. 2 Manager, Future-Oriented Ideal Company Promotion Office Executive Officer; Assistant to the General Manager of the Storage Business Division; General Manager, Customer Contact Dept. Director and Executive Officer; Assistant to the General Manager of the Storage Business Division; General Manager, Customer Contact Dept. Director and Executive Officer; General Manager, Storage Business Division; General Manager, Customer Contact Dept. (to present)	Note 3	6,182
Director	Kazuhiro Furuyama	January 19, 1959	April 1986 April 1987 April 2002 September 2002 April 2004 April 2013 March 2015 April 2016 April 2016 March 2019	Instructor, University of Tasmania (Australia) Established Gaigo Gakuin Tokyo Forum; Representative Training Manager, The Matsushita Institute of Government and Management Head Teacher, The Matsushita Institute of Government and Management Managing Director, The Matsushita Institute of Government and Management Review Committee Member and Instructor, Japan Institute of Agricultural Management Director, the Company (to present) Advisor, The Matsushita Institute of Government and Management Advisor, AGRI CONNECT Co., Ltd. (to present) Review Committee Member, Japan Institute of Agricultural Management	Note 3	–
Director	Masanori Koda	February 3, 1943	March 1971 April 1989 March 2015 March 2017 July 2019	Joined Japan Recruit Center Co., Ltd. (currently, Recruit Holdings Co., Ltd.) President, Network88, Co., Ltd. (to present) Outside Director, Daiei Industry Co., Inc. (to present) Director, the Company (to present) Outside Director, Green Ship Co., Ltd. (to present)	Note 3	–
Full-time Company Auditor	Hideto Kojima	March 7, 1947	April 1970 April 1993 April 2002 August 2003 June 2004 March 2010	Joined Asahi Mutual Life Insurance Company Managing Director, Asahi Life Investment Management Co., Ltd Managing Director; General Manager, General Affairs Dept., Asahi Life Building Co., Ltd. Managing Director; General Manager, General Affairs Dept., Asahi Insurance Service Co., Ltd. Full-time Audit & Supervisory Board Member, THE KEIHIN CO., LTD. Company Auditor, the Company (to present)	Note 4	–

Job title	Name	Date of birth	Past experience		Term of office	Number of shares held (Shares)
Company Auditor	Koji Tamura	August 24, 1969	October 2000 October 2002 January 2007 October 2011 December 2011 March 2012 May 2013 October 2020	Passed the National Bar Examination Registered at TOKYO BAR ASSOCIATION Joined Kotobuki Law Office Partner, Kotobuki Law Office Company Auditor, Zenkankyo Small Amount and Short Term Insurance Holdings, Ltd. Provisional Company Auditor, the Company Company Auditor, the Company (to present) Managing Partner, Keimei Law Office Attorney-at-law, Ocean Law Offices (to present)	Note 5	–
Company Auditor	Iwao Aoki	September 2, 1967	April 1992 October 2004 April 2009 December 2010 July 2014 March 2016 March 2017 December 2019	Joined Fujita Corporation President, Asset Managers Co., Ltd. (currently, Ichigo Inc.) President, Capital Advisory Co., Ltd. (to present) Outside Auditor, Nexyz.Group Corporation Outside Audit & Supervisory Board Member, BALNIBARBI Co., Ltd. (to present) Outside Director, Something Holdings Co., Ltd. Company Auditor, the Company (to present) Outside Director (Audit & Supervisory Committee Member), Nexyz.Group Corporation (to present)	Note 6	–
Company Auditor	Shigekazu Mitsuta	December 21, 1946	September 1970 April 1973 December 2012 December 2015 December 2016 March 2020 June 2020	Passed the National Bar Examination Registered at TOKYO BAR ASSOCIATION Auditor, Hamano Golf Club Co., Ltd. Director, Tojo Kaikan Company Ltd. (to present) President and CEO, Hamano Golf Club Co., Ltd. Company Auditor, the Company (to present) Attorney-at-law, HIBIYA HARUMI-DORI LAW OFFICE (to present)	Note 7	–
Total						2,622,142

Notes:
1. Director Kazuhiro Furuyama and Masanori Koda are Outside Directors.
2. Company Auditor Hideto Kojima, Koji Tamura, Iwao Aoki, and Shigekazu Mitsuta are Outside Auditors.
3. The term of office of the directors is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2024.
4. The term of office of Company Auditor Hideto Kojima is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2026.
5. The term of office of Company Auditor Koji Tamura is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2027.
6. The term of office of Company Auditor Iwao Aoki is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2020 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2024.
7. The term of office of Company Auditor Shigekazu Mitsuta is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2027.

(ii) Outside directors and other officers

The Company has two outside directors and four outside auditors.

The Company strives to make management decisions based on accurate information sharing and extensive deliberations by electing outside directors and outside auditors. Each of the outside directors and outside auditors draws on their past corporate management experience and managerial experience to supervise and check management from an objective perspective independent of the management team that executes the business. At the Board of Directors meetings, outside directors and outside auditors regularly receive reports from the president or an officer in charge on the status of the Company's sales activities and internal controls and the implementation status of internal audits, among other matters. Through extensive deliberations, outside directors mainly provide advice from an objective perspective independent of the management team, and outside auditors mainly make suggestions that help ensure the adequacy and appropriateness of decision-making by the Board of Directors. In addition, company auditors attend the Board of Directors meetings and express their opinions, as necessary. They also audit the execution of duties by directors by sharing necessary information, exchanging opinions, and discussing important matters at the Board of Company Auditors meetings, among other activities.

The Company does not have specific criteria or policies regarding the independence of outside directors and outside auditors when electing them; however, the Company has determined that each of the outside directors and outside auditors complies with their duty of care to the Company and that they have the personality, insight, and ability to make objective, fair and impartial decisions from the perspective of whether or not they contribute to the common interests of shareholders, without being biased in favor of the management team or any particular stakeholder. In addition, each of the outside directors and outside auditors does not conflict with the criteria set forth in the Guidelines concerning Listed Company Compliance, etc. of the Tokyo Stock Exchange as factors used for the Exchange to determine that a conflict of interest with a general shareholder is likely to arise, or the requirements for weighted disclosure in a corporate governance report set forth in the Enforcement Rules for Securities Listing Regulations. The Company has therefore determined that the outside directors and outside auditors are independent (i.e., there is no risk of conflict of interest with general shareholders) as directors and company auditors of the Company.

(3) Audits

(i) Audits by company auditors

The Company has adopted a corporate auditor system, with one full-time company auditor and three part-time company auditors, all of whom are outside auditors. The Board of Company Auditors, consisting of four company auditors, convenes monthly in principle to discuss necessary matters, and the full-time company auditor reports his audit activities to the part-time company auditors to ensure that information is shared among all the company auditors. The company auditors audit the Company's operations and assets at the head office and main business locations in accordance with the auditing standards, audit policies, audit plans, etc. established by the Board of Company Auditors by attending the Board of Directors meetings and other important meetings, receiving reports from directors and employees on the execution of their duties, and inspecting important approval documents.

The Board of Company Auditors convened 12 times during the fiscal year ended December 31, 2023. The attendance of each company auditor was as follows:

Name	Number of meetings held	Number of meetings attended
Hideto Kojima	12	11
Koji Tamura	12	12
Iwao Aoki	12	12
Shigekazu Mitsuta	12	12

The main specific items on the agenda for the Board of Company Auditors meetings during the fiscal year ended December 31, 2023 were as follows: deciding on the audit policy, audit plan, audit method, and allocation of duties for each company auditor for the fiscal year; evaluating the accounting auditor and giving consent to the reappointment of the accounting auditor; receiving an explanation of the audit plan for the fiscal year from the audit firm and giving consent to audit fees to be paid to the audit firm; giving consent to the personnel and performance appraisals of employees who assist company auditors; and sharing information based on the monthly activity reports made by the full-time company auditor.

The full-time company auditor has regular meetings with the accounting auditor and the Internal Audit Office to facilitate coordination and reports information obtained through such activities at the Board of Company Auditors meetings. Based on a common understanding of the information, company auditors exchange their opinions and discuss important matters.

(ii) Internal audits

The Internal Audit Office, an independent office directly under the President & CEO, conducts internal audits in accordance with an annual audit plan prepared based on a company-wide risk assessment in order to confirm whether the Company's internal controls are properly implemented and maintained. The office reports all audit results to the president and then explains the details of the results to the full-time company auditor and other officers in charge. The office also reports a summary of the results to the Management Committee. The office informs relevant departments of issues found in an audit and requests the departments to take measures for improvement. The office also confirms the status of improvement in a follow-up audit.

(iii) Accounting audits

a. Name of audit firm

Grant Thornton Taiyo LLC

b. Years of continuous auditing

Since 2002

c. Certified public accountants who executed audit duties

Yoichi Honma, Designated Limited Liability Partner and Engagement Partner

Shunshi Sugie, Designated Limited Liability Partner and Engagement Partner

d. Composition of assistants of audit engagement

Eleven certified public accountants and 20 other assistants

e. Policy and reasons for selecting an audit firm

The Company's policy for selecting an audit firm is to consider and select an accounting auditor, comprehensively taking into account their quality control system, independence and expertise, degree of understanding of the business fields in which the Company operates, the effectiveness and efficiency in conducting audits, and other factors. The Company has determined that Grant Thornton Taiyo LLC has the expertise, independence, and internal control system required of an accounting auditor, as well as a system for auditing the Company's activities in an integrated manner.

If the Board of Company Auditors deems it necessary, it will decide on a proposal for dismissal or non-reappointment of the accounting auditor, in cases, for example, when there is a problem with the execution of duties by the accounting auditor. Based on such a decision, the Board of Directors will submit the proposal to a General Meeting of Shareholders.

In addition, if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Board of Company Auditors will dismiss the accounting auditor with the unanimous consent of the company auditors. In this case, a company auditor selected by the Board of Company Auditors will report the dismissal of the accounting auditor and the reasons for the dismissal at the first General Meeting of Shareholders to be convened after the dismissal.

f. Evaluation of the audit firm by company auditors and the Board of Company Auditors

Company auditors and the Board of Company Auditors evaluate the audit firm. They verify the status of the accounting auditor's quality control system, audit team, audit fees, communication with related parties, etc. by listening to opinions from the office conducting audits, having meetings with the audit firm, and other means, and comprehensively evaluate the accounting auditor based on the accounting auditor evaluation criteria established by the Board of Company Auditors with reference to the Practical Guidelines for Audit & Supervisory Board Members and Others on the Evaluation of Accounting Auditors and the Establishment of Selection Criteria published by the Japan Audit & Supervisory Board Members Association and other reference materials.

g. Matters concerning the current suspension of services at the accounting auditor

The Company's accounting auditor, Grant Thornton Taiyo LLC, was suspended by the Financial Services Agency on December 26, 2023 from entering into new contracts for three months (from January 1, 2024 to March 31, 2024). The Company has evaluated the audit firm's efforts to make improvements to prevent a recurrence and that their auditing services to the Company were provided properly and rigorously. The Company has therefore come to the conclusion that it is best to continue to have the audit firm conduct audits in the future.

Details of audit fees, etc.

a. Audit fees paid to certified public accountants

Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
Fees for audit services (Thousand yen)	Fees for non-audit services (Thousand yen)	Fees for audit services (Thousand yen)	Fees for non-audit services (Thousand yen)
35,000	–	35,000	–

b. Audit fees paid to the same network to which certified public accountants belong (excluding the audit fees stated in a. above)

Not applicable.

c. Details of fees for other significant audit services

Not applicable.

d. Policy for determining audit fees

The Company's policy for determining audit fees to be paid to certified public accountants is to determine such fees appropriately, taking into comprehensive consideration various conditions, including the number of audit days, the size of the Company's business, and the nature of its operations.

e. Reasons for the Board of Company Auditors' consent to fees for the accounting auditor

The Company's Board of Company Auditors gave its consent to fees for the accounting auditor proposed by the Board of Directors pursuant to Article 399, Paragraph 1 of the Companies Act because the Board of Company Auditors determined that the fees were appropriate as a result of conducting necessary verification of, and reviewing, the status of the execution of the accounting audit, the basis of calculation of the fees estimated, etc. based on the revised Practical Guidelines for Audit & Supervisory Board Members and Others on the Evaluation of Accounting Auditors and the Establishment of Selection Criteria published by the Japan Audit & Supervisory Board Members Association.

(4) Remuneration for Directors and Other Officers

(i) Policy for determining the amount of remuneration, etc. for directors and other officers or the calculation method thereof

(A) Authority to determine a policy for determining the maximum amount of remuneration, composition, and the amount of remuneration, etc. for directors

At the 23rd Annual General Meeting of Shareholders held on March 28, 2018, the maximum amount of remuneration for directors was resolved to be no more than ¥300,000 thousand per year. In addition, at the 26th Annual General Meeting of Shareholders held on March 24, 2021, the amount of restricted stock compensation for directors (excluding outside directors) was resolved to be ¥50,000 thousand per year within the aforementioned remuneration limit. The Company's Articles of Incorporation stipulate that the Company shall have no more than nine (9) Directors.

The representative directors, who are appointed by resolution of the Board of Directors, have the authority to determine remuneration for directors within the limit of the total amount of remuneration resolved at the General Meeting of Shareholders, taking into consideration each director's duties, degree of contribution, performance, etc. Furthermore, after remuneration decisions are made, the Board of Directors receives feedback from outside officers and incorporates this feedback into the next remuneration decision to prevent arbitrary decisions by the representative directors.

1. Fixed remuneration (monetary remuneration)

The Evaluation Council of the Company, with directors and company auditors (excluding outside directors and outside auditors), executive officers, and personnel managers as participants, performs personnel evaluations of directors. Based on the results of those evaluations, the representative directors determine remuneration, etc. to be paid to directors after taking into consideration that directors are responsible for improving corporate value and that a reasonable level of remuneration is secured and maintained for the execution of their duties in comparison with the level of wages paid to employees.

2. Performance-linked remuneration (monetary remuneration)

The Company grants performance-linked remuneration (bonus) to directors (excluding outside directors), which is a short-term incentive to further motivate them to achieve performance targets and contribute to improving its corporate value.

In determining the amount of performance-linked remuneration (bonus) for each director, the representative directors determine the amount based on the results obtained by multiplying the base amount (monetary remuneration) determined for each position by coefficients. From the management's viewpoint of placing importance on results, these coefficients are the degree of achievement of ordinary profit and net profit based on the financial results forecast announced at the beginning of each fiscal year; the year-on-year growth rates of these profits; and the degree of contribution by each director as determined by the Evaluation Council attended by directors (excluding outside directors), executive officers, and personnel managers.

The reason for selecting ordinary profit and net profit as indicators is that the Company believes that the growth of these profits is key for corporate management from the perspective of improving corporate value.

The results of the performance indicators used in determining the amount of performance-linked remuneration were as follows:

	Results for the fiscal year ended December 31, 2022	Forecast as of January 1, 2023	Results for the fiscal year ended December 31, 2023	YoY growth rate	Vs. beginning forecast
Ordinary profit	¥3,758 million	¥3,930 million	¥4,058 million	8.0%	3.3%
Profit (net profit)	¥2,883 million	¥2,600 million	¥2,821 million	(2.1)%	8.5%

3. Non-monetary remuneration (restricted stock compensation)

The Company grants performance-linked remuneration (restricted stock; RS) to directors, which is a medium- to long-term incentive to share the benefits and risks of stock price fluctuations with shareholders and motivate directors to contribute more than ever before to increasing the stock price and improving corporate value. The Company will determine the details of restricted stock and the number of shares thereof to be granted to directors based on their respective positions and responsibilities, performance, stock price, and other factors. The Board of Directors will determine a transfer restriction period for restricted stock compensation within the range of not less than three years and not more than 10 years.

▪ Reasons why the Board of Directors has determined that the details of remuneration, etc. for each individual director for the fiscal year ended December 31, 2023 are in line with the policy for determining such details

The Board of Directors has confirmed that the method of determining the details of remuneration, etc. as well as the details of remuneration, etc. determined for each individual director for the fiscal year ended December 31, 2023 are consistent with the policy, and has therefore determined that the method and details are in line with the policy.

▪ Matters concerning delegation of authority to determine the details of remuneration, etc. for each individual director

a. Names of the persons to whom authority was delegated, and their positions and responsibilities in the Company on the date on which the details of remuneration, etc. were determined

Naomichi Hayashi, Chairman & CEO; and Yoshika Suzuki, President & CEO

b. Authority delegated to the persons

Details of remuneration, etc. for each individual director

c. Reason for delegation of authority

The Company has determined that the Chairman & CEO and the President & CEO are the most appropriate persons to evaluate each director while taking into account the Company's performance.

(B) Authority to determine a policy for determining the maximum amount of remuneration, composition, and the amount of remuneration, etc. for company auditors

At the 6th Annual General Meeting of Shareholders held on March 31, 2001, the maximum amount of remuneration for company auditors was resolved to be no more than ¥20 million per year. The Company's Articles of Incorporation stipulate that the Company shall have no more than four (4) Company Auditors.

Remuneration for company auditors is fixed remuneration only in consideration of their roles. Remuneration for each company auditor is determined by discussion among the company auditors within the maximum amount of remuneration.

(ii) Total amount of remuneration, etc. by position, total amount by type of remuneration, etc., and number of eligible directors and other officers

Position	Total amount of remuneration, etc. (Thousand yen)	Total amount by type of remuneration, etc. (Thousand yen)			Number of eligible directors and other officers (Persons)
		Fixed remuneration	Performance-linked remuneration	Restricted stock compensation	
Directors (excluding outside directors)	124,240	109,481	–	14,758	5
Company auditors (excluding outside auditors)	–	–	–	–	–
Outside directors and other officers	24,000	24,000	–	–	6

(iii) Total amount of remuneration, etc. for persons whose total amount of remuneration, etc. is ¥100 million or more

No information is provided because there is no person whose total amount of remuneration, etc. is ¥100 million or more.

(5) Shareholdings

(i) Criteria and approach for classification of investment shares

The Company classifies investment shares as those held for pure investment and those held for purposes other than pure investment, depending on whether the purpose of holding them is solely to receive returns from stock price fluctuations and/or dividends. One of the criteria to make a substantive decision about the holding of such investment shares is whether there are only reports on stock price fluctuations and/or dividends or there are also other reports on business alliances and other forms of partnerships (including consideration of forming them) at important internal meetings such as those of the Board of Directors and the Management Committee.

(ii) Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues

The main purpose of our cross-shareholdings is to maintain and strengthen stable and long-term relationships with business partners and stakeholders in order to improve our corporate value and build relationships with stakeholders over the medium to long term.

The Board of Directors regularly verifies the rationale for, and the appropriateness of, cross-shareholdings of individual issues by reviewing the significance of the shareholdings and specifically examining whether the benefits and risks associated with the shareholdings are commensurate with the cost of capital, among others. The Company will sell or reduce the number of shares of individual issues if they are deemed to have little significance to hold.

b. Number of issues and carrying amount

	Number of issues (Issues)	Total carrying amount (Thousand yen)
Unlisted shares	2	0
Shares other than unlisted shares	5	23,153

Issues whose number of shares increased during the fiscal year ended December 31, 2023

Not applicable.

Issues whose number of shares decreased during the fiscal year ended December 31, 2023

	Number of issues (Issues)	Total sale amount for decreased shares (Thousand yen)
Unlisted shares	3	157,980
Shares other than unlisted shares	–	–

Note: Two of the decreased issues of unlisted shares were due to liquidation.

c. Number of shares, carrying amount, and other information of specified investment shares and deemed holdings of shares by issue

Specified investment shares

Issue	As of December 31, 2023	As of December 31, 2022	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding and reason for increase in number of shares	Whether issuer holds the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Thousand yen)	Carrying amount (Thousand yen)		
Aoyama Zaisan Networks Co., Ltd.	18,000	18,000	To contribute to maintaining a stable business relationship	No
	18,666	19,440		
EARLY-AGE CO., LTD.	3,000	3,000	To contribute to maintaining a stable business relationship	No
	2,181	2,046		
SoftBank Group Corp.	200	200	To serve as a reference for IR activities, with the aim of improving our corporate value over the medium to long term by putting more effort into IR activities	No
	1,258	1,128		
Bandai Namco Holdings Inc.	300	100	To serve as a reference for IR activities, with the aim of improving our corporate value over the medium to long term by putting more effort into IR activities	No
	847	831		
Mitsubishi Electric Corporation	100	100	To serve as a reference for IR activities, with the aim of improving our corporate value over the medium to long term by putting more effort into IR activities	No
	199	131		

Notes: 1. Bandai Namco Holdings Inc. conducted a 3-for-1 common stock split effective on April 1, 2023.
2. Quantitative effects of shareholding are not stated because it is difficult to describe. The verification of the appropriateness of shareholdings is described in "a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of the appropriateness of shareholdings in individual issues."

Deemed holdings of shares

Not applicable.

(iii) Investment shares held for pure investment

Not applicable.

(iv) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the fiscal year ended December 31, 2023

Not applicable.

(v) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the fiscal year ended December 31, 2023

Not applicable.

V. Financial Information

1. Basis of Preparation of Non-Consolidated Financial Statements

The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

2. Audit Certification

The Company's non-consolidated financial statements for the fiscal year from January 1, 2023 to December 31, 2023 were audited by Grant Thornton Taiyo LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Consolidated Financial Statements

The Company does not prepare consolidated financial statements as it has no subsidiaries.

4. Special Efforts to Ensure Appropriateness of Non-Consolidated Financial Statements

The Company has made special efforts to ensure the appropriateness of its non-consolidated financial statements.

Specifically, the Company has joined the Financial Accounting Standards Foundation to develop a system that enables to properly understand the content of accounting standards, etc. At the same time, the Company has developed a system that allows it to accurately respond to changes therein by, for example, regularly attending seminars organized by audit firms.

In addition, the Company has developed internal rules, manuals, guidelines, and other tools to prepare appropriate non-consolidated financial statements in accordance with the provisions of the Regulation on Financial Statements, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

Not applicable.

(2) Other Information

Not applicable.

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

(i) 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	*2 4,993,920	*1, *2 5,949,327
Real estate for sale in process	*2 142,903	*2 352,103
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	*2 9,532,734	*1, *2 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	*1 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	*2 7,358,853	*2 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	*2 8,148,844	*1, *2 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	*2 299,903
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	*2, *3 109,000	*2, *3 241,560
Current portion of bonds payable	157,000	29,500
Current portion of long-term borrowings	*2, *4 1,893,583	*2, *4 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	*5 709,937	*5 749,023
Deposits received	3,818	4,551
Unearned revenue	*5 573,779	*5 554,044
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	*2, *3, *4 9,995,107	*2, *3, *4 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

(ii) 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	*1 20,878,046	*1 22,463,576
Cost of sales		
Lease business expenses	*2 11,187,546	*2 11,463,033
Cost of construction sales	45,496	9,337
Cost of real estate sales	*2 2,927,292	*2 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	*3 17,163	*3 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	*4 363	*4 381
Loss on retirement of non-current assets	*5 35,450	*5 18,190
Impairment losses	*6 14,641	*6 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

Detailed Schedule of Cost of Sales

(A) Detailed schedule of lease business expenses

		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)	
Category	Note	Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
I. Rent expenses		8,534,741	76.3	8,478,482	74.0
II. Depreciation		925,562	8.3	1,072,198	9.4
III. Overhead cost		1,727,242	15.4	1,912,352	16.7
Lease business expenses		11,187,546	100.0	11,463,033	100.0

(B) Detailed schedule of cost of construction sales

		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)	
Category	Note	Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
Cost for purchasing storage containers, cost for furnishing trunk rooms, etc.		45,496	100.0	9,337	100.0
Cost of construction sales		45,496	100.0	9,337	100.0

(C) Detailed schedule of cost of real estate sales

		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)	
Category	Note	Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
Cost for purchasing land, buildings, etc.		2,927,292	100.0	3,438,510	100.0
Cost of real estate sales		2,927,292	100.0	3,438,510	100.0

(iii) 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 Retained earnings brought forward	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 in 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 in 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 Retained earnings brought forward	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 in 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

(iv) 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	*1 14,299,556	*1 14,995,672

Notes to Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Basis and method for valuation of securities

Available-for-sale securities

Securities other than non-marketable shares and other securities:

Stated at fair value (valuation differences are recognized directly in net assets, and the cost of such securities sold is calculated using the moving average method).

Non-marketable shares and other securities:

Stated at cost using the moving average method.

2. Basis and method for valuation of inventories

Real estate for sale:

Stated at cost using the specific identification method (the carrying amount is written down in case of a decline in profitability). Real estate for sale that is currently under lease is depreciated in the same way as property, plant and equipment.

Real estate for sale in process:

Stated at cost using the specific identification method (the carrying amount is written down in case of a decline in profitability).

Supplies:

Stated at cost using the last purchase price method.

3. Depreciation and amortization methods of non-current assets

Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis. The useful lives of major property, plant and equipment items are as follows:

Buildings and structures:2 to 47 years

Machinery and equipment: 2 to 17 years

Tools, furniture and fixtures: 2 to 20 years

Intangible assets

Intangible assets are amortized on a straight-line basis. Software for internal use is amortized over the period available for internal use (5 years).

Leased assets

Leased assets under finance lease that do not transfer ownership:

Leased assets under a finance lease that do not transfer ownership are depreciated using the straight-line method over the lease term with zero residual value.

Long-term prepaid expenses

Long-term prepaid expenses are mainly amortized on a straight-line basis.

4. Accounting policy for provisions

Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an estimated unrecoverable amount calculated based on the historical rate of credit loss for general receivables and determined in consideration of the recoverability of individual receivables for doubtful accounts and certain other receivables.

Provision for loss on sublease

For subleased properties that will likely continue to incur loss on sublease in future years under master leases, provision for loss on sublease is recorded at an amount of estimated losses in the next fiscal year and beyond.

5. Accounting policy for translating foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the balance sheet date, and exchange differences are recognized in profit or loss.

6. Accounting policy for revenues and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Standard") and other standards, and recognized revenue when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The amount of the consideration does not include any significant financing component.

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(i) Self-storage business and other operational services business

In the self-storage business and other operational services business, the Company is mainly engaged in the leasing of storage containers, self-storage units ("trunk rooms"), and other properties. Revenue arising from these operations is recognized based on contracts with customers in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

Revenue associated with the leasing of storage containers, trunk rooms, and other properties is recognized upon the fulfillment of the contractual terms when the performance obligation is deemed to have been satisfied. The consideration for such transactions is generally received in advance before the performance obligation is satisfied in accordance with the contractual terms. The amount of the consideration does not include any significant financing component.

Among revenue associated with the leasing operations, revenue from administrative fees (initial costs), renewal fees, and others is recognized over time on a straight-line basis as the performance obligation is satisfied, assuming the contractual period to be the period for satisfying the performance obligation.

As the electric power services and non-life insurance services are provided by third-party service providers, the Company's performance obligation is to arrange for these services to be provided by such providers, and, therefore, it is considered that the Company is acting as an agent in the transactions. For such transactions, revenue is recognized at the net amount of consideration received from the customer less the amount to be paid to the other party concerned.

(ii) Land rights consolidation business

In the land rights consolidation business, the Company is mainly engaged in the buying and selling of leaseholder rights and limited land rights. In these operations, the Company is obliged to deliver leaseholder rights or limited land rights to customers in accordance with real estate sale contracts or other agreements with customers. For such transactions, revenue is recognized at a point in time as control of the leaseholder rights or limited land rights is transferred to the customer upon delivery, and therefore, the performance obligation is satisfied. The consideration for such transactions is generally received in advance before the performance obligation is satisfied in accordance with the contractual terms. The amount of the consideration does not include any significant financing component.

7. Scope of funds in the non-consolidated statements of cash flows

The funds comprise cash in hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value with three months or less maturity from each acquisition date.

(Significant Accounting Estimates)

1. Valuation of inventories

(1) Amount recorded in the non-consolidated financial statements

(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Real estate for sale	4,993,920	5,949,327
Cost of sales (valuation loss)	99,429	178,305

(2) Information on significant accounting estimates for identified items

(i) Calculation method

Real estate for sale is valued at cost using the specific identification method (the carrying amount is written down in case of a decline in profitability). Real estate for sale that is currently under lease is depreciated in the same way as property, plant and equipment. If the net selling price is less than the carrying amount due to a decline in profitability or other reasons, the carrying amount is reduced to the net selling price, and the reduced amount is recognized as cost of sales (valuation loss).

(ii) Key assumptions

The key assumption used in the calculation of net selling price is an estimated sales amount based on a business plan, market price, historical experience, or other factors.

(iii) Impact on the non-consolidated financial statements for the next fiscal year

In the event that the conditions or assumptions on which such estimates are based vary due to changes in sales plans or the market environment and as a result of which the net selling price falls below the carrying amount, the Company may need to recognize valuation loss.

2. Impairment loss on non-current assets

(1) Amount recorded in the non-consolidated financial statements

(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Property, plant and equipment	21,851,991	24,236,420
Intangible assets	49,576	58,036
Impairment losses	14,641	33,464

Note: The figures for the fiscal year ended December 31, 2023 include property, plant and equipment of ¥18,558,203 thousand, intangible assets of ¥52,390 thousand, and impairment losses of ¥1,322 thousand related to the self-storage business (those for the fiscal year ended December 31, 2022 include property, plant and equipment of ¥16,951,177 thousand, intangible assets of ¥43,436 thousand, and impairment losses of ¥14,641 thousand related to the self-storage business). The total amount of property, plant and equipment and intangible assets related to the self-storage business accounts for 37.5% of total assets (37.2% for the fiscal year ended December 31, 2022).

(2) Information on significant accounting estimates for identified items

(i) Calculation method

Non-current assets are recorded in the non-consolidated balance sheets at cost less accumulated depreciation or amortization and accumulated impairment losses. In making accounting estimates for impairment of non-current assets, non-current assets are grouped based on individual properties (for the self-storage business, based on individual rental storage space locations (hereinafter, "self-storage property(ies)")), which are the smallest units of assets that generate cash flows. The Company assesses indications of impairment in cases, for example, when the operating profit of an asset or asset group has been or is expected to be continuously negative; when the Company decides to close an asset or asset group; when the business environment deteriorates significantly, or when the market price of its major asset plunges. When the Company identifies any indication of impairment, it conducts a test for recognizing impairment losses. If it is judged necessary to recognize an impairment of an asset, its carrying amount is reduced to the higher of its value in use and net selling price, and the reduced amount is recognized as impairment losses.

(ii) Key assumptions

The key assumptions used in the test for recognizing impairment losses and their measurement include future cash flows based on a business plan (such as rent setting for each rental room in a self-storage property and its utilization rate forecast based on historical experience) and appraisal by external real estate appraisers used in the calculation of net selling price (such as rent setting and utilization rate forecasts used in the forecasting of net operating income, which is the basis of the capitalization method).

(iii) Impact on the non-consolidated financial statements for the next fiscal year

In the event that the conditions and assumptions on which the estimates are based vary due to significant changes in the business environment or deterioration in revenues, an impairment loss may be incurred. Among non-current assets related to the self-storage business, the carrying amount of self-storage properties for which impairment losses were not recognized as of December 31, 2023, despite indications of impairment having been identified, totaled ¥161,817 thousand.

(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, the "Fair Value Measurement Guidance") since 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. This change does not affect the non-consolidated financial statements.

(Changes in Presentation)

Not applicable.

(Additional Information)

Not applicable.

(Non-Consolidated Balance Sheets)

*1. Changes in holding purpose

Due to changes in holding purposes, ¥514,504 thousand in land, ¥497,132 thousand in buildings, and ¥2,198 thousand in structures, which were previously held as property, plant and equipment, have been transferred to real estate for sale.

*2. Pledged assets and secured debts

Assets pledged as collateral are as follows:

(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)
Real estate for sale in process	142,168	351,674
Real estate for sale	660,256	1,235,226
Buildings	3,115,951	3,002,746
Land	4,886,525	5,086,980
Tools, furniture and fixtures	85,513	79,855
Construction in progress	–	157,932
Total	8,890,415	9,914,417

Secured debts are as follows:

(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)
Short-term borrowings	109,000	241,560
Current portion of long-term borrowings	499,085	686,499
Long-term borrowings	6,458,297	6,782,117
Total	7,066,383	7,710,176

*3. In order to finance its working capital efficiently, the Company has entered into overdraft agreements and loan commitment agreements with its correspondent banks (three banks and eight banks for the fiscal years ended December 31, 2022 and 2023, respectively).

The balances of undrawn facilities and other amounts under the overdraft agreements and loan commitment agreements at the end of the fiscal year are as follows:

(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)
Maximum overdraft limit and total loan commitments	1,300,000	3,690,000
Drawn facilities	431,511	1,538,338
Undrawn facilities	868,488	2,151,661

*4. Financial covenants

Fiscal year ended December 31, 2022

The outstanding long-term borrowings at the end of this fiscal year are subject to financial covenants as described below. If the Company breaches any clause of these covenants, the Company may be required to repay the outstanding borrowings at a time.

(1) Financial covenants for long-term borrowings of ¥960,115 thousand

(i) The borrower shall maintain the total amount of net assets in its non-consolidated balance sheets at the end of the fiscal year at 70% or more of that at the same time previous year.

(ii) The borrower shall not report operating losses in its non-consolidated statements of income at the end of the fiscal year.

(2) Financial covenants for long-term borrowings of ¥1,464,639 thousand

(i) The borrower shall maintain the total amount of net assets in its non-consolidated balance sheets at the end of the fiscal year at 75% or more of the higher of (a) total net assets on its non-consolidated balance sheets at the end of the fiscal year ended December 31, 2018; and (b) total net assets in its non-consolidated balance sheets at the end of the fiscal year ended immediately preceding the relevant fiscal year.

(ii) The borrower shall not report ordinary losses in its non-consolidated statements of income at the end of the fiscal year for two consecutive fiscal years.

Fiscal year ended December 31, 2023

The outstanding long-term borrowings at the end of this fiscal year are subject to financial covenants as described below. If the Company breaches any clause of these covenants, the Company may be required to repay the outstanding borrowings at a time.

(1) Financial covenants for long-term borrowings of ¥918,367 thousand

(i) The borrower shall maintain the total amount of net assets in its non-consolidated balance sheets at the end of the fiscal year at 70% or more of that at the same time previous year.

(ii) The borrower shall not report operating losses in its non-consolidated statements of income at the end of the fiscal year.

(2) Financial covenants for long-term borrowings of ¥1,382,013 thousand

(i) The borrower shall maintain the total amount of net assets in its non-consolidated balance sheets at the end of the fiscal year at 75% or more of the higher of (a) total net assets on its non-consolidated balance sheets at the end of the fiscal year ended December 31, 2018; and (b) total net assets in its non-consolidated balance sheets at the end of the fiscal year ended immediately preceding the relevant fiscal year.

(ii) The borrower shall not report ordinary losses in its non-consolidated statements of income at the end of the fiscal year for two consecutive fiscal years.

(3) Financial covenants for long-term borrowings of ¥675,870 thousand

(i) The borrower shall maintain the total amount of net assets in its non-consolidated balance sheets at the end of the fiscal year at 70% or more of that at the same time previous year.

(ii) The borrower shall not report operating losses in its non-consolidated statements of income at the end of the fiscal year for two consecutive fiscal years.

*5. The amounts of contract liabilities included in advances received and unearned revenue are provided in “Notes to Non-Consolidated Financial Statements, (Revenue Recognition), 3. Information for understanding the amount of revenue for current and subsequent fiscal years, (1) Balance of contract liabilities, etc.”

Non-Consolidated Statements of Income

*1. Revenue from contracts with customers

For net sales, the Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is provided in "Notes to Non-Consolidated Financial Statements, *Segment Information, etc.*, 3. Information on net sales, profit (loss), assets, liabilities and other items and information on disaggregate of revenue by reportable segment."

*2. Write-downs of inventories held for ordinary sales due to decline in profitability are as follows: (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)
Lease business expenses	30,030	45,270
Cost of real estate sales	69,399	133,034
Total	99,429	178,305

*3. The breakdown of gain on sale of non-current assets is as follows: (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)
Buildings	–	381
Tools, furniture and fixtures	17,163	11,471
Vehicles	–	932
Total	17,163	12,786

*4. The breakdown of loss on sale of non-current assets is as follows: (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)
Tools, furniture and fixtures	363	381
Total	363	381

*5. The breakdown of loss on retirement of non-current assets is as follows: (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)
Buildings	7,956	3,228
Structures	6,488	8,390
Tools, furniture and fixtures	20,977	6,572
Other	28	0
Total	35,450	18,190

*6. Impairment losses

Fiscal year ended December 31, 2022

The Company recognized impairment losses during the fiscal year as follows:

(1) Overview of major assets on which impairment losses were recognized

Use	Location	Type	Amount
Business assets	Hakodate-shi, Hokkaido, etc.	Buildings, tools, furniture and fixtures, structures, etc.	¥14,641 thousand

(2) Background of recognition of impairment losses

For the buildings, tools, furniture and fixtures, structures, etc., which are business assets, profit arising from operating activities has been or is expected to be continuously negative. Therefore, their carrying amounts were reduced to the recoverable amounts, and the reductions were recognized as impairment losses. The major components of the impairment losses were ¥278 thousand for buildings, ¥3,938 thousand for structures, ¥9,804 thousand for tools, furniture and fixtures, and ¥619 thousand for long-term prepaid expenses.

(3) Asset grouping method

The Company mainly groups its assets by property as the smallest unit that generates cash flows.

(4) Calculation method of recoverable amount

The recoverable amount is measured based on certain appraisal value or indicators considered to appropriately reflect the market value or value in use. The value in use is calculated by discounting the future cash flows from operating activities at a certain discount rate. However, if the future cash flows from operating activities are negative, the recoverable amount is calculated as zero.

Fiscal year ended December 31, 2023

The Company recognized impairment losses during the fiscal year as follows:

(1) Overview of major assets on which impairment losses were recognized

Use	Location	Type	Amount
Business assets	Taito-ku, Tokyo, etc.	Buildings, tools, furniture and fixtures, structures, etc.	¥33,464 thousand

(2) Background of recognition of impairment losses

For the buildings, tools, furniture and fixtures, structures, etc., which are business assets, profit arising from operating activities has been or is expected to be continuously negative. Therefore, their carrying amounts were reduced to the recoverable amounts, and the reductions were recognized as impairment losses. The major components of the impairment losses were ¥23,267 thousand for buildings, ¥108 thousand for structures, ¥9,886 thousand for tools, furniture and fixtures, and ¥201 thousand for long-term prepaid expenses.

(3) Asset grouping method

The Company mainly groups its assets by property as the smallest unit that generates cash flows.

(4) Calculation method of recoverable amount

The recoverable amount is measured based on certain appraisal value or indicators considered to appropriately reflect the market value or value in use. The value in use is calculated by discounting the future cash flows from operating activities at a certain discount rate. However, if the future cash flows from operating activities are negative, the recoverable amount is calculated as zero.

(Non-Consolidated Statements of Changes in Equity)

Fiscal year ended December 31, 2022

1. Class and total number of issued shares and class and number of treasury shares

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common shares (Shares)	12,940,900	–	–	12,940,900
Total	12,940,900	–	–	12,940,900
Treasury shares				
Common shares (Shares)	278,595	563	15,756	263,402
Total	278,595	563	15,756	263,402

Note: Overview of changes in the number of treasury shares during period

(1) Increase due to purchase of shares less than one unit: 563 shares

(2) Decrease due to disposal of treasury shares as restricted stock compensation: 15,696 shares

(3) Decrease due to the sale of shares less than one unit: 60 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividend (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 29, 2022	Common shares	595,128	47.0	December 31, 2021	March 30, 2022

(2) Of dividends with a record date falling in the fiscal year, those with an effective date falling in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2023	Common shares	Retained earnings	874,747	69.0	December 31, 2022	March 29, 2023

Fiscal year ended December 31, 2023

1. Class and total number of issued shares and class and number of treasury shares

	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common shares (Shares)	12,940,900	–	–	12,940,900
Total	12,940,900	–	–	12,940,900
Treasury shares				
Common shares (Shares)	263,402	4,816	10,893	257,325
Total	263,402	4,816	10,893	257,325

Note: Overview of changes in the number of treasury shares during period

(1) Increase due to purchase of shares less than one unit: 579 shares

(2) Increase due to acquisition without consideration as a result of the retirement of persons eligible for the restricted stock compensation plan: 4,237 shares

(3) Decrease due to disposal of treasury shares as restricted stock compensation: 10,893 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2023	Common shares	874,747	69.0	December 31, 2022	March 29, 2023

(2) Of dividends with a record date falling in the fiscal year, those with an effective date falling in the next fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 27, 2024	Common shares	Retained earnings	976,635	77.0	December 31, 2023	March 28, 2024

Note: Dividends per share include a commemorative dividend of ¥10.0 for the 20th anniversary of the Company’s stock listing.

(Non-Consolidated Statements of Cash Flows)

*1. Reconciliation of ending balance of cash and cash equivalents with account balances per non-consolidated balance sheets

(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 and deposit account	14,299,556	14,995,672
Time deposits with maturities exceeding three months and time deposits pledged as collateral	–	–
Cash and cash equivalents	14,299,556	14,995,672

*2. Significant non-cash transactions

(1) Assets and liabilities related to installment transactions recorded in association with the buyback of containers

(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)
Assets and liabilities related to installment transactions	71,450	–

(2) Recorded amount of significant asset retirement obligations

(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)
Significant asset retirement obligations	93,124	195,866

Note: The amount of asset retirement obligations has been presented separately from the fiscal year ended December 31, 2023 due to its increased quantitative materiality. To reflect this change in presentation, information for the fiscal year ended December 31, 2022 is also provided.

(Leases)

1. Operating leases (as lessee)

Future minimum lease payments under non-cancellable operating leases

(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)
Due within 1 year	1,153,017	818,669
Due after 1 year	3,555,979	3,077,229
Total	4,708,996	3,895,898

2. Finance leases (as lessor)

Non-ownership-transfer finance leases whose inception is prior to the beginning of the fiscal year of the initial application of the Accounting Standard for Lease Transactions

(1) Acquisition cost, accumulated depreciation, and ending balance of leased properties

(Thousand yen)

	For the fiscal year ended December 31, 2022 (As of December 31, 2022)		
	Acquisition cost	Accumulated depreciation	Balance at end of period
Buildings and structures and land	2,203,467	1,120,628	1,082,839
Tools, furniture and fixtures	3,111	3,110	0
Total	2,206,578	1,123,739	1,082,839

Note: Buildings and structures and land are combined and presented together due to their inseparability in real estate leases.

(Thousand yen)

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)		
	Acquisition cost	Accumulated depreciation	Balance at end of period
Buildings and structures and land	2,203,467	1,197,170	1,006,297
Tools, furniture and fixtures	3,111	3,110	0
Total	2,206,578	1,200,281	1,006,297

Note: Buildings and structures and land are combined and presented together due to their inseparability in real estate leases.

(2) Future minimum lease payments equivalent, etc.

Future minimum lease payments equivalent

(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)
Due within 1 year	158,790	169,388
Due after 1 year	1,403,695	1,234,306
Total	1,562,486	1,403,695

(3) Lease payments receivable, depreciation, interest receivable equivalent

(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)
Lease payments to be received	275,774	275,774
Depreciation	76,542	76,542
Interest income equivalent	126,656	116,983

(4) Calculation method of interest equivalent

Interest equivalent is allocated to each fiscal year using the interest method.

(Financial Instruments)

1. Status of financial instruments

(1) Policies on financial instruments

The Company finances necessary funds (mainly through bank borrowings) in light of its planned capital expenditures. The Company places importance on liquidity in its fund management to shorten the fund management period, thereby avoiding market risks as much as possible.

(2) Nature and risks of financial instruments

Trade receivables, such as accounts receivable - trade, are exposed to the credit risk of customers.

Investment securities mainly comprise shares related to businesses with business partners and are exposed to the risk of market price fluctuations.

Guarantee deposits paid for leased properties are exposed to the credit risk of business partners and other counterparties.

Trade payables, such as accounts payable - trade and accounts payable for construction contracts, are due within one year. Borrowings, bonds payable, and lease obligations under finance lease transactions are mainly intended to finance necessary funds for capital expenditures, and their repayment dates are in a maximum of 24 years after the balance sheet date. Some of these payables are subject to floating interest rates and thus are exposed to interest rate fluctuation risk. Long-term accounts payable - other mainly comprise payables related to the purchase of containers, and their payment dates are in a maximum of 10 years after the balance sheet date.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk of non-performance by counterparties)

For trade receivables and guarantee deposits, individual departments of the Company regularly monitor the status of major business partners to manage the due dates and balance for each business partner, while working to early identify and mitigate any doubtful recovery due to deterioration in financial conditions and other reasons.

(ii) Management of market risk (risk of exchange rate and interest rate fluctuations)

The Company regularly assesses, among other things, the fair value and financial conditions of the issuers (business partners) of investment securities and other securities to review their holding status in consideration of market conditions and relationships with the business partners on an ongoing basis.

(iii) Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Company manages its liquidity risk in a way that the accounting department prepares and updates cash flow plans in a timely manner based on reports from each department while maintaining liquidity on hand.

(4) Supplementary explanation on fair value of financial instruments

Because certain assumptions on fluctuations are used in the fair value measurement of financial instruments, the value may vary if different assumptions are applied.

2. Fair value of financial instruments

The non-consolidated balance sheet amount and fair value of financial instruments and their differences are as follows. Note that non-marketable shares and other securities are not included in the table below (refer to (Note 1)).

As of December 31, 2022

(Thousand yen)

	Non-consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	14,299,556	14,299,556	–
(2) Accounts receivable - trade	130,914	130,914	–
(3) Investment securities			
Available-for-sale securities	23,577	23,577	–
(4) Guarantee deposits	1,362,025	1,347,247	(14,777)
Total assets	15,816,074	15,801,296	(14,777)
(1) Accounts payable - trade	146,815	146,815	–
(2) Accounts payable - other	385,300	385,300	–
(3) Short-term borrowings	109,000	109,000	–
(4) Long-term borrowings (*1)	11,888,690	11,887,909	(780)
(5) Bonds payable (*2)	186,500	185,625	(874)
(6) Lease obligations (*3)	1,863,819	1,843,486	(20,333)
(7) Long-term accounts payable - other (*4)	2,929,656	2,907,449	(22,206)
(8) Guarantee deposits received	349,469	349,443	(26)
Total liabilities	17,859,251	17,815,030	(44,220)

(*1) The figures include current portion of long-term borrowings.
(*2) The figures include current portion of bonds payable.
(*3) The figures include current portion of lease obligations.
(*4) The figures include current portion of long-term accounts payable - other.

As of December 31, 2023

(Thousand yen)

	Non-consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	14,995,672	14,995,672	–
(2) Accounts receivable - trade	135,774	135,774	–
(3) Investment securities			
Available-for-sale securities	23,153	23,153	–
(4) Guarantee deposits	1,421,318	1,406,074	(15,243)
Total assets	16,575,918	16,560,675	(15,243)
(1) Accounts payable - trade	148,835	148,835	–
(2) Accounts payable for construction contracts	16,054	16,054	–
(3) Accounts payable - other	621,141	621,141	–
(4) Short-term borrowings	241,560	241,560	–
(5) Long-term borrowings (*1)	14,886,790	14,913,779	26,989
(6) Bonds payable (*2)	29,500	29,500	–
(7) Lease obligations (*3)	1,597,261	1,586,302	(10,958)
(8) Long-term accounts payable - other (*4)	2,220,903	2,206,911	(13,992)
(9) Guarantee deposits received	340,199	340,199	–
Total liabilities	20,102,245	20,104,284	2,038

(*1) The figures include current portion of long-term borrowings.
(*2) The figures include current portion of bonds payable.
(*3) The figures include current portion of lease obligations.
(*4) The figures include current portion of long-term accounts payable - other.

Note 1: Non-marketable shares and other securities are not included in "(3) Investment securities."
The non-consolidated balance sheet amounts of such financial instruments are as follows:

(Thousand yen)

Category	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)
Unlisted shares	1,030	0
Investments in private placement fund	105,389	–

Note 2: Redemption schedule of monetary receivables and securities with maturity after the balance sheet date

As of December 31, 2022

(Thousand yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	14,299,556	–	–	–
Accounts receivable - trade	130,914	–	–	–
Total	14,430,471	–	–	–

As of December 31, 2023

(Thousand yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	14,995,672	–	–	–
Accounts receivable - trade	135,774	–	–	–
Total	15,131,446	–	–	–

Note 3: Repayment schedule of long-term borrowings, bonds payable, and lease obligations after the balance sheet date

As of December 31, 2022

(Thousand yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	1,893,583	2,354,406	1,373,281	583,730	522,735	5,160,951
Bonds payable	157,000	29,500	–	–	–	–
Lease obligations	289,015	289,563	291,285	294,013	297,954	401,987
Total	2,339,598	2,673,469	1,664,567	877,744	820,690	5,562,939

As of December 31, 2023

(Thousand yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term borrowings	2,578,006	2,392,987	1,180,069	689,022	980,498	7,066,205
Bonds payable	29,500	–	–	–	–	–
Lease obligations	293,146	294,079	296,830	300,796	297,886	114,522
Total	2,900,652	2,687,067	1,476,900	989,819	1,278,385	7,180,727

3. Breakdown of the fair value of financial instruments by appropriate classification

Fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used in the fair value measurement.

Level 1: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2: Fair value measured using observable inputs other than Level 1 inputs

Level 3: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(i) Financial instruments measured at fair value

As of December 31, 2022

Category	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities	23,577	–	–	23,577
Total assets	23,577	–	–	23,577

As of December 31, 2023

Category	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities	23,153	–	–	23,153
Total assets	23,153	–	–	23,153

(ii) Financial instruments other than those measured at fair value

As of December 31, 2022

Category	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	–	1,347,247	–	1,347,247
Total assets	–	1,347,247	–	1,347,247
Long-term borrowings	–	11,887,909	–	11,887,909
Bonds payable	–	185,625	–	185,625
Lease obligations	–	1,843,486	–	1,843,486
Long-term accounts payable - other	–	2,907,449	–	2,907,449
Guarantee deposits received	–	349,443	–	349,443
Total liabilities	–	17,173,914	–	17,173,914

As of December 31, 2023

Category	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	–	1,406,074	–	1,406,074
Total assets	–	1,406,074	–	1,406,074
Long-term borrowings	–	14,913,779	–	14,913,779
Bonds payable	–	29,500	–	29,500
Lease obligations	–	1,586,302	–	1,586,302
Long-term accounts payable - other	–	2,206,911	–	2,206,911
Guarantee deposits received	–	340,199	–	340,199
Total liabilities	–	19,047,193	–	19,047,193

Note: Description of the valuation techniques and inputs used in the fair value measurement and matters concerning securities

Available-for-sale securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Guarantee deposits

The fair value of guarantee deposits is measured using the present value of their future cash flows discounted at a government bond yield based on a reasonably estimated redemption date, and is classified as Level 2.

Long-term borrowings (including current portion)

The fair value of long-term borrowings is measured using the present value of the total principal and interest discounted at an interest rate that would be applied if similar new borrowings were to be made, and is classified as Level 2.

Bonds payable

The fair value of bonds payables issued by the Company is measured using the present value of the total principal and interest discounted at an interest rate that would be applied if a similar new issuance were to be made, and is classified as Level 2.

Lease obligations

The fair value of lease obligations is measured using the present value of the total principal and interest discounted at an interest rate that would be applied to similar leases, and is classified as Level 2.

Long-term accounts payable - other

The fair value of long-term accounts payable - other is measured using the present value of their future cash flows discounted at a government bond yield based on a reasonably estimated payment date, and is classified as Level 2.

Guarantee deposits received

The fair value of guarantee deposits received is measured using the present value of their future cash flows discounted at a government bond yield based on a reasonably estimated redemption date, and is classified as Level 2.

(Securities)

1. Available-for-sale securities

As of December 31, 2022

(Thousand yen)

Category	Non-consolidated balance sheet amount	Acquisition cost	Difference
Securities whose non-consolidated balance sheet amount exceeds the acquisition cost			
Equity securities	23,446	6,008	17,437
Subtotal	23,446	6,008	17,437
Securities whose non-consolidated balance sheet amount does not exceed the acquisition cost			
Equity securities	131	171	(40)
Subtotal	131	171	(40)
Total	23,577	6,180	17,397

Note: Unlisted shares and other securities (non-consolidated balance sheet amount: ¥106,419 thousand in investment securities) are not included in “Available-for-sale securities” in the table above as they are non-marketable shares and other securities.

As of December 31, 2023

(Thousand yen)

Category	Non-consolidated balance sheet amount	Acquisition cost	Difference
Securities whose non-consolidated balance sheet amount exceeds the acquisition cost			
Equity securities	23,153	6,180	16,973
Subtotal	23,153	6,180	16,973
Securities whose non-consolidated balance sheet amount does not exceed the acquisition cost			
Equity securities	–	–	–
Subtotal	–	–	–
Total	23,153	6,180	16,973

Note: Unlisted shares and other securities (non-consolidated balance sheet amount: ¥0 thousand in investment securities) are not included in “Available-for-sale securities” in the table above as they are non-marketable shares and other securities.

2. Available-for-sale securities sold during the fiscal year

Fiscal year ended December 31, 2022

Not applicable.

Fiscal year ended December 31, 2023

(Thousand yen)

Category	Proceeds from sale	Total gain on sale	Total loss on sale
Equity securities	23,000	21,970	–
Total	23,000	21,970	–

(Derivatives)

1. Derivatives to which hedge accounting is not applied

Not applicable.

2. Derivatives to which hedge accounting is applied

(1) Currency-related derivatives

As of December 31, 2022

Not applicable.

As of December 31, 2023

Not applicable.

(2) Interest rate-related derivatives

As of December 31, 2022

Not applicable.

As of December 31, 2023

Not applicable.

(Stock Options, etc.)

(Stock options)

Not applicable.

(Restricted stock compensation)

Of the transactions that grant shares as compensation for directors, etc., description and scale of advance delivery-type restricted stock compensation and changes therein

(1) Description and scale of restricted stock compensation and changes therein

	1st Series Restricted Stock Compensation	2nd Series Restricted Stock Compensation
Title and number of grantees	3 directors of the Company (excluding outside directors)	5 directors of the Company (excluding outside directors)
Class and number of shares granted	32,690 common shares	15,696 common shares
Grant date	May 21, 2021	May 20, 2022
Transfer restriction period	May 21, 2021 to May 20, 2026	May 20, 2022 to May 19, 2027
Conditions for cancelling the transfer restriction	The transfer restriction will be canceled on all of the restricted shares held by the grantees on the date of maturation of the transfer restriction period, on condition that the grantees were either directors or employees of the Company continuously during the transfer restriction period.	The transfer restriction will be canceled on all of the restricted shares held by the grantees on the date of maturation of the transfer restriction period, on condition that the grantees were either directors or employees of the Company continuously during the transfer restriction period.

	3rd Series Restricted Stock Compensation
Title and number of grantees	4 directors of the Company (excluding outside directors)
Class and number of shares granted	10,893 common shares
Grant date	May 19, 2023
Transfer restriction period	May 19, 2023 to May 18, 2028
Conditions for cancelling the transfer restriction	The transfer restriction will be canceled on all of the restricted shares held by the grantees on the date of maturation of the transfer restriction period, on condition that the grantees were either directors or employees of the Company continuously during the transfer restriction period.

(2) Scale of restricted stock compensation and changes therein

(i) Amount recorded as expenses for restricted stock compensation and line items in which such expenses are recorded

(Thousand yen)

	1st Series Restricted Stock Compensation	2nd Series Restricted Stock Compensation	3rd Series Restricted Stock Compensation
Remuneration for directors (and other officers) under selling, general and administrative expenses	6,855	4,363	3,539

(ii) Number of shares

(Shares)

	1st Series Restricted Stock Compensation	2nd Series Restricted Stock Compensation	3rd Series Restricted Stock Compensation
As of December 31, 2022	32,690	15,696	–
Granted	–	–	10,893
Forfeited	2,448	1,789	–
Vested	–	–	–
Outstanding of unvested shares	30,242	13,907	10,893

(iii) Unit price information

(Yen)

	1st Series Restricted Stock Compensation	2nd Series Restricted Stock Compensation	3rd Series Restricted Stock Compensation
Fair unit value as of grant date	1,111	1,520	2,437

(3) Estimation method of fair unit value

The fair unit value is the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the date of resolution of the Board of Directors.

(4) Estimation method for the number of shares to be vested

Since it is generally difficult to reasonably estimate the number of advance delivery-type restricted shares to be forfeited in the future, the Company has adopted a method that reflects only the actual number of shares forfeited.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities (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)
Deferred tax assets:		
Allowance for doubtful accounts	200,731	201,610
Impairment loss on non-current assets	458,812	427,249
Excess over depreciation limit	730,773	656,977
Asset retirement obligations	306,360	363,758
Unearned revenue	556,278	475,350
Provision for loss on sublease	6,476	6,689
Other	116,331	159,767
Subtotal of deferred tax assets	2,375,763	2,291,403
Valuation allowance	(306,039)	(327,743)
Total deferred tax assets	2,069,724	1,963,660
Deferred tax liabilities:		
Retirement cost corresponding to asset retirement obligations	(142,406)	(181,500)
Valuation difference on available-for-sale securities	(5,339)	(5,197)
Total deferred tax liabilities	(147,745)	(186,697)
Net deferred tax assets	1,921,978	1,776,962

2. Reconciliation of significant difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	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)
Effective statutory tax rate	30.6%	The note is omitted as the difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting is 5% or less.
Adjustments:		
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.6%	
Inhabitant tax on per capita basis	0.3%	
Changes in valuation allowance	0.4%	
Income taxes - refund	(6.1)%	
Other	(0.4)%	
Actual effective tax rate after applying tax effect accounting	25.3%	

(Asset retirement obligations)

Asset retirement obligations recorded in the non-consolidated balance sheets

(1) Overview of the asset retirement obligations

These obligations include obligations to restore the original state related to the asphalt pavement, interior, and signs of properties in the self-storage business and such obligations under real estate lease contracts in the office business.

(2) Calculation method of the asset retirement obligations

The amount of the asset retirement obligations is calculated by estimating the expected use period of the relevant asset to be 2 to 31 years according to its useful life and using a government bond yield of 0.19% to 2.19% corresponding to the expected use period as a discount rate.

(3) Changes in the total amount of the asset retirement obligations

(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)
Balance at beginning of period	925,829	1,000,523
Increase due to purchase of property, plant and equipment	93,124	195,866
Adjustments due to passage of time	8,094	7,895
Decrease due to fulfillment of asset retirement obligations	(26,525)	(16,308)
Balance at end of period	1,000,523	1,187,976

(Rental Properties)

The Company owns office buildings, commercial facilities, and other properties for lease in Tokyo and other areas as well as in the U.S. for the purpose of obtaining rental income. Some of these properties are regarded as real estate including space used as rental properties since they are used by the Company. Rental income and expenses related to real estate including such real estate including space used as rental properties for the fiscal year ended December 31, 2023 amounted to ¥709,354 thousand (rental income was recorded in net sales and major rental expenses in cost of sales). Rental income excludes that from real estate including spaces used as rental properties that were used by the Company for service provision and business administration purposes.

The non-consolidated balance sheet amounts of these rental properties and real estate including space used as rental properties and changes therein during the fiscal year, and the fair value at the balance sheet date and fair value measurement method thereof are as follows:

(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)
Rental properties	Non-consolidated balance sheet amount	Balance at beginning of period	13,205,457	13,261,803
		Changes during period	56,345	393,557
		Balance at end of period	13,261,803	13,655,361
	Fair value at end of period		15,122,049	16,413,943
Real estate including space used as rental properties	Non-consolidated balance sheet amount	Balance at beginning of period	321,526	313,833
		Changes during period	(7,693)	(7,639)
		Balance at end of period	313,833	306,194
	Fair value at end of period		347,097	337,291

Notes: 1. The non-consolidated balance sheet amount represents the amount of cost less accumulated depreciation or amortization and accumulated impairment losses.

2. Major changes

The increase was mainly attributable to the acquisition of land of ¥498,523 thousand, the acquisition of buildings of ¥986,133 thousand, and an increase in construction in progress of ¥258,206 thousand. The decrease was mainly attributable to the transfer to real estate for sale due to changes in holding purpose (land of ¥514,504 thousand, buildings of ¥497,132 thousand, and structures of ¥2,198 thousand) and depreciation of ¥299,144 thousand.

3. Fair value measurement method

The fair value is measured based mainly on an appraisal by external real estate appraisers and the assessed value of fixed assets (including those adjusted using relevant indicators).

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

Information on the disaggregation of revenue from contracts with customers is as provided in "Notes to Non-Consolidated Financial Statements, (Segment Information, etc.)"

Net sales reported in this note include revenue under the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007), etc., in addition to revenue from contracts with customers.

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as provided in "Notes to Non-Consolidated Financial Statements, (Significant Accounting Policies), 6. Accounting policy for revenues and expenses."

3. Information for understanding the amount of revenue for the current and subsequent fiscal years

Fiscal year ended December 31, 2022

(1) Balance of contract liabilities, etc.

The beginning and ending balances of contract liabilities are as follows:

(Thousand yen)

	For the fiscal year ended December 31, 2022
Contract liabilities (beginning balance)	332,819
Contract liabilities (ending balance)	351,593

Contract liabilities are recorded in "Unearned revenue" and "Advances received" in the non-consolidated balance sheets.

The main components of contract liabilities are administrative fees (initial costs) and renewal fees for which the performance obligations have not been fulfilled as of the end of the fiscal year.

Of the revenue recognized for the fiscal year ended December 31, 2022, the amount included in the beginning balance of contract liabilities was ¥327,262 thousand.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to remaining performance obligations and the time frame the Company expects to recognize the amount as revenue is as follows:

(Thousand yen)

	For the fiscal year ended December 31, 2022
Within 1 year	345,937
Over 1 year	5,655
Total	351,593

Fiscal year ended December 31, 2023

(1) Balance of contract liabilities, etc.

The beginning and ending balances of contract liabilities are as follows:

(Thousand yen)

	For the fiscal year ended December 31, 2023
Contract liabilities (beginning balance)	351,593
Contract liabilities (ending balance)	366,370

Contract liabilities are recorded in "Unearned revenue" and "Advances received" in the non-consolidated balance sheets.

The main components of contract liabilities are administrative fees (initial costs) and renewal fees for which the performance obligations have not been fulfilled as of the end of the fiscal year.

Of the revenue recognized for the fiscal year ended December 31, 2023, the amount included in the beginning balance of contract liabilities was ¥346,121 thousand.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to remaining performance obligations and the time frame the Company expects to recognize the amount as revenue is as follows:

(Thousand yen)

	For the fiscal year ended December 31, 2023
Within 1 year	361,983
Over 1 year	4,387
Total	366,370

(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. Calculation methods of net sales, profit (loss), assets, liabilities and other items by reportable segment

Accounting methods of reportable segments are generally identical to those described in (Significant Accounting Policies).

3. Information on net sales, profit (loss), assets, liabilities and other items and information on disaggregate of revenue 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						
Leasing	15,376,975	68,200	1,312,113	16,757,288	–	16,757,288
Real estate sales	583,096	3,042,385	–	3,625,482	–	3,625,482
Contract construction	53,504	–	–	53,504	–	53,504
Other	353,066	163	88,541	441,771	–	441,771
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. The corporate expenses are mainly expenses related to administrative departments.
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. The corporate assets are mainly assets related to administrative departments.
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 financial statements
	Self-storage business	Land rights consolidation business	Other operational services business	Subtotal		
Net sales						
Leasing	16,342,263	79,889	1,329,987	17,752,139	–	17,752,139
Real estate sales	745,378	3,542,062	–	4,287,440	–	4,287,440
Contract construction	9,754	–	–	9,754	–	9,754
Other	326,053	1,237	86,951	414,241	–	414,241
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 administrative departments.
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 administrative departments.
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 exceeded 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 exceeded 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 exceeded 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 exceeded 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)

1. Associates

The Company has no associates subject to disclosure.

2. Special purpose companies subject to disclosure

(i) Overview of special purpose companies subject to disclosure and summary of transactions using such companies

In the self-storage business, the Company is engaged in a business selling small-lot real estate products (voluntary partnership type) under the Act on Specified Joint Real Estate Ventures and uses voluntary partnerships as part of the structure of this business.

In this business, an investor in a small-lot product enters into an agreement with a voluntary partnership to participate in a specified joint real estate venture and makes an in-kind or cash contribution in the venture. The voluntary partnership is structured for the purpose of receiving the distribution of profits or losses arising from real estate purchased through in-kind contributions or by cash. Any rental income and expenses, gains and losses on sale, and other income and expenses of the relevant real estate are attributed to the investors.

Under the voluntary partnership agreement, the Company has received managing partner fees as compensation for serving as a managing partner. In addition, the Company has been collectively entrusted with the management of the subject real estate properties by the voluntary partnership and received compensation for such service. In the case of cash contribution type, real estate is transferred between the Company and the voluntary partnership.

The latest financial position for the fiscal year under review is as follows:

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)
Number of special purpose companies	2 partnerships
Total assets at the most recent balance sheet date (simple aggregation)	¥219,543 thousand
Total liabilities at the most recent balance sheet date (simple aggregation)	¥66 thousand

(ii) Transaction amounts with special purpose companies subject to disclosure

(Thousand yen)

	Transaction amount	Item	Amount
Real estate transfers (Note 1)	204,341	Net sales	204,341
Managing partner fees (Note 2)	105	Net sales	105
Rent expenses (Note 3)	2,120	Cost of sales	2,120

Notes:
1. The amount of real estate transfers is stated at the transfer price at the time of transfer. The amount of real estate transfers is included in net sales in the non-consolidated statements of income.
2. The amount of managing partner fees is calculated as a designated percentage of the rental income from the relevant real estate properties. The amount of managing partner fees is included in net sales in the non-consolidated statements of income.
3. Rent expenses represent those for space used by the Company of the relevant real estate properties. The amount of rent expenses is included in cost of sales in the non-consolidated statements of income.
4. In transactions other than the above, income was accrued from management commission fees and other sources. However, this information is omitted as its transaction amount was immaterial.

Related Parties

Not applicable.

(Per Share Information)

	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 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	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)
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 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)

(Business combination through acquisition)

The Company, at a meeting of the Board of Directors held on September 22, 2023, decided to acquire shares in LIFULL SPACE Co., Ltd. (hereinafter, "LIFULL SPACE") and make the company a subsidiary, and entered into a share transfer agreement accordingly. Under the said agreement, the Company acquired all the shares in LIFULL SPACE, having February 29, 2024 as the execution date of the share transfer.

1. Outline of the business combination

(1) Name of the acquired company and description of its business

Name of the acquired company	LIFULL SPACE Co., Ltd.
Description of Business	Operation of the "LIFULL Trunk Room" self-storage search site, and handling of the "Anshin Trunk Room Guarantee" delinquency guarantee specifically for self-storage

(2) Major reason for the business combination

The Company has "Hello Storage" self-storage locations throughout Japan, with a total of 101,379 self-storage units (as of the end of December 2023). Based on its management philosophy of "Provide Convenience, Joy, and Excitement," to expand the network of nearby and convenient self-storage locations nationwide, the Company included acceleration of openings of Hello Storage self-storage locations as part of its Medium-term Business Plan 2023–2025 announced on February 14, 2023. In addition to contributing to the development of the self-storage market in Japan, this acquisition is expected to further enhance the accuracy of new self-storage location openings in the future by utilizing data possessed by the Company combined with the expertise accumulated by LIFULL SPACE through the operation of its LIFULL Trunk Room self-storage search site. Further, as LIFULL SPACE is an IT company, by utilizing its system development and technical capabilities, the Company expects to strengthen the IT and digital aspects of its management foundation, enhance the efficiency of systems related to Hello Storage, and improve the accuracy of its database. As a result of comprehensive consideration of these factors, the Company determined that the acquisition would benefit the Company's growth over the medium to long term and enhance its corporate value and decided to acquire the shares.

(3) Date of the business combination

February 29, 2024

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of company after the business combination

Japan Trunkroom Co., Ltd.

(6) Ratio of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company is the acquiring company because it acquired the shares in exchange for cash.

2. Acquisition cost of the acquired company and its breakdown by type of consideration

Consideration for the acquisition	Cash and deposits	¥1,150,000 thousand
Acquisition cost		¥1,150,000 thousand

3. Details and amount of major acquisition-related expenses

Due diligence expenses, etc.: ¥3,001 thousand

4. Amount of goodwill to be recognized, reason for recognition, and amortization method and period

The details have yet to be determined.

5. Amounts of assets acquired and liabilities assumed at the date of the business combination and their main components

The details have yet to be determined.

(v) Annexed Detailed Schedules

Annexed Detailed Schedule of Property, Plant and Equipment, etc. (Thousand yen)

Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation or amortization at end of period	Accumulated impairment at end of period	Depreciation and amortization for period	Net balance at end of period
Property, plant and equipment								
Buildings	9,532,734	1,309,303	633,364	10,208,674	3,330,391	583,136	412,834 [23,267]	6,295,145
Structures	2,505,857	501,826	42,460	2,965,224	1,078,319	679,691	162,127 [108]	1,207,213
Machinery and equipment	25,679	–	3,367	22,311	7,238	198	1,374	14,874
Vehicles	5,656	19,902	5,056	20,502	2,880	–	3,065	17,622
Tools, furniture and fixtures	7,358,853	2,228,695	30,773	9,556,775	2,477,931	250,617	530,499 [9,886]	6,828,225
Land	8,148,844	498,523	514,504	8,132,863	–	–	–	8,132,863
Leased assets	3,062,119	22,956	41,929	3,043,146	1,477,576	124,998	30,387	1,440,571
Construction in progress	79,030	5,144,018	4,923,145	299,903	–	–	–	299,903
Total property, plant and equipment	30,718,776	9,725,226	6,194,600	34,249,402	8,374,339	1,638,642	1,140,287 [33,262]	24,236,420
Intangible assets								
Trademark right	3,693	3,037	–	6,730	3,259	–	509	3,470
Software	464,906	34,116	16,346	482,676	266,227	163,574	11,727	52,874
Other	2,457	–	–	2,457	765	–	110	1,691
Total intangible assets	471,056	37,153	16,346	491,863	270,253	163,574	12,347	58,036
Long-term prepaid expenses	113,244	18,532	21,141	110,635	47,841	9,534	22,318 [201]	53,259

Notes: 1. The figures shown in square brackets under the column "Depreciation and amortization for period" represent the amounts of impairment losses recognized.

2. The major components of increase during period are as follows:

Buildings	Acquisition thorough construction, etc.	¥1,309,303 thousand
Structures	Exterior construction, etc.	¥501,826 thousand
Tools, furniture and fixtures	Storage containers, etc.	¥2,228,695 thousand
Land	Purchase of real estate	¥498,523 thousand

3. The major components of decrease during period are as follows:

Buildings	Transfer to real estate for sale due to changes in holding purpose	¥497,132 thousand
Land	Transfer to real estate for sale due to changes in holding purpose	¥514,504 thousand

Annexed Detailed Schedule of Corporate Bonds

Issue	Date of issue	Balance at beginning of period (Thousand yen)	Balance at end of period (Thousand yen)	Interest rate (%)	Security	Redemption date
6th Series Unsecured Bond	March 31, 2017	86,500	29,500 [29,500]	0.28	–	March 29, 2024
7th Series Unsecured Bond	September 28, 2018	100,000	–	0.37	–	September 28, 2023
Total	–	186,500	29,500 [29,500]	–	–	–

Notes: 1. The figures shown in square brackets under the column "Balance at end of period" represent the amounts of current portion of bonds payable.

2. Total amount of scheduled redemption for each year within five years after the balance sheet date

(Thousand yen)

Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
29,500	–	–	–	–

Annexed Detailed Schedule of Borrowings

Category	Balance at beginning of period (Thousand yen)	Balance at end of period (Thousand yen)	Average interest rate (%)	Repayment due
Short-term borrowings	109,000	241,560	–	–
Current portion of long-term borrowings	1,893,583	2,578,006	0.99	–
Current portion of lease obligations	289,015	293,146	0.92	–
Long-term borrowings (excluding current portion)	9,995,107	12,308,784	1.05	January 2025 to June 2047
Lease obligations (excluding current portion)	1,574,804	1,304,115	0.94	January 2025 to June 2031
Other interest-bearing debt	–	–	–	–
Total	13,861,510	16,725,611	–	–

Notes: 1. "Average interest rate" represents the weighted average rate applicable to the ending balance of borrowings, etc.

2. The annual repayment schedule of long-term borrowings and lease obligations (excluding current portion) within five years after the balance sheet date is as follows:

(Thousand yen)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	2,392,987	1,180,069	689,022	980,498
Lease obligations	294,079	296,830	300,796	297,886

Annexed Detailed Schedule of Provisions

(Thousand yen)

Category	Balance at beginning of period	Increase during period	Decrease during period (intended use)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts	655,556	36,015	16,933	16,209	658,428
Provision for loss on sublease	21,149	21,846	–	21,149	21,846

Notes: 1. The amount of "Decrease during period (other)" in allowance for doubtful accounts of ¥16,209 thousand represents the amount of reversal due to revaluation and reversal due to collection.

2. The amount of "Decrease during period (other)" in provision for loss on sublease of ¥21,149 thousand represents the amount of reversal due to revaluation and reversal due to an improvement in the estimated loss.

Annexed Detailed Schedule of Asset Retirement Obligations

(Thousand yen)

Category	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Restoration obligations under real estate lease contracts	981,323	203,761	16,308	1,168,776
Ordinance on Prevention of Health Impairment due to Asbestos	19,200	–	–	19,200

(2) Components of Major Assets and Liabilities

a. Assets

A. Cash and deposits

Category		Amount (Thousand yen)
Cash		530
Deposits	Ordinary deposits	14,993,925
	Deposits at notice	1,216
	Subtotal	14,995,142
Total		14,995,672

B. Accounts receivable - trade

(A) Breakdown by counterparty

Counterparty	Amount (Thousand yen)
Orient Corporation	2,177
SUMiTAS PARTNER Co., Ltd.	2,603
GREENS Co., LTD.	2,066
ICOM, Inc.	1,323
Seinen Kyogikai	832
Other	126,771
Total	135,774

(B) Accrual, collection, and overdue status of accounts receivable - trade

Balance at beginning of period (Thousand yen) (A)	Amount accrued during period (Thousand yen) (B)	Amount collected during period (Thousand yen) (C)	Balance at end of period (Thousand yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100$	Overdue period (Days) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
130,914	20,422,564	20,417,705	135,774	99.33	2.38

C. Real estate for sale

Breakdown	Units	Amount (Thousand yen)	Land area
Self-storage (Building)	15	1,910,345	–
Limited land rights and vacant land (Plot)	188	3,809,436	[21,557.11] m^2
Apartments and condominiums (Building)	2	229,545	–
Total	205	5,949,327	[21,557.11] m^2

Notes: 1. The figure under the column "Units" for "Limited land rights and vacant land (Plot)" represents the number of plots. Such figure for "Apartments and condominiums (Building)" represents the number of buildings.
2. The amounts of "Self-storage" and "Apartments and condominiums" show the sum of the amounts of land and buildings, and the land area of said properties are not provided.
3. Among real estate for sale, the breakdown of limited land rights and vacant land by location is as follows:

Breakdown	Units	Amount (Thousand yen)	Land area
Tokyo	166	3,583,120	[17,612.55] m^2
Kanagawa	12	178,241	[2,110.29] m^2
Other	10	48,075	[1,834.27] m^2
Total	188	3,809,436	[21,557.11] m^2

D. Real estate for sale in process

Breakdown	Units	Amount (Thousand yen)
Land for self-storage business	6	211,642
Buildings for self-storage business	7	140,460
Total	13	352,103

E. Supplies

Breakdown	Amount (Thousand yen)
Keys	11,793
Giveaway items, etc.	7,849
Total	19,643

F. Distressed receivables

Counterparty	Amount (Thousand yen)
CARCOM Co., Ltd.	353,827
GCOM Co., Ltd.	149,518
GRL Co., Ltd.	96,287
Sun Seibu Entertainment Co., Ltd.	18,942
Burning Bear Partners Co., Ltd.	10,000
Other	3,297
Total	631,872

G. Guarantee deposits

Counterparty	Amount (Thousand yen)
NTT Urban Development Corporation	127,958
OHMI Railway Co., Ltd.	30,000
Tanasa Co., Ltd.	24,189
Lioestate Co., Ltd.	24,154
Marunouchi Tatemono Co., Ltd.	24,000
Other	1,191,016
Total	1,421,318

H. Deferred tax assets

For details, please refer to “V. Financial Information, 2. Non-Consolidated Financial Statements, etc., (1) Non-Consolidated Financial Statements, Notes to Non-Consolidated Financial Statements, (Tax Effect Accounting).”

b. Liabilities

A. Accounts payable - trade

Counterparty	Amount (Thousand yen)
PAPANETS Co., Ltd.	42,124
INVOICE INC.	17,896
ATLUS CO., LTD.	8,277
Nikke Corporation	5,988
CENTRAL SECURITY PATROLS CO., LTD.	5,680
Other	68,867
Total	148,835

B. Bonds payable

Category	Amount (Thousand yen)
6th Series Unsecured Bond	29,500
Total	29,500

Note: The figures include current portion of bonds payable.

C. Long-term borrowings

Counterparty	Amount (Thousand yen)
Kiraboshi Bank, Ltd.	3,415,364
The Chiba Bank, Ltd.	2,205,078
Resona Bank, Limited	1,842,876
The Musashino Bank, Ltd.	924,914
Johoku Shinkin BANK	811,280
Other	5,687,278
Total	14,886,790

Note: The figures include current portion of long-term borrowings.

D. Long-term accounts payable - other

Counterparty	Amount (Thousand yen)
Tokyu Corporation	143,289
Fuji International Exchange Center Corporation	92,682
Link Trust KK	60,313
Tamagawa Eizai Co., Ltd.	59,732
NICHIEI METAL PRODUCTTS‘CO., LTD.	58,834
Other	1,031,047
Total	1,445,900

(3) Other Information

Quarterly information for the fiscal year ended December 31, 2023

(Quarterly cumulative period)		First three months	First six months	First nine months	Full year
Net sales	(Thousand yen)	5,088,855	11,184,132	17,096,113	22,463,576
Profit before income taxes	(Thousand yen)	1,013,842	2,236,509	3,384,965	4,070,781
Profit	(Thousand yen)	695,755	1,544,048	2,338,566	2,821,439
Basic earnings per share	(Yen)	54.88	121.79	184.43	222.50

(Fiscal period)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	(Yen)	54.88	66.91	62.64	38.07

VI. Outline of Stock-Related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	Within three months from the day after the last day of each fiscal year
Record date	December 31
Record date of dividends of surplus	June 30 and December 31
Number of shares constituting one unit	100 shares
Purchase or additional purchase of shares of less than one unit Handling office Shareholder register administrator Forwarding office Purchase or additional purchase fee	 Special account: Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Special account: Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo – Separately specified amount equivalent to share trading brokerage fees
Method of public notice	The Company will post public notices in an electronic format. However, if an electronic format is not available due to an accident or any other unavoidable reason, public notices shall be given in the Nihon Keizai Shimbun. URL for the Company's public notices: https://www.arealink.co.jp/en/
Special benefits for shareholders	Not applicable.

Note: It is stipulated that a shareholder of the Company may not exercise any rights other than those listed below with respect to shares of less than one unit held by such shareholder:

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act;

(2) Rights to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act; and

(3) Right to receive an allocation of shares for subscription or share acquisition rights for subscription in proportion to the number of shares held by the shareholder.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company.

2. Other Reference Information

From the beginning of the fiscal year ended December 31, 2023 until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report, Attached Documents, and Confirmation Letter Thereof

Filed for the 28th fiscal year ended December 31, 2022 (from January 1 to December 31, 2022) with the Director-General of the Kanto Local Finance Bureau on March 29, 2023.

(2) Internal Control Report and Attached Documents Thereof

Filed for the 28th fiscal year ended December 31, 2022 (from January 1 to December 31, 2022) with the Director-General of the Kanto Local Finance Bureau on March 29, 2023.

(3) Quarterly Securities Report and Confirmation Letter Thereof

Filed for the first quarter (from January 1 to March 31, 2023) of the 29th fiscal year ended December 31, 2023 with the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

Filed for the second quarter (from April 1 to June 30, 2023) of the 29th fiscal year ended December 31, 2023 with the Director-General of the Kanto Local Finance Bureau on August 8, 2023.

Filed for the third quarter (from July 1 to September 30, 2023) of the 29th fiscal year ended December 31, 2023 with the Director-General of the Kanto Local Finance Bureau on November 9, 2023.

(4) Extraordinary Report

Filed an Extraordinary Report pursuant to the provisions of Article 19, Paragraph 2, Item (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (results of the exercise of voting rights at the General Meeting of Shareholders) with the Director-General of the Kanto Local Finance Bureau on March 29, 2023.

(5) Amendment Report for Annual Securities Report and Confirmation Letter Thereof

Filed for the 28th fiscal year ended December 31, 2022 (from January 1 to December 31, 2022) with the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

(6) Amendment Report for Quarterly Securities Report and Confirmation Letter Thereof

Filed for the first quarter (from January 1 to March 31, 2022) of the 28th fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

Filed for the second quarter (from April 1 to June 30, 2022) of the 28th fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

Filed for the third quarter (from July 1 to September 30, 2022) of the 28th fiscal year ended December 31, 2022 with the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

Part II Information about Reporting Company's Guarantor, etc.

Not applicable.

NOTE TO READERS:
The following is an English translation of the Independent Auditor's Report and Internal Control Audit Report originally issued in the Japanese language as required by the Financial Instruments and Exchange Act of Japan for the convenience of the reader. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Independent Auditor's Report and Internal Control Audit Report

March 27, 2024

To the Board of Directors of Arealink Co., Ltd.

Grant Thornton Taiyo LLC, Tokyo Office

Designated Limited Liability Partner, Engagement Partner	Yoichi Honma, Certified Public Accountant	[Seal]
Designated Limited Liability Partner, Engagement Partner	Shunshi Sugie, Certified Public Accountant	[Seal]

Audit of Non-Consolidated Financial Statements

Opinion

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Arealink Co., Ltd. (the Company) provided in the Financial Information section in the Company's Annual Securities Report, namely, the non-consolidated balance sheet as of December 31, 2023, and the non-consolidated statement of income, non-consolidated statement of changes in equity, and non-consolidated statement of cash flows for the 29th fiscal year from January 1, 2023 to December 31, 2023, and the notes to significant accounting policies, other notes, and the annexed detailed schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements for the fiscal year ended December 31, 2023. Those matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Indications of impairment of non-current assets related to the self-storage business and recognition and measurement of impairment losses</th></tr>
<tr><th>Key audit matter and the reasoning</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Company’s mainstay self-storage business remodels shipping containers and buildings and provides them as rental storage spaces for users.
As described in “Notes to Non-Consolidated Financial Statements, Significant Accounting Estimates,” the Company recorded property, plant and equipment of ¥18,558,203 thousand and intangible assets of ¥52,390 thousand related to the self-storage business, which together account for 37.5% of total assets. The Company also recorded impairment losses on non-current assets of ¥1,322 thousand related to the self-storage business for the fiscal year ended December 31, 2023.
The Company groups its assets based on individual rental storage space locations (hereinafter, “self-storage property(ies)”) in making accounting estimates for impairment of non-current assets related to the self-storage business. The Company assesses indications of impairment in cases, for example, when the operating profit of each self-storage property has been or is expected to be continuously negative, when the market price of its major asset plunges, or when the Company decides to close a self-storage property or take other action. When the Company identifies any indication of impairment, it conducts a test for recognizing impairment losses.
In the test for recognizing impairment losses, the Company compares the total undiscounted future cash flows from each self-storage property with the carrying amount of non-current assets, and if the Company deems it necessary to recognize an impairment loss, it reduces the carrying amount to the higher of the asset’s value in use and net selling price and records the reduction as an impairment loss. The carrying amount of non-current assets of self-storage properties for which impairment losses were not recognized as of December 31, 2023, despite indications of impairment having been identified, totaled ¥161,817 thousand.
The business plan, which is the basis for calculating undiscounted future cash flows used in the test for recognizing impairment losses and their measurement, included significant assumptions involving management’s judgments, such as rent setting for each rental room in a self-storage property and its utilization rate forecast.
Based on the above, we concluded that the indications of impairment of non-current assets related to the self-storage business and the recognition and measurement of impairment losses are key audit matters.</td><td>We mainly applied the following audit procedures to assess the Company’s identification of indications of impairment of non-current assets related to the self-storage business, test for recognizing impairment losses, and measurement of them.
▪ We assessed the implementation and maintenance of internal control over the review and approval process by management and other relevant personnel in identifying indications of impairment of non-current assets related to the self-storage business and recognizing and measuring impairment losses.
▪ We applied the following audit procedures to assess the Company’s identification of indications of impairment.
- We compared the operating profit or loss of each self-storage property listed in the impairment review document prepared by the Company with its accounting books to examine the process of identifying self-storage properties whose operating profit has been or is expected to be continuously negative.
- For self-storage properties with land, we compared the carrying amount of the land with its market value, which is based on the properties’ appraised value for property tax purpose and other indicators, to confirm whether the market price of the major asset had plunged.
- We confirmed whether the Company decided to close a self-storage property or take other action by questioning the management and other relevant personnel and by inspecting the Board of Directors meeting minutes and other relevant documents.
▪ We applied the following audit procedures to assess the Company’s test for recognizing impairment losses and measurement of them.
- We verified the consistency of the undiscounted future cash flows of each self-storage property with the business plan approved by the Board of Directors.
- We verified that the carrying amount of non-current assets listed in the impairment review document prepared by the Company was aggregated based on its non-current asset ledger.
- We checked the rent setting for each rental room in a self-storage property, which is one of the significant assumptions, against the Company’s published price list and historical rents. We also verified the consistency of the utilization rate forecast with the results of our analysis of the average utilization rate trends for self-storage properties as a whole in prior periods.
- For self-storage properties for which indications of impairment were identified as of December 31, 2022, we assessed the uncertainty of estimates by performing a comparative analysis of future cash flows estimated in prior periods and actual cash flows for the fiscal year ended December 31, 2023 and by questioning the management and other relevant personnel.</td></tr>
</table>

Other Information

Other information included in the Annual Securities Report is information other than the non-consolidated financial statements and the audit report thereof. Management is responsible for preparing and disclosing other information. In addition, company auditors and the Board of Company Auditors are responsible for overseeing the execution of duties by directors in the development and operation of the reporting process for other information.

Our audit opinion on the non-consolidated financial statements does not include any other information, and we do not express an opinion on any other information.

Our responsibility in the audit of the non-consolidated financial statements is to read and, while reading, consider whether there is a material difference between the other information and the non-consolidated financial statements or the knowledge we have gained in the audit. In addition to such significant differences, attention should be paid to whether there are other indications of material errors in the other information.

If we believe that there is a material error in other information based on our work, we are required to report the fact.

There are no other matters to be reported by the auditor.

Responsibilities of Management, Company Auditors, and the Board of Company Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles for non-consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Company auditors and the Board of Company Auditors are responsible for overseeing the execution of duties by directors relating to the design and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the non-consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When performing risk assessment procedures, obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and their method of application, as well as the reasonableness of accounting estimates made by the management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements. And, based on the audit evidence obtained, determine whether a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the notes thereto, and whether the non-consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with company auditors and the Board of Company Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide company auditors and the Board of Company Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Of the matters communicated with company auditors and the Board of Company Auditors, we determine those matters that were of most significance in the audit of the non-consolidated financial statements for the fiscal year ended December 31, 2023 as key audit matters and describe the matters in our auditor’s report. Provided that laws and regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of the Company as of December 31, 2023.

In our opinion, the accompanying Internal Control Report, in which the Company states that internal control over financial reporting was effective as of December 31, 2023, presents fairly, in all material respects, the assessment of internal control over financial reporting, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Internal Control” section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Company Auditors, and the Board of Company Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting, and the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Company auditors and the Board of Company Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements in financial reporting.

Auditor’s Responsibilities for the Audit of the Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement and to issue an internal control audit report that includes our opinion on the Internal Control Report based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in the Internal Control Report. The procedures selected to be applied depend on the auditor’s judgment, including the significance of effects on the reliability of financial reporting.
- Evaluate the overall presentation of the Internal Control Report, including the appropriateness of the scope, procedures and results of

management's assessment of internal control over financial reporting.

- Obtain sufficient and appropriate audit evidence about the results of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with company auditors and the Board of Company Auditors regarding the scope and timing of the planned internal control audit, the results thereof, significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required by auditing standards for internal control.

We also provide company auditors and the Board of Company Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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* 1. The above is an electronic copy of the matters contained in the original auditor's report, and the original report is kept separately by the Company (the reporting company of the Annual Securities Report).
  2. The associated XBRL data are not included in the scope of the audit.