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Non-Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]



October 29, 2024

Company name: Arealink Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 8914
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 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Not scheduled

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

1. Non-Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 – September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
September 30, 2024	19,296	12.9	3,781	12.7	3,574	7.3	2,494	6.7
September 30, 2023	17,096	8.0	3,356	18.7	3,330	15.0	2,338	5.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2024	98.30	–
September 30, 2023	92.22	–

(Note) The Company carried out a two-for-one share split of its common shares effective July 1, 2024. The basic earnings per share figures have been calculated based on the assumption that the stock split had taken place at the beginning of the fiscal year ended December 31, 2023.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	53,321	26,054	48.9
As of December 31, 2023	49,676	25,021	50.4

(Reference) Equity: As of September 30, 2024: ¥26,054 million

As of December 31, 2023: ¥25,021 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	0.00	–	77.00	77.00
Fiscal year ending December 31, 2024	–	39.00	–		
Fiscal year ending December 31, 2024 (Forecast)				23.50	–

- (Notes) 1. Revision to the forecast for dividends announced most recently: Yes
2. Breakdown of the year-end dividends for the fiscal year ended December 31, 2023: Ordinary dividends: ¥67.00; Commemorative dividends (for the 20th anniversary of the Company's stock listing): ¥10.00
3. The Company carried out a two-for-one share split of its common shares effective July 1, 2024. The year-end dividend per share for the fiscal year ending December 31, 2024 (forecast) is indicated in an amount that reflects the impact of the share split, and a dash ("–") is indicated as the total annual dividend per share. Without considering the share split, the year-end dividend per share for the fiscal year ending December 31, 2024 (forecast) is ¥47.00, which brings the annual dividend per share to ¥86.00.

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	24,400	8.6	4,650	11.9	4,520	11.4	3,080	9.2	121.42

- (Notes) 1. Revision to the financial results forecast announced most recently: None
2. The Company carried out a two-for-one share split of its common shares effective July 1, 2024. The basic earnings per share figure indicated in the non-consolidated financial results forecast (full year) for the fiscal year ending December 31, 2024 reflects the impact of the share split.

* Notes:

- (1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

September 30, 2024:	25,881,800 shares
December 31, 2023:	25,881,800 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2024:	491,127 shares
December 31, 2023:	514,650 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended September 30, 2024:	25,378,917 shares
Nine months ended September 30, 2023:	25,359,387 shares

(Note) The Company carried out a two-for-one share split of its common shares effective July 1, 2024. The figures for total number of issued and outstanding shares at the end of the period, total number of treasury shares at the end of the period and average number of shares during the period have been calculated based on the assumption that the stock split had taken place at the beginning of the fiscal year ended December 31, 2023.

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: None

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

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

Attachment

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

(1) Explanation of Operating Results

For the nine months ended September 30, 2024, net sales were ¥19,296 million (up 12.9% year on year), operating profit was ¥3,781 million (up 12.7% year on year), ordinary profit was ¥3,574 million (up 7.3% year on year), and profit was ¥2,494 million (up 6.7% year on year).

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

Self-Storage Business

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

In self-storage management, the utilization rate for Hello Storage, the self-storage ("trunk rooms") brand under which the Company operates its self-storage business, decreased by 1.72 percentage points to 86.57% from the end of the previous fiscal year and remained at a high level, despite an increase in the number of newly opened self-storage units. The main factors behind the high utilization rate were the steady conclusion of contracts partly due to the improved precision of store openings through data analysis, openings at smaller locations, and improved product recognition.

In the self-storage business, as described in the Medium-term Business Plan 2023-2025 announced on February 14, 2023, while aiming to add 4,700 new openings, the Company opened a total of 5,800 units (including additions of 430 units in existing properties) in the fiscal year ended December 2023. In the fiscal year ending December 2024, with the aim of adding 10,400 new openings, the Company opened 7,490 units (including additions of 381 units in existing properties) during the nine months ended September 30, 2024. The number of self-storage units totaled 107,634 units, an increase of 6,255 units from the end of the previous fiscal year due to the factors such as regularly scheduled closures. In terms of contracts concluded, the Company steadily expanded the number of storage units utilized by capturing demand through efforts such as leveraging its database established to further improve the precision of new location openings and shift to openings at smaller locations, as well as strengthened public relations which improved the recognition of Arealink storage products. As for profitability, the Company increased revenue from self-storage management by curbing discount rates through controlled sales campaigns, reviewing some rent, and carrying out efficient advertising, in addition to maintaining its style of having the bulk of openings centered on high-margin company-owned locations.

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

Consequently, net sales in the self-storage business amounted to ¥14,668 million (up 12.3% year on year), and operating profit was ¥3,976 million (up 15.8% year on year), resulting in increases in both revenue and profit.

Land Rights Consolidation Business

Net sales in the land rights consolidation business amounted to ¥3,484 million (up 16.9% year on year), and operating profit was ¥531 million (down 8.8% year on year), resulting in an increase in revenue and a decrease in profit. In terms of purchases, the Company continued to concentrate on purchasing properties of good quality, and asset value resulted in a decrease of ¥1,156 million from the end of the previous fiscal year to ¥2,653 million.

Other Operational Services Business

The other operational services business comprises businesses with a revenue base of rent income, such as asset business and office business. In the asset business, the Company recorded increases in both revenue and profit mainly as utilization rates of held and managed properties remained high. In the office business, both revenue and profit increased partly due to two properties newly opened in February 2023 that have worked well. As a result, net sales in the other operational services business amounted to ¥1,142 million (up 9.0% year on year), and operating profit was ¥318 million (up 29.2% year on year), resulting in increases in both revenue and profit.

(2) Explanation of Financial Position

Total assets as of September 30, 2024 increased by ¥3,645 million compared to the end of the previous fiscal year to ¥53,321 million. This was mainly attributable to increases of ¥2,887 million in tools, furniture and fixtures, ¥1,150 million in shares of subsidiaries and associates, and ¥356 million in real estate for sale in process, as well as a decrease of ¥1,713 million in real estate for sale.

Total liabilities as of September 30, 2024 increased by ¥2,611 million compared to the end of the previous fiscal year to ¥27,266 million. This was mainly attributable to increases of ¥2,590 million in long-term borrowings and ¥218 million in short-term borrowings, as well as decreases of ¥219 million in lease obligations, ¥190 million in income taxes payable, and ¥183 million in long-term unearned revenue.

Net assets as of September 30, 2024 increased by ¥1,033 million compared to the end of the previous fiscal year to ¥26,054 million. This was mainly attributable to an increase of ¥1,023 million in retained earnings (an increase of ¥2,494 million due to profit and a decrease of ¥1,471 million due to the payment of dividends). As a result, the equity ratio was 48.9%.

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

No changes have been made to the financial results forecast for the full year ending December 31, 2024 in “Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2023,” which was announced on February 14, 2024.

With regard to dividends for the fiscal year ending December 31, 2024, please refer to “Notice of Changes in Dividend Policy and Revision of Year-End Dividend Forecast (Dividend Increase)” announced on October 29, 2024.

2. Quarterly Non-Consolidated Financial Statements and Primary Notes

(1) Quarterly Non-Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)	For the third quarter ended September 30, 2024 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	14,995,672	15,211,690
Accounts receivable - trade	135,774	184,753
Real estate for sale	5,949,327	4,235,790
Real estate for sale in process	352,103	708,740
Costs on construction contracts in progress	-	74
Supplies	19,643	42,141
Other	463,854	572,154
Allowance for doubtful accounts	(29,144)	(31,755)
Total current assets	21,887,231	20,923,590
Non-current assets		
Property, plant and equipment		
Buildings	10,208,674	10,586,536
Accumulated depreciation	(3,330,391)	(3,632,646)
Accumulated impairment	(583,136)	(582,833)
Buildings, net	6,295,145	6,371,056
Tools, furniture and fixtures	9,556,775	12,948,978
Accumulated depreciation	(2,477,931)	(2,982,937)
Accumulated impairment	(250,617)	(250,617)
Tools, furniture and fixtures, net	6,828,225	9,715,423
Land	8,132,863	8,171,385
Other	6,351,089	7,110,847
Accumulated depreciation	(2,566,015)	(2,930,816)
Accumulated impairment	(804,887)	(797,474)
Other, net	2,980,185	3,382,556
Total property, plant and equipment	24,236,420	27,640,422
Intangible assets		
Other	58,036	131,973
Total intangible assets	58,036	131,973
Investments and other assets		
Shares of subsidiaries and associates	-	1,150,000
Deferred tax assets	1,776,962	1,686,291
Other	2,346,822	2,418,607
Allowance for doubtful accounts	(629,283)	(629,593)
Total investments and other assets	3,494,501	4,625,304
Total non-current assets	27,788,958	32,397,700
Total assets	49,676,189	53,321,291

(Thousand yen)

	For the fiscal year ended December 31, 2023 (As of December 31, 2023)	For the third quarter ended September 30, 2024 (As of September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	148,835	133,173
Short-term borrowings	241,560	460,080
Current portion of bonds payable	29,500	-
Current portion of long-term borrowings	2,578,006	2,437,131
Income taxes payable	648,556	458,091
Provision for loss on sublease	14,240	8,004
Lease obligations	293,146	293,582
Other	3,108,220	3,653,939
Total current liabilities	7,062,064	7,444,002
Non-current liabilities		
Long-term borrowings	12,308,784	14,899,713
Long-term unearned revenue	998,373	814,945
Lease obligations	1,304,115	1,083,812
Asset retirement obligations	1,187,976	1,334,265
Provision for loss on sublease	7,605	7,065
Long-term accounts payable - other	1,445,900	1,357,659
Other	340,199	325,240
Total non-current liabilities	17,592,954	19,822,702
Total liabilities	24,655,019	27,266,704
Net assets		
Shareholders' equity		
Share capital	6,111,539	6,111,539
Capital surplus		
Legal capital surplus	6,156,037	6,156,037
Other capital surplus	11,360	7,689
Total capital surplus	6,167,397	6,163,726
Retained earnings		
Retained earnings brought forward	12,956,012	13,979,059
Total retained earnings	12,956,012	13,979,059
Treasury shares	(225,555)	(215,533)
Total shareholders' equity	25,009,394	26,038,792
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,775	15,793
Total valuation and translation adjustments	11,775	15,793
Total net assets	25,021,170	26,054,586
Total liabilities and net assets	49,676,189	53,321,291

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

(Thousand yen)

	For the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	For the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Net sales	17,096,113	19,296,791
Cost of sales	11,166,746	12,543,532
Gross profit	5,929,366	6,753,258
Selling, general and administrative expenses	2,573,341	2,971,474
Operating profit	3,356,025	3,781,783
Non-operating income		
Interest income	30	87
Delinquency charge income	1,517	2,814
Foreign exchange gains	35,787	3,036
Insurance claim income	8,916	9,903
Compensation for forced relocation	87,167	72,654
Other	7,845	9,923
Total non-operating income	141,264	98,419
Non-operating expenses		
Interest expenses	104,511	144,009
Interest on bonds	323	19
Commission expenses	49,017	158,094
Other	12,579	3,658
Total non-operating expenses	166,432	305,782
Ordinary profit	3,330,856	3,574,420
Extraordinary income		
Gain on sale of non-current assets	12,404	79
Gain on sale of investment securities	21,970	1,720
Gain on liquidation of investment securities	29,591	-
Total extraordinary income	63,966	1,800
Extraordinary losses		
Loss on sale of non-current assets	381	-
Loss on retirement of non-current assets	9,474	7,556
Total extraordinary losses	9,856	7,556
Profit before income taxes	3,384,965	3,568,663
Income taxes - current	894,202	984,962
Income taxes - deferred	152,196	88,898
Total income taxes	1,046,399	1,073,860
Profit	2,338,566	2,494,802

(3) Notes on Quarterly Non-Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

Not applicable.

(Segment information, etc.)

1. Overview of reportable segments

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

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

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

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

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

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

For the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Non-Consolidated Statements of Income
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	13,065,592	2,982,106	1,048,414	17,096,113	–	17,096,113
Intersegment net sales or transfers	–	–	–	–	–	–
Total	13,065,592	2,982,106	1,048,414	17,096,113	–	17,096,113
Segment profit	3,434,165	583,004	246,595	4,263,766	(907,741)	3,356,025

(Notes) 1. The adjustment to segment profit of ¥ (907,741) thousand is corporate expenses not allocated to reported segments. Corporate expenses are mainly expenses related to the Management Division.

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

For the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Non-Consolidated Statements of Income
	Self-storage Business	Land Rights Consolidation Business	Other Operational Services Business	Subtotal		
Net sales						
Net sales to outside customers	14,668,988	3,484,943	1,142,858	19,296,791	–	19,296,791
Intersegment net sales or transfers	–	–	–	–	–	–
Total	14,668,988	3,484,943	1,142,858	19,296,791	–	19,296,791
Segment profit	3,976,450	531,895	318,649	4,826,994	(1,045,211)	3,781,783

(Notes) 1. The adjustment to segment profit of ¥ (1,045,211) thousand is corporate expenses not allocated to reported segments. Corporate expenses are mainly expenses related to the Management Division.

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

(Notes on Quarterly Non-Consolidated Statements of Cash Flows)

Quarterly Non-Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 have not been prepared. Depreciation (including amortization of intangible assets) for the nine months ended September 30, 2024 is as follows.

	(Thousand yen)	
	For the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	For the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Depreciation	851,166	1,059,128

(Significant subsequent events)

Not applicable.