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## Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]



February 14, 2022

Company name: Arealink Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8914

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

Representative: Naomichi Hayashi, President & CEO

Contact: Wataru Sasaki, Director and General Manager, Administration Division

Phone: +81-3-3526-8555

Scheduled date of the general meeting of shareholders: March 29, 2022

Scheduled date of commencing dividend payments: March 30, 2022

Scheduled date of filing securities report: March 30, 2022

Availability of supplementary explanatory materials on annual financial results: Available

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

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

### 1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

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

| Fiscal year ended | Net sales   |        | Operating profit |        | Ordinary profit |        | Profit      |      |
|-------------------|-------------|--------|------------------|--------|-----------------|--------|-------------|------|
|                   | Million yen | %      | Million yen      | %      | Million yen     | %      | Million yen | %    |
| December 31, 2021 | 20,572      | (8.5)  | 3,044            | 33.8   | 3,009           | 39.2   | 3,171       | 42.5 |
| December 31, 2020 | 22,477      | (23.4) | 2,275            | (24.9) | 2,161           | (28.0) | 2,225       | –    |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|-------------------|--------------------------|----------------------------|------------------|--|--|
|                   | Yen                      | Yen                        | %                | %  | %                                      |
| December 31, 2021 | 250.72                   | –                          | 16.2             | 7.3                                      | 14.8                                   |
| December 31, 2020 | 176.16                   | –                          | 12.9             | 5.2                                      | 10.1                                   |

### (2) Financial Position

|                         | Total assets | Net assets  | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
|                         | Million yen  | Million yen | %            | Yen                  |
| As of December 31, 2021 | 42,202       | 20,963      | 49.7         | 1,655.56             |
| As of December 31, 2020 | 40,702       | 18,139      | 44.6         | 1,436.16             |

(Reference) Equity: As of December 31, 2021: ¥20,963 million

As of December 31, 2020: ¥18,139 million

### (3) Cash Flows

| Fiscal year ended | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at year-end |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|
|                   | Million yen                          | Million yen                          | Million yen                          | Million yen                           |
| December 31, 2021 | 5,741                                | (1,264)                              | (825)                                | 13,440                                |
| December 31, 2020 | 2,520                                | (2,228)                              | (2,213)                              | 9,776                                 |

## 2. Dividends

|   | Annual dividends |                 |                 |              |              | Total dividends (annual) | Payout ratio | Ratio of dividends to net assets |
|---|------------------|-----------------|-----------------|--------------|--------------|--------------------------|--------------|----------------------------------|
|   | 1st quarter-end  | 2nd quarter-end | 3rd quarter-end | Year-end     | Total        |                          |              |                                  |
| Fiscal year ended December 31, 2020             | Yen<br>–         | Yen<br>0.00     | Yen<br>–        | Yen<br>31.00 | Yen<br>31.00 | Million yen<br>391       | %<br>17.6    | %<br>2.3                         |
| Fiscal year ended December 31, 2021             | –                | 0.00            | –               | 47.00        | 47.00        | 595                      | 18.7         | 3.0                              |
| Fiscal year ending December 31, 2022 (Forecast) | –                | 0.00            | –               | 50.00        | 50.00        |                          | 30.1         |                                  |

## 3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(% indicates changes from the previous corresponding period.)

|            | Net sales   |       | Operating profit |       | Ordinary profit |       | Profit      |        | Basic earnings per share |
|------------|-------------|-------|------------------|-------|-----------------|-------|-------------|--------|--------------------------|
|            | Million yen | %     | Million yen      | %     | Million yen     | %     | Million yen | %      | Yen                      |
| First half | 10,300      | (4.2) | 1,600            | (4.3) | 1,550           | (7.1) | 1,050       | (23.0) | 82.92                    |
| Full year  | 20,600      | 0.1   | 3,300            | 8.4   | 3,200           | 6.3   | 2,100       | (33.8) | 165.85                   |

### \* Notes:

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

|                    |                   |
|--------------------|-------------------|
| December 31, 2021: | 12,940,900 shares |
| December 31, 2020: | 12,940,900 shares |
  - 2) Total number of treasury shares at the end of the period:
 

|                    |                |
|--------------------|----------------|
| December 31, 2021: | 278,595 shares |
| December 31, 2020: | 310,445 shares |
  - 3) Average number of shares during the period:
 

|                                      |                   |
|--------------------------------------|-------------------|
| Fiscal year ended December 31, 2021: | 12,650,125 shares |
| Fiscal year ended December 31, 2020: | 12,630,505 shares |

\* These non-consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

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

The forward-looking statements contained in this document, including the forecast of business results, are based on information available to the Company at the time of preparation of this document and certain assumptions that the Company deems to be reasonable. Actual results may differ materially from those statements due to a variety of different factors in the future. For details of assumptions for the financial results forecast and cautionary statements regarding the use of the forecast, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 3 of the attachments.

## (1) Non-Consolidated Balance Sheets

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(As of December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(As of December 31, 2021) |
|---|---|---|
| <b>Assets</b>                               |   |   |
| Current assets                              |   |   |
| Cash and deposits                           | 9,776,968   | 13,440,532  |
| Accounts receivable - trade                 | 133,416   | 123,942   |
| Real estate for sale                        | 4,523,615   | 3,127,348   |
| Real estate for sale in process             | 130,974   | 211,543   |
| Costs on construction contracts in progress | 161,453   | 2,364   |
| Supplies                                    | 18,994  | 17,627  |
| Prepaid expenses                            | 240,539   | 247,040   |
| Advance payments to suppliers               | 9,409   | 25,000  |
| Income taxes receivable                     | 258,858   | –   |
| Consumption taxes receivable                | 560,489   | –   |
| Other                                       | 161,548   | 149,291   |
| Allowance for doubtful accounts             | (29,132)  | (24,778)  |
| <b>Total current assets</b>                 | <b>15,947,135</b>   | <b>17,319,912</b>   |
| Non-current assets                          |   |   |
| Property, plant and equipment               |   |   |
| Buildings                                   | 8,896,479   | 9,043,607   |
| Accumulated depreciation                    | (2,450,989)   | (2,768,902)   |
| Accumulated impairment                      | (378,392)   | (565,339)   |
| <b>Buildings, net</b>                       | <b>6,067,097</b>  | <b>5,709,365</b>  |
| Structures                                  | 2,176,606   | 2,343,065   |
| Accumulated depreciation                    | (723,026)   | (818,687)   |
| Accumulated impairment                      | (708,747)   | (695,948)   |
| <b>Structures, net</b>                      | <b>744,832</b>  | <b>828,430</b>  |
| Machinery and equipment                     | 65,943  | 21,981  |
| Accumulated depreciation                    | (55,729)  | (7,899)   |
| Accumulated impairment                      | (5,827)   | (198)   |
| <b>Machinery and equipment, net</b>         | <b>4,386</b>  | <b>13,883</b>   |
| Vehicles                                    | –   | 5,656   |
| Accumulated depreciation                    | –   | (1,354)   |
| <b>Vehicles, net</b>                        | <b>–</b>  | <b>4,302</b>  |
| Tools, furniture and fixtures               | 4,969,292   | 6,376,726   |
| Accumulated depreciation                    | (1,280,849)   | (1,594,929)   |
| Accumulated impairment                      | (203,528)   | (231,435)   |
| <b>Tools, furniture and fixtures, net</b>   | <b>3,484,914</b>  | <b>4,550,360</b>  |
| Land  | 7,798,452   | 8,027,045   |
| Leased assets                               | 3,130,170   | 3,088,241   |
| Accumulated depreciation                    | (748,791)   | (985,751)   |
| Accumulated impairment                      | (124,998)   | (124,998)   |
| <b>Leased assets, net</b>                   | <b>2,256,381</b>  | <b>1,977,491</b>  |
| Construction in progress                    | 253   | 106,510   |
| <b>Total property, plant and equipment</b>  | <b>20,356,319</b>   | <b>21,217,390</b>   |

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(As of December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(As of December 31, 2021) |
|---|---|---|
| <b>Intangible assets</b>                  |   |   |
| Trademark right                           | 1,329   | 1,122   |
| Software                                  | 52,157  | 46,312  |
| Other                                     | 2,023   | 1,912   |
| <b>Total intangible assets</b>            | <b>55,510</b>   | <b>49,347</b>   |
| <b>Investments and other assets</b>       |   |   |
| Investment securities                     | 243,046   | 136,654   |
| Distressed receivables                    | 1,290,069   | 1,290,069   |
| Long-term prepaid expenses                | 20,322  | 41,500  |
| Guarantee deposits                        | 1,396,656   | 1,370,668   |
| Deferred tax assets                       | 2,642,903   | 2,025,792   |
| Other                                     | 54,991  | 38,276  |
| Allowance for doubtful accounts           | (1,304,138)   | (1,287,213)   |
| <b>Total investments and other assets</b> | <b>4,343,851</b>  | <b>3,615,747</b>  |
| <b>Total non-current assets</b>           | <b>24,755,680</b>   | <b>24,882,485</b>   |
| <b>Total assets</b>                       | <b>40,702,816</b>   | <b>42,202,397</b>   |

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(As of December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(As of December 31, 2021) |
|---|---|---|
| <b>Liabilities</b>                                      |   |   |
| Current liabilities                                     |   |   |
| Accounts payable - trade                                | 158,215   | 160,003   |
| Accounts payable for construction contracts             | 409   | 2,250   |
| Short-term borrowings                                   | –   | 396,720   |
| Current portion of bonds payable                        | 182,000   | 157,000   |
| Current portion of long-term borrowings                 | 1,616,596   | 1,416,086   |
| Accounts payable - other                                | 760,374   | 1,246,089   |
| Accrued expenses  | 213,622   | 292,115   |
| Income taxes payable                                    | –   | 557,955   |
| Advances received                                       | 686,751   | 705,987   |
| Advances received on construction contracts in progress | 193,720   | 1,000   |
| Deposits received                                       | 3,597   | 3,577   |
| Unearned revenue  | 267,139   | 267,139   |
| Lease obligations                                       | 288,067   | 283,030   |
| Provision for loss on sublease                          | 82,478  | 37,596  |
| Provision for loss on repurchases                       | 2,297,992   | –   |
| Other   | 34,889  | 341,328   |
| <b>Total current liabilities</b>                        | <b>6,785,853</b>  | <b>5,867,880</b>  |
| Non-current liabilities                                 |   |   |
| Bonds payable   | 343,500   | 186,500   |
| Long-term borrowings                                    | 7,817,928   | 7,656,597   |
| Guarantee deposits received                             | 394,422   | 364,399   |
| Long-term unearned revenue                              | 1,796,670   | 1,529,531   |
| Lease obligations                                       | 2,129,472   | 1,848,538   |
| Long-term accounts payable - other                      | 2,396,547   | 2,839,566   |
| Asset retirement obligations                            | 864,000   | 925,829   |
| Provision for loss on sublease                          | 35,064  | 20,313  |
| <b>Total non-current liabilities</b>                    | <b>15,777,607</b>   | <b>15,371,277</b>   |
| <b>Total liabilities</b>                                | <b>22,563,460</b>   | <b>21,239,157</b>   |
| <b>Net assets</b>                                       |   |   |
| Shareholders' equity                                    |   |   |
| Share capital   | 6,111,539   | 6,111,539   |
| Capital surplus   |   |   |
| Legal capital surplus                                   | 6,156,037   | 6,156,037   |
| Other capital surplus                                   | –   | 7,395   |
| <b>Total capital surplus</b>                            | <b>6,156,037</b>  | <b>6,163,432</b>  |
| Retained earnings                                       |   |   |
| Other retained earnings                                 |   |   |
| Retained earnings brought forward                       | 6,137,432   | 8,917,566   |
| <b>Total retained earnings</b>                          | <b>6,137,432</b>  | <b>8,917,566</b>  |
| Treasury shares   | (274,568)   | (246,781)   |
| <b>Total shareholders' equity</b>                       | <b>18,130,441</b>   | <b>20,945,758</b>   |
| Valuation and translation adjustments                   |   |   |
| Valuation difference on available-for-sale securities   | 8,914   | 17,481  |
| <b>Total valuation and translation adjustments</b>      | <b>8,914</b>  | <b>17,481</b>   |
| <b>Total net assets</b>                                 | <b>18,139,355</b>   | <b>20,963,239</b>   |
| <b>Total liabilities and net assets</b>                 | <b>40,702,816</b>   | <b>42,202,397</b>   |

## (2) Non-Consolidated Statements of Income

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(from January 1, 2020<br>to December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(from January 1, 2021<br>to December 31, 2021) |
|---|--|--|
| <b>Net sales</b>  |  |  |
| Leasing business revenue                                  | 15,793,172   | 16,415,379   |
| Construction sales  | 192,122  | 315,500  |
| Real estate sales   | 6,458,963  | 3,830,951  |
| Other sales   | 32,993   | 10,325   |
| <b>Total net sales</b>                                    | <b>22,477,251</b>  | <b>20,572,156</b>  |
| <b>Cost of sales</b>                                      |  |  |
| Lease business expenses                                   | 11,694,664   | 11,151,940   |
| Cost of construction sales                                | 171,631  | 277,084  |
| Cost of real estate sales                                 | 5,111,320  | 3,107,886  |
| <b>Total cost of sales</b>                                | <b>16,977,616</b>  | <b>14,536,911</b>  |
| <b>Gross profit</b>                                       | <b>5,499,634</b>   | <b>6,035,244</b>   |
| <b>Selling, general and administrative expenses</b>       |  |  |
| Remuneration for directors (and other officers)           | 76,006   | 151,741  |
| Salaries and allowances                                   | 787,345  | 779,277  |
| Other salaries  | 29,482   | 4,833  |
| Welfare expenses  | 123,014  | 117,762  |
| Advertising expenses                                      | 338,473  | 263,387  |
| Entertainment expenses                                    | 34,294   | 23,475   |
| Travel and transportation expenses                        | 54,732   | 55,735   |
| Communication expenses                                    | 154,348  | 148,579  |
| Insurance expenses  | 6,306  | 5,500  |
| Utilities expenses  | 9,787  | 9,465  |
| Supplies expenses   | 19,130   | 18,237   |
| Commission expenses                                       | 606,580  | 475,024  |
| Fee expenses  | 442,725  | 416,742  |
| Repair expenses   | 5,047  | 3,344  |
| Taxes and dues  | 189,441  | 173,599  |
| Depreciation  | 64,577   | 61,424   |
| Provision of allowance for doubtful accounts              | 11,455   | 16,574   |
| Bad debt expenses   | 238  | 117  |
| Rent expenses on land and buildings                       | 202,572  | 206,715  |
| Other   | 68,216   | 59,047   |
| <b>Total selling, general and administrative expenses</b> | <b>3,223,776</b>   | <b>2,990,587</b>   |
| <b>Operating profit</b>                                   | <b>2,275,858</b>   | <b>3,044,657</b>   |

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(from January 1, 2020<br>to December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(from January 1, 2021<br>to December 31, 2021) |
|---|--|--|
| <b>Non-operating income</b>                   |  |  |
| Interest income                               | 7,663  | 7,455  |
| Dividend income                               | 1,187  | 1,204  |
| Insurance claim income                        | 3,780  | 9,818  |
| Delinquency charge income                     | 3,713  | 1,925  |
| Compensation for forced relocation            | 27,346   | 69,348   |
| Other   | 24,134   | 74,510   |
| Total non-operating income                    | 67,825   | 164,261  |
| <b>Non-operating expenses</b>                 |  |  |
| Interest expenses                             | 131,849  | 107,534  |
| Interest on bonds                             | 1,903  | 1,334  |
| Commission expenses                           | 21,241   | 73,709   |
| Foreign exchange losses                       | 5,611  | –  |
| Provision of allowance for doubtful accounts  | 1,778  | –  |
| Other   | 19,836   | 16,971   |
| Total non-operating expenses                  | 182,220  | 199,550  |
| <b>Ordinary profit</b>                        | <b>2,161,462</b>   | <b>3,009,368</b>   |
| <b>Extraordinary income</b>                   |  |  |
| Gain on sale of non-current assets            | 18,427   | 29,932   |
| Reversal of provision for loss on repurchases | 1,477,559  | 1,610,130  |
| Gain on sale of businesses                    | –  | 193,920  |
| Total extraordinary income                    | 1,495,986  | 1,833,983  |
| <b>Extraordinary losses</b>                   |  |  |
| Loss on sale of non-current assets            | 1,312  | 12,111   |
| Loss on retirement of non-current assets      | 27,619   | 41,131   |
| Impairment losses                             | 343,561  | 235,727  |
| Penalty loss                                  | –  | 34,896   |
| Total extraordinary losses                    | 372,494  | 323,867  |
| <b>Profit before income taxes</b>             | <b>3,284,955</b>   | <b>4,519,484</b>   |
| Income taxes - current                        | 463,901  | 734,480  |
| Income taxes - deferred                       | 596,001  | 613,325  |
| Total income taxes                            | 1,059,903  | 1,347,806  |
| <b>Profit</b>                                 | <b>2,225,051</b>   | <b>3,171,678</b>   |

(3) Non-Consolidated Statements of Changes in Equity

For the Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020):

(Thousand yen)

|  | Shareholders' equity |                       |                       |                       |                         |                         |                 |                            |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus       |                       |                       | Retained earnings       |                         | Treasury shares | Total shareholders' equity |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | Total retained earnings |                 |                            |
| Balance at beginning of period                       | 6,111,539            | 6,156,037             | –                     | 6,156,037             | 4,417,601               | 4,417,601               | (274,462)       | 16,410,715                 |
| Changes of items during period                       |                      |                       |                       |                       |                         |                         |                 |                            |
| Dividends of surplus                                 |                      |                       |                       |                       | (505,220)               | (505,220)               |                 | (505,220)                  |
| Restricted stock compensation                        |                      |                       |                       |                       |                         |                         |                 | –                          |
| Profit   |                      |                       |                       |                       | 2,225,051               | 2,225,051               |                 | 2,225,051                  |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                         | (105)           | (105)                      |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                         |                 |                            |
| Total changes of items during period                 | –                    | –                     | –                     | –                     | 1,719,831               | 1,719,831               | (105)           | 1,719,725                  |
| Balance at end of period                             | 6,111,539            | 6,156,037             | –                     | 6,156,037             | 6,137,432               | 6,137,432               | (274,568)       | 18,130,441                 |

|  | Valuation and translation adjustments                 |                                    |   | Total net assets |
|--|---|------------------------------------|---|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | 8,845   | (444)                              | 8,401                                       | 16,419,116       |
| Changes of items during period                       |   |                                    |   |                  |
| Dividends of surplus                                 |   |                                    |   | (505,220)        |
| Restricted stock compensation                        |   |                                    |   | –                |
| Profit   |   |                                    |   | 2,225,051        |
| Purchase of treasury shares                          |   |                                    |   | (105)            |
| Net changes of items other than shareholders' equity | 69  | 444                                | 513   | 513              |
| Total changes of items during period                 | 69  | 444                                | 513   | 1,720,238        |
| Balance at end of period                             | 8,914   | –                                  | 8,914                                       | 18,139,355       |

For the Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021):

(Thousand yen)

|  | Shareholders' equity |                       |                       |                       |                         |                         |                 |                            |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus       |                       |                       | Retained earnings       |                         | Treasury shares | Total shareholders' equity |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings | Total retained earnings |                 |                            |
| Balance at beginning of period                       | 6,111,539            | 6,156,037             | –                     | 6,156,037             | 6,137,432               | 6,137,432               | (274,568)       | 18,130,441                 |
| Changes of items during period                       |                      |                       |                       |                       |                         |                         |                 |                            |
| Dividends of surplus                                 |                      |                       |                       |                       | (391,544)               | (391,544)               |                 | (391,544)                  |
| Restricted stock compensation                        |                      |                       | 7,395                 | 7,395                 |                         |                         | 28,923          | 36,318                     |
| Profit   |                      |                       |                       |                       | 3,171,678               | 3,171,678               |                 | 3,171,678                  |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                         | (1,135)         | (1,135)                    |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                         |                 |                            |
| Total changes of items during period                 | –                    | –                     | 7,395                 | 7,395                 | 2,780,134               | 2,780,134               | 27,787          | 2,815,317                  |
| Balance at end of period                             | 6,111,539            | 6,156,037             | 7,395                 | 6,163,432             | 8,917,566               | 8,917,566               | (246,781)       | 20,945,758                 |

|  | Valuation and translation adjustments                 |                                    |   | Total net assets |
|--|---|------------------------------------|---|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | 8,914   | –                                  | 8,914                                       | 18,139,355       |
| Changes of items during period                       |   |                                    |   |                  |
| Dividends of surplus                                 |   |                                    |   | (391,544)        |
| Restricted stock compensation                        |   |                                    |   | 36,318           |
| Profit   |   |                                    |   | 3,171,678        |
| Purchase of treasury shares                          |   |                                    |   | (1,135)          |
| Net changes of items other than shareholders' equity | 8,566   | –                                  | 8,566                                       | 8,566            |
| Total changes of items during period                 | 8,566   | –                                  | 8,566                                       | 2,823,883        |
| Balance at end of period                             | 17,481  | –                                  | 17,481                                      | 20,963,239       |

#### (4) Non-Consolidated Statements of Cash Flows

(Thousand yen)

|   | For the fiscal year ended<br>December 31, 2020<br>(from January 1, 2020<br>to December 31, 2020) | For the fiscal year ended<br>December 31, 2021<br>(from January 1, 2021<br>to December 31, 2021) |
|---|--|--|
| <b>Cash flows from operating activities</b>                 |  |  |
| Profit before income taxes                                  | 3,284,955  | 4,519,484  |
| Depreciation  | 783,976  | 879,026  |
| Impairment losses   | 343,561  | 235,727  |
| Interest and dividend income                                | (8,850)  | (8,659)  |
| Increase (decrease) in provision for loss on sublease       | (31,204)   | (59,633)   |
| Increase (decrease) in provision for loss on repurchase     | (2,897,353)  | (2,297,992)  |
| Interest expenses on borrowings and bonds                   | 133,753  | 108,868  |
| Loss (gain) on sale of non-current assets                   | (17,114)   | (17,821)   |
| Loss on retirement of non-current assets                    | 27,619   | 41,131   |
| Loss (gain) on sale of businesses                           | –  | (193,920)  |
| Decrease (increase) in trade receivables                    | 9,320  | 9,474  |
| Decrease (increase) in inventories                          | 2,537,877  | 1,476,154  |
| Decrease (increase) in consumption taxes refund receivable  | (560,489)  | 560,489  |
| Increase (decrease) in trade payables                       | (10,579)   | 3,629  |
| Increase (decrease) in accounts payable - other             | 613,090  | 252,848  |
| Increase (decrease) in accrued consumption taxes            | (382,145)  | 289,113  |
| Increase (decrease) in guarantee deposits received          | (47,246)   | (30,022)   |
| Increase (decrease) in long-term accounts payable - other   | 1,100,223  | 413,613  |
| Other, net  | 192,536  | 11,228   |
| Subtotal  | 5,071,930  | 6,192,742  |
| Interest and dividends received                             | 8,843  | 11,145   |
| Interest paid   | (130,321)  | (111,303)  |
| Payments for loss on repurchase                             | (419,587)  | (398,806)  |
| Income taxes paid   | (2,010,466)  | (236,921)  |
| Income taxes refund   | –  | 284,475  |
| Net cash provided by (used in) operating activities         | 2,520,399  | 5,741,331  |
| <b>Cash flows from investing activities</b>                 |  |  |
| Purchase of property, plant and equipment                   | (2,178,808)  | (1,822,454)  |
| Proceeds from sale of property, plant and equipment         | 3,514  | 223,512  |
| Purchase of intangible assets                               | (42,735)   | (14,759)   |
| Proceeds from collection of loans receivable                | 535  | –  |
| Proceeds from sale of businesses                            | –  | 205,000  |
| Proceeds from redemption of investment securities           | –  | 150,000  |
| Other, net  | (11,008)   | (5,380)  |
| Net cash provided by (used in) investing activities         | (2,228,502)  | (1,264,081)  |
| <b>Cash flows from financing activities</b>                 |  |  |
| Net increase (decrease) in short-term borrowings            | (562,380)  | 396,720  |
| Proceeds from long-term borrowings                          | 2,449,178  | 2,001,185  |
| Repayments of long-term borrowings                          | (3,119,996)  | (2,363,026)  |
| Redemption of bonds   | (207,000)  | (182,000)  |
| Purchase of treasury shares                                 | (105)  | (1,135)  |
| Dividends paid  | (504,344)  | (391,096)  |
| Repayments of lease obligations                             | (295,450)  | (285,970)  |
| Proceeds from sale and leaseback transactions               | 26,349   | –  |
| Net cash provided by (used in) financing activities         | (2,213,749)  | (825,324)  |
| Effect of exchange rate change on cash and cash equivalents | (3,433)  | 11,639   |
| Net increase (decrease) in cash and cash equivalents        | (1,925,286)  | 3,663,564  |
| Cash and cash equivalents at beginning of period            | 11,702,254   | 9,776,968  |
| Cash and cash equivalents at end of period                  | 9,776,968  | 13,440,532   |