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Non-Consolidated Financial Results for the Six Months Ended June 30, 2022 [Japanese GAAP]



July 27, 2022

Company name: Arealink Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8914

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

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Scheduled date of filing quarterly securities report: August 5, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended June 30, 2022 (January 1, 2022 – June 30, 2022)

(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	%
Six months ended								
June 30, 2022	10,611	(1.3)	1,926	15.2	1,984	19.0	1,592	16.8
June 30, 2021	10,753	(8.8)	1,671	33.1	1,668	37.0	1,363	64.3

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	125.74	–
June 30, 2021	107.90	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	43,437	21,781	50.1
As of December 31, 2021	42,202	20,963	49.7

(Reference) Equity: As of June 30, 2022: ¥21,781 million

As of December 31, 2021: ¥20,963 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, 2021	–	0.00	–	47.00	47.00
Fiscal year ending December 31, 2022	–	0.00			
Fiscal year ending December 31, 2022 (Forecast)			–	64.00	64.00

(Note) Revision to the forecast for dividends announced most recently:

For information regarding the revision to the forecast for dividends for the fiscal year ending December 31, 2022, please refer to “Notice Concerning Revisions to Earnings and Dividend Forecasts” released on July 25, 2022.

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
Full year	20,600	0.1	3,640	19.6	3,670	22.0	2,675	(15.7)	211.20

(Note) Revision to the financial results forecast announced most recently:

For information regarding the revision to the financial results forecast for the full fiscal year ending December 31, 2022, please refer to “Notice Concerning Revisions to Earnings and Dividend Forecasts” released on July 25, 2022.

* 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: Yes

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):

June 30, 2022: 12,940,900 shares

December 31, 2021: 12,940,900 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 263,019 shares

December 31, 2021: 278,595 shares

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

Six months ended June 30, 2022: 12,665,895 shares

Six months ended June 30, 2021: 12,637,651 shares

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

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

The forward-looking statements contained in this document, including the forecast of business results, are based on information available to the Company at the time of preparation of this document and certain assumptions that

the Company deems to be reasonable. Actual results may differ materially from those statements due to a variety of different factors in the future. For details of assumptions for the financial results forecast and cautionary statements regarding the use of the forecast, please refer to “Explanation of Non-Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments for these quarterly non-consolidated financial results.

(1) Quarterly Non-Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended December 31, 2021 (As of December 31, 2021)	For the second quarter ended June 30, 2022 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	13,440,532	13,259,209
Accounts receivable - trade	123,942	147,481
Real estate for sale	3,127,348	3,529,726
Real estate for sale in process	211,543	470,231
Costs on construction contracts in progress	2,364	20,790
Supplies	17,627	19,613
Other	421,332	632,492
Allowance for doubtful accounts	(24,778)	(34,907)
Total current assets	17,319,912	18,044,637
Non-current assets		
Property, plant and equipment		
Buildings	9,043,607	9,379,862
Accumulated depreciation	(2,768,902)	(2,943,771)
Accumulated impairment	(565,339)	(565,339)
Buildings, net	5,709,365	5,870,751
Tools, furniture and fixtures	6,376,726	6,823,991
Accumulated depreciation	(1,594,929)	(1,799,094)
Accumulated impairment	(231,435)	(231,435)
Tools, furniture and fixtures, net	4,550,360	4,793,460
Land	8,027,045	8,109,121
Other	5,565,455	5,628,911
Accumulated depreciation	(1,813,692)	(2,016,790)
Accumulated impairment	(821,144)	(818,265)
Other, net	2,930,618	2,793,855
Total property, plant and equipment	21,217,390	21,567,190
Intangible assets		
Other	49,347	44,255
Total intangible assets	49,347	44,255
Investments and other assets		
Deferred tax assets	2,025,792	2,002,787
Other	2,877,168	2,407,222
Allowance for doubtful accounts	(1,287,213)	(628,824)
Total investments and other assets	3,615,747	3,781,185
Total non-current assets	24,882,485	25,392,630
Total assets	42,202,397	43,437,267

(Thousand yen)

	For the fiscal year ended December 31, 2021 (As of December 31, 2021)	For the second quarter ended June 30, 2022 (As of June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	160,003	202,584
Short-term borrowings	396,720	105,700
Current portion of bonds payable	157,000	157,000
Current portion of long-term borrowings	1,416,086	1,487,449
Income taxes payable	557,955	578,421
Provision for loss on sublease	37,596	32,239
Lease obligations	283,030	284,945
Other	2,859,488	2,777,319
Total current liabilities	5,867,880	5,625,661
Non-current liabilities		
Bonds payable	186,500	108,000
Long-term borrowings	7,656,597	8,959,070
Long-term unearned revenue	1,529,531	1,395,962
Lease obligations	1,848,538	1,708,921
Asset retirement obligations	925,829	947,452
Provision for loss on sublease	20,313	15,426
Long-term accounts payable - other	2,839,566	2,541,161
Other	364,399	353,991
Total non-current liabilities	15,371,277	16,029,985
Total liabilities	21,239,157	21,655,646
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	7,395	17,346
Total capital surplus	6,163,432	6,173,384
Retained earnings		
Retained earnings brought forward	8,917,566	9,718,513
Total retained earnings	8,917,566	9,718,513
Treasury shares	(246,781)	(233,040)
Total shareholders' equity	20,945,758	21,770,396
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	17,481	11,224
Total valuation and translation adjustments	17,481	11,224
Total net assets	20,963,239	21,781,620
Total liabilities and net assets	42,202,397	43,437,267

(2) Quarterly Non-Consolidated Statements of Income
Six Months Ended June 30

(Thousand yen)

	For the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	For the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)
Net sales	10,753,065	10,611,797
Cost of sales	7,588,167	7,209,916
Gross profit	3,164,898	3,401,880
Selling, general and administrative expenses	1,493,272	1,475,678
Operating profit	1,671,625	1,926,202
Non-operating income		
Interest income	3,730	8
Delinquency charge income	942	886
Foreign exchange gains	7,911	34,995
Insurance claim income	5,059	3,169
Compensation for forced relocation	23,948	47,174
Other	24,278	42,983
Total non-operating income	65,871	129,219
Non-operating expenses		
Interest expenses	51,729	58,448
Interest on bonds	698	503
Commission expenses	6,352	8,758
Other	10,644	2,956
Total non-operating expenses	69,425	70,667
Ordinary profit	1,668,072	1,984,754
Extraordinary income		
Gain on sale of non-current assets	19,280	8,559
Gain on sale of businesses	193,920	-
Reversal of provision for loss on repurchases	44,663	-
Total extraordinary income	257,864	8,559
Extraordinary losses		
Loss on sale of non-current assets	3,329	363
Loss on retirement of non-current assets	1,684	8,558
Impairment losses	12,624	-
Total extraordinary losses	17,638	8,922
Profit before income taxes	1,908,298	1,984,390
Income taxes - current	455,004	515,285
Income taxes - refund	-	(235,930)
Income taxes - deferred	89,672	112,480
Total income taxes	544,677	391,835
Profit	1,363,621	1,592,554

(3) Quarterly Non-Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	For the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	1,908,298	1,984,390
Depreciation	423,602	478,962
Impairment losses	12,624	-
Interest and dividend income	(4,086)	(382)
Increase (decrease) in provision for loss on sublease	(17,013)	(10,244)
Increase (decrease) in provision for loss on repurchase	(335,324)	-
Interest expenses on borrowings and bonds	52,427	58,952
Loss (gain) on sale of non-current assets	(15,951)	(8,195)
Loss on retirement of non-current assets	1,684	8,558
Loss (gain) on sale of businesses	(193,920)	-
Decrease (increase) in trade receivables	(6)	(23,539)
Decrease (increase) in inventories	1,088,735	(681,477)
Decrease (increase) in consumption taxes refund receivable	560,489	-
Increase (decrease) in trade payables	(23,692)	40,330
Increase (decrease) in accounts payable - other	(84,429)	57,247
Increase (decrease) in accrued consumption taxes	199,262	(177,207)
Increase (decrease) in guarantee deposits received	(17,922)	(10,408)
Increase (decrease) in long-term accounts payable - other	353,476	-
Other, net	(227,553)	(239,642)
Subtotal	3,680,699	1,477,345
Interest and dividends received	4,086	382
Interest paid	(59,327)	(62,055)
Payments for loss on repurchase	(189,502)	(176,488)
Income taxes paid	(8,129)	(496,212)
Income taxes refund	284,475	164,246
Net cash provided by (used in) operating activities	3,712,302	907,218
Cash flows from investing activities		
Purchase of property, plant and equipment	(640,806)	(1,172,661)
Proceeds from sale of property, plant and equipment	100,966	135
Purchase of intangible assets	-	(4,419)
Proceeds from sale of businesses	205,000	-
Other, net	(3,049)	(210,728)
Net cash provided by (used in) investing activities	(337,888)	(1,387,674)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	279,000	(291,020)
Proceeds from long-term borrowings	538,000	2,808,968
Repayments of long-term borrowings	(1,440,988)	(1,435,132)
Redemption of bonds	(103,500)	(78,500)
Repayments of lease obligations	(145,453)	(141,371)
Proceeds from sale and leaseback transactions	-	3,670
Dividends paid	(390,217)	(593,500)
Purchase of treasury shares	(661)	(165)
Net cash provided by (used in) financing activities	(1,263,820)	272,948
Effect of exchange rate change on cash and cash equivalents	6,046	26,184
Net increase (decrease) in cash and cash equivalents	2,116,639	(181,322)
Cash and cash equivalents at beginning of period	9,776,968	13,440,532
Cash and cash equivalents at end of period	11,893,607	13,259,209