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Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 14, 2023

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

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Scheduled date of the general meeting of shareholders: March 28, 2023

Scheduled date of commencing dividend payments: March 29, 2023

Scheduled date of filing securities report: March 29, 2023

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, 2022 (January 1, 2022 – December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
December 31, 2022	20,878	1.5	3,742	22.9	3,758	24.9	2,883	(9.1)
December 31, 2021	20,572	(8.5)	3,044	33.8	3,009	39.2	3,171	42.5

	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
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	227.54	–	13.1	8.6	17.9
December 31, 2021	250.72	–	16.2	7.3	14.8

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	45,643	23,072	50.5	1,819.97
As of December 31, 2021	42,202	20,963	49.7	1,655.56

(Reference) Equity: As of December 31, 2022: ¥23,072 million

As of December 31, 2021: ¥20,963 million

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	1,605	(2,258)	1,492	14,299
December 31, 2021	5,741	(1,264)	(825)	13,440

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, 2021	Yen –	Yen 0.00	Yen –	Yen 47.00	Yen 47.00	Million yen 595	% 18.7	% 3.0
Fiscal year ended December 31, 2022	–	0.00	–	69.00	69.00	874	30.3	4.0
Fiscal year ending December 31, 2023 (Forecast)	–	0.00	–	62.00	62.00		30.2	

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(% 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	10,775	1.5	2,025	5.1	1,960	(1.2)	1,370	(14.0)	108.07
Full year	21,800	4.4	4,050	8.2	3,930	4.6	2,600	(9.8)	205.09

* 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, 2022:	12,940,900 shares
December 31, 2021:	12,940,900 shares

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

December 31, 2022:	263,402 shares
December 31, 2021:	278,595 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2022:	12,671,795 shares
Fiscal year ended December 31, 2021:	12,650,125 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 December 31, 2021 (As of December 31, 2021)	For the fiscal year ended December 31, 2022 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	13,440,532	14,299,556
Accounts receivable - trade	123,942	130,914
Real estate for sale	3,127,348	4,993,920
Real estate for sale in process	211,543	142,903
Costs on construction contracts in progress	2,364	–
Supplies	17,627	19,931
Prepaid expenses	247,040	254,817
Advance payments to suppliers	25,000	60,093
Other	149,291	156,833
Allowance for doubtful accounts	(24,778)	(26,607)
Total current assets	17,319,912	20,032,362
Non-current assets		
Property, plant and equipment		
Buildings	9,043,607	9,532,734
Accumulated depreciation	(2,768,902)	(3,069,336)
Accumulated impairment	(565,339)	(565,617)
Buildings, net	5,709,365	5,897,780
Structures	2,343,065	2,505,857
Accumulated depreciation	(818,687)	(938,046)
Accumulated impairment	(695,948)	(689,709)
Structures, net	828,430	878,102
Machinery and equipment	21,981	25,679
Accumulated depreciation	(7,899)	(9,232)
Accumulated impairment	(198)	(198)
Machinery and equipment, net	13,883	16,248
Vehicles	5,656	5,656
Accumulated depreciation	(1,354)	(3,193)
Vehicles, net	4,302	2,463
Tools, furniture and fixtures	6,376,726	7,358,853
Accumulated depreciation	(1,594,929)	(1,980,825)
Accumulated impairment	(231,435)	(240,995)
Tools, furniture and fixtures, net	4,550,360	5,137,031
Land	8,027,045	8,148,844
Leased assets	3,088,241	3,062,119
Accumulated depreciation	(985,751)	(1,244,631)
Accumulated impairment	(124,998)	(124,998)
Leased assets, net	1,977,491	1,692,489
Construction in progress	106,510	79,030
Total property, plant and equipment	21,217,390	21,851,991

(Thousand yen)

	For the fiscal year ended December 31, 2021 (As of December 31, 2021)	For the fiscal year ended December 31, 2022 (As of December 31, 2022)
Intangible assets		
Trademark right	1,122	942
Software	46,312	46,831
Other	1,912	1,802
Total intangible assets	49,347	49,576
Investments and other assets		
Investment securities	136,654	129,996
Distressed receivables	1,290,069	631,872
Long-term prepaid expenses	41,500	66,253
Guarantee deposits	1,370,668	1,362,025
Deferred tax assets	2,025,792	1,921,978
Other	38,276	226,245
Allowance for doubtful accounts	(1,287,213)	(628,948)
Total investments and other assets	3,615,747	3,709,423
Total non-current assets	24,882,485	25,610,991
Total assets	42,202,397	45,643,354

(Thousand yen)

	For the fiscal year ended December 31, 2021 (As of December 31, 2021)	For the fiscal year ended December 31, 2022 (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	160,003	146,815
Accounts payable for construction contracts	2,250	–
Short-term borrowings	396,720	109,000
Current portion of bonds payable	157,000	157,000
Current portion of long-term borrowings	1,416,086	1,893,583
Accounts payable - other	1,246,089	1,162,312
Accrued expenses	292,115	238,747
Income taxes payable	557,955	715,760
Advances received	705,987	709,937
Advances received on construction contracts in progress	1,000	–
Deposits received	3,577	3,818
Unearned revenue	267,139	573,779
Lease obligations	283,030	289,015
Provision for loss on sublease	37,596	14,268
Other	341,328	204,843
Total current liabilities	5,867,880	6,218,882
Non-current liabilities		
Bonds payable	186,500	29,500
Long-term borrowings	7,656,597	9,995,107
Guarantee deposits received	364,399	349,469
Long-term unearned revenue	1,529,531	1,242,936
Lease obligations	1,848,538	1,574,804
Long-term accounts payable - other	2,839,566	2,152,643
Asset retirement obligations	925,829	1,000,523
Provision for loss on sublease	20,313	6,881
Total non-current liabilities	15,371,277	16,351,865
Total liabilities	21,239,157	22,570,747
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		
Other retained earnings		
Retained earnings brought forward	8,917,566	11,009,320
Total retained earnings	8,917,566	11,009,320
Treasury shares	(246,781)	(233,694)
Total shareholders' equity	20,945,758	23,060,549
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	17,481	12,057
Total valuation and translation adjustments	17,481	12,057
Total net assets	20,963,239	23,072,607
Total liabilities and net assets	42,202,397	45,643,354

(2) Non-Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net sales		
Leasing business revenue	16,415,379	17,184,974
Construction sales	315,500	58,292
Real estate sales	3,830,951	3,625,482
Other sales	10,325	9,296
Total net sales	20,572,156	20,878,046
Cost of sales		
Lease business expenses	11,151,940	11,187,546
Cost of construction sales	277,084	45,496
Cost of real estate sales	3,107,886	2,927,292
Total cost of sales	14,536,911	14,160,334
Gross profit	6,035,244	6,717,711
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	151,741	139,642
Salaries and allowances	779,277	818,548
Other salaries	4,833	12,415
Welfare expenses	117,762	132,646
Advertising expenses	263,387	220,040
Entertainment expenses	23,475	24,307
Travel and transportation expenses	55,735	69,786
Communication expenses	148,579	177,238
Insurance expenses	5,500	5,437
Utilities expenses	9,465	8,136
Supplies expenses	18,237	29,119
Commission expenses	475,024	432,602
Fee expenses	416,742	378,374
Repair expenses	3,344	9,876
Taxes and dues	173,599	194,575
Depreciation	61,424	61,702
Provision of allowance for doubtful accounts	16,574	17,434
Bad debt expenses	117	170
Rent expenses on land and buildings	206,715	184,394
Other	59,047	59,233
Total selling, general and administrative expenses	2,990,587	2,975,685
Operating profit	3,044,657	3,742,026

(Thousand yen)

	For the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Non-operating income		
Interest income	7,455	19
Dividend income	1,204	1,262
Foreign exchange gains	14,578	23,411
Gain on investments in private placement fund	25,327	56,492
Insurance claim income	9,818	4,545
Delinquency charge income	1,925	1,659
Compensation for forced relocation	69,348	74,755
Other	34,604	29,620
Total non-operating income	164,261	191,767
Non-operating expenses		
Interest expenses	107,534	126,745
Interest on bonds	1,334	875
Commission expenses	73,709	34,183
Other	16,971	13,380
Total non-operating expenses	199,550	175,185
Ordinary profit	3,009,368	3,758,608
Extraordinary income		
Gain on sale of non-current assets	29,932	17,163
Reversal of provision for loss on repurchases	1,610,130	–
Gain on liquidation of investment securities	–	136,793
Gain on sale of businesses	193,920	–
Total extraordinary income	1,833,983	153,956
Extraordinary losses		
Loss on sale of non-current assets	12,111	363
Loss on retirement of non-current assets	41,131	35,450
Impairment losses	235,727	14,641
Penalty loss	34,896	–
Total extraordinary losses	323,867	50,455
Profit before income taxes	4,519,484	3,862,108
Income taxes - current	734,480	1,021,761
Income taxes - refund	–	(235,930)
Income taxes - deferred	613,325	192,915
Total income taxes	1,347,806	978,746
Profit	3,171,678	2,883,362

(3) Non-Consolidated Statements of Changes in Equity

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

For the Fiscal year ended December 31, 2022 (from January 1, 2022 to 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	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
Amount of cumulative impact from changes in accounting policies					(196,480)	(196,480)		(196,480)
Balance at beginning of period reflecting changes in accounting policies	6,111,539	6,156,037	7,395	6,163,432	8,721,086	8,721,086	(246,781)	20,749,277
Changes of 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	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	17,481	-	17,481	20,963,239
Amount of cumulative impact from changes in accounting policies				(196,480)
Balance at beginning of period reflecting changes in accounting policies	17,481	-	17,481	20,766,758
Changes of 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

(4) Non-Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	4,519,484	3,862,108
Depreciation	879,026	987,264
Impairment losses	235,727	14,641
Interest and dividend income	(8,659)	(1,281)
Increase (decrease) in provision for loss on sublease	(59,633)	(36,760)
Increase (decrease) in provision for loss on repurchase	(2,297,992)	–
Interest expenses on borrowings and bonds	108,868	127,621
Loss (gain) on sale of non-current assets	(17,821)	(16,799)
Loss on retirement of non-current assets	41,131	35,450
Loss (gain) on redemption of investment securities	–	(136,793)
Loss (gain) on sale of businesses	(193,920)	–
Decrease (increase) in trade receivables	9,474	(6,972)
Decrease (increase) in inventories	1,476,154	(1,797,871)
Decrease (increase) in consumption taxes refund receivable	560,489	–
Increase (decrease) in trade payables	3,629	(15,438)
Increase (decrease) in accounts payable - other	252,848	(14,690)
Increase (decrease) in accrued consumption taxes	289,113	(121,742)
Increase (decrease) in guarantee deposits received	(30,022)	(14,930)
Increase (decrease) in long-term accounts payable - other	413,613	–
Other, net	11,228	(167,580)
Subtotal	6,192,742	2,696,225
Interest and dividends received	11,145	1,281
Interest paid	(111,303)	(128,200)
Payments for loss on repurchase	(398,806)	(317,587)
Income taxes paid	(236,921)	(871,925)
Income taxes refund	284,475	225,400
Net cash provided by (used in) operating activities	5,741,331	1,605,193
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,822,454)	(2,189,665)
Proceeds from sale of property, plant and equipment	223,512	180
Payments for retirement of property, plant and equipment	–	(19,140)
Purchase of intangible assets	(14,759)	(27,039)
Proceeds from liquidation of investment securities	–	191,390
Proceeds from sale of businesses	205,000	–
Proceeds from redemption of investment securities	150,000	–
Other, net	(5,380)	(214,494)
Net cash provided by (used in) investing activities	(1,264,081)	(2,258,768)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	396,720	(287,720)
Proceeds from long-term borrowings	2,001,185	5,180,438
Repayments of long-term borrowings	(2,363,026)	(2,364,431)
Redemption of bonds	(182,000)	(157,000)
Purchase of treasury shares	(1,135)	(820)
Dividends paid	(391,096)	(595,035)
Repayments of lease obligations	(285,970)	(283,317)
Net cash provided by (used in) financing activities	(825,324)	1,492,113
Effect of exchange rate change on cash and cash equivalents	11,639	20,485
Net increase (decrease) in cash and cash equivalents	3,663,564	859,023
Cash and cash equivalents at beginning of period	9,776,968	13,440,532
Cash and cash equivalents at end of period	13,440,532	14,299,556