

NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST HALF OF THE FISCAL YEAR ENDING
December 31, 2014
(January 1, 2014 to December 31, 2014)

July 29, 2014

Arealink Co., Ltd. is listed on the Mothers market of the Tokyo Stock Exchange under the securities code number 8914.

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Quarterly Securities Report filing date (planned): August 8, 2014

Supplemental materials prepared for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and security analysts)

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Non-Consolidated Operating Results for the First Half of Fiscal 2014
(January 1, 2014 to June 30, 2014)

(1) Non-Consolidated Operating Results (Cumulative)

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 First Half	9,613	48.8	1,359	51.2	1,257	45.2	891	13.9
FY2013 First Half	6,461	30.5	898	61.8	865	73.4	782	75.5

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2014 First Half	7.26	—
FY2013 First Half	6.38	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
June 30, 2014	21,551	12,867	59.7
December 31, 2013	23,017	12,282	53.4

(Reference) Shareholders' equity: June 30, 2014: 12,867 million yen December 31, 2013: 12,282 million yen

2. Dividends

(Record Date)	Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	—	0.00	—	2.50	2.50
Fiscal 2014	—	0.00	—	—	—
Fiscal 2014 (Forecast)	—	—	—	2.80	2.80

Note: Revision to the most recently announced cash dividend forecast: None

3. Forecasts of Non-Consolidated Operating Results for the Fiscal Year Ending December 31, 2014 (January 1, 2014 to December, 2014)

(% figures for the full fiscal year represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2014	15,757	28.6	2,145	42.5	1,955	36.4	1,500	11.4	12.22

Note: Revision to the most recently announced operating results forecast: None

Notes

- (1) Application of Special Accounting Practices in the Preparation of the Quarterly Non-Consolidated Financial Statements: No
- (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: No
 - 2) Changes of accounting principles other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:
June 30, 2014: 125,763,000 shares December 31, 2013: 125,763,000 shares
 2. Total number of treasury stock as of the period-end:
June 30, 2014: 3,000,000 shares December 31, 2013: 3,000,000 shares
 3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)
FY2014 First Half: 122,763,000 shares FY2013 First Half: 122,763,000 shares

On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Accordingly, number of shares issued and outstanding as of the period-end, number of treasury stock as of the period-end and average number of shares for the period have been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

Regarding the Status of Quarterly Review Procedure Implementation

This financial report for the second quarter of fiscal 2014 is not subject to the quarterly review procedures stipulated in the Financial Instruments and Exchange Act of Japan. As of the date of disclosure of this report, the review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act had not been completed.

Cautionary Statement Concerning Operating Results Forecasts and Other Special Items

The aforementioned forecasts were made based on information available to management as of the date of this report. Actual results could differ significantly from forecasts due to a variety of factors. Please refer to "Explanation of Results Forecasts and Other Future Predictions" on page 4 for assumptions of the revision of forecasts of business results.

The Company plans to hold a results briefing on July 30, 2014, for institutional investors and analysts. A report on the briefing and explanations provided (audio), together with the presentation materials used that day, will be made available on the Company's website promptly after the meeting.

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1. Qualitative Information Regarding Non-Consolidated Quarterly Business Results

(1) Explanation of Business Results

During the second quarter period (January 1 to June 30, 2014) of fiscal 2014 (ending December 31, 2014), the Japanese economy recovered moderately, with steady improvement in corporate earnings and employment stemming from various government policy measures and an easy-money policy, despite a partial rebound decline from the demand rush preceding the consumption tax hike on April 1, which continues to affect consumer spending to a certain degree. In the real estate industry, Arealink's principal business field, the market recovered steadily from the harsh conditions of the past few years, including a rise in land prices in certain areas amid low interest rates and government stimulus measures. Under such conditions, Arealink focused on its "stock-type" (service oriented) business model centered on the Property Management Service business, and considering the current market, proactively sold held properties.

In the Property Management Service business, for the mainstay self-storage business, to expand earnings Arealink strengthened new location openings in existing business areas, centered on the metropolitan areas around Tokyo, Osaka, and Nagoya. In addition to our head office and other existing locations (Osaka and Nagoya), we established new offices in Kanagawa, Chiba, and Saitama prefectures. The opening of these locations allows us to conduct sales activities more closely connected to the surrounding communities, and has enhanced the effectiveness of sales measures to quickly establish business operations for properties. In the asset business, rental income is declining, as rent received decreases with the sale of held properties. As a result, net sales in this segment amounted to ¥6,149 million for the subject period.

In the Property Revitalization & Liquidation Service business, in consideration of current market conditions, and determining that the timing was right for sale, Arealink proactively sold real estate properties held. As a result, net sales in this segment amounted to ¥3,464 million for the subject period.

As a result, net sales for the subject second quarter cumulative period amounted to ¥9,613 million (up 48.8% from the same period of the previous fiscal year). Operating income totaled ¥1,359 million (up 51.2%), with ordinary income of ¥1,257 million (up 45.2%), and net income of ¥891 million (up 13.9%).

(2) Explanation of Financial Position

Assets, liabilities, and net assets

Total assets at the end of the subject second quarter cumulative period (June 30, 2014) amounted to ¥21,551 million, a decrease of ¥1,465 million compared with the end of the previous fiscal year (December 31, 2013). This was due mainly to a decrease of ¥2,974 million in real estate for sale; offset by an increase of ¥1,773 million in cash and deposits.

Total liabilities amounted to ¥8,684 million, a decrease of ¥2,051 million from the end of the previous fiscal year. This was due mainly to a decrease of ¥2,160 million in long-term loans payable.

Net assets amounted to ¥12,867 million, an increase of ¥585 million from the end of the previous fiscal year. This was due mainly to an increase of ¥584 million in retained earnings. As a result, the equity ratio stood at 59.7%.

Cash flows

Cash and cash equivalents ("Cash") at the end of the subject second quarter cumulative period (June 30, 2014) amounted to ¥5,364 million, an increase of ¥1,773 million compared with the end of the previous fiscal year (December 31, 2013).

Cash provided by operating activities amounted to ¥4,327 million (compared to ¥1,462 million in cash provided in the same period of the previous fiscal year). This was due mainly to an increase of ¥1,356 million in net income before tax; and a decrease of ¥2,995 million in inventories.

Cash provided by investing activities amounted to ¥0 million (compared to ¥2,330 million in cash used in the same period of the previous fiscal year). This was due mainly to an increase of ¥100 million in proceeds from sales of property, plant and equipment, against a decrease of ¥120 million in expenditures for the acquisition of property, plant and equipment.

Cash used in financing activities amounted to ¥2,554 million (compared to ¥1,220 million in cash provided in the same period of the previous fiscal year). This was due mainly to a decrease of ¥1,934 million in repayment of long-term loans payable.

(3) Explanation of Results Forecasts and Other Future Predictions

For the full fiscal year ending December 2014, in consideration of the steady business performance in all segments, and as stated in “Notice Concerning Revisions to Operating Forecasts” released on July 17, 2014, earnings forecasts have been revised from those announced in financial report for the fiscal year ended December 2013 (released February 14, 2014).

Regarding dividends for the fiscal year ending December 2014, based on the Company’s basic policy and current earnings forecasts, the Company plans to make a dividend payment at an annual rate of ¥2.80 per share. There are no plans for an interim dividend payment.

2. Summary Information and Notes

Not applicable.

3. Quarterly Financial Statements

(1) Non-Consolidated Quarterly Balance Sheets

	(Thousands of yen)	
	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)	End of the Second Quarter of the Fiscal Year Ending December 31, 2014 (As of June 30, 2014)
ASSETS		
Current assets:		
Cash and deposits	3,590,968	5,364,601
Accounts receivable — trade	131,839	156,949
Accounts receivable from completed construction contracts	28,350	214,876
Merchandise	385,477	361,710
Real estate for sale	5,936,247	2,961,338
Costs on uncompleted construction contracts	4,792	7,853
Supplies	2,084	2,676
Other current assets	774,541	822,316
Allowance for doubtful accounts	(25,867)	(35,978)
Total current assets	10,828,435	9,855,803
Noncurrent assets:		
Property, plant and equipment:		
Buildings	5,490,291	5,518,409
Accumulated depreciation	(1,006,149)	(1,122,759)
Accumulated impairment loss	(116,444)	(113,626)
Buildings, net	4,367,698	4,282,024
Land	4,869,692	4,870,711
Other	1,906,282	1,998,256
Accumulated depreciation	(577,733)	(650,193)
Accumulated impairment loss	(22,180)	(22,180)
Other, net	1,306,368	1,325,883
Total property, plant and equipment	10,543,758	10,478,618
Intangible assets:		
Other	83,636	71,162
Total intangible assets	83,636	71,162
Investments and other assets:		
Other	2,858,165	2,441,442
Allowance for doubtful accounts	(1,296,549)	(1,295,568)
Total investments and other assets	1,561,616	1,145,873
Total noncurrent assets	12,189,011	11,695,654
Total assets	23,017,446	21,251,458

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)	End of the Second Quarter of the Fiscal Year Ending December 31, 2014 (As of June 30, 2014)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	264,730	302,448
Accounts payable for construction contracts	104,093	326,445
Short-term loans payable	1,004,000	504,000
Current portion of long-term loans payable	682,615	1,135,391
Income taxes payable	170,422	127,450
Other	981,301	1,066,421
Total current liabilities	3,207,163	3,462,157
Noncurrent liabilities:		
Long-term loans payable	6,045,288	3,884,429
Asset retirement obligations	253,585	282,431
Other	1,229,122	1,055,140
Total noncurrent liabilities	7,527,996	5,222,000
Total liabilities	10,735,159	8,684,157
NET ASSETS		
Shareholders' equity:		
Capital stock	5,568,222	5,568,222
Capital surplus		
Legal capital surplus	5,612,719	5,612,719
Total capital surplus	5,612,719	5,612,719
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,357,330	1,941,896
Total retained earnings	1,357,330	1,941,896
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	12,281,688	12,866,254
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	598	1,046
Total valuation and translation adjustments	598	1,046
Total net assets	12,282,287	12,867,300
Total liabilities and net assets	23,017,446	21,551,458

(2) Non-Consolidated Quarterly Statements of Income
Second Quarter Cumulative

(Thousands of yen)

	First Half of the Fiscal Year Ended December 31, 2013 (January 1, 2013 to June 30, 2013)	First Half of the Fiscal Year Ending December 31, 2014 (January 1, 2014 to June 30, 2014)
Net sales	6,461,194	9,613,646
Cost of Sales	6,484,008	7,186,857
Gross profit	1,777,186	2,432,789
Selling, general and administrative expenses	878,563	1,073,788
Operating income	898,623	1,359,000
Non-operating income:		
Interest income	26,262	6,116
Reversal of allowance for doubtful accounts	3,771	958
Default charge income	4,473	2,087
Penalty income	9,700	6,901
Other	3,369	3,041
Total non-operating income	47,576	19,104
Non-operating expenses:		
Interest expenses	76,923	78,132
Termination payment of derivatives	—	25,204
Other	3,583	17,470
Total non-operating expenses	80,507	120,807
Ordinary income	865,693	1,257,298
Extraordinary income:		
Gain on sales of noncurrent assets	15,032	108,604
Gain on sales of investment securities	2,270	—
Total extraordinary income	17,302	108,604
Extraordinary loss:		
Loss on retirement of noncurrent assets	9,275	8,680
Other	3,028	245
Total extraordinary losses	12,303	8,925
Net income before income taxes	870,691	1,356,976
Income taxes — current	93,483	107,978
Income taxes — deferred	(5,784)	357,524
Total income taxes	87,699	465,503
Net income	782,992	891,473

(3) Non-Consolidated Quarterly Statements of Cash Flows

(Thousands of yen)

	First Half of the Fiscal Year Ended December 31, 2013 (January 1, 2013 to June 30, 2013)	First Half of the Fiscal Year Ending December 31, 2014 (January 1, 2014 to June 30, 2014)
Cash flows from operating activities:		
Income before income taxes	870,691	1,356,976
Depreciation	294,188	218,099
Interest and dividends income	(26,313)	(6,236)
Interest expenses	76,923	103,337
Loss (gain) on sales of noncurrent assets	(14,203)	(108,358)
Loss on retirement of noncurrent assets	9,275	8,680
Loss (gain) on sales of investment securities	(2,270)	—
Decrease (increase) in notes and accounts receivable — trade	13,956	(211,635)
Decrease (increase) in inventories	113,835	2,995,022
Decrease (increase) in consumption taxes refund receivable	11,682	29,527
Increase (decrease) in notes and accounts payable — trade	87,279	260,069
Increase (decrease) in accrued consumption taxes	9,968	167,128
Increase (decrease) in guarantee deposits received	—	(54,481)
Other, net	73,892	(177,807)
Subtotal	1,518,906	4,580,321
Interest and dividends income received	26,460	6,207
Interest expenses paid	(75,765)	(108,315)
Income taxes paid	(7,583)	(151,085)
Net cash provided by (used in) operating activities	1,462,019	4,327,127
Cash flows from investing activities:		
Purchase of noncurrent assets	(2,587,106)	(120,514)
Proceeds from sales of noncurrent assets	234,612	100,047
Purchase of intangible assets	(6,511)	(8,717)
Proceeds from sales of investment securities	2,940	—
Collection of loans receivable	25,826	30,114
Net cash provided by (used in) investing activities	(2,330,239)	930
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	177,000	(500,000)
Proceeds from long-term loans payable	1,820,350	190,476
Repayment of long-term loans payable	(771,045)	(1,934,249)
Repayments of lease obligations	(6,134)	(6,849)
Other, net	—	(304,342)
Net cash provided by (used in) financing activities	1,220,170	(2,554,965)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	351,950	1,773,092
Cash and cash equivalents at beginning of period	3,084,972	3,590,968
Cash and cash equivalents at end of period	3,436,922	5,364,061

(4) Notes Regarding Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

1) Overview of Reportable Segments

The reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors when making decision about the allocation of management resources and assessing performance.

Arealink is primarily engages in Property Management Service and Property Revitalization & Liquidation Service business activities. In its Property Management Service business, the Company leases land, vacant facilities, and other property assets while also acquiring, holding, and operating land, buildings, and other property assets. In addition, Arealink receives orders and provides for the installation and construction of containers and storage rooms in accordance with the needs of land and building property owners. In the Property Revitalization & Liquidation Service business, the Company refurbishes existing real estate properties held for the purpose of adding value and increasing operating efficiency. These properties are then sold to investors and other interested parties.

2) Information Relating to the Amounts of Net Sales, Profit, and Loss

The first half of fiscal 2013 (January 1, 2013 to June 30, 2013)

(Thousands of yen)

	Reportable Segment			Adjustment amount	Amount recorded on consolidated quarterly statements of income
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Net Sales					
Sales to Outside Customers	5,516,023	945,171	6,461,194	—	6,461,194
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	5,516,023	945,171	6,461,194	—	6,461,194
Segment Profit	1,126,738	76,874	1,203,612	(304,989)	898,623

Notes:

1. The negative segment profit adjustment of ¥304,989 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
2. Segment profit is adjusted based on operating income recorded in the quarterly statement of income.

The first half of fiscal 2014 (January 1, 2014 to June 30, 2014)

(Thousands of yen)

	Reportable Segment			Adjustment amount	Amount recorded on consolidated quarterly statements of income
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Net Sales					
Sales to Outside Customers	6,149,053	3,464,593	9,613,646	—	9,613,646
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	6,149,053	3,464,593	9,613,646	—	9,613,646
Segment Profit	1,292,601	403,773	1,696,375	(337,374)	1,359,000

Notes:

1. The negative segment profit adjustment of ¥337,374 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
2. Segment profit is adjusted based on operating income recorded in the quarterly statement of income.