

# NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP) NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING December 31, 2014 (January 1, 2014 to December 31, 2014)

October 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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Supplemental materials prepared for quarterly financial results: No

Holding of quarterly financial results meeting: No

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

## 1. Non-Consolidated Operating Results for Nine-Month Period of Fiscal 2014 (January 1, 2014 to September 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 Nine-Month Period	15,509	63.2	2,069	60.7	1,916	55.9	1,406	26.2
FY2013 Nine-Month Period	9,502	29.1	1,288	58.7	1,229	65.6	1,114	63.5

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2014 Nine-Month Period	11.46	—
FY2013 Nine-Month Period	9.08	—

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, net income per share has been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

### (2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
September 30, 2014	20,110	13,380	66.5
December 31, 2013	23,017	12,282	53.4

(Reference) Shareholders' equity: September 30, 2014: 13,380 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:  
September 30, 2014: 125,763,000 shares      December 31, 2013: 125,763,000 shares
  2. Total number of treasury stock as of the period-end:  
September 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 Nine-Month Period: 122,763,000 shares  
FY2013 Nine-Month Period: 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, average number of shares for the period has 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 third 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.

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## **1. Qualitative Information Regarding Non-Consolidated Quarterly Business Results**

### **(1) Explanation of Business Results**

During the third quarter cumulative period (January 1 to September 30, 2014) of fiscal 2014 (ending December 31, 2014), the Japanese economy showed signs of moderate recovery, including improvement in corporate earnings and employment conditions, as a result of government policy measures and an easy-money policy. The economic outlook remains uncertain, however, as a result of such factors as a cooling of consumer spending stemming from the rebound decline in demand following the consumption tax hike from April 2014.

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 conduct community-oriented business activities and improve services for our principal business domains of the metropolitan areas of Tokyo, Osaka, and Nagoya, Arealink steadily implemented full-fledged operations and new location structures at the Tokyo head office, Osaka and Nagoya offices, as well as the newly established offices in Kanagawa, Chiba, and Saitama prefectures. As a result, net sales in this segment amounted to ¥9,268 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 ¥6,241 million for the subject period.

As a result, net sales for the subject third quarter cumulative period amounted to ¥15,509 million (up 63.2% from the same period of the previous fiscal year). Operating income totaled ¥2,069 million (up 60.7%), with ordinary income of ¥1,916 million (up 55.9%), and net income of ¥1,406 million (up 26.2%).

### **(2) Explanation of Financial Position**

Total assets at the end of the subject third quarter cumulative period (September 30, 2014) amounted to ¥20,110 million, a decrease of ¥2,906 million compared with the end of the previous fiscal year (December 31, 2013). This was due mainly to a decrease of ¥4,906 million in real estate for sale; offset by an increase of ¥2,545 million in cash and deposits.

Total liabilities amounted to ¥6,730 million, a decrease of ¥4,005 million from the end of the previous fiscal year. This was due mainly to a decrease of ¥3,767 million in long-term loans payable.

Net assets amounted to ¥13,380 million, an increase of ¥1,098 million from the end of the previous fiscal year. This was due mainly to an increase of ¥1,099 million in retained earnings. As a result, the equity ratio stood at 66.5%.

### **(3) Explanation of Results Forecasts and Other Future Predictions**

Forecasts for the full fiscal year ending December 2014 are unchanged from those announced in "Notice Concerning Revisions to Operating Forecasts" released on July 17, 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.

## **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 Third Quarter of the Fiscal Year Ending December 31, 2014 (As of September 30, 2014)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	3,590,968	6,136,768
Accounts receivable — trade	131,839	148,633
Accounts receivable from completed construction contracts	28,350	37,800
Merchandise	385,477	368,990
Real estate for sale	5,936,247	1,029,845
Costs on uncompleted construction contracts	4,792	3,600
Supplies	2,084	4,840
Other current assets	774,541	680,579
Allowance for doubtful accounts	(25,867)	(41,335)
Total current assets	10,828,435	8,369,722
<b>Noncurrent assets:</b>		
Property, plant and equipment:		
Buildings	5,490,291	5,550,067
Accumulated depreciation	(1,006,149)	(1,181,729)
Accumulated impairment loss	(116,444)	(113,626)
Buildings, net	4,367,698	4,254,711
Land	4,869,692	4,870,711
Other	1,906,282	2,061,973
Accumulated depreciation	(577,733)	(690,386)
Accumulated impairment loss	(22,180)	(22,180)
Other, net	1,306,368	1,349,406
Total property, plant and equipment	10,543,758	10,474,829
Intangible assets:		
Other	83,636	73,827
Total intangible assets	83,636	73,827
Investments and other assets:		
Other	2,858,165	2,488,237
Allowance for doubtful accounts	(1,296,549)	(1,295,749)
Total investments and other assets	1,561,616	1,192,487
Total noncurrent assets	12,189,011	11,741,145
<b>Total assets</b>	23,017,446	20,110,868

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)	End of the Third Quarter of the Fiscal Year Ending December 31, 2014 (As of September 30, 2014)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable — trade	264,730	283,696
Accounts payable for construction contracts	104,093	210,525
Short-term loans payable	1,004,000	376,500
Current portion of long-term loans payable	682,615	990,700
Income taxes payable	170,422	80,299
Other	981,301	1,278,025
Total current liabilities	3,207,163	3,219,745
<b>Noncurrent liabilities:</b>		
Long-term loans payable	6,045,288	2,277,923
Asset retirement obligations	253,585	300,077
Other	1,229,122	932,276
Total noncurrent liabilities	7,527,996	3,510,276
<b>Total liabilities</b>	<b>10,735,159</b>	<b>6,730,022</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
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	2,457,193
Total retained earnings	1,357,330	2,457,193
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	12,281,688	13,381,551
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	598	(705)
Total valuation and translation adjustments	598	(705)
<b>Total net assets</b>	<b>12,282,287</b>	<b>13,380,845</b>
<b>Total liabilities and net assets</b>	<b>23,017,446</b>	<b>20,110,868</b>

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

(Thousands of yen)

	Nine-Month Period of the Fiscal Year Ended December 31, 2013 (January 1, 2013 to September 30, 2013)	Nine-Month Period of the Fiscal Year Ending December 31, 2014 (January 1, 2014 to September 30, 2014)
<b>Net sales</b>	9,502,359	15,509,963
Cost of Sales	6,886,089	11,813,763
<b>Gross profit</b>	2,616,269	3,696,199
<b>Selling, general and administrative expenses</b>	1,327,942	1,626,201
<b>Operating income</b>	1,288,326	2,069,998
<b>Non-operating income:</b>		
Interest income	39,639	9,667
Reversal of allowance for doubtful accounts	6,564	1,115
Default charge income	6,765	3,235
Compensation for transfer	9,700	6,901
Other	4,554	8,739
Total non-operating income	67,223	29,660
<b>Non-operating expenses:</b>		
Interest expenses	120,569	111,268
Termination payment of derivatives	—	44,825
Other	5,131	26,767
Total non-operating expenses	125,700	182,861
<b>Ordinary income</b>	1,229,849	1,916,797
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	27,596	112,906
Gain on sales of investment securities	2,270	—
Total extraordinary income	29,866	112,906
<b>Extraordinary loss:</b>		
Loss on retirement of noncurrent assets	21,506	9,991
Other	3,028	245
Total extraordinary losses	24,534	10,237
<b>Net income before income taxes</b>	1,235,181	2,019,466
Income taxes — current	126,503	141,065
Income taxes — deferred	(5,726)	471,630
Total income taxes	120,777	612,696
<b>Net income</b>	1,114,404	1,406,770

**(3) 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 nine-month period of fiscal 2013 (January 1, 2013 to September 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	8,106,260	1,396,098	9,502,359	—	9,502,359
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	8,106,260	1,396,098	9,502,359	—	9,502,359
Segment Profit	1,643,779	115,377	1,759,156	(470,829)	1,288,326

Notes:

1. The negative segment profit adjustment of ¥470,829 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 nine-month of fiscal 2014 (January 1, 2014 to September 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	9,268,537	6,241,425	15,509,963	—	15,509,963
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	9,268,537	6,241,425	15,509,963	—	15,509,963
Segment Profit	1,920,275	667,988	2,588,263	(518,265)	2,069,998

Notes:

1. The negative segment profit adjustment of ¥518,265 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.