NON-CONSOLIDATED FINANCIAL REPORT
FISCAL 2014（Japanese GAAP）
(January 1, 2014 to December 31, 2014)

February 13, 2015

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

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Annual General Meeting of Shareholders date (planned): March 26, 2015
Fiscal 2014 Securities Report filing date (planned): March 27, 2015
Dividend payment commencement date (planned): March 27, 2015
Supplemental materials prepared for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and security analysts)

(Millions of yen rounded down)

1. Non-Consolidated Operating Results for FY 2014 (January 1, 2014 to December 31, 2014)
(1) Non-Consolidated Business Results

(% figures represent year-on-year increase or decrease)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2014	18,120	47.8	2,235	48.5	2,087	45.6	1,541	14.4
FY 2013	12,256	21.1	1,505	29.2	1,433	33.3	1,346	42.0

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2014	12.55	—	11.9	9.8	12.3
FY 2013	10.97	—	11.6	6.9	12.3

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	Net Assets to Total Assets	Net Assets per Share of Common Stock
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2014	19,539	13,514	69.2	110.09
As of December 31, 2013	23,017	12,282	53.4	100.05

(Reference) Shareholders’ equity: As of December 31, 2014: ¥13,514 million As of December 31, 2013: ¥12,282 million

(3) Non-Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2014	7,123	146	(5,429)	5,431
FY 2013	1,014	(2,764)	2,256	3,590

2. Dividends

	Cash Dividends per Share of Common Stock					Cash Dividends Paid (Annual)	Dividend Payout Ratio (Consolidated)	Cash Dividends to Net Assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2013	—	0.00	—	2.50	2.50	306	22.8	2.6
FY 2014	—	0.00	—	3.60	3.60	441	28.7	3.4
FY 2015 (planned)	—	0.00	—	2.80	2.80		52.5	

3. Forecast of Non-Consolidated Results for FY 2015 (January 1, 2015 to December 31, 2015)

(% figures for the full fiscal year represent year-on-year increase or decrease,
% figures for the interim period are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	6,670	(30.6)	711	(47.6)	686	(45.4)	443	(50.2)	3.62
Full Fiscal Year	12,296	(32.1)	1,060	(52.6)	1,015	(51.4)	655	(57.5)	5.34

Notes

(1) 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

(2) Number of shares issued and outstanding (common shares)

1. Number of shares issued and outstanding as of the end of the period (including treasury stock)
   As of December 31, 2014: 125,763,000 shares   As of December 31, 2013: 125,763,000 shares
2. Number of treasury stock
   As of December 31, 2014: 3,000,000 shares   As of December 31, 2013: 3,000,000 shares
3. Average number of shares for the year
   FY2014: 122,763,000 shares   FY2013: 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 year-end, number of treasury stock as of the year-end and average number of shares for the year have been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

Regarding the Status of Review Procedure Implementation

This financial report for the fiscal 2014 is not subject to the 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 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 "Analysis of Business Results and Financial Condition" on page 4 for assumptions of the revision of forecasts of business results.

The Company plans to hold a results briefing on February 16, 2015, 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.

Contents

1. Analysis of Business Results and Financial Condition

(1) Analysis of Business Results

1) Business Results for Fiscal 2014

During fiscal 2014 (ended December 31, 2014), the Japanese economy continued its moderate recovery, with a weaker yen and recovery in share prices as a result of the government's stimulus measures and monetary easing policy, together with improvements in corporate earnings and employment. However, uncertainties continue as a result of higher material costs accompanying the rapid rise in the yen, the prolonged rebound decline following the demand rush preceding the consumption tax hike, and concerns of a slowdown in overseas economies. In the real estate industry, Arealink's principal business field, there were signs of an upturn in land prices in urban areas amid low interest rates and government stimulus measures, with the industry steadily recovering from the harsh conditions of the past few years. However, points for concern also became manifest, including the impact of the consumption tax rise, and rising material and labor costs. Under such conditions, Arealink proactively expanded its Property Management Service business, centered on a "stock-type" (service oriented) business model, as well as its Property Revitalization & Liquidation Service business, centered on the sale of properties held for resale in response to market conditions.

As a result, net sales for fiscal 2014 amounted to ¥18,120 million (+47.8% year on year), with operating income of ¥2,235 million (+48.5%), ordinary income of ¥2,087 million (+45.6%), and net income of ¥1,541 million (+14.4%).

Property Management Service

In the mainstay self-storage business, with a view to nationwide expansion, Arealink took active steps to open offices and sales agencies to facilitate the quick establishment of new storage locations. In addition to existing sales offices in Tokyo, Osaka, and Nagoya, in May 2014 we established new offices in Chiba, Kanagawa, and Saitama, and in December 2014, offices in Kobe and Fukuoka. As a result of these openings and our community-oriented sales efforts, the number of storage units increased by 6,878 units. For trunk room type locations, we opened locations utilizing entire buildings as a means of enhancing name recognition and brand strength. For new locations, we held on-site tours for nearby customers and conducted other community-oriented sales activities, while for existing locations we utilized customer feedback to carry out maintenance aimed at making facilities easier to use, and to raise awareness.

In the asset business, revenue declined due to the falloff in rent income following resulting from the sale of properties held for resale.

As a result, net sales in the Property Management Service segment amounted to ¥11,845 million, with operating income of ¥2,266 million.

Principal Indicators for Property Management Service (number of units)

	At Dec. 31, 2012	At Dec. 31, 2013	At Dec. 31, 2014
Container rooms	26,061	31,173	37,207
Trunk rooms	15,637	15,513	16,357
Parking spaces	2,455	1,226	1,200
Office rooms	657	655	655
Meeting rooms	33	63	93
Hotel rooms	590	590	455

Property Revitalization & Liquidation Service

Performance steadily increased as Arealink proactively sold properties in response to real estate market conditions and our financial situation, centered on stores, office buildings, and residential apartments held for resale.

As a result, net sales in the Property Revitalization & Liquidation Service segment amounted to ¥6,274 million, with operating income of ¥690 million.

2) Outlook for Fiscal 2015

For fiscal 2015 (ending December 31, 2015), despite the recovery trend in the general economy, the outlook for the real estate industry remains uncertain as a result of the consumption tax increase, continued high real estate prices, and other factors.

Under such conditions, for the Property Management Service, Arealink will open offices and sales agencies in various regions with a view to nationwide expansion for the mainstay self-storage business, and will expand its market share in this business by accelerating openings of storage location through community-oriented sales activities. In terms of the type of storage facilities to be opened, we will shift from the previous order-based model to establishing locations utilizing self-financing, which will improve profitability per location, and contribute to earnings increases over the longer term. Along with proactive expansion of the self-storage business, we plan to establish a stable foundation for earnings centered on strengthening the Office Division by increasing the number of rental meeting rooms and event halls, which will address such issues as differentiating ourselves from the competition, while expanding our “stock-type” (service oriented) business model.

In the self-storage business, competition is becoming increasingly fierce in terms of price, as well as differentiation of products and services. However, with our differentiation in services, such as the “Speed 3-Minute Contract” (automated contract) providing 24-hour service for contract procedures, and amid the continually increasing demand for and awareness of rental storage services, we feel that business opportunities for Arealink will further expand as a result of our focus on security, along with the growing reputation of the Hello Storage brand and its nationwide network of prime locations and accessibility not unlike convenience stores. We will work to expand sales by further enhancing our brand strength and recognition with self-storage buildings in urban areas, and by focusing on expanding our market share through communities strategies based on opening offices and sales agencies in various regions with a view to nationwide expansion. We will also seek stable operations through such means as expansion of the customer support system.

For real estate purchases and sales in the Property Revitalization & Liquidation Service, with due consideration of conditions in the real estate market, we will purchase office and apartment buildings in prime locations, as well as building lots. Office and apartment buildings will be renovated and sold on a floor or section basis. We will also expand purchases and sales utilizing our strength in property owner networks.

In terms of costs, we anticipate increases in purchasing and personnel costs related to business expansion, IT system investments to enhance company-wide operational efficiency and improve services, and installation costs for LED advertising board to enhance recognition of the self-storage business. However, we will lower expenses through an ongoing program of far-reaching cost controls.

In consideration of these factors, for the fiscal year ending December 31, 2015, Arealink is forecasting net sales of ¥12,296 million (comprising ¥11,791 million in the Property Management Service segment, and ¥505 million in the Property Revitalization & Liquidation Service segment), with operating income of ¥1,060 million, ordinary income of ¥1,015 million, and net income of ¥655 million.

(2) Analysis of Financial Condition

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of fiscal 2014 (December 31, 2014) decreased 15.1% compared with the end of the previous fiscal year (December 31, 2013), to ¥19,539 million.

Current assets decreased 6.6% from the end of the previous fiscal year to ¥10,115 million. This was due mainly to a decrease of ¥2,611 million in real estate for sale; against increases of ¥1,840 million in cash and deposits; and ¥222 million in costs on uncompleted construction contracts.

Noncurrent assets decreased 22.7% year on year to ¥9,423 million. This was due mainly to decreases of ¥2,374 million in total property, plant and equipment stemming from changes in the holding status of properties, offsetting real estate purchases; and ¥130 million in long-term loans.

Liabilities

Total liabilities decreased 43.9% from the previous fiscal year to ¥6,024 million.

Current liabilities decreased 23.2% year on year to ¥2,462 million. This was due mainly to decreases of ¥1,004 million in short-term loans payable; and ¥355 million in current portion of long-term loans payable; against increases of ¥112 million in accounts payable for construction contracts.

Noncurrent liabilities decreased 52.7% year on year to ¥3,561 million. This was due mainly to decreases of ¥3,747 million in long-term loans payable stemming from real estate purchases and ¥232 million in deposit on contract.

Net Assets

Net assets increased 10.0% from the previous fiscal year to ¥13,514 million. This was due mainly to an increase of ¥1,234 million in retained earnings.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of fiscal 2014 (December 31, 2014) increased ¥1,804 million from the end of the previous fiscal year (December 31, 2013), to ¥5,431 million. The condition of each cash flow during the subject fiscal year and the primary factors affecting them are as follows.

Cash flow from operating activities

Cash provided by operating activities amounted to ¥7,123 million. This was due mainly to increasing factors of ¥2,222 million in net income before tax; a ¥4,441 million decrease in inventories; and ¥448 million in depreciation; against decreasing factors of a ¥232 million decrease in guarantee deposits received.

Cash flow from investing activities

Cash provided by investing activities amounted to ¥146 million. This was due mainly to increasing factors of ¥520 million in proceeds from sales of property, plant and equipment; and ¥62 million from collection of short-term loans receivable; against decreasing factors of ¥365 million in expenditures for acquisition of property, plant and equipment.

Cash flow from financing activities

Cash used in financing activities amounted to ¥5,429 million. This was due mainly to decreasing factors of ¥4,802 million in expenditures for repayment of long-term loans payable; a ¥630 million decrease in short-term borrowings; and ¥305 million in cash dividends paid.

(Reference) Trends in cash flow indices

	FY2010 (Non-consolidated)	FY2011 (Non-consolidated)	FY2012 (Non-consolidated)	FY2013 (Non-consolidated)	FY2014 (Non-consolidated)
Equity ratio (%)	49.3	57.8	58.8	53.4	69.2
Equity ratio, based on market value (%)	25.0	19.5	45.4	69.3	88.0
Ratio of Interest-bearing debt to cash flow (times)	—	197.1	1,249.7	772.3	38.7
Interest coverage ratio (times)	—	18.4	3.4	5.9	50.7

Equity ratio: shareholders' equity/ total assets
Market-based rate of equity ratio: total market capitalization/ total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt/ cash flows
Interest coverage ratio: cash flows/ interest expense

Notes:
1. Fiscal 2010 figures for ratio of interest-bearing debt to cash flow and interest coverage ratio are not presented because no non-consolidated cash flow statement was compiled that year.
2. The total market value of stocks is calculated based on the number of shares issued less treasury stock.
3. "Cash flow" refers to cash flow from operating activities.
4. "Interest-bearing debt" refers to all debts listed in the balance sheets for which the Company pays interest. "Interest payments" denotes interest payments shown in the statements of cash flows.

(3) Basic Policy on Profit Distribution, and Dividends for FY2014 and FY2015

Arealink regards the long-term, comprehensive expansion of profit to shareholders as an important management objective. Our basic policy is to maintain a stable target payment of annual dividend of ¥2.80 per share commensurate with the Company's financial condition and earnings, based on the long-term business plan, and assessing the market environment and opportune timing for capital expenditures, while also keeping in mind retention of earnings for reinvestment. The basic policy for the number of payouts is once per year at the end of the fiscal period, as determined by the General Meeting of Shareholders.

Of note, the Articles of Incorporation state that "By resolution of the Board of Directors, the Company may pay an interim dividend with a record date of June 30 annually." Accordingly, the decision-making body for the dividend of surplus is the General Meeting of Shareholders for year-end dividends, and the Board of Directors for interim dividends.

For fiscal 2014, based on a comprehensive consideration of current economic conditions, the Company's financial condition, and business results for the year resulting from the steady sale of properties held for resale in the Property Revitalization & Liquidation Service business, Arealink plans to pay an annual dividend of ¥3.60 per share.

For fiscal 2015, in accordance with the above basic policy and earnings forecasts at the present time, Arealink plans to pay an annual dividend of ¥2.80 per share. There are no plans for an interim dividend.

(4) Risk Factors

Of the matters regarding the status of business operations and accounting presented in this report, those matters that could significantly influence the decisions of investors are presented below.

The following also includes matters that Arealink does not necessarily consider to be business risks, as well as matters the Company considers important in terms of understanding its business activities, which are presented in the interest of proactive disclosure to investors.

Arealink recognizes the possibility that these risks could arise, and is prepared to make a maximum effort to prevent them from arising, and to address them if they should arise.

Forward-looking statements in the text are the judgments of the Company as of the end of the subject fiscal year.

1) Risk of changes in customer needs, market conditions, and other aspects of the external operating environment

Arealink's policy for the purchase of properties for use in its various businesses, as in the past, is primarily to search for properties that match customer needs, and to carefully consider the location, market for the surrounding area, and other factors.

For the sale or disposal of properties as well, the Company's policy is to strengthen our business position to present effective means of utilizing properties in line with investor needs, and in considering of the local real estate market and other factors, to recover investment capital in a timely matter.

However, should Arealink's forecast for potential demand be inadequate, or demand decline as a result of unforeseen changes in the external environment, or should there be rapid fluctuations in rent or real estate prices in surrounding areas, this could affect the Company's business results and financial condition.

2) Risk in Arealink's holding of property

The properties held by Arealink have been carefully selected for investment on the basis of (i) scarcity value; (ii) target investment return of 8% or higher; (iii) prospects for immediately generating revenue; and (iv) the potential to utilize the Company's expertise in real estate manage to fill vacancies. Further, where investment capital is procured through borrowing, we work to avoid the risk of interest rate increases by procuring funds in line with the investment period, and when necessary borrowing at fixed interest rates.

However, should Arealink's forecast for potential demand be inadequate, or demand decline as a result of unforeseen changes in the external environment, or should there be rapid fluctuations in rents or real estate prices in surrounding areas, this could affect the Company's business results and financial condition.

3) Risk from low barriers to market entry

As opposed to the businesses of other companies based on products, Arealink's business originated from consulting for the revitalization of real estate. We feel that even among companies in businesses related to real estate, we have established our own market niche. Further, Arealink is unique in that it can offer combinations of services from among its extensive product lineup.

However, Arealink has no patents or other legal means to exclude other companies from the market, and the business model itself is simple, so fierce competition could arise as a result of other firms following the Company into the market.

4) Suppliers of the containers used for the storage business

Arealink has selected three specific firms from among numerous candidates to supply the containers used for the storage business.

The selection of three suppliers was made in recognition of the importance of selecting and building close relationships with companies able to maintain a stable supply of the containers used for the storage business at a consistent level of quality, and to provide special fixtures and follow-up service. The cost per container is also lowered through bulk purchases.

However, should production of containers be curtailed as a result of natural disasters or other difficulties in China and South Korea, the places where the containers supplied by the three companies are made, or should other events unforeseen by the Company arise, Arealink could become unable to acquire a supply of containers in a timely manner, even by shifting to different sales channels with other suppliers. This could result in lost business opportunities, a slower speed of business development, an increase in the cost of containers, or other developments that could affect the Company's business results and financial condition.

5) Possibility that lease contracts with property owners will be terminated after a short period

For its Property Management Service, Arealink concludes lease contracts with property owners, with the Company as the lessee.

In principle the lease periods for individual contracts are fixed, but in some cases the terms provide for termination of the contract on declaration of intent by one of the parties.

For such properties, should there be a change in the leasing policy of the owner (lessor), or should a more beneficial method of asset utilization or other situation arise, this could result in termination of the lease contract, which could affect the Company's business results and financial condition.

Of note, since the launch of this business through the end of December 2014, there have been 51 cases in which contracts were terminated by the owner (lessor) prior to the conclusion of the contract period.

6) Possibility of tighter regulation of the storage business

Of the types of storage offered by Arealink, there has been a rapid increase in recent years of the number of "container warehouses," including those established by other companies in the industry. In conjunction with this expansion, there have been media reports of certain operators experiencing problems with nearby residents over the living environment and other issues, as well as the issuance of removal orders based on the Building Standards Act certifying a container as a building.

As for containers placed by Arealink, as of the end of December 2014 there have been no cases of problems with nearby residents, or any removal orders or other administrative sanctions. However, should there be a tightening of administrative guidance or other regulations in the future, this could affect the Company's storage business.

7) The "Hello Container" trademark in the network business

Arealink provides the operators with which it has concluded a "Hello Container" trademark license agreement for the storage business (hereafter, "network business operators") with consulting on business operations expertise. The objective of this arrangement is that the sharing of the trademark between Arealink and the network business operators will enhance the ability to attract customers, and accelerate opportunities for more effective acquisition of earnings.

However, the contract between Arealink and the network business operators is strictly a trademark license agreement, lacking any legal force regarding business operations or other aspects similar to a franchise contract. The business operations and other activities of the network business operators are conducted at their discretion.

Accordingly, should a problem arise in the business operations of a network business operator that uses the same trademark as Arealink, and this ultimately diminishes the value of that trademark, this could affect the Company's business results and financial condition. Of note, as of the end of December 2014, the Company had "Hello Container" trademark license agreements with 30 companies.

8) The proportion of overall business performance from the storage business (securitization) in the Property Management Service segment

Arealink conducts the storage business (securitization) as part of the Property Management Service business. Since the gross profit margin from this business is large compared to other businesses, it accounts for a relatively large percentage of overall gross profit. The amounts of net sales and gross profit from the storage business (securitization) for fiscal 2014 (ended December 2014), and their proportion of results for the entire company, are shown in the following chart.

Unit: Thousands of yen, %

	Item	FY2014
Results for the entire company	Net sales	18,120,457
	Gross profit	4,360,881
Results for the storage business (securitization)	Net sales	2,717,856
	Gross profit	968,944
Proportion	Net sales	15.0%
	Gross profit	22.2%

(5) Material Events Related to Going Concern Assumptions

Nothing applicable

2. Organization of the Corporate Group

Nothing applicable, as Arealink does not have any affiliates.

3. Management Policies

(1) Basic Management Policy

Arealink's stated basic policies are to be the acknowledged leader in the storage business in terms of both market share and quality, to achieve extremely stable and strong growth by strengthening our business foundation (Storage Division, Asset Division, and rental meeting rooms in the Office Division), to expand human resources development, and to pay a stable dividend. We operate the "Hello" series of storage products (Hello Trunk, Hello Container), centered on the Tokyo metropolitan area.

In the spirit of "a problem is a business opportunity," Arealink offers owners of under-utilized real estate with added value, such as storage (Hello Trunk, Hello Container) through its unique business model, and in doing so provides end users with spaces that are convenient and easy to use.

(2) Key Performance Indicators

Arealink has established as a key performance indicator enhancing long-term profitability and capital efficiency to raise overall corporate value. This is accomplished through operations centered on the steady revenue from the Property Management Service, comprising mainly the Storage Division, Asset Division, and rental meeting rooms in the Office Division, and in the Property Revitalization & Liquidation Service by purchasing new inventory and selling real estate, giving due consideration to conditions in the real estate market.

(3) Longer Term Business Strategies

Arealink, to realize the Basic Management Strategy outlined above, has set as longer term business strategies in the Storage Division with a view to nationwide business development of increasing the number of locations, and strengthening services, products, brand appeal, and name recognition, in the Asset Division holding income-generating properties, and in the Office Division expanding locations for rental meeting rooms.

In the Storage Division (Hello Trunk and Hello Container), we will achieve scale merit, further accumulate expertise, and enhance service and product capabilities, as well as utilize IT technology to pursue enhancements in operational efficiency and a stronger management structure. Further, we will accelerate the opening of storage locations by establishing offices and sales agencies in various regions with a view to nationwide business expansion, and build a structure for comprehensive support with close connections to both customers and owners.

In the Asset Division, with due consideration of real estate market conditions, our policy is to hold income-generating properties carefully chosen based on our own criteria, such as properties with a target return on investment of 8% or higher.

In the Office Division, for rental meeting rooms we will expand the number of locations as new priority “stock-type” (service oriented) business.

(4) Key Issues Requiring Attention

1) Sustainable growth in the Property Management Service business

To achieve sustainable growth in the Property Management Service business, centered on the Storage Division (Hello Trunk and Hello Container) and Asset Division, we will strengthen order-type store openings, broaden information gathering, enhance services, strengthen planning and development capabilities, and bolster the management structure by making full use of IT strategies. In the Property Revitalization & Liquidation Service business, we think it is important to enhance human resources to achieve sustainable growth, and will further emphasize the securing and training of personnel.

2) Further enhancement of product, service, and brand appeal

As noted in the “Risks Factors” section, Arealink’s Property Management Service is a simple business model, and as such there are few barriers to entry and the potential for intense competition from new market entrants. However, we believe that through product appeal based on accumulated expertise, service improvements such as the “Speed 3-Minute Contract” (automated contract), expansion of our network nationwide, and by establishing brand power and recognition by opening stand-alone storage buildings in urban areas, we will clearly differentiate ourselves from the competition, and capture customer needs to the fullest extent.

(5) Other Material Business Matters

Nothing applicable

4. Financial Statements
(1) Non-Consolidated Balance Sheets

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)
ASSETS		
Current assets:		
Cash and deposits	3,590,968	5,431,560
Accounts receivable — trade	131,839	132,427
Accounts receivable from completed construction contracts	28,350	—
Merchandise	385,477	389,830
Real estate for sale	*1, *2 5,936,247	*1, *2 3,325,049
Costs on uncompleted construction contracts	4,792	227,723
Supplies	2,084	5,401
Prepaid expenses	253,756	256,820
Deferred tax assets	379,810	263,030
Other current assets	140,974	106,161
Allowance for doubtful accounts	(25,867)	(22,744)
Total current assets	10,828,435	10,115,261
Noncurrent assets:		
Property, plant and equipment:		
Buildings	*1, *2 5,490,291	*1, *2 4,657,680
Accumulated depreciation	(1,006,149)	(1,181,690)
Accumulated impairment loss	(116,444)	(131,056)
Buildings, net	4,367,698	3,344,933
Structures	333,115	506,271
Accumulated depreciation	(130,515)	(162,362)
Accumulated impairment loss	(935)	(7,858)
Structures, net	201,664	336,050
Machinery and equipment	106,550	92,316
Accumulated depreciation	(43,186)	(49,809)
Accumulated impairment loss	(215)	(6,829)
Machinery and equipment, net	63,148	35,677
Vehicles	13,878	13,878
Accumulated depreciation	(1,738)	(4,055)
Vehicles, net	12,139	9,822
Tools, furniture and fixtures	*2 1,323,892	*2 1,402,814
Accumulated depreciation	(358,521)	(450,258)
Accumulated impairment loss	(21,029)	(27,165)
Tools, furniture and fixtures, net	944,341	925,390
Land	*1, *2 4,869,692	*1, *2 3,406,546
Lease assets	128,845	170,774
Accumulated depreciation	(43,771)	(61,811)
Lease assets, net	85,073	108,963
Construction in progress	—	1,980
Total property, plant and equipment	10,543,758	8,169,364
Intangible assets:		
Goodwill	8,032	2,165
Right of trademark	576	403
Software	57,194	63,732
Other	17,832	360
Total intangible assets	83,636	66,662
Investments and other assets:		
Investment securities	156,760	203,117

Long-term loans receivable	183,070	52,237
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,282,449	1,282,449
Long-term prepaid expenses	67,574	56,335
Guarantee deposits	775,532	857,649
Deferred tax assets	353,432	—
Other	39,345	31,695
Allowance for doubtful accounts	(1,296,549)	(1,295,771)
Total investments and other assets	1,561,616	1,187,714
Total noncurrent assets	12,189,011	9,423,740
Total assets	23,017,446	19,539,002

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	264,730	320,072
Accounts payable for construction contracts	104,093	216,685
Short-term loans payable	*1 1,004,000	—
Current portion of long-term loans payable	*1 682,615	*1 326,758
Accounts payable-other	312,600	306,328
Accrued expenses	43,140	34,856
Income taxes payable	170,422	110,606
Advances received	561,643	546,776
Advances received on uncompleted construction	7,546	157,172
Deposits received	3,151	7,735
Unearned revenue	23,870	23,870
Lease obligations	14,056	21,365
Other	15,291	390,396
Total current liabilities	3,207,163	2,462,624
Noncurrent liabilities:		
Long-term loans payable	*1 6,045,288	*1 2,298,239
Guarantee deposited	814,784	582,142
Lease obligations	91,185	112,646
Asset retirement obligations	253,585	321,515
Deferred tax liabilities	—	48,104
Other	323,151	199,281
Total noncurrent liabilities	7,527,996	3,561,930
Total liabilities	10,735,159	6,024,554
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	2,591,429
Total retained earnings	1,357,330	2,591,429
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	12,281,688	13,515,786
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	598	(1,339)
Total valuation and translation adjustments	598	(1,339)
Total net assets	12,282,287	13,514,447
Total liabilities and net assets	23,017,446	19,539,002

(2) Non-Consolidated Statements of Income

(Thousands of yen)

	Fiscal Year Ended December 31, 2013 (January 1, 2013 to December 31, 2013)	Fiscal Year Ended December 31, 2014 (January 1, 2013 to December 31, 2014)
Net sales		
Rent operating revenue	8,616,117	9,113,211
Construction sales	2,096,624	2,717,856
Real estate sales	1,521,213	6,274,642
Other sales	22,449	14,746
Total net sales	12,256,406	18,120,457
Cost of Sales		
Rent operating expenses	*1 6,290,687	*1 6,656,152
Beginning goods	458,858	385,477
Cost of purchased goods	40,629	83,956
Total	499,487	469,433
Transfer to other account	*2 114,010	*2 79,603
Ending merchandise	385,477	389,830
Cost of construction sales	1,267,851	1,748,912
Cost of sales-real estate	1,338,357	5,354,510
Other cost	6,181	—
Total cost of sales	8,950,277	13,759,575
Gross profit	3,306,129	4,360,881
Selling, general and administrative expenses		
Directors' compensations	118,784	135,911
Salaries and allowances	526,767	612,718
Other salaries	27,638	10,198
Welfare expenses	87,083	101,829
Advertising expenses	245,637	265,188
Entertainment expenses	19,833	23,815
Traveling and transportation expenses	69,877	68,307
Communication expenses	75,926	92,023
Insurance expenses	5,252	3,006
Utilities expenses	5,536	5,418
Supplies expenses	17,439	20,171
Commission fee	307,425	444,808
Compensations	98,253	112,627
Repair expenses	5,260	1,330
Taxes and dues	58,669	61,631
Depreciation	43,450	41,435
Provision of allowance for doubtful accounts	16,873	13,006
Bad debts expenses	2,374	1,100
Rents	21,329	25,659
Consulting expenses	16,101	39,672
Other	31,347	45,616
Total selling, general and administrative expenses	1,800,864	2,125,480
Operating income	1,505,264	2,235,401
Non-operating income:		
Interest income	47,049	13,239
Dividends income	117	190
Default charge income	9,091	3,917
Penalty income	32,035	25,729
Reversal of allowance for doubtful accounts	13,245	1,150

Other	12,573	19,002
Total non-operating income	114,113	63,229
Non-operating expenses:		
Loss on cancellation of derivatives	—	44,825
Interest expenses	166,127	139,573
Commission fee	5,907	15,514
Other	13,670	11,676
Total non-operating expenses	185,705	211,589
Ordinary income	1,433,672	2,087,041
Extraordinary income:		
Gain on sales of noncurrent assets	*3 101,567	*3 206,563
Gain on sales of investment securities	2,270	—
Total extraordinary income	103,837	206,563
Extraordinary loss:		
Loss on sales of noncurrent assets	*4 828	*4 724
Loss on retirement of noncurrent assets	*5 28,945	*5 21,033
Impairment loss	*6 55,098	*6 37,974
Loss on valuation of membership	—	11,350
Additional business office tax	80,073	—
Other	3,250	—
Total extraordinary losses	168,194	71,083
Net income before income taxes	1,369,315	2,222,521
Income taxes — current	152,240	163,662
Income taxes — deferred	(129,579)	517,853
Total income taxes	22,661	681,516
Net income	1,346,654	1,541,005

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2013 (January 1, 2013 to December 31, 2013)

(Thousands of yen)

	Shareholders' Equity						
		Capital Surplus		Retained Earnings			
				Other Reserve			
	Common stock	Legal Reserve	Total Capital Surplus	Retained Earnings Brought Forward	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2012	5,568,222	5,612,719	5,612,719	10,676	10,676	(256,584)	10,935,034
Increase (decrease) during the period ended December 31, 2013							
Dividends from surplus							—
Net income				1,346,654	1,346,654		1,346,654
Net changes in items excluding shareholders' equity during the period							
Total	—	—	—	1,346,654	1,346,654		1,346,654
Balance as of December 31, 2013	5,568,222	5,612,719	5,612,719	1,357,330	1,357,330	(256,584)	12,281,688

(Thousands of yen)

	Valuation and Conversions		
	Net Unrealized Gains on Marketable Securities	Total Valuation and Conversions	Total Net Assets
Balance as of December 31, 2012	327	327	10,935,361
Increase (decrease) during the period ended December 31, 2013			
Dividends from surplus			—
Net income			1,346,654
Net changes in items excluding shareholders' equity during the period	271	271	271
Total	271	271	1,346,925
Balance as of December 31, 2013	598	598	12,282,287

Fiscal 2014 (January 1, 2014 to December 31, 2014)

(Thousands of yen)

	Shareholders' Equity						
		Capital Surplus		Retained Earnings			
	Common stock	Legal Reserve	Total Capital Surplus	Other Reserve: Retained Earnings Brought Forward	Total Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2013	5,568,222	5,612,719	5,612,719	1,357,330	1,357,330	(256,584)	12,281,688
Increase (decrease) during the period ended December 31, 2014							
Dividends from surplus				(306,907)	(306,907)		(306,907)
Net income				1,541,005	1,541,005		1,541,005
Net changes in items excluding shareholders' equity during the period							
Total	—	—	—	1,234,098	1,234,098	—	1,234,098
Balance as of December 31, 2014	5,568,222	5,612,719	5,612,719	2,591,426	2,591,426	(256,584)	13,515,786

(Thousands of yen)

	Valuation and Conversions		
	Net Unrealized Gains on Marketable Securities	Total Valuation and Conversions	Total Net Assets
Balance as of December 31, 2013	598	598	12,282,287
Increase (decrease) during the period ended December 31, 2014			
Dividends from surplus			(306,907)
Net income			1,541,005
Net changes in items excluding shareholders' equity during the period	(1,937)	(1,937)	(1,937)
Total	(1,937)	(1,937)	1,232,160
Balance as of December 31, 2014	(1,339)	(1,339)	13,514,447

(4) Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year Ended December 31, 2013 (January 1, 2013 to December 31, 2013)	Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)
Cash flows from operating activities:		
Income before income taxes	1,369,315	2,222,521
Depreciation	600,055	448,499
Impairment loss	55,098	37,974
Additional business office tax	80,073	―
Interest and dividends income	(47,166)	(13,430)
Interest expenses	166,127	139,573
Loss (gain) on sales of noncurrent assets	(100,739)	(205,839)
Loss on retirement of noncurrent assets	28,945	21,033
Loss (gain) on sales of investment securities	(2,270)	―
Decrease (increase) in notes and accounts receivable ― trade	45,583	27,762
Decrease (increase) in inventories	(1,298,710)	4,441,573
Decrease (increase) in consumption taxes refund receivable	(17,845)	29,527
Increase (decrease) in notes and accounts payable ― trade	(18,140)	167,933
Increase (decrease) in accrued consumption taxes	(1,720)	370,351
Increase (decrease) in guarantee deposits received	150,422	(232,642)
Other, net	154,977	19,279
Subtotal	1,164,005	7,474,120
Interest and dividends income received	47,365	12,340
Interest expenses paid	(172,996)	(140,591)
Income taxes paid	(23,644)	(222,601)
Net cash provided by (used in) operating activities	1,014,729	7,123,267
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,454,756)	(365,010)
Proceeds from sales of property, plant and equipment	649,706	520,504
Purchase of intangible assets	(21,017)	(18,6147)
Purchase of investment securities	―	(47,831)
Proceeds from sales of investment securities	2,940	―
Collection of loans receivable	58,136	62,139
Other, net	―	(4,325)
Net cash provided by (used in) investing activities	(2,764,991)	146,863
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	1,004,000	(630,500)
Proceeds from long-term loans payable	2,569,310	326,166
Repayment of long-term loans payable	(1,304,424)	(4,802,572)
Cash dividends paid	―	(305,584)
Repayments of lease obligations	(12,625)	(17,048)
Net cash provided by (used in) financing activities	2,256,259	(5,429,539)
Effect of exchange rate changes on cash and cash equivalents	―	―
Net increase (decrease) in cash and cash equivalents	505,996	1,840,592
Cash and cash equivalents at beginning of period	3,084,972	3,590,968
Cash and cash equivalents at end of period	[*1] 3,590,968	[*1] 5,431,560

(5) Notes regarding the Financial Statements

(Notes Regarding Going Concern Assumptions)
Not applicable.

(Significant accounting policies)

1. Securities valuation criteria and valuation method

(1) Other securities

Securities with a market value
The market value method based on market prices, etc. on the last day of the financial year (the valuation difference is processed using the method of direct entry of all net assets, and the cost of sales is computed using the method of moving average)
Securities without a market value
Cost method based on the method of moving average

2. Valuation criteria and valuation method for the net claims (or obligations) generated by derivative transactions

Market value method

3. Inventory assets valuation criteria and valuation method

(1) Merchandise

Cost method based on the individual method (Method of writing down the book value based on the decline in profitability)
Note that depreciation of items currently on loan is carried out in accordance with the method for tangible fixed assets.

(2) Real estate for sale

Cost method based on the individual method (Method of writing down the book value based on the decline in profitability)
Note that depreciation of items currently on loan is carried out in accordance with the method for tangible fixed assets.

(3) Uncompleted construction contract expenditure

Cost method based on the individual method (Method of writing down the book value based on the decline in profitability)

(4) Supplies

Cost method based on the recent purchase method

4. Method of depreciation of fixed assets

(1) Tangible fixed assets (excluding leased assets)

The straight-line method is employed.
Note that the durable years of main assets are as follows:
Buildings and structures: 2 - 34 years
Machinery and equipment: 5 - 9 years
Tools, furniture and fixtures: 2 - 20 years

(2) Intangible fixed assets (excluding leased assets)

The straight-line method is employed.
Note that software used in-house by the Company is based on the period in which the software can be used in-house (5 years).

(3) Leased assets

Leased assets related to finance and lease transactions exempt from passage of title
These are based on the straight-line method assuming that the lease period is the durable years and that the residual value is zero.
Note that those finance and lease transactions exempt from passage of title for which the lease transaction commencement date is on December 31, 2008 or earlier shall be based on the accounting method equivalent to the method related to standard leasing transactions.

(4) Long-term prepaid expenses

Mainly the straight-line method is employed.

5. Standards for recognition of allowances

Allowance for doubtful accounts
In order to prepare for losses caused by the writing off of claims, the Company examines general claims using the loan loss ratio and examines the collectability of individual specific claims such as doubtful accounts receivable, in order to report the expected uncollectable claims.

6. Standards for recognition of amount of completed work and cost of completed work

Regarding construction contracts for which the certainty of the outcome for the portion of progress until the end of the current business year is recognized, percentage of completion basis is applied, and for other construction contracts the completed contracts basis is applied. Note that the estimate of the degree of progress at the end of the current business year of the construction to which the percentage of completion basis is applied is based on the cost-to-cost method.

7. Method of hedge accounting

(1) Method of hedge accounting

As a general rule hedge accounting is based on deferred hedge accounting. Regarding interest rate swaps, in the case that the requirements for special accounting treatment are satisfied, special accounting treatment is implemented.

(2) Hedging instruments and hedged items

The hedging instrument and hedged item to which hedge accounting is applied are as follows.
Hedging instrument... interest rate swaps
Hedged item... interest on borrowings

(3) Hedging policy

The Company uses derivative transactions in order to avoid risks resulting from market fluctuations in interest rates; they are not for the purpose of speculation.

(4) Method of hedge efficacy evaluation

In the period from the time of the commencement of the hedge to the time of the determination of efficacy, the accumulated amount of rate fluctuations of the hedged item and hedging instrument are compared, and the judgment is made based on the fluctuation amount, etc. of both the hedged item and the hedging instrument.

8. Scope of funds in the cash flow statement

The scope of funds in the cash flow statement is comprised of cash on hand, deposits that can be withdraw as needed, and short-term investments that can be easily converted to cash, and carry only a slight risk of a fluctuation in value because their time of maturity is due within three months of the date of acquisition of the investment.

9. Other significant matters that serve as the basis for preparing financial statements

Accounting method for consumption tax, etc.
The accounting method for consumption tax and local consumption tax is based on the tax exclusion method, and non-deductible consumption tax and local consumption tax are treated as expenses for the period.

(Change to the presentation method)
(Balance sheet)
Since the significance of the amount of the “Short-term loans receivable” accounting item that was listed separately under “Current assets” in the preceding business year decreased, the Company has decided to include this item in “Other current assets” from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 62,139,000 yen for “Short-term loans receivable” presented under “Current assets” in the balance sheet for the preceding business year was reclassified as “Other current assets” of 62,139,000 yen.

Since the significance of the amount of the “Accounts receivable-other” accounting item that was listed separately under “Current assets” in the preceding business year decreased, the Company has decided to include this item in “Other current assets” from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 12,309,000 yen for “Accounts receivable-other” presented under “Current assets” in the balance sheet for the preceding business year was reclassified as “Other current assets” of 12,309,000 yen.

Since the significance of the amount of the “Membership” accounting item that was listed separately under “Investments and other assets” in the preceding business year decreased, the Company has decided to include this item in “Other” from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 20,350,000 yen for “Membership” presented under “Investments and other assets” in the balance sheet for the preceding business year was reclassified as “Other” of 20,350,000 yen.

Since the significance of the amount of the “Long-term unearned revenue” accounting item that was listed separately under “Noncurrent liabilities” in the preceding business year decreased, the Company has decided to include this item in “Other noncurrent liabilities ” from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 323,151,000 yen for “Long-term unearned revenue” presented under “Noncurrent liabilities” in the balance sheet for the preceding business year was reclassified as “Other noncurrent liabilities” of 323,151,000 yen.

(Statements of income)
In order to more appropriately present the business situation of the Company, the Company has decided to change the “Penalty income” accounting item that was reported under “Non-operating income” until the preceding business year to “Compensation for transfer ” from the current business year. In order to reflect this change to the presentation method, the Company has also carried out a reclassification in the financial statements for the preceding business year.

As a result of this, the 32,035,000 yen presented in “Penalty income” under “Non-operating income” in the statements of income for the preceding business year was reclassified as “Compensation for transfer” of 32,035,000 yen.

(Additional information)
Previously the Company reported some of the net sales from the storage business and the office business as “Other sales” but in order to more appropriately present the business situation of the Company, the Company has decided to change to reporting these net sales in “Rent operating revenue.” Furthermore, as a result of a partial change to the reporting category of net sales, the Company has also decided to change to reporting a part of the “Other cost” accounting item under the Cost of Sales accounting item in “Rent operating expenses.”
In order to reflect these changes to the reporting categories, the Company has also reclassified the financial statements for the preceding business year. As a result of this, the 651,115,000 yen for “Other sales” and the 47,200,000 yen for “Other cost” in the statements of income for the preceding business year were respectively reclassified as “Rent operating revenue” and “Rent operating expenses.”

(In relation to the balance sheet)
***1 The collateral assets and secured obligations**
The assets provided as collateral are as follows.

	Preceding business year (December 31, 2013)	Current business year (December 31, 2014)
Real estate for sale	5,775,440,000 yen	2,654,564,000 yen
Buildings	3,634,652,000 yen	688,544,000 yen
Land	4,088,408,000 yen	2,438,557,000 yen
Total	13,498,502,000 yen	5,781,666,000 yen

The secured obligations are as follows.

	Preceding business year (December 31, 2013)	Current business year (December 31, 2014)
Short-term borrowings	1,004,000,000 yen	— yen
Current portion of long-term borrowings	663,703,000 yen	306,718,000 yen
Long-term borrowings	5,954,838,000 yen	2,218,279,000 yen
Total	7,622,541,000 yen	2,524,997,000 yen

***2 Change to the purpose of holding assets**
(Preceding business year)
Due to a change to the purpose of owning the assets that were formerly held as fixed assets (buildings, tools, furniture and fixtures, and land), 3,213,373,000 yen has been transferred to real estate for sale.

(Current business year)
Due to a change to the purpose of owning the assets that were formerly held as fixed assets (buildings, tools, furniture and fixtures, and land), 2,060,976,000 yen has been transferred to real estate for sale.

(In relation to statements of income)
***1 The amount of writing down the book value based on the decline in profitability of the inventory assets held for the purpose of standard sales is as follows.**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Lease operating expenses	100,894,000 yen	200,446,000 yen

***2 The main content of the transfer to other accounts is as follows.**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Lease operating expenses	77,240,000 yen	66,041,000 yen
Loss on retirement of inventory assets	30,589,000 yen	13,561,000 yen
Other	6,181,000 yen	— yen
Total	114,010,000 yen	79,603,000 yen

***3 The breakdown of the gain on sales of fixed assets is as follows.**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Mainly land and buildings	72,538,000 yen	189,326,000yen
Structures	— yen	28,000 yen
Machinery and equipment	17,533,000 yen	— yen
Vehicles and delivery equipment	23,000 yen	— yen
Tools, furniture and fixtures	11,472,000 yen	17,208,000 yen
Total	101,567,000 yen	206,563,000 yen

***4 The breakdown of the loss on sales of fixed assets is as follows.**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Machinery and equipment	828,000 yen	724,000 yen

***5 The breakdown of the loss on sales of fixed assets is as follows.**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Buildings	1,546,000 yen	1,227,000 yen
Structures	5,070,000 yen	5,826,000 yen
Machinery, equipment and delivery equipment	21,185,000 yen	7,085,000 yen
Tools, furniture and fixtures	— yen	6,291,000 yen
Goodwill	1,119,000 yen	551,000 yen
Other	24,000 yen	50,000 yen
Total	28,945,000 yen	21,033,000 yen

***6 Impairment losses**

Preceding business year (from January 1, 2013 to December 31, 2013)

The Company reported impairment losses as follows in the preceding business year.

(1) Overview of the main assets for which impairment losses were identified

Application	Place	Type	Amount
Business use assets	Nishi-Shinjuku, Shinjuku-ku, Tokyo, and others	Buildings, tools, furniture and fixtures, machinery, equipment, and structures	55,098,000 yen

(2) Background leading up to the identification of impairment losses

Regarding buildings, tools, furniture and fixtures, machinery and equipment, and structures, which are business use assets, the profit or loss generated by the operating activities will continue to be negative or is expected to continue to be negative, and thus the Company reduced the book value to the recoverable value, and identified this decrease as an impairment loss. The breakdown of this impairment loss is 32,917,000 yen for buildings, 21,029,000 yen for tools, furniture and fixtures, 215,000 yen for machinery and equipment, and 935,000 yen for structures.

(3) Method of grouping assets

The Company implements grouping of the assets mainly for each property as the minimum unit that generates cash flow.

(4) Method of computing the recoverable value

The Company measures business use assets based on use value, and the valuation amount based on the future cash flow is negative, and thus the recoverable value is computed to be zero.

Current business year (From January 1, 2014 to December 31, 2014)

The Company reported impairment losses as follows in the current business year.

(1) Overview of the main assets for which impairment losses were identified

Application	Place	Type	Amount
Business use assets	Minami-Aoyama, Minato-ku, Tokyo, and others	Buildings, tools, furniture and fixtures, machinery, equipment, structures, and long-term prepaid expenses	37,974,000 yen

(2) Background leading up to the identification of impairment losses

Regarding buildings, tools, furniture and fixtures, machinery and equipment, and structures, which are business use assets, the profit or loss generated by the operating activities will continue to be negative or is expected to continue to be negative, and thus the Company reduced the book value to the recoverable value, and identified this decrease as an impairment loss. The breakdown of this impairment loss is 17,429,000 yen for buildings, 6,136,000 yen for tools, furniture and fixtures, 6,613,000 yen for machinery and equipment, 6,922,000 yen for structures and 872,000 yen for long-term prepaid expenses.

(3) Method of grouping assets

The Company implements grouping of the assets mainly for each property as the minimum unit that generates cash flow.

(4) Method of computing the recoverable value

The Company measures business use assets based on use value, and thus the Company reduced the book value to the recoverable value based on the future cash flow. In case that the valuation amount based on the future cash flow is negative, and thus the recoverable value is computed to be zero.

(In relation to the statement of changes in shareholders' equity)

Preceding business year (from January 1, 2013 to December 31, 2013)

1. Matters regarding the classes and total number of issued shares, and the classes and number of treasury shares

	Beginning of the current business year	Increase	Decrease	End of the current business year
Issued shares				
Common shares	1,257,630	124,505,370	—	125,763,000
Total	1,257,630	124,505,370	—	125,763,000
Treasury shares				
Common shares	30,000	2,970,000	—	30,000,000
Total	30,000	2,970,000	—	30,000,000

(Note) The increase in the total number of issued common shares and the increase in the number of treasury shares are the result of stock splits conducted at a ratio of 100 shares on July 1, 2013.

2. Matters related to dividends

(1) Dividends paid

Not applicable.

(2) Those dividends with a base date in the current business year for which the date of entry into force of the dividends is in the following business year

Resolution	Classes of shares	Source of funds for the dividends	Total amount of the dividends (thousand yen)	Per share dividend (yen)	Base date	Date of entry into force
March 27, 2014 ordinary general meeting of shareholders	Common shares	Retained earnings	306,907	2.5	December 31, 2013	March 28, 2014

Current business year (From January 1, 2014 to December 31, 2014)

1. Matters regarding the classes and total number of issued shares, and the classes and number of treasury shares

	Beginning of the current business year	Increase	Decrease	End of the current business year
Issued shares				
Common shares	125,763,000	—	—	125,763,000
Total	125,763,000	—	—	125,763,000
Treasury shares				
Common shares	3,000,000	—	—	3,000,000
Total	3,000,000	—	—	3,000,000

2. Matters related to dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of the dividends (thousand yen)	Per share dividend (yen)	Base date	Date of entry into force
March 27, 2014 ordinary general meeting of shareholders	Common shares	306,907	2.5	December 31, 2013	March 28, 2014

(2) Those dividends with a base date in the current business year for which the date of entry into force of the dividends is in the following business year

Resolution	Classes of shares	Source of funds for the dividends	Total amount of the dividends (thousand yen)	Per share dividend (yen)	Base date	Date of entry into force
March 26, 2015 ordinary general meeting of shareholders	Common shares	Retained earnings	441,946	3.6	December 31, 2014	March 27, 2015

(In relation to the cash flow statement)

***1 The relationship between the ending balance of cash and cash equivalents, and the amount in the account title set down in the balance sheet**

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Cash and deposit accounts	3,590,968,000 yen	5,431,560,000 yen
Term deposits for which the deposit term exceeds 3 months and term deposits provided as collateral	—yen	— yen
Cash and cash equivalents	3,590,968,000 yen	5,431,560,000 yen

(In relation to securities)

1. Other securities

Preceding business year (December 31, 2013) (Unit: thousand yen)

Category	Amount reported on the balance sheet	Acquisition cost	Difference
Amount reported on the balance sheet exceeds the acquisition cost Shares	5,730	4,800	930
Sub-total	5,730	4,800	930
Amount reported on the balance sheet does not exceed the acquisition cost Shares	—	—	—
Sub-total	—	—	—
Total	5,730	4,800	930

(Notes)
1) The “acquisition cost” in the table is the book value after impairment treatment.
2) Regarding non-listed shares, etc. (the amount of investment securities reported on the balance sheet: 151,030,000 yen), there is no market price and ascertaining the market value is understood to be extremely difficult, and thus they are not included in “Other securities” in the table above.

Current business year (December 31, 2014) (Unit: thousand yen)

Category	Amount reported on the balance sheet	Acquisition cost	Difference
Amount reported on the balance sheet exceeds the acquisition cost Shares	7,032	4,800	2,232
Sub-total	7,032	4,800	2,232
Amount reported on the balance sheet does not exceed the acquisition cost Bonds	45,055	47,798	(2,742)
Sub-total	45,055	47,798	(2,742)
Total	52,087	52,598	(510)

(Notes)
1) The “acquisition cost” in the table is the book value after impairment treatment.

2) Regarding non-listed shares, etc. (the amount of investment securities reported on the balance sheet: 151,030,000 yen), there is no market price and ascertaining the market value is understood to be extremely difficult, and thus they are not included in “Other securities” in the table above.

2. Other securities sold during business year

Preceding business year (December 31, 2013) (Unit: thousand yen)

Category	Sales value	Total amount of gain on sale	Total amount of loss on sale
Shares	2,940	2,270	—
Total	2,940	2,270	—

Current business year (December 31, 2014)

Not applicable.

(In relation to stock options, etc.)

1. The content, scale and status of fluctuation of stock options

(1) The content of the stock options

Name of company	Submitting company
Date of resolution	March 30, 2006
Category and number (name) of recipients	The Company directors: 5 The Company auditors: 3 The Company employees: 29
Classes and numbers of shares granted	Common shares: 200,000
Grant date	April 6, 2006
Condition for finalizing of rights	Remaining in the positions and enrolled continuously from the grant date to the rights finalizing date
Applicable work period	From April 6, 2006 to March 31, 2008
Rights exercise period	From March 31, 2008 to March 30, 2016

(Notes) The figures are shown converted into the number of shares. Note that shares splits have been implemented as shown below, and the figures given are the figures after the share splits.
One common share split into four on July 1, 2006
One common share split into 100 on July 1, 2013

(2) Scale and status of fluctuation of stock options

The stock options that exist in the current business year are covered, and the number of stock options is presented converted into the number of shares.

Note that shares splits have been implemented as shown below, and the figures for the number of stock options and the unit price information give the figures after the share splits.
One common share split into four on July 1, 2006
One common share split into 100 on July 1, 2013

(i) The number of stock options

Name of company	Submitting company
Resolution date	March 30, 2006
Grant date	April 6, 2006
Before finalizing of rights	
At the end of the preceding business year (shares)	—
Granted (shares)	—
Expiration (shares)	—
Finalizing of rights (shares)	—
Un-finalized balance (shares)	—
After the finalizing of rights	
The end of the preceding business year (shares)	75,200
Finalizing of rights (shares)	—
Exercising of rights (shares)	—
Expiration (shares)	800
Un-exercised balance (shares)	74,400

(ii) Unit price information

Name of company	Submitting company
Resolution date	March 30, 2006
Grant date	April 6, 2006
Rights exercise price (yen)	838
Average share price at time of exercise (yen)	—
Fair valuation unit price (grant date) (yen)	—

(Notes) The rights exercise price is the exercise price after adjustment for the share splits implemented after the grant and up until the end of the current business year.

(In relation to tax effect accounting)

1. Breakdown by the main causes of the occurrence of deferred tax assets and deferred tax liabilities

	Preceding business year (December 31, 2013)	Current business year (December 31, 2014)
(Deferred tax assets)		
Loss on valuation of inventory assets	206,376,000 yen	214,560,000 yen
Tax loss carried forward	772,027,000 yen	192,237,000 yen
Allowance for doubtful accounts	471,782,000 yen	469,697,000 yen
Impairment of fixed assets	49,604,000 yen	60,735,000 yen
Depreciation amount exceeding the limit	83,108,000 yen	44,054,000 yen
Loss on valuation of investment securities	9,612,000 yen	9,612,000 yen
Asset retirement obligations	90,377,000 yen	114,588,000 yen
Deferred revenue	124,810,000 yen	79,531,000 yen
Valuation difference on other securities	— yen	193,000 yen
Other	162,984,000 yen	101,550,000 yen
Deferred tax assets sub-total	1,970,684,000 yen	1,286,762,000 yen
Valuation allowance	(1,199,338,000) yen	(1,008,395,000) yen
Total deferred tax assets	771,345,000 yen	278,366,000 yen
(Deferred tax liabilities)		
Abatement costs corresponding to asset retirement obligations	(37,770,000) yen	(63,440,000) yen
Valuation difference on other securities	(331,000) yen	— yen
Total deferred tax liabilities	(38,102,000) yen	(63,440,000) yen
Net amount of deferred tax assets	733,243,000 yen	214,925,000 yen

2. Breakdown by the major items that caused the difference between the normal effective statutory tax rate and the burden ratio for corporation tax, etc. after the application of tax effect accounting

	Preceding business year (December 31, 2013)	Current business year (December 31, 2014)
Normal effective statutory tax rate	38.0%	38.0%
(Adjustment)		
Items that will never be included in losses, such as entertainment expenses, etc.	0.9%	0.9%
Inhabitant tax on per capita basis	0.5%	0.5%
Change in valuation allowance	(35.0)%	(8.6)%
Effect due to tax rate changes	(2.6)%	0.8%
Other	(0.2)%	(0.6)%
Burden ratio for corporation tax, etc. after the application of tax effect accounting	1.7%	30.7%

3. Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to a change in the tax rate for corporation tax, etc.

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and collection of the special corporation tax for reconstruction was ended from business years commencing on April 1, 2014 or later. Furthermore, the Act on Partial Revision of the Local Tax Act , etc. (Act No. 4 of 2014) and the Local Corporation Tax Act (Act No. 11 of 2014) were promulgated on March 31, 2014, reducing the tax rate on the corporate inhabitant tax corporation levy from business years commencing on or after October 1, 2014 and at the same time establishing a local corporation tax (national taxes) in order to secure the financial resources needed for the portion of tax revenue allocated to local governments.
As a consequence of this, the normal effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the current business year has been changed from 38.0% in the preceding business year to 35.6% with respect to the temporary difference, etc. which is expected to be eliminated in the business year commencing on January 1, 2015.
Due to this change in the tax rate, the amount of deferred tax assets (the amount after deducting the amount of deferred tax liabilities) has declined by 18,281,000 yen and the amount of “Income taxes ― deferred” reported in the current business year has increased by the same amount.

(In relation to asset retirement obligations)
Those asset retirement obligations that are reported on the balance sheet

(1) Overview of the said asset retirement obligations

These include asphalt paving, signboards, etc. of properties in the storage business, and the obligation to restore the sites to their original condition arising from real estate leasing contracts in the office business, etc.

(2) Method of computing the amount of the said asset retirement obligations

In order to calculate the amount of asset retirement obligations, the expected use period is estimated between 2 years and 31 years based on the durable years of the said assets, and the yield of government bonds from 0.19% to 2.19% corresponding to the expected use period is used for the discount rate.

(3) Change in the total amount of the said asset retirement obligations

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Beginning balance	186,387,000 yen	253,585,000 yen
Increase arising from the acquisition of tangible fixed assets	61,694,000 yen	67,819,000 yen
Adjustment due to the passing of time	7,834,000 yen	3,965,000 yen
Decrease due to the performance of asset retirement obligations	(2,332,000) yen	(3,854,000) yen
Other changes (( ) indicates a decrease)	―yen	―yen
Ending balance	253,585,000 yen	321,515,000 yen

(Segment and other information)
Segment 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) Method of computing net sales, income (loss), assets, liabilities and other items by reporting segment
The accounting treatment method for the Company’s reporting segments is generally the same as the preparation of consolidated financial statements.

3) Information Relating to net sales, income (loss), assets, liabilities and other items by reportable segment

Fiscal 2013 (January 1, 2013 to December 31, 2013)

(Thousands of yen)

	Reportable Segment			Adjustment amount	Amount recorded on consolidated statements of income
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Net Sales					
Sales to Outside Customers	10,735,192	1,521,213	12,256,406	—	12,256,406
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	10,735,192	1,521,213	12,256,406	—	12,256,406
Segment Profit	2,038,735	111,350	2,150,085	(644,820)	1,505,264
Segment Assets	12,044,290	5,936,247	17,980,538	5,036,908	23,017,446
Other Items					
Depreciation	574,306	—	574,306	25,748	600,055
Increase in Property, Plant and Equipment and Intangible Assets	3,529,160	—	3,529,160	20,448	3,549,609

Notes:
1. The negative segment profit adjustment of ¥644,820 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 statement of income.
3. The segment assets adjustment of ¥5,036,908 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
4. The segment assets are partially transferred from Property Management Service to Property Revitalization & Liquidation Service due to changes of holding objective of property, plant and equipment.
5. Depreciation expenses and increase in tangible and intangible assets include long-term prepaid expenses.

Fiscal 2014 (January 1, 2014 to December 31, 2014)

(Thousands of yen)

	Reportable Segment			Adjustment amount	Amount recorded on consolidated statements of income
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Net Sales					
Sales to Outside Customers	11,845,814	6,274,642	18,120,457	—	18,120,457
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	11,845,814	6,274,642	18,120,457	—	18,120,457
Segment Profit	2,266,281	690,326	2,956,608	(721,206)	2,235,401
Segment Assets	9,901,577	3,331,345	13,232,922	6,306,079	19,539,002
Other Items					
Depreciation	426,120	—	426,120	22,379	448,499
Increase in Property, Plant and Equipment and Intangible Assets	386,227	—	386,227	30,176	446,403

1. The negative segment profit adjustment of ¥721,206 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 statement of income.
3. The segment assets adjustment of ¥6,306,079 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
4. The segment assets are partially transferred from Property Management Service to Property Revitalization & Liquidation Service due to changes of holding objective of property, plant and equipment.
5. Depreciation expenses and increase in tangible and intangible assets include long-term prepaid expenses.

(Related information)
Preceding business year (from January 1, 2013 to December 31, 2013)

1. Information for each product and service

Any statement is omitted here as similar information is disclosed under segment information.

2. Information for each region

(1) Net sales

This is not applicable as there are no net sales to external customers outside Japan.

(2) Tangible fixed assets

This is not applicable as no tangible fixed assets are located outside Japan.

3. Information for each major customer

Of the net sales to external customers, there are no counterparties accounting for 10% or more of the net sales in the statements of income. Accordingly, we omit any statement here.

Current business year (From January 1, 2014 to December 31, 2014)

1. Information for each product and service

Any statement is omitted here as similar information is disclosed under segment information.

2. Information for each region

(1) Net sales

This is not applicable as there are no net sales to external customers outside Japan.

(2) Tangible fixed assets

This is not applicable as no tangible fixed assets are located outside Japan.

3. Information for each major customer

(Unit: thousand yen)

Name of company or individual	Net sales	Names of related segments
Company A	2,060,000	Property Revitalization & Liquidation Service

(Note) Arealink Co., Ltd. has concluded a Non-Disclosure Agreement with Company A so the name of that company cannot be published.

(Information regarding the impairment losses on the fixed assets in each reporting segment)
Preceding business year (from January 1, 2013 to December 31, 2013)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Impairment losses	55,098	—	55,098	—	55,098

Current business year (From January 1, 2014 to December 31, 2014)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Impairment losses	37,974	—	37,974	—	37,974

(Information regarding the amortization and unamortized balance of goodwill for each reporting segment)
Preceding business year (From January 1, 2013 to December 31, 2013)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Amortization for the period	9,322	—	9,322	—	9,322
Ending balance for the period	8,032	—	8,032	—	8,032

Current business year (From January 1, 2014 to December 31, 2014)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Amortization for the period	5,315	—	5,315	—	5,315
Ending balance for the period	2,165	—	2,165	—	2,165

(Information regarding the gain from negative goodwill for each reporting segment)
Not applicable.

(Information regarding related parties)

1. Transactions with related parties

(1) Officers and major individual shareholders (limited to the case of individuals), etc. of the company submitting financial statements

Preceding business year (From January 1, 2013 to December 31, 2013)

Type	Name of company or individual	Location	Stated capital or capital contribution (thousand yen)	Content of the business or occupation	Ratio of voting rights, etc. (%)	Relationship to the related parties	Content of the transactions	Transaction amount (thousand yen)	Account title	Ending balance (thousand yen)
Officers and major individual shareholders, etc.	Naomichi Hayashi	Shibuya-ku, Tokyo	—	Representative director of the Company	(Owned) Direct 22.9	—	Received debt guarantees (Note 2)	109,362	—	—

(Notes)

1) Consumption tax, etc. is not included in the transaction amount, but consumption tax, etc. is included in the ending balance.
2) These are debt guarantees that are received with respect to the Company's borrowings from financial institutions. Note that payment of guarantee charges and provision to collateral is not carried out with respect to debt guarantees.

Current business year (From January 1, 2014 to December 31, 2014)

Not applicable.

2. Notes on the parent company or any significant affiliated company

(1) Parent company information

Not applicable.

(2) Condensed financial information of the significant affiliated companies

In the current business year, there are no significant affiliated companies. Accordingly, no statement is made here.

(Per share information)

	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Per share amount of net assets	100.05 yen	110.09 yen
Per share amount of net profit for the period	10.97 yen	12.55 yen

(Notes)

1) No statement is made regarding diluted per share net profit for the period because dilutive shares possessing a dilutive effect do not exist.
2) On July 1, 2013, the Company implemented a share split converting one common share into 100 shares. For that reason, the per share amount of net assets and the per share amount of net profit for the period are computed assuming that the said share split was carried out at the beginning of the preceding business year.
3) The basis for the computation of the per share amount of net profit for the period is as follows.

Item	Preceding business year (From January 1, 2013 to December 31, 2013)	Current business year (From January 1, 2014 to December 31, 2014)
Net profit for the period in the statements of income (thousand yen)	1,346,654	1,541,005
Net profit for the period related to common shares (thousand yen)	1,346,654	1,541,005
Major breakdown of the amounts that do not belong to the common stockholders (thousand yen)	—	—
Amounts that do not belong to the common stockholders (thousand yen)	—	—
Average number of common shares during the period (shares)	122,763,000	122,763,000
Overview of the dilutive shares that were not included in the computation of the diluted per share amount of net profit for the period because they did not possess a dilutive effect	Resolution of the March 30, 2006 ordinary general meeting of shareholders Stock options (share warrant) Common shares: 74,400	

(Important subsequent events)
Not applicable.

5. Other
Not applicable.