

NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST QUARTER OF THE FISCAL YEAR ENDING
December 31, 2015
(January 1, 2015 to December 31, 2015)

April 28, 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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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 the First Quarter of Fiscal 2015
(January 1, 2015 to March 31, 2015)

(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	%
1Q FY2015	4,963	2.2	765	31.6	767	39.4	548	20.1
1Q FY2014	4,858	43.2	581	64.2	550	58.7	456	54.7

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2015	4.47	—
1Q FY2014	3.72	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
March 31, 2015	18,913	13,614	72.0
December 31, 2014	19,539	13,514	69.2

(Reference) Shareholders' equity: March 31, 2015: 13,614 million yen December 31, 2014: 13,514 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	—	3.60	3.60
Fiscal 2014	—	—	—	—	—
Fiscal 2015 (Forecast)	—	0.00	—	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, 2015 (January 1, 2015 to December 31, 2015)

(% 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
Interim period	8,020	(16.6)	915	(32.7)	890	(29.2)	628	(29.6)	5.12
Fiscal year ending December 31, 2014	13,400	(26.1)	1,195	(46.5)	1,150	(44.9)	797	(48.3)	6.49

Note: Revision to the most recently announced operating results forecast: Yes

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:
March 31, 2015: 125,763,000 shares December 31, 2014: 125,763,000 shares
 2. Total number of treasury stock as of the period-end:
March 31, 2015: 3,000,000 shares December 31, 2014: 3,000,000 shares
 3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)
First quarter fiscal 2015: 122,763,000 shares First quarter fiscal 2014: 122,763,000 shares

Regarding the Status of Quarterly Review Procedure Implementation

This financial report for the first quarter of fiscal 2015 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 "Qualitative Information Regarding Forecasts of Non-Consolidated Business Results" 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 first quarter period (January 1, 2015 to March 31, 2015) of fiscal 2015 (ending December 31, 2015), the Japanese economy continued to experience a modest recovery trend. Despite concerns surrounding such factors as the slowdown in overseas economies and the sharp rise in raw material prices, this modest recovery was largely attributable to the 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. In the real estate industry, Arealink's principal business field, there were signs of an upturn in land prices in urban areas amid the upswing in investment from overseas attributable to low interest rate levels and the weak yen. With a steady recovery from the harsh conditions of the past few years, the industry is experiencing firm trends. Under these circumstances, 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.

In the mainstay self-storage business of the Property Management Service business, Arealink maintained its steady focus on the opening and operation of new offices, which contributed to earnings growth. In addition to the Company's existing headquarters and offices in Osaka and Nagoya, as well as sales offices opened during the previous period in Kanagawa, Chiba, Saitama, Kobe, and Fukuoka, Arealink was successful in strengthening community-oriented sales efforts and improving customer service by advancing full-fledged operations and establishing a new office opening structure centered on the Sendai office opened in February 2015. In the asset business, where we record rent income on real estate held, revenues declined due mainly to the sale of properties from the previous period. As a result, net sales in the Property Management Service segment amounted to ¥3,641 million.

In the Property Revitalization & Liquidation Service business, Arealink undertook the sale of stores, office buildings, residential apartments, and limited proprietary rights over land held for resale while taking into consideration real estate market and financial conditions. As a result, net sales in the Property Revitalization & Liquidation Service business came to ¥1,322 million.

Taking into account each of the aforementioned, net sales for the first quarter of the fiscal year under review totaled ¥4,963 million (+2.2% year on year), with operating income of ¥765 million (+31.6%), ordinary income of ¥767 million (+39.4%), and net income of ¥548 million (+20.1%).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter period (March 31, 2015) stood at ¥18,913 million, a decrease of ¥625 million compared with the end of the previous fiscal year (December 31, 2014). The major movements were in cash and deposits, which climbed ¥94 million, as well as real estate for sale and costs on uncompleted construction contracts, which decreased ¥893 million and ¥191 million, respectively.

Total liabilities amounted to ¥5,299 million, a decrease of ¥725 million compared with the end of the previous fiscal year. This was mainly due to the decrease of ¥512 million in long-term loans payable.

Net assets came to ¥13,614 million, an increase of ¥99 million compared with the end of the previous fiscal year. The principal movement was the increase of ¥106 million in retained earnings (comprised mainly of the increase in net income of ¥548 million and decrease attributable to the payment of dividends amounting to ¥441 million). As a result, the equity ratio came in at 72.0%.

(3) Explanation of Results Forecasts and Other Future Predictions

Turning to forecasts of results for the second quarter cumulative and full fiscal year period of the fiscal year ending December 31, 2015, the Company has taken into consideration a variety of factors including the steady business performance across all segments. On this basis, and as outlined in our "Notice Concerning Revisions to Operating Forecasts" issued on April 28, 2015, we have revised the forecasts presented in our "Non-Consolidated Financial Report Fiscal 2014" dated February 13, 2015.

Regarding dividends for the fiscal year ending December 31, 2015, and based on the Company's basic policy and current earnings forecasts, Arealink plans to undertake a dividend payment at the annual rate of ¥2.80 per share. There are no plans for an interim dividend payment.

2. Summary Information and Notes

Not applicable.

3. Quarterly Financial Statements

(1) Non-Consolidated Quarterly Balance Sheets

	(Thousands of yen)	
	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)	End of the First Quarter of the Fiscal Year Ending December 31, 2015 (As of March 31, 2015)
ASSETS		
Current assets:		
Cash and deposits	5,431,560	5,526,157
Accounts receivable — trade	132,427	131,308
Merchandise	389,830	447,988
Real estate for sale	3,325,049	2,431,150
Costs on uncompleted construction contracts	227,723	36,190
Supplies	5,401	5,665
Other current assets	626,012	459,773
Allowance for doubtful accounts	(22,744)	(28,863)
Total current assets	10,115,261	9,009,372
Noncurrent assets:		
Property, plant and equipment:		
Buildings	4,657,680	4,761,016
Accumulated depreciation	(1,181,690)	(1,233,157)
Accumulated impairment loss	(131,056)	(131,056)
Buildings, net	3,344,933	3,396,803
Land	3,406,546	3,637,191
Other	2,188,035	2,388,447
Accumulated depreciation	(728,298)	(772,294)
Accumulated impairment loss	(41,853)	(41,451)
Other, net	1,417,883	1,574,701
Total property, plant and equipment	8,169,364	8,608,695
Intangible assets:		
Other	66,662	86,188
Total intangible assets	66,662	86,188
Investments and other assets:		
Other	2,483,485	2,502,796
Allowance for doubtful accounts	(1,295,771)	(1,293,664)
Total investments and other assets	1,187,714	1,209,132
Total noncurrent assets	9,423,740	9,904,016
Total assets	19,539,002	18,913,389

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)	End of the First Quarter of the Fiscal Year Ending December 31, 2015 (As of March 31, 2015)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	320,072	293,215
Accounts payable for construction contracts	216,685	215,060
Short-term loans payable	—	100,000
Current portion of long-term loans payable	326,758	304,844
Income taxes payable	110,606	87,901
Other	1,488,502	1,292,075
Total current liabilities	2,462,624	2,293,096
Noncurrent liabilities:		
Long-term loans payable	2,298,239	1,786,044
Asset retirement obligations	321,515	358,534
Other	942,175	861,674
Total noncurrent liabilities	3,561,930	3,006,253
Total liabilities	6,024,554	5,299,349
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	2,591,429	2,697,721
Total retained earnings	2,591,429	2,697,721
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	13,515,786	13,622,078
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(1,339)	(8,039)
Total valuation and translation adjustments	(1,339)	(8,039)
Total net assets	13,514,447	13,614,039
Total liabilities and net assets	19,539,002	18,913,389

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

(Thousands of yen)

	First Quarter of the Fiscal Year Ended December 31, 2014 (January 1, 2014 to March 31, 2014)	First Quarter of the Fiscal Year Ending December 31, 2015 (January 1, 2015 to March 31, 2015)
Net sales	4,858,234	4,963,282
Cost of Sales	3,802,515	3,616,470
Gross profit	1,055,718	1,346,811
Selling, general and administrative expenses	474,285	581,647
Operating income	581,433	765,164
Non-operating income:		
Interest income	3,310	3,206
Reversal of allowance for doubtful accounts	1,997	2,364
Default charge income	781	1,109
Compensation for transfer	6,901	5,557
Other	1,906	8,333
Total non-operating income	14,897	20,571
Non-operating expenses:		
Interest expenses	41,724	16,361
Other	3,862	1,674
Total non-operating expenses	45,587	18,036
Ordinary income	550,743	767,699
Extraordinary income:		
Gain on sales of noncurrent assets	104,302	4,440
Gain on transfer of business	—	3,900
Total extraordinary income	104,302	8,340
Extraordinary loss:		
Loss on retirement of noncurrent assets	6,305	1,306
Other	245	—
Total extraordinary losses	6,550	1,306
Net income before income taxes	648,494	774,733
Income taxes — current	44,183	79,384
Income taxes — deferred	147,990	147,110
Total income taxes	192,174	226,494
Net income	456,320	548,238

(3) Notes Regarding the Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

1) Overview of Reportable Segments

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

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

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

The first quarter of fiscal 2014 (January 1, 2014 to March 31, 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	2,862,432	1,995,802	4,858,234	—	4,858,234
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	2,862,432	1,995,802	4,858,234	—	4,858,234
Segment Profit	538,044	211,280	749,324	(167,891)	581,433

Notes:

1. The negative segment profit adjustment of ¥167,891 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
2. Segment profit is adjusted based on operating income recorded in the quarterly statement of income.

The first quarter of fiscal 2015 (January 1, 2015 to March 31, 2015)

(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	3,641,267	1,322,015	4,963,282	—	4,963,282
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	3,641,267	1,322,015	4,963,282	—	4,963,282
Segment Profit	732,727	212,865	945,593	(180,428)	765,164

Notes:

1. The negative segment profit adjustment of ¥180,428 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.