NON-CONSOLIDATED FINANCIAL REPORT
FISCAL 2015（Japanese GAAP）
(January 1, 2015 to December 31, 2015)

February 12, 2016

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 24, 2016
Fiscal 2015 Securities Report filing date (planned): March 25, 2016
Dividend payment commencement date (planned): March 25, 2016
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 2015 (January 1, 2015 to December 31, 2015)
(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 2015	17,173	(5.2)	2,657	18.9	2,442	17.0	1,550	0.6
FY 2014	18,120	47.8	2,235	48.5	2,087	45.6	1,541	14.4

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2015	12.63	—	11.0	12.6	15.5
FY 2014	12.55	—	11.9	9.8	12.3

(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, 2015	19,312	14,626	75.7	119.14
As of December 31, 2014	19,539	13,514	69.2	110.09

(Reference) Shareholders' equity: As of December 31, 2015: ¥14,626 million As of December 31, 2014: ¥13,514 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 2015	3,941	(1,069)	(1,888)	6,415
FY 2014	7,123	146	(5,429)	5,431

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 2014	—	0.00	—	3.60	3.60	441	28.7	3.4
FY 2015	—	0.00	—	3.90	3.90	478	30.9	3.4
FY 2016 (planned)	—	0.00	—	3.30	3.30		37.1	

3. Forecast of Non-Consolidated Results for FY 2016 (January 1, 2016 to December 31, 2016)

(% 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	8,707	(21.6)	976	(55.4)	962	(51.5)	634	(51.9)	5.17
Full Fiscal Year	16,806	(2.1)	1,675	(36.9)	1,650	(32.4)	1,091	(29.6)	8.89

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, 2015: 125,763,000 shares As of December 31, 2014: 125,763,000 shares
2. Number of treasury stock
   As of December 31, 2015: 3,000,000 shares As of December 31, 2014: 3,000,000 shares
3. Average number of shares for the year
   FY2015: 122,763,000 shares FY2014: 122,763,000 shares

Regarding the Status of Review Procedure Implementation

This financial report for the fiscal 2015 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 15, 2016, 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 2015

During fiscal 2015 (ended December 31, 2015), the Japanese economy continued to recover at a moderate pace, with a weaker yen and recovery in share prices as a result of government stimulus measures and the Bank of Japan's monetary easing policy. Corporate earnings and employment conditions improved, and income increased with wage hikes in certain industries. However, the economic outlook remains uncertain, with concerns including the slowdown in the Chinese economy, and sluggish growth in developing nations. 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, areas for concern also became increasingly evident, such as 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 2015 amounted to ¥17,173 million (-5.2% year on year), with operating income of ¥2,657 million (+18.9%), ordinary income of ¥2,442 million (+17.0%), and net income of ¥1,550 million (+0.6%).

Property Management Service

In the mainstay self-storage business, with a view to nationwide expansion, Arealink opened offices and sales agencies to facilitate the quick establishment of new storage locations. In addition to existing sales offices in Tokyo, Osaka, Nagoya, Chiba, Kanagawa, Saitama, Kobe, and Fukuoka, in February 2015 we established a new office in Sendai, and in October 2015 a sales office in Shizuoka. As a result of these openings and our community-oriented sales efforts, the number of storage units increased by 8,761 units. For trunk room type locations, we adopted trunk room-specific designs to enhance convenience and design appeal, while also opening new 2x4 Trunk locations, adaptable to a wide range of conditions (such as site location and size). For new locations, we held on-site tours for nearby customers and conducted other community-oriented sales activities, while for existing locations, based on customer feedback cards made facilities easier to use, and installed LED signs to raise awareness of storage locations. In the asset business, revenue declined due to the falloff in rent income following the sale of properties held for resale.

As a result, net sales in the Property Management Service segment amounted to ¥12,980 million, with operating income of ¥2,376 million.

Principal Indicators for Property Management Service (number of units)

	At Dec. 31, 2013	At Dec. 31, 2014	At Dec. 31, 2015
Container rooms	31,173	37,207	45,053
Trunk rooms	15,513	16,357	17,272
Parking spaces	1,226	1,200	1,079
Office rooms	655	655	648
Meeting rooms	63	93	113
Hotel rooms	590	455	455

Property Revitalization & Liquidation Service

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. Sales were also steady for sites relatively unaffected by real estate market conditions.

As a result, net sales in the Property Revitalization & Liquidation Service segment amounted to ¥4,192 million, with operating income of ¥1,170 million.

2) Outlook for Fiscal 2016

For fiscal 2016 (ending December 31, 2016), despite the recovery trend in the general economy, the outlook for the real estate industry remains uncertain as a result of concerns over China's economic slowdown, continued high real estate prices, and other factors.

Under such conditions, in the Property Management Service, Arealink has opened offices and sales agencies in various regions with a view to nationwide expansion for the mainstay self-storage business. Taking these offices and sales agencies we have opened as a starting point, we will continue to accelerate openings of storage location through community-oriented sales activities, and expand our market share in the self-storage business. 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, which will address such issues as differentiating ourselves from the competition, while expanding our "stock-type" (property management 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. Under such conditions, Arealink is utilizing databases developed from the sales support system it introduced to clarify location opening criteria and optimize product types. We are also pursuing differentiation through services, such as the "Speed 3-Minute Contract" (automated contract) offering 24-hour service for contract procedures. Arealink feels that amid the continual increase in demand and awareness among customers of rental storage services, our efforts for safety and security, easy accessibility not unlike a convenience store, and brand strength develop through the nationwide Hello Storage network, presents business opportunities for further expansion. The opening of 2x4 Trunk-type self-storage units in suburban areas will permit locations in a wide range of conditions (site location and size), enhancing our brand strength and recognition. Further, we will focus on expanding our market share through community strategies based on opening offices and sales agencies in various regions with a view to nationwide expansion, work to increase sales, and seek stable operations through such means as expansion of the customer support system.

In the Property Revitalization & Liquidation Service, for real estate trading we are shifting from our previous focus on yieldable properties subject to real estate market conditions, in favor of sites relatively unaffected by the market environment. We will pursue slow and steady sales activities to develop a business centered on sales to land lease right holders.

In terms of costs, we anticipate increases in costs for introduction of the sales support system and other measures related to business expansion, as well as IT system investments to improve services, and installation costs for LED signage to enhance recognition of the self-storage business. However, we will also lower expenses by introducing IT systems to enhance business efficiency, and employing far-reaching cost controls.

In consideration of these factors, for the fiscal year ending December 31, 2016, Arealink is forecasting net sales of ¥16,806 million, comprising a gain in the Property Management Service segment to ¥15,982 million, together with a decline in the Property Revitalization & Liquidation Service segment to ¥823 million, for the reasons outlined above. In terms of earnings, we forecast operating income of ¥1,675 million, ordinary income of ¥1,650 million, and net income of ¥1,091 million.

(2) Analysis of Financial Condition

1) Assets, Liabilities, and Net Assets

<u>Assets</u>

Total assets at the end of fiscal 2015 (December 31, 2015) decreased 1.2% compared with the end of the previous fiscal year (December 31, 2014), to ¥19,312 million.

Current assets decreased 9.8% from the end of the previous fiscal year to ¥9,121 million. This was due mainly to a decrease of ¥1,905 million in real estate for sale; against increases of ¥983 million in cash and deposits; and ¥46 million in merchandise.

Noncurrent assets increased 8.1% year on year to ¥10,191 million. This was due mainly to increases of ¥701 million in total property, plant and equipment stemming from acquisition of tangible fixed assets; and ¥122 million in guarantee deposits.

<u>Liabilities</u>

Total liabilities decreased 22.2% from the previous fiscal year to ¥4,686 million.

Current liabilities increased 17.0% year on year to ¥2,880 million. This was due mainly to increases of ¥333 million in short-term loans payable; and ¥604 million in income taxes payable; against a decrease of ¥82 million in current portion of long-term loans payable.

Noncurrent liabilities decreased 49.3% year on year to ¥1,805 million. This was due mainly to decreases of ¥1,677 million in long-term loans payable stemming from real estate purchases; and ¥58 million in deposit on contract.

<u>Net Assets</u>

Net assets increased 8.2% from the previous fiscal year to ¥14,626 million. This was due mainly to an increase of ¥1,108 million in retained earnings.

2) Cash Flows

Cash and cash equivalents ("cash") at the end of fiscal 2015 (December 31, 2015) increased ¥983 million from the end of the previous fiscal year (December 31, 2014), to ¥6,415 million. The condition of each cash flow during the subject fiscal year and the primary factors affecting them are as follows.

<u>Cash flow from operating activities</u>

Cash provided by operating activities amounted to ¥3,941 million. This was due mainly to increasing factors of ¥2,405 million in net income before tax; a ¥1,872 million decrease in inventories; and ¥463 million in depreciation; against decreasing factors of a ¥370 million decrease in accrued consumption taxes.

<u>Cash flow from investing activities</u>

Cash used in investing activities amounted to ¥1,069 million. This was due mainly to increasing factors of ¥79 million from collection of short-term loans receivable; against decreasing factors of ¥1,055 million in expenditures for acquisition of property, plant and equipment.

<u>Cash flow from financing activities</u>

Cash used in financing activities amounted to ¥1,888 million. This was due mainly to decreasing factors of ¥1,879 million in expenditures for repayment of long-term loans payable; and ¥440 million in cash dividends paid; again increasing factors of ¥333 million in increase of short-term loans payable.

(Reference) Trends in cash flow indices

	FY2011 (Non-consolidated)	FY2012 (Non-consolidated)	FY2013 (Non-consolidated)	FY2014 (Non-consolidated)	FY2015 (Non-consolidated)
Equity ratio (%)	57.8	58.8	53.4	69.2	75.7
Equity ratio, based on market value (%)	19.5	45.4	69.3	88.0	91.5
Ratio of Interest-bearing debt to cash flow (times)	197.1	1,249.7	772.3	38.7	33.3
Interest coverage ratio (times)	18.4	3.4	5.9	50.7	78.4

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. The total market value of stocks is calculated based on the number of shares issued less treasury stock.
2. "Cash flow" refers to cash flow from operating activities.
3. "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 FY2015 and FY2016

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 payout ratio of 30 % 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 2015, 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 ¥3.90 per share.

For fiscal 2016, in accordance with the above basic policy and earnings forecasts at the present time, Arealink plans to pay an annual dividend of ¥3.30 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 2015, there have been 53 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 2015 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 2015, the Company had "Hello Container" trademark license agreements with 28 companies.

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

Arealink conducts the storage business (brokerage) 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 (brokerage) for fiscal 2015 (ended December 2015), and their proportion of results for the entire company, are shown in the following chart.

Unit: Thousands of yen, %

	Item	FY2015
Results for the entire company	Net sales	17,173,505
	Gross profit	5,073,451
Results for the storage business (brokerage)	Net sales	3,525,673
	Gross profit	1,056,413
Proportion	Net sales	20.5%
	Gross profit	20.8%

(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. Basic Stance on Selection of Accounting Standards

Arealink's policy, in consideration of comparability between financial periods and companies, for the present will prepare consolidated financial statements in accordance with Japanese accounting standards. Regarding the application of International Financial Reporting Standards (IFRS), our policy is to consider of the situation in Japan and overseas, and take appropriate measures.

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

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)
ASSETS		
Current assets:		
Cash and deposits	5,431,560	6,415,073
Accounts receivable — trade	132,427	102,309
Merchandise	389,830	436,634
Real estate for sale	*1, *2 3,325,049	*1, *2 1,419,233
Costs on uncompleted construction contracts	227,723	211,364
Supplies	5,401	8,446
Prepaid expenses	256,820	203,568
Short-term investment securities	—	32,594
Deferred tax assets	263,030	106,759
Other current assets	106,161	215,979
Allowance for doubtful accounts	(22,744)	(30,332)
Total current assets	10,115,261	9,121,631
Noncurrent assets:		
Property, plant and equipment:		
Buildings	*1, *2 4,657,680	*1, *2 4,981,239
Accumulated depreciation	(1,181,690)	(1,387,966)
Accumulated impairment loss	(131,056)	(132,442)
Buildings, net	3,344,933	3,460,830
Structures	506,271	823,381
Accumulated depreciation	(162,362)	(218,847)
Accumulated impairment loss	(7,858)	(44,367)
Structures, net	336,050	560,166
Machinery and equipment	92,316	87,087
Accumulated depreciation	(49,809)	(57,418)
Accumulated impairment loss	(6,829)	(6,427)
Machinery and equipment, net	35,677	23,241
Vehicles	13,878	13,878
Accumulated depreciation	(4,055)	(6,373)
Vehicles, net	9,822	7,504
Tools, furniture and fixtures	*2 1,402,814	*2 1,6,53,306
Accumulated depreciation	(450,258)	(560,911)
Accumulated impairment loss	(27,165)	(47,076)
Tools, furniture and fixtures, net	925,390	1,045,318
Land	*1, *2 3,406,546	*1, *2 3,685,328
Lease assets	170,774	170,774
Accumulated depreciation	(61,811)	(82,682)
Lease assets, net	108,963	88,092
Construction in progress	1,980	348
Total property, plant and equipment	8,169,364	8,870,830

	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)
Intangible assets:		
Goodwill	2,165	—
Right of trademark	403	658
Software	63,732	85,246
Other	360	360
Total intangible assets	66,662	86,265
Investments and other assets:		
Investment securities	203,117	158,455
Long-term loans receivable	52,237	34,258
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,282,449	1,280,149
Long-term prepaid expenses	56,335	26,006
Guarantee deposits	857,649	979,796
Deferred tax assets	—	27,855
Other	31,695	29,612
Allowance for doubtful accounts	(1,295,771)	(1,302,013)
Total investments and other assets	1,187,714	1,234,120
Total noncurrent assets	9,423,740	10,191,216
Total assets	19,539,002	19,312,847

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2014 (As of December 31, 2014)	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	320,072	249,831
Accounts payable for construction contracts	216,685	268,066
Short-term loans payable	—	333,340
Current portion of long-term loans payable	*1 326,758	*1 244,284
Accounts payable-other	306,328	306,791
Accrued expenses	34,856	46,190
Income taxes payable	110,606	715,203
Advances received	546,776	569,458
Advances received on uncompleted construction	157,172	49,494
Deposits received	7,735	5,941
Unearned revenue	23,870	35,420
Lease obligations	21,365	21,395
Other	390,396	35,140
Total current liabilities	2,462,624	2,880,559
Noncurrent liabilities:		
Long-term loans payable	*1 2,298,239	*1 621,096
Guarantee deposited	582,142	523,686
Lease obligations	112,646	91,251
Asset retirement obligations	321,515	418,565
Deferred tax liabilities	48,104	—
Other	199,281	151,297
Total noncurrent liabilities	3,561,930	1,805,897
Total liabilities	6,024,554	4,686,456
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	3,700,254
Total retained earnings	2,591,429	3,700,254
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	13,515,786	14,624,612
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(1,339)	1,778
Total valuation and translation adjustments	(1,339)	1,778
Total net assets	13,514,447	14,626,390
Total liabilities and net assets	19,539,002	19,312,847

(2) Non-Consolidated Statements of Income

(Thousands of yen)

	Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)	Fiscal Year Ended December 31, 2015 (January 1, 2015 to December 31, 2015)
Net sales		
Rent operating revenue	9,113,211	9,442,644
Construction sales	2,717,856	3,525,673
Real estate sales	6,274,642	4,188,037
Other sales	14,746	17,151
Total net sales	18,120,457	17,173,505
Cost of Sales		
Rent operating expenses	*1 6,656,152	*1 6,771,485
Beginning goods	385,477	389,830
Cost of purchased goods	83,956	136,291
Total	469,433	526,122
Transfer to other account	*2 79,603	*2 89,487
Ending merchandise	389,830	436,634
Cost of construction sales	1,748,912	2,469,260
Cost of sales-real estate	5,354,510	2,859,309
Total cost of sales	13,759,575	12,100,054
Gross profit	4,360,881	5,073,451
Selling, general and administrative expenses		
Directors' compensations	135,911	152,927
Salaries and allowances	612,718	704,745
Other salaries	10,198	23,950
Welfare expenses	101,829	137,824
Advertising expenses	265,188	288,354
Entertainment expenses	23,815	28,018
Traveling and transportation expenses	68,307	61,990
Communication expenses	92,023	111,284
Insurance expenses	3,006	3,235
Utilities expenses	5,418	8,662
Supplies expenses	20,171	40,672
Commission fee	444,808	464,719
Compensations	112,627	111,278
Repair expenses	1,330	7,629
Taxes and dues	61,631	60,571
Depreciation	41,435	50,021
Provision of allowance for doubtful accounts	13,006	28,092
Bad debts expenses	1,100	1,612
Rents	25,659	51,593
Consulting expenses	39,672	39,993
Other	45,616	38,449
Total selling, general and administrative expenses	2,125,480	2,415,631
Operating income	2,235,401	2,657,819

	Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)	Fiscal Year Ended December 31, 2015 (January 1, 2015 to December 31, 2015)
Non-operating income:		
Interest income	13,239	12,589
Dividends income	190	190
Default charge income	3,917	2,820
Penalty income	25,729	9,864
Reversal of allowance for doubtful accounts	1,150	490
Other	19,002	22,959
Total non-operating income	63,229	48,915
Non-operating expenses:		
Interest expenses	139,573	46,948
Commission fee	15,514	28,588
Early repayment of loans	—	161,453
Loss on cancellation of derivatives	44,825	—
Other	11,676	27,586
Total non-operating expenses	211,589	264,575
Ordinary income	2,087,041	2,442,159
Extraordinary income:		
Gain on sales of noncurrent assets	*3 206,563	*3 27,022
Gain on sales of investment securities	—	*4 12,562
Total extraordinary income	206,563	39,585
Extraordinary loss:		
Loss on sales of noncurrent assets	*5 724	—
Loss on retirement of noncurrent assets	*6 21,033	*6 2,307
Impairment loss	*7 37,974	*7 58,827
Loss on valuation of securities	—	15,236
Loss on valuation of membership	11,350	—
Total extraordinary losses	71,083	76,371
Net income before income taxes	2,222,521	2,405,372
Income taxes — current	163,662	774,340
Income taxes — deferred	517,853	80,260
Total income taxes	681,516	854,600
Net income	1,541,005	1,550,772

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

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

(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, 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

Fiscal 2015 (January 1, 2015 to December 31, 2015)

(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, 2014	5,568,222	5,612,719	5,612,719	2,591,429	2,591,429	(256,584)	13,515,786
Increase (decrease) during the period ended December 31, 2015							
Dividends from surplus				(441,946)	(441,946)		(441,946)
Net income				1,550,772	1,550,772		1,550,772
Net changes in items excluding shareholders' equity during the period							
Total	—	—	—	1,108,825	1,108,825	—	1,108,25
Balance as of December 31, 2015	5,568,222	5,612,719	5,612,719	3,700,254	3,700,254	(256,584)	14,624,612

(Thousands of yen)

	Valuation and Conversions		
	Net Unrealized Gains on Marketable Securities	Total Valuation and Conversions	Total Net Assets
Balance as of December 31, 2014	(1,339)	(1,339)	13,514,447
Increase (decrease) during the period ended December 31, 2015			
Dividends from surplus			(441,946)
Net income			1,550,772
Net changes in items excluding shareholders' equity during the period	3,117	3,117	3,117
Total	3,117	3,117	1,111,942
Balance as of December 31, 2015	1,778	1,778	14,626,390

(4) Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)	Fiscal Year Ended December 31, 2015 (January 1, 2015 to December 31, 2015)
Cash flows from operating activities:		
Income before income taxes	2,222,521	2,405,372
Depreciation	448,499	463,265
Impairment loss	37,974	58,827
Loss (gain) on sales of investment securities	—	15,236
Interest and dividends income	(13,430)	(12,780)
Interest expenses	139,573	46,948
Loss (gain) on sales of noncurrent assets	(205,839)	(27,022)
Loss on retirement of noncurrent assets	21,033	2,307
Loss (gain) on transfer of business	—	(12,562)
Decrease (increase) in notes and accounts receivable — trade	27,762	30,117
Decrease (increase) in inventories	4,441,573	1,872,326
Decrease (increase) in consumption taxes refund receivable	29,527	(70,194)
Increase (decrease) in notes and accounts payable — trade	167,933	18,859
Increase (decrease) in accrued consumption taxes	370,351	(370,351)
Increase (decrease) in guarantee deposits received	(232,642)	(58,456)
Other, net	19,279	(177,580)
Subtotal	7,474,120	4,146,594
Interest and dividends income received	12,340	13,707
Interest expenses paid	(140,591)	(50,256)
Income taxes paid	(222,601)	(168,582)
Net cash provided by (used in) operating activities	7,123,267	3,941,462
Cash flows from investing activities:		
Purchase of property, plant and equipment	(365,010)	(1,055,545)
Proceeds from sales of property, plant and equipment	520,504	9,814
Purchase of intangible assets	(18,614)	(54,706)
Purchase of investment securities	(47,831)	—
Payments of loans receivable	—	(48,200)
Collection of loans receivable	62,139	79,032
Other, net	(4,325)	—
Net cash provided by (used in) investing activities	146,863	(1,069,604)
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	(630,500)	333,340
Proceeds from long-term loans payable	326,166	120,000
Repayment of long-term loans payable	(4,802,572)	(1,879,617)
Cash dividends paid	(305,584)	(440,702)
Repayments of lease obligations	(17,048)	(21,365)
Net cash provided by (used in) financing activities	(5,429,539)	(1,888,346)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	1,840,592	983,512
Cash and cash equivalents at beginning of period	3,590,968	5,431,560
Cash and cash equivalents at end of period	[*1] 5,431,560	[*1] 6,415,073

(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.

(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.

(Unimplemented accounting and other standards)
• Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No.26, December 28, 2015)

(1) Overview
Regarding the treatment related to the recoverability of deferred tax assets, basically we have adhered to the framework of the Audit Committee Report No. 66 "Audit Treatment related to Judgment of the Recoverability of Deferred Tax Assets," namely, a framework that classifies companies into five categories and estimates the recorded amount of deferred tax assets based on said categories; consequently we have carried out the necessary revisions regarding the following treatment.
1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
2) Category requirements for (Category 2) and (Category 3)
3) Treatment related to a future deductible temporary difference for which scheduling is not possible, in a company that qualifies as (Category 2)
4) Treatment related to the reasonable estimable period for taxable income before future additions and subtractions such as temporary difference, etc., in a company that qualifies as (Category 3)
5) Treatment in the case that a company that satisfies the category requirements for (Category 4) qualifies as (Category 2) or (Category 3)

(2) Planned implementation date
We plan to implement the guidance from the beginning of the fiscal year ending December 31, 2017.

(3) Impact due to the implementation of these accounting and other standards
The impact is under evaluation during preparation of the relevant financial statements.

(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, 2014)	Current business year (December 31, 2015)
Real estate for sale	2,654,564,000 yen	— yen
Buildings	688,544,000 yen	633,604,000 yen
Land	2,438,557,000 yen	1,798,840,000 yen
Total	5,781,666,000 yen	2,432,444,000 yen

The secured obligations are as follows.

	Preceding business year (December 31, 2014)	Current business year (December 31, 2015)
Current portion of long-term borrowings	306,718,000 yen	224,244,000 yen
Long-term borrowings	2,218,279,000 yen	561,176,,000 yen
Total	2,524,997,000 yen	785,420,000 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), 2,060,976,000 yen has been transferred to real estate for sale.

(Current business year)

Not applicable.

(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, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Lease operating expenses	200,446,000 yen	103,281,000 yen

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

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Lease operating expenses	66,041,000 yen	89,487,000 yen
Loss on retirement of inventory assets	13,561,000 yen	— yen
Total	79,603,000 yen	89,487,000 yen

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

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Mainly land and buildings	189,326,000 yen	9,675,000 yen
Structures	28,000 yen	— yen
Machinery and equipment	— yen	138,000 yen
Tools, furniture and fixtures	17,208,000 yen	17,208,000 yen
Total	206,563,000 yen	27,022,000 yen

***4 The breakdown of the gain on transfer of business is as follows.**

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
	—	This is due to the fact that we transferred a part of the parking lot business

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

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Machinery and equipment	724,000 yen	— yen

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

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 201)
Buildings	1,227,000 yen	— yen
Structures	5,826,000 yen	399,000 yen
Machinery, equipment and delivery equipment	7,085,000 yen	1,460,000 yen
Tools, furniture and fixtures	6,291,000 yen	270,000 yen
Goodwill	551,000 yen	177,000 yen
Other	50,000 yen	— yen
Total	21,033,000 yen	2,307,000 yen

***7 Impairment losses**

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

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	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.

Current business year (From January 1, 2015 to December 31, 2015)

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	Kamijujyo, Kita-ku, Tokyo, and others	Buildings, tools, furniture and fixtures, structures, and long-term prepaid expenses	58,827,000 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 1,386,000 yen for buildings, 19,910,000 yen for tools, furniture and fixtures, 36,508,000 yen for structures and 1,021,000 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, 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

Current business year (From January 1, 2015 to December 31, 2015)

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	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

(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 24, 2016 ordinary general meeting of shareholders	Common shares	Retained earnings	478,775	3.9	December 31, 2015	March 25, 2016

(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, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Cash and deposit accounts	5,431,560,000 yen	6,415,073,000 yen
Term deposits for which the deposit term exceeds 3 months and term deposits provided as collateral	— yen	— yen
Cash and cash equivalents	5,431,560,000 yen	6,415,073,000 yen

(In relation to securities)

1. Other securities

Preceding 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 Shares	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.

Current business year (December 31, 2015) (Unit: thousand yen)

Category	Amount reported on the balance sheet	Acquisition cost	Difference
Amount reported on the balance sheet exceeds the acquisition cost Shares	7,425	4,800	2,625
Sub-total	7,425	4,800	2,625
Amount reported on the balance sheet does not exceed the acquisition cost Bonds	32,594	32,594	—
Sub-total	32,594	32,594	—
Total	40,019	37,394	2,625

(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 (From January 1, 2014 to December 31, 2014)
Not applicable.

Current business year (From January 1, 2015 to December 31, 2015)
Not applicable.

3. Securities subject to impairment

Preceding business year (From January 1, 2014 to December 31, 2014)
Not applicable.

Current business year (From January 1, 2015 to December 31, 2015)
With regard to securities, impairment of ¥15,236 thousand (bonds of available-for-sale securities) was made.

(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)	74,400
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, 2014)	Current business year (December 31, 2015)
(Deferred tax assets)		
Loss on valuation of inventory assets	214,560,000 yen	219,356,000 yen
Tax loss carried forward	192,237,000 yen	— yen
Allowance for doubtful accounts	469,697,000 yen	430,074,000 yen
Impairment of fixed assets	60,735,000 yen	69,575,000 yen
Depreciation amount exceeding the limit	44,054,000 yen	36,417,000 yen
Loss on valuation of investment securities	9,612,000 yen	8,700,000 yen
Asset retirement obligations	114,588,000 yen	135,029,000 yen
Deferred revenue	79,531,000 yen	60,518,000 yen
Valuation difference on other securities	193,000 yen	— yen
Other	101,550,000 yen	143,147,000 yen
Deferred tax assets sub-total	1,286,762,000 yen	1,102,819,000 yen
Valuation allowance	(1,008,395,000) yen	(885,851,000) yen
Total deferred tax assets	278,366,000 yen	216,967,000 yen
(Deferred tax liabilities)		
Abatement costs corresponding to asset retirement obligations	(63,440,000) yen	(81,506,000) yen
Valuation difference on other securities	— yen	(846,000) yen
Total deferred tax liabilities	(63,440,000) yen	(82,353,000) yen
Net amount of deferred tax assets	214,925,000 yen	134,614,000 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, 2014)	Current business year (December 31, 2015)
Normal effective statutory tax rate	38.0%	Any note is omitted here as the difference between the normal effective statutory tax rate and the burden ratio for corporation tax, etc. after the application of tax effect accounting is less than five-hundredth of the normal effective statutory tax rate.
(Adjustment)		
Items that will never be included in losses, such as entertainment expenses, etc.	0.9%	
Inhabitant tax on per capita basis	0.5%	
Change in valuation allowance	(8.6)%	
Effect due to tax rate changes	0.8%	
Other	(0.6)%	
Burden ratio for corporation tax, etc. after the application of tax effect accounting	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. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) were promulgated on March 31, 2015, and a reduction of the corporation tax rate and other changes were implemented from business years commencing on April 1, 2015 or later.

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 35.6% in the preceding business year to 33.1% with respect to the temporary difference, etc. which is expected to be eliminated in the business year commencing on January 1, 2016 and 32.3% with respect to the temporary difference, etc. which is expected to be eliminated in the business year commencing on January 1, 2017 or later.

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 10,899,000 yen and the amount of "Income taxes ― deferred" and "Valuation difference on other securities" reported in the current business year have increased by 10,988,000 yen and 88,000 yen, respectively.

(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, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Beginning balance	253,585,000 yen	321,515, 000 yen
Increase arising from the acquisition of tangible fixed assets	67,819,000 yen	108,201,000 yen
Adjustment due to the passing of time	3,965,000 yen	5,585,000 yen
Decrease due to the performance of asset retirement obligations	(3,854,000) yen	(796,000) yen
Other changes (( ) indicates a decrease)	―yen	(15,940,000) yen
Ending balance	321,515,000 yen	418,565,000 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 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

Notes:

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.

Fiscal 2015 (January 1, 2015 to December 31, 2015)

(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	12,980,902	4,192,603	17,173,505	—	17,173,505
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	12,980,902	4,192,603	17,173,505	—	17,173,505
Segment Profit	2,376,725	1,170,231	3,546,956	(889,136)	2,657,819
Segment Assets	10,471,442	1,438,840	11,910,282	7,402,183	19,312,466
Other Items					
Depreciation	438,768	—	438,768	24,497	463,265
Increase in Property, Plant and Equipment and Intangible Assets	1,087,859	—	1,087,859	71,199	1,159,059

1. The negative segment profit adjustment of ¥889,136 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 ¥7,402,183 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
4. Depreciation expenses and increase in tangible and intangible assets include long-term prepaid expenses.

(Related information)
Preceding 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.

Current business year (From January 1, 2015 to December 31, 2015)

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 B	2,600,000	Property Revitalization & Liquidation Service

(Note) Arealink Co., Ltd. has concluded a Non-Disclosure Agreement with Company B 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, 2014 to December 31, 2014)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Impairment losses	37,974	—	37,974	—	37,974

Current business year (From January 1, 2015 to December 31, 2015)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Impairment losses	58,827	—	58,827	—	58,827

(Information regarding the amortization and unamortized balance of goodwill for each reporting segment)
Preceding business year (From January 1, 2014 to December 31, 2014)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Amortization for the period	5,315	—	5,315	—	5,315
Ending balance for the period	2,165	—	2,165	—	2,165

Current business year (From January 1, 2015 to December 31, 2015)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Property Management Service	Property Revitalization & Liquidation Service	Total		
Amortization for the period	2,165	—	2,165	—	2,165
Ending balance for the period	—	—	—	—	—

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

(Information regarding related parties)
Not applicable.

(Per share information)

	Preceding business year (From January 1, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Per share amount of net assets	110.09 yen	119.14 yen
Per share amount of net profit for the period	12.55 yen	12.63 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) 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, 2014 to December 31, 2014)	Current business year (From January 1, 2015 to December 31, 2015)
Net profit for the period in the statements of income (thousand yen)	1,541,005	1,550,772
Amounts that do not belong to the common stockholders (thousand yen)	—	
Net profit for the period related to common shares (thousand yen)	1,541,005	1,550,772
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.

6. Other
Not applicable.