

**NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)**  
**FIRST QUARTER OF THE FISCAL YEAR ENDING**  
**December 31, 2016 (January 1, 2016 to March 31, 2016)**

April 28, 2016

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

Representative: Naomichi Hayashi, President and CEO  
 Inquiries: Yasuaki Otaki, Director, General Manager, Administration Division  
 Tel: +81-3-5577-9222  
 URL: <http://www.arealink.co.jp/>

Quarterly Securities Report filing date (planned): May 13, 2016

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 2016**  
**(January 1, 2016 to March 31, 2016)**

(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 FY2016	4,331	(12.7)	634	(17.1)	663	(13.6)	420	(23.3)
1Q FY2015	4,963	2.2	765	31.6	767	39.4	548	20.1

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2016	3.42	—
1Q FY2015	4.47	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
March 31, 2016	20,060	14,567	72.6
December 31, 2015	19,312	14,626	75.7

(Reference) Shareholders' equity: March 31, 2016: 14,567 million yen      December 31, 2015: 14,626 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 2014	—	0.00	—	3.90	3.90
Fiscal 2015	—				
Fiscal 2016 (Forecast)		0.00	—	33.0	33.0

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

Effective July 1, 2016, Arealink Co., Ltd. plans to conduct a 1:10 consolidation of its common stock. As a result, the forecast year-end cash dividend per share for the fiscal year ending December 31, 2016 is presented taking into consideration the stock consolidation. Meanwhile, the year-end cash dividend is forecast at ¥3.30 per share when the aforementioned stock consolidation is not taken into consideration.

### 3. Forecasts of Non-Consolidated Operating Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 to December 31, 2016)

(% 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	8,707	(21.6)	976	(55.4)	962	(51.5)	634	(51.9)	5.17
Fiscal year ending December 31, 2016	16,806	(2.1)	1,675	(36.9)	1,650	(32.4)	1,091	(29.6)	88.92

Note: Revision to the most recently announced operating results forecast: No

Effective July 1, 2016, Arealink Co., Ltd. plans to conduct a 1:10 consolidation of its common stock. As a result, the forecast net income per share for the fiscal year ending December 31, 2016 is presented taking into consideration the stock consolidation. Meanwhile, the net income per share is forecast at ¥8.89 per share when the aforementioned stock consolidation is not taken into consideration.

#### 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, 2016: 125,763,000 shares                      December 31, 2015: 125,763,000 shares
  2. Total number of treasury stock as of the period-end:  
 March 31, 2016: 3,000,000 shares                      December 31, 2015: 3,000,000 shares
  3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)  
 First quarter fiscal 2016: 122,763,000 shares    First quarter fiscal 2015: 122,763,000 shares

#### *Regarding the Status of Quarterly Review Procedure Implementation*

This financial report for the first quarter of fiscal 2016 is not subject to the quarterly review procedures stipulated in the Financial Instruments and Exchange Act of Japan. As of the date of disclosure of this report, the review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act had not been completed.

#### *Cautionary Statement Concerning Operating Results Forecasts and Other Special Items*

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

**Contents**

- 1. Qualitative Information Regarding Non-Consolidated Quarterly Business Results 4
  - (1) Explanation of Business Results 4
  - (2) Explanation of Financial Position 4
  - (3) Explanation of Results Forecasts of Other Future Predictions 4
- 2. Summary Information and Notes 4
- 3. Quarterly Financial Statements 5
  - (1) Non-Consolidated Quarterly Balance Sheets 5
  - (2) Non-Consolidated Quarterly Statements of Income 7
  - (3) Notes Regarding the Quarterly Financial Statements 8
    - (Notes Regarding Going Concern Assumptions) 8
    - (Notes Regarding Substantial Changes in Shareholders' Equity) 8
    - (Segment and other information) 8

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

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

During the first quarter period (January 1, 2016 to March 31, 2016) of fiscal 2016 (ending December 31, 2016), the outlook for the Japanese economy remained turbid as a result of such factors as low oil prices, the effects from U.S. interest rate movements, and stock market declines. In the real estate industry, Arealink's principal business field, there were signs of recovery, including an upturn in land prices in urban areas amid increased market activity stemming from the Bank of Japan's negative interest rate policy. The industry has steadily recovered from the harsh conditions of the past few years, and performance has been stable on the whole. Under such conditions, Arealink proactively expanded its Property Management Service business, centered on a "stock-type" (service oriented) business model.

For the Property Management Service business, in the mainstay self-storage business, to strengthen openings of new community-oriented locations and improve customer service, Arealink leveraged its full-fledged operations and new location development structure, centered on existing offices and sales agencies, to maintain a steady pace for openings and operations, which contributed to greater earnings. In the asset business, which records 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 ¥4,000 million (+9.9% from the same period of the previous fiscal year), with operating income of ¥750 million (+2.4%).

For the Property Revitalization & Liquidation Service business, Arealink conducted sales of limited proprietary rights over land held for resale, taking into consideration real estate market and financial conditions. As a result, net sales in the Property Revitalization & Liquidation Service business amounted to ¥331 million (-75.0%), with operating income of ¥104 million (-50.7%).

As a result, net sales for the first quarter period of fiscal 2016 amounted to ¥4,331 million (-12.7% from the same period of the previous fiscal year), with operating income of ¥634 million (-17.1%), ordinary income of ¥663 million (-13.6%), and net income of ¥420 million (-23.3%).

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

Total assets as of the end of the first quarter period (March 31, 2016) stood at ¥20,060 million, an increase of ¥747 million compared with the end of the previous fiscal year (December 31, 2015). This was due mainly to increases of ¥334 million in cash and deposits; and ¥608 million in real estate for sale; against a decrease of ¥178 million in costs on uncompleted construction contracts.

Total liabilities amounted to ¥5,492 million, an increase of ¥806 million compared with the end of the previous fiscal year. This was mainly due to increases of ¥142 million in accounts payable for construction contracts; ¥775 million in short-term loans payable; and ¥200 million in bonds payable; against a decrease of ¥529 million in income taxes payable.

Total net assets amounted to ¥14,567 million, a decrease of ¥58 million compared with the end of the previous fiscal year. This was due mainly to a decrease of ¥58 million in retained earnings (comprised mainly of a ¥420 million increase in net income, and a ¥478 million in dividend payments). As a result, the equity ratio was 72.6%.

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

For the second quarter cumulative period and full fiscal year period of the fiscal year ending December 31, 2016, because performance in all businesses has been steady, results forecasts are unchanged from those announced in "Non-Consolidated Financial Report Fiscal 2015" dated February 12, 2016.

Regarding dividends for the fiscal year ending December 31, 2016, based on the Company's basic policy and current earnings forecasts, Arealink plans to pay an annual dividend of ¥33.00 per share. There are no plans for an interim dividend payment.

Effective July 1, 2016, Arealink Co., Ltd. plans to conduct a 1:10 consolidation of its common stock. As a result, the above annual dividend for the fiscal year ending December 31, 2016 is presented taking into consideration the stock consolidation. Meanwhile, the year-end cash dividend is forecast at ¥3.30 per share when the aforementioned stock consolidation is not taken into consideration.

## **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, 2015 (As of December 31, 2015)	End of the First Quarter of the Fiscal Year Ending December 31, 2016 (As of March 31, 2016)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	6,415,073	6,749,199
Accounts receivable — trade	102,309	101,907
Accounts receivable from completed construction contracts	—	76,099
Merchandise	436,634	417,559
Real estate for sale	1,419,233	2,027,451
Costs on uncompleted construction contracts	211,364	32,547
Supplies	8,446	9,616
Other current assets	558,902	463,613
Allowance for doubtful accounts	(30,332)	(33,638)
Total current assets	9,121,631	9,844,356
<b>Noncurrent assets:</b>		
Property, plant and equipment:		
Buildings	4,981,239	4,916,371
Accumulated depreciation	(1,387,966)	(1,443,661)
Accumulated impairment loss	(132,442)	(132,442)
Buildings, net	3,460,830	3,340,267
Land	3,685,328	3,637,166
Other	2,748,776	2,931,777
Accumulated depreciation	(926,233)	(977,891)
Accumulated impairment loss	(97,870)	(97,609)
Other, net	1,724,671	1,856,276
Total property, plant and equipment	8,870,830	8,833,710
Intangible assets:		
Other	86,265	87,829
Total intangible assets	86,265	87,829
Investments and other assets:		
Other	2,536,133	2,596,337
Allowance for doubtful accounts	(1,302,013)	(1,302,172)
Total investments and other assets	1,324,120	1,294,164
Total noncurrent assets	10,191,216	10,215,704
<b>Total assets</b>	19,312,847	20,060,060

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)	End of the First Quarter of the Fiscal Year Ending December 31, 2016 (As of March 31, 2016)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable — trade	249,831	283,900
Accounts payable for construction contracts	268,066	410,373
Short-term loans payable	333,340	1,108,360
Current portion of bonds	—	50,000
Current portion of long-term loans payable	244,284	202,044
Income taxes payable	715,203	186,014
Other	1,069,833	1,237,277
Total current liabilities	2,880,559	3,477,970
<b>Noncurrent liabilities:</b>		
Bonds payable	—	200,000
Long-term loans payable	621,096	602,250
Asset retirement obligations	418,565	449,537
Other	766,235	762,748
Total noncurrent liabilities	1,805,897	2,014,535
<b>Total liabilities</b>	4,686,456	5,492,506
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	5,568,222	5,568,222
Capital surplus		
Legal capital surplus	5,612,719	5,612,719
Total capital surplus	5,612,719	5,612,719
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,700,254	3,641,710
Total retained earnings	3,700,254	3,641,710
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	14,624,612	14,566,068
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	1,778	1,486
Total valuation and translation adjustments	1,778	1,486
<b>Total net assets</b>	14,626,390	14,567,554
<b>Total liabilities and net assets</b>	19,312,847	20,060,060

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

(Thousands of yen)

	First Quarter of the Fiscal Year Ended December 31, 2015 (January 1, 2015 to March 31, 2015)	First Quarter of the Fiscal Year Ending December 31, 2016 (January 1, 2016 to March 31, 2016)
<b>Net sales</b>	4,963,282	4,331,788
Cost of Sales	3,616,470	3,043,710
<b>Gross profit</b>	1,346,811	1,288,077
<b>Selling, general and administrative expenses</b>	581,647	653,685
<b>Operating income</b>	765,164	634,392
<b>Non-operating income:</b>		
Interest income	3,206	3,587
Reversal of allowance for doubtful accounts	2,364	26
Default charge income	1,109	446
Compensation for transfer	5,557	41,611
Other	8,333	4,660
Total non-operating income	20,571	50,332
<b>Non-operating expenses:</b>		
Interest expenses	16,361	8,112
Other	1,674	13,214
Total non-operating expenses	18,036	21,326
<b>Ordinary income</b>	767,699	663,399
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	4,440	4,302
Gain on transfer of business	3,900	2,887
Total extraordinary income	8,340	7,189
<b>Extraordinary loss:</b>		
Loss on retirement of noncurrent assets	1,306	145
Loss on redemption of investment securities	—	2,406
Total extraordinary losses	1,306	2,551
<b>Net income before income taxes</b>	774,733	668,036
Income taxes — current	79,384	170,581
Income taxes — deferred	147,110	77,223
Total income taxes	226,494	247,805
<b>Net income</b>	548,238	420,231

**(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 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.



The first quarter of fiscal 2016 (January 1, 2016 to March 31, 2016)

(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	4,000,744	331,044	4,331,788	—	4,331,788
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	4,000,744	331,044	4,331,788	—	4,331,788
Segment Profit	750,473	104,856	855,329	(220,937)	634,392

Notes:

1. The negative segment profit adjustment of ¥220,937 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.