

NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST HALF OF THE FISCAL YEAR ENDING
December 31, 2016
(January 1, 2016 to June 30, 2016)

July 29, 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): August 10, 2016

Supplemental materials prepared for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and security analysts)

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Non-Consolidated Operating Results for the First Half of Fiscal 2016
(January 1, 2016 to June 30, 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	%
FY2016 First Half	8,850	(20.3)	1,223	(44.1)	1,244	(37.3)	788	(40.2)
FY2015 First Half	11,110	15.6	2,187	61.0	1,983	57.8	1,319	48.0

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2016 First Half	64.27	—
FY2015 First Half	107.47	—

Note: Arealink Co., Ltd. conducted a 1:10 consolidation of its common stock, with an effective date of July 1, 2016. The figures for net income per share and net income per share after dilution have been adjusted to reflect the impact of the stock consolidation as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
June 30, 2016	20,991	14,936	71.2
December 31, 2015	19,312	14,626	75.7

(Reference) Shareholders' equity: June 30, 2016: 14,936 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 2015	—	0.00	—	3.90	3.90
Fiscal 2016	—	0.00	—	3.90	3.90
Fiscal 2016 (Forecast)	—	—	—	39.0	39.0

Note: Revision to the most recently announced cash dividend forecast: Yes

Effective July 1, 2016, Arealink Co., Ltd. conducted 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. The year-end cash dividend is forecast would be ¥3.90 per share without the stock consolidation.

For details regarding the dividend forecast revision, see "Notice of Revision to Dividend Forecast" released today (July 29, 2016).

3. Forecasts of Non-Consolidated Operating Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 to December, 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
Fiscal 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: None

Effective July 1, 2016, Arealink Co., Ltd. conducted 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. The net income per share forecast would be ¥8.89 per share without the stock consolidation.

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:
June 30, 2016: 12,576,300 shares December 31, 2015: 12,576,300 shares
 2. Total number of treasury stock as of the period-end:
June 30, 2016: 300,000 shares December 31, 2015: 300,000 shares
 3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)
FY2016 First Half: 12,276,300 shares FY2015 First Half: 12,276,300 shares

Note: Arealink Co., Ltd. conducted a 1:10 consolidation of its common stock, with an effective date of July 1, 2016. The figures for "Number of shares issued and outstanding (common stock)" have been adjusted to reflect the impact of the stock consolidation as if the stock consolidation had occurred at the beginning of the prior fiscal year.

Regarding the Status of Quarterly Review Procedure Implementation

This financial report for the second 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 5 for assumptions of the revision of forecasts of business results.

The Company plans to hold a results briefing on August 2, 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. 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 and Other Future Predictions	5
2. Summary Information and Notes	5
3. Quarterly Financial Statements	6
(1) Non-Consolidated Quarterly Balance Sheets	6
(2) Non-Consolidated Quarterly Statements of Income	8
(3) Non-Consolidated Quarterly Statements of Cash Flows	9
(4) Notes Regarding Quarterly Financial Statements	10
(Notes Regarding Going Concern Assumptions)	10
(Notes Regarding Substantial Changes in Shareholders' Equity)	10
(Segment and Other Information)	10

1. Qualitative Information Regarding Non-Consolidated Quarterly Business Results

(1) Explanation of Business Results

During the second quarter cumulative period (January 1, 2016 to June 30, 2016) of fiscal 2016 (ending December 31, 2016), the Japanese economy showed signs of improvement in corporate earnings and employment conditions as a result of government economic policies and the Bank of Japan's monetary easing, but outlook remained turbid as a result of such factors as low oil prices stemming from the slowdown in emerging economies, and the worldwide stock plunge that followed the U.K. vote to withdraw from the EU. 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 ¥8,081 million (+14.0% from the same period of the previous fiscal year), with operating income of ¥1,503 million (+2.3%).

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 ¥768 million (-80.9%), with operating income of ¥200 million (-86.4%).

As a result, net sales for the second quarter cumulative period of fiscal 2016 amounted to ¥8,850 million (-20.3% from the same period of the previous fiscal year), with operating income of ¥1,223 million (-44.1%), ordinary income of ¥1,244 million (-37.3%), and net income of ¥788 million (-40.2%).

(2) Explanation of Financial Position

Assets, liabilities, and net assets

Total assets as of the end of the subject second quarter cumulative period (June 30, 2016) stood at ¥20,991 million, an increase of ¥1,678 million compared with the end of the previous fiscal year (December 31, 2016). This was due mainly to increases of ¥685 million in cash and deposits; and ¥876 million in real estate for sale.

Total liabilities amounted to ¥6,054 million, an increase of ¥1,368 million compared with the end of the previous fiscal year. This was mainly due to an increase of ¥1,039 million in short-term loans payable.

Total net assets amounted to ¥14,936 million, an increase of ¥309 million compared with the end of the previous fiscal year. This was due mainly to an increase of ¥310 million in retained earnings (comprised mainly of a ¥788 million increase in net income, and a ¥478 million decrease in dividend payments). As a result, the equity ratio was 71.2%.

Cash flows

Cash and cash equivalents ("Cash") at the end of the subject second quarter cumulative period (June 30, 2016) amounted to ¥7,100 million, an increase of ¥685 million compared with the previous fiscal year-end.

Cash provided by operating activities amounted to ¥536 million (compared to ¥4,265 million in cash provided in the same period of the previous fiscal year). This was due mainly to increasing factors of ¥1,255 million in net income before tax; against decreasing factors including a ¥714 million increase in inventories.

Cash used in investing activities amounted to ¥520 million (compared to ¥761 million in cash used in the same period of the previous fiscal year). This was due mainly to decreasing factors of ¥524 million in expenditures for the acquisition of property, plant and equipment.

Cash provided by financing activities amounted to ¥674 million (compared to ¥1,686 million in cash used in the same period of the previous fiscal year). This was due mainly to decreasing factors of

¥475 million cash dividend paid; against increasing factors of ¥1,039 million in net increase of short-term loans payable.

(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, in consideration of the Company’s basic policy regarding dividends and steady business growth, Arealink has revised its year-end dividend forecast to ¥39.00 per share, from the previous ¥33.00, as per “Notice of Revision to Dividend Forecast” released July 29, 2016. For details regarding the dividend forecast revision, see “Notice of Revision to Dividend Forecast” released July 29, 2016.

Of note, effective July 1, 2016, Arealink Co., Ltd. conducted 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. The year-end cash dividend forecast would be ¥3.90 per share without the stock consolidation.

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 Second Quarter of the Fiscal Year Ending December 31, 2016 (As of June 30, 2016)
ASSETS		
Current assets:		
Cash and deposits	6,415,073	7,100,077
Accounts receivable — trade	102,309	108,114
Accounts receivable from completed construction contracts	—	41,324
Merchandise	436,634	398,842
Real estate for sale	1,419,233	2,295,897
Costs on uncompleted construction contracts	211,364	23,332
Supplies	8,446	7,459
Other current assets	558,902	545,327
Allowance for doubtful accounts	(30,332)	(37,673)
Total current assets	9,121,631	10,482,701
Noncurrent assets:		
Property, plant and equipment:		
Buildings	4,981,239	5,134,571
Accumulated depreciation	(1,387,966)	(1,500,757)
Accumulated impairment loss	(132,442)	(132,442)
Buildings, net	3,460,830	3,501,371
Land	3,685,328	3,637,166
Other	2,748,776	3,077,449
Accumulated depreciation	(926,233)	(1,034,028)
Accumulated impairment loss	(97,870)	(92,765)
Other, net	1,724,671	1,950,655
Total property, plant and equipment	8,870,830	9,089,192
Intangible assets:		
Other	86,265	116,042
Total intangible assets	86,265	116,042
Investments and other assets:		
Other	2,536,133	2,605,486
Allowance for doubtful accounts	(1,302,013)	(1,302,356)
Total investments and other assets	1,324,120	1,303,130
Total noncurrent assets	10,191,216	10,508,365
Total assets	19,312,847	20,991,066

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)	End of the Second Quarter of the Fiscal Year Ending December 31, 2016 (As of June 30, 2016)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	249,831	246,943
Accounts payable for construction contracts	268,066	622,659
Short-term loans payable	333,340	1,372,380
Current portion of bonds	—	50,000
Current portion of long-term loans payable	244,284	159,804
Income taxes payable	715,203	434,055
Other	1,069,833	1,139,031
Total current liabilities	2,880,559	4,024,873
Noncurrent liabilities:		
Bonds payable	—	200,000
Long-term loans payable	621,096	583,404
Asset retirement obligations	418,565	487,751
Other	766,235	758,662
Total noncurrent liabilities	1,805,897	2,029,817
Total liabilities	4,686,456	6,054,691
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	3,700,254	4,010,452
Total retained earnings	3,700,254	4,010,452
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	14,624,612	14,934,809
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,778	1,565
Total valuation and translation adjustments	1,778	1,565
Total net assets	14,626,390	14,936,375
Total liabilities and net assets	19,312,847	20,991,066

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

(Thousands of yen)

	First Half of the Fiscal Year Ended December 31, 2015 (January 1, 2015 to June 30, 2015)	First Half of the Fiscal Year Ending December 31, 2016 (January 1, 2016 to June 30, 2016)
Net sales	11,110,345	8,850,035
Cost of Sales	7,682,185	6,267,004
Gross profit	3,428,160	2,583,030
Selling, general and administrative expenses	1,240,184	1,359,159
Operating income	2,187,976	1,223,871
Non-operating income:		
Interest income	6,710	5,805
Reversal of allowance for doubtful accounts	2,300	53
Default charge income	1,684	839
Compensation for transfer	9,864	41,543
Other	13,396	9,996
Total non-operating income	33,955	58,237
Non-operating expenses:		
Interest expenses	30,930	16,789
Early repayment of loans fee	161,453	—
Interest on bonds	—	93
Other	45,965	20,542
Total non-operating expenses	238,348	37,425
Ordinary income	1,983,583	1,244,683
Extraordinary income:		
Gain on sales of noncurrent assets	18,418	8,604
Gain on transfer of business	6,787	5,775
Total extraordinary income	25,206	14,379
Extraordinary loss:		
Loss on retirement of noncurrent assets	2,045	921
Loss on redemption of investment securities	—	2,406
Total extraordinary losses	2,045	3,327
Net income before income taxes	2,006,744	1,255,735
Income taxes — current	566,417	404,130
Income taxes — deferred	120,978	62,631
Total income taxes	687,395	466,762
Net income	1,319,348	788,973

,

(3) Non-Consolidated Quarterly Statements of Cash Flows

(Thousands of yen)

	First Half of the Fiscal Year Ended December 31, 2015 (January 1, 2015 to June 30, 2015)	First Half of the Fiscal Year Ending December 31, 2016 (January 1, 2016 to June 30, 2016)
Cash flows from operating activities:		
Income before income taxes	2,006,744	1,255,735
Depreciation	225,174	249,027
Increase (decrease) in allowance for doubtful accounts	—	7,683
Interest and dividends income	(6,830)	(5,952)
Interest expenses and interest on bonds	30,930	16,882
Loss (gain) on sales of noncurrent assets	(18,418)	(8,604)
Loss on retirement of noncurrent assets	2,045	921
Loss (gain) on transfer of business	(6,787)	(5,775)
Decrease (increase) in notes and accounts receivable — trade	(5,047)	(47,129)
Decrease (increase) in inventories	2,665,077	714,652
Decrease (increase) in consumption taxes refund receivable	—	70,194
Increase (decrease) in notes and accounts payable — trade	74,335	351,703
Increase (decrease) in accrued consumption taxes	(289,611)	65,755
Increase (decrease) in guarantee deposits received	(71,685)	24,885
Other, net	(220,206)	(14,976)
Subtotal	4,385,718	1,245,700
Interest and dividends income received	6,972	6,114
Interest expenses paid	(33,887)	(19,345)
Income taxes paid	(93,711)	(695,792)
Net cash provided by (used in) operating activities	4,265,091	536,677
Cash flows from investing activities:		
Purchase of noncurrent assets	(711,192)	(524,974)
Proceeds from sales of noncurrent assets	9,814	—
Purchase of intangible assets	(41,057)	(28,772)
Proceeds from redemption of investment securities	—	30,188
Payments of loans receivable	(48,200)	—
Collection of loans receivable	29,176	8,989
Other, net	—	(5,510)
Net cash provided by (used in) investing activities	(761,458)	(520,079)
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	400,000	1,039,040
Proceeds from long-term loans payable	120,000	—
Repayment of long-term loans payable	(1,757,445)	(122,172)
Proceeds from issuance of bonds	—	250,000
Repayments of lease obligations	(10,470)	(16,674)
Cash dividends paid	(439,000)	(475,868)
Net cash provided by (used in) financing activities	(1,686,916)	674,325
Effect of exchange rate changes on cash and cash equivalents	—	(5,919)
Net increase (decrease) in cash and cash equivalents	1,816,716	685,003
Cash and cash equivalents at beginning of period	5,431,560	6,415,073
Cash and cash equivalents at end of period	7,248,277	7,100,077

(4) Notes Regarding Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

1) Overview of Reportable Segments

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

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

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

The first half of fiscal 2015 (January 1, 2015 to June 30, 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	7,086,422	4,023,922	11,110,345	—	11,110,345
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	7,086,422	4,023,922	11,110,345	—	11,110,345
Segment Profit	1,469,717	1,137,328	2,607,045	(419,069)	2,187,976

Notes:

1. The negative segment profit adjustment of ¥419,069 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 half of fiscal 2016 (January 1, 2016 to June 30, 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	8,081,664	768,371	8,850,035	—	8,850,035
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	8,081,664	768,371	8,850,035	—	8,850,035
Segment Profit	1,503,435	200,524	1,703,959	(480,088)	1,223,871

Notes:

1. The negative segment profit adjustment of ¥480,088 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.