

NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
December 31, 2016
(January 1, 2016 to September 30, 2016)

October 28, 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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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 Nine-Month Period of Fiscal 2016
(January 1, 2016 to September 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 Nine-Month Period	12,655	(12.1)	1,546	(38.8)	1,569	(32.5)	987	(35.4)
FY2015 Nine-Month Period	14,403	(7.1)	2,527	22.1	2,324	21.3	1,528	8.7

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2016 Nine-Month Period	80.41	—
FY2015 Nine-Month Period	124.54	—

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	%
September 30, 2016	22,694	15,132	66.7
December 31, 2015	19,312	14,626	75.7

(Reference) Shareholders' equity: September 30, 2016: 15,132 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	—	—	—
Fiscal 2016 (Forecast)	—	—	—	39.00	39.00

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

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 forecast would be ¥3.90 per share without the stock consolidation.

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:
September 30, 2016: 12,576,300 shares December 31, 2015: 12,576,300 shares
 2. Total number of treasury stock as of the period-end:
September 30, 2016: 302,525 shares December 31, 2015: 300,000 shares
 3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)
FY2016 Nine-Month Period: 12,275,618 shares
FY2015 Nine-Month Period: 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 third 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.

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1. Qualitative Information Regarding Non-Consolidated Quarterly Business Results

(1) Explanation of Business Results

During the third quarter cumulative period (January 1, 2016 to September 30, 2016) of fiscal 2016 (ending December 31, 2016), the Japanese economy maintained a basic tone of moderate recovery, stemming from expectations for government economic policies, and proactive monetary easing by the Bank of Japan. However, the economic outlook remains turbid as a result of such factors as domestic and overseas economic indicators, and potential instability in the global economy depending on the outcome of the U.S. presidential election.

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 ¥11,741 million (+14.9% from the same period of the previous fiscal year), with operating income of ¥2,056 million (+2.2%).

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 ¥914 million (-78.1%), with operating income of ¥229 million (-80.2%).

As a result, net sales for the third quarter cumulative period of fiscal 2016 amounted to ¥12,655 million (-12.1% from the same period of the previous fiscal year), with operating income of ¥1,546 million (-38.8%), ordinary income of ¥1,569 million (-32.5%), and net income of ¥987 million (-35.4%).

(2) Explanation of Financial Position

Total assets as of the end of the subject third quarter cumulative period (September 30, 2016) stood at ¥22,694 million, an increase of ¥3,381 million compared with the end of the previous fiscal year (December 31, 2016). This was due mainly to increases of ¥1,639 million in cash and deposits; and ¥1,252 million in real estate for sale.

Total liabilities amounted to ¥7,562 million, an increase of ¥2,875 million compared with the end of the previous fiscal year. This was mainly due to increases of ¥1,103 million in short-term loans payable; and ¥1,513 million in long-term loans payable.

Total net assets amounted to ¥15,132 million, an increase of ¥505 million compared with the end of the previous fiscal year. This was due mainly to an increase of ¥508 million in retained earnings (comprised mainly of a ¥987 million increase in net income, and a ¥478 million decrease in dividend payments). As a result, the equity ratio was 66.7%.

(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 the dividend forecast, the year-end cash dividend forecast at ¥39.00 per share is unchanged from the previous forecast.

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 Third Quarter of the Fiscal Year Ending December 31, 2016 (As of September 30, 2016)
ASSETS		
Current assets:		
Cash and deposits	6,415,073	8,054,140
Accounts receivable — trade	102,309	100,567
Accounts receivable from completed construction contracts	—	23,917
Merchandise	436,634	382,959
Real estate for sale	1,419,233	2,672,170
Costs on uncompleted construction contracts	211,364	90,536
Supplies	8,446	14,360
Other current assets	558,902	671,357
Allowance for doubtful accounts	(30,332)	(41,694)
Total current assets	9,121,631	11,968,315
Noncurrent assets:		
Property, plant and equipment:		
Buildings	4,981,239	5,132,997
Accumulated depreciation	(1,387,966)	(1,552,606)
Accumulated impairment loss	(132,442)	(132,442)
Buildings, net	3,460,830	3,447,948
Land	3,685,328	3,637,166
Other	2,748,776	3,232,899
Accumulated depreciation	(926,233)	(1,095,180)
Accumulated impairment loss	(97,870)	(92,762)
Other, net	1,724,671	2,044,956
Total property, plant and equipment	8,870,830	9,130,071
Intangible assets:		
Other	86,265	108,610
Total intangible assets	86,265	108,610
Investments and other assets:		
Other	2,536,133	2,790,823
Allowance for doubtful accounts	(1,302,013)	(1,303,482)
Total investments and other assets	1,324,120	1,487,340
Total noncurrent assets	10,191,216	10,726,022
Total assets	19,312,847	28,694,338

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2015 (As of December 31, 2015)	End of the Third Quarter of the Fiscal Year Ending December 31, 2016 (As of September 30, 2016)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	249,831	230,696
Accounts payable for construction contracts	268,066	485,360
Short-term loans payable	333,340	1,436,960
Current portion of bonds	—	50,000
Current portion of long-term loans payable	244,284	517,240
Income taxes payable	715,203	142,595
Other	1,069,833	1,129,094
Total current liabilities	2,880,559	3,991,945
Noncurrent liabilities:		
Bonds payable	—	175,000
Long-term loans payable	621,096	2,134,909
Asset retirement obligations	418,565	516,257
Other	766,235	744,210
Total noncurrent liabilities	1,805,897	3,570,376
Total liabilities	4,686,456	7,562,322
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	4,208,621
Total retained earnings	3,700,254	4,208,621
Treasury stock	(256,584)	(259,661)
Total shareholders' equity	14,624,612	15,129,901
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,778	2,114
Total valuation and translation adjustments	1,778	2,114
Total net assets	14,626,390	15,132,015
Total liabilities and net assets	19,312,847	22,694,338

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

(Thousands of yen)

	Nine-Month Period of the Fiscal Year Ended December 31, 2015 (January 1, 2015 to September 30, 2015)	Nine-Month Period of the Fiscal Year Ending December 31, 2016 (January 1, 2016 to September 30, 2016)
Net sales	14,403,692	12,655,767
Cost of Sales	10,054,562	9,052,153
Gross profit	4,349,130	3,603,614
Selling, general and administrative expenses	1,821,942	2,057,497
Operating income	2,527,187	1,546,116
Non-operating income:		
Interest income	9,532	8,063
Reversal of allowance for doubtful accounts	2,228	80
Default charge income	2,261	1,159
Compensation for transfer	9,864	49,161
Other	20,763	12,125
Total non-operating income	44,650	70,591
Non-operating expenses:		
Interest expenses	39,204	26,320
Interest on bonds	—	187
Early repayment of loans fee	161,453	—
Other	46,873	21,084
Total non-operating expenses	247,530	47,592
Ordinary income	2,324,308	1,569,115
Extraordinary income:		
Gain on sales of noncurrent assets	22,720	12,906
Gain on transfer of business	9,675	8,662
Total extraordinary income	32,395	21,568
Extraordinary loss:		
Loss on retirement of noncurrent assets	2,307	4,631
Loss on redemption of investment securities	—	2,406
Total extraordinary losses	2,307	7,037
Net income before income taxes	2,354,396	1,583,647
Income taxes — current	712,436	505,312
Income taxes — deferred	113,033	91,191
Total income taxes	825,469	596,504
Net income	1,528,926	987,142

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(3) 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 nine-month of fiscal 2015 (January 1, 2015 to September 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	10,221,257	4,182,434	14,403,692	—	14,403,692
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	10,251,257	4,182,434	14,403,692	—	14,403,692
Segment Profit	2,012,801	1,157,042	3,169,844	(642,656)	2,527,187

Notes:

1. The negative segment profit adjustment of ¥642,656 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 nine-month of fiscal 2016 (January 1, 2016 to September 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	11,741,366	914,401	12,655,767	—	12,655,767
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	11,741,366	914,401	12,655,767	—	12,655,767
Segment Profit	2,056,795	229,449	2,286,244	(740,127)	1,546,116

Notes:

1. The negative segment profit adjustment of ¥740,127 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.