NON-CONSOLIDATED FINANCIAL REPORT
FISCAL 2013 （Japanese GAAP）
(January 1, 2013 to December 31, 2013)

February 14, 2014

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 27, 2014
Fiscal 2013 Securities Report filing date (planned): March 26, 2014
Dividend payment commencement date (planned): March 28, 2014
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 2013 (January 1, 2013 to December 31, 2013)
(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 2013	12,256	21.1	1,505	29.2	1,433	33.3	1,346	42.0
FY 2012	10,124	(4.5)	1,165	11.6	1,075	12.8	948	22.7

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2013	10.97	—	11.6	6.9	12.3
FY 2012	7.72	—	9.1	6.0	11.5

On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Accordingly, net income per share has been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

(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, 2013	23,017	12,282	53.4	100.05
As of December 31, 2012	18,612	10,935	58.8	89.08

(Reference) Shareholders' equity: As of December 31, 2013: ¥12,282 million As of December 31, 2012: ¥10,935 million
On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Accordingly, net assets per share of common stock has been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

(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 2013	1,014	(2,764)	2,256	3,590
FY 2012	443	(489)	311	3,084

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 2012	—	0.00	—	0.00	0.00	—	—	—
FY 2013	—	0.00	—	2.50	2.50	306	22.8	2.6
FY 2014 (planned)	—	0.00	—	2.80	2.80		—	

3. Forecast of Non-Consolidated Results for FY 2014 (January 1, 2014 to December 31, 2014)

(% 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	6,845	5.9	969	7.9	891	2.9	787	0.6	6.41
Full Fiscal Year	13,651	11.4	1,863	23.8	1,701	18.7	1,500	11.4	12.22

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, 2013: 125,763,000 shares As of December 31, 2012: 125,763,000 shares
2. Number of treasury stock
   As of December 31, 2013: 3,000,000 shares As of December 31, 2012: 3,000,000 shares
3. Average number of shares for the year
   FY2013: 122,763,000 shares FY2012: 122,763,000 shares

On July 1, 2013, the Company conducted a stock split at a ratio of 100 shares for each of the Company's common shares. Accordingly, number of shares issued and outstanding as of the year-end, number of treasury stock as of the year-end and average number of shares for the year have been calculated assuming that the subject stock split was conducted at the beginning of the previous fiscal year.

Regarding the Status of Review Procedure Implementation

This financial report for the fiscal 2013 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 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 18, 2014, 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 2013

During fiscal 2013 (ended December 31, 2013), the Japanese economy continued on a recovery track. Share prices rose on expectations from sweeping monetary policies by the Bank of Japan and various government stimulus measures to end prolonged deflation, while in the currency markets the yen continued to weaken. Additional positive signals emerged such as improvement in consumer confidence, while Tokyo's winning bid for the Olympics provided an additional boost. In the real estate industry, Arealink's principal business field, there were signs of improvement, including a rise in land prices in certain areas amid low interest rates and government stimulus measures, as the industry recovered from the harsh conditions of the past few years. Under such conditions, Arealink aggressively developed its "stock-type" (service oriented) business model centered on the Property Management Service business.

As a result, net sales for fiscal 2013 amounted to ¥12,256 million (up 21.1% year on year), with operating income of ¥1,505 million (up 29.2%), ordinary income of ¥1,433 million (up 33.3%), and net income of ¥1,346 million (up 42.0%).

Property Management Service

In the mainstay self-storage business, to increase revenue Arealink added 4,988 new storage rooms, both in existing business areas centered on the metropolitan areas of Tokyo, Osaka, and Nagoya, as well as with new locations developed by means of locally-aimed sales activities centered on urban areas with populations of over one million. For new locations, we held on-site tours for nearby customers, and conducted other sales activities directed toward the surrounding areas. For existing locations, we utilized customer feedback to carry out concentrated maintenance aimed at making facilities easier to use, and to raise awareness. In the asset business, rent income increased following acquisition of income-generating properties intended as long-term holdings.

As a result, net sales in the Property Management Service segment amounted to ¥10,735 million, with operating income of ¥2,038 million.

Principal indicators for Property Management Service (number of units)

	At Dec. 31, 2011	At Dec. 31, 2012	At Dec. 31, 2013
Container rooms	23,252	26,061	31,173
Trunk rooms	15,586	15,637	15,513
Parking spaces	3,134	2,455	1,226
Office rooms	680	657	655
Hotel rooms	613	590	590

Property Revitalization & Liquidation Service

Arealink proactively acquired real estate properties for resale, centered on subdivided stores, offices, and residential condominiums. Property sales also rose steadily.

As a result, net sales in the Property Revitalization & Liquidation Service segment amounted to ¥1,521 million, with operating income of ¥111 million.

2) Outlook for Fiscal 2014

For fiscal 2014 (ending December 2014), despite the recovery trend in the general economy, the outlook for the real estate industry remains uncertain due to the consumption tax increase and other factors.

Amid such conditions, for the Property Management Service, Arealink plans to expand its "stock-type" (service oriented) business model while addressing such issues as differentiating ourselves from the competition. We will introduce a branch office system rooted in each geographic area, and establish a foundation for stable earnings built around strengthening the Storage Division through an aggressive program of store openings supported by more community-based marketing, strengthening the Asset Division through acquisition of income-generating properties intended as long-term holdings, and strengthening the Office Division by increasing the number of rental meeting rooms and event halls.

The Storage Division is Arealink's principal business in the Property Management Service segment. Competition in this area is becoming increasingly fierce in terms of price, as well as differentiation of products and services. However, we feel that amid the continually increasing demand for and awareness of rental storage services, the business opportunities for Arealink will further expand as a result of our focus on security, along with the growing reputation of the Hello Storage brand and its nationwide network of prime locations and accessibility not unlike convenience stores. We will work to expand sales by further enhancing our brand power and recognition with the opening of stand-alone storage buildings in urban areas, and by focusing on area expansion through regional strategies implemented under the branch office system. We will also seek stable operations through expansion of the customer support system and other means.

For the Property Revitalization & Liquidation Service, with due consideration of conditions in the real estate market, we will purchase office buildings and apartments in prime locations, renovate them, and sell them on a floor or section basis. We will also expand purchases and sales utilizing our strength in property owner networks.

In terms of costs, we anticipate increases in purchasing and personnel costs related to business expansion, IT system investments in the Storage Division and maintenance costs to provide site security, as well as promotional costs for real estate transactions. However, we will lower expenses through an ongoing program of thorough cost controls.

In consideration of these factors, for the fiscal year ending December 2014, Arealink is forecasting net sales of ¥13,651 million (comprising ¥11,378 million in the Property Management Service segment and ¥2,272 million in the Property Revitalization & Liquidation Service segment), with operating income of ¥1,863 million, ordinary income of ¥1,701 million, and net income of ¥1,500 million.

(2) Analysis of Financial Condition

1) Assets, Liabilities, and Net Assets

<u>Assets</u>

Total assets at the end of fiscal 2013 (December 31, 2013) increased 23.7% compared with the end of the previous fiscal year (December 31, 2012), to ¥23,017 million.

Current assets increased 88.2% from the end of the previous fiscal year to ¥10,828 million. This was due mainly to increases of ¥505 million in cash and deposits; and ¥4,579 million in real estate for sale; against decreases of ¥23 million in accounts receivable—trade; and ¥73 million in merchandise.

Noncurrent assets decreased 5.2% year on year to ¥12,189 million. This was due mainly to decreases of ¥344 million in total property, plant and equipment stemming from changes in the holding status of properties, offsetting real estate purchases; and ¥413 million in long-term loans.

<u>Liabilities</u>

Total liabilities increased 39.8% from the previous fiscal year to ¥10,735 million.

Current liabilities increased 80.2% year on year to ¥3,207 million. This was due mainly to increases of ¥145 million in income tax payable; ¥200 million in accounts payable—trade; and ¥1,004 million in short-term loans payable; against a decrease of ¥75 million in accounts payable for construction contracts.

Noncurrent liabilities increased 27.6% year on year to ¥7,527 million. This was due mainly to increases of ¥1,314 million in long-term loans payable stemming from real estate purchases; ¥112 million in long-term deferred income; and ¥150 million in deposit on contract.

Net Assets

Net assets increased 12.3% from the previous fiscal year to ¥12,282 million. This was due mainly to an increase of ¥1,346 million in retained earnings.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of fiscal 2013 (December 31, 2013) increased ¥505 million from the end of the previous fiscal year (December 31, 2012), to ¥3,590 million.

Cash flow from operating activities

Cash provided by operating activities amounted to ¥1,014 million. This was due mainly to increase factors of ¥1,369 million in net income before tax; ¥600 million in depreciation; and a ¥150 million increase in deposit on contract; against decrease factors of a ¥1,298 million increase in inventories.

Cash flow from investing activities

Cash used in investing activities amounted to ¥2,764 million. This was due mainly to decrease factors of ¥3,454 million in expenditures for acquisition of property, plant and equipment; against increase factors of ¥649 million in expenditures for acquisition of property, plant and equipment; and ¥58 million in income from collection of loans.

Cash flow from financing activities

Cash provided by financing activities amounted to ¥2,256 million. This was due mainly to increase factors of ¥2,569 million in income from long-term loans; and a ¥1,004 million increase in short-term borrowings; against decrease factors of ¥1,304 million in expenditures for repayment of long-term loans.

(Reference) Trends in cash flow indices

	FY2009 (Consolidated)	FY2010 (Non-consolidated)	FY2011 (Non-consolidated)	FY2012 (Non-consolidated)	FY2013 (Non-consolidated)
Equity ratio (%)	41.5	49.3	57.8	58.8	53.4
Equity ratio, based on market value (%)	25.5	25.0	19.5	45.4	69.3
Ratio of Interest-bearing debt to cash flow (times)	329.0	—	197.1	1,249.7	772.3
Interest coverage ratio (times)	9.7	—	18.4	3.4	5.9

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. Figures for fiscal 2009 are calculated on a consolidated basis. Figures from fiscal 2010 to fiscal 2013 are calculated on a non-consolidated basis, because the Company has no consolidated subsidiaries. Fiscal 2010 figures for ratio of interest-bearing debt to cash flow and interest coverage ratio are not presented because no non-consolidated cash flow statement was compiled that year.
2. The total market value of stocks is calculated based on the number of shares issued less treasury stock.
3. “Cash flow” refers to cash flow from operating activities.
4. “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 FY2013 and FY2014

Arealink regards the long-term, comprehensive expansion of profit to shareholders as an important management objective. Our basic policy is to maintain a stable payout ratio of 20%-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 2013, as a result of comprehensive consideration of current economic conditions, the Company's financial condition and business results for the year, Arealink plans to pay an annual dividend of ¥2.50 per share.

For fiscal 2014, in accordance with the above basic policy and earnings forecasts at the present time, Arealink plans to pay an annual dividend of ¥2.80 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) Organizational management

(i) Dependence on the Company president

Arealink's president Naomichi Hayashi has played a key role as the Company's CEO since its founding, including determining business policies and strategies.

The Company is working to strengthen human resource development and to mitigate management risk with the aim of establishing an organization structure that does not rely on any particular person. However, at present, if for whatever reason President Hayashi should become unable to execute his duties as the Company's manager, this could significantly affect the Company's business results and financial condition.

(ii) Small scale organization

Arealink is increasing its workforce to support the proactive expansion of existing businesses and entry into new businesses. However, the Company is small in scale, with an organization as of the end of December 2013 comprising nine board members (six directors and three auditors), and 98 employees.

Accordingly, if for whatever reason there should be a sudden outflow of personnel, and a lack of replacement personnel or delays in succession of business duties, this could temporarily reduce the speed of the Company's business development.

Arealink has a policy of increasing its workforce to support the Company's expansion, with consideration of the business environment. However, should Arealink be unable to secure in a timely manner the human resources necessary for business expansion, this could result in missed business opportunities, which could affect the Company's business results and finances.

5) 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.

6) 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 2013, there have been 48 cases in which contracts were terminated by the owner (lessor) prior to the conclusion of the contract period.

7) 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 2013 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.

8) 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 2013, the Company had "Hello Container" trademark license agreements with 33 companies.

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

Arealink conducts the storage business (securitization) 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 (securitization) for fiscal 2013 (ended December 2013), and their proportion of results for the entire company, are shown in the following chart.

Unit: Thousands of yen, %

	Item	FY2013
Results for the entire company	Net sales	12,256,406
	Gross profit	3,306,129
Results for the storage business (securitization)	Net sales	2,096,624
	Gross profit	828,773
Proportion	Net sales	17.1%
	Gross profit	25.1%

(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.

(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 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. We will build a structure for comprehensive support with close connections to both customers and owners.

In the Asset Division, we will hold income-generating properties carefully selected from our own perspective, 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, 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. Financial Statements
(1) Non-Consolidated Balance Sheets

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2012 (As of December 31, 2012)	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)
ASSETS		
Current assets:		
Cash and deposits	3,084,972	3,590,968
Accounts receivable — trade	155,729	131,839
Accounts receivable from completed construction contracts	50,044	28,350
Merchandise	*2 458,858	385,477
Real estate for sale	*1, *2 1,356,298	*1, *2 5,936,247
Costs on uncompleted construction contracts	180	4,792
Supplies	1,181	2,084
Prepaid expenses	276,715	253,756
Short-term loans receivable	49,473	62,139
Accounts receivable-other	10,788	12,309
Deferred tax assets	301,247	379,810
Other current assets	33,279	66,525
Allowance for doubtful accounts	(26,135)	(25,867)
Total current assets	5,752,633	10,828,435
Noncurrent assets:		
Property, plant and equipment:		
Buildings	*1, *2 7,082,481	*1, *2 5,490,291
Accumulated depreciation	(1,418,527)	(1,006,149)
Accumulated impairment loss	(83,526)	(116,444)
Buildings, net	5,580,426	4,367,698
Structures	280,713	333,115
Accumulated depreciation	(108,413)	(130,515)
Accumulated impairment loss	—	—
Structures, net	172,299	201,664
Machinery and equipment	*2 183,787	106,550
Accumulated depreciation	(53,871)	(43,186)
Accumulated impairment loss	—	(215)
Machinery and equipment, net	129,916	63,148
Vehicles	1,159	13,878
Accumulated depreciation	(1,159)	(1,738)
Vehicles, net	0	12,139
Tools, furniture and fixtures	*2 1,249,315	*2 1,323,892
Accumulated depreciation	(270,622)	(358,521)
Accumulated impairment loss	—	(21,029)
Tools, furniture and fixtures, net	978,692	944,341
Land	*1, *2 3,759,735	*1, *2 4,869,692
Lease assets	128,845	128,845
Accumulated depreciation	(28,890)	(43,771)
Lease assets, net	99,955	85,073
Construction in progress	167,000	—
Total property, plant and equipment	10,888,025	10,543,758
Intangible assets:		
Goodwill	18,473	8,032
Right of trademark	750	576
Software	83,303	57,194
Other	360	17,832
Total intangible assets	102,888	83,636

Investments and other assets:		
Investment securities	157,319	156,760
Long-term loans receivable	596,122	183,070
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,289,219	1,282,449
Long-term prepaid expenses	44,215	67,574
Membership	20,350	20,350
Guarantee deposits	750,639	775,532
Deferred tax assets	302,256	353,432
Other	19,934	18,995
Allowance for doubtful accounts	(1,310,642)	(1,296,549)
Total investments and other assets	1,869,414	1,561,616
Total noncurrent assets	12,860,328	12,189,011
Total assets	18,612,961	23,017,446

(Thousands of yen)

	End of the Fiscal Year Ended December 31, 2012 (As of December 31, 2012)	End of the Fiscal Year Ended December 31, 2013 (As of December 31, 2013)
LIABILITIES		
Current liabilities:		
Accounts payable — trade	207,144	264,730
Accounts payable for construction contracts	179,820	104,093
Short-term loans payable	—	*1 1,004,000
Current portion of long-term loans payable	*1 696,876	*1 682,615
Accounts payable-other	111,682	312,600
Accrued expenses	46,609	43,140
Income taxes payable	24,633	170,422
Advances received	483,936	561,643
Advances received on uncompleted construction	3,000	7,546
Deposits received	2,566	3,151
Unearned revenue	6,674	23,870
Lease obligations	12,625	14,056
Other	4,486	15,291
Total current liabilities	1,780,057	3,207,163
Noncurrent liabilities:		
Long-term loans payable	*1 4,730,451	*1 6,045,288
Guarantee deposited	664,362	814,784
Long-term unearned revenue	211,099	323,151
Lease obligations	105,242	91,185
Asset retirement obligations	186,387	253,585
Total noncurrent liabilities	5,897,542	7,527,996
Total liabilities	7,677,600	10,735,159
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	10,676	1,357,330
Total retained earnings	10,676	1,357,330
Treasury stock	(256,584)	(256,584)
Total shareholders' equity	10,935,034	12,281,688
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	327	598
Total valuation and translation adjustments	327	598
Total net assets	10,935,361	12,282,287
Total liabilities and net assets	18,612,961	23,017,446

(2) Non-Consolidated Statements of Income

(Thousands of yen)

	Fiscal Year Ended December 31, 2012 (January 1, 2012 to December 31, 2012)	Fiscal Year Ended December 31, 2013 (January 1, 2013 to December 31, 2013)
Net sales		
Rent operating revenue	7,842,546	7,965,002
Construction sales	1,084,199	2,096,624
Real estate sales	573,198	1,521,213
Other sales	624,544	673,564
Total net sales	10,124,488	12,256,406
Cost of Sales		
Rent operating expenses	*1 6,281,505	*1 6,290,687
Beginning goods	523,506	458,858
Cost of purchased goods	9,760	40,629
Total	533,266	499,487
Transfer to other account	*2 74,407	*2 114,010
Ending merchandise	458,858	385,477
Cost of construction sales	688,479	1,267,851
Cost of sales-real estate	451,245	1,338,357
Other cost	73,645	*8 53,381
Total cost of sales	7,494,875	8,950,277
Gross profit	2,629,613	3,306,129
Selling, general and administrative expenses		
Directors' compensations	91,300	118,784
Salaries and allowances	431,528	526,767
Other salaries	33,865	27,638
Welfare expenses	69,980	87,083
Advertising expenses	172,576	245,637
Entertainment expenses	22,795	19,833
Traveling and transportation expenses	37,577	69,877
Communication expenses	64,729	75,926
Insurance expenses	3,734	5,252
Utilities expenses	4,571	5,536
Supplies expenses	17,823	17,439
Commission fee	112,850	307,425
Compensations	105,389	98,253
Repair expenses	1,014	5,260
Taxes and dues	68,409	58,669
Depreciation	39,519	43,450
Provision of allowance for doubtful accounts	14,180	16,873
Bad debts expenses	6,792	2,374
Rents	20,884	21,329
Consulting expenses	112,511	16,101
Other	32,228	31,347
Total selling, general and administrative expenses	1,465,262	1,800,864
Operating income	1,165,350	1,505,264
Non-operating income:		
Interest income	28,836	47,049
Dividends income	133	117
Default charge income	9,982	9,091
Penalty income	6,605	32,035
Reversal of allowance for doubtful accounts	4,800	13,245

Other	10,790	12,573
Total non-operating income	61,148	114,113
Non-operating expenses:		
Interest expenses	129,337	166,127
Commission fee	8,446	5,907
Other	13,442	13,670
Total non-operating expenses	151,226	185,705
Ordinary income	1,075,272	1,433,672
Extraordinary income:		
Gain on sales of noncurrent assets	*3 9,760	*3 101,567
Gain on sales of investment securities	—	2,270
Gain on transfer of business	*4 14,128	—
Other	2,520	—
Total extraordinary income	26,409	103,837
Extraordinary loss:		
Loss on sales of noncurrent assets	*5 79	*5 828
Loss on retirement of noncurrent assets	*6 188,444	*6 28,945
Impairment loss	—	*9 55,098
Loss on transfer of business	*7 62,915	—
Additional business office tax	—	*8 80,073
Other	6,000	3,250
Total extraordinary losses	257,439	168,194
Net income before income taxes	844,242	1,369,315
Income taxes — current	6,913	152,240
Income taxes — deferred	(110,715)	(129,579)
Total income taxes	(103,802)	22,661
Net income	948,044	1,346,654

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

Fiscal 2012 (January 1, 2012 to December 31, 2012)

(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, 2011	5,568,222	5,612,719	5,612,719	(937,367)	(937,367)	(256,584)	9,986,989
Increase (decrease) during the period ended December 31, 2012							
Net income				948,044	948,044		948,044
Net changes in items excluding shareholders' equity during the period							
Total	—	—	—	948,044	948,044		948,044
Balance as of December 31, 2012	5,568,222	5,612,719	5,612,719	10,676	10,676	(256,584)	10,935,034

(Thousands of yen)

	Valuation and Conversions		
	Net Unrealized Gains on Marketable Securities	Total Valuation and Conversions	Total Net Assets
Balance as of December 31, 2011	340	340	9,987,329
Increase (decrease) during the period ended December 31, 2012			
Net income			948,044
Net changes in items excluding shareholders' equity during the period	(12)	(12)	(12)
Total	(12)	(12)	948,031
Balance as of December 31, 2012	327	327	10,935,361

Fiscal 2013 (January 1, 2013 to December 31, 2013)

(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, 2012	5,568,222	5,612,719	5,612,719	10,676	10,676	(256,584)	10,935,034
Increase (decrease) during the period ended December 31, 2013							
Net income				1,346,654	1,346,654		1,346,654
Net changes in items excluding shareholders' equity during the period							
Total	—	—	—	1,346,654	1,346,654		1,346,654
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

(Thousands of yen)

	Valuation and Conversions		
	Net Unrealized Gains on Marketable Securities	Total Valuation and Conversions	Total Net Assets
Balance as of December 31, 2012	327	327	10,935,361
Increase (decrease) during the period ended December 31, 2013			
Net income			1,346,654
Net changes in items excluding shareholders' equity during the period	271	271	271
Total	271	271	1,346,925
Balance as of December 31, 2013	598	598	12,282,287

(4) Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year Ended December 31, 2012 (January 1, 2012 to December 31, 2012)	Fiscal Year Ended December 31, 2013 (January 1, 2013 to December 31, 2013)
Cash flows from operating activities:		
Income before income taxes	844,242	1,369,315
Depreciation	640,411	600,055
Impairment loss	—	55,098
Additional business office tax	—	80,073
Interest and dividends income	(28,969)	(47,166)
Interest expenses	129,337	166,127
Loss (gain) on sales of noncurrent assets	(9,681)	(100,739)
Loss on retirement of noncurrent assets	188,444	28,945
Loss (gain) on sales of investment securities	—	(2,270)
Loss (gain) on transfer of business	48,786	—
Decrease (increase) in notes and accounts receivable — trade	(22,891)	45,583
Decrease (increase) in inventories	(1,096,326)	(1,298,710)
Decrease (increase) in consumption taxes refund receivable	(13,929)	(17,845)
Increase (decrease) in notes and accounts payable — trade	(59,525)	(18,140)
Increase (decrease) in accrued consumption taxes	(138,842)	(1,720)
Increase (decrease) in guarantee deposits received	81,133	150,422
Reversal of accumulated impairment loss on leased assets	(55,694)	—
Other, net	47,168	154,977
Subtotal	553,663	1,164,005
Interest and dividends income received	39,936	47,365
Interest expenses paid	(129,357)	(172,996)
Income taxes paid	(20,509)	(23,644)
Net cash provided by (used in) operating activities	443,731	1,014,729
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,850,910)	(3,454,756)
Proceeds from sales of property, plant and equipment	1,415,086	649,706
Payments for retirement of property, plant and equipment	(4,539)	—
Purchase of intangible assets	(33,420)	(21,017)
Purchase of investment securities	(150,000)	—
Proceeds from sales of investment securities	—	2,940
Collection of loans receivable	100,133	58,136
Proceeds from sales of stocks of subsidiaries and affiliates	13,020	—
Proceeds from transfer of business	21,361	—
Net cash provided by (used in) investing activities	(489,269)	(2,764,991)
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	—	1,004,000
Proceeds from long-term loans payable	1,788,000	2,569,310
Repayment of long-term loans payable	(1,462,643)	(1,304,424)
Repayments of lease obligations	(10,617)	(12,625)
Other, net	(3,000)	—
Net cash provided by (used in) financing activities	311,739	2,256,259
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	266,201	505,996
Cash and cash equivalents at beginning of period	2,818,770	3,084,972
Cash and cash equivalents at end of period	*1 3,084,972	*1 3,590,968

(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. Note that those finance and lease transactions exempt from passage of title for which the lease transaction commencement date is on December 31, 2008 or earlier shall be based on the accounting method equivalent to the method related to standard leasing transactions.

(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.

(Change to the presentation method)
(Statements of income)
Since the “Reversal of allowance for doubtful accounts” that was included in “Other” under “Non-operating income” in the preceding business year exceeded 10% of non-operating income, the Company has decided to list this item separately from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 15,590,000 yen presented in “Other” under “Non-operating income” in the statements of income for the preceding business year was reclassified as “Reversal of allowance for doubtful accounts” of 4,800,000 yen and “Other” of 10,790,000 yen.

(Cash flow statement)

Since the significance of the amount of the “Changes in guarantee deposits received (( ) indicates a decrease)” that was included in “Other” under “Cash flows from operating activities” in the preceding business year increased, the Company has decided to list this item separately from the current business year. In order to reflect this change to the presentation method, the Company has also reclassified the financial statements for the preceding business year.
As a result of this, the 128,301,000 yen presented in “Other” under “Cash flows from operating activities” in the cash flow statement for the preceding business year was reclassified as “Changes in guarantee deposits received (( ) indicates a decrease)” of 81,133,000 yen and “Other” of 47,168,000 yen.

(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, 2012)	Current business year (December 31, 2013)
Real estate for sale	1,152,419,000 yen	5,775,440,000 yen
Buildings	5,055,659,000 yen	3,602,498,000 yen
Land	3,600,127,000 yen	4,088,408,000 yen
Total	9,808,205,000 yen	13,466,348,000 yen

The secured obligations are as follows.

	Preceding business year (December 31, 2012)	Current business year (December 31, 2013)
Short-term borrowings	— yen	1,004,000,000 yen
Current portion of long-term borrowings	677,964,000 yen	663,703,000 yen
Long-term borrowings	4,621,089,000 yen	5,954,838,000 yen
Total	5,299,054,000 yen	7,622,541,000 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 merchandise (real estate for sale and merchandise), 43,546,000 yen has been transferred to buildings, 1,072,000 yen to machinery and equipment, 833,000 yen to tools, furniture and fixtures, and 943,993,000 yen to land.

(Current 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), 3,213,373,000 yen has been transferred to real estate for sale.

(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, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Lease operating expenses	91,272,000 yen	100,894,000 yen

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

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Lease operating expenses	69,941,000 yen	77,240,000 yen
Loss on retirement of inventory assets	— yen	30,589,000 yen
Other	4,466,000 yen	6,181,000 yen
Total	74,407,000 yen	114,010,000 yen

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

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Mainly land and buildings	— yen	72,538,000 yen
Machinery and equipment	— yen	17,533,000 yen
Vehicles and delivery equipment	— yen	23,000 yen
Tools, furniture and fixtures	9,760,000 yen	11,472,000 yen
Total	9,760,000 yen	101,567,000 yen

***4 The breakdown of the gain on transfers of businesses is as follows.**

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
	This gain is the result of the transfer of a part of the parking business.	—

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

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Machinery and equipment	— yen	828,000 yen
Tools, furniture and fixtures	79,000 yen	— yen
Total	79,000 yen	828,000 yen

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

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Buildings	23,087,000 yen	1,546,000 yen
Structures	6,442,000 yen	5,070,000 yen
Machinery, equipment and delivery equipment	147,469,000 yen	21,185,000 yen
Goodwill	7,053,000 yen	1,119,000 yen
Software	3,408,000 yen	— yen
Other	983,000 yen	24,000 yen
Total	188,444,000 yen	28,945,000 yen

***7 The content of the loss on transfers of businesses is as follows.**

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
	This loss is due to the business transfer to the device rental division of the parking business.	—

***8 Amount of additional business office tax**

The Company received a notification on February 25, 2011 from the Chiyoda Metropolitan Tax Office of the Tokyo Metropolitan Government stating its judgment that the rental storage space operated by the Company qualifies as a business office that is subject to the imposition of business office tax, and demanding corrections, etc. for the three years from the fiscal year ended December 31, 2007 to the fiscal year ended December 31, 2009.

The Company considers this correction disposition to be deeply regrettable and completely unacceptable, and thus it appealed to the Tokyo District Court to rescind the correction disposition, and claimed legitimacy for the Company, but on June 28, 2013 the verdict of the first hearing was handed down rejecting the appeal.

Regarding the point of legal composition, this verdict is an extremely ambiguous interpretation from the perspective of the principle of no taxation without law; furthermore regarding the fact-finding process as well, the court is engaging in an unreasonable fact-finding process (evaluation), which is clearly unfair, and completely unacceptable to the Company, and thus on July 11 the same year, the Company lodged an appeal by submitting a written appeal to the Tokyo High Court, but on January 9, 2014 a verdict dismissing the appeal was handed down.

The appeal verdict largely adhered to the reasons for the verdict given by the verdict of the first hearing, and is clearly unfair. In particular, the Company believes that the fact that the verdict does not refer at all to the claim of the Company regarding the interpretation of the text in the Local Tax Act is extremely unfair from the perspective of the belief that the requirements for the imposition of taxes should be made explicit. Therefore, in January the same year, the Company petitioned for the acceptance of a final appeal.

The amount of additional tax from the fiscal year ended December 31, 2007 to the fiscal year ended December 31, 2009 is 60,080,000 yen (74,136,000 yen when incidental taxes are included). In accordance with the "Handling in audits of the accounting methods and presentation related to the various taxes" (Japanese Institute of Certified Public Accountants Auditing and Assurance Practice Committee report No. 63), the Company treated this amount as expenses in the fiscal year ended December 31, 2011 under the expenses category of "loss from prior period adjustments." The estimated amount of additional taxes for the period from the fiscal year ended December 31, 2010 to the fiscal year ended December 31, 2013 is 93,292,000 yen (107,211,000 yen when incidental taxes are included), and in the fiscal year ended December 31, 2013, the Company reported expenses of 27,138,000 yen as "cost of sales" and 80,073,000 yen s "additional business office tax."

***9 Impairment losses**

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	Nishi-Shinjuku, Shinjuku-ku, Tokyo, and others	Buildings, tools, furniture and fixtures, machinery, equipment, and structures	55,098,000 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.

(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 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, 2012 to December 31, 2012)

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	1,257,630	—	—	1,257,630
Total	1,257,630	—	—	1,257,630
Treasury shares				
Common shares	30,000	—	—	30,000
Total	30,000	—	—	30,000

2. Matters regarding share warrant and own share warrant

Name of company	Breakdown	Classes of shares subject to the share warrant	Number of shares subject to the share warrant				Balance at the end of the current business year (thousand yen)
			Beginning of the current business year	Increase	Decrease	End of the current business year	
Submitting company	Share warrant as a 2004 stock option	Common shares	576	—	—	576	—
	Share warrant as a 2006 stock option	Common shares	752	—	—	752	—
Total			1,328	—	—	1,328	—

(Note) The number of shares subject to the share warrant refers to the number of shares for which rights can be exercised.

3. Matters related to dividends

(1) Dividends paid

Not applicable.

(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

Not applicable.

Current business year (From January 1, 2013 to December 31, 2013)

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	1,257,630	124,505,370	—	125,763,000
Total	1,257,630	124,505,370	—	125,763,000
Treasury shares				
Common shares	30,000	2,970,000	—	3,000,000
Total	30,000	2,970,000	—	3,000,000

(Note) The increase in the total number of issued common shares and the increase in the number of treasury shares are the result of share splits.

2. Matters regarding share warrant and own share warrant

Name of company	Breakdown	Classes of shares subject to the share warrant	Number of shares subject to the share warrant				Balance at the end of the current business year (thousand yen)
			Beginning of the current business year	Increase	Decrease	End of the current business year	
Submitting company	Share warrant as a 2004 stock option	Common shares	576	57,024	—	57,600	—
	Share warrant as a 2006 stock option	Common shares	752	74,448	—	75,200	—
Total			1,328	131,472	—	132,800	—

(Notes)

1) The number of shares subject to the share options refers to the number of shares for which rights can be exercised.
2) The increases in share warrant as a 2004 stock option and share warrant as a 2006 stock option are the result of share splits.

3. Matters regarding dividends

(1) Dividends paid

Not applicable.

(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 (million yen)	Per share dividend (yen)	Base date	Date of entry into force
March 27, 2014 ordinary general meeting of shareholders	Common shares	Retained earnings	306	2.5	December 31, 2013	March 28, 2014

(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, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Cash and deposit accounts	3,084,972,000 yen	3,590,968,000 yen
Term deposits for which the deposit term exceeds 3 months and term deposits provided as collateral	—yen	— yen
Cash and cash equivalents	3,084,972,000 yen	3,590,968,000 yen

***2 The main breakdown of the assets that were reduced due to transfers of businesses is as follows.**

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Fixed assets	6,815,000 yen	— yen
Total assets	6,815,000 yen	— yen

(In relation to securities)

1. Other securities

Preceding business year (December 31, 2012) (Unit: thousand yen)

Category	Amount reported on the balance sheet	Acquisition cost	Difference
Amount reported on the balance sheet exceeds the acquisition cost Shares	2,050	670	1,380
Sub-total	2,050	670	1,380
Amount reported on the balance sheet does not exceed the acquisition cost Shares	1,239	1,800	(561)
Sub-total	1,239	1,800	(561)
Total	3,289	2,470	819

(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: 154,030,000 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, 2013) (Unit: thousand yen)

Category	Amount reported on the balance sheet	Acquisition cost	Difference
Amount reported on the balance sheet exceeds the acquisition cost Shares	5,730	4,800	930
Sub-total	5,730	4,800	930
Amount reported on the balance sheet does not exceed the acquisition cost Shares	—	—	—
Sub-total	—	—	—
Total	5,730	4,800	930

(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.

(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	Submitting company
Date of resolution	March 26, 2004	March 30, 2006
Category and number (name) of recipients	The Company directors: 4 The Company employees:19	The Company directors: 5 The Company auditors: 3 The Company employees: 29
Classes and numbers of shares granted	Common shares: 240,000	Common shares: 200,000
Grant date	December 3, 2004	April 6, 2006
Condition for finalizing of rights	Remaining in the positions and enrolled continuously from the grant date to the rights finalizing date	Remaining in the positions and enrolled continuously from the grant date to the rights finalizing date
Applicable work period	From December 3, 2004 to March 27, 2006	From April 6, 2006 to March 31, 2008
Rights exercise period	From March 27, 2006 to March 26, 2014	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 two on July 20, 2005
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 two on July 20, 2005
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	Submitting company
Resolution date	March 26, 2004	March 30, 2006
Grant date	December 3, 2004	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)	57,600	75,200
Finalizing of rights (shares)	—	—
Exercising of rights (shares)	—	—
Expiration (shares)	—	—
Un-exercised balance (shares)	57,600	75,200

(ii) Unit price information

Name of company	Submitting company	Submitting company
Resolution date	March 26, 2004	March 30, 2006
Grant date	December 3, 2004	April 6, 2006
Rights exercise price (yen)	341	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, 2012)	Current business year (December 31, 2013)
(Deferred tax assets)		
Loss on valuation of inventory assets	195,677,000 yen	206,376,000 yen
Tax loss carried forward	1,271,310,000 yen	772,027,000 yen
Allowance for doubtful accounts	468,094,000 yen	471,782,000 yen
Impairment of fixed assets	30,119,000 yen	49,604,000 yen
Depreciation amount exceeding the limit	76,858,000 yen	83,108,000 yen
Loss on valuation of investment securities	9,612,000 yen	9,612,000 yen
Asset retirement obligations	66,428,000 yen	90,377,000 yen
Deferred revenue	77,930,000 yen	124,810,000 yen
Other	121,572,000 yen	162,984,000 yen
Deferred tax assets sub-total	2,317,605,000 yen	1,970,684,000 yen
Valuation allowance	(1,678,335,000) yen	(1,199,338,000) yen
Total deferred tax assets	639,269,000 yen	771,345,000 yen
(Deferred tax liabilities)		
Abatement costs corresponding to asset retirement obligations	(35,274,000) yen	(37,770,000) yen
Valuation difference on other securities	(491,000) yen	(331,000) yen
Total deferred tax liabilities	(35,765,000) yen	(38,102,000) yen
Net amount of deferred tax assets	603,503,000 yen	733,243,000 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, 2012)	Current business year (December 31, 2013)
Normal effective statutory tax rate	40.7%	38.0%
(Adjustment)		
Items that will never be included in losses, such as entertainment expenses, etc.	1.5%	0.9%
Inhabitant tax on per capita basis	0.8%	0.5%
Change in valuation allowance	(51.2)%	(35.0)%
Effect due to tax rate changes	(3.7)%	(2.6)%
Other	(0.5)%	(0.2)%

Burden ratio for corporation tax, etc. after the application of tax effect accounting	(12.3)%	1.7%

(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, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013)
Beginning balance	192,249,000 yen	186,387,000 yen
Increase arising from the acquisition of tangible fixed assets	8,548,000 yen	61,694,000 yen
Adjustment due to the passing of time	2,624,000 yen	7,834,000 yen
Decrease due to the performance of asset retirement obligations	(12,375,000) yen	(2,332,000) yen
Other changes (( ) indicates a decrease)	(4,660,000) yen	—yen
Ending balance	186,387,000 yen	253,585,000 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 2012 (January 1, 2012 to December 31, 2012)

(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	9,551,290	573,198	10,124,488	—	10,124,488
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	9,551,290	573,198	10,124,488	—	10,124,488
Segment Profit	1,688,591	71,326	1,759,917	(594,566)	1,165,350
Segment Assets	12,465,106	1,356,945	13,822,051	4,790,910	18,612,961
Other Items					
Depreciation	617,293	—	617,293	23,117	640,411
Increase in Property, Plant and Equipment and Intangible Assets	1,886,164	—	1,886,164	29,922	1,916,087

Notes:
1. The negative segment profit adjustment of ¥594,566 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 ¥4,790,910 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.

Fiscal 2013 (January 1, 2013 to December 31, 2013)

(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	10,735,192	1,521,213	12,256,406	—	12,256,406
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	10,735,192	1,521,213	12,256,406	—	12,256,406
Segment Profit	2,038,735	111,350	2,150,085	(644,820)	1,505,264
Segment Assets	12,044,290	5,936,247	17,980,538	5,036,908	23,017,446
Other Items					
Depreciation	574,306	—	574,306	25,748	600,055
Increase in Property, Plant and Equipment and Intangible Assets	3,529,160	—	3,529,160	20,448	3,549,609

1. The negative segment profit adjustment of ¥644,820 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 ¥5,036,908 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.

(Related information)
Preceding business year (from January 1, 2012 to December 31, 2012)

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

Of the net sales to external customers, there are no counterparties accounting for 10% or more of the net sales in the statements of income. Accordingly, we omit any statement here.

Current business year (From January 1, 2013 to December 31, 2013)

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

Of the net sales to external customers, there are no counterparties accounting for 10% or more of the net sales in the statements of income. Accordingly, we omit any statement here.

(Information regarding the impairment losses on the fixed assets in each reporting segment)
Preceding business year (from January 1, 2012 to December 31, 2012)
Not applicable.

Current business year (From January 1, 2013 to December 31, 2013)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Impairment losses	55,098	—	55,098	—	55,098

(Information regarding the amortization and unamortized balance of goodwill for each reporting segment)
Preceding business year (From January 1, 2012 to December 31, 2012)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Amortization for the period	37,721	—	37,721	—	37,721
Ending balance for the period	18,473	—	18,473	—	18,473

Current business year (From January 1, 2013 to December 31, 2013)

(Unit: thousand yen)

	Reporting segment			Adjustment	Total
	Real estate management services business	Real estate revitalization and liquidation services business	Total		
Amortization for the period	9,322	—	9,322	—	9,322
Ending balance for the period	8,032	—	8,032	—	8,032

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

(Information regarding related parties)

1. Transactions with related parties

(1) Officers and major individual shareholders (limited to the case of individuals), etc. of the company submitting financial statements

Preceding business year (From January 1, 2012 to December 31, 2012)

Type	Name of company or individual	Location	Stated capital or capital contribution (thousand yen)	Content of the business or occupation	Ratio of voting rights, etc. (%)	Relationship to the related parties	Content of the transactions	Transaction amount (thousand yen)	Account title	Ending balance (thousand yen)
Officers and major individual shareholders, etc.	Naomichi Hayashi	Shibuya-ku, Tokyo	—	Representative director of the Company	(Owned) Direct 22.7	—	Received debt guarantees (Note 2)	128,274	—	—
Companies, etc. in which officers and their close relatives hold the majority of the voting rights	Well's 21 Co. Ltd. (Note 4)	Narashino City, Chiba Prefecture	10,000	Real estate manager	—	Real estate rental, etc.	Payment of rental income, etc. such as rents, etc.	69,667 15,697	—	—

(Notes)

1) Consumption tax, etc. is not included in the transaction amount, but consumption tax, etc. is included in the ending balance.
2) These are debt guarantees that are received with respect to the Company's borrowings from financial institutions. Note that payment of guarantee charges and provision to collateral is not carried out with respect to debt guarantees.
3) The conditions of transactions and the policy for deciding the conditions of transactions, etc. Regarding business transactions, these are decided in the same way as for the conditions of general transactions.
4) The close relatives of the representative director of the Company Naomichi Hayashi directly hold 100% of the voting rights.

Current business year (From January 1, 2013 to December 31, 2013)

Type	Name of company or individual	Location	Stated capital or capital contribution (thousand yen)	Content of the business or occupation	Ratio of voting rights, etc. (%)	Relationship to the related parties	Content of the transactions	Transaction amount (thousand yen)	Account title	Ending balance (thousand yen)
Officers and major individual shareholders, etc.	Naomichi Hayashi	Shibuya-ku, Tokyo	—	Representative director of the Company	(Owned) Direct 22.9	—	Received debt guarantees (Note 2)	109,362	—	—

(Notes)

1) Consumption tax, etc. is not included in the transaction amount, but consumption tax, etc. is included in the ending balance.
2) These are debt guarantees that are received with respect to the Company's borrowings from financial institutions. Note that payment of guarantee charges and provision to collateral is not carried out with respect to debt guarantees.

2. Notes on the parent company or any significant affiliated company

(1) Parent company information

Not applicable.

(2) Condensed financial information of the significant affiliated companies

In the current business year, there are no significant affiliated companies. Accordingly, no statement is made here.

(Per share information)

	Preceding business year (From January 1, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013))
Per share amount of net assets	89.08 yen	100.05 yen
Per share amount of net profit for the period	7.72 yen	10.97 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) On July 1, 2013, the Company implemented a share split converting one common share into 100 shares. For that reason, the per share amount of net assets and the per share amount of net profit for the period are computed assuming that the said share split was carried out at the beginning of the preceding business year.
3) 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, 2012 to December 31, 2012)	Current business year (From January 1, 2013 to December 31, 2013))
Net profit for the period in the statements of income (thousand yen)	948,044	1,346,654
Net profit for the period related to common shares (thousand yen)	948,044	1,346,654
Major breakdown of the amounts that do not belong to the common stockholders (thousand yen)	—	—
Amounts that do not belong to the common stockholders (thousand yen)	—	—
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 26, 2004 ordinary general meeting of shareholders Stock options (share warrant) Common shares: 57,600 Resolution of the March 30, 2006 ordinary general meeting of shareholders Stock options (share warrant) Common shares: 75,200	

(Important subsequent events)

Preceding business year (From January 1, 2012 to December 31, 2012)

Not applicable.

Current business year (From January 1, 2013 to December 31, 2013)

Not applicable.

5. Other

Not applicable.