

**NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)**  
**NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING**  
**December 31, 2017**  
**(January 1, 2017 to September 30, 2017)**

October 27, 2017

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 2017**  
**(January 1, 2017 to September 30, 2017)**

**(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	%
FY2017 Nine-Month Period	15,350	21.3	1,689	9.3	1,751	11.6	1,162	17.8
FY2016 Nine-Month Period	12,655	(12.1)	1,546	(38.8)	1,569	(32.5)	987	(35.4)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2017 Nine-Month Period	94.76	—
FY2016 Nine-Month Period	80.41	—

Note: Arealink Co., Ltd. conducted a 1:10 consolidation of its common stock effective July 1, 2016. Figures for net income per share have been adjusted to reflect the impact of the stock consolidation as if the consolidation 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, 2017	27,158	15,969	58.8
December 31, 2016	23,791	15,283	64.2

(Reference) Shareholders' equity: September 30, 2017: 15,969 million yen      December 31, 2016: 15,238 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 2016	—	0.00	—	39.00	39.00
Fiscal 2017	—	0.00	—	—	—
Fiscal 2017 (Forecast)	—	—	—	40.00	40.00

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

### 3. Forecasts of Non-Consolidated Operating Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December, 2017)

(% 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 2017	19,447	15.0	2,354	21.6	2,320	17.8	1,416	24.0	115.45

Note: Revision to the most recently announced operating results forecast: None

#### 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, 2017: 12,576,300 shares      December 31, 2016: 12,576,300 shares
  2. Total number of treasury stock as of the period-end:  
September 30, 2017: 307,485 shares      December 31, 2016: 303,975 shares
  3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)  
FY2017 Nine-Month Period: 12,270,718 shares  
FY2016 Nine-Month Period: 12,275,618 shares

Note: Arealink Co., Ltd. conducted a 1:10 consolidation of its common stock effective July 1, 2016. Figures for average number of share during the period have been calculated assuming the stock consolidation had occurred at the beginning of the prior fiscal year.

*The quarterly financial report is not subject to the quarterly review procedures.*

#### *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, 2017 to September 30, 2017) of fiscal 2017 (ending December 31, 2017), the Japanese economy maintained a basic tone of moderate recovery, with improvement in corporate earnings, capital investment, and employment conditions. The global economy was affected by geopolitical risks such as the tensions over North Korea, but continued to recover at a moderate pace, centered on the United States with a continued firm employment environment, and the euro region driven by recovery in the manufacturing sector.

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 developed its Property Management Service business, centered on a "stock-type" (service oriented) business model, as well as its Property Revitalization & Liquidation Service business, centered on the land rights business.

For the Property Management Service business, in the mainstay self-storage business, Arealink proactively opened new locations, and maintained steady operations in terms of management operations, contributing to greater earnings. We also uncovered new customer demand by developing a new type of storage unit with accompanying land and opening new locations, strengthened our brand power through collaboration with Sanrio's popular Hello Kitty character, and took other proactive steps for business expansion. As a result, net sales in the Property Management Service segment amounted to ¥13,873 million (+18.2% from the same period of the previous fiscal year), with operating income of ¥2,226 million (+8.3%).

For the Property Revitalization & Liquidation Service business, Arealink expanded its business operations in the land rights business, which is less susceptible to real estate market conditions, proactively buying and selling land rights. As a result, net sales in the Property Revitalization & Liquidation Service business amounted to ¥1,476 million (+61.5%), with operating income of ¥382 million (+66.8%).

As a result, net sales for the third quarter cumulative period of fiscal 2017 amounted to ¥15,350 million (+21.3% from the same period of the previous fiscal year), with operating income of ¥1,689 million (+9.3%), ordinary income of ¥1,751 million (+11.6%), and net income of ¥1,162 million (+17.8%).

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

Total assets as of the end of the subject third quarter cumulative period (September 30, 2017) stood at ¥27,158 million, an increase of ¥3,366 million compared with the end of the previous fiscal year (December 31, 2016). This was due mainly to an increase of ¥2,997 million in costs on uncompleted construction contracts; and decreases of ¥422 million in real estate for sale; and ¥885 million in cash and deposits.

Total liabilities amounted to ¥11,188 million, an increase of ¥2,680 million compared with the end of the previous fiscal year. This was mainly due to an increase of ¥2,833 million in long-term loans payable; and a decrease of ¥451 million in short-term loans payable.

Total net assets amounted to ¥15,969 million, an increase of ¥686 million compared with the end of the previous fiscal year. This was due mainly to an increase of ¥684 million in retained earnings (comprised mainly of a ¥1,162 million increase from net income, and a ¥478 million decrease from dividend payments). As a result, the equity ratio was 58.8%.

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

For the full fiscal period of the fiscal year ending December 31, 2017, at this time the Company is making no changes to its results forecasts from those announced in "Notice of Revision to Results Forecast" released July 24, 2017.

Regarding dividends for the fiscal year ending December 31, 2017, based on the Company's basic policy and current earnings forecasts, Arealink is making no changes to its forecast in the previous results announcement of an annual dividend of ¥40.00 per share.

## **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, 2016 (As of December 31, 2016)	End of the Third Quarter of the Fiscal Year Ending December 31, 2017 (As of September 30, 2017)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	7,158,615	6,273,599
Accounts receivable — trade	95,455	112,525
Accounts receivable from completed construction contracts	124,057	—
Merchandise	335,501	283,230
Real estate for sale	3,561,365	3,983,624
Costs on uncompleted construction contracts	335,707	3,333,288
Costs on uncompleted construction contracts	92,875	115,357
Supplies	13,509	22,412
Other current assets	479,390	720,374
Allowance for doubtful accounts	(27,821)	(42,726)
<b>Total current assets</b>	<b>12,168,657</b>	<b>14,801,686</b>
<b>Noncurrent assets:</b>		
Property, plant and equipment:		
Buildings	5,660,158	5,910,691
Accumulated depreciation	(1,576,407)	(1,745,666)
Accumulated impairment loss	(179,717)	(167,860)
<b>Buildings, net</b>	<b>3,904,033</b>	<b>3,997,163</b>
Land	3,954,095	4,224,697
Other	3,450,383	3,930,444
Accumulated depreciation	(1,144,785)	(1,354,988)
Accumulated impairment loss	(158,990)	(153,397)
Other, net	2,146,608	2,422,057
<b>Total property, plant and equipment</b>	<b>10,004,737</b>	<b>10,643,919</b>
Intangible assets:		
Other	107,439	151,177
<b>Total intangible assets</b>	<b>107,439</b>	<b>151,177</b>
Investments and other assets:		
Other	2,814,496	2,865,387
Allowance for doubtful accounts	(1,303,675)	(1,303,795)
<b>Total investments and other assets</b>	<b>1,510,821</b>	<b>1,561,592</b>
<b>Total noncurrent assets</b>	<b>11,622,998</b>	<b>12,356,689</b>
<b>Total assets</b>	<b>23,791,656</b>	<b>27,158,375</b>

	(Thousands of yen)	
	End of the Fiscal Year Ended December 31, 2016 (As of December 31, 2016)	End of the Third Quarter of the Fiscal Year Ending December 31, 2017 (As of September 30, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable — trade	243,555	203,156
Accounts payable for construction contracts	471,248	431,331
Short-term loans payable	1,977,500	1,526,481
Current portion of bonds	50,000	107,000
Current portion of long-term loans payable	488,400	529,923
Income taxes payable	316,580	321,444
Other	1,412,083	1,307,704
Total current liabilities	4,959,368	4,427,041
<b>Noncurrent liabilities:</b>		
Bonds payable	175,000	439,500
Long-term loans payable	2,016,144	4,849,386
Asset retirement obligations	585,340	660,048
Other	772,275	812,405
Total noncurrent liabilities	3,548,760	6,761,340
<b>Total liabilities</b>	<b>8,508,128</b>	<b>11,188,381</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	5,568,222	5,568,222
Capital surplus		
Legal capital surplus	5,612,719	5,612,719
Total capital surplus	5,612,719	5,612,719
Retained earnings		
Other retained earnings		
Retained earnings brought forward	4,363,787	5,047,978
Total retained earnings	4,363,787	5,047,978
Treasury stock	(261,525)	(264,289)
Total shareholders' equity	15,283,203	15,964,631
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	2,281	6,133
Deferred gains or losses on hedges	(1,957)	(770)
Total valuation and translation adjustments	324	5,363
<b>Total net assets</b>	<b>15,283,527</b>	<b>15,969,994</b>
<b>Total liabilities and net assets</b>	<b>23,791,656</b>	<b>27,158,357</b>

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

(Thousands of yen)

	Nine-Month Period of the Fiscal Year Ended December 31, 2016 (January 1, 2016 to September 30, 2016)	Nine-Month Period of the Fiscal Year Ending December 31, 2017 (January 1, 2017 to September 30, 2017)
<b>Net sales</b>	12,655,767	15,350,116
Cost of Sales	9,052,153	11,221,120
<b>Gross profit</b>	3,603,614	4,128,995
<b>Selling, general and administrative expenses</b>	2,057,497	2,439,334
<b>Operating income</b>	1,546,116	1,689,661
<b>Non-operating income:</b>		
Interest income	8,063	6,470
Reversal of allowance for doubtful accounts	80	71
Default charge income	1,159	1,023
Compensation for transfer	49,161	88,886
Other	12,125	26,760
Total non-operating income	70,591	123,211
<b>Non-operating expenses:</b>		
Interest expenses	26,320	42,213
Interest on bonds	187	797
Bond issuance cost	4,195	9,182
Foreign exchange losses	6,417	2,237
Other	10,471	7,193
Total non-operating expenses	47,592	61,624
<b>Ordinary income</b>	1,569,115	1,751,248
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	12,906	27,245
Gain on transfer of business	8,662	8,662
Total extraordinary income	21,568	35,907
<b>Extraordinary loss:</b>		
Head office transfer cost	—	16,469
Loss on retirement of noncurrent assets	4,631	18,902
Loss on redemption of investment securities	2,406	—
Total extraordinary losses	7,037	35,371
<b>Net income before income taxes</b>	1,583,647	1,751,785
Income taxes — current	505,312	571,799
Income taxes — deferred	91,191	17,173
Total income taxes	596,504	588,972
<b>Net income</b>	987,142	1,162,812

**(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 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.



The nine-month of fiscal 2017 (January 1, 2017 to September 30, 2017)

(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	13,873,148	1,476,968	15,350,116	—	15,350,116
Inter-Segment Sales and Transfers	—	—	—	—	—
Total	13,873,148	1,476,968	15,350,116	—	15,350,116
Segment Profit	2,226,940	382,692	2,609,633	(919,971)	1,689,661

Notes:

1. The negative segment profit adjustment of ¥919,971 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.