

NON-CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST QUARTER OF THE FISCAL YEAR ENDING
December 31, 2017 (January 1, 2017 to March 31, 2017)

April 28, 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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Quarterly Securities Report filing date (planned): May 12, 2017

Supplemental materials prepared for quarterly financial results: No

Holding of quarterly financial results meeting: No

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Non-Consolidated Operating Results for the First Quarter of Fiscal 2017
(January 1, 2017 to March 31, 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 | % |
| 1Q FY2017 | 5,083 | 17.4 | 670 | 5.7 | 659 | (0.6) | 430 | 2.4 |
| 1Q FY2016 | 4,331 | (12.7) | 634 | (17.1) | 663 | (13.6) | 420 | (23.3) |

| | Net Income per Share | Net Income per Share after Dilution |
|-----------|----------------------|-------------------------------------|
| | Yen | Yen |
| 1Q FY2017 | 35.06 | — |
| 1Q FY2016 | 34.23 | — |

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

(2) Non-Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio |
|-------------------|-----------------|-----------------|----------------------------|
| | Millions of yen | Millions of yen | % |
| March 31, 2017 | 23,944 | 15,234 | 63.6 |
| December 31, 2016 | 23,791 | 15,283 | 64.2 |

(Reference) Shareholders' equity: March 31, 2017: 15,234 million yen December 31, 2016: 15,283 million yen

2. Dividends

| (Record Date) | Dividends per Share | | | | |
|------------------------|---------------------|-----------|-----------|----------|--------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2015 | — | 0.00 | — | 39.0 | 39.0 |
| Fiscal 2016 | — | — | — | — | — |
| Fiscal 2017 (Forecast) | — | 0.00 | — | 40.0 | 40.0 |

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 31, 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 |
| Interim period | 9,127 | 3.1 | 977 | (20.1) | 958 | (23.0) | 606 | (23.1) | 49.45 |
| Fiscal year ending December 31, 2017 | 19,447 | 15.0 | 2,254 | 16.5 | 2,220 | 12.8 | 1,353 | 18.5 | 110.31 |

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

Notes

- (1) Application of Special Accounting Practices in the Preparation of the Quarterly Non-Consolidated Financial Statements: No
- (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: No
 - 2) Changes of accounting principles other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:
March 31, 2017: 12,576,300 shares December 31, 2016: 12,576,300 shares
 2. Total number of treasury stock as of the period-end:
March 31, 2017: 305,405 shares December 31, 2016: 303,975 shares
 3. Average number of shares for the period (Cumulative total for the quarterly non-consolidated period)
First quarter fiscal 2017: 12,271,838 shares First quarter fiscal 2016: 12,276,300 shares

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 first quarter period (January 1, 2017 to March 31, 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 grew steadily, centered on the United States, although the global situation continues to be volatile, and the outlook remains turbid.

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 ¥4,533 million (+13.3% from the same period of the previous fiscal year), with operating income of ¥776 million (+3.5%).

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 ¥549 million (+66.1%), with operating income of ¥185 million (+77.1%).

As a result, net sales for the first quarter period of fiscal 2017 amounted to ¥5,083 million (+17.4% from the same period of the previous fiscal year), with operating income of ¥670 million (+5.7%), ordinary income of ¥659 million (-0.6%), and net income of ¥430 million (+2.4%).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter period (March 31, 2017) stood at ¥23,944 million, an increase of ¥153 million compared with the end of the previous fiscal year (December 31, 2016). This was due mainly to an increase of ¥646 million in costs on uncompleted construction contracts; against decreases of ¥382 million in cash and deposits; and ¥191 million in real estate for sale.

Total liabilities amounted to ¥8,710 million, an increase of ¥202 million compared with the end of the previous fiscal year. This was mainly due to increases of ¥115 million in accounts payable for construction contracts; ¥556 million in short-term loans payable; ¥318 million in bonds payable; and ¥367 million in long-term loans payable.

Total net assets amounted to ¥15,234 million, a decrease of ¥49 million compared with the end of the previous fiscal year. This was due mainly to a decrease of ¥48 million in retained earnings (comprised mainly of a ¥430 million increase from net income, and a ¥478 million decrease from dividend payments). As a result, the equity ratio was 63.6%.

(3) Explanation of Results Forecasts and Other Future Predictions

For the second quarter cumulative period and full fiscal year period of the fiscal year ending December 31, 2017, because performance in all businesses has been steady, results forecasts are unchanged from those announced in "Non-Consolidated Financial Report Fiscal 2016" dated February 14, 2016.

Regarding dividends for the fiscal year ending December 31, 2017, based on the Company's basic policy and current earnings forecasts, Arealink plans to pay an annual dividend of ¥40.00 per share. There are no plans for an interim dividend payment.

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 First Quarter of the Fiscal Year Ending December 31, 2017 (As of March 31, 2017) |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 7,158,615 | 6,775,909 |
| Accounts receivable — trade | 95,455 | 110,196 |
| Accounts receivable from completed construction contracts | 124,057 | — |
| Merchandise | 335,501 | 317,678 |
| Real estate for sale | 3,561,365 | 3,369,991 |
| Real estate for sale in process | 335,707 | 982,076 |
| Costs on uncompleted construction contracts | 92,875 | 85,646 |
| Supplies | 13,509 | 16,798 |
| Other current assets | 479,390 | 635,843 |
| Allowance for doubtful accounts | (27,821) | (32,199) |
| Total current assets | 12,168,657 | 12,261,942 |
| Noncurrent assets: | | |
| Property, plant and equipment: | | |
| Buildings | 5,660,158 | 5,645,793 |
| Accumulated depreciation | (1,576,407) | (1,634,418) |
| Accumulated impairment loss | (179,717) | (179,717) |
| Buildings, net | 3,904,033 | 3,840,657 |
| Land | 3,954,095 | 3,954,095 |
| Other | 3,450,383 | 3,614,066 |
| Accumulated depreciation | (1,144,785) | (1,214,275) |
| Accumulated impairment loss | (158,990) | (158,990) |
| Other, net | 2,146,608 | 2,240,800 |
| Total property, plant and equipment | 10,004,737 | 10,035,553 |
| Intangible assets: | | |
| Other | 107,439 | 111,749 |
| Total intangible assets | 107,439 | 111,749 |
| Investments and other assets: | | |
| Other | 2,814,496 | 2,839,521 |
| Allowance for doubtful accounts | (1,303,675) | (1,303,793) |
| Total investments and other assets | 1,510,821 | 1,535,728 |
| Total noncurrent assets | 11,622,998 | 11,683,032 |
| Total assets | 23,791,656 | 23,944,974 |

(Thousands of yen)

| | End of the Fiscal Year Ended December 31, 2016 (As of December 31, 2016) | End of the First Quarter of the Fiscal Year Ending December 31, 2017 (As of March 31, 2017) |
|-------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable — trade | 243,555 | 262,182 |
| Accounts payable for construction contracts | 471,248 | 586,696 |
| Short-term loans payable | 1,977,500 | 1,410,840 |
| Current portion of bonds | 50,000 | 107,000 |
| Current portion of long-term loans payable | 488,400 | 482,302 |
| Income taxes payable | 316,580 | 223,103 |
| Other | 1,412,083 | 1,375,680 |
| Total current liabilities | 4,959,368 | 4,447,804 |
| Noncurrent liabilities: | | |
| Bonds payable | 175,000 | 493,000 |
| Long-term loans payable | 2,016,144 | 2,834,015 |
| Asset retirement obligations | 585,340 | 617,525 |
| Other | 772,275 | 768,225 |
| Total noncurrent liabilities | 3,548,760 | 4,262,765 |
| Total liabilities | 8,508,128 | 8,710,570 |
| 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 | 4,363,787 | 4,315,440 |
| Total retained earnings | 4,363,787 | 4,315,440 |
| Treasury stock | (261,525) | (263,624) |
| Total shareholders' equity | 15,283,203 | 15,232,758 |
| Valuation and translation adjustments: | | |
| Valuation difference on available-for-sale securities | 2,281 | 2,327 |
| Deferred gains or losses on hedges | (1,957) | (681) |
| Total valuation and translation adjustments | 324 | 1,645 |
| Total net assets | 15,283,527 | 15,234,404 |
| Total liabilities and net assets | 23,791,656 | 23,944,974 |

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

(Thousands of yen)

| | First Quarter of the Fiscal Year Ended December 31, 2016 (January 1, 2016 to March 31, 2016) | First Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 to March 31, 2017) |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Net sales | 4,331,788 | 5,083,666 |
| Cost of Sales | 3,043,710 | 3,625,520 |
| Gross profit | 1,288,077 | 1,458,146 |
| Selling, general and administrative expenses | 653,685 | 787,335 |
| Operating income | 634,392 | 670,810 |
| Non-operating income: | | |
| Interest income | 3,587 | 2,183 |
| Reversal of allowance for doubtful accounts | 26 | 26 |
| Default charge income | 446 | 295 |
| Compensation for transfer | 41,611 | 3,865 |
| Other | 4,660 | 6,596 |
| Total non-operating income | 50,332 | 12,968 |
| Non-operating expenses: | | |
| Interest expenses | 8,112 | 13,193 |
| Interest on bonds | — | 83 |
| Bond issuance cost | 4,195 | 9,182 |
| Foreign exchange losses | 2,247 | 1,110 |
| Other | 6,770 | 474 |
| Total non-operating expenses | 21,326 | 24,044 |
| Ordinary income | 663,399 | 659,734 |
| Extraordinary income: | | |
| Gain on sales of noncurrent assets | 4,302 | 4,302 |
| Gain on transfer of business | 2,887 | 2,887 |
| Total extraordinary income | 7,189 | 7,189 |
| Extraordinary loss: | | |
| Head office transfer cost | — | 15,229 |
| Loss on retirement of noncurrent assets | 145 | 14,591 |
| Loss on redemption of investment securities | 2,406 | — |
| Total extraordinary losses | 2,551 | 29,820 |
| Net income before income taxes | 668,036 | 637,103 |
| Income taxes — current | 170,581 | 188,707 |
| Income taxes — deferred | 77,223 | 18,121 |
| Total income taxes | 247,805 | 206,828 |
| Net income | 420,231 | 430,274 |

(3) Notes Regarding the Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

1) Overview of Reportable Segments

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

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

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

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

(Thousands of yen)

| | Reportable Segment | | | Adjustment amount | Amount recorded on consolidated quarterly statements of income |
|-----------------------------------|-----------------------------|-----------------------------------------------|-----------|-------------------|----------------------------------------------------------------|
| | Property Management Service | Property Revitalization & Liquidation Service | Total | | |
| Net Sales | | | | | |
| Sales to Outside Customers | 4,000,744 | 331,044 | 4,331,788 | — | 4,331,788 |
| Inter-Segment Sales and Transfers | — | — | — | — | — |
| Total | 4,000,744 | 331,044 | 4,331,788 | — | 4,331,788 |
| Segment Profit | 750,473 | 104,856 | 855,329 | (220,937) | 634,392 |

Notes:

1. The negative segment profit adjustment of ¥220,937 thousand represents corporate expenses that are not allocated to each segment. These expenses mainly relate to the Administration Division.
2. Segment profit is adjusted based on operating income recorded in the quarterly statement of income.

The first quarter of fiscal 2017 (January 1, 2017 to March 31, 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 | 4,533,898 | 549,768 | 5,083,666 | — | 5,083,666 |
| Inter-Segment Sales and Transfers | — | — | — | — | — |
| Total | 4,533,898 | 549,768 | 5,083,666 | — | 5,083,666 |
| Segment Profit | 776,433 | 185,687 | 962,120 | (291,310) | 670,810 |

Notes:

1. The negative segment profit adjustment of ¥291,310 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.