**Third Quarter Consolidated Financial Report**
**For the Nine Months Ended December 31, 2008**

January 26, 2009


Company name: **Takara Leben Co., Ltd.**

Shares listed on: First Section, Tokyo Stock Exchange
Security code: 8897
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## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2008 (April 1–December 31, 2008)

### (1) Operating Results

(¥ millions, rounded down; percentage figures represent year-on-year change)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| Nine months ended December 31, 2008 | **41,902** | — | **1,892** | — | **1,082** | — |
| Nine months ended December 31, 2007 | 42,824 | (7.0%) | 4,574 | (12.6%) | 3,789 | (21.1%) |

| | Net income | | Net income per share (¥) | Diluted net income per share (¥) |
|---|---|---|---|---|
| Nine months ended December 31, 2008 | **482** | — | **29.15** | — |
| Nine months ended December 31, 2007 | 2,096 | (24.0%) | 125.47 | 124.54 |

### (2) Financial Position

(¥ millions, rounded down)

| | Total assets | Total net assets | Equity ratio (%) | Net assets per share (¥) |
|---|---|---|---|---|
| As of December 31, 2008 | 86,178 | 19,340 | 22.4 | 1,168.05 |
| As of March 31, 2008 | 99,842 | 19,318 | 19.3 | 1,166.76 |

Note: Shareholders' equity:
As of December 31, 2008: ¥19,340 million
As of March 31, 2008: ¥19,318 million

## 2. Cash Dividends

(¥)

| | Cash dividends per share | | | | |
|---|---|---|---|---|---|
| | First quarter | Second quarter | Third quarter | Fourth quarter | Annual |
| Year ended March 31, 2008 | — | 12.00 | — | 12.00 | 24.00 |
| Year ending March 31, 2009 | — | 12.00 | — | — | — |
| Year ending March 31, 2009 (forecast) | — | — | — | 3.00 | 15.00 |

Note: Changes to dividends forecast for the nine months under review: Yes

## 3. Forecast for Fiscal Year Ending March 31, 2009

(¥ millions, rounded down; percentage figures represent year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| Full-year | 58,320 | (10.0%) | 2,340 | (67.8%) | 1,230 | (80.2%) | 400 | (88.6%) | 24.16 |

Note: Changes to consolidated forecast for the nine months under review: Yes

## 4. Other

(1) Changes in the status of material subsidiaries during period (changes in the scope of consolidation as a result of changes in the status of specific subsidiaries): None
(2) Use of simplified accounting method or special accounting method for quarterly financial reporting: Yes
(For details, see "4. Other" section on page 6.)
(3) Changes to consolidated financial statement principles, preparation processes, disclosure methods, etc. (Description of changes to important items fundamental to financial statement preparation)
a. Changes accompanying amendment of accounting principles: Yes
b. Other changes: None
(For details, see "4. Other" section on page 6.)
(4) Number of outstanding shares at term-end (common stock)
a. Shares outstanding (including treasury stock)
As of December 31, 2008: 17,540,333 shares
As of March 31, 2008: 17,540,333 shares
b. Treasury stock
As of December 31, 2008: 982,672 shares
As of March 31, 2008: 982,642 shares
c. Average shares outstanding (term under review)
As of December 31, 2008: 16,557,678 shares
As of December 31, 2007: 16,705,973 shares

Explanation of proper use of performance forecasts and other matters

(1) The above forecasts are estimated based on information available at the time of the release of this report. Actual results may differ significantly from these forecasts due to various factors in the future. For more information, see "3. Consolidated Forecasts for Year Ending March 31, 2009" section on page 6.)
(2) Effective the fiscal year ending March 31, 2009, the Company applies "Accounting Standard for Quarterly Financial Reporting" (ASBJ Standard No. 12) and "Guidance of Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to "Rules for Quarterly Financial Reporting."

## Qualitative Information/Financial Statements

### 1. Qualitative Information Pertaining to Consolidated Operating Results

(1) Performance by business segment

During the first three quarters of the fiscal year ending March 31, 2009 (nine-month period ended December 31, 2008), the Takara Leben Group posted consolidated net sales of ¥41,902 million. This was principally attributable to sales from the real estate business of ¥37,422 million. In this segment, the Group sold 824 built-for-sale condominiums, as well as newly built detached houses, pre-owned condominiums and large-scale commercial facilities.

Sales from the real estate rental business totaled ¥1,017 million, owing to leasing revenue from rentals of condominiums, offices and shops.

Takara Leben's management services business sales amounted to ¥1,339 million, resulting from management of 373 blocks of residential condominiums, representing 18,964 units in total.

Sales from our other business came to ¥2,123 million, mainly from optional construction work arising from the sale of condominiums, commissions from real estate sales and our nursing care business.

(2) Overview

During the period under review, Takara Leben Co., Ltd. (the parent company) achieved net sales 28.5% below anticipated levels, with gross profit 27.6% short of projections. However, net income was 87.0% below anticipated levels, as the reduction in selling, general and administrative expenses was limited to 0.5%.

On a consolidated basis, net sales were 28.2% lower than anticipated levels, with net income down 77.4%.

Takara Leben subsidiaries maintained stable sales in accordance with forecasts from nursing care and management services, with sales from real estate sales increasing 24.5%, which represented substantial growth compared to projections.

(3) Contract ratio

During the period, the number of contracts concluded for built-to-sale condominiums, including ones that had already been delivered, totaled 1,384 units. As the table below indicates, although this figure represents 82.9% of the originally anticipated full-year contract ratio, it is 4.3% ahead of revised forecasts. Furthermore, the contract ratio for the year ending March 31, 2010 is expected to be 18.8%.

Contract Ratio against Original Forecast (Unit: Housing units)

| | Number of forecast deliveries | Number of contracts signed | Current contracted ratio (%) | Contracted ratio (same period of previous year) (%) |
|---|---|---|---|---|
| Year ending March 31, 2009 | 1,400 | 1,161 | 82.9 | 97.0 |
| Year ending March 31, 2010 | 1,400 | 223 | 15.9 | 25.6 |

Contract Ratio against Revised Forecast (Unit: Housing units)

| | Number of forecast deliveries | Number of contracts signed | Current contracted ratio (%) | Contracted ratio (same period of previous year) (%) |
|---|---|---|---|---|
| Year ending March 31, 2009 | 1,113 | 1,161 | 104.3 | 97.0 |
| Year ending March 31, 2010 | 1,186 | 223 | 18.8 | 25.6 |

Note: Figures in the above table refer only to built-for-sale condominiums.

In addition, the contract ratio for properties other than built-for-sale condominiums (such as newly built detached houses and pre-owned condominiums) was 90.8%.

## 2. Qualitative Information Pertaining to Consolidated Financial Position

(1) Assets, liabilities and net assets
As of December 31, 2008, the Takara Leben Group held total assets of ¥86,178 million, ¥13,664 million lower than at the end of the preceding fiscal year. Major contributors to this change included repayment of short-term borrowings and redemption of commercial paper.

*(Current assets)*
Current assets stood at ¥59,769 million, ¥15,820 million down from the corresponding period of the preceding fiscal year, reflecting a decrease in cash and deposits arising from repayment of short-term borrowings and redemption of commercial paper.

*(Fixed assets)*
Fixed assets increased ¥2,156 million, to ¥26,409 million, led by growth in property, plant, and equipment stemming from purchases of income-generating properties.

*(Current liabilities)*
Redemption of commercial paper led to a ¥2,319 million decrease in current liabilities, to ¥47,322 million.

*(Fixed liabilities)*
Long-term liabilities at the end of the period were down ¥11,365 million, to ¥19,516 million, driven by transfers between long-term and short-term borrowings and reduction in long-term debt arising from repayment.

*(Net assets)*
As of December 31, 2008, net assets amounted to ¥19,340 million, increasing ¥21 million from the start of the period under review.

(2) Cash flows
Cash and cash equivalents as of December 31, 2008, amounted to ¥3,294 million, down ¥9,602 million.

*(Cash flows from operating activities*)
Net cash provided by operating activities amounted to ¥5,617 million, mainly arising from reduction in inventories.

*(Cash flows from investing activities)*
Net cash used in investing activities came to ¥3,466 million, primarily attributable to an increase in tangible fixed assets fueled by purchases of income-generating properties.

*(Cash flows from financing activities)*
Net cash used in financing activities was ¥11,752 million, mainly arising from expenditures on repayment of short-term borrowings and redemption of commercial paper.

## 3. Consolidated Forecasts for Year Ending March 31, 2009

In the real estate industry, the sudden rise in condominium prices caused by profiteering and escalating construction costs has resulted significant disparities with consumer needs. However, financial uncertainty caused by the U.S. sub-prime loan crisis has spread to a global recession, which is discouraging consumption further. This situation has caused further deterioration in the Japanese real estate market and led to falling revenues arising from lower sales for Takara Leben. Moreover, profit margins have been driven down by sales price revisions. Consequently, Takara Leben has revised its anticipated net sales for the year ending March 31, 2009, to ¥58,320 million, operating income to ¥2,340 million, ordinary income to ¥1,230 million and net income to ¥400 million.

## 4. Other

(1) Changes in scope of consolidation
Not applicable

(2) Use of simplified accounting method or special accounting method for quarterly financial reporting

*a. Method of depreciating fixed assets*
The method of depreciating fixed assets to which the declining-balance method applies is based on the depreciation expense for the entire year, divided proportionally according to the reporting period.

*b. Special accounting method for quarterly financial reporting*
Not applicable

(3) Changes in accounting principles, processes, or disclosure methods for quarterly financial reporting

a. Effective the fiscal year ending March 31, 2009, the Company applies "Accounting Standard for Quarterly Financial Reporting" (ASBJ Standard No. 12) and "Guidance of Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to "Rules for Quarterly Financial Reporting."

b. Previously, inventories held for normal sales purposes were valued at cost, determined by the identified cost method. Effective the quarter under review, however, the Company has applied "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued July 5, 2006). Accordingly, such inventories are generally valued at cost, determined by the identified cost method (book values shown on Balance Sheets reduced to reflect declines in profitability).
Due to this change, operating income, ordinary income, and income before income taxes for the period each declined ¥318 million.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(¥ millions)

| ASSETS: | As of December 31, 2008 | As of March 31, 2008 |
|---|---|---|
| **Current assets:** | | |
| Cash and time deposits | 3,425 | 12,935 |
| Accounts receivable—trade | 37 | 438 |
| Marketable securities | 34 | 34 |
| Real property for sale | 14,785 | 7,004 |
| Real property for sale in progress | 35,022 | 49,265 |
| Other current assets | 6,475 | 5,921 |
| Allowance for doubtful accounts | (12) | (10) |
| **Total current assets:** | **59,769** | **75,589** |
| **Fixed assets:** | | |
| **Tangible fixed assets** | | |
| Buildings and structures—net | 5,674 | 5,292 |
| Land | 18,039 | 16,209 |
| Other—net | 415 | 118 |
| **Total tangible fixed assets** | **24,129** | **21,620** |
| **Intangible fixed assets** | **288** | **506** |
| **Investments and other assets** | | |
| Others | 2,013 | 2,141 |
| Allowance for doubtful accounts | (22) | (14) |
| **Total investments and other assets** | **1,991** | **2,126** |
| **Total fixed assets** | **26,409** | **24,253** |
| **Total assets** | **86,178** | **99,842** |
| | | |
| **Liabilities:** | | |
| **Current liabilities:** | | |
| Accounts payable—trade | 9,956 | 9,151 |
| Short-term debt | 10,101 | 11,886 |
| Long-term debt redeemable within one year | 23,458 | 19,931 |
| Income taxes payable | 106 | 1,522 |
| Allowance for completed project indemnities | 148 | 285 |
| Other current liabilities | 3,551 | 6,863 |
| **Total current liabilities** | **47,322** | **49,641** |
| **Fixed liabilities:** | | |
| Long-term debt | 18,506 | 29,607 |
| Allowance for completed project indemnities | 163 | 150 |
| Other current liabilities | 846 | 1,124 |
| **Total fixed liabilities** | **19,516** | **30,882** |
| **Total liabilities** | **66,838** | **80,524** |

(¥ millions)

| | As of December 31, 2008 | As of March 31, 2008 |
|---|---|---|
| **Net assets** | | |
| **Shareholders' equity** | | |
| Common stock | 2,442 | 2,442 |
| Additional paid-in capital | 2,572 | 2,572 |
| Retained earnings | 15,634 | 15,549 |
| Treasury stock | (1,295) | (1,294) |
| Total shareholders' equity | 19,355 | 19,269 |
| **Valuation translation adjustment and others** | | |
| Net unrealized gain/losses on other securities | (14) | 48 |
| Total valuation translation adjustment and others | (14) | 48 |
| Minority interests in consolidated subsidiaries | — | — |
| **Total net assets** | **19,340** | **19,318** |
| **Total liabilities and net assets** | **86,178** | **99,842** |

## (2) Consolidated Statements of Income

(¥ millions)

| | Nine months ended December 31, 2008 |
|---|---|
| **Net sales** | **41,902** |
| Cost of sales | 33,130 |
| Gross Profit | 8,772 |
| Selling, general and administrative expenses | 6,880 |
| **Operating income** | **1,892** |
| Non-operating income: | |
| Interest income | 5 |
| Dividend Income | 5 |
| Fee receivable | 47 |
| Investment return by anonymous association | 91 |
| Other income | 40 |
| **Total non-operating income** | 190 |
| Non-operating expenses: | |
| Interest expenses | 927 |
| Other non-operating expenses | 73 |
| **Total non-operating expenses** | **1,000** |
| **Ordinary income** | **1,082** |
| Extraordinary gains: | |
| Sale on investment securities | 50 |
| Reversal of reserve for directors' bonuses | 14 |
| **Total extraordinary gains** | 65 |
| Extraordinary losses: | |
| Loss on disposal of fixed assets | 1 |
| Impairment loss | 126 |
| Loss on valuation of investments in securities | 49 |
| Loss on sale of investment securities | 8 |
| **Total extraordinary losses** | **185** |
| **Income before income taxes** | **962** |
| Income taxes inhabitants tax and enterprise tax | 135 |
| Income tax adjustments | 343 |
| Total income taxes | 479 |
| Minority interests in consolidated subsidiaries | — |
| **Net income** | **482** |

(¥ millions)

| | Three months ended December 31, 2008 |
|---|---|
| **Net sales** | **17,239** |
| Cost of sales | 14,980 |
| Gross Profit | 2,258 |
| Selling, general and administrative expenses | 2,630 |
| **Operating income (loss)** | **(372)** |
| Non-operating income: | |
| Interest income | 1 |
| Dividend income | 1 |
| Fee receivable | 19 |
| Investment return by anonymous funds | 31 |
| Other income | 8 |
| **Total non-operating income** | **61** |
| Non-operating expenses: | |
| Interest expenses | 285 |
| Other non-operating expenses | 1 |
| **Total non-operating expenses** | **287** |
| **Ordinary income (loss)** | **(597)** |
| Extraordinary gains | |
| Reversal of reserve for directors' bonuses | 14 |
| **Total extraordinary gains** | **14** |
| Extraordinary losses: | |
| Loss on disposal of fixed assets | 1 |
| Impairment loss | 72 |
| **Total extraordinary losses** | **73** |
| **Income (loss) before income taxes** | **(656)** |
| Income taxes, inhabitants tax and enterprise tax | (325) |
| Income tax adjustments | 123 |
| Total income taxes | (201) |
| Minority interests in consolidated subsidiaries | (10) |
| **Net income (loss)** | **(443)** |

## (3) Consolidated Statements of Cash Flows

(¥ millions)

| | Nine Months Ended December 31, 2008 |
|---|---|
| **Cash flows from operating activities:** | |
| Income before income taxes | 962 |
| Depreciation and amortization | 258 |
| Impairment losses | 126 |
| Provision to allowance for doubtful accounts | (113) |
| Interest and dividend income | (11) |
| Amortization of goodwill | 0 |
| Gain on investment for an anonymous association | (91) |
| Loss on sales of investment securities | 8 |
| Interest expense | 927 |
| Decrease (Increase) in accounts receivable | 401 |
| Decrease (Increase) in inventories | 7,862 |
| Increase (Decrease) in accounts payable | 804 |
| Other | (2,673) |
| Subtotal | 8,462 |
| Cash receipts of interest and dividend income | 11 |
| Cash payments of interest expense | (905) |
| Income taxes paid | (1,950) |
| **Net cash used in operating activities** | **5,617** |
| **Cash flows from investing activities:** | |
| Payments for time deposits | (131) |
| Withdrawals from time deposits | 39 |
| Purchase of marketable and investment securities | (34) |
| Increase in redemption from investment securities | 34 |
| Purchase of tangible fixed assets | (3,372) |
| Purchase of intangible fixed assets | (19) |
| Sales of investment securities | 68 |
| Other | (51) |
| **Net cash used in investing activities** | **(3,466)** |
| **Cash flows from financing activities:** | |
| Increase (Decrease) in short-term debt | (1,785) |
| Increase (Decrease) in commercial paper | (2,000) |
| Proceeds from long-term debt | 5,820 |
| Repayment of long-term debt | (13,393) |
| Payment for purchase of treasury stock | (0) |
| Cash dividends paid | (393) |
| **Net cash used in financing activities** | **(11,752)** |
| **Increase (Decrease) in cash and cash equivalents** | (9,602) |
| **Cash and cash equivalents at beginning of period** | 12,896 |
| **Cash and cash equivalents at end of period** | **3,294** |

Effective the fiscal year ending March 31, 2009, the Company applies "Accounting Standard for Quarterly Financial Reporting" (ASBJ Standard No. 12) and "Guidance of Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to "Rules for Quarterly Financial Reporting."

(4) Going concern assumptions

Not applicable

(5) Segment information

Business segment reporting

Nine Months Ended December 31, 2008 (April 1, 2008, to December 31, 2008)

(¥ millions)

| | Real estate sales business | Other businesses | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|
| Net sales | | | | | |
| (1) Sales to external customers | 37,422 | 4,480 | 41,902 | — | 41,902 |
| (2) Inter-segment sales/transfers | 330 | 765 | 1,095 | (1,095) | — |
| Total | 37,752 | 5,245 | 42,998 | (1,095) | 41,902 |
| Operating income | 1,163 | 628 | 1,792 | 99 | 1,892 |

Geographical segment reporting

During the nine months ended December 31, 2008 (from April 1, 2008, to December 31, 2008), the Company had no consolidated subsidiaries or branches located in countries or regions outside of Japan. For this reason, geographical segment information is not included in this report.

Overseas sales

During the nine months ended December 31, 2008 (from April 1, 2008, to December 31, 2008), the Company did not post overseas sales. For this reason, overseas sales information is not included in this report.

(6) Major changes in shareholders' equity

Not applicable

**Financial Statements: First Nine Months of Previous Fiscal Year (Reference)**

(1) Summary of Consolidated Statements of Income
(April 1, 2007, to December 31, 2007)

(¥ millions)

| | First Nine Months (April 1–December 31, 2007) |
|---|---|
| I. Net sales | 42,824 |
| II. Cost of sales | 32,134 |
| Gross profit | 10,690 |
| III. Selling, general and administrative expenses | 6,116 |
| Operating income | 4,574 |
| IV. Non-operating income | 238 |
| V. Non-operating expenses | 1,023 |
| Ordinary income | 3,789 |
| VI. Extraordinary gains | — |
| VII. Extraordinary losses | 205 |
| Income (loss) before income taxes | 3,583 |
| Income taxes, inhabitants tax and enterprise tax | 1,558 |
| Income tax adjustments | (70) |
| Minority interests in consolidated subsidiaries | — |
| Net income (loss) | 2,096 |

(2) Summary of Consolidated Statements of Cash Flows
(April 1, 2007, to December 31, 2007)

(¥ millions)

| | First Nine Months (April 1–December 31, 2007) |
|---|---|
| **I. Cash flows from operating activities** | |
| Income before income taxes | 3,583 |
| Depreciation and amortization | 250 |
| Interest expense | 942 |
| Decrease (Increase) in accounts receivable | 135 |
| Decrease (Increase) in inventories | (7,849) |
| Increase (Decrease) in accounts payable | (1,917) |
| Other | (2,745) |
| Subtotal | (7,600) |
| Cash receipts of interest and dividend income | 24 |
| Cash payments of interest expense | (1,273) |
| Income taxes paid | (2,542) |
| **Net cash used in operating activities** | **(11,392)** |
| **II. Cash flows from investing activities** | |
| Purchase of tangible fixed assets | (8,029) |
| Other | 1,068 |
| **Net cash used in investing activities** | **(6,961)** |
| **III. Cash flows from financing activities** | |
| Increase (Decrease) in short-term debt | 6,587 |
| Proceeds from long-term debt | 18,353 |
| Repayment of long-term debt | (6,670) |
| Payment for purchase of treasury stock | (619) |
| Cash dividend paid | (364) |
| **Net cash used in financing activities** | **17,285** |
| **IV. Increase (Decrease) in cash and cash equivalents** | **(1,068)** |
| **V. Cash and cash equivalents at beginning of period** | **9,768** |
| **VI. Cash and cash equivalents at end of period** | **8,700** |

(3) Segment information

Business segment reporting

During the nine months ended December 31, 2007 (from April 1, 2007, to December 31, 2007), the real estate sales business accounted for more than 90% of the Group's total business in terms of net sales, operating income, and total assets. For this reason, business segment information is not included in this report.

Geographical segment reporting

During the nine months ended December 31, 2007 (from April 1, 2007, to December 31, 2007), the Company had no consolidated subsidiaries or branches located in countries or regions outside of Japan. For this reason, geographical segment information is not included in this report.