

# Third Quarter Consolidated Financial Report for the Nine Months Ended December 31, 2009

January 29, 2010

## Takara Leben Co., Ltd.

Shares listed on: First Section of the Tokyo Stock Exchange  
 Security code: 8897  
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Scheduled date of dividend payment commencement: —

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2009 (April 1-December 31, 2009)

### (1) Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Nine Months Ended Dec.31, 2009	41,800	(0.2)%	2,396	26.6%	1,804	66.7%	1,832	279.7%
Nine Months Ended Dec.31, 2008	41,902	—%	1,892	—%	1,082	—%	482	—%

	Net Income per Share (Yen)	Diluted Income per Share (Yen)
Nine Months Ended Dec.31, 2009	110.69	—
Nine Months Ended Dec.31, 2008	29.15	—

### (2) Financial Position

(¥ millions, rounded down)

	Total Assets	Total Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of December 31, 2009	58,068	8,236	14.2	497.42
As of March 31, 2009	71,486	6,420	9.0	387.80

<Reference> Equity at term-end: At December 31, 2009: ¥8,236 million / At March 31, 2009: ¥6,420 million

## 2. Cash Dividends

Term-end	Cash Dividends per Share (Yen)				
	1Q	2Q	3Q	Year-End	Full-Year
Year Ended March 31, 2009	—	12.00	—	0.00	12.00
Year Ending March 31, 2010	—	0.00	—		
Year Ending March 31, 2010 (Forecast)				2.00	2.00

(Note) Changes in dividend forecast for the current term: None

## 3. Forecast for Fiscal Year Ending March 31, 2010 (April 1, 2009-March 31, 2010)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Year Ending March 31, 2010	52,120	(9.6)%	2,935	—%	1,970	—%	1,800	—%	108.71

(Note) Changes in performance forecast for the current term: None

## 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 5.)
- (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: None
  - b. Other changes: None  
(For details, see “4. Other” section on page 5.)
- (4) **Number of outstanding shares at term-end (common stock)**
  - a. Shares outstanding (including treasury stock)
    - As of December 31, 2009: 17,540,333 shares
    - As of March 31, 2009: 17,540,333 shares
  - b. Treasury stock
    - As of December 31, 2009: 982,682 shares
    - As of March 31, 2009: 982,682 shares
  - c. Average shares outstanding (term under review)
    - As of December 31, 2009: 16,557,651 shares
    - As of December 31, 2008: 16,557,678 shares

### Explanation of proper use of performance forecasts and other matters

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. Qualitative Information Pertaining to Forecasted Consolidated Results” under Qualitative Information/Financial Statements on page 5.

## Qualitative Information/Financial Statements

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

#### (1) Performance by business segment

In the third quarter of fiscal year ending in March, 2010 (from April 1, 2009 to December 31, 2009), sales from real estate sales business amounted to ¥38,501 million, reflecting sales of 1,014 units of built-for-sale condominium, newly built detached housing, renovations and resale business.

In regard to the real estate rental business, sales amounted to ¥970 million, reflecting rental revenue from condominium for rent, and office/store space leasing.

In regard to the real estate management business, revenue amounted to ¥1,457 million from the management of 451 blocks of residential condominiums (22,552 units in total).

Sales from other business amounted to ¥871 million, mainly from orders for optional construction work arising from the sale of condominiums, and commissions from real estate sales agency services.

As a result of above, consolidated net sales amount in the third quarter of the current fiscal year amounted to ¥41,800 million.

#### (2) Overview

Takara Leben Co., Ltd. proper posted 80.0% full year sales gain in the third quarter of the current fiscal year because of smooth growth of built-for-sale condominium business, resale business and renovation business. Also, continued curbing in sales and general administrative expenses have contributed to an increase in net income of ¥1,637 million.

Sales gains for each company in the Group compared to forecast for the full fiscal year were 82.5% for Leben Community Co., Ltd., 78.4% for Tafuko Co., Ltd., and 82.0% for Takara Live Net Co., Ltd., with 80.2% for the Group as a whole.

#### (3) Status of Contract Ratio

In regard to the sales performance in the third quarter of the current fiscal year, 1,144 contracts, including those deliveries already concluded in the third quarter, were contracted, achieving 93.1% contract ratio for the full year compared to the projection.

#### Contracts Signed versus Delivery Forecast

	Number of Forecasted Deliveries (units)	Number of Contracts Signed (units)	Current Contracted Ratio (%)	Contracted Ratio (same period of previous year) (%)
Full-year	1,229	1,144	93.1	104.3

(Note) Above numbers indicate number of units of condominiums only.

Besides condominium business, the number of contracts concluded for detached houses business, renovations business and resale business are 324 contracts out of 373 forecasted deliveries in the full fiscal year, achieving contract ratio of 86.9%.

Contracts Signed versus Delivery Forecast: Detached Houses, Renovations, Resale

	Number of Forecasted Deliveries (units)	Number of Contracts Signed (units)	Current Contracted Ratio (%)	Contracted Ratio (same period of previous year) (%)
Full-year	373	324	86.9	—

## 2. Qualitative Information Pertaining to Consolidated Financial Position

### (1) Assets, Liabilities and Net Assets

In regard to assets, liabilities and net assets of the Group at the end of the third quarter of this consolidated fiscal year, the Group had consolidated total assets of ¥58,068 million, a decrease of ¥13,418 million since the end of the last consolidated fiscal year, due primarily to the decrease of inventories and repayment of loans.

#### (Current Assets)

Current assets declined ¥10,901 million from the end of the last fiscal year to ¥36,465 million, due primarily to decreases in inventories by strict control of new purchases and a reduction of completed unit inventories.

#### (Fixed Assets)

Fixed assets declined ¥2,517 million from the end of the previous consolidated fiscal year to ¥21,602 million, due primarily to using of business assets to purchase inventories, and a reduction in investment securities due to a refund from an investment silent partnership.

#### (Current Liabilities)

Current liabilities decreased ¥18,584 million since the end of previous consolidated fiscal year to ¥30,015 million, due primarily to repayment of loans and a decrease in accounts payable.

#### (Fixed Liabilities)

Fixed liabilities increased ¥3,349 million since the end of the previous consolidated fiscal year to ¥19,816 million, due primarily to an increase in long-term debts.

#### (Net Assets)

Total net assets increased ¥1,815 million since the end of the previous consolidated fiscal year to ¥8,236 million, as a result of a net income cumulated this third quarter.

### (2) Cash Flow Analysis

At the end of this third quarter of fiscal year, cash and cash equivalents (hereinafter referred to as 'cash') decreased by ¥253 million compared to the end of the previous year, to ¥3,479 million.

#### (Cash Flow from Operating Activities)

Net cash provided by operating activities was by ¥12,389 million. This was mainly due to a decrease in inventories.

(Cash Flow from Investing Activities)

Net cash used in investing activities was by ¥197 million. This is mainly due to purchase of tangible fixed assets.

(Cash Flow from Financing Activities)

Net cash used in financing activities was by ¥12,445 million. This is mainly due to repayment of debt.

### **3. Qualitative Information Pertaining to Forecasted Consolidated Results**

There are no changes to the forecasted consolidated results announced on October 13, 2009.

### **4. Other**

#### **(1) Changes to Important Subsidiaries within the Term (changes of specific subsidiaries that would alter the scope of consolidation)**

None.

#### **(2) Use of Simplified Accounting Method or Special Accounting Method for Quarterly Financial Reporting**

##### **1. Simplified Accounting Method**

###### **Method for Calculating Depreciation of Fixed Assets**

The method of calculating the depreciation of fixed assets to which the declining-balance method applies is based on the value of depreciation for the entire year, divided proportionally according to the reporting period.

##### **2. Use of Special Accounting Method for Quarterly Financial Reporting**

None.

#### **(3) Changes in Accounting Principles, Processes, or Disclosure Methods for Quarterly Financial Reporting**

None.

#### **(4) Key Events Pertaining to Going Concern Assumptions**

The previous fiscal year saw a net loss of ¥12,471 million for the period, along with a decrease in equity ratio and a sudden worsening of cash position.

Under those circumstances, the Group worked to improve things by actively proceeding with the “Building Project”, attempting to decrease interest-bearing debt by decreasing inventories, through early sales of completed inventory with appropriate prices for the current market, and proceed with the resale business. These efforts to rebuild the business strategy were to stabilize finances with improved efficiency and profitability. At the same time, by clarifying roles, responsibilities and authority within the Company and the Group, the mobility of the organization was also strengthened.

Through improved placement of human resources and movement of offices, business locations were eliminated and consolidated, in concentrated efforts to reduce costs for marketing and management, including compensation for board members.

As a result, during the period under review, resale and renovation property sales proceeded satisfactorily, with

price reductions for sales largely restricted, and the decrease in costs for marketing and management proceeding faster than originally expected, leading to a return to profitability with a net income of ¥1,832 million. This meant an equity ratio of 14.2%, a recovery of 5.2 points from the previous period, which greatly improves the situation that was causing doubts about going concerns assumptions.

However, the real estate industry remains in an unclear position, so although we are anticipating a significant improvement in profitability in this fiscal period, the cash position has not improved to a level where we can be too optimistic yet, and we are aware that we have not completely escaped from the crisis situation yet.

Therefore, the strategies listed above will continue to be implemented with the Group making an effort to quickly escape the difficult situation it is facing and achieve stable, healthy corporate growth.

## 5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	3,526	3,865
Notes and accounts receivable, trade	6	49
Marketable securities	—	34
Real property for sale	9,486	16,535
Real property for sale in progress	21,054	23,017
Other	2,403	3,876
Allowance for doubtful accounts	(12)	(12)
<b>Total Current Assets</b>	<b>36,465</b>	<b>47,366</b>
<b>Fixed Assets:</b>		
Tangible fixed assets		
Buildings and structures (net)	5,380	5,708
Land	15,066	16,376
Other (net)	59	287
<b>Total Tangible Fixed Assets</b>	<b>20,507</b>	<b>22,372</b>
Intangible fixed assets		
Investments and other assets		
Other	893	1,626
Allowance for doubtful accounts	(270)	(292)
<b>Total Investments and Other Assets</b>	<b>623</b>	<b>1,334</b>
<b>Total Fixed Assets</b>	<b>21,602</b>	<b>24,120</b>
<b>Total Assets</b>	<b>58,068</b>	<b>71,486</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Notes and account payable, trade	7,762	9,393
Short-term borrowings	3,819	12,147
Long-term debt due within one year	16,622	24,134
Income taxes payable	76	121
Reserve	77	170
Other	1,657	2,631
<b>Total Current Liabilities</b>	<b>30,015</b>	<b>48,599</b>
<b>Fixed Liabilities:</b>		
Long-term debts	18,911	15,516
Reserve	145	169
Other	758	779
<b>Total Fixed Liabilities</b>	<b>19,816</b>	<b>16,466</b>
<b>Total Liabilities</b>	<b>49,831</b>	<b>65,065</b>

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009
<b>NET ASSETS</b>		
<b>Shareholders' Capital:</b>		
Capital	2,442	2,442
Additional paid-in capital	2,572	2,572
Retained earnings	4,540	2,707
Treasury stock	(1,295)	(1,295)
<b>Total Shareholders' Capital</b>	<b>8,260</b>	<b>6,428</b>
<b>Valuation and Translation Adjustments:</b>		
Net unrealized holding gains on other securities	(24)	(7)
<b>Total Valuation and Translation Adjustments</b>	<b>(24)</b>	<b>(7)</b>
<b>Total Net Assets</b>	<b>8,236</b>	<b>6,420</b>
<b>Total Liabilities and Net Assets</b>	<b>58,068</b>	<b>71,486</b>



(2) Consolidated Statements of Income  
 Nine Months Ended December 31, 2009

(Millions of yen)

	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2009
<b>Net Sales</b>	<b>41,902</b>	<b>41,800</b>
<b>Cost of sales</b>	<b>33,130</b>	<b>33,902</b>
<b>Gross Profit</b>	<b>8,772</b>	<b>7,898</b>
<b>Selling, general and administrative expenses</b>	<b>6,880</b>	<b>5,501</b>
<b>Operating Income</b>	<b>1,892</b>	<b>2,396</b>
<b>Non-Operating Income:</b>		
Interest income	5	5
Dividend income	5	2
Commissions received	47	75
Investment returns from silent investment partnerships	91	110
Miscellaneous income	40	52
<b>Total Non-Operating Income</b>	<b>190</b>	<b>246</b>
<b>Non-Operating Expenses:</b>		
Interest expenses	927	822
Other	73	15
<b>Total Non-Operating Expenses</b>	<b>1,000</b>	<b>838</b>
<b>Ordinary Income</b>	<b>1,082</b>	<b>1,804</b>
<b>Extraordinary Gains:</b>		
Gain on sales of investment securities	50	1
Reversal of allowance for doubtful accounts	—	20
Reversal of reserve for directors' bonuses	14	—
Reversal of reserve for bonuses	—	29
Gain from settlement of silent investment partnership	—	232
Gain on exemption of affiliates debt	—	11
<b>Total Extraordinary Gains</b>	<b>65</b>	<b>294</b>
<b>Extraordinary Losses:</b>		
Loss on disposal of fixed assets	1	25
Loss on valuation of contribution to capital	—	2
Impairment loss	126	72
Office relocation expenses	—	8
Loss on late payment charge of affiliates	—	7
Loss on valuation of investments securities	49	—
Loss on sale of investment securities	8	—
<b>Total Extraordinary Losses</b>	<b>185</b>	<b>116</b>
<b>Net income before tax adjustments</b>	<b>962</b>	<b>1,982</b>
<b>Income taxes, inhabitant taxes and business taxes</b>	<b>135</b>	<b>153</b>
<b>Income tax refund</b>	<b>—</b>	<b>(9)</b>
<b>Income tax adjustments</b>	<b>343</b>	<b>5</b>
<b>Total income tax</b>	<b>479</b>	<b>149</b>
<b>Net income</b>	<b>482</b>	<b>1,832</b>

Three Months Ended December 31, 2009

(Millions of yen)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2009
<b>Net Sales</b>	<b>17,239</b>	<b>14,300</b>
<b>Cost of sales</b>	<b>14,980</b>	<b>11,984</b>
<b>Gross Profit</b>	<b>2,258</b>	<b>2,315</b>
<b>Selling, general and administrative expenses</b>	<b>2,630</b>	<b>1,828</b>
<b>Operating Income (Loss)</b>	<b>(372)</b>	<b>486</b>
<b>Non-Operating Income:</b>		
Interest income	1	1
Dividend income	1	0
Commissions received	19	28
Investment returns from silent investment partnerships	31	—
Miscellaneous income	8	11
<b>Total Non-Operating Income</b>	<b>61</b>	<b>42</b>
<b>Non-Operating Expenses:</b>		
Interest expenses	285	253
Other	1	4
<b>Total Non-Operating Expenses</b>	<b>287</b>	<b>257</b>
<b>Ordinary Income (Loss)</b>	<b>(597)</b>	<b>272</b>
<b>Extraordinary Gains:</b>		
Reversal of allowance for doubtful accounts	—	5
Reversal of reserve for directors' bonuses	14	—
Reversal of reserve for bonuses	—	0
Gain from settlement of silent investment partnership	—	0
<b>Total Extraordinary Gains</b>	<b>14</b>	<b>5</b>
<b>Extraordinary Losses:</b>		
Loss on disposal of fixed assets	1	0
Impairment loss	72	43
<b>Total Extraordinary Losses</b>	<b>73</b>	<b>43</b>
<b>Net income (loss) before tax adjustments</b>	<b>(656)</b>	<b>234</b>
<b>Income taxes, inhabitant taxes and business taxes</b>	<b>(325)</b>	<b>43</b>
<b>Income tax adjustments</b>	<b>123</b>	<b>14</b>
<b>Total income tax</b>	<b>(201)</b>	<b>58</b>
<b>Minority stockholder income (loss)</b>	<b>(10)</b>	<b>—</b>
<b>Net income (loss)</b>	<b>(443)</b>	<b>176</b>

## (3) Consolidated Statements of Cash Flow

(Millions of yen)

	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2009
<b>Net Cash Provided by (used in) Operating Activities</b>		
Income before income taxes	962	1,982
Depreciation and amortization	258	277
Impairment losses	126	72
Reversal of reserve for bonuses	—	(29)
Increase (Decrease) in reserves	(113)	(66)
Interest and dividend income	(11)	(7)
Amortization of goodwill	0	—
Gain (Loss) from silent investment partnerships	(91)	(110)
Loss (Gain) on sales of investment securities and valuation	8	(1)
Interest expenses	927	(822)
Loss on disposal of fixed assets	—	25
Gain from settlement of silent investment partnership	—	(232)
Decrease (Increase) in accounts receivable	401	43
Decrease (Increase) in inventories	7,862	11,534
Increase (Decrease) in accounts payable	804	(1,570)
Other	(2,673)	619
<b>Subtotal</b>	<b>8,462</b>	<b>11,713</b>
Cash receipts of interest and dividend income	11	7
Cash payments of interest expense	(905)	871
Income taxes paid	(1,950)	(203)
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>5,617</b>	<b>12,389</b>
<b>Net Cash Provided by (used in) Investing Activities</b>		
Payments for time deposits	(131)	(14)
Withdrawals from time deposits	39	100
Purchase of marketable and investment securities	(34)	—
Proceeds of redemption from investment securities	34	34
Purchase of tangible fixed assets	(3,372)	(1,151)
Purchase of intangible fixed assets	(19)	(101)
Sales of investment securities	68	13
Repayment from silent investment partnership	—	924
Other	(51)	(3)
<b>Net Cash Provided by (used in) Investing Activities</b>	<b>(3,466)</b>	<b>(197)</b>
<b>Net Cash Provided by (used in) Financing Activities</b>		
Increase (Decrease) in short-term debt	(1,785)	(7,928)
Increase (Decrease) in commercial paper	(2,000)	—
Proceeds from long-term debt	5,820	7,776
Repayment of long-term debt	(13,393)	(12,293)
Acquisition of treasury stock	(0)	—
Cash dividends paid	(393)	(0)
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>(11,752)</b>	<b>(12,445)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(9,602)</b>	<b>(253)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>12,896</b>	<b>3,733</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>3,294</b>	<b>3,479</b>

#### (4) Notes regarding the conditions of going business

None

#### (5) Segment Information

[Performance by Business Segment]

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

(Millions of yen)

	Real estate sales business	Other business	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	37,422	4,480	41,902	—	41,902
(2) Sales and transfer-Inter-segment	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

Nine Months Ended December 31, 2009 (April 1 to December 31, 2009)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate Management business	Other business	Total	Elimination or corporate	Consolidated
Sales							
(1) Sales to outside customers	38,501	970	1,457	871	41,800	—	41,800
(2) Sales and transfer-Inter-segment	—	6	8	1,009	1,025	(1,025)	—
Total	38,501	977	1,466	1,880	42,825	(1,025)	41,800
Operating income	1,695	281	150	255	2,381	14	2,396

(Notes) 1. Method for Segmenting Businesses

Business segments are created considering the type of business involved.

2. Main Contents of Each Business Segment

Real Estate Sales: Built-for-sale condominiums, etc.

Real Estate Rentals: Renting of offices, storefronts, etc.

Real Estate Management: Management of condominiums, etc.

Other: Sales representation

3. The above values do not include taxes.

4. Previously, real estate rentals and real estate management were included in the “other” business segment, but since the importance of these segments increased, as of the first quarter of this financial reporting period they have been included in segments as “real estate sales” and “real estate management”.

(Geographical Segment Reporting)

During the period of the previous third quarter consolidated report (April 1, 2008 to December 31, 2008) and this report (April 1, 2009 to December 31, 2009), 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 period of the previous third quarter consolidated report (April 1, 2008 to December 31, 2008) and this report (April 1, 2009 to December 31, 2009), the Company did not post overseas sales. For this reason, overseas sales information is not included in this report.

**(6) Notes in the Case of Major Changes in Shareholders' Equity**

None.