

Second Quarter Consolidated Financial Report

for the Six Months Ended September 30, 2015 (Japan GAAP)

October 26, 2015

Takara Leben CO., LTD.

Shares listed on: First Section of the Tokyo Stock Exchange
 Security code: 8897
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Scheduled date for release of Quarterly Report: November 6, 2015
 Scheduled date for commencement of dividend payments: December 8, 2015
 Has the Company prepared supplementary briefing materials for the Quarter: Yes
 Has the Company held briefings concerning its quarterly financial results: Yes

1. Consolidated Operating Results for the Six Months Ended September 30, 2015 (April 1-September 30, 2015)

(Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (Year-to-Date)

(Percentage figures represent year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	26,536	41.3	1,812	152.1	1,461	499.6	875	427.4
Six months ended September 30, 2014	18,784	4.8	719	32.6	243	52.9	165	(35.5)

(Note) Comprehensive income: Six months ended September 30, 2015: ¥883million (400.7%) / Six months ended September 30, 2014: ¥176million ((30.1)%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2015	7.89	7.86
Six months ended September 30, 2014	1.46	1.45

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	110,579	30,734	27.7
As of March 31, 2015	101,738	31,189	30.6

<Reference> Shareholders' equity at end of period: September 30, 2015: ¥30,593 million / March 31, 2015: ¥31,111 million

2. Cash Dividends

	Annual Cash Dividends per Share				
	1Q	2Q	3Q	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ending March 31, 2015	-	2.00	-	4.00	6.00
Year Ending March 31, 2016	-	4.00			
Year Ending March 31, 2016 (Forecast)			-	6.00	10.00

(Note) Has the Company changed its dividend forecast for the current quarter: No

3. Consolidated Operating Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015-March 31, 2016)

(Percentage figures represent year-on-year change)

	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
Full year	93,800	21.9	13,350	44.2	12,400	45.2	8,150	42.5	73.11

(Note) Has the Company changed its consolidated forecast during this quarter: No

4. Other Matters

- (1) Changes in significant subsidiaries during the current fiscal year
(Changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly consolidated companies (--) Newly excluded companies (--)
- (2) Application of Special Accounting Treatment Made in Preparation of the Quarterly Consolidated Financial Statements: No
- (3) Changes in Accounting Policies, Changes in Accounting Estimates or Restatement
 - A. Changes in accounting policies accompanying revision of accounting standards: Yes
 - B. Changes in accounting policies other than those in (1): No
 - C. Changes in accounting estimates: No
 - D. Restatement: No
- (4) Number of shares issued (common stock)
 - a. Number of shares outstanding at the end of the period (including treasury stock)
 - b. Number of shares of treasury stock at the end of the period
 - c. Average number of shares during the period (quarter year-to-date)

a.	As of September 30, 2015:	128,000,000 shares	As of March 31, 2015:	128,000,000 shares
b.	As of September 30, 2015:	17,938,307 shares	As of March 31, 2015:	16,531,307 shares
c.	Six months ended September 30, 2015:	110,921,759 shares	Six months ended September 30, 2014:	113,700,627 shares

(Note) Explanation concerning implementation status of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed a quarterly review procedure for financial statements based on the Financial Instruments and Exchange Act.

(Note) Explanation concerning appropriate use of the projected operating results and other items to note

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business results may differ substantially due to a number of factors.

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1. Qualitative Information Pertaining to Consolidated Operating Results for the Quarter

(1) Qualitative Information Pertaining to Consolidated Operating Performance

In the first half of the fiscal year under review, the Japanese economy was considered to be on a moderate recovery trend, given steady corporate earnings and the improving employment and income environment backed by the continued series of the government's economic policies. This trend is apparent despite downward risks external factors posed to the domestic economy, such as the upheaval in the market stemming from concerns over the uncertain economic outlook in China.

In the new built-for-sale condominium market in this environment, where the Takara Leben Group operates, sales prices rose not only in central Tokyo, but also in the suburbs of Tokyo where the Group manages businesses. This price increase is largely a reflection of the decline in the number of units supplied. However, the market environment remained sound as a sustained demand for condominiums continued to be strong.

Under such circumstances, the Company will continue to promote the supply of solar-powered condominiums, and the Company will remain committed to its basic concept of 'ideal, affordable housing that anyone can buy with confidence' as well as its corporate vision of 'thinking of happiness; making happiness' and its corporate mission of 'creating together with eager minds, sincere efforts and ample talent,' and continue to work on product plans capturing the needs of the time and promote business activities focusing on its customers as its ultimate supporters.

① Performance by business segment

In the second-quarter year-to-date period of the Takara Leben Group's fiscal year ending in March 2016, sales from the real estate sales business amounted to ¥20,541 million, up 33.1% on a year-on-year basis. This reflected sales in the new built-for-sale condominium business, as well as sales in the newly-built detached housing business.

In the real estate rental business, sales totaled ¥2,107 million, up 135.1% on a year-on-year basis. This reflected sales from the rental of apartments, condominium units, and offices.

In the real estate management business, sales from the management of 39,160 units of residential condominiums were ¥1,660 million, up 14.6% on a year-on-year basis.

Sales from other businesses amounted to ¥2,226 million, up 120.9% on a year-on-year basis, mainly attributable to revenues from orders for large-scale repair work and revenue from selling electric power in the mega-solar business.

As a result, Net sales for the second-quarter year-to-date period of the current consolidated fiscal year amounted to ¥26,536 million, up 41.3% on a year-on-year basis; Operating income amounted to ¥1,812 million, up 152.1% on a year-on-year basis; Ordinary income amounted to ¥1,461 million, up 499.6% on a year-on-year basis; and Net income amounted to ¥875 million, up 427.4% on a year-on-year basis.

② Contracted ratio status

With regard to sales performance in the second-quarter year-to-date period of the current consolidated fiscal year, contracts were concluded for 1,250 units, compared with a full-year target of 1,452 units scheduled for delivery. The contract ratio was at 86.1%, showing a steady growth in the business.

(Contracts signed versus number of units forecast for New built-for-sale condominium delivery)

	Units scheduled for delivery (units)	Progress ratio of contracts signed (%)
Six months ended September 30, 2014	1,702	83.0
Six months ended September 30, 2015	1,452	86.0

(2) Qualitative Information Pertaining to Consolidated Financial Position

Assets, Liabilities and Net Assets

With regard to the assets, liabilities, and net assets of the Group at the end of the second-quarter consolidated accounting period under review, total assets were ¥110,579 million, an increase of ¥8,840 million compared with the end of the previous consolidated fiscal year. The increase mainly reflected an increase in inventory in conjunction with new purchases and purchases of business assets.

(Current Assets)

Current assets increased ¥1,457 million compared with the end of the previous consolidated fiscal year to ¥68,776 million. This mainly reflected an increase in inventory assets as a result of new purchases.

(Non-current Assets)

Non-current assets increased ¥7,369 million compared with the end of the previous consolidated fiscal year to ¥41,770 million, mainly as the result of purchases of business assets.

(Current Liabilities)

Current liabilities increased ¥530 million compared with the end of the previous consolidated fiscal year to ¥35,330 million, mainly as a result of an increase of short-term borrowings and the shift in debt maturities from long-term debt to short-term borrowings.

(Non-current Liabilities)

Non-current liabilities increased ¥8,765 million compared with the end of the previous consolidated fiscal year to ¥44,514 million, mainly due to an increase of borrowings associated with new purchases.

(Net Assets)

Total net assets decreased ¥455 million compared with the end of the previous consolidated fiscal year to ¥30,734 million. The decrease was attributed to the net assets for the second quarter was less than distribution of surplus and purchase of treasury stock.

(3) Qualitative Information Pertaining to Forecasted Consolidated Operating Results

There is no change from the projected consolidated operating results released on May 11, 2015.

2. Summary Information (Notes)

(1) Changes to Material Subsidiaries during the First-Quarter Year-to-Date Period

The Company had no pertinent matters to report.

(2) Application of Special Accounting Treatment Made in Preparation of the Quarterly Consolidated Financial Statements

The Company had no pertinent matters to report.

(3) Changes in Accounting Policies, Changes in Accounting Estimates or Restatement
(Application of the Accounting Standard for Business Combination)

The Accounting Standard for Business Combination (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Combination”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Accounting Standard for Consolidated Financial Statements”), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Divestitures”), and others have been applied from this first-quarter consolidated accounting period under review. Differences caused by changes in the company’s subsidiary holdings that continue to be under its control are recorded as capital surplus, and expenses related to acquisition are now recorded as expenses for the consolidated fiscal year in which it occurred. In addition, regarding business combination conducted after the beginning of this first-quarter consolidated accounting period under review, revisions to the purchase price allocation following determination of provisional accounting methods are now reflected in the quarterly financial statements of the consolidated fiscal quarter in which the business combination occurred. Also, the net income and other statements have been changed accordingly, and minority interest has been changed to non-controlling interest. To reflect these changes, the company has revised the financial statements for the previous second-quarter year-to-date period and the previous consolidated fiscal year.

The Accounting Standard for Business Combination and other standards are applied in accordance with the transitional provisions stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combination, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and is applied from the beginning of the first-quarter consolidated accounting period under review and onwards.

This has no effect on profit/loss.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
ASSETS		
Current assets:		
Cash and deposits	26,281	21,222
Notes and accounts receivable, trade	933	702
Real estate held for sale	4,901	3,710
Real estate held for sale in progress	30,444	38,411
Costs incurred on uncompleted contracts	244	155
Other	4,552	4,616
Allowance for doubtful accounts	(37)	(42)
Total current assets	67,319	68,776
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	6,870	7,897
Land	18,758	21,331
Other (net)	4,783	7,964
Total tangible fixed assets	30,412	37,193
Intangible fixed assets	1,627	1,579
Investments and other assets		
Other	2,368	3,018
Allowance for doubtful accounts	(6)	(21)
Total investments and other assets	2,361	2,997
Total fixed assets	34,400	41,770
Deferred assets	18	33
Total assets	101,738	110,579
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	10,023	6,249
Short-term borrowings	4,742	7,792
Current portion of long-term bonds	200	200
Current portion of long-term borrowings	10,378	13,058
Income taxes payable	1,928	489
Reserve	415	448
Other	7,111	7,093
Total current liabilities	34,800	35,330
Noncurrent liabilities		
Long-term borrowings	33,235	41,722
Reserve	29	29
Liabilities related to retirement benefits	255	290
Other	2,227	2,472
Total noncurrent liabilities	35,748	44,514
Total liabilities	70,549	79,845

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,872
Retained earnings	26,251	26,602
Treasury stock	(4,806)	(5,740)
Total shareholders' equity	31,081	30,555
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	30	38
Total accumulated other comprehensive income	30	38
Subscription rights to shares	77	140
Total net assets	31,189	30,734
Total liabilities and net assets	101,738	110,579

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Income
 Second-Quarter Year-to-Date Period

(Millions of yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015
Net sales	18,784	26,536
Cost of sales	14,073	19,980
Gross profit	4,711	6,555
Selling, general and administrative expenses	3,992	4,743
Operating income (loss)	719	1,812
Non-Operating income:		
Interest income	2	1
Dividend income	2	2
Commissions received	23	27
Income from equity method investment	—	72
Miscellaneous income	28	34
Total Non-Operating income	57	138
Non-Operating expenses:		
Interest expense	410	463
Less from equity method investment	99	—
Miscellaneous losses	22	25
Total Non-Operating expenses	532	489
Ordinary income (loss)	243	1,461
Extraordinary gains		
Gain on sale of investment securities	16	—
Gain on negative goodwill	82	—
Total extraordinary gains	98	—
Extraordinary losses		
Loss on disposal of fixed assets	0	—
Loss on valuation of investment securities	9	—
Loss on construction warranties	—	102
Total extraordinary losses	9	102
Net income (loss) before income taxes	332	1,359
Income taxes, inhabitant taxes and business taxes	107	483
Income tax adjustments	59	1
Total income and other taxes	166	484
Income (loss) before minority interests	165	875
Net income (loss)	165	875

Quarterly Consolidated Statements of Comprehensive Income
 Second -Quarter Year-to-Date Period

(Millions of yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015
Income (loss) before minority interests	165	875
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	10	8
Total other comprehensive income	10	8
Comprehensive income	176	883
(Comprising)		
Comprehensive income attributable to parent	176	883

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

The Company had no pertinent matters to report.

(Notes on A Significant Change in Shareholders' Equity)

In the Second quarter of the consolidated fiscal year under review, the Company purchased treasury stock at ¥970 million, by resolution of the meeting of the Board of Directors held on May 11, 2015.

In addition to the above, with the disposal of treasury stock through the exercise of stock options representing ¥36 million, the number and amount of treasury stock at the end of the second quarter of the fiscal year under review were ¥5,740 million, respectively.