

Second Quarter Consolidated Financial Report

for the Six Months Ended September 30, 2016 (Japan GAAP)

October 24, 2016

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 14, 2016
 Scheduled date for commencement of dividend payments: December 6, 2016
 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, 2016 (April 1-September 30, 2016)

(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, 2016	37,120	39.9	2,994	65.2	2,457	68.1	1,549	77.0
Six months ended September 30, 2015	26,536	41.3	1,812	152.1	1,461	499.6	875	427.4

(Note) Comprehensive income: Six months ended September 30, 2016: ¥1,577million (78.7%) / Six months ended September 30, 2015: ¥883million (400.7%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2016	14.18	14.10
Six months ended September 30, 2015	7.89	7.86

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	128,325	33,088	25.6
As of March 31, 2016	129,744	33,677	25.8

<Reference> Shareholders' equity at end of period: September 30, 2016: ¥32,912 million / March 31, 2016: ¥33,536 million

2. Cash Dividends

	Annual Cash Dividends per Share				
	1Q	2Q	3Q	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ending March 31, 2016	-	4.00	-	9.00	13.00
Year Ending March 31, 2017	-	5.00			
Year Ending March 31, 2017(Forecast)			-	10.00	15.00

(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, 2017 (April 1, 2016-March 31, 2017)

(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	105,000	37.7	15,000	98.3	13,900	107.2	9,000	108.9	81.77

(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, 2016:	126,000,000 shares	As of March 31, 2016:	126,000,000 shares
b.	As of September 30, 2016:	17,553,207 shares	As of March 31, 2016:	15,938,307 shares
c.	Six months ended September 30, 2016:	109,276,844 shares	Six months ended September 30, 2015:	110,921,759 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

During the first half of the fiscal year under review, the outlook for the Japanese economy remained uncertain in some areas, mainly reflecting downside risks caused by a slowdown in economic growth in emerging countries and Britain's decision to exit the EU. However, corporate earnings were on a moderate recovery trend, showing a recovery in capital spending and improved employment conditions, reflecting the effects of fiscal policies implemented by the Japanese government to break away from deflation.

Under these circumstances, in the real estate industry, in which the Company operates, the number of supplied units continues to decline year on year, showing a decrease in the contract rate due to a surge in prices. Even so, demand remains firm in central Tokyo and the suburbs of Tokyo, reflecting the effects of a decline in interest rates on home loans attributable to the Bank of Japan's negative interest rate policy.

① Performance by business segment

In the second-quarter year-to-date period of the Takara Leben Group's fiscal year ending in March 2017, sales from the real estate sales business amounted to ¥22,296 million, up 8.5% 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 ¥2,470 million, up 17.2% 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 42,497 units of residential condominiums were ¥1,814 million, up 9.2% on a year-on-year basis.

In the electric power generation business, sales totaled ¥9,194 million, up 2,043.0% on a year-on-year basis, mainly due to revenues from the sale of ten facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.

Sales from other businesses amounted to ¥1,344 million, down 25.2% 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 ¥37,120 million, up 39.9% on a year-on-year basis; Operating income amounted to ¥2,994 million, up 65.2% on a year-on-year basis; Ordinary income amounted to ¥2,457 million, up 68.1% on a year-on-year basis; and Net income amounted to ¥1,549 million, up 77.0% 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 1,269 units, compared with a full-year target of 1,600 units scheduled for delivery. The contract ratio was at 79.3%, 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)	Number of contracts signed (units)	Contracted ratio (%)	Number of contracts signed from April 1-September 30, 2016 (units)
Six months ended September 30, 2015	1,452	1,250	86.1	650
Six months ended September 30, 2016	1,600	1,269	79.3	670

(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 first-quarter consolidated accounting period under review, total assets were ¥128,325 million, an decrease of ¥1,418 million compared with the end of the previous consolidated fiscal year. The decrease mainly reflected a decrease in cash and deposits as a result of Settlement of notes payable.

(Current Assets)

Current assets decreased ¥2,668 million compared with the end of the previous consolidated fiscal year to ¥73,085 million. This mainly reflected a decrease in cash and deposits as a result of Settlement of notes payable.

(Fixed Assets)

Fixed assets increased ¥1,228 million compared with the end of the previous consolidated fiscal year to ¥55,173 million, mainly reflected an increase in tangible fixed assets as a result of purchases of income-generating properties.

(Current Liabilities)

Current liabilities decreased ¥1,183 million compared with the end of the previous consolidated fiscal year to ¥41,676 million, mainly due to decreased notes payable.

(Fixed Liabilities)

Fixed liabilities increased ¥353 million compared with the end of the previous consolidated fiscal year, to ¥53,560 million, mainly due to an increase in borrowings in conjunction with new purchases.

(Net Assets)

Total net assets decreased ¥588 million compared with the end of the previous consolidated fiscal year, to ¥33,088 million. The decrease was attributed to the net income 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 9, 2016.

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)

In association with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32 dated June 17, 2016) from the first quarter of the consolidated fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on profits and losses for the first quarter of the consolidated fiscal year under review is minor.

(4) Additional information

(Application of implementation guidance on recoverability of deferred tax assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 dated March 28, 2016) from the first quarter of the consolidated fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets:		
Cash and deposits	28,515	19,878
Notes and accounts receivable, trade	963	881
Real estate held for sale	4,073	6,181
Real estate held for sale in progress	36,134	41,081
Costs incurred on uncompleted contracts	116	308
Other	5,987	4,774
Allowance for doubtful accounts	(38)	(20)
Total current assets	75,753	73,085
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	11,209	12,588
Land	24,750	24,353
Other (net)	13,277	12,909
Total tangible fixed assets	49,237	49,851
Intangible fixed assets	1,512	1,439
Investments and other assets		
Other	3,218	3,891
Allowance for doubtful accounts	(22)	(9)
Total investments and other assets	3,195	3,881
Total fixed assets	53,945	55,173
Deferred assets	45	67
Total assets	129,744	128,325
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	12,037	2,012
Short-term borrowings	7,412	14,228
Current portion of long-term borrowings	12,410	15,975
Income taxes payable	1,113	2,073
Reserve	628	665
Other	9,256	6,721
Total current liabilities	42,859	41,676
Noncurrent liabilities		
Long-term borrowings	50,147	50,434
Bonds payable	200	200
Reserve	32	34
Liabilities related to retirement benefits	307	346
Other	2,519	2,545
Total noncurrent liabilities	53,207	53,560
Total liabilities	96,066	95,237

(Millions of yen)

	As of March 31, 2015	As of September 30, 2016
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,943
Retained earnings	29,011	29,570
Treasury stock	(5,100)	(6,437)
Total shareholders' equity	33,548	32,895
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	(11)	17
Total accumulated other comprehensive income	(11)	17
Subscription rights to shares	140	175
Total net assets	33,677	33,088
Total liabilities and net assets	129,744	128,325

(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, 2015	Six Months Ended September 30, 2016
Net sales	26,536	37,120
Cost of sales	19,980	28,431
Gross profit	6,555	8,689
Selling, general and administrative expenses	4,743	5,694
Operating income (loss)	1,812	2,994
Non-Operating income:		
Interest income	1	1
Dividend income	2	3
Commissions received	27	34
Income from equity method investment	72	—
Miscellaneous income	34	18
Total Non-Operating income	138	58
Non-Operating expenses:		
Interest expense	463	512
Less from equity method investment	—	62
Miscellaneous losses	25	20
Total Non-Operating expenses	489	595
Ordinary income (loss)	1,461	2,457
Extraordinary losses		
Loss on construction warranties	102	—
Total extraordinary losses	102	—
Net income (loss) before income taxes	1,359	2,457
Income taxes, inhabitant taxes and business taxes	483	1,966
Income tax adjustments	1	(1,058)
Total income and other taxes	484	908
Income (loss) before minority interests	875	1,549
Net income (loss)	875	1,549

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

(Millions of yen)

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Income (loss) before minority interests	875	1,549
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	8	28
Total other comprehensive income	8	28
Comprehensive income	883	1,577
(Comprising)		
Comprehensive income attributable to parent	883	1,577

(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 ¥1,467 million, by resolution of the meeting of the Board of Directors held on May 9, 2016.

In addition to the above, with the disposal of treasury stock through the exercise of stock options representing ¥130 million, the number and amount of treasury stock at the end of the second quarter of the fiscal year under review were ¥6,437 million, respectively.