

# Third Quarter Consolidated Financial Report

## for the Nine Months Ended December 31, 2015 (Japan GAAP)

January 25, 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: February 8, 2016  
 Scheduled date for commencement of dividend payments: --  
 Has the Company prepared supplementary briefing materials for the Quarter: No  
 Has the Company held briefings concerning its quarterly financial results: No

### 1. Consolidated Operating Results for the Nine Months Ended December 31, 2015 (April 1-December 31, 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	%
Nine months ended December 31, 2015	34,452	(13.6)	1,057	(70.3)	405	(86.1)	190	(89.8)
Nine months ended December 31, 2014	39,858	4.2	3,559	0.9	2,912	(1.4)	1,864	(5.5)

(Note) Comprehensive income: Nine months ended December 31, 2015: ¥198million ((89.5)% / Nine months ended December 31, 2014: ¥1,883million((4.4)%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2015	1.72	1.72
Nine months ended December 31, 2014	16.44	16.39

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2015	114,079	29,609	25.8
As of March 31, 2015	101,738	31,189	30.6

<Reference> Shareholders' equity at end of period: December 31, 2015: ¥29,468 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)			-	9.00	13.00

(Note) Has the Company changed its dividend forecast for the current quarter: Yes

## 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	75,200	(2.3)	7,350	(20.6)	6,340	(25.8)	4,000	(30.0)	36.20

(Note) Has the Company changed its consolidated forecast during this quarter: Yes

## 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 December 31, 2015:	128,000,000 shares	As of March 31, 2015:	128,000,000 shares
b.	As of December 31, 2015:	17,938,307 shares	As of March 31, 2015:	16,531,307 shares
c.	Nine months ended December 31, 2015:	110,634,028 shares	Nine months ended December 31, 2014:	113,384,703 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

## a. Performance by business segment

In the Third-quarter year-to-date period of the Takara Leben Group's fiscal year ending in March 2015, sales from the real estate sales business amounted to ¥25,469 million, down 25.2% 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 ¥3,201 million, up 71.5% 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 39,773 units of residential condominiums were ¥2,501 million, up 14.3% on a year-on-year basis.

Sales from other businesses amounted to ¥3,280 million, up 87.1% on a year-on-year basis, mainly revenues from large-scale repair work and revenues from electric power selling in mega-solar business.

As a result, Net sales for the Third-quarter year-to-date period of the current consolidated fiscal year amounted to ¥34,452 million, down 13.6% on a year-on-year basis; Operating income amounted to ¥1,057 million, down 70.3% on a year-on-year basis; Ordinary income amounted to ¥405 million, down 86.1% on a year-on-year basis; and Net income amounted to ¥190 million, down 89.8% on a year-on-year basis;

## b. Contracted ratio status

With regard to sales performance in the third-quarter year-to-date period of the current consolidated fiscal year, contracts were concluded for 1,395 units, compared with a full-year target of 1,452 units scheduled for delivery. The contract ratio was at 96.1%, 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 (%)
Nine months ended December 30, 2014	1,702	92.4
Nine months ended December 30, 2015	1,452	96.1

## (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 third-quarter consolidated accounting period under review, total assets were ¥114,079 million, an increase of ¥12,340 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 ¥3,579 million compared with the end of the previous consolidated fiscal year to ¥70,898 million. This mainly reflected an increase in inventory assets as a result of new purchases.

(Fixed Assets)

Fixed assets increased ¥8,739 million compared with the end of the previous consolidated fiscal year to ¥43,140 million, mainly as the result of purchases of business assets.

(Current Liabilities)

Current liabilities increased ¥4,830 million compared with the end of the previous consolidated fiscal year to ¥39,630 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.

(Fixed Liabilities)

Fixed liabilities increased ¥9,090 million compared with the end of the previous consolidated fiscal year to ¥44,839 million, mainly due to an increase of borrowings associated with new purchases.

(Net Assets)

Total net assets decreased ¥1,580 million compared with the end of the previous consolidated fiscal year to ¥29,609 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 January 25, 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 third-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 December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and deposits	26,281	17,783
Notes and accounts receivable, trade	933	799
Real estate held for sale	4,901	2,962
Real estate held for sale in progress	30,444	43,056
Costs incurred on uncompleted contracts	244	542
Other	4,552	5,798
Allowance for doubtful accounts	(37)	(43)
Total current assets	67,319	70,898
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	6,870	7,805
Land	18,758	21,307
Other (net)	4,783	9,451
Total tangible fixed assets	30,412	38,564
Intangible fixed assets	1,627	1,531
Investments and other assets		
Other	2,368	3,064
Allowance for doubtful accounts	(6)	(21)
Total investments and other assets	2,361	3,043
Total fixed assets	34,400	43,140
Deferred assets	18	40
Total assets	101,738	114,079
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable, trade	10,023	4,411
Short-term borrowings	4,742	7,243
Bonds redeemed within one year	200	200
Current portion of long-term borrowings	10,378	17,940
Income taxes payable	1,928	94
Reserve	415	317
Other	7,111	9,422
Total current liabilities	34,800	39,630
Noncurrent liabilities		
Long-term borrowings	33,235	41,943
Reserve	29	31
Liabilities related to retirement benefits	255	298
Other	2,227	2,565
Total noncurrent liabilities	35,748	44,839
Total liabilities	70,549	84,469

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,872
Retained earnings	26,251	25,478
Treasury stock	(4,806)	(5,740)
Total shareholders' equity	31,081	29,430
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	29,609
Total liabilities and net assets	101,738	114,079

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

(Millions of yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Net sales	39,858	34,452
Cost of sales	29,901	26,236
Gross profit	9,956	8,216
Selling, general and administrative expenses	6,396	7,158
Operating income	3,559	1,057
Non-Operating income:		
Interest income	3	2
Dividend income	4	4
Commissions received	56	36
Income from equity method investment	—	34
Miscellaneous income	47	56
Total Non-Operating income	111	133
Non-Operating expenses:		
Interest expense	647	725
Miscellaneous losses	31	59
Losses from equity method investment	78	—
Total Non-Operating expenses	758	785
Ordinary income	2,912	405
Extraordinary gains		
Gain on negative goodwill	82	—
Gain on sale of investment securities	16	—
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 before income taxes	3,001	303
Income taxes, inhabitant taxes and business taxes	358	184
Income tax adjustments	777	(71)
Total income and other taxes	1,136	112
Income before minority interests	1,864	190
Net income	1,864	190

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

(Millions of yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Income before minority interests	1,864	190
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	18	7
Total other comprehensive income	18	7
Comprehensive income	1,883	198
(Comprising)		
Comprehensive income attributable to parent	1,883	198

(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 Third 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 third quarter of the fiscal year under review were ¥5,740 million, respectively.